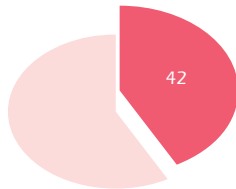


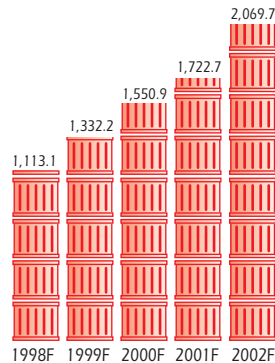


Containership Business

Consolidated Share of Total Operating Revenues (%)



Cargo Volume Carried by Containerships (in 1,000 TEU)



Review of Fiscal 2002

Fiscal 2002 started while the impact was still being felt from the September 11, 2001 terrorist attacks in U.S.A. And as a result of renewal of service contracts taking place early in the same year, we were obliged to swallow the substantial drop in freight rates in most East-West trades, particularly the Asia/North America trade.

However, cargo movement to North America grew much more than expected, attributed to the increase in shipments related to housing and strong personal consumption under the support of the U.S. Government financial policy of lower interest rates as well as the further

shift of production sites to foreign countries, like China, etc. In the Asia/Europe trade, cargo also grew steadily. Freight rates that had started to go down since the previous fiscal year finally hit bottom during the 1st half of Fiscal 2002. We succeeded several times in attempts to restore freight rates with a view to a strong demand for space.

Under the above circumstances, we have inaugurated new North America and Europe services from the beginning of Fiscal 2002 by making best use of our 13 new larger containerships, each with 5,500-teu capacity, in order to improve service quality as well as cater to strong cargo demand. Coverage of the fast growing Chinese market has been

further enhanced by significantly increasing the number of direct calls at Chinese ports.

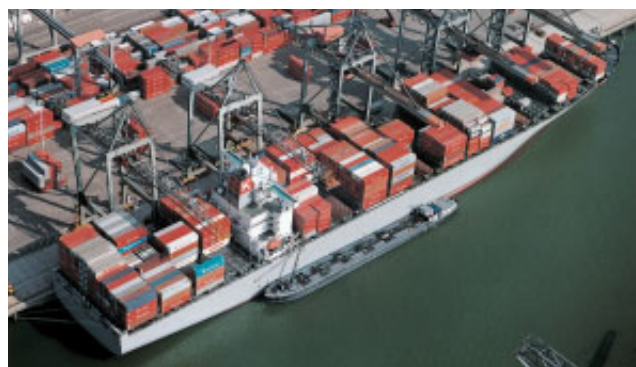
On the contrary, we carried out thorough rationalization in the Atlantic trade where little chance of recovery in supply and demand balance was observed. With an eye on Asia, we restructured the Intra-Asia services to respond to the huge shift towards China. Overall, Containership Services could earn much better revenues as compared with the previous year thanks to introduction of the 13 newbuildings despite all the negative factors, such as the fall in freight rates mainly on the North America trade, the hike in bunker-oil price, and the Lock-out as a result of a labor dispute on the U. S. West Coast. To tackle and overcome those problems, we carried out concerted efforts for curtailment of ship costs by taking advantage of our newbuildings, reduction of all operating costs and rationalization of non-profit making trades under “KV-Plan.” We could end Fiscal 2002 with operating income equivalent to that of Fiscal 2001, realizing better financial results than targeted earlier.



Prospects for Fiscal 2003 and Plans

Top-priority importance is being attached to restoring ocean freight levels to the extent that an appropriate return on investment can be realized. In terms of space supply during Fiscal 2003, we prospect a modest increase and that the supply/demand balance is likely to become tighter than in Fiscal 2002 if present brisk

cargo movements continue. This tightening situation is expected to assist us to push up freight rates.



Topics

Strengthening of China Service

We are building a seamless service network covering the fast-growing Chinese market, particularly with our East/West Trunk Lines.

We are also reinforcing all strategic bases in China in order to strengthen sales activities and improve our customer service. "K" LINE now operates a total of 11 business strongholds consisting of Shanghai, Tianjin, Dailan, Qingdao, Shenzhen, Nanjing, Ningbo, Hangzhou, Xiamen, Guangzhou and Suzhou. Chinese ports are covered with a frequency of 37 calls per week in the East/West trunk services and total of 57 calls per week in our overall services. This clearly shows how the Company's China network is fully supported and performing well. We also operate an exclusive barge service on the Yangtze River area to/from Shanghai as a part of our reinforcement of inland transportation services.



Shenzhen Branch Office

Restructuring of Service Routes and Rationalizations

In September 2001, Hanjin Shipping Co., Ltd. (Korea)/Senator Lines GmbH (Germany) joined our previous 3-line tie-up with COSCO Container Lines Ltd. (China) and Yang Ming Marine Transport Corp. (Taiwan), which resulted in our becoming the world's biggest alliance. This new cooperation has enabled the member lines to achieve further rationalization/restructuring in containership services.

In response to brisk demand for space, a cost-competitive pendulum service U.S. West Coast/Asia/Europe was started with 13 new 5,500-teu containerships. In anticipation of the shift of cargo flow to the U.S. East Coast from West Coast, we have upgraded Asia/U.S. East Coast service to 3 sailings per week with more port coverage and shorter transit time.

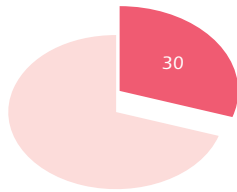
In the meantime, determined rationalization was carried out in the Atlantic service where little prospect for improvement could be seen in terms of supply/demand balance. We have managed to cut down number of sailings from 5 to 3 per week by maintaining same port coverage and high quality service.

We shall continue to exert further efforts to achieve even more rationalization by taking advantage of this alliance with the world's largest fleet and service network.

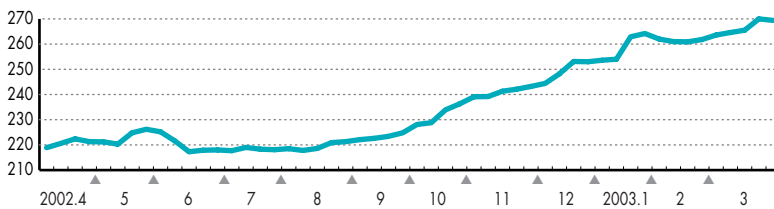


Bulk Carrier and Car Carrier Services

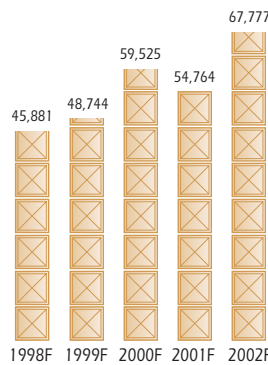
Consolidated Share of Total Operating Revenues (%)



Weekly Freight Rate Index for Bulk Carriers (1972 - average=100)



Dry-Bulk Cargo Tonnage Carried by "K" LINE (in 1,000 kilotons)



N.B. General Average Source: Maritime Research



Bulk Carrier Services

Review of Fiscal 2002

The global economy of Fiscal 2002 started with indications for a weak recovery. The markets of large/medium/small bulkers had proceeded low-key in a somewhat opaque state. Since last August, however, markets turned upward and have continued in that direction. The upward turn is attributed to 3 factors: brisk demand for iron and

steel in Asia, centering on China; increased demand for coal in Japan; and increase in market rates due to changes in the grain trade: increased need for diversification of originating countries other than Canada / Australia struck with droughts.

Under the prevailing circumstances, we dedicated ourselves to efficient deployment/operations of our entire fleet and to acquiring advantageous cargo. With continuous efforts

for building a more competitive fleet, we could attain better results than those earlier targeted.

Prospects for Fiscal 2003 and Plans

At the intermediate period of the "KV-Plan," realization of a 10-million-ton business scale is coming into sight on the horizon one year ahead of schedule.

Topics

Reinforcement of fleet and overseas development

Our fleet was reinforced with new-buildings and long-term chartered-in carriers including two Cape size bulkers, a woodchip carrier, five Panamax size bulkers and two Small Handy size bulkers.

To take control of bunker-oil

costs, we tried derivatives with a certain degree of success.

Overseas, we completed preparations in "K" Line (Europe) Ltd. in accordance with our focus on providing closely-rooted regional services by dispatching staff from Tokyo and employing local staff.



Car Carrier Services

Review of Fiscal 2002

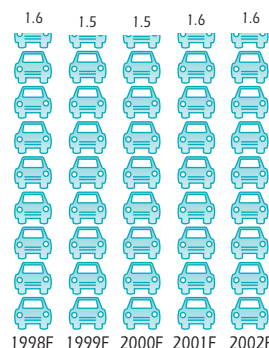
The Car Carrier Services could see better results during Fiscal 2002 than the previous fiscal year. While Japanese carmakers expanded their production overseas, vehicles transported by the Company increased steadily from Japan to Europe, U.S.A., Middle East, Australia and Asia owing to positive sales promotion in the respective markets.

As a consequence of solidly grappling with the off-Japan trade, i.e., Europe to North America and Mexico, and in the off-Japan trade out of Thailand, we also attained significantly better results than last year as in the case of our Japan-based trade.

Despite the minus factor of a hike in bunker-oil price, efforts could be carried out with success in securing every opportunity for profit through timely arrangements for short-term chartering-in, etc.



Cargo Volume Carried by Car Carriers (in 1 million units)



Prospects for Fiscal 2003 and Plans

Anxiety has been prevailing over the likelihood of a turndown in the global economy. This is expected to have an unfavorable effect on the demand for vehicles, but we are determined to be prepared and

quickly respond to any changing circumstance. We will ensure profitability by taking various measures, i.e. efficient ship operation and cost curtailment.

With a view to possibility of cargo movement being multiplied on a global basis, we are committed to positively exploiting new services,

and in that regard we are trying to strengthen functionality of every overseas strategic base such as China with its potential as a complete-car export base. In the Atlantic service, we have an intention to input additional large-sized car carriers to further increase our transport capabilities.

Topics

Challenge to better customer satisfaction

It is extremely gratifying to see our daily diligent and patient efforts being so well understood and fairly assessed by our prominent customers with regard to: 1) endeavors for realization of further reinforcement of “K” LINE’s quadripartite concept (Japan, U.S.A., Europe and Asia); 2) maintenance of ship schedules; 3) safety in ship operation and cargo handling; and 4) damage-prevention campaigns, all being challenges dedicated to increasing customer satisfaction.

As a result, “K” LINE has been honored for its global transportation service by receiving the award entitled

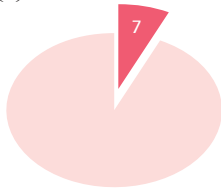
“Value Improvement Excellent in Logistics Sector” from Toyota Motor Corporation, Japan; “President’s Award” from Toyota Logistics Service, U.S.A. and “Ford’s Q1 Award” from Ford Motor Company, U.S.A.





Energy Transportation and Tanker Services

Consolidated Share of Total Operating Revenues (%)



LNG Carrier Services

Review of Fiscal 2002

The LNG trade ran on a positive and brisk note around the globe during Fiscal 2002 centering on Europe and America. “K” LINE succeeded in concluding two contracts for the RasGas II Project in off-Japan trade.

Endeavors were carried out to explore new technology, i.e.

development of marine transport of Compressed Natural Gas (CNG).

The entire 22-carrier fleet related to “K” LINE performed as well as scheduled, staying on track towards stable profit-making.



Prospects for Fiscal 2003 and Plans

It is prospected that our fleet will expand as already-concluded contracts become effective. With a view to the likelihood of positive demand for LNG carriers, we will accelerate efforts for expansion of our business scale in this field.

Topics

Fixture of two time-charter contracts for 25 years

The Company concluded two time-charter contracts each on a 25-year basis for a membrane-type LNG carrier with Ras Laffan Liquefied Natural Gas Co. Ltd II (RasGas II). Immediately thereafter, we

together with other consortium members placed an order for building the two new carriers with Samsung Heavy Industries Co., Ltd. with delivery in 2004 and 2005, respectively.

RasGas II is a 3rd company dealing in production/sales of LNG in Qatar, owned



by both Qatar Petroleum and Exxon Mobil.

The new carriers are going to be allocated to North America and Europe.

Thermal Coal Carrier Services

Review of Fiscal 2002

Company’s transported tonnage of thermal coal for electric power companies in Japan totaled a little less than 11 million tons, an increase of roughly 20% as compared with last year. This is attributed to the increased domestic demand for this

imported material. “Corona Infinity,” the 4th new 88,000 dwt coal carrier of the Corona Series, entered service in September 2002. Consequently, our fleet has now expanded to a total of 11 carriers: 3 dedicated carriers, 3 x 77,000 dwt carriers of the Corona Series, 4 x 88,000 dwt of the same series and one Panamax size carrier.



Corona Infinity

Prospects for Fiscal 2003 and Plans

We are targeting transport of thermal coal totaling more than 12 million tons on an annual basis by 2005. For realization of this target, we are going to inject 2 x 88,000 dwt of the Corona Series and 2 x Panamax size carriers into this service by spring of 2004.

Oil Tanker Services

Review of Fiscal 2002

Tanker market stayed in the doldrums during the first half of Fiscal 2002 due to slowdown of the major world economies and drop of oil production by OPEC. Under such

Prospects for Fiscal 2003 and Plans

In Fiscal 2003, the global economy is expected to still stay on track towards recovery, dependent on stabilization of the Middle East situation. Earlier stabilization will better the world economic situation, and that will encourage seaborne trade of oil.

In the meantime we are still constructing a quality fleet to meet customer satisfaction, with new

Corona Infinity, a new carrier of the Corona Series

“K” LINE has invented the Corona Series, characteristic of a wider breadth and shallower draft.

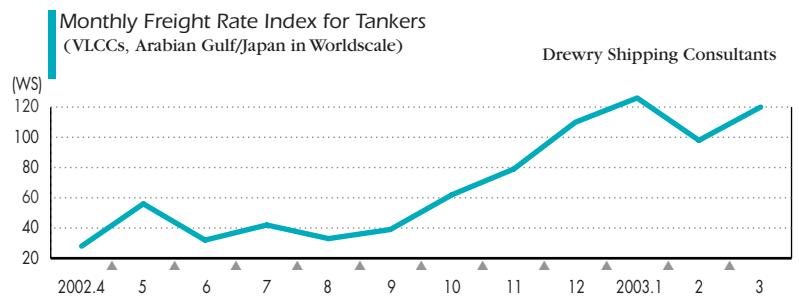
“Corona Infinity,” a new 88,000 dwt coal carrier of the Corona Series, entered services with top-priority importance being attached to safety in ship management and cargo operations. As a result, we could gain a high reputation for

safety of our fleet from our safety-minded electric power company customers. As we have practiced so far, we will satisfy every customer request by providing thorough systems of supervision on safety in cargo handling and dispatching superintendent to the fleet. In addition, we are making ongoing efforts for improvement of ship quality and education/training for overall safety.

circumstances, however, the Company made maximum endeavors to generate profit. Since last autumn, the tanker market turned sharply upward attributable to some recovery in the global economy, charterers’ stricter preference towards quality tonnage after the devastating disaster of the

“Prestige” that happened last November off the coast of Spain, jitters over the Iraqi crisis and much colder winter in the Northern hemisphere. Those factors experienced during the 2nd half could lead to an improvement in our business. In the end, we could gain good business results.

double-hulled tankers entering our fleet and making our cost-competitive fleet sustainable even in the highly volatile market.



Topics

Shift of Aframax business to Singapore and delivery of a VLGC

In January 2003, the Aframax business arm was shifted to our subsidiary company, K Line Pte. Ltd. located in Singapore with the aim of achieving regionally-rooted performance in accordance with our business expansion plans.

As for the LPG segment, one brand new VLGC (Very Large Gas Carrier) was delivered in October 2002 as scheduled. We could also obtain a new term contract for another vessel. Our LPG fleet amounted to 3 carriers, which performed under term contracts and produced stable profit.

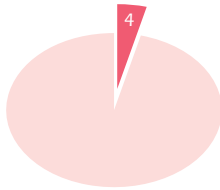


Singapore River

Short Sea/ Coastal Shipping Services

(Kawasaki Kinkai Kisen Kaisha, Ltd.)

Consolidated Share of
Total Operating Revenues
(%)



Review of Fiscal 2002

Short Sea Services:

Against the backdrop of recovery in certain Asian economies and stability of foreign currency, transport of iron and steel proceeded solidly for Southeast Asia. However, owing to the continued depressed level of some segments of the manufacturing industry in Japan, transported coal, lumber/timber and plywood, etc. for Japan diminished considerably. In addition, bunker-oil price was hiked during the 2nd half of Fiscal 2002. Overall, Fiscal 2002 continued to be a very tough year.

Coastal Services:

Tramp Business:

The lingering depression of the domestic economy caused a drop in cargo movements, especially for small-sized bulk carriers. Despite this tough situation, limestone carriers for

production of steel and cement could transport a stable amount of cargo.

Liner Business:

We were successful in increasing our transported tonnage by deploying a larger-sized roll-on/roll-off carrier and setting up a joint service with another company.

In the Kushiro/Hitachi and Hitachi-Naka/Tomakomai services, we could see an increase in demand for raw milk and general cargo due to the extremely hot summer season, etc. Eventually, we could successfully attain our earlier target.

Ferry Business:

In passenger ferry services, media commercials on the radio and our Internet-based ticket reservation system performed excellently for better results. In the meanwhile, cargo ferries succeeded with further efforts for development of new customers and cargo, resulting in our attaining

a larger amount of operating revenues than our earlier target.

The bottom line of our overall business activities during Fiscal 2002 produced better results than last year, carrying on the stable level of achievement.

Prospects for Fiscal 2003 and Plans

With a view that the tough situation will continue, we are planning on deployment of 25,000 dwt small Handy-type carriers for enlargement of business scale. Furthermore, we are planning on the consecutive construction of five 10,000 dwt box-shaped-hold type carriers as well in order to strengthen our transport capabilities for iron and steel destined to Southeast Asia and wooden goods bound for Japan.

Topics

Completion of Kamikawa Maru and start of a joint service

In October 2002, "Kamikawa Maru" was completed as a substitute for "Honshu Maru" and entered a joint service with another company combining Kushiro/Sendai/Tokyo/Nagoya/Osaka. In this new service where ports of call were

multiplied and service frequency increased, paper-in-rolls are being carried from Kushiro to many consumption sites on Honshu (the main island of Japan). We can provide customers with more accessibility and better service.



→ Logistics Business

Review of Fiscal 2002

In the “KV-Plan” started from Fiscal 2002, logistics business was given a new position as the 4th business in the Company. During the initial period, efforts were focused on reinforcement of inter-relationships among “K” LINE Group companies.

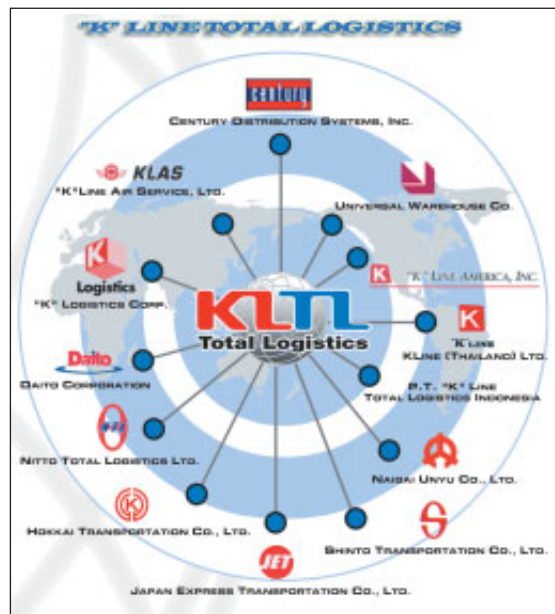
In Japan, “K” Line Air Service, Ltd. was newly placed under the capital of “K” Line Logistics Holdings, Inc.

At board meetings composed of the presidents of the 8 logistics companies, fundamental strategies for performance of logistics business by the same group companies were

discussed. We are endeavoring to provide a new type of logistics service taking advantage of maximizing synergy effects which the joint strategies are expected to create.

Overseas, “K” Line Total Logistics, LLC in North America created a combined logistics service made up of the Company’s various group companies.

In the meantime, K Line (Thailand) Ltd. succeeded in setting up “One-Stop Service.”



Prospects for Fiscal 2003 and Plans

During Fiscal 2003, we are committed to accomplishing quite a few projects at an accelerated speed: commencement of “One-Stop Service” in Indonesia, securing a central point for logistics business in China, more positive sales activities by group logistics companies in

Japan and abroad through closer partnerships.

In Indonesia, PT. “K” Line Total Logistics Indonesia (KTLL) was established in January 2003, for buyers’ consolidation and forwarding services, and PT. “K” Line Mobaru Diamond Indonesia (KMDI) was established in May 2003 for automobile-carrier-car service, with KTLL’s services to be combined into

KMDI. As a result, KTLI and KMDI combined services are expected to strengthen significantly in combination with “K” LINE’s ocean transport service.

In China, procedures of application for an international forwarding license are underway. With the same license in place, we are planning to step up efforts for positive sales work in the Chinese logistics market.

Topics

Establishment of “K” Line Total Logistics, LLC (KLTL)

“K” LINE’s group companies in the U.S. established “K” Line Total Logistics, LLC (KLTL) in Richmond, Virginia in May 2002.

The main purpose of this new company is to provide quality logistics service to customers through reinforcement of logistics business by all “K” LINE Group companies so that we are in a position to cater to their needs for Supply Chain Management centered on North America.

KLTL is also expected to perform as the very core for an increase in synergy effects created by a combination of the

Company’s logistics operations in Japan and overseas. By this token, the new company aims at producing new business value making the most of management resources and years of know-how possessed by the “K” LINE Group.

Start of “One-Stop Service” by K Line (Thailand) Ltd. (KTL)

The KTL group joined forces to start an innovative system of “One-Stop Service” from July 1, 2002.