

Contents

P24	Financial Analysis
P26	Selected Financial Data
P28	Consolidated Balance Sheets
P30	Consolidated Statements of Income and Retained Earnings
P31	Consolidated Statements of Cash Flows
P32	Notes to Consolidated Financial Statements
P42	Report of Independent Auditors

Review of Fiscal 2004

Operating revenues increased by ¥103,777 million (14.3% rise) as compared with last year to ¥828,444 million against the backdrop of favorable global cargo movement.

Despite there being some minus factors setting back achievements such as record highs in charterage and fuel-oil prices, continual efforts were made for streamlining corporate activities including cost curtailment, etc. in line with “K” LINE Vision 2008. As a result, operating income increased by ¥37,520 million (53.2% rise) against last year to ¥108,054 million. Ratio of operating income over operating revenues improved by 3.3

points against last year to 13.0 %.

Balance of financial income and expense improved by ¥1,029 million against last year to minus ¥2,517 million thanks to successful efforts for reduction of liabilities bearing interest. Although exchange loss had been posted due to the steep appreciation of Yen during last year, the exchange rate of Yen against U.S. \$ was in general rather stable and furthermore, the exchange rate of Yen against U.S.\$ at end-of-accounting period was relatively cheaper. This enabled us to post exchange gain in the amount of ¥479 million.

Further to say, the early adoption of a

new accounting standard for the impairment of fixed assets produced a ¥7,038 million loss while liquidation of subsidiaries caused a ¥3,348 million loss.

All these losses were posted in the financial statements so that in the bottom line, income before income taxes increased by ¥40,483 million (73.6% rise) to ¥95,510 million. On that basis, after income tax-related items and minority interests have been added/subtracted, net income for Fiscal 2004 grew by ¥26,657 million (80.3% rise) against last year to ¥59,853 million whereas ratio of net income over operating revenues improved by 2.7 points to 7.2%.

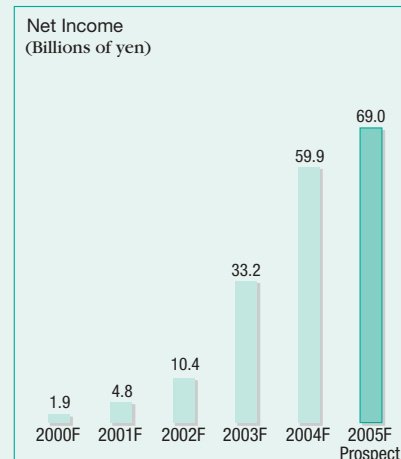
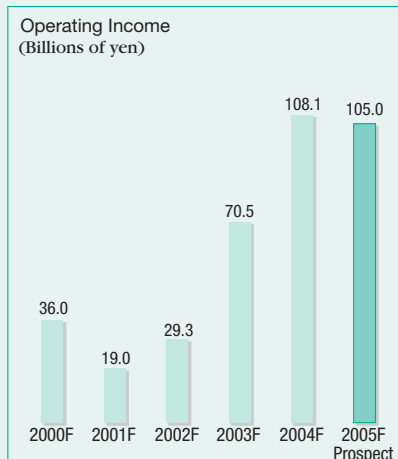
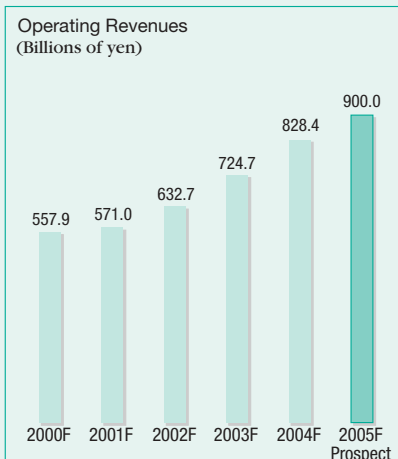
Financial Status

Total assets at end of Fiscal 2004 increased by ¥46,196 million as compared with end of last year to ¥605,331 million, main reasons being increased accounts and notes receivable-trade accompanied by expanded business scale and increased investment in securities due to rise in

market value of holding stock.

In terms of liabilities, there were the increases in accounts and notes payable-trade reflecting expansion of business scale and in accrued income taxes caused by expansion of income. However, reducing liabilities bearing interest by ¥42,562

million down to ¥239,249 million at the close of accounting, we could reduce current liabilities by ¥137 million to ¥177,949 million and could lessen long-term liabilities by ¥15,145 million to ¥236,941 million, respectively, as compared with end of last year.



With regard to shareholders' equity, retained earnings increased by ¥50,518 million (75.4% rise) and furthermore unrealized holding gain on investments in securities rose by ¥4,842 million (41.0% rise) against end of last year, attributable to the surge in stock prices. Total shareholders' equity increased by ¥60,270

million (49.8% rise) against end of last year to ¥181,276 million. As a result, equity ratio rose by 8.3 points compared with end of last year to 29.9%. This exceeded the 27.0% Fiscal 2004 target of "K" LINE Vision 2008.

Furthermore, a great deal of improvement in achievements and financial status

enabled Return on equity (ROE) to rise to 39.6%, Return on total assets (ROA) to 18.4% and Debt to equity ratio (DER) to 132%, all of which could significantly exceed the Fiscal 2004 targets of "K" LINE Vision 2008.

Cash Flows

Cash flows from operating activities increased by ¥10,892 million against last year to plus ¥89,443 million attributable to the significant increase in income before income taxes.

Cash flows from investing activities amounted to minus ¥34,402 million with a ¥17,373 million decrease as compared with last year. Despite expenditures for investments in vessels, etc. being on the increase, there were a large number of operating-lease vessels which had been built under "K" LINE's ownership. They were sold immediately at completion and finally contributed to the increased proceeds.

Cash flows from financing activities amounted to minus ¥47,429 million as a

result of carrying out repayment of long-term debt and obligations with fairly better cash flow generated in the period.

In the bottom line, cash and cash equivalents at end of Fiscal 2004 amounted to ¥31,497 million with an increase of ¥8,370 million as compared with end of last year.

Prospects for Fiscal 2005

Cash flows from operating activities are anticipated to be plus some ¥78,000 million.

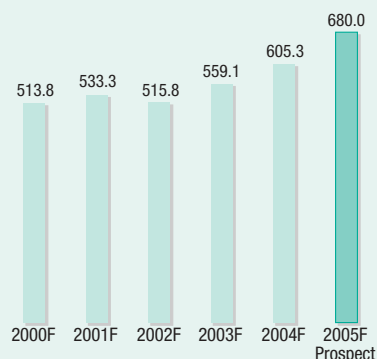
Cash flows from investing activities will be minus ¥70,000 million as a result of deduction of proceeds from sale of operating-lease vessels at completion out of total expenditures of ¥97,000 million

including investments in vessels, i.e. containerships and bulk carriers, etc. amounting to ¥73,000 million.

Cash flows from financing activities are expected to be minus some ¥8,000 million with a view to procurement of new investment funds offset by repayment of investments in vessels, etc. and payment of cash dividends. Liabilities bearing interest will level off at some ¥242,000 million.

In total, cash and cash equivalents are prospected to be roughly at the same level as end of Fiscal 2004.

Total Assets
(Billions of yen)



Shareholders' Equity
(Billions of yen)



Liabilities Bearing Interest
(Billions of yen)



Selected Financial Data

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
Years ended March 31

Consolidated	Millions of yen					
	2005	2004	2003	2002	2001	2000
Operating revenues.....	¥828,444	¥724,667	¥632,725	¥571,014	¥557,869	¥485,693
Operating income	108,054	70,534	29,282	19,049	36,009	26,817
As a % of operating revenues	13.0%	9.7%	4.6%	3.3%	6.5%	5.5%
Net income	59,853	33,196	10,373	4,768	1,948	6,843
Total assets	605,331	559,135	515,825	533,295	513,797	514,802
Shareholders' equity	181,276	121,006	82,040	77,716	68,647	74,132
As a % of total assets	29.9%	21.6%	15.9%	14.6%	13.4%	14.4%
Liabilities bearing interest	239,249	281,811	306,575	335,622	331,484	348,602
As a % of total assets	39.5%	50.4%	59.4%	62.9%	64.5%	67.7%
Debt to equity ratio	1.32	2.33	3.74	4.32	4.83	4.70
Return on equity	39.6%	32.7%	13.0%	6.5%	2.7%	9.6%
Interest coverage ratio	19.47	14.32	4.99	3.31	3.66	3.79
Balance of financial income and expense	(2,517)	(3,546)	(5,155)	(8,014)	(10,248)	(9,492)
Depreciation and amortization	24,634	25,558	29,511	33,274	33,550	31,085

Notes:(1) Effective the year ended March 31, 2000, the Company and its consolidated subsidiaries adopted tax-effect accounting in accordance with a revision to the regulations governing reporting for consolidated financial statements. The effect of this change on deferred income tax assets amounted to ¥5,003 million (¥579 million as current assets and ¥4,424 million as non-current assets) and the effect on deferred income tax liabilities amounted to ¥6,051 million (¥278 million as current liabilities and ¥5,773 million as non-current liabilities) as of March 31, 2000. This change increased net income by ¥1,222 million and consolidated retained earnings by ¥361 million from the amounts which would have been recorded under the method followed in the previous year.

(2) Effective the year ended March 31, 2001, the Company and its consolidated subsidiaries adopted a new accounting standard, Accounting for Financial Instruments, which requires that marketable investment securities and others be valued based on their fair market value. The effect of this change was to increase shareholders' equity by ¥1,158 million, which was presented as unrealized holding gain on investment securities as a component of shareholders' equity. In addition, translation adjustments were reclassified to shareholders' equity from non-current assets and amounted to ¥6,275 million in accordance with a revision to the regulations governing reporting for consolidated financial statements. The effect of this change was to decrease shareholders' equity by the same amount.

(3) During the year ended March 31, 2002, the Company and certain domestic consolidated subsidiaries revalued the land used in their business in accordance with the Land Revaluation Law (Law No. 34, March 31, 1998) and the Law to Partially Revise the Land Revaluation Law (Law No. 19, March 31, 2001). The effect of this revaluation was to increase shareholders' equity by ¥4,811 million which was reflected as "revaluation reserve for land" as a component of shareholders' equity.

(4) Effective March 31, 2005, the Company and its domestic consolidated subsidiaries opted for early adoption of a new accounting standard for the impairment of fixed assets. The effect of the adoption of this new standard was to decrease income before income taxes by ¥7,038 million for the year ended March 31, 2005.

Non-Consolidated	Millions of yen					
	2005	2004	2003	2002	2001	2000
Operating revenues	¥658,700	¥584,958	¥499,792	¥449,153	¥424,021	¥362,030
Operating income	85,288	55,068	19,843	8,299	24,444	16,810
As a % of operating revenues	12.9%	9.4%	4.0%	1.8%	5.7%	4.6%
Net income	49,012	24,452	6,536	2,787	4,532	4,043
Total assets	376,345	329,965	269,140	259,200	241,295	242,278
Shareholders' equity	143,019	96,839	65,872	64,409	62,619	58,975
As a % of total assets	38.0%	29.3%	24.5%	24.8%	26.0%	24.3%
Liabilities bearing interest	108,421	132,460	126,856	127,368	120,150	135,304
As a % of total assets	28.8%	40.1%	47.1%	49.1%	49.8%	55.9%
Debt to equity ratio	0.76	1.31	1.93	1.98	1.92	2.29
Return on equity	40.9%	30.1%	10.0%	4.4%	7.5%	6.9%
Interest coverage ratio	25.35	17.49	2.07	2.92	5.81	4.46
Balance of financial income and expense	1,017	(859)	(1,934)	(630)	(2,599)	(1,632)
Depreciation and amortization	6,114	6,358	7,005	7,344	7,731	7,477

Notes: (1) Effective the year ended March 31, 2000, the Company adopted tax-effect accounting in accordance with a revision to the regulations governing reporting for financial statements. The effect of this change on deferred income tax liabilities amounted to ¥1,815 million (¥92 million as current liabilities and ¥1,723 million as non-current liabilities) as of March 31, 2000. This change increased net income by ¥409 million and consolidated retained earnings by ¥1,520 million from the amounts which would have been recorded under the method followed in the previous year.

(2) Effective the year ended March 31, 2001, the Company adopted a new accounting standard, Accounting for Financial Instruments, which requires that marketable investment securities and others be valued based on their fair market value. The effect of this change was to increase shareholders' equity by ¥1,546 million, which was presented as unrealized holding gain on investment securities as a component of shareholders' equity.

(3) During the year ended March 31, 2002, the Company revalued the land used in its business in accordance with the Land Revaluation Law (Law No. 34, March 31, 1998) and the Law to Partially Revise the Land Revaluation Law (Law No. 19, March 31, 2001). The effect of this revaluation was to increase shareholders' equity by ¥2,973 million which was reflected as "revaluation reserve for land" as a component of shareholders' equity.

(4) Effective March 31, 2005, the Company opted for early adoption of a new accounting standard for the impairment of fixed assets. The effect of the adoption of this new standard was to decrease income before income taxes by ¥4,684 million for the year ended March 31, 2005.

(5) The non-consolidated interest coverage ratio has been calculated by the following methods:

(A) For the years ended March 31, 2005, 2004 and 2003: dividing the net cash provided by operational activities by the total amount of the interest paid; and

(B) For the years ended March 31, 2002, 2001 and 2000: dividing the sum of operating income and interest and dividend income by the total amount of interest expense.

Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
March 31, 2005 and 2004

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Current assets:			
Cash and deposits (Note 3)	¥ 31,832	¥ 23,370	\$ 296,411
Marketable securities (Note 4).....	28	54	262
Accounts and notes receivable — trade	98,104	82,423	913,527
Allowance for doubtful receivables	(864)	(1,046)	(8,045)
Inventories.....	12,187	9,303	113,483
Prepaid expenses and deferred charges.....	26,587	21,508	247,578
Deferred income taxes (Note 6).....	4,212	3,439	39,221
Other current assets	14,985	17,593	139,547
Total current assets	<u>187,071</u>	<u>156,644</u>	<u>1,741,984</u>
Investments and other assets:			
Investments in and advances to unconsolidated subsidiaries and affiliates	28,753	25,978	267,741
Investments in securities (Notes 4 and 5).....	73,464	65,499	684,082
Long-term loans receivable	7,403	4,716	68,932
Deferred income taxes (Note 6).....	4,245	3,715	39,530
Other assets	22,876	16,119	213,027
Allowance for doubtful receivables	(543)	(424)	(5,056)
Total investments and other assets	<u>136,198</u>	<u>115,603</u>	<u>1,268,256</u>
Vessels, property and equipment (Note 5):			
Vessels	395,494	389,553	3,682,782
Buildings and equipment	93,505	97,422	870,705
Accumulated depreciation	(281,015)	(275,771)	(2,616,773)
	<u>207,984</u>	<u>211,204</u>	<u>1,936,714</u>
Land (Note 11)	34,144	35,446	317,945
Construction in progress.....	33,764	34,323	314,403
Vessels, property and equipment, net	<u>275,892</u>	<u>280,973</u>	<u>2,569,062</u>
Intangible assets	<u>6,170</u>	<u>5,915</u>	<u>57,455</u>
Total assets	<u>¥605,331</u>	<u>¥559,135</u>	<u>\$5,636,757</u>

Liabilities, Minority Interests and Shareholders' Equity	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Current liabilities:			
Short-term loans (Note 5)	¥ 16,154	¥ 26,199	\$ 150,426
Current portion of long-term debt (Note 5)	34,516	45,570	321,411
Accounts and notes payable — trade	72,085	64,862	671,249
Advances received	13,782	12,528	128,334
Current portion of obligations under finance leases	1,344	1,457	12,517
Accrued income taxes (Note 6)	28,040	16,657	261,101
Other current liabilities	12,028	10,813	111,994
Total current liabilities	<u>177,949</u>	<u>178,086</u>	<u>1,657,032</u>
Long-term liabilities:			
Long-term debt, less current portion (Note 5)	178,983	197,483	1,666,664
Allowance for employees' retirement benefits (Note 8)	11,637	13,063	108,361
Allowance for directors' and corporate auditors' retirement benefits.....	2,553	2,135	23,776
Accrued expenses for overhaul of vessels.....	11,301	9,681	105,234
Obligations under finance leases	8,252	11,102	76,841
Deferred income taxes (Note 6)	5,330	5,381	49,633
Other long-term liabilities	18,885	13,241	175,858
Total long-term liabilities	<u>236,941</u>	<u>252,086</u>	<u>2,206,367</u>
Minority interests in consolidated subsidiaries	<u>9,165</u>	<u>7,957</u>	<u>85,342</u>
Commitments and contingent liabilities (Note 12)			
Shareholders' equity (Note 9):			
Common stock:			
Authorized — 1,080,000,000 shares			
Issued — 593,796,875 shares	29,690	29,690	276,467
Additional paid-in capital	14,535	14,535	135,346
Retained earnings	117,483	66,965	1,093,988
Revaluation reserve for land (Note 11)	6,798	5,093	63,300
Unrealized holding gain on investments in securities	16,643	11,801	154,974
Translation adjustments	(3,112)	(6,310)	(28,968)
	<u>182,037</u>	<u>121,774</u>	<u>1,695,107</u>
Treasury stock, at cost	(761)	(768)	(7,091)
Total shareholders' equity	<u>181,276</u>	<u>121,006</u>	<u>1,688,016</u>
Total liabilities, minority interests and shareholders' equity ...	<u>¥605,331</u>	<u>¥559,135</u>	<u>\$5,636,757</u>

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Income and Retained Earnings

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Operating revenues (Note 14).....	¥828,444	¥724,667	\$7,714,346
Operating expenses (Note 14):			
Costs and expenses.....	666,100	601,553	6,202,625
Selling, general and administrative expenses	54,290	52,580	505,538
Total operating expenses	720,390	654,133	6,708,163
Operating income (Note 14).....	108,054	70,534	1,006,183
Other income (expenses):			
Interest and dividend income	2,030	1,905	18,907
Interest expense	(4,547)	(5,451)	(42,340)
Exchange gain (loss), net	479	(5,644)	4,464
Gain (loss) on sales of vessels, property and equipment, net	1,199	(4,037)	11,167
Gain (loss) on sales of investments in securities, net	240	(1,502)	2,239
Loss on impairment of fixed assets.....	(7,038)	-	(65,535)
Loss on liquidation of subsidiaries, net	(3,348)	(1)	(31,178)
Other, net	(1,559)	(777)	(14,530)
Other income (expenses), net.....	(12,544)	(15,507)	(116,806)
Income before income taxes	95,510	55,027	889,377
Income taxes (Note 6):			
Current	37,421	20,104	348,457
Deferred	(3,210)	857	(29,887)
Total income taxes.....	34,211	20,961	318,570
Minority interests	1,446	870	13,466
Net income	59,853	33,196	557,341
Retained earnings at beginning of year	66,965	39,694	623,565
Adjustments for:			
Reversal of revaluation reserve for land	(1,704)	(20)	(15,871)
Inclusion in or exclusion from consolidation of subsidiaries and other.....	(9)	174	(84)
Retained earnings as adjusted	65,252	39,848	607,610
Cash dividends	(7,396)	(5,926)	(68,867)
Bonuses to directors	(226)	(153)	(2,096)
Retained earnings at end of year	¥117,483	¥ 66,965	\$1,093,988

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Cash flows from operating activities:			
Income before income taxes	¥ 95,510	¥55,027	\$ 889,377
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	24,634	25,558	229,386
Reversal of employees' retirement benefits	(1,426)	(1,487)	(13,281)
Accrued expenses for overhaul of vessels	1,652	2,274	15,381
Provision for directors' and corporate auditors' retirement benefits	418	91	3,894
Interest and dividend income	(2,030)	(1,905)	(18,907)
Interest expense	4,547	5,451	42,340
Increase in short-term assets	(6,398)	(3,100)	(59,577)
(Gain) loss on sales of marketable securities and investments in securities	(368)	1,502	(3,431)
Gain on sales of vessels, property and equipment	(1,287)	(937)	(11,980)
Loss on sales of vessels, property and equipment	87	4,974	813
Loss on impairment of fixed assets	7,038	-	65,535
Changes in operating assets and liabilities:			
Increase in accounts and notes receivable — trade	(15,559)	(7,400)	(144,884)
Increase in accounts and notes payable — trade	5,219	3,431	48,602
(Increase) decrease in inventories	(2,903)	1,321	(27,030)
Other, net	8,956	6,535	83,402
Subtotal	118,090	91,335	1,099,640
Interest and dividends received	1,977	1,905	18,411
Interest paid	(4,594)	(5,485)	(42,781)
Income taxes paid	(26,030)	(9,204)	(242,388)
Net cash provided by operating activities	89,443	78,551	832,882
Cash flows from investing activities:			
Purchases of marketable securities and investments in securities	(3,125)	(13,426)	(29,098)
Proceeds from sales of marketable securities and investments in securities	1,451	13,332	13,511
Purchases of vessels, property and equipment	(73,612)	(57,705)	(685,469)
Proceeds from sales of vessels, property and equipment	47,611	26,743	443,345
Increase in intangible assets	(2,164)	(1,320)	(20,151)
Increase in long-term loans receivable	(13,827)	(12,702)	(128,750)
Collection of long-term loans receivable	3,720	1,251	34,643
Other, net	5,544	(7,948)	51,620
Net cash used in investing activities	(34,402)	(51,775)	(320,349)
Cash flows from financing activities:			
Decrease in short-term loans, net	(9,782)	(7,233)	(91,087)
Proceeds from long-term debt	23,094	31,254	215,052
Repayment of long-term debt and obligations under finance leases	(48,200)	(61,589)	(448,832)
Proceeds from issuance of bonds	-	29,936	-
Repayment of bonds	(5,000)	(7,500)	(46,559)
Cash dividends paid	(7,387)	(5,908)	(68,788)
Cash dividends paid to minority shareholders	(105)	(93)	(979)
Other, net	(49)	(470)	(458)
Net cash used in financing activities	(47,429)	(21,603)	(441,651)
Effect of exchange rate changes on cash and cash equivalents	129	(1,225)	1,197
Net increase in cash and cash equivalents	7,741	3,948	72,079
Cash and cash equivalents at beginning of year	23,127	18,780	215,358
Increase in cash and cash equivalents arising from inclusion of subsidiaries in consolidation	629	399	5,863
Cash and cash equivalents at end of year (Note 3)	¥ 31,497	¥23,127	\$ 293,300

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
March 31, 2005

1. Summary of Significant Accounting Policies

(a) Basis of preparation

Kawasaki Kisen Kaisha, Ltd. (the "Company") and its domestic consolidated subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required under the Securities and Exchange Law of Japan, which is different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to present them in a form which is familiar to readers outside Japan. However, no adjustments have been made which would change their financial position or the results of their operations presented in the original consolidated financial statements.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2004 to the 2005 presentation. Such reclassifications had no effect on consolidated net income or shareholders' equity.

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at ¥107.39 = U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2005 on the Tokyo Foreign Exchange Market. Furthermore, the translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and 186 and 177 subsidiaries for the years ended March 31, 2005 and 2004, respectively. The principle of consolidation is to include significant subsidiaries whose voting interests are owned 40 per cent. or more by a consolidated group and whose decision-making control over their operations is significantly affected by the consolidated group through financial or technical support, personnel, transactions, and so forth. In addition, significant affiliates whose decision-making control over their operations is significantly affected by the consolidated group in various ways have been accounted for by the equity method.

For the purpose of consolidation, all significant intercompany transactions, account balances and unrealized profit among the

consolidated group companies have been eliminated. Significant differences between the cost and the underlying net equity in the consolidated subsidiaries at their respective dates of acquisition are, as a rule, amortized over a period of five years.

(c) Accounting period

Most of the consolidated subsidiaries have a December 31 year end which does not accord with that of the Company. As a result, adjustments have been made for any significant inter-company transactions which took place during the period between the year end of these subsidiaries and the year end of the Company. During the year ended March 31, 2004, Shinto Rikuun Kaisha, Ltd. changed its year-end closing date from March 31 to December 31, and its 9-month results were included in the accompanying consolidated accounts.

(d) Translation of foreign currencies

All monetary assets and liabilities denominated in foreign currencies other than those hedged by forward foreign exchange contracts are translated into yen at the rates of exchange in effect on the balance sheet date. Gains and losses resulting from the settlement of these items are credited or charged to income.

(e) Translation of accounts of foreign consolidated subsidiaries

The accounts of the foreign consolidated subsidiaries, except for the components of shareholders' equity, are translated into yen at the rates of exchange in effect at the balance sheet date. The components of shareholders' equity are translated at their historical exchange rates. Differences arising on translation are presented as translation adjustments in the accompanying consolidated balance sheets.

(f) Revenues and related costs

Revenues of the Company and consolidated subsidiaries from cargo freight and the related costs and expenses, except for those from container vessels, are recorded in full as of the date on which the vessels complete their voyages. Revenues from container vessels are recorded in full as of the date on which a vessel embarks from the port where the cargo was loaded, and no year-end adjustments are made for any portions of uncompleted voyages. The related costs and expenses are charged to income as incurred. Revenues and costs with respect to charter services are accounted for on an accrual basis.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks and other highly liquid investments with maturities of three months or less when purchased.

(h) Investments in securities

Securities are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading

securities, consisting of debt and marketable equity securities are stated at fair value. Gain and loss, both realized and unrealized, are charged to income. Held-to-maturity debt securities are stated at their amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of shareholders' equity. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

Securities held by the Company and its consolidated subsidiaries are all classified as "other securities" and have been accounted for as outlined above.

(i) Inventories

Inventories consist of fuel and supplies which are stated at cost determined by the moving average method.

(j) Vessels, property and equipment and depreciation

Vessels, property and equipment are stated at cost.

The depreciation of property and equipment is computed principally by the declining-balance method over the estimated useful lives of the respective assets which differ according to general category, type of construction and use. The depreciation of vessels is computed by the straight-line or the declining-balance method over the estimated useful lives of the respective vessels.

Maintenance, repairs and minor improvements are charged to income as incurred. Major improvements are capitalized.

(k) Capitalization of interest expense

Interest expense is generally charged to income as incurred. However, interest expense incurred in the construction of certain assets, vessels in particular, is capitalized and included in the costs of the assets if the construction period is substantially long and the amount of interest incurred during the period is significantly high.

(l) Accrued expenses for overhaul of vessels

Vessels of the Company and its consolidated subsidiaries are subject to periodic overhaul. An accrual is provided for the current portion of the estimated total expenses for overhauling the vessels.

(m) Leases

Noncancelable lease transactions are accounted for as operating leases (whether such leases are classified as operating or finance leases) except that lease agreements which stipulate the transfer of ownership of the leased property to the lessee are accounted for as finance leases.

(n) Income taxes

Deferred income taxes have been recognized with respect to the differences between financial reporting and the tax bases of the assets and liabilities. Deferred taxes are measured at the rates which are expected to apply to the period when each asset or liability is realized, based on the tax rates which have been enacted as of the balance sheet date or are subsequently enacted.

(o) Retirement benefits

The Company and domestic consolidated subsidiaries have defined benefit pension plans and retirement benefit plans.

Certain foreign consolidated subsidiaries also have defined benefit plans.

The employees' retirement benefit plans provide for a lump-sum payment determined by reference to the current rate of pay, length of service and conditions under which the termination occurs.

An allowance for employee's retirement benefits has been provided based on the amount of the projected benefit obligation reduced by the pension plan assets at fair value at the end of the year.

Actuarial differences are amortized in the year following the year in which the differences are recognized principally by the straight-line method over a certain period (principally nine years) which falls within the average remaining years of service of the eligible employees.

The Company and certain consolidated subsidiaries also provide for retirement benefits to directors and corporate auditors based on the internal rules at the amount which would be required to be paid if all directors and corporate auditors retired at the balance sheet date.

(p) Financial instruments

Derivatives positions are carried at fair value with any changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or liability.

Forward foreign exchange contracts which meet criteria conditions are accounted for by the allocation method which requires that recognized foreign currency receivables or payables be translated at the corresponding forward foreign exchange contract rates.

(q) Appropriation of retained earnings

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period. The accounts for that period do not, therefore, reflect such appropriations (see Note 15).

2. Change in Method of Accounting

Effective April 1, 2004, the Company and its domestic consolidated subsidiaries opted for early adoption of a new accounting standard for the impairment of fixed assets which requires that tangible and intangible fixed assets be carried at cost less depreciation and be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company and its domestic consolidated subsidiaries are required to recognize an impairment loss in the statement of income if certain indicators of asset impairment exist and if the book value of an asset exceeds the undiscounted sum of its future cash flows. The standard states that an impairment loss should be measured as the excess of the book value over the higher of (1) the fair market value of the asset, net of its disposition cost, and (2) the

present value of future cash flows arising from the ongoing utilization of the asset and from its disposition, if applicable. The standard covers land, buildings, other items of property and equipment and intangible assets.

As a result of the adoption of this new accounting standard, a loss on impairment of fixed assets in the amount of ¥7,038 million (\$65,535 thousand) was recognized in the consolidated statement of income and retained earnings for the year ended March 31, 2005, and income before income taxes decreased by the same amount from the corresponding amount which would have been recorded under the previous method.

The impairment loss on such assets has been deducted directly from the carrying amounts of the respective assets in the consolidated balance sheet at March 31, 2005.

3. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows for the years ended March 31, 2005 and 2004 are reconciled to cash and deposits reflected in the consolidated balance sheets at March 31, 2005 and 2004 as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Cash and deposits.....	¥31,832	¥23,370	\$296,411
Time deposits with a maturity of more than three months after the purchase date	(335)	(243)	(3,114)
Highly liquid marketable securities with low risk	0	0	3
Cash and cash equivalents	¥31,497	¥23,127	\$293,300

4. Marketable Securities and Investments in Securities

At March 31, 2005 and 2004, marketable securities and investments in securities with quoted market prices which are classified as other securities are summarized as follows:

	Millions of yen					
	2005			2004		
	Acquisition costs	As reflected in the balance sheet	Difference	Acquisition costs	As reflected in the balance sheet	Difference
Securities whose market value reflected in the balance sheet exceeds their acquisition costs:						
Equity securities	¥33,597	¥60,547	¥26,950	¥33,299	¥52,531	¥19,232
Debt securities.....	81	88	7	78	86	8
Subtotal.....	33,678	60,635	26,957	33,377	52,617	19,240
Securities whose market value reflected in the balance sheet does not exceed their acquisition costs:						
Equity securities	618	533	(85)	598	509	(89)
Debt securities.....	22	22	(0)	26	26	(0)
Other.....	540	506	(34)	560	537	(23)
Subtotal.....	1,180	1,061	(119)	1,184	1,072	(112)
Total.....	¥34,858	¥61,696	¥26,838	¥34,561	¥53,689	¥19,128

	Thousands of U.S. dollars		
	2005		
	Acquisition costs	As reflected in the balance sheet	Difference
Securities whose market value reflected in the balance sheet exceeds their acquisition costs:			
Equity securities	\$312,845	\$563,805	\$250,960
Debt securities.....	755	816	61
Subtotal.....	313,600	564,621	251,021
Securities whose market value reflected in the balance sheet does not exceed their acquisition costs:			
Equity securities	5,761	4,971	(790)
Debt securities.....	200	200	(0)
Other.....	5,032	4,709	(323)
Subtotal.....	10,993	9,880	(1,113)
Total.....	\$324,593	\$574,501	\$249,908

At March 31, 2005 and 2004, securities without quoted market prices are summarized as follows:

	As reflected in the balance sheet		Thousands of U.S. dollars 2005
	Millions of yen	2004	
	2005		
Investments in securities:			
Unlisted equity securities other than those traded on the over-the-counter market	¥11,590	¥11,666	\$107,923

5. Short-Term Loans and Long-Term Debt

Short-term loans from banks and insurance companies had average interest rates of 0.15 per cent. and 0.36 per cent. per annum at March 31, 2005 and 2004, respectively.

Long-term debt at March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Loans from banks and insurance companies payable in installments at average interest rates of 2.15 per cent. and 2.22 per cent. per annum at March 31, 2005 and 2004, respectively, for fixed-rate loans, and at variable rates for floating-rate loans	¥167,499	¥192,053	\$1,559,730
2.04 per cent. bonds in Japanese yen, due March 18, 2005	-	5,000	-
1.83 per cent. bonds in Japanese yen, due October 19, 2005	3,000	3,000	27,936
2.12 per cent. bonds in Japanese yen, due October 19, 2006	3,000	3,000	27,936
1.00 per cent. bonds in Japanese yen, due March 25, 2008	10,000	10,000	93,118
Euro-yen zero coupon convertible bonds (with stock acquisition rights) in Japanese yen, due March 22, 2011	30,000	30,000	279,355
Total	213,499	243,053	1,988,075
Less: Current portion	(34,516)	(45,570)	(321,411)
	¥178,983	¥197,483	\$1,666,664

The euro-yen zero coupon convertible bonds (with stock acquisition rights) due 2011 are convertible at ¥700 per share subject to adjustment for certain events including stock splits.

The aggregate annual maturities of long-term debt subsequent to March 31, 2005 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
2006	¥ 34,516	\$ 321,411
2007	31,471	293,051
2008	37,135	345,800
2009	17,814	165,880
2010 and thereafter	92,563	861,933
	<u>¥213,499</u>	<u>\$1,988,075</u>

A summary of assets pledged as collateral for long-term debt and short-term loans at March 31, 2005 is presented below:

	Millions of yen	Thousands of U.S. dollars
Vessels and property, at net book value ...	¥139,598	\$1,299,913
Investments in securities	4,666	43,451
Other	10	93

6. Income Taxes

The Company and its consolidated subsidiaries are subject to a number of taxes based on income, which, in the aggregate, resulted in statutory tax rates of approximately 37.6 per cent. for the years ended March 31, 2005 and 2004.

A reconciliation between the statutory tax rate and the effective tax rate as a percentage of income before income taxes for the year ended March 31, 2005 and 2004 has been omitted as the differences are immaterial.

Temporary differences which gave rise to a significant portion of the deferred tax assets and liabilities at March 31, 2005 and 2004 and their net tax effect are analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Deferred tax assets:			
Allowance for employees' retirement benefits	¥ 4,287	¥ 4,663	\$ 39,920
Loss on impairment of fixed assets	3,765	-	35,059
Elimination of intercompany profit	1,222	1,477	11,377
Non-deductible allowances ...	2,305	2,241	21,462
Accounts and notes payable — trade	2,367	2,008	22,042
Other	4,898	5,087	45,608
Subtotal — deferred tax assets ...	18,844	15,476	175,468
Valuation allowance	(934)	(471)	(8,695)
Total deferred tax assets	17,910	15,005	166,773
Deferred tax liabilities:			
Reserve for special depreciation	(1,254)	(1,800)	(11,677)
Deferred gain for tax purposes	(2,315)	(2,074)	(21,557)
Unrealized holding gain on investments in securities	(10,119)	(7,150)	(94,225)
Other	(1,099)	(2,209)	(10,237)
Total deferred tax liabilities	(14,787)	(13,233)	(137,696)
Net deferred tax assets	¥ 3,123	¥ 1,772	\$ 29,077

7. Leases

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property at March 31, 2005 and 2004, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen					
	2005			2004		
	Equipment	Other	Total	Equipment	Other	Total
Acquisition costs	¥52,127	¥3,449	¥55,576	¥35,809	¥3,053	¥38,862
Accumulated depreciation	14,330	1,874	16,204	10,634	1,505	12,139
Net book value.....	¥37,797	¥1,575	¥39,372	¥25,175	¥1,548	¥26,723

	Thousands of U.S. dollars		
	2005		
	Equipment	Other	Total
Acquisition costs	\$485,402	\$32,118	\$517,520
Accumulated depreciation	133,438	17,455	150,893
Net book value.....	\$351,964	\$14,663	\$366,627

Lease payments related to finance leases accounted for as operating leases and depreciation and interest expense for the years ended March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Lease payments.....	¥5,811	¥5,053	\$54,113
Depreciation.....	4,780	4,448	44,512
Interest expense.....	1,320	1,311	12,296

Future minimum lease payments subsequent to March 31, 2005 for finance leases accounted for as operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
2006	¥ 5,742	\$ 53,466
2007 and thereafter.....	33,938	316,026

Future minimum lease payments subsequent to March 31, 2005 for operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
2006	¥ 16,800	\$156,437
2007 and thereafter.....	105,710	984,357

8. Retirement Benefits

The following table sets forth the funded and accrued status of the pension plans and the amounts recognized in the consolidated balance sheets at March 31, 2005 and 2004 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Retirement benefit obligation*...	¥(30,523)	¥(31,621)	\$(284,230)
Fair value of pension plan assets.....	17,071	15,594	158,963
Net unfunded benefit obligation.....	(13,452)	(16,027)	(125,267)
Unrecognized actuarial differences.....	1,815	2,964	16,906
Allowance for employees' retirement benefits.....	¥(11,637)	¥(13,063)	\$(108,361)

* Certain domestic consolidated subsidiaries have calculated their retirement benefit obligation based on the amount which would be payable at the year end if all eligible employees terminated their services voluntarily.

The components of retirement benefit expenses for the years ended March 31, 2005 and 2004 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Service cost*	¥1,588	¥1,680	\$14,786
Interest cost	489	516	4,554
Expected return on pension plan assets	(119)	(108)	(1,106)
Amortization of actuarial differences	418	511	3,895
Retirement benefit expenses	¥2,376	¥2,599	\$22,129

* Retirement benefit expenses for certain domestic consolidated subsidiaries whose benefit obligation is calculated based on the amount which would be payable at the year end if all eligible employees terminated their services voluntarily have been fully included in service cost.

The assumptions used in accounting for the above plans for the years ended March 31, 2005 and 2004 were as follows:

	2005	2004
Discount rate	Mainly 2.0%	Mainly 2.0%
Expected rates of return on plan assets	Mainly 0%	Mainly 0%

9. Shareholders' Equity

The Commercial Code of Japan (the "Code") provides that an amount equal to at least 10 per cent. of the amounts to be disbursed as distributions of earnings be appropriated to the legal reserve until the sum of additional paid-in capital and the legal reserve equals 25 per cent. of the common stock account. The Code also stipulates that, to the extent that the sum of the additional paid-in capital account and the legal reserve exceeds 25 per cent. of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders.

The Code provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. The legal reserve of the Company included in retained earnings at March 31, 2005 and 2004 amounted to ¥2,540 million (\$23,655 thousand) and ¥2,540 million, respectively.

In accordance with the Code, a stock option plan for directors, employees of the Company and directors of subsidiaries was approved at the annual general meeting of the shareholders held on June 27, 2002. Under the terms of this plan, 92 stock option rights (92,000 shares of common stock) were granted at an exercise price of ¥156 per share, subject to adjustment for certain events, including stock splits, by the Board of Directors. The options become exercisable on June 28, 2004 and are scheduled to expire on June 27, 2012.

In accordance with the Code, a stock option plan for directors, employees of the Company and directors of subsidiaries was approved at the annual general meeting of the

shareholders held on June 27, 2003. Under the terms of this plan, 1,914 stock option rights (1,914,000 shares of common stock) were granted at an exercise price of ¥278 per share, subject to adjustment for certain events, including stock splits, by the Board of Directors. The options become exercisable on June 28, 2005 and are scheduled to expire on June 27, 2013.

In accordance with the Code, a stock option plan for directors, employees of the Company and directors of subsidiaries was approved at the annual general meeting of the shareholders held on June 29, 2004. Under the terms of this plan, 370 stock option rights (370,000 shares of common stock) were granted at an exercise price of ¥663 per share, subject to adjustment for certain events, including stock splits, by the Board of Directors. The options become exercisable on June 30, 2006 and are scheduled to expire on June 29, 2014.

In accordance with the Code, an additional stock option plan for directors, employees of the Company and directors of subsidiaries was approved at the annual general meeting of the shareholders held on June 29, 2005. Under this approval, the issuance of up to 700 stock option rights (700,000 shares of common stock) has been authorized. The eligible participants may exercise these stock options at an exercise price calculated as the average of the closing market price of the Company's shares on the Tokyo Stock Exchange for all trading for the month immediately preceding the month of the date of the issuance of the rights; however, if the exercise price referred to above is less than the closing market price of the Company's shares on the Tokyo Stock Exchange on the day on which the rights were issued, the closing market price is to be the exercise price. The exercise price is subject to adjustment for certain events including stock splits. The options become exercisable on June 30, 2007 and are scheduled to expire on June 29, 2015.

10. Amounts per Share

The amounts per share of net income for the years ended March 31, 2005 and 2004 and net assets per share at March 31, 2005 and 2004 are summarized as follows:

	Yen		U.S. dollars
	2005	2004	2005
Net income:			
Basic	¥100.70	¥ 55.71	\$0.94
Diluted.....	93.69	55.53	0.87
Net assets.....	306.06	204.37	2.85
Cash dividends applicable to the year.....	16.50	10.00	0.15

Basic net income per share has been computed based on the net income attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share has been computed based on the amount of net income attributable to the shareholders of common stock and the weighted-average number of shares of common stock outstanding during

each year after giving effect to the dilutive potential of the shares of common stock to be issued upon the exercise of the stock options and the conversion of convertible bonds. The amounts per share of net assets have been computed based on the net assets available for distribution to shareholders of common stock and the number of shares of common stock outstanding at the year end.

Cash dividends per share represent the cash dividends applicable to the respective years together with the interim cash dividends paid.

11. Land Revaluation

The Company and certain domestic consolidated subsidiaries revalued the land used in their business in accordance with the Land Revaluation Law (Law No. 34, March 31, 1998) and the Law to Partially Revise the Land Revaluation Law (Law No. 19, March 31, 2001). The effect of this revaluation has been calculated as revaluation reserve for land in shareholders' equity, excluding deferred income taxes for land revaluation.

The timing of revaluation was effective March 31, 2002.

Certain affiliates accounted for by the equity method also revalued the land used in their business in accordance with the Land Revaluation Law (Law No. 34, March 31, 1998) and the Law to Partially Revise the Land Revaluation Law (Law No. 19, March 31, 2001).

At March 31, 2005, the fair value of the land was lower by ¥2,036 million (\$18,955 thousand) than its carrying value after revaluation.

12. Commitments and Contingent Liabilities

At March 31, 2005, commitments made by the Company and consolidated subsidiaries for the construction of vessels amounted to ¥192,764 million (\$1,794,992 thousand).

Contingent liabilities for notes receivable endorsed, loans guaranteed, and joint indebtedness at March 31, 2005 were as follows:

	Millions of yen	Thousands of U.S. dollars
Notes receivable endorsed	¥ 5	\$ 48
Loans guaranteed.....	13,116	122,134
Joint indebtedness	69,650	648,567
Total	<u>¥82,771</u>	<u>\$770,749</u>

13. Derivatives and Hedging Activities

The Company and its consolidated subsidiaries have entered into forward foreign exchange contracts to reduce their exposure to adverse fluctuation in foreign exchange rates related to their receivables and payables denominated in foreign currencies. The Company and its consolidated subsidiaries have also entered into interest-rate agreements and currency swaps and currency options positions to minimize the impact of fluctuation in foreign exchange rates and interest rates related to their outstanding debt. In addition, the Company and its consolidated subsidiaries have entered into bunker swaps and freight futures in order to minimize the impact of market movements.

The Company and its consolidated subsidiaries are also exposed to the risk of credit loss in the event of nonperformance by the counterparties to the currency and interest-rate derivatives as well as to certain market risk arising from bunker swaps and freight futures. However, the Company and its consolidated subsidiaries do not anticipate nonperformance by any of these counterparties all of whom are financial institutions with high bond ratings. Deferred gains and losses have been recognized, at fair market value, for all derivatives, which are subject to hedge accounting.

14. Segment Information

(a) Business segment information

The consolidated results have been divided into three segments; marine transportation, freight forwarding/harbor transportation and other.

Millions of yen						
Year ended March 31, 2005						
	Marine Transportation	Freight Forwarding/Harbor Transportation	Other	Total	Eliminations	Consolidated
1. Revenues:						
(1) Operating revenues	¥713,961	¥101,710	¥12,773	¥828,444	¥ -	¥828,444
(2) Intra-group sales and transfers	3,320	55,144	9,549	68,013	(68,013)	-
Total revenues	717,281	156,854	22,322	896,457	(68,013)	828,444
2. Operating expenses	619,473	147,989	21,239	788,701	(68,311)	720,390
Operating income	¥ 97,808	¥ 8,865	¥ 1,083	¥107,756	¥ 298	¥108,054
3. Assets, depreciation and capital expenditures:						
(1) Total assets	¥513,261	¥114,955	¥29,673	¥657,889	¥(52,558)	¥605,331
(2) Depreciation	19,101	4,747	786	24,634	-	24,634
(3) Loss on impairment of fixed assets.....	4,684	2,338	16	7,038	-	7,038
(4) Capital expenditures	65,029	9,191	3,244	77,464	-	77,464

Millions of yen						
Year ended March 31, 2004						
	Marine Transportation	Freight Forwarding/Harbor Transportation	Other	Total	Eliminations	Consolidated
1. Revenues:						
(1) Operating revenues	¥622,119	¥ 89,886	¥12,662	¥724,667	¥ -	¥724,667
(2) Intra-group sales and transfers	3,093	52,408	9,050	64,551	(64,551)	-
Total revenues	625,212	142,294	21,712	789,218	(64,551)	724,667
2. Operating expenses	563,945	134,231	20,443	718,619	(64,486)	654,133
Operating income	¥ 61,267	¥ 8,063	¥ 1,269	¥ 70,599	¥ (65)	¥ 70,534
3. Assets, depreciation and capital expenditures:						
(1) Total assets	¥473,070	¥106,966	¥44,283	¥624,319	¥(65,184)	¥559,135
(2) Depreciation	20,287	4,217	1,054	25,558	-	25,558
(3) Capital expenditures	52,594	5,963	836	59,393	-	59,393

Thousands of U.S. dollars						
Year ended March 31, 2005						
	Marine Transportation	Freight Forwarding/Harbor Transportation	Other	Total	Eliminations	Consolidated
1. Revenues:						
(1) Operating revenues	\$6,648,297	\$ 947,105	\$118,944	\$7,714,346	\$ -	\$7,714,346
(2) Intra-group sales and transfers	30,922	513,491	88,919	633,332	(633,332)	-
Total revenues	6,679,219	1,460,596	207,863	8,347,678	(633,332)	7,714,346
2. Operating expenses	5,768,446	1,378,048	197,778	7,344,272	(636,109)	6,708,163
Operating income	\$ 910,773	\$ 82,548	\$ 10,085	\$1,003,406	\$ 2,777	\$1,006,183
3. Assets, depreciation and capital expenditures:						
(1) Total assets	\$4,779,413	\$1,070,447	\$276,307	\$6,126,167	\$(489,410)	\$5,636,757
(2) Depreciation	177,868	44,201	7,317	229,386	-	229,386
(3) Loss on impairment of fixed assets.....	43,620	21,767	148	65,535	-	65,535
(4) Capital expenditures	605,536	85,585	30,208	721,329	-	721,329

As mentioned in Note 2, effective April 1, 2004, the Company and its domestic consolidated subsidiaries opted for early adoption of the new accounting standard for the impairment of fixed assets. The effect of this adoption was to decrease total assets in the Marine Transportation segments, Freight Forwarding/Harbor Transportation and Other by ¥2,923 million (\$27,219 thousand), ¥1,385 million (\$12,901 thousand) and ¥16 million (\$148 thousand), respectively, from the corresponding amounts which would have been recorded under the previous method.

(b) Geographical segment information

Each segment principally covers the following countries or regions:

North America: U.S.A. and Canada

Europe: U.K., Germany, the Netherlands and France

Asia: Hong Kong, Singapore, Thailand, Indonesia, Korea and Malaysia

Other: Australia

		Millions of yen						
		Year ended March 31, 2005						
	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
1. Revenues:								
(1) Operating revenues.....	¥772,720	¥18,840	¥ 9,821	¥27,063	¥ -	¥828,444	¥ -	¥828,444
(2) Intra-group sales and transfers	6,761	19,433	4,988	12,547	920	44,649	(44,649)	-
Total revenues	779,481	38,273	14,809	39,610	920	873,093	(44,649)	828,444
2. Operating expenses	681,703	38,612	14,339	30,059	776	765,489	(45,099)	720,390
Operating income (loss)	¥ 97,778	¥ (339)	¥ 470	¥ 9,551	¥ 144	¥107,604	¥ 450	¥108,054
3. Total assets	¥550,394	¥27,625	¥16,196	¥43,962	¥1,818	¥639,995	¥(34,664)	¥605,331

		Millions of yen						
		Year ended March 31, 2004						
	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
1. Revenues:								
(1) Operating revenues.....	¥687,840	¥13,929	¥ 6,938	¥15,906	¥ 54	¥724,667	¥ -	¥724,667
(2) Intra-group sales and transfers	7,281	19,587	4,864	10,933	793	43,458	(43,458)	-
Total revenues	695,121	33,516	11,802	26,839	847	768,125	(43,458)	724,667
2. Operating expenses	631,153	33,035	11,545	21,256	729	697,718	(43,585)	654,133
Operating income	¥ 63,968	¥ 481	¥ 257	¥ 5,583	¥ 118	¥ 70,407	¥ 127	¥ 70,534
3. Total assets	¥524,991	¥23,047	¥29,296	¥30,203	¥2,089	¥609,626	¥(50,491)	¥559,135

		Thousands of U.S. dollars						
		Year ended March 31, 2005						
	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
1. Revenues:								
(1) Operating revenues	\$7,195,456	\$175,437	\$ 91,447	\$252,006	\$ -	\$7,714,346	\$ -	\$7,714,346
(2) Intra-group sales and transfers	62,962	180,955	46,451	116,834	8,569	415,771	(415,771)	-
Total revenues	7,258,418	356,392	137,898	368,840	8,569	8,130,117	(415,771)	7,714,346
2. Operating expenses	6,347,926	359,544	133,525	279,904	7,223	7,128,122	(419,959)	6,708,163
Operating income (loss)	\$ 910,492	\$ (3,152)	\$ 4,373	\$ 88,936	\$ 1,346	\$1,001,995	\$ 4,188	\$1,006,183
3. Total assets	\$5,125,185	\$257,238	\$150,819	\$409,370	\$16,928	\$5,959,540	\$(322,783)	\$5,636,757

As mentioned in Note 2, effective April 1, 2004, the Company and its domestic consolidated subsidiaries opted for early adoption of the new accounting standard for the impairment of fixed assets. The effect of this adoption was to decrease total assets in the Japan segment by ¥4,324 million (\$40,268 thousand) from the corresponding amount which would have been recorded under the previous method.

(c) International business information

International revenues consist mainly of revenues from the marine transportation business earned outside Japan.

Each segment principally covers the following countries or regions:

North America: U.S.A. and Canada

Europe: U.K., Germany, the Netherlands and France

Asia: South-East Asia, The Middle East, the People's Republic of China and India

Oceania: Australia, New Zealand and Fiji

Other: Central and South America and Africa

Millions of yen

Year ended March 31, 2005

	North America	Europe	Asia	Oceania	Other	Total
1. International revenues	¥232,641	¥151,553	¥149,101	¥95,155	¥57,784	¥686,234
2. Consolidated revenues						828,444
International revenues as a percentage of consolidated revenues.....	28.1%	18.3%	18.0%	11.5%	6.9%	82.8%

Millions of yen

Year ended March 31, 2004

	North America	Europe	Asia	Oceania	Other	Total
1. International revenues	¥196,892	¥139,696	¥113,963	¥79,016	¥59,958	¥589,525
2. Consolidated revenues						724,667
International revenues as a percentage of consolidated revenues.....	27.2%	19.3%	15.7%	10.9%	8.3%	81.4%

Thousands of U.S. dollars

Year ended March 31, 2005

	North America	Europe	Asia	Oceania	Other	Total
1. International revenues	\$2,166,320	\$1,411,238	\$1,388,403	\$886,066	\$538,082	\$6,390,109
2. Consolidated revenues						7,714,346
International revenues as a percentage of consolidated revenues.....	28.1%	18.3%	18.0%	11.5%	6.9%	82.8%

15. Subsequent Events

(a) The following appropriation of retained earnings of the Company, which has not been reflected in the consolidated financial statements for the year ended March 31, 2005, was approved at a shareholders' meeting held on June 29, 2005:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥9.00 = U.S.\$0.08 per share)	¥5,325	\$49,588
Bonuses to directors.....	205	1,909

(b) Pursuant to a resolution of the Board of Directors at a meeting held on March 15, 2005, the Company, on April 4, 2005, issued euro-yen zero coupon convertible bonds (with stock acquisition rights) due 2013.

Total amount of the bond issue.....	¥30,000 million.
Issue price	100 per cent. of the face value of the bond.
Coupon.....	Zero.
Issue price of the stock acquisition rights	Zero.
Redemption at maturity.....	The bond will be redeemed on April 4, 2013 at the 100 per cent. of its face value.
Stock acquisition rights:	
Type of shares to be issued on conversion	Common stock.
Number of shares to be issued	35,252,643 shares.
Number of stock acquisition rights to be issued	30,000.
Conversion price.....	¥851 per share.
Amount to be transferred to stated capital.....	¥426 per share.
Exercise period of stock acquisition rights	From April 18, 2005 up to the close of business on March 21, 2013 at the location where the stock acquisition rights are exercised.
Use of proceeds.....	The net proceeds from the issue of the Bonds will be used in relation to the financing of new vessel constructions.

Report of Independent Auditors

The Board of Directors
Kawasaki Kisen Kaisha, Ltd.

We have audited the accompanying consolidated balance sheets of Kawasaki Kisen Kaisha, Ltd. and consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income and retained earnings, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.


We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kawasaki Kisen Kaisha, Ltd. and consolidated subsidiaries at March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan

Supplemental Information

As described in Note 2, effective April 1, 2004, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for the impairment of fixed assets.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.



June 29, 2005