

Message from the President

Similar to last year's pattern, global marine cargo movements fared favorably with business achievements for Fiscal 2005 ending up with more operating revenues but with less operating income as compared with last year reflecting impact of record high fuel oil prices on our business activities.

In the face of huge changes in business circumstances, we reviewed our intermediate management plan in March and mapped out "K" LINE Vision 2008* as a new version of our intermediate plan with foresight and vision towards the mid-2010s.



Hiroyuki Maekawa
President

Financial Highlights
 Kawasaki Kisen Kaisha, Ltd. and Consolidated subsidiaries
 Years ended March 31, 2006 and 2005

| CONSOLIDATED | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
| | 2006 | 2005 | 2006 |
| Operating revenues | ¥940,819 | ¥828,444 | \$8,009,014 |
| Operating income | 87,976 | 108,054 | 748,925 |
| Net income | 62,424 | 59,853 | 531,400 |
| Shareholders' equity | 257,810 | 181,276 | 2,194,685 |
| Total assets | 757,040 | 605,331 | 6,444,540 |
| | | Yen | U.S. dollars |
| Per share of common stock: | | | |
| Net income | ¥104.89 | ¥100.70 | \$0.89 |
| Shareholders' equity | 435.19 | 306.06 | 3.70 |
| Cash dividends applicable to the year | 18.00 | 16.50 | 0.15 |
| Employees: | | | |
| Marine transportation | 898 | 885 | |
| Freight forwarding/Harbor transportation ... | 4,986 | 4,412 | |
| Other | 943 | 929 | |
| Total | 6,827 | 6,226 | |

The U.S. dollar amounts are converted from the yen amounts at ¥117.47 = U.S.\$1, the exchange rate prevailing on March 31, 2006.

Achievements for Fiscal 2005

In terms of freight markets, bulk carriers and containerships turned soft in some service routes whereas tankers and other business sectors moved more solidly.

In line with our “K” LINE Vision 2008, our intermediate management plan, we vigorously promoted development of business scale while emphasizing positive business activities. As a result, consolidated operating revenues increased by ¥112,375 million to ¥940,819 million as compared with last year. This means we achieved another record high for 6th consecutive year.

Consolidated operating income decreased by ¥20,078 million to ¥87,976 million under the unfavorable influence of steep hikes in fuel-oil prices despite efforts being exerted for development of business scale and cost curtailment.

Consolidated net income reached

¥62,424 million for an increase of ¥2,571 million as compared with last year since there was no large or special loss like that of last year caused by adoption of a new accounting standard for the impairment of fixed assets. We could mark a record high for a 4th consecutive year.

Dividend of ¥18.00 per share was paid for an increase of ¥1.50 per share versus previous year.

New Intermediate Management Plan “K” LINE Vision 2008+

Under “K” LINE Vision 2008 that started from April 2004 as a 5-year management plan, we carried out consistent and diligent efforts for business growth in new and high-profile developing markets. This included realigning our fleet to provide the most cost-effective and high-quality transport services. In doing so, top-priority emphasis was given to the plan’s fundamental theme of “sustainable growth and establishment

of a stable profitability structure.”

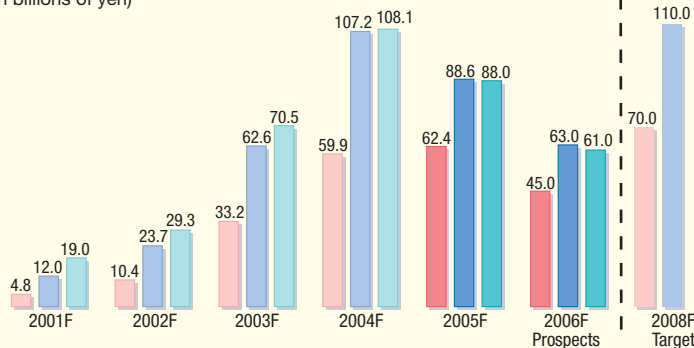
The global economy, however, was faced with huge structural changes centering on China whereas the business environment surrounding shipping varied substantially, such as the remarkable rise in fuel-oil prices, etc.

In consideration of the above factors, “K” LINE Vision 2008+ was introduced in March 2006 as a new version of the former intermediate management plan based on as good a foresight as possible looking toward the mid-2010s.

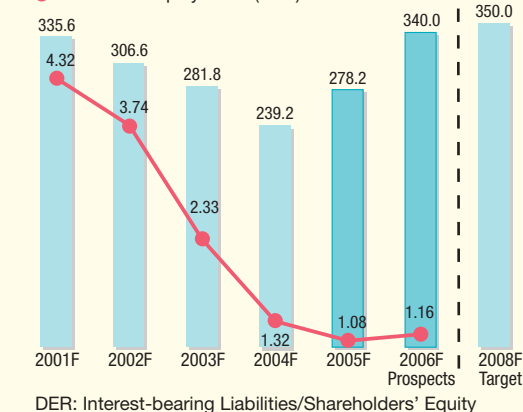
This plan is expected to perform an important role as navigator for our making a fresh start in our firmly-determined challenge to climb new and more lofty summits.

In “K” LINE Vision 2008+, we are also carrying the top-priority theme of “sustainable growth and establishment of a stable profitability structure” under which we will continue promoting planned development of business scale and reinforce our response to the changing business environment.

Net Income
Income before Income Taxes and Extraordinary Items
Operating Income
(in billions of yen)



Interest-bearing Liabilities (in billions of yen)
Debt-to-Equity Ratio (DER)



We prospect that by March 2009 when the above plan is to be completed, our operating fleet will reach 500 ships and consolidated operating revenues will amount to ¥1.1 trillion.

Ship Management Structure for Safety in Ship Navigation and Cargo Operations

In keeping with further developing the scale of business under our newly-revised intermediate management plan, we regard it as most important to establish a ship management structure supporting safety in navigation and cargo operations, and to secure, educate and train marine technical personnel. We have been thoroughly and deeply pouring “K” LINE Spirit, our invaluable legacy built up from generation to generation, into this assignment based on our understanding of what each of the letters in the word Spirit represents: Skill, Professionalism, Intelligence, Responsibility, Innovation and Teamwork.

With this spirit in mind, we have a strong intention to globally mobilize all ship management companies and institutes in the “K” LINE Group and to intensify their competitiveness.

With regard to maritime technical personnel supporting the above structure, we will make utmost efforts to assure that our educational and training programs result in our having professional personnel on a global basis in accordance with the concept of our “K” LINE Maritime Academy.

Corporate Governance

Reinforcement of corporate governance and realignment of risk management are assignments addressed in our new management plan.

We will endeavor to make sure corporate ethics are thoroughly penetrated into the “K” LINE Group as we build up an organically strong and effective governance framework.

To support planned expansion of business scale, we will ensure an optimal global management structure and establish organizations and institutions as needed for brisk decision-making. In June 2006 we reduced the number of directors in order to make quicker decisions to cope with today’s rapidly changing business environment. Simultaneously, we introduced an Executive Officer System with the aim of intensification of business execution.

Prospects for Business Achievement in Fiscal 2006

For Fiscal 2006, some opaque factors are being prospected such as crude oil prices, economic trends in major nations, currency fluctuations, etc.

We anticipate, nevertheless, that demand and supply of ship space will remain in tight condition supported by continued globally active cargo movements.

Under such business circumstances, we will even further strengthen our efforts for expansion of business scale and achieving “sustainable growth and establishment of a stable profitability structure” in accordance with “K” LINE Vision 2008⁺.

Business achievements for Fiscal 2006 are prospected on the premise of the Yen-Dollar exchange rate being ¥112.5 all through the fiscal year and fuel-oil price amounting to US \$350 per ton, resulting in consolidated operating revenues of ¥1.01 trillion, consolidated operating income ¥61 billion, consolidated ordinary income ¥63 billion

and consolidated net income ¥45 billion.

Basic Policy on Dividend Payment

We will continue with consistent efforts to maximize distribution of profit to shareholders after taking into account necessary capital spending appropriations for scaling up business size and securing internal reserves for improvement and strengthening of our overall corporate structure.

We are targeting a dividend payout ratio of 20% of consolidated net income from Fiscal 2006, and will endeavor to raise it still further when circumstances allow.

In terms of dividend per share for Fiscal 2006, we are planning on ¥18 per share as was paid during Fiscal 2005, equivalent to about 24% dividend payout ratio.

All of us throughout the “K” LINE Group sincerely wish to live up to the invaluable trust and support given by our global stakeholders. We will continue to be strongly committed to making concerted efforts for ensuring “sustainable growth and establishment of a stable profitability structure.”



Hiroyuki Maekawa,
President & CEO