

Progress with Our Intermediate Management Plan “K” LINE Vision 2008+

Progress towards Numerical Financial Targets

Boosted by healthy corporate profits, the Japanese economy in fiscal 2006, the first year of our business plan, showed steady growth. Among overseas economies, those of the USA and various Asian countries also performed well, with the European economies putting in a similarly strong showing. Helped along by a strong global economy, the dry bulk market remained at a high level for the most part, with steady growth from container cargo and strong performances across the board from tankers, LNG carriers and car carriers.

As a result, we recorded revenues significantly in excess of projections for the first fiscal year under our Vision 2008+, surpassing the one trillion mark for the first time. Nevertheless, as business was severely impacted by record high fuel oil prices

and a slump in freight rates on European container routes amongst others, we were ultimately unable to achieve our projected incomes for the first fiscal year of the plan.

There is expected to be a great deal of cargo movement in fiscal 2007, particularly to and from China. In view of business expansion plans and strong market forecasts, we expect to achieve sales at projected levels for fiscal 2008 ahead of schedule, and to record profits surpassing our initially projected levels for fiscal 2007. We are aiming to meet each of our projected numerical targets for fiscal 2008, as soon as possible, expanding business operation and exercising cost reduction during this term.

Main Numerical Financial Targets for 2006-2008 and Mid-2010s

| | 2006F Target* | 2006F Results | 2007F Target* | 2007F Prospects | 2008F Target* | (Billions of Yen) Mid-2010s Projected* |
|------------------------------|-------------------------|---------------|---------------|-----------------|---------------|---|
| Operating Revenues | 970.0 | 1,085.5 | 1,050.0 | 1,200.0 | 1,100.0 | 1,500.0 |
| Ordinary Income** | 75.0 | 63.9 | 90.0 | 95.0 | 110.0 | 150.0 |
| Net Income | 53.0 | 51.5 | 60.0 | 63.0 | 70.0 | 100.0 |
| Payout Ratio | 20%, Consolidated Basis | | | | | 30%, Consolidated |
| ROE | 19% | 17% | 19% | 18% | 19% | 10% or more |
| Interest-bearing Liabilities | 320.0 | 326.2 | 340.0 | 360.0 | 350.0 | 350.0 |
| Shareholders' Equity | 293.0 | 344.5 | 342.0 | 400.0 | 400.0 | 750.0 |
| Equity Ratio | 35% | 38% | 37% | 40% | 39% | 50% or more |
| DER | 1.09 | 0.95 | 0.99 | 0.90 | 0.88 | 0.5 or less |
| Fleet Scale | — | 453 | — | — | 500 | 700 |

Preconditions

| | 2006F Target* | 2006F Results | 2007F Target* | 2007F Prospects | 2008F Target* | Mid-2010s Projected* |
|----------------|---------------|---------------|---------------|-----------------|---------------|----------------------|
| Exchange Rate | ¥110/US\$ | ¥117/US\$ | ¥110/US\$ | ¥115/US\$ | ¥110/US\$ | ¥110/US\$ |
| Fuel-Oil Price | \$300/MT | \$319/MT | \$300/MT | \$340/MT | \$300/MT | \$300/MT |

*Initial figures at time of drafting the management plan “K” LINE Vision 2008+ in March 2006

**Ordinary income is income before income taxes and extra-ordinary items.

Progress with Fleet Upgrading Plans

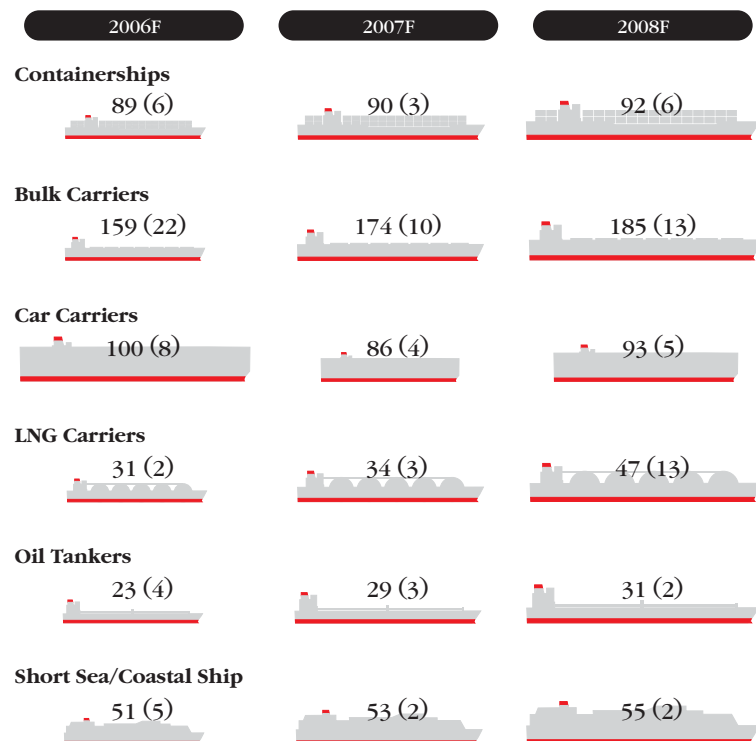
We are making progress according to plan in terms of our aim of expanding our fleet to 500 vessels by the end of fiscal 2008 and to 700 vessels by Mid-2010s in accordance with our “K” LINE Vision 2008+. With docks at shipyards more or less full until 2010, details of ships due for completion from 2011 onwards are currently being negotiated with the shipyards. In view of rising ship prices, we are looking into the timing of building orders based on careful consideration of the likelihood of securing cargo and the profitability of each individual ship.

Construction was completed on 47 new vessels in fiscal 2006, the highest total over the duration of the plan, taking the scale of our fleet to 453 vessels as of the end of March 2007. In

the containership sector, which is our core business and is expected to see a continual increase in cargo movement, we are making every effort to upgrade a competitive fleet so as to establish a reliable profit structure. In October last year, we received first 8,000-capacity containership that boasts the highest capacity of any of our vessels and is also highly environmentally friendly, taking the total number of such vessels in our fleet to four as of this spring. We have added a combined total of 41 new vessels to our fleet in sectors such as dry bulk, car carrier and energy transportation, which have contributed to secure more stable profits by new transportation contracts with both domestic and overseas clients.

Number of Newbuildings & Our Fleet at the End of Each Term

Figures in parentheses represent number of ships delivered within the fiscal year.



- Notes
1. "LNG carriers" includes vessels owned by non-consolidated special-purpose company.
 2. The number of operating vessels includes both newbuildings and chartered ships.
 3. Figures for FY2007 and FY2008 are forecasts, as of March 2007.

Newbuildings Delivery Schedule

| | 2006F | 2007F | 2008F |
|-------------------------------|-----------|-----------|-----------|
| Containerships | 6 | 3 | 6 |
| 8,000 TEU | 3 | 1 | 1 |
| 5,500 TEU | 3 | — | — |
| 2,400 TEU | — | — | 1 |
| 1,620 TEU | — | 2 | 4 |
| Bulk Carriers | 22 | 10 | 13 |
| Cape-size | 9 | 2 | 4 |
| Panamax | 4 | 4 | — |
| Handymax | 4 | 2 | 2 |
| Small Handy | 2 | 1 | 3 |
| Woodchip Carriers | 1 | — | 3 |
| Thermal Coal Carriers | 2 | 1 | 1 |
| Car Carriers | 8 | 4 | 5 |
| 6,000 units | 1 | 3 | 5 |
| 5,000 units | 1 | — | — |
| 4,300 units | 2 | — | — |
| 3,800 units | 2 | 1 | — |
| 2,000 units | 2 | — | — |
| LNG Carriers | 2 | 3 | 13 |
| Oil Tankers | 4 | 3 | 2 |
| VLCC | 1 | 1 | — |
| Aframax | 1 | — | 1 |
| Product Tankers | 2 | — | — |
| LPG Carriers | — | 2 | 1 |
| Short Sea/Coastal Ship | 5 | 2 | 2 |
| Total | 47 | 25 | 41 |

Main Achievements under Vision 2008⁺

●Launch of "K" Line Logistics, Ltd. and the Establishment of the Logistics Advisory Committee

Our logistics operations are positioned as one of our core sources of stable profit. As such, we are looking to reinforce our logistics operating base and expand the scale of our operations. We realized, as one of our specific measures, the integration of two logistics subsidiaries on July 1, 2006.

Positioning "K" Line Air Service, Ltd., an air freight forwarder with a global network, at the heart of our logistics operations, we have established "K" Line Logistics, Ltd. integrating marine freight logistics provider "K" Logistics Corp. We intend to create an even more robust structure capable of offering total logistics services, including one-stop services, on a global scale. To this end, we will even positively consider the possibility of M&A and business alliances with non-group companies as well as group companies in the future.

Meanwhile, in the field of product distribution relating to both containership business and car carrier business, we have been increasingly required to conduct more functional and efficient business operations. In order to restructure our organization for these purposes, we set up a new "K" Line Group Logistics Business Advisory Committee on January 1, 2007.

●Joint Venture with SAL

As we continue to diversify our marine transportation operations and establish a reliable profit structure, we have invested in and launched a joint venture in the heavy plant transportation business, which is expected to enjoy strong demand.

Although we temporarily withdrew from heavy plant transportation operations in the early 1990s, we have re-entered the market in partnership with the German SAL Group. Established in 1838, the SAL Group has extensive experience and an outstanding track record, and currently has a competitive fleet consisting of 15 vessels. Since this alliance is set up between the SAL Group and the "K" Line Group which has a network extending from Japan around the globe, we intend to establish a cooperative, complementary framework spanning various different areas to give our operations more of a competitive edge.

●Enactment of a Group Company Charter of Conduct

In December 2006, the "K" Line Group set out a Group Company Charter of Conduct based on the "K" Line corporate principles.

For full details, please refer to the inside front cover of this report, or to our Social and Environmental Report.