



Interim Report

2005

April 1, 2005 through September 30, 2005

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Dear Shareholders,

As the president of "K" LINE, I would like to express my deepest gratitude for your always kind cooperation to and strong support for us. It is my pleasure to report to you our financial position for the first half of fiscal 2005 (from April 1 through September 30, 2005).

Consolidated operating income and ordinary income for the first half of fiscal 2005 were lower than those in the same period last year, hurt by negative factors inflated fuel prices and adjusting trend in the market of Bulk Carrier freight rates. However, the Company was able to achieve financial results nearly equal to or over initial targets, such as historical high revenue and net income assisted by brisk cargo movements and our aggressive business promotion and efforts to secure efficient vessel operation.

As far as the interim dividend is concerned, we have resolved to pay ¥9 per share as previously announced (¥1.50 more than the same of last year).

Though we are facing severer cost and market conditions in undergoing 2nd half fiscal period, all directors and employees of "K" LINE Group are devoted to accomplishing the targets set out in "K" LINE Vision 2008 which includes historical high revenue and net income. We highly appreciate your continued support as well as your guidance.

Thank you very much for your attention.



A handwritten signature in black ink, which appears to read "H. Maekawa". The signature is written in a cursive style with a long horizontal stroke at the end.

Hiroyuki Maekawa, President
November 2005

Review of Operations

Financial Summary

| Six Months Ended September 30 | Millions of Yen | | |
|-------------------------------|-----------------|----------|----------|
| | 2005 | 2004 | Increase |
| Consolidated | | | |
| Operating Revenues | ¥454,764 | ¥413,563 | ¥41,200 |
| Operating Income | 50,167 | 60,252 | (10,085) |
| Ordinary Income | 49,625 | 61,942 | (12,317) |
| Interim Net Income | 34,885 | 33,549 | 1,336 |

Summary of Financial Positions for 1st Half of Fiscal 2005

In the 1st Half of fiscal 2005, while freight rates for container-ships maintained steady performances, those for bulk carriers entered a correction phase in May and onward. On-spot freight rates for large-sized crude oil tankers, which were on a downward trend since the beginning of the year, have turned to restoration since June.

Under these circumstances, "K" LINE Group promoted aggressive business operations and as a result, the consolidated operating revenues for the 1st half of fiscal 2005 increased ¥41.2 billion compared with the same period of the preceding year to ¥454.764 billion. However, consolidated operating income decreased ¥10.085 billion from the same period last year to ¥50.167 billion (initial projection: ¥50 billion), due to a hit by skyrocketing fuel oil prices and the bulker market rates correction. Consequently, consolidated ordinary income declined by ¥12.317 billion compared to last year to ¥49.625 billion (initial projection: ¥50 billion). Consolidated net income for the first half of fiscal 2005 increased by ¥1.336 billion on a year-on-year basis to ¥34.885 billion (initial projection: ¥34 billion). The interim dividend for the current fiscal year ending March 2006 was decided at ¥9 per share as announced publicly in the 1st Quarter Highlights last August.

The following is the summary of the activities by business sector.

(1) Marine Transportation Containership Business

Cargo movement maintained steady performances and operating revenues increased on a year-on-year basis. However, operating income declined against the same period last year due to inflated fuel oil price. Cargo movements for the entire North American service routes performed favorably, since movements for housing demand-related goods and electric appliances grew by more than 10% compared to last year, and the Company strengthened transportation capacity by setting up new routes. As a result, cargo volume on the North American routes sharply climbed as shipments for the U.S. East Coast roughly doubled. Cargo movements on European routes staggered temporarily during the period, but came back to the growth trend of over 10% year-on-year since last summer, and in particular, tonnage movements on the Mediterranean Sea routes increased sharply. As a result, the Company's cargo volume bound for both North Europe and the Mediterranean Sea rose beyond our projection. Cargo movements on inter-Asian service routes also continued to grow favorably, helped by the steadily increasing cargo shipments from China as well as from Japan.

Bulk Carrier and Car Carrier Business

Bulk Carriers:

Bulker market rates, which were high levels since the beginning of the year, entered a correction phase in early May and staggered till the middle of the 2nd quarter of fiscal 2005. Through the 1st half of fiscal 2005, market rates sharply declined from the same period last year.

Car Carriers:

Car carriers encountered negative factors like inflated fuel prices and highly hovering charter rates. However, cargo movements steadily grew in volume due to the business environment marked by expanding sales of Japanese and Korean cars featuring higher mileage in major global markets including the U.S., and consequently, the Company enjoyed increased tonnage.

In the overall bulk carrier and car carrier business, operating revenues increased but income declined.

Energy Transportation and Tanker Business

While the tanker market generally continued to be stagnant during the period, the Company's VLCCs and LNG carriers maintained steady performances. Volume of transport also increased in the thermal coal carriers for power generation thanks to an easing of port congestion in Australia. Operating results of the overall business slightly exceeded to those in the same term of last year.

Coastal Shipping Business

In the domestic tramp services, the Company secured stable cargo volumes and constant operating performance thanks to specialized carriers. However, ferries were faced with severe operating conditions due to soaring fuel oil prices.

As a result, overall operating revenues for the marine transportation amounted to ¥393.356 billion, an increase of 9.8% over the

same period last year and operating income stood at ¥44.087 billion, 19.9% down in a year-on-year comparison .

(2) Freight Forwarding/Harbor Transportation

Cargo movement proceeded relatively steadily for both sea and air routes, and consequently, the cargo volume handled by harbor transportation-related affiliates increased. The combination of these favorable results produced operating revenues of ¥52.545 billion (13.4% year-on-year increase) and operating income of ¥4.889 billion (0.1% year-on-year decrease).

(3) Others

As for other businesses not mentioned above, operating revenues amounted to ¥8.861 billion (0.4% year-on-year decrease), and operating income recorded at ¥1.008 billion (279.9% year-on-year increase).

Annualized Financial Positions in Prospect and Preconditions

The Company expects the consolidated operating results for the full-term of fiscal 2005 to be ¥925.0 billion for operating revenues, ¥91.0 billion for operating income, ¥91.0 billion for ordinary income, and ¥64.0 billion for net income. In the first half of fiscal 2005, the Company was able to achieve the initially projected consolidated financial numerical results thanks to the effects of the contracts that were received during the relatively profitable preceding year but was executed in this first half. Our efforts to secure efficient ship operation also helped in the achievement, despite inflated fuel prices and a rapid decline of freight rates for bulk carriers and tankers. However, in the second half, while containerships and car carriers will continue to grow fairly well, the overall consolidated ordinary income is forecasted to be unable to reach the initial projection due to the further hike of fuel oil prices and declining bulker market rates. For the second half, the Company expects the foreign exchange rate of

¥110/US\$1 (fluctuation of 1¥ affecting company ordinary income in the second half by ¥0.6 billion) and a fuel oil price of US\$300 per 1 metric ton (effect of a fluctuation in fuel oil prices of US\$10 per 1 metric ton is around ¥1.3 billion in profits).

Outlook on Dividends for Fiscal 2005

Although the Company's operating results for fiscal 2005 are forecasted to be lower than initial projections, the Company is going to pay ¥9 per share for the interim dividend and ¥18 per share for total annual dividend as initially planned. There will be no changes to the year-on-year increase of ¥1.5. As for the future dividend policy, the Company will be reconsidering the dividend policy in the course of reviewing the medium-term management plan "K" LINE Vision 2008. The Company is planning on announcing the new dividend policy at the publication of the revised management plan in March 2006.

Factors for Predicting Performance in 2nd Half of This Fiscal 2005 and for Outlook Periods on and after Fiscal 2006

Major factors for shifting into the correction phase in operating results in fiscal 2005 are the price hike of fuel oil and a slow recovery in bulker market rates that were declining since early May this year. Though we cannot expect bulker market rates to

rise to the levels of last year, the same are expected to recover in the near future thanks to the continuously increasing crude steel production in China. Cargo movements in containerships and car carriers will continue to grow steadily, which will contribute to securing stable profits. We have to expect fuel oil prices will not likely return to the lower levels seen in the past, but it is also unlikely that there will be another large hike from the current level. The Company will make all efforts to curtail costs to improve earnings. On and after fiscal 2006, we do not expect any particular factor that will significantly affect operating results adversely, but we do stable shipping business environments will continue. In the containership business, cargo movements on major service routes are expected to continue a constant growth, and the supply-demand relationship will remain tight. In the car carrier business, sea freight volume of cars will increase globally, supported by 1) expanding car-buying public due to improved standard of living, 2) the multipolar production bases, 3) the progress of the Free Trade Agreement (FTA), and 4) the accelerating sales of Japanese car models. In the bulk carrier business and the energy transportation and tanker business, supply-demand will continue to be tight and markets will maintain a stable condition while repeating seasonal adjustments, thanks to the China's strong demand for steel and petroleum.

Annualized Financial Positions in Prospect

| Years Ended March 31 | Millions of Yen | |
|----------------------|-----------------|----------|
| | 2006 (Prospect) | 2005 |
| Consolidated | | |
| Operating Revenues | ¥925,000 | ¥828,443 |
| Operating Income | 91,000 | 108,053 |
| Ordinary Income | 91,000 | 107,235 |
| Net Income | 64,000 | 59,852 |

Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and consolidated subsidiaries for the year ended March 31, 2005 and half year ended September 30, 2005

| | Millions of Yen | | | Thousands of U.S. dollars |
|---|-----------------------------------|-----------------------------|------------------------|-----------------------------------|
| | Six Months ended Sep. 30, 2005 | Year ended Mar. 31, 2005 | Increase (Decrease) | Six Months ended Sep. 30, 2005 |
| ASSETS: | | | | |
| Current Assets | ¥220,011 | ¥187,071 | ¥ 32,940 | \$1,943,740 |
| Fixed Assets: | | | | |
| Tangible Fixed Assets | 330,419 | 275,891 | 54,527 | 2,919,156 |
| Intangible Fixed Assets | 6,377 | 6,170 | 206 | 56,340 |
| Investments and Other Long-Term Assets | 152,962 | 136,176 | 16,785 | 1,351,375 |
| Total Fixed Assets | 489,758 | 418,238 | 71,520 | 4,326,870 |
| Deferred Assets | 35 | 21 | 14 | 315 |
| Total Assets | ¥709,806 | ¥605,331 | ¥104,474 | \$6,270,925 |
| LIABILITIES AND SHAREHOLDERS' EQUITY: | | | | |
| LIABILITIES | | | | |
| Current Liabilities | ¥205,727 | ¥177,948 | ¥ 27,778 | \$1,817,540 |
| Long-Term Liabilities | 269,439 | 236,941 | 32,497 | 2,380,415 |
| Total Liabilities | 475,166 | 414,890 | 60,276 | 4,197,955 |
| Minority Interests in Consolidated Subsidiaries | 10,064 | 9,164 | 899 | 88,915 |
| SHAREHOLDERS' EQUITY | | | | |
| Common Stock | 29,689 | 29,689 | — | 262,301 |
| Additional Paid-In Capital | 14,534 | 14,534 | — | 128,411 |
| Retained Earnings | 146,658 | 117,483 | 29,175 | 1,295,686 |
| Revaluation Reserve for Land | 6,815 | 6,797 | 17 | 60,210 |
| Unrealized Holding Gain on Investments in Securities | 28,289 | 16,642 | 11,647 | 249,933 |
| Translation Adjustments | (984) | (3,110) | 2,126 | (8,697) |
| Treasury Stock, at Cost | (428) | (761) | 332 | (3,787) |
| Total Shareholders' Equity | 224,575 | 181,276 | 43,299 | 1,984,056 |
| Total Liabilities, Minority Interest and Shareholders' Equity | ¥709,806 | ¥605,331 | ¥104,474 | \$6,270,925 |

Note: The U.S. dollar amounts are converted from the yen amount at ¥113.19 = U.S. \$1.00, the exchange rate prevailing on September 30, 2005.

Total assets: increased ¥104.5 billion compared with the end of consolidated fiscal 2004, due to an increase in capital investment in vessels (including those under construction) for expanding the scale of business operation and the increase of unrealized gains among investment in securities thanks to stock price advances.

Total liabilities: expanded ¥60.3 billion from the end of fiscal 2004, owing to an increase in accounts and notes payable-trade resulting from the

expanded scale of operation and an increase in interest-bearing debt caused by capital investment in vessels.

Shareholders' equity: increased ¥43.3 billion compared with the end of fiscal 2004, attributable to an increase in retained earnings and expanded unrealized gains in investment in securities due to upgrades in stock prices. Equity ratio improved from 30% (end of fiscal 2004) to 32%, and debt-equity ratio (DER) also improved from 1.32times (end of fiscal 2004) to 1.23 times.

Consolidated Statements of Income, Additional Paid-In Capital and Retained Earnings

Kawasaki Kisen Kaisha, Ltd. and consolidated subsidiaries for the half years ended September 30, 2005 and 2004

| Six Months Ended September 30 | Millions of Yen | | | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------|---------------------------|
| | 2005 | 2004 | Increase (Decrease) | 2005 |
| Operating Revenues | ¥454,764 | ¥413,563 | ¥41,200 | \$4,017,707 |
| Costs and Expenses | 376,070 | 326,443 | 49,626 | 3,322,468 |
| Selling, General and Administrative Expenses | 28,526 | 26,867 | 1,659 | 252,027 |
| Operating Income | 50,167 | 60,252 | (10,085) | 443,212 |
| Non-Operating Income | 2,256 | 4,125 | (1,869) | 19,935 |
| Non-Operating Expenses | 2,798 | 2,435 | 363 | 24,725 |
| Ordinary Income | 49,625 | 61,942 | (12,317) | 438,422 |
| Extraordinary Profits | 3,156 | 545 | 2,610 | 27,891 |
| Extraordinary Losses | 17 | 9,352 | (9,334) | 156 |
| Income before Income Taxes | 52,764 | 53,135 | (371) | 466,157 |
| Income Taxes | 16,943 | 18,846 | (1,903) | 149,692 |
| Minority Interest | 934 | 739 | 195 | 8,259 |
| Net Income | ¥ 34,885 | ¥ 33,549 | ¥ 1,336 | \$ 308,206 |
| Additional Paid-In Capital | | | | |
| Additional Paid-In Capital Beginning of the Year | ¥ 14,534 | ¥ 14,535 | | \$ 128,411 |
| Decrease in Additional Paid-in Capital | — | 0 | | — |
| Additional Paid-In Capital End of the Year | ¥ 14,534 | ¥ 14,534 | | \$ 128,411 |
| Retained Earnings | | | | |
| Retained Earnings at the Beginning of the Year | ¥117,483 | ¥ 66,964 | | \$1,037,931 |
| Net Income | 34,885 | 33,549 | | 308,206 |
| Other Increase in Retained Earnings | 6 | 0 | | 55 |
| Cash Dividends | (5,325) | (2,957) | | (47,047) |
| Bonuses to Directors and Corporate Auditors | (336) | (225) | | (2,972) |
| Other Decrease in Retained Earnings | (55) | (1,742) | | (487) |
| Retained Earnings at the End of the Year | ¥146,658 | ¥ 95,589 | | \$1,295,686 |

Operating revenues: increased by ¥41.2 billion compared with the same period last year, due to the expansion of the scale of operation mainly in marine transportation.

Operating income: decreased ¥10.1 billion on a year-on-year basis, hit by declined freight rates for bulk carriers and tankers in addition to soaring fuel prices. The cost to sales ratio rose from 79% (same period of the preceding year) to 83%, and the operating income ratio worsened from 14.6% (previous year) to 11.0%.

Non-operating income/expenses: worsened by ¥2.2 billion on a year-on-year basis. While non-operating account for the first half of last year recorded profits of ¥1.7 billion thanks to weaker yen, for the same of this year posted losses of ¥0.5 billion.

Extraordinary profits/losses: improved by ¥11.9 billion on a year-on-year basis. Special loss at ¥7.0 billion was posted on impaired fixed assets in the first half of the previous year, but in the 1st half of fiscal 2005, special gain at ¥3.1 billion was resulted mainly thanks to sales of ship.

Consolidated Statements of Cash Flows

Kawasaki Kisen Kaisha, Ltd. and consolidated subsidiaries for the half years ended September 30, 2005 and 2004

| Six Months Ended September 30 | Millions of Yen | | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
| | 2005 | 2004 | 2005 |
| Net Cash Provided by Operating Activities | ¥32,454 | ¥45,371 | \$286,724 |
| Net Cash Used in Investing Activities | (58,828) | (21,540) | (519,728) |
| Net Cash Provided by (Used in) Financing Activities | 28,995 | (22,289) | 256,168 |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | 1,166 | 664 | 10,306 |
| Net Increase in Cash and Cash Equivalents | 3,788 | 2,206 | 33,469 |
| Cash and Cash Equivalents at Beginning of the Period | 31,497 | 23,127 | 278,271 |
| Net Increase in Cash and Cash Equivalents Arising from Inclusion/Exclusion of Subsidiaries in Consolidation | 1 | 629 | 12 |
| Cash and Cash Equivalents at End of the Period | ¥35,287 | ¥25,962 | \$311,752 |

Cash flows from operating activities: Net cash from operating activities decreased ¥12.9 billion on a year-on-year basis after fully offsetting an increase in accounts and notes receivable-trade due to the expanded scale of operation with a rise in net income before income taxes for the interim period.

Cash flows from investing activities: Net cash used in investing activities expanded by ¥373 billion from the same period last year, owing to an increase in capital investment in vessels.

Cash flows from financing activities: Net cash used in financing activities rose by ¥51.3 billion compared with the same period last year due to promoting repayment of interest-bearing debt with surplus funds.

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. for the half year ended September 30, 2005

| | Millions of Yen |
|---|-----------------|
| | 2005 |
| ASSETS: | |
| Current Assets | ¥171,985 |
| Fixed Assets: | |
| Tangible Fixed Assets | 73,528 |
| Intangible Fixed Assets | 2,077 |
| Investments and Other Long-Term Assets | 220,804 |
| Total Fixed Assets | 296,411 |
| Deferred Assets | 35 |
| Total Assets | ¥468,432 |
| LIABILITIES AND SHAREHOLDERS' EQUITY: | |
| LIABILITIES | |
| Current Liabilities | ¥163,532 |
| Long-Term Liabilities | 133,250 |
| Total Liabilities | 296,782 |
| SHAREHOLDERS' EQUITY | |
| Common Stock | 29,689 |
| Additional Paid-In Capital | 14,534 |
| Retained Earnings | 96,658 |
| Revaluation Reserve for Land | 4,720 |
| Unrealized Holding Gains on Investment Securities | 26,377 |
| Treasury Stock, at Cost | (331) |
| Total Shareholders' Equity | 171,649 |
| Total Liabilities and Shareholders' Equity | ¥468,432 |

Non-Consolidated Statements of Income and Retained Earnings

Kawasaki Kisen Kaisha, Ltd. for the half year ended September 30, 2005

| | Millions of Yen |
|--|-----------------|
| | 2005 |
| Operating Revenues | ¥362,924 |
| Operating Expenses | 327,787 |
| Operating Income | 35,136 |
| Non-Operating Income | 1,751 |
| Non-Operating Expenses | 1,035 |
| Ordinary Income | 35,853 |
| Extraordinary Profits | 508 |
| Extraordinary Losses | 2 |
| Income Before Income Taxes | 36,359 |
| Income Taxes—Current | 12,759 |
| Income Taxes—Deferred | 822 |
| Net Income | 22,777 |
| Unappropriated Retained Earnings Brought Forward | 563 |
| Loss on Transaction in Treasury Stock | 55 |
| Unappropriated Earned Surplus for Current Term | ¥ 23,285 |

Overview of the Company

as of September 30, 2004

General Information

Name:

Kawasaki Kisen Kaisha, Ltd. ("K" LINE)

Head Office:

Hibiya Central Building, 2-9, Nishi-shinbashi 1-chome, Minato-ku, Tokyo 105-8421, Japan

Established:

April 5, 1919

Number of Employees:

565

On-land duty 403 At-sea duty 162

Directors and Corporate Auditors

Chairman:

Yasuhide Sakinaga*

President:

Hiroyuki Maekawa*

Senior Managing Directors:

Yoichi Hasegawa* Tetsuo Shiota* Katsue Yoshida* Toshio Shimizu*

Managing Directors:

Nobuya Kamisaka Satoru Kuboshima Fumito Kawamata

Shigeru Soda Norio Tsutsumi Toshinori Morita Shigenori Ishii

Yoshiyuki Ota Mamoru Shozui

Directors:

Hisashi Yasui Toshio Suzuki Kozo Eguchi Takumi Yoshii

Kazuyuki Oda Akira Otsu Yoshikazu Minagawa Jiro Asakura

Takashi Saeki Eizo Murakami

Corporate Auditors:

Osamu Dei Takatsugu Murai Koichi Otaki Kengo Yamashita

Attention:

1. *Marked directors represent the Company.
2. Out of four Corporate Auditors, Mr. Takatsugu Murai and Mr. Kengo Yamashita are Outside Corporate Auditors.

Fleet in Operation

Number:

377

DWT (KT):

23,069,622

Stock Information

Share Capital:

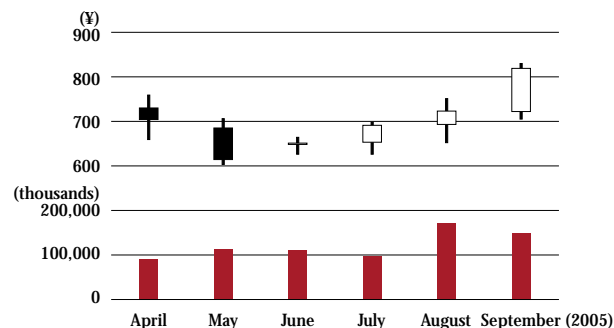
Authorized — 1,080,000,000 shares of common stock

Issued — 593,796,875 shares of common stock

Listing of Shares:

Tokyo, Osaka, Nagoya and Fukuoka

Trends of Averaged Stock Price and Volume:



Principal Shareholders:

| Shareholders | Number of shares held (thousands) | Percentage ownership |
|---|-----------------------------------|----------------------|
| Japan Trustee Service Bank, Ltd. (Trusted) | 70,908 | 11.94 |
| The Master Trust Bank of Japan, Ltd. (Trusted) | 47,337 | 7.97 |
| Tokio Marine & Nichido Fire Insurance Co., Ltd. | 30,929 | 5.20 |
| Sompo Japan Insurance Inc. | 27,305 | 4.59 |
| Trust & Custody Services Bank, Ltd. (Kawasaki Heavy Industries Ltd. retirement benefit trust account re-entrusted by Mizuho Trust and Banking Co., Ltd.) | 22,000 | 3.70 |
| Nippon Life Insurance Company | 17,916 | 3.01 |
| Mitsui Sumitomo Insurance Company, Limited | 12,092 | 2.03 |
| Mizuho Corporate Bank, Ltd. | 11,100 | 1.86 |
| Kawasaki Heavy Industries, Inc. | 10,923 | 1.83 |
| BNP PARIBAS Securities (Japan) Limited | 9,310 | 1.56 |

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Minato-ku, Tokyo 105-8421, Japan
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URL: <http://www.kline.co.jp>

Close of Fiscal Year:

March 31

Ordinary General Meeting of Shareholders:

June

Date for Decision of Shareholders with Voting Rights:

March 31

Date for Decision of Shareholders Entitled to Dividend:

March 31

Date for Decision of Shareholders Entitled to Interim Dividend:

September 30

The Record Date:

March 31

(Shareholders of record)

Any other date shall be decided whenever necessary.

Public notice thereon shall be given in advance.

Transfer Agent:

The Chuo Mitsui Trust and Banking Company, Limited

33-1, Shiba 3-chome, Minato-ku, Tokyo, Japan

http://www.chuomitsui.co.jp/person/p_6.html

Central Office and Receiving Offices

(for receipt of documents concerned only)

Central Office:

The Chuo Mitsui Trust and Banking Company, Limited
Stock Transfer Agency Department
8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063, Japan
Phone: (+81) 3-3323-7111

Receiving Offices:

All offices The Chuo Mitsui Trust and Banking Company, Limited
All offices Japan Securities Agents, Ltd.
Request for Purchase of Odd lots (less than 1,000 shares) is
accepted by the transfer agent at any offices.

Public Notice:

<http://www.kline.co.jp>

