

OCEAN BREEZE

News About The Wide World of "K" LINE



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Mr. Maekawa, President, gave a message to the new staff who entered “K” LINE on April 1, 2006.

His points are understood to commonly attract high attention and interest of not only the newcomers but also all younger and senior staff working around the globe.

Consequently, a part of the content has been selected and carried in this issue as follows:

I would like to welcome all of you as newcomers to the “K” LINE family. It is my honor and pleasure to address you at this entrance ceremony today.

On this occasion, I would ask your attention to three points as a senior (or SEMPAI in Japanese) who has been engaged in such global business as logistics and shipping throughout my career.

111. Lifting an antenna high in the air at all times, you are requested to keep on gaining knowledge and experience since they will be a source of strength to help you always.

As you may be aware, the international shipping world has been performing business on a global basis.

That is why we have to be on the alert for every trend/development in economy and politics at home and abroad. For your success in business, you are required to cope with customer demands foreseeing beforehand what is expected to happen. From this viewpoint, there is a need for solidly making fundamentals or fundamental necessities your own: a way of thinking on practices of business and professional knowledge, etc.

For those who try to strive to conquer an unexplored summit in our global world, this is a long way to go! I would request you to practically learn those fundamental necessities relevant to every job. Don’t hesitate to challenge and learn them without shying away from whatever kind of mistake.

I earnestly wish that you will reach the summit in the future after having continued to make everyday efforts with steadiness, diligence & patience.

I would like to translate “making efforts that way” by using the Japanese expression “KOTSU-KOTSU”.

222. It is very important that you approach your work and every assignment with such consciousness that you yourselves always be a responsible party or in other words, relevant to what will face or confront you in business. You should sense all the time that you are directly or indirectly related to all matters occurring around you.

I am asking you to independently think for yourselves, asking what you can or should do and how to behave to get people around to you be involved/interested one way or another.

Such a mindset is very essential in view of the fact that at “K” LINE, every work is being carried out by a relatively small number of staff.

This point should be well understood by all who are dedicated to “K” LINE and its group companies throughout the world.

I would ask you to reflect upon yourselves and to make up your minds to that effect.

333. Let me emphasize the importance of caring for your “health.” This is a basic element for whatever job we may perform. To keep your bodies and minds healthy plays an essential part in performing all engagements, especially once you have become a full-fledged member of society. I would request that everyday you pursue a proper balance between work and health at all times.

The above words were followed by President’s explanations of “K” LINE Vision 2008⁺, about which you have already been informed in Ocean Breeze and on our Homepage.

President Maekawa on Sales Tour in the Netherlands

Contributed by Mr. Fer P. Penders, Director & General Manager, "K" Line (Nederland) B.V.

A Great honor was bestowed upon us when "K" Line (Nederland) was allowed to schedule 1 day for VIP customer visits with President Maekawa.

We selected the following VIP customers:

DSM

In 1902 the Dutch government formed the nationalized coal company 'De Nederlandse Staatsmijnen' (Dutch State Mines), later DSM.

As the mining operation grew so did the company's coal-processing operation. This gave rise to a growing by-product, coke oven gas. This was turned into a profitable commodity, ammonia, an ingredient in nitrogenous fertilizers. By diversifying in this way, DSM avoided the fate that would ultimately close down so many coalmines.

In the post-war era, chemical products became more prominent. Once again, DSM saw an opportunity and seized it, providing industrial chemicals and raw materials for synthetic fibers and yarns. It was not long after this that worldwide use of coal began to decline; oil and natural gas were much more profitable and coal was more polluting. By the 1960s, coal production was waning sharply and in 1975, the Dutch Prime Minister officially closed the country's last mine. Fortunately, DSM had anticipated this and quickly started changing its focus. By 1970 chemicals and fertilizers comprised the company's chief activity, accounting for two-thirds of its turnover. Petrochemicals then took center stage. In just twelve years profits from raw materials for plastics grew by a factor of fourteen. No mean feat, especially in view of the fact that DSM had to fight its way into a market dominated by major companies with long-established names.

In the 1970s and '80s DSM underwent major reorganizations to ensure itself of sufficient scale, greater guarantees for market consumption, and diversification into high-quality plastics and fine chemicals. After 1985, DSM developed a series of ambitious innovation projects resulting in specialties such as the polyethylene fiber Dyneema, the strongest fiber on earth.

In 1989 DSM was privatized and listed publicly. During the 1990s, the company paid greater attention to creating a balance between commerce and research and developing value-adding processes and products, particularly products for the pharmaceutical and the food industries and performance materials for the automotive and transport industry and the electrics and electronics sector.

In 2002 DSM completed the sale of its petrochemicals operation in anticipation of future market movements. This was followed by the acquisition of Roche's Vitamins & Fine Chemicals Division in October 2003, which was subsequently renamed DSM Nutritional Products. In February 2005 NeoResins, the coating resins business of

Avecia was purchased. Now known as DSM NeoResins this acquisition forms part of DSM Resins, a business group in the performance materials cluster. In July 2005 this acquisition was followed by the sale of DSM Bakery Ingredients to the Dutch investment company Gilde Investment Management.

Today net sales comprises EUR 8.2 billion with 21,820 employees (as at end 2005) worldwide.

President Maekawa was warmly welcomed into DSM's procurement head office in Urmond. Mr. Klaas Wouterlood, Purchasing Manager/Physical Distribution, and Mrs. Lea Chyla, Manager Contracting Sea/Air had prepared a detailed presentation of DSM which was followed with great interest. It appeared that DSM and "K" LINE have interesting similarities in their approach, their vision business plan is also called Vision 2010 against our Vision 2008+ which was recently launched by President Maekawa.

"K" LINE has been favored with DSM's Europe export cargo for 15 years, meanwhile DSM's volumes are becoming more global, expanding the possibilities of cooperation enormously. Ending the meeting President Maekawa presented a gift in appreciation for the cooperation between our companies, the gift being a Ukiyoe Japanese lithograph.



From left to right: Mr. Klaas Wouterlood, Mrs. Lea Chyla, President Maekawa, and Mr. Fer Penders

ROYAL PHILIPS Electronics

Philips began by making carbon-filament lamps and, by the turn of the century, was one of the largest producers in Europe. As developments in new lighting technologies fueled a steady program of expansion, in 1914 it established a research laboratory to study physical and chemical phenomena and stimulate product innovation.

In 1918, it introduced a medical X-ray tube. This marked the beginning of the diversification of its product range and the moment when it began to protect its innovations with patents in areas stretching from X-ray radiation to radio reception.

In 1925, Philips became involved in the first experiments in television in 1925 and in 1927 began producing radios; by 1932, it had sold one million of them. A year later, it produced its 100-millionth radio valve and started production of

medical X-ray equipment in the United States. By 1939, when it launched the first Philips electric shaver, the company employed 45,000 people worldwide.

Science and technology underwent tremendous development in the 1940s and 1950s, with Philips Research inventing the rotary heads that led to the development of the Philishave electric shaver, and laying down the basis for later ground-breaking work in transistors and integrated circuits. The company also made major contributions to the development of the recording, transmission and reproduction of television pictures. In 1963, it introduced the Compact Audio Cassette. In 1965, it produced its first integrated circuits.

The flow of exciting new products and ideas continued throughout the 1970s. Research in lighting contributed to the new PL and SL energy-saving lamps, while Philips Research made key breakthroughs in the processing, storage and transmission of images, sound and data. These led to the inventions of the Laser Vision optical disc, the Compact Disc and optical telecommunication systems.

In 1972, the company established PolyGram, the enormously successful music recording label. In 1974, it acquired Magnavox and in 1975, Signetic, both in the United States. Acquisitions in the 1980s included GTE Sylvania's television concern and Westinghouse's lamps business. Then, in 1983, came a technological landmark: the launch of the Compact Disc. Other milestones of the time included the production of Philips' 100-millionth TV set in 1984 and, in 1995, the 300-millionth Philishave electric shaver.

The 1990s was a decade of significant change for Philips. The company carried out a major restructuring program to return it to a healthy footing, simplifying its structure and reducing the number of business areas. In 1997, in cooperation with several other companies – and building on the success of its Compact Disc technology (invented by Philips and jointly introduced with Sony) – it released what proved to be the fastest growing home electronics product in history: the DVD.

Moving into the 21st century, Philips has continued to change and grow. Long aware that for many people it is no more than a consumer electronics producer, it has dedicated itself to projecting a new and more representative image that reflects the products it offers in the areas of Healthcare, Lifestyle and Technology. By following this up in 2004 with a massive advertising campaign to unveil its new brand promise of 'Sense and Simplicity', the company confirmed its dedication to offering consumers around the world products that are advanced, easy to use and, above all, designed to meet their needs.

Royal Philips Electronics of the Netherlands is

one of the world's biggest electronics companies, as well as the largest in Europe, with 161,500 employees in over 60 countries and sales in 2005 of EUR 30.395 billion.

President Maekawa was warmly welcomed by CEO Philips General Purchasing Mr. Jaap Pipping as well as Mr. Paul van der Sanden, Vice President Philips International; Mr. Gregory Boyle, Senior Manager Forwarding & Distribution; and Mrs. Esther Liskamp, Manager Forwarding & Distribution Europe. During a pleasant lunch presented by Philips we were able to have an enjoy-

able exchange regarding past, present and future plans of both our companies. "K" LINE has been favored with Philips cargo for already 4 years, we are now in the 1st year of a 3-year contract trusting "K" LINE to be supported for the years to come appreciating Philips support in our expansion to come up. Currently our market share for the Philips volume is around 18% and we look forward to increase our cooperation. Also Philips received a Japanese Lithograph Ukiyoe in appreciation of the cooperation during the past 4 years.



Presentation of the gift to Mr. Pipping

"K" LINE Wins Toyota "President's Award" ... Again!

Toyota USA's marketing slogan "Moving Forward" is something "K" LINE seems to be taking seriously.

For the second year in a row "K" LINE was honored recently as the best overall ocean carrier of Toyota vehicles in the North American market for 2005 and was presented with the Toyota President's Award for Logistics Excellence. In total "K" LINE actually received three awards:

The "President's Award" for Logistics Excellence — Marine

The Logistics Excellence Award for "Quality" (lowest damage) — Import Marine

The Logistics Excellence Award for "Customer Service" — Import Marine



A full page ad in Automotive News announces the Toyota Logistics Excellence Award winners for 2005.

These awards were presented to "K" LINE at a special awards ceremony during the annual Toyota Logistics Partners' meeting held this year in Laguna Niguel, California not far from Toyota USA's national headquarters in Torrance, California.

On hand to receive the awards on behalf of "K" LINE was Mr. Y. Hasegawa, Senior Managing Director, "K" LINE Tokyo. The award presentations were made by several Toyota dignitaries

from Toyota Motor Corporation (TMC, Japan), Toyota Motor Sales, U.S.A. Inc. (TMS) and Toyota Logistics Services, Inc. (TLS, USA). The dignitaries included Mr. Don Esmond, Sr. Vice President, TMS; Mr. K. Ohara, Sr. Vice President & Chief Coordinating Officer, TMS; Mr. Alan DeCarr, Group Vice President, TLS; and Mr. S. Sugawara-General Manager, Vehicle Logistics Division, TMC.



From left to right: N. Uchiyama – General Manager, Car Carrier Dept. ("K" LINE Tokyo); Y. Yokoyama – Manager Laxcar (KAM); S. Sugawara – General Manager VLD (TMC); Y. Hasegawa – Sr. Managing Director ("K" LINE Tokyo); Alan DeCarr-Group VP TLS & International Operations (TLS); Ray Leonard – AVP Laxcar (KAM); A. Ichie – VP Riccar (KAM)

In their own right, these awards represent a proud milestone for "K" LINE, but even more impressive is the recent succession of awards that "K" LINE has been able to achieve. For example, this is second year in a row and third time in four years that "K" LINE wins best of the best "President's Award." In the area of Quality (lowest damage) this is the second time in three years that "K" LINE wins the award, and with respect to Customer Service this is the fourth year in a row that "K" LINE wins top honors for customer service.

Contributed by Mr. Ray Leonard — "K" Line America, Inc.

The Toyota Logistics Excellence Awards are presented each year by Toyota Logistics Services, Inc. (TLS), the logistics arm of Toyota Motor Sales, U.S.A., Inc., to the top performing logistics partners in North America. These awards are given to logistics partners in the fields of Marine Transportation, Rail and Haul-Away (Truck) in recognition of their outstanding service in the areas of Quality, On-Time Performance and Customer Service. Only one recipient in each field wins the coveted "President's Award."

The entire "K" LINE organization can take pride in this achievement but special thanks go out to all the offices and personnel on both sides of the Pacific as well as the officers and crews on "K" LINE ships at sea involved in the carriage of Toyota vehicles to North America. During 2005 "K" LINE car carrier vessels made over 170 port calls delivering more than 300,000 Toyota vehicles at North American ports including Long Beach, Portland, Newark, Jacksonville and Manzanillo, Mexico.

Recognition from customers is always something to strive for, but when a company like Toyota whose name is synonymous with quality, customer service and continuous improvement, consistently recognizes "K" LINE as one of their best, that truly is something to be proud of.

With "K" LINE's indomitable spirit and Toyota's ongoing partnership we are indeed "Moving Forward"!

Congratulations to all and keep up the good work!

“K” LINE Participates in Nippon Keidanren’s Japan-China Environmental Tree-Planting Project

*“K” LINE has contributed ¥1 million for tree-planting activities to the *Nippon Keidanren’s China Committee, which is jointly hosting the 2nd Nippon Keidanren Japan-China Environmental Tree-Planting Project (launched April 6, 2006) with the All-China Youth League, the city of Chongqing and other Chinese partners.*

As a Japan-China partnership model business pursuing co-existence with the local community, this project plans to plant 435 hectares of paulownia, camphor and poplar trees in Chongqing’s

Changshou district between 2006 and 2008 for ecological conservation and flood prevention. The first project planted 573 hectares of trees in the same area between 2001 and 2005, so when the 2nd project is completed the total will reach 1,000 hectares.

“K” LINE Group’s Environmental Policy states that “we will support and participate in social activities contributing and dedicated to present and future preservation of our earthly environment,” and we place environmental preservation

and social contribution at the center of our basic policies in promoting CSR (Corporate Social Responsibility) activities, which is one of the assignments of our intermediate-term management plan, “K” LINE Vision 2008⁺.

*Nippon Keidanren (Japan Business Federation) is a comprehensive economic organization born in May 2002 by amalgamation of Keidanren (Japan Federation of Economic Organizations) and Nikkeiren (Japan Federation of Employers’ Associations). Its membership of 1,647 is comprised of 1,329 companies including 93 foreign ownership, 130 industrial associations, and 47 regional economic organizations (as of June 21, 2005).

“K” LINE Opens a Door to Graduates of a Filipino Engineering University in the Philippines for Its Future Marine Engineers

For the first time, “K” LINE as a Japanese shipping line has determined to provide education/training to those graduates for its future marine engineers capitalizing on the Filipino Bridge Course Curriculum.

“K” LINE decided to establish an educational engineering class dubbed “K” LINE Class” that aims to start providing seafarers’ education/training to graduates of Technology University of the Philippines Visayas, for future senior engineers of the “K” LINE Group.

This concept is based on utilization of the present “Bridge Course Curriculum” in the Philippines; a bridging system to encourage graduates of other than mercantile universities/

colleges of marine technology to acquire the seamen’s competency certificate.

The Company adopted 20 graduates of the above-mentioned university after having finished a series of interviews and physical examinations. Subsequently, they are programmed to receive “K” LINE’s education/training course at “K” Line Maritime Training Corp. (Manila) and at Manila Office of Taiyo Nippon Kisen Co., Ltd. It is to be followed by attending classes at Philippine University of Marine Technology for 6 months, onboard training for one year and finally they are going to get onboard “K” LINE Group ships as apprentices.

The project is intended to bring up excellent

graduates of technology universities/colleges to be our future competent and high quality engineers in combination with the available programs that enable them to acquire broad and practical knowledge and technique “K” LINE requires.

“K” LINE has a strong intention to lead the power of these young men to contribute to a higher level of safety in navigation and cargo operations.

The Philippines is the largest nation engaged in supply of seafarers. Its most important assignment rests with how to secure reliable engineers. We also will positively promote ensuring employment of excellent Filipino seafarers.

“K” LINE Awarded “Special Environmental Recognition” by Long Beach Board of Harbor Commissioners

“K” LINE has been recognized for its contribution to environmental conservation during 2005 by the Long Beach Board of Harbor Commissioners that has been staging a voluntary ship speed reduction program to curb air pollution from exhaust gas in certain designated waters.

The Long Beach Board awards Green Flags to individual ships and ocean carriers that comply with specified environmental conservation criteria, and among those receiving awards for year 2005, “K” LINE was among the top 6 out of 100 carriers, and the only Japanese line that received Special Environmental Recognition as one of the Port’s “greenest” vessel operators.

This is an entirely voluntary program in which

ships calling at the Port are asked to observe a 12-knot speed limit within 20 miles of the Port (about 37 kilometers) in order to curb emissions of exhaust gas. During 2005, a total of 907 ships, completing 5,406 sea voyages in and out of San Pedro Bay, called at the Port of Long Beach, about 65% having voluntarily complied with the program’s 12-knot speed limit that has been in place since 2001.

The Board awarded Green Flags to 333 individual ships and to 100 ocean carriers that had operated more than one vessel. Among the 100, Special Environmental Recognition was awarded to 6 carriers whose fleet fulfilled the following three criteria: (1) operated at least two of the

“Green Flag” ships; (2) sailed 50 or more sea passages in and out of Long Beach; and (3) exceeded a fleet compliance rate of 90 percent.

“K” LINE Group received awards for 26 Green Flag ships making 294 callings at Port of Long Beach with a 94% compliance rate during 2005.

This recognition is evidence that the “K” LINE Group is firmly committed to exert ceaseless efforts for achieving each environmental preservation goal defined in our own company program, as well as being strongly determined to cooperate with environmental preservation efforts carried out by other parties such as the Port of Long Beach in order to contribute to environmental preservation of our earth’s limited resources.

CKYH Alliance to Reform PNW Service

The CKYH Alliance (COSCON, "K" LINE, Yang Ming Line and Hanjin Shipping) plans to reform its PNW (Pacific Northwest) service routes starting May, 2006 through new joint operations and upgrading of vessels with a total of 4 loops.

COSCON and Hanjin join hands to run CH-PNW South Loop and CH-PNW North Loop. Each carrier will deploy four 5,500TEU container-ships, two each in the respective loops. CH-PNW South and North Loops will accelerate PNW transit time, linking South China to North America West Coast in 11 days and Shanghai to Seattle in 10 days, respectively.

"K" LINE will upgrade K-PNW Loop from 4,000TEUx5 to 5,500TEUx5 vessels and will offer Xiamen direct calling in addition. Transit time from Yantian to Tacoma will be improved to 12 days from current 15 days.

Yang Ming will deploy five 1,800TEU vessels in Y-PNW Loop, linking South Mainland China and Taiwan to North America West Coast with transit time from Kaohsiung to Tacoma being 12 days.

The members believe by such a restructure of PNW service they will further improve the service provided their customers in that trade line.

Port Rotation:

CH-PNW South Loop

Hong Kong — Yantian — Yokohama — Vancouver — Seattle — Yokohama — Hong Kong

CH-PNW North Loop

Shanghai — Busan — Seattle — Portland — Vancouver — Gwangyang — Shanghai

K-PNW

Xiamen — Hong Kong — Yantian — Shanghai — Nagoya — Tokyo — Tacoma — Vancouver — Tokyo — Nagoya — Kobe — Xiamen

Y-PNW

Keelung — Yantian — Kaohsiung (HJS terminal-YML terminal) — Tacoma — Portland — Keelung

"K" LINE's Ohi Terminal at the Port of Tokyo: Another Container Crane Added to Present Four Units

Starting April 20, 2006, the Company will further improve operations at No.1 and 2 Terminals with a total of five container cranes, thanks to one additional unit being added to the previous four.

The decision was made in order to enable us to better handle the increasing volume of containers that is also prospected to continue.

In view of the increasing proportion of 20' containers, it was decided to adopt the "Twin Spreader System" which can lift up/down and move a pair of 20' units at one time.

We feel that adoption of this new technology will help enhance and further upgrade our customer service.



Orders Placed for 3 New VLCCs

"K" LINE has placed orders for three new double-hulled VLCCs.

With the addition of these three new VLCCs, "K" LINE's VLCC fleet will expand to nine.

The fleet has already been totally composed of double-hulled as an achievement resulting from our consistent efforts to establish an environmentally-friendly fleet, which is an ongoing corporate

commitment to preserve the global marine environment.

This expansion will strengthen "K" LINE's high-quality transportation services and will be appreciated by "K" LINE's esteemed customers through their satisfaction as well.

Outline of Present Orders:

Construction Company: Kawasaki Shipbuilding Corporation

Time of Completion: 2nd Quarter 2009

Construction Company: IHI Marine United Inc.

Time of Completion: 1st in 4th Quarter 2009

2nd in 1st Quarter 2010

“K” LINE Presented an Award for “BEST SHIPPING PARTNER” by Toyota, Singapore

[based on report from by Mr. Geoffrey Ng, Assistant General Manager, “K” Line (Singapore) Pte Ltd]

It is a pleasure to report that we, on behalf of “K” LINE, were presented a prestigious award for being “BEST SHIPPING PARTNER” at *TMAP 2006 Annual Ocean Carrier Conference taking place in Singapore on April 25, 2006.

*TMAP stands for Toyota Motors Asia Pacific Pte Ltd.



The conference was participated in by “K” LINE, Evergreen, Maersk, MOL, NYK and RCL.

Only “K” LINE and RCL walked away with trophies and “K” LINE is the only carrier who won the award consecutively on two occasions (out of two).

The attendants continued to compete in 2005 in their transportation service performance and had been fairly assessed on the basis of TMAP’s new upgraded evaluation criteria comprised of:

1. Vessel Punctuality
2. Schedule Quality
3. Risk and Contingency Management

4. Documentation Quality
5. Equipment Quality
6. Value-added Service
7. Overseas Plants’ Feedback

According to final results, “K” LINE could get excellent scores in 5, 6, and 7.

For guidance, you can see final results on the table attached herewith.

Self-evidently, we like to attribute this great and honorable breakthrough for 2005 to all the “K” LINE Group making efforts for keeping up excellent and trustworthy relationship with Toyota offices and plants through our constant and timely provision of the best solutions to them in hardship/trouble.

Finally, the report is being closed with saying, “Let us continue to “Move Forward” strongly as is the slogan which Toyota advocates.”



Final Results

Evaluation Criteria			“K” LINE	A	B	C	D	E
TMAP Monthly Report	Vessel Punctuality	25%	9.45	15.18	9.82	6.82	19.55	8.45
	Doc. Punctuality	20%	15.09	16.00	14.00	7.64	17.82	19.64
	Schedule Stability	25%	23.18	19.09	25.00	23.18	25.00	22.73
	Risk & Contingency	20%	17.27	12.73	17.27	18.18	20.00	18.18
	Transport Quality	10%	10.00	9.09	10.00	9.64	10.00	9.09
	Value-Added Service	20%	4.55	0.00	0.00	2.27	0.00	1.82
	Sub-Total Score		79.55	72.09	76.09	67.73	92.36	79.91
Others	Overseas Feedback	30%	22.80	16.50	19.50	22.13	18.25	20.44
	Sub-Total Score		22.80	16.50	19.50	22.13	18.25	20.44
	Total Score	150%	102.35	88.59	95.59	89.85	110.61	100.35
Award Winner			★				★	

“K” Line (China) Ltd. Holds Opening Party for Its New Bulk Division

At Garden Hotel Shanghai, on April 18 (Tue.), 2006, “K” Line (China) Ltd. (called KCH hereunder) held a party in commemoration of its new Bulk Division.

Invited to the party were 100 dignitaries and honorable guests from the major Chinese steel makers such as Baoshan Iron & Steel Co., Ltd. and clients related to bulk business here.

From Tokyo, Managing Director Soda attended the party together with people concerned with Dry Bulk and Energy Resources Transportation.

The party was opened with the Managing Director’s address and introduction of attendants from “K” LINE. It was followed by a celebrating address and a toast given by Mr. Jia Yanlin, General Manager of Raw Materials Purchasing Center of Baoshan Iron & Steel Co.

In the meantime, Mr. Jia presented attendants with his warm-hearted and reliable words, saying strongly, “Representing the further progressing and developing company, I would like to make clear that we all have a strong and sincere intention to keep ourselves in close contact with the

“K” LINE Group, one of the world’s prominent ship owners and operators.”

The Managing Director emphasized how important it is to provide abundant transport space, execute management for safety in navigation and cargo operations and let our clients enjoy our high-quality service that is featured by prompt response to a multiplicity of customer demands.

With our everyday diligent and steady efforts, he stated we are firmly and irreversibly committed to contributing to further development of the Chinese economy in the field of logistics.

In the middle of the party, “K” LINE Vision 2008+ was presented with a monitor in which it was very concisely explained that “K” LINE was advancing step-by-step and reaching out to be a world top-class capesize operator carrying 10% of global transported quantity. His concise explanation could attract high attention and interest of each and every participant.

It is a pleasure that every guest gave us his and her impressive compliments at the end of the party, saying that no party by shipping lines had ever been friendlier than our tonight’s get-together.

China has been developing yet to so significant an extent that its bulk-business market also has taken the high-profile shape that it has. With a view to this, KCH proves to have taken the right option of establishment of Bulk Division with the aim of taking increased business opportunity in the gigantic market through strengthening of regionally-rooted business practices.

Kindly see and henceforth support the activities of the Division all the time.

In the end, we would like to once again express our gratitude to all people concerned for cooperation and help shown for making the party successful.



CKYH Alliance to Add New AWE-5 Service

The CKYH Alliance (COSCON, “K” LINE, Yang Ming Line, and Hanjin Shipping) will deploy a total of eight Panamax 4,000TEU containerships (two each) to jointly operate the new AWE-5 service on the Asia-US East Coast trade.

This is the 5th loop between Asia and US East Coast ports under CKYH services, and CKYH will start to offer direct calls in Houston and Miami

from Asia. The service will also provide one of the shortest transit times (22 days) from Shanghai to Savannah in the entire industry.

The CKYH Alliance plans to launch the service with deployment of KYH vessels initially from the beginning of July with port rotation of AWE-5 being Hong Kong — Yantian — Shanghai — Ningbo — Savannah — Miami — Houston —

Hong Kong.

COSCON will phase in its vessels from 4th quarter of this year.

The AWE 5 is part of the CKYH Alliance's efforts to promote full-scale joint operations and this new All-Water Express service is expected to further upgrade the level of service offered to our customers.

“K” LINE Establishes CSR & Environmental Committee and Sub-Committees

The Company has decided to establish CSR & Environmental Committee and Sub-Committees on May 1, 2006.

The promotion of “K” LINE Group’s CSR (Corporate Social Responsibility) activities is one of the assignments of our intermediate-term management plan, “K” LINE Vision 2008+.

To oversee this promotion, “K” LINE is to establish “CSR & Environmental Committee” and, as its subcommittees, change the name of “Environmental Committee” established in 2002 to “Environmental Sub-Committee” and newly-set-up “CSR Sub-Committee”.

Outline of the Committees

1. CSR & Environmental Committee

The Committee will supervise all of the CSR activities of “K” LINE Group including those related to environmental issues such as environmental preservation, and encourage CSR activities effectively by directing two sub-committees, Environmental Sub-Committee and CSR Sub-Committee.

President will directly execute as the Chairman of the Committee, with other members to be nominated by the Chairman from the Board Members and Executive Officers.

2. Sub-Committees

Environmental Sub-Committee will succeed the existing Environmental Committee and change its name to the aforesaid committee. The Chairman of the Committee will be the Board Member/ Executive Officer in charge of environmental issues.

CSR Sub-Committee will start on May 1, 2006. The Chairman of the Committee will be the Board Member/Executive Officer in charge of CSR promotion.

New Containership Building Program

“K” LINE has decided to place new orders for 5 vessels of 6,400TEU type, which will enable it to make further improvements in its service quality and competitiveness in East-West trades.

The Company wishes to further encourage even better service quality by replacing some

existing older and smaller tonnage.

These newbuilding orders were placed with Imabari Shipbuilding Co., Ltd. (Koyo Dockyard Co., Ltd.) in Japan and are to be delivered by mid-2010.

The Main Specs:

LOA: 293.0m
Width: 40.0m
Draft: 12.5m
Capacity: 6,400TEU
Service Speed: 26.0knots

Bulletin Board

New Buildings

Name:	GREENWICH BRIDGE
Type:	Containership
Delivered:	Mar. 20, 2006
Built:	Hyundai Heavy Industries Co., Ltd., Ulsan Works
LOA:	284.71m
Breadth:	40.00m
Draft:	12.50m
DWT:	71,270mt
Capacity:	5,530TEU
Service Speed:	25.0 knots



Name:	CAPE DAISY
Type:	Cape-Size Bulk Carrier
Delivered:	Apr. 24, 2006
Built:	Universal Shipbuilding Corporation, Ariake Shipyard
LOA:	299.95m
Breadth:	50.00m
Draft:	17.91m
DWT:	203,153mt
Service Speed:	14.5knots



“K” Line Philippines Dominate Track Games as They Put Their Hearts and Minds Together

Contributed by Mr. Noah L. Ampil of “K” Line Philippines, Inc.

It was an unusually hot Sunday morning, with the sun fiercely shining above us, as the Rayomar Group of Companies (of which “K” Line Philippines Inc. is a part), was holding its Olympics again after 8 years. The events were divided into two, with track and field in the morning, and group games in the afternoon.

Everyone was enjoying the day of fun and activities. But it was “K” LINE people who had most of the fun! The reason for this is that we were dominating in most of the major field events. Morale was fever-high and the competitiveness of the “K” LINE athletes could be compared to a hungry lion ready to devour the opponents at the sound of the starting gun. There to give their support were no less than Mr. Octavio S. Katigbak, President, KPH; and Mr. Shoichi T. Maeda, Executive Vice President, KPH, along with his wife Setsuko.



Mr. Katigbak, Mr. Maeda, the author, and Mrs. Maeda enjoying the event

For the Men’s 200m Dash, we demolished the competition by taking 1st and 2nd place, respectively. The pair of wins started giving us a boost in confidence and a clear head start in the over-all standing. A 2nd place win in the 4x100m (Men/Women) Relay couldn’t keep “K” LINE from climbing on the podium. In the 4x100m Relay for Executives, we managed to get away with a silver medal despite being in last



Women’s 400m Walkathon



Men’s 800m Walkathon

place from the start-off. In another event, we took home 3rd place in both the Women’s 400m Walkathon and the Men’s 800m Walkathon, respectively, while the marathon event pushed us further to top over-all standing with another Gold finish win in both the Women’s 400m and Men’s 1,200m.



Women’s 400m Marathon Gold medalist

With sheer stamina and determination, our female athlete left her opponents in a cloud of dust to win by a significant margin. In the Men’s 1,200m Marathon, the author won the gold medal in a very convincing fashion using wit and technique to obliterate the rest of the pack.



The author reaching the finish line (1,200m Marathon)

The tug-of-war event brought out the best in our colleagues. The opponents were bigger and stronger, yet we won 2nd place because we had heart, focus and strategy. The last event in the field games was the group sack-race, which sealed our top over-all standing for the first half by winning 1st place.



Jubilant KPH crowd

After the day was done, we were all worn down by the heat and the events, but we remained euphoric and in high spirits. We all wore our red uniforms with pride! It was all definitely worth it. The days of practice and hard work all paid off in that Sunday’s event. This was a prime testimony of what “K” Line Philippines people can achieve when they put their hearts and minds together, whether it be in sports or in shipping.

Financial Results for Fiscal 2005

1. Summary of the Consolidated Operating Results of Fiscal 2005

(Unit: 100 million yen/Rounded off to the nearest 100 million)

	Fiscal 2005 ended March 31, 2006	Fiscal 2004 ended March 31, 2005	Increase in amount/rate
Operating revenues.....	9,408	8,284	1,124/14%
Operating income.....	880	1,081	-201/-19%
Ordinary income.....	886	1,072	-187/-17%
Net income.....	624	599	26/4%

During fiscal 2005, the global economy stayed on an upward trend, since the U.S. economy grew strongly helped by increased capital investment and steadily growing consumer spending, and the European economy also advanced favorably. Asian economies including China continued to expand, assisted by the growth of domestic consumption and strong capital spending, as well as brisk exports to the U.S. and Europe. At the same time, the Japanese economy also enjoyed, after a long interval, an active growth primarily in the manufacturing industry, helped by recovering domestic demand such as consumer spending and capital spending, and exports.

In the shipping industry, overall freight rates in other sectors such as tanker remained in favorable condition, despite the softened freight rates in some services of bulk carriers and containerships.

In addition, effects of the fluctuations in foreign exchange rates and fuel prices on the Company's ordinary income are as follows:

	Fiscal 2005	Fiscal 2004	Increase	Effect
Foreign exchange rates.....	¥113/US\$	¥107/US\$	-¥6/US\$	¥7.2 billion
Fuel oil prices.....	US\$286/MT	US\$192/MT	US\$94/MT	-¥25.4 billion

Note: A fluctuation in the foreign exchange rate for the US dollar of ¥1/US\$ affects the level of the Company's ordinary income by ¥1.2 billion over a year. The effect of a fluctuation in fuel oil prices of \$1 per 1 metric ton is around ¥0.27 billion annually.

Under these circumstances, the "K" LINE Group deployed aggressive business operations based on the policies under the intermediate management plan "K" LINE Vision 2008, and focused on expanding the scale of business. As a result, the consolidated operating revenues increased by ¥112.375 billion compared with the preceding year to ¥940.818 billion. However, the consolidated operating income decreased by ¥20.077 billion for the year-on-year basis to ¥87.976 billion, affected by the historic hikes in fuel oil prices, and consolidated ordinary income decline of ¥18.661 billion from the year before to ¥88.573 billion. On the other hand, consolidated net income for fiscal 2005 rose by ¥2.57 billion compared with the previous year to ¥62.423 billion.

In addition, operating revenues and operating income for fiscal 2005 by business segment are as follows:

(Unit: 100 million yen/Rounded off to the nearest 100 million)

		Fiscal 2005 Apr. 2005 - Mar. 2006	Fiscal 2004 Apr. 2004 - Mar. 2005	Increase (Decrease) in amount/rate
Marine transportation	Operating revenues.....	8,066	7,133	933/13.1%
	Operating income.....	744	978	-233/-23.9%
Freight Forwarding/Harbor Transportation	Operating revenues.....	1,141	976	165/17.0%
	Operating income.....	117	88	28/31.8%
Others	Operating revenues.....	201	175	25/14.4%
	Operating income.....	15	11	4/36.7%

Note: Classification of business segment has been altered starting from this fiscal year. Performance comparisons (Increase/Decrease in amount/rate) are made by reorganizing individual businesses to their current segments.

(1) Marine transportation <Containership Business>

In the containership business for fiscal 2005, overall cargo movements on the Asia/North America services continued to be vigorous, rising by 15% compared with the same period a year ago, despite sluggish growth in transportation of housing demand-related goods. In Asia/North America services, the Company enhanced transportation capacity by launching newly-built large-sized vessels in Asia/U.S. Pacific Northwest services and setting up new services to Asia/U.S. East Coast, and as a result, total tonnage increased by 17% compared with the same period a year earlier. In Europe services including the sharply growing Mediterranean Sea services, total cargo movements increased by about 12% against the same period last year. In these services, the Company's tonnage movements rose by 11% for the year-on-year basis, because the Company reinforced transportation by increasing the Mediterranean Sea services from November 2005, and could maintain nearly full-up operations. However, the markets became demoralized as a result of the consolidation of several large shipping companies, and the level of freight rates in Asia/Europe services declined. Under these circumstances, our performances fell below our projection in these services. On Inter-Asia services, cargo movements continued to increase favorably, assisted by brisk cargo shipments from Japan, as well as those from China. The Company secured increases in both consolidated operating revenues and profits. The total cargo movements in the containership business grew steadily and operating revenues increased, but profits decreased, hit by soaring fuel oil prices and declining freight rates.

<Bulk Carrier and Car Carrier Business>

Market freight rates of large bulk carriers entered into an adjustment phase in the 1st quarter of fiscal 2005 and continued to decline till the beginning of autumn in 2005, affected by the introduction of a policy to restrict imports by the Chinese government, and the production adjustment by European and Japanese steel companies. Although market freight rates began to recover slowly at the beginning of autumn due to China's increased imports of iron ore, levels of market rates for the whole year significantly fell below those in the last year. Market rates for small and medium-sized bulk carriers were also below the levels in the preceding year, since demand from China, the largest client-country, was sluggish due to avian flu.

In the car carrier business, marine transportation saw strong cargo movements, assisted by continuing brisk auto sales in major markets of the world. The Company reinforced freight capacity by deploying eight new car carriers including three newly-built carriers, and was able to increase sharply the number of cars transported by us. In particular, the number of cars shipped from the Far East exceeded that in the previous year, since sales of Japanese and South Korean cars, which have a good reputation for their superior energy-efficiency, were brisk overseas. The Company also increased the number of cars transported in the Atlantic waters as a result of our active efforts to reinforce our services.

In the overall bulk carrier and car carrier business, operating revenues increased but income declined against the same period last year, due partly to a substantial decline in freight rates.

<Energy Transportation and Tanker Business>

With respect to LNG carriers, four new carriers including the LNG carriers for the Snøhvit Project completed this February were brought to completion during fiscal 2005. The Company's fleet of LNG carriers owned and operated by the Company and consisting of 30 carriers, including the four mentioned above, operated smoothly and contributed to securing stable profits.

The thermal coal carriers for electric power companies transported record-high tonnage of more than 14 million metric tons of coal and limestone, helped by a steady growth of demand for the transportation of thermal coal. In addition, operating rates of freight capacity improved substantially, thanks partly to an increase in vessel operations for short distance services including Japan/Russia and China routes.

In the tanker business, freight rates remained generally stable due to globally increasing demand for oil mainly by the U.S., China and the Southeast Asian countries, despite a temporarily worsened freight rate. The tanker business achieved a profit exceeding that in the same period of fiscal 2004 as a result of our effective ship operations.

Overall operating revenues and profits in the energy transportation and tanker business, respectively, exceeded those in the same period of the previous year.

<Coastal Shipping Business>

In the coastal shipping business, both liner and tramp services showed steady performances by securing stable cargo volumes and profit. On the other hand, ferries were faced with severe operating conditions due to sharp hikes in fuel oil prices. As a result, the coastal shipping business earned overall operating revenues exceeding those in the last year due to our aggressive sales activities.

Consequently, overall operating revenues for marine transportation amounted to ¥806.646 billion, an increase of 13.1% over the same period last year, and operating income stood at ¥74.426 billion, 23.9% down in a year-on-year comparison.

(2) Freight Forwarding/Harbor Transportation

Freight Forwarding/Harbor Transportation saw increased operating revenues, mainly in overseas subsidiaries, thanks to expansion in the scale of business operations in containership services. Overall operating revenues of the Group in this field were ¥114.098 billion, an increase of 17.0% for the year-on-year basis, and operating income rose to ¥11.65 billion, a 31.8% rise from the preceding year.

(3) Other Business

As for other businesses not mentioned above, operating revenues amounted to ¥20.073 billion, an increase of 14.4% for the year-on-year basis, and operating income rose to ¥1.506 billion, a 36.7% rise from the same term last year.

2. Prospects for Fiscal 2006

(Unit: 100 million yen/Rounded off to the nearest 100 million)

	Prospects for Fiscal 2006 (ending March 2007)	Fiscal 2005 (ended March 2006)	Increase (Decrease) in amount/rate
Operating revenues.....	10,100	9,408	+692/+7%
Operating income.....	610	880	-270/-31%
Ordinary income.....	630	886	-256/-29%
Net income.....	450	624	-174/-28%
Foreign exchange rates	¥113/US\$	¥113/US\$	¥-/US\$
Fuel oil prices	US\$350/MT	US\$286/MT	+US\$64/MT
Assumptions for the prospects:	Foreign exchange rate:	For the 1st half: ¥115/US\$; For the 2nd half: ¥110/US\$	
	Fuel oil price (For the 1st and 2nd half):	US\$350/MT	

Photo Gallery

Pay a Visit to Norfolk, a City called “Hampton Roads” or “Tidewater”

Norfolk, Virginia USA

Contributed by Mr. Butch Crane, AVP over sales and logistics, KAM Norfolk office

While Norfolk is the port where our “K” LINE vessels call, it is also the frequently used name for an area that covers 8 cities with a population of 1.5 million people.

The cities of Norfolk, Suffolk, Virginia Beach, Chesapeake, Portsmouth, Newport News, Williamsburg and Hampton make up the metropolitan area commonly called “Hampton Roads” or “Tidewater” by local residents.

Norfolk itself is host to the largest naval facility in the world, the Norfolk Naval Base, with hundreds of military vessels stationed there along with thousands of military personnel and their families.

The ports of Virginia, including the many shipyards within, provide a huge economic boost to the Commonwealth of Virginia. Containers, trains and trucks are a common sight throughout the region. Our ports have 50-foot drafts and 11 post-panamax cranes standing by to handle even the largest container vessels.

Local industry and historical points share the waterfront with wonderful restaurants, pubs, waterfront housing, marinas and yacht clubs. Together, industry and families have flourished on the banks of the rivers and bays.

The clean water brings us an abundance of seafood in the summer. Blue crab, oysters, flounder, trout and striped bass are the local favorites. On nice days, many anglers try their luck fishing and enjoying nature on the Chesapeake Bay. Children often crab from the beach, using strings and weights and a small net. It is hours of entertainment that yields a nice treat for the family dinner table.

Swimmers, surfers and sun-bathers enjoy the beautiful wide sandy beaches of Virginia Beach and Norfolk while hunters and fresh water fishermen enjoy the woods and lakes in Chesapeake and Suffolk.

Norfolk is the resting place of General Douglas MacArthur and home of his memorial. Historic St. Paul's Episcopal Church still bears the cannon ball in her south-facing wall from the Lord Dunmore's bombardment in 1776.

Williamsburg and Jamestown (established in 1607) provide a lovely place to visit our past, with an authentic recreation of Colonial Williamsburg the way it was hundreds of years ago. School children and visitors from all over the world come here to enjoy a look at colonial American history and let their families see what it was like to live during the 17th and 18th Centuries.

The combination of hospitality, the sea air, the deep, ice-free natural harbors and the work ethic of the people of Hampton Roads combine to make Norfolk and the surrounding area a great place to visit, live and work.



A fine April day looking North along Virginia Beach's boardwalk.



Restored Life Saving Station still stands watch over the Atlantic at VA Beach



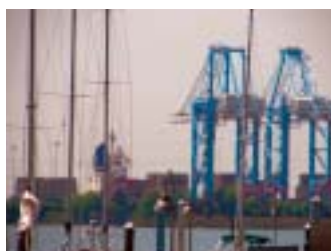
Yachts on the Lafayette River stand in the shadow of the mighty container Cranes



Bow of the USS Wisconsin battleship from Norfolk's Main Street.



General Douglas MacArthur's statue at the entrance to the memorial museum.



A closer shot of three more of the giant cranes from the yacht club



Saint Paul's Episcopal Church, built in 1640 and still in use today.



Cannon ball in the wall of St. Paul's Episcopal Church from Revolutionary War.



A closer look at the 26 out reach cranes from the yacht club

Ocean Breeze

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Managing Editor: Naoki Kawamura

Address: 2-9, Nishi-Shinbashi 1-chome, Minato-ku, Tokyo 105-8421, Japan

Telephone: 81-3-3595-5063 Telefax: 81-3-3595-5001

E-mail Address: kljtyoiprg@jp.kline.com Home page: <http://www.kline.co.jp>

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