Financial Highlights
Brief Report for 1st Quarter FY2006

4 August 2006

Kawasaki Kisen Kaisha, Ltd.

Agenda

- Financial Highlights for 1st Quarter FY2006
  - Financial Results
  - Analysis of Variation Factors
  - Outline of Division-wise Results

- Prospects for FY2006
  - Prospects
  - Key Points for FY2006 prospects
  - Outline of Division-wise Results
  - Cost Reduction
  - Fleet upgrading plan

A. Financial Results for 1st Quarter FY2006

A-1. Financial Results for 1st Quarter FY2006

(Unit: billion yen)

		1Q 06F Results	1Q 05F Results	Comparison
Operating Revenues	Consoli	**252.3**	221.1	31.2
	Non	**197.6**	176.2	21.4
Operating Income	Consoli	**10.0**	24.0	△ 14.0
	Non	**1.0**	16.6	△ 15.6
Ordinary Income	Consoli	**10.1**	24.1	△ 14.0
	Non	**3.3**	17.6	△ 14.3
Net Income	Consoli	**9.7**	15.5	△ 5.8
	Non	**2.2**	10.9	△ 8.7
Exchange Rate	average	**¥114.71**	¥107.28	¥7.43
Bunker Price	average	**$338**	$248	$90

Segment balance (Consolidation)

(Unit: billion yen)

		1Q 06F Results	1Q 05F Results	Comparison
Container	Operating Revenues	117.0	106.3	10.7
	ordinary profit and loss	-3.4	9.3	-12.7
Others	Operating Revenues	135.3	114.8	20.5
	ordinary profit and loss	13.5	14.8	-1.3
Consoli Total	Operating Revenues	252.3	221.1	31.2
	ordinary profit and loss	10.1	24.1	-14.0

Fall/Rise 1 Yen/US$ in exchange rate affects 1Q by approx. +/−0.2 billion yen, per year

Decrease/Increase of fuel oil prices at $10 per met. Tons does by approx. +/−680 million yen, per year

A-2. Variation Factors for 2006F

[YoY comparison] Revenues increase +31.2 billion yen,
Profits decrease -14.0 billion yen

Revenues increase factor: Business expansion, weakened yen, etc.

Profits decrease factor:

- Freight rate fall in containership trades
- Bulk market slack
- Cost increase inc. fuel oil price hike, etc.

Business expansion/rationalization

(05F 24.1 billion yen => 06F 10.1 billion yen)

Variation Factors	Conparison with 05FY result (YoY)
Fluctuation in Exchange Rate	**1.5**
Bunker Oil Price	△ 6.1
Market Volatility	△ **7.9**
Business Expansion	**8.1**
Cost increase by expansion	△ **7.3**
Others	△ **2.3**
Total	△ 14.0

A-3. Outline of Division-wise Results 2006F (for Container Business)

(YoY comparison : Revenues increase / profits decrease.
Operating revenues 117.0, Ordinary Income -3.4 billion yen)

- Business expansion:
  (5 new buildings have delivered since last 2H: 4,000TEU type x2, 5,500 TEU type x3)
  - Total loaded cargo volume: 710 thousand TEU(+7.5%(YoY)),
  - Load factor for trunk lines to the U.S. & E.U. over 90%; still slightly less than our targets in order to maintain average freight rate level
- Freight rates : （Declined YoY basis, Flat compared to projection）
  - Asia/North America trades : East Bound -3%, West Bound flat
  - Asia/Europe trades : West Bound -18%, East Bound -4%
  - Trans-Atlantic trades : West Bound +11%, East Bound +13%
  - Intra-Asia trades : South Bound -3%, North Bound -5%
  - 'North-South' trades : South Bound -20%, North Bound -4%
- Cost increase and decrease
  - 'Tran-ship' cost increase by ship allocation change
  - Variation cost increase , inc.feeder, track
  - Booking expense for purchase of containers one-time

  Cost decrease by navigation with most economical speed, etc.

A-4. Outline of Division-wise Results 2006F (for Dry Bulk Carriers)

"K" LINE KAWASAKI KISEN KAISHA, LTD.

(Dry Bulk Carriers) Revenues increase / profits decrease

- Business expansion with delivery of new ships
  (Operating Tonnage : 45.7 mil. Ton, +11.7% (YoY))

- Market

Large-size Vessel : Soft note affected by price negotiation of iron ore for China

Medium-size vessel : Strong note due to steady demand, but below the level of 1Q '05F

Small-sized vessel : Positive with strong demand for cement, steel products, and domestic coal transportation in China

Market (Pacific Round)	1Q 05F	1Q 06F	2005FY	
			YoY Comparison	YoY Comparison(%)
Cape size	$44,333	**$30,000**	**-$14,333**	**-32%**
Panamax	$21,750	**$18,450**	**-$3,300**	**-15%**
Handymax	$19,067	**$22,100**	**$3,033**	**16%**

A-5. Outline of Division-wise Results 2006F (for Car Carriers)

(Car Carriers) Revenues increase / Profits flat

- Loaded volume increase (include intra-Europe service) :

  652 thousand >>> 764 thousand units (YoY +17.2%)

  - Cargo movements up for the North America and Europe from Far East incl. Japan
  - 8 ships delivered in '05F start to fully contribute to increase loading volume
  - Expansion in intra-Europe service

- Burden on profit improvement

  - Supply/demand situation continuously tight in spite of new buildings added into fleet
  - Bunker oil price hike, Vessel related cost increase (Dock related costs)

A-6. Outline of Division-wise Results 2006F (for Energy Transportation)

"K" LINE
KAWASAKI KISEN KAISHA, LTD.

(Energy Transportation) Revenues increase / profits increase

- LNG Carrier : Stable operation in each project (total 30 vessels)
- Tanker : Profit increase due to stable operation and business expansion of 10 AFRAMAX fleet

(Operating Tonnage : 7.45 => 7.79 mil. Ton +4.6%)

Supported by positive oil demand, market level is solid

	1Q 05F	1Q 06F	2005FY	
			YoY Comparison	YoY Comparison(%)
AFRAMAX (Indonesia/South Korea)	127	**130**	**3**	**2%**
CLEAN 70,000 type (Gulf/Jpn)	173	**175**	**2**	**1%**

A-7. Outline of Division-wise Results 2006F (for Other businesses)

- Short Sea/Coastal Shipping : Revenues increase / Profits decrease

  Secured stable cargo volume but affected by bunker price

- Logistics: Revenues & Profits increase

  Steady cargo movements in both marine and air transportation

B. Prospects for FY2006

B-1. Prospects for FY2006

(Unit : billion yen)

		06F 1H		2H *	06FY		Balance to prospects as of May (1H&FY)	05FY	
		Current Prospects	as of May	Current Prospects	Current Prospects	as of May		05FY Results	04FY Results
Operaing Revenues	Consoli	515.0	505.0	505.0	1,020.0	1,010.0	10.0	940.8	79.2
	Non	405.0	405.0	405.0	810.0	810.0	0.0	742.6	67.4
Operating Income	Consoli	26.0	31.0	30.0	56.0	61.0	△ 5.0	88.0	△ 32.0
	Non	10.5	17.0	17.0	27.5	34.0	△ 6.5	56.7	△ 29.2
Ordinary Income	Consoli	26.5	32.5	30.5	57.0	63.0	△ 6.0	88.6	△ 31.6
	Non	13.0	18.0	18.0	31.0	36.0	△ 5.0	57.8	△ 26.8
Net Income	Consoli	21.0	24.0	21.0	42.0	45.0	△ 3.0	62.4	△ 20.4
	Non	8.5	11.5	12.5	21.0	24.0	△ 3.0	38.8	△ 17.8
Dividend	Non	¥9/share	¥9/share	¥9/share	¥18/share		-	¥18/share	-
Exchnge Rate	Average	¥115	¥115	¥110	¥113	¥113	¥0	¥113	¥-1
Bunker Price	Average	$344	$350	$350	$347	$350	-$3	$286	$61

*Current prospects for 2H is remained unchanged from original as of May

Fall/Rise 1Yen/US$ in exchange rate affects Ordinary Income by approx. +/-0.8 billion yen, per year

Decrease/Increase of fuel oil prices at $10 per met. Tons does by approx. +/-2.7 billion yen, per year

B-2. Key Points for FY2006 prospects

(1H) 6.0 bln. yen down from original estimation
1Q：Containership: loaded volume less than prospected, increase in costs
Non-Container: additional dry dockage
2Q：Containership : cost-up in feeder, etc.

(2H) Remain unchanged from original forecasts
- Containership: Stable cargo movements
  Freight rate level is almost as originally expected
  Negative factor is cost increase
- PCTC : Positive tone, supported by strong sales of Japanese cars abroad
- Dry bulkers: ：Favorable market trend supported by strong cargo demand
- Tankers ：Market level improves due to firm oil demand

Negative factors in containership business
= almost off-set by favorable markets for dry bulkers and tankers

(05F 1H 49.6 billion yen : 06F 1H 32.5 billion yen => 26.5 billion yen)

(unit : billion yen)

Variation Factors	Comparison with 06FY prospect	Conparison with 05FY result (YoY)
Fluctuation in Exchange Rate	0.0	2.2
Bunker Oil Price	0.5	△ 11.1
Market volatility	0.0	△ 16.2
Business Expansion	△ 0.7	19.8
Expnsion/Cost Reduction	△ 5.3	△ 15.0
Others	△ 0.5	△ 2.8
Total	△ 6.0	△ 23.1

B-3. Outline of Division-wise 2006F Prospects

(Container Business) Revenues increase / profits decrease

- Stable cargo volume, further efforts toward cost reduction

(Bulk Carriers)

Dry Bulkers :

- Market level recovery and staying high level
- Business expansion (new building 22 ships+ pre-owned 6 ships)

=>Profit increase

	2006 FY		
Market (Pacific round)	Original Presumption	Current Market	Market Presumption
Cape size	**$33,000**	**$46,000**	**$45,000**
Panamax	**$18,000**	**$23,000**	**$20,000**
Handymax	**$16,000**	**$23,000**	**$20,000**

Car carriers:

- With 8 new ships business expansion & service enhancement > Bunker price hike

=> Stable profitability

(Energy Transportation)

LNG Carriers : With 2 new ships fleet total to 32 vessels

Tanker : Freight market stable , 4 new ships

=> Stable profitability

	2006 FY	
	Original Presumption	Current Market
VLCC (Gulf/Jpn)	**80**	**135**
AFRAMAX (Indonesia/Jpn)	**150**	**200**
CLEAN 70,000 type(Gulf/Jpn)	**185**	**190**

B-4. Cost Reduction

(Unit: billion yen)

Cost saving items	2006FY		
	1H	2H	Yearly
Operating Cost reduction	1.7	3.0	4.7
Cargo handling charges reduction	1.2	1.0	2.3
Container equipment related cost reduction	0.6	0.6	1.3
Administrative cost reduction	0.3	0.4	0.7
Vessel cost reduction	0.2	0.1	0.2
Others	0.0	0.0	0.0
Total	4.0	5.1	9.1
(Division wise result/prosect)			
Container Business (Inc. overseas subsidiaries)	3.5	4.6	8.1
Other divisions (Inc. overseas subsidiaries)	0.4	0.4	0.8
Subsidiaries, etc	0.1	0.1	0.2

-Starting operation of larger size ships; 2.8 bln. yen

- Fuel cost save by navigation with most economical speed; 1.4 bln. yen, etc.

Mainly deduction in container terminal charge

Under the cost control committee, from cross-divisional viewpoint, tackling cost reduction globally centering especially on container-related costs

B-5. Fleet upgrading plan

<u>No. of vessels received in FY2005, and 2006</u>

“K”Line Vision2008+

=Fleet upgrading plan

to establish size of 500 ships =

FY2006:

Business expansion with

47 new ships & 6 pre-owned

	FY2005			FY2006		
	New ship	Pre-owned	Total	New ship	Pre-owned	Total
Containership			***7***			***6***
4000TEU	3		3			
5500TEU	2		2	3 (1)		3 (1)
8000TEU			2	3		3
Dry Bulkers			***21***			***28***
Capesize	8	1	9	9 (3)	2	11 (3)
Panamax	3		3	4 (3)		4 (3)
Handymax	5		5	4		4
SmallHandy	1		1	2		2
Chip/Pulp				1	3 (1)	4 (1)
Corona	2	1	3	2 (1)	1	3 (1)
PCTC			***12***			***8***
2000 cars	2	2	4	2		2
3800 cars				2		2
4300 cars	1	2	3	2		2
5000 cars	3		3	1		1
6000 cars	2		2	1		1
LNG			***4***			***2***
Snøhvit	1		1	1		1
Rasgas II	3		3	1		1
Tanker			***2***			***4***
VLCC				1		1
AFRAMAX	1	1	2	1		1
LR II				2		2
Coastal	1	1	2	5 (3)		5 (3)
Total	38	8	48	47 (11)	6 (1)	53 (12)

*No. of vessels delivered within 1Q 2006 is indicated in （ ）