

Financial Highlights

Brief Report for Yearly FY2005

(1 April 2005 - 31 March 2006)

12 May 2006

Kawasaki Kisen Kaisha, Ltd.

A. Financial Highlights for FY2005

A-1. Financial Results for FY2005

(unit: billion yen)

		FY2005 (results) (a)	FY2004 (results)	YoY Comparison	YoY Comparison (ratio)	FY2005 (Prospects*) (b)	Comparison (a)-(b)
Operating Revenues	Consoli	940.8	828.4	112.4	13.6%	925.0	15.8
	Non	742.6	658.7	83.9	12.7%	735.0	7.6
Operating income	Consoli	88.0	108.1	-20.1	-18.6%	91.0	-3.0
	Non	56.7	85.3	-28.6	-33.5%	64.0	-7.3
Ordinary income**	Consoli	88.6	107.2	-18.6	-17.4%	91.0	-2.4
	Non	57.8	86.9	-29.1	-33.5%	65.0	-7.2
Net income	Consoli	62.4	59.9	2.5	4.2%	64.0	-1.6
	Non	38.8	49.0	-10.2	-20.8%	43.0	-4.2
Dividend	Non	¥18.0/share	¥16.5/share	+¥1.5/share	9.1%	¥18.0/share	-
Exchange Rate	average	¥113.09	¥107.46	-¥5.63	-5.2%	¥113	¥0.09
Bunker Price	average	\$285.60	\$191.71	+\$93.89	+49.0%	\$283	\$2.60

*2005F prospects are as of 11 November 2005 upon announcement of 1H 2005FY financial close.

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

A-2. Key Points for FY 2005 results

<Comparison with FY 2005 prospects>

- Generally as expected
- Profit declining due to fuel oil price hike and freight rate fall in some containership trades

<Comparison with FY 2004 results> Revenue rise, Ordinary Income* down, Net Income rise

- Positive cargo movements
- Freight market slack for bulk carriers and some trades of containerships
- For the other carriers including crude oil tankers, the market level stable generally
- Historical hike in fuel oil price/market downturn > Business expansion/rationalization
=> Ordinary Income*decrease
- Record the best Net Income
- Drastic improvement in financial constitution (Shareholders' Equity up to 257.8 bil. yen, DER 1.08)
- Annual dividend 18 yen per share, Dividend ratio :27% non-consolidated basis, 17% consolidated basis

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

A-3. Variation Factors for 2005FY

Ordinary Income*: '05FY Prospect** 91.0, '04FY Result 107.2
=> '05FY Result 88.6 billion yen

(unit: billion yen)

	Comparison with '05FY prospect	Comparison with '04FY result (YoY)
Fluctuation in Exchange Rate	0.1	6.8
Bunker Oil Price	- 0.5	- 25.4
Market Volatility	- 2.4	- 11.0
Business Expansion	0.4	8.0
Rationalization/Cost Reduction	0.0	5.4
Others	- 0.0	- 2.4
Total	- 2.4	-18.6

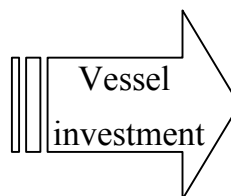
Fall/Rise 1Yen/US\$ in exchange rate affects Ordinary Income* by approx. +/-1.2 billion yen, per year
Decrease/Increase of fuel oil prices at \$10 per met. Tons does by approx. +/-2.7 billion yen, per year

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

**2005F prospect is as of 11 November 2005 upon announcement of 1H 2005FY financial close.

A-4. Major Financial Indices & Vessel Investment

(unit: billion yen)	FY2004 Results	FY2005 Results
Cash Flows from Operating Activities	89.4	72.3
(Depreciation)	(24.6)	(28.6)
Cash Flows from Investment Activities	-34.4	-83.3
Free Cash Flows	55.0	-11.0
Investment amount	34.4	83.3
Vessels	54.7	102.5
Others	18.9	12.5
Asset disposition*	-39.2	-31.7
Shareholders' Equity	181.3	257.8
Interest Bearing Liabilities	239.2	278.2
R O E	39.6%	28.4%
R O A	18.4%	13.0%
Equity Ratio	30%	34%
Debt Equity Ratio	1.32	1.08



FY2005	New ship	Pre-owned	total
Containership			5
4000TEU	3	-	3
5500TEU	2	-	2
Bulk Carriers			21
Capesize	8	1	9
Panamax	3	-	3
Handymax	5	-	5
Small Handy	1	-	1
Chip/Pulp	-	-	-
Corona	2	1	3
PCTC			12
800	-	2	2
2000	2	-	2
4300	1	2	3
5000	3	-	3
6500	2	-	2
LNG Carrier			4
Snøhvit	1	-	1
Rasgas II	3	-	3
Tanker			2
AFRAMAX	1	1	2
Coastal	1	1	2
Total	38	8	46

* Asset disposition: Collection of ship building cost from sale of ship upon delivery in Japanese Operating Lease scheme

A-5. Outline of Division-wise Results 2005FY (for Container Business)



(YoY comparison : Revenues increase / profits decrease.

Operating revenues - 451.4, Ordinary Income - 30.5 billion yen)

- Business expansion
 - 5 new buildings delivered : 4000 TEU type x3, 5500TEU type x2
 - Enhancement in Pacific North West Coast & All water to East Coast of North America/Asia and Mediterranean sea/Asia trades contributed
 - Loaded cargo volume: 2.65 million TEU (+7.8% (YoY))
- Freight rates; YoY
 - Asia/North America trades : flat
 - Asia/Europe trades : West Bound nearly -8%, East Bound +5%, Average nearly -5%
 - Trans-Atlantic trades : West Bound + 19%, East Bound +5%
 - Intra-Asia trades : South Bound + 8%, North Bound +4%
 - 'North-South' trades : South Bound - 4%, North Bound flat
- Cost reduction (4.0 billion yen)
 - < Negative factors: Bunker oil price hike & Charterage increase, etc.

A-5. Outline of Division-wise Results 2005FY (for Bulk Carriers)



- Business expansion with delivery of 17 new ships*
(Operating Tonnage : 153 mil. Ton, +2.9% (YoY)
*Cape size x 8 , Panamax x 3, Handymax x 5, Small handy x 1
- Profitability declining due to market downturn.

Bulk Carrier Market (per day)	2004 FY			2005 FY			YoY Comparison
	04F 1H	04F 2H	04F FY	05F 1H	05F 2H	05F FY	
(Pacific Round)							
170 Type	\$53,834	\$77,084	\$65,459	\$37,333	\$38,333	\$37,833	- 42%
74 Type	\$30,667	\$36,909	\$33,788	\$18,583	\$17,900	\$18,242	- 46%
45 Type	\$22,975	\$26,909	\$24,942	\$17,200	\$16,800	\$17,000	- 32%

A-5. Outline of Division-wise Results 2005FY (for Car Carriers)



- Business expansion with delivery of 8 new ships
(6500-unit x 2, 5000-unit x 3, 4300-unit x 1, 2000-unit x2)
- Loaded volume increase : 2.55 million => 2.71 million units (YoY +6%),
Off-shore trades (Trans-Atlantic, Thailand/Australia trade, etc.)
- Negative factors :
Bunker oil price hike, Charterage increase, Vessel related cost increase

(thousand units)

Units carried		Outbound from Asia				Inbound to Asia	Off-shore trade	Grand Total
		To North America	To Europe/ Med-Sea	To the other destinations	Total			
FY2004 results	1st Half	297	120	176	592	84	576	1,252
	2nd Half	321	119	181	622	98	580	1,300
	Yearly	618	240	356	1,214	182	1,156	2,552

Units carried		Outbound from Asia				Inbound to Asia	Off-shore trade	Grand Total
		To North America	To Europe/ Med-Sea	To the other destinations	Total			
FY2005 results	1st Half	286	115	197	598	68	638	1,304
	2nd Half	316	119	203	638	69	698	1,405
	Yearly	602	234	400	1,236	137	1,336	2,709

A-5. Outline of Division-wise Results 2005FY (for Energy Transportation)

- **LNG Carrier** : Stable progress in each project (total 30 vessels)
4 new ships delivered (for Ras Gas II x3, Snøhvit x1)
- **Thermal Coal Carrier** : 16 vessels of our basic fleet in stable operation,
Port congestion reducing, Efficient ship deployment
(Loaded Volume : 13.01 => 14.27 mil. Ton (+9.7%, YoY))
- **Tanker** : Enjoying firm oil demand, In spite market have softened YoY basis, profit increased due to stable operation and business expansion of AFRAMAX fleet
(Operating Tonnage : 29.57 => 30.98 mil. Ton (+4.8%, YoY))

Tanker Market (WS)	2004 FY			2005 FY			YoY Comparison
	04F 1H	04F 2H	04F FY	05F 1H	05F 2H	05F FY	
VLCC (P.Gulf /Japan)	111	188	150	78	138	108	- 28%
80,000t type (Indonesia/Korea)	178	276	227	138	245	192	- 16%
70,000t type (P.Gulf /Japan)	186	279	233	203	256	230	- 1%

B. Prospects for FY2006

B-1. Prospects for FY2006

(unit: billion yen)

		06F1H Prospects	06F Yearly Prospects	FY2005 (results)	YoY Comparison	YoY Comparison (%)
Operating Revenues	Consoli	505.0	1,010.0	940.8	+69.2	+7.4%
	Non	405.0	810.0	742.6	+67.4	+9.1%
Operating income	Consoli	31.0	61.0	88.0	- 27.0	- 30.7%
	Non	17.0	34.0	56.7	- 22.7	- 40.0%
Ordinary income*	Consoli	32.5	63.0	88.6	- 25.6	- 28.9%
	Non	18.0	36.0	57.8	- 21.8	- 37.7%
Net income	Consoli	24.0	45.0	62.4	- 17.4	- 27.9%
	Non	11.5	24.0	38.8	- 14.8	- 38.1%
Dividend	Non	¥ 9/share	¥ 18/share	¥ 18.0/share	-	-
Exchange Rate	Average	¥ 115	¥ 113	¥ 113.09	-	-
Bunker Price	Average	\$350	\$350	\$285.60	+\$64	+22.5%

Prospected annual dividend for FY2006 :18 yen per share, Dividend ratio : 24% consolidated basis

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

B-2. Key Points for FY2006 prospects

Ordinary Income*:

'05FY Result 88.6, '06FY Prospects, "K"Line Vision 2008⁺ 75.0 =>63.0 bil.yen

(unit: billion yen)

	Comparison with '05FY result (YoY)	Comparison with "K"Line Vision 2008 ⁺
Fluctuation in Exchange Rate	- 0.5	2.0
Bunker Oil Price	- 17.4	- 13.5
Market Volatility	- 23.9	- 0.5
Business Expansion	14.3	0
Rationalization/ Cost Reduction	9.1	0
Others	- 7.0	0
Total	- 25.4	-12.0

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

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

B-3. Division-wise prospects

(Containership) Revenues increase / profits decrease

- Stable cargo volume, Supply-demand balance continuously tight
- Freight rate softened in previous year seems to hit the bottom
- Business expansion/Cost Curtailing < Bunker price hike/Market downturn
=> Profitability falling drastically

(Car Carrier)

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

(Bulk Carrier)

- Stable market condition, business expansion (new building 23 ships, pre-owned 7 ships)
=> Stable profitability

(Energy Transportation)

- **LNG Carrier** : With 2 new ships fleet total to 32 vessels
- **Crude Oil Tankers** : Freight market stable (except for AFRAMAX declining) , 4 new ships
=> Stable profitability

C. “K” LINE Vision 2008⁺

(Sustainable growth and establishment of a stable profitability structure)

- Measures to support systematic expansion of business scale
 - Fleet upgrading plan achieving maximum investment efficiency
 - Ship operation administration structure supporting safety in navigation
 - Developing into one of the best and strongest global management organizations
 - Re-construction of system and organization for flexible and quick decision-making
- Response to changes in business environment
 - CSR (Corporate Social Responsibility) and environmental measures
 - Reform of cost structure
 - Risk management

C-2. "K" LINE Vision2008⁺



Fleet upgrading plan achieving maximum investment efficiency

Establishment fleet of 500 ships : adding 192 ships with 800 bln yen investment

	Start of original plan	2004-5F		2006F		2007F		2008F		Investments Total
		added	Mar '06	added	Mar '07	added	Mar '08	added	Mar '09	
Container	64	11	77	6	83	3	86	7	90	27
Bulk Carrier	137	29	143	30	165	10	173	14	185	83
PCTC	70	15	93	8	90	4	94	5	90	32
LNG	24	6	30	2	32	3	35	13	48	24
Tanker	17	3	19	4	23	5	28	4	31	16
Others	49	3	45	3	52	3	52	1	54	10
Total	361	67	407	53	445	28	468	44	498	192

FY2006	New ship	Pre-owned	total
Containership			6
5500TEU	3	-	3
8000TEU	3	-	3
.....			
Bulk Carriers			30
Capesize	9	2	11
Panamax	5	1	6
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Chip/Pulp	1	3	4
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PCTC			8
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4300	2	-	2
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6500	1	-	1
.....			
LNG Carrier			2
Snøhvit	1	-	1
Rasgas II	1	-	1
.....			
Tanker			4
VLCC	1	-	1
AFRAMAX	1	1	2
LR II	1	-	1
.....			
Coastal	3	-	3
Total	45	8	53

* - Purchase of secondhand vessels is counted in 'added' in each year

- No. of vessels as of the end of each fiscal year is net base excluded

charter-backed or sold ones

C-3. “K” LINE Vision2008⁺

Cost Structure Reform

(unit:billion yen)

Cost saving items	05FY Results	06FY Prospects
Operating Cost reduction	1.7	4.6
Cargo handling charges reduction	1.3	2.3
Container equipment related cost reduction	1.0	1.3
Administrative cost reduction	0.6	0.7
Vessel cost reduction	0.3	0.2
Others	0.5	0.0
Total	5.4	9.1
(Division wise result/prospect)		
Container Business (Inc. overseas subsidiaries)	4.0	8.2
Other divisions (Inc. overseas subsidiaries)	0.6	0.9
Subsidiaries, etc	0.8	0.0

Plans for FY 2006

- Replacing high-cost chartered ships with newbuildings
- Various measures to reduce docking costs
- Diminishing costs due to longer-term contracts, or running businesses on our own basis (esp. container terminals)
- Navigation with most economical speed, fuel-oil hedge through futures
- Improvement in fuel-efficiency (Additive or equipments to save fuel consumption, PBCF, etc.)
- Leaf Picking
- More strict cost management by monitoring every cost item

C-4. “K” LINE Vision2008⁺

Major Financial Indices

	FY2004 Results	FY2005 Results	FY2006 Prospects
Cash Flows from Operating Activities	89.4	72.3	68.0
(Depreciation)	(24.6)	(28.6)	(33.0)
Cash Flows from Investment Activities	-34.4	-83.3	-120.0
Free Cash Flows	55.0	-11.0	-52.0
Investment amount	34.4	83.3	120.0
Vessels	54.7	102.5	130.0
Others	18.9	12.5	34.0
Asset disposition*	-39.2	-31.7	-44.0
Shareholders' Equity	181.3	257.8	292.0
Interest Bearing Liabilities	239.2	278.2	340.0
R O E	39.6%	28.4%	16%
R O A	18.4%	13.0%	8%
Equity Ratio	30%	34%	34%
Debt Equity Ratio	1.32	1.08	1.16

* Asset disposition: Collection of ship building cost from sale of ship upon delivery in Japanese Operating Lease scheme

Shareholder's Equity Reinforcement

