

Kawasaki Kisen Kaisha, Ltd.

FINANCIAL HIGHLIGHTS

[Two Year Summary]

	Year ended Mar.31,2006	Year ended Mar.31,2007	Year ended Mar.31,2007
<b>Consolidated</b>			
Operating revenues (Millions of yen / Thousands of U.S. dollars)	¥ 940,818	¥ 1,085,539	\$ 9,195,590
Operating income (Millions of yen / Thousands of U.S. dollars)	87,976	61,356	519,752
Net income (Millions of yen / Thousands of U.S. dollars)	62,423	51,514	436,376
Per share of common stock (Yen / U.S. dollars)	104.89	86.67	0.73
Total Assets (Millions of yen / Thousands of U.S. dollars)	757,040	900,438	7,627,605
Shareholders' Equity (Millions of yen / Thousands of U.S. dollars)	257,809	357,624	3,029,434
Per share of common stock (Yen / U.S. dollars)	435.19	556.55	4.71
Net cash provided by operating activities (Millions of yen / Thousands of U.S. dollars)	72,337	66,483	563,180
Net cash provided by investing activities (Millions of yen / Thousands of U.S. dollars)	(83,342)	(102,852)	(871,264)
Net cash provided by financing activities (Millions of yen / Thousands of U.S. dollars)	17,157	53,376	452,156
<b>Non-consolidated</b>			
Operating revenues (Millions of yen / Thousands of U.S. dollars)	742,568	857,279	7,261,999
Operating income (Millions of yen / Thousands of U.S. dollars)	56,678	28,103	238,062
Net income (Millions of yen / Thousands of U.S. dollars)	38,820	25,250	213,894
Per share of common stock (Yen / U.S. dollars)	65.20	42.45	0.36
Cash dividends (Millions of yen / Thousands of U.S. dollars)	10,663	10,904	92
Per share of common stock (Yen / U.S. dollars)	18.00	18.00	0.15
Total Assets (Millions of yen / Thousands of U.S. dollars)	481,541	518,500	4,392,213
Shareholders' Equity (Millions of yen / Thousands of U.S. dollars)	188,965	241,181	2,043,041
Per share of common stock (Yen / U.S. dollars)	318.81	389.35	3.30

The U.S. dollar amounts are converted from the yen amount at ¥118.05=U.S.\$1.00. The exchange rate prevailing on March 31, 2007.

# 1. Brief Summary of the Operating Results and Financial Position for Fiscal 2006

## 1. Operating Results

### (1) Summary of the Consolidated Operating Results of Fiscal 2006

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

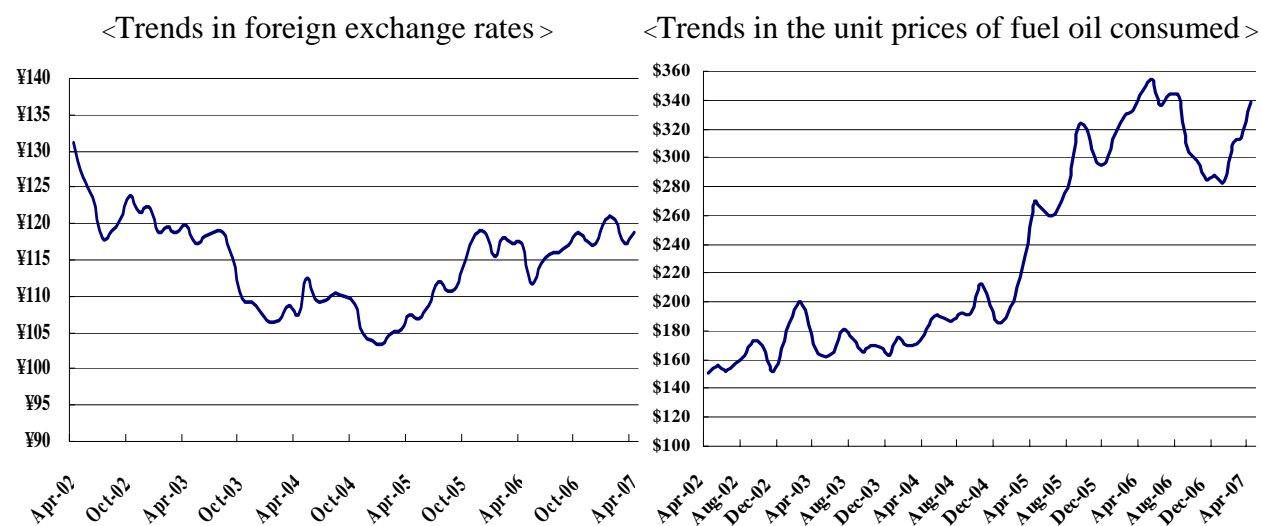
	Fiscal 2005 (ended March 2006)	Fiscal 2006 (ended March 2007)	Increase (Decrease) in amount/rate
Operating revenues	9,408	10,855	+1,447/+15%
Operating income	880	614	-266/-30%
Ordinary income	886	639	-246/-28%
Net income	624	515	-109/-17%

During fiscal 2006, the U.S. economy grew steadily due to strong consumer spending, despite sluggish housing investment, and the European economy also advanced favorably. Asian economies continued to expand, supported by growing consumer spending and brisk capital investment, in addition to increasing exports to the U.S. and Europe mainly from China. The Japanese economy actively continued to grow following the preceding year primarily in manufacturing industry, backed up by strong domestic demand such as consumer spending and capital spending, as well as foreign demand.

As for business environments surrounding the shipping industry during fiscal 2006, freight rates for dry bulk carriers remained on a high level on the whole, and cargo movements in containership business favorably advanced. Cargo movements in tanker, LNG carriers and car carriers also continued to steadily grow.

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

	Fiscal 2005	Fiscal 2006	Increase (Decrease)	Effect
Foreign exchange rate	¥113/US\$	¥117/US\$	-¥4/US\$	¥2.5 billion
Fuel oil prices	US\$286/MT	US\$319/MT	US\$33/MT	-¥8.8 billion



Under these circumstances, the “K” LINE Group was involved in activities to establish sustainable growth and stable profitability structure based on the policies under the intermediate management plan “K” LINE Vision 2008<sup>+</sup>. As a result, the consolidated operating revenues for fiscal 2006 increased by ¥144.720 billion compared with fiscal 2005 to ¥1,085.539 billion, recording operating revenues of over ¥1 trillion for a fiscal year for the first time. However, consolidated operating income decreased ¥26.619 billion from the same period last year, substantially affected by record-high fuel oil prices and declined freight rates in containerships for European routes to ¥61.356 billion, and consolidated ordinary income declined by ¥24.645 billion compared with the same period of the preceding year to ¥63.927 billion. Consolidated net income for fiscal 2006 after addition/deduction of extraordinary profits and losses was ¥51.514 billion, a decrease by ¥10.909 billion on a year-on-year basis.

In addition, operating revenues and operating income for fiscal 2006 by business segment are as follows:

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

		Fiscal 2005 (ended March 2006)	Fiscal 2006 (ended March 2007)	Increase (Decrease) in amount/rate
Marine transportation	Operating revenues	8,066	9,369	+1,303/+16.2%
	Operating income	744	454	-291/-39.0%
Freight Forwarding/ Harbor Transportation	Operating revenues	1,141	1,271	+130/+11.4%
	Operating income	117	138	+22/+18.7%
Others	Operating revenues	201	215	+14/+7.0%
	Operating income	15	18	+3/+18.4%

\*Note: Categorization of business segment has been altered in this fiscal year. For the sake of comparisons with previous year, the results of the previous year have been adjusted to reflect the alterations.

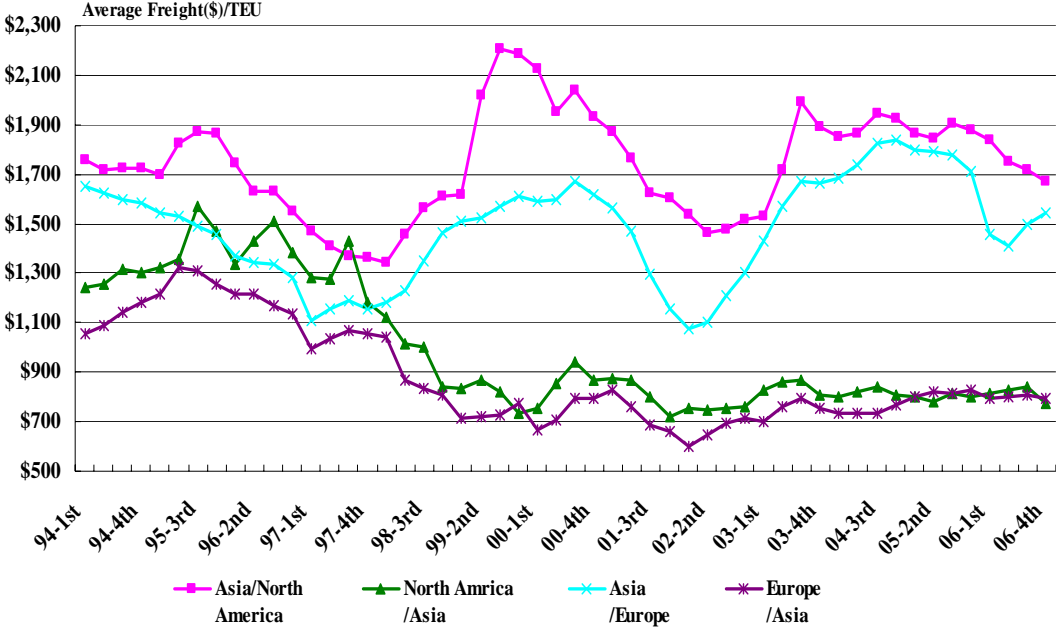
#### (A) Marine transportation

##### <Containership Business>

In the containership business for fiscal 2006, overall cargo movements in the Asia/North America services grew favorably, since those in transportation of general consumer goods strongly increased and cargo movements from Asia grew about 10% on a year-on-year basis, despite sluggish growth in transportation of housing demand-related goods that was the leader of brisk cargo movement in the past few years. The Company reinforced transportation capacity by setting up additional services to the Asia/U.S. East Coast and launching new service routes, and consequently tonnage movements to the North America increased by 11% compared with the preceding fiscal year. In Europe services, cargo movements in the Mediterranean Sea services steadily increased and those for North Europe, particularly to Russia also sharply hiked. Consequently, the Company exchanged vessels placed on regular services with larger-sized ones. As a result, tonnage in European services increased by 12% on a year-on-year basis. Additionally, the Company reinforced transportation capacity in other service routes with increasing number of vessels in the Asia/South America West Coast services and newly setting up two service routes in

Inter-Asia services, and consequently, tonnage movements in Inter-Asia services and North-South services climbed by 15% compared with the same period last year. The overall tonnage movements in the containership business increased by 11% from the previous year. However, operating results ended with an increase in operating revenues, but a decrease in profits on a year-on-year basis, falling below the Company’s initial projection, due mainly to declined freight rates in Europe services since the end of 2005 and increased operation costs such as fuel oils, despite streamlining efforts in the business alliance scale.

<Containerization International “Freight Rates Indicators”>



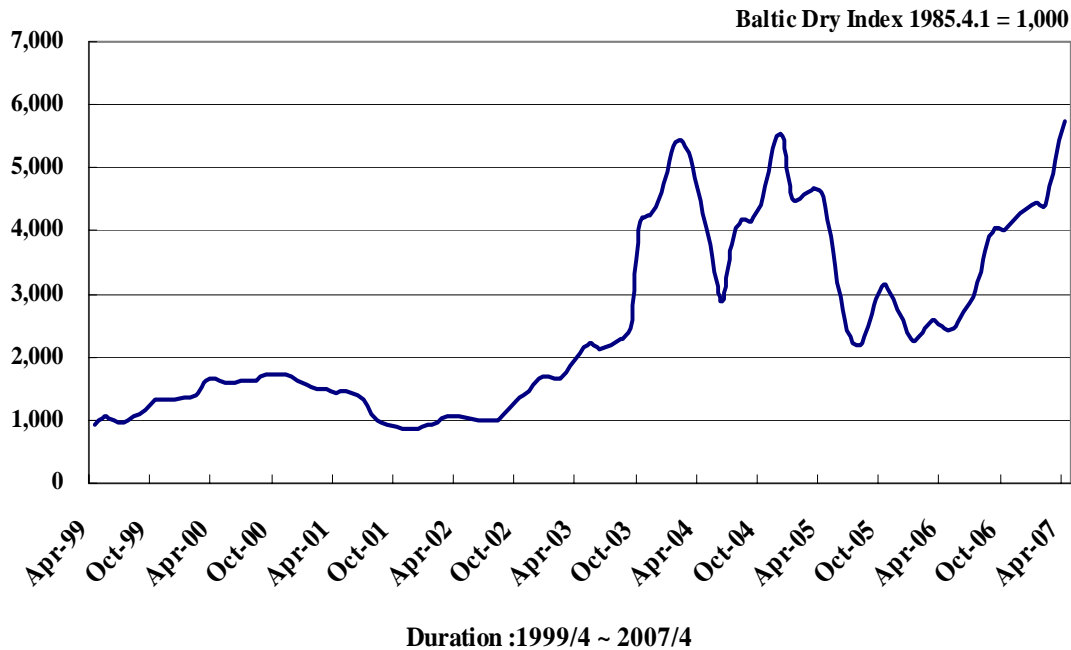
<Bulk Carrier and Car Carrier Business>

As for dry bulk transportation, market freight rates for large-sized bulk carriers remained on a substantially high level from June 2006 onward, benefited by increased imports of iron ores by China by about 50 million tons on a year-on-year basis to around 326 million tons. Also those for small and medium-sized bulk carriers also advanced on trends at higher levels of market rates compared with the same period last year, assisted by sharply increased global marine transportation of coals, cement and steel products. The overall dry bulk carrier business saw increases in both sales and profit on a year-on-year basis, due to the expansion of the scale of business with the launching of 22 newly-built carriers and efficient vessel operation, in spite of negative factors including hikes of fuel costs and lowered vessel operation rates affected by prolonged demurrage at coal shipping ports in Australia.

In the car carrier business, marine transportation of complete cars from Japan to various regions, including the North America, Europe, the Middle East and Africa, sharply increased, and consequently, the overall number of cars transported in fiscal 2006 increased by 15% compared with the same period last year. In particular, number of cars transported from Japan to the North America by the Company significantly increased by 37% against the previous year and number of cars transported to the Middle East and Africa by the Company recorded a sharp climb of 32% on a year-on-year basis. The Company strove to ensure profit-earning opportunities with enhancement of transportation capacity and the administration of efficient vessel operation, and as a result, secured stable profits.

The overall business in the bulk carrier and car carrier business for fiscal 2006 saw increases both in operating revenues and profit on a year-on-year basis.

## Baltic Dry Index



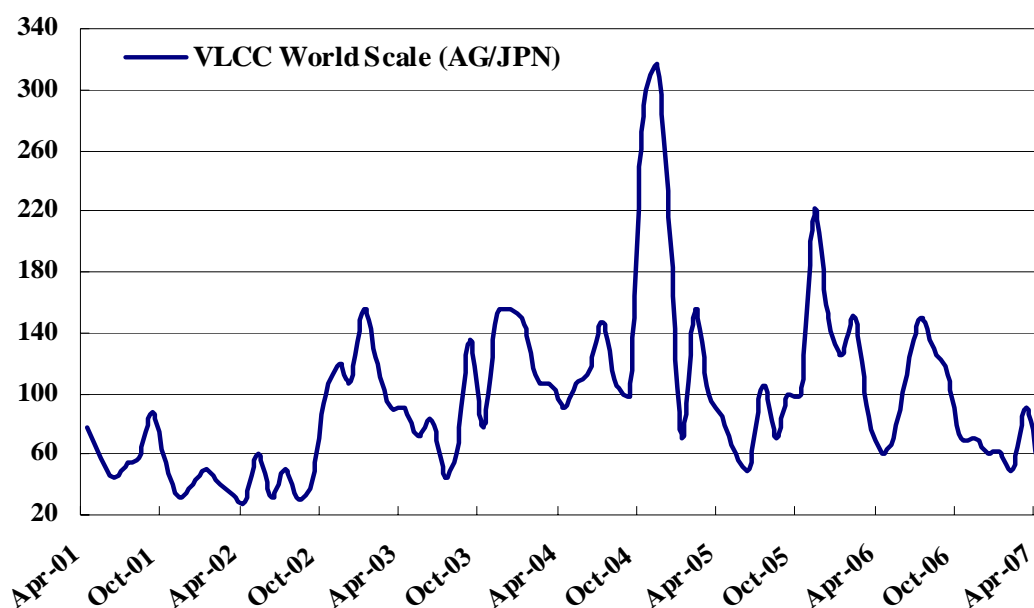
### <Energy Transportation and Tanker Business>

As for LNG (Liquefied Natural Gas) carriers, the fleet of LNG tankers that the Company owns or is involved in operations increased to 31 carriers due to the completion of two new carriers for the tripartite trade in fiscal 2006. All LNG carriers operated smoothly, and secured stable profitability.

In the tanker services, market freight rates remained in favorable conditions on the whole, supported by strong global demand for petroleum mainly from the U.S., China and Southeast Asia, though they softened temporarily owing to output cut by OPEC and warming trend in the northern hemisphere. The Company made efforts to administrate efficient vessel operation. However, earnings fell below those in the preceding year, due partly to hikes in vessel operation costs.

The overall operating results in this business enjoyed increases both in operating revenues and profit on a year-on-year basis.

### <Trends in tanker freight rates>



### <Coastal Shipping Business>

The domestic liner services maintained strong vessel operations mainly in limestone carriers assisted by strong demand from domestic steel and cement industries. The Company expanded the business scale of the roll-on/roll-off (RO-RO) ship services by launching a newly built RO-RO ship for replacement, and setting up new regular services.

As for ferry services, the Company nearly doubled its services between Hachinohe and Tomakomai to four services per day.

The overall operating revenues in the coastal shipping business for fiscal 2006 exceeded those in the previous fiscal year. However, it suffered severe operating results due to hikes of fuel oil prices.

As a result, the overall operating revenues for marine transportation for fiscal 2006 amounted to ¥936.943 billion, an increase of 16.2% over the same period last year, and operating income stood at ¥45.368 billion, a decrease by 39.0% from fiscal 2005.

### (B) Freight Forwarding/Harbor Transportation

The comprehensive freight forwarding business increased in operating revenues, backed up by brisk cargo movements in the air-cargo, and operating revenues of the harbor transportation also rose mainly for companies operating overseas, with the expansion of the scale of the containership business. The overall operating revenues in this business were ¥127.107 billion, an increase by 11.4% on a year-on-year basis, and operating income stood at ¥13.830 billion, up by 18.7% on a year-on-year basis.

### (C) Other business

In businesses other than those described in the above, the overall operating revenues were ¥21.488 billion, a rise by 7.0% on a year-on-year basis, and operating income was ¥1.783 billion, up by 18.4% from the fiscal year 2005.

## (2) Prospects for Fiscal 2007

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

	Fiscal 2006 (ended March 2007)	Prospects for Fiscal 2007 (ending March 2008)	Increase (Decrease) in amount/rate
Operating revenues	10,855	12,000	+1,145/+11%
Operating income	614	940	+326/+53%
Ordinary income	639	950	+311/+49%
Net income	515	630	+115/+22%

Foreign exchange rates	¥117/US\$	¥115/US\$	+¥2/US\$
Fuel oil prices	US\$319/MT	US\$340/MT	+US\$21/MT

Assumptions for the prospects: Foreign exchange rate (For the full term): ¥115/US\$

Fuel oil price (For the full term): US\$340/MT

As far as fiscal 2007 concerned, cargo movements in marine transportation are expected to be brisk, mainly from/to China, and the relationship between supply and demand in marine transportation will remain tight, despite uncertainties including economic performance of major countries, fluctuations in foreign exchange rates and crude oil prices.

Under these circumstances, in the containership business, the tight balance between supply and demand is unlikely to collapse substantially in the future, due to limited marine transportation capacity owing to congestion at terminal facilities at the U.S. and European major ports, despite a concern over the possibility that supply of shipping space may exceed increases in demand. In Inter-Asia services and North-South services, cargo movements are expected to increase in the foreseeable future, assisted by progress in the conclusion of FTA (Free Trade Agreement) among countries in this region and increased consumer purchasing power in regions. Freight rates have turned to restoration in the second half of fiscal 2006, with the background of a tight relationship between supply and demand due to steady cargo movement and shipping companies' efforts to cover the negative effects from cost-increasing factors such as soaring fuel oil prices, increases in rail transportation charges in the North America, and an increase in terminal-related expenses at shipping ports, as well as highly hovering charter rates and expenses for environmental preservation measures. Freight rates will be further restored in fiscal 2007. As a result, operating performances in this business for fiscal 2007 will see increases both in operating revenues and profit.

In the bulk carrier business, demand for marine transportation primarily from BRICs countries including China is expected to expand in the future and dry bulk freight rates is expected to remain in a high zone. The Company will see the steady progress in improvement of the fleet of bulk carriers with the completion of 10 newly built carriers including ones of Cape-size in fiscal 2007, which will contribute to the expansion of earnings. The Company also expects stable profitability in marine transportation of raw materials for steel, thermal coal, and raw materials for paper, based on long-term contracts for marine transportation with customers. In the car carrier business, global cargo movements are forecasted to continue to grow strongly in the foreseeable future. The Company will strive to expand the scale of this business and to secure stable earnings by launching four newly built carriers, corresponding to diversification of marine transportation service routes in the complete car trade.

In the energy transportation and tanker business, the Company's fleet of LNG carriers will consist of 33 carriers thanks to the addition of one newly built carrier owned by the Company and one newly built carriers chartered jointly with another shipping company. The Company will respond

actively and flexibly to the diversified needs for LNG transportation and make efforts to expand the scale of the business. In tanker business, cargo movements in marine transportation will steadily grow due to everlasting growth in demand for petroleum. However, freight rate is expected to soften slightly owing to an increase in supply capacity of transportation resulting from completion of newly built carriers. The Company will make every effort to secure stable earnings with safe and efficient vessel operation.

In the coastal shipping business, the Company will implement measures for higher efficiency by reorganizing liner routes and administering optimum vessel operation for each line. In the ferry business, the Company will deploy aggressive operations under the structure of four services per day to expand volume of transportation.

As a result, the overall marine transportation for fiscal 2007 will see increases both in operating revenues and earnings on a year-on-year basis, on the assumptions of the expansion of business scale and fairly growing freight rates.

The freight forwarding/harbor transportation business will grow steadily, since cargo movement will continue to increase constantly in China and all over the world, despite markdown pressure from domestic customers.

Other businesses are expected to achieve almost the same operating results as those of the preceding term.

According to the measures mentioned above, the Company expects the consolidated operating results for fiscal 2007 to be ¥1.2 trillion for operating revenues, ¥94 billion for operating income, ¥95 billion for ordinary income and ¥63 billion for net income.

Also the foreign exchange rate for the US dollar is assumed to be ¥115, and US\$340 per metric ton for the fuel oil price throughout fiscal 2007.

## **2. Analysis concerning Financial Status**

### (1) Assets, liabilities, and net assets

As of the end of March 2007, total assets increased by ¥143.398 billion on a year-on-year basis to ¥900.438 billion, due to increased investment in vessels and construction in progress, the expansion of unrealized gains among investment securities thanks to stock price advances and an increase in long-term loans receivable.

As for total liabilities, current liabilities increased by ¥13.823 billion on a year-on-year basis to ¥230.931 billion, owing to an increase in short-term loans, and total long-term liabilities increased by ¥40.993 billion on a year-on-year basis to ¥311.883 billion, due to an increase in long-term debt.

Net assets amounted to ¥357.624 billion, including valuation and translation adjustments of ¥70.303 billion and minority interests of ¥13.148 billion, which is attributable mainly to an increase by ¥42.172, up by 24.9% on a year-on-year basis, in retained earnings.

As a result, Debt/Equity ratio was 95%, an improvement by 13 points on a year-on-year basis.



## (2) Consolidated Cash Flows

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

Item	Fiscal 2005 (ended March 2006)	Fiscal 2006 (ended March 2007)	Increase (Decrease) on a year-on-year basis
Cash and cash equivalents at the beginning of the period	315	412	97
(1) Cash flow from operating activities	723	665	-59
(2) Cash flow from investment activities	-833	-1,029	-195
(3) Cash flow from financing activities	172	534	362
(4) Effect of exchange rate changes on cash and cash equivalents	35	23	-12
Net increase (decrease) in cash and cash equivalents	97	193	96
Cash and cash equivalents at the end of the period	412	605	193

As of the end of the consolidated fiscal year 2006, cash and cash equivalents stood at ¥60.493 billion, an increase by ¥19.335 billion from the end of the preceding fiscal year. Details of consolidated cash flows in fiscal 2006 are as follows:

Cash flow from operating activities ended with plus ¥66.483 billion (plus ¥72.337 billion for fiscal 2005) mainly due to the decrease in net income before income taxes etc.

Cash flow from investing activities ended with minus ¥102.852 billion (minus ¥83.342 billion for fiscal 2005) due to expenditures for the acquisition of vessel.

Cash flow from financing activities ended with plus ¥53.376 billion (plus ¥17.157 billion for fiscal 2005) due to increase of loans and issuing of corporate bonds etc.

## (3) Basic Policy on the Payment of Dividends and dividend payment for the current fiscal year

“K” LINE considers the maximization of profits returned to the shareholders, after due consideration of matters such as securing internal reserves for capital spending aiming to expand the scale of our operations in accordance with the intermediate management plan in operation and for the improvement and enhancement of the corporate structure, as one of its most important issues, and makes it our target for the time being to maintain the payout ratio of 20% of consolidated net income. “K” LINE will make further efforts to increase the payout ratio in the future.

As far as the final dividend for fiscal 2006, the Company intends to pay ¥18 per share. Of the annual dividend of ¥18 per share, ¥9 per share was already paid to shareholders as the interim dividend.

After comprehensively viewing factors such as the Company’s financial status, forecast of the entire fiscal year, etc., for the final dividend for fiscal 2007, the Company intends to pay ¥20 per share. Of the annual dividend of ¥20 per share, ¥10 per share will be paid to shareholders as the interim dividend.

## **2. Management Policies**

### **1. Principles of Management**

“K” LINE, as a business organization centering on shipping, makes it the basic principle of management to contribute to the peace and the prosperity of the world through “K” LINE Group’s business activities, and for the purpose, established its Corporate Principles and Vision as follows:

#### <Corporate Principles of the “K” LINE Group>

The basic principles of the “K” LINE Group as a business organization centering on shipping lie in:

- a. Diligent efforts for safety in navigation and cargo operations as well as for environmental preservation;
- b. Sincere response to customer needs by making every possible effort; and
- c. Contributing to the world’s economic growth and stability through continual upgrading of service quality.

#### <Vision>

- (1) To be trusted and supported by customers in all corners of the world while being able to continue to grow globally with sustainability,
- (2) To build a business base that will be capable of responding to any and all changes in business circumstances, and to continually pursue and practice innovation for survival in the global market,
- (3) To create and provide a workplace where each and every employee can have hopes and aspirations for the future, and can express creativity and display a challenging spirit.

### **2. Intermediate Management Strategy for the Company and Profit Targets**

#### “K” LINE Vision 2008<sup>+</sup>

In April 2004, “K” LINE established a newly-developed 5-year management plan called “K” LINE Vision 2008, and operating results for fiscal 2004 and fiscal 2005 generally exceeded targets for fiscal 2008, the last year of the management plan. During this time, the global economy has experienced numerous structural changes, particularly in China, and now is in a sustainable growth phase. On the other hand, the business environment surrounding marine transportation has substantially changed from the projections we made at that time, as seen in the soaring fuel oil price. In addition, the major portion of our plan for upgrading our fleet by 2008 or 2009 is close to completion. Under such circumstances where there have been such substantial changes in the business environment, “K” LINE established a newly-revised intermediate management plan to be known as “K” LINE Vision 2008<sup>+</sup> in March 2006 as our navigator to meet the challenges for achieving higher management goals, with view pointing toward the mid 2010s. Under the newly revised intermediate management plan, the Company also recognizes “sustainable growth and establishment of a stable profitability structure” as the most important tasks, and will be involved actively in activities to establish the fleet of carriers with cost competitiveness and to provide high-grade transportation services to our customers. Additionally, the Company will strive to expand the scale of business in new business fields and quickly growing fields and to improve profitability.

[Numerical Targets for Fiscal 2008]

While promoting further extension of our business activities (Vessels in operation: 500; operating revenues: ¥1,100 billion), we will make all efforts to constantly secure “A” bond rating by achieving more than ¥400 billion in owned capital, about 40% in equity ratio, about 20% in ROE, and 90% or less in debt-to-equity ratio.

[Fiscal 2006 Results, Fiscal 2007 Forecast, Fiscal 2008 Targets, and Numerical Targets for mid-2010s]

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

	Fiscal 2006 (Result)	Fiscal 2007 (Forecast)	Fiscal 2008 (Targeted)	Mid-2010s (Projected)
Operating Revenues	10,855	12,000	11,000	15,000
Ordinary income	639	950	1,100	1,500
Net income	515	630	700	1,000
Payout ratio	20%, consolidated basis			30%, consolidated basis
ROE	17%	18%	19%	More than 10%
Interest-bearing debt	3,262	3,600	3,500	3,500
Shareholders' equity	3,445	4,000	4,000	7,500
Equity ratio	38%	40%	39%	50% or more
Debt Equity Ratio (DER)	95%	90%	88%	50% or less
Scale of fleet	453 vessels	-	500 vessels	700 vessels

Assumptions for prospects for operating results

	Fiscal 2006 (Result)	Fiscal 2007 (Forecast)	Fiscal 2008 (Targeted)	Mid-2010s (Projected)
Foreign exchange rate	¥117/US\$	¥115/US\$	¥110/US\$	¥110/US\$
Fuel oil price	\$319/MT	\$340/MT	\$300/MT	\$300/MT

The figures above include the prospects for future operating results as of the date of publication of the management plan (May 2007). Actual results may differ significantly from the prospects above, due to risks or uncertainties related to the global economy and fluctuations in foreign exchange rates, and other unforeseen factors.

### 3. Issues Requiring Responses from the Company

The Company will focus on the following items to realize “sustainable growth and establishment of a stable profitability structure”, the major task in “K” LINE Vision 2008<sup>+</sup>.

1) Efforts to expand systematically the scale of business

To secure sustainable growth and stable profitability structure, the Company is striving to expand its fleet. A plan has been established for a fleet system consisting of 500 vessels to be in operation in fiscal 2008, and investment schedule in vessels to be completed by fiscal 2009 has also been established. The Company will continue to promote aggressive business operations and capital spending in vessels toward the fleet system of 700 vessels in the mid-2010s. At the same time, the

Company will be committed to establishing a high-quality ship operation system that supports safety in navigation of the expanding fleet and to securing and developing marine engineers on a global basis. The Company will also promote delegation of authorities to executive offices including those in companies including those overseas, and strive to construct the most suitable and competent management organization globally.

## 2) Responses to changes in business environments

- Risk factors and countermeasures

The Company recognizes that war, the spread of avian flu, changes in economic structures in major countries, currency rate movement and further hikes in fuel oil prices are serious risk factors for the Company. The Crisis Management Committee and its subcommittees will discuss and plan countermeasures when necessary.

- CSR and environmental protection issues

The Company has been promoting company-wide CSR (Corporate Social Responsibility) activities and environmental protection. To enhance such activities, the Company reorganized the Environmental Committee as the CSR & Environmental Committee, and newly set up the basic policy for the promotion of CSR activities. To respond to expectations from stakeholders including customers, shareholders/investors, employees, business partners, and local societies at home and abroad, the Company will carry out the CSR activities plan across the board, in addition to the environmental protection activities in operation based on the environmental management system that is in accordance with ISO14001 standards.

- Reform of costs structure

“K” LINE Group has challenged, as one body, the campaign to reform divisional and functional cost structures, and succeeded in curtailing costs by more than ¥10.0 billion in fiscal 2006. The Company also targets a cost reduction of ¥5.0 billion in fiscal 2007 and onward. However, the Company is obliged to carry out a structural reform due to skyrocketing fuel oil prices. We will reinforce our cost reduction activities mainly in job sites for every expense item, and in particular, we will concentrate on improving energy-saving measures including a structural review.

In addition to the tasks described in the management plan above, we recognize that ensuring safety in navigation and cargo operation in accordance with our own quality guideline and the security code based on ISO9000 standards is the highest-priority issue that the “K” LINE Group should observe as one body.

# Consolidated Financial Statements

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

## Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2007 and 2006

(Millions of Yen/Thousands of U.S.Dollars)

	Year ended Mar.31,2006	Year ended Mar.31,2007	Year ended Mar.31,2007
<b>ASSETS</b>			
Current assets :			
Cash and time deposits	¥ 44,185	¥ 63,927	\$ 541,528
Accounts and notes receivable-trade	109,110	101,434	859,250
Short-term loans receivable	16,624	4,629	39,218
Marketable securities	932	995	8,435
Inventories	19,958	21,722	184,014
Prepaid expenses and deferred charges	25,077	29,351	248,640
Other current assets	19,778	31,323	265,345
Allowance for doubtful receivables	(624)	(587)	(4,977)
Total current assets	235,042	252,798	2,141,454
Fixed assets :			
(Tangible fixed assets)			
Vessels	189,094	238,151	2,017,377
Buildings and structures	27,484	24,189	204,906
Machinery and vehicles	10,568	11,404	96,608
Land	34,070	32,570	275,902
Construction in progress	77,042	85,862	727,337
Other tangible fixed assets	8,083	9,611	81,421
Total tangible fixed assets	346,344	401,789	3,403,552
(Intangible fixed assets)			
Other intangible fixed assets	6,458	6,091	51,602
Total intangible fixed assets	6,458	6,091	51,602
(Investments and other long-term assets)			
Investments in securities	121,918	163,739	1,387,032
Long-term loans receivable	11,595	34,194	289,664
Deferred income taxes	3,586	5,963	50,515
Other long-term assets	32,450	36,527	309,425
Allowance for doubtful receivables	(378)	(678)	(5,751)
Total investments and other long-term assets	169,172	239,746	2,030,886
Total fixed assets	521,975	647,626	5,486,040
Deferred assets	21	13	111
<b>Total assets</b>	¥ 757,040	¥ 900,438	\$ 7,627,605

## Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2007 and 2006

(Millions of Yen/Thousands of U.S.Dollars)

	Year ended Mar.31,2006	Year ended Mar.31,2007	Year ended Mar.31,2007
<b>LIABILITIES</b>			
Current liabilities :			
Accounts and notes payable-trade	¥ 82,311	¥ 75,914	\$ 643,072
Current portion of bonds payable	3,000	10,000	84,710
Short-term loans and current portion of long-term debt	54,707	83,201	704,802
Commercial paper	21,000	-	-
Accrued income taxes	12,578	14,611	123,771
Accrued bonuses	2,208	2,063	17,479
Accrued director's bonuses	-	374	3,170
Current portion of obligations under finance leases	3,963	919	7,793
Other current liabilities	37,337	43,845	371,417
Total current liabilities	217,107	230,931	1,956,213
Long-term liabilities :			
Bonds	70,000	70,666	598,611
Long-term debt, less current portion	119,816	156,315	1,324,144
Deferred income taxes for land revaluation	3,205	2,632	22,300
Allowance for employees' retirement benefit	10,260	10,309	87,333
Retirement allowance for directors and statutory auditors	2,714	2,765	23,423
Accrued expenses for overhaul of vessels	13,335	17,154	145,317
Obligations under finance leases	5,745	5,084	43,070
Consolidation negative goodwill	45	-	-
Consolidation negative goodwill (new regulation)	-	33	285
Other long-term liabilities	45,765	46,921	397,475
Total long-term liabilities	270,889	311,883	2,641,957
Total liabilities	487,997	542,814	4,598,170
Minority interests in consolidated subsidiaries	11,233	-	-
Shareholders' equity :			
Common stock	29,689	-	-
Additional paid-in capital	14,534	-	-
Retained earnings	169,430	-	-
Revaluation reserve for land	6,466	-	-
Unrealized holding gain on investments in securities	36,928	-	-
Translation adjustments	1,790	-	-
Treasury stock, at cost	(1,031)	-	-
Total shareholders' equity	257,809	-	-
Total liabilities, minority interest and shareholders' equity	¥ 757,040	-	-
<b>NET ASSETS</b>			
Shareholder's equity:			
Common stock	-	39,356	333,391
Additional paid-in capital	-	24,201	205,013
Retained earnings	-	211,602	1,792,484
Treasury stock, at cost	-	(988)	(8,375)
Total shareholders' equity	-	274,172	2,322,513
Valuation and translation adjustments			
Unrealized holding gain on investments in securities	-	46,250	391,791
Deferred gain on hedges	-	14,214	120,414
Revaluation reserve for land	-	5,515	46,718
Translation adjustments	-	4,322	36,614
Total valuation and translation adjustments	-	70,303	595,537
Minority interests in consolidated subsidiaries	-	13,148	111,385
Total net assets	-	357,624	3,029,434
<b>Total liabilities and net assets</b>	-	¥ 900,438	\$ 7,627,605

# Consolidated Statements of Income

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2007 and 2006

(Millions of Yen/Thousands of U.S.Dollars)

	Year ended Mar.31,2006	Year ended Mar.31,2007	Year ended Mar.31,2007
Operating revenues	¥ 940,818	¥ 1,085,539	\$ 9,195,590
Costs and expenses	791,803	957,847	8,113,912
Gross profits	149,015	127,692	1,081,678
Selling, general and administrative expenses	61,039	66,335	561,926
Operating income	87,976	61,356	519,752
Non-operating income :			
Interest income	1,669	3,076	26,058
Dividend income	1,544	2,620	22,198
Equity in earnings of affiliated companies	-	1,572	13,317
Exchange gain	1,467	-	-
Other non-operating income	1,123	1,763	14,942
Total non-operating income	5,804	9,032	76,516
Non-operating expenses :			
Interest expenses	4,336	4,228	35,817
Exchange loss	-	1,037	8,786
Other non-operating expenses	871	1,196	10,136
Total non-operating expenses	5,207	6,461	54,739
Ordinary income	88,573	63,927	541,529
Extraordinary profits :			
Gain on sales of fixed assets	4,839	8,411	71,253
Gain on sales of investments in securities	3,250	5,829	49,384
Other extraordinary profits	408	143	1,214
Total extraordinary profits	8,498	14,384	121,851
Extraordinary losses :			
Loss on sales of fixed assets	599	224	1,899
Loss on sales of investments in securities	747	-	-
Impairment loss on fixed assets	-	1,061	8,996
Transfer to reserve for possible loan losses	-	387	3,281
Other extraordinary losses	445	285	2,420
Total extraordinary losses	1,793	1,959	16,596
Income before income taxes	95,278	76,352	646,784
Income taxes	31,079	23,322	197,564
Minority interests	1,775	1,516	12,844
Net income	¥ 62,423	¥ 51,514	\$ 436,376

## Statements of Additional paid-in capital and Retained earnings

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2006

(Millions of Yen/Thousands of U.S.Dollars)

	Year ended Mar.31,2006	Year ended Mar.31,2006
<b>Additional paid-in capital</b>		
Additional paid-in capital at the beginning of the year	¥ 14,534	\$ 123
Additional paid-in capital at the end of the year	14,534	123
<b>Retained earnings</b>		
Retained earnings at the beginning of the year	117,483	995
Increase in retained earnings :		
Net income	62,423	529
Due to inclusion in consolidation of subsidiaries	1,391	12
Due to exclusion in consolidation of subsidiaries	12	0
Due to reversal of revaluation reserve for land	304	3
Total Increase in retained earnings	64,132	543
Decrease in retained earnings :		
Cash dividends	10,660	90
Bonuses to directors and statutory auditors	336	3
Due to inclusion in consolidation of subsidiaries	1,080	9
Loss on disposal of treasury stock	107	1
Due to reversal of revaluation reserve for land		
Total Decrease in retained earnings	12,184	103
Retained earnings at the end of the year	¥ 169,430	\$ 1,435



## Consolidated Statements of Shareholders' Equity

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2007 and 2006

(Millions of Yen)

	Shareholders' equity				
	Common stock	Additional paid- in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance March 31, 2006	¥ 29,689	¥ 14,534	¥ 169,430	¥ (1,031)	¥ 212,623
Change of items during the term					
Capitalization issue	9,667	9,667			19,334
Cash dividends			(10,857)		(10,857)
Net Income			51,514		51,514
Purchase of treasury stocks				(182)	(182)
Disposal of treasury stocks			(40)	225	184
Director's Bonus			(381)		(381)
Reversal of the revaluation reserve for land			950		950
Change of scope consolidation or equity method			787		787
Net increase/decrease during the term under review except in Shareholders' Equity					
Net increase/decrease during the term	9,667	9,667	42,172	43	61,549
Balance March.31, 2007	¥ 39,356	¥ 24,201	¥ 211,602	¥ (988)	¥ 274,172

	Valuation and translation adjustments				
	Unrealized holding gain on investments in securities	Deferred gain on hedges	Revaluation reserve for land	Translation adjustments	Total valuation and translation adjustments
Balance March 31, 2006	¥ 36,928	-	¥ 6,466	¥ 1,790	¥ 45,186
Change of items during the term					
Capitalization issue					
Cash dividends					
Net Income					
Purchase of treasury stocks					
Disposal of treasury stocks					
Director's Bonus					
Reversal of the revaluation reserve for land					
Change of scope consolidation or equity method					
Net increase/decrease during the term under review except in Shareholders' Equity	9,322	14,214	(951)	2,531	25,116
Net increase/decrease during the term	9,322	14,214	(951)	2,531	25,116
Balance March.31, 2007	¥ 46,250	¥ 14,214	¥ 5,515	¥ 4,322	¥ 70,303

	Minority interests in consolidated subsidiaries	Total liabilities and net assets
Balance March 31, 2006	¥ 11,233	¥ 269,043
Change of items during the term		
Capitalization issue		19,334
Cash dividends		(10,857)
Net Income		51,514
Purchase of treasury stocks		(182)
Disposal of treasury stocks		184
Director's Bonus		(381)
Reversal of the revaluation reserve for land		950
Change of scope consolidation or equity method		787
Net increase/decrease during the term under review except in Shareholders' Equity	1,915	27,032
Net increase/decrease during the term	1,915	88,581
Balance March.31, 2007	¥ 13,148	¥ 357,624

## Consolidated Statements of Shareholders' Equity

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2007 and 2006

(Thousands of U.S.Dollars)

	Shareholders' equity				
	Common stock	Additional paid- in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance March 31, 2006	\$ 251,502	\$ 123,124	\$ 1,435,244	\$ (8,741)	\$ 1,801,129
Change of items during the term					
Capitalization issue	81,889	81,889			163,778
Cash dividends			(90,279)		(90,279)
Net Income			436,376		436,376
Purchase of treasury stocks				(1,548)	(1,548)
Disposal of treasury stocks			(347)	1,914	1,567
Director's Bonus			(3,232)		(3,232)
Reversal of the revaluation reserve for land			8,050		8,050
Change of scope consolidation or equity method			6,671		6,671
Net increase/decrease during the term under review except in Shareholders' Equity					
Net increase/decrease during the term	81,889	81,889	357,240	366	521,384
Balance March.31, 2007	\$ 333,391	\$ 205,013	\$ 1,792,484	\$ (8,375)	\$ 2,322,513

	Valuation and translation adjustments				
	Unrealized holding gain on investments in securities	Deferred gain on hedges	Revaluation reserve for land	Translation adjustments	Total valuation and translation adjustments
Balance March 31, 2006	\$ 312,822	-	\$ 54,781	\$ 15,170	\$ 382,773
Change of items during the term					
Capitalization issue					
Cash dividends					
Net Income					
Purchase of treasury stocks					
Disposal of treasury stocks					
Director's Bonus					
Reversal of the revaluation reserve for land					
Change of scope consolidation or equity method					
Net increase/decrease during the term under review except in Shareholders' Equity	78,969	120,414	(8,063)	21,443	212,764
Net increase/decrease during the term	78,969	120,414	(8,063)	21,443	212,764
Balance March.31, 2007	\$ 391,791	\$ 120,414	\$ 46,718	\$ 36,614	\$ 595,537

	Minority interests in consolidated subsidiaries	Total liabilities and net assets
Balance March 31, 2006	\$ 95,158	\$ 2,279,060
Change of items during the term		
Capitalization issue		163,778
Cash dividends		(90,279)
Net Income		436,376
Purchase of treasury stocks		(1,548)
Disposal of treasury stocks		1,567
Director's Bonus		(3,232)
Reversal of the revaluation reserve for land		8,050
Change of scope consolidation or equity method		6,671
Net increase/decrease during the term under review except in Shareholders' Equity	16,227	228,990
Net increase/decrease during the term	16,227	750,374
Balance March.31, 2007	\$ 111,385	\$ 3,029,434

## Consolidated Statements of Cash Flows

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2007 and 2006

(Millions of Yen/Thousands of U.S.Dollars)

	Year ended Mar.31,2006	Year ended Mar.31,2007	Year ended Mar.31,2007
<b>Cash flows from operating activities :</b>			
Income before income taxes	¥ 95,278	¥ 76,352	\$ 646,784
Depreciation	26,989	30,387	257,408
Amortization	1,632	1,907	16,154
Impairment losses on fixed assets	-	1,061	8,996
Accrued expenses for overhaul of vessels	1,865	3,799	32,185
Interest and dividend income	(3,214)	(5,696)	(48,256)
Interest expense	4,336	4,228	35,817
Loss (gain) on sale of marketable securities and investments in securities	(2,503)	(5,702)	(48,309)
Gain on sale of vessels, property and equipments	(4,839)	(8,411)	(71,253)
Loss on sale of vessels, property and equipments	599	224	1,899
Increase in accounts and notes receivable – trade	(12,887)	6,315	53,495
Increase in accounts and notes payable – trade	12,989	(8,742)	(74,057)
Increase in inventories	(7,668)	(1,725)	(14,617)
Increase in short-term assets	2,136	(5,880)	(49,814)
Other, net	1,809	(2,091)	(17,721)
Sub total	116,526	86,024	728,710
Interest and dividends received	3,239	5,664	47,983
Interest paid	(4,475)	(4,163)	(35,272)
Income taxes paid	(42,952)	(21,041)	(178,241)
<b>Net cash provided by operating activities</b>	<b>72,337</b>	<b>66,483</b>	<b>563,180</b>
<b>Cash flows from investing activities :</b>			
Purchases of marketable securities and investments in securities	(8,129)	(27,836)	(235,801)
Proceed from sale of marketable securities and investments in securities	8,822	10,584	89,658
Purchases of vessels, property and equipment	(99,654)	(118,842)	(1,006,713)
Proceeds from sale of vessels, property and equipment	16,431	35,863	303,802
Purchases of intangible fixed assets	(1,332)	(1,323)	(11,215)
receivable	(20,627)	(37,869)	(320,792)
Proceeds from long-term loans receivable	16,123	45,234	383,184
Other, net	5,024	(8,663)	(73,386)
<b>Net cash used in investing activities</b>	<b>(83,342)</b>	<b>(102,852)</b>	<b>(871,264)</b>

## Consolidated Statements of Cash Flows

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2007 and 2006

(Millions of Yen/Thousands of U.S.Dollars)

	Year ended Mar.31,2006	Year ended Mar.31,2007	Year ended Mar.31,2007
<b>Cash flows from financing activities :</b>			
Decrease of short-term loans, net	3,098	31,959	270,729
Increase (decrease) in commercial paper	21,000	(21,000)	(177,891)
Proceeds from long-term debt	18,791	83,484	707,197
Repayment of long-term debt and obligations under finance leases	(41,435)	(56,852)	(481,596)
Proceeds from issuance of bonds	29,970	29,754	252,052
Repayment of bonds	(3,000)	(3,000)	(25,413)
Cash dividends paid	(10,635)	(10,653)	(90,249)
Cash dividends paid to minority shareholders	(251)	(292)	(2,478)
Other, net	(379)	(23)	(197)
<b>Net cash used in financing activities</b>	<b>17,157</b>	<b>53,376</b>	<b>452,156</b>
Effect of exchange rate changes on cash and cash equivalents	2,402	1,890	16,015
<b>Net increase in cash and cash equivalents</b>	<b>8,555</b>	<b>18,898</b>	<b>160,087</b>
Cash and cash equivalents at beginning of the period	31,497	41,157	348,643
Increase in cash and cash equivalents arising from inclusion of subsidiaries in consolidation	1,112	440	3,735
Decrease in cash and cash equivalents arising from exclusion of subsidiaries in consolidation	(8)	(3)	(30)
<b>Cash and cash equivalents at end of the period</b>	<b>¥ 41,157</b>	<b>¥ 60,493</b>	<b>\$ 512,436</b>

Note : Cash and cash equivalents are reconciled to cash and time deposits reflected in the consolidated balance sheets at the end of each periods as follows.

	Mar.31,2006	Mar.31,2007	Mar.31,2007
Cash and time deposits	¥ 44,185	¥ 63,927	\$ 541,528
Time deposits with maturity of more than three months after the purchase date	(3,028)	(3,434)	(29,095)
Highly liquid marketable securities with low risk	0	0	3
<b>Cash and cash equivalents</b>	<b>¥ 41,157</b>	<b>¥ 60,493</b>	<b>\$ 512,436</b>

## Consolidated Segment Information

### (a) Business segment information

Year ended Mar.31,2006

(Millions of Yen)

	Freight Forwarding / Harbor			Total	Eliminations	Consolidated
	Marine Transportation	Transportation	Other			
Revenues						
(1) Operating revenues	¥ 806,646	¥ 114,098	¥ 20,073	¥ 940,818	¥ -	¥ 940,818
(2) Inter-group sales and transfers	6,962	54,086	30,960	92,008	(92,008)	-
<b>Total revenues</b>	<b>813,608</b>	<b>168,185</b>	<b>51,033</b>	<b>1,032,827</b>	<b>(92,008)</b>	<b>940,818</b>
Operating expenses	739,182	156,534	49,527	945,243	(92,401)	852,842
Operating income	74,426	11,650	1,506	87,583	392	87,976
Ordinary income	¥ 72,910	¥ 13,564	¥ 1,952	¥ 88,427	¥ 145	¥ 88,573
Assets,depreciation and capital expenditures						
Total assets	¥ 619,792	¥ 140,265	¥ 39,823	¥ 799,881	¥ (42,841)	¥ 757,040
Depreciation	¥ 22,000	¥ 5,557	¥ 1,064	¥ 28,622	¥ -	¥ 28,622
Capital expenditures	¥ 89,619	¥ 10,658	¥ 2,032	¥ 102,309	¥ -	¥ 102,309

Year ended Mar.31,2007

(Millions of Yen)

	Freight Forwarding / Harbor			Total	Eliminations	Consolidated
	Marine Transportation	Transportation	Other			
Revenues						
(1) Operating revenues	¥ 936,943	¥ 127,107	¥ 21,488	¥1,085,539	¥ -	¥1,085,539
(2) Inter-group sales and transfers	7,707	59,209	35,580	102,497	(102,497)	-
<b>Total revenues</b>	<b>944,651</b>	<b>186,316</b>	<b>57,069</b>	<b>1,188,037</b>	<b>(102,497)</b>	<b>1,085,539</b>
Operating expenses	899,282	172,486	55,285	1,127,053	(102,871)	1,024,182
Operating income	45,368	13,830	1,783	60,983	373	61,356
Ordinary income	¥ 45,136	¥ 16,178	¥ 2,494	¥ 63,810	¥ 117	¥ 63,927
Assets,depreciation Impairment loss and capital expenditures						
Total assets	¥ 759,778	¥ 155,469	¥ 33,622	¥ 948,870	¥ (48,431)	¥ 900,438
Depreciation	¥ 25,286	¥ 5,866	¥ 1,140	¥ 32,294	¥ -	¥ 32,294
Impairment loss	¥ 624	¥ 258	¥ 178	¥ 1,061	¥ -	¥ 1,061
Capital expenditures	¥ 114,888	¥ 5,938	¥ 558	¥ 121,386	¥ -	¥ 121,386

Year ended Mar.31,2007

(Thousands of U.S.Dollars)

	Freight Forwarding / Harbor			Total	Eliminations	Consolidated
	Marine Transportation	Transportation	Other			
Revenues						
(1) Operating revenues	\$ 7,936,834	\$ 1,076,726	\$ 182,029	\$ 9,195,590	\$ -	\$ 9,195,590
(2) Inter-group sales and transfers	65,293	501,560	301,403	868,256	(868,256)	-
<b>Total revenues</b>	<b>8,002,127</b>	<b>1,578,287</b>	<b>483,432</b>	<b>10,063,846</b>	<b>(868,256)</b>	<b>9,195,590</b>
Operating expenses	7,617,807	1,461,128	468,321	9,547,257	(871,419)	8,675,838
Operating income	384,320	117,158	15,111	516,589	3,163	519,752
Ordinary income	\$ 382,352	\$ 137,050	\$ 21,134	\$ 540,536	\$ 993	\$ 541,529
Assets,depreciation and capital expenditures						
Total assets	\$ 6,436,071	\$ 1,316,983	\$ 284,814	\$ 8,037,868	\$((410,264)	\$ 7,627,605
Depreciation	\$ 214,205	\$ 49,699	\$ 9,658	\$ 273,562	\$ -	\$ 273,562
Impairment loss	\$ 5,291	\$ 2,192	\$ 1,512	\$ 8,996	\$ -	\$ 8,996
Capital expenditures	\$ 973,223	\$ 50,308	\$ 4,731	\$ 1,028,262	\$ -	\$ 1,028,262

## (b) Geographical segment information

Year ended Mar.31,2006

(Millions of Yen)

	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
Revenues								
(1) Operating revenues	¥ 860,075	¥ 30,576	¥ 14,062	¥ 35,767	¥ 337	¥ 940,818	¥ -	¥ 940,818
(2) Inter-group sales and transfers	8,767	23,130	6,963	16,040	815	55,717	(55,717)	-
Total revenues	868,842	53,706	21,025	51,808	1,153	996,536	(55,717)	940,818
Operating expenses	798,251	51,657	19,710	38,418	959	908,996	(56,153)	852,842
Operating income(loss)	70,591	2,048	1,315	13,389	193	87,539	436	87,976
Ordinary income	¥ 70,642	¥ 2,333	¥ 1,294	¥ 13,947	¥ 541	¥ 88,759	¥ (185)	¥ 88,573
Total assets	¥ 665,668	¥ 34,153	¥ 29,389	¥ 64,251	¥ 2,695	¥ 796,159	¥ (39,119)	¥ 757,040

Year ended Mar.31,2007

(Millions of Yen)

	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
Revenues								
(1) Operating revenues	¥ 987,297	¥ 32,073	¥ 25,222	¥ 40,582	¥ 363	¥1,085,539	¥ -	¥1,085,539
(2) Inter-group sales and transfers	11,795	26,251	9,644	16,876	933	65,502	(65,502)	-
Total revenues	999,093	58,325	34,867	57,458	1,297	1,151,041	(65,502)	1,085,539
Operating expenses	958,954	55,345	29,610	45,311	1,100	1,090,322	(66,140)	1,024,182
Operating income(loss)	40,138	2,979	5,256	12,147	196	60,719	637	61,356
Ordinary income	¥ 41,609	¥ 3,287	¥ 5,295	¥ 13,763	¥ 571	¥ 64,527	¥ (600)	¥ 63,927
Total assets	¥ 769,741	¥ 33,554	¥ 53,302	¥ 82,005	¥ 3,446	¥ 942,050	¥ (41,611)	¥ 900,438

Year ended Mar.31,2007

(Thousands of U.S.Dollars)

	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
Revenues								
(1) Operating revenues	\$ 8,363,383	\$ 271,697	\$ 213,658	\$ 343,774	\$ 3,079	\$ 9,195,590	\$ -	\$ 9,195,590
(2) Inter-group sales and transfers	99,921	222,380	81,702	142,957	7,911	554,871	(554,871)	-
Total revenues	8,463,304	494,077	295,360	486,731	10,990	9,750,461	(554,871)	9,195,590
Operating expenses	8,123,291	468,834	250,830	383,832	9,323	9,236,110	(560,272)	8,675,838
Operating income(loss)	340,013	25,242	44,530	102,899	1,666	514,351	5,402	519,752
Ordinary income	\$ 352,476	\$ 27,850	\$ 44,856	\$ 116,590	\$ 4,841	\$ 546,613	\$ (5,084)	\$ 541,529
Total assets	\$ 6,520,471	\$ 284,236	\$ 451,524	\$ 694,666	\$ 29,196	\$ 7,980,094	\$ (352,489)	\$ 7,627,605

(c) International Business information

Year ended Mar.31,2006

(Millions of Yen)

	North America	Europe	Asia	Oceania	Other	Total
International revenues	¥ 255,430	¥ 161,521	¥ 211,739	¥ 100,362	¥ 68,088	¥ 797,143
<b>Consolidated revenues</b>						<b>940,818</b>
International revenues as a percentage of consolidated revenues	27.1%	17.2%	22.5%	10.7%	7.2%	84.7%

Year ended Mar.31,2007

(Millions of Yen)

	North America	Europe	Asia	Oceania	Other	Total
International revenues	¥ 296,627	¥ 202,054	¥ 221,959	¥ 104,233	¥ 89,131	¥ 914,006
<b>Consolidated revenues</b>						<b>1,085,539</b>
International revenues as a percentage of consolidated revenues	27.3%	18.6%	20.5%	9.6%	8.2%	84.2%

Year ended Mar.31,2007

(Thousands of U.S.Dollars)

	North America	Europe	Asia	Oceania	Other	Total
International revenues	\$ 2,512,724	\$ 1,711,599	\$ 1,880,220	\$ 882,959	\$ 755,035	\$ 7,742,537
<b>Consolidated revenues</b>						<b>9,195,590</b>
International revenues as a percentage of consolidated revenues	27.3%	18.6%	20.5%	9.6%	8.2%	84.2%

Transportation business earned outside Japan.

Each segment principally covers following countries or regions:

North America: U.S.A. and Canada

Europe: U.K., Germany, the Netherlands and France

Asia: South-East Asia, The Middle East, the People's Republic of China and India

Oceania: Australia, New Zealand

Other: Central and South America, Africa

## Non-consolidated Financial Statements

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

### Non-Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. for the year ended March 31, 2007 and 2006

(Million YEN or Thousands of U.S. Dollars)

	Year ended Mar.31,2006	Year ended Mar.31,2007	Year ended Mar.31,2007
<b>ASSETS</b>			
Current assets:			
Cash and time deposits	¥ 7,990	¥ 11,133	\$ 94,310
Accounts receivable	75,055	64,223	544,036
Short-term loans receivable	32,223	27,588	233,700
Advances payments-trade	4,712	8,626	73,072
Inventories	16,837	17,161	145,372
Prepaid expenses and deferred charges	23,096	28,318	239,883
Due from agents	4,820	5,663	47,978
Deferred income taxes	3,453	4,396	37,243
Other current assets	5,150	5,042	42,716
Allowance for doubtful receivables	(195)	(186)	(1,576)
Total current assets	173,146	171,967	1,456,734
Fixed assets :			
(Tangible fixed assets)			
Vessels	38,628	33,307	282,146
Buildings	4,791	4,829	40,909
Structures	202	194	1,644
Equipments	3,366	2,512	21,283
Land	21,638	19,518	165,338
Construction in progress	-	975	8,264
Other tangible fixed assets	1,336	1,149	9,737
Total tangible fixed assets	69,963	62,486	529,320
(Intangible fixed assets)			
Software	1,646	1,247	10,564
Software in progress	91	15	131
Other intangible fixed assets	20	10	92
Total intangible fixed assets	1,758	1,273	10,787
(Investments and other long-term assets)			
Investments in securities	98,337	135,083	1,144,294
Investments in stocks of affiliated company	34,757	37,770	319,950
Long-term loans receivable	83,041	83,341	705,985
Long-term prepaid expenses	2,878	3,613	30,613
Deposits	3,112	3,088	26,166
Other long-term assets	15,120	20,613	174,618
Allowance for doubtful receivables	(595)	(748)	(6,339)
Total investments and other long-term assets	236,653	282,763	2,395,286
Total fixed assets	308,375	346,523	2,935,394
Deferred assets			
Bond-issuing expenses	19	9	85
Total deferred assets	19	9	85
<b>Total assets</b>	¥ 481,541	¥ 518,500	\$ 4,392,213

## Non-Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. for the year ended March 31, 2007 and 2006

	Year ended Mar.31,2006	Year ended Mar.31,2007	Year ended Mar.31,2007
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	¥ 68,528	¥ 63,802	\$ 540,470
Current portion of bonds payable	3,000	10,000	84,710
Short-term loans and current portion of long-term debt	26,045	27,318	231,415
Commercial paper	21,000	-	-
Accrued income taxes	9,320	10,168	86,133
Advance receipt	17,089	16,730	141,724
Deposit received	5,136	6,073	51,449
Due to agents	4,256	4,013	33,995
Accrued bonuses	942	795	6,739
Accrued director's bonuses	-	136	1,152
Other current liabilities	3,823	3,302	27,975
<b>Total current liabilities</b>	<b>159,143</b>	<b>142,340</b>	<b>1,205,763</b>
<b>Long-term liabilities</b>			
Bonds	70,000	70,666	598,611
Long-term debt, less current portion	23,195	25,124	212,826
Allowance for employees' retirement benefit	734	333	2,827
Retirement allowance for directors and statutory auditors	1,363	1,004	8,511
Accrued expenses for overhaul of vessels	948	1,413	11,971
Deferred income taxes	19,115	30,751	260,491
Deferred income taxes for land revaluation	2,862	2,289	19,395
Other long-term liabilities	15,213	3,396	28,774
<b>Total long-term liabilities</b>	<b>133,432</b>	<b>134,979</b>	<b>1,143,407</b>
<b>Total liabilities</b>	<b>292,575</b>	<b>277,319</b>	<b>2,349,170</b>
<b>Shareholders' equity :</b>			
Common stock	29,689	-	-
Additional paid-in capital			
Capital surplus	14,534	-	-
<b>Total additional paid-in capital</b>	<b>14,534</b>	<b>-</b>	<b>-</b>
Retained earnings			
Legal reserve	2,540	-	-
Special depreciation reserve	1,528	-	-
Reduced value entry reserve	2,251	-	-
Other reserve	67,052	-	-
Unappropriated earned surplus for current term	33,940	-	-
<b>Total retained earnings</b>	<b>107,312</b>	<b>-</b>	<b>-</b>
Revaluation reserve for land	4,720	-	-
Unrealized holding gain on investments in securities	33,642	-	-
Treasury stock, at cost	(934)	-	-
<b>Total shareholders' equity</b>	<b>188,965</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and shareholders' equity</b>	<b>¥ 481,541</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS</b>			
<b>Shareholder's equity:</b>			
Common stock	-	39,356	333,391
Additional paid-in capital			
Capital surplus	-	24,201	205,013
<b>Total additional paid-in capital</b>	<b>-</b>	<b>24,201</b>	<b>205,013</b>
Retained earnings			
Legal reserve	-	2,540	21,519
Special reserve	-	604	5,117
Special depreciation reserve	-	919	7,786
Reduced value entry reserve	-	949	8,043
Other reserve	-	95,552	809,420
Unappropriated earned surplus for current term	-	22,030	186,616
<b>Total retained earnings</b>	<b>-</b>	<b>122,595</b>	<b>1,038,501</b>
Treasury stock, at cost	-	(891)	(7,550)
<b>Total shareholders' equity</b>	<b>-</b>	<b>185,262</b>	<b>1,569,356</b>
<b>Valuation and translation adjustments</b>			
Unrealized holding gain on investments in securities	-	42,928	363,650
Deferred gain on hedges	-	9,219	78,099
Revaluation reserve for land	-	3,770	31,937
Total valuation and translation adjustments	-	55,918	473,687
<b>Total net assets</b>	<b>-</b>	<b>241,181</b>	<b>2,043,042</b>
<b>Total liabilities and net assets</b>	<b>-</b>	<b>¥ 518,500</b>	<b>\$4,392,213</b>



## Non-Consolidated Statements of Income

Kawasaki Kisen Kaisha, Ltd. for the year ended March 31, 2007 and 2006

(Millions of Yen/Thousands of U.S.Dollars)

	Year ended Mar.31,2006	Year ended Mar.31,2007	Year ended Mar.31,2007
Revenues from Shipping and other operating :			
Freight	¥ 622,147	¥ 694,940	\$ 5,886,832
Charter of vessels	101,502	143,291	1,213,823
Other operating revenues	17,895	17,977	152,285
Total shipping and other operating revenues	¥ 741,546	¥ 856,209	\$ 7,252,940
Expenses from Shipping and other operating :			
Operating expenses	364,982	444,693	3,766,989
Shipping expenses	8,361	8,952	75,836
Hire of vessels	242,366	296,366	2,510,516
Other operating expenses	54,907	63,954	541,754
Total shipping and other operating expenses	670,618	813,966	6,895,096
Total shipping and other operating profits	70,928	42,243	357,844
Other revenues	1,022	1,069	9,062
Other expenses	538	423	3,585
Other profits	484	646	5,477
Gross profits	71,412	42,890	363,321
Operating expenses :			
Expenses of Shipping and other operating :			
Selling, general and administrative expenses	14,734	14,786	125,259
Operating income	56,678	28,103	238,062
Non-operating income :			
Interest and dividend income	3,081	7,862	66,605
Other non-operating income	261	367	3,110
Total non-operating income	3,343	8,229	69,715
Non-operating expenses :			
Interest expenses	1,739	2,339	19,821
Exchange loss	285	1,659	14,062
Other non-operating expenses	146	391	3,319
Total non-operating expenses	2,172	4,391	37,203
Ordinary income	57,849	31,941	270,575
Extraordinary profits :			
Gain on sales of fixed assets	1,398	1,911	16,191
Gain on sales of investments in securities	3,243	5,786	49,016
Other extraordinary profits	283	847	7,182
Total extraordinary profits	4,925	8,545	72,388
Extraordinary losses :			
Loss on sales of investments in securities	747	-	-
Transfer to reserve for possible loan losses	4	289	2,452
Impairment losses on fixed assets	-	624	5,291
Other extraordinary losses	-	83	705
Total extraordinary losses	751	997	8,448
Income before income taxes	62,023	39,489	334,515
Income taxes and income taxes, deferred	23,203	14,239	120,621
Net income	38,820	¥ 25,250	\$ 213,894
Unappropriated retained earnings brought forward	563		
Loss on transaction in treasury stock	107		
Interim dividends	5,335		
Unappropriated retained earnings	¥ 33,940		

## Non-Consolidated Statements of Shareholders' Equity

Kawasaki Kisen Kaisha, Ltd. for the year ended March 31, 2007 and 2006

(Millions of Yen)

	Shareholder's equity											
	Common stock	Additional paid-in capital			Legal reserve	Retained earnings					Treasury stock, at cost	Total shareholders' equity
		Capital surplus	Total additional paid-in capital	Special depreciation reserve		Reduced value entry reserve	Special reduced value reserve	Other reserve	Unappropriated earned surplus for current term	Total retained earnings		
Balance March 31, 2006	¥ 29,689	¥ 14,534	¥ 14,534	¥ 2,540	¥ 1,528	¥ 2,251	¥ -	¥ 67,052	¥ 33,940	¥ 107,312	¥ (934)	¥ 150,603
Change of items during the term												
Capitalization issue	9,667	9,667	9,667									19,334
Cash dividends									(10,657)	(10,657)		(10,657)
Transferred from reserve					(924)	(1,332)			2,258	-		-
Provision for reserve							949	28,500	(29,449)	-		-
Net Income									25,250	25,250		25,250
Purchase of treasury stocks											(182)	(182)
Disposal of treasury stocks									(40)	(40)	225	184
Director's bonus									(220)	(220)		(220)
Reversal of the revaluation reserve for land									950	950		950
Net increase/decrease during the term under review except in Shareholders' Equity												
Net increase/decrease during the term	9,667	9,667	9,667	-	(924)	(1,332)	949	28,500	(11,910)	15,282	43	34,659
Balance March 31, 2007	¥ 39,356	¥ 24,201	¥ 24,201	¥ 2,540	¥ 604	¥ 919	¥ 949	¥ 95,552	¥ 22,030	¥ 122,595	¥ (891)	¥ 185,282

	Valuation and translation adjustments				Total net assets
	Unrealized holding gain on investments in securities	Deferred gain on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance March 31, 2006	¥ 33,642	¥ -	¥ 4,720	¥ 38,362	¥ 188,965
Change of items during the term					
Capitalization issue					19,334
Cash dividends					(10,657)
Transferred from reserve					-
Provision for reserve					-
Net Income					25,250
Purchase of treasury stocks					(182)
Disposal of treasury stocks					184
Director's bonus					(220)
Reversal of the valuation reserve for land					950
Net increase/decrease during the term under review except in Shareholders' Equity	9,286	9,219	(950)	17,556	17,556
Net increase/decrease during the term	9,286	9,219	(950)	17,556	52,215
Balance March 31, 2007	¥ 42,928	¥ 9,219	¥ 3,770	¥ 55,918	¥ 241,181

**Non-Consolidated Statements of Shareholders' Equity**

Kawasaki Kisen Kaisha, Ltd. for the year ended March 31, 2007 and 2006

(Thousand of U.S. Dollars)

	Shareholder's equity											Treasury stock, at cost	Total shareholders' equity
	Common stock	Additional paid-in capital			Legal reserve	Retained earnings					Total retained earnings		
		Capital surplus	Total additional paid-in capital	Special depreciation reserve		Reduced value entry reserve	Special reserve		Unappropriated earned surplus for current term				
Balance March 31, 2006	\$ 251,502	\$ 123,124	\$ 123,124	\$ 21,520	\$ 12,045	\$ 19,074	\$ -	\$ 587,997	\$ 287,511	\$ 909,048	\$ (7,910)	\$ 1,275,757	
Change of items during the term													
Capitalization issue	81,889	81,889	81,889									163,778	
Cash dividends									(90,279)	(90,279)		(90,279)	
Transferred from reserve					(7,828)	(11,288)			18,116				
Provision for reserve								8,043	241,423	(249,466)			
Net Income										213,894		213,894	
Purchase of treasury stocks											(1,548)	(1,548)	
Disposal of treasury stocks									(347)	(347)	1,814	1,567	
Director's bonus									(1,864)	(1,864)		(1,864)	
Reversal of the revaluation reserve for land									8,050	8,050		8,050	
Net increase/decrease during the term under review except in Shareholders' Equity													
Net increase/decrease during the term	81,889	81,889	81,889	-	(7,828)	(11,288)	8,043	241,423	(100,895)	129,455	368	293,599	
Balance March 31, 2007	\$ 333,391	\$ 205,013	\$ 205,013	\$ 21,520	\$ 5,117	\$ 7,786	\$ 8,043	\$ 809,420	\$ 186,616	\$ 1,038,502	\$ (7,550)	\$ 1,569,356	

	Valuation and translation adjustments				Total net assets
	Unrealized holding gain on investments in securities	Deferred gain on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance March 31, 2006	\$ 284,982	\$ -	\$ 39,987	\$ 324,969	\$ 1,600,726
Change of items during the term					
Capitalization issue					163,778
Cash dividends					(90,279)
Transferred from reserve					-
Provision for reserve					-
Net Income					213,894
Purchase of treasury stocks					(1,548)
Disposal of treasury stocks					1,567
Director's bonus					(1,864)
Reversal of the revaluation reserve for land					8,050
Net increase/decrease during the term under review except in Shareholders' Equity	78,688	78,099	(8,050)	148,717	148,717
Net increase/decrease during the term	78,688	78,099	(8,050)	148,717	442,316
Balance March 31, 2007	\$ 363,670	\$ 78,099	\$ 31,937	\$ 473,707	\$ 2,043,043