Kawasaki Kisen Kaisha, Ltd.

FINANCIAL HIGHLIGHTS

[Two Year Summary]

	Year ended Mar.31,2004	Year ended Mar.31,2003	Year ended Mar.31,2004
Consolidated			
Operating revenues (Millions of yen / Thousands of U.S. dollars)	¥724,667	¥632,725	$6,856,532
Operating income (Millions of yen / Thousands of U.S. dollars)	70,534	29,282	667,371
Net income (Millions of yen / Thousands of U.S. dollars)	33,196	10,373	314,089
Per share of common stock (Yen / U.S. dollars)	55.71	17.24	0.53
Total Assets (Millions of yen / Thousands of U.S. dollars)	559,135	515,825	5,290,333
Shareholders' Equity (Millions of yen / Thousands of U.S. dollars)	121,006	82,040	1,144,917
Per share of common stock (Yen / U.S. dollars)	204.37	138.29	1.93
Net cash provided by operating activities (Millions of yen / Thousands of U.S. dollars)	78,551	32,936	743,218
Net cash used in investing activities (Millions of yen / Thousands of U.S. dollars)	(51,775)	(23,732)	(489,880)
Net cash used in financing activities (Millions of yen / Thousands of U.S. dollars)	(21,603)	(10,656)	(204,396)
Non-consolidated			
Operating revenues (Millions of yen / Thousands of U.S. dollars)	584,958	499,792	5,534,660
Operating income (Millions of yen / Thousands of U.S. dollars)	55,068	19,843	521,034
Net income (Millions of yen / Thousands of U.S. dollars)	24,452	6,536	231,356
Per share of common stock (Yen / U.S. dollars)	41.05	10.90	0.39
Cash dividends (Millions of yen / Thousands of U.S. dollars)	5,921	2,963	56,020
Per share of common stock (Yen / U.S. dollars)	10.00	5.00	0.09
Total Assets (Millions of yen / Thousands of U.S. dollars)	329,965	269,140	3,122,010
Shareholders' Equity (Millions of yen / Thousands of U.S. dollars)	96,839	65,872	916,257
Per share of common stock (Yen / U.S. dollars)	163.47	111.03	1.55

Notes.
The U.S. dollar amounts are converted from the yen amounts at ¥105.69=U.S.$1.00, the exchange rate prevailing on March 31st, 2004.

1. Management Policies

Policy for Management

"K" LINE takes pleasure in sharing this report on details of our financial results for the past year as well as corporate policies, reflecting the essential significance and values of the "K" LINE Group as a global shipping business as well as its corporate principles that have been newly mapped out in our latest management plan starting from April 2004. A brief outline of this new plan follows:

<Corporate Principles of the "K" LINE Group>

As a shipping business group centering on shipping, the "K" LINE Group is committed to a) safe transport and environmental preservation; b) timely/sincere response to customer needs; and c) contributing to the well-being of our society and humanity throughout the world through upgrade of service quality.

Five years from now we will be celebrating the 90th anniversary of the foundation of "K" LINE, and we are confident that the Company and its entire group will have achieved each of the following factors envisaged in what is referred to as our Vision:

<Vision>

To be trusted and supported by customers in all corners of the world while being able to continue to grow globally with sustainability

To build a business base that will be capable of responding to any and all changes in business circumstances, and to always pursue and practice innovations for survival in the global market

To create and provide a workplace where each and every employee can have hopes and aspirations for the future, and can exert creativity and exercise a challenging spirit

Policy for Payment of Dividends

Shareholders' value is regarded as a management direction of highest magnitude, and for which we are promoting business positively, thereby growing and strengthening our corporate constitution.

Continuation of stable payment of dividends is a fundamental principle. With this understanding, payment of dividends will be appropriately decided after taking into account business achievement and maintenance of adequate internal reserves.

When it comes to funds for internal reserves, it is our basic policy to reinforce our financial constitution in a manner that allows us to best cope with predictable changes in business circumstances. We will also make whatever investments are necessary in plant and equipment in our efforts toward expansion of business scale.

We are pleased to report that we ended Fiscal 2003 with favorable business achievements and were able to attain final targets of management's "KV-Plan," actually accomplished one year earlier than our original schedule.

With a view to these favorable results, an interim dividend of ¥5 per share was paid last December, and another ¥5 per share has been declared for payment at the close of accounting of Fiscal 2003. This amounts to a total annualized dividend of ¥10.00 per share, exactly double that paid in the previous year.

Interim/Long-Term Management Strategy of the "K" LINE Group

Since management's "KV-Plan" was launched in April 2002, we have been addressing development and growth of the Group with fundamental columns of management being: a) rate restoration of container cargo; b) expansion of scale in each business sector; c) cost curtailment; and d) safety in navigation and cargo operations. With a view to having achieved approximate accomplishment of the final targets of the previous plan, including numerical ones, we have concluded to terminate the plan one year earlier than scheduled. And it is a pleasure to announce that from April 2004 we are starting a newly-developed interim management plan called "K" LINE Vision 2008, replacing previous

fundamental objectives.
Concisely described, the essence of K" LINE Vision 2008 is: the forthcoming 5-year period leading to our 90th anniversary being recognized as the runway for making large strides and remarkable leaps that will ensure the future of both our business foundation and infrastructure.
In particular, we will address "sustainable growth and establishment of a stable profitability structure" as our primary management assignment. We will continue to come to grips with a cost restructuring campaign at a uniform level throughout the "K" LINE Group. Simultaneously, we will continue doing our utmost in pursuing every possible opportunity for improving profit by strengthening and/or expanding our activities as well as developing new business fields in markets around the world.
We will address the following fundamental assignments in this new plan:
Ensuring a profitability structure with stability through strengthening of corporate infrastructure
Creating a new culture in our business group with pursuit of dreams and upgrading the "K" LINE corporate brand
Reinforcing corporate governance and response to risk management
As pointed out in the new plan, we are committed to advancing toward a goal of operating revenues of ¥1,000 billion during Fiscal 2010 after having celebrated the 90th anniversary of "K" LINE's foundation. To attain that goal, we strongly intend to further increase operating revenues of our five-core business, and also to continue with positive investments under the theme of "sustainable growth and establishment of a stable profitability structure."
Numerical targets of the new plan as of the end of March 2009 are as follows:
Preconditions: exchange rate ¥110 per U.S.$ and fuel oil price U.S.$170 per MT

Consolidated operating revenues	: ¥870.000 billion
Consolidated ordinary income before income taxes and Extraordinary items	: ¥87.000 billion
Consolidated net income	: ¥55.000 billion
Consolidated Return on Equity (ROE)	: 16% or more
Consolidated shareholders' equity	: ¥300.000 billion or more
Consolidate ratio of shareholders equity	: 40% or more
Ratio of debt over equity	: less than 80%

Safety in Navigation and Cargo Operations

This subject is recognized as one of the top-priority assignments the "K" LINE Group must vigorously address.
All ships of the "K" LINE Group are being operated according to Safety Management System where all responses to any emergencies are compiled into a manual according to ISM Code. We also have Ship Safety Promotion Committee, members of which are comprised of directors from "K" LINE and its group ship management companies. The Committee aims at
Mapping out various measures for safety in navigation and cargo operations
Providing customers with transport service of stable quality by an ongoing practice of sending experts onboard our ships for scrutiny of safety enforcement in compliance with our Company's own "KL-QUALITY."
In addition to that, instructions are given to every ship in operation against any possible terrorist attack on ships about which anyone concerned may have anxiety, such instructions being an accurate measure and response in accordance with ISPS (International Ships and Port facility Security) Code.
The following explanation is provided as to how the Group has been addressing the environmental issue.
We have our own policy named "K" LINE Group's Environmental Policy. We recognize that logistics business necessitates consumption of power energy, and that exhausts/wastes resulting from business activities perform as loads to the limited natural resources and marine environment. In that regard, we also are positively aware how important it is to prevent marine pollution incurred by any marine

accident.
Therefore, the issue of environmental preservation is regarded as a management assignment of eternal importance.
As concrete evidence, we were awarded certification of ISO 14001 from Nihon Kaiji Kyokai (ClassNK), a third-party certification agent, and have set up “K” LINE’s Environmental Management System (EMS) applicable to the ship management and logistics companies of the Group as well as to “K”LINE itself.
In September 2003, the afore-mentioned certification agent, Nihon Kaiji Kyokai (ClassNK), authorized that the awarded certification be applied to all chartered-in ships as well as to those already-covered Company ships and ships under the ship management of group companies.
With an eye on the Group’s global business activities, we established EMS GLOBAL NETWORK covering all “K” LINE overseas subsidiaries. We have established the same global communication network/system that enables us to smoothly communicate with customers and government-related entities around the world, and to also globally collect and provide information. Through EMS GLOBAL NETWORK, we will earnestly endeavor to provide our customers with further environmentally friendly marine transport service.

Corporate Governance: Fundamental Way of Thinking, and Measures on the Move

Corporate Governance: Fundamental Way of Thinking

“Business activities by the “K” LINE Group are being carried out on a global scale in cooperation with a large number of people: customers, trading partners, shareholders, local communities, etc.,” (quoted from “The Company’s Standards For Business Ethics”). It is our fundamental policy that standing on this general standpoint, we will make ceaseless efforts to promote every possible management innovation in consideration of global standards of management, i.e. ensuring transparency and fairness of management, speedy decision- making, etc.
In connection with this policy, we would like you to kindly refer to the fundamental management strategy on an interim/long-term basis that is described at the beginning of this report.
We, at all levels of our group companies, are exerting concerted efforts so that people concerned understand the concept of corporate governance, seeing that it takes root in every company through a variety of measures. As mentioned in “Principles of Corporate Governance of Listed Companies” issued by Tokyo Stock Exchange, we recognize that it is a “must” for continuous increase of corporate value that corporate governance should function with effectiveness anywhere and anytime.

Measures in Practice Concerning Corporate Governance

(1) How administrative organizations of management are performing in decision-making, execution and oversight with regard to corporate management matters and how the system of corporate governance is functioning in other fields
a. Administrative organizations of management for decision-making, execution and oversight with regard to corporate management matters.
Corporate audits have been carried out by auditors. Four auditors are engaged as of March 31, 2004.
b. Election of Outside Director(s) and Outside Auditor(s)
No outside director(s) have been elected. Two auditors out of four have been elected as outside auditors defined in the Law for Special Exception to the Commercial Code of Japan, Article No.18, Section No.1.
c. The Board of Directors and Director Council
The Board of Directors exists as an organization for decision-making on fundamental directions of management, legal matters and other important management issues. The Board is convened once or more often every month.
The Director Council takes place twice a month on an average, participated in by representing

Directors and Directors in charge together with the Chairman of the Board of Auditors. Through reporting and consultation on important matters, the Council functions not only in ensuring transparency of work practices and insuring prompt decision-making, but also in realizing perfection and thoroughness in all matters related to compliance.

d. Organization for Risk Management

Effective March 31, 2004, the previous Crisis Management Committee was restructured into an organization supervising all risk management matters in addition to the conventional response to disasters. The new organization is comprised of the following four committees including the previous committee according to classified type of risk:

Ship Safety Promotion Committee : prevention against and response to marine accidents (Secretary: Marine Safety Administration Group)

Committee for Response to Disasters, etc. (Secretary: Human Resources Group No.1)

Compliance Committee: response to issues of compliance (Secretary: Compliance Office)

Management Risk Committee: response to any other management issues (Secretary: Corporate Planning Group)

e. IR (Investor Relations)/Disclosure

IR&PR Group and General Affairs & Legal Group cooperate with each other for highest quality and accuracy in IR and Disclosure.

f. Internal Control

General managers of respective groups and Directors in charge perform administrative functions for internal control according to inter-office rules and regulations approved by the Board of Directors, whereas in practice the Compliance Office looks into situations and reports to the Board in an appropriate method when necessary.

g. Stock Options

Stock Options have been introduced as a tool for lifting long-term incentives to upgrade Company's achievement based on the understanding that both shareholders and management can find common ground in pursuit of their respective interests. Needless to say, this leads to raising everyone's consciousness of augmenting stock values.

h. How Lawyers, Public Accountants and Other Third Parties Are Involved

It is our usual practice to consult with more than one law office with regard to those issues relevant to corporate management and day-to-day business. We are receptive to receipt of whatever advice comes from the specialists.

With Shin Nihon & Co., we conclude audit contracts for the special Statutory Audit of CCJ and the Statutory Securities Audit. We can report with assuredness that the public auditors carry out their supervision fairly and independently.

i. System of Business Practices and Framework of Oversight on Management and Internal Control

(2) Outline of Human, Capital and Business Relationships and Any Other Interests between the Company and Outside Directors/Outside auditors

As of March 31, 2004, it is confirmed that the Company has no personnel, capital, technical and business relationships with the two outside auditors, their immediate families or those companies in which they hold directorship.

(3) How the Company has been coping with corporate governance during the past one year

a. The Compliance Committee was started on April 1, 2003. The Committee is responsible for ensuring legal compliance, fairness and ethics. At the same time, an inside reporting system is also functioning, working for the Company to cope with compliance-related issues that are detected through plural channels of information collection.

We are also preparing a compliance manual summarizing how and in what manner directors and employees must comply.

b. On March 31, 2004, we restructured our organization

for crisis management system explained in (1)-**d** above under **d** Organization for Risk Management of

(1) How administrative organizations of management are performing, etc. The restructuring was carried out with a view to precise and accurate responsiveness to risk management being expected of each corporation.
Committee for Risk Management:
restructured into an organization supervising overall risk management
from an organization previously acting only in response to disasters
Committee for Response to Disaster:
newly established and commissioned supervision of overall response to
disasters under the Committee for Risk Management
Management Risk Committee:
newly established for response to the economy and finance, etc.

2.Review of Business Operations and Financial Status

(1) Overview of business operations during Fiscal 2003

The global economy of Fiscal 2003 is analyzed.
The U.S.A. economy showed a rapid recovery attributable to personal consumption expanding owing to the tax-reduction effects and to increased business investment in plant and equipment with the support of the low-interest policy. In Europe, a turn around of the economic condition could be observed due to the increase in exports driven by the recovery of the U.S.A. economy.
In Asia, thanks to minimizing unfavorable influence from SARS (Severe Acute Respiratory Syndrome), almost all of the regional economies as well as the economy of China were successful in keeping a high level of growth.
In Japan, the economy demonstrated a movement toward mild recovery.
Business circumstances surrounding the shipping industry such as the remarkable expansion of Chinese exports and imports and stabilized economies of Europe/U.S.A. contributed to tonnage moving in a brisk way, especially in such fields as raw materials and products. Against this backdrop of circumstances, freight rates improved in all business sectors.
With such a favorable economic landscape, along the directions of our “KV-Plan,” the Company could positively carry out its business activities. In the meantime, we also exerted utmost and diligent efforts for further cost reductions. Operating revenues amounted to ¥724.667 billion, up 14.5% compared to ¥632.725 billion of last year and ordinary income before income taxes and extraordinary items reached ¥62.564 billion, 164.3% increase compared to last year’s ¥23.672 billion.
After adjustment of special accounts and deduction of corporate income tax, inhabitant tax and business tax, net income increased 220.0% to ¥33.196 billion compared to last year’s ¥10.373 billion.

a) Marine Transportation

<Containership Business >
Earlier worries over the impact of the Iraq War and SARS fortunately ended with very little serious effect.
In the Asia/North America trade, tonnage movement proceeded with steadiness attributed to: a) growth in housing demand in the U.S. backed up by a continual low-interest policy; b) expansion in personal consumption resulting from reduced taxes; and c) recovery of business investment in plant and equipment.
In the Asia/Europe trade, increased cargo movement could also be seen against the appreciated euro.
Business efforts were steadily performed for the strengthening and expansion of services centering on China. Simultaneously, the Asia/U.S. East Coast and Asia/Mediterranean service routes were reinforced as well, particularly with increased frequency of service.
As a result, loaded containers increased significantly as compared with last year.
We cannot overlook mentioning that normalization of freight in both the North America and Europe

trades could be realized against this backdrop of briskness in cargo movement and a tightened supply/demand balance. Both the increase in loaded containers and improved freight rates synchronized and contributed to a substantial improvement in operating revenues of Containership Business in comparison with last year.
In spite of minus factors such as increased expenses caused by continuing higher price of fuel and bunker oil, also increased costs from an appreciated Yen, through our continued cost-curtailment campaign, we could overcome them and accomplish a recovery in operating income that was greater than earlier targeted.

<Bulk Carrier and Car Carrier Business>
Bulk Carriers:
The markets proceeded at a record high level all through Fiscal 2003 with only a limited period of adjustment; the markets started rising at the beginning of the year and the hike accelerated after last summer. This is attributed to increased demand from iron & steel industry for raw materials in the Far East centering on China, increased demand for grain from South America and stronger demand for coal because of hot weather in Europe, etc.
There were some factors that pushed up costs and expenses such as decline in efficiency of ship operation due to port congestion and appreciated Yen. In spite of them, however, we were able to expand fleet scale, increase operating revenues and achieve greater operating income than last year.
We exerted every effort to acquire profitable cargo together with consistent reinforcement that made for a more competitive fleet and efficient ship allocation. All these concerted efforts worked effectively for creation of increased operating income.
Car carrier:
Compared to the previous year, “K” LINE’s share of transported cars from the Far East increased significantly in synchrony with several factors that pushed cargo volumes upward from Japan, more precisely analyzed as:
Favorable sales of Japanese and Korean cars
Historical high for new car sales in Australia
Increased exports to Middle East countries owing to the earlier end of major combat in the Iraq War.
In off-Japan trades, we were also able to increase loaded units moving in Atlantic waters and from Southeast Asia owing to our positive business activities.
As a result, the total units transported by “K” LINE exceeded those of last year.
We succeeded in securing operating revenues/income through deployment of large carriers, efficient ship management and cost cutting despite there being such minus factors as an appreciated Yen, hike in fuel oil price and rise in charterage caused by the global tightness of ship space and availability.
In the end, our operating revenues were better than last year and we could continue to post stable operating income, overcoming the unfavorable impact incurred by appreciated Yen and hike in fuel oil price through reductions in our operational costs and expenses by more efficient ship deployment, etc.

<Energy Transportation and Tanker Business>
LNG Carriers:
The fleet of LNG carriers related to the Company could be operated as scheduled, amounting to 24 ships inclusive of 2 newbuildings that were completed in January 2004. We could continue to successfully secure stable profitability.
Thermal Coal Carriers:
Our transported tonnage amounted to some 12.5 million tons due to the increase in demand for coal. Such a high level of demand, however, had an unfavorable side due to substantial production pressure on coal supplier side with subsequent port congestion resulting in a large number of delays in ship loading. The unfavorable condition still remains and the rate of ship operation has fallen so much that the increased demand has had a reverse effect upon profitability.
Tanker Services:
Crude oil movement proceeded favorably attributable to brisk demand for oil in China and a lower

level of stockpiles in oil import countries. The freight market advanced with steadiness on the whole, successfully coping with repeated ups and downs.
Entry of a new VLCC into service, continual cost curtailment and more efficient ship allocation led to posting better operating revenues compared to last year.

<Coastal Shipping>
Domestic Tramp: We succeeded in securing a stable quantity of iron/steel, cement for limestone carriers and coal carriers contracted on a longer- term basis.
Domestic Liner: We enjoyed a rather stable quantity of cargo for specialized carriers of rolls-in-paper all through the year. Furthermore, cargo could increase on the domestic liner services by RO/RO carriers such as the Hitachinaka/Tomakomai service route.
Ferry: Business achievement proceeded with steadiness thanks to positive results in securing marine products and refrigerated foodstuffs, leveraging our excellent high-speed service between Tokyo and Tomakomai in spite of an overall reduction in passengers on the Hachinohe/Tomakomai service.

Marine Transportation ended with operating revenues of ¥622.119 billion (17.3% increase compared to last year) and operating income of ¥61.267 billion (173.7% increase compared to last year).

b) Services Incidental to Transportation

“K” LINE Group companies increased their operating revenues centering on overseas subsidiaries owing to expansion of scale in containership business.
On a consolidated basis, operating revenues amounted to ¥89.886 billion (1.3% increase compared to last year) and operating income ¥8.063 billion (68.0% increase compared to last year).

c) Others

In land transportation business and other businesses not covered in the above, operating revenues amounted to ¥12.662 billion (7.7% decrease compared to last year) and operating income ¥1.269 billion (39.2% decrease over last year).

It is prospected that during Fiscal 2004 the global economy will sustain recovery in due course.
In the U.S., investment is expected to get on track toward recovery reflecting recoveries in employment and business profitability.
In Europe, light is being seen in some sectors.
In Asia, China is anticipated to pull the economic growth by development of Chinese investment centering on their continuing brisk investment into infrastructure.
In Japan, exports are expected to stay in a favorable condition and domestic demand seems to be steadily recovering in some sectors.
The business circumstances around the Company will stay in a good condition, although there are various unstable factors such as how to address problems being experienced following the Iraq War.
Under such circumstances, each business sector’s prospects are summarized as follows:
Containership Business:
Every effort will be made for even better achievement than in Fiscal 2003 through reductions in operational costs and expenses as well as further rationalization of our service network in spite of minus factors anticipated such as appreciated Yen, continuation of higher crude oil price and on-going hike of charterage, etc.
Bulk Carrier and Car Carrier Business:
Bulk Carrier Business:
Market is expected to proceed with steadiness and solidity in view of the continuous demand for bulk carriers centering on China. We prospect that we will secure stable profit with such a steady market being expected.

Car Carrier Business:
In response to developing global markets, we will further enhance improvements and strengthening of our fleet and also develop services in off-Japan trades.
It is prospected that we will be able to expand our business scale and secure stable operating revenues.
Energy Transportation and Tanker Business:
Energy Transportation Business:
It is being reported that some new LNG transport projects already contracted are to start and we are going to therefore increase our LNG fleet to 26 carriers, adding two carriers to the present fleet that will be completed within Fiscal 2004. Demand for LNG carriers is expected to stay on the increase centering on Europe and the U.S.A. In the face of this favorable situation, we will further forge relationships with customers and expand our business scale through our globally cultivated experience and knowledge related to safety in navigation and cargo operations.
Thermal Coal Carrier Business:
Transport of thermal coal for electric power companies is prospected to grow, the freight market proceeding with solidity in general. We will exert diligent efforts for expansion of business scale in view of newbuilding being added to our fleet.
Tanker Business:
Solid freight market is in prospect with a view to continuous increase in demand for crude oil by China.
A new VLCC is going to enter service that we believe will give an opportunity for another phase in our business expansion.
Coastal Shipping:
Domestic Service and Ferry:
Efforts will be carried out for positive business activities. We will focus on efficient ship allocation and improvement of service.
Services Incidental to Transportation:
Efforts will be carried out to strategically combine know-how and business assets accumulated in containership business as well as in our domestic and overseas logistics group companies. Our aim is that the “K” LINE Group will upgrade customer service in the field of logistics business.
In this manner, we are forecasting that on a consolidated yearly basis, operating revenues will be ¥760.000 billion, operating income ¥76.000 billion, income before income taxes and extraordinary items ¥74.000 billion and net income ¥46.000 billion. The preconditions are: exchange rate of ¥108 per U.S. Dollar and fuel oil price U.S.$170.00 per ton.
Regarding payment of dividend per share for Fiscal 2004, interim dividend will be ¥5.00 per share, with annualized dividend of ¥10.00 per share in consideration of financial condition and prospects for the next fiscal year.

(2) Review of Financial Status for Fiscal 2003

As of the close of consolidated Fiscal 2003, cash and cash equivalents (called funds) were ¥23.127 billion, ¥4.346 billion increase as compared with the end of the previous consolidated fiscal year. Cash flows at the end of consolidated Fiscal 2003 were as follows:
Cash flow from operating activities resulted in plus ¥78.551 billion from increase of net income prior to tax adjustments and depreciation costs.
Cash flow from investment activities ended with minus ¥51.775 billion due to expenditures for acquisition of vessels, etc.
Cash flow from financial activities was minus ¥21.603 billion due to expenditures for repayment of borrowed money.
Regarding cash flows during Fiscal 2004, we prospect that Cash flow from operating activities will amount to plus ¥80.000 billion.
Cash flow from investment activities will be minus ¥55.000 billion in consideration of investment in ships and others amounting to about ¥81.000 billion: two completed 300,000 dwt VLCCs, a 200,000

dwt bulk carrier scheduled for completion in December 2004 and other equipment investments. After addition of plus cash flow from sales of assets, this will amount to minus ¥55.000 billion.
Cash flow from financial activities will reach minus ¥25.000 billion due primarily to repayment of borrowed money for funding equipment, etc.
In the aggregate, cash and cash equivalents will be roughly at the same level as the end of Fiscal 2003.

Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the years ended March 31, 2003 and 2004

ASSETS

	Year ended Mar.31,2004	Year ended Mar.31,2003	Year ended Mar.31,2004
Current assets :			
Cash and time deposits	¥23,370	¥18,988	$221,119
Marketable securities	54	73	512
Accounts and notes receivable - trade	82,423	74,843	779,858
Allowance for doubtful receivables	(1,046)	(663)	(9,901)
Inventories	9,303	10,662	88,023
Prepaid expenses and deferred charges	21,508	18,223	203,494
Deferred income taxes	3,439	2,667	32,543
Other current assets	17,593	11,717	166,459
Total current assets	156,644	136,510	1,482,107
Investments and other assets			
Investments in and advances to unconsolidated subsidiaries and affiliates	25,978	14,374	245,794
Investments in securities	65,499	44,982	619,731
Long-term loans receivable	4,716	3,050	44,618
Other assets	16,119	16,364	152,512
Deferred income taxes	3,715	9,476	35,150
Allowance for doubtful receivables	(424)	(622)	(4,008)
Total investments and other assets	115,603	87,624	1,093,797
Vessels, property and equipment :			
Vessels	389,553	433,723	3,685,809
Buildings and equipment	97,422	99,635	921,767
Accumulated depreciation	(275,771)	(293,172)	(2,609,243)
	211,204	240,186	1,998,333
Land	35,446	36,013	335,380
Construction in progress	34,323	9,681	324,751
Vessels, property and equipment net	280,973	285,880	2,658,464
Intangible assets	5,915	5,811	55,965
Total assets	¥559,135	¥515,825	$5,290,333

Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the years ended March 31, 2003 and 2004

LIABILITIES AND SHAREHOLDERS' EQUITY

	Year ended Mar.31,2004	Year ended Mar.31,2003	Year ended Mar.31,2004
Current liabilities :			
Short-term loans	¥26,199	¥35,194	$247,884
Current portion of long-term debt	45,570	44,863	431,167
Accounts and notes payable – trade	64,862	60,004	613,702
Deferred income	12,528	11,696	118,535
Current portion of obligations under finance leases	1,457	1,393	13,783
Other current liabilities	27,470	13,611	259,916
Total current liabilities	178,086	166,761	1,684,987
Long-term liabilities :			
Long-term debt, less current portion	197,483	215,644	1,868,512
Allowance for employees' retirement benefits	13,063	14,551	123,599
Allowance for directors' and statutory auditors' retirement benefits	2,135	2,044	20,202
Accrued expenses for overhaul of vessels	9,681	7,530	91,593
Obligations under finance leases	11,102	9,481	105,047
Deferred income taxes	5,381	1,033	50,917
Other long-term liabilities	13,241	9,496	125,276
Total long-term liabilities	252,086	259,779	2,385,146
Minority interests in consolidated subsidiaries	7,957	7,245	75,283
Shareholders' equity :			
Common stock:			
Authorized 1,080,000,000 shares			
Issued 593,796,875 shares	29,690	29,690	280,914
Capital surplus	14,535	14,535	137,529
Retained earnings	66,965	39,694	633,595
Revaluation reserve for land	5,093	4,848	48,191
Unrealized holding gain (loss) on investments in securities	11,801	(2,530)	111,661
Translation adjustments	(6,310)	(3,912)	(59,710)
	121,774	82,325	1,152,180
Treasury stock, at cost	(768)	(285)	(7,263)
Total Shareholders' equity	121,006	82,040	1,144,917
Total Liabilities and shareholders' equity	¥559,135	¥515,825	$5,290,333

Consolidated Statements of Income and Retained Earnings

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the years ended March 31, 2003 and 2004

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

	Year ended Mar.31,2004	Year ended Mar.31,2003	Year ended Mar.31,2004
Operating revenues	¥724,667	¥632,725	$6,856,532
Costs and expenses	654,133	603,443	6,189,161
Operating income	70,534	29,282	667,371
Other income (expense):			
Interest and dividend income	1,905	1,333	18,026
Interest expense	(5,451)	(6,487)	(51,578)
Exchange loss, net	(5,643)	(1,343)	(53,398)
(Loss) gain on sales of vessels, properties	(4,038)	2,324	(38,204)
Loss on sales of securities	(1,502)	(3,263)	(14,212)
Loss on devaluation of investments in securities	(37)	(3,211)	(346)
Others, net	(741)	45	(7,014)
Total other income (expense)	(15,507)	(10,602)	(146,726)
Income before income taxes	55,027	18,680	520,645
Income taxes current	20,104	8,662	190,212
deferred	857	(873)	8,110
Total income taxes	20,961	7,789	198,322
Minority interests	870	518	8,234
Net income	¥33,196	¥10,373	$314,089
Retained earnings at beginning of the period	39,694	31,200	375,570
Adjustments for inclusion in or exclusion from consolidation or equity method of accounting for subsidiaries and affiliates	174	(5)	1,643
Reversal of revaluation reserve for land	(20)	31	(186)
Cash dividends	(5,926)	(1,781)	(56,072)
Bonuses to directors and statutory auditors	(153)	(124)	(1,449)
Retained earnings at end of the period	¥66,965	¥39,694	$633,595

Consolidated Statements of Cash Flows

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the years ended March 31, 2003 and 2004

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

	Year ended Mar.31,2004	Year ended Mar.31,2003	Year ended Mar.31,2004
Cash flows from operating activities :			
Income before income taxes	¥55,027	¥18,680	$520,645
Adjustments to reconcile income before income taxes to net cash provided by operating activities			
Depreciation and amortization	25,558	29,511	241,825
Reversal of employees' retirement benefits	(1,487)	(1,543)	(14,074)
Provision for (reversal of) directors' and statutory auditors' retirement benefits	91	(48)	859
Accrued expenses for overhaul of vessels	2,274	3,129	21,513
Interest and dividend income	(1,905)	(1,333)	(18,026)
Interest expense	5,451	6,488	51,578
Loss on sale of marketable securities and investments in securities	1,502	3,289	14,208
Gain on sale of vessels, property, and equipments	(937)	(3,630)	(8,863)
Loss on sale of vessels, property, and equipments	4,974	1,306	47,066
Increase in accounts and notes receivable – trade	(7,400)	(12,497)	(70,012)
Increase in accounts and notes payable – trade	3,431	2,793	32,465
Decrease (increase) in inventories	1,321	(3,456)	12,496
Increase in short-term assets	(3,100)	(2,423)	(29,336)
Other, net	6,535	1,575	61,839
Sub-total	91,335	41,841	864,183
Interest and dividends received	1,905	1,603	18,025
Interest paid	(5,485)	(6,600)	(51,902)
Income taxes paid	(9,204)	(3,908)	(87,088)
Net cash provided by operating activities	78,551	32,936	743,218
Cash flows from investing activities :			
Purchases of marketable securities and investments in securities	(13,426)	(8,395)	(127,034)
Proceed from sale of marketable securities and investments in securities	13,332	3,835	126,146
Purchases of vessels, property and equipment	(57,705)	(69,938)	(545,985)
Proceeds from sale of vessels, property and equipment	26,743	57,806	253,036
Expenditures for intangible fixed assets	(1,320)	(1,527)	(12,489)
Payment for long-term loan receivables	(12,702)	(818)	(120,185)
Collections of long-term loan receivables	1,251	783	11,836
Other, net	(7,948)	(5,478)	(75,205)
Net cash used in investing activities	(51,775)	(23,732)	(489,880)
Cash flows from financing activities :			
Decrease in short-term loans, net	(7,233)	(5,512)	(68,429)
Proceeds from long-term debt	31,254	55,890	295,722
Repayment of long-term debt and obligations under finance leases	(61,589)	(55,403)	(582,733)
Proceeds from issuance of bonds	29,936	9,938	283,241
Repayment of bonds	(7,500)	(13,500)	(70,962)
Cash dividends paid	(5,908)	(1,783)	(55,904)
Cash dividends paid to minority shareholders	(93)	(94)	(885)
Other, net	(470)	(192)	(4,446)
Net cash used in financing activities	(21,603)	(10,656)	(204,396)
Effect of exchange rate changes on cash and cash equivalents	(1,225)	(553)	(11,585)
Net increase(decrease) in cash and cash equivalents	3,948	(2,005)	37,357
Cash and cash equivalents at beginning of the period	18,780	20,682	177,693
Increase in cash and cash equivalents arising from inclusion of subsidiaries in consolidation	399	103	3,772
Cash and cash equivalents at end of the period	23,127	18,780	218,822

Non-Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. for the years ended March 31, 2003 and 2004

ASSETS

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

	Year ended Mar.31,2004	Year ended Mar.31,2003	Year ended Mar.31,2004
Current assets :			
Cash and time deposits	¥6,864	¥5,621	$64,950
Accounts and notes receivable - trade	61,857	53,788	585,266
Allowance for doubtful receivables	(872)	(396)	(8,252)
Inventories	7,553	9,069	71,464
Prepaid expenses and deferred charges	20,104	17,957	190,214
Other current assets	15,271	10,461	144,486
Total current assets	110,777	96,500	1,048,128
Investments and long-term receivables :			
Investments in and advances to subsidiaries and affiliates	68,185	38,706	645,142
Investments in securities	60,059	41,619	568,262
Long-term loans receivable	4,001	2,375	37,857
Other assets	4,818	5,847	45,586
Allowance for doubtful receivables	(228)	(394)	(2,161)
Total investments and long-term receivables	136,835	88,153	1,294,686
Vessels, property and equipment :			
Vessels	153,166	154,525	1,449,198
Buildings and equipment	12,236	12,616	115,775
Accumulated depreciation	(112,354)	(113,385)	(1,063,052)
	53,048	53,756	501,921
Land	23,359	23,421	221,017
Construction in progress	619	1	5,852
Vessels, property and equipment, net	77,026	77,178	728,790
Intangible assets	5,327	7,309	50,406
Total assets	¥329,965	¥269,140	$3,122,010

Non-Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. for the years ended March 31, 2003 and 2004

LIABILITIES AND SHAREHOLDERS' EQUITY

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

	Year ended Mar.31,2004	Year ended Mar.31,2003	Year ended Mar.31,2004
Current liabilities :			
Short-term loans	¥7,926	¥4,891	$74,993
Current portion of long-term debt	24,465	26,008	231,479
Accounts and notes payable – trade	55,563	51,339	525,716
Deferred income	11,680	11,111	110,512
Other current liabilities	19,157	16,497	181,254
Total current liabilities	118,791	109,846	1,123,954
Long-term liabilities :			
Long-term debt, less current portion	98,660	85,548	933,484
Allowance for employees' retirement benefits	2,092	2,890	19,799
Allowance for directors' and statutory auditors' retirement benefits	1,293	1,212	12,230
Accrued expenses for overhaul of vessels	1,505	1,439	14,236
Deferred income taxes for land revaluation	1,817	1,806	17,197
Other long-term liabilities	8,968	527	84,853
Total long-term liabilities	114,335	93,422	1,081,799
Shareholders' equity :			
Common stock :			
Authorized 1,080,000,000 shares			
Issued 593,796,875 shares	29,690	29,690	280,914
Capital surplus	14,535	14,535	137,529
Legal reserve	2,540	2,540	24,036
Revaluation reserve for land	3,016	2,996	28,536
Special reserve	15,474	11,850	146,405
Retained earnings	21,717	6,905	205,481
Unrealized holding gains (loss) on investments in securities	10,520	(2,461)	99,537
Less : treasury stock, at cost	(653)	(183)	(6,181)
Total shareholders' equity	96,839	65,872	916,257
Total liabilities and shareholders' equity	¥329,965	¥269,140	$3,122,010

Non-Consolidated Statements of Income and Retained Earnings

Kawasaki Kisen Kaisha, Ltd. for the years ended March 31, 2004 and 2003

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

	Year ended Mar.31,2004	Year ended Mar.31,2003	Year ended Mar.31,2004
Operating revenues :	584,958	499,792	5,534,660
Operating expenses :	529,890	479,949	5,013,626
Operating income	55,068	19,843	521,034
Other income (expense) :			
Interest and dividend income	1,899	1,266	17,966
Interest expense	(2,758)	(3,199)	(26,092)
Exchange loss, net	(4,591)	(1,431)	(43,439)
(Loss) gain on sales of vessels, property and equipment	(637)	1	(6,024)
Loss on sales of securities	(1,877)	(1,970)	(17,764)
Loss on devaluation of investments in securities	(12)	(1,919)	(116)
Loss on devaluation of investments in subsidiaries and affiliates	(1,921)	(184)	(18,180)
Others, net	(5,206)	(444)	(49,247)
Total other income (expense)	(15,103)	(7,880)	(142,896)
Income before income taxes	39,965	11,963	378,138
Income taxes	15,513	5,427	146,782
Net income	24,452	6,536	231,356
Retained earnings at beginning of the period	248	373	2,346
Reversal of revaluation reserve for land	(19)	(4)	(186)
Interim dividends	(2,963)	—	(28,035)
Unappropriated retained earnings at March 31	¥21,717	¥6,905	$205,481

Non-Consolidated Proposed Appropriation of Retained Earnings

Kawasaki Kisen Kaisha, Ltd. for the years ended March 31, 2003 and 2004

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

	Year ended Mar.31,2004	Year ended Mar.31,2003	Year ended Mar.31,2004
Unappropriated retained earnings at March 31	¥21,717	¥6,905	$205,481
Reversal of special reserve	841	876	7,959
Cash dividends	(2,957)	(2,963)	(27,984)
Bonus to Directors	(140)	(70)	(1,325)
Transfer to special reserve	(18,925)	(4,500)	(179,063)
Retained earnings at end of the year	¥536	¥248	$5,068

Consolidated Segment Information

(a) Business segment information

Year ended Mar.31, 2004 (Millions of Yen)

	Marine Transportation	Service incidental to transportation	Others	Total	Eliminations	Consolidated
Revenues						
(1) Operating revenues	¥622,119	¥89,886	¥12,662	¥724,667	¥ -	¥724,667
(2) Inter-group sales and transfers	3,093	52,408	9,050	64,551	(64,551)	-
Total revenues	625,212	142,294	21,712	789,218	(64,551)	724,667
Operating expenses	563,945	134,231	20,443	718,619	(64,486)	654,133
Operating income	¥61,267	¥8,063	¥1,269	¥70,599	(¥65)	¥70,534
Total assets	¥473,070	¥106,966	¥44,283	¥624,319	(¥65,184)	¥559,135
Depreciation	¥20,287	¥4,217	¥1,054	¥25,558	-	¥25,558
Capital expenditures	¥52,594	¥5,963	¥836	¥59,393	-	¥59,393

Year ended Mar.31, 2003 (Millions of Yen)

	Marine Transportation	Service incidental to transportation	Others	Total	Eliminations	Consolidated
Revenues						
(1) Operating revenues	¥530,228	¥88,774	¥13,723	¥632,725	¥ -	¥632,725
(2) Inter-group sales and transfers	2,853	48,983	8,777	60,613	(60,613)	-
Total revenues	533,081	137,757	22,500	693,338	(60,613)	632,725
Operating expenses	510,697	132,956	20,413	664,066	(60,623)	603,443
Operating income	¥22,384	¥4,801	¥2,087	¥29,272	¥10	¥29,282
Total assets	¥430,006	¥104,951	¥49,167	¥584,124	(¥68,299)	¥515,825
Depreciation	¥23,820	¥4,283	¥1,408	¥29,511	-	¥29,511
Capital expenditures	¥64,235	¥6,631	¥802	¥71,668	-	¥71,668

Year ended Mar.31, 2004 (Thousands of U.S.Dollars)

	Marine Transportation	Service incidental to transportation	Others	Total	Eliminations	Consolidated
Revenues						
(1) Operating revenues	$5,886,261	$850,466	$119,805	$6,856,532	$ -	$6,856,532
(2) Inter-group sales and transfers	29,268	495,863	85,627	610,758	(610,758)	-
Total revenues	5,915,529	1,346,329	205,432	7,467,290	(610,758)	6,856,532
Operating expenses	5,335,841	1,270,042	193,421	6,799,304	(610,143)	6,189,161
Operating income	$579,688	$76,287	$12,011	$667,986	($615)	$667,371
Total assets	$4,476,014	$1,012,072	$418,993	$5,907,079	($616,746)	$5,290,333
Depreciation	$191,955	$39,901	$9,969	$241,825	-	$241,825
Capital expenditures	$497,624	$56,418	$7,909	$561,951	-	$561,951

(b) Geographical segment information

Year ended March 31,2004 (Millions of Yen)

	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
Revenues								
(1) Operating revenues	¥687,840	¥13,929	¥6,938	¥15,906	¥54	¥724,667	¥ -	¥724,667
(2) Inter-group sales and transfers	7,281	19,587	4,864	10,933	793	43,458	(43,458)	-
Total revenues	695,121	33,516	11,802	26,839	847	768,125	(43,458)	724,667
Operating expenses	631,153	33,035	11,545	21,256	729	697,718	(43,585)	654,133
Operating income(loss)	¥63,968	¥481	¥257	¥5,583	¥118	¥70,407	¥127	¥70,534
Total assets	¥524,991	¥23,047	¥29,296	¥30,203	¥2,089	¥609,626	(¥50,491)	¥559,135

Year ended March 31,2003 (Millions of Yen)

	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
Revenues								
(1) Operating revenues	¥605,153	¥14,755	¥4,216	¥8,560	¥41	¥632,725	¥ -	¥632,725
(2) Inter-group sales and transfers	3,280	20,216	4,596	7,149	646	35,887	(35,887)	-
Total revenues	608,433	34,971	8,812	15,709	687	668,612	(35,887)	632,725
Operating expenses	582,674	33,308	8,975	13,730	652	639,339	(35,896)	603,443
Operating income	¥25,759	¥1,663	(¥163)	¥1,979	¥35	¥29,273	¥9	¥29,282
Total assts	¥489,410	¥23,264	¥27,725	¥22,758	¥1,696	¥564,853	(¥49,028)	¥515,825

Year ended March 31,2004 (Thousands of U.S.Dollars)

	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
Revenues								
(1) Operating revenues	$6,508,088	$131,789	$65,648	$150,497	$510	$6,856,532	$ -	$6,856,532
(2) Inter-group sales and transfers	68,890	185,329	46,014	103,446	7,506	411,185	(411,185)	-
Total revenues	6,576,978	317,118	111,662	253,943	8,016	7,267,717	(411,185)	6,856,532
Operating expenses	5,971,740	312,565	109,237	201,111	6,897	6,601,550	(412,389)	6,189,161
Operating income(loss)	$605,238	$4,553	$2,425	$52,832	$1,119	$666,167	$1,204	$667,371
Total assets	$4,967,270	$218,064	$277,184	$285,774	$19,767	$5,768,059	($477,726)	$5,290,333

Each segment principally covers the following countries or regions:

North America: U.S.A. and Canada

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

Asia: Hong Kong, Singapore, Thailand, Indonesia, Korea and Malaysia

Other: Australia

(c) International Business information

Year ended March 31,2004 (Millions of Yen)

	North America	Europe	Asia	Australia	Other	Total
International revenues	¥196,892	¥139,696	¥113,963	¥76,255	¥62,719	¥589,525
Consolidated revenues						724,667
International revenues as a percentage of consolidated revenues	27.2%	19.3%	15.7%	10.5%	8.7%	81.4%

Year ended March 31,2003 (Millions of Yen)

	North America	Europe	Asia	Other	Total
International revenues	¥176,531	¥111,586	¥94,358	¥116,095	¥498,570
Consolidated revenues					632,725
International revenues as a percentage of consolidated revenues	27.9%	17.6%	14.9%	18.4%	78.8%

Year ended March 31,2004 (Thousands of U.S.Dollars)

	North America	Europe	Asia	Australia	Other	Total
International revenues	$1,862,918	$1,321,757	$1,078,280	$721,494	$593,420	$5,577,869
Consolidated revenues						6,856,532
International revenues as a percentage of consolidated revenues	27.2%	19.3%	15.7%	10.5%	8.7%	81.4%

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
Australia: Australia
Other: Central and South America, Africa

Note: During the year ended March 31, 2004, international revenues belonging to Australia are stated separately. Revenues from Australia had been included in "Other" in prior periods, because they did not exceed more than 10% of consolidated revenues in those periods. International revenues belonging to "Other" for the year ended March 31,2003 "Other" included revenues belonging to Australia in the amount ¥62,748 million (9.9% of consolidated revenues).