FINANCIAL HIGHLIGHTS

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[Two Year Summary]

	Year ended Mar.31,2003	Year ended Mar.31,2002	**Year ended Mar.31,2003**
Consolidated			
Operating revenues (Millions of yen / Thousands of U.S. dollars)	**¥632,725**	¥571,014	**$5,263,936**
Operating income (Millions of yen / Thousands of U.S. dollars)	**29,282**	19,049	**243,615**
Net income (Millions of yen / Thousands of U.S. dollars)	**10,373**	4,768	**86,298**
Per share of common stock (Yen / U.S. dollars)	**17.24**	8.03	**0.14**
Total Assets (Millions of yen / Thousands of U.S. dollars)	**515,825**	533,295	**4,291,389**
Shareholders' Equity (Millions of yen / Thousands of U.S. dollars)	**82,040**	77,716	**682,526**
Per share of common stock (Yen / U.S. dollars)	**138.29**	130.88	**1.15**
Net cash provided by operating activities (Millions of yen / Thousands of U.S. dollars)	**32,936**	33,060	**274,012**
Net cash used in investing activities (Millions of yen / Thousands of U.S. dollars)	**(23,732)**	(18,484)	**(197,434)**
Net cash used in financing activities (Millions of yen / Thousands of U.S. dollars)	**(10,656)**	(16,120)	**(88,655)**
Non-consolidated			
Operating revenues (Millions of yen / Thousands of U.S. dollars)	**499,792**	449,153	**4,158,003**
Operating income (Millions of yen / Thousands of U.S. dollars)	**19,843**	8,299	**165,087**
Net income (Millions of yen / Thousands of U.S. dollars)	**6,536**	2,787	**54,373**
Per share of common stock (Yen / U.S. dollars)	**10.90**	4.69	**0.09**
Cash dividends (Millions of yen / Thousands of U.S. dollars)	**2,963**	1,781	**24,653**
Per share of common stock (Yen / U.S. dollars)	**5.00**	3.00	**0.04**
Total Assets (Millions of yen / Thousands of U.S. dollars)	**269,140**	259,200	**2,239,103**
Shareholders' Equity (Millions of yen / Thousands of U.S. dollars)	**65,872**	64,409	**548,020**
Per share of common stock (Yen / U.S. dollars)	**111.03**	108.47	**0.92**

The U.S. dollar amounts are converted from the yen amount at ¥120.20=U.S.$1.00, The exchange rate prevailing on March 31st, 2003

1. Management Policies

1) Fundamental Management Policies

The following fundamental management policies are summarized herein in order to clarify the significance of the business domain of the entire “K” LINE Group and how their pursuit is being carried out in actual practice.

As a global total logistics company centering on shipping, “K” LINE and its entire group of companies are committed to complying with social norms, having a creative and challenging spirit, pursuing the upgrade of its service quality, making utmost efforts for safety in navigation covering cargo operations/for environmental preservation, trying to best respond to customers' needs and contributing to the well-being of humanity throughout the world.

2) Policy for Payment of Dividends

Company’s fundamental policy is payment of dividends consistent with the level of profit actually achieved, and any decision related to dividend payments should be made from both medium- and long-term viewpoints. In that regard, comprehensive and deep consideration should be given to:

a) Reinforcement of corporate structure in sync with the intensifying competition with which the ocean-going shipping and other related industries are being confronted
b) Increase retained earnings in anticipation of the evolution of future business
c) Continuous payment of dividends

A dividend per share for Fiscal 2002 is forecast to increase ¥2.00 to ¥5.00.

3) Management Goals (Numerical Targets of Management)

The numerical targets we would like to reach as of March 31, 2005 when “KV-Plan” will be completed are as follows on a consolidated basis and (in parentheses) on a non-consolidated basis:

Operating revenues ¥650 billion (¥500 billion)

Income before income taxes and extraordinary items ¥35 billion (¥24 billion)

Ratio of shareholders’ equity over assets 22% (33%)

ROE 19% (17%)

Liabilities bearing interest ¥275 billion (¥90 billion)

4) Management Strategy on Medium- and Long-term Basis

From April this year, “K” LINE embarked on a new 3-year management plan known as “KV-Plan.” Under this new plan, we are determined to exert all possible energy as an urgent assignment in those situations where our economy continues to remain in recession whereas some Asian economies are seeing more rapid and economic development centering on China.

In this new management plan, fundamental assignments are itemized as follows:

a) Further strengthening of the Company's basic structure through cost reductions and effective use of IT, etc.
b) Enhancement of globalization closely connected to local community and pursuit of synergy between our various business sectors
c) Redoubling efforts for logistics business
d) Pursuit of technical innovations in marine transport, perfection in safety of ship navigation/cargo operations and commitment to environmental preservation
e) Strengthening corporate governance aiming at more transparency and effectiveness of management

5) Assignments to which the Company Is Committed

In terms of business circumstances surrounding "K" LINE, we can see changes in the global economy after the Iraq War, flagging economic activities incurred by the expansive spread of SARS (severe acute respiratory syndrome) mainly in China. Despite those uncertain factors, we are rather optimistic to forecast:

With the stable flow of container cargo volumes centering on cargo from Asia, especially China to the U.S.A. and Europe, the demand and supply in ship space tends to be better balanced with restoration of freight rates expected to advance steadily.

In accordance with the "KV-Plan," we are poised to construct an overall system of marine transport in flexible response to changes in global logistics. Simultaneously, we are stepping up our efforts to further strengthen corporate constitutions: as an example, we are carrying out the cost curtail campaign dubbed "Cost Slash-300" on a group basis with the shared recognition that a top-priority imperative be the recovery of containership business. In fact, we have been successful in achieving more than ¥20 billion in reduction of costs, on which basis we are planning on realizing more than ¥30 billion curtailment during the 3-year period originally set.

By this means, we will target the building of a stable profitability system free from changes in the business environment.

We also recognize that "safety in ship navigation and cargo operations" and "preservation of the earthly environment" are among the most important assignments the Company is required to tackle as a unified group.

More specifically, the ISM Code has been applied to our entire fleet since July 2002. With this application in place, every ship is being operated in compliance with a common manual "Safety Management System" manual where all possible types of preparedness and responsiveness are explained concisely and readily experienced.

Concurrently, a Committee for Promotion of Safe Ship Management was established for the entire fleet, including charter-in vessels. The committee members consist of directors of "K" LINE and its group ship management companies. Within the Committee, various measures for safe ship/cargo operations are mapped out. The committee members take on visiting ships for safety verification purposes along "K" LINE's own guidelines for ship quality, i.e. KL-QUALITY so that the Company is assured of providing stable and high-quality transportation service to customers.

When it comes to preservation of the earthly environment, "K" LINE Group's Environmental Policy was established in May 2001. We sense with acuteness and in-depth urgency that consumption of mobile energy needed by logistics business, as well as exhausts/wastes resulting from business activity, should produce minimal environmental loads to limited resources and earthly/marine environment. We also properly understand how important it is to prevent marine pollution incurred by marine accidents, regarding preservation of the earthly environment as a perpetual management assignment.

More concretely, we acquired ISO 14001 certification from a third party certification authority in February 2002, and are wholeheartedly practicing an Environmental Management System for the group ship management companies as well as "K" LINE.

6) Corporate Governance: Fundamental Way of Thinking and Measures Taken in Practice

6-1) Corporate Governance: Fundamental Way of Thinking

Company's fundamental direction is innovative management, giving deep consideration to such global standards as ensuring transparency and fairness of management and speedier decision-making on management matters. The Board of Directors is positioned to determine the fundamental direction of management, legally-stipulated matters and any other important issues relevant to management and to supervision for expedient execution of our work.

In the meantime, the Director Council convenes about twice a month with participation by directors and the Chairman of the Auditor Committee in an effort for speedier decision-making.

To enhance the Company's IR activities, an IR Division has been established to clarify a window for these activities and is now ready with an all-company supporting system to elevate quality of, and increase opportunities for, communication activities with investors.

Remuneration to directors is based on a fixed amount.

Apart from remuneration, Company grants stock options to them as an added incentive.

By setting up a Compliance Office and also establishing a Compliance Committee, we are now in a position to act for ensuring legal compliance, fairness and ethics.

We will aim at enhancement of compliance functions by not only making oversight functions of the Board of Directors more active, but also by strengthening auditing through an increase in number of outside auditors to half of all corporate auditors ahead of the amendment to the Commercial Code of Japan taking effect.

We also guarantee appropriateness with regard to rewards for auditing to the auditing corporation on a contractual basis.

6-2) Corporate Governance: Measures Taken in Practice

a) How administrative organization of management relevant to decision-making/execution/oversight and other corporate governance systems is in reality

An auditing system by corporate auditors is already available

- No outside corporate directors but 2 outside corporate auditors have been selected
- Corporate auditors including outside corporate auditors are helped by an assistant to them
- The Board of Directors is positioned to function as an organization for decision-making on fundamental directions of management, legally-stipulated matters/other important management issues, and as well as providing supervision that will assume expedition in execution of work. It also convenes the Director Council which is committed to report and decide important matters. Thereby, the Council performs perfection of compliance and plays a vital role in securing transparency in execution of work.
- The Compliance Committee was established on April 1, 2003, responding to a variety of compliance issues when caught through the in-house reporting system implemented at the same time.
- Regarding how we interact with lawyers, auditing corporations or any other 3rd party advisers, it should be made clear that we consult with corporation lawyers or attorneys in particular when legal judgments are necessary on management or daily jobs. The same practice assumes that

management is under legal control at all times.

Arrangements are being made so that corporate lawyers assume a certain role in the already-mentioned inside reporting system. More concretely, we consult with them when there is a need for looking into the contents of information reported on the system or for any other consultation with them. Furthermore, when and if an inside reporter wishes, he or she will be given the opportunity for consulting with corporate lawyers.

The auditing corporation audits and reviews accounting of the "K" LINE Group every quarter, performing a large role in promoting corporate governance for the whole group.

b) Outline of human, capital and business relationships and any others interests between the Company and outside directors/outside auditors

We do not select any outside corporate directors. Regarding outside corporate auditors, the Company has no personnel, capital or business relationships with them, their families or any companies in which they hold directorship. None of the outside corporate auditors are from its group companies.

c) How the Company has handled the assignments relevant to corporate governance during the recent one year

The Company makes it a rule to convene the Board of the Directors a minimum of once a month for determining fundamental directions and other important matters. In the meantime, the Director Council is participated in by not only directors in charge of jobs but the chairman of the Auditor Committee at every meeting. We are making efforts to strengthen corporate governance in this manner. In addition, we have decided on establishment of a Compliance Committee and introduction of an inside reporting system.

2. Results of Business Operations and Financial Status

1) Overview of Business Operations during Fiscal 2002

General characterization of the global economy during Fiscal 2002:

Global inventory saw the completion of one round of adjustments in the field of information-related goods, etc.

The U.S.A. saw a mild recovery. European economic recovery, however, fell short of steam with its condition worsening towards the closing of the fiscal year due to impacts of appreciation of the euro since last autumn.

The overall Asian economy could sustain its recovery thanks to foreign demand driven by the support of steadily – increasing exports.

In Japan, the economy also stayed on track with a weak recovery sustained by recovering exports in the 2nd half in response to the above-mentioned overseas circumstances.

Under this situation, and in compliance with the “KV-Plan,” we carried out our maximum efforts for strengthening competitiveness and expanding business scale focusing mainly on cost curtailment. Eventually, consolidated operating revenues amounted to ¥632.725 billion, a 10.8% increase as compared with ¥571.014 billion last year. Consolidate income before income taxes and extraordinary items reached ¥23.673 billion, a 97.8% increase as compared with ¥11.969 billion in the previous year. After adjustment of special accounts for profit/loss, etc. consolidated net income amounted to ¥10.373 billion, a 117.6% increase as compared with ¥4.768 billion last year.

Business activities by segment are as follows:

a) Marine Transportation

<Containership Business>

In Asia/North America trade, while there remained a host of unfavorable influences from the September 11, 2001 terrorist attacks in America, and our being obliged to accept a huge drop of ocean freight rates resulting from the rate revisions taking place in early 2002, tonnage movement could achieve a large amount of growth owing to the increase in housing-related cargo under the support of the U.S. Government’s low interest policy, solid personal consumption and the shift in purchasing merchandise in Asia, especially China.

In Asia/Europe trade, steady cargo movement prevailed and as a result, the falling freight rates since last year touched bottom. With brisk demands in place, we could occasionally achieve some rate restoration.

Under the circumstances, “K” LINE commenced a new North America/Asia/Europe service from the start of the fiscal year making maximum use of 13 larger 5,500-teu newbuildings. Operational efforts were promoted for direct callings at Chinese ports where a spectacular increase in cargo movement was available, leading to an upgrade of service both in quality and quantity. In the meantime, rationalization was practiced in drastic measure in the Atlantic trade where there was no or little improvement in supply and demand balance. Furthermore, we persevered in our determination to innovate our Asia services in response to the China shift.

Overall, operational revenues stood much better than last year, mainly attributable to various favorable effects from the introduction of the larger newbuildings. Despite the many minus factors such as huge fall in freight rates mainly in the North America trade, the hike in bunker price, the port lockout on the West Coast of the U.S.A due to labor dispute, we could prevail over them by

carrying out maximum efforts for reduction in ship costs through injection of the newbuildings, curtailment of operational costs/expenses and rationalization of less profitable service routes.
Bottom line for operating income reached the same level as last year.

<Bulk Carrier and Car Carrier Business>

Bulk carriers:

The global economy of Fiscal 2002 started with a weak recovery in early 2002 with markets for large/medium/small bulk carriers proceeding low-key in an opaque state. Since last summer, however, the markets turned upward and continued on an upward swing, attributed to: a) brisk demands for iron and steel in Asia centering on China: b) increased demand for coal in Japan and changes in the grain trade incurred by droughts in grain producing countries such as Australia and Canada, etc.

Under the prevailing circumstances, we dedicated ourselves to efficient deployment and operation of the entire fleet.

Car carriers:

While Japanese car manufacturers expanded their production overseas, transported cars increased with steadiness from Japan to Europe, the United States, the Middle East, Australia and Asian nations due to positive sales activities in the regional markets. Operating revenues could be better than last year. Simultaneously, we made positive efforts for further progress in the off-Japan trade: export of complete vehicles from Europe to North America and Mexico; export of complete vehicles from Thailand to other countries. We could attain better results than last year as was also the case in the trade from Japan. There was the minus factor of a hike in bunker-oil price, but which we could overcome by timely arrangements for short-term charter-in-carriers from a perspective of securing every opportunity for profit and by curtailment of operational costs.

The overall bottom line could reach better operating revenues and accomplish a stable amount of operating income.

<Energy Transportation and Tanker Services>

LNG Carriers: A total of 22 LNG carriers deployed for respective projects performed as well as expected, securing a stable amount of operating revenues.

Thermal Coal Carriers: one wider-hull/shallower-draft ship with specs tailored for transport of thermal coal (the Corona Series) entered service, bringing the total fleet of that series to 7 ships. The entire fleet including other dedicated ships numbered 11 ships, carrying 11 million tons in total, allowing us to

accomplish an expansion of business scale.
Tankers: During the 1st half of Fiscal 2002, business was unfavorably influenced by the decreased cargo movement attributable to the turndown of the global economy and the drop in production by OPEC. Proceeding to the 2nd half, the freight market steeply turned upward due to anxieties over the strike in Venezuela and the Iraq War in addition to the increased seasonable demand. In addition, one new LPG carrier entered service. We could achieve better operating revenues than last year.
To propel the Company's policy of realization of regionally- rooted globalization, arrangements were made for "K" Line Pte Ltd to manage 100,000 dwt tankers under their own responsibility and account, which started from January 2003. We could produce better operating revenues than last year and secured a stable amount of operating income.

<Coastal Shipping>
Domestic Tramp Business: Both limestone and coal carriers could be favored with a stable amount of tonnage destined to steel and cement manufacturing companies on the basis of long-term contracts.
Domestic Liner Business: Efforts were made with success to replace a paper-in-rolls carrier with a Roll-on/Roll-off ship, which could stabilize profitability through a joint operation with other shipping company. On the service routes: Hitachi/Kushiro and Hitachi-Naka/Tomakomai, we could secure a stable amount of cargo due to increased demand for raw milk and general cargo resulting from the very hot summer and by providing a daily service through the space charter contracts with other shipping companies.
Ferry business: Positive sales efforts were executed to induce/increase reefer vans and trucks.
The bottom line is operating revenues exceeded last year and operating income stayed stable.

In the end, operating revenues of Marine Transportation reached ¥530.228 billion (10.2% increase as compared with last year) meanwhile operating income amounted to ¥22.384 billion (70.2% increase as compared with last year).

b) Services Incidental to Transportation
Operating revenues increased centering on domestic businesses related to airfreight forwarding and harbor transportation. On a group basis, operating revenues amounted to ¥88.774 billion (17.2% increase as compared with last

year) and operating income ¥4.801 billion (5.8% increase as compared with last year).

c) Others

In land transportation business and other business not mentioned in the above, operating revenues were ¥13.723 billion (2.4% decrease) and operating income amounted to ¥2.087 billion (63.8% increase).

2) Outlook for Fiscal 2003

Forecast for Fiscal 2003 global economy comments:

In the U.S., there are strong worries over sustainability of personal consumption that has so far been driving strong housing and car sales, and the employment landscape is worsening. Those factors are likely to cause an expected recovery to be somewhat milder than anticipated.

The European economy is also expected to experience a weakness in recovery. The Japanese economy is seeing a continuing fall in stock prices, which is exerting a serious influence on corporate financial status and the financial system. No definite recovery can be expected yet. The Iraq War was ended in a relatively short time, but there is still uncertainty as to the long-term economic fallout from that conflict.

Containership Business: We are faced with various uncertain factors, i.e. changes in the global economy after the Iraq War and flagging economic activities caused by the expansive spread of SARS (severe acute respiratory syndrome) mainly in China. Confidently, however, we will be able to enjoy improved operating income with the already executed measures for voyage rationalizations and cost curtailment, while our work on normalization of ocean freight rates goes on as expected.

Bulk Carrier and Car Carrier Business:

In bulk carrier business, we will continue our construction of a cost-competitive fleet and efficient operations.

In car carrier business, worries are prevailing over a delay in recovery of the global economy since the Iraq War gave unfavorable influence to demand for car purchases in every country. We will actively try, however, to secure stable profitability in response to surrounding circumstances and in pursuit of efficient ship operation and further cost reductions.

Energy Transportation and Tanker Services:

We will continue to pursue expansion of business scale including input of newbuildings.

Coastal Shipping:
We will make positive sales efforts, giving full-fledged consideration to efficient ship allocation and improvement of services.

Services Incidental to Transportation:
The know-how and business assets from containership business and logistical group companies in Japan and overseas are to be efficiently and effectively combined. We will continually come to grips with logistical business to successfully satisfy customer needs.

In this manner, we are forecasting that on a consolidated and yearly basis, operating revenues will be ¥675 billion, income before income taxes and extraordinary items ¥43 billion and net income ¥18.5 billion. The preconditions are: yearly-averaged exchange rate ¥120.00 per U.S. Dollar, bunker-oil price U.S.$160.00 per ton.
Regarding dividend for Fiscal 2003, interim dividend will be ¥3.00 per share and ¥6.00 per share on a yearly basis.

3) Review of Financial Status for Fiscal 2002
Regarding dividend for Fiscal 2003, interim dividend will be ¥3.00 per share and ¥6.00 per share on a yearly basis.

Cash flow from investment activities ended with minus ¥23.731 billion due to expenditures for acquisition of vessels, etc.
As of the closure of consolidated Fiscal 2002, cash and cash equivalents (called funds) were ¥18.780 billion, a ¥1.902 billion decrease as compared with the end of the previous consolidated fiscal year. Cash flows were as follows:
Cash flow from operating activities resulted in plus ¥32.936 billion from interim net profit prior to tax adjustments and depreciation costs.
Cash flow from investment activities ended with minus ¥23.732 billion due to expenditures for acquisition of vessels, etc.
Cash flow from financial activities was minus ¥10.656 billion due to expenditures for return of borrowed money.

Regarding cash flows during Fiscal 2003, our prospects are as follows:
Cash flow operating activities will amount to plus ¥47 billion.

Cash flow from investment activities will be minus ¥43 billion. It is mainly attributed to that payable amount for construction of 8 Panamax containerships that are expected to complete in 2004 and 2005 are being posted at the account of construction in progress.

Cash flow from financial activities will reach minus ¥4 billion in view of return of borrowed money.

In the aggregate, cash and cash equivalents will be roughly at the same level as the end of consolidated Fiscal 2002.

Trends of cash flow indices of the "K" LINE Group are as follows:

	Fiscal 1999	Fiscal 2000	Fiscal 2001	Fiscal 2002
Ratio of shareholders' equity (%)	14.4	13.4	14.6	15.9
Ratio of shareholders' equity on the basis of market price (%)	20.8	21.4	17.1	30.0
Years of redemption (years)	7.8	7.4	10.2	9.3
Interest coverage ratio (times)	3.8	3.7	3.3	5.0

Ratio of shareholders' equity: shareholders' equity

Ratio of shareholders' equity on the basis of market price:

Aggregate of stock price on market price/total assets

Years of redemption: liabilities bearing interest/cash flow of business activities

Interest coverage ratio: Cash flow of business activities/ interest payment

1. Every index is figured on the basis of financial figures on a consolidated basis.
2. Aggregate of stock price on market price is calculated in the formula:
   Final stock price on market at the closing of Fiscal 2002 X Number of outstanding shares at the same closing
3. The amount of cash flow from business activities corresponds to that of Consolidated Statements of Cash Flows. Liabilities bearing interest are equivalent to all liabilities bearing interest listed up in Consolidated Balance Sheets. Coupon payment corresponds to the amount of paid interest appearing in Consolidated Statements of Cash Flows.

Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the years ended March 31, 2002 and 2003

ASSETS

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

	Year ended Mar.31,2003	Year ended Mar.31,2002	**Year ended Mar.31,2003**
Current assets :			
Cash and time deposits	**¥18,988**	¥20,926	**$157,973**
Marketable securities	**73**	87	**609**
Accounts and notes receivable - trade	**74,843**	63,086	**622,654**
Allowance for doubtful receivables	**(663)**	(669)	**(5,520)**
Fuel and supplies	**10,662**	7,240	**88,703**
Prepaid expenses and deferred charges	**18,223**	15,289	**151,609**
Deferred income taxes	**2,667**	2,480	**22,187**
Other current assets	**11,717**	16,629	**97,477**
Total current assets	**136,510**	125,068	**1,135,692**
Investments and long-term receivables :			
Investments in and advances to unconsolidated subsidiaries and affiliates	**10,698**	10,268	**89,003**
Investments in other securities	**48,658**	57,052	**404,811**
Long-term loans receivable	**3,050**	2,791	**25,374**
Other investments	**16,323**	16,537	**135,793**
Deferred income taxes	**9,476**	7,430	**78,833**
Allowance for doubtful receivables	**(622)**	(621)	**(5,172)**
Total investments and long-term receivables	**87,583**	93,457	**728,642**
Vessels, property and equipment :			
Vessels	**433,723**	461,359	**3,608,341**
Buildings and equipment	**99,635**	97,537	**828,909**
Accumulated depreciation	**(293,172)**	(295,649)	**(2,439,036)**
	240,186	263,247	**1,998,214**
Land	**36,013**	36,243	**299,608**
Construction in progress	**9,681**	9,588	**80,544**
Vessels, property and equipment net	**285,880**	309,078	**2,378,366**
Other assets	**5,852**	5,692	**48,689**
Total assets	**¥515,825**	¥533,295	**$4,291,389**

Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the years ended March 31, 2002 and 2003

LIABILITIES AND SHAREHOLDERS' EQUITY

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

	Year ended Mar.31,2003	Year ended Mar.31,2002	**Year ended Mar.31,2003**
Current liabilities :			
Short-term loans	**¥35,194**	¥41,477	**$292,798**
Current portion of long-term debt	**44,863**	56,169	**373,233**
Accounts and notes payable – trade	**60,004**	57,185	**499,197**
Deferred income	**11,696**	13,975	**97,308**
Current portion of obligations under finance leases	**1,393**	3,227	**11,590**
Other current liabilities	**13,611**	10,483	**113,237**
Total current liabilities	**166,761**	182,516	**1,387,363**
Long-term liabilities :			
Long-term debt, less current portion	**215,644**	216,128	**1,794,041**
Allowance for employees' retirement benefits	**14,551**	16,094	**121,054**
Allowance for directors' and statutory auditors' retirement benefits	**2,044**	2,092	**17,008**
Accrued expenses for overhaul of vessels	**7,530**	4,482	**62,644**
Obligations under finance leases	**9,481**	18,621	**78,881**
Deferred income taxes	**1,033**	1,123	**8,595**
Other long-term liabilities	**9,496**	7,314	**79,004**
Total long-term liabilities	**259,779**	265,854	**2,161,227**
Minority interests in consolidated subsidiaries	**7,245**	7,209	**60,273**
Shareholders' equity :			
Common stock:			
Authorized 1,080,000,000 shares			
Issued 593,796,875 shares	**29,690**	29,690	**247,004**
Capital surplus	**14,535**	14,535	**120,922**
Retained earnings	**39,694**	31,200	**330,233**
Revaluation reserve for land	**4,848**	4,811	**40,338**
Unrealized holding gains or losses on investment securities	**(2,530)**	(93)	**(21,047)**
Translation adjustments	**(3,912)**	(2,424)	**(32,550)**
	82,325	77,719	**684,900**
Treasury stock, at cost	**(285)**	(3)	**(2,374)**
Total Shareholders' equity	**82,040**	77,716	**682,526**
Total Liabilities and shareholders' equity	**¥515,825**	¥533,295	**$4,291,389**

Consolidated Statements of Income and Retained Earnings

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the years ended March 31, 2002 and 2003

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

	Year ended Mar.31,2003	Year ended Mar.31,2002	**Year ended Mar.31,2003**
Operating revenues :			
Freight and charter of vessels	**¥540,208**	¥493,832	**$4,494,244**
Operating revenues other than shipping	**92,517**	77,182	**769,692**
Total operating revenues	**632,725**	571,014	**5,263,936**
Operating expenses :			
Expenses, other than depreciation, for vessels	**422,570**	382,667	**3,515,557**
Depreciation of vessels	**23,619**	27,356	**196,500**
Cost of operation revunues other than shipping	**105,817**	92,740	**880,339**
Selling, general and administrative expenses	**51,437**	49,202	**427,925**
Total operating expenses	**603,443**	551,965	**5,020,321**
Operating income	**29,282**	19,049	**243,615**
Other income (expense):			
Interest and dividends income	**1,333**	1,464	**11,086**
Interest expenses	**(6,488)**	(9,478)	**(53,972)**
Others, net	**(5,447)**	(2,787)	**(45,318)**
Total other income (expense)	**(10,602)**	(10,801)	**(88,204)**
Income before income taxes	**18,680**	8,248	**155,411**
Income taxes current	**8,662**	3,985	**72,064**
deferred	**(873)**	(1,090)	**(7,262)**
Total income taxes	**7,789**	2,895	**64,802**
Minority interest	**518**	585	**4,311**
Net income	**10,373**	4,768	**86,298**
Retained earnings at beginning of the year	**31,200**	29,539	**259,564**
Adjustments to retained earnings at beginning of the year for inclusion in or exclusion from consolidation	**26**	6	**216**
Cash dividends	**(1,781)**	(2,969)	**(14,820)**
Bonuses to directors and statutory auditors	**(124)**	(144)	**(1,025)**
Retained earnings at end of the year	**¥39,694**	¥31,200	**$330,233**

Consolidated Statements of Cash Flows

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the years ended March 31, 2002 and 2003

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

	Year ended Mar.31,2003	Year ended Mar.31,2002	**Year ended Mar.31,2003**
Cash flows from operating activities :			
Income before income taxes	**¥18,680**	¥8,248	**$155,411**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Provision for employees' retirement benefits	**(1,543)**	(2,349)	**(12,837)**
Accrued expenses for overhaul of vessels	**3,129**	933	**26,028**
Provision for directors' and statutory auditors' retirement benefits	**(48)**	(136)	**(399)**
Depreciation and amortization	**29,511**	33,274	**245,515**
Interest and dividend income	**(1,333)**	(1,464)	**(11,086)**
Interest expenses	**6,488**	9,478	**53,972**
Increase in accounts and notes receivable – trade	**(12,497)**	(2,584)	**(103,967)**
(Increase) decrease in inventories	**(3,456)**	14	**(28,752)**
Increase in short-term assets	**(2,423)**	(1,295)	**(20,159)**
Increase in investments and other assets	**(942)**	(2,278)	**(7,836)**
Increase in accounts and notes payable – trade	**2,793**	7,362	**23,238**
Loss on devaluation of marketable and investment securities	**3,211**	-	**26,714**
Loss on sale of marketable and investment securities	**3,289**	1,329	**27,362**
Gain on sale of vessels, property, and equipment	**(3,630)**	(3,623)	**(30,197)**
Loss on sale of vessels, property, and equipment	**1,306**	4,133	**10,861**
Others, net	**(694)**	43	**(5,773)**
Sub-total	**41,841**	51,085	**348,095**
Interest and dividends received	**1,603**	1,142	**13,337**
Interest paid	**(6,600)**	(9,986)	**(54,909)**
Income taxes paid	**(3,908)**	(9,181)	**(32,511)**
Net cash provided by operating activities	**32,936**	33,060	**274,012**
Cash flows from investing activities :			
Purchases of securities and other investments	**(8,395)**	(36,600)	**(69,845)**
Gain on sale of marketable and investment securities	**3,835**	35,636	**31,905**
Investment on subsidiaries with newly inclusion in consolidation	**-**	(146)	**-**
Purchases of vessels, property and equipment	**(69,938)**	(47,566)	**(581,843)**
Proceeds from sale of vessels, property and equipment	**57,806**	31,794	**480,914**
Expenditures for intangible fixed assets	**(1,527)**	(2,982)	**(12,702)**
Others, net	**(5,513)**	1,380	**(45,863)**
Net cash used in investing activities	**(23,732)**	(18,484)	**(197,434)**
Cash flows from financing activities :			
Proceeds from issuance of bonds	**9,938**	-	**82,677**
Proceeds from loans	**55,890**	61,997	**464,976**
Repayment of loans and obligations under finance leases	**(55,403)**	(64,074)	**(460,921)**
Repayment of bonds	**(13,500)**	(7,000)	**(112,313)**
Net decrease of short-term loans	**(5,512)**	(3,984)	**(45,856)**
Cash dividends paid	**(1,783)**	(2,967)	**(14,830)**
Cash dividends paid by subsidiaries to minority shareholders	**(94)**	(89)	**(784)**
Others, net	**(192)**	(3)	**(1,604)**
Net cash used in financing activities	**(10,656)**	(16,120)	**(88,655)**
Effect of exchange rate changes on cash and cash equivalents	**(553)**	1,040	**(4,600)**
Net decrease in cash and cash equivalents	**(2,005)**	(504)	**(16,677)**
Cash and cash equivalents at beginning of the year	**20,682**	20,467	**172,061**
Increase in cash and cash equivalents arising from inclusion of subsidiaries in consolidation	**103**	719	**859**
Cash and cash equivalents at end of the year	**18,780**	20,682	**156,243**

Non-Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. for the years ended March 31, 2003 and 2002

ASSETS

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

	Year ended Mar.31,2003	Year ended Mar.31,2002	**Year ended Mar.31,2003**
Current assets :			
Cash and time deposits	**¥5,621**	¥7,930	**$46,760**
Accounts and notes receivable - trade	**53,788**	40,657	**447,492**
Allowance for doubtful receivables	**(396)**	(2,417)	**(3,295)**
Fuel and supplies	**9,069**	5,792	**75,450**
Prepaid expenses and deferred charges	**17,957**	15,526	**149,395**
Other current assets	**10,461**	9,194	**87,031**
Total current assets	**96,500**	76,682	**802,833**
Investments and long-term receivables :			
Investments in and advances to subsidiaries and affiliates	**38,706**	36,110	**322,012**
Investments in other securities	**41,619**	48,644	**346,253**
Long-term loans receivable	**2,375**	2,115	**19,756**
Other investments	**5,806**	5,265	**48,300**
Allowance for doubtful receivables	**(394)**	(317)	**(3,280)**
Total investments and long-term receivables	**88,112**	91,817	**733,041**
Vessels, property and equipment :			
Vessels	**154,525**	154,514	**1,285,564**
Buildings and equipment	**12,616**	12,668	**104,961**
Accumulated depreciation	**(113,385)**	(108,190)	**(943,306)**
	53,756	58,992	**447,219**
Land	**23,421**	23,503	**194,847**
Construction in progress	**1**	331	**14**
Vessels, property and equipment, net	**77,178**	82,826	**642,080**
Other assets	**7,350**	7,875	**61,149**
Total assets	**¥269,140**	¥259,200	**$2,239,103**

Non-Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. for the years ended March 31, 2003 and 2002

LIABILITIES AND SHAREHOLDERS' EQUITY

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

	Year ended Mar.31,2003	Year ended Mar.31,2002	**Year ended Mar.31,2003**
Current liabilities :			
Short-term loans	**¥4,891**	¥7,037	**$40,690**
Current portion of long-term debt	**26,008**	28,408	**216,370**
Accounts and notes payable - trade	**51,339**	44,555	**427,115**
Deferred income	**11,111**	10,772	**92,439**
Other current liabilities	**16,497**	11,212	**137,245**
Total current liabilities	**109,846**	101,984	**913,859**
Long-term liabilities :			
Long-term debt, less current portion	**85,548**	83,432	**711,717**
Allowance for employees' retirement benefits	**2,890**	4,011	**24,040**
Allowance for directors' and statutory auditors' retirement benefits	**1,212**	1,344	**10,084**
Accrued expenses for overhaul of vessels	**1,439**	1,685	**11,974**
Deferred income taxes for land revaluation	**1,806**	1,822	**15,021**
Other long-term liabilities	**527**	513	**4,388**
Total long-term liabilities	**93,422**	92,807	**777,224**
Shareholders' equity :			
Common stock :			
Authorized 1,080,000,000 shares			
Issued 593,796,875 shares	**29,690**	29,690	**247,004**
Capital surplus	**14,535**	14,535	**120,922**
Legal reserve	**2,540**	2,540	**21,134**
Revaluation reserve for land	**2,996**	2,973	**24,928**
Special reserve	**11,850**	9,641	**98,587**
Retained earnings	**6,905**	4,413	**57,442**
Unrealized holding gains (losses) on investment securities	**(2,461)**	620	**(20,477)**
Less : treasury stock, at cost	**(183)**	(3)	**(1,520)**
Total shareholders' equity	**65,872**	64,409	**548,020**
Total liabilities and shareholders' equity	**¥269,140**	¥259,200	**$2,239,103**

Non-Consolidated Statements of Income

Kawasaki Kisen Kaisha, Ltd. for the years ended March 31, 2003 and 2002

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

	Year ended Mar.31,2003	Year ended Mar.31,2002	**Year ended Mar.31,2003**
Operating revenues :			
Freight and charter of vessels	**¥499,011**	¥448,354	**$4,151,509**
Other revenues	**781**	799	**6,494**
Total operating revenues	**499,792**	449,153	**4,158,003**
Operating expenses :			
Expenses, other than depreciation, for vessels	**460,966**	419,746	**3,834,991**
Depreciation of vessels	**5,692**	6,120	**47,353**
Selling, general and administrative expenses	**12,848**	14,447	**106,888**
Other expenses	**443**	541	**3,684**
Total operating expenses	**479,949**	440,854	**3,992,916**
Operating income	**19,843**	8,299	**165,087**
Other income (expense) :			
Interest and dividend income	**1,266**	3,363	**10,531**
Interest expense	**(3,199)**	(3,992)	**(26,619)**
Others, net	**(5,947)**	(3,359)	**(49,472)**
Total other income (expense)	**(7,880)**	(3,988)	**(65,560)**
Income before income taxes	**11,963**	4,311	**99,527**
Income taxes	**5,427**	1,524	**45,154**
Net income	**6,536**	¥2,787	**54,373**
Retained earnings at beginning of the year	**373**	1,626	**3,105**
Reversal of revaluation reserve for land	**(4)**	-	**(36)**
Unappropriated retained earnings at March 31	**¥6,905**	¥4,413	**$57,442**

Non-Consolidated Proposed Appropriation of Retained Earnings

Kawasaki Kisen Kaisha, Ltd. for the years ended March 31, 2003 and 2002

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

	Year ended Mar.31,2003	Year ended Mar.31,2002	**Year ended Mar.31,2003**
Unappropriated retained earnings at March 31	**¥6,905**	¥4,413	**$57,442**
Reversal of special reserve	**876**	1,128	**7,293**
Cash dividends	**(2,963)**	(1,781)	**(24,653)**
Bonus to Directors	**(70)**	(50)	**(582)**
Transfer to special reserve	**(4,500)**	(3,337)	**(37,437)**
Retained earnings at end of the year	**¥248**	¥373	**$2,063**

Consolidated Segment Information

(a) Business segment information

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.31,2002 (Millions of Yen)

	Marine Transportation	Service incidental to transportation	Others	Total	Eliminations	Consolidated
Revenues						
(1) Operating revenues	¥481,200	¥75,758	¥14,056	¥571,014	¥ -	¥571,014
(2) Inter-group sales and transfers	2,129	43,138	7,651	52,918	(52,918)	-
Total revenues	483,329	118,896	21,707	623,932	(52,918)	571,014
Operating expenses	470,180	114,360	20,432	604,972	(53,007)	551,965
Operating income	¥13,149	¥4,536	¥1,275	¥18,960	¥89	¥19,049
Total assets	¥439,380	¥94,440	¥58,966	¥592,786	(¥59,491)	¥533,295
Depreciation	¥28,278	¥4,023	¥973	¥33,274	¥ -	¥33,274
Capital expenditures	¥42,754	¥8,098	¥227	¥51,079	¥ -	¥51,079

Year ended Mar.31,2003 (Thousands of U.S.Dollars)

	Marine Transportation	Service incidental to transportation	Others	Total	Eliminations	Consolidated
Revenues						
(1) Operating revenues	**$4,411,218**	**$738,551**	**$114,167**	**$5,263,936**	**$ -**	**$5,263,936**
(2) Inter-group sales and transfers	**23,733**	**407,511**	**73,027**	**504,271**	**(504,271)**	**-**
Total revenues	**4,434,951**	**1,146,062**	**187,194**	**5,768,207**	**(504,271)**	**5,263,936**
Operating expenses	**4,248,728**	**1,106,126**	**169,824**	**5,524,678**	**(504,357)**	**5,020,321**
Operating income	**$186,223**	**$39,936**	**$17,370**	**$243,529**	**$86**	**$243,615**
Total assets	**$3,577,420**	**$873,134**	**$409,044**	**$4,859,598**	**($568,209)**	**$4,291,389**
Depreciation	**$198,173**	**$35,630**	**$11,712**	**$245,515**	**$ -**	**$245,515**
Capital expenditures	**$534,405**	**$55,168**	**$6,670**	**$596,243**	**$ -**	**$596,243**

(b) Geographical segment information

Year ended Mar.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(loss)	**¥25,759**	**¥1,663**	**(¥163)**	**¥1,979**	**¥35**	**¥29,273**	**¥9**	**¥29,282**
Total assets	**¥489,410**	**¥23,264**	**¥27,725**	**¥22,758**	**¥1,696**	**¥564,853**	**(¥49,028)**	**¥515,825**

Year ended Mar.31,2002 (Millions of Yen)

	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
Revenues								
(1) Operating revenues	¥545,345	¥16,495	¥4,952	¥4,075	¥147	¥571,014	¥ -	¥571,014
(2) Inter-group sales and transfers	919	21,811	4,217	6,347	538	33,832	(33,832)	-
Total revenues	546,264	38,306	9,169	10,422	685	604,846	(33,832)	571,014
Operating expenses	530,669	36,997	9,190	8,404	629	585,889	(33,924)	551,965
Operating income	¥15,595	¥1,309	(¥21)	¥2,018	¥56	¥18,957	¥92	¥19,049
Total assets	¥506,588	¥24,344	¥32,094	¥14,539	¥1,659	¥579,224	(¥45,929)	¥533,295

Year ended Mar.31,2003 (Thousands of U.S.Dollars)

	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
Revenues								
(1) Operating revenues	**$5,034,548**	**$122,757**	**$35,072**	**$71,217**	**$342**	**$5,263,936**	**$ -**	**$5,263,936**
(2) Inter-group sales and transfers	**27,289**	**168,189**	**38,237**	**59,477**	**5,370**	**298,562**	**(298,562)**	**-**
Total revenues	**5,061,837**	**290,946**	**73,309**	**130,694**	**5,712**	**5,562,498**	**(298,562)**	**5,263,936**
Operating expenses	**4,847,540**	**277,110**	**74,663**	**114,231**	**5,420**	**5,318,964**	**(298,643)**	**5,020,321**
Operating income(loss)	**$214,297**	**$13,836**	**($1,354)**	**$16,463**	**$292**	**$243,534**	**$81**	**$243,615**
Total assets	**$4,071,634**	**$193,547**	**$230,660**	**$189,332**	**$14,105**	**$4,699,278**	**($407,889)**	**$4,291,389**

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 Mar.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 Mar.31,2002 (Millions of Yen)

	North America	Europe	Asia	Other	Total
International revenues	¥164,256	¥103,792	¥80,383	¥106,797	¥455,228
Consolidated revenues					571,014
International revenues as a percentage of consolidated revenues	28.7%	18.2%	14.1%	18.7%	79.7%

Year ended Mar.31,2003 (Thousands of U.S.Dollars)

	North America	Europe	Asia	Other	Total
International revenues	**$1,468,644**	**$928,338**	**$785,008**	**$965,845**	**$4,147,835**
Consolidated revenues					**5,263,936**
International revenues as a percentage of consolidated revenues	**27.9%**	**17.6%**	**14.9%**	**18.4%**	**78.8%**

These international revenues consist mainly of revenues from the marine 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
Other: Central and South America, Africa, and Australia