

## FINANCIAL HIGHLIGHTS

Interim brief report of the first half of fiscal year ended March 31, 2003

Published by the Board of Kawasaki Kisen Kaisha, Ltd., on November 14th, 2002

[Two Year Summary]

	Six Months ended Sep.30,2002	Six Months ended Sep.30,2001	Six Months ended Sep.30,2002	Year ended Mar.31,2002
Consolidated				
Operating revenues (Millions of yen / Thousands of U.S. dollars)	<b>¥309,594</b>	¥297,733	<b>\$2,525,235</b>	¥571,014
Operating income (Millions of yen / Thousands of U.S. dollars)	<b>11,271</b>	16,980	<b>91,932</b>	19,049
Net income (Millions of yen / Thousands of U.S. dollars)	<b>4,919</b>	7,531	<b>40,120</b>	4,768
Per share of common stock (Yen / U.S. dollars)	<b>8.29</b>	12.68	<b>0.07</b>	8.03
Total Assets (Millions of yen / Thousands of U.S. dollars)	<b>520,434</b>	518,260	<b>4,244,977</b>	533,295
Shareholders' Equity (Millions of yen / Thousands of U.S. dollars)	<b>77,495</b>	71,804	<b>632,100</b>	77,716
	<b>130.84</b>	120.92	<b>1.07</b>	130.88
Net cash provided by operating activities (Millions of yen / Thousands of U.S. dollars)	<b>6,188</b>	19,950	<b>50,474</b>	33,060
Net cash used in investing activities (Millions of yen / Thousands of U.S. dollars)	<b>(2,160)</b>	(3,012)	<b>(17,618)</b>	(18,484)
Net cash used in financing activities (Millions of yen / Thousands of U.S. dollars)	<b>(6,321)</b>	(14,263)	<b>(51,562)</b>	(16,120)
Non-consolidated				
Operating revenues (Millions of yen / Thousands of U.S. dollars)	<b>244,300</b>	229,938	<b>1,992,662</b>	449,153
Operating income (Millions of yen / Thousands of U.S. dollars)	<b>7,180</b>	10,867	<b>58,564</b>	8,299
Net income (Millions of yen / Thousands of U.S. dollars)	<b>2,781</b>	4,867	<b>22,687</b>	2,787
Per share of common stock (Yen / U.S. dollars)	<b>4.69</b>	8.20	<b>0.04</b>	4.69
Cash dividends (Millions of yen / Thousands of U.S. dollars)	-	-	-	1,781
Per share of common stock (Yen / U.S. dollars)	-	-	-	3.00
Total Assets (Millions of yen / Thousands of U.S. dollars)	<b>265,508</b>	235,888	<b>2,165,644</b>	259,200
Shareholders' Equity (Millions of yen / Thousands of U.S. dollars)	<b>63,481</b>	60,997	<b>517,788</b>	64,409
Per share of common stock (Yen / U.S. dollars)	<b>107.08</b>	102.72	<b>0.87</b>	108.47

The U.S. dollar amounts are converted from the yen amount at ¥122.60=U.S.\$1.00, The exchange rate prevailing on September 30th, 2002

# **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 best to 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 depending upon 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 against 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

## **3) 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 other Asian economies are rapidly developing 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

#### **4) 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)

Ordinary income ¥35 billion (¥25 billion)

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

ROE 19% (17%)

Liabilities bearing interest ¥280 billion (¥90 billion)

#### **5) Measures for Building Best Possible Corporate Governance**

In view of reinforcement of corporate governance being requested, we will try our best to reform management structure with the global standards of management in our single-minded determination, securing transparency and fairness of management and practicing speedier decision-making. More specifically, we will always perform the Company's Standards of Ethics that was established last year, and we will actively and simultaneously continue to dedicate ourselves to raising people's consciousness of “Compliance.”

Taking into account what the series of last year's amendments to the Commercial Code of Japan signify, we will continue to work on formation of an optimal organization for oversight on management. Regarding a stock option system, one was put into practice from September 2002 covering Company directors/employees and directors of group companies.

In the meantime, to enhance our IR activities, we established an IR division effective from January 1, 2002. It is intended to perform as a gateway and a dependable supporting body to everyone in relationship to IR practices. In this respect, we are determined to make constant efforts to upgrade communication with investors in both quality and frequency.

#### **6) Assignments to which the Company is committed**

It seems that our economy remains in the doldrums and continues to be stubbornly resistant to correction while other. Asian countries are recovering and developing their economies to a noticeable extent centering on China. In terms of the business circumstances surrounding the Company, both U.S.A.- and Europe-bound container cargo increased a great deal as compared to last year.

Since supply and demand is being better balanced, it is prospected that restoration of ocean freight rates will be better positioned to proceed with steadiness.

We are committed to further strengthening of our transportation system so that it will be

able to flexibly keep abreast with changing trends of global logistics, and to even stronger reinforcement of the Company's constitution. Among those assignments, we understand that a very urgent assignment of the Company is to get the containership business back on track toward recovery as early as possible. We are diligently pursuing our cost curtailment campaign, "Cost Slash-300 (referred to as "CS-300"), at all Group levels in which we are targeting total cost cutting of ¥30 billion. In this manner, we will be able to successfully achieve a level of profitability that will ensure constant and stable payment of dividends, shielding ourselves from those fluctuations in business circumstances facing the Company.

## **2. Results of Business Operations and Financial Status**

### **1) Overview of business operations during the 1st half of Fiscal 2002**

The global economy in general is outlined as follows:

Against completion of inventory adjustment of information-related goods on a global basis, the economy of the U.S.A. recovered mildly with the support of an increase in personal consumption expenditures while the economy of Europe could overcome a slowdown in economic activities. With the exception of Japan, the Asian economy, driven by the remarkable expansion of China's economy, turned into a more favorable condition due to sustainable recovery of both personal consumption and export.

The Japanese economy, however, failed to pull out of its depression and continued under rather severe circumstances. This is being attributed to the low level of private-sector demand for investment and that of personal consumption expenditures despite there being signs of improvement in exports and mining/manufacturing production.

Globally, however, it may well be mentioned that luckily enough, maritime cargo tonnage was on a steady increase.

Under the above circumstances, efforts were poured into business expansion and cost curtailment in accordance with our "KV-Plan," the new 3-year management plan running from April 1, 2002 through March 31, 2005.

Fuel-oil price proceeded higher and recovery of both tramp/tanker markets and container freight rates were delayed. We have, however, seen a significant increase in "K" LINE's transported container cargo owing to timely launching of newbuildings in synchronization with the increase in U.S.A.- and Europe-bound cargo, mainly from China. Simultaneously, we could also carry more cars than initially anticipated taking advantage of the brisk cargo movement to the U.S.A. and oil-producing countries.

As a result, we could increase interim operating revenues to ¥309.593 billion on a consolidated basis as large an increase as 4% in comparison with ¥297.733 billion during the same period of last year. Due to unfavorable freight markets centering on the North America

container services, however, the lower ratio of profitability drove consolidated ordinary income down by 33.9% to ¥7.844 billion (¥11.867 billion last year). After adjustment of special accounts for profit/loss, etc., interim net profit decreased by 34.7% to ¥4.918 billion (¥7.531 billion last year).

Nevertheless, under the all-group-level campaign of “Cost Slash-300,” we could accomplish a curtailment in ship expenses and operational costs through our determined replacement of old ships for new ships, all of which led us to succeed in achieving a larger amount of cost cutting than originally planned. In this process, overall improvement was considerably greater as compared with the 2nd half of last year.

Business Activities by Segment are as follows:

**a) Marine Transportation**

<Containership Business>

During the 1st half, we commenced the new North America and Europe services taking full advantage of our 13 new 5,500-teu containerships. Further business efforts were exerted for reinforced services in quality and quantity, i.e. increased direct ports of call in China where remarkable expansion in cargo movement has been ongoing. Consequently, “K” LINE’s transported tonnage could increase significantly as compared with last year’s same period. In the meantime, the timing of ocean freight revisions came simultaneously when deep and negative results from the September 11th terrorist attacks in America were still impacting business sentiment. This synchronization caused the freight rates to go down significantly in North America services while in European services, average freight rate results during the 1st half were lower than the same period of last year. However, freight rates gradually commenced to show some sign of recovery in both services during the 1st half as a result of our desperate efforts for restoration.

In containership business as a whole, attributed to the input of our new fleet, we successfully accomplished a higher level of operating revenues than during the 1<sup>st</sup> half of last year. In spite of a series of worsening factors such as the drop in freight rates and hike in fuel-oil price hitting us, we continued with our determined endeavors, under the KV-Plan, for reduction of ship expenses with the launching of the larger-sized containerships, rationalization in our Atlantic service and further reduction of ship operations costs. Consequently, although achievement fell under the same period of last year, we could, however, improve significantly as compared with the 2nd half of last year and could attain our original goal.

<Bulk Carrier and Car Carrier Business>

Regarding bulk carrier services, the large bulker market started to recover from mid-August

2002 reflecting a steady increase in crude steel production in Asia. The small and medium bulker market could also enjoy a mild recovery.

Under the above circumstances, efforts were carried out to secure long-term cargo contracts that would be less influenced by market fluctuations, to manage/forge an even more competitive fleet with greater ship operation efficiency. As a result, we could fortunately attain our original goal.

Regarding Car Carrier Business, car sales performed successfully in Middle East countries and Australia as well as the U.S.A., with result that car exports from Japan steadily increased in volume. Cargo movements from Europe to the U.S.A. and Mexico also were on the increase. Consequently, "K" LINE's transported cargo numbered more than the corresponding period of last year. Despite the hike in prevailing bunker-oil prices, we strived for even greater efficiency in ship allocation and substantial reduction in ship operations.

In Bulk Carrier and Car Carrier Business, operating revenues ended up better than the same period of last year, and could continuously accomplish stable.

#### <Energy Transportation and Tanker Services>

LNG Carriers: Our 22-carrier fleet was operated in full swing, securing stable operating revenues.

Thermal Coal Carriers: In a situation where overall demand was hard to grow, our Corona-series coal carriers that feature wider breadth and shallower draft were so favorably reputed that during the 1st half we could attain a significantly higher level of achievement than originally planned.

Tankers: The market was low-key due to a drop in cargo movement caused by the depressed world oil demand and reduced production by OPEC. Consequently, we failed to achieve our originally-planned level of operating income during the 1st half.

In Energy Transportation and Tanker Services, overall achievement including operating revenues fell below the same period of last year.

#### <Coastal Shipping>

Domestic Tramp Business: Limestone carriers secured a more or less stable quantity of transported cargo. General-purpose cargo boats saw diminished cargo loadings. In total, we fell under 1st half of last year in operating revenues.

Domestic Liner Business: Specialized carriers for paper-in-rolls proceeded as expected while in service routes such as Kushiro/Hitachi, Hitachi-naka/Tomakomai, transported raw milk and general merchandise also increased to a significant extent, securing stable operating revenues.

Ferry Business: In addition to improved accessibility and convenience created by shorter

transit times, etc., business efforts were also propelled to secure unexploited new types of cargo, with operating revenues better than originally planned.

In Coastal Shipping, operating revenue results were better than the same period of last year, enabling us to secure stable achievement.

In the end, the bottom line of Marine Transportation shows: operating revenues ¥259.965 billion (a 5.4% increase as compared with last year) and operating income ¥8.883 billion (a 35.4% decrease as compared with last year).

#### **b) Services Incidental to Transportation**

Overseas subsidiaries could decrease their operating revenues as a result of a 4% appreciation of Yen as compared with last year. On a Group basis, operating revenues reached ¥42.747 billion (a 4% decrease as compared with last year) and operating income ¥1.934 billion (a 22.2% decrease as compared with last year).

#### **c) Others**

In land transportation business and other business not mentioned in the above, operating revenues amounted to ¥6.88 billion (a 5.6% increase as compared with last year) and operating income resulted in ¥0.433 billion (a 42.1% decrease as compared with last year).

### **2) Outlook for the 2nd Half of Fiscal 2002**

Our outlook for the 2nd half is summarized as follows:

In Japan, due to acceleration in disposing of bad debts, there are still worries that the stock market will continue to be sluggish and many businesses will be more severely struck with financial anxieties and that related employment/income circumstances will be unfavorable.

In the U.S.A., the economy is expected to advance with solidity and firmness under the support of personal consumption expenditures centering on solid demand for both housing and cars.

In Europe and Asia, comparatively stable economic circumstances are anticipated on the basis of sounder export markets.

#### **<Containership Business>**

It is anticipated that the 2nd half business achievement will be much better than the same period of last year by means of a slash in ship expenses due to input of new larger-sized containerships, rationalization of the Atlantic service and further reduction in operational expenses in spite of the cost-increasing factor of the hike in bunker fuel.

#### **<Bulk Carriers>**

Favored by recovering freight market, further efforts will be exercised for expansion of business scale and reinforcement of our profit-making structure that will be less influenced

by market fluctuations.

<Car Carriers>

It is expected that still during the 2nd half, new car shipments in major trade routes from Japan will continue to be steady and the Atlantic trade will increase. Under these favorable circumstances, we will make further endeavors for reduction in costs and expenses and more efficient management of each service route.

<Energy Resources Transportation Service>

We will continue to expand our business scale including input of newbuildings.

<Coastal Shipping>

Domestic Tramp Business: Stable profitability can be prospected for limestone and coal carriers.

Domestic Liner: While every service route proceeds as planned, in October 2002 a specialized carrier for paper-in-rolls is going to enter into service, carrying the same Kushiro-loaded cargo to various consumption sites located in the mainland of Japan-Honshu.

Ferry Business: We will also try our best to increase passengers and cargo on our Ferry services.

<Services Incidental to Transportation>

The know-how and business assets with containerships business and logistical group companies in Japan and overseas are to be well and efficiently combined. We will continue in our efforts to come to grips with developments in logistics business to keep up with customer needs.

In this manner, we are forecasting that on a consolidated basis, operating revenues will amount to ¥610 billion, operating income ¥22 billion, ordinary income ¥16.5 billion and net income ¥10 billion. These figures are based on an exchange rate of Yen 120 per U.S. dollar and bunker-oil price of U.S.\$160 per ton.

Regarding payment of a dividend, we will forego an interim dividend, but we plan to pay ¥4 per share as an annual dividend, premised on our securing sufficient level of profit.

### **3) Review of Financial Status for the 1st half of Fiscal 2002**

As of the closure of the 1st half of consolidated Fiscal 2002, cash and cash equivalents (called funds) were ¥17.884 billion, a ¥2.796 billion decrease as compared with the end of previous consolidated fiscal year. Cash flows after the 1st half ended were as follows:

Cash flow from operating activities resulted in plus ¥6.188 billion from interim net profit prior to tax adjustments and depreciation costs.

Cash flow from investment activities ended with minus ¥2.159 billion due to expenditures for acquisition of vessels, etc.

Cash flow from financial activities was minus ¥6.321 billion due to expenditures for return of borrowed money.

Exchange differentials, etc. were adjusted in relation to the cash and cash equivalents, which in the aggregate, decreased by ¥2.796 billion to ¥17.884 billion at the close of the 1st half of Fiscal 2002.

Regarding cash flows during the 2nd half, our prospect is as follows:

Cash flow operating activities will amount to plus ¥25 billion.

Cash flow from investment activities will be minus ¥12 billion. More precisely, a ¥31 billion cash outflow for investment in ships and others is being prospected inclusive of a 200,000 DWT bulker and a 100,000 DWT double-hulled tanker. On the other hand, a ¥19 billion cash inflow is expected from sales of newly-built ships at the time of delivery.

Cash flow from financial activities will reach minus ¥13 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 the 1st half of consolidated Fiscal 2002.

## Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2002 and half years ended September 30, 2001 and 2002

### ASSETS

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

	Six Months ended Sep.30,2002	Year ended Mar.31,2002	Six Months ended Sep.30,2002	Six Months ended Sep.30,2001
Current assets :				
Cash and time deposits	¥18,377	¥20,926	\$149,891	¥23,819
Marketable securities	67	87	550	144
Accounts and notes receivable - trade	70,821	63,086	577,661	58,926
Allowance for doubtful receivables	(675)	(669)	(5,506)	(527)
Fuel and supplies	9,541	7,240	77,825	7,957
Prepaid expenses and deferred charges	16,394	15,289	133,718	14,981
Deferred income taxes	2,870	2,480	23,406	2,512
Other current assets	14,969	16,629	122,095	17,730
<b>Total current assets</b>	<b>132,364</b>	<b>125,068</b>	<b>1,079,640</b>	<b>125,542</b>
Investments and long-term receivables :				
Investments in and advances to unconsolidated subsidiaries and affiliates	8,545	10,268	69,696	9,803
Investments in other securities	55,242	57,052	450,588	47,905
Long-term loans receivable	2,932	2,791	23,921	3,198
Other investments	15,014	16,537	122,464	15,327
Deferred income taxes	8,277	7,430	67,509	9,085
Allowance for doubtful receivables	(640)	(621)	(5,221)	(474)
<b>Total investments and long-term receivables</b>	<b>89,370</b>	<b>93,457</b>	<b>728,957</b>	<b>84,844</b>
Vessels, property and equipment :				
Vessels	428,282	461,359	3,493,332	449,356
Buildings and equipment	98,105	97,537	800,199	94,873
Accumulated depreciation	(286,796)	(295,649)	(2,339,278)	(280,777)
	239,591	263,247	1,954,253	263,452
Land	36,074	36,243	294,239	31,018
Construction in progress	17,247	9,588	140,674	8,554
<b>Vessels, property and equipment net</b>	<b>292,912</b>	<b>309,078</b>	<b>2,389,166</b>	<b>303,024</b>
Other assets	5,788	5,692	47,214	4,850
<b>Total assets</b>	<b>¥520,434</b>	<b>¥533,295</b>	<b>\$4,244,977</b>	<b>¥518,260</b>

## Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2002 and half years ended September 30, 2001 and 2002

### LIABILITIES AND SHAREHOLDERS' EQUITY

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

	Six Months ended Sep.30,2002	Year ended Mar.31,2002	Six Months ended Sep.30,2002	Six Months ended Sep.30,2001
Current liabilities :				
Short-term loans	¥51,584	¥41,477	\$420,751	¥39,174
Current portion of long-term debt	42,425	56,169	346,043	65,136
Accounts and notes payable – trade	61,799	57,185	504,069	47,449
Deferred income	11,136	13,975	90,833	11,814
Current portion of obligations under finance leases	2,398	3,227	19,561	5,557
Other current liabilities	14,774	10,483	120,501	20,278
Total current liabilities	184,116	182,516	1,501,758	189,408
Long-term liabilities :				
Long-term debt, less current portion	209,514	216,128	1,708,926	199,451
Allowance for employees' retirement benefits	15,235	16,094	124,265	17,353
Allowance for directors' and statutory auditors' retirement benefits	1,834	2,092	14,962	1,847
Accrued expenses for overhaul of vessels	5,753	4,482	46,926	4,228
Obligations under finance leases	11,478	18,621	93,621	20,194
Deferred income taxes	1,023	1,123	8,346	1,115
Other long-term liabilities	6,658	7,314	54,305	6,276
Total long-term liabilities	251,495	265,854	2,051,351	250,464
Minority interests in consolidated subsidiaries	7,328	7,209	59,768	6,584
Shareholders' equity :				
Common stock:				
Authorized 1,080,000,000 shares				
Issued 593,796,875 shares	29,690	29,690	242,168	29,690
Capital surplus	14,535	14,535	118,555	14,535
Retained earnings	34,208	31,200	279,023	33,961
Revaluation reserve for land	4,805	4,811	39,189	-
Unrealized holding gains or losses on investment securities	(1,455)	(93)	(11,864)	(2,612)
Translation adjustments	(4,034)	(2,424)	(32,905)	(3,770)
Total Shareholders' equity	77,749	77,719	634,166	71,804
Treasury stock, at cost	(254)	(3)	(2,066)	(0)
Total Shareholders' equity	77,495	77,716	632,100	71,804
Total Liabilities and shareholders' equity	¥520,434	¥533,295	\$4,244,977	¥518,260

## Consolidated Statements of Income and Retained Earnings

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the years ended March 31, 2002 and half years ended September 30, 2001 and 2002

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

	Six Months ended Sep.30,2002	Six Months ended Sep.30,2001	Six Months ended Sep.30,2002	Year ended Mar.31,2002
Operating revenues :				
Freight and charter of vessels	¥264,611	¥251,495	\$2,158,327	¥493,832
Operating revenues other than shipping	44,983	46,238	366,908	77,182
Total operating revenues	309,594	297,733	2,525,235	571,014
Operating expenses :				
Expenses, other than depreciation, for vessels	208,819	187,233	1,703,256	382,667
Depreciation of vessels	12,108	13,513	98,760	27,356
Cost of operating revenues	52,018	54,043	424,288	92,740
Selling, general and administrative expenses	25,378	25,964	206,999	49,202
Total operating expenses	298,323	280,753	2,433,303	551,965
Operating income	11,271	16,980	91,932	19,049
Other income (expense):				
Interest and dividends income	736	823	6,005	1,464
Interest expenses	(3,306)	(5,166)	(26,967)	(9,478)
Others, net	(359)	(462)	(2,926)	(2,787)
Total other income (expense)	(2,929)	(4,805)	(23,888)	(10,801)
Income before income taxes	8,342	12,175	68,044	8,248
Income taxes current	3,829	5,692	31,235	3,985
deferred	(659)	(1,260)	(5,373)	(1,090)
Total income taxes	3,170	4,432	25,862	2,895
Minority interest	253	212	2,062	585
Net income	4,919	7,531	40,120	4,768
Retained earnings at beginning of the period	31,200	29,539	254,483	29,539
Adjustments for inclusion in or exclusion from consolidation or equity method of accounting for subsidiaries and affiliates	(6)	(3)	(45)	6
Cash dividends	(1,782)	(2,969)	(14,530)	(2,969)
Bonuses to directors and statutory auditors	(123)	(137)	(1,005)	(144)
Retained earnings at end of the period	¥34,208	¥33,961	\$279,023	¥31,200

## Consolidated Statements of Cash Flows

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2002 and half years ended September 30, 2001 and 2002

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

	Six Months ended Sep.30,2002	Six Months ended Sep.30,2001	Six Months ended Sep.30,2002	Year ended Mar.31,2002
Cash flows from operating activities :				
Income before income taxes	<b>¥8,342</b>	¥12,175	<b>\$68,044</b>	¥8,248
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Provision for employees' retirement benefits	<b>(859)</b>	(1,081)	<b>(7,005)</b>	(2,349)
Accrued expenses for overhaul of vessels	<b>1,355</b>	697	<b>11,049</b>	933
Provision for directors' and statutory auditors' retirement benefits	<b>(258)</b>	(347)	<b>(2,104)</b>	(136)
Depreciation and amortization	<b>15,201</b>	16,530	<b>123,990</b>	33,274
Interest and dividend income	<b>(736)</b>	(823)	<b>(6,005)</b>	(1,464)
Interest expenses	<b>3,306</b>	5,166	<b>26,967</b>	9,478
(Increase)/decrease in accounts and notes receivable – trade	<b>(8,688)</b>	346	<b>(70,863)</b>	(2,584)
(Increase) decrease in inventories	<b>(2,337)</b>	(764)	<b>(19,059)</b>	14
(Increase) decrease in other current assets	<b>(5,769)</b>	(467)	<b>(47,059)</b>	(1,294)
Increase (decrease) in accounts and notes payable – trade	<b>3,398</b>	(831)	<b>27,718</b>	7,362
Loss on sale of marketable and investment securities	<b>366</b>	771	<b>2,981</b>	1,329
Gain on sale of vessels, property, and equipment	<b>(2,731)</b>	(3,241)	<b>(22,277)</b>	(3,623)
Loss on sale of vessels, property, and equipment	<b>1,348</b>	1,273	<b>10,998</b>	4,133
Others, net	<b>(1,948)</b>	759	<b>(15,890)</b>	(2,236)
Sub-total	<b>9,990</b>	30,163	<b>81,485</b>	51,085
Interest and dividends received	<b>752</b>	821	<b>6,137</b>	1,142
Interest paid	<b>(3,370)</b>	(5,480)	<b>(27,492)</b>	(9,987)
Income taxes paid	<b>(1,184)</b>	(5,554)	<b>(9,656)</b>	(9,180)
Net cash provided by operating activities	<b>6,188</b>	19,950	<b>50,474</b>	33,060
Cash flows from investing activities :				
Purchases of securities and other investments	<b>(2,874)</b>	(14,423)	<b>(23,441)</b>	(36,600)
Gain on sale of marketable and investment securities	<b>2,455</b>	16,341	<b>20,020</b>	35,636
Investment on subsidiaries with newly inclusion in consolidation	-	(139)	-	(146)
Purchases of vessels, property and equipment	<b>(35,377)</b>	(24,193)	<b>(288,557)</b>	(47,566)
Expenditures for intangible fixed assets	<b>(794)</b>	(1,516)	<b>(6,477)</b>	(2,982)
Proceeds from sale of vessels, property and equipment	<b>34,243</b>	19,444	<b>279,310</b>	31,794
Others, net	<b>187</b>	1,474	<b>1,527</b>	1,380
Net cash used in investing activities	<b>(2,160)</b>	(3,012)	<b>(17,618)</b>	(18,484)
Cash flows from financing activities :				
Repayment of bonds	<b>(11,000)</b>	-	<b>(89,723)</b>	(7,000)
Net increase (decrease) of short-term loans	<b>12,073</b>	(6,965)	<b>98,474</b>	(3,983)
Proceeds from long-term loans	<b>31,777</b>	18,526	<b>259,193</b>	61,996
Repayment of long-term loans and obligations under finance leases	<b>(37,177)</b>	(22,810)	<b>(303,240)</b>	(64,074)
Cash dividends paid	<b>(1,778)</b>	(2,963)	<b>(14,505)</b>	(2,967)
Cash dividends paid by subsidiaries to minority shareholders	<b>(55)</b>	(51)	<b>(451)</b>	(89)
Others, net	<b>(161)</b>	0	<b>(1,310)</b>	(3)
Net cash used in financing activities	<b>(6,321)</b>	(14,263)	<b>(51,562)</b>	(16,120)
Effect of exchange rate changes on cash and cash equivalents	<b>(607)</b>	159	<b>(4,950)</b>	1,040
Net increase(decrease) in cash and cash equivalents	<b>(2,900)</b>	2,834	<b>(23,656)</b>	(504)
Cash and cash equivalents at beginning of the period	<b>20,681</b>	20,467	<b>168,692</b>	20,467
Increase in cash and cash equivalents arising from inclusion of subsidiaries in consolidation	<b>103</b>	511	<b>843</b>	718
Cash and cash equivalents at end of the period	<b>17,884</b>	23,812	<b>145,879</b>	20,681

## Non-Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. for the year ended March 31, 2002, half years ended September 30, 2001 and 2002

### ASSETS

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

	Six Months ended Sep.30,2002	Year ended Mar.31,2002	Six Months ended Sep.30,2002	Six Months ended Sep.30,2001
Current assets :				
Cash and time deposits	<b>¥6,398</b>	¥7,930	<b>\$52,187</b>	¥4,551
Accounts and notes receivable - trade	<b>49,672</b>	40,657	<b>405,157</b>	38,233
Allowance for doubtful receivables	<b>(2,417)</b>	(2,417)	<b>(19,715)</b>	(2,596)
Fuel and supplies	<b>8,039</b>	5,792	<b>65,572</b>	6,557
Prepaid expenses and deferred charges	<b>16,542</b>	15,526	<b>134,927</b>	15,667
Other current assets	<b>12,185</b>	9,194	<b>99,383</b>	8,334
<b>Total current assets</b>	<b>90,419</b>	76,682	<b>737,511</b>	70,746
Investments and long-term receivables :				
Investments in and advances to subsidiaries and affiliates	<b>36,143</b>	36,110	<b>294,805</b>	36,418
Investments in other securities	<b>45,879</b>	48,644	<b>374,216</b>	39,521
Long-term loans receivable	<b>1,992</b>	2,115	<b>16,249</b>	2,199
Other investments	<b>5,254</b>	5,265	<b>42,860</b>	5,459
Allowance for doubtful receivables	<b>(316)</b>	(317)	<b>(2,581)</b>	(314)
<b>Total investments and long-term receivables</b>	<b>88,952</b>	91,817	<b>725,549</b>	83,283
Vessels, property and equipment :				
Vessels	<b>154,524</b>	154,514	<b>1,260,387</b>	146,722
Buildings and equipment	<b>12,275</b>	12,668	<b>100,126</b>	12,847
Accumulated depreciation	<b>(110,973)</b>	(108,190)	<b>(905,160)</b>	(105,140)
	<b>55,826</b>	58,992	<b>455,353</b>	54,429
Land	<b>23,503</b>	23,503	<b>191,702</b>	18,520
Construction in progress	<b>626</b>	331	<b>5,108</b>	2,408
<b>Vessels, property and equipment, net</b>	<b>79,955</b>	82,826	<b>652,163</b>	75,357
Other assets	<b>6,182</b>	7,875	<b>50,421</b>	6,502
<b>Total assets</b>	<b>¥265,508</b>	¥259,200	<b>\$2,165,644</b>	¥235,888

## Non-Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. for the year ended March 31, 2002, half years ended September 30, 2001 and 2002

### LIABILITIES AND SHAREHOLDERS' EQUITY

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

	Six Months ended Sep.30,2002	Year ended Mar.31,2002	Six Months ended Sep.30,2002	Six Months ended Sep.30,2001
Current liabilities :				
Short-term loans	¥11,862	¥7,037	\$96,754	¥13,087
Current portion of long-term debt	24,582	28,408	200,505	30,062
Accounts and notes payable - trade	51,369	44,555	418,995	34,739
Deferred income	10,260	10,772	83,687	10,943
Other current liabilities	14,823	11,212	120,905	9,632
Total current liabilities	112,896	101,984	920,846	98,463
Long-term liabilities :				
Long-term debt, less current portion	81,003	83,432	660,713	68,297
Allowance for employees' retirement benefits	3,436	4,011	28,026	5,179
Allowance for directors' and statutory auditors' retirement benefits	1,077	1,344	8,785	1,195
Accrued expenses for overhaul of vessels	1,793	1,685	14,624	1,403
Deferred income taxes for land revaluation	1,822	1,822	14,862	-
Other long-term liabilities	-	513	-	354
Total long-term liabilities	89,131	92,807	727,010	76,428
Shareholders' equity :				
Common stock:				
Authorized 1,080,000,000 shares				
Issued 593,796,875 shares	29,690	29,690	242,168	29,690
Capital surplus	14,535	14,535	118,555	14,535
Legal reserve	2,540	2,540	20,721	2,540
Revaluation reserve for land	2,973	2,973	24,248	-
Special reserve	11,850	9,641	96,657	9,641
Retained earnings	3,155	4,413	25,731	6,494
Unrealized holding gains (losses) on investment securities	(1,111)	620	(9,062)	(1,903)
Less: treasury stock, at cost	(151)	(3)	(1,230)	-
Total Shareholders' equity	63,481	64,409	517,788	60,997

## Non-Consolidated Statements of Income

Kawasaki Kisen Kaisha, Ltd. for the year ended March 31, 2002, half years ended September 30,2001 and 2002

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

	<b>Six Months ended Sep.30,2002</b>	Six Months ended Sep.30,2001	<b>Six Months ended Sep.30,2002</b>	Year ended Mar.31,2002
Operating revenues :				
Freight and charter of vessels	<b>¥243,940</b>	¥229,532	<b>\$1,989,726</b>	¥448,354
Other revenues	<b>360</b>	406	<b>2,936</b>	799
Total operating revenues	<b>244,300</b>	229,938	<b>1,992,662</b>	449,153
Operating expenses :				
Expenses, other than depreciation, for vessels	<b>226,901</b>	208,338	<b>1,850,742</b>	419,746
Depreciation of vessels	<b>3,009</b>	3,045	<b>24,545</b>	6,120
Selling, general and administrative expenses	<b>6,964</b>	7,391	<b>56,800</b>	14,447
Other expenses	<b>246</b>	297	<b>2,011</b>	541
Total operating expenses	<b>237,120</b>	219,071	<b>1,934,098</b>	440,854
Operating income	<b>7,180</b>	10,867	<b>58,564</b>	8,299
Other income (expense) :				
Interest and dividend income	<b>646</b>	640	<b>5,273</b>	3,363
Interest expense	<b>(1,630)</b>	(2,035)	<b>(13,295)</b>	(3,992)
Others, net	<b>(1,459)</b>	(1,463)	<b>(11,903)</b>	(3,359)
Total other income (expense)	<b>(2,443)</b>	(2,858)	<b>(19,925)</b>	(3,988)
Income before income taxes	<b>4,737</b>	8,009	<b>38,639</b>	4,311
Income taxes	<b>1,956</b>	3,142	<b>15,952</b>	1,524
Net income	<b>¥2,781</b>	¥4,867	<b>\$22,687</b>	¥2,787