

Financial Highlights

Brief Report for 3rd Quarter FY2004

14 February 2005

Kawasaki Kisen Kaisha, Ltd.

A. Financial Highlights for 3Q 2004F

(unit: billion yen)

		04F 1H (Result) (a)	04F 3Q (Result) (b)	04F (1Q-3Q) (a)+(b)	03F (1Q-3Q)	Comparison (Ratio)	04F 3Q (Prospect) as of 12.Nov'04	Comparison (Ratio)
Operating Revenues	Consoli	413.6	208.4	622.0	537.8	+84.2(16%)	615.6	+6.4 (1.0%)
	Non	332.0	163.8	495.8	436.4	+59.4(14%)	490.0	+5.8 (1.2%)
Operating Income	Consoli	60.3	25.6	85.9	50.0	+35.9(72%)	84.3	+1.6 (1.9%)
	Non	48.3	18.6	66.9	39.2	+27.7(71%)	66.3	+0.6 (1.0%)
Ordinary Income*	Consoli	61.9	23.9	85.8	44.0	+41.8(95%)	83.9	+1.9 (2.3%)
	Non	50.0	18.5	68.5	34.9	+33.6(96%)	67.0	+1.5 (2.2%)
Net Income	Consoli	33.5	12.8	46.3	21.7	+24.6(113%)	47.5	-1.2 (2.5%)
	Non	27.2	10.0	37.2	17.1	+20.1(118%)	38.2	-1.0 (2.6%)
Exchange Rate	Average	¥109	¥107	¥109	¥116	+¥7(+6.5%)	¥108	- ¥1
Bunker Price	Average	\$184	\$197	\$188	\$170	+\$18(+10.7%)	\$190	- \$2

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

- Extraordinary losses due to the early application of impairment accounting for fixed assets as of 1st Half: 4.7 billion yen (Non-consolidated), 7 billion yen (Consolidated)
- Liquidation of a overseas financing subsidiary Company in 3Q, 2.7 billion yen (Non-consolidated) (originally intended for 4Q FY2004)

B. Business Environment for 3Q 2004F (April – December)

(Global Economy)

- U.S.: Increased capital investment and consumer spending,
Upward trend of the economy
- E.U.: Continued steady economic growth due to economic vitalization
within the enlarged EU
- Other Asia: Increased exports, Expanding domestic consumption,
Growing capital investment, Economic expansion
- Japan: Improvement in corporate profits, Increased capital investment,
Steady economic growth

(Our Business)

- Freight restoration in container services realized on North-South service
routes
- Bulker and Tanker market positive
- PCTC increase in volume for U.S., Europe and Australia

C-1. Trend of Division-wise Results 3Q 2004F (for Container Business)

Container: Sharp increase in profit compared with 3Q 2003F
(Loaded cargo volume: 1.71 (3Q'03F) >>>1.86 mil. TEU(3Q'04F)(+9%)

- Positive cargo volume in Asia-North America/Europe trades mainly from China
- Large increase in number of containers carried in every trade (Asia-North America +6%, Asia-Europe +6%, inter-Asia +15%)
- Freight restoration realized in Asia-Europe/North America trades
- Start of the Asia-Aegean Sea trade, New service between the U.S. East Coast and the East Coast of South America, Increased frequency of services in Asia and Southeast Australia trade, Enhancement in all water service between Asia and the U.S. East coast via Panama Canal
- Ship-charter rate, Fuel-Oil Price staying higher, Rise in value of Japanese Yen against U.S. Dollar

C-2. Trend of Division-wise Results 3Q 2004F (for Bulker & Car Carrier Service)

Bulker & Car Carrier : Sharp increase in profit compared with 3Q 2003F

- Bulker : High market freight rate at every type of bulker after temporal slump in 1Q '04H

(Operating Tonnage : 101.19 (3Q'03F)

>>> 106.18 mil.tons (3Q'04F) (+5%)

- Car Carrier : Increased volume for U.S.A. from Far East (+31%)
Positive cargo movement in Far East - Europe/Australia and off-shore trades
Hike in charterage, fuel oil price,
Trend of Yen appreciation against the US dollar
Operational cost reduction with efficient ship deployment

(Units carried: 1254 (3Q'03F)

>>>1542 thousand units (3Q'04F) (+23% Large increase))

C-3. Trend of Division-wise Results 3Q 2004F (for Energy Transportation)

Energy Transportation : Sharp increase in profit compared with 3Q 2003F

- LNG Carrier : Stable progress in each project

(Operating Tonnage : 4.15 (3Q'03F) >>> 3.97 mil.tons (3Q'04F) (-4%))

- Thermal Coal Carrier : Newly built vessels

>>> Large increase in cargo volume

Improvement of market freight rates , Elimination of the loss due to hike in charterage

(Operating Tonnage : 11.08 (3Q'03F) >>> 11.23 mil.tons (3Q'04F) (+1.4%))

- Tanker : Stable positive market

(Operating Tonnage : 18.56 (3Q'03F) >>> 22.05 mil. (3Q'04F) (+19%))

C-4. Trend of Division-wise Results 3Q 2004F (for Consolidated Subsidiaries)

- Short Sea/Coastal Shipping: Unchanged operating revenues and income
- Air Forwarding: Increased operating revenues and income
- Freight Forwarding/Harbor Transportation: Increased operating revenues and income with increased container volume

D. Outline of Upward/Downward Profit Factors for 3Q 2004F

Ordinary Income* :3Q 2004F prospect**83.9, 3Q 2003F result 44.0

>>> 3Q 2004F result 85.8 billion yen

comparison with expected 3Q 2004F**/3Q 2003F

(unit: billion yen)

● Fluctuation in exchange rate	-	-5.7
● Increase of Bunker Price	-	-3.1
● Market improvement (Container, Bulker, Tanker)	+1.9	+33.7
● Business Expansion	-	+11.5
● Cost Reduction, others	-	+5.4
<hr/>		
Total	+1.9	+41.8

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

** 3Q 2004F prospect is as of 12 November 2004 upon announcement of 1H 2004FY financial close

E. Prospects for FY2004

(unit:billion yen)

		04F 1H Results	04F 2H Prospects	04F Revised Prospects (a)	FY2003 Results	Comparison (Ratio)	04F 1H Results	Comparison (Ratio)
Operating Revenues	Consoli	413.6	409.4	823.0	724.7	+98.3(14%)	820.0	+3.0(0.4%)
	Non	332.0	322.0	654.0	585.0	+69.0(12%)	650.0	+4.0(0.6%)
Operating Income	Consoli	60.3	48.7	109.0	70.5	+38.5(55%)	106.0	+3.0(2.8%)
	Non	48.3	36.7	85.0	55.1	+29.9(54%)	83.0	+2.0(2.4%)
Ordinary Income*	Consoli	61.9	46.1	108.0	62.6	+45.4(73%)	105.0	+3.0(2.9%)
	Non	50.0	35.5	85.5	49.7	+35.8(72%)	84.0	+1.5(1.8%)
Net Income	Consoli	33.5	26.5	60.0	33.2	+26.8(81%)	58.0	+2.0(3.4%)
	Non	27.2	20.8	48.0	24.5	+23.5(96%)	47.0	+1.0(2.1%)
Dividend	Non	¥7.5	¥7.5	¥15	¥10	+¥5(50%)	¥15	-
Exchange Rate	Average	¥109	¥105	¥107	¥114	+¥7(6%)	¥107	-
Bunker Price	Average	\$184	\$198	\$191	\$170	+\$21(12%)	\$192	-\$1

Assumption for 4Q 2004F: Exchange rate ¥107/1\$, Bunker price \$200/Kton

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

** FY2004 previous prospects is as of 12 November 2004, the date of announcement of 1H 2004F financial close.

F. Trend of division-wise prospects for FY2004

< Container Business >

- In the Asia-North America trade, enlarged capacity in PNW and additional loop in AW service make up for the influence of confusion in PSW service.
- In the Asia-Europe route, despite winter slack season, favorable trend is maintained.
- Positive cargo movement in the inter-Asia, North-South trades are on a soft note
- Average freight rate: Downward adjustment expected in the Asia-Europe and in North-South routes due to seasonal factors.

< Bulker >

- Bulker market is prospected to be in favorable trend continuously in 4Q.
>>> Both operating revenues and income far exceed FY 2003 results.

< Car carrier >

- Continuing growth in car sales in the world
>>> Trend of lack of capacity due to demand increase

< LNG Carrier >

- Start of new projects contributes

< Thermal Coal Carrier >

- Stable demands from customers in Japan >>> Profit remains stable

< Tanker >

- Market freight level staying very high
>>> AFRAMAX & LR2 type tankers enjoying favorable market

G. Outline of Upward/Downward Profit Factors for 2004F

Ordinary Income*: 2004F previous prospect** 105.0, 2003F result 62.6

>>> 2004F revised prospect 108.0 billion yen

comparison with 2004F prospect/2003F result

(unit: billion yen)

● Fluctuation in exchange rate	-	-7.0
● Bunker Oil Price	-	-4.8
● Market volatility (Container, Bulker, Tanker)	+3.0	+36.0
● Business Expansion	-	+14.0
● Cost Reduction, others	-	+7.2
Total	+3.0	+45.4

Rise/Fall 1 Yen/US\$ in exchange rate affects the level of Ordinary Income* by +/- 1 billion Yen annually.

Increase/Decrease of fuel oil prices at \$10 per metric tons is around 2.3 billion Yen annually.

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

**2004F previous prospect is as of 12 November 2004 upon announcement of 1H 2004FY financial close.

H. Cash Flows/The amount of investment, and main financial indices

(unit:billion yen)

	FY2003 Results	FY2004 1H Results	FY2004 Prospects *
Cash Flows from Operating Activities (Depreciation)	78.6 (25.6)	45.4 (12.2)	84.0 (24.5)
Cash Flows from Investment Activities	-51.8	-21.5	-55.0
Free Cash Flows	26.8	23.9	29.0
Investment amount	53.8	43.5	80.5
Vessels	42.6	30.0	54.7
Others	11.2	13.5	26.9
Shareholders' Equity	121.0	155.2	180.0
Interest Bearing Liabilities	281.8	261.6	260.0
R O E	32.7%	48.6%	40%
R O A	11.6%	21.6%	19%
Equity Ratio	21.6%	26.3%	30%
Debt Equity Ratio	233%	169%	144%

[Fleet delivered in 2004]

On-Balance :

Isuzugawa (Tanker)

Raffles River (Tanker)

Operating Lease scheme:

Fujikawa (Tanker)

Universal Gloria (Chip)

Corona Kingdom (Coal Carrier)

Verrazano Bridge (Container)

Virginia Bridge (Container)

Valencia Bridge (Container)

I. Updated Status of “K”Line Vision2008

Fundamental Assignments

Positive efforts for addressing strategic domain/areas

(Container/Logistic Business)

- Establishment of agency and branch network in BRICS countries
- “K” Line Air Service, Ltd. : Started a logistics company in the City of Shanghai, and a new forwarding company in Shenzhen, China.

(Iron Ore Carrier)

- Two new cape-size Bulkers are completed.

(Energy transportation)

- Conclusion of a 20-year charter contract for a new 147,000m³ type LNG carrier with Sakhalin Energy Investment Company Ltd
- Signing of a 25-year charter agreement for a new 145,000 m³ LNG carrier with Ras Laffan Liquefied Natural Gas Co. Ltd II (RasGas II).
- Jointly with a subsidiary of Osaka Gas, concluded shipbuilding contract for New 153,000M³ Type LNG Carrier with Kawasaki Shipbuilding Corporation mainly to serve LNG transportation for Osaka Gas.
- Long-term charter agreement with Yara for two new 38,000 cubic meter, fully refrigerated Ammonia/LPG Carriers.

Efforts for spreading and rooting a cost curtailment campaign to the K”LINE Group as a gene of corporate

Cost curtailment achievement is expected 7 Billion Yen, over the target for this year 5 Billion Yen

Strengthening of financial constitution and establishment of a stable dividend payment structure

K” Line Bonds Upgrades from A- to A (JCR), from BBB+ to A- (R&I)

J. Cost Curtailing Campaign

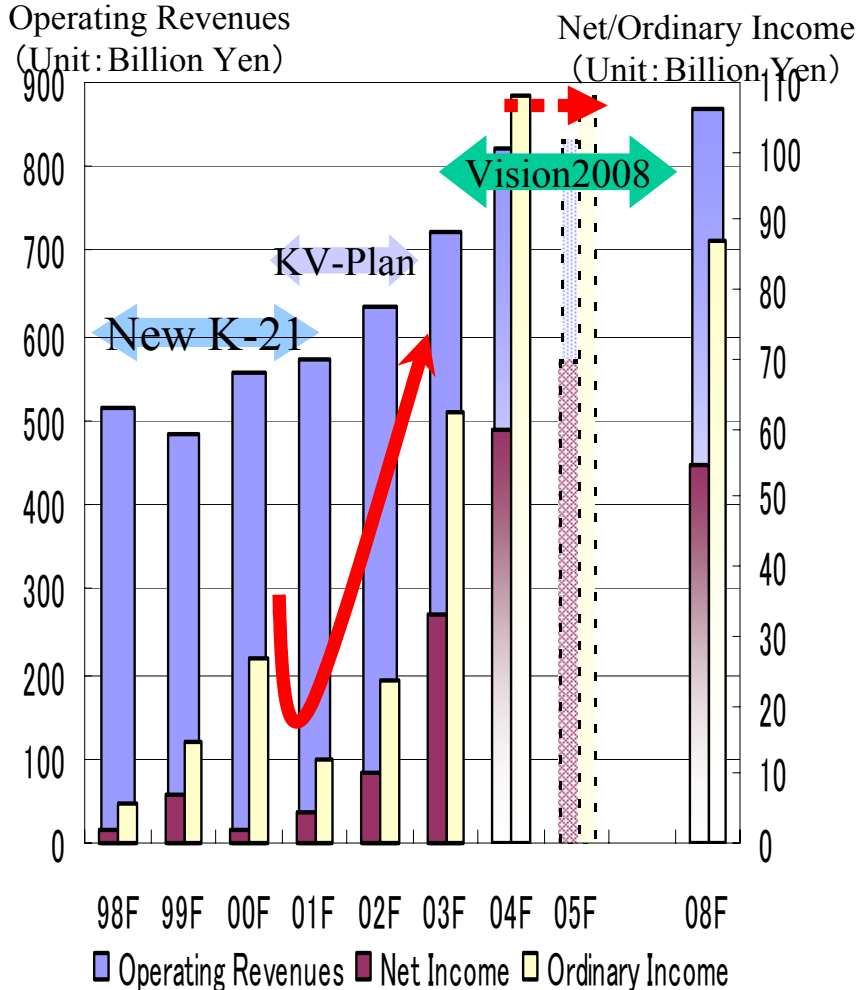
Target for FY2004 : 5 Billion Yen

(unit:billion yen)

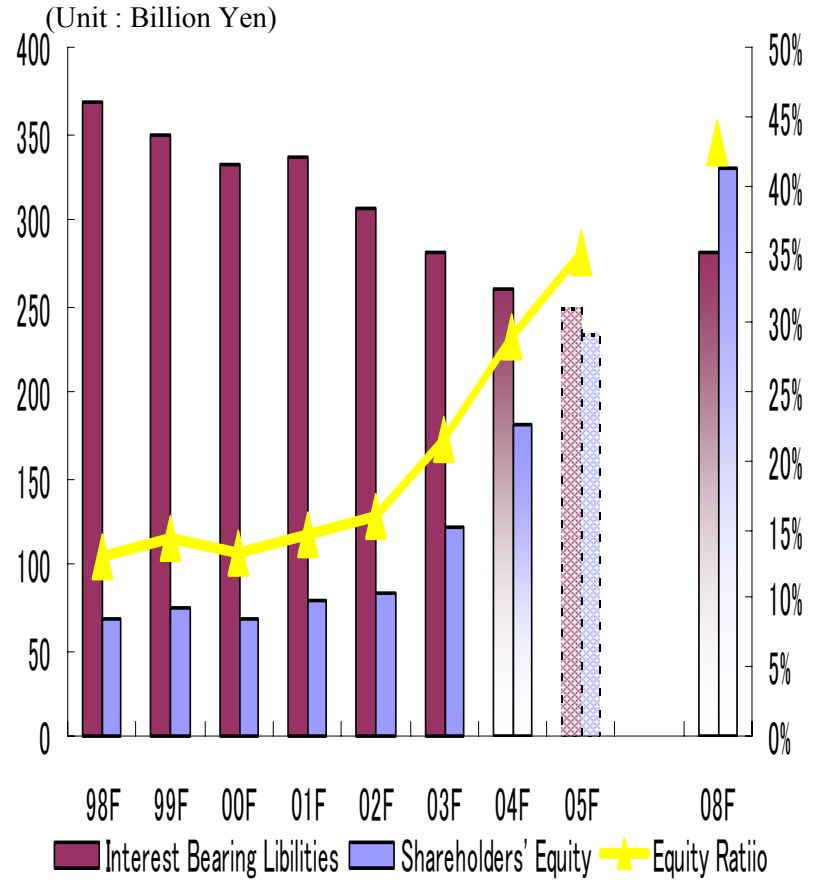
Cost saving items	1H'04	2H'04	Total
Vessel cost reduction	0.5	0.4	0.9
Various cargo charges reduction	1.3	0.8	2.1
Service rationalization	0.3	0.8	1.1
Subsidiary company's various cost reduction	0.4	0.8	1.2
Administrative cost reduction	0.2	0.2	0.4
Container equipment related cost reduction	0.8	0.5	1.3
Total	3.5	3.5	7.0
(Division wise result/prospect)			
Container Business (Inc. overseas subsidiaries)	2.4	2.0	4.4
Others (Inc. overseas subsidiaries)	0.7	0.7	1.4
Subsidiaries in Japan	0.4	0.8	1.2

(Numerical Targets)

Profit Transition



Major management indices



Business Prospects for 2005F

Business Environment for 2005F

(Global Economy)

- The U.S. & E.U. : Slowdown in the 1 st Half, recovery from mid-year
- China : Continue measures to restrict economic growth, 8% growth rate
- Other Asian countries: Slowdown to 5-6% economic growth rate

(Our Business)

- Despite downward pressure such as hike in fuel oil price, business condition prospected to remain unchanged from 2004 F overall

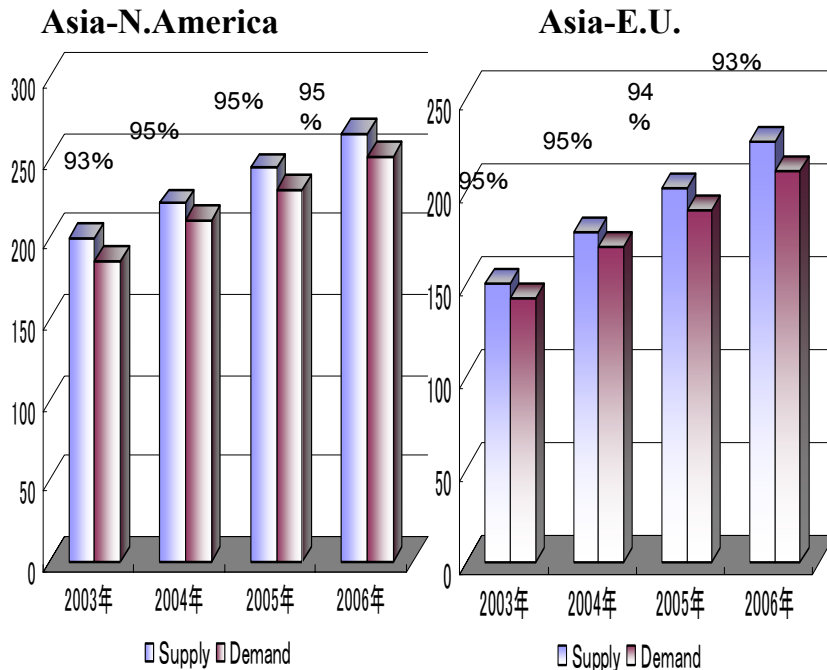
<Business Strategy: Containership>

1. Containership Business

[Prospect of container movement increase]

Shipping Route	2003	2004	2005	2006
Asia-N.America	8.5%	14.1%	10-12%	10-12%
Asia-E.U.	17.6%	16.3%	13-16%	13-16%

[Supply & Demand Balance]



【Trend in Cargo Movement】

Asia-N. America: January '05 import restrictions on apparel under the WTO lifted >>> Export from China/India to be increased

Asia-E.U.: Enlarged E.U. pull stable cargo transportation

【Trend in Supply/Demand condition】

Supply & Demand situation balances in '05F

Asia-N. America: Capacity+12% vs. Cargo+10-12%

Asia-E.U.:Capacity+14%vs. Cargo+13-16%

【Trend in Freight Rate】

Various cost increase, such as Charterage, Fuel Oil Price, Ship Building cost, Security cost, etc.

>>> Pressure on freight restoration

[Strategy]

- **Strengthen cost competitiveness and expand scale of operation with enhancement of fleet**
- **Stabilize freight rate with spread of multiple-year shipping contracts**

<Business Strategy-Bulk Carrier>

2. Coal & Iron Ore Carrier

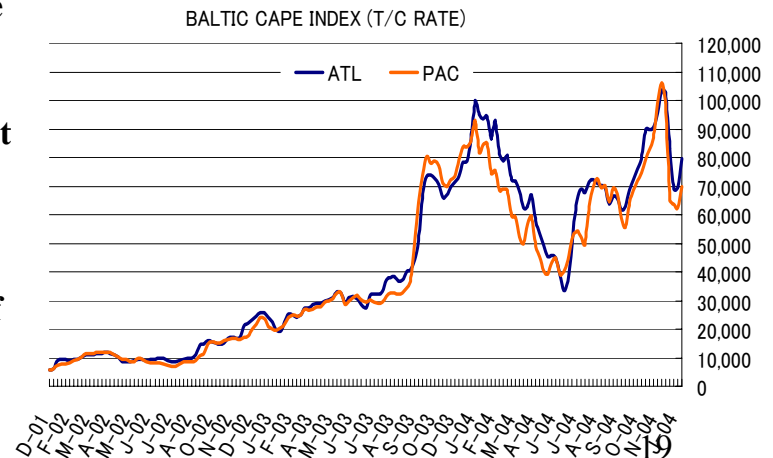
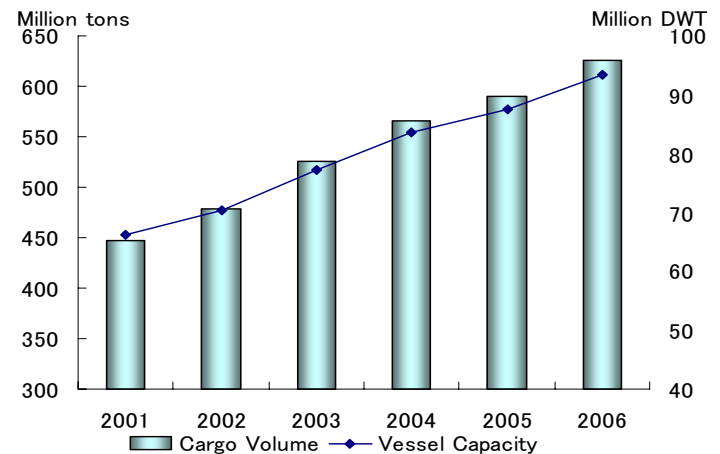
[Business Environment]

- World crude steel production recorded 1.03 billion tons in '04. Within a few years it will hit 1.1 billion tons. (The production in China prospected : '04- 0.26 billion tons, '10- 0.36 billion tons)
- Coking Coal & Iron Ore trade volume by sea is expected to increase by approx. 40million tons per year.
- Expected increase of cape-size bulkers (40-50 vessels/year) almost matches demand increase due to trade volume growth and heavy congestion at ports. Demand /Supply situation does not substantially change, and freight market will stay at high level over three years.

[Strategy]

- Expanding business by positive investment (Business scale target for '04F, 10 million tons of transportation and fleet scale of cape-size 50 and panamax type 25, achieved)
- Maintain the position as leading carrier by expanding fleet and upgrading service quality
- Continue strengthening of domestic business
- Ensure “K”LINE Brand with our know-how, human resources, development of technology and achievement of safe navigation
- Tackle business expansion in developing markets such as Asia, Europe and the U.S.

Seaborne Iron Ore Volume & Required Vessel Capacity



<Business Strategy-Bulk Carrier>

3. General Bulk Carrier

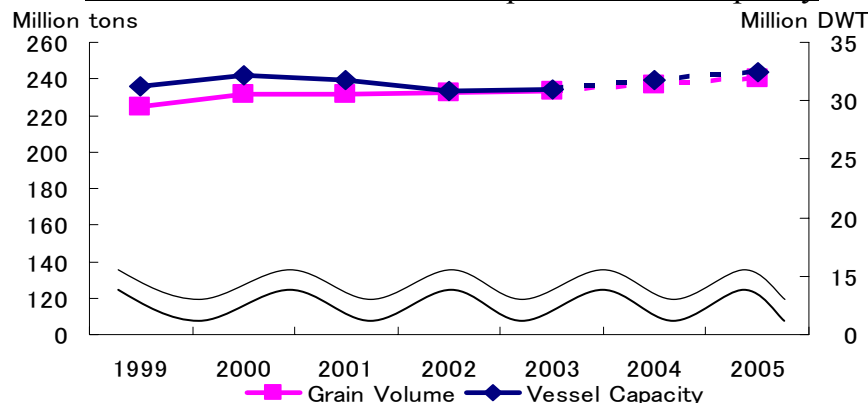
[Business environment]

- Positive cargo volume of major cargoes which much affect bulk market, such as soybeans/feed to Asia mainly China, or coal again to Asia/China, or E.U. which is in tendency to abolish nuclear power plants
- Panamax/Handymax market remaining at a high level for 1-2 years depending on the boom in Cape-size market
- High possibility of increase in demand to chip carriers because paper mills in China start operation after 2006

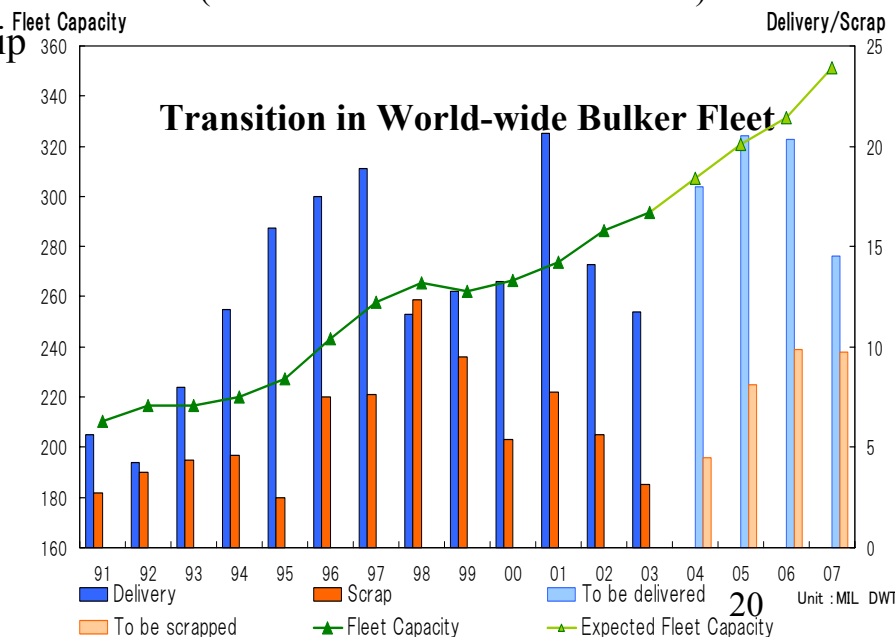
[Strategy]

- Increase and deepen business with existing customers
- Develop new category of cargo which could become core business, with cargoes to be connected with it

Seaborne Grain volume & Required Vessel Capacity



(Source : Clarkson Research Studies)

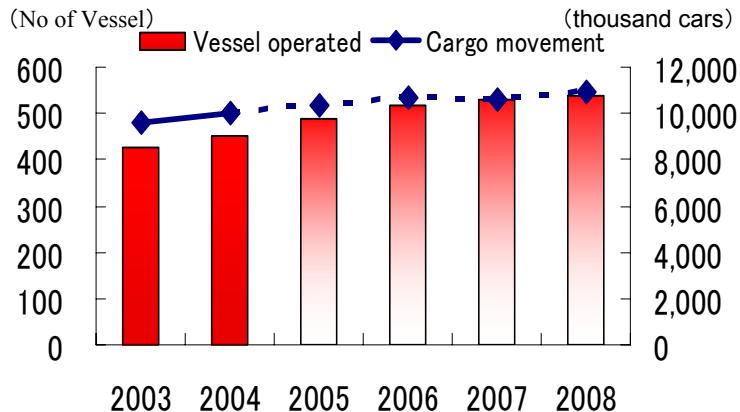


20

Unit : MIL DWT

4. Car Carrier Business

[Global shipping capacity and cargo movement]



[Business environment]

- Increase in off-Japan trade with globalization of automobile industry
- Increase of car sales in the U.S. to 17 million level with population growth is prospected
- Demand for new shipping route and additional cargo movement are expected with worldwide change or diversification of supply source
- East Europe/India/China is expected as new car sale market

>>>Expansion of world marine transport for complete cars

[Strategy]

Expand business scale along with diversification of production sites and increase in marine transport of complete cars all over the world

Strengthen transportation of non self-propelled cargoes such as agricultural/constructional machinery, vehicle, or general cargo, utilizing every kind of equipment for transportation

Addressing stable transport and upgrading of transport service quality, as well as developing our IT-based transport services

Settle the “K”LINE corporate brand as a *Global RORO Carrier*

Expand overseas business bases and promote independent regional businesses

Establish long and trusted relationships with valued customers and promote service differentiation through the comprehensive capabilities of the “K”LINE Group

5. LNG Carrier

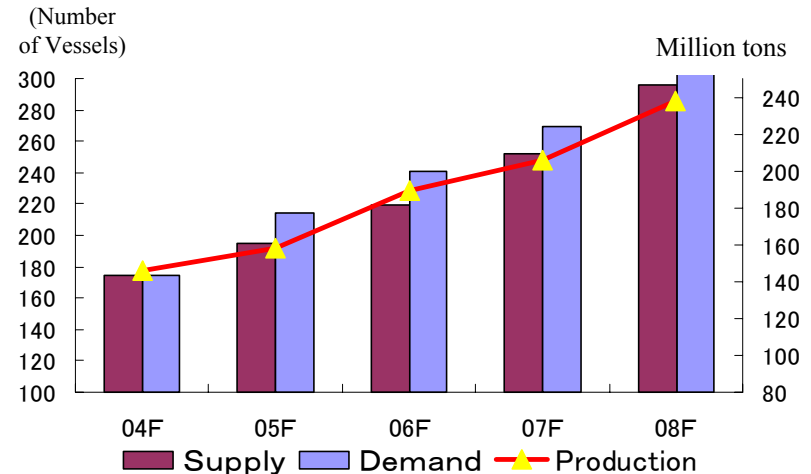
[Business environment]

- Increasing global demands for LNG centering on U.S.
- Increase in U.S. domestic gas production cost
 >>> Increase LNG cost competitiveness
- Respond to further flexible form of transportation contract
- Respond to new technologies (larger type vessels, new type of engine, CNG, etc.)

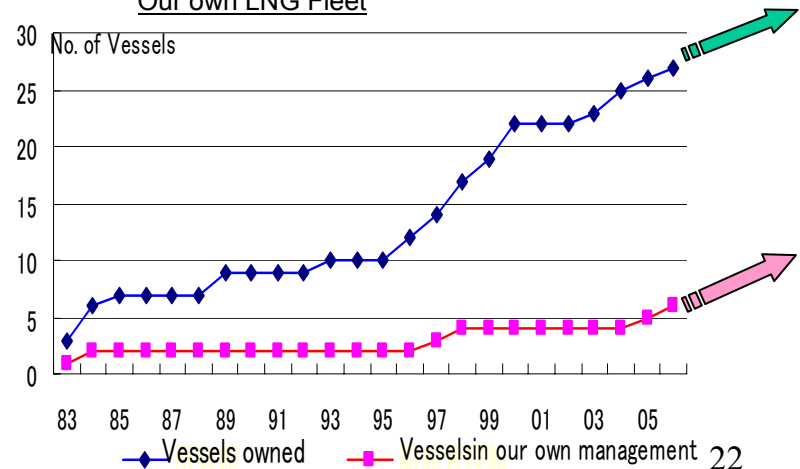
[Strategy]

- Promote new project based on selection and concentration
- Improve ship management for off-Japan trade

Seaborne LNG volume/LNG Fleet Prospects



Our own LNG Fleet



6. Thermal Coal Carrier

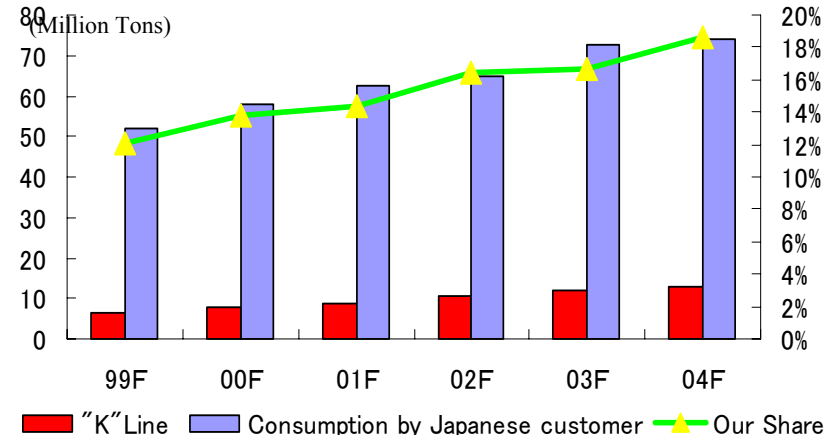
[Business environment]

- Coal-fired power plants expected to remain as main electric power source. The market size would reach the plateau of 70-75 million tons in Japan in 2004/2005 when all scheduled power plants there are completed

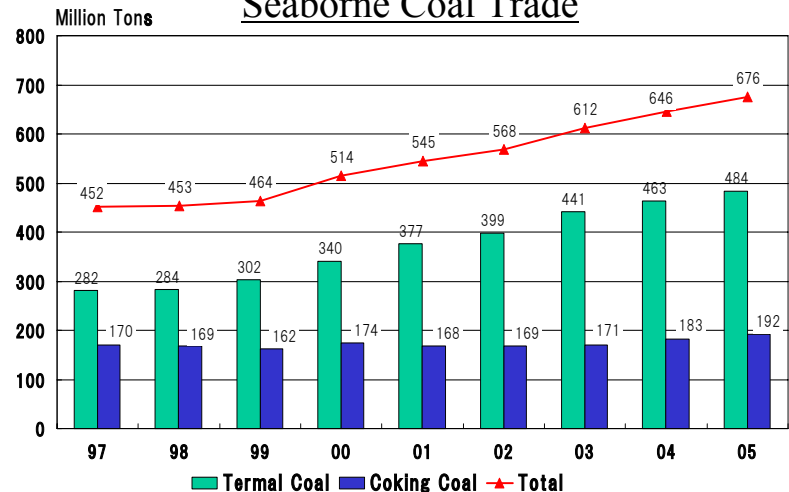
[Strategy]

- Respond flexibly to operating rate variation of coal-fired power plants
- Strengthen and improve our transport system with Corona-series fleet at both hardware and software, including supplementary panamax fleet

Thermal Coal Transportation



Seaborne Coal Trade



<Business Strategy-Energy Transportation>

7. Tanker

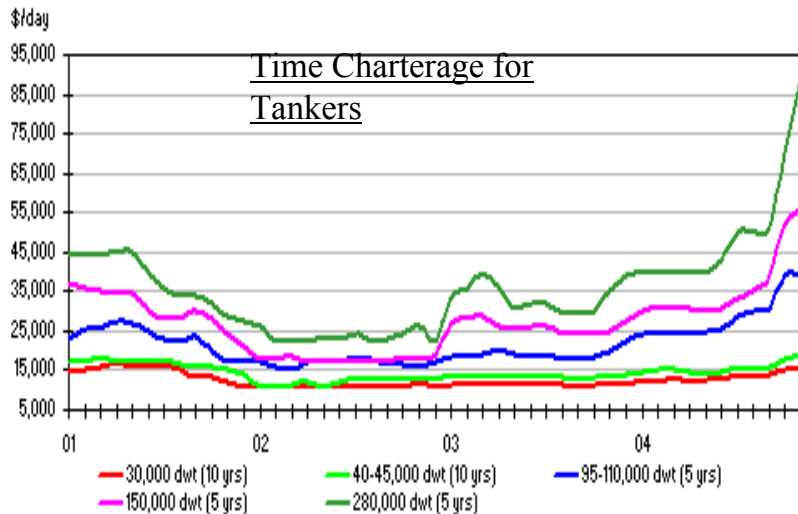
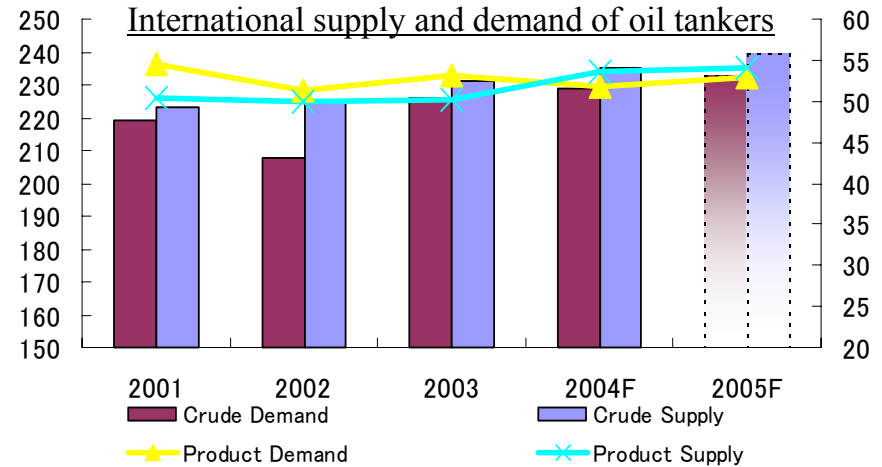
[Business environment]

- Prospect of Demand for Crude Oil in the world
 - '04 82.4 million barrel / day (YoY +3.3%)
 - '05 83.9 million barrel / day (YoY +1.7%)
- Seaborne trade volume prospects
 - Crude Oil +2-3%, Oil Products +4-5%
 - >>> Tanker market stable

[Strategy]

- To be recognized as global operator with considerable size of fleet and qualified service
- To provide high quality service based on safety in ship operation

(Million weight tons)



VLCC/AFRAMAX prospects

