

Financial Highlights

Brief Report for FY2003

May 2004

Kawasaki Kisen Kaisha, Ltd.

A. Financial Highlights for FY2003

A-1. Financial Highlights for FY2003

(unit: billion yen)

		FY2002 (b)	FY2003 (a)	Comparison (a)-(b)	Comparison (ratio)	Prospect in FY2003*
Operating Revenues	Consoli	632.7	724.7	92.0	14.5%	707.0
	Non	499.8	585.0	85.2	17.0%	570.0
Operating income	Consoli	29.3	70.5	41.2	140.6%	65.0
	Non	19.8	55.1	35.3	178.3%	50.0
Ordinary income**	Consoli	23.7	62.6	38.9	164.1%	56.0
	Non	16.4	49.7	33.3	203.0%	45.0
Net income	Consoli	10.4	33.2	22.8	219.2%	29.0
	Non	6.5	24.5	18.0	276.0%	22.0
Dividend	Non	¥5/share	¥10/share	+¥5	-	¥10
Exchange Rate	average	¥122.29	¥113.97	+¥8.32	+6.8%	¥113.33
Bunker Price	average	\$161.60	\$170.00	+\$8.40	+5.2%	\$170.12

Bunker Cost : 67.7billion yen (+6.9billion Yen compared with previous year)

Consumption : 3.54million Met.Ton(+0.34million Met.Ton compared with previous year)

*FY2003 yearly prospect is as of 12 February 2003, the date of announcement of 3Q financial report.

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

A-2. Consolidated Financial Results on Segment Basis for FY2003

(unit: billion yen)

March 2004	Shippin g	Transportatio n	O t h e r s	Consolidate d
Operating Revenues(a)	622.1	89.9	12.7	724.7
Operating Profit(b)	61.3	8.0	1.2	70.5

March 2003	Shippin g	Transportatio n	O t h e r s	Consolidate d
Operating Revenues(c)	530.2	88.8	13.7	632.7
Operating Profit(d)	22.4	4.8	2.1	29.3

Comparison(a)-(c)	+91.9	+1.1	-1.0	+92.0
Comparison(b)-(d)	+38.9	+3.2	-0.9	+4 ⁴ 1.2

A-3. Business Environment

(Global Economy)

- **U.S.: Growth in consumer spending, Increased capital investment
>>>Speedy economic recovery**
- **E.U.: Economic recovery**
- **Japan: Stable export, Tendency toward recovery**
- **Other Asia: Limited effect from SARS, Rapid growth in China**

(Our business)

- **Fuel-oil price staying higher**
- **Steep rise in value of Japanese Yen against U.S. Dollar from mid- September**
- **Positive container movements in various trades**
- **Freight restoration in container services realized in Asia-North America/
Europe, and trans-Atlantic trade**
- **Bulker and Tanker market positive**
- **PCTC increase in Japan-Australia and off-Japan trade**

A-4. Trend of Division-wise Results FY2003 (for Container Business)

Container: FY2003 result exceeded prospect*

(Loaded cargo volume:2.07('02F) >>>2.28mil. TEU('03F)(+10%)

- Positive cargo volume in Asia-North America/Europe trades mainly from China
- Number of containers carried exceeded prospects in every trade of Asia-North America/Europe, and inter-Asia.
- Freight restoration in container services realized in Asia-North America/Europe, and trans-Atlantic trades
- Reinforcement in Asia-Mediterranean Sea trade (April)
- Fuel-Oil Price staying higher

A-5. Trend of Division-wise Results FY2003 (for Bulker & Car Carrier Service)

Bulker & Car Carrier : FY2003 result exceeded prospect*

- Bulker : Market freight level favorable
Remarkable increase in tonnage of every type of bulker,
from ‘Cape-size’, ‘Panamax’ to ‘small handy’
(Operating Tonnage : 1.16 (’02F) >>>1.38 mil.tons (’03F) (+19%))
- Car Carrier : Decreased volume carried for U.S.A./Europe from Far East
Positive cargo movement in Far East-Australia/Middle East
trade and off-Japan trade
Operational cost reduction with efficient ship deployment
(Units carried: 1.62 (’02F) >>>1.73 mil. units (’03F) (+7%))

A-6. Trend of Division-wise Results FY2003 (for Energy Transportation)

Energy Transportation : FY2003 result meets prospect

- LNG Carrier : Stable progress in each project

(Operating Tonnage : 5.52 ('02F) >>> 5.52 mil.tons ('03F) (flat))

- Thermal Coal Carrier : Increase of cargo volume with newly built vessels; Short-term chartered vessels in some trades under longer term freight contracts cause loss due to hike in charterage

(Operating Tonnage : 12.28 ('02F) >>> 14.47 mil.tons ('03F) (+18%))

- Tanker : Comparatively Stable

(Operating Tonnage : 23.24 ('02F) >>> 22.20 mil. ('03F) (-4.5%))

A-7. Trend of Division-wise Results FY2003 (for Consolidated Subsidiaries)

- Short Sea/Coastal Shipping: Stable with efficient ship deployment and increase of cargo volume
- Services Incidental to Transportation:
Stable with increased container volume

A-8. Outline of upward/downward Profit Factors for FY2003

(unit: billion yen)

Ordinary Income* : FY2003 prospect**56.0, FY2002 result 23.7
 >>> FY2003 result 62.6 billion yen

expected FY2003** /comparison with FY2002

• Fluctuation in exchange rate	-	-10.0
• Increase of Bunker Price	-	- 1.9
• Market improvement(Container, Bulker, Tanker)	+5.4	+35.3
• Business Expansion	+0.5	+ 5.5
• <u>Cost Reduction, others</u>	+0.7	+10.0
Total	+ 6.6	+38.9

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

** FY2003 prospect is precondition as of 12 Feb. 2004 upon announcement of 3Q2003F financial close

B. Prospects for FY2004

B-1. Prospects for FY2004

(unit: billion yen)

		04F1Q Prospect	04F1H Prospect	04F Yearly Prospect	FY 2003 Result	Difference	Increase Ratio
Operating Revenues	Consoli	180.0	370.0	760.0	724.7	+35.3	+4.9%
	Non	145.0	300.0	600.0	585.0	+15.0	+2.6%
Operating income	Consoli	17.0	38.0	76.0	70.5	+5.5	+7.8%
	Non	14.0	29.5	57.0	55.1	+1.9	+3.4%
Ordinary income*	Consoli	16.5	37.0	74.0	62.6	+11.4	+18.2%
	Non	13.5	29.0	56.0	49.7	+6.3	+12.7%
Net income	Consoli	10.0	23.0	46.0	33.2	+12.8	+38.6%
	Non	8.5	18.0	34.0	24.5	+9.5	+38.8%
Dividend	Non	¥10	¥5	¥10	¥10	-	-
Exchange Rate	Average	¥105	¥105	¥108	¥113.97	+¥5.97	+5.2%
Bunker Price	Average	\$170	\$170	\$170	\$170.00	-	-

Assumption: Exchange rate ¥105/1\$ for 1H, ¥110/1\$ for 2H, Bunker price \$170/Kton

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

B-2. Consolidated Financial Prospect on Segment Basis for FY2004

(unit: billion yen)

March 2005	Shipping	Transportation	O t h e r s	Consolidated
Operating Revenues (a)	645.0	102.0	13.0	760.0
Operating Profit (b)	66.0	9.0	1.0	76.0

March 2004	Shipping	Transportation	O t h e r s	Consolidated
Operating Revenues (c)	622.1	89.9	12.7	724.7
Operating Profit (d)	61.3	8.0	1.2	70.5

Comparison(a)-(c)	+22.9	+12.1	+0.3	+35.3
Comparison(b)-(d)	+4.7	+1.0	-0.2	+5.5

B-3. Trend of division-wise result

<Container Business> – **Positive cargo movement**

Negative factor : Fuel price staying higher, hike in charterage

Measure : further cost curtailment in operation cost, rationalization of service network

>>Stable in general

<Bulkier&Car Carrier Service>

Bulker : Stable market with positive movement by growing demand for cargo mainly to China

Car carrier : Expand services in off-Japan trade and further improvement of fleet responding to global growing market condition

>>Better than FY2002 achievement

<Energy Transport Service>

LNG carrier : Expand to 26 vessels, prospect of growing demand of LNG carriers to the U.S. and Europe

Thermal coal carrier : Stable demand in prospect , expansion with enhanced fleet

Tanker : Market freight level favorable because of oil demand growth in China

>>Stable in general

B-4. Outline of Upward/Downward Factors Affecting Prospects for FY2004

Ordinary Income*:FY2003 result 62.6

>>>74.0billion yen, +11.4billion yen

comparison with FY2003 result

• Fluctuation in exchange rate(+¥5.97)	- 6.0
• Bunker Oil Price	-
• Market volatility(Container, Bulker, Tanker)	+12.0
• Business Expansion	+ 5.0
• Others	+ 0.4
<hr/>	
Total	+11.4

<Upward/Downward Factors>

- Rise/Fall of 1 Yen in exchange rate >>>Non-consoli. -/+ 0.9, Consoli. -/+1.0 billion yen
- Increase/Decrease of Bunker Price at \$10/KT >>>Non-consoli. -/+2.0, Consoli. -/+2.2 billion yen

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

B-5. Investment and Cash Flows

(unit: billion yen)

	F Y 2 0 0 2 R e s u l t s	F Y 2 0 0 3 R e s u l t s	F Y 2 0 0 4 P r o s p e c t s
Investment*	64.2	53.8	73.2
Vessel	51.7	42.6	59.9
Others	12.5	11.2	13.3
(Non-consolidated)	4.5	11.8	4.2
Operating Cash Flow	32.9	78.6	80.0
(Depreciation)	(29.5)	(25.6)	(24.5)
Investment Cash Flow	-23.7	-51.8	-55.0
Free Cash Flow	9.2	26.8	25.0

* Investment for Vessel is amounted based on completion day of each vessel, including those even financed in operating lease scheme eventually. Therefore, total of Investment is not equal to Investment Cash Flow.

C. Overview of KV-Plan & New Management plan

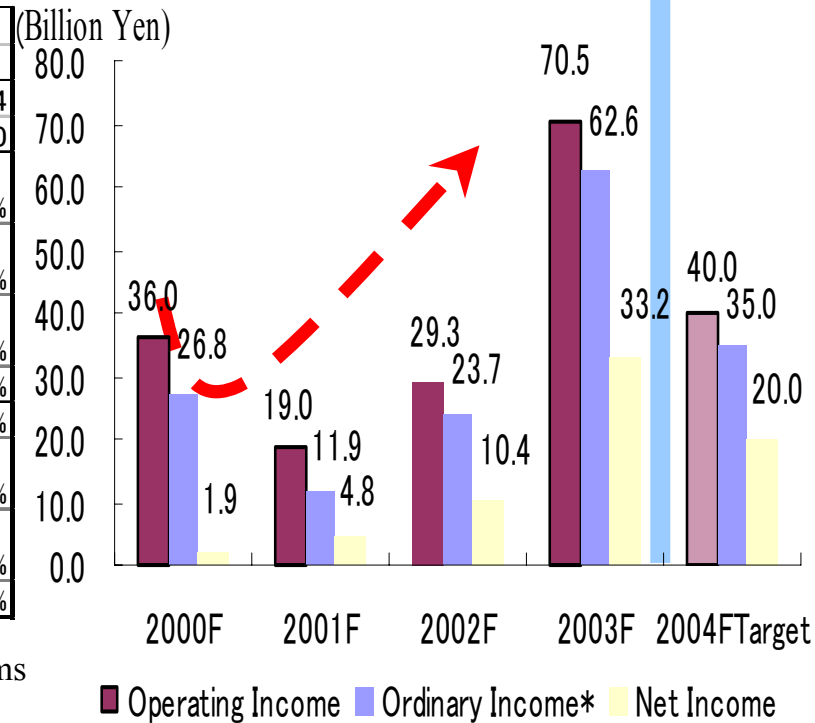
”K”LINE Vision 2008

C-1. KV-Plan Achievement (P/L)

<P/L indices>

(unit: billion yen)

		Result for 2002F	Result for 2003F	KV-Plan for 2004F	KV-Plan achievement ratio
Exchange Rate	/US\$	¥122	¥114	¥130	+¥14
Bunker Price	/MT	\$162	\$170	\$130	+\$40
Non-Consolidated	Revenues	499.8	585.0	500.0	117%
	Operating Income	19.8	55.1	27.0	204%
	Ordinary Income*	16.4	49.7	24.0	207%
	Net Income	6.5	24.5	13.0	188%
Consolidated	Revenues	632.7	724.7	650.0	111%
	Operating Income	29.3	70.5	40.0	176%
	Ordinary Income*	23.7	62.6	35.0	179%
	Net Income	10.4	33.2	20.0	166%



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

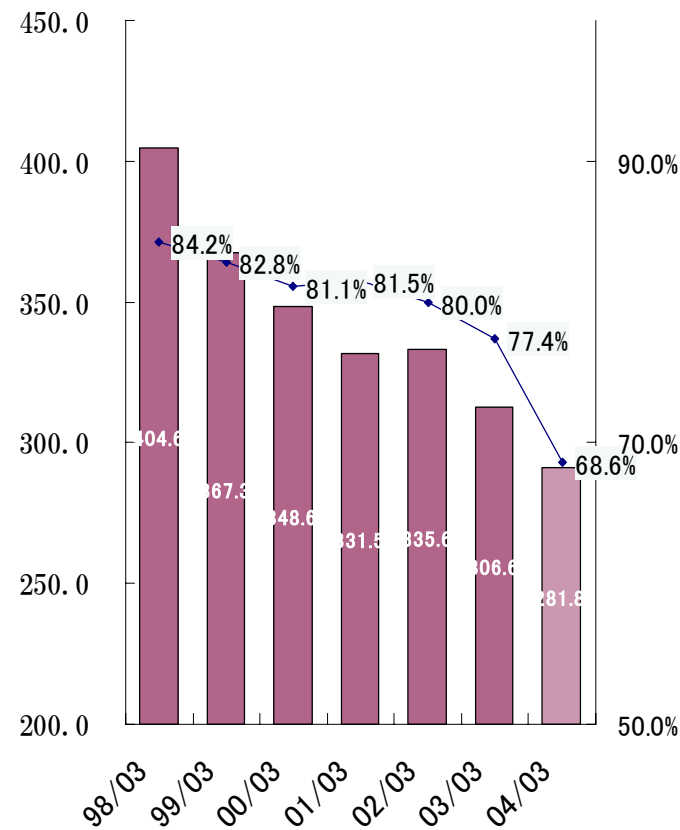
The result for FY2003 exceeded the final targets set for FY2004, the final year of "KV-Plan", at all main P/L items, prevailing over exchange loss and a hike in bunker price compared to original plan

C-2. KV-Plan Achievement (Management Indices)

(Billion Yen)

	FY2002 Results	FY2003 Results	FY2003 KV Target	FY2004 KV Target
Operating Revenue	632.7	724.7	630.0	650.0
Ordinary Income*	23.7	62.6	23.0	35.0
Shareholders' Equity	82.0	121.0	95.0	110.0
Interest Bearing Liabilities	306.6	281.8	295.0	275.0
R O E	13%	32.7%	13%	19%
R O A	4.5%	11.6%	5%	7%
Equity Ratio	15.9%	21.6%	19%	22%
Cash Flows From Operating Activities	32.9	78.6	45.0	55.0
Free Cash Flows	9.2	26.8	22.0	20.0
Interest Bearing Liability Ratio	77%	69%	74%	70%

**Decreased 53.8 Billion yen
for 2 years in KV-Plan**



*Ordinary income is income before income taxes and extraordinary items

■ Interest Bearing Liability ◆ Interest Bearing Liability Ratio

C-3. KV-Plan Achievement

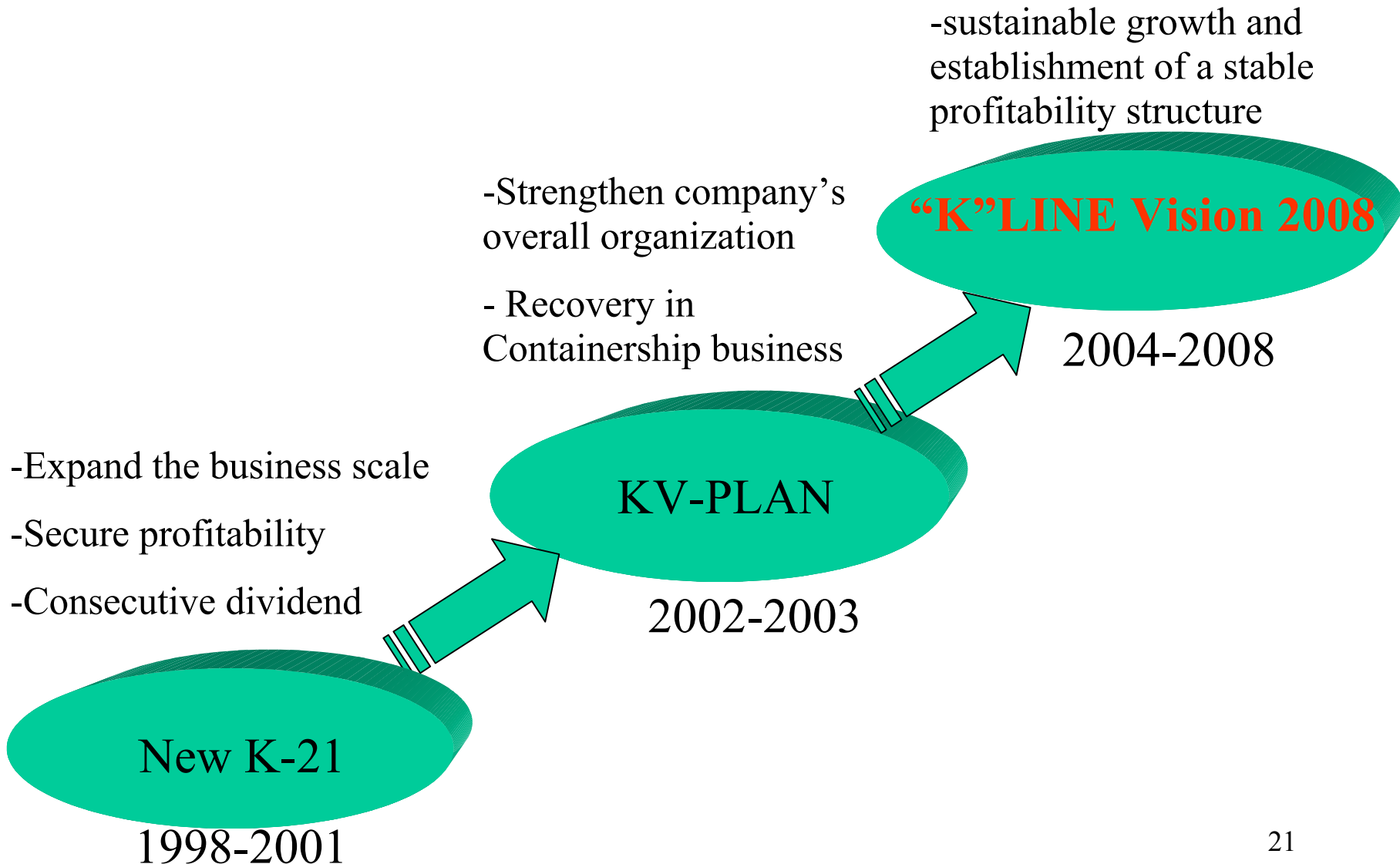
(Cost curtailing plan in KV-Plan /Cost Slash-300)

(Target for the 3-year plan : 30.0 Billion Yen) (unit:billion yen)

Cost saving items	2002F	2003F	Total
Vessel cost reduction	6.5	2.4	8.9
Service rationalization(fixed cost reduction per box)	5.8	1.0	6.8
Various cargo charges reduction	5.7	4.1	9.8
Service rationalization(increase of slot exchange)	2.6	0.0	2.6
Subsidiary company's various cost reduction	1.0	0.6	1.6
Administrative cost reduction	1.1	0.5	1.6
Container equipment related cost reduction	0.7	1.4	2.1
Total	23.4	10.0	33.4
(Division wise result/prospect)			
Container Business(Inc. overseas subsidiaries)	16.8	7.4	24.2
Others (Inc. overseas subsidiaries)	5.0	1.4	6.4
Subsidiaries in Japan	1.6	1.2	2.8

Achievement in two years exceeded the entire target for the 3-year plan

C-4. Positioning of “K”LINE Vision 2008



C-5. Fundamental Assignments

- 1. Ensuring a stable profitability structure through reinforcing business base**
- 2. Creation of a high-level, refined and more matured culture of the group companies with materialization of dreams and upgrading of the “K” LINE Brand**
- 3. Strengthening corporate governance and response to risk management**

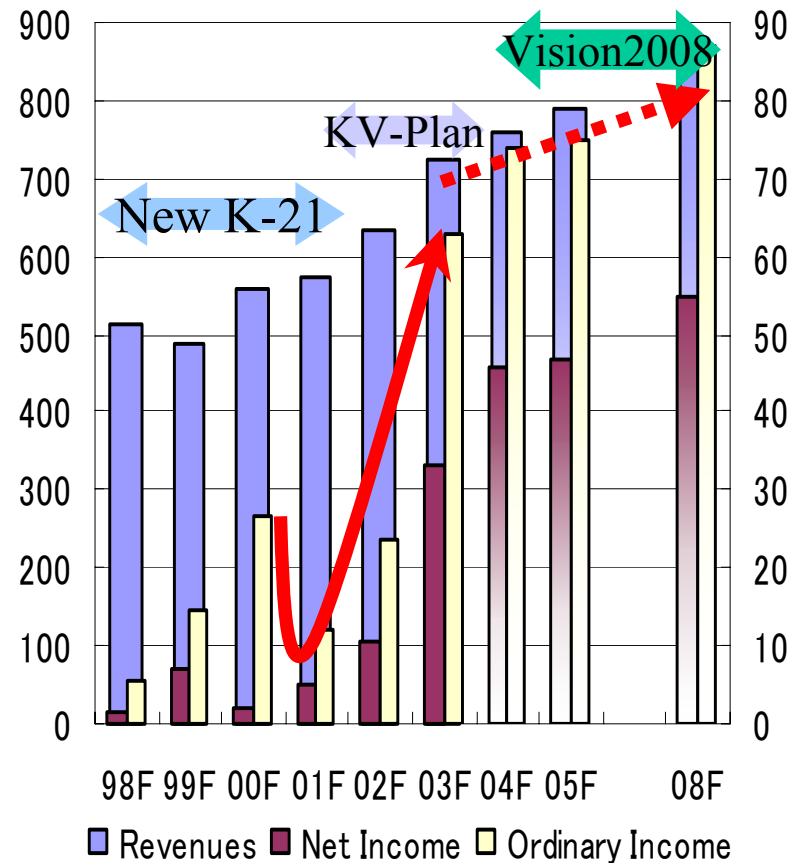
C-6. Financial objective for “Vision 2008”-1

Financial objective

		Result for 2003F	Plan for 2004F	Plan for 2005F	Target for 2008F
Exchange Rate	/US\$	¥114	¥108	¥110	¥110
Bunker	/Mt	\$170	\$170	\$170	\$170
Non-consolidated	Revenues	585.0	600.0	625.0	680.0
	Operating Income	55.1	57.0	58.0	67.0
	Ordinary Income*	49.7	56.0	57.0	68.0
	Net Income	24.5	34.0	35.0	42.0
Consolidated	Revenues	724.7	760.0	790.0	870.0
	Operating Income	70.5	76.0	77.0	88.0
	Ordinary Income*	62.6	74.0	75.0	87.0
	Net Income	33.2	46.0	47.0	55.0

Profit transition

Revenues (Unit: billion yen) Net/Ordinary Income (Unit: billion yen)



*Ordinary income is income before income taxes and extraordinary items

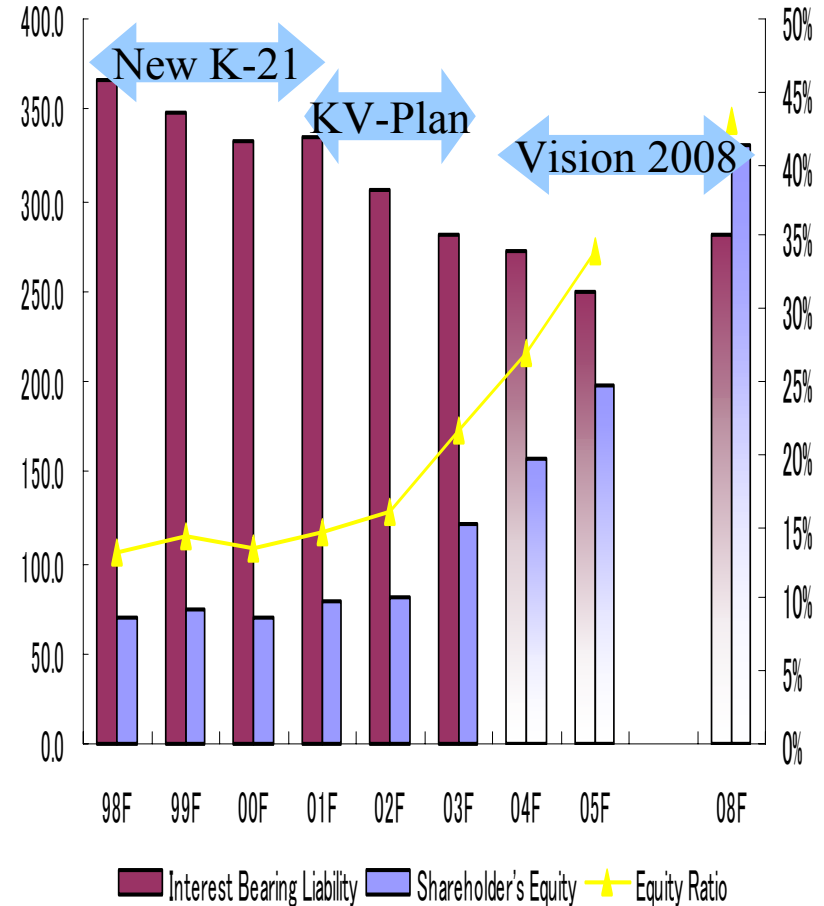
C-7. Financial objective for “Vision 2008”-2

Major financial data target

	Result for 2003F	Plan for 2004F	Plan for 2005F	Target for 2008F
Shareholder's Equity	121.0	160.0	200.0	340.0
Interest Bearing Liability	281.8	260.0	240.0	260.0
Equity Ratio	21.6%	27%	33%	43%
R O E	32.7%	33%	26%	17%
R O A	11.6%	13%	13%	11%
Cash Flows From Operating Activities	78.6	80.0	80.0	82.0
Free Cash Flows	26.8	25.0	23.0	10.0
D E R (at current price)	233% (88%)	162%	118%	77%
Capital Investment	53.8	73.0	88.0	135.0
Fleet Scale	361	368	395	461

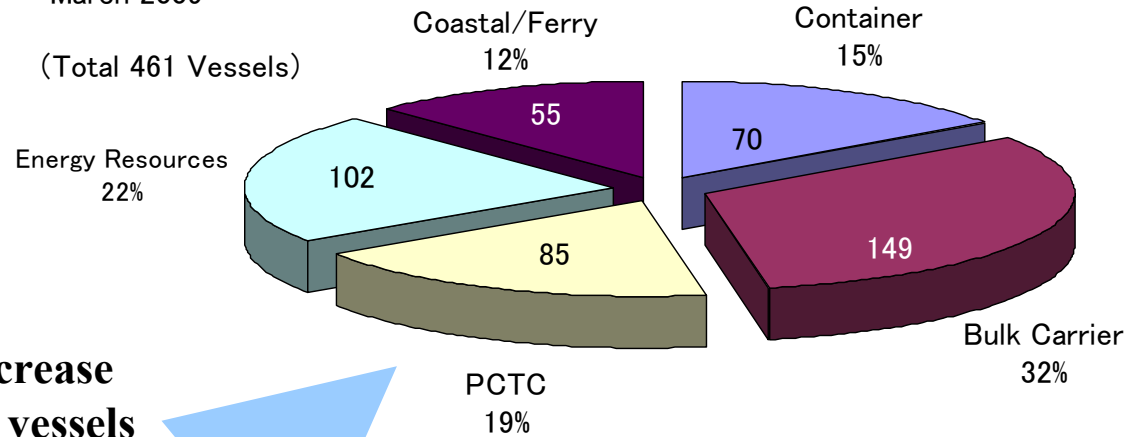
(unit: billion yen)

Shareholder's Equity Reinforcement

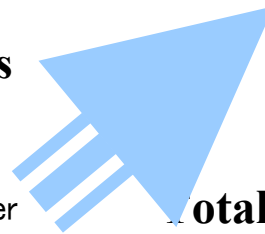


C-8. Fleet scale transition & Amount of investments

March 2009
(Total 461 Vessels)



**Increase
100 vessels**



**total investment amount in next 5 years:
730.0 billion yen, including 215.0 billion
yen for vessels to be owned by shipowners**

March 2004
(Total 361 Vessels)

