

FINANCIAL HIGHLIGHTS

[Two Year Summary]

	Year ended Mar. 31, 2005	Year ended Mar. 31, 2004	Year ended Mar. 31, 2005
Consolidated			
Operating revenues (Millions of yen / Thousands of U.S. dollars)	¥ 828,443	¥ 724,666	\$7,714,346
Operating income (Millions of yen / Thousands of U.S. dollars)	108,053	70,534	1,006,183
Net income (Millions of yen / Thousands of U.S. dollars)	59,852	33,196	557,341
Per share of common stock (Yen / U.S. dollars)	100.70	55.71	0.94
Total Assets (Millions of yen / Thousands of U.S. dollars)	605,331	559,135	5,636,757
Shareholders' Equity (Millions of yen / Thousands of U.S. dollars)	181,276	121,006	1,688,016
Per share of common stock (Yen / U.S. dollars)	306.06	204.37	2.85
Net cash provided by operating activities (Millions of yen / Thousands of U.S. dollars)	89,443	78,550	832,882
Net cash used in investing activities (Millions of yen / Thousands of U.S. dollars)	(34,402)	(51,775)	(320,349)
Net cash used in financing activities (Millions of yen / Thousands of U.S. dollars)	(47,428)	(21,602)	(441,651)
Non-consolidated			
Operating revenues (Millions of yen / Thousands of U.S. dollars)	658,699	584,958	6,133,717
Operating income (Millions of yen / Thousands of U.S. dollars)	85,288	55,068	794,191
Net income (Millions of yen / Thousands of U.S. dollars)	49,012	24,452	456,396
Per share of common stock (Yen / U.S. dollars)	82.49	41.05	0.77
Cash dividends (Millions of yen / Thousands of U.S. dollars)	9,763	5,920	90,913
Per share of common stock (Yen / U.S. dollars)	16.50	10.00	0.15
Total Assets (Millions of yen / Thousands of U.S. dollars)	376,344	329,965	3,504,468
Shareholders' Equity (Millions of yen / Thousands of U.S. dollars)	143,018	96,839	1,331,769
Per share of common stock (Yen / U.S. dollars)	241.36	163.47	2.25

Notes.

The U.S. dollar amounts are converted from the yen amounts at ¥107.39=U.S.\$1.00, the exchange rate prevailing on March 31, 2005.

1. Management Policies

1. Principles of Management

“K” LINE established corporate principles stipulating the essential significance and values of the “K” LINE Group as a global shipping business in the latest management plan that started from April 2004.

<Corporate principles of the “K” LINE Group>

The basic principles of the “K” LINE Group as a business organization centering on shipping lie in:

- a. Diligent efforts for safety in navigation and cargo operations as well as for environmental preservation;
- b. Sincere response to customer needs by making every possible effort; and
- c. Contributing to the world’s economic growth and stability through continual upgrading of service quality.

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

<Vision>

- (1) To be trusted and supported by customers in all corners of the world while being able to continue to grow globally with sustainability,
- (2) To build a business base that will be capable of responding to any and all changes in business circumstances, and to continually pursue and practice innovation for survival in the global market,
- (3) To create and provide a workplace where each and every employee can have hopes and aspirations for the future, and can express creativity and display a challenging spirit.

2. Policy on the Payment of Dividends

Policy on the Payment of Dividends

“K” LINE considers returning interest to the shareholders as one of its most important issues and is maintaining a stable dividend as its basic policy securing internal reserves for improvement and enhancement of the corporate structure. Part of our fundamental policy is to pay a stable dividend of ¥10.0 per share and to pay out dividends about 20% of the non-consolidated net profit for each fiscal year. From now on in, aiming for the final year of interim management plan “K” LINE Vision 2008, we will make further effort to increase the proportion of dividend and to return profits to the shareholders. We will use internal reserves to reinforce our financial condition, but we will also make essential capital investments that will enable us to respond to changes in business circumstances, and to expand the scale of our operations.

Policy of payment of dividends for the current fiscal year

The interim dividend for the current fiscal year ending March 2005 was paid at ¥7.5 per share and we are determined to pay ¥9.0 per share for final dividend in consideration of favorable business results exceeding the final profit target of interim management plan called “K”LINE Vision 2008.

3. Policy on the Lowering of the Stock Trade Unit

The Company perceives that sufficient liquidity of the stocks and the participation of many investors in the stock markets are both essential for the formation of appropriate stock prices in the stock markets. The Company will therefore continue to carefully watch and investigate the liquidity and movements of the Company's shares, as well as the need for lowering the stock trade unit in the stock markets.

4. Interim/Long-Term Management Strategy and Profit Targets of the "K" LINE Group

"K" LINE Vision 2008

For the 90th anniversary in 2009, we started, in April 2004 a newly developed interim management plan called "K" LINE Vision 2008, partly as a successor to the fundamental objectives of the preceding management plan, the KV-PLAN.

The essence of the "K" LINE Vision 2008 is to recognize the forthcoming 5-year period leading to the 90th anniversary as the springboard for making major strides and significant extensions in our operations, and to reinforce the management base.

During this period, in particular, we recognize "sustainable growth and establishment of a stable profitability structure" as the most important task, and will continue to consolidate the Group to promote activities that will improve our cost structures and create profit-earning opportunities by pursuing new businesses or businesses with potential growth in new markets and fast growing markets.

We will promote, in particular, the following three items as our basic tasks for the period of the new management plan:

- (1) Establishment of a stable profitability structure through reinforcement of the corporate structure,
- (2) Creation of a corporate culture full of aspirations for the Group and enhancement of the brand value the "K" LINE, and
- (3) Strengthening of the system of corporate governance and reinforcement of risk management.

<Profit Targets>

When Vision 2008 was established in April 2004, targets for the operating performance were also determined, as mentioned below. However, circumstances surrounding our business picked up substantially beyond our projections in fiscal 2004, the first year of Vision 2008, such that the Company revised upwards the projection for fiscal 2005, as described below, to reflect the current favorable business conditions. In addition, the Company plans to review, by the end of fiscal 2005, the numerical targets and its policy on the payment of dividends for the period from fiscal 2006 to fiscal 2008 through careful investigation of the prospects for the current business situation.

- (1) In the new management plan, consolidated operating revenues in fiscal 2010 following the 90th anniversary are targeted at ¥1 trillion, and we will boldly implement capital spending in existing business fields to expand their profitability under the theme of "sustainable growth and establishment of a stable profitability structure";
- (2) Establishment of a fleet of 460 vessels by fiscal 2008;

- (3) Total amount of capital investment in vessels during the period of the new management plan: ¥730 billion (181 vessels), including ¥215 billion for chartered vessels (46 vessels); and
- (4) Constant pursuit of a secure “A” bond rating by achieving ¥300 billion in shareholders’ equity, an equity ratio of over 40%, ROE of over 16% and a ratio of debt over equity of 80% or less, and a corporate structure for consistent payment of a ¥10 dividend per share.

Consolidated financial numerical results for fiscal 2004, projection for fiscal 2005 and target for fiscal 2008

(Unit: ¥100 million yen/Rounded off to the nearest 100 million)

	Fiscal 2003	Fiscal 2004	Fiscal 2005, projected	Fiscal 2008, targeted
Operating revenues	7,247	8,284	9,000	8,700
Operating income	705	1,081	1,050	880
Ordinary income	626	1,072	1,050	870
Net income	332	599	690	550
ROE	32.7%	39.6%	33%	17%
Interest-bearing debt	2,818	2,392	2,420	2,600
Shareholders’ equity	1,210	1,813	2,390	3,400
Equity ratio	21.6%	29.9%	35%	43%
DER	233%	132%	101%	77%
Capital investment	51.8 billion yen	34.4 billion yen	70 billion yen	135 billion yen
Scale of the fleet	361	385	400	461

Assumptions of the prospects for the operating results

	Fiscal 2003	Fiscal 2004	Fiscal 2005, projected	Fiscal 2008
Foreign exchange rate, yen/per US\$	¥114	¥107	¥105	¥110
Fuel oil prices	\$170	\$192	\$230	\$170

The figures above include the prospects for future operating results as of the date of publication of the management plan (May 2005).

Actual results may differ significantly from the prospects above, due to risks related to the global economy and fluctuations in foreign exchange rates, and other unforeseen factors.

5. Basic Policy on Corporate Governance and the Implementation of related Measures

<Basic Policy on Corporate Governance>

It is essential for a company to ensure corporate governance in order to promote social responsibility in business, to respond to the entrustment of its operations from the stakeholders, including the shareholders, and to maintain the sustainable growth of the company. In the five-year new management plan until March 2009, called “K” LINE Vision 2008, “K” LINE has

stated that its major fundamental tasks include strengthening the corporate governance system and improving and enhancing risk management. We will continually strive to ensure that business ethics are fully adopted throughout the whole of our Group, to develop a dynamic and efficient scheme for corporate governance and to increase our brand value, as well as to reinforce profitability and financial structures.

<Implementation of Measures for Corporate Governance >

- (1) The corporate governance system includes administrative organizations for decision-making, execution and control in management

In “K” LINE, the Board of Directors establishes and administrates the corporate governance system, and the Board of Auditors supervises it, and at the same time, the Company is enhancing this system with assistance from the activities of internal committees and other bodies. The corporate audits have been carried out by auditors in accordance with the provisions of the Commercial Code of Japan and the auditors’ functions are described below.

- 1) Outline of corporate bodies for decision-making, audit and other matters

- Board of Directors and Board of Auditors

Board of Directors: The Board of Directors exists as an organization for decision-making on the basic direction of management, legal matters and other important management issues, as well as for control over the execution of duties. The Board is convened one or more times every month. All of the auditors attend the meetings of the Board.

Board of Auditors: Two auditors from among the four incumbent auditors have been elected as outside auditors defined under the Law for Special Exceptions to the Commercial Code of Japan. The Board of Auditors establishes the auditing policy and audit plans, with the purpose of ensuring the functional and expeditious implementation of internal audits. The Board has taken over the former auditors’ system, and all auditors attend the meeting of the Board of Directors and other important meetings. The Board audits the execution of management and overall corporate administration of the Company from independent viewpoints. In addition, full-time staff are assigned to the auditors, including the outside auditors.

- Committees and other bodies

Other internal bodies established as part of the corporate governance system include the following committees and those related to risk management mentioned in Item 3).

Directors’ Council: In addition to the Board of Directors, the Directors’ Council is convened every two weeks in principle, and is participated in by all directors and also attended by one or more auditors in order to promote quick decision-making and to achieve full compliance.

Investment Committee: In order to seek the maximum efficiency from investments, including the investments of the Group companies, and taking the capacity for investment into consideration, the Investment Committee, whose membership corresponds to that of the Directors’ Council, is convened as required to discuss and determine the basic investment plan and the major individual items of investment.

Management Conference: A Management Conference is held among the representative directors once a week, in principle. In this Conference, opinions are exchanged between the representative directors on overall management issues, and the directors in charge ask the representative directors for their advice and opinions.

2) Establishment of an Internal Control Scheme

The directors in charge and general managers have a responsibility to ensure that internal audits are conducted properly by establishing a framework for their control and the evaluation of their effectiveness under the direction of the representative directors. The Internal Audit Office, introduced in July 2004, has the role of assisting the directors in the execution of their duties related to the establishment of this framework and its maintenance by conducting audits and making recommendation for improvements.

3) Organization for Risk Management

The Company restructured the crisis and risk management system in March 2004, in recognition of the various kinds of possible management risks, to prepare for these, and to be able to fulfill its social responsibilities when actual risks arise. Management risks were categorized into four groups including risks related to navigation and cargo operation, and risks concerning disasters, and four committees were introduced, corresponding to each risk group. A Crisis Management Committee was established to oversee these four committees and to control and promote overall risk management activities.

Name of Committee	Function	Secretary
Crisis Management Committee	Overseeing of overall risk management	Corporate Planning Group
Ship Safety Promotion Committee	Prevention of and response to accidents involving vessels, including pollution incidents	Marine Safety Administration Group
Disaster Response Committee	Response to disasters and preparation for them during peacetime	Human Resources Group
Compliance Committee (*)	Responses to compliance-related issues	Compliance Office
Management Risk Committee	Response to various other management risks	Corporate Planning Group

Note: The Compliance Committee, established on April 1, 2003, carries out activities to ensure compliance with the laws and ordinances, fairness and business ethics in business activities, and has an internal alert system, functioning as expected. The Committee responds to compliance-related issues based on information collected from a number of sources.

4) Internal Audit, Audit by the Auditors and the Accounting Audit

The Internal Audit Office is in charge of internal controls and consists of a full-time officer. The office conducts audits in cooperation with the Auditors. The Auditors carry out audits of the directors' execution of their duties as before. On the other hand, the Internal Audit Office conducts an internal audit of the directors' execution of their duties from the viewpoint of internal controls for management efficiency, improvement of the reliability of financial reports and ensuring compliance. Furthermore, the Accounting Auditors make recommendations and provide

guidance to the Internal Audit Office concerning its duties regarding internal controls, and conduct the Company's accounting audit in collaboration with the Auditors.

- Name of the certified public accountant, name of the auditing firm, period for successive auditing and composition of the group of assistants for the accounting audit

Name of the certified public accountant	Name of the auditing firm	Successive period of years
Hiroyuki Suzuki	Ernst & Young ShinNihon	19
Yoshihiko Nishimura	Ernst & Young ShinNihon	-*
Toshiya Yanagi	Ernst & Young ShinNihon	-*

*Note: Entry is omitted since the successive period of years does not exceed 7 years.

Composition of the group of assistants for the accounting audit

The accounting auditing team mainly consists of a certified public accountant and assistant certified public accountants. Sometimes, some assistants, including systems engineers, are included in the team according to the auditing firm's audit plan.

5) Other Matters

Director and auditor's remuneration and audit fees

The remuneration for the Directors and Auditors, and audit fees for the auditing firm in fiscal 2004 are as follows:

Director's and Auditor's remuneration

Director's remuneration paid:	¥620 million
Auditor's remuneration paid:	¥108 million
Total:	¥729 million

Audit fees

Audit fees related to audit certification:	¥32 million
Audit fees other than the above:	-
Total:	¥32 million

- (2) Outline of Human, Capital and Business Relations and Other Interests between the Company, and the Outside Director and Outside Auditors

It is assured that the Company has no human, capital, technical or business relations with the two outside auditors, their close relatives or companies in which they hold positions as directors as of the end of March, 2005.

- (3) Implementation of Measures to Improve Corporate Governance in the recent one year period

- 1) The Company introduced the Internal Audit Office for the purpose of the further improvement and strengthening of corporate governance on July 1, 2004. This office is responsible for checking whether the Company and its Group risk

management and the internal audit system supporting legal and efficient business activities are functioning fairly and effectively.

- 2) The Compliance Manual containing the items to be complied with by our directors and employees was prepared and distributed to our directors and employees, and the presidents of our major subsidiaries, in September 2004.
- 3) Since the Law for the Protection of Personal Data became fully effective from April 1, 2005, the Company has been striving to establish a compliance system. The Board of Directors resolved to establish a policy on the protection of personal data and regulations for the protection of personal data on March 25, 2005, and the policy was publicized immediately on the Company's website. The Company will continue to identify and classify all personal data possessed by "K" LINE and its group companies, and to improve the internal system for the protection of personal data along with the implementation of training and education to increase awareness among employees of the importance of the protection of personal data.

6. Issues Requiring Responses from the Company

The Company recognizes marine safety and the environmental protection as among the top priority tasks that the "K" LINE Group needs to address with all its resources.

Safety in Navigation and Cargo Operation:

The Ship Safety Promotion Committee, whose membership consists of directors from "K" LINE and those of vessel administration companies among the group, was established for the purpose of enhancing safety in navigation and cargo operations. The Committee plans various kinds of preventive measures related to marine safety, and promotes the implementation of such measures.

All vessels of the "K" LINE Group are operated in accordance with the "Marine Safety Administration System" in which all required responses to marine safety and emergencies have been compiled in the form of a manual based on the ISM (International Safety Management) code and our original quality standards, including some parts of the ISO 9000 Quality Standards.

We also implement onboard inspections by sending our experts to all vessels, including chartered vessels, based on our own "KL-QUALITY", a quality guideline for vessels, and provide our clients with transport services of a stable quality. As for countermeasures against possible terrorist and pirates attacks on vessels, which is an issue of recent concern, we developed the Ship Security Plan based on the ISPS (International Ships and Port facilities Security) code. Furthermore, we reinforced the security countermeasures against pirates and mystery ships by means of the procedures related Marine Safety Administration Manuals. In addition, we are ready to provide instructions concerning carefully planned countermeasures and responses in relation to all vessels, including chartered vessels. Also we continue to carry out periodic exercises and training for emergency response. Also we countermeasure through collaboration between marine and land personnel in order to ensure prompt and proper responses to significant marine disasters.

Environmental Preservation:

We have our own Environmental Policy for the "K" LINE and its Group, which requires us to be fully aware that emissions and wastes caused by business activities and the consumption of power and energy necessary for the distribution business are a burden on limited resources and on the global and ocean environment, as well as of the importance of preventing marine

pollution caused by accidents at sea. The Environmental Policy stipulates environmental preservation as a permanent management objective.

In particular, we will make every effort to reduce our environmental load through the constant administration of our own “Environmental Management System (EMS)” in compliance with the standards under ISO 14001, and continue to promote energy-saving activities and design new vessels based on environmental considerations on a voluntary basis.

In addition, we will extend the recognition and application of EMS to every company in the “K” LINE Group. This will be followed by the establishment of the “EMS GLOBAL NETWORK” and its diffusion to all companies within the Group, including overseas subsidiaries. We believe that, if we are able to communicate effectively with our clients and government organizations throughout the world, we will be able to provide environment-friendly ocean transport services in the near future.

2. Brief Summary of the Operating Results and Financial Position for Fiscal 2004

1. Operating Results

(1) Summary of the Consolidated Operating Results in Fiscal 2004

(Unit: 100 million yen/Rounded off to the nearest 100 million)

	Fiscal 2004 ended March 31, 2005	Fiscal 2003, ended March 31, 2004	Increase in amount/rate
Operating revenues	8,284	7,247	1,037/14.3%
Operating income	1,081	705	375/53.2%
Ordinary income	1,072	626	447/71.4%
Net income	599	332	267/80.3%

During fiscal 2004, the global economy maintained a substantially high level of activity since the U.S. economy was on an upward trend assisted by growing capital investment and increased consumer spending, including brisk demand for housing and automobiles, and the European economy also continued its favorable outlook due to revitalized economic activities within the enlarged EU.

In the Asian region, including China, most Asian economies continued to expand helped by expanding exports to the U.S. and Europe, as well as by the growth of domestic personal consumption and increasingly active capital spending.

At the same time, the Japanese economy showed steady growth, since capital investment increased with the support of significant improvements in corporate profits, primarily in the manufacturing industry, and a moderate recovery in consumer spending.

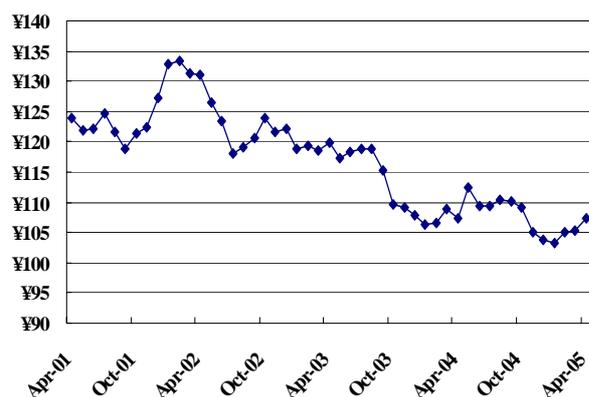
In the shipping industry, despite the adverse effects of record rises in chartered vessel rates and fuel prices, overall cargo movements grew fairly well and restoration of the freight rates for containerships, including those for South/North service routes, made progress. Freight rates for tankers and bulk carriers stayed at a high level, helped by a tight relationship between supply and demand.

In addition, effects of the fluctuations in foreign exchange rates and fuel prices on the Company's ordinary income are as follows:

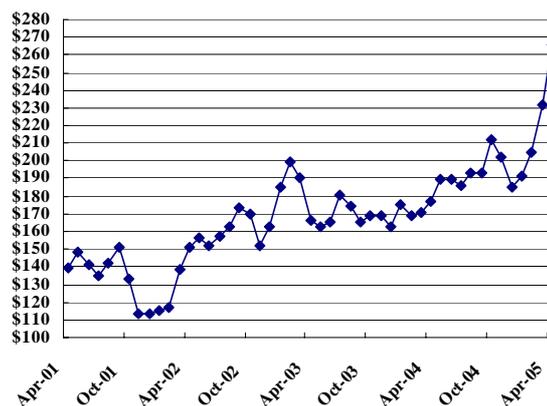
	Fiscal 2004	Fiscal 2003	Increase	Effect
Foreign exchange rates	¥107.46/US\$	¥113.97/US\$	¥6.5/US\$	-¥6.5 billion
Fuel oil prices	US\$191.71/MT	US\$170.00/MT	US\$22/MT	-¥5.0 billion

Note: A fluctuation in the foreign exchange rate for the US dollar of ¥1/US\$ affects the level of the Company's ordinary income by ¥1 billion over a year. The effect of a fluctuation in fuel oil prices of \$1 per 1 metric tons is around ¥0.23 billion annually.

<Trends in foreign exchange rates>



<Trends in the unit prices of fuel oil consumed>



Under these circumstances, the “K” LINE Group deployed aggressive business operations based on the policies under the new five-year management plan “K” LINE Vision 2008, and continued to promote cost curtailment and streamlining efforts.

As a result, the consolidated operating revenues increased by ¥103.776 billion compared with the preceding year to ¥828.443 billion. The consolidated operating income rose by ¥37.519 billion on a year-on-year basis to ¥108.053 billion, and the consolidated ordinary income increased by ¥44.670 billion from the year before to ¥107.235 billion. In addition, the consolidated net income for fiscal 2004 also climbed by ¥26.656 billion compared with the previous year to ¥59.852 billion, despite the posting of a special loss from the early application of accounting for the impairment of assets.

In addition, operating revenues and operating income for fiscal 2004 by business segment are as follows:

(Unit: 100 million yen/Rounded off to the nearest 100 million)

		Fiscal 2004 Apr. 2004 – Mar. 2005	Fiscal 2003 Apr. 2003 – Mar. 2004	Increase(Decrease) in amount/rate
Marine transportation	Operating revenues	7,140	6,221	918/14.8%
	Operating income	978	613	365/59.6%
Freight Forwarding/ Harbor Transportation	Operating revenues	1,017	899	118/13.2%
	Operating income	89	81	8/9.9%
Others	Operating revenues	128	127	1/0.9%
	Operating income	11	13	-2/-14.7%

(1) Marine transportation

<Containership Business>

In the containership business in fiscal 2004, cargo movements on the Asia/North America service routes rose sharply from the last year since the U.S. economy presented a good performance due to the unchanging brisk levels of personal consumption and the recovery of corporate capital investment, despite the repeated raising of interest rates by the FRB. In Asian/European trade, freight movements substantially exceeded those in the preceding year, supported by a stronger euro and a sharp rise in imports from the Asian region, mainly from China.

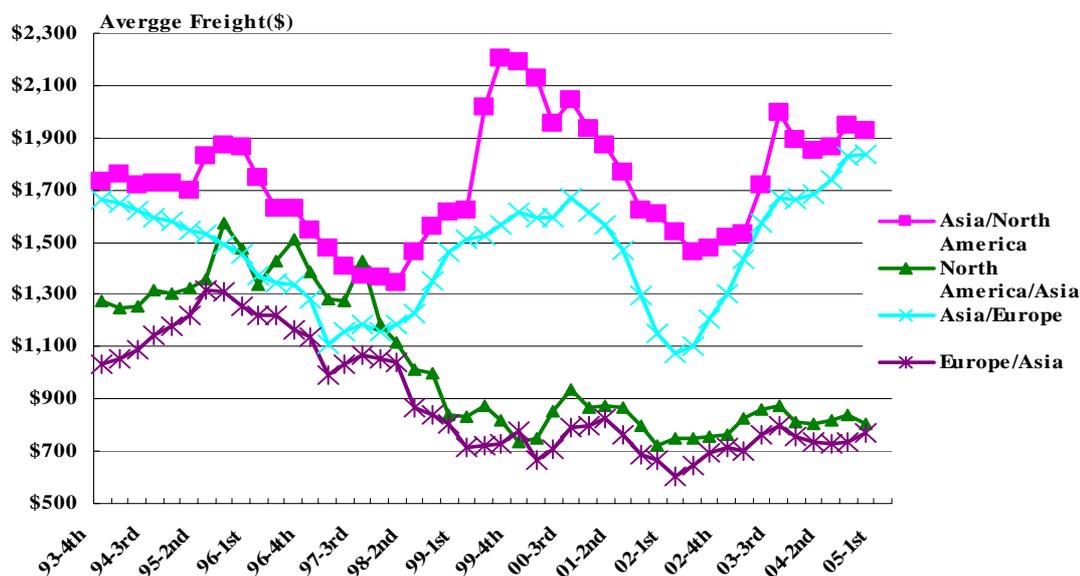
On the Inter-Asia service routes, mainly on the China routes, cargo movements increased significantly. In Australia, South Africa, and South America, mineral resource markets have been thriving, and revitalization of the economy made progress in each of the countries involved. As a result, cargo movements grew steadily.

As for ship traffic congestion in California due to the shortage of port workers, the Company began to launch newly built large-sized vessels on the Asia/Northwest Coast of North America routes for which demand had been rising as an alternative to the California route, and increased single transport service on the Asia/East Coast of North America routes. As a result, tonnage movements on North American routes exceeded those in the same term of the preceding year.

The Company was also able to restore freight rates on the once sluggish South/North service routes, including Central and South America, Africa and Australia, and Inter-Asian routes, as well as those on the Asia/North America and Europe service routes, against a background of dynamic cargo movements.

Overall operating revenues in the containership business substantially exceeded those in the preceding year, due to the effects of increases in cargo movements and the restoration of freight rates, despite adverse effects from price hikes in fuel oil resulting from inflated crude oil prices, climbing charterage costs and the stronger yen. Profits also improved significantly from the level of the preceding term and exceeded those in the initial projection since the Company continued to promote cost reduction activities.

Containerization International “Freight Rates Indicators”



<Bulk Carrier and Car Carrier Business>

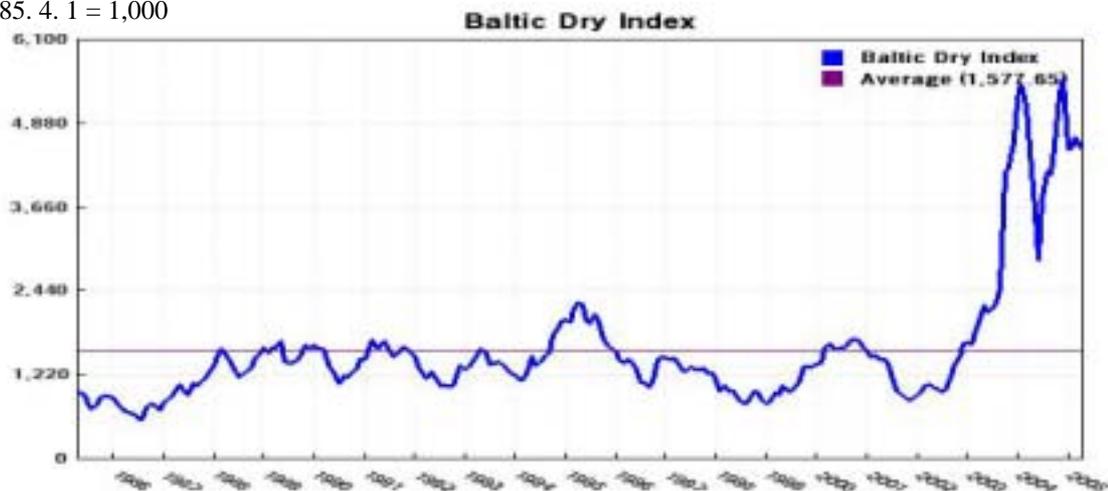
Freight rates for bulk carriers, which entered a period of temporary adjustment in the 1st quarter of fiscal 2004, bounced back in the 2nd quarter, assisted by strong demand for steel products from the Far East, mainly from China, and steadily rose over the year. As a result, profits in this field substantially exceeded those in the preceding year due to the Company's efforts to actively acquire profitable orders, the construction of a competitive fleet, and the more efficient allocation of vessels, although some negative factors persisted, including rising fuel oil prices and higher charterage costs.

In the car carrier business, the sales of cars, particularly Japanese and Korean car models featuring higher mileage and greater control of emissions, continued to rise fairly well in major world markets, including the U.S. market, against a background of higher crude oil prices and global environmental issues, and the overall number of transported complete cars by the Company from the Far East in fiscal 2004 substantially exceeded that in the preceding year, helped by the enhanced trans-Atlantic services. The Company has made every effort to secure constant profit levels through the launching of large newly-built car carriers, implementing more efficient operation of these car carriers and the curtailment of operating costs to absorb the adverse effects of rises in fuel oil prices and charterage costs, which were at high levels due to a worldwide shortage of cargo space.

As a result, operating revenues in the bulk carrier and car carrier business substantially exceeded those for the same period last year, and stable and constant profits were assured.

Baltic Dry Index

1985. 4. 1 = 1,000



<Energy Transportation and Tanker Business>

A fleet of LNG tankers that consisted of 26 carriers, including one each for Petronet LNG Ltd. and the Qatar Gas Project, was released in December 2004 and operated smoothly, which continued to contribute to securing stable profits.

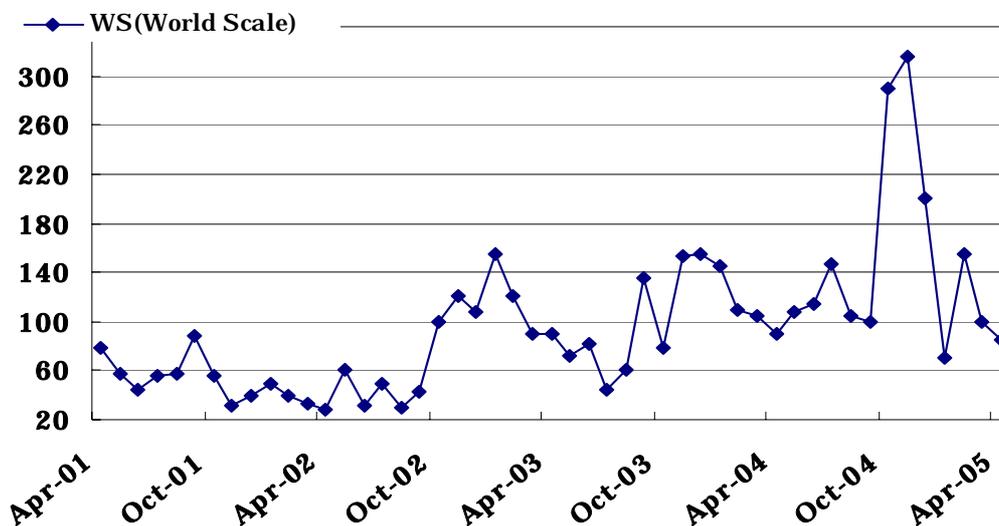
The terminal coal carriers for electric power companies transported nearly 13 million metric tons of coal in fiscal 2004, assisted by steadily increased demand for coal-fired

power. With reduced congestion in ship traffic at ports of loading, the efficiency of shipping operations stabilized. As a result, profits in this field substantially improved.

Concerning tanker services, demand for tankers grew steadily, bolstered by expanding demand for oil, mainly from the U.S., China and Southeast Asia, and increased cargo movements due to lower inventory levels in the oil-importing countries against the background of a vigorous global economy, while freight rates remained significantly higher overall despite repeated erratic fluctuations. In addition to the commencement of actual services employing a new double-hulled VLCC and a 100,000-ton class tanker, the Company's efforts to continue to reduce costs and to allocate tankers efficiently contributed to the substantially higher profits, which exceeded those of the previous year.

Overall operating revenues and profits in the energy transportation and tanker business, respectively, exceeded those in the same period of the previous year.

<Trends in tanker freight rates>



<Coastal shipping Business>

In the domestic tramp services, the domestic production of crude steel remained at a high level, and the volume of transported limestone was stable against the background of the trend towards recovery in the domestic economy.

In domestic liner services, the volume of transportation of raw milk produced in Hokkaido declined slightly compared with the preceding year due to a temporary increase in raw milk produced in the Kanto region. However, dedicated carriers for paper in rolls based on long-term contracts and liners for general goods on the Tomakomai/Hitachinaka route secured constant freight volumes.

The ferry business maintained traffic volumes nearly equal to those of the preceding year through aggressive activities to solicit cargo business despite a decline in the number of transportation services due to typhoons and fuel price hikes.

The cost of transportation services increased due to typhoons and hikes in fuel prices. However, overall operating revenues of the coastal shipping business were nearly flat to those of the previous year.

As a result, overall operating revenues for marine transportation amounted to ¥713.960 billion, an increase of 14.8 % over the same period last year, and operating income stood at ¥97.807 billion, 59.6% up in a year-on-year comparison.

(2) Freight Forwarding/Harbor Transportation

Freight Forwarding/Harbor Transportation saw increased operating revenues, mainly in overseas subsidiaries, thanks to expansion in the scale of business operations in containership services. Overall operating revenues of the Group in this field were ¥101.709 billion, an increase of 13.2% on a year-on-year basis, and operating income rose to ¥8.864 billion, a 9.9% rise from the preceding year.

(3) Other business

As for land transportation business and other businesses not mentioned above, operating revenues amounted to ¥12.773 billion, an increase of 0.9% on a year-on-year basis, and operating income rose to ¥1.082 billion, down 14.7% from the same term last year.

(2) Prospects for Fiscal 2005

(Unit: 100 million yen/Rounded off to the nearest 100 million)

	Prospects for Fiscal 2005 (ending March 2006)	Fiscal 2004 (ended March 2005)	Increase(Decrease) in amount/rate
Operating revenues	9,000	8,284	+716/+8.6%
Operating income	1,050	1,081	-31/-2.9%
Ordinary income	1,050	1,072	-22/-2.1%
Net income	690	599	+91/+15.2%

Foreign exchange rates	¥105/US\$	¥107.46/US\$	+¥2.46/US\$
Fuel oil prices	US\$230/MT	US\$191.71/MT	+US\$38.29/MT

Assumptions for the prospects: Foreign exchange rate (For the 1st and 2nd half): ¥105/US\$,
Fuel oil price (For the 1st half): US\$240/MT
(For the 2nd half): US\$220/MT

As far as fiscal 2005 is concerned, the relationship between supply and demand in marine transport will continue to be tight, supported by more active cargo movements, despite uncertainties, including prospects for the fuel oil price hike, U.S. and Chinese economies and fluctuations in foreign exchange rates.

Under these circumstances, the containership business will promote the provision of enhanced services to response to a global increase in cargo movements through the utilization of a fleet of newly-built containerships released successively from the end of 2004, and to continue to reduce costs to ensure constant and stable profits.

The bulk carrier business can expect further growing demand, mainly from China, and market freight rates will continue to stay at quite high levels. The Company is certain to enjoy favorable market freight rates, ensuring a stable income. In the car carrier business, the Company plans to emphasize transportation capability through the continued construction of a fleet that matches the globally expanding scale of marine transport markets and the increasingly complex and diversified demand for marine transportation. In addition, we will make efforts to expand our business operations and ensure steady growth in profits with the launching of new services in intermediary trading and the reinforcement of existing service routes.

In the energy transportation business, our fleet of LNG carriers will consist of 30 carriers, following the release of 4 newly-built carriers in fiscal 2005 for a new project to be contracted. Since we can expect strong demand for LNG carriers, mainly from the U.S. and Europe, we will strive to expand our LNG carrier operations further with the development of new customers and the strengthening of our good relationships with existing customers. Regarding thermal coal carrier services for electric power generating companies, the demand for coal-fired thermal power is anticipated to grow steadily, and the Company will therefore continue to build and enhance its fleet of carriers, centering on Corona-type vessels, with plans to expand the volume of transportation capacity and to secure stable profits. In the tanker division, there is great concern over the negative effects of highly-inflated crude oil prices throughout the global economy. However, global demand for oil is expected to stay at high levels. Accordingly, demand for tanker transport services and market freight rates will stay high. Overall income in the energy transportation and tanker business will grow steadily.

The coastal shipping and ferry business will be at nearly the same levels in terms of tonnage movements and profits as those results for fiscal 2004.

The overall operating revenues in the marine transportation business in fiscal 2005 are expected to achieve almost the same operating results as those of the preceding term despite of strong yen and inflated fuel oil prices.

In the services incidental to the marine transportation, operating results will inch up, since the benefits of the moderately expanding global cargo movements as shown in China will offset markdown pressures from domestic clients.

In other areas, land transportation business and other businesses are expected to achieve almost the same operating results as those of the preceding term.

According to the measures mentioned above, the consolidated business results for the total fiscal 2004 expects ¥900 billion for operating revenues, ¥105 billion for operating income, ¥105 billion for ordinary income and ¥69 billion for net income.

Also the foreign exchange rate for the US dollar assumes ¥105 and US\$ 230 for the fuel oil prices per 1 metric ton throughout the fiscal 2004.

The dividends for fiscal 2005 will be ¥ 9 per share for the interim dividend and ¥ 18 per share for final dividend considering our prospect at the financial situation throughout fiscal 2005.

2. Financial Status

As of the end of March 2005, total assets increased ¥46.196 billion to ¥605.331 billion compared with the end of the consolidated fiscal year 2004. The increase in accounts and notes receivable-trade, thanks to increases in sales and the expansion of unrealized gains among investment securities due to stock price advances resulted in an increase in total assets.

Of total liabilities, current liabilities declined ¥0.137 billion to ¥177.948 billion, since the Company promoted a reduction of ¥42.561 billion in interest-bearing debt. On the other hand, long-term liabilities decreased ¥15.144 billion to ¥236.941 billion.

Shareholders' equity amounted to ¥181.276 billion, which increased ¥60.269 billion, a rise by 49.8% compared with the end of the consolidated fiscal year 2004. Details of the increase are; ¥50.518 billion in retained earnings, a rise by 75.4% from the end of the preceding term, reflecting favorable profitability in fiscal 2004; and ¥4.841 billion in unrealized gains in other securities, up 41.0% from the end of March 2004.

3. Consolidated Cash Flows

(Unit: 100 million yen/Rounded off to the nearest 100 million)

Item	Fiscal 2004 Apr. 2004 – Mar. 2005	Fiscal 2003 Apr. 2003 – Mar. 2004	Increase(Decrease) on a year-on-year basis
Cash and cash equivalents at the beginning of the period	231	188	43
(1) Cash flow from operating activities	894	786	109
(2) Cash flow from investment activities	-344	-518	174
(3) Cash flow from financing activities	-474	-216	-258
(4) Effect of exchange rate changes on cash and cash equivalents	8	-8	16
Net increase (decrease) in cash and cash equivalents	84	43	40
Cash and cash equivalents at the end of the period	315	231	84

As of the end of the consolidated fiscal year 2004, cash and cash equivalents stood at ¥31.497 billion, an increase by ¥8.370 billion from the end of the preceding fiscal year.

Details of consolidated cash flows in fiscal 2004 are as follows:

Cash flow from operating activities resulted in plus ¥89.443 billion from the increase in net income before tax adjustments and depreciation costs.

Cash flow from investment activities ended with minus ¥34.402 billion due to expenditures for the acquisition of vessels.

Cash flow from financing activities was minus ¥47.428 billion due to the repayment of loans.

Regarding cash flow in fiscal 2005, cash flow from operating activities is expected to amount to plus ¥78 billion. Cash flow from investment activities will be minus ¥70 billion after deducting proceeds from the sale of operating lease vessels on completion from total investment expenditures of ¥97 billion, including ¥73 billion for the acquisition of vessels and related equipment. Cash flow from financing activities is expected to be around minus ¥8 billion due primarily to the repayment of loans for capital spending. Further, interesting-bearing debt will level off and will be ¥242 billion.

In aggregate, cash and cash equivalents will be roughly at the same level as at the end of fiscal 2004.

[Note]

Prospects for future operating results described in this document may differ substantially from the actual results, as they are affected by various risk items and uncertain factors.

The risk items and uncertain factors include the economic situation of markets where the “K” LINE Group operates its business, significant fluctuations in the market freight rates, sharp fluctuations in foreign exchange rates/interest rates/fuel oil prices, accidents at sea involving vessels operated by our Group, and social disruptions such as war and terrorist attacks. There is a possibility that these risk items or uncertain factors may have adverse effects on the Group’s business activities, operating results or financial position, provided that items and factors which may have adverse effects are not limited to those mentioned above.

The trend in the cash flow index of the “K” LINE Group is as follows:

	Fiscal 2000, ended March 2001	Fiscal 2001, ended March 2002	Fiscal 2002, ended March 2003	Fiscal 2003, ended March 2004	Fiscal 2004, ended March 2005
Equity ratio (%)	13.4	14.6	15.9	21.6	29.9
Equity ratio based on market value (%)	21.4	17.1	30.0	57.3	72.6
Debt redemption years (year)	7.4	10.2	9.3	3.6	2.7
Interest coverage ratio	3.7	3.3	5.0	14.3	19.5

* Equity ratio: shareholders' equity/total assets

Equity ratio based on the market value: market value of shareholders' equity/total assets

Debt redemption years: total interest-bearing debt/net cash provided by operating activities

Interest coverage ratio: net cash provided by operating activities/interest payments

1. Each index is calculated based on the values in the consolidated financial statements.
2. The market value of the shareholders' equity is calculated as the (closing stock value at the end of a fiscal period) × (number of outstanding shares issued at the end of a fiscal year).
3. Net cash provided by operating activities is based on net cash from operating activities in the Consolidated Statement of Cash Flows.

Total interest-bearing debt includes the total debt that bears interest on the debt posted in the Consolidated Balance Sheet, including ¥30 billion of the warrant bond of the convertible bond type with a zero coupon rate, denominated in Euro yen. In addition, the amount of interest payment is based on interest expenses in the Consolidated Statement of Cash Flows.

Consolidated Financial Statements

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2005 and 2004.

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

	Year ended Mar. 31, 2005	Year ended Mar. 31, 2004	Year ended Mar. 31, 2005
ASSETS			
Current assets :			
Cash and time deposits	¥ 31,831	¥ 23,370	\$ 296,411
Accounts and notes receivable-trade	90,121	75,986	839,195
Short-term loans receivable	8,536	11,830	79,494
Marketable securities	28	54	262
Inventories	12,186	9,303	113,483
Prepaid expenses and deferred charges	26,587	21,507	247,578
Other current assets	18,643	15,638	173,605
Allowance for doubtful receivables	(863)	(1,046)	(8,045)
Total current assets	187,071	156,643	1,741,984
Fixed assets :			
(Tangible fixed assets)			
Vessels	168,947	171,699	1,573,217
Buildings and structures	26,925	29,131	250,722
Machinery and vehicles	8,674	6,580	80,776
Land	34,144	35,446	317,945
Construction in progress	33,763	34,322	314,403
Other tangible fixed assets	3,436	3,793	31,998
Total tangible fixed assets	275,891	280,973	2,569,062
(Intangible fixed assets)			
Consolidated adjustment account	27	77	261
Other intangible fixed assets	6,142	5,837	57,195
Total intangible fixed assets	6,170	5,914	57,455
(Investments and other long-term assets)			
Investments in securities	89,477	80,201	833,200
Long-term loans receivable	19,166	15,214	178,473
Deferred income taxes	4,245	3,715	39,530
Deferred income taxes for land revaluation	219	219	2,041
Other long-term assets	23,611	16,612	219,869
Allowance for doubtful receivables	(542)	(423)	(5,056)
Total investments and other long-term assets	136,176	115,539	1,268,057
Total fixed assets	418,238	402,427	3,894,574
Deferred assets	21	63	199
Total assets	¥ 605,331	¥ 559,135	\$ 5,636,757

Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2005 and 2004.

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

	Year ended Mar. 31, 2005	Year ended Mar. 31, 2004	Year ended Mar. 31, 2005
LIABILITIES			
Current liabilities :			
Accounts and notes payable-trade	¥ 66,467	¥ 61,017	\$ 618,937
Current portion of bonds payable	3,000	5,000	27,936
Short-term loans and current portion of long-term debt	47,670	66,768	443,902
Accrued income taxes	28,206	16,656	262,657
Accrued bonuses	2,344	2,220	21,834
Current portion of obligations under finance leases	1,344	1,456	12,517
Other current liabilities	28,914	24,966	269,248
Total current liabilities	177,948	178,086	1,657,032
Long-term liabilities :			
Bonds	43,000	46,000	400,410
Long-term debt, less current portion	135,983	151,483	1,266,255
Deferred income taxes for land revaluation	3,105	2,061	28,922
Allowance for employees' retirement benefit	11,636	13,063	108,361
Retirement allowance for directors and statutory auditors	2,553	2,135	23,776
Accrued expenses for overhaul of vessels	11,301	9,680	105,234
Obligations under finance leases	8,251	11,102	76,841
Other long-term liabilities	21,109	16,560	196,569
Total long-term liabilities	236,941	252,085	2,206,367
Total liabilities	414,890	430,172	3,863,399
Minority interests in consolidated subsidiaries	9,164	7,956	85,342
Shareholders' equity :			
Common stock	29,689	29,689	276,467
Additional paid-in capital	14,534	14,535	135,346
Retained earnings	117,483	66,964	1,093,988
Revaluation reserve for land	6,797	5,093	63,300
Unrealized holding gain on investments in securities	16,642	11,801	154,974
Translation adjustments	(3,110)	(6,310)	(28,969)
Treasury stock, at cost	(761)	(767)	(7,091)
Total shareholders' equity	181,276	121,006	1,688,016
Total liabilities, minority interest and shareholders' equity	¥ 605,331	¥ 559,135	\$5,636,757

Consolidated Statements of Income

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2005 and 2004.

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

	Year ended Mar. 31, 2005	Year ended Mar. 31, 2004	Year ended Mar. 31, 2005
Operating revenues	¥ 828,443	¥ 724,666	\$ 7,714,346
Costs and expenses	666,099	601,552	6,202,625
Selling, general and administrative expenses	54,289	52,579	505,538
Operating income	108,053	70,534	1,006,183
Non-operating income :			
Interest income	975	1,065	9,079
Dividends income	1,055	839	9,828
Equity in earnings of affiliated companies	790	528	7,361
Exchange gain	479	-	4,464
Other non-operating income	840	827	7,827
Total non-operating income	4,140	3,261	38,559
Non-operating expenses :			
Interest expenses	4,546	5,451	42,340
Exchange loss	-	5,643	-
Other non-operating expenses	412	135	3,845
Total non-operating expenses	4,959	11,230	46,185
Ordinary income	107,235	62,564	998,557
Extraordinary profits :			
Gain on sales of vessels, properties	1,286	936	11,980
Gain on sales of investments in securities	269	693	2,507
Other extraordinary profits	424	230	3,952
Total extraordinary profits	1,980	1,860	18,438
Extraordinary losses :			
Loss on sales of vessels, properties	87	4,974	813
Impairment losses on fixed assets	7,037	-	65,535
Loss on liquidation of subsidiaries	3,442	0	32,055
Loss on disposal of properties	1,124	29	10,473
Other extraordinary losses	2,012	4,393	18,742
Total extraordinary losses	13,704	9,398	127,619
Income before income taxes	95,510	55,026	889,377
Income taxes, current	37,420	20,103	348,457
Income taxes, deferred	(3,209)	857	(29,887)
Minority interest	1,446	870	13,465
Net income	¥ 59,852	¥ 33,196	\$ 557,341

Statements of Additional paid-in capital and Retained earnings

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2005 and 2004.

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

	Year ended Mar. 31, 2005	Year ended Mar. 31, 2004	Year ended Mar. 31, 2005
Additional paid-in capital			
Additional paid-in capital at the beginning of the year	¥ 14,535	¥ 14,534	\$ 135,351
Increase in additional paid-in capital :			
Gain on disposal of treasury stock	-	0	-
Decrease in additional paid-in capital :			
Loss on disposal of treasury stock	0	-	6
Additional paid-in capital at the end of the year	14,534	14,535	135,346
Retained earnings			
Retained earnings at the beginning of the year	66,964	39,694	623,565
Increase in retained earnings :			0
Net income	59,852	33,196	557,341
Due to inclusion in consolidation of subsidiaries	-	32	-
Due to exclusion in consolidation of subsidiaries	0	142	5
Due to reversion of revaluation reserve for land	0	-	0
Decrease in retained earnings :			
Cash dividends	7,395	5,926	68,867
Bonuses to directors and statutory auditors	225	153	2,095
Due to inclusion in consolidation of subsidiaries	1	2	13
Loss on disposal of treasury stock	8	-	75
Due to reversion of revaluation reserve for land	1,704	19	15,872
Retained earnings at the end of the year	¥ 117,483	¥ 66,964	\$ 1,093,988

Consolidated Statements of Cash Flows

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2005 and 2004.

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

	Year ended Mar. 31, 2005	Year ended Mar. 31, 2004	Year ended Mar. 31, 2005
Cash flows from operating activities :			
Income before income taxes	¥ 95,510	¥ 55,026	\$ 889,377
Depreciation	23,270	24,203	216,688
Amortization	1,363	1,354	12,698
Impairment losses on fixed assets	7,037	-	65,535
Reversal of employees' retirement benefits	(1,426)	(1,487)	(13,281)
Provision for directors' and statutory auditors' retirement benefits	418	90	3,894
Accrued expenses for overhaul of vessels	1,651	2,273	15,381
Interest and dividend income	(2,030)	(1,905)	(18,907)
Interest expense	4,546	5,451	42,340
(Gain) loss on sale of marketable securities and investments in securities	(368)	1,501	(3,431)
Gain on sale of vessels, property, and equipments	(1,286)	(936)	(11,980)
Loss on sale of vessels, property, and equipments	87	4,974	813
Increase in accounts and notes receivable – trade	(15,559)	(7,399)	(144,884)
Increase in accounts and notes payable – trade	5,219	3,431	48,602
(Increase) decrease in inventories	(2,902)	1,320	(27,030)
Increase in short-term assets	(6,397)	(3,100)	(59,577)
Other, net	8,956	6,535	83,403
Sub total	118,090	91,335	1,099,640
Interest and dividends received	1,977	1,905	18,411
Interest paid	(4,594)	(5,485)	(42,782)
Income taxes paid	(26,030)	(9,204)	(242,388)
Net cash provided by operating activities	89,443	78,550	832,882
Cash flows from investing activities :			
Purchases of marketable securities and investments in securities	(3,124)	(13,426)	(29,098)
Proceed from sale of marketable securities and investments in securities	1,450	13,332	13,511
Purchases of vessels, property and equipment	(73,612)	(57,705)	(685,469)
Proceeds from sale of vessels, property and equipment	47,610	26,743	443,345
Increase in intangible fixed assets	(2,163)	(1,319)	(20,151)
Increase in long term loans receivable	(13,826)	(12,702)	(128,750)
Collection of long term loans receivable	3,720	1,250	34,643
Other, net	5,543	(7,948)	51,619
Net cash used in investing activities	(34,402)	(51,775)	(320,349)
Cash flows from financing activities :			
Decrease of short-term loans, net	(9,781)	(7,232)	(91,087)
Proceeds from long-term debt	23,094	31,254	215,052
Repayment of long-term debt and obligations under finance leases	(48,200)	(61,589)	(448,832)
Proceeds from issuance of bonds	-	29,935	-
Repayment of bonds	(5,000)	(7,500)	(46,559)
Cash dividends paid	(7,387)	(5,908)	(68,788)
Cash dividends paid to minority shareholders	(105)	(93)	(979)
Other, net	(49)	(469)	(458)
Net cash used in financing activities	(47,428)	(21,602)	(441,651)
Effect of exchange rate changes on cash and cash equivalents	128	(1,224)	1,197
Net increase in cash and cash equivalents	7,740	3,948	72,079
Cash and cash equivalents at beginning of the period	23,127	18,780	215,358
Increase in cash and cash equivalents arising from inclusion of subsidiaries in consolidation	629	398	5,865
Decrease in cash and cash equivalents arising from exclusion of subsidiaries in consolidation	(0)	-	(3)
Cash and cash equivalents at end of the period	¥ 31,497	¥ 23,127	\$ 293,300

Note : Cash and cash equivalents are reconciled to cash and time deposits reflected in the consolidated balance sheets at the end of each periods as follows.

	Mar. 31, 2005	Mar. 31, 2004	Mar. 31, 2005
Cash and time deposits	¥ 31,831	¥ 23,370	\$ 296,411
Time deposits with maturity of more than three months after the purchase date	(334)	(243)	(3,114)
Highly liquid marketable securities with low risk	0	0	3
Cash and cash equivalents	¥ 31,497	¥ 23,127	\$ 293,300

Consolidated Segment Information

(a) Business segment information

Year ended Mar.31,2005

(Millions of Yen)

	Freight Forwarding / Harbor			Total	Eliminations	Consolidated
	Marine Transportation	Transportation	Others			
Revenues						
(1) Operating revenues	¥ 713,960	¥ 101,709	¥ 12,773	¥ 828,443	-	¥ 828,443
(2) Inter-group sales and transfers	3,320	55,143	9,549	68,013	(68,013)	-
Total revenues	717,281	156,853	22,322	896,457	(68,013)	828,443
Operating expenses	619,473	147,988	21,239	788,701	(68,311)	720,389
Operating income	97,807	8,864	1,082	107,755	298	108,053
Ordinary income	¥ 95,314	¥ 9,661	¥ 2,268	¥ 107,244	¥ (9)	¥ 107,235
Assets,depreciation and capital expenditures						
Total assets	¥ 513,261	¥ 114,955	¥ 29,672	¥ 657,889	¥ (52,557)	¥ 605,331
Depreciation	¥ 19,101	¥ 4,746	¥ 785	¥ 24,633	¥ -	¥ 24,633
Capital expenditures	¥ 65,028	¥ 9,190	¥ 3,244	¥ 77,463	¥ -	¥ 77,463

Year ended Mar.31,2004

(Millions of Yen)

	Freight Forwarding / Harbor			Total	Eliminations	Consolidated
	Marine Transportation	Transportation	Others			
Revenues						
(1) Operating revenues	¥ 622,118	¥ 89,885	¥ 12,662	¥ 724,666	¥ -	¥ 724,666
(2) Inter-group sales and transfers	3,093	52,407	9,049	64,551	(64,551)	-
Total revenues	625,212	142,293	21,712	789,217	(64,551)	724,666
Operating expenses	563,945	134,230	20,442	718,618	(64,486)	654,132
Operating income	¥ 61,267	¥ 8,062	¥ 1,269	¥ 70,599	¥ (65)	¥ 70,534
Assets,depreciation and capital expenditures						
Total assets	¥ 473,069	¥ 106,965	¥ 44,283	¥ 624,319	¥ (65,183)	¥ 559,135
Depreciation	¥ 20,287	¥ 4,217	¥ 1,053	¥ 25,558	¥ -	¥ 25,558
Capital expenditures	¥ 52,593	¥ 5,962	¥ 835	¥ 59,392	¥ -	¥ 59,392

Year ended Mar.31,2005

(Thousands of U.S.Dollars)

	Freight Forwarding / Harbor			Total	Eliminations	Consolidated
	Marine Transportation	Transportation	Others			
Revenues						
(1) Operating revenues	\$ 6,648,297	\$ 947,105	\$ 118,944	\$ 7,714,346	\$ -	\$ 7,714,346
(2) Inter-group sales and transfers	30,923	513,491	88,919	633,332	(633,332)	-
Total revenues	6,679,219	1,460,596	207,863	8,347,678	(633,332)	7,714,346
Operating expenses	5,768,446	1,378,047	197,779	7,344,272	(636,109)	6,708,163
Operating income	910,773	82,548	10,084	1,003,406	2,777	1,006,183
Ordinary income	\$ 887,556	\$ 89,964	\$ 21,121	\$ 998,641	\$ (84)	\$ 998,557
Assets,depreciation and capital expenditures						
Total assets	\$ 4,779,413	\$ 1,070,447	\$ 276,307	\$ 6,126,167	\$ (489,410)	\$ 5,636,757
Depreciation	\$ 177,868	\$ 44,201	\$ 7,316	\$ 229,386	\$ -	\$ 229,386
Capital expenditures	\$ 605,536	\$ 85,585	\$ 30,208	\$ 721,329	\$ -	\$ 721,329

(b) Geographical segment information

Year ended Mar.31,2005

(Millions of Yen)

	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
Revenues								
(1) Operating revenues	¥ 772,720	¥ 18,840	¥ 9,820	¥ 27,062	¥ -	¥ 828,443	¥ -	¥ 828,443
(2) Inter-group sales and transfers	6,761	19,432	4,988	12,546	920	44,649	(44,649)	-
Total revenues	779,481	38,272	14,808	39,609	920	873,093	(44,649)	828,443
Operating expenses	681,703	38,611	14,339	30,058	775	765,488	(45,099)	720,389
Operating income(loss)	97,777	(338)	469	9,550	144	107,604	449	108,053
Ordinary income	¥ 96,415	¥ (36)	¥ 604	¥ 9,704	¥ 263	¥ 106,952	¥ 282	¥ 107,235
Total assets	¥ 550,393	¥ 27,624	¥ 16,196	¥ 43,962	¥ 1,817	¥ 639,994	¥ (34,663)	¥ 605,331

Year ended Mar.31,2004

(Millions of Yen)

	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
Revenues								
(1) Operating revenues	¥ 687,839	¥ 13,928	¥ 6,938	¥ 15,906	¥ 53	¥ 724,666	¥ -	¥ 724,666
(2) Inter-group sales and transfers	7,280	19,587	4,863	10,933	793	43,458	(43,458)	-
Total revenues	695,120	33,516	11,801	26,839	847	768,124	(43,458)	724,666
Operating expenses	631,153	33,034	11,545	21,255	728	697,717	(43,585)	654,132
Operating income	¥ 63,967	¥ 481	¥ 256	¥ 5,583	¥ 118	¥ 70,407	¥ 127	¥ 70,534
Total assets	¥ 524,990	¥ 23,047	¥ 29,295	¥ 30,203	¥ 2,089	¥ 609,626	¥ (50,490)	¥ 559,135

Year ended Mar.31,2005

(Thousands of U.S.Dollars)

	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
Revenues								
(1) Operating revenues	\$7,195,456	\$ 175,437	\$ 91,447	\$ 252,006	\$ -	\$7,714,346	\$ -	\$7,714,346
(2) Inter-group sales and transfers	62,962	180,955	46,451	116,835	8,570	415,772	(415,772)	-
Total revenues	7,258,418	356,391	137,898	368,840	8,570	8,130,117	(415,772)	7,714,346
Operating expenses	6,347,926	359,544	133,525	279,904	7,223	7,128,122	(419,959)	6,708,163
Operating income(loss)	910,492	(3,153)	4,373	88,936	1,346	1,001,996	4,187	1,006,183
Ordinary income	\$ 897,806	\$ (336)	\$ 5,632	\$ 90,364	\$ 2,457	\$ 995,923	\$ 2,635	\$ 998,557
Total assets	\$5,125,185	\$ 257,238	\$ 150,819	\$ 409,370	\$ 16,929	\$5,959,540	\$(322,782)	\$5,636,757

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.31,2005 (Millions of Yen)

	North America	Europe	Asia	Oceania	Other	Total
International revenues	¥ 232,641	¥ 151,552	¥ 149,100	¥ 95,154	¥ 57,784	¥ 686,233
Consolidated revenues						828,443
International revenues as a percentage of consolidated revenues	28.1%	18.3%	18.0%	11.5%	7.0%	82.8%

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

	North America	Europe	Asia	Oceania	Other	Total
International revenues	¥ 196,891	¥ 139,696	¥ 113,963	¥ 79,015	¥ 59,957	¥ 589,524
Consolidated revenues						724,666
International revenues as a percentage of consolidated revenues	27.2%	19.3%	15.7%	10.9%	8.3%	81.4%

Year ended Mar.31,2005 (Thousands of U.S.Dollars)

	North America	Europe	Asia	Oceania	Other	Total
International revenues	\$ 2,166,320	\$ 1,411,238	\$ 1,388,403	\$ 886,066	\$ 538,082	\$ 6,390,109
Consolidated revenues						7,714,346
International revenues as a percentage of consolidated revenues	28.1%	18.3%	18.0%	11.5%	7.0%	82.8%

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

Oceania: Australia, New Zealand

Other: Central and South America, Africa

Non-consolidated Financial Statements

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

Non-Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. for the year ended March 31, 2005, and 2004

(Million YEN or Thousands of U.S. Dollars)

	Year ended Mar. 31, 2005	Year ended Mar. 31, 2004	Year ended Mar. 31, 2005
ASSETS			
Current assets:			
Cash and time deposit	¥ 6,752	¥ 6,864	\$ 62,881
Accounts receivable	63,952	53,941	595,516
Short-term loans receivable	19,421	10,514	180,853
Advance payments-trade	7,280	5,856	67,799
Inventories	10,027	7,553	93,370
Prepaid expenses and deferred charges	25,681	20,103	239,147
Due from agents	2,874	2,058	26,769
Deferred income taxes	3,119	2,550	29,051
Other current assets	5,337	2,205	49,700
Allowance for doubtful receivables	(357)	(872)	(3,324)
Total current assets	144,091	110,776	1,341,761
Fixed assets :			
(Tangible fixed assets)			
Vessels	42,833	47,299	398,857
Buildings	3,865	3,970	35,991
Structures	237	193	2,208
Equipments	460	501	4,293
Land	22,147	23,359	206,235
Construction in progress	67	618	626
Other tangible fixed assets	1,039	1,083	9,683
Total tangible fixed assets	70,651	77,025	657,892
(Intangible fixed assets)			
Software	1,964	2,306	18,297
Software in progress	242	256	2,257
Other intangible fixed assets	19	17	185
Total intangible fixed assets	2,227	2,579	20,740
(Investments and other long-term assets)			
Investments in securities	67,801	60,059	631,356
Investment in stocks of affiliated company	33,886	32,251	315,547
Long-term loans receivable	46,025	38,720	428,586
Long-term prepaid expenses	3,157	1,217	29,405
Deposit	3,133	3,203	29,183
Other long-term assets	6,108	4,295	56,883
Allowance for doubtful receivables	(760)	(228)	(7,083)
Total investments and other long-term assets	159,353	139,519	1,483,876
Total fixed assets	232,231	219,124	2,162,507
Deferred assets			
Bond-issuing expenses	21	63	199
Total deferred assets	0	0	0
Total assets	¥ 376,344	¥ 329,965	\$ 3,504,468

Non-Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. for the year ended March 31, 2005, and 2004

	Year ended Mar. 31, 2005	Year ended Mar. 31, 2004	Year ended Mar. 31, 2005
LIABILITIES			
Current liabilities			
Accounts payable	¥ 57,025	¥ 47,373	\$ 531,017
Current portion of bonds payable	3,000	5,000	27,936
Short-term loans and current portion of long-term debit	26,311	27,390	245,009
Commercial paper	-	2,000	-
Accrued income tax	24,337	14,331	226,626
Advance receipt	12,858	11,631	119,740
Deposit received	4,618	3,056	43,008
Due to agents	4,768	5,132	44,408
Accrued bonuses	1,189	1,019	11,081
Other current liabilities	2,786	1,854	25,945
Total current liabilities	136,897	118,790	1,274,770
Long-term liabilities			
Bonds	43,000	46,000	400,410
Long-term debit, less current portion	36,109	52,069	336,245
Allowance for employees' retirement benefit	1,094	2,092	10,188
Retirement allowance for directors and statutory auditors	1,548	1,292	14,415
Accrued expenses for overhaul of vessels	1,331	1,504	12,401
Deferred income taxes	5,788	6,050	53,904
Deferred income taxes for land revaluation	2,862	1,817	26,653
Other long-term liabilities	4,694	3,508	43,712
Total long-term liabilities	96,428	114,335	897,928
Total liabilities	233,326	233,126	2,172,698
Shareholders' equity :			
Common stock	29,689	29,689	276,467
Additional paid-in capital			
Capital surplus	14,534	14,534	135,346
Other capital surplus			
Surplus from transaction in treasury stock	-	0	-
Total additional paid-in capital	14,534	14,535	135,346
Retained earning			
Legal reserve	2,540	2,540	23,655
Special reserve			
Special depreciation reserve	2,162	1,969	20,136
Reduced value entry reserve	2,343	2,452	21,819
Other reserve	29,052	11,052	270,528
Unappropriated earned surplus for current term	43,367	21,717	403,835
Total retained earning	79,465	39,731	739,973
Revaluation reserve for land	4,720	3,016	43,957
Unrealized holding gain on investments in securities	15,271	10,520	142,210
Treasury stock, at cost	(664)	(653)	(6,184)
Total shareholders' equity	143,018	96,839	1,331,769
Total liabilities and shareholders' equity	¥ 376,344	¥ 329,965	\$ 3,504,468

Non-Consolidated Statements of Income

Kawasaki Kisen Kaisha, Ltd. for the year ended March 31, 2005, and 2004

	Year ended Mar. 31, 2005	Year ended Mar. 31, 2004	Year ended Mar. 31, 2005
Operating revenues :			
Revenues from Shipping and other operating :			
Freight	¥ 555,283	¥ 496,309	\$ 5,170,721
Charter of vessels	83,155	72,809	774,327
Other operating revenues	19,311	14,956	179,825
Total shipping and other operating revenues	657,750	584,075	6,124,874
Other revenues	949	882	8,844
Total operating revenues	658,699	584,958	6,133,717
Operating expenses :			
Expenses of Shipping and other operating :			
Shipping expenses	287,639	270,175	2,678,455
Preservation expenses for vessel	8,573	8,616	79,834
Hire of vessel	214,556	189,821	1,997,921
Other operating expenses	48,177	48,080	448,624
Total shipping and other operating expenses	558,947	516,695	5,204,834
Other expenses	650	546	6,057
Selling, general and administrative expenses	13,814	12,648	128,635
Total operating expenses	573,411	529,890	5,339,526
Operating income	85,288	55,068	794,191
Non-operating income :			
Interest and dividend income	3,109	1,898	28,959
Exchange gain	511	-	4,764
Other non-operating income	280	193	2,613
Total non-operating income	3,902	2,092	36,336
Non-operating expenses :			
Interest expenses	2,093	2,757	19,493
Exchange loss	-	4,591	-
Other non-operating expenses	223	140	2,082
Total non-operating expenses	2,316	7,489	21,575
Ordinary income	86,873	49,670	808,953
Extraordinary profits :			
Gain on sales of investments in securities	234	306	2,183
Other extraordinary profits	34	85	319
Total extraordinary profits	268	391	2,501
Extraordinary losses :			
Loss on disposal of fixed assets	910	-	8,478
Liquidation loss of stocks of affiliated company	2,621	4,623	-
Impairment losses on fixed assets	4,684	-	43,619
Other extraordinary losses	773	5,472	7,201
Total extraordinary losses	8,989	10,096	83,709
Income before income taxes	78,152	39,965	727,745
Income taxes, current	31,790	16,218	296,024
Income taxes, deferred	(2,649)	(704)	(24,675)
Net income	49,012	24,452	456,396
Unappropriated retained earnings brought forward	535	247	4,988
Reversal of the revaluation reserve for land	(1,704)	(19)	(15,872)
Loss on transaction in treasury stock	37	-	352
Interim dividends	4,437	2,962	41,325
Unappropriated earned surplus for current term	¥ 43,367	¥ 21,717	\$ 403,835