

FINANCIAL HIGHLIGHTS

Interim brief report of the first half of fiscal year ended March 31,2005

[Two Year Summary]

	Six Months ended Sep.30,2004	Six Months ended Sep.30,2003	Six Months ended Sep.30,2004	Year ended Mar.31,2004
Consolidated				
Operating revenues (Millions of yen / Thousands of U.S. dollars)	¥ 413,563	¥ 362,106	\$3,724,119	¥ 724,666
Operating income (Millions of yen / Thousands of U.S. dollars)	60,252	34,305	542,569	70,534
Net income (Millions of yen / Thousands of U.S. dollars)	33,549	15,941	302,109	33,196
Per share of common stock (Yen / U.S. dollars)	56.76	26.92	0.52	55.71
Total Assets (Millions of yen / Thousands of U.S. dollars)	589,444	535,169	5,307,921	559,135
Shareholders' Equity (Millions of yen / Thousands of U.S. dollars)	155,159	102,538	1,397,200	121,006
Per share of common stock (Yen / U.S. dollars)	262.47	173.18	2.39	204.37
Net cash provided by operating activities (Millions of yen / Thousands of U.S. dollars)	45,371	32,663	408,567	78,550
Net cash used in investing activities (Millions of yen / Thousands of U.S. dollars)	(21,540)	(15,946)	(193,968)	(51,775)
Net cash used in financing activities (Millions of yen / Thousands of U.S. dollars)	(22,289)	(18,310)	(200,717)	(21,602)
Non-consolidated				
Operating revenues (Millions of yen / Thousands of U.S. dollars)	331,975	295,026	2,989,426	584,958
Operating income (Millions of yen / Thousands of U.S. dollars)	48,336	28,221	435,270	55,068
Net income (Millions of yen / Thousands of U.S. dollars)	27,178	12,450	244,745	24,452
Per share of common stock (Yen / U.S. dollars)	45.94	21.00	0.41	41.05
Cash dividends (Millions of yen / Thousands of U.S. dollars)	4,437	2,962	39,963	2,957
Per share of common stock (Yen / U.S. dollars)	7.50	5.00	0.07	5.00
Total Assets (Millions of yen / Thousands of U.S. dollars)	366,828	303,082	3,303,273	329,965
Shareholders' Equity (Millions of yen / Thousands of U.S. dollars)	124,229	81,624	1,118,682	96,839
Per share of common stock (Yen / U.S. dollars)	209.95	137.74	1.89	163.47

The U.S. dollar amounts are converted from the yen amount at ¥111.05=U.S.\$1.00, The exchange rate prevailing on September 30th, 2004.

I. 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 Stable Payment of Dividends

“K” LINE considers the interests of the shareholders as one of its most important management policies and is promoting the improvement and enhancement of its corporate structure, as well as expansion of its operational presence. Part of our fundamental policy is to pay a stable dividend of ¥10.0 per share and we are making every effort to return profits to the shareholders by planning to pay out dividends within about 20% of the non-consolidated net profit for each fiscal year. 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 decided at ¥7.5 per share in consideration of the operating results in the 1st half, as declared publicly in the

Financial Highlights for the 1st quarter of fiscal 2004, according to a resolution by the Board of Directors of the Company at a meeting held on November 11, 2004. The annual dividend is expected to be ¥15.0 per share as of this date, which was also publicized in the Financial Highlights mentioned above. However, the amount of the annual dividend will be determined after taking into consideration the business prospects for the 2nd half of fiscal 2004.

3. Interim/Long-Term Management Strategy and Profit Targets of the “K” LINE Group

“K” LINE Vision 2008

For our 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 “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 business 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 of “K” LINE, and
- 3) Strengthening of the system of corporate governance and reinforcement of risk management.

<Profit Targets>

- 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 ¥10.0 dividend per share.

(Consolidated financial numerical targets for fiscal 2003, 2004 and 2008)

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

	Fiscal 2003	Fiscal 2004 projected	Fiscal 2004 prospective	Fiscal 2008 targeted
Operating revenues	7,247	7,600	8,200	8,700
Operating income	705	760	1,060	880
Ordinary income	626	740	1,050	870
Net income	332	460	580	550
ROE	33%	33%	39%	17%
Interest-bearing debt	2,818	2,600	2,600	2,600
Shareholders' equity	1,210	1,600	1,750	3,400
Equity ratio	22%	27%	29%	43%
DER	233%	162%	149%	77%
Capital investment	538	730	816	1,350
Scale of the fleet	363 vessels	368 vessels	380 vessels	461 vessels

Notes: 1. Assumptions of the prospects for the operating results

	Fiscal 2003	Fiscal 2004 projected	Fiscal 2004 prospective	Fiscal 2008
Foreign exchange rate, yen/per US\$	¥ 114	¥ 108	¥ 107	¥ 110
Unit price of bunker oil	\$ 170	\$ 170	\$ 192	\$ 170

The figures above include the prospects for future operating results as of the date of publication of the management plan (May 2004). 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.

4. 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 from stakeholders, including the shareholders, and to maintain the sustainable growth of the company. In the new management plan, "K" LINE Vision 2008" launched at the beginning of current fiscal year, "K" LINE has stated that its major fundamental tasks include strengthening the corporate governance system and improving and enhancing risk management. We, at the level of entire "K" LINE group, will continue striving to ensure that business ethics are fully adopted, 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

1) Administrative organizations of management for decision-making, execution and control

Corporate audits have been carried out by auditors and four auditors are engaged as of September 30, 2004.

2) Election of Outside Directors and Outside Auditors

No outside director has been elected. Two auditors out of the four have been elected as outside auditors defined under Section 1 of Article 18 of the Law for Special Exceptions to the Commercial Code of Japan.

3) The Board of Directors, Directors' Council, Investment Committee and Management Conference

The 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 once or more times every month. All of the auditors attend the meetings of the Board.

Directors' Council: In addition to the Board of Directors, Directors' Council takes place every two weeks in principle, participated in by all directors and also attended by one or more auditors in order to report on and discuss important issues. By these means, the Company ensures transparency of the execution of the duties of the directors, thereby promoting quick decision-making and achieving 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, Investment Committee, whose members correspond to those of the Management Conference, gathers as necessary to discuss and determine the basic investment plan and the major individual items of investment.

Management Conference: Management Conference is held among the representative directors once a week in principle. In this Conference, opinions are exchanged on overall management issues between the representative directors, and the directors in charge ask the representative directors for their advice and opinions. The Conference is aimed at maintaining transparency and promoting prompt action in relation to business judgements and directioning.

4) 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 in-house information system, functioning as expected. The Committee responds to compliance-related issues based on information arrived through a number of channels.

5) Investor Relations and Disclosure

IR & PR Group, General Affairs & Legal Group, Accounting Group and Corporate Planning Group cooperate with each other to ensure the highest level of quality and accuracy of IR and disclosures in order to maintain the transparency of management.

6) Internal Control Scheme

Under the direction of representative directors, directors in charge and general managers have a responsibility to ensure that internal control are conducted properly by establishing a framework for it and the evaluation of their effectiveness. 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.

Auditors oversee the effective functioning of the framework established for internal audits and auditing schemes.

7) Participation in Corporate Governance by Third Parties including Public Accountants and Lawyers

The Company entered into a contract with Shin Nihon & Co., an audit corporation, for the special Statutory Audit of CCJ and the Statutory Securities Audit. This provides assurance that the public auditors implement their auditing fairly and independently.

We have adopted a system of soliciting professional advice from outside lawyers, public accountants and certified public tax accountants to support corporate management and daily business activities whenever necessary.

(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 September 30, 2004.

(3) Implementation of Measures to Improve Corporate Governance in the 1st Half of Fiscal 2004

- 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 control 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.

5. Issues Requiring Responses from the Company

The Company recognizes safety in navigation and cargo operations and 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 Operations:

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 ships 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 code and our original quality standards, including some parts of the ISO 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 attacks on vessels, which is an issue of recent concern, we are implementing countermeasures for our all vessels based on the ISPS code that became effective in July this year. 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 countermeasures 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 Charter” for “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 Charter 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” 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 the Environmental Management System 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.

II. Brief Summary of the Operating Results and Financial Position for the 1st Half of Fiscal 2004

1. Operating Results

(1) Summary of Operating Results in the 1st Half, Consolidated

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

	Six months ended Sep. 30, 2004	Six months ended Sep. 30, 2003	Increase
Operating revenues	4,136	3,621	515/14.2%
Operating income	603	343	259/75.6%
Ordinary income	619	304	315/103.6%
Net income for the 1st half	335	159	176/110.5%

During the 1st half of 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 EC. 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 charterage costs and fuel prices, overall cargo movements grew fairly well and restoration of 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.

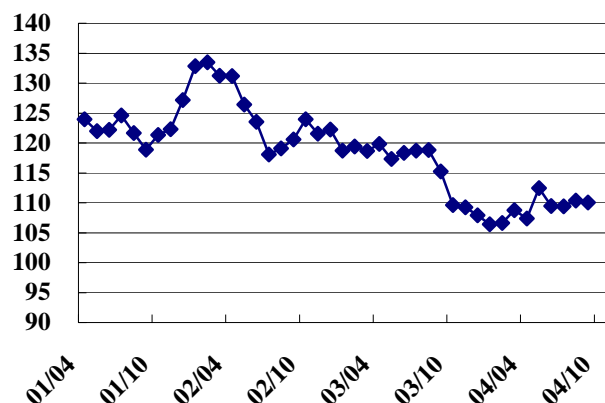
In addition, the negative effects of the fluctuations in foreign exchange rates and fuel prices on the Company's ordinary income are as follows:

	Six months ended Sep. 30, 2004	Six month ended Sep. 30, 2003	Increase	Effect
Foreign exchange rates	¥109/US\$	¥119/US\$	¥10/US\$	- ¥4.9 billion
Fuel oil prices	US\$184/MT	US\$171/MT	US\$13/MT	- ¥1.5 billion

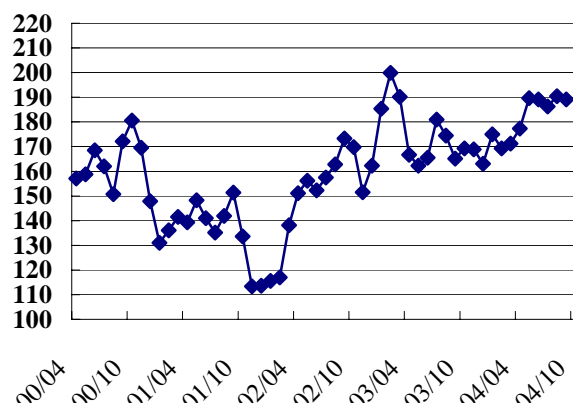
Note: A fluctuation in the foreign exchange rates for the US dollar of ¥1/US\$ affects the level of the Company's ordinary income by ¥1 billion annually.

The effect of a fluctuation in fuel oil prices of \$1 per metric ton is around ¥ 0.23 billion.

<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, consolidated operating revenues increased by ¥51.456 billion compared with the same period of the preceding year to ¥413.563 billion. Consolidated operating income rose by ¥25.947 billion on a year-on-year basis to ¥60.252 billion, and consolidated ordinary income increased by ¥31.514 billion from a year earlier to ¥61.942 billion. Consolidated net income for the interim period of fiscal 2004 also increased by ¥17.607 billion compared with the same period last year to ¥33.549 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 by industry sector are as follows:

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

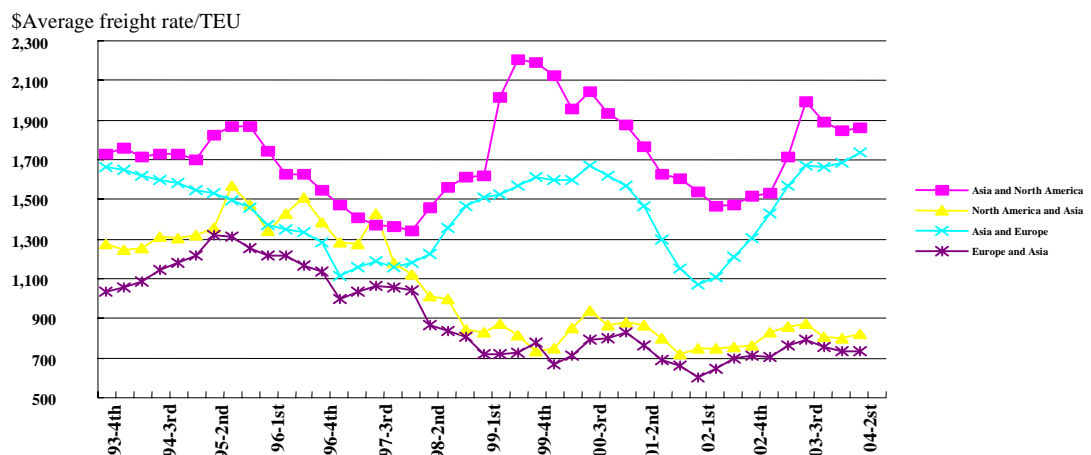
		Fiscal 2003		Six months ended Sep. 30, 2004	Increase/(Decrease) year-on-year basis
		Six months ended Sep. 30, 2003	Year ended Mar. 31, 2003		
Marine transportation	Operating revenues	3,118	6,221	3,585	467/15.0%
	Operating income	305	613	548	243/79.9%
Freight Forwarding / Harbor Transportation	Operating revenues	439	899	487	48/10.9%
	Operating income	34	81	48	14/41.6%
Others	Operating revenues	64	127	64	(-1)/(-0.8%)
	Operating income	4	13	6	2/51.0%

1) Marine transportation

<Containership Business>

In the 1st half of fiscal 2004, cargo movements on the Asia/North America service routes rose sharply from the same period 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 Federal Reserve Bank. In Asia/Europe trade, cargo movements substantially exceeded those in the same period of the preceding year, supported by a stronger euro and a sharp rise in imports from the Asian region, mainly from China, which is recently being referred to as the factory of the world. On the Inter-Asia service routes, cargo movements increased significantly. In Australia, South Africa, and South America, mineral resource markets were thriving, and revitalization of the economy made progress in each of the countries involved. As a result, cargo movements grew steadily. In response to these growing cargo movements, the Company reinforced its China and North America service routes, mainly based on Shanghai, by utilizing the alliance framework from this spring, newly established direct routes between Asia and the East Mediterranean/Adriatic Sea area, started new service routes between the East Coast of North and South America, which were strongly requested by the clients of major retailers in the U.S., and increased the frequency of services between Asia and Southeast Australia. At the same time, on the transatlantic routes, the Company implemented rationalization, including replacement of existing vessels with smaller ones. Apart from North America/Europe service routes, the Company aggressively promoted expansion of its network to reinforce services and streamlining measures, depending on the situation of service routes in each region. The Company was also able to restore freight rates on the once sluggish South/North service routes, including Central and South America, Africa, and Inter-Asia routes against a background of dynamic cargo movements. Overall operating revenues in the containership business substantially exceeded those in the same term of the preceding year, due to the effects of increases in cargo movements and restoration of freight rates. In spite of negative factors, including hikes in fuel prices, a rise in charterage costs, and increased operating costs due to congestion at terminals on U.S. West Coast, profits were substantially improved and exceeded the projections, since the Company continued to promote cost reduction activities, including curbs on loading/discharging and empty positioning costs.

Containerization International “Freight Rates Indicators”

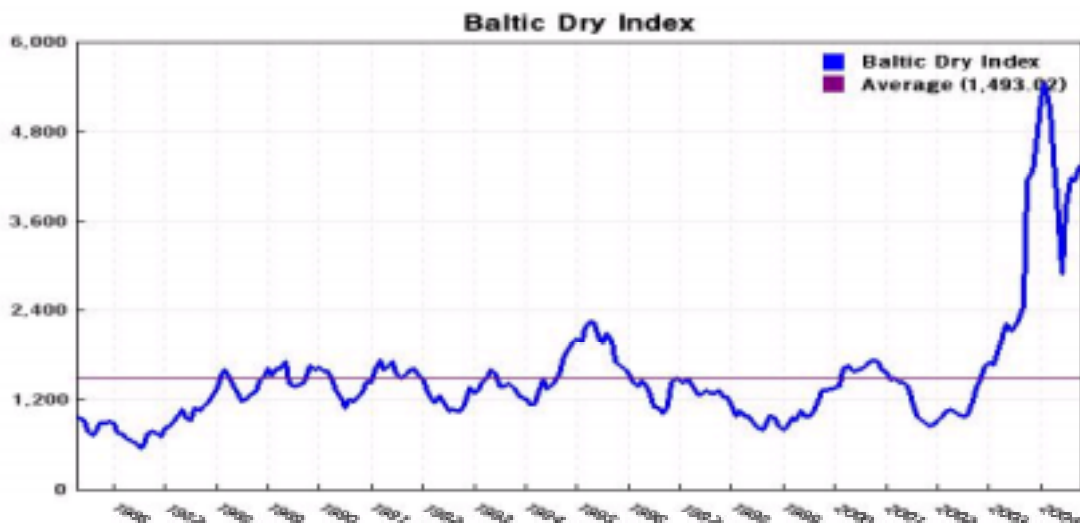


<Bulk Carrier and Car Carrier Business>

Freight rates for bulk carriers were at record high levels from the end of 2003, but temporarily entered a period of adjustment in the 1st quarter of fiscal 2004. However, in the 2nd quarter the freight rates for bulk carriers bounced right back up again and have remained at high levels. The bulk carrier business enjoyed the advantage of higher market freight rates for the 1st half of fiscal 2004, although some negative factors persisted, including rising fuel prices and higher charterage costs. Improvements in the shipping operation rate owing to reduced ship traffic congestion also contributed to earnings. At the same time, the Company made efforts to reduce the number of ballast voyages and to gain lucrative cargo orders. As a result, the bulk carrier business increased its operating revenues significantly and posted profits exceeding to a considerable extent those in the same period of the preceding year.

In the car carrier business, the sales of cars, particularly Japanese and Korean cars, continued to rise fairly well in the U.S. and Europe as well as in Australia and Middle East, and the number of transported cars by the Company from the Far East increased significantly on a year-on-year basis. In addition, active approaches to the intermediary trade contributed to a significant increase in the number of transported cars from the transatlantic area and the Southeast Asian region. The overall number of transported cars by the Company in the 1st half of fiscal 2004 rose sharply from the same period of the previous year. The Company made all-out efforts to secure a constant profit through the launching of large newly-built car carriers and implementing quicker operation of car carriers in order to absorb the adverse effects of rises in fuel prices and charterage costs, which were hovering 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>



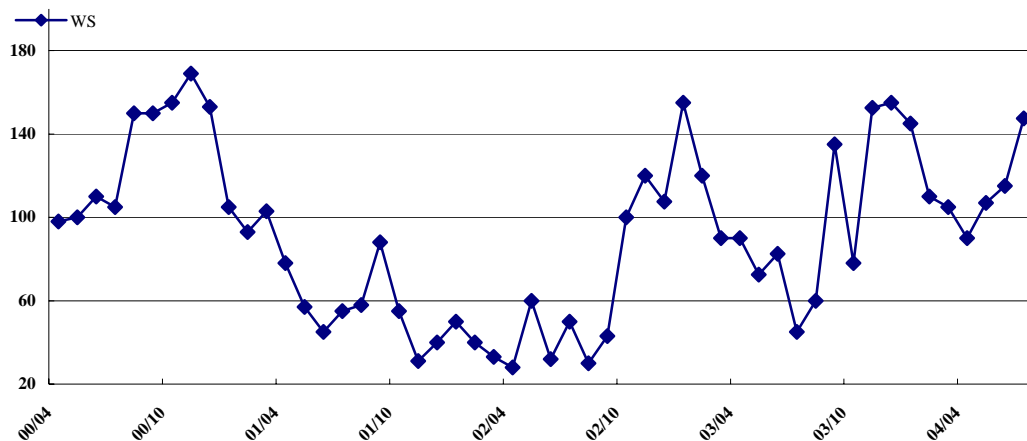
<Energy Transportation and Tanker Business>

The fleet of LNG carriers that consists of 24 carriers for each project operated smoothly as scheduled, which continued to contribute to securing stable operating revenues.

The thermal coal carriers for electric power companies transported nearly 7 million metric tons of coal and limestone in the 1st half of fiscal 2004, assisted by sharply increased demand due to commencement of the commercial operation of new coal-fired power plants and the demand resulting from the unprecedented hot summer this year. Reduced congestion of ship traffic at ports of loading increased the efficiency of shipping operations. 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 China and the U.S., and freight rates remained significantly higher than for the same period last year. In addition to commencement of an Aframax vessel and a newly built double-hulled VLCC, the efficient allocation of tankers contributed to the high rise in operating revenues, which considerably exceeded those in the 1st half of fiscal 2003. Profits in the tanker business were greater than the projections at the beginning of the term. Overall operating revenues and profits in the energy transportation and tanker business, respectively, exceeded those in the same period last year.

<Trends in tanker freight rates>



[Coastal shipping Business]

In domestic tramp services, domestic transportation of steel products remained at a high level, which was attributable to strong demand for steel products. The volumes of transported limestone and coal were high and stable following some recovery in the Japanese economy. In the domestic liner service, the volume of transportation of raw milk produced in Hokkaido declined slightly compared with the 1st half of fiscal 2003 under the severe circumstances created by a number of typhoons and fuel price increases. 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 1st half of fiscal 2003 through aggressive activities to collect cargoes despite a decrease in the number of transportation services owing to typhoons. The operation costs increased due to typhoons and hikes in fuel prices. However, overall operating revenues of the coastal shipping business rose slightly on a year-to-year comparison.

As a result, overall operating revenues for marine transportation amounted to ¥358.526 billion, an increase of 15.0% over the same period last year, and operating income stood at ¥54.809 billion, 79.9% up in a year-on-year comparison, and ordinary income stood at ¥55.257 billion.

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 ¥48.659 billion, an increase of 10.9% on a year-over-year basis, and operating income was ¥4.781 billion, or a 41.6% rise from the same period of the preceding year, and ordinary income stood at ¥5.140 billion.

3) Other business

As for land transportation business and other businesses not mentioned above, operating revenues amounted to ¥6.377 billion, down 0.8% on a year-on-year basis, and operating income rose to ¥0.575 billion, a 51.0% increase from the same term last year, and ordinary income stood at ¥1.681 billion.

(2) Prospects for Fiscal 2004, Consolidated

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

	Prospects for Fiscal 2004	Result for Fiscal 2003	Increase in amount/rate
Operating revenues	8,200	7,247	953/13%
Operating income	1,060	705	355/50%
Ordinary income	1,050	626	424/68%
Net income	580	332	248/75%

Foreign exchange rates	¥107/US\$	¥114/US\$	+¥7/US\$
Fuel oil prices	US\$192/MT	US\$170/MT	+US\$22

Assumptions for the prospects: (For the 2nd half); foreign exchange rate: ¥105/US\$, Fuel oil price: US\$200/MT

As far as the 2nd half of fiscal 2004 is concerned, while both the domestic and global economies are expected to stay on track for recovery, uncertain factors remain effective, including future fluctuations in fuel prices and foreign exchange rates, and concerns over a slowdown in the U.S. and Chinese economies that are now fairly strong. However, business circumstances surrounding the “K” LINE Group are anticipated to be generally favorable and stable.

As for the containership business, the Company is required to pay careful attention to consumption trends in the U.S. after the Presidential election, but increases in cargo movements can be expected mainly from China and India since import restrictions on apparel under the WTO are scheduled to be lifted in January 2005. We are planning to strengthen the services between Asia and U.S. Pacific Northwest, and between Asia and U.S. East Coast, which are now growing rapidly, by launching a fleet of newly built 4,000TEU Panamax containerships that will be released from the end of this year. In addition, we will promote further cost reduction activities. These measures should contribute substantially to expanding operating revenues and income.

In the bulk carrier business, market freight rates are expected to remain high, without there being any factor in sight that could depress market rates to any great extent. The car carrier business can anticipate an increase in exports of Japanese and Korean cars to the U.S. These cars are expanding their market share in the U.S. market, where the sales of cars began to climb moderately over the summer. Markets in other service routes are also expected to grow steadily. Overall income in this business field will definitely increase.

In the energy transportation and tanker business, the Company will continue to expand LNG carrier operations by launching newly built carriers. The thermal coal carrier service for electric power generating companies may face a return to congestion at ports of loading due to the increased demand for transportation to China. We will strive to maintain a stable volume of cargo and profits by improving the efficiency of vessel operations. In the tanker division, there is great concern over highly-inflated crude oil prices. 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 cargo movements and profits as those projected at the start of fiscal 2004.

Total operating revenues and profits of the marine transportation business will rise substantially compared with the preceding term.

In Freight Forwarding/Harbor 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.

2. Financial Status

As of the end of September 2004, total assets increased ¥30.309 billion to ¥589.444 billion compared with the end of consolidated fiscal year 2003. The increase in accounts and notes receivable-trade, thanks to increases in sales, the increase in vessels, and the expansion of unrealized gains among investments in securities due to stock price advances resulted in an increase in total assets.

Of total liabilities, current liabilities declined ¥1.653 billion to ¥176.432 billion, since the Company promoted a reduction of ¥20.172 billion in interest-bearing debt. On the other hand, long-term liabilities decreased ¥2.696 billion to ¥249.389 billion.

Shareholders' equity amounted to ¥155.159 billion, which increased ¥34.152 billion, a rise by 28.2% compared with the end of consolidated fiscal year 2003. Details of the increase are: ¥28.624 billion in retained earnings, a rise by 42.7% from the end of the preceding term, reflecting favorable profitability in the 1st half of fiscal 2004; and ¥3.119 billion in unrealized holding gain on investments in securities, up 26.4% from the end of March 2004.

3. Consolidated Cash Flows

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

Item	Fiscal 2003		Six months ended Sep. 30, 2004	Increase/(Decrease) year-on-year basis
	Six months ended Sep. 30, 2003	Year ended Mar. 31, 2004		
Cash and cash equivalents at the beginning of the period	188	188	231	43
1) Cash flow from operating activities	327	786	454	127
2) Cash flow from investment activities	-159	-518	-215	(-56)
3) Cash flow from financing activities	-183	-216	-223	(-40)
4) Effect of exchange rate changes on cash and cash equivalents	2	-8	13	10
Net increase (decrease) in cash and cash equivalents	-13	43	28	42
Cash and cash equivalents at the end of the period	174	231	260	85

As of the end of the 1st half of fiscal 2004, cash and cash equivalents increased ¥2.835 billion from the end of the preceding term to ¥25.962 billion. Details of consolidated cash flows in the 1st half of fiscal 2004 are as follows:

Cash flow from operating activities resulted in plus ¥45.371 billion from the increase in net income before tax adjustments and depreciation costs. Cash flow from investment activities ended with minus ¥21.540 billion due to expenditures for the acquisition of vessels. Cash flow from financing activities was minus ¥22.289 billion due to the repayment of loans.

Regarding cash flow in the 2nd half of fiscal 2004, cash flow from operating activities is expected to amount to plus ¥38 billion. Cash flow from investment activities will be ¥48 billion, including ¥37 billion for the acquisition of vessels and related equipment. Cash flow from financing activities is expected to be around minus ¥5 billion due primarily to the repayment of loans for capital spending. In aggregate, cash and cash equivalents will be roughly at the same level as at the end of the 1st half of fiscal 2004.

[Note]

Prospects for future operating results described in this document may differ substantially from the actual results, 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 prices, accidents at sea involving vessels operated by our Group, and social disruptions such as war and terrorists 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, although 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:

	Six months ended Sep. 30, 2002	Year ended Mar. 31, 2003	Six months ended Sep. 30, 2003	Year ended Mar. 31, 2004	Six months ended Sep. 30, 2004
Equity ratio (%)	14.9	15.9	19.2	21.6	26.3
Equity ratio based on market value (%)	19.4	30.0	42.3	57.3	76.0
Debt redemption years (year)	–	9.3	–	3.6	–
Interest coverage ratio	1.8	5.0	10.6	14.3	18.9

Formulae: 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

Notes:

- Each index is calculated based on the values in the consolidated financial statements.
- 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).
- 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 warrant bonds 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.
- Debt redemption years are not available for the interim period of each fiscal year. For your reference only, if net cash from operating activities is annualized by doubling the net cash for the interim period for fiscal 2004, the number of debt redemption years is 2.9 years.

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, 2004 and half years ended September 30, 2004 and 2003

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

	Six Months ended Sep.30,2004	Year ended Mar.31,2004	Six Months ended Sep.30,2004	Six Months ended Sep.30,2003
ASSETS				
Current assets :				
Cash and time deposits	¥ 26,268	¥ 23,370	\$ 236,548	¥ 17,678
Accounts and notes receivable-trade	93,254	75,986	839,753	78,160
Short-term loans receivable	3,371	11,830	30,360	8,045
Marketable securities	34	54	307	59
Inventories	10,820	9,303	97,439	9,864
Prepaid expenses and deferred charges	23,253	21,507	209,394	19,288
Other current assets	16,986	15,638	152,962	14,587
Allowance for doubtful receivables	(1,104)	(1,046)	(9,945)	(1,020)
Total current assets	172,884	156,643	1,556,818	146,665
Fixed assets :				
(Tangible fixed assets)				
Vessels	178,193	171,699	1,604,627	181,808
Buildings and structures	27,136	29,131	244,360	31,339
Machinery and vehicles	8,322	6,580	74,945	6,490
Land	29,212	35,446	263,057	35,668
Construction in progress	40,880	34,322	368,125	28,853
Other tangible fixed assets	3,451	3,793	31,078	3,957
Total tangible fixed assets	287,196	280,973	2,586,191	288,117
(Intangible fixed assets)				
Consolidated adjustment account	57	77	514	-
Other intangible fixed assets	6,579	5,837	59,250	5,703
Total intangible fixed assets	6,636	5,914	59,764	5,703
(Investments and other long-term assets)				
Investments in securities	86,839	80,201	781,982	69,698
Long-term loans receivable	12,525	15,214	112,790	4,243
Deferred income taxes	4,631	3,715	41,705	3,875
Deferred income taxes for land revaluation	218	219	1,971	219
Other long-term assets	18,968	16,612	170,807	17,168
Allowance for doubtful receivables	(498)	(423)	(4,490)	(552)
Total investments and other long-term assets	122,684	115,539	1,104,765	94,652
Total fixed assets	416,517	402,427	3,750,720	388,473
Deferred assets	42	63	383	31
Total assets	¥ 589,444	¥ 559,135	\$ 5,307,921	¥ 535,169

Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2004 and half years ended September 30, 2004 and 2003

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

	Six Months ended Sep.30,2004	Year ended Mar.31,2004	Six Months ended Sep.30,2004	Six Months ended Sep.30,2003
LIABILITIES				
Current liabilities :				
Accounts and notes payable-trade	¥ 68,880	¥ 61,017	\$ 620,263	¥ 58,436
Current portion of bonds payable	5,000	5,000	45,025	2,500
Short-term loans and current portion of long-term debt	50,860	66,768	457,993	101,167
Accrued income taxes	22,129	16,656	199,275	10,537
Accrued bonuses	2,278	2,220	20,522	2,038
Current portion of obligations under finance leases	1,366	1,456	12,306	1,601
Other current liabilities	25,917	24,966	233,387	22,932
Total current liabilities	176,432	178,086	1,588,770	199,214
Long-term liabilities :				
Bonds	46,000	46,000	414,228	21,000
Long-term debt, less current portion	149,118	151,483	1,342,802	154,900
Deferred income taxes for land revaluation	3,109	2,061	28,003	2,049
Allowance for employees' retirement benefit	12,338	13,063	111,109	13,815
Retirement allowance for directors and statutory auditors	2,099	2,135	18,907	1,746
Accrued expenses for overhaul of vessels	10,068	9,680	90,664	8,776
Obligations under finance leases	9,293	11,102	83,687	13,235
Consolidated adjustment account	-	-	-	185
Other long-term liabilities	17,361	16,560	156,341	10,003
Total long-term liabilities	249,389	252,085	2,245,740	225,711
Total liabilities	425,822	430,172	3,834,510	424,926
Minority interests in consolidated subsidiaries	8,463	7,956	76,211	7,704
Shareholders' equity :				
Common stock	29,689	29,689	267,356	29,689
Additional paid-in capital	14,534	14,535	130,885	14,535
Retained earnings	95,589	66,964	860,776	52,674
Revaluation reserve for land	6,804	5,093	61,271	4,848
Unrealized holding gain on investments in securities	14,920	11,801	134,361	4,574
Translation adjustments	(5,644)	(6,310)	(50,832)	(3,478)
Treasury stock, at cost	(734)	(767)	(6,617)	(304)
Total shareholders' equity	155,159	121,006	1,397,200	102,538
Total liabilities, minority interest and shareholders' equity	¥ 589,444	¥ 559,135	\$ 5,307,921	¥ 535,169

Consolidated Statements of Income

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2004 and half years ended September 30, 2004 and 2003

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

	Six Months ended Sep.30,2004	Six Months ended Sep.30,2003	Six Months ended Sep.30,2004	Year ended Mar.31,2004
Operating revenues	¥413,563	¥ 362,106	\$ 3,724,119	¥ 724,666
Costs and expenses	326,443	301,318	2,939,610	601,552
Selling, general and administrative expenses	26,867	26,482	241,940	52,579
Operating income	60,252	34,305	542,569	70,534
Non-operating income :				
Interest income	409	354	3,691	1,065
Dividends income	703	583	6,338	839
Equity in earnings of affiliated companies	229	269	2,064	528
Exchange gain	2,412	-	21,729	-
Other non-operating income	369	524	3,329	827
Total non-operating income	4,125	1,731	37,151	3,261
Non-operating expenses :				
Interest expenses	2,403	2,982	21,644	5,451
Exchange loss	-	2,576	-	5,643
Other non-operating expenses	31	50	287	135
Total non-operating expenses	2,435	5,609	21,931	11,230
Ordinary income	61,942	30,427	557,789	62,564
Extraordinary profits :				
Gain on sales of vessels, properties	352	866	3,179	936
Gain on sales of investments in securities	94	223	850	693
Other extraordinary profits	98	201	888	230
Total extraordinary profits	545	1,291	4,917	1,860
Extraordinary losses :				
Loss on sales of vessels, properties	81	2,864	731	4,974
Impairment losses on fixed assets	7,037	-	63,375	-
Loss on disposal of properties	925	2	8,330	29
Other extraordinary losses	1,308	843	11,783	4,394
Total extraordinary losses	9,352	3,710	84,219	9,398
Income before income taxes	53,135	28,008	478,486	55,026
Income taxes, current	21,231	10,244	191,188	20,103
Income taxes, deferred	(2,384)	1,398	(21,473)	857
Minority interest	739	423	6,661	870
Net income	¥ 33,549	¥ 15,941	\$ 302,109	¥ 33,196

Statements of Additional paid-in capital and Retained earnings

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2004 and half years ended September 30, 2004 and 2003

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

	Six Months ended Sep.30,2004	Six Months ended Sep.30,2003	Six Months ended Sep.30,2004	Year ended Mar.31,2004
Additional paid-in capital				
Additional paid-in capital at the beginning of the year	¥ 14,535	¥ 14,534	\$ 130,891	¥ 14,534
Increase in additional paid-in capital :				
Gain on disposal of treasury stock	-	0	-	0
Decrease in additional paid-in capital :				
Loss on disposal of treasury stock	0	-	5	-
Additional paid-in capital at the end of the year	14,534	14,535	130,885	14,535
Retained earnings				
Retained earnings at the beginning of the year	66,964	39,694	603,013	39,694
Increase in retained earnings :				
Net income	33,549	15,941	302,109	33,196
Due to inclusion in consolidation of subsidiaries	-	-	-	32
Due to exclusion in consolidation of subsidiaries	0	167	4	142
Decrease in retained earnings :				
Cash dividends	2,957	2,963	26,634	5,926
Bonuses to directors and statutory auditors	225	164	2,026	153
Due to inclusion in consolidation of subsidiaries	1	-	13	2
Loss on disposal of treasury stock	29	-	270	-
Due to reversal of revaluation reserve for land	1,711	-	15,408	19
Retained earnings at the end of the year	¥ 95,589	¥ 52,674	\$ 860,776	¥ 66,964

Consolidated Statements of Cash Flows

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2004 and half years ended September 30, 2004 and 2003

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

	Six Months ended Sep.30,2004	Six Months ended Sep.30,2003	Six Months ended Sep.30,2004	Year ended Mar.31,2004
Cash flows from operating activities :				
Income before income taxes	¥ 53,135	¥ 28,008	\$ 478,486	¥ 55,026
Depreciation	11,526	13,773	103,796	24,203
Amortization	693	643	6,246	1,354
Reversal of employees' retirement benefits	(724)	(735)	(6,524)	(1,487)
(Reversal of) provision for directors' and statutory auditors' retirement benefits	(35)	(298)	(320)	90
Accrued expenses for overhaul of vessels	373	1,248	3,367	2,273
Interest and dividend income	(1,113)	(937)	(10,029)	(1,905)
Interest expense	2,403	2,982	21,644	5,451
(Gain) loss on sale of marketable securities and investments in securities	(90)	(221)	(818)	1,501
Gain on sale of vessels, property, and equipments	(352)	(866)	(3,179)	(936)
Loss on sale of vessels, property, and equipments	81	2,864	731	4,974
Impairment losses on fixed assets	7,037	-	63,375	-
Increase in accounts and notes receivable – trade	(18,629)	(9,111)	(167,756)	(7,399)
Increase in accounts and notes payable – trade	7,812	1,123	70,352	3,431
(Increase) decrease in inventories	(1,516)	794	(13,655)	1,320
Increase in short-term assets	(2,693)	(1,242)	(24,254)	(3,100)
Other, net	4,613	2,253	41,542	6,535
Sub total	62,521	40,278	563,005	91,335
Interest and dividends received	1,147	934	10,331	1,905
Interest paid	(2,399)	(3,071)	(21,603)	(5,485)
Income taxes paid	(15,898)	(5,478)	(143,166)	(9,204)
Net cash provided by operating activities	45,371	32,663	408,567	78,550
Cash flows from investing activities :				
Purchases of marketable securities and investments in securities	(2,213)	(844)	(19,933)	(13,426)
Proceed from sale of marketable securities and investments in securities	150	389	1,352	13,332
Purchases of vessels, property and equipment	(41,488)	(35,716)	(373,604)	(57,705)
Proceeds from sale of vessels, property and equipment	16,740	22,873	150,751	26,743
Other, net	5,271	(2,648)	47,466	(20,719)
Net cash used in investing activities	(21,540)	(15,946)	(193,968)	(51,775)

Consolidated Statements of Cash Flows

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2004 and half years ended September 30, 2004 and 2003

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

	Six Months ended Sep.30,2004	Six Months ended Sep.30,2003	Six Months ended Sep.30,2004	Year ended Mar.31,2004
Cash flows from financing activities :				
(Decrease) increase of short-term loans, net	(11,419)	19,743	(102,833)	(7,232)
Proceeds from long-term debt	21,636	7,611	194,835	31,254
Repayment of long-term debt and obligations under finance leases	(29,481)	(37,636)	(265,484)	(61,589)
Proceeds from issuance of bonds	-	-	-	29,935
Repayment of bonds	-	(5,000)	-	(7,500)
Cash dividends paid	(2,963)	(2,960)	(26,689)	(5,908)
Cash dividends paid to minority shareholders	(62)	(49)	(566)	(93)
Other, net	2	(19)	19	(469)
Net cash used in financing activities	(22,289)	(18,310)	(200,717)	(21,602)
Effect of exchange rate changes on cash and cash equivalents	664	248	5,986	(1,224)
Net increase(decrease) in cash and cash equivalents	2,206	(1,345)	19,868	3,948
Cash and cash equivalents at beginning of the period	23,127	18,780	208,261	18,780
Increase in cash and cash equivalents arising from inclusion of subsidiaries in consolidation	629	1	5,672	398
Decrease in cash and cash equivalents arising from exclusion of subsidiaries in consolidation	(0)	-	(6)	-
Cash and cash equivalents at end of the period	¥ 25,962	¥ 17,435	\$ 233,795	¥ 23,127

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.

	Sep.30,2004	Sep.30,2003	Sep.30,2004	Mar.31,2004
Cash and time deposits	¥ 26,268	¥ 17,678	\$ 236,548	¥ 23,370
Time deposits with maturity of more than three months after the purchase date	(306)	(243)	(2,756)	(243)
Highly liquid marketable securities with low risk	0	0	3	0
Cash and cash equivalents	¥ 25,962	¥ 17,435	\$ 233,795	¥ 23,127

Consolidated Segment Information

(a) Business segment information

Six months ended Sep.30,2004

(Millions of Yen)

	Freight Forwarding / Harbour			Total	Eliminations	Consolidated
	Marine Transportation	Transportation	Others			
Revenues						
(1) Operating revenues	¥ 358,526	¥ 48,659	¥ 6,377	¥ 413,563	-	¥ 413,563
(2) Inter-group sales and transfers	1,645	26,719	4,578	32,943	(32,943)	-
Total revenues	360,171	75,379	10,956	446,506	(32,943)	413,563
Operating expenses	305,362	70,597	10,380	386,340	(33,028)	353,311
Operating income	54,809	4,781	575	60,166	85	60,252
Ordinary income	¥ 55,257	¥ 5,140	¥ 1,681	¥ 62,078	¥ (136)	¥ 61,942

Six months ended Sep.30,2003

(Millions of Yen)

	Freight Forwarding / Harbour			Total	Eliminations	Consolidated
	Marine Transportation	Transportation	Others			
Revenues						
(1) Operating revenues	¥ 311,813	¥ 43,861	¥ 6,432	¥ 362,106	-	¥ 362,106
(2) Inter-group sales and transfers	1,509	26,325	4,556	32,391	(32,391)	-
Total revenues	313,322	70,186	10,988	394,497	(32,391)	362,106
Operating expenses	282,856	66,810	10,606	360,273	(32,472)	327,801
Operating income	¥ 30,466	¥ 3,375	¥ 381	¥ 34,223	¥ 81	¥ 34,305

Six months ended Sep.30,2004

(Thousands of U.S.Dollars)

	Freight Forwarding / Harbour			Total	Eliminations	Consolidated
	Marine Transportation	Transportation	Others			
Revenues						
(1) Operating revenues	\$ 3,228,515	\$ 438,177	\$ 57,428	\$ 3,724,119	-	\$ 3,724,119
(2) Inter-group sales and transfers	14,813	240,609	41,231	296,654	(296,654)	-
Total revenues	3,243,328	678,786	98,659	4,020,773	(296,654)	3,724,119
Operating expenses	2,749,775	635,726	93,473	3,478,974	(297,423)	3,181,550
Operating income	493,553	43,060	5,186	541,799	770	542,569
Ordinary income	\$ 497,588	\$ 46,286	\$ 15,140	\$ 559,014	\$ (1,225)	\$ 557,789

Year ended Mar.31,2004

(Millions of Yen)

	Freight Forwarding / Harbour			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

(b) Geographical segment information

Six months ended Sep.30,2004

(Millions of Yen)

	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
Revenues								
(1) Operating revenues	¥ 389,334	¥ 8,049	¥ 4,621	¥ 11,558	-	¥ 413,563	-	¥ 413,563
(2) Inter-group sales and transfers	2,197	9,774	2,464	6,080	389	20,907	(20,907)	-
Total revenues	391,532	17,823	7,085	17,639	389	434,471	(20,907)	413,563
Operating expenses	336,862	17,432	6,590	13,124	362	374,372	(21,061)	353,311
Operating income(loss)	54,669	391	495	4,514	26	60,098	153	60,252
Ordinary income	¥ 56,052	¥ 416	¥ 550	¥ 4,663	¥ 56	¥ 61,739	¥ 202	¥ 61,942

Six months ended Sep.30,2003

(Millions of Yen)

	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
Revenues								
(1) Operating revenues	¥ 344,987	¥ 7,071	¥ 2,429	¥ 7,519	¥ 98	¥ 362,106	-	¥ 362,106
(2) Inter-group sales and transfers	3,164	10,762	2,397	5,235	296	21,857	(21,857)	-
Total revenues	348,151	17,834	4,827	12,755	395	383,963	(21,857)	362,106
Operating expenses	316,823	17,633	4,737	10,126	355	349,677	(21,875)	327,801
Operating income	¥ 31,328	¥ 200	¥ 89	¥ 2,628	¥ 39	¥ 34,286	¥ 18	¥ 34,305

Six months ended Sep.30,2004

(Thousands of U.S.Dollars)

	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
Revenues								
(1) Operating revenues	\$3,505,938	\$ 72,481	\$ 41,615	\$ 104,087	-	\$3,724,119	-	\$3,724,119
(2) Inter-group sales and transfers	19,793	88,023	22,193	54,757	3,505	188,273	(188,273)	-
Total revenues	3,525,730	160,504	63,809	158,844	3,505	3,912,392	(188,273)	3,724,119
Operating expenses	3,033,430	156,976	59,345	118,187	3,266	3,371,204	(189,653)	3,181,550
Operating income(loss)	492,300	3,528	4,464	40,657	239	541,188	1,381	542,569
Ordinary income	\$ 504,746	\$ 3,751	\$ 4,961	\$ 41,992	\$ 512	\$ 555,962	\$ 1,826	\$ 557,789

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(loss)	¥ 63,967	¥ 481	¥ 256	¥ 5,583	¥ 118	¥ 70,407	¥ 127	¥ 70,534

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

Six months ended Sep.30,2004 (Millions of Yen)

	North America	Europe	Asia	Oceania	Other	Total
International revenues	¥ 120,682	¥ 75,678	¥ 70,088	¥ 48,449	¥ 27,845	¥ 342,744
Consolidated revenues						413,563
International revenues as a percentage of consolidated revenues	29.2%	18.3%	16.9%	11.7%	6.7%	82.9%

Six months ended Sep.30,2003 (Millions of Yen)

	North America	Europe	Asia	Oceania	Other	Total
International revenues	¥ 100,968	¥ 71,693	¥ 53,894	¥ 37,798	¥ 30,727	¥ 295,082
Consolidated revenues						362,106
International revenues as a percentage of consolidated revenues	27.9%	19.8%	14.9%	10.4%	8.5%	81.5%

Six months ended Sep.30,2004 (Thousands of U.S.Dollars)

	North America	Europe	Asia	Oceania	Other	Total
International revenues	\$ 1,086,741	\$ 681,486	\$ 631,141	\$ 436,283	\$ 250,750	\$ 3,086,402
Consolidated revenues						3,724,119
International revenues as a percentage of consolidated revenues	29.2%	18.3%	16.9%	11.7%	6.7%	82.9%

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%

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, 2004, half years ended September 30, 2004 and 2003

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

	Six Months ended Sep. 30, 2004	Year ended Mar. 31, 2004	Six Months ended Sep. 30, 2004	Six Months ended Sep. 30, 2003
ASSETS				
Current assets:				
Cash and time deposit	¥ 5,881	¥ 6,864	\$ 52,967	¥ 6,509
Accounts receivable	67,891	53,941	611,361	56,025
Short-term loans receivable	7,404	10,514	66,680	10,507
Advance payments-trade	7,043	5,856	63,424	5,212
Inventories	8,701	7,553	78,356	8,049
Prepaid expenses and deferred charges	22,273	20,103	200,570	19,296
Due from agents	4,149	2,058	37,363	2,652
Deferred income taxes	2,605	2,550	23,467	2,933
Other current assets	2,128	2,205	19,166	1,674
Allowance for doubtful receivables	(421)	(872)	(3,793)	(3,980)
Total current assets	127,658	110,776	1,149,561	108,881
Fixed assets :				
(Tangible fixed assets)				
Vessels	45,038	47,299	405,572	41,446
Buildings	3,739	3,970	33,678	4,047
Structures	254	193	2,289	213
Equipments	481	501	4,337	495
Land	18,616	23,359	167,637	23,420
Construction in progress	346	618	3,116	2,309
Other tangible fixed assets	1,047	1,083	9,436	1,168
Total tangible fixed assets	69,524	77,025	626,064	73,101
(Intangible fixed assets)				
Software	2,220	2,306	19,991	2,616
Software in progress	724	256	6,527	130
Other intangible fixed assets	18	17	162	13
Total intangible fixed assets	2,962	2,579	26,681	2,760
(Investments and other long-term assets)				
Investments in securities	65,833	60,059	592,831	51,826
Investment in stocks of affiliated company	36,565	32,251	329,270	32,494
Long-term loans receivable	53,653	38,720	483,143	24,912
Long-term prepaid expenses	1,512	1,217	13,622	1,187
Deposit	3,146	3,203	28,334	3,345
Other long-term assets	6,689	4,295	60,242	4,854
Allowance for doubtful receivables	(761)	(228)	(6,857)	(314)
Total investments and other long-term assets	166,639	139,519	1,500,585	118,307
Total fixed assets	239,127	219,124	2,153,330	194,169
Deferred assets				
Bond-issuing expenses	42	63	383	31
Total deferred assets	42	63	383	31
Total assets	¥ 366,828	¥ 329,965	\$ 3,303,273	¥ 303,082

Non-Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. for the year ended March 31, 2004, half years ended September 30, 2004 and 2003

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

	Six Months ended Sep. 30, 2004	Year ended Mar. 31, 2004	Six Months ended Sep. 30, 2004	Six Months ended Sep. 30, 2003
LIABILITIES				
Current liabilities				
Accounts payable	¥ 55,094	¥ 47,373	\$ 496,122	¥ 47,048
Current portion of bounds payable	5,000	5,000	45,025	2,500
Short-term loans and current portion of long-term debit	29,255	27,390	263,442	37,266
Commercial paper	-	2,000	-	18,000
Accrued income tax	19,135	14,331	172,312	8,792
Advance receipt	13,014	11,631	117,197	11,880
Deposit received	3,791	3,056	34,144	2,278
Due to agents	7,060	5,132	63,579	4,469
Accrued bonuses	961	1,019	8,659	866
Other current liabilities	2,234	1,854	20,125	1,334
Total current liabilities	135,548	118,790	1,220,606	134,437
Long-term liabilities				
Bonds	46,000	46,000	414,228	21,000
Long-term debit, less current portion	44,109	52,069	397,201	54,468
Allowance for employees' retirement benefit	1,614	2,092	14,538	2,497
Retirement allowance for directors and statutory auditors	1,393	1,292	12,548	1,147
Accrued expenses for overhaul of vessels	1,119	1,504	10,085	1,400
Deferred income taxes	5,068	6,050	45,646	2,443
Deferred income taxes for land revaluation	2,865	1,817	25,808	1,805
Other long-term liabilities	4,878	3,508	43,933	2,258
Total long-term liabilities	107,050	114,335	963,986	87,020
Total liabilities	242,598	233,126	2,184,592	221,457
Shareholders' equity :				
Common stock				
Common stock	29,689	29,689	267,356	29,689
Additional paid-in capital				
Capital surplus	14,534	14,534	130,885	14,534
Other capital surplus				
Surplus from transaction in treasury stock	-	0	-	0
Total additional paid-in capital	14,534	14,535	130,885	14,535
Retained earning				
Legal reserve	2,540	2,540	22,876	2,540
Special reserve				
Special depreciation reserve	2,162	1,969	19,472	1,969
Reduced value entry reserve	2,343	2,452	21,100	2,452
Other reserve	29,052	11,052	261,612	11,052
Unappropriated earned surplus for current term	25,973	21,717	233,895	12,698
Total retained earning	62,071	39,731	558,955	30,712
Revaluation reserve for land	4,726	3,016	42,563	2,996
Unrealized holding gain on investments in securities	13,827	10,520	124,512	3,892
Treasury stock, at cost	(620)	(653)	(5,588)	(202)
Total shareholders' equity	124,229	96,839	1,118,682	81,624
Total liabilities and shareholders' equity	¥ 366,828	¥ 329,965	\$ 3,303,273	¥ 303,082

Non-Consolidated Statements of Income

Kawasaki Kisen Kaisha, Ltd. for the year ended March 31, 2004, half years ended September 30, 2004 and 2003

	Six Months ended Sep.30,2004	Six Months ended Sep.30,2003	Six Months ended Sep.30,2004	Year ended Mar.31,2004
Operating revenues :				
Revenues from Shipping and other operating :				
Freight	¥ 281,382	¥ 249,904	\$ 2,533,834	¥ 496,309
Charter of vessels	41,374	37,456	372,578	72,809
Other operating revenues	8,766	7,230	78,944	14,956
Total shipping and other operating revenues	331,523	294,591	2,985,356	584,075
Other revenues	451	434	4,069	882
Total operating revenues	331,975	295,026	2,989,426	584,958
Operating expenses :				
Expenses of Shipping and other operating :				
Shipping expenses	141,648	137,645	1,275,534	270,175
Preservation expenses for vessel	4,457	4,452	40,139	8,616
Hire of vessel	106,547	92,831	959,456	189,821
Other operating expenses	23,558	25,359	212,141	48,080
Total shipping and other operating expenses	276,211	260,289	2,487,271	516,695
Other expenses	349	306	3,151	546
Selling, general and administrative expenses	7,077	6,208	63,734	12,648
Total operating expenses	283,638	266,805	2,554,156	529,890
Operating income	48,336	28,221	435,270	55,068
Non-operating income :				
Interest and dividend income	989	880	8,907	1,898
Exchange gain	1,730	-	15,579	-
Other non-operating income	101	110	913	193
Total non-operating income	2,820	991	25,400	2,092
Non-operating expenses :				
Interest expenses	1,127	1,497	10,150	2,757
Exchange loss	-	2,572	-	4,591
Other non-operating expenses	42	23	387	140
Total non-operating expenses	1,170	4,093	10,537	7,489
Ordinary income	49,987	25,118	450,132	49,670
Extraordinary profits :				
Gain on sales of fixed assets	-	-	-	59
Gain on sales of investments in securities	2	30	23	306
Other extraordinary profits	-	4	-	25
Total extraordinary profits	2	34	23	391
Extraordinary losses :				
Loss on sales of fixed assets	48	696	436	696
Loss on disposal of fixed assets	909	-	8,189	-
Liquidation loss of stocks of affiliated company	-	-	-	4,623
Loss on sales of investments in securities	-	-	-	2,183
Appraisal loss of stocks of affiliated company	283	592	2,552	1,921
Transfer to allowance for bad debit	-	3,621	-	-
Impairment losses on fixed assets	4,684	-	42,182	-
Other extraordinary losses	394	24	3,554	671
Total extraordinary losses	6,320	4,934	56,913	10,096
Income before income taxes	43,669	20,219	393,242	39,965
Income taxes, current	18,472	8,481	166,339	16,218
Income taxes, deferred	(1,981)	(712)	(17,842)	(704)
Net income	27,178	12,450	244,745	24,452
Unappropriated retained earnings brought forward	535	247	4,823	247
Reversal of the revaluation reserve for land	(1,710)	-	(15,404)	(19)
Loss on transaction in treasury stock	29	-	270	-
Interim dividends	-	-	-	2,962
Unappropriated earned surplus for current term	¥ 25,973	¥ 12,698	\$ 233,895	¥ 21,717