Kawasaki Kisen Kaisha, Ltd.

FINANCIAL HIGHLIGHTS

[Two Year Summary]

	Year ended Mar.31,2006	Year ended Mar.31,2005	Year ended Mar.31,2006
Consolidated			
Operating revenues (Millions of yen / Thousands of U.S. dollars)	¥ 940,818	¥ 828,443	$ 8,009,014
Operating income (Millions of yen / Thousands of U.S. dollars)	87,976	108,053	748,925
Net income (Millions of yen / Thousands of U.S. dollars)	62,423	59,852	531,400
Per share of common stock (Yen / U.S. dollars)	104.89	100.70	0.89
Total Assets (Millions of yen / Thousands of U.S. dollars)	757,040	605,331	6,444,540
Shareholders' Equity (Millions of yen / Thousands of U.S. dollars)	257,809	181,276	2,194,685
Per share of common stock (Yen / U.S. dollars)	435.19	306.06	3.70
Net cash provided by operating activities (Millions of yen / Thousands of U.S. dollars)	72,337	89,443	615,798
Net cash used in investing activities (Millions of yen / Thousands of U.S. dollars)	(83,342)	(34,402)	(709,475)
Net cash used in financing activities (Millions of yen / Thousands of U.S. dollars)	17,157	(47,428)	146,062
Non-consolidated			
Operating revenues (Millions of yen / Thousands of U.S. dollars)	742,568	658,699	6,321,350
Operating income (Millions of yen / Thousands of U.S. dollars)	56,678	85,288	482,494
Net income (Millions of yen / Thousands of U.S. dollars)	38,820	49,012	330,469
Per share of common stock (Yen / U.S. dollars)	65.50	82.49	0.56
Cash dividends (Millions of yen / Thousands of U.S. dollars)	10,663	9,763	91
Per share of common stock (Yen / U.S. dollars)	18.00	16.50	0.15
Total Assets (Millions of yen / Thousands of U.S. dollars)	481,541	376,344	4,099,274
Shareholders' Equity (Millions of yen / Thousands of U.S. dollars)	188,965	143,018	1,608,630
Per share of common stock (Yen / U.S. dollars)	318.81	241.36	2.71

The U.S. dollar amounts are converted from the yen amount at ¥117.47=U.S.$1.00, The exchange rate prevailing on March 31, 2006.

1. Management Policies

1. Principles of Management

"K" LINE, as a business organization centering on shipping, makes it the basic principle of management to contribute to the peace and the prosperity of the world through "K" LINE Group's business activities, and for the purpose, established its Corporate Principles and Vision as follows:

<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.

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

"K" LINE Vision 2008$^+$

In April 2004, "K" LINE started a newly developed 5-year management plan called "K" LINE Vision 2008. Since then, as we have recognized "sustainable growth and establishment of a stable profitability structure" as the most important tasks, we have been continuously providing our cost-competitive upgraded fleet of vessels and high quality transportation services, and at the same time have endeavoured to expand our businesses in new markets and significantly growing business fields. During this time, the global economy has experienced numerous structural changes, particularly in China, and now is in the sustainable growth phase. However, the business environment surrounding marine transportation has substantially changed from the projections we made two years ago, as seen in the soaring fuel oil price. In response to such changes in business circumstances, this March "K" LINE established a newly-revised interim management plan known as "K"LINE Vision 2008$^+$ as our navigation aid to meet the challenges for achieving higher management goals, taking a hard look at what business environments will be like in the mid-2010s. Under the newly-revised interim business plan, we will continue to strive for "sustainable growth and establishment of a stable profitability structure" as the most important task.

[Numerical Targets for FY2008]

While promoting further extension of our business activities (Vessels in operation: 500; operating revenues: ¥1,100 billion), we will make all efforts to constantly secure "A" bond rating by achieving more than ¥400 billion in shareholders' equity, and equity ratio of about 40%, ROE of about 20% and debt-to-equity ratio of 90% or less.

[Numerical Targets for FY2006-FY2008 and Mid-2010s]

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

	FY2006 (Forecast)	FY2007 (Targeted)	FY2008 (Targeted)	Mid-2010s (Projected)
Operating revenues	10,100	10,500	11,000	15,000
Ordinary income	630	900	1,100	1,500
Net income	450	600	700	1,000
Payout ratio	20%, consolidated basis			30%, consolidated basis
ROE	16%	19%	19%	More than 10%
Interest-bearing debt	3,400	3,400	3,500	3,500
Shareholders' equity	2,920	3,420	4,000	7,500
Equity ratio	34%	37%	39%	50% or more
Debt Equity Ratio (DER)	116%	99%	88%	50% or less
Scale of fleet			500 vessels	700 vessels

Assumptions for prospects for operating results

	FY2006 (Forecast)	FY2007 (Targeted)	FY2008 (Targeted)	Mid-2010s (Targeted)
Foreign exchange rate	¥113/US$	¥110/US$	¥110/US$	¥110/US$
Fuel oil price	$350/MT	$300/MT	$300/MT	$300/MT

The figures above include the prospects for future operating results as of the date of publication of the management plan (May 2006). Actual results may differ significantly from the prospects above, due to risks or uncertainties related to the global economy and fluctuations in foreign exchange rates, and other unforeseen factors.

3. Issues Requiring Responses from the Company

The Company will focus on the following items to realize "sustainable growth and establishment of a stable profitability structure", the major task in "K" LINE Vision 2008$^+$.

1) Efforts to expand systematically the scale of business

The Company will pursue the maximized scale benefits and the reduction of unit cost by expanding the scale of our business to promote sustainable growth and to establish a stable profitability structure. "K"LINE Vision 2008$^+$ is aiming to significantly expand the number of fleet in operation to 500 vessels in Fiscal 2008 (360 vessels as of March 2004 in the former intermediate management plan), and therefore, the Company will be committed to improve the ship operation system which supports safety in navigation and cargo operation more than ever before, and also to establish the most globally suitable and competitive business organization. Furthermore, the Company will introduce an Executive Officer structure and promote a global personnel policy for the purpose of securing further flexibility in decision-making and expanding the scope of delegation of authority to overseas bases, and promote the restructuring of the business organization globally while exercising due care regarding risk management.

2) Responses to changes in business environments

- Risk factors and countermeasures

  The Company recognizes that war, the spread of avian flu, changes in economic structures in major countries, currency rate movement and further hikes in fuel oil prices are serious risk factors for the Company. The Crisis Management Committee and its subcommittees will discuss and plan countermeasures when necessary.

- CSR and environmental preservation issues

  The Company has been promoting company-wide CSR (Corporate Social Responsibility) activities and environmental preservation. To enhance such activities, the Company reorganized the Environmental Committee as the CSR & Environmental Committee, and newly set up the basic policy for the promotion of CSR activities. To respond to expectations from stakeholders including customers, shareholders/investors, employees, business partners, and local societies at home and abroad, the Company will carry out the CSR activities plan across the board, in addition to the environmental preservation measures in operation based on the Environmental Management System that is in accordance with ISO14001 standards.

- Reform of costs structure

  "K" LINE Group has challenged, as one body, the campaign to reform divisional and functional cost structures, and succeeded in curtailing costs by more than ¥5.0 billion in Fiscal 2004 and Fiscal 2005. The Company also targets a cost reduction of about ¥5.0 billion in Fiscal 2006 and onward. However, the Company is obliged to carry out a structural reform due to skyrocketing fuel oil prices. We will reinforce our cost reduction activities mainly in job sites for every expense item, and in particular, we will concentrate on improving energy-saving measures including a structural review.

In addition to the tasks described in the management plan above, we recognize that ensuring safety in navigation and cargo operation in accordance with our own quality guideline and the security code based on ISO9000 standards is the highest-priority issue that the "K" LINE Group should observe as one body.

4. Basic Policy on the Payment of Dividends

<u>Payment of Dividends</u>

"K" LINE considers the maximization of profits returned to the shareholders, after due consideration of matters such as securing internal reserves for capital spending aiming to expand the scale of our operations in accordance with the intermediate management plan in operation and for the improvement and enhancement of the corporate structure, as one of its most important issues, and makes it its basic policy to maintain a stable dividend. With respect to dividend payment, the Company will increase the payout ratio to about 20% of the consolidated net profit from FY2006 ending March 2007 and onward. We will make further efforts to increase the payout ratio in the future and to maximize the returning of profits to the shareholders.

Policy of dividend payment for the current fiscal year

As far as the final dividend for fiscal 2005, the Company intends to pay ¥18 per share, an increase by ¥1.5 per share on a year-on-year basis. In addition, of the annual dividend of ¥18 per share, ¥9.0 per share was already paid to shareholders as the interim dividend.

5. Policy on the Lowering of the Stock Trade Unit

The Company perceives that sufficient stock liquidity and the participation of many investors in the stock markets are both essential for generating fair stock prices in the stock markets. The Company will therefore continue to carefully watch and investigate the liquidity and movements on the Company’s shares in regard to the lowering of the stock trade unit in the stock markets.

6. Parent Company

Not applicable.

2. Brief Summary of the Operating Results and Financial Position for Fiscal 2005

1. Operating Results

(1) Summary of the Consolidated Operating Results of Fiscal 2005

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

	Fiscal 2005 ended March 31, 2006	Fiscal 2004 ended March 31, 2005	Increase in amount/rate
Operating revenues	9,408	8,284	1,124/14%
Operating income	880	1,081	-201/-19%
Ordinary income	886	1,072	-187/-17%
Net income	624	599	26/4%

During fiscal 2005, the global economy stayed on an upward trend, since the U.S. economy grew strongly helped by increased capital investment and steadily growing consumer spending, and the European economy also advanced favorably. Asian economies including China continued to expand, assisted by the growth of domestic consumption and strong capital spending, as well as brisk exports to the U.S. and Europe. At the same time, the Japanese economy also enjoyed, after a long interval, an active growth primarily in the manufacturing industry, helped by recovering domestic demand such as consumer spending and capital spending, and exports.

In the shipping industry, overall freight rates in other sectors such as tanker remained in favorable conditions, despite the softened freight rates in some services of bulk carriers and containerships.

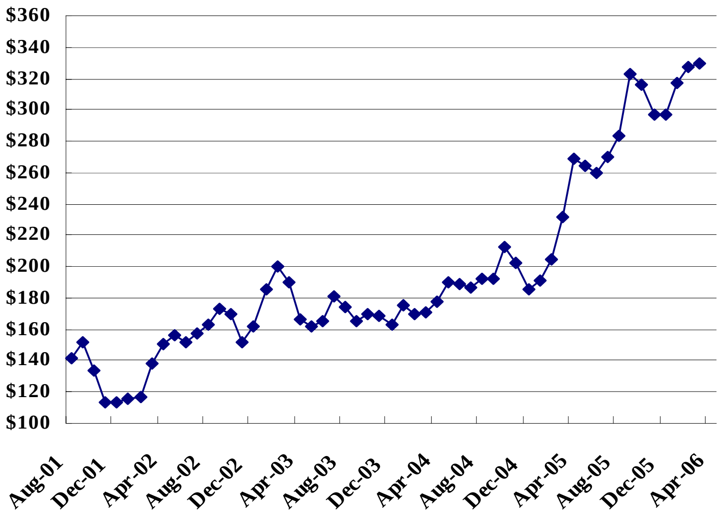
In addition, effects of the fluctuations in foreign exchange rates and fuel prices on the Company's ordinary income are as follows:

	Fiscal 2005	Fiscal 2004	Increase	Effect
Foreign exchange rates	¥113/US$	¥107/US$	-¥6/US$	¥7.2 billion
Fuel oil prices	US$286/MT	US$192/MT	US$94/MT	-¥25.4 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 ¥1.2 billion over a year. The effect of a fluctuation in fuel oil prices of $1 per 1 metric tons is around ¥0.27 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 intermediate management plan "K" LINE Vision 2008, and focused on expanding the scale of business. As a result, the consolidated operating revenues increased by ¥112.375 billion compared with the preceding year to ¥940.818 billion. However, the consolidated operating income decreased by ¥20.077 billion on a year-on-year basis to ¥87.976 billion, affected by historic hiking of fuel oil prices, and the consolidated ordinary income declined ¥18.661 billion from the year before to ¥88.573 billion. On the other hand, the consolidated net income for fiscal 2005 rose by ¥2.57 billion compared with the previous year to ¥62.423 billion.

In addition, operating revenues and operating income for fiscal 2005 by business segment are as follows:

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

		Fiscal 2005 Apr. 2005 - Mar, 2006	Fiscal 2004 Apr. 2004 - Mar. 2005	Increase (Decrease) in amount/rate
Marine transportation	Operating revenues	8,066	7,133	933/13.1%
	Operating income	744	978	-233/-23.9%
Freight Forwarding/ Harbor Transportation	Operating revenues	1,141	976	165/17.0%
	Operating income	117	88	28/31.8%
Others	Operating revenues	201	175	25/14.4%
	Operating income	15	11	4/36.7%

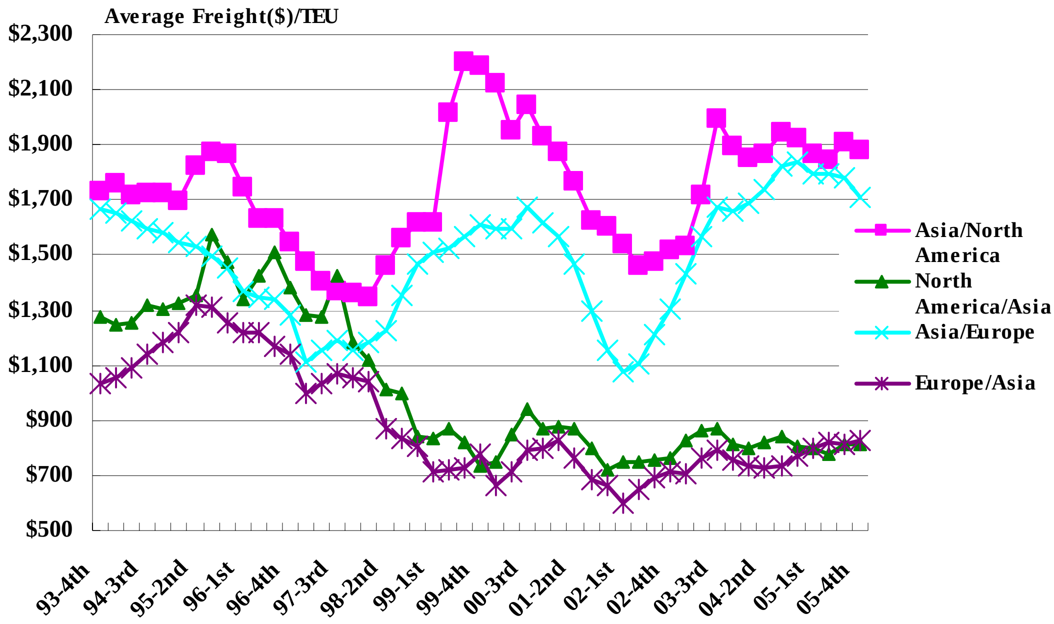
Note: Classification of business segment has been altered starting from this fiscal year. Performance comparisons (Increase (Decrease) in amount/rate) are made by reorganizing individual businesses to their current segments.

(1) Marine transportation

<Containership Business>

In the containership business for fiscal 2005, overall cargo movements on the Asia/North America services continued to be vigorous, rising by 15% compared with the same period a year ago, despite sluggish growth in transportation of housing demand-related goods. In Asia/North America services, the Company enhanced transportation capacity by launching newly built large-sized vessels in Asia/U.S. Pacific Northwest services and setting up new services to Asia/U.S. East Coast, and as a result, tonnage movements increased by 17% compared with the same period a year earlier. In Europe services including the sharply growing Mediterranean Sea services, total cargo movements increased by about 12% against the same period last year. In these services, the Company's tonnage movements rose by 11% on a year-on-year basis, because the Company reinforced transportation by increasing the Mediterranean Sea services from November 2005, and could maintain nearly full-up operations. However, the markets became demoralized as a result of the consolidation of the large shipping companies, and the level of freight rates in Asia/Europe services declined. Under these circumstances, our performances fell below our projection in these services. On Inter-Asia services, cargo movements continued to increase favorably, assisted by brisk cargo shipments from Japan, as well as those from China. The Company secured increases in both consolidated operating revenues and profits. The total cargo movements in the containership business grew steadily and operating revenues increased, but profits decreased, hit by soaring fuel oil prices and declining freight rates.

Containerization International "Freight Rates Indicators"



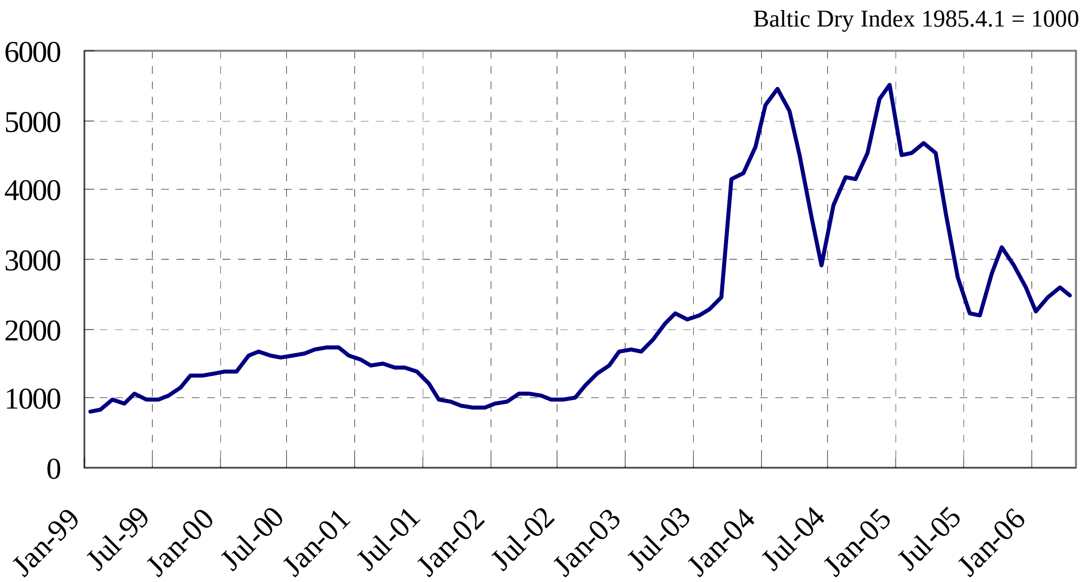
<Bulk Carrier and Car Carrier Business>

Market freight rates of large bulk carriers entered into the adjustment phase in the 1st quarter of fiscal 2005 and continued to decline till the beginning of autumn in 2005, affected by the introduction of a policy to restrict imports by the Chinese government, and the production adjustment by European and Japanese steel companies. Although market freight rates begun to recover slowly at the beginning of autumn due to China's increased imports of iron ores, levels of market rates for the whole year significantly fell below those in the last year. Market rates for small and medium-sized bulk carriers were also bellow the levels in the preceding year, since demand from China, the largest client-country, was sluggish due to avian flu.

In the car carriers business, marine transportation saw strong cargo movements, assisted by continuing brisk auto sales on major markets in the world. The Company reinforced freight capacity by deploying eight new car carriers including three newly built carriers, and was able to increase sharply the number of cars transported by us. In particular, the number of cars shipped from the Far East exceeded that in the previous year, since sales of Japanese and South Korean cars, which have a good reputation for their superior energy-efficiency, were brisk overseas. The Company also increased the number of cars transported in the Atlantic waters, as a result of our active efforts to reinforce our services.

In the overall bulk carrier and car carrier business, operating revenues increased but income declined against the same period last year, due partly to a substantial decline in freight rates.

Baltic Dry Index



1999/1 - 2006/3

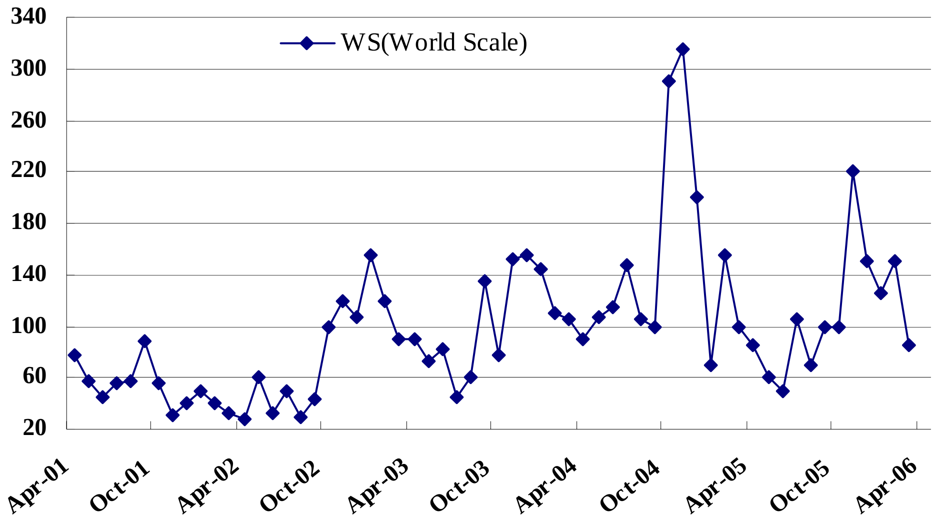
<Energy Transportation and Tanker Business>

With respect to LNG carriers, four new carriers including the LNG carriers for the Snøhvit Project completed this February were brought to completion during fiscal 2005. The Company's fleet of LNG carriers owned and operated by the Company and consisting of 30 carriers, including the four in the above, operated smoothly, and contributed to securing stable profits.

The thermal coal carriers for electric power companies transported record-high tonnage of more than 14 million metric tons of coal and limestone, helped by a steady growth of demand for the transportation of thermal coal. In addition, operating rates of freight capacity improved substantially, thanks partly to an increase in vessel operations for short distance services including Japan/Russia and China routes. In the tanker business, freight rates remained generally stable due to globally increasing demand for oil mainly by the U.S., China and the South East Asian countries, despite a temporarily worsened freight rate. The tanker business achieved a profit exceeding that in the same period of fiscal 2004 as a result of our effective ship operations.

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 coastal shipping business, both liner and tramp services showed steady performances by securing stable cargo volumes and profit. On the other hand, ferries were faced with severe operating conditions due to sharp hikes in fuel oil prices. As a result, the coastal shipping business earned overall operating revenues exceeding those in the last year due to our aggressive sales activities.

As a result, overall operating revenues for marine transportation amounted to ¥806.646 billion, an increase of 13.1% over the same period last year, and operating income stood at ¥74.426 billion, 23.9% down in a year-on-year comparison.

<u>(2) Freight Forwarding/Harbor Transportation</u>

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 ¥114.098 billion, an increase of 17.0% on a year-on-year basis, and operating income rose to ¥11.65 billion, a 31.8% rise from the preceding year.

<u>(3) Other business</u>

As for other businesses not mentioned above, operating revenues amounted to ¥20.073 billion, an increase of 14.4% on a year-on-year basis, and operating income rose to ¥1.506 billion, a 36.7% rise from the same term last year.

(2) Prospects for Fiscal 2006

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

	Prospects for Fiscal 2006 (ending March 2007)	Fiscal 2005 (ended March 2006)	Increase (Decrease) in amount/rate
Operating revenues	10,100	9,408	+692/+7%
Operating income	610	880	-270/-31%
Ordinary income	630	886	-256/-29%
Net income	450	624	-174/-28%

Foreign exchange rates	¥113/US$	¥113/US$	¥-/US$
Fuel oil prices	US$350/MT	US$286/MT	+US$64/MT

Assumptions for the prospects: Foreign exchange rate: For the 1st half: ¥115/US$;
For the 2nd half: ¥110/US$
Fuel oil price (For the 1st and 2nd half): US$350/MT

As far as fiscal 2006 is concerned, the relationship between supply and demand in marine transportation will remain tight, supported by active cargo movements, despite uncertainties including prospects for further hikes in fuel oil prices, economic performance of major countries and fluctuation of foreign exchange rates.

Under these circumstances, in the containership business, cargo movements will increase steadily in the East-West trades. There are concerns over an increase in the supply side. However, lower freight capacity resulting from constant delays in the U.S. railway operations, congestion at container terminals primarily in major European ports and its accompanying delays in vessel operations will offset increases in the supply side. In the Inter-Asian and North-South services, cargo movement is expected be on the upward trend, due partly to progress in the conclusion of the FTA (Free Trade Agreement) among the countries in this region. In addition, a substantial increase in supply of transportation capacity is unlikely to happen, taking into consideration the still highly hovering charter rates and limited port facilities. In this environment, there are few possibilities of imbalance in the supply-demand relationship of freight capacity. On the other hand, with the background of a tight balance of supply and demand due to steady cargo movement, shipping companies will strive to cover the negative effects from cost increase factors such as skyrocketing fuel oil prices, increases in rail transportation charges in the U.S., and an increase in terminal-related expenses, as well as expenses for environmental preservation measures, without lowering freight rates. As a result, freight rates that once softened in the second half of fiscal 2005 will see a recovery in fiscal 2006. However, the forecast for the operating results in the containership business for fiscal 2006 is that there will be an increase in operating revenues but a decline in profits compared with fiscal 2005 due partly to soaring fuel oil prices.

The bulk carrier business will see a strong demand for transportation of iron ores mainly from China, and freight rates will remain stable despite an anticipated increase in the number of completed newly built carriers. In addition, marine transportation of thermal coal and limestone for electric power companies will continue to climb thanks to hikes in crude oil prices. The car carrier business will be able to expect a continuing growth in the global marine cargo movements. The Company plans to launch eight newly built carriers in fiscal 2006, and will make all efforts to expand the scale of this business and to achieve stable profits by enhancing freight capacity and services to correspond to increased cargo movement and complicated and diversified needs for transportation.

In the energy transportation and tanker business, the Company's fleet of LNG carriers will consist of 32 carriers thanks to the addition of two newly built carriers for the new project. The tanker business will be certain to earn constant profits, since the global demand for oil is believed to continue to increase and the oil supply mainly by OPEC countries will expand steadily, and as a result, freight rates of tankers will remain at a stable level.

The coastal shipping business will see the same level of cargo movement in fiscal 2006 as that in the preceding year. However, performance will recover.

The operating results of the overall marine transportation for fiscal 2006 will see an increase in operating revenues but a decrease in earnings compared with the same period of the preceding year, due to the hike in fuel oil prices.

The freight forwarding/harbor transportation business will grow steadily, since cargo movement will continue to increase constantly in China and all over the world, despite markdown pressure from domestic customers.

Other businesses are expected to achieve almost the same operating results as those of the preceding term.

According to the measures mentioned above, the Company expects the consolidated operating results for fiscal 2006 to be ¥1,010.0 billion for operating revenues, ¥61.0 billion for operating income, ¥63.0 billion for ordinary income and ¥45.0 billion for net income.

Also the foreign exchange rate for the US dollar assumes ¥113 and US$ 350 per 1 metric ton for the fuel oil price throughout fiscal 2005.

With regard to dividend payments for fiscal 2006, the Company intends to pay ¥9 per share for interim dividend and ¥18 for full-term dividend.

2. Financial Status

As of the end of March 2006, total assets increased by ¥151.708 billion on a year-on-year basis to ¥757.04 billion, due to an increase in accounts and notes receivable-trade resulting from the expansion of our business scale, increased investment in vessels and construction in progress, and the expansion of unrealized gains among investment securities thanks to stock price advances.
As for total liabilities, current liabilities increased by ¥39.159 billion from the end of the consolidated fiscal 2005 to ¥217.107 billion, owing to an increase in accounts and notes payable-trade resulting from the expanded scale of operation and an increase in bond payables, etc. Total long-term liabilities rose by ¥33.947 billion to ¥270.889 billion from the end of the preceding consolidated fiscal year.
Shareholders' equity amounted to ¥257.809 billion, which increased ¥76.533 billion, a rise by 42.2% compared with the end of the consolidated fiscal year 2004. Details of the increase are; ¥51.947 billion in retained earnings, a rise by 44.2% from the end of the preceding term, reflecting favorable profitability in fiscal 2005; and ¥20.285 billion in unrealized gains in other securities, up 121.9% from the end of March 2005.

As a result, Debt/Equity ratio was 108%, an improvement by 24% from the end of consolidated fiscal 2005.

3. Consolidated Cash Flows

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

Item	Fiscal 2005 (Apr. 2005 - Mar. 2006)	Fiscal 2004 (Apr. 2004 - Mar. 2005)	Increase (Decrease) on a year-on-year basis
Cash and cash equivalents at the beginning of the period	315	231	84
(1) Cash flow from operating activities	723	894	-171
(2) Cash flow from investment activities	-833	-344	-489
(3) Cash flow from financing activities	172	-474	646
(4) Effect of exchange rate changes on cash and cash equivalents	35	8	27
Net increase (decrease) in cash and cash equivalents	97	84	13
Cash and cash equivalents at the end of the period	412	315	97

As of the end of the consolidated fiscal year 2005, cash and cash equivalents stood at ¥41.157 billion, an increase by ¥9.659 billion from the end of the preceding fiscal tear.
Details of consolidated cash flows in fiscal 2005 are as follows:

Due to the increase in amount of payments in corporate tax etc., cash flow from operating activities stood at ¥72.337 billion, a decrease by ¥17.105 billion from the end of the preceding fiscal year.
Cash flow from investment activities ended with minus ¥83.342 billion, due to a capital decrease of ¥48.939 billion compared with the same period in the previous year caused by expenditures for the acquisition of vessels.
Cash flow from financing activities ended with plus ¥17.157 billion, a capital increase by ¥64.586 billion due to the issuance of corporate bonds and commercial papers.
Regarding cash flows in fiscal 2006, cash flow from operating activities is expected to amount to plus ¥68.0 billion. Cash flow from investing activities will be minus ¥120.0 billion after deducting proceeds from the disposal and sale of operating lease vessels on completion from the total investment expenditures of ¥164.0 billion, which includes ¥130.0 billion for the acquisition of vessels and related equipment such as containerships and bulk carriers. Cash flow from financing activities is expected to be around plus ¥52.0 billion due to new efforts in securing investment funds, the repayment of loans for capital spending, and the offsetting of dividend payments. Furthermore, interest-bearing debt will be about ¥340.0 billion.

In aggregate, cash and cash equivalents will be roughly at the same level as at the end of the first half of fiscal 2005.

4. Risk Factors relating to the "K" LINE Group and its Business

Prospects for future operating results described in this document may differ substantially from the actual results, as they are affected by various risk factors and uncertainty factors. The risk factors and uncertainty 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 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. Factors that may have adverse effects are not limited to those stated above.

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, 2006 and 2005

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

	Year ended Mar.31,2006	Year ended Mar.31,2005	Year ended Mar.31,2006
ASSETS			
Current assets :			
Cash and time deposits	¥ 44,185	¥ 31,831	$ 376,145
Accounts and notes receivable-trade	109,110	90,121	928,837
Short-term loans receivable	16,624	8,536	141,522
Marketable securities	932	28	7,937
Inventories	19,958	12,186	169,907
Prepaid expenses and deffered charges	25,077	26,587	213,477
Other current assets	19,778	18,643	168,367
Allowance for doubtful receivables	(624)	(863)	(5,320)
Total current assets	235,042	187,071	2,000,870
Fixed assets :			
(Tangible fixed assets)			
Vessels	189,094	168,947	1,609,726
Buildings and structures	27,484	26,925	233,971
Machinery and vehicles	10,568	8,674	89,971
Land	34,070	34,144	290,032
Construction in progress	77,042	33,763	655,850
Other tangible fixed assets	8,083	3,436	68,817
Total tangible fixed assets	346,344	275,891	2,948,368
(Intangible fixed assets)			
Consolidated adjustment account	-	27	-
Other intangible fixed assets	6,458	6,142	54,980
Total intangible fixed assets	6,458	6,170	54,980
(Investments and other long-term assets)			
Investments in securities	121,918	89,477	1,037,869
Long-term loans receivable	11,595	19,166	98,714
Deferred income taxes	3,586	4,245	30,528
Deferred income taxes for land revaluation	-	219	-
Other long-term assets	32,450	23,611	276,249
Allowance for doubtful receivables	(378)	(542)	(3226)
Total investments and other long-term assets	169,172	136,176	1,440,135
Total fixed assets	521,975	418,238	4,443,482
Deferred assets	21	21	187
Total assets	¥ 757,040	¥ 605,331	$ 6,444,540

Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2006 and 2005

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

	Year ended Mar.31,2006	Year ended Mar.31,2005	Year ended Mar.31,2006
LIABILITIES			
Current liabilities :			
Accounts and notes payable-trade	¥ 82,311	¥ 66,467	$ 700,700
Current portion of bonds payable	3,000	3,000	25,538
Short-term loans and current portion of long-term debt	54,707	47,670	465,715
Commercial paper	21,000	-	178,769
Accrued income taxes	12,578	28,206	107,080
Accrued bonuses	2,208	2,344	18,803
Current portion of obligations under finance leases	3,963	1,344	33,743
Other current liabilities	37,337	28,914	317,848
Total current liabilities	217,107	177,948	1,848,197
Long-term liabilities :			
Bonds	70,000	43,000	595,897
Long-term debt, less current portion	119,816	135,983	1,019,975
Deferred income taxes for land revaluation	3,205	3,105	27,284
Allowance for employees' retirement benefit	10,260	11,636	87,346
Retirement allowance for directors and statutory auditors	2,714	2,553	23,105
Accrued expenses for overhaul of vessels	13,335	11,301	113,526
Obligations under finance leases	5,745	8,251	48,914
Consolidation negative goodwill	45	-	390
Other long-term liabilities	45,765	21,109	389,593
Total long-term liabilities	270,889	236,941	2,306,030
Total liabilities	487,997	414,890	4,154,227
Minority interests in consolidated subsidiaries	11,233	9,164	95,628
Shareholders' equity :			
Common stock	29,689	29,689	252,744
Additional paid-in capital	14,534	14,534	123,732
Retained earnings	169,430	117,483	1,442,330
Revaluation reserve for land	6,466	6,797	55,051
Unrealized holding gain on investments in securities	36,928	16,642	314,366
Translation adjustments	1,790	(3,110)	15,245
Treasury stock, at cost	(1,031)	(761)	(8,784)
Total shareholders' equity	257,809	181,276	2,194,685
Total liabilities,minority interests and shareholders' equity	¥ 757,040	¥ 605,331	$ 6,444,540

Consolidated Statements of Income

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2006 and 2005

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

	Year ended Mar.31,2006	Year ended Mar.31,2005	Year ended Mar.31,2006
Operating revenues	¥ 940,818	¥ 828,443	$ 8,009,014
Costs and expenses	791,803	666,099	6,740,472
Selling, general and administrative expenses	61,039	54,289	519,617
Operating income	87,976	108,053	748,925
Non-operating income :			
Interest income	1,669	975	14,212
Dividends income	1,544	1,055	13,152
Equity in eranings of affiliated companies	-	790	-
Exchange gain	1,467	479	12,488
Other non-operating income	1,123	840	9,564
Total non-operating income	5,804	4,140	49,416
Non-operating expenses :			
Interest expenses	4,336	4,546	36,914
Other non-operating expenses	871	412	7,419
Total non-operating expenses	5,207	4,959	44,333
Ordinary income	88,573	107,235	754,008
Extraordinary profits :			
Gain on sales of vessels, properties	4,839	1,286	41,194
Gain on sales of investments in securities	3,250	269	27,675
Other extraordinary profits	408	424	3,480
Total extraordinary profits	8,498	1,980	72,348
Extraordinary losses :			
Loss on sales of vessels, properties and equipments	599	87	5,103
Loss on sales of investments in securities	747	28	6,367
Impairment losses on fixed assets	-	7,037	
Loss on liquidation of subsidiaries	-	3,442	-
Loss on disposal of properties	-	1,124	-
Other extraordinary losses	445	1,984	3,795
Total extraordinary losses	1,793	13,704	15,264
Income before income taxes	95,278	95,510	811,092
Income taxes, current	27,126	37,420	230,925
Income taxes, deferred	3,952	(3,209)	33,651
Minority interests	1,775	1,446	15,116
Net income	¥ 62,423	¥ 59,852	$ 531,400

Statements of Additional paid-in capital and Retained earnings

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2006 and 2005

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

	Year ended Mar.31,2006	Year ended Mar.31,2005	Year ended Mar.31,2006
Additional paid-in capital			
Additional paid-in capital at the beginning of the year	¥ 14,534	¥ 14,535	$ 123,732
Decrease in additional paid-in capital :			
Loss on disposal of treasury stock	-	0	-
Additional paid-in capital at the end of the year	14,534	14,534	123,732
Retained earnings			
Retained earnings at the beginning of the year	117,483	66,964	1,000,114
Increase in retained earnings :			
Net income	62,423	59,852	531,400
Due to inclusion in consolidation of subsidiaries	1,391	-	11,843
Due to exclusion in consolidation of subsidiaries	12	0	105
Due to inclusion in equity method of accounting for affiliates	304		2,596
Decrease in retained earnings :			
Cash dividends	10,660	7,395	90,749
Bonuses to directors and statutory auditors	336	225	2,864
Due to inclusion in consolidation of subsidiaries	1,080	1	9,199
Loss on disposal of treasury stock	107	8	916
Due to reversal of revaluation reserve for land	-	1,704	-
Retained earnings at the end of the year	¥169,430	¥ 117,483	$1,442,330

Consolidated Statements of Cash Flows

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2006 and 2005

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

	Year ended Mar.31,2006	Year ended Mar.31,2005	Year ended Mar.31,2006
Cash flows from operating activities :			
Income before income taxes	¥ 95,278	¥ 95,510	$ 811,092
Depreciation	26,989	23,270	229,760
Amortization	1,632	1,363	13,900
Impairment losses on fixed assets	0	7,037	-
Reversal of employees' retirement benefits	(1,376)	(1,426)	(11,717)
(Reversal of) provision for directors' and statutory auditors' retirement benefits	123	418	1,052
Accrued expenses for overhaul of vessels	1,865	1,651	15,883
Interest and dividend income	(3,214)	(2,030)	(27,363)
Interest expense	4,336	4,546	36,914
Loss (gain) on sale of marketable securities and investments in securities	(2,503)	(368)	(21,308)
Gain on sale of vessels, property and equipments	(4,839)	(1,286)	(41,194)
Loss on sale of vessels, property and equipments	599	87	-
Increase in accounts and notes receivable – trade	(12,887)	(15,559)	(109,709)
Increase in accounts and notes payable – trade	12,989	5,219	110,581
Increase in inventories	(7,668)	(2,902)	(65,281)
Increase in short-term assets	2,136	(6,397)	18,186
Other, net	3,062	8,956	26,067
Sub total	116,526	118,090	991,965
Interest and dividends received	3,239	1,977	27,580
Interest paid	(4,475)	(4,594)	(38,097)
Income taxes paid	(42,952)	(26,030)	(365,650)
Net cash provided by operating activities	72,337	89,443	615,798
		-	
Cash flows from investing activities :			
Purchases of marketable securities and investments in securities	(8,129)	(3,124)	(69,205)
Proceed from sale of marketable securities and investments in securities	8,822	1,450	75,107
Purchases of vessels, property and equipment	(99,654)	(73,612)	(848,343)
Proceeds from sale of vessels, property and equipment	16,431	47,610	139,879
Other, net	(812)	(6,726)	(6,913)
Net cash used in investing activities	(83,342)	(34,402)	(709,475)

Consolidated Statements of Cash Flows

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2006 and 2005

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

	Year ended Mar.31,2006	Year ended Mar.31,2005	Year ended Mar.31,2006
Cash flows from financing activities :			
Decrease of short-term loans, net	3,098	(7,781)	26,378
Increase (decrease) in commercial paper	21,000	(2,000)	178,769
Proceeds from long-term debt	18,791	23,094	159,968
Repayment of long-term debt and obligations under finance leases	(41,435)	(48,200)	(352,730)
Proceeds from issuance of bonds	29,970	-	255,129
Repayment of bonds	(3,000)	(5,000)	-
Cash dividends paid	(10,635)	(7,387)	(90,537)
Cash dividends paid to minority shareholders	(251)	(105)	(2,144)
Other, net	(379)	(49)	(3,233)
Net cash used in financing activities	17,157	(47,428)	146,062
Effect of exchange rate changes on cash and cash equivalents	2,402	128	20,450
Net increase in cash and cash equivalents	8,555	7,740	72,835
Cash and cash equivalents at beginning of the period	31,497	23,127	268,132
Increase in cash and cash equivalents arising from inclusion of subsidiaries in consolidation	1,112	629	9,474
Decrease in cash and cash equivalents arising from exclusion of subsidiaries in consolidation	(8)	(0)	(76)
Cash and cash equivalents at end of the period	¥ 41,157	¥ 31,497	$ 350,365

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.31,2006	Mar.31,2005	Mar.31,2006
Cash and time deposits	¥ 44,185	¥ 31,831	$ 376,145
Time deposits with maturity of more than three months after the purchase date	(3,028)	(334)	(25,783)
Highly liquid marketable securities with low risk		0	3
Cash and cash equivalents	¥ 41,157	¥ 31,497	$ 350,365

Consolidated Segment Information

(a) Business segment information

Year ended Mar.31,2006 (Millions of Yen)

	Marine Transportation	Freight Forwarding / Harbor Transportation	Other	Total	Eliminations	Consolidated
Revenues						
(1) Operating revenues	¥ 806,646	¥ 114,098	¥ 20,073	¥ 940,818	-	¥ 940,818
(2) Inter-group sales and transfers	6,962	54,086	30,960	92,008	(92,008)	-
Total revenues	813,608	168,185	51,033	1,032,827	(92,008)	940,818
Operating expenses	739,182	156,534	49,527	945,243	(92,401)	852,842
Operating income	74,426	11,650	1,506	87,583	392	87,976
Ordinary income	¥ 72,910	¥ 13,564	¥ 1,952	¥ 88,427	¥ 145	¥ 88,573
Assets,depreciation and capital expenditures						
Total assets	¥ 619,792	¥ 140,265	¥ 39,823	¥ 799,881	¥ (42,841)	¥ 757,040
Depreciation	¥ 22,000	¥ 5,557	¥ 1,064	¥ 28,622	¥ -	¥ 28,622
Capital expenditures	¥ 89,619	¥ 10,658	¥ 2,032	¥ 102,309	¥ -	¥ 102,309

Year ended Mar.31,2005 (Millions of Yen)

	Marine Transportation	Freight Forwarding / Harbor Transportation	Other	Total	Eliminations	Consolidated
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.31,2006 (Thousands of U.S.Dollars)

	Marine Transportation	Freight Forwarding / Harbor Transportation	Other	Total	Eliminations	Consolidated
Revenues						
(1) Operating revenues	$ 6,866,828	$ 971,303	$ 170,884	$ 8,009,014	$ -	$ 8,009,014
(2) Inter-group sales and transfers	59,270	460,426	263,557	783,254	(783,254)	-
Total revenues	6,926,098	1,431,729	434,441	8,792,268	(783,254)	8,009,014
Operating expenses	6,292,522	1,332,547	421,614	8,046,684	(786,595)	7,260,089
Operating income	633,576	99,181	12,827	745,584	3,341	748,925
Ordinary income	$ 620,671	$ 115,474	$ 16,624	$ 752,770	$ 1,238	$ 754,008
Assets,depreciation and capital expenditures						
Total assets	$ 5,276,179	$ 1,194,052	$ 339,013	$ 6,809,245	$ -364,705	$ 6,444,540
Depreciation	$ 187,284	$ 47,313	$ 9,063	$ 243,660	$ -	$ 243,660
Capital expenditures	$ 762,912	$ 90,733	$ 17,299	$ 870,943	$ -	$ 870,943

(b) Geographical segment information

Year ended Mar.31,2006 (Millions of Yen)

	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
Revenues								
(1) Operating revenues	¥ 860,075	¥ 30,576	¥ 14,062	¥ 35,767	¥ 337	¥ 940,818	¥ -	¥ 940,818
(2) Inter-group sales and transfers	8,767	23,130	6,963	16,040	815	55,717	(55,717)	-
Total revenues	868,842	53,706	21,025	51,808	1,153	996,536	(55,717)	940,818
Operating expenses	798,251	51,657	19,710	38,418	959	908,996	(56,153)	852,842
Operating income(loss)	70,591	2,048	1,315	13,389	193	87,539	436	87,976
Ordinary income	¥ 70,642	¥ 2,333	¥ 1,294	¥ 13,947	¥ 541	¥ 88,759	¥ -185	¥ 88,573
Total assets	¥ 665,668	¥ 34,153	¥ 29,389	¥ 64,251	¥ 2,695	¥ 796,159	¥ (39,119)	¥ 757,040

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.31,2006 (Thousands of U.S.Dollars)

	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
Revenues								
(1) Operating revenues	$ 7,321,658	$ 260,288	$ 119,714	$ 304,483	$ 2,872	$ 8,009,014	$ -	$ 8,009,014
(2) Inter-group sales and transfers	74,637	196,904	59,275	136,551	6,945	474,311	(474,311)	-
Total revenues	7,396,295	457,192	178,989	441,033	9,816	8,483,326	(474,311)	8,009,014
Operating expenses	6,795,361	439,750	167,788	327,051	8,167	7,738,117	(478,028)	7,260,089
Operating income(loss)	600,934	17,442	11,201	113,982	1,649	745,208	3,717	748,925
Ordinary income	$ 601,363	$ 19,863	$ 11,019	$ 118,736	$ 4,610	$ 755,591	$ -1,583	$ 754,008
Total assets	$ 5,666,713	$ 290,746	$ 250,185	$ 546,965	$ 22,946	$ 6,777,554	$ -333,015	$ 6,444,540

(c) International Business information

Year ended Mar.31,2006 (Millions of Yen)

	North America	Europe	Asia	Oceania	Other	Total
International revenues	¥ 255,430	¥ 161,521	¥ 211,739	¥ 100,362	¥ 68,088	¥ 797,143
Consolidated revenues						940,818
International revenues as a percentage of consolidated revenues	27.1%	17.2%	22.5%	10.7%	7.2%	84.7%

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.31,2006 (Thousands of U.S.Dollars)

	North America	Europe	Asia	Oceania	Other	Total
International revenues	$ 2,174,433	$ 1,375,004	$ 1,802,503	$ 854,366	$ 579,628	$ 6,785,933
Consolidated revenues						8,009,014
International revenues as a percentage of consolidated revenues	27.1%	17.2%	22.5%	10.7%	7.2%	84.7%

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, 2006 and 2005

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

	Year ended Mar.31,2006	Year ended Mar.31,2005	Year ended Mar.31,2005
ASSETS			
Current assets:			
Cash and time deposit	¥ 7,990	¥ 6,752	$ 68,026
Accounts receivable	75,055	63,952	638,934
Short-term loans receivable	32,223	19,421	274,311
Advance payments-trade	4,712	7,280	40,118
Inventories	16,837	10,027	143,338
Prepaid expenses and deferred charges	23,096	25,681	196,615
Due from agents	4,820	2,874	41,039
Deferred income taxes	3,453	3,119	29,398
Other current assets	5,150	5,337	43,845
Allowance for doubtful receivables	(195)	(357)	(1,660)
Total current assets	173,146	144,091	1,473,962
Fixed assets :			
(Tangible fixed assets)			
Vessels	38,628	42,833	328,835
Buildings	4,791	3,865	40,790
Structures	202	237	1,721
Equipments	3,366	460	28,659
Land	21,638	22,147	184,205
Construction in progress	-	67	-
Other tangible fixed assets	1,336	1,039	11,377
Total tangible fixed assets	69,963	70,651	595,587
(Intangible fixed assets)			
Software	1,646	1,964	14,016
Software in progress	91	242	778
Other intangible fixed assets	20	19	175
Total intangible fixed assets	1,758	2,227	14,969
(Investments and other long-term assets)			
Investments in securities	98,337	67,801	837,130
Investment in stocks of affiliated company	34,757	33,886	295,883
Long-term loans receivable	83,041	46,025	706,914
Long-term prepaid expenses	2,878	3,157	24,508
Deposit	3,112	3,133	26,499
Other long-term assets	15,120	6,108	128,720
Allowance for doubtful receivables	(595)	(760)	(5,068)
Total investments and other long-term assets	236,653	159,353	2,014,585
Total fixed assets	308,375	232,231	2,625,142
Deferred assets			
Bond-issuing expenses	19	21	170
Total deferred assets	19	21	170
Total assets	¥ 481,541	¥ 376,344	$ 4,099,274

Non-Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. for the year ended March 31, 2006 and 2005

	Year ended Mar.31,2006	Year ended Mar.31,2005	Year ended Mar.31,2005
LIABILITIES			
Current liabilities			
Accounts payable	¥ 68,528	¥ 57,025	$ 583,374
Current portion of bonds payable	3,000	3,000	25,538
Short-term loans and current portion of long-term debt	26,045	26,311	221,723
Commercial paper	21,000	-	178,769
Accrued income taxes	9,320	24,337	79,342
Advances received	17,089	12,858	145,479
Deposits received	5,136	4,618	43,722
Due to agents	4,256	4,768	36,235
Accrued bonuses	942	1,189	8,024
Other current liabilities	3,823	2,786	32,549
Total current liabilities	159,143	136,897	1,354,755
Long-term liabilities			
Bonds	70,000	43,000	595,897
Long-term debt, less current portion	23,195	36,109	197,457
Allowance for employees' retirement benefit	734	1,094	6,250
Retirement allowance for directors and statutory auditors	1,363	1,548	11,611
Accrued expenses for overhaul of vessels	948	1,331	8,073
Deferred income taxes	19,115	5,788	162,728
Deferred income taxes for land revaluation	2,862	2,862	24,366
Other long-term liabilities	15,213	4,694	129,507
Total long-term liabilities	133,432	96,428	1,135,889
Total liabilities	292,575	233,326	2,490,644
Shareholders' equity :			
Common stock	29,689	29,689	252,744
Additional paid-in capital			
Capital surplus	14,534	14,534	123,732
Total additional paid-in capital	14,534	14,534	123,732
Retained earning			
Legal reserve	2,540	2,540	21,625
Special reserve			
Special depreciation reserve	1,528	2,162	13,009
Reduced value entry reserve	2,251	2,343	19,168
Other reserve	67,052	29,052	570,801
Unappropirated retained earnings	33,940	43,367	288,931
Total retained earnings	107,312	79,465	913,535
Revaluation reserve for land	4,720	4,720	40,185
Unrealized holding gain on investments in securities	33,642	15,271	286,389
Treasury stock, at cost	(934)	(664)	(7,955)
Total shareholders' equity	188,965	143,018	1,608,630
Total liabilities and shareholders' equity	¥ 481,541	¥ 376,344	$ 4,099,274

Non-Consolidated Statements of Income

Kawasaki Kisen Kaisha, Ltd. for the year ended March 31, 2006 and 2005

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

	Year ended Mar.31,2006	Year ended Mar.31,2005	Year ended Mar.31,2006
Operating revenues :			
Revenues from Shipping and other operating :			
Freight	¥ 622,147	¥ 555,283	$ 5,296,226
Charter of vessels	101,502	83,155	864,075
Other operating revenues	17,895	19,311	152,342
Total shipping and other operating revenues	741,546	657,750	6,312,643
Other revenues	1,022	949	8,707
Total operating revenues	742,568	658,699	6,321,350
Operating expenses :			
Expenses of Shipping and other operating :			
Shipping expenses	364,982	287,639	3,107,027
Preservation expenses for vessel	8,361	8,573	71,178
Hire of vessel	242,366	214,556	2,063,219
Other operating expenses	54,907	48,177	467,421
Total shipping and other operating expenses	670,618	558,947	5,708,845
Other expenses	538	650	4,583
Selling, general and administrative expenses	14,734	13,814	125,428
Total operating expenses	685,890	573,411	5,838,856
Operating income	56,678	85,288	482,494
Non-operating income :			
Interest and dividend income	3,081	3,109	26,236
Exchange gain	-	511	-
Other non-operating income	261	280	2,227
Total non-operating income	3,343	3,902	28,464
Non-operating expenses :			
Interest expenses	1,739	2,093	14,811
Exchange loss	285	-	2,432
Other non-operating expenses	146	223	1,249
Total non-operating expenses	2,172	2,316	18,491
Ordinary income	57,849	86,873	492,466
Extraordinary profits :			
Gain on sales of fixed assets	1,398	-	11,906
Gain on sales of investments in securities	3,243	234	27,609
Other extraordinary profits	283	34	2,415
Total extraordinary profits	4,925	268	41,930
Extraordinary losses :			
Loss on disposal of fixed assets	-	910	-
Loss on sales of investments in securities	747	16	6,367
Liquidation loss of stocks of affiliated company	-	2,621	-
Impairment losses on fixed assets	-	4,684	-
Other extraordinary losses	4	756	34
Total extraordinary losses	751	8,989	6,401
Income before income taxes	62,023	78,152	527,994
Income taxes	21,279	31,790	181,146
Income taxes, deferred	1,924	(2,649)	16,380
Net income	38,820	49,012	330,469
Unappropriated retained earnings brought forward	563	535	4,795
Reversal of the revaluation reserve for land	-	(1,704)	-
Loss on transaction in treasury stock	107	37	916
Interim dividends	5,335	4,437	45,416
Unappropirated retained earnings	¥ 33,940	¥ 43,367	$ 288,931