

## FINANCIAL HIGHLIGHTS

brief report of the three months ended June 30, 2006.

[Two Year Summary]

	Three Months ended 30-Jun-06	Three Months ended 30-Jun-05	Three Months ended 30-Jun-06	Year ended 31-Mar-06
<b>Consolidated</b>				
Operating revenues (Millions of yen / Thousands of U.S. dollars)	¥ 252,263	¥ 221,126	\$ 2,189,028	¥ 940,818
Operating income (Millions of yen / Thousands of U.S. dollars)	10,017	23,970	86,925	87,976
Net income (Millions of yen / Thousands of U.S. dollars)	9,702	15,505	84,196	62,423
Per share of common stock (Yen / U.S. dollars)	16.40	26.23	0.14	104.89
Total Assets (Millions of yen / Thousands of U.S. dollars)	774,857	659,121	6,723,862	757,040
Shareholders' Equity (Millions of yen / Thousands of U.S. dollars)	283,411	192,204	2,459,312	257,809
Per share of common stock (Yen / U.S. dollars)	459.34	325.11	3.99	435.19
<b>Non-consolidated</b>				
Operating revenues (Millions of yen / Thousands of U.S. dollars)	197,893	176,219	1,717,231	742,568
Operating income (Millions of yen / Thousands of U.S. dollars)	1,030	16,649	8,942	56,678
Net income (Millions of yen / Thousands of U.S. dollars)	2,236	10,878	19,409	38,820
Per share of common stock (Yen / U.S. dollars)	3.78	18.39	0.03	65.20
Total Assets (Millions of yen / Thousands of U.S. dollars)	491,942	422,869	4,268,852	481,541
Shareholders' Equity (Millions of yen / Thousands of U.S. dollars)	189,383	148,273	1,643,387	188,965
Per share of common stock (Yen / U.S. dollars)	319.87	250.59	2.78	318.81

The U.S. dollar amounts are converted from the yen amount at ¥115.24=U.S.\$1.00, the exchange rate prevailing on June 30, 2006.

## **Brief Summary of the Operating Results and Financial Status for the 1st Quarter Ended June 30, 2006**

### **1. Operating Results**

During the 1st Quarter of fiscal 2006 (April 1 through June 30, 2006), the Japanese economy continued a steady recovery with positive corporate earnings. In overseas economies, the U.S. economy and Asian countries' economies steadily grew in general, and the European countries also made progresses in each economic recovery.

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

Under these circumstances, the "K" LINE Group deployed aggressive business operations in accordance with the policies under the "K" LINE Vision 2008<sup>+</sup>, and focused on expanding the scale of business. As a result, consolidated operating revenues in the 1st Quarter of fiscal 2006 accounted for ¥252.263 billion, an increase by ¥31.136 billion compared with the same period of the preceding year. However, consolidated operating income stood at ¥10.017 billion, down by ¥13.953 billion compared with a year earlier affected by historic upswing of fuel oil prices, and ordinary income was ¥10.080 billion, a decrease by ¥14.013 billion against the same period last year. Consolidated net income for the 1st Quarter of fiscal 2006 was ¥9.702 billion, a fall by ¥5.803 billion from the same period of the previous year.

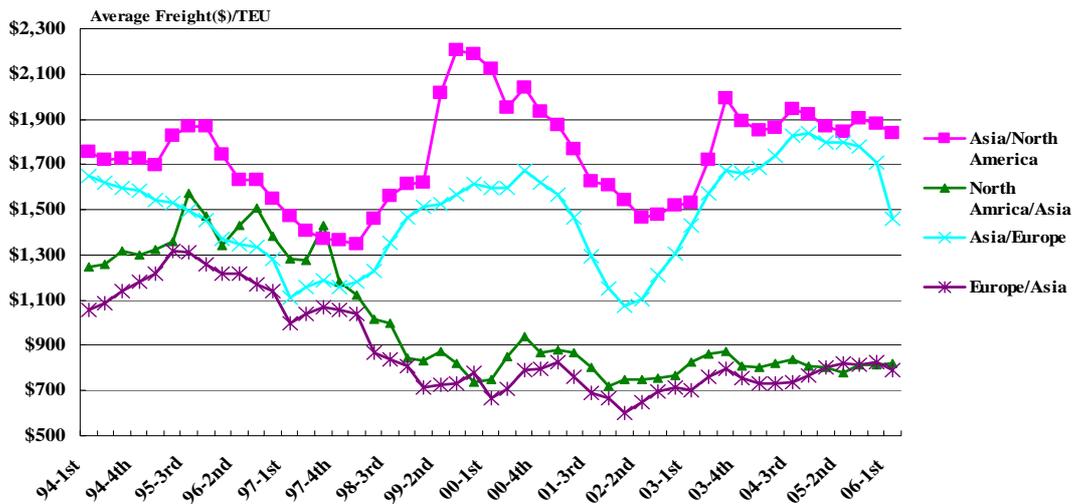
The following is summary of the activities by business sector.

#### 1) Marine transportation

##### <Containership Business>

In the Asia/North America services, cargo movements in outbound services including housing-related products maintained double-digit growth compared with the same period of the previous year, thanks to the constantly growing U.S. economy. In consequence, tonnage rose by about 9% from the same period last year, supported by 5500 TEU-type vessels entered into the Asia/Pacific Northwest service, and brisk cargo movements in the Asia/U.S. East Coast services. The European services also saw brisk cargo movements, maintaining double-digit rise mainly in cargoes shipped from China. The Inter-Asia services also fared well supported by brisk domestic economies within the region. Tonnage uplifted has been doubled in the Asia/South American West Coast service which the Company recognized as a first step to enhance North/South services and reorganized in this April. Overall cargo movement increased by 8% compared with a year earlier. While overall operating revenues in this business increased against the same period last year, profits declined on a year-on-year basis affected by declining market freight rates in some services and hike of operating costs including fuel oil prices, despite brisk cargo movements.

## Containerization International “Freight Rates Indicators”

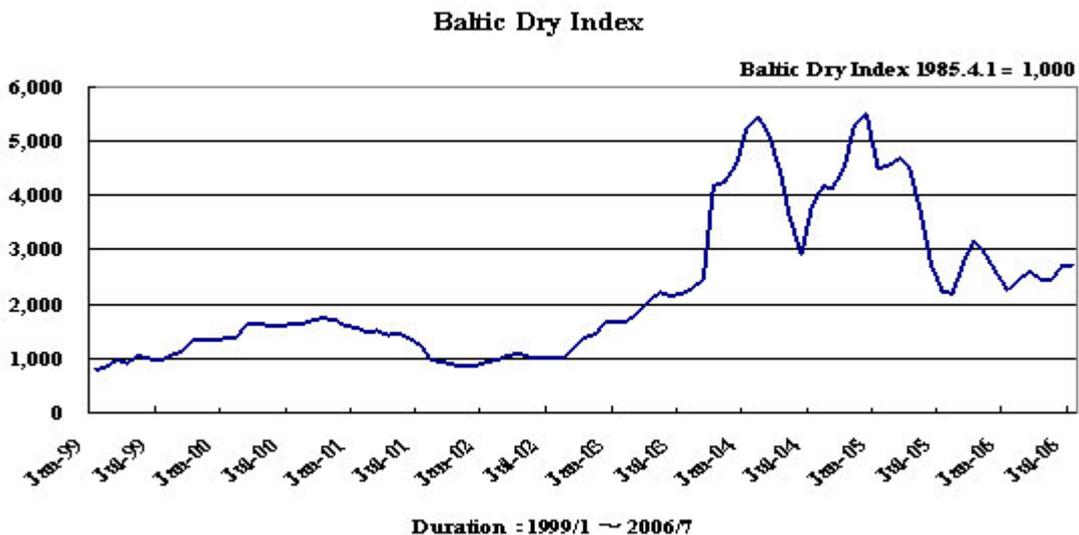


### <Bulk Carrier and Car Carrier Business>

As for dry bulk transportation, while market freight rates for large-sized bulk carriers showed a steady change, those for small and medium-sized bulk carriers advanced on a firmer trend, helped by strong demand for transportation of cement and steel materials, and domestic transportation of coals in China. Of the thermal coal carrier services for electric power companies, demand and supply for vessels were well balanced, which contributed to stable earnings.

In the car carrier business, marine transportation from Japan/Far East to various regions, mainly to the North American markets having brisk demand, increased steadily, and the overall number of cars transported by the Company in the 1st Quarter of fiscal 2006 increased by 14% compared with the same period last year.

Under these environments, the Company repeatedly made efforts to carry out efficient operation of vessels on hand, and was able to achieve the initial targets for the 1st Quarter of fiscal 2006 as planned. However, overall operating revenues in the bulk carrier and car carrier business increased but profits declined on a year-on-year basis, affected by highly hovering fuel oil prices.



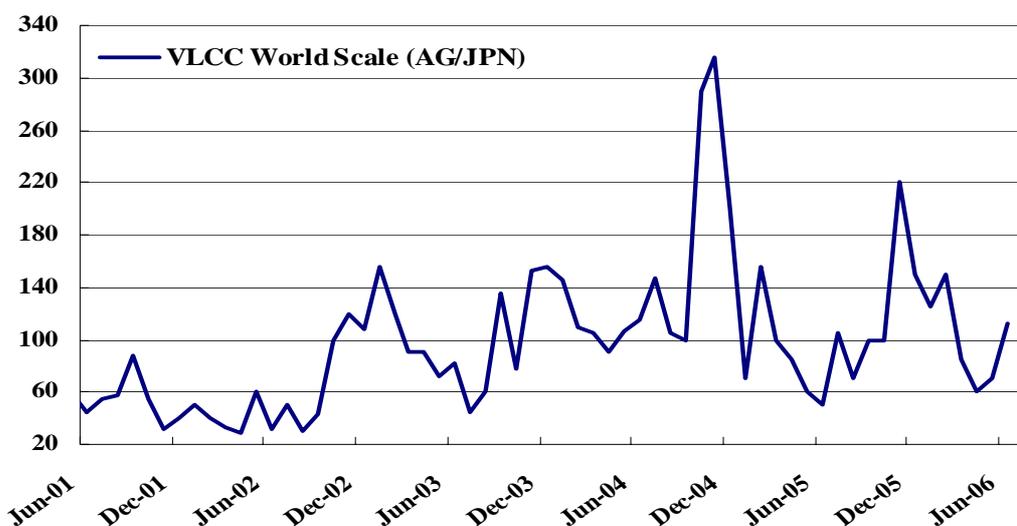
### <Energy Transportation and Tanker Business>

As for LNG carriers, the fleet of LNG tankers consisting of 30 carriers including four newly built ones in the preceding year, operated smoothly, and secured stable profitability.

Tanker services also were able to achieve constant profits, assisted partly by stable market freight rates of Aframax tankers.

As a result, overall operating results for the 1st Quarter of fiscal 2006 in the energy transportation and tanker business achieved the initial goals as planned, and both operating revenues and income increased from the same period of fiscal 2005.

### <Trends in tanker freight rate>



### <Coastal Shipping Business>

In the coastal shipping business, the domestic liner services posted stable cargo volumes, assisted by some signs of recovery of the Japanese economy. However, overall operating income declined compared with the same period last year, hit by soaring fuel oil prices.

As a result, overall operating revenues for marine transportation amounted to ¥217.288 billion, and operating income stood at ¥6.686 billion.

### 2) Freight Forwarding/Harbor Transportation

Cargo movements proceeded steadily for both sea and air routes, and consequently the cargo volume handled by port-related affiliates increased. The combination of these favorable results produced operating revenues of ¥29.751, and operating income of ¥2.924 billion.

### 3) Other business

As for other business not mentioned above, operating revenues amounted to ¥5.223 billion, and operating income was recorded at ¥0.184 billion.

## **2. Financial Status**

As of the end of the 1st quarter of fiscal 2006, total assets stood at ¥774.857 billion, an increase by ¥17.817 billion compared with the end of the consolidated fiscal 2005, of which current assets increased ¥6.872 billion from the end of the preceding term, due mainly to an increase in short-term loans receivable. Fixed assets expanded by ¥10.945 billion, since vessel and construction in progress increased due to the Company's active establishment of its fleet of ships under the management plan "K" LINE Vision 2008<sup>+</sup>, despite a decrease in other long-term assets.

Liabilities increased by ¥3.449 billion from the end of the consolidated fiscal 2005, of which current liabilities increased by ¥4.429 billion owing mainly to increases in 1) accounts and notes payable-trade, 2) short-term loans and 3) commercial paper, despite a decrease in factors such as accrued income taxes. Fixed liabilities recorded a decline of ¥0.979 billion owing to an increase in other long-term liabilities, despite an increase in long-term debt.

Net assets accounted for ¥283.411 billion, including shareholders' equity of ¥216.609.

## **3. Prospects for Fiscal 2006**

With respect to the 2nd Quarter for fiscal 2006, overall cargo movements by containerships will maintain a steady growth toward the peak season, and freight rates for Europe were already restored as the Company planned as a whole. However, earnings will be slightly below the initial projection, due to hiked variable costs including inland expenses in North America and Europe.

The bulk carrier and car carrier business will be able to ensure stable profitability since market freight rates are turning to recovery in the dry bulk carrier services. The car carrier services are expected to continue enjoying brisk cargo movements since new car sales are proceeding fairly well in various markets.

On the other hand, market freight rates for tankers are expected to continue to stay at sound levels and tanker services will be able to secure a stable operating income. However, overall performance, including that in businesses other than marine transportation will not reach the goals of the initial projections.

With respect to operating results for the 1st half of fiscal 2006, prospects for consolidated operating income, ordinary income and net income are expected to fall below those previously published (on May 11, 2006), but the consolidated operating revenues is expected to exceed the initial projection. As for the 2nd half of fiscal 2006, freight rates of containership will be on a stable track, despite uncertain factors including economic downturn in the U.S. and situations in the Middle East. The Company will strive to reduce operating costs including fuel oil costs with changes of service routes corresponding to launch of newly built vessels and review of ports of call. Car carriers will see continuing growth of cargo movements and dry bulk market freight rates are showing some signs of tightening in supply and demand relationship, backed by strong demand for marine cargo. As a result, profits will improve. Furthermore, tanker freight rates are also expected to be on a stable track. Taking into consideration the business environment described above, the Company has not changed the projection for the operating results for the 2nd half, and as for the full-term of fiscal 2006, the Company considers the consolidated operating results for fiscal 2006 to be ¥1,020.0 billion for operating revenues, ¥56.0 billion for operating income, ¥57.0 billion for ordinary income and ¥42.0 billion for net income. As for non-consolidated operating results for fiscal 2006, operating revenues will be ¥810.0 billion, and operating income will be ¥27.5 billion. Non-consolidated ordinary income and net income for fiscal 2006 will be ¥31.0 billion and ¥21.0 billion respectively.

In addition, preconditions for foreign exchange rates and fuel oil prices are:

2nd quarter: Exchange rate ¥115 per US dollar, Fuel price US\$350.00 per ton

2nd half: Exchange rate ¥110 per US dollar, Fuel price US\$350.00 per ton

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

## 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 three months ended June 30, 2006 and 2005

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

	Three Months ended June 30, 2006	Year ended March 31, 2006	Three Months ended June 30, 2006	Three Months ended June 30, 2005
<b>ASSETS</b>				
Current assets :				
Cash and time deposits	¥ 44,383	¥ 44,185	\$ 385,144	¥ 32,589
Accounts and notes receivable-trade	108,686	109,110	943,129	99,596
Short-term loans receivable	19,798	16,624	171,805	7,275
Marketable securities	936	932	8,124	28
Inventories	20,668	19,958	179,355	13,896
Prepaid expenses and deferred charges	25,325	25,077	219,762	26,270
Other current assets	22,740	19,778	197,328	19,707
Allowance for doubtful receivables	(624)	(624)	(5,419)	(819)
Total current assets	241,914	235,042	2,099,227	198,543
Fixed assets :				
(Tangible fixed assets)				
Vessels	201,204	189,094	1,745,960	181,153
Buildings and structures	27,235	27,484	236,341	27,485
Machinery and vehicles	10,354	10,568	89,849	9,015
Land	34,078	34,070	295,720	35,363
Construction in progress	84,365	77,042	732,088	55,703
Other tangible fixed assets	7,756	8,083	67,311	5,532
Total tangible fixed assets	364,996	346,344	3,167,269	314,253
(Intangible fixed assets)				
Consolidated adjustment account	-	-	-	18
Other intangible fixed assets	6,422	6,458	55,728	6,195
Total intangible fixed assets	6,422	6,458	55,728	6,214
(Investments and other long-term assets)				
Investments in securities	120,731	121,918	1,047,655	89,751
Long-term loans receivable	11,148	11,595	96,738	24,122
Deferred income taxes	3,446	3,586	29,903	4,264
Deferred income taxes for land revaluation	-	-	-	219
Other long-term assets	26,606	32,450	230,881	22,284
Allowance for doubtful receivables	(429)	(378)	(3,727)	(572)
Total investments and other long-term assets	161,503	169,172	1,401,450	140,069
Total fixed assets	532,921	521,975	4,624,447	460,537
Deferred assets	21	21	189	39
<b>Total assets</b>	<b>¥ 774,857</b>	<b>¥ 757,040</b>	<b>\$ 6,723,862</b>	<b>¥ 659,121</b>

## Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2006 and three months ended June 30, 2006 and 2005

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

	Three Months ended June 30,2006	Year ended March 31,2006	Three ended June 30,2006	Three Months ended June 30,2005
<b>LIABILITIES</b>				
Current liabilities :				
Accounts and notes payable- trade	¥ 84,005	¥ 82,311	\$728,958	¥ 79,175
Current portion of bonds payable	3,000	3,000	26,033	3,000
Short- term loans and current portion of long- term debt	58,365	54,707	506,470	47,804
Commercial paper	28,000	21,000	242,971	16,000
Accrued income taxes	4,107	12,578	35,639	8,143
Accrued bonuses	1,886	2,208	16,367	1,918
Current portion of obligations under finance leases	3,794	3,963	32,928	3,334
Other current liabilities	38,378	37,337	333,032	34,110
Total current liabilities	221,537	217,107	1,922,398	193,485
Long- term liabilities :				
Bonds	70,000	70,000	607,428	73,000
Long- term debt, less current portion	134,995	119,816	1,171,430	134,703
Deferred income taxes for land revaluation	3,205	3,205	27,812	3,105
Allowance for employees' retirement benefit	9,843	10,260	85,421	11,211
Retirement allowance for directors and statutory auditors	2,397	2,714	20,801	2,005
Accrued expenses for overhaul of vessels	14,337	13,335	124,413	11,745
Obligations under finance leases	5,563	5,745	48,274	6,211
Consolidation negative goodwill	-	45	-	-
Other long- term liabilities	29,524	45,765	256,201	21,875
Total long- term liabilities	269,909	270,889	2,342,151	263,858
Total liabilities	491,446	487,997	4,264,550	457,344
Minority interests in consolidated subsidiaries	-	11,233	-	9,572
Shareholders' equity :				
Common stock	-	29,689	-	29,689
Additional paid- in capital	-	14,534	-	14,534
Retained earnings	-	169,430	-	127,325
Revaluation reserve for land	-	6,466	-	6,815
Unrealized holding gain on investments in securities	-	36,928	-	16,563
Translation adjustments	-	1,790	-	(1,958)
Treasury stock, at cost	-	(1,031)	-	(765)
Total shareholders' equity	-	257,809	-	192,204
Total liabilities, minority interest and shareholders' equity	-	757,040	-	659,121
<b>NET ASSETS</b>				
Shareholder's equity:				
Common stock	29,689	-	257,635	-
Additional paid-in capital	14,534	-	126,126	-
Retained earnings	173,409	-	1,504,766	-
Treasury stock, at cost	(1,023)	-	(8,885)	-
Total shareholders' equity	216,609	-	1,879,642	-
Valuation and translation adjustments				
Unrealized holding gain on investments in securities	34,157	-	296,400	-
Deferred gain on hedges	12,510	-	108,562	-
Revaluation reserve for land	6,465	-	56,104	-
Translation adjustments	1,988	-	17,255	-
Total valuation and translation adjustments	55,121	-	478,320	-
Minority interests in consolidated subsidiaries	11,679	-	101,350	-
Total net assets	283,411	-	2,459,312	-
Total liabilities and net assets	774,857	-	6,723,862	-

## Consolidated Statements of Income

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2006 and three months ended June 30, 2006 and 2005

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

	<b>Three Months ended June 30,2006</b>	Three Months ended June 30,2005	<b>Three Months ended June 30,2006</b>	Year ended March 31,2006
Operating revenues	<b>¥ 252,263</b>	¥ 221,126	<b>\$ 2,189,028</b>	¥ 940,818
Costs and expenses	<b>226,550</b>	183,279	<b>1,965,904</b>	791,803
Selling, general and administrative expenses	<b>15,695</b>	13,876	<b>136,198</b>	61,039
Operating income	<b>10,017</b>	23,970	<b>86,925</b>	87,976
Non-operating income :				
Interest income	<b>626</b>	369	<b>5,440</b>	1,669
Dividend income	<b>990</b>	478	<b>8,598</b>	1,544
Equity in earnings of affiliated companies	<b>499</b>	26	<b>4,339</b>	-
Exchange gain	-	360	-	1,467
Other non-operating income	<b>180</b>	160	<b>1,564</b>	1,123
Total non-operating income	<b>2,298</b>	1,394	<b>19,941</b>	5,804
Non-operating expenses :				
Interest expenses	<b>1,038</b>	1,101	<b>9,010</b>	4,336
Exchange loss	<b>837</b>	-	<b>7,268</b>	-
Other non-operating expenses	<b>359</b>	170	<b>3,117</b>	871
Total non-operating expenses	<b>2,235</b>	1,272	<b>19,395</b>	5,207
Ordinary income	<b>10,080</b>	24,093	<b>87,471</b>	88,573
Extraordinary profits	<b>2,778</b>	-	<b>24,109</b>	8,498
Extraordinary losses	-	-	-	1,793
Income before income taxes	<b>12,858</b>	24,093	<b>111,581</b>	95,278
Income taxes	<b>2,798</b>	8,129	<b>24,285</b>	31,079
Minority interests	<b>357</b>	457	<b>3,100</b>	1,775
Net income	<b>¥ 9,702</b>	¥ 15,505	<b>\$ 84,196</b>	¥ 62,423

## Consolidated Statements of Shareholders' Equity

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the three months ended June 30, 2006

(Millions of Yen)

	Shareholders' equity				
	Common stock	Additional paid- in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance March 31, 2006	¥ 29,689	¥ 14,534	¥ 169,430	¥ (1,031)	¥ 212,623
Change of items during the term					
Cash dividends	-	-	(5,328)	-	(5,328)
Net Income	-	-	9,702	-	9,702
Purchase/disposal of treasury stocks	-	-	(8)	7	(0)
Others	-	-	(387)	-	(387)
Net increase/decrease during the term under review except in Shareholders' Equity	-	-	-	-	-
Net increase/decrease during the term	-	-	3,978	7	3,986
Balance June 30, 2006	¥ 29,689	¥ 14,534	¥ 173,409	¥ (1,023)	¥ 216,609

	Valuation and translation adjustments				
	Unrealized holding gain on investments in securities	Deferred gain on hedges	Revaluation reserve for land	Translation adjustments	Total valuation and translation adjustments
Balance March 31, 2006	¥ 36,928	-	¥ 6,466	¥ 1,790	¥ 45,186
Change of items during the term					
Cash dividends	-	-	-	-	-
Net Income	-	-	-	-	-
Purchase/disposal of treasury stocks	-	-	-	-	-
Others	-	-	-	-	-
Net increase/decrease during the term under review except in Shareholders' Equity	(2,771)	12,510	(1)	197	9,935
Net increase/decrease during the term	(2,771)	12,510	(1)	197	9,935
Balance June 30, 2006	¥ 34,157	¥ 12,510	¥ 6,465	¥ 1,988	¥ 55,121

	Minority interests in consolidated subsidiaries	Total liabilities and net assets
Balance March 31, 2006	¥ 11,233	¥ 269,043
Change of items during the term		
Cash dividends	-	(5,328)
Net Income	-	9,702
Purchase/disposal of treasury stocks	-	(0)
Others	-	(387)
Net increase/decrease during the term under review except in Shareholders' Equity	446	10,381
Net increase/decrease during the term	446	14,368
Balance June 30, 2006	¥ 11,679	¥ 283,411

## Consolidated Statements of Shareholders' Equity

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the three months ended June 30, 2006

(Thousands of U.S.Dollars)

	Shareholders' equity				
	Common stock	Additional paid- in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance March 31, 2006	\$ 257,635	\$ 126,126	\$ 1,470,240	\$ (8,954)	\$ 1,845,048
Change of items during the term					
Cash dividends	-	-	(46,237)	-	(46,237)
Net Income	-	-	84,196	-	84,196
Purchase/disposal of treasury stocks	-	-	(73)	69	(4)
Others	-	-	(3,361)	-	(3,361)
Net increase/decrease during the term under review except in Shareholders' Equity	-	-	-	-	-
Net increase/decrease during the term	-	-	34,525	69	34,594
Balance June 30, 2006	\$ 257,635	\$ 126,126	\$ 1,504,766	\$ (8,885)	\$ 1,879,642

	Valuation and translation adjustments				
	Unrealized holding gain on investments in securities	Deferred gain on hedges	Revaluation reserve for land	Translation adjustments	Total valuation and translation adjustments
Balance March 31, 2006	\$ 320,449	-	\$ 56,117	\$ 15,540	\$ 392,107
Change of items during the term					
Cash dividends	-	-	-	-	-
Net Income	-	-	-	-	-
Purchase/disposal of treasury stocks	-	-	-	-	-
Others	-	-	-	-	-
Net increase/decrease during the term under review except in Shareholders' Equity	(24,050)	108,562	(13)	1,714	86,214
Net increase/decrease during the term	(24,050)	108,562	(13)	1,714	86,214
Balance June 30, 2006	\$ 296,400	\$ 108,562	\$ 56,104	\$ 17,255	\$ 478,320

	Minority interests in consolidated subsidiaries	Total liabilities and net assets
Balance March 31, 2006	\$ 97,478	\$ 2,334,632
Change of items during the term		
Cash dividends	-	(46,237)
Net Income	-	84,196
Purchase/disposal of treasury stocks	-	(4)
Others	-	(3,361)
Net increase/decrease during the term under review except in Shareholders' Equity	3,872	90,085
Net increase/decrease during the term	3,872	124,680
Balance June 30, 2006	\$ 101,350	\$ 2,459,312

## Consolidated Segment Information

### Business segment information

Three months ended June 30,2006

(Millions of Yen)

	Freight Forwarding / Harbor			Total	Eliminations	Consolidated
	Marine Transportation	Transportation	Other			
Revenues						
(1) Operating revenues	¥ 217,288	¥ 29,751	¥ 5,223	¥ 252,263	-	¥ 252,263
(2) Inter-group sales and transfers	1,872	13,210	8,618	23,701	(23,701)	-
<b>Total revenues</b>	<b>219,160</b>	<b>42,962</b>	<b>13,842</b>	<b>275,965</b>	<b>(23,701)</b>	<b>252,263</b>
Operating expenses	212,474	40,037	13,658	266,170	(23,924)	242,246
Operating income	6,686	2,924	184	9,794	222	10,017
Ordinary income	¥ 6,651	¥ 3,150	¥ 239	¥ 10,041	¥ 38	¥ 10,080

Three months ended June 30,2005

(Millions of Yen)

	Freight Forwarding / Harbor			Total	Eliminations	Consolidated
	Marine Transportation	Transportation	Other			
Revenues						
(1) Operating revenues	¥ 192,059	¥ 24,813	¥ 4,254	¥ 221,126	-	¥ 221,126
(2) Inter-group sales and transfers	1,584	11,363	7,096	20,044	(20,044)	-
<b>Total revenues</b>	<b>193,643</b>	<b>36,176</b>	<b>11,351</b>	<b>241,171</b>	<b>(20,044)</b>	<b>221,126</b>
Operating expenses	171,986	34,062	11,179	217,229	(20,072)	197,156
Operating income	21,656	2,114	171	23,942	28	23,970
Ordinary income	¥ 21,655	¥ 2,229	¥ 205	¥ 24,090	¥ 3	¥ 24,093

Three months ended June 30,2006

(Thousands of U.S.Dollars)

	Freight Forwarding / Harbor			Total	Eliminations	Consolidated
	Marine Transportation	Transportation	Other			
Revenues						
(1) Operating revenues	\$ 1,885,529	\$ 258,170	\$ 45,329	\$ 2,189,028	-	\$ 2,189,028
(2) Inter-group sales and transfers	16,247	114,635	74,791	205,673	(205,673)	-
<b>Total revenues</b>	<b>1,901,776</b>	<b>372,805</b>	<b>120,120</b>	<b>2,394,701</b>	<b>(205,673)</b>	<b>2,189,028</b>
Operating expenses	1,843,756	347,428	118,521	2,309,705	(207,603)	2,102,102
Operating income	58,020	25,377	1,599	84,996	1,930	86,925
Ordinary income	\$ 57,718	\$ 27,341	\$ 2,080	\$ 87,138	\$ 333	\$ 87,471

Year ended March 31,2006

(Millions of Yen)

	Freight Forwarding / Harbor			Total	Eliminations	Consolidated
	Marine Transportation	Transportation	Other			
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)	-
<b>Total revenues</b>	<b>813,608</b>	<b>168,185</b>	<b>51,033</b>	<b>1,032,827</b>	<b>(92,008)</b>	<b>940,818</b>
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

## 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 three months ended June 30, 2006 and 2005

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

	Three Months ended June 30,2006	Year ended March 31,2006	Three Months ended June 30,2006	Three Months ended June 30,2005
<b>ASSETS</b>				
Current assets:				
Cash and time deposits	¥ 7,714	¥ 7,990	\$ 66,947	¥ 9,480
Accounts receivable	76,525	75,055	664,052	73,062
Short-term loans receivable	37,883	32,223	328,739	24,949
Advances payments-trade	5,578	4,712	48,404	6,508
Inventories	17,059	16,837	148,037	11,648
Prepaid expenses and deferred charges	23,409	23,096	203,141	25,324
Due from agents	5,704	4,820	49,502	4,021
Deferred income taxes	2,773	3,453	24,067	2,352
Other current assets	5,337	5,150	46,320	5,202
Allowance for doubtful receivables	(195)	(195)	(1,692)	(357)
Total current assets	181,792	173,146	1,577,516	162,191
Fixed assets :				
(Tangible fixed assets)				
Vessels	36,618	38,628	317,757	41,774
Buildings	4,755	4,791	41,269	4,579
Structures	196	202	1,706	214
Equipments	3,150	3,366	27,336	2,256
Land	21,638	21,638	187,770	23,330
Construction in progress	8	-	75	95
Other tangible fixed assets	1,310	1,336	11,370	1,283
Total tangible fixed assets	67,678	69,963	587,281	73,534
(Intangible fixed assets)				
Software	1,564	1,646	13,573	1,789
Software in progress	144	91	1,257	275
Other intangible fixed assets	20	20	178	19
Total intangible fixed assets	1,729	1,758	15,008	2,083
(Investments and other long-term assets)				
Investments in securities	96,036	98,337	833,360	67,571
Investments in stocks of affiliated company	35,200	34,757	305,450	34,155
Long-term loans receivable	91,889	83,041	797,378	70,181
Long-term prepaid expenses	3,063	2,878	26,587	3,155
Deposits	3,112	3,112	27,006	3,133
Other long-term assets	12,017	15,120	104,286	7,578
Allowance for doubtful receivables	(595)	(595)	(5,171)	(755)
Total investments and other long-term assets	240,724	236,653	2,088,895	185,021
Total fixed assets	310,132	308,375	2,691,184	260,639
Deferred assets				
Bond-issuing expenses	17	19	152	39
Total deferred assets	17	19	152	39
<b>Total assets</b>	<b>¥ 491,942</b>	<b>¥ 481,541</b>	<b>\$4,268,852</b>	<b>¥ 422,869</b>

## Non-Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. for the year ended March 31, 2006 and three months ended June 30, 2006 and 2005

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

	Three Months ended June 30, 2006	Year ended March 31, 2006	Three Months ended June 30, 2006	Three Months ended June 30, 2005
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	¥ 71,240	¥ 68,528	\$ 618,194	¥ 65,133
Current portion of bonds payable	3,000	3,000	26,033	3,000
Short-term loans and current portion of long-term debt	33,120	26,045	287,404	25,206
Commercial paper	28,000	21,000	242,971	16,000
Accrued income taxes	1,742	9,320	15,118	6,419
Advance receipt	16,544	17,089	143,563	14,707
Deposit received	4,901	5,136	42,533	4,571
Due to agents	6,715	4,256	58,274	8,579
Accrued bonuses	247	942	2,144	297
Other current liabilities	4,758	3,823	41,288	5,982
Total current liabilities	170,269	159,143	1,477,522	149,897
Long-term liabilities				
Bonds	70,000	70,000	607,428	73,000
Long-term debt, less current portion	32,176	23,195	279,210	31,707
Allowance for employees' retirement benefit	632	734	5,485	1,015
Retirement allowance for directors and statutory auditors	1,004	1,363	8,718	1,108
Accrued expenses for overhaul of vessels	941	948	8,171	1,194
Deferred income taxes	20,764	19,115	180,186	5,825
Deferred income taxes for land revaluation	2,862	2,862	24,837	2,862
Other long-term liabilities	3,907	15,213	33,907	7,984
Total long-term liabilities	132,288	133,432	1,147,943	124,699
Total liabilities	302,558	292,575	2,625,465	274,596
Shareholders' equity:				
Common stock	-	29,689	-	29,689
Additional paid-in capital				
Capital surplus	-	14,534	-	14,534
Total additional paid-in capital	-	14,534	-	14,534
Retained earning				
Legal reserve	-	2,540	-	2,540
Special reserve				
Special depreciation reserve	-	1,528	-	1,528
Reduced value entry reserve	-	2,251	-	2,251
Other reserve	-	67,052	-	67,052
Unappropriated earned surplus for current term	-	33,940	-	11,439
Total retained earning	-	107,312	-	84,812
Revaluation reserve for land	-	4,720	-	4,720
Unrealized holding gain on investments in securities	-	33,642	-	15,184
Treasury stock, at cost	-	(934)	-	(668)
Total shareholders' equity	-	188,965	-	148,273
Total liabilities and shareholders' equity	-	481,541	-	422,869
<b>NET ASSETS</b>				
Shareholder's equity:				
Common stock	29,689	-	257,635	-
Additional paid-in capital				
Capital surplus	14,534	-	126,126	-
Total additional paid-in capital	14,534	-	126,126	-
Retained earning				
Legal reserve	2,540	-	22,044	-
Special reserve				
Special depreciation reserve	958	-	8,314	-
Reduced value entry reserve	2,160	-	18,746	-
Other reserve	95,552	-	829,157	-
Unappropriated earned surplus for current term	2,782	-	24,142	-
Total retained earning	103,992	-	902,402	-
Treasury stock, at cost	(926)	-	(8,040)	-
Total shareholders' equity	147,290	-	1,278,124	-
Valuation and translation adjustments				
Unrealized holding gain on investments in securities	30,983	-	268,861	-
Deferred gain on hedges	6,388	-	55,440	-
Revaluation reserve for land	4,720	-	40,962	-
Total valuation and translation adjustments	42,092	-	365,264	-
Total net assets	189,383	-	1,643,387	-
Total liabilities and net assets	491,942	-	4,268,852	-

## Non-Consolidated Statements of Income

Kawasaki Kisen Kaisha, Ltd. for the year ended March 31, 2006 and three months ended June 30, 2006 and 2005

	Three Months ended June 30,2006	Three Months ended June 30,2005	Three Months ended June 30,2006	Year ended March 31,2006
Operating revenues :				
Revenues from Shipping and other operating :				
Freight	¥ 164,439	¥ 148,366	\$1,426,935	¥ 622,147
Charter of vessels	29,095	23,286	252,477	101,502
Other operating revenues	4,096	4,308	35,546	17,895
Total shipping and other operating revenues	197,631	175,961	1,714,958	741,546
Other revenues	262	258	2,274	1,022
<u>Total operating revenues</u>	197,893	176,219	1,717,231	742,568
Operating expenses :				
Expenses of Shipping and other operating :				
Shipping expenses	106,629	82,809	925,279	364,982
Preservation expenses for vessel	2,176	2,150	18,888	8,361
Hire of vessel	68,837	57,996	597,345	242,366
Other operating expenses	15,364	12,762	133,322	54,907
Total shipping and other operating expenses	193,007	155,719	1,674,833	670,618
Other expenses	117	123	1,024	538
Selling, general and administrative expenses	3,737	3,727	32,432	14,734
Total operating expenses	196,863	159,570	1,708,289	685,890
<u>Operating income</u>	1,030	16,649	8,942	56,678
Non-operating income :				
Interest and dividends income	3,284	995	28,502	3,081
Exchange gain	-	455	-	-
Other non-operating income	69	24	605	261
Total non-operating income	3,354	1,475	29,106	3,343
Non-operating expenses :				
Interest expenses	461	443	4,001	1,739
Exchange loss	610	-	5,299	285
Other non-operating expenses	16	97	140	146
Total non-operating expenses	1,087	541	9,440	2,172
<u>Ordinary income</u>	3,296	17,583	28,609	57,849
Extraordinary profits :				
Gain on sales of fixed assets	199	-	1,735	1,398
Gain on sales of investments in securities	-	-	-	3,243
Other extraordinary profits	-	-	-	283
Total extraordinary profits	199	-	1,735	4,925
Extraordinary losses :				
Loss on sales of investments in securities	-	-	-	747
Other extraordinary losses	-	1	-	4
Total extraordinary losses	-	1	-	751
Income before income taxes	3,496	17,582	30,343	62,023
	1,260	6,704	10,934	23,203
<u>Net income</u>	2,236	10,878	19,409	38,820
Unappropriated retained earnings brought forward		563		563
Loss on transaction in treasury stock		1		107
Interim dividends		-		5,335
Unappropriated earned surplus for current term		¥ 11,439		¥ 33,940

Consolidated Statements of Shareholders' Equity

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the three months ended June 30, 2006

(Millions of Yen)

	Shareholder's equity										
	Common stock	Additional paid-in capital		Legal reserve	Retained earnings				Total retained earning	Treasury stock, at cost	Total shareholders' equity
		Capital surplus	Total additional paid-in capital		Special reserve			Unappropriated earned surplus for current term			
					Special depreciation reserve	Reduced value entry reserve	Other reserve				
Balance March 31, 2006	¥ 20,889	¥ 14,534	¥ 14,534	¥ 2,540	¥ 1,528	¥ 2,251	¥ 67,052	¥ 33,940	¥ 107,312	¥ (934)	¥ 150,603
Change of items during the term											
Cash dividends	-	-	-	-	-	-	-	(5,328)	(5,328)	-	(5,328)
Transferred from reserve	-	-	-	-	(570)	(91)	-	601	-	-	-
Provision for reserve	-	-	-	-	-	-	28,500	(28,500)	-	-	-
Net Income	-	-	-	-	-	-	-	2,236	2,236	-	2,236
Purchase/disposal of treasury stocks	-	-	-	-	-	-	-	-	-	7	7
Bonus to directors	-	-	-	-	-	-	-	(220)	(220)	-	(220)
Net loss for disposal of treasury stocks	-	-	-	-	-	-	-	(8)	(8)	-	(8)
Net increase/decrease during the term under review except in Shareholders' Equity	-	-	-	-	-	-	-	-	-	-	-
Net increase/decrease during the term	-	-	-	-	(570)	(91)	28,500	(31,158)	(3,320)	7	(3,312)
Balance June 30, 2006	¥ 20,889	¥ 14,534	¥ 14,534	¥ 2,540	¥ 958	¥ 2,160	¥ 95,552	¥ 2,782	¥ 103,992	¥ (926)	¥ 147,290

	Valuation and translation adjustments				Total net assets
	Unrealized holding gain on investments in securities	Deferred gain on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance March 31, 2006	¥ 33,642	-	¥ 4,720	¥ 38,362	¥ 188,965
Change of items during the term					
Cash dividends	-	-	-	-	(5,328)
Transferred from reserve	-	-	-	-	-
Provision for reserve	-	-	-	-	-
Net Income	-	-	-	-	2,236
Purchase/disposal of treasury stocks	-	-	-	-	7
Bonus to directors	-	-	-	-	(220)
Net loss for disposal of treasury stocks	-	-	-	-	(8)
Net increase/decrease during the term under review except in Shareholders' Equity	(2,658)	6,388	-	3,730	3,730
Net increase/decrease during the term	(2,658)	6,388	-	3,730	418
Balance June 30, 2006	¥ 30,983	¥ 6,388	¥ 4,720	¥ 42,092	¥ 189,383

(Thousands of U.S.Dollars)

	Shareholder's equity										
	Common stock	Additional paid-in capital		Legal reserve	Retained earnings				Total retained earning	Treasury stock, at cost	Total shareholders' equity
		Capital surplus	Total additional paid-in capital		Special reserve			Unappropriated earned surplus for current term			
					Special depreciation reserve	Reduced value entry reserve	Other reserve				
Balance March 31, 2006	\$ 257,655	\$ 126,126	\$ 126,126	\$ 22,044	\$ 13,260	\$ 19,539	\$ 581,647	\$ 294,522	\$ 931,212	\$ (6,109)	\$ 1,306,665
Change of items during the term											
Cash dividends	-	-	-	-	-	-	-	(46,237)	(46,237)	-	(46,237)
Transferred from reserve	-	-	-	-	(4,946)	(794)	-	5,740	-	-	-
Provision for reserve	-	-	-	-	-	-	247,310	(247,310)	-	-	-
Net Income	-	-	-	-	-	-	-	19,409	19,409	-	19,409
Purchase/disposal of treasury stocks	-	-	-	-	-	-	-	-	-	69	69
Bonus to directors	-	-	-	-	-	-	-	(1,909)	(1,909)	-	(1,909)
Net loss for disposal of treasury stocks	-	-	-	-	-	-	-	(73)	(73)	-	(73)
Net increase/decrease during the term under review except in Shareholders' Equity	-	-	-	-	-	-	-	-	-	-	-
Net increase/decrease during the term	-	-	-	-	(4,946)	(794)	247,310	(270,380)	(28,810)	69	(28,741)
Balance June 30, 2006	\$ 257,655	\$ 126,126	\$ 126,126	\$ 22,044	\$ 8,314	\$ 18,746	\$ 829,157	\$ 24,142	\$ 902,402	\$ (6,040)	\$ 1,276,124

	Valuation and translation adjustments				Total net assets
	Unrealized holding gain on investments in securities	Deferred gain on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance March 31, 2006	\$ 291,931	-	\$ 40,962	\$ 332,893	\$ 1,639,758
Change of items during the term					
Cash dividends	-	-	-	-	(46,237)
Transferred from reserve	-	-	-	-	-
Provision for reserve	-	-	-	-	-
Net Income	-	-	-	-	19,409
Purchase/disposal of treasury stocks	-	-	-	-	69
Bonus to directors	-	-	-	-	(1,909)
Net loss for disposal of treasury stocks	-	-	-	-	(73)
Net increase/decrease during the term under review except in Shareholders' Equity	(23,070)	55,440	-	32,370	32,370
Net increase/decrease during the term	(23,070)	55,440	-	32,370	3,629
Balance June 30, 2006	\$ 268,861	\$ 55,440	\$ 40,962	\$ 365,264	\$ 1,643,387