

## FINANCIAL HIGHLIGHTS

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

[Two Year Summary]

|   | Three Months<br>ended<br>30-Jun-06 | Three Months<br>ended<br>30-Jun-05 | Three Months<br>ended<br>30-Jun-06 | Year<br>ended<br>31-Mar-06 |
|---|------------------------------------|------------------------------------|------------------------------------|----------------------------|
| <b>Consolidated</b>   |                                    |                                    |                                    |                            |
| Operating revenues<br>(Millions of yen / Thousands of U.S. dollars)   | ¥ 252,263                          | ¥ 221,126                          | \$ 2,189,028                       | ¥ 940,818                  |
| Operating income<br>(Millions of yen / Thousands of U.S. dollars)     | 10,017                             | 23,970                             | 86,925                             | 87,976                     |
| Net income<br>(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<br>(Millions of yen / Thousands of U.S. dollars)         | 774,857                            | 659,121                            | 6,723,862                          | 757,040                    |
| Shareholders' Equity<br>(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<br>(Millions of yen / Thousands of U.S. dollars)   | 197,893                            | 176,219                            | 1,717,231                          | 742,568                    |
| Operating income<br>(Millions of yen / Thousands of U.S. dollars)     | 1,030                              | 16,649                             | 8,942                              | 56,678                     |
| Net income<br>(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<br>(Millions of yen / Thousands of U.S. dollars)         | 491,942                            | 422,869                            | 4,268,852                          | 481,541                    |
| Shareholders' Equity<br>(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.

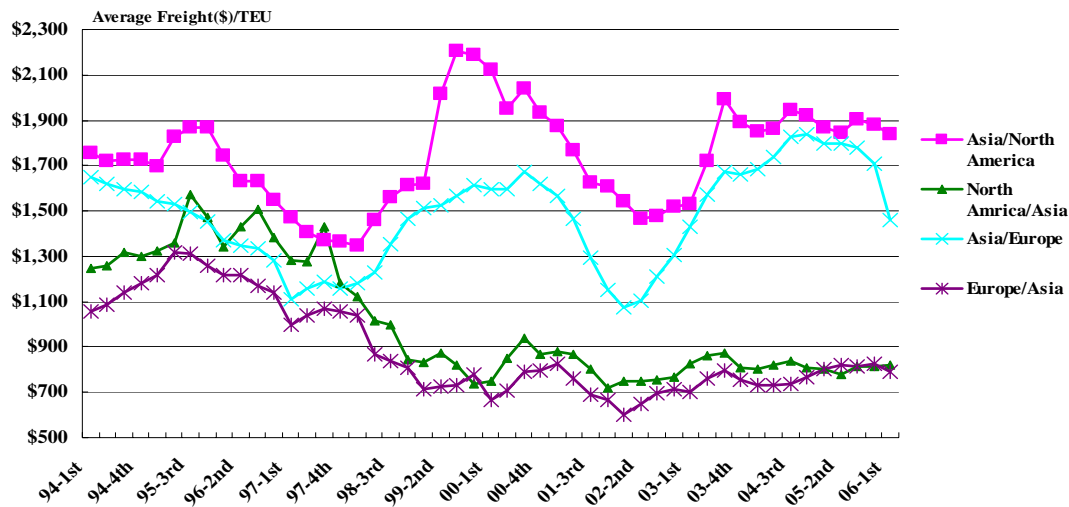
The following is summary of the activities by business sector.

#### 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”

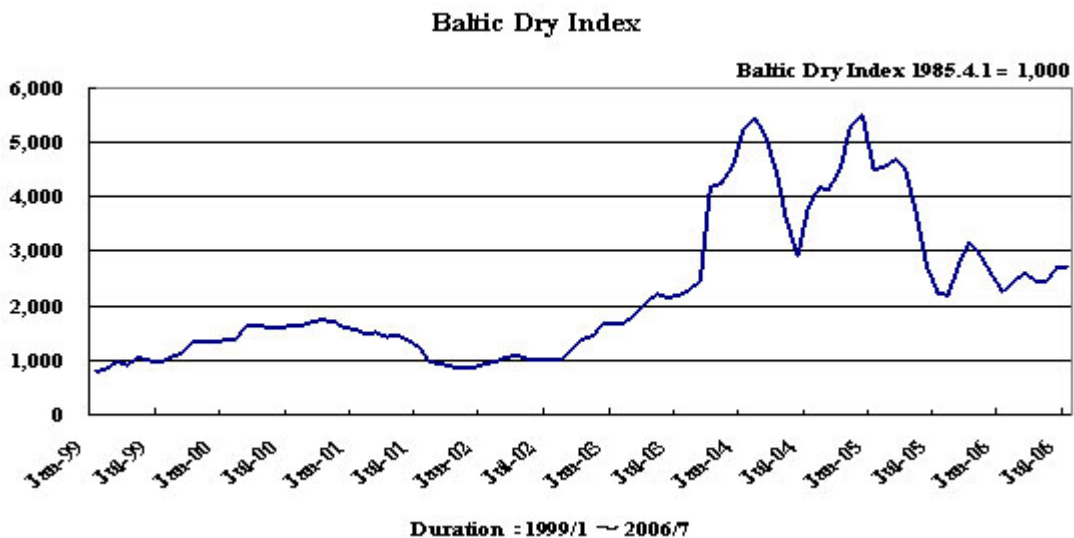


### <Bulk Carrier and Car Carrier Business>

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.



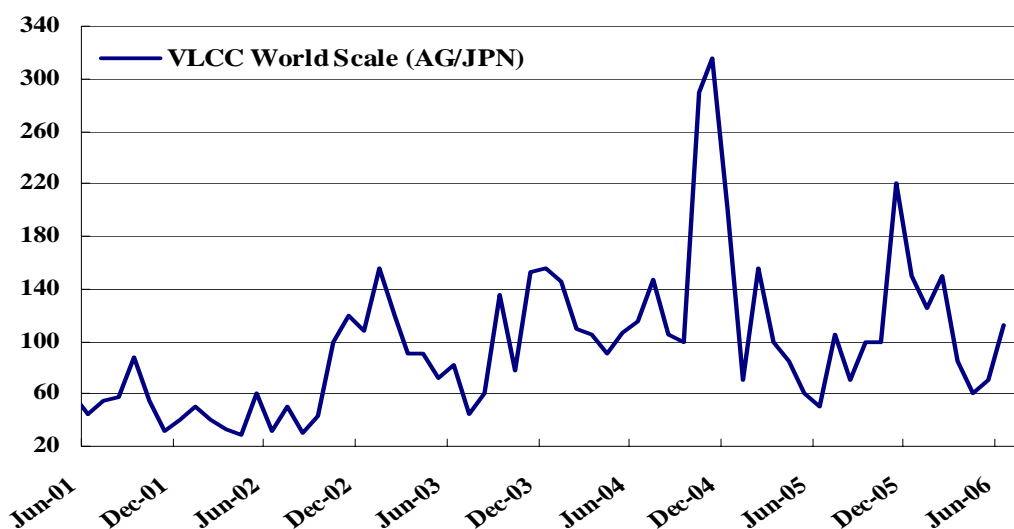
### <Energy Transportation and Tanker Business>

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<br>ended<br>June 30,2006 | Year<br>ended<br>March 31,2006 | Three Months<br>ended<br>June 30,2006 | Three Months<br>ended<br>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<br>ended<br>June 30,2006 | Year<br>ended<br>March 31,2006 | Three<br>ended<br>June 30,2006 | Three Months<br>ended<br>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<br/>ended<br/>June 30,2006</b> | Three Months<br>ended<br>June 30,2005 | <b>Three Months<br/>ended<br/>June 30,2006</b> | Year<br>ended<br>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<br>ended<br>June 30,2006 | Year<br>ended<br>March 31,2006 | Three Months<br>ended<br>June 30,2006 | Three Months<br>ended<br>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<br>ended<br>June 30,2006 | Year<br>ended<br>March 31,2006 | Three Months<br>ended<br>June 30,2006 | Three Months<br>ended<br>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<br>ended<br>June 30,2006 | Three Months<br>ended<br>June 30,2005 | Three Months<br>ended<br>June 30,2006 | Year<br>ended<br>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           |               |                        |  | Treasury stock, at cost | Total shareholders' equity |
|   |                      | Capital surplus            | Total additional paid-in capital | Special reserve              |               |                             |               | Total retained earning |  |                         |                            |
|   |                      |                            |                                  | Special depreciation reserve |               | Reduced value entry reserve | Other reserve |                        | Unappropriated earned surplus for current term |                         |                            |
| 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           |               |                        |  | Treasury stock, at cost | Total shareholders' equity |
|   |                      | Capital surplus            | Total additional paid-in capital | Special reserve              |               |                             |               | Total retained earning |  |                         |                            |
|   |                      |                            |                                  | Special depreciation reserve |               | Reduced value entry reserve | Other reserve |                        | Unappropriated earned surplus for current term |                         |                            |
| 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     |