

## FINANCIAL HIGHLIGHTS

Brief report of the three months ended June 30, 2007.

[Two Year Summary]

	Three Months ended Jun.30,2006	Three Months ended Jun.30,2007	Three Months ended Jun.30,2007	Year ended Mar.31,2007
Consolidated				
Operating revenues (Millions of yen / Thousands of U.S. dollars)	¥ 252,264	¥ 309,175	\$ 2,508,315	¥ 1,085,539
Operating income (Millions of yen / Thousands of U.S. dollars)	10,017	32,306	262,099	61,357
Net income (Millions of yen / Thousands of U.S. dollars)	9,703	25,804	209,348	51,514
Per share of common stock (Yen / U.S. dollars)	16.40	41.37	0.34	86.67
Total Assets (Millions of yen / Thousands of U.S. dollars)				
Net Assets (Millions of yen / Thousands of U.S. dollars)	283,411	394,393	3,199,686	357,625
Per share of common stock (Yen / U.S. dollars)	459.34	605.88	4.92	556.55
Non-consolidated				
Operating revenues (Millions of yen / Thousands of U.S. dollars)	197,894	250,099	2,029,035	857,279
Operating income (Millions of yen / Thousands of U.S. dollars)	1,031	22,855	185,425	28,103
Net income (Millions of yen / Thousands of U.S. dollars)	2,237	19,568	158,753	25,250
Per share of common stock (Yen / U.S. dollars)	3.78	31.35	0.25	42.45
Total Assets (Millions of yen / Thousands of U.S. dollars)				
Net assets (Millions of yen / Thousands of U.S. dollars)	189,384	270,673	2,195,949	241,181
Per share of common stock (Yen / U.S. dollars)	319.87	429.79	3.49	389.35

The U.S. dollar amounts are converted from the yen amount at ¥123.26=U.S.\$1.00. The exchange rate prevailing on June 30, 2007.

## [Qualitative Information and Financial Statements]

### 1. Qualitative Information about Consolidated Operating Results

During the 1st Quarter of fiscal 2007 (April 1 through June 30, 2007), both the global and the Japanese economies grew favorably. In the U.S. economy, while there were some signs of slowing down in housing investment, domestic consumer spending was generally firm. The European countries also saw stable growth in their economies. In the Asian region, economies continued to expand due to brisk exports to Europe and steady growth of consumer spending and strong capital investment mainly in China and the countries in the Middle East. In the Japanese economy, both consumer spending and capital investment was firm, and exports continued to grow favorably.

As for environments surrounding the shipping industry, dry bulk market freight rates remained at a high level and containerships saw recovery in freight rates which continued to decline, backed up by strong cargo movements.

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 for the 1st Quarter of fiscal 2007 accounted for ¥309.174 billion, an increase by ¥56.911 billion compared with the same period of the preceding year. Consolidated operating income was ¥32.306 billion, an increase by ¥22.289 billion compared with the same period last year, and ordinary income was ¥36.053 billion, an increase by ¥25.973 billion against the same period a year earlier. Consolidated net income for the 1st Quarter of fiscal 2007 was ¥25.804 billion, up by ¥16.101 billion on a year-on-year basis.

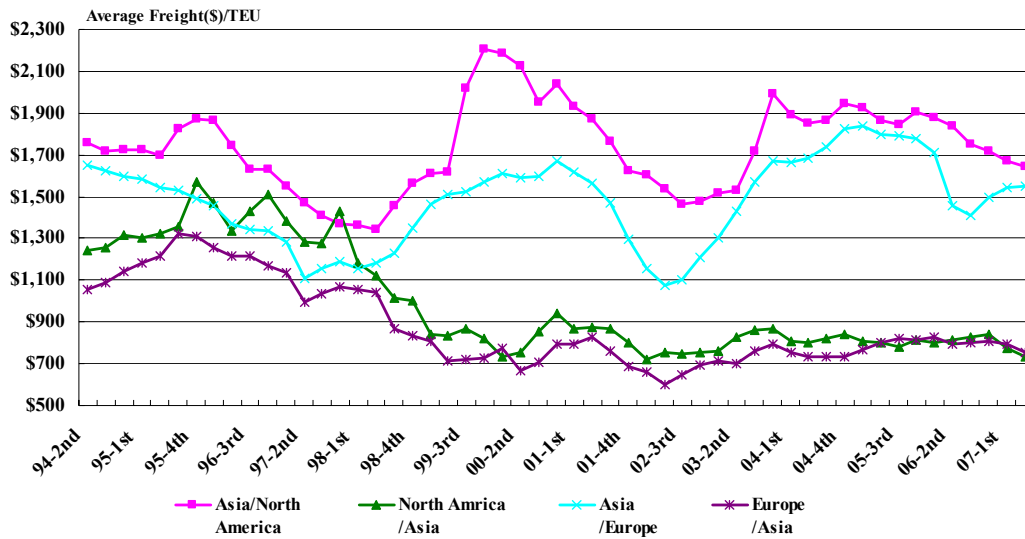
The following is summary of the activities by business sector.

#### 1) Marine transportation

##### <Containership Business>

With decline of cargo movements of housing related products in the Asia/North America services, the growth of overall cargo movements temporarily slowed down at the beginning of the year. However, cargo movements of other products including apparels were strong. Consequently, supply-demand balance in the containership business remained at a stable level. The Company reinforced its transportation capacity by setting up new service to the Asia/U.S. East Coast from the middle of 2006, and as a result, tonnage movements increased by 18% on a year-on-year basis. The overall cargo movements in the European services grew about 20%, since cargo movements to the North European countries including Germany and France turned to a double-digit growth supported by stronger euro, in addition to continuously growing cargo movements in the Asia/Mediterranean and Eastern European services. The Company also strengthened its transportation capacity by launching newly built 8000TEU type ships, the largest containership in the Company, in the European services since October 2006. Consequently, tonnage movements increased by 20% on a year-on-year basis. Although transportation capacity increased sharply due to services of newly-built large-sized containerships and changes in ship operation of large-sized vessels from the North American service to the European service by other shipping companies, increases in demand exceeded those in transportation capacity and the balance between supply and demand remained high. The Company succeeded in restoring freight rates for the European services in April and for the North American services in May this year. As a result, operating results of the containership business for the 1st Quarter of fiscal 2007 exceeded initial projections, increasing both its operating revenues and profits against the same period last year.

## Containerization International “Freight Rates Indicators”



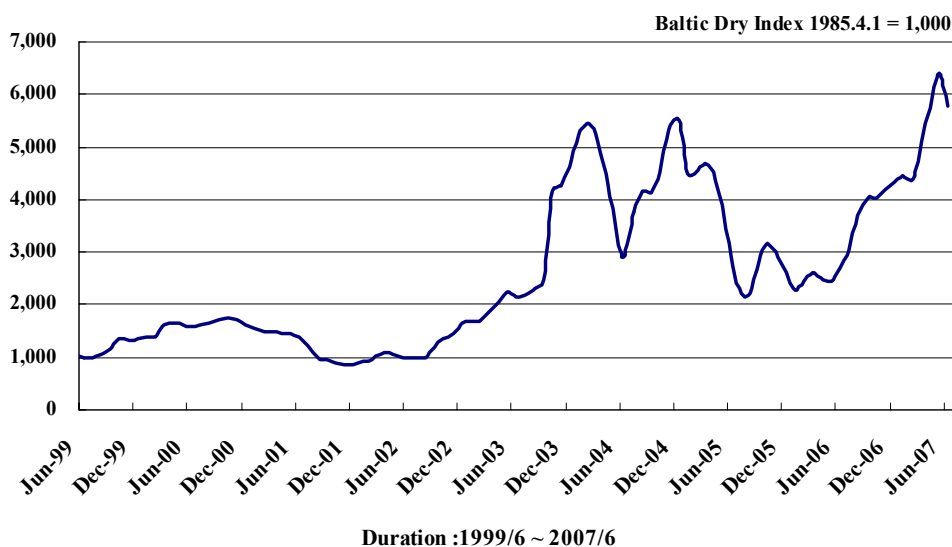
### <Bulk Carrier and Car Carrier Business>

In the dry bulk transport, market freight rate for large-sized bulk carriers significantly exceeded those in the same period of the previous year. Those for small-sized bulk carriers remained on a high level supported by increases in volumes of Chinese exports of steel products. The transportation services of coal & iron ore, thermal coal, and woodchip and pulp secured stable profits by concluding a long-term transportation agreement with each customer, and at the same time, the other bulk carriers enjoyed sharply hiked spot freight rates. As a result, the overall bulk carrier business increased both its operating revenues and profits against the same period last year.

With respect to the car carrier business, performances of the business advanced favorably as the total number of cars transported by the Company increased 11% compared with the same period a year earlier, backed up by ever growing strong demand, commencement of new services connecting China, India, Middle East, and South Africa where demand is significantly growing, and efficient ship operations.

Under these favorable market conditions, operating results of the overall dry bulk carrier and car carrier business for the 1st Quarter of fiscal 2007 rose above initial projections due to accumulated business efforts including efficient operation of vessels in hand, increasing both its operating revenues and profits against the same period last year.

### Baltic Dry Index



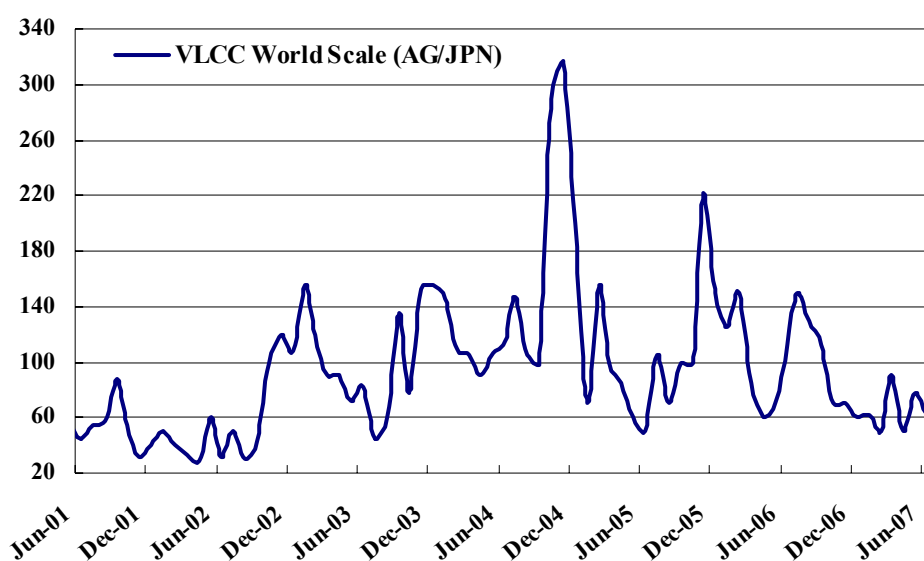
#### <Energy Transportation and Tanker Business>

As for LNG carriers, the fleet of LNG tankers consisting of 31 carriers including two newly built ones in the preceding year, operated smoothly on the whole, and secured stable profitability.

Tanker services' performances unfortunately went below the initial targets, since market prices of oil products temporarily softened due to a non-demand season for petroleum products of the northern hemisphere and increased transportation costs.

The overall operating revenues of the energy transportation and tanker business leveled off on a year-on-year basis on the whole, and its profit declined from the same period last year.

#### <Trends in tanker freight rate>



#### <Coastal shipping Business>

In the coastal shipping business, the Company secured stable transport volumes for specialized coastal vessels supported by domestic demand and substantially increased transport volumes including numbers of trucks and passengers in the Hachinohe/Tomakomai services, which were increased to four services per day. Consequently, operating revenues of this business for the 1st Quarter of fiscal 2007 exceeded those in the same period last year.

As a result, the overall operating revenues for marine transportation amounted to ¥273.177 billion, and operating income stood at ¥28.252 billion.

#### 2) Freight Forwarding/Harbor Transportation

As for the comprehensive freight forwarding business, cargo movements steadily grew in both sea and air routes. In the harbor transportation services, cargo volumes increased helped by the expansion of the scale of the container ship business. The overall operating revenues in this business were ¥30.788 billion, and operating income stood at ¥3.280 billion, supported by performances in the above.

3) As for other business not mentioned above, operating revenues amounted to ¥5.209 billion, and operating income was recorded at ¥0.700 billion.

## **2. Qualitative Information about Consolidated Financial Status**

As of the end of the 1st Quarter of fiscal 2007, total assets increased by ¥35.801 billion to ¥936.240 billion compared with the end of the consolidated fiscal 2006, which are attributable mainly to an increase in construction in progress due to the Company's active promotion of grading up of its fleet of ships under the management plan "K" LINE Vision 2008<sup>+</sup> and the expansion of unrealized holding gains among investment securities thanks to stock price advances.

As for liabilities, current liabilities decreased by ¥4.720 billion from the end of the preceding fiscal year to ¥226.210 billion due mainly to a decrease in short-term loans, and long-term liabilities increased ¥3.753 billion against the end of the previous year to ¥315.636 billion owing to increases in long-term debt and other long-term liabilities, despite a decrease in bonds due to conversion of convertible bonds. As a result, total liabilities decreased ¥0.966 billion against the end of fiscal 2006 to ¥541.847 billion.

As for net assets, shareholders' equity increased by ¥27.495 billion from the end of fiscal 2006 due to an increase in retained earnings, in addition to increases in common stock and additional paid-in capital resulted from conversion of convertible bonds, and valuation and translation adjustment increased by ¥9.305 billion from the end of fiscal 2006. As a result, total net assets increased ¥36.768 billion from the end of March 2007 to ¥394.393 billion.

## **3. Qualitative Information about Consolidated Prospects for Fiscal 2007**

The containership business is expected to achieve the initial projections, since brisk cargo movements are expected in each service, mainly in the Asia/Europe and Mediterranean Sea services and the Asia/U.S. East Coast services, and supply and demand relationship is anticipated to be continuously tight in the coming peak-season. As for the bulk carrier business, demand for dry bulk carrier transport is forecasted to continue to further expand mainly in BRICs countries. In the car carrier business, cargo movements of completed cars in the marine transportation will be very powerful, supported by strong euro and lively demand in Central and South America and the Middle East. In the energy transportation and tanker business, market freight rates will be on a recovery trend and this business is expected to ensure stable profits, and all business segments of the Company are on a track to exceed the initial projections. In addition, the Company has decided to change accounting standard for posting of operating revenues of containership business from the current full-loading and sailing method to the percentage of complex transportation method from the 1st half of fiscal 2007. With this change of accounting standard, operating revenues, operating income and ordinary income for the 1st half of fiscal 2007 will decrease about ¥14.000 billion respectively, and net income will drop by around ¥8.500 billion. However, consolidated operating revenues, operating income, ordinary income and net income for the 1st half of fiscal 2007 are expected to exceed those previously published.

Regarding the 2nd half, business environment surrounding the shipping industry is expected to remain brisk, but on the other hand, negative factors including hikes of fuel oil prices and higher interest rates may pose as a problem. The Company revised its assumption for fuel oil price to US\$390/MT, up by US\$50/MT, by taking consideration recent upsurges of fuel oil prices. However, the Company has not revised initial assumptions for marine transportation markets and cargo movements, as well as assumptions for foreign exchange rates, and still maintains the initial assumptions. The Company will review comprehensively its operating results for fiscal 2007 at the end of the 1st half of fiscal 2007. Additionally, decreases in consolidated operating revenues and profits due to the change of accounting standard above will surface in the 1st half of fiscal 2007, and the Company expects no influences to occur from the change of accounting standard on operating results for the 2nd half. The Company expects consolidated operating results for fiscal 2007 to be ¥1,230.000 billion for operating revenues, ¥99.000 billion for operating income, ¥103.000 billion for ordinary income and ¥71.000 for net income, based on assumptions and situations in the above. As for non-consolidated operating results for fiscal 2007, operating revenues will be ¥970.000

billion, and operating income will be ¥60.000 billion. Non-consolidated ordinary income and net income will be ¥64.000 billion and ¥42.000 billion respectively.

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

2nd quarter: Exchange rate ¥120 per US dollar, fuel price US\$370 per ton

2nd half: Exchange rate ¥115 per US dollar, fuel price US\$390 per ton

With regard to dividend payment for fiscal 2007, the Company intends to pay ¥11 per share for both interim and year-end dividends (¥22 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, 2007 and three months ended June 30 2007 and 2006

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

	Year ended Mar.31,2007	Three Months ended Jun.30,2007	Three Months ended Jun.30,2007	Three Months ended Jun.30,2006
<b>ASSETS</b>				
Current assets :				
Cash and time deposits	¥ 63,927	¥ 57,826	\$ 469,136	¥ 44,384
Accounts and notes receivable-trade	101,434	114,396	928,087	108,686
Short-term loans receivable	4,630	1,275	10,340	19,799
Inventories	21,723	26,179	212,388	20,669
Prepaid expenses and deferred charges	29,352	33,636	272,883	25,325
Other current assets	32,320	33,893	274,974	23,676
Allowance for doubtful receivables	(588)	(543)	(4,405)	(624)
Total current assets	252,799	266,661	2,163,403	241,915
Fixed assets :				
(Tangible fixed assets)				
Vessels	238,151	234,365	1,901,386	201,204
Buildings and structures	24,189	24,041	195,047	27,236
Machinery and vehicles	11,405	13,231	107,343	10,354
Land	32,570	32,574	264,271	34,079
Construction in progress	85,862	98,802	801,573	84,366
Other tangible fixed assets	9,612	9,232	74,898	7,757
Total tangible fixed assets	401,789	412,245	3,344,517	364,996
(Intangible fixed assets)	6,092	5,851	47,468	6,422
(Investments and other long-term assets)			-	
Investments in securities	163,739	170,875	1,386,298	120,732
Long-term loans receivable	34,195	33,304	270,194	11,148
Deferred income taxes	5,963	6,095	49,447	3,446
Other long-term assets	36,528	41,815	339,240	26,607
Allowance for doubtful receivables	(679)	(617)	(5,004)	(430)
Total investments and other long-term assets	239,746	251,472	2,040,176	161,503
Total fixed assets	647,627	669,568	5,432,162	532,921
Deferred assets	13	11	93	22
<b>Total assets</b>	¥ 900,439	¥ 936,241	\$ 7,595,657	¥ 774,858

# Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2007 and three months ended June 30 2007 and 2006

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

	Year ended Mar.31,2007	Three Months ended Jun.30,2007	Three Months ended Jun.30,2007	Three Months ended Jun.30,2006
<b>LIABILITIES</b>				
Current liabilities :				
Accounts and notes payable-trade	¥ 75,915	¥ 80,887	\$ 656,230	¥ 84,005
Current portion of bonds payable	10,000	10,000	81,129	3,000
Short-term loans and current portion of long-term debt	83,202	70,268	570,080	58,366
Commercial paper	-	-	-	28,000
Accrued income taxes	14,611	15,800	128,182	4,107
Accrued bonuses	2,063	1,894	15,368	1,886
Accrued bonuses for directors and corporate auditors	374	45	365	-
Current portion of obligations under finance leases	920	933	7,566	3,795
Other current liabilities	43,846	46,384	376,309	38,379
Total current liabilities	230,931	226,210	1,835,230	221,537
Long-term liabilities :				
Bonds	70,666	63,343	513,897	70,000
Long-term debt, less current portion	156,315	161,327	1,308,839	134,996
Deferred income taxes for land revaluation	2,632	2,632	21,357	3,205
Allowance for employees' retirement benefits	10,310	9,749	79,097	9,844
Accrued expenses for overhaul of vessels	17,155	18,543	150,442	14,337
Obligations under finance leases	5,084	5,017	40,706	5,563
Consolidation negative goodwill (new regulation)	34	189	1,536	43
Other long-term liabilities	49,687	54,834	444,867	31,922
Total long-term liabilities	311,883	315,637	2,560,741	269,910
Total liabilities	542,814	541,847	4,395,971	491,447
<b>NET ASSETS</b>				
Shareholder's equity:				
Common stock	39,357	43,018	349,005	29,690
Capital surplus	24,202	27,863	226,053	14,535
Retained earnings	211,603	231,826	1,880,790	173,409
Less treasury stock, at cost	(989)	(1,040)	(8,436)	(1,024)
Total shareholders' equity	274,173	301,668	2,447,412	216,610
Valuation and translation adjustments				
Net unrealized holding gain on investments in securities	46,251	52,735	427,836	34,157
Deferred gain on hedges	14,215	17,516	142,106	12,511
Revaluation reserve for land	5,515	5,515	44,744	6,465
Translation adjustments	4,322	3,843	31,177	1,988
Total valuation and translation adjustments	70,303	79,609	645,862	55,122
Minority interests in consolidated subsidiaries	13,149	13,116	106,412	11,680
Total net assets	357,625	394,393	3,199,686	283,411
Total liabilities and net assets	¥ 900,439	¥ 936,241	\$ 7,595,657	¥ 774,858



# Consolidated Statements of Income

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2007 and three months ended June 30, 2007 and 2006

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

	Three Months ended Jun.30,2006	Three Months ended Jun.30,2007	Three Months ended Jun.30,2007	Year ended Mar.31,2007
Operating revenues	¥ 252,264	¥ 309,175	\$ 2,508,315	¥ 1,085,539
Costs and expenses	226,551	259,839	2,108,056	957,847
Gross profits	25,713	49,336	400,260	127,692
Selling, general and administrative expenses	15,695	17,030	138,161	66,335
Operating income	10,017	32,306	262,099	61,357
Non-operating income :				
Interest income	627	923	7,485	3,076
Dividend income	991	1,691	13,716	2,620
Equity in earnings of affiliates	500	420	3,409	1,572
Exchange gain	-	2,092	16,971	-
Other non-operating income	180	414	3,363	1,764
Total non-operating income	2,298	5,540	44,944	9,033
Non-operating expenses :				
Interest expenses	1,038	1,128	9,151	4,228
Exchange loss	838	-	-	1,037
Other non-operating expenses	359	665	5,392	1,197
Total non-operating expenses	2,235	1,793	14,542	6,462
Ordinary income	10,080	36,054	292,500	63,928
Extraordinary profits :				
Gain on sales of fixed assets	2,778	104	840	8,411
Gain on sales of investments in securities	-	4,305	34,924	5,830
Other extraordinary profits	-	-	-	143
Total extraordinary profits	2,778	4,408	35,764	14,385
Extraordinary losses :				
Loss on sales of fixed assets	-	-	-	224
Loss on impairment of fixed assets	-	-	-	1,062
Transfer to reserve for possible loan losses	-	-	-	387
Other extraordinary losses	-	-	-	286
Total extraordinary losses	-	-	-	1,959
Income before income taxes	12,859	40,462	328,264	76,353
Income taxes	2,799	14,143	114,743	23,322
Minority interests	357	514	4,172	1,516
Net income	¥ 9,703	¥ 25,804	\$ 209,348	¥ 51,514

# Consolidated Statements of Shareholders' Equity

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for three months ended June 30, 2007

(Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance March 31, 2007	¥ 39,357	¥ 24,202	¥ 211,603	¥ (989)	¥ 274,173
Change in items during the term					
Issuance of new shares	3,662	3,662	-	-	7,323
Cash dividends	-	-	(5,575)	-	(5,575)
Net Income	-	-	25,804	-	25,804
Purchases of treasury stock	-	-	-	(96)	(96)
Disposal of treasury stock	-	-	(8)	45	37
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other	-	-	2	-	2
Net changes in items other than shareholders' equity	-	-	-	-	-
Net changes during the term	3,662	3,662	20,223	(51)	27,495
Balance June 30, 2007	¥ 43,018	¥ 27,863	¥ 231,826	¥ (1,040)	¥ 301,668

	Valuation and translation adjustments				
	Net 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, 2007	¥ 46,251	¥ 14,215	¥ 5,515	¥ 4,322	¥ 70,303
Change in items during the term					
Issuance of new shares	-	-	-	-	-
Cash dividends	-	-	-	-	-
Net Income	-	-	-	-	-
Purchases of treasury stock	-	-	-	-	-
Disposal of treasury stock	-	-	-	-	-
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other	-	-	-	-	-
Net changes in items other than shareholders' equity	6,484	3,301	-	(479)	9,306
Net changes during the term	6,484	3,301	-	(479)	9,306
Balance June 30, 2007	¥ 52,735	¥ 17,516	¥ 5,515	¥ 3,843	¥ 79,609

	Minority interests in consolidated subsidiaries	Total net assets
Balance March 31, 2007	¥ 13,149	¥ 357,625
Change in items during the term		
Issuance of new shares	-	7,323
Cash dividends	-	(5,575)
Net Income	-	25,804
Purchases of treasury stock	-	(96)
Disposal of treasury stock	-	37
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other	-	2
Net changes in items other than shareholders' equity	(33)	9,273
Net changes during the term	(33)	36,769
Balance June 30, 2007	¥ 13,116	¥ 394,393

## Consolidated Statements of Shareholders' Equity

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for three months ended June 30, 2007

(Thousands of U.S.Dollars)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance March 31, 2007	\$ 319,299	\$ 196,347	\$ 1,716,718	\$ (8,021)	\$ 2,224,344
Change in items during the term					
Issuance of new shares	29,706	29,706	-	-	59,411
Cash dividends	-	-	(45,230)	-	(45,230)
Net Income	-	-	209,348	-	209,348
Purchases of treasury stock	-	-	-	(781)	(781)
Disposal of treasury stock	-	-	(66)	367	301
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other	-	-	19	-	19
Net changes in items other than shareholders' equity	-	-	-	-	-
Net changes during the term	29,706	29,706	164,071	(414)	223,068
Balance June 30, 2007	\$ 349,005	\$ 226,053	\$ 1,880,790	\$ (8,436)	\$ 2,447,412

	Valuation and translation adjustments				
	Net unrealized holding gain on investments in	Deferred gain on hedges	Revaluation reserve for land	Translation adjustments	Total valuation and translation adjustments
Balance March 31, 2007	\$ 375,230	115,324	\$ 44,744	\$ 35,066	\$ 570,364
Change in items during the term					
Issuance of new shares	-	-	-	-	-
Cash dividends	-	-	-	-	-
Net Income	-	-	-	-	-
Purchases of treasury stock	-	-	-	-	-
Disposal of treasury stock	-	-	-	-	-
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other	-	-	-	-	-
Net changes in items other than shareholders' equity	52,605	26,782	-	(3,889)	75,498
Net changes during the term	52,605	26,782	-	(3,889)	75,498
Balance June 30, 2007	\$ 427,836	\$ 142,106	\$ 44,744	\$ 31,177	\$ 645,862

	Minority interests in consolidated subsidiaries	Total net assets
Balance March 31, 2007	\$ 106,677	\$ 2,901,385
Change in items during the term		
Issuance of new shares	-	59,411
Cash dividends	-	(45,230)
Net Income	-	209,348
Purchases of treasury stock	-	(781)
Disposal of treasury stock	-	301
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other	-	19
Net changes in items other than shareholders' equity	(264)	75,233
Net changes during the term	(264)	298,301
Balance June 30, 2007	\$ 106,412	\$ 3,199,686

## Consolidated Segment Information

### Business segment information

Three months ended June 30,2006

(Millions of Yen)

	Freight Forwarding / Harbor			Total	Eliminations	Consolidated
	Marine Transportation	Transportation	Others			
Revenues						
(1) Operating revenues	¥ 596,206	¥ 79,245	¥ 13,521	¥ 688,972	-	¥ 688,972
(2) Inter-group sales and transfers	5,003	37,422	23,168	65,593	(65,593)	-
<b>Total revenues</b>	<b>601,210</b>	<b>116,667</b>	<b>36,688</b>	<b>754,565</b>	<b>(65,593)</b>	<b>688,972</b>
Operating expenses	540,843	108,947	35,740	685,531	(65,807)	619,724
Operating income	60,366	7,720	948	69,034	214	69,248
Ordinary income	¥ 59,579	¥ 8,754	¥ 1,090	¥ 69,423	¥ 90	¥ 69,513

Three months ended June 30,2007

(Millions of Yen)

	Freight Forwarding / Harbor			Total	Eliminations	Consolidated
	Marine Transportation	Transportation	Others			
Revenues						
(1) Operating revenues	¥ 273,177	¥ 30,788	¥ 5,209	¥ 309,175	-	¥ 309,175
(2) Inter-group sales and transfers	2,583	14,696	11,049	28,329	(28,329)	-
<b>Total revenues</b>	<b>275,761</b>	<b>45,485</b>	<b>16,258</b>	<b>337,504</b>	<b>(28,329)</b>	<b>309,175</b>
Operating expenses	247,508	42,204	15,558	305,270	(28,402)	276,869
Operating income	28,252	3,281	701	32,234	73	32,306
Ordinary income	¥ 31,491	¥ 3,992	¥ 824	¥ 36,306	¥ (253)	¥ 36,054

Three months ended June 30,2007

(Thousands of U.S.Dollars)

	Freight Forwarding / Harbor			Total	Eliminations	Consolidated
	Marine Transportation	Transportation	Others			
Revenues						
(1) Operating revenues	\$ 2,216,270	\$ 249,785	\$ 42,260	\$ 2,508,315	-	\$ 2,508,315
(2) Inter-group sales and transfers	20,956	119,231	89,643	229,830	(229,830)	-
<b>Total revenues</b>	<b>2,237,226</b>	<b>369,016</b>	<b>131,903</b>	<b>2,738,145</b>	<b>(229,830)</b>	<b>2,508,315</b>
Operating expenses	2,008,017	342,400	126,220	2,476,637	(230,420)	2,246,217
Operating income	229,209	26,616	5,683	261,509	590	262,099
Ordinary income	\$ 255,484	\$ 32,386	\$ 6,682	\$ 294,552	\$ (2,052)	\$ 292,500

Year ended March 31,2007

(Millions of Yen)

	Freight Forwarding / Harbor			Total	Eliminations	Consolidated
	Marine Transportation	Transportation	Others			
Revenues						
(1) Operating revenues	¥ 806,646	¥ 114,099	¥ 20,074	¥ 940,819	-	¥ 940,819
(2) Inter-group sales and transfers	6,962	54,086	30,960	92,009	(92,009)	-
<b>Total revenues</b>	<b>813,609</b>	<b>168,185</b>	<b>51,034</b>	<b>1,032,828</b>	<b>(92,009)</b>	<b>940,819</b>
Operating expenses	739,183	156,534	49,527	945,244	(92,401)	852,843
Operating income	74,426	11,651	1,507	87,584	393	87,976
Ordinary income	¥ 72,910	¥ 13,565	¥ 1,953	¥ 88,428	¥ 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, 2007 and three months ended June 30, 2007 and 2006

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

	Year ended Mar.31,2007	Three Months ended Jun.30,2007	Three Months ended Jun.30,2007	Three Months ended Jun.30,2006
<b>ASSETS</b>				
Current assets:				
Cash and time deposits	¥ 11,133	¥ 10,497	\$ 85,165	¥ 7,715
Accounts receivable	64,223	76,650	621,852	76,525
Short-term loans receivable	27,588	19,844	160,996	37,884
Advances payments-trade	8,626	8,637	70,075	5,578
Inventories	17,161	21,261	172,493	17,060
Prepaid expenses and deferred charges	28,318	32,163	260,933	23,410
Due from agents	5,664	7,162	58,104	5,705
Deferred income taxes	4,397	5,101	41,388	2,773
Other current assets	5,043	4,589	37,229	5,338
Allowance for doubtful receivables	(186)	(176)	(1,424)	(195)
Total current assets	171,967	185,730	1,506,811	181,793
Fixed assets :				
(Tangible fixed assets)				
Vessels	33,307	32,102	260,442	36,618
Buildings	4,829	4,818	39,086	4,756
Structures	194	188	1,523	197
Equipments	2,512	2,363	19,167	3,150
Land	19,518	19,518	158,350	21,639
Construction in progress	976	1,029	8,351	9
Other tangible fixed assets	1,149	1,237	10,038	1,310
Total tangible fixed assets	62,486	61,255	496,957	67,678
(Intangible fixed assets)				
Software	1,247	1,106	8,976	1,564
Software in progress	16	12	98	145
Other intangible fixed assets	11	11	87	20
Total intangible fixed assets	1,273	1,129	9,160	1,730
(Investments and other long-term assets)				
Investments in securities	135,084	141,436	1,147,457	96,036
Investments in stocks of affiliated company	37,770	39,057	316,864	35,200
Long-term loans receivable	83,342	94,150	763,830	91,890
Long-term prepaid expenses	3,614	3,676	29,825	3,064
Deposits	3,089	3,097	25,129	3,112
Other long-term assets	20,614	24,713	200,496	12,018
Allowance for doubtful receivables	(748)	(749)	(6,079)	(596)
Total investments and other long-term assets	282,764	305,379	2,477,522	240,724
Total fixed assets	346,523	367,763	2,983,639	310,132
Deferred assets				
Bond-issuing expenses	10	7	61	17
Total deferred assets	10	7	61	17
<b>Total assets</b>	¥ 518,501	¥ 553,500	\$ 4,490,511	¥ 491,943

# Non-Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. for the year ended March 31, 2007 and three months ended June 30, 2007 and 2006

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

	Year ended Mar.31,2007	Three Months ended Jun.30,2007	Three Months ended Jun.30,2007	Three Months ended Jun.30,2006
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	¥ 63,803	¥ 73,293	\$ 594,619	¥ 71,241
Current portion of bonds payable	10,000	10,000	81,129	3,000
Short-term loans and current portion of long-term debt	27,319	22,627	183,569	33,120
Commercial paper	-	-	-	28,000
Accrued income taxes	10,168	11,775	95,529	1,742
Advance receipt	16,731	17,977	145,842	16,544
Deposit received	6,074	5,712	46,341	4,902
Due to agents	4,013	3,809	30,904	6,715
Accrued bonuses	796	268	2,174	247
Accrued directors' and corporate auditors' bonuses	136	34	276	-
Other current liabilities	3,302	6,230	50,547	4,758
Total current liabilities	142,340	151,725	1,230,932	170,270
Long-term liabilities				
Bonds	70,666	63,343	513,897	70,000
Long-term debt, less current portion	25,124	23,603	191,493	32,176
Allowance for employees' retirement benefits	334	126	1,025	632
Accrued expenses for overhaul of vessels	1,413	1,544	12,524	942
Deferred income taxes	30,751	36,177	293,502	20,765
Deferred income taxes for land revaluation	2,290	2,290	18,576	2,862
Other long-term liabilities	4,401	4,020	32,612	4,912
Total long-term liabilities	134,979	131,103	1,063,629	132,289
Total liabilities	277,320	282,828	2,294,562	302,559
<b>NET ASSETS</b>				
Shareholder's equity:				
Common stock				
Common stock	39,357	43,018	349,005	29,690
Additional paid-in capital				
Capital surplus	24,202	27,863	226,053	14,535
Total additional paid-in capital	24,202	27,863	226,053	14,535
Retained earnings				
Legal reserve	2,540	2,540	20,610	2,540
Special reserve				
Special depreciation reserve	604	552	4,479	958
Reduced value entry reserve	919	896	7,272	2,160
Special account for reduced value entry reserve	950	950	7,703	-
Other reserve	95,552	110,552	896,901	95,552
Unappropriated earned surplus for current term	22,030	21,090	171,098	2,782
Total retained earnings	122,595	136,580	1,108,063	103,993
Treasury stock, at cost	(891)	(942)	(7,645)	(927)
Total shareholders' equity	185,262	206,519	1,675,476	147,291
Valuation and translation adjustments				
Unrealized holding gain on investments in securities	42,929	49,252	399,581	30,984
Deferred gain on hedges	9,220	11,131	90,305	6,389
Revaluation reserve for land	3,770	3,770	30,587	4,721
Total valuation and translation adjustments	55,919	64,154	520,473	42,093
Total net assets	241,181	270,673	2,195,949	189,384
Total liabilities and net assets	¥ 518,501	¥ 553,500	\$ 4,490,511	¥ 491,943

## Non-Consolidated Statements of Income

Kawasaki Kisen Kaisha, Ltd. for the year ended March 31, 2007 and three months ended June 30, 2007 and 2006

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

	Three months ended Jun.30,2006	Three months ended Jun.30,2007	Three months ended Jun.30,2007	Year ended Mar.31,2007
Shipping and other operating revenues	¥ 197,632	¥ 249,827	\$ 2,026,827	¥ 856,210
Shipping and other operating expenses	193,008	223,035	1,809,471	813,966
Total shipping and other operating profits	4,624	26,791	217,357	42,243
Other revenues	262	272	2,208	1,070
Other expenses	118	143	1,163	423
Other profits	144	129	1,045	647
Gross profits	4,768	26,920	218,402	42,890
Selling, general and administrative expenses	3,737	4,065	32,977	14,787
Operating income	1,031	22,855	185,425	28,103
Non-operating income :				
Interest and dividend income	3,285	2,629	21,326	7,863
Exchange gain	-	1,901	15,423	-
Other non-operating income	70	148	1,200	367
Total non-operating income	3,354	4,678	37,949	8,230
Non-operating expenses :				
Interest expenses	461	653	5,300	2,340
Exchange loss	611	-	-	1,660
Other non-operating expenses	16	103	832	392
Total non-operating expenses	1,088	756	6,132	4,392
Ordinary income	3,297	26,777	217,243	31,941
Extraordinary profits :				
Gain on sales of fixed assets	200	-	-	1,911
Gain on sales of investments in securities	-	4,305	34,924	5,786
Other extraordinary profits	-	-	-	848
Total extraordinary profits	200	4,305	34,924	8,545
Extraordinary losses :				
Impairment losses on fixed assets	-	-	-	625
Transfer to reserve for possible loan losses	-	-	-	289
Other extraordinary losses	-	-	-	83
Total extraordinary losses	-	-	-	997
Income before income taxes	3,497	31,082	252,166	39,490
Income taxes and income taxes, deferred	1,260	11,514	93,413	14,239
Net income	¥ 2,237	¥ 19,568	\$ 158,753	¥ 25,250

Non-Consolidated Statements of Shareholders' Equity

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the three months ended June 30, 2007

(Millions of Yen)

	Shareholder's equity											Treasury stock, at cost	Total shareholders' equity
	Common stock	Additional paid-in capital			Legal reserve	Retained earnings					Total retained earnings		
		Capital surplus	Total additional paid-in capital	Special depreciation reserve		Reduced value entry reserve	Special account for reduced value entry reserve	Other reserve	Unappropriated earned surplus for current term				
Balance March 31, 2007	¥ 39,357	¥ 24,202	¥ 24,202	¥ 2,540	¥ 604	¥ 919	¥ 950	¥ 95,552	¥ 22,050	¥ 122,595	¥ (891)	¥ 185,262	
Change in items during the term													
Issuance of new shares	3,662	3,662	3,662	-	-	-	-	-	-	-	-	7,323	
Cash dividends	-	-	-	-	-	-	-	-	(6,575)	(6,575)	-	(6,575)	
Transferred from reserve	-	-	-	-	(52)	(23)	-	-	75	-	-	-	
Provision for reserve	-	-	-	-	-	-	-	15,000	(15,000)	-	-	-	
Net Income	-	-	-	-	-	-	-	-	19,568	19,568	-	19,568	
Purchase of treasury stocks	-	-	-	-	-	-	-	-	-	-	(96)	(96)	
Disposal of treasury stocks	-	-	-	-	-	-	-	-	(8)	(8)	45	37	
Net loss for disposal of treasury stocks	-	-	-	-	-	-	-	-	-	-	-	-	
Net changes in items other than shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	
Net changes during the term	3,662	3,662	3,662	-	(52)	(23)	-	15,000	(940)	13,985	(51)	21,257	
Balance June 30, 2007	¥ 43,019	¥ 27,864	¥ 27,864	¥ 2,540	¥ 552	¥ 896	¥ 950	¥ 110,552	¥ 21,090	¥ 136,580	¥ (942)	¥ 206,519	

	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, 2007	¥ 42,929	¥ 9,220	¥ 3,770	¥ 55,919	¥ 241,181
Change in items during the term					
Issuance of new shares	-	-	-	-	7,323
Cash dividends	-	-	-	-	(6,575)
Transferred from reserve	-	-	-	-	-
Provision for reserve	-	-	-	-	-
Net Income	-	-	-	-	19,568
Purchase of treasury stocks	-	-	-	-	(96)
Disposal of treasury stocks	-	-	-	-	37
Net loss for disposal of treasury stocks	-	-	-	-	-
Net changes in items other than shareholders' equity	6,323	1,911	-	8,235	8,235
Net changes during the term	6,323	1,911	-	8,235	29,492
Balance June 30, 2007	¥ 49,252	¥ 11,131	¥ 3,770	¥ 64,154	¥ 270,673



Non-Consolidated Statements of Shareholders' Equity

Kawasaki Koen Kaisha, Ltd. and Consolidated Subsidiaries for the three months ended June 30, 2007

(Thousands of U.S. Dollars)

	Shareholder's equity											
	Common stock	Additional paid-in capital			Legal reserve	Retained earnings				Total retained earnings	Treasury stock, at cost	Total shareholders' equity
		Capital surplus	Total additional paid-in capital	Special depreciation reserve		Reduced value entry reserve	Special reserve	Special account for reduced value entry reserve	Other reserve			
Balance March 31, 2007	\$ 819,299	\$ 196,847	\$ 196,847	\$ 20,611	\$ 4,900	\$ 7,487	\$ 7,708	\$ 775,207	\$ 176,728	\$ 994,605	\$ (7,281)	\$ 1,508,021
Change in items during the term												
Issuance of new shares	29,708	29,708	29,708	-	-	-	-	-	-	-	-	89,411
Cash dividends	-	-	-	-	-	-	-	-	(45,280)	(45,280)	-	(45,280)
Transferred from reserve	-	-	-	-	(421)	(188)	-	-	605	-	-	-
Provision for reserve	-	-	-	-	-	-	-	121,894	(121,894)	-	-	-
Net Income	-	-	-	-	-	-	-	-	168,758	168,758	-	168,758
Purchase of treasury stocks	-	-	-	-	-	-	-	-	-	-	(781)	(781)
Disposal of treasury stocks	-	-	-	-	-	-	-	-	(66)	(66)	867	801
Net loss for disposal of treasury stocks	-	-	-	-	-	-	-	-	-	-	-	-
Net changes in items other than shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
Net changes during the term	29,708	29,708	29,708	-	(421)	(190)	-	121,894	(7,830)	118,468	(414)	172,454
Balance June 30, 2007	\$ 849,005	\$ 226,055	\$ 226,055	\$ 20,611	\$ 4,479	\$ 7,297	\$ 7,708	\$ 896,901	\$ 171,098	\$ 1,108,064	\$ (7,646)	\$ 1,675,477

	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, 2007	\$ 848,279	\$ 74,798	\$ 30,587	\$ 453,665	\$ 1,966,686
Change in items during the term					
Issuance of new shares	-	-	-	-	59,411
Cash dividends	-	-	-	-	(45,280)
Transferred from reserve	-	-	-	-	-
Provision for reserve	-	-	-	-	-
Net Income	-	-	-	-	168,758
Purchase of treasury stocks	-	-	-	-	(781)
Disposal of treasury stocks	-	-	-	-	801
Net loss for disposal of treasury stocks	-	-	-	-	-
Net changes in items other than shareholders' equity	51,802	15,507	-	66,808	66,808
Net changes during the term	51,802	15,507	-	66,808	239,268
Balance June 30, 2007	\$ 899,581	\$ 90,305	\$ 30,587	\$ 520,473	\$ 2,195,949