90th — Since 1919 Anniversary

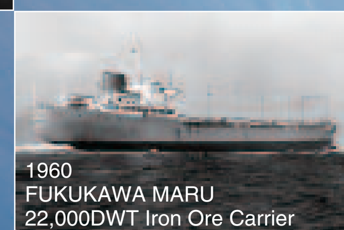

1937
KIYOKAWA MARU
9,000DWT Cargo Boat


1957
FUJIKAWA MARU
20,000DWT Oil Tanker

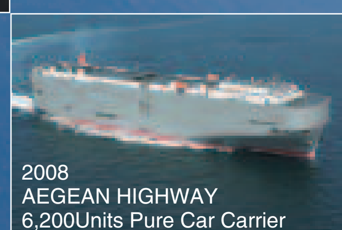

1968
GOLDEN GATE BRIDGE
700TEU Containership


1973
EUROPEAN HIGHWAY
4,200Units Pure Car Carrier

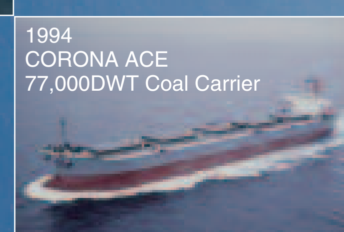

1983
BISHU MARU
125,000m³ LNG Carrier

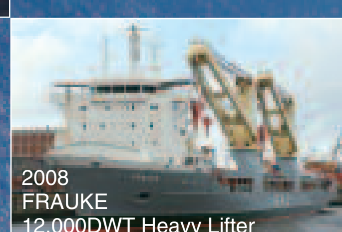

1960
FUKUKAWA MARU
22,000DWT Iron Ore Carrier


2006
HUMBER BRIDGE
8,000TEU Containership


2008
AEGEAN HIGHWAY
6,200Units Pure Car Carrier


2007
TAMAGAWA
315,000DWT
Oil Tanker


1994
CORONA ACE
77,000DWT Coal Carrier


2008
FRAUKE
12,000DWT Heavy Lifter


2008
GRANDE PROGRESSO
300,000DWT
Iron Ore Carrier

"K" LINE

Annual Report 2009

for the year ended March 31, 2009

Contents

Cautionary Statement

We would like to advise you that some forward-looking plans, prospects, and strategies, etc. written in this Report that are not historical facts have the possibility of including risk and uncertainties caused by future changes of surrounding circumstances. We would appreciate your understanding that actual results may differ from plans, prospects and strategies, etc.

Corporate Principles

The basic principles of “K” Line Group as a shipping business organization centering on shipping lie in: (a) Diligent efforts for safety in navigation and cargo operations as well as for environmental preservation (b) Sincere response to customer needs by making every possible effort; and (c) Contributing to the world’s economic growth and stability through continual upgrading of service quality.

Vision

1. To be trusted and supported by customers in all corners of the world while being able to continue to grow globally with sustainability,
2. To build a business base that will be capable of responding to any and all changes in business circumstances, and to continually pursue and practice innovation for survival in the global market,
3. To create and provide a workplace where each and every employee can have hopes and aspirations for the future, and can express creativity and display a challenging spirit.

Charter of Conduct: “K” Line Group Companies

Kawasaki Kisen Kaisha, Ltd. and it’s group companies (hereinafter “K” Line Group) reemphasize that due respect for human rights and compliance with applicable laws, ordinances, rules are the fundamental foundations for corporate activities and that group companies’ growth must be in harmony with society and therefore we herein declare to abide by “Charter of Conduct” spelled out below:

1. Human rights
The “K” Line Group will consistently respect human rights and well consider personality, individuality and diversity of its corporate members and improve work safety and conditions to offer them comfort and affluence.

2. Compliance to the Principles of Corporate Ethics
The “K” Line Group promises to comply with applicable laws, ordinances, rules and spirit of the international community and conduct its corporate activities through fair, transparent and free competition.

3. Trustworthy company group
“K” Line Group continues to pay special attention to safety in navigation, achieving customer satisfaction and garnering trust from the community by providing safe and beneficial services.

4. Environmental efforts
The “K” Line Group recognizes that global environmental efforts are a key issue for all of humanity and that they are essential both in business activities and existence of the company and therefore we are committed to a voluntary and proactive approach to such issues to protect and preserve the environment.

5. Disclosure of corporate information and communication with society
The “K” Line Group will protect personal information, properly manage corporate information and disclose corporate information timely and appropriately, widely promoting bidirectional communication with society including shareholders.

6. Contribution to society
The “K” Line Group as a Good Corporate Citizen will make ongoing efforts to contribute to social development and improvement and support employee’s voluntary participation in such activities.

7. Harmony in the international society
The “K” Line Group will contribute to development of international society in pursuance of its business pertaining to international logistics and related businesses, respecting each country’s culture and customs.

8. Confront anti-social forces
The “K” Line Group will resolutely confront anti-social forces or organizations which may threaten social order and public safety.

The management of each “K” Line Group Company recognizes that it is their role to realize the spirit of the Charter and to set the pace that is to be followed by every employee in their company as well as by business partners.
In the event of any incidents in breach of this Charter, the management of the respective “K” Line Group member company will demonstrate decisiveness to resolve the problem(s), conduct a thorough investigation to determine the cause and to take preventative measures. Additionally, such management will expeditiously and accurately release information and fulfill their accountability to society.

Message to Our Stakeholders

Commemorating 90 Years in Business

In April 2009, Kawasaki Kisen Kaisha ("K" Line) marked the 90th anniversary of its founding. On this occasion, I would like to offer my sincere thanks to each and every person who has provided great support to the company over the years. Since the company was established in 1919, we have been through the tragedy of a World War and the tremendous economic dislocation and turmoil of its aftermath, the sudden bouts of yen appreciation and surging oil prices of the 1970s, the collapse of Japan's economic bubble, and a host of other crises and challenges which have shaken the company's financial foundation. However, in each case the company and its employees have pulled together to ride out the rough seas and see the company through to the next port of call. As a result, we have grown into one of the largest shipping companies in the world.

Seizing on our milestone 90th anniversary, we look forward to continuing to provide the company's same safe and reliable voyages for many years to come, not being constrained by past accomplishments and practices, but always challenging the future with a refreshed spirit.

Current Economic Difficulties can be Viewed as Opportunities

After several years of buoyant growth, business conditions deteriorated rapidly following the collapse of several major US-based financial institutions, in September 2008. The global economy has since slipped into a once-in-a-century economic crisis and recession. "K" Line's business environment has deteriorated accordingly. Although fuel oil prices have dropped since the third quarter of fiscal 2008, the dry bulk index has fallen even more precipitously, while demand for containership and car carriers services declined, creating an extremely harsh business environment.

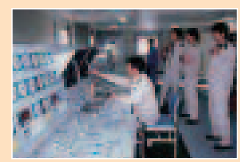
As a result of these economic troubles, earnings at "K" Line fell well below our initial targets for fiscal 2008 at all levels. Consolidated operating revenues for the period amounted to ¥1,244,317 million, operating income totaled ¥71,604 million, ordinary income was ¥60,011 million and net income ¥32,421 million. In April 2008, "K" Line embarked on a new medium-term management plan intended to steer the company towards its 100th anniversary. This business plan, entitled *"K" LINE Vision 100*, adopts the motto "Synergy for All and Sustainable Growth". However, not long after the start of this business plan, deterioration in the business climate pushed the company off course, and last December we introduced an "Emergency Task Force" for the economic crisis, concentrating all of our energies on reviving profitability.

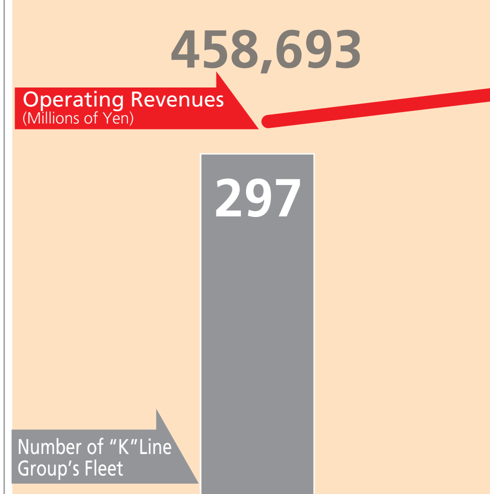
I would like to thank all of our stakeholders for your understanding, and ask for your continued support.

Hiroyuki Maekawa
President and CEO

Special Feature for Our 90th Anniversary
(Topics for Recent Decade)

In April 2009, "K" Line marked its 90th anniversary. Since its founding in 1919, the company has experienced ups and downs, but has grown into a world-class shipping company. We have achieved significant progress over the past decade, and in this special feature, we provide an overview of our main accomplishments during this period.

Calendar Year	2000
Medium-Term Management Plan	New "K" L
New-Year Messages from the President	Strength of the Consolidated "K" Line Group Through Cohesion President Isao Shintani
Topics	•New Containership services, Asia/US East coast, Asia/Mediterranean and Mediterranean/US East Coast, commenced, which completed our trunk service routes linking west and east.  •Established simulators for LNG carriers/LPG carriers within "K" Line Training Center, Tokyo.  •Taiyo Kaiun Kabushiki Kaisha merged with Kobe Nippon Kisen Kaisha, Ltd. Taiyo Nippon Kisen Co., Ltd. was founded. Reformation of our subsidiary companies for ship management completed.



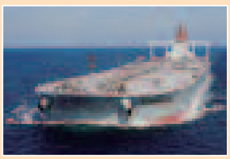
2001

INE Spirit for 21

Leveraging our Group strength to achieve "New K-21" targets

President Yasuhide Sakinaga

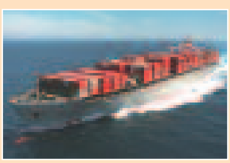
•The Company's first 300,000 dwt double-hulled VLCC "KUMANOGAWA" was delivered at Kawasaki Heavy Industries.



•Established "K" Line Group's Environmental Charter.

•"K" Line Pte Ltd started their business as shipping company in Singapore.

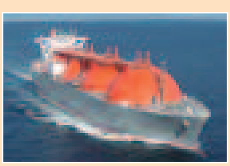
•A new 5,500TEU containership "GOLDEN GATE BRIDGE" which was the first vessel among 13 sister vessels was delivered at Hyundai Heavy Industrial.



•"K" Line, COSCON, Yang Ming and Hanjin (Senator) agreed to establish CKYH alliance.

•Established "K" Logistics Corp., as a total logistics company.

•Reached an agreement with Statoil for the long-term time charter of two LNG carriers to be used for the Snøhvit LNG Project.

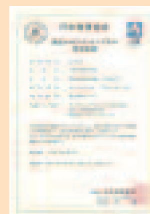


2002

New K-21 Moving Forward to New 3-Year Management Plan Starting April 2002

President Yasuhide Sakinaga

•Acquisition ISO14001 in recognition of the Environmental Management System from Nippon Kaiji Kyokai (NK).



•Founded a new company "K" Line Total Logistics, LLC (KLTL) to promote "K" Line group companys' logistics capabilities.

KLTL Total Logistics

•Established a Bulk & Gas Division within "K" Line (Europe) Limited to serve as the European base for the transportation of energy resources.

•Our first Environmental Report 2002 issued.

•Established "K" Line (Japan) Ltd. for strengthening container sales activities in Japan.

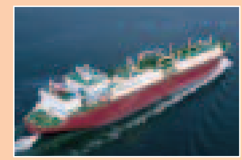
2003

KV-Plan

The "K" Line Group Joins Forces for Growing Global Markets

President Yasuhide Sakinaga

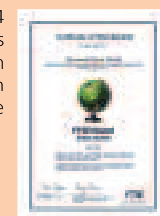
•"K" Line, NYK Line, Mitsui O.S.K. Lines and other foreign shipping companies signed a long-term charter contract with Ras Laffan Liquefied Natural Gas Co. Ltd. II for new vessels to transport LNG.



•"K" Line Pte Ltd started Aframax tanker business.

•Japan/Vietnam direct containership service commenced.

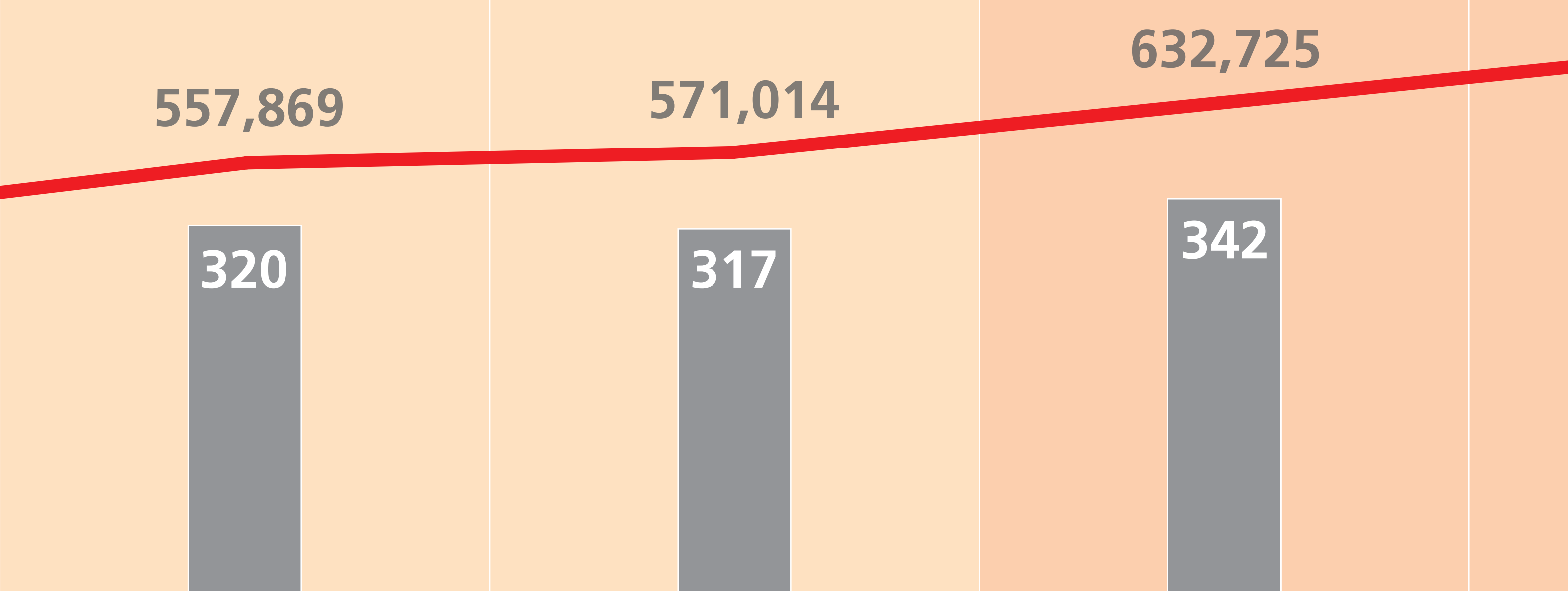
•Certified as a member of "FTSE4 Good Global Index" which was developed by FTSE founded in 1995 as a joint venture between the Financial Times and the London Stock Exchanges.



•Started own shortsea car carrier services in Europe by establishment of "K" Line European Sea Highway Services GmbH (KESS).

•Established "K" Line Bulk Shipping (UK) Limited.

•Founded a new company named Oriental Sea Highway Services Co., Ltd. to respond to future increases in demand for marine coastal transport of Chinese vehicles.



2004

2005

2006

"K" LINE Vision 2008

"K" L

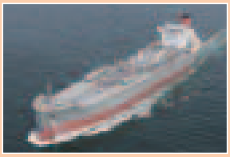
2004

Let's Sail Together Toward the New "K" Line Group's Dreams!

President **Yasuhide Sakinaga**

- Opened Beijing representative office.
- Jointly with Hanjin Shipping, Mitsui O.S.K. Lines and Zim Israel Navigation, "K" Line began servicing the eastern coasts of North and South America.
- Jointly with Mitsui O.S.K. Lines and Primorsk Shipping Corporation, "K" Line signed a 20-year long-term charter contract with Sakhalin Energy Investment Company, Ltd. for operations of a new LNG tanker.
- Ordered three new 300,000 dwt very large ore carriers.
- Newly-established distribution center in Thailand – the "K" Line Amata Nakorn Distribution Center (KADC) – commenced operation.

- Decided to place new orders for two 38,000m³ fully refrigerated Ammonia/LPG carriers under a long term time charter agreement with Yara, as our first contract for this type of Gas carrier.



724,667

363

2005

Let's Challenge even the World's Loftiest Peaks with "K" LINE Vision 2008

President **Yasuhide Sakinaga**

- Established "K" Line LNG Shipping (UK) Limited in London.
- Concluded 20-year time charter agreement for three new LNG carriers for Tangguh LNG Project.
- KYH ("K" Line, Yang Ming, Hanjin) & PSA HNN set up a joint venture company, Antwerp International Terminal NV to operate a container terminal.

- Concluded a time-charter contract with Exxon Mobil, the world biggest oil major, for a VLCC.
- Established a warehouse company named "K" Line Zhenhua Logistics (Tianjin) Co., Ltd. in Tianjin, China.

828,444

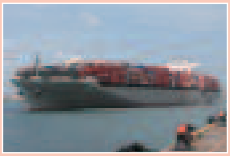
385

2006

Service that Represents "K" Line Values and Is Supported by Our Group Organization and Human Resources

President **Hiroyuki Maekawa**

- Established a Bulk Division in K Line (China) Ltd., and created a new marketing base in China for bulk cargo.
- Established "K" Line Logistics, Ltd. by merger of "K" Line Air Service, Ltd. and "K" Logistics, Ltd.
- A new 8,000TEU containership "HUMBER BRIDGE" which was the first vessel among 8 sister vessels was delivered at IHI Marine United.



- Concluded long-term contracts with Baoshan Iron & Steel Co., Ltd. (Shanghai, China) for the transport of iron ore from Brazil and Australia.

- Concluded a long-term time charter contract with Electricite de France (EDF), the largest power company in Europe, of a bulk carrier.

940,819

- CKYH signed a memorandum of understanding with ECT (Europe Container Terminals) of the Port of Rotterdam, to establish of a joint venture for terminal operation.

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2007	2008	2009

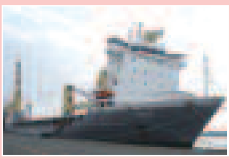
INE Vision 2008+

"K" LINE Vision 100

2007

"K" Line's Total Group Joins Forces to Ensure Safest Possible Ship Navigation and Cargo Operations

President **Hiroyuki Maekawa**



•Started a new joint venture with SAL for heavy lift service.

•Received "Ocean Carrier of the Year" Award from Wal-Mart, Target Corporation and Lowe's Companies, Inc.

•Established "K" Line Maritime Academy (India) to foster marine technical personnel.

•Launched Asia/East Coast South America containership service through cooperation with Compania SudAmericana de Vapores S.A. (CSAV).

1,085,539

•Established "K" Line Brasil Ltda.

•Established K Line Off Shore AS with C.H.Sørensen Management AS (CHSM) in Norway to invest in Business of Offshore Support Vessels.

444

2008

Reviewing "K" LINE Vision 2008+ We Are Embarking on a New Voyage towards the 2010s

President **Hiroyuki Maekawa**

•Established "K" Line Maritime Academy (Philippines).

•An en bloc deal for consecutive voyage charter with 10 vessels signed with JSW Group in India.

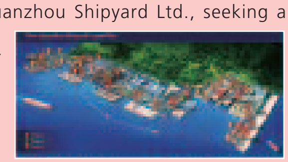
•Our Ship Planning Group and "K" Line Ship Management Co., Ltd. acquired accreditation under ISO9001 from the Norwegian shipping classification society Det Norske Veritas (DNV).

•First "Unimax Ore" – 300,000 DWT type ore carrier "GRANDE PROGRESSO" delivered at Universal Shipbuilding.

1,331,048

•Invested in FLEX LNG Ltd., which was promoting offshore LNG production.

•Signed an agreement for a capital and operational tie-up with Titan Quanzhou Shipyard Ltd., seeking a strategic partner in the ship repair business.



•Commenced full-scale cold ironing operation (supplying shore-side electricity power to ships at berth) at the ITS Long Beach container terminal.

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2009

We Take the Helm towards Cruising-Speed Management

President **Hiroyuki Maekawa**

•Together with PSA Corporation and NYK Lines, "K" Lines established Asia Automobile Terminal (Singapore) Private Limited for terminal operation exclusively for car carriers.

•Signed a long-term contract with Biowood Norway AS for the transport of wood chips for use as biomass fuel.

•Established "K" Line RoRo & Bulk Agencia Maritima Ltda, an own agency in Brazil, to strengthen its car carrier, bulk carrier and energy transportation businesses.

1,244,317

•"K" Line and four other companies participated in an ultra-deepwater drillship project led by Petróleo Brasileiro S.A. ("Petrobras") of Brazil.

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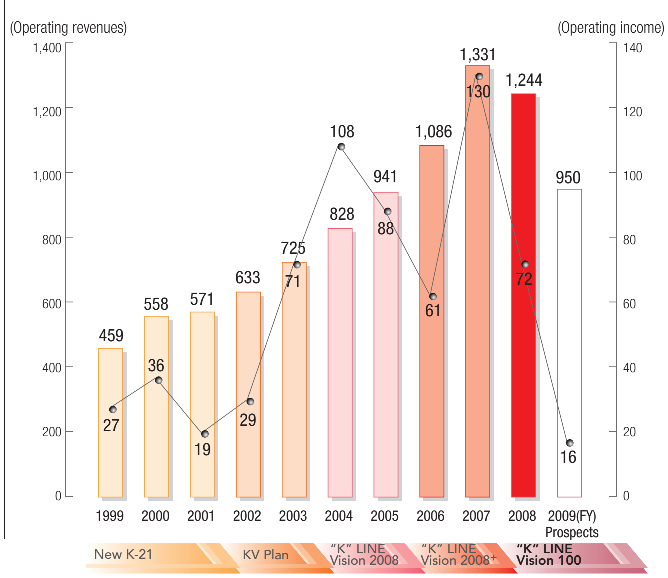
Financial Highlights

Kawasaki Kisen Kaisha, Ltd. and Consolidated subsidiaries Years ended March 31	New K-21			KV Plan		"K" LINE Vision 2008
	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004
Operating revenues	¥458,693	¥557,869	¥571,014	¥632,725	¥724,667	¥828,444
Operating income	26,817	36,009	19,049	29,282	70,534	108,054
Ordinary income*1	14,358	26,804	11,968	23,672	62,564	107,235
Net income	6,843	1,948	4,768	10,373	33,196	59,853
Net assets(Note2)	74,132	68,647	77,716	82,040	121,006	181,276
ROE (%)(Note4)	9.6	2.7	6.5	13.0	32.7	39.6
ROA (%)(Note5)	2.8	5.2	2.3	4.5	11.6	18.4
DER (times)	4.70	4.83	4.32	3.74	2.33	1.32
Total assets	514,802	513,797	533,295	515,825	559,135	605,331
Per share of common stock (yen)						
Net income	11.68	3.28	8.03	17.24	55.71	100.70
Net assets	125.01	115.61	130.88	138.29	204.37	306.06
Cash dividends applicable to the year	4.00	5.00	3.00	5.00	10.00	16.50
Employees						
Marine transportation	1,256	1,180	1,133	991	1,000	885
Logistics/Harbor transportation	3,601	3,911	4,066	4,166	4,212	4,412
Other	686	716	859	856	876	929
Total	5,543	5,807	6,058	6,013	6,088	6,226

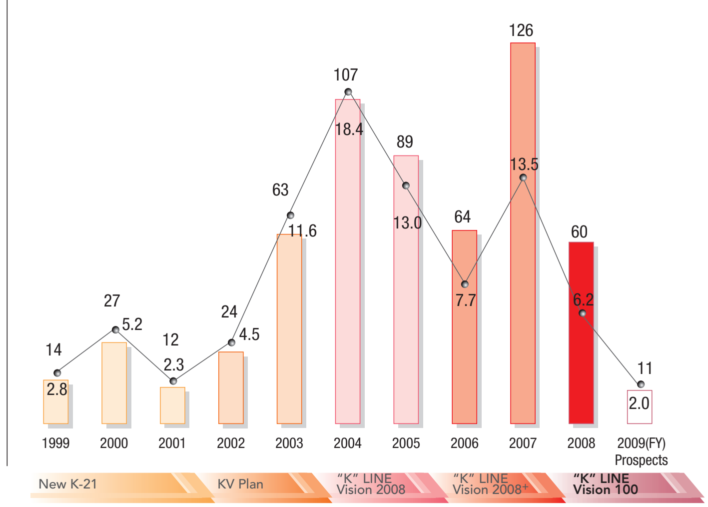
Notes:1. Unless otherwise stated, above figures are all in millions of yen.
2. With the exception of fiscal 2006, amounts posted under 'shareholders' equity' (calculated using the previous accounting standards) are employed for 'net assets.'
3. The U.S. dollar amounts are converted from the yen amounts at ¥98.23 = U.S. $1, the exchange rate prevailing on March 31, 2009.
4. Return on Equity: Net income/Shareholders' equity
5. Return on Assets: Ordinary income/Total assets

*1: Ordinary income is income before income taxes and extra-ordinary items.

Operating revenues / Operating income
(billions of yen)

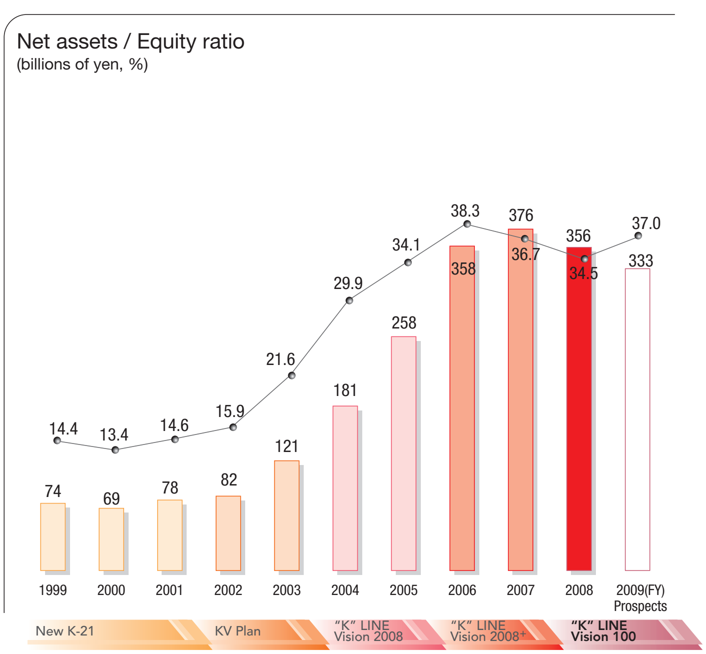


Ordinary income / ROA
(billions of yen, %)

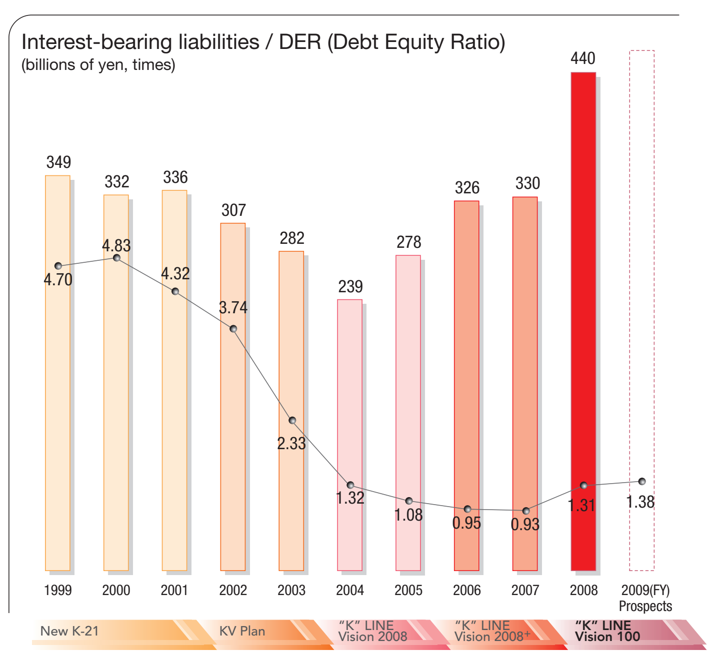


	"K" LINE Vision 2008+		"K" LINE Vision 100			
FY2005	FY2006	FY2007	FY2008 Results	Thousands of U.S. dollars FY2008 (Note 3)	FY2009 Prospects	
¥940,819	¥1,085,539	¥1,331,048	**¥1,244,317**	**$12,667,387**	**¥950,000**	Operating revenues
87,976	61,357	129,649	**71,604**	**728,941**	**16,000**	Operating income
88,573	63,928	125,868	**60,011**	**610,919**	**11,000**	Ordinary income*1
62,424	51,514	83,012	**32,421**	**330,047**	**6,500**	Net income
257,810	357,625	376,277	**356,153**	**3,625,700**	**332,700***2	Net assets
28.4	17.1	23.7	**9.4**			ROE (%)
13.0	7.7	13.5	**6.2**		**2.0**	ROA (%)
1.08	0.95	0.93	**1.31**		**1.38**	DER (times)
757,040	900,439	968,630	**971,603**	**9,891,102**		Total assets
				(U.S. dollars)		**Per share of common stock** (yen)
104.89	86.67	131.36	**50.89**	**0.52**	**10.20**	Net income
435.19	556.55	558.46	**525.43**	**5.35**		Net assets
18.00	18.00	26.00	**13.50**	**0.14**	**2.50**	Cash dividends applicable to the year
						Employees
898	961	1,041	**1,064**			Marine transportation
4,986	5,190	5,522	**5,460**			Logistics/Harbor transportation
943	890	1,052	**1,182**			Other
6,827	7,041	7,615	**7,706**			Total

*2: The prospected amount of shareholders' equity



Equity ratio: Shareholders' equity / Total assets
Shareholders' equity: Net assets – (Minority interests + Share warrant)



DER: Interest-bearing liabilities / Shareholders' equity

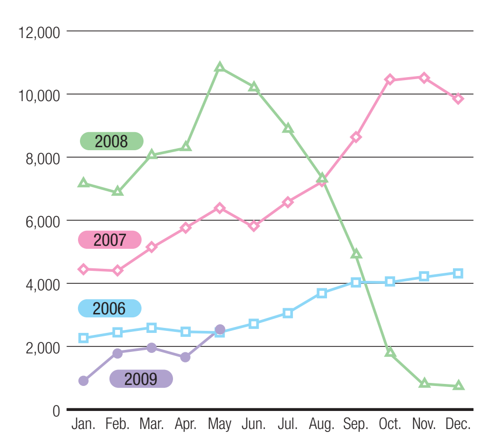
Interview with the President

Amidst an unprecedented deterioration in the business environment, we interviewed "K" Line President Maekawa to ask him about the company's management policy, strategy and plans for increasing shareholder value, and how the company intends to achieve its goals of sustainable growth and mutual benefits for stakeholders.

"Toward significant growth potential that we will have once we have ridden out the adverse conditions, we are striving to improve profitability through cost control."

Q Please discuss the company's operating results for fiscal 2008, and the outlook for fiscal 2009.

Baltic Dry Index



Baltic Dry Index:
Freight rate index for ocean-going bulk carriers, as calculated by the Baltic Exchange in London. The index uses 1,000 as the freight rate for January 1985.

Fiscal 2008 was a year of dramatic contrasts, as ideal business conditions in the first half of the year changed suddenly to an adverse climate in the second half. Sales and profits for the first half reached record highs for a six-month period, but the sudden market deterioration pushed operating income into the red in the second half. Sales for the full fiscal year were down 7% compared with fiscal 2007, to ¥1,244.3 billion, and ordinary income was off 52% year on year to ¥60.0 billion.

The signs of economic trouble first began to emerge in the latter half of fiscal 2007 as the US economy started to slow down. Even in our initial earnings forecasts for fiscal 2008, we adopted very cautious targets for shipping volume to the US because there were already indications that the role of the US economy in driving global economic growth was fading, while the economies of newly industrialized countries and major raw materials exporters began to take off. The conventional wisdom assumed that in an increasingly multi-polar world, even problems like the subprime loan crisis in the US, which was beginning to emerge at that time, would have only a limited impact on the rest of the world. That assumption turned out to be overly optimistic. Following the collapse of Lehman Brothers, turmoil in financial markets quickly engulfed the entire world economy, demonstrating that in today's interconnected society, the US economy still has a strong impact on the rest of the world.

The dry bulk market reached a historical record high in May 2008, and export demand for automobiles remained strong enough, through the summer, to keep demand for car carriers in excess of the available supply. By fall, however, demand for containerships, dry bulk carriers and car carriers was falling, and market prices plummeted. It soon became clear that the earlier trend in demand had been overly inflated.

Looking ahead, it is likely that the surplus of containership capacity will continue to create difficult business conditions during fiscal 2009. Dry bulk shipping demand for deliveries to Japan remains rather weak. However, shipments of iron ore to China show signs of picking up. China plans to stimulate domestic demand by some 4 trillion RMB, and we expect this impact to keep the overall market relatively firm. Meanwhile, the auto industry expects to finish adjusting inventories at the retail level by this summer, and we think that shipments will gradually start to pick up in the latter half of the year. The shipping market for energy transportation had remained comparatively firm, but it too has declined since the end of fiscal 2008, demonstrating the long reach of the global economic slump.

In light of this difficult business environment, what plans does "K" Line have to address the current downturn?

Many people are referring to the current economic slump as "unprecedented", and though the company has faced difficulties in the past, it is true that the speed and scale of this slump are greater than anything I have experienced personally. To address this dramatic change, in December 2008 we set up an "Emergency Task Force" of which I am the chief. This task force includes subcommittees to deal with earnings improvement and cost-cutting, which have developed plans for rationalization and cost-cutting measures that would cut expenses by ¥45.0 billion as of the end of March 2009. Those measures that are feasible will be implemented as quickly as possible. For example, in January the company cut executives salaries by between 10% and 20%, and we are already starting to implement the other measures which are clearly feasible. Those entailing a certain degree of risk have been set aside for now, so the target cost reduction reflects a figure that is certainly within reach. The Risk-Related Planning Section will consider all of the latent risk factors and establish measures to prevent any emerging risks, while remaining on guard against other risks.

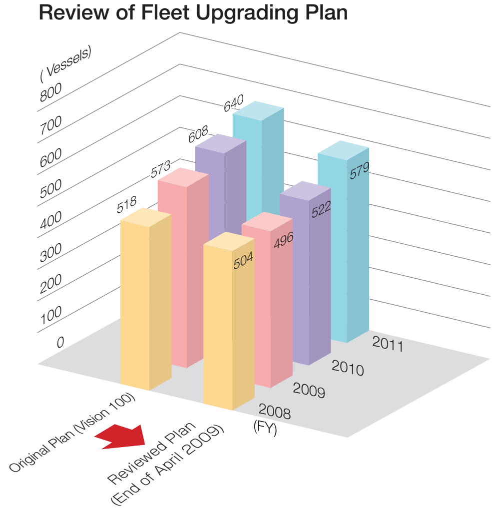
It is likely to be some time before the supply and demand conditions in markets for most types of ships have regained their balance. Therefore, last fall we suspended all new investment in ship construction. In the market for containerships and car carriers, which face a particularly severe imbalance between supply and demand, we have taken measures to idle or lay-up some vessels and are accelerating plans to scrap or sell aging vessels, cancel relatively costly contracts for chartered vessels and otherwise reduce our fleet to a more appropriate scale.

These measures are intended to minimize the drop in cash flow from operations and reduce cash flow for investment activities, so that the company can ride out the current economic slump. This should ensure that the company is in good position to take advantage of the next rebound in market conditions.

Does the company intend to make any changes to its "K" LINE Vision 100 business plan?

Our "K" LINE Vision 100 management plan was formulated at a time when we expected the shipping market to continue growing and diversifying. The dramatic changes caused by the global economic crisis have forced major consuming countries to adjust inventory levels and reduce overall demand for marine transport more than we expected. This has naturally affected the balance of supply and demand for ships, and it is very difficult to determine the timing and pace of any future market recovery. Therefore, I think it will eventually be necessary to change the numerical targets of our current management plan. However, the qualitative aspects of the management plan – that is to say, the overall "vision" that "K" Line has for its operations – do not require any changes. In our original plan, we intended to increase the number of ships in the fleet to 640 by the end of fiscal 2011. We have reduced that number to 580, making particularly large cuts in the number of containerships and car carriers. Therefore, revised numerical targets up to fiscal 2011, including those for earnings, will be advised when the future shipping market becomes more foreseeable.

Review of Fleet Upgrading Plan



Review of Fleet Upgrading Plan (vessels)

	FY2008	FY2009	FY2010	FY2011
Original Plan (Vision 100)	518	573	608	640
Reviewed Plan (End of April 2009)	504	496	522	579

Q What steps have been taken to strengthen group management?

It is important that decisions in business should be made quickly which is why we have established local offices nearby all major markets. By strengthening group management, we will be better able to remain abreast of conditions in all markets. For example, the dry bulk market in the Pacific differs completely from the market in the Atlantic. Therefore we have spun off the UK-based dry bulk business as a separate subsidiary, "K" Line Bulk Shipping (UK) Limited, which will oversee our operations in the Atlantic Ocean and work to expand these operations to match local conditions. Similarly, we have set up subsidiaries in the UK to oversee LNG and other energy transportation in the Atlantic ("K" Line LNG Shipping (UK) Limited); in Norway, to manage offshore support vessel businesses (K Line Offshore AS); and in Germany, to provide shortsea car carrier services throughout the European region ("K" Line European Sea Highway Services GmbH). We also established a joint venture by taking a capital stake in the German heavy lift shipping company, SAL Group, to expand our presence in new businesses.

In Singapore, we have set up an independent marine transport subsidiary, "K" Line Pte Ltd which operates containership, tanker and dry bulk carrier services. By being positioned to maintain closer ties with the local market, this company has been able to accelerate business growth, and is now one of the most prominent diversified marine transport companies in Singapore.

As the global economy starts to recover, so will demand for marine transport services. Although the pace of growth may be gradual, we expect our business to expand once again, and as it does, we will continue our efforts to strengthen overseas operations and establish a team of highly competitive group subsidiaries.

Q Could you tell us about the company's efforts to promote safety in navigation and cargo operations?


Onboard inspection

The "K" Line Group already manages a fleet of around 500 vessels, and we have long-term plans to expand it even further. Of course, as the number of ships in our fleet increases, the chance of accidents or trouble occurring will increase. Maintaining safety in navigation and cargo operations is perhaps the most central concern that any shipping company must address. Therefore, all companies in the "K" Line Group both onboard our ships and at land-based offices are keenly focused on the issue of maintaining safety.

In 1983 the Ship Safety Promotion Committee was established, to take responsibility for issues related to ship safety operations. This committee sets a company-wide safety policy. Since it was established, the company CEO has always served as the committee chairman - a post that I currently hold. There are several subcommittees, such as the Ship Safety Promotion Sub-Committee and the LNG/Tanker Sub-Committee, which study and report on key safety issues. After their findings have been deliberated, the Ship Safety Promotion Committee adopts a company-wide policy which all ships owned by the "K" Line Group are required to implement.

"K" Line Ship Management Co., Ltd. (KLSM) and Taiyo Nippon Kisen Co., Ltd. (TNKC) are responsible for ship management of most ships owned by the "K" Line Group, involving maintenance of ships, and the hiring and assignment of crew members. These companies allow us to consistently manage vessels for their entire operating life. This is one of the keys to the "K" Line Group's success in maintaining high quality service and safe ship operations.

KLSM is responsible for managing containerships and tankers as well as LNG and LPG vessels that transport hazardous cargoes, while TNKC oversees the management of dry bulk carriers and car carriers. Each focuses on specialized areas, thus helping to keep quality at a high level. Ship inspections are carried out on a regular basis on all vessels in the fleet, including chartered vessels. Furthermore, we have assigned onboard superintendents both in Japan and overseas, selecting these individuals from among veteran personnel with extensive experience as ship captains or chief engineers. These superintendents check to ensure that all ships are operated in strict accordance with "KL Safety Standards," a manual of safety regulations that the "K" Line Group developed in-house. If any problems are noted, the superintendents point them out and offer technical advice to correct them.

In the future, we will maintain and improve ship safety operations by reinforcement of the cooperation with the ship management companies of “K” Line Group and shipowners through ship inspection activities.

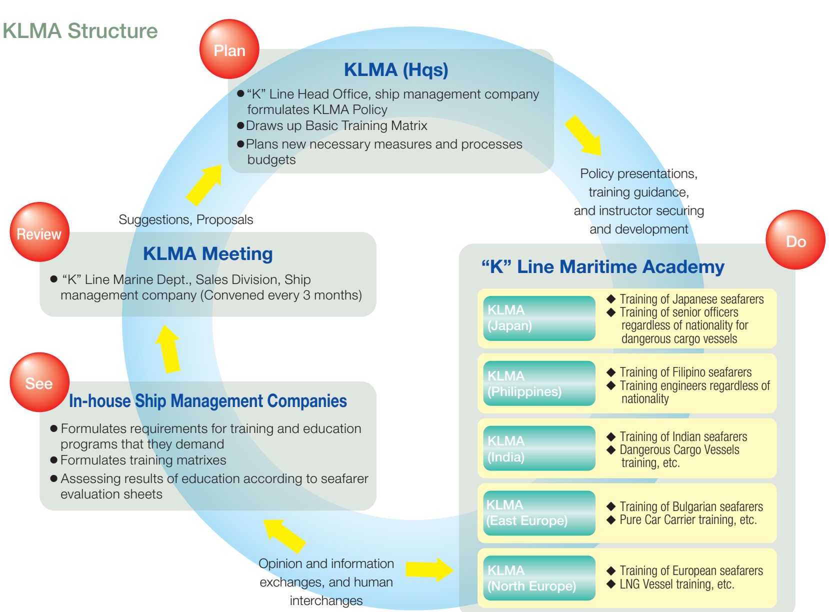
Q What efforts is the company making to train personnel (both ship crew members and land-based employees)?

As the “K” Line Group’s business activities become increasingly global, we recognize that training is one of the most important issues in preparing employees to deal with future challenges. In particular, the rapid political and economic changes that the world is experiencing make it increasingly difficult to forecast future trends in the business environment. Since one can no longer rely on past experience as an infallible guide, it is becoming increasingly important to find and train employees who can adapt and respond to changing conditions quickly.

The “K” Line Group is working to locate superior personnel and improve their training. Regardless of where in the world they are from, or where they work, employees who are being trained for management positions and who will guide the company’s operations in the future, spend a period of time in training at “K Line University”. This training center was set up in Tokyo in 2002, and it was expanded to include locations in London, England and Richmond, Virginia (USA) in 2004. Over 500 employees have “graduated” from this program to date. Following graduation, employees return to their home countries and work sites where they begin to apply their training to reform business procedures and provide the vision needed to guide company operations.

For marine technical personnel the “K” Line Group also established training centers called “K” Line Maritime Academy (KLMA) at five sites worldwide, in Tokyo, the Philippines (Manila), India (Mumbai), Eastern Europe and Northern Europe. The training provided at these sites gives crew members and marine technical personnel the specialized knowledge and technical skills to deal with all aspects of maritime transport, with particular emphasis on safety in navigation and cargo operations. This Academy has developed a set of standardized techniques and practices known as the “KLMA Master Plan.” Based on this training plan, employees receive training drills and instruction in stages as they advance in their careers, thus ensuring that they have the knowledge and skills required to handle higher level positions. Furthermore, to ensure that all crew members and professional maritime staff have been trained to “K” Line levels of quality, we strive to hire and develop the very highest quality instructors to work at KLMA.

KLMA Structure



As part of the medium-term management plan, we are organizing regular "KLMA Global Meetings" to ensure understanding of policies for hiring and training personnel, and to share experiences and insights about KLMA training methods among staff from the various sites. I personally attend each of these meetings, as do KLMA instructors from each of the training sites, representatives from the ship management companies (KLSM and TNKC) and representatives from all manning agencies that the "K" Line Group deals with. These participants share recognition on the important roles KLMA should undertake.

Q What sort of measures is the "K" Line Group taking to address environmental issues?


Land-based power supply

Naturally, any marine transport company must address the environmental impact of its operating activities; we have identified this as the Group's most important concern. The principles of environmental preservation that the "K" Line Group observes are spelled out in the "K" Line Group's environmental charter. Environmental preservation concerns and objectives are also a central element in the medium-term management plan – "K" LINE Vision 100. These policies include measures aimed at reducing ship emissions of CO_2, nitrogen oxides and sulfur oxides, proper disposal of ballast water, which can have an adverse impact on marine life, as well as the disposal of waste products from vessels and any other activities that might have an adverse impact on the environment.

One of the main concerns we are addressing is CO_2 emissions, which are viewed as one of the causes of global warming. To help address this issue, the "K" Line Group has established policies for slow steaming operation in the Ise and Mikawa Bay area in Japan, and the port of Long Beach in California. We also have an in-house information system that tracks weather and sea conditions, and charts courses that allow ships to navigate more efficiently. These and other methods are employed to try to reduce CO_2 emissions. We are also taking steps to introduce more energy-efficient equipment, energy-efficient ship designs, ship coatings which help reduce water resistance, and any other steps that can reduce fuel consumption and thereby cut CO_2 emissions.

Finally, at our port facilities in Long Beach, California, electric power equipment to supply power to containerships has been installed so that when they are berthed at the pier diesel engines can be switched off for the entire time that the vessels are in port. By using electric power from land-based utilities, overall CO_2 emissions can be reduced. These efforts to address global warming are just one element in our endeavor to protect the environment – which we view as a very important theme in our business operations. We will continue to employ the latest knowledge and strenuous efforts to give this issue the focus it deserves.

Q Please explain the company's dividend policy, and its efforts to provide value to shareholders.

Another important issue is the question of how to maintain the levels of capital investment for sustainable growth which our management plan addresses, and establish the internal reserves needed to maintain robust financial health, while also ensuring that shareholders receive a sufficient share of profits to ensure them of a maximum return on their investment. Our basic policy is to try to increase dividends and payout ratios steadily in the coming years; we aim to gradually raise the dividend payout ratio on consolidated net income to around 30% by the middle of 2010's, and we have set a medium-term dividend payout ratio target of 25% for fiscal 2011.

In fiscal 2008, midterm dividend was ¥13.5 per share, as originally projected, but the deterioration of the global economy caused the Group to post a loss in the second half of the fiscal year, and we were forced to suspend the year-end dividend.

In fiscal 2009, we set the annual dividend at ¥2.5 per share, which represents a dividend payout ratio of 23%. However, due to the current, extremely uncertain business climate, we have suspended the mid-term dividend for this fiscal year.

Attaching top priority to current reforms at maintaining a strong financial position, the "K" Line Group will continue its exhaustive effort to rationalize operations, cut costs and revive profits under the supervision of the Earnings Improvement and Cost-Cutting Section of the Emergency Task Force. We will place high priority on raising dividends as soon as it becomes possible.

What measures is the company taking in preparation for its 100th Anniversary?

The volume of cargo transported by ship has dropped off significantly in response to the financial crisis and global economic downturn. However, over the medium-to-long term, rising population and the emergence of newly industrialized countries such as China are likely to stimulate business activity and put the global economy back on a growth track. Therefore, I expect the marine transport business to gradually expand in the coming years.

In the "K" Line Group's medium-term management plan – "K" LINE Vision 100 – we have identified five goals for the Group to pursue: environmental protection, a management structure that can ensure safe ship operations, most effective organizational structures to permit "borderless" business management, strategic investment and optimal use of management resources, and thorough risk management that aims to maximize corporate value. By diligently pursuing these goals with a broad perspective, I believe that the "K" Line Group can continue to grow in line with the global economy.

Due to the current economic conditions, our investment plans have been reined in with a freeze on new investments since last fall. However, we are continuing to channel funds into businesses which will support "K" Line's future earnings growth while taking care not to breach internal financial regulations.

The motto adopted in our "K" LINE Vision 100 medium-term management plan – "Synergy for All and Sustainable Growth" – is just as pertinent under difficult economic conditions, such as those we face now, as ever. As the old saying goes, "a friend in need is a friend indeed." The current recession is a trying time for both the "K" Line Group and its business associates. Therefore we will strive to cooperate and build ties with customers and shipowners, working together with these partners to produce results that will benefit one and all. Once the stormy seas of this "once-in-a-century" recession have subsided, I believe that the "K" Line Group will emerge stronger than ever. I view it as my responsibility, and that of the "K" Line Group's management team, to take the wheel and guide the company through the current storm together with employees of the entire Group.

Fleet Upgrading Plan

Number of vessels to be delivered FY 2008-2011

(vessels)

	FY2008 (Results)	FY2009 (Plan)	FY2010 (Plan)	FY2011 (Plan)
Containerships	6	11	12	14
Dry Bulk Carriers	15	17	19	23
Car Carriers	4	10	7	8
Energy Business (New)	0	0	3	4
LNG Carriers	14	1	0	0
Tankers	5	4	0	2
Heavy Lifter	3	0	0	0
Others	2	0	0	0
Total	49	43	41	51

Feature 1

40th Anniversary of First Car

Forty years have passed since “K” Line’s first car carrier, (dual-purpose bulk/car carrier) the *Toyota Maru No.1* (with capacity of 1,200 cars) was completed in 1968. As a pioneer in the field of marine transport of cars, “K” Line has diligently met the diversifying transport needs of its customers.

A Pioneer in Car Carriers

The term “Pure Car Carrier” (PCC) is used worldwide for ships that transport completed built-up cars, but that name originated with the *Toyota Maru No.10*, constructed by “K” Line in 1970 as Japan’s first specialized car carrier. This ship, developed and constructed to safely and quickly carry the expensive, unpacked cargo that is automobiles, brought about a revolution in the way cars are transported. At the same time, it laid the foundation for the Company’s vehicle transportation business. Thus, it symbolizes “K” Line’s spirit of constantly seeking new challenges.

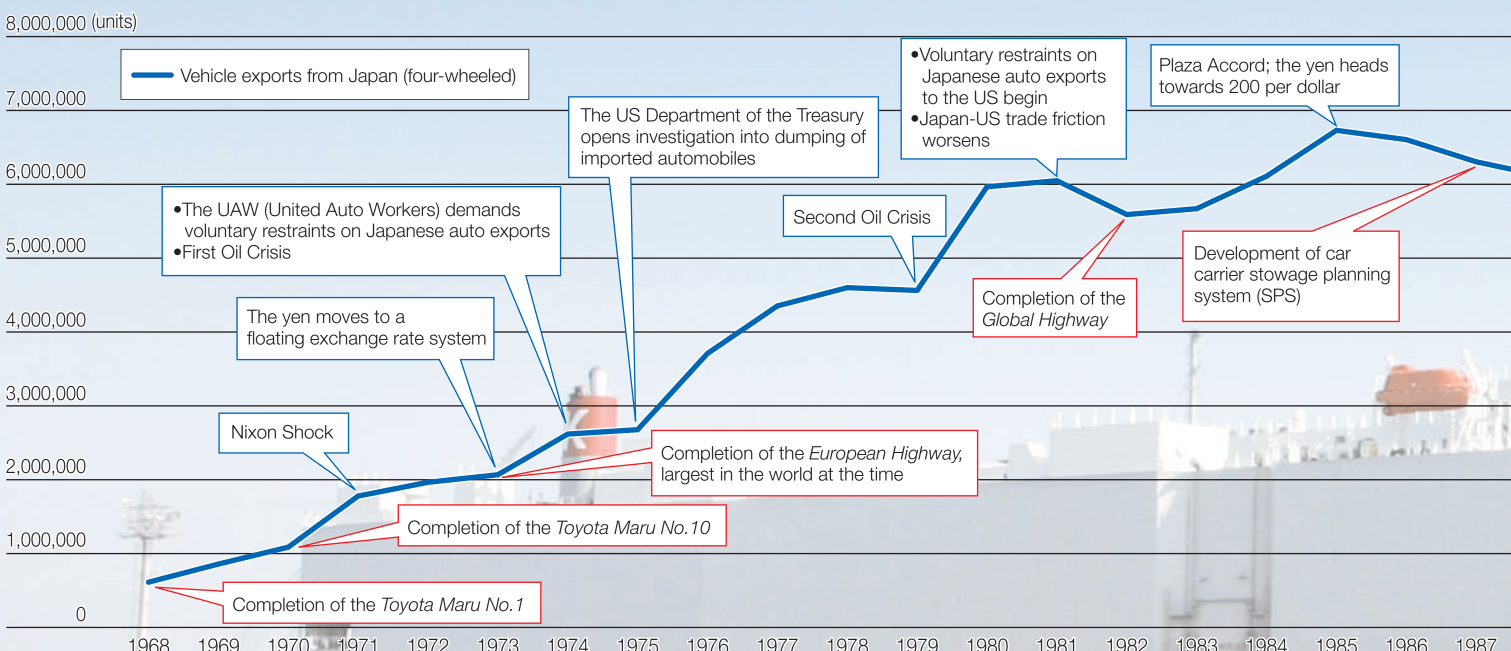
Subsequently, in order to meet diversifying transport needs, the Company developed vessels such as RV carriers (for high-height vehicles) and energy-saving, environmentally-friendly ships. “K” Line invests in ship designs that look to the future.

Initiatives on Zero Damage

To ensure that its automobile cargoes are transported quickly with zero damage, “K” Line has carefully implemented damage prevention measures during loading/unloading and while at sea.

When the *Toyota Maru No.10* went into commission, “K” Line adopted a flow stowage system that prioritizes discharge. This system succeeded in dramatically reducing damage during loading and unloading.

Furthermore, “K” Line has compiled the unique expertise it has accumulated over the years into a handbook of cargo handling standards on everything from how to lash cargo to the clothing that workers should wear. The Company distributes this handbook to crewmembers and stevedores around the world and periodically instructs them in its use as part of its efforts to reduce damage during transport.

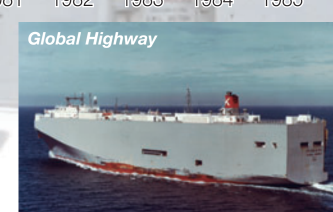



Toyota Maru No.1

“K” Line’s first car bulker
Completed in 1968, 1,200 car capacity


Toyota Maru No.10

Japan’s first Pure Car Carrier (PCC)
Completed in 1970, 2,000 car capacity


Global Highway

The world’s largest PCC at the time
Completed in 1982, 6,300 car capacity

Carrier's Launch

Development of Flexible Service

The Group's car carrier service meets diversified logistics needs by implementation of new services and fleet upgrade which conforms to changes of cargo movement and takes future demands in advance, participating in cross trade services and overseas regional services against the backdrop of the globalization of automobile production sites and the rapid economic growth of emerging nations.

In addition to its core transport services using large vessels, "K" Line provides regional service using small and medium-sized ones. Beginning in 1992 with its European regional service, the Company today provides regional service to Russia, China and emerging nations. "K" Line is working to provide a full network of regionally-oriented services.

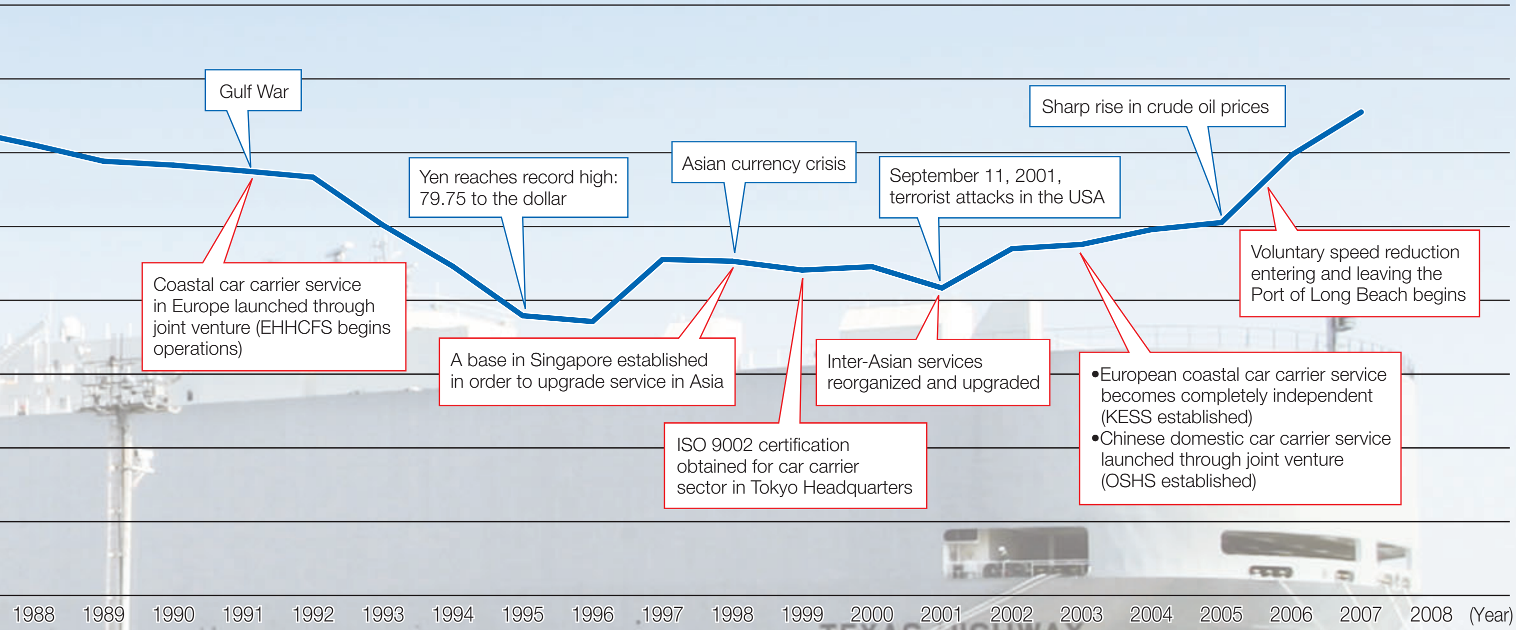
Not content with marine transport alone, the Company is developing flexible logistics services in response to customer needs. It provides inland transportation in countries such as Thailand, Indonesia and the Philippines. Furthermore, at the Port of Singapore, which is a staging site for exports of completed vehicles from several Asian nations, operation of a specialized automobile terminal has begun in order to meet the expected increase in demand for transport of completed vehicles from Asian nations.

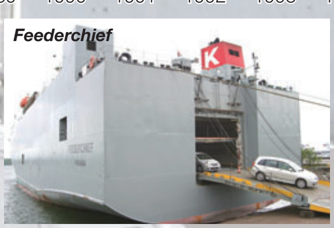
Initiatives on Environmental Preservation

Through speed reduction in the Port of Long Beach, "K" Line cut CO_2 emissions by about 3,800 tons in 2008.

"K" Line is working to reduce air pollutants emitted by its ships. The Company has been recognized for four consecutive years, beginning in 2006, for its participation in the speed reduction program implemented by the Port of Long Beach in the USA. In Japan, the Company's car carriers have been participating in speed reduction inside Ise and Mikawa Bay since 2007. "K" Line calculates that reducing vessel speed by 12 knots lowers CO_2 emissions by four tons per vessel. In 2008, the Company decreased CO_2 emissions by 818 tons.

On the hardware side, car carriers have been equipped with triple-bottomed fuel tanks to prevent oil spills when vessels are damaged. In addition, main engines are equipped with electronic controls, which reduce emission of air pollutants. "K" Line is further working to lower its environmental impact by aggressively adopting the most advanced equipment.





Feederchief

For European coastal service
Completed in 1991, 800 car capacity

Nippon Highway

The first RV carrier (for high-height vehicles)
Completed in 1999, 5,000 car capacity

Shanghai Highway

Energy-saving, environmentally-friendly ship
Completed in 2005, 5,000 car capacity

Feature 2

Offshore Energy Transportation

In order to improve profitability in the energy resources transport sector and expand its operations, "K" Line has entered the offshore energy transportation business. In addition to creating synergies with existing lines of business, entering upstream sectors of offshore energy transportation business is expected to provide opportunities for new participation in offshoots related to offshore energy development field and improve the company's presence in energy-related fields.

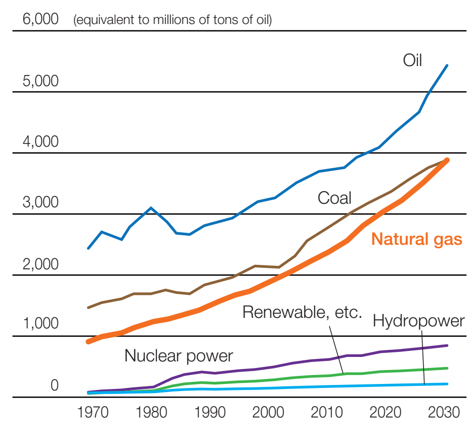
Trends in World Energy Supply/Demand and Offshore Energy Development

Although world energy demand has temporarily fallen since fall 2008 because of the worldwide economic slowdown, over the long term it is expected to increase due to population growth and economic development in emerging nations. Demand in 2030 is expected to be double that in 1990, and 1.6 times that in 2005.

By type of resource, coal, oil and natural gas account for more than 80 percent of energy demand. Large-scale terrestrial production areas, however, are skewed towards certain regions, such as the Middle East, and sharp rises in resource prices have increased profitability. This has caused attention to turn in recent years to development of offshore energy resources. Furthermore, progress in science and technology has made offshore energy resource exploration feasible. The existence of rich resources on continental shelves and in deep water has been discovered. Offshore energy development in the oceans is expected to become even more active in the future.

Offshore energy development, however, requires immense investments, such as laying pipelines on the seafloor. There are many barriers to commercialization, including trends in crude oil prices and equipment costs. Furthermore, reserves in undeveloped oil and gas fields are often small in scale, and would not be profitable using conventional schemes. Reducing the cost of offshore energy development has thus become an issue in recent years.

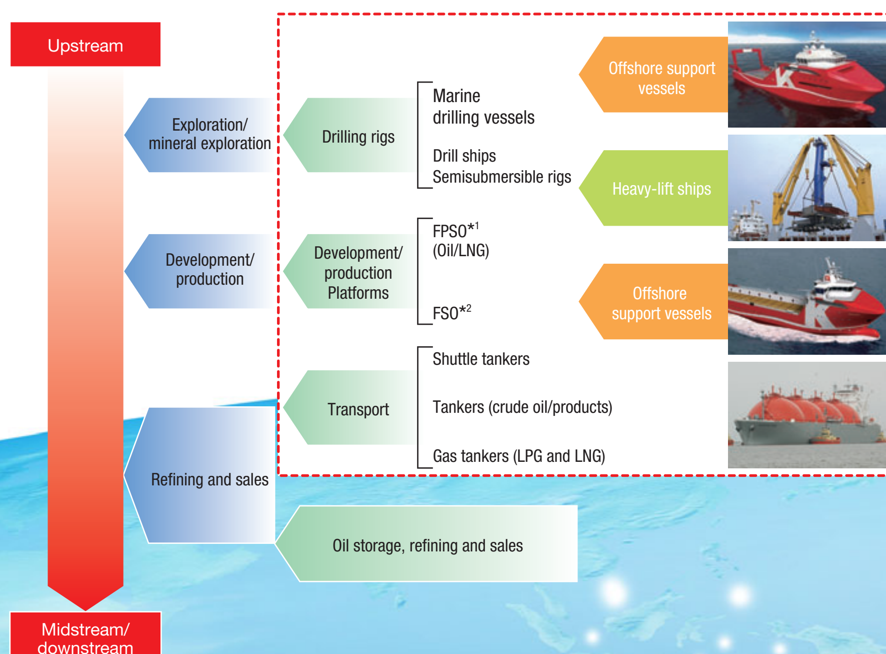
Worldwide Primary Energy Consumption
(by energy source)



"IEA World Energy Outlook 2008"

Expanding business from energy-related midstream sectors to upstream sectors

The medium-term management plan, "K" LINE Vision 100, notes "expansion of business into upstream energy-related sectors" as one of the Company's business strategies. Development of offshore energy relating to oil and natural gas is being conducted both far from shore and in deep waters, and demand for shipping space in upstream sectors such as exploration, development and production is expected to grow steadily. By aggressively entering the offshore energy transportation business such as offshore support vessel and drillship, "K" Line is working to increase profitability through synergies with its rich expertise in energy resources transportation and heavy lift services.



*1 FPSO: Floating Production Storage and Offloading system (floating marine production, storage and offloading facility for oil and gas)
*2 FSO: Floating Storage and Offloading system (floating marine storage and offloading facility for oil and gas)

Business

Entry into and the Future of Offshore Support Vessel Business

In November 2007, "K" Line established K Line Offshore AS (KOAS) as a joint venture with a Norwegian shipping investment firm. Determined to enter the offshore support vessel business, "K" Line ordered two large anchor handling tug supply vessels (AHTS*1) and four large platform supply vessels (PSV*2). The six new vessels are scheduled to be delivered between December 2010 and July 2011. It is said that about 4,000 Offshore Support Vessels (OSV) such as PSV are now in operation around the world. About half of them, however, are small and over 20 years old. KOAS is therefore expected to be able to quickly establish itself as a brand in the offshore support vessel business by developing competitive services with large, high-end-performance ships.

In order to quickly establish a business base and spread the KOAS brand, KOAS started operating OSV in October 2008. Currently, one medium-sized PSV is in spot service mainly in the North Sea area. In the future, operations and activities will not be limited to the North Sea, but will expand to other areas where offshore energy development is expected to be active, such as Brazil, West Africa, Mexico and Australia.

*1AHTS: A ship that is capable of setting anchors, towing rig facilities and transportation of personnel and supplies for offshore activities of drilling facilities and oil production platforms.

*2PSV: A ship that is capable of transportation of production equipment, personnel and supplies for offshore activities of drilling facilities and oil production platforms.

The medium-sized PSV now in operation

Investment in FLEX LNG Ltd. to Realize Offshore LNG Production

In June 2008, "K" Line obtained the stakes and became a strategic partner of FLEX LNG Ltd. (FLEX) that promotes offshore LNG production projects.

Though there are more than 2,000 small and medium sized gas fields in the world, it has been difficult to develop those fields because of huge investment costs for onshore LNG plant, pipeline to the shore and terminal facility. FLEX is developing an epoch-making floating liquefaction unit (LNG Producer) which can realize offshore LNG production from such gas fields with shorter development period and smaller investment.

Providing LNG transportation and other services for FLEX's LNG Producer on priority basis as a strategic partner, we may utilize synergies with our LNG carrier experience of more than 25 years and offshore support vessel business, also engage in joint marketing activities with FLEX in the Asia/Pacific region.

◇ Expectation of Synergies among Our Energy Transportation Business ◇

Yoshikazu Minagawa
Senior Managing Executive Officer
(Energy Resources Transportation Sector)

By approaching upstream sectors of the offshore energy development such as exploration and production, we will be able to find new business opportunities as a transporter at the initial development stage. Furthermore, we will be able to find opportunities derived from projects in various sectors. Behind our entry into the floating LNG production business at this time, there is an expectation for synergies with LNG transportation business in which we have more than 25 years of experience and establishment of profitable structure through an accumulation of expertise in offshore LNG exploitation.

In 2001, "K" Line joined in the Snøhvit project in Norway as owner and operator of LNG carriers.This has increased our access to information regarding offshore energy development in Northern Europe and the North Sea region. Our further experience since 2002 in developing compressed natural gas (CNG) transportation was an important step in making us aware that offshore energy exploration was something that the company could relate to. This resulted in our studying expansion of our business field into upstream sectors such as offshore support vessels, a sector we entered in 2007. This was followed in 2008 by our decision to participate in offshore energy development through an investment in FLEX LNG Ltd. This has made it possible for us to enter sectors such as natural gas development and LNG production business and also to enhance our presence in the market, providing a broad array of services in the energy industry and meeting customer needs. In July 2008, we established an Energy Transportation Business Development Group to concentrate on upstream and offshore energy transportation business. As part of this, we will enter the drilling ship business. We create synergies with other sectors and further enhance our profitability.

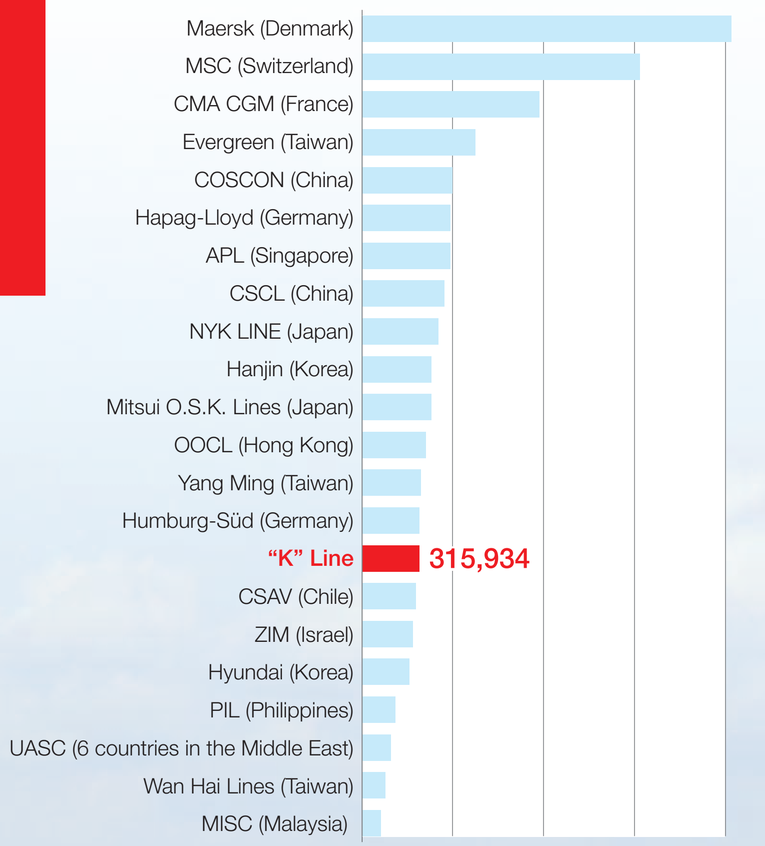
Market Data

The "K" LINE Group has attained a solid position of a global shipping company that owns and operates a multiplicity of carriers to meet marine transport needs on the worldwide markets.

Containerships

Container Carriers Ranked by Operating Capacity

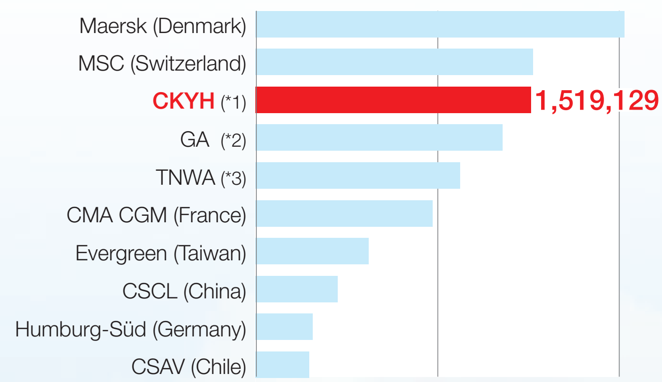
(as of April 2009)



Source: AXSliner

Comparison of Tonnage in Operation by Alliance

(as of April 2009)

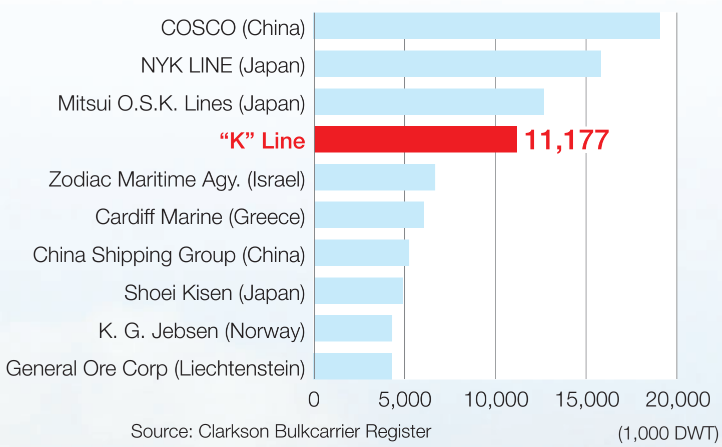


Source: AXSliner

(*1) CKYH: COSCON, "K" Line, Yang Ming, Hanjin
(*2) GA: Grand Alliance
Hapag-Lloyd, NYK LINE, MISC, OOCL
(*3) TNWA: The New World Alliance
APL, Hyundai, Mitsui O.S.K. Lines

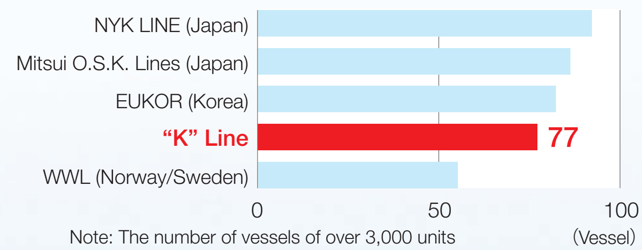
Dry Bulk and Car Carriers

Top Ten Carriers in Terms of Owing Tonnage of Dry Bulkers
(as of March 2009)



Source: Clarkson Bulkcarrier Register

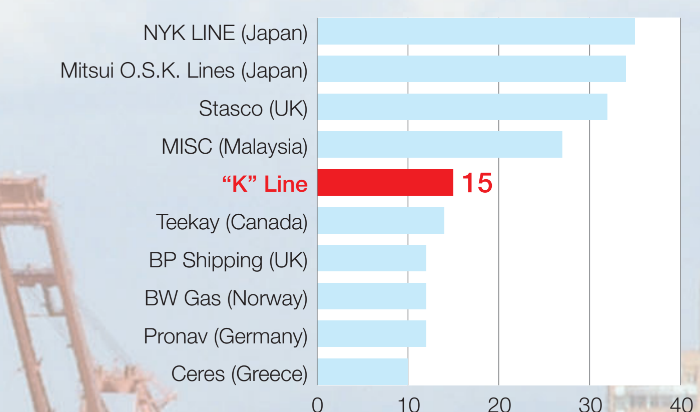
Top Five Carriers in Terms of Operating Car Carriers in Number
(as of July 2008)



Note: The number of vessels of over 3,000 units
Source: Fearnleys World PCC Fleet

Energy Transportation Carriers and Tankers

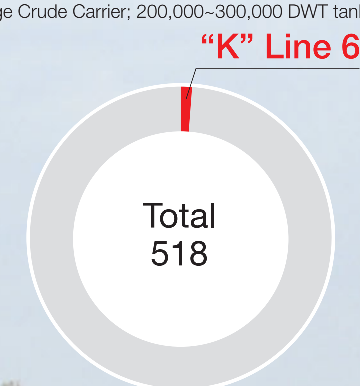
Number of Managed LNG Carriers (by shipping company)
(as of March 2009)



Researched by "K" LINE

Number of VLCCs in Operation (As of January 2009)

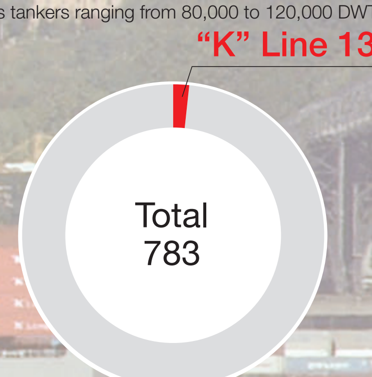
VLCC: Very Large Crude Carrier; 200,000~300,000 DWT tankers



Source: Clarkson Tanker Register

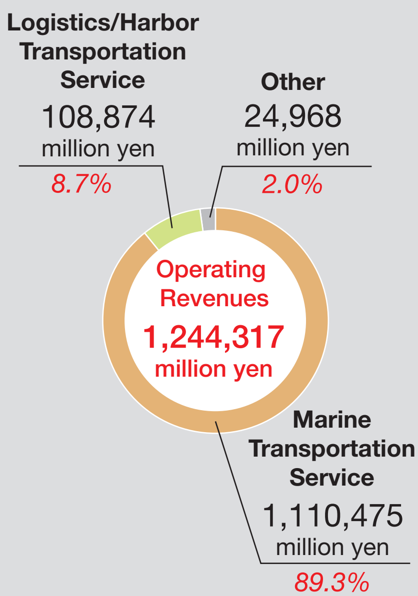
Number of Mid-Sized Tankers (AFRAMAX) in Operation
(As of January 2009)

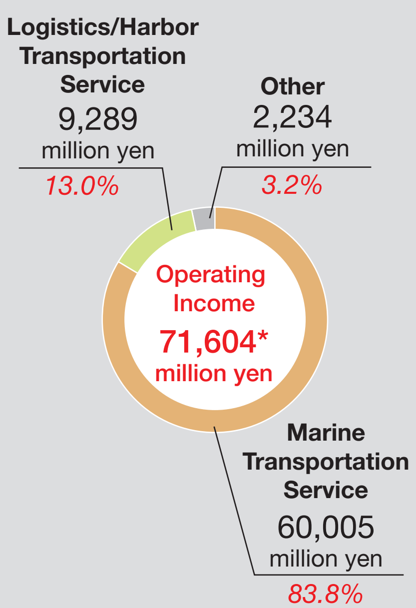
AFRAMAX means tankers ranging from 80,000 to 120,000 DWT



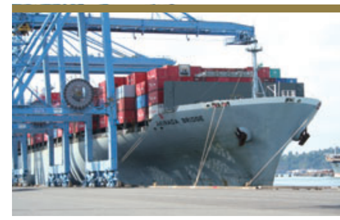
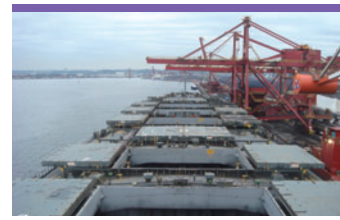
Source: Clarkson Tanker Register

"K" LINE at a Glance (Business Performance by Segment)





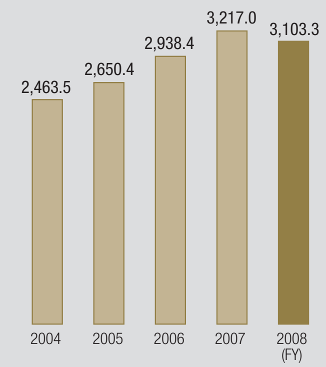
* Total amount of operating income has eliminated inter-segment transactions.

Segment (number of consolidated companies)	Operations	
Marine Transportation Service (235)	Containership Operations	
	Dry Bulk and Car Carrier Operations	 
	Energy Resources Transportation Operations	
	Heavy Lift Operations	
	Short Sea, Coastal and Ferry Operations	
Logistics/Harbor Transportation Service (55)	Total Logistics	
	Port Operations	
Other (21)	Other	

Lines of Business	Overview of Sector Results
Containership Services ➡P20 We are operating East/West trunk lines linking Asia/North America, Asia/Europe and Europe/North America through an Alliance with prominent shipping companies of China, Taiwan and South Korea. In addition, our global operations include both Intra-Asia and North/South service networks.	The worldwide economic slowdown has reduced cargo movement not just in Europe and the USA, but all over the world. Against this backdrop, "K" Line's containership cargo volume declined by 4% overall in fiscal 2008 compared with the previous year. With the decrease in cargo movement, shipping demand worsened, and average freight rates also fell. The Company worked to realign its assignment of ships and lower costs by reducing frequency of east-west routes and so on, but both revenues and profits decreased compared with the previous year.
Dry Bulk Carrier Services ➡P22 We transport raw materials such as coal, iron ore, grain and paper products by bulk carriers. Recently, in addition to Japan-bound shipments, we have been aggressively pursuing off-Japan trade such as that which is China and India-bound, also in the Atlantic. **Car Carrier Services** ➡P24 Since 1970 when "K" Line deployed Toyota Maru No.10 as Japan's 1st PCC (Pure Car Carrier), we have been recognized as a pioneer engaged in safe and prompt transportation of completed cars.	In dry bulk carrier services, factors such as a rapid increase in Chinese imports of iron ore caused the dry bulk market to reach an all-time high record, with record profits through the first half. With the global economic slowdown beginning in the third quarter, however, cargo movement slowed, and the market suddenly dropped to record low levels. "K" Line worked to lift up the proportion of medium- and long-term contracts in order to minimize the impact of market fluctuations and strove to cut fuel and operating costs, but was unable to overcome the impact of the suddenly worsening market conditions. Income and profit thus both declined relative to the previous term. In car carrier services, cargo movement was favorable through the second quarter, but as the world economy rapidly cooled off from the third quarter on, cargo movement to the USA and to emerging nations and resource-rich countries fell sharply. The Company worked to cut expenses through measures such as decreasing fuel costs and adjusting ship space by scrapping aging vessels, but both revenues and profits were down compared with last year.
Energy Transportation and Tanker Services ➡P26 Our services consist of liquefied gas transportation by both LNG and LPG carriers as well as transport of crude oil/oil products by tankers.	As for LNG carriers, "K" Line secured steady revenues in line with the expansion of fleet, which totals 14 new vessels that were delivered, including 8 mega-ships, so called "Q-Flex," for the RasGas III project and 3 for Tangguh projects. As for oil tanker services, due to favorable freight market conditions, "K" Line secured higher profit compared with previous fiscal year.
Heavy Lift Services ➡P28 We are operating our heavy lift services business jointly with the SAL group, a dedicated heavy lift player in which we made an equity investment. Demand for large-scale cargo transport related to energy and infrastructure development is steady, and therefore we expect this business to be one of the major business sectors for the company.	With a steep rise in resource prices, movement of heavy cargoes related to petrochemical plants and infrastructure for exploitation of natural resources remained vigorous, filling ships virtually to capacity. Together with the drop in fuel costs from the third quarter on, stable profits were secured.
Short Sea, Coastal and Ferry Services ➡P29 Kawasaki Kinkai Kisen Kaisha, Ltd. and other companies in the group provide domestic marine transport services using cargo and passenger ferries, high-speed cargo ferries, roll-on/roll-off (RORO) vessels for transporting paper, dedicated vessels to carry limestone for cement production, and general cargo carriers, as well as cargo liners and bulk carriers to and from Asia.	In the Short Sea sector, both revenues and profit rose above those of the previous term. Although there were some ominous signs during the second half of the year, the overall market for tramp service was at a high level, while cargo volume for liner service remained stable. In the Coastal Shipping sector, factors such as completion of two new coal carriers for use in tramp service and long-term contracts for liner service brought stable cargo volume. In the Ferry sector, an increase in the number of departures on the Hachinohe-Tomakomai route resulted in higher truck cargo volume.
Total Logistics Services ➡P30 We are concentrating our efforts on making certain that our network responds as accurately as possible to the remarkably advanced demands of customers in today's rapidly developing logistics market. We provide total logistics services, including logistics solutions, by consolidating the knowhow and broad experience of all members of the "K" Line Group.	In the Total Logistics Business sector, although profits from domestic trailer transportation services stayed at about the same level as last year, the worldwide decline in container cargo worsened earnings in buyer's consolidation services. From the third quarter on, a sharp decrease in airfreight resulted in worsening revenues in air forwarding business.
In addition to the above, Group companies operate ship management, real-estate management and other businesses.	Both revenues and profits increased.

Containership Services

Cargo Volume Carried by Containerships
(in 1,000 TEU)



TEU: Twenty foot equivalent unit

Overview of Fiscal 2008

The US subprime loan problem led to a recession and negative growth in that country beginning in the second half of 2007. Cargo movement to North America thus worsened as we entered 2008. Following the “Lehman shock” in September 2008 in particular, the trend towards decreased cargo movement, especially of consumer products and auto parts, accelerated. For the year as a whole, it was down sharply, by 8% compared with the previous term.

After recording double-digit growth in shipping to Europe during the previous year, “K” Line added one departure and worked to enhance its European routes, where further growth was expected during 2008. However, the financial crisis in the US spread to Europe as well, and cargo movement decreased rapidly beginning in the second half of 2008. For the year as a whole, it fell by about 2%. As for north-south routes including South America and Africa, where growth has been high, South American routes, especially to Brazil, remained strong, with southbound cargo movement growing by double digits. As with Europe, however, cargo movement slowed rapidly beginning in the second half of 2008. “K” Line considers north-south routes to be a growth market and is systematically expanding service over the medium-and long-term. Along with expanding South American East and West Coast routes, the Company began feeder service to Brazil’s Amazon Basin and to West African nations, where sustained growth is expected.

In the Asian region, stable growth of about 5% continued, but automobile related freight, the mainstay of cargo movement, slowed. Cargo for the Middle East grew by

Container Vessel Fleet Composition

	End of March 2008	End of March 2009
5,500 TEU Over	22 vessels	24 vessels
3,500 TEU type (3,400-4,700)	24 vessels	25 vessels
2,800 TEU type (2,700-2,900)	8 vessels	5 vessels
2,000 TEU type (1,500-2,500)	17 vessels	20 vessels
1,400 TEU or under	28 vessels	24 vessels
	99 vessels	98 vessels

about 7% overall for the year, but an increase in ship space caused striking fluctuations in market conditions for freight rates.

In response to the rapidly worsening business environment and the slowdown in cargo movement that began in October 2008, “K” Line implemented various measures to rationalize its ship assignments and cut costs to increase competitiveness. These included decreasing the number of departures on its North America and European routes, consolidating service on its Middle Eastern routes, and cooperating with other shipping lines. Even so, falling freight rates due to worsening supply and demand had a major impact, leading to decreased revenues and profit.

Fiscal 2009 Business Plans and Outlook

Because of the global economic slowdown, cargo movement during fiscal 2009, as in fiscal 2008, is expected to be sluggish not only on North American and European routes but on north-south routes as well. Furthermore, there is concern that the completion of a large number of mega-sized ships will worsen supply and demand and slow the market’s recovery. The harsh business environment is therefore expected to continue.

Looking at cargo movement by routes, although cargo movement on North America routes is expected to hit bottom during the first half of 2009 and slowly rebound, it is expected to be about the same as 2008 on an annual basis. On European routes, cargo movement is expected to decline on an annual basis, with real recovery not coming until 2010. On north-south routes and Asian regional routes, cargo movement growth of about 5-10% is expected.

In this difficult business environment, “K” Line has two 9,000-TEU vessels and four 4,300-TEU vessels scheduled for completion. They are to be assigned to North Europe and North America West Coast routes as the Company works to improve its quality of service. During fiscal 2009, “K” Line will work to optimize the size of its fleet. It will return chartered ships whose long-term contracts have expired, dispose of aging ships and lay up excess tonnage.

On South America East Coast routes, “K” Line will work to rationalize ship assignments in accordance with cargo movement and cut costs through measures such as consolidating its twice-weekly departures to once a week in cooperation with PIL*, NYK and HMM*.

*PIL: Pacific International Lines (Singapore)
*HMM: Hyundai Merchant Marine (Korea)

Topics

Rationalization of Vessel Assignments

✤ North America routes:
- Reduced departures on North America East Coast routes (on a CKYH* Alliance basis, decreased six weekly departures to four, starting October 2008)
- On North America West Coast routes (Asia-California routes), began coordinating ship assignments with Wan Hai Line and PIL (starting March 2009)
- Down-sized North America West Coast routes (Asia-North America West Coast northern routes, starting February 2009)

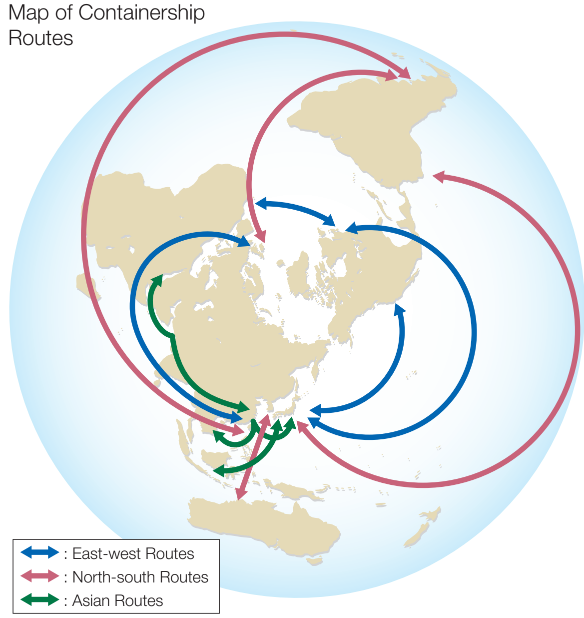
✤ European routes:
- Reduced departures on Northern Europe routes (on a CKYH* Alliance basis, decreased eight weekly departures to five, starting December 2008)
- Reduced departures on Mediterranean routes (on a CKYH* Alliance basis, decreased five weekly departures to three, starting October 2008)

✤ South America West Coast routes:
- In cooperation with Mitsui OSK Lines, decreased two weekly departures to one (starting February 2009)

✤ Middle East routes:
- Rationalized ship assignment by shifting to large ships and consolidated two routes into one in cooperation with Wan Hai Line and PIL (beginning November 2008)

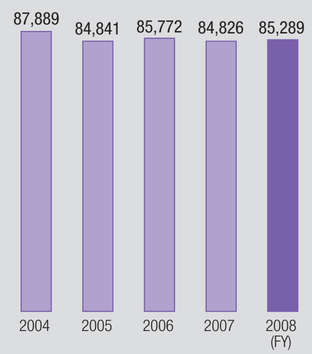
*CKYH: The world’s largest shipping alliance, named using the initials of the four companies involved, COSCON (China), “K” Line, Yang Ming (Taiwan), Hanjin (Korea)

Map of Containership Routes



Dry Bulk Carrier Services

Cargo Tonnage Carried by Bulk Carriers
(in 1,000 kilotons)



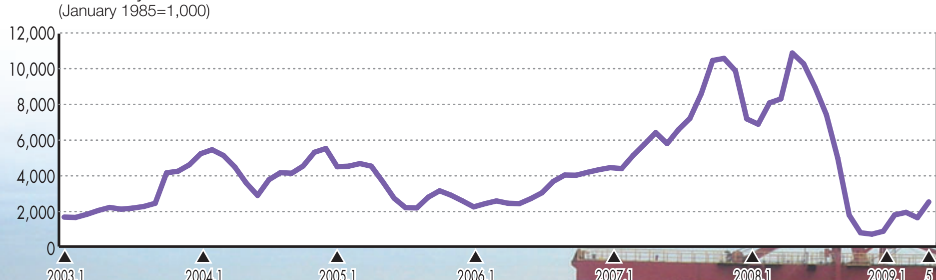
Overview of Fiscal 2008

During fiscal 2008, as in the previous fiscal year, China's crude steel production and iron ore imports were increasing at an annual rate of more than 10 percent at the beginning of the year. With this vigorous demand for cargo movement, the market for dry bulk carriers soared. The charter rate for capesize vessel reached nearly $300,000 per day and hit a histrical high in May 2008. Beginning in June, however, production activity slowed and cargo movement grew sluggish as the market entered an adjustment phase. Entering the second half of the fiscal year, the financial instability and credit contraction caused by the September failure of Lehman Brothers led to a worldwide economic slowdown. At the same time, demand for resources in emerging nations fell sharply. Financial instability such as a halt to the issuance of import letters of credit aggravated the slowdown in cargo movement. In contrast to the first half of the term, there was suddenly an oversupply against shipping demand. Moreover, the physical market dropped below actual demand because withdrawal of speculative funds led to a sharp drop in freight futures market. Therefore market softening and sluggishness to a level below that of the real economy continued.

Amidst these conditions, "K" Line worked to increase the proportion of medium- and long-term contracts with reliable customers in order to minimize its risk from fluctuations in the spot market. At the same time, the Company strove to cut operational costs through measures such as reducing fuel costs through more efficient ship assignment and lower cruising speeds. For the sector as a whole, however, despite the record profits during the first half of the term, the rapidly worsening market environment during the second half caused both revenues and profits for the entire year to decrease compared with the previous term.

As for marketing activities by subsector, in coal & iron ore carrier group, "K" Line signed medium-and long-term consecutive voyage contracts with steel companies in Japan and abroad. Besides above, noting its preparation of large-scale port facilities capable of handling capesize vessels, the Company signed a 10-year consecutive voyage contract with Korea Western Power to carry thermal coal beginning in 2009, thereby expanding its customer base and securing stable profits. In Europe, the independently

Baltic Dry Index
(January 1985=1,000)



operated “K” Line Bulk Shipping (UK) Ltd. incorporated demand within the Atlantic region and contributed to expansion of operational scale and to earnings.

In the thermal coal carrier subsector, during fiscal 2008 “K” Line accounted for a cargo volume of approximately 14 million tons out of total imports of around 80 million tons by Japanese power companies. This was about the same as during the previous fiscal year. In the woodchip and pulp subsector, the first specialized vessel for Hokuetsu Paper Mills named MV *Hokuetsu Ibis* was completed and contributed to expansion of business.

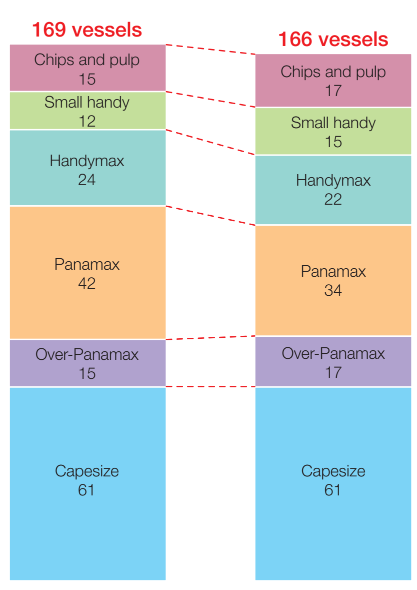
In Panamax and handy bulker subsector, MV *Yusho Spica*, a Panamax vessel is engaged in consecutive voyage contract with India’s JSW Steel. Upgrading of the Company’s small and medium size fleet progressed, including at the independently operated “K” Line Pte Ltd in Singapore. This subsector enjoyed the benefits of the soaring market during the first half of the term and contributed to the Company’s earnings.

Fiscal 2009 Business Plans and Outlook

Regarding the global economy, governments around the world are aggressively applying economic stimulus measures such as the Chinese government’s domestic-demand expansion policies, but it appears that it will take some time before a real recovery begins. Therefore, the volume of cargo movement during this term is likely to remain at the same level as fiscal 2008. As for shipping supply and demand, adjustment of tonnage supply due to the market downturn is expected. This will likely take place through the scrapping of aging ships, the failure of new shipyards due to financing problems, and delays in delivering ships ordered while the market was soaring.

Amidst this environment, during fiscal 2009 “K” Line will work to upgrade its fleet by adding 17 state-of-the-art newbuildings, including two 300,000-ton iron ore carriers. However, the Company will also work to cut expenses and improve profitability by reviewing its mid-term plans for fleet upgrades, temporarily freezing investment in newbuildings, early re-delivering high-cost chartered vessels, and restructuring its fleet by selling off or scrapping unprofitable and surplus vessels. With the worsening economy since the second half of 2008, both charterers and shipping companies have been selecting business partners with an eye to the risk of business failures. This has led to an increased presence for “K” Line with its world-class operational scale and record of accomplishments. In order not to miss this opportunity, the Company will further strengthen its marketing in overseas locations such as the USA, UK, Singapore, China, India, Brazil and the Middle East.

Number of Bulk Carriers by Type



Small handy:
Cargo capacity is about 10,000-35,000 deadweight tons

Handymax:
Cargo capacity is about 35,000-60,000 deadweight tons

Panamax size:
The largest ships that meet passage limits for the Panama Canal
Dry bulk carriers of 60,000-80,000 deadweight tons

Over-Panamax:
Dry bulk carriers of 80,000-100,000 deadweight tons, their hulls are too wide to meet the limit for passage through the Panama Canal (typified by the *Corona* series)

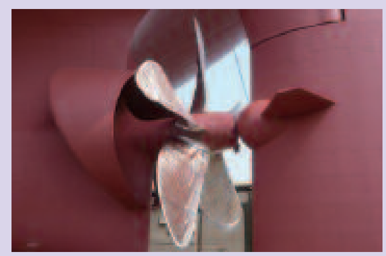
Capesize:
Dry bulk carriers with cargo capacity over 100,000 deadweight tons

Topics

“K” Line’s First 300,000-ton Iron Ore Carrier Launch of MV *Grande Progresso*

In May 2008, the very large iron ore carrier MV *Grande Progresso* was launched. It is used for JFE Steel, with loading in Brazil and unloading in the Philippines. Developed with the aim of building the optimal large carrier for iron ore, this revolutionary 300,000-DWT iron ore carrier was built with an eye on deep-water terminals in Brazil, one of the world’s largest iron ore producers, but it can also enter major ports in Western Australia as well. Completion of this first “Unimax Ore” ship is an event worth commemorating.

The ship is equipped with a hull strong enough to easily accept diverse cargo stowage conditions, and each cargo hold is equipped with the world’s largest one-panel hatch covers to enable efficient loading and unloading. Because it uses a design developed by Universal Shipbuilding to reduce fuel costs, it realizes much better propulsive performance and fuel efficiency than conventional large iron ore carriers.



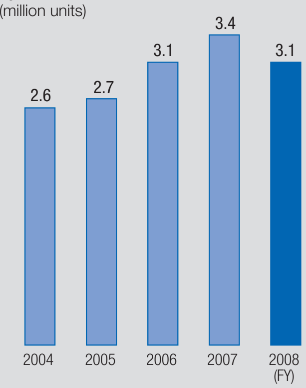
The stern propeller area, which helps reduce fuel consumption

“K” Line Signs Contract with Biowood Norway AS for Two Specialized Chip Carriers

“K” Line has signed a contract with Biowood Norway AS for two specialized woodchip carriers to supply the Norwegian company with materials for wood pellet manufacturing. The vessels will go into service in December 2010. Biowood plans to use imported woodchips to produce 450,000 tons of wood pellets annually for sale to power companies in Norway and abroad. Wood pellets are attracting attention as a sustainable energy source with a low impact on global warming. Power companies in Europe are moving to adopt biomass fuels such as woodchips and wood pellets for thermal power generation in order to reduce CO_2 emissions.

Car Carrier Services

Completed Built-Up Cars Transported by Car Carriers
(million units)



Overview of Fiscal 2008

During the first half of fiscal 2008, cargo movement of completed built-up cars continued strong from the previous term. After the “Lehman Shock” in September 2008, however, worldwide financial instability and sluggishness in the real economy led to a global slowdown in automobile sales. By beginning of 2009, demand for ocean transport of vehicles was sharply reduced not only to the US and Europe which were the epicenter of the financial crisis but also to emerging nations and resource-rich countries which had been relatively immune to recession.

Although falling auto sales in the US market led to a drop in cargo movement to the US. “K” Line’s transport cargo volume during the first half of the term was increased by a solid 6 percent thanks to the vigorous cargo demand from emerging nations and resource-rich nations. Upon entering the second half of the term, however, the relatively healthy cargo movements to those areas also fell sharply. Cargo volume fell to 3.09 million vehicles, a drop of 9 percent on a year-on-year basis. In the January through March 2009 quarter in particular, inventory adjustment by automakers contributed to a fall in cargo volume of more than 40 percent compared to the same period a year earlier.

In order to continue expanding the fleet and building transport capacity, the Company added four new buildings during the term, but with the remarkable change in the business environment, the “K” Line Group responded to the sharp drop in cargo movement by beginning to scrap some of its own ship space at the end of 2008. The Company also adjusted ship space through long-term lay-up. As a result of these ship reductions, the fleet of vessels operated by the Group decreased from over 100 vessels at the end of fiscal 2007 to around 90 vessels at the end of fiscal 2008.

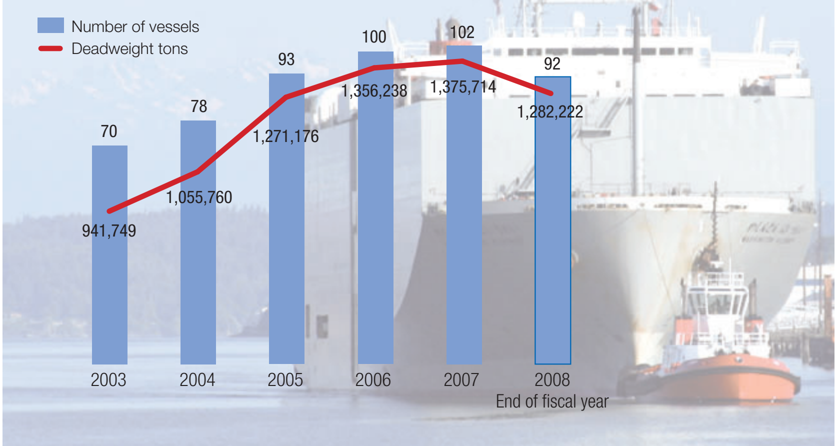
Fiscal 2009 Business Plans and Outlook

Reflecting the rapid decline in overseas sales that began in January 2009, Japanese automakers have all entered a period of inventory adjustment, with export volume less than half of what has been customary. The US auto sales market is the key to forecasting business conditions in fiscal 2009, and at this point there are few signs of recovery. However, inventories in various regions are expected to have generally reached the correct levels by the end of April 2009, so cargo movement is expected to gradually recover after beginning of May.

"K" Line prospects that the number of automobiles exported from Japan during fiscal 2009 will decrease by about 30 percent compared with the previous fiscal year, while overall cargo movement worldwide will also fall by somewhat less than 30 percent. The Company prospects that during the two subsequent years, 2010 and 2011, cargo movement will recover to about where it was during fiscal 2008. "K" Line is therefore examining whether to move up plans to scrap vessels that will become excess ship space.

Fiscal 2009 is expected to present an unprecedentedly harsh business environment. "K" Line is therefore working soberly to cut operational costs by saving fuel through slower steaming speeds and rounding the Cape of Good Hope to avoid passage fees for the Suez and Panama Canals as well as trying to improve earnings. As for the broad service network throughout the world that has become "K" Line's trademark, the Company's policy is to maintain it to the extent possible in order to respond appropriately to customer needs.

Car Carriers as of the End of the Fiscal Year (Consolidated)



Topics

Full-Scale Loading Terminal Established in Singapore (AATS)

In order to enhance its hub-and-spoke functions, "K" Line has joined PSA Corp. Ltd. and NYK to establish a specialized automobile carrier terminal (Asia Automobile Terminal (Singapore) Private Ltd.) in Singapore. It began operating in January 2009.

"K" Line's first dedicated car carrier terminal is positioned mainly for major markets such as Asia, Europe, the middle East and Africa. In addition to services already provided by "K" Line, in the future the Company hopes to use the terminal for exports from China and India.

"K" Line Receives a Special Award at the 9th Environment-Friendly Logistics

In order to help protect the environment, "K" Line decided on its own initiative to limit the speed of its car carriers to 12 knots or less while inside Ise and Mikawa Bay. During 2008, this reduced CO_2 emissions by 818 tons.

The effort was highly regarded and received a special award at the 9th Environment-Friendly Logistics (hosted by the Japan Federation of Freight Industries).

Energy Transportation and Tanker Services

Overview of Fiscal 2008

LNG Carrier Services

Despite negative impacts of the worldwide economic downturn, world demand for natural gas has grown by 4 percent per annum since summer of 2008 compared with the previous fiscal year, mainly due to economic growth in emerging countries. As for international trade in natural gas, pipeline transport from regions such as Central Asia and the Middle East grew by over 20 percent per annum, but the volume for seaborne trade of LNG (liquefied natural gas) was maintained at about 165 million tons, which is about the same as the previous year.

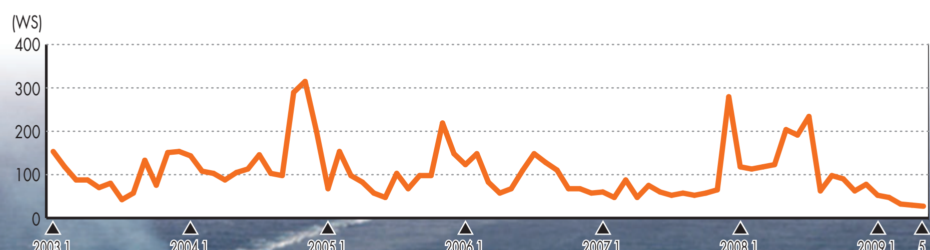
In this market environment, "K" Line worked aggressively to expand its LNG carrier fleet with long-term time charter contracts with new LNG projects, aiming for sustainable expansion of the business. Eight newly-built mega-ships, which are called "Q-Flex" for Qatar RasGas Ⅲ project, and one new ship for the Sakhalin project, that promises to become a new natural gas source in the Far East, were added to our fleet.

For the Indonesian Tangguh project of which "K" Line was independently awarded a contract, three newly-built vessels having an advanced eco-friendly propulsion system, were launched. These are to be in service during fiscal 2009. LNG carrier fleet in which "K" Line is involved amounted to 47 as of the end of fiscal 2008 by addition of the further two newbuildings.

Oil Tanker Services

The crude oil market, which started from a level over $100 per barrel at the beginning of the year in WTI (West Texas Intermediate) NY future market, finally recorded historically highest level of $147 per barrel in July 2008. However, the world demand for oil sharply declined in the second half of fiscal 2008 due to serious concern for the escalating world financial crisis. The VLCC market remained at a high level during the first half of the year, but it fell to its bottom level in August. Beginning in the autumn, however, the market

Index for Freight Rate Market of VLCC
(VLCCs, Arabian Gulf/Japan in Worldscale)



rebounded and remained at a relatively stable level. This resulted in an annual average of WS110 for the Middle East-Japan.

Under such market environment, "K" Line secured stable revenues by VLCC and LPG tankers owing to long-term contracts, and expanded its fleet of Aframax tankers, which was enjoying a favorable freight rate market.

As for large petroleum products tankers, owing to the favorable market level due to the solid demand for transport of naphtha from the Middle East to Japan, Korea, and Taiwan, and sharp increase of petroleum products such as Gas oil and Jet fuel from Far East or Middle East to Europe, which resulted from the new regulation of low-sulphur fuel and lack of domestic refining capacity in European countries, the market situation allowed "K" Line to secure profits that were substantially higher than the previous fiscal year.

Fiscal 2009 Business Plans and Outlook

LNG Carrier Services

Although the growth of world demand for natural gas is likely to be sluggish in the short term by the impact of the worldwide economic downturn, in the long run steady increase is expected for "clean" energy which is friendly to the environment. Currently the market for LNG carriers is at a relatively low level since inauguration of several new LNG projects is behind original schedule and due to the worldwide economic downturn, but supply and demand of LNG carriers is expected to be gradually recovered as new LNG projects go into operation.

In the middle of fiscal 2009, one new LNG carrier is to be delivered for Indian Petronet LNG. "K" Line will continue services of LNG carriers in line with the diversification of world LNG shipping needs in the future.

Oil Tanker Services

Seaborne trade of crude oil and fuel oil is expected to be sluggish temporarily because of uncertainty about the global economy. While dramatic recovery in cargo movement for developed countries cannot be expected, on the other hand, there is an expectation that oil demand will continue increasing in emerging countries such as China and India as their economies enjoy strong development. As for supply and demand of tankers, sluggish market conditions have been accelerating the phase-out of single-hull tankers, while economic instability is constraining orders for building new tankers. Delivery of some new-buildings might be delayed or cancelled due to the financial crisis. In this respect, extreme oversupply of oil tankers is not expected.

As for petroleum products tankers, declining demand for petroleum products combined with seasonal factors may cause a temporary downturn in the market. However, as structural factors in Europe, such as environmental regulations which cause increase of demand for low-sulphur Gas oil, with shortages to be made up for through imports from the Far East and India, steady cargo movement to Europe is expected. As a result, gradual recovery is expected for petroleum products transportation sector.

"K" Line is promoting expansion of its tanker fleet by adding newly-built vessels for both crude oil and petroleum products transport, and continues to enrich our service based on further strengthening the establishment of safe operations and business strategy by looking to the future. In addition, "K" Line Pte Ltd, a group company wholly-owned by "K" Line, is steadily expanding its business, mainly in Asia, by continual growth of its fleet of Aframax crude oil tankers (100,000-ton size).

Topics

Delivery of Three Newly-Built LNG Carriers for Tangguh Project

Three new LNG carriers were delivered for Tangguh LNG project. These are all LNG carriers managed and operated by "K" Line Ship Management Co., Ltd., a group company wholly-owned by "K" Line.

First ship:	*Tangguh Foja* (delivered in November 2008)
Second ship:	*Tangguh Jaya* (delivered in December 2008)
Third ship:	*Tangguh Palung* (delivered in March 2009)
Charterer:	The Tangguh Production Sharing Contractors
Charter period:	20 years (time charter contract)
Ship type:	154,800 m^3 GTT Mark III membrane type
Special feature:	Equipped with the newest DFDE (dual fuel diesel electric) engines*

*This newest engine provides propulsion, utilizing the electric energy which is converted from the energy generated by the mixing combustion of boil-off gas and fuel oil, and has advantage of thermal efficiency compared with conventional steam turbine engine.

LPG Carrier *Summit River* Completed

In July 2008, the 80,000-m^3 very large LPG carrier *Summit River* was delivered at Kawasaki Shipbuilding Corp.'s Sakaide Works. This vessel was equipped with the newest booster pump and reheater.

Heavy Lift Services

Overview of Fiscal 2008

Fiscal 2008 was the 2nd year since “K” Line re-entered the heavy lift services in April 2007 through capital participation in the SAL Group, and we have steadily and successfully expanded scale, scope and performance for this business through the year.

Backed by the remarkable rise of prices for resources, especially crude oil, during the first half of the fiscal year, movement of cargo for energy development-related facilities such as oil refining and petrochemical plants and power plant transformers and other infrastructure-related heavy freight was solid and stable. Movement of this type of cargo remained steady even after the “Lehman shock” in September 2008, and with three newbuildings launched during the year we could secure good business results.

Fiscal 2009 Business Plans and Outlook

Unlike cargo movement of general consumer goods, movement of plant-related cargo is less directly impacted by the economic cycle. However, with the worldwide economic slowdown and the accompanying fall in energy resource prices, a striking trend towards delaying energy development projects has become notable. We are therefore somewhat apprehensive that such trend may result in a slowdown in demand for cargo transport, accompanied by a drop in freight levels.

In order to maintain profitability even in this business circumstance, SAL will work on curtailing operating costs through various measures such as efficient vessel allocation and reduction of fuel consumption. Furthermore, in order to control increases in crew costs while maintaining and improving quality of our crews, SAL will soon establish its own crewing agency in the Philippines. Crews will receive training at “K” Line’s own training facility, “K” Line Maritime Academy.

Topics

In February 2008, a state-of-the-art heavy lifter featuring a navigating speed of 20 knots and equipped with a pair of 700-ton cranes (able to lift 1,400 tons working in tandem) was completed. A series of three more of this same type vessel were completed in April and November 2008 and February 2009, respectively, to comprise a fleet of four vessels. Taking the opportunity of the first entry to the Japanese port by M.V. *Frauke*, the first newbuilding among the four, in May 2008 we held an open-house celebration where we invited many customers and business partners so that we could introduce this new state-of-the-art heavy lifter to them.

Short Sea, Coastal and Ferry Services

Overview of Fiscal 2008

Short Sea Services:

In the tramp sector, although there were some ominous signs during the second half of the fiscal year overall the market remained at a high level, with sharply improved earnings. In the liner sector, the outward-bound cargo volume of steel products for Southeast Asia continued at a stable level. Inbound shipments of Malaysian plywood were sluggish, so "K" Line aggressively sought to make up the difference by handling products such as gypsum and sugar.

Coastal Services:

In the tramp sector, cargo volume for specialized limestone carriers of steel and cement factory remained stable. In addition, new coal carriers were completed in April and November and began transporting coal in Tokyo Bay.

In the liner sector, long-term contracts with customers secured stable cargo volume for paper carriers, but soaring fuel oil prices during the first half of the fiscal year pressured profits.

Ferry Services:

On the Hachinohe-Tomakomai route, the increased number of departures with a four-vessel operation contributed to increased truck cargo volume.

Fiscal 2009 Business Plans and Outlook

Short Sea Services:

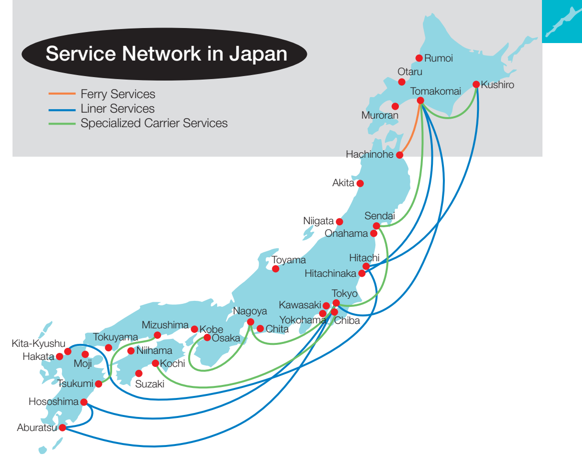
In the tramp sector, the market has fallen sharply. The environment for dry bulk cargoes such as coal, which is the mainstay of this sector, is likely to be harsh. In the liner sector as well, lower fares and cargo volume for steel and timber products leading to worsening revenues seem unavoidable. "K" Line will work carefully to adjust ship space and lower operational costs.

Coastal Services:

In the tramp sector, "K" Line will work to maintain stable cargo volume for limestone and coal carriers in domestic transport. In the liner sector, the Company will work to make operation of its routes for Kanto-area freight, focused on the Port of Hitachinaka, more efficient.

Ferry Services:

On the Hachinohe-Tomakomai route, "K" Line will make safety its first priority as it works to stabilize passenger and truck transport. The Company will strive to improve convenience and service on this route that is an important part of daily life in the area.

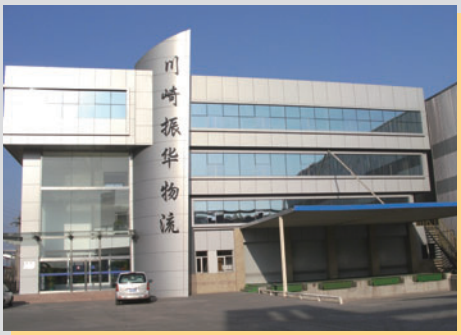


Topics

Coal carriers *JP Cosmos* and *JP Tsubaki* launched

The *JP Cosmos* and *JP Tsubaki* went into service in April and November, respectively, for J-Power's Isogo Power Station. In order to meet environmental regulations for the area, the ships have automated loading and unloading equipment installed in order to prevent flying dust. In addition, the ships have equipment allowing them to receive electricity from the shore when alongside a pier and they use only type A fuel oil while operating in Tokyo Bay. These efforts have resulted in large reductions in emissions of air pollutant such as NOx and SOx.

Total Logistics Services



Total logistics services in Thailand

Milk Run Services

K Line (Thailand) Ltd. currently utilizes about 70 six-wheeled trucks (with about seven tons of cargo capacity) to provide milk run services (making circuits of factories to deliver manufacturing parts) to automakers, auto parts manufacturers and home electronics manufacturers. All trucks have GPS equipment installed and are on to-the-minute schedules. With safety as the highest priority, the trucks operate round the clock at a frequency of 200 trips daily.

Car Carrier Truck Services

K Line (Thailand) Ltd. has 40 car carrier trucks and since April 2004 has been providing major automakers with transport services for completed cars for exports and for delivery to dealers all over Thailand. During these five years, the Company has transported about 450,000 vehicles, earning a stellar reputation.

(Under photo: ground transportation vehicles in Thailand)

Overview of Fiscal 2008

In our medium-term management plan, "K" LINE Vision 100, "K" Line laid out its management strategy for the Group's logistics business as utilizing "proposal-type sales activities that read future logistics needs" and "provision of thoughtful service rooted in each local community" to build "global partnerships with customers."

In the air freight forwarding sector, vigorous cargo movement continued from the previous fiscal year. Volume of consolidated cargo from Japan in particular rose sharply, with favorable results until summer. Beginning around October, however, the global financial crisis caused a downturn in transport needs. The semiconductor market in particular cooled off strikingly, causing a dramatic drop in handling of semiconductor manufacturing equipment, which had been one of the sector's specialties. In order to put a halt to declining profitability under these conditions, measures to cut costs in every area, including reducing cost of purchases, were undertaken.

In the ocean freight forwarding sector as well, the global slump in movement of container cargo had an impact. Realizing that some customers would need to switch from air freight to ocean freight in order to cut costs, "K" Line was able to increase volume as it worked to enhance the ocean freight sector.

In the buyer consolidation sector as well, the drop in ocean container cargo due to falling demand was unavoidable. The sector was, however, successful in expanding its customer base as international transport and supply chain management services were ordered by major global e-commerce companies involved with selling books, music software and miscellaneous goods who were impressed by the "K" Line Group's VMS (Visibility Management System).

Fiscal 2009 Business Plans and Outlook

With logistics needs having fallen sharply beginning in the autumn of 2008, movement of neither air nor ocean freight is likely to recover dramatically in the short term. Under these circumstances, improved profitability must be a priority for this sector. In addition to thoroughly controlling costs and strengthening business collaboration with Group companies, "K" Line will use information technology as a tool to provide high quality services, such as its advanced logistics management system, and work to improve cargo volume and profits.

Corporate Governance

For a company to perform its social responsibilities and achieve sustained growth, it is essential to establish and maintain a good corporate governance system as well as a good risk management system. We are striving to increase shareholder value by ensuring a high level of corporate ethics throughout the Group and building an effective corporate governance system across the Group. In addition, we established four committees to deal with business-related risks in the areas of ship safety promotion, disaster response, compliance and management risks, as well as a Crisis Management Committee to supervise the four committees.

Structure of Business Execution

We introduced the Executive Officer System and have been endeavoring ever since to upgrade efficiency of management through assigning responsibility and consequential speedier decision-making.

Board of Directors:

The Board of Directors exists as an organization for decision-making on the basic direction of management, matters stipulated by laws and regulations and other important management issues, as well as for overseeing the performance of duties. The Board is convened more than once every month. Two outside directors were newly introduced in June, 2009.

Executive Officers Meeting:

An Executive Officers Meeting is convened two times every month, in principle, and all Executive Officers including those who serve as director concurrently and Auditors participate in the Executive Officers Meeting in order to contribute to the President's decision-making through free discussion among all Executive Officers/Auditors and to achieve full compliance and share information related to important management issues.

Board of Auditors:

Three out of the five auditors shall be outside auditors specified in the Corporate Law of Japan.

Management Conference:

A Management Conference is held once a week for Representative Directors and relevant Directors/Executive Officers in order to freely exchange opinions on major management issues and in order to further enhance the transparency and promptness of management decisions and policies.

(A list of Directors, Auditors and Executive Officers as of July 1, 2009 can be found on P. 33)

Internal Control System

The Board of Directors, and under its direction, Executive Officers and General Managers in charge of specific business operations, is responsible for establishing internal controls, assessing their effectiveness and ensuring that they function properly.

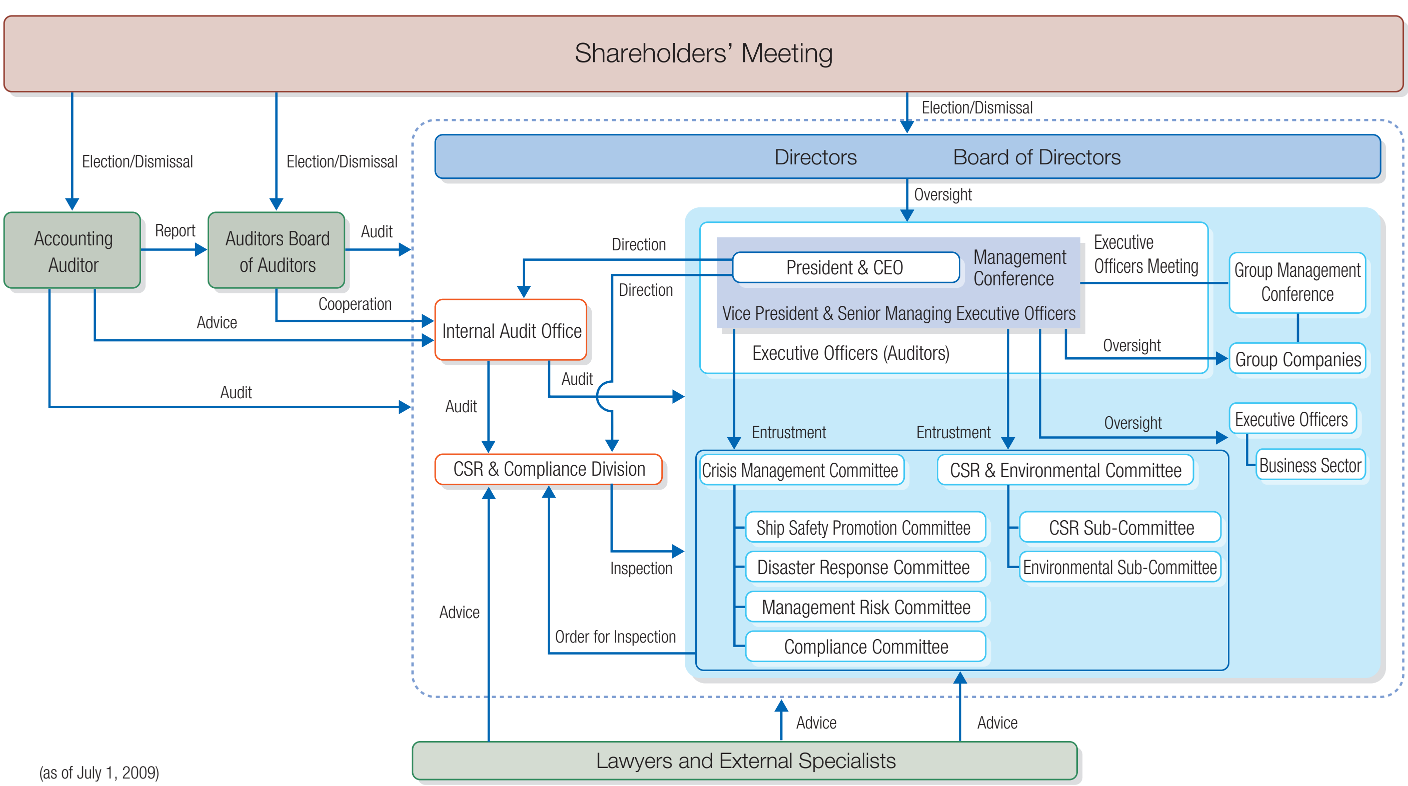
Auditors observe whether the Directors establishing and organizing Internal Controls are properly functioning.

The Internal Audit Office is charged with assisting the Directors to execute their duties related to establishment and maintenance of Internal Control through feedback and recommendations for improvement.

The Internal Audit Office also promotes the approach of the evaluation of our group's internal control and arranges the internal control report in J-SOX (Japanese requirements of management evaluation/report on internal controls) that started in fiscal year 2008.

Governance of the Group as a whole

"K" Line established the Charter of Conduct of Group Companies for the purpose of securing adequacy of each job, on which basis individual group companies set their own behavioral guidelines.



(as of July 1, 2009)

Risk Management

Risk Management leading to Ship Navigational Safety

- At the Ship Safety Promotion Committee whose chairman is the President, "K" Line's management and directors of the group ship management companies map out and implement a variety of measures in relationship with ship safety. With our own know-how, SMS (Safety Management System) was established with the adoption of the ISM Code defined in SOLAS (Safety of Life at Sea), international convention for secure safety of ships and the standards required for ISO9000. With the same system being commonly applicable to both land and ships throughout our group companies, we are fully committed to safety in ship navigation and cargo operations. Diligent and concerted endeavors are in progress for stabilization of quality in transportation services. Marine technical personnel or specialists are required to pay regular visits to ships, including chartered ones, for inspection of ship conditions, etc. in accordance with our own guidelines for ship quality exceeding legal requirements – "KL-Quality."
- The security system is well established and practiced at container terminals on the basis of the ISPS Code, a global treaty for ship operators and port authorities to ensure port security by preventing acts of terrorism and similar activities.
- "K" Line participated earlier in C-TPAT program (Customs Trade Partnership Against Terrorism) for the purpose of prevention of terrorism and assurance of security, jointly conducted by Customs and industries.

  The U.S. Customs has been requesting for those related to the U.S. trade to take part in C-TPAT. We are endeavoring to secure a high level of security through practice of the partnership programs.

Risk Management against Disasters

- This dictated what we must do at the time of occurrence of a huge disaster for securing safety of humans/property and responsive measures for recovery (including emergency communications) and also what we must do for business continuation after a huge disaster. An "Emergency Response Manual" with concrete contents of responsive measures has been compiled and has been handed to employees in the form of a handbook.
- For use at time of disasters, we have introduced a system confirming the individual safety of employees using the email function of mobile phones.
- Against destruction of computerized data by disasters, we set up a system where backup data can be stored in a remote place so that we can secure important management information and recover business activities as early as possible.

Risk Management Related to Compliance

- The Group Companies provide compliance manuals and working regulations to employees so that they are well informed of their compliance systems and laws/regulations/norms with which they must comply.
- In case any breach of laws/regulations/norms is found through the compliance hotline system or internal audit, the Compliance Committee will take quick and corrective action.
- In case a compliance matter occurs in a group company, it will be possible to communicate through "K" Line's hotline window, as well as through its own hotline system.

Risk Management Relevant to Other Risks

- In case all other management risks such as social crimes of terrorism/threats, economic situations such as rumor damage, fluctuations of exchange/interest rate, tax systems of individual nations and inflation, invocation of legal restrictions/policy related to protectionism, and any other changes to competition circumstances that are likely to give not a little impact on our business in general, the Management Risk Committee will take preventive measures and respond appropriately to them in the event they should actually happen.

Outside Auditor's Message

Fumio Watanabe
Auditor

I had been working for financial institutions for 36 years when I happened to be appointed as an Auditor last year by "K" Line's General Meeting of Shareholders. The role of an Auditor, of course, is to fulfill his or her duties while keeping in mind securing sound and sustained corporate growth and establishing high-quality corporate governance systems to meet social trust. As an Outside Auditor in particular, what I must be aware of every day is whether "K" Line's individual business decisions are rational and sufficiently accountable. I must view this question with an outsider's eyes.

When decisions are being made in Board of Directors meetings and other important meetings, I am eager to speak up and ask questions such as whether sufficient information has been gathered and the facts are appropriately understood, whether there are any unknown risks, and whether future projections are appropriate. "K" Line's management takes such outside opinions very seriously, and their automatic stance is to reflect this in their management. In order for me to fulfill my duties as an Outside Auditor, it is vital that I understand the marine transport business. I strive to have open and close exchanges of opinions with the company's President and other executives, my fellow Auditors, frontline staff members and executives from other Group companies on a regular basis. Furthermore, I am learning about how the business is managed on the ground through visiting audits of Group companies in Japan and abroad, of ships, and of container terminals.

The marine transport business is more easily impacted by environmental factors such as freight-charge market conditions, bunker prices, and exchange rates than most industries are. At the same time, the company has faced fierce worldwide competition ever since its founding. Even with the unprecedented economic crisis brought about by the drastic environmental changes since last year, the flexibility to face changes, boldness, and the know-how and strength of spirit to take on and overcome challenges has permeated "K" Line's executives and other personnel over the 90 years since its founding. Inside the Group, this is called the "K" Line Spirit. In my judgment, this has been fully manifest during the current economic crisis. The entire Group has promptly taken measures to grapple with the crisis. Good governance is functioning well at "K" Line.

"K" Line commemorated its 90th anniversary in April. As the company approaches its 100th anniversary 10 years from now, I hope to contribute as an Outside Auditor as it takes further leaps ahead as a global company and becomes even more trusted by society.

Directors, Auditors and Executive Officers

(As of July 1, 2009)

President
Hiroyuki Maekawa

Representative Director
Toshio Shimizu

Representative Director
Toshinori Morita

Representative Director
Eiichi Murakami

Representative Director
Yoshikazu Minagawa

Representative Director
Jiro Asakura

Representative Director
Takashi Saeki

Representative Director
Eizo Murakami

Director
Keisuke Yoshida

Director
Masami Sasaki

Director
Takashi Torizumi

Director
Kenjiro Takenaga

Director
Tsuyoshi Yamauchi

Director
Junnosuke Furukawa

Director
Takashi Kobayashi

Directors

President	Hiroyuki Maekawa
Representative Directors	Toshio Shimizu
	Toshinori Morita
	Eiichi Murakami
	Yoshikazu Minagawa
	Jiro Asakura
	Takashi Saeki
	Eizo Murakami
Directors	Keisuke Yoshida
	Masami Sasaki
	Takashi Torizumi
	Kenjiro Takenaga
	Tsuyoshi Yamauchi
	Junnosuke Furukawa*
	Takashi Kobayashi*

Auditors

Auditors	Tetsuo Shiota
	Joe Mukaigawa
	Fumio Watanabe**
	Haruo Shigeta**
	Jiro Noguchi**

*Outside Director
**Outside Auditor

Executive Officers

President & CEO	Hiroyuki Maekawa	
Vice President	Toshio Shimizu	Assistant to President
Senior Managing Executive Officers	Toshinori Morita	General Affairs, Legal, Accounting, Technical sector, Human Resources, IT
	Eiichi Murakami	Car Carrier Sector
	Yoshikazu Minagawa	Energy Resources Transportation Sector, Heavy Lifter Business, New Business Planning and Development
	Jiro Asakura	Dry bulk Sector, Coal and Iron Ore Carrier Business
	Takashi Saeki	Finance, Corporate Planning, IR & PR
	Eizo Murakami	Container Business, Port Business
Managing Executive Officers	Mamoru Mori	Managing Director of “K” Line (Hong Kong) Limited
	Keisuke Yoshida	Finance
	Kiyoshi Terashima	Managing Director of “K” Line Holding (Europe) Limited
	Masami Sasaki	Marine Sector
	Takashi Torizumi	Accounting, General Affairs, Legal, CSR & Compliance, Internal Audit
Executive Officers	Shigeo Itaya	Managing Director of K Line (China) Ltd.
	Kazutaka Imaizumi	Bulk Carrier Business, Thermal Coal, Woodchip and Pulp Carrier Business
	Toshiyuki Suzuki	Container Business, General Manager of Container Business Group
	Hiromichi Aoki	Energy Transportation Business
	Kenjiro Takenaga	Ship Planning, Environment
	Yoshiyuki Aoki	Car Carrier Business
	Masaru Fukuzawa	President, “K” Line (Japan) Ltd.
	Tsuyoshi Yamauchi	Corporate Planning, Logistics, Research
	Takashi Yamaguchi	General Manager of Car Carrier Business Group
	Eiji Kadono	Marine Sector, General Manager of Marine Human Resources Group

Corporate Social Responsibility (CSR)

Objective and Mission of our CSR Activities

The Corporate Principles of "K" Line Group as a business organization centering on shipping lie in contributing to the enrichment of people's lives worldwide, through: Diligent efforts for safety in navigation and cargo operations as well as for environmental preservation; Sincere response to customer needs by making every possible effort; and Continual upgrading of service quality. The Objective of our CSR activities is to materialize above Corporate Principles. The Mission of the CSR activities of "K" Line Group is, as a sustainable and globally growing group, to enhance its Social Value, through responding to the expectations of Stakeholders such as Customers, Shareholders, Employees, Business Partners and Society.

We are also moving forward with initiatives to build a mutually beneficial relationship with all stakeholders, in pursuit of the "Synergy for All and Sustainable Growth" set as a new theme in the medium-term management plan.

Basic Policies in Promoting CSR Activities

We recognize that the concept of CSR is composed of two areas, i.e. "Social Responsibility" and "Social Contribution." Our basic policies in promoting CSR activities in each respective area are as follows:

- Social Responsibility: We comply with all laws and regulations, respect social precepts, practice fair business activities, and make diligent efforts for safety in navigation and cargo operations as well as environmental preservation.
- Social Contribution: We contribute to society through our group business activities. And, as a "Good Corporate Citizen" we positively serve the community.

Activities for Safety in Navigation and Cargo Operations

Significant issues for a shipping company are to realize and maintain safety in navigation and cargo operations and environmental preservation, and also required to review our activities from various perspectives and improve them by making steady efforts day-to-day.

- "K" Line Maritime Academy (KLMA)

  KLMA, aiming to secure and train ship personnel who will be able to support safety in navigation and cargo operations worldwide, is supported by training centers around the world, cadet training programs and education and training programs for carrier path.

- Maintaining of KL-QUALITY

  To realize and maintain safety in navigation and cargo operations, ship's safety is the most important thing and it must be ensured. "K" Line is providing "KL-QUALITY," and our ship inspectors visit our operated ships in port to check that ships are complying with KL-QUALITY. The inspectors also have talks with ship crews about the ship's condition and other issues, which contributes to improve and maintain ship's quality in good status. The inspectors explain the inspection report and distribute it to ship operators, owners and other parties concerned to share information about the ship. We believe such activities contribute to ship safety and safe cargo operations.

- Emergency Response Drills

  The "K" Line Group strives to avoid marine incidents. We carry out drills in order to ensure that crew and other staff are familiar with emergency response and reporting procedures in the event of a marine incident. We recognize the tremendous importance of these drills and utilize their results in effecting improvements in our emergency response measures.

  Most recently in February 2009, the "K" Line Group and other relevant parties carried out a large-scale oil spillage emergency response drill with the scenario being the collision of a bulk coal carrier and a smaller ship in the Irago channel, resulting in fuel spillage. The problem areas raised at the evaluation meeting afterwards were used in revising and improving the emergency response manual and system to better enable an immediate response in the event of unforeseen circumstances.

- Ship Operational Data Management System

  Operational data for "K" Line ships is accumulated on data servers utilizing the systems described at right. This data is checked and analyzed by navigation and cargo operations supervisors and ship management companies in order to ensure safe and efficient navigation. Both of these systems have been in operation since 2001 and are currently equipped on almost all ships of our fleet, contributing greatly to safety in navigation and cargo operations and energy conservation.

Preservation of the Environment

Since environmental preservation was first raised as an important business issue in 1998, the Group has pursued initiatives under our Environmental Management System based on our own Environmental Charter. The medium-term management plan going into effect in this fiscal year identifies environmental initiatives as being of top priority. We review our environmental initiatives annually and set new goals for the following fiscal year as well as for the medium- and long-term targets. We continue our efforts to prevent marine and atmospheric pollution and reduce consumption of natural resources.

Recent Initiatives

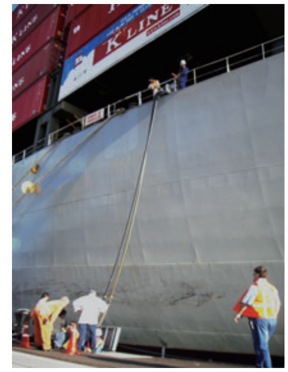
- "K" Line America, Inc. (KAM) has purchased wind power energy which is one of the renewable energy as "Renewable Energy credit (REC)" from Renewable Choice Energy since February 2008, and the energy offsets 60% of consumed office electricity by KAM.

  In 2009, KAM's activity enlarged to purchase the energy equivalent to 80% of office electricity and contributes reduction of Green House Gas emission.

Certificate of Green Power Partner by U.S. Environment Protection Agency and Renewable Energy Certificate

- We began operating onshore electric power supply equipment at the container terminal in the Port of Long Beach in the United States in November 2008 to supply berthed ships with electric power. All necessary electric power for a docked 5,500 TEU containership can be supplied from onshore, which means that exhaust from onboard diesel generators has been completely eliminated. At the Port of Long Beach, ships that shut down their generators are called "cold iron" and the supply of electrical power from the shore is referred to as "Cold Ironing."

  Cold Ironing has already greatly reduced the environmental impact from ships on the area in the vicinity of the terminal, and shutting down the generators has also reduced noise levels.



Social Contribution Activities

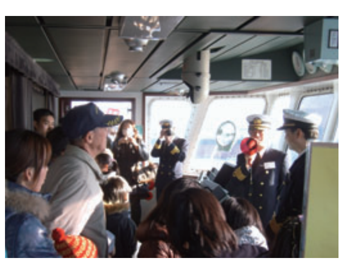
To fulfill our responsibilities as a good corporate citizen, "K" Line, together with the other members of its corporate group, actively engages in a wide range of social contribution activities. During the year under review we engaged in certain new social contribution activities in addition to continuing those we have been engaged in for many years. Below is a partial list of these activities.

Disaster Relief

The powerful cyclone that struck Myanmar and the massive earthquake that occurred in Sichuan, China in 2008 caused extensive damage over wide areas. In response to these disasters, "K" Line made financial donations to the afflicted regions through the Japanese Red Cross with the thoughtful consideration of every employee. In addition, a major typhoon struck the Philippines in the same year, bringing torrential rains that caused landslides. Many seafarers are from Bisaya, the region that suffered the greatest damage, and flooding and rock and mud slides occurred in numerous places on Panay Island, where more than 500 "K" Line group seafarers' families live. "K" Line and "K" Line group companies investigated local conditions, confirmed the safety of seafarers' families, and conducted assistance activities, including the procurement and shipment of relief supplies.

Tours of Newly Constructed Ships

"K" Line conducts tours of newly constructed ships to create a greater sense of familiarity with ships and marine transport in general. Many local elementary school students and others participate in the tours, which are conducted in cooperation with shipbuilding companies. Participants are guided through the ship's interior, something that people generally have little opportunity to see, and personnel describe their experiences during ship construction and voyages, to the delight of the participants. "K" Line is committed to continuing these types of activities to increase familiarity with the marine transport industry.



Scholarship Program in the Philippines

The "K" Line group has established an alliance concerning ship officer training course with Crystal e-College, a private mercantile marine college. A special screening test was administered to prospective high school graduates throughout the Philippines, and 24 students who passed the test were awarded scholarships and admitted to the college in June 2008 to study in the engineering department. "K" Line has also actively assisted in the education of seafarers in the Philippines through independent scholarship programs such as "K" Line Class, a marine technical training program for graduates of the Technological University of the Philippines-Visayas.

Scholarships for University Students in Thailand

K Line (Thailand) Ltd. provides scholarships to students studying transportation engineering at the Suranaree University of Technology. The scholarship program was established in 2004 to mark the 40th anniversary of the company's establishment. Scholarships have been provided every year since fiscal 2005, with a total of 34 students having received scholarships to date.

"K" Line Provides Transport for Peace Pack Project

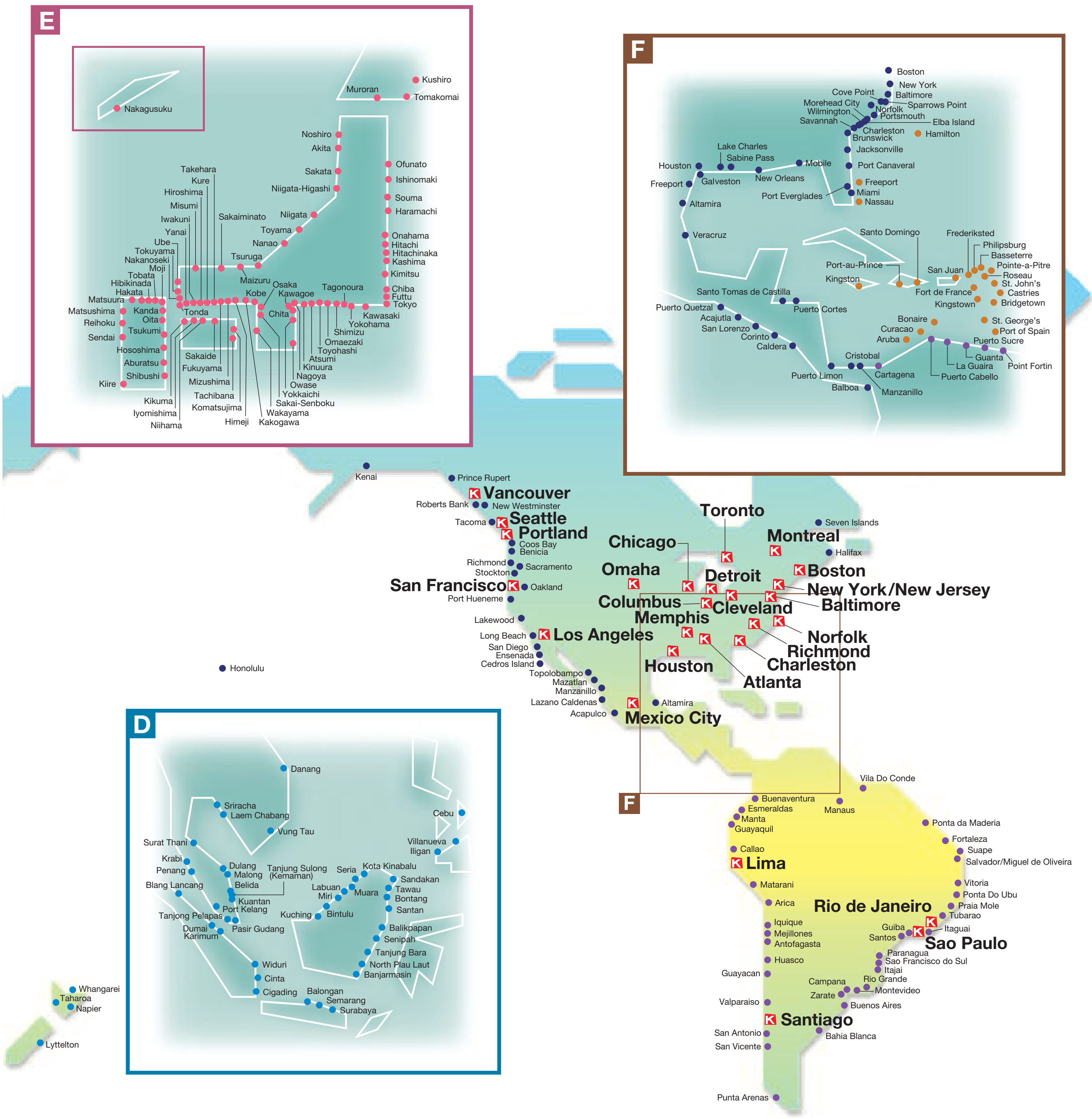
"K" Line provides marine transport services in cooperation with the Peace Pack Project, a program conducted by the Girl Scouts of Japan that provides support to overseas refugees. The peace packs, carefully prepared by Girl Scouts from around the country, are presents (handmade drawstring pouches filled with stationery goods such as pencils and notebooks) for refugee children. Each pack also includes a letter addressed "Dear Friend" and carries the hope that new friends can be made and contributions to world peace can be made. "K" Line cooperates with the delivery of these gifts, which help to create ties of friendship between Girl Scouts in Japan and refugee children around the world.

Seashore Cleanup Activities

"K" Line group employees and their families (a total of 20 people) participated in the Tokyo Bay Cleanup Operation, a seashore cleanup program held in Odaiba, Tokyo in June 2008. This was an excellent opportunity for participants to become more familiar with the ocean and to raise awareness of the environment.

The Wide World of "K" Line

"K" Line Overseas Major Affiliates and Representative Offices
● Ports of Call (Including Ports for DST & Feeder Services)
★ "K" Line's World Headquarters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Nakagusuku
Muroran
Kushiro
Tomakomai
Noshiro
Akita
Sakata
Niigata-Higashi
Niigata
Ofunato
Ishinomaki
Souma
Haramachi
Takehara
Kure
Hiroshima
Misumi
Iwakuni
Yanai
Ube
Tokuyama
Nakanoseki
Moji
Tobata
Hibikinada
Hakata
Matsuura
Matsushima
Reihoku
Sendai
Kanda
Oita
Tsukumi
Hososhima
Aburatsu
Shibushi
Kiire
Sakaiminato
Toyama
Nanao
Tsuruga
Maizuru
Kobe
Osaka
Kawagoe
Tagonoura
Chita
Tonda
Onahama
Hitachi
Hitachinaka
Kashima
Kimitsu
Chiba
Futtu
Tokyo
Kawasaki
Yokohama
Shimizu
Omaezaki
Toyohashi
Atsumi
Kinuura
Nagoya
Owase
Yokkaichi
Sakai-Senboku
Wakayama
Kakogawa
Himeji
Sakaide
Fukuyama
Mizushima
Tachibana
Komatsujima
Kikuma
Iyomishima
Niihama
F
Boston
New York
Baltimore
Cove Point
Morehead City
Wilmington
Savannah
Norfolk
Sparrows Point
Portsmouth
Elba Island
Charleston
Brunswick
Hamilton
Jacksonville
Lake Charles
Sabine Pass
Houston
Mobile
Port Canaveral
Freeport
Galveston
New Orleans
Freeport
Port Everglades
Miami
Nassau
Altamira
Veracruz
Santo Domingo
Frederiksted
Philipsburg
Basseterre
Port-au-Prince
Pointe-a-Pitre
San Juan
Roseau
Kingston
St. John's
Fort de France
Castries
Santo Tomas de Castilla
Kingstown
Bridgetown
Puerto Quetzal
Puerto Cortes
Acajutla
Bonaire
St. George's
San Lorenzo
Curacao
Port of Spain
Corinto
Aruba
Puerto Sucre
Caldera
Cristobal
Guanta
Puerto Limon
La Guaira
Point Fortin
Cartagena
Puerto Cabello
Balboa
Manzanillo
Kenai
Prince Rupert
Vancouver
Roberts Bank
New Westminster
Tacoma
Seattle
Portland
Coos Bay
Benicia
Richmond
Stockton
Sacramento
San Francisco
Oakland
Port Hueneme
Lakewood
Long Beach
Los Angeles
San Diego
Ensenada
Cedros Island
Topolobampo
Mazatlan
Manzanillo
Lazano Caldenas
Acapulco
Honolulu
Toronto
Seven Islands
Chicago
Montreal
Halifax
Omaha
Detroit
Boston
New York/New Jersey
Columbus
Cleveland
Baltimore
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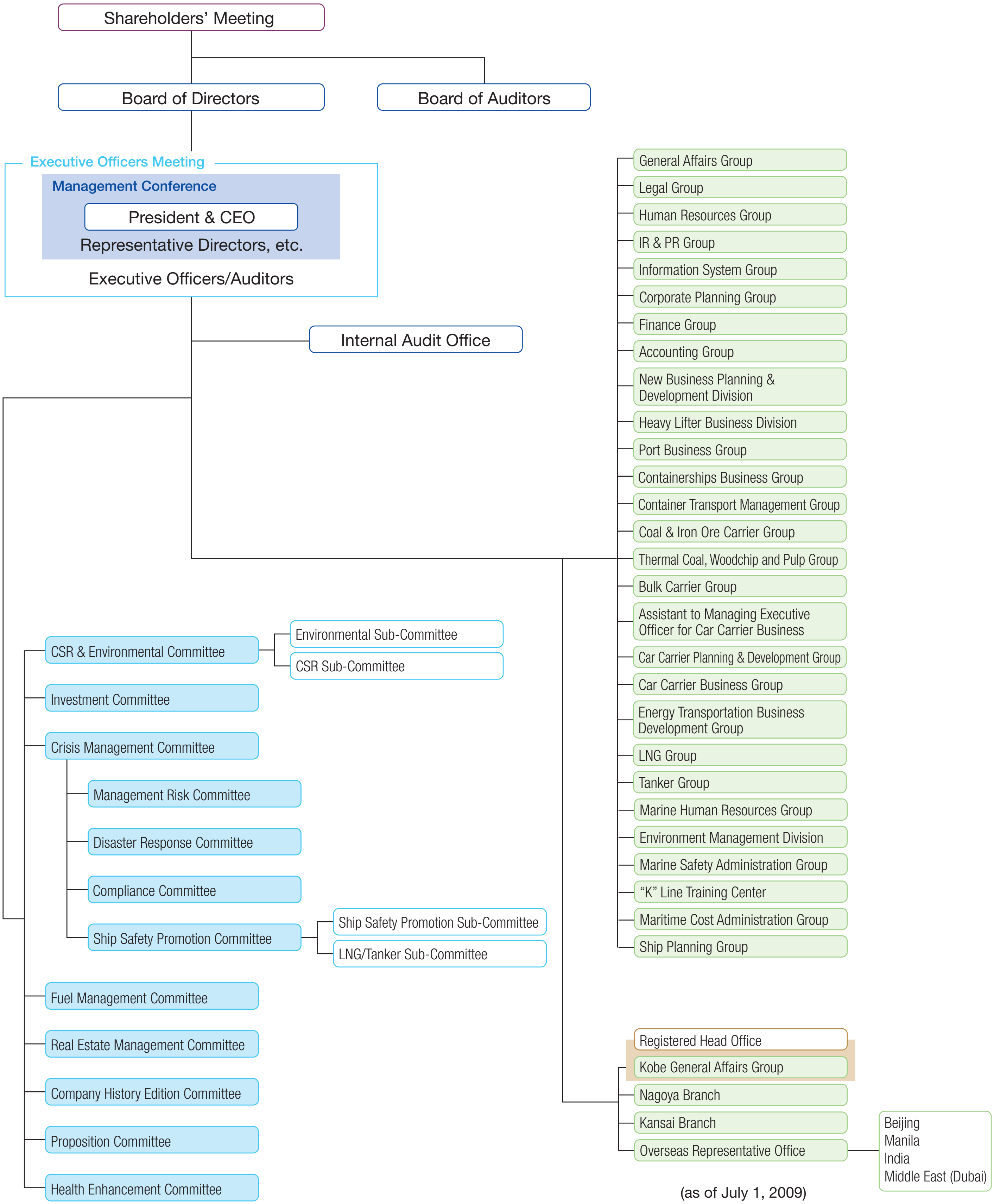
Houston
Charleston
Atlanta
Altamira
Mexico City
Vila Do Conde
Buenaventura
Esmeraldas
Manaus
Manta
Guayaquil
Ponta da Madeira
Fortaleza
Callao
Suape
Lima
Salvador/Miguel de Oliveira
Matarani
Vitoria
Ponta Do Ubu
Arica
Rio de Janeiro
Praia Mole
Tubarao
Iquique
Guiba
Itaguai
Mejillones
Santos
Antofagasta
Sao Paulo
Paranagua
Huasco
Sao Francisco do Sul
Itajai
Guayacan
Campana
Rio Grande
Zarate
Montevideo
Valparaiso
Buenos Aires
Santiago
San Antonio
Bahia Blanca
San Vicente
Punta Arenas
D
Danang
Sriracha
Laem Chabang
Cebu
Vung Tau
Surat Thani
Villanueva
Iligan
Krabi
Penang
Dulang
Malong
Tanjung Sulong (Kemaman)
Seria
Kota Kinabalu
Belida
Sandakan
Blang Lancang
Labuan
Tawau
Muara
Miri
Bontang
Kuantan
Port Kelang
Santan
Tanjong Pelapas
Kuching
Bintulu
Dumai
Karimum
Pasir Gudang
Balikpapan
Senipah
Tanjung Bara
Widuri
North Plau Laut
Cinta
Banjarmasin
Cigading
Balongan
Semarang
Surabaya
Whangarei
Taharoa
Napier
Lyttelton

Organization



(as of July 1, 2009)

Fleet and Container Terminals

"K" Line Group Composition of Fleet (as of March 31, 2009)

	2009						2008	
	Owned		Chartered		Total		Total	
Type of Vessel	**No.**	**DWT (mt)**	**No.**	**DWT (mt)**	**No.**	**DWT (mt)**	**No.**	**DWT (mt)**
Containership	13	616,342	85	3,705,446	98	4,321,788	99	4,194,472
		14%		86%		100%		100%
Dry Bulk Carriers	51	5,654,181	115	11,852,233	166	17,506,414	169	17,614,846
		32%		68%		100%		100%
Car Carriers	36	498,040	57	784,182	93	1,282,222	102	1,375,714
		39%		61%		100%		100%
Tankers and Gas Carriers								
LNG Carriers	24	1,727,621	1	77,163	25	1,804,784	23	1,635,267
Oil Tankers	9	1,760,372	10	1,442,584	19	3,202,956	18	3,077,895
Product Tankers	1	99,992	5	536,434	6	636,426	5	521,425
LPG Carriers	1	49,996	4	162,088	5	212,084	5	209,092
Sub Total	35	3,637,981	20	2,218,269	55	5,856,250	51	5,443,679
		62%		38%		100%		100%
Heavy Lift	13	128,982	5	38,431	18	167,413	15	131,459
		77%		23%		100%		100%
Other Group Companies' Fleet								
Short Sea Ships	9	127,707	19	219,604	28	347,311	29	363,894
Coastal Ships	14	79,403	5	20,386	19	99,789	17	87,252
Ferries	2	6,807	2	6,819	4	13,626	5	19,563
Others	1	11,075	—	—	1	11,075	1	11,075
Sub Total	26	224,992	26	246,809	52	471,801	52	481,784
		48%		52%		100%		100%
Total	**174**	**10,760,518**	**308**	**18,845,370**	**482**	**29,605,888**	**488**	**29,241,954**
		36%		**64%**		**100%**		

Note: Fleet operated by the Company and consolidated subsidiaries. (Trip charters included.)

"K" Line On-Dock Terminals (as of March 31, 2009)

Terminals	Location	Berth Length	Berth Depth	Total Area	Container Storage Space
Japan					
"K" Line Tokyo Container Terminal	Tokyo Ohi	660m	15m	259,500m^2	4,370 TEU*
"K" Line Yokohama Container Terminal	Yokohama Honmoku	400m	12m	133,591m^2	1,968 TEU
"K" Line Osaka Container Terminal	Osaka Nanko	350m	14m	63,031m^2	1,082 TEU
"K" Line Kobe Container Terminal	Kobe Rokko	800m	14m	355,900m^2	4,716 TEU
U.S.A.					
International Transportation Service, Inc.	Long Beach	1,920m	13-16m	955,000m^2	15,905 TEU
Husky Terminal & Stevedoring, Inc.	Tacoma	830m	16m	376,000m^2	4,800 TEU
TransBay Container Terminal Inc.	Oakland	320m	14m	182,000m^2	2,551 TEU
Belgium (Note: Capital Participation Realized by Joint Management)					
Antwerp International Terminal NV	Antwerp	350m	15.5m	175,000m^2	2,990 TEU

* TEU: Twenty Foot Equivalent Unit

Major Subsidiaries and Affiliates

(as of March 31, 2009)

DOMESTIC

Business		Company Name	"K" Line's Ownership (%)*	Paid-in Capital (millions)	Revenue (millions)
Marine Transportation		Kawasaki Kinkai Kisen Kaisha, Ltd.	50.7	¥2,368	¥47,830
		Asahi Kisen Kaisha, Ltd.	100.0	100	582
		Kobe Pier Co., Ltd.	100.0	100	68
	★	Badak LNG Transport, Inc.	25.0	80	7,030
	★	Shibaura Kaiun Co., Ltd.	100.0	20	410
Shipping Agency		"K" Line (Japan) Ltd.	100.0	150	3,103
	★	Shimizu Kawasaki Transportation Co., Ltd.	50.0	10	317
Ship Management		"K" Line Ship Management Co., Ltd.	100.0	75	14,249
		Taiyo Nippon Kisen Co., Ltd.	100.0	400	29,412
		Escobal Japan Ltd.	100.0	10	396
Harbor Transportation/ Warehousing		Daito Corporation	100.0	842	26,215
		Nitto Total Logistics Ltd.	100.0	1,596	13,068
		Hokkai Transportation Co., Ltd.	80.1	60	11,387
		Seagate Corporation	100.0	270	8,271
		Nitto Tugboat Co., Ltd.	100.0	150	3,812
		Tokyo Kokusai Koun Kaisha, Ltd.	70.0	75	1,971
	★	Rinko Corporation	25.1	1,950	12,484
	★	Kokusai Logistics Co., Ltd.	83.3	100	1,266
Logistics		"K" Line Logistics, Ltd.	90.7	400	29,073
Land Transportation		Japan Express Transportation Co., Ltd.	100.0	100	5,973
		Shinto Rikuun Kaisha, Ltd.	100.0	30	1,239
		Maizuru Kousoku Yusou Co., Ltd.	100.0	25	880
Container Repairing		Intermodal Engineering Co., Ltd.	100.0	40	972
Travel Business		"K" Line Travel, Ltd.	100.0	100	9,573
Other Business		"K" Line Engineering Co., Ltd.	100.0	50	4,165
		Shinki Corporation	100.0	80	2,180
		"K" Line Systems, Ltd.	100.0	40	1,518
		KMDS Co., Ltd.	100.0	40	1,443
		Kawaki Kosan Kaisha, Ltd.	100.0	30	839
		Crown Enterprise Co., Ltd.	100.0	10	405
		"K" Line Accounting and Finance Co., Ltd.	100.0	100	204

OVERSEAS

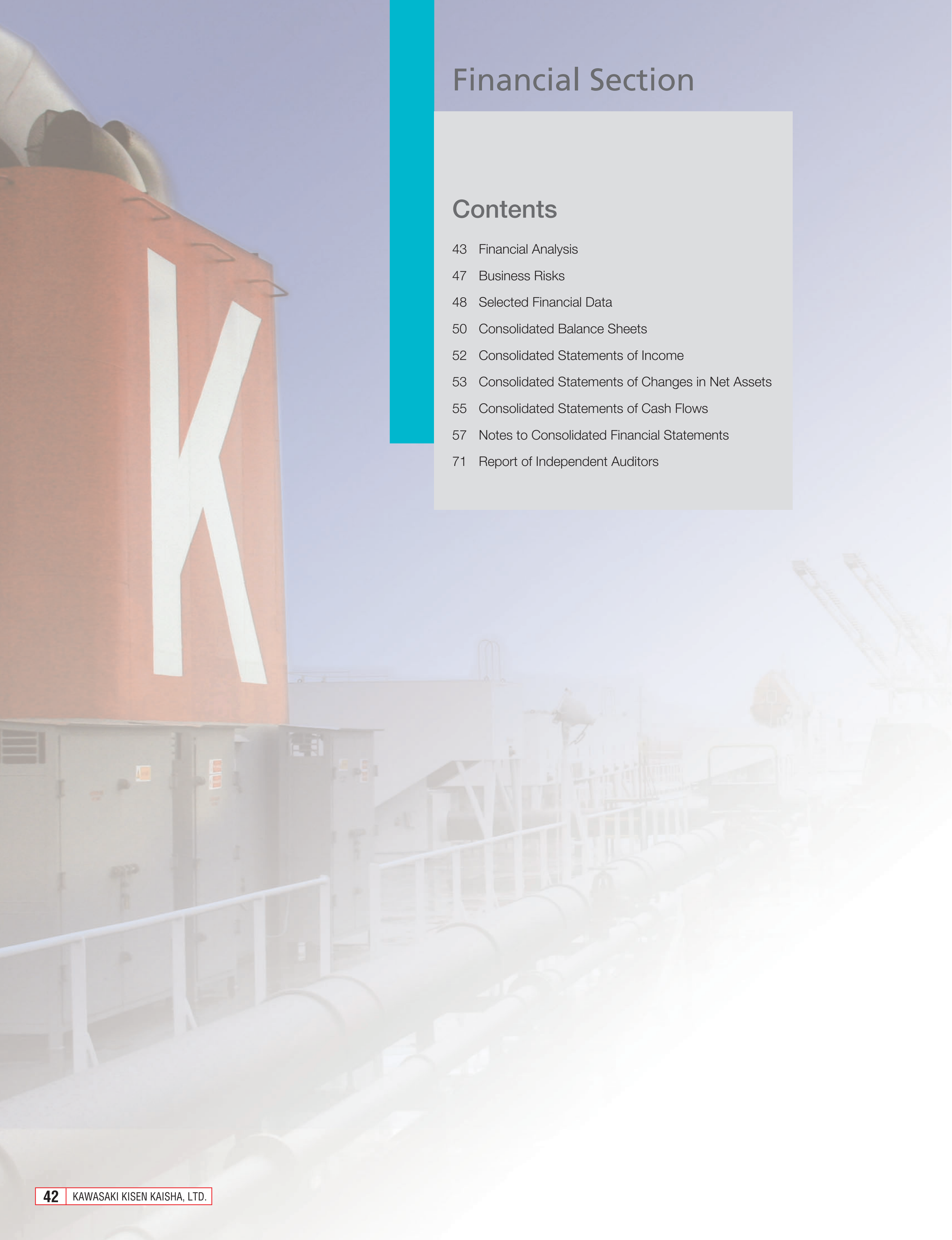
Business		Company Name	"K" Line's Ownership (%)*	Paid-in Capital (millions)	Revenue (millions)
Marine Transportation		"K" Line Pte Ltd	100.0	US$1.1	US$550
		"K" Line Bulk Shipping (UK) Limited	100.0	US$34	US$327
		"K" Line European Sea Highway Services GmbH	100.0	EUR5	EUR109
		"K" Line LNG Shipping (UK) Limited	100.0	US$6	US$70
	★	Northern LNG Transport Co., I Ltd.	49.0	US$40	US$14
	★	Northern LNG Transport Co., II Ltd.	36.0	US$42	US$15
		SAL Schiffahrtskontor Altes Land GmbH & Co. KG	50.0	EUR0.2	EUR8.6
Shipping Agency		"K" Line America, Inc.	100.0	US$15.5	US$81
		"K" Line (Australia) Pty Limited	100.0	A$0.0001	A$15
		"K" Line (Belgium)	51.0	EUR0.06	EUR3.1
		"K" Line Canada Ltd.	100.0	C$0.1	US$1.5
		K Line (China) Ltd.	100.0	US$2	US$24
		"K" Line (Deutschland) GmbH	100.0	EUR0.2	EUR8.3
		"K" Line (Europe) Limited	100.0	£0.01	£17
		"K" Line (Finland) OY	51.0	EUR0.01	EUR1.5
		"K" Line (France) SAS	100.0	EUR0.5	EUR3.8
		"K" Line (Hong Kong) Limited	100.0	HK$15	HK$284
		"K" Line (Korea) Ltd.	100.0	WON400	WON8,651

		Company Name	"K" Line's Ownership (%)*	Paid-in Capital (millions)	Revenue (millions)
		"K" Line Maritime (M) Sdn Bhd	57.5	MYR0.3	MYR14.5
		K Line Mexico SA de CV	100.0	MXN0.9	US$0.3
		"K" Line (Nederland) B.V.	100.0	EUR0.1	EUR4.6
		K Line (Norway) AS	100.0	NOK0.1	NOK3.2
		"K" Line (Portugal)–Agentes de Navagação, S.A.	51.0	EUR0.2	EUR2
		"K" Line (Scandinavia) Holding A/S	51.0	DKK1	DKK17
		"K" Line (Singapore) Pte Ltd	95.0	S$1.5	S$15
		K Line (Sweden) AB	100.0	SEK0.1	SEK17.8
		"K" Line (Taiwan) Ltd.	60.0	NT$60	NT$290
		K Line (Thailand) Ltd.	34.0	BAT30	BAT1,698
		"K" Line (Western Australia) Pty Limited	100.0	A$0.0001	A$0
		PT. K Line Indonesia	95.0	RP463.6	RP69,698
Terminal Operator		International Transportation Service, Inc.	100.0	US$20	US$201
		The Rail-Bridge Terminals (New Jersey) Corporation	100.0	US$3	US$0
		TransBay Container Terminal, Inc.	95.0	US$0.1	US$26
	★	Husky Terminal & Stevedoring, Inc.	50.0	US$0.1	US$36
Freight Consolidation		Century Distribution Systems, Inc.	99.5	US$2.3	US$7
		Century Distribution Systems (Europe) B.V.	100.0	EUR0.02	EUR0.3
		Century Distribution Systems (Hong Kong) Limited	100.0	HK$0.08	HK$70
		Century Distribution Systems (Shenzhen) Limited	100.0	RMB6.5	RMB53
		Century Distribution Systems (International) Limited	100.0	HK$1.8	HK$102
	*1	Century Distribution Systems (Shipping) Limited	100.0	HK$0.000001	
Warehousing		Universal Logistics System, Inc.	100.0	US$12.3	US$0.7
		Universal Warehouse Co.	100.0	US$0.05	US$4.8
		Universal Warehouse Co. (NW)	100.0	US$0.0001	US$1
Logistics		"K" Line Logistics (Hong Kong) Ltd.	100.0	HK$8	HK$198
		"K" Line Logistics (U.K.) Ltd.	100.0	£0.2	£4
		"K" Line Logistics (U.S.A.) Inc.	100.0	US$0.5	US$41
		"K" Line Logistics (Singapore) Pte. Ltd.	100.0	S$1.15	S$21
		K Line Logistics (Thailand) Ltd.	86.4	BAT20	BAT401
		K Line Logistics South East Asia Ltd.	95.0	BAT73	BAT0
Land Transportation		James Kemball Limited	100.0	£0.01	£14
		ULS Express, Inc.	100.0	US$0.05	US$7
Container Repairing	★	Multimodal Engineering Corporation	100.0	US$0.15	US$8
Financing		"K" Line New York, Inc.	100.0	US$17.1	US$35
Holding Company		Kawasaki (Australia) Pty. Ltd.	100.0	A$4.8	A$8.6
		"K" Line Holding (Europe) Limited	100.0	£20	£0
		"K" Line Heavy Lift (UK) Limited	100.0	EUR22	EUR25
Other Business		Connaught Freight Forwarders Limited	100.0	HK$0.01	HK$0.09
		Cygnus Insurance Company Limited	100.0	US$3	US$4
		"K" Line TRS S.A.	100.0	US$0.006	US$0
		Marinus Enterprise, Inc.	100.0	US$0.5	US$0
	★	PrixCar Services Pty Limited	33.3	A$2.2	A$57.5

*1 Operating revenues of Century Distribution Systems (Shipping) Limited for Fiscal 2008 are aggregated with those of its parent company, Century Distribution Systems (International) Limited.

★ Subsidiaries and Affiliates Accounted for the Equity Method
* Includes Holdings of Subsidiaries

¥: Japanese yen
£: Pounds sterling
A$: Australian dollars
RMB: Chinese renminbi
BAT: Thai baht
RP: Indonesian rupiah
S$: Singapore dollars
EUR: Euro
HK$: Hong Kong dollars
MYR: Malaysian ringgit
US$: United States dollars
NT$: New Taiwan dollars
WON: Korean won
C$: Canadian dollars
MXN: Mexican peso
DKK: Danish krone
NOK: Norwegian krone
SEK: Swedish krone



Financial Section

Contents

Review of Fiscal 2008

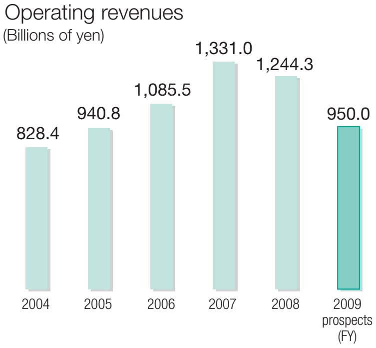
The world encountered an unprecedented financial and economic crisis as the global economy, which had sustained a strong performance since fiscal 2003, rapidly slowed down, triggered by the failure of some of the major U.S. banks in September 2008. In the U.S. economy, in addition to a sharp decline in sales of consumer durable goods such as housing and automobiles due to dysfunction of financial markets, general consumption also fell due to worsened employment environment and drop in asset values. Corporate earnings also materially declined. In European countries, both capital investment and consumer spending showed notable downward trends, backed by credit contraction due to financial crisis. As a result, the Chinese economy, which had been leading the world's economy, and the economies of newly-developing and resources-producing countries were affected in no small way. With worsened economies in the U.S. and European countries and sharp appreciation of the yen from early fall in 2008, the Japanese economy and its business environment, particularly those companies heavily dependent on exports, rapidly deteriorated.

In the environment surrounding the shipping industry, where fuel oil prices that had remained high in 3rd Quarter of fiscal 2008 showed some downward trend, business circumstances in and after 3rd Quarter became extremely severe as seen in sharp appreciation of the yen, significant drop in dry bulk freight rates from 2nd Quarter and steeply declining cargo movements in businesses related to containerships and car carriers.

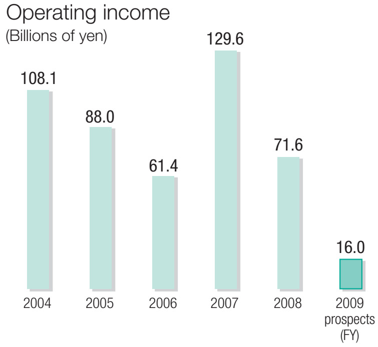
The "K" Line Group established its medium-term management plan "K" LINE Vision 100 in April 2008. However, supply and demand balance for marine transportation worsened significantly due to sharp drop in volumes being moved resulting from unprecedented financial and economic crisis, and the business environment having also drastically changed. As it was forecasted that it would take some time for an business environment to fully recover, the "K" Line Group established an Emergency Task Force in December 2008, which prepared the plan for activities towards greater improvements in profitability, cost reduction and risk management. The entire Company was involved in activities to implement practical measures during the short period to the end of March 2009.

Consolidated operating revenues for consolidated fiscal 2008 totaled ¥1,244.317 billion, a decrease of ¥86.731 billion compared with same period last year, operating income was ¥71.604 billion, dropping ¥58.045 billion from previous year, and ordinary income was ¥60.011 billion, down ¥65.857 billion compared with preceding year. Consolidated net income for fiscal 2008 was ¥32.421 billion, down by ¥50.591 billion for year-on-year basis.

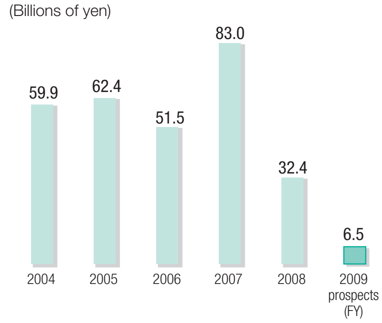
Operating revenues
(Billions of yen)



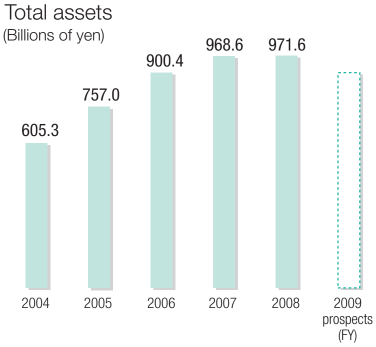
Operating income
(Billions of yen)



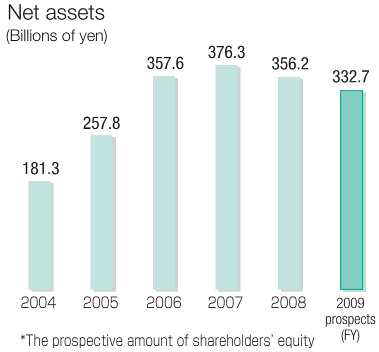
Net income
(Billions of yen)



Total assets
(Billions of yen)

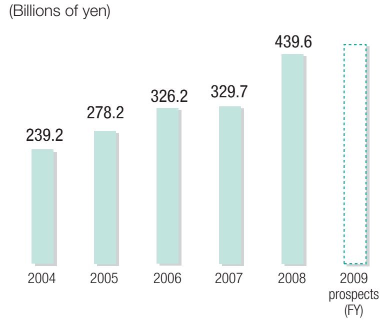


Net assets
(Billions of yen)



*The prospective amount of shareholders' equity

Interest-bearing liabilities
(Billions of yen)



Operating Results by Segment

Marine Transportation

Overall operating revenues for the marine transportation segment amounted to ¥1,110.475 billion (year-on-year decrease 5.6%), and operating income stood at ¥60.005 billion (year-on-year decrease 47.2%).

◇ Containership Business ◇

A decrease in cargo movements due to the recession spread not only in Europe and the U.S. but also throughout the world. In trade with North America, cargo movements shipped from Asia decreased, and number of the Company's loaded containers fell by 13% compared with last year. As for cargo movements to Asia shipped from North America, number of loaded containers sharply declined in 2nd half of fiscal 2008, affected by the global economic downturn. However, total loaded containers for full-year fiscal 2008 increased 8% for year-on-year basis, contributed by brisk demand in 1st half.

On North European service routes, overall cargo volume entered a slowdown phase, but total Company cargo movements increased 13% against last year, benefiting from the launching of large containerships. On the other hand, on routes serving Mediterranean Sea area, the Company promoted rationalization of operations in response to declining cargo movements and suspended one service on the eastern Mediterranean Sea routes, with number of loaded containers decreasing 6% from preceding year. The Company's overall number of loaded containers dropped by 4% against previous year.

Amid worsened supply and demand balance of tonnage and decline of average freight rates due to decreased cargo movements on both European and Asia/South American service routes, the Company strived to promote rationalization of ship allocation and cost reduction, including rationalization of services on East/West routes such as North American and European routes, as well as integration of services on North/South routes such as Asia/South American East Coast, Asia/South American West Coast and Asia/Middle East routes. However, both operating revenues and profits decreased compared with previous year.

◇ Dry Bulk Carrier and Car Carrier Business ◇

In dry bulk carrier business, dry bulk market freight rates rose significantly, hitting a record high at one time, backed up by sharp increases in China's imports of iron ore, including impact from special procurement demands due to Beijing Olympic Games, and the Company recorded record high profits during the cumulative period for 2nd Quarter of fiscal 2008. From 3rd Quarter onward, cargo movements were sluggish, affected by a sharp decrease in the demand for resources mainly from emerging countries due to the worldwide recession, and market rates suddenly changed, diving into a record low zone. The Company made efforts to minimize adverse effects from fluctuating spot freight rates by increasing the ratio of medium-term and long-term contracts for cargo transportation and strived to reduce both fuel and operation costs by means of efficient ship allocation and slow steaming navigation, but negative effects from sharply worsened freight rates could not be offset. As a result, both operating revenues and profits decreased from previous year.

With respect to car carrier business, while cargo movements steadily increased up to 2nd Quarter of fiscal 2008, they dropped sharply from being hit by the slowdown of the global economy from 3rd Quarter onward, mainly in those bound to the U.S. as well as to emerging countries and resources-producing countries where cargo volume had been comparatively steady before. The number of cars transported by the Company decreased 9% against preceding year. The Company made efforts to reduce costs by reducing consumption of fuel oils through slow steaming navigation while benefiting from decreased fuel oil unit prices and by adjusting tonnage through scrapping of aged vessels. However, both operating revenues and profits decreased from last year. As a result, overall operating results and profits for both dry bulk and car carrier business for fiscal 2008 decreased compared with previous year.

◇ Energy Transportation and Tanker Business ◇

As for transport of LNG, a total of 14 newly-built LNG carriers were launched during fiscal 2008, including 8 large LNG carriers for the RasGasIII Project and 3 LNG carriers for the Tangguh Project. As a result, the LNG fleet that the Company owns or is involved with increased sharply to 47 carriers. LNG carrier business expanded its fleet of carriers and secured stable profits.

As for tankers, "K" Line secured stable revenues from large oil tankers and LPG tankers through long-term contracts. The company also expanded its fleet of medium tankers as it enjoyed a solid market for freight charges.

In the petroleum products transport sector, freight rates of tankers for petroleum products firmed up, supported primarily by strong demand for movement of diesel and jet fuel bound to Europe.

Overall, both energy transportation and tanker business marked increases both in revenues and profits from the previous year.

◇ Heavy Lift Business ◇

In heavy lift shipping sector, movements of heavy cargoes including petrochemical plant and infrastructure-related heavy lifts continued to grow constantly, assisted by soaring resource prices, so the Company's fleet of heavy lifters maintained full level of cargo loadings. As a result, heavy lift business secured stable profits, due partly to effect of declining fuel oil prices from 3rd Quarter onward.

◇ Coastal Shipping and Ferry Business ◇

As for coastal shipping operations, both steel and cement carriers continued to secure constant cargo volumes respectively in the tramp service. Newly-built coal carriers were completed in 1st and 3rd Quarters of fiscal 2008, respectively, and started transporting coal within Tokyo Bay. In liner service, paper carriers ensured stable cargo volume by making long-term transportation contracts with customers, but high fuel oil prices up to 2nd Quarter put pressure on profits. Hachinohe/Tomakomai ferry operations increased transportation of trucks helped by effects from increased services of its four ferries.

Logistics/Harbor Transportation

In the comprehensive logistics sector, domestic trailer transportation services secured same level of profits as previous year, while profits of buyer's consolidation services worsened due to world-wide decline in marine container volume. Air cargo forwarding services worsened in profits, affected by steep decline in air cargo movements from 3rd Quarter of fiscal 2008.

As a result, overall operating revenues for this segment were ¥108.874 billion (decrease of 17.1% for year-on-year basis) with operating income of ¥9.289 billion (decrease of 32.3% for year-on-year basis).

Other Businesses

As for other businesses not mentioned above, overall operating revenues amounted to ¥24.968 billion (increase of 9.6% for year-on-year basis), and operating income stood at ¥2.234 billion (up 2.1% for year-on-year basis).

Outlooks for Fiscal 2009

With respect to consolidated operating results for fiscal 2009, the Company expects ¥950 billion for operating revenues, ¥16 billion for operating income, ¥11 billion for ordinary income and ¥6.5 billion for net income.

As for marine transportation markets, the overall business environment remains sluggish due to current global recession. Since the reduction in containership cargo movements has been significant, the Company has promoted streamlining by cutting back or integrating service routes, temporarily suspending voyages as well as reviewing service schedules jointly with the alliance members, for almost of all major service routes. At the same time, concerted efforts to reduce costs will be made worldwide throughout the Group.

Consolidated operating revenues in containership business for fiscal 2009 will decrease due partly to worsened freight rates on major trades, despite some signs of possibility of an increase in freight rates on some service routes. However, the Company expects a contraction of deficits through implementation of earnings' recovery and cost reduction measures in this sector. As for dry bulk carrier and car carrier business, in dry bulk carrier sector, the Company expects marine cargo movements at the same level as those in the preceding year. The Company will strive to improve profitability by implementing further cost reduction activities and reviewing scale of its fleet, including suspending new orders, redelivering, selling and/or scrapping unprofitable and excessive vessels, and at the same time, reinforcing overseas marketing at mainly foreign bases to expand our sales structure.

With respect to car carrier business, though inventories of completed built-up cars (CBU) around the world are forecasted to return to normal levels in the near future, the Company considers recovery of the number of CBU carried by marine transportation will take time so gross cargo movements of CBU will decrease around 30% from preceding year. Under the unprecedented business environment, the Company will make every effort to improve profitability by cost reduction activities for ship operation costs including reduction of fuel consumption through slow steaming navigation and reduction of canal tolls for Suez and Panama Canals by switching service routes to those that double via the Cape of Good Hope. Concerning energy transportation and tanker business, the Company's LNG fleet will expand to 48 vessels with completion of a newly-built carrier during fiscal year 2009. The Company will continue to respond to diversified needs for LNG transportation flexibly and aggressively in order to expand the scope of the business. In tanker business, even though freight rates will continue to be sluggish due to the global economic stagnation, emerging countries' demand for petroleum is expected to be firm. Supply and demand balance of world tonnage should not face any extremely excessive situation since decommissioning of single-hull vessels and delays in delivery of new buildings are forecasted. As to tankers for petroleum products, freight rates may soften temporarily. However, cargo movements will recover gradually, assisted by full-scale operation of newly-built export-oriented oil refineries and constant demand for petroleum products from Europe.

The business environment surrounding our shipping industry is difficult to forecast as mentioned above under the current supply and demand conditions, USD exchange rate and trends in interest rates. However, the Company will strive to further promote efficient ship allocation and cost reduction.

In addition, with respect to foreign exchange rates and fuel oil prices for fiscal 2009, the Company is assuming ¥100 per US$ as USD exchange rate and US$300 per MT for fuel oil prices.

Assets, Liabilities and Net Assets

Total assets as of the end of March 2009 were ¥971.603 billion, an increase of ¥2.973 billion from end of the preceding year, due mainly to increased number of vessels, despite a decrease in accounts receivable-trade and investment securities owing to declined stock prices. Total liabilities at end of March 2008 were ¥615.450 billion, an increase of ¥23.097 billion from end of the previous year. Current liabilities decreased by ¥58.928 against the end of the previous year, due to a decrease in accounts and notes payable-trade resulting from decreased cargo movements and decreases in short-term loans and accrued income taxes. Fixed liabilities increased by ¥82.025 billion from the end of fiscal 2008, due mainly to an increase in long-term debt.

Net assets decreased by ¥20.124 billion for year-on-year basis to ¥356.153 billion, due to decrease in valuation and translation adjustments resulting from decreased holding gains on investment securities caused by falling stock prices.

As a result, equity ratio as of end of fiscal 2008 decreased by 2.2 points for a year-on-year basis to 34.5%. In addition, return of equity (ROE) decreased by 14.3 points for year-on-year basis to 9.4%, and debt equity ratio (DER) worsened by 0.38 points for year-on-year basis to 1.31.

Cash Flow

The total of cash and cash equivalent at end of current consolidated financial year increased from end of previous financial year by ¥21.656 billion to ¥69.7 billion. Each cash flow situation is described as follows:

Operating cash flow for current period resulted in ¥77.614 billion credit compared to ¥141.238 billion credit for the previous period. This was mainly due to dwindling net revenue for current period.

Investment cash flow for current period resulted in ¥148.304 billion debit, due to expenditures to acquire more vessels compared to ¥145.541 billion debit for previous period.

Financial cash flow for current period resulted in ¥99.844 billion credit, due to incomings from borrowing compared to ¥7.460 billion debit for previous period.

Basic Dividend Policy and Dividend Payment for Current and Following Fiscal Year

Our important obligation is to maximize returns to shareholders while giving consideration to our main task of the management plan that is to maintain a necessary inner reserve for investment in vessels and equipment for sustainable growth and to improve and strengthen the nature of the Company. Our policy is to raise dividend payout ratio gradually, setting an intermediate target for dividend payout ratio of 25% in financial year 2011 with an idea of achieving dividend payout ratio of 30% of consolidated net profit by mid-2010s.

Interim dividend for current period was ¥13.5 per share. Unfortunately, year-end dividend has to be put off because interim dividend itself resulted in achieving dividend payout ratio of 26% which exceeds our targeted annual ratio of this year 22%, due to worsening business performance during the second half of the financial year.

For the following period we plan to pay annual dividend of ¥2.5 per share, which will represent 23% payout ratio. As to interim dividend for the following period, at this moment we plan to skip it due to present uncertain circumstances affecting our industry.

In addition, under the prevailing severe business environment where it is difficult to forecast future market freight rates, the Company intends on maintaining a sound financial structure as its most important current management issue, and will make maximum efforts to raise the level of dividend payments by continuing to promote thorough rationalization and cost reduction.

Business Risks

The "K" Line Group is developing its business internationally. When unpredictable events occur, whether they are caused by socio-political or natural phenomena, they can have a negative impact on business in related areas and markets. Furthermore, in the Group's main business field, marine transport, market conditions for cargo handling and marine transportation are heavily influenced by international factors such as economic trends in various countries, product market conditions, supply and demand balance for ships, also competitive relationships. Changes in any of those factors can have a negative impact on the "K" Line Group's marketing activities and business results. In particular, economic conditions such as tax systems and inflation or implementation of regulations or political policies such as protective trade policies in major trading regions and countries like North America, Europe, Japan and China can worsen conditions for the freight market when shipping volume is already down and cost competition is already harsh. This can have a serious impact on the "K" Line Group's financial situation and operating results.

Other major risks that can have a negative impact on the "K" Line Group's business activities include the following:

Exchange rate fluctuations

A large percentage of the "K" Line Group's business earnings is in freight revenue denominated in US dollars, and when such revenue is converted to Japanese yen it is therefore affected by the prevailing exchange rates. The Group works to minimize negative impacts from exchange rate fluctuations by incurring costs in dollars and creating currency hedges, but a stronger yen against the US dollar can still have a negative influence on the "K" Line Group's financial situation and operating results.

Fuel oil price fluctuations

Fuel oil prices account for a major portion of the "K" Line Group's ship operation costs. Fluctuations in fuel oil prices are determined mainly by factors with which the "K" Line Group has no influence, such as crude oil supply and demand balance, production and pricing policies adopted by OPEC and other oil-producing nations, also political conditions and local production situations in producing countries. Such factors are extremely difficult to predict. The Group utilizes futures contracts in order to mitigate the impact of unstable elements on its bottom line, but remarkable and sustained rises in fuel oil prices along with decreased supplies can force the "K" Line Group's business costs upwards. This wii have a negative impact on the Group's financial situation and operating results.

Interest rate fluctuations

The "K" Line Group carries out ongoing capital investment in its shipbuildings and so on. The Group strives to reduce interest-bearing debt to the greatest extent possible by investing its own capital and engaging in off-balance sheet deals such as operating leases, but a high percentage still must rely on borrowing from financial institutions. The Group takes out loans above a certain scale for capital investment in ships and equipment at fixed rates and uses interest fixing swaps in accordance with their repayment in order to avoid increases in capital procurement costs through rise in future interest rates.

These capital procurement costs are affected by interest rate fluctuations, and this can have a nagative impact on the "K" Line Group's financial situation and operating results.

Public regulations

Marine transportation business in general is influenced by international treaties on ship operations, registration and construction, as well as business licensing, taxes and other laws and regulations in various individual countries and territories. It is possible that in the future, new laws or regulations will be enacted that could constrain the "K" Line Group's business development or increase its business costs, and conceivably result in a negative impact on the "K" Line Group's financial situation and operating results.

Ships that the "K" Line Group operates are managed and operated in compliance with existing laws and regulations, and they carry appropriate hull insurance. Nevertheless, relevant legal regulations could change, and compliance with new regulations could generate additional costs.

Safe ship operations and environmental preservation

The "K" Line Group regards thoroughly safe ship operations and environmental preservation as its highest priorities as it maintains and improves its safe operation standards and crisis management system. If an accident, especially an accident involving an oil spill, should occur despite these efforts and causes ocean pollution, it could have a negative impact on the "K" Line Group's financial situation and operating results. Furthermore, increasing losses due to piracy, operation in areas of political instability or conflict and the increasing risk of terrorism directed at ships could cause major damage to "K" Line Group ships and place its crews in danger. These factors could have a negative impact on the "K" Line Group's safe ship operations, voyage planning and management as well as marine transport business as a whole.

The competitive environment, etc.

The "K" Line Group carries out business development in the international marine transportation market. In its competitive relationships with leading groups of marine transportation companies from Japan and abroad, the Group's industry position and operating results can be negatively impacted by the degree to which other companies allocate their management resources to each sector and by differences in competitiveness such as costs and technologies.

In the highly competitive environment of the containership sector, the Group is striving to maintain and improve the competitiveness of its services by participating in alliances with foreign marine transportation companies. However, factors over which the "K" Line Group has no control, such as other companies deciding on their own to end alliances, could have a negative impact on the Group's marketing activities, financial situation and operating results.

*Matters referring to the future are as judged by the "K" Line Group as of the end of March 2009. In addition, the items discussed here do not necessarily represent every risk to the "K" Line Group.

Selected Financial Data

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen					
Consolidated	**2009**	2008	2007	2006	2005	2004
Operating revenues	**¥1,244,317**	¥1,331,048	¥1,085,539	¥940,819	¥828,444	¥724,667
Operating income	**71,604**	129,649	61,357	87,976	108,054	70,534
As a percentage of operating revenues	**5.8%**	9.7%	5.7%	9.4%	13.0%	9.7%
Net income	**32,421**	83,012	51,514	62,424	59,853	33,196
Total assets	**971,603**	968,630	900,439	757,040	605,331	559,135
Shareholders' equity (until 2006)/ Net assets (since 2007)	**356,153**	376,277	357,625	257,810	181,276	121,006
As a percentage of total assets	**34.5%**	36.7%	38.3%	34.1%	29.9%	21.6%
Interest-bearing liabilities	**439,622**	329,716	326,187	278,234	239,249	281,811
As a percentage of total assets	**45.2%**	34.0%	36.2%	36.8%	39.5%	50.4%
Debt-to-equity ratio	**1.31**	0.93	0.95	1.08	1.32	2.33
Return on equity	**9.4%**	23.7%	17.1%	28.4%	39.6%	32.7%
Interest coverage ratio	**12.61**	27.69	15.97	16.16	19.47	14.32
Financial income and expenses	**(1,218)**	1,441	1,468	(1,122)	(2,517)	(3,546)
Depreciation and amortization	**39,427**	36,362	32,294	28,623	24,634	25,558

Notes:(1) Effective March 31, 2005, the Company and its domestic consolidated subsidiaries opted for early adoption of a new accounting standard for the impairment of fixed assets. The effect of the adoption of this new standard was to decrease income before income taxes by ¥7,038 million for the year ended March 31, 2005.

(2) Effective the year ended March 31, 2007, the Company has adopted "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8). Total shareholders' equity at March 31, 2007 under the previous method of presentation amounted to ¥330,260 million.

(3) Effective the year ended March 31, 2008, the Company and certain consolidated subsidiaries have recognized the revenues from container vessels in accordance with the course of transportation time on each cargo. The effect of this adoption was decrease marine transportation and other operating revenues, operating income, and income before income taxes and minority interests decreased by ¥11,791 million for the year ended March 31, 2008.

(4) Effective the year ended March 31, 2008, the Company and domestic consolidated subsidiaries have changed their method of depreciation based on an amendment to the Japanese Corporation Tax Law (Law for Partial Amendment of Income Tax Law, etc. (Law No. 6 of March 30, 2007) and Cabinet Order for Partial Amendment of Enforcement Order of Corporation Tax Law (Cabinet Order No. 83, March 30, 2007)) for tangible fixed assets acquired on or after April 1, 2007. The effect of this adoption on profit and loss was immaterial for the year ended March 31, 2008.

(5) Effective the year ended March 31, 2008, the Company and domestic consolidated subsidiaries have changed their method of depreciation based on an amendment to the Corporation Tax Law of Japan for tangible fixed assets acquired on or prior to March 31, 2007. Such tangible fixed assets are to be depreciated based on the difference between the equivalent of 5% of acquisition cost and memorandum value over a period of 5 years once they have been fully depreciated to the limits of their respective depreciable amounts effective April 1, 2007. The effect of this adoption was to decrease marine transportation and other operating revenues, operating income, and income before income taxes by ¥609 million for the year ended March 31, 2008.

(6) Effective the year ended March 31, 2009, the Company and domestic consolidated subsidiaries have adopted "Accounting Standard for Lease Transactions" (Financial Accounting Council on June 17, 1993, and revised by the Accounting Standards Board of Japan ("ASBJ") on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (Financial Accounting Standard Implementation Guidance No.16, originally issued by the Accounting System Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994, and revised by the ASBJ on March 30, 2007). There was no material impact on the financial statements as a result of the adoption of the accounting standards for the year ended March 31, 2009.

(7) Effective the year ended March 31, 2009, the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statement" and took necessary amendment in consolidated financial statement. (Accounting Standards Board of Japan (ASBJ) Statement No. 18, which were issued on May 17, 2006). The adoption of this accounting standard had slight effect on the consolidated statement of income for the year ended March 31, 2009.

Non-Consolidated	Millions of yen					
	2009	2008	2007	2006	2005	2004
Operating revenues	**¥960,109**	¥1,063,705	¥857,279	¥742,569	¥658,700	¥584,958
Operating income	**24,613**	89,715	28,103	56,679	85,288	55,068
As a percentage of operating revenues	**2.6%**	8.4%	3.3%	7.6%	12.9%	9.4%
Net income	**799**	58,939	25,250	38,820	49,012	24,452
Total assets	**498,022**	541,450	518,501	481,542	376,345	329,965
Shareholders' equity (until 2006)/ Net assets (since 2007)	**225,505**	258,075	241,181	188,966	143,019	96,839
As a percentage of total assets	**45.3%**	47.7%	46.5%	39.2%	38.0%	29.3%
Interest-bearing liabilities	**177,027**	91,124	133,109	145,129	108,421	132,460
As a percentage of total assets	**35.5%**	16.8%	25.7%	30.1%	28.8%	40.1%
Debt-to-equity ratio	**0.79**	0.35	0.55	0.77	0.76	1.31
Return on equity	**0.3%**	23.6%	11.7%	23.4%	40.9%	30.1%
Interest coverage ratio	**(0.25)**	39.03	8.64	18.98	25.35	17.49
Financial income and expenses	**4,117**	5,531	5,523	1,342	1,017	(859)
Depreciation and amortization	**8,371**	7,329	6,815	7,503	6,114	6,358

Notes:(1) Effective March 31, 2005, the Company opted for early adoption of a new accounting standard for the impairment of fixed assets. The effect of the adoption of this new standard was to decrease income before income taxes by ¥4,684 million for the year ended March 31, 2005.

(2) Effective the year ended March 31, 2007, the Company has adopted "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8). Total shareholders' equity at March 31, 2007 under the previous method of presentation amounted to ¥231,961 million.

(3) Effective the year ended March 31, 2008, the Company has recognized the revenues from container vessels in accordance with the course of transportation time on each cargo. The effect of this adoption was decrease marine transportation and other operating revenues, operating income, and income before income taxes and minority interests decreased by ¥11,669 million for the year ended March 31, 2008.

(4) Effective the year ended March 31, 2008, the Company has changed its method of depreciation based on an amendment to the Japanese Corporation Tax Law (Law for Partial Amendment of Income Tax Law, etc. (Law No. 6 of March 30, 2007) and Cabinet Order for Partial Amendment of Enforcement Order of Corporation Tax Law (Cabinet Order No. 83, March 30, 2007)) for tangible fixed assets acquired on or after April 1, 2007. The effect of this adoption on profit and loss was immaterial for the year ended March 31, 2008.

(5) Effective the year ended March 31, 2008, the Company has changed its method of depreciation based on an amendment to the Corporation Tax Law of Japan for tangible fixed assets acquired on or prior to March 31, 2007. Such tangible fixed assets are to be depreciated based on the difference between the equivalent of 5% of acquisition cost and memorandum value over a period of 5 years once they have been fully depreciated to the limits of their respective depreciable amounts effective April 1, 2007. The effect of this adoption was to decrease marine transportation and other operating revenues, operating income, and income before income taxes by ¥425 million for the year ended March 31, 2008.

(6) Effective the year ended March 31, 2009, the Company has adopted "Accounting Standard for Lease Transactions" (Financial Accounting Council on June 17, 1993, and revised by the Accounting Standards Board of Japan ("ASBJ") on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (Financial Accounting Standard Implementation Guidance No.16, originally issued by the Accounting System Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994, and revised by the ASBJ on March 30, 2007). There was no material impact on the financial statements as a result of the adoption of the accounting standards for the year ended March 31, 2009.

Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
Assets	**2009**	2008	**2009**
Current assets:			
Cash and deposits (Note 15)	**¥ 73,145**	¥ 50,701	**$ 744,627**
Marketable securities (Note 3)	**1**	22	**8**
Accounts and notes receivable — trade	**80,392**	112,128	**818,401**
Allowance for doubtful receivables	**(504)**	(678)	**(5,132)**
Inventories (Note 4)	**20,072**	34,265	**204,346**
Prepaid expenses and deferred charges	**22,964**	37,281	**233,775**
Deferred income taxes (Note 7)	**978**	7,662	**9,959**
Other current assets	**37,439**	24,799	**381,137**
Total current assets	**234,487**	266,180	**2,387,121**
Investments and other assets:			
Investments in and advances to unconsolidated subsidiaries and affiliates	**37,317**	45,557	**379,894**
Investments in securities (Notes 3 and 6)	**62,712**	94,233	**638,418**
Long-term loans receivable	**8,829**	9,594	**89,877**
Deferred income taxes (Note 7)	**10,103**	2,839	**102,851**
Other assets	**24,368**	20,907	**248,069**
Allowance for doubtful receivables	**(891)**	(582)	**(9,066)**
Total investments and other assets	**142,438**	172,548	**1,450,043**
Vessels, property and equipment:			
Vessels (Note 6)	**629,587**	542,897	**6,409,314**
Buildings and equipment (Note 6)	**104,294**	109,848	**1,061,734**
Accumulated depreciation	**(342,061)**	(340,557)	**(3,482,242)**
	391,820	312,188	**3,988,806**
Land (Notes 6 and 12)	**30,990**	32,441	**315,489**
Construction in progress	**155,653**	170,041	**1,584,569**
Vessels, property and equipment, net	**578,463**	514,670	**5,888,864**
Intangible assets:			
Goodwill, net (Note 5)	**10,229**	9,120	**104,133**
Other intangible assets	**5,986**	6,112	**60,941**
Total intangible assets	**16,215**	15,232	**165,074**
Total assets	**¥971,603**	¥968,630	**$9,891,102**

Liabilities and Net Assets	Millions of yen 2009	2008	Thousands of U.S. dollars (Note 1(a)) 2009
Current liabilities:			
Short-term loans (Note 6)	**¥ 13,102**	¥ 39,165	**$ 133,380**
Commercial paper (Note 6)	**22,000**	—	**223,964**
Current portion of long-term debt (Note 6)	**42,241**	28,754	**430,026**
Accounts and notes payable — trade	**66,281**	86,206	**674,756**
Advances received	**16,739**	26,643	**170,405**
Current portion of obligations under finance leases	**588**	818	**5,982**
Accrued income taxes (Note 7)	**4,527**	36,210	**46,085**
Deferred income taxes (Note 7)	**1,772**	3,032	**18,034**
Other current liabilities	**20,304**	25,654	**206,709**
Total current liabilities	**187,554**	246,482	**1,909,341**
Long-term liabilities:			
Long-term debt, less current portion (Note 6)	**358,653**	256,598	**3,651,154**
Allowance for employees' retirement benefits (Note 9)	**8,526**	9,672	**86,794**
Allowance for directors' and corporate auditors' retirement benefits	**1,942**	2,023	**19,768**
Accrued expenses for overhaul of vessels	**20,236**	24,655	**206,007**
Obligations under finance leases, less current portion	**3,038**	4,382	**30,927**
Deferred income taxes (Note 7)	**2,304**	9,549	**23,460**
Deferred income taxes on land revaluation (Note 12)	**2,635**	3,943	**26,825**
Other long-term liabilities	**30,562**	35,049	**311,126**
Total long-term liabilities	**427,896**	345,871	**4,356,061**
Commitments and contingent liabilities (Note 13)			
Net assets:			
Shareholders' equity (Note 10):			
Common stock:			
Authorized — 2,000,000,000 shares in 2009 and 2008			
Issued — 638,882,298 shares in 2009, and 638,764,790 in 2008	**45,869**	45,819	**466,959**
Capital surplus	**30,714**	30,664	**312,677**
Retained earnings	**298,638**	281,384	**3,040,192**
Less treasury stock, at cost	**(938)**	(929)	**(9,553)**
Total shareholders' equity	**374,283**	356,938	**3,810,275**
Valuation and translation adjustments:			
Net unrealized holding (loss) gain on investments in securities (Note 3)	**(4,875)**	17,809	**(49,623)**
Deferred loss on hedges	**(17,708)**	(23,141)	**(180,276)**
Revaluation reserve for land (Note 12)	**2,048**	4,186	**20,850**
Translation adjustments	**(18,975)**	(29)	**(193,177)**
Total valuation and translation adjustments	**(39,510)**	(1,175)	**(402,226)**
Minority interests in consolidated subsidiaries	**21,380**	20,514	**217,651**
Total net assets	**356,153**	376,277	**3,625,700**
Total liabilities and net assets	**¥971,603**	¥968,630	**$9,891,102**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Income

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2009	2008	**2009**
Marine transportation and other operating revenues (Note 16)	**¥1,244,317**	¥1,331,048	**$12,667,387**
Marine transportation and other operating costs and expenses (Note 16)	**1,105,346**	1,127,017	**11,252,632**
Gross operating income	**138,971**	204,031	**1,414,755**
Selling, general and administrative expenses (Note 16)	**67,367**	74,382	**685,814**
Operating income (Note 16)	**71,604**	129,649	**728,941**
Other income (expenses):			
Interest and dividend income	**4,964**	6,547	**50,531**
Interest expense	**(6,181)**	(5,106)	**(62,927)**
Equity in earnings of affiliates	**1,120**	1,643	**11,405**
Exchange loss, net	**(11,832)**	(7,689)	**(120,448)**
Gain on sales of vessels, property and equipment, net	**3,683**	3,474	**37,499**
Gain on sales of investments in securities, net	**452**	7,738	**4,602**
Loss on liquidation of subsidiaries, net	**(103)**	—	**(1,049)**
Loss on devaluation of investments in securities, net	**(17,812)**	(257)	**(181,343)**
Other, net	**(122)**	829	**(1,238)**
Other income, net	**(25,831)**	7,179	**(262,968)**
Income before income taxes and minority interests	**45,773**	136,828	**465,973**
Income taxes (Note 7):			
Current	**6,997**	47,579	**71,235**
Deferred	**1,189**	2,422	**12,101**
Total income taxes	**8,186**	50,001	**83,336**
Minority interests	**5,166**	3,815	**52,590**
Net income	**¥ 32,421**	¥ 83,012	**$ 330,047**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2009	2008	**2009**
Shareholders' equity:			
Common stock:			
Balance at beginning of year	**¥ 45,819**	¥ 39,357	**$ 466,450**
Issuance of new shares	**50**	6,462	**509**
Balance at end of year	**45,869**	45,819	**466,959**
Capital surplus:			
Balance at beginning of year	**30,664**	24,202	**312,168**
Issuance of new shares	**50**	6,462	**509**
Balance at end of year	**30,714**	30,664	**312,677**
Retained earnings:			
Balance at beginning of year	**281,384**	211,603	**2,864,543**
Effect of changes in accounting method of overseas consolidated subsidiaries	**180**	–	**1,833**
Cash dividends	**(17,534)**	(13,211)	**(178,498)**
Net Income	**32,421**	83,012	**330,047**
Disposal of treasury stock	**(13)**	(13)	**(134)**
Reversal of the revaluation reserve for land	**2,134**	9	**21,728**
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other	**66**	(16)	**673**
Balance at end of year	**298,638**	281,384	**3,040,192**
Treasury stock, at cost:			
Balance at beginning of year	**(929)**	(989)	**(9,462)**
Purchase of treasury stock	**(56)**	(248)	**(572)**
Disposal of treasury stock	**47**	308	**481**
Balance at end of year	**¥ (938)**	¥ (929)	**$ (9,553)**

Valuation and translation adjustments:			
Unrealized holding (loss) gain on investments in securities:			
Balance at beginning of year	**¥ 17,809**	¥ 46,251	**$ 181,294**
Net changes during the year	**(22,684)**	(28,442)	**(230,917)**
Balance at end of year	**(4,875)**	17,809	**(49,623)**
Deferred loss on hedges:			
Balance at beginning of year	**(23,141)**	14,215	**(235,578)**
Net changes during the year	**5,433**	(37,356)	**55,302**
Balance at end of year	**(17,708)**	(23,141)	**(180,276)**
Revaluation reserve for land:			
Balance at beginning of year	**4,186**	5,515	**42,621**
Net changes during the year	**(2,138)**	(1,329)	**(21,771)**
Balance at end of year	**2,048**	4,186	**20,850**
Translation adjustments:			
Balance at beginning of year	**(29)**	4,322	**(300)**
Net changes during the year	**(18,946)**	(4,351)	**(192,877)**
Balance at end of year	**(18,975)**	(29)	**(193,177)**
Minority interests in consolidated subsidiaries:			
Balance at beginning of year	**20,514**	13,149	**208,837**
Net changes during the year	**866**	7,365	**8,814**
Balance at end of year	**21,380**	20,514	**217,651**
Total net assets	**¥356,153**	¥376,277	**$3,625,700**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2009	2008	**2009**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 45,773**	¥136,828	**$ 465,973**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**39,427**	36,362	**401,378**
Reversal of employees' retirement benefits	**(1,142)**	(637)	**(11,630)**
(Decrease) increase in accrued expenses for overhaul of vessels	**(4,031)**	7,568	**(41,035)**
Reversal of directors' and corporate auditors' retirement benefits	**(64)**	(741)	**(655)**
Interest and dividend income	**(4,964)**	(6,547)	**(50,531)**
Interest expense	**6,181**	5,106	**62,927**
Decrease (increase) in other current assets	**15,409**	(10,122)	**156,866**
Gain on sales of marketable securities and investments in securities	**(452)**	(7,738)	**(4,602)**
Gain on sales of vessels, property and equipment	**(3,713)**	(3,942)	**(37,803)**
Loss on sales of vessels, property and equipment	**30**	468	**304**
Changes in operating assets and liabilities:			
Decrease in accounts and notes receivable-trade	**22,885**	1,321	**232,976**
(Decrease) increase in accounts and notes payable-trade	**(11,853)**	3,858	**(120,669)**
(Decrease) increase in inventories	**13,416**	(12,381)	**136,574**
Other, net	**13,760**	16,309	**140,088**
Subtotal	**130,662**	165,712	**1,330,161**
Interest and dividends received	**4,959**	6,441	**50,489**
Interest paid	**(6,154)**	(5,101)	**(62,651)**
Income taxes paid	**(51,853)**	(25,814)	**(527,869)**
Net cash provided by operating activities	**77,614**	141,238	**790,130**
Cash flows from investing activities:			
Purchases of marketable securities and investments in securities	**(28,326)**	(23,236)	**(288,368)**
Proceeds from sales of marketable securities and investments in securities	**3,910**	14,122	**39,809**
Purchases of vessels, property and equipment	**(164,711)**	(158,438)	**(1,676,790)**
Proceeds from sales of vessels, property and equipment	**48,036**	28,216	**489,016**
Increase in intangible assets	**(1,285)**	(1,204)	**(13,083)**
Increase in long-term loans receivable	**(13,125)**	(16,596)	**(133,620)**
Collection of long-term loans receivable	**34,614**	24,288	**352,378**
Other, net	**(27,417)**	(12,693)	**(279,105)**
Net cash used in investing activities	**(148,304)**	(145,541)	**(1,509,763)**

Cash flows from financing activities:			
Decrease in short-term loans, net	**(5,852)**	(7,724)	**(59,575)**
Increase in commercial paper	**22,000**	—	**223,964**
Proceeds from long-term debt	**140,954**	77,225	**1,434,942**
Repayment of long-term debt and obligations under finance leases	**(37,650)**	(53,382)	**(383,285)**
Redemption of bonds	**—**	(10,000)	**—**
Cash dividends paid	**(17,529)**	(13,215)	**(178,446)**
Cash dividends paid to minority shareholders	**(2,924)**	(414)	**(29,768)**
Proceeds from stock issuance to minority shareholders	**867**	—	**8,822**
Other, net	**(22)**	50	**(225)**
Net cash provided by (used in) financing activities	**99,844**	(7,460)	**1,016,429**
Effect of exchange rate changes on cash and cash equivalents	**(7,506)**	(866)	**(76,411)**
Net increase (decrease) in cash and cash equivalents	**21,648**	(12,629)	**220,385**
Cash and cash equivalents at beginning of year	**48,044**	60,493	**489,101**
Increase in cash and cash equivalents arising from inclusion of subsidiaries in consolidation	**8**	186	**81**
Decrease in cash and cash equivalents arising from exclusion of subsidiaries in consolidation	**—**	(6)	**—**
Cash and cash equivalents at end of year (Note 15)	**¥ 69,700**	¥ 48,044	**$ 709,567**

The accompanying notes are an integral part of the consolidated financial statements.

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

1. Summary of Significant Accounting Policies

(a) Basis of preparation

The accompanying consolidated financial statements of Kawasaki Kisen Kaisha, Ltd. (the "Company") and its consolidated subsidiaries have been prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required under the Financial Instruments and Exchange Act of Japan. In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to present them in a form which is familiar to readers outside Japan. However, no adjustments have been made which would change the financial position or the results of operations presented in the original consolidated financial statements.

The presentation of the consolidated statements of changes in net assets has been changed from previous years in accordance with the revision of the "Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements." Consequently, the presentation of the consolidated statements of change in net assets for the year ended March 31, 2008 has been restated to conform to the 2009 presentation.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2008 to the 2009 presentation. Such reclassifications had no effect on consolidated net income or net assets.

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at ¥98.23 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2009 on the Tokyo Foreign Exchange Market. Furthermore, the translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and 311 and 275 subsidiaries for the years ended March 31, 2009 and 2008, respectively. The principles of consolidation are to include significant subsidiaries, whose voting interests are owned 40 per cent or more by a consolidated group and whose decision-making control over their operations is significantly affected by the consolidated group through financial or technical support, personnel, transactions, and so forth. In addition, significant affiliates whose decision-making control over their operations is significantly affected by the consolidated group in various ways are accounted for by the equity method.

For the purposes of consolidation, all significant intercompany transactions, account balances and unrealized profit among the consolidated group companies have been eliminated.

Goodwill and negative goodwill are, as a rule, amortized by the straight-line method over a period of five years.

(c) Accounting period

Most of the consolidated subsidiaries have a December 31 year end which does not accord with that of the Company. As a result, adjustments have been made for any significant transactions which took place during the period between the year end of these subsidiaries and the year end of the Company.

(d) Translation of foreign currencies

All monetary assets and liabilities denominated in foreign currencies other than those hedged by forward foreign exchange contracts are translated into yen at the rates of exchange in effect at the balance sheet date. Gain or loss resulting from the settlement of these items is credited or charged to income.

(e) Translation of accounts of overseas consolidated subsidiaries

The accounts of the overseas consolidated subsidiaries, except for the components of net assets excluding minority interests of consolidated subsidiaries, are translated into yen at the rates of exchange in effect at the balance sheet date. The components of net assets excluding minority interests of consolidated subsidiaries are translated at their historical exchange rates. Differences arising from translation are presented as translation adjustments and minority interests in the accompanying consolidated balance sheets.

(f) Revenues and related costs

Revenues of the Company and its consolidated subsidiaries from cargo freight and the related costs and expenses, except for those from container vessels, are recognized in full as of the dates on which the vessels complete their respective voyages (the voyage completion method). Revenues from container vessels are recognized, by container, based on the passage of the transportation period (the complex transportation progress method). The related costs and expenses are charged to income as incurred. Revenues and costs with respect to charter services are accounted for on an accrual basis.

Change in method of accounting

Effective the year ended March 31, 2008, the Company and its overseas consolidated subsidiary have changed their method of accounting for revenue recognition with respect to container vessels from the cargo loaded method to the complex transportation progress method.

Until the year ended March 31, 2007, revenues from container vessels were recognized in full as of the date on which a vessel embarks from the port where the cargo was loaded, and no year-end adjustments were made for any portions of uncompleted voyages (the cargo loaded method).

Regarding container shipping transportation, the type of transportation services offered have remarkably changed and diversified, such as the expansion of mode of transportation including inland transit. In addition, volumes of freight have rapidly increased over the past few years. Under these circumstances, the Company concluded that it is preferable to adopt the complex transportation progress method under which revenues from container vessels are recognized based on passage of the transportation period because it more appropriately reflects its results of the container shipping services business.

As a result of the change in accounting method, marine transportation and other operating revenues, operating income, and income before income taxes and minority interests decreased by ¥11,791 million for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the method applied in the previous year.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks and other highly liquid investments with maturities of three months or less when purchased.

(h) Investments in securities

Securities are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain or loss, both realized and unrealized, are credited or charged to income. Held-to-maturity debt securities are stated at their amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of net assets. Nonmarketable securities classified as other securities are carried at cost determined by the moving average method.

Under the Corporation Law of Japan (the "Law"), unrealized holding gain on other securities, net of the related taxes, is not available for distribution as dividends.

(i) Inventories

Inventories are stated at the lower of cost or market, cost being determined by the moving average method.

(j) Vessels, property and equipment and depreciation

Vessels, property and equipment are stated at cost (see Note 12).

The depreciation of vessels is computed by the straight-line or the declining-balance method over the estimated useful lives of the respective vessels.

The depreciation of property and equipment is computed principally by the declining-balance method over the estimated useful lives of the respective assets.

Maintenance, repairs and minor improvements are charged to income as incurred. Major improvements are capitalized.

Change in method of accounting

Effective the year ended March 31, 2008, the Company and certain consolidated subsidiaries have changed their methods of accounting for depreciation of vessels, property and equipment acquired on or after April 1, 2007. This change was made based on an amendment to the Japanese Corporation Tax Law. The effect on operating income, and income before income taxes and minority interests was immaterial for the year ended March 31, 2008.

Supplemental information

Vessels, property and equipment acquired on or prior to March 31, 2007 are depreciated based on the difference between the equivalent of 5% of acquisition cost and memorandum value by the straight-line method over five years once they have been fully depreciated to the limits of their respective depreciable amounts effective April 1, 2007. As a result of the change in accounting method, operating income and income before income taxes and minority interests decreased by ¥609 million for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the method applied in the previous year.

(k) Capitalization of interest expense

Interest expense is generally charged to income as incurred. However, interest expense incurred in the construction of certain vessels is capitalized and included in the costs of the assets if the construction period is substantially long and the amount of interest incurred during the period is significantly high.

(l) Allowance for doubtful receivables

An allowance for doubtful receivables is provided at an amount calculated based on the historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

(m) Accrued expenses for overhaul of vessels

Vessels of the Company and its consolidated subsidiaries are subject to periodic overhaul. An accrual is provided on the basis of the estimated amount of total expenses expected to be incurred for overhauling the vessels.

(n) Leases

Change in method of accounting

Finance leases that do not transfer ownership of the leased property had been accounted for as operating leases until the year ended March 31, 2008.

Effective the year ended March 31, 2009, the Company and certain domestic consolidated subsidiaries have adopted "Accounting Standard for Lease Transactions" (Financial Accounting Standard No. 13, originally issued by the First Committee of the Business Accounting Council on June 17, 1993, and revised by the Accounting Standards Board of Japan ("ASBJ") on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (Financial Accounting Standard Implementation Guidance No. 16, originally issued by the Accounting System Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994, and revised by the ASBJ on March 30, 2007). Under the new accounting standards, a lease is classified as a finance lease if substantially all of the benefits and risks of ownership have been transferred to the lessee. Amortization of capitalized leased assets is computed on the straight-line method over the lease term with no residual values.

There was no material impact on the financial statements as a result of the adoption of the accounting standards for the year ended March 31, 2009.

(o) Income taxes

Deferred income taxes have been recognized with respect to the differences between financial reporting and the tax bases of the assets and liabilities. Deferred income taxes are measured at the rates which are expected to apply to the period when each asset or liability is realized, based on the tax rates which have been enacted as of the balance sheet date or are subsequently enacted.

(p) Retirement benefits

The Company and its domestic consolidated subsidiaries have defined benefit pension plans and retirement benefit plans. Certain overseas consolidated subsidiaries also have defined benefit pension plans.

The employees' retirement benefit plans provide for a lump-sum payment determined by reference to the current rate of pay, length of service and conditions under which the termination occurs.

An allowance for employees' retirement benefits has been provided based on the amount of the projected benefit obligation reduced by the pension plan assets at fair value at the end of the year.

Actuarial differences are amortized in the year following the year in which the differences are recognized principally by the straight-line method over a certain period (principally nine years) which falls within the estimated average remaining years of service of the eligible employees.

Past service cost is amortized by the straight-line method principally over a period of nine years, which falls within the estimated average remaining years of service of the eligible employees.

Certain consolidated subsidiaries also provide for retirement benefits to directors and corporate auditors based on their internal rules at the amount which would be required to be paid if all directors and corporate auditors retired at the balance sheet date.

Supplemental Information

A resolution for the abolishment of a retirement benefit plan for directors and corporate auditors of the Company was approved at a meeting of the Board of Directors of the Company held on May 19, 2006. In connection with the abolishment of the retirement benefit plan, effective June 26, 2006 (which was the date of the annual general meeting of the shareholders), the Company has not provided an accrual for retirement benefits for directors and corporate auditors. As a result, the Company has reclassified the balance of the accrual as of March 31, 2007 to long-term payable. Such balance included in other long-term liabilities of ¥593 million in the accompanying consolidated balance sheet as of March 31, 2008.

(q) Financial instruments

The Company and its consolidated subsidiaries utilize derivatives to hedge the risk arising from fluctuation in foreign currency exchange rates, interest rates and market prices. Under their derivatives policies, trading in derivatives is not entered into for speculative purposes.

Derivatives positions are carried at fair value with any changes in unrealized gain or loss credited or charged to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss, net of the applicable income taxes, is reported as a component of net assets.

If interest rate swap contracts are used as hedge and meet certain hedging criteria, net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract is executed.

Forward foreign exchange contracts which meet certain criteria are accounted for by the allocation method which requires that recognized foreign currency receivables or payables be translated at the corresponding contract rates.

(r) Distribution of retained earnings

Under the Law, the distribution of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period. The accounts for that period do not, therefore, reflect such distributions.

2. Changes in Method of Accounting

Change in accounting method of overseas consolidated subsidiaries

Effective the year ended March 31 2009, the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18, issued on May 17, 2006) and made necessary adjustments in consolidated financial statements. The effect of this adoption on the consolidated operating results for the year ended March 31, 2009 was immaterial.

3. Marketable Securities and Investments in Securities

At March 31, 2009 and 2008, marketable securities and investments in securities with quoted market prices which are classified as other securities are summarized as follows:

	Millions of yen					
	2009			2008		
	Acquisition costs	As reflected in the balance sheet	Difference	Acquisition costs	As reflected in the balance sheet	Difference
Securities whose market value reflected in the balance sheet exceeds their acquisition costs:						
Equity securities	**¥24,363**	**¥32,807**	**¥ 8,444**	¥53,815	¥82,890	¥29,075
Other	**—**	**—**	**—**	20	20	0
Subtotal	**24,363**	**32,807**	**8,444**	53,835	82,910	29,075
Securities whose market value reflected in the balance sheet does not exceed their acquisition costs:						
Equity securities	**32,949**	**19,500**	**(13,449)**	1,739	1,440	(299)
Total	**¥57,312**	**¥52,307**	**¥ (5,005)**	¥55,574	¥84,350	¥28,776

	Thousands of U.S. dollars		
	2009		
	Acquisition costs	As reflected in the balance sheet	Difference
Securities whose market value reflected in the balance sheet exceeds their acquisition costs:			
Equity securities	**$248,018**	**$333,985**	**$ 85,967**
Securities whose market value reflected in the balance sheet does not exceed their acquisition costs:			
Equity securities	**335,426**	**198,513**	**(136,913)**
Total	**$583,444**	**$532,498**	**$ (50,946)**

At March 31, 2009 and 2008, securities without quoted market prices are summarized as follows:

	As reflected in the balance sheet		
	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Investments in securities:			
Unlisted equity securities	**¥10,303**	¥9,803	**$104,882**

Proceeds from sales of investments in securities classified as other securities for the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Proceeds from sales	**¥3,889**	¥14,142	**$39,591**
Aggregate gain	**463**	7,785	**4,715**
Aggregate loss	**2**	5	**17**

The redemption schedule as of March 31, 2009 and 2008 for securities with maturity dates classified as other securities and held-to-maturity debt securities is summarized as follows:

	Millions of yen		
	2009		
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years
Debt securities	**¥23**	**¥16**	**¥—**

	Millions of yen		
	2008		
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years
Debt securities	¥3	¥3	¥1

	Thousands of U.S. dollars		
	2009		
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years
Debt securities	**$238**	**$163**	**$—**

4. Inventories

Inventories as of March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Raw materials and supplies	**¥19,974**	¥34,204	**$203,347**
Others	**98**	61	**999**
Total	**¥20,072**	¥34,265	**$204,346**

5. Goodwill

Goodwill and negative goodwill as of March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Goodwill	**¥10,344**	¥9,294	**$105,300**
Negative goodwill	**(115)**	(174)	**(1,167)**
Net	**¥10,229**	¥9,120	**$104,133**

6. Short-Term Loans, Commercial Paper and Long-Term Debt

Short-term loans from banks and insurance companies had average interest rates of 1.76 per cent and 3.95 per cent per annum at March 31, 2009 and 2008, respectively.

Commercial paper had an average interest rate of 0.95 per cent per annum at March 31, 2009.

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Loans from banks and insurance companies due in installments from April 2009 through December 2028 at average interest rates of 1.99 per cent and 1.91 per cent per annum at March 31, 2009 and 2008, respectively, for fixed-rate loans, and at variable rates for floating-rate loans	**¥343,253**	¥227,611	**$3,494,384**
Euro-yen zero coupon convertible bonds with stock acquisition rights in Japanese yen, due March 22, 2011	**2,145**	2,145	**21,837**
Euro-yen zero coupon convertible bonds with stock acquisition rights in Japanese yen, due April 4, 2013	**25,496**	25,596	**259,553**
1.48 per cent bonds in Japanese yen, due December 14, 2011	**15,000**	15,000	**152,703**
1.83 per cent bonds in Japanese yen, due April 14, 2014	**15,000**	15,000	**152,703**
Total	**400,894**	285,352	**4,081,180**
Less: Current portion	**(42,241)**	(28,754)	**(430,026)**
	¥358,653	¥256,598	**$3,651,154**

The euro-yen zero coupon convertible bonds with stock acquisition rights due 2011 are convertible at ¥700 per share subject to adjustment for certain events including stock splits. At March 31, 2009, if all the outstanding convertible bonds had been converted at the above conversion price, 3,064 thousand new shares of common stock would have been issuable.

The euro-yen zero coupon convertible bonds with stock acquisition rights due 2013 are convertible at ¥851 per share subject to adjustment for certain events including stock splits. At March 31, 2009, if all the outstanding convertible bonds had been converted at the above conversion price, 29,960 thousand new shares of common stock would have been issuable.

The aggregate annual maturities of long-term debt subsequent to March 31, 2009 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 42,241	$ 430,026
2011	49,949	508,486
2012	57,830	588,717
2013	36,352	370,069
2014	68,294	695,241
2015 and thereafter	146,228	1,488,641
Total	¥400,894	$4,081,180

A summary of assets pledged as collateral for short-term loans of ¥20,591 million ($209,622 thousand), long-term debt of ¥161,091 million ($1,639,939 thousand) and debt to be incurred in the future at March 31, 2009 is presented below:

	Millions of yen	Thousands of U.S. dollars
Vessels at net book value	¥228,937	$2,330,617
Building and structures at net book value	9,068	92,319
Investments in securities	8,422	85,737
Other	5,414	55,112

7. Income Taxes

The Company and its consolidated subsidiaries are subject to a number of taxes based on income, which, in the aggregate, resulted in a statutory tax rate of approximately 37.6 per cent for the years ended March 31, 2009 and 2008.

The effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2009 differs from the statutory tax rate for the following reasons:

	2009
Statutory tax rate	**37.6%**
Difference in statutory tax rates of consolidated subsidiaries	**(22.8)**
Amortization of goodwill	**2.2**
Other	**0.9**
Effective tax rate	**17.9%**

A reconciliation between the statutory tax rate and the effective tax rate as a percentage of income before income taxes and minority interests for the year ended March 31, 2008 has been omitted as the difference was immaterial.

Temporary differences which gave rise to a significant portion of the deferred tax assets and liabilities at March 31, 2009 and

2008 and their net tax effect are analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Deferred tax assets:			
Allowance for employees' retirement benefits	**¥ 2,867**	¥ 2,852	**$ 29,182**
Loss on impairment of fixed assets	**1,704**	1,707	**17,352**
Elimination of intercompany profit	**1,145**	1,151	**11,653**
Non-deductible allowances	**2,375**	2,704	**24,177**
Accounts and notes payable — trade	**4,551**	6,207	**46,332**
Deferred loss on hedges	**—**	2,460	**—**
Unrealized holding loss on investments in securities	**5,914**	—	**60,209**
Net operating loss carry forwards	**2,317**	—	**23,594**
Other	**1,516**	3,418	**15,428**
Gross deferred tax assets	**22,389**	20,499	**227,927**
Valuation allowance	**(3,053)**	(3,025)	**(31,078)**
Total deferred tax assets	**19,336**	17,474	**196,849**
Deferred tax liabilities:			
Reserve for special depreciation	**(1,657)**	(1,003)	**(16,867)**
Deferred gain for tax purposes	**(3,131)**	(2,168)	**(31,871)**
Unrealized holding gain on investments in securities	**(3,366)**	(11,547)	**(34,267)**
Accelerated depreciation in overseas subsidiaries	**(2,520)**	(3,525)	**(25,650)**
Tax effect of undistributed earnings of overseas subsidiaries and affiliates accounted for by the equity method	**(482)**	—	**(4,911)**
Other	**(1,175)**	(1,311)	**(11,967)**
Total deferred tax liabilities	**(12,331)**	(19,554)	**(125,533)**
Net deferred tax assets (liabilities)	**¥ 7,005**	¥ (2,080)	**$ 71,316**

8. Leases

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property at March 31, 2009 and 2008, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen							
	2009				2008			
At March 31,	Vessels	Equipment	Other	Total	Vessels	Equipment	Other	Total
Acquisition costs	**¥22,413**	**¥47,118**	**¥3,439**	**¥72,970**	¥22,413	¥54,782	¥3,468	¥80,663
Accumulated depreciation	**2,123**	**30,530**	**1,625**	**34,278**	1,150	32,350	1,259	34,759
Net book value	**¥20,290**	**¥16,588**	**¥1,814**	**¥38,692**	¥21,263	¥22,432	¥2,209	¥45,904

	Thousands of U.S. dollars			
	2009			
At March 31,	Vessels	Equipment	Other	Total
Acquisition costs	**$228,165**	**$479,676**	**$35,010**	**$742,851**
Accumulated depreciation	**21,610**	**310,803**	**16,548**	**348,961**
Net book value	**$206,555**	**$168,873**	**$18,462**	**$393,890**

Lease payments related to finance leases accounted for as operating leases and depreciation and interest expense for the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Lease payments	**¥7,926**	¥9,418	**$80,693**
Depreciation	**7,260**	7,256	**73,908**
Interest expense	**1,219**	1,491	**12,409**

Future minimum lease payments subsequent to March 31, 2009 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 6,231	$ 63,429
2011 and thereafter	32,380	329,639
Total	¥38,611	$393,068

Future minimum lease payments or receipts subsequent to March 31, 2009 for non-cancellable operating leases are summarized as follows:

(As lessee)

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 20,158	$ 205,210
2011 and thereafter	99,121	1,009,068
Total	¥119,279	$1,214,278

(As lessor)

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 683	$ 6,950
2011 and thereafter	1,671	17,009
Total	¥2,354	$23,959

9. Retirement Benefits

The following table sets forth the funded and accrued status of the pension plans and the amounts recognized in the accompanying consolidated balance sheets as of March 31, 2009 and 2008 for the Company's and its consolidated subsidiaries' defined benefit pension plans:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Retirement benefit obligation*	**¥(26,528)**	¥(30,772)	**$(270,061)**
Fair value of pension plan assets	**14,746**	19,354	**150,113**
Net unfunded benefit obligation	**(11,782)**	(11,418)	**(119,948)**
Unrecognized actuarial differences	**4,079**	2,157	**41,528**
Unrecognized past service cost	**439**	695	**4,469**
Net retirement benefit obligation	**(7,264)**	(8,566)	**(73,951)**
Prepaid pension cost	**1,262**	1,106	**12,843**
Allowance for employees' retirement benefits	**¥ (8,526)**	¥ (9,672)	**$ (86,794)**

* Certain domestic consolidated subsidiaries have calculated their retirement benefit obligation based on the amount which would be payable at the year end if all eligible employees terminated their services voluntarily.

During the year ended March 31, 2009, an overseas consolidated subsidiary has transferred a portion of its above defined benefit pension plan to a defined contribution pension plan. The effect of the transfer is outlined as follows:

	Millions of yen	Thousands of U.S. dollars
Decrease of retirement benefit obligation	**¥(589)**	**$(6,002)**
Unrecognized actuarial differences	**284**	**2,890**
Unrecognized past service cost	**164**	**1,674**
Decrease in allowance for employees' retirement benefits	**¥(141)**	**$(1,438)**

The components of retirement benefit expenses for the years ended March 31, 2009 and 2008 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Service cost*	**¥1,853**	¥1,889	**$18,861**
Interest cost	**397**	588	**4,047**
Expected return on pension plan assets	**(431)**	(566)	**(4,391)**
Amortization:			
Actuarial differences	**254**	23	**2,589**
Past service cost	**78**	160	**795**
Retirement benefit expenses	**¥2,151**	¥2,094	**$21,901**
Gain on transfer of defined benefit pension plan to a defined contribution pension plan	**(141)**	—	**(1,438)**
Contribution for a defined contribution pension plan	**333**	—	**3,392**
Total retirement benefit expenses	**¥2,343**	¥2,094	**$23,855**

* Retirement benefit expenses for certain domestic consolidated subsidiaries, whose benefit obligation is calculated based on the amount which would be payable at the year end if all eligible employees terminated their services voluntarily, have been fully included in service cost.

The assumptions used in accounting for the above plans for the years ended March 31, 2009 and 2008 were as follows:

	2009	2008
Discount rate	**Mainly 2.0%**	Mainly 2.0%
Expected rates of return on plan assets	**Mainly 3.5%**	Mainly 3.5%

10. Shareholders' Equity

The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

The Company's legal reserve included in retained earnings at March 31, 2009 and 2008 amounted to ¥2,540 million ($25,858 thousand) and ¥2,540 million, respectively.

In accordance with the former Commercial Code of Japan (the "Code"), stock option plans for certain directors and certain employees of the Company and certain directors of certain subsidiaries were approved at annual general meetings of the shareholders of the Company. The 2002 stock option plan (the 2002 plan) was approved by shareholders of the Company on June 27, 2002. The 2003 stock option plan (the 2003 plan) was approved by shareholders of the Company on June 27, 2003. The 2004 stock option plan (the 2004 plan) was approved by shareholders of the Company on June 29, 2004. The 2005 stock option plan (the 2005 plan) was approved by shareholders of the Company on June 29, 2005.

The stock option plans of the Company are summarized as follows:

Stock option plan	Date of grant	Exercisable period
The 2002 plan	September 2, 2002	From June 28, 2004 up to and including June 27, 2012
The 2003 plan	July 24, 2003	From June 28, 2005 up to and including June 27, 2013
The 2004 plan	August 9, 2004	From June 30, 2006 up to and including June 29, 2014
The 2005 plan	July 25, 2005	From June 30, 2007 up to and including June 29, 2015

Movements in the number of stock options for each stock option plan of the Company during the years ended March 31, 2009 and 2008 are summarized as follows:

	The 2002 plan	The 2003 plan	The 2004 plan	The 2005 plan
Number of stock options:				
Outstanding as of March 31, 2007	30	372	209	488
Vested	—	—	—	—
Exercised	8	95	92	275
Expired	—	—	7	—
Outstanding as of March 31, 2008	22	277	110	213
Vested	—	—	—	—
Exercised	—	14	4	19
Expired	—	—	—	—
Outstanding as of March 31, 2009	22	263	106	194

One stock option gives the holder the right to purchase one thousand shares of the Company's common stock.

The unit price of stock options for each stock option plan of the Company during the years ended March 31, 2009 and 2008 is summarized as follows:

	Yen			
	The 2002 plan	The 2003 plan	The 2004 plan	The 2005 plan
Unit price of stock options:				
Exercise price as of March 31, 2008	¥ 156	¥ 278	¥ 633	¥ 693
Average market price per share at exercise during the year ended March 31, 2008	1,435	1,416	1,416	1,573
Exercise price as of March 31, 2009	156	278	633	693
Average market price per share at exercise during the year ended March 31, 2009	—	789	288	803

	U.S. dollars			
	The 2002 plan	The 2003 plan	The 2004 plan	The 2005 plan
Unit price of stock options:				
Exercise price as of March 31, 2009	$1.59	$2.83	$6.44	$7.05
Average market price per share at exercise during the year ended March 31, 2009	—	8.03	2.93	8.17

The exercise prices above are subject to adjustment in the case of certain events including stock splits.

Movements in treasury stock of the Company for the years ended March 31, 2009 and 2008 are summarized as follows:

	Number of shares			
	March 31, 2007	Increase	Decrease	March 31, 2008
Treasury stock:				
Common stock	2,024,448	184,717	484,054	1,725,111

	Number of shares			
	March 31, 2008	Increase	Decrease	March 31, 2009
Treasury stock:				
Common stock	1,725,111	81,373	68,808	1,737,676

11. Amounts per Share

The amounts per share of net income for the years ended March 31, 2009 and 2008 and net assets per share at March 31, 2009 and 2008 are summarized as follows:

	Yen		U.S. dollars
	2009	2008	**2009**
Net income:			
Basic	**¥ 50.89**	¥131.36	**$0.52**
Diluted	**48.36**	123.72	**0.49**
Net assets	**525.43**	558.46	**5.35**
Cash dividends applicable to the year	**13.50**	26.00	**0.14**

Basic net income per share has been computed based on the net income attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share has been computed based on the amount of net income attributable to the shareholders of common stock and the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of the shares of common stock to be issued upon the exercise of the stock options and the conversion of convertible bonds. The amounts per share of net assets have been computed based on the number of shares of common stock outstanding at the year end.

Cash dividends per share represent the cash dividends applicable to the respective years together with the interim cash dividends paid.

12. Land Revaluation

The Company and certain domestic consolidated subsidiaries revalued the land used in their business in accordance with the Land Revaluation Law (Law No. 34, March 31, 1998) and the Law to Partially Revise the Land Revaluation Law (Law No. 19, March 31, 2001). The effect of this revaluation has been recorded as revaluation reserve for land in net assets, excluding the related deferred income taxes for land revaluation.

The timing of the revaluation was effective March 31, 2002.

Certain affiliates accounted for by the equity method also revalued the land used in their business in accordance with the Land Revaluation Law (Law No. 34, March 31, 1998) and the Law to Partially Revise the Land Revaluation Law (Law No. 19, March 31, 2001).

Disclosure of information on the difference between the fair value of the land as of March 31, 2008 and its carrying value after revaluation has been omitted because the fair value of this land was higher than its carrying value after revaluation.

13. Commitments and Contingent Liabilities

At March 31, 2009, commitments made by the Company and its consolidated subsidiaries for the construction of vessels amounted to ¥463,736 million ($4,720,916 thousand).

Contingent liabilities for loans guaranteed, reservation of guarantee for an unconsolidated subsidiary and a third party, and joint indebtedness as of March 31, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
Loans guaranteed	¥25,502	$259,611
Reservation of guarantee for an unconsolidated subsidiary and a third party	1,177	11,983
Joint indebtedness	18,136	184,633
Total	¥44,815	$456,227

14. Derivatives and Hedging Activities

The Company and its consolidated subsidiaries have derivatives contracts such as currencies, foreign exchange contracts, and currency swaps and currency options positions to minimize the impact of fluctuation in foreign exchange rates on forecasted foreign currency transactions. The Company and its consolidated subsidiaries have also entered into interest-rate swaps to minimize the impact of fluctuation in interest rates related to their outstanding debt and lease transactions. In addition, the Company and its consolidated subsidiaries have entered into bunker future swaps and freight futures in order to minimize the impact of market movements.

The Company and its consolidated subsidiaries are exposed to the risk of credit loss in the event of nonperformance by the counterparties to the currency and interest-rate derivatives as well as to certain market risk arising from the currency and interest-rate derivatives, bunker future swaps, and freight futures. However, the Company and its consolidated subsidiaries do not anticipate nonperformance by any of these counterparties all of whom are financial institutions with high bond ratings, and these derivatives have effectively offset the market risk related to the respective assets and liabilities on the balance sheet.

Deferred gain and/or loss have been recognized, at fair market value, for all derivatives which qualify for hedge accounting.

The execution and control of derivatives transactions at the Company have been managed in accordance with its internal regulations which stipulate the purpose for entering its derivatives transactions, their scope of use, and the reporting system to prevent unexpected losses caused by improper or excess use and to enable effective mutual monitoring and observation by the management organizations. All derivatives transactions are approved by or reported to the Company's management organizations and the Finance Group is responsible for controlling open derivatives positions and reporting to the management organizations periodically, if necessary.

The execution and control of derivatives transactions at the consolidated subsidiaries have also been managed in accordance with their internal regulations. In addition, they have reported certain information on their derivatives transactions, such as the amount of each contract and its fair value, to the Company each accounting period.

The Company and its consolidated subsidiaries assess the effectiveness of each hedge contract by comparing the cumulative amounts of the hedging item's market movements or cash flow fluctuations to those of the underlying hedged item, except when interest-rate swap contracts meet certain hedging criteria.

Disclosure of fair value information on derivatives has been omitted because all open derivatives positions qualified for hedge accounting.

15. Supplementary Information on Statements of Cash Flows

Cash and cash equivalents in the accompanying consolidated statements of cash flows for the years ended March 31, 2009 and 2008, are reconciled to cash and deposits reflected in the accompanying consolidated balance sheets as of March 31, 2009 and 2008 as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Cash and deposits	**¥73,145**	¥50,701	**$744,627**
Time deposits with a maturity of more than three months after the purchase date	**(3,445)**	(2,657)	**(35,060)**
Cash and cash equivalents	**¥69,700**	¥48,044	**$709,567**

Significant non-cash transactions for the years ended March 31, 2008 are summarized as follows:

	Millions of yen
	2008
Increase in common stock resulting from exercise of stock acquisition rights	¥ 6,462
Increase in capital surplus resulting from exercise of stock acquisition rights	6,462
Decrease in convertible bonds with stock acquisition rights resulting from exercise of stock acquisition rights	¥12,924

Effective the year ended March 31, 2009, HLL Heavy Lift + Load ANNEGRET GmbH & Co. KG and its affiliates have been consolidated as a result of the acquisition of their shares. The fair value of assets and liabilities included in consolidation as of the beginning of consolidation was as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 216	$ 2,199
Non-current assets	11,944	121,601
Total assets	¥12,160	$123,800
Current liabilities	¥ 1,147	$ 11,672
Long-term liabilities	7,810	79,514
Total liabilities	¥ 8,957	$ 91,186

Effective the year ended March 31, 2008, SAL Group companies have been consolidated as a result of the acquisition of their shares. The fair value of assets and liabilities included in consolidation as of the beginning of consolidation was as follows:

	Millions of yen
Current assets	¥ 6,555
Non-current assets	30,980
Total assets	¥37,535
Current liabilities	¥ 6,144
Long-term liabilities	12,706
Total liabilities	¥18,850

16. Segment Information

(a) Business segment information

The consolidated results have been divided into three business segments: Marine Transportation, Logistics/Harbor Transportation, and Other.

	Millions of yen					
	Year ended March 31, 2009					
	Marine Transportation	Logistics/Harbor Transportation	Other	Total	Eliminations	Consolidated
1. Revenues:						
(1) Operating revenues from customers	**¥1,110,475**	**¥108,874**	**¥24,968**	**¥1,244,317**	**¥ —**	**¥1,244,317**
(2) Intra-group revenues and transfers	**11,459**	**52,383**	**46,965**	**110,807**	**(110,807)**	**—**
Total revenues	**1,121,934**	**161,257**	**71,933**	**1,355,124**	**(110,807)**	**1,244,317**
2. Costs and expenses	**1,061,929**	**151,968**	**69,699**	**1,283,596**	**(110,883)**	**1,172,713**
Operating income	**¥ 60,005**	**¥ 9,289**	**¥ 2,234**	**¥ 71,528**	**¥ 76**	**¥ 71,604**
3. Total assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures:						
(1) Total assets	**¥ 829,147**	**¥140,878**	**¥83,919**	**¥1,053,944**	**¥ (82,341)**	**¥ 971,603**
(2) Depreciation and amortization	**32,348**	**5,577**	**1,502**	**39,427**	**—**	**39,427**
(3) Loss on impairment of fixed assets	**21**	**81**	**5**	**107**	**—**	**107**
(4) Capital expenditures	**153,407**	**13,369**	**1,670**	**168,446**	**—**	**168,446**

	Millions of yen					
	Year ended March 31, 2008					
	Marine Transportation	Logistics/Harbor Transportation	Other	Total	Eliminations	Consolidated
1. Revenues:						
(1) Operating revenues from customers	¥1,176,944	¥131,315	¥22,789	¥1,331,048	¥ —	¥1,331,048
(2) Intra-group revenues and transfers	11,318	62,858	47,162	121,338	(121,338)	—
Total revenues	1,188,262	194,173	69,951	1,452,386	(121,338)	1,331,048
2. Costs and expenses	1,074,686	180,458	67,764	1,322,908	(121,509)	1,201,399
Operating income	¥ 113,576	¥ 13,715	¥ 2,187	¥ 129,478	¥ 171	¥ 129,649
3. Total assets, depreciation and amortization, and capital expenditures:						
(1) Total assets	¥ 831,722	¥157,722	¥47,743	¥1,037,187	¥ (68,557)	¥ 968,630
(2) Depreciation and amortization	29,257	5,881	1,224	36,362	—	36,362
(3) Capital expenditures	150,295	8,089	2,949	161,333	—	161,333

	Thousands of U.S. dollars					
	Year ended March 31, 2009					
	Marine Transportation	Logistics/Harbor Transportation	Other	Total	Eliminations	Consolidated
1. Revenues:						
(1) Operating revenues from customers	**$11,304,849**	**$1,108,362**	**$254,176**	**$12,667,387**	**$ —**	**$12,667,387**
(2) Intra-group revenues and transfers	**116,649**	**533,272**	**478,112**	**1,128,033**	**(1,128,033)**	**—**
Total revenues	**11,421,498**	**1,641,634**	**732,288**	**13,795,420**	**(1,128,033)**	**12,667,387**
2. Costs and expenses	**10,810,637**	**1,547,074**	**709,544**	**13,067,255**	**(1,128,809)**	**11,938,446**
Operating income	**$ 610,861**	**$ 94,560**	**$ 22,744**	**$ 728,165**	**$ 776**	**$ 728,941**
3. Total assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures:						
(1) Total assets	**$ 8,440,876**	**$1,434,161**	**$854,313**	**$10,729,350**	**$ (838,248)**	**$ 9,891,102**
(2) Depreciation and amortization	**329,307**	**56,773**	**15,298**	**401,378**	**—**	**401,378**
(3) Loss on impairment of fixed assets	**217**	**822**	**46**	**1,085**	**—**	**1,085**
(4) Capital expenditures	**1,561,717**	**136,095**	**16,997**	**1,714,809**	**—**	**1,714,809**

As mentioned in Note 1(f), effective the year ended March 31, 2008, the Company and its overseas consolidated subsidiary have changed their method of accounting for revenue recognitions with respect to container vessels. The effect of this change was to decrease total revenues and operating income for the year ended March 31, 2008 in the marine transportation segment by ¥11,791 million from the corresponding amounts which would have been recorded under the previous method.

As mentioned in Note 1(j), effective the year ended March 31, 2008, the Company and certain consolidated subsidiaries have changed their method of accounting for depreciation of vessels, property and equipment. The effect of this change was to decrease operating income for the year ended March 31, 2008 in the marine transportation and the others segments by ¥606 million and ¥3 million, respectively, from the corresponding amounts which would have been recorded under the previous method.

As mentioned in Note 2, effective the year ended March 31, 2009, the Company adopted “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18, issued on May 17, 2006) and made necessary adjustments in the consolidated financial statements. The effect of this adoption on business segment was immaterial for the year ended March 31, 2009.

As mentioned in Note 1(n), effective the year ended March 31, 2009, the Company and certain domestic consolidated subsidiaries have adopted “Accounting Standard for Lease Transactions” (ASBJ Statement No.13, originally issued by the First Committee of the Business Accounting Council on June 17, 1993, and revised by the ASBJ on March 30, 2007) and “Guidance on Accounting Standard for Lease Transaction”(ASBJ Guidance No.16, originally issued by the Accounting System Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994, and revised by the Accounting Standards Board of Japan on March 30, 2007). The effect of this adoption on each segment was immaterial for the year ended March 31, 2009.

(b) Geographical segment information

Each segment principally covers the following countries or regions:

North America:	U.S.A. and Canada
Europe:	U.K., Germany, the Netherlands and France
Asia:	Hong Kong, Singapore, Thailand, Indonesia, South Korea, Malaysia and the People’s Republic of China
Other:	Australia

	Millions of yen							
	Year ended March 31, 2009							
	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
1. Revenues:								
(1) Operating revenues from customers	**¥1,095,039**	**¥20,040**	**¥ 71,866**	**¥57,122**	**¥ 250**	**¥1,244,317**	**¥ —**	**¥1,244,317**
(2) Intra-group revenues and transfers	**10,455**	**20,039**	**12,395**	**13,334**	**648**	**56,871**	**(56,871)**	**—**
Total revenues	**1,105,494**	**40,079**	**84,261**	**70,456**	**898**	**1,301,188**	**(56,871)**	**1,244,317**
2. Costs and expenses	**1,070,129**	**40,720**	**60,999**	**56,913**	**885**	**1,229,646**	**(56,933)**	**1,172,713**
Operating income (loss)	**¥ 35,365**	**¥ (641)**	**¥ 23,262**	**¥13,543**	**¥ 13**	**¥ 71,542**	**¥ 62**	**¥ 71,604**
3. Total assets	**¥ 808,537**	**¥23,873**	**¥114,014**	**¥84,894**	**¥2,831**	**¥1,034,149**	**¥ (62,546)**	**¥ 971,603**

	Millions of yen							
	Year ended March 31, 2008							
	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
1. Revenues:								
(1) Operating revenues from customers	¥1,199,609	¥28,757	¥52,582	¥49,570	¥ 530	¥1,331,048	¥ —	¥1,331,048
(2) Intra-group revenues and transfers	14,702	25,059	14,921	17,459	931	73,072	(73,072)	—
Total revenues	1,214,311	53,816	67,503	67,029	1,461	1,404,120	(73,072)	1,331,048
2. Costs and expenses	1,112,764	51,766	53,384	55,360	1,299	1,274,573	(73,174)	1,201,399
Operating income	¥ 101,547	¥ 2,050	¥14,119	¥11,669	¥ 162	¥ 129,547	¥ 102	¥ 129,649
3. Total assets	¥ 803,184	¥31,395	¥90,906	¥91,107	¥4,723	¥1,021,315	¥(52,685)	¥ 968,630

	Thousands of U.S. dollars							
	Year ended March 31, 2009							
	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
1. Revenues:								
(1) Operating revenues from customers	**$11,147,700**	**$204,015**	**$ 731,610**	**$581,516**	**$ 2,546**	**$12,667,387**	**$ —**	**$12,667,387**
(2) Intra-group revenues and transfers	**106,437**	**204,002**	**126,180**	**135,742**	**6,601**	**578,962**	**(578,962)**	**—**
Total revenues	**11,254,137**	**408,017**	**857,790**	**717,258**	**9,147**	**13,246,349**	**(578,962)**	**12,667,387**
2. Costs and expenses	**10,894,119**	**414,539**	**620,978**	**579,389**	**9,013**	**12,518,038**	**(579,592)**	**11,938,446**
Operating income (loss)	**$ 360,018**	**$ (6,522)**	**$ 236,812**	**$137,869**	**$ 134**	**$ 728,311**	**$ 630**	**$ 728,941**
3. Total assets	**$ 8,231,057**	**$243,036**	**$1,160,682**	**$864,242**	**$28,811**	**$10,527,828**	**$(636,726)**	**$ 9,891,102**

As mentioned in Note 1(f), effective the year ended March 31, 2008, the Company and its overseas consolidated subsidiary have changed their method of accounting for revenue recognition with respect to container vessels. The effect of this change was to decrease both total revenues and operating income for the year ended March 31, 2008 in the Japan segment and in the Asia segment by ¥11,669 million and ¥122 million, respectively, from the corresponding amounts which would have been recorded under the previous method.

As mentioned in Note 1(j), effective the year ended March 31, 2008, the Company and certain consolidated subsidiaries have changed their method of accounting for depreciation of vessels, property and equipment. The effect of this change was to decrease operating income for the year ended March 31, 2008 in the Japan segment by ¥609 million from the corresponding amount which would have been recorded under the previous method.

As mentioned in Note 1(n), effective the year ended March 31, 2009, the Company and certain domestic consolidated subsidiaries have adopted “Accounting Standard for Lease Transactions” (ASBJ Statement No.13, originally issued by the First Committee of the Business Accounting Council on June 17, 1993, and revised by the ASBJ on March 30, 2007) and “Guidance on Accounting Standard for Lease Transaction”(ASBJ Guidance No.16, originally issued by the Accounting System Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994, and revised by the Accounting Standards Board of Japan on March 30, 2007). The effect of this adoption on each segment was immaterial for the year ended March 31, 2009.

As mentioned in Note 2, effective the year ended March 31, 2009, the Company adopted “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18, issued on May 17, 2006) and made necessary adjustments in the consolidated financial statements. The effect of this adoption on geographical segment was immaterial for the year ended March 31, 2009.

(c) International business information

International revenues consist mainly of revenues from the marine transportation business earned outside Japan.

Each segment principally covers the following countries or regions:

North America: U.S.A. and Canada
Europe: U.K., Germany, the Netherlands and France
Asia: South-East Asia, the Middle East, the People’s Republic of China and India
Oceania: Australia and New Zealand
Other: Central and South America and Africa

	Millions of yen					
	Year ended March 31, 2009					
	North America	Europe	Asia	Oceania	Other	Total
1. International revenues	**¥287,416**	**¥259,573**	**¥294,823**	**¥108,530**	**¥127,273**	**¥1,077,615**
2. Consolidated revenues						**1,244,317**
International revenues as a percentage of consolidated revenues	**23.1%**	**20.9%**	**23.7%**	**8.7%**	**10.2%**	**86.6%**

	Millions of yen					
	Year ended March 31, 2008					
	North America	Europe	Asia	Oceania	Other	Total
1. International revenues	¥343,607	¥246,595	¥294,767	¥121,974	¥132,667	¥1,139,610
2. Consolidated revenues						1,331,048
International revenues as a percentage of consolidated revenues	25.8%	18.5%	22.1%	9.2%	10.0%	85.6%

	Thousands of U.S. dollars					
	Year ended March 31, 2009					
	North America	Europe	Asia	Oceania	Other	Total
1. International revenues	**$2,925,954**	**$2,642,500**	**$3,001,357**	**$1,104,856**	**$1,295,655**	**$10,970,322**
2. Consolidated revenues						**12,667,387**
International revenues as a percentage of consolidated revenues	**23.1%**	**20.9%**	**23.7%**	**8.7%**	**10.2%**	**86.6%**

As mentioned in Note 1(f), effective the year ended March 31, 2008, the Company and its overseas consolidated subsidiary have changed their method of accounting for revenue recognition with respect to container vessels. The effect of this change was to decrease international revenues for the year ended March 31, 2008 in the North America segment the Europe segment the Asia segment, the Oceania segment and the other segment by ¥3,381 million, ¥2,298 million, ¥5,056 million, ¥79 million and ¥977 million, respectively, from the corresponding amounts which would have been recorded under the previous method.

17. Subsequent Event

On June 19, 2009, pursuant to a resolution of the Board of Directors at a meeting held on May 29, 2009, the Company issued unsecured bonds (with a special contract guaranteeing the same benefits as other bonds) due 2014. Outline of these bonds are as following:

Description:	11th unsecured bonds (with a special contract guaranteeing the same benefits as other bonds)
Total amount of the bond issuance:	¥30,000 million ($305,406 thousand)
Issue price:	100 per cent of the face value of the bond
Deadline for payment:	June 19, 2009
Maturity date and method of redemption:	June 19, 2014 (Redemption in a lump sum at maturity)
Interest rate:	1.46% per annum
Use of proceeds:	Repayment of loans

ERNST & YOUNG

Ernst & Young ShinNihon LLC

Report of Independent Auditors

The Board of Directors
Kawasaki Kisen Kaisha, Ltd.

We have audited the accompanying consolidated balance sheets of Kawasaki Kisen Kaisha, Ltd. and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kawasaki Kisen Kaisha, Ltd. and consolidated subsidiaries at March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 1(f), effective the year ended March 31, 2008, the Company and its overseas consolidated subsidiary have changed their method of accounting for revenue recognition with respect to container vessels.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1(a).

Ernst & Young ShinNihon LLC

Osaka, Japan
June 25, 2009

Outline of the Company

(As of March 31, 2009)

Name: Kawasaki Kisen Kaisha, Ltd. ("K" Line)

Established: April 5, 1919

Paid-in Capital: ¥45,869.34 million

President: Hiroyuki Maekawa

Employees:

	On-land Duty	417
	At-sea Duty	185
	Total	602

Business Lines:

Marine transportation
Land transportation
Air transportation
Through transportation involving marine, land and air transportation
Harbor transportation, etc.

Offices:

Head Office:
Hibiya Central Building, 2-9, Nishi-Shinbashi 1-chome, Minato-ku,
Tokyo 105-8421, Japan
Phone: (+81) 3-3595-5063 Fax: (+81) 3-3595-5001

Registered Head Office:
Shinko Building, 8 Kaigandori, Chuo-ku, Kobe 650-0024, Japan
Phone: (+81) 78-332-8020 Fax: (+81) 78-858-6509

Branches

Nagoya:
11th Fl. Nagoya International Center Building, 47-1, Nagono 1-chome,
Nakamura-ku, Nagoya 450-0001, Japan
Phone: (+81) 52-589-4510 Fax: (+81) 52-589-4585

Kansai:
5th Fl. Daidouseimei Kobe Building, 2-7, Sakaemachidori 1-chome,
Chuo-ku, Kobe 650-0023, Japan
Phone: (+81) 78-325-8727 Fax: (+81) 78-393-2676

Overseas Offices:

Beijing, Manila, Middle East (Dubai), Johannesburg, India

Overseas Agents:

Korea, Hong Kong, China, Taiwan, Thailand, Vietnam, the Philippines, Singapore, Malaysia, Indonesia, Australia, U.K., Germany, France, Nederlands, Belgium, Italy, Finland, Denmark, Norway, Sweden, Spain, Portugal, Turkey, Canada, U.S.A., Mexico, Chile, Peru, Brazil

Affiliated Companies: 26 (Domestic), 285 (Overseas)
(to be consolidated)

Stock Information

(As of March 31, 2009)

Share Capital

Authorized: 2,000,000,000 shares of common stock

Issued: 638,882,298 shares of common stock

Number of shareholders: 36,969

Shareholder Registry Administrator:

The Chuo Mitsui Trust & Banking Co., Ltd.
33-1, Shiba 3-chome,
Minato-ku, Tokyo 105-0014

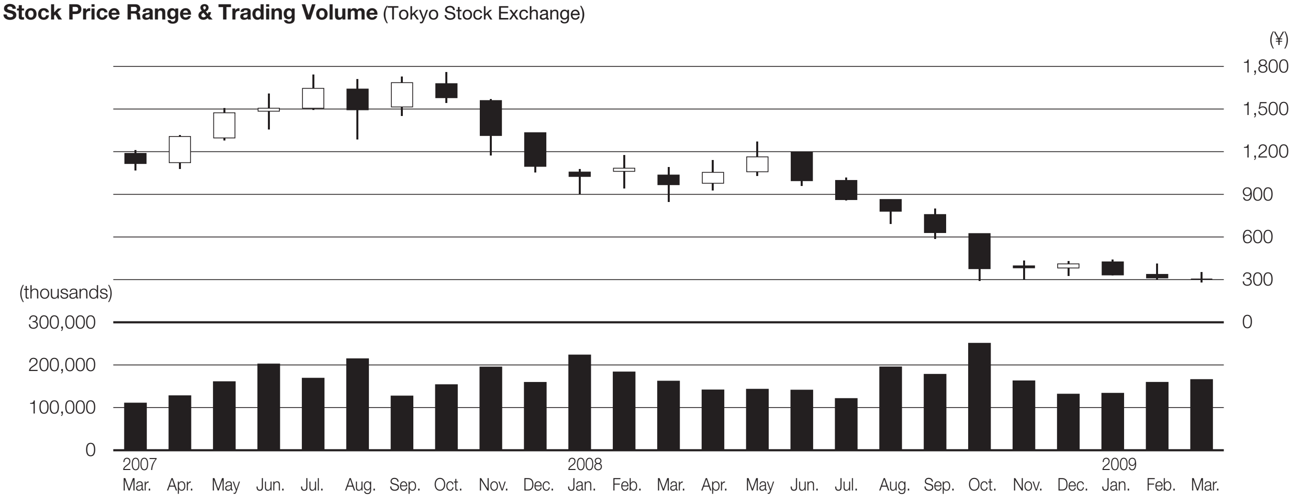
Listing of Shares

"K" Line's shares are listed for trading on the following stock exchanges:
Tokyo, Osaka, Nagoya and Fukuoka

Principal Shareholders

Shareholders	Number of Shares Held (thousands)	Percentage of Voting Rights (%)
The Master Trust Bank of Japan, Ltd. (trust account)	51,771	8.10
Japan Trustee Services Bank, Ltd. (trust account)	50,812	7.95
Japan Trustee Services Bank, Ltd. (trust account 4)	31,505	4.93
Trust & Custody Services Bank, Ltd. (Kawasaki Heavy Industries, Ltd. retirement benefit trust account re-entrusted by Mizuho Trust and Banking Co., Ltd.)	30,000	4.69
JFE Steel Corporation	28,174	4.40
Tokio Marine & Nichido Fire Insurance Co., Ltd.	28,020	4.38
Sompo Japan Insurance Inc.	27,295	4.27
Nippon Life Insurance Company	17,913	2.80
Mizuho Corporate Bank, Ltd.	11,100	1.73
Trust & Custody Services Bank, Ltd. (trust account)	9,996	1.56

Stock Price Range & Trading Volume (Tokyo Stock Exchange)



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