"K" LINE
KAWASAKI KISEN KAISHA, LTD.

K Value

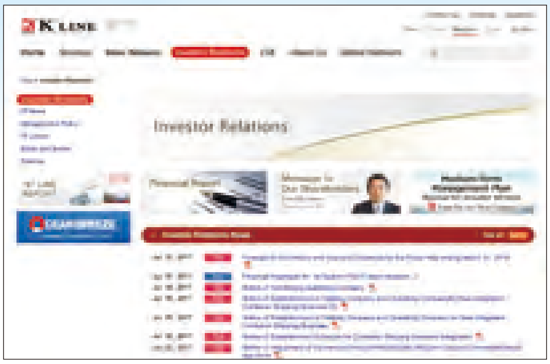
"K" LINE REPORT 2017

“K” LINE REPORT

The “K” LINE Group is an integrated logistics company that owns and operates various fleets tailored to worldwide marine transportation needs. We also engage in other businesses, such as land transportation and warehousing.

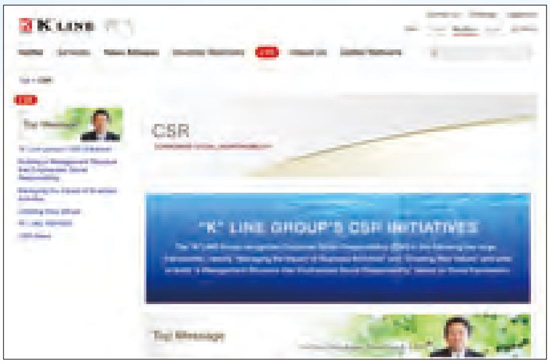
The “K” LINE Group has defined the KValue (“K” LINE Value) as a symbol of its corporate value.

In this “K” LINE Report, we introduce the corporate value of the “K” LINE Group to a wide range of stakeholders, providing financial and nonfinancial information. We describe “KValue” in a three-story format. In the ““K” LINE Group Value Creation” story, we describe “KValue” in the context of our philosophy, vision, and history. In the “Value Creation Initiatives” story, we describe business initiatives based on our newly announced medium-term management plan. And in the “Foundation of Value Creation” story, we describe our CSR initiatives and our corporate governance, which together form the foundation for value creation. For more details on each of these initiatives, please visit our website (www.kline.co.jp/en/) and click on the relevant page below.



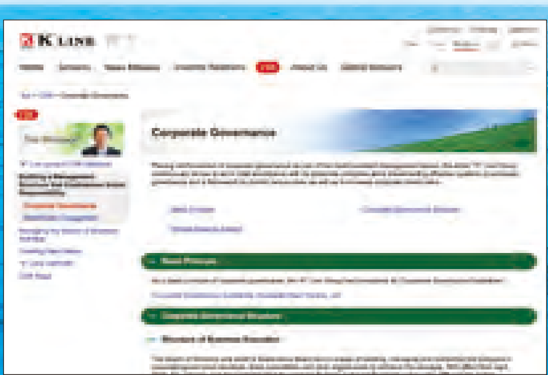
Investor Relations

https://www.kline.co.jp/en/ir/index.html



CSR

https://www.kline.co.jp/en/csr/index.html



Corporate Governance

https://www.kline.co.jp/en/csr/governance/

Reporting Period

Fiscal 2016 (April 1, 2016–March 31, 2017)

Note: The report also includes some developments after April 2017.

Scope of Reporting

In principle, this report covers the activities and data of Kawasaki Kisen Kaisha, Ltd. and its subsidiaries and affiliates, except where otherwise noted.

Guidelines Referred to

- International Integrated Reporting Framework
- GRI Sustainability Reporting Guidelines Version 4
- ISO 26000
- Environmental Reporting Guidelines 2012, The Ministry of the Environment of Japan

Forward-Looking Statements

The Company’s plans, strategies and future financial results indicated in this report reflect the judgment made by its managers based on information currently available and include risk and uncertainty factors. Consequently, the actual financial results may be different from the Company’s forecasts due to changes in the business environment, among other factors.

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Corporate Value Creation Story

"K" LINE Group Value Creation

In shipping business, which serves as key logistics infrastructure supporting worldwide economic activity, the "K" LINE Group earns the trust of customers through the provision of safe, reliable transportation and logistics services.

As an integrated logistics company grown from shipping business, our corporate philosophy is to help enrich the lives of people. Under this philosophy, we will make further improvements to K Value ("K" LINE Value), which represents our unique value as a group.

Corporate Principle

~ K: trust from all over the world ~

As an integrated logistics company grown from shipping business, the "K" LINE Group contributes to society so that people live well and prosperously.

We always recognize this principle in our operations.

Vision

Our aim is to become an important infrastructure for global society, and to be the best partner with customers by providing the high-quality logistics services based on customer first policy.

Values the "K" LINE Group's prizes

- **Providing reliable and excellent services**........Contributing to society
- **A fair way of business**......................................Fostering trust from society
- **Relentless efforts to achieve innovation**.........Generating new values
- **Respecting humanity**.......................................Corporate culture that respects individuality and diversity

Placing the customer first, the "K" LINE Group prizes four value perspectives as the starting point for providing high-quality services.

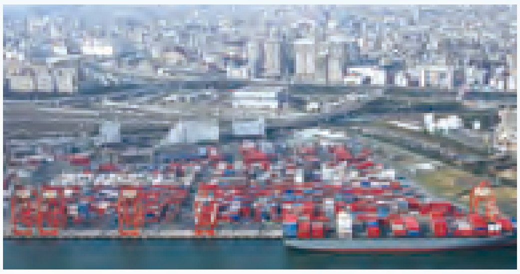
Providing reliable and excellent services

– Contributing to society –

We establish an optimal transportation portfolio and transport cargo safely in order to meet various customer needs.

A fair way of business

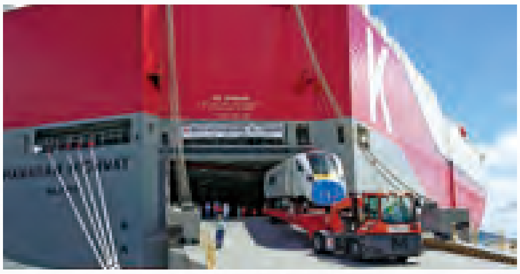
– Fostering trust from society –



Recognizing the importance of fair business practices, we engage in appropriate dealings in compliance with laws and regulations.

Relentless efforts to achieve innovation

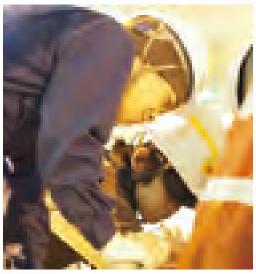
– Generating new values –



Based on original strategies and the spirit of challenge, we create new levels of value ahead of the times.

Respecting humanity

– Corporate culture that respects individuality and diversity –



We respect human rights, individuality, and diversity and endeavor to create environments in which various human resources can excel.

Corporate Value Creation Story

History and Profile

Sustainable Growth as an Integrated Logistics Company

With a history of nearly a century since its establishment in 1919, the “K” LINE Group has overcome fiercely changing business conditions on many occasions while working tirelessly to ensure safe and reliable operations.

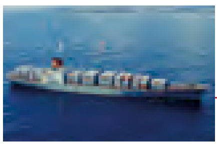
With an “enterprising spirit” and “broad-mindedness” corporate culture, we have addressed the increasingly diversified and sophisticated needs of customers by embracing technological innovation and developing new vessels and services as a pioneer in the industry.

In recent years, we have demonstrated our uniqueness by tackling advanced challenges on the environmental front. For example, we formulated “K” LINE Environmental Vision 2050, a set of long-term environmental guidelines targeting 2050. We also completed construction of *DRIVE GREEN HIGHWAY*, an environmentally-friendly next-generation flagship featuring the most cutting-edge technologies.

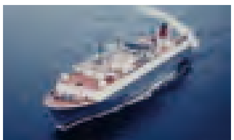
Deploying engineering and excellent shipping services amassed through its long history, as well as human resources who support change, the “K” LINE Group will continue growing and developing its business globally as an integrated logistics company grown from a shipping business.

1919
Established as
Kawasaki Kisen Kaisha, Ltd.

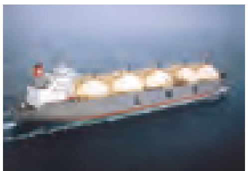
1968
Our first full containership,
GOLDEN GATE BRIDGE,
was completed.



1970
Japan’s first pure car
carrier (PCC)
TOYOTA MARU NO. 10
was completed.

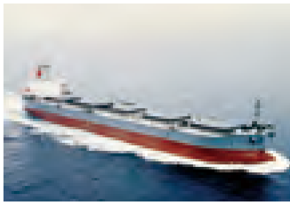


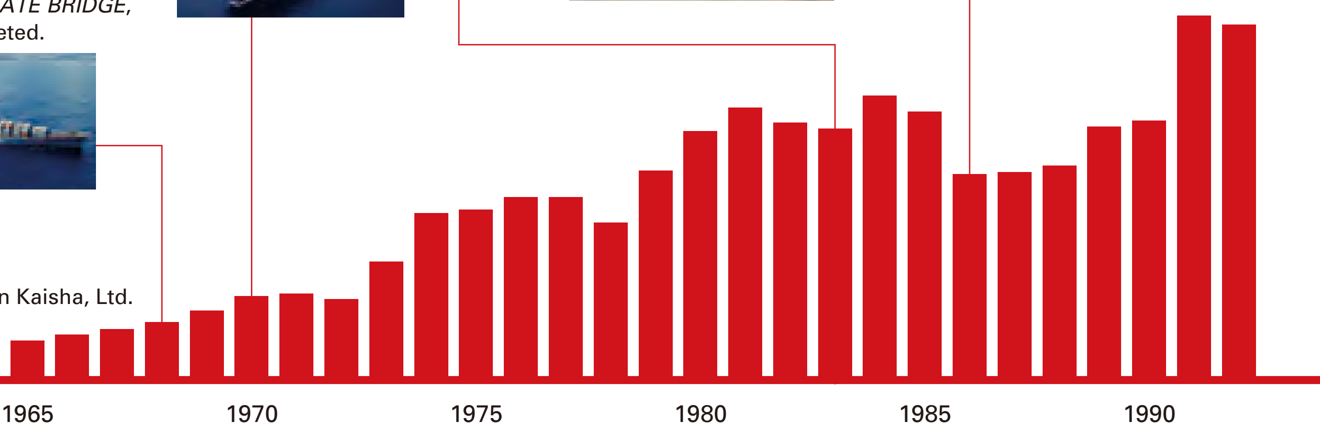
1983
Japan’s first LNG carrier
BISHU MARU was completed.



1986
The first intermodal transportation over land and
sea among Japanese shipping companies was
started on the North American continent using
Double-Stack Train (DST).

1994
The wide-beam / shallow draft coal carrier
CORONA ACE, the basic type for the transport
of thermal coal, was completed.

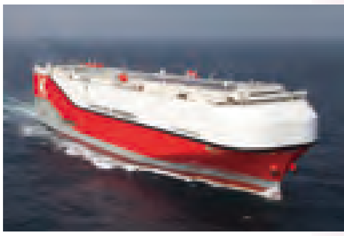




*Figures up to and including fiscal 1990 are nonconsolidated; figures for fiscal 1991 and thereafter are consolidated.

2019
"K" LINE's 100th Anniversary

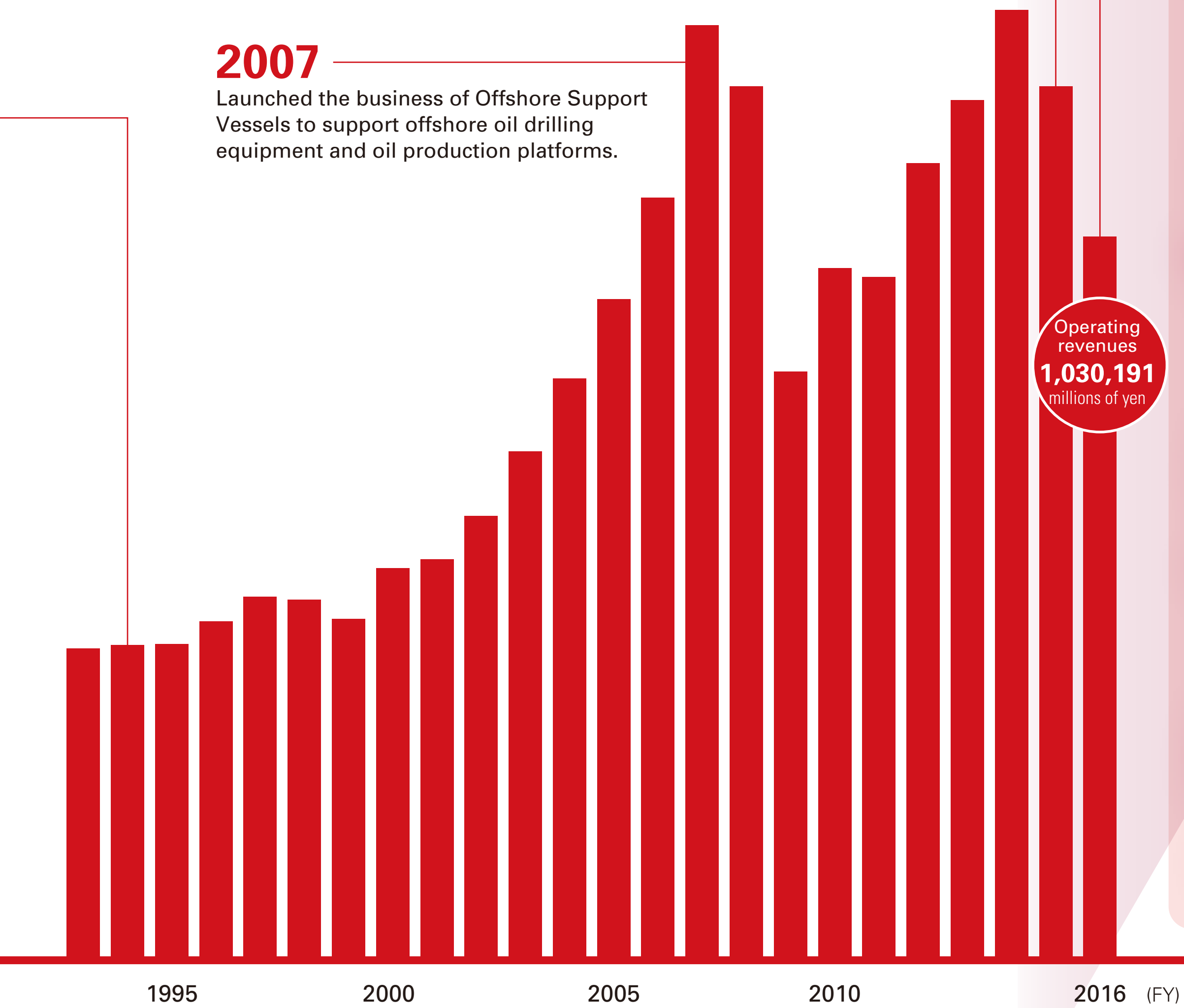
2016
By utilizing the most advanced technology in the world, *DRIVE GREEN HIGHWAY*, a car carrier with a capacity of 7,500 vehicles and the goal of becoming an ultimate energy-saving environmentally-friendly, was completed.



2015
The super-sized (14,000TEU) container vessel *MILLAU BRIDGE* with the latest energy-saving technologies was completed.

2015
"K" LINE Environmental Vision 2050 (long-term environmental guidelines for 2050) was formulated.

2007
Launched the business of Offshore Support Vessels to support offshore oil drilling equipment and oil production platforms.



Strengths amassed 100 years history

Customer base built on strong relationships of trust in multiple industries

Engineering

Excellent shipping services

Global network

Human resource diversity

Corporate Value Creation Story

“K” LINE Group Value Creation Model

Capital input

Financial capital
- Shareholders’ equity
- Interest-bearing liabilities

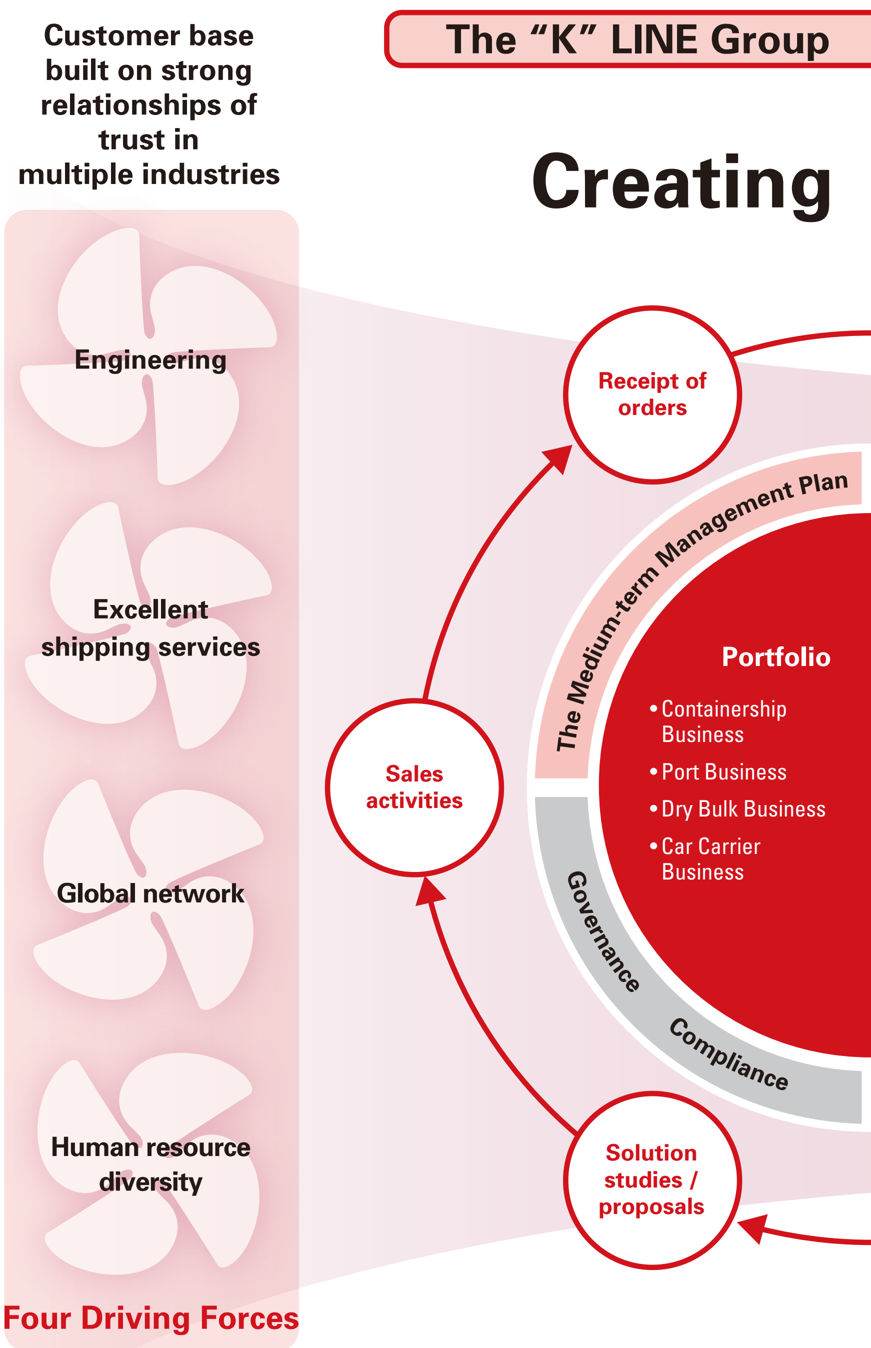
Equipment capital
- Ships
- Container equipment
- Container terminals
- Trucks
- Warehouses and cold storage facilities

Human capital
- Global and diverse human resources

Intellectual capital
- Maritime know-how
- Ship management know-how
- Operational management know-how
- Sales know-how
- Logistics business know-how

Social / relationship capital
- Global network
- Trust-based relationships with outside parties (customers, shipbuilders, marine equipment manufacturers, fuel suppliers and local communities)

Natural capital
- Environmental resources that underpin our business activities (oceans, fuel, water, air, etc.)



Short-term

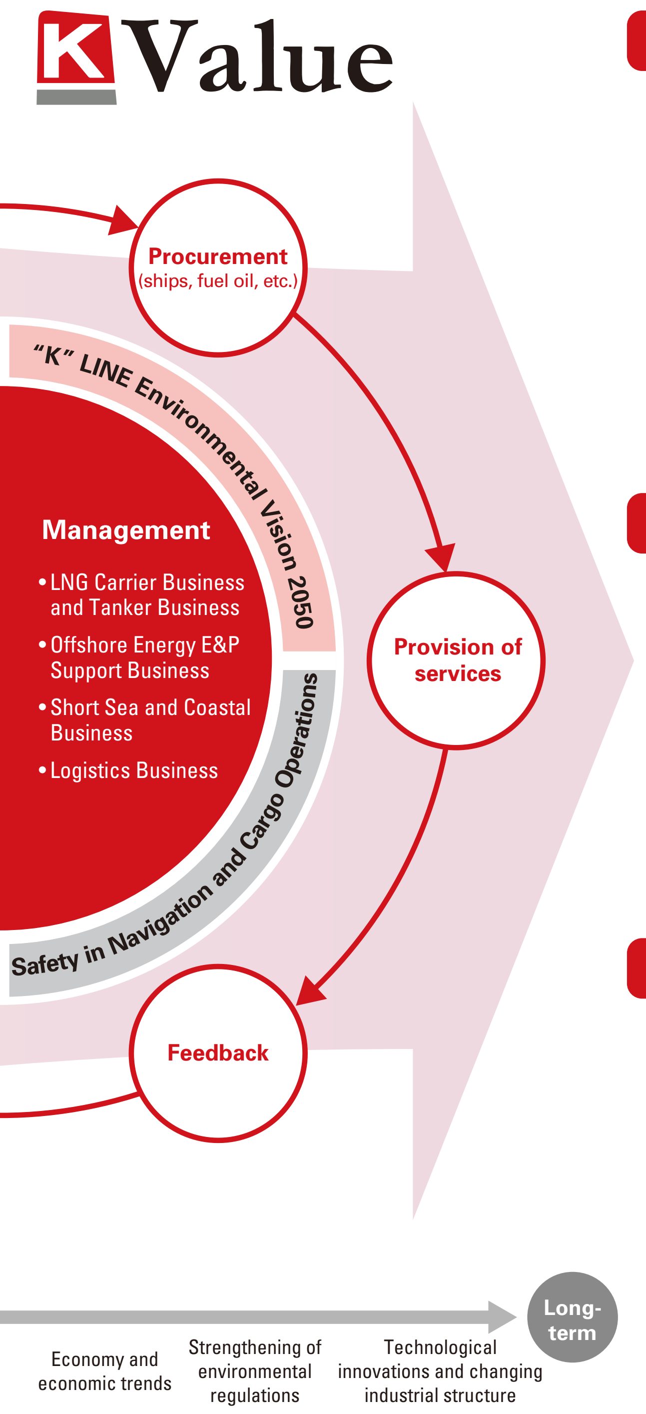
External factors affecting corporate value

Exchange rate fluctuations | Resource price changes | Competitive environment | Geopolitical risk

The “K” LINE Group deploys various types of capital to continuously create value. Leveraging the Four Driving Forces we have built up in nearly 100 years of history, we will work to create new value over the next century as well, by providing core logistics and trading infrastructure that are indispensable and help enrich the lives of people around the world.

Increase in capital (stock)

business model



Output and outcomes

Services

Services centered on marine transportation sector

- Marine transportation
- Marine resource development
- Logistics

→ See P.24–P.35 for outline of each business

Financial outcomes

- Consolidated ordinary income
- Net income
- ROE
- Equity ratio

→ See P.18–P.21 for financial and ESG highlights

Social and environmental impacts

- Environmental preservation
- Safety in navigation and cargo operations
- Human resource development

→ See P.36–P.47 for CSR / ESG initiatives
→ See P.16–P.17 for environmental initiatives

“K” LINE Group value creation

Customers
- Reliable and excellent services
- Relentless efforts to achieve innovation – Generating new values
- Provision of logistics infrastructure

Shareholders and investors
- Increase corporate value in consideration of balance between growth investments and shareholder return

Employees
- Corporate culture that respects individuality and diversity
- Establishment of work-life balance
- Human resource development

Local community and global society
- A fair way of business
- Fostering trust from society
- Contribution to society and local communities

Environment
- Create a sustainable future
- Prevent global warming and protect ecosystem

Message from the President

We Will Refine Our High-quality, Customer-first Logistics Services and Target "Revival for Greater Strides" as We Approach Our Next 100 Years of Operation.

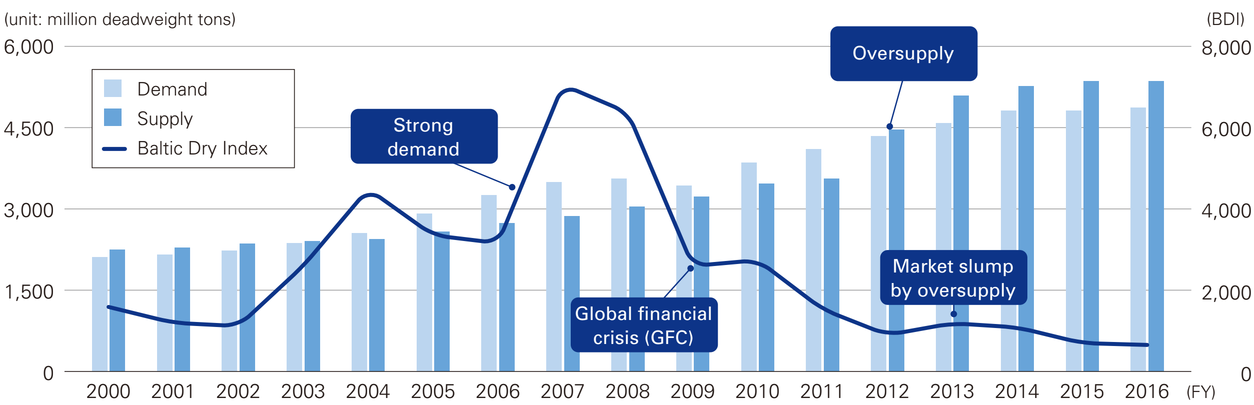
In fiscal 2015 and 2016, we faced a severe business environment we never before experienced. In response, we have taken various decisive measures, including large-scale reforms of the "K" LINE Group and a decision to integrate our containership business with those of other companies. While such measures brought great pain, we will leverage the path we have forged to build a framework for generating stable-income as we approach the centenary of the Group's founding in fiscal 2019, in our quest to improve corporate value and meet the expectations of all stakeholders.

Business Environment

Market stagnation due to oversupply

Conditions in the shipping industry have changed dramatically since the global financial crisis (GFC), which began in 2008 with the bankruptcy of Lehman Brothers. Prior to the GFC, we enjoyed significant increases in demand thanks to strong economic growth in China and emerging economies, as well as unprecedented market prices caused by an undersupply of vessels. Subsequently, however, despite a temporary slump in demand caused by the GFC, the supply of vessels continued – compounded by an influx of pre-GFC speculative investments – leading to excess supply and prolonged market stagnation.

Dry Bulk Vessel Supply-Demand and Market Trend



Fiscal 2016 Business Review

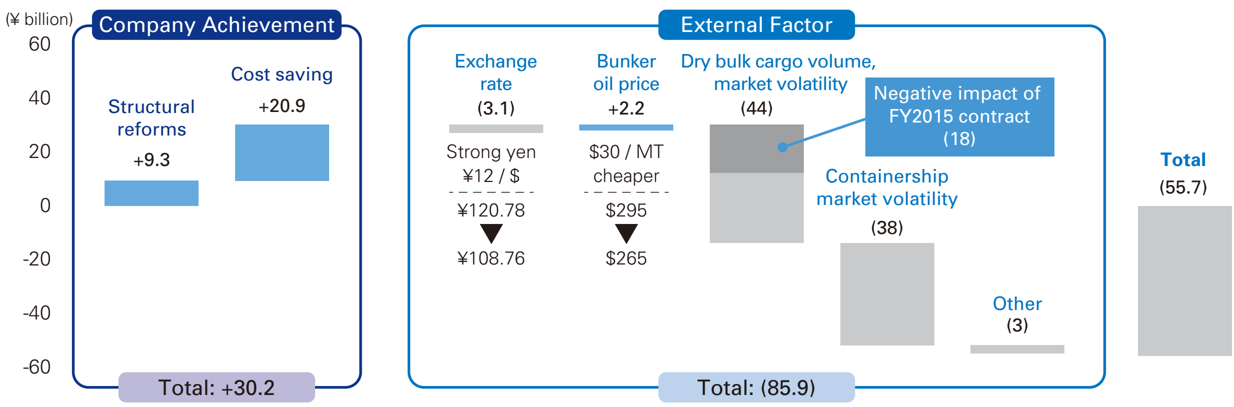
Continued structural reforms centering on dry bulk carriers

To address the volatile business environment following the GFC, the "K" LINE Group set targets of expanding stable-income and reshaping business portfolio or structure that can have tolerance to market fluctuations. In fiscal 2016, however, consolidated operating revenues declined ¥213.7 billion year-on-year, to ¥1,030.2 billion, and we reported an ordinary loss of ¥52.4 billion. This was due to a historical slump in the containership and dry bulk carrier sectors, as well as difficult conditions in the car carrier market.

In the Containership Business segment, market conditions reached their lowest point ever at the beginning of 2016, causing segment earnings to deteriorate by ¥38.0 billion year-on-year. Despite market conditions having bottomed out, Dry Bulk Business was affected by contracts that had been modified during market stagnation, while car carrier business also suffered from weak cargo movements to emerging economies and resource-rich nations. Accordingly, earnings in the Bulk Shipping Business segment deteriorated by ¥44.0 billion year-on-year. Meanwhile, structural reforms and cost-reduction efforts, which exceeded our initial targets, had a ¥30.2 billion positive impact on earnings. However, external factors, mainly worsening market conditions and cargo movements, had an ¥85.9 billion negative impact on earnings, greatly outweighing the improvements that we made.

Given our estimation that improvements in the

Key Factor: Ordinary Income / Loss



supply-demand situation will require more time, we continued implementing structural reforms centered on dry bulk carriers in fiscal 2016, as we did in fiscal 2015, and we made provision for impairment losses in the Containership Business segment. In Offshore Energy E&P Support and Heavy Lifter Business segment, we also posted impairment losses. As a result, the loss attributable to owners of parent amounted to ¥139.5 billion. Equity capital at fiscal year-end fell to ¥219.5 billion, and the equity ratio declined from 31.9% to 21.0%.

With regret, we have decided not to pay cash dividends in light of the urgent need to improve our financial position.

Decision to spin off the Containership Business

In October 2016, we made a major decision to spin off our Containership Business (a mainstay business of the Group) and our overseas container terminal business, integrating them with the same businesses of two other Japanese shipping companies. The containership industry has undergone progressive restructuring in recent years due to large-scale M&As, mainly driven by European shipping companies, growing the trend of oligopolization in the industry. To date, Japanese shipping companies have adopted a strategy of differentiation based on quality, but the oligopolistic nature of the market will necessitate a level of cost competitiveness that is beyond the abilities of individual players. For this reason, we decided on business integration as a way to rank alongside overseas shipping companies that pursue economies of scale. The decision also symbolizes our commitment to keeping our logistics infrastructure stable and sustainable while adopting best practices to generate synergies of integration and enhance competitiveness.

The integrated containership company will commence operations in 2018, a milestone year that marks the 50th anniversary of the launch of our first full containership. Although the Containership Business will remain a major pillar of the Group's operations, in 2018 it will be reborn under a new format through the integrated company, which will become an equity-method affiliate.

Outlook for Fiscal 2017

Group-wide efforts to return to profitability

Looking to fiscal 2017 onwards, we have taken measures such as structural reform of the dry bulk carrier business and integration of the containership business in order to improve our future business performance and rebuild our management foundation. We forecast that our own efforts will have a ¥44.3 billion positive effect on ordinary income, including ¥20.3 billion from the provision for losses in the containership business and ¥19.2 billion from cost reductions and other efforts. In addition, we anticipate a further ¥29.1 billion improvement, thanks to external factors such as moderate recovery trends in the containership and Dry Bulk markets. Together with our own efforts, this should translate into a ¥73.4 billion overall improvement in ordinary income. A fundamental turnaround in the vessel supply-demand situation will require more time, and we continue to face geopolitical risks and other uncertain factors. Benefiting from the aforementioned measures, however, we will make a united Group-wide effort in fiscal 2017, which we have positioned as a key period for achieving a return to profitability.

Business Policy Reassessment

Top priority on providing high-quality logistics services

Under our new medium-term management plan, we have added "provide high-quality logistics services based on a customer-first policy" to the Group's vision.

The starting point for any business is to continuously deliver high-quality services in partnership with customers. This applies to the containership business, which provides uniform services to large numbers of customers, and to the tramper transport business, which focuses on services tailored to specific customers. Adding this perspective to our vision has enabled us to express our values and clarify our goals when engaging in business activities. In addition to complementing the Group vision, while formulating our medium-term management plan, we reviewed the recent operating environment and our businesses in order to determine exactly where the Group's strengths lie. After various discussions, we reaffirmed that the Group's strengths are its customer base, technological expertise and sales power. We consistently provide safe transportation and actively incorporate new technologies, and we have a worldwide network and human resources who support transformation and interact with customers. By expertly deploying these strengths, I believe we can

successfully "provide high-quality logistics services based on a customer-first policy."

Refine our strengths to rebuild our portfolio

While trade continues to slow amid ongoing uncertainty about the world economy, it will take some time to eliminate the vessel oversupply situation. Accordingly, the operating environment for the shipping industry will remain unstable. For this reason, it is important to build a business portfolio that is less sensitive to market conditions than ever before. We will deploy and hone the Group's strengths, which I described earlier, to rebuild our business portfolio by enhancing our stable-income foundation and fostering new growth businesses. We have set a 6% target for ROA (ordinary income basis) by the mid-2020s, achievement of which will require ROE in the double digits.

Strengths

Customers (who support "K" LINE's high-quality services)

Value

To be a best and long-term business partner for customers by providing logistics solutions that only "K" LINE is capable

High-quality logistics services

Engineering
E.g.;
Eco-friendly flagship
DRIVE GREEN HIGHWAY

Excellent shipping services
- Safety in navigation and cargo operations
- Ship management
- Operational quality

Global network
313 Group companies at home and overseas

Human resource diversity
about 8,000 employees (total in Japan and overseas)

Long-term Target (mid-2020s)

ROA
(ordinary income)
6%

ROE
Achieve double digits

Foster both growing fields and stable-income foundation via advanced management

Shareholders' equity
¥400 billion

Verify benefits from containership business merger, plan to reset

Medium-Term Management Plan

"Revival for Greater Strides" towards our next 100 years

Based on the business plans of the Group outlined earlier, we have formulated a new medium-term management plan which positions the three years through fiscal 2019 as a period of "Revival for Greater Strides" as we approach our centenary of operations. To this end, we will work to become a "comprehensive marine transportation and logistics group engaged in growth businesses backed by a competitively superior and stable-income foundation built on high-quality services and solid customer base." We will also strive to be a "corporate group that continuously generates corporate values while addressing changing business environment through advanced risk management and governance systems." In pursuing these aspirations, we will realize our corporate principle and vision.

To achieve our objectives, we have set three priority initiatives: (1) Rebuilding portfolio strategy, (2) Emphasizing advancement of management and function-specific strategies and (3) Pursuing ESG initiatives. Through these measures, we will target positive profits for three consecutive years from fiscal 2017, stable business with ROA of 6%, ordinary income boosted to around ¥30 billion and an equity ratio of around 25%.

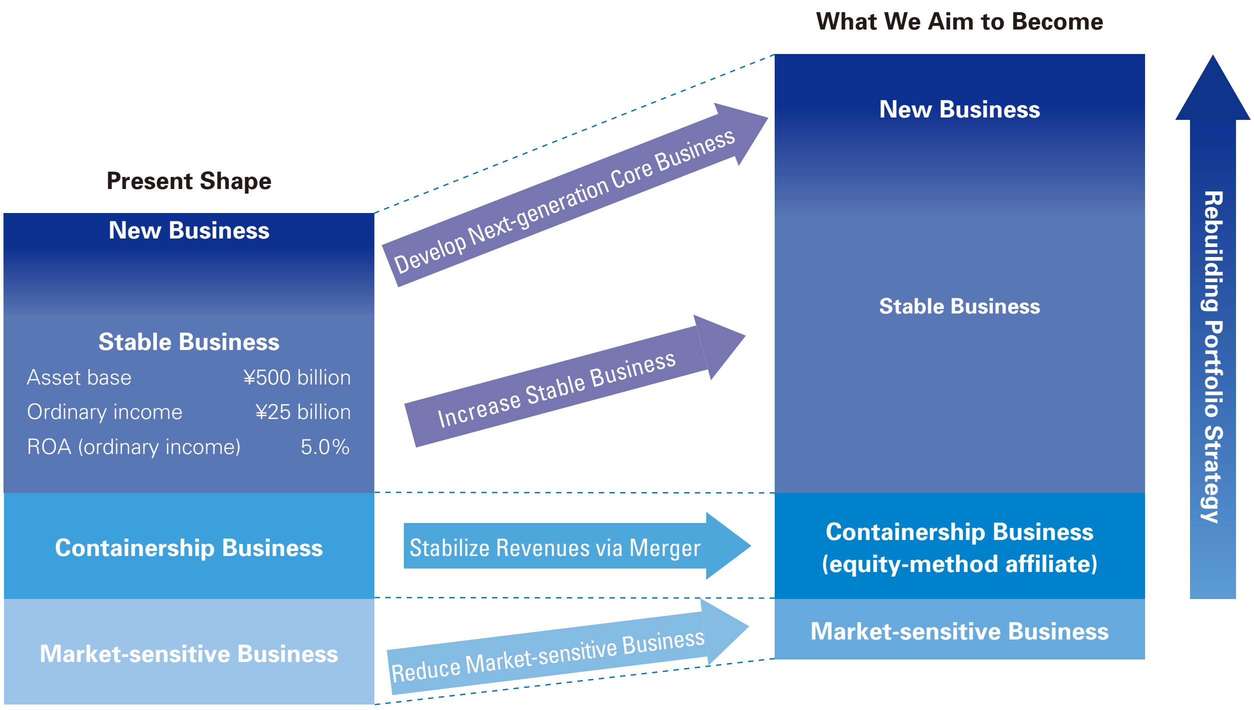
Priority Initiative 1: Rebuilding Portfolio Strategy

Strengthen stable businesses and develop new core businesses

The main reason for rebuilding portfolio strategy is to comprehensively strengthen our stable businesses and foster next-generation core businesses aimed at growth.

In stable-earnings businesses, we will reinforce our earnings base by expanding medium- and long-term contracts and cutting costs. In next-generation core businesses, we will broaden our forwarding and other logistics

Rebuilding Portfolio Strategy



businesses by reorganizing and strengthening our global network. We will also deploy our customer base and transportation know-how to expand our complete built-up car distribution business. In addition, we will foster the energy value chain business, including collaboration with partners, and we will work to create new services and markets through technological innovation and business model transformation. Excluding the containership business, we plan to make investments totaling ¥80 billion over the next three years. Placing top priority on improving our financial position, we will invest ¥35 billion in our fleets, with a policy of meticulous selection and substitution, and ¥15 billion in environment-related areas. As for strategic investments, we plan to spend ¥30 billion, which will be used to improve income stability and develop next-generation core businesses, including the energy value chain business.

Fleet Planning and Investment Plans

Number of key fleet vessels (trend)

	FY2015 results	FY2016 results	FY2019 target	Difference (FY2019 vs. FY2015)
Containerships	63	58	—	**—**
Dry bulk carriers	225	200	194	**(31)**
Capesize	88	81	81	**(7)**
Panamax	104	87	73	**(31)**
Thermal coal carriers	24	23	31	**+7**
Wood chip carriers	9	9	9	**0**
Car carriers	102	93	91	**(11)**
Tankers	23	22	23	**0**
LNG carriers	41	42	49	**+8**
Offshore E&P Support	8	8	8	**0**
Heavy lifter vessels	15	15	15	**0**
Short sea, coastal and other	51	48	50	**(1)**
Total	465	428	430	**(35)**

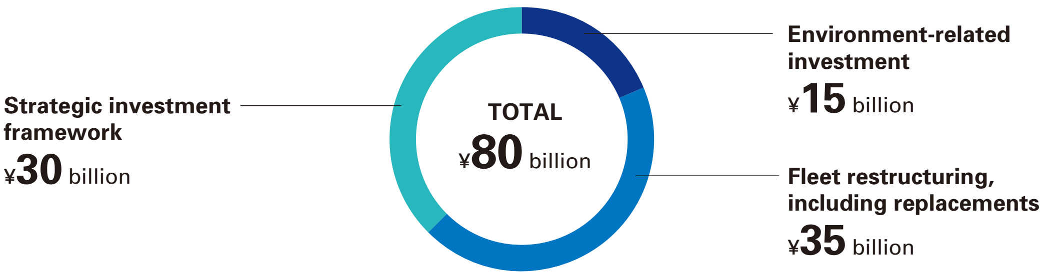
Reduce market sensitive fleet

Increase fleet based on contracts

* Total and disparity vs. FY2015 does not include containerships

Three-year Investment Plan (FY2017-FY2019 excludes Containership Business)

- **Careful selection of investments so as to improve financial strength**
- **Strategic investment framework of ¥30 billion (three years)**



Strategic investment framework

In the three years of our "Revival for greater strides" plan, we will carefully screen investments with a focus on improving our financial strength, our strategic investment framework for stable-income and next-generation core businesses having been placed directly.

Priority Initiative 2: Emphasizing Advancement of Management and Function-specific Strategies

Introduce risk-return performance indicators

When formulating the new medium-term management plan, we conducted a review of business in the past. In stable businesses, our services were given a high value by customers, especially those with whom we have medium- and long-term contracts. In the businesses exposed to market, however, it was reflected that risk by excessive investment in the past emerged when business environments adversely changed.

Based on this reflection, we plan to further improve risk-return management, especially of business investments. This will require greater attention to capital costs and on risk-return in each business. By better understanding and managing total business risk, moreover, it will serve as a platform to help rebuild our portfolio strategy according to the risk-return scenario of each business.

We are now preparing more details about our risk-return management plan, and will release those details in fiscal 2017.

Strengthen customer relationships in united Group-wide effort

The Group has a customer base bound by strong relationships of trust covering multiple industries. To strengthen our function-specific strategies and make our customer base broader and more robust, we will focus on pursuing high-quality services and attracting and fostering capable human resources through customer relationship management (CRM) reinforcement, technological innovation and business model transformation. Given the diversifying logistics needs of customers, reinforcing CRM will entail much more than adopting a vertically-aligned approach by type of vessel. Rather, we will need to establish systems enabling us to advance proposal-oriented sales on a cross-lateral Groupwide basis. In other words, we need to deliver optimal solutions by combining specialized responses with the Group's comprehensive strengths. In April 2016, we introduced the Unit Supervisory System, in which one executive officer supervises two businesses – dry bulk business and LNG carrier and tanker business – so we are making proposals from both perspectives of the energy business. Our plan is to further strengthen horizontal collaboration in this way across the entire Group.

As logistics demand becomes more diversified and sophisticated, we will need to innovate our technologies and transform our business model to offer optimal proposals and solutions. With this in mind, we will establish an advanced technology group that is independent of our existing shipbuilding technology group, and we will combine this with CRM to create new services sought by society and industry. As for attracting and fostering human resources, we will target both qualitative and quantitative improvements by emphasizing personnel capable of raising the level of existing services and creating new ones.

Priority Initiative 3: Pursuing ESG Initiatives

Towards a sustainable society

ESG (Environment, Social, Governance) plays an important role in our efforts to fulfill our social responsibilities, to make us sustainable and improve corporate value, and for this reason we have positioned ESG as one of the priority initiatives under our new medium-term management plan.

With respect to the Environment, the Group has been pursuing advanced activities. The "K" LINE Environmental Vision 2050, formulated in March 2015, is a set of long-term guidelines that identifies issues to be addressed by the Group between now and 2050. Efforts based on the guidelines have already produced good outcomes, including the delivery of *DRIVE GREEN HIGHWAY*, our next-generation environmentally-friendly flagship that was awarded "Ship of the Year 2016," as well as the achievement of our CO_2 reduction targets ahead of schedule. Our sincere activities have gained various good assessments; we were included in the Climate A List for 2016 and in the Supplier Engagement Leader Board by the Carbon Disclosure Project (CDP); and our CO_2 reduction targets have been certified as science-based targets. These accomplishments underscore the high praise we are receiving from external parties as an advanced environmental protection company.

Important efforts from the social perspective are securement and development of human resources and safety in navigation and cargo operations. Given that ship operation is the foundation of the Group's business, we regard prevention of serious maritime accidents and continuation of safe shipping to be an important obligation to society. Accordingly, "providing reliable and excellent services" is stated as one of the Group's visions.

Strengthen governance defensively and offensively

The Group maintains a proactive approach to corporate governance. In fiscal 2015, we established a Nominating Advisory Committee and a Remuneration Advisory Committee, and in fiscal 2016 we introduced a Unit Supervisory System with the aims of strengthening and enhancing the efficiency of our business execution system.

We also strengthened governance by increasing the number of outside directors (from two to three), who now account for one-third of all directors. Thanks to active remarks from outside directors, debate within the Board of Directors has become more robust. We feel that outside directors are fulfilling an important managerial function by providing impartial perspectives from outside the Group. Meanwhile, executive directors and executive officers utilize their specialized business-related knowledge and experience to perform their tasks as leaders of each business division that they supervise. This enables them to make decisions based on clear executive responsibilities and a sense of speed, and also leads to highly specialized functional business operations and stronger sales capabilities. We will continue targeting sustained improvements in corporate value while strengthening both the defensive and offensive aspects of corporate governance to earn the appreciation of stakeholders.

In conclusion, we posted major losses in fiscal 2016 and caused great concern among shareholders, and we sincerely apologize for our decision not to pay cash dividends for the year. In addition to structural reforms and other measures taken so far, we will achieve a steadfast return to profitability under our new medium-term management plan as we target a “revival for greater strides” towards our next century of operations. We look forward to your ongoing support.

President and CEO
Eizo Murakami

Focus: Aiming to Become the Forefront Company for Environment-Related Matters

— Shaping as-yet-unseen Future Technologies —

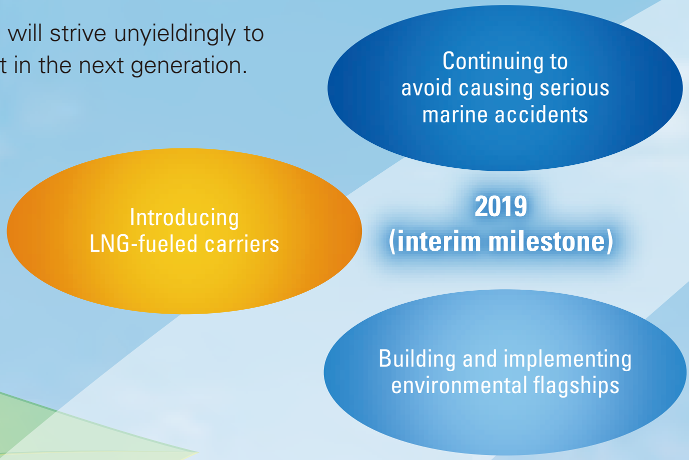
Under our corporate principle (K) trust from all over the world, and in order to make contributions to the well-being and prosperous lives of people as an integrated logistics company based on the shipping business, we have established a long-term environmental management vision, ""K" LINE Environmental Vision 2050: Securing Blue Seas for Tomorrow" → please refer to p. 38.

The Group is steadily achieving all of its interim targets towards 2019, the 100th Anniversary of its founding, one-by-one, such as having successfully accomplished ahead of schedule its CO_2 emission reduction targets and having set its new target towards 2030 (SBT (please refer to 2)), and building an environmentally-friendly flagship and more. However, in order to achieve the further goals for 2050, we will need to inexhaustibly work to improve transportation quality and also to pursue and put future technology into practice through our limitless enthusiasm for technological innovations.

As shown in the page "History and Profile" → please refer to p. 4 and 5 , "K" LINE has always captured the technologies of the next generation and opened the new era by developing and operating Japan's very first pure car carrier and first LNG carrier. Such superior technologies and transportation quality are the resources for enhancing our corporate value, "KValue" ("K" LINE Value).

In July 2017, we established an Advanced Technology Group. We will strive unyieldingly to create new values in order to ensure greater strides and achievement in the next generation.

"K" LINE Group will push forward at full force in order to hand on a sustainable society and beautiful blue sea to future generations in 2050 and beyond.

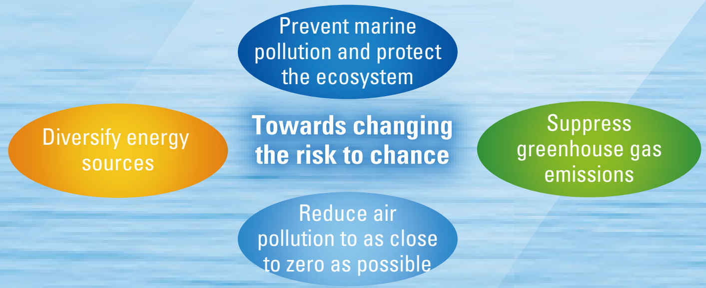


Trend in International Environmental Regulations

- January 2020: SOx emission regulation will be strengthened.
- January 2018: CO_2 emission amount reporting system will start.
- September 2017: Ballast Water Management Convention will come into force.
- January 2016: NOx emission regulations were strengthened.
- December 2015: Paris Agreement was adopted.

Our Efforts for Advanced Technology

- July 2017: Advanced Technology Group has been established.
- June 2016: Integrated vessel operation and performance management system "K-IMS" was developed.
- February 2016: *DRIVE GREEN HIGHWAY* was delivered.
- July 2015: The state-of-the-art ship maneuvering simulator was introduced.
- March 2015: ""K" LINE Environmental Vision 2050" was formulated.
- December 2013: "DRIVE GREEN PROJECT" was launched.



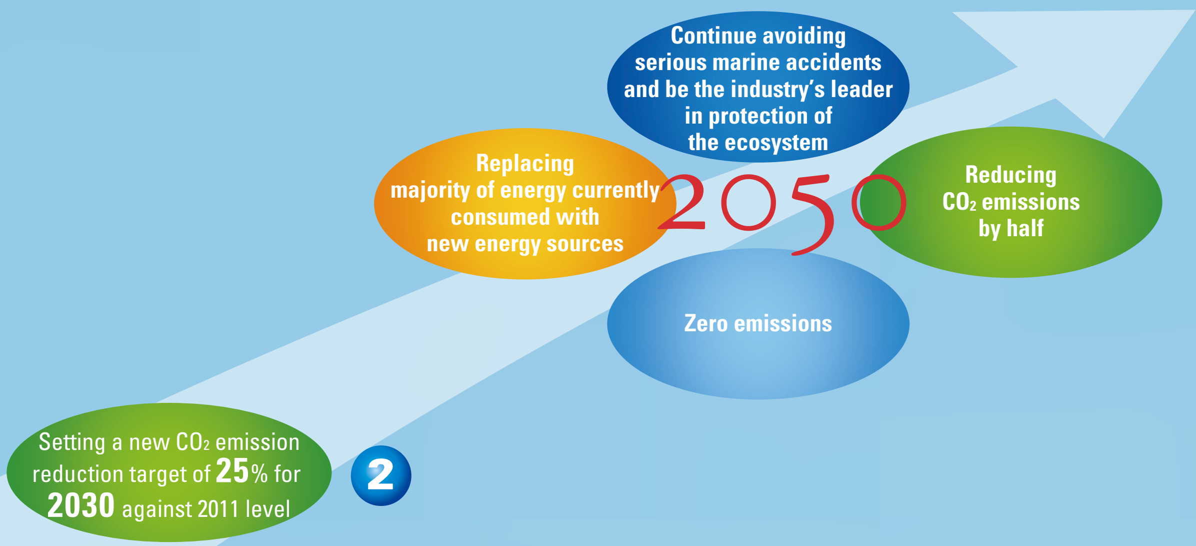
1 October 2016 Received "A Rank" for the Second Time on CDP* Climate Change Questionnaire

We were awarded with the highest rating for the survey made of more than 5,500 listed companies across the world for climate change, and were also selected as a superior company for our supply chain program in February 2017.

*CDP
An NPO headquartered in London that conducts surveys regarding countermeasures against climate change to companies every year as a representative body of more than 800 institutional investors. The organization also disclosed its results.

2 February 2017 Obtained Certification of SBT (Science Based Targets)

Companies' CO_2 reduction target set consistent with the "2°C goal" for the "Paris Agreement" is called SBT. Each of 265 companies across the world declared to set an SBT and 44 companies including our company (6 companies in Japan) were certified for their achievement. (As of May 2017)



WAY TO DRIVE GREEN

Completion of Environmentally-friendly Flagship and Two Other Major Achievements

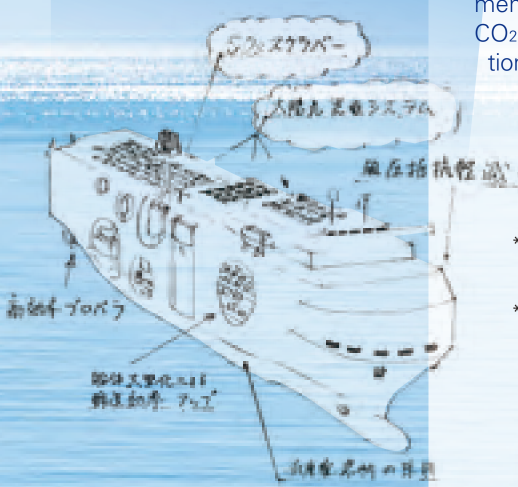
Environmentally-friendly Flagship was delivered!

Upon the development of the construction plan series for car carriers, a movement to construct a single environmentally-friendly flagship for the new era was formed internally, in addition to responding to the demand for large ships and ships for a wide variety of cargo. We were able to obtain agreement for the idea of creating the equipment in which Japanese technologies would be fully utilized from many persons and entities such as shipyards and manufacturers of ship equipment, which had led to the launching of a construction plan for a ship loaded with the latest environment machinery. The person in charge had manually drawn a picture (shown on the left) while we were having a discussion, saying, "how about something like this?", and that became the starting point for constructing the ship.

Japanese SOx Scrubber*1 System for Ships Acquired First Certification from Panama

After steady work and repeated adjustments made by manufacturers of ship equipment, shipyards and ship management companies, an SOx scrubber of Japanese quality was installed into a ship without confusion. After that, the SOx emission control effect was approved as conforming to international standards following detailed data collection and application work based on demonstrated operation, and the scrubber obtained approval for the ship nationality of Republic of Panama in 2017 for the first time as a scrubber manufactured in Japan.

Ship of the Year*2 Awarded in 2016



The *DRIVE GREEN HIGHWAY* was awarded with Ship of the Year 2016 due to its environmental performance for reducing the amount of CO_2 emissions by 25% due to solar power generation panels and exhaust gas heat recovery system, etc., and for reducing NOx emissions, which are also a cause for acid rain as with SOx, by 80% due to having installed exhaust gas re-circulation devices, in addition to the SOx scrubber.

At the award ceremony

*1 SOx scrubber
Equipment which ensures dust removal and desulfurization by blowing sea water or clear water onto the emission gas from vessels' engines

*2 Ship of the Year
An award provided by the Japan Society of Naval Architects and Ocean Engineers to marine structures or ships completed in Japan within the same year which utilizes superior technologies and has superior artistic quality and societal appeal from among those applying to receive the award. The Ship of the Year is determined by first a preliminary examination done by professional engineers, and then an official examination which includes representatives of the press. The award has been provided every year since 1990, and this year is its 27th anniversary.

Financial and ESG Highlights

Kawasaki Kisen Kaisha, Ltd. and consolidated subsidiaries
Years ended March 31

The Evolution of Medium-Term Management Plans

		FY2007	FY2008	FY2009	FY2010
		"K" LINE Vision 2008+			
		Sustained Growth and Establishing a Stable Profitability Structure	"K" LINE Vision 100		"KV" 2010
Operating results (for the year)	Operating revenues	¥1,331,048	¥1,244,317	¥838,033	¥985,085
	Operating income	129,649	71,604	(52,075)	58,610
	Ordinary income*3	125,868	60,011	(66,272)	47,350
	Profit attributable to owners of the parent	83,012	32,421	(68,721)	30,603
Financial position (at year-end)	Total assets	968,630	971,603	1,043,885	1,032,505
	Net assets	376,277	356,153	331,865	314,986
	Equity capital*4	355,763	334,773	308,122	291,669
	Interest-bearing liabilities	329,716	439,622	516,001	483,363
	Capital expenditures	161,333	168,446	181,489	148,993
	Depreciation and amortization	36,362	39,427	45,281	44,722
	Cash flows from operating activities	141,238	77,614	(23,941)	84,902
	Cash flows from investing activities	(145,541)	(148,304)	(63,737)	(54,117)
	Free cash flows	(4,303)	(70,690)	(87,678)	30,785
	Cash flows from financing activities	(7,460)	99,844	109,411	(24,797)
Per share data	Profit attributable to owners of the parent (¥ or US$)	131.36	50.89	(106.24)	40.08
	Net assets (¥ or US$)	558.46	525.43	403.53	381.87
	Cash dividends applicable to the year (¥ or US$)	26.00	13.50	—	9.50
	Dividend payout ratio (%)	19.8	26.5	—	23.7
Management index	Return on equity (ROE)*5(%)	23.7	9.4	(21.4)	10.2
	Return on assets (ROA)*6(%)	13.5	6.2	(6.6)	4.6
	Debt equity ratio (DER)*7(Times)	0.93	1.31	1.67	1.66
	Equity ratio (%)	36.7	34.5	29.5	28.2
Average during the period	Exchange rate (¥ / US$)	115	101	93	86
	Fuel oil price (US$ / ton)	407	504	407	489
Consolidated business data	Vessels in operation*8	499	504	499	522
Human resource data	Consolidated employees	7,615	7,706	7,740	7,895
	Unconsolidated employees	600	602	623	623
	Land	432	417	433	437
	Sea	168	185	190	186
	Women (%)	19.5	18.6	18.5	18.9
	Persons with disabilities (%)	2.56	2.05	2.12	1.60
	Industrial accidents — Land	1	0	0	0
	Industrial accidents — Sea	0	2	1	0
Management*9	Directors	12	12	15	14
	Outside Directors	0	0	2	2
	Audit & Supervisory Board Members	4	4	5	5
	Outside Audit & Supervisory Board Members	2	2	3	3
Environmental data*9, 10	Fuel oil (thousands of tons)	4,550	4,392	3,563	3,802
	CO_2 emissions (thousands of tons)	14,150	13,677	11,096	11,838
	SOx emissions (thousands of tons)	255	240	197	208
	NOx emissions (thousands of tons)	405	410	303	308

Notes: *1. Rounded to millions of yen
*2. The U.S. dollar amounts are converted from the yen amounts at ¥112.19 = US$1, the exchange rate prevailing on March 31, 2017.
*3. Ordinary income consists of operating income and non-operating income / expenses.
*4. Equity capital: Net assets – (Non-controlling interests + Stock acquisition rights)
*5. Return on equity: Profit attributable to owners of the parent / Equity capital
*6. Return on assets: Ordinary income / Total assets

“K” LINE Vision 100 “Synergy for All and Sustainable Growth”

New Challenges | Bridge to the Future | K Value for our Next Century | K Value for our Next Century –Action for Future–

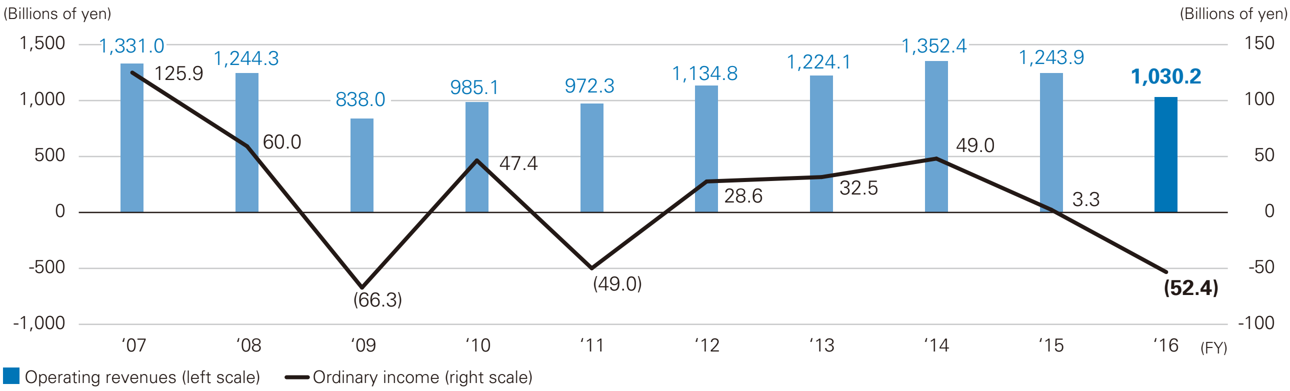
FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2016
					(Millions of yen)[*1]	(Thousands of U.S. dollars)[*2]
¥972,311	¥1,134,772	¥1,224,126	¥1,352,421	¥1,243,932	**¥1,030,191**	**$9,182,556**
(40,563)	14,887	28,854	47,988	9,428	**(46,037)**	**(410,349)**
(48,956)	28,589	32,455	48,981	3,339	**(52,389)**	**(466,967)**
(41,351)	10,669	16,642	26,818	(51,499)	**(139,479)**	**(1,243,239)**
1,066,649	1,180,434	1,254,742	1,223,328	1,115,224	**1,045,210**	**9,316,427**
259,935	361,975	410,690	467,440	379,914	**245,482**	**2,188,091**
242,573	340,571	388,837	441,532	355,376	**219,485**	**1,956,369**
592,523	629,864	643,795	536,847	525,152	**550,512**	**4,906,961**
239,197	134,555	93,378	89,502	116,593	**68,048**	**606,542**
50,044	59,668	52,244	53,527	48,303	**47,421**	**422,685**
(2,909)	59,756	88,228	101,826	39,636	**(43,919)**	**(391,470)**
(83,233)	(27,212)	(5,113)	(11,177)	(29,569)	**(24,882)**	**(221,784)**
(86,142)	32,544	83,115	90,648	10,066	**(68,801)**	**(613,254)**
86,307	26,364	(26,634)	(119,254)	(14,836)	**26,436**	**235,636**
						(U.S. dollars)
(54.14)	12.07	17.75	28.60	(54.95)	**(148.82)**	**(1.33)**
317.59	363.18	414.66	471.10	379.18	**234.19**	**2.09**
—	2.50	4.50	8.50	5.00	**—**	**—**
—	20.7	25.4	29.7	—	**—**	**—**
(15.5)	3.7	4.6	6.5	(12.9)	**(48.5)**	
(4.7)	2.5	2.7	4.0	0.3	**(4.8)**	
2.44	1.85	1.66	1.22	1.48	**2.51**	
22.7	28.9	31.0	36.1	31.9	**21.0**	
79	82	100	109	121	**109**	
672	671	626	541	295	**265**	
559	566	583	584	575	**560**	
7,703	7,667	7,703	7,834	8,097	**8,018**	
664	659	652	676	716	**735**	
486	481	478	504	541	**552**	
178	178	174	172	175	**183**	
22.9	22.8	24.4	25.4	26.3	**24.9**	
1.60	1.90	1.93	1.87	1.94	**2.29**	
0	0	0	0	0	**1**	
0	1	3	1	0	**1**	
13	13	13	10	9	**9**	
2	2	2	2	2	**3**	
5	5	4	4	4	**4**	
3	3	3	3	3	**2**	
3,949	3,966	3,651	3,646	3,942	**3,872**	
12,298	12,352	11,377	11,360	12,300	**12,079**	
214	209	190	182	190	**183**	
323	319	292	283	290	**274**	

*7. Debt equity ratio: Interest-bearing liabilities / Equity capital
*8. Includes project-use vessels owned by special purpose companies (SPCs)
*9. For Kawasaki Kisen Kaisha, Ltd.
*10. Total amounts calculated based on fuels supplied to vessels (the number of the vessels do not agree with that of vessels in operation), for which “K” LINE arranged refueling. From 2008 onwards, the figures are calculated on a calendar year basis.

Financial and ESG Highlights

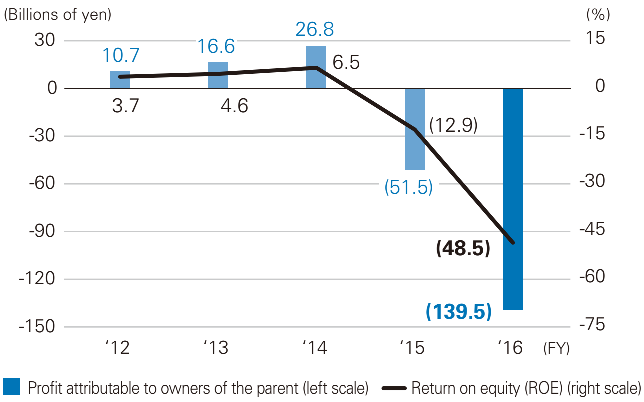
Kawasaki Kisen Kaisha, Ltd. and consolidated subsidiaries
Years ended March 31

Operating Revenues, Ordinary Income

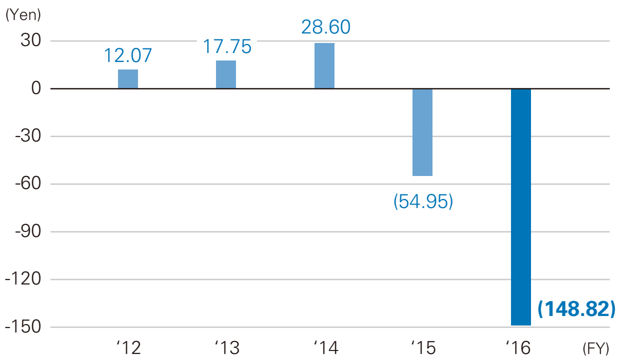


Amid a slowdown in worldwide trade, the Group's business performance is impacted significantly by economic trends, commodity markets, vessel supply-demand balance and other factors. In FY2016, freight rate market fell to a historically-low level, causing operating revenues to fall 17.2% year-on-year and a substantial ordinary loss.

Profit Attributable to Owners of the Parent, Return on Equity (ROE)

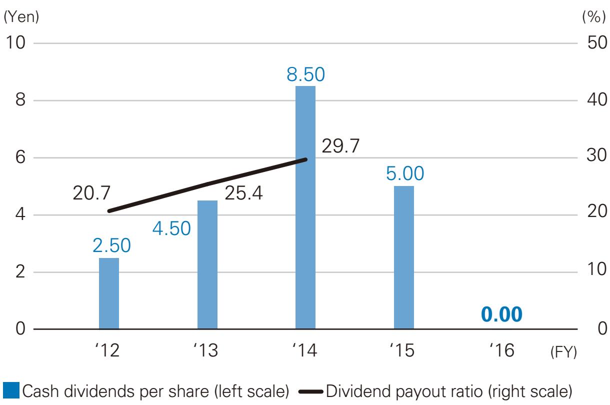


Profit Attributable to Owners of the Parent per Share



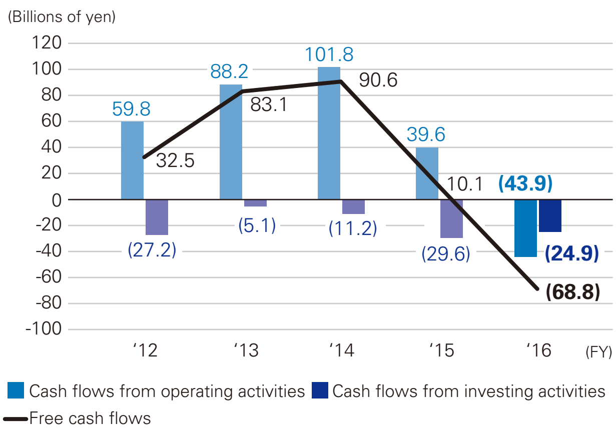
The Group has made efforts to enhance fleet utilization and otherwise improve earnings, while reducing operating costs. Due to severs business circumstances, however, in FY2016, the Group recorded provision of allowance for loss related to business restructuring and loss on impairment of fixed assets, in addition to the ordinary loss. As a result, loss attributable to owners of the parent worsened by ¥88 billion from the previous year and loss attributable to owners of the parent per share worsened by ¥93.87 as well.

Cash Dividends per Share, Dividend Payout Ratio



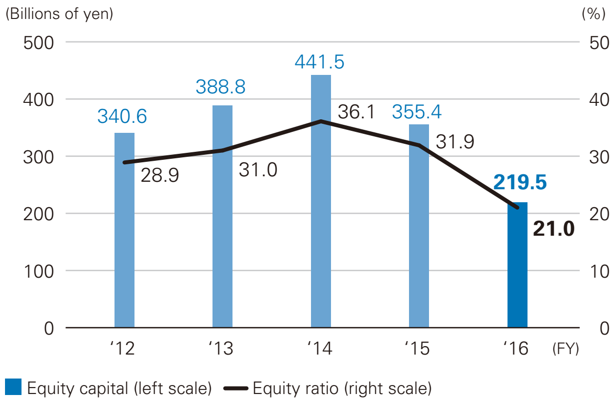
In FY2016, we posted a loss attributable to owners of the parent. In light of the urgent need to improve our financial condition, it is highly regrettable that no dividend payment had to be decided for the year.

Cash Flows



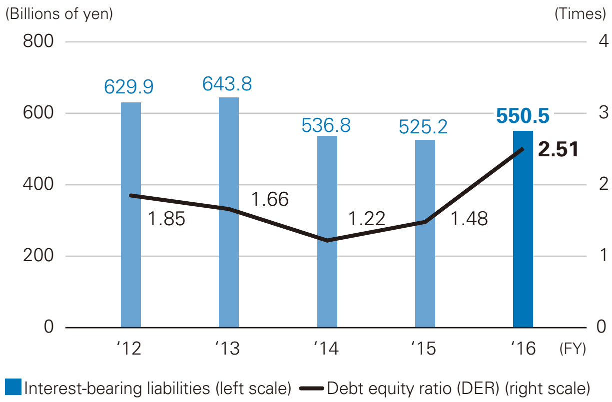
In FY2016, due to the loss before income taxes, early termination payments for chartered vessels and so on, free cash flows were negative ¥68.8 billion.

Equity Capital, Equity Ratio



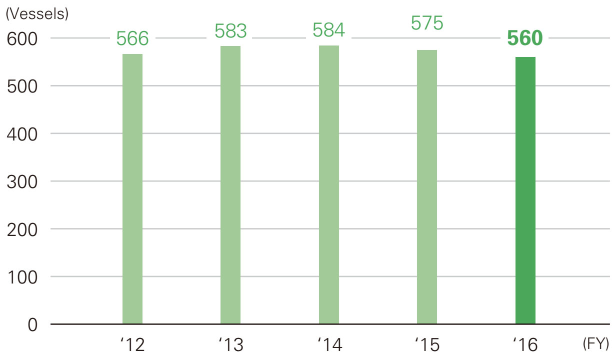
In FY2016, due to a decrease in retained earnings arising from the loss attributable to owners of the parent, equity capital decreased by ¥135.9 billion year-on-year, and the equity ratio fell 10.9%.

Interest-bearing Liabilities, Debt Equity Ratio (DER)



In FY2016, due to an increase in long-term loans, interest-bearing liabilities also increased by ¥25.4 billion year-on-year, while equity capital fell significantly and the debt-to-equity ratio climbed by 1.03 points.

Number of Vessels in Operation (consolidated)

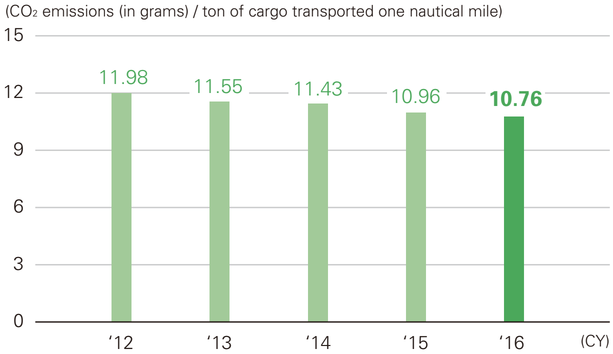


In both FY2015 and FY2016 we disposed of uneconomic vessels in our core fleet to improve earnings under depressed market circumstances.

→See P.13 for number of key fleet vessels.

Volume of CO_2 Emissions (unconsolidated)

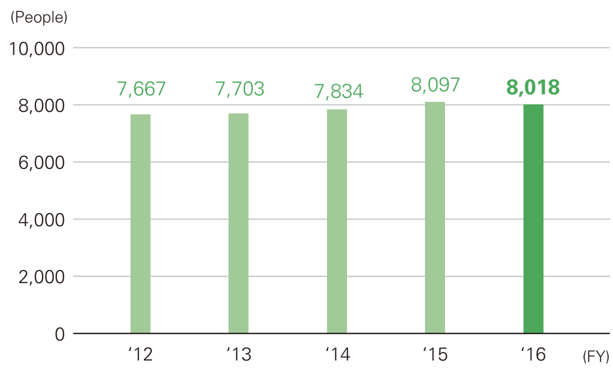
per freight ton-mile* on an annual basis



* Index for transporting one ton of cargo over one nautical mile (1,852 meters)

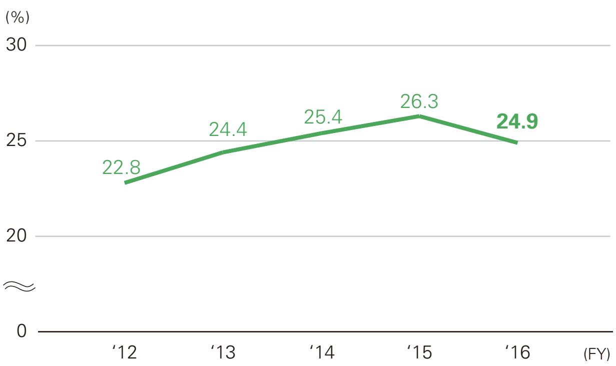
In line with customer needs, we are actively and continuously introducing high-quality vessels while enhancing fleet operational efficiency. Thanks to our constant efforts on land and sea, we achieved a year-on-year reduction in CO_2 emissions.

Number of Employees (consolidated)



In order to continuously provide high-quality logistics services to customers, the Group is working to secure and train talented people who will be the driving force for such efforts.

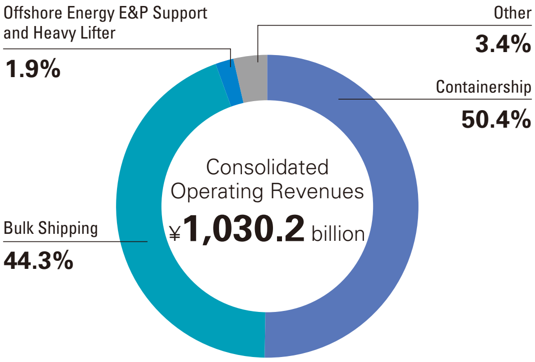
Percentage of Women (unconsolidated)



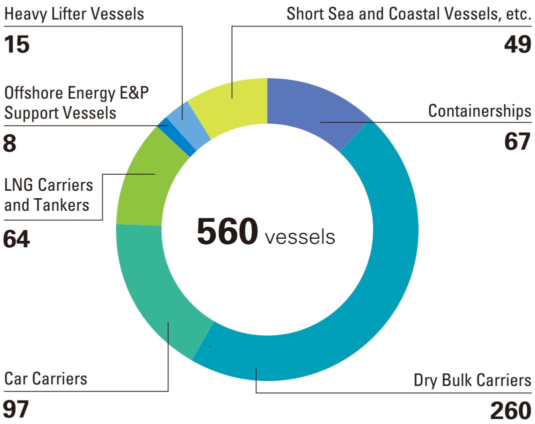
In addition to establishing our "Action Plan for Promoting the Advancement of Women" and preparing various frameworks, "K" LINE has set a target of increasing the number of female managers and leaders by 20% by the end of FY2018 compared with the FY2015 level.

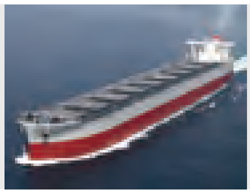
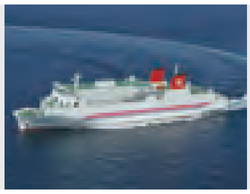
At a Glance

"K" LINE Group Operating Revenues by Segment (FY2016)



"K" LINE Group Vessels in Operation (as of March 31, 2017)



Segment	Business	
Containership Business	**Containership Business** To pages 24-25	
	Port Business To pages 24-25	
	Logistics Business To pages 34-35	
Bulk Shipping Business	**Dry Bulk Business** To pages 26-27	
	Car Carrier Business To pages 28-29	
	LNG Carrier Business and Tanker Business To pages 30-31	
	Short Sea and Coastal Business To page 33	
Offshore Energy E&P Support and Heavy Lifter Business	**Offshore Energy E&P Support Business** To page 32	
	Heavy Lifter Business	
Other		

Outline

We operate a global service network centered on East-West trunk routes linking Asia / North America, Asia / Europe and Europe / North America through an alliance with prominent shipping companies in Asia and Europe. Our network extends to North-South routes linking Asia / South America and Asia / Middle East-Africa as well as intra-Asia routes. We transport a broad spectrum of cargo – electronic equipment, electrical products, furniture and daily commodities such as clothing items, as well as frozen and chilled cargo including meat and other foods – by container.

“K” LINE operates its group’s container terminals at four ports in Japan (Tokyo, Yokohama, Osaka and Kobe) and three ports overseas (Long Beach, Tacoma and Antwerp).

By combining the expertise and service networks of the entire “K” LINE Group, we provide comprehensive logistics services that are closely connected to local areas to meet customer needs, with services not only for ocean cargo freight, but also air and ocean freight forwarding, land transportation, warehousing and buyer’s consolidation businesses.

We transport a large volume of dry bulk cargos such as iron ore, coking, coal, woodchips, grains and thermal coal for power plants. In addition to cargo bound for Japan, we are actively expanding our business bound for China, India and other developing economies, and engage in trilateral transport in the Atlantic region.

Since 1970, when “K” LINE deployed Japan’s first PCC (pure car carrier), we have been recognized as a pioneer in safe and prompt transportation of passenger cars, trucks and other vehicles. We are actively upgrading the fleet and working to improve transportation quality and reinforce RORO cargo transport.

We provide global transport service not only for industrial energy resources such as LNG (liquefied natural gas), LPG (liquefied petroleum gas), crude oil and oil products but also for city gas, gasoline and other energy resources used directly by consumers.

Kawasaki Kinkai Kisen Kaisha, Ltd. provides domestic coastal freight transportation and ferry services. It operates passenger and truck ferries, express RORO cargo ships, dedicated carriers for limestone used in steel and cement production, dedicated thermal coal carriers for electric power production and general cargo carriers. It also operates general cargo vessels and bulk carriers for cargo to and from destinations in Asia, and it has entered the offshore support vessel business.

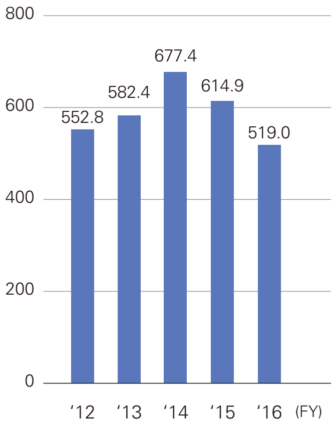
K Line Offshore AS, located in Norway, provides offshore support vessel services with seven state-of-the-art vessels consisting of two large Anchor Handling Tug Supply (AHTS) vessels and five Platform Supply Vessels (PSV). In addition, “K” LINE participates in an ownership consortium of a drillship which is engaged in oilfield drilling operations under long-term charter to semi-public Brazilian energy company Petrobras.

In this business, we deploy advanced engineering technologies to provide transportation services to energy and infrastructure-related projects.

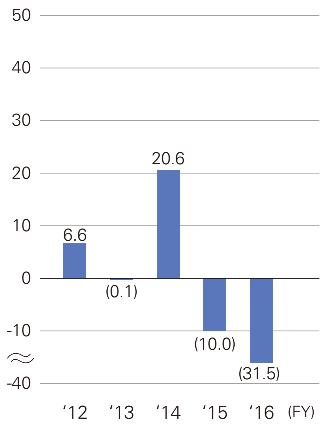
The “K” LINE Group also operates businesses engaging in ship management services, travel agency services and real estate rental and administration services.

Containership Business

Operating Revenues (unit: Billions of yen)

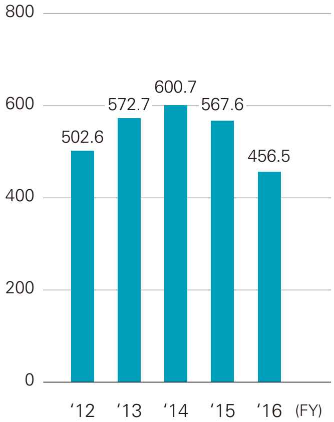


Ordinary Income (unit: Billions of yen)

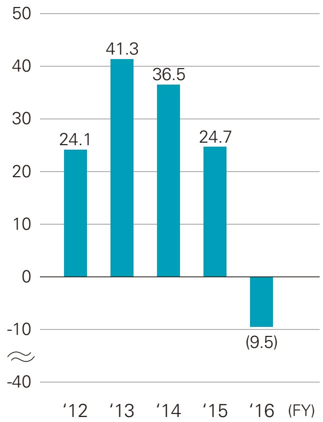


Bulk Shipping Business

Operating Revenues (unit: Billions of yen)

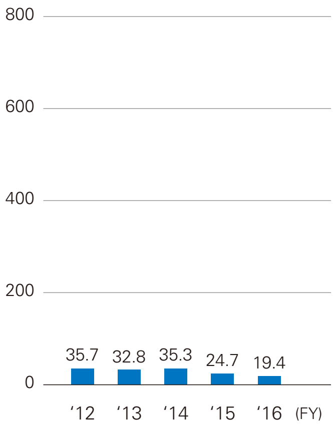


Ordinary Income (unit: Billions of yen)

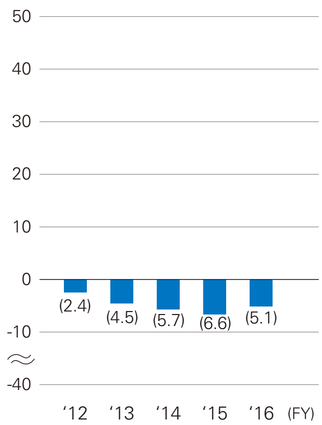


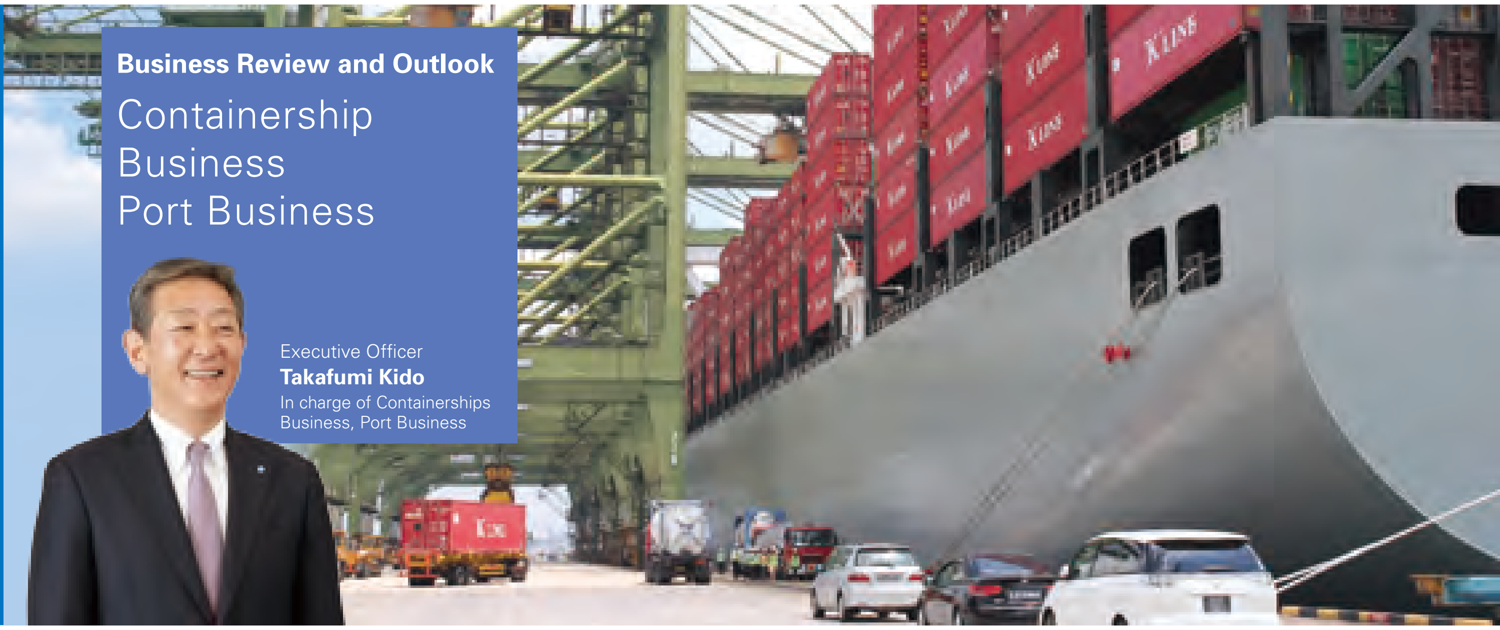
Offshore Energy E&P Support and Heavy Lifter Business

Operating Revenues (unit: Billions of yen)



Ordinary Income (unit: Billions of yen)





Business Review and Outlook

Containership Business
Port Business

Executive Officer
Takafumi Kido
In charge of Containerships Business, Port Business

Placing Top Priority on Securing Earnings, We Emphasize Profitability across All Trade Lanes.

Basic Strategies

- Improve profitability and business stability via "THE Alliance"
- Manage business with emphasis on profitability rather than handing cargo volume
- Provide services that match customer demands
- Thoroughly prepare for business integration of the containership business by three Japanese companies commencing from April 2018

Strengths

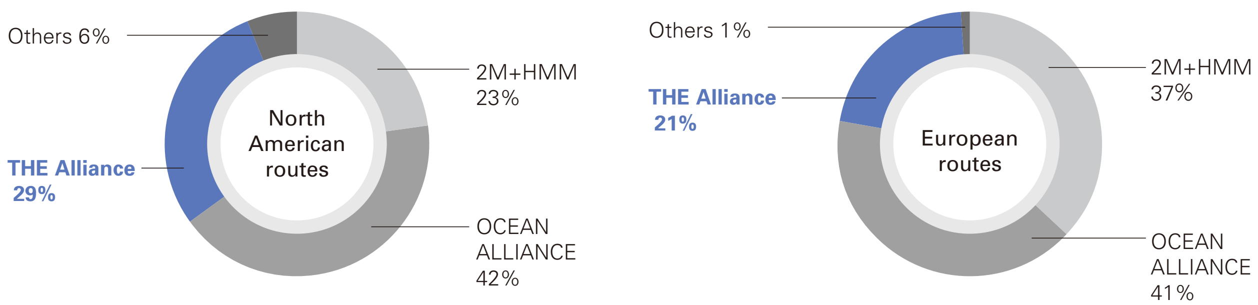
- Stable east-west trunk routes services
- North American-services through our own terminals and established inland rail network
- Intra-Asia service network that also covers Japan
- Our own agency network with close customer ties in various countries
- Cost-competitiveness, with14,000-TEU energy-efficient vessels

Overview of Fiscal 2016

In the year under review, the Containership Business benefited from favorable east-west trade environment from the third quarter. The cargo volume on North American routes increased approximately 11% year-on-year, and on European routes rose approximately 2%. Moreover, the cargo volume on North-South routes climbed around 7%, while on Asian routes, where we implemented reforms of services to emphasize profitability, cargo volume remained mostly unchanged from the previous year. As a result, total cargo volume increased around 6% year-on-year, and the market average-loaded factor for the Asia-North America and Asia-Europe routes recovered to more than 90% in fiscal 2016.

Although freight rate conditions turned upward in the latter part of the year due to solid cargo movements, we were unable to fill the supply-demand gap caused by the series of ultra-large vessel deliveries, and alliance re-grouping encouraged nervousness in a market which negatively affected rate increase efforts. Accordingly, overall rates declined significantly from the beginning of the period. This led to a year-on-year decline in operating revenues and increased operating losses in this segment.

Major Alliance Operating Capacity Share (as of May 2017)



THE Alliance: "K" LINE, NYK LINE, Mitsui O.S.K. Lines, Hapag-Lloyd (UASC), Yang Ming
OCEAN ALLIANCE: CMA-CGM, COSCO Shg, Evergreen 2M: Maersk, MSC

Source: Alphaliner (May 2017)

Containership

Fiscal 2017 Policies

With the U.S. economy benefiting from healthy individual consumption, we expect the long-term market to improve thanks to demand growth mainly on east-west trade, as well as a bottoming out of freight rates. Due to the high volume of new building vessels deliveries, however, the situation is not conducive to major improvements in supply and demand, so recovery in freight rates will be relatively modest.

Fiscal 2017 is our final year in the containership business under "K" LINE's own management. During the year, we will deploy our five state-of-the-art 14,000-TEU energy-efficient vessels to enhance competitiveness, while emphasizing profitability of cargo portfolio. We will also launch new services under "THE Alliance," to which we belong, with the aims of enhancing business stability and profitability. In addition, we will work hard to achieve a return to profitability, our most important mission, by flexibly reducing voyages according to seasonal factors, streamlining services, and reducing costs. In the meantime, the three major Japanese carriers, including "K" LINE, will integrate their containership businesses starting operation in April 2018.

In the port business, where we aim to operate high-standard, high-quality terminals, we will continue to upgrade our cargo handling equipment and improve facilities so that we can accommodate larger container ships.

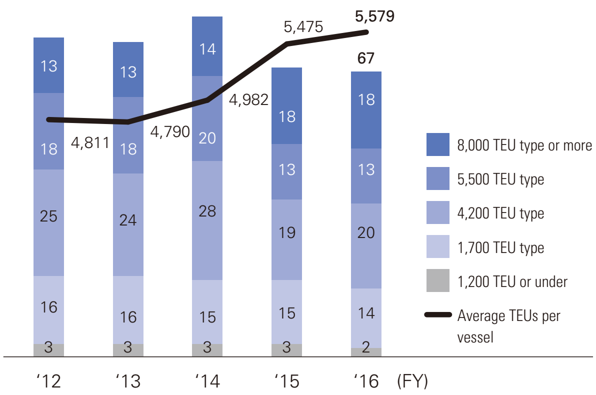
Initiatives of Medium-term Management Plan

Competitive Services Achieved through "THE Alliance"

"K" LINE, has formed a new alliance with Mitsui O.S.K. Lines, Nippon Yusen Kaisha, Hapag-Lloyd (Germany), and Yang Ming Marine Transport (Taiwan), called "THE Alliance," which commenced joint operational services in April 2017 on Asia / Northern Europe-Mediterranean routes, Asia / North America West Coast-East Coast routes, Atlantic Ocean routes, and Asia / Middle East routes.

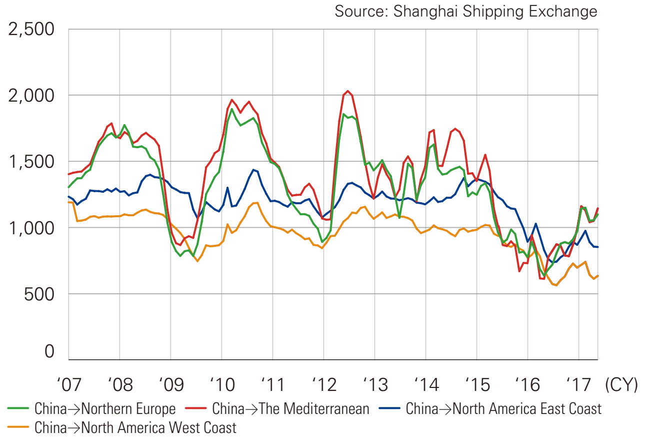
Together, we as "THE Alliance" operate a fleet of 240 vessels under the "best ship" concept, which means optimally deploying ships provided by each company in the alliance by meeting the demand of each service routing. In addition, we have established a broad network with more than 75 ports of direct calling and 31 service loops in total, delivering highly frequent and competitive services.

"K" LINE Ships in Operation (unit: number of vessels)



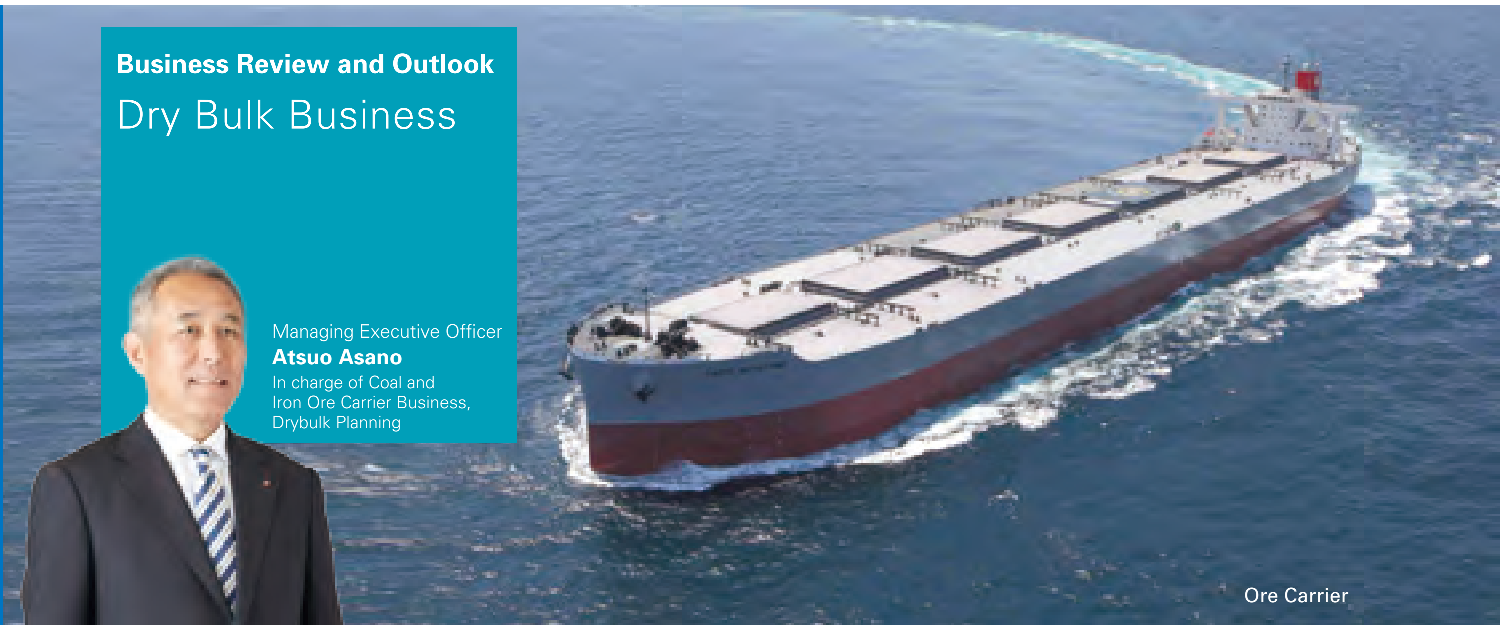
Change in Freight Index for Cargo Originating in China (January 1998=1,000)

Source: Shanghai Shipping Exchange



Business Review and Outlook

Dry Bulk Business



Managing Executive Officer
Atsuo Asano
In charge of Coal and Iron Ore Carrier Business, Drybulk Planning

We Further Enhance Transportation Quality, with Respect to Both Hardware and Software-Services, and Deploy Our Strengths to Expand Medium- and Long-term Contracts and Stabilize Earnings.

Basic Strategies

- Enhance medium- and long-term transportation contracts centered on iron ore, thermal coal, woodchips and pulp
- Reduce fixed-cost-based surplus fleet, especially small and medium-sized vessels
- Address need to reduce environmental impacts

Strengths

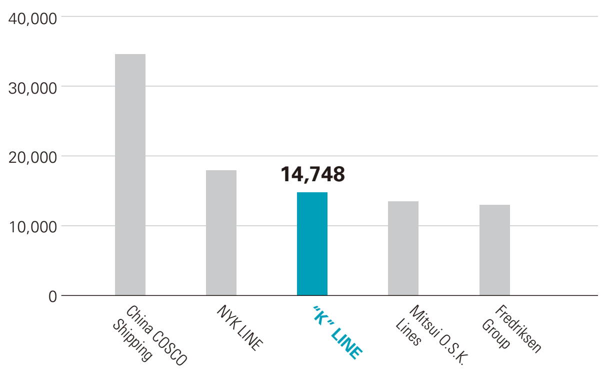
- Long-standing relationships of trust with leading domestic and overseas customers
- Medium- and long-term contracts conducive to stable earnings
- High-quality transportation services and vessel management
- Transportation know-how accumulated over many years
- Medium- and long-term charter partners (ship owners)

Overview of Fiscal 2016

During the year, market conditions for all dry bulk carriers emerged from a historical downturn to enter a period of moderate recovery. We attribute this to several factors, including expanding infrastructural investment in China, increasing imports of high-quality iron ore and coal from overseas against the background of environmental problems, and the progress in scrapping of vessels at the beginning of the year. We therefore believe that the supply-demand gap began improving around one year earlier than expected. Although dry bulk market conditions have been recovering since September 2016, especially for capesize bulkers, the latter half of the year saw a slowdown in scrapping of vessels due to improving market conditions, leading to a continuation of heavy upside price movements.

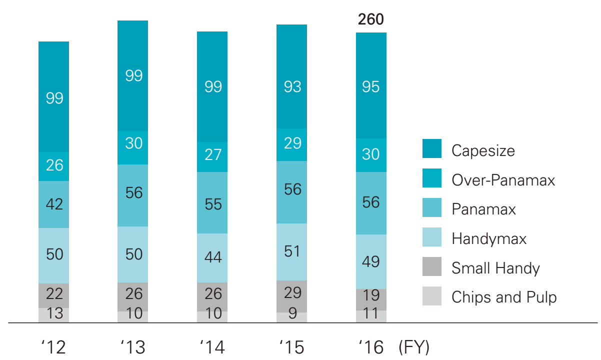
Under these circumstances, we disposed of uneconomic vessels, reduced operating costs, and sought to enhance ship allocation efficiency. However, depressed market conditions from the beginning of the period led to a year-on-year decline in operating revenues and increased operating losses in this segment.

Top-five Carriers Ranked by Owned Tonnage of Dry Bulkers
(as of June 2017)



Source: Clarkson

"K" LINE Ships in Operation (unit: number of vessels)



Coal Carrier (Corona Series)

Fiscal 2017 Policies

We expect China to continue enhancing the quality of its iron ore and coal, resulting in steady dry bulk movements. Although we expect scrapping of vessels to slow down due to market recovery, we predict that the previous order backlog will firm up, having passed its peak.

Under these circumstances, the Coal & Iron Ore Carrier Group will work to differentiate itself by providing high-quality transportation services amid tightening environmental regulations to further improve operational safety. We will also strive to maintain and expand medium and long-term cargo transport agreements, with the aim of enhancing earnings stability.

The Bulk Carrier Group will continue working to reduce market exposure of its small and medium-sized vessels (including Panamax, Handymax, and Small Handy), while stepping up transportation requiring advanced transportation know-how such as Steel Products.

The Thermal Coal, Woodchip and Pulp Group will focus on expanding medium and long-term contracts with domestic power companies. To this end, we will reinforce our fleet of competitive vessels, including the "Corona series" built especially for domestic coal-fired power plants. As for woodchips and pulp, practically all of our dealings are with domestic customers with whom we have exclusive long-term contracts that are not easily affected by market conditions. Here, we will work to maintain a stable earnings foundation by replacing existing vessels.

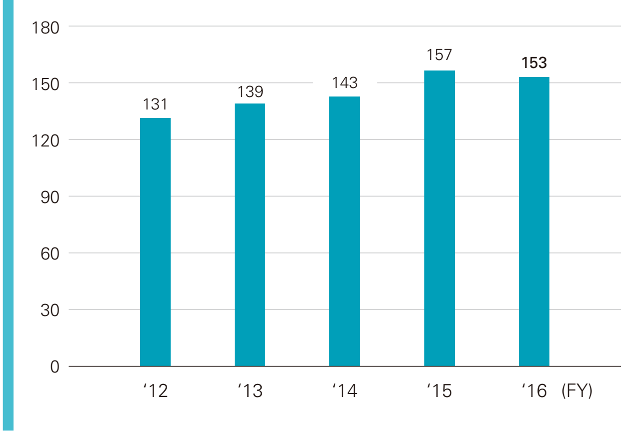
Initiatives of Medium-term Management Plan

Strengthen Fleet of Wide-beam, Shallow-draft "Corona Series" of Dedicated Coal Carriers for Domestic Power Companies

In May 2016, *CORONA VICTORY*, an 88,000-ton coal carrier, was delivered to our fleet. Our "Corona series" of dedicated coal carriers have wide beams and shallow drafts, making them optimal for Japanese coal-fired power plants where many draft-related restrictions apply. They also conform to Common Structural Rules (CSR) and new environmental regulations, and feature improved fuel efficiency thanks to adoption of modified hulls, low-friction paint, and electronically controlled main engines.

With adding *CORONA VICTORY*, we now have a fleet of 23 dedicated coal carriers in fiscal 2017. Because we specialize in serving domestic customers who anticipate stable demand growth in the future, we plan to expand the fleet to 31 vessels by around 2020.

"K" LINE Cargo Tonnage Carried by Dry Bulk Carriers (in million tons)



Baltic Dry Index

Freight rate index for ocean-going bulk carriers, as calculated by the Baltic Exchange in London. (January 1985 =1,000)

Business Review and Outlook

Car Carrier Business

Managing Executive Officer
Kenji Sakamoto
In charge of Car Carrier Business

Car carriers

We Aim to Be a "STRATEGIC LOGISTICS PARTNER" to Meet Diversifying Customer Needs.

Basic Strategies

- Sequentially roll out large next-generation vessels with cost-competitiveness
- Increase capacity for high and heavy cargoes, such as construction machinery, agricultural machines, and railway cars
- Increase efficiency of fleet operation to improve profitability
- Reorganize and expand service network (route optimization) to capture new transportation demand
- Strengthen inland logistics business in complete built-up cars to meet customer needs

Strengths

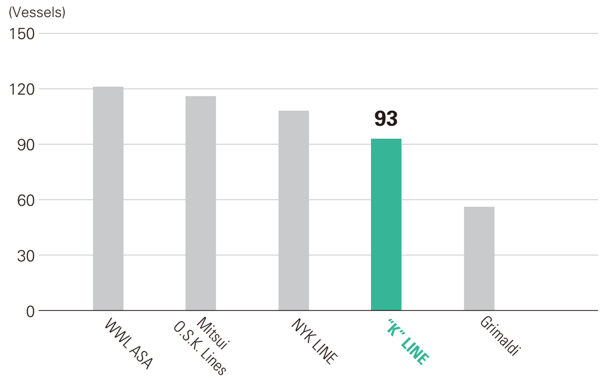
- Fleet portfolio that can handle various types of cargo
- Extensive network coverage linking the Pacific and Atlantic regions
- Top world-level transportation quality with "zero damage" mission

Overview of Fiscal 2016

The total volume of complete built-up cars exported from Japan rose by approximately 2%, from 4,280,000 units in the previous fiscal year to 4,350,000 units, as the trend of gradual decline came to a halt because the yen remained weak. Although cargo movements in the Atlantic region and to Europe and North America remained firm, cargo movements from Asia to the Middle East, Latin America, Africa, and other resource-rich regions declined amid falling resource / commodity prices. Cargo movements from Europe and North America to Asia were also weakened by economic slowdown in China, and cargo movements within the European region also declined amid economic stagnation in Russia.

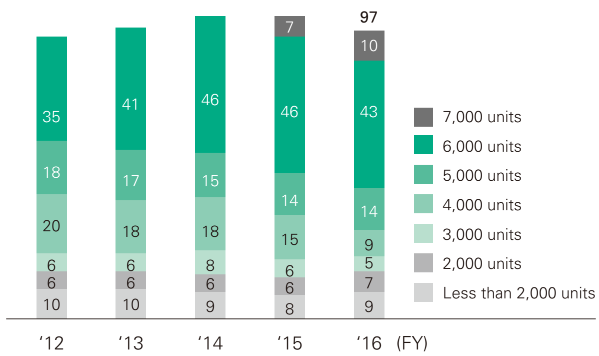
Under these business conditions, the total volume of complete built-up cars shipped by "K" LINE group decreased about 1%, from 3,150,000 units in the previous fiscal year to 3,110,000 units. During the year, we continued striving to improve the efficiency of fleet allocation and operation, while scrapping older vessels and otherwise adjusting capacity. Nevertheless, operating income in the car carrier business declined from the previous year.

Top-five Shipping Companies by Number of Operating Car Carriers
(as of March 2017)



Source: Own-editing based on Hesnes "The Car Carrier Market 2016"

"K" LINE Ships in Operation (unit: number of vessels)



Fiscal 2017 Policies

In fiscal 2017, we expect to carry a total volume of 3,530,000 complete built-up cars, increased by 400,000 year-on-year thanks mainly to shipments within Europe.

While cargo movements from Far East Asia to Europe and North America remain firm, we foresee that the recovery in cargo movements to the Middle East, Latin America, Africa, and other resource-rich regions will be limited in fiscal 2017. While we see some concerns about protectionist policies, however, sales in North America and major European countries are solid, and production in Mexico is expanding and cargo movements in the Atlantic region are expected to remain firm. Since we are flexibly adjusting our fleet capacity according to market conditions, there is no supply-demand gap.

Regarding export of complete built-up cars from Japan, the trend is shifting to "mass production in the right place," whereby strategic vehicle types are produced in specific regions and distributed overseas. In this environment, we will respond flexibly to changing market conditions, including the pursuit of efficient fleet allocation with a view to route reorganization. Between now and the end of fiscal 2018, we are scheduled to complete construction of five car carriers, each with a 7,500-vehicle capacity. We will also enhance our cargo transportation capacity and diversity to include construction machinery and railway cars, in addition to passenger cars.

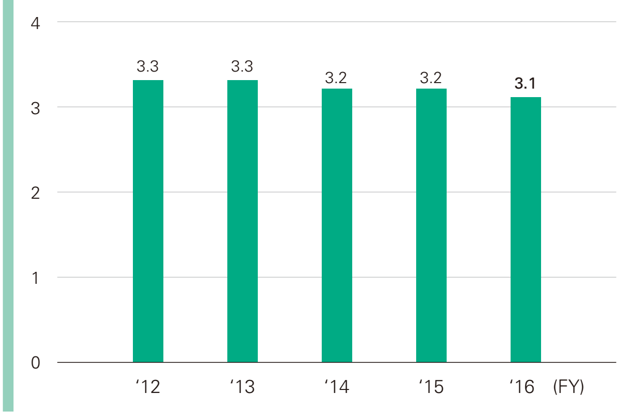
Initiatives of Medium-term Management Plan

Strengthen and Expand Complete Built-up Car Logistics Business

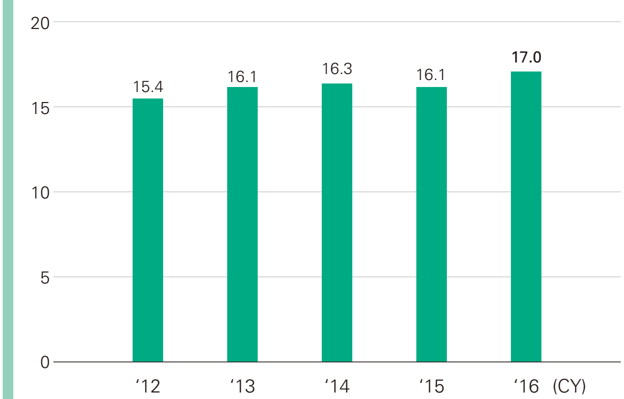
Increasing sales of automobiles in emerging economies, especially in Asia, is leading to growth in demand for services peripheral to inland distribution of complete built-up cars. Seeking to strengthen and expand our complete built-up car logistics business, we established an automobile logistics business development team in July 2015. Since then, we have developed land transportation businesses in Indonesia, Thailand, Singapore, India, Australia, Brazil, and elsewhere, while broadening our terminal and pre-delivery inspection (PDI) services, which cover pre-delivery inspection, maintenance, and parts replacement.

In October 2016, we launched a complete built-up car comprehensive logistics services in Vietnam. Since starting out with customs clearance, vehicle authentication registration, and storage services, we have expanded our offerings to include installation of parts, painting, car washing, and other PDI services, as well as delivery to dealers. Going forward, we will continue addressing the needs of automakers while steadily reinforcing our service network in collaboration with local partners.

Completed Built-up Cars Transported by "K" LINE Car Carriers
(million units)



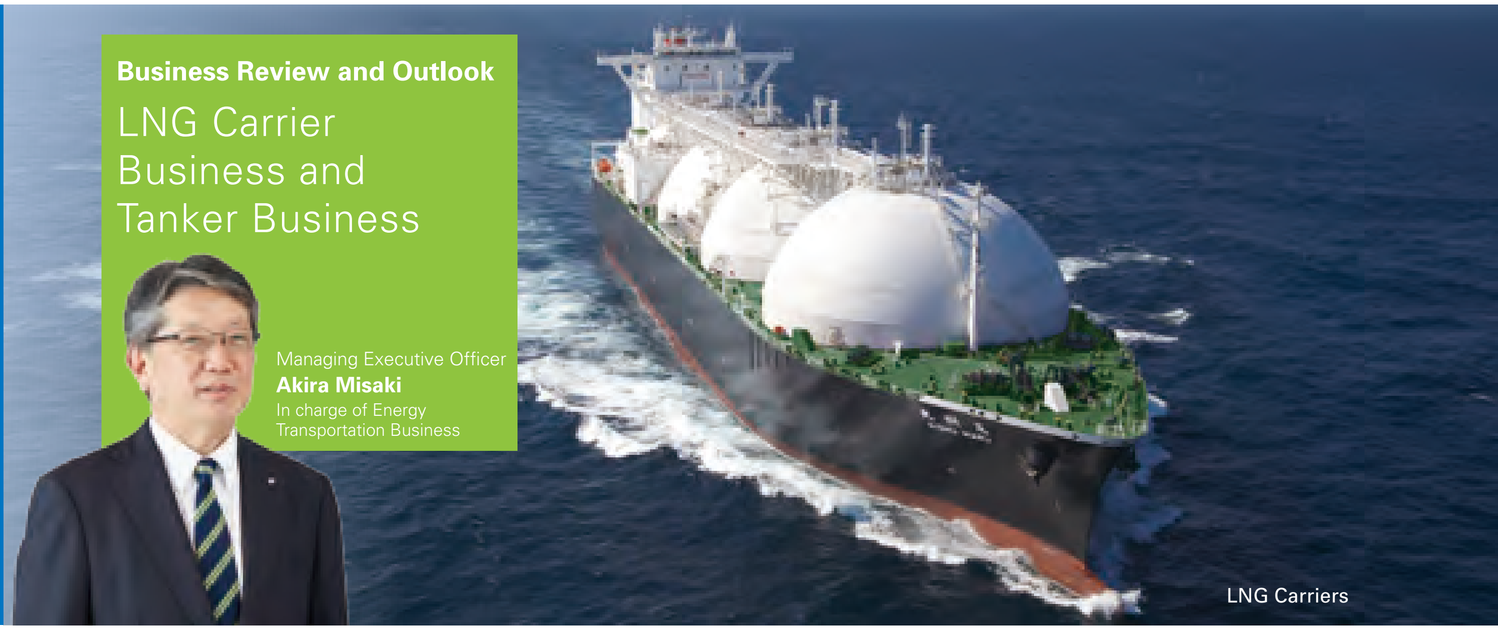
Worldwide Movements of Completed Built-up Cars
(million units)



(Note) Excluding European short sea.
Source: "K" LINE estimate based on multiple source

Business Review and Outlook

LNG Carrier Business and Tanker Business



Managing Executive Officer
Akira Misaki
In charge of Energy Transportation Business

LNG Carriers

We Expand Our Fleet and Engage in the Energy Value Chain Business in Anticipation of Medium- and Long-term Growth in Demand.

Basic Strategies

- Expand medium- and long-term contracts in the oil and LPG tanker business by replacing existing vessels and obtaining new business
- Expand fleet which brings stable earnings to "K" LINE for medium- and long-term, responding to LNG development projects, and address diversified customer needs, including medium- and shorter-term contracts
- Engage in the energy value chain business, which will create LNG / LPG demand
- Downsize businesses exposed to market volatility

Strengths

- Safe ship operation and high quality of ship management based on solid track record of energy resource transportation history for more than 80 years
- Stable customer base built on long-term relationships of trust with both domestic and overseas customers

Overview of Fiscal 2016

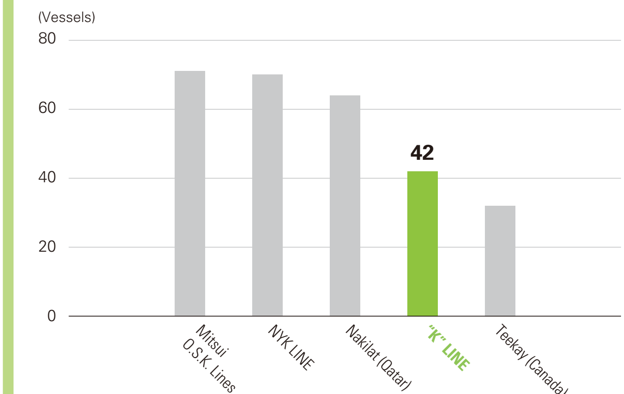
Oil Tanker Services All 22 vessels in our fleet operated smoothly. VLCCs (Very Large Crude Carriers) and LPG (Liquefied Petroleum Gas) tankers contributed to the earnings under medium- and long-term charter contracts; however, earnings from Aframax-size tankers (medium-size crude oil tankers), petroleum product tankers, and chemical tankers fell below our initial forecasts.

LNG Carrier Services At the end of November 2016, we launched *PRACHI*, a new ship for India-based Petronet LNG. For the year, all 42 vessels in our fleet operated smoothly under medium- and long-term contracts, contributing as a foundation of stable earnings to "K" LINE. During the year, we appointed staff to Singapore and Houston to further strengthen our customer base and broaden our business, including in new areas.

Fiscal 2017 Policies

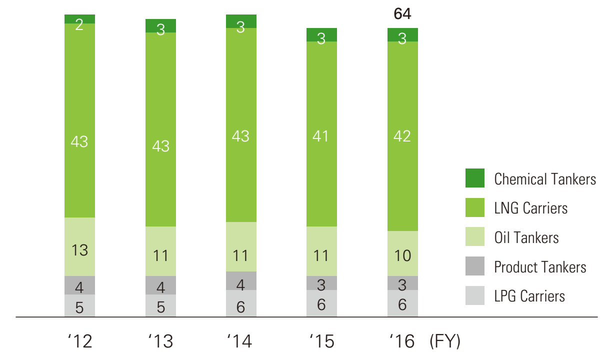
Oil Tanker Services We expect steady growth in demand for crude oil and LPG, especially from emerging economies. However, both VLCC and LPG tanker market will enter a period of adjustment due to a large number of new vessel delivery to the market.

Top-five Carriers by Number of Owned LNG Carriers
(including co-owned fleet) (as of March 2017)



Researched by "K" LINE

"K" LINE Ships in Operation (unit: number of vessels)



Oil Tankers

Under these circumstances, we will build up our stable earnings by expanding our fleets of VLCCs and LPG tankers based on medium- and long-term contracts in anticipation of medium- and long-term growth in demand. On the other hand, we will downsize our fleets of petroleum product tankers and the like, which are subject to market exposure. Our plan is to rearrange the content of our portfolio without changing total fleet numbers.

LNG Carrier Services We expect long-term demand for LNG (Liquefied Natural Gas) to grow as a clean energy source. However, new LNG development projects are being postponed in the wake of falling LNG prices, and a number of LNG carriers ordered speculatively without reflection of real demand were delivered in the last one or two years. Accordingly, the market is not expected to start recovering until 2018.

Under these circumstances, we have seven LNG carriers under construction, representing a major pillar of stable earnings to "K" LINE, of which four will be completed in fiscal 2017. We will also respond flexibly to the demand of medium-term charter, which have seven-to-ten-year horizons, while carefully assessing risks, with a plan to expand our fleet to around 60 vessels over the medium-term.

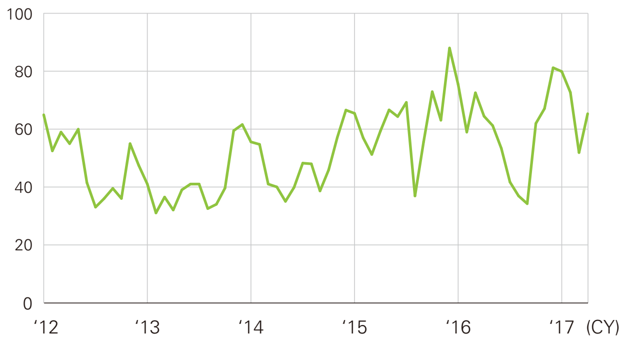
Initiatives of Medium-term Management Plan

Start-up "Liquefied Gas New Business Division"

Global demand for energy is expected to grow over the medium- and long-terms amid economic advancement of emerging economies. In response, in the LNG Carrier Business and Tanker Business, we will deploy our know-how, amassed over many years of handling and transporting hazardous cargo – such as crude oil, LPG, and LNG – to broaden our involvement in both the upstream and downstream business of the energy value chain. At the same time, we will focus on cultivating new businesses that will generate medium- and long-term earnings.

In April 2017, we newly set up a liquefied gas (LNG / LPG) new business division. In addition to conventional transport business of liquefied gas by large vessels under medium- and long-term contracts, the division will spearhead efforts to enter new business fields, such as floating storage and regasification units (FSRUs) as offshore LNG receiving terminals which can cope with needs of emerging economies that require short lead time until installment in order to procure LNG as soon as possible and small-volume liquefied gas transportation and supply of liquefied gas fuel to help stimulate demand.

Index of VLCC* Freight Rates

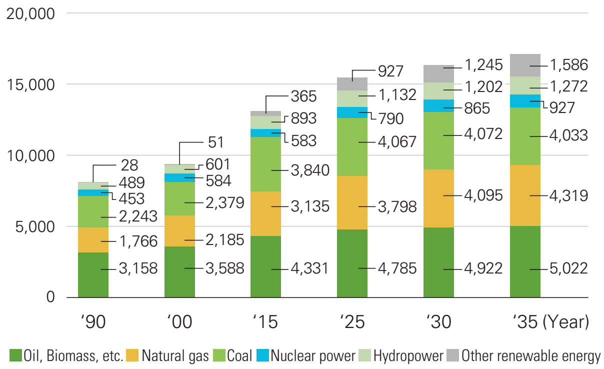


(VLCCs, Arabian Gulf / Japan in Worldscale) Source: Clarkson

*VLCC (Very Large Crude Oil Carrier): 200,000–300,000 DWT tankers

Worldwide Demand for Primary Energy

(million ton oil equivalent) (as of January 2017)



Source: BP Energy Outlook 2035

Business Review and Outlook

Offshore Energy E&P Support Business

Managing Executive Officer
Akira Misaki
In charge of Energy Transportation Business

Anchor Handling Tug Supply (AHTS) vessels
©Harald M. Valderhaug

We Endeavor to Expand Projects that Generate Stable Long-term Earnings by Partnering with Other Quality Companies.

Basic Strategies

- Maintain high utilization rate in Drillship business
- Expand stable profits by cultivating new businesses
- Stabilize profits of Offshore Support Vessel business

Strengths

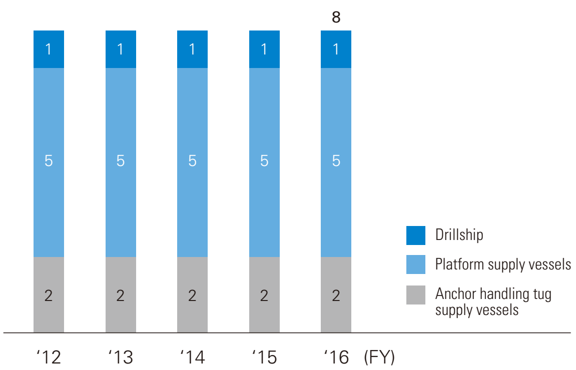
Drillship Business

- Maintaining World-class high level operation
- Stable source of revenue generated from fixed long term contracts

Offshore Support Vessel Business

- High-value-added services provided by high-spec ships

"K" LINE Ships in Operation (unit: number of vessels)



Overview of Fiscal 2016

Drillship Business We are currently engaged in drilling operations for ultra-deep water fields 200 kilometers off the coast of Brazil under a long-term charter contract (up to 20 years / until 2032) with Brazil-based Oil Company Petrobras. In the year under review, we maintained a high utilization rate, which contributed to stable long-term earnings.

Offshore Support Vessel Business Under operation in the North Sea, we reported a loss due to oversupply situation in the market and persisting low oil prices.

Fiscal 2017 Policies

Drillship Business We will pursue the achievement of stable profit by maintaining high utilization rate under long term charter contracts.

Offshore Support Vessel Business We expect the OSV demand to gradually recover as oil companies' cost-cutting efforts accelerate. However, over supply in the market is still persisting and we expect the market to recover from fiscal 2018 afterwards. Under the circumstances, we will review our asset portfolio and take all options into consideration to minimize market fluctuation risks and achieve stable profits.

Initiatives of Medium-term Management Plan

Expand Businesses that Generate Stable Profit

In line with our effort to cultivate and foster the energy value chain business, we will work with reliable partners to expand our activities into the Floating Production Storage and Off-loading (FPSO) unit and other businesses that will be expected to generate stable profits for long-term.

Business Review and Outlook

Short Sea and Coastal Business

Managing Executive Officer
Yutaka Nakagawa
In charge of Logistics,
Affiliated Business Promotion

Express RORO Cargo Ship operated by Kawasaki Kinkai Kisen

We Expand Our Coastal and Ferry Businesses and Upgrade Our Offshore Support Vessel Business while Working to Improve the Profitability of the Short Sea Business.

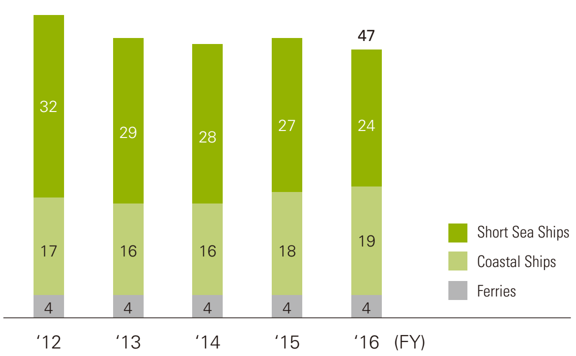
Basic Strategies

- Expand the coastal business
- Optimize fleet size in the short sea business
- Upgrade the offshore support vessel business

Strengths

- Swiftly address customer demand related to changing conditions in short sea and domestic logistics businesses
- Focus on multifaceted coastal businesses, such as ferries and cargo ships
- Emphasize offshore support vessel business, which is expected to evolve
- Promote modal shift to reduce environmental impacts

"K" LINE Ships in Operation (unit: number of vessels)



Overview of Fiscal 2016

In the Short Sea and Coastal Business, the overall transportation volume declined year-on-year. The segment reported decreases in operating revenues and operating income due to various factors. These included depressed market conditions for short sea ships, cancelled voyages due to typhoons, and one-time costs incurred in opening the Shimizu-Oita route.

Fiscal 2017 Policies

In the short sea business, we will carefully monitor the bottoming market as we reinforce our fleet. At the same time, we will continue proactive sales activities centered on transportation of palm kernel shells (PKSs) as a fuel for biomass power generation.

In the coastal business, we look forward to stable transportation volumes for various dedicated vessels in the tramper transport services. We also aim to increase transportation volume of small cargo vessels from the anticipated increase in construction demand related to the Tokyo Olympics and other activities. At the same time, we will focus on cargo collection along new routes of our liner services with the aim of increasing transportation volume.

Regarding ferry transportation services, we will encourage increased carriage of trucks, passenger cars, and people. We will also deploy the experience and track record of Offshore Operation Co., Ltd., which became a subsidiary, to expand and upgrade our offshore support vessel business.

Initiatives of Medium-term Management Plan

Reinforce the Passenger Ferry Business

In April 2018, a new ferry called *Silver Tiara* will take over the Hachinohe-Tomakomai route as the successor to *Silver Queen*, which started services in 1998. With an interior image portraying a dazzling jewel-like tiara, the new ship is a notch above its predecessor. In June 2018, meanwhile, we plan to open a new ferry route between Miyako and Muroran.

Business Review and Outlook

Logistics Business

Managing Executive Officer
Yutaka Nakagawa
In charge of Logistics,
Affiliated Business Promotion

K Line Bang Phra Logistics Center and Trucks operated by Bangkok Marine Enterprises Ltd. (Group company in Thailand)

We Expand Our Global Network and Stable Revenue Base with "K" Line Logistics, Ltd. as the Core.

Basic Strategies

- Reorganize and strengthen global network
- Expand our local logistics business in Asia, where growth is expected
- Expand and upgrade the forwarding[*1] business
- Expand and upgrade the buyers' consolidation[*2] business

Strengths

- Courteous customer response capability of entire Group
- Business development know-how in Thailand and elsewhere in Asia
- Ability to make proposals based on Groupwide assets and logistics network

*1 Forwarding: Freight transportation business that includes incidental services, such as cargo handling as an intermediary between shipper and carrier, during the cargo transportation process.

*2 Buyers consolidation : Consolidation-distribution system in which single buyer uses an agent to collect products from multiple local manufacturers that are co-mingled into containers for transport to destination, providing greater shipping efficiency and reduction in cost, lead time inventory and warehouse work.

Overview of Fiscal 2016

Our international logistics business remained steady against the backdrop of increased demand for air cargo transportation originating in Japan, but overall operating revenues and income declined year-on-year. During the period, we expanded our warehousing business in Thailand and broadened the scope of our services. We also launched new businesses in Vietnam, namely, cold storage and completed car logistics services. In addition, we established a port cargo handling company in India, Nitto Baxi Private Limited, which has launched cargo handling services for car carriers.

Fiscal 2017 Policies

Demand for domestic logistics services is expected to remain stable at previous-year levels, and our international logistics business will benefit from the full operation of our new warehouse in Thailand. For the logistics business as a whole, we therefore, anticipate an upward trend in earnings.

In fiscal 2017, we will work with a sense of speed to strengthen our forwarding business, while at the same time expanding our local logistics business in Asia where growth is expected. In preparation for the integration of Japan's three major containership businesses, we will reorganize and strengthen our global network, expand our business scale, maintain and broaden our network of bases around the world, and strive to maximize profits.

In addition, we will step up efforts to share know-how while investing in and supporting priority growth fields in order to functionally connect our various regional businesses. We will also leverage our high-quality transportation and IT technologies to deliver value-added transportation solutions. For the logistics needs of customers that cannot be met with existing services, we will harness our comprehensive Group-wide power to offer one-stop logistics services.

In the meantime, we will closely monitor the latest developments and identify potential needs, with a focus

Cold storage warehouse in Vietnam operated by CLK COLD STORAGE COMPANY LIMITED

on tapping demand for buyers' consolidation services to address the trend towards small-lot, multiple-commodity shipments. We will also target diversification of services and major business expansion with the aim of becoming a strategic business partner that customers can trust.

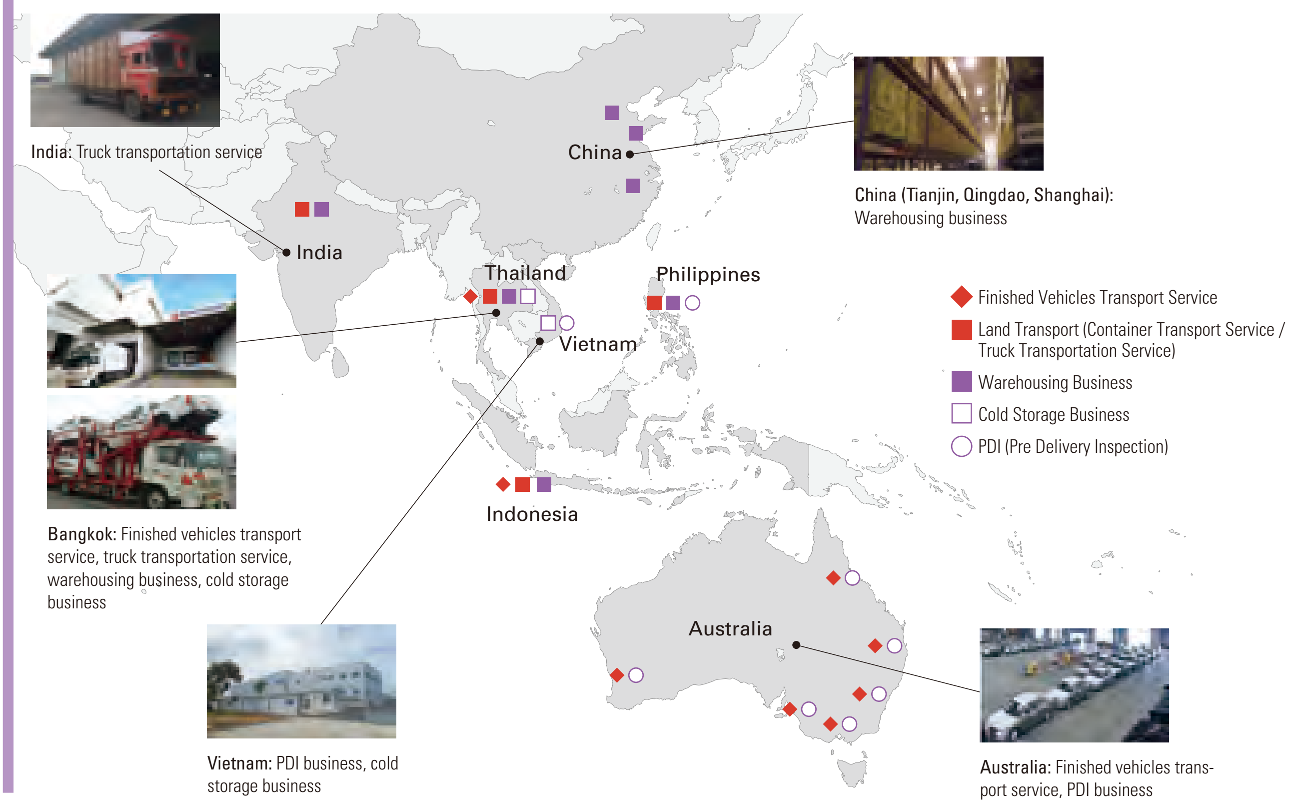
Initiatives of Medium-term Management Plan

Actively Advance Our Logistics Business in Vietnam

In July 2016, CLK COLD STORAGE COMPANY LIMITED – a joint venture among our Company, Cool Japan Fund Inc., and Japan Logistics Systems Corp. – completed construction of a cold storage facility in the suburbs of Ho Chi Minh City, Vietnam, and started operations. This business draws on our know-how in the cold storage business, developed in Bangkok, Thailand since 1989. Our aim is to foster the proliferation of Japanese foods and ingredients in Vietnam, where demand is expected to continue increasing, by utilizing our marine and air transportation service network. In October 2016, meanwhile, we launched Vietnam's first completed car logistics service, in Ho Chi Minh City. Amid growing demand, we will provide high-value-added services covering imported passenger cars, trucks, construction machinery, and the like.

→ For details, please refer to "Car Carrier Business" on pages 28-29

Comprehensive Logistics Services with Strong Local Ties



CSR
– ESG Initiatives –

"K" LINE Group's CSR

The "K" LINE Group recognizes corporate social responsibility (CSR) in the following two large frameworks, namely "Managing the impact of business activities" and "Creating new values" and based on them, aims to "Build a management structure that emphasizes social responsibility." Based on these frameworks, the group contributes to promote a better society by addressing the material issues within these frameworks and implementing measures to resolve them. https://www.kline.co.jp/en/csr/index.html

Basic CSR Policy

*( ): ESG category

Building a Management Structure that Emphasizes Social Responsibility
The "K" LINE Group strives to achieve sustained growth and improved corporate value by consistently implementing initiatives for the realization of its corporate principles and vision, and aims to build a management structure, mainly by further strengthening corporate governance, in order to fulfil its corporate social responsibility through initiatives to cope with material issues that have been identified through dialogue with its stakeholders.

- Corporate governance (G)
- Stakeholder engagement (S)

Managing the Impact of Business Activities
One of the key aspects of the "K" LINE Group's social responsibility as a globally operating corporate group is to be aware of the potential impacts of our business activities on local and global communities, and to promote business activities based on the above perception. The Group endeavors to provide services in consideration of environmental preservation and safety in navigation and cargo operations, to conduct fair business activities, and to give due consideration to human rights, health, and safety of all people concerned with the Group's businesses.

- Human rights (S)
- Fair operating practices (G)
- Environmental preservation (E)
- Labor practices (S)
- Safety in navigation and cargo operations (S)
- Risk management (G)

Creating New Values
Another aspect of the "K" LINE Group's social responsibility is to create new values in order to contribute to and grow with society. The Group aims to create new values and offer them to society by developing human resources who can succeed on the global stage through a corporate culture that allows free and open-minded discussions, by observing customer needs and creating new technologies and ideas that contribute to a reduction of the environmental burden and the improvement of service quality.

- Human resource development (S)
- Innovation (E / S)
- Community involvement and development (S)
- Employment creation and skills development (S)

Selection Process for Material Issues

STEP 1 Specifying issues related to "K" LINE Group's business activities

Through dialogue with Stakeholders, both internal and external, and referring to frameworks such as OECD Guidelines for Multi-National Enterprises, ISO26000, GRI Guidelines, etc., "K" LINE Group has specified environmental and social issues that it may affect or contribute to by its business activities.

STEP 2 Selecting "Material Issues" for "K" LINE Group

Out of those issues specified through STEP 1, "K" LINE Group has selected 10 issues that shall be prioritized in terms of "significance of economic, environmental, and social impacts" and "effects on stakeholders' evaluation and decision-making," has added 2 issues that are essential for establishment of management structure to settle those issues, and placed all of them as "material issues" that shall be addressed extensively.

STEP 3 Formulating "Annual CSR Action Plans"

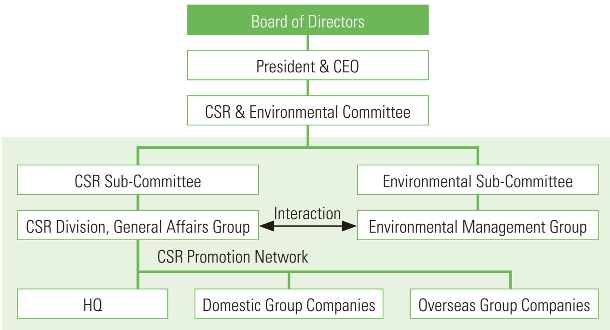
For each material issue selected through STEP 2, "K" LINE Group has set "Medium- and Long-term Goals," and in order to reach them step by step, it is formulating "Annual CSR Action Plans."

STEP 4 Reviewing

The progress of "Annual CSR Action Plans" is reviewed at a meeting of the CSR & Environmental Committee on semi-annual basis, and plans are modified and reset in case of need. At the end of every fiscal year, the committee evaluates the attainments and the achievements of "Annual CSR Action Plans," then formulates annual plans for new fiscal year, taking the level of achievements towards "Medium- and Long-term Goals" as well as changes in society surrounding its business into consideration.

CSR Promotion System

The “K” LINE Group has established the CSR & Environmental Committee, chaired by the President & CEO and two sub-committees, the CSR Sub-Committee and Environmental Sub-Committee, to formulate policy to steer CSR initiatives for the entire group’s companies. These committees are also responsible for the management of the Environmental Management System formulated in line with the “K” LINE Group’s Environmental Policy. In addition we have a CSR promotion network to promote group-wide CSR initiatives.



CSR Initiatives

CSR Seminar

In March 2017, “K” LINE held a seminar on the theme of “Corporate Management and CSR.” We invited Mr. Toshio Arima, a board member of UN Global Compact, as a speaker at the seminar, which was attended by its executives and employees as well as persons in charge of CSR from our domestic group companies.

CSR Guidelines for Supply Chain

In July 2016, the “K” LINE Group formulated “CSR Guidelines for Supply Chain.” These guidelines outline corporate social responsibility initiatives to be promoted together with our business partners across our entire supply chain and a range of collaborative requirements for each of our business partners.

SRI Evaluations

In appraisal of efforts to enhance our CSR initiatives, “K” LINE has been selected as a component in Socially Responsible Investment (SRI) and ESG indices used all over the world.

- FTSE4Good Global Index
- FTSE Blossom Japan Index
- Dow Jones Sustainability Asia/Pacific Index
- ETHIBEL EXCELLENCE Investment Register
- Morningstar Socially Responsible Investment Index
- SNAM Sustainability Index
- MSCI Japan Empowering Women Index (WIN)

Further, in recognition of our disclosure of climate change information and efforts to reduce greenhouse gas emissions, “K” LINE is the only Japanese shipping company selected in the CDP Climate A List and the Supplier Engagement Leader Board.

(As of July 2017)

Sustainable Development Goals (SDGs)*

“K” LINE supports the SDGs through its business activities and CSR initiatives.

*Sustainable Development Goals
The 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development – adopted by world leaders in September 2015 at an historic UN Summit

Environmental Preservation

Securing Blue Seas for Tomorrow to the Year 2050 and to the Future Ahead

Policy

We, the "K" LINE Group, have made it our social mission to minimize the impact of our business activities on the global environment to as close to zero as possible, and at the same time, to support the affluent lives of people and pass a sustainable future on to the next generation. Since we believe that addressing potential future global environmental problems as well as providing the new value to society to meet the expectations and needs of our stakeholders will lead to creation of corporate value, we set our determination in the ""K" LINE Environmental Vision 2050 – Securing Blue Seas for Tomorrow," our long-term environmental management vision which we introduced in 2015, and set concrete numerical targets to conduct environmental preservation activities.

In view of the outlook of future society and the relationship between business characteristics and the global environment, we have identified four priority issues that we will face and overcome from two perspectives – the level of interest that stakeholders have and the level of influence on "K" LINE's business – and we have set our goals toward turning the risks into opportunities. To further confirm our navigation track toward these goals for 2050, we have also set four interim milestones to be reached by 2019, the year marking the 100th Anniversary of the foundation of our company.

→ For details, please refer to "Focus" on pages 16-17

We successfully achieved one of the milestones, the interim reduction target of CO_2 emissions (CO_2 emission reductions target of 10% for 2019 against 2011 level) in 2015 ahead of the original schedule. This is attributable to a variety of efforts including the introduction of larger ships, active introduction of the latest energy-saving technologies and slow steaming being continuously pursued through close cooperation, at sea and on land.

In light of this achievement, we set the new interim target to reduce CO_2 emission by 25% for 2030 against 2011. In February 2017, this new target acquired certification of international initiative (Science Based Target Initiative), which accepted based on scientific grounds that indicates the compass of our voyage shows the correct direction.

Initiatives

Promotion System

→ For details on "CSR Promotion System", please refer to page 37

In order to fulfill our environmental initiatives, our company's environmental management system based on the international standard ISO 14001 obtained certification. We have established an Environmental Sub-Committee that aims to promote the functional operation of this system and other activities related to the environment; the committee meets at least twice a year. This committee is an organization under the direct control of the CSR & Environmental Committee chaired by the President & CEO. In addition to this, we invite persons in charge of the environment in our company every other month to share the latest environmental information.

In addition, we launched a comprehensive environmental management promotion system this year to address environmental conservation activities by the entire "K" LINE Group. We will use the Group Environmental Conference, which is held once a year, as an opportunity to review these activities and share efforts of each group company to improve the environmental awareness of the entire group.

"K" LINE Group Environmental Awards 2017

Under the ""K" LINE Environmental Vision 2050," we founded the ""K" LINE Group Environmental Awards" in 2015 to give recognition to activities that promote environmental protection and share such activities throughout the group.

This year's Awards 2017, third time for this ceremony, was held on June 5th, World Environment Day*, where the President & CEO directly gave awards to recipients. The recipients of 2017 awards are as follows.

Photo of the award ceremony

*World Environment Day was established in commemoration of the "United Nations Conference on the Human Environment" held on June 5, 1972. For details, please refer to the related website of the Ministry of the Environment.
https://www.env.go.jp/en/index.html

Grand Award

- Energy Saving Project by Implementing Detailed Forecasting and Sharing in Future Demand (KAWASAKI KINKAI KISEN KAISHA, LTD.)

Excellence Awards (eight recipients)

- Environmental Activities of Prixcar Services Pty. Ltd. ("K" LINE (AUSTRALIA) PTY LIMITED)
- Publication of Petit Eco Information (NITTO TOTAL LOGISTICS LTD.)
- Adoption of Document Control Software for Electronic Storage of Office Papers (SEAGATE CORPORATION)
- E-learning for vessel crews,"Energy Efficiency On Board" (KAWASAKI KISEN KAISHA, LTD. Marine Energy Saving Division)
- "Why Clean India" – For Our Future Children – ('K' Line Ship Management (India) and K Line Maritime Academy (India))
- Planting 240 Trees in Asparuhovo Region, Varna, Bulgaria (STARGATE MARITIME LTD.)
- Strengthening Environmental Awareness of Crews by Visiting the Vessels (KAWASAKI KISEN KAISHA, LTD. Containerships Strategic Group, Container Transport Management Team)
- Saving Cost and Protecting Environment due to Recycling Resource by Selling Wastes (K LINE CONTAINER SERVICE (THAILAND) LTD.)

Safety in Navigation and Cargo Operations

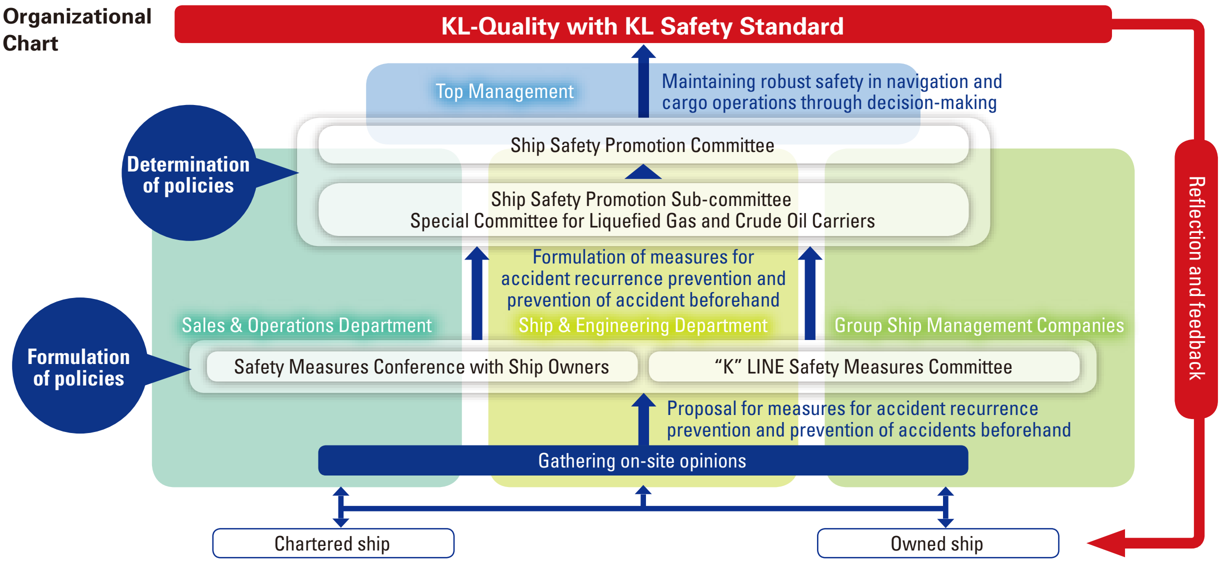
Maintaining World-leading Safety in Navigation and Cargo Operations

Policy

Safety in navigation and cargo operations is an immutable mission in running a shipping business. The "K" LINE Group includes "providing reliable and excellent services" in its vision, and addresses three policy pillars in order to fulfill its social responsibility through thorough safety in navigation and cargo operation. The first pillar is **"Enhancing Safety Management System."** As shown in the following organizational chart, the Ship Safety Promotion Committee, chaired by the President & CEO, makes decisions on the basic safety policies and various measures, including those for preventing recurrence of accidents and preventing accidents beforehand for ships which are operated by our company.

Under this organization, we maintain a safety-management system for all of our ships through onshore operation support and onboard visits. The second pillar is **"Strengthening Ship Management System."** For ships owned by our company, we will strengthen specialized ship management according to each type of ship as well as maintain and continually improve our high level of quality management as a group of experts. The third pillar is **"Securing and Training Maritime Technical Personnel."** In order to firmly establish the above two pillars, we are trying to secure and train maritime technical personnel regardless of their nationality.

Organizational Chart



Initiatives

(1) Five Initiatives to Prevent Accidents Beforehand

Under the above mentioned safety management system, we continue our utmost efforts to prevent accident recurrence and prevent accident beforehand. Among accidents, the following cases are positioned as important cases to be focused on.

(1) Prevention of ship collisions
(2) Quay wall collisions when docking and undocking at piers
(3) Fires
(4) Main engine accidents
(5) Accidents causing injury or death.

By taking specific hard and soft measures for each case and performing effective measurement together, we are trying to totally avoid ever causing a similar accident again while effectively implementing the PDCA cycle.

(2) Effort to Strengthen Ship Management System

Through in-house ship management companies which share our philosophy, we provide higher quality, safe and secure services by making full use of our expertise.

"K" Line Ship Management Co., Ltd.	Management of Containerships, Tankers and Gas Carriers
"K" Line LNG Shipping (UK) Limited	Management of LNG Carriers
Taiyo Nippon Kisen Co., Ltd.	Management of Car Carriers and Dry Bulk Carriers

(3) Efforts to Secure and Train Maritime Technical Personnel

Under the consistent maritime technical personnel training programs based on the ""K" Line Maritime Academy" scheme which targets all seafarers of our ships, we strive to train maritime technical personnel; and at the same time, by providing them equal opportunities (career path) when being involved in both onboard and office work regardless of their nationality, we are improving our activities to secure and train skilled maritime technical personnel.

→ For details, please refer to "Human Resource Development" on page 40

Human Resource Development
Maritime Technical Personnel

Development of the World's Leading Maritime Technical Expert Group

Policy

As one of the three policy pillars that continuously secure safety in navigation and cargo operations, the "K" LINE Group strives to secure and train skilled maritime technical personnel.

Using our maritime technical know-how, which has been cultivated and accumulated over many years in our group from experience in meeting each situation's needs, as the foundation of the scheme to develop maritime technical personnel, the "K" Line Maritime Academy (KLMA) has a system in place that reliably educates and teaches know-how to the next generation. This system includes onshore training programs at our training facilities in five global locations in Japan, Philippines, India, Eastern Europe and Northern Europe, onboard training programs and career paths including both onshore and offshore work. In addition, we are boldly challenging the needs of the new era such as advanced technologies, and making every effort to develop maritime technical personnel who are able to be competitively involved in all global operations.

With regards to securing maritime human resources, our policy is to raise the number of Japanese maritime technical personnel from current 300 up to 350 people by 2020, by setting up career plans in which such persons can exert their knowledge and ability not only in onshore work but also offshore as well. In addition, for foreign seafarers, we provide in-house education and training programs so that they are able to handle various ship types and routes.

Our group is working together to secure and train skilled maritime technical personnel so that we will be able to maintain and improve safety, security and trust.

Initiatives

Securing Maritime Human Resources

In order to secure skilled maritime human resources, we have implemented the following programs.

- Providing quality information about shipping and international mariners at national colleges of maritime technology and universities offering mercantile marine studies, holding round-table discussions with students and assigning knowledgeable instructors
- Accepting internship from mercantile marine education institutions
- Introducing in-house education and training program for new graduates from colleges other than mercantile marine universities.
- Operating a student development program (for foreign seafarers) by offering scholarship program at KLMA

We also provide the maritime industry with educational activities such as conducting tours both onboard and at training centers, as well as at facilities and terminals for elementary and junior high school students so that it will be an option for them when choosing their future career and providing information on international mariners to cope with various requests from the media.

Maritime Human Resource Development Program

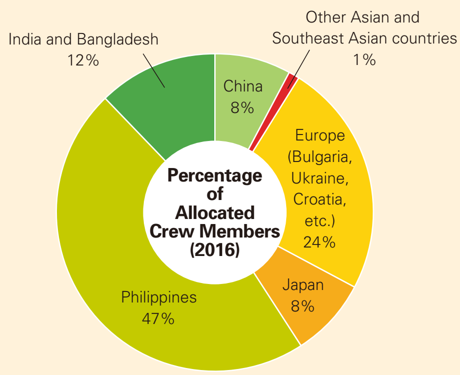
Taking into consideration individuals' job types and experiences, KLMA provides the following education and training programs.

Onshore training	Offshore training
• Cargo handling and engine handling training • Accident case study training by simulator • Stress management training	• OJT (On the Job Training) by dedicated onboard instructors • Onboard occupational safety and health lectures

For Japanese maritime technical personnel who are expected to be actively involved in both onshore and offshore operations, in addition to providing a variety of training programs to improve knowledge and skills, stratified education program is also provided so that they can successfully do their work, having the same goals as the company about the state of mind required for each job position. Also, in an effort to foster a sense of safety awareness for the entire group, we provide Japanese maritime technical personnel with seminars by ship management companies and training to improve non-technical skills (teamwork skills).

"K"Line Maritime Academy (KLMA) Philippines

For ships managed by our group, safe and economic operations are being maintained by seafarers from various nationalities such as Japan, Philippines, Bulgaria, China and India. In particular, since there is a large number of Filipino seafarers onboard ships we arrange, KLMA (Philippines) plays a central role in "securing and training seafarers," which will be increasingly important in the future. For this reason, we are constructing an eleven-story new building with accommodations, parking facilities, a clinic and gym next to the existing training facilities in Manila (scheduled for completion in February 2018), as well as renovating existing training facilities.



Human Resource Development
Onshore Employees

Developing Human Resources that Support Next Generation Core Business and Enable the Creation of New Services and Markets

Policy

In order to provide the high-quality logistics services based on customer-first policy that is incorporated in our company vision, the “K” LINE Group strives to develop human resources, which is the driving force of this goal. Through job rotation and enhanced training programs, we are trying to help individuals develop high level of knowledge and morals as professionals as well as foster an organizational culture that enables diversity among individuals in order to fully exert their abilities and individuality.

In addition, as a work style reform, we are introducing a new system to cope with the diversity of lifestyles and establish a working style that aims to increase productivity and maximize results.

Based on the current situation and targets in the future, we are engaged in defining following actions.

(1) Human Resource Development

- To increase and secure professional human resources to establish and grow up next-generation core businesses
- To develop human resources that enable the creation of new services and markets through the innovation and reformation of business model

(2) Work Style Reform

- Actions to support diversity of work style
- Actions to promote improvement of labor productivity

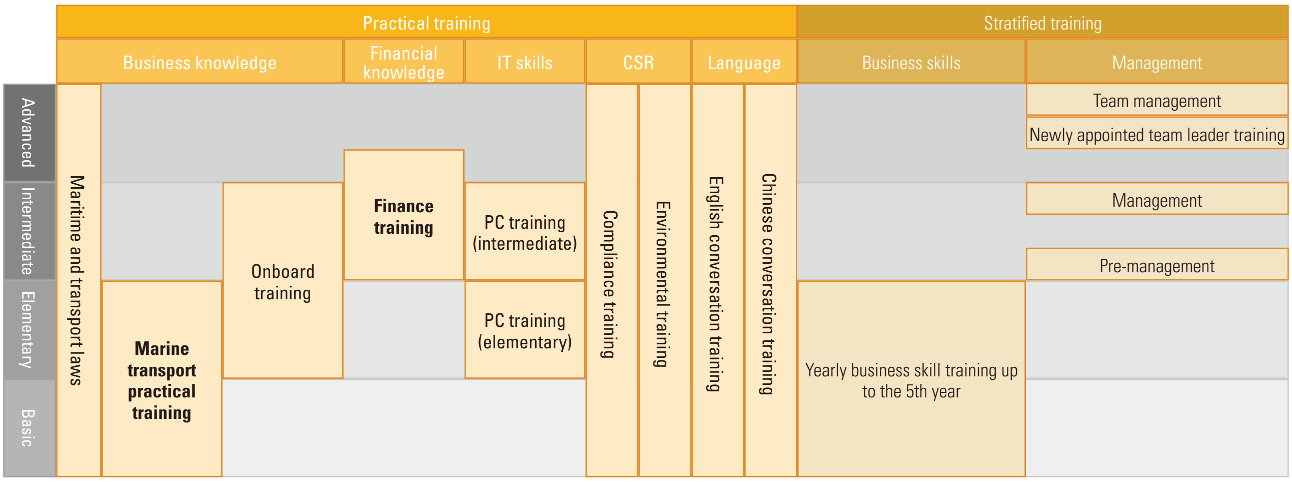
Initiatives

(1) Human Resource Development

In order to provide high-quality services to our customers, both individual knowledge and ability as a maritime professional plus organizational management skills are indispensable. Therefore, “K” LINE have established a training system that includes of “practical training” and “stratified training” that enhances both individuals and our organization.

In addition, job rotation, working at overseas locations and personnel exchanges are carried out to further develop human resources that are capable of organizational management as well as improving their individual work.

—Training System Chart—



(2) Work Style Reform

Actions to Support Diversity of Work Style

“K” LINE has introduced the following systems so that employees can choose their preferable work style in accordance with their lifestyles and life events.

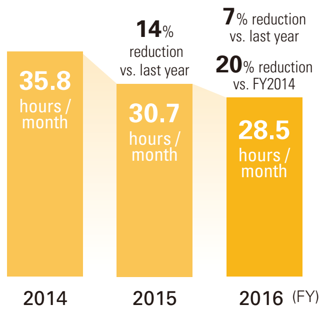
- **System of flexible labor contract selection that enables work styles according to life events**
- **System of child care leave, nursing care leave, etc. with flexible working-hour systems that exceed the statutory requirement**
- **Flextime system**

> In 2016, our company received “kurumin,” an official certification as a childcare-friendly company by the Ministry of Health, Labor and Welfare.

Actions to Promote Improvement of Labor Productivity

As a result of our effort to restructure operations, “K” LINE successfully reduced overtime working hours in fiscal 2016, achieving a reduction of approximately 20% compared to fiscal 2014.

Trend of Overtime Hours Reduction (company-wide average / month)



* Since we have introduced a 7-hour-a-day work system, compared with the statutory maximum of 8 hours a day, in actual working hours, there is a further reduction of 20.4 hours per monthly average from the above figure.

Stakeholder Engagement

Since the "K" LINE Group conducts business activities around the world, it is essential to build good and solid relationships with various stakeholders, including shareholders, customers, business partners and people in local communities and global society. Through interactive communication with stakeholders, the "K" LINE Group continuously strives to recognize the expectations and the needs of society, integrate them into our business activities as an important part of fulfilling our corporate social responsibility.

https://www.kline.co.jp/en/csr/stakeholder/

Dialogue with Our Customers

Basic Policy

We do our best to respond to customer needs by developing systems for ensuring timely shipping and striving to provide our customers with a wide range of information. We will continue to improve the quality of our services by maintaining safe navigation and cargo operations to safely and surely transport the cargo entrusted to us by our customers.

Opportunities for Dialogue

- Regular visits to customers
- Ship / terminal tours
- Loading facility inspections

Dialogue with Our Employees

Basic Policy

We respect the basic human rights of our employees and develop training programs to maximize the ability of each individual. We also strive to enhance benefit programs and improve working environments to enable each employee to work vigorously and with a sense of safety.

Opportunities for Dialogue

- Labor-management meetings
- Labor-management cooperation projects
- In-house training

Dialogue with Local / Global Society

Basic Policy

We contribute to society as a good corporate citizen and work with people around the world to achieve ongoing development.

Opportunities for Dialogue

- Collaboration with NPOs / NGOs
- Ship / terminal tours
- Employee volunteer activities

Dialogue with Our Business Partners

Basic Policy

We do business based on our Purchasing Policies, which aim at maintaining fair and constructive relationships with our business partners. We thus strive to build trust with our business partners and coexist with them as good partners.

Opportunities for Dialogue

- Technology / Information exchanges
- Supply Chain CSR Guidelines (Self-assessment)

Dialogue with Shareholders / Investors

Basic Policy

We have adopted an IR policy designed to meet the expectations of our shareholders and investors. Under this policy, we strive to further improve our corporate value, for example, by properly disclosing corporate information on a timely basis and communicating with our shareholders and investors at briefings of every kind.

Opportunities for Dialogue

- Shareholders' meeting
- Financial results briefings, etc.
- Talks with domestic / overseas corporate investors
- Site tours for corporate investors / securities analysists

IR Activities in FY2016

	Number of companies	Number of participants
Domestic IR activities	225	241
Overseas IR activities	12	14
Small meetings	39	39
Site tours	4	4
IR activities for private investors		114 participants

https://www.kline.co.jp/en/ir/index.html

Corporate Governance

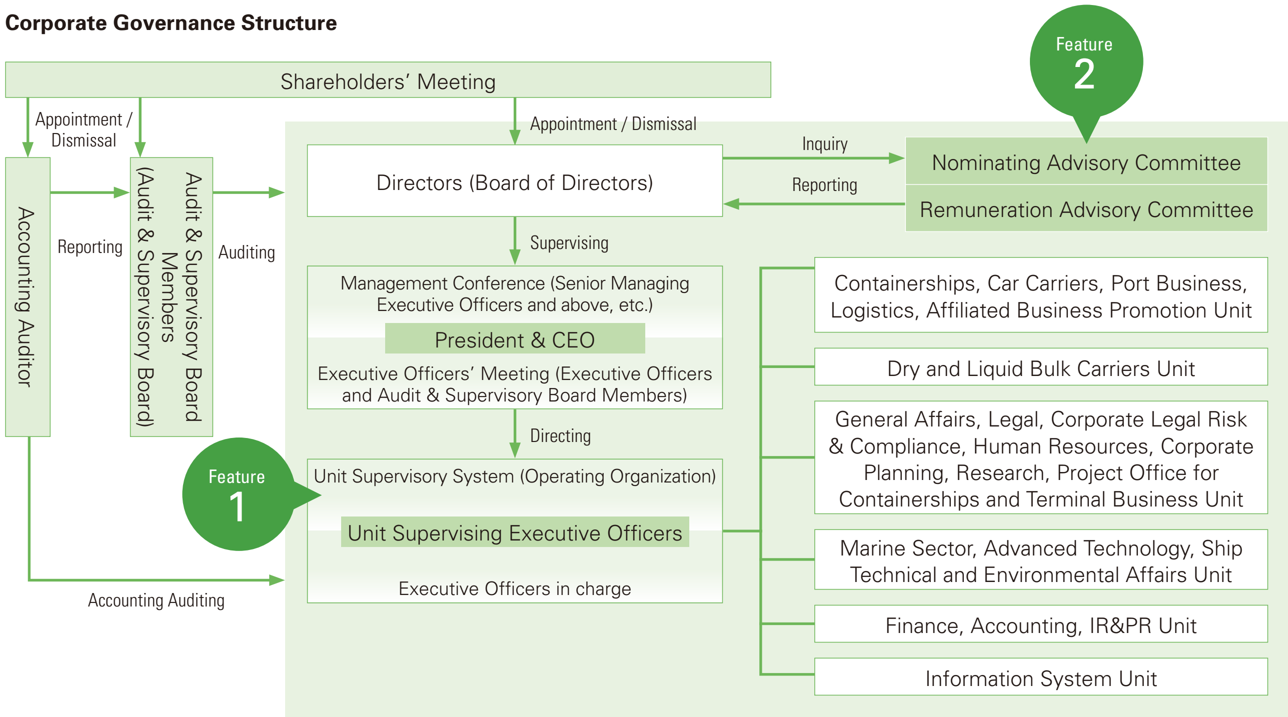
"K" LINE is developing and strengthening its corporate governance and risk management framework in order to fulfill its social responsibility, respond to the mandate bestowed by its stakeholders, including shareholders, and achieve sustainable growth. While thoroughly enforcing its corporate ethics across the entire group, "K" LINE will continue to develop an organic and effective governance framework, strengthen its earnings / financial structure and enhance its corporate value.

Please refer to our website for more information on our basic policy on governance.
https://www.kline.co.jp/en/csr/governance/#1

Corporate Governance Structure

Our corporate governance structure is established, managed and monitored by the Board of Directors and the Audit and Supervisory Board and is also reviewed and revised by a number of committees and other organs.

Corporate Governance Structure



(As of July 1, 2017)

Recent Corporate Governance Reforms

2004
- Establishment of Internal Audit Office

2006
- Reduction in the number of board members from "not more than 25" to "not more than 15"
- Adoption of Executive Officer System

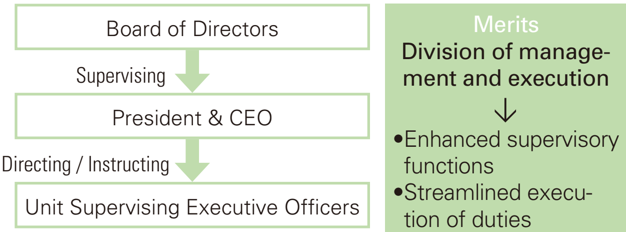
2009
- Reduction in the term of office of Directors from "2 years" to "1 year"
- 1st appointment of Outside Directors (2)

2015
- Non-renewal of takeover defense measures
- Improvement of functions of Board of Directors, Management Conferences and Executive Officers Meetings
- Establishment of Nominating Advisory Committee & Remuneration Advisory Committee

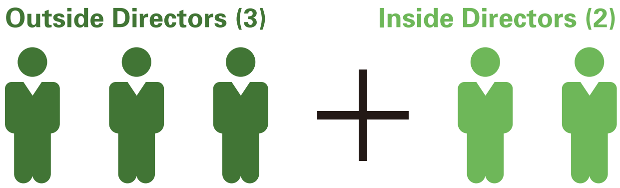
2016
- Adoption of Unit Supervisory System
- Increased number of Outside Directors from 2 to 3 Directors (one third of all directors)
- Appointment of a female to managerial position as Outside Audit & Supervisory Board Member

Characteristics of our Corporate Governance Structure

(1) Unit Supervisory System It is required under the "Corporate Governance Code" that the Board of Directors, as their primary role and responsibility, "create an environment to support appropriate risk taking by senior management." As one part of establishing a corporate governance system in line with this requirement, "K" LINE implemented the Unit Supervisory System in order to further streamline and enhance business execution.



(2) Nominating Advisory Committee, Remuneration Advisory Committee In our institutional design as a corporation with an Audit & Supervisory Board, "K" LINE has voluntarily established a "Nominating Advisory Committee" and a "Remuneration Advisory Committee" in order to enhance the functions of the Board of Directors. Each of these committees is comprised of all Outside Directors, the Chairman and President & CEO and the Chair is appointed by mutual vote of the Outside Directors residing on the committees.



Officer Remuneration

Policy and Procedures for the Determination of Officer Remuneration

Remuneration for Executive Directors shall reflect "K" LINE's medium- to long-term business performance and the latent risks borne by said Executive Directors and to further enhance their willingness to bring about sustainable growth and maximize corporate value. Remuneration for Outside Directors shall reflect the amount of time devoted to business of "K" LINE and the responsibility borne by them. In line with this policy, the Remuneration Advisory Committee is responsible for the deliberation and determination of the design of our remuneration system and standards etc. and reporting back to the Board of Directors. The Board of Directors is responsible for determining levels of remuneration based on this report.

Remuneration System

In addition to monthly remuneration, remuneration paid to Directors is comprised of a Performance-based Share Remuneration Plan (BBT=Board Benefit Trust) approved by the Ordinary General Meeting of Shareholders held in June 2016. The purpose of the BBT is to raise the motivation of Directors to make contributions to enhance the Group's medium- to long-term performance and corporate value. See below for an overview of our remuneration system.

Classification	Type of remuneration	Nature of remuneration	Method of determination	Maximum limit of remuneration
Director	Monthly remuneration	Fixed remuneration	Remuneration is determined in accordance with position and performance rating.	Within 600 million yen / year
	Performance-based share remuneration *Limited to Executive Directors	Variable remuneration	Points are awarded to Executive Directors based on level of achievement etc. of consolidated performance goals based on base points in line with duties and responsibilities.	Over the 4 fiscal years from FY ended March 31, 2017 up until FY ending March 31, 2020 (1) Amount contributed to the trust by the Company 480 million yen (2) Maximum No. of points awarded to Directors in any 1 FY: 620,000 points
Audit & Supervisory Board Member	Monthly remuneration only	Fixed remuneration	Determined following deliberation among Audit & Supervisory Board Members	

Remuneration Paid to Officers in FY2016

Classification	Number of people	Amount paid
Directors (Outside)	12 (4)	316 million yen (29 million yen)
Audit & Supervisory Board Members (Outside)	6 (4)	84 million yen (23 million yen)
Total	18 (8)	400 million yen (52 million yen)

*Figures on the left include remuneration paid to 3 Directors and 2 Audit & Supervisory Board Members who retired upon their full terms of offices as of the conclusion of the Ordinary General Meeting of Shareholders held on June 24, 2016.

Internal Control System

The Board of Directors is responsible for establishing the internal control system, evaluating its effectiveness and ensuring that it functions properly. In addition, through monitoring and verifying the status of the internal control system, the Internal Audit Group plays a role in supporting the Board of Directors in carrying out its responsibilities for the development, maintenance and enhancement of the internal control system. The Audit & Supervisory Board Members oversee the processes by which the Directors establish the internal control system and confirm that it is functioning effectively. Further, while respecting the autonomy of each of our group companies, "K" LINE supports and supervises the establishment and effective management of internal control systems within each of these companies to ensure that activities conducted across all group companies are appropriate.

Primary Internal Audit Activities for FY2016

The Internal Audit Group is responsible for formulating annual audit plans and implementing the audits. Primary audit activities for FY2016 include the following.

- Work process audits for all divisions of the Company (26 processes)
- General IT control audit of all primary IT systems (24 systems) of the Company
- Company-wide internal control audit of major group companies (27 companies)
- Overseas group company audits (13 companies)
- Joint audits with the group company internal audit divisions

Taking Advantage of External Perspectives to Enhance Corporate Value

"K" LINE is actively seeking to appoint external officers, taking advantage of an external perspective in order to enhance corporate value over the medium- to long-term. "K" LINE has established a set of criteria to determine the level of independence of Outside Directors and only Directors who do not fall under any of the set conditions are considered to be independent. For more information on Criteria for Independence of Outside Directors, please refer to the Notice of the Ordinary General Meeting of Shareholders.

https://www.kline.co.jp/en/csr/governance/

In order to support the smooth execution of duties of Outside Directors, they are provided with the necessary briefings and information prior to meetings of the Board of Directors and receive reports on important business operations. Further, "K" LINE has appointed personnel to assist our Audit & Supervisory Board Members and has established regulations concerning these appointments in order to maintain the framework required to assist Audit & Supervisory Board Members in their role within the Company. These assistant personnel do not hold additional posts in connection with their duties and are examined by the Audit & Supervisory Board Members in order to maintain a level of independence from company Directors.

Outside Directors

Akira Okabe

Profile Former Senior Managing Director at TOYOTA MOTOR CORPORATION, Former Director and Vice Chairman at Tokai Tokyo Securities Co., Ltd.

Reason for Appointment Mr. Akira Okabe worked for more than 40 years at TOYOTA MOTOR CORPORATION and over that time, led various new businesses to successful results in emerging countries, mainly in Asia. He then went on to become director at Toyota and at a securities company and has long-standing experience in the area of corporate management. He was appointed so that his experience and insight in this area may be utilized within the Company.

Attendance at Meetings of the Board of Directors in FY2016 10 / 11 Meetings

Seiichi Tanaka

Profile Former Representative Director, Executive Vice President at Mitsui & Co., Ltd.

Reason for Appointment Mr. Seiichi Tanaka joined Mitsui & Co., Ltd. after completing a Master's degree in marine engineering. After many years in the Ship and Marine Project Division he gained experiences in corporate management in his capacity as Representative Director at Mitsui & Co from 2008 to 2014. He was appointed so that his experience and insight in this area may be utilized within the Company.

Attendance at Meetings of the Board of Directors in FY2016 11 / 11 Meetings

Kiyoshi Hosomizo (new appointment)

Profile Former Commissioner of Financial Services Agency, Outside Audit & Supervisory Board Member at SEIREN Co., Ltd.

Reason for Appointment Mr. Kiyoshi Hosomizo has experiences in prominent positions at the MOF and Financial Services Agency, from which he has obtained deep insight into financial and other general economic affairs as well as extensive knowledge and deep insight in the area of corporate governance, he was appointed to provide appropriate advice on management of the Company and appropriate monitoring of the execution of company business operations.

Outside Audit & Supervisory Board Members

Toshikazu Hayashi

Profile Former Representative Director and Senior Vice President at Kawasaki Heavy Industries, Ltd.

Reason for Appointment Mr. Toshikazu Hayashi has been involved in corporate management for many years and based on this extensive knowledge and experience, was appointed to provide effective audits from an objective perspective in relation to company management.

Attendance at Meetings of the Board of Directors in FY2016 15 / 15 Meetings

Attendance at Meetings of the Audit & Supervisory Board in FY2016 15 / 15 Meetings

Kozue Shiga

Profile Partner at Shiraishi Sogo Law Office, Outside Audit & Supervisory Board Member of Shinsei Bank, Limited. and Outside Director of RICOH LEASING COMPANY, LTD.

Reason for Appointment Ms. Kozue Shiga possesses specialized knowledge and experience as a lawyer as well as experience as an Outside Director and Outside Audit & Supervisory Board Member of multiple listed corporations and was appointed based on her ability to provide effective audits from an independent and external perspective.

Attendance at Meetings of the Board of Directors in FY2016 10 / 11 Meetings

Attendance at Meetings of the Audit & Supervisory Board in FY2016 10 / 10 Meetings

→ For details, please refer to "Directors, Audit & Supervisory Board Members and Executive Officers" on pages 54-55

Risk Management System

We need to recognize diverse management crises and risks, prepare for them, and fulfill our corporate social responsibility when the risks become reality. To this end, we have established our own system for managing crises and risks. Specifically, we divide crises and risks into four types and have established four committees for responding to each of these types. We have also set up a Crisis Management Committee as an organization to unify the four Committees to control and facilitate overall crisis and risk management activities.

Major Risks Which Affect Our Business

The Group's main business field, marine transport, is influenced by numerous international factors such as economic trends in various countries, product market conditions, supply and demand balance for ships, as well as intra-industry competition. Changes in any of these factors can have a negative impact on the "K" LINE Group's marketing activities and business results. In particular, a change in tax systems or economic policies, or an invocation of protective trade policies in Japan or major trading regions and / or countries such as North America, Europe, China, etc., can result in a decrease in overall volume of international cargo transport or worsen conditions for freight markets. This can have a serious impact on the Group's financial situation and operating results.

Other major factors that can have a negative impact on our business include, but are not limited to, fluctuation of exchange rates, interest rates and fuel oil prices, public regulations of environmental issues, and occurrence of serious marine incidents, conflicts or natural disasters. For more information, please access "K" LINE's website.

https://www.kline.co.jp/en/ir/policy/risk.html

Risk Management Promotion System

We have divided various crises and risks into four types: risks in ship operations, risks from disasters, risks concerning compliance and other risks related to management and have also established four Committees to respond to each of these types. Furthermore, the Crisis Management Committee unifies the four Committees in order to control and facilitate overall risk management. Our President & CEO chairs all the committees with the committee meetings being regularly held in order that we continue to strengthen risk management.

Committees Responding Professionally to Risks

Crisis Management Committee

We discuss and develop systems to respond to all manner of crises and risks as well as control the activities of the following four Committees.

Ship Safety Promotion Committee

We discuss and determine necessary basic policies from a company-wide perspective as well as various measures based on basic policies for preventing marine accidents and to manage risks concerning safety of operations for all our vessels including our owned, chartered and entrusted vessels.

Disaster Response Committee

We are continuously making every effort to strengthen our disaster prevention system. In case of a disaster, we will determine if establishment of a disaster response headquarter is needed and then strive to minimize damage by providing relief to any victims plus restoring damaged offices, preparing policies for business continuity and providing instructions and supervision regarding business continuity.

Compliance Committee

We discuss policies that secure our compliance system and measures to address compliance violations.

Management Risk Committee

Risks related to management are not limited to those concerning terrorism, threats from anti-social forces, harmful rumors or information security as well as economic fluctuation. We will control expected risks other than risks in ship operations, risks of disasters and risks concerning compliance when such risks become reality, dealing with them case-by-case as appropriate.

BCP in Response to Large-scale Disasters

We have established "BCPs (Business Continuity Plans)" for two different types of disasters: an inland earthquake in the Tokyo metropolitan area and a pandemic outbreak involving a highly virulent new influenza. We give top priority to the lives of people, and aim to continue important operations as an entity that is part of the social infrastructure by transferring operations to our domestic and overseas branches and subsidiaries or by shifting to telecommuting. Also, to avoid the loss of data in the event of a disaster, we have set up a system in which back-up data can be stored remotely.

Compliance

The "K" LINE Group discusses its policy for securing our compliance system and measures to address compliance violations through a Compliance Committee chaired by the President & CEO. Under a Chief Compliance Officer (CCO) as the individual with the ultimate responsibility for compliance, we are strengthening compliance system throughout the organization.

Global Compliance Policy

As one part of strengthening an effective group compliance framework to ensure compliance with competition laws and prevent bribery and corruption, in January 2017 we established the "K" LINE Group Global Compliance Policy. The Global Compliance Policy serves as a more specific guideline on the group's policy of compliance with domestic and international laws / regulations and social norms for fair, transparent and free competition and fair trade as stated in our Charter of Conduct: "K" Line Group Companies and "K" Line Implementation Guideline for Charter of Conduct, and further clarifies our thinking on compliance as a company.

The Global Compliance Policy consists of the main policy and individual policies. The main policy sets forth common items applicable to general compliance, and the individual policies set forth items applicable to specific fields such as competition legislation and Anti-corruption Law. In response to regulations grounded in laws and ordinances to promote fair competition that steadily become stricter year after year, the "K" LINE Group aims to strengthen its compliance systems on a global level.

Whistle-blowing System

The "K" LINE Group has introduced an internal reporting system called "Hot Line System" in order to promptly detect and rectify possible compliance violations. In addition to an internal contact, we have also established an external point of contact with outside lawyers and have appointed full-time Audit and Supervisory Board Members as an additional contact window.

Further, by establishing a user-friendly whistle-blowing system, where protection of the whistle-blower is clearly documented and that provides a prior point of consultation for personnel unsure of how they should proceed, "K" LINE aims to prevent compliance violations.

Major Compliance Promotion Initiatives

(1) Initiatives to Raise Compliance Awareness

"K" LINE is strengthening its initiatives to raise compliance awareness by setting November each year as the month of compliance.

Furthermore, "K" LINE is also implementing stratified compliance training programs on an on-going basis. As one initiative in fiscal 2016, "K" LINE conducted an E-learning program for officers and employees of domestic group companies and approximately 2,600 personnel in total have participated in this program. We have also held seminars inviting external lecturers on key topics including insider trading regulations and the prevention of bribery and corruption.

(2) Initiatives to Prevent Bribery and Corruption

As a member of the Maritime Anti-Corruption Network (MACN), a global business network dedicated to achieving the vision of a maritime industry free of corruption "K" LINE is strengthening activities to prevent bribery and corruption.

Further, in May 2017, we also issued Guidebook on Prevention of Bribery and distributed it to our officers and employees. We issued this guidebook in a more specific and easy-to-understand format of questions and answers including practical cases our directors, officers and employees are likely to encounter, aiming to be used as a guideline for specific action in performing daily operations.

(3) Initiatives to Ensure Compliance with Competition Laws

Regarding compliance with domestic and foreign competition laws, "K" LINE is ensuring compliance with all regulations for compliance with the Anti-Monopoly Act and is implementing the initiative to further strengthen compliance awareness concerning competition laws through continuous implementation of training and awareness-raising activities by a division dedicated to the initiative. In addition, we monitor and supervise the status of implementation of compliance-related measures by conducting business process audits. With respect to contacts with competing companies, we strictly enforce regulations on prior reporting and approval, recording and storing details of those contacts in accordance with nature of the contact.

Chairman × Outside Board Members Roundtable Discussion

How is the management of "K" LINE, a company that has weathered a range of unprecedented storms, perceived by its outside board members with diverse backgrounds? Chairman of the Board of Directors, Jiro Asakura, served as moderator for this roundtable discussion.

Jiro Asakura × Akira Okabe × Seiichi Tanaka × Kozue Shiga

Jiro Asakura	Akira Okabe	Seiichi Tanaka	Kozue Shiga
Director, Chairman	Outside Director	Outside Director	Outside Audit & Supervisory Board Member

→ Please refer to P.45 for outside board members biography

Looking Back at Fiscal 2016

Asakura The shipping industry implemented large-scale structural reforms last year on the back of an unprecedentedly harsh business environment. I would like to invite those appointed to the position of outside director or outside auditor to help steer the management of "K" LINE to share their honest impressions from their perspective looking at the management of "K" LINE from the outside.

Tanaka I have been engaged in the shipping industry for a period spanning 40 years during my employment with Mitsui & Co., Ltd. While over this period there were a number of downturns in the economy, the current downturn in the market is the most severe and has been sustained the longest. Especially in fiscal 2016, as a result, we saw irregular circumstances in which losses were recorded across all ship types. I have never seen a situation where profit could not be generated from any type of ship. While it was common that when liner services were unprofitable, tramp services would be generating profit and even if dry bulk carriers were not generating income, then tankers would make up for the shortfall; however, the current market downturn has been totally destructive. Overseas shipping companies are also facing crushing conditions, marking the start of an unprecedented downturn in the marine transport industry.

Amidst these conditions, the three major shipping companies in Japan, including "K" LINE, made the decision to merge their containership businesses and this was a decision that required a large degree of courage. For a long time, there had been rumors of such a move; however, it is no easy feat to actually sit down and discuss it with your competitors and the decision to spin-off our containership business, one in which we have a long history and tradition, was one that required considerable resolve and accountability. While in my position as an outside director I considered this decision to be extremely admirable, at the same time, I highly respect the management team that reached such a decision.

On the other hand, working in the marine transport industry for such a long time, there was also the fear that in growing too accustomed to market conditions which significantly affect earnings, we might be swayed by the attitude that if we could just hold on for a little longer… However, as a representative of our external stakeholders, I could not take an indifferent approach to red figures over three consecutive terms. Therefore, I have continued to state that fiscal 2016 was the year to get rid of all the dead wood.

Okabe Amidst talk that the current situation was worse than the global financial crisis at every board meeting, I had intended to take a step back in voicing my opinion; however, the situation did not really permit this stance. Being forced into such harsh circumstances, firstly I will focus my attention on whether there are any wasteful practices we can eliminate. While this is a natural and necessary course of action, external stakeholders are already starting to look at what we intend to do in the time ahead and I tried to voice my opinions from this perspective.

Be that as it may, unlike Mr. Tanaka, I had always been involved in the development of new business in developing countries at Toyota Motor Corporation and am not exactly that familiar with the shipping industry. Based on this, I asked myself what was expected of me. At present, I am working on understanding the factors for improving corporate value, approaching this firstly from the perspective of a framework designed to generate profit and its operation, and secondly organizational strength and corporate culture. In particular, I hope to prove useful in the latter, the area of organizational strength and corporate culture. In respect to strategies and tactics relating to the former, I aim to respect the judgment of the currently serving executive officers and as an outsider, do not wish to become a hindrance by not demonstrating belief in their abilities. On the other hand, I do intend to state my opinion as a representative of our stakeholders and as a representative of the views of the general public in relation to organizational strength and corporate culture, an area that often cannot be looked at objectively by internal personnel. Fundamentally, this is the stance I aim to take.

It is only natural that a company cannot survive without sound business models and strategies. On the other hand, organizations with problems in their corporate culture, those that are not accepted by society as a whole and organizations where there is a significant gap in the passion demonstrated by the management team and that of front line employees and other personnel will also struggle to survive. Further, circumstances surrounding an organization and its corporate culture are also significantly affected by collaboration with other corporations. I hope to be able to provide beneficial advice in the management of such areas.

Jiro Asakura
Director, Chairman

Shiga In recent years, in addition to a protective governance role, ensuring that the execution of the duties of the directors comply with the relevant laws and regulations and the articles of incorporation, the role of auditors has expanded to providing advice on how an organization can sustain growth and improve its corporate value over the midium- to long-term. My principal occupation is that of a lawyer and while I don't have experience in the area of corporate management, in addition to my role of providing my frank opinion to the serving directors from my independent view as an outside auditor, I also aim to directly voice those factors that I can identify that may come from a different perspective than that of management.

I started my career at Japan Airlines Co., Ltd. It is the same transportation industry and the industry is competing fiercely in the pursuit of "safety" and "reliability" and in the case of passenger transportation, "comfort." I believe that my role, unlike that of Mr. Tanaka and Mr. Okabe, is to question how "K" LINE can separate itself from its competitors in its principle industry of cargo transportation from the perspective of someone who is not an expert in management.

Our Corporate Governance Rating

Asakura Corporate governance reforms started in 2015 under an initiative of the Japanese government and the Tokyo Stock Exchange, and "K" LINE was relatively quick to invite outside personnel to join our board of directors.

Seiichi Tanaka
Outside Director

However, initially there was not so much input from outside directors at our board of directors' meetings and this system failed to function to its full potential.

I feel that the reason for this was, at the time, meetings of the board of directors were large meetings attended by all officers, including executive officers, and as a result, were more a forum to make final decisions rather than to discuss items on the agenda. There was a large number of matters where discussions were already exhausted or completed prior to the board of directors' meeting. As a result, outside directors were not given the opportunity to sufficiently observe management of the company and unfortunately, I also believe there was more room to involve them in discussions concerning risk / return on matters concerning investment.

Currently, three of our nine directors are outside directors. While I serve as Chairman, I am a non-executive officer, meaning the board is comprised of four non-executive officers versus its five executive officers and I believe this has helped to clarify its role as a monitoring board. I would like to ask all of you how you rate our current board of directors' meetings.

Okabe Board meetings of "K" LINE are always characterized by heated, frank discussions and I really feel that it is an open forum for discussion. However, there is a certain chemistry or implicit understanding, that while natural amongst internal personnel, can be hard for people outside the company to follow and I find myself asking for this to be explained according to the evaluation standard outside the company.

Tanaka I believe that governance within "K" LINE is functioning extremely well. Important matters are explained in detail beforehand, leaving ample time to digest the information and provide input. While I try to provide input without restraint in meetings of the board of directors, there are time restraints; therefore, I make an effort to put forward probing questions during management conferences and briefing sessions held in advance. These meetings are a forum for brainstorming and I therefore use them as an opportunity to point out things that the participants probably do not want to hear or find hard to say themselves.

Shiga Just as Mr. Tanaka mentioned, in addition to the information received from the full-time corporate auditors, "K" LINE is extremely courteous in providing prior explanations. All auditors are always in attendance at the meeting of executive officers held the day before the board of directors' meeting, enabling the appropriate sharing of information. Further, people with extensive experience as core members of management, such as Mr. Tanaka and Mr. Okabe, are outspoken in the meetings. On the other hand, other meeting participants listen carefully to the input of people such as myself, who come from a different background, enabling the exchange of opinions from a variety of perspectives.

Preserving Our Corporate Culture

Asakura While talk has come up about our corporate culture, because "K" LINE does not belong to a large holding group, we have continued to grow for close to a century now based on a corporate culture of which the main elements are an "enterprising spirit" and "broad-mindedness." However, since the global financial crisis of 2008, we have fought a long and hard battle against periods of economic downturn with a feeling of some fatigue. And it is one of my personal concerns that this spirit, that is part of our history and tradition, is starting to fade. What, as people looking from the outside in, is your impression of our corporate culture in recent years?

Shiga My first impression was that "K" LINE was a "smart" company. However, there are instances where I feel you have become too smart in areas where by all

rights you need to adopt an unflagging challenging spirit coupled with broad-mindedness and I have mentioned in the past that perhaps it would be better to return to basics and adopt a more unrefined approach. It is in such harsh times as these that we need to embrace a corporate culture of an enterprising spirit and broad-mindedness and really show what we are capable of.

Tanaka There is a tendency for all corporations to suppress investment and lose direction when faced with such a severe business environment. While it is difficult amidst such an environment not to become dispirited, I believe that "K" LINE has worked to rid itself of all its deadwood in fiscal 2016. As a result, fiscal 2017 is a time to adopt a "Shrink to Grow" approach. In other words, now is the time to take the proactive with a forward looking approach.

In this day and age, it is easy to say no but if such a culture is sustained, the mindset and motivation of employees will deteriorate. Instead, we need to try and test other means of achieving our goals, including those backed by numerical data and keep our foot on the accelerator. While improving the decision-making process is an issue we need to address, the mindset of our employees is the driving force behind "K" LINE and I believe we must embrace the corporate culture of enterprise that forms the foundation of "K" LINE.

Okabe It was mentioned during a recent meeting that "K" LINE was the first shipping line in Japan to bring into service an LNG carrier. I instantly added that before that "K" LINE was the first in Japan to introduce pure car carriers. If we lose our "enterprising spirit" and "broad-mindedness," "K" LINE will cease to be "K" LINE. While we may be ranked third in Japan in terms of size, "K" LINE has played a pioneering role in the domestic marine transport industry and I believe that it is our grave responsibility to preserve the foundations that allow us to exercise such strengths.

Working towards Creating New Value

Asakura Shipping is not an industry where you can generate your own demand. This is one area where we differ greatly from passenger transportation. However, provided that as long as the world's population and economic growth in developing countries continues to grow, I believe that the volume of cargo will also continue to grow steadily.

However, regardless of this trend, ours is an industry subject to severe swings in short-term demand. On the other hand, ships can be used for periods of 15, 20 or 25 years; therefore, once they are built, it is not so easy to reduce their numbers. A well-known shipping analyst once said that while demand can change easily, changes in supply are slow and this statement is right on the money.

In 2002, the volume of iron ore transported to China was only 100 million tons; however, by 2016 this had volume increased to 1 billion tons and we can assume that this volume has reached its peak. Further, while the marine transport of finished motor vehicles from Japan has increased by approximately 80% since 2000, the increasing trend of manufacturing vehicles in locations that offer optimal production has led to this trend flat lining over the past several years. In other words, while the volume of cargo for marine transport is expected to continue to increase in the years ahead, it is expected that the rate of growth will fall well short of previous years.

Taking into consideration this business environment, how do you see the future of the shipping business? Further, in addition to structural reforms implemented to date, what do you believe to be important for "K" LINE to further enhance its appeal amidst future changes in the business environment?

Akira Okabe
Outside Director

Tanaka The marine transport market experienced a slight economic bubble in line with strong economic growth in developing nations; however, this rapidly cooled following the global financial crisis and demand fell sharply not long after that However, China quickly ramped up fiscal measures to the value of 4 trillion yuan, saving the global economy from the brink of collapse. On the other hand, it also created a new economic bubble, which served as one factor that prolonged the downturn in the marine transport market.

Around the time of the global financial crisis, a large injection of money in the form of hedge funds, etc. with no direct relation to demand in the shipping industry was made to specialist organizations, such as shipping lines. As these specialist organizations went about their business based on supply and demand they were flooded with these speculative funds and made extensive orders for the production of new ships. This led to the current acute oversupply in the market.

However, as the market declined, these speculative funds backfired and even if market conditions did improve, I believe they would have proceeded cautiously. On the other hand, while concerns surrounding trade protectionism may be on the rise, the global population is definitely increasing and because there is no doubt that the volume of marine transport cargo will steadily increase, I believe that in time, the gap between supply and demand will resolve itself and the market will recover to a sound situation. However, I don't believe we will see anything like the era prior to global financial crisis where economic growth experienced by developing nations generated a rapid increase in supply and demand.

In a slowly growing market, I feel that it will be important to accurately identify problems being experienced by our customers and working together to resolve them. As a result, we have a great deal of work to do on the front line in the area of sales and whether we emerge victorious will depend on how we can respond to these challenging demands. I believe that the current medium-term management plan is comprised of policy that addresses these issues.

Shiga I would like to answer this question from the perspective of diversity. There is no doubt that in the years to come, the number of female managers in client companies of Japanese corporations will increase. In a lot of areas, females perceive things differently from their male counterparts and they are particularly sensitive to issues surrounding the environment and safety. I believe building organizations and establishing business management approaches to address this kind of diversity will become

Kozue Shiga
Outside Audit & Supervisory Board Member

increasingly important.

On the other hand, one defining characteristic of "K" LINE is that we attract a lot of employees that joined the company with passion for the ocean. I feel that we should be channeling our energy into ensuring that these people gain a range of experience early in their career and develop human resources that can take the helm of a new "K" LINE.

Okabe In terms of my expectations of "K" LINE and the future of the ocean transport industry, I often hear the Chairman saying "99.7%" to his young employees. This figure indicates the percentage of Japan's transportation volume in foreign trade accounted for by ocean transportation. This implies that ships form the only economical means of mass transport for trade goods required all around the world. This is indicative of the importance of the business we are engaged in. I believe we are about to enter a stage where we will be required to meet a variety of challenges, including how we change our business structure, how we build our value chain from the perspective of our customers and how we can draw on our strengths based on "enterprising spirit" and "broad-mindedness" from the point of structural reforms aimed at rebuilding our finances.

Diversity to Give Rise to Improvement of Corporate Value

Asakura Ms. Shiga just touched on the subject of diversity. Shipping lines are engaged in business on a global scale, therefore I believe it is necessary to cultivate a corporate culture that is rich in diversity. How do you think we should address diversity so that it gives rise to improvement of corporate value?

Okabe The working population is in decline so I can understand the importance of measures to encourage more females to enter the workforce and the effective use of female personnel is an important theme in any organization. However, in order to tie this in with improvement of corporate value it is necessary to address this not from the view of uniform measures, much less take a formalized approach to the proportion of males to females in the workforce, but to consider strategies based on the

type of business and industry in which we are involved.

In terms of strategy, based on the fact that opportunities to work together with and integrate with outside parties, including collaboration and M&As, are likely to increase, it is important that we exercise the strength that comes with diversity in a variety of forms. As for external measures, I feel it is inadequate to rely on a vertically divided organization based on work authority. Based on the needs of our sales personnel, at times we may require integrated project teams that involve members across the organization and opportunities for top management to be directly involved in sales and negotiations are also likely to increase. This is also one form of diversity. If we are able to exercise diversity in line with our strategies and business visions, I believe we can continuously invent new areas of business, much like the movement of an amoeba.

Tanaka While it may serve to facilitate discussion when there is a large group of people that have gained the same experiences in the same working environment, they also tend to be passive about taking on new challenges. It can be difficult to cause a chemical reaction among a group of people that share the same ideas. The promotion of diversity can be effective in order to break free from such situations. In other words, it is important to breathe new life into an organization by incorporating different points of view. Whether this comes in the form of female personnel, personnel from other countries or personnel that have grown in a different corporate culture, I believe it is important to think about this in terms of our goals. I also do not consider diversity to be limited to the classification of male or female. We have already established clear policy in order to proactively create new areas of business and I believe that taking in personnel with perspectives that we currently lack at "K" LINE will serve as a valuable addition.

Shiga The declining birthrate and aging population in Japan are rapidly progressing and there is no doubt that the use of female staff will become important for all organizations. In saying that, I also feel that depending on the type of business and industry, it is not necessary to take a formalized approach to diversity and it is not unusual for there to be a varied composition of males and females in the workplace. Simply trying to achieve diversity by matching the ratio of males to females is akin to putting the cart before the horse. However, if we look at diversity as an issue of male and female roles in the workplace, females do tend to place restrictions on their own roles that they play and this is embedded in the work practices and ethic of corporations in Japan. Removing these invisible barriers and providing a path for female employees to gain access to positions in core management and draw out their abilities is surely one way to enhance corporate value.

Asakura I would like to thank everyone for providing your frank opinions on a range of topics. I believe the integration of the containership businesses of the three leading shipping companies in Japan and the structural reforms implemented to address unprofitable business segments in fiscal 2016 were all possible at once thanks to your support and encouragement. From this point forward, "K" LINE will steer a course to "Revival for Greater Strides" and hope for your continued support.

Directors, Audit & Supervisory Board Members and Executive Officers

Director, Chairman
Jiro Asakura

Representative Director, President & CEO
Eizo Murakami

Representative Director, Senior Managing Executive Officer
Toshiyuki Suzuki

Representative Director, Senior Managing Executive Officer
Hiromichi Aoki

Representative Director, Senior Managing Executive Officer
Tsuyoshi Yamauchi

Director, Managing Executive Officer
Yukikazu Myochin

Outside Director
Akira Okabe

Outside Director
Seiichi Tanaka

Outside Director
Kiyoshi Hosomizo

Audit & Supervisory Board Member
Keisuke Yoshida

Outside Audit & Supervisory Board Member
Toshikazu Hayashi

Outside Audit & Supervisory Board Member
Kozue Shiga

Directors

Director, Chairman
Jiro Asakura

Representative Director
Eizo Murakami

Representative Director
Toshiyuki Suzuki

Representative Director
Hiromichi Aoki

Representative Director
Tsuyoshi Yamauchi

Director
Yukikazu Myochin

Outside Director
Akira Okabe

Outside Director
Seiichi Tanaka

Outside Director
Kiyoshi Hosomizo

Audit & Supervisory Board Members

Audit & Supervisory Board Member
Keisuke Yoshida

Outside Audit & Supervisory Board Member
Toshikazu Hayashi

Outside Audit & Supervisory Board Member
Kozue Shiga

Executive Officers

President & CEO
Eizo Murakami

Senior Managing Executive Officer
Toshiyuki Suzuki
Responsible for Containerships, Car Carriers, Port Business, Logistics, Affiliated Business Promotion Unit

Senior Managing Executive Officer
Hiromichi Aoki
Responsible for Dry and Liquid Bulk Carriers Unit

Senior Managing Executive Officer
Tsuyoshi Yamauchi
Responsible for General Affairs, Legal, Corporate Legal Risk & Compliance, Human Resources, Corporate Planning, Research, Project Office for Containerships and Terminal Business Unit, Assistance to Internal Audit, CCO (Chief Compliance Officer)

Senior Managing Executive Officer
Eiji Kadono
Responsible for Marine Sector, Advanced Technology, Ship Technical and Environmental Affairs Unit

Senior Managing Executive Officer
Harusato Nihei
Responsible for Finance, Accounting, IR&PR Unit,CFO (Chief Financial Officer)

Managing Executive Officer
Kazuhiko Harigai
In charge of Bulk Carrier Business, Thermal Coal, Woodchip and Pulp Carrier Business

Managing Executive Officer
Atsuo Asano
In charge of Coal and Iron Ore Carrier Business, Drybulk Planning

Managing Executive Officer
Yukio Toriyama
In charge of Accounting, Finance, IR&PR

Managing Executive Officer
Kenji Sakamoto
In charge of Car Carrier Business

Managing Executive Officer
Yasunari Sonobe
President of "K" LINE AMERICA, INC.

Managing Executive Officer
Yutaka Nakagawa
In charge of Logistics, Affiliated Business Promotion

Managing Executive Officer
Akira Misaki
In charge of Energy Transportation Business

Managing Executive Officer
Nobuo Ishida
Managing Director of K LINE (THAILAND) LTD.

Managing Executive Officer
Kunihiko Arai
Managing Director of KLINE (CHINA) LTD., Managing Director of "K" LINE (HONG KONG) LIMITED

Managing Executive Officer
Yukikazu Myochin
In charge of Human Resources, Corporate Planning, Research, Project Office for Containerships and Terminal Business

Managing Executive Officer
Shuzo Kawano
Responsible for Information System Unit, CIO (Chief Information Officer), CEO of "K" Line Business Systems, Ltd.

Organization (as of July 1, 2017)

Senior Managing
Executive Officer

Eiji Kadono

Senior Managing
Executive Officer

Harusato Nihei

(As of July 1, 2017)

Executive Officer
Makoto Arai
In charge of Legal, Corporate Legal Risk & Compliance

Executive Officer
Takafumi Kido
In charge of Containerships Business, Port Business

Executive Officer
Daisuke Arai
Managing Director of "K" LINE (EUROPE) LIMITED

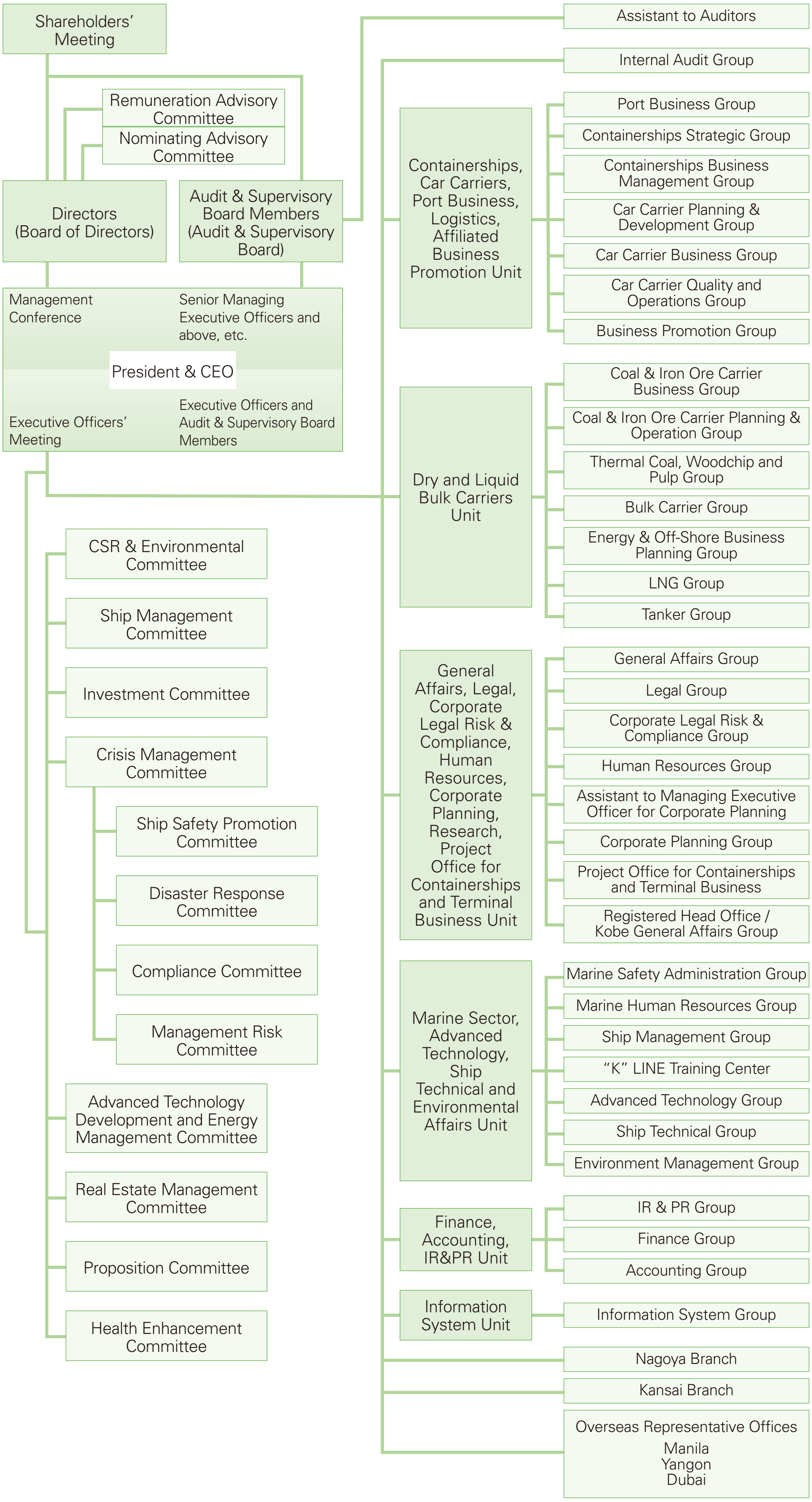
Executive Officer
Kiyotaka Aya
In charge of Marine Sector

Executive Officer
Shingo Kogure
In charge of General Affairs, CSR

Executive Officer
Toyohisa Nakano
In charge of ShipTechnical and Environmental Affairs, General Manager of Ship Technical Group

Executive Officer
Nobuyuki Yokoyama
Assistance to Car Carrier Business

Executive Officer
Tomoyuki Okawa
Assistance to Energy Transportation Business, in charge of Tankers, General Manager of Energy & Off-Shore Business Planning Group



Financial Analysis

Results of Operations

Operating Revenues

In fiscal 2016, the year that ended March 31, 2017, the “K” LINE Group reported consolidated operating revenues of ¥1,030,191 million, down 17.2% from fiscal 2015.

By business segment, operating revenues from the containership business segment declined 15.6% year-on-year, to ¥518,954 million, impacted by factors such as depressed conditions in the freight market.

In the bulk shipping business segment, operating revenues fell 19.6%, to ¥456,542 million. This segment was affected by sluggish conditions in dry bulk business from the beginning of the period, as well as weakness in car carrier business as declines in resource prices affected cargo movements from Asia to resource-rich countries in the Middle East, Latin America, Africa and elsewhere, while a slowdown in the Chinese economy impacted cargo movements from Europe and North America to Asia. In LNG carrier business and tanker business, medium- and long-term charter contracts progressed steadily, but market-linked contracts were affected by softening market conditions.

In the offshore energy E&P support and heavy lifter business segment, operating revenues declined 21.2%, to ¥19,421 million. Despite healthy conditions in the drillship business, the offshore support vessel business was affected by weakness in offshore development caused by depressed crude oil prices. Market conditions also remained weak in the heavy lifter business, prompting the Company to downsize its fleet.

Operating revenues from other businesses declined 4.0% year-on-year, to ¥35,274 million.

Cost of sales and selling, general and administrative expenses

Cost of sales (marine transportation and other operating costs and expenses) fell ¥159,245 million, or 13.7%, from ¥1,159,989 million in the previous fiscal year to ¥1,000,744 million, due mainly to a decrease in operating costs amid ongoing weakness in cargo movements. The cost of sales ratio rose 3.9 points, to 97.1%, as the decreased cost of sales did not fully compensate for the decline in operating revenues. Selling, general and administrative expenses increased ¥969 million, or 1.3%, to ¥75,484 million.

Operating income

Due to a decrease in gross profit, the Company reported a consolidated operating loss of ¥46,037 million, compared with operating income of ¥9,428 million in the previous year.

Other (non-operating) income (expenses)

The net balance of interest and dividend income and interest expense was negative ¥3,822 million, from negative ¥3,118 million in the previous year. This resulted from a decrease in dividend income. The Company recorded an exchange loss of ¥4,006 million, from ¥7,370 million in the previous fiscal year, and equity in earnings of affiliates of ¥3,155 million, compared with ¥3,587 million in fiscal 2015. As a result of these and other factors, other (non-operating) loss amounted to ¥6,351 million, compared with a loss of ¥6,089 million in the previous fiscal year.

Profit before income taxes

Total extraordinary gains amounted to ¥6,375 million, due mainly to gain on sales of vessels, property and equipment.

Total extraordinary losses amounted to ¥85,213 million, due mainly to impairment loss and provision of allowance for loss related to business restructuring. As a result of these gains and losses, loss before income taxes was ¥131,227 million, compared with ¥31,279 million in fiscal 2015.

Income taxes

Income taxes decreased ¥12,668 million, from ¥18,810 million in the previous fiscal year to ¥6,142 million in the year under review. This was due mainly to the recording of a loss before income taxes at the filing company.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests totaled ¥2,110 million, versus ¥1,410 million in fiscal 2015. The increase is partly attributable to an increase in non-controlling interest in the income of K Line (Thailand) Ltd.

Profit attributable to owners of the parent

The Company reported a loss attributable to owners of the parent of ¥139,479 million, from ¥51,499 million in the previous fiscal year. The loss attributable to owners of the parent per share was ¥148.82, from ¥54.95 in fiscal 2015.

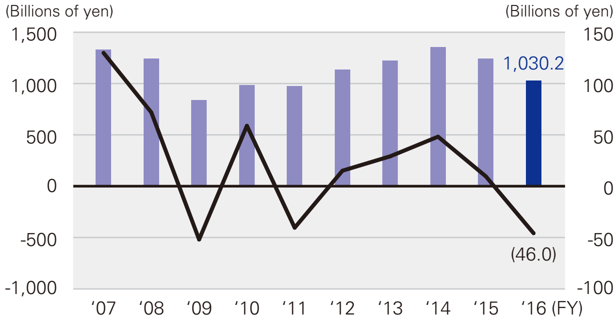
Analysis of Sources of Capital and Liquidity

Cash flows

As of March 31, 2017, cash and cash equivalents stood at ¥156,792 million, down ¥41,953 million from a year earlier. The details of cash flows are as follows.

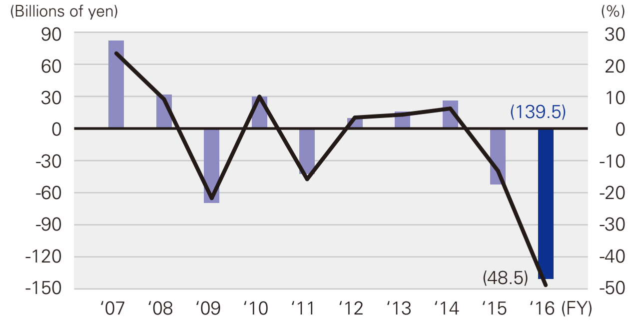
Net cash used in operating activities amounted to ¥43,919 million, compared with net cash provided by operating activities

Operating Revenues / Operating Income



Operating revenues (left scale) — Operating income (right scale)

Profit Attributable to Owners of the Parent / ROE



Profit attributable to owners of the parent (left scale) — ROE (right scale) of ¥39,636 million in the previous year. Main factors were the loss before income taxes and payments for cancellation of chartered vessels.

Net cash used in investing activities totaled ¥24,882 million, from ¥29,569 million in the previous fiscal year. This mainly reflected purchases of vessels.

Net cash provided by financing activities was ¥26,436 million, compared with net cash used in financing activities of ¥14,836 million in the previous fiscal year. This change mainly reflected proceeds from long-term loans.

Funding requirements

The "K" LINE Group's major working capital requirement comes from shipping business expenses in connection with containership services and bulk shipping services. These expenses include operating costs, such as port charges, cargo handling costs and fuel costs; vessel expenses, such as crew expenses and expenses for overhaul of vessels; and chartering expenses. Other expenses are the costs of service operations, such as labor costs in connection with the operation of our logistics / harbor transportation business and general administrative expenses for the Group's business operations, such as personnel expenses, information processing costs and other non-personnel expenses. Capital requirements include investments in vessels, logistics facilities and terminal facilities. In fiscal 2016, the "K" LINE Group made capital investments of ¥68,048 million.

Financial policy

The "K" LINE Group places importance on securing low-cost, stable funds to support its business continuity and expansion. The Company meets long-term funding requirements mainly by means of long-term debt from financial institutions, supplemented by the issuance of bonds and new shares. The Company procures short-term operating funds by means of bank loans and the issuance of commercial paper, and invests temporary surplus funds in highly stable and liquid financial assets. The Company employs a cash management system to effectively utilize surplus funds of Group companies in Japan and overseas.

The Company secures liquidity by preparing for any urgent capital requirements by means of a commercial paper issuance program of up to ¥60.0 billion, a ¥46.0 billion line of credit established under overdraft agreements with financial institutions, and the establishment of a ¥30.0 billion multi-year commitment line with financial institutions in Japan.

The Company has been rated by two Japanese rating firms. As of June 23, 2017, the Company maintained a rating of BBB from Japan Credit Rating Agency, Ltd. (JCR), and BBB– from Rating and Investment Information, Inc. (R&I). The Company also has short-term credit ratings (commercial paper ratings) of J-2 from JCR and a-2 from R&I.

Financial Position

As of March 31, 2017, total assets amounted to ¥1,045,210 million, down ¥70,014 million from a year earlier. Current assets declined ¥20,091 million year-on-year, to ¥381,124 million, mainly due to a decrease in cash and deposits.

Fixed assets decreased ¥49,923 million, to ¥664,086 million. Within this amount, vessels, property and equipment declined ¥57,164 million, to ¥526,388 million, mainly due to a reduced number of vessels. Investments and other assets increased ¥7,437 million, to ¥133,693 million, mainly due to a rise in investment securities.

Total liabilities on March 31, 2017 amounted to ¥799,728 million, up ¥64,418 million from a year earlier. Current liabilities declined ¥22,189 million, to ¥223,434 million, due mainly to a decrease in short-term loans. Long-term liabilities increased ¥86,607 million, to ¥576,294 million, due mainly to an increase in long-term debt.

Net assets on March 31, 2017 totaled ¥245,482 million, down ¥134,432 million from a year earlier. Within this amount, shareholders' equity fell to ¥190,462 million, due mainly to a ¥140,109 million decrease in retained earnings. Accumulated other comprehensive income increased ¥4,188 million, to ¥29,023 million, mainly attributable to a ¥5,437 million increase in deferred gain on hedges.

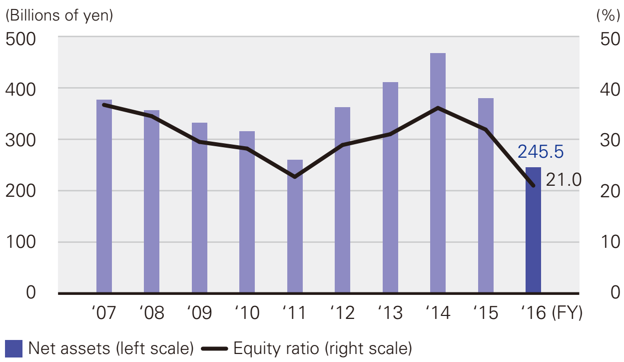
Dividend Policy

The Company regards maximization of returns to shareholders as an important priority. To this end, we endeavor to pay stable dividends while retaining necessary internal reserves to fund investments in plant and equipment and strengthen our financial position in order to achieve sustainable growth, which is a main priority of our management plan.

The Company's year-end dividend (record date: March 31 of each year) is subject to resolution at the Annual Shareholders' Meeting. As prescribed in the Articles of Incorporation, "by resolution of the Board of Directors, an interim dividend may be distributed by the Company as of the record date of September 30 of each year."

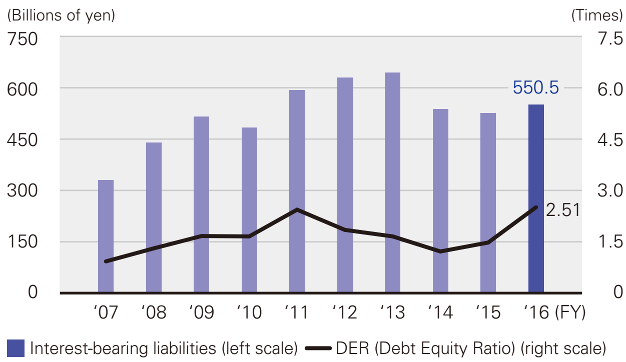
In fiscal 2016, the Company regrettably decided not to pay dividends, giving urgent priority to improving its financial position in light of the loss attributable to owners of parent.

Net Assets / Equity Ratio



Equity ratio: Equity capital / Total assets
Equity capital: Net assets – (Non-controlling interests + Stock acquisition rights)

Interest-bearing Liabilities / DER



DER: Interest-bearing liabilities / Equity capital

Consolidated Financial Statements

Consolidated Balance Sheet

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
Assets	**2017**	2016	**2017**
Current assets:			
Cash and deposits (Notes 6, 13 and 16)	**¥ 199,678**	¥ 241,101	**$ 1,779,820**
Accounts and notes receivable – trade (Note 13)	**83,580**	79,653	**744,986**
Allowance for doubtful receivables	**(2,035)**	(598)	**(18,139)**
Inventories (Note 4)	**29,714**	22,245	**264,854**
Prepaid expenses and deferred charges	**45,862**	41,573	**408,789**
Deferred income taxes (Note 7)	**5,599**	856	**49,906**
Other current assets	**18,726**	16,385	**166,914**
Total current assets	**381,124**	401,215	**3,397,130**
Investments and other assets:			
Investments in and advances to unconsolidated subsidiaries and affiliates (Notes 6, 13 and 18)	**58,892**	53,457	**524,931**
Investments in securities (Notes 3, 6 and 13)	**36,026**	32,125	**321,116**
Long-term loans receivable	**7,358**	8,172	**65,585**
Deferred income taxes (Note 7)	**3,268**	5,153	**29,129**
Asset for retirement benefits (Note 9)	**494**	586	**4,403**
Other assets	**28,586**	27,963	**254,800**
Allowance for doubtful receivables	**(931)**	(1,200)	**(8,298)**
Total investments and other assets	**133,693**	126,256	**1,191,666**
Vessels, property and equipment:			
Vessels (Notes 5 and 6)	**755,260**	817,550	**6,731,973**
Buildings, structures and equipment (Notes 5 and 6)	**101,047**	99,472	**900,677**
Accumulated depreciation	**(410,252)**	(405,571)	**(3,656,761)**
	446,055	511,451	**3,975,889**
Land (Notes 5, 6 and 11)	**24,782**	24,863	**220,893**
Construction in progress	**55,551**	47,238	**495,151**
Vessels, property and equipment, net (Note 18)	**526,388**	583,552	**4,691,933**
Intangible assets:			
Goodwill (Note 18)	**—**	43	**—**
Other intangible assets	**4,005**	4,158	**35,698**
Total intangible assets	**4,005**	4,201	**35,698**
Total assets	**¥ 1,045,210**	¥ 1,115,224	**$ 9,316,427**

Liabilities	Millions of yen 2017	2016	Thousands of U.S. dollars (Note 1(a)) 2017
Current liabilities:			
Short-term loans (Notes 6 and 13)	**¥ 4,513**	¥ 5,487	**$ 40,226**
Current portion of long-term debt (Notes 6 and 13)	**43,335**	66,679	**386,264**
Accounts and notes payable – trade (Note 13)	**89,770**	99,746	**800,160**
Advances received	**23,487**	22,820	**209,350**
Current portion of obligations under finance leases	**3,246**	6,958	**28,933**
Accrued income taxes (Note 7)	**1,142**	1,715	**10,179**
Allowance for loss related to the Anti-Monopoly Act	**5,223**	5,223	**46,555**
Allowance for loss related to business restructuring (Note 20)	**19,867**	—	**177,084**
Deferred income taxes (Note 7)	**13**	433	**116**
Other current liabilities	**32,838**	36,562	**292,701**
Total current liabilities	**223,434**	245,623	**1,991,568**
Long-term liabilities:			
Long-term debt, less current portion (Notes 6 and 13)	**466,364**	409,047	**4,156,912**
Allowance for directors' and audit and supervisory board members' retirement benefits	**1,646**	1,643	**14,672**
Accrued expenses for overhaul of vessels	**12,000**	12,064	**106,961**
Allowance for loss related to business restructuring (Note 20)	**28,022**	—	**249,773**
Obligations under finance leases, less current portion	**33,055**	36,982	**294,634**
Deferred income taxes (Note 7)	**13,421**	4,488	**119,627**
Deferred income taxes on land revaluation (Notes 7 and 11)	**1,874**	1,874	**16,704**
Derivative liabilities	**8,862**	11,963	**78,991**
Liability for retirement benefits (Note 9)	**7,514**	7,748	**66,976**
Other long-term liabilities	**3,536**	3,878	**31,518**
Total long-term liabilities	**576,294**	489,687	**5,136,768**
Commitments and contingent liabilities (Note 12)			
Net assets			
Shareholders' equity (Note 10):			
Common stock (Note 19):			
Authorized – 2,000,000,000 shares in 2017 and 2016			
Issued – 939,382,298 shares in 2017 and 2016	**75,458**	75,458	**672,591**
Capital surplus	**60,334**	60,297	**537,784**
Retained earnings	**55,754**	195,863	**496,961**
Less treasury stock – 2,188,538 shares in 2017 and 2,162,825 shares in 2016	**(1,084)**	(1,077)	**(9,662)**
Total shareholders' equity	**190,462**	330,541	**1,697,674**
Accumulated other comprehensive income (loss):			
Net unrealized holding gain on investments in securities (Notes 3 and 7)	**8,850**	6,486	**78,884**
Deferred gain on hedges (Notes 7 and 14)	**10,190**	4,753	**90,828**
Revaluation reserve for land (Notes 7 and 11)	**6,263**	6,267	**55,825**
Translation adjustments	**6,555**	9,689	**58,428**
Retirement benefits liability adjustments (Notes 7 and 9)	**(2,835)**	(2,360)	**(25,270)**
Total accumulated other comprehensive income	**29,023**	24,835	**258,695**
Non-controlling interests	**25,997**	24,538	**231,722**
Total net assets	**245,482**	379,914	**2,188,091**
Total liabilities and net assets	**¥ 1,045,210**	¥ 1,115,224	**$ 9,316,427**

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

Consolidated Statement of Operations

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2017	2016	2017
Marine transportation and other operating revenues (Note 18)	¥ 1,030,191	¥ 1,243,932	$ 9,182,556
Marine transportation and other operating costs and expenses	1,000,744	1,159,989	8,920,082
Gross profit	29,447	83,943	262,474
Selling, general and administrative expenses	75,484	74,515	672,823
Operating (loss) income	(46,037)	9,428	(410,349)
Other income (expenses):			
Interest and dividend income (Note 18)	2,803	4,537	24,984
Interest expenses (Note 18)	(6,625)	(7,655)	(59,052)
Equity in earnings of subsidiaries and affiliates, net (Note 18)	3,155	3,587	28,122
Exchange loss, net	(4,006)	(7,370)	(35,707)
(Loss) gain on sales of vessels, property and equipment, net	(3,125)	10,221	(27,855)
Loss on impairment of vessels, property and equipment (Notes 5 and 18)	(20,363)	(19,249)	(181,505)
Provision of allowance for loss related to business restructuring (Note 20)	(47,889)	—	(426,856)
Loss on cancellation of chartered vessels	(7,943)	(20,079)	(70,800)
Other, net (Note 3)	(1,197)	(4,699)	(10,667)
	(85,190)	(40,707)	(759,336)
Loss before income taxes	(131,227)	(31,279)	(1,169,685)
Income taxes (Note 7):			
Current	3,794	5,941	33,818
Deferred	2,348	12,869	20,929
Total income taxes	6,142	18,810	54,747
Loss	(137,369)	(50,089)	(1,224,432)
Profit attributable to non-controlling interests	2,110	1,410	18,807
Loss attributable to owners of the parent	¥ (139,479)	¥ (51,499)	$ (1,243,239)

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

Consolidated Statement of Comprehensive Income

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2017	2016	**2017**
Loss	**¥ (137,369)**	¥ (50,089)	**$ (1,224,432)**
Other comprehensive income (loss) (Note 15):			
Net unrealized holding gain (loss) on investments in securities	**2,330**	(8,384)	**20,768**
Deferred gain (loss) on hedges	**4,636**	(4,619)	**41,323**
Revaluation reserve for land	**(0)**	59	**(0)**
Translation adjustments	**(2,580)**	(13,858)	**(22,997)**
Retirement benefits liability adjustments	**(433)**	(2,389)	**(3,860)**
Share of other comprehensive income of subsidiaries and affiliates accounted for by the equity method	**644**	457	**5,741**
Total other comprehensive income (loss)	**4,597**	(28,734)	**40,975**
Comprehensive loss	**¥ (132,772)**	¥ (78,823)	**$ (1,183,457)**
(Breakdown)			
Comprehensive loss attributable to owners of the parent	**¥ (135,288)**	¥ (78,522)	**$ (1,205,883)**
Comprehensive income (loss) attributable to non-controlling interests	**2,516**	(301)	**22,426**

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

Consolidated Statement of Changes in Net Assets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2017

		Millions of yen												
	Number of shares in issue (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gain on investments in securities	Deferred gain on hedges	Revaluation reserve for land	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2016	**939,382**	**¥ 75,458**	**¥ 60,297**	**¥ 195,863**	**¥ (1,077)**	**¥ 330,541**	**¥ 6,486**	**¥ 4,753**	**¥ 6,267**	**¥ 9,689**	**¥ (2,360)**	**¥ 24,835**	**¥ 24,538**	**¥ 379,914**
Changes in items during the years:														
Cash dividends	—	—	—	**(2,344)**	—	**(2,344)**	—	—	—	—	—	—	—	**(2,344)**
Loss attributable to owners of the parent	—	—	—	**(139,479)**	—	**(139,479)**	—	—	—	—	—	—	—	**(139,479)**
Purchases of treasury stock	—	—	—	—	**(7)**	**(7)**	—	—	—	—	—	—	—	**(7)**
Disposal of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in ownership interests due to transactions with non-controlling interests	—	—	**37**	—	—	**37**	—	—	—	—	—	—	—	**37**
Reversal of revaluation reserve for land	—	—	—	**3**	—	**3**	—	—	—	—	—	—	—	**3**
Net change in retained earnings from changes in scope of consolidation or equity method	—	—	—	**1,711**	—	**1,711**	—	—	—	—	—	—	—	**1,711**
Net changes in items other than shareholders' equity	—	—	—	—	—	—	**2,364**	**5,437**	**(4)**	**(3,134)**	**(475)**	**4,188**	**1,459**	**5,647**
Net change during the year	—	—	**37**	**(140,109)**	**(7)**	**(140,079)**	**2,364**	**5,437**	**(4)**	**(3,134)**	**(475)**	**4,188**	**1,459**	**(134,432)**
Balance at March 31, 2017	**939,382**	**¥ 75,458**	**¥ 60,334**	**¥ 55,754**	**¥ (1,084)**	**¥ 190,462**	**¥ 8,850**	**¥ 10,190**	**¥ 6,263**	**¥ 6,555**	**¥ (2,835)**	**¥ 29,023**	**¥ 25,997**	**¥ 245,482**

		Millions of yen												
	Number of shares in issue (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gain on investments in securities	Deferred gain on hedges	Revaluation reserve for land	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2015	939,382	¥ 75,458	¥ 60,312	¥ 254,922	¥ (1,071)	¥ 389,621	¥ 14,823	¥ 8,720	¥ 6,209	¥ 22,201	¥ (42)	¥ 51,911	¥ 25,908	¥ 467,440
Changes in items during the years:														
Cash dividends	—	—	—	(7,969)	—	(7,969)	—	—	—	—	—	—	—	(7,969)
Loss attributable to owners of the parent	—	—	—	(51,499)	—	(51,499)	—	—	—	—	—	—	—	(51,499)
Purchases of treasury stock	—	—	—	—	(7)	(7)	—	—	—	—	—	—	—	(7)
Disposal of treasury stock	—	—	(1)	—	1	0	—	—	—	—	—	—	—	0
Change in ownership interests due to transactions with non-controlling interests	—	—	(14)	—	—	(14)	—	—	—	—	—	—	—	(14)
Reversal of revaluation reserve for land	—	—	—	54	—	54	—	—	—	—	—	—	—	54
Net change in retained earnings from changes in scope of consolidation or equity method	—	—	—	355	—	355	—	—	—	—	—	—	—	355
Net changes in items other than shareholders' equity	—	—	—	—	—	—	(8,337)	(3,967)	58	(12,512)	(2,318)	(27,076)	(1,370)	(28,446)
Net change during the year	—	—	(15)	(59,059)	(6)	(59,080)	(8,337)	(3,967)	58	(12,512)	(2,318)	(27,076)	(1,370)	(87,526)
Balance at March 31, 2016	939,382	¥ 75,458	¥ 60,297	¥ 195,863	¥ (1,077)	¥ 330,541	¥ 6,486	¥ 4,753	¥ 6,267	¥ 9,689	¥ (2,360)	¥ 24,835	¥ 24,538	¥ 379,914

	Thousands of U.S. dollars (Note 1(a))												
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gain on investments in securities	Deferred gain on hedges	Revaluation reserve for land	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2016	**$ 672,591**	**$ 537,454**	**$ 1,745,816**	**$ (9,600)**	**$2,946,261**	**$ 57,813**	**$ 42,366**	**$ 55,861**	**$ 86,362**	**$ (21,036)**	**$ 221,366**	**$ 218,718**	**$ 3,386,345**
Changes in items during the years:													
Cash dividends	—	—	**(20,893)**	—	**(20,893)**	—	—	—	—	—	—	—	**(20,893)**
Loss attributable to owners of the parent	—	—	**(1,243,239)**	—	**(1,243,239)**	—	—	—	—	—	—	—	**(1,243,239)**
Purchases of treasury stock	—	—	—	**(62)**	**(62)**	—	—	—	—	—	—	—	**(62)**
Disposal of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in ownership interests due to transactions with non-controlling interests	—	**330**	—	—	**330**	—	—	—	—	—	—	—	**330**
Reversal of revaluation reserve for land	—	—	**27**	—	**27**	—	—	—	—	—	—	—	**27**
Net change in retained earnings from changes in scope of consolidation or equity method	—	—	**15,250**	—	**15,250**	—	—	—	—	—	—	—	**15,250**
Net changes in items other than shareholders' equity	—	—	—	—	—	**21,071**	**48,462**	**(36)**	**(27,934)**	**(4,234)**	**37,329**	**13,004**	**50,333**
Net change during the year	—	**330**	**(1,248,855)**	**(62)**	**(1,248,587)**	**21,071**	**48,462**	**(36)**	**(27,934)**	**(4,234)**	**37,329**	**13,004**	**(1,198,254)**
Balance at March 31, 2017	**$ 672,591**	**$ 537,784**	**$ 496,961**	**$ (9,662)**	**$1,697,674**	**$ 78,884**	**$ 90,828**	**$ 55,825**	**$ 58,428**	**$ (25,270)**	**$ 258,695**	**$ 231,722**	**$ 2,188,091**

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

Consolidated Statement of Cash Flows

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2017	2016	**2017**
Cash flows from operating activities:			
Loss before income taxes	**¥ (131,227)**	¥ (31,279)	**$ (1,169,685)**
Depreciation and amortization	**47,421**	48,303	**422,685**
(Decrease) increase in liability for retirement benefits	**(235)**	1,428	**(2,095)**
Decrease in asset for retirement benefits	**92**	1,020	**820**
Increase (decrease) in retirement benefits liability adjustments	**235**	(2,441)	**2,095**
Increase in allowance for directors' and audit and supervisory board members' retirement benefits	**1**	114	**9**
Decrease in accrued expenses for overhaul of vessels	**(14)**	(2,054)	**(125)**
Increase in allowance for loss related to the Anti-Monopoly Act	**—**	3,551	**—**
Interest and dividend income	**(2,803)**	(4,537)	**(24,984)**
Interest expenses	**6,625**	7,655	**59,052**
Exchange loss, net	**261**	3,063	**2,326**
Loss on impairment of vessels, property and equipment	**20,363**	19,249	**181,505**
Equity in earnings of subsidiaries and affiliates, net	**(3,155)**	(3,587)	**(28,122)**
Loss on cancellation of chartered vessels	**7,943**	20,079	**70,800**
Provision of allowance for loss related to business restructuring	**47,889**	—	**426,856**
Loss (gain) on sales of vessels, property and equipment, net	**3,125**	(10,221)	**27,855**
Changes in operating assets and liabilities:			
(Increase) decrease in accounts and notes receivable – trade	**(5,378)**	12,933	**(47,937)**
(Increase) decrease in inventories	**(7,550)**	12,976	**(67,297)**
(Increase) decrease in other current assets	**(5,201)**	6,918	**(46,359)**
Increase (decrease) in accounts and notes payable – trade	**11,294**	(19,168)	**100,669**
Increase (decrease) in other current liabilities	**190**	(747)	**1,694**
Other, net	**861**	(10,247)	**7,673**
Subtotal	**(9,263)**	53,008	**(82,565)**
Interest and dividends received	**4,571**	5,936	**40,743**
Interest paid	**(6,658)**	(7,835)	**(59,346)**
Payments for cancellation of chartered vessels	**(27,886)**	(500)	**(248,560)**
Payments related to the Anti-Monopoly Act	**(285)**	(460)	**(2,540)**
Income taxes paid	**(4,398)**	(10,513)	**(39,202)**
Net cash (used in) provided by operating activities	**¥ (43,919)**	¥ 39,636	**$ (391,470)**

Consolidated Statement of Cash Flows (continued)

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2017	2016	2017
Cash flows from investing activities:			
Payments into time deposits	**¥ (125,187)**	¥ (102,465)	**$ (1,115,848)**
Proceeds from withdrawal of time deposits	**124,715**	92,860	**1,111,641**
Purchases of marketable securities and investments in securities	**(5,063)**	(5,475)	**(45,129)**
Proceeds from sales of marketable securities and investments in securities	**1,981**	13,098	**17,658**
Purchases of vessels, property and equipment	**(66,434)**	(112,415)	**(592,156)**
Proceeds from sales of vessels, property and equipment	**45,760**	91,071	**407,879**
Purchases of intangible assets	**(753)**	(805)	**(6,712)**
Payments of long-term loans receivable	**(747)**	(2,914)	**(6,658)**
Collection of long-term loans receivable	**1,653**	1,171	**14,734**
Other, net	**(807)**	(3,695)	**(7,193)**
Net cash used in investing activities	**(24,882)**	(29,569)	**(221,784)**
Cash flows from financing activities:			
(Decrease) increase in short-term loans, net	**(613)**	51	**(5,464)**
Proceeds from long-term loans	**107,237**	96,449	**955,852**
Repayment of long-term loans and obligations under finance leases	**(76,462)**	(111,379)	**(681,540)**
Proceeds from issuance of bonds	**—**	10,000	**—**
Redemption of bonds	**(378)**	(378)	**(3,369)**
Cash dividends paid	**(2,351)**	(7,958)	**(20,956)**
Cash dividends paid to non-controlling interests	**(1,033)**	(1,302)	**(9,208)**
Other, net	**36**	(319)	**321**
Net cash provided by (used in) financing activities	**26,436**	(14,836)	**235,636**
Effect of exchange rate changes on cash and cash equivalents	**(37)**	(5,929)	**(330)**
Net decrease in cash and cash equivalents	**(42,402)**	(10,698)	**(377,948)**
Cash and cash equivalents at beginning of year	**198,745**	209,425	**1,771,504**
Increase in cash and cash equivalents arising from initial consolidation of subsidiaries	**449**	7	**4,002**
Increase in cash and cash equivalents resulting from merger	**—**	11	**—**
Cash and cash equivalents at end of year (Note 16)	**¥ 156,792**	¥ 198,745	**$ 1,397,558**

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

Notes to Consolidated Financial Statements

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
March 31, 2017

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 ("IFRS"), and are compiled from the consolidated financial statements prepared by the Company as required by 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.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2016 to the 2017 presentation. Such reclassifications had no effect on consolidated profit, net assets or cash flows.

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at ¥112.19=U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2017. Furthermore, the translation should not be construed as a representation that Japanese 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 313 and 316 subsidiaries for the years ended March 31, 2017 and 2016, respectively. The principles of consolidation are to include significant subsidiaries, whose voting interests are owned 40 per cent. or more by the 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 is amortized by the straight-line method over a period of five years.

(c) Accounting period

The Company and 304 consolidated subsidiaries have a March 31 year end, and the remaining nine consolidated subsidiaries have a December 31 year end. For three of these consolidated subsidiaries with a December year end, adjustments have been made for any significant transactions which took place during the period between their year end and the year end of the Company, and for the other six, a provisional closing of their accounts as of the year end of the Company has been used.

(d) Translation of foreign currencies

Revenues earned and expenses incurred in currencies other than Japanese yen of the Company and its subsidiaries that maintain their books in Japanese yen are translated into Japanese yen either at an average monthly exchange rate or at the rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in currencies other than Japanese yen are translated into Japanese yen at the exchange rate prevailing at the balance sheet date. Subsidiaries that maintain their books in a currency other than Japanese yen translate revenues and expenses and assets and liabilities dominated in foreign currencies into the currency used for financial reporting purposes in accordance with accounting principles generally accepted in their respective countries of domicile.

(e) Translation of accounts of overseas consolidated subsidiaries

The accounts of the overseas consolidated subsidiaries, except for the components of net assets excluding non-controlling interests of consolidated subsidiaries, are translated into Japanese yen at the rates of exchange in effect at the balance sheet date. The components of net assets excluding accumulated other comprehensive income (loss) and non-controlling interests are translated at their historical exchange rates. Differences arising from translation are presented as translation adjustments and non-controlling interests in the accompanying consolidated financial statements.

(f) 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.

(g) 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.

(h) Inventories

Inventories are mainly stated at cost based on the moving-average method (The method includes write-downs based on decreased profitability).

(i) 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. Non-marketable securities classified as other securities are carried at cost determined principally by the moving-average method.

Under the Companies Act of Japan (the "Companies Act"), net unrealized holding gain on investments in securities of the related taxes, is not available for distribution as dividends.

(j) Vessels, property and equipment and depreciation

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

Depreciation of property and equipment is computed principally by the declining-balance method over the estimated useful lives of the respective assets. However, the depreciation of buildings (excluding accompanying facilities) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 are computed by the straight-line method.

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

(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.

(l) Leases

Leased assets under finance lease transactions that transfer ownership to the lessee are depreciated by the same methods used for owned fixed assets.

Leased assets under finance lease transactions that do not transfer ownership to the lessee are depreciated to a residual value of zero by straight-line method over the lease term.

Finance lease transactions that do not transfer ownership to the lessee, starting on or before March 31, 2008 are accounted for as operating lease transactions.

(m) Research and development costs and computer software

Research and development costs are charged to income as incurred.

Expenditures relating to the development of computer software intended for internal use are charged to income when incurred, unless these are deemed to contribute to the generation of future income or cost savings. Such expenditures are capitalized as assets and amortized by the straight-line method over their estimated useful life of five years.

(n) Retirement benefits

The liability for retirement benefits has been provided principally at an amount calculated based on the retirement benefit obligation after the fair value of the pension plan assets are deducted. The retirement benefit obligations are attributed to each period by the benefit formula method.

Actuarial differences are amortized in the years following the year in which the differences are recognized 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.

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.

The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation at present and in the future, and the long-term expected rate of return from multiple plan assets at present and in the future.

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

(o) Accrued expenses for overhaul of vessels

Vessels of the Company and its consolidated subsidiaries ("the Group") 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.

(p) Allowance for loss related to the Anti-Monopoly Act

In order to prepare for fines and penalties required by overseas authorities relating to the Anti-Monopoly Act, an amount reasonably estimated to the extent possible is recorded.

(q) Allowance for loss related to business restructuring

In order to prepare for future losses resulting from business restructuring, the estimated amounts are recorded.

(r) Derivatives and hedging activities

The Group utilizes derivatives to hedge the risk arising from fluctuations in forward foreign currency exchange rates, mainly on forecast transactions denominated in foreign currencies, interest rates, mainly on loan and lease transactions and market prices, mainly on bunker fuel.

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the 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 under "Special treatment."

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.

The hedge effectiveness is assessed based on a comparison of the cumulative changes in cash flows or fair value of the hedged items with those of the hedging instruments in the period from the start of the hedging relationship to the assessment date. However, an evaluation of effectiveness is omitted for interest-rate swaps which meet certain conditions for applying the Special treatment.

The Group executes and manages transactions for the purpose of risk control of financial market and others in accordance with internal rules. These rules have been established not only to prevent derivative or other transactions from being used for any objective other than their original purpose or from being executed without limitation, but also to ensure the management body exercises its oversight functions.

(s) 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.

(t) Deferred assets

Bond issuance costs are charged to income as incurred.

(u) Distribution of retained earnings

Under the Companies Act and the Company's Articles of Incorporation, the distribution of retained earnings with respect to a given fiscal year end is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial year. The distribution of retained earnings with respect to the interim financial period is made by resolution of the Board of Directors.

(v) Revenues and related costs

Revenues of the Group 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 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.

(w) Consolidated taxation system

The Company and certain domestic consolidated subsidiaries adopt the consolidated taxation system.

(x) Accounting Standards issued but not yet effective

On March 29, 2017, the Accounting Standards Board of Japan ("ASBJ") issued "Revised Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force ("PITF") No.18) and "Revised Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ PITF No.24).

(1) Overview

These revisions require the Company to include its domestic subsidiaries or affiliated companies, which prepare their consolidated financial statements in accordance with designated IFRS or modified IFRS and prepare disclosures in its securities reports based on the Financial Instruments and Exchange Act of Japan, in scope of "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method."

(2) Scheduled date of adoption

The Company expects to adopt the revised practical solutions from the beginning of the fiscal year ending March 31, 2018.

(3) Impact of adopting revised practical solutions

The effect of adopting these revised practical solutions on its consolidated financial statements is unknown.

2. Changes in Method of Accounting

(Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016)

The Company and its domestic subsidiaries adopted "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (PITF No.32 issued on June 17, 2016) in accordance with the revision of the Corporation Tax Act of Japan, and changed their method of accounting for depreciation of the facilities attached to buildings and other structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The effect on the consolidated financial statements for the year ended and as of March 31, 2017 was immaterial.

Additional Information

(Application of Guidance on Recoverability of Deferred Tax Assets)

The "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26, issued March 28, 2016) was adopted from April 1, 2016.

3. Marketable Securities and Investments in Securities

At March 31, 2017 and 2016, marketable securities and investments in securities with quoted market prices classified as held-to-maturity debt securities are summarized as follows:

	Millions of yen		
	2017		
	Carrying value	Estimated fair value	Unrealized gain
Securities whose estimated fair value exceeds their carrying value:			
Government and municipal bonds	**¥ 5**	**¥ 5**	**¥ 0**
Securities whose estimated fair value does not exceed their carrying value:			
Government and municipal bonds	**—**	**—**	**—**
Total	**¥ 5**	**¥ 5**	**¥ 0**

	Millions of yen		
	2016		
	Carrying value	Estimated fair value	Unrealized gain
Securities whose estimated fair value exceeds their carrying value:			
Government and municipal bonds	¥ 3	¥ 4	¥ 1
Securities whose estimated fair value does not exceed their carrying value:			
Government and municipal bonds	—	—	—
Total	¥ 3	¥ 4	¥ 1

	Thousands of U.S. dollars		
	2017		
	Carrying value	Estimated fair value	Unrealized gain
Securities whose estimated fair value exceeds their carrying value:			
Government and municipal bonds	**$ 45**	**$ 45**	**$ 0**
Securities whose estimated fair value does not exceed their carrying value:			
Government and municipal bonds	**—**	**—**	**—**
Total	**$ 45**	**$ 45**	**$ 0**

At March 31, 2017 and 2016 marketable securities and investments in securities with quoted market prices classified as other securities are summarized as follows:

	Millions of yen		
	2017		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	**¥ 25,629**	**¥ 14,525**	**¥ 11,104**
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	**889**	**989**	**(100)**
Total	**¥ 26,518**	**¥ 15,514**	**¥ 11,004**

	Millions of yen		
	2016		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥ 13,972	¥ 5,944	¥ 8,028
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	8,523	8,806	(283)
Total	¥ 22,495	¥ 14,750	¥ 7,745

	Thousands of U.S. dollars		
	2017		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	**$ 228,443**	**$ 129,468**	**$ 98,975**
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	**7,924**	**8,815**	**(891)**
Total	**$ 236,367**	**$ 138,283**	**$ 98,084**

Proceeds from sales of investments in securities classified as other securities for the years ended March 31, 2017 and 2016 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Proceeds from sales	**¥ 1,741**	¥ 13,135	**$ 15,518**
Aggregate gain	**342**	6,321	**3,048**
Aggregate loss	**—**	(5)	**—**

Loss on impairment is recorded on securities whose fair value has declined by 50 per cent. or more, or whose fair value has declined by 30 per cent. or more, but less than 50 per cent., if the decline is deemed to be irrecoverable. Loss on impairment is recorded on securities whose fair value is difficult to determine if the decline is deemed to be irrecoverable considering the financial position of the securities' issuers.

The Company has recognized loss on devaluation of investments in securities classified as other securities of ¥6 million ($53 thousand) and ¥8,369 million for the years ended March 31, 2017 and 2016, respectively. The Company has also recognized loss on devaluation of investments in unconsolidated subsidiaries and affiliates of ¥0 million ($0 thousand) for the year ended March 31, 2017. Loss on devaluation of investments in securities and unconsolidated subsidiaries and affiliates included in other, net is disclosed in consolidated statement of operations.

4. Inventories

Inventories as of March 31, 2017 and 2016 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Raw materials and supplies	**¥ 29,547**	¥ 22,132	**$ 263,366**
Others	**167**	113	**1,488**
Total	**¥ 29,714**	¥ 22,245	**$ 264,854**

5. Loss on Impairment of Vessels, Property and Equipment

Losses on impairment of vessels, property and equipment for the years ended March 31, 2017 and 2016 were as follows:

Asset Description	Usage	Classification	Millions of yen 2017	Thousands of U.S. dollars 2017
Assets for heavy lifter services business	Business assets	Vessels	**¥ 9,583**	**$ 85,418**
Assets for offshore energy E&P support business	Business assets	Vessels	**4,650**	**41,448**
Assets for container services business	Business assets	Vessels	**3,127**	**27,872**
Assets for iron ore carrier business	Business assets and assets for sale	Vessels	**2,051**	**18,281**
Assets for bulk carrier business	Business assets and assets for sale	Vessels	**929**	**8,281**
Others	Business assets, assets for sale and idle assets	Land, building and others	**23**	**205**
Total			**¥ 20,363**	**$ 181,505**

Asset Description	Usage	Classification	Millions of yen 2016
Assets for bulk carrier business	Business assets and assets for sale	Vessels	¥ 10,537
Assets for iron ore carrier business	Business assets and assets for sale	Vessels	2,657
Assets for short sea and coastal business	Business assets and assets for sale	Vessels and others	2,203
Assets for offshore energy E&P support business	Business assets	Vessels	1,842
Assets for container services business	Business assets	Vessels	610
Others	Business assets, assets for sale and idle assets	Vessels, land, building and others	1,400
Total			¥ 19,249

The Group groups vessels, property and equipment for business use based on the smallest identifiable groups of assets generating cash flows whose income and expenditure are monitored perpetually; however, it groups idle assets individually.

Assets for sale have been grouped as business assets. However, the carrying values of these assets were reduced to the respective recoverable amounts as they are planned for sale. The recoverable amount was measured at net selling value based on the planned sales of amount.

As profitability decreased significantly, the carrying values of assets were reduced to the respective recoverable amounts and loss on impairment was recorded for the year ended March 31, 2017. The recoverable amounts are measured by the value-in-use method based on estimated future cash flows discounted at rate of 5.0 per cent. for the assets of the heavy lifter services business and 6.5 per cent. for the assets of the bulk carrier business and iron ore carrier business. As to the assets of the offshore energy E&P support business and container services business, the recoverable amounts were measured at net selling value, which is reasonably measured by certain third parties, or by the value-in-use method based on estimated future cash flows discounted at rate of 6.2 per cent. and 4.3 per cent., respectively.

As profitability decreased significantly, the carrying values of assets were reduced to the respective recoverable amounts and loss on impairment was recorded for the year ended March 31, 2016. The recoverable amounts are measured by the value-in-use method based on estimated future cash flows discounted at rate of from 6.0 to 6.5 per cent. for the assets of the bulk carrier business and iron ore carrier business, 3.8 per cent. for the assets of the short sea and coastal business and 5.0 per cent. for the assets of the offshore energy E&P support business. As to the assets of the container services business, the recoverable amounts were measured at net selling value, which is reasonably measured by certain third parties.

Since the idle assets' carrying values were deemed to be irretrievably lower than the respective recoverable amounts mainly due to decreasing land prices, the carrying values were reduced to their respective recoverable amounts and a loss on impairment was recognized for the years ended March 31, 2017 and 2016. The recoverable amounts were measured at net selling value, which was reasonably measured mainly by real estate appraisers.

6. Short-Term Loans and Long-Term Debt

Short-term loans from banks and insurance companies principally represent loans on deeds with average interest rates of 0.34 per cent. and 0.48 per cent. per annum at March 31, 2017 and 2016, respectively.

Long-term debt at March 31, 2017 and 2016 consisted of the following:

	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Loans from banks and insurance companies due in installments through September 2075 at average interest rates of 0.90% and 0.89% per annum at March 31, 2017 and 2016, respectively	**¥ 447,134**	¥ 412,783	**$ 3,985,506**
Euro-yen zero coupon convertible bonds with stock acquisition rights in yen, due September 26, 2018	**50,000**	50,000	**445,673**
Bonds in yen, interest rate indexed to TIBOR, due July 16, 2019	**2,565**	2,943	**22,863**
0.69% bonds in yen, due August 31, 2020	**3,000**	3,000	**26,740**
1.05% bonds in yen, due August 31, 2022	**7,000**	7,000	**62,394**
Total	**509,699**	475,726	**4,543,176**
Less: Current portion	**(43,335)**	(66,679)	**(386,264)**
	¥ 466,364	¥ 409,047	**$ 4,156,912**

The Euro-yen zero coupon convertible bonds with stock acquisition rights due 2018 are convertible at ¥305.6 ($2.72) per share and are exercisable from October 10, 2013 to September 12, 2018. When holders of bonds with stock acquisition rights who intend to exercise their stock acquisition rights request conversion of the repayment of the bonds to the payment of the exercise price, the Company regards the payment of the exercise price as the repayment of the bonds. When holders of bonds with stock acquisition rights exercise their stock acquisition rights, the Company also regards the repayment of the convertible bonds as the payment of the exercise price.

The aggregate annual maturities of long-term debt subsequent to March 31, 2017 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2018	¥ 43,335	$ 386,264
2019	90,145	803,503
2020	45,001	401,114
2021	86,557	771,522
2022	125,890	1,122,114
2023 and thereafter	118,771	1,058,659
Total	¥ 509,699	$ 4,543,176

A summary of assets pledged as collateral at March 31, 2017 for short-term loans and the current portion of long-term loans in the amount of ¥31,641 million ($282,030 thousand), long-term loans of ¥211,509 million ($1,885,275 thousand) and loans to be incurred in the future is presented below:

	Millions of yen	Thousands of U.S. dollars
Vessels	¥ 288,023	$ 2,567,279
Buildings, structures and equipment	2,586	23,050
Land	1,689	15,055
Investments in securities	13,962	124,450
Other	340	3,030
Total	¥ 306,600	$ 2,732,864

Investments in securities of ¥13,962 million ($124,450 thousand) were pledged as collateral to secure future loans for investments in vessels of subsidiaries and affiliates. Therefore, no corresponding liabilities existed as of March 31, 2017.

Out of vessels at net book value of ¥288,023 million ($2,567,279 thousand) above, ¥3,546 million ($31,607 thousand) was pledged as collateral for entrusted guarantees.

7. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to a number of taxes based on income, which, in the aggregate, resulted in statutory tax rates of approximately 28.7 per cent. and 29.5 per cent. for the years ended March 31, 2017 and 2016, respectively.

The details of the differences between statutory tax rate and effective tax rate for the years ended March 31, 2017 and 2016 are omitted because the Group recorded a loss before income taxes for the years.

The tax effects of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at March 31, 2017 and 2016 are analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Deferred tax assets:			
Liability for retirement benefits	**¥ 2,792**	¥ 2,821	**$ 24,886**
Other allowances	**7,793**	3,122	**69,463**
Loss on impairment of vessels, property and equipment	**1,998**	2,924	**17,809**
Elimination of unrealized intercompany profit	**954**	947	**8,503**
Accounts and notes payable – trade	**1,812**	1,848	**16,151**
Loss on devaluation of investments in securities	**11,992**	1,668	**106,890**
Net operating loss carry forwards	**48,969**	26,737	**436,483**
Loss on cancellation of chartered vessels	**298**	5,871	**2,656**
Allowance for loss related to business restructuring	**14,175**	—	**126,348**
Other	**6,699**	7,425	**59,712**
Gross deferred tax assets	**97,482**	53,363	**868,901**
Valuation allowance	**(82,822)**	(38,131)	**(738,230)**
Total deferred tax assets	**14,660**	15,232	**130,671**
Deferred tax liabilities:			
Reserve for special depreciation	**(549)**	(421)	**(4,893)**
Deferred gain on tangible fixed assets for tax purposes	**(861)**	(946)	**(7,674)**
Unrealized holding gain on investments in securities	**(3,301)**	(2,323)	**(29,423)**
Accelerated depreciation in overseas subsidiaries	**(3,829)**	(1,433)	**(34,130)**
Deferred gain on hedges	**(4,516)**	(2,807)	**(40,253)**
Other	**(6,171)**	(6,214)	**(55,006)**
Total deferred tax liabilities	**(19,227)**	(14,144)	**(171,379)**
Net deferred tax assets (liabilities)	**¥ (4,567)**	¥ 1,088	**$ (40,708)**

(Change in balance of deferred tax assets and deferred tax liabilities in line with changes in corporate tax rates)

The "Act for Partial Revision to the Partial Revision, etc. of the Consumption Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources, etc. for Social Security" (Act No.85 of 2016) and the "Act for Partial Revision to the Partial Revision, etc. of the Local Tax Act and the Local Allocation Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources, etc. for Social Security" (Act No.86 of 2016) were enacted during the Japanese Diet session on November 18, 2016, and the timing of the Japanese consumption tax rate hike was postponed from April 1, 2017 to October 1, 2019.

This resulted in the postponing of the abolition of the special local corporation tax, the restoration of the corporation enterprise tax, and the revision to the local corporation tax rate and the corporation inhabitant tax rate on a per capita basis from fiscal years beginning on or after April 1, 2017 to fiscal years beginning on or after October 1, 2019.

Although the effective statutory tax rate used to measure the Company's and its domestic consolidated subsidiaries' deferred tax assets and liabilities was not changed, there was a reclassification between the national corporation tax and the local corporation tax. The effect of this reclassification was immaterial.

8. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of assets leased to the Group at March 31, 2017 and 2016, which would have been reflected in the accompanying consolidated balance sheets if finance leases, other than those which transfer the ownership of the leased assets to the Group, that started on or before March 31, 2008 (which are currently accounted for as operating leases) had been capitalized:

	Millions of yen		
	2017		
At March 31, 2017	Vessels	Others	Total
Acquisition costs	**¥ 18,517**	**¥ 740**	**¥ 19,257**
Accumulated depreciation	**(2,887)**	**(673)**	**(3,560)**
Net book value	**¥ 15,630**	**¥ 67**	**¥ 15,697**

	Millions of yen		
	2016		
At March 31, 2016	Vessels	Others	Total
Acquisition costs	¥ 23,042	¥ 740	¥ 23,782
Accumulated depreciation	(6,345)	(612)	(6,957)
Net book value	¥ 16,697	¥ 128	¥ 16,825

	Thousands of U.S. dollars		
	2017		
At March 31, 2017	Vessels	Others	Total
Acquisition costs	**$ 165,050**	**$ 6,596**	**$ 171,646**
Accumulated depreciation	**(25,733)**	**(5,999)**	**(31,732)**
Net book value	**$ 139,317**	**$ 597**	**$ 139,914**

Lease payments related to finance leases accounted for as operating leases and depreciation and interest expenses for the years ended March 31, 2017 and 2016 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Lease payments	**¥ 1,527**	¥ 5,066	**$ 13,611**
Depreciation	**1,129**	1,192	**10,063**
Interest expense	**207**	304	**1,845**

Future minimum lease payments subsequent to March 31, 2017 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2018	¥ 1,017	$ 9,065
2019 and thereafter	9,809	87,432
Total	¥ 10,826	$ 96,497

Future minimum lease payments or receipts subsequent to March 31, 2017 for non-cancellable operating leases are summarized as follows:

(As lessees)

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2018	¥ 31,134	$ 277,511
2019 and thereafter	143,655	1,280,462
Total	¥ 174,789	$ 1,557,973

(As lessors)

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2018	¥ 54	$ 481
2019 and thereafter	3	27
Total	¥ 57	$ 508

9. Retirement Benefits

The Group has funded and unfunded defined benefit plans and defined contribution plans.

The defined benefit corporate pension plans (all of them are funded plans) provide for a lump-sum payment or annuity payment determined by reference to the current rate of pay and the length of service.

The retirement lump-sum plans provide for a lump-sum payment, as employee retirement benefits, determined by reference to the current rate of pay and the length of service.

Certain consolidated subsidiaries calculate asset for retirement benefits, liability for retirement benefits and retirement benefit expenses, for the defined benefit corporate pension plans and the retirement lump-sum plans based on the amount which would be payable at the year-end if all eligible employees terminated their services voluntarily (a "simplified method").

Certain consolidated subsidiaries participate in a small-and-medium-sized enterprise mutual aid plan as a defined contribution plans.

The defined benefit plans

The changes in the retirement benefit obligation, except for plans which apply a simplified method, for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Retirement benefit obligation at beginning of the year	**¥ 25,853**	¥ 22,949	**$ 230,439**
Service cost	**1,571**	1,327	**14,003**
Interest cost	**82**	269	**731**
Actuarial differences	**(775)**	2,231	**(6,907)**
Payment of retirement benefits	**(706)**	(821)	**(6,293)**
Past service cost	**106**	(37)	**945**
Foreign currency exchange rate changes	**0**	(113)	**0**
Other	**—**	48	**—**
Retirement benefit obligation at end of the year	**¥ 26,131**	¥ 25,853	**$ 232,918**

The changes in pension plan assets, except for plans which apply a simplified method, for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Pension plan assets at fair value at beginning of the year	**¥ 20,806**	¥ 20,501	**$ 185,453**
Expected return on pension plan assets	**1,057**	1,143	**9,422**
Actuarial differences	**(1,181)**	(1,437)	**(10,527)**
Contributions by the employer	**1,142**	1,246	**10,179**
Payment of retirement benefits	**(540)**	(639)	**(4,813)**
Foreign currency exchange rate changes	**(0)**	(8)	**(0)**
Pension plan assets at fair value at end of the year	**¥ 21,284**	¥ 20,806	**$ 189,714**

The changes in liability for retirement benefits calculated by a simplified method for certain consolidated subsidiaries for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Liability for retirement benefits, net at beginning of the year	**¥ 2,130**	¥ 2,258	**$ 18,986**
Retirement benefit expenses	**401**	285	**3,574**
Payment of retirement benefits	**(187)**	(201)	**(1,667)**
Contributions to the plans	**(171)**	(212)	**(1,524)**
Liability for retirement benefits, net at end of the year	**¥ 2,173**	¥ 2,130	**$ 19,369**

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2017 and 2016 for the Group's defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Funded retirement benefit obligation	**¥ 28,246**	¥ 27,916	**$ 251,769**
Plan assets at fair value	**(23,433)**	(22,853)	**(208,869)**
Subtotal	**4,813**	5,063	**42,900**
Unfunded retirement benefit obligation	**2,207**	2,099	**19,673**
Liability for retirement benefits in the consolidated balance sheet, net	**¥ 7,020**	¥ 7,162	**$ 62,573**
Liability for retirement benefits	**¥ 7,514**	¥ 7,748	**$ 66,976**
Asset for retirement benefits	**(494)**	(586)	**(4,403)**
Liability for retirement benefits in the consolidated balance sheet, net	**¥ 7,020**	¥ 7,162	**$ 62,573**

The above includes retirement benefit plans which apply a simplified method.

Retirement benefit expenses for the Group for the years ended March 31, 2017 and 2016 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Service cost	**¥ 1,571**	¥ 1,327	**$ 14,003**
Interest cost	**82**	269	**731**
Expected return on pension plan assets	**(1,057)**	(1,143)	**(9,422)**
Amortization of actuarial differences	**778**	292	**6,935**
Amortization of past service cost	**(7)**	(25)	**(62)**
Retirement benefit expenses calculated by a simplified method	**401**	285	**3,574**
Retirement benefit expenses	**¥ 1,768**	¥ 1,005	**$ 15,759**

Retirement benefits liability adjustments included in other comprehensive income before tax effects for the Group for the years ended March 31, 2017 and 2016 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Past service cost	**¥ (114)**	¥ 11	**$ (1,016)**
Actuarial loss	**373**	(3,359)	**3,325**
Total	**¥ 259**	¥ (3,348)	**$ 2,309**

Retirement benefits liability adjustments included in accumulated other comprehensive income before tax effects as of March 31, 2017 and 2016 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Unrecognized past service cost	**¥ 128**	¥ 242	**$ 1,141**
Unrecognized actuarial differences	**(3,286)**	(3,659)	**(29,290)**
Total	**¥ (3,158)**	¥ (3,417)	**$ (28,149)**

The fair value of pension plan assets by major category as of March 31, 2017 and 2016 is as follows:

	2017	2016
Bonds	**41%**	45%
Equity	**20**	20
General account assets under insurance plan	**31**	28
Other	**8**	7
Total	**100%**	100%

The assumptions used in actuarial calculations for the above defined benefit plans for the years ended March 31, 2017 and 2016 are as follows:

	2017	2016
Discount rates	**Mainly 0.0%**	Mainly 0.0%
Expected rates of return on plan assets	**Mainly 7.4%**	Mainly 8.2%
Rates of salary increase	**Mainly from 1.2% to 16.3%**	Mainly from 1.2% to 16.3%

Total contributions paid by consolidated subsidiaries to the defined contribution plans amounted to ¥753 million ($6,712 thousand) and ¥643 million for the years ended March 31, 2017 and 2016, respectively.

10. Shareholders' Equity

The Companies Act provides that an amount equal to 10 per cent. 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 per cent. 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, 2017 and 2016 amounted to ¥2,540 million ($22,640 thousand).

Movements in common stock and treasury stock of the Company for the years ended March 31, 2017 and 2016 are summarized as follows:

	Number of shares (Thousands)			
	April 1, 2016	Increase	Decrease	March 31, 2017
Common stock	**939,382**	**—**	**—**	**939,382**
Treasury stock*1	**2,163**	**26**	**—**	**2,189**

	Number of shares (Thousands)			
	April 1, 2015	Increase	Decrease	March 31, 2016
Common stock	939,382	—	—	939,382
Treasury stock*2	2,138	26	1	2,163

*1 The increase in the number of shares in treasury stock of 26 thousand shares is due to purchases of shares of less than one voting unit.

*2 The increase in the number of shares in treasury stock of 26 thousand shares is due to purchases of shares of less than one voting unit. The decrease in the number of shares in treasury stock of 1 thousand shares is due to sales of shares at request of shareholders owning less than one voting unit.

11. Land Revaluation

The Company and certain domestic consolidated subsidiaries revalued the land used in their business in accordance with the Act on Revaluation of Land (Act No. 34, March 31, 1998) and the Act to Partially Revise the Act on Revaluation of Land (Act 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 on 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 Act on Revaluation of Land (Act No. 34, March 31, 1998) and the Act to Partially Revise the Act on Revaluation of Land (Act No. 19, March 31, 2001).

At March 31, 2017 and 2016, the fair value of land was lower than its carrying value after revaluation by ¥2,656 million ($23,674 thousand) and ¥2,675 million, respectively.

12. Commitments and Contingent Liabilities

At March 31, 2017, commitments made by the Group for the construction of vessels amounted to ¥79,603 million ($709,537 thousand).

Contingent liabilities for guarantees of loans to affiliates and third-party companies and obligations for additional investment, etc. as of March 31, 2017 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2017	**2017**
Guarantees of loans	**¥ 11,386**	**$ 101,489**
Obligations for additional investment, etc.	**2,944**	**26,241**

(Other Important Matters Related to Current Conditions of the Corporate Group)

The Group has been investigated by the competition authorities in Europe and certain other countries in relation to alleged anti-competitive behavior (alleged formation of a cartel) relating to the transportation of automobiles, automotive construction machineries, and other automotive vehicles. In addition, the Group is currently subject to class actions in North America in relation to the same matter and it is possible that further private legal actions will be filed against the Group in the future. The Group is currently unable to predict what the eventual outcome of these investigations or legal actions will be. If the outcome of any such action is unfavorable to the Group, this could materially adversely affect the Group's business, financial condition and its operation results.

13. Financial Instruments

Status of financial instruments

The Group obtains necessary funding, mainly through bank loans and the issuance of bonds, in accordance with their capital expenditure plans. Temporary excess funds are invested in highly liquid financial assets, and short-term operating funds are financed by bank loans. The Group utilizes derivatives only for avoiding risks, but does not utilize them for speculation.

Trade accounts and notes receivable are exposed to credit risk in the event of the nonperformance by counterparties. As revenues from marine transportation are mainly denominated in foreign currencies, trade receivables are exposed to foreign currency exchange risk and a portion of them, net of trade payables denominated in the same foreign currencies, are hedged by forward foreign exchange contracts. Future trade receivables such as for freight and chartered vessels are exposed to market risks, and some of them are hedged by forward freight agreements. The Group holds marketable securities and investments in securities, which are mainly issued by companies who have a business relationship or capital alliance with the Group, and these securities are exposed to the risk of fluctuation in market prices. The Group also has long-term loans receivable mainly from other subsidiaries and affiliates.

The Group has trade accounts and notes payable, which have payment due dates within one year. Funds for certain capital expenditures, such as construction of vessels denominated in foreign currencies, are exposed to foreign currency exchange risk, which are hedged by forward foreign exchange contracts. Future trade payables such as payments for bunker fuel are exposed to the risk of fluctuation of market prices, and some of them are hedged by bunker fuel swap contracts. Loans payable, bonds, bonds with stock acquisition rights and lease obligations for finance lease contracts are taken out principally for the purpose of making capital investments. The repayment dates of long-term debt extend up to 58 years subsequent to the balance sheet date. Certain elements of these transactions are exposed to interest rate fluctuation risk. The Group hedges this risk by entering into interest rate swap transactions. The Group has entered into currency swap contracts to hedge foreign currency exchange risk against trade payables.

Regarding derivatives, the Group has entered into: 1) forward foreign exchange contracts and currency swap contracts to hedge foreign currency exchange risk arising from receivables and payables denominated in foreign currencies and funds for capital investment to acquire operating assets such as vessels and others; 2) bunker fuel swap contracts to hedge the risk of bunker fuel price fluctuation; 3) forward freight agreements to hedge the risk of fluctuation of market prices; and 4) interest-rate swap contracts to hedge the risk of interest rate fluctuation arising from interest payables for long-term payables and bonds.

For information on hedge accounting policies of the Group, see Note 1. Summary of Significant Accounting Policies, (r) Derivatives and hedging activities.

The Company monitors regularly the condition of major business counterparties by each related business division with whom the Company has accounts receivable for business or loans receivable, and manages the outstanding balances and due dates by counterparties, to minimize the risk of default arising from any decline in the financial condition of counterparties. Its consolidated subsidiaries also monitor the condition of accounts receivable and loans receivable under a similar management policy.

The Group believes that the credit risk of derivatives is insignificant as the Group enters into derivatives transactions only with financial institutions which have a sound credit profile.

For receivables and payables denominated in foreign currencies and future loans related to investment in vessels, the Company has entered into currency swap and forward foreign exchange contracts to hedge foreign currency exchange rate fluctuation risk, and interest-rate swap contracts to minimize interest rate fluctuation risk of loans and bonds. For marketable securities and investments in securities, the Company continuously reviews the condition of holding securities considering the stock market and the relationship with issuing companies, taking into account market value of securities and financial condition of issuing companies in accordance with internal regulations.

The Company enters into derivative transactions with the approval from authorized officers in accordance with internal regulations, which set forth transaction authority and maximum upper limit on positions. Results of derivative transactions are regularly reported at the executive officers meeting. Its consolidated subsidiaries also manage derivative transactions under similar regulations.

The Company manages liquidity risk by preparing and updating cash management plan on timely basis and maintaining liquid instruments on hand based on reports from each business group.

The fair value of financial instruments is based on market price, if available. When there is no market price, fair value is reasonably estimated. Fair value can fluctuate because different assumptions may be adopted for calculations of fair value considering various factors. In addition, the notional amounts of derivatives in Note 14. Derivatives and Hedging Activities are not necessarily indicative of the actual market exposure involved in the derivative transactions.

Estimated fair value of financial instruments

The carrying value of financial instruments on the consolidated balance sheets as of March 31, 2017 and 2016, and the estimated fair value and the difference between them are shown in the following table. The table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Millions of yen		
	2017		
	Carrying value	Estimated fair value	Difference
Assets			
Cash and deposits	**¥ 199,678**	**¥ 199,678**	**¥ —**
Accounts and notes receivable – trade	**83,580**	**83,580**	**—**
Marketable securities and investments in securities:			
Held to maturity debt securities	**5**	**5**	**0**
Other securities	**26,518**	**26,518**	**—**
Investment in unconsolidated subsidiaries and affiliates	**3,934**	**1,300**	**(2,634)**
Total assets	**¥ 313,715**	**¥ 311,081**	**¥ (2,634)**
Liabilities			
Accounts and notes payable – trade	**¥ (89,770)**	**¥ (89,770)**	**¥ —**
Short-term loans, inclusive of current portion of long-term loans	**(47,470)**	**(47,603)**	**(133)**
Long-term debt, less current portion:			
Bonds	**(62,187)**	**(65,916)**	**(3,729)**
Long-term loans	**(404,177)**	**(405,427)**	**(1,250)**
Total liabilities	**¥(603,604)**	**¥(608,716)**	**¥ (5,112)**
Derivative transactions*	**¥ (539)**	**¥ (697)**	**¥ (158)**

	Millions of yen		
	2016		
	Carrying value	Estimated fair value	Difference
Assets			
Cash and deposits	¥ 241,101	¥ 241,101	¥ —
Accounts and notes receivable – trade	79,653	79,653	—
Marketable securities and investments in securities:			
Held to maturity debt securities	3	4	1
Other securities	22,496	22,496	—
Investment in unconsolidated subsidiaries and affiliates	3,827	1,022	(2,805)
Total assets	¥ 347,080	¥ 344,276	¥ (2,804)
Liabilities			
Accounts and notes payable – trade	¥ 99,746	¥ 99,746	¥ —
Short-term loans, inclusive of current portion of long-term loans	71,788	72,105	317
Long-term debt, less current portion:			
Bonds	62,565	60,970	(1,595)
Long-term loans	346,482	348,136	1,654
Total liabilities	¥ 580,581	¥ 580,957	¥ 376
Derivative transactions*	¥ (8,797)	¥ (9,026)	¥ (229)

	Thousands of U.S. dollars		
	2017		
	Carrying value	Estimated fair value	Difference
Assets			
Cash and deposits	**$ 1,779,820**	**$ 1,779,820**	**$ —**
Accounts and notes receivable – trade	**744,986**	**744,986**	**—**
Marketable securities and investments in securities:			
Held to maturity debt securities	**45**	**45**	**0**
Other securities	**236,367**	**236,367**	**—**
Investment in unconsolidated subsidiaries and affiliates	**35,065**	**11,587**	**(23,478)**
Total assets	**$ 2,796,283**	**$ 2,772,805**	**$ (23,478)**
Liabilities			
Accounts and notes payable – trade	**$ (800,160)**	**$ (800,160)**	**$ —**
Short-term loans, inclusive of current portion of long-term loans	**(423,121)**	**(424,307)**	**(1,186)**
Long-term debt, less current portion:			
Bonds	**(554,301)**	**(587,539)**	**(33,238)**
Long-term loans	**(3,602,611)**	**(3,613,753)**	**(11,142)**
Total liabilities	**$(5,380,193)**	**$(5,425,759)**	**$ (45,566)**
Derivative transactions*	**$ (4,804)**	**$ (6,213)**	**$ (1,409)**

* The value of assets and liabilities arising from derivative transactions is shown at net value, and the amounts in parentheses represent net liability position.

Fair value of cash and deposits and accounts and notes receivable – trade is based on carrying value as most of them are settled within a short term and their fair value approximates carrying value.

Fair value of equity securities and investments in securities is based on market prices prevailing in the applicable stock exchange. Fair value of debt securities is based on market prices provided by financial institutions. For information on securities classified by holding purpose, please refer to Note 3. Marketable Securities and Investments in Securities.

Fair value of accounts and notes payable – trade and short-term loans is based on carrying value as most of them are settled within a short term and their fair value approximates carrying value, except for the current portion of long-term loans whose fair value is based on the same method as long-term loans.

Fair value of bonds is mainly based on market prices.

Fair value of long-term loans is mainly based on the present value of the total amount including principal and interest, discounted by the expected interest rate assuming a new borrowing of a similar loan.

The financial instruments whose fair value is difficult to determine as of March 31, 2017 and 2016 are summarized as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Unlisted investments in securities	**¥ 50,264**	¥ 44,570	**$ 448,026**

For unlisted investments in securities, there is neither market value nor estimated future cash flow, and it is difficult to determine the fair value. Therefore, the fair value of unlisted investments in securities is not included in investments in securities in the summary table of financial instruments.

The redemption schedule as of March 31, 2017 for cash and deposits, accounts and notes receivable – trade and held-to-maturity securities is summarized as follows:

	Millions of yen			
	2017			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	**¥ 199,678**	**¥ —**	**¥ —**	**¥ —**
Accounts and notes receivable – trade	**83,580**	**—**	**—**	**—**
Marketable securities and Investments in securities				
Held-to-maturity securities:				
Government, municipal bonds and others	**0**	**3**	**2**	**—**
Total	**¥ 283,258**	**¥ 3**	**¥ 2**	**¥ —**

	Thousands of U.S. dollars			
	2017			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	**$ 1,779,820**	**$ —**	**$ —**	**$ —**
Accounts and notes receivable – trade	**744,986**	**—**	**—**	**—**
Marketable securities and Investments in securities				
Held-to-maturity securities:				
Government, municipal bonds and others	**0**	**27**	**18**	**—**
Total	**$ 2,524,806**	**$ 27**	**$ 18**	**$ —**

14. Derivatives and Hedging Activities

Information on the estimated fair value of the derivatives positions outstanding not qualified for deferral hedge accounting at March 31, 2017 has been omitted due to immateriality.

The estimated fair value of the derivatives positions outstanding not qualified for deferral hedge accounting at March 31, 2016 is summarized as follows:

Currency-related transactions

		Millions of yen		
		2016		
Classification	Transaction	Total contract value (notional principal amount)	Estimated fair value	Unrealized gain (loss)
Over-the-counter transactions	Forward exchange contracts			
	Buying:			
	USD	¥ 4,479	¥ (56)	¥ (56)
	GBP	364	0	0
	Selling:			
	EUR	20,873	(97)	(97)
	Total	¥ 25,716	¥ (153)	¥ (153)

Fair value is mainly based on relevant prices quoted by financial institutions and others.

The estimated fair value of the derivatives positions outstanding qualified for deferral hedge accounting at March 31, 2017 and 2016 is summarized as follows:

Currency-related transactions

			Millions of yen		
			2017		
Method of hedge accounting	Transaction	Major hedged item	Total contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Forward exchange contracts				
	Buying:				
	USD	Capital expenditures and others	**¥ 95,655**	**¥ 70,033**	**¥ 6,695**
	CAD	Forecasted foreign currency transactions	**4**	**—**	**0**
	Selling:				
	USD	Forecasted foreign currency transactions	**2,629**	**—**	**(48)**
	Currency swaps				
	Receiving JPY, paying USD	Vessel chartering revenues and forecasted foreign currency transactions	**19,297**	**12,581**	**1,026**
Fair value hedge	Forward exchange contracts				
	Buying:				
	NOK	Long-term loans	**2,200**	**0**	**62**
	Total		**¥ 119,785**	**¥ 82,614**	**¥ 7,735**

			Millions of yen		
			2016		
Method of hedge accounting	Transaction	Major hedged item	Total contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Forward exchange contracts				
	Buying:				
	USD	Capital expenditures and others	¥ 38,864	¥ 34,995	¥ 3,899
	EUR	Forecasted foreign currency transactions	8	—	(0)
	CAD	Forecasted foreign currency transactions	3	—	0
	Selling:				
	USD	Forecasted foreign currency transactions	1,814	—	131
	Currency swaps				
	Receiving USD, paying EUR	Vessel chartering expenses	270	—	43
	Receiving JPY, paying USD	Vessel chartering revenues and forecasted foreign currency transactions	25,555	19,068	1,307
	Total		¥ 66,514	¥ 54,063	¥ 5,380

			Thousands of U.S. dollars		
			2017		
Method of hedge accounting	Transaction	Major hedged item	Total contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Forward exchange contracts				
	Buying:				
	USD	Capital expenditures and others	**$ 852,616**	**$ 624,236**	**$ 59,676**
	CAD	Forecasted foreign currency transactions	**36**	**—**	**0**
	Selling:				
	USD	Forecasted foreign currency transactions	**23,433**	**—**	**(428)**
	Currency swaps				
	Receiving JPY, paying USD	Vessel chartering revenues and forecasted foreign currency transactions	**172,003**	**112,140**	**9,145**
Fair value hedge	Forward exchange contracts				
	Buying:				
	NOK	Long-term loans	**19,610**	**0**	**553**
	Total		**$ 1,067,698**	**$ 736,376**	**$ 68,946**

Fair value is mainly based on relevant prices quoted by financial institutions and others.

Fair value hedge is used by an overseas subsidiary that applies IFRS.

Interest rate-related transactions

Method of hedge accounting	Transaction	Major hedged item	Millions of yen 2017 Total contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Interest rate swaps				
	Receive floating / Pay fixed	Long-term loans	**¥ 91,700**	**¥ 90,154**	**¥ (8,170)**
Special treatment for interest rate swaps	Interest rate swaps				
	Receive floating / Pay fixed	Long-term loans	**2,855**	**2,425**	**(158)**
	Total		**¥ 94,555**	**¥ 92,579**	**¥ (8,328)**

Method of hedge accounting	Transaction	Major hedged item	Millions of yen 2016 Total contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Interest rate swaps				
	Receive floating / Pay fixed	Long-term loans	¥ 92,912	¥ 90,344	¥ (11,615)
Special treatment for interest rate swaps	Interest rate swaps				
	Receive floating / Pay fixed	Long-term loans	3,335	2,945	(228)
	Total		¥ 96,247	¥ 93,289	¥ (11,843)

Method of hedge accounting	Transaction	Major hedged item	Thousands of U.S. dollars 2017 Total contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Interest rate swaps				
	Receive floating / Pay fixed	Long-term loans	**$ 817,363**	**$ 803,583**	**$ (72,823)**
Special treatment for interest rate swaps	Interest rate swaps				
	Receive floating / Pay fixed	Long-term loans	**25,448**	**21,615**	**(1,408)**
	Total		**$ 842,811**	**$ 825,198**	**$ (74,231)**

Fair value is mainly based on relevant prices quoted by financial institutions and others.

Others

Method of hedge accounting	Transaction	Major hedged item	Millions of yen 2017 Total contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Bunker fuel swaps	Bunker fuel purchases	**¥ 5,480**	**¥ 1,070**	**¥ 292**
	Forward freight agreements	Ocean freight	**1,898**	**—**	**(485)**
	Total		**¥ 7,378**	**¥ 1,070**	**¥ (193)**

Method of hedge accounting	Transaction	Major hedged item	Millions of yen 2016 Total contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Bunker fuel swaps	Bunker fuel purchases	¥ 7,831	¥ 1,064	¥ (2,399)
	Forward freight agreements	Ocean freight	376	—	(10)
	Total		¥ 8,207	¥ 1,064	¥ (2,409)

Method of hedge accounting	Transaction	Major hedged item	Thousands of U.S. dollars 2017 Total contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Bunker fuel swaps	Bunker fuel purchases	**$ 48,846**	**$ 9,537**	**$ 2,603**
	Forward freight agreements	Ocean freight	**16,918**	**—**	**(4,323)**
	Total		**$ 65,764**	**$ 9,537**	**$ (1,720)**

Fair value is mainly based on relevant prices quoted by financial institutions and others.

15. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2017 and 2016.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Net unrealized holding gain (loss) on investments in securities:			
Amount arising during the year	**¥ 3,167**	¥ (14,249)	**$ 28,229**
Reclassification adjustments to profit or loss	**(308)**	2,187	**(2,745)**
Amount before tax effect	**2,859**	(12,062)	**25,484**
Tax effect	**(529)**	3,678	**(4,716)**
Net unrealized holding gain (loss) on investments in securities	**2,330**	(8,384)	**20,768**
Deferred gain (loss) on hedges:			
Amount arising during the year	**2,056**	(13,467)	**18,326**
Reclassification adjustments to profit or loss	**6,197**	11,264	**55,237**
Adjustments for acquisition costs of vessels due to valuation of hedges	**(1,908)**	(6,177)	**(17,007)**
Amount before tax effect	**6,345**	(8,380)	**56,556**
Tax effect	**(1,709)**	3,761	**(15,233)**
Deferred gain (loss) on hedges	**4,636**	(4,619)	**41,323**
Revaluation reserve for land:			
Tax effect	**(0)**	59	**(0)**
Revaluation reserve for land	**(0)**	59	**(0)**
Translation adjustments:			
Amount arising during the year	**(2,667)**	(13,642)	**(23,772)**
Reclassification adjustments to profit or loss	**87**	(216)	**775**
Translation adjustments	**(2,580)**	(13,858)	**(22,997)**
Retirement benefits liability adjustments:			
Amount arising during the year	**(468)**	(3,580)	**(4,171)**
Reclassification adjustments to profit or loss	**727**	232	**6,480**
Amount before tax effect	**259**	(3,348)	**2,309**
Tax effect	**(692)**	959	**(6,169)**
Retirement benefits liability adjustments	**(433)**	(2,389)	**(3,860)**
Share of other comprehensive income of subsidiaries and affiliates accounted for by the equity method:			
Amount arising during the year	**(540)**	(408)	**(4,813)**
Reclassification adjustments to profit or loss	**1,184**	865	**10,554**
Share of other comprehensive income of subsidiaries and affiliates accounted for by the equity method	**644**	457	**5,741**
Total other comprehensive income (loss)	**¥ 4,597**	¥ (28,734)	**$ 40,975**

16. Supplementary Information on Consolidated Statements of Cash Flows

Cash and cash equivalents in the accompanying consolidated statements of cash flows for the years ended March 31, 2017 and 2016 are reconciled to cash and deposits reflected in the accompanying consolidated balance sheets as of March 31, 2017 and 2016 as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Cash and deposits	**¥ 199,678**	¥ 241,101	**$1,779,820**
Time deposits with a maturity of more than three months after the purchase date	**(42,886)**	(42,356)	**(382,262)**
Cash and cash equivalents	**¥ 156,792**	¥ 198,745	**$1,397,558**

17. Amounts per Share

Amounts per share at March 31, 2017 and 2016 and for the years then ended are as follows:

	Yen		U.S. dollars
	2017	2016	**2017**
Net assets	**¥ 234.19**	¥ 379.18	**$ 2.09**
Loss attributable to owners of the parent:			
Basic	**(148.82)**	(54.95)	**(1.33)**
Diluted	**—**	—	**—**
Cash dividends applicable to the year	**—**	5.00	**—**

Net assets per share have been computed based on the number of shares of common stock outstanding at the year end.

Basic loss attributable to owners of the parent per share has been computed based on loss attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Diluted loss attributable to owners of the parent per share for the years ended March 31, 2017 and 2016 has not been presented although dilutive potential common shares exist, because losses for the years were recorded.

The financial data used in the computation of basic loss per share for the years ended March 31, 2017 and 2016 in the table above is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Information used in computation of basic loss per share:			
Loss attributable to owners of the parent	**¥ (139,479)**	¥ (51,499)	**$(1,243,239)**

	Thousands of shares	
	2017	2016
Weighted-average number of shares of common stock outstanding	**937,211**	937,233

18. Segment Information

Segment information for the years ended March 31, 2017 and 2016

1. Overview of reporting segments

The Company's reporting segments are its structural units, for which separate financial information is available, and which are subject to periodic review by the Board of Directors in order to assist decision-making on the allocation of managerial resources and assessment of business performance.

The Group is a shipping business organization centering on marine transportation service and has three reporting segments, which are the containership business segment, the bulk shipping business segment and the offshore energy exploration and production ("E&P") support and heavy lifter business segment, considering the economic characteristics, service contents and method of the provision and categorization of the market and customers.

The containership business includes container ship service and logistics service. The bulk shipping business includes the following services: dry bulk carrier service, car carrier service, energy transportation and tanker business and short sea and coastal business. The offshore energy E&P support and heavy lifter business includes the following services: offshore energy exploration and production business, offshore support vessel business and heavy lifter business.

2. Calculation method of reporting segment profit (loss)

Reporting segment profit (loss) represents ordinary income (loss), which consists of operating income (loss) and nonoperating income / expenses. Nonoperating income / expenses mainly include interest income, dividend income, interest expenses, exchange loss net, equity in earnings of subsidiaries and affiliates, net and other, net.

Intra-group revenues and transfers are intra-group transactions which are based on market price and other.

3. Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016

As described in Note 2. "Changes in Method of Accounting," the Company and its domestic subsidiaries adopted "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (PITF No.32 issued on June 17, 2016) in accordance with the revision of the Corporation Tax Act of Japan, and changed their method of accounting for depreciation of the facilities attached to buildings and other structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The effect of the change on the segment profit (loss) for the year ended March 31, 2017 was immaterial.

4. Information on operating revenues, profit or loss, assets, and other items by each reporting segment

Reporting segment information for the years ended March 31, 2017 and 2016 consisted of the following:

	Millions of yen						
	2017						
	Containership	Bulk shipping	Offshore energy E&P support and heavy lifter	Other*1	Total	Adjustments and eliminations*2	Consolidated
1. Revenues:							
(1) Operating revenues from customers	**¥ 518,954**	**¥ 456,542**	**¥ 19,421**	**¥ 35,274**	**¥ 1,030,191**	**¥ —**	**¥ 1,030,191**
(2) Intra-group revenues and transfers	**5,129**	**2,442**	**—**	**44,696**	**52,267**	**(52,267)**	**—**
Total revenues	**¥ 524,083**	**¥ 458,984**	**¥ 19,421**	**¥ 79,970**	**¥ 1,082,458**	**¥ (52,267)**	**¥ 1,030,191**
2. Segment profit (loss)*3	**¥ (31,489)**	**¥ (9,477)**	**¥ (5,119)**	**¥ 2,519**	**¥ (43,566)**	**¥ (8,823)**	**¥ (52,389)**
3. Segment assets	**¥ 239,333**	**¥ 634,434**	**¥ 64,741**	**¥ 83,801**	**¥ 1,022,309**	**¥ 22,901**	**¥ 1,045,210**
4. Others							
(1) Depreciation and amortization	**¥ 8,354**	**¥ 32,008**	**¥ 4,809**	**¥ 1,870**	**¥ 47,041**	**¥ 380**	**¥ 47,421**
(2) Amortization of goodwill and negative goodwill, net	**43**	**—**	**—**	**—**	**43**	**—**	**43**
(3) Interest income	**598**	**778**	**7**	**151**	**1,534**	**(160)**	**1,374**
(4) Interest expenses	**658**	**4,775**	**1,064**	**160**	**6,657**	**(32)**	**6,625**
(5) Equity in earnings of subsidiaries and affiliates, net	**968**	**929**	**1,145**	**113**	**3,155**	**—**	**3,155**
(6) Investments in subsidiaries and affiliates accounted for by the equity method	**12,585**	**10,705**	**6,547**	**3,962**	**33,799**	**—**	**33,799**
(7) Increase in vessels, property and equipment and intangible assets	**11,789**	**55,077**	**9**	**846**	**67,721**	**327**	**68,048**

	Millions of yen						
	2016						
	Containership	Bulk shipping	Offshore energy E&P support and heavy lifter	Other*1	Total	Adjustments and eliminations*4	Consolidated
1. Revenues:							
(1) Operating revenues from customers	¥ 614,908	¥ 567,617	¥ 24,656	¥ 36,751	¥ 1,243,932	¥ —	¥ 1,243,932
(2) Intra-group revenues and transfers	8,055	2,534	0	50,475	61,064	(61,064)	—
Total revenues	¥ 622,963	¥ 570,151	¥ 24,656	¥ 87,226	¥ 1,304,996	¥ (61,064)	¥ 1,243,932
2. Segment profit (loss)*3	¥ (10,050)	¥ 24,656	¥ (6,554)	¥ 1,828	¥ 9,880	¥ (6,541)	¥ 3,339
3. Segment assets	¥ 231,471	¥ 686,164	¥ 88,077	¥ 80,809	¥ 1,086,521	¥ 28,703	¥ 1,115,224
4. Others							
(1) Depreciation and amortization	¥ 7,478	¥ 33,045	¥ 5,147	¥ 2,271	¥ 47,941	¥ 362	¥ 48,303
(2) Amortization of goodwill and negative goodwill, net	173	—	—	—	173	—	173
(3) Interest income	871	683	32	121	1,707	7	1,714
(4) Interest expenses	852	5,159	1,426	164	7,601	54	7,655
(5) Equity in earnings of subsidiaries and affiliates, net	2,180	428	899	80	3,587	—	3,587
(6) Investments in subsidiaries and affiliates accounted for by the equity method	8,460	7,937	6,172	4,108	26,677	—	26,677
(7) Increase in vessels, property and equipment and intangible assets	31,168	82,852	33	2,024	116,077	516	116,593

	Thousands of U.S. dollars						
	2017						
	Containership	Bulk shipping	Offshore energy E&P support and heavy lifter	Other*1	Total	Adjustments and eliminations*2	Consolidated
1. Revenues:							
(1) Operating revenues from customers	**$ 4,625,671**	**$ 4,069,364**	**$ 173,108**	**$ 314,413**	**$ 9,182,556**	**$ —**	**$ 9,182,556**
(2) Intra-group revenues and transfers	**45,717**	**21,767**	**—**	**398,395**	**465,879**	**(465,879)**	**—**
Total revenues	**$ 4,671,388**	**$ 4,091,131**	**$ 173,108**	**$ 712,808**	**$ 9,648,435**	**$ (465,879)**	**$ 9,182,556**
2. Segment profit (loss)*3	**$ (280,676)**	**$ (84,473)**	**$ (45,628)**	**$ 22,453**	**$ (388,324)**	**$ (78,643)**	**$ (466,967)**
3. Segment assets	**$ 2,133,283**	**$ 5,654,996**	**$ 577,066**	**$ 746,956**	**$ 9,112,301**	**$ 204,126**	**$ 9,316,427**
4. Others							
(1) Depreciation and amortization	**$ 74,463**	**$ 285,302**	**$ 42,865**	**$ 16,668**	**$ 419,298**	**$ 3,387**	**$ 422,685**
(2) Amortization of goodwill and negative goodwill, net	**383**	**—**	**—**	**—**	**383**	**—**	**383**
(3) Interest income	**5,330**	**6,935**	**62**	**1,346**	**13,673**	**(1,426)**	**12,247**
(4) Interest expenses	**5,865**	**42,562**	**9,484**	**1,426**	**59,337**	**(285)**	**59,052**
(5) Equity in earnings of subsidiaries and affiliates, net	**8,628**	**8,281**	**10,206**	**1,007**	**28,122**	**—**	**28,122**
(6) Investments in subsidiaries and affiliates accounted for by the equity method	**112,176**	**95,418**	**58,356**	**35,316**	**301,266**	**—**	**301,266**
(7) Increase in vessels, property and equipment and intangible assets	**105,081**	**490,926**	**80**	**7,541**	**603,628**	**2,914**	**606,542**

*1 The "Other" segment consists of business segments not classified into aforementioned three reporting segments, including ship management service, travel agency business and real estate rental and management business and others.

*2 (1) The adjustment and elimination of segment profit (loss) of ¥8,823 million ($78,643 thousand) includes the following elements: ¥851 million ($7,585 thousand) of intersegment transaction eliminations and ¥7,972 million ($71,058 thousand) of corporate expenses, which are not distributed to specific segments.
(2) The adjustment and elimination of segment assets of ¥22,901 million ($204,126 thousand) includes the following elements: ¥53,166 million ($473,893 thousand) of intersegment transaction eliminations and ¥76,067 million ($678,019 thousand) of corporate assets, which are not distributed to specific segments.
(3) The adjustment and elimination of depreciation and amortization of ¥380 million ($3,387 thousand) is depreciation and amortization of assets that belong to the entire group, which are not distributed to specific segments.
(4) The adjustment and elimination of interest income of ¥160 million ($1,426 thousand) includes the following elements: ¥249 million ($2,219 thousand) of intersegment transaction eliminations and ¥89 million ($793 thousand) of interest income, which are not distributed to specific segments.
(5) The adjustment and elimination of interest expenses of ¥32 million ($285 thousand) includes the following elements: ¥249 million ($2,219 thousand) of intersegment transaction eliminations and ¥217 million ($1,934 thousand) of interest expenses, which are not distributed to specific segments.
(6) The adjustment and elimination of increase in vessels, property and equipment, and intangible assets of ¥327 million ($2,914 thousand) is the increase in assets that belong to the entire group, which are not distributed to specific segments.

*3 Segment profit (loss) is adjusted for ordinary income (loss) as described in 2. Calculation method of reporting segment profit (loss).

*4 (1) The adjustment and elimination of segment profit (loss) of ¥6,541 million includes the following elements: ¥548 million of intersegment transaction eliminations and ¥5,993 million of corporate expenses, which are not distributed to specific segments.
(2) The adjustment and elimination of segment assets of ¥28,703 million includes the following elements: ¥40,327 million of intersegment transaction eliminations and ¥69,030 million of corporate assets, which are not distributed to specific segments.
(3) The adjustment and elimination of depreciation and amortization of ¥362 million is depreciation and amortization of assets that belong to the entire group, which are not distributed to specific segments.
(4) The adjustment and elimination of interest income of ¥7 million includes the following elements: ¥191 million of intersegment transaction eliminations and ¥198 million of interest income, which are not distributed to specific segments.
(5) The adjustment and elimination of interest expenses of ¥54 million includes the following elements: ¥191 million of intersegment transaction eliminations and ¥245 million of interest expenses, which are not distributed to specific segments.
(6) The adjustment and elimination of increase in vessels, property and equipment, and intangible assets of ¥516 million is the increase in assets that belong to the entire group, which are not distributed to specific segments.

Revenues by countries or geographical areas for the years ended March 31, 2017 and 2016 are summarized as follows:

	Millions of yen					
	2017					
	Japan	U.S.A.	Europe	Asia	Others	Total
Revenues	**¥ 412,456**	**¥ 208,213**	**¥ 139,355**	**¥ 231,893**	**¥ 38,274**	**¥ 1,030,191**

	Millions of yen					
	2016					
	Japan	U.S.A.	Europe	Asia	Others	Total
Revenues	¥ 493,552	¥ 251,283	¥ 161,518	¥ 293,076	¥ 44,503	¥ 1,243,932

	Thousands of U.S. dollars					
	2017					
	Japan	U.S.A.	Europe	Asia	Others	Total
Revenues	**$ 3,676,406**	**$ 1,855,896**	**$ 1,242,134**	**$ 2,066,967**	**$ 341,153**	**$ 9,182,556**

At March 31, 2017 and 2016, vessels, property and equipment by countries or geographical areas are summarized as follows:

	Millions of yen			
	2017			
	Japan	Singapore	Others	Total
Vessels, property and equipment	**¥ 362,111**	**¥ 60,535**	**¥ 103,742**	**¥ 526,388**

	Millions of yen				
	2016				
	Japan	Singapore	UK	Others	Total
Vessels, property and equipment	¥ 375,347	¥ 64,206	¥ 59,951	¥ 84,048	¥ 583,552

	Thousands of U.S. dollars			
	2017			
	Japan	Singapore	Others	Total
Vessels, property and equipment	**$ 3,227,658**	**$ 539,576**	**$ 924,699**	**$ 4,691,933**

The loss on impairment of vessels, property and equipment for the years ended March 31, 2017 and 2016 is as follows:

	Millions of yen					
	2017					
	Containership	Bulk shipping	Offshore energy E&P support and heavy lifter	Other*	Adjustments and eliminations	Total
Loss on impairment of vessels, property and equipment	**¥ 3,132**	**¥ 2,984**	**¥ 14,233**	**¥ 1**	**¥ 13**	**¥ 20,363**

	Millions of yen					
	2016					
	Containership	Bulk shipping	Offshore energy E&P support and heavy lifter	Other*	Adjustments and eliminations	Total
Loss on impairment of vessels, property and equipment	¥ 1,189	¥ 15,397	¥ 2,062	¥ 601	¥ —	¥ 19,249

	Thousands of U.S. dollars					
	2017					
	Containership	Bulk shipping	Offshore energy E&P support and heavy lifter	Other*	Adjustments and eliminations	Total
Loss on impairment of vessels, property and equipment	**$ 27,917**	**$ 26,598**	**$ 126,865**	**$ 9**	**$ 116**	**$ 181,505**

* The "Other" segment consists of business segments not classified into aforementioned three reporting segments, including ship management service, travel agency business and real estate rental and management business.

The amortization and balance of goodwill for the years ended and as of March 31, 2017 and 2016 are as follows:

	Millions of yen					
	2017					
	Containership	Bulk shipping	Offshore energy E&P support and heavy lifter	Other*	Adjustments and eliminations	Total
Amortization for the year	**¥ 43**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ 43**
Balance at the year end	**—**	**—**	**—**	**—**	**—**	**—**

	Millions of yen					
	2016					
	Containership	Bulk shipping	Offshore energy E&P support and heavy lifter	Other*	Adjustments and eliminations	Total
Amortization for the year	¥ 173	¥ —	¥ —	¥ —	¥ —	¥ 173
Balance at the year end	43	—	—	—	—	43

	Thousands of U.S. dollars					
	2017					
	Containership	Bulk shipping	Offshore energy E&P support and heavy lifter	Other*	Adjustments and eliminations	Total
Amortization for the year	**$ 383**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 383**
Balance at the year end	**—**	**—**	**—**	**—**	**—**	**—**

* The "Other" segment consists of business segments not classified into aforementioned three reporting segments, including ship management service, travel agency business and real estate rental and management business.

19. Subsequent Event

(Share consolidation and change in number of shares constituting one share unit)

The resolution to put forward the proposal on a share consolidation at the 149th Ordinary General Meeting of Shareholders on June 23, 2017 was made at the Board of Directors' meeting held on May 18, 2017. Simultaneously, the resolution for a change in the number of shares constituting one share unit was made subject to the approval of the proposal on the share consolidation at the general shareholders' meeting. The proposal on the share consolidation was subsequently approved at that general shareholders' meeting.

(1) Purpose in the share consolidation and the change in the number of shares constituting one share unit
The Japanese Stock Exchanges published an "Action Plan for Consolidating Trading Units" and are aiming to unify the trading units to 100 shares for common stock of domestic companies listed on Japanese stock exchanges. As a listed company, the Company adheres to this plan and decided to change the number of shares constituting one share unit of the Company's shares from the current 1,000 shares to 100 shares. Simultaneously, the Company implemented the share consolidation (consolidating ten shares into one share) for the purpose of adjusting investment units to appropriate levels while taking the medium- to long-term share price trends into consideration.

(2) Details of the share consolidation
(a) Type of shares to be consolidated
Common stock
(b) Method and ratio of the share consolidation
With respect to the shares owned by the shareholders recorded in the shareholder register as of September 30, 2017, ten shares will be consolidated into one share as of October 1, 2017.
(c) Decrease in number of shares due to share consolidation
Total number of outstanding shares before share consolidation (As of March 31, 2017) 939,382,298 shares
Decrease in number of shares due to share consolidation 845,444,069 shares
Total number of outstanding shares after share consolidation 93,938,229 shares
The decrease in the number of shares due to the share consolidation and the total number of outstanding shares after the share consolidation are theoretical numbers calculated on the basis of the total number of outstanding shares before the share consolidation and the share consolidation ratio.
(d) Treatment for any fractional shares less than one share
If any fractional shares less than one share are produced as a result of the share consolidation, the Company will sell or purchase such shares in bulk in accordance with the Companies Act, and the proceeds from the transactions will be distributed to shareholders of fractional shares at the ratio of fractional shares ownership.

(3) Total number of authorized shares as of the effective date
As a result of the total number of outstanding shares decreased due to the share consolidation, the total number of authorized shares will also be reduced from 2,000,000,000 shares to 200,000,000 shares as of the effective date, that is, October 1, 2017.

(4) Details of change in the number of shares constituting one share unit
As of October 1, 2017, the number of shares constituting one share unit of the Company's common stock will be changed from the current 1,000 shares to 100 shares.

(5) Schedule of the share consolidation and change in the number of shares constituting share unit
Resolution at the Board of Directors' meeting May 18, 2017
Resolution at the general shareholders' meeting June 23, 2017
Effective date for the share consolidation and change in number of shares constituting one share unit October 1, 2017

(6) Impacts of this change on per share information
Per share information, which was calculated as if the share consolidation had been implemented at the beginning of previous consolidated fiscal year, for the years ended March 31, 2017 and 2016 was as follows:

	Yen		U.S. dollars
	2017	2016	**2017**
Net assets	**¥ 2,341.93**	¥ 3,791.81	**$ 20.87**
Loss attributable to owners of the parent:			
Basic	**(1,488.23)**	(549.48)	**(13.27)**
Diluted	**—**	—	**—**

Diluted loss attributable to owners of the parent per share for the years ended March 31, 2017 and 2016 has not been presented because losses for the years were recorded.

20. Agreement to Integrate Container Shipping Businesses

The Company, Mitsui O.S.K. Lines, Ltd., and Nippon Yusen Kabushiki Kaisha have agreed, based on the resolutions by the Board of Directors of each company at meetings held on October 31, 2016 and subject to regulatory approval from the relevant authorities, to establish a new joint-venture company to integrate the container shipping businesses (including worldwide terminal operating businesses excluding Japan) of all three companies and to enter into a business integration contract and a shareholders' agreement.

Related to the integration of the container shipping business, a one-time restructuring expense in the amount of ¥11,448 million ($102,041 thousand) and loss relating to chartered vessels in the amount of ¥36,441 million ($324,815 thousand) were recorded in provision of allowance for loss related to business restructuring.

Independent Auditor's Report

Ernst & Young ShinNihon LLC

Building a better working world

Independent Auditor's Report

The Board of Directors
Kawasaki Kisen Kaisha, Ltd.

We have audited the accompanying consolidated financial statements of Kawasaki Kisen Kaisha, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kawasaki Kisen Kaisha, Ltd. and its consolidated subsidiaries as at March 31, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

As described in Note 20 "Agreement to Integrate Container Shipping Businesses" in the accompanying notes to the consolidated financial statements, Kawasaki Kisen Kaisha, Ltd, Mitsui O.S.K. Lines, Ltd., and Nippon Yusen Kabushiki Kaisha have agreed, based on resolutions by the Board of Directors of each company at meetings held on October 31, 2016, to integrate the container shipping businesses of all three companies and to enter into a business integration contract and a shareholders' agreement. Our opinion is not qualified in respect of this matter.

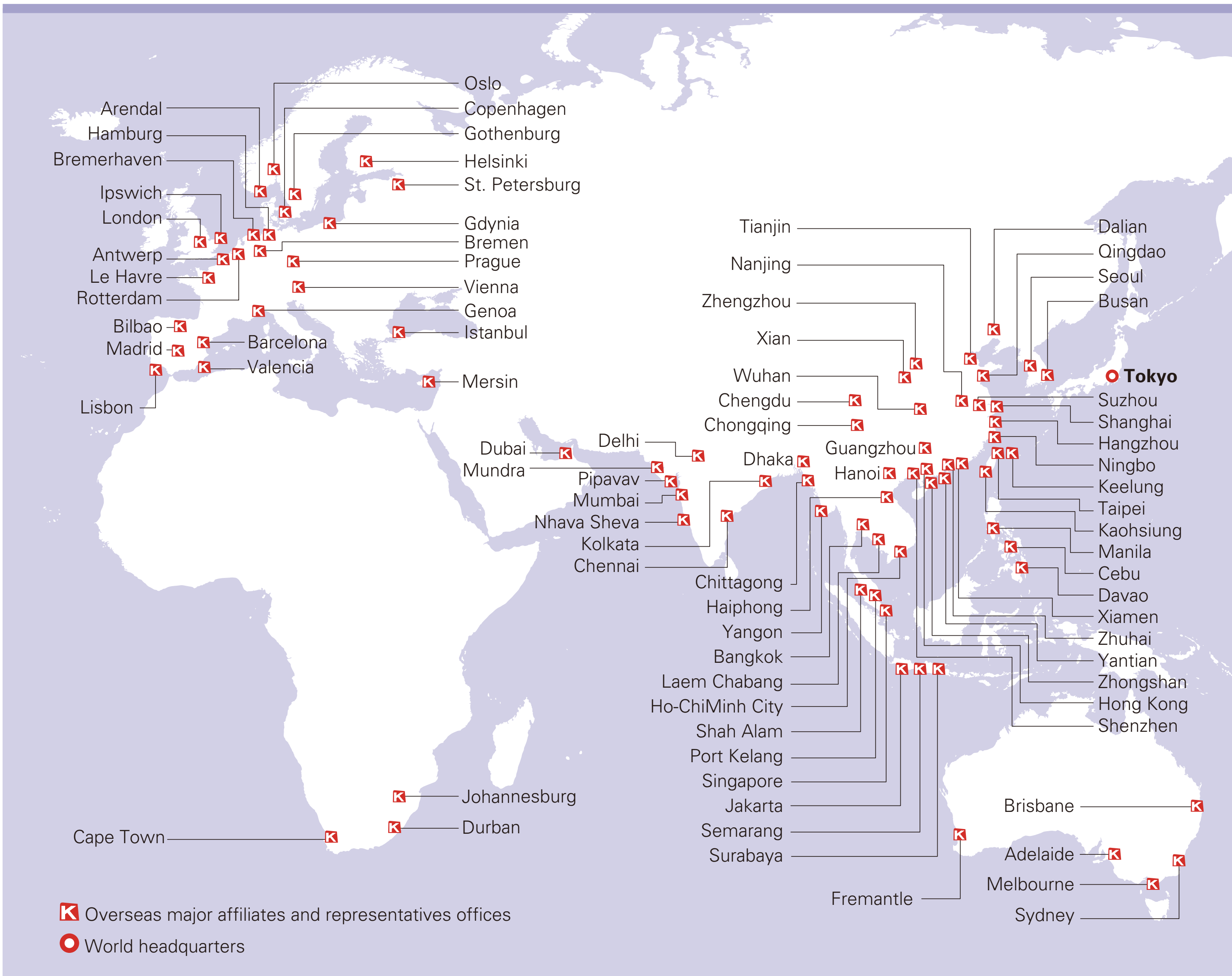
Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1(a).

June 23, 2017
Osaka, Japan

Ernst & Young ShinNihon LLC

Global Network



Domestic	Overseas Major Affiliates and Representatives Offices

Japan
Tokyo (Headquarters)
Kobe
Nagoya
etc.

[Europe]

Austria
Vienna

Belgium
Antwerp

Czech Republic
Prague

Denmark
Copenhagen

Finland
Helsinki

France
Le Havre

Germany
Bremen
Bremerhaven
Hamburg

Italy
Genoa

Netherlands
Rotterdam

Norway
Arendal
Oslo

Poland
Gdynia

Portugal
Lisbon

Russia
St. Petersburg

Spain
Barcelona
Bilbao
Madrid
Valencia

Sweden
Gothenburg

Turkey
Istanbul
Mersin

United Kingdom
Ipswich
London

[Africa]

South Africa
Cape Town
Durban
Johannesburg

[Middle East]

United Arab Emirates
Dubai

[Asia]

Bangladesh
Chittagong
Dhaka

China
Chengdu
Chongqing
Dalian
Guangzhou
Hangzhou
Hong Kong
Nanjing
Ningbo
Qingdao
Shanghai

Shenzhen
Suzhou
Tianjin
Wuhan
Xiamen
Xian
Yantian
Zhengzhou
Zhongshan
Zhuhai

India
Kolkata
Chennai
Delhi
Mumbai
Mundra
Nhava Sheva
Pipavav

Indonesia
Jakarta
Semarang
Surabaya

Korea
Seoul
Busan

Malaysia
Port Kelang
Shah Alam

Myanmar
Yangon

Philippines
Cebu
Davao
Manila

Singapore
Singapore

Taiwan
Kaohsiung
Keelung
Taipei

Thailand
Bangkok
Laem Chabang

Vietnam
Haiphong
Hanoi
Ho-ChiMinh City

[Oceania]

Australia
Adelaide
Brisbane
Fremantle
Melbourne
Sydney

[North America]

Canada
Toronto
Vancouver

United States
Atlanta
Baltimore
Boston
Charleston
Chicago
Cleveland
Columbus
Detroit
Houston
Los Angeles
Memphis
New Orleans
New York / New Jersey
Portland
Richmond
San Francisco
Seattle
St. Louis

[Central and South America]

Brazil
Rio de Janeiro
Sao Paulo

Chile
Santiago

Mexico
Mexico City

Peru
Lima

Major Subsidiaries and Affiliates[*1] (as of March 31, 2017)

Domestic		Company name	"K" LINE's ownership (%)[*2]	Paid-in capital (millions)	Fiscal 2016 revenue (millions)
Marine transportation		Kawasaki Kinkai Kisen Kaisha, Ltd.	51.0	¥2,368	¥42,246
		Asahi Kisen Kaisha, Ltd.	100.0	100	331
	★	Shibaura Kaiun Co., Ltd.	100.0	20	660
Shipping agency		"K" Line (Japan) Ltd.	100.0	150	2,386
	★	Shimizu Kawasaki Transportation Co., Ltd.	50.0	10	158
Ship management		"K" Line Ship Management Co., Ltd.	100.0	75	10,744
		Taiyo Nippon Kisen Co., Ltd.	100.0	400	33,875
		Escobal Japan Ltd.	100.0	10	614
Harbor transportation / Warehousing		Daito Corporation	100.0	842	23,574
		Nitto Total Logistics Ltd.	100.0	1,596	12,684
		Hokkai Transportation Co., Ltd.	80.1	60	11,320
		Seagate Corporation	100.0	270	6,708
		Nitto Tugboat Co., Ltd.	100.0	150	4,584
	★	Rinko Corporation	25.1	1,950	16,491
Logistics		"K" Line Logistics, Ltd.	91.9	600	17,117
Land transportation		Japan Express Transportation Co., Ltd.	100.0	100	3,403
		Shinto Rikuun Kaisha, Ltd.	100.0	10	836
		Maizuru Kousoku Yusou Co., Ltd.	100.0	25	662
Container repairing		Intermodal Engineering Co., Ltd.	100.0	40	806
Travel business		"K" Line Travel, Ltd.	100.0	100	7,344
Other business		"K" Line Engineering Co., Ltd.	100.0	50	2,193
		Shinki Corporation	100.0	80	2,516
		"K" Line Business Systems, Ltd.	100.0	40	1,109
		KMDS Co., Ltd.	100.0	40	1,300
		Kawaki Kosan Kaisha, Ltd.	100.0	30	510
		"K" Line Accounting and Finance Co., Ltd.	100.0	100	218

Overseas		Company name	"K" LINE's ownership (%)[*2]	Paid-in capital (millions)	Fiscal 2016 revenue (millions)
Marine transportation		"K" Line Pte Ltd	100.0	US$41.1	US$246.5
		"K" Line Bulk Shipping (UK) Limited	100.0	US$33.9	US$150.8
		"K" Line LNG Shipping (UK) Limited	100.0	US$35.9	US$76.7
		SAL Heavy Lift GmbH	100.0	EUR155.5	EUR133.6
		"K" Line European Sea Highway Services GmbH	100.0	EUR5.3	EUR74.4
		K Line Offshore AS	100.0	NOK1,120.1	NOK260.9
	★	Northern LNG Transport Co., Ⅰ Ltd.	49.0	US$47.9	US$16.4
	★	Northern LNG Transport Co., Ⅱ Ltd.	36.0	US$52.8	US$15.2
		'K' Line (India) Shipping Private Limited	80.0	INR755.4	INR451.4
Shipping agency		"K" Line America, Inc.	100.0	US$15.5	US$65.1
		"K" Line (Australia) Pty Limited	100.0	A$0.0001	A$14.7
		"K" Line (Belgium) N.V.	51.0	EUR0.06	EUR3.2
		"K" Line Canada Ltd.	100.0	US$0.09	US$0.5
		KLine (China) Ltd.	100.0	US$2.6	RMB285.7
		"K" Line Chile Ltda	100.0	US$0.6	US$5.0
		"K" Line (Deutschland) GmbH	100.0	EUR0.2	EUR11.8
		"K" Line (Europe) Limited	100.0	£0.01	£13.1
		"K" Line (Finland) OY	51.0	EUR0.01	EUR1.3
		"K" Line (France) SAS	100.0	EUR0.5	EUR3.5
		"K" Line (Hong Kong) Limited	100.0	HK$15.0	HK$65.0
	★	K Line España Servicios Maritimos, S.A.	50.0	EUR0.06	EUR17.8
	★	'K' Line (India) Private Limited	50.0	INR60.0	INR441.8
	★	"K" Line Italia S.R.L.	50.0	EUR0.1	EUR9.2
		"K" Line (Korea) Ltd.	100.0	KRW400	KRW8,251.8

Overseas		Company name	"K" LINE's ownership (%)[*2]	Paid-in capital (millions)	Fiscal 2016 revenue (millions)
		"K" Line Maritime (M) Sdn Bhd	57.5	MYR0.3	MYR9.2
		K Line Mexico SA de CV	100.0	US$0.005	US$0.3
		"K" Line (Nederland) B.V.	100.0	EUR0.1	EUR4.3
		K Line (Norway) AS	100.0	NOK0.1	NOK3.4
		K Line Peru S.A.C.	100.0	PEN1.3	PEN9.5
		"K" Line (Portugal)-Agentes de Navagação, S.A.	51.0	EUR0.2	EUR2.3
		"K" Line (Scandinavia) Holding A/S	51.0	DKK1.0	DKK12.3
		"K" Line Shipping (South Africa) Pty Ltd	51.0	ZAR0.0001	ZAR134.5
		"K" Line (Singapore) Pte Ltd	95.0	S$1.5	S$12.2
		K Line (Sweden) AB	100.0	SEK0.1	SEK14.1
		"K" Line (Taiwan) Ltd.	60.0	NT$60.0	NT$296.5
		K Line (Thailand) Ltd.	34.0	THB30.0	THB2,165.8
		"K" Line (Vietnam) Limited	75.0	US$3.5	VND104,071.9
		PT. K Line Indonesia	93.0	IDR463.6	IDR64,896.2
Ship management		"K" Line Ship Management (Singapore) Pte. Ltd.	100.0	US$518.0	US$50.9
Terminal operator		International Transportation Service, Inc.	70.0	US$33.9	US$342.0
		Husky Terminal & Stevedoring, Inc.	100.0	US$0.1	US$70.9
Freight consolidation		Century Distribution Systems, Inc.	100.0	US$2.3	US$16.7
		Century Distribution Systems (Canada), Inc.	100.0	US$0.0001	US$0.5
		Century Distribution Systems (Europe) B.V.	100.0	EUR0.02	EUR0.8
		Century Distribution Systems (Hong Kong) Limited	100.0	HK$0.08	HK$43.5
		Century Distribution Systems (International) Limited	100.0	HK$1.8	HK$93.1
		Century Distribution Systems (Shenzhen) Limited	100.0	RMB5.0	RMB321.7
		Century Distribution Systems (Shipping) Limited	100.0	HK$0.000001	HK$1.1
Warehousing		Universal Logistics System, Inc.	100.0	US$12.3	US$0.7
		Universal Warehouse Co.	100.0	US$0.05	US$9.2
Logistics		"K" Line Logistics (Hong Kong) Ltd.	100.0	HK$8.0	HK$107.5
		"K" Line Logistics (Singapore) Pte. Ltd.	100.0	S$1.15	S$27.8
		K Line Logistics South East Asia Ltd.	95.0	THB73.0	THB0.0
		K Line Logistics (Thailand) Ltd.	86.5	THB20.0	THB777.8
		"K" Line Logistics (UK) Ltd.	100.0	£0.2	£5.0
		"K" Line Logistics (U.S.A.) Inc.	100.0	US$0.5	US$60.4
Land transportation		ULS Express, Inc.	100.0	US$0.05	US$6.1
		PMC Transportation Company, Inc.	100.0	US$0.0	US$0.7
Container repairing	★	Multimodal Engineering Corporation	100.0	US$0.15	US$11.3
		Bridge Chassis Supply LLC.	100.0	US$7.5	US$46.5
Holding company		Kawasaki (Australia) Pty. Ltd.	100.0	A$4.7	A$10.9
		"K" Line Holding (Europe) Limited	100.0	£84.8	£0.0
		"K" Line Heavy Lift (Germany) GmbH	100.0	EUR18.0	EUR0.0
		"K" Line Drilling / Offshore Holding, Inc.	100.0	US$0.001	US$0.0
Other business		Cygnus Insurance Company Limited	100.0	US$3.0	US$4.0
		"K" Line TRS S.A.	100.0	US$0.006	US$0.0
	★	"K" Line Auto Logistics Pty Ltd.	50.0	A$27	A$7.1

*1 Includes main consolidated subsidiaries, equity-method subsidiaries and equity-method affiliates.
*2 Includes holdings of subsidiaries
★ Subsidiaries and affiliates accounted for with the equity method

¥: Japanese yen
£: Pounds sterling
A$: Australian dollars
RMB: Chinese renminbi
THB: Thai baht
IDR: Indonesian rupiah
S$: Singapore dollars
EUR: Euro
HK$: Hong Kong dollars
MYR: Malaysian ringgit
US$: United States dollars
NT$: New Taiwan dollars
KRW: Korean won
DKK: Danish krone
NOK: Norwegian krone
SEK: Swedish krone
VND: Vietnamese dong
ZAR: South African rand
PEN: Peruvian nuevo sol
INR: Indian rupee

Outline of the Company / Stock Information

Outline of the Company (as of March 31, 2017)

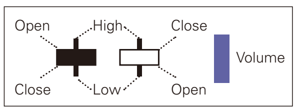
Name	Kawasaki Kisen Kaisha, Ltd. ("K" LINE)
Established	April 5, 1919
Paid-in capital	¥75,457.64 million
President	Eizo Murakami
Employees	On-land Duty 552 At-sea Duty 183 Total 735
Business lines	Marine transportation, Land transportation, Air transportation, Through transportation involving marine, land and air transportation, Harbor transportation, etc.
Offices	
Head office	Iino Building, 1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8540, Japan Phone: (+81) 3-3595-5000 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) 78-393-2676
Branches	Nagoya: 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: 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 representative offices	Manila, Yangon, Dubai
Overseas agents	Korea, China, Taiwan, Thailand, the Philippines, Singapore, Malaysia, Indonesia, Vietnam, India, Australia, United Arab Emirates, U.K., Germany, France, the Netherlands, Belgium, Italy, Finland, Denmark, Norway, Sweden, Spain, Portugal, Turkey, Canada, U.S.A., Mexico, Chile, Peru, Brazil, South Africa, etc.
Affiliated companies (to be consolidated)	26 (domestic), 317 (overseas)

Stock Information (as of March 31, 2017)

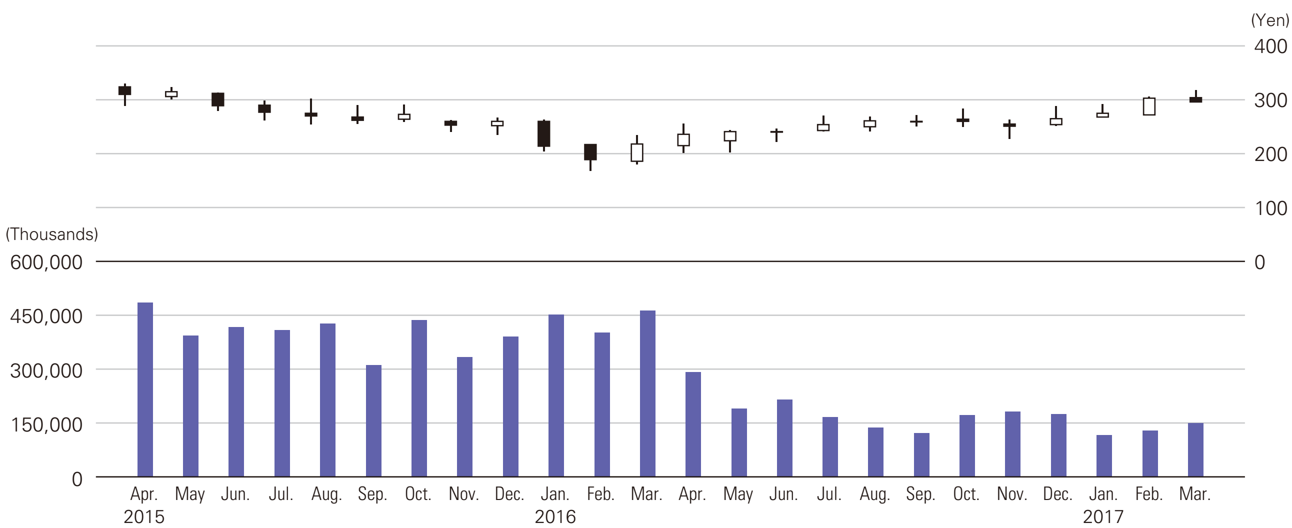
Authorized	2,000,000,000 shares of common stock
Issued	939,382,298 shares of common stock
Number of shareholders	32,732
Shareholder registry administrator	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Listing of shares	Tokyo, Nagoya and Fukuoka

Principal Shareholders (as of March 31, 2017)

Shareholders	Number of shares held (thousands)	Percentage of shares held (%)
ROYAL BANK OF CANADA TRUST COMPANY (CAYMAN) LIMITED	210,164	22.37
CGML PB CLIENT ACCOUNT / COLLATERAL	80,084	8.52
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	51,745	5.50
Trust & Custody Services Bank, Ltd. (Kawasaki Heavy Industries, Ltd. retirement benefit trust account re-entrusted by Mizuho Trust & Banking Co., Ltd.)	33,923	3.61
The Master Trust Bank of Japan, Ltd. (trust account)	30,498	3.24
IMABARI SHIPBUILDING CO., LTD.	28,300	3.01
JFE Steel Corporation	28,174	2.99
Japan Trustee Services Bank, Ltd. (trust account)	25,142	2.67
GOLDMAN SACHS INTERNATIONAL	19,324	2.05
Sompo Japan Nipponkoa Insurance Inc.	19,107	2.03



Stock Price Range & Trading Volume (Tokyo Stock Exchange)



"K" LINE
KAWASAKI KISEN KAISHA, LTD.

Iino Building, 1-1,
Uchisaiwaicho 2-chome,
Chiyoda-ku, Tokyo 100-8540, Japan
Phone : (+81) 3-3595-5000 (Switchboard)
Fax : (+81) 3-3595-5001
http://www.kline.co.jp/en/

E-Book
"K" LINE REPORT 2017 is also available in e-book format.
https://www.kline.co.jp/en/ir/library/annual/index.html

Consideration for the Environment

MIX
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VEGETABLE OIL INK

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