

FINANCIAL HIGHLIGHTS

Brief report of the six months ended September 30, 2016

Kawasaki Kisen Kaisha, Ltd.

[Two Year Summary]

| | Six months ended September 30, 2016 | Six months ended September 30, 2015 | Six months ended September 30, 2016 |
|---------------------------------------------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------|
| Consolidated | | | |
| Operating revenues (Millions of yen / Thousands of U.S. dollars) | ¥ 491,152 | ¥ 668,338 | \$ 4,857,128 |
| Operating (loss) income (Millions of yen / Thousands of U.S. dollars) | (26,423) | 18,774 | (261,309) |
| (Loss) profit attributable to Owners of the parent (Millions of yen / Thousands of U.S. dollars) | (50,457) | 11,678 | (498,984) |
| (Loss) profit attributable to Owners of the parent per share (Millions of yen / Thousands of U.S. dollars) | | | |
| Basic | (53.84) | 12.46 | (0.53) |
| Diluted | - | 10.62 | - |

| | Six months ended September 30, 2016 | Year ended March 31, 2016 | Six months ended September 30, 2016 |
|---------------------------------------------------------------|-------------------------------------------|---------------------------------|-------------------------------------------|
| Total assets (Millions of yen / Thousands of U.S. dollars) | ¥ 1,050,757 | ¥ 1,115,223 | \$ 10,391,194 |
| Net assets (Millions of yen / Thousands of U.S. dollars) | 306,181 | 379,913 | 3,027,898 |

| | Six months ended September 30, 2016 | Six months ended September 30, 2015 | Six months ended September 30, 2016 |
|------------------------------------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------|
| Net cash (used in) provided by operating activities (Millions of yen / Thousands of U.S. dollars) | ¥ (26,525) | ¥ 28,327 | \$ (262,316) |
| Net cash (used in) provided by investing activities (Millions of yen / Thousands of U.S. dollars) | (10,516) | 2,464 | (104,004) |
| Net cash provided by (used in) financing activities (Millions of yen / Thousands of U.S. dollars) | 29,484 | (11,838) | 291,576 |

The U.S. dollar amounts are converted from the yen amount at ¥101.12 = U.S.\$1.00.

The exchange rate prevailing on September 30, 2016.

1. Qualitative Information and Financial Statement

(1) Qualitative Information about the Consolidated Operating Result

(Billion Yen; rounded to the nearest 100 million)

| | Six months ended September 30, 2015 | Six months ended September 30, 2016 | Change | % change |
|-------------------------------------------------------|----------------------------------------|----------------------------------------|---------|----------|
| Operating revenues | 668.3 | 491.2 | (177.2) | (26.5%) |
| Operating income (loss) | 18.8 | (26.4) | (45.2) | - |
| Ordinary income (loss) | 16.0 | (36.1) | (52.1) | - |
| Profit (loss) attributable to owners of the parent | 11.7 | (50.5) | (62.1) | - |

| | | | | |
|-----------------------------------------------|---------|---------|-----------|---------|
| Exchange Rate (¥/US\$) (6-month average) | ¥121.76 | ¥107.31 | (¥14.45) | (11.9%) |
| Fuel oil price (US\$/MT) (6-month average) | US\$352 | US\$226 | (US\$125) | (35.6%) |

During the first six months of the fiscal year ending March 31, 2017 (from April 1, 2016 to September 30, 2016; hereinafter “the six-month period”), the global economy continued along a gradual recovery trend after a temporary turmoil in the international financial markets settled; however, economies outside the U.S. have lost some strength from rising uncertainties in both the political and economic realms. The U.S. economic continued to expand gradually, with the employment and income environments improving, despite weakness in capital investment and so forth. The outlook for the European economy is becoming increasingly uncertain due to a persisting sense of uncertainty over the political and economic situation, partly reflecting a succession of terrorist attacks and the U.K. decision to exit the E.U. In Brazil and other emerging countries, there were signs of a slight economic recovery as falling resource prices appeared to have hit bottom; however, in China economic growth continued its slowing trend, weighed down by oversupply of the companies’ facilities in that country due to a slump in demand.

As for the Japanese economy, although the employment and income environments have improved, business confidence has been unstable due to languishing consumer spending combined with the yen continuing to appreciate.

In the business environment for the shipping industry, the containership business continued to face adverse market conditions, partly reflecting weaker supply-demand balance due to supply increasing more than the gradual recovery in demand, while a major competitor in this market was experiencing operational problems. In the dry bulk business, freight rates also remained at low levels given that gradual recovery with respect to marine cargo movements has not helped to improve the balance of vessel supply and demand. The Group made efforts to improve profitability, such as reducing the number of vessels through the business structural reform. Nevertheless, business performance declined year on year.

As a result, operating revenues for the six-month period were ¥491.152 billion (down ¥177.185 billion year on year), operating loss was ¥26.423 billion (compared to operating income of ¥18.774 billion for the previous fiscal year), ordinary loss was ¥36.125 billion (compared to ordinary income of ¥15.970 billion for the previous fiscal year), and loss attributable to owners of the parent was ¥50.457 billion (compared to profit attributable to owners of the parent of ¥11.678 billion for the previous fiscal year).

Performance per segment was as follows:

(Billion Yen; rounded to the nearest 100 million yen)

| | | Six months ended September 30, 2015 | Six months ended September 30, 2016 | Change | % change |
|----------------------------------------------------|-----------------------|----------------------------------------|----------------------------------------|---------|----------|
| Containership | Operating revenues | 337.6 | 246.9 | (90.7) | (26.9%) |
| | Segment profit (loss) | 3.1 | (21.0) | (24.1) | - |
| Bulk Shipping | Operating revenues | 296.7 | 217.7 | (79.0) | (26.6%) |
| | Segment profit (loss) | 18.8 | (9.8) | (28.7) | - |
| Offshore Energy E&P Support and Heavy Lifter | Operating revenues | 15.0 | 9.5 | (5.6) | (37.0%) |
| | Segment loss | (3.6) | (1.7) | 2.0 | - |
| Other | Operating revenues | 19.0 | 17.0 | (2.0) | (10.4%) |
| | Segment profit | 0.9 | 0.9 | (0.0) | (4.4%) |
| Adjustment and elimination | Segment loss | (3.3) | (4.5) | (1.2) | - |
| Total | Operating revenues | 668.3 | 491.2 | (177.2) | (26.5%) |
| | Segment profit (loss) | 16.0 | (36.1) | (52.1) | - |

(i) Containership Business Segment

Containership Business

During the six-month period, due to strong cargo movements supported by a firm U.S. economy, cargo volume on the Asia-North America service grew around 2% year on year. As for the Asia-Europe service, although tonnage supply of the market outstripped demand due to launching of ultra large container vessels, decrease in cargo volume remained to around 1%, as a result of efforts to focus on profitability. In the Intra-Asia service, cargo movements were strong, but cargo volume declined around 5% year on year. On the North-South service, cargo volume increased by around 6% year on year, despite the Group's withdrawal from the South America-East Coast service, because of reorganization of service routes in the Asia-East Australia services and the Asia-South

Africa service. As a result, overall cargo volume loaded for the Group increased by around 1% year on year.

The freight rate market appears to have bottomed out on the Asia-Europe service and on the North-South service shows signs of recovering. However, with the continued completions of ultra large container vessels, the global balance of the tonnage supply and demand has deteriorated, and the freight-rate market has declined year on year and underperformed initial expectations. As a result, the containership business recorded a loss, with lower revenues year on year.

Logistics Business

In the logistics business, including inland transportation and warehousing, demand for domestic logistics services was somewhat weak in comparison with the same period of the previous fiscal year. International logistic services performed strongly, with handling volume for air cargo from Japan increasing year on year; however, partly due to the impact of the yen's appreciation, the logistics business overall recorded year-on-year decreases in both revenues and profit.

As a result of the above, the Containership Business Segment overall recorded a loss, with lower revenues year on year.

(ii) Bulk Shipping Business Segment

Dry Bulk Business

The large-vessel sector remained stagnant in market conditions as the gap between tonnage supply and demand failed to improve significantly. On one hand, the volume of marine cargo increased over the previous year. This increase was assisted by the year-on-year increase in Chinese crude steel production, as well as the effect of structural change in the iron ore and coal industries in that country that led to suppressed domestic production and increased imports. On the other hand, the number of ships scrapped did not increase at the same pace as at the start of the year. Market conditions in the medium and small vessel sector continued to be weighed down by ongoing situation of surplus tonnage, despite having bottomed out from historically low levels. Despite having carried out structural reforms and cutting operation costs and allocating vessels efficiently, the Group recorded a loss with lower revenues year on year due to the market slump.

Car Carrier Business

During the six-month period, cargo movements for finished vehicles sagged with respect to such cargoes shipped from Asia to resource-rich countries in the Middle East, Central and South America, and Africa due to falls in resource prices, and such cargoes shipped from Europe and North America to Asia against the backdrop of the economic slowdown in China. Cargo movements within Europe also declined, reflecting a slump in the Russian economy. As a result, the overall volume of finished vehicles shipped by the Group during the six-month period decreased by around 6% year on year, despite such results having been supported by increases in cargo volumes that included shipments within the Atlantic Basin and shipments from Japan to Europe and North America. The Group

recorded year-on-year declines in both revenues and profit despite continuous efforts to improve efficiency of vessel allocation and operation.

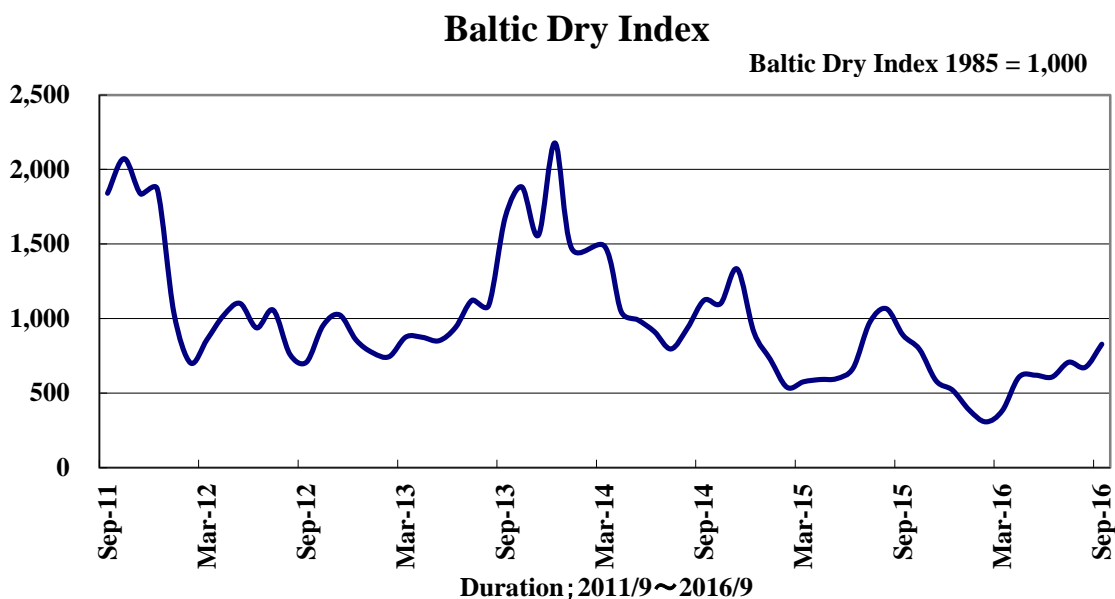
LNG Carrier Business and Tanker Business

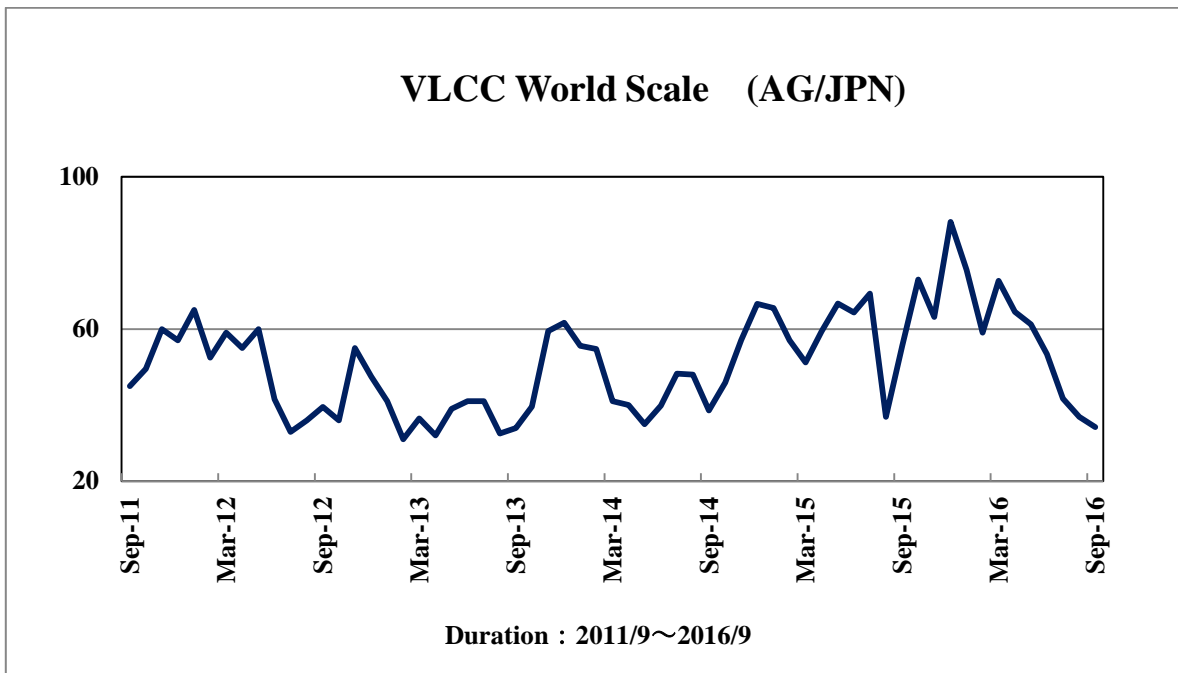
Although LNG carriers, large crude tankers (VLCCs), and LPG carriers performed steadily on medium- and long-term charter contracts, the LNG carrier business and Tanker business overall reported year-on-year declines in both revenues and profit due to the softening of the market condition.

Short Sea and Coastal Business

In the short sea and coastal business, the Group recorded year-on-year declines in both revenues and profit, mainly reflecting a year-on-year decline in transport volumes, partly due to the impact of typhoons, as well as a further slumping market in short sea business and temporary expenses incurred for opening new shipping routes in the coastal business.

As a result of the above, revenues of the Bulk Shipping Business Segment overall declined year on year resulting in a loss.





(iii) Offshore Energy E&P Support and Heavy Lifter Business

Offshore Energy E&P Support Business

The drillship vessel continued to perform favorably, thereby helping to secure stable long-term earnings. However, in the offshore support business, softening market conditions continued due to stalled offshore development caused by the slump in crude oil prices. Overall, the offshore energy E&P support business narrowed its loss despite a year-on-year decline in revenues, partly due to valuation gain on foreign currency-denominated debt at a foreign subsidiary in the offshore support business.

Heavy lifter business

In the heavy lifter business, although the market was weaker year on year, the business reduced its loss even while revenues were down year on year, due to the Group's efforts to cut costs by downsizing its fleets.

As a result of the above, the Offshore Energy E&P Support and Heavy Lifter Business Segment overall reduced its loss even while revenues were down year on year.

(iv) Other Business

Other business includes the Group's ship management service, travel agency service, and real estate rental and administration service. The segment recorded year-on-year declines in both revenues and profit.

(2) Qualitative Information on the Consolidated Financial Situation

Consolidated assets at the end of the consolidated 2nd Quarter were ¥1,050.757 billion, a decrease of ¥64.466 billion from the end of the previous fiscal year as a result of a decrease in cash and deposits, vessels and other factors.

Consolidated liabilities increased by ¥9.266 billion to ¥744.576 billion as a result of a increase in long term loans and other factors compared to the end of the previous fiscal year.

Consolidated net assets were ¥306.181 billion, a decrease of ¥73.732 billion compared to the end of the previous fiscal year as a result of decrease in retained earnings, translation adjustments and other factors.

(3) Qualitative Information on the Consolidated Prospects for FY2016

(Billion Yen; rounded to the nearest 100 million yen)

| | Prior Forecast (at the time of announcement dated July 29, 2016) | Current Forecast (at the time of announcement of the 2nd Quarter result) | Change | % Change |
|-------------------------------------------------------|------------------------------------------------------------------------|--------------------------------------------------------------------------------|--------|----------|
| Operating revenues | 1,030 | 970 | (60) | (5.8%) |
| Operating income (loss) | (13) | (44) | (31) | - |
| Ordinary income (loss) | (21.5) | (54) | (32.5) | - |
| Profit (loss) attributable to owners of the parent | (45.5) | (94) | (48.5) | - |

| | | | | |
|--------------------------|---------|---------|---------|--------|
| Exchange rate (¥/US\$) | ¥106.02 | ¥103.66 | (¥2.36) | (2.2%) |
| Fuel oil price (US\$/MT) | US\$267 | US\$268 | (US\$1) | (0.5%) |

Looking at the global economy from the third quarter onward, there are concerns that the pace of growth may slacken with the risk of economic downturn in China and other emerging Asian countries and resource-rich countries, as well as a growing cautiousness in the stance of advanced countries due to the persistent uncertainty in the outlook following the U.K.'s decision to exit the E.U. and geopolitical risks in Europe.

In this business environment, the containership business is expecting steady demand expansion on the Asia-North America service while observing a firm price bottom for some Asia-Europe service routes, but overall, adverse market conditions are expected to continue due to the ongoing imbalance between tonnage supply and demand. The Company will strive to improve profitability by adjusting vessel allocation through its alliance scale in line with fluctuations in supply and demand, strengthening its acquisition of highly profitable cargo, such as reefer cargo, as well as taking even more meticulous cost cutting measures such as optimizing the cost burden of storing and returning empty containers.

In the dry bulk business, although demand for marine transport continues to increase slightly, adjusting the global tonnage surplus is expected to take more time. In this situation, the Group will continue to take steps to improve operating efficiency, as well as ensuring competitiveness through implementing structural reforms, such as reducing the number of medium and small-sized vessels, and strengthening an income structure that is resilient against market fluctuations.

In the car carrier business, the Group will continue to reinforce its business platform to reflect the change in the trade structure such as pursuing cargoes from South-East Asian countries and trade within the Atlantic basin. At the same time, the Group will strive to enhance its revenue base by making maximum use of its successively completed fleet of large-sized and new-generation vessels, featuring larger loading capacity for heavy construction machinery and rail cars as well as improved fuel efficiency.

In the LNG carrier business and Tanker business, the Group will work to secure stable revenues for LNG carriers, VLCCs and LPG carriers supported by medium- and long-term charter contracts.

In the offshore energy E&P support business and the heavy lifter business, although it is expected to take some time for the market to recover due to the continuous effect of crude oil prices, the Group will work to improve its profitability through efficient vessel allocation and other means.

In the logistics business and the coastal business, the Group will continue to aggressively expand its business operations.

As noted above, a full-fledged recovery is expected to take some time. Therefore, the Group will strive to improve profitability through further cost cutting and rationalization while implementing structural reforms as planned. The Group expects its full-year results for operating income (loss), ordinary income (loss), and profit (loss) attributable to owners of the parent to be amounts that are lower than the previous announcement.

Our important task is to maximize returns to our shareholders while maintaining necessary internal reserves to fund our capital investment and strengthen our financial position for the sake of sustainable growth, which is a priority of our management plan. However we consider it an urgent management priority to improve our financial strength in light of the current fiscal year's forecast of a loss attributable to owners of parent. Accordingly, it is with sincere regret that the Company announces it has decided to pay no interim dividend and has forecasted no year-end dividend for the current fiscal year.

2. Matters Relating to Summary Information

Changes in Accounting Policies

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

Effective the first quarter of FY 2016, the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (Accounting Standards Board of Japan(ASBJ) PITF No.32, issued June 17, 2016) was adopted, in accordance with the revision of the Corporation Tax Law of Japan. As a result, the depreciation method for facilities attached to buildings and for structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.

The impact of this change on the Company’s consolidated operating result of the fiscal year ending March 31, 2017 is immaterial.

Additional Information

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

Effective the first quarter of FY 2016, the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, issued March 28, 2016) was adopted.

Consolidated Financial Statements

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

Consolidated Balance Sheet

| | (Millions of Yen/Thousands of U.S.Dollars) | | |
|---------------------------------------|--------------------------------------------|---------------------------------|-------------------------------------------|
| | Six months ended September 30, 2016 | Year ended March 31, 2016 | Six months ended September 30, 2016 |
| ASSETS | | | |
| Current assets : | | | |
| Cash and deposits | ¥ 229,003 | ¥ 241,101 | \$ 2,264,670 |
| Accounts and notes receivable-trade | 75,726 | 79,652 | 748,882 |
| Raw material and supply | 24,144 | 22,131 | 238,774 |
| Other current assets | 56,187 | 58,926 | 555,653 |
| Allowance for doubtful receivables | (1,480) | (597) | (14,641) |
| Total current assets | <u>383,582</u> | 401,214 | <u>3,793,340</u> |
| Non-current assets : | | | |
| (Vessels, property and equipment) | | | |
| Vessels, net | 437,750 | 480,257 | 4,329,020 |
| Buildings and structures, net | 18,066 | 18,571 | 178,668 |
| Machinery and vehicles, net | 8,239 | 9,077 | 81,478 |
| Land | 24,665 | 24,862 | 243,920 |
| Construction in progress | 49,809 | 47,238 | 492,579 |
| Other, net | 3,873 | 3,544 | 38,302 |
| Total vessels, property and equipment | <u>542,404</u> | 583,552 | <u>5,363,966</u> |
| (Intangible assets) | | | |
| Goodwill | - | 43 | - |
| Other intangible assets | 3,979 | 4,157 | 39,354 |
| Total intangible assets | <u>3,979</u> | 4,200 | <u>39,354</u> |
| (Investments and other assets) | | | |
| Investments in securities | 69,239 | 70,896 | 684,731 |
| Long-term loans receivable | 17,379 | 18,887 | 171,874 |
| Asset for retirement benefits | 353 | 585 | 3,501 |
| Other investments and other assets | 34,151 | 37,086 | 337,732 |
| Allowance for doubtful receivables | (333) | (1,199) | (3,302) |
| Total investments and other assets | <u>120,791</u> | 126,256 | <u>1,194,535</u> |
| Total non-current assets | <u>667,175</u> | 714,009 | <u>6,597,854</u> |
| Total assets | <u>¥ 1,050,757</u> | ¥ 1,115,223 | <u>\$ 10,391,194</u> |

Consolidated Balance Sheet

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

| | Six months ended September 30, 2016 | Year ended March 31, 2016 | Six months ended September 30, 2016 |
|---------------------------------------------------------------------------------------|-------------------------------------------|---------------------------------|-------------------------------------------|
| LIABILITIES | | | |
| Current liabilities : | | | |
| Accounts and notes payable-trade | ¥ 89,967 | ¥ 99,745 | \$ 889,713 |
| Short-term loans and current portion of long-term loans | 66,567 | 71,787 | 658,297 |
| Accrued income taxes | 1,388 | 1,804 | 13,734 |
| Allowance for loss related to the Anti-Monopoly Act | 5,223 | 5,223 | 51,652 |
| Other allowance | 2,778 | 2,586 | 27,475 |
| Other current liabilities | 61,124 | 64,475 | 604,472 |
| Total current liabilities | <u>227,048</u> | <u>245,623</u> | <u>2,245,342</u> |
| Non-current liabilities : | | | |
| Bonds | 62,376 | 62,565 | 616,851 |
| Long-term loans, less current portion | 378,337 | 346,482 | 3,741,466 |
| Accrued expenses for overhaul of vessels | 10,575 | 12,064 | 104,586 |
| Allowance for directors' and audit and supervisory board members' retirement benefits | 1,419 | 1,643 | 14,034 |
| Liability for retirement benefits | 7,149 | 7,747 | 70,704 |
| Other non-current liabilities | 57,670 | 59,184 | 570,314 |
| Total non-current liabilities | <u>517,527</u> | <u>489,686</u> | <u>5,117,955</u> |
| Total liabilities | <u>744,576</u> | <u>735,309</u> | <u>7,363,296</u> |
| NET ASSETS | | | |
| Shareholder's equity: | | | |
| Common stock | 75,457 | 75,457 | 746,219 |
| Capital surplus | 60,297 | 60,297 | 596,299 |
| Retained earnings | 143,653 | 195,863 | 1,420,621 |
| Less treasury stock | (1,078) | (1,077) | (10,662) |
| Total shareholders' equity | <u>278,330</u> | <u>330,541</u> | <u>2,752,477</u> |
| Accumulated other comprehensive income : | | | |
| Net unrealized holding gain on investments in securities | 4,896 | 6,485 | 48,420 |
| Deferred gain on hedges | 2,385 | 4,752 | 23,588 |
| Revaluation reserve for land | 6,264 | 6,266 | 61,953 |
| Translation adjustments | (6,733) | 9,689 | (66,586) |
| Retirement benefits liability adjustments | (2,093) | (2,359) | (20,707) |
| Total valuation and translation adjustments | <u>4,718</u> | <u>24,834</u> | <u>46,667</u> |
| Non-controlling interests | <u>23,131</u> | <u>24,537</u> | <u>228,753</u> |
| Total net assets | <u>306,181</u> | <u>379,913</u> | <u>3,027,898</u> |
| Total liabilities and net assets | <u>¥ 1,050,757</u> | <u>¥ 1,115,223</u> | <u>\$ 10,391,194</u> |

Consolidated Statement of Operations

| | (Millions of Yen/Thousands of U.S.Dollars) | | |
|------------------------------------------------------------------|--------------------------------------------|-------------------------------------------|-------------------------------------------|
| | Six months ended September 30, 2016 | Six months ended September 30, 2015 | Six months ended September 30, 2016 |
| Marine transportation and other operating revenues | ¥ 491,152 | ¥ 668,338 | \$ 4,857,128 |
| Marine transportation and other operating cost and expenses | 482,181 | 611,511 | 4,768,408 |
| Gross Profit | 8,971 | 56,826 | 88,720 |
| Selling, general and administrative expenses | 35,394 | 38,052 | 350,029 |
| Operating (loss) income | (26,423) | 18,774 | (261,309) |
| Non-operating income : | | | |
| Interest income | 656 | 875 | 6,496 |
| Dividend income | 919 | 1,418 | 9,089 |
| Equity in earnings of subsidiaries and affiliates | 1,281 | 1,161 | 12,669 |
| Other non-operating income | 980 | 993 | 9,700 |
| Total non-operating income | 3,837 | 4,449 | 37,954 |
| Non-operating expenses : | | | |
| Interest expenses | 3,271 | 4,265 | 32,352 |
| Exchange loss | 8,514 | 2,065 | 84,205 |
| Other non-operating expenses | 1,753 | 921 | 17,345 |
| Total non-operating expenses | 13,540 | 7,253 | 133,902 |
| Ordinary (loss) income | (36,125) | 15,970 | (357,257) |
| Extraordinary income : | | | |
| Gain on sales of vessels, property and equipment | 3,937 | 9,299 | 38,943 |
| Gain on sales of investments in securities | - | 4,867 | - |
| Other extraordinary income | 538 | 700 | 5,324 |
| Total extraordinary income | 4,476 | 14,867 | 44,267 |
| Extraordinary losses : | | | |
| Loss on sales of vessels, property and equipment | 6,392 | 108 | 63,218 |
| Loss on impairment of vessels, property and equipment | 2,533 | 452 | 25,058 |
| Loss on cancellation of chartered vessels | 4,979 | - | 49,245 |
| Provision of allowance for loss related to the Anti-Monopoly Act | - | 3,952 | - |
| Other extraordinary losses | 128 | 8,606 | 1,266 |
| Total extraordinary losses | 14,034 | 13,119 | 138,787 |
| (Loss) profit before income taxes | (45,683) | 17,718 | (451,777) |
| Income taxes : | | | |
| Current | 2,264 | 3,795 | 22,390 |
| Deferred | 1,679 | 690 | 16,610 |
| Total income taxes | 3,943 | 4,486 | 39,001 |
| (Loss) profit | (49,627) | 13,232 | (490,778) |
| Profit attributable to non-controlling interests | 829 | 1,554 | 8,207 |
| (Loss) profit attributable to owners of the parent | ¥ (50,457) | ¥ 11,678 | \$ (498,984) |

Consolidated Statement of Comprehensive Income

| | (Millions of Yen/Thousands of U.S.Dollars) | | |
|--------------------------------------------------------------------------------------------------------------|--------------------------------------------|-------------------------------------------|-------------------------------------------|
| | Six months ended September 30, 2016 | Six months ended September 30, 2015 | Six months ended September 30, 2016 |
| (Loss) profit | ¥ (49,627) | ¥ 13,232 | \$ (490,778) |
| Other comprehensive loss | | | |
| Net unrealized holding (loss) on investments in securities | (1,598) | (5,397) | (15,809) |
| Deferred (loss) on hedges | (2,748) | (3,238) | (27,181) |
| Translation adjustments | (16,065) | (4,285) | (158,876) |
| Retirement benefits liability adjustments | 273 | 173 | 2,703 |
| Share of other comprehensive (loss) income of subsidiaries and affiliates accounted for by the equity method | (980) | 106 | (9,693) |
| Total other comprehensive (loss) | <u>(21,119)</u> | <u>(12,640)</u> | <u>(208,856)</u> |
| Comprehensive (loss) income | <u>¥ (70,746)</u> | <u>¥ 591</u> | <u>\$ (699,633)</u> |
| (Breakdown) | | | |
| Comprehensive (loss) income attributable to: | | | |
| Owners of the parent | ¥ (70,571) | ¥ 377 | \$ (697,894) |
| Non-controlling interests | (175) | 213 | (1,739) |

Consolidated Statement of Cash Flows

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

| | Six months ended September 30, 2016 | Six months ended September 30, 2015 | Six months ended September 30, 2016 |
|---------------------------------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------|
| Cash flows from operating activities : | | | |
| (Loss) profit before income taxes | ¥ (45,683) | ¥ 17,718 | \$ (451,777) |
| Depreciation and amortization | 22,895 | 24,557 | 226,415 |
| Decrease in liability for retirement benefits | (485) | (143) | (4,799) |
| Decrease (increase) in asset for retirement benefits | 231 | (605) | 2,292 |
| Decrease in allowance for directors' and audit and supervisory board members' retirement benefits | (189) | (101) | (1,870) |
| Decrease in accrued expenses for overhaul of vessels | (1,435) | (1,317) | (14,193) |
| Increase in allowance for loss related to the Anti-Monopoly Act | - | 3,952 | - |
| Interest and dividend income | (1,575) | (2,294) | (15,585) |
| Interest expense | 3,271 | 4,265 | 32,352 |
| Exchange loss (gain), net | 3,224 | 1,492 | 31,886 |
| Loss on impairment of vessels, property and equipment | 2,533 | 452 | 25,058 |
| Loss on cancellation of chartered vessels | 4,979 | - | 49,245 |
| Loss (gain) on sales of vessels, property and equipment, net | 2,454 | (9,190) | 24,275 |
| Gain on sales of marketable securities and investments in securities, net | - | (4,867) | - |
| (Increase) decrease in accounts and notes receivable – trade | (53) | 2,189 | (524) |
| (Increase) decrease in inventories | (2,384) | 3,079 | (23,586) |
| Decrease (increase) in other current assets | 347 | (1,977) | 3,436 |
| Increase in accounts and notes payable – trade | 7,263 | 2,257 | 71,830 |
| Increase in other current liabilities | 232 | 53 | 2,298 |
| Other, net | (862) | (1,132) | (8,525) |
| Subtotal | <u>(5,235)</u> | <u>38,385</u> | <u>(51,772)</u> |
| Interest and dividends received | 1,929 | 2,476 | 19,080 |
| Interest paid | (3,271) | (4,319) | (32,355) |
| Payments for cancellation of chartered vessels | (17,055) | - | (168,664) |
| Payments related to the Anti-Monopoly Act | (285) | - | (2,823) |
| Income taxes paid | (2,607) | (8,215) | (25,783) |
| Net cash (used in) provided by operating activities | <u>(26,525)</u> | <u>28,327</u> | <u>(262,316)</u> |
| Cash flows from investing activities : | | | |
| Payments into time deposits | (42,791) | (1,924) | (423,179) |
| Proceeds from withdrawal of time deposits | 41,948 | 1,601 | 414,842 |
| Purchases of marketable securities and investments in securities | (2,032) | (2,874) | (20,105) |
| Proceeds from sales of marketable securities and investments in securities | 868 | 10,469 | 8,584 |
| Purchases of vessels, property and equipment | (25,922) | (54,742) | (256,351) |
| Proceeds from sales of vessels, property and equipment | 17,194 | 51,068 | 170,041 |
| Purchases of intangible fixed assets | (296) | (381) | (2,931) |
| Increase in long-term loans receivable | (164) | (486) | (1,628) |
| Collection of long-term loans receivable | 656 | 589 | 6,488 |
| Other, net | 23 | (855) | 235 |
| Net cash (used in) provided by investing activities | <u>(10,516)</u> | <u>2,464</u> | <u>(104,004)</u> |
| Cash flows from financing activities : | | | |
| (Decrease) increase in short-term loans, net | (646) | 1,257 | (6,396) |
| Proceeds from long-term loans | 60,167 | 59,483 | 595,010 |
| Repayments of long-term loans and obligations under finance leases | (26,572) | (73,873) | (262,777) |
| Proceeds from Issuance of Bonds | - | 10,000 | - |
| Redemption of Bonds | (189) | (189) | (1,869) |
| Cash dividends paid | (2,346) | (5,616) | (23,208) |
| Cash dividends paid to non-controlling interests | (927) | (748) | (9,175) |
| Other, net | (0) | (2,151) | (8) |
| Net cash provided by (used in) financing activities | <u>29,484</u> | <u>(11,838)</u> | <u>291,576</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>(5,180)</u> | <u>(1,462)</u> | <u>(51,233)</u> |
| Net (decrease) increase in cash and cash equivalents | <u>(12,738)</u> | <u>17,491</u> | <u>(125,977)</u> |
| Cash and cash equivalents at beginning of the period | 198,745 | 209,424 | 1,965,442 |
| Increase in cash and cash equivalents arising from initial consolidation of subsidiaries | - | 5 | - |
| Increase in cash and cash equivalents resulting from merger | - | 11 | - |
| Cash and cash equivalents at end of the period | ¥ 186,006 | ¥ 226,933 | \$ 1,839,464 |

Segment information

Six months ended September 30, 2016

(Millions of Yen)

| | Containership | Bulk shipping | Offshore energy E&P support and heavy lifter | Other | Total | Adjustments and eliminations | Consolidated |
|------------------------------------|---------------|---------------|-------------------------------------------------------|----------|------------|------------------------------------|--------------|
| Revenues | | | | | | | |
| Operating revenues from customers | ¥ 246,902 | ¥ 217,745 | ¥ 9,460 | ¥ 17,043 | ¥ 491,152 | ¥ - | ¥ 491,152 |
| Inter-group revenues and transfers | 2,514 | 1,164 | - | 22,309 | 25,988 | (25,988) | - |
| Total revenues | 249,417 | 218,909 | 9,460 | 39,353 | 517,141 | (25,988) | 491,152 |
| Segment loss (profit) | ¥ (21,026) | ¥ (9,835) | ¥ (1,655) | ¥ 867 | ¥ (31,649) | ¥ (4,475) | ¥ (36,125) |

Six months ended September 30, 2015

(Millions of Yen)

| | Containership | Bulk shipping | Offshore energy E&P support and heavy lifter | Other | Total | Adjustments and eliminations | Consolidated |
|------------------------------------|---------------|---------------|-------------------------------------------------------|----------|-----------|------------------------------------|--------------|
| Revenues | | | | | | | |
| Operating revenues from customers | ¥ 337,614 | ¥ 296,697 | ¥ 15,013 | ¥ 19,012 | ¥ 668,338 | ¥ - | ¥ 668,338 |
| Inter-group revenues and transfers | 4,338 | 1,265 | - | 26,471 | 32,075 | (32,075) | - |
| Total revenues | 341,953 | 297,963 | 15,013 | 45,484 | 700,414 | (32,075) | 668,338 |
| Segment profit (loss) | ¥ 3,114 | ¥ 18,832 | ¥ (3,612) | ¥ 908 | ¥ 19,242 | ¥ (3,272) | ¥ 15,970 |

Six months ended September 30, 2016

(Thousands of U.S. Dollars)

| | Containership | Bulk shipping | Offshore energy E&P support and heavy lifter | Other | Total | Adjustments and eliminations | Consolidated |
|------------------------------------|---------------|---------------|-------------------------------------------------------|------------|--------------|------------------------------------|--------------|
| Revenues | | | | | | | |
| Operating revenues from customers | \$ 2,441,683 | \$ 2,153,334 | \$ 93,560 | \$ 168,551 | \$ 4,857,128 | \$ - | \$ 4,857,128 |
| Inter-group revenues and transfers | 24,869 | 11,516 | - | 220,623 | 257,008 | (257,008) | - |
| Total revenues | 2,466,552 | 2,164,850 | 93,560 | 389,174 | 5,114,136 | (257,008) | 4,857,128 |
| Segment loss (profit) | \$ (207,986) | \$ (97,263) | \$ (16,376) | \$ 8,582 | \$ (312,994) | \$ (44,264) | \$ (357,257) |