"K" LINE
KAWASAKI KISEN KAISHA, LTD.

Annual Report 2013
for the year ended March 31, 2013

Choosing Our Opportunities Wisely

Profile

"K" Line is an integrated world-class shipping company that owns and operates a diverse fleet of ships adapted to the world's marine transport needs. As of March 31, 2013, the "K" Line Group included 29 domestic and 286 overseas consolidated subsidiaries. Approximately 7,700 employees work at sea and on land representing the "K" Line brand with the aim of growing "K" Line as a trusted global carrier.

The starting point of the "K" Line Group's business activities is the conviction that we create added value and contribute to more fulfilling lives for people everywhere by transporting cargo of every description required around the world.

Contents

Detailed Information on the Business Results

Please refer to online Financial Report section for more details on the business results for the fiscal year ended March 31, 2013.

http://www.kline.co.jp/en/ir/library/pr/index.html

Corporate Website

For information on CSR initiatives, please download the Social and Environmental Report from the "K" Line website.

http://www.kline.co.jp/en/csr/report/index.html

Cautionary Statement

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

Steady and Reliable

Achieving Solid Growth, Step by Step

Streamlining and cost reductions further our task of reinforcing financial stability.

Conditions in the global economy in fiscal 2012 were mixed. While prolonged debt problems in Europe brought business stagnation, the U.S. economy continued its gradual recovery despite a certain degree of anxiety about fiscal problems. Even though business conditions in China, India and other developing countries were generally strong, the pace of economic growth slowed.

Although market conditions for dry bulk carriers and crude oil carriers remained weak, overall market conditions for car carriers were mostly strong despite a downturn in the movement of complete built-up cars from Japan to Europe. Due to some correction of the strong yen in the second half of the fiscal year, freight rate recovery in the containership business and the success of our cost reductions, "K" Line was able to achieve profitability on an ordinary income basis in fiscal 2012. This is a goal set forth in the "K" LINE Vision 100: Bridge to the Future medium-term management plan, now entering its second year. The management and employees of the "K" Line Group will strive to meet the expectations of our stakeholders, continuing to work in unison to strengthen the Group's financial standing as one of the highest management priorities by implementing thorough streamlining and cost reductions.

President and CEO
Jiro Asakura

Q: What is your assessment of fiscal 2012, the first year of the "K" LINE Vision 100: Bridge to the Future medium-term management plan?

A: By mounting a group-wide cost-reduction effort, we were able to exceed the targets for fiscal 2012 in the medium-term management plan for nearly all target financial indices.

The Company posted a substantial loss in fiscal 2011, which had a significant impact on shareholders' equity. In fiscal 2012, we were able to exceed the targets in the medium-term management plan for nearly all target financial indices due to factors including an exchange gain boost from some correction of the strong yen in the second half of the fiscal year, freight rate recovery in the containership business and cost reductions. Most importantly, shareholders' equity was ¥340.6 billion as of March 31, 2013, compared to our management plan target of ¥260.0 billion, and we were able to increase the equity ratio to 28.9%, compared to our target of 23.4%. Similarly, we were able to substantially improve the debt-to-equity ratio (DER) and net DER, which takes into account cash and deposits. The only target financial index in which we underperformed was operating cash flow, with a result of ¥59.8 billion in net cash provided by operating activities compared to our target of ¥67.0 billion, reflecting the unfavorable business environment. To achieve positive free cash flow under the circumstances we faced, we not only reduced investment, but also worked to reduce net cash used in investing activities by mounting a group-wide effort to dispose of assets. I consider the most important priority for "K" Line to be to further bolster financial soundness by staying the course on cost reduction and recovering the trust of our shareholders and customers.

Target Financial Indices
Medium-term management plan targets (set April 2012)

Index	Fiscal 2011 result	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2012 result	Fiscal 2013 prospect
Operating revenues (Billion yen)	972.3	1,120.0	1,070.0	1,110.0	1,134.8	1,160.0
Ordinary income (Billion yen)	(49.0)	12.0	39.0	60.0	28.6	25.0
Net income (Billion yen)	(41.4)	11.0	25.0	42.0	10.7	13.0
EBITDA (Billion yen)	13.8	100.0	110.0	135.0	104.8	84.0
Shareholders' equity (Billion yen)	242.6	260.0	280.0	330.0	340.6	360.0
Interest-bearing debt (Billion yen)	592.5	580.0	540.0	490.0	629.9	580.0
Operating cash flow (Billion yen)	(2.9)	67.0	90.0	113.0	59.8	70.0
Investment cash flow (Billion yen)	(83.2)	(50.0)	(50.0)	(50.0)	(27.2)	(50.0)
DER (%)	244	223	193	148	185	162
Net DER (%)	204	186	158	119	137	125
ROA (%)	(5.0)	1.0	4.0	6.0	2.5	2.1
Equity ratio (%)	23	23	26	30	29	31
Interest-bearing debt / Operating cash flow (Times)	—	8.7	6.0	4.3	11	8

*Impact of changes in assumptions on profit and loss (fiscal 2013)
Change in exchange rate: ± ¥1/US$1 → Approx. ¥1.3 billion Change in bunker price: ± US$10/MT → Approx. ¥1.5 billion

Q: What progress was made with cost reduction in fiscal 2012?

A: We steadily implemented various cost-reduction measures and achieved cost reduction of ¥32.5 billion, ¥4.5 billion above the target.

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Whereas we set a cost reduction target of ¥28.0 billion for fiscal 2012, we in fact achieved reduction of ¥32.5 billion. Our efforts focused on cost reduction from structural reform of the containership business, general and administrative expenses, ship operation costs and fuel cost reduction by means that included slow steaming and rationalization of ports of call. Our stance is to stay the course on cost reduction in fiscal 2013, and we will particularly focus efforts on rigorously reducing fuel costs per transport ton-mile.

Whereas we have heretofore managed fuel cost reduction efforts on an individual business basis, in April we set up a Marine Energy Saving Division putting in place a structure for strengthening group-wide, integrated fuel cost reduction measures. "K" Line consumes slightly less than four million tons of bunker fuel per year, representing more than ¥200.0 billion on a value basis. I believe that reducing fuel consumption is the most effective and important means of cost reduction. By achieving a reduction of 5% per transport ton-mile, for example, we could lower our costs by ¥10.0 billion.

Progress with Cost Reductions

(Billions of yen)

	Full-year result	Original target	Variance from target	Achievement
Containership business: Structural reforms	10.0	10.5	(0.5)	95%
Containership business: Operating cost, etc.	14.1	10.0	4.1	141%
Bulk shipping business, others	6.8	6.0	0.8	114%
General and administrative expense reductions	1.6	1.5	0.1	104%
Total	32.5	28.0	4.5	116%

Q: What management issues does "K" Line face in fiscal 2013?

A: We will mount an all-out effort to achieve our medium-term management plan objectives, such as reinforcing our financial standing by limiting investment.

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We intend to continue to limit investment. Although we have capped net cash used in investing activities at ¥50.0 billion, we consider that a ceiling rather than a target. In view of the current market environment, characterized by weak freight rates in the containership, dry bulk, and tanker businesses, I want to generate substantial free cash flow. Since it would be unrealistically optimistic to assume that market conditions for all ship types will improve, we will exert every effort to achieve the objectives for fiscal 2013, the second year of our medium-term management plan. In such circumstances, I consider financial discipline to be essential. After the addition of newbuildings and subtraction of vessels sold or returned, the fleet size will increase slightly or remain the same in 2013; that's the way I see it. As a general rule, we will not pursue a course of expansion during the period of our current medium-term management plan, which runs through fiscal 2014. The period of the next medium-term management plan and beyond will be the time for growth strategies. Although I wanted to hold interest-bearing debt to under ¥600.0 billion in fiscal 2013, in view of the uncertain market environment, for the time being we have prioritized holding ample cash and deposits. The prospects are good for achieving an equity ratio of 30% at the end of fiscal 2013, and I intend to work to further reinforce our financial standing and achieve an equity ratio of 40% at an early date.

Q: Please discuss "K" Line's investment policy.

A: We will consider investment to replace aging car carriers and acquire LNG carriers from which stable and long-term profits can be expected.

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We will adhere to a policy of capping net cash used in investing activities at ¥50.0 billion and seek further improvement in the key financial indices. With regard to individual projects, with the aim to bolster long-term profit stability, we will consider investment to replace aging car carriers and acquire LNG carriers.

We are thinking about deploying Post-Panamax carriers to replace carriers now in service. We will order several vessels, but haven't yet decided whether we will own the carriers ourselves. Although "K" Line has maintained a good fleet balance of carriers ranging from large to small, in view of the impending expansion of the Panama Canal, we are considering acquiring a certain number of large carriers.

Although we have many projects for LNG carriers, I think two factors are important: the extent of fleet expansion possible within the context of the Group's overall investment plan and the ability to secure and develop LNG crews and construction supervisors that we can manage ourselves. In the end, I intend to judge each case on its merits in light of our investment criteria.

Please refer to page 8 for details. P8

Q: "K" Line has ordered five 14,000 TEU containerships to be completed in 2015. What was the background to this decision?

A: In light of the purchasing plans of our business partners, falling ship prices and advances in energy-efficient ships, I think that the timing of the order was optimal.

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Although we had previously considered ordering 14,000 TEU containerships, we delayed ordering because the containership business faced an extremely difficult situation in 2011. In view of developments such as the recovery in freight rates on European routes continuing into the first half of 2012, business partner Yang Ming's plan to order ships of the same type, falling ship prices and advances in energy-efficient ships, we decided to place an order with Imabari Shipbuilding for completion during spring and summer of 2015. We will partner with Imabari Shipbuilding to develop the world's most fuel-efficient ships. I think that the timing of the order was nearly optimal with respect to both fuel efficiency and competitive capital cost. However, it would be pointless to merely acquire excellent containerships. What's important is to skillfully utilize the ships, and our sales capabilities will be put to the test. By moving to larger containerships and disposing of small and medium-size vessels, "K" Line plans to maintain space capacity at the current level of 350,000 to 360,000 TEU, in line with our medium-term management plan.

Q: "K" Line has formulated a policy of strengthening the new logistics business in Asia. What is the objective?

A: To capitalize on logistics demand in the fast-growing Asia region, we will invest additional management resources while taking advantage of the characteristics of our overseas subsidiaries rooted in Asia.

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Although "K" Line has worked to develop logistics into a core business, we haven't reached the level of growth we seek. Our local subsidiaries have ambitiously engaged in businesses tailored to customer needs and rooted in their regions, such as the logistics business in Thailand, which has a history of nearly fifty years, and the motorcycle land transport and coastal businesses in Indonesia, and have developed their own unique businesses. Although this result is attributable to our success with Group management that emphasizes the independence of each overseas subsidiary, from now on I want to devise a strategy that promotes group-wide cohesion. The pace of economic growth is accelerating in the emerging markets of Vietnam, Malaysia, Myanmar and other ASEAN countries, also India, and we judged that it would be difficult to keep up with this growth if we continued to leave everything in the hands of the local subsidiaries. So that the Tokyo world headquarters functions as a control tower that allocates funds, personnel and other enterprise resources while taking advantage of the characteristics of local subsidiaries, we have put in place a structure in which the Business

Promotion Group manages our local subsidiaries under the direction of Senior Managing Executive Officer Kazutaka Imaizumi, who managed our subsidiary in India until April of this year. Although we are focusing on the fast-growing Asia region, overseas subsidiaries are sharing their success stories, and cross-implementation of ideas in regions outside Asia is occurring. I want to further promote this type of activity throughout the "K" Line Group.

Please refer to page 10 for details. P10

Q: Tell us about shareholder returns.

A: We will implement rigorous streamlining and cost reduction measures throughout the entire group and do our utmost to secure profits for distribution as dividends to meet the expectations of our shareholders.

The Company considers it an important priority to maximize shareholder returns while giving due consideration to the main priority in the management plan, which is to maintain the internal reserves necessary for capital investment for sustained growth and for improvement and strengthening of the corporate structure. Our policy is to gradually increase the dividend payout ratio as a percentage of consolidated net income with the aim of achieving a payout ratio of 30% in the mid-2010s.

In keeping with the above policy, the Company plans to pay an annual dividend of ¥3.5 per share for fiscal 2013.

Despite signs of improvement in the business environment, market conditions for marine transport and trends in exchange rates and fuel oil prices offer little room for optimism. The management and employees of "K" Line Group will continue to work in unison to implement rigorous streamlining and cost reduction measures and do our utmost to secure profits for distribution as dividends to meet the expectations of our shareholders.

I will appreciate the continued support of our shareholders and investors for the "K" Line Group.

Expanding Our Stable Earnings Structure

A change of tidal current has occurred in the LNG trade since second half of 2010. On the supply side, in addition to the existing sources such as Australia, the Middle East and West Africa, shale gas export projects in North America and developments of new LNG supply sites in areas such as Russia (including the Russian arctic) and East Africa are anticipated to go on stream. On the demand side, China, India, Southeast Asia and other developing countries are becoming increasingly active as new LNG demand countries. These changes in the supply and demand domains are accelerating globalization and diversification in LNG trade.

The “K” Line Group aims to create new businesses and expand its LNG fleet to contribute to stable earnings through this dynamic transformation of LNG trade by leveraging its 30 years of experience and successful operation since the delivery of *BISHU MARU* in 1983.

LNG Carrier Services

The Dynamically Changing and Expanding LNG Trade

1983 (*BISHU MARU*)
Badak II project

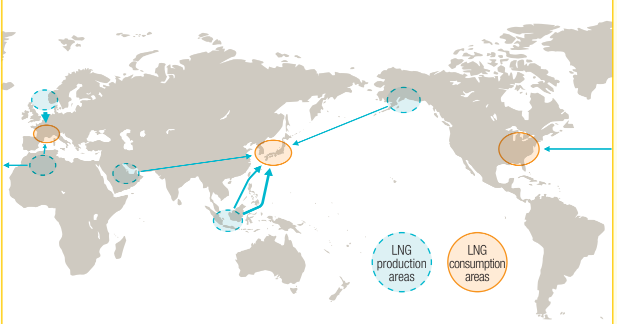
1997
Qatargas project

2006
Snøhvit project

2008
Short- and medium-term trade

2008
Tangguh project

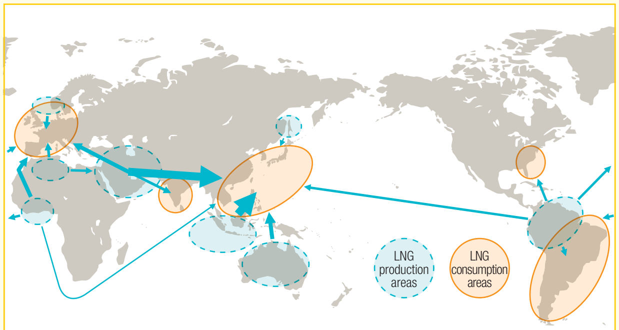
LNG Trade at the Start of the 1980s



Total LNG trading volume: Approx. 50 million tons

Source: 60 Years — BP Statistical Review of World Energy

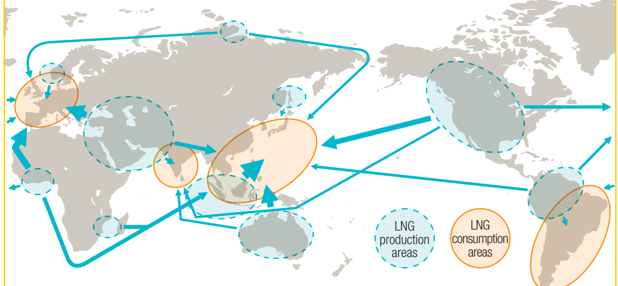
LNG Trade in 2012



Total LNG trading volume: Approx. 250 million tons

Source: BP Statistical Review of World Energy 2013

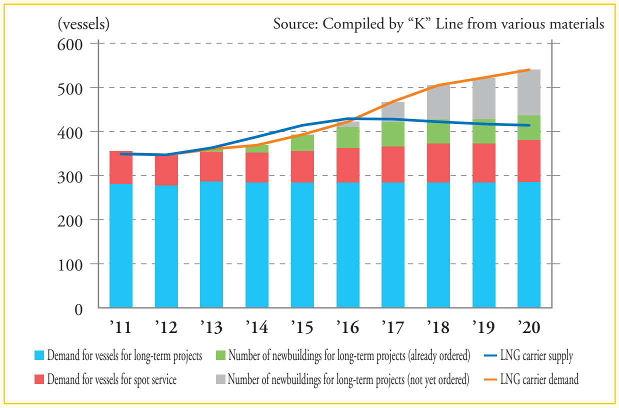
Outlook for the LNG Trade in 2020



Total LNG trading volume: Approx. 400 million tons

Source: Prepared by "K" Line based on IEA 2012 and BP Statistical Review of World Energy 2013

LNG Carrier Supply and Demand Balance Forecast



2016
INPEX

2016
A joint venture of INPEX and TOTAL

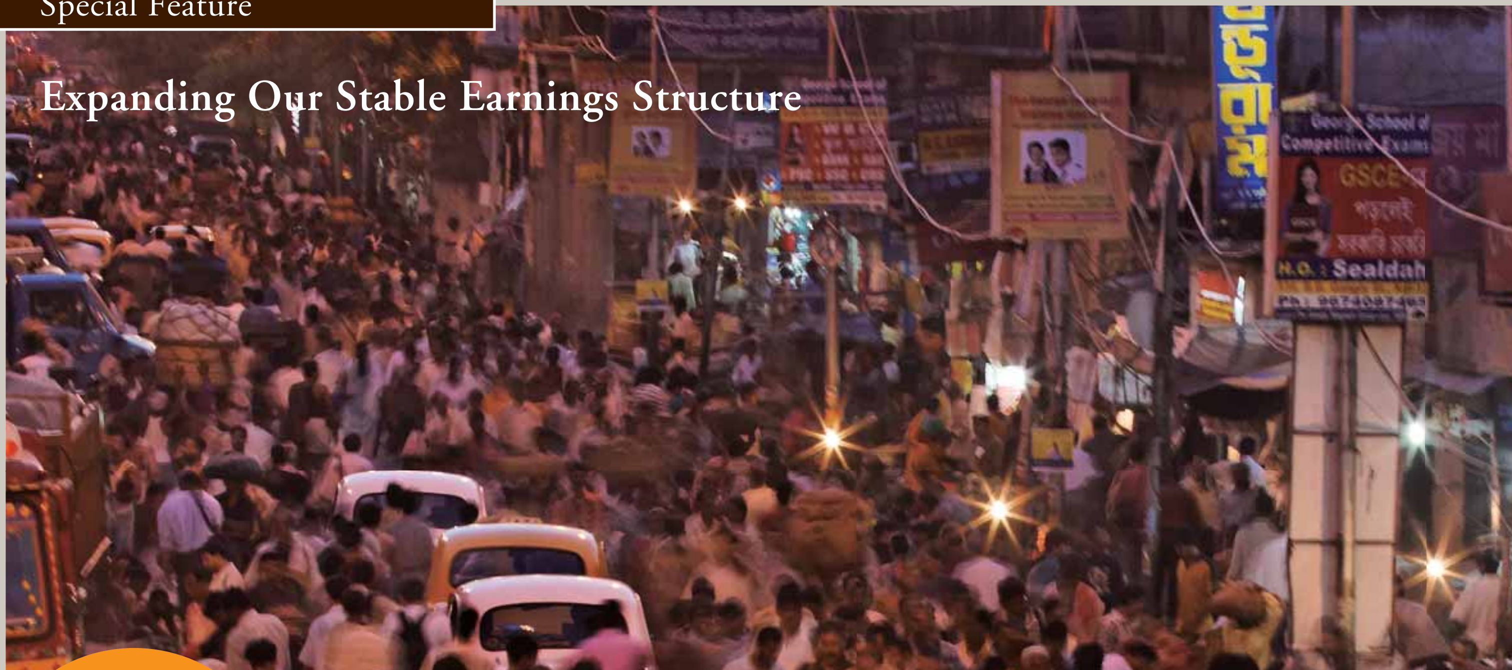
2015
Wheatstone project
Chubu Electric Power

We will take advantage of our successful track record of 30 years to expand our stable earnings base.

Managing Executive Officer
Hiromichi Aoki

"K" Line Group became the vanguard of Japanese shipping companies to own and operate an LNG carrier when we took delivery of *BISHU MARU* in 1983. In the 30 years since that time, we have continued safe operation with no major accidents and amassed advanced expertise in LNG transport. "K" Line Group has an interest in 43 LNG carriers, 13 of which are managed by in-house ship management companies of "K" Line Group based in Tokyo and London, where our LNG transportation services are operated. A key characteristic of our business is that we have developed a global network through business dealings with the oil majors in Europe and North America, including Shell, ExxonMobil, BP, TOTAL of France and Statoil of Norway, and we have earned an excellent reputation among Japanese utilities. We believe that this reputation contributed to the conclusion of our first independent long-term charter contract with Chubu Electric Power in April 2013 as well as long-term charter contracts for two new LNG carriers, one with INPEX and the other with a joint venture of INPEX and TOTAL in June 2013. We aim to pursue new projects and expand our business to accumulate stable earnings which is our commitment set forth in our medium-term management plan, by enhancing our safe management and technological capabilities, building on our successful track record. It will be possible to expand our owned tonnage at a pace of 3 to 4 per year to 20 by 2020, taking into account our ship management capacity. We also aim to form flexible finance schemes so that we can achieve both stable fleet expansion and minimizing our financial exposure at the same time.

Expanding Our Stable Earnings Structure



New Logistics Business in Asia

Expanding, Connecting, Evolving

Building a New Network through Cross Border Activities

A Triple Decker Motorcycle Carrier developed in Indonesia
and modified for local needs in India…

A successful milk run* service in Thailand cross-implemented in India…

Coastal service inaugurated in Indonesia and in India
in response to domestic logistics demand…

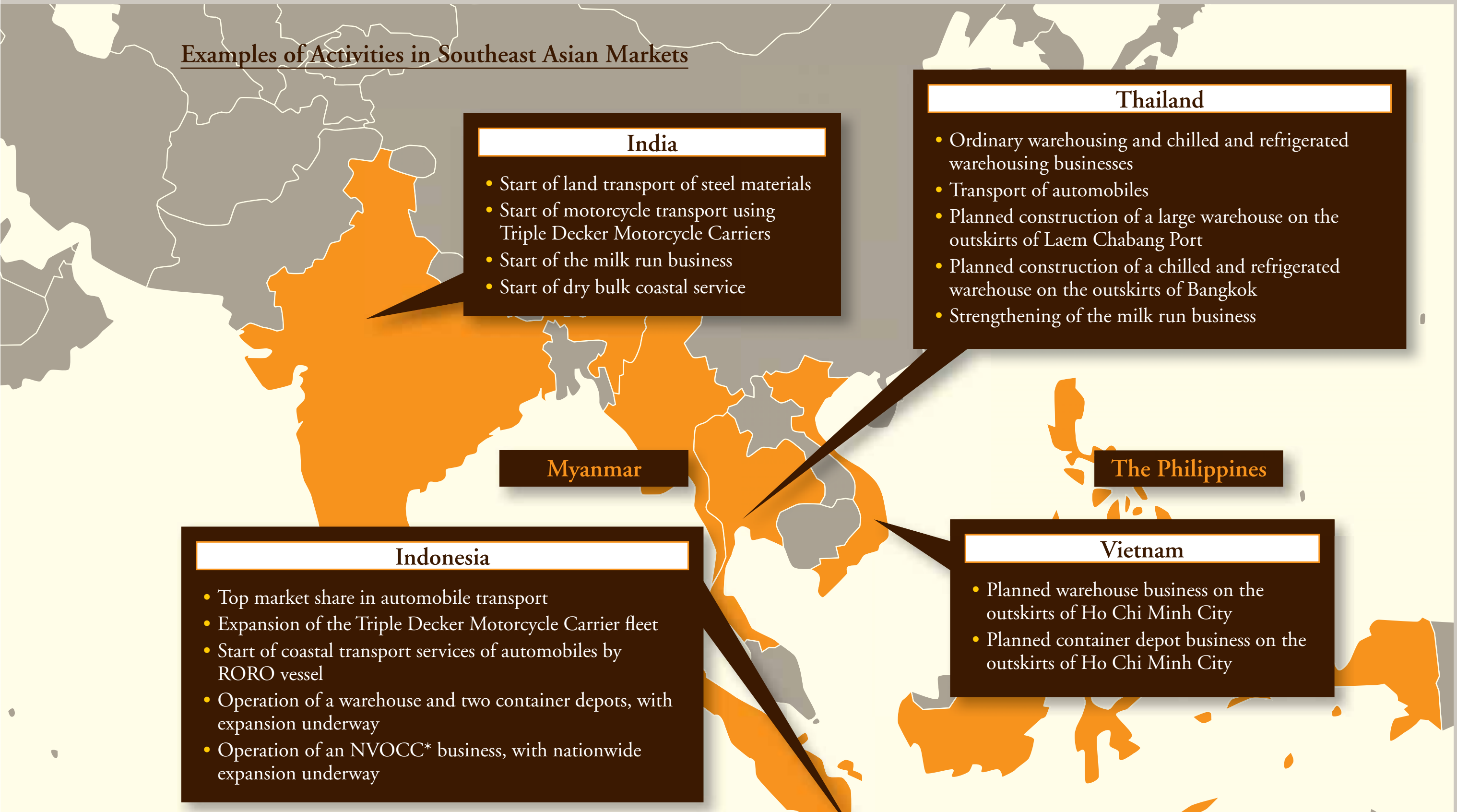
…In Asia, the scene of dramatic economic growth, we respond
uniquely to each country's local trends and needs
with an evolving network linking and supporting the exuberance
and ardor of diverse people in distinctive regions.

Small pieces of locally grown ideas organically link, find resonance
and spread across the water, singularly evolving as they flow.

This is what we aim for under the Concept "Bridge to the Future."

*Milk runs: Making the rounds of manufacturers' plants to deliver parts

Examples of Activities in Southeast Asian Markets



*NVOCC: An acronym for non-vessel operating common carrier, a shipment consolidator or freight forwarder that does not own any vessels, utilizing actual common carriers instead

Triple Decker Motorcycle Carrier (Indonesia)

PDI (pre-delivery inspection) (Australia)

A coastal RORO vessel (Indonesia)

Milk run trucks (Thailand)

Taking the Initiative in Rapidly Growing Logistics Markets in Asia for Future Stable Earnings

Senior Managing Executive Officer
Kazutaka Imaizumi

The 21st century belongs to Asia. Populations are growing, urbanization is increasing and the middle class is burgeoning everywhere. It is expected that regional trade will double in the coming twenty years.

Although “K” Line already provides high-quality logistics services in Thailand, Indonesia, Australia and other markets, we plan to expand our service network by further promoting logistics initiatives throughout the Group and cross-implementing them at other subsidiaries.

Through their business operations, our local subsidiaries will keep their fingers on the pulse of activity in Asia and further cultivate demand by engaging in businesses rooted in their respective markets.

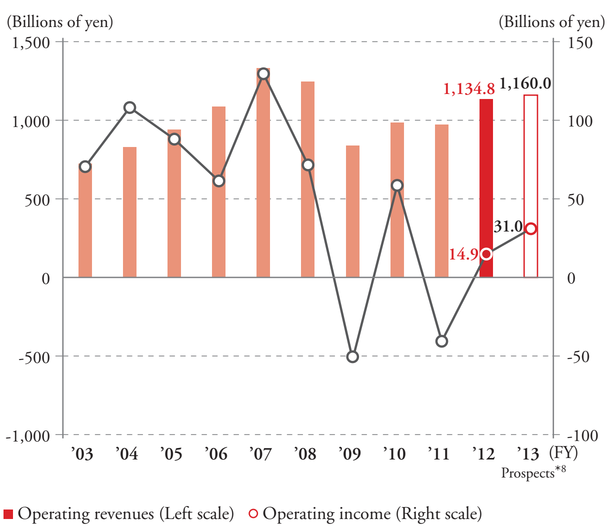
Financial Highlights

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

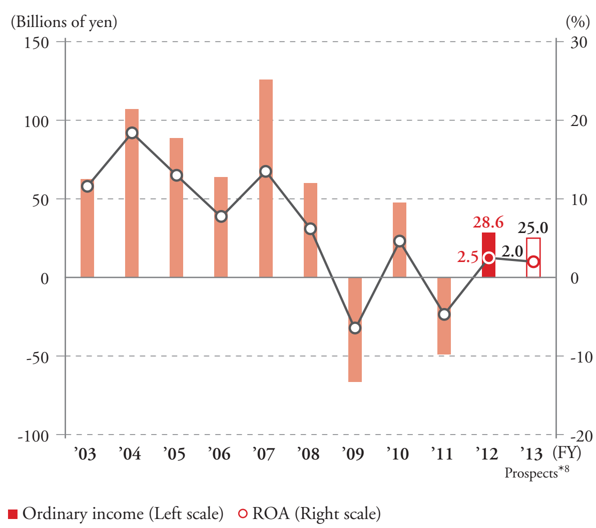
Progression of the medium-term management plans		KV Plan	“K” LINE Vision 2008		
		FY2003	FY2004	FY2005	FY2006
Operating Results: (For the Year)	Operating revenues	¥724,667	¥828,444	¥940,819	¥1,085,539
	Operating income	70,534	108,054	87,976	61,357
	Ordinary income*2	62,564	107,235	88,573	63,928
	Net income	33,196	59,853	62,424	51,514
Financial Position: (At Year-End)	Total assets	559,135	605,331	757,040	900,439
	Net assets*3	121,006	181,276	257,810	357,625
	Interest-bearing liabilities	281,811	239,249	278,234	326,187
	Depreciation and amortization	25,558	24,634	28,623	32,294
	Cash flows from operating activities	78,551	89,443	72,338	66,483
	Cash flows from investing activities	(51,775)	(34,402)	(83,342)	(102,853)
	Free cash flows	26,776	55,041	(11,004)	(36,370)
Per Share Data: (Yen/Dollars)	Net income	55.71	100.70	104.89	86.67
	Net assets	204.37	306.06	435.19	556.55
	Cash dividends applicable to the year	10.00	16.50	18.00	18.00
	Dividend payout ratio (%)	18.0	16.4	17.2	20.8
Management Index: (%)	ROE*5	32.7	39.6	28.4	17.1
	ROA*6	11.6	18.4	13.0	7.7
	Interest-bearing liabilities to total asset	50.4	39.5	36.8	36.2
	DER (Times)*7	2.33	1.32	1.08	0.95
	Equity ratio	21.6	29.9	34.1	38.3
Employment Data:	Employees	6,088	6,226	6,827	7,041

Notes: *1. Unless otherwise stated, above figures are all in millions of yen.
*2. Ordinary income consists of operating income and nonoperating income/expenses.
*3. Until fiscal 2005, amounts posted under ‘shareholders’ equity’ (calculated using the previous accounting standards) are employed for ‘net assets.’
*4. The U.S. dollar amounts are converted from the yen amounts at ¥94.05 = U.S. $1, the exchange rate prevailing on March 29, 2013.
*5. Return on Equity: Net income/Shareholders’ equity

Operating Revenues / Operating Income



Ordinary Income / ROA

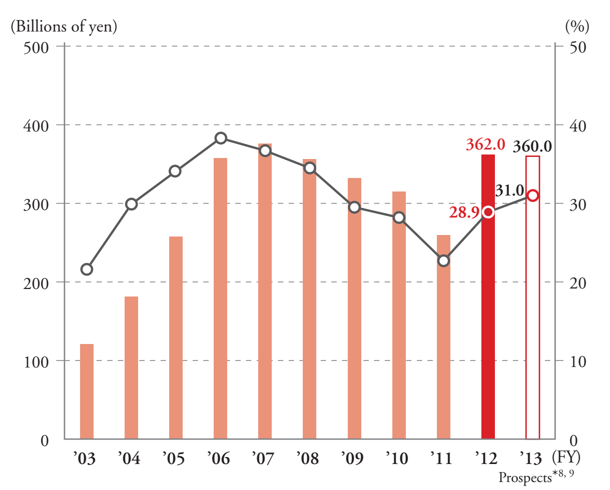


"K" LINE Vision 2008+ | "K" LINE Vision 100 | "KV 2010" | "New Challenges" | Bridge to the Future

FY2007	FY2008	FY2009	FY2010	FY2011	FY2012 (Millions of yen)	FY2012 (Thousands of U.S. dollars)*4	FY2013 Prospects*8 (Millions of yen)
¥1,331,048	¥1,244,317	¥ 838,033	¥ 985,085	¥ 972,311	¥1,134,772	$12,065,625	¥1,160,000
129,649	71,604	(52,075)	58,610	(40,563)	14,887	158,288	31,000
125,868	60,011	(66,272)	47,350	(48,956)	28,589	303,979	25,000
83,012	32,421	(68,721)	30,603	(41,351)	10,669	113,440	13,000
968,630	971,603	1,043,885	1,032,505	1,066,649	1,180,434	12,551,132	
376,277	356,153	331,865	314,986	259,935	361,975	3,848,751	360,000 *9
329,716	439,622	516,001	483,363	592,523	629,864	6,697,118	580,000
36,362	39,427	45,281	44,722	50,044	59,668	634,428	
141,238	77,614	(23,941)	84,902	(2,909)	59,756	635,364	70,000
(145,541)	(148,304)	(63,737)	(54,117)	(83,233)	(27,212)	(289,335)	(50,000)
(4,303)	(70,690)	(87,678)	30,785	(86,142)	32,544	346,029	20,000
131.36	50.89	(106.24)	40.08	(54.14)	12.07	0.13	13.86
558.46	525.43	403.53	381.87	317.59	363.18	3.86	
26.00	13.50	—	9.50	—	2.50	0.03	3.50
19.8	26.5	—	23.7	—	20.7		25.3
23.7	9.4	(21.4)	10.2	(15.5)	3.7		3.6
13.5	6.2	(6.6)	4.6	(4.7)	2.5		2.0
34.0	45.2	49.4	46.8	55.5	53.4		
0.93	1.31	1.67	1.66	2.44	1.85		1.62
36.7	34.5	29.5	28.2	22.7	28.9		31.0
7,615	7,706	7,740	7,477	7,703	7,667		

*6. Return on Assets: Ordinary income/Total assets
*7. Debt Equity Ratio: Interest-bearing liabilities/Shareholders' equity
*8. Figures announced on April 30, 2013
*9. Net assets are shown before adjustment for minority interests.

Net Assets / Equity Ratio

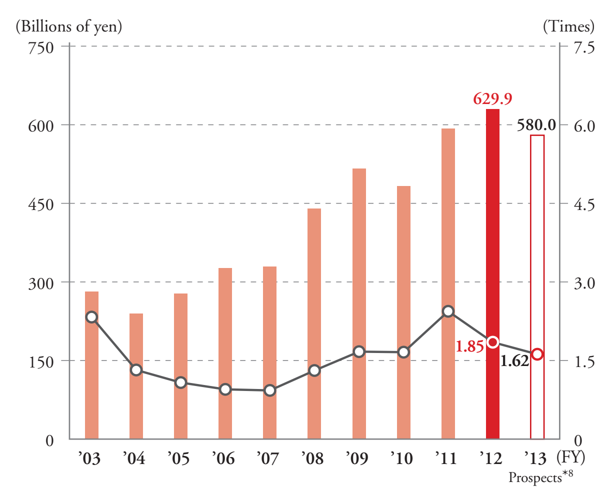


■ Net assets (Left scale) ○ Equity ratio (Right scale)

Equity ratio: Shareholders' equity/Total assets

Shareholders' equity: Net assets – (Minority interests + Share warrants)

Interest-bearing Liabilities / DER



■ Interest-bearing liabilities (Left scale) ○ DER (Debt Equity Ratio) (Right scale)

DER: Interest-bearing liabilities/Shareholders' equity

At a Glance

As an integrated world-class shipping company that owns and operates a variety of ship types, "K" Line meets the world's continuously expanding marine transport needs with a fleet designed to flexibly cope with any business environment. The "K" Line Group will continue to put customers first and achieve high customer satisfaction by providing high-quality transport and reliable service.

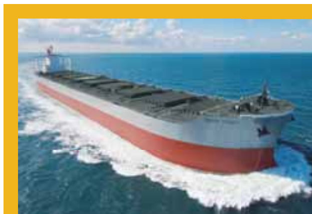
Containership Business Segment

Bulk Shipping Business Segment

Containership Business

Improve profitability through selection and concentration on services that maximize our overall advantages.

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 China, Taiwan and South Korea and extending to north-south routes linking Asia/South America and Asia/Middle East-Africa and intra-Asia routes. We transport broad spectrum of cargo—electronic equipment, electrical products, furniture, clothing, food and beverages, hops and so on—by container.



Dry Bulk Business

Flexibly and boldly meet challenges even in an adverse business environment.

We offer transport services for raw materials such as coal, iron ore, grain (wheat, soybeans, corn, etc.), woodchips and pulp. Recently, in addition to cargo bound for Japan, we actively transport cargo bound for China, India and other developing countries, and engage in trilateral transport in the Atlantic region.

Car Carrier Business

Respond to diversification of automobile production sites.

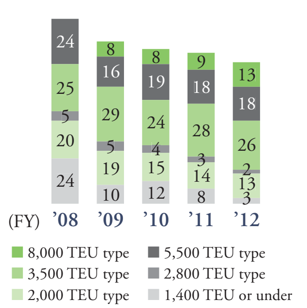
Since 1970, when "K" Line deployed *TOYOTA MARU NO.10* as Japan's first PCC (Pure Car Carrier), we have been recognized as a pioneer in safe and prompt transportation of passenger cars, trucks and other vehicles. We are actively upgrading the fleet and working to improve transportation quality.

LNG Carrier Business and Tanker Business

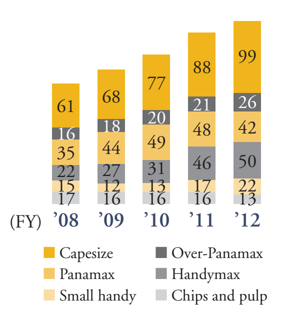
Meet new transportation needs.

We transport liquefied gas using LNG and LPG carriers and crude oil and oil products by tanker. In addition to industrial energy sources, we transport gasoline and other energy resources used by consumers.

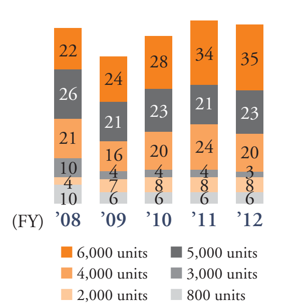
Ships in Operation



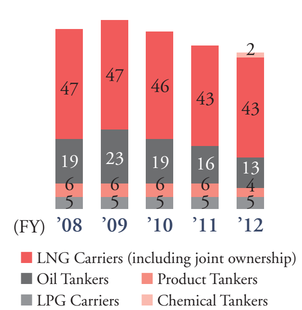
Ships in Operation

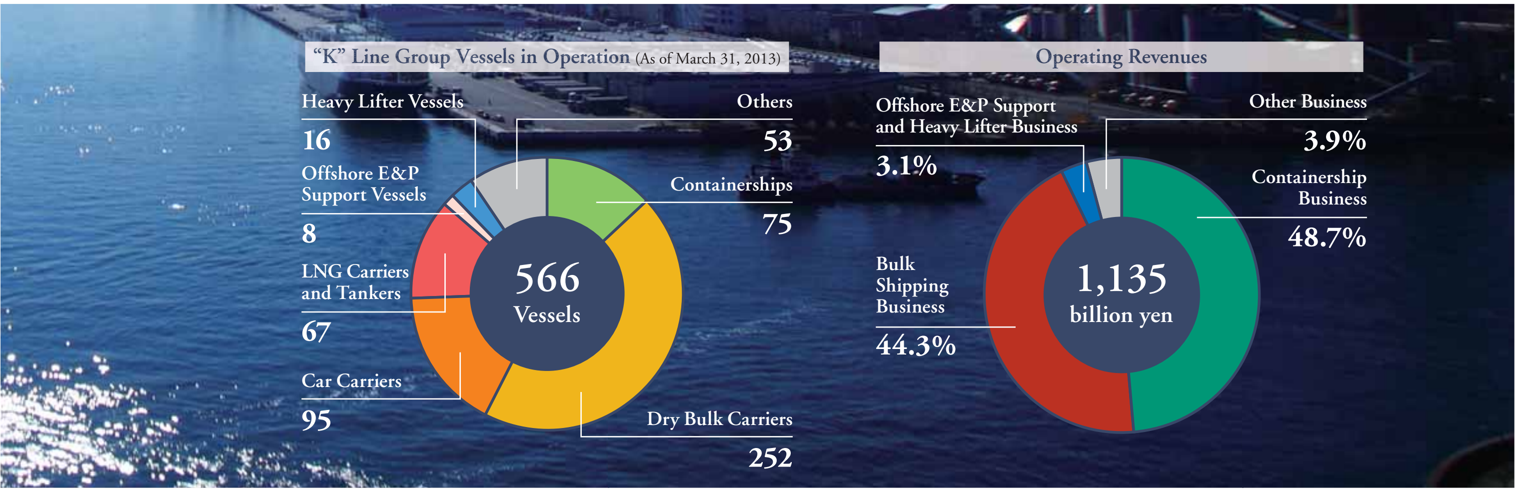


Ships in Operation



Ships in Operation





Offshore E&P Support and Heavy Lifter Business Segment

Bulk Shipping Business Segment

Containership Business Segment

Offshore E&P Support Business

Offshore Support Vessel Business

Development of Other Offshore Business

K Line Offshore AS, located in Norway, provides service of offshore support vessels by seven state-of-the-art vessels consisting of two large anchor handling tug supply vessels (AHTSs) and five platform supply vessels (PSVs). In addition, "K" Line participated in an ownership consortium of a drillship which is engaged in oilfield drilling operations in an ultra-deep water field off the coast of Rio de Janeiro under long-term charter to Petrobras of Brazil.

Heavy Lifter Business

Apply advanced cargo handling expertise in support of offshore-related facilities transport.

The SAL Group of Germany transports mainly large-scale cargoes related to energy and infrastructure development. State-of-the-art vessels equipped with a dynamic positioning system (DPS) will meet needs for the transport of oil and gas development facilities and offshore-related facilities, which require advanced techniques.

Short Sea and Coastal Business

Meet customer needs with enhanced transportation services.

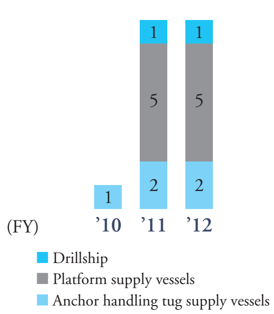
Kawasaki Kinkai Kisen Kaisha, Ltd. provides coastal freight transportation and ferry services. It operates passenger and truck ferries, express roll-on/roll-off cargo ships, dedicated carriers for limestone used in steel and cement production, dedicated thermal coal carriers for electric power production and general cargo carriers. It also operates liners and trampers for cargo to and from destinations in Asia.

Logistics Business

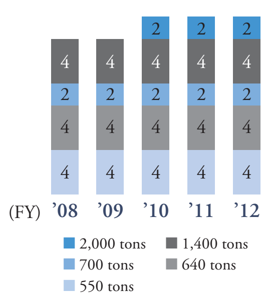
Actively expand logistics business in Asia.

By combining the expertise and broad experience of all members of the "K" Line Group, we provide comprehensive logistics services that meet customers' needs, strengthening local ties in not only ocean cargo freight, but also air and ocean freight forwarding, land transportation, warehousing and buyers' consolidation businesses.

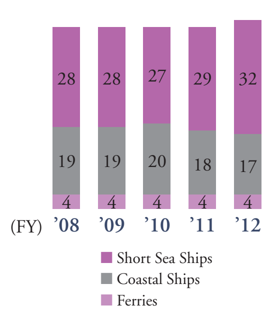
Ships in Operation



Ships in Operation



Ships in Operation



(As of March 31, 2013)

Containership Business

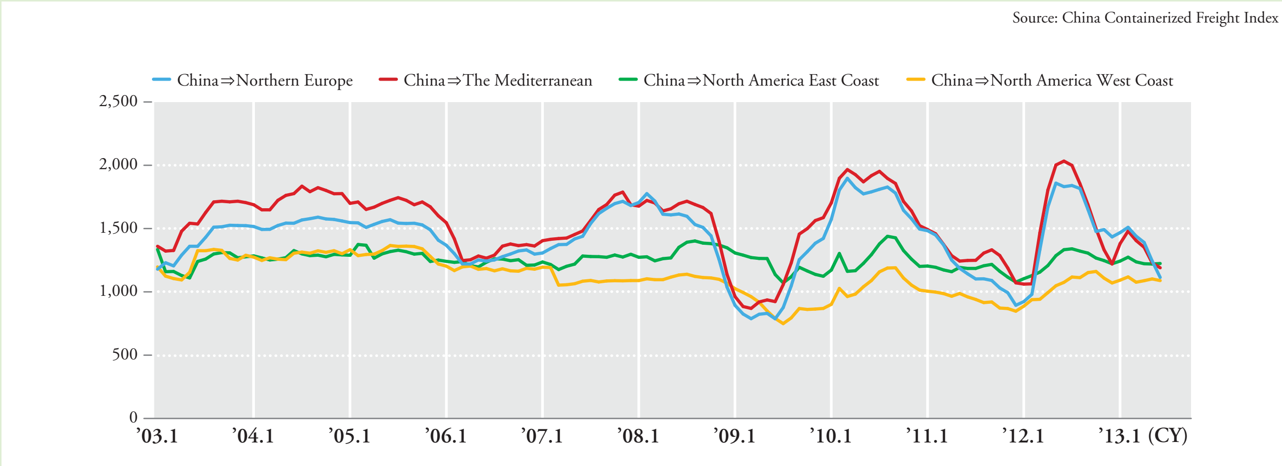
The worldwide containership business is gently growing and "K" Line will retain the prudent operating structure continuously under our basic policy which is "selection and concentration of management resources" to secure stable earnings. "K" Line, as a member line of CKYH-Green Alliance, will continue to provide high-quality services such as extensive coverage of worldwide ports of call with high frequency aligned according to customer needs with dependable on-time performance. Meantime we are further deepening our efforts to promote Eco Slow Steaming to assure more eco-friendly operations that reduce both CO_2 emissions as well as bunker cost savings.

Senior Managing Executive Officer
Eizo Murakami

Overview of Fiscal 2012

Worldwide demand in containership business is growing but somewhat limited due to sluggish recovery of both European and U.S. economies. At the same time, the large number of new deliveries of mega containership vessels has resulted in some degree of negative impact. Under these circumstances, "K" Line is further emphasizing business management focused more on profitability rather than chasing for expansion of business size. Measures taken by "K" Line were not only for rate restoration toward upward tendency but also service rationalization, especially on East and West trades, and reducing our service participation on unprofitable service lanes. "K" Line also strengthened several of its cost saving plans such as reducing fuel consumption through Eco Slow Steaming. As a result, our containership business succeeded in becoming profitable in fiscal year 2012.

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



Fiscal 2013 Business Outlook

Despite uncertainty about the European Economy after the Euro financial crisis being of concern, we may however see some recovery in the U.S. Economy; also growth is expected in developed nations such as ASEAN countries and other regions. On the other hand, business environment overall during this fiscal year is not so optimistic because of high level of new deliveries of Ultra-Large Containership vessels although total supply and demand balance is not expected to collapse. Such newbuildings should not affect market supply so directly as certain percentage of such newbuildings can be absorbed by adding more vessels to achieve further slow steaming.

To establish a stable earning structure, we will continue emphasizing business management focusing on the importance of profitability. In that sense, we will maintain our efforts to keep freight rates at reasonable level in order to secure profit; and we shall review our deployment plan with greater flexibility depending on market demand through the Alliance. At the same time, in developing Inter-Asia services, we will continuously make improvements in service quality in order to assure that we successfully meet customer requirements such as shorter transit time from and to Japan.

On environmental issues, we will also practice environmental-friendly ship operations by further expanding Eco Slow Steaming with added focus on achieving greater energy efficiency.

"K" Line has announced plans to construct five new 14,000TEU type containerships which will be delivered in year 2015. These newbuildings have been designed to fit all latest technologies in pursuit of maximizing energy saving. We are convinced that these new vessels will make our cost competitiveness even stronger and eventually greatly contribute to a more stable earnings structure.

The 8,600TEU *HOUSTON BRIDGE*, currently "K" Line's largest containership

Containership Business Topics

Acquisition of Large Newly-built Containerships

"K" Line has announced its decision to order five 14,000TEU type containerships with timing of delivery between spring and autumn 2015. We have plans that these newbuildings will replace current existing medium-size vessels so that our operating capacity will eventually be maintained even after delivery of Ultra-Large Containership vessels. As a result of such replacement, we will be able to further strengthen our cost competitiveness by the improved efficiency of these larger size vessels as well as new technologies for reducing their operating costs.

Dry Bulk Business

As the dry bulk business has grown, earnings have steadily increased on the basis of medium- and long-term contracts with first-class domestic and overseas customers for the transport of iron and steel raw materials, thermal coal and grain. We will continue to adhere to this business approach and seek to further stabilize the business base by developing our relationships with first-class domestic and overseas customers. At the same time, we will create new demand and customers on a global scale by utilizing "K" Line's vaunted network of overseas business bases to meet the transport needs of developing countries expected to show growth in the medium to long term.

Senior Managing Executive Officer
Kazutaka Imaizumi

Overview of Fiscal 2012

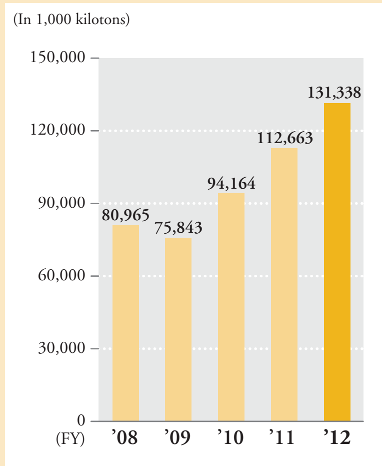
Market conditions for large (Capesize) vessels remained weak in the first half due to supply pressure from newbuildings. Even though rates subsequently recovered to above daily $15,000 from October onward, they returned to a low level in the fourth quarter. Although grain transport from South America and movements of coal and nickel from Southeast Asia held steady, rates for small and medium-size vessels were low throughout the year due to the impact of excess capacity from newbuildings and weak freight rates for large vessels. In an adverse business environment resulting from such weak market conditions, "K" Line implemented slow steaming and strove to minimize the number of charter-free vessels throughout the year. The dry bulk business operated profitably for the 34th consecutive year, thanks in part to the impact of yen depreciation in the second half.

Fiscal 2013 Business Outlook

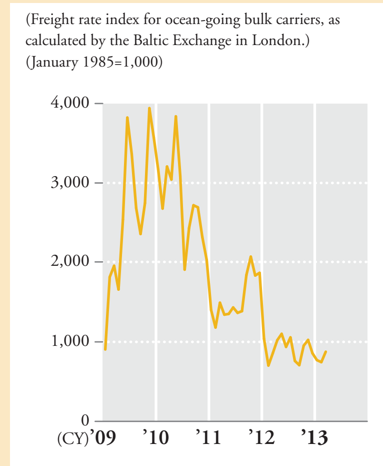
Despite a sense that market conditions for large vessels have bottomed out due to the promotion of the scrapping of vessels and passing of the peak in newbuildings completion, there is concern that the financial turmoil in Europe and slowing of economic growth in China may lead to sluggish growth in cargo movements, and adverse market conditions are expected. Although higher transport volumes of grain from South America and dispersion of coal supply centers are expected to bring an increase in transport demand for small and medium-size vessels, market conditions are expected to remain adverse for some time due to a continuing sense of tonnage oversupply in the market.

The Coal & Iron Ore Carrier Group will continue to make medium- and long-term contracts with domestic and overseas customers the focus of its business in order to establish a more stable earnings structure. The business of K Noble Hong Kong, the joint venture with Noble Chartering in Hong Kong, is developing steadily.

Cargo Tonnage Carried by Dry Bulk Carriers



Baltic Dry Index



The Bulk Carrier Group aims to improve profitability by further decreasing the number of charter-free vessels, reducing ship operating costs and improving ship allocation efficiency. At the same time, the group considers market downturns a business opportunity and is steadily delivering results by opening new markets and engaging in the transport of steel products and new cargo such as nickel ore.

The Thermal Coal, Woodchip and Pulp Group will continue seeking to secure transport volumes of thermal coal and further solidify its stable earnings structure by positioning as the core of its business medium- and long-term service contracts with electric power companies in Japan using its wide-beam, shallow-draft Corona vessels, which have achieved market penetration as a high-quality brand. The group will also aim to transport cargo for overseas electric power companies in Taiwan and other countries. In the woodchip and pulp transport business, while maintaining dedicated ship contracts that produce stable earnings, the group will aim to improve profitability through more efficient ship allocation, including the disposal of charter-free vessels.

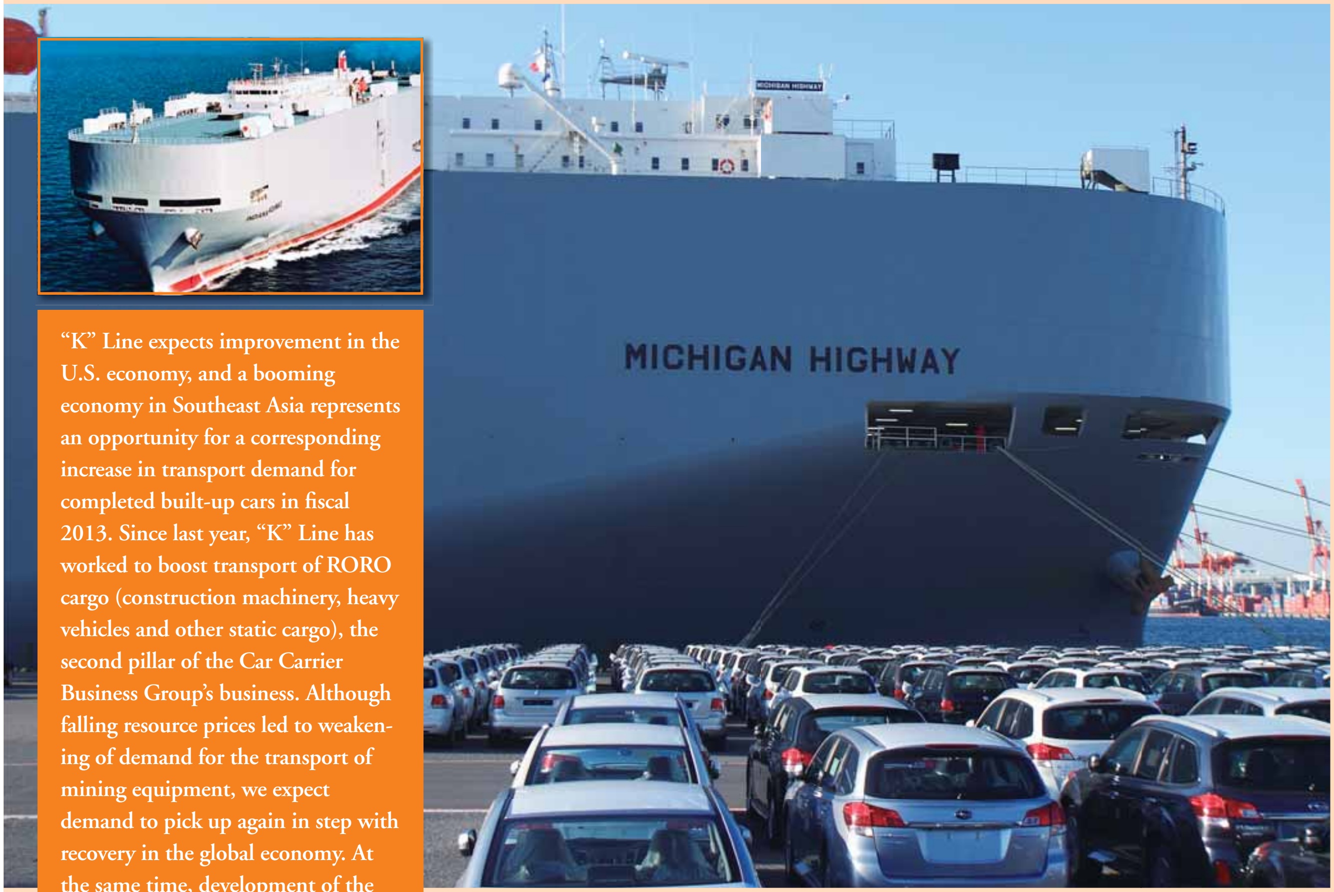
Dry Bulk Business Topics

In front of a bulk carrier engaged in domestic cargo transport in India

"K" Line (India) Private Limited Enters the Coastal Business in India.

"K" Line (India) Private Limited, the "K" Line subsidiary in India, entered the coastal operator business in India in April 2013 when it began iron ore transport using a bulk carrier, successfully transporting 55,000 tons of iron ore from the east coast to the west coast of India. The company will seek to build on this success and further expand its business by meeting coastal transport demand for iron ore, coal and other bulk cargo.

Car Carrier Business



"K" Line expects improvement in the U.S. economy, and a booming economy in Southeast Asia represents an opportunity for a corresponding increase in transport demand for completed built-up cars in fiscal 2013. Since last year, "K" Line has worked to boost transport of RORO cargo (construction machinery, heavy vehicles and other static cargo), the second pillar of the Car Carrier Business Group's business. Although falling resource prices led to weakening of demand for the transport of mining equipment, we expect demand to pick up again in step with recovery in the global economy. At the same time, development of the next generation of carriers has entered the final phase, and we are steadily proceeding with preparations for their introduction. We are constantly considering opening new service routes and will aim to stabilize the business base and achieve further growth.

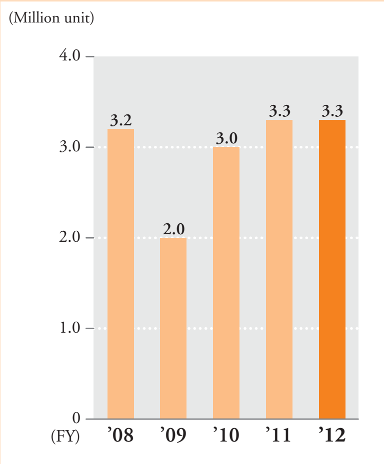
Managing Executive Officer
Yoshiyuki Aoki

Overview of Fiscal 2012

Although the European financial crisis brought slack business conditions on routes from Japan and Asia to Europe, "K" Line maintained generally strong transport volumes on its other service routes. Transport demand was particularly robust for export cargo from Asia, especially Thailand and Indonesia, where the plants of Japanese manufacturers are concentrated, and from Europe and North America to China and Asia. The "K" Line Group capitalized on that demand, and transport volume increased by 1.4% year on year to 3.35 million vehicles. Although fiscal 2012 was a year in which Japan's automakers and parts manufacturers incurred enormous damage from the continuing impact of the Great East Japan Earthquake, concerns about parts supply were dispelled, and the number of completed built-up cars exported from Japan rose 8% year on year to 4.3 million vehicles.

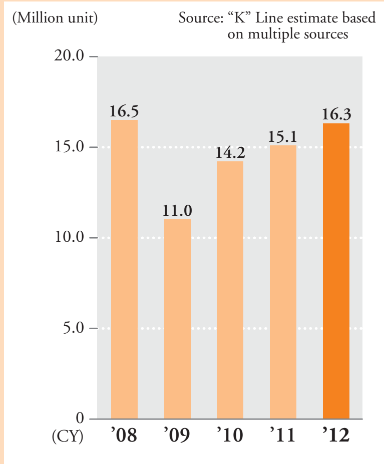
Whereas fiscal 2011 was a difficult year for earnings because of numerous inefficiencies in ship allocation attributable to the powerful lingering effects of the Great East Japan Earthquake, in fiscal 2012 we cast off most effects of the disaster. Both revenues and profits increased year on year as a result of the steady implementation of key measures. We were successful in accomplishing a sharp reduction in fuel costs from more thorough implementation of energy-efficient ship operations, inaugurating service from Thailand in response to

Completed Built-up Cars Transported by Car Carriers



Worldwide Freight Movement of Completed Built-up Cars

(Excluding European short sea.)



robust exports, streamlining operations, including reorganization of our service route network in the Atlantic region, and capitalizing on demand for the transportation of RORO cargo (construction machinery, heavy vehicles and other static cargo).

Fiscal 2013 Business Outlook

With regard to business environment, although there is no major change in the economic downtrend in Europe, which remains a cause for concern, positive developments include improvement in the U.S. economy and booming business in Southeast Asia. In addition, strong worldwide growth in sales of completed built-up cars is forecast, principally in developing countries, despite slowing of the pace of growth. We forecast sustained growth in demand for ocean transport for such vehicles.

Despite correction of the strong yen since the end of last year, we do not forecast an increase in exports of completed built-up cars from Japan in the medium to long term because of production site diversification underway by automakers. On the other hand, exports from new production sites in Southeast Asia, China, India, the U.S., Mexico and other areas to nearby countries are expected to continue growing. We will further strengthen our trunk route network by carefully monitoring diversifying transport demand and customer feedback and flexibly reorganizing service routes in response to changes in the business environment by means including expanding and upgrading the current service network and increasing sailing frequency. We will also consider developing service offerings for attractive markets such as Myanmar, which offers improved prospects as a new market. In addition, the RORO cargo team, formed last year, is implementing a strategy to substantially increase handling of construction machinery, heavy vehicles and a wide variety of large static cargo, and "K" Line will continue to step up not only sales activities, but also deployment of special cargo-handling equipment. Furthermore, development of the next generation of large carriers designed for greater fuel efficiency and heavy lift cargo carrying capacity will be completed this year, and we aim to launch these carriers in fiscal 2015 and beyond.

Quality control of cargo handling is one of the most important considerations for a car carrier operator, and "K" Line has continuously devised improvements during its more than 40 years of experience in operation as a car carrier pioneer. We will apply our proven track record and experience with innovations and improvements accumulated over the years to investigate further innovations to ensure safe, reliable transport of our customers' products. This year we will once again conduct a safe cargo handling and safe navigation campaign to unite and focus the efforts of everyone involved in land and sea transportation on the critical issue of safety.

Car Carrier Business Topics

Service Network Upgrading and Expansion to Promptly Support Customers' Diverse Cargo Movements

– Start of service from Thailand on westbound (Middle East) routes
– Expansion of service on routes within Southeast Asia
– Opening of routes to the Russian Far East (scheduled for 2013)
– Opening of routes to the Bay of Bengal (scheduled for 2013)

LNG Carrier Business and Tanker Business

As worldwide demand for energy expands, major global changes in the supply structure are occurring due to developments such as the shale gas revolution. "K" Line will carefully monitor these changes and meet new logistics needs for LNG and other energy sources.

As the need to develop offshore energy resources increases, "K" Line has entered offshore energy development-related businesses such as drill ships, offshore support vessels and floating LNG producers. In addition to conventional energy resource transportation, "K" Line will provide an integrated transportation solution to include businesses that support energy resource development and production.

Managing Executive Officer
Hiromichi Aoki

Overview of Fiscal 2012

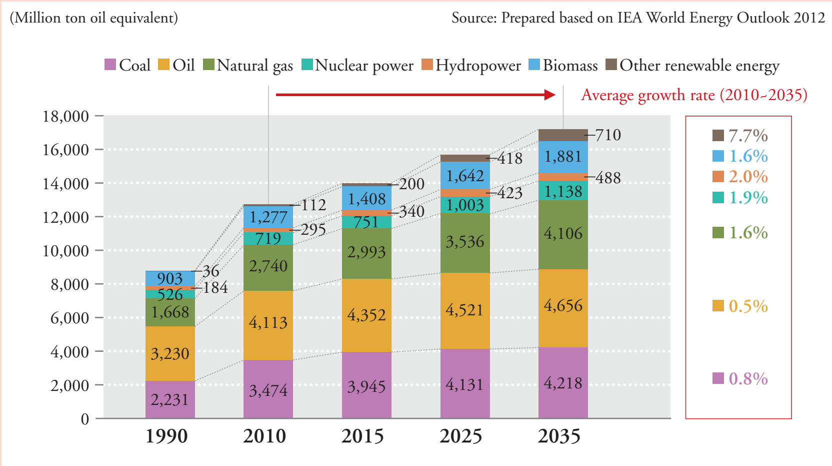
In liquefied natural gas (LNG) and liquefied petroleum gas (LPG) carrier services, business continued to develop favorably for vessels under long-term contracts and vessels in spot services alike. As for oil tanker services, while business developed steadily for VLCCs (large crude tankers) under long-term contracts, market conditions for medium-sized crude oil carriers and oil product carriers were less favorable than expected. Accordingly, we are striving to improve profitability through fleet size reduction by selling or re-delivery of vessels.

Fiscal 2013 Business Outlook

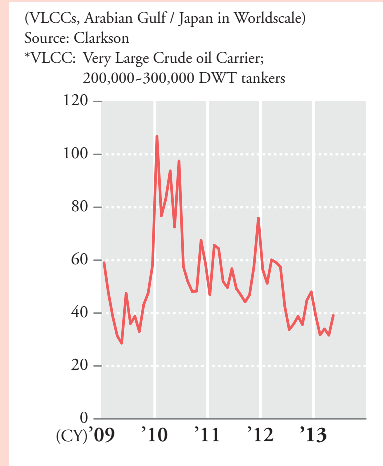
LNG and LPG Carrier Services

Demand for natural gas is expected to continue to steadily rise as a result of strong growth in energy demand in countries with emerging economies and increasing awareness of environmental conservation. In this favorable business environment, "K" Line forecasts stable operation of all LNG carriers. In the transportation of LNG, the most environment-friendly fossil fuel, we will maintain stable operation of vessels operating under long-term contracts. At the same time, the shale gas revolution is expected to

Worldwide Demand for Primary Energy



Index of VLCC* Freight Rates



open up new trade possibilities, and we will seek to secure new business opportunities in addition to existing long-term projects. The LPG carrier business is expected to develop favorably thanks to solid cargo movements and few deliveries of newbuildings.

Oil Tanker Services

As for the outlook of oil tanker services, despite strong movements of crude oil and oil products, supply pressure of newbuildings remains high, and we expect recovery in market conditions to take some time. Group company "K" Line Pte Ltd entered the chemical tanker business in 2012 and took delivery of its third large chemical carrier in July 2013.

LNG Carrier Business and Tanker Business

Topics

GENUINE GALAXY

Entry into the Chemical Tanker Business

"K" Line Pte Ltd entered the chemical tanker business when it took delivery of *GENUINE GALAXY* in March 2012. The company's second and third chemical tankers, *GENUINE HERCULES* and *GENUINE VENUS*, were subsequently completed in March and July 2013. Key characteristic of these vessels are that they are the largest chemical tankers equipped with all stainless steel tanks, have deadweight capacity of 33,400 metric tons, and can transport a wide variety of cargo, including inorganic chemicals ranging from plant oil to phosphoric acid and organic chemicals such as ethylene glycol.

Development of Offshore Business

Overview of Fiscal 2012

The first drillship owned by "K" Line's participating ownership consortium began operation in April 2012 in an ultra-deep water field 200 kilometers off the coast of Rio de Janeiro under a long-term charter contract with Petrobras of Brazil with a maximum term of twenty years. The drillship is earning stable profits.

Fiscal 2013 Business Outlook

The first drillship, under long-term charter to Petrobras of Brazil, is expected to continue earning stable profit.

"K" Line is working on studying other drillship projects and also, as a shareholder, we are supporting the realization of floating LNG producer business and CNG (compressed natural gas) carrier business. Worldwide demand for natural gas as a clean energy source is expected to grow, and "K" Line will continue to engage in businesses related to natural gas development and production.

Offshore Support Vessel Business

Amid concerns about depletion of existing onshore oil wells and gas fields, the energy sector is turning to exploration and production in ultra-deep and distant waters. Group company K Line Offshore AS of Norway has completed development of a fleet of seven vessels, consisting of five ultra large platform supply vessels (PSVs) and two ultra large anchor handling tug supply vessels (AHTSs), and provides offshore support vessel service. Demand for offshore support vessels is expected to increase, and the company intends to meet this burgeoning demand.

Managing Executive Officer
Hiromichi Aoki

Overview of Fiscal 2012

In fiscal 2012, all of K Line Offshore's vessels showed stable performance on medium- and long-term charter to major E&P companies in Brazil and the North Sea or in spot service in the North Sea.

Fiscal 2013 Business Outlook

Continued stable operations are expected for vessels on long-term charter to major E&P companies. The market rate for the vessels in the spot market is expected to exceed the prior-year level due to strong demand fueled by an increase in offshore resource development activity in North Sea waters. Since completion of the initial phase of fleet development in 2011, K Line Offshore's seven state-of-the-art vessels have earned a favorable reputation among charterers, and the company's policy is to seek business stabilization through the acquisition of additional long-term contracts. K Line Offshore will continue to provide safe, efficient, environmentally friendly and high-quality offshore service.

Heavy Lifter Business

The number of offshore oil and gas field exploration and production projects is increasing, and attendant demand for the transport and installation of offshore-related cargo is expected to rise. SAL, whose dynamic positioning system-equipped vessels can maintain position even in ultra-deep and distant waters, will diversify its profit sources by seeking to increase orders in this field in addition to orders for its conventional heavy lift services.

Executive Officer
Yutaka Nakagawa

Overview of Fiscal 2012

Although rates for heavy lifter market services bottomed out in the first half and showed a slight recovery trend, midway through the second half, market conditions once again softened, especially rates for small-to-medium spot cargo. SAL sought to improve profits by allocating vessels to infrastructure-related projects, but such efforts could not fully compensate for the declining market conditions, and it posted higher operating revenues but lower profits year on year.

At the same time, SAL established a new earnings source by receiving its first order for offshore cargo transport and installation work using its dynamic positioning system (DPS), a high-priority business sector.

Fiscal 2013 Business Outlook

Higher demand for offshore installation work and the transport of cargo for offshore-related projects is forecast, and SAL expects increasing orders in this business sector. At the same time, weak market conditions for heavy lifters are likely to continue for some time, but we will try to improve earnings through more efficient vessel allocation and operating cost reductions.

In the medium term, recovery in the global economy and persistently high crude oil prices have resulted in activation of investment in offshore oil and gas field development and offshore wind power generation facilities, mainly in Europe. Cargo movements for infrastructure-related projects are also expected, and SAL aims to secure stable profits by capitalizing on its advanced cargo-handling expertise to win orders for the transport of cargo for offshore-related projects, infrastructure-related projects and installation work.

Short Sea and Coastal Business

In short sea services, we will provide competitive tonnage in line with customer needs while at the same time striving to increase competitiveness and improve profitability by optimizing tonnage. In coastal services, as a provider of service routes vital to people's lives, we will focus on stable, long-term business continuity paying attention to environmental preservation while at the same time actively developing new business sectors.

Executive Officer
Yutaka Nakagawa

Overview of Fiscal 2012

In short sea business, although we secured stable transport volumes in tramp services and a year-on-year increase in transport volumes of wood products, capacity oversupply resulted in weak market conditions. Transport volumes of steel materials and general cargo decreased. In coastal services business, tramp services maintained a generally steady operating rate throughout the year. In liner transport, we replaced a vessel with an energy-saving newbuilding and secured transport volume exceeding the prior-year level. In ferry transport, truck transport volume and the number of passenger cars and passengers increased as a result of the introduction of a large newbuilding.

Fiscal 2013 Business Outlook

In short sea tramp services, we will proceed with bulk carrier fleet development and undertake expansion of operations into new markets and profitability improvement by providing competitive tonnage in line with customer needs. We will work to optimize steel materials, general cargo and wood products transport capacity and to improve profitability by increasing competitiveness in the Asia region. In coastal tramp services, we will concentrate on continuation of stable transport by dedicated limestone and coal carriers. In coastal liner services, we will consider to convert to newbuildings with the aim of expanding transport volume from Hokkaido to Kyushu, with a geographical focus on the northern Kanto region. In ferry service, we will enhance transport services by introducing a state-of-the-art vessel *SILVER EIGHT* following that of last year.

Logistics Business

"K" Line has positioned logistics business as a sustained growth sector and expects further expansion of logistics demand, particularly in Southeast Asia, India and surrounding areas that are achieving remarkable economic growth. Utilizing strong local ties, we are expanding comprehensive logistics services to meet customer needs such as automobile and motorcycle land transportation, warehousing and coastal services, and are working to strengthen and expand our stable earnings structure to complement the marine transport business.

Executive Officer
Yutaka Nakagawa

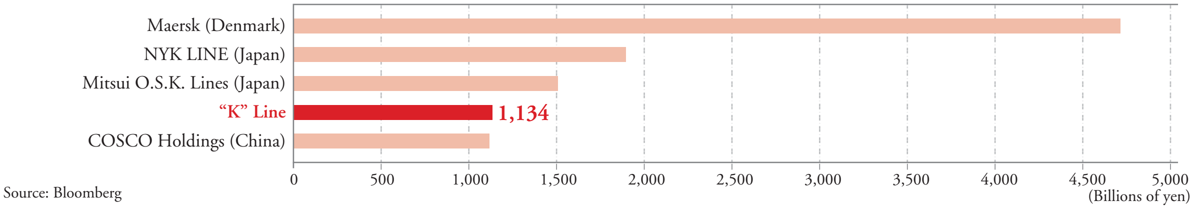
Overview of Fiscal 2012

In logistics services as a whole, despite the impact of weak domestic demand and the strong yen, both revenues and profits increased year on year as a result of favorable performance by the air and ocean freight forwarding businesses and locally-based logistics businesses. In the international logistics business, although demand for emergency air cargo for supply chain restoration after the flooding in Thailand was a key factor contributing to higher profits, airfreight export cargo from Japan decreased after the emergency demand subsided. In the domestic logistics business, earthquake reconstruction demand fell off, and earnings were at the prior-year level.

Fiscal 2013 Business Outlook

"K" Line will expand and enhance its service network by combining comprehensive logistics services provided by the "K" Line Group in various regions, such as air and ocean freight forwarding, land transportation and warehousing along with marine transport. In addition to Thailand and Indonesia, where the "K" Line Group has long engaged in logistics business, we will focus on further economic growth regions in Southeast Asia, India and surrounding areas. We will accelerate the development of land transport, coastal service and other businesses based on local demand and utilize synergy of successful business solutions, such as the expanded use of Triple Decker Motorcycle Carriers. We expect earnings in fiscal 2013 to develop solidly in line with demand, mainly in the Asian region.

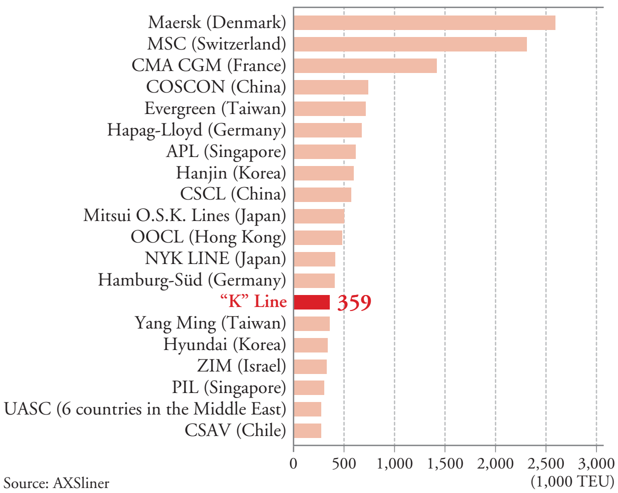
Sales among the Top-five Listed Marine Transport Companies (2012)



Source: Bloomberg

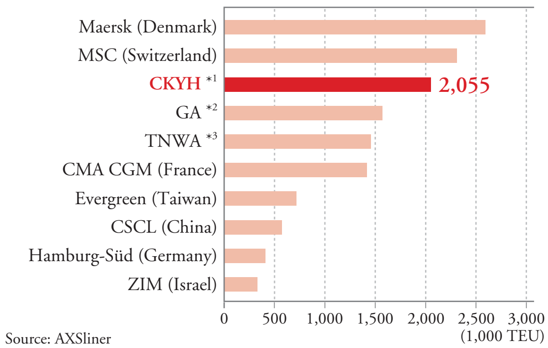
Containerships

Container Carriers Ranked by Operating Capacity (As of April 2013)



Source: AXSliner

Comparison of Operating Capacity by Alliance (As of April 2013)



Source: AXSliner

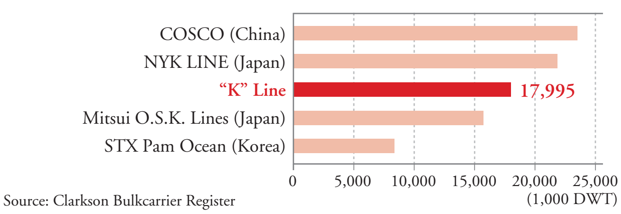
*1 CKYH: COSCON, "K" Line, Yang Ming, Hanjin

*2 GA: Grand Alliance
Hapag-Lloyd, NYK LINE, OOCL

*3 TNWA: The New World Alliance
APL, Hyundai, Mitsui O.S.K. Lines

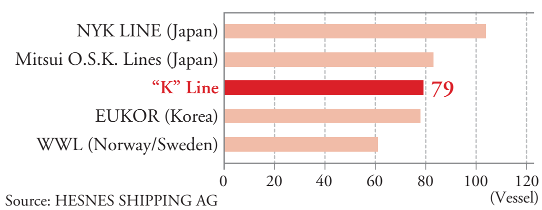
Dry Bulk and Car Carriers

Top-five Carriers Ranked by Owned Tonnage of Dry Bulkers (As of March 2013)



Source: Clarkson Bulkcarrier Register

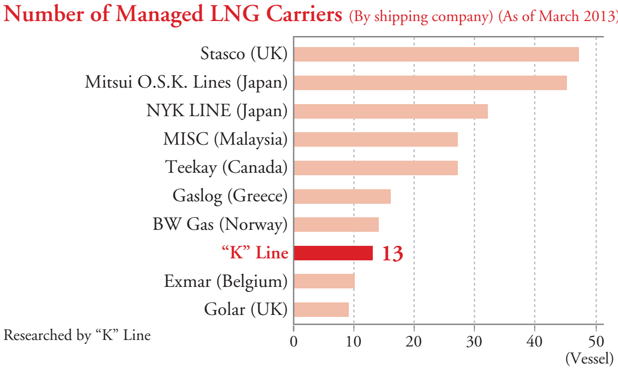
Top-five Carriers Ranked by Number of Operating Car Carriers (The number of vessels of over 2,500 units) (As of December 2012)



Source: HESNES SHIPPING AG

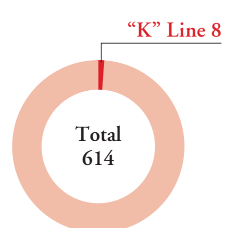
LNG Carriers and Tankers

Number of Managed LNG Carriers (By shipping company) (As of March 2013)

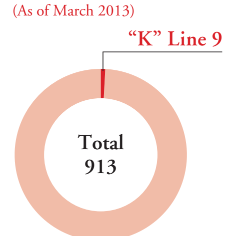


Researched by "K" Line

Number of VLCCs*1 in Operation (As of March 2013)



Number of Mid-sized Tankers*2 in Operation (As of March 2013)



Source: Clarkson Tanker Register

*1 VLCC: Very Large Crude Carrier; 200,000–300,000 DWT tankers

*2 Tankers ranging from 80,000 to 120,000 DWT

For Further Information

Please see the FACT BOOK with regard to trends in the shipping industry.

http://www.kline.co.jp/en/ir/library/factbook/index.html

Corporate Principles

The basic principles of “K” Line Group as a shipping business organization centering on shipping lie in:

(a) Diligent efforts for safety in navigation and cargo operations as well as for environmental preservation;

(b) Sincere response to customer needs by making every possible effort; and

(c) Contributing to the world’s economic growth and stability through continual upgrading of service quality.

Vision

1. To be trusted and supported by customers as a globally developing group,

2. To build a business base that will be capable of responding to any and all changes in business circumstances, and to continually pursue and practice innovation for survival in the global market,

3. To create and provide a workplace where each and every employee can have hopes and aspirations for the future, and can express creativity and display a challenging spirit.

Toward a Sustainable and Better Society
CSR Initiatives

Objective and mission of our CSR initiatives

The “K” Line Group aims to discharge its social responsibility by contributing to the sustainable progress of regional and international societies through logistics services centered on marine transportation, while taking into full account the impact of our business activities on society and the environment.

In August 2012, the “K” Line Group revised the Charter of Conduct for “K” Line Group Companies and “K” Line Group’s Environmental Policy, guidelines for the conduct and activities of the Group’s officers and employees in discharging responsibility to society. For information on these charters, please refer to Social and Environmental Report 2013.

Website information

- Charter of Conduct for “K” Line Group Companies http://www.kline.co.jp/en/csr/group/charter.html
- “K” Line Group’s Environmental Policy http://www.kline.co.jp/en/csr/environment/management.html

Initiatives for Safety in Navigation and Cargo Operation

Toward Assurance of Safe Ship Operation

The "K" Line Group is building a framework to ensure unfailing safety in ship operation and management to support the foundation of its shipping business. We take on initiatives to further increase the quality of services by thoroughly training seafarers, onshore workers, and other personnel involved in the operation of safe and ecologically sounds ships, and by creating a good workplace environment.

Rigorous Safety Management Structure

The Ship Safety Promotion Committee is chaired by the President and consists of the Executive Officers of each business department and marine department, and of the ship management companies. The Committee meets at least every quarter and in case of need to share Group information and discuss and implement measures from every possible viewpoint concerning all matters related to safety at sea, such as analysis of information concerning problems occurring during navigation or cargo handling, formulation of measures for preventing their recurrence, compliance with international conventions and relevant laws and regulations that will be newly introduced or amended, and anti-piracy measures.

Ship Inspection

To reliably ensure safety in navigation and cargo operation of all ships, ship inspections are carried out regularly based on the KL-Quality guidelines. KL-Quality is our original guideline for quality control based on international conventions ISO 9001 (quality control standards) and ISO 14001 (environmental management standards). These guidelines are applied to all ships operated by "K" Line, including ships of outside ship owners and management companies with whom we have signed a charter-party (ship chartering agreement) or ship management contract. Using a checklist that covers about 160 items, ship inspection supervisors inspect each ship to confirm implementation of the SMS* by ship management companies and ships and the state of compliance, maintenance and management conditions, progress of environmental preservation initiatives, and other points.

* SMS: Safety Management System

"K" Line Anti-piracy Measures

"K" Line practices risk management and implements anti-piracy measures that follow the Best Management Practices (BMP) anti-piracy guidelines.

- Allocation of dedicated anti-piracy lookouts
- Use of searchlights at night for early detection of pirates
- Crew on the bridge for navigational watch and anti-piracy lookouts wear bulletproof vests and helmets as a safety precaution.
- Installation of razor wires around the perimeter of the deck and of nozzles for high-pressure water hoses capable of sustained discharge around the hull periphery to prevent pirates from coming on board

Anti-piracy lookouts

In February 2013, "K" Line, along with oil majors and other major shipping companies, helped raise a total of 1 million U.S. dollars for a project to create job opportunities and develop vocational skills in Somalia, run by the United Nations Development Programme (UNDP). Such support helps stabilize conditions in Somalia and reduces the risk of piracy in the Indian Ocean. This project provides career alternatives for future generations in Somalia so that the path of piracy is not taken.

Improving Risk Management Capabilities through Emergency Response Drills

Every year we conduct drills on responding to a large-scale disaster as part of our emergency response drills to prepare for the possibility of a marine accident. In February 2013, we conducted the drill assuming a scenario in which our large crude oil tanker collided with a fishing boat wherein the bottom of the ship made contact, resulting in an oil spill. In the drill, based on the Emergency Response Manual, the President and relevant individuals set up an emergency response headquarters and measures were devised based on information received there. Appropriate measures were taken, responses were given to questions from outside the company, and a simulated press conference was held, after which comments were received from insurance companies, lawyers, consulting firms, and other experts.

An accident like the one in this case study must never take place, but by performing repeated drills to prepare for the possibility of an accident and evaluating our response, all employees become even more safety conscience, we increase our risk management capabilities, and we further improve the Emergency Response Manual.


Emergency response drills

Environmental Preservation Initiatives

Efforts to Minimize Environmental Impacts

At “K” Line, we recognize the environmental impacts of our business activities and take measures to minimize those impacts. By developing and implementing next-generation technologies, engaging in activities to reduce fuel consumption, and pursuing other initiatives that go beyond legal and regulatory frameworks, we build and maintain a more environment-friendly logistics infrastructure. We plan to link these efforts to the creation of new business opportunities.

Development of Next-generation Technology for NOx Tier III Regulations

Under collaboration with Japan Marine United Corporation and Daihatsu Diesel Mfg. Co., Ltd. “K” Line has begun actual ship onboard testing of a Selective Catalytic Reduction System (SCR system) for a diesel generator to comply with NOx Tier III regulations.

An SCR system sprays aqueous urea used as a reducing agent on exhaust gas. Ammonia (NH_3) that is hydrolyzed by the heat of the gas bonds to the NOx which is converted to nitrogen gas (N_2) and water (H_2O).

We mounted the SCR system to the diesel generator engine of a large container vessel that was launched in March 2013. We will measure the performance of the SCR system in roughly 18 months of operation and continue working to actively develop next-generation technologies to minimize environmental impact.

Activities to Minimize Fuel Consumption

The most effective way of minimizing fuel consumption and boosting energy efficiency is to optimize fuel consumption and vessel speed so that the cargo is carried using less fuel. Since reducing fuel consumption per transport ton-mile* also contributes to CO_2 reduction, “K” Line aims to achieve by 2019 a 10% reduction in CO_2 emissions per transport ton-mile from the 2011 level by adopting various techniques including energy-saving operation. “K” Line has set up a dedicated group to centralize fuel management and will further strengthen initiatives to reduce environmental loads.

* Transport ton-mile: The transport of one ton of cargo a distance of one nautical mile (1,852 meters)

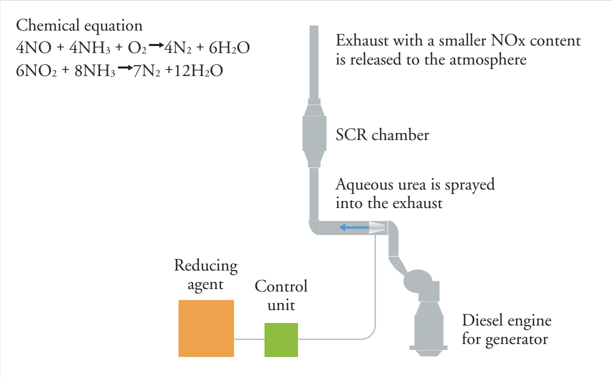
“K” Line’s Forest “Sarumachizuka” Satoyama (woodland) Project

“K” Line signed an agreement with NPO Chiba University Students. Committee for Environmental Management System and Chiba Prefecture in order to join Chiba Prefecture’s Satoyama preservation activities and conduct such activities in “K” Line-owned woodlands near Narita International Airport in Chiba Prefecture. Through this activity, “K” Line also received a Certificate of CO_2 Absorption by forest preservation from the Chiba prefectural government. (February 2013)

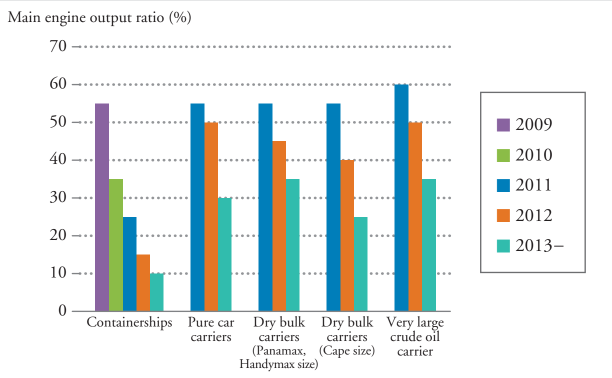
“K” Line and the Students Committee will contribute to preserving the Satoyama through volunteer activities with the goals of conserving biodiversity, improving the landscape and spreading environmental awareness.

“K” Line Group Satoyama preservation activities

SCR System



Change in Energy-saving Slow Steaming and Targets



Human Resource Development and Workplace Creation

Developing Seafarers and Onshore Workers for Greater Corporate Value and Work Environment

The “K” Line Group’s employees are both the driving force for the creation of new value by Group and also important stakeholders. The Group actively works to develop personnel who can ascertain the needs of customers and achieve service improvements while at the same time considering safety and the environment and to create worker-friendly workplaces where each individual employee can maximally demonstrate his or her skills.

Developing Maritime Technical Personnel to Support Safety

The “K” Line Maritime Academy (KLMA) was established in order to secure and train excellent maritime technical personnel who can undertake ship navigation and cargo operations. KLMA is an aggregation of educational programs such as those to establish a career path for maritime technical personnel and training institutions in each country. Based on the KLMA Master Plan that is the basic guideline for passing down the technological capabilities developed by the “K” Line Group over many years to the next generation, various initiatives are pursued to foster consciousness about operational safety and environmental preservation and to pass down and improve our technological capabilities. All maritime technical personnel working for the “K” Line Group take training courses based on these development programs, in which they acquire the skills and knowledge needed to advance their careers.

We strive to contribute to local areas and procure a stable supply of personnel by training maritime technical personnel with excellent credentials, through the development of scholarship programs for merchant marine academies in the Philippines, the world’s leading country for seafarers, and bridge programs (course for engineering graduates to obtain a seamen’s competency certificate), and by offering the merchant marine Crystal e-College, among other initiatives.

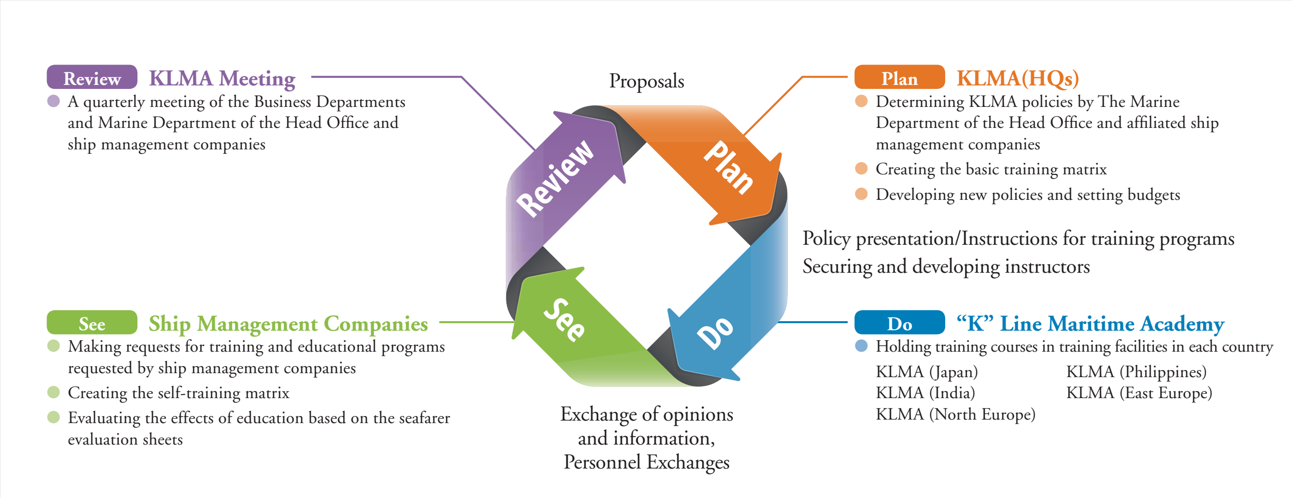
Far-sighted Development of Shore-based Employees

To develop personnel who acquire wide-ranging knowledge and expertise and are able to view things from a multifaceted perspective, we employ job rotation to give young employees experience in several different departments until about their tenth year of employment. When recruiting new graduates, we do not recruit for specific departments. For instance, even an employee who joins the company after majoring in naval architecture isn’t assigned only to the Technical Group, but gains experience working in the Business Promotion Group, General Affairs Group or other groups. In this way, we are developing personnel with broad horizons and abilities such as skill at ascertaining customer needs or an excellent feel for costs.

Creation of Worker-friendly Work Environment through Dialogue with Employees

“K” Line aims to develop excellent labor-management relations and improve and enhance workplace environments through constructive dialogue. We will aim to enhance medium- to long-term corporate value by working to improve work-life balance in line with work style diversification and by putting in place workplace environments where a diverse workforce can flourish through the promotion of diversity from expanded employment of women, foreign nationals, and people with disabilities.

KLMA Structure



Message from an Outside Director

Outside Director

Mitoji Yabunaka

Mr. Yabunaka entered the Ministry of Foreign Affairs of Japan (MOFA) in 1969. After serving as director general of the Asian and Oceanian Affairs Bureau and deputy minister of foreign affairs (economic, political affairs), he became vice minister of foreign affairs in 2008. Since retiring from the MOFA of Japan in 2010, he has been an advisor to MOFA, advisor to Nomura Research Institute, special visiting professor at Ritsumeikan University and specially appointed professor at Osaka University. He has been a "K" Line outside director since 2011.

On Corporate Governance

Each time I attend a meeting of "K" Line's Board of Directors as an outside director, I am impressed by the posture of including the persons responsible for each business group in a monthly detailed examination of business performance and company policies. Since the marine transport industry is affected by the global economy and various events around the world, the content of the discussion has a highly international flavor, and "K" Line is probably among the Japanese companies most sensitive to the global situation.

I feel that what is required in corporate governance in such circumstances is governance from a global perspective in addition to the governance required of a company that does business in Japan. I participate in meetings of the Board of Directors with a healthy feeling of tension, hoping to constructively apply my experience in diplomacy in the field of marine transport.

I think that one of the requirements of corporate governance is crisis management. Although a company that routinely practices robust corporate governance may never face a crisis, there will inevitably be times when "K" Line faces tribulations posed by changes in the global situation or changes in the social milieu. At such times, I think that the key points of crisis management are the direction of the response and a sense of urgency. I myself have faced dreadful situations and led crisis management at the Ministry of Foreign Affairs. What was required at such times was the judgment to determine what constitutes a crisis situation. It was necessary to make those judgments by intuition, or one might say, the ability to act instantaneously. It is said that the initial response is crucial in all matters. At the Ministry, the sensitivity to recognize that a situation is critically important and the ability to spring into action at a moment's notice were required.

Although the nature of crisis management at companies may differ slightly, I think the importance of the initial response is the same. A company may become entangled in an emergency situation due to an event in a foreign country. In many such cases, the initial response determines the company's reputation. If the company gets the initial response wrong, the subsequent recovery could require enormous energy.

At "K" Line, I sense an environment open and conducive to communication. This openness is an extremely important factor in making correct judgments. The worst possible thing in corporate governance is the disposition to cover things up when something awkward has occurred. In that regard, I find the atmosphere and culture at "K" Line superb. I think that "K" Line is unlikely to face governance problems provided it maintains this openness.

Of course, corporate governance entails more than mere crisis management. I believe that a company must undertake unremitting reform and self-transformation by adroitly responding to the state of the times. In my view, accurately reading the trend of the times at all times is crucial. For instance, I think that the shale gas revolution currently underway is a game changer that will dramatically change the global energy situation and that this transformation will bring dramatic changes in marine transport. I suspect that an approach that overturns the conventional wisdom may be necessary to correctly respond to this change. Although my knowledge is quite limited when it comes to marine transport, I have studied how to read the international situation and hope to contribute to "K" Line by bringing my experience to bear.

Corporate Governance

Structure of Business Execution

"K" Line adopts an executive officer system and streamlines its management by delegating authority and expediting decision making.

Board of Directors

The Board of Directors meets at least once a month to determine fundamental management policies, matters required by laws and regulations and other important management-related matters, as well as to supervise business executions. The Audit & Supervisory Board Members also attend the Board meeting.

Executive Officers' Meeting

The meeting is held twice a month, in principle, and is attended by the Executive Officers and Audit & Supervisory Board Members to help the President & CEO and its representatives make decisions and share information on important matters through frank discussion.

Audit & Supervisory Board

The Audit & Supervisory Board meets at least once a month. Three of the four members of the board are outside members as stipulated by the Companies Act of Japan. The board formulates and implements audit policies and plans and undertakes to conduct efficient, expeditious auditing. The members of the board supervise business operations of directors through attendance at meetings of Board of Directors and other important meetings and inspection of decision documents. "K" Line assigns a dedicated staff to assist the Audit & Supervisory Board Members.

Management Conference

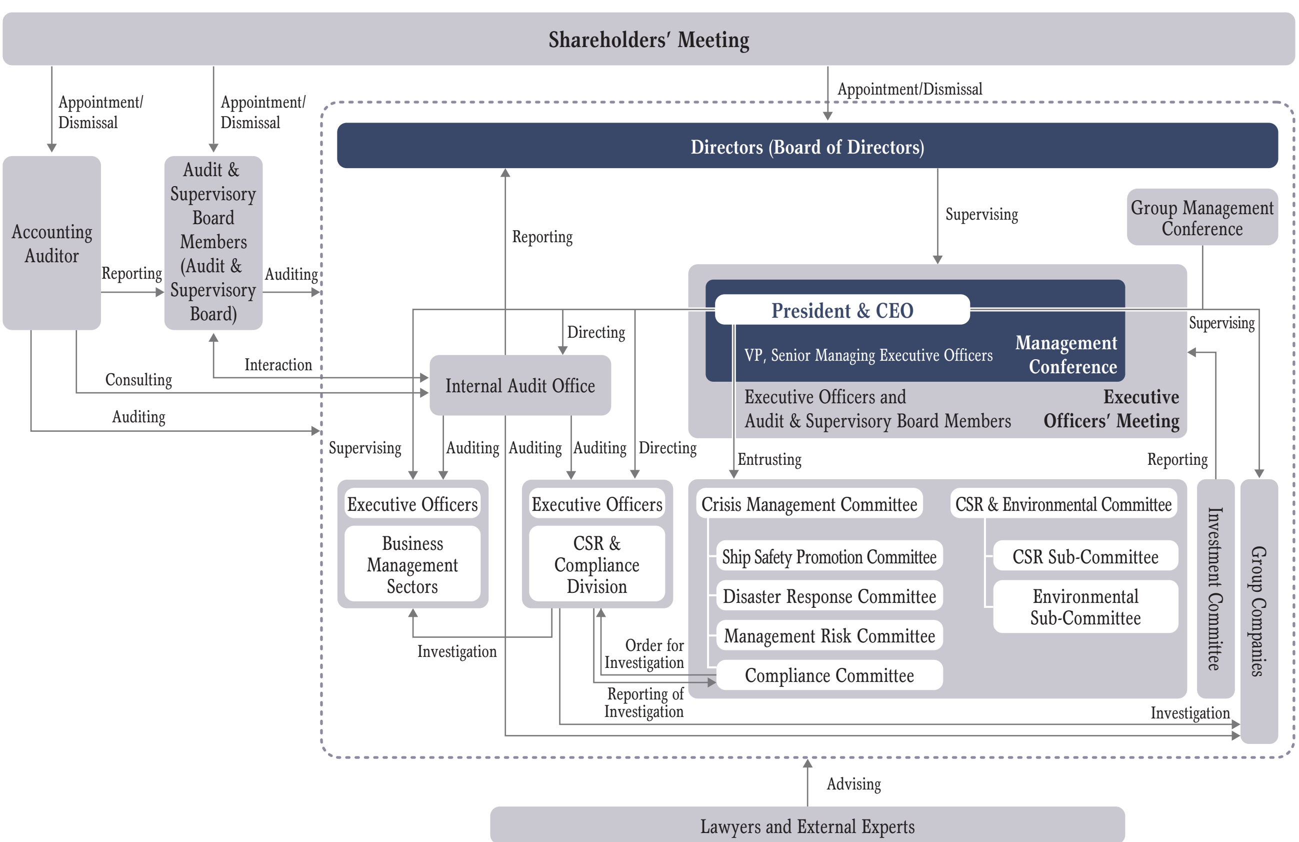
The Management Conference is held every week, in principle, to further enhance transparency and promptness in management decision making and direction setting. At the Management Conference, senior managing executive officers and higher-level Executive Officers exchange opinions, and other involved parties attend discussions of specific agenda items.

Establishment and Maintenance of the Internal Control System

The Board of Directors is responsible for building the internal control system, evaluating its effectiveness, and ensuring that it functions properly. The Internal Audit Office assists Directors in performing their duties with respect to the establishment and maintenance of internal controls by providing supervision and inspection in internal audits. The Audit & Supervisory Board Members oversee the processes by which Directors build an internal control structure and confirm that it is functioning effectively.

Corporate Governance Structure

(As of July 1, 2013)



Risk Management

Risk Management System

We have established a system for managing crises and risks in order to recognize diverse management risks, prepare for them, and discharge our corporate social responsibility when the risks become actualized. Specifically, we have established four Committees for responding to four different types of risks: risks in ship operations, the risk of disasters, risks concerning compliance, and other risks related to management. We also established a Crisis Management Committee as an organization to unify the four Committees and to control and facilitate overall risk management.

Risk Management System

Management Risks

Risks are not limited to those concerning ship operations, major disasters, or compliance. There are many other risks, including terrorism, threats from antisocial forces, harmful rumors, fluctuations in exchange/interest rates, fluctuations in fuel oil prices, changes in the tax systems or economic policies of major trading nations (areas), including North America, Europe, and China, and the adoption of protectionist trade policies.

With respect to antisocial forces, we have established a dedicated consultation service for undue claims against "K" Line and Group companies and a system that allows the entire organization to respond in the event of concrete incidents in cooperation with the relevant authorities and our corporate lawyers.

To combat the risk of terrorism, we participate in the C-TPAT program, a U.S. Customs' program aimed at preventing terrorism. Under this program, we take measures that include strict identification of people who visit ships and offices, the appropriate installation of fences and lights at self-managed terminals, and measures for ensuring information security.

We monitor fluctuations in exchange rates, fuel prices, and interest rates and trends in public regulations and hedge against risks appropriately. Our Management Risk Committee takes preventive action if there is a threat that our operations will be affected by the risks and responds appropriately when an impact actually occurs.

Response to Large-scale Disasters

We have established BCPs for two different types of disasters: an inland earthquake in the Tokyo metropolitan area and a pandemic involving a highly virulent new influenza. Placing maximum priority on human life, we aim to continue business operations by transferring important functions to our domestic and overseas branches and subsidiaries or by shifting to telecommuting so that we keep discharging our responsibility as a part of social infrastructure. Also, to avoid electric data loss in a disaster, we have set up a system for remote storage of backup data.

Promotion of Compliance

Compliance forms the backbone for pursuing business activities in a way that gains trust from society. We have installed a Compliance Committee chaired by the President that discusses strategies and countermeasures to ensure that compliance is maintained throughout the entire Group. Group companies report compliance-related issues to "K" Line, and the Compliance Committee handles all compliance issues for the entire Group and reports details of its activities to the Board of Directors on a quarterly basis. "K" Line's dedicated division (CSR & Compliance Division) is responsible for investigating and reporting compliance issues for the entire Group as the compliance committee office and strives to enhance awareness of compliance among executives and employees of Group companies through seminars and other initiatives.

Investigation by the Fair Trade Commission

"K" Line received an on-site inspection in September 2012 by Japan's Fair Trade Commission on suspicion of violating anti-trust laws concerning ocean transportation of automobiles, mobile construction machinery and other cargo. The investigation by the Fair Trade Commission is still ongoing, and investigations have also been launched by competition law authorities in Europe, the United States and other countries.

We take the fact that we required such an inspection very seriously. In addition to full cooperation with these investigations, we have installed a new Corporate Legal Risk Management Division and are working to strengthen our systems for complying with competition law and all other domestic and international laws and regulations.

Directors, Audit & Supervisory Board Members and Executive Officers

Representative Director
President & CEO
Jiro Asakura

Representative Director
Vice President
Executive Officer
Takashi Saeki

Representative Director
Senior Managing
Executive Officer
Eizo Murakami

Representative Director
Senior Managing
Executive Officer
Keisuke Yoshida

Representative Director
Senior Managing
Executive Officer
Takashi Torizumi

Director
Senior Managing
Executive Officer
Masami Sasaki

Senior Managing
Executive Officer
Kazutaka Imaizumi

Directors

Representative Director, President & CEO	Jiro Asakura
Representative Director	Takashi Saeki
Representative Director	Eizo Murakami
Representative Director	Keisuke Yoshida
Representative Director	Takashi Torizumi
Director	Masami Sasaki
Director	Toshiyuki Suzuki
Director	Shunichi Arisaka
Director	Tsuyoshi Yamauchi
Director	Yukio Toriyama
Director	Yutaka Nakagawa
Director	Mitoji Yabunaka*1
Director	Eiichiro Kinoshita*1

Audit & Supervisory Board Members

Audit & Supervisory Board Member	Norio Tsutsumi
Audit & Supervisory Board Member	Fumio Watanabe*2
Audit & Supervisory Board Member	Haruo Shigeta*2
Audit & Supervisory Board Member	Jiro Noguchi*2

*1 Outside Director
*2 Outside Audit & Supervisory Board Member

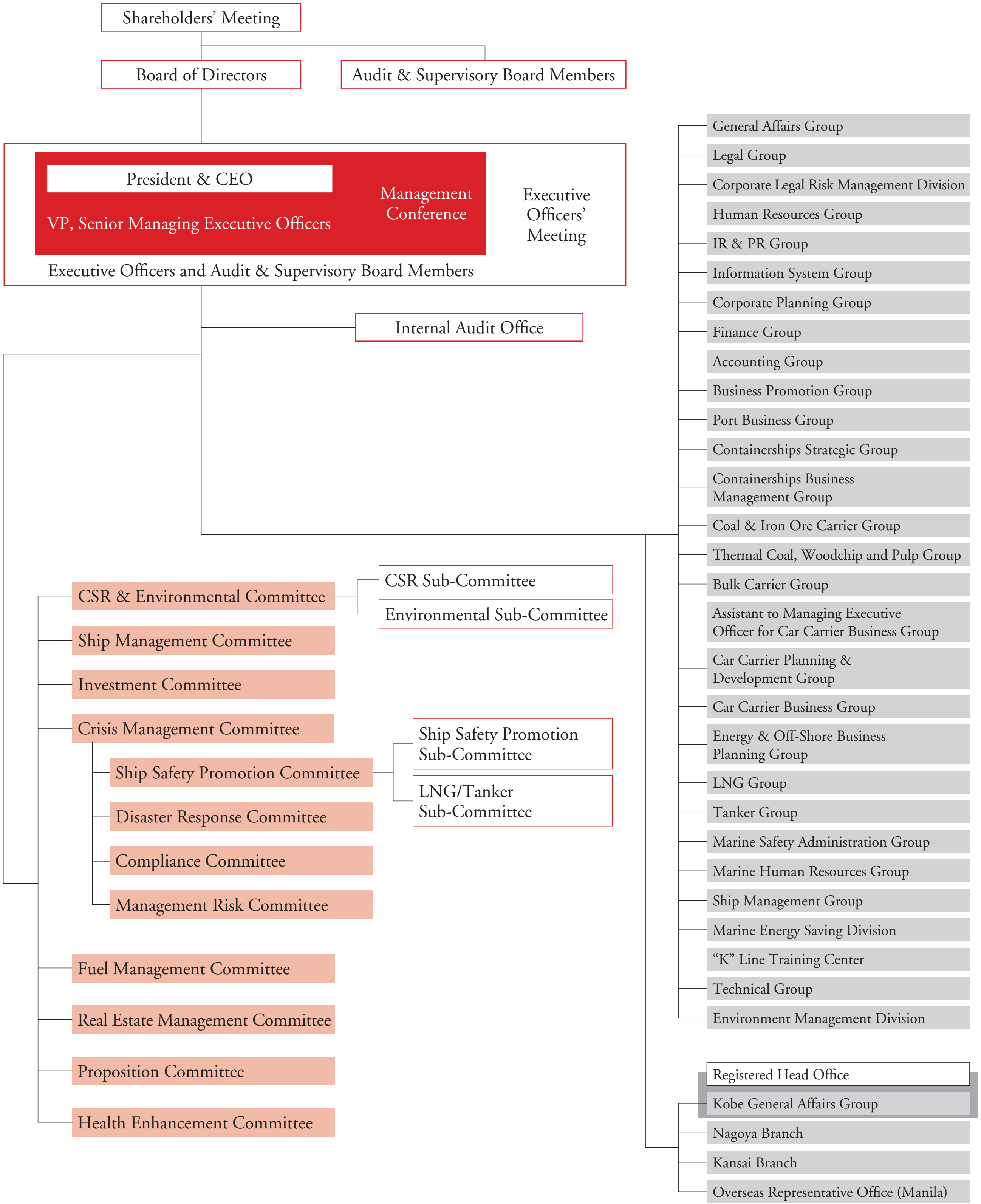
Executive Officers

(As of July 1, 2013)

President & CEO	Jiro Asakura	
Vice President Executive Officer	Takashi Saeki	Assistant to CEO
Senior Managing Executive Officer	Eizo Murakami	Containerships Sector, Port Business, Car Carrier Sector, Information System
Senior Managing Executive Officer	Keisuke Yoshida	IR & PR, Finance, Corporate Planning, Logistics, Business Promotion
Senior Managing Executive Officer	Takashi Torizumi	General Affairs, Legal, Corporate Legal Risk Management, Human Resources, Accounting, CSR & Compliance
Senior Managing Executive Officer	Masami Sasaki	Marine Sector, Technical, Environment, Fuel Cost Control
Senior Managing Executive Officer	Kazutaka Imaizumi	Dry Bulk Sector, India/ASEAN Multi-Transport & Logistics Development
Managing Executive Officer	Toshiyuki Suzuki	IR & PR, Corporate Planning, Research
Managing Executive Officer	Hiromichi Aoki	Energy Transportation Sector
Managing Executive Officer	Yoshiyuki Aoki	Car Carrier Sector
Managing Executive Officer	Eiji Kadono	Marine Sector, Fuel Cost Control, Environment
Managing Executive Officer	Kazuhiko Harigai	Bulk Carrier Business, Thermal Coal, Woodchip and Pulp Carrier Business
Managing Executive Officer	Shunichi Arisaka	Technical, Environment, Fuel Cost Control
Managing Executive Officer	Tsuyoshi Yamauchi	General Affairs, Legal, Corporate Legal Risk Management, Finance, CSR & Compliance
Executive Officer	Atsuo Asano	Coal and Iron Ore Carrier Business, Dry Bulk Planning
Executive Officer	Yukio Toriyama	Accounting, Finance, Internal Audit
Executive Officer	Kenji Sakamoto	Executive Chairman of "K" LINE (INDIA) PRIVATE LIMITED
Executive Officer	Yukikazu Myochin	Containerships Business, Port Business
Executive Officer	Kazuhiro Matsukawa	President of "K" LINE AMERICA, INC.
Executive Officer	Yasunari Sonobe	Car Carrier Sector
Executive Officer	Yutaka Nakagawa	Human Resources, Logistics, Business Promotion
Executive Officer	Akira Misaki	Energy Transportation Sector. General Manager of LNG Group

Organization

(As of July 1, 2013)



Major Subsidiaries and Affiliates

(As of March 31, 2013)

DOMESTIC		Company Name	"K" Line's Ownership (%)*	Paid-in Capital (millions)	Revenue (millions)
Marine Transportation		Kawasaki Kinkai Kisen Kaisha, Ltd.	51.0	¥2,368	¥42,208
		Asahi Kisen Kaisha, Ltd.	100.0	100	490
		Kobe Pier Co., Ltd.	100.0	100	78
	★	Shibaura Kaiun Co., Ltd.	100.0	20	628
Shipping Agency		"K" Line (Japan) Ltd.	100.0	150	2,123
	★	Shimizu Kawasaki Transportation Co., Ltd.	50.0	10	206
Ship Management		"K" Line Ship Management Co., Ltd.	100.0	75	9,946
		Taiyo Nippon Kisen Co., Ltd.	100.0	400	25,479
		Escobal Japan Ltd.	100.0	10	692
Harbor Transportation/ Warehousing		Daito Corporation	100.0	842	31,206
		Nitto Total Logistics Ltd.	100.0	1,596	15,863
		Hokkai Transportation Co., Ltd.	80.1	60	13,295
		Seagate Corporation	100.0	270	8,667
		Nitto Tugboat Co., Ltd.	100.0	150	5,237
		Tokyo Kokusai Koun Kaisha, Ltd.	70.0	75	2,600
	★	Rinko Corporation	25.1	1,950	14,735
	★	Kokusai Logistics Co., Ltd.	86.0	100	1,490
Logistics		"K" Line Logistics, Ltd.	91.9	600	21,437
Land Transportation		Japan Express Transportation Co., Ltd.	100.0	100	4,985
		Shinto Rikuun Kaisha, Ltd.	100.0	10	1,244
		Maizuru Kousoku Yusou Co., Ltd.	100.0	25	861
Container Repairing		Intermodal Engineering Co., Ltd.	100.0	40	861
Travel Business		"K" Line Travel, Ltd.	100.0	100	9,746
Other Business		"K" Line Engineering Co., Ltd.	100.0	50	1,863
		Shinki Corporation	100.0	80	2,206
		"K" Line Systems, Ltd.	100.0	40	1,474
		KMDS Co., Ltd.	100.0	40	1,213
		Kawaki Kosan Kaisha, Ltd.	100.0	30	743
		"K" Line Accounting and Finance Co., Ltd.	100.0	100	255

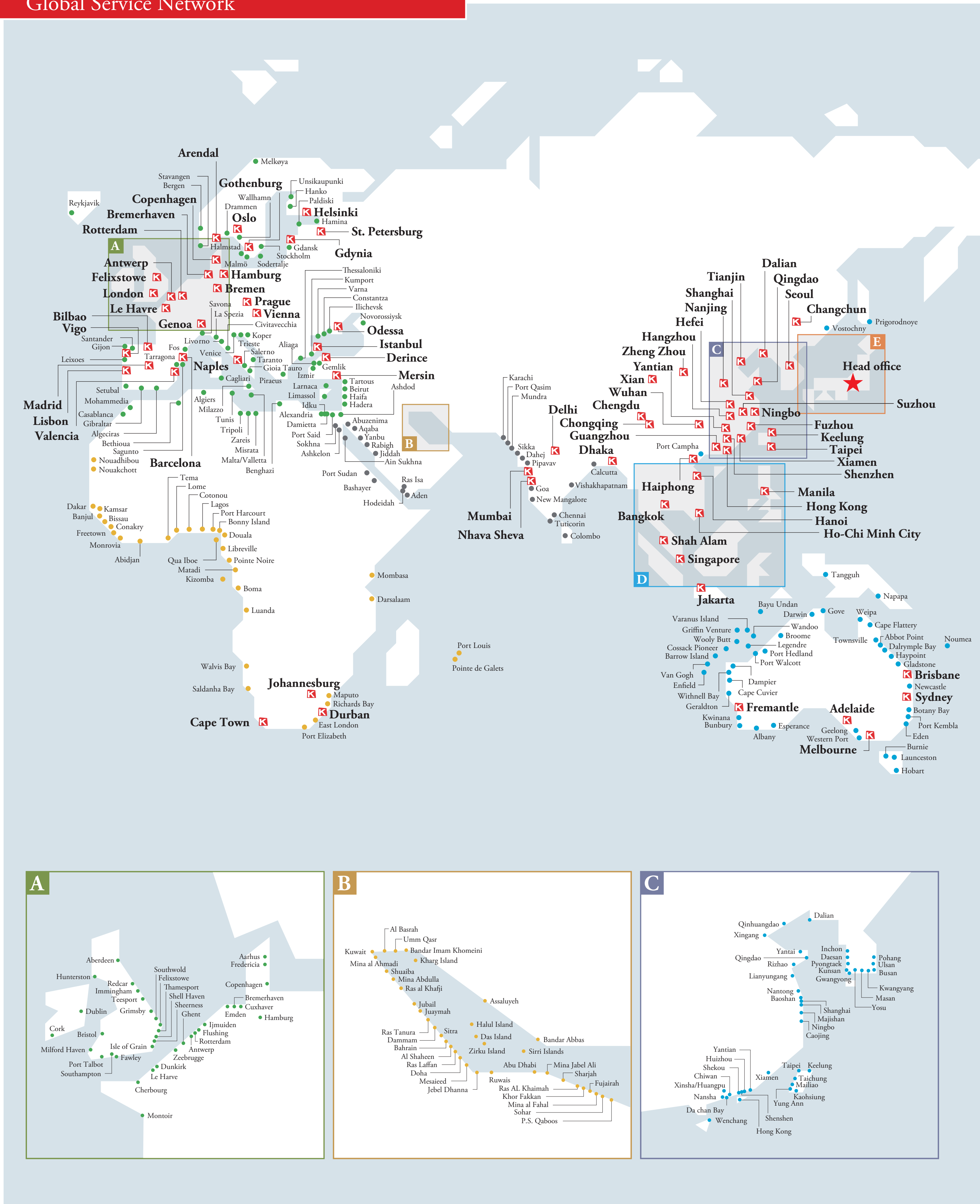
OVERSEAS		Company Name	"K" Line's Ownership (%)*	Paid-in Capital (millions)	Revenue (millions)
Marine Transportation		"K" Line Pte Ltd	100.0	US$41.1	US$431.5
		"K" Line Bulk Shipping (UK) Limited	100.0	US$33.9	US$346.4
		"K" Line LNG Shipping (UK) Limited	100.0	US$40.9	US$93.1
		SAL Heavy Lift GmbH	100.0	EUR155.4	EUR220.4
		"K" Line European Sea Highway Services GmbH	100.0	EUR5.3	EUR144.9
		K Line Offshore AS	95.4	NOK717.5	NOK587.8
	★	Northern LNG Transport Co., I Ltd.	49.0	US$39.6	US$16.8
	★	Northern LNG Transport Co., II Ltd.	36.0	US$42.3	US$16.8
Shipping Agency		"K" Line America, Inc.	100.0	US$15.5	US$87.4
		"K" Line (Australia) Pty Limited	100.0	A$0.0001	A$18.2
		"K" Line (Belgium)	51.0	EUR0.06	EUR4.1
		"K" Line Canada Ltd.	100.0	US$0.09	US$1.8
		K Line (China) Ltd.	100.0	US$2	RMB232.8
		"K" Line (Deutschland) GmbH	100.0	EUR0.1	EUR9.7
		"K" Line (Europe) Limited	100.0	£0.01	£19.5
		"K" Line (Finland) OY	51.0	EUR0.01	EUR1.0
		"K" Line (France) SAS	100.0	EUR0.5	EUR4.0
		"K" Line (Hong Kong) Limited	100.0	HK$15	HK$226.3
		"K" Line (Korea) Ltd.	100.0	WON400	WON11152.6
		"K" Line Maritime (M) Sdn Bhd	57.5	MYR0.3	MYR13.7
		K Line Mexico SA de CV	100.0	US$0.005	US$0.3

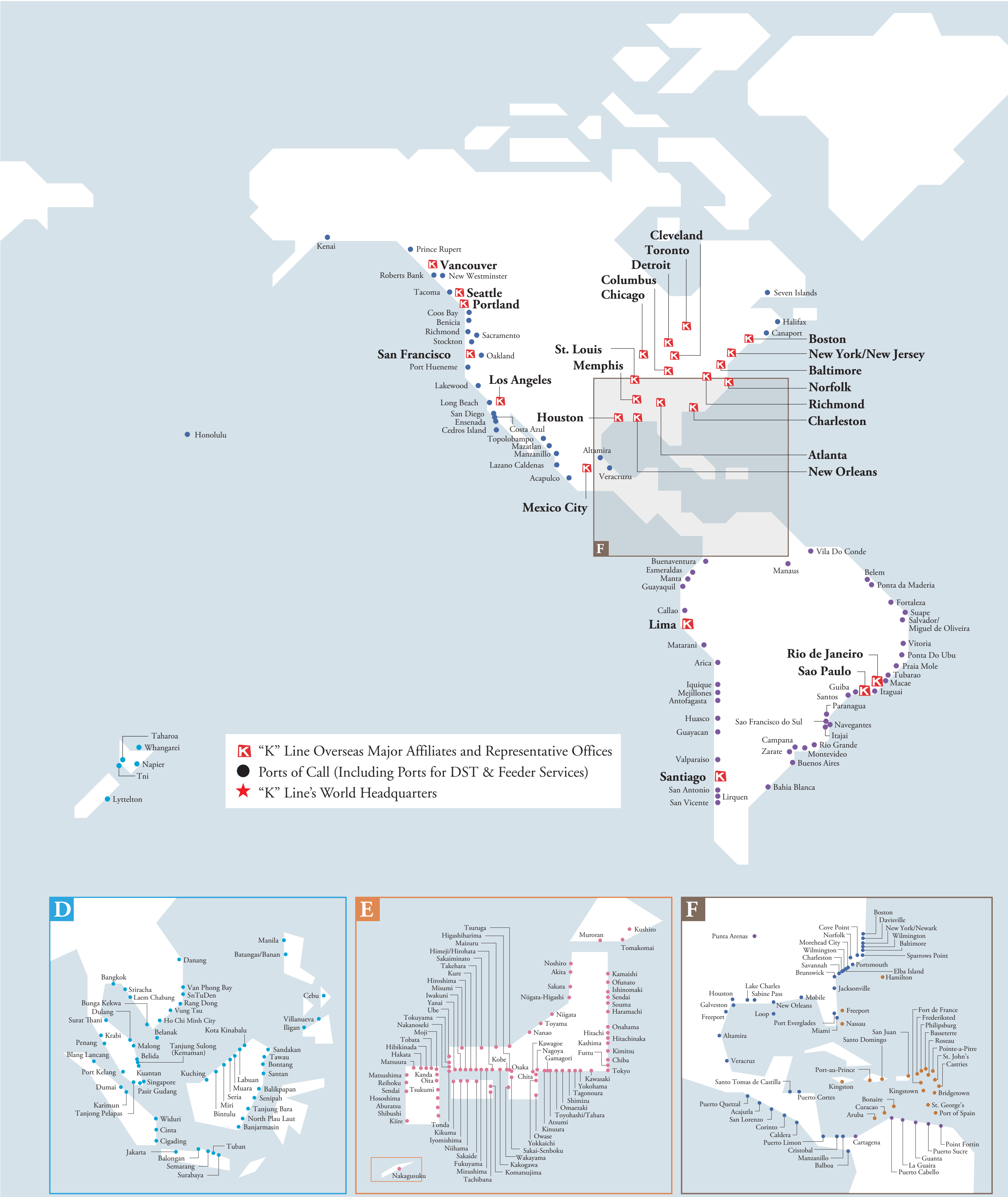
OVERSEAS		Company Name	"K" Line's Ownership (%)*	Paid-in Capital (millions)	Revenue (millions)
		"K" Line (Nederland) B.V.	100.0	EUR0.1	EUR4.9
		K Line (Norway) AS	100.0	NOK0.1	NOK2.0
		"K" Line (Portugal)-Agentes de Navagação, S.A.	51.0	EUR0.2	EUR2.3
		"K" Line (Scandinavia) Holding A/S	51.0	DKK1	DKK17.4
		"K" Line Shipping (South Africa) Pty Ltd	51.0	ZAR0.0001	ZAR119.1
		"K" Line (Singapore) Pte Ltd	95.0	S$1.5	S$17.5
		K Line (Sweden) AB	100.0	SEK0.1	SEK17.1
		"K" Line (Taiwan) Ltd.	60.0	NT$60	NT$357.1
		K Line (Thailand) Ltd.	34.0	BAT30	BAT3014.8
		"K" Line (Vietnam) Limited	51.0	US$0.5	VND107406.5
		PT. K Line Indonesia	95.0	IDR463.6	IDR78538.9
Ship Management		"K" Line Ship Management (Singapore) Pte. Ltd.	100.0	S$0.7	S$96.4
Terminal Operator		International Transportation Service, Inc.	100.0	US$33.8	US$238.8
		Husky Terminal & Stevedoring, Inc.	100.0	US$0.1	US$68.5
Freight Consolidation		Century Distribution Systems, Inc.	100.0	US$2.3	US$12.3
		Century Distribution Systems (Europe) B.V.	100.0	EUR0.02	EUR2.1
		Century Distribution Systems (Hong Kong) Limited	100.0	HK$0.08	HK$85.2
		Century Distribution Systems (Shenzhen) Limited	100.0	RMB6.5	RMB224.8
		Century Distribution Systems (International) Limited	100.0	HK$1.8	HK$113.3
		Century Distribution Systems (Shipping) Limited	100.0	HK$0.000001	HK$0.8
Warehousing		Universal Logistics System, Inc.	100.0	US$12.3	US$0.9
		Universal Warehouse Co.	100.0	US$0.05	US$5.8
		Universal Warehouse Co. (NW)	100.0	US$0.0001	US$0.8
Logistics		"K" Line Logistics (Hong Kong) Ltd.	100.0	HK$8	HK$201.5
		"K" Line Logistics (UK) Ltd.	100.0	£0.2	£5.2
		"K" Line Logistics (U.S.A.) Inc.	100.0	US$0.5	US$80.1
		"K" Line Logistics (Singapore) Pte. Ltd.	100.0	S$1.15	S$38.2
		K Line Logistics (Thailand) Ltd.	86.5	BAT20	BAT1423.7
		K Line Logistics South East Asia Ltd.	95.0	BAT73	BAT0.0
Land Transportation		James Kemball Limited	100.0	£0.01	£24.5
		ULS Express, Inc.	100.0	US$0.05	US$6.5
		PMC Transportation Company, Inc.	100.0	US$0	US$1.9
Container Repairing	★	Multimodal Engineering Corporation	100.0	US$0.15	US$9.3
		Bridge Chassis Supply LLC.	100.0	US$0.01	US$6.6
Financing		"K" Line New York, Inc.	100.0	US$5.1	US$21.1
Holding Company		Kawasaki (Australia) Pty. Ltd.	100.0	A$4.8	A$0.6
		"K" Line Heavy Lift (UK) Limited	100.0	EUR46.6	EUR0.0
		"K" Line Holding (Europe) Limited	100.0	£84.8	£0.0
		"K" Line Heavy Lift (Germany) GmbH	100.0	EUR0.03	EUR0.0
		"K" Line Drilling/Offshore Holding, Inc.	100.0	US$0.001	US$0.0
Other Business		Connaught Freight Forwarders Limited	100.0	HK$0.01	HK$0.1
		Cygnus Insurance Company Limited	100.0	US$3	US$3.2
		"K" Line TRS S.A.	100.0	US$0.006	US$0.0
		Marinus Consulting, Inc.	100.0	US$0.5	US$0.0
	★	"K" Line Auto Logistics Pty Ltd.	50.0	A$27	A$0.2

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

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

Global Service Network





Kenai
Prince Rupert
Vancouver
Roberts Bank
New Westminster
Tacoma
Seattle
Portland
Coos Bay
Benicia
Richmond
Sacramento
Stockton
San Francisco
Oakland
Port Hueneme
Lakewood
Los Angeles
Long Beach
San Diego
Ensenada
Cedros Island
Costa Azul
Topolobampo
Mazatlan
Manzanillo
Lazano Caldenas
Acapulco
Honolulu
Cleveland
Toronto
Detroit
Columbus
Chicago
St. Louis
Memphis
Houston
Altamira
Veracruzu
Mexico City
Seven Islands
Halifax
Canaport
Boston
New York/New Jersey
Baltimore
Norfolk
Richmond
Charleston
Atlanta
New Orleans
F
Buenaventura
Esmeraldas
Manta
Guayaquil
Manaus
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Belem
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Fortaleza
Suape
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Miguel de Oliveira
Callao
Lima
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Vitoria
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Huasco
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Sao Francisco do Sul
Navegantes
Itajai
Campana
Rio Grande
Zarate
Montevideo
Buenos Aires
Valparaiso
Santiago
San Antonio
Lirquen
San Vicente
Bahia Blanca
Taharoa
Whangarei
Napier
Tni
Lyttelton
"K" Line Overseas Major Affiliates and Representative Offices
Ports of Call (Including Ports for DST & Feeder Services)
"K" Line's World Headquarters
D
Manila
Batangas/Banan
Danang
Bangkok
Sriracha
Laem Chabang
Van Phong Bay
SnTuDen
Rang Dong
Vung Tau
Cebu
Bunga Kekwa
Dulang
Surat Thani
Ho Chi Minh City
Villanueva
Iligan
Kota Kinabalu
Belanak
Krabi
Penang
Malong
Tanjung Sulong
(Kemaman)
Belida
Blang Lancang
Sandakan
Tawau
Bontang
Santan
Port Kelang
Kuantan
Kuching
Labuan
Singapore
Pasir Gudang
Dumai
Muara
Balikpapan
Seria
Senipah
Miri
Karimun
Tanjung Pelapas
Bintulu
Tanjung Bara
North Plau Laut
Banjarmasin
Widuri
Cinta
Cigading
Tuban
Jakarta
Balongan
Semarang
Surabaya
E
Tsuruga
Higashiharima
Maizuru
Himeji/Hirohata
Sakaiminato
Takehara
Kure
Hiroshima
Misumi
Iwakuni
Yanai
Ube
Tokuyama
Nakanoseki
Moji
Tobata
Hibikinada
Hakata
Matsuura
Matsushima
Reihoku
Sendai
Hososhima
Aburatsu
Shibushi
Kiire
Kanda
Oita
Tsukumi
Kobe
Osaka
Chita
Muroran
Kushiro
Tomakomai
Noshiro
Akita
Sakata
Niigata-Higashi
Niigata
Toyama
Nanao
Kawagoe
Nagoya
Gamagori
Kamaishi
Ofunato
Ishinomaki
Sendai
Souma
Haramachi
Onahama
Hitachi
Hitachinaka
Kashima
Kimitsu
Futtu
Chiba
Tokyo
Kawasaki
Yokohama
Tagonoura
Shimizu
Omaezaki
Toyohashi/Tahara
Atsumi
Kinuura
Owase
Yokkaichi
Sakai-Senboku
Wakayama
Kakogawa
Komatsujima
Tonda
Kikuma
Iyomishima
Niihama
Sakaide
Fukuyama
Mizushima
Tachibana
Nakagusuku
F
Boston
Davisville
Cove Point
New York/Newark
Norfolk
Wilmington
Morehead City
Baltimore
Wilmington
Charleston
Sparrows Point
Savannah
Portsmouth
Brunswick
Elba Island
Hamilton
Punta Arenas
Lake Charles
Jacksonville
Houston
Sabine Pass
Mobile
Galveston
New Orleans
Freeport
Loop
Freeport
Port Everglades
Nassau
Miami
Altamira
Fort de France
Frederiksted
Philipsburg
Basseterre
Roseau
San Juan
Santo Domingo
Pointe-a-Pitre
St. John's
Castries
Veracruz
Port-au-Prince
Santo Tomas de Castilla
Kingston
Kingstown
Bridgetown
Puerto Cortes
Puerto Quetzal
Bonaire
Acajutla
Curacao
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San Lorenzo
Aruba
Port of Spain
Corinto
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Puerto Cabello

Financial Section

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Results of Operations

Operating Revenues

Consolidated operating revenues for fiscal year 2012 (from April 1, 2012 to March 31, 2013) were ¥1,134,772 million, an increase of 16.7% year on year. The increase is partially attributable to a 15-month period for some consolidated subsidiaries due to a change in their fiscal year end. By business segment, operating revenues from containership business segment rose by 18.1% year on year to ¥552,810 million, an increase mainly attributable to higher freight rates and cargo volume loaded due to improvement in market conditions. Operating revenues from bulk shipping business segment rose by 13.4% year on year to ¥502,571 million, despite sluggish market conditions for dry bulk services, as a result of fleet expansion and an increase of approximately 1% in total export volume in car carrier business. Operating revenues from the offshore energy E&P support and heavy lifter business rose by 74.9% year on year to ¥35,712 million, an increase partially attributable to the steady operation of all seven vessels in the offshore support vessel business. Operating revenues from other businesses rose by 7.0% to ¥43,679 million.

Cost of Sales, Selling, General and Administrative Expenses

Cost of sales rose by ¥92,356 million (9.8%) from ¥946,863 million for the previous year to ¥1,039,219 million, as a result of the impact of higher operating costs due to an increase in the number of vessels in operation and the impact of the aforementioned 15-month period for some consolidated subsidiaries. The cost of sales ratio fell by 5.8 points to 91.6%. Although the "K" Line Group sought to reduce selling, general and administrative expenses, they rose by ¥14,655 million (22.2%) year on year to ¥80,666 million, partly due to the impact of the 15-month period for some consolidated subsidiaries.

Operating Income

Consolidated operating income was ¥14,887 million, compared to an operating loss of ¥40,563 million for the previous year, as a result of factors including improvement in market conditions for containerships and cost reduction effects.

Other (Non-operating) Income (Expenses)

The net balance of financial income and expenses was negative ¥7,749 million (negative ¥5,183 million for the previous year) as a result of an increase in interest paid. The "K" Line Group recorded an exchange gain of ¥18,644 million (a loss of ¥5,229 million) and equity in earnings of affiliates of ¥2,382 million (equity in earnings of affiliates of ¥547 million). As a result of these and other factors, other (non-operating) income (expenses) came to a gain of ¥13,703 million (a loss of ¥8,393 million).

Income before Income Taxes and Minority Interests

Gains on sales of fixed assets and other extraordinary gains amounted to ¥16,287 million. Impairment loss, loss on devaluation of investments in securities and other extraordinary losses amounted to ¥12,009 million. As a result of these gains and losses and the impact of the generation of ordinary income, income before income taxes and minority interests was ¥32,867 million (a loss of ¥49,138 million for the previous year).

Income Taxes

Income taxes increased by ¥28,849 million to ¥19,487 million from negative ¥9,362 million for the previous year, as a result of improvement in income before income taxes and minority interests and the reversal of deferred tax assets at the filing by the Company.

Minority Interests

Minority interests were ¥2,711 million (¥1,575 million for the previous year). The increase is mainly attributable to an increase in the minority interest in income of K Line (Thailand) Ltd.

Net Income

Consolidated net income was ¥10,669 million, compared to a net loss of ¥41,351 million for the previous year. Net income per share was ¥12.07, compared to a net loss per share of ¥54.14 for the previous year.

Analysis of Sources of Capital and Liquidity

Cash Flows

Cash and cash equivalents were ¥159,075 million at the end of fiscal year 2012, an increase of ¥66,319 million from the previous year. The details of cash flows are as follows.

Net cash provided by operating activities was ¥59,756 million, an increase of ¥62,665 million from the previous year. The increase is mainly due to income before income taxes and minority interests of ¥32,867 million.

Net cash used in investing activities was ¥27,212 million, a decrease of ¥56,021 million from the previous year. The change is mainly due to purchases of vessels, property and equipment of ¥132,289 million and proceeds from sales of vessels, property and equipment of ¥97,069 million.

Net cash provided by financing activities was ¥26,364 million, a decrease of ¥59,943 million from the previous year. The decrease is mainly due to a net increase in long-term loans, including subordinated loans, of ¥24,841 million, proceeds from issuance of common stock of ¥20,852 million and a net decrease in short-term loans and commercial paper of ¥17,000 million.

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 repair expenses of vessels; and chartering expenses. Other expenses are costs of service operations such as labor cost in connection with the operation of the 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 are investments in vessels, logistics facilities and terminal facilities. In fiscal year 2012, the "K" Line Group made capital investments of ¥134,555 million.

Financial Policy

The "K" Line Group places importance on securing low-cost, stable funds to support the "K" Line Group's 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 issuance of 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 ¥47.0 billion line of credit established under overdraft agreements with financial institutions, and the establishment of a ¥20.0 billion commitment line with financial institutions in Japan.

The Company has been rated by two Japanese and one overseas rating firm. As of June 25, 2013, the Company has a rating of BBB+ from Japan Credit Rating Agency, Ltd. (JCR), BBB- from Rating and Investment Information, Inc. (R&I) and BB- from Standard & Poor's (S&P). The Company also has short-term credit ratings (commercial paper ratings) of j-2 from JCR and a-2 from R&I.

Financial Position

Total assets on March 31, 2013 were ¥1,180,434 million, an increase of ¥113,785 million from the end of the previous fiscal year. Current assets increased by ¥73,502 million to ¥354,246 million, mainly due to an increase in cash and cash equivalents.

Fixed assets increased by ¥40,283 million from the end of the previous fiscal year to ¥826,188 million. Vessels, property and equipment increased by ¥44,601 million to ¥663,051 million, mainly due to the purchase of vessels. Investments and other assets decreased by ¥264 million to ¥157,238 million, mainly due to reversal of deferred tax assets.

Total liabilities on March 31, 2013 were ¥818,459 million, an increase of ¥11,745 million from the end of the previous fiscal year. Current liabilities increased by ¥37,244 million to ¥261,573 million, mainly due to an increase in short-term loans. Long-term liabilities decreased by ¥25,499 million to ¥556,886 million, mainly due to a decrease in derivative liabilities.

Net assets on March 31, 2013 were ¥361,975 million, an increase of ¥102,040 million from the end of the previous fiscal year. Shareholders' equity was ¥358,156 million. The change in shareholders' equity is attributable to increases of ¥10,426 million, ¥10,422 million, and ¥10,437 million in common stock, capital surplus and retained earnings, respectively. Accumulated other comprehensive loss decreased by ¥66,712 million from the end of the previous fiscal year to ¥17,585 million, mainly attributable to a decrease of ¥33,492 million in deferred loss on hedges and ¥24,655 million in translation adjustments.

Dividend Policy

The Company considers it an important priority to maximize shareholder returns while giving due consideration to the main priority in the management plan, which is to maintain the internal reserves necessary for capital investment for sustained growth and for improvement and strengthening of the corporate structure. Our policy is to gradually increase the dividend payout ratio as a percentage of consolidated net income with the aim of achieving a payout ratio of 30% in the mid-2010s.

The Company's year-end dividend (record date of March 31 of every year) is subject to resolution by the Annual Shareholders' Meeting. With regard to the interim dividend, 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 every year."

In fiscal 2012, the "K" Line Group achieved full-year profitability as a result of working in unison to rigorously pursue cost reductions and service rationalization, recording consolidated net income of ¥10.7 billion. Accordingly, the Company has decided to pay a year-end dividend of ¥2.5 per share.

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

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

1. Rate Fluctuations

A large percentage of the "K" Line Group's business earnings come in revenue denominated in U.S. dollars. The revenues as converted to Japanese yen can therefore be negatively affected by fluctuations in exchange rates. The Group works to minimize negative impacts from exchange rate fluctuations by incurring costs in dollars and contracting exchange rates, but a stronger yen against the U.S. dollar can still have a negative influence on the Group's financial situation and operating results.

2. Fuel Oil Price Fluctuations

Fuel oil prices account for a major portion of the "K" Line Group's ship operation costs. Fluctuations in fuel oil prices are influenced mainly by factors over which the Group has no influence, such as crude oil supply and demand balance, trends at OPEC and other oil-producing nations, and political conditions and fluctuations in oil production capacity in producing countries. Such factors are extremely difficult to predict. Although the Group utilizes futures contracts to mitigate the impact of unstable price fluctuations, significant and sustained rises in fuel oil prices can drive up the "K" Line Group's business costs. This would have a negative impact on the Group's financial situation and operating results.

3. Interest Rate Fluctuations

The "K" Line Group carries out ongoing capital investment in its shipbuildings and so on. The Group strives to reduce interest-bearing debt to the greatest extent possible by investing its own capital and engaging in off-balance sheet deals such as operating leases, but in a high percentage of cases, still must rely on borrowing from financial institutions. In addition, we are investing in the working capital needed to carry out our business operations. With regard to capital procurement, we are taking out loans above a certain scale at fixed interest rates and also using interest rate swap (swap into fixed rate) for capital investment ships and equipment, but the rise in future interest rates has led to an increase in the cost of capital procurement, and this can have a negative impact on the "K" Line Group's financial situation and operating results.

4. Public Regulations

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

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

The Group is subject to the regulatory regimes of each country in which it operates, including scrutiny from government and other competition agencies under Japanese, European, U.S. and other foreign competition laws. If, despite the Group's efforts to establish and continuously maintain its internal systems and procedures aimed at preventing breaches of competition regulations in line with regulatory or other developments, any failure to comply with applicable competition laws and regulations were to occur, it could result in investigations, disciplinary actions or prosecution being taken against the "K" Line Group and/or its employees by the relevant authorities. Any finding of infringement could potentially result in significant monetary fines and could also lead to the Group being precluded from enforcing contractual or other rights and agreements of the "K" Line Group being rendered void. Further, investigations of alleged anti-competitive behaviour or decisions of competition authorities regarding any alleged infringement of competition laws may lead to civil claims (including class actions in the case of jurisdictions such as the United States) being brought by parties that claim to have been affected by the conduct to which such alleged anti-competitive behaviour relates, alleging that they have suffered related or consequential damages. Any failure or alleged failure by the Group to comply with relevant competition laws and regulations could therefore materially adversely affect the Group's business, reputation, results of operations and financial condition.

The Group is currently being investigated by the Fair Trade Commission of Japan (the "Japan FTC") as well as the competition authorities in Europe, the United States and certain other countries, in relation to alleged anti-competitive behaviour (namely, the alleged formation of a cartel) relating to the transportation of automobiles, automotive construction machineries and other exports. Further, certain class actions have been brought against the Group by parties in the United States and Canada that claim to have been affected by the conduct to which such alleged anti-competitive behaviour relates. The Group is currently unable to predict what the eventual outcome of these investigations or actions will be (including whether or not it will be subject to any fines, penalties, damages or other liabilities) or when such investigations and the accompanying processes will be concluded. An adverse outcome of these investigations or actions may materially adversely affect the "K" Line Group's business, financial condition and results of operations, as well as damage its reputation. There can also be no assurance that further private legal actions (including additional class actions) or other claims will not be brought against the Group in the future. If the outcome of any such action is unfavourable to the Group, it could materially adversely affect the Group's financial condition and results of operations as well as damage its reputation.

5. Serious Marine Incidents, Environmental Destruction, Conflicts, etc.

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

6. Competitive Environment, etc.

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

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

7. Natural Disasters

The "K" Line Group must be able to maintain business operations in the event of a natural disaster, as we provide a vital role for society, and because doing so is critical to the existence of our company. If a major earthquake were to occur at the heart of the Tokyo metropolitan area, the effect on buildings, transportation and other lifelines is expected to be immense. There are also concerns that if a highly-virulent new form of influenza emerged and spread globally (becoming a pandemic) it would have devastating effects, affecting the health of countless people. In addition, there are concerns regarding the spread of harmful rumors following a natural disaster or a secondary disaster. Although the Group has drawn up business continuity plans for these contingencies, and our goal is to maintain operations to the greatest degree possible, there is a possibility of considerable adverse effects to our overall business in the event that a natural disaster occurs.

8. Business Partners' Failure to Perform Contracts

When providing services or choosing business partners, wherever possible the "K" Line Group looks into the reliability of the other party. However, a full or partial breach of a contract can subsequently occur for reasons such as the worsening financial position of the business partner. As a result, the financial position and operating results of the "K" Line Group may be adversely affected.

9. Non-achievement of "K" LINE Medium-Term Management Plan

The "K" Line Group formulated a new medium-term management plan, "K" LINE Vision 100: Bridge to the Future, in April 2012. Going forward, the Group will make every effort to carry out the Medium-Term Management Plan. Nonetheless, it is possible that the measures for carrying out the Medium-Term Management Plan will be affected by the various external factors discussed above and the Group may not be able to achieve the goals of that plan.

10. Non-achievement of Investment Plans

The "K" Line Group is making plans for the investments necessary to upgrade its fleet. If, however, owing to future trends in shipping markets and official regulations, progress is not made in accordance with the projections in the plans, the financial position and operating results of the Group may be adversely affected. The "K" Line Group's financial position and operating results may be adversely affected by cancellation of construction contracts before delivery of newbuildings. Moreover, the Group's financial position and operating results may also be adversely affected if, at the time the newbuildings are delivered, the demand for cargo transport falls below projections.

11. Losses from Disposal of Vessels, etc.

The "K" Line Group endeavors to implement fleet upgrades that are flexible and appropriate to the market. There are times, however, when we dispose of our vessels because of a worsening in the supply-demand balance or obsolescence due to technological innovation, as well as the case where a charter contract for a chartered vessel is terminated early, and such cases may adversely affect the Group's financial position and operating results.

12. Fixed Asset Impairment Losses and Market Value Fluctuations of Securities

With respect to fixed assets such as vessels owned by the "K" Line Group, recovery of the amount invested may not be possible due to a downturn in profitability. The Group's financial position and operating results may be adversely affected when such asset impairment losses are realized. In addition, with regard to valuation method for marketable securities, the "K" Line Group uses the market value method based on market prices on the last business day of the fiscal year for investments in securities with quoted market prices. As a result, stock market fluctuations may adversely affect the Group's financial position and operating results.

13. Reversal of Deferred Tax Assets

Based on estimated future taxable income, the "K" Line Group assesses the possibility of recognition of deferred tax assets. When a conclusion is reached that, due to a decline in earning capacity as well as changes in tax laws such as promulgation of tonnage tax regime in Japan, it cannot be guaranteed that there will be sufficient taxable income in the future, deferred tax assets are reversed and a tax expense incurred. This may adversely affect the Group's financial position and operating results.

Note: Matters referring to the future are as judged by the "K" Line Group at the issue date of financial statements of June 25, 2013. In addition, the items discussed here do not necessarily represent every risk to the "K" Line Group.

Consolidated Balance Sheet

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
Assets	**2013**	2012	**2013**
Current assets:			
Cash and deposits (Notes 14 and 17)	¥ 162,127	¥ 96,698	$ 1,723,838
Marketable securities (Notes 3 and 14)	1	1	11
Accounts and notes receivable—trade (Note 14)	86,884	77,895	923,806
Allowance for doubtful receivables	(963)	(667)	(10,239)
Inventories (Note 4)	42,773	38,383	454,790
Prepaid expenses and deferred charges	41,090	36,759	436,895
Deferred income taxes (Note 8)	3,068	4,988	32,621
Other current assets	19,266	26,687	204,849
Total current assets	354,246	280,744	3,766,571
Investments and other assets:			
Investments in and advances to unconsolidated subsidiaries and affiliates (Notes 14 and 19)	37,657	30,598	400,393
Investments in securities (Notes 3, 7 and 14)	61,108	54,879	649,740
Long-term loans receivable	8,025	7,633	85,327
Deferred income taxes (Note 8)	26,970	51,869	286,762
Other assets	23,810	13,014	253,163
Allowance for doubtful receivables	(332)	(491)	(3,530)
Total investments and other assets	157,238	157,502	1,671,855
Vessels, property and equipment:			
Vessels (Notes 5 and 7)	833,255	727,585	8,859,702
Buildings, structures and equipment (Notes 5 and 7)	99,485	94,772	1,057,788
Accumulated depreciation	(337,183)	(312,530)	(3,585,146)
	595,557	509,827	6,332,344
Land (Notes 5, 7 and 12)	28,202	29,826	299,862
Construction in progress	39,292	78,797	417,778
Vessels, property and equipment, net (Note 19)	663,051	618,450	7,049,984
Intangible assets:			
Goodwill, net (Notes 5, 6 and 19)	675	4,473	7,177
Other intangible assets	5,224	5,480	55,545
Total intangible assets	5,899	9,953	62,722
Total assets (Note 19)	¥1,180,434	¥1,066,649	$12,551,132

Liabilities and net assets	Millions of yen 2013	2012	Thousands of U.S. dollars (Note 1(a)) 2013
Current liabilities:			
Short-term loans (Notes 7 and 14)	¥ 8,972	¥ 9,680	$ 95,396
Commercial paper (Note 7)	—	17,000	—
Current portion of long-term debt (Notes 7 and 14)	113,480	62,747	1,206,592
Accounts and notes payable—trade (Note 14)	82,607	75,275	878,331
Advances received	22,991	24,652	244,455
Current portion of obligations under finance leases	6,652	8,931	70,728
Accrued income taxes (Note 8)	1,955	2,602	20,787
Deferred income taxes (Note 8)	4	3	43
Other current liabilities	24,912	23,439	264,880
Total current liabilities	261,573	224,329	2,781,212
Long-term liabilities:			
Long-term debt, less current portion (Notes 7 and 14)	477,569	480,736	5,077,820
Allowance for employees' retirement benefits (Note 10)	7,300	7,526	77,618
Allowance for directors' and corporate auditors' retirement benefits	1,578	1,952	16,778
Accrued expenses for overhaul of vessels	16,484	17,555	175,268
Obligations under finance leases, less current portion	23,191	13,428	246,582
Deferred income taxes (Note 8)	5,738	2,888	61,010
Deferred income taxes on land revaluation (Note 12)	2,591	2,591	27,549
Derivative liabilities	18,915	52,181	201,116
Other long-term liabilities	3,520	3,528	37,428
Total long-term liabilities	556,886	582,385	5,921,169
Commitments and contingent liabilities (Note 13)			
Net assets:			
Shareholders' equity (Note 11):			
Common stock: Authorized—2,000,000,000 shares in 2013 and 2012 Issued —939,382,298 shares in 2013 and 765,382,298 shares in 2012	75,458	65,032	802,318
Capital surplus	60,315	49,893	641,308
Retained earnings (Note 20)	223,287	212,850	2,374,131
Less treasury stock, at cost—1,628,245 shares in 2013 and 1,600,534 shares in 2012	(904)	(905)	(9,612)
Total shareholders' equity	358,156	326,870	3,808,145
Accumulated other comprehensive income (loss):			
Net unrealized holding gain (loss) on investments in securities (Note 3)	2,476	(6,037)	26,326
Deferred loss on hedges (Note 15)	(8,104)	(41,596)	(86,167)
Revaluation reserve for land (Note 12)	2,350	2,298	24,987
Translation adjustments	(14,307)	(38,962)	(152,121)
Total accumulated other comprehensive loss, net	(17,585)	(84,297)	(186,975)
Minority interests in consolidated subsidiaries	21,404	17,362	227,581
Total net assets	361,975	259,935	3,848,751
Total liabilities and net assets	¥1,180,434	¥1,066,649	$12,551,132

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

Consolidated Statement of Income

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2013	2012	2013
Marine transportation and other operating revenues (Note 19)	¥1,134,772	¥972,311	$12,065,625
Marine transportation and other operating costs and expenses	1,039,219	946,863	11,049,644
Gross operating income	95,553	25,448	1,015,981
Selling, general and administrative expenses	80,666	66,011	857,693
Operating income (loss)	14,887	(40,563)	158,288
Other income (expenses):			
Interest and dividend income (Note 19)	4,513	4,079	47,985
Interest expense (Note 19)	(12,262)	(9,262)	(130,377)
Equity in earnings of affiliates (Note 19)	2,382	547	25,327
Exchange gain (loss), net	18,644	(5,229)	198,235
Gain on exchange of shares	—	6,344	—
Gain on sales of vessels, property and equipment, net	13,648	4,570	145,114
Loss on impairment of fixed assets (Notes 5 and 19)	(2,565)	(3,362)	(27,273)
Gain on sales of marketable securities and investments in securities, net	268	1,026	2,850
Loss on devaluation of investments in securities	(7,249)	(2,517)	(77,076)
Loss on amendments of shipbuilding contracts	—	(1,938)	—
Loss on cancellations of shipbuilding contracts	—	(3,755)	—
Other, net	601	922	6,390
	17,980	(8,575)	191,175
Income (loss) before income taxes and minority interests	32,867	(49,138)	349,463
Income taxes (Note 8):			
Current	7,585	5,124	80,649
Prior years	—	(1,053)	—
Deferred	11,902	(13,433)	126,549
Total income taxes	19,487	(9,362)	207,198
Income (loss) before minority interests	13,380	(39,776)	142,265
Minority interests	2,711	1,575	28,825
Net income (loss)	¥ 10,669	¥ (41,351)	$ 113,440

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, 2013

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2013	2012	2013
Income (loss) before minority interests	¥13,380	¥(39,776)	$142,265
Other comprehensive income (loss) (Note 16):			
Net unrealized holding gain (loss) on investments in securities	8,498	(7,967)	90,356
Deferred gain on hedges	33,642	16,113	357,703
Revaluation reserve for land	—	42	—
Translation adjustments	25,955	(10,053)	275,971
Share of other comprehensive income (loss) of subsidiaries and affiliates accounted for by the equity method	485	(2,651)	5,157
Total other comprehensive income (loss)	68,580	(4,516)	729,187
Comprehensive income (loss)	¥81,960	¥(44,292)	$871,452
(Breakdown)			
Comprehensive income (loss) attributable to:			
Shareholders of Kawasaki Kisen Kaisha, Ltd.	¥77,381	¥(45,222)	$822,765
Minority interests	4,579	930	48,687

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, 2013

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2013	2012	2013
Shareholders' equity:			
Common stock:			
Balance at beginning of year	¥ 65,032	¥ 65,032	$ 691,462
Issuance of new shares	10,426	—	110,856
Balance at end of year	75,458	65,032	802,318
Capital surplus:			
Balance at beginning of year	49,893	49,893	530,494
Issuance of new shares	10,426	—	110,856
Disposal of treasury stocks	(4)	—	(42)
Balance at end of year	60,315	49,893	641,308
Retained earnings:			
Balance at beginning of year	212,850	258,076	2,263,158
Cash dividends	—	(4,202)	—
Net income (loss)	10,669	(41,351)	113,440
Disposal of treasury stocks	—	(3)	—
Reversal of the revaluation reserve for land	(1)	—	(11)
Net change in retained earnings resulting from changes in scope of consolidation or equity method	(231)	330	(2,456)
Balance at end of year	223,287	212,850	2,374,131
Treasury stock, at cost:			
Balance at beginning of year	(905)	(904)	(9,623)
Purchase of treasury stocks	(4)	(5)	(43)
Disposal of treasury stocks	5	4	54
Balance at end of year	¥ (904)	¥ (905)	$ (9,612)
Accumulated other comprehensive income (loss):			
Net unrealized holding gain (loss) on investments in securities:			
Balance at beginning of year	¥ (6,037)	¥ 1,955	$ (64,189)
Net changes during the year	8,513	(7,992)	90,515
Balance at end of year	2,476	(6,037)	26,326
Deferred loss on hedges:			
Balance at beginning of year	(41,596)	(55,306)	(442,275)
Net changes during the year	33,492	13,710	356,108
Balance at end of year	(8,104)	(41,596)	(86,167)
Revaluation reserve for land:			
Balance at beginning of year	2,298	2,078	24,434
Net changes during the year	52	220	553
Balance at end of year	2,350	2,298	24,987
Translation adjustments:			
Balance at beginning of year	(38,962)	(29,154)	(414,269)
Net changes during the year	24,655	(9,808)	262,148
Balance at end of year	(14,307)	(38,962)	(152,121)
Minority interests in consolidated subsidiaries:			
Balance at beginning of year	17,362	23,316	184,604
Net changes during the year	4,042	(5,954)	42,977
Balance at end of year	21,404	17,362	227,581
Total net assets	¥361,975	¥259,935	$3,848,751

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, 2013

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2013	2012	2013
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ 32,867	¥(49,138)	$349,463
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by (used in) operating activities:			
Depreciation and amortization	59,668	50,044	634,428
Loss on impairment of fixed assets	2,565	3,362	27,273
Reversal of allowance for employees' retirement benefits	(155)	(254)	(1,648)
Reversal of allowance for directors' and corporate auditors' retirement benefits	(392)	(21)	(4,168)
Decrease in accrued expenses for overhaul of vessels	(1,313)	(106)	(13,961)
Exchange (gain) loss	(12,350)	2,585	(131,313)
Interest and dividend income	(4,513)	(4,079)	(47,985)
Interest expense	12,262	9,262	130,377
Loss on amendments of shipbuilding contracts	—	1,938	—
Loss on cancellations of shipbuilding contracts	—	3,755	—
Gain on sales of vessels, property and equipment, net	(13,648)	(4,570)	(145,114)
Loss on devaluation of investments in securities	7,249	2,517	77,076
Gain on exchange of shares	—	(6,344)	—
Changes in operating assets and liabilities:			
Increase in accounts and notes receivable—trade	(4,291)	(3,282)	(45,625)
Increase in inventories	(3,688)	(3,935)	(39,213)
Increase in other current assets	(3,084)	(1,914)	(32,791)
Increase (decrease) in accounts and notes payable—trade	3,511	(950)	37,331
(Decrease) increase in other current liabilities	(873)	6,210	(9,282)
Other, net	3,433	2,491	36,502
Subtotal	77,248	7,571	821,350
Interest and dividends received	5,283	4,071	56,172
Interest paid	(12,277)	(9,429)	(130,537)
Income taxes paid	(8,420)	(5,758)	(89,527)
Income taxes refunded	—	636	—
Other, net	(2,078)	—	(22,094)
Net cash provided by (used in) operating activities	¥ 59,756	¥ (2,909)	$635,364

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

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2013	2012	2013
Cash flows from investing activities:			
Purchases of marketable securities and investments in securities	¥ (3,798)	¥ (2,020)	$ (40,383)
Proceeds from sales of marketable securities and investments in securities	6,972	12,914	74,131
Purchases of vessels, property and equipment	(132,289)	(237,282)	(1,406,582)
Proceeds from sales of vessels, property and equipment	97,069	162,898	1,032,100
Increase in intangible assets	(1,034)	(848)	(10,994)
Initiation of long-term loans receivable	(1,792)	(11,345)	(19,054)
Collection of long-term loans receivable	5,997	6,721	63,764
Additional acquisitions of shares of consolidated subsidiaries	—	(12,414)	—
Other, net	1,663	(1,857)	17,683
Net cash used in investing activities	(27,212)	(83,233)	(289,335)
Cash flows from financing activities:			
(Decrease) increase in short-term loans, net	(1,283)	564	(13,642)
(Decrease) increase in commercial paper	(17,000)	17,000	(180,755)
Proceeds from long-term loans	119,358	154,476	1,269,091
Repayment of long-term loans and obligations under finance leases	(94,517)	(65,898)	(1,004,965)
Redemption of bonds	(378)	(15,378)	(4,019)
Proceeds from issuance of common stock	20,852	—	221,712
Cash dividends paid	(3)	(4,228)	(32)
Cash dividends paid to minority shareholders	(697)	(495)	(7,411)
Proceeds from stock issuance to minority shareholders	32	268	340
Other, net	(0)	(2)	(0)
Net cash provided by financing activities	26,364	86,307	280,319
Effect of exchange rate changes on cash and cash equivalents	7,387	(2,811)	78,543
Net increase (decrease) in cash and cash equivalents	66,295	(2,646)	704,891
Cash and cash equivalents at beginning of year	92,756	94,430	986,241
Increase in cash and cash equivalents arising from initial consolidation of subsidiaries	24	947	256
Increase in cash and cash equivalents due to merger of subsidiaries	—	25	—
Cash and cash equivalents at end of year (Note 17)	¥ 159,075	¥ 92,756	$ 1,691,388

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, 2013

1. Summary of Significant Accounting Policies

(a) Basis of preparation

The accompanying consolidated financial statements of Kawasaki Kisen Kaisha, Ltd. (the "Company") and its consolidated subsidiaries have been prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required 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, 2012 to the 2013 presentation. Such reclassifications had no effect on consolidated net loss or net assets.

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at ¥94.05=U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2013. Furthermore, the translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and 288 subsidiaries for the years ended March 31, 2013 and 2012. 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 and negative goodwill are, as a rule, amortized by the straight-line method over a period of five years.

(c) Accounting period

The Company and 278 consolidated subsidiaries have a March 31 year end, and the remaining 10 consolidated subsidiaries have a December 31 year end. For 5 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 5, a provisional closing of their accounts as of the year end of the Company has been used.

Effective the year ended March 31, 2013, 266 consolidated subsidiaries changed their fiscal year end to March 31 to improve the accuracy of group consolidation and closing.

As a result of this change in the fiscal year end of these 266 consolidated subsidiaries, the consolidated statement of income of the Company for the year ended March 31, 2013 included the results for a 15-month period for 263 consolidated subsidiaries from January 1, 2012 to March 31, 2013; a 14-month period for 1 consolidated subsidiary from February 1, 2012 to March 31, 2013; and a 13-month period for 1 consolidated subsidiary from March 1, 2012 to March 31, 2013.

(d) Translation of foreign currencies

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

(e) Translation of accounts of overseas consolidated subsidiaries

The accounts of the overseas consolidated subsidiaries, except for the components of net assets excluding minority interests of consolidated subsidiaries, are translated into yen at the rates of exchange in effect at the balance sheet date. The components of net assets excluding minority interests of consolidated subsidiaries are translated at their historical exchange rates. Differences arising from translation are presented as translation adjustments and minority interests in the accompanying consolidated 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 stated at the lower of cost or net selling value, cost being determined by the moving average method.

(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 by the moving average method.

Under the Companies Act of Japan (the "Companies Act"), unrealized holding gain on other securities, net 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.

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 and the amount of interest incurred during the period is significantly large.

(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 5 years.

(n) Retirement benefits

The Company and its domestic consolidated subsidiaries have tax-qualified defined benefit pension plans and retirement benefit plans. However, during the year ended March 31, 2011, the Company had transferred a tax-qualified defined benefit plan to a defined benefit pension plan. Certain overseas consolidated subsidiaries also have employees' defined benefit pension plans.

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

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

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

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

(o) Accrued expenses for overhaul of vessels

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

(p) Derivatives and hedging activities

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

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

If interest rate swap contracts are used as 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.

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.

(q) 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.

(r) 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.

(s) Revenues and related costs

Revenues of the Company and its consolidated subsidiaries from cargo freight and the related costs and expenses, except for those from container vessels, are recognized in full as of the dates on which the vessels complete their respective voyages (the voyage completion method). Revenues from container vessels are recognized, 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.

(t) Standards issued but not yet effective

On May 17, 2012, the Accounting Standards Board of Japan ("ASBJ") issued "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25), which replace the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009.

These standards require that an entity recognize the overfunded or underfunded status of a defined benefit pension plan as an asset or a liability in the consolidated balance sheet and actuarial gains or losses and prior service cost not recognized as part of pension expense are recognized as part of other comprehensive income.

Those amounts recognized in accumulated other comprehensive income in prior periods that are recognized in the consolidated statement of income in the current period as components of pension benefit expense are treated as reclassification adjustments.

The retirement benefit obligation can be attributed to each period by the benefit formula basis or by the straight-line method, and the calculation method for the discount rate shall be changed.

This standard and related guidance are effective as of the end of fiscal years beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company is currently evaluating the effect these modifications will have on its consolidated results of operations and financial position.

2. Accounting Changes

Changes in Estimated Useful Lives of Vessels

Following the adoption of the Medium-Term Management Plan (of which the year ended March 31, 2013 is the first year) during the current fiscal year, the Company and its consolidated subsidiaries reviewed their policies concerning vessel use as part of their investigation of fleet upgrade plans, taking into consideration the vessel use analysis results, newly acquired upgrade results, and the outlook for vessel supply and demand. As a result of this review, the Company and its consolidated subsidiaries determined that longer-term use beyond the estimated useful lives previously employed can be expected for containerships, pure car carriers (PCCs), and oil tankers. Accordingly, the estimated useful lives for containerships and PCCs were changed from 15 years to 20 years, and the estimated useful life for oil tankers was changed from 13 years to 20 years.

Further, dry bulk carriers entered repair docks during the current fiscal year for the first time under the new ballast tank coating standards adopted by the International Maritime Organization, and the Company obtained information corroborating the improved anti-corrosion performance. As a result, the Company determined that use for periods longer than the estimated useful lives applied in the past can be expected, and the estimated useful lives for vessels subject to the Performance Standard for Protective Coatings (PSPC) were changed from 15 years to 20 years.

As a result, operating income and income before income taxes and minority interests increased by ¥7,361 million ($78,267 thousand) for the year ended March 31, 2013.

Change in Depreciation Method for Vessels, Property and Equipment

Effective April 1, 2012, the Company and its domestic subsidiaries have changed their depreciation method for vessels, property and equipment acquired on or after April 1, 2012 in accordance with the amendment to the Corporation Tax Law of Japan.

The effect of this change on the consolidated financial statements for the year ended March 31, 2013 was immaterial.

3. Marketable Securities and Investments in Securities

At March 31, 2013 and 2012, marketable securities and investments in securities with quoted market prices classified as held-to-maturity debt securities are summarized as follows:

	Millions of yen		
	2013		
	Carrying value	Estimated fair value	Unrealized gain
Securities whose estimated fair value exceeds their carrying value:			
Government and municipal bonds	¥2	¥2	¥0
Total	¥2	¥2	¥0

	Millions of yen		
	2012		
	Carrying value	Estimated fair value	Unrealized gain
Securities whose estimated fair value exceeds their carrying value:			
Government and municipal bonds	¥2	¥2	¥0
Total	¥2	¥2	¥0

	Thousands of U.S. dollars		
	2013		
	Carrying value	Estimated fair value	Unrealized gain
Securities whose estimated fair value exceeds their carrying value:			
Government and municipal bonds	$21	$21	$0
Total	$21	$21	$0

At March 31, 2013 and 2012, marketable securities and investments in securities with quoted market prices classified as other securities are summarized as follows:

	Millions of yen		
	2013		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥51,595	¥46,771	¥4,824
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	1,064	1,205	(141)
Total	¥52,659	¥47,976	¥4,683

	Millions of yen		
	2012		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥ 1,568	¥ 942	¥ 626
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	44,310	51,967	(7,657)
Total	¥45,878	¥52,909	¥(7,031)

	Thousands of U.S. dollars		
	2013		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	$548,591	$497,299	$51,292
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	11,313	12,812	(1,499)
Total	$559,904	$510,111	$49,793

Proceeds from sales of investments in securities classified as other securities for the years ended March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Proceeds from sales	¥2,837	¥16,702	$30,165
Aggregate gain	753	3,533	8,006
Aggregate loss	(508)	(2,598)	(5,401)

Loss on impairment are 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.

The Company has recognized loss on devaluation of investments in securities classified as other securities of ¥4,969 million ($52,834 thousand) and ¥1,260 million for the years ended March 31, 2013 and 2012, respectively.

4. Inventories

Inventories as of March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Raw materials and supplies	¥42,690	¥38,303	$453,907
Others	83	80	883
Total	¥42,773	¥38,383	$454,790

5. Loss on Impairment of Fixed Assets

Loss on impairment of fixed assets for the years ended March 31, 2013 and 2012 was as follows:

Asset Description	Usage	Classification	Millions of yen 2013	Thousands of U.S. dollars 2013
Assets for heavy lifter services	Assets for heavy lifter services	Goodwill	¥1,805	$19,192
Short sea and coastal business	Assets for sale	Vessels and other	494	5,253
Others	Business assets, assets for sale and idle assets	Building, structures, vessels, equipment and other	266	2,828
Total			¥2,565	$27,273

Asset Description	Usage	Classification	Millions of yen 2012
Assets for oil tanker services	Assets for oil tanker services	Vessels	¥ 795
Honmoku distribution center	Logistics business	Building, structures and other	1,665
Assets for short sea and coastal business	Assets for sale	Vessels	888
Others	Idle assets	Land	14
Total			¥3,362

The Company and its consolidated subsidiaries group fixed assets for business use based on the smallest identifiable groups of assets generating cash flows considering income and expenditure generating units; however, they group other business use assets and idle assets individually.

For the years ended March 31, 2013 and 2012, since profitability of the assets for the heavy lifter services and others and those for the oil tanker services and Honmoku distribution center, respectively, significantly deteriorated, the carrying values were reduced to the respective recoverable amounts and a loss on impairment was recognized. The recoverable amounts were measured by the value-in-use method based on estimated future cash flows discounted at a rate of 2.6 per cent. for the assets for heavy lifter services, at a rate of 3.1 per cent. for assets for others for the year ended March 31, 2013 and rates ranging from 3.2 per cent. to 4.4 per cent. for the year ended March 31, 2012.

Assets for sale have been grouped as business assets. The carrying values of these assets were reduced to the respective recoverable amounts. The recoverable amount was measured at net selling value based on an estimation agreed between the Company and its consolidated subsidiaries as sellers and third parties as buyers for the year ended March 31, 2013. The recoverable amount was measured at net selling value based on a third party's appraisal for the year ended March 31, 2012.

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. The recoverable amounts were measured at net selling value, which was reasonably measured mainly by appraisers.

6. Goodwill

Goodwill and negative goodwill as of March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Goodwill	¥676	¥4,477	$7,188
Negative goodwill	(1)	(4)	(11)
Net	¥675	¥4,473	$7,177

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

Short-term loans from banks and insurance companies principally represent loans on deeds with average interest rates of 0.59 per cent. and 0.72 per cent. per annum at March 31, 2013 and 2012, respectively.

Commercial paper had an average interest rate of 0.14 per cent. per annum at March 31, 2012.

Long-term debt at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Loans from banks and insurance companies due in installments from April 2013 through December 2072 at average interest rates of 1.31% and 1.06% per annum at March 31, 2013 and 2012, respectively	¥ 516,476	¥ 468,532	$ 5,491,505
Euro-yen zero coupon convertible bonds with stock acquisition rights in yen, due April 4, 2013	25,496	25,496	271,090
1.83% bonds in yen, due April 14, 2014	15,000	15,000	159,490
1.46% bonds in yen, due June 19, 2014	30,000	30,000	318,979
Bonds in yen, interest rate indexed to TIBOR, due July 16, 2019	4,077	4,455	43,348
Total	591,049	543,483	6,284,412
Less: Current portion	(113,480)	(62,747)	(1,206,592)
	¥ 477,569	¥ 480,736	$ 5,077,820

Since the stock acquisition rights contained in Euro-yen zero coupon convertible bonds with stock acquisition rights in yen, due April 4, 2013, expired on March 21, 2013, information related to these bonds with stock acquisition rights is omitted.

The aggregate annual maturities of long-term debt subsequent to March 31, 2013 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥113,480	$1,206,592
2015	115,043	1,223,211
2016	52,271	555,779
2017	57,824	614,822
2018	36,104	383,881
2019 and thereafter	216,327	2,300,127
Total	¥591,049	$6,284,412

A summary of assets pledged as collateral at March 31, 2013 for short-term loans and the current portion of long-term loans in the amount of ¥40,306 million ($428,559 thousand), long-term loans of ¥305,816 million ($3,251,632 thousand) and loans to be incurred in the future is presented below:

	Millions of yen	Thousands of U.S. dollars
Vessels at net book value	¥455,446	$4,842,594
Buildings and structures at net book value	6,896	73,323
Land	3,614	38,426
Investments in securities	5,649	60,064
Other	10	107
Total	¥471,615	$5,014,514

Investments in securities of ¥5,649 million ($60,064 thousand) were pledged as collateral to secure future loans for investments in vessels and equipment of subsidiaries and affiliates. Therefore, no corresponding liabilities existed as of March 31, 2013.

Out of vessels at net book value of ¥455,446 million ($4,842,594 thousand) above, ¥4,634 million ($49,272 thousand) was pledged as collateral for entrusted guarantees.

8. 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 34.2 per cent. and 37.6 per cent. for the years ended March 31, 2013 and 2012, respectively.

The effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2013 differs from the statutory tax rate for the following reasons:

	2013
Statutory tax rate	34.2%
Changes in the valuation allowance	45.7
Difference in statutory tax rates of consolidated subsidiaries	(17.9)
Amortization of goodwill	2.7
Tonnage tax	(4.2)
Equity in earnings of affiliates	(2.5)
Loss on impairment of goodwill	1.9
Other	(0.6)
Effective tax rate	59.3%

A reconciliation between the statutory tax rate and the effective tax rate as a percentage of income before income taxes and minority interests for the year ended March 31, 2012 has been omitted because a loss before income taxes and minority interests was recorded for the year.

The tax effects of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at March 31, 2013 and 2012 are analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Allowance for employees' retirement benefits	¥ 2,409	¥ 2,615	$ 25,614
Non-deductible allowances	2,513	2,237	26,720
Loss on impairment of fixed assets	1,272	1,350	13,525
Elimination of unrealized intercompany profit	934	945	9,931
Accounts and notes payable—trade	3,911	4,481	41,584
Deferred loss on hedges	—	11,803	—
Loss on devaluation of investments in securities	2,356	1,189	25,051
Unrealized holding loss on investments in securities	—	2,694	—
Net operating loss carry forwards	33,728	29,671	358,618
Other	6,255	6,022	66,506
Gross deferred tax assets	53,378	63,007	567,549
Valuation allowance	(16,380)	(2,479)	(174,163)
Total deferred tax assets	36,998	60,528	393,386
Deferred tax liabilities:			
Reserve for special depreciation	(1,336)	(694)	(14,205)
Deferred gain on tangible fixed assets for tax purposes	(1,435)	(1,468)	(15,258)
Unrealized holding gain on investments in securities	(1,166)	—	(12,398)
Accelerated depreciation in overseas subsidiaries	(1,504)	(1,088)	(15,991)
Deferred gain on hedges	(1,448)	—	(15,396)
Other	(5,813)	(3,312)	(61,808)
Total deferred tax liabilities	(12,702)	(6,562)	(135,056)
Net deferred tax assets	¥ 24,296	¥ 53,966	$ 258,330

9. Leases

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property at March 31, 2013 and 2012, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

Millions of yen

At March 31,	2013			
	Vessels	Equipment	Other	Total
Acquisition costs	¥22,413	¥ 14,679	¥1,277	¥ 38,369
Accumulated depreciation	(6,260)	(13,829)	(821)	(20,910)
Net book value	¥16,153	¥ 850	¥ 456	¥ 17,459

Millions of yen

At March 31,	2012			
	Vessels	Equipment	Other	Total
Acquisition costs	¥22,413	¥ 31,358	¥ 1,760	¥ 55,531
Accumulated depreciation	(5,043)	(27,526)	(1,064)	(33,633)
Net book value	¥17,370	¥ 3,832	¥ 696	¥ 21,898

Thousands of U.S. dollars

At March 31,	2013			
	Vessels	Equipment	Other	Total
Acquisition costs	$238,309	$ 156,077	$13,578	$ 407,964
Accumulated depreciation	(66,560)	(147,039)	(8,730)	(222,329)
Net book value	$171,749	$ 9,038	$ 4,848	$ 185,635

Lease payments related to finance leases accounted for as operating leases and depreciation and interest expense for the years ended March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Lease payments	¥4,024	¥4,830	$42,786
Depreciation	3,762	4,685	40,000
Interest expense	559	628	5,944

Future minimum lease payments subsequent to March 31, 2013 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ 2,128	$ 22,626
2015 and thereafter	13,264	141,032
Total	¥15,392	$163,658

Future minimum lease payments or receipts subsequent to March 31, 2013 for non-cancellable operating leases are summarized as follows:

(As lessees)

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ 27,319	$ 290,473
2015 and thereafter	132,891	1,412,983
Total	¥160,210	$1,703,456

(As lessors)

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥237	$2,520
2015 and thereafter	405	4,306
Total	¥642	$6,826

10. Retirement Benefits

The following table sets forth the funded and accrued status of the pension plans and the amounts recognized in the accompanying consolidated balance sheets as of March 31, 2013 and 2012 for the Company's and its consolidated subsidiaries' defined benefit pension plans:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Retirement benefit obligation*	¥(25,052)	¥(24,169)	$(266,369)
Fair value of pension plan assets	18,555	16,608	197,289
Net unfunded benefit obligation	(6,497)	(7,561)	(69,080)
Unrecognized actuarial differences	209	642	2,222
Unrecognized past service cost	239	336	2,541
Net retirement benefit obligation	(6,049)	(6,583)	(64,317)
Prepaid pension cost	1,251	943	13,301
Allowance for employees' retirement benefits	¥ (7,300)	¥ (7,526)	$ (77,618)

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

The components of retirement benefit expenses for the years ended March 31, 2013 and 2012 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Service cost*	¥1,692	¥1,657	$17,990
Interest cost	442	373	4,700
Expected return on pension plan assets	(82)	(124)	(872)
Amortization:			
Actuarial differences	1	185	11
Past service cost	97	100	1,031
Contribution to defined contribution pension plan	160	83	1,701
Total retirement benefit expenses	¥2,310	¥2,274	$24,561

* Retirement benefit expenses for certain domestic consolidated subsidiaries, whose benefit obligation is calculated by a simplified method, have been fully included in service cost.

The assumptions used in accounting for the above plans for the years ended March 31, 2013 and 2012 are as follows:

	2013	2012
Discount rates	Mainly 1.20%	Mainly 2.00%
Expected rates of return on plan assets	Mainly 0.00%	Mainly 0.60%

11. 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, 2013 and 2012 amounted to ¥2,540 million ($27,007 thousand).

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

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

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

Movements in the number of stock options for each stock option plan of the Company during the years ended March 31, 2013 and 2012 are summarized as follows:

	The 2003 plan	The 2004 plan	The 2005 plan
Number of stock options*:			
Outstanding as of March 31, 2011	239	106	187
Vested	—	—	—
Exercised	3	—	—
Expired	—	—	—
Outstanding as of March 31, 2012	**236**	**106**	**187**
Vested	—	—	—
Exercised	—	—	—
Expired	—	—	—
Outstanding as of March 31, 2013	**236**	**106**	**187**

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

The unit price of stock options for each stock option plan of the Company during the years ended March 31, 2013 and 2012 is summarized as follows:

	Yen		
	The 2003 plan	The 2004 plan	The 2005 plan
Unit price of stock options:			
Exercise price as of March 31, 2012	¥278	¥633	¥693
Average market price per share at exercise during the year ended March 31, 2012	296	—	—
Exercise price as of March 31, 2013	**278**	**633**	**693**
Average market price per share at exercise during the year ended March 31, 2013	—	—	—

	U.S. dollars		
	The 2003 plan	The 2004 plan	The 2005 plan
Unit price of stock options:			
Exercise price as of March 31, 2013	**$2.96**	**$6.73**	**$7.37**
Average market price per share at exercise during the year ended March 31, 2013	—	—	—

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

Movements in common stock and treasury stock of the Company for the years ended March 31, 2013 and 2012 are summarized as follows:

	Number of shares (Thousands)			
	April 1, 2012	Increase	Decrease	March 31, 2013
Common stock	**765,382**	**174,000**	—	**939,382**
Treasury stock	**1,601**	**34**	**7**	**1,628**

	Number of shares (Thousands)			
	April 1, 2011	Increase	Decrease	March 31, 2012
Common stock	765,382	—	—	765,382
Treasury stock	1,590	17	6	1,601

The increase in the number of shares in common stock (174,000 thousand) is due to issuance of new shares.

12. Land Revaluation

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

At March 31, 2013 and 2012, the fair value of land was lower than its carrying value after revaluation by ¥2,154 million ($22,903 thousand) and ¥1,510 million, respectively.

13. Commitments and Contingent Liabilities

At March 31, 2013, commitments made by the Company and its consolidated subsidiaries for the construction of vessels amounted to ¥67,480 million ($717,491 thousand).

Contingent liabilities for guarantees of loans to affiliates and third-party companies, reservation of guarantees under insurance business laws of Japan, and joint indebtedness principally related to co-ownership of vessels as of March 31, 2013 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2013	2013
Guarantee of loans	¥20,277	$215,598
Reservation of guarantee	405	4,306
Joint indebtedness	524	5,572
Total	¥21,206	$225,476

14. Financial Instruments

Status of financial instruments

The Company and its consolidated subsidiaries (the "Group") obtain necessary funding, mainly through bank loans and the issuance of bonds, in accordance with their capital expenditure programs. Excess funds are invested in highly liquid financial assets, and operating funds are financed by bank loans and commercial paper. The Group utilizes derivatives only for reducing risks, but does not utilize them for speculation.

Trade accounts and notes receivables 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, some of 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 fifty-nine 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 minimize 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 business investment; 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 1. Summary of Significant Accounting Policies, (p) Derivatives and hedging activities.

The Company monitors regularly the condition of significant business partners 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 loan 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 trade 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 the same regulations.

The Company manages liquidity risk by maintaining liquid instruments 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 calculation of fair value considering various factors. In addition, the notional amounts of derivatives in Note 15. 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, 2013 and 2012, 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		
	2013		
	Carrying value	Estimated fair value	Difference
Assets			
Cash and deposits	¥162,127	¥162,127	¥ —
Accounts and notes receivable—trade	86,884	86,884	—
Investments in securities	56,102	53,662	(2,440)
Total assets	¥305,113	¥302,673	¥(2,440)
Liabilities			
Accounts and notes payable—trade	¥ 82,607	¥ 82,607	¥ —
Short-term loans, inclusive of current portion of long-term loans	96,579	97,525	(946)
Bonds	48,699	48,370	329
Long-term loans	428,870	433,501	(4,631)
Total liabilities	¥656,755	¥662,003	¥(5,248)
Derivative transactions*	¥ (6,431)	¥ (6,927)	¥ (496)

	Millions of yen		
	2012		
	Carrying value	Estimated fair value	Difference
Assets			
Cash and deposits	¥ 96,698	¥ 96,698	¥ —
Accounts and notes receivable—trade	77,895	77,895	—
Investments in securities	49,108	46,765	(2,343)
Total assets	¥223,701	¥221,358	¥(2,343)
Liabilities			
Accounts and notes payable—trade	¥ 75,275	¥ 75,275	¥ —
Short-term loans, inclusive of current portion of long-term loans	72,049	72,448	(399)
Bonds	74,573	72,171	2,402
Long-term loans	406,163	408,758	(2,595)
Total liabilities	¥628,060	¥628,652	¥ (592)
Derivative transactions*	¥ (53,178)	¥ (53,836)	¥ (658)

	Thousands of U.S. dollars		
	2013		
	Carrying value	Estimated fair value	Difference
Assets			
Cash and deposits	$1,723,838	$1,723,838	$ —
Accounts and notes receivable—trade	923,806	923,806	—
Investments in securities	596,513	570,569	(25,944)
Total assets	$3,244,157	$3,218,213	$(25,944)
Liabilities			
Accounts and notes payable—trade	$ 878,331	$ 878,331	$ —
Short-term loans, inclusive of current portion of long-term loans	1,026,890	1,036,948	(10,058)
Bonds	517,799	514,301	3,498
Long-term loans	4,560,021	4,609,261	(49,240)
Total liabilities	$6,983,041	$7,038,841	$(55,800)
Derivative transactions*	$ (68,379)	$ (73,652)	$ (5,273)

* 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.

Fair value of investments in securities is based on market prices.

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, except for the current portion of long-term loans whose fair value is based on 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 the same loan using the balance as of the end of the period.

The financial instruments whose fair value is difficult to determine as of March 31, 2013 and 2012 are summarized as follows.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unlisted investments in securities	¥31,017	¥26,106	$329,793

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, 2013 and 2012 for cash and deposits, accounts and notes receivable—trade and held-to-maturity securities is summarized as follows:

	Millions of yen			
	2013			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	¥162,127	¥—	¥—	¥—
Accounts and notes receivable—trade	86,884	—	—	—
Marketable securities and Investments in securities				
Held-to-maturity securities :				
(1) Government, municipal bonds and others	0	1	1	—
(2) Corporate bonds	—	—	—	—
Total	¥249,011	¥ 1	¥ 1	¥—

	Millions of yen			
	2012			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	¥ 96,698	¥—	¥—	¥—
Accounts and notes receivable—trade	77,895	—	—	—
Marketable securities and Investments in securities				
Held-to-maturity securities :				
(1) Government, municipal bonds and others	1	1	1	—
(2) Corporate bonds	1,130	—	—	—
Total	¥175,724	¥ 1	¥ 1	¥—

	Thousands of U.S. dollars			
	2013			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	$1,723,838	$—	$—	$—
Accounts and notes receivable—trade	923,806	—	—	—
Marketable securities and Investments in securities				
Held-to-maturity securities :				
(1) Government, municipal bonds and others	0	11	11	—
(2) Corporate bonds	—	—	—	—
Total	$2,647,644	$11	$11	$—

15. Derivatives and Hedging Activities

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

The estimated fair value of the derivatives positions outstanding qualifying for deferral hedge accounting at March 31, 2013 and 2012 is summarized as follows:

Currency-related transactions

			Millions of yen		
			2013		
Method of hedge accounting	Transaction	Major hedged item	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	¥ 41,373	¥ 11,770	¥2,907
	JPY	Capital expenditures	255	—	(27)
	EUR	Forecasted foreign currency transactions	8	—	(0)
	SGD	Forecasted foreign currency transactions	4,544	—	(30)
	GBP	Forecasted foreign currency transactions	533	—	(2)
	CND	Forecasted foreign currency transactions	2	—	0
	Selling:				
	USD	Forecasted foreign currency transactions	8,211	—	(254)
	Currency swaps				
	Receiving USD, paying JPY	Chartering expense and lease expense	273,148	247,932	3,048
	Receiving USD, paying EUR	Chartering expense	2,393	1,783	78
	Currency options positions				
	Buying-				
	Put : USD	Accounts receivable—trade	132	—	(16)
	Selling-				
	Call : USD	Accounts receivable—trade	132	—	0
	Total		¥330,731	¥261,485	¥5,704

			Millions of yen		
			2012		
Method of hedge accounting	Transaction	Major hedged item	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	¥ 65,375	¥ 26,169	¥ (3,663)
	JPY	Capital expenditures	5,800	—	(564)
	EUR	Capital expenditures	342	—	4
	AUD	Forecasted foreign currency transactions	608	—	(0)
	SGD	Forecasted foreign currency transactions	2,827	—	(13)
	Selling:				
	USD	Forecasted foreign currency transactions	9,831	—	(170)
	Currency swaps				
	Receiving USD, paying JPY	Chartering expense and lease expense	299,034	273,148	(36,215)
	Receiving USD, paying EUR	Chartering expense	2,827	2,146	55
	Currency options positions				
	Buying-				
	Call : USD	Lease expense, others	160	—	(30)
	Put : USD	Accounts receivable—trade	214	—	3
	Selling-				
	Call : USD	Accounts receivable—trade	214	—	(8)
	Total		¥387,232	¥301,463	¥(40,601)

			Thousands of U.S. dollars		
			2013		
Method of hedge accounting	Transaction	Major hedged item	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	$ 439,904	$ 125,146	$30,910
	JPY	Capital expenditures	2,711	—	(287)
	EUR	Forecasted foreign currency transactions	85	—	(0)
	SGD	Forecasted foreign currency transactions	48,315	—	(319)
	GBP	Forecasted foreign currency transactions	5,667	—	(21)
	CND	Forecasted foreign currency transactions	21	—	0
	Selling:				
	USD	Forecasted foreign currency transactions	87,305	—	(2,701)
	Currency swaps				
	Receiving USD, paying JPY	Chartering expense and lease expense	2,904,285	2,636,172	32,408
	Receiving USD, paying EUR	Chartering expense	25,444	18,958	829
	Currency options positions				
	Buying-				
	Put : USD	Accounts receivable—trade	1,404	—	(170)
	Selling-				
	Call : USD	Accounts receivable—trade	1,404	—	0
	Total		$3,516,545	$2,780,276	$60,649

Interest-rate related transactions

Method of hedge accounting	Transaction	Major hedged item	Millions of yen 2013 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 payable	¥115,626	¥108,782	¥(12,458)
Special treatment for interest rate swaps	Interest rate swaps				
	Receive floating / Pay fixed	Long-term loans payable	12,483	10,834	(496)
	Total		¥128,109	¥119,616	¥(12,954)

Method of hedge accounting	Transaction	Major hedged item	Millions of yen 2012 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 payable	¥131,479	¥125,801	¥(13,200)
Special treatment for interest rate swaps	Interest rate swaps				
	Receive floating / Pay fixed	Long-term loans payable	17,019	15,002	(658)
	Total		¥148,498	¥140,803	¥(13,858)

Method of hedge accounting	Transaction	Major hedged item	Thousands of U.S. dollars 2013 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 payable	$1,229,410	$1,156,640	$(132,461)
Special treatment for interest rate swaps	Interest rate swaps				
	Receive floating / Pay fixed	Long-term loans payable	132,727	115,194	(5,274)
	Total		$1,362,137	$1,271,834	$(137,735)

Other

Method of hedge accounting	Transaction	Major hedged item	Millions of yen 2013 Contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Bunker fuel swaps	Bunker fuel purchases	¥7,802	¥97	¥ 85
	Forward freight agreements	Ocean freight	1,628	—	237
	Total		¥9,430	¥97	¥322

Method of hedge accounting	Transaction	Major hedged item	Millions of yen 2012 Contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Bunker fuel swaps	Bunker fuel purchases	¥10,748	¥117	¥678
	Forward freight agreements	Ocean freight	786	—	(56)
	Total		¥11,534	¥117	¥622

Method of hedge accounting	Transaction	Major hedged item	Thousands of U.S. dollars 2013 Contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Bunker fuel swaps	Bunker fuel purchases	$ 82,956	$1,031	$ 904
	Forward freight agreements	Ocean freight	17,310	—	2,520
	Total		$100,266	$1,031	$3,424

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

16. 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, 2013 and 2012.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Net unrealized holding gain (loss) on investments in securities:			
Amount arising during the year	¥ 7,414	¥(14,085)	$ 78,830
Reclassification adjustments to income or loss	4,726	1,898	50,250
Amount before tax effect	12,140	(12,187)	129,080
Tax effect	(3,642)	4,220	(38,724)
Unrealized holding gain (loss) on investments in securities	8,498	(7,967)	90,356
Deferred loss on hedges:			
Amount arising during the year	38,656	7,424	411,015
Reclassification adjustments to income or loss	5,092	3,069	54,141
Adjustments for acquisition costs of vessels due to valuation of hedges	3,145	12,458	33,440
Amount before tax effect	46,893	22,951	498,596
Tax effect	(13,251)	(6,838)	(140,893)
Deferred loss on hedges	33,642	16,113	357,703
Revaluation reserve for land:			
Amount arising during the year	—	42	—
Translation adjustments:			
Amount arising during the year	26,879	(10,053)	285,795
Reclassification adjustments to income or loss	(924)	—	(9,824)
Translation adjustments	25,955	(10,053)	275,971
Share of other comprehensive income (loss) of affiliates accounted for by the equity method:			
Amount arising during the year	(162)	(2,028)	(1,722)
Reclassification adjustments to income or loss	647	(623)	6,879
Share of other comprehensive income (loss) of affiliates accounted for by the equity method	485	(2,651)	5,157
Other comprehensive income (loss), net	¥ 68,580	¥ (4,516)	$ 729,187

17. 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, 2013 and 2012 are reconciled to cash and deposits reflected in the accompanying consolidated balance sheets as of March 31, 2013 and 2012 as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cash and deposits	¥162,127	¥96,698	$1,723,838
Time deposits with a maturity of more than three months after the purchase date	(3,052)	(3,942)	(32,450)
Cash and cash equivalents	¥159,075	¥92,756	$1,691,388

18. Amounts per Share

Amounts per share at March 31, 2013 and 2012 and for the years then ended are as follows:

	Yen		U.S. dollars
	2013	2012	2013
Net assets	¥363.18	¥317.59	$3.86
Net income (loss):			
Basic	12.07	(54.14)	0.13
Cash dividends applicable to the year	2.50	—	0.03

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

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

Diluted net income per share for the year ended March 31, 2013 has not been presented because no potentially dilutive securities have been issued.

Diluted net income per share for the year ended March 31, 2012 has not been presented because a net loss for the year was recorded.

19. Segment Information

Segment information for the years ended March 31, 2013 and 2012

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.

Following the adoption of the Medium-Term Management Plan of which the year ended March 31, 2013 is the first year, the logistics business included in the "Other" segment until the year ended March 31, 2012 was consolidated with the containership business. In addition, the offshore energy E&P support business and heavy lifter business, which were included in the bulk shipping business, formed an independent reporting segment, the offshore energy E&P support and the heavy lifter business. As a result, the previous two segments—the containership business and the bulk shipping business—were divided into three separate segments: the containership business, the bulk shipping business, and the offshore energy E&P support and heavy lifter business.

Segment information for the year ended March 31, 2012 reflects these changes.

2. Calculation method of reporting segment income (loss)

Reporting segment income (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 expense, exchange gain (loss) and equity in earnings of affiliates.

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

Changes in Estimated Useful Lives of Vessels

As described in Note 2 "Changes in Estimated Useful Lives of Vessels," the Company and its consolidated subsidiaries determined to change the estimated useful lives for containerships and PCCs from 15 years to 20 years, and to increase the estimated useful live for oil tankers from 13 years to 20 years. Also, they determined to increase the estimated useful live for dry bulk carriers subject to the PSPC from 15 years to 20 years.

As a result, reporting segment income for the year ended March 31, 2013 increased by ¥874 million ($9,293 thousand) for the containership segment, by ¥6,118 million ($65,051 thousand) for the bulk shipping segment and by ¥369 million ($3,923 thousand) for the other segment from the corresponding amounts which would have been calculated under the previous method.

Change in Depreciation Method for Vessels, Property and Equipment

As described in Note 2 "Change in Depreciation Method for Vessels, Property and Equipment," effective the current fiscal year, the Company and its domestic subsidiaries have changed their depreciation method for vessels, property and equipment acquired from April 1, 2012 according to the amendment to the Corporation Tax Law of Japan, and the depreciation method of the reporting segments reflects this change.

The effect of this change on the reporting segment income (loss) for the year ended March 31, 2013 was immaterial.

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

Reporting segment information for the years ended March 31, 2013 and 2012 consisted of the following:

	Millions of yen						
	2013						
	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	¥552,810	¥502,571	¥ 35,712	¥ 43,679	¥1,134,772	¥ —	¥1,134,772
(2) Intra-group revenues and transfers	9,290	2,692	—	46,963	58,945	(58,945)	—
Total revenues	¥562,100	¥505,263	¥ 35,712	¥ 90,642	¥1,193,717	¥(58,945)	¥1,134,772
2. Segment income (loss)*3	¥ 6,631	¥ 24,065	¥ (2,422)	¥ 6,566	¥ 34,840	¥ (6,251)	¥ 28,589
3. Segment assets	¥259,228	¥708,784	¥116,095	¥107,429	¥1,191,536	¥(11,102)	¥1,180,434
(1) Depreciation and amortization	¥ 9,283	¥ 38,952	¥ 7,944	¥ 2,610	¥ 58,789	¥ 879	¥ 59,668
(2) Amortization of goodwill and negative goodwill, net	266	—	2,361	—	2,627	—	2,627
(3) Interest income	752	562	13	200	1,527	(367)	1,160
(4) Interest expenses	1,215	7,061	3,606	397	12,279	(17)	12,262
(5) Equity in earnings of affiliates	1,065	661	504	152	2,382	—	2,382
(6) Investments in affiliates accounted for by the equity method	5,669	6,094	3,639	3,635	19,037	—	19,037
(7) Increase in vessels, property and equipment, and intangible assets	29,446	101,956	277	2,438	134,117	438	134,555

	Millions of yen						
	2012						
	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	¥467,983	¥443,087	¥ 20,421	¥40,820	¥ 972,311	¥ —	¥ 972,311
(2) Intra-group revenues and transfers	9,936	2,080	—	36,497	48,513	(48,513)	—
Total revenues	¥477,919	¥445,167	¥ 20,421	¥77,317	¥1,020,824	¥(48,513)	¥ 972,311
2. Segment (loss) income*3	¥(38,510)	¥ (95)	¥ (8,533)	¥ 3,343	¥ (43,795)	¥ (5,161)	¥ (48,956)
3. Segment assets	¥221,025	¥631,195	¥103,976	¥98,668	¥1,054,864	¥ 11,785	¥1,066,649
(1) Depreciation and amortization	¥ 7,878	¥ 34,050	¥ 4,677	¥ 2,573	¥ 49,178	¥ 866	¥ 50,044
(2) Amortization of goodwill and negative goodwill, net	190	0	3,257	—	3,447	—	3,447
(3) Interest income	456	553	12	118	1,139	(15)	1,124
(4) Interest expenses	774	5,816	2,376	270	9,236	26	9,262
(5) Equity in earnings (loss) of affiliates	517	209	—	(179)	547	—	547
(6) Investments in affiliates accounted for by the equity method	4,048	2,749	—	3,356	10,153	—	10,153
(7) Increase in vessels, property and equipment, and intangible assets	26,803	172,016	36,964	2,596	238,379	818	239,197

	Thousands of U.S. dollars						
	2013						
	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	$5,877,831	$5,343,658	$ 379,713	$ 464,423	$12,065,625	$ —	$12,065,625
(2) Intra-group revenues and transfers	98,777	28,623	—	499,341	626,741	(626,741)	—
Total revenues	$5,976,608	$5,372,281	$ 379,713	$ 963,764	$12,692,366	$(626,741)	$12,065,625
2. Segment income (loss)*3	$ 70,505	$ 255,875	$ (25,752)	$ 69,814	$ 370,442	$ (66,465)	$ 303,977
3. Segment assets	$2,756,279	$7,536,247	$1,234,397	$1,142,253	$12,669,176	$(118,044)	$12,551,132
(1) Depreciation and amortization	$ 98,703	$ 414,163	$ 84,466	$ 27,750	$ 625,082	$ 9,346	$ 634,428
(2) Amortization of goodwill and negative goodwill, net	2,828	—	25,104	—	27,932	—	27,932
(3) Interest income	7,996	5,976	138	2,126	16,236	(3,902)	12,334
(4) Interest expenses	12,919	75,077	38,341	4,221	130,558	(181)	130,377
(5) Equity in earnings of affiliates	11,324	7,028	5,359	1,616	25,327	—	25,327
(6) Investments in affiliates accounted for by the equity method	60,276	64,795	38,692	38,651	202,414	—	202,414
(7) Increase in vessels, property and equipment, and intangible assets	313,089	1,084,062	2,945	25,922	1,426,018	4,657	1,430,675

*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.

*2 (1) The adjustment and elimination of segment income of ¥6,251 million ($66,465 thousand) includes the following elements: ¥430 million ($4,572 thousand) of intersegment profit eliminations and ¥5,821 million ($61,893 thousand) of corporate expense, which are not distributed to specific segments.
(2) The adjustment and elimination of segment assets of ¥11,102 million ($118,044 thousand) includes the following elements: ¥64,492 million ($685,721 thousand) of intersegment transaction eliminations and ¥53,390 million ($567,677 thousand) of corporate assets, which are not distributed to specific segments.
(3) The adjustment and elimination of depreciation and amortization of ¥879 million ($9,346 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 ¥367 million ($3,902 thousand) includes the following elements: ¥410 million ($4,359 thousand) of intersegment transaction eliminations and ¥43 million ($457 thousand) of interest income, which are not distributed to specific segments.
(5) The adjustment and elimination of interest expenses of ¥17 million ($181 thousand) includes the following elements: ¥410 million ($4,359 thousand) of intersegment transaction eliminations and ¥393 million ($4,178 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 ¥438 million ($4,657 thousand) is the increase in assets that belong to the entire group, which are not distributed to specific segments.

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

*4 (1) The adjustment and elimination of segment loss of ¥5,161 million includes the following elements: ¥475 million of intersegment profit eliminations and ¥4,686 million of corporate expense, which are not distributed to specific segments.
(2) The adjustment and elimination of segment assets of ¥11,785 million includes the following elements: ¥67,187 million of intersegment transaction eliminations and ¥78,972 million of corporate assets, which are not distributed to specific segments.
(3) The adjustment and elimination of depreciation and amortization of ¥866 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 ¥15 million includes the following elements: ¥190 million of intersegment transaction eliminations and ¥175 million of interest income, which are not distributed to specific segments.
(5) The adjustment and elimination of interest expenses of ¥26 million includes the following elements: ¥190 million of intersegment transaction eliminations and ¥216 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 ¥818 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, 2013 and 2012 are summarized as follows:

	Millions of yen					
	2013					
	Japan	U.S.A.	Europe	Asia	Other	Total
Revenues	¥470,543	¥189,558	¥179,018	¥263,719	¥31,934	¥1,134,772

	Millions of yen					
	2012					
	Japan	U.S.A.	Europe	Asia	Other	Total
Revenues	¥430,859	¥163,727	¥141,043	¥206,427	¥30,255	¥972,311

	Thousands of U.S. dollars					
	2013					
	Japan	U.S.A.	Europe	Asia	Other	Total
Revenues	$5,003,115	$2,015,502	$1,903,434	$2,804,030	$339,544	$12,065,625

At March 31, 2013 and 2012, vessels, property and equipment by countries or geographical areas are summarized as follows:

	Millions of yen			
	2013			
	Japan	Singapore	Other	Total
Vessels, property and equipment	¥421,548	¥71,226	¥170,277	¥663,051

	Millions of yen		
	2012		
	Japan	Other	Total
Vessels, property and equipment	¥423,450	¥195,000	¥618,450

	Thousands of U.S. dollars			
	2013			
	Japan	Singapore	Other	Total
Vessels, property and equipment	$4,482,169	$757,321	$1,810,494	$7,049,984

The loss on impairment of fixed assets for the years ended March 31, 2013 and 2012 is as follows:

	Millions of yen					
	2013					
	Containership	Bulk shipping	Offshore energy E&P support and heavy lifter	Other*1	Adjustments and eliminations*2	Total
Loss on impairment of fixed assets	¥0	¥539	¥1,805	¥52	¥169	¥2,565

	Millions of yen					
	2012					
	Containership	Bulk shipping	Offshore energy E&P support and heavy lifter	Other*1	Adjustments and eliminations*2	Total
Loss on impairment of fixed assets	¥1,240	¥1,683	¥—	¥425	¥14	¥3,362

	Thousands of U.S. dollars					
	2013					
	Containership	Bulk shipping	Offshore energy E&P support and heavy lifter	Other*1	Adjustments and eliminations*2	Total
Loss on impairment of fixed assets	$0	$5,731	$19,192	$553	$1,797	$27,273

*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.
*2 The adjustment and elimination of loss on impairment of fixed assets is loss not allocated to specific segments.

The amortization and balance of goodwill for the years ended and as of March 31, 2013 and 2012 are as follows:

	Millions of yen					
	2013					
	Containership	Bulk shipping	Offshore energy E&P support and heavy lifter	Other*	Adjustments and eliminations	Total
Amortization for the year	¥266	¥—	¥2,362	¥—	¥—	¥2,628
Balance at the year end	676	—	—	—	—	676

	Millions of yen					
	2012					
	Containership	Bulk shipping	Offshore energy E&P support and heavy lifter	Other*	Adjustments and eliminations	Total
Amortization for the year	¥218	¥ 0	¥3,259	¥—	¥—	¥3,477
Balance at the year end	783	—	3,694	—	—	4,477

	Thousands of U.S. dollars					
	2013					
	Containership	Bulk shipping	Offshore energy E&P support and heavy lifter	Other*	Adjustments and eliminations	Total
Amortization for the year	$2,828	$—	$25,115	$—	$—	$27,943
Balance at the year end	7,188	—	—	—	—	7,188

The amortization and balance of negative goodwill for the years ended and as of March 31, 2013 and 2012 related to a business combination prior to April 1, 2012 is as follows:

	Millions of yen					
	2013					
	Containership	Bulk shipping	Offshore energy E&P support and heavy lifter	Other*	Adjustments and eliminations	Total
Amortization for the year	¥—	¥—	¥1	¥—	¥—	¥1
Balance at the year end	—	—	1	—	—	1

	Millions of yen					
	2012					
	Containership	Bulk shipping	Offshore energy E&P support and heavy lifter	Other*	Adjustments and eliminations	Total
Amortization for the year	¥ 29	¥—	¥1	¥—	¥—	¥30
Balance at the year end	—	—	4	—	—	4

	Thousands of U.S. dollars					
	2013					
	Containership	Bulk shipping	Offshore energy E&P support and heavy lifter	Other*	Adjustments and eliminations	Total
Amortization for the year	$—	$—	$11	$—	$—	$11
Balance at the year end	—	—	11	—	—	11

* 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.

20. Subsequent Event

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2013, was approved at a meeting of the Company's shareholders held on June 25, 2013:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥2.50 = $0.03 per share)	¥2,345	$24,933

Ernst & Young

Ernst & Young ShinNihon LLC

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, 2013, and the consolidated statements of income, 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, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

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).

Ernst & Young ShinNihon LLC

June 25, 2013
Osaka, Japan

Outline of the Company (As of March 31, 2013)

Name	Kawasaki Kisen Kaisha, Ltd. ("K" Line)	
Established	April 5, 1919	
Paid-in Capital	¥75,457.64 million	
President	Jiro Asakura	
Employees	On-land Duty	481
	At-sea Duty	178
	Total	659
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) 3-3595-5063 Fax: (+81) 3-3595-5001
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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 Office	Manila
Overseas Agents	Korea, Hong Kong, China, Taiwan, Thailand, the Philippines, Singapore, Malaysia, Indonesia, Vietnam, India, Australia, 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)	29 (Domestic), 286 (Overseas)

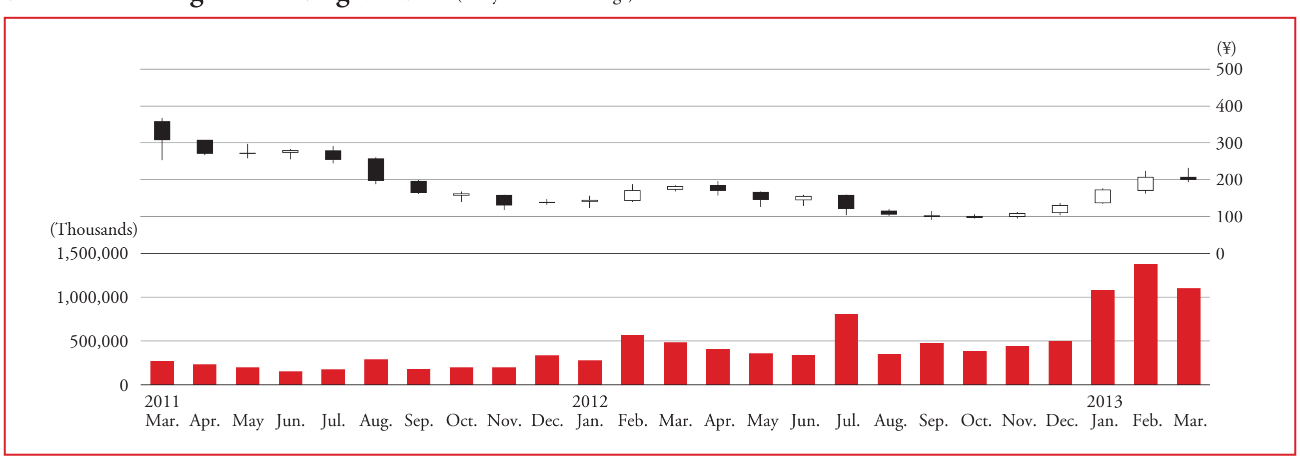
Stock Information (As of March 31, 2013)

Authorized	2,000,000,000 shares of common stock
Issued	939,382,298 shares of common stock
Number of Shareholders	57,966
Shareholder Registry Administrator	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Listing of Shares	Tokyo, Nagoya and Fukuoka

Principal Shareholders

Shareholders	Number of Shares Held (thousands)	Percentage of Voting Rights (%)
Japan Trustee Services Bank, Ltd. (trust account)	68,631	7.30
The Master Trust Bank of Japan, Ltd. (trust account)	56,291	5.99
Trust & Custody Services Bank, Ltd. (Kawasaki Heavy Industries, Ltd. retirement benefit trust account re-entrusted by Mizuho Trust & Banking Co., Ltd.)	30,000	3.19
JFE Steel Corporation	28,174	2.99
Sompo Japan Insurance Inc.	19,107	2.03
THE BANK OF NEW YORK -JASDEC TREATY ACCOUNT	14,893	1.58
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	14,674	1.56
Nippon Life Insurance Company	14,331	1.52
Tokio Marine & Nichido Fire Insurance Co., Ltd.	14,010	1.49
Japan Securities Finance Co., Ltd.	13,054	1.38

Stock Price Range & Trading Volume (Tokyo Stock Exchange)



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E-book Information

Annual Report 2013 is also available in e-book format.

▸▸ **http://www.kline.co.jp/en/ir/library/annual/index.html**

VEGETABLE OIL INK

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