"K" LINE
KAWASAKI KISEN KAISHA, LTD.






Value for our Next Century



"K" LINE REPORT 2015

Sustainable Growth as a Global Carrier

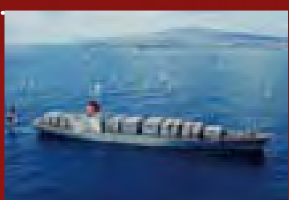
The “K” LINE Group has made continuous effort to enhance safety in navigation and cargo operations as a world-class shipping business company that remains trusted, relied on and wanted by the society, and it has been pioneering initiatives to succeed in an ever-changing business environment. Amid ongoing globalization, with many companies in the manufacturing and other industries developing businesses overseas to move their production bases offshore and internationalize commercial distribution, the significance of ocean transportation continues to grow. In response to the furtherance of globalization, the “K” LINE Group has formulated the new medium-term management plan “ Value for our Next Century” as a new guiding principle with the aim of developing and maintaining strong relationships with all its stakeholders around the world through dialogue and collaboration. The “K” LINE Group endeavors to increase its corporate value, fulfill its social mission and achieve sustained growth towards the next 100 years that will start from its 100th anniversary in 2019.

1919

Established as Kawasaki Kisen Kaisha, Ltd.

1968

“K” LINE’s first full containership *GOLDEN GATE BRIDGE* was completed.

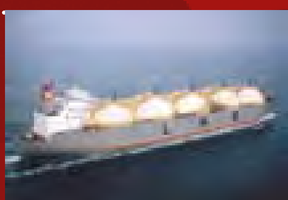


1970

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

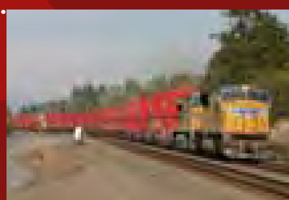
1983

Japan's first LNG carrier *BISHU MARU* was completed.



1986

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



1994

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

2003

The “CKYH Alliance” was formed with three shipping companies in Asia for the containership segment.

2007

Foundation of K Line Offshore AS. Launched the business of Offshore Support Vessels to support offshore oil drilling equipment and oil production platforms.

2014

Recognized by CDP as a leader for corporate action on climate change and transparency for the first time.

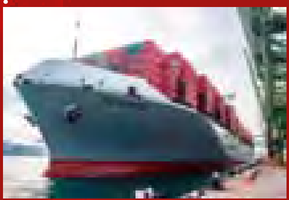
Cautionary Statement

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.

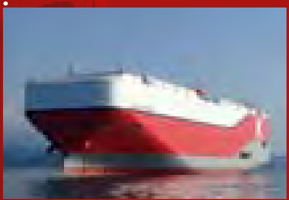
2019
The Company's 100th anniversary.

2016
By utilizing the most advanced technology from around the world, *DRIVE GREEN HIGHWAY*, a car carrier with a capacity of 7,500 vehicles and the goal of becoming an ultimate energy-saving environmental flagship, will be completed.

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



HAWAIIAN HIGHWAY, a large energy-efficient car carrier with a capacity of 7,500 vehicles, was completed.



Editorial Policy

Beginning in 2014, the Group has integrated "K" LINE's Annual Report for investors and Social and Environment Report for all stakeholders into one report called the "K" LINE Report. In this edition, we explain the key financial and non-financial information pertaining to our corporate value in an easy-to-understand manner by introducing two important initiatives for the "K" LINE Group in special feature articles entitled Outline of New Medium-Term Management Plan "K Value for our Next Century" and "K" LINE Environmental Vision 2050.

The "K" LINE Group utilizes print publications and its website together for efficient disclosure.

"K" LINE's website: http://www.kline.co.jp/en/

Contents

“K” LINE Vision 100 –Bridge to the Future– Review

In April 2012, the “K” LINE Group adopted a medium-term management plan called the “K”LINE Vision 100 –Bridge to the Future–. In response to the volatile business environment, the “K” LINE Group remained focused on its three missions, with the aim of achieving more stable profitability through structural reforms and establishing strong financial structures to cope with fluctuations in the market. As a result, the aims of the management plan were mostly achieved.

Three Missions

- Generate ordinary income in FY2012
- Build a stable earnings structure
- Reinforce financial standing

Strategies to achieve the missions

- Implement sweeping cost reductions and report ordinary income in FY2012
- Make structural reforms in the containership business
- Expand stable earnings in the dry bulk business and the car carrier business
- Generate stable earnings in the energy resource transport business and new businesses
- Strengthen financial standing through limits on investment

Main achievements

- Ordinary income back in the black in FY2012 as a result of accumulated cost reduction of ¥32.5 billion (¥4.5 billion more reduction from the original target)
- ¥110.1 billion of the accumulated ordinary income in three years (the original target: ¥111 billion) in the market conditions worse than anticipated
  ¥75 billion of accumulated cost reduction in three years with structural reform mainly in the containership business
- Enhanced earnings stability in the dry bulk business and the car carrier business
- Restrained accumulated cash flows from investing activities in three years at minus ¥43.5 billion
- ¥206.3 billion of the accumulated free cash flows that have exceeded the target
- More remainder of interest-bearing liabilities than the target due to fund-raising with subordinated bonds and convertible bonds
- Improved financial structure with increased equity capital, equity ratio, and DER more than the targets

Review of “K”LINE Vision 100 –Bridge to the Future–

Expanding a stable profit base to secure cash flows from operating activities

Flexible cash flow management for investing activities while guarding financial stability

Raising equity capital and improving DER

	FY2011	FY2012	FY2014 target	FY2014 results	Comparison between target and results, FY2014
Operating revenue (¥billion)	972.3	1,134.8	1,110.0	1,352.4	+ 242.4
Ordinary income (¥billion)	(49.0)	28.6	60.0	49.0	(11.0)
Net income (¥billion)	(41.4)	10.7	42.0	26.8	(15.2)
EBITDA (¥billion)	13.8	104.8	135.0	112.0	(23.0)
ROA	(5%)	3%	6%	4%	(2%)
Equity capital (¥billion)	242.6	340.6	330.0	441.5	+111.5
Equity ratio	23%	29%	30%	36%	+6%
Interest-bearing liabilities (¥billion)	592.5	629.9	490.0	536.8	+ 46.8
DER	244%	185%	148%	122%	(26%)

	FY2011	FY2012	Three-year target	Three-year results	Comparison between target and results
Cash flows from operating activities (¥billion)	(2.9)	59.8	270.0	249.8	(20.2)
Cash flows from investing activities (¥billion)	(83.2)	(27.2)	(150.0)	(43.5)	+ 106.5
FCF (¥billion)	(86.1)	32.6	120.0	206.3	+86.3
Exchange rate	¥79.06	¥82.33	¥80.00	¥109.19	
Fuel oil price	$672	$671	$650	$541	
Rating (R&I)	BBB-			BBB	

“Enhancing the financial stability”
“Strengthening the earning power”

Achievements in CSR initiatives

Environmental Management

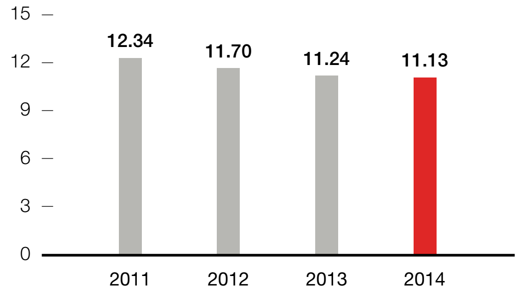
To help reduce the environmental impact of our business activities, we advanced initiatives with an emphasis on improving transport efficiency through the use of larger vessels, replacement of older vessels with state-of-the-art vessels featuring enhanced energy-saving capabilities, and energy efficient navigation.

(1) Reducing CO_2 emissions per vessel in operation

As a result of comprehensive efforts to enhance slow steaming and thorough optimization of operational efficiency, we have consistently reduced the volume of CO_2 emissions per freight ton-mile* on an annual basis for all type of vessels in operation.

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

(Unit: CO_2 emissions (in grams)/ton of cargo transported one nautical mile)



(2) Recognized by CDP as leader in corporate action on climate change and transparency

As a result of consistent efforts to improve transparency in the disclosure of climate-related information and reduce Greenhouse Gas (GHG) emissions, "K" LINE has been recognized as an outstanding company that exhibits a highest score of transparency in the disclosure of climate-related information and climate performance in a survey conducted in 2014 by CDP, an international non-profit organization that promotes projects in conjunction with institutional investors to encourage companies to disclose their strategies on environmental preservation and their impact on the environment in terms of the GHG emissions generated, along with measures to reduce them.

Climate Disclosure Score: **97** points

Climate Performance Score: **A**

Safety in Navigation and Cargo Operation

We have advanced initiatives with emphasis on reinforcing management and related systems to ensure safety in navigation, quality standards for operating vessels, crisis management capabilities, and human resource development. As a result, we continued to achieve our goal of zero major marine accidents.

Number of major marine accidents:

0 for the period from 2011 through 2014

Continued achievement of goal of zero accidents

Human Resource Development

To maintain sustained growth in today's globally competitive environment, the "K" LINE Group aims to treasure its strong corporate culture and traditions while reevaluating conventional modes of operation and raising Group-wide value creation capabilities to new levels. Based on that notion, we have implemented a range of measures over the past three years.

(1) Measures to promote diverse work styles

In addition to conventional leave systems for childcare and nursing care, the company has introduced following measures to support employees' diverse work styles (1) leave for spouse's work relocation (leave possible for a period up to two years in cases in which spouse is assigned to a new position elsewhere in Japan or abroad), and (2) leave for highly advanced infertility treatment. To date, two employees have actually taken leave for spouse's work relocation.

(2) Reduction of overtime worked

Aiming not simply at reducing overtime worked, but at more comprehensively improving the productivity and efficiency of each individual's work, we introduced Work Style Revision Program on a trial basis. As a result, we successfully reduced the overtime work hours during Fiscal Year 2014 by an average of 18% on a company-wide basis compared to Fiscal Year 2011.

In full appreciation of the CSR initiatives mentioned above, "K" LINE continues to be a constituent company of the leading international Socially Responsible Investment (SRI) indices, which includes the FTSE4Good Global Index Series and the Dow Jones Sustainability Index (DJSI).

Financial and ESG Highlights

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

The Evolution of Medium-Term Management Plans

"K" LINE Vision 2008	"K" LINE Vision 2008+	
Sustained Growth and Establishing a Stable Profitability Structure		"K" LINE Vision 100

		FY2005	FY2006	FY2007	FY2008
Operating Results (For the Year)	Operating revenues	¥940,819	¥1,085,539	¥1,331,048	¥1,244,317
	Operating income	87,976	61,357	129,649	71,604
	Ordinary income*3	88,573	63,928	125,868	60,011
	Net income	62,424	51,514	83,012	32,421
Financial Position (At Year-End)	Total assets	757,040	900,439	968,630	971,603
	Net assets*4	257,810	357,625	376,277	356,153
	Equity capital*5	257,810	344,476	355,763	334,773
	Interest-bearing liabilities	278,234	326,187	329,716	439,622
	Depreciation and amortization	28,623	32,294	36,362	39,427
	Cash flows from operating activitie	72,338	66,483	141,238	77,614
	Cash flows from investing activities	(83,342)	(102,853)	(145,541)	(148,304)
	Free cash flows	(11,004)	(36,370)	(4,303)	(70,690)
Per Share Data	Net income (¥/US$)	104.89	86.67	131.36	50.89
	Net assets (¥/US$)	435.19	556.55	558.46	525.43
	Cash dividends applicable to the year (¥/US$)	18.00	18.00	26.00	13.50
	Dividend payout ratio (%)	17.2	20.8	19.8	26.5
Management Index	ROE*6 (%)	28.4	17.1	23.7	9.4
	ROA*7 (%)	13.0	7.7	13.5	6.2
	DER*8 (Times)	1.08	0.95	0.93	1.31
	Equity ratio (%)	34.1	38.3	36.7	34.5
Average During the Period	Exchange rate (¥/US$)	113	117	115	101
	Fuel oil price (US$/ton)	286	319	407	504
Consolidated Human Resource Data	Consolidated employees	6,827	7,041	7,615	7,706
Unconsolidated Human Resource Data*9	Unconsolidated employees	560	570	600	602
	Shore-based	399	413	432	417
	Sea-based	161	157	168	185
	Women (%)	18.0	19.3	19.5	18.6
	Persons with disabilities (%)	2.23	2.69	2.56	2.05
	Industrial accidents — At sea	1	1	0	2
	Industrial accidents — On shore	0	0	1	0
Management	Directors	25	13	12	12
	Outside Directors	0	0	0	0
	Audit & Supervisory Board Members	4	4	4	4
	Outside Audit & Supervisory Board Members	2	2	2	2
Environmental Data*10	Fuel oil (thousands of tons)	3,867	4,257	4,550	4,392
	CO_2 emissions (thousands of tons)	12,028	13,239	14,150	13,677
	SOx emissions (thousands of tons)	229	243	255	240
	NOx emissions (thousands of tons)	348	381	405	410

Notes: *1. Rounded to millions of yen.
*2. The U.S. dollar amounts are converted from the yen amounts at ¥120.17 = US$1, the exchange rate prevailing on March 31, 2015.
*3. Ordinary income consists of operating income and nonoperating income/expenses.
*4. Until fiscal 2005, amounts posted under "shareholders' equity" (calculated using the previous accounting standards) are employed for "net assets."
*5. Equity Capital: Total net assets – Stock acquisition rights – Minority interests in consolidated subsidiaries

"K" LINE Vision 100 "Synergy for All and Sustainable Growth"

	"KV" 2010	New Challenges	Bridge to the Future

FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2014
					(Millions of yen)*1	(Thousands of U.S. dollars)*2
¥838,033	¥985,085	¥972,311	¥1,134,772	¥1,224,126	**¥1,352,421**	$11,254,232
(52,075)	58,610	(40,563)	14,887	28,854	**47,988**	399,334
(66,272)	47,350	(48,956)	28,589	32,455	**48,981**	407,598
(68,721)	30,603	(41,351)	10,669	16,642	**26,818**	223,167
1,043,885	1,032,505	1,066,649	1,180,434	1,254,742	**1,223,328**	10,179,978
331,865	314,986	259,935	361,975	410,690	**467,440**	3,889,823
308,122	291,669	242,573	340,571	388,837	**441,532**	3,674,228
516,001	483,363	592,523	629,864	643,795	**536,847**	4,467,396
45,281	44,722	50,044	59,668	52,244	**53,527**	445,427
(23,941)	84,902	(2,909)	59,756	88,228	**101,826**	847,350
(63,737)	(54,117)	(83,233)	(27,212)	(5,113)	**(11,177)**	(93,010)
(87,678)	30,785	(86,142)	32,544	83,115	**90,648**	754,340
						(U.S. dollars)
(106.24)	40.08	(54.14)	12.07	17.75	**28.60**	0.24
403.53	381.87	317.59	363.18	414.66	**471.10**	3.92
—	9.50	—	2.50	4.50	**8.50**	0.07
—	23.7	—	20.7	25.4	**29.7**	
(21.4)	10.2	(15.5)	3.7	4.6	**6.5**	
(6.6)	4.6	(4.7)	2.5	2.7	**4.0**	
1.67	1.66	2.44	1.85	1.66	**1.22**	
29.5	28.2	22.7	28.9	31.0	**36.1**	
93	86	79	82	100	**109**	
407	489	672	671	626	**541**	

7,740	7,895	7,703	7,667	7,703	**7,834**
623	623	664	659	652	**676**
433	437	486	481	478	**504**
190	186	178	178	174	**172**
18.5	18.9	22.9	22.8	24.4	**25.4**
2.12	1.60	1.60	1.90	1.93	**1.87**
1	0	0	1	3	**1**
0	0	0	0	0	**0**
15	14	13	13	13	**10**
2	2	2	2	2	**2**
5	5	5	5	4	**4**
3	3	3	3	3	**3**
3,563	3,802	3,949	3,966	3,651	**3,646**
11,096	11,838	12,298	12,352	11,377	**11,360**
197	208	214	209	190	**182**
303	308	323	319	292	**283**

*6. Return on Equity: Net income/Equity capital
*7. Return on Assets: Ordinary income/Total assets
*8. Debt Equity Ratio: Interest-bearing liabilities/Equity capital
*9. For Kawasaki Kisen Kaisha, Ltd. and its employees.
*10. The figures indicate total amounts calculated based on fuel supplied to vessels by "K" LINE. Figures for 2008 onward are calculated by calendar year. With respect to reductions in greenhouse gas emission per vessel, please refer to the figures on transport ton-mile basis under Environmental Management on page 3.

A Group-Wide Commitment to High-Quality Services Toward the Next 100 years

Q1 What is your basic management policy as the new president?

A1 The shipping business is profoundly influenced by external factors such as the global political situation and economic trends, as well as exchange rates and oil prices, which also involve geopolitical risks. Looking at the industry from a long-term perspective, however, it is a growth industry because the global trade volume is increasing. Nevertheless, the shipping industry is characterized by competitors in many countries competing fiercely in a single global market based on the principle of free competition.

I believe that the key to success in this environment is to always think hard about what is necessary for the Company to be selected by customers, and then to do it. We chose a vision for the Company to achieve by 2019 when we will celebrate the 100th anniversary of our founding and drew up a road map for the five years until then and the targets to achieve, which are embodied in our new medium-term management plan "K Value for our Next Century." To address challenges robustly in each business domain, it is essential for all management and employees in the "K" LINE Group to correctly understand and specifically implement the newly-established corporate principles, vision and the important tasks set forth in the new medium-term management plan. We will seek to build an open and transparent organization where everyone involved in each operating unit is able to discuss actively without reserve what they should do in their respective roles.

Our management policy is not to expand our business scale by radically increasing market share, but to focus on contributing to customers and society by providing high-quality services. To that end, each employee must do quality work by developing their individual abilities. In addition, a sense of speed is also an important element for our business. This is because I believe that it is what our stakeholders need, including our customers. Now that I have taken the baton from Mr. Jiro Asakura, the former president & CEO, who has completed the process of reorganizing the Company from the big scar left by the financial crisis, I would like to carry out management focusing on the following three initiatives for the next new step: (1) Exercising the high potential of individuals who have polished their ability to predict the future and correctly understand the direction and needs; (2) gathering the originality and wisdom of our employees in an all-participating-type team play; and (3) making decisions and implementing action plans with a sense of speed.

Q2 How do you evaluate the previous medium-term management plan, "K" LINE Vision 100: Bridge to the Future?

A2 After the financial crisis, we returned to ordinary income of ¥47.4 billion in fiscal 2010 but recorded an ordinary loss of ¥49.0 billion once again in fiscal 2011. In the previous three-year medium-term management plan '"K" LINE Vision 100: Bridge to the Future' that started in fiscal 2012 under these circumstances, we set the targets of (1) turning ordinary loss into the black in fiscal 2012, (2) building a stable earnings structure and (3) strengthening our financial standing. As a result of the efforts of everyone involved, we were able to mostly achieve the targets of strengthening our financial standing and building a stable earnings structure.

Particularly with respect to structural reforms and cost reduction in the containership business, which were major challenges, we concentrated our business resources on the so-called east-west routes linking Asia-Europe and Asia-North America with a solid sales base by developing our own container terminals, in addition to the fulfilling network of local subsidiaries and affiliated shipping agents. At the same time, we conducted rigorous streamlining in the north-south routes linking Asia/South America and Asia/Middle East-Africa where the impact of the cascade phenomenon* of large newbuildings was a concern. As a result, we achieved significant improvement in the financial results of the containership business, recording ordinary income of ¥20.6 billion, in fiscal 2014, the final year of the medium-term management plan.

* Cascading phenomenon: The phenomenon in which the supply-demand balance can be seriously affected in a shipping route where vessels with larger capacity are reassigned from major shipping routes such as Asia/Europe and Asia/North America as a result of the introduction of newbuildings into those routes.

Q3 Can you outline the new medium-term management plan "K Value for our Next Century"?

A3 I believe that the mission of the Group is to provide high-quality services through its business activities with the shipping business as a core, recognizing our social responsibilities for all our stakeholders, including shareholders. Through our commitments to that end, we will contribute to society by achieving sustainable growth and enhancing corporate value.

In the new medium-term management plan starting from the fiscal year under review, we have identified the following three issues to address: (1) Stability by improving financial strength; (2) Further business growth based on financial soundness; and (3) Dialogue and collaboration with stakeholders (to grow consistently and raise corporate value). We have adopted the keyword "K Value" (read the "K" LINE value), with the meaning of all management and employees in the "K" LINE Group "seeking to further enhance the corporate value." We regard the five years of the new medium-term management plan as a major step leading to the next 100 years following the 100th anniversary of our founding, naming it the "K Value for our Next Century."

In the new medium-term management plan, we regard the first two years as the first step to stabilize our business base by continuing to strengthen our financial standing. The remaining three years are the second step in which we shift our focus on growth strategies.

We forecast that ordinary income for fiscal 2015, the first year of the plan, will decline by ¥9.0 billion from the previous fiscal year to ¥40.0 billion, given the deterioration in market conditions. Particularly in containership business, supply-demand balance is a concern due to the effect of a series of large newbuildings in the current fiscal year. In the dry bulk carrier business, we also expect that the difficult business environment will continue for the foreseeable future as the delivery of newbuildings will also continue. The reason why we emphasize strengthening stability for the first two years is that we intend to carefully nail down the market conditions and the business environment. However, with respect to LNG, LPG and thermal coal carriers, demand for whose tonnage is expected to increase with rising demand for energy, we plan to invest actively from the first year to enhance stable earnings as a strategic investment area for growth.

Q4 Shipping is a highly volatile industry influenced profoundly by market conditions. What measures do you take to minimize risks?

A4 We stabilize earnings in the shipping business, our core business, by reducing risks through the diversification and optimization of the business portfolio. In containership business, where high volatility is a particular concern, we aim to increase competitiveness in both service quality and cost rather than expanding business scale and market share. We also have a policy of reducing the sales ratio of the containership business by expanding other businesses in which stable earnings can be expected, such as energy transportation, logistics and dry bulk business. We plan to reduce the percentage of operating revenues represented by the containership business from 41% in fiscal 2014 to 36% in fiscal 2019.

As an important plan to improve our fleet in each business segment, we will carry out in a series the construction of ten 14,000-TEU vessels with state-of-the-art energy-saving performance in the containership business, ten car carriers with a capacity of 7,500 units, which are able to respond to transportation demands of High & Heavy cargoes (over-height, over-length and over-weight) in the car carrier business, and investments in energy-saving bulkers to replace the existing fleet in the dry bulk carrier business. We expect that this will give us a more stable earnings base. With this approach, the Group aims to increase the competitiveness of its fleet in terms of both service quality and cost. At the same time, we will strive to improve our tolerance for market volatility by actively investing in areas such as LNG, LPG and thermal coal carriers, on the premise of acquiring medium- and long-term contracts, as well as logistics services, as high-growth business sectors.

Q5 What is your point of view on corporate governance and risk management?

A5 In developing its corporate governance system, the Group has been anticipating social demands and changes in the times, aiming to achieve sustainable growth while meeting the expectations of our stakeholders, including shareholders and investors. For example, the Company has from an early stage been strengthening the function of supervising the execution of duties by assigning multiple outside directors so that it has access to a wide range of opinions when formulating a management policy. We remain determined to further strengthen our corporate governance system to ensure that management decision-making enhances the corporate value of the Group and to prevent misconduct and scandals. We are also setting up expert committees, assuming the various types of business risks we may encounter.

Q6 What are your thoughts about corporate social responsibility (CSR)?

A6 The Group views CSR mainly from two perspectives, “managing consideration of the impact of business activities” and “creating new values.” The Group’s basic CSR policy is to recognize issues from each perspective and endeavor to solve them.

“Managing consideration of the impact of business activities,” the first perspective, represents our policy that the Group will conduct fair business activities, paying attention to the global environmental, human rights, health and safety, and other aspects, being aware of the impact the Group will have on local communities and international society. For example, although ocean shipping is one of the most environmentally-friendly means of transport in terms of CO_2 emissions per transport unit, we still need to help protect the environment by continuing to reduce the generation of greenhouse gases and air pollution attributable to shipping. It is also essential to prevent marine accidents that can have a profoundly adverse effect on society and the environment. Moreover, it is important to conduct fair business activities without any violation of human rights and compliance, and to make use of the diverse values derived from different cultures and languages in our global business activities. We address each issue by specifying the approaches and the divisions responsible. For example, as an environmental initiative, we have set specific targets for fiscal 2050 in “K” LINE Environmental Vision 2050 “Securing Blue Seas for Tomorrow,” the long-term environmental management vision for the global environment introduced by the Environment Management Group, with the aim of reducing CO_2 emissions by half and diversifying the energy necessary for our business activities (the shift to natural gases, hydrogen, fuel cells and renewable energy, etc.).

“Creating new values,” the second perspective, means providing local communities and international society with new values based on an understanding of customer and social needs. For example, the *DRIVE GREEN HIGHWAY* is a car carrier with a capacity of 7,500 units to be completed in the spring of 2016 as a new technology and idea that will help reduce our environmental footprint and improve service quality. As the world's first, it will be equipped with state-of-the-art technology able to reduce CO_2 emissions by 25% per completed built-up car compared with existing ships, and will significantly reduce emissions that cause air pollution such as nitrogen oxides (NOx) and sulfur oxides (SOx).

The key for resolving the issues in these two aspects is human resources. As the Group provides transportation services worldwide, it is focusing on human resources who have the ability to access the information needed to grasp and analyze different demands, as well as those who are able to align diverse organizations and manage them. The strength of the Group lies in its open and transparent workplace where diverse people with different areas of expertise and experiences, sharing principles and a vision, gather for free and vigorous discussion. We value a culture conducive to innovative change.

Q7 What is your policy on shareholder returns and dividends?

A7 Although we operate in the highly volatile shipping industry, we have introduced a new policy of stable dividends from this fiscal year, with the aim of encouraging the stable support of our shareholders over the long run. We will consider returns to shareholders by adopting the method of total shareholder returns in the future once we have achieved our goal of improving our financial standing.

Q8 Lastly, is there any other comment for your stakeholders?

A8 The "K" LINE Group has weathered a number of storms since its founding. I believe that our ability to surmount these challenges comes from having the understanding and full support of our stakeholders, in addition to the efforts of our forerunners. Although we anticipate changes in the business environment going forward, we will increase our corporate value and achieve sustainable growth by enhancing our growth potential based on stability under the new medium-term management plan. Thank you for your continued support and encouragement.

President and CEO
Eizo Murakami

Value for our

Kawasaki Kisen Kaisha, Ltd. (“K” LINE) is pleased to introduce “K” LINE Group’s new medium-term management plan “ Value for our Next Century” which runs for five years from April 2015. The new medium-term management plan is founded on our new Corporate Principle and Vision which were revised in advance for “K” LINE Group’s 100th anniversary coming in 2019. The “K” LINE Group is committed to evolving and making itself a better corporate citizen by achieving the goals set under the New Medium-Term Management Plan and enhancing its corporate value.

Corporate Principle

~ : trust from all over the world~

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

we always recognize this principle in our operations.

Vision

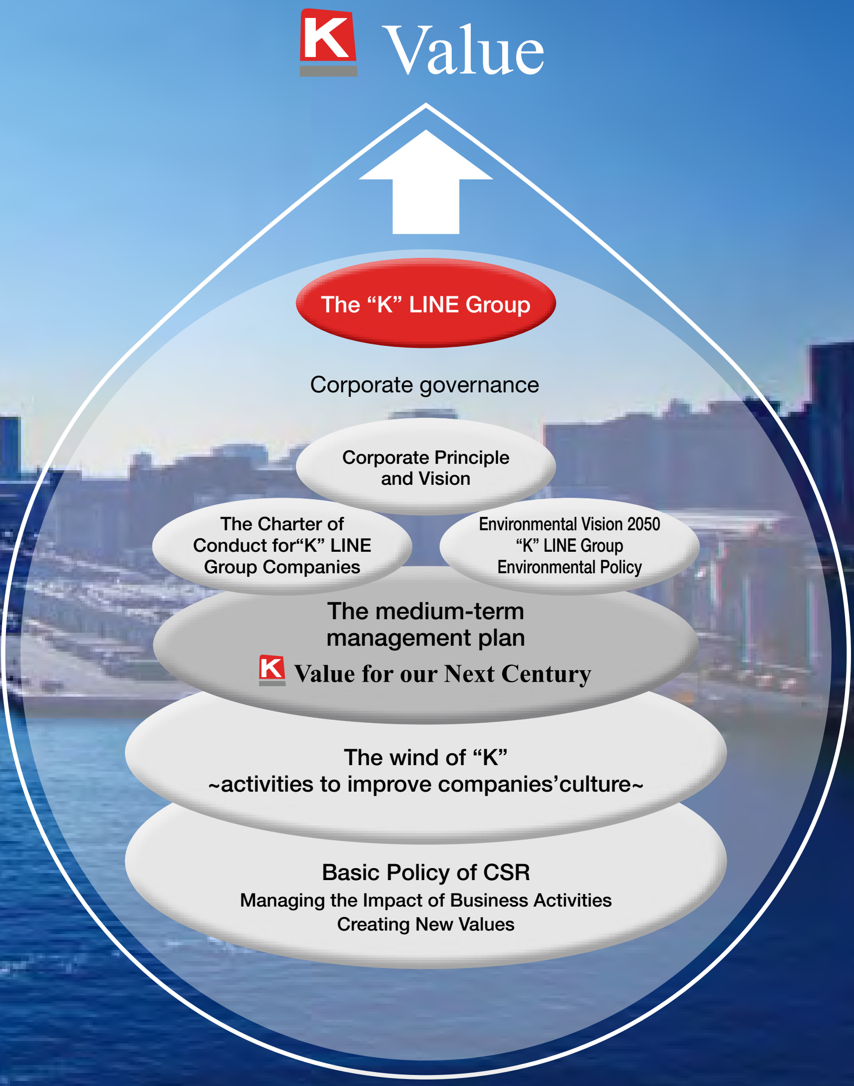
Concepts that the “K”LINE Group pursues in business

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

We pursue these concepts in our Vision and will progress further to the next stage.

Next Century

K Value as expressed in the title used for the New Medium-Term Management Plan represents our firm commitment to creating improved corporate value for the "K" LINE Group.
We will strive to enhance K Value through our business activities.



We work for realizing K Value and improving our corporate governance

New Medium-Term Management Plan “K Value for our Next Century”
Understanding of business environment and challenges to address

In the course of the new medium-term management plan, “K” LINE Group sets three core themes – stability by improving financial strength, further business growth based on financial soundness, and dialogue and collaboration with stakeholders (aimed at achieving consistent growth and improved corporate value) - in pursuit of establishing a resilient operating structure for higher quality of marine transportation services and sustainable business development.

The business environment that we observe

Issues to be solved

- Continuing expansion of shipping demand due to the gradual recovery of the world economy
- Remaining instability of supply and demand, depending on tonnage supplies

The volatility in the marine transportation industry will remain.
- Expanding stable business profits and resilience in volatile markets is continuously necessary.
- Ability to adjust to environmental changes is continuously required to improve.

Stability by improving financial strength

- Stable expansion of logistic demand mainly in emerging economies
- Rising world energy demand amid population growth

Further opportunities of growth
- Facilitating new business development
- Operation portfolio with lower risk

Further business growth based on financial soundness

- Increasing demand of safe and environment-friendly logistics
- Greater corporate social responsibility

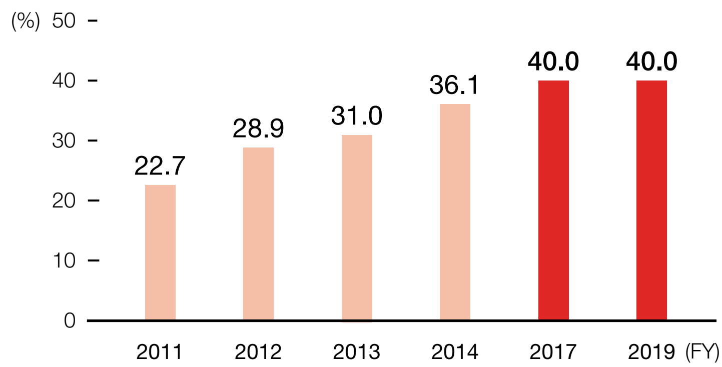
Opportunity to distinguish “K” LINE by facilitating strategic CSR initiatives
- Raising corporate value in an appropriate balance between business and social responsibility

Dialogues and collaboration with stakeholders

Securing stability by improving financial strength

- Equity ratio of 40% in FY2017, achieving the target of interest-bearing liabilities reduction
- Maintaining the free cash flow in the black, equity ratio of 40%, and DER of 80% to keep stability

Trends and targets in Equity ratio



1st step

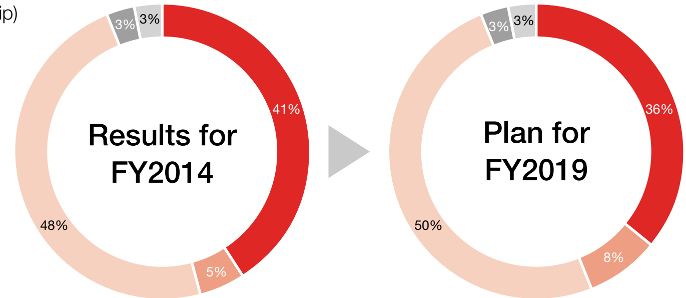
Further business growth based on financial soundness

- ▶ Managing portfolio to minimize risk
- ▶ Improving the system that brings stable business profits with increased resilience in volatile markets
- ▶ Strategic investment to expand in growing sectors

Sales per business category (Results for 2014 ⇒ plan for 2019)

Note: These figures exclude slot exchange fees of about ¥90 billion per year in the containership alliance.

- Containership business (containership)
- Containership business (logistics)
- Bulk shipping business
- Offshore energy E&P support vessels,heavy lifter vessels business
- Others



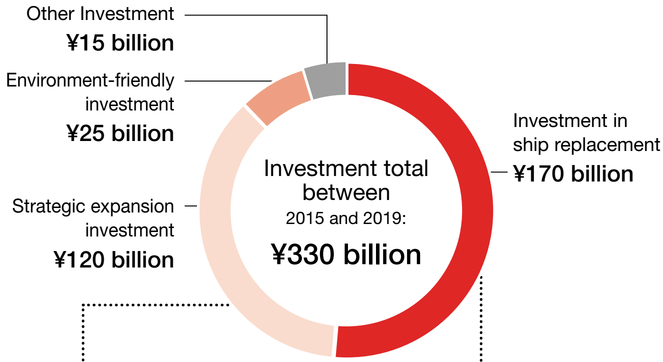
Fleet Upgrading Plan (Vessels)

Number of key fleet	The end of FY2014	The end of FY2017	The end of FY2019
Containerships	70	66	61
Dry bulk carriers	212	226	239
Capesize carriers	83	89	100
Over-Panamax(Electric coal carrier)/Panamax	64	71	75
Others	65	66	64
Car carriers	96	95	98
Tanker	24	26	24
LNG carriers	43	47	61
Offshore energy E&P support vessels/ Heavy lifter vessels	23	25	26
Others	49	54	55
Total	517	539	564

* The number of LNG carriers includes carriers owned by other companies

Strategic investment targets

Investment plan



Strategic investment to expand businesses

- Improving the LNG and LPG carriers business
- Expanding the offshore energy E&P support business
- Expanding the Capesize carrier business and the electric coal carrier business
- Taking in logistics demand in emerging regions including Asia

Improving the system that brings stable business profits

The plan for replacing fleets with energy-efficient large ships includes measures strengthening competiveness:

- 10 large containerships of 14,000TEU type
- 10 large car carriers of the 7,500 unit capacity
- Replacement with energy-efficient bulkers

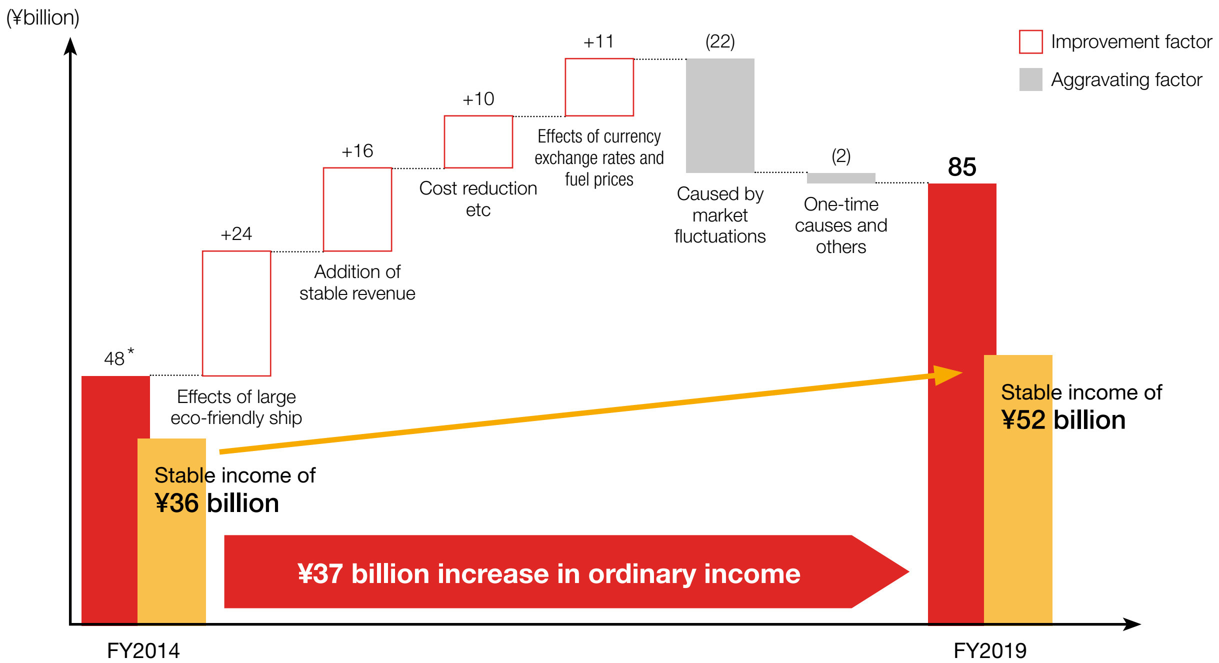
* Investment in ship replacement and other investment represent net investment including asset disposal

2nd step

Targets of the new medium-term management plan:
Value for our Next Century

	Results for 2014	Target for 2017	Target for 2019 100th anniversary
Operating revenue (¥billion)	1352.4	1,400	1,500
Ordinary income (¥billion)	49	60	85
Net income (¥billion)	26.8	45	more than 60
EBITDA (¥billion)	112	130	150
ROE	6.5%	8~9%	more than 10%
Equity capital (¥billion)	441.5	510	600
Equity ratio	36.1%	40%	40%
Interest-bearing liabilities (¥billion)	536.8	460	480
DER	122%	80~90%	80%
NET DER	67%	60%	55%
Cash flows from operating activities (¥billion)	101.8	98	120
Cash flows from investing activities (¥billion)	(11.2)	(70)	(80)
Exchange rate	¥109.19	¥110.00	¥110.00
Fuel oil price (Per ton)	$541	$500	$500

Revenue fluctuation causes, FY2014 versus FY2019



* The planned figures of FY2014 were set when the new medium-term Management Plan was released in March 2015

Dialogues and collaboration with stakeholders to grow consistently and raise corporate value

- Focusing on dialogues and collaboration with stakeholders by proactive information disclosure
- Strengthening corporate governance to secure growth and improve corporate value
- Setting an ROE target: more than 10% in FY2019
- Returning profits to shareholders based on a stable dividend policy

In addition, aiming to share profit exceeding a designated level, based on total return ratio

Stable dividend + Total return ratio in line with the profit level

"K" LINE Group will continue its pursuit of higher corporate value by fulfilling its social responsibilities through efforts aimed not only at achieving quantitative financial targets as a result of enhanced business performance, but also by actively promoting environmental preservation, establishing a comprehensive system to ensure safety in navigation and reinforcing corporate governance.

“K” LINE
Environmental Vision 2050

Securing Blue Seas for Tomorrow

— Navigating for Sustainability Leading to Bright Future —

The “K” LINE Group has introduced a long-term environmental management vision for global environmental conservation towards 2050. This vision takes into consideration the Group’s social mission and various issues surrounding its business, centered on the core elements of safety in navigation and cargo operation, and positions the development of human resources as the bedrock for the Group’s business.

▶ *For the detailed version of this vision, see our website.
http://www.kline.co.jp/en/csr/index.html

“K” LINE’s Mission

We have the responsibilities to contribute to the well-being and prosperous lifestyles of people around the world, and minimize the impact of our business activities on the global environment.

1. Marine transportation indispensable to people’s life

Most of the things related to our daily lives—including clothing, food and housing—are transported by ship. We serve society as a key industry that supports the continued growth of the world economy and people’s well-being and prosperous lifestyles.

2. The mission of supporting the well-being and prosperous lifestyles of people

Ocean-going marine transportation market stretches across the globe. This means that our business activities impact many people all over the world. The basics of our business are to provide marine transportation services in a safe, reliable and steady manner.

3. A mode of transport eco-friendly to humans and the planet

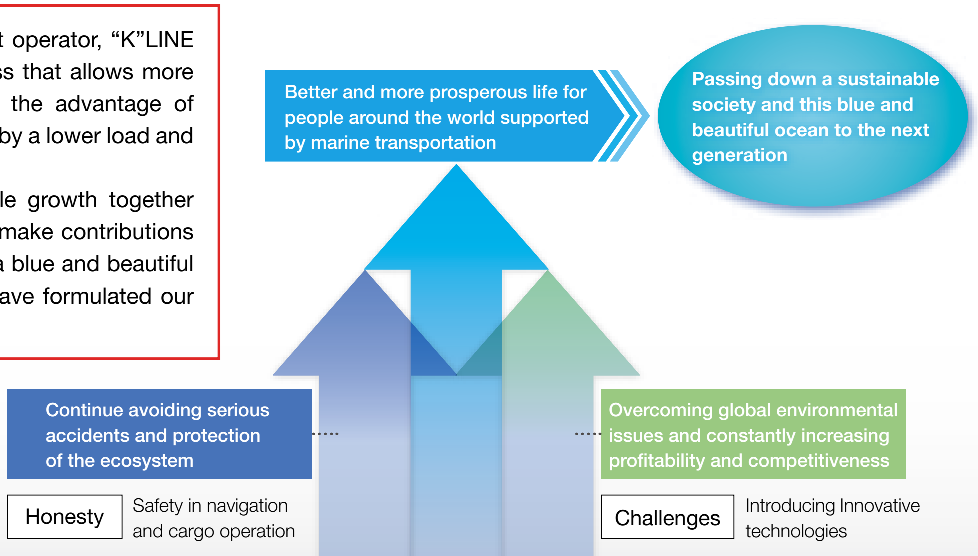
Transportation by ship is an environmentally-friendly mode of transport with smaller CO_2 emissions than other modes. We need to carry cargo received from customers safely, without fail and in consideration of further conservation of the global environment.

4. Growing concern about environmental issues

We face a number of issues amid the trend towards mounting interests in conservation of the global environment. We, the “K” LINE Group, cannot achieve growth together with society without the will and solid foundation to unfailingly tackle these issues and without maintaining and enhancing our efforts to do so.

As a world-leading marine transport operator, “K”LINE will endeavor to establish a business that allows more people around the world to enjoy the advantage of marine transportation characterized by a lower load and higher efficiency.

With a view towards sustainable growth together with society, towards continuing to make contributions to society and towards passing on a blue and beautiful ocean to the next generation, we have formulated our Environmental Vision for 2050.



~ K : trust from all over the world ~

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

The Global Environment and the Future of "K" LINE

In the process of drawing up our environmental vision, we sought a course of action towards reaching our Goals for 2050 in consideration of what issues we will face and will need to overcome regarding future society as well as the relationship between our business activities and the global environment.

1. An outlook on future society (according to an outsider's analysis)

The worldwide population growth seen mainly in emerging countries will lead to faster economic expansion with greater demand for natural resources and growth in marine transportation in 2050. We have explored the issues in the environmental sector that are closely associated with our business in consideration of different social viewpoints.

Future circumstances surrounding our business

Growing global population

The global population is currently around 7.2 billion. It will expand mainly in emerging countries, and is expected to surpass 9 billion in 2050.

Economic growth and demand hikes chiefly in emerging countries

The global economy will grow to nearly four times*[1] its current size. As a result, demand for natural resources will increase further.

Increase in marine transportation volume

The marine transportation volume will be more than double*[2] the current level.

Issues in the environmental sector

Mounting needs for environmental actions

New conditions for competition, including tougher regulations, will be introduced to suppress the impact on the atmosphere and the ocean.

Energy diversification

Global warming, shortages of resources and other issues will swiftly lead to diversified energy sources.

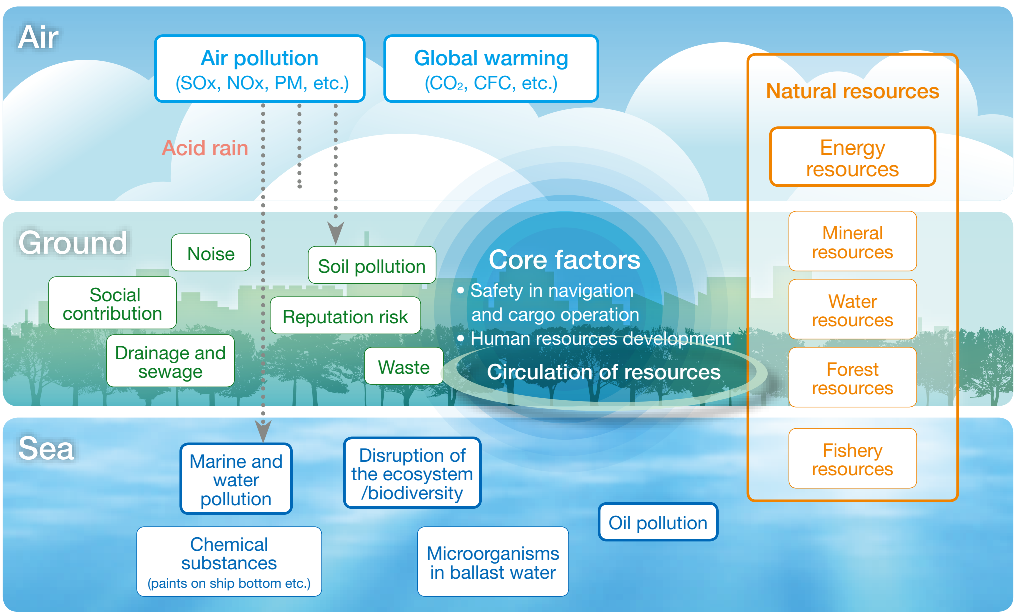
Actualizing global warming

There is a concern about the impact of global warming on port and harbor facilities and the safety of operations.

(*1) OECD (2012): OECD Environmental Outlook to 2050 (*2) Estimation of Global Insight Corporation with "K" LINE's forecast

2. The relationship between our business activities and the global environment (according to "K" LINE's analysis)

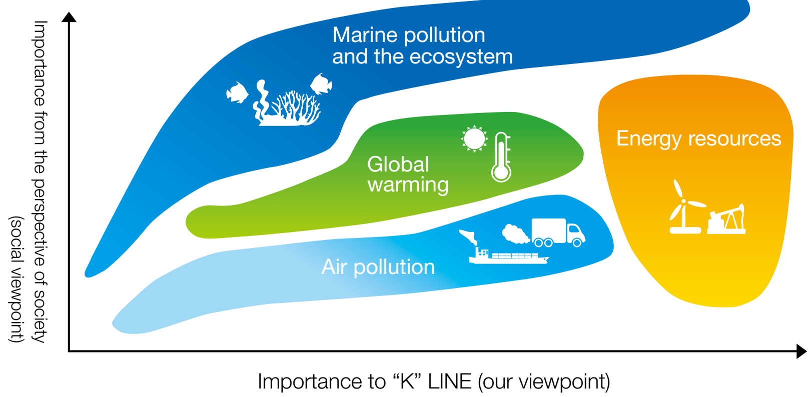
Our business activities broadly have some impact on the ground, marine and atmospheric environment. We have pondered what issues we should address in order to ensure that we and future generations will constantly and forever live in a comfortable environment.



3. Our priority issues

We have identified key issues from two perspectives: the social perspective and our own perspective. The key issues include marine pollution and disruption of the ecosystem caused by oil pollution accidents, energy consumption indispensable to ship navigation and resulting problems concerning carbon dioxide and air pollution.

Overall evaluation based on the outsider's analysis and our own analysis



"K" LINE's Goals

We are setting our goals towards 2050 for priority environmental issues to turn the risks involving the four key environmental challenges we have identified to opportunities. We will continue our voyage with a view towards achieving our Goals for 2050 set in consideration of the future circumstances surrounding our business and the various issues in the area of the global environment. To further confirm our navigation track toward these goals for 2050, we have also set a milestone to be reached by 2019, the year marking the 100th anniversary of our foundation.

We, "K"LINE, will continue to take various actions towards our Goals with a view to maintaining this blue and beautiful ocean through 2050 and for children further in the future and to make contributions that provide well-being and prosperous lives to people around the world.

Our initial steps

We have already taken initial steps towards our Goals for 2050.

First "K" LINE Group Environmental Award

Under the direction of "K" LINE Environmental Vision 2050," our long-term environmental management vision towards 2050, we have established the "K" LINE Group Environmental Award in order to recognize group-wide efforts for environmental conservation and biological diversity to ensure sustainable operations. All executives and employees of the "K" LINE Group are eligible to receive this award for their activities deemed as high-degree contribution. The recipients of the "K" LINE Group Environmental Award for 2015 are as follows:

Special Excellence Award

- Voluntary issuance of a sustainability report
  ("K" Line (Nederland) B.V.)

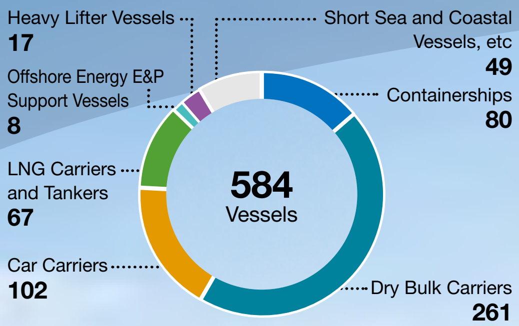
Special Awards

- Involvement of the ship's officers and crew in volunteer activities to help clean white sand beaches when the ship is anchored at the harbor in Indonesia (LNG Carrier *TANGGUH PALUNG*)
- Voluntary cleaning activities around container terminals, warehouses and offices (Nitto Total Logistics Ltd.)
- Participation in Ecocap recycling efforts (Daito Corporation)
- Promotion of eco-drive using digital tachographs (NAIGAIRIKUUN Co., Ltd.)
- Realization of energy savings in a newly-constructed refrigerated warehouse in Bangkok (K Line (Thailand) Ltd.)

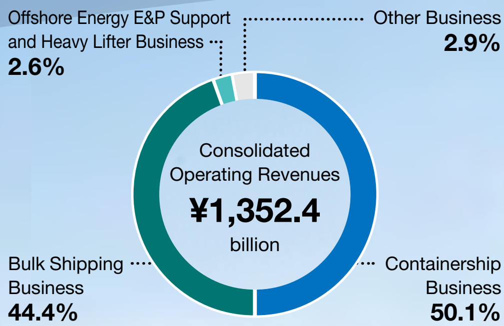
Award ceremony

At a Glance: The year ended March 31, 2015 (fiscal 2014)

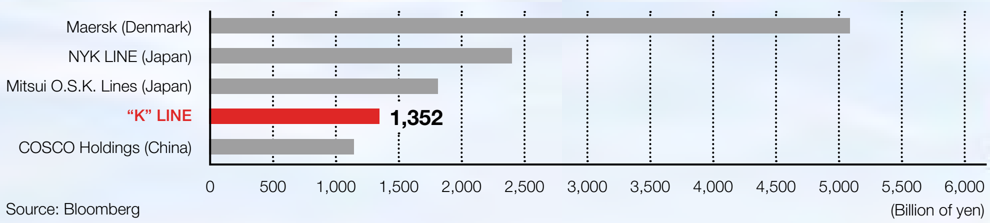
"K" LINE Group Vessels in Operation
(As of March 31, 2015)



Operating Revenues by Segment
(Fiscal 2014)

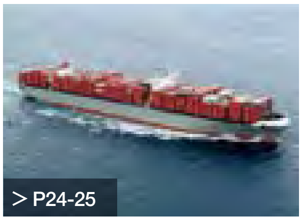


Top-five Listed Marine Transport Companies by Sales (FY2014)



Source: Bloomberg

Containerships Business Segment



Containerships Business

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. Our net work extends to north-south routes linking Asia/South America and Asia/Middle East-Africa as well as intra-Asia routes. We transport a broad spectrum of cargo—electronic equipment, electrical products, furniture and daily commodities such as clothing items, as well as frozen and chilled cargo including meat and other foods—by container.

Port Business

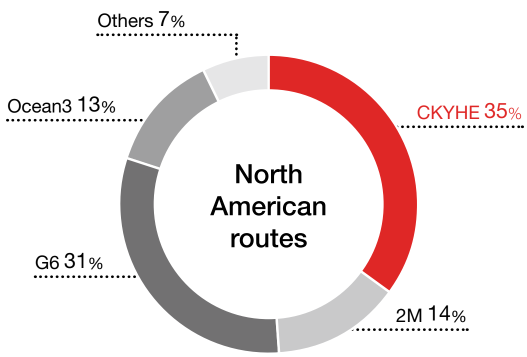
"K" LINE operates self-managed containership terminals at five ports in Japan (Tokyo, Yokohama, Nagoya, Osaka and Kobe) and three ports overseas (Long Beach, Tacoma and Antwerp).

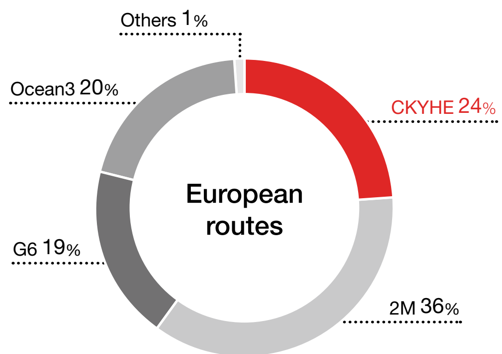
Logistics Business

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

Major alliance Operating capacity share (As of July 2015)

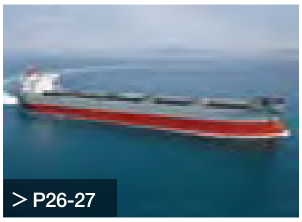
Source: Alphaliner





- CKYHE : COSCO, "K" LINE, Yang Ming, Hanjin, Evergreen
- 2M : Maersk, MSC
- G6 : OOCL, NYK LINE, Hapag-Lloyd, APL, Mitsui O.S.K. Lines, Hyundai
- Ocean3 : CMA CGM, CSCL, UASC

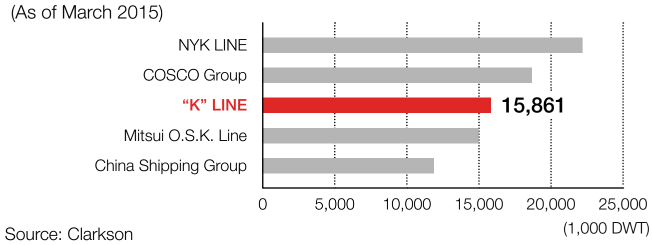
Bulk Shipping Business Segment


> P26-27

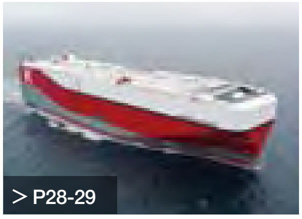
Dry Bulk Business

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

Top-five Carriers Ranked by Owned Tonnage of Dry Bulkers
(As of March 2015)



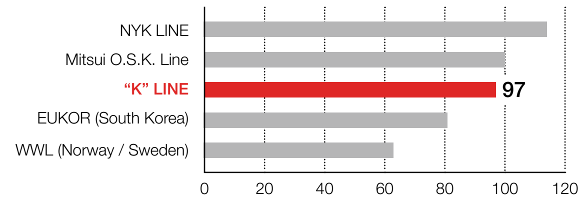
Source: Clarkson


> P28-29

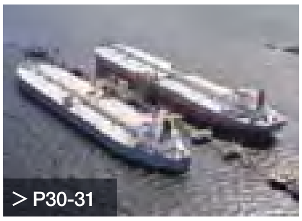
Car Carrier Business

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

Top-five Carriers by Number of Operating Car Carriers
(As of January 2015)



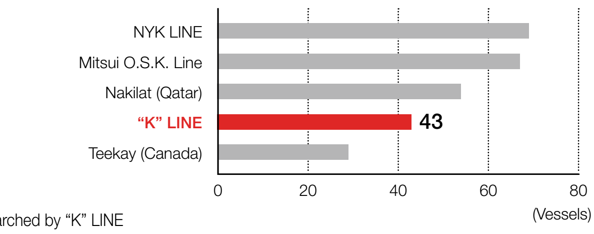
Source: Prepared based on the Marine Trader World PCTC/PCC/RORO Fleet List 2015.


> P30-31

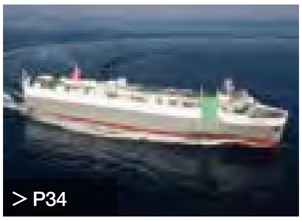
LNG Carrier Business and Tanker Business

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

Top-five Carriers by Number of Owned LNG Carriers (including co-owned fleet) (As of June 2015)



Researched by "K" LINE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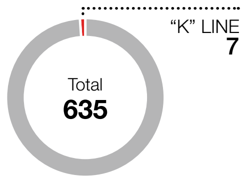
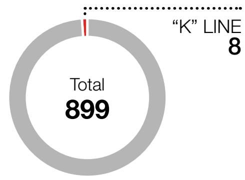
Short Sea and Coastal Business

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

Number of VLCCs[1] in Operation (As of March 2015)

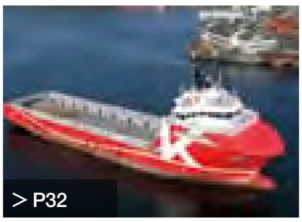


Number of Mid-sized Tankers[2] in Operation (As of March 2015)



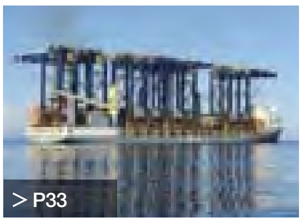
Source: Clarkson
1. VLCC: Very Large Crude Carrier; 200,000-300,000 DWT tankers
2. Tankers ranging from 80,000 to 120,000 DWT

Offshore Energy E&P Support and Heavy Lifter Business Segment


> P32

Offshore Energy E&P Support Business

K Line Offshore AS, located in Norway, provides offshore support vessel services with seven state-of-the-art vessels consisting of two large anchor handling tug supply vessels (AHTSs) and five platform supply vessels (PSVs). In addition, "K" LINE participates in an ownership consortium of a drillship which is engaged in oilfield drilling operations under long-term charter to semi-public Brazilian energy company Petrobras.


> P33

Heavy Lifter Business

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

Other

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

Containership Business

Port Business

14,000TEU Container Vessel *MILLAU BRIDGE*

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

Initiatives under the New Medium-Term Management Plan

Though the bottom-line of containership business moved into the black in fiscal 2014, the final fiscal year under the previous Medium-Term Management Plan, the condition of container business is predicted to remain unstable for some time to come because of imbalance of supply and demand coming from large number of new buildings. "K" LINE will maintain management policy of prioritizing profitability and stability, and control the risk of loss by mainly targeting East-West trade and Inter-Asia trade with our own agency network, rather than attempting to expand market share. Five of 14,000-TEU capacity new ultra large container vessels with the most advanced energy-saving technology scheduled to be delivered in 2015 will make it possible for us to achieve large cost savings. We will take delivery of an additional five of the same type vessels in 2018. On East-West trunk routes, "K" LINE is a member of CKYHE* Alliance, which is one of the world's largest, so we can provide good quality services such as sufficient frequency, suitable transit time and wider port coverage.

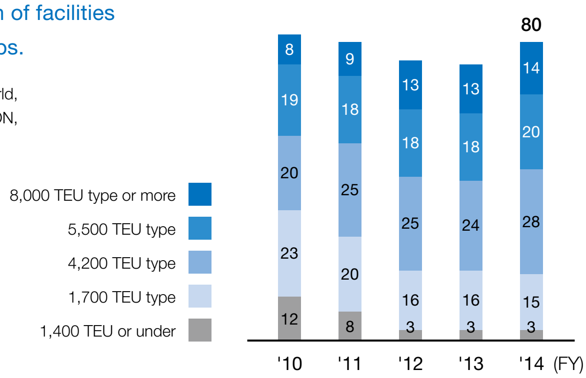
In the port business, "K" LINE will bolster its competitiveness by upgrading the quality of affiliated terminals in Japan and overseas through steps that include the establishment and expansion of facilities that are able to accommodate larger ships.

CKYHE* is one of the largest shipping alliances in the world, consisting of five companies whose initials are C (COSCON, China), K ("K" LINE, Japan), Y (Yang Ming, Taiwan), H (Hanjin, South Korea) and E (Evergreen, Taiwan).

Overview of Fiscal 2014

Container cargo movements and freight rate conditions remained strong in Asia-North America routes in fiscal 2014, backed in part by the recovery of the U.S. economy. In Asia-Europe routes, container cargo movements showed solid year-on-year growth, but freight rate conditions lacked stability, resulting in extreme freight fluctuations. Under such market situation, "K" LINE attempted to reduce costs with steps that included the advancement of energy-saving operations, and to secure cargos that are more profitable by expanding the volume of higher-profit reefer cargos and furthering cargo selection. "K" LINE's containership business moved into the black as a result of these efforts, as well as other temporary improvement factors such as fall in the price of fuel oil and depreciation of the yen.

Ships in Operation (Vessels)



Fiscal 2015 Business Outlook

The container business market does not engender optimism. The U.S. economy is anticipated to grow, but many unstable factors remain in Europe. Global demand for container cargo movements is predicted to continue growing slowly. In the meantime, demand for shipping space cannot be expected to improve substantially, as the delivery of ultra-large containerships in excess of 14,000-TEU will reach a peak from 2015 to 2016 on the supply side, so operating conditions for containership business might be rather severe. Under these conditions, "K" LINE will newly deploy five additional containerships scheduled to be delivered in 2018, following five 14,000-TEU containerships to be delivered by the end of 2015. "K" LINE believes that these more highly-competitive new containerships will improve service quality, increase efficiency, have further rationalization effects and stabilize future earnings from containership business, in addition to reducing costs through economies of scale.

In the port business, "K" LINE will continue upgrading facilities and advance the operation of high-standard, high-quality terminals that are more user-friendly, which will meet the growing size of new containerships. In Long Beach, U.S.A., our container terminal is supplying grid power to ships to help them to reduce emissions rather than using onboard diesel engines, which is ahead of other terminals. In Japan, "K" LINE is introducing hybrid cargo handling equipment step-by-step. As these moves suggest, "K" LINE is working to make its terminals eco-friendly by reducing CO_2 emissions. "K" LINE is also operating a terminal for car carriers in Singapore, in addition to its containership terminals.

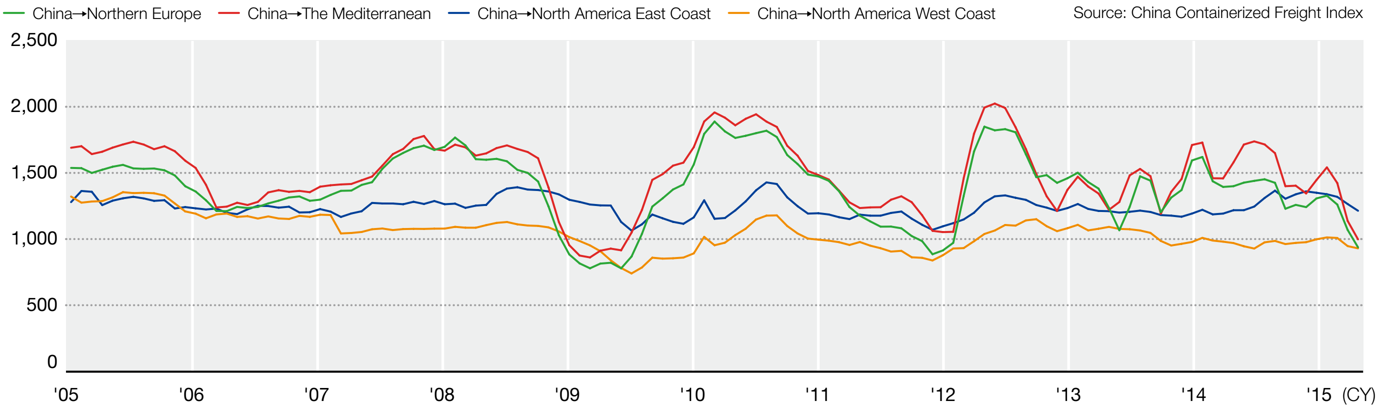
Initiatives in the Areas of Safety, the Environment and Human Resources

Energy-Saving Operations and Safety Management with cutting-edge Technologies

"K" LINE has established an energy-saving operation that reduces the maximum output of the main engines by as much as 10% mainly on medium and large containerships. In addition, "K" LINE has started to utilize a system that proposes the optimum operational support plan for ultra-large containerships being delivered from 2015 with superior fuel economy performance, taking factors such as ocean weather and draft into consideration. "K" LINE also focuses on improving training facilities for better education and training programs to seafarers.

A view of training at the Machida Training Center using a newly introduced navigation simulator

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



Dry Bulk Business

Capesize Bulkers

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

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

Initiatives under the New Medium-Term Management Plan

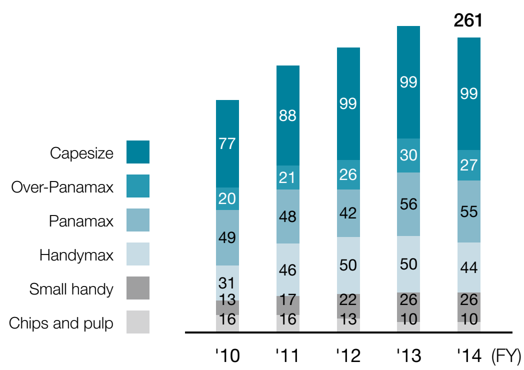
In the thermal coal transportation business, continued growth in demand is forecasted for thermal coal transported to Japan. "K" LINE will enhance efficient utilization of "Corona Series" fleet, offering the high quality to fully cope with customers' needs for a long time ever since its introduction. This is a part of its efforts to stabilize earnings in accordance with the new Medium-Term Management Plan. "K" LINE will also work to maintain stable earnings from the transportation of woodchips and pulp. In the bulk carrier business, "K" LINE will advance efforts to build a cost-competitive fleet to reinforce its vulnerability to volatile market.

"K" LINE's coal and iron ore transportation business has developed steadily in response to growing shipping demand based on medium- and long-term transportation agreements with customers in Japan and overseas. "K" LINE will continue to offer services that customers consider to be trustworthy, advancing the development of a high-quality, cost-competitive fleet and strengthening its business foundation with proactive efforts to capture new demand in emerging economies.

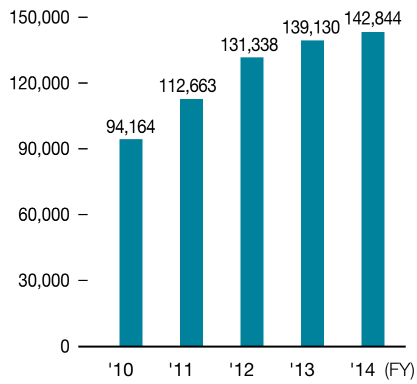
Overview of Fiscal 2014

Looking at market conditions for large (Capesize) vessels, there were times when the market temporarily improved with the expansion of demand attributable to seasonal factors. However, market conditions dropped sharply in December 2014, and have remained at the lowest levels on record since the beginning of 2015. Market conditions for small- and medium-size vessels, Panamax size also remained sluggish under the adverse effects of those for large ships, as oversupply continued, resulting from factors including decline in the volume of coal shipped to China. Market conditions for Handy/Handymax vessels remained at low level in the conditions associated with grain shipment volumes overall were limited in scale, while coal shipped to India and steel materials transported for China remained firm. Under these market conditions, consolidated operating revenues increased from the previous fiscal year, but consolidated earnings have decreased year on year, even though the Group sustained its efforts to minimize the number of contractually uncommitted vessels.

Ships in Operation (Vessels)



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



Coal Carrier (Corona Series)

Fiscal 2015 Business Outlook

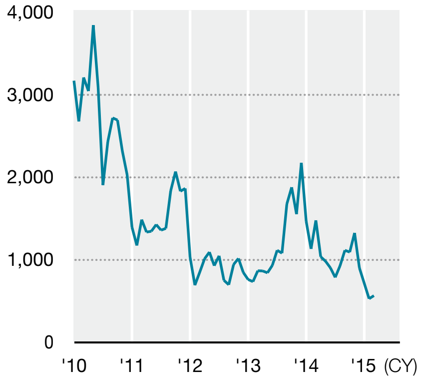
Large vessels moored and scrapped are growing in number under the prolonged stagnation of market conditions. Cargo movements themselves are forecasted to increase steadily, but they will not reach a sufficient level to restore the supply-demand balance. The market conditions for large vessels are anticipated to remain at low levels as a result. Looking at the market conditions for small- and medium-sized vessels, there are movements out of the bottom zone, but pressure for supplying newbuildings remains strong. The conditions are predicted to remain at low levels under the adverse effects of a sense of tonnage surplus and the market conditions for large vessels.

Anticipating firm cargo movements in coal and iron ore segments in the medium and long term, the Coal & Iron Ore Carrier Group will focus on strengthening relationships with customers that it has spent many years building, and will make proactive efforts to secure new contracts. The Group will proceed the reinforcement of fleet required for such purposes, and will continue bolstering business foundations and stabilizing its earnings structure.

The Bulk Carrier Group aims to have a suitable fleet to respond flexibly to market conditions. At the same time, the Group will attempt to find new customers, achieve efficient ship utilization and increase earnings.

Positioning medium- and long-term thermal coal shipping contracts with electric power companies in Japan as a primary source of revenue, the Thermal Coal, Woodchip and Pulp Group will advance the development of a fleet of wide-beam, shallow-draft "Corona series" of vessels established as a high-quality brand in response to thermal coal shipping demand that is anticipated to expand in the future. At the same time, the Group will work to expand shipping volumes and further stabilize its earnings structure. In woodchip and pulp transportation, the Group has an established stable earnings structure that is resistant to changes in market conditions based on medium- and long-term dedicated service contracts. The Group will continue to appreciate and respond to customers' expectations with fully focusing on safe and stable operation and service.

Baltic Dry Index



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

Initiatives in the Areas of Safety, the Environment and Human Resources

Making Efforts to Improve the Tangible and Intangible Quality of Operated Vessels

Safety in navigation, safety in cargo operation and environmental preservation are the most critical issues for "K" LINE, which is transporting valuable cargo commissioned by our customers. Specialist staff members at "K" LINE monitor the quality of owned and chartered vessels periodically to maintain and improve the tangible and intangible quality of the ships under its operation. At the same time, "K" LINE is focusing on training crew members. "K" LINE also has an established system of onshore service support provided by maritime technical personnel. "K" LINE is doing its utmost to monitor the operational status day and night and to maintain safety in terms of navigation and cargo operations.

"K" LINE's specialist staff members inspecting a ship and issuing instructions

Business Review and Outlook

Car Carrier Business


7,500-Unit Car Carrier *HAWAIIAN HIGHWAY*

Managing Executive Officer
Kenji Sakamoto
In charge of Car Carrier Business

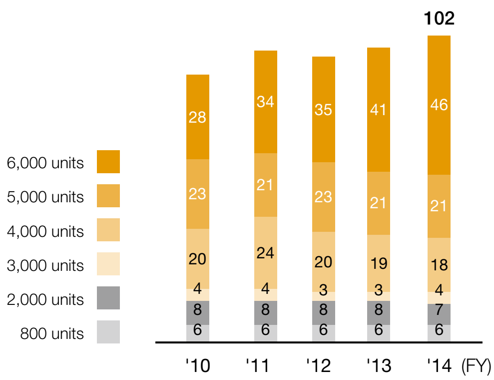
Initiatives under the New Medium-Term Management Plan

Our Group will aim to stabilize earnings by meeting diversifying needs for transporting complete built-up cars and roll-on/roll-off (RORO) cargo using our superb shipping services and global network. While strengthening our existing relationships of trust with customers, we plan to continue taking on new business fields. We are advancing our strategy to increase ability to cope with changes in trading patterns and capacity for shipping cargo such as construction machinery and railway cars. Also, we will keep improving our group's cost competitiveness and build a structure for stabilizing earnings by putting large next-generation ships featuring excellent fuel efficiency into service.

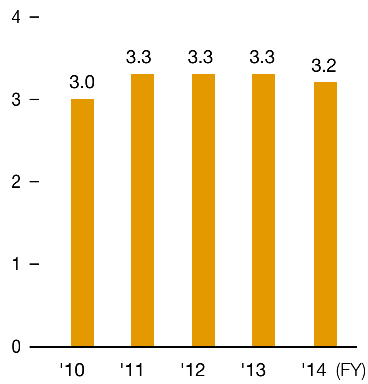
Overview of Fiscal 2014

Looking at cargo movements for complete built-up cars, cargo from Europe and North America to the Far East continued its strong performance from the previous fiscal year. Cargo in the Atlantic region showed temporary weakness as a result of a business downturn in Russia and South American countries. However, cargo to North America offset that weakness on the back of the strong U.S. economy. Regarding cargo from Japan, certain Japanese manufacturers made moves to return their production bases to Japan as the yen continued to depreciate in the second half of the fiscal year. However, these moves were not strong enough to overturn a trend to locally produce goods to be consumed locally . As a result, a gradual downward trend continued for cargo from Japan. The total volume of complete built-up cars shipped from Japan fell by approximately 3%, from 4,180,000 units shipped in the previous fiscal year to 4,070,000 units. Under these business conditions, the total volume of complete built-up cars shipped by the Group, including transportation between

Ships in Operation (Vessels)



Completed Built-up Cars Transported by Car Carriers (Million units)



countries other than Japan, dropped by about 3% from the 3,280,000 units posted in the previous fiscal year. The Group worked to improve fleet allocation and operational efficiency, but consolidated earnings from the car carrier business declined year-on-year.

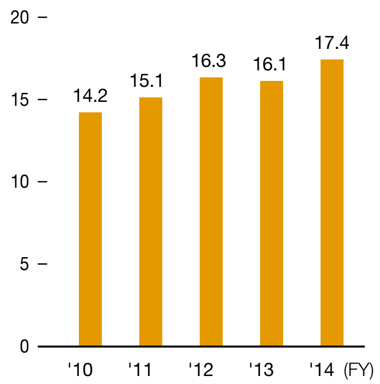
Fiscal 2015 Business Outlook

Looking at conditions for the car carrier business, there is a sense of uncertainty regarding the future situation in resource-rich countries, such as those in the Middle East, and emerging economies including Russia. However, the North American market is continuing to expand and markets in Europe are showing signs of slow recovery as well. Global seaborne shipping demand for complete built-up cars is predicted to remain firm under these conditions. Certain Japanese manufacturers are moving to return their manufacturing bases to Japan in reaction to the correction of the strong yen. However, the volume of complete built-up cars shipped from Japan is predicted to fall gradually overall, with such cars shipped to Europe and North America leading the trend. In the meantime, exports from new manufacturing bases such as Southeast Asia, China, India, the United States and Mexico to neighboring countries are expected to increase further in the future. The Group will precisely grasp shipping demand that is diversifying in this way, flexibly restructure service routes to meet changes in business conditions and trading patterns, and enhance existing service networks as required.

In addition to complete built-up cars, the Group is advancing its strategy to drastically expand handling of construction machinery, railroad cars, etc. The Group will reinforce a global organization for high value-added services and increase its capacity to handle cargo using special equipment step by step, keeping the rising volumes of diversifying RORO cargo in mind.

At the same time, the Group is enhancing the competitiveness of its fleet with the introduction of large, energy-saving vessels. Newly-built ships that will go into service successively from this fiscal year onward have shipping capacity that is approximately 20% larger than that of their older type. They also achieve improved fuel consumption with the adoption of environmental specifications and an electronically-controlled engine. These technical improvements will substantially reduce the operational cost per unit and make the fleet more competitive. The two photos above show *HAWAIIAN HIGHWAY*, the first ship in the series of 10 large 7,500-unit car carriers introduced by "K" LINE.

Worldwide Freight Movement of Completed Built-up Cars (Million units)



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

Initiatives in the Areas of Safety, the Environment and Human Resources

"DRIVE GREEN PROJECT," a compilation of environmentally-friendly technologies

Ten large 7,500-unit car carriers are scheduled to be delivered between fiscal 2015 and fiscal 2017. One of them is a state-of-the-art, environmentally-friendly flagship (to be delivered in February 2016) built with equipment for reducing carbon dioxide (CO_2), nitrogen oxide (NOx) and sulfur oxide (SOx) emissions and a solar power generation system for supplying electricity for lighting in car decks with renewable energy. The Group will continue its efforts to reduce the amount of energy used by operated ships and lower their environmental loads toward the goal of environmental preservation.

DRIVE GREEN HIGHWAY, an environmentally friendly flagship to be completed as part of the "DRIVE GREEN PROJECT"

Business Review and Outlook

LNG Carrier Business and Tanker Business

Oil Tankers

Managing Executive Officer

Akira Misaki

In charge of Energy Transportation Business

Initiatives under the New Medium-Term Management Plan

Demand for energy resources is predicted to expand steadily in the context of global population increase and economic growth. It is also assumed that demand for stable, safe energy resource transportation will continue to grow. Under these conditions, the "K" LINE Group seeks to stabilize earnings and expand its business foundations by offering high-quality services in areas such as liquefied natural gas (LNG) carriers, oil tankers and liquefied petroleum gas (LPG) carriers to customers in Japan and abroad.

Overview of Fiscal 2014

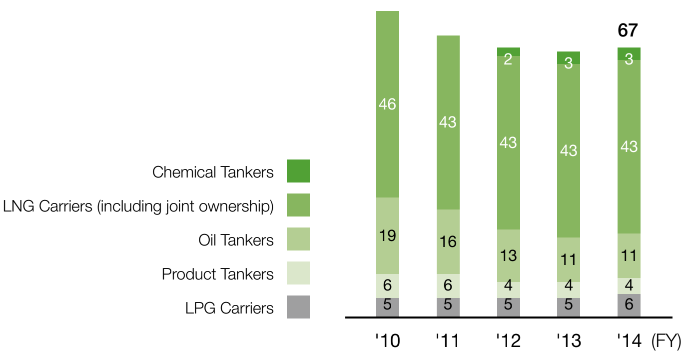
◆ Oil Tanker Services

Very Large Crude Carriers (VLCCs) and LPG carriers performed favorably under medium and long-term charter. Long haul shipment demand rose due to cargo movement changes caused by the shale gas revolution in the United States. Freight rates recovered for both oil tankers and LPG carriers, causing their results to surpass the levels posted in the previous fiscal year. Due to steady exports from the United States LPG carriers are experiencing remarkable tonnage demand growth. "K" LINE took delivery of one LPG carrier during this fiscal year, and signed a basic charter agreement with a new customer based on a newly-built LPG carrier scheduled to be delivered in 2017.

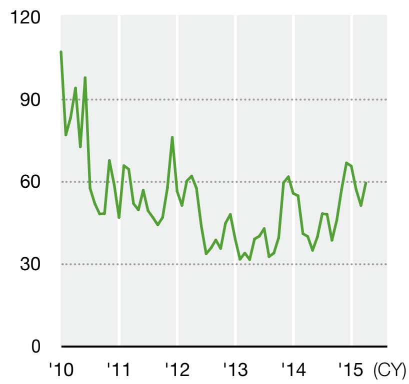
◆ LNG Carrier Services

The LNG carrier fleet performed favorably under medium- and long-term agreements, allowing "K" LINE to secure stable earnings continuously."K" LINE also signed a long-term charter agreement for one new LNG carrier built for Chubu Electric Power Co., Inc. in the fiscal

Ships in Operation (Vessels)



Index of VLCC* Freight Rates



(VLCCs, Arabian Gulf / Japan in Worldscale)

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

Source: Clarkson

LNG Carriers

2014. The vessel is the second LNG carrier ordered for Chubu Electric Power after the first ship ordered in fiscal 2013. This new LNG carrier is scheduled to play a part in the transportation of LNG produced through an LNG project being undertaken by Chubu Electric Power in Freeport, Texas, U.S.A.

Fiscal 2015 Business Outlook

◆ Oil Tanker Services

Crude oil / LPG demand is expected to increase with emerging economies in Asia especially at China and India. In addition, demand for long haul shipment is anticipated to increase on the back of the diversification of crude oil sources. With increasing demand, “K” LINE expects freight rates to remain firm for both oil tankers and LPG carriers. “K” LINE seeks to improve earnings by operating ships more safely, economically and efficiently. Under this business circumstance, “K” LINE aims to expand the base for stable earnings by securing existing business and gaining new business with newly-built fuel-efficient ships.

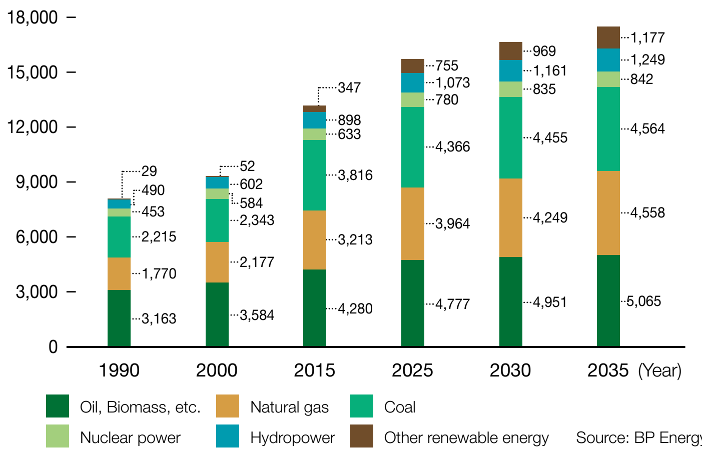
◆ LNG Carrier Services

We anticipate that the LNG carrier fleet which “K” LINE Group owns and operates will continue to perform with high utilization rate based on medium- and long-term agreements. Delays are predicted in the development of several new LNG projects because LNG prices fell in step with falls in crude oil prices. However, demand is predicted to grow in the medium and long term. Business negotiations for long term charter of LNG carrier catering to new projects mainly in North America and East Africa are anticipated in fiscal 2015 as well.

Through development of new LNG business backed by mid - long term contracts, we will make more robust financial basement, which shall be in compliance with “K” LINE’s Mid-Term business plan. At the same time, we seek to expand earnings by responding accurately to customer demand for LNG carriers, which is changing in step with the diversification of LNG trade needs.

Worldwide Demand for Primary Energy

(Million ton oil equivalent)



Source: BP Energy Outlook 2035

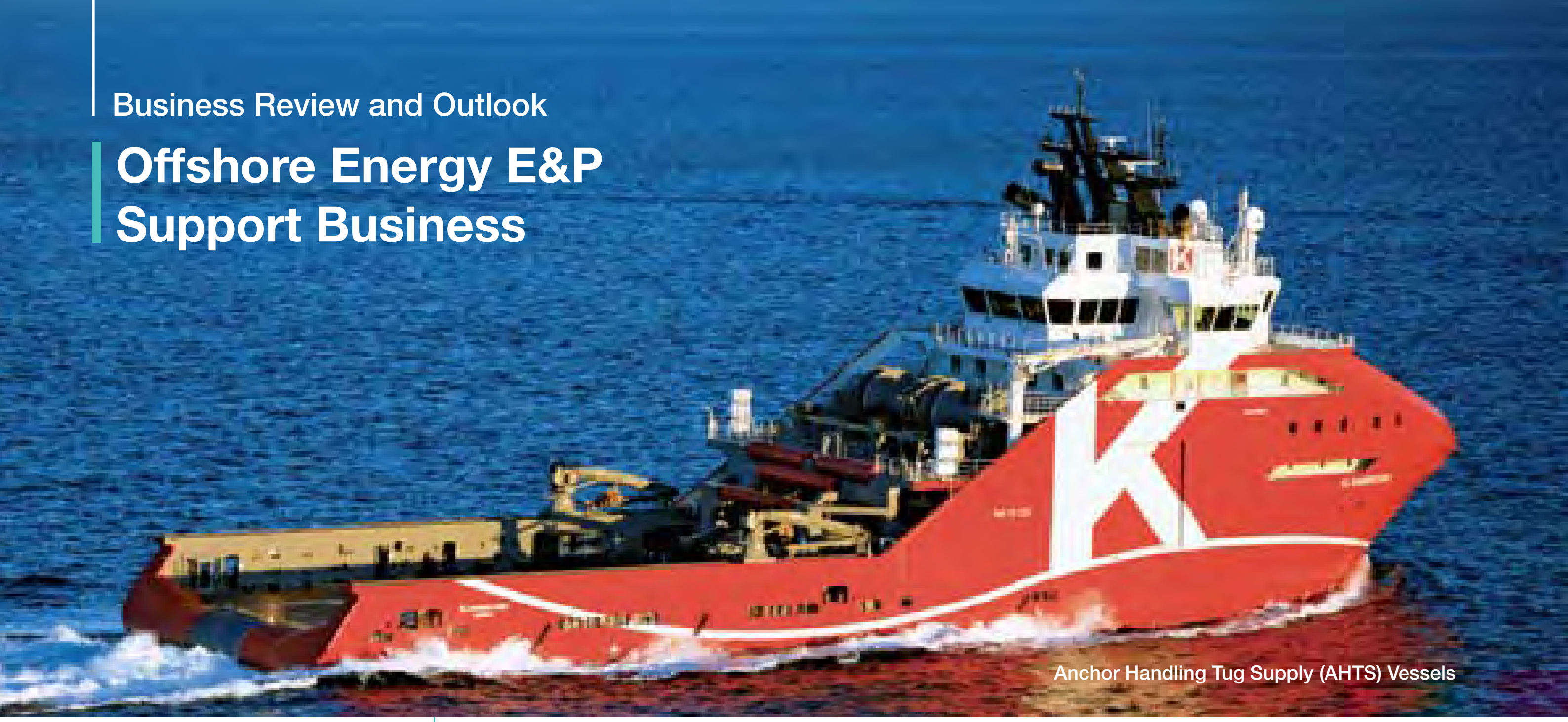
Initiatives in the Areas of Safety, the Environment and Human Resources

Working to Improve Safety Awareness and Crisis Management Capacity of All Directors and Employees

In the energy resource transportation business, absolute safety in navigation and cargo operations is constantly being sought from the viewpoint of environmental preservation. “K” LINE conducts large-scale disaster drills every year to prepare for serious accidents at sea. During the fiscal year under review, “K” LINE conducted a practical drill of real-situation responses, assuming that one of its large oil tankers had collided with another ship and caused a maritime oil spill. “K” LINE and its consolidated subsidiaries will make concerted efforts to maintain the quality of ships and train high-quality seamen, in addition to working to raise safety awareness and crisis management capacity of all their directors and employees through drills such as this in order to offer highest-quality transportation services.

View of a drill for responding to large-scale disasters

Offshore Energy E&P Support Business



Anchor Handling Tug Supply (AHTS) Vessels

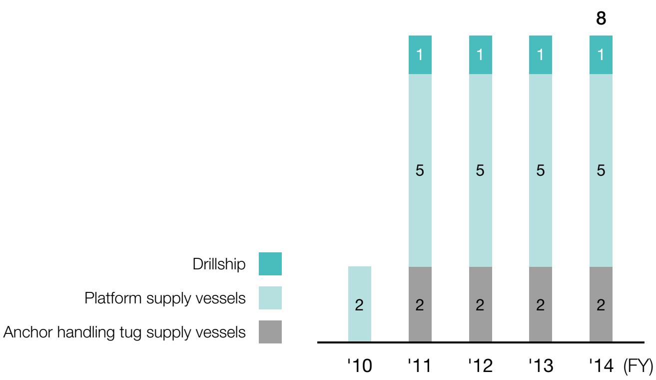
Managing Executive Officer
Akira Misaki
In charge of Energy Transportation Business

Initiatives under the New Medium-Term Management Plan

Based on knowledge of the energy transportation business and associated technologies accumulated over many years, "K" LINE will continue our challenge to new business fields related to the development and production of offshore energy resources. In addition to the offshore support vessel and drillship businesses undertaken by Norway-based K Line Offshore AS, "K" LINE aims to develop businesses that will become new primary sources of revenue with strategic investment and consider entering new business areas, such as floating production, storage and offloading units (FPSO) and construction support vessels (CSV).

Platform Supply Vessels (PSVs)

Ships in Operation (Vessels)



Overview of Fiscal 2014

In fiscal 2014, all five platform supply vessels (PSV) and two anchor handling tug supply vessels (AHTS) operated by K Line Offshore AS in the offshore support vessel business performed stably in the North Sea and the waters off Brazil. The drillship partially owned by "K" LINE is continuing drilling operations for ultra-deepwater fields 200 kilometers off the coast of Rio de Janeiro under a long-term charter contract for a maximum period of 20 years. Working in cooperation with a "K" LINE partner in Brazil and other shareholders, this drillship received high evaluation from the charterer and contributed to earnings by sustaining stable operations that began with its delivery in 2012.

Fiscal 2015 Business Outlook

The drillship in service off the coast of Brazil is predicted to achieve stable earnings continuously under the long-term charter contract. In the offshore support vessel business, utilization of offshore drilling and production facilities where offshore support vessels engage in their work are predicted to decline, and development plans of such facilities are expected to become temporarily delayed under the adverse effects of lower crude oil prices. Market conditions for offshore support vessels are anticipated to take some time to recover as a result of these decline in utilization and delays in development. However, charterers are giving high evaluation to the top-of-the-line fleet operated by "K" LINE. "K" LINE will continue with its aim of expanding the offshore energy development business based on its new Medium-Term Management Plan. At the same time, "K" LINE will work to accumulate stable profits with positive efforts by entering new businesses.

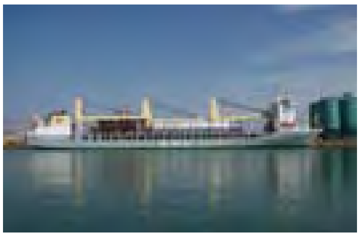
Heavy Lifter Business

Heavy Lifter

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

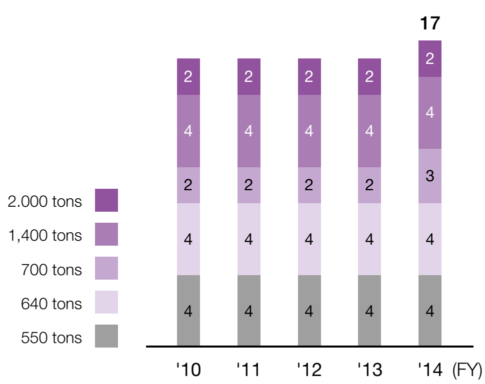
Initiatives under the New Medium-Term Management Plan

SAL, a Group company in Germany, successfully shifted our heavy lifter business into the black (non-consolidated basis) for the first time since fiscal 2009 with various cost-cutting measures, which added to the recovery of market conditions and efficient ship operation. The offshore business of two ultra-large heavy lifters with a crane capacity of 2,000 tons also moved onto the right track. They are expected to make positive contributions to earnings from now on. The Group will begin studying the establishment of the next fleet to stably develop the heavy lifter business by meeting plant- and infrastructure-related shipping demand, in addition to the demand of business related to energy resources, which is anticipated to grow.



Heavy Lifter *REGINE*

Ships in Operation (Vessels)



Overview of Fiscal 2014

Large vessels successfully maintained high utilization, taking advantage of their size to secure steady orders for high-profit offshore operations and ultra-heavy cargo shipments. Improvements were also observed in the market conditions for semi-liner cargo transportation services using medium- and small-sized ships. Earnings from project-related cargo transportation other than semi-liner shipping also improved drastically year-on-year comparison, supported by demand of energy-related cargoes as core business.

Fiscal 2015 Business Outlook

Market conditions for medium- and small-sized vessels are on the road to recovery. Projects focused on energy, plants and infrastructure are forecasted to increase. They are predicted to lead to increased demand in the heavy lifter sector, such as demand for cargoes and related offshore businesses. The Group will work to allocate ships even more efficiently in its existing semi-liner services. At the same time, the Group will focus on securing larger orders for these high-profit cargo shipping and plant-related cargo installation operations. In addition to the infrastructure-related businesses, demand for shipping project-related cargoes is expected to rise with an increase in the construction of manufacturing plants under the impact of the shale gas revolution. In accordance with the company's new Medium-Term Management Plan, the Group will work to maximize earnings by advancing a plan for building the next fleet, including tonnage procurement from the market, in addition to a plan for replacing large, medium and small vessels with new ones.

Short Sea and Coastal Business

RORO Vessels Operated by Kawasaki Kinkai Kisen Kaisha, Ltd.

Managing Executive Officer

Yutaka Nakagawa

In charge of Logistics, Business Promotion

Initiatives under the New Medium-Term Management Plan

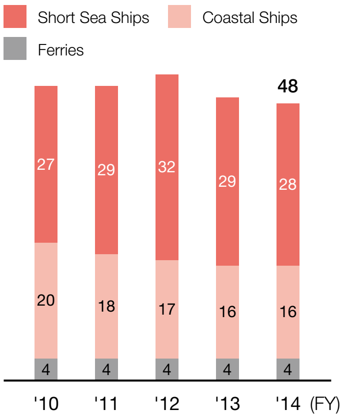
In the short sea business, "K" LINE plans to allocate ships more efficiently for bulk transport operations to expand its operations in the open sea. In the transportation of wood products, steel materials and general cargoes, "K" LINE will improve earnings by increasing the efficiency of operations.

In the coastal business, certain cargoes, such as paper products, show declines on regular routes for specialized vessels and domestic RORO vessels. However, "K" LINE expects stable cargo movements overall.

In ferry services, "K" LINE aims to transport more trucks, passenger cars and passengers through aggressive sales activities.

In the new offshore support vessel business, "K" LINE will support projects including those for renewable energy, such as electric power generated offshore, and others for probing and developing offshore resources.

Ships in Operation (Vessels)



Overview of Fiscal 2014

In the short sea business, operating conditions for bulk transport remained difficult due to a slowdown in China's economic growth and sluggish market conditions attributable to tonnage oversupply. In the outbound transportation of steel materials, general cargoes and wood products, "K" LINE engaged in aggressive sales activities. In the inbound transportation of plywood, "K" LINE secured a shipping volume above the previous fiscal year's level. However, the prolonged stagnation of market conditions remained unresolved, causing the expansion of the operating loss for the short sea business.

Coastal service trampers dedicated to limestone and coal performed stably. Cargo movements also remained strong for small carriers. In liner and ferry services, cargo movements became sluggish in reaction to the last-minute increase in demand before the consumption tax hike. However, shipping volumes rose with factors such as the effects of large newly-built RORO vessels introduced on the Tomakomai route. As a result, operating revenues and earnings for the coastal business grew year-on-year.

Fiscal 2015 Business Outlook

In the short sea business, "K" LINE plans to allocate its ships more efficiently based on reasonable fleet sizes. In the transportation of wood products, steel materials and general cargoes, "K" LINE will work to improve earnings by raising operational efficiency and achieving better space efficiency.

In the coastal business, "K" LINE aims to build a tramper transport fleet, including newbuildings, in addition to maintaining safety in navigation and cargo operation and stabilizing transportation service. In liner transport operations, "K" LINE works to capture greater demand with Ibaraki Port as its base. At the same time, "K" LINE will proceed with market research into establishing a new route (between Shimizu and Oita). In ferry transport operations, "K" LINE is preparing for the opening of the Miyako-Muroran route in 2018, in addition to undertaking sales activities for service on the Hachinohe-Tomakomai route.

In the offshore support vessel business, a new ship that boasts the highest performance in Japan is scheduled for completion in March 2016.

Business Review and Outlook

Logistics Business

Trucks from Bangkok Marine Enterprises Ltd. (BME), an overland transportation company

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

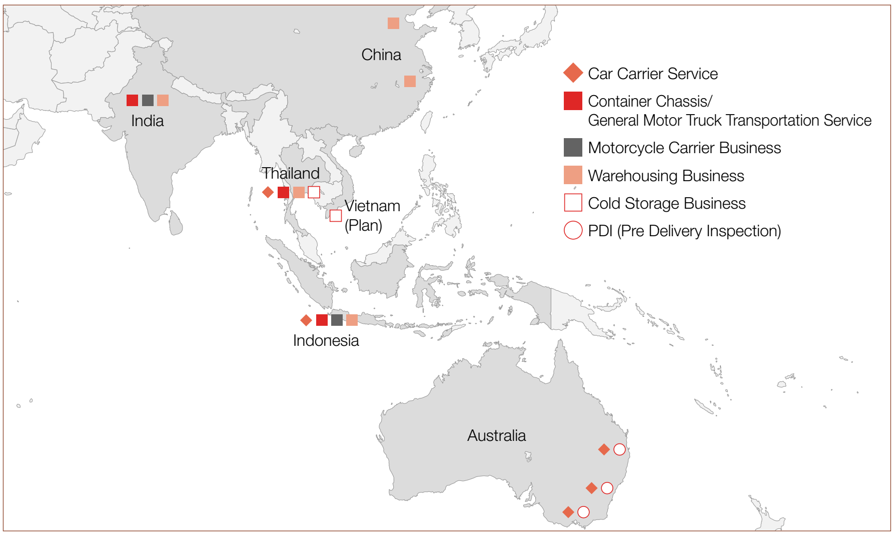
Initiatives under the New Medium-Term Management Plan

Logistics demand is expanding remarkably as a result of growth in emerging economies. In this situation, “K” LINE will work to develop new businesses around its logistics and shipping operations based on infrastructural conditions that need to be supplemented and customer requirements in the respective operating regions.

In developing new businesses based on customer demand in the respective regions, “K” LINE will make particular efforts to enter so-called “milk run*” and other car-related logistics services, short sea cargo transportation within Southeast Asia, coastal shipping and river transportation, and step up its cold supply chain consisting of refrigerated and cold storage warehouses, along with further cooperation among Group companies.

“K” LINE will continue to focus on achieving stable earnings in business fields that differ from the highly volatile shipping industry as mandated in the company’s new Medium-Term Management Plan.

Comprehensive logistics services with strong local ties



Overview of Fiscal 2014

Domestic logistics business remained strong with international logistics business posting stable results in regions focusing on Asia as well. The volume of airfreight export cargo handled from Japan rose substantially from the previous fiscal year, primarily on North American routes. Airfreight emergency import cargoes also grew in volume under the effects of a dock strike on the west coast of North America.

With additional support by the weakened yen, the logistics business posted consolidated year-on-year increases in both operating revenues and earnings.

Fiscal 2015 Business Outlook

In the logistics business, airfreight export cargo from Japan is forecasted to continue its favorable performance in the context of the business upswing in the United States.

Both domestic logistics business and international logistics business focused on Asia are also predicted to remain strong.

“K” LINE is undertaking the logistics business based on customer demand in each operating region, centered on emerging economies in Asia. Refrigerated and cold storage warehouses that opened in Thailand in December 2014 have been operating smoothly. A logistics center is also scheduled for completion in Thailand in September 2015. “K” LINE will advance its initiatives in each operating region by also taking into consideration the increase in demand in locations outside Asia. In so doing, “K” LINE will listen to customers’ opinions to offer them services that best meet their individual needs.

* Milk runs: Making round-trips between manufacturers’ plants and suppliers’ warehouses to deliver or collect parts

Material Issues in CSR

The “K” LINE Group recognizes Corporate Social Responsibility (CSR) in the following two large frameworks, namely “Managing the Impact of Business Activities” and “Creating New Values,” and aims to build “a Management Structure that Emphasizes Social Responsibility” based on these frameworks. The Group is promoting proactive initiatives as a group of companies to contribute to the realization of a better society by working to resolve issues in each of these areas it has identified as material.

▶ *Details of the “K” LINE Group’s CSR initiatives are disclosed on the following website.
http://www.kline.co.jp/en/csr/governance/stakeholder/policyandresults/issue.html

Building a Management Structure that Emphasizes Social Responsibility

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

Managing the Impact of Business Activities

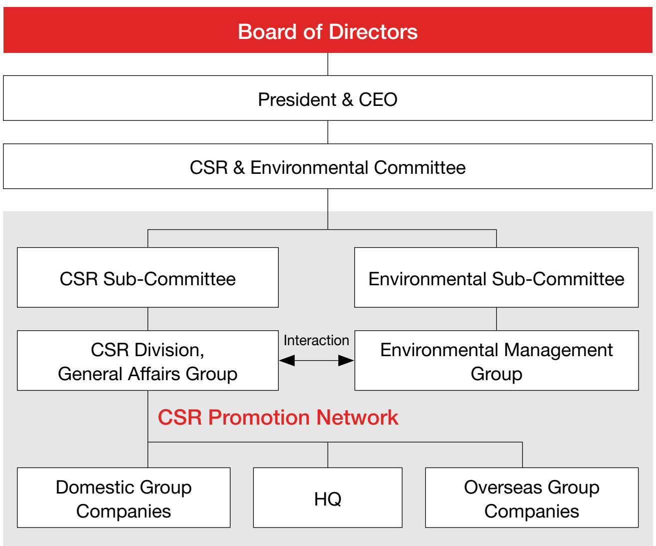
One of the key aspects of the “K” LINE Group’s social responsibility as a globally operating corporate group is to be aware of the potential impacts of our business activities on local and global communities, and to promote business activities based on the above perception. The Group endeavors to provide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

Creating New Values

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

CSR Promotion System

The CSR & Environmental Committee, chaired by the President & CEO, with two sub-committees, the CSR Sub-Committee and Environmental Sub-Committee, formulates policy for the CSR initiatives of entire “K” LINE Group, and as takes operational responsibility for the Environmental Management System formulated in accordance with the “K” LINE Group Environmental Policy. In addition, “K” LINE and the group companies have launched a CSR Promotion network to implement group-wide CSR initiatives.



Building a Management Structure that Emphasizes Social Responsibility

Corporate governance
Establishment of a management structure that responds to the demands of society

Stakeholder engagement
Expedition of dialogue with stakeholders

Managing the Impact of Business Activities

Human rights
- Preventing discrimination
- Respecting basic labor rights
- Preventing forced labor and child labor

Labor practices
- Preventing over-long working hours
- Improving occupational health and safety
- Promoting diverse work styles

Fair operating practices
- Preventing corruption
- Preventing anti-competitive behavior

Safety in navigation and cargo operations
- Preventing major accidents

The Environment
- Reinforcing environmental management
- Environment-friendly business activities

Risk management
- Business continuity in times of major disaster
- Enhanced response capabilities for major accidents
- Crisis and risk management system

Creating New Values

Human resource development
- Improving corporate culture
- Developing global leaders
- Promoting diversity

Community involvement and development
- Assisting recovery/ reconstruction from natural disasters

Innovation
- New value proposals through reduction of environmental burden and improvement of service quality

Employment creation and skills development
- Support for education and employment creation

Three Major Issues: “Safety in Navigation and Cargo Operation,” “Environmental Preservation,” and “Human Resource Development”

Among the “K” LINE Group’s material issues in CSR, the three issues the group regards as most important are “safety in navigation and cargo operation,” “environmental preservation,” and “human resource development.” This section describes the specific initiatives relating to each issue.

1. Safety in Navigation and Cargo Operation

Maintaining the world-leading safe operation

Safe and reliable services form the foundation of the “K” LINE Group’s existence. The “K” LINE group is committed to establishing, executing, and maintaining a sound system of safety management so that the Group can thoroughly implement safety in navigation and cargo operation as a fundamental of its service, as well as continue to prevent serious accidents as it has been successful doing over many years.

2. Environmental Preservation

“K” LINE Environmental Vision 2050

As a world-leading shipping company, the “K” LINE Group defines goals for 2050 in Environmental Vision 2050 with the aim of “securing blue seas for tomorrow” (for details, please refer to “Special Feature Ⅱ” on page 18).

▶ * Please visit the following website for more details.
http://www.kline.co.jp/en/csr/environment/

3. Human Resource Development

Further cultivating the open and innovative corporate culture, in which both the organization and individuals keep improving

Since the business activities of the “K” LINE Group are conducted around the world, it is imperative for the Group to develop human resources with the expertise and broad perspectives essential for a global competitive environment as well as strong management and problem-solving skills. A free and open corporate climate in which employees respect each other’s capabilities and individuality and allow diverse values is also essential in order for those employees to acquire the capacity to continue growing and contributing to strengthen organizational competencies. Accordingly, the “K” LINE Group regards human resources development as one of the material issues in its CSR, and is pursuing a range of approaches for this purpose.

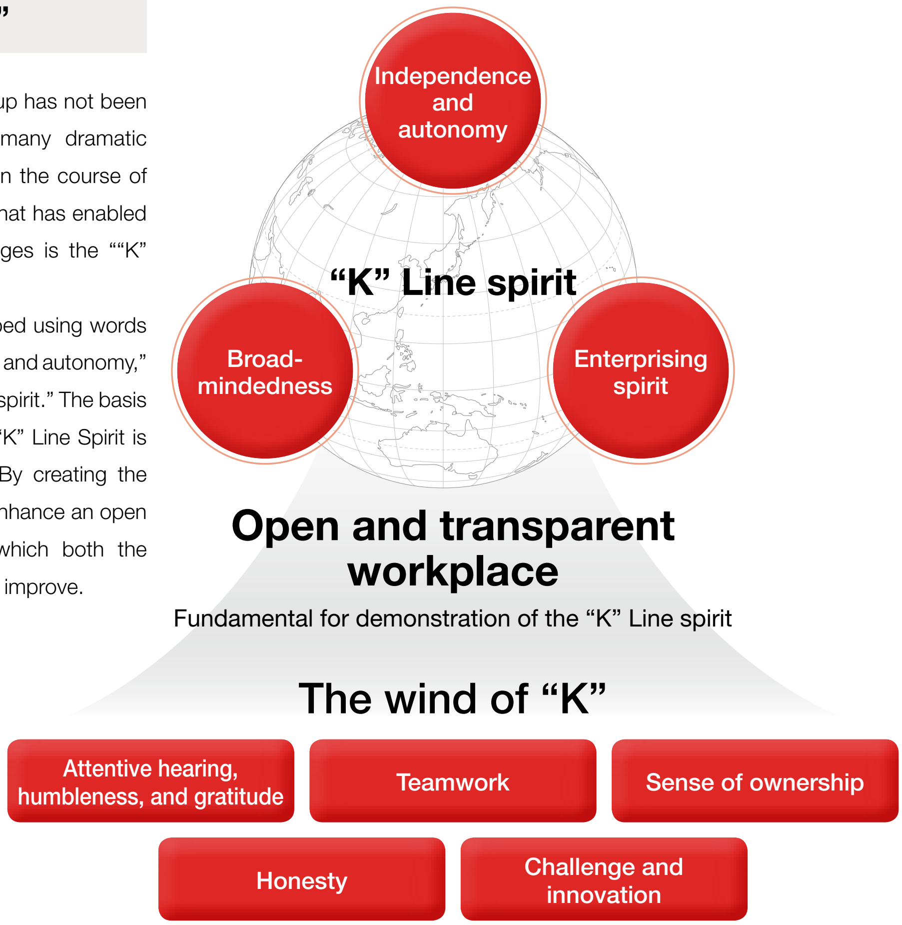
Global initiatives of the “K” LINE Group

- Nurturing individuals who have professional knowledge and high management skills as well as integrity
- Maintaining the corporate culture that appreciates mutual respect, freedom, and vigor; the traits enable each employee to use his/her ability proactively and allow the organization to overcome difficulties and grow continuously
- Creating the environment where employees share what the company should be in the future and keep nurturing new abilities
- Establishing efficient business procedures that bring maximum results with minimum effort; accordingly, employees can enjoy both work and life

The wind of “K”

The historical path of the “K” LINE Group has not been flat, and the Group has overcome many dramatic changes in the business environment in the course of more than 90 years. The driving force that has enabled the Group to overcome these challenges is the ““K” Line Spirit.”

The “K” Line Spirit has been described using words and expressions such as “independence and autonomy,” “broad-mindedness,” and “enterprising spirit.” The basis that enables the demonstration of the “K” Line Spirit is an open and transparent workplace. By creating the wind of “K”, we strive to maintain and enhance an open and innovative corporate culture in which both the organization and individuals continue to improve.



Corporate Governance

Corporate Governance Structure

Solid corporate governance is essential for a company to fulfill its social responsibility, respond to the mandate bestowed by stakeholders and achieve sustained growth.

The Company engages in initiatives to strengthen its framework of corporate governance and to develop and enhance systems for risk management, and continuously strives to heighten the value of the corporate brand by acting in total accordance with our business ethics while building an organic and effective mechanism of governance, in conjunction with our achievement of increasingly robust earnings and a stronger financial standing.

Structure of Business Execution

The Board of Directors and Audit & Supervisory Board are in charge of building, managing and monitoring the Company's corporate governance structure, while committees and other organs work to enhance the structure.

Board of Directors

The Board of Directors is an organ of the Company that meets at least once a month and determines fundamental management policies, matters required by laws and regulations, and other important management-related matters, as well as supervising the execution of duties by the Directors. Two of the nine Directors are Outside Directors. The Audit & Supervisory Board Members also attend the Board of Directors' Meetings.

Audit & Supervisory Board

The Audit & Supervisory Board formulates and implements audit policies and plans, and undertakes to conduct efficient, expeditious auditing. Three of the four members of the Audit & Supervisory Board are outside members. As an independent organ, the Audit & Supervisory Board supervises the execution of duties by the Directors through attendance at meetings of the Board of Directors and other important meetings and the inspection of important decision-making documents. "K" LINE assigns dedicated staff as assistants to the Audit & Supervisory Board Members.

Executive Officers' Meetings

Executive Officers' Meetings are attended by all the Executive Officers, including those concurrently serving as Directors, and Audit & Supervisory Board Members to help the President & CEO make decisions through frank discussions. These meetings are held twice a month, in principle.

Management Conferences

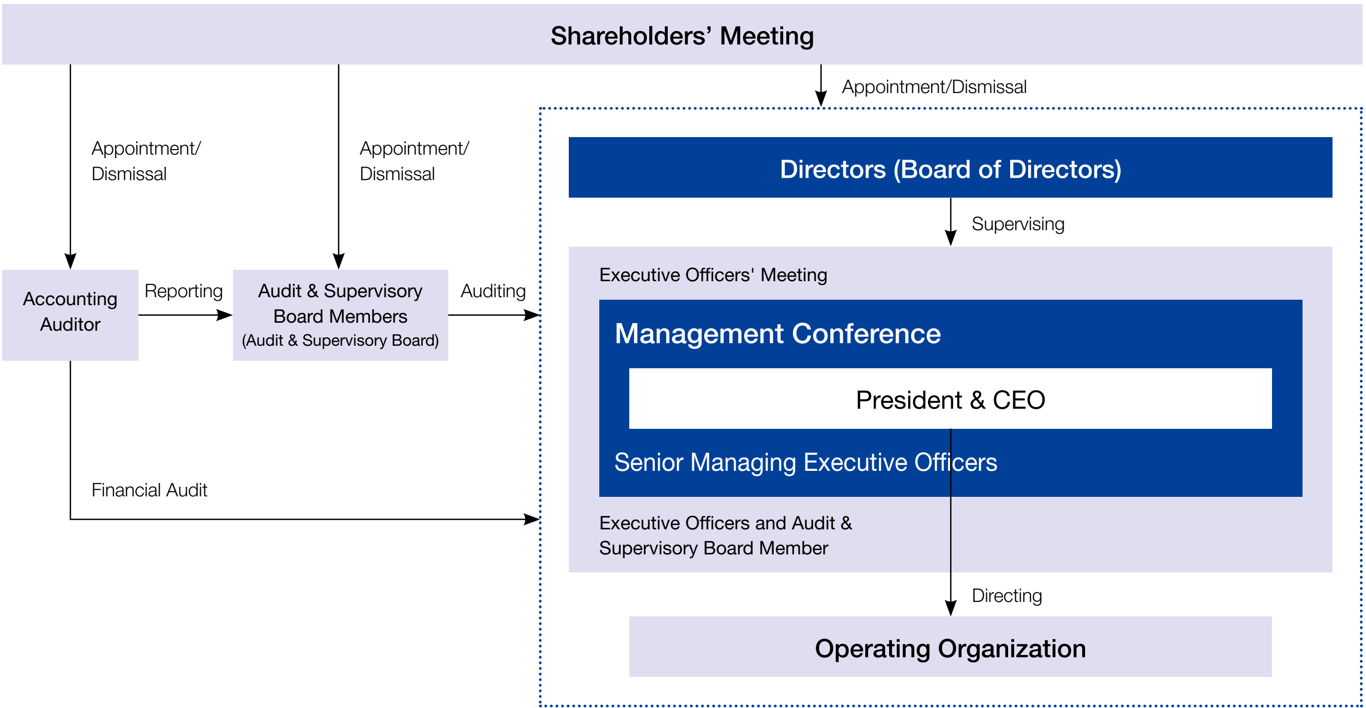
The Management Conferences serve as a forum for the exchange of opinions and are attended by the President & CEO, Senior Managing Executive Officers, and other involved parties for discussions on specific agenda items. A Management Conference is held every week, in principle, to further enhance transparency and promptness in management decision making and direction setting.

Investment Committee

Meetings of the Investment Committee, consisting of the Executive Officer in charge of Corporate Planning, the Executive Officer in charge of Finance, and other Executive Officers and Group General Managers designated by the President & CEO, are held periodically to deliberate on basic plans and important initiatives for maximizing investment effects, while taking the Company's investment capacity into consideration. The Committee also monitors past investment effects and considers the termination or cessation of such investments.

Corporate Governance Structure

(As of July 1, 2015)



▶ For more details about corporate governance, please visit "K" LINE's website.
https://www.kline.co.jp/en/csr/governance/governance.html

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. In addition, through monitoring and verifying the status of the internal control system, the Internal Audit Office plays a role in supporting the Board of Directors in carrying out its responsibilities for the development, maintenance and enhancement of the internal control system. The Audit & Supervisory Board Members oversee the processes by which the Directors build the internal control system and confirm that it is functioning effectively.

The Company also ensures appropriate operations of the entire "K" LINE Group by supporting and managing the establishment and effective operation of their internal control systems while respecting the independence of each company.

Criteria for Independence of Outside Directors

The Company specifies the criteria for the independence of Outside Directors. An overview is provided below. None of the following criteria may apply to the respective Outside Director.

1. A person who has become an Executive Director or employee of the Company within the past 10 years.

2. A person who has been a business executor (meaning a business executor as provided for in Article 2, Paragraph 3, Item 6 of the Ordinance for Enforcement of the Companies Act; the same shall apply hereinafter) of a corporate group for whom the Company is a major client within the past three years. "A corporate group for whom the Company is a major client" refers to a corporate group that has received payment from the Company in each of the years in this three-year period accounting for over 2% of consolidated sales in each such year for that corporate group.

3. A person who has been a business executor of a corporate group that is a major client of the Company within the past three years. "A corporate group that is a major client of the Company" refers to a corporate group who made payment to the Company in each of the years in the three-year period accounting for over 2% of the Company's consolidated sales in each such year.

4. A person who has, within the past three years, been a business executor of a financial institution or another principal creditor, or its parent company or important subsidiary that plays a critical role in the "K" LINE Group's financing to such a degree that it is irreplaceable for the Group.

5. A person who has been paid 10 million yen or more or has received other assets in an amount equivalent thereto other than officer's remuneration from the Group in the past three years; or a person who has, within the past three years, belonged to an audit firm, tax accounting firm, law firm, consulting firm or other professional advisory firm that has been paid 10 million yen or more or other assets in an amount equivalent thereto by the Group in each of the years in the three-year period accounting for over 2% of the total revenues of such juridical person, etc. However, this shall not apply to a person who belongs to such juridical person in outline but has substantially no conflict of interest with the Group (a person who does not receive any compensation from such juridical person, for example).

6. A shareholder holding over 10% of the voting rights of the Company. If the shareholder is a juridical person, a person who has been a business executor of the shareholder or its parent company or subsidiary within the past three years.

7. A person who is a relative of the second or less degree of a person falling under any of the above criteria.

Outside Directors and Reasons for Their Election

Outside Director Mitoji Yabunaka

Mr. Yabunaka has been elected as an Outside Director so that the Company's management may benefit from the abundant international experience and knowledge he has accumulated over his many years as a diplomat. The Company considers that he is fully independent of the Company and there is no possibility that conflicts of interest may arise between him and the general shareholders.

Outside Director Eiichiro Kinoshita

Mr. Kinosita has been elected as an Outside Director so that the Company's management may benefit from the abundant financial knowledge he has accumulated over his many years at the Bank of Japan along with the experience and knowledge he has accumulated over many years as a corporate manager. The Company considers that he is fully independent of the Company and there is no possibility that conflicts of interest may arise between him and the general shareholders.

Outside Audit & Supervisory Board Members and Reasons for Their Election

Outside Audit & Supervisory Board Member Fumio Watanabe

Mr. Watanabe has been elected as an Outside Audit & Supervisory Board Member to conduct oversight of the Company's overall management so that the Company may benefit from the considerable knowledge and experience of corporate management he has accumulated as an officer of a large bank and a corporate manager of another company.

Outside Audit & Supervisory Board Member Haruo Shigeta

Mr. Shigeta has been elected as an Outside Audit & Supervisory Board Member to perform fair audits from a third party's perspective so that the Company may benefit from his considerable insight into corporate governance, as he is well versed in corporate law as a university professor and lawyer. The Company considers that he is fully independent of the Company and there is no possibility that conflicts of interest may arise between him and the general shareholders.

Outside Audit & Supervisory Board Member Toshikazu Hayashi

Mr. Hayashi has been elected as an Outside Audit & Supervisory Board Member to perform effective audits of the Company's management from an external, objective perspective so that the Company may benefit from the abundant knowledge and experience he has accumulated over many years as a corporate manager. The Company considers that he is fully independent of the Company and there is no possibility that conflicts of interest may arise between him and the general shareholders.

Risk Management

Risk Management System

We have established a system for managing crises and risks, which enables us to identify diverse management crises and risks, prepare for them and discharge our corporate social responsibility when such risks become a reality. Specifically, we have identified four crisis and risk categories and established four Committees for responding to each category. We have also established a Crisis Management Committee to unify the four Committees and control and facilitate overall risk management activities.

Crisis Management Committee
Control total activities related to crisis and risk management

- **Ship Safety Promotion Committee**
  Managing risks concerning the safety of “K” LINE’s ship operations, promoting actions to prevent marine accidents (including the resultant contamination of seawater) and ensuring a quick response when accidents occur
- **Disaster Response Committee**
  Ensuring disaster preparedness and response
- **Compliance Committee**
  Handling compliance issues
- **Management Risk Committee**
  Managing other risks in management

Compliance Promotion System

We have implemented a Compliance Committee chaired by the President & CEO that discusses the policy securing our compliance system and measures to address compliance violations. To strengthen compliance throughout the organization, we have appointed a Chief Compliance Officer (CCO) as the individual with the ultimate responsibility for compliance. In addition, “K” LINE and its group companies have established a Hotline System for whistleblowing to promptly detect and rectify possible compliance violations.

Major Compliance Promotion Initiatives

1. Compliance Training for Employees

Drawing on actual compliance issues, compliance seminars are held and taught by professionals several times a year for all employees of “K” LINE and employees of the group companies in order to raise awareness of compliance and for the prevention of compliance violations. We also implement debate-style education and training for the different levels of employees, in which they learn about the risk of compliance violations specific to the shipping business based on actual incidents. In fiscal 2014, we provided training for “K” LINE and 12 group companies. The cumulative enrollment ratio of the employees of “K” LINE was 100%.

2. Compliance Awareness Surveys

We have been conducting compliance awareness surveys of all employees of “K” LINE and employees of certain group companies that submitted requests in order to understand the risks of compliance violations and help devise specific measures. In fiscal 2014, a compliance awareness survey of 766 “K” LINE employees was conducted, and 744 responses were received (response rate: 97%). In a survey of 958 employees of group companies, 882 responses were received (response rate: 92%). The results of the analyses of the responses are provided as feedback to the individual organizations, and we are working to improve the compliance system.

3. Membership of the Maritime Anti-Corruption Network

As a measure to enhance our initiatives against corruption and bribery, in July 2014 “K” LINE joined the Maritime Anti-Corruption Network (MACN), a global business network dedicated to achieving the vision of a maritime industry free of corruption. We are taking steps to achieve fair trade as a comprehensive logistics company based on its mainstay shipping business.

Business Risks

The “K” LINE Group is developing its business internationally. When unpredictable events occur, whether they are caused by socio-political or natural phenomena, they can have a negative impact on business in related areas and markets. Furthermore, in the Group’s main business field, marine transport, market conditions for cargo handling and marine transportation are heavily influenced by international factors such as economic trends in various countries, product market conditions, supply and demand balance for ships, 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. Exchange Rate Fluctuations

A large percentage of the "K" LINE Group's business earnings comes 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 infl uence 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 in 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.

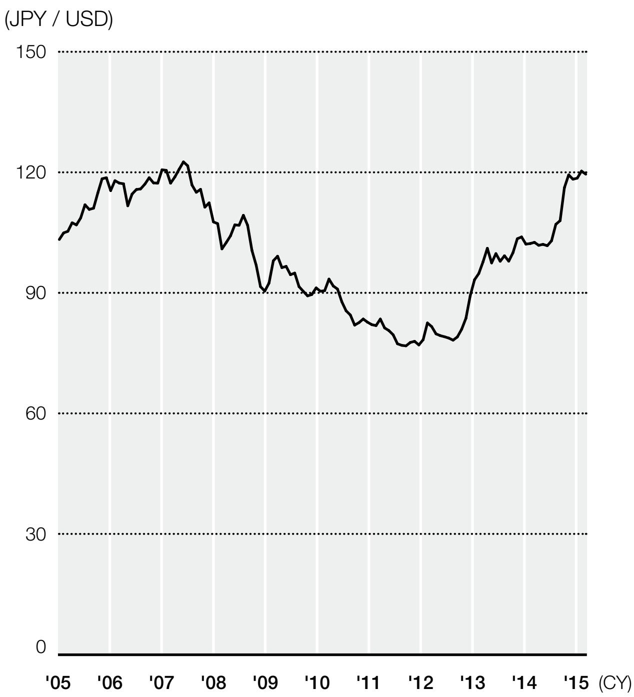
3. Interest Rate Fluctuations

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 in 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.

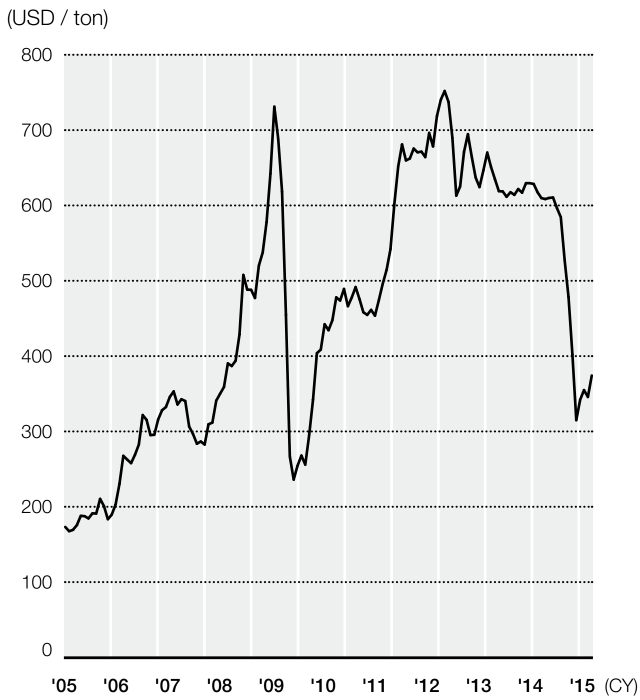
4. Public Regulations

The shipping business is influenced by international treaties on operation, registration, and construction of ships in general, as well as laws and regulations relating to business licenses and taxes in each country and region. The enactment of new laws and regulations in the future could restrict the Group's business development and increase its business costs, which could have a negative impact on the Group's financial position and operating results. The Group's operated vessels

Exchange Rate



Fuel Oil Price



are managed and operated in accordance with current laws and regulations, and they carry appropriate insurance coverage. However, relevant laws and regulations could be changed, and this may incur a cost to make the Group compliant with such changes.

The Group has been investigated by the competition authorities in Europe and certain other countries in relation to alleged anti-competitive behavior (alleged formation of a cartel) relating to the transportation of automobiles, automotive construction machineries and other automotive vehicles. In addition, the Group is currently subject to class actions in North America on the same matter. The Group is currently unable to predict what the eventual outcome of these investigations or class actions will be (including whether or not it will be subject to any fines, penalties, damages or other liabilities) or when such investigations or class actions and the accompanying processes will be concluded. There can also be no assurance that the current investigations or class actions or any future decisions by competition authorities or courts will not induce further private legal actions or other claims against the Group in the future. If the outcome of any such action is unfavorable to the Group, it could materially adversely affect the Group's financial condition and results of operations.

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 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 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 "K" LINE Group's financial position and operating results may be adversely affected by cancellation of construction contracts before delivery of new-buildings. 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.

10. 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.

11. Fixed Asset Impairment Losses

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.

12. 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, 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.

Any forward-looking statements in the text are based on judgments made by the Group as of June 24, 2015. In addition, the items discussed here do not necessarily represent every risk faced by the "K" LINE Group.

Directors, Audit & Supervisory Board Members and Executive Officers

Director, Chairman

Jiro Asakura

Representative Director
President & CEO

Eizo Murakami

Senior Managing
Executive Officer

Kazutaka Imaizumi

Representative Director
Senior Managing
Executive Officer

Toshiyuki Suzuki

Representative Director
Senior Managing
Executive Officer

Hiromichi Aoki

Representative Director
Senior Managing
Executive Officer

Tsuyoshi Yamauchi

Senior Managing
Executive Officer

Eiji Kadono

Directors

Director, Chairman	**Jiro Asakura**
Representative Director President & CEO	**Eizo Murakami**
Representative Director	**Toshiyuki Suzuki**
Representative Director	**Hiromichi Aoki**
Representative 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	**Keisuke Yoshida**
Audit & Supervisory Board Member	**Fumio Watanabe**[2]
Audit & Supervisory Board Member	**Haruo Shigeta**[2]
Audit & Supervisory Board Member	**Toshikazu Hayashi**[2]

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

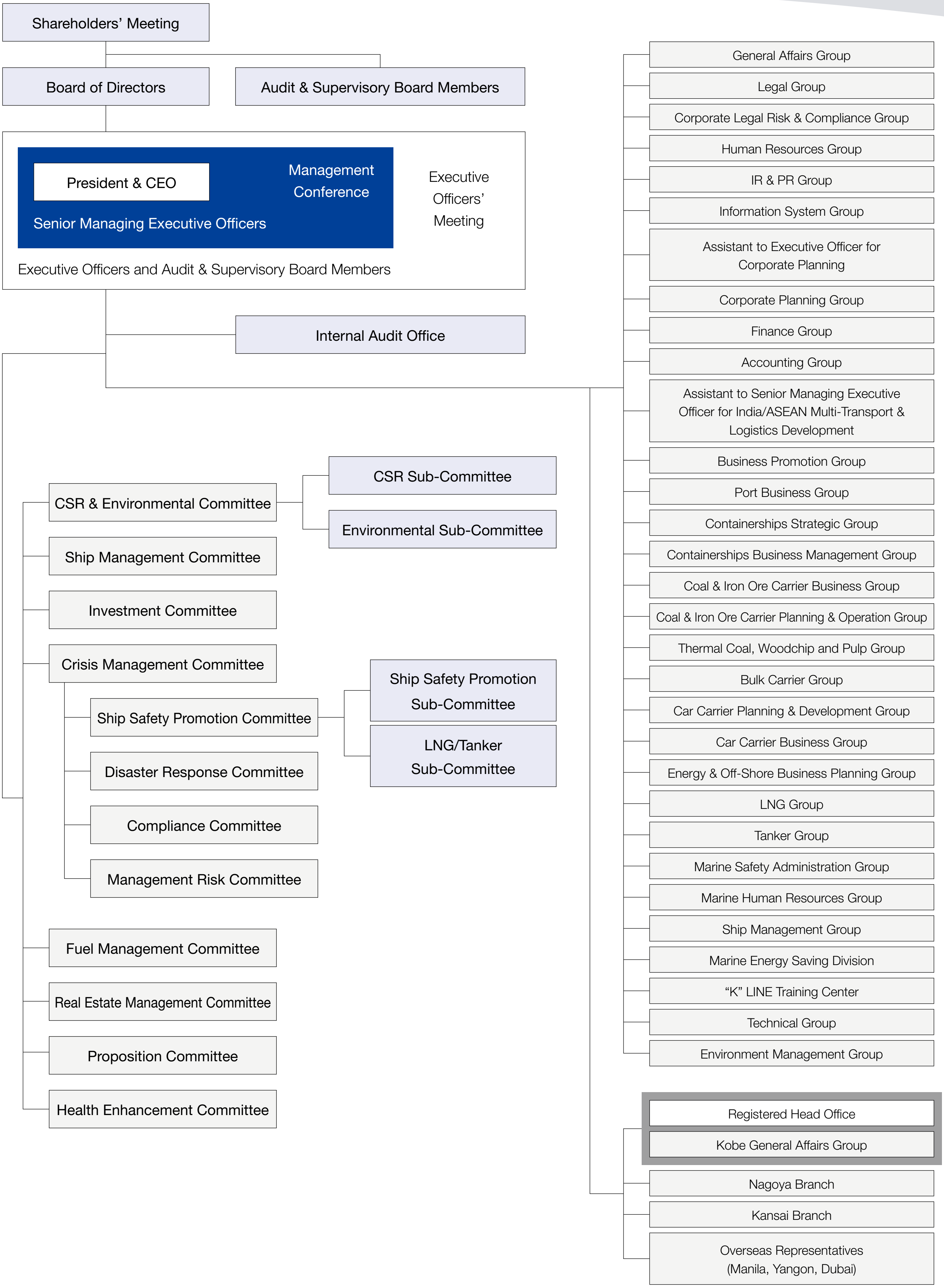
Executive Officers

(As of July 1, 2015)

President & CEO	**Eizo Murakami**	
Senior Managing Executive Officer	**Kazutaka Imaizumi**	Executive Chairman of "K" LINE (INDIA) PRIVATE LIMITED, in charge of India/ASEAN Multi-Transport & Logistics Development
Senior Managing Executive Officer	**Toshiyuki Suzuki**	Control of Containerships Sector, Port Business, assistance to Internal Audit
Senior Managing Executive Officer	**Hiromichi Aoki**	Control of Energy Transportation Sector, Car Carrier Sector, IR & PR
Senior Managing Executive Officer	**Tsuyoshi Yamauchi**	Control of General Affairs, Legal, Corporate Legal Risk & Compliance, Human Resources, Corporate Planning, Finance, Accounting, CCO(Chief Compliance Officer)
Senior Managing Executive Officer	**Eiji Kadono**	Control of Marine Sector, Technical and Environmental Affairs, Fuel Cost Control
Managing Executive Officer	**Kazuhiko Harigai**	In charge of Bulk Carrier Business, Thermal Coal, Woodchip and Pulp Carrier Business
Managing Executive Officer	**Shunichi Arisaka**	In charge of Technical and Environmental Affairs, Fuel Cost Control
Managing Executive Officer	**Atsuo Asano**	In charge of Coal and Iron Ore Carrier Business, Drybulk Planning
Managing Executive Officer	**Yukio Toriyama**	In charge of Accounting, Finance
Managing Executive Officer	**Kenji Sakamoto**	In charge of Car Carrier Business
Managing Executive Officer	**Yasunari Sonobe**	President of "K" LINE AMERICA, INC.
Managing Executive Officer	**Yutaka Nakagawa**	In charge of Human Resources, Logistics, Business Promotion
Managing Executive Officer	**Akira Misaki**	In charge of Energy Transportation Business
Managing Executive Officer	**Nobuo Ishida**	Managing Director of K LINE (THAILAND) LTD.
Managing Executive Officer	**Kunihiko Arai**	Managing Director of KLINE (CHINA) LTD., Managing Director of "K" LINE (HONG KONG) LIMITED
Executive Officer	**Yukikazu Myochin**	In charge of IR & PR, Corporate Planning, Research
Executive Officer	**Makoto Arai**	In charge of Legal, Corporate Legal Risk & Compliance
Executive Officer	**Kiyokazu Arai**	In charge of General Affairs, CSR
Executive Officer	**Ako Hiraoka**	Assistance to Car Carrier Business
Executive Officer	**Takafumi Kido**	In charge of Containerships Business, Port Business
Executive Officer	**Shuzo Kawano**	CIO(Chief Information Officer), General Manager of Information System Group
Executive Officer	**Daisuke Arai**	Managing Director, "K" LINE (EUROPE) LIMITED
Executive Officer	**Kiyotaka Aya**	In charge of Marine Sector, General Manager of Marine Human Resources Group

Organization

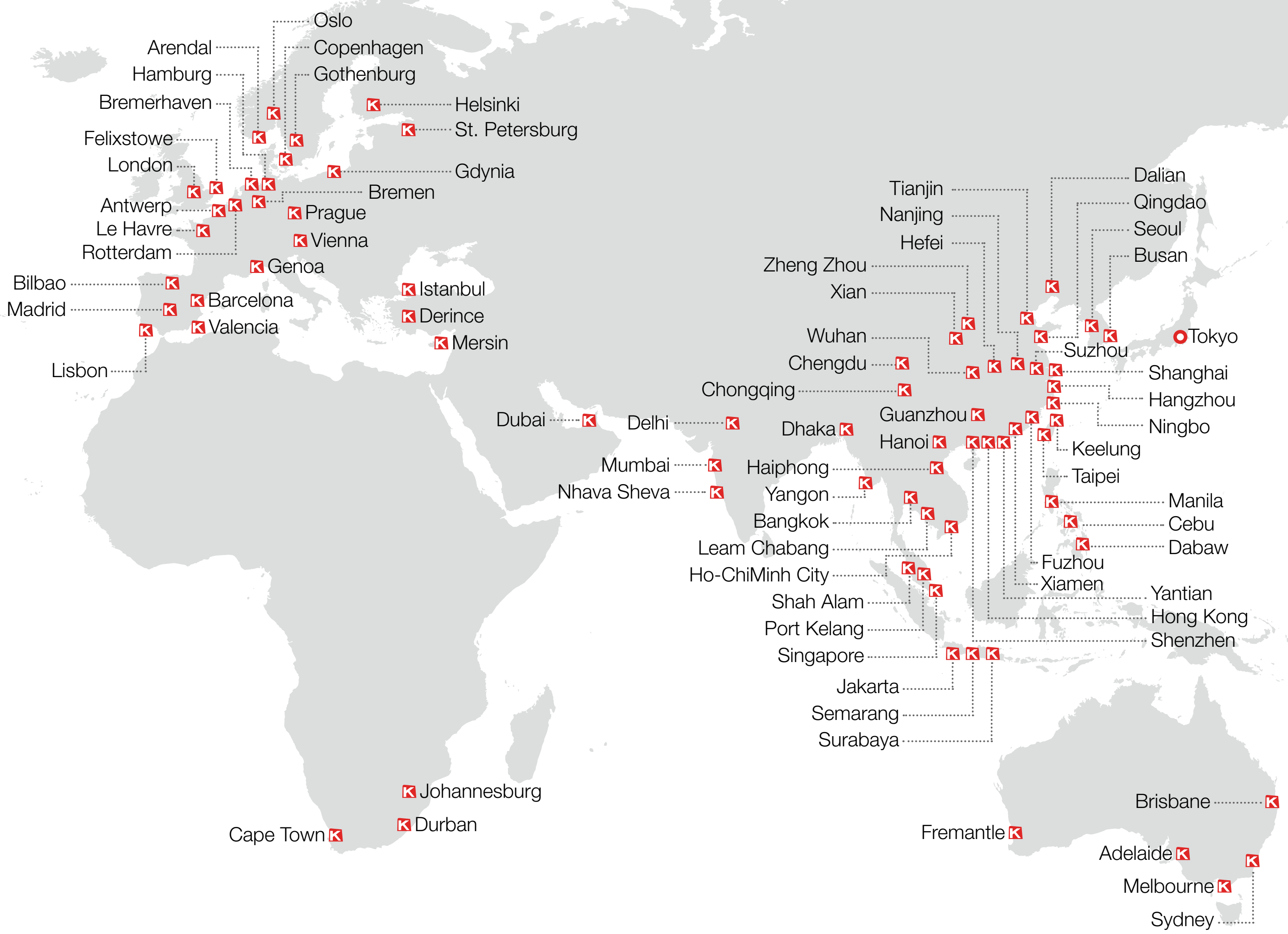
(As of July 1, 2015)



Global Network

“K” LINE Overseas Major Affiliates and Representatives Offices

“K” LINE’s World Headquarter



Domestic

Japan

· Tokyo (Headquarter)

· Kobe

· Nagoya

“K” LINE Overseas Major Affiliates and Representatives Offices

[Europe]

Austria
· Vienna

Belgium
· Antwerp

Czech Republic
· Prague

Denmark
· Copenhagen

Finland
· Helsinki

France
· Le Havre

Germany
· Bremen
· Bremerhaven
· Hamburg

Italy
· Genoa

Netherlands
· Rotterdam

Norway
· Arendal
· Oslo

Poland
· Gdynia

Portugal
· Lisbon

Russia
· St. Petersburg

Spain
· Barcelona
· Bilbao
· Madrid
· Valencia

Sweden
· Gothenburg

Turkey
· Derince
· Istanbul
· Mersin

United Kingdom
· Felixstowe
· London

[Africa]

South Africa
· Cape Town
· Durban
· Johannesburg

[Middle East]

United Arab Emirates
· Dubai

[Asia]

Bangladesh
· Dhaka

China
· Chengdu
· Chongqing
· Dalian
· Fuzhou
· Guanzhou
· Hangzhou
· Hefei
· Hong Kong
· Nanjing
· Ningbo
· Qingdao

China
· Shanghai
· Shenzhen
· Suzhou
· Tianjian
· Wuhan
· Xiamen
· Xian
· Yantian
· Zehng Zhou

India
· Delhi
· Mumbai
· Nhava Sheva

Indonesia
· Jakarta
· Semarang
· Surabaya

Korea
· Seoul
· Busan

Malaysia
· Port Kelang
· Shah Alam

Myanmar
· Yangon

Philippines
· Cebu
· Dabaw
· Manila

Singapore
· Singapore

Taiwan
· Keelung
· Taipei

Thailand
· Bangkok
· Leam Chabang

Vietnam
· Haiphong
· Hanoi
· Ho-ChiMinh City

[Oceania]
Australia
· Adelaide
· Brisbane
· Fremantle
· Melbourne
· Sydney

[North America]
Canada
· Toronto
· Vancouver

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

[Central and South America]
Brazil
· Rio de Janeiro
· Sao Paulo

Chile
· Santiago

Mexico
· Mexico City

Peru
· Lima

Major Subsidiaries and Affiliates[1]

(As of March 31, 2015)

DOMESTIC		Company Name	"K" LINE's Ownership (%)[2]	Paid-in Capital (millions)	Revenue (millions)
Marine Transportation		Kawasaki Kinkai Kisen Kaisha, Ltd.	51.0	¥2,368	¥45,695
		Asahi Kisen Kaisha, Ltd.	100.0	100	341
	★	Shibaura Kaiun Co., Ltd.	100.0	20	634
Shipping Agency		"K"Line (Japan) Ltd.	100.0	150	2,243
	★	Shimizu Kawasaki Transportation Co., Ltd.	50.0	10	208
Ship Management		"K"Line Ship Management Co., Ltd.	100.0	75	8,520
		Taiyo Nippon Kisen Co., Ltd.	100.0	400	30,579
		Escobal Japan Ltd.	100.0	10	661
Harbor Transportation/ Warehousing		Daito Corporation	100.0	842	23,998
		Nitto Total Logistics Ltd.	100.0	1,596	12,782
		Hokkai Transportation Co., Ltd.	80.1	60	12,178
		Seagate Corporation	100.0	270	6,975
		Nitto Tugboat Co., Ltd.	100.0	150	4,581
		Tokyo Kokusai Koun Kaisha, Ltd.	70.0	75	1,887
	★	Rinko Corporation	25.1	1,950	16,915
	★	Kokusai Logistics Co., Ltd.	86.0	100	980
Logistics		"K"Line Logistics, Ltd.	91.9	600	18,791
Land Transportation		Japan Express Transportation Co., Ltd.	100.0	100	3,632
		Shinto Rikuun Kaisha, Ltd.	100.0	10	854
		Maizuru Kousoku Yusou Co., Ltd.	100.0	25	683
Container Repairing		Intermodal Engineering Co., Ltd.	100.0	40	793
Travel Business		"K"Line Travel, Ltd.	100.0	100	7,992
Other Business		"K"Line Engineering Co., Ltd.	100.0	50	1,807
		Shinki Corporation	100.0	80	2,321
		"K"Line Business Systems, Ltd.	100.0	40	1,229
		KMDS Co., Ltd.	100.0	40	1,258
		Kawaki Kosan Kaisha, Ltd.	100.0	30	454
		"K"Line Accounting and Finance Co., Ltd.	100.0	100	215

OVERSEAS		Company Name	"K" LINE's Ownership (%)[2]	Paid-in Capital (millions)	Revenue (millions)
Marine Transportation		"K"Line Pte Ltd	100.0	US$41.1	US$344.2
		"K"Line Bulk Shipping (UK) Limited	100.0	US$33.9	US$226.1
		"K"Line LNG Shipping (UK) Limited	100.0	US$35.9	US$72.3
		SAL Heavy Lift GmbH	100.0	EUR155.4	EUR201.6
		"K"Line European Sea Highway Services GmbH	100.0	EUR5.3	EUR93.1
		K Line Offshore AS	100.0	NOK717.5	NOK602.3
	★	Northern LNG Transport Co., I Ltd.	49.0	US$39.6	US$16.7
	★	Northern LNG Transport Co., II Ltd.	36.0	US$42.3	US$16.5
Shipping Agency		"K"Line America, Inc.	100.0	US$15.5	US$64.3
		"K"Line (Australia) Pty Limited	100.0	A$0.0001	A$14.2
		"K"Line (Belgium) N.V.	51.0	EUR0.06	EUR3.4
		"K"Line Canada Ltd.	100.0	US$0.09	US$0.6
		K Line (China) Ltd.	100.0	US$2	RMB304.3
		"K"Line Chile Ltda	100.0	US$0.6	US$5.5
		"K"Line (Deutschland) GmbH	100.0	EUR0.1	EUR8.2
		"K"Line (Europe) Limited	100.0	£0.01	£16.5
		"K"Line (Finland) OY	51.0	EUR0.01	EUR1.2
		"K"Line (France) SAS	100.0	EUR0.5	EUR3.5
		"K"Line (Hong Kong) Limited	100.0	HK$15	HK$160.2
		"K"Line (Korea) Ltd.	100.0	KRW400	KRW9,410.7
		"K"Line Maritime (M) Sdn Bhd	57.5	MYR0.3	MYR9.4
		K Line Mexico SA de CV	100.0	US$0.005	US$0.3

OVERSEAS		Company Name	"K" LINE's Ownership (%)[2]	Paid-in Capital (millions)	Revenue (millions)
		"K"Line (Nederland) B.V.	100.0	EUR0.1	EUR4.2
		K Line (Norway) AS	100.0	NOK0.1	NOK3.4
		K Line Peru S.A.C.	100.0	PEN1.3	PEN8.1
		"K"Line (Portugal)-Agentes de Navagação, S.A.	51.0	EUR0.2	EUR2.7
		"K"Line (Scandinavia) Holding A/S	51.0	DKK1	DKK17.3
		"K"Line Shipping (South Africa) Pty Ltd	51.0	ZAR0.0001	ZAR113.3
		"K"Line (Singapore) Pte Ltd	95.0	S$1.5	S$15.6
		K Line (Sweden) AB	100.0	SEK0.1	SEK16.9
		"K"Line (Taiwan) Ltd.	60.0	NT$60	NT$343.1
		K Line (Thailand) Ltd.	34.0	THB30	THB2,362.3
		"K" Line (Vietnam) Limited	51.0	US$3.4	VND108,258.5
		PT. K Line Indonesia	93.0	IDR463.6	IDR69,932.3
Ship Management		"K" Line Ship Management (Singapore) Pte.Ltd.	100.0	S$0.7	S$96.9
Terminal Operator		International Transportation Service, Inc.	100.0	US$33.8	US$243.9
		Husky Terminal & Stevedoring, Inc.	100.0	US$0.1	US$62.7
Freight Consolidation		Century Distribution Systems, Inc.	100.0	US$2.3	US$16.0
		Century Distribution Systems (Europe) B.V.	100.0	EUR0.02	EUR1.5
		Century Distribution Systems (Hong Kong) Limited	100.0	HK$0.08	HK$38.8
		Century Distribution Systems (Shenzhen) Limited	100.0	RMB5	RMB257.3
		Century Distribution Systems (International) Limited	100.0	HK$1.8	HK$100.2
		Century Distribution Systems (Shipping) Limited	100.0	HK$0.000001	HK$1.0
Warehousing		Universal Logistics System, Inc.	100.0	US$12.3	US$0.7
		Universal Warehouse Co.	100.0	US$0.05	US$5.2
Logistics		"K"Line Logistics (Hong Kong) Ltd.	100.0	HK$8	HK$134.9
		"K"Line Logistics (UK) Ltd.	100.0	£0.2	£4.0
		"K"Line Logistics (U.S.A.) Inc.	100.0	US$0.5	US$72.5
		"K" Line Logistics (Singapore) Pte. Ltd.	100.0	S$1.15	S$14.3
		K Line Logistics (Thailand) Ltd.	86.5	THB20	THB1,136.3
		K Line Logistics South East Asia Ltd.	95.0	THB73	THB0.0
Land Transportation		James Kemball Limited	100.0	£0.01	£19.2
		ULS Express, Inc.	100.0	US$0.05	US$6.4
		PMC Transportation Company, Inc.	100.0	US$0	US$1.2
Container Repairing	★	Multimodal Engineering Corporation	100.0	US$0.15	US$10.8
		Bridge Chassis Supply LLC.	100.0	US$0.01	US$36.0
Financing		"K"Line New York, Inc.	100.0	US$5.1	US$4.9
Holding Company		Kawasaki (Australia) Pty. Ltd.	100.0	A$4.8	A$5.4
		"K" Line Heavy Lift (UK) Limited	100.0	EUR43.2	EUR0.0
		"K"Line Holding (Europe) Limited	100.0	£84.8	£0.0
		"K"Line Heavy Lift (Germany) GmbH	100.0	EUR18	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$3.0
		"K" Line TRS S.A.	100.0	US$0.006	US$0.0
	★	"K" Line Auto Logistics Pty Ltd.	50.0	A$27	A$0.1

1. Includes main consolidated subsidiaries, equity-method subsidiaries and equity-method affiliates.
2. Includes holdings of subsidiaries

★ Subsidiaries and affiliates accounted for with the equity method

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

Financial Analysis

Results of Operations

Operating Revenues

Consolidated operating revenues for the year ended March 31, 2015 (fiscal 2014) reached ¥1,352,421 million, an increase of 10.5% year on year.

By business segment, operating revenues from the containership business segment rose by 16.3% year on year, to ¥677,428 million, due in part to an increase in cargo volume backed by robust cargo movements and steady conditions in the freight rate market.

Operating revenues from the bulk shipping business segment rose 4.9% year on year, to ¥600,687 million. This was due in part to steady cargo movements in the car carrier business – mainly from Europe and North America to the Far East and within the Atlantic – despite generally shrinking exports from Japan, as well as a recovery in the freight rate market for the oil tanker service as a whole, offsetting continuously stagnant market conditions for the dry bulk business.

Operating revenues from the offshore energy E&P support and heavy lifter business rose 7.6% year on year, to ¥35,317 million. This was attributable in part to the favorable performance of the operation of the entire fleet in the offshore support vessel business, the stable operation of the drillship business, steady gains in orders for highly profitable offshore works and cargo transport for large ships in the heavy lifter business, and a recovery in market conditions for the semi-liner service for cargo transport by medium- and small-sized ships.

Operating revenues from other businesses rose 7.6% year on year, to ¥38,988 million.

Cost of Sales, Selling, General and Administrative Expenses

Cost of sales rose by ¥104,357 million, or 9.3%, from ¥1,123,236 million in the previous fiscal year to ¥1,227,593 million, as a result of the impact of higher operating costs and vessel costs due to an increase in the number of vessels in operation. The cost of sales ratio fell 1.0 point, to 90.8%. Selling, general and administrative expenses rose ¥4,803 million, or 6.7%, to ¥76,838 million.

Operating Income

Consolidated operating income increased 66.3%, from ¥28,854 million in fiscal 2013 to ¥47,988 million, mainly as a result of an improvement in the freight rate market for the containership business and a drop in fuel oil prices.

Other (Non-operating) Income (Expenses)

The net balance of interest and dividend income and interest expense was negative ¥6,104 million, narrowing a loss from the ¥7,479 million loss for this category in the previous fiscal year. This resulted from a decrease in interest paid. The “K” LINE Group recorded an exchange gain of ¥4,197 million, compared with ¥6,347 million in the previous fiscal year, and equity in earnings of affiliates of ¥2,180 million, compared with ¥2,756 million in fiscal 2013. As a result of these and other factors, other (non-operating) income amounted to ¥992 million, down from ¥3,600 million in the previous fiscal year.

Income before Income Taxes and Minority Interests

Gains on sales of stock of affiliates and other extraordinary gains amounted to ¥28,184 million. Impairment loss, loss related to Anti-Monopoly Act and other extraordinary losses amounted to ¥28,532 million. As a result of these gains and losses and the impact of ordinary income, income before income taxes and minority interests was ¥48,632 million, up from ¥27,244 million in fiscal 2013.

Income Taxes

Income taxes increased by ¥12,024 million to ¥20,601 million, from ¥8,577 million in the previous fiscal year, as a result of the increase in income before income taxes and minority interests and the reversal of deferred tax assets at the filing Company.

Minority Interests

Minority interests stood at ¥1,212 million, versus ¥2,024 million for fiscal 2013. The decrease is partly attributable to a decrease in the minority interest in the income of K Line (Thailand) Ltd.

Net Income

Consolidated net income was ¥26,818 million, an increase of 61.1% compared to ¥16,642 million for the previous fiscal year. Net income per share was ¥28.60, compared with ¥17.75 in fiscal 2013.

Analysis of Sources of Capital and Liquidity

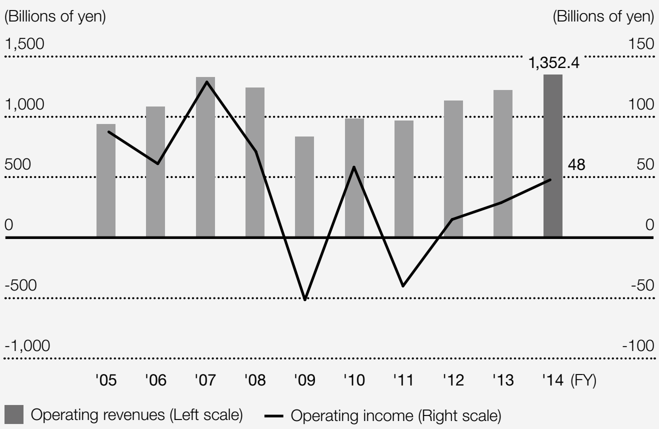
Cash Flows

Cash and cash equivalents were ¥209,424 million at the end of fiscal 2014, a decrease of ¥13,182 million from the end of the previous fiscal year. The details of cash flows are as follows.

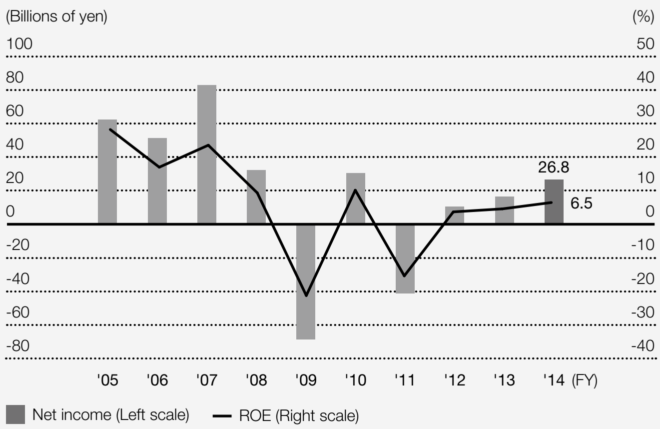
Net cash provided by operating activities was ¥101,825 million, an increase of ¥13,597 million over fiscal 2013. The increase is mainly due to income before income taxes and minority interests of ¥48,632 million.

Net cash used in investing activities was ¥11,177 million, an increase of ¥6,064 million from the previous fiscal year. The change is mainly due to purchases of vessels, property and equipment (principally vessels) of ¥87,912 million and proceeds from sales of vessels, property and equipment of ¥69,002 million.

Operating Revenues / Operating Income



Net Income / ROE



Net cash used in financing activities totaled ¥119,253 million, an increase of ¥92,619 million from the previous fiscal year. This change mainly reflected a net decrease of ¥68,832 million in long-term loans and expenditure of ¥45,378 million on payments for redemption of corporate bonds.

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 the costs of service operations such as labor costs 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 include investments in vessels, logistics facilities and terminal facilities. In fiscal 2014, the "K" LINE Group made capital investments of ¥ 89,501 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 new shares. The Company procures short-term operating funds by means of bank loans and the issuance of commercial papers, and invests temporary surplus funds in highly stable and liquid financial assets. The Company employs a cash management system to effectively utilize the 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 ¥30.0 billion commitment line with financial institutions in Japan.

The Company has been rated by two Japanese rating firms and one overseas rating firm. As of June 24, 2015, the Company maintained a rating of BBB+ from Japan Credit Rating Agency, Ltd. (JCR), BBB from Rating and Investment Information, Inc. (R&I), and Ba2 from Moody's. 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, 2015 were ¥1,223,328 million, a decrease of ¥31,413 million from the end of the previous fiscal year. Current assets decreased ¥5,352 million, to ¥442,253 million, mainly due to a decrease in marketable securities.

Fixed assets decreased ¥26,060 million from the previous fiscal year-end, to ¥781,075 million. Vessels, property and equipment decreased ¥28,729 million, to ¥632,496 million, mainly due to a reduced number of vessels. Investments and other assets increased ¥3,440 million, to ¥143,991 million, mainly due to increases in investment securities and other long-term assets, despite a decrease in deferred tax assets.

Total liabilities on March 31, 2015 were ¥755,887 million, a decrease of ¥88,164 million from the previous year-end. Current liabilities decreased ¥25,363 million, to ¥260,949 million, mainly due to a decrease in the current portion of bonds. Long-term liabilities decreased ¥62,801 million, to ¥494,938 million, mainly due to a decrease in long-term loans.

Net assets on March 31, 2015 stood at ¥467,440 million, an increase of ¥56,751 million from the end of the previous fiscal year. Shareholders' equity rose to ¥389,620 million, due mainly to a ¥20,492 million increase in retained earnings. Accumulated other comprehensive income increased ¥32,365 million from the end of the previous fiscal year, to ¥51,911 million, mainly attributable to an increase of ¥22,129 million in translation adjustments.

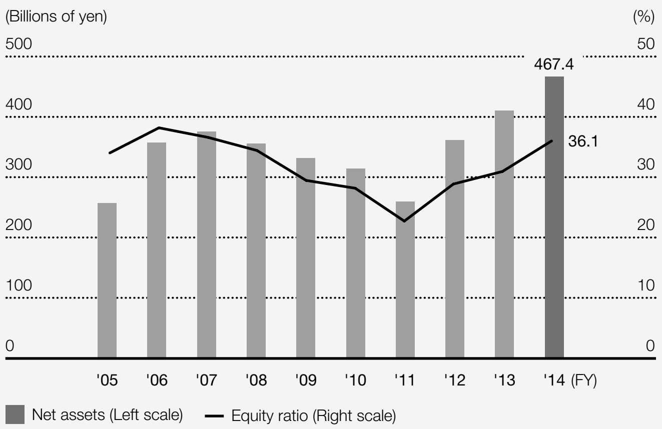
Dividend Policy

Our important task is to maximize returns to our shareholders while, for the sake of sustainable growth which is a main task of our management plan, maintaining necessary internal reserve to fund for our investments in plant and equipment and strengthen our financial position. Under our new medium-term management plan "K Value for our Next Century", we are aiming to achieve a balance between stability and growth, while paying stable dividends and sharing profit exceeding a designated level in line with total return ratio target.

The Company's year-end dividend (record date: March 31 of each 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 each year."

In fiscal 2014, which marked the final year of the medium-term management plan "K" LINE Vision 100: Bridge to the Future, the Company has decided to pay a year-end dividend of ¥6.0 per share based on the dividend payout ratio of 30% of consolidated net income. Accordingly, the annual dividend for this fiscal year will be ¥8.5 yen per share after adding the interim dividend of ¥2.5 per share.

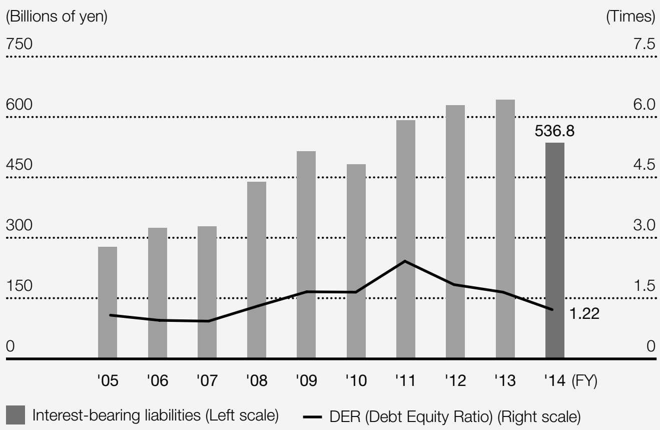
Net Assets / Equity Ratio



Equity ratio: Shareholders' equity/Total assets

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

Interest-bearing Liabilities / DER



DER: Interest-bearing liabilities/Shareholders' equity

Consolidated Financial Statements

Consolidated Balance Sheet

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
Assets	**2015**	2014	**2015**
Current Assets:			
Cash and deposits (Notes 7, 13 and 16)	**¥ 242,433**	¥ 186,394	**$ 2,017,417**
Marketable securities (Notes 3, 13 and 16)	**—**	49,998	**—**
Accounts and notes receivable – trade (Note 13)	**94,133**	94,346	**783,332**
Allowance for doubtful receivables	**(2,000)**	(657)	**(16,643)**
Inventories (Note 4)	**35,402**	49,150	**294,599**
Prepaid expenses and deferred charges	**43,860**	46,107	**364,983**
Deferred income taxes (Note 7)	**1,260**	2,073	**10,485**
Other current assets	**27,165**	20,195	**226,055**
Total current assets	**442,253**	447,606	**3,680,228**
Investments and other assets:			
Investments in and advances to unconsolidated subsidiaries and affiliates (Notes 13 and 18)	**46,084**	39,188	**383,490**
Investments in securities (Notes 3, 6 and 13)	**58,948**	60,141	**490,538**
Long-term loans receivable	**8,878**	8,220	**73,879**
Deferred income taxes (Note 7)	**7,593**	19,758	**63,185**
Asset for retirement benefits (Note 9)	**1,605**	1,168	**13,356**
Other assets	**21,248**	12,386	**176,816**
Allowance for doubtful receivables	**(365)**	(310)	**(3,037)**
Total investments and other assets	**143,991**	140,551	**1,198,227**
Vessels, property and equipment:			
Vessels (Notes 5 and 6)	**857,316**	867,159	**7,134,193**
Buildings, structures and equipment (Notes 5 and 6)	**99,864**	98,546	**831,023**
Accumulated depreciation	**(396,329)**	(366,435)	**(3,298,069)**
	560,851	599,270	**4,667,147**
Land (Notes 5, 6 and 11)	**25,820**	26,623	**214,862**
Construction in progress	**45,826**	35,333	**381,343**
Vessels, property and equipment, net (Note 18)	**632,497**	661,226	**5,263,352**
Intangible assets:			
Goodwill, net	**231**	508	**1,922**
Other intangible assets	**4,356**	4,851	**36,249**
Total intangible assets (Note 18)	**4,587**	5,359	**38,171**
Total assets (Note 18)	**¥1,223,328**	¥1,254,742	**$10,179,978**

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

Liabilities and net assets	Millions of yen 2015	2014	Thousands of U.S. dollars (Note 1(a)) 2015
Current liabilities:			
Short-term loans (Notes 6 and 13)	**¥ 5,483**	¥ 6,249	**$ 45,627**
Current portion of long-term debt (Notes 6 and 13)	**76,370**	116,220	**635,516**
Accounts and notes payable—trade (Note 13)	**101,325**	91,493	**843,180**
Advances received	**25,989**	27,774	**216,269**
Current portion of obligations under finance leases	**3,517**	10,205	**29,267**
Accrued income taxes (Note 7)	**6,554**	2,736	**54,539**
Allowance for loss related to the Anti-Monopoly Act	**1,672**	67	**13,914**
Deferred income taxes (Note 7)	**13**	10	**108**
Other current liabilities	**40,026**	31,558	**333,078**
Total current liabilities	**260,949**	286,312	**2,171,498**
Long-term liabilities:			
Long-term debt, less current portion (Notes 6 and 13)	**410,446**	472,255	**3,415,545**
Allowance for directors' and audit and supervisory board members' retirement benefits	**1,532**	1,541	**12,749**
Accrued expenses for overhaul of vessels	**14,128**	15,452	**117,567**
Obligations under finance leases, less current portion	**41,031**	38,866	**341,441**
Deferred income taxes (Note 7)	**3,234**	6,100	**26,912**
Deferred income taxes on land revaluation (Note 11)	**1,961**	2,097	**16,319**
Derivative liabilities	**12,147**	10,639	**101,082**
Liability for retirement benefits (Note 9)	**6,311**	7,978	**52,517**
Other long-term liabilities	**4,149**	2,812	**34,525**
Total long-term liabilities	**494,939**	557,740	**4,118,657**
Commitments and contingent liabilities (Note 12)			
Net assets:			
Shareholders' equity (Note 10):			
Common stock:			
Authorized — 2,000,000,000 shares in 2015 and 2014			
Issued — 939,382,298 shares in 2015 and 2014	**75,458**	75,458	**627,927**
Capital surplus	**60,312**	60,312	**501,889**
Retained earnings (Note 19)	**254,922**	234,430	**2,121,345**
Less treasury stock, at cost			
— 2,138,367 shares in 2015 and 1,658,555 shares in 2014	**(1,071)**	(908)	**(8,912)**
Total shareholders' equity	**389,621**	369,292	**3,242,249**
Accumulated other comprehensive income (loss):			
Net unrealized holding gain on investments in securities (Note 3)	**14,823**	8,188	**123,350**
Deferred gain on hedges (Note 14)	**8,720**	5,754	**72,564**
Revaluation reserve for land (Note 11)	**6,209**	5,979	**51,668**
Translation adjustments	**22,201**	71	**184,747**
Retirement benefits liability adjustments (Note 9)	**(42)**	(446)	**(350)**
Total accumulated other comprehensive income (loss), net	**51,911**	19,546	**431,979**
Minority interests in consolidated subsidiaries	**25,908**	21,852	**215,595**
Total net assets	**467,440**	410,690	**3,889,823**
Total liabilities and net assets	**¥1,223,328**	¥1,254,742	**$10,179,978**

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, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2015	2014	2015
Marine transportation and other operating revenues (Note 18)	¥1,352,421	¥1,224,126	$11,254,232
Marine transportation and other operating costs and expenses	1,227,594	1,123,237	10,215,479
Gross operating income	124,827	100,889	1,038,753
Selling, general and administrative expenses	76,839	72,035	639,419
Operating income	47,988	28,854	399,334
Other income (expenses):			
Interest and dividend income (Note 18)	3,715	3,505	30,915
Interest expense (Note 18)	(9,820)	(10,985)	(81,718)
Equity in earnings of subsidiaries and affiliates, net (Note 18)	2,181	2,757	18,149
Exchange gain, net	4,197	6,347	34,926
Gain on sales of vessels, property and equipment, net	7,920	4,958	65,907
Loss on impairment of vessels, property and equipment (Notes 5 and 18)	(13,571)	(3,959)	(112,932)
Gain on sales of investments in securities, net (Note 3)	7,731	1,298	64,334
Gain (loss) on sales of shares of subsidiaries, net	10,745	(73)	89,415
Loss related to the Anti-Monopoly Act	(7,023)	(5,698)	(58,442)
Provision of allowance for loss related to the Anti-Monopoly Act	(1,672)	(67)	(13,914)
Loss on cancellation of chartered vessels	(5,226)	—	(43,488)
Other, net	1,468	307	12,215
	645	(1,610)	5,367
Income before income taxes and minority interests	48,633	27,244	404,701
Income taxes (Note 7):			
Current	12,798	7,244	106,499
Deferred	7,804	1,333	64,941
Total income taxes	20,602	8,577	171,440
Income before minority interests	28,031	18,667	233,261
Minority interests	1,213	2,025	10,094
Net income	¥ 26,818	¥ 16,642	$ 223,167

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, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2015	2014	2015
Income before minority interests	¥28,031	¥18,667	$233,261
Other comprehensive income (Note 15):			
Net unrealized holding gain on investments in securities	6,694	5,717	55,704
Deferred gain on hedges	3,273	13,054	27,236
Revaluation reserve for land	130	272	1,082
Translation adjustments	22,673	13,662	188,675
Retirement benefits liability adjustments	424	—	3,528
Share of other comprehensive income of subsidiaries and affiliates accounted for by the equity method	839	1,711	6,982
Total other comprehensive income	34,033	34,416	283,207
Comprehensive income	¥62,064	¥53,083	$516,468
(Breakdown)			
Comprehensive income attributable to:			
Shareholders of Kawasaki Kisen Kaisha, Ltd.	¥59,192	¥50,730	$492,569
Minority interests	2,872	2,353	23,899

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, 2015

		Millions of yen												
	Number of shares in issue (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on investments in securities	Deferred gain on hedges	Revaluation reserve for land	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)	Minority interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2013	939,382	¥75,458	¥60,315	¥223,287	¥(904)	¥358,156	¥2,476	¥ (8,104)	¥2,350	¥(14,307)	¥ —	¥(17,585)	¥21,404	¥361,975
Change in items during the year:														
Cash dividends	—	—	—	(2,345)	—	(2,345)	—	—	—	—	—	—	—	(2,345)
Net income	—	—	—	16,642	—	16,642	—	—	—	—	—	—	—	16,642
Purchases of treasury stock	—	—	—	—	(9)	(9)	—	—	—	—	—	—	—	(9)
Disposal of treasury stock	—	—	(3)	—	5	2	—	—	—	—	—	—	—	2
Reversal of revaluation reserve for land	—	—	—	(3,158)	—	(3,158)	—	—	—	—	—	—	—	(3,158)
Net change in retained earnings resulting from changes in scope of consolidated or equity method of subsidiaries	—	—	—	4	—	4	—	—	—	—	—	—	—	4
Net changes in items other than shareholders' equity	—	—	—	—	—	—	5,712	13,858	3,629	14,378	(446)	37,131	448	37,579
Net change during the year:	—	—	(3)	11,143	(4)	11,136	5,712	13,858	3,629	14,378	(446)	37,131	448	48,715
Balance at March 31, 2014	939,382	¥75,458	¥60,312	¥234,430	¥(908)	¥369,292	¥8,188	¥ 5,754	¥5,979	¥ 71	¥(446)	¥ 19,546	¥21,852	¥410,690
Balance at April 1, 2014	**¥939,382**	**¥75,458**	**¥60,312**	**¥234,430**	**¥(908)**	**¥369,292**	**¥8,188**	**¥5,754**	**¥5,979**	**¥ 71**	**¥(446)**	**¥19,546**	**¥21,852**	**¥410,690**
Cumulative effects of change in method of accounting	—	—	—	**(245)**	—	**(245)**	—	—	—	—	—	—	**(11)**	**(256)**
Balance as adjusted	**939,382**	**75,458**	**60,312**	**234,185**	**(908)**	**369,047**	**8,188**	**5,754**	**5,979**	**71**	**(446)**	**19,546**	**21,841**	**410,434**
Change in items during the year:														
Cash dividends	—	—	—	**(6,566)**	—	**(6,566)**	—	—	—	—	—	—	—	**(6,566)**
Net income	—	—	—	**26,818**	—	**26,818**	—	—	—	—	—	—	—	**26,818**
Purchases of treasury stock	—	—	—	—	**(163)**	**(163)**	—	—	—	—	—	—	—	**(163)**
Reversal of revaluation reserve for land	—	—	—	**9**	—	**9**	—	—	—	—	—	—	—	**9**
Net change in retained earnings resulting from changes in scope of consolidated or equity method of subsidiaries	—	—	—	**476**	—	**476**	—	—	—	—	—	—	—	**476**
Net changes in items other than shareholders' equity	—	—	—	—	—	—	**6,635**	**2,966**	**230**	**22,130**	**404**	**32,365**	**4,067**	**36,432**
Net change during the year:	—	—	—	**20,737**	**(163)**	**20,574**	**6,635**	**2,966**	**230**	**22,130**	**404**	**32,365**	**4,067**	**57,006**
Balance at March 31, 2015	**¥939,382**	**¥75,458**	**¥60,312**	**¥254,922**	**¥(1,071)**	**¥389,621**	**¥14,823**	**¥8,720**	**¥6,209**	**¥22,201**	**¥ (42)**	**¥51,911**	**¥25,908**	**¥467,440**

	Thousands of U.S. dollars (Note 1(a))												
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on investments in securities	Deferred gain on hedges	Revaluation reserve for land	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)	Minority interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2014	**$627,927**	**$501,889**	**$1,950,819**	**$(7,556)**	**$3,073,079**	**$68,137**	**$47,882**	**49,755**	**591**	**(3,712)**	**162,653**	**181,843**	**3,417,575**
Cumulative effects of change in method of accounting	—	—	**(2,038)**	—	**(2,038)**	—	—	—	—	—	—	**(92)**	**(2,130)**
Balance as adjusted	**627,927**	**501,889**	**1,948,781**	**(7,556)**	**3,071,041**	**68,137**	**47,882**	**49,755**	**591**	**(3,712)**	**162,653**	**181,751**	**3,415,445**
Change in items during the year:													
Cash dividends	—	—	**(54,639)**	—	**(54,639)**	—	—	—	—	—	—	—	**(54,639)**
Net income	—	—	**223,167**	—	**223,167**	—	—	—	—	—	—	—	**223,167**
Purchases of treasury stock	—	—	—	**(1,356)**	**(1,356)**	—	—	—	—	—	—	—	**(1,356)**
Reversal of revaluation reserve for land	—	—	**75**	—	**75**	—	—	—	—	—	—	—	**75**
Net change in retained earnings resulting from changes in scope of consolidated or equity method of subsidiaries	—	—	**3,961**	—	**3,961**	—	—	—	—	—	—	—	**3,961**
Net changes in items other than shareholders' equity	—	—	—	—	—	**55,213**	**24,682**	**1,913**	**184,156**	**3,362**	**269,326**	**33,844**	**303,170**
Net change during the year:	—	—	**172,564**	**(1,356)**	**171,208**	**55,213**	**24,682**	**1,913**	**184,156**	**3,362**	**269,326**	**33,844**	**474,378**
Balance at March 31, 2015	**$627,927**	**$501,889**	**$2,121,345**	**$(8,912)**	**$3,242,249**	**$123,350**	**$72,564**	**51,668**	**184,747**	**(350)**	**431,979**	**215,595**	**3,889,823**

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, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2015	2014	2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 48,633	¥ 27,244	$ 404,701
Depreciation and amortization	53,527	52,244	445,427
(Decrease) increase in liability for retirement benefits	(1,667)	696	(13,872)
Reversal of allowance for directors' and audit and supervisory board members' retirement benefits	(17)	(42)	(141)
Decrease in accrued expenses for overhaul of vessels	(1,359)	(1,113)	(11,309)
Provision for allowance for loss related to the Anti-Monopoly Act	1,604	67	13,348
Interest and dividend income	(3,715)	(3,505)	(30,915)
Interest expense	9,820	10,985	81,718
Exchange gain, net	(951)	(3,092)	(7,914)
Loss on impairment of vessels, property and equipment	13,571	3,959	112,932
Loss on cancellation of chartered vessels	5,226	—	43,488
Loss related to the Anti-Monopoly Act	7,023	5,698	58,442
Gain on sales of vessels, property and equipment, net	(7,920)	(4,958)	(65,907)
Gain on sales of investments in securities, net	(7,731)	(1,298)	(64,334)
(Gain) loss on sales of shares of subsidiaries, net	(10,745)	73	(89,415)
Changes in operating assets and liabilities:			
Decrease (increase) in accounts and notes receivable—trade	2,296	(4,462)	19,106
Decrease (increase) in inventories	14,186	(5,741)	118,050
Decrease (increase) in other current assets	1,848	(1,492)	15,378
Increase in accounts and notes payable—trade	7,652	5,777	63,677
Increase in other current liabilities	6,357	3,083	52,900
Net change in derivative assets and liabilities	—	23,613	—
Other, net	(3,605)	(6,697)	(29,998)
Subtotal	134,033	101,039	1,115,362
Interest and dividends received	4,979	4,726	41,433
Interest paid	(10,169)	(10,996)	(84,622)
Payments for cancellation of chartered vessels	(5,226)	—	(43,488)
Payments related to the Anti-Monopoly Act	(12,722)	—	(105,867)
Income taxes paid	(9,069)	(6,541)	(75,468)
Net cash provided by operating activities	¥101,826	¥ 88,228	$ 847,350

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

Consolidated Statement of Cash Flows (continued)

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2015	2014	2015
Cash flows from investing activities:			
Payments into time deposits	¥ (47,586)	¥ (11,392)	$ (395,989)
Proceeds from withdrawal of time deposits	28,694	884	238,778
Purchases of marketable securities and investments in securities	(4,990)	(2,137)	(41,525)
Proceeds from sales of marketable securities and investments in securities	19,462	11,035	161,954
Proceeds from sales of shares of subsidiaries	13,736	19	114,305
Purchases of vessels, property and equipment	(87,912)	(92,317)	(731,564)
Proceeds from sales of vessels, property and equipment	69,002	88,910	574,203
Increase in intangible assets	(830)	(772)	(6,907)
Initiation of long-term loans receivable	(1,663)	(1,069)	(13,839)
Collection of long-term loans receivable	2,631	1,537	21,894
Other, net	(1,721)	189	(14,320)
Net cash used in investing activities	(11,177)	(5,113)	(93,010)
Cash flows from financing activities:			
Decrease in short-term loans, net	(921)	(3,156)	(7,664)
Proceeds from long-term loans	33,870	77,948	281,851
Repayment of long-term loans and obligations under finance leases	(102,702)	(122,005)	(854,639)
Proceeds from issuance of bonds	—	49,939	—
Redemption of bonds	(45,378)	(25,874)	(377,615)
Cash dividends paid	(6,559)	(2,343)	(54,581)
Cash dividends paid to minority shareholders	(1,445)	(1,140)	(12,025)
Proceeds from sale and leaseback transactions	3,881	—	32,296
Other, net	0	(3)	0
Net cash (used in) provided by financing activities	(119,254)	(26,634)	(992,377)
Effect of exchange rate changes on cash and cash equivalents	14,714	7,020	122,442
Net (decrease) increase in cash and cash equivalents	(13,891)	63,501	(115,595)
Cash and cash equivalents at beginning of year	222,607	159,075	1,852,434
Increase in cash and cash equivalents arising from initial consolidation of subsidiaries	709	31	5,900
Cash and cash equivalents at end of year (Note 16)	¥ 209,425	¥ 222,607	$ 1,742,739

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, 2015

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, 2014 to the 2015 presentation. Such reclassifications had no effect on consolidated net income, net assets or cash flows.

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 ¥120.17=U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2015. 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 309 and 293 subsidiaries for the years ended March 31, 2015 and 2014, respectively. The principles of consolidation are to include significant subsidiaries, whose voting interests are owned 40 per cent. or more by the consolidated group and whose decision-making control over their operations is significantly affected by the consolidated group through financial or technical support, personnel, transactions, and so forth. In addition, significant affiliates whose decision-making control over their operations is significantly affected by the consolidated group in various ways are accounted for by the equity method.

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

Goodwill is, as a rule, amortized by the straight-line method over a period of five years.

(c) Accounting period

The Company and 300 consolidated subsidiaries have a March 31 year end, and the remaining nine consolidated subsidiaries have a December 31 year end. For three of these consolidated subsidiaries with a December year end, adjustments have been made for any significant transactions which took place during the period between their year end and the year end of the Company, and for the other six, a provisional closing of their accounts as of the year end of the Company has been used.

(d) Translation of foreign currencies

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 accumulated other comprehensive income (loss) and minority interests in 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 principally 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 principally 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.

(l) Leases

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

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

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

(m) Research and development costs and computer software

Research and development costs are charged to income as incurred.

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

(n) Retirement benefits

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

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

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

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

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

(o) Accrued expenses for overhaul of vessels

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

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

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

(q) Derivatives and hedging activities

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

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

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

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

(r) 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.

(s) Deferred assets

Bond issuance costs are charged to income as incurred.

(t) 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.

(u) 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.

(v) Standards issued but not yet effective

Accounting standards for business combinations

On September 13, 2013, the Accounting Standards Board of Japan ("ASBJ") issued "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7), "Revised Accounting Standard for Earnings Per Share" (ASBJ Statement No.2), "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10) and "Revised Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No.4).

Under these revised accounting standards, the accounting treatment for any changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary and the corresponding accounting for acquisition-related costs were amended, the reference to "minority interests" was changed to "non-controlling interests," and accounting treatment for adjustments to provisional amounts was also changed.

These standards and related guidance are effective from the beginning of the fiscal year ending on March 31, 2016. However, the accounting treatment for adjustments to provisional amounts will be applied for business combinations conducted on or after April 1, 2015.

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

Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements

On March 26, 2015, the ASBJ issued "Revised Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No.18).

The ASBJ issued the revised practical solution to reflect the change in accounting treatment for goodwill following a revision to U.S. GAAP in January 2014, to reflect the revision to Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22) in September 2013, and to clarify how actuarial gain or loss related to retirement benefit accounting is charged to income.

This revised practical solution is effective from the beginning of the fiscal year ending on March 31, 2016.

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

2. Changes in Method of Accounting

Accounting Standard for Retirement Benefits

Effective from April 1, 2014, the Company and its domestic consolidated subsidiaries have adopted paragraph 35 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26, May 17, 2012) and paragraph 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, March 26, 2015). As a result, the methods for calculating the retirement benefit obligations and service cost have been revised in the following respects: the method for attributing projected benefits to each period has been changed from the straight-line method to the benefit formula method, and the method for determining the discount rate has been changed from using a discount rate based on estimated average remaining years of service of the eligible employees to using a single weighted-average discount rate reflecting the expected timing and amount of benefit payments.

The cumulative effect of changing the methods for calculating the retirement benefit obligation and service cost was recognized by adjusting retained earnings at April 1, 2014 in accordance with the transitional provisions provided in paragraph 37 of the ASBJ Statement No.26.

As a result of this change, asset for retirement benefits decreased by ¥105 million ($874 thousand) and liability for retirement benefits increased by ¥382 million ($3,179 thousand), whereas retained earnings decreased by ¥245 million ($2,038 thousand) at April 1, 2014. The effect of this change on consolidated operating results for the year ended March 31, 2015 was immaterial.

3. Marketable Securities and Investments in Securities

At March 31, 2015 and 2014, marketable securities and investments in securities with quoted market prices classified as held-to-maturity debt securities are summarized as follows:

	Millions of yen		
	2015		
	Carrying value	Estimated fair value	Unrealized gain
Securities whose estimated fair value exceeds their carrying value:			
Government and municipal bonds	**¥ 4**	**¥ 5**	**¥ 1**
Securities whose estimated fair value does not exceed their carrying value:			
Government and municipal bonds	**—**	**—**	**—**
Total	**¥ 4**	**¥ 5**	**¥ 1**

	Millions of yen		
	2014		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose estimated fair value exceeds their carrying value:			
Government and municipal bonds	¥ 3	¥ 3	¥ 0
Securities whose estimated fair value does not exceed their carrying value:			
Government and municipal bonds	49,998	49,995	(3)
Total	¥50,001	¥49,998	¥ (3)

	Thousands of U.S. dollars		
	2015		
	Carrying value	Estimated fair value	Unrealized gain
Securities whose estimated fair value exceeds their carrying value:			
Government and municipal bonds	$ 33	$ 41	$ 8
Securities whose estimated fair value does not exceed their carrying value:			
Government and municipal bonds	—	—	—
Total	$ 33	$ 41	$ 8

At March 31, 2015 and 2014, marketable securities and investments in securities with quoted market prices classified as other securities are summarized as follows:

	Millions of yen		
	2015		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥22,379	¥2,452	¥19,927
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	26,517	26,525	(8)
Total	¥48,896	¥28,977	¥19,919

	Millions of yen		
	2014		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥37,402	¥18,284	¥19,118
Government and municipal bonds	200	200	0
	37,602	18,484	19,118
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	13,622	20,136	(6,514)
Total	¥51,224	¥38,620	¥12,604

	Thousands of U.S. dollars		
	2015		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	$ 186,228	$ 20,405	$165,823
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	220,662	220,729	(67)
Total	$406,890	$241,134	$165,756

Proceeds from sales of investments in securities classified as other securities for the years ended March 31, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Proceeds from sales	¥18,125	¥10,571	$150,828
Aggregate gain	7,741	2,770	64,417
Aggregate loss	(10)	(1,471)	(83)

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

Loss on devaluation of investments in securities and investments in unconsolidated subsidiaries and affiliates included in other, net is disclosed in consolidated statement of income.

The Company has recognized loss on devaluation of investments in securities classified as other securities of ¥8 million ($67 thousand) and ¥1,608 million for the years ended March 31, 2015 and 2014, respectively. The Company has recognized loss on devaluation of investments in unconsolidated subsidiaries and affiliates of ¥49 million ($408 thousand) for the year ended March 31, 2015.

4. Inventories

Inventories as of March 31, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Raw materials and supplies	¥35,312	¥49,032	$293,850
Others	90	118	749
Total	¥35,402	¥49,150	$294,599

5. Loss on Impairment of vessels, property and equipment

Losses on impairment of vessels, property and equipment for the years ended March 31, 2015 and 2014 were as follows:

Asset Description	Usage	Classification	Millions of yen 2015	Thousands of U.S. dollars 2015
Assets for iron ore carrier business	Business assets	Vessels	¥6,609	$54,997
Assets for heavy lifter services business	Business assets	Vessels	2,447	20,363
Assets for container services business	Assets for sale	Vessels	2,020	16,810
Assets for short sea and coastal business	Business assets	Vessels	1,752	14,579
Assets for offshore energy E&P support business	Business assets	Vessels	536	4,460
Others	Business assets, assets for sale and idle assets	Vessels, building and land	207	1,723
Total			¥13,571	$112,932

Asset Description	Usage	Classification	Millions of yen 2014
Assets for iron ore carrier business	Assets for sale	Vessels	¥1,417
Assets for short sea and coastal business	Business assets and assets for sale	Vessels	1,107
Assets for heavy lifter services business	Assets for sale	Vessels	948
Assets for bulk carrier business	Assets for sale	Vessels	301
Others	Business assets, assets for sale and idle assets	Building, structures, land and vessels	186
Total			¥3,959

The Company and its consolidated subsidiaries group vessels, property and equipment for business use based on the smallest identifiable groups of assets generating cash flows whose income and expenditure monitored perpetually; however, they group idle assets individually.

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

As profitability decreased significantly, the carrying values of assets were reduced to the respective recoverable amounts and loss on impairment was recorded. The recoverable amounts are measured by the value-in-use method based on estimated future cash flows discounted at rate of 7.0 per cent. for the iron ore carrier business, 3.2 per cent. for the heavy lifter service business, 4.2 per cent. for the short sea and coastal business, and 5.3 per cent. for the offshore energy E&P support business for the year ended March 31, 2015.

As profitability decreased significantly, the carrying values of assets were reduced to the respective recoverable amounts and loss on impairment was recorded. The recoverable amounts are measured by the value-in-use method based on estimated future cash flows discounted at rate of 2.8 per cent. for the short sea and coastal business, and 3.2 per cent. for other business for the year ended March 31, 2014.

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. Short-Term Loans and Long-Term Debt

Short-term loans from banks and insurance companies principally represent loans on deeds with average interest rates of 0.50 per cent. and 0.54 per cent. per annum at March 31, 2015 and 2014, respectively.

Long-term debt at March 31, 2015 and 2014 consisted of the following:

	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
Loans from banks and insurance companies due in installments through September 2072 at average interest rates of 1.24% and 1.29% per annum at March 31, 2015 and 2014, respectively	¥ 433,495	¥ 489,776	$3,607,348
Euro-yen zero coupon convertible bonds with stock acquisition rights in yen, due September 26, 2018	50,000	50,000	416,077
1.83% bonds in yen, due April 14, 2014	—	15,000	—
1.46% bonds in yen, due June 19, 2014	—	30,000	—
Bonds in yen, interest rate indexed to TIBOR, due July 16, 2019	3,321	3,699	27,636
Total	486,816	588,475	4,051,061
Less: Current portion	(76,370)	(116,220)	(635,516)
	¥ 410,446	¥ 472,255	$3,415,545

The Euro-yen zero coupon convertible bonds with stock acquisition rights due 2018 are convertible at ¥312.7 ($2.60) per share and are exercisable from October 10, 2013 to September 12, 2018. When holders of bonds with stock acquisition rights who intend to exercise their stock acquisition rights request conversion of the repayment of the bonds to the payment of the exercise price, the Company regards the payment of the exercise price as the repayment of the bonds. When holders of bonds with stock acquisition rights exercise their stock acquisition rights, the Company also regards the payment of the exercise price as the repayment of the convertible bonds.

The aggregate annual maturities of long-term debt subsequent to March 31, 2015 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥76,370	$635,516
2017	67,135	558,667
2018	44,867	373,363
2019	87,622	729,150
2020	39,087	325,264
2021 and thereafter	171,735	1,429,101
Total	¥486,816	$4,051,061

A summary of assets pledged as collateral at March 31, 2015 for short-term loans and the current portion of long-term loans in the amount of ¥46,380 million ($385,953 thousand), long-term loans of ¥248,389 million ($2,066,980 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	¥389,960	$3,245,070
Buildings, structures and equipment at net book value	3,811	31,713
Land	1,962	16,327
Investments in securities	10,077	83,856
Other	57	474
Total	¥405,867	$3,377,440

Investments in securities of ¥10,077 million ($83,856 thousand) were pledged as collateral to secure future loans for investments in vessels of subsidiaries and affiliates. Therefore, no corresponding liabilities existed as of March 31, 2015.

Out of vessels at net book value of ¥389,960 million ($3,245,070 thousand) above, ¥4,116 million ($34,251 thousand) was pledged as collateral for entrusted guarantees.

7. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to a number of taxes based on income, which, in the aggregate, resulted in statutory tax rates of approximately 31.7 per cent. and 34.2 per cent. for the years ended March 31, 2015 and 2014, respectively.

The effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2015 and 2014, respectively, differ from the statutory tax rates for the following reasons:

	2015	2014
Statutory tax rates	**31.7%**	34.2%
Changes in the valuation allowance	**7.9**	3.9
Difference in statutory tax rates of consolidated subsidiaries	**5.2**	0.4
Tonnage tax	**(11.0)**	(11.6)
Equity in earnings of subsidiaries and affiliates, net	**(0.8)**	(2.7)
Surcharge payment	**5.7**	7.2
Decrease of deferred tax assets, resulting from change in the statutory tax rates	**3.1**	2.2
Other	**0.6**	(2.1)
Effective tax rates	**42.4**	31.5%

The tax effects of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at March 31, 2015 and 2014 are analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Liability for retirement benefits	**¥ 2,298**	¥ 2,546	**$ 19,123**
Non-deductible allowances	**2,625**	1,934	**21,844**
Loss on impairment of vessels, property and equipment	**2,485**	1,240	**20,679**
Elimination of unrealized intercompany profit	**939**	942	**7,814**
Accounts and notes payable – trade	**2,505**	3,685	**20,845**
Loss on devaluation of investments in securities	**1,956**	1,984	**16,277**
Net operating loss carry forwards	**24,042**	34,291	**200,067**
Other	**9,178**	7,672	**76,375**
Gross deferred tax assets	**46,028**	54,294	**383,024**
Valuation allowance	**(19,283)**	(17,611)	**(160,464)**
Total deferred tax assets	**26,745**	36,683	**222,560**
Deferred tax liabilities:			
Reserve for special depreciation	**(654)**	(971)	**(5,442)**
Deferred gain on tangible fixed assets for tax purposes	**(1,075)**	(1,240)	**(8,946)**
Unrealized holding gain on investments in securities	**(6,020)**	(3,776)	**(50,096)**
Accelerated depreciation in overseas subsidiaries	**(1,429)**	(1,499)	**(11,891)**
Deferred gain on hedges	**(6,568)**	(6,881)	**(54,656)**
Other	**(5,393)**	(6,595)	**(44,879)**
Total deferred tax liabilities	**(21,139)**	(20,962)	**(175,910)**
Net deferred tax assets	**¥ 5,606**	¥ 15,721	**$ 46,650**

The "Act for Partial Revision of the Income Tax Act, etc." (Act No.9 of 2015) and the "Act for Partial Revision of the Local Tax Act, etc." (Act No.2 of 2015) were announced on March 31, 2015. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from mainly 31.7 per cent. to mainly 29.7 per cent. for the temporary differences expected to be realized or settled for the period between April 1, 2015 and March 31, 2016 and to mainly 29.5 per cent. for the temporary differences expected to be realized or settled on April 1, 2016 or thereafter.

As a result of the above changes, the amount of deferred tax assets (after deducting the amount of deferred tax liabilities) decreased by ¥396 million ($3,295 thousand), the amount of income taxes-deferred increased by ¥1,342 million ($11,168 thousand), unrealized holding gain on investments in securities increased by ¥461 million ($3,836 thousand), deferred gain on hedges increased by ¥485 million ($4,036 thousand) and retirement benefits liability adjustments increased by ¥1 million ($8 thousand) as of March 31, 2015 and for the year then ended.

In addition, the amount of deferred tax liability on land revaluation decreased by ¥131 million ($1,090 thousand) and revaluation reserve for land increased by ¥131 million ($1,090 thousand) as of March 31, 2015.

The deductible amount of tax loss carried forward will be also limited to 65 per cent. of taxable income before deductions of tax loss carried forward effective for fiscal years beginning on or after April 1, 2015, and limited to 50 per cent. of taxable income before deductions of tax loss carried forward effective for fiscal years beginning on or after April 1, 2017. As a result, deferred tax assets decreased and income taxes-deferred increased by ¥5,074 million ($42,224 thousand) as of and for the year ended March 31, 2015.

The Company and certain domestic consolidated subsidiaries adopted the consolidated corporate tax system, specifying the Company as a parent company for consolidated tax payments effective for the year ended March 31, 2015.

8. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of assets leased to the Company and its consolidated subsidiaries at March 31, 2015 and 2014, which would have been reflected in the accompanying consolidated balance sheets if finance leases, other than those which transfer the ownership of the leased assets to the Company or its consolidated subsidiaries, that started on or before March 31, 2008 (which are currently accounted for as operating leases) had been capitalized:

	Millions of yen		
	2015		
At March 31, 2015	Vessels	Other	Total
Acquisition costs	**¥23,042**	**¥ 740**	**¥23,782**
Accumulated depreciation	**(5,214)**	**(550)**	**(5,764)**
Net book value	**¥17,828**	**¥ 190**	**¥18,018**

	Millions of yen		
	2014		
At March 31, 2014	Vessels	Other	Total
Acquisition costs	¥23,042	¥1,245	¥24,287
Accumulated depreciation	(4,084)	(917)	(5,001)
Net book value	¥18,958	¥ 328	¥19,286

	Thousands of U.S. dollars		
	2015		
At March 31, 2015	Vessels	Other	Total
Acquisition costs	**$191,745**	**$6,158**	**$197,903**
Accumulated depreciation	**(43,389)**	**(4,577)**	**(47,966)**
Net book value	**$148,356**	**$1,581**	**$149,937**

Lease payments related to finance leases accounted for as operating leases and depreciation and interest expense for the years ended March 31, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Lease payments	**¥2,252**	¥2,565	**$18,740**
Depreciation	**1,224**	2,106	**10,186**
Interest expense	**423**	366	**3,520**

Future minimum lease payments subsequent to March 31, 2015 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 1,826	$ 15,195
2017 and thereafter	16,311	135,733
Total	¥18,137	$150,928

Future minimum lease payments or receipts subsequent to March 31, 2015 for non-cancellable operating leases are summarized as follows:

(As lessees)

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 31,528	$ 262,362
2017 and thereafter	140,542	1,169,526
Total	¥172,070	$1,431,888

(As lessors)

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 69	$ 574
2017 and thereafter	73	608
Total	¥142	$1,182

9. Retirement Benefits

The Company and its consolidated subsidiaries have funded and unfunded defined benefit pension plans and defined contribution pension plans.

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

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

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

The defined benefit pension plans

The changes in the retirement benefit obligation, except for plans which apply a simplified method, during the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Retirement benefit obligation at beginning of the year	¥22,179	¥20,772	$184,564
Cumulative effect of change in method of accounting	487	—	4,052
Balance as adjusted	22,666	20,772	188,616
Service cost	1,303	1,201	10,843
Interest cost	303	319	2,521
Actuarial differences	193	695	1,606
Payment of retirement benefits	(1,169)	(1,207)	(9,728)
Past service cost	(649)	—	(5,401)
Foreign currency exchange rate changes	197	404	1,639
Other	105	(5)	875
Retirement benefit obligation at end of the year	¥22,949	¥22,179	$190,971

The changes in pension plan assets, except for plans which apply a simplified method, during the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Pension plan assets at fair value at beginning of the year	¥17,797	¥16,961	$148,099
Expected return on pension plan assets	769	74	6,399
Actuarial differences	105	689	874
Contributions by the employer	2,528	521	21,037
Payment of retirement benefits	(717)	(461)	(5,967)
Foreign currency exchange rate changes	19	13	158
Pension plan assets at fair value at end of the year	¥20,501	¥17,797	$170,600

The changes in liability for retirement benefits calculated by a simplified method for certain consolidated subsidiaries for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Liability for retirement benefits, net at beginning of the year	¥2,615	¥2,750	$21,761
Retirement benefit expenses	139	351	1,157
Payment of retirement benefits	(257)	(271)	(2,139)
Contributions to the plans	(239)	(215)	(1,989)
Liability for retirement benefits, net at end of the year	¥2,258	¥2,615	$18,790

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2015 and 2014 for the Company's and the consolidated subsidiaries' defined benefit pension plans:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded retirement benefit obligation	¥24,330	¥22,195	$202,463
Plan assets at fair value	(22,472)	(19,562)	(187,002)
Subtotal	1,858	2,633	15,461
Unfunded retirement benefit obligation	2,848	4,177	23,700
Liability for retirement benefits in the consolidated balance sheet, net	¥4,706	¥6,810	$39,161
Liability for retirement benefits	6,311	7,978	52,517
Asset for retirement benefits	(1,605)	(1,168)	(13,356)
Liability for retirement benefits in the consolidated balance sheet, net	¥ 4,706	¥6,810	$ 39,161

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

Retirement benefit expenses for the Company and its consolidated subsidiaries for the years ended March 31, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥1,303	¥1,201	$10,843
Interest cost	303	319	2,521
Expected return on pension plan assets	(769)	(74)	(6,399)
Amortizations of actuarial differences	(48)	37	(400)
Amortizations of past service cost	49	77	408
Retirement benefit expenses calculated by a simplified method	139	351	1,157
Retirement benefit expenses	¥ 977	¥1,911	$ 8,130

Retirement benefits liability adjustments included in other comprehensive income before tax effect for the Company and its consolidated subsidiaries for the year ended March 31, 2015 is summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2015	2015
Past service cost	¥698	$5,808
Actuarial loss	(152)	(1,264)
Total	¥546	$4,544

Retirement benefits liability adjustments included in accumulated other comprehensive income before tax effects for the years ended March 31, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized past service cost	¥(231)	¥467	$(1,922)
Unrecognized actuarial differences	300	141	2,496
Total	¥ 69	¥608	$ 574

The fair value of pension plan assets by major category as of March 31, 2015 and 2014 is as follows:

	2015	2014
Bonds	45%	42%
Equity	23	24
General account assets	27	30
Other	5	4
Total	100%	100%

The assumptions used in actuarial calculations for the above defined benefit pension plans for the years ended March 31, 2015 and 2014 are as follows:

	2015	2014
Discount rates	Mainly 1.20%	Mainly 1.20%
Expected rates of return on plan assets	Mainly 5.90%	Mainly 0.00%
Rates of salary increase	Mainly from 1.20% to 15.95%	Mainly from 1.20% to 15.95%

Total contributions paid by consolidated subsidiaries to the defined contribution pension plans amounted to ¥647 million ($5,384 thousand) and ¥765 million for the years ended March 31, 2015 and 2014, respectively.

10. Shareholders' Equity

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

The Company's legal reserve included in retained earnings at March 31, 2015 and 2014 amounted to ¥2,540 million ($21,137 thousand).

In accordance with the former Commercial Code of Japan, 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 2005 stock option plan (the 2005 plan) was approved by shareholders of the Company on June 29, 2005.

The stock option plan of the Company is summarized as follows:

Stock option plan	Date of grant	Exercisable period
The 2005 plan	July 25, 2005	From June 30, 2007 up to and including June 29, 2015

Movements in the number of vested stock options for the stock option plan of the Company during the years ended March 31, 2015 and 2014 are summarized as follows:

	The 2005 plan
Number of stock options*:	
Outstanding as of March 31, 2013	187
Vested	—
Exercised	—
Forfeited	—
Outstanding as of March 31, 2014	187
Vested	—
Exercised	—
Forfeited	—
Outstanding as of March 31, 2015	187

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

The unit price of the stock option for the stock option plan of the Company during the year ended March 31, 2015 is summarized as follows:

	Yen	U.S. dollars
	The 2005 plan	
Unit price of stock options:		
Exercise price as of March 31, 2015	¥693	$5.77
Average market price per share at exercise during the year ended March 31, 2015	—	—
Fair value of stock options	—	—

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, 2015 and 2014 are summarized as follows:

	Number of shares (Thousands)			
	April 1, 2014	Increase	Decrease	March 31, 2015
Common stock	939,382	—	—	939,382
Treasury stock	1,658	480	—	2,138

	Number of shares (Thousands)			
	April 1, 2013	Increase	Decrease	March 31, 2014
Common stock	939,382	—	—	939,382
Treasury stock	1,628	39	9	1,658

11. Land Revaluation

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

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

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

At March 31, 2015 and 2014, the fair value of land was lower than its carrying value after revaluation by ¥2,747 million ($22,859 thousand) and ¥2,738 million, respectively.

12. Commitments and Contingent Liabilities

At March 31, 2015, commitments made by the Company and its consolidated subsidiaries for the construction of vessels amounted to ¥89,422 million ($744,129 thousand).

Contingent liabilities for guarantees of loans to affiliates and third-party companies, reservation of guarantees under insurance business laws of Japan and obligation of additional contribution etc. as of March 31, 2015 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2015	2015
Guarantee of loans	¥16,680	$138,803
Reservation of guarantee	490	4,078
Obligation of additional investment etc.	1,701	14,155

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

The Group has trade accounts and notes payable, which have payment due dates within one year. Funds for certain capital expenditures, such as construction of vessels denominated in foreign currencies, are exposed to foreign currency exchange risk, 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 57 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, (q) Derivatives and hedging activities.

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

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

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

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

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

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

Estimated fair value of financial instruments

The carrying value of financial instruments on the consolidated balance sheets as of March 31, 2015 and 2014, 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		
	2015		
	Carrying value	Estimated fair value	Difference
Assets			
Cash and deposits	**¥242,433**	**¥242,433**	**¥ —**
Accounts and notes receivable -trade	**94,133**	**94,133**	**—**
Marketable securities and investments in securities:			
Held to maturity debt securities	**4**	**5**	**1**
Other securities	**48,896**	**48,896**	**—**
Investment in unconsolidated subsidiaries and affiliates	**3,857**	**1,198**	**(2,659)**
Total assets	**¥389,323**	**¥386,665**	**¥(2,658)**
Liabilities			
Accounts and notes payable -trade	**¥101,325**	**¥101,325**	**¥ —**
Short-term loans, inclusive of current portion of long-term loans	**81,475**	**81,943**	**468**
Long-term debt, less current portion:			
Bonds	**52,943**	**61,553**	**8,610**
Long-term loans	**357,503**	**359,705**	**2,202**
Total liabilities	**¥593,246**	**¥604,526**	**¥11,280**
Derivative transactions (*)	**¥ (5,164)**	**¥ (5,419)**	**¥ (255)**

	Millions of yen		
	2014		
	Carrying value	Estimated fair value	Difference
Assets			
Cash and deposits	¥186,394	¥186,394	¥ —
Accounts and notes receivable -trade	94,346	94,346	—
Marketable securities and investments in securities:			
Held to maturity debt securities	50,001	49,998	(3)
Other securities	51,224	51,224	—
Investments in unconsolidated subsidiaries and affiliates	3,518	968	(2,550)
Total assets	¥385,483	¥382,930	¥(2,553)
Liabilities			
Accounts and notes payable -trade	¥ 91,493	¥ 91,493	¥ —
Short-term loans, inclusive of current portion of long-term loans	77,091	77,694	603
Long-term debt, less current portion:			
Bonds	53,321	54,965	1,644
Long-term loans	418,934	422,495	3,561
Total liabilities	¥640,839	¥646,647	¥5,808
Derivative transactions (*)	¥ (8,840)	¥ (9,179)	¥ (339)

	Thousands of U.S. dollars		
	2015		
	Carrying value	Estimated fair value	Difference
Assets			
Cash and deposits	**$2,017,417**	**$2,017,417**	**$ —**
Accounts and notes receivable -trade	**783,332**	**783,332**	**—**
Marketable securities and investments in securities:			
Held to maturity debt securities	**33**	**41**	**8**
Other securities	**406,890**	**406,890**	**—**
Investments in unconsolidated subsidiaries and affiliates	**32,096**	**9,969**	**(22,127)**
Total assets	**$3,239,768**	**$3,217,649**	**$(22,119)**
Liabilities			
Accounts and notes payable -trade	**$ 843,180**	**$ 843,180**	**$ —**
Short-term loans, inclusive of current portion of long-term loans	**677,998**	**681,892**	**3,894**
Long-term debt, less current portion:			
Bonds	**440,567**	**512,216**	**71,649**
Long-term loans	**2,974,977**	**2,993,301**	**18,324**
Long-term loans	**$4,936,722**	**$5,030,589**	**$93,867**
Derivative transactions (*)	**$ (42,972)**	**$ (45,094)**	**$ (2,122)**

(*) 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 equity securities and investments in securities is based on market prices prevailing in the applicable stock exchange. Fair value of debt securities is based on market prices provided by Japan Securities Dealers Association or prices provided by financial institutions.

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 the same method as long-term loans.

Fair value of bonds is mainly based on market prices.

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

The financial instruments whose fair value is difficult to determine as of March 31, 2015 and 2014 are summarized as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Unlisted investments in securities	**¥41,235**	¥33,566	**$343,139**

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, 2015 for cash and deposits, accounts and notes receivable-trade and held-to-maturity securities is summarized as follows:

	Millions of yen			
	2015			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	¥242,433	¥—	¥—	¥—
Accounts and notes receivable – trade	94,133	—	—	—
Marketable securities and Investments in securities				
Held-to-maturity securities:				
Government, municipal bonds and others	0	1	3	—
Total	¥336,566	¥ 1	¥ 3	¥—

	Thousands of U.S. dollars			
	2015			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	$2,017,417	$—	$—	$—
Accounts and notes receivable – trade	783,332	—	—	—
Marketable securities and Investments in securities				
Held-to-maturity securities:				
Government, municipal bonds and others	0	8	25	—
Total	$2,800,749	$ 8	$17	$—

14. Derivatives and Hedging Activities

The Company and its consolidated subsidiaries have derivatives contracts such as forward foreign currency exchange contracts, currency swaps and currency options 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 not qualified for deferral hedge accounting at March 31, 2015 is summarized as follows:

Currency-related transactions

		Millions of yen		
		2015		
Classification	Transaction	Total contract value (notional principal amount)	Estimated fair value	Unrealized gain(loss)
Over-the-counter transactions	Forward exchange contracts			
	Buying:			
	USD	¥26,321	¥138	¥138
	GBP	397	2	2
	Selling:			
	USD	32	(5)	(5)
	Total	¥26,750	¥135	¥135

		Thousands of U.S. dollars		
		2015		
Classification	Transaction	Total contract value (notional principal amount)	Estimated fair value	Unrealized gain(loss)
Over-the-counter transactions	Forward exchange contracts			
	Buying:			
	USD	$219,031	$1,148	$1,148
	GBP	3,304	17	17
	Selling:			
	USD	266	(42)	(42)
	Total	$222,601	$1,123	$1,123

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

There are no derivative transactions for which deferral hedge accounting is not applied for the year ended March 31, 2014.

The estimated fair value of the derivatives positions outstanding qualified for deferral hedge accounting at March 31, 2015 and 2014 is summarized as follows:

Currency-related transactions

			Millions of yen		
			2015		
Method of hedge accounting	Transaction	Major hedged item	Total contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Forward exchange contracts				
	Buying:				
	USD	Capital expenditures	**¥54,314**	**¥29,437**	**¥11,751**
	JPY	Capital expenditures	**1,660**	**—**	**21**
	EUR	Forecasted foreign currency transactions	**7**	**—**	**(0)**
	GBP	Forecasted foreign currency transactions	**3**	**—**	**0**
	CND	Forecasted foreign currency transactions	**3**	**—**	**(0)**
	Selling:				
	USD	Forecasted foreign currency transactions	**37,239**	**—**	**(2)**
	Currency swaps				
	Receiving USD, paying EUR	Vessel chartering expense	**980**	**288**	**191**
	Total		**¥94,206**	**¥29,725**	**¥11,961**

			Millions of yen		
			2014		
Method of hedge accounting	Transaction	Major hedged item	Total contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Forward exchange contracts				
	Buying:				
	USD	Capital expenditures	¥49,249	¥35,961	¥3,680
	JPY	Capital expenditures	300	—	(4)
	CND	Forecasted foreign currency transactions	4	—	0
	Selling:				
	USD	Forecasted foreign currency transactions	3,122	—	34
	Currency swaps				
	Receiving USD, paying EUR	Vessel chartering expense	1,729	840	(59)
	Currency options positions				
	Buying-				
	Put: USD	Accounts receivable-trade	62	—	(2)
	Selling-				
	Call: USD	Accounts receivable-trade	62	—	0
	Total		¥54,528	¥36,801	¥3,649

			Thousands of U.S. dollars		
			2015		
Method of hedge accounting	Transaction	Major hedged item	Total contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Forward exchange contracts				
	Buying:				
	USD	Capital expenditures	**$451,976**	**$244,961**	**$97,787**
	JPY	Capital expenditures	**13,814**	**—**	**175**
	EUR	Forecasted foreign currency transactions	**58**	**—**	**(0)**
	GBP	Forecasted foreign currency transactions	**25**	**—**	**0**
	CND	Forecasted foreign currency transactions	**25**	**—**	**(0)**
	Selling:				
	USD	Forecasted foreign currency transactions	**309,886**	**—**	**(17)**
	Currency swaps				
	Receiving USD, paying EUR	Vessel chartering expense	**8,155**	**2,397**	**1,589**
	Total		**$783,939**	**$247,358**	**$99,534**

Interest-rate related transactions

Method of hedge accounting	Transaction	Major hedged item	Millions of yen 2015 Total contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Interest rate swaps				
	Receive floating / Pay fixed	Long-term loans payable	**¥109,356**	**¥100,488**	**¥(11,029)**
Special treatment for interest rate swaps	Interest rate swaps				
	Receive floating / Pay fixed	Long-term loans payable	**4,898**	**3,595**	**(255)**
	Total		**¥114,254**	**¥104,083**	**¥(11,284)**

Method of hedge accounting	Transaction	Major hedged item	Millions of yen 2014 Total contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Interest rate swaps				
	Receive floating / Pay fixed	Long-term loans payable	¥100,986	¥95,626	¥(10,491)
Special treatment for interest rate swaps	Interest rate swaps				
	Receive floating / Pay fixed	Long-term loans payable	8,344	6,480	(338)
	Total		¥109,330	¥102,106	¥(10,829)

Method of hedge accounting	Transaction	Major hedged item	Thousands of U.S. dollars 2015 Total contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Interest rate swaps				
	Receive floating / Pay fixed	Long-term loans payable	**$910,011**	**$836,215**	**$(91,778)**
Special treatment for interest rate swaps	Interest rate swaps				
	Receive floating / Pay fixed	Long-term loans payable	**40,759**	**29,916**	**(2,122)**
	Total		**$950,770**	**$866,131**	**$(93,900)**

Other

Method of hedge accounting	Transaction	Major hedged item	Millions of yen 2015 Total contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Bunker fuel swaps	Bunker fuel purchases	**¥22,330**	**¥3,323**	**¥(6,850)**
	Forward freight agreements	Ocean freight	**1,296**	**—**	**620**
	Total		**¥23,626**	**¥3,323**	**¥(6,230)**

Method of hedge accounting	Transaction	Major hedged item	Millions of yen 2014 Total contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Bunker fuel swaps	Bunker fuel purchases	¥18,671	¥5,576	¥ 5
	Forward freight agreements	Ocean freight	3,349	862	(2,068)
	Total		¥22,020	¥6,438	¥(2,063)

Method of hedge accounting	Transaction	Major hedged item	Thousands of U.S. dollars 2015 Total contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Bunker fuel swaps	Bunker fuel purchases	**$185,820**	**$27,652**	**$(57,003)**
	Forward freight agreements	Ocean freight	**10,785**	**—**	**5,159**
	Total		**$196,605**	**$27,652**	**$(51,844)**

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

15. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2015 and 2014.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Net unrealized holding gain on investments in securities:			
Amount arising during the year	**¥16,883**	¥ 8,016	**$140,493**
Reclassification adjustments to income or loss	**(7,731)**	311	**(64,334)**
Amount before tax effect	**9,152**	8,327	**76,159**
Tax effect	**(2,458)**	(2,610)	**(20,455)**
Unrealized holding gain on investments in securities	**6,694**	5,717	**55,704**
Deferred gain on hedges:			
Amount arising during the year	**(6,546)**	19,016	**(54,473)**
Reclassification adjustments to income or loss	**11,560**	1,695	**96,197**
Adjustments for acquisition costs of vessels due to valuation of hedges	**(2,053)**	(2,224)	**(17,084)**
Amount before tax effect	**2,961**	18,487	**24,640**
Tax effect	**312**	(5,433)	**2,596**
Deferred gain on hedges	**3,273**	13,054	**27,236**
Revaluation reserve for land:			
Tax effect	**130**	272	**1,082**
Revaluation reserve for land	**130**	272	**1,082**
Translation adjustments:			
Amount arising during the year	**21,952**	13,243	**182,675**
Reclassification adjustments to income or loss	**721**	419	**6,000**
Translation adjustments	**22,673**	13,662	**188,675**
Retirement benefits liability adjustments:			
Amount arising during the year	**401**	—	**3,337**
Reclassification adjustments to income or loss	**145**	—	**1,207**
Amount before tax effect	**546**	—	**4,544**
Tax effect	**(122)**	—	**(1,016)**
Retirement benefit liability adjustment	**424**	—	**3,528**
Share of other comprehensive income of subsidiaries and affiliates accounted for by the equity method:			
Amount arising during the year	**(91)**	807	**(757)**
Reclassification adjustments to income or loss	**930**	904	**7,739**
Share of other comprehensive income of subsidiaries and affiliates accounted for by the equity method	**839**	1,711	**6,982**
Total other comprehensive income, net	**¥34,033**	¥34,416	**$283,207**

16. Supplementary Information on Consolidated Statements of Cash Flows

Cash and cash equivalents in the accompanying consolidated statements of cash flows for the years ended March 31, 2015 and 2014 are reconciled to cash and deposits reflected in the accompanying consolidated balance sheets as of March 31, 2015 and 2014 as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Cash and deposits	**¥242,433**	¥186,394	**$2,017,417**
Time deposits with a maturity of more than three months after the purchase date	**(33,008)**	(13,785)	**(274,678)**
Marketable securities	**—**	49,998	**—**
Cash and cash equivalents	**¥209,425**	¥222,607	**$1,742,739**

17. Amounts per Share

Amounts per share at March 31, 2015 and 2014 and for the years then ended are as follows:

	Yen		U.S. dollars
	2015	2014	**2015**
Net assets	**¥471.10**	¥414.66	**$3.92**
Net income:			
Basic	**28.60**	17.75	**0.24**
Diluted	**24.43**	16.33	**0.20**
Cash dividends applicable to the year	**8.50**	4.50	**0.07**

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

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

The financial data used in the computation of basic net income per share and diluted net income per share for the years ended March 31, 2015 and 2014 in the table above is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Information used in computation of basic net income per share:			
Net income	**¥26,818**	¥16,642	**$223,167**

	Thousands of shares	
	2015	2014
Weighted-average number of shares of common stock outstanding	**937,643**	937,746
Increase in common stock	**159,898**	81,581
(Bonds with stock acquisition rights)	**(159,898)**	(81,581)

Information on dilutive shares not included in the calculation of diluted net income per share for the years ended March 31, 2015 and 2014 is as follows:

For the year ended March 31, 2015, 187 units of stock acquisition rights approved at the meeting of the Company's shareholders held on June 29, 2005 did not have dilutive effect.

For the years ended March 31, 2014, 106 and 187 units of stock acquisition rights approved at the meetings of the Company's shareholders held on June 29, 2004 and 2005 did not have dilutive effect, respectively.

18. Segment Information

Segment information for the years ended March 31, 2015 and 2014

1. Overview of reporting segments

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

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

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

2. Calculation method of reporting segment income (loss)

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

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

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, 2015 and 2014 consisted of the following:

	Millions of yen						
	2015						
	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	¥677,428	¥600,687	¥ 35,318	¥ 38,988	¥1,352,421	¥ —	¥1,352,421
(2) Intra-group revenues and transfers	7,353	3,037	1	47,427	57,818	(57,818)	—
Total revenues	¥684,781	¥603,724	¥ 35,319	¥ 86,415	¥1,410,239	¥(57,818)	¥1,352,421
2. Segment income (loss)*3	¥ 20,623	¥ 36,501	¥ (5,670)	¥ 3,023	¥ 54,477	¥ (5,496)	¥ 48,981
3. Segment assets	¥306,750	¥724,647	¥103,496	¥106,847	¥1,241,740	¥(18,412)	¥1,223,328
(1) Depreciation and amortization	¥ 8,816	¥ 35,539	¥ 6,132	¥ 2,243	¥ 52,730	¥ 797	¥ 53,527
(2) Amortization of goodwill and negative goodwill, net	242	—	(1)	—	241	—	241
(3) Interest income	747	695	24	166	1,632	(151)	1,481
(4) Interest expenses	1,093	6,136	2,273	213	9,715	105	9,820
(5) Equity in earnings of subsidiaries and affiliates, net	1,027	60	911	183	2,181	—	2,181
(6) Investments in subsidiaries and affiliates accounted for by the equity method	8,234	7,988	5,965	4,170	26,357	—	26,357
(7) Increase in vessels, property and equipment, and intangible assets	17,648	70,918	100	469	89,135	367	89,502

	Millions of yen						
	2014						
	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	¥582,398	¥572,686	¥ 32,818	¥36,224	¥1,224,126	¥ —	¥1,224,126
(2) Intra-group revenues and transfers	8,119	2,743	—	43,284	54,146	(54,146)	—
Total revenues	¥590,517	¥575,429	¥ 32,818	¥79,508	¥1,278,272	¥(54,146)	¥1,224,126
2. Segment income (loss)*3	¥ (142)	¥ 41,261	¥ (4,503)	¥ 2,636	¥ 39,252	¥ (6,797)	¥ 32,455
3. Segment assets	¥272,673	¥723,254	¥123,476	¥93,565	¥1,212,968	¥ 41,774	¥1,254,742
(1) Depreciation and amortization	¥ 8,400	¥ 33,938	¥ 7,198	¥ 1,871	¥ 51,407	¥ 837	¥ 52,244
(2) Amortization of goodwill and negative goodwill, net	230	—	(0)	—	230	—	230
(3) Interest income	526	680	113	134	1,453	(131)	1,322
(4) Interest expenses	1,221	6,184	2,821	221	10,447	538	10,985
(5) Equity in earnings of subsidiaries and affiliates, net	1,225	808	602	122	2,757	—	2,757
(6) Investments in subsidiaries and affiliates accounted for by the equity method	6,570	7,519	5,032	3,703	22,824	—	22,824
(7) Increase in vessels, property and equipment, and intangible assets	9,089	83,047	184	763	93,083	295	93,378

	Thousands of U.S. dollars						
	2015						
	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	$5,637,247	$4,998,644	$293,900	$324,441	$11,254,232	$ —	$11,254,232
(2) Intra-group revenues and transfers	61,188	25,273	8	394,666	481,135	(481,135)	—
Total revenues	$5,698,435	$5,023,917	$293,908	$719,107	$11,735,367	$(481,135)	$11,254,232
2. Segment income (loss)[*3]	$ 171,615	$ 303,745	$ (47,183)	$ 25,156	$ 453,333	$ (45,735)	$ 407,598
3. Segment assets	$2,552,634	$6,030,182	$861,247	$889,132	$10,333,195	$(153,217)	$10,179,978
(1) Depreciation and amortization	73,363	295,739	51,028	18,665	438,795	6,632	445,427
(2) Amortization of goodwill and negative goodwill, net	2,014	—	(8)	—	2,006	—	2,006
(3) Interest income	6,216	5,784	200	1,381	13,581	(1,257)	12,324
(4) Interest expenses	9,095	51,061	18,915	1,773	80,844	874	81,718
(5) Equity in earnings of subsidiaries and affiliates, net	8,546	499	7,581	1,523	18,149	—	18,149
(6) Investments in subsidiaries and affiliates accounted for by the equity method	68,520	66,472	49,638	34,701	219,331	—	219,331
(7) Increase in vessels, property and equipment, and intangible assets	146,859	590,147	832	3,903	741,741	3,054	744,795

*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 ¥5,496 million ($45,735 thousand) includes the following elements: ¥78 million ($649 thousand) of intersegment profit eliminations and ¥5,418 million ($45,086 thousand) of corporate expense, which are not distributed to specific segments.
(2) The adjustment and elimination of segment assets of ¥18,412 million ($153,217 thousand) includes the following elements: ¥89,126 million ($741,666 thousand) of intersegment transaction eliminations and ¥70,714 million ($588,449 thousand) of corporate assets, which are not distributed to specific segments.
(3) The adjustment and elimination of depreciation and amortization of ¥797 million ($6,632 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 ¥151 million ($1,257 thousand) includes the following elements: ¥255 million ($2,122 thousand) of intersegment transaction eliminations and ¥104 million ($865 thousand) of interest income, which are not distributed to specific segments.
(5) The adjustment and elimination of interest expenses of ¥105 million ($874 thousand) includes the following elements: ¥255 million ($2,122 thousand) of intersegment transaction eliminations and ¥360 million ($2,996 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 ¥367 million ($3,054 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 ¥6,797 million includes the following elements: ¥684 million of intersegment profit eliminations and ¥6,113 million of corporate expense, which are not distributed to specific segments.
(2) The adjustment and elimination of segment assets of ¥41,774 million includes the following elements: ¥64,431 million of intersegment transaction eliminations and ¥106,205 million of corporate assets, which are not distributed to specific segments.
(3) The adjustment and elimination of depreciation and amortization of ¥837 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 ¥131 million includes the following elements: ¥215 million of intersegment transaction eliminations and ¥84 million of interest income, which are not distributed to specific segments.
(5) The adjustment and elimination of interest expenses of ¥538 million includes the following elements: ¥215 million of intersegment transaction eliminations and ¥753 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 ¥295 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, 2015 and 2014 are summarized as follows:

	Millions of yen					
	2015					
	Japan	U.S.A.	Europe	Asia	Other	Total
Revenues	¥517,994	¥255,826	¥194,096	¥337,835	¥46,670	¥1,352,421

	(Millions of yen)					
	2014					
	Japan	U.S.A.	Europe	Asia	Other	Total
Revenues	¥499,701	¥209,282	¥178,817	¥302,349	¥33,977	¥1,224,126

	Thousands of U.S. dollars					
	2015					
	Japan	U.S.A.	Europe	Asia	Other	Total
Revenues	$4,310,510	$2,128,867	$1,615,179	$2,811,309	$388,367	$11,254,232

At March 31, 2015 and 2014, vessels, property and equipment by countries or geographical areas are summarized as follows:

	Millions of yen				
	2015				
	Japan	Singapore	UK	Other	Total
Vessels, property and equipment	¥386,785	¥79,770	¥69,408	¥96,534	¥632,497

	Millions of yen			
	2014			
	Japan	Singapore	Other	Total
Vessels, property and equipment	¥407,417	¥71,485	¥182,324	¥661,226

	Thousands of U.S. dollars				
	2015				
	Japan	Singapore	UK	Other	Total
Vessels, property and equipment	$3,218,648	$663,810	$577,582	$803,312	$5,263,352

The loss on impairment of vessels, property and equipment for the years ended March 31, 2015 and 2014 is as follows:

	Millions of yen					
	2015					
	Containership	Bulk shipping	Offshore energy E&P support and heavy lifter	Other*1	Adjustments and eliminations*2	Total
Loss on impairment of vessels, property and equipment	¥2,020	¥8,545	¥2,983	¥19	¥4	¥13,571

	Millions of yen					
	2014					
	Containership	Bulk shipping	Offshore energy E&P support and heavy lifter	Other*1	Adjustments and eliminations*2	Total
Loss on impairment of vessels, property and equipment	¥3	¥2,865	¥947	¥144	¥—	¥3,959

	Thousands of U.S. dollars					
	2015					
	Containership	Bulk shipping	Offshore energy E&P support and heavy lifter	Other*1	Adjustments and eliminations*2	Total
Loss on impairment of vessels, property and equipment	$16,810	$71,108	$24,823	$158	$33	$112,932

(*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 vessels, property and equipment is loss not allocated to specific segments.

The amortization and balance of goodwill for the years ended and as of March 31, 2015 and 2014 are as follows:

	Millions of yen					
	2015					
	Containership	Bulk shipping	Offshore energy E&P support and heavy lifter	Other*	Adjustments and eliminations	Total
Amortization for the year	¥242	¥—	¥—	¥—	¥—	¥242
Balance at the year end	231	—	—	—	—	231

	(Millions of yen)					
	2014					
	Containership	Bulk shipping	Offshore energy E&P support and heavy lifter	Other*	Adjustments and eliminations	Total
Amortization for the year	¥231	¥—	¥—	¥—	¥—	¥231
Balance at the year end	509	—	—	—	—	509

	Thousands of U.S. dollars					
	2015					
	Containership	Bulk shipping	Offshore energy E&P support and heavy lifter	Other*	Adjustments and eliminations	Total
Amortization for the year	$2,014	$—	$—	$—	$—	$2,014
Balance at the year end	1,922	—	—	—	—	1,922

The amortization and balance of negative goodwill for the years ended and as of March 31, 2015 and 2014 related to a business combination prior to April 1, 2010 is as follows:

	Millions of yen					
	2015					
	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	**—**	**—**	**—**	**—**	**—**	**—**

	Millions of yen					
	2014					
	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

	Thousands of U.S. dollars					
	2015					
	Containership	Bulk shipping	Offshore energy E&P support and heavy lifter	Other*	Adjustments and eliminations	Total
Amortization for the year	**$—**	**$—**	**$ 8**	**$—**	**$—**	**$ 8**
Balance at the year end	**—**	**—**	**—**	**—**	**—**	**—**

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

19. Subsequent Event

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, 2015, was approved at the meeting of the Company’s shareholders held on June 24, 2015:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥6.00 = $0.05 per share)	**¥5,625**	**$46,809**

Ernst & Young ShinNihon LLC

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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, 2015, 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, 2015, 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 24, 2015
Osaka, Japan

Outline of the Company / Stock Information

Outline of the Company (As of March 31, 2015)

Name	Kawasaki Kisen Kaisha, Ltd. ("K" LINE)
Established	April 5, 1919
Paid-in Capital	¥75,457.64 million
President	Eizo Murakami (Appointed Representative Director President and CEO on April 1, 2015)
Employees	On-land Duty 504 At-sea Duty 172 Total 676
Business Lines	Marine transportation, Land transportation, Air transportation, Through transportation involving marine, land and air transportation, Harbor transportation, etc.
Offices	
Head Office	Iino Building, 1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8540, Japan Phone: (+81) 3-3595-5000 Fax: (+81) 3-3595-5001
Registered Head Office	Shinko Building, 8 Kaigandori, Chuo-ku, Kobe 650-0024, Japan Phone: (+81) 78-332-8020 Fax: (+81) 78-393-2676
Branches	**Nagoya:** Nagoya International Center Building, 47-1, Nagono 1-chome, Nakamura-ku, Nagoya 450-0001, Japan Phone: (+81) 52-589-4510 Fax: (+81) 52-589-4585 **Kansai:** Daidouseimei Kobe Building, 2-7, Sakaemachidori 1-chome, Chuo-ku, Kobe 650-0023, Japan Phone: (+81) 78-325-8727 Fax: (+81) 78-393-2676
Overseas Office	Manila, Yangon, Dubai
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	28 (Domestic), 307 (Overseas)

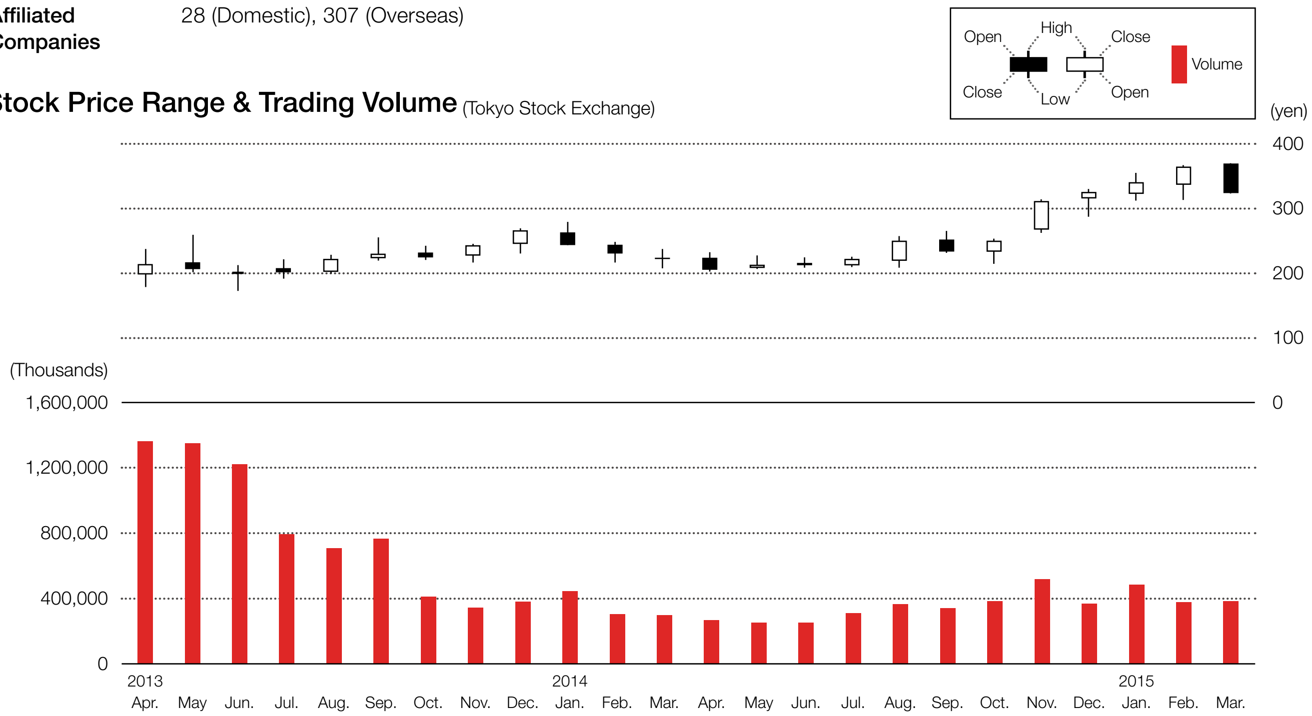
Stock Information (As of March 31, 2015)

Authorized	2,000,000,000 shares of common stock
Issued	939,382,298 shares of common stock
Number of Shareholders	40,164
Shareholder Registry Administrator	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Listing of Shares	Tokyo, Nagoya and Fukuoka

Principal Shareholders

Shareholders	Number of Shares Held (thousands)	Percentage of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (trust account)	56,463	6.01
Japan Trustee Services Bank, Ltd. (trust account)	47,807	5.08
NORTHERN TRUST CO.(AVFC) RE 15PCT TREATY ACCOUNT	39,054	4.15
MSCO CUSTOMER SECURITIES	35,394	3.76
Trust & Custody Services Bank, Ltd. (Kawasaki Heavy Industries, Ltd. retirement benefit trust account re-entrusted by Mizuho Trust & Banking Co., Ltd.)	32,923	3.50
JFE Steel Corporation	28,174	2.99
Sompo Japan Insurance Inc.	19,107	2.03
Mizuho Bank, Ltd.	18,688	1.98
Japan Trustee Services Bank, Ltd. (trust account 9)	15,597	1.66
Tokio Marine & Nichido Fire Insurance Co., Ltd.	14,010	1.49

Stock Price Range & Trading Volume (Tokyo Stock Exchange)



"K" LINE's Websites

In addition to this report, more information is available on "K" LINE's website, including the Charter of Conduct for "K" LINE Group Companies and environmental data.

Corporate Website
http://www.kline.co.jp/en

Investor Relations
http://www.kline.co.jp/en/ir/index.html

This page offers IR materials, including financial highlights and reports, as well as IR news and other information.

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

This page offers more detailed social and environmental information as well as specific ESG-related data.

About This Report

■ **Reporting Period**
Fiscal 2014 (April 1, 2014 – March 31, 2015)
However, the report also includes some developments after April 2015

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

■ **Guidelines Referred To**
•GRI Sustainability Reporting Guidelines Version 3.1
•ISO 26000
•Environmental Reporting Guidelines 2012, The Ministry of the Environment of Japan

■ **Date of Issue**
September 2015

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http://www.kline.co.jp/en/

E-Book
"K" LINE REPORT 2015 is also available in e-book format.
http://www.kline.co.jp/en/ir/library/annual/index.html

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