"K" LINE
KAWASAKI KISEN KAISHA, LTD.

K Value

"K"LINE REPORT 2016

Profile

The “K” LINE Group is an integrated logistics company based on a world-leading shipping business that not only owns and operates a wide variety of vessels, including containerships, dry bulk carriers, car carriers, tankers, LNG carriers, offshore energy Exploration & Production (E&P) support vessels, heavy lifters and ferries, but also engages in land transportation business (container chassis/general motor truck transportation service) and warehousing business.

The “K” LINE Group aims to achieve synergy for all in society and sustainable growth by making continuous efforts to ensure safe and reliable navigation and by tackling pioneering challenges to meet social needs, such as environmental preservation, so that it can continue to be needed as an operator of critical logistics and trade infrastructure that supports the affluent lives of people around the world in the next 100 years beyond its 100th anniversary in 2019. ***DRIVE GREEN HIGHWAY***, an environmentally-friendly flagship that entered into service in 2016 as an embodiment of superior vessel technologies, is a milestone of such efforts.

History of the “K” LINE Group’s sustainable growth as an integrated logistics company

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.

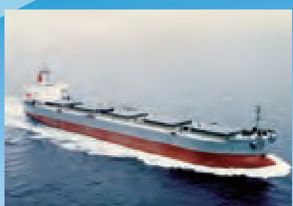
1983

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

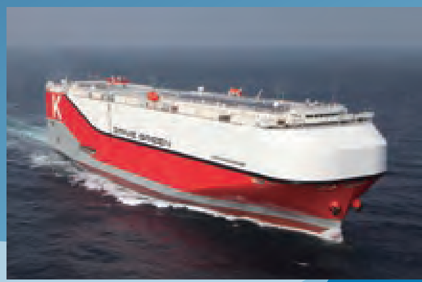
Recognized by CDP as a leader for corporate action on climate change and transparency for the first time

2015

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

2016

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



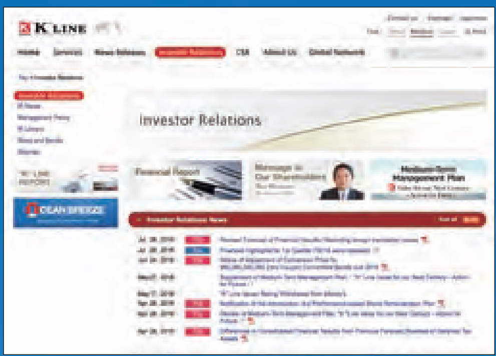
2019

The Company's 100th anniversary

Editorial Policy

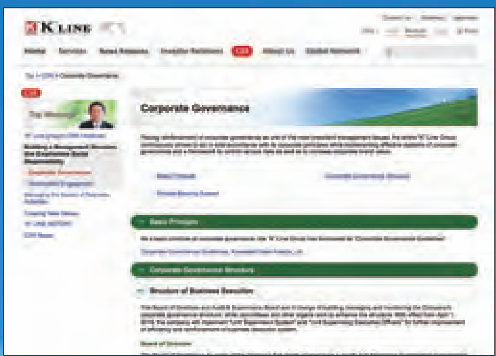
The “K” LINE Report explains the “K” LINE Group’s corporate value in terms of both financial and non-financial information to a wide range of stakeholders.

The “K” LINE Group has defined the K Value (“K” LINE Value) as a symbol of the improvement of its corporate value. In this report, we first clarify what the K Value is (“What is K Value?” section) and then explain the specific method to create the K Value (“Creating K Value” section) and the foundation of creating the K Value (“Foundation of Creating K Value” section). As for the details of individual activities, please also refer to the following relevant on “K” LINE’s website.



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

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



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

Reporting Period

Fiscal 2015 (April 1, 2015–March 31, 2016)
Note: The report also includes some developments after April 2016.

Scope of Reporting

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

Guidelines Referred to

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

Forward-Looking Statements

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

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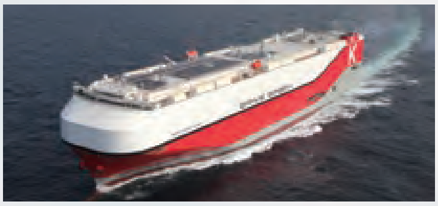

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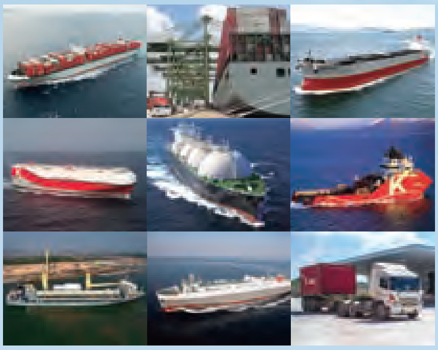

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What is

K Value 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.

K Value?

Corporate Principle

K: trust from all over the world

As an Integrated logistics company grown from shipping business,
the "K" LINE Group contributes to society so that people live well and prosperously.
We always recognize this principle in our operations.

Vision

Concepts that the "K" LINE Group pursues in business

VISION 1 Providing reliable and excellent services
....Contributing to society >> P6

VISION 2 A fair way of business
.... Fostering trust from society >> P7

VISION 3 Relentless efforts to achieve innovation
....Generating new values >> P8

VISION 4 Respecting humanity
............Corporate culture that respects individuality and diversity >> P9

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

Environmental Vision 2050

Securing Blue Seas for Tomorrow
– Navigating for Sustainability Leading to a Brighter Future –
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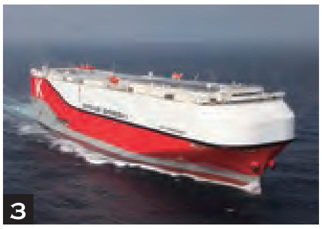
Value for our Next Century
- Action for Future -

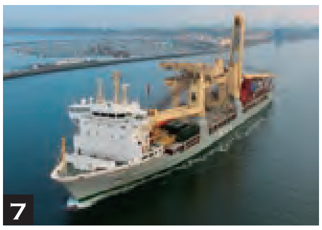
VISION 1

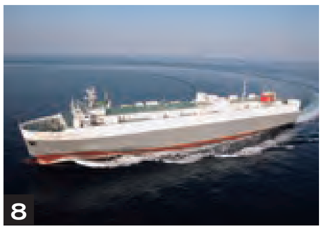
Providing reliable and excellent services

Contributing to society

The "K" LINE Group's most important mission is developing an optimum transportation portfolio centering on marine transportation and meeting customers' various needs by delivering consigned cargoes safely to their destinations. "Safety in navigation and cargo operation" fundamentally supports such business activities. The Group has established and is constantly enhancing a sound system of safety management exemplified by inspections of ships based on the "KL Safety Standard," which has incorporated original know-how intended to continue to prevent serious accidents as it has been successfully doing over many years, and "KL-Quality," which is a guideline for strict quality control. Moreover, the Group is fostering safety awareness and improving crisis management capability by repeatedly conducting emergency response exercises preparing for such emergencies as collisions and oil leaks.







1. Containerships: transporting daily commodities, miscellaneous goods, frozen and chilled cargo, etc. **2. Dry bulk carriers:** transporting bulk cargoes, such as iron ore, coal and grain **3. Car carriers:** transporting not only complete built-up vehicles, including passenger cars and trucks, but also other large cargoes, including construction machinery and railway cars **4. Tankers:** transporting crude oil and oil products **5. LNG carriers:** transporting liquefied natural gas **6. Offshore support vessels:** transporting goods related to production and drilling facilities at offshore oil and gas fields and engaging in such work as anchor handling and tug supply **7. Heavy lifters:** transporting large cargoes related to energy and infrastructure development **8. Coastal RORO vessels:** transporting truck trailers loaded with industrial products and foods

K Value for our Next Century
- Action for Future -
VISION 2

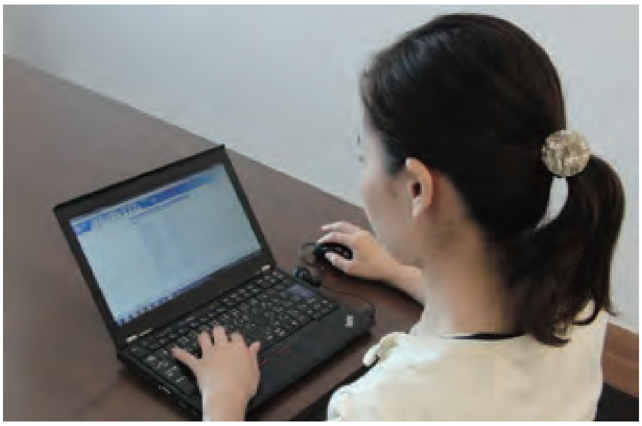
A fair way of business

Fostering trust from society

As its code of conduct, the "K" LINE Group proclaims that it complies with applicable laws, ordinances, rules and other norms of behavior both in the domestic and international community and conducts its corporate activities through fair, transparent and free competition. Aiming to become a corporate group in which individual executives and employees take action while being aware of the importance of executing business in a fair manner in day-to-day operations, the Group is implementing various measures to raise compliance awareness. For example, the Group provides training for different levels of employees and holds events to raise compliance awareness, such as compliance seminars taught by outside lecturers. It is also reinforcing systems to promote compliance, including the Hotline System, a whistle-blowing system in which group companies participate, and the Compliance Network, which is comprised of personnel assigned at group companies to be in charge of compliance.

In addition, the Group is enhancing the initiative against corruption and bribery as a member of the Maritime Anti-Corruption Network (MACN), a global business network aiming to achieve fair trade in the marine transportation industry.

Compliance seminar by an outside lecturer



Compliance-related e-learning

Value for our Next Century
- Action for Future -

VISION 3

Relentless efforts to achieve innovation

Generating new values

The history of the "K" LINE Group is one of exploration and creation. In 1970, the Group became the first Japanese shipping company to introduce a Pure Car Carrier. In 1983, it completed Japan's first LNG carrier. In 1986, the Group became the first Japanese shipping company to start Double-Stack Train service on the North American continent. The wide-beam, shallow-draft "Corona series" of coal carriers, which was introduced in 1994, became the basic type of carrier capable of efficiently transporting thermal coal. Following the completion of state-of-the-art, large Anchor Handling Tug Supply vessels in 2011, the Offshore Energy E&P Support Business using offshore support and other vessels started in earnest. In 2016, the *DRIVE GREEN HIGHWAY*, a car carrier aimed at ultimate environmental preservation, entered into service. In the marine transportation business, in which bold decisions are required at times, the "K" LINE Group aims to create pioneering new value from the medium- to long-term perspective in anticipation of future trends in the global economy and the industry based on its unique strategy and challenging spirit.

BISHU MARU, Japan's first LNG carrier

The first Double-Stack Train service operated by a Japanese shipping company

CORONA ACE, a thermal coal carrier of the Corona series

©H.M Valderhaug

KL SANDEFJORD, an Anchor Handling Tug Supply vessel

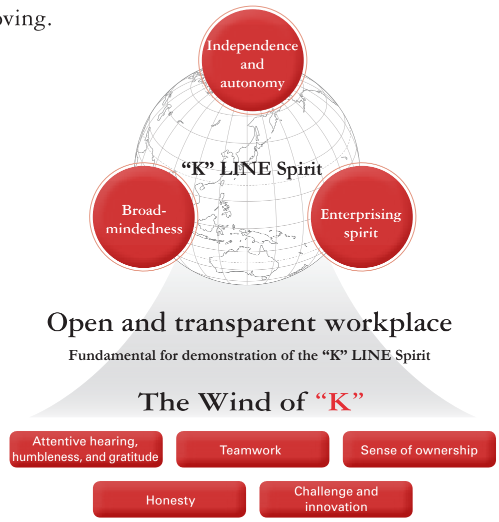
K Value for our Next Century
- Action for Future -

VISION 4

Respecting humanity

Corporate culture that respects individuality and diversity

The Charter of Conduct for "K" LINE Group Companies, which upholds respect for humanity, proclaims that the "K" LINE Group respects human rights and the personality, individuality and diversity of the Group's employees whether in Japan or abroad. The Group is promoting the development of a workplace environment that enables various personnel to play an active role regardless of gender and nationality in order to ensure the diversity of its organization and human resources, which is essential to meeting diverse market needs and achieving sustainable growth in the globally competitive environment. For example, the Group is developing a working environment that makes it easier for female employees to continue working by establishing rules that give consideration to spouses' work relocation and enhancing the shorter hours working system to support childcare. The Group has also introduced various training programs and lecture classes in order to improve Work-Life Balance by realizing working styles that improve individual employees' productivity and enable the achievements of results in a shorter period of time. We aim to further cultivate an open and innovative corporate culture in which the Group's domestic and foreign employees with rich diversity can demonstrate the "K" LINE Spirit, the driving force of the Group's growth, and in which both the organization and individuals can keep improving.



The Wind of "K"

The "K" LINE 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 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.

Securing Blue Seas for Tomorrow

— Navigating for Sustainability Leading to a Brighter Future —

Value for our Next Century - Action for Future -

"K" LINE Environmental Vision 2050

Clarification of How to Ensure Environmental Preservation in 2050, When Marine Transportation Volume Will Have Doubled

As the worldwide population is expected to surpass 9 billion mainly due to growth in emerging countries, the volume of marine transportation of various resources and products is forecast to more than double* from the current level as a result of the ensuing economic growth. On the other hand, there are concerns that the depletion of resources and global environmental problems, including climate change, will become more serious.

Among various means of transportation, transportation by ship is a very efficient and environmentally-friendly means that enables transportation of a large amount of goods at a time. However, the growing concern about environmental problems is posing many challenges to the marine transportation industry, whose environmental footprint is small in principle. The "K" LINE Group believes that it is a critical management challenge to contribute to the realization of a sustainable future by minimizing the impact of its business activities on the global environment and passing down the beautiful blue oceans to future generations.

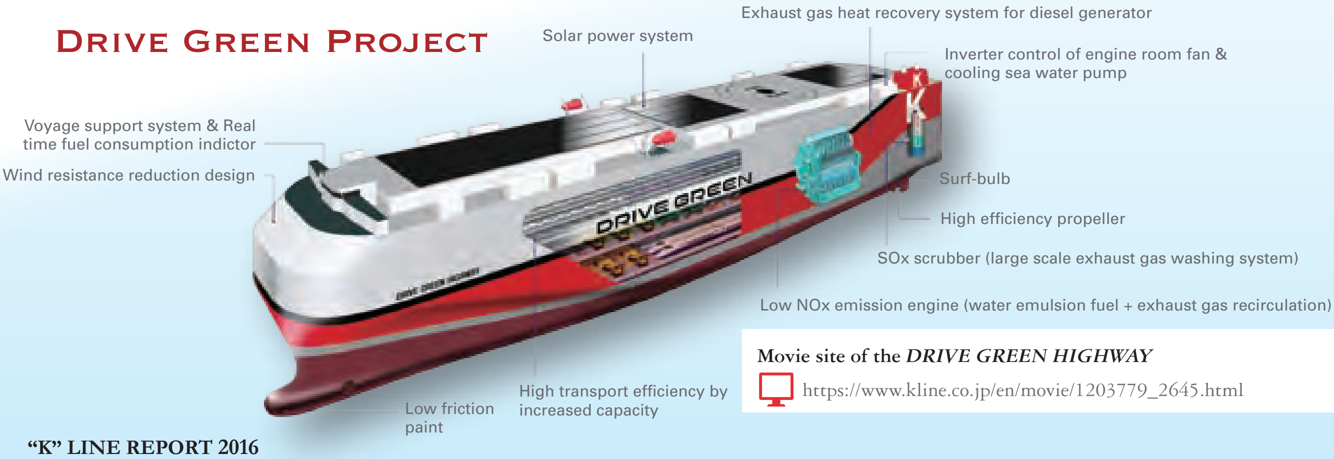
Based on this recognition, the "K" LINE Group formulated "K" LINE Environmental Vision 2050 in March 2015. Under this Vision, the Group has made clear its stance of tackling global environmental problems toward 2050 by identifying marine pollution and disruption of the ecosystem caused by oil pollution accidents and energy consumption indispensable to ship navigation as the key issues and is implementing specific activities.

* Estimation by Global Insight Corporation combined with "K" LINE's forecast

Early Achievement of the CO_2 Emission Reduction Target for 2019 with a Much Larger Reduction

Regarding the energy efficiency operational indicator (EEOI), which is prescribed by the International Maritime Organization (IMO), the "K" LINE Group set the CO_2 emission reduction

DRIVE GREEN PROJECT

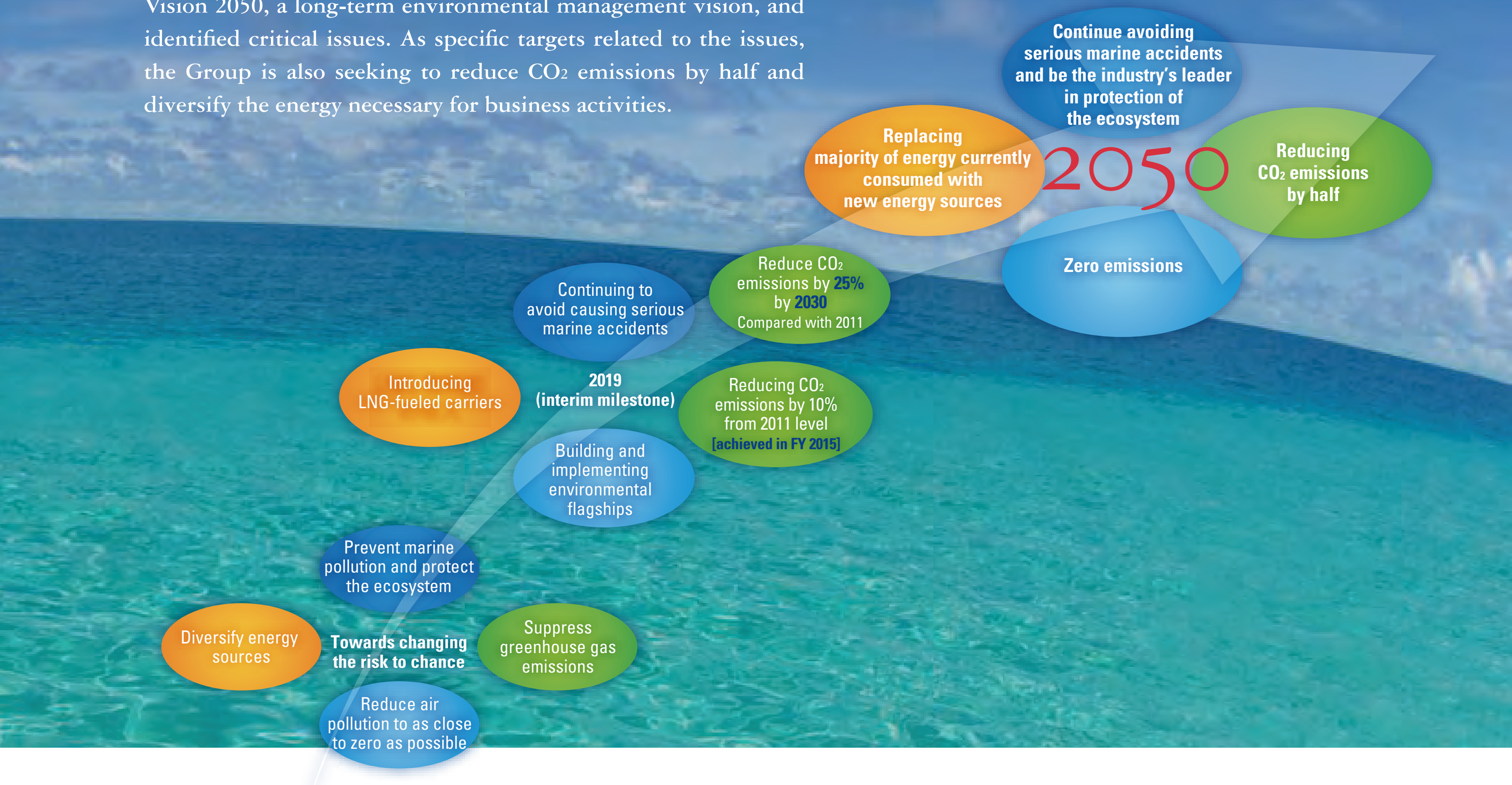


Movie site of the *DRIVE GREEN HIGHWAY*

https://www.kline.co.jp/en/movie/1203779_2645.html

"K" LINE Environmental Vision 2050

The "K" LINE Group has formulated "K" LINE Environmental Vision 2050, a long-term environmental management vision, and identified critical issues. As specific targets related to the issues, the Group is also seeking to reduce CO_2 emissions by half and diversify the energy necessary for business activities.



target of 10% compared with 2011 by 2019, the 100th anniversary of its founding, as a milestone in "K" LINE Environmental Vision 2050. The Group achieved a reduction of 13.6%, a much larger reduction than the targeted reduction, in 2015, the first year of the Vision, as a result of thorough implementation of such measures as improvement of vessels' energy-saving performances and optimization of operational efficiency. Consequently, the Group set a new interim target of reducing CO_2 emissions by 25% (compared with 2011) by 2030 as a step toward the goal of reducing CO_2 emissions by half by 2050 under "K" LINE Environmental Vision 2050.

In the future, in addition to building state-of-the-art energy-saving ships and making energy diversification efforts, such as using liquefied natural gas (LNG), the "K" LINE Group will pursue efficient operation on the non-physical side as well, for example by introducing monitoring tools that enable real-time checks on the performance of individual vessels from offices using operational big data and establishing an energy management system, with a view to achieving new targets.

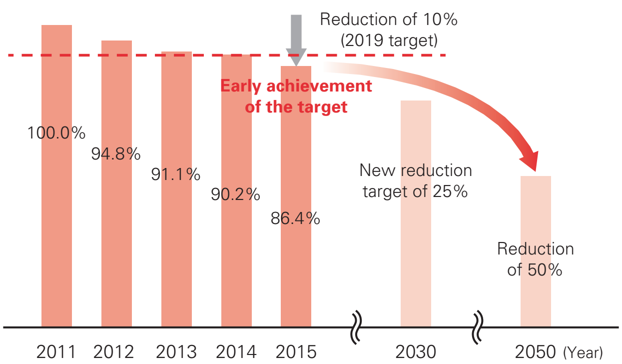
* Energy Efficiency Operational Indicator: an indicator represented by the volume of CO_2 emitted from a ship when transporting one ton of cargo for one mile (1,852 meters)

Accelerating the Reduction of the Environmental Footprint following the Completion of the *DRIVE GREEN HIGHWAY*

In February 2016, the *DRIVE GREEN HIGHWAY*, a car carrier with a capacity of 7,500 units through which the "K" LINE Group seeks to minimize its environmental footprint and energy consumption, was completed. This vessel is equipped with a newly-developed engine that realizes the reduction of nitrogen oxide (NOx) emissions and the improvement of fuel efficiency at the same time through the combination of the world's first water-mixed fuel and an exhaust gas recycling device and cutting-edge environmental equipment, including a scrubber that purifies sulfur oxides (SOx) using seawater or fresh water. In addition, the *DRIVE GREEN HIGHWAY* uses renewable energy to generate electricity for lighting purposes as it is installed with 912 solar panels (with power generation capacity of 150kw), the largest scale for a vessel, and LEDs for the lighting of cargo spaces. The *DRIVE GREEN HIGHWAY*, which may be called a culmination of eco-friendly technologies, makes it possible to reduce CO_2 emissions by at least 25%, NOx emissions by at least 50% and SOx emissions by at least 90% per vehicle transported compared with existing large car carriers.

The "K" LINE Group will further accelerate environmental preservation activities in the period leading to 2050 with the *DRIVE GREEN HIGHWAY* as its environmentally-friendly flagship.

Reduction Rate of CO_2 Emissions from Vessels Operated by the "K" LINE Group (with 2011 as the comparison base year)



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

		FY2006	FY2007	FY2008	FY2009
Operating results (for the year)	Operating revenues	¥1,085,539	¥1,331,048	¥1,244,317	¥838,033
	Operating income	61,357	129,649	71,604	(52,075)
	Ordinary income*3	63,928	125,868	60,011	(66,272)
	Profit attributable to owners of the parent	51,514	83,012	32,421	(68,721)
Financial position (at year-end)	Total assets	900,439	968,630	971,603	1,043,885
	Net assets	357,625	376,277	356,153	331,865
	Equity capital*4	344,476	355,763	334,773	308,122
	Interest-bearing liabilities	326,187	329,716	439,622	516,001
	Capital expenditures	121,386	161,333	168,446	181,489
	Depreciation and amortization	32,294	36,362	39,427	45,281
	Cash flows from operating activities	66,483	141,238	77,614	(23,941)
	Cash flows from investing activities	(102,853)	(145,541)	(148,304)	(63,737)
	Free cash flows	(36,370)	(4,303)	(70,690)	(87,678)
	Cash flows from financing activities	53,377	(7,460)	99,844	109,411
Per share data	Profit attributable to owners of the parent (¥ or US$)	86.67	131.36	50.89	(106.24)
	Net assets (¥ or US$)	556.55	558.46	525.43	403.53
	Cash dividends applicable to the year (¥ or US$)	18.00	26.00	13.50	—
	Dividend payout ratio (%)	20.8	19.8	26.5	—
Management index	Return on equity (ROE)*5(%)	17.1	23.7	9.4	(21.4)
	Return on assets (ROA)*6(%)	7.7	13.5	6.2	(6.6)
	Debt equity ratio (DER)*7(Times)	0.95	0.93	1.31	1.67
	Equity ratio (%)	38.3	36.7	34.5	29.5
Average during the period	Exchange rate (¥ / US$)	117	115	101	93
	Fuel oil price (US$ / ton)	319	407	504	407
Consolidated business data	Vessels in operation*8	453	499	504	499
Human resource data	Consolidated employees	7,041	7,615	7,706	7,740
	Unconsolidated employees	570	600	602	623
	Land	413	432	417	433
	Sea	157	168	185	190
	Women (%)	19.3	19.5	18.6	18.5
	Persons with disabilities (%)	2.69	2.56	2.05	2.12
	Industrial accidents — Land	0	1	0	0
	Industrial accidents — Sea	1	0	2	1
Management*9	Directors	13	12	12	15
	Outside Directors	0	0	0	2
	Audit & Supervisory Board Members	4	4	4	5
	Outside Audit & Supervisory Board Members	2	2	2	3
Environmental data*9, 10	Fuel oil (thousands of tons)	4,257	4,550	4,392	3,563
	CO_2 emissions (thousands of tons)	13,239	14,150	13,677	11,096
	SOx emissions (thousands of tons)	243	255	240	197
	NOx emissions (thousands of tons)	381	405	410	303

Notes: *1. Rounded to millions of yen
*2. The U.S. dollar amounts are converted from the yen amounts at ¥112.68 = US$1, the exchange rate prevailing on March 31, 2016.
*3. Ordinary income consists of operating income and non-operating income / expenses.
*4. Equity capital: Net assets – (Non-controlling interests + Stock acquisition rights)
*5. Return on equity: Profit attributable to owners of the parent/Equity capital
*6. Return on assets: Ordinary income/Total assets

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

"KV" 2010 | New Challenges | Bridge to the Future

K Value for our Next Century

FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2015
					(Millions of yen)*1	(Thousands of U.S. dollars)*2
¥985,085	¥972,311	¥1,134,772	¥1,224,126	¥1,352,421	¥1,243,932	$11,039,510
58,610	(40,563)	14,887	28,854	47,988	9,428	83,671
47,350	(48,956)	28,589	32,455	48,981	3,339	29,628
30,603	(41,351)	10,669	16,642	26,818	(51,499)	(457,038)
1,032,505	1,066,649	1,180,434	1,254,742	1,223,328	1,115,224	9,897,267
314,986	259,935	361,975	410,690	467,440	379,914	3,371,619
291,669	242,573	340,571	388,837	441,532	355,376	3,153,852
483,363	592,523	629,864	643,795	536,847	525,152	4,660,569
148,993	239,197	134,555	93,378	89,502	116,593	1,034,723
44,722	50,044	59,668	52,244	53,527	48,303	428,674
84,902	(2,909)	59,756	88,228	101,826	39,636	351,757
(54,117)	(83,233)	(27,212)	(5,113)	(11,177)	(29,569)	(262,416)
30,785	(86,142)	32,544	83,115	90,648	10,066	89,341
(24,797)	86,307	26,364	(26,634)	(119,254)	(14,836)	(131,665)
						(U.S. dollars)
40.08	(54.14)	12.07	17.75	28.60	(54.95)	(0.49)
381.87	317.59	363.18	414.66	471.10	379.18	3.37
9.50	—	2.50	4.50	8.50	5.00	0.04
23.7	—	20.7	25.4	29.7	—	
10.2	(15.5)	3.7	4.6	6.5	(12.9)	
4.6	(4.7)	2.5	2.7	4.0	0.3	
1.66	2.44	1.85	1.66	1.22	1.48	
28.2	22.7	28.9	31.0	36.1	31.9	
86	79	82	100	109	121	
489	672	671	626	541	295	
522	559	566	583	584	575	
7,895	7,703	7,667	7,703	7,834	8,097	
623	664	659	652	676	716	
437	486	481	478	504	541	
186	178	178	174	172	175	
18.9	22.9	22.8	24.4	25.4	26.3	
1.60	1.60	1.90	1.93	1.87	1.94	
0	0	0	0	0	0	
0	0	1	3	1	0	
14	13	13	13	10	9	
2	2	2	2	2	2	
5	5	5	4	4	4	
3	3	3	3	3	3	
3,802	3,949	3,966	3,651	3,646	3,942	
11,838	12,298	12,352	11,377	11,360	12,300	
208	214	209	190	182	190	
308	323	319	292	283	290	

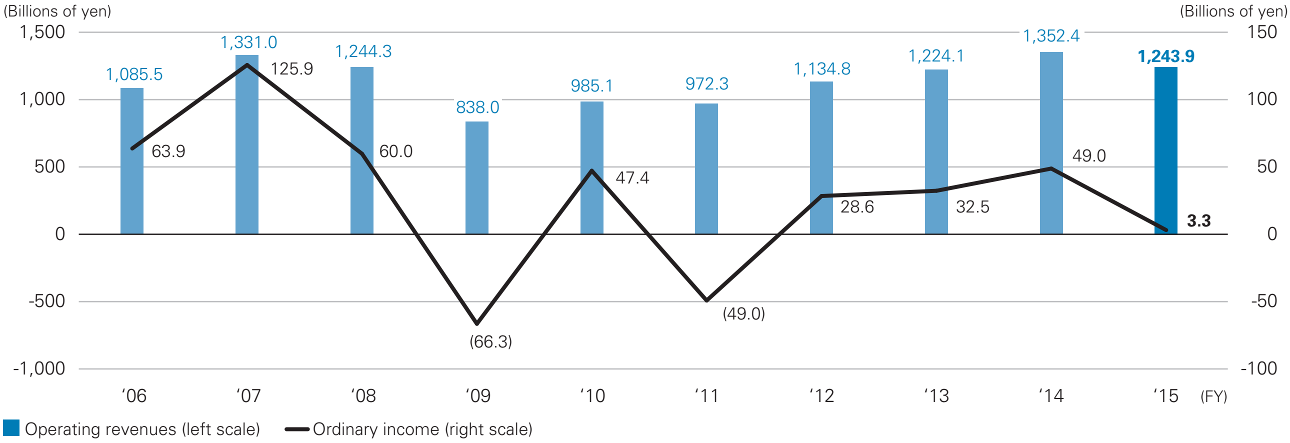
*7. Debt equity ratio: Interest-bearing liabilities/Equity capital
*8. Includes project-use vessels owned by special purpose companies (SPCs)
*9. For Kawasaki Kisen Kaisha, Ltd.
*10. Total amounts calculated based on fuels supplied to vessels (the number of the vessels do not agree with that of vessels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

Financial and ESG Highlights

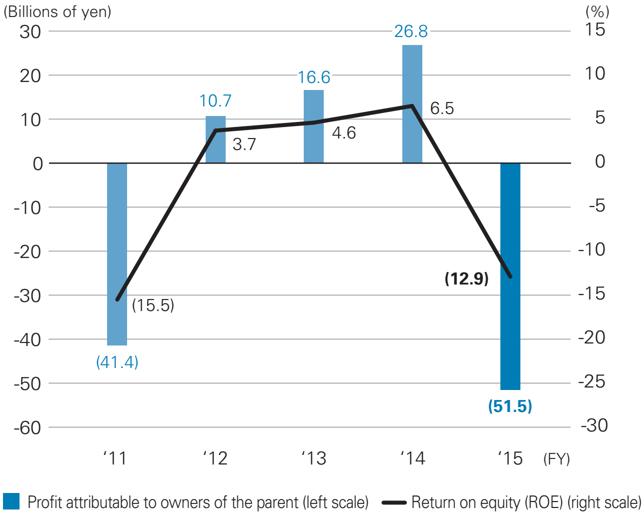
Kawasaki Kisen Kaisha, Ltd. and consolidated subsidiaries
Years ended March 31

In fiscal 2015, cargo movements were sluggish against the backdrop of the slowdown of the global economy, while tonnage supply pressure continued, causing the freight rate condition to remain at the worst level ever. Under these circumstances, although the "K" LINE Group strived to improve fleet allocation and reduce operation costs, ordinary income declined. The Group recorded loss attributable to owners of the parent because it registered structural reform costs intended to reduce exposure to the market condition in response to a rapid change in the business environment.

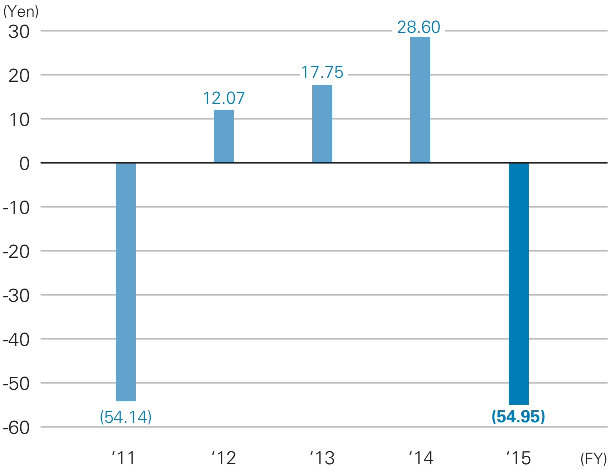
Operating Revenues, Ordinary Income



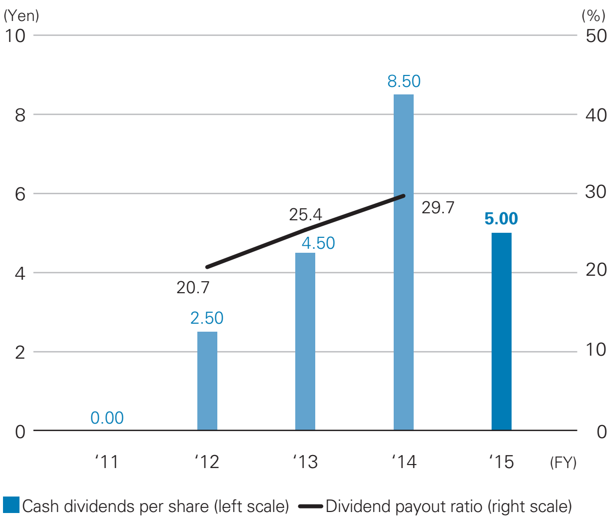
Profit Attributable to Owners of the Parent, Return on Equity (ROE)



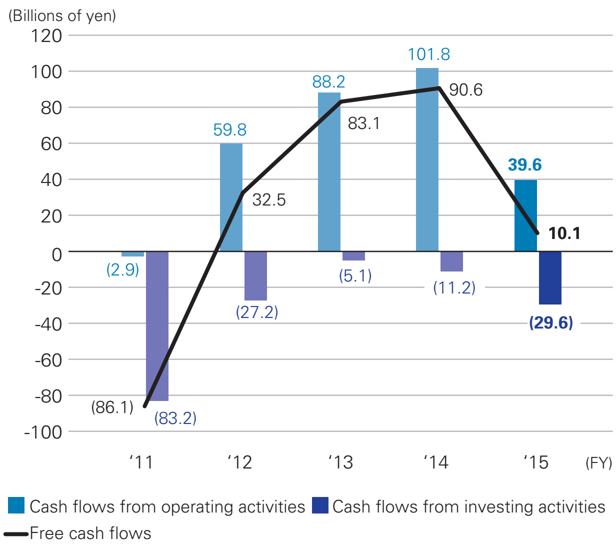
Profit Attributable to Owners of the Parent per Share



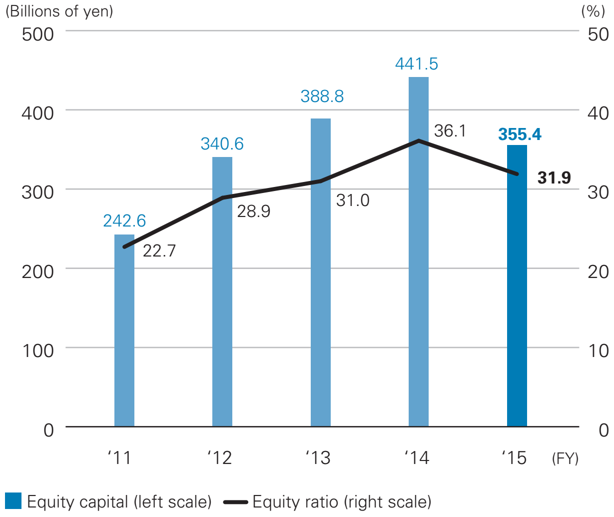
Cash Dividends per Share, Dividend Payout Ratio



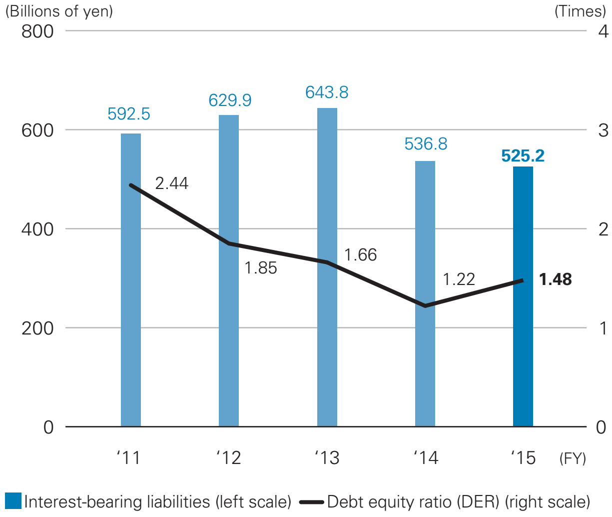
Cash Flows



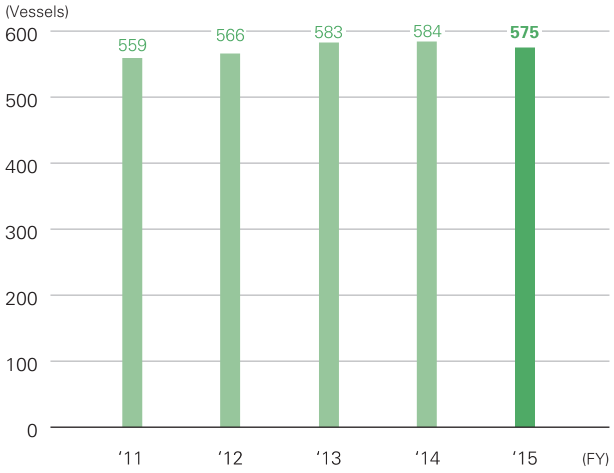
Equity Capital, Equity Ratio



Interest-bearing Liabilities, Debt Equity Ratio (DER)

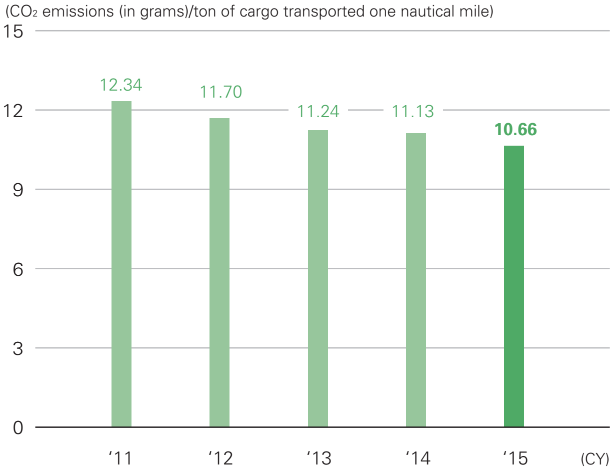


Number of Vessels in Operation (consolidated)



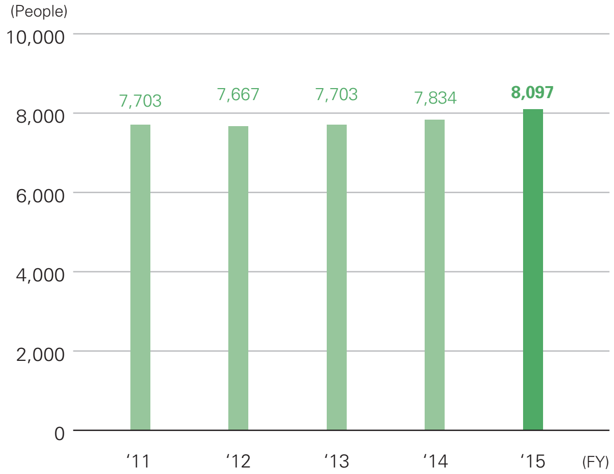
Volume of CO_2 Emissions (unconsolidated)

per freight ton-mile* on an annual basis

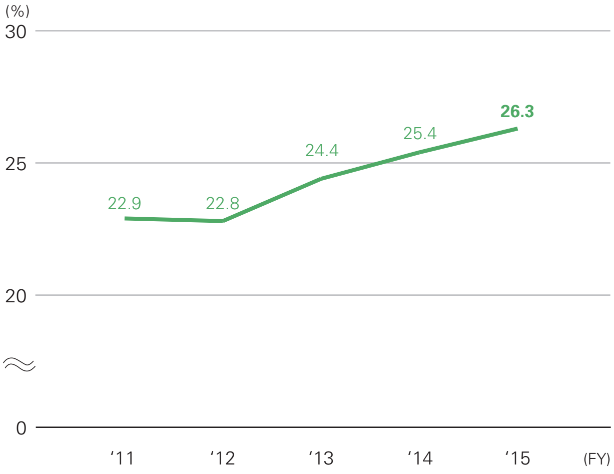


* Index for transporting one ton of cargo over one nautical mile (1,852 meters)

Number of Employees (consolidated)



Percentage of Women (unconsolidated)



An Interview with the President

Devoting Efforts to Securing Financial Stability, Business Competitiveness and Strengthening Growth Based on Stability toward the 100th Anniversary

Q1 The financial results in fiscal 2015 proved to be severe contrary to the initial forecast. Could you sum up your challenges for the moment?

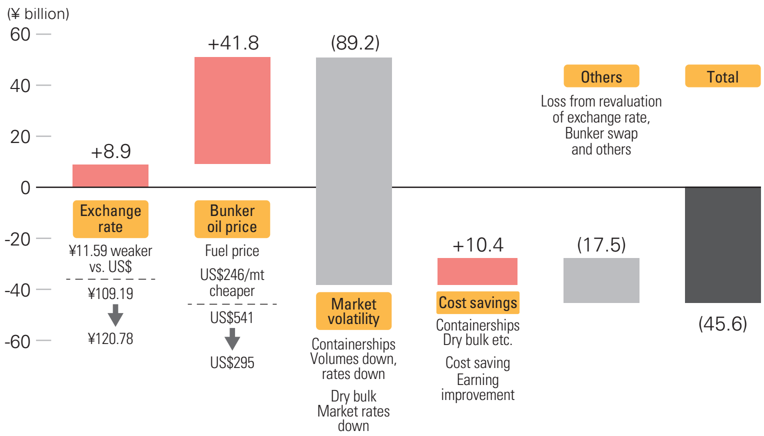
A1 In light of the rapid change in the business environment, in addition to securing stability by improving financial strength, we will strive to secure competitiveness through further structural reform as the most critical issue.

In fiscal 2015, while fuel oil prices fell, the supply-demand gap of shipping space widened due to slow growth in cargo movements and entry-into-service of several new large vessels in the containership business. In the dry bulk business, the slowdown in resource demand in China was combined with tonnage oversupply, with the result that market conditions stayed at the worst level ever. Consequently, consolidated operating revenues declined by ¥108.5 billion from the previous fiscal year to ¥1,243.9 billion. Ordinary income dropped ¥45.6 billion to ¥3.3 billion despite the positive contributions of ¥10.4 billion from cost reduction and ¥50.7 billion from the yen's depreciation and the fuel price fall, as it was significantly affected by the deterioration of the freight rate condition.

Under these circumstances, in order to reduce the market exposure of the dry bulk business in particular, we recorded extraordinary losses, including those related to the disposal of some of our own vessels, mainly small- and medium-size ones, and the premature cancellation of charter contracts, as well as impairment losses. As a result, we registered ¥51.5 billion in loss attributable to owners of the parent (compared with profit of ¥26.8 billion in the previous fiscal year).

For the moment, in response to the structural change in the business environment, we will strive to secure competitiveness through structural reform as the most critical issue in addition to securing stability by improving financial strength as we have already been doing.

Variable Factors of Ordinary Income / Loss



Q2 What are your thoughts on the drastic change in the business environment and the medium- to long-term direction?

A2 I expect that it will take time before the supply-demand gap of shipping space is resolved and that the market condition will remain low and volatile. However, in the medium- to long-term, I believe that the logistics market will grow against the backdrop of population growth and expansion of energy demand.

The medium-term management plan announced in March 2015 assumed that amid moderate recovery of the global economy, the Chinese economy would make a soft landing to the state of "new normal," logistics demand would increase, mainly in emerging markets, and global energy demand would expand against the backdrop of population growth, among other factors.

However, the adjustment of excess investments caused by the massive package of economic measures taken in the wake of the Lehman Shock has generated greater aftershocks than expected in China, which purchases more than two-thirds of the iron ore transported via ocean shipping, so the slowdown of the Chinese economy has become prominent. In addition, as other emerging markets have been affected by declines in crude oil and other resource prices, there is no growth driver of the global economy. Furthermore, the EU economic recovery has lagged due to the policy differences across EU countries and the refugee problem, while the U.S. economy may also be affected by the slowdown of the global economy.

Because of the confluence of these factors, the recovery scenario for the global economy has rapidly faded since the latter half of 2015, fueling concerns that growth in logistics demand will remain low for the moment. As the supply pressure from newly-built vessels is strong, it is expected to take time before the freight rate condition, which is now low and volatile, recovers in earnest and becomes stable. However, in the medium- to long-term, we expect that the logistics market will resume growing against the backdrop of population growth and expansion of energy demand.

Q3 In response to the drastic change in the business environment, the "K" LINE Group revised the medium-term management plan announced in March 2015. Could you explain the key points of the revision?

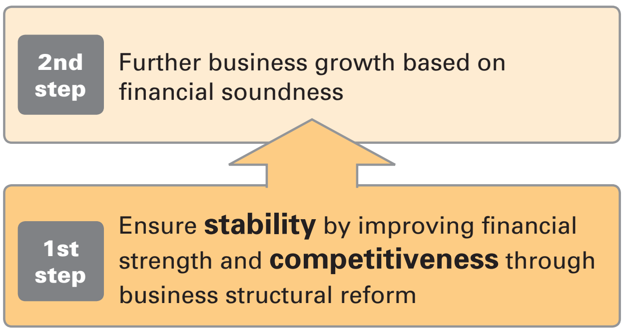
A3 First, on the premise of securing stability and competitiveness, we will conduct business management with emphasis placed on the balance between stability and growth through the realization of a business portfolio with reduced risks.

Key Points of the Revision of the Medium-term Management Plan

Under the medium-term management plan ending in fiscal 2019, which was announced in March 2015, we planned to strengthen growth by placing emphasis on enhancing our fleet from fiscal 2017 in the run-up to the 100th anniversary of our founding (2019). However, in April 2016, we revised the plan in order to respond to the structural change in the business environment and formulated a new medium-term management plan called "K Value for our Next Century – Action for Future –."

One of the key points of the new plan is revising the fleet upgrading plan, mainly with regard to dry bulk carriers, and positioning the securing of competitiveness through business structural reform as the most critical issue in addition to securing stability by improving financial strength as we have already been doing. Through the realization of a business portfolio with reduced risks, we aim to strengthen growth based on stability in the next stage. Now, let me explain the revision of the medium-term management plan from the perspective of structural reform and fleet upgrade and investment plans.

Important Themes for the New Management Plan



Structural Reform

In fiscal 2015, in order to restructure the dry bulk business, which faces a volatile market condition, the "K" LINE Group recorded structural reform costs of ¥34 billion related to such measures as the reduction of the fleet of small- and medium-size vessels, whose exposure is large. In fiscal 2016, we plan to record structural reform costs of around ¥35 billion related to the restructuring of business operations of affiliated companies in addition to the dry bulk business. We expect that these structural reform measures will have profit improvement effects of ¥10 billion in fiscal 2016 and ¥13.5 billion in fiscal 2017.

Plan for Fleet Rationalization

Although we initially planned to expand our key fleet from 526 vessels in fiscal 2014 to 564 vessels in fiscal 2019, the target number was revised to 514 vessels. Of the 50 vessels reduced from the initial plan, 43 are dry bulk carriers. In particular, the number of small- and medium-size vessels, including Panamax vessels, will be reduced by 30% and the number of such vessels will be halved in the medium-term in order to strengthen our fleet's resistance to fluctuations in market conditions. In the meantime, regarding the Capesize carrier business, which accounts for around 90% of cargoes transported by our fleet under medium- and long-term contracts, we will strengthen competitiveness by disposing of high-cost vessels.

Regarding the containership business, the "K" LINE Group is building 10 new 14,000-TEU vessels with state-of-the-art energy-saving performance by fiscal 2018 while disposing of two small- and medium-size vessels and accelerate the concentration of our fleet on the east-west routes.

We revised the target number of LNG carriers for fiscal 2019 from 61 to 57 because of delays in projects due to the crude oil price plunge, but the revised figure is up 14 from fiscal 2014. However, most new vessels are scheduled to be completed in fiscal 2020 or later in order to respond to energy demand growth in the medium- to long-term. Regarding the car carrier business, 15 carriers with a capacity of 7,500 units will be introduced as planned in order to strengthen the competitiveness of our fleet.

With respect to heavy lifter vessels, the market condition remains sluggish due to such factors as a decline in plant transportation, so we are proceeding with drastic business restructuring. Regarding offshore support vessels, we will strive to ensure stability by winning medium- and long-term contracts and by

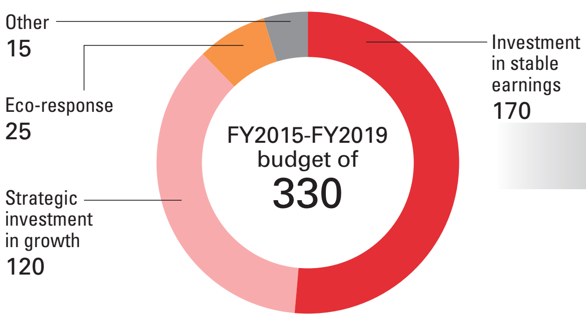
Business Structural Reform (unit: ¥ billion)

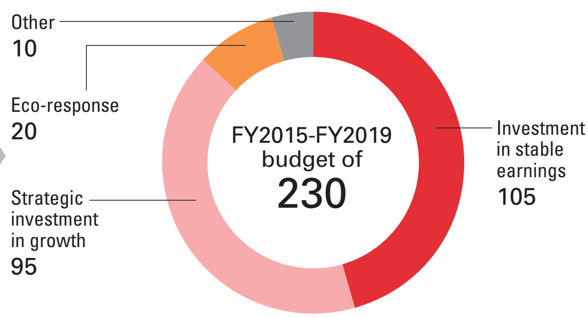
FY2015-FY2016 reform effects	Earnings boost	
	FY2016	FY2017
Approx. 69.0 (approx. 34.0 in FY2015 / approx. 35.0 in FY2016)	10.0	13.5

Plan for Fleet Rationalization (number of vessels in fleet; unit: vessels)

	FY2014 results	FY2015 results	FY2019 target (original plan)	FY2019 target (new plan)	Difference (original vs. new at end-FY2019)
Containerships	70	63	61	59	(2)
Dry bulk carriers	218	212	239	196	(43)
Capesize	85	79	100	81	(19)
Panamax	46	45	48	39	(9)
Thermal coal carrier	23	24	27	31	4
Others	64	64	64	45	(19)
Car carriers	96	102	98	96	(2)
Tankers	25	23	24	27	3
LNG carriers	43	41	61	57	(4)
Offshore E&P & heavy lifter vessels	24	23	26	24	(2)
Other	50	51	55	55	0
Total	526	515	564	514	(50)

Investment Plan (unit: ¥ billion)





implementing exchange measures.

As I already mentioned, although the logistics market is expected to remain sluggish for the moment, it is likely to benefit from population growth and expansion of energy demand in the medium- to long-term. Therefore, as our basic strategy, we will place emphasis on the balance between stability and growth and plan to expand as much as possible stable profit businesses, such as the car carrier business, the energy resource carrier business, including LNG carriers and tankers, the dry bulk business, which is based on medium- and long-term contracts for transportation of iron ore, thermal coal and woodchips, and the logistics business.

Investment Plan

The investment plan for fiscal 2015-2019 was revised downward from ¥330 billion to ¥230 billion in total investment. As for the breakdown of the investment, ¥95 billion is for strategic investment in such items as the expansion of our fleets of LNG carriers and tankers based on medium- and long-term contracts and activities to capture logistics demand, including terminal services. Of the remainder, ¥105 billion is for activities to expand the stable earnings base that enhances our resistance to volatility, including the building of 14,000-TEU containers (10 will be completed by fiscal 2018) and car carriers with a capacity of 7,500 units (15 will be completed by fiscal 2018), among other items. As a result of the narrowed investment focus, we will keep our annual investment cash flow at around ¥50 billion in preparation for our leap to the next stage.

Targets to Achieve and Initiatives to Raise ROE

As for the earnings targets to be achieved in the final year of the medium-term management plan, we aim for ¥45 billion in ordinary income and ¥33 billion in profit attributable to owners of the parent on ¥1,200 billion in consolidated operating revenues. In terms of financial position indicators, we aim for ¥400 billion in equity capital, ¥480 billion in interest-bearing liabilities, an equity ratio of 36% and an ROE of 8%. We aim to attain the goal of increasing the ROE, which is a critical management index, to 10% at an early time after fiscal 2020. In order to achieve an ROA of 6% on an ordinary income basis (slightly higher than 4% on the basis of profit attributable to owners of the parent) and a financial leverage of 2.5 (equity capital ratio of 40%), we will take a series of measures to improve earnings, including structural reform and cost reduction. At the same time, the "K" LINE Group will make group-wide efforts to cut back on unnecessary assets. In light of the high market volatility and huge exchange risk involved in the marine transportation industry, I recognize the need to have a thick cushion of equity capital, so I believe that equity capital of 40% would be the appropriate level.

Projection for Fiscal 2019 (unit: ¥ billion)

	FY2015 results	FY2016 forecast	FY2019 target (new plan)	Post-FY2020 targets	FY2019 targets (original plan)
Operating revenue	1,243.9	1,100.0	1,200.0		1,500.0
Ordinary income	3.3	15.0	45.0		85.0
Profit attributable to owners of the parent	(51.5)	(35.0)	33.0		Over 60.0
EBITDA	24.7	33.0	93.0		150.0
ROE	(13)%	(11)%	8%	Over 10%	Over 10%
Equity capital	355.4	320.0	400.0	500.0	600.0
Equity ratio	32%	31%	36%	40%	40%
Interest-bearing liabilities	525.2	520.0	480.0	480.0	480.0
DER	148%	163%	120%		80%
NET DER	80%	113%			55%
Cash flows from operating activities	39.6	0	90.0		120.0
Cash flows from investing activities	(29.6)	(27.0)	(50.0)		(80.0)
Exchange rate	¥ 120.78	¥ 110.00	¥ 110.00		¥ 110.00
Bunker oil price (per MT)	US$ 295	US$ 275	US$ 370		US$ 500

Q4 Recently, the "K" LINE Group has been significantly affected by the change in the business environment. Could you explain your policy on shareholder returns for the moment?

A4 While we will maintain the policy of paying stable dividends in the medium- to long-term, we will first commit ourselves firmly to securing stability and competitiveness with the aim of ensuring stable dividends.

The medium-term management plan before the revision stated that the "K" LINE Group aims to pay stable dividends and share profit exceeding a designated level in line with the total return ratio target. In fiscal 2015, we recorded ¥51.5 billion in loss attributable to owners of the parent, but we paid annual dividends of ¥5 per share as initially announced. In the future, we will maintain the policy of paying stable dividends in principle. However, as we expect to record structural reform costs in fiscal 2016 for the second consecutive year in order to rebuild the earnings structure as the most critical issue, we have left annual dividends undecided for the moment. First, we will commit ourselves firmly to securing stability and competitiveness with the aim of ensuring stable dividends after seeing how the change in the business environment will play out.

Q5 The "K" LINE Group has formulated the Corporate Governance Guidelines. How is the Group enhancing governance in order to increase its corporate value?

A5 After formulating the Corporate Governance Guidelines, we have been steadily implementing such measures as strengthening the business execution system based on the Unit Supervisory System, reinforcing the supervisory function through an increase in independent Outside Directors and enhancing management incentives through a performance-based share remuneration plan.

We are steadily implementing activities to enhance corporate governance that are promoted under the medium-term management plan. Specific activities implemented in fiscal 2015 include strengthening the Board of Directors' function as a monitoring board and revising the roles and the operating method of the Board of Directors, Management Conferences and Executive Officers' Meetings in order to strengthen the business execution system by speeding up the implementation of decisions. In addition, we have created a system to ensure transparency over decision-making procedures concerning personnel appointments and remuneration, which are important matters for the Board of Directors, by establishing the Nominating Advisory Committee and the Remuneration Advisory Committee, each of which is chaired by an Outside Director. In addition, we formulated and announced the Corporate Governance Guidelines, which cover these activities.

In April 2016, the "K" LINE Group introduced the Unit Supervisory System. In this system, business divisions have been divided into three operational units and three management units under the president and chief executive officer. Each of these units is headed by a managing executive officer in charge of directing and supervising it. Through this system, the responsibility for business execution has been enhanced and clarified. Meanwhile, the number of Outside Directors has been increased from two to three, with the result that they account for one third of the Board of Directors, thereby strengthening the Board's supervisory function. Furthermore, regarding directors in charge of business execution and managing executive officers, a performance-based share remuneration plan has been introduced in order to enhance their awareness about contributing to the improvement of financial results and an increase in corporate value in the medium- to long-term.

Q6 The "K" LINE Group is charged with the mission of providing stable marine transportation services under any circumstances. How do you position CSR in your business management?

A6 **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 places emphasis on safety in navigation and cargo operation, environmental preservation and human resource development as the material issues.**

Positioning CSR as the foundation of sustainable growth, the Group upholds two basic policies – "managing the impact of business activities" and "creating new values" – and places emphasis on safety in navigation and cargo operation, environmental preservation and human resource development in particular as the material issues.

For the Group, which conducts business on a global scale with marine transportation as its core operation, being aware of the impact of its activities on the environment, local communities and the global society is the principal prerequisite for business activities. It is essential not only to make continuous efforts to maintain world-leading safe operation, ensure compliance with corporate ethics and reduce its environmental footprint but also to give consideration to the human rights and health and safety of people with whom the Group is involved during the process of providing services. At the same time, I believe that it is important to understand the expectations and needs of stakeholders through two-way communication and to provide new values to society.

Q7 Following the formulation of the Environmental Vision, *DRIVE GREEN HIGHWAY*, an environmentally-friendly flagship, has been completed. Could you state once again your resolve to make the "K" LINE Group a group trusted globally as a world-leading marine transport operator?

A7 **The Group aims to realize affluent lives for the people and a sustainable society while meeting the expectations of various stakeholders more than ever, with the *DRIVE GREEN HIGHWAY* as the symbol of our efforts.**

A "group trusted from all over the world" conscientiously pays attention to the expectations and needs of various stakeholders and is ready to do its utmost to satisfy them in an appropriate manner.

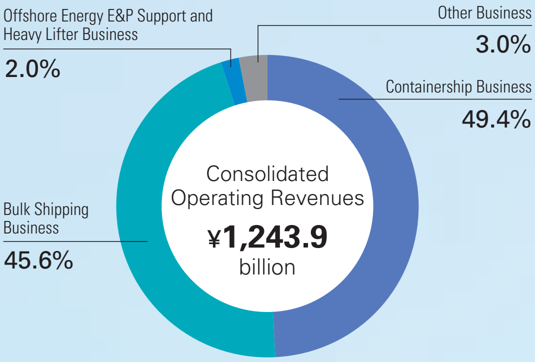
The *DRIVE GREEN HIGHWAY*, which is a car carrier with a capacity of 7,500 units completed in February 2016, is an environmentally-friendly flagship built with the aim of minimizing energy consumption and environmental footprint through the combination of all available state-of-the-art environmental technologies. However, it also generates new earnings opportunities by significantly improving the transportation efficiency of high and heavy cargoes, such as construction machineries and railroad cars, compared with conventional carriers.

I believe that we can gain the trust of society and enhance employees' satisfaction and motivation by meeting the expectations of shareholders and investors through improvement of economic efficiency while resolving social challenges through the reduction of our environmental footprint. The completion of the *DRIVE GREEN HIGHWAY* represents the Group's resolve to meet the expectations of various stakeholders and gain their trust. Based on this resolve, we aim to conduct business management while maintaining awareness about continuing to contribute more than ever to people's affluent lives and sustainable society as a world-leading marine transport operator.

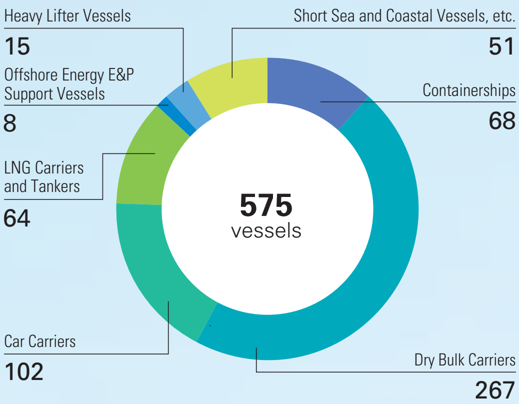
President and CEO
Eizo Murakami

At a Glance

Operating Revenues by Segment (FY 2015)

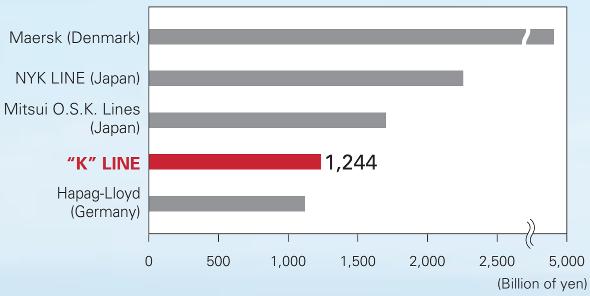


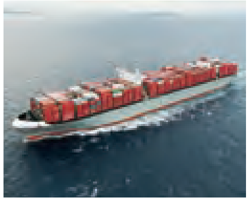
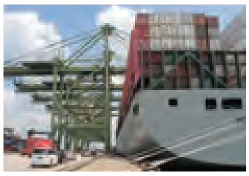
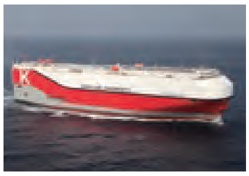
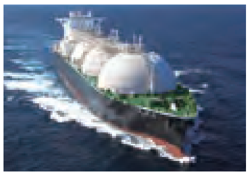
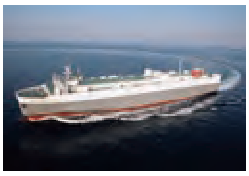
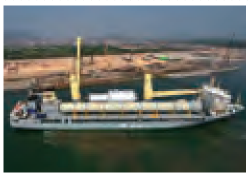
"K" LINE Group Vessels in Operation (as of March 31, 2016)



Top-five Listed Marine Transport Companies by Sales

(FY 2015) Source: Bloomberg



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

Business Review and Outlook

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

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

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

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

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

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

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

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

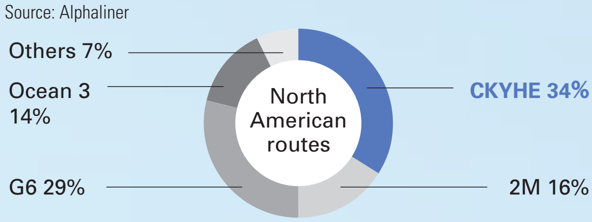
The SAL Group of Germany transports mainly large-scale cargo related to energy and infrastructure development. State-of-the-art vessels equipped with a Dynamic Positioning System (DPS) also meet needs for the transport of oil and gas development facilities and offshore-related facilities, which require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

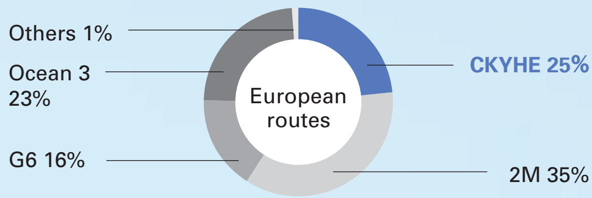
The “K” LINE Group also operates businesses engaging in ship management services, travel agency services and real estate rental and administration services.

Market Share

Major Alliance Operating Capacity Share (as of April 2016)

Source: Alphaliner

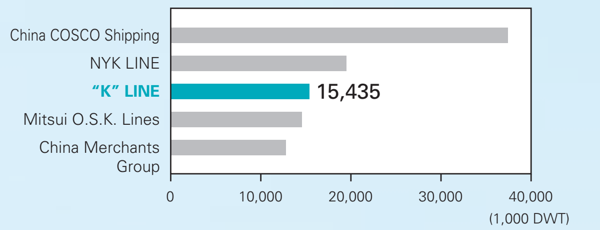




CKYHE: COSCO, “K” LINE, Yang Ming, Hanjin, Evergreen
2M: Maersk, MSC
G6: OOCL, NYK LINE, Hapag-Lloyd, APL, Mitsui O.S.K. Lines, Hyundai
Ocean 3: CMA CGM, CSCL, UASC

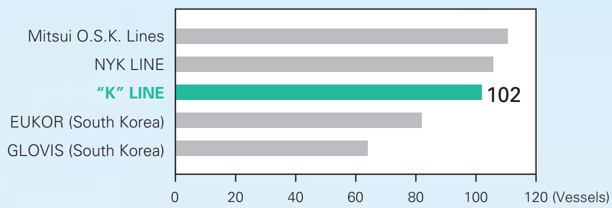
Top-five Carriers Ranked by Owned Tonnage of Dry Bulkers

(as of May 2016) Source: Clarkson



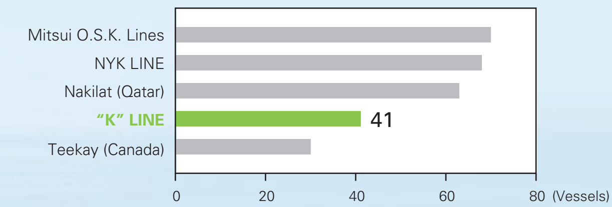
Top-five Carriers by Number of Operating Car Carriers

(as of May 2016) Source: Prepared based on the Marine Trader World PCTC / PCC / RORO Fleet List 2016.

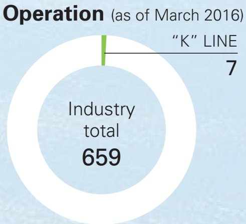


Top-five Carriers by Number of Owned LNG Carriers (including co-owned fleet)

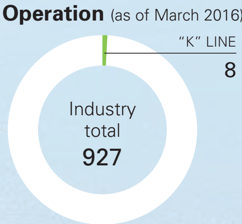
(as of March 2016) Researched by “K” LINE



Number of VLCCs*1 in Operation (as of March 2016)



Number of Mid-sized Tankers*2 in Operation (as of March 2016)



Source: Clarkson

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

Business Review and Outlook

Containership Business
Port Business

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

14,000-TEU Container Vessel *MILLAU BRIDGE*

Initiatives Based on the Medium-term Management Plan

Though the bottom-line of the containership business moved into the black in fiscal 2014, the final fiscal year under the previous medium-term management plan, earnings declined due to the severe sluggishness of the market in fiscal 2015. The market condition of the containership business is expected to remain unstable for some time to come. "K" LINE will maintain the management policy of prioritizing profitability and stability and control the risk of loss by mainly targeting East-West trade and Intra-Asia trade making good use of our own agency network, rather than attempting to expand market share. By 2018, 10 new 14,000-TEU vessels with the most advanced energy-saving technology will be completed and delivered, and the introduction of these ultra-large container vessels will strengthen cost competitiveness. On East-West trunk routes, "K" LINE will make the most of the merits of its alliance with business partners so that it can achieve rationalization effects and provide good quality services, including sufficient frequency, suitable transit time / stable schedule and wider port coverage.

In the port business, "K" LINE will bolster its competitiveness by continuing to improve and expand facilities of affiliated terminals in Japan and overseas and upgrade their quality so that they can accommodate larger ships.

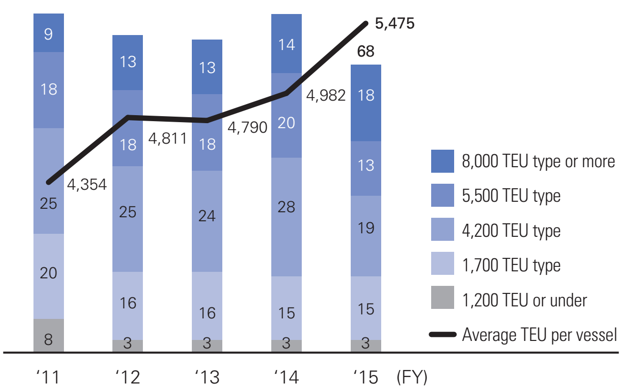
Overview of Fiscal 2015

Although the U.S. economy stayed firm, the volume handled by the "K" LINE Group as a whole declined from the previous fiscal year because of the effects of service rationalization and the pricing policy emphasizing profitability amid the sluggish demand due to the uncertainty over the European economy, the slowdown of the Chinese economy and resource price falls. Freight rates declined in Asia-North America trade in and after the third quarter due to the deterioration of the supply-demand balance and remained low in European and north-south routes. As a result, the average freight rate for "K" LINE was lower than in the previous year on an all-trade basis, and operating revenues dropped from the previous fiscal year. Meanwhile, "K" LINE strengthened its competitiveness through the introduction of new large vessels and implemented various cost-cutting measures; including reduction of the space / services in Asia-Europe trade to fit to the reduced demand, rationalizing North-South and Intra-Asia trades and cutting back on the cost of returning empty containers. However, "K" LINE recorded losses.

Fiscal 2016 Business Outlook

The containership business market does not engender optimism. The U.S. economy is anticipated to grow, but many unstable factors remain in Europe, emerging markets and resource-rich countries. Global demand for container cargo movements is predicted to continue growing slowly. In the meantime, the supply-demand gap of container shipping market is expected to persist although the pace of supply growth is likely to become relatively moderate. Under these conditions, following the completion of five 14,000-TEU containerships in 2015, "K" LINE will deploy five

"K" LINE's Ships in Operation (unit: number of vessel)



additional containerships of the same type, which are scheduled to be completed by 2018. Together with further enhancement of sales and marketing capabilities and constant pursuit of efficiency and quality improvement of group organizations, the deployment of the new containerships, which constitute "K" LINE's key fleet of containerships, is intended not only to strengthen competiveness by taking advantage of the larger size but also to improve earnings by improving service quality, increasing efficiency and producing further rationalization effects.

In the port business, "K" LINE will advance the operation of high-standard, high-quality terminals that are more user-friendly by continuing to upgrade facilities in order to accommodate large containerships with a capacity of 8,000-TEU or more.

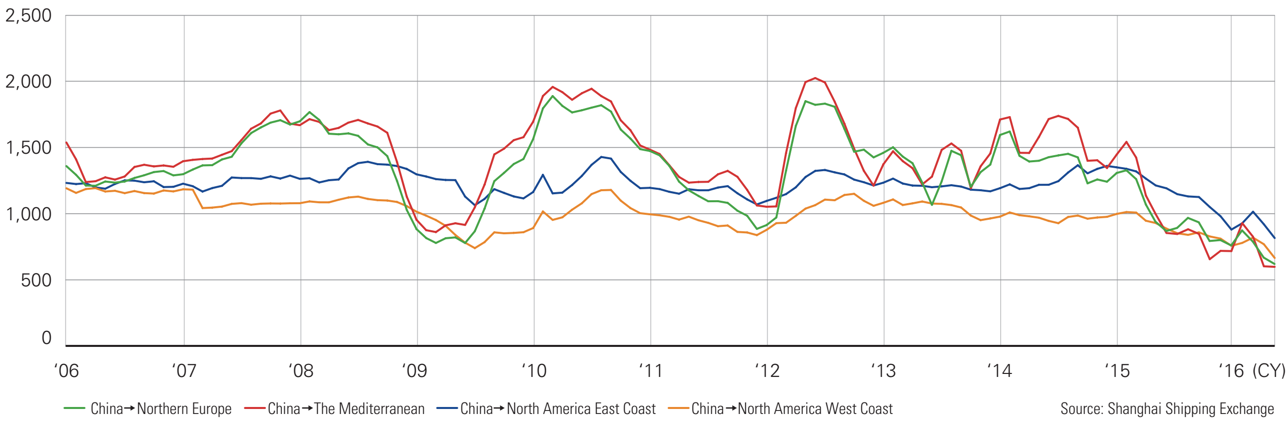
At Yokohama port, "K" LINE has moved its group terminal operation to a container terminal at the Daikoku wharf, while in the Port of Tacoma in the United States, it is expanding the newly-designed terminal capable of simultaneously accommodating two 18,000-TEU mega-containerships. "K" LINE is also upgrading other group container terminals in and outside Japan.

Focus

Enhancement of the Safety Management System of Large Containership Vessels and Optimal Utilization of the Operation and Loading System

In order to appropriately meet the rapid shift to larger vessels, "K" LINE introduced optimal education programs for containerships and operational guidelines to further enhance the safety management system. On the operation side, "K" LINE is promoting safety and economic efficiency in operation by adopting the K-IMS vessel operation and performance management system, which integrates systems for optimal operational support that takes into consideration ocean weather, collection of operational data from onshore facilities and monitoring, and performance analysis. Furthermore, aiming to ensure the safety of containers and maximize the loading volume, "K" LINE will introduce a system that makes it possible to change the loading conditions in accordance with the ocean weather in each maritime region where vessels actually sail.

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



Source: Shanghai Shipping Exchange

Business Review and Outlook

Dry Bulk Business

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

Capesize Bulkers

Initiatives Based on the Medium-term Management Plan

It became necessary to revise the medium-term management plan that was announced in March 2015 in order to respond to subsequent rapid and considerable deterioration of the market and business conditions; therefore, "K" LINE has been revising the composition and scaling back the size of the fleets of Capesize vessels and small- and medium-size vessels in fiscal 2015-2016 as a structural reform.

While around 90% of cargoes carried by the Capesize fleet are secured under medium- and long-term contracts, "K" LINE will strengthen cost competitiveness through disposal of high-cost vessels while retaining the fleet size and will maintain the base for stable earnings.

The key fleet of small- and medium-size vessels, including Panamax vessels, which has high exposure to the market, will be scaled back in order to further reinforce its resistance against the continued sluggishness of the market condition, thereby reducing risk from changes in the market condition and improving profitability.

On the other hand, regarding transportation of thermal coal to Japan, for which demand is expected to continue growing steadily, "K" LINE will retain the existing policy of continuing to maintain and expand stable earnings by strengthening a competitive, high-quality fleet.

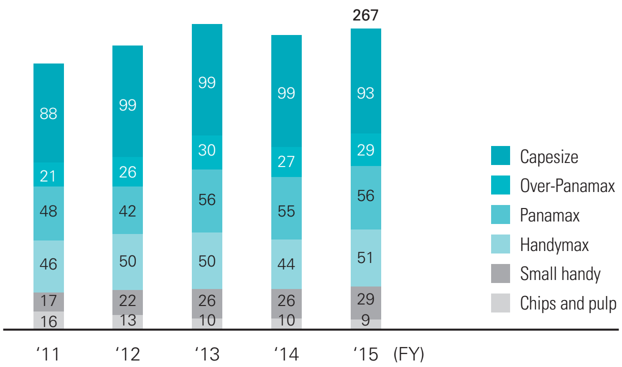
Overview of Fiscal 2015

Regarding Capesize vessels, there was little improvement in the market condition due to an increase in cargo movements in the winter, as the volume of iron ore imported into China did not grow as a result of stagnant demand for steel in the country, so the market condition remained the worst ever.

Regarding small- and medium-size vessels, too, the market condition remained sluggish as the supply-demand balance was disrupted due to weak demand for transportation of coal to China and the easing of congestion at the loading ports of grain in South America.

The "K" LINE Group minimized the exposure of our fleets to the spot market by reducing the number of contractually uncommitted vessels under our control and strived to improve earnings through reduction of operational costs and efficient fleet allocation. However, because of the prolonged sluggishness of the dry bulk market condition, operating revenues dropped steeply, resulting in losses.

"K" LINE's Ships in Operation (unit: number of vessel)




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

Coal Carrier (Corona Series)

Fiscal 2016 Business Outlook

The dry bulk market condition declined to the lowest level ever in February 2016. Although the market bottomed out, the condition remains sluggish. While there are expectations for moves that may lead to the easing of the supply-demand gap, such as scrapping of economically inefficient vessels, lay-up of vessels and delaying of delivery of new ships, it is predicted to take some more time before the market condition recovers in earnest.

The Coal & Iron Ore Carrier Group aims to continue securing medium- and long-term cargo contracts based on the relationships with domestic and foreign customers that it has been cultivating for many years. In addition, it will strive to further enhance the stable earnings structure by carrying out the ongoing structural reform.

The Bulk Carrier Group aims to improve profitability by carrying out structural reform targeted at small- and medium-size vessels. It has also started an initiative to improve the efficiency of fleet management by taking advantage of "K" LINE's global network.

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 meet demand for cargo movements, which is expected to continue growing steadily, by using a fleet of wide-beam, shallow-draft "Corona series" vessels established as a high-quality brand.

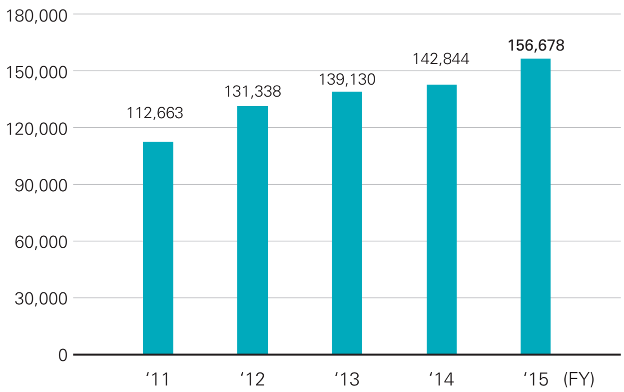
In woodchip and pulp transportation, the Group has an established stable earnings structure that is resistant to changes in the market condition based on medium- and long-term dedicated vessel contracts and it will maintain the structure in the future.

Focus

Concentration of the Panamax Bulker Fleet Allocation Function

The "K" LINE Group was previously operating the Panamax bulker business at three locations, Tokyo, Singapore and London, individually. The fleet allocation function of the business was concentrated in April 2016 at the Panamax Fleet Allocation Center in Singapore, a country which may now be called the Asian center of the marine transportation market. In this way, the "K" LINE Group is able to manage the fleet more efficiently through smooth sharing of information across business units.

"K" LINE's Cargo Tonnage Carried by Dry Bulk Carriers
(in 1,000 kilotons)



Baltic Dry Index

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

Car Carrier Business

Managing Executive Officer
Kenji Sakamoto
In charge of Car Carrier Business

Initiatives Based on the Medium-term Management Plan

Our Group's aim is to secure the trust of customers 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. Regarding exports of complete built-up cars from Japan, the trend is shifting from "local production, local consumption" to "mass production in the right place," so the gradual volume decline that has continued for several years is coming to a halt. In this situation, "K" LINE aims to further deepen its partnerships with existing customers. We are also advancing our strategy to strengthen the ability to cope with changes in trading patterns originating in growth markets such as Asia and the Atlantic region and increase capacity for shipping cargo such as construction machinery and railway cars. Also, regarding the fleet management plan, we are building a structure for stabilizing earnings by improving our group's cost competitiveness, as large next-generation ships featuring excellent fuel efficiency are steadily entering into service. At the same time, we are enhancing our services through the improvement of vessel quality. In addition, "K" LINE will continue endeavoring to enter new business fields, including businesses peripheral to the marine transportation of complete built-up cars, such as inland transportation, RORO terminal business and PDI (Pre-Delivery Inspection) business.

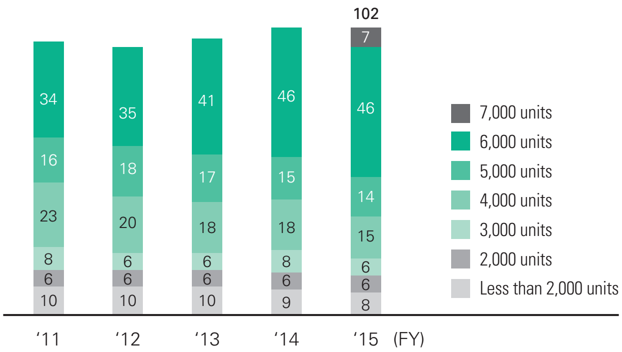
Overview of Fiscal 2015

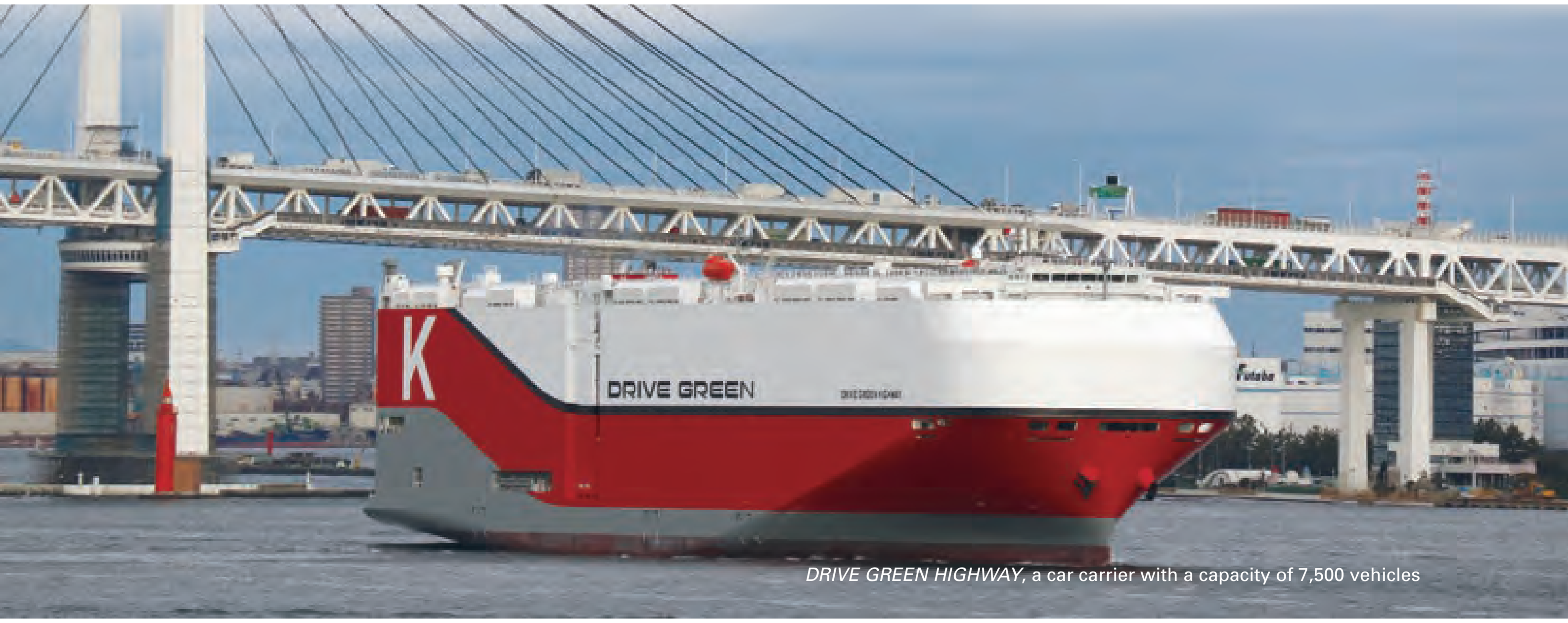
The total volume of complete built-up cars shipped from Japan rose by approximately 5%, from 4,070,000 units in the previous fiscal year to 4,280,000 units, as the trend of gradual decline came to a halt because the yen remained weak. Although cargo movements in the Atlantic region stayed firm, cargo movements from Europe and North America to Asia, from Asia to Central and South America and Africa and within Europe declined. Under these business conditions, the total volume of complete built-up cars shipped by the Group dropped by about 1% from the 3,170,000 units in the previous fiscal year to 3,150,000 units. Although we strived to improve the efficiency of fleet allocation and operation, consolidated earnings from the car carrier business declined year-on-year.

Fiscal 2016 Business Outlook

There remain concerns over the economic conditions of resource-rich countries in the Middle East, Central and South America and Africa, as well as emerging markets such as China and 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. The volume of complete built-up cars shipped from Japan is projected to remain at the same level as in the previous fiscal year because, although there are uncertainties over cargo movements to resource-rich countries, demand remains firm,

"K" LINE's Ships in Operation (unit: number of vessel)





DRIVE GREEN HIGHWAY, a car carrier with a capacity of 7,500 vehicles

mainly for cargo movements to North America. In the meantime, exports from new manufacturing bases in Southeast Asia, China, India, the United States and Mexico to neighboring countries are expected to increase further in the future. Under these business conditions, the Group will precisely grasp shipping demand that is diversifying, flexibly restructure service routes and enhance existing service networks.

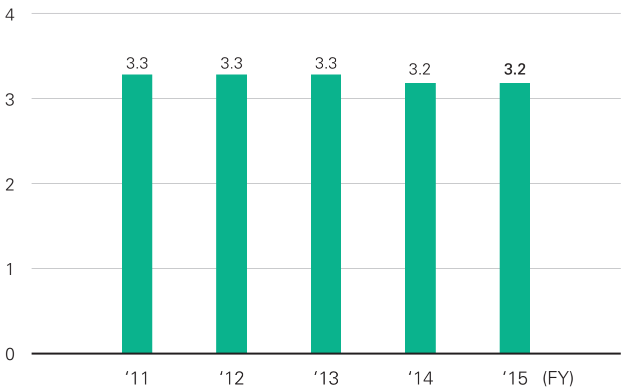
In addition to complete built-up cars, the Group is advancing its strategy to drastically expand handling of construction machinery, railroad cars, etc. The Group is reinforcing a global organization for high value-added services and is increasing special equipment capable of handling non-wheeled cargoes in a systematic way, keeping the rising volumes of diversifying RORO cargo in mind. Large ships with a capacity of 7,500 units equipped with energy-saving capability that have been gradually entering into service from the previous fiscal year have shipping capacity that is approximately 20% larger than that of an older type. They also achieve improved fuel consumption with the adoption of environmental specifications and an electronically-controlled engine. These technical improvements have substantially reduced the operational cost per unit and helped to make the fleet more competitive.

Focus

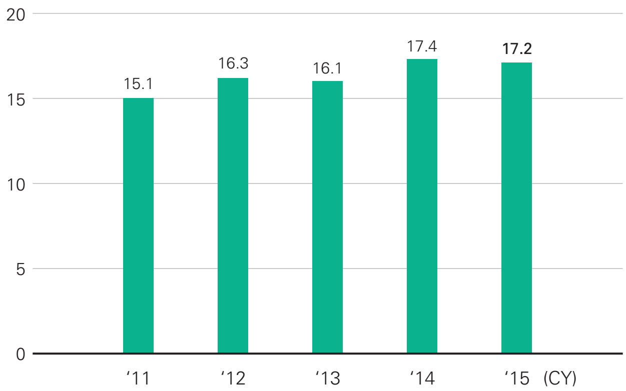
Handling of New Cargo

In line with the delivery of our first car carrier vessel with a capacity of 7,500 units, which embodies the fusion of state-of-the-art technologies, the first loading of railroad cars for inter-city high speed train service bound for the United Kingdom was implemented at Tokuyama Kudamatsu Port in July 2015. The lead time has been reduced and the transportation service quality has been improved by realizing the loading at Tokuyama Kudamatsu Port, which is close to a railcar factory, in addition to adopting a new vessel design that enables loading of over-length cargoes that could not be loaded to existing car carriers. In the future, “K” LINE will continue striving to provide optimal marine transportation service in terms of safety, cost and environmental friendliness with respect to not only main cargoes such as passenger cars and construction machineries but also high, lengthy and heavy cargoes.

“K” LINE’s Completed Built-up Cars Transported by Car Carriers (million units)



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



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

LNG Carrier Business and Tanker Business

Managing Executive Officer
Akira Misaki
In charge of Energy Transportation Business

LNG Carriers

Initiatives Based on the Medium-term Management Plan

Demand for energy resources is expected to expand steadily in the longer term driven by 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, “K” LINE will implement the following initiatives in areas such as oil tankers, liquefied petroleum gas (LPG) carriers and liquefied natural gas (LNG) carriers.

Oil Tanker Services: As far as Very Large Crude Carriers (VLCCs) business is concerned, “K” LINE aims to minimize market exposure in an effort to increase stable earnings by obtaining medium- and long-term contracts for the newbuildings which have been ordered for fleet replacement as well as expansion. Regarding LPG vessels, “K” LINE ordered two newbuildings (scheduled to be delivered in fiscal 2017 and 2018, respectively) and obtained charter contracts. “K” LINE will expand stable earnings through replacement of existing vessels and fleet development suited to charterer’s demand.

LNG Carrier Services: Against the backdrop of the slowdown of the global economy and the prolonged slump in crude oil prices, the start of newly-planned LNG projects is beginning to be delayed. For the past one year, since the announcement of the medium-term management plan (in March 2015), “K” LINE has made steady progress toward achieving the plan. However, under these business situations, the target date of the achievement of the plan has been pushed back and the target number of vessels co-owned with other companies at the end of fiscal 2019 has been revised down from 61 to 57. However, demand for LNG is expected to remain firm in the medium- to long-term. Therefore, “K” LINE will seek to secure stable earnings and expand its business base by continuing to provide high quality services to domestic and foreign customers in the LNG carrier business.

Overview of Fiscal 2015

Oil Tanker Services: VLCCs and LPG carriers performed favorably based on medium- and long-term charter contracts. Oil tanker market in general stayed firm throughout fiscal 2015 due to steady cargo movements, mainly in China and other emerging markets, so financial results were better than in the previous fiscal year.

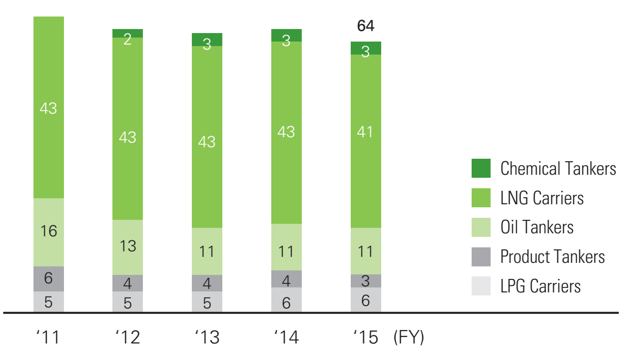
LNG Carrier Services: The LNG carrier fleet performed favorably under medium- and long-term agreements, allowing “K” LINE to secure stable earnings.

“K” LINE signed contracts for three new vessels to be used for transportation of LNG produced in U.S. shale gas projects.

Fiscal 2016 Business Outlook

Oil Tanker Services: Crude oil / LPG demand is expected to increase steadily mainly in emerging markets in Asia, including China and India. In addition, demand for long haul shipment is anticipated to increase on the back of the diversification of crude oil sources. Under these business circumstances, “K” LINE seeks

“K” LINE’s Ships in Operation (unit: number of vessel)



Oil Tankers

to improve earnings by further enhanced safety, economical and efficient operations. "K" LINE also aims to expand the base for stable earnings by gaining new business with newly-built fuel-efficient ships.

LNG Carrier Services: Stable earnings are expected to be secured as the LNG carrier fleet performs well. For the moment, the LNG carrier market condition is expected to be relatively sluggish throughout fiscal 2016 due to delays in the start of new LNG projects. However, in the medium- to long-term, the market condition is expected to stay firm against the backdrop of robust demand in emerging markets in Southeast Asia and other regions. While aiming for further improvement of the quality of vessel management, which is the basis of safe operation, we seek to expand earnings by responding accurately to customers' demands for LNG carriers, which are changing in step with the diversification of exporting regions.

Focus

Orders for New Aframax-size Tankers

"K" LINE Pte Ltd (KLPL) placed orders for two new Aframax-size tankers to be delivered in fiscal 2018 which are designed to comply with existing regulations as well as forthcoming rules in order to provide highest quality service to our valued customers.

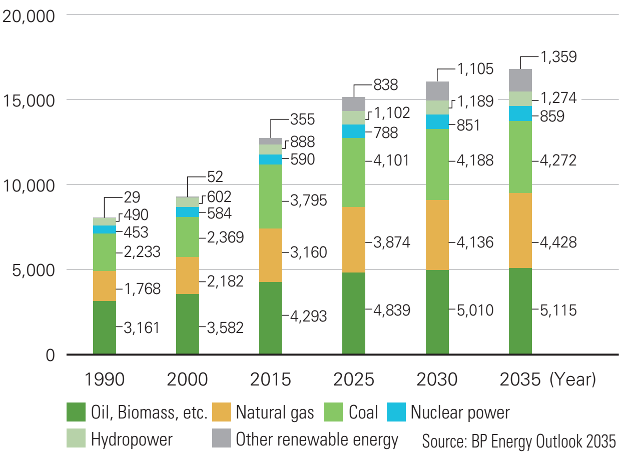
New LNG Carrier *BISHU MARU*

Regarding the LNG carrier service, a newly-built LNG carrier for which the contracts were signed in 2014 was named *BISHU MARU*. The name, which is derived from the ancient name of Aichi Prefecture, has been inherited from the first Japanese-flagged LNG carrier, which entered into service in 1983 under "K" LINE's management.

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

Worldwide Demand for Primary Energy
(million ton oil equivalent) (as of February 2016)



Source: BP Energy Outlook 2035

Business Review and Outlook

Offshore Energy E&P Support Business

Managing Executive Officer
Akira Misaki
In charge of Energy Transportation Business


Anchor Handling Tug Supply (AHTS) vessels
©Bjarne P. Hovland

Initiatives Based on the Medium-term Management Plan

Taking advantage of knowledge and expertise gained through the energy transportation business over many years, we will continue our challenge to develop new business in offshore oil and gas fields, from the up-stream, i.e. exploration, development and production to the down-stream. In addition to our existing offshore business, the Offshore Support Vessel business undertaken by K Line Offshore AS in Norway and the Drillship businesses in Brazil, "K" LINE aims to further expand our activities into new segments, such as Floating Production, Storage and Offloading units (FPSO) and / or Construction Support Vessels (CSV) through strategic investment by which we intend to grow such new business as our main segment among "K" Line's portfolio.

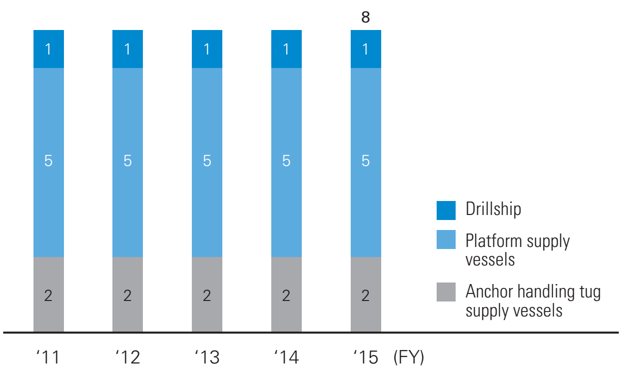
Overview of Fiscal 2015

The drillship business performed stably as a drillship partially owned by "K" LINE is continuing drilling operations for ultra-deep-water fields 200 kilometers off the coast of Brazil under a long-term charter contract for a maximum period of 20 years. Our Platform Supply Vessels (PSV) and Anchor Handling Tug Supply (AHTS) vessels operated by Norway-based K Line Offshore AS, a wholly-owned subsidiary of "K" LINE, secured a higher utilization rate than the market rate, as they have gained a high degree of trust from charterers. However, the market for offshore support vessels remained sluggish due to the prolonged slump in crude oil prices.

Fiscal 2016 Business Outlook

The drillship in service off the coast of Brazil is predicted to achieve stable earnings continuously under the long-term charter contract. Amid the prolonged slump in crude oil prices, it is expected to take some more time before the market for offshore support vessels recovers. Nevertheless, K Line Offshore AS will continuously provide high-quality service through the high-spec fleet while reducing costs in order to enhance its competitiveness under the challenging market conditions. In addition, "K" LINE will continuously pursue and develop new offshore business that will increase stable profit in the long term.

"K" LINE's Ships in Operation (unit: number of vessel)



Focus

Efficient Operation Using Large Vessels

AHTS owned and operated by K Line Offshore AS has a horsepower similar to that of VLCCs (34,000BHP), and its bollard pull is 390 tons, the highest in the world.

The size of our PSVs belongs to the large segment, i.e. dead-weight capacity of 5,100 tons and a deck space of 1,100 square meters, which increases efficiency in transportation.

Our high-spec vessels are highly evaluated by our customers for providing efficient operation in the exploration, development and production of oil and gas fields, which are located far from onshore.

Business Review and Outlook

Heavy Lifter Business

Managing Executive Officer
Yutaka Nakagawa
Responsible for Logistics,
Affiliated Business Promotion Unit

Heavy Lifter

Initiatives Based on the Medium-term Management Plan

Although the supply of newly-built ships has declined significantly since 2014, the supply-demand gap has not yet been resolved because of a steep drop in demand. Under these circumstances, the heavy lifter business, which is conducted by SAL, a Group company in Germany, is striving to improve earnings by implementing various cost-cutting measures in addition to pursuing efficient fleet allocation. Vessels which are not those of the core fleet are procured through short-term charter contracts in order to enable flexible adjustment of the fleet size. A study on drastic structural reform has also started.

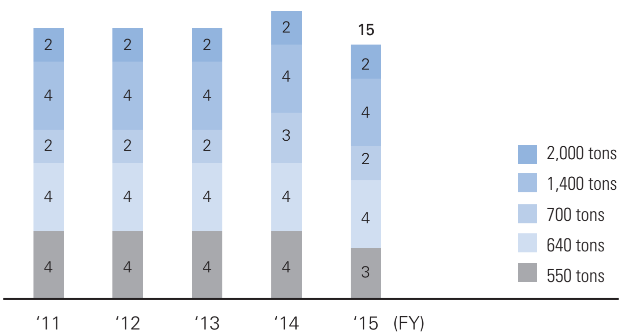
Overview of Fiscal 2015

In the heavy lifter business, both operating revenues and profits declined due to the effects of the very severe market condition. In particular, regarding large vessels, transportation and other work related to offshore projects for which contracts were concluded in the previous fiscal year was finished by the end of the second quarter, so the heavy lifter business was significantly affected by the market condition with respect to all vessel types in and after the third quarter, leading to the deterioration of financial results. In fiscal 2015, one chartered vessel under a short-term charter contract was redelivered in the first half, and one 19-year-old vessel owned by SAL was sold in the second half. As a result, the fleet size was reduced by two vessels compared to the previous fiscal year.

Fiscal 2016 Business Outlook

In fiscal 2016, transportation related to several large projects is scheduled to start, so demand for project-related transportation is expected to increase. Although the market condition is expected to remain severe on the whole, there are signs of bottoming-out. The “K” LINE Group will continue striving to secure cargo volume under the policy of more actively collecting cargoes and improve earnings through efficient fleet allocation and reduction of vessel costs at the same time.

“K” LINE’s Ships in Operation (unit: number of vessel)



Focus

Pursuit of High Profitability and Stable Growth

Regarding two large vessels with 2,000-ton crane capacity, “K” LINE will continue to devote efforts to obtaining contracts for energy resource-related transportation, for which demand will grow in the medium- to long-term, and for highly profitable cargo transportation and other work, such as offshore work. Regarding small- and medium-size vessels, “K” LINE aims to achieve stable growth in the heavy lifter business through efforts to improve earnings by capturing demand for infrastructure-related transportation such as transportation related to electric power and ports in addition to transportation of conventional cargo.

Business Review and Outlook

Short Sea and Coastal Business

Managing Executive Officer
Yutaka Nakagawa
Responsible for Logistics,
Affiliated Business Promotion Unit

A ferry operated by Kawasaki Kinkai Kisen Kaisha, Ltd.

Initiatives Based on the Medium-term Management Plan

Kawasaki Kinkai Kisen Kaisha, Ltd. ("K" LINE Kinkai), one of the Group's core companies, will expand its coastal business by opening a liner service on the Shimizu-Oita route in order to obtain new customers. In the tramper transport service, we also aim to obtain new customers. Regarding ferry transportation service, we will steadily prepare for the replacement of an old ship with a new one on the Hachinohe route in April 2018 and the opening of the Miyako-Muroran route in June of the same year.

In the short sea business, we will optimize the fleet size through the disposal of high-cost vessels, among other measures. In the outbound transportation of steel materials and general cargoes, we will enhance space efficiency while seeking to expand share in the inbound transportation of plywood. In the PKS transportation business*, we aim to obtain new contracts.

In the offshore support vessel business, we will continue to provide support for offshore resource exploration projects.

*Transportation of palm kernel shells as a fuel for biomass power generation.

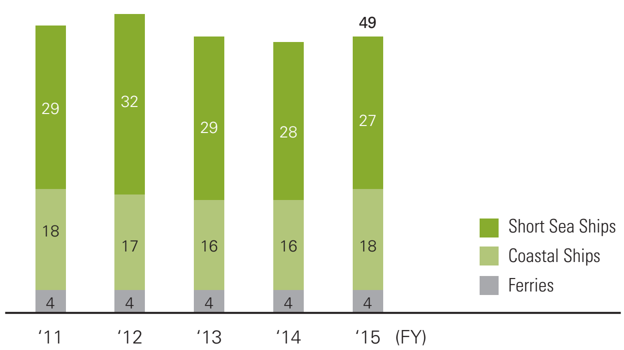
Overview of Fiscal 2015

In the short sea business, conditions continued to be severe due to the sluggish market situation. Regarding the transportation of wood products, "K" LINE Kinkai expanded its share in the transportation of plywood; and regarding the transportation of steel materials and general cargoes, it increased the volume of mixed cargoes handled.

In the coastal business, we maintained stable utilization of various dedicated vessels in the tramper transport service, while in the liner service, transportation volume increased through the operation of extra services. In the ferry transportation service, we increased the volume of door-to-door delivery cargoes and the number of passengers.

In the short sea and coastal businesses as a whole, operating revenues declined from the previous fiscal year due to a steep drop in fuel surcharges but profits grew.

"K" LINE Group's Ships in Operation (unit: number of vessel)



Fiscal 2016 Business Outlook

Regarding the short sea business, "K" LINE Kinkai will optimize the fleet size of bulk carriers by continuing such measures as early return of high-cost vessels amid the sluggish market condition. Regarding the transportation of wood products, steel materials and general cargoes, earnings will be improved by enhancing operational efficiency.

Regarding the coastal business, we project stable transportation volume in the tramper transportation service. Service will be improved by replacing old vessels dedicated to limestone with new ones. In the liner service, we will open the new Shimizu-Oita route in October. Regarding existing routes, we project stable cargo movements, but initial costs of the new route and depreciation costs related to newly-built ships are expected to increase. In the ferry transportation service, we will promote further use of the service by trucks, passenger cars and passengers through active sales activities.

We aim to further expand the base of earnings by developing new businesses and new routes.

Focus

New Initiatives

In the new offshore support business, an Anchor Handling Tug Supply vessel owned by Offshore Japan Corporation, a joint-venture company, was completed in March 2016 and started support service in earnest. In the coastal liner service, "K" LINE Kinkai will expand business by opening the new Shimizu-Oita route in October. In the ferry transportation service, we are preparing for the opening of the new Miyako-Muroran route in June 2018.

Business Review and Outlook

Logistics Business

Managing Executive Officer
Yutaka Nakagawa
Responsible for Logistics,
Affiliated Business Promotion Unit

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

Initiatives Based on the Medium-term Management Plan

Under the medium-term management plan, the logistics business is positioned as a stable earnings business that is affected little by changes in the market condition. In particular, “K” LINE will work to develop new businesses around its logistics and shipping operations in order to complement underdeveloped logistics infrastructure and meet customers’ needs, mainly in emerging markets and high growth regions.

In particular, “K” LINE will engage mainly in four target businesses namely so-called “milk run*” and other car industry-related logistics services; short sea cargo transportation, coastal shipping and river transportation; cold supply chain; and airfreight / forwarding. In addition, “K” LINE will expand stable earnings by promoting further cooperation among Group companies.

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

Overview of Fiscal 2015

In fiscal 2015, in the logistics business, demand for domestic logistics service related to land transportation stayed firm. However, regarding airfreight cargo transportation, the volume of export cargoes handled from Japan and Asia declined from the previous fiscal year due to the effects of the end of extra demand caused by congestion at North American West Coast ports last year and the slowdown of the Chinese economy. As a result of this factor combined with the yen’s appreciation in the second half of the fiscal year, both operating revenues and profits fell from the previous fiscal year.

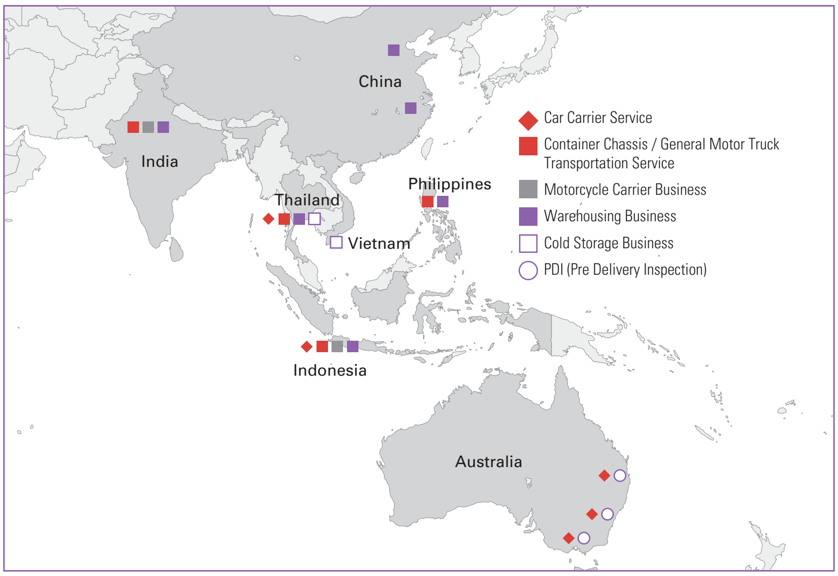
Fiscal 2016 Business Outlook

In the logistics business, demand for domestic logistics service is expected to stay firm.

Although it is expected to take some more time before the volume of airfreight export cargoes from Asia including Japan recovers, “K” LINE will seek to maximize earnings by engaging in active sales activities, including the development of new businesses, and implementing cost-cutting measures.

In addition to strengthening relationships with customers, mainly in the existing logistics business, and making investment in the replacement of old facilities with new efficient ones, “K” LINE will continue efforts to develop new businesses.

Comprehensive Logistics Services with Strong Local Ties



Focus

Successive Opening of New Facilities in Asia

In Thailand, “K” LINE opened a new logistics center (a warehouse and a container depot) in October 2015. Since the opening, the logistics center has been performing successfully, with the warehouse being almost full.

In Ho Chi Minh City, Vietnam, a high-spec cold storage warehouse was inaugurated in July 2016.

CSR

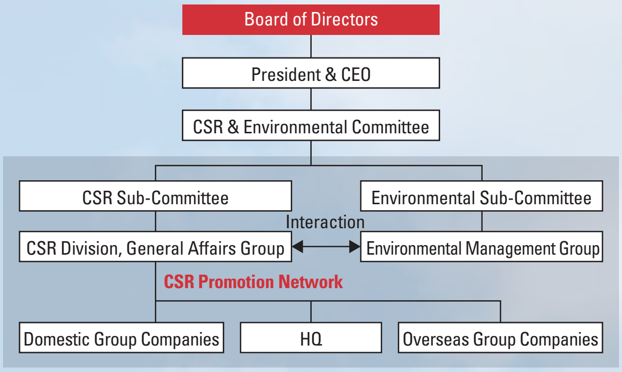
The "K" LINE Group recognizes Corporate Social Responsibility (CSR) in the following two large frameworks, namely "Managing the Impact of Business Activities" and "Creating New Values," and aims to build "a Management Structure that Emphasizes Social Responsibility" based on these frameworks. The Group 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.

Status of Inclusion in SRI Indexes

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

FTSE4Good

CSR Promotion System



The Frameworks of CSR and Three Material Issues

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
- **Fair operating practices** — Preventing corruption, preventing anti-competitive behavior
- **Environmental preservation** — Reinforcing environmental management, environment-friendly business activities
- **Labor practices** — Preventing over-long working hours, improving occupational health and safety, promoting diverse work styles
- **Safety in navigation and cargo operations** — Preventing major accidents
- **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
- **Innovation** — New value proposals through reduction of environmental burden and improvement of service quality
- **Community involvement and development** — Assisting recovery / reconstruction from natural disasters
- **Employment creation and skills development** — Support for education and employment creation

Environmental Preservation

>To page 37

Safety in Navigation and Cargo Operation

>To page 38

Human Resource Development

>To page 39

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

CSR

Environmental Preservation

Executive Officer
Toyohisa Nakano
In charge of Technical and Environmental Affairs, Fuel Cost Control, General Manager of Technical Group

Forest preservation activity in May 2016

Initiatives Based on the Medium-term Management Plan

In the spring of 2015, the "K" LINE Group announced "K" LINE Environmental Vision 2050, which is a long-term environmental management vision, as an initiative to increase its corporate value. The Group recognizes that understanding the expectations and needs of stakeholders and providing new values to society, in addition to implementing counter-measures against expected global environmental problems, will lead to an increase in its corporate value in the future. Expressing the resolve to increase its corporate value in this way in the "K" LINE Environmental Vision 2050, the Group is striving to achieve specific numerical targets and conducting environmental preservation activity.

Overview of Fiscal 2015 and Future Initiative

The "K" LINE Group believes that in order to achieve the goals set under the Vision, it is necessary to change the mindset of individual employees of the Group so that they will behave in an environmentally-friendly manner. In order to put this belief into practice, the Group founded the "K" LINE Group Environmental Award and held an "environmental summit," which brought together representatives from "K" LINE Group companies to share the recognition of the current status of environmental issues and exchange opinions.

The "K" LINE Group also regards it as a critical challenge to recognize the environmental impact of its business activities and make continuous improvement efforts. Therefore, in order to grasp the environmental footprint of the Group as a whole, the Group started to operate an environmental data tabulation system, which collects and tabulates environmental footprint data, such as fuel consumption and electricity usage volume of major domestic and foreign "K" LINE Group companies*1.

At the 21st session of the Conference of the Parties (COP21) held in Paris in 2015, a historic agreement concerning the prevention of global warming was reached with the participation of 196 countries and regions from around the world. We in the marine transportation industry are also required to continue efforts to curb the emission of greenhouse gases.

The "K" LINE Group identifies the environmental footprint of its business activities by operating the system based on the ISO14001 international standard of environmental management and the PDCA cycle*2 and continuously improves planned activities. In the meantime, the 2015 version of ISO14001 was published. In the future, the Group will plan the development of systems so as to ensure that effective environmental preservation activities take root in day-to-day business management with the aim of achieving "environmental management integrated with business strategies," which is required by the new standard.

*1 The emission volume of greenhouse gases by the "K" LINE Group (67 major consolidated companies) in fiscal 2015 is as follows:
Scope 1 (direct emissions associated with the use of fossil fuels): 13,267,268 tons
Scope 2 (indirect emissions related to electricity, etc. supplied from the outside): 30,561 tons
Scope 3 (other indirect emissions, excluding Scope 1 and Scope 2): 1,564,870 tons

*2 The PDCA cycle refers to a business administration method that continuously improves business activities by implementing four cycle processes, namely "Plan," "Do," "Check" and "Act."

"K" LINE Group Environmental Awards 2016

Regarding this year's Awards 2016, the second of its kind, far more applications were received than last year. Recipients of this year's Awards 2016 are as shown below.

Special excellence award

- CO_2 reduction through digital storage of documents ("K" Line Logistics, Ltd.)

Special awards

- Eco Activities including Energy Consumption Report and No-Accident Campaigns (Nitto Total Logistics Ltd.)
- Continued Clean-Up Activities Around Offices ("K" Line (Korea) Ltd.)
- Environmental Protection through Promotion of Green Management (Seagate Corporation)
- Establishment of Recycling Scheme of Lashing Belts for Automobiles & Large Construction Equipment ("K" Line (Japan) Ltd.; Daito Corporation; Kawasaki Kisen Kaisha, Ltd.)
- Environmental Conservation Activities Through Eco-Driving, etc. (Koyo Transportation Co., Ltd.)
- Clean-up Activities on International Coastal Clean-Up Day in Bohol Island, Philippines ("K" Line Maritime Academy Philippines)
- Continued Education on Environmental Management System for Crewmen (Taiyo Nippon Kisen Co., Ltd.)

CSR Safety in Navigation and Cargo Operation

Executive Officer
Kiyotaka Aya
In charge of Marine Sector, General Manager of Marine Human Resources Group

Initiatives Based on the Medium-term Management Plan

When engaging in marine transportation business, it is an eternal mission to establish and maintain safety in navigation and cargo operation. The "K" LINE Group upholds the principle of "providing safe and reliable services" under the medium-term management plan and promoting three major activities – (1) enhancing safety management systems, (2) strengthening ship management systems, and (3) securing and training of maritime technical personnel – in order to perform its social responsibilities by thoroughly implementing safety in navigation and cargo operation.

Overview of Fiscal 2015 and Future Initiative

(1) Enhancing safety management systems

The "K" LINE Group makes decisions related to the basic policy concerning safety, including measures to prevent accidents involving vessels operated by "K" LINE, and other various measures under the Ship Safety Promotion Committee, which is chaired by the president. Under this arrangement, the Group maintains safety management systems through onshore service support and vessel visits.

In order to further strengthen the systems, the "K" LINE Group started operating AIMS (Accident Information Management System) in fiscal 2015 with the aim of conducting statistical analysis of accidents involving vessels operated by "K" LINE, identifying root causes of the accidents and taking proactive prevention measures.

While the Group has for many years been determining and enforcing guidelines (standards) that are safer than required by laws and regulations with respect to safety-related equipment based on its own judgment, it has recently restructured revised guidelines on the installation of safety-related equipment called K-DNA (Drive to No Accident) based on its own experiences.

Regarding quality management of vessels, which is the key to safety in navigation and cargo operation, the "K" LINE Group strives to maintain and enhance such safety through vessel visits and issuance of instructions by ship inspection supervisors to both owned and chartered vessels based on its own quality guidelines called "KL-Quality."

The "K" LINE Group will strive to realize the safest service in the world by effectively operating and continuing to further enhance the systems.

(2) Strengthening ship management systems

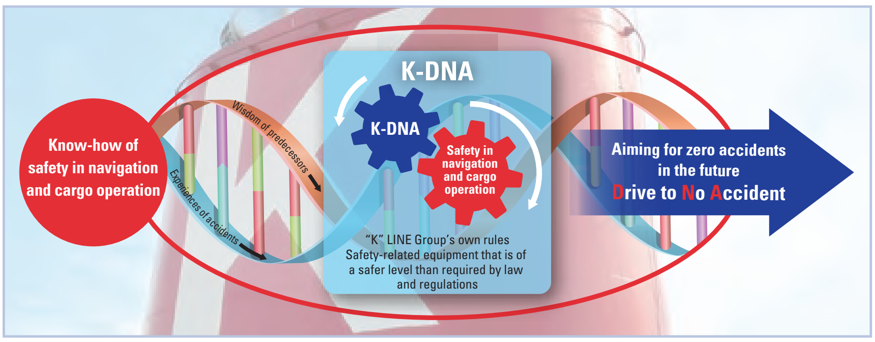
All vessels owned by the "K" LINE Group are managed by four in-house ship management companies ("K" Line Ship Management, Taiyo Nippon Kisen, Escobal Japan and "K" Line LNG). The in-house ship management companies are specialized by vessel type and maintain high-quality management as groups of professionals.

The Group will continue to enhance the ship management companies comprised of professionals in order to further improve quality while maintaining high-quality ship management.

(3) Securing and training of maritime technical personnel

The "K" LINE Group's safety in navigation and cargo operation is underpinned by the captains, chief engineers, supervisors of ship management companies, and marine technical personnel, including onshore marine technical support personnel. The Group trains maritime technical personnel of various nationalities at KLMA ("K" Line Maritime Academy) in five locations around the world. The details are explained in the section concerning the training of personnel (Page 39).

K-DNA (Drive to No Accident)



Working in an engine room

CSR

Human Resource Development

Managing Executive Officer
Yukikazu Myochin
In charge of Human Resources, IR & PR, Corporate Planning, Research

Executive Officer
Kiyotaka Aya
In charge of Marine Sector, General Manager of Marine Human Resources Group

(Page 38 for his photo)

"K" LINE UNIVERSITY
Holding discussion with local staff

Initiatives Based on the Medium-term Management Plan

Onshore division: In the global competitive environment, the most critical issue is training of personnel to enhance their skills so that they become to business leaders, through collaboration within the Group, which comprised of more than 8,000 employees on a consolidated basis. The Group believes that it can provide high-quality services required by customers by improving its personnel's professional expertise and organization management skills and enabling them to fully exercise their capabilities in accordance with their various working styles. Therefore, the Group will enhance career plans, including personnel rotation and training programs, and will promote personnel exchanges with overseas business locations.

Marine division: Securing and training of maritime technical personnel is one of a major pillar to enhance and maintain a firm safety administration system. Japanese maritime technical personnel are considered as the core personnel, and the Group aims to reinforce Japanese maritime technical personnel in terms of both quality and quantity. In addition, the Group is striving to adapt to future enhancement of its fleet through in-house training for crew members of various nationalities, including Asians and Europeans but mainly Philippines, in accordance with the vessel type and routes.

Overview of Fiscal 2015 and Future Initiative

Onshore division: As a result of efforts to improve productivity through working style innovation, the "K" LINE Group achieved 14% reduction in overtime working hours at the Tokyo headquarters in fiscal 2015 compared with the previous fiscal year. In April 2016, the Group announced an action plan in accordance with the Act to Advance Women's Success in Their Working Life in order to realize a workplace that supports various working styles. In addition to promoting the use of various systems already introduced, including childcare leave and shorter hours working, the Group aims to increase the percentage of women in management and leadership positions by 20% by supporting career development by fiscal 2018 compared with now. The Group is also striving to enhance training programs intended to foster global management skills. In 2002, it started holding the "K" LINE UNIVERSITY, which invites key staff members from business locations around the world to the Tokyo headquarters. Through these activities, the Group is ensuring the sharing of its corporate principles and medium-term management plan and is promoting mutual exchanges within the group and enhancement of organizational strength.

Marine division: The "K" LINE Group secures Japanese maritime technical personnel through the best mix of graduates from mercantile marine educational institutions and non-mercantile marine educational graduates who are trained by the company as maritime technical personnel. In fiscal 2015, the Group hired 20 personnel under the policy to increase the current number of maritime technical personnel from the current 300 to 350 in 2019. For the moment, the Group will continue to hire around 20 personnel annually. In addition, in order to develop a flexible technical personnel group which is consisted with the personnel who has wide experiences and skills to respond to all possible needs, the Group will plan and implement the assignment of personnel to ships and onshore jobs while envisioning what they should be in 10 years.

To ensure safety in navigation and cargo operation, which constitutes the core of our business operations, it is essential to enhance skills by establishing a solid training system.

The "K" LINE Group is training deck officers based on BTM (Bridge Team Management), which was developed by Tokyo University of Marine Science and Technology, at training locations around the world, including Japan, in cooperation with the university.

In 2015, the "K" LINE Group introduced a state-of-the-art ship maneuvering simulator at KLMA (Machida City, Tokyo, Japan). The Group is strengthening the research and training environment through cooperation with the university while incorporating response to simulated accidents into its training.

Regarding the training of engineers, the "K" LINE Group strives to enhance their skills by introducing real state-of-the-art power generators, in addition to real main engines installed at KLMA (Philippines).

At KLMA (Philippines), a new building is scheduled to be constructed (to be completed at the beginning of 2018) at a site adjacent to the existing building. The new building, together with existing training facilities, will constitute the core of the training of crew members, which will become increasingly important in the future. The "K" LINE Group aims to create the world's most competent group of maritime technical personnel by establishing a group-wide training system and career paths that cut across job types and nationalities.

*BTM: Training of captains and deck officers using a ship maneuvering simulator that is intended to help bridge team members effectively acquire teamwork skills required during both normal times and emergency situations

Image of the facilities at KLMA (Philippines)

Practical training for main engines at KLMA

Initiatives to Strengthen Corporate Governance

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. In fiscal 2015, the Company implemented various measures to enhance the framework of governance not only because it places emphasis on achieving sustainable growth and increasing its corporate value by strengthening corporate governance in order to realize the medium-term management plan but also because the Corporate Governance Code was introduced in the year.

Establishment of the Corporate Governance Guidelines

In December 2015, the Company established the Corporate Governance Guidelines, which prescribe how governance should be exercised in order to increase corporate value from the following points of view: (i) securing the rights and equal treatment of shareholders; (ii) appropriate cooperation with stakeholders other than shareholders; (iii) ensuring appropriate information disclosure and of transparency; (iv) responsibilities of the Board of Directors; and (v) purposeful dialogue with shareholders

The full text of the Guidelines can be viewed at the Company's website.

CSR site

http://www.kline.co.jp/en/csr/governance/#1

Introduction of the Unit Supervisory System

The Corporate Governance Code requires that the Board of Directors fulfill its roles and responsibilities, including "establishing an environment where appropriate risk-taking by the senior management is supported." As part of its effort to establish a framework of governance that meets the requirement, the Company introduced the Unit Supervisory System on April 1, 2016, in order to achieve greater efficiency and enhancement of the business execution system.

In the Unit Supervisory System, a total of six executive officers in charge of overseeing multiple operational and management divisions have been appointed under the President and Chief Executive Officer, and under these officers, there are executive officers in charge of managing individual divisions.

Unit Supervisory System
(as of July 2016)

Establishment of the Nominating Advisory Committee and the Remuneration Advisory Committee

In order to further enhance its framework of corporate governance, the Company established the Nominating Advisory Committee and the Remuneration Advisory Committee as advisory bodies to the Board of Directors in November 2015.

Both advisory committees are comprised of all Outside Directors and the Director and Chairman and the President and Chief Executive Officer, while the chairmen are appointed from among the Outside Directors through mutual election among themselves. These committees conduct deliberations on the following matters upon consultation from the Board of Directors:

Nominating Advisory Committee: Reasonableness of proposals for appointment or dismissal of the Company's officers

Remuneration Advisory Committee: Institutional design of officer's remuneration and the level of officer's remuneration

Introduction of a Performance-based Share Remuneration Plan

In order to better clarify the link between the remuneration for directors (limited to executive directors) and executive officers and the Company's share value and enhance awareness about contributions to improvement in financial results and increase in corporate value in the medium- and long-term, the performance-based share remuneration plan called Board Benefit Trust (BBT) was introduced in fiscal 2016.

This plan is a performance-based share remuneration plan under which shares in the Company are acquired through a trust using cash provided by the Company as a financial source and shares and cash equivalent in amount to the value of shares calculated based on market prices are provided to directors and executive officers in accordance with the rules on share remuneration for officers prescribed by the Board of Directors. The shares and cash are provided to directors and executive officers at the time of their retirement from the post of director or executive officer in principle.

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 fulfill 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 discuss the policy securing our compliance system and measures to address compliance violations through a Compliance Committee chaired by the President & CEO. Under a Chief Compliance Officer (CCO) as the individual with the ultimate responsibility for compliance, we strengthen compliance throughout the organization.

Major Compliance Promotion Initiatives

1. Activities to raise internal compliance awareness

We are strengthening the initiative to raise compliance awareness by setting November as the month of compliance. In November 2015, we invited an outside lecturer to hold a compliance seminar for all directors and employees with the main focus on competition laws and bribery. In fiscal 2015, compliance training was held for the different levels of employees. In February 2016, a seminar on insider trading regulation was held.

2. Initiative to strengthen compliance with competition laws

Regarding compliance with domestic and foreign competition laws, "K" LINE is ensuring compliance with the regulations on compliance of the Anti-Monopoly Act and is implementing the initiative to further strengthen compliance awareness concerning competition laws through continuous implementation of training and awareness-raising activities by a division dedicated to the initiative. In addition, we monitor and supervise the status of implementation of compliance-related measures by conducting business process audits.

With respect to contacts with competing companies, we strictly enforce regulations on prior reporting and approval, recoding and storing details in the contacts in accordance with the nature of the contact.

3. Whistle-blowing system

"K" LINE has introduced a whistle-blowing system called the Hotline System in order to promptly detect and rectify possible compliance violations. In July 2015, this system was partially revised, and e-learning training was implemented for all directors and employees in order to ensure full awareness about the system.

4. Initiative to achieve fair trade

"K" LINE is enhancing initiatives against bribery as a member of the Maritime Anti-Corruption Network (MACN), a global business network aimed at achieving fair trade in the maritime industry.

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 competition in this industry. 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 the volume of cargo transport and worsen conditions for the freight market. This can have a serious impact on the Group's financial situation and operating results.

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

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

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 Group plays a role in supporting the Board of Directors in carrying out its responsibilities for the development, maintenance and enhancement of the internal control system. The Audit & Supervisory Board Members oversee the processes by which the Directors 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.

Promotion of Outside Executives

We are actively promoting outside executives with the aim of improving our corporate value in the medium- to long-term.

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 Akira Okabe

Mr. Okabe led many new businesses in emerging countries, mainly in Asia, to successful development at Toyota Motor Corporation over a period of more than 40 years. Subsequently, he was involved in corporate management for many years, first at Toyota Motor and then at a securities company. He has been elected as an Outside Director so that the Company can take advantage of his experiences and knowledge gained through these activities. We consider that he is fully independent of the Company because he meets the criteria concerning independence specified by the Company.

Outside Director Seiichi Tanaka

Mr. Tanaka joined Mitsui & Co., Ltd. after graduating from university with a master's degree in marine engineering and engaged in jobs in the ship and marine business sector for many years. From 2008 to 2014, he was involved in corporate management as Mitsui & Co.'s Representative Director. He has been elected as an Outside Director so that the Company can make use of his experiences and knowledge gained through these activities. We consider that he is fully independent of the Company because he meets the criteria concerning independence specified by the Company.

Outside Audit & Supervisory Board Members and Reasons for Their Election

Outside Audit & Supervisory Board Member
Toshikazu Hayashi

Mr. Hayashi has been elected as an Outside Audit & Supervisory Board Member based on the judgment that he can perform effective audits of the Company's management from an external, objective perspective due to 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.

Outside Audit & Supervisory Board Member
Kozue Shiga

Ms. Kozue Shiga has been elected as an Outside Audit & Supervisory Board Member based on the judgment that she can perform effective audits of the Company's management from an external, objective perspective due to her professional knowledge and experiences as a lawyer and her experience of serving as an outside director and an outsider audit and supervisory board member at multiple listed companies. The Company considers that she is fully independent of the Company and there is no possibility that conflicts of interest may arise between her and the general shareholders.

Comment by an Outside Director

Outside Director
Mitoji Yabunaka

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

Corporate Governance of the "K" LINE Group

The need to enhance corporate governance has long been pointed out, while Outside Directors are required to play an active role. Having served as an Outside Director of the Company for the past several years, I understand that corporate governance of the "K" LINE Group has been significantly enhanced. The Board of Directors, which convenes around a dozen times per year, often lasts for more than three hours, with heated discussions held about decisions on important tasks based on detailed reference materials. The deliberation meeting concerning formulation of the medium-term management plan, which was held for two days and which was also attended by Outside Directors, was a forum of serious discussions to determine "K" LINE's future direction.

Today, the environment surrounding the global shipping industry is very severe, so the "K" LINE Group continues to face one challenge after another. Amid such a severe environment, conducting bold business management is essential while anticipating future trends. My assessment is that under the leadership of Representative Director Eizo Murakami, "K" LINE has been engaging in active corporate management in order to boldly dispose of unnecessary business operations and promote effective use of the limited resources. Although I am not an expert on the shipping business, I have been conscientiously participating in each meeting of the Board of Directors in order to make what little contribution I can make to the management of "K" LINE based on my past experiences with respect to judgments concerning global trends and geopolitical risks surrounding the shipping industry.

In 2019, "K" LINE will achieve its 100th Anniversary. For "K" LINE to brave the rough seas and make a successful voyage in the ocean of the global shipping industry, I believe that the Company must improve its service quality by stepping up the technological innovation initiatives that it has been pursuing while carrying out bold structural reforms in the containership business and the dry bulk carrier business. In addition, I am hoping that the "K" LINE Group will become the leader in the preservation of the global environment by further reinforcing its "K" LINE Environmental Vision 2050 "Securing Blue Seas for Tomorrow" initiative.

Looking ahead to the 100th Anniversary, the environment surrounding the global shipping industry is expected to improve. I am sure that in this environment, "K" LINE's strenuous structural reform efforts and technological innovations will enable the Company to make a successful voyage by achieving significant results. Through my involvement in the management of "K" LINE as an Outside Director, I feel encouraged by one thing in particular. That is the Company's culture of openness, which encourages employees to engage in frank discussions and express their opinions boldly to their seniors. This culture also means that the voice of an Outside Director with no expertise in the shipping business is listened to seriously. This corporate culture is a significant asset for the enhancement of corporate governance. Despite not being an expert, I would like to continue to actively express my opinions about corporate management in order to contribute to the further and successful development of "K" LINE.

Stakeholder Engagement

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

Basic Policy in Relation to Stakeholders

Customers	We do our best to respond to customer needs by developing systems for ensuring timely shipping and striving to provide our customers with a wide range of information. We will continue to improve the quality of our services by maintaining safe navigation and cargo operations to safely and surely transport the cargo entrusted to us by our customers.
Shareholders and investors	We have adopted an IR policy designed to meet the expectations of our shareholders and investors. Under this policy, we strive to further improve our corporate value, for example, by properly disclosing corporate information on a timely basis and communicating with our shareholders and investors at briefings of every kind.
Business partners	We do business based on our Purchasing Policies. These policies are written to ensure compliance and are aimed at maintaining fair and constructive relationships with our business partners. We thus strive to build trust with our business partners and coexist with them as good partners.
Local community and global society	We contribute to society as a good corporate citizen and work with people around the world to achieve ongoing development.
Employees	We respect the basic human rights of our employees and develop training programs to maximize the ability of each. We also strive to enhance benefit programs and improve working environments to enable each employee to work vigorously and with a sense of safety.

For details of our stakeholder engagement initiatives, please visit our website:
https://www.kline.co.jp/en/csr/stakeholder/

Facilitating Good Dialogue with Shareholders and Investors.

Below are some of our activities for promoting communication with shareholders and investors as part of our stakeholder engagement initiatives.

•Towards open shareholders' meetings

To ensure participation by as many shareholders as possible, we avoid holding the meetings on days when many other companies hold theirs. Agendas are disclosed on our website 15 business days before the meeting to ensure highly accessible meetings with shareholders.

•Using IR tools

We send reports on our business performance and other matters to our shareholders every half year. We have also set up investor relations pages on our website where we provide extensive information, including quarterly summary of financial highlights. On the website, investors can send opinions and questions by e-mail.

•Explanatory meetings

We hold a results briefing for corporate investors and financial analysts every quarter. We also proactively hold explanatory meetings for individual corporate investors and financial analysts both in Japan and overseas. We also provide information to general investors at company information sessions held by securities companies and the like.

•Site tours

As part of our efforts to help develop insight into our operations, from time to time we organize site tours for corporate investors and financial analysts and offer opportunities for experiencing LNG cargo handling simulators at our training center "K" Line Maritime Academy.

IR Activities in Fiscal 2015

	Number of companies	Number of participants
Domestic IR activities	282	313
IR activities abroad	34	40
Small meetings	53	53
Site tours	16	16
IR activities for private investors	—	128

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	Eizo Murakami
Representative Director	Toshiyuki Suzuki
Representative Director	Hiromichi Aoki
Representative Director	Tsuyoshi Yamauchi
Director	Yukikazu Myochin
Director	Mitoji Yabunaka*1
Director	Akira Okabe*1
Director	Seiichi Tanaka*1

Audit & Supervisory Board Members

Audit & Supervisory Board Member	Keisuke Yoshida
Audit & Supervisory Board Member	Harusato Nihei
Audit & Supervisory Board Member	Toshikazu Hayashi*2
Audit & Supervisory Board Member	Kozue Shiga*2

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

Executive Officers

(As of July 1, 2016)

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	Responsible for Containerships, Car Carriers, Port Business Unit
Senior Managing Executive Officer	Hiromichi Aoki	Responsible for Dry and Liquid Bulk Carriers Unit
Senior Managing Executive Officer	Tsuyoshi Yamauchi	Responsible for Corporate Unit (General Affairs, Legal, Corporate Legal Risk & Compliance, Human Resources, Corporate Planning, Finance, Accounting, IR & PR), CCO (Chief Compliance Officer)
Senior Managing Executive Officer	Eiji Kadono	Responsible for Marine Sector, Technical and Environmental Affairs (including Fuel Cost Control) Unit
Managing Executive Officer	Kazuhiko Harigai	In charge of Bulk Carrier Business, Thermal Coal, Woodchip and Pulp Carrier Business
Managing Executive Officer	Atsuo Asano	In charge of Coal and Iron Ore Carrier Business, Drybulk Planning
Managing Executive Officer	Yukio Toriyama	In charge of Accounting, Finance
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	Responsible for Logistics, Affiliated Business Promotion Unit
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 K LINE (CHINA) LTD., Managing Director of "K" LINE (HONG KONG) LIMITED
Managing Executive Officer	Yukikazu Myochin	In charge of Human Resources, IR & PR, Corporate Planning, Research
Managing Executive Officer	Shuzo Kawano	Responsible for Information System Unit, CIO (Chief Information Officer), General Manager of Information System Group, CEO "K" Line Business Systems, Ltd.
Executive Officer	Makoto Arai	In charge of Legal, Corporate Legal Risk & Compliance
Executive Officer	Ako Hiraoka	In charge of Logistics, Affiliated Business Promotion
Executive Officer	Takafumi Kido	In charge of Containerships Business, Port Business
Executive Officer	Daisuke Arai	Managing Director of "K" LINE (EUROPE) LIMITED
Executive Officer	Kiyotaka Aya	In charge of Marine Sector, General Manager of Marine Human Resources Group
Executive Officer	Shingo Kogure	In charge of General Affairs, CSR, General Manager of General Affairs Group
Executive Officer	Toyohisa Nakano	In charge of Technical and Environmental Affairs, Fuel Cost Control, General Manager of Technical Group
Executive Officer	Nobuyuki Yokoyama	Assistance to Car Carrier Business, General Manager of Car Carrier Business Group

Financial Analysis

Results of Operations

Operating revenues

Consolidated operating revenues for the year ended March 31, 2016 (fiscal 2015) reached ¥1,243,932 million, a decrease of 8.0% year on year.

By business segment, operating revenues from the containership business segment fell by 9.2% year on year, to ¥614,908 million, due in part to a decline in cargo volume due to sluggish demand, a decrease in the number of vessels in operation and rationalization, as well as the flagging freight rate market.

Operating revenues from the bulk shipping business segment fell 5.5% year on year, to ¥567,617 million. This was due in part to continuous stagnant conditions for the dry bulk business and weak cargo movements in the car carrier business – mainly from Europe and North America to the Far East and from Asia to resource countries in Central and South America and Africa affected by a slowdown in China's economy, and a decrease in cargo movements within Europe due to a slump in Russia's economy – despite a strong freight rate market for the oil tanker service as a whole.

Operating revenues from the offshore energy E&P support and heavy lifter business fell 30.2% year on year, to ¥24,656 million. This was attributable in part to negative impacts of softening market conditions in the offshore support business due to stalled offshore development caused by the slump in crude oil prices, a contraction in transportation and operation related to offshore projects by large vessels, and a slump in market conditions across all vessel classes in the heavy lifter business, despite the favorable performance in the drillship business.

Operating revenues from other businesses declined 5.7% year on year, to ¥36,751 million.

Cost of sales, selling, general and administrative expenses

Cost of sales fell by ¥67,605 million, or 5.5%, from ¥1,227,594 million in the previous fiscal year to ¥1,159,989 million, as a result of the impact of a fall in charterage, a decrease in cargo movements and an accompanying decrease in the number of vessels in operation and other effects, leading to lower operating costs. The cost of sales ratio rose 2.5 points to 93.3% as the decreased cost of sales was not enough for offsetting the decline in operating revenue. Selling, general and administrative expenses fell ¥2,324 million, or 3.0%, to ¥74,515 million as a result of cost reduction efforts.

Operating income

Consolidated operating income decreased 80.4%, from ¥47,988 million in fiscal 2014 to ¥9,428 million, as a result of a decreased gross operating income.

Other (non-operating) income (expenses)

The net balance of interest and dividend income and interest expense was negative ¥3,118 million, narrowing a loss from the ¥6,105 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 loss of ¥7,370 million, compared with an exchange gain of ¥4,197 million in the previous fiscal year, and equity in earnings of affiliates of ¥3,587 million, compared with ¥2,181 million in fiscal 2014. As a result of these and other factors, other (non-operating) income amounted to a loss of ¥6,088 million, compared with an income of ¥992 million in the previous fiscal year.

Profit before income taxes

Gain on sales of vessels, property and equipment and other extraordinary gains amounted to ¥17,547 million. Impairment loss, loss on cancellation of chartered vessels and other extraordinary losses amounted to ¥52,166 million. As a result of these gains and losses and the impact of decreased operating income, loss before income taxes was ¥31,279 million, compared with profit before income taxes of ¥48,633 million in fiscal 2014.

Income taxes

Income taxes decreased by ¥1,791 million to ¥18,810 million, from ¥20,602 million in the previous fiscal year, mainly due to the recording of loss before income taxes at the filing company, despite the reversal of deferred tax assets.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests stood at ¥1,410 million, versus ¥1,213 million for fiscal 2014. The increase is partly attributable to an increase in non-controlling interest in the income of INTERNATIONAL TRANSPORTATION SERVICE, INC.

Profit attributable to owners of the parent

Profit attributable to owners of the parent was a loss of ¥51,499 million, compared to a profit of ¥26,818 million for the previous fiscal year. Profit (loss) attributable to owners of the parent per share was a loss of ¥54.95, compared with a profit of ¥28.60 in fiscal 2014.

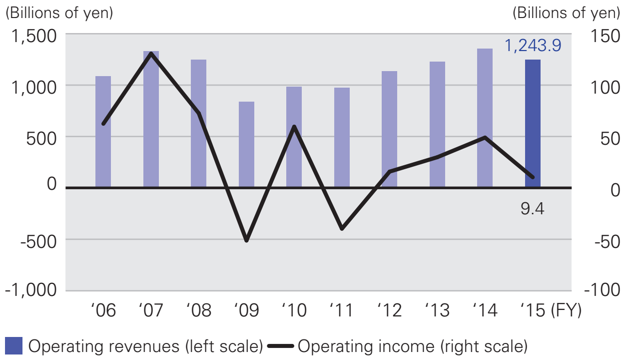
Analysis of Sources of Capital and Liquidity

Cash flows

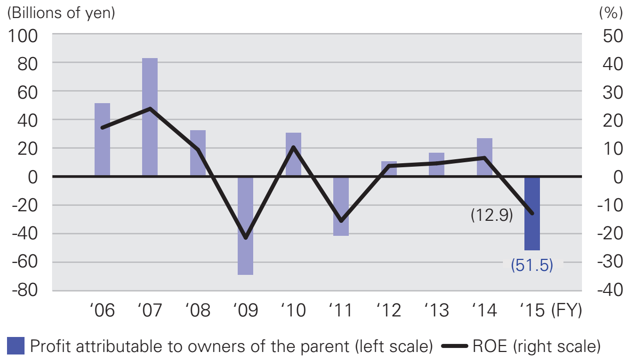
Cash and cash equivalents were ¥198,745 million at the end of fiscal 2015, a decrease of ¥10,679 million from the end of the previous fiscal year. The details of cash flows are as follows.

Net cash provided by operating activities was ¥39,636 million, a

Operating Revenues / Operating Income



Profit Attributable to Owners of the Parent / ROE



decrease of ¥62,190 million over fiscal 2014. The decrease is mainly due to depreciation and amortization of ¥48,303 million and a decrease in trade accounts and notes receivable of ¥12,933 million.

Net cash used in investing activities was ¥29,569 million, an increase of ¥18,391 million from the previous fiscal year. The change is mainly due to purchases of vessels, property and equipment (principally vessels) of ¥112,415 million and proceeds from sales of vessels, property and equipment of ¥91,071 million.

Net cash used in financing activities totaled ¥14,836 million, a decrease of ¥104,418 million from the previous fiscal year. This change mainly reflected a net decrease of ¥14,930 million in long-term loans.

Funding requirements

The "K" LINE Group's major working capital requirement comes from shipping business expenses in connection with containership services and bulk shipping services. These expenses include operating costs such as port charges, cargo handling costs and fuel costs; vessel expenses such as crew expenses and expenses for overhaul of vessels; and chartering expenses. Other expenses are the costs of service operations such as labor costs in connection with the operation of 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 2015, the "K" LINE Group made capital investments of ¥116,593 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 multi-year commitment line with financial institutions in Japan.

The Company has been rated by two Japanese rating firms. As of June 24, 2016, the Company maintained a rating of BBB+ from Japan Credit Rating Agency, Ltd. (JCR), BBB from Rating and Investment Information, Inc. (R&I). The Company also has short-term credit ratings (commercial paper ratings) of J-2 from JCR and a-2 from R&I.

Financial Position

Total assets on March 31, 2016 were ¥1,115,224 million, a decrease of ¥108,104 million from the end of the previous fiscal year. Current assets decreased ¥41,038 million, to ¥401,215 million, mainly due to a decrease in trade accounts and notes receivable and raw material and supply.

Fixed assets decreased ¥67,066 million from the previous fiscal year-end, to ¥714,009 million. Vessels, property and equipment decreased ¥48,945 million, to ¥583,552 million, mainly due to a reduced number of vessels. Investments and other assets decreased ¥17,735 million, to ¥126,256 million, mainly due to a decrease in investment securities.

Total liabilities on March 31, 2016 were ¥735,310 million, a decrease of ¥20,578 million from the previous year-end. Current liabilities decreased ¥15,326 million, to ¥245,623 million, mainly due to a decrease in short-term loans and current portion of long-term debt. Long-term liabilities decreased ¥5,252 million, to ¥489,687 million, mainly due to a decrease in long-term loans.

Net assets on March 31, 2016 stood at ¥379,914 million, a decrease of ¥87,526 million from the end of the previous fiscal year. Shareholders' equity fell to ¥330,541 million, due mainly to a ¥59,059 million decrease in retained earnings. Accumulated other comprehensive income decreased ¥27,076 million from the end of the previous fiscal year, to ¥24,835 million, mainly attributable to a decrease of ¥12,512 million in translation adjustments.

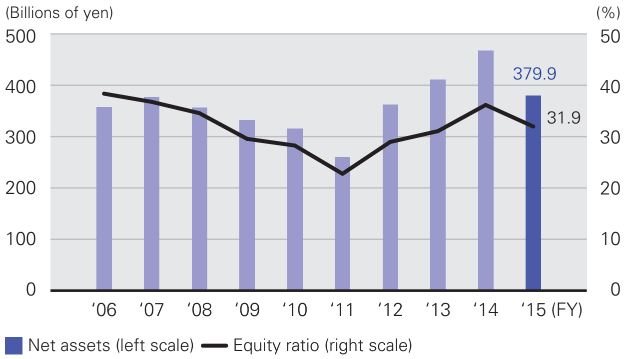
Dividend Policy

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.

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."

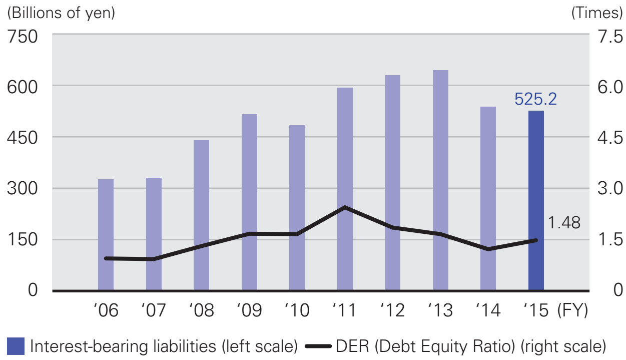
In fiscal 2015, the Company has decided to pay a year-end dividend of ¥2.5 per share. Accordingly, the annual dividend for this fiscal year will be ¥5.0 yen per share after adding the interim dividend of ¥2.5 per share.

Net Assets / Equity Ratio



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

Interest-bearing Liabilities / DER



DER: Interest-bearing liabilities/Equity capital

Consolidated Financial Statements

Consolidated Balance Sheet

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
Assets	2016	2015	2016
Current assets:			
Cash and deposits (Notes 6, 13 and 16)	¥ 241,101	¥ 242,433	$ 2,139,696
Accounts and notes receivable – trade (Note 13)	79,653	94,133	706,896
Allowance for doubtful receivables	(598)	(2,000)	(5,307)
Inventories (Note 4)	22,245	35,402	197,417
Prepaid expenses and deferred charges	41,573	43,860	368,947
Deferred income taxes (Note 7)	856	1,260	7,597
Other current assets	16,385	27,165	145,412
Total current assets	401,215	442,253	3,560,658
Investments and other assets:			
Investments in and advances to unconsolidated subsidiaries and affiliates (Notes 6, 13 and 18)	53,457	46,084	474,414
Investments in securities (Notes 3, 6 and 13)	32,125	58,948	285,099
Long-term loans receivable	8,172	8,878	72,524
Deferred income taxes (Note 7)	5,153	7,593	45,731
Asset for retirement benefits (Note 9)	586	1,605	5,201
Other assets	27,963	21,248	248,164
Allowance for doubtful receivables	(1,200)	(365)	(10,650)
Total investments and other assets	126,256	143,991	1,120,483
Vessels, property and equipment:			
Vessels (Notes 5 and 6)	817,550	857,316	7,255,502
Buildings, structures and equipment (Notes 5 and 6)	99,472	99,864	882,783
Accumulated depreciation	(405,571)	(396,329)	(3,599,316)
	511,451	560,851	4,538,969
Land (Notes 5, 6 and 11)	24,863	25,820	220,651
Construction in progress	47,238	45,826	419,223
Vessels, property and equipment, net (Note 18)	583,552	632,497	5,178,843
Intangible assets:			
Goodwill (Note 18)	43	231	382
Other intangible assets	4,158	4,356	36,901
Total intangible assets	4,201	4,587	37,283
Total assets	¥ 1,115,224	¥ 1,223,328	$ 9,897,267

Liabilities	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars (Note 1(a)) 2016
Current liabilities:			
Short-term loans (Notes 6 and 13)	¥ 5,487	¥ 5,483	$ 48,695
Current portion of long-term debt (Notes 6 and 13)	66,679	76,370	591,755
Accounts and notes payable – trade (Note 13)	99,746	101,325	885,215
Advances received	22,820	25,989	202,520
Current portion of obligations under finance leases	6,958	3,517	61,750
Accrued income taxes (Note 7)	1,715	6,554	15,220
Allowance for loss related to the Anti-Monopoly Act	5,223	1,672	46,353
Deferred income taxes (Note 7)	433	13	3,843
Other current liabilities	36,562	40,026	324,477
Total current liabilities	245,623	260,949	2,179,828
Long-term liabilities:			
Long-term debt, less current portion (Notes 6 and 13)	409,047	410,446	3,630,165
Allowance for directors' and audit and supervisory board members' retirement benefits	1,643	1,532	14,581
Accrued expenses for overhaul of vessels	12,064	14,128	107,064
Obligations under finance leases, less current portion	36,982	41,031	328,204
Deferred income taxes (Note 7)	4,488	3,234	39,830
Deferred income taxes on land revaluation (Notes 7 and 11)	1,874	1,961	16,631
Derivative liabilities	11,963	12,147	106,168
Liability for retirement benefits (Note 9)	7,748	6,311	68,761
Other long-term liabilities	3,878	4,149	34,416
Total long-term liabilities	489,687	494,939	4,345,820
Commitments and contingent liabilities (Note 12)			
Net assets			
Shareholders' equity (Note 10):			
Common stock:			
Authorized – 2,000,000,000 shares in 2016 and 2015			
Issued – 939,382,298 shares in 2016 and 2015	75,458	75,458	669,666
Capital surplus	60,297	60,312	535,118
Retained earnings (Note 19)	195,863	254,922	1,738,223
Less treasury stock – 2,162,825 shares in 2016 and 2,138,367 shares in 2015	(1,077)	(1,071)	(9,558)
Total shareholders' equity	330,541	389,621	2,933,449
Accumulated other comprehensive income:			
Net unrealized holding gain on investments in securities (Notes 3 and 7)	6,486	14,823	57,561
Deferred gain on hedges (Notes 7 and 14)	4,753	8,720	42,181
Revaluation reserve for land (Notes 7 and 11)	6,267	6,209	55,618
Translation adjustments	9,689	22,201	85,987
Retirement benefits liability adjustments (Notes 7 and 9)	(2,360)	(42)	(20,944)
Total accumulated other comprehensive income, net	24,835	51,911	220,403
Non-controlling interests	24,538	25,908	217,767
Total net assets	379,914	467,440	3,371,619
Total liabilities and net assets	¥ 1,115,224	¥ 1,223,328	$ 9,897,267

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

Consolidated Statement of Operations

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2016	2015	2016
Marine transportation and other operating revenues (Note 18)	¥ 1,243,932	¥ 1,352,421	$ 11,039,510
Marine transportation and other operating costs and expenses	1,159,989	1,227,594	10,294,542
Gross profit	83,943	124,827	744,968
Selling, general and administrative expenses	74,515	76,839	661,297
Operating income	9,428	47,988	83,671
Other income (expenses):			
Interest and dividend income (Note 18)	4,537	3,715	40,264
Interest expenses (Note 18)	(7,655)	(9,820)	(67,936)
Equity in earnings of subsidiaries and affiliates, net (Note 18)	3,587	2,181	31,834
Exchange (loss) gain, net	(7,370)	4,197	(65,406)
Gain on sales of vessels, property and equipment, net	10,221	7,920	90,708
Loss on impairment of vessels, property and equipment (Notes 5 and 18)	(19,249)	(13,571)	(170,829)
Gain on sales of investments in securities, net (Note 3)	6,316	7,731	56,053
(Loss) gain on sales of shares of subsidiaries and affiliates, net	(52)	10,745	(461)
Loss on devaluation of investment in securities (Note 3)	(8,369)	(8)	(74,272)
Provision of allowance for loss related to the Anti-Monopoly Act	(3,551)	(1,672)	(31,514)
Loss on cancellation of chartered vessels	(20,079)	(5,226)	(178,195)
Other, net (Note 3)	957	(5,547)	8,492
	(40,707)	645	(361,262)
(Loss) profit before income taxes	(31,279)	48,633	(277,591)
Income taxes (Note 7):			
Current	5,941	12,798	52,725
Deferred	12,869	7,804	114,208
Total income taxes	18,810	20,602	166,933
(Loss) profit	(50,089)	28,031	(444,524)
(Loss) profit attributable to:			
Non-controlling interests	1,410	1,213	12,514
Owners of the parent	¥ (51,499)	¥ 26,818	$ (457,038)

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, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2016	2015	2016
(Loss) profit	¥ (50,089)	¥ 28,031	$ (444,524)
Other comprehensive (loss) income (Note 15):			
Net unrealized holding (loss) gain on investments in securities	(8,384)	6,694	(74,405)
Deferred (loss) gain on hedges	(4,619)	3,273	(40,992)
Revaluation reserve for land	59	130	523
Translation adjustments	(13,858)	22,673	(122,986)
Retirement benefits liability adjustments	(2,389)	424	(21,202)
Share of other comprehensive income of subsidiaries and affiliates accounted for by the equity method	457	839	4,056
Total other comprehensive (loss) income	(28,734)	34,033	(255,006)
Comprehensive (loss) income	¥ (78,823)	¥ 62,064	$ (699,530)
(Breakdown)			
Comprehensive (loss) income attributable to:			
Owners of the parent	¥ (78,522)	¥ 59,192	$ (696,859)
Non-controlling interests	(301)	2,872	(2,671)

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, 2016

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

	Number of shares in issue (Thousands)	Millions of yen												
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gain on investments in securities	Deferred gain on hedges	Revaluation reserve for land	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 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
Changes in items during the years:														
Cash dividends	—	—	—	(6,566)	—	(6,566)	—	—	—	—	—	—	—	(6,566)
Profit attributable to owners of the parent	—	—	—	26,818	—	26,818	—	—	—	—	—	—	—	26,818
Purchases of treasury stock	—	—	—	—	(163)	(163)	—	—	—	—	—	—	—	(163)
Disposal of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in ownership interests due to transactions with non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	9	—	9	—	—	—	—	—	—	—	9
Net change in retained earnings from changes in scope of consolidation or equity method	—	—	—	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	Total shareholders' equity	Net unrealized holding gain on investments in securities	Deferred gain on hedges	Revaluation reserve for land	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2015	$ 669,666	$ 535,250	$ 2,262,353	$ (9,505)	$ 3,457,764	$ 131,549	$ 77,387	$ 55,103	$ 197,027	$ (372)	$ 460,694	$ 229,925	$ 4,148,383
Changes in items during the years:													
Cash dividends	—	—	(70,722)	—	(70,722)	—	—	—	—	—	—	—	(70,722)
Loss attributable to owners of the parent	—	—	(457,038)	—	(457,038)	—	—	—	—	—	—	—	(457,038)
Purchases of treasury stock	—	—	—	(62)	(62)	—	—	—	—	—	—	—	(62)
Disposal of treasury stock	—	(9)	—	9	0	—	—	—	—	—	—	—	0
Change in ownership interests due to transactions with non-controlling interests	—	(123)	—	—	(123)	—	—	—	—	—	—	—	(123)
Reversal of revaluation reserve for land	—	—	479	—	479	—	—	—	—	—	—	—	479
Net change in retained earnings from changes in scope of consolidation or equity method	—	—	3,151	—	3,151	—	—	—	—	—	—	—	3,151
Net changes in items other than shareholders' equity	—	—	—	—	—	(73,988)	(35,206)	515	(111,040)	(20,572)	(240,291)	(12,158)	(252,449)
Net change during the year	—	(132)	(524,130)	(53)	(524,315)	(73,988)	(35,206)	515	(111,040)	(20,572)	(240,291)	(12,158)	(776,764)
Balance at March 31, 2016	$ 669,666	$ 535,118	$1,738,223	$ (9,558)	$ 2,933,449	$ 57,561	$ 42,181	$ 55,618	$ 85,987	$ (20,944)	$ 220,403	$ 217,767	$ 3,371,619

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, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2016	2015	2016
Cash flows from operating activities:			
(Loss) profit before income taxes	¥ (31,279)	¥ 48,633	$ (277,591)
Depreciation and amortization	48,303	53,527	428,674
Increase (decrease) in liability for retirement benefits	1,428	(1,667)	12,673
Decrease (increase) in asset for retirement benefits	1,020	(437)	9,052
(Decrease) increase in retirement benefits liability adjustments	(2,441)	454	(21,663)
Increase (decrease) in allowance for directors' and audit and supervisory board members' retirement benefits	114	(17)	1,012
Decrease in accrued expenses for overhaul of vessels	(2,054)	(1,359)	(18,229)
Increase in allowance for loss related to the Anti-Monopoly Act	3,551	1,604	31,514
Interest and dividend income	(4,537)	(3,715)	(40,264)
Interest expenses	7,655	9,820	67,936
Exchange loss (gain), net	3,063	(951)	27,183
Loss on impairment of vessels, property and equipment	19,249	13,571	170,829
Equity in earnings of subsidiaries and affiliates, net	(3,587)	(2,181)	(31,834)
Loss on cancellation of chartered vessels	20,079	5,226	178,195
Gain on sales of vessels, property and equipment, net	(10,221)	(7,920)	(90,708)
Gain on sales of investments in securities, net	(6,316)	(7,731)	(56,053)
Loss on devaluation of investments in securities	8,369	8	74,272
Loss (gain) on sales of shares of subsidiaries and affiliates, net	52	(10,745)	461
Changes in operating assets and liabilities:			
Decrease in accounts and notes receivable – trade	12,933	2,296	114,776
Decrease in inventories	12,976	14,186	115,158
Decrease in other current assets	6,918	1,848	61,395
(Decrease) increase in accounts and notes payable – trade	(19,168)	7,652	(170,110)
(Decrease) increase in other current liabilities	(747)	6,357	(6,629)
Other, net	(12,352)	5,574	(109,619)
Subtotal	53,008	134,033	470,430
Interest and dividends received	5,936	4,979	52,680
Interest paid	(7,835)	(10,169)	(69,533)
Payments for cancellation of chartered vessels	(500)	(5,226)	(4,437)
Payments related to the Anti-Monopoly Act	(460)	(12,722)	(4,082)
Income taxes paid	(10,513)	(9,069)	(93,301)
Net cash provided by operating activities	¥ 39,636	¥ 101,826	$ 351,757

Consolidated Statement of Cash Flows (continued)

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2016	2015	2016
Cash flows from investing activities:			
Payments into time deposits	¥ (102,465)	¥ (47,586)	$ (909,345)
Proceeds from withdrawal of time deposits	92,860	28,694	824,104
Purchases of marketable securities and investments in securities	(5,475)	(4,990)	(48,589)
Proceeds from sales of marketable securities and investments in securities	13,098	33,198	116,241
Purchases of vessels, property and equipment	(112,415)	(87,912)	(997,648)
Proceeds from sales of vessels, property and equipment	91,071	69,002	808,227
Increase in intangible assets	(805)	(830)	(7,144)
Initiation of long-term loans receivable	(2,914)	(1,663)	(25,861)
Collection of long-term loans receivable	1,171	2,631	10,392
Other, net	(3,695)	(1,721)	(32,793)
Net cash used in investing activities	(29,569)	(11,177)	(262,416)
Cash flows from financing activities:			
Increase (decrease) in short-term loans, net	51	(921)	453
Proceeds from long-term loans	96,449	33,870	855,955
Repayment of long-term loans and obligations under finance leases	(111,379)	(102,702)	(988,454)
Proceeds from issuance of bonds	10,000	—	88,747
Redemption of bonds	(378)	(45,378)	(3,355)
Cash dividends paid	(7,958)	(6,559)	(70,625)
Cash dividends paid to non-controlling interests	(1,302)	(1,445)	(11,555)
Proceeds from sale and leaseback transactions	1,859	3,881	16,498
Payments of commission for syndicate loan	(2,149)	—	(19,072)
Other, net	(29)	0	(257)
Net cash used in financing activities	(14,836)	(119,254)	(131,665)
Effect of exchange rate changes on cash and cash equivalents	(5,929)	14,714	(52,617)
Net decrease in cash and cash equivalents	(10,698)	(13,891)	(94,941)
Cash and cash equivalents at beginning of year	209,425	222,607	1,858,582
Increase in cash and cash equivalents arising from initial consolidation of subsidiaries	7	709	62
Increase in cash and cash equivalents resulting from merger	11	—	97
Cash and cash equivalents at end of year (Note 16)	¥ 198,745	¥ 209,425	$ 1,763,800

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, 2016

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, 2015 to the 2016 presentation. Such reclassifications had no effect on consolidated profit, 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 ¥112.68=U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2016. 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 316 and 309 subsidiaries for the years ended March 31, 2016 and 2015, 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 307 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 non-controlling 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 non-controlling interests are translated at their historical exchange rates. Differences arising from translation are presented as translation adjustments and non-controlling interests in the accompanying consolidated financial statements.

(f) Cash and cash equivalents

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

(g) Allowance for doubtful receivables

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

(h) Inventories

Inventories are 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 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 under "Special treatment."

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

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

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

(w) Standards issued but not yet effective
Implementation Guidance on Recoverability of Deferred Tax Assets
On March 28, 2016, the Accounting Standards Board of Japan

("ASBJ") issued "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26).

(1) Overview
Regarding the treatment of the recoverability of deferred tax assets, a review was conducted following the framework of the Japanese Institute of Certified Public Accountants Audit Committee Report No. 66 "Audit Treatment on Determining the Recoverability of Deferred Tax Assets," whereby companies are categorized into five categories and deferred tax assets are calculated based on each of these categories.

1) Treatment is clarified for entities that do not meet the criteria for any of the five categories.
2) Criteria for classifying entities as "Category 2" or "Category 3" is changed from ordinary income to taxable income in the absence of infrequent or unusual events.
3) For "Category 2" entities, deferred tax assets attributable to deductible temporary differences for which scheduling the timing of the reversals is not possible are considered to be realizable if certain conditions are met. Under Audit Committee Report No.66, deferred tax assets are considered to be realizable to the extent not exceeding the amount based on a scheduling of future reversals of temporary differences.
4) For "Category 3" entities, the future period of estimated taxable income can be estimated in excess of five years if certain conditions are met. Under Audit Committee Report No.66, the future estimable period is generally limited to five years.
5) For entities classified as "Category 4," they can be treated as "Category 2" or "Category 3" if certain conditions are met and such entities can use the methods of measurement of deferred tax assets stipulated in "Category 2" or "Category 3."

(2) Scheduled date of adoption
The Company and its domestic consolidated subsidiaries expect to adopt the revised implementation guidance from the beginning of the fiscal year ending March 31, 2017.

(3) Impact of adopting revised implementation guidance
The Company its domestic consolidated subsidiaries are currently evaluating the effect of adopting this revised implementation guidance on its consolidated financial statements.

2. Changes in Method of Accounting

Revised Accounting Standard for Business Combinations
The Company and its domestic consolidated subsidiaries adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21 of September 13, 2013), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22 of September 13, 2013), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7 of September 13, 2013) and other related accounting standards from April 1, 2015. Under the revised accounting standards, the difference between the fair value of the consideration received or paid and the change in non-controlling interests in a subsidiary shall be recognized in capital surplus as long as the parent retains control over the subsidiary and the corresponding acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred. Moreover, for business combinations carried out on or after April 1, 2015, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the consolidated financial statements for the period in which the business combination occurs. The Company adopted this provisional accounting treatment for business combinations completed on or after April 1, 2015. Additionally, the presentation of profit was changed and minority interests were changed to non-controlling interests. Certain reclassifications were made to the previous year's consolidated financial statements to reflect these changes in presentation.

These revised accounting standards are applied prospectively in accordance with Section 58-2 (4) of "Revised Accounting Standard for Business Combinations," Section 44-5 (4) of "Revised Accounting Standard for Consolidated Financial Statements" and Section 57-4 (4) of "Revised Accounting Standard for Business Divestitures."

In the consolidated statement of cash flows for the year ended March 31, 2016, cash flows related to the acquisition of shares of subsidiaries that do not result in a change in the scope of consolidation are classified into "cash flows from financing activities."

The effect of these changes on the Company's consolidated operating results and financial position as of and for the year ended March 31, 2016 was immaterial.

3. Marketable Securities and Investments in Securities

At March 31, 2016 and 2015, marketable securities and investments in securities with quoted market prices classified as held-to-maturity debt securities are summarized as follows:

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

	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

	Thousands of U.S. dollars		
	2016		
	Carrying value	Estimated fair value	Unrealized gain
Securities whose estimated fair value exceeds their carrying value:			
Government and municipal bonds	$ 27	$ 35	$ 8
Securities whose estimated fair value does not exceed their carrying value:			
Government and municipal bonds	—	—	—
Total	$ 27	$ 35	$ 8

At March 31, 2016 and 2015, marketable securities and investments in securities with quoted market prices classified as other securities are summarized as follows:

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

	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

	Thousands of U.S. dollars		
	2016		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	$ 123,997	$ 52,751	$ 71,246
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	75,639	78,151	(2,512)
Total	$ 199,636	$ 130,902	$ 68,734

Proceeds from sales of investments in securities classified as other securities for the years ended March 31, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Proceeds from sales	¥ 13,135	¥ 18,125	$ 116,569
Aggregate gain	6,321	7,741	56,097
Aggregate loss	(5)	(10)	(44)

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

The Company has recognized loss on devaluation of investments in securities classified as other securities of ¥8,369 million ($74,272 thousand) and ¥8 million for the years ended March 31, 2016 and 2015, respectively. The Company has recognized loss on devaluation of investments in unconsolidated subsidiaries and affiliates of nil and ¥49 million for the year ended March 31, 2016 and 2015. Loss on devaluation of investments in unconsolidated subsidiaries and affiliates included in other, net is disclosed in consolidated statement of operations.

4. Inventories

Inventories as of March 31, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Raw materials and supplies	¥ 22,132	¥ 35,312	$ 196,415
Others	113	90	1,002
Total	¥ 22,245	¥ 35,402	$ 197,417

5. Loss on Impairment of Vessels, Property and Equipment

Losses on impairment of vessels, property and equipment for the years ended March 31, 2016 and 2015 were as follows:

			Millions of yen	Thousands of U.S. dollars
Asset Description	Usage	Classification	2016	2016
Assets for bulk carrier business	Business assets and assets for sale	Vessels	¥ 10,537	$ 93,513
Assets for iron ore carrier business	Business assets and assets for sale	Vessels	2,657	23,580
Assets for short sea and coastal business	Business assets and assets for sale	Vessels and others	2,203	19,551
Assets for offshore energy E&P support business	Business assets	Vessels	1,842	16,347
Assets for container services business	Business assets	Vessels	610	5,414
Others	Business assets, assets for sale and idle assets	Vessels, land, building and others	1,400	12,424
Total			¥ 19,249	$ 170,829

			Millions of yen
Asset Description	Usage	Classification	2015
Assets for iron ore carrier business	Business assets	Vessels	¥6,609
Assets for heavy lifter services business	Business assets	Vessels	2,447
Assets for container services business	Assets for sale	Vessels	2,020
Assets for short sea and coastal business	Business assets	Vessels	1,752
Assets for offshore energy E&P support business	Business assets	Vessels	536
Others	Business assets, assets for sale and idle assets	Vessels, building and land	207
Total			¥13,571

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 are 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 from 6.0 to 6.5 per cent. for the bulk carrier business and iron ore carrier business, 3.8 per cent. for the short sea and coastal business and 5.0 per cent. for the offshore energy E&P support business for the year ended March 31, 2016. As to the assets for container service business, the recoverable amounts were measured at net selling value, which is reasonably measured by certain third parties for the year ended March 31, 2016.

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.

Since the idle assets' carrying values were deemed to be irretrievably lower than the respective recoverable amounts mainly due to decreasing land prices, the carrying values were reduced to their respective recoverable amounts and a loss on impairment was recognized for the years ended March 31, 2016 and 2015. 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 0.48 per cent. and 0.50 per cent. per annum at March 31, 2016 and 2015, respectively.

Long-term debt at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Loans from banks and insurance companies due in installments through September 2072 at average interest rates of 0.89% and 1.24% per annum at March 31, 2016 and 2015, respectively	¥ 412,783	¥ 433,495	$ 3,663,321
Euro-yen zero coupon convertible bonds with stock acquisition rights in yen, due September 26, 2018	50,000	50,000	443,734
Bonds in yen, interest rate indexed to TIBOR, due July 16, 2019	2,943	3,321	26,118
0.69% bonds in yen, due August 31, 2020	3,000	—	26,624
1.05% bonds in yen, due August 31, 2022	7,000	—	62,123
Total	475,726	486,816	4,221,920
Less: Current portion	(66,679)	(76,370)	(591,755)
	¥ 409,047	¥ 410,446	$ 3,630,165

The Euro-yen zero coupon convertible bonds with stock acquisition rights due 2018 are convertible at ¥308.1 ($2.73) per share and are exercisable from October 10, 2013 to September 12, 2018. When holders of bonds with stock acquisition rights who intend to exercise their stock acquisition rights request conversion of the repayment of the bonds to the payment of the exercise price, the Company regards the payment of the exercise price as the repayment of the bonds. When holders of bonds with stock acquisition rights exercise their stock acquisition rights, the Company also regards the repayment of the convertible bonds as the payment of the exercise price.

The aggregate annual maturities of long-term debt subsequent to March 31, 2016 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2017	¥ 66,679	$ 591,755
2018	44,540	395,279
2019	86,517	767,812
2020	44,167	391,968
2021	63,025	559,327
2022 and thereafter	170,798	1,515,779
Total	¥ 475,726	$ 4,221,920

A summary of assets pledged as collateral at March 31, 2016 for short-term loans and the current portion of long-term loans in the amount of ¥29,957 million ($265,859 thousand), long-term loans of ¥233,942 million ($2,076,163 thousand) and loans to be incurred in the future is presented below:

	Millions of yen	Thousands of U.S. dollars
Vessels	¥ 330,423	$ 2,932,401
Buildings, structures and equipment	3,581	31,780
Land	1,689	14,989
Investments in securities	11,372	100,923
Other	171	1,519
Total	¥ 347,236	$ 3,081,612

Investments in securities of ¥11,372 million ($100,923 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, 2016.

Out of vessels at net book value of ¥330,423 million ($2,932,401 thousand) above, ¥3,833 million ($34,017 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 29.5 per cent. and 31.7 per cent. for the years ended March 31, 2016 and 2015, respectively.

The details of the differences between statutory tax rate and effective tax rate for the year ended March 31, 2016 are omitted because the Company and its consolidated subsidiaries recorded a loss before income taxes for the year.

The effective tax rate reflected in the accompanying consolidated statement of operations for the year ended March 31, 2015 differed from the statutory tax rate for the following reasons:

	2015
Statutory tax rate	31.7%
Changes in the valuation allowance	7.9
Difference in statutory tax rates of consolidated subsidiaries	5.2
Tonnage tax	(11.0)
Equity in earnings of subsidiaries and affiliates, net	(0.8)
Surcharge payment	5.7
Decrease of deferred tax assets, resulting from change in the statutory tax rates	3.1
Other	0.6
Effective tax rate	42.4%

The tax effects of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at March 31, 2016 and 2015 are analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Deferred tax assets:			
Liability for retirement benefits	¥ 2,821	¥ 2,298	$ 25,035
Non-deductible allowances	3,122	2,625	27,707
Loss on impairment of vessels, property and equipment	2,924	2,485	25,950
Elimination of unrealized intercompany profit	947	939	8,404
Accounts and notes payable – trade	1,848	2,505	16,400
Loss on devaluation of investments in securities	1,668	1,956	14,803
Net operating loss carry forwards	26,737	24,042	237,283
Loss on cancellation of chartered vessels	5,871	—	52,103
Other	7,425	9,178	65,895
Gross deferred tax assets	53,363	46,028	473,580
Valuation allowance	(38,131)	(19,283)	(338,401)
Total deferred tax assets	15,232	26,745	135,179
Deferred tax liabilities:			
Reserve for special depreciation	(421)	(654)	(3,736)
Deferred gain on tangible fixed assets for tax purposes	(946)	(1,075)	(8,395)
Unrealized holding gain on investments in securities	(2,323)	(6,020)	(20,616)
Accelerated depreciation in overseas subsidiaries	(1,433)	(1,429)	(12,717)
Deferred gain on hedges	(2,807)	(6,568)	(24,911)
Other	(6,214)	(5,393)	(55,149)
Total deferred tax liabilities	(14,144)	(21,139)	(125,524)
Net deferred tax assets	¥ 1,088	¥ 5,606	$ 9,655

(Change in balance of deferred tax assets and deferred tax liabilities in line with changes in corporate tax rates)
The "Act for Partial Revision of the Income Tax Act, etc." (Act No. 15 of 2016) and the "Act for Partial Revision of the Local Tax Act, etc." (Act No. 13 of 2016) were enacted during the Japanese Diet session on March 29, 2016. As a result, the effective statutory tax rate used to measure the Company and its domestic consolidated subsidiaries' deferred tax assets and liabilities was changed from mainly 29.7 per cent. to mainly 28.7 per cent. for the temporary differences expected to be realized or settled in the period from April 1, 2016 to March 31, 2018 and to mainly 28.5 per cent. for the temporary differences expected to be realized or settled on April 1, 2018 or thereafter.

As a result of the above changes, the amount of deferred tax assets (after deducting deferred tax liabilities) decreased by ¥100 million ($887 thousand), and income taxes – deferred increased by ¥240 million ($2,130 thousand), net unrealized holding gain on investments in securities increased by ¥81 million ($719 thousand), deferred gain on hedges increased by ¥99 million ($879 thousand) and retirement benefits liability adjustments decreased by ¥39 million ($346 thousand) as of March 31, 2016 and for the year then ended.

Additionally, deferred tax liabilities on land revaluation decreased by ¥58 million ($515 thousand), and the amount of revaluation reserve for land increased by the same amount as of March 31, 2016.

The deductible amount of tax loss carried forward will be also limited to 60 per cent. of taxable income before deductions of tax loss carried forward effective for fiscal years beginning on or after April 1, 2016, limited to 55 per cent. of taxable income before deductions of tax loss carried forward effective for fiscal years beginning on or after April 1, 2017 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, 2018. The effect of these changes on deferred tax assets and income taxes – deferred was immaterial for the current fiscal year.

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, 2016 and 2015, 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		
	2016		
At March 31, 2016	Vessels	Others	Total
Acquisition costs	¥ 23,042	¥ 740	¥ 23,782
Accumulated depreciation	(6,345)	(612)	(6,957)
Net book value	¥ 16,697	¥ 128	¥ 16,825

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

	Thousands of U.S. dollars		
	2016		
At March 31, 2016	Vessels	Others	Total
Acquisition costs	$ 204,491	$ 6,567	$ 211,058
Accumulated depreciation	(56,310)	(5,431)	(61,741)
Net book value	$ 148,181	$ 1,136	$ 149,317

Lease payments related to finance leases accounted for as operating leases and depreciation and interest expenses for the years ended March 31, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Lease payments	¥ 5,066	¥ 2,252	$ 44,959
Depreciation	1,192	1,224	10,579
Interest expense	304	423	2,698

Future minimum lease payments subsequent to March 31, 2016 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2017	¥ 1,428	$ 12,673
2018 and thereafter	10,872	96,486
Total	¥ 12,300	$ 109,159

Future minimum lease payments or receipts subsequent to March 31, 2016 for non-cancellable operating leases are summarized as follows:

(As lessees)

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2017	¥ 31,798	$ 282,197
2018 and thereafter	146,856	1,303,302
Total	¥ 178,654	$ 1,585,499

(As lessors)

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2017	¥ 60	$ 532
2018 and thereafter	12	107
Total	¥ 72	$ 639

9. Retirement Benefits

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

The changes in the retirement benefit obligation, except for plans which apply a simplified method, for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Retirement benefit obligation at beginning of the year	¥ 22,949	¥ 22,179	$ 203,665
Cumulative effect of change in method of accounting	—	487	—
Balance as adjusted	22,949	22,666	203,665
Service cost	1,327	1,303	11,777
Interest cost	269	303	2,387
Actuarial differences	2,231	193	19,799
Payment of retirement benefits	(821)	(1,169)	(7,286)
Past service cost	(37)	(649)	(328)
Foreign currency exchange rate changes	(113)	197	(1,003)
Other	48	105	426
Retirement benefit obligation at end of the year	¥ 25,853	¥ 22,949	$ 229,437

The changes in pension plan assets, except for plans which apply a simplified method, for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Pension plan assets at fair value at beginning of the year	¥ 20,501	¥ 17,797	$ 181,940
Expected return on pension plan assets	1,143	769	10,144
Actuarial differences	(1,437)	105	(12,753)
Contributions by the employer	1,246	2,528	11,058
Payment of retirement benefits	(639)	(717)	(5,671)
Foreign currency exchange rate changes	(8)	19	(71)
Pension plan assets at fair value at end of the year	¥ 20,806	¥ 20,501	$ 184,647

The changes in liability for retirement benefits calculated by a simplified method for certain consolidated subsidiaries for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Liability for retirement benefits, net at beginning of the year	¥ 2,258	¥ 2,615	$ 20,039
Retirement benefit expenses	285	139	2,529
Payment of retirement benefits	(201)	(257)	(1,784)
Contributions to the plans	(212)	(239)	(1,881)
Liability for retirement benefits, net at end of the year	¥ 2,130	¥ 2,258	$ 18,903

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2016 and 2015 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Funded retirement benefit obligation	¥ 27,916	¥ 24,330	$ 247,746
Plan assets at fair value	(22,853)	(22,472)	(202,813)
Subtotal	5,063	1,858	44,933
Unfunded retirement benefit obligation	2,099	2,848	18,627
Liability for retirement benefits in the consolidated balance sheet, net	¥ 7,162	¥ 4,706	$ 63,560
Liability for retirement benefits	¥ 7,748	¥ 6,311	$ 68,761
Asset for retirement benefits	(586)	(1,605)	(5,201)
Liability for retirement benefits in the consolidated balance sheet, net	¥ 7,162	¥ 4,706	$ 63,560

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, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Service cost	¥ 1,327	¥ 1,303	$ 11,777
Interest cost	269	303	2,387
Expected return on pension plan assets	(1,143)	(769)	(10,144)
Amortizations of actuarial differences	292	(48)	2,591
Amortizations of past service cost	(25)	49	(222)
Retirement benefit expenses calculated by a simplified method	285	139	2,529
Retirement benefit expenses	¥ 1,005	¥ 977	$ 8,918

Retirement benefits liability adjustments included in other comprehensive income before tax effects for the Company and its consolidated subsidiaries for the years ended March 31, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Past service cost	¥ 11	¥ 698	$ 98
Actuarial loss	(3,359)	(152)	(29,810)
Total	¥ (3,348)	¥ 546	$ (29,712)

Retirement benefits liability adjustments included in accumulated other comprehensive income before tax effects as of March 31, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unrecognized past service cost	¥ 242	¥ 231	$ 2,148
Unrecognized actuarial differences	(3,659)	(300)	(32,472)
Total	¥ (3,417)	¥ (69)	$ (30,324)

The fair value of pension plan assets by major category as of March 31, 2016 and 2015 is as follows:

	2016	2015
Bonds	45%	45%
Equity	20	23
General account assets	28	27
Other	7	5
Total	100%	100%

The assumptions used in actuarial calculations for the above defined benefit plans for the years ended March 31, 2016 and 2015 are as follows:

	2016	2015
Discount rates	Mainly 0.0%	Mainly 1.2%
Expected rates of return on plan assets	Mainly 8.2%	Mainly 5.9%
Rates of salary increase	Mainly from 1.2% to 16.3%	Mainly from 1.2% to 15.9%

Total contributions paid by consolidated subsidiaries to the defined contribution plans amounted to ¥643 million ($5,706 thousand) and ¥647 million for the years ended March 31, 2016 and 2015, 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, 2016 and 2015 amounted to ¥2,540 million ($22,542 thousand).

Movements in common stock and treasury stock of the Company for the years ended March 31, 2016 and 2015 are summarized as follows:

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

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

*1 The increase in the number of shares in treasury stock of 26 thousand shares is due to purchases of shares of less than one voting unit.
The decrease in the number of shares in treasury stock of 1 thousand shares is due to sales of shares at request of shareholders owning less than one voting unit.
*2 The increase in the number of shares in treasury stock consists of 27 thousand shares due to purchases of shares of less than one voting unit and 453 thousand shares due to repurchases of shares held by untraceable shareholders.

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, 2016 and 2015, the fair value of land was lower than its carrying value after revaluation by ¥2,675 million ($23,740 thousand) and ¥2,747 million, respectively.

12. Commitments and Contingent Liabilities

At March 31, 2016, commitments made by the Company and its consolidated subsidiaries for the construction of vessels amounted to ¥115,721 million ($1,026,988 thousand).

Contingent liabilities for guarantees of loans to affiliates and third-party companies and obligation of additional investment etc. as of March 31, 2016 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2016	2016
Guarantees of loans	¥ 12,708	$ 112,780
Obligation of additional investment etc.	2,920	25,914

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. Temporary excess funds are invested in highly liquid financial assets, and short-term operating funds are financed by bank loans and commercial papers. The Group utilizes derivatives only for avoiding risks, but does not utilize them for speculation.

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

The Group has trade accounts and notes payable, which have payment due dates within one year. Funds for certain capital expenditures, such as construction of vessels denominated in foreign currencies, are exposed to foreign currency exchange risk, which are hedged by forward foreign exchange contracts. Future trade payables such as payments for bunker fuel are exposed to the risk of fluctuation of market prices, and some of them are hedged by bunker fuel swap contracts. Loans payable, bonds, bonds with stock acquisition rights and lease obligations for finance lease contracts are taken out principally for the purpose of making capital investments. The repayment dates of long-term debt extend up to 56 years subsequent to the balance sheet date. Certain elements of these transactions are exposed to interest rate fluctuation risk. The Group hedges this risk by entering into interest rate swap transactions. The Group has entered into currency swap contracts to hedge foreign currency exchange risk against trade payables.

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

For information on hedge accounting policies of the Group, see Note 1. Summary of Significant Accounting Policies, (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 similar regulations.

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

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

Estimated fair value of financial instruments

The carrying value of financial instruments on the consolidated balance sheets as of March 31, 2016 and 2015, 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		
	2016		
	Carrying value	Estimated fair value	Difference
Assets			
Cash and deposits	¥ 241,101	¥ 241,101	¥ —
Accounts and notes receivable – trade	79,653	79,653	—
Marketable securities and investments in securities:			
Held to maturity debt securities	3	4	1
Other securities	22,496	22,496	—
Investment in unconsolidated subsidiaries and affiliates	3,827	1,022	(2,805)
Total assets	¥ 347,080	¥ 344,276	¥ (2,804)
Liabilities			
Accounts and notes payable – trade	¥ 99,746	¥ 99,746	¥ —
Short-term loans, inclusive of current portion of long-term loans	71,788	72,105	317
Long-term debt, less current portion:			
Bonds	62,565	60,970	(1,595)
Long-term loans	346,482	348,136	1,654
Total liabilities	¥ 580,581	¥ 580,957	¥ 376
Derivative transactions*	¥ (8,797)	¥ (9,026)	¥ (229)

	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)

	Thousands of U.S. dollars		
	2016		
	Carrying value	Estimated fair value	Difference
Assets			
Cash and deposits	$ 2,139,696	$ 2,139,696	$ —
Accounts and notes receivable – trade	706,896	706,896	—
Marketable securities and investments in securities:			
Held to maturity debt securities	27	35	8
Other securities	199,645	199,645	—
Investment in unconsolidated subsidiaries and affiliates	33,963	9,070	(24,893)
Total assets	$ 3,080,227	$ 3,055,342	$ (24,885)
Liabilities			
Accounts and notes payable – trade	$ 885,215	$ 885,215	$ —
Short-term loans, inclusive of current portion of long-term loans	637,096	639,909	2,813
Long-term debt, less current portion:			
Bonds	555,245	541,090	(14,155)
Long-term loans	3,074,920	3,089,599	14,679
Total liabilities	$ 5,152,476	$ 5,155,813	$ 3,337
Derivative transactions*	$ (78,071)	$ (80,103)	$ (2,032)

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

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

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

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

Fair value of bonds is mainly based on market prices.

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

The financial instruments whose fair value is difficult to determine as of March 31, 2016 and 2015 are summarized as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unlisted investments in securities	¥ 44,570	¥ 41,235	$ 395,545

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, 2016 for cash and deposits, accounts and notes receivable – trade and held-to-maturity securities is summarized as follows:

	Millions of yen			
	2016			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	¥ 241,101	¥ —	¥ —	¥ —
Accounts and notes receivable – trade	79,653	—	—	—
Marketable securities and Investments in securities				
Held-to-maturity securities:				
Government, municipal bonds and others	0	2	1	—
Total	¥ 320,754	¥ 2	¥ 1	¥ —

	Thousands of U.S. dollars			
	2016			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	$ 2,139,696	$ —	$ —	$ —
Accounts and notes receivable – trade	706,896	—	—	—
Marketable securities and Investments in securities				
Held-to-maturity securities:				
Government, municipal bonds and others	0	18	9	—
Total	$ 2,846,592	$ 18	$ 9	$ —

14. Derivatives and Hedging Activities

The estimated fair value of the derivatives positions outstanding not qualified for deferral hedge accounting at March 31, 2016 and 2015 is summarized as follows:

Currency-related transactions

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

		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		
		2016		
Classification	Transaction	Total contract value (notional principal amount)	Estimated fair value	Unrealized gain (loss)
Over-the-counter transactions	Forward exchange contracts			
	Buying:			
	USD	$ 39,750	$ (497)	$ (497)
	GBP	3,230	0	0
	Selling:			
	EUR	185,241	(861)	(861)
	Total	$ 228,221	$ (1,358)	$ (1,358)

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

The estimated fair value of the derivatives positions outstanding qualified for deferral hedge accounting at March 31, 2016 and 2015 is summarized as follows:

Currency-related transactions

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

			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 and others	¥ 54,314	¥ 29,437	¥ 11,751
	JPY	Capital expenditures and others	1,660	—	21
	EUR	Forecasted foreign currency transactions	7	—	(0)
	GBP	Forecasted foreign currency transactions	3	—	0
	CAD	Forecasted foreign currency transactions	3	—	(0)
	Selling:				
	USD	Forecasted foreign currency transactions	37,239	—	(2)
	Currency swaps				
	Receiving USD, paying EUR	Vessel chartering expenses	980	288	191
	Total		¥ 94,206	¥ 29,725	¥ 11,961

			Thousands of U.S. dollars		
			2016		
Method of hedge accounting	Transaction	Major hedged item	Total contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Forward exchange contracts				
	Buying:				
	USD	Capital expenditures and others	$ 344,906	$ 310,570	$ 34,602
	EUR	Forecasted foreign currency transactions	71	—	(0)
	CAD	Forecasted foreign currency transactions	27	—	0
	Selling:				
	USD	Forecasted foreign currency transactions	16,099	—	1,163
	Currency swaps				
	Receiving USD, paying EUR	Vessel chartering expenses	2,396	—	382
	Receiving JPY, paying USD	Vessel chartering expenses and forecasted foreign currency transactions	226,793	169,223	11,599
	Total		$ 590,292	$ 479,793	$ 47,746

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

Interest rate-related transactions

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

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	Thousands of U.S. dollars 2016 Total contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Interest rate swaps				
	Receive floating / Pay fixed	Long-term loans payable	$824,565	$ 801,775	$ (103,080)
Special treatment for interest rate swaps	Interest rate swaps				
	Receive floating / Pay fixed	Long-term loans payable	29,597	26,136	(2,023)
	Total		$ 854,162	$ 827,911	$ (105,103)

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

Others

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

Method of hedge accounting	Transaction	Major hedged item	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	Thousands of U.S. dollars 2016 Total contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Bunker fuel swaps	Bunker fuel purchases	$ 69,498	$ 9,443	$ (21,290)
	Forward freight agreements	Ocean freight	3,337	—	(89)
	Total		$ 72,835	$ 9,443	$ (21,379)

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

15. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2016 and 2015.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Net unrealized holding (loss) gain on investments in securities:			
Amount arising during the year	¥ (14,249)	¥ 16,883	$ (126,455)
Reclassification adjustments to profit or loss	2,187	(7,731)	19,409
Amount before tax effect	(12,062)	9,152	(107,046)
Tax effect	3,678	(2,458)	32,641
Net unrealized holding (loss) gain on investments in securities	(8,384)	6,694	(74,405)
Deferred (loss) gain on hedges:			
Amount arising during the year	(13,467)	(6,546)	(119,515)
Reclassification adjustments to profit or loss	11,264	11,560	99,965
Adjustments for acquisition costs of vessels due to valuation of hedges	(6,177)	(2,053)	(54,819)
Amount before tax effect	(8,380)	2,961	(74,369)
Tax effect	3,761	312	33,377
Deferred (loss) gain on hedges	(4,619)	3,273	(40,992)
Revaluation reserve for land:			
Tax effect	59	130	523
Revaluation reserve for land	59	130	523
Translation adjustments:			
Amount arising during the year	(13,642)	21,952	(121,069)
Reclassification adjustments to profit or loss	(216)	721	(1,917)
Translation adjustments	(13,858)	22,673	(122,986)
Retirement benefits liability adjustments:			
Amount arising during the year	(3,580)	401	(31,771)
Reclassification adjustments to profit or loss	232	145	2,059
Amount before tax effect	(3,348)	546	(29,712)
Tax effect	959	(122)	8,510
Retirement benefits liability adjustments	(2,389)	424	(21,202)
Share of other comprehensive income of subsidiaries and affiliates accounted for by the equity method:			
Amount arising during the year	(408)	(91)	(3,621)
Reclassification adjustments to profit or loss	865	930	7,677
Share of other comprehensive income of subsidiaries and affiliates accounted for by the equity method	457	839	4,056
Total other comprehensive (loss) income	¥ (28,734)	¥ 34,033	$ (255,006)

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, 2016 and 2015 are reconciled to cash and deposits reflected in the accompanying consolidated balance sheets as of March 31, 2016 and 2015 as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash and deposits	¥ 241,101	¥ 242,433	$ 2,139,696
Time deposits with a maturity of more than three months after the purchase date	(42,356)	(33,008)	(375,896)
Cash and cash equivalents	¥ 198,745	¥ 209,425	$ 1,763,800

17. Amounts per Share

Amounts per share at March 31, 2016 and 2015 and for the years then ended are as follows:

	Yen		U.S. dollars
	2016	2015	2016
Net assets	¥ 379.18	¥ 471.10	$ 3.37
(Loss) profit attributable to owners of the parent:			
Basic	(54.95)	28.60	(0.49)
Diluted	—	24.43	—
Cash dividends applicable to the year	5.00	8.50	0.04

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

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

However, diluted profit attributable to owners of the parent per share for the year ended March 31, 2016 has not been presented because a loss for the year was recorded.

The financial data used in the computation of basic (loss) profit per share and diluted profit per share for the years ended March 31, 2016 and 2015 in the table above is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Information used in computation of basic (loss) profit per share:			
(Loss) profit attributable to owners of the parent	¥ (51,499)	¥26,818	$ (457,038)

	Thousands of shares	
	2016	2015
Weighted-average number of shares of common stock outstanding	937,233	937,643
Increase in common stock	—	159,898
(Bonds with stock acquisition rights)	—	(159,898)

Information on dilutive shares not included in the calculation of diluted profit per share for the year ended March 31, 2015 was 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.

18. Segment Information

Segment information for the years ended March 31, 2016 and 2015

1. Overview of reporting segments

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

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

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

2. Calculation method of reporting segment profit (loss)

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

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

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

Reporting segment information for the years ended March 31, 2016 and 2015 consisted of the following:

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

	Millions of yen						
	2015						
	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	¥ 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 profit (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

	Thousands of U.S. dollars						
	2016						
	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	$ 5,457,117	$ 5,037,425	$ 218,814	$ 326,154	$ 11,039,510	$ —	$ 11,039,510
(2) Intra-group revenues and transfers	71,486	22,488	0	447,950	541,924	(541,924)	—
Total revenues	$ 5,528,603	$ 5,059,913	$ 218,814	$ 774,104	$ 11,581,434	$ (541,924)	$ 11,039,510
2. Segment profit (loss)*3	$ (89,191)	$ 218,814	$ (58,165)	$ 16,224	$ 87,682	$ (58,049)	$ 29,633
3. Segment assets	$ 2,054,233	$ 6,089,492	$ 781,656	$ 717,155	$ 9,642,536	$ 254,731	$ 9,897,267
(1) Depreciation and amortization	$ 66,365	$ 293,264	$ 45,678	$ 20,154	$ 425,461	$ 3,213	$ 428,674
(2) Amortization of goodwill and negative goodwill, net	1,535	—	—	—	1,535	—	1,535
(3) Interest income	7,730	6,061	284	1,074	15,149	62	15,211
(4) Interest expenses	7,561	45,785	12,655	1,456	67,457	479	67,936
(5) Equity in earnings of subsidiaries and affiliates, net	19,347	3,798	7,978	711	31,834	—	31,834
(6) Investments in subsidiaries and affiliates accounted for by the equity method	75,080	70,438	54,775	36,457	236,750	—	236,750
(7) Increase in vessels, property and equipment and intangible assets	276,606	735,286	293	17,963	1,030,148	4,579	1,034,727

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

*2 (1) The adjustment and elimination of segment profit of ¥6,541 million ($58,049 thousand) includes the following elements: ¥548 million ($4,863 thousand) of intersegment profit eliminations and ¥5,993 million ($53,186 thousand) of corporate expenses, which are not distributed to specific segments.

(2) The adjustment and elimination of segment assets of ¥28,703 million ($254,731 thousand) includes the following elements: ¥40,327 million ($357,890 thousand) of intersegment transaction eliminations and ¥69,030 million ($612,621 thousand) of corporate assets, which are not distributed to specific segments.

(3) The adjustment and elimination of depreciation and amortization of ¥362 million ($3,213 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 ¥7 million ($62 thousand) includes the following elements: ¥191 million ($1,695 thousand) of intersegment transaction eliminations and ¥198 million ($1,757 thousand) of interest income, which are not distributed to specific segments.

(5) The adjustment and elimination of interest expenses of ¥54 million ($479 thousand) includes the following elements: ¥191 million ($1,695 thousand) of intersegment transaction eliminations and ¥245 million ($2,174 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 ¥516 million ($4,579 thousand) is the increase in assets that belong to the entire group, which are not distributed to specific segments.

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

*4 (1) The adjustment and elimination of segment profit of ¥5,496 million includes the following elements: ¥78 million of intersegment profit eliminations and ¥5,418 million of corporate expenses, which are not distributed to specific segments.

(2) The adjustment and elimination of segment assets of ¥18,412 million includes the following elements: ¥89,126 million of intersegment transaction eliminations and ¥70,714 million of corporate assets, which are not distributed to specific segments.

(3) The adjustment and elimination of depreciation and amortization of ¥797 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 ¥151 million includes the following elements: ¥255 million of intersegment transaction eliminations and ¥104 million of interest income, which are not distributed to specific segments.

(5) The adjustment and elimination of interest expenses of ¥105 million includes the following elements: ¥255 million of intersegment transaction eliminations and ¥360 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 ¥367 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, 2016 and 2015 are summarized as follows:

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

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

	Thousands of U.S. dollars					
	2016					
	Japan	U.S.A.	Europe	Asia	Others	Total
Revenues	$ 4,380,121	$ 2,230,059	$ 1,433,422	$ 2,600,958	$ 394,950	$ 11,039,510

At March 31, 2016 and 2015, vessels, property and equipment by countries or geographical areas are summarized as follows:

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

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

	Thousands of U.S. dollars				
	2016				
	Japan	Singapore	UK	Others	Total
Vessels, property and equipment	$ 3,331,088	$ 569,808	$ 532,047	$ 745,900	$ 5,178,843

The loss on impairment of vessels, property and equipment for the years ended March 31, 2016 and 2015 is as follows:

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

	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

	Thousands of U.S. dollars					
	2016					
	Containership	Bulk shipping	Offshore energy E&P support and heavy lifter	Other*1	Adjustments and eliminations	Total
Loss on impairment of vessels, property and equipment	$ 10,552	$ 136,644	$ 18,300	$ 5,333	$ —	$ 170,829

*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 represents loss not allocated to specific segments.

The amortization and balance of goodwill for the years ended and as of March 31, 2016 and 2015 are as follows:

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

	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

	Thousands of U.S. dollars					
	2016					
	Containership	Bulk shipping	Offshore energy E&P support and heavy lifter	Other*	Adjustments and eliminations	Total
Amortization for the year	$ 1,535	$ —	$ —	$ —	$ —	$ 1,535
Balance at the year end	382	—	—	—	—	382

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

The amortization and balance of negative goodwill for the year ended and as of March 31, 2015 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	—	—	—	—	—	—

* 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, 2016, was approved at the meeting of the Company's shareholders held on June 24, 2016:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥2.50 = $0.02 per share)	¥ 2,344	$ 20,802

Independent Auditor's Report

EY
Building a better working world

Ernst & Young ShinNihon LLC

Independent Auditor's Report

The Board of Directors
Kawasaki Kisen Kaisha, Ltd.

We have audited the accompanying consolidated financial statements of Kawasaki Kisen Kaisha, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kawasaki Kisen Kaisha, Ltd. and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

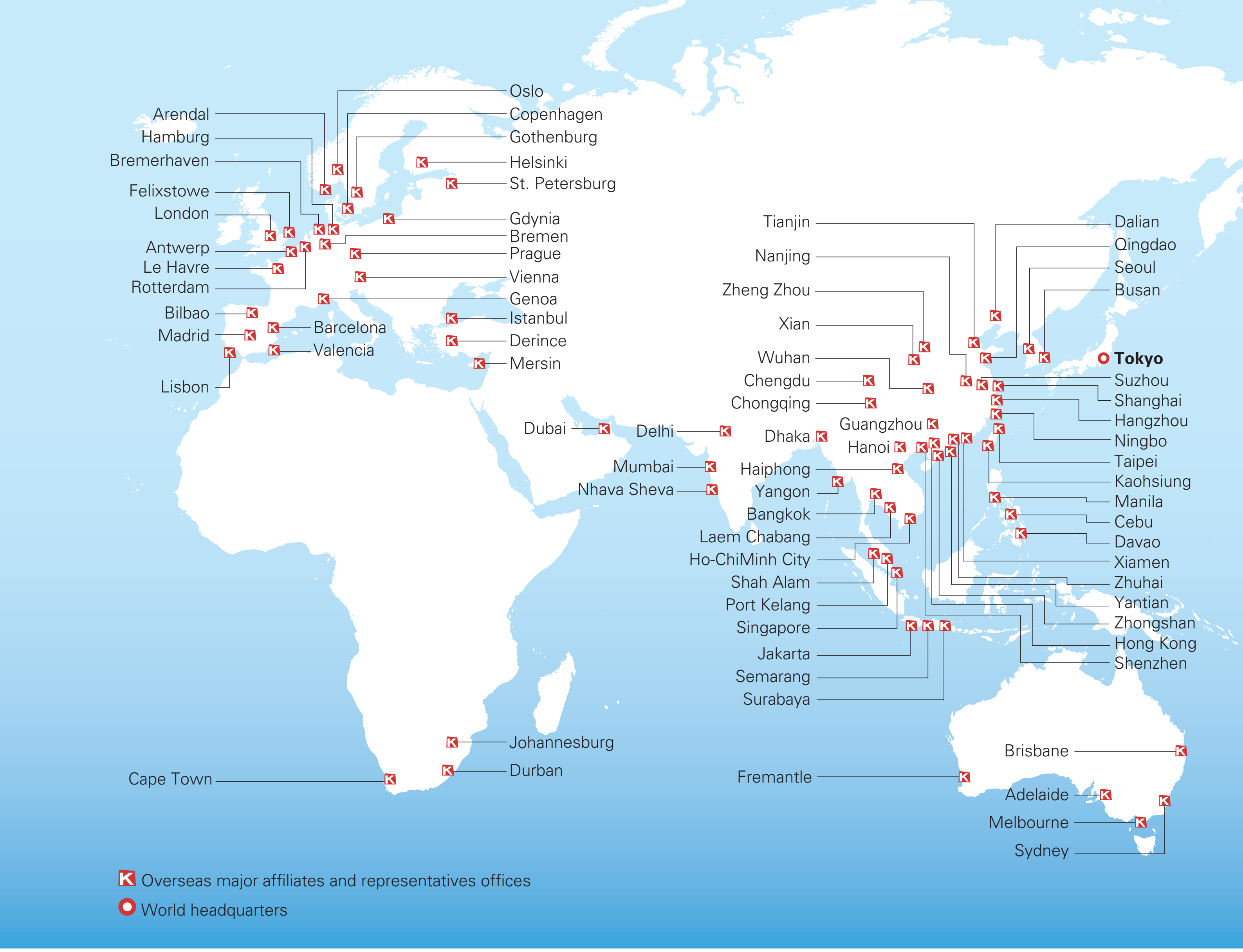
Convenience Translation

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, 2016
Osaka, Japan

Global Network



Domestic

Japan
- Tokyo (Headquarters)
- Kobe
- Nagoya
- etc.

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
- Guangzhou
- Hangzhou
- Hong Kong
- Nanjing
- Ningbo
- Qingdao
- Shanghai
- Shenzhen

Suzhou
Tianjian
Wuhan
Xiamen
Xian
Yantian
Zehng Zhou
Zhongshan
Zhuhai

India
Delhi
Mumbai
Nhava Sheva

Indonesia
Jakarta
Semarang
Surabaya

Korea
Seoul
Busan

Malaysia
Port Kelang
Shah Alam

Myanmar
Yangon

Philippines
Cebu
Davao
Manila

Singapore
Singapore

Taiwan
Kaohsiung
Taipei

Thailand
Bangkok
Laem Chabang

Vietnam
Haiphong
Hanoi
Ho-ChiMinh City

[Oceania]

Australia
Adelaide
Brisbane
Fremantle
Melbourne
Sydney

[North America]

Canada
Toronto
Vancouver

United States
Atlanta
Baltimore
Boston
Charleston
Chicago
Cleveland
Columbus
Detroit
Houston
Los Angeles
Memphis
New Orleans
New York / New Jersey
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, 2016)

Domestic		Company name	"K" LINE's ownership (%)*2	Paid-in capital (millions)	Fiscal 2015 revenue (millions)
Marine transportation		Kawasaki Kinkai Kisen Kaisha, Ltd.	51.0	¥ 2,369	¥ 42,243
		Asahi Kisen Kaisha, Ltd.	100.0	100	331
	★	Shibaura Kaiun Co., Ltd.	100.0	20	660
Shipping agency		"K" Line (Japan) Ltd.	100.0	150	2,386
	★	Shimizu Kawasaki Transportation Co., Ltd.	50.0	10	213
Ship management		"K" Line Ship Management Co., Ltd.	100.0	75	10,744
		Taiyo Nippon Kisen Co., Ltd.	100.0	400	33,875
		Escobal Japan Ltd.	100.0	10	614
Harbor transportation / Warehousing		Daito Corporation	100.0	843	23,574
		Nitto Total Logistics Ltd.	100.0	1,596	12,684
		Hokkai Transportation Co., Ltd.	80.1	60	10,899
		Seagate Corporation	100.0	270	6,708
		Nitto Tugboat Co., Ltd.	100.0	150	4,584
		Tokyo Kokusai Koun Kaisha, Ltd.	100.0	75	1,777
	★	Rinko Corporation	25.1	1,950	16,491
Logistics		"K" Line Logistics, Ltd.	91.9	600	17,158
Land transportation		Japan Express Transportation Co., Ltd.	100.0	100	3,403
		Shinto Rikuun Kaisha, Ltd.	100.0	10	836
		Maizuru Kousoku Yusou Co., Ltd.	100.0	25	662
Container repairing		Intermodal Engineering Co., Ltd.	100.0	40	806
Travel business		"K" Line Travel, Ltd.	100.0	100	7,344
Other business		"K" Line Engineering Co., Ltd.	100.0	50	2,193
		Shinki Corporation	100.0	80	2,516
		"K" Line Business Systems, Ltd.	100.0	40	1,109
		KMDS Co., Ltd.	100.0	40	1,300
		Kawaki Kosan Kaisha, Ltd.	100.0	30	510
		"K" Line Accounting and Finance Co., Ltd.	100.0	100	218

Overseas		Company name	"K" LINE's ownership (%)*2	Paid-in capital (millions)	Fiscal 2015 revenue (millions)
Marine transportation		"K" Line Pte Ltd	100.0	US$41.1	US$310.3
		"K" Line Bulk Shipping (UK) Limited	100.0	US$34.0	US$182.4
		"K" Line LNG Shipping (UK) Limited	100.0	US$35.9	US$89.6
		SAL Heavy Lift GmbH	100.0	EUR155.5	EUR151.6
		"K" Line European Sea Highway Services GmbH	100.0	EUR5.3	EUR78.1
		K Line Offshore AS	100.0	NOK1,120.1	NOK391.9
	★	Northern LNG Transport Co., I Ltd.	49.0	US$39.7	US$15.2
	★	Northern LNG Transport Co., II Ltd.	36.0	US$42.4	US$23.0
Shipping agency		"K" Line America, Inc.	100.0	US$15.5	US$65.0
		"K" Line (Australia) Pty Limited	100.0	A$0.0001	A$14.9
		"K" Line (Belgium) N.V.	51.0	EUR0.06	EUR3.4
		"K" Line Canada Ltd.	100.0	US$0.09	US$0.5
		K Line (China) Ltd.	100.0	US$2.3	RMB275.9
		"K" Line Chile Ltda	100.0	US$0.6	US$4.4
		"K" Line (Deutschland) GmbH	100.0	EUR0.2	EUR11.1
		"K" Line (Europe) Limited	100.0	£0.01	£12.9
		"K" Line (Finland) OY	51.0	EUR0.01	EUR1.0
		"K" Line (France) SAS	100.0	EUR0.5	EUR3.5
		"K" Line (Hong Kong) Limited	100.0	HK$15.0	HK$88.1
		"K" Line (Korea) Ltd.	100.0	KRW400	KRW9,823.4
		"K" Line Maritime (M) Sdn Bhd	57.5	MYR0.3	MYR8.4
		K Line Mexico SA de CV	100.0	US$0.005	US$0.3
		"K" Line (Nederland) B.V.	100.0	EUR0.1	EUR4.3

Overseas		Company name	"K" LINE's ownership (%)*2	Paid-in capital (millions)	Fiscal 2015 revenue (millions)
		K Line (Norway) AS	100.0	NOK0.1	NOK3.2
		K Line Peru S.A.C.	100.0	PEN1.3	PEN6.2
		"K" Line (Portugal)-Agentes de Navagação, S.A.	51.0	EUR0.2	EUR2.0
		"K" Line (Scandinavia) Holding A/S	51.0	DKK1.0	DKK13.5
		"K" Line Shipping (South Africa) Pty Ltd	51.0	ZAR0.0001	ZAR115.5
		"K" Line (Singapore) Pte Ltd	95.0	S$1.5	S$13.9
		K Line (Sweden) AB	100.0	SEK0.1	SEK15.9
		"K" Line (Taiwan) Ltd.	60.0	NT$60.0	NT$311.2
		K Line (Thailand) Ltd.	34.0	THB30.0	THB2,344.7
		"K" Line (Vietnam) Limited	75.0	US$3.5	VND111,970.7
		PT. K Line Indonesia	93.0	IDR463.6	IDR64,444.9
	★	K Line España Servicios Marítimos, S.A.	50.0	EUR0.06	EUR17.3
	★	'K' Line (India) Private Limited	50.0	INR60.0	INR960.0
	★	"K" Line Italia S.R.L.	50.0	EUR0.1	EUR11.5
Ship management		"K" Line Ship Management (Singapore) Pte.Ltd.	100.0	S$0.7	S$69.6
Terminal operator		International Transportation Service, Inc.	70.0	US$33.9	US$316.6
		Husky Terminal & Stevedoring, Inc.	70.0	US$0.1	US$70.5
Freight consolidation		Century Distribution Systems, Inc.	100.0	US$2.3	US$18.0
		Century Distribution Systems (Europe) B.V.	100.0	EUR0.02	EUR0.9
		Century Distribution Systems (Hong Kong) Limited	100.0	HK$0.08	HK$38.5
		Century Distribution Systems (Shenzhen) Limited	100.0	RMB5	RMB267.4
		Century Distribution Systems (International) Limited	100.0	HK$1.8	HK$95.4
		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$7.2
Logistics		"K" Line Logistics (Hong Kong) Ltd.	100.0	HK$8.0	HK$105.2
		"K" Line Logistics (UK) Ltd.	100.0	£0.2	£4.1
		"K" Line Logistics (U.S.A.) Inc.	100.0	US$0.5	US$61.7
		"K" Line Logistics (Singapore) Pte. Ltd.	100.0	S$1.2	S$20.2
		K Line Logistics (Thailand) Ltd.	86.5	THB20.0	THB856.2
		K Line Logistics South East Asia Ltd.	95.0	THB73.0	THB0.0
Land transportation		James Kemball Limited	100.0	£0.01	£20.9
		ULS Express, Inc.	100.0	US$0.05	US$7.0
		PMC Transportation Company, Inc.	100.0	US$0.0	US$0.9
Container repairing		Bridge Chassis Supply LLC.	100.0	US$7.5	US$46.4
	★	Multimodal Engineering Corporation	100.0	US$0.15	US$11.6
Holding company		Kawasaki (Australia) Pty. Ltd.	100.0	A$4.8	A$10.0
		"K" Line Holding (Europe) Limited	100.0	£84.9	£0.0
		"K" Line Heavy Lift (Germany) GmbH	100.0	EUR18.0	EUR0.0
		"K" Line Drilling/Offshore Holding, INC.	100.0	US$0.001	US$0.0
Other business		Connaught Freight Forwarders Limited	100.0	HK$0.01	HK$0.1
		Cygnus Insurance Company Limited	100.0	US$3	US$3.3
		"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	THB: Thai baht	HK$: Hong Kong dollars	KRW: Korean won	VND: Vietnamese dong
£: Pounds sterling	IDR: Indonesian rupiah	MYR: Malaysian ringgit	DKK: Danish krone	ZAR: South African rand
A$: Australian dollars	S$: Singapore dollars	US$: United States dollars	NOK: Norwegian krone	PEN: Peruvian nuevo sol
RMB: Chinese renminbi	EUR: Euro	NT$: New Taiwan dollars	SEK: Swedish krone	INR: Indian rupee

Outline of the Company / Stock Information

Outline of the Company (as of March 31, 2016)

Name	Kawasaki Kisen Kaisha, Ltd. ("K" LINE)
Established	April 5, 1919
Paid-in capital	¥75,457.64 million
President	Eizo Murakami
Employees	On-land Duty 541 At-sea Duty 175 Total 716
Business lines	Marine transportation, Land transportation, Air transportation, Through transportation involving marine, land and air transportation, Harbor transportation, etc.
Offices	
Head office	Iino Building, 1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8540, Japan Phone: (+81) 3-3595-5000 Fax: (+81) 3-3595-5001
Registered head office	Shinko Building, 8 Kaigandori, Chuo-ku, Kobe 650-0024, Japan Phone: (+81) 78-332-8020 Fax: (+81) 78-393-2676
Branches	**Nagoya:** Nagoya International Center Building, 47-1, Nagono 1-chome, Nakamura-ku, Nagoya 450-0001, Japan Phone: (+81) 52-589-4510 Fax: (+81) 52-589-4585 **Kansai:** Daidouseimei Kobe Building, 2-7, Sakaemachidori 1-chome, Chuo-ku, Kobe 650-0023, Japan Phone: (+81) 78-325-8727 Fax: (+81) 78-393-2676
Overseas representative offices	Manila, Yangon, Dubai
Overseas agents	Korea, China, Taiwan, Thailand, the Philippines, Singapore, Malaysia, Indonesia, Vietnam, India, Australia, United Arab Emirates, U.K., Germany, France, the Netherlands, Belgium, Italy, Finland, Denmark, Norway, Sweden, Spain, Portugal, Turkey, Canada, U.S.A., Mexico, Chile, Peru, Brazil, South Africa, etc.
Affiliated companies (to be consolidated)	27 (domestic), 314 (overseas)

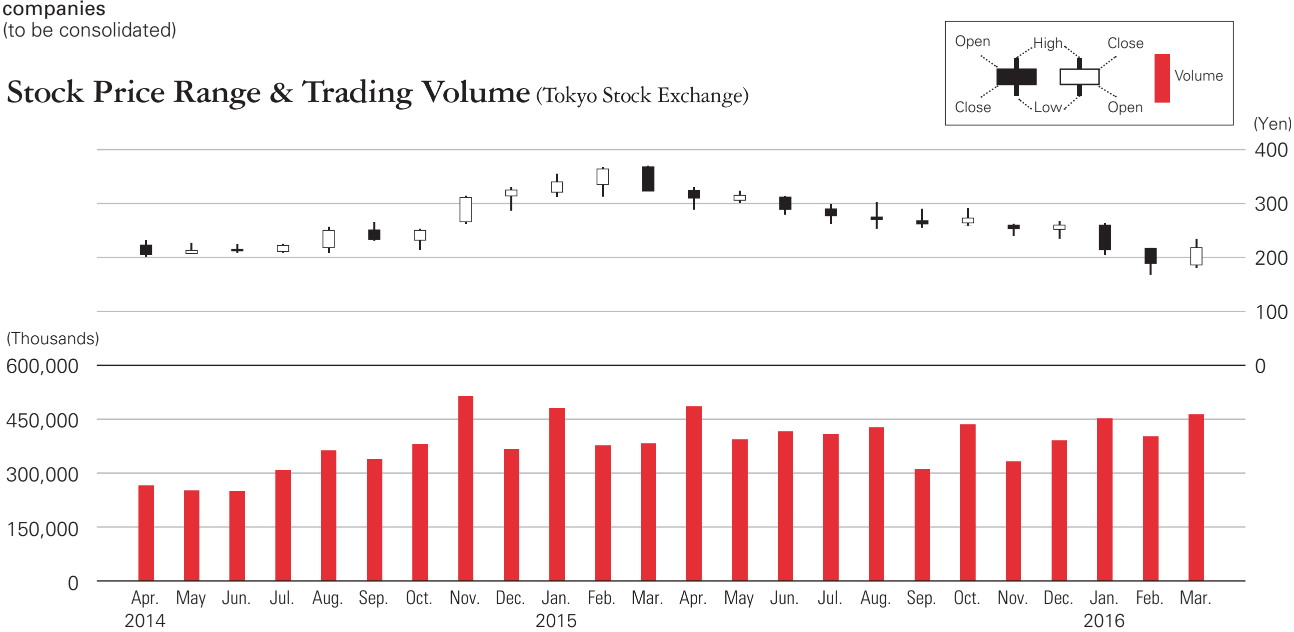
Stock Information (as of March 31, 2016)

Authorized	2,000,000,000 shares of common stock
Issued	939,382,298 shares of common stock
Number of shareholders	43,216
Shareholder registry administrator	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Listing of shares	Tokyo, Nagoya and Fukuoka

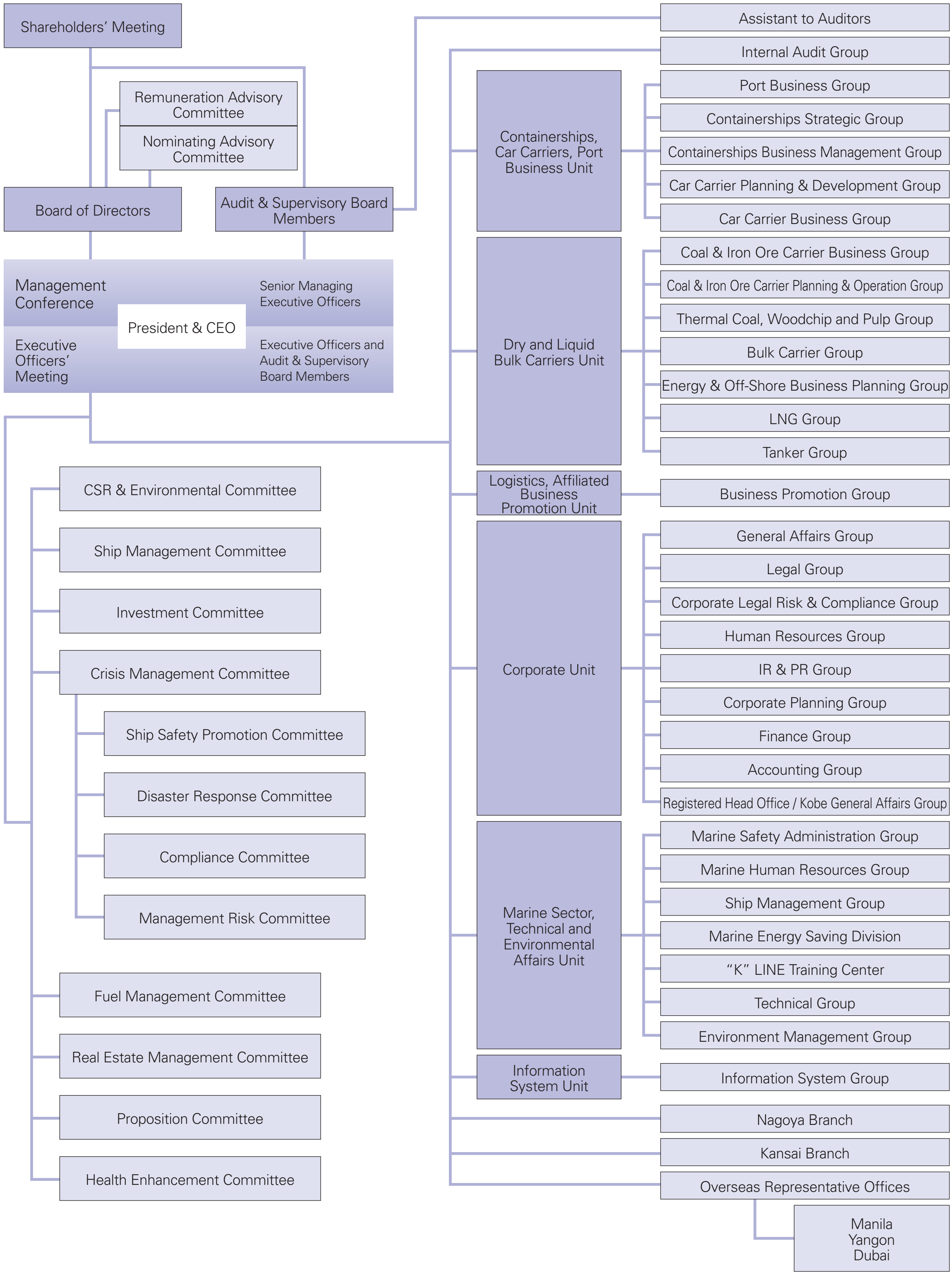
Principal Shareholders (as of March 31, 2016)

Shareholders	Number of shares held (thousands)	Percentage of shares held (%)
Goldman Sachs International	144,939	15.42
Royal Bank of Canada Trust Company (Cayman) Limited	93,824	9.98
The Master Trust Bank of Japan, Ltd. (trust account)	38,081	4.05
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
Japan Trustee Services Bank, Ltd. (trust account)	30,325	3.22
JFE Steel Corporation	28,174	2.99
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	22,894	2.43
CGML PB CLIENT ACCOUNT / COLLATERAL	20,049	2.13
Sompo Japan Nipponkoa Insurance Inc.	19,107	2.03
Mizuho Bank, Ltd.	18,688	1.98

Stock Price Range & Trading Volume (Tokyo Stock Exchange)



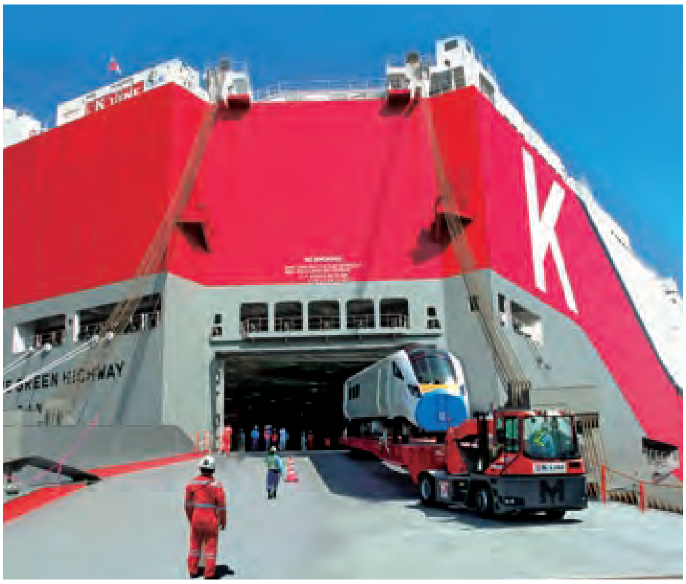
Organization (as of July 1, 2016)



"K" LINE
KAWASAKI KISEN KAISHA, LTD.

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

E-Book
"K" LINE REPORT 2016 is also available in e-book format.
https://www.kline.co.jp/en/ir/library/annual/index.html



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