"K" LINE
KAWASAKI KISEN KAISHA, LTD.

Steering a New Course

Annual Report 2010

for the year ended March 31, 2010

"K" Line is an integrated world-class shipping company, ranked in terms of revenues among the top-five listed shipping companies worldwide. We own and operate a fleet consisting of various types of ships adapted to society's marine transport needs. Just as the human circulatory system delivers its precious components 24 hours a day, "K" Line ships with their familiar "K" symbol are likewise

To Stable Value

steaming to destinations throughout the world everyday to deliver valuable cargo that enhances the quality of life and contributes to the well-being and prosperity of people no matter where they are.

Under the umbrella of the "K" Line Group, there is a total of 26 domestic and 293 overseas consolidated subsidiaries as of March 31, 2010 with approximately 7,000 employees working for and representing the "K" Line Brand at both worldwide onshore business sites and at sea.

Contents

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

“K” Line Spirit

So long as we possess the “K” Line Spirit, we will continue to advance

The history of “K” Line has by no means been smooth and uneventful. During the course of more than 90 years of business operation, the Company has weathered numerous upheavals in the business environment. The impetus for our resilience in the face of adversity is the “K” Line Spirit, a source of strength fostered since the founding of the Company, which we express using the terms, “independence,” “freedom and vigor,” and “progressive attitude.” The “K” Line Spirit is a long-running corporate tradition that each employee carries on to this day.

Throughout the years, we have consistently overcome emerging crises with new innovations because our employees have applied themselves with the “K” Line Spirit and in unison. We believe that no matter how adverse the situation we face, we can overcome every difficulty and achieve even greater success, so long as we possess “K” Line Spirit.

“K” Line Spirit

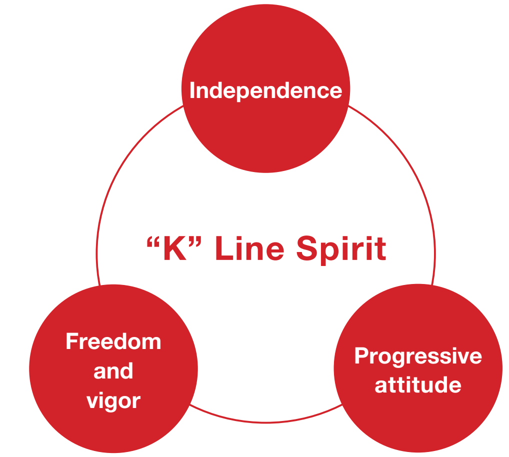
“K” Line Pioneering Initiatives

1970
Completion of Japan’s first PCC (Pure Car Carrier) *TOYOTA MARU NO. 10.*

1983
Completion of first Japanese flag LNG carrier *BISHU MARU*. Managed by “K” Line.

1986
The first Japanese shipping company to begin operation of an exclusive Double-stack Train (DST) in North America.

1994
Completion of the *CORONA ACE* a wide-beam, shallow-draft coal carrier capable of efficient cargo handling, which became the basic model for thermal coal transport carriers



The “K” Line Spirit is rooted in “K” Line’s unique corporate culture and ethos.
Thanks to this challenging spirit, we are building our business from one generation to the next in a free, vigorous and courageous manner.
The “K” Line Spirit is continuously handed down to each and every employee.

Corporate Principles

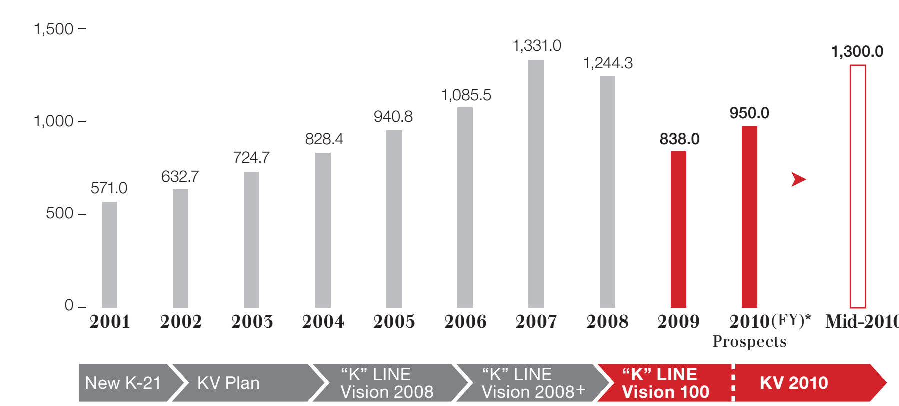
The basic principles of “K” Line Group as a shipping business organization centering on shipping lie in:
(a) Diligent efforts for safety in navigation and cargo operations as well as for environmental preservation;
(b) Sincere response to customer needs by making every possible effort; and
(c) Contributing to the world’s economic growth and stability through continual upgrading of service quality.

Vision

1. To be trusted and supported by customers as a globally developing group,
2. To build a business base that will be capable of responding to any and all changes in business circumstances, and to continually pursue and practice innovation for survival in the global market,
3. To create and provide a workplace where each and every employee can have hopes and aspirations for the future, and can express creativity and display a challenging spirit.

Operating Revenues

(Billions of yen)



Swiftly and flexibly coping with business environment changes to assure steady future expansion.

* Fiscal years are numbered by the year in which they begin on April 1.
(Figures announced on April 27, 2010)

“K” Line Presence

Plying the world’s seas—With a global, efficient fleet

Since the first “K” Line containership went into operation in 1968, the containership fleet has grown to nearly 90 vessels that safely and reliably deliver cargo to customers around the world. The pure car carrier that “K” Line developed in 1970 created a new business model and is contributing to expansion of automobile transport with the world’s premier damage prevention system. In the resource transportation sector, which is rapidly expanding due to economic growth in newly-industrializing countries, we operate a variety of ship types in all sizes to meet customer needs. Ships with the “K” Line funnel symbol ply the world’s seas, from oil tanker fleets and LNG tanker fleets, which have achieved a record of accident-free, safe delivery of energy resources spanning many years, to the world’s largest heavy lifters and offshore support vessels, which satisfy new forms of transportation demand.

Presence

Operating Revenues

Logistics/Harbor Transportation Service 10.5%

Other 2.4%

838 billion yen

Marine Transportation Service 87.1%

Lines of Business

Marine Transportation Service

Containership Services P26

We are operating East/West trunk lines linking Asia/North America, Asia/Europe and Europe/North America through an alliance with prominent shipping companies in China, Taiwan and South Korea. In addition, our global operations include both Intra-Asia and North/South service networks.

Dry Bulk Carrier Services P28

We transport raw materials such as coal, iron ore, grain and paper products using a world-class fleet of dry bulk carriers that now serves in expanding trade lanes worldwide.

Car Carrier Services P30

Since 1970, when “K” Line deployed *TOYOTA MARU NO.10* as Japan’s 1st PCC (Pure Car Carrier), we have been recognized as a pioneer engaged in safe and prompt transportation of completed built-up cars.

Energy Transportation and Tanker Services P32

Our services consist of liquefied gas transportation by both LNG and LPG carriers as well as transport of crude oil/oil products by tankers. We have entered the offshore support business, a business related to offshore oil field and gas field development.

Heavy Lifter Services P34

We are operating heavy lifter business jointly with the SAL Group, a dedicated heavy lifter player in which we made an equity investment. Since demand for large-scale cargo transport related to energy and infrastructure development is steady, we expect this business to be one of our major business sectors.

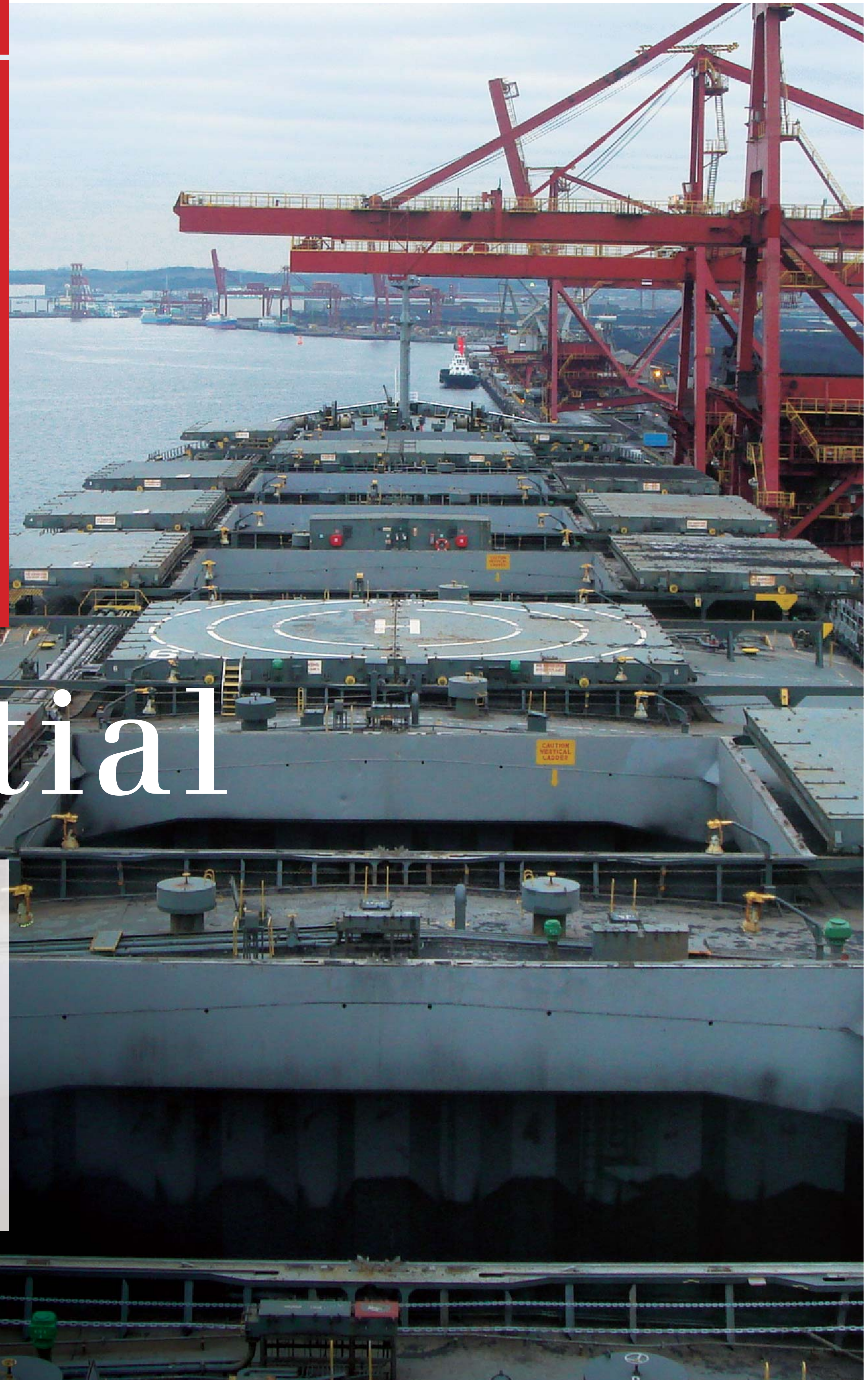
Short Sea and Coastal Services P35

Kawasaki Kinkai Kisen Kaisha, Ltd. and other Group companies provide transport services for coal, steel products and other general cargo shipped to and from destinations in Asia also domestic marine transport services using dedicated carriers for limestone used in iron, steel and cement production, RORO vessels for transporting paper, as well as operating ferry services for both passengers and cargo.

Logistics/Harbor Transportation Service

Total Logistics Services P36

We provide total logistics services—including ocean and air cargo freight, buyer’s consolidation services, warehousing and truck transportation—by consolidating the know-how and broad experience of all members of the “K” Line Group.



"K" Line Potential

Meeting the challenges posed by change— The creation of new and valuable services

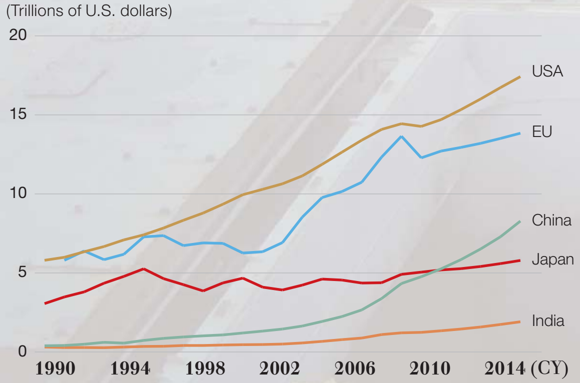
The strikingly rapid growth of the newly-industrializing countries has created new markets and brought greater complexity and diversity to patterns of trade. The "K" Line Group will take maximum advantage of its global personnel and service networks to promptly detect market changes, satisfy customer wants and needs and create new and valuable services. We will seize business opportunities in China, India and the Atlantic Ocean and actively develop new routes to/from these areas. The "K" Line Group has approximately 500 ships in operation and plans to expand the fleet to approximately 600 ships by the mid-2010s.

Potential

GDP of Key Countries and Regions

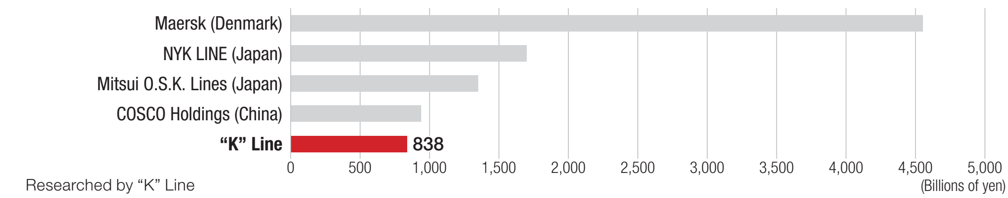
Source: In-house, based on IMF materials

(Trillions of U.S. dollars)



Position in the Worldwide Markets

Sales among the Top-five Listed Marine Transport Companies (2009)

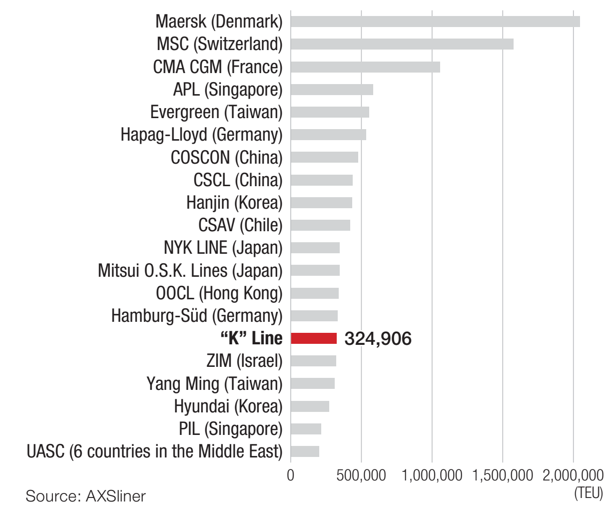


Researched by "K" Line

Containerships

Container Carriers Ranked by Operating Capacity

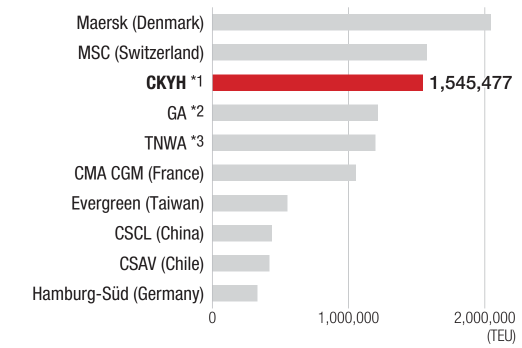
(As of April 2010)



Source: AXSliner

Comparison of Operating Capacity by Alliance

(As of April 2010)

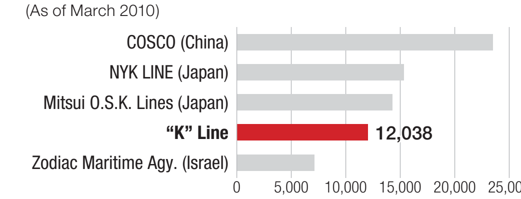


*1 CKYH: COSCON, "K" Line, Yang Ming, Hanjin
*2 GA: Grand Alliance
Hapag-Lloyd, NYK LINE, OOCL
*3 TNWA: The New World Alliance
APL, Hyundai, Mitsui O.S.K. Lines

Dry Bulk and Car Carriers

Top-five Carriers Ranked by Owned Tonnage of Dry Bulkers

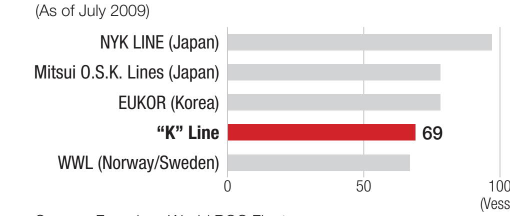
(As of March 2010)



Source: Clarkson Bulkcarrier Register

Top-five Carriers Ranked by Number of Operating Car Carriers (The number of vessels of over 3,000 units)

(As of July 2009)

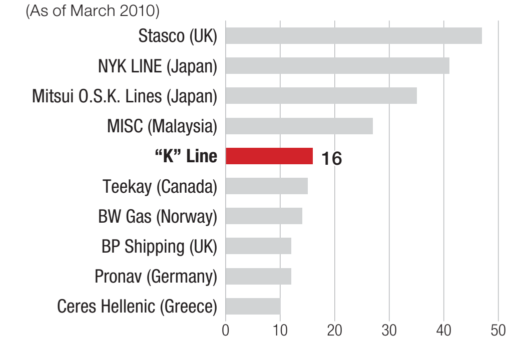


Source: Fearnleys World PCC Fleet

Energy Transportation Carriers and Tankers

Number of Managed LNG Carriers (by shipping company)

(As of March 2010)



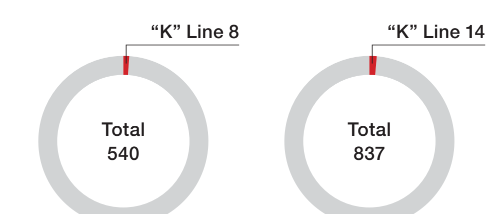
Researched by "K" Line

Number of VLCC*1s in Operation

(As of January 2010)

Number of Mid-sized Tankers (AFRAMAX*2) in Operation

(As of January 2010)



Source: Clarkson Tanker Register
*1 VLCC: Very Large Crude Carrier; 200,000–300,000 DWT tankers
*2 AFRAMAX means tankers ranging from 80,000 to 120,000 DWT

“K” Line Commitment

Safety, the environment and people—The determination to achieve coexistence and sustainable growth

To preserve and protect the cleanliness of the oceans and skies that is so essential to mankind and all life on earth, the “K” Line Group makes every effort to reduce CO_2 emissions and prevent accidents. To ensure that customers can take delivery of their cargo with peace of mind, the Group strives to increase operational safety through measures related to ships and other equipment as well as personnel training and development. As they go about the business of carrying our customers’ cargo, crew members from the Philippines, India, Bulgaria and other countries who have been trained and educated at the “K” Line Maritime Academy (KLMA), the Group’s training center for crew members, observe the “K” Line Standard, which supports the safe operation of “K” Line ships.

Commitment

Development of Marine Technical Personnel who Support Safe Operation

KLMA Structure

Plan — KLMA (Hqs)
- “K” Line Head Office, ship management company formulates KLMA Policy
- Draws up Basic Training Matrix
- Plans new necessary measures and processes budgets

Do — “K” Line Maritime Academy
- KLMA (Japan)
- KLMA (Philippines)
- KLMA (India)
- KLMA (East Europe)
- KLMA (North Europe)

See — In-house Ship Management Companies
- Formulates requirements for training and education programs that they demand
- Formulates training matrixes
- Assessing results of education according to seafarer evaluation sheets

Review — KLMA Meeting
- “K” Line Marine Dept., Sales Division, Ship management company (Convened every 3 months)

Activities to Promote Environmental Protection and Safe Ship Operation/Administration Structure

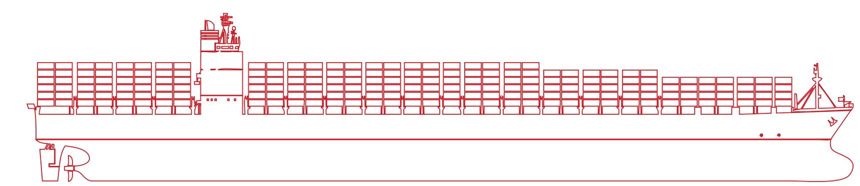
Fully understanding how limited natural resources are, and being aware of the impact of our business operations on both the global and marine environment, we are making every effort to contribute to a better natural environment.

Environmental Protection

Clean seas
- Appropriate management of ballast water
- Use of environmentally friendly paints
- Operating double-hulled tankers only
- Protecting fuel tanks

Preventing global warming
- Optimizing navigation speeds
- Use of energy-conservation systems
- Effective use of waste heat
- Use of renewable energy
- Expanding installation of electronically controlled engines

Clean air
- Expanding use of cleaner fuels
- Expanding use of exhaust processing equipment
- Use of shore electricity
- Adoption of hybrid cargo-handling equipment



Enhancing safety management systems

Maintaining safe operation throughout the entire fleet, including chartered vessels

Enhancing the ship management structure

Global development of Group ship management companies and improving their competitive abilities, and securing repair dockyards

Hiring and training marine technical personnel

Hiring on a global scale and personnel development through education and training at KLMA, on the job training in line with the chosen career path and alternate shore and sea work assignments

Safe operation

We have developed the KL Safety Standard, a safe operation management system, and strive to promote safe operation and improve ship quality for all our ships.

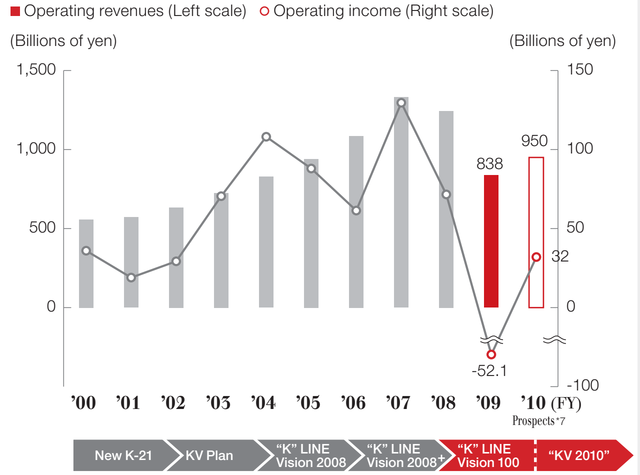
Financial Highlights

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

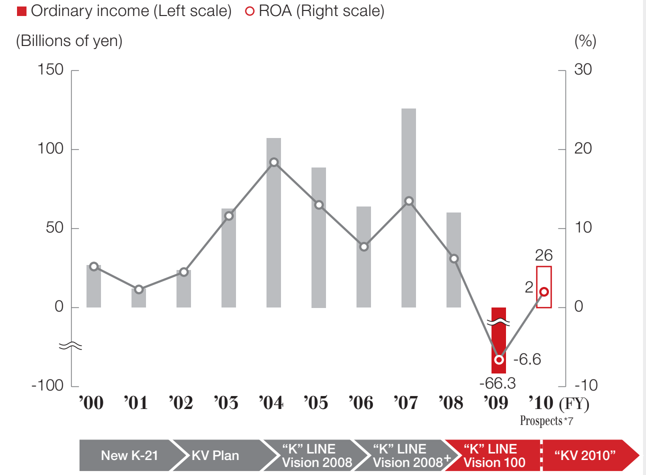
	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009 Results	FY2009	FY2010 Prospects*7
	New K-21		KV Plan			"K" LINE Vision 2008		"K" LINE Vision 2008+		"K" LINE Vision 100		"KV 2010"
										(Millions of yen)	(Thousands of U.S. dollars)*4	(Millions of yen)
Operating revenues	¥557,869	¥571,014	¥632,725	¥724,667	¥828,444	¥940,819	¥1,085,539	¥1,331,048	¥1,244,317	¥838,033	$9,007,233	¥950,000
Operating income	36,009	19,049	29,282	70,534	108,054	87,976	61,357	129,649	71,604	(52,075)	(559,706)	32,000
Ordinary income*2	26,804	11,968	23,672	62,564	107,235	88,573	63,928	125,868	60,011	(66,272)	(712,296)	26,000
Net income	1,948	4,768	10,373	33,196	59,853	62,424	51,514	83,012	32,421	(68,721)	(738,618)	18,000
Net assets*3	68,647	77,716	82,040	121,006	181,276	257,810	357,625	376,277	356,153	331,865	3,566,907	326,000*8
ROE (%)*5	2.7	6.5	13.0	32.7	39.6	28.4	17.1	23.7	9.4	(21.4)		
ROA (%)*6	5.2	2.3	4.5	11.6	18.4	13.0	7.7	13.5	6.2	(6.6)		2
DER (Times)	4.83	4.32	3.74	2.33	1.32	1.08	0.95	0.93	1.31	1.67		1.62
Total assets	513,797	533,295	515,825	559,135	605,331	757,040	900,439	968,630	971,603	1,043,885	11,219,744	
Per share of common stock (yen)											(U.S. dollars)	
Net income	3.28	8.03	17.24	55.71	100.70	104.89	86.67	131.36	50.89	(106.24)	(1.14)	23.57
Net assets	115.61	130.88	138.29	204.37	306.06	435.19	556.55	558.46	525.43	403.53	4.34	
Cash dividends applicable to the year	5.00	3.00	5.00	10.00	16.50	18.00	18.00	26.00	13.50	—	—	5.50
Employees												
Marine transportation	1,180	1,133	991	1,000	885	898	961	1,041	1,064	1,101		
Logistics/Harbor transportation	3,911	4,066	4,166	4,212	4,412	4,986	5,190	5,522	5,460	5,294		
Other	716	859	856	876	929	943	890	1,052	1,182	1,345		
Total	5,807	6,058	6,013	6,088	6,226	6,827	7,041	7,615	7,706	7,740		

Notes: 1. Unless otherwise stated, above figures are all in millions of yen.
*2. Ordinary income is income before income taxes and extraordinary items.
*3. Until fiscal 2005, amounts posted under 'shareholders' equity' (calculated using the previous accounting standards) are employed for 'net assets.'
*4. The U.S. dollar amounts are converted from the yen amounts at ¥93.04 = U.S. $1, the exchange rate prevailing on March 31, 2010.
*5. Return on Equity: Net income/Shareholders' equity
*6. Return on Assets: Ordinary income/Total assets
*7. Figures announced on April 27, 2010
*8. The prospected amount of shareholders' equity

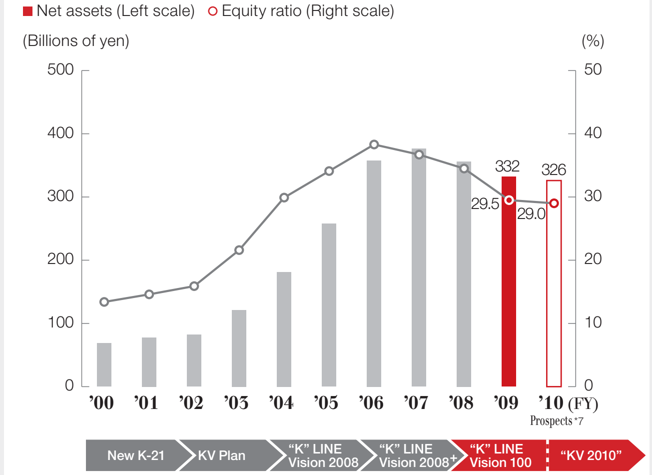
Operating Revenues / Operating Income



Ordinary Income / ROA

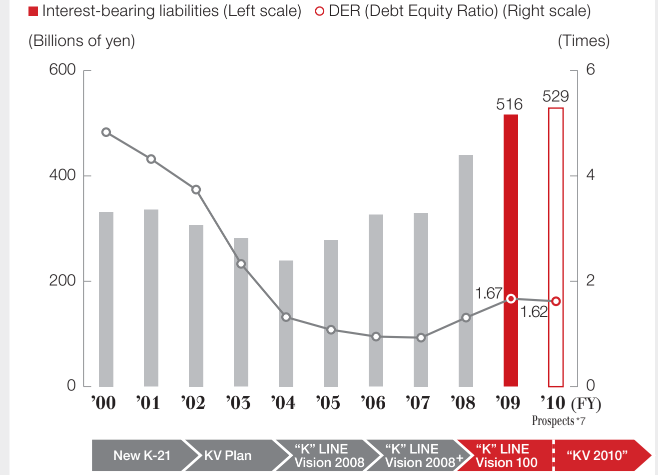


Net Assets / Equity Ratio



Equity ratio: Shareholders' equity / Total assets
Shareholders' equity: Net assets – (Minority interests + Share warrant)

Interest-bearing Liabilities / DER (Debt Equity Ratio)



DER: Interest-bearing liabilities / Shareholders' equity

In a time of global economic upheaval, “K” Line has set forth a new vision for growth in the approach to 2019, the 100th anniversary of its founding. The “K” Line Spirit has been well and truly tempered by numerous economic storms over the years. We will now apply it in a transformation aimed at achieving, together with the global community, “Synergy for All and Sustainable Growth.”

Chairman
Executive Officer
Hiroyuki Maekawa

President and CEO
Kenichi Kuroya

On the whole, fiscal 2009 was a year of sluggish business activity in the global economy. The consequences of the abrupt worldwide recession that was triggered by the collapse of Lehman Brothers lingered during the first half of the term, but the economic stimulus measures implemented in various countries began to improve business conditions during the second half.

During the year under review, the marine transport industry faced an adverse business environment marked by sluggish cargo movement, yen appreciation and the return of higher fuel oil prices. Operating conditions were particularly unfavorable for the containership business, as transport demand plummeted and freight rates declined steeply. In the car carrier business as well, shipments of completed cars fell off sharply. Although cargo movement bottomed out in the first quarter and recovered from the second quarter onward, the pace of recovery was slow. In response to the sharp decline in shipping demand, we reduced the size of the containership and car carrier fleets through the dismantling, redelivery, and laying up of vessels. Furthermore, to improve earnings in fiscal 2010 and beyond in the containership business we pushed back the completion schedules for new vessels on order, arranged to change some to different types and cancelled contracts for chartered vessels.

Since we incurred substantial losses in fiscal 2009, due in part to additional costs associated with the above structural adjustment measures, we regretfully decided to forgo dividend payments. We apologize for causing concern to our shareholders, customers, business partners and other stakeholders who support the Company.

In April 2010, we commenced operation under a new management team. By tapping the power of the “K” Line Spirit, the heart of our corporate character, we will establish a business base capable of adapting to every conceivable change in the business environment, transform ourselves to be well-positioned in the global market, and strive to further increase corporate value. Above all, we are applying the collective strength of the Group to accomplish as quickly as possible a return to profit in fiscal 2010 and early resumption of dividend payments, one of the missions set forth in “K” LINE Vision 100 medium-term management plan.

We would like to request the continued support and understanding of our stakeholders.

Chairman Executive Officer
Hiroyuki Maekawa

President and CEO
Kenichi Kuroya

An Interview with the President

Steering a New Course

"K" Line will rapidly achieve structural reform, undertake business portfolio transformation in response to a paradigm shift in the world economy, and nurture strategically important new businesses from a long-term perspective. At the same time, the Group will achieve the goals in the medium-term management plan by developing personnel who bring a global perspective to the business and vigorously implementing safety and environmental initiatives.

President and CEO
Kenichi Kuroya

Question 1 You became President at a time of tremendous upheaval in the business environment. Please describe your aspirations as President and provide a review of fiscal 2009.

Answer **I aim to increase the speed of decision-making and devote every effort to ensuring an early return to profitability and resumption of dividends.**

Before I became President in April 2010, I served as President of "K" Line PTE Ltd., our subsidiary in Singapore, for six and a half years, beginning in 2003. In that capacity, I applied a management style of swift decisions and prompt action to build from scratch a full-service shipping company, albeit a small one, with dry bulk, tanker, containership and car carrier services. I intend to increase the speed of decision-making and devote every effort to ensuring an early return to sustained profitability and resumption of dividends by taking advantage of insights I gained while long observing Kawasaki Kisen from an overseas vantage point, and by demonstrating leadership from a position at the forefront of management.

Looking back on fiscal 2009, the global recession triggered by the collapse of Lehman Brothers in the autumn of 2008 ranks among the worst in history for its impact and severity. In the marine transport industry, the precipitous decline in the volume of seaborne cargo movement, the sharp decline in freight rates and other impacts from the recession exceeded our expectations.

Business Structural Reform Committee Measures

Earnings Improvement
- Reform of containership cost structure
- Reducing fixed costs through disposal of surplus ships and non-core business assets

Business Restructuring
- Tough business portfolio reform for resistance against times of business environment downturns
- Emphasis on balance between owned and long and short to medium-term chartered ships in fleet upgrades
- Revision of scheduling and investment policies to improve financial base
- Development of business growth areas

Organizational Reformation
- Reorganization and rationalization to create an organization compatible with structural reform
- Promotion of efficiency in Group company business

To address these problems, we set up the Earnings Improvement Subcommittee, the Business Restructuring Subcommittee, and the Organizational Reform Subcommittee under the Business Structural Reform Committee established in August 2009 and engaged in drastic, multifaceted reforms, including the steady implementation of cost-cutting and profit improvement measures, reconsideration of the business portfolio and a review of the business organization and Group management. In addition, in January 2010, we launched "K" LINE Vision 100 KV 2010 as the reformed medium-term management plan.

The business results for fiscal 2009 were disappointing. Consolidated operating revenues were ¥838.0 billion (a decrease of 32.7% from the previous year), ordinary loss was ¥66.3 billion (ordinary income of ¥60.0 billion the previous year) and net loss was ¥68.7 billion (net income of ¥32.4 billion the previous year). However, at the start of fiscal 2010, we rapidly and boldly implemented radical restructuring to cope with these rapid changes in the business environment, and I believe that we have set a course toward an early return to profitability.

To resolutely undertake further recovery in business performance, I intend to tap the power of the "K" Line Spirit and steer the Group toward a reinforced earnings structure and new sustainable growth based on accurately gauging changes in the times and providing services that anticipate customer needs.

Question 2 Please provide an overview of "K" LINE Vision 100 KV 2010.

Answer **In addition to the five basic priorities in the original medium-term management plan, "K" Line has set forth three new missions to address the drastically altered business environment and deterioration in the supply-demand balance, and to correct the disjunction between the original earnings target, business results and the future outlook.**

In addition to the five basic priorities in the original medium-term management plan— namely, "Activities to promote environmental protection," "Stable and safe ship operation administration structure," "Borderless management through the best and strongest organization," "Strategic investment and proper allocation of management resources," and "Improvement of corporate value and complete risk management"—we have set forth three new missions: "Move into the black in fiscal 2010 and early resumption of dividends," "Expansion of stable earnings base and sustainable growth" and "Improvement and strengthening of financial makeup."

With regard to the number of operating vessels, although in the original plan we forecast a fleet of approximately 680 ships at the end of fiscal 2012, we now forecast a reduction to approximately 540 ships. We conducted this review in response to changes in the business environment with the aim of building an optimal business portfolio with a competitive, highly flexible fleet.

The entire "K" Line Group will continue to work in unison to accomplish the goals set forth in "K" LINE Vision 100 KV 2010 and achieve sustainable growth in accordance with the main theme of the medium-term management plan: Synergy for All and Sustainable Growth.

Three New Missions
- Move into the black in fiscal 2010 and early resumption of dividends
- Expansion of stable earnings base and sustainable growth
- Improvement and strengthening of financial makeup

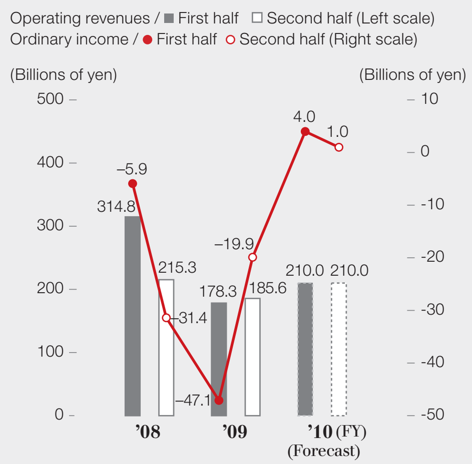
Question 3

What are your thoughts on earnings improvement in the containership business, an especially critical task?

Answer

We expect to return to profitability in the first quarter of fiscal 2010 and beyond, based on successful reinforcement of competitiveness and freight rate recovery.

Operating Revenues of Containership Business/Ordinary Income of Containership Business



In the containership business, to ensure earnings improvement in fiscal 2010 and beyond, in the year under review we implemented restructuring consisting of the sale or dismantling of excess ships, the return of chartered vessels, the pushing out of completion schedules for new vessels, alteration of vessel types on order and the cancellation of contracts for chartered vessels. By urgently and boldly adjusting the size of our fleet, we were able to attain, in a short time, a fleet size nearly aligned with anticipated future shipping demand.

Also, our cost competitiveness has been greatly reinforced by means of active cost cutting, including the optimization of ship allocation through streamlining services in cooperation with our alliance partners and reduction of operating costs through eco-friendly slow steaming. In April 2010, we began joint operation with another Japanese shipping line and are moving ahead with economic efficiency improvements from an unprecedentedly broad perspective.

At the same time, with regard to market conditions for freight rates, an industry-wide decrease in the number of vessels in operation and a recovery in cargo movement have contributed to supply-demand equilibrium, and current market conditions have been restored to near the pre-financial crisis level. We anticipate a return to profitability in the first quarter of fiscal 2010 and beyond as a result of the above actions.

We estimate that two to three years will be required for the elimination of surplus tonnage, and I intend to freeze new investment until this process has been completed.

Question 4

Next, please describe the outlook and business prospects for fiscal 2010 for other than the containership business.

Answer

"K" Line will seek to further expand business opportunities by providing high-quality services that meet customer needs.

In fiscal 2010, we expect generally solid market conditions within the marine transport industry. Although there are differences according to ship type, the tonnage supply and demand situation is firming up, now that the economies of Europe and North America have weathered the worst of the recession, and as a result of brisk shipping demand from newly-industrialized countries, notably China and India.

In the dry bulk carrier business, demand from newly-industrialized countries for resource transport remains robust. With regard to the so-called 2010 problem of an excess supply of newly-built carriers, I believe that a decrease in the actual number of ships completed, coupled with an increase in global transport demand and longer transportation distances, will alleviate the sense of excess tonnage. The Company will engage in business activities through a global, flexible organization aiming at opening up new demand in emerging countries, with an emphasis on China and India. In iron ore transport, we will seek stable profit growth by obtaining additional long-term contracts. In thermal coal transport, we will work to attract overseas customers by publicizing the superiority of the Corona series of wide-beam, shallow-draft ships, vessels developed by "K" Line that have a proven record of success in Japan. Also, to cope with expansion in grain transport demand and steel product exports, we will focus on adding small and medium-sized vessels to our fleet and put in place a structure that will enable us to satisfy demand.


Thermal coal carrier

In the car carrier business, slumping automobile sales in the U.S. have bottomed out, and we forecast an increase of more than 20% in the Group's traffic volume. The Company has prepared a diverse fleet of carriers with capacity ranging from 2,000 to 6,000 vehicles and will undertake to more flexibly respond to customer needs by means that include the effective utilization of a dedicated transit terminal established in Singapore. We will also expand and enhance new services through efficient ship allocation.

In the energy resources transportation business, we forecast a gradual recovery in market conditions overall. Although we anticipate only a modest recovery in petroleum demand in the developed countries of Europe and North America, we forecast continued robust demand in developing countries.


Conceptual drawing of newbuilding heavy lifter vessel

In the heavy lifter business, although the impact of the global recession came late and revenues are expected to bottom out in fiscal 2010, we have already received numerous inquiries for shipment in fiscal 2011 and beyond as a result of the resumption of new large-scale projects. Accordingly, we anticipate a recovery in revenues and profits. Also, two of the world's largest heavy-lift ships, with lifting capacity of 2,000 tons, will finish construction in the second half of this fiscal year. We anticipate that these ships will demonstrate superiority in the transport of wind power generation equipment, petrochemical plant equipment and other heavy facilities and contribute to revenues and profits.

As a result of these initiatives, in fiscal 2010 we forecast consolidated operating revenues of ¥950.0 billion and ordinary income of ¥26.0 billion. We aim to achieve dramatic growth in the coming years by pursuing a business portfolio that will meet the needs of the times and rapidly responding to changes in the market environment.

Question 5

Many think that improvement in the financial makeup is necessary for sustainable growth. What are your thoughts with regard to capital policy?

Answer

The Company will continue with strategic investment while placing importance on financial soundness.

In March 2010, we implemented a capital increase of ¥38.3 billion. The procured capital is essential for the expansion of a stable earnings base and

sustainable growth, which we aim to achieve through business portfolio restructuring. Even as we curb investment in the containership business, where improvement in the balance between supply and demand will take more time, we will focus investment on the dry bulk business and car carrier business. Furthermore, we will strategically allocate resources to the energy resource development-related business, heavy lifter business and logistics business, which we have positioned as growth sectors.

At the same time, we believe that this financing initiative will make it possible to establish a solid financial basis that can cope with near-term changes in the business environment. Our equity ratio at the end of fiscal 2009 was 30%. In the medium-term management plan we have set targets of ¥450 billion in equity and an equity ratio of 40% in the mid-2010s, and it is necessary to plan a route for achieving these targets. Simply stated, it will come down to how we increase operating cash flow and control investment cash flow. Our policy for the future is, as a general rule, to keep investment in line with operating cash flow obtained from net profit. With regard to investment in fiscal 2013 and beyond, at the present time, few investments have been finalized. We will consider investments as we see how business performance develops. Through this investment strategy predicated on the soundness of our financial position, we seek stabilization of income and sustainable growth in the medium to long term.

Question 6

Please describe the initiatives for environmental preservation and safety in navigation and cargo operation.

Answer

Environmental preservation and safety in navigation and cargo operation are "K" Line's most important priorities.

With regard to environmental preservation, we engage in every possible measure to reduce the environmental impact of our operations, including emissions of CO_2, nitrogen oxides and sulfur oxides by ships, disposal of ballast water, which is thought to affect ecosystems, and disposal of waste products from vessels. We aim to reduce CO_2, nitrogen oxide and sulfur oxide emissions per transport ton-mile in the mid-2010s by 10% from the fiscal 2006 level. Specific examples of environmental preservation initiatives are voluntary slow steaming operation in Ise and Mikawa bay area in Japan and the Port of Long Beach in the U.S., and the switching off of diesel generators during the time ships are docked. We take a number of measures to reduce CO_2 emissions, the subject of intense public concern as a cause of global warming. These include the installation of energy-saving equipment, the use of energy-saving ships and fuel consumption reduction through the use of ship bottom paint that reduces water resistance. To prevent leakage of cargo oil, "K" Line operates only double-hull tankers, and to prevent leakage of fuel oil, we are moving forward with adoption of double-bottomed fuel tanks.

With regard to safety in navigation and cargo operation, we are reinforcing the meticulous ship management system employed by the Group's ship management companies. We ensure more efficient, high-quality ship management by utilizing a consistent management system that encompasses the entire lifetime of vessels from the time of the newbuilding plan. "K" Line periodically conducts quality audits of all ships in operation. We assign veteran employees who are former ship captains or chief engineers to serve as ship inspection superintendents in Japan and abroad. The superintendents ensure that each vessel satisfies the company standards set forth in KL Ship Standard Quality, an inspection manual developed in-house, and provide quality improvement guidance as necessary.

With regard to the development of marine technical personnel, we strive to improve the quality of crew members throughout the "K" Line Group. We have established the "K" Line Maritime Academy, a training center for crew members, at five locations: Japan (Tokyo), the Philippines (Manila), India (Mumbai), Eastern Europe and Northern Europe.

We have also upgraded the Ship Performance Analyzing System (SPAS), an electronic abstract log* system in operation since 2001, putting in place an enhanced framework that more effectively supports ship operation. This system upgrade visualizes CO_2 emissions per container and per ship and has reinforced efforts to reduce fuel consumption and CO_2 emissions. Furthermore, the system contributes to continued safe operation with a function that automatically issues a warning when it detects abnormal operating conditions.

*Abstract log: A daily navigation summary report to company headquarters.

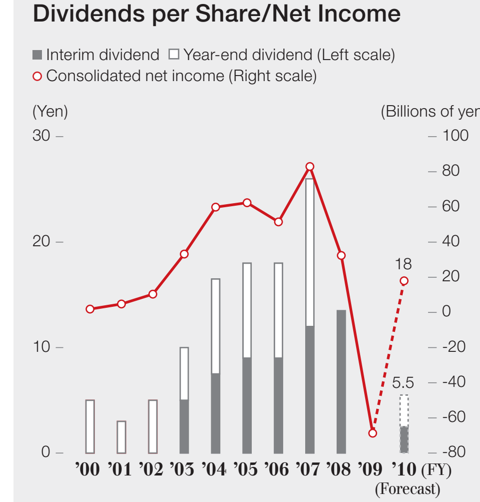
Question 7

What can the shareholders expect with regard to the Company's dividend policy?

Answer

"K" Line aims to restore dividend payments in fiscal 2010 and maximize shareholder returns.

Dividends per Share/Net Income



It is an important management priority to maximize shareholder returns while taking into consideration both the need to secure the internal reserves necessary for capital investment for sustainable growth, a key priority in the management plan, and the maintenance of a sound financial position. Our policy is to gradually increase the dividend payout ratio to achieve a ratio of 30% on consolidated net income by the mid-2010s. We have set a payout ratio of 25% in fiscal 2011 as an interim target.

With regard to the dividend for fiscal 2009, we regretfully decided to forgo dividend payments owing to the consolidated and non-consolidated net losses that resulted from the sharp deterioration in business performance. For fiscal 2010, we plan to pay an annual dividend of ¥5.5 per share, including an interim dividend of ¥2.5 per share.

While the business environment is improving, for the time being we will make the maintenance of a sound financial position our most important management priority. At the same time, we will continue to implement all-out rationalization and cost reductions and do our utmost to increase profit distributions.

The management and employees of the "K" Line Group will continue to steadfastly work in unison and with the support of our shareholders to achieve our business goals.

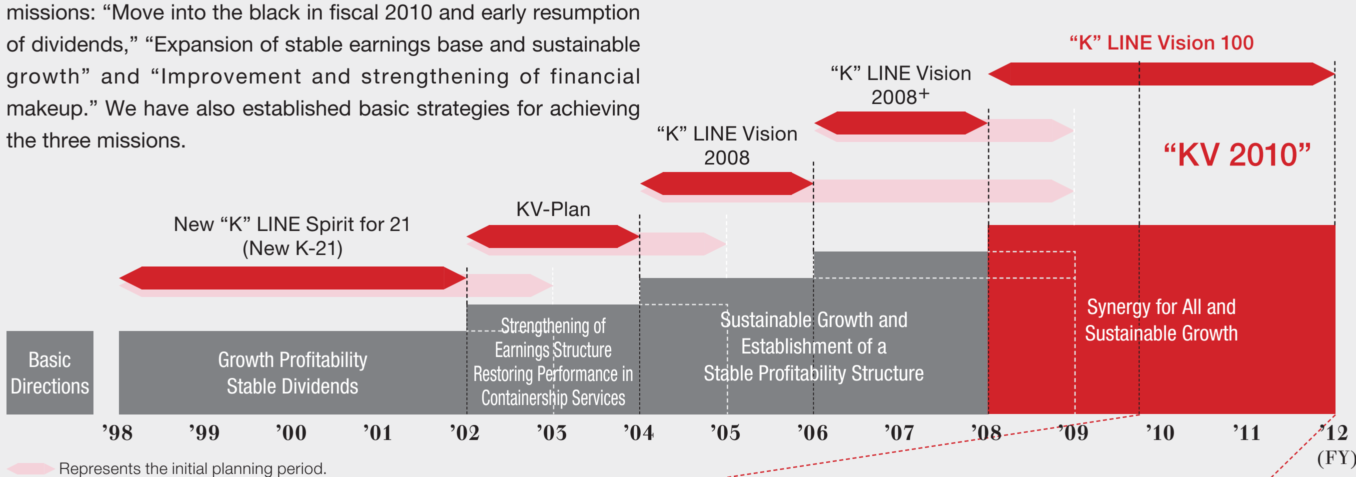
“K” LINE Vision 100

“KV 2010”

Background to the Review of “K” LINE Vision 100

In preparation for the 100th anniversary of its founding in 2019, in April 2008 “K” Line established “K” LINE Vision 100 medium-term management plan, which set forth a vision for the Company in the mid-2010s based on the central theme “Synergy for All and Sustainable Growth.” However, the financial crisis that began in the autumn of 2008 resulted in a sharp decrease in demand for marine transport, causing upheaval in the business environment in the form of worsening of the supply-demand balance for shipping tonnage and attendant deterioration in market conditions for freight rates. These events led to a widening disjunction between actual business results and the plan’s basic assumptions for revenues, expenditures and the future business outlook. Accordingly, we reviewed the medium-term management plan and, in January 2010, issued the revised “K” LINE Vision 100 KV 2010.

In addition to the five basic priorities in the original medium-term management plan, in the revised plan we have set forth three new missions: “Move into the black in fiscal 2010 and early resumption of dividends,” “Expansion of stable earnings base and sustainable growth” and “Improvement and strengthening of financial makeup.” We have also established basic strategies for achieving the three missions.



MISSION

“K” LINE Vision 100 KV 2010

- Move into the black in fiscal 2010 and early resumption of dividends
- Expansion of stable earnings base and sustainable growth
- Improvement and strengthening of financial makeup

+

“K” LINE Vision 100

- Borderless management through the best and strongest organization
- Proper allocation of strategic investment and management resources
- Improvement of corporate value and complete risk management
- Activities to promote environmental protection
- Established safe ship operation and management structure

Basic Strategies for Achieving the Missions

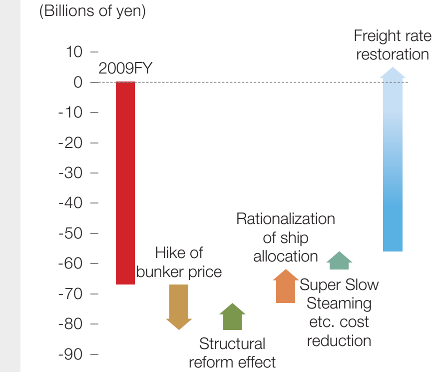
1 Structural Reinforcement of the Containership Business

Although demand for containership transport began recovering in 2010, we expect that it will require from two to four years to attain equilibrium in shipping tonnage supply and demand because of the impact of an excess supply of newly-built ships. “K” Line has decided to implement structural reforms to reduce its fleet to a size aligned with demand, including the alteration of types of newly-built vessels, early cancellation of contracts for existing vessels and impairment of fixed assets. New investment in containerships will be frozen until true supply-demand equilibrium is reached. At the same time, we will engage in rigorous cost cutting by means of route rationalization implemented through alliances and eco-friendly slow steaming to accelerate earnings improvements in this business.

We will aim for substantial earnings improvement by actively pursuing business development on Asian and north-south routes and by demonstrating unflagging resolve in implementing necessary freight rate adjustments.

Measures for Balancing Container Income and Expenditure

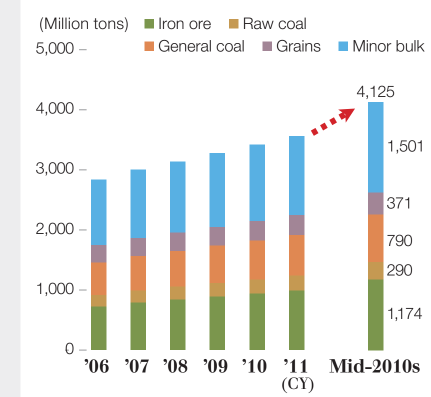
(Billions of yen)



2 Business Portfolio Restructuring

In the dry bulk business, an increase in ton-miles is expected to result from greater demand for resource transportation due to sustained economic growth in China, India and other emerging countries coupled with their greater distance from resource and grain sources. To expand this business, we will seek stable profit growth through long-term contracts and reinforce the global customer base. Demand is recovering in the car carrier business, and we will expand income sources by responding to rapid changes in the global automobile market and meeting transportation demand in emerging countries. As described below, we will reinforce our offshore-related and logistics businesses, which offer extremely favorable prospects for market growth into the future, as part of a program of strategic investment in growth areas. Through these measures, we will restructure the business portfolio by reviewing investment allocation while reducing the relative contribution from the containership business.

Worldwide Maritime Shipping Forecast



Source: Clarkson, mid-2010s “K” Line predictions

Strategic Investment in Growth Areas

The offshore support vessel business

About half of the approximately 4,000 offshore support vessels in operation worldwide are small, aged vessels. “K” Line aims to enter the offshore support vessel business, quickly achieve market penetration and establish the “K” Line brand by offering competitive services made possible by large, high-specification vessels. We plan to increase earnings potential by preparing a fleet of seven high-specification offshore support vessels by fiscal 2011 and providing services to meet needs for ultra deep and distant water energy development.

The drillship business

Completion of a drillship for Petrobas (Brazil) is scheduled for the first half of fiscal 2012. This project, which is expected to earn stable, long-term profits from the charter contract for as long as twenty years, is the first of a series of drillship projects planned to develop the drillship business into a new source of stable long-term earnings.

The floating LNG producer business

“K” Line is a strategic partner and the largest shareholder of FLEX LNG Ltd., a company with a fledgling floating LNG producer business. We provide support for FLEX LNG projects slated for commercialization in the next four to five years. Since these projects involve production aboard ships, called “LNG producers,” they do not require enormous investments for the laying of pipelines to onshore facilities or the construction of production plants or port facilities. This approach to LNG production makes it possible to quickly launch projects with modest investments.

Heavy lifter business

“K” Line engages in the heavy lifter business jointly with the SAL Group, a specialty heavy lifter services company in Germany in which we have an equity stake. We seek business expansion through the provision of transport services for energy and environment-related infrastructure, such as petrochemical plants and wind power generation equipment. We plan to develop this business and expand our income base by utilizing the “K” Line Group’s global network and will pursue synergy with our business operations in the energy transport sector, such as the LNG carrier business and offshore support vessel business.

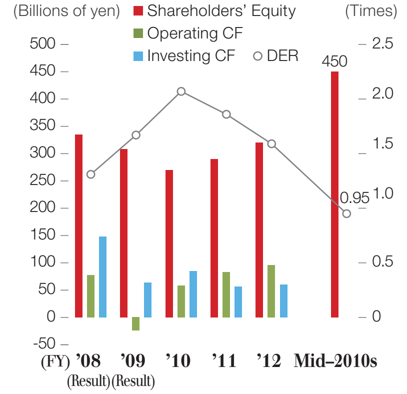
Equity participation in Air Tiger Express

In June 2010, “K” Line and Air Tiger Express Companies Inc. (ATEC) reached an agreement for the purchase of 51% of ATEC’s shares and signed a stock purchase agreement. ATEC has a solid business base and established network in the high-growth Asian logistics market, including China, and, through equity participation, we will seek to expand and upgrade the “K” Line Group’s logistics business and obtain additional income opportunities. For instance, the partnership will make possible business cooperation between ATEC and “K” Line Group companies “K” Line Logistics and Century Distribution Systems, especially in the areas of freight forwarding, customs clearance and buyers consolidation.

3 Rapid Adaptation to Fluctuation in the Business Environment and Strengthening of the Financial Base

To respond to changes in the business environment, “K” Line will curb investment and carefully screen and select areas for strategic investment. We will contract investment cash flow from ¥550.0 billion to ¥200.0 billion during the period from fiscal 2010 to fiscal 2012 by freezing newbuilding orders in the containership business, even as we continue strategic investment in the dry bulk and offshore businesses. To increase our ability to adapt to future changes in the business environment, we will build a highly flexible fleet by ensuring an efficient combination of owned ships, long-term chartered ships and short- to medium-term chartered ships. With regard to strengthening of the financial base, we aim to achieve DER of 0.95 or less, ROA of 8% or higher and an equity ratio of 40% or higher by the mid-2010s. We will accomplish this by accumulating stable earnings through structural reinforcement of the containership business and business portfolio restructuring, and through a reduction in the total investment amount by careful screening and selection of investments.

Key Financial Indices



Screening and Control of Investments · Flexible Response of Fleet Organization

Fleet and Investment (Figures announced on January 29, 2010)

Fiscal Year	End of 2007FY	2008FY–2009FY	End of 2009FY	2010FY–2012FY	End of 2012FY	Mid–2010s
	Nos. of ships	Nos. of newbuildings/ Investing CF	Nos. of ships	Nos. of newbuildings/ Investing CF	Nos. of ships	Nos. of ships
Containerships	99	19/12.9 billion yen	77	26/7.0 billion yen	81	75
Dry Bulk Carriers	169	34/76.1 billion yen	173	59/83.9 billion yen	219	250
Car Carriers	102	15/21.6 billion yen	67	20/25.2 billion yen	76	90
LNG Carriers/ Oil Tankers	62	23/21.6 billion yen	81	3/22.2 billion yen	74	75
Offshore Vessels	0	1/27.4 billion yen	1	7/43.6 billion yen	8	10
Heavy Lifter Vessels	15	3/16.3 billion yen	14	2/13.1 billion yen	16	16
Short Sea, etc.	52	2/10.9 billion yen	57	2/7.9 billion yen	63	70
Total	499	97/186.7 billion yen	470	119/202.9 billion yen	537	586

* Reduce investing CF to ¥200 billion from ¥550 billion for the period from FY2010 to FY2012
* Suspend new orders of containerships and allocate strategic investment for dry bulk and offshore business
* Emphasize best mix of fleet among owned, long chartered and short chartered ships

Numerical Targets

Targets for financial index (consolidated) (Figures announced on January 29, 2010)

	FY2009 (Results)	FY2010	FY2011	FY2012	Mid–2010s
Operating revenue (Billion yen)	838	1,000	1,100	1,200	1,300
Ordinary income (Billion yen)	(66.3)	11	33	48	110
Net income (Billion yen)	(68.7)	7.5	20	31	70
Shareholders’ Equity (Billion yen)	308.1	270	290	320	450
Interest-bearing Debt (Billion yen)	516	560	540	510	380
Operating Cash Flow (Billion yen)	(23.9)	58	83	96	—
Investing Cash Flow (Billion yen)	(63.7)	(85)	(56)	(60)	—
DER (Times)	1.67	2.07	1.86	1.59	Below 0.95
ROA (%)	(6.6)	1	3	4	Above 8%
Equity Ratio (%)	29.5	24	25	27	Above 40%
DEBT to Operating Cash Flow (Times)	—	9.7	6.5	5.3	Below 4.5
Payout Ratio (%)	—	24	25	26	30%
[Assumption]					
Dry bulk Market (Pacific Round Voyage)					
Capesize (US$ / day)	42,500	35,000	30,000	30,000	
Panamax (US$ / day)	22,200	20,000	15,000	15,000	
Handymax (US$ / day)	17,500	17,500	13,000	13,000	
Small handy (US$ / day)	12,000	13,000	10,000	10,000	
Exchange Rate (Yen / US$)	93.04	90	90	90	
Bunker Price (US$ / MT)	407	500	500	500	

Sensitivity (FY2010) ±1 yen / US$1 ⇒ approx. ¥0.7 billion (ordinary income)
Bunker price: ±US$10 / MT ⇒ approxi. ¥1.5 billion (ordinary income)

Capesize: Dry bulk carriers with cargo capacity over 100,000 deadweight tons
Panamax size: The largest ships that meet passage limits for the Panama Canal—Dry bulk carriers of 60,000-80,000 deadweight tons
Handymax: Cargo capacity is about 45,000–60,000 deadweight tons with self-loading facilities capable of cargo loading and unloading at ports that do not have modern loading facilities.
Small handy: Cargo capacity is about 20,000–40,000 deadweight tons with self-loading facilities capable of cargo loading and unloading at ports that do not have modern loading facilities.

Business Expansion in Emerging Countries

The “K” Line Group holds numerous long-term transport contracts in the dry bulk markets of rapidly growing newly-industrialized countries. Currently, more than 90% of the Group’s capesize vessels and other large ships are operating under long-term contracts, and the Group’s dry bulk operations have secured stable earnings that are unaffected by changes in market conditions. The “K” Line Group was quick to focus attention on expansion of resource transport demand in China, India, Brazil and other newly-industrialized markets, and we have developed face-to-face relationships of trust with customers by engaging in locally-based sales activities. Those relationships of trust are the wellspring of numerous long-term transport contracts. “K” Line will further develop business in emerging markets and strive to expand dry bulk services.

Securing Long-term Transport Contracts

The “K” Line Group was among the first Japanese shipping companies to engage in overseas dry bulk operations. We have achieved steady results in the dry bulk market in China, the world’s largest crude steel producing country. A ten-year iron ore transport contract we concluded in September 2004 with Jiangsu Shagang Group Co., Ltd. was the first in a series of long-term transport contracts with China’s major iron and steel companies, including Baoshan Iron & Steel, China’s largest producer, Shoudu Iron and Steel, Wuhan Iron and Steel and Anshan Iron and Steel. Furthermore, in 2009 we concluded a long-term charter contract with Rio Tinto, a major resource producing company that was planning to increase the volume of its iron ore exports to China. We are working to expand the resource transport business by engaging in proactive sales activities directed at both resource suppliers and the iron and steel manufacturers in order to cover both the supply side and demand side of the market.

India is another country attracting attention as a promising market for dry bulk transport. In 2006, we concluded a long-term transport contract for coking coal with the JSW Group, a powerful Indian conglomerate. Building on the trust earned and track record achieved with that contract, we concluded additional long-term transport contracts with the JSW Group in 2007 and 2008. Under these contracts, we will transport 15 million tons of fuel coal and thermal coal per year starting in 2015, which will account for transport of more than 40% of the fuel coal and thermal coal used by the JSW Group. We will continue to take advantage of the expertise we have acquired in achieving business expansion in India ahead of our competitors to open up other emerging markets.

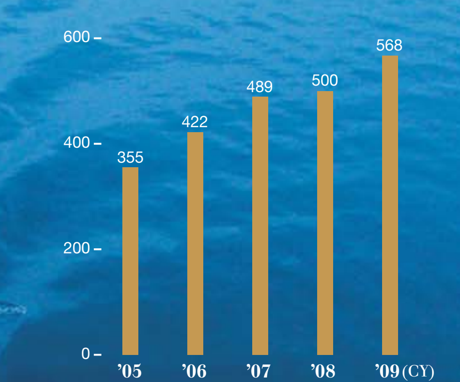
Expansion of resource transport to emerging countries has resulted in increased demand for tonnage for transport from South America and Africa to the Atlantic. “K” Line is putting in place an operating structure that accurately reflects needs in this market by means including the shifting of ships to the Atlantic Ocean and engaging in flexible business activities adapted to market conditions.

A Global Network to Satisfy Demand for Dry Bulk Transport

To develop a structure for meeting dry bulk transport demand worldwide, including in emerging countries, “K” Line has established “K” Line Bulk Shipping (UK) Limited and “K” Line Pte Ltd., companies that own and operate dry bulk fleets in Europe and Singapore, respectively. We maintain sales bases in North America, China, India and Brazil and strive to win new business in countries where resource transport demand exists. We are increasing the number of long-term transport contracts in South Korea and Europe, as well as in newly-industrialized countries such as China, India and Brazil. We aspire to be a world-class dry bulk operator by further strengthening overseas sales activities while expanding the scale of transport operations.

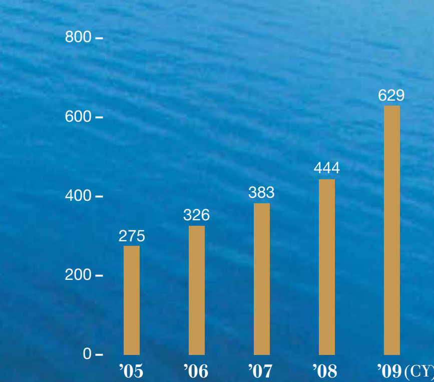
Global Business Development in Dry Bulk Carrier Services

Crude Steel Production Volume in China



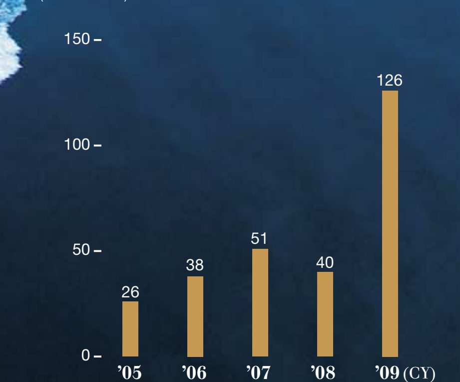
Source: World Steel Association

Iron Ore Import Volume in China



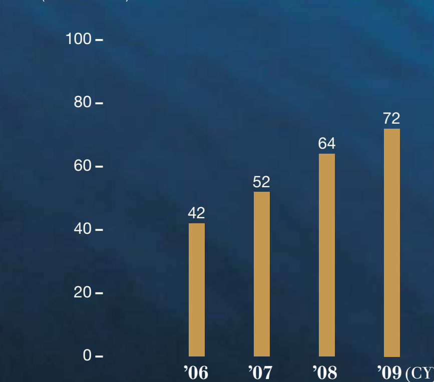
Source: Ministry of Commerce of the People’s Republic of China

Coal Import Volume in China



Source: Ministry of Commerce of the People’s Republic of China

Coal Import Volume in India



Source: Coal Insight

Business Review and Outlook

Containership Services

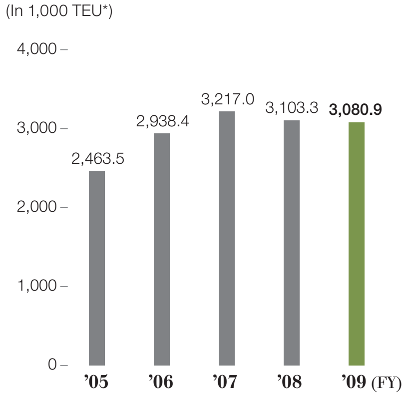
BUSINESS STRATEGY

We will provide our customers with stable, high-quality services by offering a network that covers numerous ports of call using state-of-the-art large containerships. The backbone for the main East-West routes, such as Asia-North America, Asia-Europe and Atlantic Ocean routes is CKYH—the Green Alliance*, consisting of COSCON (China), "K" Line, Yang Ming (Taiwan) and Hanjin Shipping (South Korea). On intra-Asian routes linking the countries that comprise the large economic block centered on China and on North-South routes to fast-growing India and Brazil and to emerging countries in Africa and other regions where future economic development is expected, we will provide services adapted to customer needs by means of cooperative ship allocation with leading Japanese and foreign shipping companies. Furthermore, we will introduce leading-edge technologies and rigorously practice energy-saving ship operation to conserve energy resources and reduce greenhouse gas emissions.

*CKYH Green Alliance: The world's largest shipping alliance, named using the initials of the four companies involved, COSCON (China), "K" Line, Yang Ming (Taiwan), Hanjin (Korea)

Cargo Volume Carried by Containerships

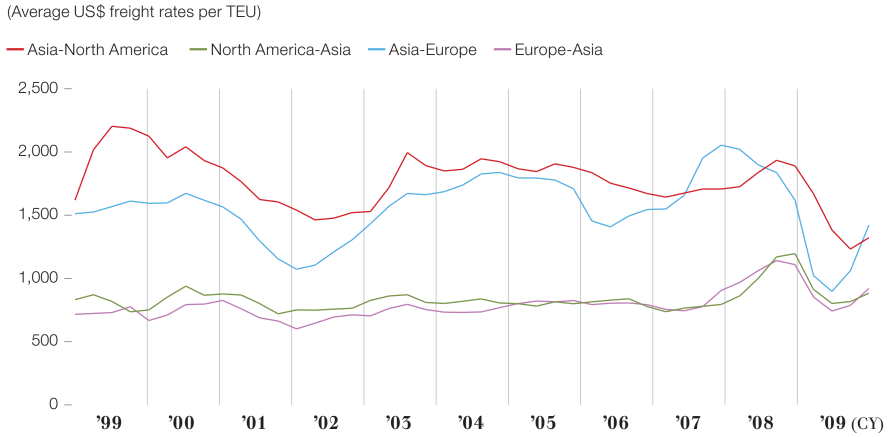
(In 1,000 TEU*)



*TEU: Twenty foot equivalent unit

Freight Rate Market Conditions for European and American Routes

(Average US$ freight rates per TEU)



Source: In-house, based on Containerisation International information

Overview of Fiscal 2009

Overall, "K" Line's cargo volumes for North America routes increased by 6% year on year. Stagnant economic conditions in the U.S. resulted in a decrease in cargo movement from Asia to North America, and our cargo volumes declined by 4% from the previous year. On the other hand, cargo movement from North America to Asia increased, raising our cargo volumes by 29%. On European routes, however, "K" Line reduced the number of ships to counter deterioration in demand for shipping tonnage. Consequently, our cargo volumes from Asia to Northern Europe decreased by 18%, and volumes from Asia to the Mediterranean fell by 27%. Although cargo volumes from Northern Europe and the Mediterranean to Asia increased by 25% year on year, volumes decreased by 7% for European routes overall. As a result of these developments, "K" Line's overall cargo volumes decreased by 1% year on year. Freight rates were substantially below the previous year's level, although they had begun to return to prior levels from the second quarter onward, thanks to improvement in the supply and demand environment, primarily on the European and North-South routes. Despite efforts to reduce costs through the scaling back of operations and optimization of ship allocation through cooperation with other shipping companies, revenues and earnings declined, and "K" Line recorded an ordinary loss from containership services.

Fiscal 2010 Business Outlook

The second half of calendar year 2009 brought the onset of recovery from the global financial crisis, owing in part to economic stimulus measures implemented in various countries. Countries in Europe and North America are building inventories of imported products, and recovery in freight movement in first half of calendar year 2010 exceeded the initial forecast. Nevertheless, unemployment rates in Europe and North America remain at high levels, consumption has not yet fully recovered, and the outlook for the future remains uncertain. Although the decline in cargo movement in calendar year 2009 and the completion of construction of many newbuildings can be expected to accelerate the deterioration in containership demand, we expect such worsening to be avoided, thanks to shipping companies' initiatives to scrap aged vessels, cancel newbuilding orders, push out completion schedules for new vessels and institute slow steaming. However, the completion of large numbers of newbuildings is expected to continue until 2012, and full-scale recovery in business conditions will likely take two to three years. In fiscal 2010, cargo movement is gradually recovering in parallel with the upturn in the world economy. While proceeding with restoration of freight rates to a level that makes possible continuous business development on all routes, "K" Line will scale back services in line with transport demand, reduce operating costs by means of eco-friendly slow steaming and rigorously implement cost-cutting measures. We expect these initiatives, coupled with the effects of business restructuring implemented in the previous year, to result in a dramatic year-on-year improvement in the revenue-expense balance and a return to profitability. At the same time, we will modify the previous containership services expansion plan by freezing new investment for the time being. We will optimize and keep fleet size in line with demand and implement measures to stabilize the earnings level. We will reinforce fleet competitiveness by replacing aged ships and high-cost ships with newbuildings delivered from 2010 into 2012. We will proceed with optimization of ship allocation and portfolio improvement, strengthening cooperation on the main East-West routes with partners in the CKYH-the Green Alliance and actively developing our business on North-South routes and intra-Asian routes.

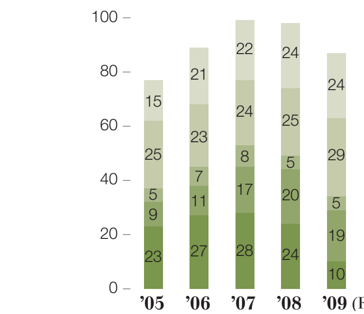
Number of Ships in Operation

(As of March 31, 2010)

	(Vessels)
5500 TEU Over	24
3500 TEU type	29
2800 TEU type	5
2000 TEU type	19
1400 TEU or under	10
Total	87

Change in the Number of Ships in Operation

(Vessels)



TOPICS

Service Network Expansion and Modification

- **North America Routes**
  - Asia-North America East Coast Routes
    Start of direct calls at Vietnam (from mid-August 2009)
  - Asia-North America East Coast Routes
    Change to service via the Suez Canal using Post-Panamax ships (from mid-May 2010)
  - Japan/Asia-North America West Coast Routes
    Change one loop of the PSW service to shuttle service between Japan and the U.S. (from April 2010)
- **North-South Routes**
  - Asia-South America West Coast Routes
    Change from one loop to two loops per week. Increase the size of the ships in co-operation with Mitsui O.S.K. Lines and NYK Line. (July 2010)
  - Asia-West Africa Routes
    Commence direct service from Asia. Change from the previous service via South Africa to direct service in cooperation with China Shipping Container Lines and Hapag-Lloyd. (July 2010)

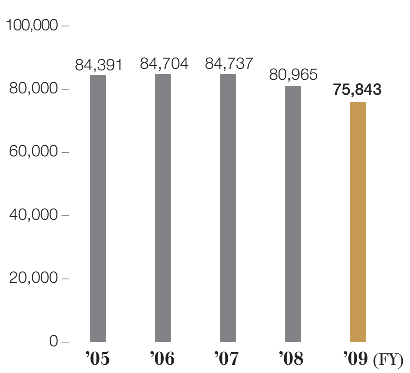
Dry Bulk Carrier Services

BUSINESS STRATEGY

The "K" Line Group has expanded its stable earnings base in dry bulk carrier services, focusing on the transport of iron ore, coal and other raw materials to Japan. In response to the expansion of resource transport attendant on continuous economic growth in China, India and other newly-industrialized countries, we are vigorously implementing a strategy to achieve further growth and develop these services into a core business of the "K" Line Group. Since the onset of the financial crisis, we have acted rapidly to ensure a competitive fleet by disposing of unprofitable vessels. At the same time, we will expand our business globally by putting in place a structure for providing a meticulous response tailored to customer needs. We will expand the workforce in fast-growing China and India and dispatch personnel to handle business activities in the Atlantic Ocean area.

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)

Overview of Fiscal 2009

Market conditions for dry bulk carrier services in fiscal 2009 showed a rapid recovery from the worldwide decline in cargo movement in the second half of fiscal 2008. The recovery was supported by robust iron ore imports exceeding 600 million tons per year and a sharp increase in coal imports, which rose 80 million tons year on year, in China. Other factors that contributed to solid marketing conditioners for Panamax size or smaller vessels were congestion at coal shipping ports in Australia, an increase in coal transport to India and higher demand for soybean transport to China.

"K" Line implemented efficient ship allocation and operating cost reductions and achieved a year-on-year increase in revenues and earnings in the fourth quarter of fiscal 2009 for the first time in six quarters. Nevertheless, fiscal 2009 full-year revenues and earnings decreased.

Fiscal 2010 Business Outlook

Demand for transport of iron ore, coal and grain to China and for transport of coal to India is expected to remain strong in fiscal 2010. In particular, higher demand for iron ore has resulted in an increase in shipments not only from Australia, but also from Brazil and South Africa. Although an excess supply of newbuildings has been identified as an issue, we expect a decrease in the actual number of newbuilding completions due to such problems as difficulty in financing coupled with an increase in transportation demand and longer transportation distances to result in a lower than expected sense of excess tonnage. Although the KV 2010 management plan calls for a fleet size of 220 ships in operation at the end of fiscal 2012, we are already moving forward with preparation of state-of-the-art vessels and aim to have a fleet of approximately 300 ships in operation by the mid-2010s.

The completion of newbuildings will soon bring the size of the Coal & Iron Ore Carrier Group's fleet to 100 capesize vessels, and the group will establish a structure to ensure continuation of stable earnings by focusing on business from medium-term and long-term contracts with both domestic and overseas customers. At the same time, the group will secure an appropriate free vessel ratio to maximize profits.

The Company reorganized the Bulk Carrier Group in April 2010, consolidating entire Panamax fleet from three separate divisions into one division within Tokyo Headquarters. Central control of fleet operations will make possible a flexible sales response to large projects and enable the group to obtain more orders from overseas customers. The group aims to double its fleet size from the current level of approximately 50 ships by the mid-2010s and will attain a good balance between medium-term to long-term contracts and short-term contracts to enable earnings maximization during market peaks.

The Thermal Coal, Woodchip and Pulp Group will base its medium-term to long-term activities on the safe operation of wide-beam, shallow-draft Corona vessels, which have achieved market penetration as a high-quality brand. It will also further solidify its stable earnings structure by basing its operations on COAs with domestic electric power companies while also securing consecutive voyage contracts for dedicated ships and ships on long-term service contracts. Furthermore, the group will promote the superiority of Corona vessels to overseas customers in Taiwan and other countries.

With regard to woodchip and pulp transport to domestic customers, while maintaining stable earnings by holding fleet size at the current level and using dedicated ship contracts, we will continue to strengthen our close relationships with customers to secure replacement demand for dedicated ships in the mid-2010s. At the same time, we will utilize free ships to actively engage in transport between foreign countries with the aim of obtaining orders for the transport of biomass chips and soybean cake in the Atlantic Ocean area and shipments bound for China in the Pacific Ocean area.

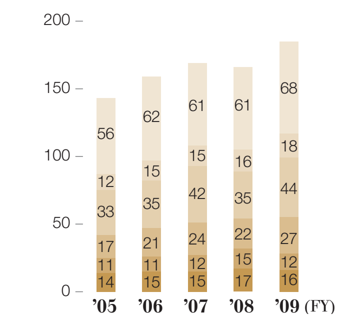
Number of Ships in Operation

(As of March 31, 2010)

	(Vessels)
Capesize	68
Over-Panamax	18
Panamax	44
Handymax	27
Small handy	12
Chips and pulp	16
Total	185

Change in the Number of Ships in Operation

(Vessels)



TOPICS

Completion of the *VIJAYANAGAR* for the JSW Group

The *VIJAYANAGAR*, an 82,000-ton bulk carrier for the JSW Group, was launched In March 2010. The *VIJAYANAGAR*, named after the location of the JSW Steel plant, is the first "K" Line ship to bear a Hindi name. The ship will be assigned to transport coal to the JSW Group on a long-term basis.

Car Carrier Services

Overview of Fiscal 2009

The slump in automobile sales following the financial crisis that began in September 2008 was more prolonged than expected, resulting in a sharp drop in transport demand for cars from Asia to the U.S. and Europe as well as to emerging countries and resource producing countries, where demand had been robust. In the BRIC countries, domestic automobile sales during the economic recession were brisk in India, China and Brazil. However, as the ratio of domestic production in these countries increased, this demand did not lead to recovery in ocean transport of completed built-up cars. While cargo movement in the first half of fiscal 2009 decreased due to recession-driven automaker inventory adjustments, the second half brought the onset of a recovery. However, the pace of recovery was more gradual than expected, and "K" Line's full-year transport volume decreased by more than 30% from the previous year to 2.04 million vehicles.

To rapidly respond to a business environment completely transformed from the first half of fiscal 2008 onward, "K" Line cut costs, reviewed ship allocation and implemented a major tonnage adjustment by scrapping 20 "K" Line ships in addition to redelivering chartered vessels. As a result, we reduced the fleet size from more than 100 ships at the peak period to about 80 ships. We also implemented long-term lay-up of a portion of excess tonnage. In fiscal 2009 we faced an extraordinarily adverse business environment unprecedented in more than four decades of operation since the full-scale start-up of the Group's completed built-up car transport service. We had never before experienced such an abrupt disruption of the balance between supply and demand and unavoidable tonnage adjustment.

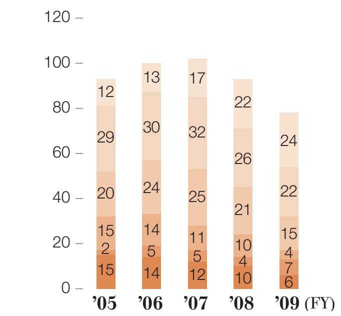
Number of Ships in Operation

(As of March 31, 2010)

(Capacity)	(Vessels)
6000 units	24
5000 units	22
4000 units	15
3000 units	4
2000 units	7
800 units	6
Total	78

Change in the Number of Ships in Operation

(Vessels)



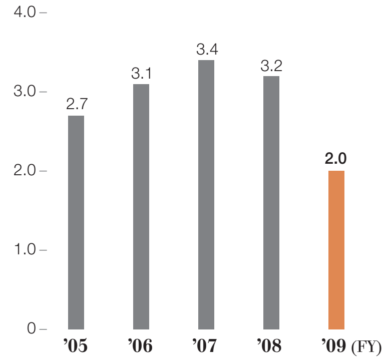
BUSINESS STRATEGY

We aim to make full use of expertise accumulated as a pioneer in the transport of completed built-up cars since the completion of construction of *TOYOTA MARU NO. 1* in 1968 to return the car carrier business to a growth trajectory as an industry leader and firmly establish the "K" Line brand by emphasizing four business pillars.

- Constantly pursue safety in navigation and cargo operation, and high-quality transport.
- Rigorously adhere to the customer-first principle, take the customer's point of view and enhance "K" Line's presence as a solutions partner.
- Rapidly respond to customer needs and changes in the business environment, expand and restructure the service network and enhance ancillary services.
- Continuously and vigorously implement an active response to environmental problems.

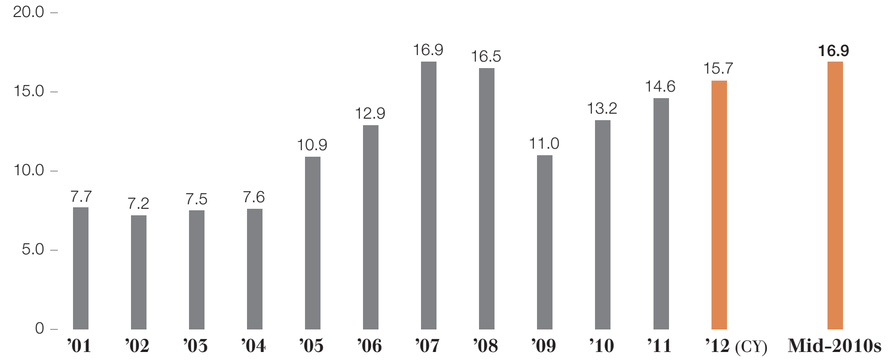
Completed Built-up Cars Transported by Car Carriers

(Million units)



Worldwide Freight Movement of Completed Built-up Cars (Excluding European short sea.)

(Million units)



Source: "K" Line estimate based on multiple sources

Fiscal 2010 Business Outlook

Fiscal 2010 has brought continuation of a gradual recovery in completed built-up car ocean transport volumes, which plummeted from the second half of fiscal 2008 onward. Sales in the United States, the world's largest automobile market and the key to ocean transport volumes, have bottomed out, and the pace of recovery in cargo movements to Central and South America, the Middle East and Africa, regions with many emerging and resource-producing countries, has increased. For these reasons, we forecast about a 20% year-on-year increase in cargo volume for the full year.

At the same time, we will continue to implement measures to boost earnings in addition to the above-mentioned tonnage adjustment. These will include cutting fuel costs by means of slow steaming and reducing Panama Canal and Suez Canal transit costs by changing routes. We will develop a service structure that can withstand emergencies to prepare against the occurrence of a situation requiring further structural adjustments.

Although we anticipate an increase of more than 20% in worldwide ocean transport of completed built-up cars in fiscal 2010 and a return to the fiscal 2008 level of cargo movement by fiscal 2012, ocean cargo movements are becoming increasingly diversified and complex owing to the rise of India, China and other newly-industrialized countries. In order to keep abreast of changes in the market, the "K" Line Group is focusing on having a well-balanced fleet composed of various sized vessels that is able to flexibly respond to any trading circumstances. In accordance with the outlook for robust demand for worldwide transport of completed built-up cars, we will solidify customer trust by developing the fleet from a long-term perspective, by engaging in research into new ship types for future deployment, and by providing optimal ship types, an expanded service network and cost competitive services.

TOPICS

Deck Strength Calculation for Loadability of Awkward Cargo—Completion of Deck Strength Check System

Heretofore, "K" Line has relied on time-consuming manual work to judge whether it would be possible to load special cargo such as heavy vehicles and MAFFI (rolltrailers). To make possible a rapid response to customer inquiries, we improved customer service by jointly developing with Systems Engineering & Analysis Co., Ltd. the Deck Strength Check System, which makes it possible to quickly confirm whether or not cargo of this nature can be loaded on ships.

Energy Transportation and Tanker Services

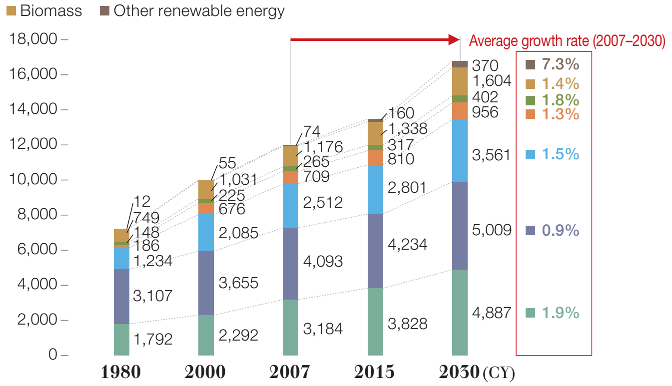
BUSINESS STRATEGY

In addition to conventional crude oil, oil products, liquefied petroleum gas (LPG) and liquefied natural gas (LNG) transport services, we will participate in businesses related to offshore oil field and gas field development. In the offshore business sector, “K” Line established the Energy Transportation Business Development Group in 2008 and has invested in several business segments: the offshore support vessel business, the drillship business and the floating LNG producer business. Starting with operation of offshore support vessels scheduled for completion in October 2010, we will sequentially enter new businesses on a full-scale basis.

By developing a solid services platform and network spanning multiple sectors of the energy chain, from energy resource development to transport, we will provide comprehensive solutions to customer needs and expand this business.

Worldwide Demand for Primary Energy

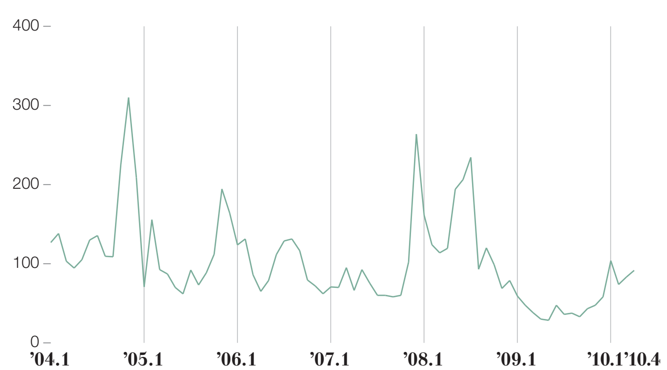
(Million ton oil equivalent)



Source: Prepared based on IEA World Energy Outlook 2009

Index of VLCC* Freight Rates

(VLCCs, Arabian Gulf / Japan in Worldscale)



Source: Clarkson

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

Overview of Fiscal 2009

For LNG carrier services, the completion of one newbuilding resulted in expansion of the fleet of owned and partially owned carriers to 48 vessels. Business for vessels under long-term contract, including the newly-completed carrier, developed favorably. On the other hand, overall weak conditions in the spot charter market, stemming from the recession, adversely affected revenues from carriers in spot service. As a result, overall revenues and earnings from LNG carrier services declined from the previous year. With regard to oil tanker services, although demand recovered from winter onward, market conditions for both crude oil and oil products were sluggish overall. Although we reduced costs by various means, including the scrapping of unprofitable vessels and the return of chartered tankers, both revenues and earnings fell year on year.

Fiscal 2010 Business Outlook

LNG Carrier Services

Demand for natural gas is expected to continue to steadily increase as a result of strong growth in energy demand in newly-industrialized countries and increased awareness of environmental conservation. Demand for LNG carriers in fiscal 2010 is expected to gradually improve in conjunction with signs of worldwide economic recovery and the start of operation of previously delayed new projects. With regard to carriers in spot service, which were affected by weak conditions in the spot charter market in fiscal 2009, we aim to secure medium-term and long-term contracts centered on new LNG projects anticipated from the mid-2010s onward.

LNG transport is a market sector from which tremendous demand growth can be expected in the medium to long term. Although the “K” Line Group forecasts a temporary reduction in fleet size due to the disposal of aged carriers, we will flexibly and actively respond to diverse customer needs in line with recovery in the global economy, seek new project business and expand the fleet.

Oil Tanker Services

Although recovery in oil demand in fiscal 2010 is expected to be weak in Japan, North America, Europe and other developed countries and regions, overall demand for ocean transport of oil is expected to develop solidly because of continued demand from the newly-industrialized countries, primarily the BRIC countries. With regard to tanker supply and demand, excess supply owing to completion of newbuildings continues. However, the supply-demand ratio is expected to improve, owing to the retirement of single-hull tankers due to tightening of regulations and an increase in scrap prices, the postponement of delivery or cancellations of newbuildings and increased tonnage demand for the purpose of floating storage of oil products. “K” Line added three new VLCCs and one oil product carrier to the fleet last year and is enhancing services to customers. We anticipate stable growth in overall medium-term to long-term demand for oil tankers. Whereas substantial growth in oil demand from developed countries cannot be expected, demand from emerging countries, principally the BRIC countries, is expected to increase by 3% or more annually against a backdrop of economic development. The “K” Line Group aims to prepare a competitive, high-quality fleet and secure stable earnings from long-term, fixed-term charter contracts, while at the same time, expanding operations into new markets, primarily newly-industrialized countries, by providing spot service in response to market trends.

Development of Energy Transportation Services

Refer to the section Strategic Investment in Growth Areas on Pages 21–22 for information on the offshore support vessel, drillship and floating LNG producer businesses.

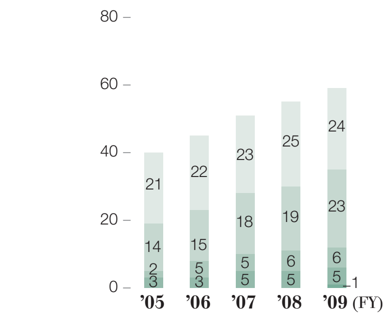
Number of Ships in Operation

(As of March 31, 2010 Owned vessels only)

	(Vessels)
LNG Carriers	24
Oil Tankers	23
Product Tankers	6
LPG Carriers	5
Offshore Support Vessels	1
Total	59

Change in the Number of Ships in Operation

(Vessels)



TOPICS

Participation in an Ultra-deepwater Drillship Project for Exploration of a Pre-salt Layer Concession Held by Petrobras

In June 2009, a consortium of five Japanese and foreign companies agreed to participate in an ultra-deepwater drillship project for Petrobras of Brazil. Following completion of the drillship construction in January 2012, the consortium members will provide the drillship to Petrobras with a time charter contract for as long as twenty years. The drillship will be used for ultra-deepwater drilling to a depth of 10,000 feet (approx. 3,000 meters) at a pre-salt layer concession off the coast of Brazil, to which Petrobras owns the rights. This is “K” Line’s first experience with a drillship project, and we intend to absorb expertise and develop the drillship business into a new core business.

Heavy Lifter Services

BUSINESS STRATEGY

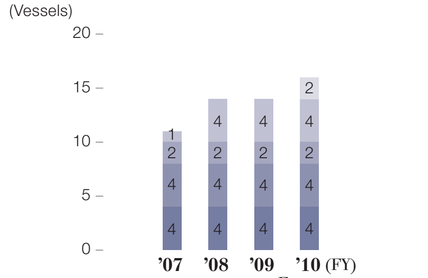
"K" Line aims to enhance and expand the heavy lifter services network that combines the SAL Group's heavy lifter transport experience and expertise and the "K" Line Group's global business network. We also aim to reinforce the earnings base through the provision of high value-added services that leverage a key competitive advantage: a fleet of specialized heavy lifters with lifting capacity exceeding 1,000 tons.

Crane Lifting Capacity

(Forecast for March 31, 2011)

	(Vessels)
2,000 tons	2
1,400 tons	4
700 tons	2
640 tons	4
550 tons	4
Total	16

Change in the Number of Owned Vessels



Overview of Fiscal 2009

In April 2007 "K" Line acquired an equity stake in the SAL Group, a specialty heavy lifter services company in Germany, and subsequently expanded the heavy lifter business in Asia. However, new inquiries for transport of large cargo plummeted as a result of the impact of worldwide stagnation in energy and infrastructure project investment following the global financial crisis. Although the transport of large cargo for which contracts were concluded the previous year supported revenues and earnings during the first half of fiscal 2009, that changed as a result of factors such as marked stagnation in cargo movement from the second half onward, combination of low freight rates caused by intensification of competition centering on medium and lightweight cargo and a strong yen, resulting in a sharp year-on-year decline in revenues and earnings.

Fiscal 2010 Business Outlook

Although the global economy is recovering, business conditions are reflected more slowly in plant-related cargo movement than is the case with, for instance, consumer packaged goods. For this reason, we expect the impact of project stagnation following the financial crisis to linger until the end of fiscal 2010 and adverse business conditions to continue. To improve earnings, we are considering the disposal of existing small vessels. Inquiries for service in fiscal 2011 and beyond are increasing owing to the resumption of new large-scale projects, and we expect to benefit from the introduction of a new ship type with lifting capacity of 2,000 tons scheduled for completion in the second half of fiscal 2010. For these reasons, we anticipate recovery of the revenue-expense balance from 2011 onward.

In the medium term, we anticipate recovery in infrastructure-related cargo movement, centered on the Middle East, as well as new construction and renewal of offshore resource development facilities are expected. Also, transport demand for petrochemical plants and alternative energy-related cargo such as wind power generation equipment is expected to be robust. To respond to this new demand, we will update the fleet and increase transport capacity and cargo handling capacity and simultaneously increase competitiveness and enhance services by means of sales network expansion utilizing the "K" Line Group network.

Short Sea and Coastal Services

BUSINESS STRATEGY

We will provide high-quality services in each service category.

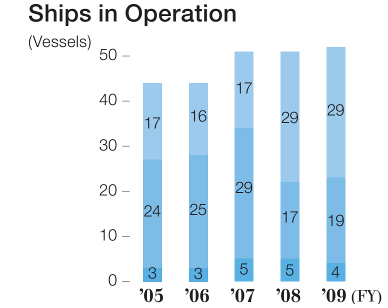
- In Short Sea Services, we handle coal, woodchips and other basic industrial substances as well as steel products and wood products, principally in Asian waters.
- In Coastal Services, we assist with the long-term stable transport of limestone, pulp and other raw materials and also transport fresh foods and other daily commodities familiar to consumers using a network of regular domestic routes. We also link Honshu and Hokkaido by ferry with the shortest possible routes and pursue maximum convenience for door-to-door parcel services and passengers.

Number of Ships in Operation

(As of March 31, 2010)

	(Vessels)
Short Sea Ships	29
Coastal Ships	19
Ferries	4
Total	52

Change in the Number of Ships in Operation



Overview of Fiscal 2009

Short Sea Services Stagnant market conditions at the start of the fiscal year resulted in a low level of annual transport contracts for bulk carriers of coal and other materials that weakened earnings in this sector. On the other hand, the transport of steel products to Southeast Asia recovered from the second half onward.

Coastal Services With regard to limestone transport, business for small cargo ships, excluding dedicated ships, worsened owing to the impact of a sharp decline in production at steel and cement companies. We worked to increase the efficiency of general cargo transport by concentrating transport on regular domestic routes and went from one sailing to two per day on the Hitachinaka-Tomakomai route in August 2009.

On the Hachinohe-Tomakomai ferry route, we maintained the four sailings per day service, and transport volume increased thanks to solid door-to-door parcel service transport volume and an increase in passenger cars and passengers due to lower gasoline prices.

Fiscal 2010 Business Outlook

Short Sea Services Although business conditions in the cement industry in Japan remain depressed, and coal transport to cement companies is likely to be affected by the slump, with market conditions for tramp service recovering, freight rates are expected to increase. We began chartering of a newly-built 28,000-ton ship midway through the fiscal year and will work to develop new routes. At the same time, we will increase freight rates for steel product transport to Southeast Asia and attempt to secure stable transport volumes.

Coastal Services We will strive to improve both turn-around time and cargo loading ratio for small ships, prioritizing the securing of stable volumes for vessels carrying limestone for the steel and cement industries and coal carriers transporting thermal coal in Tokyo Bay. In general cargo transport, we will work to enhance services and increase transport volume on the Hitachinaka-Tomakomai route where daily sailings have been increased from one to two. We will also vigorously develop operations in accordance with progress on port improvement at Ibaraki Port in the Northern Kanto area.

On the Hachinohe-Tomakomai ferry route, we will maintain the current four sailings per day service and strive to secure stable truck, passenger car and passenger transport volumes. We will also promptly respond to changes in the transportation environment in Honshu and Hokkaido, including a reduction in expressway toll costs and the extension of the Tohoku Shinkansen line, and reinforce sales activities in preparation for the commissioning of a new ferry scheduled for completion in the spring of 2012.

Total Logistics Services

BUSINESS STRATEGY

In the medium-term management plan, we have laid out a sales strategy for the Group's logistics business of utilizing "proposal-type sales activities that read future logistics needs" and "provision of thorough service rooted in each local market" to build "global partnerships with customers." We have positioned the logistics business as a growth sector and will undertake reinforcement of the business base and expansion of business scale.

TOPICS

July 2009 marked the opening of "K" Line Amata Nakorn Distribution Center Annex, the third warehouse at the distribution center owned by Thailand subsidiary K Line (Thailand) Ltd. The 6,600 square meter stilt floor warehouse equipped with all-weather unloading facilities enables the safe storage, loading and unloading of cargo even during the rainy season.

Overview of Fiscal 2009

In the air freight forwarding sector, air cargo movement bottomed out in the first quarter and began to recover. However, increases in purchasing costs due to airline cutbacks in the number of flights put pressure on earnings. The buyers consolidation sector also came under earnings pressure due to a worldwide decrease in ocean container cargo, and the container land transport business also did not contribute to earnings. Although the total logistics business was supported by the warehouse and port operations, overall both revenues and earnings fell year on year.

Fiscal 2010 Business Outlook

Currently, the "K" Line Group's international logistics business is operated by two core companies: "K" Line Logistics (KLL), headquartered in Japan, operates the air freight and ocean freight forwarding businesses; and Century Distribution System (CDS), headquartered in the U.S., operates the buyers consolidation business. KLL aims to reinforce its business base to cope with the abrupt change in the business environment that resulted from the global economic crisis while departing from its previous business model of focusing on Japanese customers and strengthening global relationships with customers. CDS will leverage the Visibility Management System (VMS), the "K" Line Group's logistics management system, to engage in proposal-driven sales that anticipate customer needs. Also, "K" Line has taken an equity stake in Air Tiger Express Companies Inc. (ATE), a full-service logistics company headquartered in the U.S. We will make inroads into the freight forwarding market in China and Asia, where ATE excels, and complement the businesses of KLL and aim to expand the buyers consolidation business through collaboration between ATE and CDS. In the land transport, warehouse, port operations and other businesses, we will further reinforce collaboration and cooperative operations between Group companies and continue to provide locally-based services that satisfy customer needs.

"K" Line Group Composition of Fleet (As of March 31, 2010)

	2010						2009	
	Owned		Chartered		Total		Total	
Type of Vessel	No.	DWT(MT)	No.	DWT(MT)	No.	DWT(MT)	No.	DWT(MT)
Containerships	9	438,691	78	3,936,906	87	4,375,597	98	4,321,788
		10%		90%		100%		
Dry Bulk Carriers	51	6,204,771	134	13,750,822	185	19,955,593	166	17,506,414
		31%		69%		100%		
Car Carriers	29	410,735	49	690,380	78	1,101,115	93	1,282,222
		37%		63%		100%		
Energy Transport Carriers								
LNG Carriers	23	1,656,113	1	77,163	24	1,733,276	25	1,804,784
Oil Tankers	10	1,875,498	13	2,344,147	23	4,219,645	19	3,202,956
Product Tankers	0	0	6	651,839	6	651,839	6	636,426
LPG Carriers	1	49,996	4	162,088	5	212,084	5	212,084
Offshore Support Vessels	0	0	1	3,300	1	3,300	0	0
Sub Total	34	3,581,607	25	3,238,537	59	6,820,144	55	5,856,250
		53%		47%		100%		
Heavy Lifter Vessels	14	140,988	0	0	14	140,988	18	167,413
		100%		0%		100%		
Others								
Short Sea Ships	10	139,922	19	221,715	29	361,637	28	347,311
Coastal Ships	13	73,886	6	22,186	19	96,072	19	99,789
Ferries	2	6,807	2	6,819	4	13,626	4	13,626
Others	1	11,075	0	0	1	11,075	1	11,075
Sub Total	26	231,690	27	250,720	53	482,410	52	471,801
		48%		52%		100%		
Total	**163**	**11,008,482**	**313**	**21,867,365**	**476**	**32,875,847**	**482**	**29,605,888**
		33%		**67%**		**100%**		

Note : Fleet operated by the Company and consolidated subsidiaries. (Trip charters included)

"K" Line On-Dock Terminals (As of March 31, 2010)

Terminals	Location	Berth Length	Berth Depth	Total Area	Container Storage Space
Japan					
"K" Line Tokyo Container Terminal	Tokyo Ohi	660m	15m	259,500m²	4,370 TEU*
"K" Line Yokohama Container Terminal	Yokohama Honmoku	400m	12m	133,591m²	1,968 TEU
"K" Line Osaka Container Terminal	Osaka Nanko	350m	14m	63,031m²	1,082 TEU
"K" Line Kobe Container Terminal	Kobe Rokko	800m	14m	355,900m²	4,716 TEU
U.S.A.					
International Transportation Service, Inc.	Long Beach	1,920m	13–16m	955,000m²	15,905 TEU
Husky Terminal and Stevedoring, Inc.	Tacoma	830m	16m	376,000m²	4,800 TEU
TransBay Container Terminal Inc.	Oakland	320m	14m	182,000m²	2,551 TEU
Belgium (Note: Capital Participation Realized by Joint Management)					
Antwerp International Terminal NV	Antwerp	350m	15.5m	175,000m²	2,990 TEU

* TEU: Twenty Foot Equivalent Unit

Objective and Mission of Our CSR Activities

The Corporate Principles of the "K" Line Group say that "The basic principles of the "K" Line Group as a shipping business organization centering on shipping lie in: (a) Diligent efforts for safety in navigation and cargo operations as well as for environmental preservation; (b) Sincere response to customer needs by making every possible effort; and (c) Contributing to the world's economic growth and stability through continual upgrading of service quality. The objective of our CSR activities is to embody these Corporate Principles. We recognize that the concept of CSR comprises two elements: a company's social responsibility and its social contribution. We base our CSR activities on the following policies:

Social Responsibility:	We observe laws and regulations, respect social precepts, engage in fair business activities, and strive to ensure safety in navigation and cargo operations and environmental preservation.
Social Contribution:	We contribute to society through the business activities of our Group. We contribute to society proactively as a good corporate citizen.

Initiatives for Safety in Navigation and Cargo Operations

Establishing and maintaining safety in navigation and cargo operations, environmental preservation, and economically efficient operations are the permanent missions of the "K" Line Group in its shipping business. Above all, safe navigation and cargo operations are the foundation of our business. For this reason, we are committed to building a secure system for establishing and maintaining this foundation.

• **"K" LINE Vision 100 and Safety Management System**

In "K" LINE Vision 100, the medium-term management plan we developed in April 2008, we once again confirmed that a secure system for managing safety in navigation and cargo operations is at the core of all of our business activities. We subsequently reviewed the medium-term management plan and adopted "K" LINE Vision 100 KV 2010 in response to the financial crisis that occurred in the fall of 2008 and the subsequent changes to the business environment. In reviewing the Plan, we reconfirmed that establishing a system for safety in navigation and cargo operations, while protecting the environment, was an absolutely critical and inalterable requirement. (See page 20 for the basic concept of "K" LINE Vision 100 KV 2010.)

• **Emergency Response Drills**

What should our Company or employees do if a ship has been involved in a collision and fuel oil is spilling, for example? We have set out the actions we need to take in such an emergency in our Emergency Response Manual. Based on this manual, we regularly conduct emergency response drills to maintain and improve the response capabilities of staff members and departments.

We conducted our latest drill in November 2009 by assuming a large-scale oil spill and confirmed the functions of the manual. We also discussed issues on the application of the manual at a meeting after the drill so that we could refine it. The Emergency Response Manual contains the know-how we have accumulated through drills, but we operate ships safely to help ensure that we never have to actually use the manual.

• **Safety and Environment Protection Campaign**

Under the leadership of the Marine Safety Administration Group, each year "K" Line conducts the campaign covering all ships in operation. Through ship visits by personnel from the departments responsible for ship operations and marine technology, we promote information sharing and the exchange of opinions between shipboard and onshore personnel and strive to reinforce safe ship operation and increase safety awareness among all personnel involved in ship operations. "K" Line engages in united, group-wide efforts to maintain safe ship operation, including ship visits by the President and corporate officers.

Ship visit by then-president Maekawa

• **Action Against Pirates**

In recent years, heavily armed pirates have been attacking vessels passing through the waters off the coast of Somalia and in the Gulf of Aden, a vital link between Europe and Asia. They also appear in the Arabian Sea, the waters of which link the Persian Gulf and Asia and are critical for the transport of crude oil and other sources of energy.

The United Nations Security Council and the International Maritime Organization have passed resolutions calling on countries to take measures to eradicate piracy, and the European Union Force, the navies of various countries and Japan's Maritime Self-Defense Forces have begun escorting ships passing through these waters.

In principle, we operate under the security provided by these forces. We have also developed guidelines for sailing near Somalia and in the Arabian Sea to ensure the safety of our ships. If we should encounter pirates, we take evasive actions following best practice in anti-piracy measures.

We are also in regular communication with the Ministry of Land, Infrastructure, Transport and Tourism, the Ministry of Defense, and the Ministry of Foreign Affairs of Japan via the Japanese Shipowners' Association and we urge nations in the affected area to strengthen their own measures.

Social Contribution

Since we operate globally, we at the "K" Line Group seek to achieve mutual benefit with society through the steady accrual of small efforts.

• **Disaster Relief**

The "K" Line Group has been assisting disaster-hit areas through donations and cooperating in transportation.

When a major earthquake hit Italy in April 2009, the Group cooperated with the local subsidiary, "K" Line (Europe) Ltd., to donate relief money via the British Red Cross. The Group also made donations via the Japanese Red Cross Society to victims of the typhoon that struck Taiwan in August 2009, another typhoon that hit the Philippines that September and the major earthquake in Haiti in January 2010. Donations are put toward providing relief supplies and medical services and for reconstruction in the disaster-hit areas.

• **Cooperating in Ocean Transport of Relief Supplies**

We cooperate in ocean transport of relief supplies to impoverished and disaster-hit areas.

In January 2010, upon a request from the non-profit organization the Japan Relief Clothing Center via the Japan-Peru Association, we transported relief supplies in two 40-foot containers free of charge. As part of our social contribution activities, we will continue to cooperate with NPOs in the transportation of goods.

Environmental Management

The "K" Line Group has expressed its determination to minimize its environmental footprint in its Environmental Charter. As one of the world's leading shipping operators, we are pursuing many initiatives to protect the environment by cooperating proactively with international organizations.

Recent Initiatives

• **Reduction of Sailing Speed in Specific Waters**

Green Flag awarded from the Port of Long Beach

As a measure for reducing the total amount of exhaust gas from ships, the port authority of the Port of Long Beach is running a program encouraging ships to sail at 12 knots or less within 20 nautical miles (approx. 37 kilometers) or 40 nautical miles (approx. 74 kilometers) of the harbor. We actively participate in this program, achieving an extremely high rate of compliance every year. We were awarded the "Green Flag" from the port authority for the fifth consecutive year in 2009.

Green Flag Award ceremony

Reduction of sailing speed at Ise Bay and Mikawa Bay

As a voluntary measure, we reduce the speed of our car carriers to 12 knots or less when passing in Ise Bay and Mikawa Bay. This enabled us to reduce CO_2 emissions by 659 tons in 2009.

• **Resources Recycling**

Ship Recycling (Demolition of Ships)

The Ship Recycling Convention, adopted in May 2009, will make it mandatory to retain a list (inventory) showing quantities of hazardous substances and their locations when a ship is dismantled.

The Convention will also set out rules for facilities for demolishing ships, so that occupational health and safety and the environment will be considered in demolition of ships.

This Convention has yet to come into effect, but we have started to dismantle ships in accordance with the rules in the Convention, by choosing facilities in consideration of the environment and occupational health and safety.

The Muroran Project

Ships consist of very large quantities of iron and copper, and can be recycled at the end of their effective lives. However, full safety considerations are needed when dismantling a ship, a very complex process. A pilot project for establishing a safe, efficient, developed-country-type ship recycling system has been initiated by Japan's Ministry of Land, Infrastructure, Transport and Tourism. This project involves a demonstration experiment in ship demolition, being undertaken in Muroran, Hokkaido. The ship used in this experiment is the *NEW YORK HIGHWAY*, a car carrier formerly operated by "K" Line.

Car Carrier *NEW YORK HIGHWAY*

• **Offsetting CO_2 with the Use of Renewable Energy**

"K" Line America, Inc. (KAM) has affirmed its environmental commitment by purchasing renewable energy credits from Renewable Choice Energy since 2008, to offset office electricity consumption. After offsetting 60% of office electricity in 2008 and 80% in 2009, KAM expanded its environmental commitment to a 100% offset level for 2010. Renewable Choice Energy will indirectly offset 100% of KAM's nationwide office electricity usage for 2010 with clean wind energy and will help avoid nearly 1.5 million pounds (approx. 702 tons) of CO_2 from entering the Earth's atmosphere. This commitment is similar to:

- Planting 6,366 mature trees
- Not driving approx. 1.5 million miles (approx. 2.4 million kilometers) annually
- Taking 123 cars off the road for one year

This renewal also allowed KAM to remain a U.S. Environmental Protection Agency (EPA) Green Power Partner. With this purchase of renewable energy credits, KAM remains committed to reducing our dependency on fossil fuels, promoting cleaner air, and fighting climate change.

EPA GREEN POWER PARTNER

(Left) Renewable Energy certificate
(Right) Green Power Partner mark entitled by the EPA

We take comprehensive measures to ensure that all "K" Line Group companies adhere to corporate ethics. We have also established an effective corporate governance structure and a system for handling management risks, and are continuing these efforts to improve our corporate brand value.

Corporate Governance

• Structure of Business Operation

We apply the Executive Officer System, under which we streamline our management through the transfer of authority and prompt decision-making.

The Board of Directors meets at least once every month. At the Board, our Directors make decisions on basic management policies, matters stipulated by laws and regulations, and other significant management issues. They also supervise the performance of duties by Executive Officers and our staff members. Of the 14 Directors, two are Outside Directors stipulated by the Companies Act of Japan.

The Executive Officers' Meeting is held twice a month, in principle. This Meeting is attended by Executive Officers and Auditors. Participants share information and ensure compliance, in addition to helping the President to make decisions through free discussions.

Three of the five Auditors are Outside Auditors specified in the Companies Act of Japan. We also appoint dedicated staff to assist Auditors.

The Management Conference for discussion and exchange of opinions is held every week, in principle and is attended mainly by Senior Managing Executive Officers and higher-level Executive Officers. Depending on the agendum, others may be invited to the Conference.

• Internal Control System

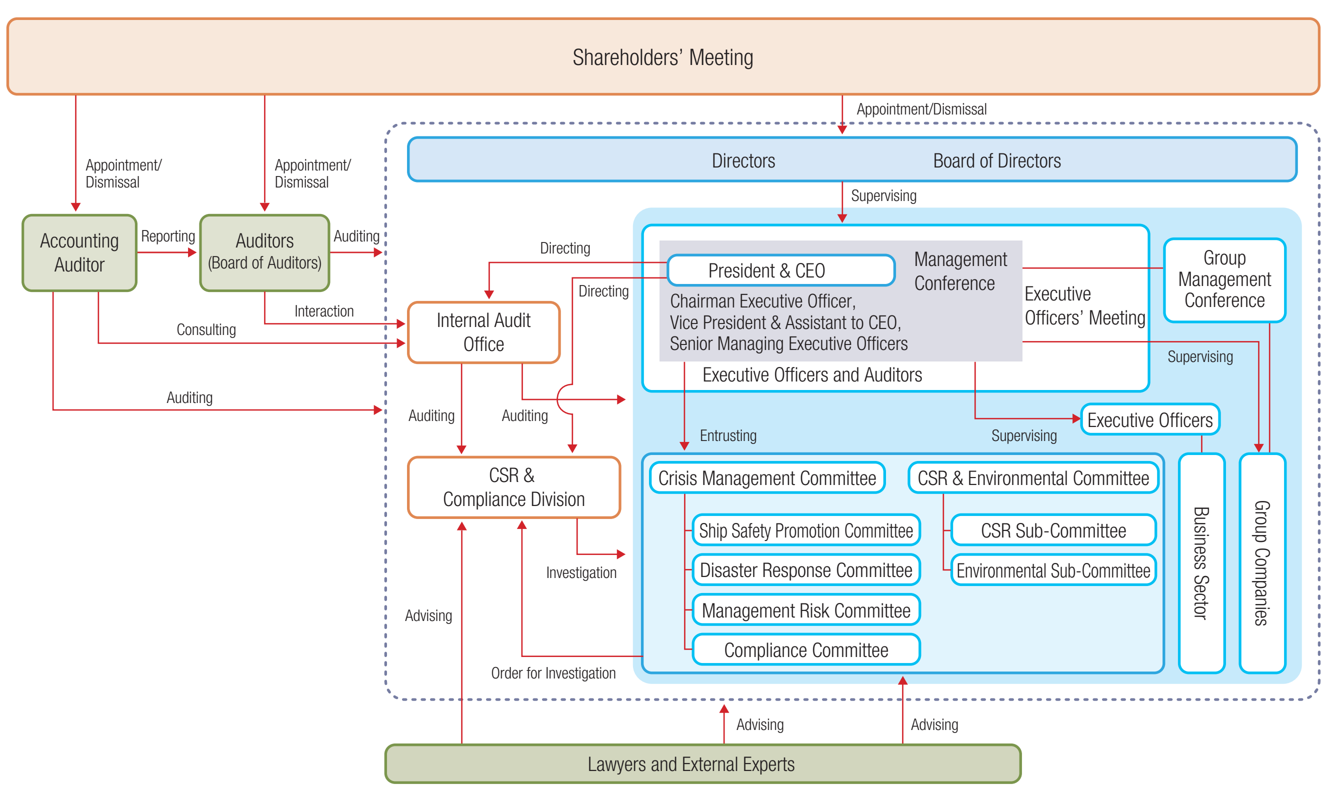
The Board of Directors and the Executive Officers in charge of specific business operations and General Managers under the supervision of the Board establish the framework of internal controls, evaluate its effectiveness, and ensure that it functions properly. The Internal Audit Office assists Directors in performing their duties with respect to the establishment and maintenance of internal controls by providing feedback from internal audits and suggesting improvements. Auditors oversee the processes by which Directors build an internal control structure and confirm that it is functioning effectively.

• Group Governance

To ensure proper business operations of the "K" Line Group companies, we have established the Charter of Conduct: "K" Line Group Companies. Based on this Charter, each Group company has established its own Implementation Guideline for Charter of Conduct.

Corporate Governance Structure

(As of June 1, 2010)



Risk Management

• Risk Management System

We need to recognize diverse management risks, prepare for them, and fulfill our corporate social responsibility even when the risks become reality. To this end, we have established our own system for managing crises and risks. Specifically, we have established four committees for responding to four different types of risks: risks in ship operations, risks of disasters, risks concerning compliance, and other risks related to management. We have also set up the Crisis Management Committee as an organization to unify the four committees and facilitate overall risk management.

• Response to Large-scale Disasters

We have established a business continuity plan (BCP) to continue our operations while giving priority to ensuring the safety of our staff members and their families even if a significant disaster has occurred.

We have also introduced a safety confirmation system, under which we confirm the safety of our employees by using the e-mail function of mobile phones in the event of a major disaster. As a measure to overcome the interruption to telephone services in a major earthquake, we are ready to contact our branches in Japan by satellite telephone.

To avoid the loss of data in a disaster, we set up a system in which backup data can be stored in a remote place so that we can secure important management information and resume our business activities as quickly as possible.

• Responding to Other Management Risks

Management risks are not limited to those concerning ship operations, major disasters, or compliance. There are many other risks, including terrorism, threats from anti-social forces, harmful rumors, fluctuations in exchange/interest rates, fluctuations in the fuel oil price, changes to the tax systems or economic policies of major trading partners including North America, Europe, China and Japan. The adoption of protectionist trade policies are also among the risks we confront.

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

With respect to anti-social forces, the Charter of Conduct: "K" Line Group Companies declares that we will "resolutely confront" such forces. We will deal with specific incidents in cooperation with the relevant authorities and our corporate lawyers.

Concerning fluctuations in exchange rates and changes in polices, we constantly monitor the trends and hedge against risks appropriately. If our operations are likely to be affected by the risks, our Management Risk Committee will take preventive action and respond appropriately when an impact actually occurs.

Outside Auditor's Message

Last year I became an outside corporate auditor (part-time) for "K" Line. Prior to this, I spent nearly 40 years in university education: 34 years in a school of law and five years at a graduate school of accounting and research, specializing in commercial law and marine and aviation law. Over this time, I also gained some ten years' experience of the legal profession by working as a lawyer. Coming from this background, I suddenly found myself in a new assignment as a corporate auditor in the corporate world. I have spent the past year seeking my proper role in the Company, and areas in which I can contribute. I have consistently approached the task with the conviction that it is important to perform day-to-day auditing duties with vigilance and focus, and gain experience. This has been a source of strength to me, and my enthusiasm and desire to perform my duties have steadily grown. As I enter my second year of service, I have fully recognized the role that a corporate auditor should perform as prescribed by law, and the proper role of an auditor in the monitoring of corporate management—important duties that are at the heart of "corporate governance," and that only corporate auditors can perform. I believe I have developed the mental acuity required to appropriately perform the duties entrusted to me by the shareholders.

From my perspective as a still-new corporate auditor, I have seen over the past year that "K" Line's corporate auditor system is skillfully constructed and functions smoothly. The Company has an excellent auditing environment in which full-time corporate auditors and outside corporate auditors work together in a positive spirit and appropriately exchange information and opinions. This contributes to appropriate opinion formation at meetings of the Board of Auditors. There is no question that corporate auditors must deeply understand and trust each other's capabilities and human nature. This is an aspect of the "K" Line Spirit that the Company has fostered over the more than 90 years since its founding, and that we intend to cherish and nurture.

In January this year, the Company established "K" LINE Vision 100 KV 2010 medium-term management plan, in which it set forth the key management theme "Synergy for All and Sustainable Growth." This reflects greater recognition of the Company's relationship with society. It is my hope that the corporate auditors bear in mind our position and role, reliably ensure the observance of this corporate ethos, and make a key contribution toward ensuring that the Company achieves further success and earns the trust of society.

Outside Auditor
Haruo Shigeta

Directors, Auditors and Executive Officers

Chairman Executive Officer
Hiroyuki Maekawa*

President & CEO
Kenichi Kuroya*

Vice President & Assistant to CEO
Toshio Shimizu*

Senior Managing Executive Officer
Toshinori Morita*

Senior Managing Executive Officer
Yoshikazu Minagawa*

Senior Managing Executive Officer
Jiro Asakura*

Senior Managing Executive Officer
Takashi Saeki

Senior Managing Executive Officer
Eizo Murakami*

Senior Managing Executive Officer
Keisuke Yoshida*

* Representative Director

(As of July 1, 2010)

Directors

Representative Directors	Hiroyuki Maekawa
	Kenichi Kuroya
	Toshio Shimizu
	Toshinori Morita
	Yoshikazu Minagawa
	Jiro Asakura
	Eizo Murakami
	Keisuke Yoshida
Directors	Masami Sasaki
	Takashi Torizumi
	Kenjiro Takenaga
	Tsuyoshi Yamauchi
	Junnosuke Furukawa*1
	Takashi Kobayashi*1

Auditors

Auditors	Tetsuo Shiota
	Fumio Watanabe*2
	Norio Tsutsumi
	Haruo Shigeta*2
	Jiro Noguchi*2

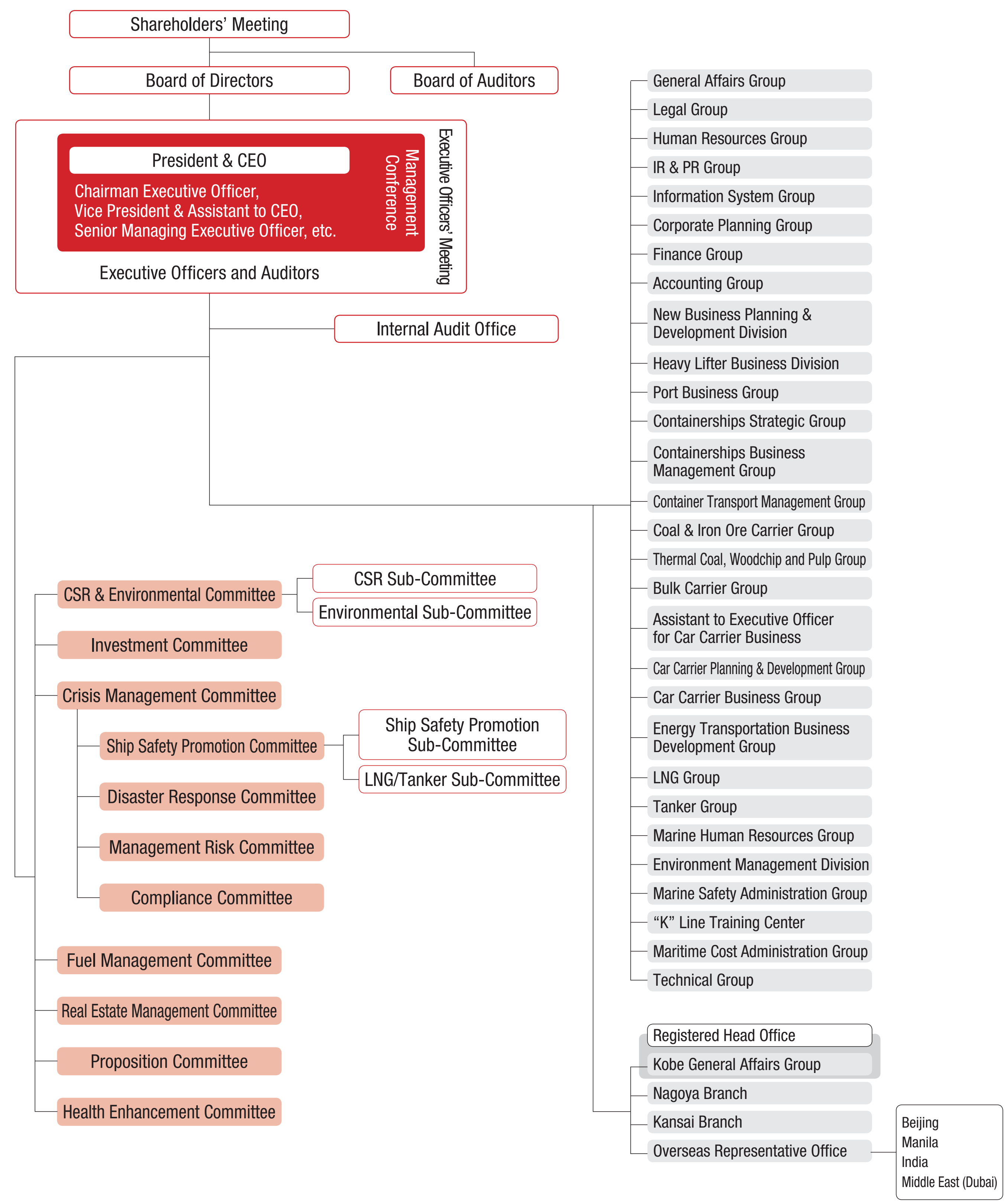
*1 Outside Director
*2 Outside Auditor

Executive Officers

Chairman Executive Officer	Hiroyuki Maekawa	
President & CEO	Kenichi Kuroya	
Vice President & Assistant to CEO	Toshio Shimizu	Assistant to CEO
Senior Managing Executive Officers	Toshinori Morita	Car Carrier Sector, General Affairs, Legal, Accounting, Technical, Environment, Marine Sector
	Yoshikazu Minagawa	Energy Transportation Sector, Heavy Lifter Business, New Business Planning and Development
	Jiro Asakura	Dry Bulk Sector, Human Resources, Dry Bulk Planning Division
	Takashi Saeki	President & Chief Executive Officer of "K" Line America, inc.
	Eizo Murakami	Containerships Business, Port Business, Information System
	Keisuke Yoshida	Corporate Planning, IR & PR, Finance
Managing Executive Officers	Mamoru Mori	Managing Director of "K" Line (China) Ltd. Managing Director of "K" Line (Hong Kong) Limited
	Kiyoshi Terashima	Managing Director of "K" Line Holding (Europe) Limited
	Masami Sasaki	Marine Sector
	Takashi Torizumi	General Affairs, Legal, Accounting, CSR & Compliance, Internal Audit
	Shigeo Itaya	Car Carrier Sector
Executive Officers	Kazutaka Imaizumi	Bulk Carrier Business, Thermal Coal, Woodchip and Pulp Carrier Business
	Toshiyuki Suzuki	Containerships Business, General Manager of Container Transport Management Group
	Hiromichi Aoki	Energy Transportation Business, General Manager of Energy Transportation Business Development Group
	Kenjiro Takenaga	Technical, Environment
	Yoshiyuki Aoki	Car Carrier Business, General Manager of Car Carrier Business Group
	Masaru Fukuzawa	President of "K" Line (Japan) Ltd.
	Tsuyoshi Yamauchi	Corporate Planning, IR & PR, Logistics, Research
	Takashi Yamaguchi	Human Resources
	Eiji Kadono	Marine Sector, General Manager of Marine Human Resources Group
	Atsuo Asano	Coal and Iron Ore Carrier Business, General Manager of Coal and Iron Ore Carrier Group

Organization

(As of July 1, 2010)



Major Subsidiaries and Affiliates

(As of March 31, 2010)

Domestic

Business	Company Name	"K" Line's Ownership (%)*	Paid-in Capital (millions)	Revenue (millions)
Marine Transportation	Kawasaki Kinkai Kisen Kaisha, Ltd.	50.7	2,368	36,394
	Asahi Kisen Kaisha, Ltd.	100.0	100	493
	Kobe Pier Co., Ltd.	100.0	100	66
	★ Badak LNG Transport, Inc.	25.0	80	6,158
	★ Shibaura Kaiun Co., Ltd.	100.0	20	411
Shipping Agency	"K" Line (Japan) Ltd.	100.0	150	2,580
	★ Shimizu Kawasaki Transportation Co., Ltd.	50.0	10	205
Ship Management	"K" Line Ship Management Co., Ltd.	100.0	75	12,543
	Taiyo Nippon Kisen Co., Ltd.	100.0	400	19,884
	Escobal Japan Ltd.	100.0	10	446
Harbor Transportation/ Warehousing	Daito Corporation	100.0	842	22,031
	Nitto Total Logistics Ltd.	100.0	1,596	12,146
	Hokkai Transportation Co., Ltd.	80.1	60	10,346
	Seagate Corporation	100.0	270	7,155
	Nitto Tugboat Co., Ltd.	100.0	150	3,922
	Tokyo Kokusai Koun Kaisha, Ltd.	70.0	75	1,866
	★ Rinko Corporation	25.1	1,950	10,672
	★ Kokusai Logistics Co., Ltd.	83.3	100	823
Logistics	"K" Line Logistics, Ltd.	91.9	600	13,751
Land Transportation	Japan Express Transportation Co., Ltd.	100.0	100	4,594
	Shinto Rikuun Kaisha, Ltd.	100.0	30	1,006
	Maizuru Kousoku Yusou Co., Ltd.	100.0	25	783
Container Repairing	Intermodal Engineering Co., Ltd.	100.0	40	858
Travel Business	"K" Line Travel, Ltd.	100.0	100	7,179
Other Business	"K" Line Engineering Co., Ltd.	100.0	50	2,871
	Shinki Corporation	100.0	80	2,094
	"K" Line Systems, Ltd.	100.0	40	1,862
	KMDS Co., Ltd.	100.0	40	1,420
	Kawaki Kosan Kaisha, Ltd.	100.0	30	656
	Crown Enterprise Co., Ltd.	100.0	10	363
	"K" Line Accounting and Finance Co., Ltd.	100.0	100	198

Overseas

Business	Company Name	"K" Line's Ownership (%)*	Paid-in Capital (millions)	Revenue (millions)
Marine Transportation	"K" Line Pte Ltd	100.0	US$1.1	US$339
	"K" Line Bulk Shipping (UK) Limited	100.0	US$34	US$184
	"K" Line European Sea Highway Services GmbH	100.0	EUR5	EUR49
	"K" Line LNG Shipping (UK) Limited	100.0	US$6	US$52
	★ Northern LNG Transport Co., I Ltd.	49.0	US$40	US$16
	★ Northern LNG Transport Co., II Ltd.	36.0	US$42	US$16
	SAL Schiffahrtskontor Altes Land GmbH & Co.KG	50.0	EUR0.2	EUR177 (R1)
	K Line Offshore AS	91.1	NOK80.9	NOK27.5
Shipping Agency	"K" Line America, Inc.	100.0	US$15.5	US$76
	"K" Line (Australia) Pty Limited	100.0	A$0.0001	A$12
	"K" Line (Belgium)	51.0	EUR0.06	EUR3.2
	"K" Line Canada Ltd.	100.0	C$0.1	US$1.4
	"K" Line (China) Ltd.	100.0	US$2	US$18
	"K" Line (Deutschland) GmbH	100.0	EUR0.2	EUR7.7
	"K" Line (Europe) Limited	100.0	£0.01	£16
	"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	HK$211
	"K" Line (Korea) Ltd.	100.0	WON400	WON7,142

Overseas

Business	Company Name	"K" Line's Ownership (%)*	Paid-in Capital (millions)	Revenue (millions)
	"K" Line Maritime (M) Sdn Bhd	57.5	MYR0.3	MYR10.6
	K Line Mexico SA de CV	100.0	MXN0.9	MXN0.2
	"K" Line (Nederland) B.V.	100.0	EUR0.1	EUR4.2
	K Line (Norway) AS	100.0	NOK0.1	NOK3.2
	"K" Line (Portugal)-Agentes de Navagação, S.A.	51.0	EUR0.2	EUR2.1
	"K" Line (Scandinavia) Holding A/S	51.0	DKK1	DKK16.1
	"K" Line (Singapore) Pte Ltd	95.0	S$1.5	S$11.5
	K Line (Sweden) AB	100.0	SEK0.1	SEK17.1
	"K" Line (Taiwan) Ltd.	60.0	NT$60	NT$238
	K Line (Thailand) Ltd.	34.0	BAT30	BAT1,399
	"K" Line (Western Australia) Pty Limited	100.0	A$0.0001	A$0
	PT. K Line Indonesia	95.0	RP463.6	RP50,112
Terminal Operator	International Transportation Service, Inc.	100.0	US$20	US$191
	The Rail-Bridge Terminals (New Jersey) Corporation	100.0	US$3	US$0
	TransBay Container Terminal, Inc.	95.0	US$0.1	US$42
	★ Husky Terminal & Stevedoring, Inc.	50.0	US$0.1	US$31
Freight Consolidation	Century Distribution Systems, Inc.	99.5	US$2.3	US$6
	Century Distribution Systems (Europe) B.V.	100.0	EUR0.02	EUR0.8
	Century Distribution Systems (Hong Kong) Limited	100.0	HK$0.08	HK$55
	Century Distribution Systems (Shenzhen) Limited	100.0	RMB6.5	RMB69
	Century Distribution Systems (International) Limited	100.0	HK$1.8	HK$67
	Century Distribution Systems (Shipping) Limited	100.0	HK$0.000001	(R2)
Warehousing	Universal Logistics System, Inc.	100.0	US$12.3	US$0.7
	Universal Warehouse Co.	100.0	US$0.05	US$4.4
	Universal Warehouse Co. (NW)	100.0	US$0.0001	US$1
Logistics	"K" Line Logistics (Hong Kong) Ltd.	100.0	HK$8	HK$130
	"K" Line Logistics (U.K.) Ltd.	100.0	£0.2	£3
	"K" Line Logistics (U.S.A.) Inc.	100.0	US$0.5	US$28
	"K" Line Logistics (Singapore) Pte. Ltd.	100.0	S$1.15	S$16
	K Line Logistics (Thailand) Ltd.	86.4	BAT20	BAT277
	K Line Logistics South East Asia Ltd.	95.0	BAT73	BAT0
Land Transportation	James Kemball Limited	100.0	£0.01	£12
	ULS Express, Inc.	100.0	US$0.05	US$4
Container Repairing	★ Multimodal Engineering Corporation	100.0	US$0.15	US$8
Financing	"K" Line New York, Inc.	100.0	US$17.1	US$34
Holding Company	Kawasaki (Australia) Pty. Ltd.	100.0	A$4.8	A$4.5
	"K" Line Holding (Europe) Limited	100.0	£20	£0
	"K" Line Heavy Lift (UK) Limited	100.0	EUR22	EUR13
Other Business	Connaught Freight Forwarders Limited	100.0	HK$0.01	HK$0.07
	Cygnus Insurance Company Limited	100.0	US$3	US$3
	"K" Line TRS S.A.	100.0	US$0.006	US$0.0
	Marinus Enterprise, Inc.	100.0	US$0.5	US$0
	★ "K" Line Auto Logistics Pty Ltd.	50.0	A$27	A$0.02

(R1) Operating revenues of SAL Schiffahrtskontor Altes Land (GmbH & Co.KG) for Fiscal 2009 are aggregated with those of 14 SAL group Heavy Lifter owning companies in which KKK has 50% of shares each (as per our consolidated accounts).

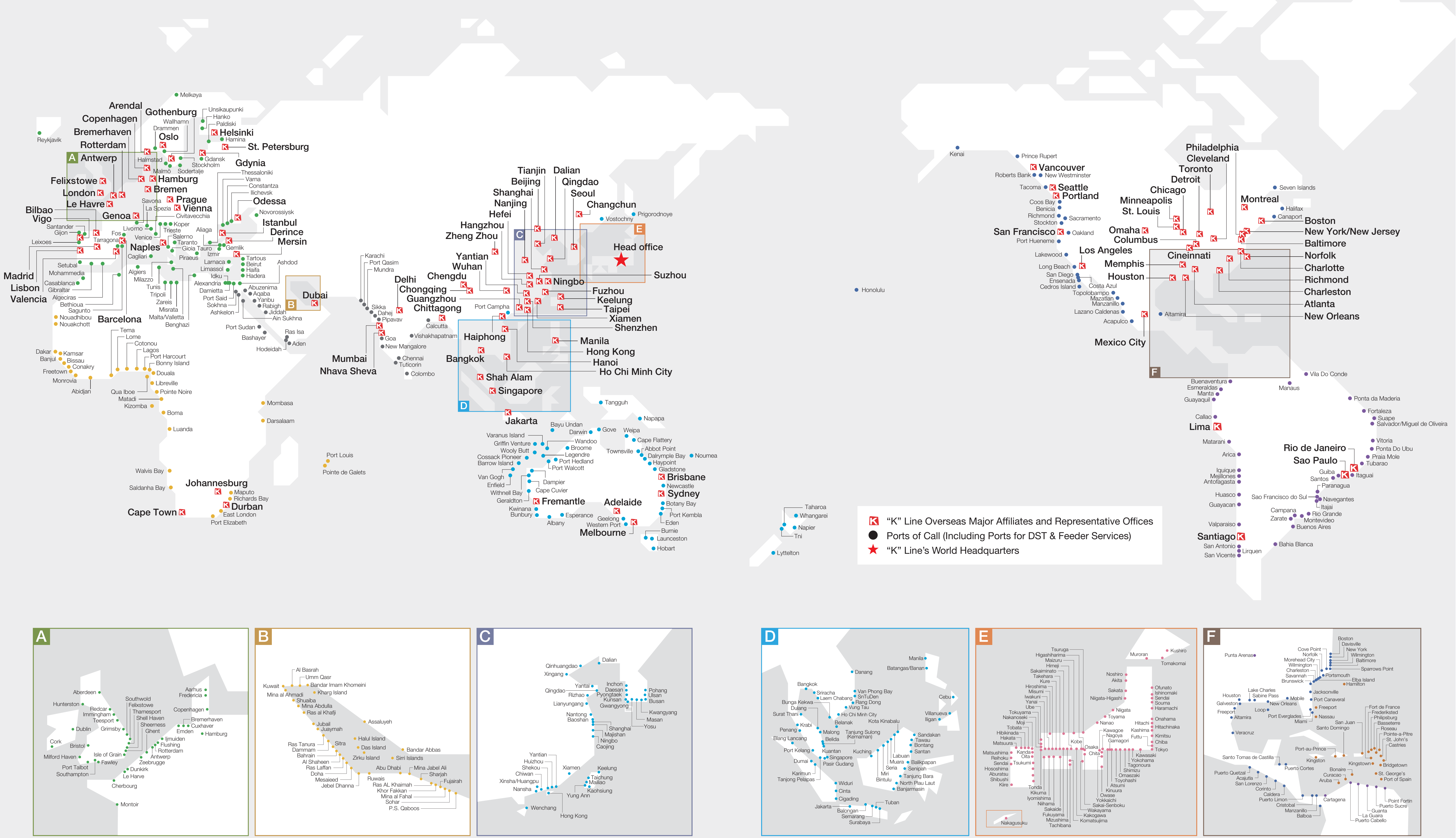
(R2) Operating revenues of Century Distribution Systems (Shipping) Limited for Fiscal 2009 are aggregated with those of its parent company, Century Distribution Systems (International) Limited.

★ Subsidiaries and Affiliates Accounted for the Equity Method

* Includes Holdings of Subsidiaries

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

Global Service Network



1919
- Established as Kawasaki Kisen Kaisha, Ltd.

1941
- At the start of World War II, owned 36 ships, 260,108 deadweight tons.

1945
- At the end of World War II, owned 12 ships, 31,111 deadweight tons.

1948

- The rebuilding of the company fleet began with the refloatation of the *KIYOKAWA MARU*, sunk during the war.

1951
- The Japan / Bangkok liner route was established as the first step toward resumption of service. Other principal liner routes were reopened or established later.

1957
- Work on developing an oil tanker fleet was begun with the building of the *FUJIKAWA MARU*.

1960
- Work on developing a specialized carrier fleet was begun with the building of the ore carrier *FUKUKAWA MARU*.

1964
- Merged with Iino Kisen Kaisha to become the core company of the Kawasaki Kisen group, capitalized at 9 billion yen.

1968

- "K" Line's 1st full containership *GOLDEN GATE BRIDGE* put into the Japan / California service route.
- Started the Japan-Far East / Europe liner route with Maersk Lines of Denmark.
- Work on developing a specialized car carrier fleet was begun with the car / bulk carrier *TOYOTA MARU NO. 1*.

1969
- Containership Service began on Japan / East Australia route.

1970
- Service with containerships began on Japan / Pacific Northwest Coast routes.
- Completion of Japan's first PCC (Pure Car Carrier) *TOYOTA MARU NO.10*.

1971
- International Transportation Service, Inc. was established as the company's overseas container terminal in Long Beach, California.

1972
- Service with containerships began on the Japan-Far East / New York route.

1974
- Joined the Far Eastern Freight Conference.

1975
- The ACE Group established as a consortium for the joint operation of containerships on the Japan-Far East / Europe route.

1983
- Completion of first Japanese flag LNG carrier *BISHU MARU*. Managed by "K" Line.

1986
- The first Japanese shipping company to begin operation of an exclusive Double-stack Train (DST) in North America.

1989
- Reorganized the ACE Group on the European route, and switched to a consortium with two overseas shipping companies.

1994
- Newly-built wide-beam / shallow-draft coal carrier *CORONA ACE* put into service.

1995
- Listing of Kawasaki Kinkai Kisen Kaisha, a subsidiary, on the Tokyo Stock Exchange.

1996
- Joint ship assignment with Yang Ming Line of Taiwan started on the Japan-Far East / North America and Japan-Far East / Europe routes.

1999
- Car Carrier Department and KMDS Co., Ltd's Tokyo Documentation Center received ISO9002.

2000
- Taiyo Kaiun Kabushiki Kaisha merged with Kobe Nippon Kisen Kaisha, Ltd. Taiyo Nippon Kisen Co., Ltd. was founded. Reformation of our subsidiary companies for ship management and administration completed.

2001
- Established "K" Line Group's Environmental Charter.
- "K" Line Pte Ltd, started their business as a shipping company in Singapore.
- "K" Line, COSCON, Yang Ming and Hanjin (Senator) agreed to establish CKYH alliance.

2002
- Acquisition ISO 14001 in recognition of Environmental Management System from Nippon Kaiji Kyokai (NK).
- Founded a new company "K" Line Total Logistics, LLC (KLTL) to promote "K" Line group companies logistics capabilities.
- Established "K" Line (Japan) Ltd. for strengthening container sales activities in Japan.

2003
- Started our own short sea car carrier services in Europe by establishment of "K" Line European Sea Highway Services GmbH (KESS)
- Founded a new company named Oriental Sea Highway Services Co., Ltd. in China

2004

- Decided to place new orders for two 38,000 m^3 fully refrigerated Ammonia/ LPG carriers under a long-term time charter agreement with Yara, as our first contracts for this type of Gas carrier.

2005
- Concluded 20-year time charter agreement for three new LNG carriers for Tangguh LNG Project.
- KYH ("K" Line, Yang Ming, Hanjin) & PSA HNN set up a joint venture company, Antwerp International Terminal NV, to operate a container Terminal. The opening was in January 2006.
- Concluded a time charter contract with Exxon Mobil, the world biggest oil major, for a VLCC.

2006
- Delivery of a brand new 140,000 cbm type LNG carrier *ARCTIC DISCOVERER* for the Snohvit Project
- Established "K" Line Logistics, Ltd. by merger of "K" Line Air Service, Ltd. and "K" Logistics, Ltd.

2007
- Started a new joint venture with SAL for heavy lifter service.
- Established "K" Line Maritime Academy (India) to foster marine technical personnel.
- Established K Line Off Shore AS with C.H. Sorensen Management AS (CHSM) in Norway to invest in Business of Offshore Support Vessels.

2008
- Established "K" Line Maritime Academy (Philippines).
- Giant en bloc deal for consecutive voyage charter with 10 vessels signed with JSW Group in India.


- First "Unimax Ore"-300,000 DWT type ore carrier *GRANDE PROGRESSO* delivered.
- Invested in FLEX LNG., which was promoting offshore LNG production.
- Signed an agreement for a capital and operational tie-up with Titan Quanzhou Shipyard Ltd., seeking a strategic partner in the ship repair business.

2009
- Together with PSA Corporation and NYK Line, "K" Line established Asia Automobile Terminal (Singapore) Private Limited for terminal operation exclusively for car carriers.
- "K" Line and five other companies participated in an ultra-deepwater drillship project led by Petroleo Brasileiro S.A ("Petrobras") of Brazil.

2010
- Invested capital in US Logistics Provider, Air Tiger Express Companies Inc.

Contents

Financial Section

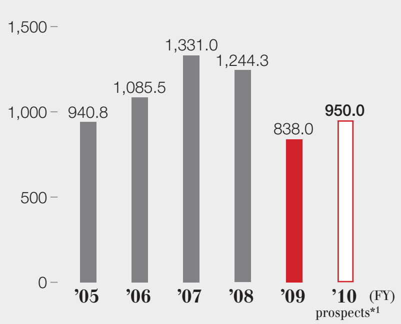
Review of Fiscal 2009

The world economy during consolidated fiscal year 2009 (April 1, 2009 through March 31, 2010) was generally sluggish since the turmoil in financial markets due to the Lehman Brothers shock had a profound impact on the real economy. The U.S. and European countries suffered seriously deteriorating economic conditions as both capital investment and consumer spending continued on a downward trend and the employment environment became severe. However, in the U.S., some economic indicators have shown signs of improvement since the end of the previous year, assisted by the government's large-scale fiscal spending and monetary easing policies. On the other hand, newly-emerging countries, including China, and resource-producing countries experienced an earlier economic recovery, backed up by their governments' economic stimulus packages and strong domestic demand, although they were also affected by the faltering global economy. Conditions affecting the Japanese economic environment remained harsh although some economic indicators showed signs of bottoming out due to such factors as recovering demand from abroad.

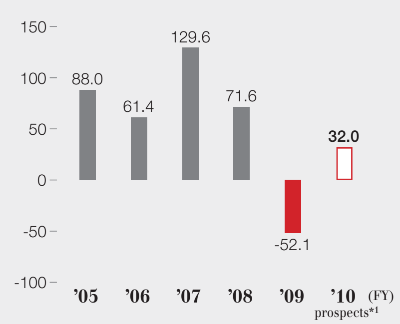
The environment surrounding the shipping industry has also been harsh, affected by the sluggish world economy, the stronger yen and highly fluctuating fuel oil prices. Containership business operations faced a severe situation due to the steeply declining demand for transportation and the significant drop in freight rates. From the 3rd Quarter, freight rates have been restored in the European services and the North/South service routes; however, earnings for the full term fell sharply. Market conditions for dry bulk remained generally steady, supported partly by increased cargo movements of grain to China in addition to its strong demand for the transportation of iron and steel. On the other hand, the trend in cargo movements of completed cars has indicated a recovery since the 3rd quarter after the sharp decline in the 1st quarter, but the speed of the recovery has been moderate.

The "K" Line Group implemented the sale, scrapping and laying up of excess vessels and the cancellation of charter agreements in response to the sluggish transportation demand, and promoted profit improvement measures such as a reduction in fuel oil costs and other costs, as well as implementing structural reform measures in its containership business, which will result in profit improvement from the following fiscal year onward. As a result, consolidated operating revenues for consolidated fiscal year 2009 amounted to ¥838.033 billion, a decrease by ¥406.284 billion compared with the same period last year; operating loss was ¥52.075 billion, compared to operating income of ¥71.604 billion for the previous year; and ordinary loss was ¥66.272 billion, compared to ordinary income of ¥60.011 billion a year earlier. Consolidated net loss for fiscal year 2009 was ¥68.721 billion, compared to net income of ¥32.421 billion for the previous year.

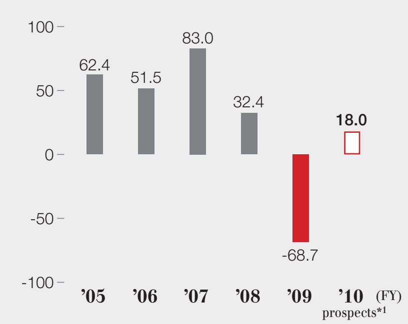
Operating Revenues
(Billions of yen)



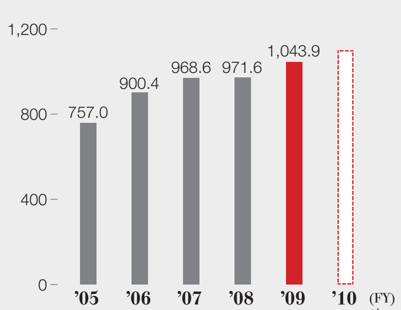
Operating Income
(Billions of yen)



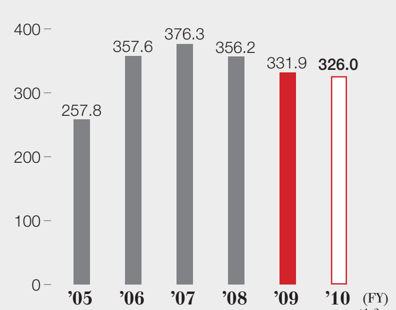
Net Income
(Billions of yen)



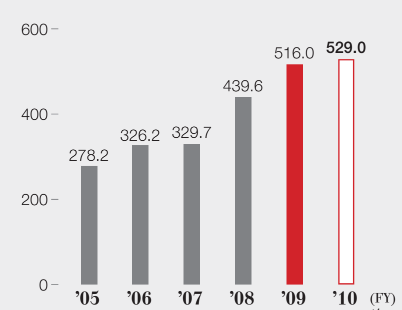
Total Assets
(Billions of yen)



Net Assets
(Billions of yen)



Interest-bearing Liabilities
(Billions of yen)



Notes: *1 Figures announced on April 27, 2010
*2 The prospected amount of shareholders' equity

Operating Results by Segment

Marine Transportation

Overall operating revenues for the marine transportation segment amounted to ¥729.684 billion, and operating loss stood at ¥59.06 billion.

[Containership Business]

In the North American trade, cargo movements to North America shipped from Asia declined, affected by the faltering U.S. economy, and the number of loaded containers of the "K" Line Group decreased by 4% from the previous year. Cargo movements to Asia shipped from North America became more active compared with the preceding year and the number of loaded containers of the "K" Line Group increased by 29% against last year. The number of loaded containers in the "K" Line Group's overall North American services rose by 6% for year-on-year basis. On European service routes, the volume of loaded containers to Northern Europe shipped from Asia dropped by 18% for year-on-year basis and those to the Mediterranean Sea shipped from Asia fell by 27% for year-on-year basis, due to the reduced services in response to the worsened supply and demand balance for tonnage. Though the number of loaded containers to Asia shipped from Northern Europe and the Mediterranean Sea increased 25% compared with a year earlier, the volume of loaded containers of the "K" Line Group on the European service routes overall fell 7% from the preceding year. As a result, the total number of loaded containers of the "K" Line Group fell by 1% for year-on-year basis. Freight rates went significantly below those of the previous year, though they began to finally show some progress towards normalization primarily on European services and the North/South services from the middle of 2nd quarter onward. The "K" Line Group strived to implement cost reduction measures, including reducing the scale of transportation and promoting the rationalization of ship operations in cooperation with other liner companies. However, both operating revenues and profits decreased compared with the previous year and an operating loss was posted as a result.

[Dry Bulk Carrier and Car Carrier Business]

In dry bulk carrier transportation, global cargo movements with large bulk carriers sharply recovered from the drop in the previous year, supported by China's brisk imports of over 600 million tons of iron ore annually and sharply increased imports of coal, which exceeded by 80 million tons compared to the level of the previous year. In addition, demurrage at loading ports for Australian coal, increases in coal transportation to India and Chinese demand for the transportation of soybeans contributed to steadily growing freight rates for Panamax class and smaller carriers. The "K" Line Group made all possible efforts to promote efficient ship operations and reductions in operating costs, while at the same time benefiting from recovered market freight rates. As a result, in the 4th quarter, the dry bulk carrier business turned upward after six quarters in terms of both operating revenues and profits compared to the same period a year earlier. However, both operating revenues and profits of the dry bulk carrier business for the full term decreased compared with the previous year, which hit a record high in the 1st half.

With respect to the car carrier business, cargo movements that had continued to be sluggish during the 1st half of fiscal year 2009 due to the worldwide recession began to recover in the 2nd half. However, the number of loaded units of the "K" Line Group for the full term dropped substantially by about 30% against the preceding year. Though the volume of the ocean transport of cars on homeward voyages increased by about 20% from a year earlier, helped by the acquisition of new contracts for car transportation to the Far East shipped from the U.S. and Europe, outward voyages of the mainstay car transportation shipped from the Far East decreased significantly by about 40% from the previous year due to decreases in volume shipped to North America. The "K" Line Group strived to carry out the scrapping of some vessels and the return of chartered vessels in response to excess vessel capacity, and at the same time endeavored to reduce costs, including reductions in fuel oil consumption through the full implementation of slow navigation. However, both the operating revenues and profits of the car carrier business decreased for year-on-year basis and an operating loss was posted.

As a result, operating revenues and profits for the overall dry bulk carrier and car carrier business for consolidated fiscal year 2009 declined for year-on-year basis.

[Energy Transportation and Tanker Business]

As for LNG transportation, while vessels under long-term transportation contracts, including one newly-built carrier, operated constantly on the whole, market freight rates for short-term chartered vessels remained at lower levels due to the slackening off of cargo movements as a result of the global recession.

As for the tanker business, three VLCCs and one petroleum products tanker that will contribute to long-term stable earnings were completed. However, both operating revenues and profits for the tanker business dropped from a year earlier, affected by depressed freight rates for small and medium-sized crude oil tankers and petroleum products tankers due to the drop in global demand.

The overall operating results of the energy transportation and tanker business decreased in terms of both operating revenues and profits for year-on-year basis and an operating loss was posted.

[Heavy Lifter Business]

The heavy lifter business grew steadily, assisted by the loading of cargo already contracted and the launching of two newly-built heavy lift vessels in the 1st half of fiscal 2009, but in the 2nd half, cargo movements of heavy loads related to petrochemical plants and infrastructure decreased as they were affected by the postponement of large-scale projects due to the worldwide economic downturn. Consequently, both operating revenues and profits declined from the preceding year.

[Coastal and Ferry Business]
In the coastal and ferry business, demand for tramp services continued to be weak in the 1st half of fiscal year 2009 due to the delayed economic recovery; however, freight rates recovered from the middle of fiscal year 2009, and steel carriers and cement carriers operated steadily. In liner services, the “K” Line Group implemented the integration of services by suspending the Tokyo/Tomakomai service and increasing services on the Hitachinaka/Tomakomai service route during the period. Consequently, the volume of general cargo transportation on the Hitachinaka/Tomakomai service route substantially increased compared with the previous year. The “K” Line Group actively promoted acquisition of new cargo transportation business on the Kitakyushu service route as well, and the volume of transportation rose compared to the previous year. In the ferry business, there was an increase in the number of transported trucks, supported by firm growth in domestic home delivery services, and the volume of cars and passengers also rose for year-on-year basis, helped by increasing demand due to hikes in gasoline prices and a rise in the number of travelers owing to the longer holiday seasons.

Logistics/Harbor Transportation
In the logistics/harbor transportation business, both operating revenues and profits for the overall logistics/harbor business decreased from the preceding year, despite being bolstered by the warehouse and port transport services business. Air forwarding business was turning towards a recovery after air cargo movements bottomed out in the 1st quarter, however, hikes in costs due to reduced services by airlines put pressure on profits. In the buyers consolidation business, profits were depressed following the global decline in ocean transportation of containers, and the container land transportation business could not contribute to profits. As a result, overall operating revenues for this segment were ¥87.918 billion, and operating income stood at ¥4.726 billion.

Other Businesses
As for other businesses not mentioned above, the overall operating revenues amounted to ¥20.431 billion, and operating income stood at ¥2.176 billion.

Prospects for Fiscal 2010

With respect to operating results for fiscal year 2010, the “K” Line Group expects ¥950 billion for operating revenues, ¥32 billion for operating income, ¥26 billion for ordinary income and ¥18 billion for net income.

With respect to containership business, cargo movements are expected to recover slowly along with the improvement of the world economy. On all service routes, the “K” Line Group will strive to promote the restoration of freight rates to ensure sustainable growth of business, and at the same time will make all possible efforts to fully implement cost reductions, including lowering operating costs through environmentally-conscious eco-slow navigation procedures, in addition to streamlining services in response to demand and making the best use of the effects of the structural business reforms implemented in the preceding year. The “K” Line Group aims to improve its performance significantly for year-on-year basis and to turn the finances to positive.

In dry bulk carrier transportation, demand for energy transportation to newly-emerging countries is expected to continue to grow steadily. As for the so-called 2010 problem of an excess supply of newly-built carriers, the sense of there being an excess of vessels will be eased due to a reduction in the actual completion of vessels and the expected rise in global demand for transportation and longer transportation distances. The “K” Line Group expects to secure stable earnings based on special-purpose vessels, including steel raw materials carriers, thermal coal carriers and paper materials carriers as well as contracts of affreightment. At the same time, efforts will be made through marketing activities based on the “K” Line Group’s global and flexible organization in order to acquire new projects and secure new profits. With regard to the car carrier business, the sluggish car market in the U.S. has hit bottom, and car transportation to Central and South America, the Middle East and Africa is recovering at a good pace. At present, car carrier business is therefore seeing brisk cargo movements. Under these circumstances, overall car transportation worldwide for fiscal year 2010 is forecast to increase by 20% for year-on-year basis, and it is expected that the number of cars transported by the “K” Line Group will also rise. The “K” Line Group will flexibly respond to changes in the business environment and continue to make efforts to reduce costs, including reductions in fuel costs through slow steaming, and enhance our services to India and China where cargo movements are expanding, while maintaining our wide-ranging service network throughout the world.

In the energy transportation and tanker business, the “K” Line Group aims to acquire competitive medium- and long-term contracts for freight rates of spot LNG carriers. As for aged carriers after the expiration of long-term contracts, the “K” Line Group will continue to respond actively to the diversified market demand for LNG carriers by promoting extensions for some of the existing contracts and transforming them into medium- and long-term lease agreements for new projects, and at the same time promote the sale of the remaining aged carriers for the purpose of conversion to receiving bases for floating LNG. With regard to the tanker business, the “K” Line Group considers that demand for petroleum in developed countries, including Japan, the U.S. and Europe will show only a slight recovery; however, demand is still strong in newly-emerging countries, thus overall market freight rates for tankers are expected to recover moderately. With regard to the relationship between supply and demand for tankers, although supply pressures will continue due to the completion of newly-built tankers, the supply/demand relationship for tankers overall will only soften to a limited extent, since the scrapping of single hull tankers will be accelerated and it is expected that there will be postponements or cancellations in the delivery of newly-built tankers, while demand for tankers for the purpose of offshore oil storage will continue.

For the overall non-liner business, the “K” Line Group expects that both operating revenues and profits will increase.

Nevertheless, the business environment surrounding the shipping industry for fiscal year 2010 is still uncertain in terms of the supply and demand relationship, foreign exchange rates and fuel oil price movements. The entire staff of the “K” Line Group will strive to secure profits and resume dividend payments. In addition, the preconditions for foreign exchange rates and fuel oil prices for fiscal year 2010 are as follows:
Exchange rate (¥/US$) : ¥90
Bunker price (US$/MT) : $500

Assets, Liabilities and Net Assets

Total assets at the end of March 2010 were ¥1,043.885 billion, an increase by ¥72.282 billion from the end of the previous fiscal year. Current assets increased by ¥26.839 billion against the end of the previous fiscal year due mainly to increases in cash and time deposits, raw material and supplies. Fixed assets increased by ¥45.443 billion compared with the end of the previous period due primarily to hikes of market prices of shareholdings and acquisition of more vessels.

Total liabilities were ¥712.020 billion, an increase by ¥96.570 billion from the end of last year. Current liabilities increased by ¥3.4 billion against the end of the preceding year, due to decreases in commercial papers and increase in trade accounts payable and short-term loans. Long-term liabilities increased by ¥93.170 billion compared with the end of last year, which is attributable primarily to an issuance of bonds and an increase in long-term debt.

Net assets dropped by ¥24.288 billion to ¥331.865 billion, due mainly to a decrease in retained earnings resulting from a net loss for the current fiscal year, despite increases in common stock and the capital surplus following the new stock issue.

As a result, the equity ratio as of end of fiscal 2009 decreased by 5.0 percentage for a year-on-year basis to 29.5%. In addition, return on equity (ROE) decreased by 30.8 percentage for year-on-year basis to -21.4%, and the debt equity ratio (DER) worsened by 0.36 point for year-on-year basis to 1.67.

Cash Flow

The total of cash and cash equivalents at the end of the current consolidated financial year were ¥92.122 billion, an increase by ¥22.422 billion from the end of previous fiscal year. The situation of each cash flow source is as follows:

Cash flow from operating activities resulted in a minus at ¥23.941 billion due mainly to a contraction of net income (previous year: + ¥77.614 billion).

Cash flow from investing activities was an outflow of ¥63.737 billion, due to expenditures for the acquisition of vessels (previous year: - ¥148.304 billion).

Cash flow from financing activities was an inflow of ¥109.410 billion owing to proceeds from borrowings (previous year: + ¥99.844 billion).

Basic Dividend Policy and Dividend Payment for the Current and Following Fiscal Year

Our most important task is to maximize returns to our shareholders while giving consideration to the main task of the management plan, which is to maintain the necessary reserves for investment in plant and equipment for sustainable growth and to improve and strengthen the fundamentals of our Group. Our policy is to gradually raise the dividend payout ratio by setting an intermediate target of a dividend payout ratio of 25% in fiscal year 2011 with the idea of achieving a payout ratio of 30% of consolidated net profits in mid-2010s.

With respect to the dividend for fiscal year 2009, unfortunately, the “K” Line Group intends to suspend dividend payments for the current fiscal year as announced in existing forecasts, since the “K” Line Group was obliged to post losses in both consolidated net income and non-consolidated net income for fiscal year 2009 due to the significantly worsened business performance.

For the next fiscal year, the “K” Line Group plans to pay an annual dividend of ¥5.5 per share focusing on the next targeted dividend payout ratio of 24%. An interim dividend will be ¥2.5 per share.

In addition, the “K” Line Group will give top priority to the maintenance of the soundness of its financial standing under the conditions of an improving business environment. The “K” Line Group will strive to promote full rationalization and cost reductions to increase the distribution of profits.

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

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

1. Rate Fluctuations

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

2. Fuel Oil Price Fluctuations

Fuel oil prices account for a major portion of the “K” Line Group’s ship operation costs. Fluctuations in fuel oil prices are influenced mainly by factors with which the “K” Line Group has no influence, such as crude oil supply and demand balance, production and pricing policies adopted by OPEC and other oil-producing nations, as well as political conditions and fluctuations in oil production performance in producing countries. Such factors are extremely difficult to predict. The Group utilizes futures contracts in order to mitigate the impact of unstable elements on its bottom line, but remarkable and sustained rises in fuel oil prices along with decreased supplies can force the “K” Line Group’s business costs upwards. This would have a negative impact on the Group’s financial situation and operating results.

3. Interest Rate Fluctuations

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

4. Public Regulation

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

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

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

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

6. Competitive Environment, etc.

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

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

7. Natural Disasters

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

8. Business Partners’ Failure to Perform Contracts

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

9. Non-achievement of “K” Line Medium-term Management Plan

In January 2010, the “K” Line Group revised its medium-term management plan, “K” LINE Vision 100, and formulated “K” LINE Vision 100 KV2010. Henceforth, we intend to do our utmost to carry out this medium-term management plan. However, it is possible that measures for carrying out the medium-term management plan may be affected by the above-mentioned external factors so that we will not be able to achieve the goals.

10. Non-achievement of Investment Plans

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

11. Losses from Disposal of Vessels, etc.

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

12. Fixed Asset Impairment Losses

With respect to fixed assets such as vessels owned by the “K” Line Group, recovery of the amount invested may not be possible due to a downturn in profitability. The “K” Line Group’s financial position and operating results may be adversely affected when such asset impairment losses are realized.

13. Reversal of Deferred Tax Assets

Based on estimated future taxable income, the “K” Line Group assesses the possibility of recognition of deferred tax assets. When a conclusion is reached that, due to a decline in earning capacity, it cannot be guaranteed that there will be sufficient taxable income in the future, deferred tax assets are reversed and a tax expense incurred. This may adversely affect the “K” Line Group’s financial position and operating results.

* Matters referring to the future are as judged by the “K” Line Group as of the end of March 2010. In addition, the items discussed here do not necessarily represent every risk to the “K” Line Group.

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

	Millions of yen					
Consolidated	2010	2009	2008	2007	2006	2005
Operating revenues	¥ 838,033	¥1,244,317	¥1,331,048	¥1,085,539	¥940,819	¥828,444
Operating income	(52,075)	71,604	129,649	61,357	87,976	108,054
As a percentage of operating revenues	—	5.8%	9.7%	5.7%	9.4%	13.0%
Net income	(68,721)	32,421	83,012	51,514	62,424	59,853
Total assets	1,043,885	971,603	968,630	900,439	757,040	605,331
Shareholders' equity (until 2006)/ Net assets (since 2007)	331,865	356,153	376,277	357,625	257,810	181,276
As a percentage of total assets	29.5%	34.5%	36.7%	38.3%	34.1%	29.9%
Interest-bearing liabilities	516,001	439,622	329,716	326,187	278,234	239,249
As a percentage of total assets	49.4%	45.2%	34.0%	36.2%	36.8%	39.5%
Debt-to-equity ratio	1.67	1.31	0.93	0.95	1.08	1.32
Return on equity	—	9.4%	23.7%	17.1%	28.4%	39.6%
Interest coverage ratio	—	12.61	27.69	15.97	16.16	19.47
Financial income and expenses	(6,015)	(1,218)	1,441	1,468	(1,122)	(2,517)
Depreciation and amortization	45,281	39,427	36,362	32,294	28,623	24,634

Notes: (1) Effective March 31, 2005, the Company and its domestic consolidated subsidiaries opted for early adoption of a new accounting standard for the impairment of fixed assets. The effect of the adoption of this new standard was to decrease income before income taxes by ¥7,038 million for the year ended March 31, 2005.

(2) Effective the year ended March 31, 2007, the Company has adopted "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8). Total shareholders' equity at March 31, 2007 under the previous method of presentation amounted to ¥330,260 million.

(3) Effective the year ended March 31, 2008, the Company and certain consolidated subsidiaries have recognized the revenues from container vessels in accordance with the course of transportation time on each cargo. The effect of this adoption was to decrease marine transportation and other operating revenues, operating income, and income before income taxes and minority interests decreased by ¥11,791 million for the year ended March 31, 2008.

(4) Effective the year ended March 31, 2008, the Company and domestic consolidated subsidiaries have changed their method of depreciation based on an amendment to the Japanese Corporation Tax Law (Law for Partial Amendment of Income Tax Law, etc. (Law No. 6 of March 30, 2007) and Cabinet Order for Partial Amendment of Enforcement Order of Corporation Tax Law (Cabinet Order No. 83, March 30, 2007) for tangible fixed assets acquired on or after April 1, 2007. The effect of this adoption on profit and loss was immaterial for the year ended March 31, 2008.

(5) Effective the year ended March 31, 2008, the Company and domestic consolidated subsidiaries have changed their method of depreciation based on an amendment to the Corporation Tax Law of Japan for tangible fixed assets acquired on or prior to March 31, 2007. Such tangible fixed assets are to be depreciated based on the difference between the equivalent of 5% of acquisition cost and memorandum value over a period of 5 years once they have been fully depreciated to the limits of their respective depreciable amounts effective April 1, 2007. The effect of this adoption was to decrease marine transportation and other operating revenues, operating income, and income before income taxes by ¥609 million for the year ended March 31, 2008.

(6) Effective the year ended March 31, 2009, the Company and domestic consolidated subsidiaries have adopted "Accounting Standard for Lease Transactions" (Financial Accounting Council on June 17, 1993, and revised by the Accounting Standards Board of Japan ("ASBJ") on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (Financial Accounting Standard Implementation Guidance No. 16, originally issued by the Accounting System Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994, and revised by the ASBJ on March 30, 2007). There was no material impact on the financial statements as a result of the adoption of the accounting standards for the year ended March 31, 2009.

(7) Effective the year ended March 31, 2009, the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statement" and took necessary amendment in consolidated financial statement (Accounting Standards Board of Japan (ASBJ) Statement No. 18, which were issued on May 17, 2006). The adoption of this accounting standard had slight effect on the consolidated statement of income for the year ended March 31, 2009.

	Millions of yen					
Non-Consolidated	2010	2009	2008	2007	2006	2005
Operating revenues	¥631,747	¥960,109	¥1,063,705	¥857,279	¥742,569	¥658,700
Operating income	(59,463)	24,613	89,715	28,103	56,679	85,288
As a percentage of operating revenues	—	2.6%	8.4%	3.3%	7.6%	12.9%
Net income	(56,950)	799	58,939	25,250	38,820	49,012
Total assets	569,028	498,022	541,450	518,501	481,542	376,345
Shareholders' equity (until 2006)/ Net assets (since 2007)	205,952	225,505	258,075	241,181	188,966	143,019
As a percentage of total assets	36.2%	45.3%	47.7%	46.5%	39.2%	38.0%
Interest-bearing liabilities	238,690	177,027	91,124	133,109	145,129	108,421
As a percentage of total assets	41.9%	35.5%	16.8%	25.7%	30.1%	28.8%
Debt-to-equity ratio	1.16	0.79	0.35	0.55	0.77	0.76
Return on equity	—	0.3%	23.6%	11.7%	23.4%	40.9%
Interest coverage ratio	—	—	39.03	8.64	18.98	25.35
Financial income and expenses	9,674	4,117	5,531	5,523	1,342	1,017
Depreciation and amortization	6,171	8,371	7,329	6,815	7,503	6,114

Notes: (1) Effective March 31, 2005, the Company opted for early adoption of a new accounting standard for the impairment of fixed assets. The effect of the adoption of this new standard was to decrease income before income taxes by ¥4,684 million for the year ended March 31, 2005.

(2) Effective the year ended March 31, 2007, the Company has adopted "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8). Total shareholders' equity at March 31, 2007 under the previous method of presentation amounted to ¥231,961 million.

(3) Effective the year ended March 31, 2008, the Company has recognized the revenues from container vessels in accordance with the course of transportation time on each cargo. The effect of this adoption was to decrease marine transportation and other operating revenues, operating income, and income before income taxes and minority interests decreased by ¥11,669 million for the year ended March 31, 2008.

(4) Effective the year ended March 31, 2008, the Company has changed its method of depreciation based on an amendment to the Japanese Corporation Tax Law (Law for Partial Amendment of Income Tax Law, etc. (Law No. 6 of March 30, 2007) and Cabinet Order for Partial Amendment of Enforcement Order of Corporation Tax Law (Cabinet Order No. 83, March 30, 2007) for tangible fixed assets acquired on or after April 1, 2007. The effect of this adoption on profit and loss was immaterial for the year ended March 31, 2008.

(5) Effective the year ended March 31, 2008, the Company has changed its method of depreciation based on an amendment to the Corporation Tax Law of Japan for tangible fixed assets acquired on or prior to March 31, 2007. Such tangible fixed assets are to be depreciated based on the difference between the equivalent of 5% of acquisition cost and memorandum value over a period of 5 years once they have been fully depreciated to the limits of their respective depreciable amounts effective April 1, 2007. The effect of this adoption was to decrease marine transportation and other operating revenues, operating income, and income before income taxes by ¥425 million for the year ended March 31, 2008.

(6) Effective the year ended March 31, 2009, the Company has adopted "Accounting Standard for Lease Transactions" (Financial Accounting Council on June 17, 1993, and revised by the Accounting Standards Board of Japan ("ASBJ") on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (Financial Accounting Standard Implementation Guidance No. 16, originally issued by the Accounting System Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994, and revised by the ASBJ on March 30, 2007). There was no material impact on the financial statements as a result of the adoption of the accounting standards for the year ended March 31, 2009.

Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
March 31, 2010 and 2009

Assets	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 1(a)) 2010
Current assets:			
Cash and deposits (Notes 3 and 16)	¥ 96,059	¥ 73,145	$ 1,032,448
Marketable securities (Notes 3 and 4)	0	1	0
Accounts and notes receivable – trade (Note 3)	76,675	72,740	824,108
Allowance for doubtful receivables	(493)	(504)	(5,299)
Inventories (Note 5)	26,595	20,072	285,845
Prepaid expenses and deferred charges	27,082	22,964	291,079
Deferred income taxes (Note 9)	11,537	978	124,000
Other current assets	23,871	45,091	256,568
Total current assets	261,326	234,487	2,808,749
Investments and other assets:			
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 3)	42,856	37,317	460,619
Investments in securities (Notes 3, 4 and 8)	83,201	62,712	894,250
Long-term loans receivable	7,567	8,829	81,331
Deferred income taxes (Note 9)	33,232	10,103	357,180
Other assets	17,452	24,368	187,575
Allowance for doubtful receivables	(5,566)	(891)	(59,824)
Total investments and other assets	178,742	142,438	1,921,131
Vessels, property and equipment:			
Vessels (Notes 6 and 8)	623,776	629,587	6,704,385
Buildings, structures and equipment (Note 8)	105,941	104,294	1,138,661
Accumulated depreciation	(317,252)	(342,061)	(3,409,845)
	412,465	391,820	4,433,201
Land (Notes 6, 8 and 13)	30,995	30,990	333,136
Construction in progress (Note 6)	146,402	155,653	1,573,538
Vessels, property and equipment, net	589,862	578,463	6,339,875
Intangible assets:			
Goodwill, net (Note 7)	7,393	10,229	79,460
Other intangible assets	6,562	5,986	70,529
Total intangible assets	13,955	16,215	149,989
Total assets (Note 18)	¥1,043,885	¥971,603	$11,219,744

Liabilities and net assets	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 1(a)) 2010
Current liabilities:			
Short-term loans (Notes 3 and 8)	¥ 11,545	¥ 13,102	$ 124,086
Commercial paper (Note 8)	9,000	22,000	96,733
Current portion of long-term debt (Notes 3 and 8)	52,938	42,241	568,981
Accounts and notes payable – trade (Note 3)	70,311	63,059	755,707
Advances received	19,010	16,739	204,321
Current portion of obligations under finance leases	1,080	588	11,608
Accrued income taxes (Note 9)	3,126	4,527	33,598
Deferred income taxes (Note 9)	1,292	1,772	13,887
Other current liabilities	22,652	23,526	243,465
Total current liabilities	190,954	187,554	2,052,386
Long-term liabilities:			
Long-term debt, less current portion (Notes 3 and 8)	439,097	358,653	4,719,443
Allowance for employees' retirement benefits (Note 11)	8,009	8,526	86,081
Allowance for directors' and corporate auditors' retirement benefits	2,002	1,942	21,518
Accrued expenses for overhaul of vessels	17,771	20,236	191,004
Obligations under finance leases, less current portion	2,340	3,038	25,150
Deferred income taxes (Note 9)	2,431	2,304	26,129
Deferred income taxes on land revaluation (Note 13)	2,633	2,635	28,300
Other long-term liabilities	46,783	30,562	502,826
Total long-term liabilities	521,066	427,896	5,600,451
Commitments and contingent liabilities (Note 14)			
Net assets:			
Shareholders' equity (Note 12):			
Common stock: Authorized — 2,000,000,000 shares in 2010 and 2009 Issued — 765,382,298 shares in 2010, and 638,882,298 in 2009	65,032	45,869	698,968
Capital surplus	49,877	30,714	536,081
Retained earnings	229,661	298,638	2,468,411
Less treasury stock, at cost — 1,808,450 shares in 2010, and 1,737,676 in 2009	(950)	(938)	(10,210)
Total shareholders' equity	343,620	374,283	3,693,250
Valuation and translation adjustments:			
Net unrealized holding gain (loss) on investments in securities (Note 4)	8,545	(4,875)	91,842
Deferred loss on hedges (Note 15)	(28,936)	(17,708)	(311,006)
Revaluation reserve for land (Note 13)	2,045	2,048	21,980
Translation adjustments	(17,152)	(18,975)	(184,351)
Total valuation and translation adjustments	(35,498)	(39,510)	(381,535)
Minority interests in consolidated subsidiaries	23,743	21,380	255,192
Total net assets	331,865	356,153	3,566,907
Total liabilities and net assets	¥1,043,885	¥971,603	$11,219,744

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

Consolidated Statements of Operations

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2010	2009	2010
Marine transportation and other operating revenues (Note 18)	¥838,033	¥1,244,317	$ 9,007,233
Marine transportation and other operating costs and expenses	824,023	1,105,346	8,856,653
Gross operating income	14,010	138,971	150,580
Selling, general and administrative expenses	66,085	67,367	710,286
Operating (loss) income (Note 18)	(52,075)	71,604	(559,706)
Other income (expenses):			
Interest and dividend income	2,744	4,964	29,493
Interest expense	(8,759)	(6,181)	(94,142)
Equity in (losses) earnings of affiliates	(380)	1,120	(4,084)
Exchange loss, net	(1,893)	(11,832)	(20,346)
Loss on cancellation of derivatives contracts	(6,915)	(981)	(74,323)
Gain on sales of vessels, property and equipment, net	10,529	3,683	113,166
Loss on impairment of fixed assets (Note 6)	(8,906)	(107)	(95,722)
Loss on devaluation of investments in securities, net	(433)	(17,813)	(4,654)
Loss on cancellation of chartered vessels	(22,832)	(1,656)	(245,400)
Loss on amendments to shipbuilding contracts	(11,319)	—	(121,657)
Other, net	3,883	2,972	41,734
	(44,281)	(25,831)	(475,935)
(Loss) income before income taxes and minority interests	(96,356)	45,773	(1,035,641)
Income taxes (Note 9)**:**			
Current	3,847	6,997	41,348
Deferred	(34,132)	1,189	(366,853)
Total income taxes	(30,285)	8,186	(325,505)
Minority interests	2,650	5,166	28,482
Net (loss) income	¥ (68,721)	¥ 32,421	$ (738,618)

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

Consolidated Statements of Changes in Net Assets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2010	2009	2010
Shareholders' equity:			
Common stock:			
Balance at beginning of year	¥ 45,869	¥ 45,819	$ 493,003
Issuance of new shares	19,163	50	205,965
Balance at end of year	65,032	45,869	698,968
Capital surplus:			
Balance at beginning of year	30,714	30,664	330,116
Issuance of new shares	19,163	50	205,965
Balance at end of year	49,877	30,714	536,081
Retained earnings:			
Balance at beginning of year	298,638	281,384	3,209,781
Effect of changes in accounting method of overseas consolidated subsidiaries	—	180	—
Cash dividends	—	(17,534)	—
Net (loss) income	(68,721)	32,421	(738,618)
Disposal of treasury stock	(6)	(13)	(64)
Reversal of the revaluation reserve for land	3	2,134	32
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other	(253)	66	(2,720)
Balance at end of year	229,661	298,638	2,468,411
Treasury stock, at cost:			
Balance at beginning of year	(938)	(929)	(10,082)
Purchase of treasury stock	(27)	(56)	(290)
Disposal of treasury stock	15	47	162
Balance at end of year	¥ (950)	¥ (938)	$ (10,210)
Valuation and translation adjustments:			
Net unrealized holding gain (loss) on investments in securities:			
Balance at beginning of year	¥ (4,875)	¥ 17,809	$ (52,397)
Net changes during the year	13,420	(22,684)	144,239
Balance at end of year	8,545	(4,875)	91,842
Deferred loss on hedges:			
Balance at beginning of year	(17,708)	(23,141)	(190,327)
Net changes during the year	(11,228)	5,433	(120,679)
Balance at end of year	(28,936)	(17,708)	(311,006)
Revaluation reserve for land:			
Balance at beginning of year	2,048	4,186	22,012
Net changes during the year	(3)	(2,138)	(32)
Balance at end of year	2,045	2,048	21,980
Translation adjustments:			
Balance at beginning of year	(18,975)	(29)	(203,945)
Net changes during the year	1,823	(18,946)	19,594
Balance at end of year	(17,152)	(18,975)	(184,351)
Minority interests in consolidated subsidiaries:			
Balance at beginning of year	21,380	20,514	229,794
Net changes during the year	2,363	866	25,398
Balance at end of year	23,743	21,380	255,192
Total net assets	¥331,865	¥356,153	$3,566,907

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

Consolidated Statements of Cash Flows

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2010	2009	2010
Cash flows from operating activities:			
(Loss) income before income taxes and minority interests	¥(96,356)	¥ 45,773	$(1,035,641)
Adjustments to reconcile (loss) income before income taxes and minority interests to net cash (used in) provided by operating activities:			
Depreciation and amortization	45,281	39,427	486,683
Reversal of employees' retirement benefits	(519)	(1,142)	(5,578)
Decrease in accrued expenses for overhaul of vessels	(2,488)	(4,031)	(26,741)
Provision for (reversal of) directors' and corporate auditors' retirement benefits	57	(64)	613
Interest and dividend income	(2,744)	(4,964)	(29,493)
Interest expense	8,759	6,181	94,142
(Increase) decrease in other current assets	(3,865)	15,409	(41,541)
Loss (gain) on sales of investments in securities, net	172	(452)	1,849
Gain on sales of vessels, property and equipment, net	(10,529)	(3,683)	(113,166)
Loss on impairment of fixed assets	8,906	—	95,722
Loss on cancellation of chartered vessels	22,832	1,656	245,400
Loss on amendments to shipbuilding contracts	11,319	—	121,657
Loss on cancellation of derivatives contracts	6,915	981	74,323
Changes in operating assets and liabilities:			
(Increase) decrease in accounts and notes receivable-trade	(1,620)	22,885	(17,412)
Increase (decrease) in accounts and notes payable-trade	6,326	(11,853)	67,992
(Increase) decrease in inventories	(6,473)	13,416	(69,572)
Other, net	10,998	11,123	118,208
Subtotal	(3,029)	130,662	(32,555)
Interest and dividends received	2,756	4,959	29,622
Interest paid	(8,539)	(6,154)	(91,778)
Income taxes paid	(5,300)	(51,853)	(56,965)
Income taxes refunded	16,937	—	182,040
Payment for cancellation of derivatives contracts	(3,473)	—	(37,328)
Payment for cancellation of chartered vessels	(22,832)	—	(245,400)
Payment for amendments to shipbuilding contracts	(461)	—	(4,955)
Net cash (used in) provided by operating activities	¥(23,941)	¥ 77,614	$ (257,319)

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2010	2009	2010
Cash flows from investing activities:			
Purchases of marketable securities and investments in securities	¥ (9,023)	¥ (28,326)	$ (96,980)
Proceeds from sales of marketable securities and investments in securities	2,926	3,910	31,449
Purchases of vessels, property and equipment	(178,174)	(164,711)	(1,915,026)
Proceeds from sales of vessels, property and equipment	119,642	48,036	1,285,920
Increase in intangible assets	(1,671)	(1,285)	(17,960)
Increase in long-term loans receivable	(22,210)	(13,125)	(238,714)
Collection of long-term loans receivable	27,551	34,614	296,120
Other, net	(2,778)	(27,417)	(29,858)
Net cash used in investing activities	(63,737)	(148,304)	(685,049)
Cash flows from financing activities:			
Decrease in short-term loans, net	(896)	(5,852)	(9,630)
(Decrease) increase in commercial paper	(13,000)	22,000	(139,725)
Proceeds from long-term debt	102,816	140,954	1,105,073
Repayment of long-term debt and obligations under finance leases	(51,140)	(37,650)	(549,656)
Proceeds from issuance of bonds	35,111	—	377,375
Redemption of bonds	(189)	—	(2,031)
Proceeds from issuance of common stock	38,105	—	409,555
Cash dividends paid	(38)	(17,529)	(408)
Cash dividends paid to minority shareholders	(3,186)	(2,924)	(34,243)
Proceeds from stock issuance to minority shareholders	1,844	867	19,819
Other, net	(17)	(22)	(183)
Net cash provided by financing activities	109,410	99,844	1,175,946
Effect of exchange rate changes on cash and cash equivalents	546	(7,506)	5,867
Net increase in cash and cash equivalents	22,278	21,648	239,445
Cash and cash equivalents at beginning of year	69,700	48,044	749,140
Increase in cash and cash equivalents arising from initial consolidation of subsidiaries	144	8	1,548
Cash and cash equivalents at end of year (Note 16)	¥ 92,122	¥ 69,700	$ 990,133

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

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
March 31, 2010

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, 2009 to the 2010 presentation. Such reclassifications had no effect on consolidated net income or net assets.

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at ¥93.04=U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2010 on the Tokyo Foreign Exchange Market. 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 319 and 311 subsidiaries for the years ended March 31, 2010 and 2009, 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 and negative goodwill are, as a rule, amortized by the straight-line method over a period of five years.

(c) Accounting period

Most of the consolidated subsidiaries have a December 31 year end which does not accord with that of the Company. As a result, adjustments have been made for any significant transactions which took place during the period between the year end of these subsidiaries and the year end of the Company.

(d) Translation of foreign currencies

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

(e) Translation of accounts of overseas consolidated subsidiaries

The accounts of the overseas consolidated subsidiaries, except for the components of net assets excluding minority interests of consolidated subsidiaries, are translated into yen at the rates of exchange in effect at the balance sheet date. The components of net assets excluding minority interests of consolidated subsidiaries are translated at their historical exchange rates. Differences arising from translation are presented as translation adjustments and minority interests in the accompanying consolidated balance sheets.

(f) Cash and cash equivalents

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

(g) Allowance for doubtful receivables

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

(h) Inventories

Inventories are stated at the lower of cost or net selling value, cost being determined by the moving average method.

(i) Investments in securities

Securities are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain or loss, both realized and unrealized, are credited or charged to income. Held-to-maturity debt securities are stated at their amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of net assets. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

Under the Corporation Law of Japan (the "Law"), 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

Vessels, property and equipment, except for land are stated at cost (see Note 13).

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

The depreciation of property and equipment is computed principally by the declining-balance method over the estimated useful lives of the respective assets.

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

(k) Capitalization of interest expense

Interest expense is generally charged to income as incurred. However, interest expense incurred in the construction of certain vessels is capitalized and included in the costs of the assets if the construction period is substantially long and the amount of interest incurred during the period is significantly large.

(l) Leases

Leased assets under finance lease transactions that 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) Retirement benefits

The Company and its domestic consolidated subsidiaries have employees' defined benefit pension plans and retirement benefit plans. Certain overseas consolidated subsidiaries also have employees' defined benefit pension plans.

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

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

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

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

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

(n) 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.

(o) Derivatives and hedging activities

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

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

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

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

(p) 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.

(q) Distribution of retained earnings

Under the Law 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.

(r) 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, by container, 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.

2. Changes in Method of Accounting

(a) Financial Instruments

Effective the year ended March 31, 2010, the Company and its consolidated subsidiaries have adopted "Accounting Standard on Financial Instruments" and "Guidance on Disclosures about Fair Value of Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10 and ASBJ Guidance No. 19, issued March 10, 2008).

(b) Leases

Effective the year ended March 31, 2009, the Company and certain domestic consolidated subsidiaries have adopted "Accounting Standard for Lease Transactions" (Statement No. 13, originally issued by the First Committee of the Business Accounting Council on June 17, 1993, and revised by ASBJ on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (Implementation Guidance No. 16, originally issued by the Accounting System Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994, and revised by the ASBJ on March 30, 2007). Under these accounting standards, a lease is classified as a finance lease if substantially all of the benefits and risks of ownership have been transferred to the lessee.

The effect of this adoption on the consolidated operating results for the year ended March 31, 2009 was immaterial.

(c) Employees' retirement benefits

Effective the year ended March 31, 2010, the Company and its consolidated subsidiaries have adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, issued on July 31, 2008). The adoption of this standard had no effect on the consolidated operating results for the year ended March 31, 2010.

(d) Accounting method of overseas consolidated subsidiaries

Effective the year ended March 31, 2009, the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18, issued on May 17, 2006) and made necessary adjustments in consolidated financial statements. The effect of this adoption on the consolidated operating results for the year ended March 31, 2009 was immaterial.

3. Financial Instruments

Status of financial instruments

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

Trade accounts and notes receivables are exposed to credit risk in the event of the nonperformance by counterparties. As revenues from marine transportation are mainly denominated in foreign currencies, trade receivables are exposed to foreign currency exchange risk and a portion of them, net of trade payables denominated in the same foreign currencies, are hedged by forward foreign exchange contracts. Future trade receivables such as for freight and chartered vessels, are exposed to market risks, and some of them are hedged by forward freight agreements. The Group holds marketable securities and investment 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 account and notes payables which have payment due dates within one year. Funds for certain capital expenditures, such as construction of vessels denominated in foreign currency, are exposed to foreign currency exchange risk, some of which are hedged by forward foreign exchange contracts. Future trade payables such as payments for bunker fuel are exposed to the risk of fluctuation of market prices, and some of them are hedged by 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 fifteen years subsequent to the balance sheet date. Certain elements of these transactions are exposed to interest rate fluctuation risk. The Group hedges this risk by entering into interest rate swap transactions. The Group has entered into currency swap contracts to minimize foreign currency exchange risk against trade payables.

Regarding derivatives, the Group has entered into: ① forward foreign exchange contracts and currency swaps to hedge foreign currency exchange risk arising from receivables and payables denominated in foreign currencies and funds for business investment; ② bunker swaps 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 swaps to hedge the risk of interest rate fluctuation arising from interest payables for long-term payables and bonds. For information on hedge accounting policies of the Group, see 1. Summary of Significant Accounting Policies (o) Derivatives and hedging activities.

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

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

For trade receivables and payables denominated in foreign currencies and future loans related investment in vessels, the Company has entered into currency swap and forward foreign exchange contracts to hedge foreign currency exchange risk rate fluctuation, and interest swaps to minimize interest rate fluctuation risk. For marketable securities and investment 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 in accordance with internal regulations.

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

The Company manages liquidity risk by maintaining liquid instruments based on reports from each business group.

The fair value of financial instruments is based on market value, if available. When there is no market price, fair value is reasonably estimated. Fair value can fluctuate because different assumptions may be adopted for calculation of fair value considering various factors. In addition, the notional amount of derivatives in Note 15. Derivatives and Hedging Activities are not necessarily indicative of the actual market exposure involved in the derivative transactions.

Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the consolidated balance sheet as of March 31, 2010 and unrealized losses 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		
	2010		
	Carrying value	Estimated fair value	Unrealized loss
Assets			
Cash and deposits	¥ 96,059	¥ 96,059	¥ —
Accounts and notes receivable - trade	76,675	76,675	—
Investments in securities	76,905	73,854	(3,051)
Total assets	249,639	246,588	(3,051)
Liabilities			
Accounts and notes payable - trade	70,311	70,311	—
Short-term loans, inclusive of current portion of long-term loans	61,960	62,137	(177)
Bonds	90,329	90,391	(62)
Long-term debt, exclusive of bonds	348,768	349,989	(1,221)
Total liabilities	571,368	572,828	(1,460)
Derivative transactions*	¥ (40,885)	¥ (41,912)	¥ (1,027)

	Thousands of U.S. dollars		
	2010		
	Carrying value	Estimated fair value	Unrealized loss
Assets			
Cash and deposits	$1,032,448	$1,032,448	$ —
Accounts and notes receivable - trade	824,108	824,108	—
Investments in securities	826,580	793,788	(32,792)
Total assets	2,683,136	2,650,344	(32,792)
Liabilities			
Accounts and notes payable - trade	755,707	755,707	—
Short-term loans, inclusive of current portion of long-term loans	665,951	667,853	(1,902)
Bonds	970,862	971,528	(666)
Long-term debt, exclusive of bonds	3,748,581	3,761,705	(13,124)
Total liabilities	6,141,101	6,156,793	(15,692)
Derivative transactions*	$ (439,435)	$ (450,473)	$ (11,038)

* The value of assets and liabilities arising from derivatives 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 is based on carrying value as most of them are settled within the short term.

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

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

Fair value of bonds is based on mainly market prices.

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

The financial instruments whose fair value is difficult to determine as of March 31, 2010 are summarized as follows.

	Millions of yen	Thousands of U.S. dollars
	2010	
	Amount on balance sheet	
Unlisted investments in securities	¥36,011	$387,049

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, 2010 for financial instruments receivable and held-to-maturity debt securities is summarized as follows:

	Millions of yen			
	2010			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	¥ 96,059	¥ —	¥ —	¥ —
Notes/accounts receivable	76,675	—	—	—
Investments in securities				
Held-to-maturity securities				
(1) Government and municipal bonds	—	2	1	—
(2) Corporate bonds	—	2,326	—	—
Notes/accounts payable	70,311	—	—	—
Total	¥243,045	¥2,328	¥ 1	¥ —

	Thousands of U.S. dollars			
	2010			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	$1,032,448	$ —	$ —	$ —
Notes/accounts receivable	824,108	—	—	—
Investments in securities				
Held-to-maturity securities				
(1) Government and municipal bonds	—	21	11	—
(2) Corporate bonds	—	25,000	—	—
Notes/accounts payable	755,707	—	—	—
Total	$2,612,263	$25,021	$ 11	$ —

4. Marketable Securities and Investments in Securities

At March 31, 2010 and 2009, marketable securities and investments in securities with quoted market prices which are classified as other securities are summarized as follows:

	Millions of yen					
	2010			2009		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	¥56,199	¥71,812	¥15,613	¥24,363	¥32,807	¥ 8,444
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	576	536	(40)	32,949	19,500	(13,449)
Total	¥56,775	¥72,348	¥15,573	¥57,312	¥52,307	¥ (5,005)

	Thousands of U.S. dollars		
	2010		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	$604,030	$771,840	$167,810
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	6,191	5,761	(430)
Total	$610,221	$777,601	$167,380

* The above table does not include unlisted equity securities (as reflected in the accompanying consolidated balance sheet in the amounts of ¥8,421 million ($90,509 thousand) at March 31, 2010, and ¥10,303 million at March 31, 2009) due to the difficulty of measuring fair value without available quoted market prices.

Proceeds from sales of investments in securities classified as other securities for the years ended March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Proceeds from sales	¥2,006	¥3,889	$21,561
Aggregate gain	182	463	1,956
Aggregate loss	183	2	1,967

5. Inventories

Inventories as of March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Raw materials and supplies	¥26,511	¥19,974	$284,942
Others	84	98	903
Total	¥26,595	¥20,072	$285,845

6. Loss on Impairment of Fixed Assets

The Company and its consolidated subsidiaries recognized loss on impairment of fixed assets in the accompanying consolidated financial statement for the year ended March 31, 2010.

Loss on impairment of fixed assets consisted of the following:

Asset Description	Usage	Classification	Millions of yen	Thousands of U.S. dollars
Assets for containership business	Assets for containership business	Vessels and construction in progress	¥8,898	$95,636
Others	Idle assets	Land	8	86
Total			¥8,906	$95,722

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

Since profitability of the containership business has shown marked deterioration, their carrying value was reduced to their respective recoverable amounts and a loss on impairment was recognized. The recoverable amount is measured as the net selling value, and the net selling value is reasonably measured by third party.

Since the idle assets' carrying value was deemed to be irretrievably lower than their respective recoverable amounts mainly due to decreasing land prices, their carrying value was reduced to their respective recoverable amounts and the loss on impairment was recognized. The recoverable amount is measured as the net selling value, and the net selling value is reasonably measured mainly by appraisers.

Disclosure of corresponding information for impairment loss for the year ended March 31, 2009 is omitted due to immateriality.

7. Goodwill

Goodwill and negative goodwill as of March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Goodwill	¥7,456	¥10,344	$80,137
Negative goodwill	(63)	(115)	(677)
Net	¥7,393	¥10,229	$79,460

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

Short-term loans from banks and insurance companies had average interest rates of 0.86 per cent and 1.76 per cent per annum at March 31, 2010 and 2009, respectively.

Commercial paper had an average interest rate of 0.16 per cent and 0.95 per cent per annum at March 31, 2010 and 2009, respectively.

Long-term debt at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Loans from banks and insurance companies due in installments from April 2010 through December 2028 at average interest rates of 1.24 per cent and 1.99 per cent per annum at March 31, 2010 and 2009, respectively, for fixed-rate loans, and at variable rates for floating-rate loans	¥399,183	¥343,253	$4,290,445
Euro-yen zero coupon convertible bonds with stock acquisition rights in Japanese yen, due March 22, 2011	2,145	2,145	23,055
Euro-yen zero coupon convertible bonds with stock acquisition rights in Japanese yen, due April 4, 2013	25,496	25,496	274,032
1.48 per cent bonds in Japanese yen, due December 14, 2011	15,000	15,000	161,221
1.83 per cent bonds in Japanese yen, due April 14, 2014	15,000	15,000	161,221
1.46 per cent bonds in Japanese yen, due June 19, 2014	30,000	—	322,442
TIBOR bonds in Japanese yen, final due July 16, 2019	5,211	—	56,008
Total	492,035	400,894	5,288,424
Less: Current portion	(52,938)	(42,241)	(568,981)
	¥439,097	¥358,653	$4,719,443

The euro-yen zero coupon convertible bonds with stock acquisition rights due 2011 are convertible at ¥700 ($7.52) per share subject to adjustment for certain events including stock splits.

At March 31, 2010, if all the outstanding convertible bonds had been converted at the above conversion price, 3,064 thousand new shares of common stock would have been issuable.

The euro-yen zero coupon convertible bonds with stock acquisition rights due 2013 are convertible at ¥851 ($9.15) per share subject to adjustment for certain events including stock splits.

At March 31, 2010, if all the outstanding convertible bonds had been converted at the above conversion price, 29,960 thousand new shares of common stock would have been issuable.

The aggregate annual maturities of long-term debt subsequent to March 31, 2010 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 52,938	$568,981
2012	69,933	751,644
2013	49,175	528,536
2014	87,465	940,080
2015	88,536	951,591
2016 and thereafter	143,988	1,547,592
Total	¥492,035	$5,288,424

A summary of assets pledged as collateral at March 31, 2010 for short-term loans and the current portion of long-term loans in the amount of ¥22,804 million ($245,099 thousand), long-term debt of ¥183,847 million ($1,976,000 thousand) and debt to be incurred in the future is presented below:

	Millions of yen	Thousands of U.S. dollars
Vessels at net book value	¥258,766	$2,781,234
Buildings and structures at net book value	12,483	134,168
Investments in securities	8,181	87,930
Other	5,176	55,632

9. 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 a statutory tax rate of approximately 37.6 per cent for the years ended March 31, 2010 and 2009.

A reconciliation between the statutory tax rate and the effective tax rate as a percentage of income before income taxes and minority interests for the year ended March 31, 2010 has been omitted as the Company and its consolidated subsidiaries recorded loss before income taxes and minority interests for the year ended March 31, 2010.

The effective tax rate reflected in the accompanying consolidated statement of operations for the year ended March 31, 2009 differs from the statutory tax rate for the following reasons:

	2009
Statutory tax rate	37.6%
Difference in statutory tax rates of consolidated subsidiaries	(22.8)
Amortization of goodwill	2.2
Other	0.9
Effective tax rate	17.9%

Temporary differences which gave rise to a significant portion of the deferred tax assets and liabilities at March 31, 2010 and 2009 and their net tax effect are analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Allowance for employees' retirement benefits	¥ 2,900	¥ 2,867	$ 31,169
Loss on impairment of fixed assets	1,643	1,704	17,659
Elimination of intercompany profit	1,100	1,145	11,823
Non-deductible allowances	13,925	2,375	149,667
Accounts and notes payable – trade	3,653	4,551	39,263
Deferred loss on hedges	7,974	—	85,705
Unrealized holding loss on investments in securities	—	5,914	—
Net operating loss carry forwards	24,311	2,317	261,296
Other	3,723	1,516	40,015
Gross deferred tax assets	59,229	22,389	636,597
Valuation allowance	(3,164)	(3,053)	(34,007)
Total deferred tax assets	56,065	19,336	602,590
Deferred tax liabilities:			
Reserve for special depreciation	(1,313)	(1,657)	(14,112)
Deferred gain on tangible fixed assets for tax purposes	(2,191)	(3,131)	(23,549)
Unrealized holding gain on investments in securities	(7,487)	(3,366)	(80,471)
Accelerated depreciation in overseas subsidiaries	(1,371)	(2,520)	(14,736)
Tax effect of undistributed earnings of overseas subsidiaries and affiliates accounted for by the equity method	(489)	(482)	(5,256)
Other	(2,168)	(1,175)	(23,302)
Total deferred tax liabilities	(15,019)	(12,331)	(161,426)
Net deferred tax assets	¥ 41,046	¥ 7,005	$ 441,164

10. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property at March 31, 2010 and 2009, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen							
At March 31,	2010				2009			
	Vessels	Equipment	Other	Total	Vessels	Equipment	Other	Total
Acquisition costs	¥22,413	¥38,745	¥2,887	¥64,045	¥22,413	¥47,118	¥3,439	¥72,970
Accumulated depreciation	3,096	27,187	1,526	31,809	2,123	30,530	1,625	34,278
Net book value	¥19,317	¥11,558	¥1,361	¥32,236	¥20,290	¥16,588	¥1,814	¥38,692

	Thousands of U.S. dollars			
At March 31,	2010			
	Vessels	Equipment	Other	Total
Acquisition costs	$240,896	$416,434	$31,030	$688,360
Accumulated depreciation	33,276	292,208	16,401	341,885
Net book value	$207,620	$124,226	$14,629	$346,475

Lease payments related to finance leases accounted for as operating leases and depreciation and interest expense for the years ended March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Lease payments	¥6,738	¥7,926	$72,420
Depreciation	6,570	7,260	70,615
Interest expense	1,039	1,219	11,167

Future minimum lease payments subsequent to March 31, 2010 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 5,028	$ 54,041
2012 and thereafter	24,637	264,800
Total	¥29,665	$318,841

Future minimum lease payments or receipts subsequent to March 31, 2010 for non-cancellable operating leases are summarized as follows:

(As lessee)

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 24,031	$ 258,287
2012 and thereafter	111,003	1,193,067
Total	¥135,034	$1,451,354

(As lessor)

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 557	$ 5,987
2012 and thereafter	1,114	11,973
Total	¥1,671	$17,960

11. Retirement Benefits

The following table sets forth the funded and accrued status of the pension plans and the amounts recognized in the accompanying consolidated balance sheets as of March 31, 2010 and 2009 for the Company's and its consolidated subsidiaries' defined benefit pension plans:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Retirement benefit obligation*	¥(25,724)	¥(26,528)	$(276,483)
Fair value of pension plan assets	16,179	14,746	173,893
Net unfunded benefit obligation	(9,545)	(11,782)	(102,590)
Unrecognized actuarial differences	1,923	4,079	20,669
Unrecognized past service cost	544	439	5,847
Net retirement benefit obligation	(7,078)	(7,264)	(76,074)
Prepaid pension cost	931	1,262	10,007
Allowance for employees' retirement benefits	¥(8,009)	¥(8,526)	$(86,081)

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

During the year ended March 31, 2009, an overseas consolidated subsidiary has transferred a portion of its above defined benefit pension plan to a defined contribution pension plan. The effect of the transfer as of March 31, 2010 and 2009 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Decrease of retirement benefit obligation	¥(550)	¥(589)	$(5,911)
Unrecognized actuarial differences	347	284	3,729
Unrecognized past service cost	—	164	—
Decrease in allowance for employees' retirement benefits	¥(203)	¥(141)	$(2,182)

The components of retirement benefit expenses for the years ended March 31, 2010 and 2009 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Service cost*	¥1,687	¥1,853	$18,132
Interest cost	396	397	4,256
Expected return on pension plan assets	(246)	(431)	(2,644)
Amortization:			
Actuarial differences	632	254	6,793
Past service cost	165	78	1,773
Retirement benefit expenses	¥2,634	¥2,151	$28,310
Gain on transfer of defined benefit pension plan to a defined contribution pension plan	(203)	(141)	(2,182)
Contribution to defined contribution pension plan	96	333	1,032
Total retirement benefit expenses	¥2,527	¥2,343	$27,160

* Retirement benefit expenses for certain domestic consolidated subsidiaries, whose benefit obligation is calculated based on the amount which would be payable at the year end if all eligible employees terminated their services voluntarily (simplified method), have been fully included in service cost.

The assumptions used in accounting for the above plans for the years ended March 31, 2010 and 2009 were as follows:

	2010	2009
Discount rate	Mainly 2.0%	Mainly 2.0%
Expected rates of return on plan assets	Mainly 2.25%	Mainly 3.5%

12. Shareholders' Equity

The Law provides that an amount equal to 10% 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% 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, 2010 and 2009 amounted to ¥2,540 million ($27,300 thousand).

In accordance with the former Commercial Code of Japan (the "Code"), stock option plans for certain directors and certain employees of the Company and certain directors of certain subsidiaries were approved at annual general meetings of the shareholders of the Company. The 2002 stock option plan (the 2002 plan) was approved by shareholders of the Company on June 27, 2002. The 2003 stock option plan (the 2003 plan) was approved by shareholders of the Company on June 27, 2003. The 2004 stock option plan (the 2004 plan) was approved by shareholders of the Company on June 29, 2004. The 2005 stock option plan (the 2005 plan) was approved by shareholders of the Company on June 29, 2005.

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

Stock option plan	Date of grant	Exercisable period
The 2002 plan	September 2, 2002	From June 28, 2004 up to and including June 27, 2012
The 2003 plan	July 24, 2003	From June 28, 2005 up to and including June 27, 2013
The 2004 plan	August 9, 2004	From June 30, 2006 up to and including June 29, 2014
The 2005 plan	July 25, 2005	From June 30, 2007 up to and including June 29, 2015

Movements in the number of stock options for each stock option plan of the Company during the years ended March 31, 2010 and 2009 are summarized as follows:

	The 2002 plan	The 2003 plan	The 2004 plan	The 2005 plan
Number of stock options*:				
Outstanding as of March 31, 2008	22	277	110	213
Vested	—	—	—	—
Exercised	—	14	4	19
Expired	—	—	—	—
Outstanding as of March 31, 2009	22	263	106	194
Vested	—	—	—	—
Exercised		8		7
Expired	—	—	—	—
Outstanding as of March 31, 2010	22	255	106	187

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

The unit price of stock options for each stock option plan of the Company during the years ended March 31, 2010 and 2009 is summarized as follows:

	Yen			
	The 2002 plan	The 2003 plan	The 2004 plan	The 2005 plan
Unit price of stock options:				
Exercise price as of March 31, 2009	¥156	¥278	¥633	¥693
Average market price per share at exercise during the year ended March 31, 2009	—	789	288	803
Exercise price as of March 31, 2010	156	278	633	693
Average market price per share at exercise during the year ended March 31, 2010	—	408	—	352

	U.S. dollars			
	The 2002 plan	The 2003 plan	The 2004 plan	The 2005 plan
Unit price of stock options:				
Exercise price as of March 31, 2010	$1.68	$2.99	$6.80	$7.45
Average market price per share at exercise during the year ended March 31, 2010	—	4.39	—	3.78

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

Movements in common stock and treasury stock of the Company for the years ended March 31, 2010 and 2009 are summarized as follows:

	Number of shares (Thousands of units)			
	March 31, 2009	Increase	Decrease	March 31, 2010
Common stock	638,882	126,500	—	765,382
Treasury stock	1,738	95	24	1,809

	Number of shares (Thousands of units)			
	March 31, 2008	Increase	Decrease	March 31, 2009
Common stock	638,765	117	—	638,882
Treasury stock	1,725	81	68	1,738

13. Land Revaluation

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

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

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

At March 31, 2010, the fair value of this land was lower than its carrying value after revaluation in the amount of ¥629 million ($6,761 thousand). At March 31, 2009, the fair value of this land was higher than its carrying value after revaluation, therefore the disclosure of corresponding information on the difference between the fair value and its carrying value is omitted.

14. Commitments and Contingent Liabilities

At March 31, 2010, commitments made by the Company and its consolidated subsidiaries for the construction of vessels amounted to ¥360,356 million ($3,873,130 thousand).

Contingent liabilities for guarantees of loans to affiliates and third-party companies, reservation of guarantees of swap contracts, and joint indebtedness for co-ownership of vessels as of March 31, 2010 were as follows:

	Millions of yen	Thousands of U.S. dollars
Guarantee of loans	¥22,422	$240,993
Reservation of guarantee	920	9,888
Joint indebtedness	10,738	115,413
Total	¥34,080	$366,294

15. Derivatives and Hedging Activities

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

The estimated fair value of the derivatives positions outstanding qualifying for deferral hedge accounting March 31, 2010 is summarized as follows:

Currency-related transactions

			Millions of yen		
			2010		
Method of hedge accounting	Transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Forward exchange contract				
	Buying:				
	USD	Capital expenditures	¥ 158,372	¥ 82,259	¥ (5,479)
	JPY	Capital expenditures	10,509	7,919	88
	Other	—	2,794	—	592
	Currency swaps				
	Buying USD, paying JPY	Chartering expense and lease expense	348,158	324,807	(23,196)
	Buying USD, paying EUR	Chartering expense	9,914	8,720	(424)
	Currency options positions				
	Buying:				
	USD	Lease expense, others	495	272	(33)
	Selling:				
	USD	Accounts payable - trade	111	—	(3)
	Total		¥ 530,353	¥ 423,977	¥ (28,455)

			Thousands of U.S. dollars		
			2010		
Method of hedge accounting	Transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Forward exchange contract				
	Buying:				
	USD	Capital expenditures	$1,702,193	$ 884,125	$ (58,889)
	JPY	Capital expenditures	112,952	85,114	946
	Other	—	30,030	—	6,363
	Currency swaps				
	Buying USD, paying JPY	Chartering expense and lease expense	3,742,025	3,491,047	(249,312)
	Buying USD, paying EUR	Chartering expense	106,556	93,723	(4,557)
	Currency options positions				
	Buying:				
	USD	Lease expense, others	5,320	2,924	(355)
	Selling:				
	USD	Accounts payable - trade	1,193	—	(32)
	Total		$5,700,269	$4,556,933	$ (305,836)

Interest-rate related transactions

			Millions of yen		
			2010		
Method of hedge accounting	Transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Interest rate swap				
	Pay floating/Receive fixed	Long-term loans payable	¥165,794	¥140,608	¥(12,578)
	Pay fixed/Receive floating	Long-term loans payable	156	—	0
Special treatment interest rate swap	Interest rate swap				
	Pay floating/Receive fixed	Long-term loans payable	28,330	22,220	(1,027)
	Total		¥194,280	¥162,828	¥(13,605)

			Thousands of U.S. dollars		
			2010		
Method of hedge accounting	Transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Interest rate swap				
	Pay floating/Receive fixed	Long-term loans payable	$1,781,965	$1,511,264	$(135,189)
	Pay fixed/Receive floating	Long-term loans payable	1,676	—	0
Special treatment interest rate swap	Interest rate swap				
	Pay floating/Receive fixed	Long-term loans payable	304,493	238,822	(11,038)
	Total		$2,088,134	$1,750,086	$(146,227)

Other

			Millions of yen		
			2010		
Method of hedge accounting	Transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Bunker swap	Bunker fuel purchases	¥3,420	—	¥147
	Total		¥3,420	—	¥147

			Thousands of U.S. dollars		
			2010		
Method of hedge accounting	Transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Bunker swap	Bunker fuel purchases	$36,758	—	$1,580
	Total		$36,758	—	$1,580

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

A disclosure of corresponding information on derivatives qualifying for deferral hedge accounting, the special treatment for interest rate swaps and the allocation method for forward foreign exchange transactions at March 31, 2009 is not presented.

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, 2010 and 2009 are reconciled to cash and deposits reflected in the accompanying consolidated balance sheets as of March 31, 2010 and 2009 as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash and deposits	¥96,059	¥73,145	$1,032,448
Time deposits with a maturity of more than three months after the purchase date	(3,937)	(3,445)	(42,315)
Cash and cash equivalents	¥92,122	¥69,700	$ 990,133

Effective the year ended March 31, 2010, International Terminal Service of Augusta S.r.l. has been excluded from consolidation because of the sale of its shares. The book value of assets and liabilities excluded from consolidation as of the sale date was as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 784	$ 8,426
Non-current assets	1,862	20,013
Total assets	¥2,646	$28,439
Current liabilities	¥ —	$ —
Long-term liabilities	—	—
Total liabilities	¥ —	$ —

Effective the year ended March 31, 2009, HLL Heavy Lift + Load ANNEGRET GmbH & Co. KG and its affiliates have been consolidated as a result of the acquisition of their shares. The fair value of assets and liabilities included in consolidation as of the beginning of consolidation was as follows:

	Millions of yen
Current assets	¥ 216
Non-current assets	11,944
Total assets	¥12,160
Current liabilities	¥1,147
Long-term liabilities	7,810
Total liabilities	¥8,957

17. Amounts per Share

Amounts per share at March 31, 2010 and 2009 and for the years then ended were as follows:

	Yen		U.S. dollars
	2010	2009	2010
Net assets	¥ 403.53	¥525.43	$ 4.34
Net (loss) income:			
Basic	(106.24)	50.89	(1.14)
Diluted	—	48.36	—
Cash dividends applicable to the year	—	13.50	—

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

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

However, diluted net income per share for the year ended March 31, 2010 has not been presented because the Company and its consolidated subsidiaries recorded a net loss for the year.

Cash dividends per share represent the cash dividends applicable to the respective years together with the interim cash dividends paid.

18. Segment Information

(a) Business segment information

The consolidated results have been divided into three business segments: Marine Transportation, Logistics/Harbor Transportation, and Other.

	Millions of yen					
	Year ended March 31, 2010					
	Marine Transportation	Logistics / Harbor Transportation	Other	Total	Eliminations	Consolidated
1. Revenues:						
(1) Operating revenues from customers	¥729,684	¥ 87,918	¥20,431	¥ 838,033	¥ —	¥ 838,033
(2) Intra-group revenues and transfers	9,646	45,166	40,209	95,021	(95,021)	—
Total revenues	739,330	133,084	60,640	933,054	(95,021)	838,033
2. Costs and expenses	798,390	128,358	58,464	985,212	(95,104)	890,108
Operating (loss) income	¥ (59,060)	¥ 4,726	¥ 2,176	¥ (52,158)	¥ 83	¥ (52,075)
3. Total assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures:						
(1) Total assets	¥914,429	¥143,342	¥67,505	¥1,125,276	¥(81,391)	¥1,043,885
(2) Depreciation and amortization	37,921	6,316	1,044	45,281	—	45,281
(3) Loss on impairment of fixed assets	8,903	3	—	8,906	—	8,906
(4) Capital expenditures	173,343	7,055	1,091	181,489	—	181,489

	Millions of yen					
	Year ended March 31, 2009					
	Marine Transportation	Logistics / Harbor Transportation	Other	Total	Eliminations	Consolidated
1. Revenues:						
(1) Operating revenues from customers	¥1,110,475	¥108,874	¥24,968	¥1,244,317	¥ —	¥1,244,317
(2) Intra-group revenues and transfers	11,459	52,383	46,965	110,807	(110,807)	—
Total revenues	1,121,934	161,257	71,933	1,355,124	(110,807)	1,244,317
2. Costs and expenses	1,061,929	151,968	69,699	1,283,596	(110,883)	1,172,713
Operating income	¥ 60,005	¥ 9,289	¥ 2,234	¥ 71,528	¥ 76	¥ 71,604
3. Total assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures:						
(1) Total assets	¥ 829,147	¥140,878	¥83,919	¥1,053,944	¥ (82,341)	¥ 971,603
(2) Depreciation and amortization	32,348	5,577	1,502	39,427	—	39,427
(3) Loss on impairment of fixed assets	21	81	5	107	—	107
(4) Capital expenditures	153,407	13,369	1,670	168,446	—	168,446

	Thousands of U.S. dollars					
	Year ended March 31, 2010					
	Marine Transportation	Logistics / Harbor Transportation	Other	Total	Eliminations	Consolidated
1. Revenues:						
(1) Operating revenues from customers	$7,842,691	$ 944,948	$219,594	$ 9,007,233	$ —	$ 9,007,233
(2) Intra-group revenues and transfers	103,676	485,447	432,169	1,021,292	(1,021,292)	—
Total revenues	7,946,367	1,430,395	651,763	10,028,525	(1,021,292)	9,007,233
2. Costs and expenses	8,581,148	1,379,600	628,375	10,589,123	(1,022,184)	9,566,939
Operating (loss) income	$ (634,781)	$ 50,795	$ 23,388	$ (560,598)	$ 892	$ (559,706)
3. Total assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures:						
(1) Total assets	$9,828,343	$1,540,649	$725,548	$12,094,540	$ (874,796)	$11,219,744
(2) Depreciation and amortization	407,577	67,885	11,221	486,683	—	486,683
(3) Loss on impairment of fixed assets	95,690	32	—	95,722	—	95,722
(4) Capital expenditures	1,863,102	75,828	11,726	1,950,656	—	1,950,656

As mentioned in Note 2(b), effective the year ended March 31, 2009, the Company and certain domestic consolidated subsidiaries have adopted “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13, originally issued by the First Committee of the Business Accounting Council on June 17, 1993, and revised by the ASBJ on March 30, 2007) and “Guidance on Accounting Standard for Lease Transaction” (ASBJ Guidance No. 16, originally issued by the Accounting System Committee of the Japanese Institute of

Certified Public Accountants on January 18, 1994, and revised by the ASBJ on March 30, 2007). The effect of this adoption on each segment was immaterial for the year ended March 31, 2009.

As mentioned in Note 2(d), effective the year ended March 31, 2009, the Company adopted “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18, issued on May 17, 2006) and made necessary adjustments to the consolidated financial statements. The effect of this adoption on business segment was immaterial for the year ended March 31, 2009.

(b) Geographical segment information

Each segment principally covers the following countries or regions:

North America: U.S.A. and Canada
Europe: U.K., Germany, the Netherlands and France
Asia: Hong Kong, Singapore, Thailand, Indonesia, South Korea, Malaysia and the People’s Republic of China
Other: Australia

	Millions of yen							
	Year ended March 31, 2010							
	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
1. Revenues:								
(1) Operating revenues from customers	¥731,521	¥18,725	¥ 50,900	¥36,570	¥ 317	¥ 838,033	¥ —	¥ 838,033
(2) Intra-group revenues and transfers	8,696	20,441	9,167	10,843	655	49,802	(49,802)	—
Total revenues	740,217	39,166	60,067	47,413	972	887,835	(49,802)	838,033
2. Costs and expenses	796,470	39,131	56,819	46,434	1,056	939,910	(49,802)	890,108
Operating (loss) income	¥ (56,253)	¥ 35	¥ 3,248	¥ 979	¥ (84)	¥ (52,075)	¥ (0)	¥ (52,075)
3. Total assets	¥855,760	¥24,166	¥127,851	¥92,751	¥5,463	¥1,105,991	¥(62,106)	¥1,043,885

	Millions of yen							
	Year ended March 31, 2009							
	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
1. Revenues:								
(1) Operating revenues from customers	¥1,095,039	¥20,040	¥ 71,866	¥57,122	¥ 250	¥1,244,317	¥ —	¥1,244,317
(2) Intra-group revenues and transfers	10,455	20,039	12,395	13,334	648	56,871	(56,871)	—
Total revenues	1,105,494	40,079	84,261	70,456	898	1,301,188	(56,871)	1,244,317
2. Costs and expenses	1,070,129	40,720	60,999	56,913	885	1,229,646	(56,933)	1,172,713
Operating income (loss)	¥ 35,365	¥ (641)	¥ 23,262	¥13,543	¥ 13	¥ 71,542	¥ 62	¥ 71,604
3. Total assets	¥ 808,537	¥23,873	¥114,014	¥84,894	¥2,831	¥1,034,149	¥(62,546)	¥ 971,603

	Thousands of U.S. dollars							
	Year ended March 31, 2010							
	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
1. Revenues:								
(1) Operating revenues from customers	$7,862,436	$201,258	$ 547,076	$393,056	$ 3,407	$ 9,007,233	$ —	$ 9,007,233
(2) Intra-group revenues and transfers	93,465	219,701	98,528	116,542	7,040	535,276	(535,276)	—
Total revenues	7,955,901	420,959	645,604	509,598	10,447	9,542,509	(535,276)	9,007,233
2. Costs and expenses	8,560,512	420,583	610,694	499,076	11,350	10,102,215	(535,276)	9,566,939
Operating (loss) income	$ (604,611)	$ 376	$ 34,910	$ 10,522	$ (903)	$ (559,706)	$ (0)	$ (559,706)
3. Total assets	$9,197,764	$259,738	$1,374,151	$996,894	$58,717	$11,887,264	$(667,520)	$11,219,744

As mentioned in Note 2(b), effective the year ended March 31, 2009, the Company and certain domestic consolidated subsidiaries have adopted “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13, originally issued by the First Committee of the Business Accounting Council on June 17, 1993, and revised by the ASBJ on March 30, 2007) and “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16, originally issued by the Accounting System Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994, and revised by the ASBJ on March 30, 2007). The effect of this adoption on each segment was immaterial for the year ended March 31, 2009.

As mentioned in Note 2(d), effective the year ended March 31, 2009, the Company adopted “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18, issued on May 17, 2006) and made necessary adjustments in the consolidated financial statements. The effect of this adoption on geographical segment was immaterial for the year ended March 31, 2009.

(c) International business information

International revenues consist mainly of revenues from the marine transportation business earned outside Japan.

Each segment principally covers the following countries or regions:

North America: U.S.A. and Canada
Europe: U.K., Germany, the Netherlands and France
Asia: South-East Asia, the Middle East, the People’s Republic of China and India
Oceania: Australia and New Zealand
Other: Central and South America and Africa

	Millions of yen					
	Year ended March 31, 2010					
	North America	Europe	Asia	Oceania	Other	Total
1. International revenues	¥184,069	¥146,383	¥213,767	¥79,377	¥84,718	¥708,314
2. Consolidated revenues						¥838,033
3. International revenues as a percentage of consolidated revenues	21.9%	17.5%	25.5%	9.5%	10.1%	84.5%

	Millions of yen					
	Year ended March 31, 2009					
	North America	Europe	Asia	Oceania	Other	Total
1. International revenues	¥287,416	¥259,573	¥294,823	¥108,530	¥127,273	¥1,077,615
2. Consolidated revenues						¥1,244,317
3. International revenues as a percentage of consolidated revenues	23.1%	20.9%	23.7%	8.7%	10.2%	86.6%

	Thousands of U.S. dollars					
	Year ended March 31, 2010					
	North America	Europe	Asia	Oceania	Other	Total
1. International revenues	$1,978,386	$1,573,334	$2,297,582	$853,149	$910,554	$7,613,005
2. Consolidated revenues						$9,007,233

Ernst & Young

Ernst & Young ShinNihon LLC

Report of Independent Auditors

The Board of Directors
Kawasaki Kisen Kaisha, Ltd.

We have audited the accompanying consolidated balance sheets of Kawasaki Kisen Kaisha, Ltd. and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kawasaki Kisen Kaisha, Ltd. and consolidated subsidiaries at March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1(a).

Ernst & Young ShinNihon LLC

Osaka, Japan
June 25, 2010

Outline of the Company (As of March 31, 2010)

Name	Kawasaki Kisen Kaisha, Ltd. ("K" Line)
Established	April 5, 1919
Paid-in Capital	¥65,031.56 million
President	Kenichi Kuroya (taking over presidency on April 1, 2010)
Employees	On-land Duty 433 At-sea Duty 190 Total 623
Business Lines	Marine transportation, Land transportation, Air transportation, Through transportation involving marine, land and air transportation, Harbor transportation, etc.
Offices	
Head Office	Hibiya Central Building, 2-9, Nishi-Shinbashi 1-chome, Minato-ku, Tokyo 105-8421, Japan Phone: (+81) 3-3595-5063 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) 78-858-6509
Branches	**Nagoya:** 11th Fl. 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:** 5th Fl. 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 Offices	Beijing, Manila, Middle East (Dubai), India
Overseas Agents	Korea, Hong Kong, China, Taiwan, Thailand, Vietnam, the Philippines, Singapore, Malaysia, Indonesia, Australia, U.K., Germany, France, Nederlands, Belgium, Italy, Finland, Denmark, Norway, Sweden, Spain, Portugal, Turkey, Canada, U.S.A., Mexico, Chile, Peru, Brazil, South Africa
Affiliated Companies (to be consolidated)	26 (Domestic), 293 (Overseas)

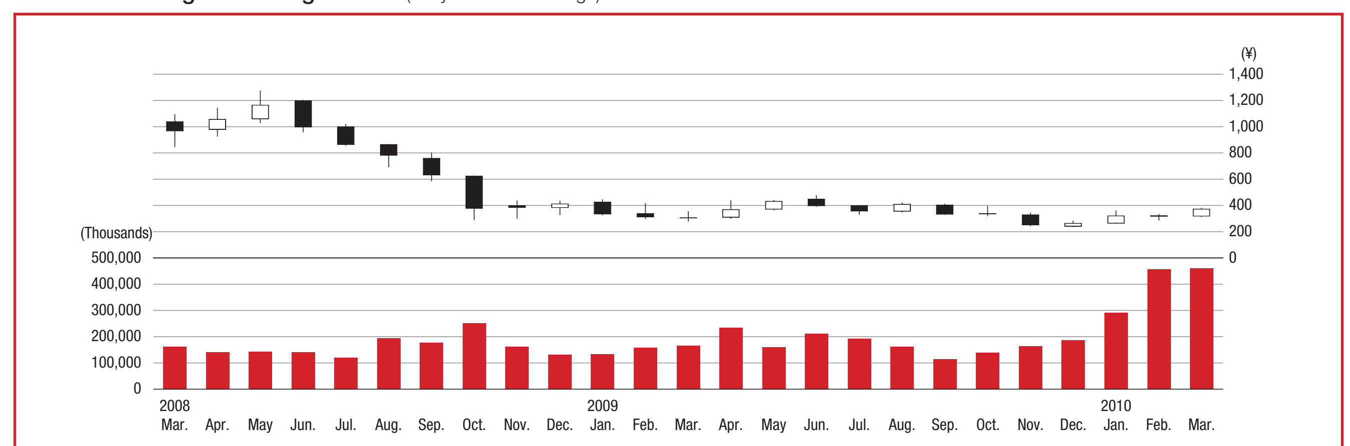
Stock Information (As of March 31, 2010)

Authorized	2,000,000,000 shares of common stock
Issued	765,382,298 shares of common stock
Number of Shareholders	40,055
Shareholder Registry Administrator	The Chuo Mitsui Trust & Banking Co., Ltd. 33-1, Shiba 3-chome, Minato-ku, Tokyo 105-0014
Listing of Shares	"K" Line's shares are listed for trading on the following stock exchanges: Tokyo, Osaka, Nagoya and Fukuoka

Principal Shareholders

Shareholders	Number of Shares Held (thousands)	Percentage of Voting Rights (%)
Japan Trustee Services Bank, Ltd. (trust account)	61,747	8.06
The Master Trust Bank of Japan, Ltd. (trust account)	60,634	7.92
Trust & Custody Services Bank, Ltd. (Kawasaki Heavy Industries, Ltd. retirement benefit trust account re-entrusted by Mizuho Trust and Banking Co., Ltd.)	30,000	3.91
JFE Steel Corporation	28,174	3.68
Tokio Marine & Nichido Fire Insurance Co., Ltd.	28,020	3.66
Sompo Japan Insurance Inc.	27,295	3.56
Nippon Life Insurance Company	17,913	2.34
THE BANK OF NEW YORK - JASDECTREATY ACCOUNT	13,958	1.82
Japan Trustee Services Bank, Ltd. (trust account 9)	11,141	1.45
Mizuho Corporate Bank, Ltd.	11,100	1.45

Stock Price Range & Trading Volume (Tokyo Stock Exchange)



KAWASAKI KISEN KAISHA, LTD.

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