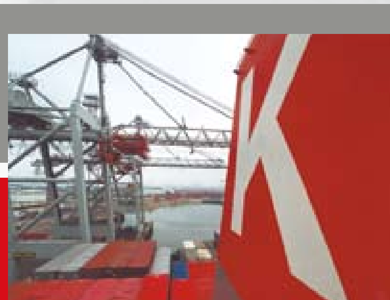
"K" LINE
KAWASAKI KISEN KAISHA, LTD.

Steaming Toward Higher Value






Annual Report 2011

for the year ended March 31, 2011

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.

Profile

"K" Line is an integrated world-class shipping company that owns and operates a diverse fleet of ships adapted to society's marine transport needs. As of March 31, 2011, the "K" Line Group included 26 domestic and 290 overseas consolidated subsidiaries. Approximately 7,900 employees work at sea and on land representing the "K" Line brand with the aim of making "K" Line an excellent global carrier.

In fiscal 2010 "K" Line achieved a return to profitability and dividends. Considering the change in the business environment and in preparation for our centennial anniversary in 2019, we launched a medium-term management plan covering the three-year period beginning in fiscal 2011 under the theme "New Challenges."

Pursuing new challenges

with flexibility and strength

Contents

“K” Line Spirit

Continuing to advance

The source of growth that opens possibilities for the future

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 devised and resolutely implemented a series of bold strategies grounded in “K” Line’s unique spirit. So long as we draw on the “K” Line Spirit, we will achieve even greater success by further developing our services and providing value that meets the expectations of customers around the world.

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.

“K” Line Pioneering Initiatives

In the marine transport industry, which grows in step with the global economy, “K” Line has always sought to pursue unique strategies with a boldness of spirit. The history of “K” Line is a history of pioneering and creation.

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

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

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

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

We will remain sensitive to current trends and blaze a path to the future through vigorous, flexible business activities.

Heavy lifter vessels

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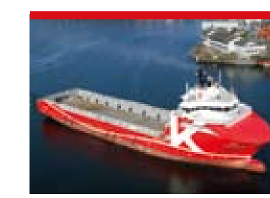
Heavy lifters with the world’s highest lifting capacity will demonstrate their worth in the transport of large cargo and offshore development facilities that previously could not be transported.



Offshore support vessels

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Large, high-quality offshore support vessels have gone into full-scale operation at floating production and drilling facilities off the coast of Brazil and in the North Sea.

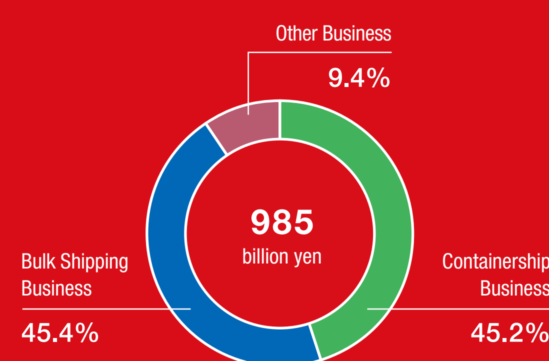
Increasing Presence

Linking people all over the world

Operation of a fleet optimized for market needs

Since “K” Line launched its first containership service in 1968, the containership fleet has grown to nearly 80 vessels, safely and reliably delivering 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 tankers and LNG carriers, 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.

Operating Revenues



Lines of Business

Containership Business

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Containership Business

We operate a global service network centered on east-west trunk routes linking Asia/North America, Asia/Europe and Europe/North America through an alliance with prominent shipping companies in China, Taiwan and South Korea and extending to north-south routes linking Asia/South America and Asia/Middle East-Africa and intra-Asia routes. We transport broad spectrum of cargo—electronic equipment, electrical products, furniture, clothing, food and beverages, hops and so on—by container.

Bulk Shipping Business

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Dry Bulk Business

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

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Car Carrier Business

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

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Energy Transportation and Tanker Business

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

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Offshore Support Vessel Business

Through K LINE OFFSHORE AS in Norway, we provide offshore support vessel service to support the expanding offshore energy development industry.

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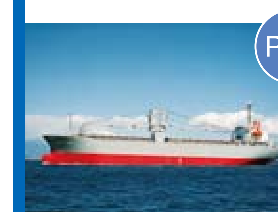
Heavy Lifter Business

On June 30, 2011 we acquired all shares of affiliate SAL Group of Germany, making it a wholly owned subsidiary. Through the SAL Group, we transport mainly large-scale cargoes related to energy and infrastructure development.



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Short Sea and Coastal Business

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

Other Business

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Logistics Business

We provide total logistics services meeting the growing diversity and complexity of logistics needs —including ocean and air cargo freight, buyer’s consolidation services (at the request of cargo owners, arranging to consolidate and ship cargoes from multiple owners), warehousing and truck transportation—by consolidating the know-how and broad experience of all members of the “K” Line Group.

Steadfast Commitment

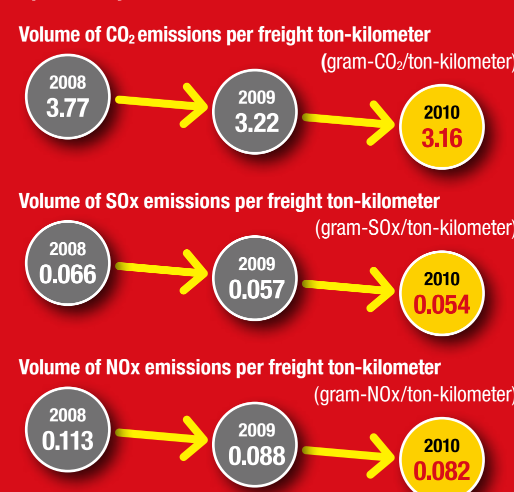
Protecting the environment

For clear seas and beautiful skies

To address the issues of changing climate, air and sea pollution and shrinking biodiversity and to protect the irreplaceable global environment, the “K” Line Group places the highest priority on safe operation and environmental preservation. We actively engage in environmental initiatives, including the installation of eco-friendly equipment on ships and the adoption of ship facilities and structures to prepare against accidents.

Although ships offer the lowest CO_2 emissions per ton-kilometer of all modes of transportation, we aim to further improve energy efficiency. In addition to using engine exhaust heat energy, converting water flow energy generated by propellers into propulsion power and reducing fuel consumption through the use of energy-saving auto pilot systems, we are developing and improving environmental technologies from every conceivable perspective. For instance, we conduct research and development into the use of fuels emitting less CO_2.

Change in the Environmental Impact of Ships Operated by “K” Line



Environmental Conservation Initiatives

“K” Line’s Response to the Ballast Water Management Convention

Pipelines for ballast water treatment system

Ballast water plays an important role in maintaining hull strength and ensuring stability during ship operation. However, there is concern about the impact on other ecosystems from discharge of non-native plankton and other marine organisms contained in ballast water. Ecosystem maintenance and biodiversity assurance have been undertaken as international initiatives, and the International Maritime Organization (IMO) has adopted the International Convention for the Control and Management of Ships' Ballast Water and Sediments (Ballast Water Management Convention). This has resulted in efforts to develop ballast water treatment systems for elimination of marine organisms in keeping with the provisions of the convention.

The “K” Line Group is implementing a project* for experimental installation of a system on large bulk carriers (coal carriers). The installation and operation of a ballast water management system on large, an in-service bulk carrier is a world’s first, and we plan to utilize the knowledge and experience gained from the project and apply the expertise to other ship types.

*A joint project of IHI Marine United Inc., JFE Engineering Corporation, and SEA Systems Co., Ltd. with support from a joint research scheme of Class NK.

“K” Line’s Response to Tier III Nitrogen Oxide (NOx) Emission Control for Newbuildings

NOx emissions from the engines of ships constructed on and after 2016 must be reduced by 80% or more from the levels under the Tier I controls applied in 2000. “K” Line is cooperating in the development of technologies for complying with these NOx controls, such as demonstration tests of water emulsion fuel, which contributes to NOx reduction.

Use of Water Emulsion Fuel

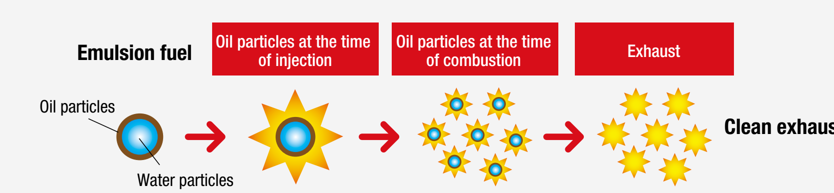
Water emulsion fuel and its properties

Water emulsion fuel is fuel made by agitating water and oil to disperse water particles in fuel oil. The use of water emulsion fuel has been shown to reduce nitrogen oxides (NOx) in diesel engine exhaust by approximately 20%. “K” Line Group has installed equipment to produce water emulsion on vessels it operates and is conducting on-board demonstration tests.

Water emulsion fuel combustion reaction

When water emulsion fuel burns, the reaction in the diagram below occurs.

- Fuel particles surround the water particles.
- When water emulsion fuel is injected into the engine, the water particles evaporate before the fuel particles ignite.
- Due to the water evaporation, the fuel particles atomize into diffuse minute particles.
- Since the extremely minute fuel particles burn readily, complete combustion is facilitated.
- For this reason, combustion efficiency is improved, resulting in cleaner exhaust.



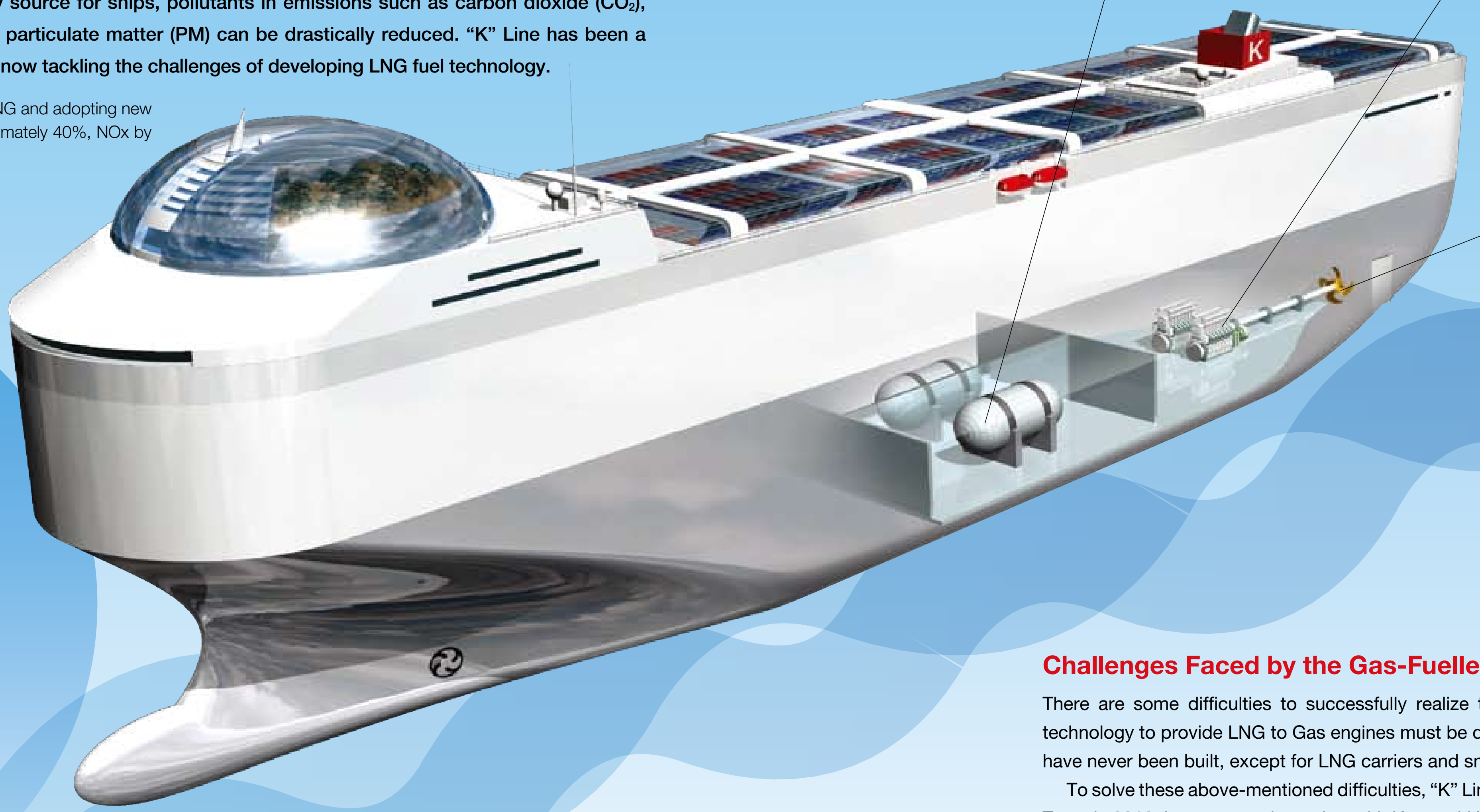
“K” Line’s Gas-Fuelled Ship Development Project

Energy consumption is increasing rapidly due to the growth of global population, and the increasing exhaust gas emissions are causing global warming. Moreover, this is causing a price increase for bunker fuel oil which is becoming a serious problem in the marine shipping industry. In order to overcome these issues, “K” Line started research and development on Gas-fuelled ships, making it the first car carrier in the world to use liquefied natural gas (LNG) for propulsion.

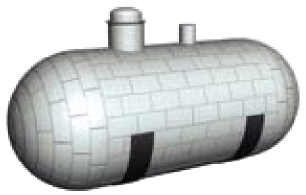
Presently, propulsion of most ships is powered with heavy fuel oil or diesel oil. However, if there is a switch to LNG fuel, which is called a next-generation clean energy source for ships, pollutants in emissions such as carbon dioxide (CO_2), nitrogen oxides (NOx), sulfur oxides (SOx) and particulate matter (PM) can be drastically reduced. “K” Line has been a pioneer in the maritime shipping industry and is now tackling the challenges of developing LNG fuel technology.

*Compared to the use of heavy fuel oil, by switching to LNG and adopting new technologies, CO_2 emissions can be reduced by approximately 40%, NOx by 80% to 90%, SOx and PM by 100%.

LNG as a next-generation, clean energy:
Meeting the Earth’s needs for environmentally-friendly clean energy,
Meeting the world’s needs for environmentally-friendly ships, and
Powering “K” Line’s clean energy ships.



●LNG Tanks



Two pressure vessels (type C, 6 bar) are applied for LNG fuel tanks. These tanks shall be required to comply with strict safety standards. Therefore, the tanks are installed in an independent compartment and located a certain distance from the ship’s outer shell and bottom to ensure safety in the event of a collision or other marine incident. In addition, a complete double-wall piping system is applied for fuel pipes as a further safety measure.

●Gas Engines

Two sets of gas engines (5,000kw each) are applied as propulsion system, employing lean burn combustion. Each cylinder has an auxiliary chamber with spark plug to generate a flame for ignition, which is called torch jet, with the air-gas fuel mixture being combusted in the main chamber.

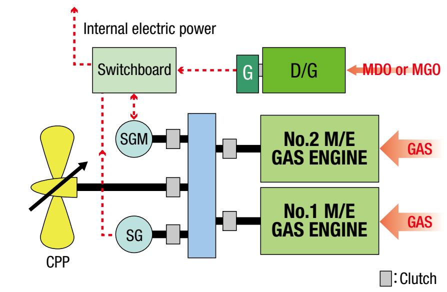
●Propulsion System

Output of the two gas engines is combined by a special reduction gear and transmitted to one controllable pitch propeller (CPP).

●Shaft Generators

Two sets of shaft generators are installed and driven by the reduction gear. It is possible to disengage the gear using a clutch. During navigation, all electric power demand can be covered by one shaft generator. During maneuvering conditions, parallel running of the two shaft generators is required to supply enough power to bow thrusters and other equipment.

System Structure



Challenges Faced by the Gas-Fuelled Ship Development Project Team

There are some difficulties to successfully realize this project. LNG fuel bunkering, storing and handling technology to provide LNG to Gas engines must be developed. Gas-fuelled ships engaged in ocean transport have never been built, except for LNG carriers and small domestic ships in Norway.

To solve these above-mentioned difficulties, “K” Line established the Gas-Fuelled Ship Development Project Team in 2010. It was started together with Kawasaki Heavy Industries, Ltd. which has the technologies of LNG carriers and gas engines as well as Det Norske Veritas (DNV), a Norwegian classification society that is famed as a pioneer in the use of LNG as ship fuel in Europe.

We intend to develop next-generation and environmentally-friendly technologies, exerting continuous effort to achieve the construction and operation of gas-fuelled ships in the near future.

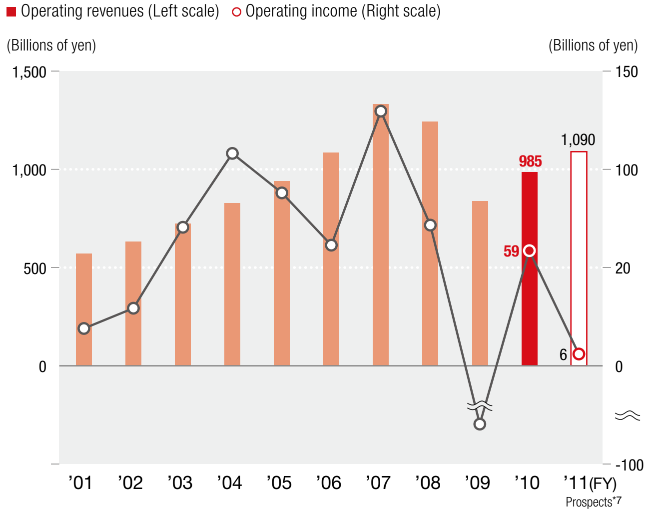
Kawasaki Kisen Kaisha, Ltd. and consolidated subsidiaries
Years ended March 31

	New K-21	KV Plan		"K" LINE Vision 2008		"K" LINE Vision 2008+		"K" LINE Vision 100		"KV 2010"		"New Challenges"
	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2010	FY2011 Prospects*7
										(Millions of yen)	(Thousands of U.S. dollars)*4	(Millions of yen)
Operating revenues	¥571,014	¥632,725	¥724,667	¥828,444	¥940,819	¥1,085,539	¥1,331,048	¥1,244,317	¥838,033	¥985,085	$11,847,084	¥1,090,000
Operating income	19,049	29,282	70,534	108,054	87,976	61,357	129,649	71,604	(52,075)	58,610	704,871	6,000
Ordinary income*2	11,968	23,672	62,564	107,235	88,573	63,928	125,868	60,011	(66,272)	47,350	569,453	3,000
Net income	4,768	10,373	33,196	59,853	62,424	51,514	83,012	32,421	(68,721)	30,603	368,046	2,000
Net assets*3	77,716	82,040	121,006	181,276	257,810	357,625	376,277	356,153	331,865	314,986	3,788,166	290,000*8
ROE (%)*5	6.5	13.0	32.7	39.6	28.4	17.1	23.7	9.4	(21.4)	10.2		
ROA (%)*6	2.3	4.5	11.6	18.4	13.0	7.7	13.5	6.2	(6.6)	4.6		0
DER (Times)	4.32	3.74	2.33	1.32	1.08	0.95	0.93	1.31	1.67	1.66		1.83
Total assets	533,295	515,825	559,135	605,331	757,040	900,439	968,630	971,603	1,043,885	1,032,505	12,417,378	
Per share of common stock (yen)											(U.S. dollars)	
Net income	8.03	17.24	55.71	100.70	104.89	86.67	131.36	50.89	(106.24)	40.08	0.48	2.62
Net assets	130.88	138.29	204.37	306.06	435.19	556.55	558.46	525.43	403.53	381.87	4.59	
Cash dividends applicable to the year	3.00	5.00	10.00	16.50	18.00	18.00	26.00	13.50	—	9.50	0.11	—
Employees												
Total	6,058	6,013	6,088	6,226	6,827	7,041	7,615	7,706	7,740	7,895		

Notes: 1. Unless otherwise stated, above figures are all in millions of yen.
*2. Ordinary income consists of operating income and nonoperating income/expenses.
*3. Until fiscal 2005, amounts posted under 'shareholders' equity' (calculated using the previous accounting standards) are employed for 'net assets.'
*4. The U.S. dollar amounts are converted from the yen amounts at ¥83.15 = U.S. $1, the exchange rate prevailing on March 31, 2011.
*5. Return on Equity: Net income/Shareholders' equity
*6. Return on Assets: Ordinary income/Total assets
*7. Figures announced on April 28, 2011
*8. Net assets are shown before adjustment for minority interests.

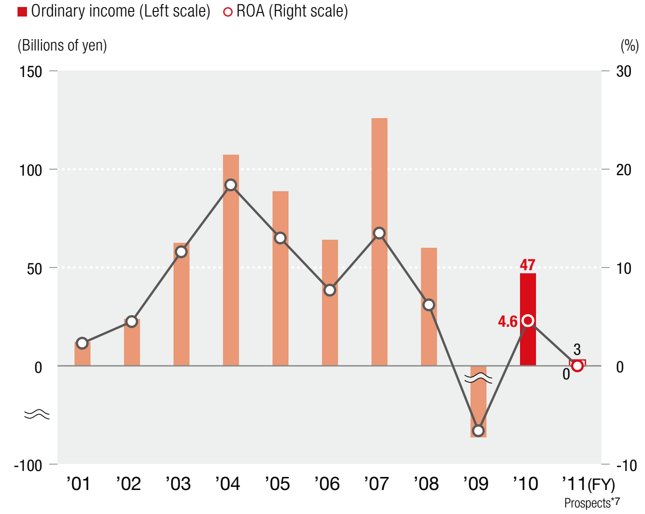
Operating Revenues / Operating Income

■ Operating revenues (Left scale) ○ Operating income (Right scale)



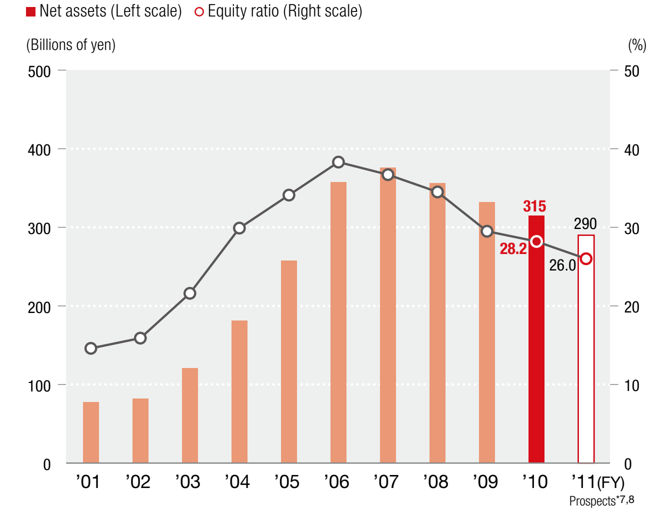
Ordinary Income / ROA

■ Ordinary income (Left scale) ○ ROA (Right scale)



Net Assets / Equity Ratio

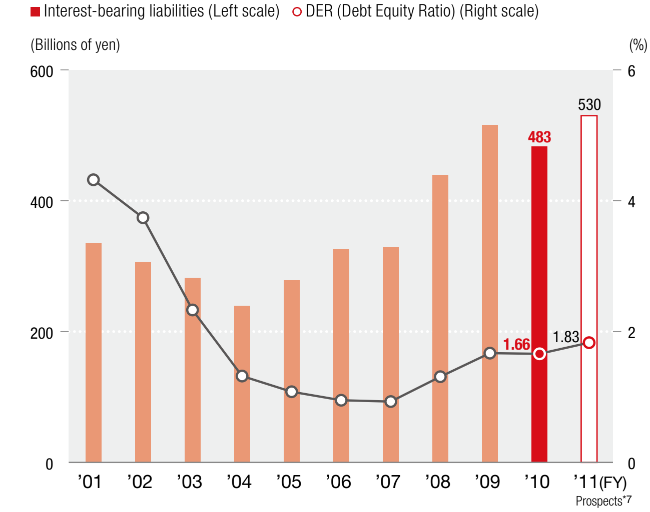
■ Net assets (Left scale) ○ Equity ratio (Right scale)



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

Interest-bearing Liabilities / DER (Debt Equity Ratio)

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



DER: Interest-bearing liabilities / Shareholders' equity

In April 2011, the "K" Line Group established the "K" LINE Vision 100 —New Challenges— medium-term management plan, taking our next step toward future business development. On the 11th of March, the month prior to the announcement of the management plan, Japan was devastated by one of the largest natural disasters in recorded history. We once again offer our prayers for the repose of those who lost their lives in the Great East Japan Earthquake and our heartfelt sympathies to everyone affected by the catastrophe. Amid continued repercussions from the earthquake such as deterioration in the functioning of the global supply chain and concerns about electric power shortages, the "K" Line Group is committed to assisting in recovery in any way we can through our business activities centered on marine transport and through the input of resources at our disposal.

Looking at developments around the world, we see spreading concern that the European debt problem will become a weight that impedes recovery of the global economy. We see a number of indicators that show signs of economic slowdown in the United States, principally housing and employment figures. In addition, the rising consumer price index in China has given rise to wariness about additional fiscal austerity measures. Furthermore, in the marine transport industry profits are under tremendous pressure from yen appreciation and high fuel oil prices.

Nevertheless, with a view to "K" Line's upcoming centennial anniversary in 2019, we will pursue strategic moves to make demand expansion in developing countries and global trends the impetus for future growth. After assuming office, President Asakura launched the Business Structural Reform Committee and led discussions on short-term cost reduction measures to cope with an economic environment fraught with uncertainty. This situation was similar to the loss that the company experienced after the financial crisis of 2008. He has devoted himself to improving and strengthening the medium- to long-term financial position in line with the objectives of the "K" LINE Vision 100 —New Challenges— medium-term management plan.

Although I have relinquished my duties as an executive officer this term, I intend to support the renewed and revitalized "K" Line in my role of overseeing the new management structure as Chairman of the board of directors. The "K" Line group intends to achieve business development to reward the expectations of our shareholders. I ask your continued support in the coming years.

Director, Chairman
Hiroyuki Maekawa

An Interview with the President

Steaming Toward Higher Value

Under the new "K" LINE Vision 100 —New Challenges— medium-term management plan, "K" Line will enhance corporate value by further strengthening the earnings base and financial structure while also taking on exciting new challenges. We asked President Jiro Asakura what lies ahead for "K" Line.

Q.1 You became president in circumstances that allow for little optimism about the business environment for marine transport services. Please describe your aspirations for "K" Line and provide a review of fiscal 2010.

The "K" Line Group has advanced step by step by always facing and overcoming difficult challenges in unison. I intend to positively view challenges and difficulties as growth opportunities. Adversity enables us to see clearly things that aren't readily apparent in ordinary times. In that sense, I believe that this is an excellent opportunity to promote the structural improvement of the company and review our business processes and practices. My objective is to make "K" Line a strong, sturdy company that can achieve dramatic advances as we approach our centennial anniversary.

A pressing task is earnings improvement. As a short-term measure, we have set up the Earnings Improvement Subcommittee under the Business Structural Reform Committee and will intensely consider and rapidly implement cost reductions and other urgent profit improvement measures. In addition, in July we launched the Business Restructuring Subcommittee to examine more efficient operating methods for each business unit. The fundamental task of the Business Restructuring Subcommittee is reflection on how to respond to structural changes in the market and change what must be changed.

Fiscal 2010 brought an upturn in the economic environment and demand recovery that fueled a recovery in containership cargo movement and led to higher freight rates. The market for dry bulk carrier services, especially for small and medium-sized carriers, firmed up in response to robust demand for iron ore, coal and grain in China and India. Cargo volume in the car carrier business increased by approximately 40% from fiscal 2009, when the impact of the economic downturn was severe, resulting in sharp increases in revenues and profits.

As a result, we were able to achieve dramatic improvement in consolidated business results, recording operating revenues of ¥985.1 billion, operating income of ¥58.6 billion, ordinary income of ¥47.4 billion and net income of ¥30.6 billion,

Q.2 Please provide an overview of "K" LINE Vision 100 —New Challenges—, the medium-term management plan announced in April 2011 covering the period from fiscal 2011 to 2013.

The "K" Line Group established the "K" LINE Vision 100 medium-term management plan in April 2008 with a view to the mid-2010s and through to "K" Line's centennial anniversary in 2019. We have subsequently reviewed the plan in response to sweeping changes in the business environment. "K" LINE Vision 100 KV2010 was announced in January 2010 as a plan to cope with the global economic slump and tumultuous business environment, and in fiscal 2010 we achieved business results that exceeded the plan's objectives. Now we have announced "K" LINE Vision 100 —New Challenges—, a medium-term management plan that has further developed the themes in the previous plan, making prompt incorporation into planning of changes in market structure and growth in developing countries and strategic investments in new growth sectors the foundation of our business strategy. At the same time, we aim to establish a stable earnings base and strengthen the financial base through a qualitative transformation from a course of all-around expansion.

Q.3 The medium-term management plan calls for investment of ¥240.0 billion. In what business sectors do you plan to invest?

Investments for the coming three years have been largely finalized, and the investment plan consists of the sum of those investments. For instance, of the ¥95.0 billion in investments for fiscal 2011, ¥23.0 billion will be outlays for structural improvements, ¥37.0 billion will be for strengthening of new businesses, and ¥35.0 billion will be for newbuildings such as dry bulk carriers. For the second half of the term of the plan, the bulk of investment will be principally payments for dry bulk carrier newbuildings.

Q.4 Please describe the business policy for each business sector. First, what is the status of consideration of mega containerships?

Increased containership size has become a major industry trend, and mega containerships are scheduled for deployment in stages, especially on European routes. For "K" Line, the introduction of next-generation mega containerships is under study from various perspectives in addition to cost competitiveness, including profitability and environmental conservation.

We will devise optimal measures based on factors such as the number of vessels, time of deployment, and balance of owned and chartered vessels while closely observing future market trends and taking care to avoid opportunity loss.

Q.5 Is the market environment for dry bulk services, especially large vessels, stagnant?

Scrapping of vessels has been increasing, and we expect supply pressure to gradually ease and market conditions to head toward recovery beginning in the second half of the current term. Nearly 90% of "K" Line's capesize vessels operate under medium- to long-term contracts, and the impact of deterioration in market conditions on our business is limited. At the same time, market conditions for small and medium-size vessels from Panamax class down have become comparatively firm. Although we plan fleet expansion, with an emphasis on small- and medium-size bulk carriers, we have no intention of increasing the number of vessels without good reason. We intend to secure contracts, whenever possible, and also accumulate medium-term to long-term contracts for small and medium-size vessels with highly-respected customers.

Q.6 In your opinion, what are "K" Line's strength in dry bulk services?

We take pride in having been among the first companies to offer global services. We moved quickly to set up operating subsidiaries in Singapore, the U.S. and Europe, and thus established a sales and vessel operation network. This has earned us a reputation for excellence from overseas customers. For instance, we are one of leading carriers in the volume of cargo bound for Arcelor Mittal, one of the world's largest steel producers.

In China, the world's largest raw steel-producing country, we have concluded a number of long-term iron ore transport contracts with major steelmakers and have steadily established a track record in China's dry bulk market. In India, we stole a march on competitors by concluding long-term contracts for the transport of raw coal with JSW Group, a powerful conglomerate, obtaining long-term transport contracts for 16 million tons of coal per year beginning in 2012. In addition, we have concluded a five-year contract with Gujarat NRE Coke, a major coke producer in India. To step up our activities in India, a booming market, we have increased staffing levels and since April 2011 an executive officer has been stationed in India as CEO of our local subsidiary.

Q.7 Recovery of production at Japan's automakers is a positive development, isn't it?

Since production at automakers has recovered far earlier than we initially supposed, we returned the fleet to full operation in July. With regard to the profit and loss forecast, the key is how much we can recover from a substantial loss incurred in the first quarter (April to June). Reportedly, in the second half some automakers will increase production over the levels planned before the earthquake on March 11 to make up for first-half decreases. We will work to improve earnings to the extent possible by meeting demand for transportation of this additional production.

Q.8 Do you expect transport demand for alternate fuels to increase due to the impact of the Fukushima nuclear power accident?

The liquefied natural gas (LNG) transport market was already recovering before the earthquake, and since the disaster, electric power companies have been purchasing additional quantities of LNG to ensure full-capacity operation of LNG thermal power generation plants. Accordingly, LNG transport demand is further increasing due to the impact of the earthquake, on top of a favorably developing market trend. "K" Line will leverage nearly 30 years of experience in LNG transport as we seek continued expansion of LNG transport as a business that earns stable profits while placing the highest importance on operating safety.

Q.9 What are your thoughts on operating safety, the most important consideration for a shipping company?

The establishment and maintenance of safe operation is a minimum requirement for the operation of a marine transport business to ensure the safety of crews and ships and the safety and reliable delivery of entrusted cargoes. Operation of a marine transport business simply isn't possible without safety, and it is people who protect the safety of ships. For this reason, "K" Line has established a safe operation management system that develops crew members who can safely operate ships and provides complete support for ship operation from shore.

The risk of piracy has increased in recent years, and we take every conceivable countermeasure, including escorting by naval vessels of Japan's Maritime Self-Defense Forces and other countries, the avoidance of navigating the piracy-affected areas, high-speed navigation and the installation of anti-piracy equipment. We also strive to ensure safe operation by enlisting the cooperation of international organizations and national governments.

Q.10 The International Maritime Organization (IMO) actively discusses environmental issues. Tell us about environmental preservation initiatives at "K" Line.

Although ships are a more environmentally friendly mode of transport than trucks or aircraft, total worldwide emissions of CO_2 from ships in 2007 were 1.05 billion tons (3.3% of the world total), of which 0.87 billion tons are said to have been emitted by ships in international marine transport service, an amount that rivals emissions from the country of Germany. Amid increasing momentum to reduce exhaust from ships to protect the global environment, "K" Line, as a company that exerts leadership in protection of the global environment, takes a variety of environmental measures in ship operation, including efforts to reduce CO_2 emissions. To reduce emissions of nitrogen oxide (NOx), a cause of acid rain that destroys forests, we are developing environmental technologies and conducting demonstration experiments. For instance, we are applying water emulsion fuel* that can reduce NOx generation in engines and installing ballast water treatment equipment that prevents interoceanic migration of marine organisms, which is thought to have an impact on ecosystems. We are now attempting conversion to a ship propulsion method that will enable substantial reductions in greenhouse gases in exhaust and environmentally destructive substances. This involves the development of ships that use as fuel liquefied natural gas (LNG), called a next-generation clean energy source for ships. Although the construction of an onshore infrastructure to supply LNG fuel is an issue, we have nearly completed basic technical studies for the development of ships powered by LNG. "K" Line aims to reduce the environmental impact of international marine transport and will continue to undertake development of environmentally-friendly technologies and ships.

*Water emulsion fuel is fuel made by agitating water and oil to disperse water particles in fuel oil. The use of water emulsion fuel reduces nitrogen oxides (NOx) in diesel engine exhaust by approximately 20%.

See P.7 for details.

Q.11 Please offer a message to the shareholders and investors.

The "K" Line Group will strive to meet the expectations of our shareholders, investors and other stakeholders by vigorously implementing the measures set forth in the new "K" LINE Vision 100 —New Challenges— medium-term management plan and enhancing corporate value.

With regard to profit distribution, "K" Line has made it an important management priority to maximize shareholder returns while taking into consideration the need to secure internal reserves necessary for capital investment for sustainable growth and maintenance of a sound financial position, key priorities in the management plan. Our policy is to increase the dividend payout ratio by 1% each year keeping in mind a dividend payout ratio of 30% in the mid-2010s. We declared a dividend of ¥9.5 per share (an interim dividend of ¥4.0 and a year-end dividend of ¥5.5) for fiscal 2010. For fiscal 2011, although we will make a dividend payout ratio of 25% our target, we will not make a decision on the dividend at this time in view of the extreme uncertainty in circumstances surrounding our business. We will make a further announcement about the dividend once we have determined that a forecast is possible, taking into consideration factors such as the outlook for the full year and the financial situation.

I ask the continued support and encouragement of our shareholders and investors in the coming years.

Finally, I would like to convey my sympathies to everyone affected by the Great East Japan Earthquake and my prayers for the early recovery of the stricken region. In addition to offering monetary donations to assist the victims, "K" Line is cooperating in the ocean transport of temporary housing materials and everyday goods bound for stricken areas and has provided free of charge reefer containers for the storage of foodstuffs. We are committed to engaging in sustained support activities to assist with the recovery of the areas affected by the disaster.

President and CEO
Jiro Asakura

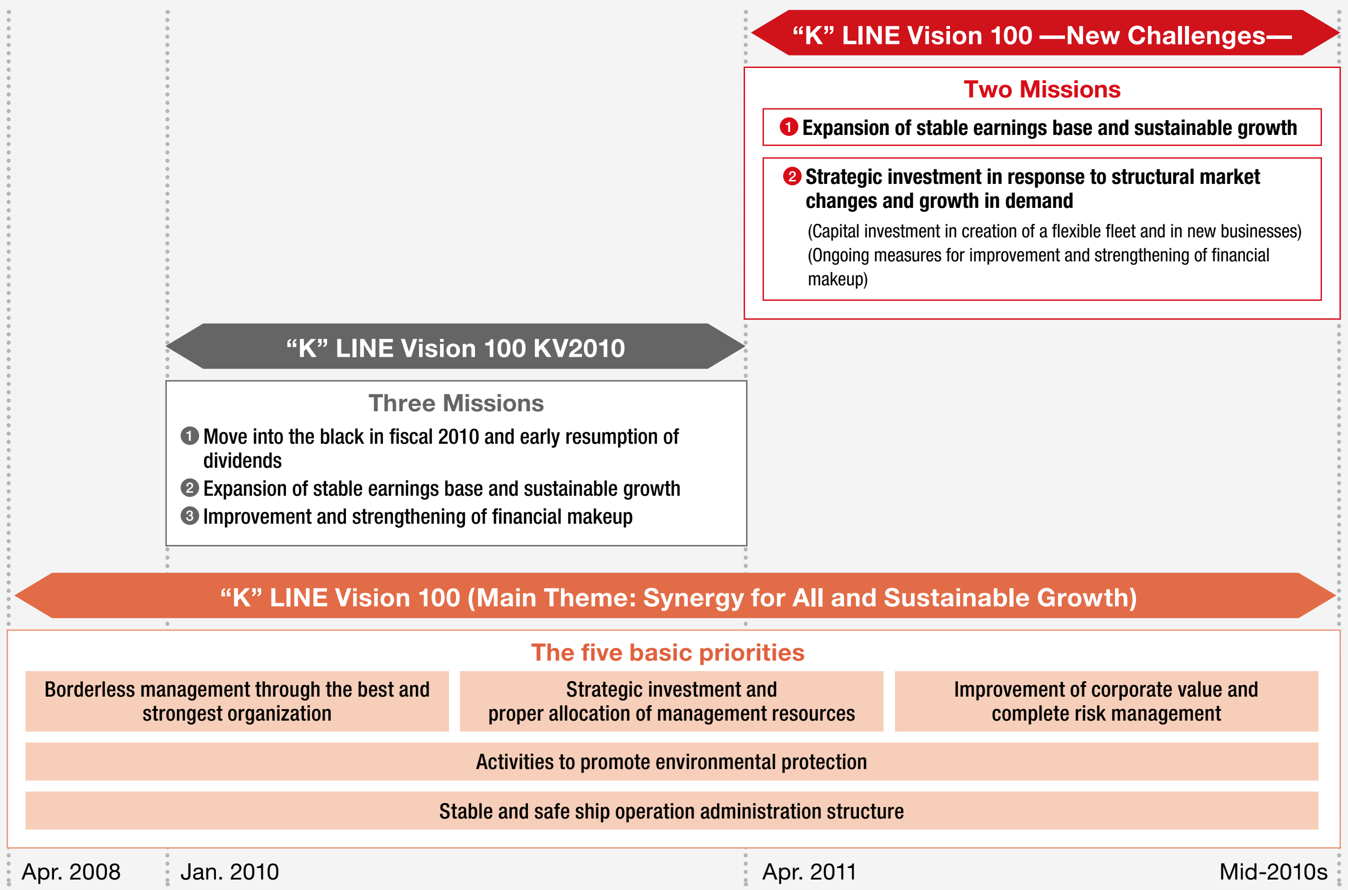
J. Asakura

“K” LINE Vision 100
“New Challenges”

Background to the Review of the Medium-Term Management Plan

The “K” LINE Vision 100 medium-term management plan was established in April 2008 with a view to the mid-2010s and through to “K” Line’s centennial anniversary in 2019. However, we revised the plan as “K” LINE Vision 100 KV2010 in January 2010 to correspond to changes in the overall economic environment since the financial crisis of 2008. Having surpassed the objectives for fiscal 2010 in the “K” LINE Vision 100 KV2010 revised plan, we decided to once again review the plan in light of future structural changes in the market such as demand for energy resources, the rising prominence of developing countries and our desire to actively engage in business in growth sectors. The review resulted in the “K” LINE Vision 100 —New Challenges—. The plan subtitle “New Challenges” refers to our desire to contribute to the recovery of our Japan battered by earthquake disaster and to the long tradition of meeting difficult challenges that is the basis for the “K” Line Spirit.

The main theme of the “K” LINE Vision 100 medium-term management plan is “Synergy for All and Sustainable Growth.” We aim to share benefits and continue to grow together with our stakeholders: customers, shareholders, business partners, employees, and society at large. In this review of the plan, in addition to the five basic missions set forth in the previous version, we have added and are working to realize two additional missions: 1) Expansion of stable earnings base and sustainable growth and 2) Strategic investment in response to structural market changes and growth in demand.



Two Missions

❶ Expansion of stable earnings base and sustainable growth

Although recovery in the business environment is spotty, a situation partly attributable to the impact of the Great East Japan Earthquake, the global economy is showing steady recovery. “K” Line will work to expand its earnings base by seeking steady expansion of its core businesses, containership, dry bulk carrier and car carrier services, and by closely observing structural changes in energy resource demand and working to expand energy transportation and tanker services and heavy lifter services into new core businesses.

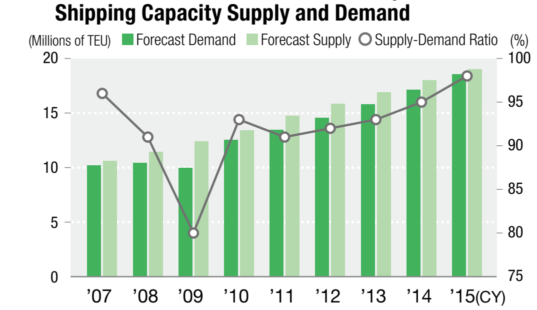
Initiatives by Business Segment

■Containership Business

In fiscal 2011: outlook is for recovery trend from summer onward, despite temporarily weak market conditions at beginning of the period, and in response to rising demand, a continued mild recovery is expected in fiscal 2012 and beyond.

We will pursue business development focused on north-south routes and intra-Asian routes, where future expansion is forecast, and provide a broad service network evolving around CKYH—the Green Alliance in the main east-west routes. We will also consider containership fleet upgrades.

Worldwide Forecast for Containership Shipping Capacity Supply and Demand



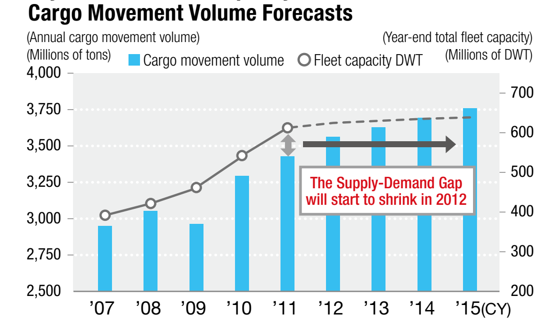
Sources: Materials from Drewry, Alphaliner, and other sources and “K” Line forecasts.

■Dry Bulk Carrier Business

Continuation of fleet upgrades to cope with recovery in the global economy in fiscal 2011 and beyond

Expansion of resource transport and increases in ton-miles are expected to accompany sustained economic growth in China, India and other developing countries. In the mid-2010s we will engage in fleet upgrades aimed at bringing fleet size to 300 vessels, focusing on the addition of small and medium-sized vessels.

Dry Bulk Total Fleet Capacity DWT and Cargo Movement Volume Forecasts



Sources: Clarkson; data for 2011 to 2015 are “K” Line forecasts.

■Car Carrier Business

Restructuring of the business plan in response to structural changes in the completed car transport market

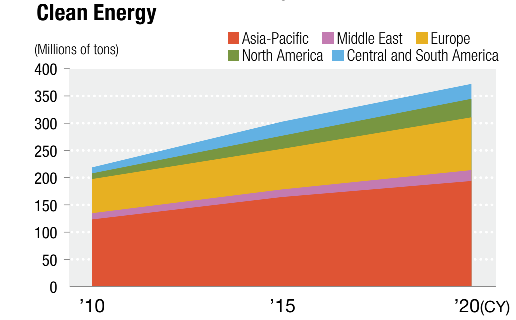
We will expand ship allocation services and upgrade the fleet in response to diversification in marine transport demand due to market expansion in developing countries. We aim to develop a structure to transport 3.5 million cars per year by the mid-2010s.

■Energy Transportation and Tanker Business

Coping with structural change in global energy demand (higher demand for LNG, acceleration of energy development)

We will seek to expand our LNG carriers operations to cope with increased LNG demand and pursue profitability improvement from synergy by entering businesses in upstream sectors such as floating LNG production vessels and drillships.

Demand for LNG, Attracting Attention as a Source of Clean Energy



Source: RIM Yearbook, prepared by “K” Line based on Poten & Partners and CERA

■Heavy Lifter and Offshore Support Vessel Business

Responding to demand from growth sectors such as energy development

In June 2011 “K” Line made the SAL Group of Germany a wholly owned subsidiary with the aim of developing heavy lifter operations into a core business. In offshore support vessel operations, we will seek a stable earnings structure by means of long-term contracts with high-value customers.

■Logistics Business

Responding to steady recovery in demand for infrastructure-related cargo transport and air cargo transport

We will expand and upgrade services offered by “K” Line Logistics, Air Tiger Express and Century Distribution System to develop our logistics operations, focusing on the Asian market.

❷ Strategic investment in response to structural market changes and growth in demand

"K" Line will undertake to build a highly adaptable and flexible fleet against a backdrop of demand expansion in China, India and other developing countries and structural market changes and diversification, and will invest in new businesses in growth sectors. We have reviewed the initial investment figure of ¥56.0 billion for fiscal 2011 and now forecast investment of ¥95.0 billion. By applying ¥23.0 billion of this to structural reform of the fleet through the purchase and addition of pre-owned vessels that have recently come off lease or off charter, we will increase the flexibility to dispose of ships when business conditions or demand fluctuates.

In addition, the investment amount includes ¥37.0 billion for investment in offshore support vessels, heavy lifters and chemical carriers to reinforce new business operations. Even as we make these investments for structural reform and new business reinforcement, we will continue to strengthen the financial base.

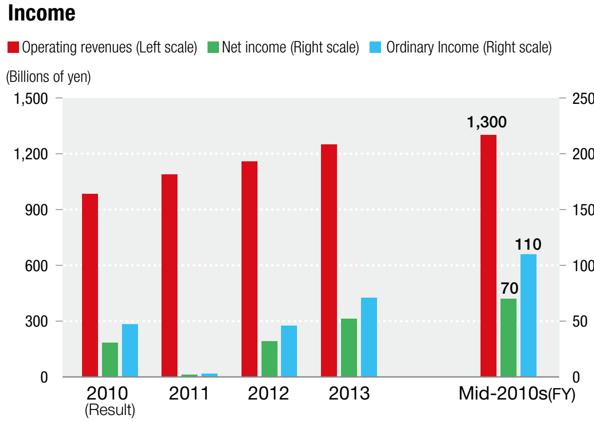
Cash Flows from Investments

FY2011 Plan:	¥95.0 billion	
(1) Structural improvements:	¥23.0 billion	(Purchase of pre-owned vessels after termination of lease or charter contracts)
(2) New business development:	¥37.0 billion	(Offshore support vessels, Heavy lifters, Chemical tankers, etc.)
FY2012 Plan:	¥80.0 billion	
FY2013 Plan:	¥65.0 billion	
Three-year total for 2011–2013:	¥240 billion	

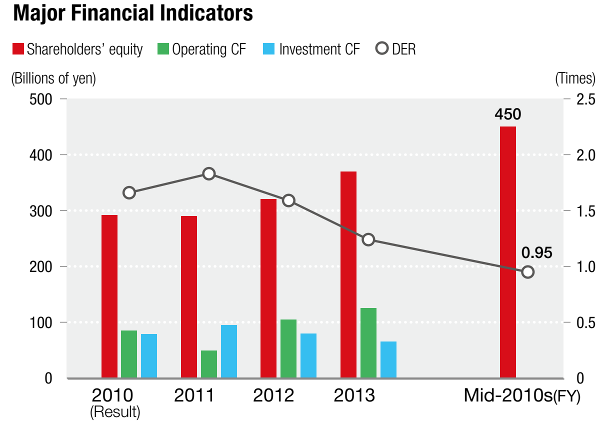
■Change in Profit and Key Performance Indicators

In 2012 and beyond we expect to return to a normal earnings structure as a result of expansion of business operations. We forecast steady improvement in financial indicators such as the debt equity ratio (DER) and equity ratio in fiscal 2012 and beyond accompanying earnings improvement, despite some deterioration in fiscal 2011. We have set targets for the mid-2010s of a DER of 95% or lower, return on assets (ROA) of 8% or higher, an equity ratio of 40% or higher, a ratio of interest-bearing debt to operating cash flow of 4.5 times or lower, and a payout ratio of 30%.

Income



Major Financial Indicators



■Changes in Fleet Size

(Unit: vessels)

Fiscal Year	FY2010 completion	FY2011 completion	FY2012 completion	FY2013 completion	FY2011-13 completion	No. of Vessels at end of FY2013
Containerships	11	6	4	0	10	82
Dry Bulk Carriers	16	35	23	27	85	260
Car Carriers	7	7	1	0	8	86
Tankers	0	1	2	0	3	29
LNG Carriers	0	0	0	0	0	42
Offshore Support Vessels	3	4	0	0	4	8
Heavy Lifter Vessels	2	0	0	0	0	16
Coastal Vessels	1	1	2	0	3	54
Total	40	54	32	27	113	577

■Numerical Targets

Targets for financial index (Consolidated)

	FY2011	FY2012	FY2013		Mid–2010s
Operating revenue (Billion yen)	1,090	1,160	1,250		1,300
Ordinary income (Billion yen)	3	46	71		110
Net income (Billion yen)	2	32	52		70
Shareholders' equity (Billion yen)	290	320	370		450
Interest-bearing debt (Billion yen)	530	510	460		380
Operating cash flow (Billion yen)	49	105	125	→	—
Investing cash flow (Billion yen)	-95	-80	-65		—
DER (Times)	1.83	1.59	1.24		Below 0.95
ROA (%)	0	4	6		Above 8%
Shareholders' equity ratio (%)	26	28	31		Above 40%
Interest-bearing debt / Operating cash flow (Times)	10.82	4.86	3.68		Below 4.5
Dividend payout ratio (%)	25	26	27		30%

Assumption

		FY2011	FY2012	FY2013
Dry bulk market (Pacific round voyage)				
Capesize	(US$ / day)	20,000	25,000	30,000
Panamax	(US$ / day)	15,000	17,500	20,000
Handymax	(US$ / day)	13,000	15,000	18,000
Small handy	(US$ / day)	11,000	12,000	14,000
Exchange rate	(Yen / US$)	85	85	85
Bunker price	(US$ / MT)	650	600	600

Sensitivity (FY2011) Exchange rate changes: ±1 yen / US$1 ⇒ approx. ¥1.2 billion (ordinary income)
Bunker price changes: ±US$10 / MT ⇒ approx. ¥1.2 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.

Containership Business

BUSINESS STRATEGY

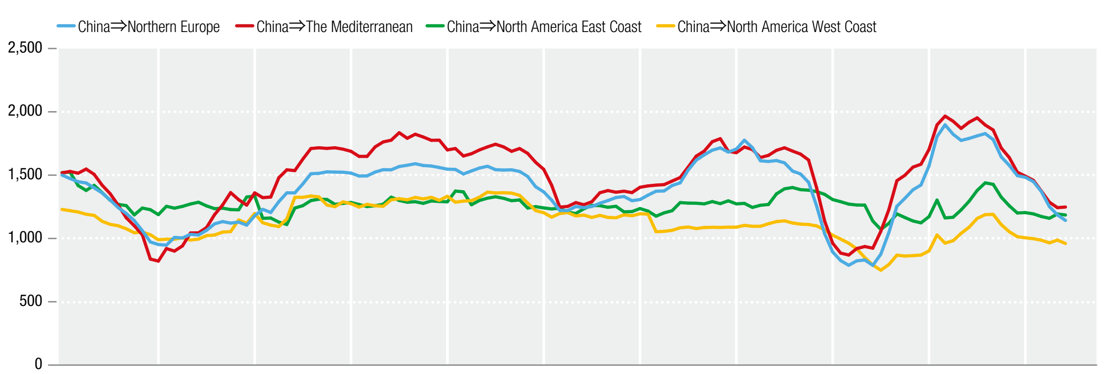
We will provide our customers with stable, high-quality services by operating a network that covers numerous ports of call using state-of-the-art large containerships. The backbone for the east-west trunk routes, such as Asia-North America, Asia-Europe and Atlantic Ocean routes, is CKYH—the Green Alliance*, 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, 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 develop business flexibility by providing services adapted to customer needs, through responding to the distinct characteristics of shipping routes, and using cooperative ship allocation with leading Japanese and foreign shipping companies. We will introduce leading-edge technologies and rigorously practice energy-saving ship operation to conserve energy resources and reduce greenhouse gas emissions. Furthermore, we will consider a fleet upgrade plan to include new next-generation large containerships as a strategic move for future development.

Senior Managing Executive Officer **Eizo Murakami**

*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)

Change in Freight Rates for Cargo Originating in China

(Average US$ freight rates per TEU)



Source: China Containerized Freight Index

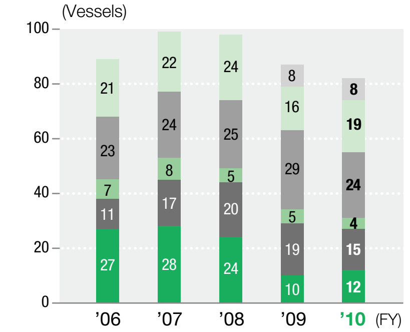
Number of Ships in Operation

(As of March 31, 2011)

	(Vessels)
8000 TEU type	8
5500 TEU type	19
3500 TEU type	24
2800 TEU type	4
2000 TEU type	15
1400 TEU or under	12
Total	82

Change in the Number of Ships in Operation

(Vessels)



TOPICS

Service Network Expansion and Modification

■North America Routes

• Asia-North America East Coast Routes

Service improvements such as shortening of transit time between Ho Chi Minh City and New York by seven days through a review of ports (April 2011)

■North-South Routes

• Asia-South America East Coast Routes

Transition to two loops per week through the addition of new services (July 2011)

• Asia-South America West Coast Routes

Addition of a port call in Honolulu and start of weekly service linking Japan-Asia/Honolulu (December 2010)

Overview of Fiscal 2010

In a business environment fraught with uncertainty since the financial crisis of 2008, we reduced tonnage on routes between Asia and North America, where overall cargo volumes decreased by 6% year on year. Cargo volumes increased by 8% on routes between Asia and Europe/the Mediterranean, where cargo movements were solid throughout the year, and increased by 2% on north-south and intra-Asian routes. As a result of these developments, the "K" Line Group's overall cargo volumes in fiscal 2010 were nearly at the same level as the previous year.

Freight rates improved substantially and revenues increased as a result of freight rate restoration. The business returned to profitability due to maximum utilization of tonnage and equipment, streamlining in ship allocation and eco-friendly slow steaming, despite negative factors such as soaring fuel oil prices and yen appreciation.

Fiscal 2011 Business Outlook

We expect worldwide freight movements, which improved dramatically in 2010, to follow a gradual growth path in 2011 and beyond. With regard to freight rate levels, however, short-term cargo rates declined during the winter off-season due to supply pressure resulting from the completion of new ships in early spring and are expected to lag for a time. Although freight rate restoration was achieved to some extent in most trades during the summer peak season, we anticipate an adverse business environment due to an expected year-on-year decrease in full-year freight rates on European and north-south routes coupled with cost increases from continuing high fuel oil prices and inland costs in North America.

In these circumstances, "K" Line will continue to engage in conservative route operation on the east-west trunk routes. Furthermore, together with partners in the CKYH Green Alliance and our partners in cooperative ship allocation on intra-Asia routes and north-south routes, we will continue efforts to reduce operating costs while maintaining and improving service quality. Measures include optimization of transport capacity in line with demand, streamlining of ship allocation through means such as adjustment of ports of call, further promotion of eco-friendly slow steaming and promotion of the mutual use of terminals and equipment. We plan to further promote the development of an organization and business structure that will enable full utilization of operating assets—uniting account sales, ship operation and equipment management through further reinforcement of groupwide information sharing among the world headquarters in Tokyo and the overseas business sites (North America, Europe, Singapore and Hong Kong), and the rigorous application of IT, which enables detailed profit management adapted to market conditions.

We will take a twofold approach to upgrading the fleet. We will prepare against the risk of supply and demand fluctuations by means of fleet development involving the acquisition of cost-competitive pre-owned vessels and an increase in the proportion of vessels that can be scrapped or returned on short notice. At the same time, we will consider next-generation large newbuildings with the aim of ensuring business scale in line with cargo movements that are expected to continue to show stable growth. We will pursue economies of scale through larger vessel size while also actively introducing new technologies to protect the global environment.

In addition, we will seek well-balanced route operation by striving to maintain high-quality service on the east-west trunk routes, while at the same time expanding and upgrading services focused on intra-Asia and north-south routes, where future transport volume growth is expected to mirror economic growth.

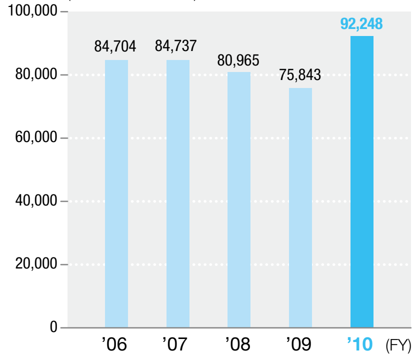
Dry Bulk Business

BUSINESS STRATEGY

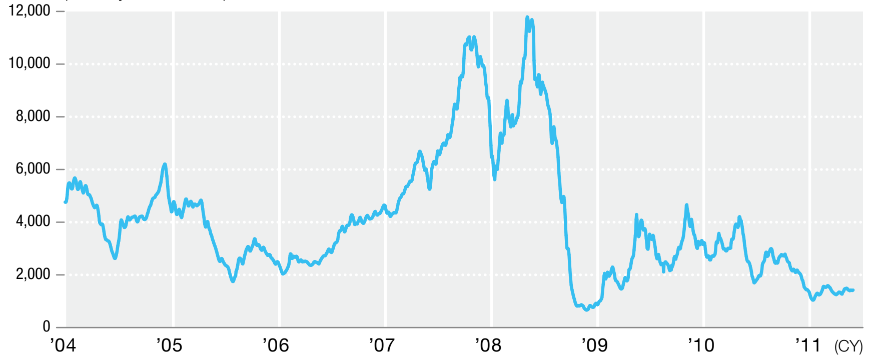
The "K" Line Group has expanded its stable earnings base in dry bulk carrier services, focusing on the transport of iron ore, thermal coal and other raw materials to Japan. Furthermore, in response to the expansion of resource transport attendant on sustained economic growth in China, India and other newly-industrialized countries, we are vigorously implementing a strategy to achieve further growth. Under the "K" LINE Vision 100 —New Challenges— medium-term management plan, launched in fiscal 2011, we aim to reach a fleet size of approximately 300 vessels by the mid-2010s. We will increase staffing levels in fast-growing China and India and accelerate business development at our business bases in Europe and Asia. At the same time, we will expand our business globally by putting in place a structure for providing meticulous service tailored to customer needs.

Vice President Executive Officer **Takashi Saeki**

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



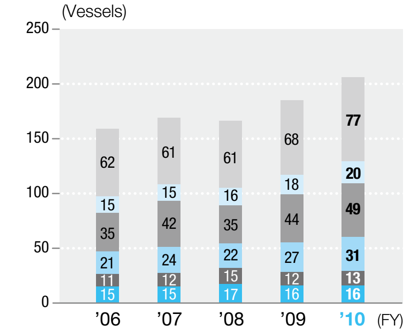
Baltic Dry Index
(Freight rate index for ocean-going bulk carriers, as calculated by the Baltic Exchange in London.)
(January 1985=1,000)



Number of Ships in Operation
(As of March 31, 2011)

	(Vessels)
Capesize	77
Over-Panamax	20
Panamax	49
Handymax	31
Small handy	13
Chips and pulp	16
Total	206

Change in the Number of Ships in Operation
(Vessels)



TOPICS

Completion of *MAIZURU BENTEN*, a dedicated vessel for The Kansai Electric Power Co. Inc.

May 2010 marked the completion of construction at the Imabari Shipbuilding Co., Ltd. Marugame Headquarters of *MAIZURU BENTEN*, an 88,000 ton coal carrier (over-Panamax class) flying the Japanese flag. The vessel is a sister ship to the Corona series of wide-beam, shallow-draft ships independently developed by "K" Line as optimal carriers for electric power companies in Japan. *MAIZURU BENTEN* will be assigned as a dedicated vessel for the transport of imported coal to The Kansai Electric Power Co. Inc.'s Maizuru Power Station.

Overview of Fiscal 2010

Although in fiscal 2010 market conditions for dry bulk carrier services didn't fluctuate wildly, unlike in the previous year, market conditions for capesize vessels deteriorated from the second half onward due to factors including decreases in China's iron ore import ratio and year-on-year import volume, as well as higher supply pressure due to the completion of approximately 200 newbuildings. Market conditions for small and medium-size vessels remained firm, supported by robust imports of coal and grain by China, India and other countries. Although we strove for efficient ship allocation and further operating cost reductions, weak market conditions due to flood damage in eastern Australia in the fourth quarter had a negative impact on the business, and fiscal 2010 full-year revenues and profits remained at the prior-year level.

Fiscal 2011 Business Outlook

Although a large number of newbuildings will be completed in fiscal 2011, cargo movements are forecast to rise only slightly year on year. Consequentially, we expect an adverse market environment throughout the year due to a widening gap between supply and demand. As measured by the overhang of tonnage with respect to cargo movement, short-term market conditions have weakened substantially in the first half. On the other hand, we look for gradual recovery in market conditions in the second half, since transport demand for cargo bound for China and India is firm, the scrapping of aged carriers, mainly capesize vessels, is accelerating, and supply and demand adjustment mechanisms are expected to function.

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

For the Bulk Carrier Group, the gap between supply and demand is of limited impact. The group continues to steadily expand its fleet of small and medium-size vessels, which are expected to quickly benefit from recovery in market conditions, and aims to double its fleet size from the current level of approximately 50 ships by the mid-2010s. The group seeks a balance between medium-term to long-term contracts and short-term contracts that will enable earnings maximization during market peaks.

The Thermal Coal, Woodchip and Pulp Group will further solidify its stable earnings structure by basing its operations on long-term service contracts with electric power companies in Japan while at the same time securing consecutive voyage contracts for dedicated ships and ships on long-term service contracts on the basis of the safe operation of wide-beam, shallow-draft Corona vessels, which have achieved market penetration as a high-quality brand. The group will also proactively respond to increased transport demand for thermal coal following the earthquake disaster. Furthermore, the group will promote the superiority of Corona-type 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.

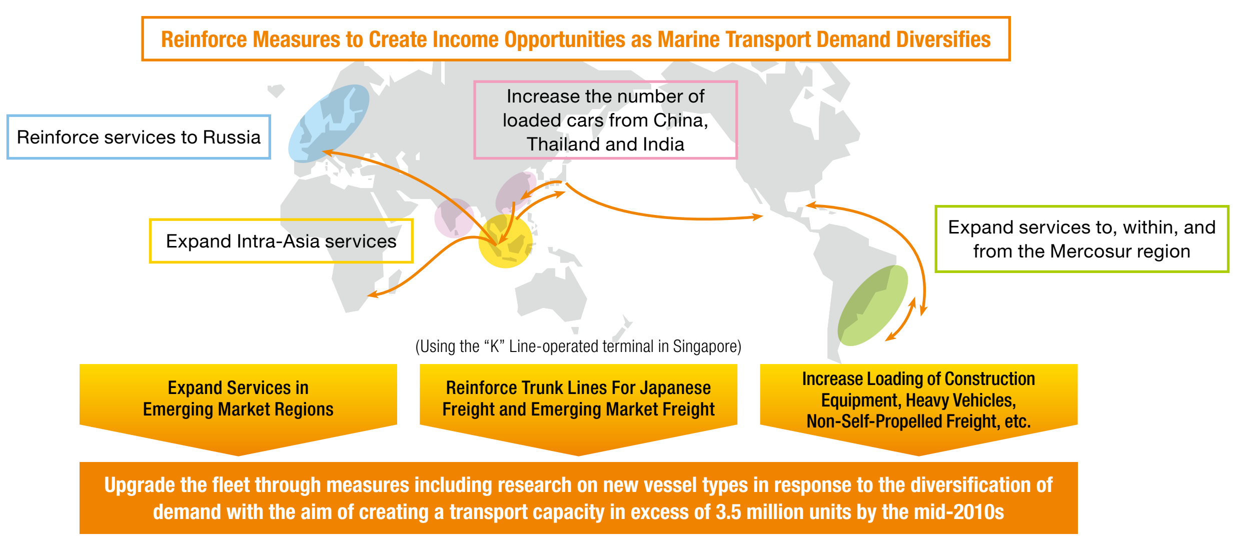
Car Carrier Business

BUSINESS STRATEGY

The “K” Line Group has been a pioneer in the transport of completed cars since the completion of construction of TOYOTA MARU No. 1 in 1968. Our business approach since those early days has been to be a true business partner by identifying the problems our customers face and proposing solutions.

We seek to expand and realign our route network and enhance ancillary services in response to changes in customer needs and the business environment while continuing our constant pursuit of safe operation and high-quality transport. In addition, we continuously implement measures to reduce environmental impact. We aim to continue to adhere to these principles and take full advantage of the expertise we have accumulated over the years to return the car carrier business to a growth trajectory and solidify the position of the “K” Line brand in the market.

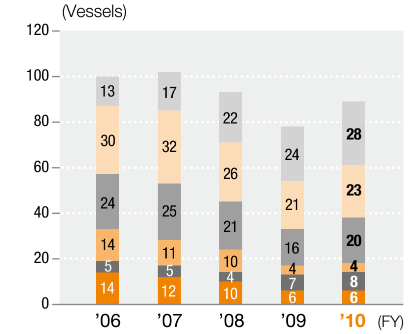
Managing Executive Officer **Shigeo Itaya**



Number of Ships in Operation
(As of March 31, 2011)

(Capacity)	(Vessels)
6000 units	28
5000 units	23
4000 units	20
3000 units	4
2000 units	8
800 units	6
Total	**89**

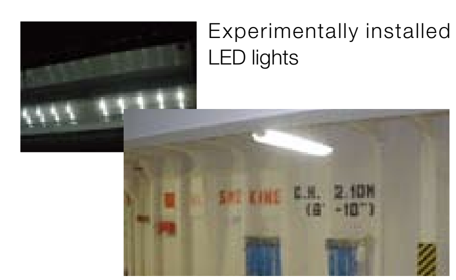
Change in the Number of Ships in Operation
(Vessels)



TOPICS

Experimental installation of LED lighting on car carriers

“K” Line has installed LED lighting in the cargo hold and crew quarters of Southern Highway, a car carrier with capacity for 3,900 vehicles, and begun a demonstration experiment. We have confirmed that the LED lights experimentally installed in the cargo hold reduce power consumption by approximately 15% compared to conventional fluorescent lights, and future energy savings of approximately 30% are expected to result from the development of new LEDs that incorporate a new type of element. LED lighting not only saves energy, but also reduces waste disposal and crew fatigue because they require less frequent replacement than fluorescent lamps.



Experimentally installed LED lights

An LED light strip installed in the hold

Overview of Fiscal 2010

Worldwide automobile sales plunged following the onset of the global financial crisis in 2008 and began to emerge from the slump in fiscal 2009, easing into a gradual recovery path in fiscal 2010. Accompanying this trend, demand for ocean transport of completed cars improved dramatically year on year, resulting in an increase of more than 40% in the “K” Line Group’s full-year transport volume to 3.02 million vehicles. Analysis of reasons for the increase by region indicates shipments to resource-producing countries in South America and Africa showed an especially sharp increase, and the volume of shipments from North America and Europe to the booming market of China increased. On the other hand, cargo movements from Japan were comparatively lackluster due to the impact of yen appreciation and other factors.

Although profit and loss was significantly affected by soaring fuel prices, especially from the second half onward, rigorous cost reduction measures, including the streamlining of ship allocation and eco-friendly slow steaming, resulted in a profit for the full year.

The “K” Line Group reduced the number of vessels in operation to fewer than 80 at the end of fiscal 2009 in response to lower transport demand, but in the year under review we were able to increase the fleet to approximately 90 vessels to meet increased demand.

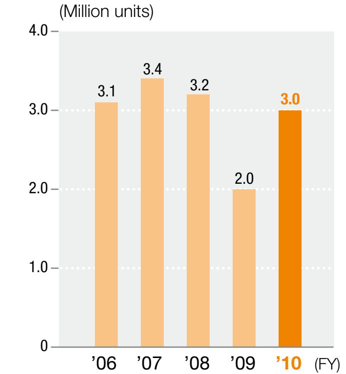
Fiscal 2011 Business Outlook

Automakers in Japan incurred extensive damage from the Great East Japan Earthquake in March 2011, sharply reducing demand for the transport of completed cars from Japan in the first quarter of fiscal 2011. In response to this situation, “K” Line implemented tonnage adjustments that included the removal of four carriers from service. On the other hand, the outlook is for rapid recovery in transport demand from summer onward, and we will respond to the tonnage supply and demand situation by fully utilizing newbuildings scheduled for completion.

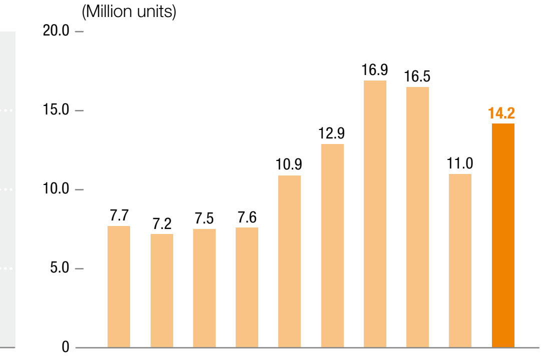
A steady increase in overall worldwide automobile sales is forecast. We expect transport demand for completed cars to simultaneously expand and diversify due to factors including the diversification of production sites by automakers accompanying market expansion in newly industrializing countries—namely China, India and other Asian countries, Russia and Brazil—and higher ocean transport demand for construction, mining and agricultural equipment.

In response to this change in ocean transport demand, the “K” Line Group will further strengthen its trunk lines to win orders for cargo from developing regions in addition to cargo from Japan, the core business, and implement service enhancements within developing regions. To accurately identify ever-changing customer needs, we will constantly pursue optimization of ship types and each service networks. Also, we will enhance fleet optimization for the long term and research new ship types with a view to developing a system capable of transporting more than 3.5 million vehicles by the mid-2010s.

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

Energy Transportation and Tanker Business

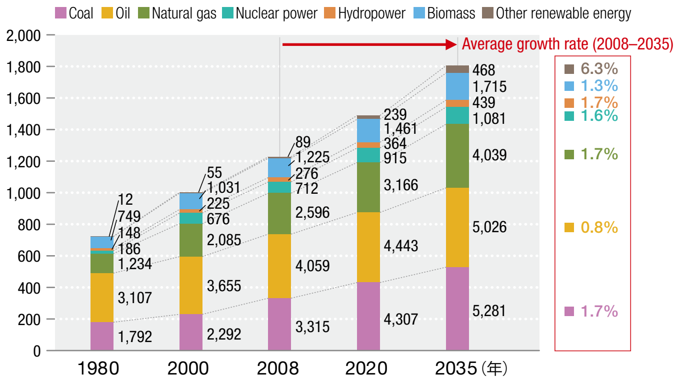
BUSINESS STRATEGY

In the energy transportation and tanker business, “K” Line will strengthen its business base and develop new business sectors on the basis of a growth strategy adapted to structural changes in energy demand worldwide (such as higher demand for liquefied natural gas (LNG), a low environmental impact fuel) and acceleration of energy development. We will seek to increase transport demand for existing vessels and boost synergy by entering the drillship business, a new business sector, and entering upstream areas of energy development in the floating LNG producer business. In this way, we will aim to provide comprehensive solutions to customer needs by laying a solid service foundation in multiple fields to build an energy chain extending from energy resource development to transport. In our traditional business sectors, we will support energy lifelines in Japan, the world’s largest LNG importing country, and actively engage in trilateral transport of resources between countries other than Japan using our LNG carriers and oil tankers.

Managing Executive Officer **Hiromichi Aoki**

Worldwide Demand for Primary Energy

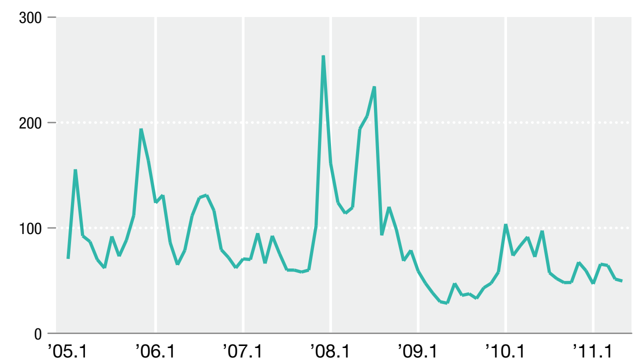
(Million ton oil equivalent)



Source: Prepared based on IEA World Energy Outlook 2010

Index of VLCC* Freight Rates

(VLCCs, Arabian Gulf / Japan in Worldscale)



Source: Clarkson

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

Number of Ships in Operation

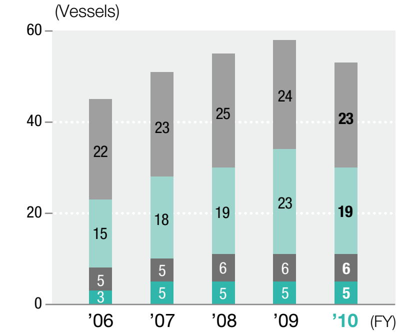
(As of March 31, 2011)

(Vessels)

LNG Carriers	23
Oil Tankers	19
Product Tankers	6
LPG Carriers	5
Total	**53**

Change in the Number of Ships in Operation

(Vessels)



TOPICS

Involvement in Upstream Energy Development Sectors

Drillships

The first drillship, to be chartered by Petrobras, the Brazilian state-owned oil company, is scheduled for completion at the end of 2011.

LNG FPSO Projects

“K” Line supports FLEX LNG Ltd.’s floating LNG producer projects as the company’s largest shareholder and strategic partner.

Overview of Fiscal 2010

In LNG carrier services, business for vessels under long-term contract developed favorably. In the second half of the fiscal year, conditions in the spot charter market recovered as well, and “K” Line carriers in spot service operated under medium-term contracts, contributing to profit improvement. In the results for oil tanker services, although VLCC (large tankers) under long-term contract continued to earn stable profits, market conditions for AFRAMAX (mid-size tankers), oil product carriers and liquefied petroleum gas (LPG) carriers were less favorable than expected as tonnage supply exceeded transport demand.

Fiscal 2011 Business Outlook

▶LNG Carrier Services

Stable operation of LNG carriers is forecast amid continuation of contracts from the previous year for carriers under long-term contract and carriers in spot service. Demand for natural gas is expected to continue to steadily rise as a result of strong growth in energy demand in newly-industrialized countries and increased awareness of environmental conservation. In this favorable operating environment, LNG transport is a market sector from which substantial growth can be expected. “K” Line will provide services adapted to diversifying customer needs, work to win orders for new business and expand the fleet.

▶Oil Tanker Services

In the outlook for oil tanker services, since supply pressure from newbuildings remains high, we expect market conditions to remain unchanged from the previous year due to slow improvement in the supply and demand balance. We will seek to secure and expand the stable earnings base for VLCCs by maintaining and extending existing contracts and obtaining new overseas customers. We will work to improve earnings from AFRAMAX tankers and oil product carriers by engaging in efficient ship allocation based on contracts with regular customers and devising cost reduction measures.

▶Development of Energy Transportation Services

The first drillship (offshore resource drilling ship) in which “K” Line will participate was launched without incident by Samsung Heavy Industries of South Korea in April 2011 and is scheduled for completion at the end of this year. This ship will be chartered for up to 20 years by Petrobras of Brazil and is expected to earn stable, long-term profits. “K” Line plans to develop the drillship business by participating in additional new projects.

In addition, in April of this year FLEX LNG, a company in which “K” Line is the largest shareholder, entered into a basic agreement with InterOil, owner of gas field concessions in Papua New Guinea, to realize its first floating LNG producer project. The project will involve liquefaction of natural gas produced in the gas field using a floating LNG producer. The two companies will finalize a basic design for the LNG producer by the end of this year and engage in detailed discussions of the project with the aim of commencing operation at the end of 2014. LNG is a clean energy source for which worldwide demand is expected to increase, and “K” Line will support new gas field development projects involving the use of floating LNG producers as a strategic partner of FLEX LNG.

Offshore Support Vessel Business

BUSINESS STRATEGY

"K" Line will conclude long-term stable contracts with highly-respected customers and build a stable earnings base by deploying a state-of-the-art fleet consisting of a total of seven vessels, comprising anchor handling tug supply (AHTS) vessels with the world's highest bollard pull capacity (390 tons) and platform supply vessels (PSV) having among the world's largest deck plate surface areas (1,100 m^2) to meet needs for ultra-deep and distant water energy development.

Managing Executive Officer **Toshiyuki Suzuki**

See P.38 for details.

Overview of Fiscal 2010

The activities of E&P (Exploration & Production) companies increased from the previous year, and demand for offshore support vessels rose. Nevertheless, since the deployment of newbuildings and other factors led to continued oversupply of tonnage, market conditions remained at a low level, recovering only slightly from the previous year. Although only one mid-sized PSV operated for the full year, business performance at K LINE OFFSHORE AS (KOAS) remained at the prior-year level due to a market slump in the first half of 2010.

Fiscal 2011 Business Outlook

Since crude oil prices are expected to remain high, E&P expenditure from fiscal 2011 to 2012 is forecast to increase by 10% or more year on year, and we expect market conditions for offshore support vessels to recover year on year.

Six previously ordered newbuildings were completed in June 2011, resulting in a fleet of seven state-of-the-art offshore support vessels. "K" Line aims to establish the "K" Line brand in the offshore support vessel business and to further expand the business to meet needs for ultra-deep and distant water energy development, for which demand is expected to increase apace, by continuing to provide competitive services made possible by this high-specification fleet.

Heavy Lifter Business

BUSINESS STRATEGY

"K" Line has made the SAL Group, headquartered in Germany, a wholly owned subsidiary and aims to develop heavy lifter services into a core business. The SAL Group operates a fleet of 16 heavy lifters with lifting capacity ranging from 600 to 2,000 tons and provides wide-ranging transport services for everything from large cargo to medium weight and light weight cargo. It will make full use of state-of-the-art vessels equipped with a dynamic positioning system and actively compete for orders involving offshore-related transport, which has developed in recent years.

Managing Executive Officer **Toshiyuki Suzuki**

See P.36 for details.

Overview of Fiscal 2010

Movements of large cargo plummeted as a result of the impact of worldwide stagnation in energy and infrastructure project investment following the global financial crisis of 2008. In addition, freight rates were low due to intensification of competition for spot medium and lightweight cargo. This resulted in a year-on-year decline in revenues and earnings.

Fiscal 2011 Business Outlook

Although continuing high fuel prices put pressure on profits, cargo movements and freight rates are rising in step with global economic recovery, and in fiscal 2011 we expect full-year profitability for the SAL Group on a non-consolidated basis.

From a medium-term perspective as well, we anticipate higher infrastructure-related cargo movements, centered on the Middle East, and higher movements of offshore oil and gas development facilities and offshore wind power generation equipment. On June 30, 2011 "K" Line made the SAL Group a wholly owned subsidiary. We will work to expand the SAL Group's customer base and strengthen its financial position while taking advantage of its powerful brand and wealth of experience and knowledge in the heavy lifter industry and to demonstrate synergy with the offshore-related businesses that "K" Line Group operates.

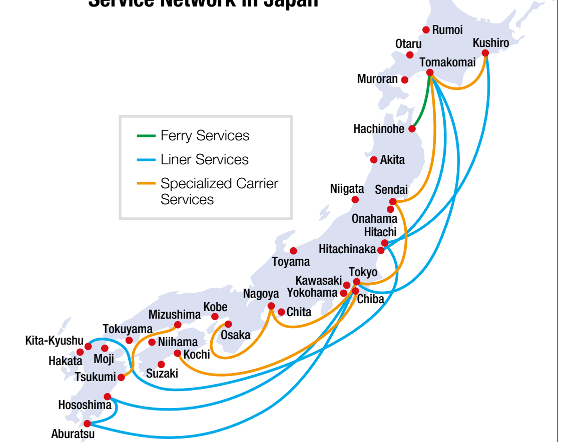
Short Sea and Coastal Business

BUSINESS STRATEGY

In Short Sea Services, we handle coal, woodchips and other basic industrial materials 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 liner domestic routes. We also link Honshu and central economic zone in Hokkaido by ferry with the shortest possible routes and pursue maximum convenience for door-to-door parcel services and passengers. We will continue to provide high-quality service in both service categories.

Managing Executive Officer **Toshiyuki Suzuki**

**Kawasaki Kinkai Kisen Kaisha, Ltd.
Service Network in Japan**



Overview of Fiscal 2010

▶Short Sea Services Recovery in market conditions for bulk carriers of coal and other materials at the start of the fiscal year led to an advantageous situation for obtaining annual contracts and earnings improvement, and the transport volume of steel products bound for Southeast Asia increased.

▶Coastal Services The operating rate for limestone transport to steel and cement companies increased, and we secured stable transport volumes for paper material carriers. At the same time, general cargo transport volumes increased as a result of actively working to obtain orders for new cargo for transport by RORO vessels, we maintained the schedule of four sailings per day on the Hachinohe-Tomakomai ferry route, and door-to-door parcel service and livestock product transport volumes developed favorably from the start of the fiscal year. Nevertheless, the Great East Japan Earthquake in March resulted in suspension of operations, and transport volumes until the end of the fiscal year stagnated.

Fiscal 2011 Business Outlook

▶Short Sea Services In tramp services, we will expand the fleet of coal and woodchip carriers and work to enter new markets and develop a stable profit structure. In liner services, we will seek to obtain stable transport volumes of steel materials and wood products shipped from Japan and appropriate freight rates, actively enter the market for trilateral transport in the Asia region and strive to improve earnings.

▶Coastal Services In tramp services, we will vigorously proceed with new customer acquisition while carefully observing market conditions and cargo owner trends from a medium- to long-term perspective. In liner services, we diverted cargo to Keihin Port because Hitachi Port and Hitachinaka Port incurred extensive damage in the Great East Japan Earthquake, restoring service to the original route in late May. The earthquake affected ferry transport as well, preventing use of the harbor facilities at Hachinohe Port. Accordingly, we made temporary port calls at Aomori Port before restoring service to the original Hachinohe-Tomakomai route in July. We will work to expand vehicle and passenger transport volumes in preparation for the commissioning of a new replacement ferry in April 2012.

Logistics Business

BUSINESS STRATEGY

"K" Line Logistics (KLL), Air Tiger Express (ATE) and Century Distribution Systems (CDS) are the three core companies in our international logistics business and the key to winning orders for logistics services in the fast-growing market in Asia. In Southeast Asia and China, we will undertake expansion of locally-based total logistics services, notably vehicle logistics. We will continue to position the logistics business as a growth sector and undertake reinforcement of the business base and expansion of business scale.

Managing Executive Officer **Toshiyuki Suzuki**

TOPICS

PT. Kline Mobaru Diamond Indonesia (KMDI) is a member of the business group PT. K Line Indonesia, "K" Line's subsidiary in Indonesia. The company has developed, jointly with an Indonesian manufacturer, a three-level motorbike carrier for use in domestic road transport in anticipation of an era of high-volume transport of motorbikes in Asia. The new chassis, which increases load capacity by approximately 30% over previous two-level models, is a world-first groundbreaking transport mode that contributes to logistics cost reduction and CO_2 reduction. The company has already obtained patents in Indonesia, Vietnam, Thailand, India and China.

Overview of Fiscal 2010

In logistics services as a whole, both revenues and profits increased year on year, supported by profits from the warehouse and port operations. In addition, ocean freight and air freight forwarding volumes steadily increased, supported by semiconductor-related and automotive export cargo from Japan. In the buyers consolidation business, profitability improved attendant on gradual business recovery in the United States.

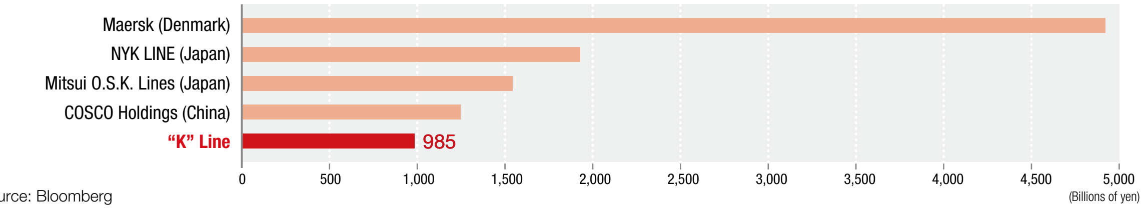
Fiscal 2011 Business Outlook

ATE, a company headquartered in the U.S. in which "K" Line took an equity stake in January 2010, has already established a solid business base in the U.S. and Asia, including China.

The company aims to further develop its business performance by also entering markets in developing countries in Asia and Central and South America. KLL, headquartered in Japan, is building a solid operating base among Japanese customers, focusing on the air freight and ocean freight forwarding business. It will expand and upgrade its network in Asia to cope with further shifting of production lines to Asia by its customers. For instance, it established a subsidiary in Vietnam in May 2011. CDS, headquartered in the U.S., aims to leverage the Visibility Management System (VMS), the "K" Line Group's logistics management system and a key selling point, to engage in proposal-driven sales that anticipate customer needs and enthusiastically expand the customer base. These three core companies in the international logistics business will vigorously work to win orders to meet total logistics demand in the growing Asian market.

"K" Line will also undertake expansion of existing businesses, primarily land transport and warehousing, at other Group companies involved in the logistics business in Japan and overseas. We forecast year-on-year increases in revenue and earnings in fiscal 2011.

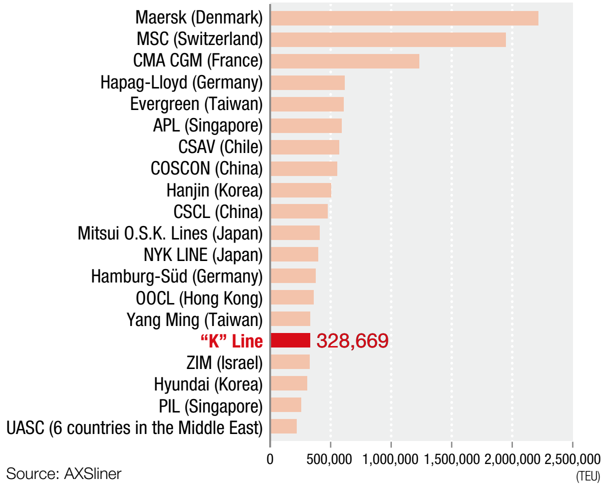
Sales among the Top-five Listed Marine Transport Companies (2010)



Source: Bloomberg

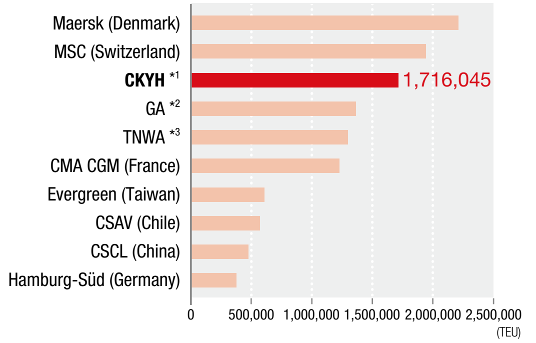
Containerships

Container Carriers Ranked by Operating Capacity (As of April 2011)



Source: AXSliner

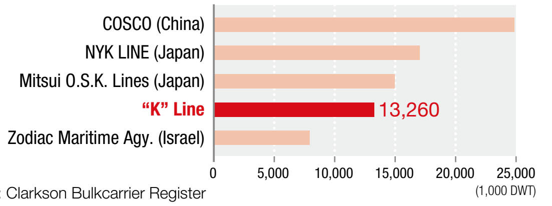
Comparison of Operating Capacity by Alliance (As of April 2011)



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

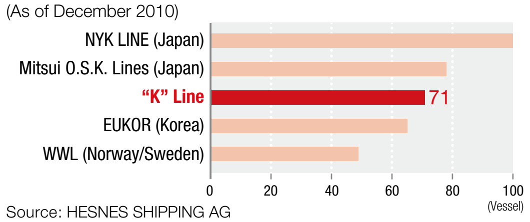
Dry Bulk and Car Carriers

Top-five Carriers Ranked by Owned Tonnage of Dry Bulkers
(As of March 2011)



Source: Clarkson Bulkcarrier Register

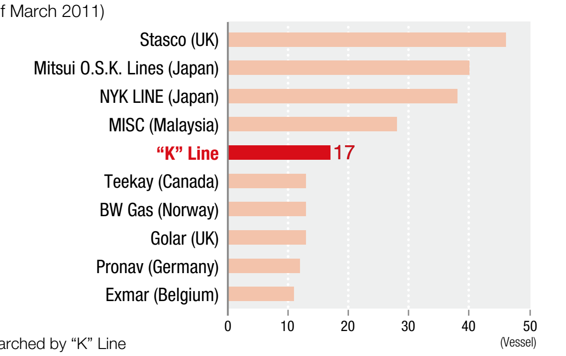
Top-five Carriers Ranked by Number of Operating Car Carriers (The number of vessels of over 2,500 units)
(As of December 2010)



Source: HESNES SHIPPING AG

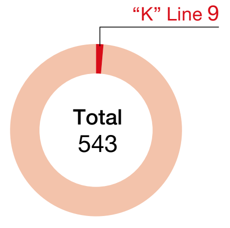
Energy Transportation Carriers and Tankers

Number of Managed LNG Carriers (By shipping company)
(As of March 2011)

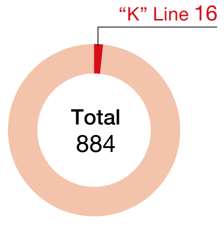


Researched by "K" Line

Number of VLCC*1s in Operation
(As of January 2011)



Number of Mid-sized Tankers*2 in Operation
(As of January 2011)



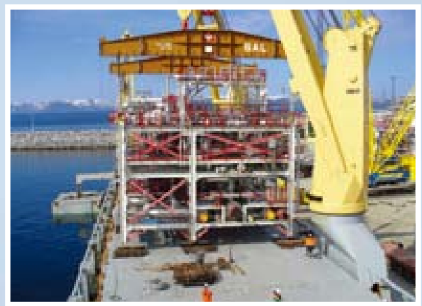
Source: Clarkson Tanker Register
*1 VLCC: Very Large Crude Carrier; 200,000–300,000 DWT tankers
*2 Tankers ranging from 80,000 to 120,000 DWT

Infrastructure development projects, such as the construction of oil refining and petrochemical plants and the development of railroads and transportation networks, are advancing worldwide in step with recovery in the global economy. In addition, the transport of offshore wind power generation facilities and other offshore-related facilities is forecast to continue amid the heightened worldwide awareness of the importance of environmental preservation and increases in crude oil prices. These cargoes are the target for heavy lifter vessels. In anticipation of development of the heavy facilities marine transport sector, which is essential for energy resource and infrastructure development, the "K" Line Group has made the SAL Group (headquartered in Germany) a wholly owned subsidiary and plans to develop the heavy lifter services as a core business.

SPECIAL FEATURE 1

Expansion of the Heavy Lifter Business

Offshore facilities transport



Project cargo: An assembled module for an LNG production facility

Project cargo: Wind power generation equipment

Completion of Construction of Vessels with the World's Highest Lift Capacity

The *SVENJA* and *LONE*, two heavy lifters owned by the SAL Group equipped with cranes with the world's highest lifting capacity of 2,000 tons, were completed in December 2010 and March 2011, respectively. On its maiden voyage, the *LONE* transported eight large reactors (oil refinery pressure units) from Japan to Trinidad and Tobago in Central America. The heaviest cargo item weighed 1,719 tons, the equivalent of about 110 large buses, and was the largest cargo ever transported, even for the SAL Group, which has a wealth of expertise and experience in heavy facilities transport. The *SVENJA* and *LONE*, two of only four heavy lifters worldwide equipped with the Dynamic Positioning System (DPS), will meet needs for the transport of oil and gas development facilities and offshore-related facilities, which require advanced transport techniques.

Loading of a large reactor for an oil refinery

Safe Transport Supported by SAL Group Personnel

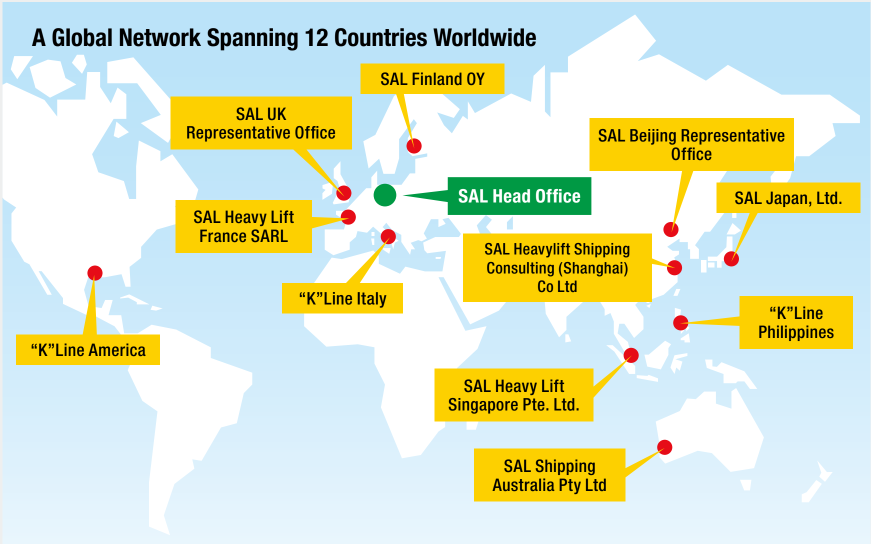
Advanced technology is required for the safe transport and handling of cargo of various shapes and sizes. This requires not only high-performance vessels, but also personnel who have mastered specialized, exacting techniques in cargo handling.

Each day at the SAL head office, top-flight crew members and engineering technicians engage in cooperative research into effective and safe, cargo stowage methods at sea and on land. In addition, for crew education and training, SAL established a manning company in the Philippines for SAL's exclusive use and also conducts training for SAL crew members at the "K" Line Group's crew member training facilities (the "K" Line Maritime Academy). SAL will continue to develop personnel who have mastered advanced techniques in the safe handling of cargo.

Computerized planning of the cargo loading and unloading work essential to safe cargo transport

The SAL Group's Global Network

The SAL Group is a specialty heavy lift services company established in 1980 in Germany. SAL owns a fleet of 16 vessels equipped with cranes with lifting capacities ranging from 600 to 2,000 tons to meet demand for the transport of wide-ranging cargo and handles its own marketing, ship operation and ship management. The company also meets the highest environmental standards: for instance, it was the first shipping company offering heavy facilities transport services to obtain health, safety and environment (HSE) qualifications (OHASAS 18001[*1] and ISO 14001[*2]). SAL has business sites in 12 locations around the world and aims to engage in business development utilizing selling capabilities underpinned by SAL's advanced maritime technical capabilities and knowledge and "K" Line's global network.



*1 OHASAS 18001 is an international standard for occupational health and safety management systems based on British Standards 8800 that can be used for third-party audits.
*2 ISO 14001 is a standard that prescribes environmental management system specifications. It includes matters that must be observed when developing environmental management systems that comply with ISO standards.

Activity of offshore energy E&P is increasing in step with the heightening of energy needs worldwide, and the "K" Line Group is actively entering the offshore energy E&P support business. Notably, subsidiary company K LINE OFFSHORE AS received delivery of final Newbuilding in June 2011, and now operates seven advanced offshore support vessels offshore of Brazil and in the North Sea, some under long-term charter contracts with highly-respected customers. We will continue to carry on the "K" Line spirit by vigorously and boldly doing business in the offshore Energy E&P support business sector, a growth market, and seek to win new business.

SPECIAL FEATURE 2

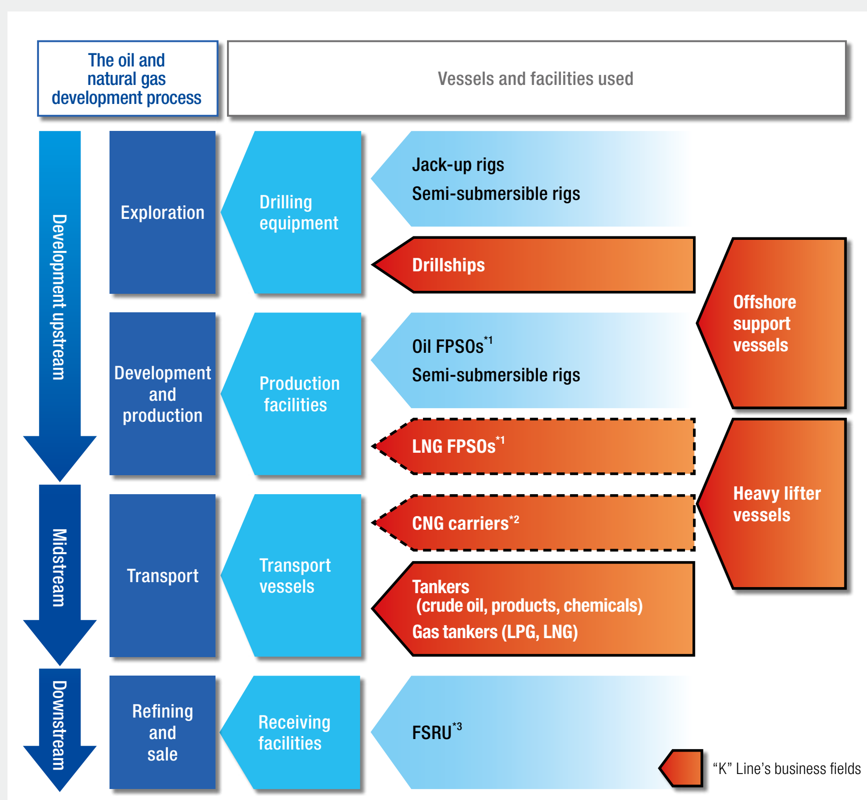
Moving Ahead in the Offshore Energy E&P (Exploration and Production) Support Business

Business Development in the Midstream to Upstream Resource Development Sectors

As production at existing oil fields approaches its peak, it is inevitable to develop undeveloped oil and gas fields in ultra-deep waters and remote areas to respond to steady energy demand. Demand for advanced drillships and offshore support vessels used at those areas has rapidly increased. Notably, Brazil has succeeded in resource development in the pre-salt Santos Basin and is actively investing in development.

Anticipating this change in the business environment, in the Group's medium-term management plan that began in fiscal 2008, "K" Line set forth a policy of expanding the scope of energy resource development business beyond conventional marine transport such as oil and gas tankers by developing new businesses in the upstream sector, such as offshore support vessels, drillships and LNG FPSOs*1.

The "K" Line Group will establish a business model that will make possible participation in wide-ranging transport operations from upstream to downstream in offshore energy resource businesses and development of a stable earnings base by further increasing synergy between energy resource transportation services, heavy lifter vessel services and offshore support vessel services.



*1 FPSO: Floating Production Storage and Offloading System
*2 CNG tanker: compressed natural gas tanker
*3 FSRU: Floating Storage and Regasification Unit

The First Long-Term Contract for an Offshore Support Vessel

The KL BREVIKFJORD, an advanced PSV chartered to Petrobras (Brazil)

In 2007, "K" Line established K LINE OFFSHORE AS, an offshore support vessel operator headquartered in Norway, and placed orders for six high-specification newbuildings. In 2008, the new company chartered one platform supply vessel (PSV) and began vessel operation in the North Sea. By June 2011 the company had built a fleet of seven vessels, all of which are now in operation.

In June 2010 the company concluded a contract for two PSVs with Petrobras, the Brazilian state-owned energy company. PSVs are "sea trucks" used mainly to transport materials and fuel to offshore rigs. The maximum term of the contract is eight years from the autumn of 2010. This deal has occasioned widespread recognition of the "K" Line Group in the international offshore support vessel market.

Furthermore, in February 2011 K LINE OFFSHORE AS entered into a contract for two large PSVs with the UK subsidiary of major US energy company ConocoPhillips. Under the contract, which has a maximum term of three years, the PSVs will supply materials and transport fuel to offshore rigs in the North Sea. The company's new PSVs are among the world's largest, with deadweight capacity of 5,100 tons and deck area of 1,100 square meters. This contract indicates recognition in the market of the high-grade specifications of these vessels and the brand power of the "K" Line Group.

AHTSs with World-Class Towing Power

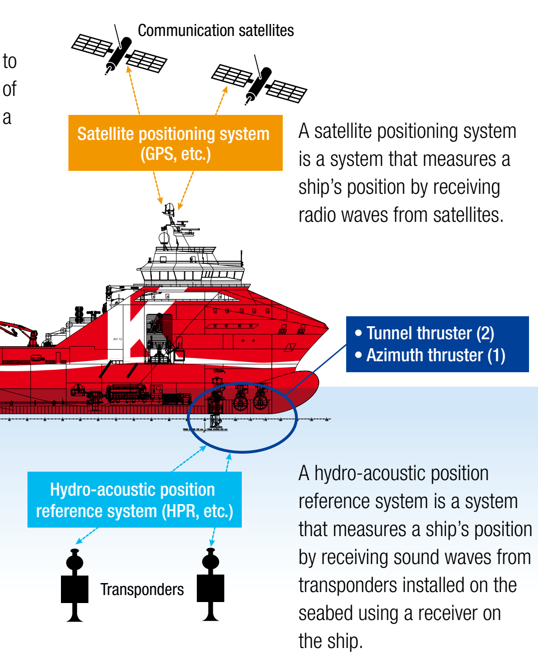
There are two main types of offshore support vessels: anchor handling tug supply (AHTS) vessels and PSVs. AHTSs engage in support activities when offshore drilling rigs are moved from location to location, such as raising anchors from the seabed, rig towing. AHTS also engages in support activities for seabed pipeline laying works.

Two advanced AHTSs were delivered this year and are currently operating in the North Sea. These AHTSs have propeller output of 34,000 horsepower and world-class bollard pull power (towing power) of 390 tons. They are equipped with all the latest equipment and systems, including a dynamic positioning system (DPS) for maintaining the vessel in a fixed position using its propulsion system, remotely operated vehicles (ROV) for monitoring undersea work for use in the installation, repair and maintenance of subsea equipment and a 250-ton A-frame for raising and lowering large subsea equipment.

After the delivery, the AHTSs have steadily accumulated an operating track record by entering into short-term contracts with customers including major oil companies. K LINE OFFSHORE AS will utilize these high-specification vessels to provide safe, efficient and environment-friendly high-quality offshore services in distant and ultra-deep offshore oil and gas field development, an industry expected to continue to develop apace.

Dynamic Positioning System (DPS)

DPS is a system that automatically controls the ship's position by using seven propulsion units with respect to measured ship's position by means of position reference systems such as a GPS and HPR.



Objective and Mission of Our CSR Activities

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 and proactively as a good corporate citizen.

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 policies above.

Social Contribution Activities

The "K" Line Group operates globally in seeking to achieve mutual benefit with local communities in different countries. We do this through steady accrual of small efforts, including contributions to society with resources as a shipping business, development of the next generation and participation in volunteer activities.

"K" Line Group's Support for the Areas Affected by the Great East Japan Earthquake

We provide free transport of relief supplies for the disaster-hit areas, including marine transport of materials for constructing temporary houses, along with everyday commodities for victims. We also support recovery efforts behind the lines. For instance, we cooperate with the Japan Ground Self-Defense Force in transporting troops engaged in relief and recovery activities in the affected areas and the vehicles they use, and we offer our reefer containers for storing food for the troops in their garrisons. The "K" Line Group will continue to proactively take part in relief activities by using our resources as a shipping company so the victims can return to normal lives as soon as possible.

"K" Line supports employees who participate in volunteer activities by providing special leave. Volunteers are making use of the special leave system to participate in recovery support activities in areas affected by the Great East Japan Earthquake.

Loaning refrigerated containers to JGSDF Camp Iwate

Exchange Meeting with Children

In December 2010, the "K" Line Maritime Academy Philippines (KLMA Phil) invited 30 children from impoverished homes in Pasay, where the company is located. Staff members of "K" Line Group companies residing in the city, including those of KLMA, met with the children, had lunch together and gave them school bags containing stationery. Children enjoyed singing and dancing and all the participants had a good time together. Through this activity, which was in its third year, KLMA brought smiles to the children's faces and cheered them up.

Pasay children with KLMA staff members

Cooperating in Ocean Transport of Relief Supplies

"K" LINE SHIPPING (SOUTH AFRICA) PTY LTD. (KLSSA) cooperates with the South African Primary Education Support Initiative (SAPESI), a non-profit organization supporting education of South African children. KLSSA provides free ocean transport and domestic land transport of educational materials for children. The first shipment took place in March 2011, when a "K" Line-operated ship, loaded with 1,000 English books and stationery for children, arrived at the city of Durban.

KLSSA staff members (two people on the right) handing over transported cargo to the SAPESI representative

Initiatives for Safety in Navigation and Cargo Operations

Establishing and maintaining safety in navigation and cargo operation, protecting the environment, and maintaining economically efficient operations are essential in operating a shipping business. Safe navigation and cargo operations are, above all, the foundation of our business. For this reason, and to protect the environment and operate efficiently, we are committed to building, executing and maintaining a secure system for safety in navigation and cargo operation.

Safety Management System (SMS)

To ensure safe navigation of ships, we need to take our own safety measures and provide different training for different kinds of ships, in addition, of course, to meeting requirements of international treaties and the laws and regulations of relevant countries. The SMS summarizes the necessary steps to take, based on their common recognition by crew members and ship management companies. An international treaty mandates maintaining of an SMS.

Our strict application of the SMS is confirmed through internal safety audits conducted by auditors of ship management companies and through regular examinations by the classification society that certifies our SMS. We immediately take corrective measures if any matters are pointed out in the audits and examinations. The SMS is also checked at calling ports through Port State Control (PSC)* to ensure its strict application.

* PSC: An inspection of a foreign ship by authorities of the calling port's country. It aims at confirming there are no problems with the ship concerning safety and compliance, safety of human lives, and environmental preservation.

Emergency Response Drills

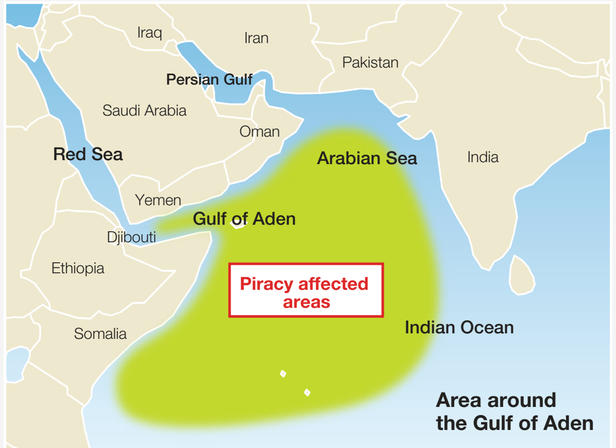
In November 2011, we conducted an emergency response drill assuming a scenario in which our VLCC *YAMATOGAWA* had collided with a ferry in the Uraga Channel at the entrance of Tokyo Bay, resulting in physical injuries, an oil spill and a vehicle fire on the ferry.

In the drill, based on the Emergency Response Manual, we set up an emergency response headquarters and then responded to the accident appropriately by studying measures based on information sent there. We responded to inquiries from outside the company and issued press releases. We also held a simulated press conference, after which we received comments from insurance companies, lawyers, consulting firms and other experts. An accident like the one in this case study must never take place, but we continue to take steps to prevent accidents and to respond to emergencies based on the recognition that accidents are always a possibility.

Efforts for preventing damage from pirate attacks

Pirates rampant in the waters off the coast of Somalia, in the Gulf of Aden, and in the Arabian Sea have now expanded their scope to the Indian Ocean, threatening the security of shipping routes connecting Asia with the Persian Gulf and Europe. Unlike pirates in the Straits of Malacca and near the coast of West Africa who primarily aim to steal money and goods, these pirates aim to hijack ships and obtain large ransoms by taking crew members hostage; and they use ships they hijacked as mother ships for piracy over a wide area. In response, the United Nations Security Council has called for uncompromising action against piracy. The International Maritime Organization has also requested that nations act to eliminate the problem. Based on these resolutions, international naval forces currently provide escorts for ships passing through the area, and aircraft from various countries conduct patrols of the affected area. The international community is also performing missions to recapture hijacked ships.

In addition to receiving escorts by the Japan Maritime Self-Defense Force and other international naval forces, we take a variety of measures that give top priority to our crew members' security. For example, we choose shipping routes that allow us to avoid attacks by heavily armed pirates. We also discourage boarding by pirates by sailing at high speed, using high-pressure water sprinklers and installing razor wire. Crew members are made to wear bulletproof vests and helmets to protect themselves from gunfire. For low-speed ships and ships with low decks, which are vulnerable to pirate attack, our precautionary measures include avoiding affected areas and sailing around the Cape of Good Hope at the southern end of Africa.



Corporate Governance

Structure of Business Operations

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

Board of Directors

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 13 directors, two are outside directors stipulated by the Companies Act of Japan.

Executive Officers' Meeting

This Meeting is held twice a month, in principle, and is attended by executive officers and auditors. Participants help the president to make decisions through frank discussions, in addition to sharing information and ensuring compliance.

Auditors/Board of Auditors

Three of the five auditors are outside auditors specified in the Companies Act of Japan. The audit policy, audit plans, and other related matters are determined by the Board of Auditors, aiming for a fast, functional auditing process. Among other activities, auditors attend meetings of the Board of Directors and other important meetings and inspect documents showing final decisions, auditing the work of directors as an independent organization. We also appoint dedicated staff to assist auditors.

Management Conference

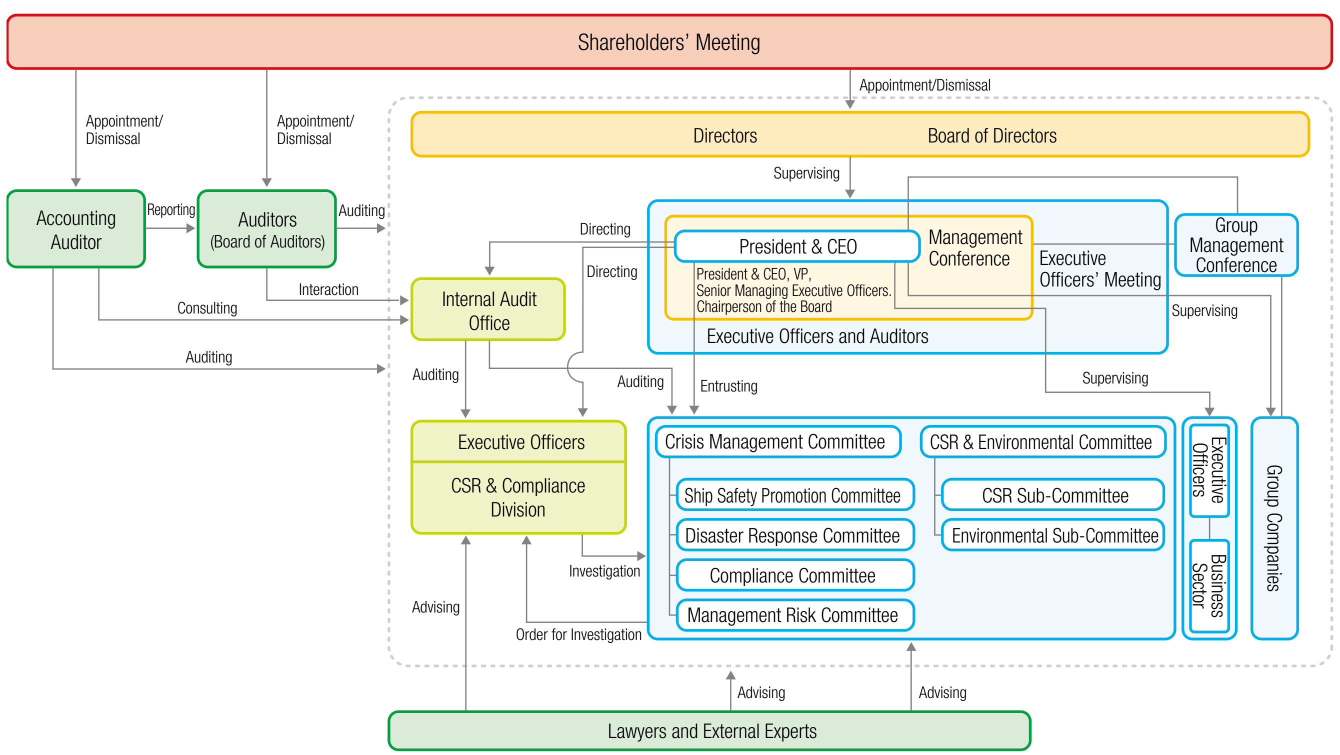
The Management Conference holds discussions and exchanges opinions every week, in principle, and is attended mainly by senior managing executive officers and higher-level executive officers. Depending on the agendum, others may be invited to the Conference.

Internal Control System

The Board of Directors, and the executive officers and general managers in charge of specific business operations 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.

Corporate Governance Structure

(As of June 1, 2011)



Risk Management

Risk Management System

We need to recognize diverse management risks, prepare for them, and fulfill our corporate social responsibility 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.

Responding to 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 and 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, we declare in the Charter of Conduct 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 policies, 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.

Response to Large-scale Disasters

We have established BCPs* for two different types of disasters: an inland earthquake in the Tokyo metropolitan area and a pandemic involving a highly virulent new influenza. We give top priority to the lives of people, and aim to continue important operations as an entity that is part of the social infrastructure by transferring operations to our domestic and overseas branches and subsidiaries or by shifting to telecommuting. Also, to avoid the loss of data in a disaster, we have set up a system in which backup data can be stored remotely. The Great East Japan Earthquake damaged an office belonging to a Group company located at a port in the disaster-hit area. However, our business continuity was not threatened by the disaster because Tokyo, where our nerve center is located, was not seriously damaged.

* BCP: Business Continuity Plan

Outside Auditor's Message

Outside Auditor **Jiro Noguchi**

Having served as an outside auditor for "K" Line for two years, I would like to express some thoughts as a participant at board of directors meetings and executive officers meetings during my tenure.

Market conditions in the marine transport industry are affected by cycles of growth and stagnation in the global economy and changes in the supply-demand balance for ships, and external factors such as exchange rates and crude oil prices are beyond management control. Given these uncontrollable factors, it is essential that management efficiently seeks equilibrium in day-to-day business management.

The board of directors and executive officers meeting seriously grapple with these difficult issues on the basis of free and frank exchanges of opinions. In short, corporate governance is fully functioning and "K" Line's open management is visible within and beyond the company.

Although routine business execution is considered and realized each fiscal year as an aspect of management planning, at the same time, I believe that management is struggling to develop a strategy that looks ahead five to ten years. This is because even in circumstances of external factors that management cannot influence, a paradigm shift that will influence those external factors is already underway.

That is to say, developing countries, principally the BRICs, continue to achieve rapid growth. Europe and the U.S. are expected to show gradual growth. Japan is plagued by a number of issues, including rapid aging of the population as a result of declining birthrate, natural resource crunch and prolonged political stagnation.

The nuclear accident in Japan may accelerate change in the global energy situation. These circumstances will create a vortex of change in global logistics, and no matter what direction it takes, the marine transport industry is fated to directly absorb its impact. Although it will be an extremely difficult undertaking, I think that a qualitative transformation to management resistant to the effects of external factors is called for.

I envision a stalwart management team that boldly and bravely steers a course into the future for "K" Line as it takes on global business challenges.

Director, Chairman
Hiroyuki Maekawa

President & CEO
Jiro Asakura*

Vice President
Executive Officer
Takashi Saeki*

Senior Managing
Executive Officer
Eizo Murakami*

Senior Managing
Executive Officer
Keisuke Yoshida*

Senior Managing
Executive Officer
Takashi Torizumi*

* Representative Director

Directors

Director, Chairman	**Hiroyuki Maekawa**
Representative Director, President & CEO	**Jiro Asakura**
Representative Director, Vice President	**Takashi Saeki**
Representative Director	**Eizo Murakami**
Representative Director	**Keisuke Yoshida**
Representative Director	**Takashi Torizumi**
Director	**Masami Sasaki**
Director	**Toshiyuki Suzuki**
Director	**Kenjiro Takenaga**
Director	**Takashi Yamaguchi**
Director	**Yukio Toriyama**
Director	**Takashi Kobayashi*1**
Director	**Mitoji Yabunaka*1**

Auditors

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

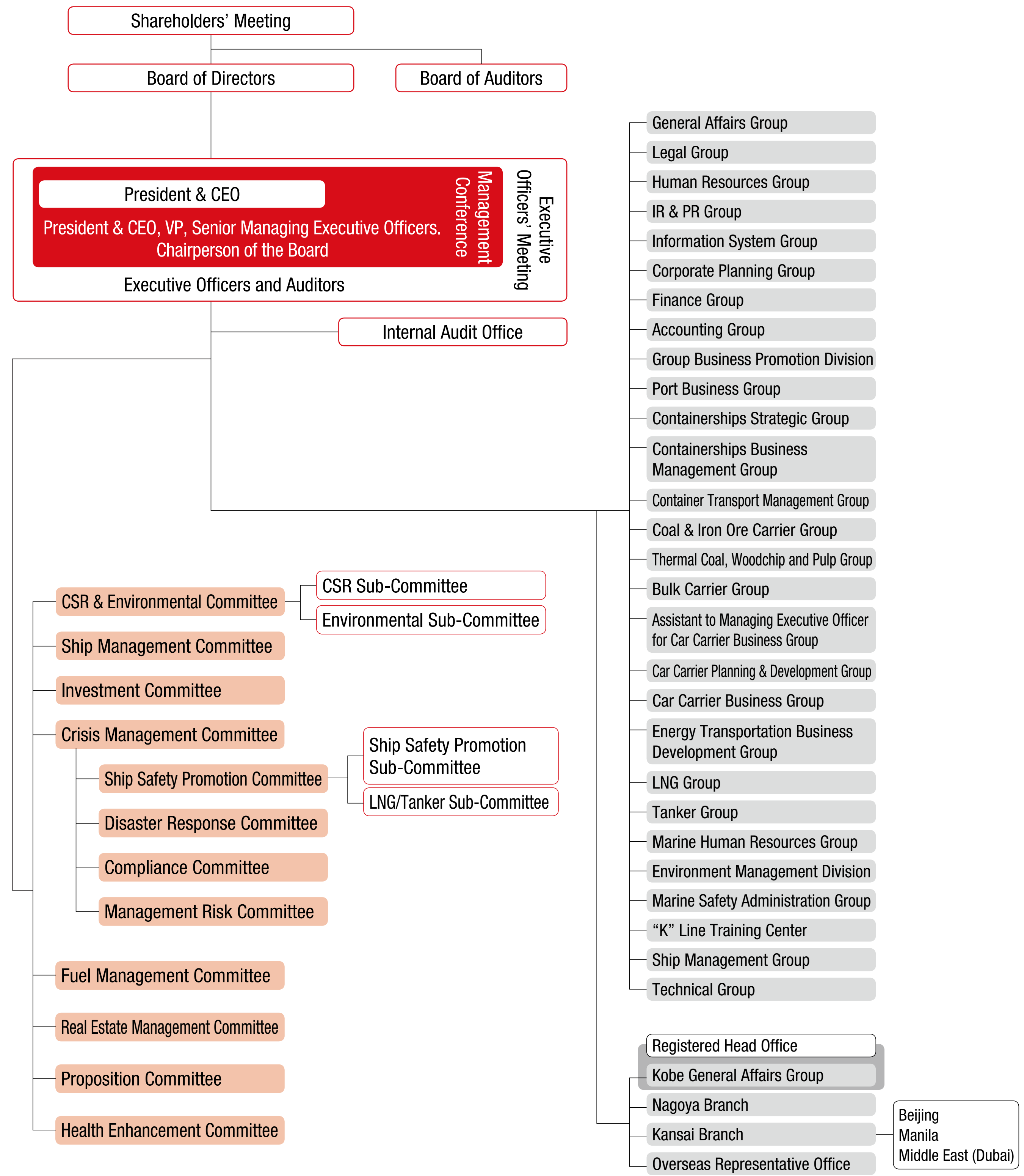
*1 Outside Director
*2 Outside Auditor

Executive Officers

(As of July 1, 2011)

President & CEO	**Jiro Asakura**	
Vice President Executive Officer	**Takashi Saeki**	Assistant to CEO, Drybulk Sector, Energy Transportation Sector
Senior Managing Executive Officer	**Eizo Murakami**	Containerships Sector, Port Business, Car Carrier Sector, Technical, Environment, Marine Sector
Senior Managing Executive Officer	**Keisuke Yoshida**	IR & PR, Information System, Corporate Planning, Finance
Senior Managing Executive Officer	**Takashi Torizumi**	General Affairs, Legal, Human Resources, Accounting, CSR & Compliance, Internal Audit
Managing Executive Officer	**Mamoru Mori**	Managing Director of KLINE (CHINA) LTD. Managing Director of "K" LINE (HONG KONG) LIMITED
Managing Executive Officer	**Masami Sasaki**	Marine Sector
Managing Executive Officer	**Shigeo Itaya**	Car Carrier Sector
Managing Executive Officer	**Toshiyuki Suzuki**	IR & PR, Information System, Corporate Planning, Group Business Promotion, Logistics, Research
Managing Executive Officer	**Hiromichi Aoki**	Energy Transportation Sector, General Manager of Energy Transportation Business Development Group
Executive Officer	**Kazutaka Imaizumi**	CEO of 'K' LINE (INDIA) PRIVATE LIMITED
Executive Officer	**Kenjiro Takenaga**	Technical, Environment
Executive Officer	**Yoshiyuki Aoki**	Car Carrier Sector
Executive Officer	**Takashi Yamaguchi**	General Affairs, Legal, Human Resources, CSR & Compliance
Executive Officer	**Eiji Kadono**	Marine Sector
Executive Officer	**Atsuo Asano**	Coal and Iron Ore Carrier Business, Drybulk Planning, General Manager of Coal and Iron Ore Carrier Group
Executive Officer	**Mitsuru Kochi**	President of "K" Line (Japan) Ltd.
Executive Officer	**Yukio Toriyama**	Accounting, General Manager of Accounting Group
Executive Officer	**Kenji Sakamoto**	Bulk Carrier Business, General Manager of Bulk Carrier Group
Executive Officer	**Kazuhiko Harigai**	Thermal Coal, Woodchip and Pulp Carrier Business, General Manager of Thermal Coal, Woodchip and Pulp Group
Executive Officer	**Yukikazu Myochin**	Containerships Business, Port Business
Executive Officer	**Kazuhiro Matsukawa**	President of "K" LINE AMERICA, INC.

(As of July 1, 2011)



(As of March 31, 2011)

DOMESTIC	Company Name	Ownership (%)*	Paid-in Capital (millions)	Revenue (millions)
Marine Transportation	Kawasaki Kinkai Kisen Kaisha, Ltd.	50.7	2,369	38,684
	Asahi Kisen Kaisha, Ltd.	100.0	100	438
	Kobe Pier Co., Ltd.	100.0	100	65
	★ Shibaura Kaiun Co., Ltd.	100.0	20	458
Shipping Agency	"K" Line (Japan) Ltd.	100.0	150	2,419
	★ Shimizu Kawasaki Transportation Co., Ltd.	50.0	10	250
Ship Management	"K" Line Ship Management Co., Ltd.	100.0	75	10,849
	Taiyo Nippon Kisen Co., Ltd.	100.0	400	21,180
	Escobal Japan Ltd.	100.0	10	489
Harbor Transportation/ Warehousing	Daito Corporation	100.0	843	23,301
	Nitto Total Logistics Ltd.	100.0	1,596	13,327
	Hokkai Transportation Co., Ltd.	80.1	60	10,366
	Seagate Corporation	100.0	270	7,623
	Nitto Tugboat Co., Ltd.	100.0	150	3,921
	Tokyo Kokusai Koun Kaisha, Ltd.	70.0	75	1,923
	★ Rinko Corporation	24.2	1,950	12,020
	★ Kokusai Logistics Co., Ltd.	83.3	100	1,103
Logistics	"K" Line Logistics, Ltd.	91.9	600	17,498
Land Transportation	Japan Express Transportation Co., Ltd.	100.0	100	4,796
	Shinto Rikuun Kaisha, Ltd.	100.0	30	1,084
	Maizuru Kousoku Yusou Co., Ltd.	100.0	25	795
Container Repairing	Intermodal Engineering Co., Ltd.	100.0	40	871
Travel Business	"K" Line Travel, Ltd.	100.0	100	7,443
Other Business	"K" Line Engineering Co., Ltd.	100.0	50	2,009
	Shinki Corporation	100.0	80	1,971
	"K" Line Systems, Ltd.	100.0	40	1,281
	KMDS Co., Ltd.	100.0	40	1,476
	Kawaki Kosan Kaisha, Ltd.	100.0	30	743
	Crown Enterprise Co., Ltd.	100.0	10	350
	"K" Line Accounting and Finance Co., Ltd.	100.0	100	196

OVERSEAS	Company Name	Ownership (%)*	Paid-in Capital (millions)	Revenue (millions)
Marine Transportation	"K" Line Pte Ltd	100.0	US$1.1	US$428
	"K" Line Bulk Shipping (UK) Limited	100.0	US$34	US$285
	"K" Line European Sea Highway Services GmbH	100.0	EUR5	EUR85.1
	"K" Line LNG Shipping (UK) Limited	100.0	US$6	US$59
	★ Northern LNG Transport Co., Ⅰ Ltd.	49.0	US$40	US$16
	★ Northern LNG Transport Co., Ⅱ Ltd.	36.0	US$42	US$17
	SAL Schiffahrtskontor Altes Land GmbH & Co.KG	50.0	EUR0.2	EUR138 (R1)
	K Line Offshore AS	95.3	NOK460.6	NOK29.8
Shipping Agency	"K" Line America, Inc.	100.0	US$15.5	US$75
	"K" Line (Australia) Pty Limited	100.0	A$0.0001	A$13.6
	"K" Line (Belgium)	51.0	EUR0.06	EUR3.1
	"K" Line Canada Ltd.	100.0	US$0.09	US$1.50
	K Line (China) Ltd.	100.0	US$2	US$26
	"K" Line (Deutschland) GmbH	100.0	EUR0.2	EUR7.5
	"K" Line (Europe) Limited	100.0	£0.01	£16
	"K" Line (Finland) OY	51.0	EUR0.01	EUR1.3
	"K" Line (France) SAS	100.0	EUR0.5	EUR3.3
	"K" Line (Hong Kong) Limited	100.0	HK$15	HK$247
	"K" Line (Korea) Ltd.	100.0	WON400	WON8,846

OVERSEAS	Company Name	Ownership (%)*	Paid-in Capital (millions)	Revenue (millions)
	"K" Line Maritime (M) Sdn Bhd	57.5	MYR0.3	MYR13.3
	K Line Mexico SA de CV	100.0	US$0.005	US$0.29
	"K" Line (Nederland) B.V.	100.0	EUR0.1	EUR4.0
	K Line (Norway) AS	100.0	NOK0.1	NOK1.8
	"K" Line (Portugal)-Agentes de Navagação, S.A.	51.0	EUR0.2	EUR2.0
	"K" Line (Scandinavia) Holding A/S	51.0	DKK1	DKK14.6
	"K" Line Shipping (South Africa) Pty Ltd	51.0	ZAR0.0001	ZAR74.2
	"K" Line (Singapore) Pte Ltd	95.0	S$1.5	S$15.6
	K Line (Sweden) AB	100.0	SEK0.1	SEK20.2
	"K" Line (Taiwan) Ltd.	60.0	NT$60	NT$332
	K Line (Thailand) Ltd.	34.0	BAT30	BAT1,837
	"K" Line (Vietnam) Limited	51.0	VND8,055	VND81,610
	PT. K Line Indonesia	95.0	RP463.6	RP55,698.3
Terminal Operator	International Transportation Service, Inc.	100.0	US$20	US$173
	★ Husky Terminal & Stevedoring, Inc.	50.0	US$0.1	US$49
Freight Consolidation	Century Distribution Systems, Inc.	100.0	US$2.3	US$9
	Century Distribution Systems (Europe) B.V.	100.0	EUR0.02	EUR0.9
	Century Distribution Systems (Hong Kong) Limited	100.0	HK$0.08	HK$74
	Century Distribution Systems (Shenzhen) Limited	100.0	RMB6.5	RMB116
	Century Distribution Systems (International) Limited	100.0	HK$1.8	HK$75
	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$4.3
	Universal Warehouse Co. (NW)	100.0	US$0.0001	US$0.5
Logistics	"K" Line Logistics (Hong Kong) Ltd.	100.0	HK$8	HK$192
	"K" Line Logistics (U.K.) Ltd.	100.0	£0.2	£4
	"K" Line Logistics (U.S.A.) Inc.	100.0	US$0.5	US$35
	"K" Line Logistics (Singapore) Pte. Ltd.	100.0	S$1.15	S$15
	K Line Logistics (Thailand) Ltd.	86.4	BAT20	BAT382
	K Line Logistics (South East Asia) Ltd.	95.0	BAT73	BAT0
Land Transportation	James Kemball Limited	100.0	£0.01	£14
	ULS Express, Inc.	100.0	US$0.05	US$5
Container Repairing	★ Multimodal Engineering Corporation	100.0	US$0.15	US$9
Financing	"K" Line New York, Inc.	100.0	US$17.1	US$29
Holding Company	Kawasaki (Australia) Pty. Ltd.	100.0	A$4.8	A$1.5
	"K" Line Holding (Europe) Limited	100.0	£20	£0
	"K" Line Heavy Lift (UK) Limited	100.0	EUR22	EUR-7.910
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 Consulting, 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 2010 are aggregated with those of 14 SAL group Heavy Lifter owning companies in which "K" Line has 50% of shares each as of March 31, 2011 (as per our consolidated accounts).

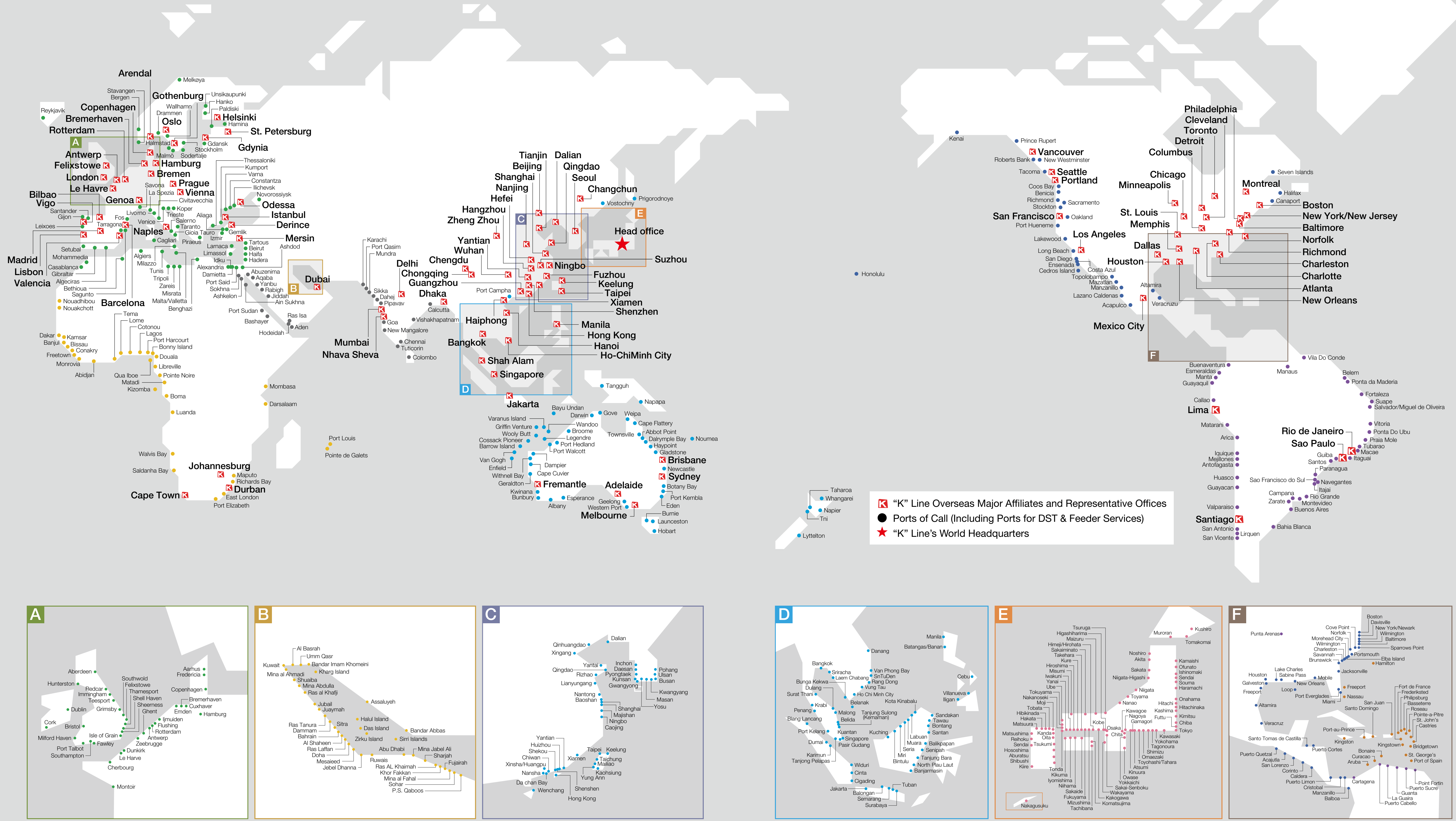
(R2) Operating revenues of Century Distribution Systems (Shipping) Limited for Fiscal 2010 are aggregated with those of its parent company, Century Distribution Systems (International) Limited.

★ 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$: United States dollars	MXN: Mexican peso	VND: Vietnamese dong
RMB: Chinese renminbi	EUR: Euro	NT$: New Taiwan dollars	DKK: Danish krone	ZAR: South African rand

Global Service Network



"K" Line Group Composition of Fleet (As of March 31, 2011)

	2011						2010	
	Owned		Chartered		Total		Total	
Type of Vessel	No.	DWT (MT)	No.	DWT (MT)	No.	DWT (MT)	No.	DWT (MT)
Containerships	8	413,335	74	3,770,570	82	4,183,905	87	4,375,597
Dry Bulk Carriers	58	6,988,471	148	15,484,597	206	22,473,068	185	19,955,593
Car Carriers	31	439,283	58	830,599	89	1,269,882	78	1,101,115
Energy Transport Carriers*1	33	3,449,309	22	2,894,667	55	6,343,976	59	6,820,144
Heavy Lifter Vessels	15	153,488	0	0	15	153,488	14	140,988
Others	26	235,480	26	247,155	52	482,635	53	482,410
Total	**171**	**11,679,366**	**328**	**23,227,588**	**499**	**34,906,954**	**476**	**32,875,847**

Note: The number of owned vessels includes co-owned vessels, and deadweight tonnage includes the ownership interest of other companies in co-owned vessels.
*1 Including offshore support vessels

"K" Line On-Dock Terminals (As of March 31, 2011)

Terminals	Location	Berth Length	Berth Depth	Total Area	Container Storage Space
Japan					
"K" Line Tokyo Container Terminal	Tokyo Ohi	660m	15m	259,500m^2	4,370 TEU*2
"K" Line Yokohama Container Terminal	Yokohama Honmoku	400m	12m	133,591m^2	1,968 TEU
"K" Line Osaka Container Terminal	Osaka Nanko	350m	14m	63,031m^2	1,082 TEU
"K" Line Kobe Container Terminal	Kobe Rokko	700m	14m	278,445m^2	4,416 TEU
U.S.A.					
International Transportation Service, Inc.	Long Beach	1,920m	13-16m	955,000m^2	15,905 TEU
Husky Terminal and Stevedoring, Inc.	Tacoma	830m	16m	376,000m^2	4,800 TEU
Belgium (Note: Capital Participation Realized by Joint Management)					
Antwerp International Terminal NV	Antwerp	340m	15.5m	175,000m^2	2,990 TEU

*2 TEU: Twenty Foot Equivalent Unit

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.

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
- ¥38.3 billion raised through a public offering and the issuance of new shares through third-party allotment.
- Invested capital in US Logistics Provider, Air Tiger Express Companies Inc.
- Completion of construction of the *KL BREVIKFJORD*, the first large platform supply vessel owned and operated by K LINE OFFSHORE AS and the first offshore support vessel built by the "K" Line Group.

2011
- The SAL Group, a heavy lifter services specialist, becomes a wholly owned subsidiary.

Financial Section

Contents

Results of Operations

Operating Revenues

Consolidated operating revenues for fiscal year 2010 (from April 1, 2010 to March 31, 2011) were ¥985,085 million, an increase of 17.6% year on year. By business segment, operating revenues from containership services rose by 24.1% year on year to ¥444,971 million, an increase mainly attributable to improvement in freight rates from freight rate restorations.

Operating revenues from bulk shipping services rose by 13.7% year on year to ¥447,111 million as a result of strong cargo movements in dry bulk services due to robust coal and grain import demand in China, India and other developing countries and recovery in movements of completed built-up cars in car carrier services. Operating revenues from other services rose by 7.6% to ¥93,003 million.

Cost of Sales, Selling, General and Administrative Expenses

Cost of sales rose by ¥37,974 million (4.6%) from ¥824,023 million for the previous year to ¥861,997 million, mainly due to soaring fuel oil prices and yen appreciation. The cost of sales ratio fell by 10.8 points to 87.5%. Selling, general and administrative expenses fell by ¥1,607 million (2.4%) year on year to ¥64,478 million.

Operating Income

Consolidated operating income was ¥58,610 million, compared to operating loss of ¥52,075 million for the previous year.

Other (Non-operating) Income (Expenses)

The net balance of financial income and expenses was negative ¥5,815 million (negative ¥6,015 million for the previous year). The Company recorded an exchange loss of ¥7,224 million (a loss of ¥1,893 million for the previous year) and equity in earnings of affiliates of ¥102 million (equity in losses of affiliates of ¥380 million). As a result of these and other factors, other (non-operating) income (expenses) came to a loss of ¥8,400 million (a loss of ¥44,281 million for the previous year).

Income before Income Taxes and Minority Interests

As a result of a net gain on sales of fixed assets, a gain on cancellation of chartered vessels and the increase in operating income, income before income taxes and minority interests was ¥50,210 million (a loss of ¥96,356 million for the previous year).

Income Taxes

Income taxes increased by ¥48,585 million to ¥18,300 million from negative ¥30,285 million for the previous year, mainly as a result of an increase in income before income taxes at the filing company.

Minority Interests

Minority interests were ¥1,307 million (¥2,650 million for the previous year). The change is mainly attributable to a decrease in the minority interest in income of the SAL Group, specializing in the transport of heavy lift cargo.

Net Income

Consolidated net income was ¥30,603 million, compared to net loss of ¥68,721 million for the previous year. Net income per share was ¥40.08, compared to net loss per share of ¥106.24 for the previous year.

Analysis of Sources of Capital and Liquidity

Cash Flows

Cash and cash equivalents were ¥94,430 million at the end of fiscal year 2010, an increase of ¥2,308 million from the previous year. The details of cash flows are as follows.

Net cash provided by operating activities was ¥84,902 million, an increase of ¥108,843 million from the previous year. The increase is mainly due to income before income taxes and minority interests of ¥50,210 million and depreciation and amortization of ¥44,722 million.

Net cash used in investing activities was ¥54,117 million, a decrease of ¥9,620 million from the previous year. The decrease is mainly due to purchases of vessels, property and equipment of ¥147,382 million and proceeds from sales of vessels, property and equipment of ¥92,464 million.

Net cash used in financing activities was ¥24,797 million, a decrease of ¥134,207 million from the previous year. The decrease is mainly due to a net decrease in long-term loans of ¥7,585 million, a net decrease in short-term loans and commercial paper of ¥11,703 million, redemption of bonds of ¥2,523 million and cash dividends paid of ¥3,086 million.

Funding Requirements

The "K" Line Group's major working capital requirement comes from shipping business expenses in connection with containership services and bulk shipping services. These expenses include operating costs such as port charges, cargo handling costs and fuel costs; vessel expenses such as crew expenses and repair expenses of vessels; and chartering expenses. Other expenses are costs of service operations such as labor cost in connection with the operation of the logistics/harbor transportation business and general administrative expenses for the Group's business operations, such as personnel expenses, information processing costs and other non-personnel expenses. Capital requirements are investments in vessels, logistics facilities and terminal facilities. In fiscal year 2010, the Company made capital investments of ¥148,993 million.

Financial Policy

The Company places importance on securing low-cost, stable funds to support the "K" Line Group's business continuity and expansion. The Company meets long-term funding requirements mainly by means of long-term debt from financial institutions, supplemented by the issuance of bonds and the issuance of new shares. The Company procures short-term operating funds by means of bank loans and the issuance of commercial paper and invests temporary surplus funds in highly stable and liquid financial assets. The Company employs a cash management system to effectively utilize surplus funds of Group companies in Japan and overseas.

The Company secures liquidity by preparing for any urgent capital requirements by means of a commercial paper issuance program of up to ¥60.0 billion, a ¥51.0 billion line of credit established under overdraft agreements with financial institutions and the establishment of a ¥10.0 billion commitment line with financial institutions in Japan.

"K" Line has been rated by two Japanese and one overseas rating firm. As of June 24, 2011, the Company has a rating of A- from Japan Credit Rating Agency, Ltd. (JCR), BBB+ from Rating and Investment Information, Inc. (R&I) and BB+ by Standard & Poor's (S&P). The Company also has short-term credit ratings of j-1 from JCR and a-2 from R&I.

Financial Position

Total assets on March 31, 2011 were ¥1,032,505 million, a decrease of ¥11,380 million from the end of the previous fiscal year. Current assets increased by ¥1,519 million to ¥262,845 million, mainly due to an increase in marketable securities.

Fixed assets decreased by ¥12,899 million from the end of the previous fiscal year to ¥769,660 million. Vessels, property and equipment decreased by ¥6,134 million to ¥583,728 million, mainly due to depreciation of vessels and the sale of buildings. Investments and other assets decreased by ¥3,173 million to ¥175,569 million, mainly due to a decrease in investment in securities attributable to a decline in the market value of listed stocks.

Total liabilities on March 31, 2011 were ¥717,519 million, an increase of ¥5,499 million from the end of the previous fiscal year. Current liabilities increased by ¥12,758 million to ¥203,712 million, mainly due to an increase in trade accounts payable. Long-term liabilities decreased by ¥7,259 million to ¥513,807 million, mainly due to decreases in bonds and long-term debt.

Net assets on March 31, 2011 were ¥314,986 million, a decrease of ¥16,879 million from the end of the previous fiscal year. Shareholders' equity was ¥372,097 million. The change in shareholders' equity is mainly attributable to an increase in retained earnings of ¥28,415 million. Accumulated other comprehensive loss increased by ¥44,929 million from the end of the previous fiscal year to negative ¥80,427 million, mainly attributable to ¥6,590 million in the net unrealized holding loss on investments in securities, ¥26,370 million in the deferred loss on hedges and ¥12,002 million in translation adjustments.

Dividend Policy

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

The Company considers it an important priority to maximize shareholder returns while giving due consideration to the main priority in the management plan, which is to maintain the internal reserves necessary for capital investment for sustained growth and for improvement and strengthening of the corporate structure. Our policy is to increase the dividend payout ratio as a percentage of consolidated net income by one percentage point each year with the aim of achieving a payout ratio of 30% in the mid-2010s. The dividend payout ratio for fiscal 2010 was 24%, as planned. Nevertheless, we reduced the amount of the year-end dividend by ¥0.5 from the previously announced ¥10.0 to ¥9.5 (including the interim dividend of ¥4.0 paid earlier) due to a decline in earnings in the fourth quarter.

Although the Company will bear in mind the fiscal 2011 target of a 25% dividend payout ratio, a decision on the dividend for fiscal 2011 has not been made at this time in view of the extreme uncertainty in the business environment. A further announcement about the dividend will be made once the Company has determined that a forecast is possible, taking into consideration factors holistically, such as the outlook for the full year and the financial situation.

In a business environment in which exchange rate and bunker price trends defy optimistic prediction amid adverse and hard-to-forecast conditions in the marine transport market, for the time being the Company has made the maintenance of financial soundness the highest management priority and will continue to rigorously pursue rationalization and cost reductions while making maximum efforts to secure distributable income.

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

Millions of yen

Consolidated	2006	2007	2008	2009	2010	2011
Operating revenues	¥940,819	¥1,085,539	¥1,331,048	¥1,244,317	¥838,033	**¥985,085**
Operating income	87,976	61,357	129,649	71,604	(52,075)	**58,610**
As a percentage of operating revenues	9.4%	5.7%	9.7%	5.8%	—	**5.9%**
Net income	62,424	51,514	83,012	32,421	(68,721)	**30,603**
Total assets	757,040	900,439	968,630	971,603	1,043,885	**1,032,505**
Shareholders' equity (until 2006)/Net assets (since 2007)	257,810	357,625	376,277	356,153	331,865	**314,986**
As a percentage of total assets	34.1%	38.3%	36.7%	34.5%	29.5%	**28.2%**
Interest-bearing liabilities	278,234	326,187	329,716	439,622	516,001	**483,363**
As a percentage of total assets	36.8%	36.2%	34.0%	45.2%	49.4%	**46.8%**
Debt-to-equity ratio	1.08	0.95	0.93	1.31	1.67	**1.66**
Return on equity	28.4%	17.1%	23.7%	9.4%	—	**10.2%**
Interest coverage ratio	16.16	15.97	27.69	12.61	—	**9.81**
Financial income and expenses	(1,122)	1,468	1,441	(1,218)	(6,015)	**(5,815)**
Depreciation and amortization	28,623	32,294	36,362	39,427	45,281	**44,722**

Notes: (1) 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.

(2) 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 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.

(3) 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.

(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 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.

(5) 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.

(6) Effective the year ended March 31, 2009, the Company has adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" and made necessary amendments to the consolidated financial statements (Accounting Standards Board of Japan (ASBJ) PITF No. 18, issued on May 17, 2006). The adoption of this accounting guideline had slight effect on the consolidated statements of income for the year ended March 31, 2009.

(7) Effective the year ended March 31, 2011, the Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan ("ASBJ") Statement No. 18 issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008). As a result of this adoption, operating income decreased by ¥3 million and income before income taxes and minority interests decreased by ¥385 million for the year ended March 31, 2011 from the amounts which would have been recorded under the method applied in the previous year.

Millions of yen

Non-Consolidated	2006	2007	2008	2009	2010	2011
Operating revenues	¥742,569	¥857,279	¥1,063,705	¥960,109	¥631,747	**¥772,322**
Operating income	56,679	28,103	89,715	24,613	(59,463)	**41,657**
As a percentage of operating revenues	7.6%	3.3%	8.4%	2.6%	—	**5.4%**
Net income	38,820	25,250	58,939	799	(56,950)	**24,620**
Total assets	481,542	518,501	541,450	498,022	569,028	**580,087**
Shareholders' equity (until 2006)/Net assets (since 2007)	188,966	241,181	258,075	225,505	205,952	**203,643**
As a percentage of total assets	39.2%	46.5%	47.7%	45.3%	36.2%	**35.1%**
Interest-bearing liabilities	145,129	133,109	91,124	177,027	238,690	**221,870**
As a percentage of total assets	30.1%	25.7%	16.8%	35.5%	41.9%	**38.2%**
Debt-to-equity ratio	0.77	0.55	0.35	0.79	1.16	**1.09**
Return on equity	23.4%	11.7%	23.6%	0.3%	—	**12.0%**
Interest coverage ratio	18.98	8.64	39.03	—	—	**14.26**
Financial income and expenses	1,342	5,523	5,531	4,117	9,674	**3,662**
Depreciation and amortization	7,503	6,815	7,329	8,371	6,171	**9,666**

Notes: (1) 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.

(2) 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 a decrease in marine transportation and other operating revenues with operating income, income before taxes and minority interests each decreasing by ¥11,669 million for the year ended March 31, 2008.

(3) 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.

(4) 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.

(5) 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.

(6) Effective the year ended March 31, 2011, the Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan ("ASBJ") Statement No. 18 issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008). As a result of this adoption, income before income taxes and minority interests decreased by ¥363 million for the year ended March 31, 2011 from the amounts which would have been recorded under the method applied in the previous year.

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 in a high percentage of cases, still must rely on borrowing from financial institutions. In addition, we are investing in the working capital needed to carry out our business operations. With regard to capital procurement, we are taking out loans above a certain scale at fixed interest rates and also using interest rate swap (swap into fixed rate) for capital investment ships and equipment, but the rise in future interest rates has led to an increase in the cost of capital procurement, and this can have a negative impact on the “K” Line Group’s financial situation and operating results.

4. Public Regulations

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

Ships that the “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. In addition, there are concerns regarding the spread of harmful rumors following a natural disaster or a secondary disaster. 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 April 2011, the “K” Line Group revised the KV2010 Medium-Term Management Plan and adopted the “K” LINE Vision 100—New Challenges—. Going forward, the Group will make every effort to carry out the Medium-Term Management Plan. Nonetheless, it is possible that the measures for carrying out the Medium-Term Management Plan will be affected by the various external factors discussed above and the group may not be able to achieve the goals of that plan.

10. Non-achievement of Investment Plans

The “K” Line Group is making plans for the investments necessary to upgrade its fleet. If, however, owing to future trends in shipping markets and official regulations, progress is not made in accordance with the projections in the plans, the financial position and operating results of the “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.

Note: Matters referring to the future are as judged by the “K” Line Group at the issue date of financial statements of June 24, 2011. In addition, the items discussed here do not necessarily represent every risk to the “K” Line Group.

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
March 31, 2011 and 2010

Assets	Millions of yen 2011	2010	Thousands of U.S. dollars (Note 1(a)) 2011
Current assets:			
Cash and deposits (Notes 14 and 17)	¥ 74,064	¥ 96,059	$ 890,728
Marketable securities (Notes 3 and 14)	24,999	0	300,649
Accounts and notes receivable—trade (Note 14)	78,314	76,675	941,840
Allowance for doubtful receivables	(527)	(493)	(6,338)
Inventories (Note 4)	34,577	26,595	415,839
Prepaid expenses and deferred charges	32,448	27,082	390,235
Deferred income taxes (Note 8)	2,224	11,537	26,747
Other current assets	16,746	23,871	201,394
Total current assets	262,845	261,326	3,161,094
Investments and other assets:			
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 14)	37,561	42,856	451,726
Investments in securities (Notes 3, 7 and 14)	74,789	83,201	899,447
Long-term loans receivable	7,519	7,567	90,427
Deferred income taxes (Note 8)	42,989	33,232	517,005
Other assets	14,014	17,452	168,538
Allowance for doubtful receivables	(1,303)	(5,566)	(15,670)
Total investments and other assets	175,569	178,742	2,111,473
Vessels, property and equipment:			
Vessels (Notes 5 and 7)	636,678	623,776	7,656,981
Buildings, structures and equipment (Note 7)	97,498	105,941	1,172,556
Accumulated depreciation	(317,280)	(317,252)	(3,815,755)
	416,896	412,465	5,013,782
Land (Notes 5, 7 and 12)	30,718	30,995	369,429
Construction in progress (Note 5)	136,114	146,402	1,636,969
Vessels, property and equipment, net	583,728	589,862	7,020,180
Intangible assets:			
Goodwill, net (Note 6)	4,518	7,393	54,336
Other intangible assets	5,845	6,562	70,295
Total intangible assets	10,363	13,955	124,631
Total assets (Note 19)	¥1,032,505	¥1,043,885	$12,417,378

Liabilities and net assets	Millions of yen 2011	2010	Thousands of U.S. dollars (Note 1(a)) 2011
Current liabilities:			
Short-term loans (Notes 7 and 14)	¥ 9,144	¥ 11,545	$ 109,970
Commercial paper (Note 7)	—	9,000	—
Current portion of long-term debt (Notes 7 and 14)	62,017	52,938	745,845
Accounts and notes payable—trade (Note 14)	76,750	70,311	923,031
Advances received	20,053	19,010	241,167
Current portion of obligations under finance leases	2,805	1,080	33,734
Accrued income taxes (Note 8)	3,362	3,126	40,433
Deferred income taxes (Note 8)	4	1,292	48
Other current liabilities	29,577	22,652	355,706
Total current liabilities	203,712	190,954	2,449,934
Long-term liabilities:			
Long-term debt, less current portion (Notes 7 and 14)	407,432	439,097	4,899,964
Allowance for employees' retirement benefits (Note 10)	7,794	8,009	93,734
Allowance for directors' and corporate auditors' retirement benefits	1,978	2,002	23,788
Accrued expenses for overhaul of vessels	17,709	17,771	212,977
Obligations under finance leases, less current portion	1,964	2,340	23,620
Deferred income taxes (Note 8)	2,314	2,431	27,829
Deferred income taxes on land revaluation (Note 12)	2,633	2,633	31,666
Derivative liabilities	67,917	42,827	816,801
Other long-term liabilities	4,066	3,956	48,899
Total long-term liabilities	513,807	521,066	6,179,278
Commitments and contingent liabilities (Note 13)			
Net assets:			
Shareholders' equity (Note 11):			
Common stock: Authorized — 2,000,000,000 shares in 2011 and 2010 Issued — 765,382,298 shares in 2011 and 2010	65,032	65,032	782,105
Capital surplus	49,893	49,877	600,036
Retained earnings (Note 20)	258,076	229,661	3,103,740
Less treasury stock, at cost —1,589,909 shares in 2011, and 1,808,450 in 2010	(904)	(950)	(10,872)
Total shareholders' equity	372,097	343,620	4,475,009
Accumulated other comprehensive income (loss):			
Net unrealized holding gain on investments in securities (Note 3)	1,955	8,545	23,512
Deferred loss on hedges (Note 15)	(55,306)	(28,936)	(665,136)
Revaluation reserve for land (Note 12)	2,078	2,045	24,991
Translation adjustments	(29,154)	(17,152)	(350,619)
Total accumulated other comprehensive loss, net	(80,427)	(35,498)	(967,252)
Minority interests in consolidated subsidiaries	23,316	23,743	280,409
Total net assets	314,986	331,865	3,788,166
Total liabilities and net assets	¥1,032,505	¥1,043,885	$12,417,378

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, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2011	2010	2011
Marine transportation and other operating revenues (Note 19)	¥985,085	¥ 838,033	$11,847,084
Marine transportation and other operating costs and expenses	861,997	824,023	10,366,771
Gross operating income	123,088	14,010	1,480,313
Selling, general and administrative expenses	64,478	66,085	775,442
Operating income (loss) (Note 19)	58,610	(52,075)	704,871
Other income (expenses):			
Interest and dividend income	2,749	2,744	33,061
Interest expense	(8,564)	(8,759)	(102,995)
Equity in earnings (losses) of affiliates	102	(380)	1,227
Exchange loss, net	(7,224)	(1,893)	(86,879)
Loss on cancellation of derivatives contracts	—	(6,915)	—
Gain on sales of vessels, property and equipment, net	5,213	10,529	62,694
Loss on impairment of fixed assets (Note 5)	—	(8,906)	—
Loss on devaluation of investments in securities, net	(444)	(433)	(5,340)
Gain (loss) on cancellation of chartered vessels, net	990	(22,420)	11,906
Loss on amendments to shipbuilding contracts	—	(11,319)	—
Loss on liquidation of subsidiaries and affiliates	(1,091)	—	(13,121)
Loss on compensation for damages	(790)	—	(9,501)
Other, net	659	3,471	7,925
	(8,400)	(44,281)	(101,023)
Income (loss) before income taxes and minority interests	50,210	(96,356)	603,848
Income taxes (Note 8):			
Current	5,297	3,847	63,704
Deferred	13,003	(34,132)	156,380
Total income taxes	18,300	(30,285)	220,084
Net income (loss) before minority interests	31,910	(66,071)	383,764
Minority interests	1,307	2,650	15,718
Net income (loss)	¥ 30,603	¥ (68,721)	$ 368,046

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

Consolidated Statement of Comprehensive Loss

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2011

	Millions of yen	Thousands of U.S. dollars (Note 1(a))
	2011	2011
Net income before minority interests	¥ 31,910	$ 383,764
Other comprehensive loss:		
Net unrealized holding loss on investments in securities	(6,517)	(78,376)
Deferred loss on hedges	(26,953)	(324,149)
Translation adjustments	(13,219)	(158,978)
Share of other comprehensive loss of subsidiaries and affiliates accounted for by the equity method	(772)	(9,284)
Total other comprehensive loss	(47,461)	(570,787)
Comprehensive loss	(15,551)	(187,023)
(Breakdown)		
Comprehensive loss attributable to shareholders of Kawasaki Kisen Kaisha, Ltd.	(14,358)	(172,676)
Comprehensive loss attributable to minority shareholders of consolidated subsidiaries	(1,193)	(14,347)

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, 2011 and 2010

	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars (Note 1(a)) 2011
Shareholders' equity:			
Common stock:			
Balance at beginning of year	¥ 65,032	¥ 45,869	$ 782,105
Issuance of new shares	—	19,163	—
Balance at end of year	65,032	65,032	782,105
Capital surplus:			
Balance at beginning of year	49,877	30,714	599,844
Issuance of new shares	—	19,163	—
Disposal of treasury stocks	16	—	192
Balance at end of year	49,893	49,877	600,036
Retained earnings:			
Balance at beginning of year	229,661	298,638	2,762,008
Cash dividends	(3,056)	—	(36,753)
Net income (loss)	30,603	(68,721)	368,046
Disposal of treasury stock	(9)	(6)	(108)
Reversal of the revaluation reserve for land	161	3	1,936
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other	716	(253)	8,611
Balance at end of year	258,076	229,661	3,103,740
Treasury stock, at cost:			
Balance at beginning of year	(950)	(938)	(11,425)
Purchase of treasury stock	(19)	(27)	(229)
Disposal of treasury stock	65	15	782
Balance at end of year	¥ (904)	¥ (950)	$ (10,872)
Accumulated other comprehensive income (loss):			
Net unrealized holding gain (loss) on investments in securities:			
Balance at beginning of year	¥ 8,545	¥ (4,875)	$ 102,766
Net changes during the year	(6,590)	13,420	(79,254)
Balance at end of year	1,955	8,545	23,512
Deferred loss on hedges:			
Balance at beginning of year	(28,936)	(17,708)	(347,998)
Net changes during the year	(26,370)	(11,228)	(317,138)
Balance at end of year	(55,306)	(28,936)	(665,136)
Revaluation reserve for land:			
Balance at beginning of year	2,045	2,048	24,594
Net changes during the year	33	(3)	397
Balance at end of year	2,078	2,045	24,991
Translation adjustments:			
Balance at beginning of year	(17,152)	(18,975)	(206,278)
Net changes during the year	(12,002)	1,823	(144,341)
Balance at end of year	(29,154)	(17,152)	(350,619)
Minority interests in consolidated subsidiaries:			
Balance at beginning of year	23,743	21,380	285,544
Net changes during the year	(427)	2,363	(5,135)
Balance at end of year	23,316	23,743	280,409
Total net assets	¥314,986	¥331,865	$3,788,166

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, 2011 and 2010

	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars (Note 1(a)) 2011
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥50,210	¥(96,356)	$ 603,848
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by (used in) operating activities:			
Depreciation and amortization	44,722	45,281	537,847
Reversal of employees' retirement benefits	(225)	(519)	(2,706)
Increase (decrease) in accrued expenses for overhaul of vessels	71	(2,488)	854
(Reversal of) provision for directors' and corporate auditors' retirement benefits	(20)	57	(241)
Interest and dividend income	(2,749)	(2,744)	(33,061)
Interest expense	8,564	8,759	102,995
Gain on sales of vessels, property and equipment, net	(5,213)	(10,529)	(62,694)
Loss on impairment of fixed assets	—	8,906	—
(Gain) loss on cancellation of chartered vessels, net	(990)	22,420	(11,906)
Loss on amendments to shipbuilding contracts	—	11,319	—
Loss on liquidation of subsidiaries and affiliates	1,091	—	13,121
Loss on cancellation of derivatives contracts	—	6,915	—
Loss on compensation for damages	790	—	9,501
Changes in operating assets and liabilities:			
Increase in accounts and notes receivable—trade	(4,298)	(1,620)	(51,690)
Increase in other current assets	(10,190)	(3,865)	(122,550)
Increase in accounts and notes payable—trade	8,468	6,326	101,840
Increase (decrease) in other current liabilities	5,624	(2,041)	67,637
Increase in inventories	(8,424)	(6,473)	(101,311)
Other, net	9,165	13,623	110,224
Subtotal	96,596	(3,029)	1,161,708
Interest and dividends received	2,824	2,756	33,963
Interest paid	(8,658)	(8,539)	(104,125)
Income taxes paid	(5,070)	(5,300)	(60,974)
Income taxes refunded	—	16,937	—
Payment for cancellation of derivatives contracts	—	(3,473)	—
Payment for cancellation of chartered vessels	—	(22,832)	—
Payment for amendments to shipbuilding contracts	—	(461)	—
Payment for compensation for damages	(790)	—	(9,502)
Net cash provided by (used in) operating activities	¥84,902	¥(23,941)	$1,021,070

	Millions of yen 2011	2010	Thousands of U.S. dollars (Note 1(a)) 2011
Cash flows from investing activities:			
Purchases of marketable securities and investments in securities	¥ (3,097)	¥ (9,023)	$ (37,246)
Proceeds from sales of marketable securities and investments in securities	1,064	2,926	12,796
Purchases of vessels, property and equipment	(146,462)	(178,174)	(1,761,419)
Proceeds from sales of vessels, property and equipment	92,464	119,642	1,112,014
Increase in intangible assets	(920)	(1,671)	(11,064)
Increase in long-term loans receivable	(3,823)	(22,210)	(45,977)
Collection of long-term loans receivable	9,468	27,551	113,867
Other, net	(2,811)	(2,778)	(33,807)
Net cash used in investing activities	(54,117)	(63,737)	(650,836)
Cash flows from financing activities:			
Decrease in short-term loans, net	(2,703)	(896)	(32,508)
Decrease in commercial paper	(9,000)	(13,000)	(108,238)
Proceeds from long-term loans	56,763	102,816	682,658
Repayment of long-term loans and obligations under finance leases	(64,348)	(51,140)	(773,879)
Proceeds from issuance of bonds	—	35,111	—
Redemption of bonds	(2,523)	(189)	(30,343)
Proceeds from issuance of common stock	—	38,105	—
Cash dividends paid	(3,086)	(38)	(37,114)
Cash dividends paid to minority shareholders	(338)	(3,186)	(4,065)
Proceeds from stock issuance to minority shareholders	439	1,844	5,280
Other, net	(1)	(17)	(11)
Net cash (used in) provided by financing activities	(24,797)	109,410	(298,220)
Effect of exchange rate changes on cash and cash equivalents	(4,560)	546	(54,840)
Net increase in cash and cash equivalents	1,428	22,278	17,174
Cash and cash equivalents at beginning of year	92,122	69,700	1,107,901
Increase in cash and cash equivalents arising from initial consolidation of subsidiaries	880	144	10,583
Cash and cash equivalents at end of year (Note 17)	¥ 94,430	¥ 92,122	$ 1,135,658

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

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
March 31, 2011

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, 2010 to the 2011 presentation. Such reclassifications had no effect on consolidated net loss or net assets.

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at ¥83.15=U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2011. Furthermore, the translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and 316 and 319 subsidiaries for the years ended March 31, 2011 and 2010, 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 financial statements.

(f) Cash and cash equivalents

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

(g) Allowance for doubtful receivables

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

(h) Inventories

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

(i) 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

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

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

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

(k) Capitalization of interest expense

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

(l) Leases

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

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

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

(m) Research and development costs and computer software

Research and development costs are charged to income as incurred.

Expenditures relating to the development of computer software intended for internal use are charged to income when incurred, unless these are deemed to contribute to the generation of future income or cost savings. Such expenditures are capitalized as assets and amortized by the straight-line method over their estimated useful life of 5 years.

(n) Retirement benefits

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

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

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

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

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

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

(o) Accrued expenses for overhaul of vessels

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

(p) Derivatives and hedging activities

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

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

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

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

(q) Income taxes

Deferred income taxes have been recognized with respect to the differences between financial reporting and the tax bases of the assets and liabilities. Deferred income taxes are measured at the rates which are expected to apply to the period when each asset or liability is realized, based on the tax rates which have been enacted as of the balance sheet date or are subsequently enacted.

(r) Distribution of retained earnings

Under the 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.

(s) Revenues and related costs

Revenues of the Company and its consolidated subsidiaries from cargo freight and the related costs and expenses, except for those from container vessels, are recognized in full as of the dates on which the vessels complete their respective voyages (the voyage completion method). Revenues from container vessels are recognized, based on the passage of the transportation period (the complex transportation progress method). The related costs and expenses are charged to income as incurred. Revenues and costs with respect to charter services are accounted for on an accrual basis.

2. Changes in Method of Accounting

(a) Accounting Standard for Asset Retirement Obligations

Effective the year ended March 31, 2011, the Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan ("ASBJ") Statement No. 18 issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008). As a result of this adoption, operating income decreased by ¥3 million ($36 thousand) and income before income taxes and minority interests decreased by ¥385 million ($4,630 thousand) for the year ended March 31, 2011 from the amounts which would have been recorded under the method applied in the previous year.

(b) Accounting Standard for Equity Method of Accounting for Investments

Effective the year ended March 31, 2011, the Company and its consolidated subsidiaries have adopted "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16 issued on March 10, 2008) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ Practical Issue Task Force No. 24 issued on March 10, 2008). The effect of this adoption on the consolidated operating results for the year ended March 31, 2011 was nil.

(c) Accounting Standard for Presentation of Comprehensive Income

Effective the year ended March 31, 2011, the Company and its consolidated subsidiaries have adopted "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25 issued on June 30, 2010). The amount of accumulated other comprehensive income and total accumulated other comprehensive income in the consolidated balance sheets for the year ended March 31, 2010 were previously presented as valuation and translation adjustments and total valuation and translation adjustments in the prior years' consolidated balance sheet, respectively.

(d) Accounting Standard for Business Combinations

Effective the year ended March 31, 2011, the Company and its consolidated subsidiaries have adopted "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on December 26, 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, Revised 2008).

(e) Accounting Standard for Disclosures about Segments of an Enterprise and Related Information

Effective the year ended March 31, 2011, the Group has adopted "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17 revised on March 27, 2009) and "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20 revised on March 21, 2008).

(f) Accounting Standard for Employees' Retirement Benefits

Effective the year ended March 31, 2010, the Company and its consolidated subsidiaries 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.

(g) Accounting Standard for Financial Instruments

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

3. Marketable Securities and Investments in Securities

At March 31, 2011, marketable securities and investments in securities with quoted market prices classified as held-to-maturity debt securities are summarized as follows:

	Millions of yen		
	2011		
	Carrying value	Estimated fair value	Unrealized loss
Securities whose estimated fair value does not exceed their carrying value:			
Government and municipal bonds	¥24,999	¥24,998	¥(1)
Total	¥24,999	¥24,998	¥(1)

	Thousands of U.S. dollars		
	2011		
	Carrying value	Estimated fair value	Unrealized loss
Securities whose estimated fair value does not exceed their carrying value:			
Government and municipal bonds	$300,649	$300,637	$(12)
Total	$300,649	$300,637	$(12)

At March 31, 2011 and 2010, marketable securities and investments in securities with quoted market prices classified as other securities are summarized as follows:

	Millions of yen		
	2011		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥64,281	¥58,117	¥6,164
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	310	365	(55)
Total	¥64,591	¥58,482	¥6,109

	Thousands of U.S. dollars		
	2011		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	$773,073	$698,941	$74,132
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	3,728	4,390	(662)
Total	$776,801	$703,331	$73,470

	Millions of yen		
	2010		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥71,812	¥56,199	¥15,613
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	536	576	(40)
Total	¥72,348	¥56,775	¥15,573

* The above table does not include unlisted equity securities (as reflected in the accompanying consolidated balance sheet in the amounts of ¥8,421 million at March 31, 2010) 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, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Proceeds from sales	¥860	¥2,006	$10,343
Aggregate gain	35	182	421
Aggregate loss	(0)	(183)	(0)

During the year ended March 31, 2011, securities classified as investments in unconsolidated subsidiaries and affiliates of ¥2,079 million ($25,003 thousand) were reclassified as investments in securities due to a reduction in the Company's ownership ratio of certain unconsolidated subsidiaries and affiliates.

4. Inventories

Inventories as of March 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Raw materials and supplies	¥34,412	¥26,511	$413,855
Others	165	84	1,984
Total	¥34,577	¥26,595	$415,839

5. Loss on Impairment of Fixed Assets

Loss on impairment of fixed assets for the year ended March 31, 2010 was as follows:

			Millions of yen
Asset Description	Usage	Classification	2010
Assets for containership business	Assets for containership business	Vessels and construction in progress	¥ 8,898
Others	Idle assets	Land	8
Total			¥ 8,906

Disclosure of loss on impairment for the year ended March 31, 2011 was omitted because the amount was immaterial.

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

For the year ended March 31, 2010, since profitability of the containership business showed marked deterioration, the carrying value was reduced to the respective recoverable amount and a loss on impairment was recognized. The recoverable amount was measured as the net selling value, and the net selling value was reasonably measured by a third party.

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

6. Goodwill

Goodwill and negative goodwill as of March 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Goodwill	¥4,552	¥7,456	$54,745
Negative goodwill	(34)	(63)	(409)
Net	¥4,518	¥7,393	$54,336

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

Short-term loans from banks and insurance companies principally represent loans on deeds with average interest rates of 0.69 per cent and 0.86 per cent per annum at March 31, 2011 and 2010, respectively.

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

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Loans from banks and insurance companies due in installments from April 2011 through December 2028 at average interest rates of 1.16 per cent and 1.24 per cent per annum at March 31, 2011 and 2010, respectively	¥379,120	¥399,183	$4,559,471
Euroyen zero coupon convertible bonds with stock acquisition rights in Japanese yen, due March 22, 2011	—	2,145	—
Euroyen zero coupon convertible bonds with stock acquisition rights in Japanese yen, due April 4, 2013	25,496	25,496	306,626
1.48 per cent bonds in Japanese yen, due December 14, 2011	15,000	15,000	180,397
1.83 per cent bonds in Japanese yen, due April 14, 2014	15,000	15,000	180,397
1.46 per cent bonds in Japanese yen, due June 19, 2014	30,000	30,000	360,794
Bonds in Japanese yen, interest rate indexed to TIBOR, due July 16, 2019	4,833	5,211	58,124
Total	469,449	492,035	5,645,809
Less: Current portion	(62,017)	(52,938)	(745,845)
	¥407,432	¥439,097	$4,899,964

The Euroyen zero coupon convertible bonds with stock acquisition rights due 2013 are convertible at ¥851 ($10.23) per share subject to adjustment for certain events including stock splits.

At March 31, 2011, 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, 2011 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 62,017	$ 745,845
2013	51,151	615,165
2014	90,726	1,091,112
2015	95,330	1,146,482
2016	26,714	321,275
2017 and thereafter	143,511	1,725,930
Total	¥469,449	$5,645,809

A summary of assets pledged as collateral at March 31, 2011 for short-term loans and the current portion of long-term loans in the amount of ¥25,415 million ($305,652 thousand), long-term loans of ¥217,196 million ($2,612,099 thousand) and loans to be incurred in the future is presented below:

	Millions of yen	Thousands of U.S. dollars
Vessels at net book value	¥299,282	$3,599,302
Buildings and structures at net book value	12,014	144,486
Investments in securities	6,831	82,153
Other	5,560	66,867
Total	¥323,687	$3,892,808

Investments in securities of ¥6,831 million ($82,153 thousand) were pledged as collateral to secure future loans for investments in vessels and equipment of subsidiaries and affiliates. Therefore, no corresponding liabilities existed as of March 31, 2011.

Out of above vessels at net book value of ¥299,282 million ($3,599,302 thousand), ¥5,320 million ($63,981 thousand) were pledged as collateral for entrusted guarantees.

8. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to a number of taxes based on income, which, in the aggregate, resulted in a statutory tax rate of approximately 37.6 per cent for the years ended March 31, 2011 and 2010.

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, 2011 has been omitted because the difference between these tax rates was less than 5% of the statutory tax rate.

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 because a loss before income taxes and minority interests was recorded for the year ended March 31, 2010.

The tax effects of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at March 31, 2011 and 2010 are analyzed as follows:

	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Deferred tax assets:			
Allowance for employees' retirement benefits	¥ 2,752	¥ 2,900	$ 33,097
Loss on impairment of fixed assets	880	1,643	10,583
Elimination of intercompany profit	991	1,100	11,918
Non-deductible allowances	7,580	13,925	91,161
Accounts and notes payable—trade	3,495	3,653	42,032
Deferred loss on hedges	18,641	7,974	224,185
Unrealized holding loss on investments in securities	1,062	—	12,772
Net operating loss carry forwards	16,172	24,311	194,492
Other	1,830	3,723	22,009
Gross deferred tax assets	53,403	59,229	642,249
Valuation allowance	(2,737)	(3,164)	(32,916)
Total deferred tax assets	50,666	56,065	609,333
Deferred tax liabilities:			
Reserve for special depreciation	(999)	(1,313)	(12,014)
Deferred gain on tangible fixed assets for tax purposes	(1,818)	(2,191)	(21,864)
Unrealized holding gain on investments in securities	(1,463)	(7,487)	(17,595)
Accelerated depreciation in overseas subsidiaries	(1,624)	(1,371)	(19,531)
Tax effect of undistributed earnings of overseas subsidiaries and affiliates accounted for by the equity method	(539)	(489)	(6,482)
Other	(1,328)	(2,168)	(15,972)
Total deferred tax liabilities	(7,771)	(15,019)	(93,458)
Net deferred tax assets	¥42,895	¥ 41,046	$515,875

9. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property at March 31, 2011 and 2010, 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:

At March 31,	Millions of yen 2011 Vessels	Equipment	Other	Total
Acquisition costs	¥22,413	¥ 34,844	¥ 2,284	¥ 59,541
Accumulated depreciation	(4,070)	(27,374)	(1,322)	(32,766)
Net book value	¥18,343	¥ 7,470	¥ 962	¥ 26,775

At March 31,	Thousands of U.S. dollars 2011 Vessels	Equipment	Other	Total
Acquisition costs	$269,549	$ 419,050	$ 27,468	$ 716,067
Accumulated depreciation	(48,948)	(329,212)	(15,899)	(394,059)
Net book value	$220,601	$ 89,838	$ 11,569	$ 322,008

At March 31,	Millions of yen 2010 Vessels	Equipment	Other	Total
Acquisition costs	¥22,413	¥ 38,745	¥ 2,887	¥ 64,045
Accumulated depreciation	(3,096)	(27,187)	(1,526)	(31,809)
Net book value	¥19,317	¥ 11,558	¥ 1,361	¥ 32,236

Lease payments related to finance leases accounted for as operating leases and depreciation and interest expense for the years ended March 31, 2011 and 2010 are summarized as follows:

	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Lease payments	¥5,578	¥6,738	$67,084
Depreciation	5,414	6,570	65,111
Interest expense	818	1,039	9,838

Future minimum lease payments subsequent to March 31, 2011 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 4,527	$ 54,444
2013 and thereafter	18,940	227,781
Total	¥23,467	$282,225

Future minimum lease payments or receipts subsequent to March 31, 2011 for non-cancellable operating leases are summarized as follows:

(As lessees)

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 24,492	$ 294,552
2013 and thereafter	116,398	1,399,856
Total	¥140,890	$1,694,408

(As lessors)

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 280	$ 3,367
2013 and thereafter	834	10,030
Total	¥1,114	$13,397

10. Retirement Benefits

The following table sets forth the funded and accrued status of the pension plans and the amounts recognized in the accompanying consolidated balance sheets as of March 31, 2011 and 2010 for the Company's and its consolidated subsidiaries' defined benefit pension plans:

	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Retirement benefit obligation*	¥(24,596)	¥(25,724)	$(295,803)
Fair value of pension plan assets	15,990	16,179	192,303
Net unfunded benefit obligation	(8,606)	(9,545)	(103,500)
Unrecognized actuarial differences	1,130	1,923	13,590
Unrecognized past service cost	486	544	5,845
Net retirement benefit obligation	(6,990)	(7,078)	(84,065)
Prepaid pension cost	804	931	9,669
Allowance for employees' retirement benefits	¥ (7,794)	¥ (8,009)	$ (93,734)

* 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, 2011, the Company has transferred a tax-qualified defined benefit pension plan to a defined benefit pension plan. This transfer has no effect on the results of operations for the year ended March 31, 2011.

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 is outlined as follows:

	Millions of yen 2010
Decrease in retirement benefit obligation	¥(550)
Unrecognized actuarial differences	347
Decrease in allowance for employees' retirement benefits	¥(203)

The components of retirement benefit expenses for the years ended March 31, 2011 and 2010 are outlined as follows:

	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Service cost*	¥1,785	¥1,687	$21,467
Interest cost	396	396	4,762
Expected return on pension plan assets	(145)	(246)	(1,744)
Amortization:			
Actuarial differences	364	632	4,379
Past service cost	125	165	1,503
Retirement benefit expenses	¥2,525	¥2,634	$30,367
Gain on transfer of defined benefit pension plan to a defined contribution pension plan	—	(203)	—
Contribution to defined contribution pension plan	80	96	962
Total retirement benefit expenses	¥2,605	¥2,527	$31,329

* 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 (a simplified method), have been fully included in service cost.

The assumptions used in accounting for the above plans for the years ended March 31, 2011 and 2010 are as follows:

	2011	2010
Discount rate	Mainly 2.0%	Mainly 2.0%
Expected rates of return on plan assets	Mainly 0.80%	Mainly 2.25%

11. 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, 2011 and 2010 amounted to ¥2,540 million ($30,547 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, 2011 and 2010 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, 2009	22	263	106	194
Vested	—	—	—	—
Exercised	—	8	—	7
Expired	—	—	—	—
Outstanding as of March 31, 2010	22	255	106	187
Vested	**—**	**—**	**—**	**—**
Exercised	**4**	**16**	**—**	**—**
Expired	**—**	**—**	**—**	**—**
Outstanding as of March 31, 2011	**18**	**239**	**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, 2011 and 2010 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, 2010	¥156	¥278	¥633	¥693
Average market price per share at exercise during the year ended March 31, 2010	—	408	—	352
Exercise price as of March 31, 2011	**156**	**278**	**633**	**693**
Average market price per share at exercise during the year ended March 31, 2011	**355**	**348**	**—**	**—**

	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, 2011	**$1.88**	**$3.34**	**$ 7.61**	**$8.33**
Average market price per share at exercise during the year ended March 31, 2011	**4.27**	**4.19**	**—**	**—**

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, 2011 and 2010 are summarized as follows:

	Number of shares (Thousands of units)			
	March 31, 2010	Increase	Decrease	March 31, 2011
Common stock	**765,382**	**—**	**—**	**765,382**
Treasury stock	**1,809**	**52**	**271**	**1,590**

	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

12. Land Revaluation

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

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

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

At March 31, 2011 and 2010, the fair value of these lands were lower than its carrying value after revaluation by ¥899 million ($10,812 thousand) and ¥629 million, respectively.

13. Commitments and Contingent Liabilities

At March 31, 2011, commitments made by the Company and its consolidated subsidiaries for the construction of vessels amounted to ¥303,100 million ($3,645,219 thousand).

Contingent liabilities for guarantees of loans to affiliates and third-party companies, reservation of guarantees mainly for swap contracts, and joint indebtedness principally related to co-ownership of vessels as of March 31, 2011 are as follows:

	Millions of yen	Thousands of U.S. dollars
Guarantee of loans	**¥16,756**	**$201,515**
Reservation of guarantee	**1,721**	**20,698**
Joint indebtedness	**4,836**	**58,160**
Total	**¥23,313**	**$280,373**

14. Financial Instruments

Status of financial instruments

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

Trade accounts and notes receivables are exposed to credit risk in the event of the nonperformance by counterparties. As revenues from marine transportation are mainly denominated in foreign currencies, trade receivables are exposed to foreign currency exchange risk and a portion of them, net of trade payables denominated in the same foreign currencies, are hedged by forward foreign exchange contracts. Future trade receivables such as for freight and chartered vessels, are exposed to market risks, and some of them are hedged by forward freight agreements. The Group holds marketable securities and investments in securities, which are mainly issued by companies who have a business relationship or capital alliance with the Group, and these securities 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 seventeen 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-rate 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 (p) Derivatives and hedging activities.

The Company monitors regularly the condition of significant business partners by each related business division with whom the Company has accounts receivable for business or loans receivable, and manages the outstanding balances and due dates by counterparties, to minimize the risk of default arising from any decline in the financial condition of counterparties. Its consolidated subsidiaries also monitor the condition of accounts 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 that 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-rate swaps to minimize interest rate fluctuation risk of loans and bonds. For marketable securities and investments in securities, the Company continuously reviews the condition of holding securities, considering the stock market and the relationship with issuing companies, taking into account market value of securities and financial condition of issuing 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 sheets as of March 31, 2011 and 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		
	2011		
	Carrying value	Estimated fair value	Unrealized loss
Assets			
Cash and deposits	¥ 74,064	¥ 74,064	¥ —
Accounts and notes receivable—trade	78,314	78,314	—
Investments in securities	67,716	65,282	(2,434)
Total assets	¥220,094	¥217,660	¥(2,434)
Liabilities			
Accounts and notes payable—trade	¥ 76,750	¥ 76,750	¥ —
Short-term loans, inclusive of current portion of long-term loans	55,783	56,049	(266)
Bonds	74,951	75,618	(667)
Long-term loans	332,481	334,377	(1,896)
Total liabilities	¥539,965	¥542,794	¥(2,829)
Derivative transactions*	¥ (77,567)	¥ (78,419)	¥ (852)

	Thousands of U.S. dollars		
	2011		
	Carrying value	Estimated fair value	Unrealized loss
Assets			
Cash and deposits	$ 890,728	$ 890,728	$ —
Accounts and notes receivable—trade	941,840	941,840	—
Investments in securities	814,383	785,111	(29,272)
Total assets	$2,646,951	$2,617,679	$(29,272)
Liabilities			
Accounts and notes payable—trade	$ 923,031	$ 923,031	$ —
Short-term loans, inclusive of current portion of long-term loans	670,872	674,071	(3,199)
Bonds	901,395	909,417	(8,022)
Long-term loans	3,998,569	4,021,371	(22,802)
Total liabilities	$6,493,867	$6,527,890	$(34,023)
Derivative transactions*	$ (932,856)	$ (943,103)	$(10,247)

	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)

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

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

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

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

Fair value of bonds is 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, 2011 and 2010 are summarized as follows.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Unlisted investments in securities	¥33,598	¥36,011	$404,065

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, 2011 and 2010 for cash and deposits, financial instruments receivable or payable and held-to-maturity debt securities are summarized as follows:

	Millions of yen			
	2011			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	¥ 74,064	¥ —	¥—	¥—
Accounts and notes receivable—trade	78,314	—	—	—
Investments in securities				
Held-to-maturity securities				
(1) Government and municipal bonds	24,997	1	1	—
(2) Corporate bonds	—	2,078	—	—
Accounts and notes payable—trade	76,750	—	—	—
Total	¥254,125	¥2,079	¥ 1	¥—

	Thousands of U.S. dollars			
	2011			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	$ 890,728	$ —	$—	$—
Accounts and notes receivable—trade	941,840	—	—	—
Investments in securities				
Held-to-maturity securities				
(1) Government and municipal bonds	300,625	12	12	—
(2) Corporate bonds	—	24,991	—	—
Accounts and notes payable—trade	923,031	—	—	—
Total	$3,056,224	$25,003	$12	$—

	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	¥ —	¥—	¥—
Accounts and notes receivable—trade	76,675	—	—	—
Investments in securities				
Held-to-maturity securities				
(1) Government and municipal bonds	—	2	1	—
(2) Corporate bonds	—	2,326	—	—
Accounts and notes payable—trade	70,311	—	—	—
Total	¥243,045	¥2,328	¥ 1	¥—

15. Derivatives and Hedging Activities

The Company and its consolidated subsidiaries have derivatives contracts such as foreign currencies exchange contracts, and currency swaps and currency options positions to minimize the impact of fluctuation in foreign exchange rates on forecasted foreign currency transactions. The Company and its consolidated subsidiaries have also entered into interest-rate swaps to minimize the impact of fluctuation in interest rates related to their outstanding debt and lease transactions. In addition, the Company and its consolidated subsidiaries have entered into bunker fuel swaps and 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, 2011 and 2010 are summarized as follows:

Currency-related transactions

			Millions of yen		
			2011		
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	¥123,865	¥ 43,212	¥(13,403)
	JPY	Capital expenditures	7,919	5,660	(742)
	EUR	Capital expenditures	42	—	2
	Currency swaps				
	Receiving USD, paying JPY	Chartering expense and lease expense	325,319	299,035	(50,106)
	Receiving USD, paying EUR	Chartering expense	8,772	7,715	(1)
	Receiving EUR, paying USD	Accounts receivable—trade	2,482	2,482	(25)
	Currency options positions				
	Buying:				
	USD	Lease expense, others	272	160	(49)
	USD	Accounts receivable—trade	58	—	(1)
	Selling:				
	USD	Accounts receivable—trade	58	—	2
	Total		¥468,787	¥358,264	¥(64,323)

			Thousands of U.S. dollars		
			2011		
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	$1,489,657	$ 519,687	$(161,191)
	JPY	Capital expenditures	95,238	68,070	(8,924)
	EUR	Capital expenditures	505	—	24
	Currency swaps				
	Receiving USD, paying JPY	Chartering expense and lease expense	3,912,435	3,596,332	(602,598)
	Receiving USD, paying EUR	Chartering expense	105,496	92,784	(12)
	Receiving EUR, paying USD	Accounts receivable—trade	29,850	29,850	(301)
	Currency options positions				
	Buying:				
	USD	Lease expense, others	3,271	1,924	(589)
	USD	Accounts receivable—trade	698	—	(12)
	Selling:				
	USD	Accounts receivable—trade	697	—	25
	Total		$5,637,847	$4,308,647	$(773,578)

			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				
	Receiving USD, paying JPY	Chartering expense and lease expense	348,158	324,807	(23,196)
	Receiving USD, paying EUR	Chartering expense	9,914	8,720	(424)
	Currency options positions				
	Buying:				
	USD	Lease expense, others	495	272	(33)
	Selling:				
	USD	Accounts receivable—trade	111	—	(3)
	Total		¥530,353	¥423,977	¥(28,455)

Interest-rate related transactions

			Millions of yen		
			2011		
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				
	Receive floating/Pay fixed	Long-term loans payable	¥141,921	¥130,050	¥(13,244)
Special treatment interest rate swap	Interest rate swap				
	Receive floating/Pay fixed	Long-term loans payable	22,284	17,559	(852)
	Total		¥164,205	¥147,609	¥(14,096)

			Thousands of U.S. dollars 2011		
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				
	Receive floating/Pay fixed	Long-term loans payable	$1,706,807	$1,564,041	$(159,278)
Special treatment interest rate swap	Interest rate swap				
	Receive floating/Pay fixed	Long-term loans payable	267,998	211,172	(10,247)
	Total		$1,974,805	$1,775,213	$(169,525)

			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				
	Receive floating/Pay fixed	Long-term loans payable	¥165,794	¥140,608	¥(12,578)
	Receive fixed/Pay floating	Long-term loans payable	156	—	0
Special treatment interest rate swap	Interest rate swap				
	Receive floating/Pay fixed	Long-term loans payable	28,330	22,220	(1,027)
	Total		¥194,280	¥162,828	¥(13,605)

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

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

16. Consolidated Statement of Comprehensive Loss

Comprehensive loss for the year ended March 31, 2010 for comparative purposes is as follows:

	Millions of yen
Comprehensive loss attributable to shareholders of the Company	¥(64,705)
Comprehensive income attributable to minority shareholders of consolidated subsidiaries	3,164
Total comprehensive loss	¥(61,541)

Other comprehensive income for the year ended March 31, 2010 for comparative purposes is as follows:

	Millions of yen
Net unrealized holding gain on investments in securities	¥ 12,678
Deferred loss on hedges	(11,231)
Translation adjustments	1,926
Share of other comprehensive income of subsidiaries and affiliates accounted for by the equity method	1,157
Total other comprehensive income	¥ 4,530

17. Supplementary Information on Consolidated Statements of Cash Flows

Cash and cash equivalents in the accompanying consolidated statements of cash flows for the years ended March 31, 2011 and 2010 are reconciled to cash and deposits reflected in the accompanying consolidated balance sheets as of March 31, 2011 and 2010 as follows:

	Millions of yen 2011	2010	Thousands of U.S. dollars 2011
Cash and deposits	¥74,064	¥96,059	$ 890,728
Time deposits with a maturity of more than three months after the purchase date	(4,631)	(3,937)	(55,695)
Marketable securities	24,997	—	300,625
Cash and cash equivalents	¥94,430	¥92,122	$1,135,658

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
Current assets	¥ 784
Non-current assets	1,862
Total assets	¥2,646
Current liabilities	¥ —
Long-term liabilities	—
Total liabilities	¥ —

18. Amounts per Share

Amounts per share at March 31, 2011 and 2010 and for the years then ended are as follows:

	Yen 2011	2010	U.S. dollars 2011
Net assets	¥381.87	¥ 403.53	$4.59
Net income (loss):			
Basic	40.08	(106.24)	0.48
Diluted	38.41	—	0.46
Cash dividends applicable to the year	9.50	—	0.11

Net assets per share have been computed based on the number of shares of common stock outstanding at 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 a net loss for the year was recorded.

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

19. Segment Information

(a) Segments information for the year ended March 31, 2011

1. Overview of reporting segments

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

The Group is a shipping business organization centering on marine transportation service and has two reporting segments, which are the containership business segment and the bulk shipping business segment, considering the economic characteristics, service contents and method of the provision and categorization of the market and customers.

In addition, the bulk shipping business includes the following services: dry bulk carrier service, car carrier service, energy transportation and tanker service, heavy lift service and short sea, coastal and ferry service.

2. Calculation method of reporting segment income (loss)

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

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

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

Reporting segment information for the years ended March 31, 2011 consisted of the following:

Millions of yen

	Year ended March 31, 2011					
	Containership	Bulk shipping	Other*1	Total	Adjustments and eliminations*2	Consolidated
1. Revenues:						
(1) Operating revenues from customers	¥444,971	¥ 447,111	¥ 93,003	¥ 985,085	¥ —	¥ 985,085
(2) Intra-group revenues and transfers	2,438	1,736	41,619	45,793	(45,793)	—
2. Total Revenues	447,409	448,847	134,622	1,030,878	(45,793)	985,085
3. Segment Income*3	¥ 29,006	¥ 16,991	¥ 4,739	¥ 50,736	¥ (3,386)	¥ 47,350
4. Segment Assets	¥174,629	¥ 659,509	¥153,163	¥ 987,301	¥ 45,204	¥1,032,505
(1) Depreciation and amortization	¥ 3,889	¥ 34,314	¥ 5,548	¥ 43,751	¥ 971	¥ 44,722
(2) Amortization of goodwill	(29)	2,895	7	2,873	—	2,873
(3) Interest income	315	552	147	1,014	(122)	892
(4) Interest expenses	695	7,442	531	8,668	(104)	8,564
(5) Equity in earning (loss) of affiliates	386	(381)	97	102	—	102
(6) Investments in affiliates accounted for by the equity method	5,804	5,435	5,110	16,349	—	16,349
(7) Increase in vessels, property and equipment, and intangible assets	27,882	116,797	3,576	148,255	738	148,993

Thousands of U.S. dollars

	Year ended March 31, 2011					
	Containership	Bulk shipping	Other*1	Total	Adjustments and eliminations*2	Consolidated
1. Revenues:						
(1) Operating revenues from customers	$5,351,425	$5,377,162	$1,118,497	$11,847,084	$ —	$11,847,084
(2) Intra-group revenues and transfers	29,321	20,878	500,529	550,728	(550,728)	—
2. Total Revenues	5,380,746	5,398,040	1,619,026	12,397,812	(550,728)	11,847,084
3. Segment Income*3	$ 348,839	$ 204,342	$ 56,993	$ 610,174	$ (40,721)	$ 569,453
4. Segment Assets	$2,100,168	$7,931,557	$1,842,008	$11,873,733	$ 543,645	$12,417,378
(1) Depreciation and amortization	$ 46,771	$ 412,676	$ 66,723	$ 526,170	$ 11,677	$ 537,847
(2) Amortization of goodwill	(349)	34,817	84	34,552	—	34,552
(3) Interest income	3,788	6,639	1,768	12,195	(1,467)	10,728
(4) Interest expenses	8,358	89,501	6,386	104,245	(1,250)	102,995
(5) Equity in earning (loss) of affiliates	4,642	(4,582)	1,167	1,227	—	1,227
(6) Investments in affiliates accounted for by the equity method	69,802	65,364	61,455	196,621	—	196,621
(7) Increase in vessels, property and equipment, and intangible assets	335,322	1,404,654	43,007	1,782,983	8,875	1,791,858

*1 "Other" segment mainly consists of logistics and harbor transportation services.

*2 (1) The adjustment and elimination of segment income of ¥3,386 million ($40,721 thousand) includes the following elements: ¥134 million ($1,612 thousand) of intersegment transaction eliminations and ¥3,520 million ($42,333 thousand) of corporate profit, which are not distributed to specific segments.

(2) The adjustment and elimination of segment assets of ¥45,204 million ($543,645 thousand) includes the following elements: ¥64,054 million ($770,342 thousand) of intersegment transaction eliminations and ¥109,258 million ($1,313,987 thousand) of corporate assets, which are not distributed to specific segments.

(3) The adjustment and elimination of depreciation and amortization of ¥971 million ($11,677 thousand) is depreciation and amortization of assets that belong to the entire company, which are not distributed to specific segments.

(4) The adjustment and elimination of interest income of ¥122 million ($1,467 thousand) includes the following elements: ¥231 million ($2,778 thousand) of intersegment transaction eliminations and ¥109 million ($1,311 thousand) of interest income, which are not distributed to specific segments.

(5) The adjustment and elimination of interest expenses of ¥104 million ($1,250 thousand) includes the following elements: ¥231 million ($2,777 thousand) of intersegment transaction eliminations and ¥127 million ($1,527 thousand) of interest expenses, which are not distributed to specific segments.

(6) The adjustment and elimination of increase in vessels, property and equipment, and intangible assets of ¥738 million ($8,875 thousand) is the increase in assets that belong to the entire group, which are not distributed to specific segments.

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

Under the new segmentation policy applied by the Company, effective the year ended March 31, 2011, reporting segment information for the year ended March 31, 2010 would have been presented as follows:

Millions of yen

	Year ended March 31, 2010					
	Containership	Bulk shipping	Other*1	Total	Adjustments and eliminations*2	Consolidated
1. Revenues:						
(1) Operating revenues from customers	¥358,525	¥393,105	¥ 86,403	¥ 838,033	¥ —	¥ 838,033
(2) Intra-group revenues and transfers	2,389	2,042	43,110	47,541	(47,541)	—
2. Total Revenues	360,914	395,147	129,513	885,574	(47,541)	838,033
3. Segment (Loss) Income*3	¥ (65,625)	¥ 1,071	¥ 2,332	¥ (62,222)	¥ (4,050)	¥ (66,272)
4. Segment Assets	¥170,402	¥698,584	¥155,879	¥1,024,865	¥ 19,020	¥1,043,885
(1) Depreciation and amortization	¥ 5,189	¥ 33,677	¥ 5,527	¥ 44,393	¥ 888	¥ 45,281
(2) Amortization of goodwill	(58)	2,899	16	2,857	—	2,857
(3) Interest income	396	882	272	1,550	(405)	1,145
(4) Interest expenses	677	7,626	838	9,141	(383)	8,758
(5) Equity in earnings (loss) of affiliates	38	(661)	244	(379)	—	(379)
(6) Investments in affiliates accounted for by the equity method	6,407	6,957	5,021	18,385	—	18,385
(7) Increase in vessels, property and equipment, and intangible assets	24,022	149,359	6,509	179,890	1,598	181,488

*1 "Other" segment mainly consists of logistics and harbor transportation services.

*2 (1) The adjustment and elimination of segment income of ¥4,050 million includes the following elements: ¥475 million of intersegment transaction eliminations and ¥3,575 million of corporate profit, which are not distributed to specific segments.

(2) The adjustment and elimination of segment assets of ¥19,020 million includes the following elements: ¥69,333 million of intersegment transaction eliminations and ¥88,353 million of corporate assets, which are not distributed to specific segments.

(3) The adjustment and elimination of depreciation and amortization of ¥888 million is depreciation and amortization of assets that belong to the entire company, which are not distributed to specific segments.

(4) The adjustment and elimination of interest income of ¥405 million includes the following elements: ¥492 million of intersegment transaction eliminations and ¥87 million of interest income, which are not distributed to specific segments.

(5) The adjustment and elimination of interest expenses of ¥383 million includes the following elements: ¥492 million of intersegment transaction eliminations and ¥109 million of interest expenses, which are not distributed to specific segments.

(6) The adjustment of increase in vessels, property and equipment, and intangible assets of ¥1,598 million is the increase in assets that belong to the entire group, which are not distributed to specific segments.

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

Revenues by countries or geographical areas for the year ended March 31, 2011 are summarized as follows:

Millions of yen

	Year ended March 31, 2011					
	Japan	U.S.A.	Europe	Asia	Other	Total
Revenues	¥414,373	¥182,447	¥155,796	¥198,980	¥33,489	¥985,085

Thousands of U.S. Dollars

	Year ended March 31, 2011					
	Japan	U.S.A.	Europe	Asia	Other	Total
Revenues	$4,983,440	$2,194,191	$1,873,674	$2,393,025	$402,754	$11,847,084

At March 31, 2011, vessels, property and equipment by countries or geographical areas are summarized as follows:

	Millions of yen			Thousands of U.S. Dollars		
	Year ended March 31, 2011			Year ended March 31, 2011		
	Japan	Other	Total	Japan	Other	Total
Vessels, property and equipment	¥437,431	¥146,297	¥583,728	$5,260,746	$1,759,434	$7,020,180

The amortization and balance of goodwill for the year ended and as of March 31, 2011 are as follows:

	Millions of yen				
	Year ended March 31, 2011				
	Containership	Bulk shipping	Other (Note)	Adjustments and eliminations	Total
Amortization for the year	¥—	¥2,898	¥ 6	¥—	¥2,904
Balance at the year end	—	4,532	20	—	4,552

	Thousands of U.S. Dollars				
	Year ended March 31, 2011				
	Containership	Bulk shipping	Other (Note)	Adjustments and eliminations	Total
Amortization for the year	$—	$34,853	$ 72	$—	$34,925
Balance at the year end	—	54,504	241	—	54,745

The amortization and balance of negative goodwill for the year ended and as of March 31, 2011 related to a business combination prior to April 1, 2010 is as follows:

	Millions of yen				
	Year ended March 31, 2011				
	Containership	Bulk shipping	Other (Note)	Adjustments and eliminations	Total
Amortization for the year	¥28	¥3	¥—	¥—	¥31
Balance at the year end	28	6	—	—	34

	Thousands of U.S. Dollars				
	Year ended March 31, 2011				
	Containership	Bulk shipping	Other (Note)	Adjustments and eliminations	Total
Amortization for the year	$337	$36	$—	$—	$373
Balance at the year end	337	72	—	—	409

Note: "Other" mainly consists of logistics and harbor transportation services.

(b) Segment information for the year ended March 31, 2010

Under the former segmentation policy applied by the Company up to the year ended March 31, 2010, segment information for the year ended March 31, 2010 was as follows:

1. Business segment information

Businesses of the Group were classified into three segments: Marine transportation, logistics/harbor transportation, and other. The related information was presented as follows:

	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

Under the former segmentation policy applied by the Company up to the year ended March 31, 2010, segment information for the year ended March 31, 2010 was as follows:

2. Geographical segment information

Each geographical segment principally covered 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

Related information was as follows:

	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

Under the former segmentation policy applied by the Company up to the year ended March 31, 2010, segment information for the year ended March 31, 2010 was as follows:

3. International business information

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

Each segment principally covered 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

International revenues for the year ended March 31, 2010 were summarized as follows:

	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%

20. Subsequent Event

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2011, was approved at a meeting of the Company's shareholders held on June 24, 2011:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥5.50 = $0.07 per share)	¥4,202	$50,535

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, 2011 and 2010, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended and consolidated statement of comprehensive loss for the year ended March 31, 2011, 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, 2011 and 2010, 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, 2011 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).

Osaka, Japan
June 24, 2011

Ernst & Young ShinNihon LLC

Outline of the Company (As of March 31, 2011)

Name	Kawasaki Kisen Kaisha, Ltd. ("K" Line)	
Established	April 5, 1919	
Paid-in Capital	¥65,031.56 million	
President	Jiro Asakura (taking over presidency on May 13, 2011)	
Employees	On-land Duty	437
	At-sea Duty	186
	Total	623
Business Lines	Marine transportation, Land transportation, Air transportation, Through transportation involving marine, land and air transportation, Harbor transportation, etc.	
Offices		
Head Office (From October, 2011)	Iino Building1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-0011, 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)	
Overseas Agents	Korea, Hong Kong, China, Taiwan, Thailand, the Philippines, Singapore, Malaysia, Indonesia, Vietnam, India, 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 etc.	
Affiliated Companies (to be consolidated)	26 (Domestic), 290 (Overseas)	

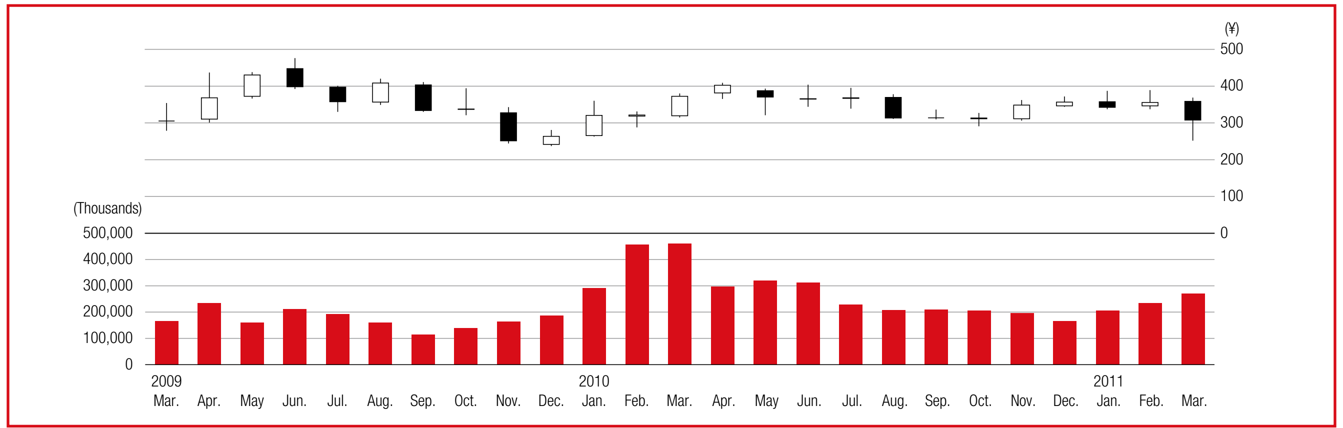
Stock Information (As of March 31, 2011)

Authorized	2,000,000,000 shares of common stock
Issued	765,382,298 shares of common stock
Number of Shareholders	39,495
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)	66,126	8.63
The Master Trust Bank of Japan, Ltd. (trust account)	60,033	7.84
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
Sompo Japan Insurance Inc.	27,295	3.56
Japan Trustee Services Bank, Ltd. (trust account 9)	25,779	3.36
Tokio Marine & Nichido Fire Insurance Co., Ltd.	23,911	3.12
GOLDMAN, SACHS & CO.REG	15,869	2.07
Nippon Life Insurance Company	14,331	1.87
THE BANK OF NEW YORK - JASDECTREATY ACCOUNT	14,079	1.83

Stock Price Range & Trading Volume (Tokyo Stock Exchange)



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