"K" LINE
KAWASAKI KISEN KAISHA, LTD.

Bridge to the Future

Annual Report **2012**

for the year ended March 31, 2012

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

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

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,

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.

Contents

Detailed Information on the Business Results
Please refer to online Financial Report section for more details on the business results for the fiscal year ended March 31, 2012.
http://www.kline.co.jp/en/ir/library/pr/index.html

Corporate Website
For information on CSR activities, please download the Social and Environmental Report from the "K" Line website.
http://www.kline.co.jp/en/csr/report/index.html

Profile

“K” Line is an integrated world-class shipping company that owns and operates a diverse fleet of ships adapted to the world’s marine transport needs. As of March 31, 2012, the “K” Line Group included 29 domestic and 285 overseas consolidated subsidiaries. Approximately 7,700 employees work at sea and on land representing the “K” Line brand with the aim of growing “K” Line as a trusted global carrier.

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

“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.

1970

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

1983

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

1986

The first Japanese shipping company to begin operation of an exclusive double stack train (DST) in North America.

1994

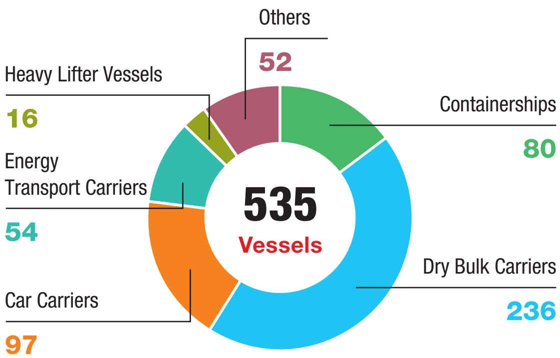
Completion of the *CORONA ACE* a wide-beam, shallow-draft coal carrier capable of efficient cargo handling, which became the basic model for thermal coal transport carriers.

Our Services

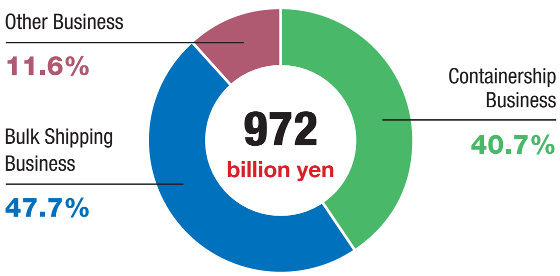
Operation of a Fleet Optimized for Market Needs

Since “K” Line launched its first containership service in 1968, “K” Line containerships have been safely and reliably delivering general merchandise, electronic components and a wide variety of other 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 all major ocean lanes, 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.

“K” Line Group Vessels in Operation (As of March 31, 2012)



Operating Revenues



Lines of Business

Containership Business

» P.18

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

Dry Bulk Business

» P.20

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

Car Carrier Business

» P.22

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.

Energy Transportation and Tanker Business

» P.24

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.

Offshore Support Vessel Business

» P.26

Through K LINE OFFSHORE AS in Norway, we provide offshore support vessel service to support the expanding offshore energy development industry. Large anchor handling tug supply vessels (AHTSs) with engine output of 34,000 bhp (brake horsepower) and platform supply vessels (PSVs) with cargo deck plate surface areas of 1,000 m^2 are engaged in safe, efficient transport.

Heavy Lifter Business

» P.26

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

Short Sea and Coastal Business

» P.27

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

Logistics Business

» P.27

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.

Our Commitment

Environmentally Friendly, Safe Marine Transport Services

To preserve and protect the cleanliness of oceans and air, which is essential to the human race and all living things, the "K" Line Group places the highest priority on safe operation and environmental preservation, while actively engaging in environmentally friendly initiatives. We are also working to develop environmental technologies in a number of ways, including the setting of targets for reduction of CO_2 emissions per transport ton-mile*, research to reduce NOx (nitrogen oxide) emissions, the installation and test operation of a ballast water management system complying with the Ballast Water Management Convention of the International Maritime Organization (IMO), and research and development of gas-fuelled ships.

We will contribute to harmonious coexistence among people and a stable society through the provision of safe, environmentally friendly marine transport services that comply with international rules.

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

Change in the Environmental Impact of Ships Operated by "K" Line

Volume of CO_2 emissions per freight ton-mile (gram-CO_2/ton-mile)

2009 5.96 → 2010 5.86 → 2011 5.61

Volume of SOx emissions per freight ton-mile (gram-SOx/ton-mile)

2009 0.106 → 2010 0.100 → 2011 0.098

Volume of NOx emissions per freight ton-mile (gram-NOx/ton-mile)

2009 0.163 → 2010 0.153 → 2011 0.147

Challenges Faced by the Gas-fuelled Ship Development Project Team

In response to the tightening of emission control regulations in Emission Control Areas (ECAs), especially regulated coastal waters in Europe and North America, "K" Line is considering the introduction of car carriers that use liquefied natural gas (LNG) as fuel. In ECAs for SOx (sulfur oxide), the maximum sulfur content of fuel will be 0.1% beginning in 2015 and in ECAs for NOx, NOx emissions must be cut by 80% from Tier I levels on ships built in or after 2016.

Ahead of this impending tightening of regulations, in 2010 "K" Line launched a project team responsible for developing gas-fuelled ships. Kawasaki Heavy Industries, Ltd., which developed construction technologies for LNG carriers and created the "green gas engine" fueled by natural gas for generating electricity, began developing car carriers powered by LNG fuel. These development efforts were carried out in cooperation with the European pioneer of gas-fuelled ship technology, Det Norske Veritas (DNV), the Norwegian Classification Society, which owns the existing technology. The goal of this project is to reduce CO_2 emissions by approximately 40%, NOx by 80% to 90% and SOx and particulate matter (PM) by approximately 100%.

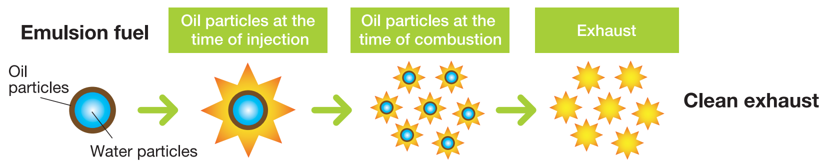
This project is not intended merely to develop a concept. It is intended to enable the actual construction and commercial service of gas-fuelled ships in the near future and to cooperatively develop the next generation of technology for reducing environmental burden.

"K" Line's Response to Tier III Nitrogen Oxide (NOx) Emission Control for Newbuildings

NOx emissions from the engines of ships constructed in 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 the development of gas-fuelled ships and demonstration tests of water emulsion fuel, which contributes to NOx reduction.

Use of Water Emulsion Fuel

Water emulsion fuel is a 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 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.



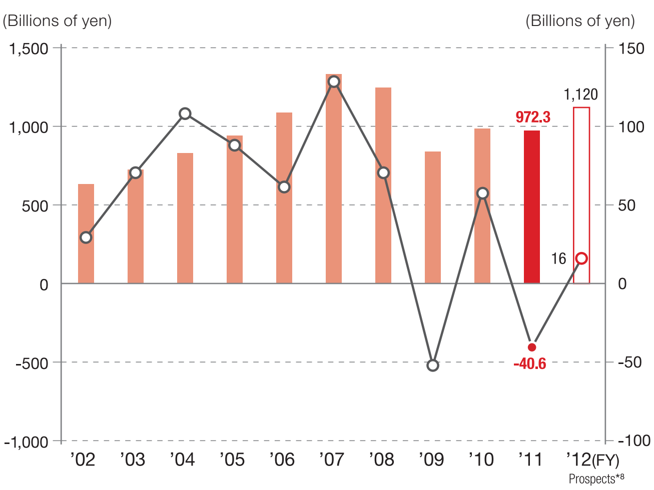
Kawasaki Kisen Kaisha, Ltd. and consolidated subsidiaries
Years ended March 31

			KV Plan	"K" LINE Vision 2008	
		FY2002	FY2003	FY2004	FY2005
Operating Results: (For the Year)	Operating revenues	¥632,725	¥724,667	¥828,444	¥940,819
	Operating income	29,282	70,534	108,054	87,976
	Ordinary income*2	23,672	62,564	107,235	88,573
	Net income	10,373	33,196	59,853	62,424
Financial Position: (At Year-End)	Total assets	515,825	559,135	605,331	757,040
	Net assets*3	82,040	121,006	181,276	257,810
	Interest-bearing liabilities	306,575	281,811	239,249	278,234
	Depreciation and amortization	29,511	25,558	24,634	28,623
	Cash flows from operating activities	32,936	78,551	89,443	72,338
	Cash flows from investing activities	(23,732)	(51,775)	(34,402)	(83,342)
	Free cash flows	9,204	26,776	55,041	(11,004)
Per Share Data: (Yen/Dollars)	Net income	17.24	55.71	100.70	104.89
	Net assets	138.29	204.37	306.06	435.19
	Cash dividends applicable to the year	5.00	10.00	16.50	18.00
	Dividend payout ratio (%)	29.0	18.0	16.4	17.2
Management Index: (%)	ROE*5	13.0	32.7	39.6	28.4
	ROA*6	4.5	11.6	18.4	13.0
	Interest-bearing liabilities to total asset	59.4	50.4	39.5	36.8
	DER (Times)*7	3.74	2.33	1.32	1.08
	Equity ratio	15.9	21.6	29.9	34.1
Employment Data:	Employees	6,013	6,088	6,226	6,827

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 ¥82.19 = U.S. $1, the exchange rate prevailing on March 30, 2012.
*5. Return on Equity: Net income/Shareholders' equity

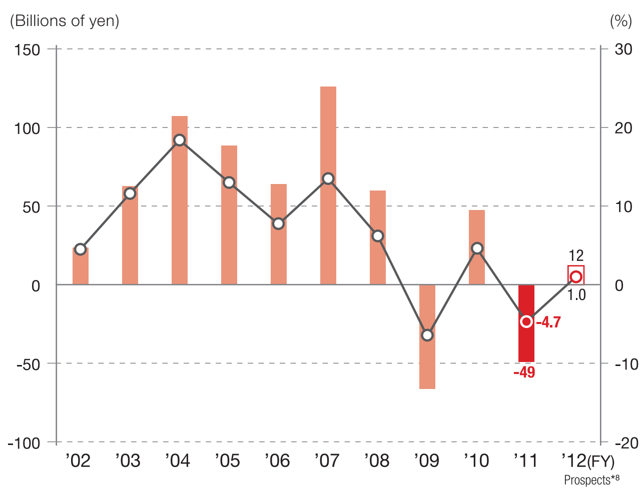
Operating Revenues / Operating Income

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



Ordinary Income / ROA

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

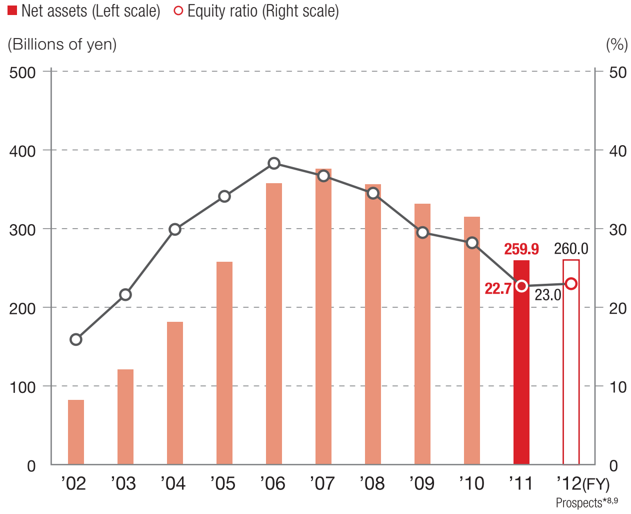


"K" LINE Vision 2008+ | "K" LINE Vision 100 | "KV 2010" | "New Challenges" | "Bridge to the Future"

FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2011	FY2012 Prospects*8	
					(Millions of yen)	(Thousands of U.S. dollars)*4	(Millions of yen)	
¥1,085,539	¥1,331,048	¥1,244,317	¥ 838,033	¥ 985,085	¥ 972,311	$11,830,040	¥1,120,000	
61,357	129,649	71,604	(52,075)	58,610	(40,563)	(493,527)	16,000	
63,928	125,868	60,011	(66,272)	47,350	(48,956)	(595,644)	12,000	
51,514	83,012	32,421	(68,721)	30,603	(41,351)	(503,115)	11,000	
900,439	968,630	971,603	1,043,885	1,032,505	1,066,649	12,977,844		
357,625	376,277	356,153	331,865	314,986	259,935	3,162,611	260,000	*9
326,187	329,716	439,622	516,001	483,363	592,523	7,209,186	580,000	
32,294	36,362	39,427	45,281	44,722	50,044	608,882		
66,483	141,238	77,614	(23,941)	84,902	(2,909)	(35,394)	67,000	
(102,853)	(145,541)	(148,304)	(63,737)	(54,117)	(83,233)	(1,012,690)	(50,000)	
(36,370)	(4,303)	(70,690)	(87,678)	30,785	(86,142)	(1,048,084)	17,000	
86.67	131.36	50.89	(106.24)	40.08	(54.14)	(0.66)	14.40	
556.55	558.46	525.43	403.53	381.87	317.59	3.86		
18.00	26.00	13.50	—	9.50	—	—	—	
20.8	19.8	26.5	—	23.7	—	—	—	
17.1	23.7	9.4	(21.4)	10.2	(15.5)		4.2	
7.7	13.5	6.2	(6.6)	4.6	(4.7)		1.0	
36.2	34.0	45.2	49.4	46.8	55.5			
0.95	0.93	1.31	1.67	1.66	2.44		2.23	
38.3	36.7	34.5	29.5	28.2	22.7		23.0	
7,041	7,615	7,706	7,740	7,477	7,703			

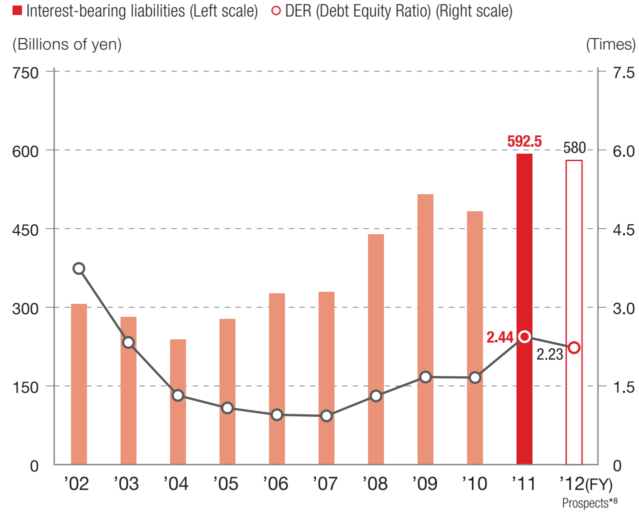
*6. Return on Assets: Ordinary income/Total assets
*7. Debt Equity Ratio: Interest-bearing liabilities/Shareholders' equity
*8. Figures announced on April 27, 2012
*9. Net assets are shown before adjustment for minority interests.

Net Assets / Equity Ratio



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

Interest-bearing Liabilities / DER



DER: Interest-bearing liabilities / Shareholders' equity

In "K" LINE Vision 100: Bridge to the Future, the new medium-term management plan, "K" Line has clearly spelled out its three highest management priorities: Returning to profitability in fiscal 2012; Building a stable earnings structure; and Strengthening our financial standing. The outcome of this new management plan will give "K" Line a stronger business base.

Bridge to the Future

Question 1

Looking back on your first year as president, what are your frank impressions about the business? Also, what is your overall assessment of fiscal 2011 from the perspective of the "K" LINE Vision 100: New Challenges medium-term management plan established in April 2011?

Answer

Since the Great East Japan Earthquake of last March, the "K" Line Group has done what we can as a shipping company to assist in the region's reconstruction. The damage from the catastrophe was so enormous that more than a year later many victims continue to live in hardship. In these circumstances, the "K" Line Group donated reefer containers for use in reconstruction of the marine product processing industry in affected areas, transported relief supplies, and cooperated in the transport of Self Defense Force personnel and vehicles by sea. We also set up a volunteer leave system last March, immediately after the earthquake, to offer indirect support for the volunteer activities of our employees. Even now, employees make use of this system to assist with debris removal, the victim's blobby photographs cleaning, and other humanitarian activities. Contributing to the enrichment of people's lives is a key element of "K" Line's corporate principles, and we plan to continue to actively engage in this support.

Turning now to the business, under the "K" LINE Vision 100: New Challenges medium-term management plan, established in April 2011, we had been seeking to rapidly adapt to changes in the market structure and growth in developing countries and proceed with strategic investments in growth sectors. At the same time, we undertook qualitative transformation from an across-the-board expansion policy and set as our objectives building a stable earnings structure and strengthening our financial standing.

However, delivery of large numbers of new ships in all sectors, especially containerships, continued in fiscal 2011. Although we had planned for the effects of oversupply, the stagnation in market conditions exceeded our expectations. In the car carrier business, profitability deteriorated as a result of stagnant cargo movements following the Great East Japan Earthquake coupled with the impact of the flooding in Thailand in October. In an extremely adverse business environment exacerbated by an ultra-strong yen and persistently high fuel oil prices, we were unable to achieve satisfactory business performance and recorded a substantial loss, for which I apologize to our stakeholders.

Fiscal 2011 Business Results

(Billions of yen)

	Result	Original target	**Variance**
Operating revenues	972.3	1,090.0	**(117.7)**
Ordinary income	(49.0)	3.0	**(52.0)**
Net income	(41.4)	2.0	**(43.4)**
DER (Times)	2.44	1.83	**0.61**
ROA (%)	(5)	0	**(5)**
Equity ratio (%)	23	26	**(3)**
Exchange rate (Yen/US$)*	79.06	85.0	**(5.94)**
Bunker price (US$/MT)	672	650	**22**

*12 month average

Question 2

Please provide an overview of “K” LINE Vision 100: Bridge to the Future, the medium-term management plan announced in April 2012 covering the period from fiscal 2012 to 2014.

Answer

Last year, as I explained, we experienced an extraordinarily difficult business environment, and although only a year had passed since launching “K” LINE Vision 100: New Challenges, recognizing that we face an extremely adverse business environment, we established a new medium-term business plan, “K” LINE Vision 100: Bridge to the Future, to weather this difficult period and build a bridge to a new era of growth for “K” Line.

The objective of “K” LINE Vision 100: Bridge to the Future is to develop a business structure that enables us to be profitable on an ordinary income basis even in market downturns. In particular, the containership business operated at a loss in fiscal 2011, and I am determined to boost profitability and return the business to profit through continued resolute implementation of structural reforms, including streamlining of the fleet. We will also seek to increase stable earnings group-wide, focusing on three key missions: Returning to profitability in fiscal 2012; Building a stable earnings structure; and Strengthening our financial standing. At the same time, we will continue to focus on the five basic priorities we have

consistently maintained since April 2008 and mount an all-out, group-wide effort to achieve "Synergy for All and Sustainable Growth," the main theme of our "K" LINE Vision 100 management plans.

Question 3

First of all, please discuss in detail the prospects for returning to profitability in fiscal 2012 on an ordinary income basis, one of the three key missions.

Answer

I consider returning to profitability in fiscal 2012 on an ordinary income basis a mission, not an objective. To turn a profit on an ordinary income basis, the members of the "K" Line Group will work in unison to implement exhaustive cost reductions including reduced fuel consumption by means of slow steaming and reductions in general and administrative and operating expenses. In the containership business, we will seek to improve efficiency and profitability by streamlining the fleet through the reorganization of unprofitable service routes and the return and disposal of unprofitable vessels and also reduce operating expenses per TEU by putting into operation five large, energy-efficient 8,600-TEU containerships. We forecast total profitability improvement of ¥28.0 billion from these exhaustive cost reductions and the results of structural reforms: ¥20.5 billion in the containership business and ¥7.5 billion in other businesses. We also forecast improvement of ¥33.0 billion due to factors such as recovery in market conditions, recovery from the impact of natural disasters, and the start of operation of new businesses, for total year-on-year profitability improvement of ¥61.0 billion.

Question 4

Next, please describe specific measures to establish a stable earnings structure and strengthen the Company's financial standing, the other two key missions in the management plan.

Answer

In my view, improving profitability in the containership business and expanding stable earnings that will generate stable earnings over several years are the twin keys to building a stable earnings structure. We forecast total profitability improvement in the containership business of ¥37.0 billion over the three-year period beginning in fiscal 2012 from the continuous, steady implementation of structural reforms.

To achieve expansion of stable earnings in the dry bulk business, we will maintain existing medium-term and long-term contracts with customers in Japan and abroad and obtain new medium-term and long-term contracts with overseas customers, focusing on developing countries. We will also continue efforts to achieve stable earnings in other business sectors, including energy transportation, heavy lifter and logistics businesses. In the car carrier business, we will serve the demand for completed built-up cars from Japan and reorganize service routes in response to changes in trade patterns involving a shift of production sites to overseas locations and higher demand in China and other Asian countries.

We will also put in place a system that can flexibly meet the requirements of a fast-changing market environment by expanding transport of heavy vehicles—agricultural and construction machinery and static cargo such as manufacturing machinery—as a new core business. I am convinced that through such initiatives we will solidify the earnings base and construct a more stable business base over the medium and long term.

We will seek to strengthen our financial standing by capping the "K" Line Group's investment cash flow in fiscal 2012 and beyond at ¥50 billion, less than depreciation of approximately ¥60 billion, and by improving cash flow and reducing interest-bearing debt. We will make new investments in carefully selected sectors that offer prospects for stable profits or high profits. Specifically, in the car carrier business, we intend to deploy vessels suited to anticipated future trade patterns. In the energy transportation business, we intend to actively participate in LNG projects that offer prospects for stable revenues from long-term contracts as one of Japan's three major shipping companies. We will prioritize improvement in our financial standing over growth. Our aim is to strengthen our financial standing from a low-water mark in fiscal 2011 and return the equity ratio to 30% by fiscal 2014.

Review of Investment Cash Flow in Fiscal 2012 and Beyond

(Billions of yen)

	FY2011	FY2012	FY2013	FY2014
Investment cash flow	83.2	50.0	50.0	50.0
Previous (April 2011)	95.0	80.0	65.0	—
Difference from previous	(11.8)	(30.0)	(15.0)	—

Question 5

What is "K" Line's policy on operating safety?

Answer

Marine accidents cause oil pollution and other serious environmental pollution. Leakage at sea of the heavy oil used as ship fuel or the crude oil transported by tankers results in ruinous damage to the marine environment. To prevent serious accidents, "K" Line complies with the international standards concerning ships required under conventions established by the International Maritime Organization (IMO). In addition, we ensure safe operation and improve ship quality of the entire fleet by establishing vessel quality standards and operation methods that exceed legal requirements and by having shore-based ship management personnel periodically conduct ship visits to confirm that ships in operation meet these standards.

At the same time, we are working to enhance our safety management systems and strengthen onshore support structures by means that include the construction of a network for sharing safety and weather information and data on ship movements throughout the group. We also strive to recruit and develop marine technical personnel by maintaining a crew recruitment structure at overseas crew supply sources, strengthening the crew development system by enhancing the training curriculum at “K” Line Maritime Academy, and providing appealing workplaces.

Question 6

Tell us about environmental preservation initiatives at “K” Line.

Answer

It goes without saying that marine shipping companies must safely and reliably transport cargo entrusted to us by customers. In addition to that, I believe that protecting the irreplaceable global resources by preserving the marine environment is a basic requirement for remaining in business. Oil-spillage resulting from ship collisions or groundings are the most extreme form of destruction of the marine environment, and “K” Line of course takes measures to eliminate such marine accidents or prevent environmental destruction should an accident occur.

In addition, we devise ship operation methods and engage in research and development of new technologies together with shipyards and systems manufacturers with the aim of reducing as far as possible greenhouse gases such as CO_2 and air pollutants such as NOx and SOx emitted during ship operation in the normal course of business. For instance, since just a slight reduction in sailing speed makes it possible to dramatically decrease CO_2 emissions, we engage in slow steaming of containerships and other vessels to the maximum extent possible without disruption of transportation services. This has enabled us to reduce CO_2 emissions by about 30% to 40%. Reducing emissions of NOx, which cause acid rain, is rather difficult and requires engine modifications. Accordingly, in joint research with Kawasaki Heavy Industries, we have developed a new system that reduces NOx generation by mixing water with fuel prior to combustion and are now conducting sea trials.

In 2010 we launched the Gas-Fuelled Ship Development Project for the conversion of ship fuel from heavy oil to LNG as a means of solving these ship emissions problems all at once. The aim of the project is to use natural gas as ship fuel, a source of environment-friendly clean energy. We will proceed with this important research and project together with shipyards, systems manufacturers and Det Norske Veritas (DNV), a Norwegian classification society that is respected as a pioneer in the use of LNG as ship fuel in Europe.

We also consider the preservation of marine biodiversity an extremely important priority. There is concern that major problems may occur in local environments because local marine life contained in the ballast water of ships migrate internationally and multiply at abnormal rates where the ballast water is discharged. To address this problem, “K” Line has installed a ballast water treatment system on ships on an experimental basis and is conducting operational testing.

In this way, “K” Line works earnestly to preserve the marine environment with the aim of reducing environmental impacts of our business activities as much as possible.

Question 7

What special message would you like to give shareholders and investors?

Answer

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: Bridge to the Future 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 gradually increase the consolidated dividend payout ratio to a mid-2010s target of 30%. We have not made a decision on the dividend for fiscal 2012 at this time. 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.

With the assistance of our stakeholders, the “K” Line Group will mount an all-out effort to erect a bridge to the future. I ask for the continued support and encouragement of our shareholders and investors in the coming years.

President and CEO
Jiro Asakura

“K” LINE Vision 100
– Bridge to the Future –
Structural Reform for Building a Stable Earnings Base

Background to Revision of the Medium-Term Management Plan

Since establishing our medium-term management plan, “K” LINE Vision 100 in April 2008, there have been drastic changes in the business environment, requiring us to make periodic reviews. However, we still posted a net loss for fiscal 2011 due to stagnation of freight rates in containership, dry bulk and tanker businesses as a result of the delivery of an excessive number of newbuildings, continuation of high appreciation of the yen, soaring fuel oil prices and adverse influence from natural disasters such as the Great East Japan Earthquake and the destructive flooding in Thailand.

In order to overcome such a severe business environment, and after reviewing our existing plan, we launched a new medium-term management plan, “K” LINE Vision 100: Bridge to the Future. Through this new management plan, we will work on restructuring our containership business and building a stable earnings base for both dry bulk and car carrier businesses in order to secure constant ordinary profit even when market is sluggish. The financial structure shall be further strengthened by capping investment cash flow and reducing interest-bearing debt.

Objectives in Bridge to the Future

“K” LINE Vision 100

Three Missions and Five Action Plans to Achieve Targets

“K” Line has set forth three key missions in the new medium-term management plan: Returning to profitability in FY2012, Building a stable earnings structure and Strengthening our financial standing. We will accomplish these missions through five action plans.

Current Three Missions
Generate ordinary income in FY2012
Build a stable earnings structure
Reinforce financial standing

	Five Action Plans
1	Implement sweeping cost reductions and report ordinary income in FY2012
2	Make structural reform in the containership business
3	Expand stable earnings in the dry bulk business and car carrier business
4	Generate stable earnings in the energy resource transport business and new businesses
5	Strengthen financial standing through limits on investment

“K” LINE Vision 100 (Main Theme: Synergy for All and Sustainable Growth)

The five basic priorities

Borderless management through the best and strongest organization	Strategic investment and proper allocation of management resources	Improvement of corporate value and complete risk management
Activities to promote environmental protection		
Stable and safe ship operation administration structure		

New Targets

Returning to profitability in FY2012 is one of our key missions in the new medium-term management plan. Restructuring our containership business and implementation of thorough cost reductions will push our profit up ¥28.0 billion, and we forecast ¥12.0 billion of ordinary income in FY2012 and ¥61.0 billion improvement for year-on-year basis.

Target Financial Indices

	FY2011 (Result)	FY2012	FY2013	FY2014
Operating revenues (Billion yen)	972	1,120	1,070	1,110
Ordinary income (Billion yen)	(49)	12	39	60
EBITDA (Billion yen)	14	100	110	135
DER (Times)	2.44	2.23	1.93	1.48
ROA (%)	(5)	1	4	6
Equity Ratio (%)	23	23	26	30
Interest-bearing Debt /Operating CF (Times)	—	8.7	6.0	4.3

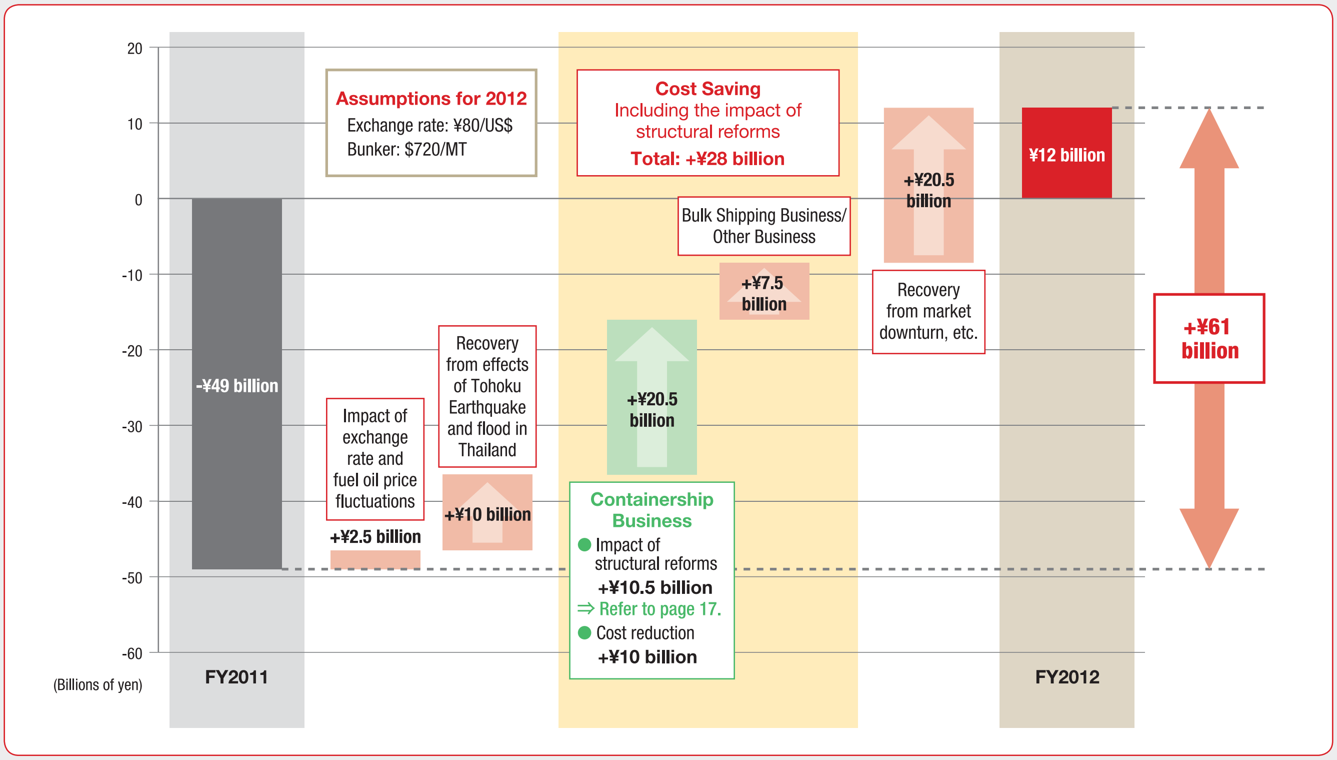
Assumption

	FY2011 (Result)	FY2012	FY2013	FY2014
Exchange rate (Yen/US$)	79	80	80	80
Bunker price (US$/MT)	672	720	650	650

T/C Average (Unit: US$/Day)

Capesize	15,350	18,750	23,000	25,000
Panamax	12,325	13,500	17,000	20,000
Handymax	13,225	13,500	15,000	18,000
Small handy	10,075	10,750	12,000	14,000

Profitability Improvement Measures in Fiscal 2012



Road Map for Building a Stable Earnings Structure that Serves as a Bridge to the Future

"K" LINE Vision 100

Our target is to establish a business structure that insures constant ordinary income even during sluggish markets. We will attempt to increase profits by thorough cost reductions by all group companies, and carrying our restructuring of containership business.

Both dry bulk and car carrier businesses are key revenue producers, and we will work on assuring their profitability. We will also try to establish stable earnings in other sectors as well, such as energy transportation, logistics, etc.

Road Map for Structural Reform

	FY2012	FY2013	FY2014	FY2015 and beyond
Containership Business Downsize fleet Improve profitability by deploying large vessels Cost reduction measures	• Earning improvement effects from energy-efficient new build 8600TEU, thereby reducing cost per container • Restructure loss-making service routes • Increase slow steaming • Full enforcement of cost reduction measures	— Structural Reforms — • While reducing space capacity by realignment of loss-making service routes, and disposal of uneconomic vessels, loading volume will be maintained through commissioning large vessels and efficient use of fleet • Restructure business to be more profitable • Continue cost reduction measures		
Dry Bulk Carriers Business Expand stable & profitable contracts	Expansion of stable earnings through long-term contracts • Maintain existing contracts with domestic and global customers, and increase trade volume with new customers around the world • Manage market exposure by means of freight derivatives • Increase profitability by deploying energy-efficient vessels, and reduce environmental load			Expand stable earnings
Car Carriers Business Improve earnings in offshore trade & inbound trade Expand non self-propelled vehicles business	• Reconstruction of offshore trade • Expansion of trade from Europe, North America, and to China/Asia (inbound services) • Expansion of cargo volume for non self-propelled vehicles • Inauguration of specialized sales team (April 2012) • Improve vessel line-ups to suit non self-propelled vehicles	Increase stable earnings by appropriate fleet allocations Increase profitability by business expansion		Continued action
Energy Transport Business LNG Tankers Participate in new projects	• Obtain long-term contracts mainly for LNG projects of domestic utilities	Stabilizing profit		Expand stable earnings
Oil Tankers Pursue stable & profitable contracts	• Maintain/extend existing contracts • Disposition of loss-making vessels			
Offshore Support Vessels & Heavy Lifters Stabilize newly-started business operation	• Participation in offshore energy exploration and production support business			
Other Business Logistics business	• Seek opportunities in expanding logistics market in Asia • Enlargement of local-rooted logistics services including land transportation	Build up stable business base		Continued action

Restructuring of the Containership Business

We estimate profit will improve by ¥28.0 billion on a year-on-year basis through restructuring and cost reductions. Of that total, ¥10.5 billion comes from restructuring our containership business, which includes withdrawal from or reduction of our participation in loss-making trade routes, increasing the number of large-size, energy-efficient vessels as well as further cost reduction. With implementation of these measures, we will achieve a stronger financial standing for minimizing the risk of declining earnings.

Profitability Improvement

Energy-efficient, Large-size Vessels

2012 profit improvement: ¥3.0 billion

Effect on profit improvement will be ¥3.0 billion by converting operations to large-size, energy-efficient, newly-built vessels that reduce unit cost per container and increase vessel size on each service route.

Reorganization of Unprofitable Service Routes

2012 profit improvement: ¥3.5 billion

Effect on profit improvement will be ¥3.5 billion in FY2012 to 2016 by reducing operations and withdrawing from unprofitable Asia and North-South routes, and by redelivery or other disposition of uneconomical in order to reduce vessel costs and minimize the risk of expanding losses.

Enlargement of Slow Steaming

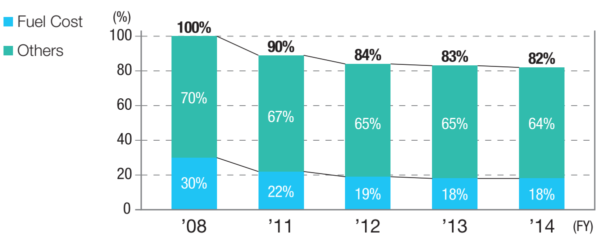
2012 profit improvement: ¥4.0 billion

Effect on profit improvement will be ¥4.0 billion through reduced consumption of fuel oil by further enlargement of slow steaming operations.

Total ¥10.5 billion in profit improvement is estimated through these three restructuring measures compared with FY2011.

Impact of the deployment of energy-efficient large vessels

Change in unit price of container TEU (avg. of all routes, with 2008 as 100)



Control of the scale of the containership business

	FY2008	FY2011	FY2012	FY2013	FY2014
Number of Vessels	98	79	**74**	**72**	**66**

(Unit: 1,000 TEUs)

	FY2008	FY2011	FY2012	FY2013	FY2014
Space Capacity	328	346	**367**	**358**	**330**
Loading Volume	3,103	3,091	**3,134**	**3,403**	**3,404**

In contrast to the pace of expansion of global fleet scale, "K" Line will limit shipping capacity.

= Limit the effects of market changes on income
= Maintain high slot utilization and select high-yield freight

Effect of Containership Restructuring

Improvement effect from structural reforms—annual structural reform effects compared to fiscal 2011

(Billions of yen)

	FY2012	FY2013	FY2014
Reduction of unit cost of containers by deployment of energy-efficient large vessels	3.0	4.0	4.0
Restructuring of loss-making trade routes	3.5	4.0	6.5
Enhancement of slow-steaming measures	4.0	4.0	4.0
Total	**10.5**	**12.0**	**14.5**

Containership Business

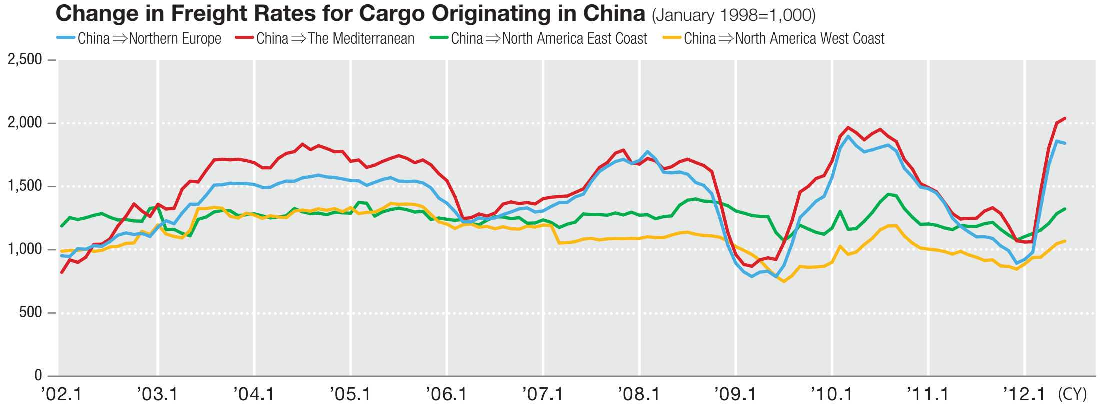
Senior Managing Executive Officer
Eizo Murakami

Initiatives in the New Medium-Term Management Plan

The containership business is a growth industry from which demand is expected to continue to steadily expand worldwide, and "K" Line will develop a structure to secure stable earnings from this core business. We will retain the prudent operating structure we have employed since the global financial crisis of 2008 and selectively concentrate management resources on service routes that offer prospects for market growth and enable "K" Line to bring to bear its competitive strengths. On east-west trunk routes, we will provide highly competitive, high-quality services as a member of CKYH—the Green Alliance*. In addition, by strengthening services on intra-Asia routes, on which we can take maximum advantage of "K" Line's own service network, including agencies that provide logistics services adapted to local characteristics and terminals, we will focus on the provision of high-quality services fine-tuned to customer needs and simultaneously develop a leaner operating structure.

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

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



Source: China Containerized Freight Index

Overview of Fiscal 2011

In fiscal 2011, although the volume of cargo bound for North America and Europe from Asia decreased due to the business slowdown in North America and Europe, cargo from North America and Europe to Asia increased, and the "K" Line Group's overall cargo volume, including cargo on north-south routes and intra-Asian routes, rose approximately 3% year on year. At the same time, freight rates continued their downward trend, sharply deteriorating beyond initial assumptions as a result of worsening of the supply-demand balance for shipping tonnage due to the commissioning of numerous large containerships and unsatisfactory results of efforts to levy summer peak season surcharges and restore freight rates. In addition, persistently high fuel oil prices and the strong yen created a stiff headwind for the containership business.

In these circumstances, "K" Line maintained the reduced fleet size reached after the global financial crisis and strove to implement rigorous cost reduction measures such as slow steaming and measures to streamline service routes, including fewer sailings and cancellations in winter. However, both revenues and profits decreased year on year, and the containership business operated at a loss.

Fiscal 2012 Business Outlook

Although the sense of uncertainty about the outlook for the global economy lingers due to the economic turmoil in Europe, we expect continuing growth in cargo bound for and from Asian countries, with China and ASEAN countries being principal consumers and exporters because of their increased purchasing power. At the same time, ocean freight rates have finally turned upward in 2012 after falling sharply last year. Containership operators will presumably continue efforts to restore freight rates and keep them at a sensible level, and we forecast that rates will be maintained at a level that will make it possible to secure profits.

In this environment, "K" Line will proceed with measures to boost cost competitiveness, principally lowering of the operating cost per container made possible by the increase in vessel size that will result from the completion of five new 8600-TEU containerships and reducing fuel consumption by further utilizing slow steaming. In addition, we will strive to increase profitability by taking maximum advantage of the Group's network, including our own agencies and terminals, and improving and expanding services on east-west trunk routes to and from Asia and intra-Asian services centered on Japan and China.

On east-west trunk routes, we will optimize transport capacity in line with demand by expanding cooperation with Evergreen and other Asian shipping companies in addition to participating in the existing CKYH alliance. We will also press ahead with cost reductions through streamlining measures, such as reviews of ship allocation and ports of call. We will seek to improve service quality without increasing operating costs by maintaining and expanding service areas and increasing sailing frequency and will flexibly respond to the shifting of alliances in the industry.

On fast-growing intra-Asian routes, we will improve services to and from China and develop a service structure that can nimbly respond to market expansion.

On north-south routes, we will respond to changes in market conditions by increasing vessel size and striving to boost cost competitiveness.

We have concentrated the marketing of services for cargo originating in Asia, space management, equipment management and ship operation control in Singapore and will strive to maximize earnings through greater rigor in profit management.

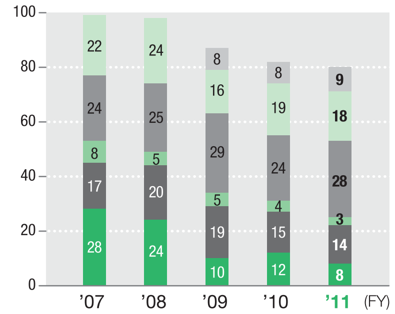
Number of Ships in Operation

(As of March 31, 2012) (Vessels)

8000 TEU type	9
5500 TEU type	18
3500 TEU type	28
2800 TEU type	3
2000 TEU type	14
1400 TEU or under	8
Total	**80**

Change in the Number of Ships in Operation

(Vessels)



TOPICS

Service Network Upgrading and Reorganization

Asia–Northern Europe / Mediterranean Routes

Start cooperative services with Evergreen to provide the industry's highest service frequency. (April 2012)

Asia–North America West Coast Routes

Inaugurate a shuttle service linking Qingdao, Shanghai, Ningbo and Long Beach. (May 2012)

Asia–North America East Coast Routes

Reorganize the five loops per week service to optimize ship types and ports of call. (May 2012)

Asia–South America West Coast Routes

Streamline ship allocation by consolidating the previous two loops per week service to one loop per week by deploying large ships with capacities from 5600 to 6400 TEU containers. (May 2012)

Japan–Thailand / Philippines / Vietnam Routes

Better response to transport needs in China by adding Ningbo and Da Chan Bay as direct ports of call along with Shanghai. (April 2012)

Dry Bulk Business

Vice President Executive Officer
Takashi Saeki

Initiatives in the New Medium-Term Management Plan

The dry bulk business has grown and earnings have increased steadily on the basis of medium-term and long-term contracts with regular domestic and overseas customers for the transport of iron and steel raw materials, thermal coal and grain. We will continue to adhere to this business approach and seek further stabilization of business profits by developing our relationships with regular domestic and overseas customers. At the same time, we will seek additional business expansion by actively responding to increases in transportation demand in countries with developing economies. Although we aim to reach a fleet size of 300 vessels at the end of fiscal 2016, this presupposes the ability to place orders for ships at fair prices on the premise of obtaining contracts and securing stable earnings, and our policy will be to combine our own fleet with carriers on medium-term and long-term charter contracts from shipowners in Japan and overseas with which we have close relationships.

Business Environment Outlook

	Market Outlook	Basic Strategies
Capesize	Demand for iron ore and coking coal will increase following the expansion of production capacity in Australia and Brazil.	● Maintain stable earnings through existing contracts ● Pursue new medium- and long-term contracts to expand sources of stable profit and earnings
Panamax / Handy / Small Handy	Demands for coal, grain, feedstuff are expected to expand in emerging markets like China and India. The trade range is also expected to expand in mid- & long term perspective, due to the expansion of the Panama Canal.	● Catch up growing demand in the EM countries ● Pursue more inbound cargoes to raise efficiency of usage of vessels ● Catch up demand raised from expanded Panama Canal ● Hedge market exposure risks by mid-term contracts and freight derivatives
Thermal Coal Carrier / Wood Chip Carrier	Demand for transporting thermal coal is expected to remain solid globally. Demand for wood chips is anticipated to increase in China.	● Secure stable earnings through existing contracts ● Promote Corona Series to obtain contracts with global customers ● Pursue new business opportunities in emerging countries

Overview of Fiscal 2011

Although rates for large vessels temporarily recovered to above $30,000 from summer onward as China's iron ore imports began to show solid growth, from the turn of the year rates again turned down as a result of supply pressure from newbuildings and lower shipments of iron ore caused by bad weather in producing areas. Market conditions for small and medium-size vessels were weak overall due to the completion of a large number of newbuildings, despite strong movements of coal and grain throughout the year. As a result, overall revenues from the dry bulk business increased year on year, but profits decreased.

Fiscal 2012 Business Outlook

Although the market environment is expected to remain adverse in the first half of fiscal 2012 due to continued pressure from the delivery of newbuildings, we expect the second half to be a turning point leading to recover of the market through gradual narrowing of the gap between supply and demand of vessel tonnage, partly attributable to continued scrapping activities, and despite current uncertainty with regard to future worldwide economic growth.

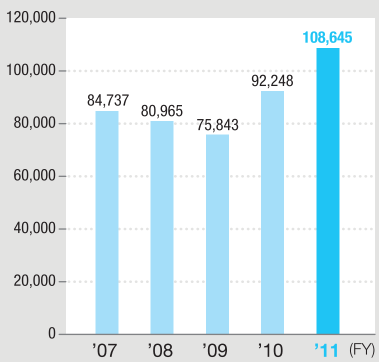
Although the size of the Coal & Iron Ore Carrier Group's fleet will soon increase to 100 capesize vessels, the group will establish a structure to ensure continuation of stable earnings by focusing on business from medium-term and long-term contracts with domestic and overseas customers. At the same time, the group will seek to reduce environmental impact and develop a cost-competitive fleet through the introduction of energy-saving new ship types.

The Bulk Carrier Group will seek to win orders to capitalize on transport demand in China and increasing demand in other countries with developing economies and work to boost profitability by improving ship allocation efficiency. We will also engage in risk management during market downturns by systematically utilizing medium-term and short-term contracts as well as forward freight agreements (FFAs).

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. Furthermore, the group will undertake expansion of the earnings base by promoting the superiority of Corona-type vessels to overseas customers in Taiwan and other countries.

In the woodchip and pulp transport business, while maintaining stable earnings by utilizing dedicated ship contracts, we will seek to attract new customers by actively engaging in transport between foreign countries of biomass chips and soybean cakes, principally the transport of chips bound for China.

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

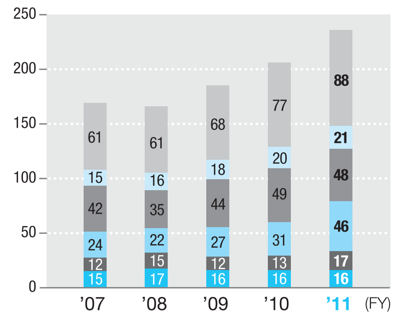


Baltic Dry Index
(Freight rate index for ocean-going bulk carriers, as calculated by the Baltic Exchange in London.)
(January 1985=1,000)

Number of Ships in Operation
(As of March 31, 2012) (Vessels)

Capesize	88
Over-Panamax	21
Panamax	48
Handymax	46
Small handy	17
Chips and pulp	16
Total	**236**

Change in the Number of Ships in Operation
(Vessels)



TOPICS

The Start of a Joint Venture for Capesize Bulker Operations with Noble Chartering

On June 5, 2012, "K" Line and Noble Chartering signed an agreement to form a joint venture to engage in operation of capesize bulkers. The new company, K Noble Hong Kong Ltd., is based in Hong Kong and has begun joint operation of several capesize bulkers in July.

The unification of the capsize bulker businesses of "K" Line and Noble Chartering through this project is expected to yield major synergies.

Capesize bulker

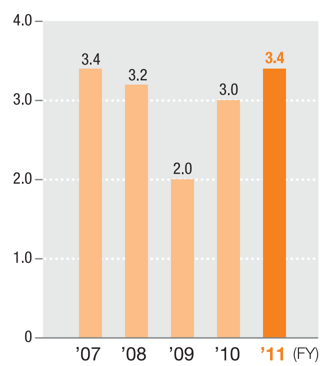
Car Carrier Business

Managing Executive Officer
Yoshiyuki Aoki

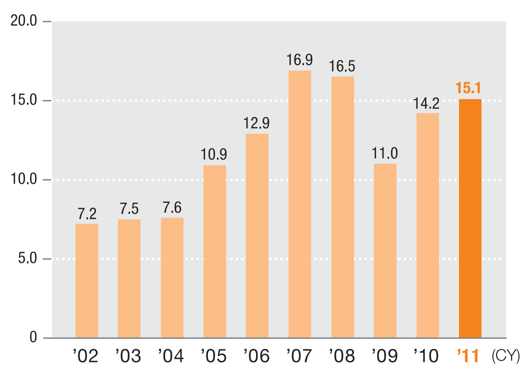
Initiatives in the New Medium-Term Management Plan

Growth in world car sales is expected to remain strong, mainly in developing countries, and this is expected to entail higher demand for ocean transportation to developing countries. A new trade pattern has arisen linking production sites in third countries with consuming areas, and the advancement of overseas production and decentralization of production sites is expected to fuel an increase in transportation demand to and from such third countries. "K" Line will appropriately respond to new customer needs resulting from this new trade pattern and the diversification of existing trends by way of boosting efficiency in ship allocation through the reorganization of existing service routes. To meet demand for the transportation of RORO cargo (construction machinery, heavy vehicles, and other static cargo), we will make full use of "K" Line's transportation network using our containership services, logistics services and heavy lift services in addition to car carrier services. At the same time, we will seek stabilization and expansion of the business base by developing and building a fleet of new ship types adapted to support future transportation demand.

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

Overview of Fiscal 2011

Fiscal 2011 was a year with a series of major natural disasters. Japan's automakers incurred enormous damage from the impact of the Great East Japan Earthquake, and although they recovered faster than expected, thanks to tireless restoration efforts, the export volume of completed built-up cars from Japan decreased 6% from the previous year. In autumn, catastrophic flooding in Thailand, a production base for many Japanese manufacturers, temporarily brought production to a halt. Nevertheless, the "K" Line Group's full-year transportation volume rose 8% year on year to 3.3 million vehicles as a result of successful efforts to win orders to meet robust demand for cars bound for China and other developing countries.

By region, although cargo volumes from Japan to North America, Central and South America, Europe and the Mediterranean, and Australia and Asia decreased, cargo volumes from Japan to the Middle East and Africa, on routes between foreign countries, and from Europe and North America to Asia increased sharply.

With regard to profit and loss, we rigorously engaged in slow steaming operations in response to persistently high fuel prices and implemented operating cost reductions, including lay-up of vessels to absorb sudden decreases in transportation demand resulting from natural disasters. As a result, revenues increased and profits decreased year on year, and the car carrier business operated at a loss.

Fiscal 2012 Business Outlook

The impact on transportation of completed built-up cars from the Great East Japan Earthquake, flooding in Thailand, and other natural disasters having run their course, transport demand is expected to be basically stable in fiscal 2012 and beyond. Although the persistently high yen remains a cause for concern, we forecast a year-on-year increase in exports of completed built-up cars from Japan on gradual market recovery in North America. In Europe, since prospects for resolution of the debt crisis in EU countries remain uncertain and the problem may flare up again, car sales in these markets are expected to decline. However, transportation of cars to Russia is expected to continue to rise, and we forecast an overall increase in transportation volumes bound for Europe. Although economic growth in China has slowed, it remains robust, and the flow of completed built-up cars from Europe and North America to China remains strong. In India, where market cooling has affected domestic demand but export demand is increasing, we will meet transportation demand by fully utilizing the service network "K" Line has developed. Furthermore, decentralization of the production structure being implemented by automakers is expected to lead to higher exports to neighboring countries from new production bases in Indonesia, China and other Asian countries. Accordingly, "K" Line will reorganize the intra-Asian service network, using "K" Line terminals as hubs, to strengthen and improve services by increasing sailing frequency. In the Atlantic region as well, we will reorganize service routes in response to changes in transportation demand and further strengthen the trunk route network.

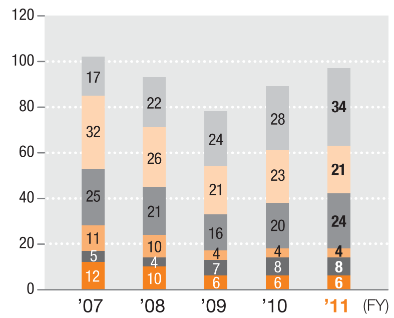
Quality control of cargo handling is the most important initiative in car transportation business, and "K" Line has continuously devised improvements during more than 40 years of experience in operation as a car carrier pioneer. The question of how to safely transport customers' products is always the foremost concern for a car carrier operator, and this year we will once again conduct a safe cargo handling and safe navigation campaign to unite and focus the efforts of everyone involved in land and sea transportation on safety.

Number of Ships in Operation

(As of March 31, 2012)

(Capacity)	(Vessels)
6000 units	34
5000 units	21
4000 units	24
3000 units	4
2000 units	8
800 units	6
Total	97

Change in the Number of Ships in Operation



TOPICS

Formation of a RORO Cargo Team

"K" Line is increasing transportation capacity to meet customer needs to handle a wide variety of roll-on/roll-off cargo (RORO cargo), including construction machinery and heavy vehicles and static cargo. To further strengthen customer convenience, in April 2012 we formed a RORO cargo team to put strategic focus on transportation demand for all types of RORO cargo.

Non-self-propelled cargo

Energy Transportation and Tanker Business

Managing Executive Officer
Hiromichi Aoki

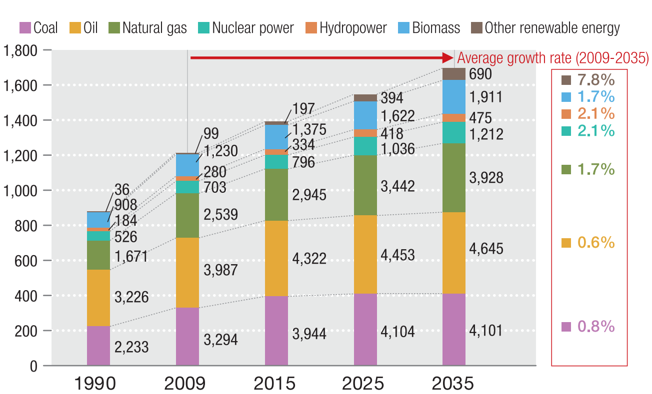
Initiatives in the New Medium-Term Management Plan

As worldwide demand for energy continues to expand, it is increasingly important to develop offshore energy resources in distant and ultra-deep waters as existing production tends to decrease from oil and gas fields on land and in other shallow water areas including the continental shelves. In addition to existing energy transportation business, "K" Line is also involved in this growing sector. We have entered the business for drillships, offshore support vessels and floating LNG producers. In April this year, our drillship project commenced its operation under a charter contract with Petrobras of Brazil with a maximum term of twenty years, and we expect stable, long-term profits from this business.

"K" Line will provide an integrated transportation solution at every stage through energy resource development and production to conventional energy resource transportation.

Worldwide Demand for Primary Energy

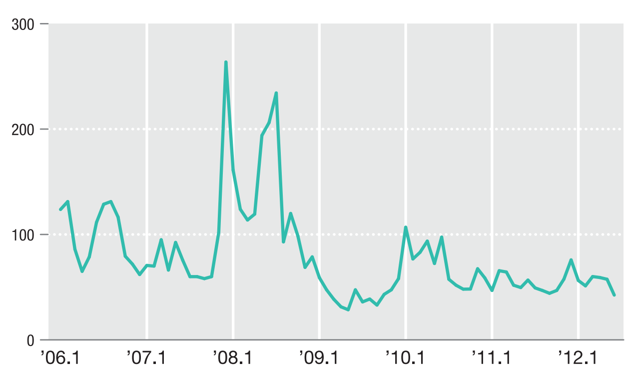
(Million ton oil equivalent)



Source: Prepared based on IEA World Energy Outlook 2011

Index of VLCC* Freight Rates

(VLCCs, Arabian Gulf / Japan in Worldscale)



Source: Clarkson

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

Overview of Fiscal 2011

In liquefied natural gas (LNG) and liquefied petroleum gas (LPG) carrier services, business for vessels under long-term contract continued to develop favorably, and the "K" Line Group's carriers in spot service operated stably under time-charter contracts. In the results for oil tanker services, while VLCC (large crude tankers) business under long-term contract developed steadily, market conditions for medium-sized crude oil carriers and oil product carriers were less favorable than expected, and we strove to improve profitability through fleet size reduction by selling or returning carriers.

Fiscal 2012 Business Outlook

▶ LNG Carrier Services

Demand for natural gas is expected to steadily rise as a result of strong growth in energy demand in emerging countries, and increasing awareness of environmental conservation. In this favorable business environment, "K" Line forecasts stable operation of all LNG carriers. In particular, profit improvement is expected from spot carriers scheduled to start operating under favorable new contracts sequentially. In transporting LNG, the most environment-friendly fossil fuel, we will seek to acquire new business opportunities through expanding and upgrading our fleet by adding newbuildings to meet the increasing demand, in addition to existing long-term contracts.

▶ Oil Tanker Services

In the outlook for oil tanker services, despite strong movements of crude oil and oil products, we expect recovery in market conditions to take some time since supply pressure from newbuildings remains high. The LPG carrier business is expected to develop favorably thanks to strong cargo movements and a few newbuildings in order books. In addition to oil and oil products transport, this year "K" Line will enter the chemical transport business. The first chemical carrier was delivered in March of this year, and two more chemical carriers are to be delivered in 2013 and full-scale operation will start with a fleet of three carriers.

▶ Development of Energy Transportation Services

As for drillship business, "K" Line's participating ownership consortium took delivery of the first drillship at Samsung Heavy Industries of South Korea in December 2011 and operations have started in Brazil. The vessel is under charter to Brazil's state-owned petroleum company Petrobras for a maximum of 20 years and is expected to earn stable profit in the long term. FLEX LNG, a company in which "K" Line is the largest shareholder, is involved in a number of developing projects. One example is the InterOil-controlled Papua New Guinea project which is working to liquefy natural gas from gas fields by using a floating LNG producer. Due to its clean nature, global demand for LNG is expected grow, and "K" Line will continue to support the floating LNG producer business to provide a solution for developing small and medium-size gas fields remote from consuming areas.

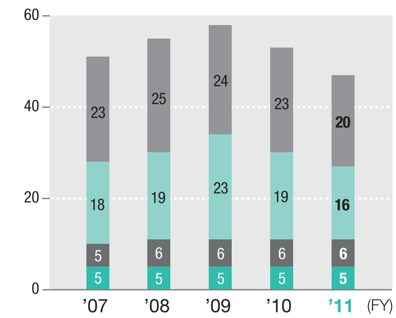
Number of Ships in Operation

(As of March 31, 2012) (Vessels)

LNG Carriers	20
Oil Tankers	16
Product Tankers	6
LPG Carriers	5
Total	**47**

Change in the Number of Ships in Operation

(Vessels)



TOPICS

Start of Operation of a Mega Deep-Water Drillship in Brazil Petrobras's Pre-salt Fields

December 2011 marked the delivery of *ETESCO TAKATSUGU J* at Samsung Heavy Industries in South Korea. The drillship is equipped with the most advanced drilling capability and can explore fields at water depths down to 10,000 feet (about 3,000 meters) and drill down to a depth of 30,000 feet (9,000 meters) below seabed. The vessel is under charter to Brazil's state-owned petroluem company Petrobras since April 2012. Drilling operation has started in the pre-salt field located 200 kilometers off the coast of Rio de Janeiro at a water depth of 2,000 meters.

ETESCO TAKATSUGU J

Offshore Support Vessel Business

Initiatives in the New Medium-Term Management Plan

Amid concerns about depletion of existing onshore oil wells and gas fields, the energy sector is turning to exploration and production in ultra-deep and distant waters. In the offshore development area, strong demand is expected for offshore support vessels, such as platform supply vessels (PSVs) that transport supplies to offshore production facilities and anchor handling tug supply vessels (AHTSs) involved in the anchoring and transportation of floating supply facilities. Last year, our group company "K" Line Offshore AS completed the initial phase of fleet development to meet this demand by adding four new PSVs and two new AHTSs.

Managing Executive Officer
Hiromichi Aoki

Overview of Fiscal 2011

Construction of new buildings was completed, and a fleet of seven vessels began full-capacity operation. Four vessels are on long-term charter to major oil and gas development companies in Brazil and the North Sea, and three vessels are allocated in the North Sea's spot market and showed stable performance.

Fiscal 2012 Business Outlook

We will continue to maintain the stable operation of vessels on long-term charter to major oil and gas development companies. As for the vessels in the spot market, market rate is expected to exceed the prior-year level due to strong demand fueled by an increase in offshore resource development activity in North Sea waters. We expect both long-term and spot market vessels to contribute to stable profits. "K" Line will continue to provide high-quality offshore support service.

Heavy Lifter Business

Initiatives in the New Medium-Term Management Plan

"K" Line will aim to secure long-term contracts for the transport of infrastructure facilities and cargo for offshore-related projects. At a time of active development of offshore oil and natural gas development facilities and offshore wind power generation facilities, we will meet offshore-related transport demand by focusing mainly on state-of-the-art vessels equipped with a dynamic positioning system (DPS).

Managing Executive Officer
Toshiyuki Suzuki

Overview of Fiscal 2011

Although cargo movements recovered and freight rates rose in the first half, the second half brought a return of intense freight rate competition for spot cargo and softening of market conditions. Although we strove to achieve efficient ship allocation and operating cost reductions, an increase in goodwill involved in making SAL a wholly owned subsidiary coupled with a decline in operating rates due to the bringing forward of docking for repair resulted in a full-year loss roughly at the prior-year level.

Construction of the newbuilding *LONE* was completed in March 2011, bringing the fleet to 16 vessels. The new heavy lifter is sister ship of the *SVENJA* (Delivered in December 2010).

Fiscal 2012 Business Outlook

We forecast gradual recovery in market conditions in the first half of fiscal 2012 and expect the transport of cargo for major projects and the deployment of a newbuilding in offshore-related transport services to support profitability in the second half. Accordingly, we forecast improvement in full-year profitability.

In the medium term, we anticipate firm cargo movements as a result of movement of infrastructure-related cargo, centered on the Middle East and Australia, as well as active investment in offshore oil and gas field development and wind power generation systems in response to persistently high crude oil prices. "K" Line will meet wide-ranging transport needs, including offshore-related transport, by taking advantage of SAL's advanced, safety-oriented cargo handling expertise.

Short Sea and Coastal Business

Initiatives in the New Medium-Term Management Plan

In short sea services, we will strive to improve profitability by increasing volume of cargo transported both ex-Japan and within Asia. In coastal services, we will enhance transport services and meet additional customer needs and simultaneously increase fuel efficiency to preserve the environment by deploying state-of-the-art vessels. In ferry services, we will focus on long-term business continuity to maintain our four-vessel operating structure in order to increase transport volumes and adhere to our responsibility for maintaining service routes vital to people's lives.

Managing Executive Officer
Toshiyuki Suzuki

Overview of Fiscal 2011

In short sea business, while transport volumes in tramp services rose year on year thanks to robust demand in those countries with developing economies, transport volume of steel products in liner service decreased due to the impact of the strong yen and also from last year's flooding in Thailand. In coastal services business, tramp services maintained a generally steady operating rate, and although liner transport was adversely affected by the extensive damage incurred last year by Ibaraki Port, a port on the liner route, we were able to secure transport volume exceeding the prior-year level. In ferry transport as well, although we temporarily changed ports of call due to damage to Hachinohe Port, transport volume rose year on year.

Fiscal 2012 Business Outlook

In short sea tramp services, we will proceed with fleet development, focusing on coal transport, and seek to expand operations into new markets and develop a stable profit structure by providing competitive tonnage. In short sea liner services, we will strive to ensure stable transport volumes of steel materials and wood products shipped from Japan and appropriate freight rates as well as seek to increase profitability by actively engaging in offshore transport in the Asia region. In coastal tramp services, we will seek to continue stable transport of limestone to steel and cement companies and coal to electric power companies. In coastal liner services, we will seek stable profits by introducing a state-of-the-art, energy-efficient liner on the Tomakomai-Hitachinaka route. In ferry services, we will strive to increase transport volume by operating four vessels, including the *SILVER PRINCESS*, put into service in April this year.

Logistics Business

Initiatives in the New Medium-Term Management Plan

In the new medium-term management plan we forecast an increase in logistics demand in Asia. We will bolster and expand a stable earnings base that is resistant to business downturns by expanding locally-based total logistics services such as warehousing and transporting finished vehicles. "K" Line has positioned the logistics business as a sustained growth sector and will continue to vigorously engage in air freight and ocean freight forwarding businesses*1 and in buyers consolidation business*2.

*1 Freight forwarding: The shipment of cargo between the cargo owner and carrier and providing incidental services at the time of cargo transport

*2 Buyers consolidation: Consolidation-distribution system in which single buyer uses an agent to collect products from multiple local manufacturers that are co-mingled into containers for transport to destination, providing greater shipping efficiency and reduction in cost, lead time, inventory and warehouse work.

Managing Executive Officer
Toshiyuki Suzuki

Overview of Fiscal 2011

In logistics services as a whole, both revenues and profits increased year on year, supported by profits from the air freight and ocean freight forwarding businesses and domestic warehouse operations. Revenues and profits rose in the international logistics business on higher export volume from Japan, China and other Asian countries and higher demand for emergency air cargo for supply chain restoration after the flooding in Thailand and in the domestic logistics business on higher warehouse demand accompanying earthquake disaster reconstruction. In the buyers consolidation business, earnings improved accompanying gradual business recovery in the United States.

Fiscal 2012 Business Outlook

In logistics business, the "K" Line Group will engage in locally-based total logistics services with air freight and ocean freight forwarding and buyers consolidation as the core businesses using an approach characterized by unique proposal-driven selling. Examples of this are Triple Decker Motorcycle Carriers deployed in Asia and logistics management systems developed by the "K" Line Group. We have obtained or applied for patents in five countries including Indonesia for Triple Decker Motorcycle Carriers, which contribute to logistics cost reduction and CO_2 emission reduction. At Group companies engaged in other logistics businesses, we will upgrade and expand existing businesses, principally land transportation and warehousing. In China, we plan to start operation of a large warehouse (approx. 40,000 m^2) in a suburb of Shanghai. (Above illustration)

Expanding Customer Base and Enhancing Intra-group Synergy Through Locally Based Marine Transport Business Sites

"K" Line established "K" Line Pte Ltd as its first independent overseas subsidiary for marine transport business in 2001. Since that time, to expand the customer base and enhance intragroup synergy, "K" Line has developed a stable earnings structure by establishing independently-operated local subsidiaries which engage in marine transport business around the world with an across-the-board range of ship and cargo types. In fiscal 2011, we began full-scale operation of an offshore support business through K Line Offshore AS, a subsidiary in Norway, and also made the SAL Group, a specialty heavy lift services company located in Germany, a wholly owned subsidiary. These moves are expected to contribute to greater synergy and the development of a stable earnings structure in the coming years.

"K" Line's Independently-Operating Local Subsidiary in Asia

Active Engagement in the Dry Bulk Business and Other Operations That Utilize the Advantageous Location of Singapore, a Key Asian Business Hub

"K" Line Pte Ltd

- Established: **July 2001**
- No. of ships in operation: **28**
- No. of employees: **136**
- Location: **Singapore**

The summer of 2012 marked the 11th anniversary of the establishment of "K" Line Pte Ltd (KLPL), founded in July 2001 as a locally based overseas business site to play a key role on the front lines in the global development of the "K" Line Group. KLPL started out by supporting the "K" Line Group's containership operations and has subsequently achieved growth through the transfer of AFRAMAX tanker operations from Tokyo world headquarters and expansion of the dry bulk business.

KLPL has established itself as one of the "K" Line Group's largest overseas business bases and engages in three mainstay businesses: containership, tanker and dry bulk operations. In the containership business, it is in charge of key functions of "K" Line's global containership operations and is also involved in pricing and marketing for all ex-Asia service routes and network planning of some routes. It also owns a containership and provides independent containership service that links Singapore with Western Australia and the Australian East Coast. KLPL's own containership route network performs the role of successfully linking Australia and fast-growing Asian countries to meet wide-ranging customer needs. In the tanker business, while KLPL has had a good presence of AFRAMAX tankers, the company has started new business operation of chemical tankers in March 2012 when a brand new chemical tanker was delivered. KLPL has an aspiration to establish a new business presence in this business as well through inducing increasing demand in developing countries. KLPL also has a dry bulk fleet. Composition of the fleet is mainly Panamax and Handimax bulkers, which have been deployed in not only India/Middle East and Asia Pacific area but also the Atlantic Ocean and fleet size of eighteen as of end of December 2011 is on track to further expansion in the future.

In addition, KLPL engages in car carrier operations contracted by "K" Line's world headquarters in Tokyo. It dispatches a port captain to a terminal jointly established by "K" Line, PSA Corporation, and NYK Line and directs cargo handling operations such as the transshipment of completed built-up cars to trunk routes and cargo damage prevention in Singapore and neighboring countries.

Pasir Panjang Terminal

"K" Line's Independently-Operating Local Subsidiary in Europe

"K" Line European Sea Highway Services GmbH

- Established: **July 2003**
- No. of ships in operation: **12**
- No. of employees: **25**
- Location: **Germany**

Providing a Flexible, High-quality Short Sea Shipping Service for Cars and Ro-Ro cargoes in European Waters

In Europe, Short Sea transport, which has lower environmental impact than other transport modes, has become increasingly important in recent years. Since its establishment in Bremen, Germany in 2003, "K" Line European Sea Highway Services GmbH has provided flexible, customer-focused services, concluded agreements with leading automakers, and expanded the scale of its transport operations to more than 700,000 vehicles per year. The company operates twelve car carriers in European waters, mainly the North Sea and Baltic Sea, and offers high-quality services in an area extending from Spain to Russia.

"K" Line Bulk Shipping (UK) Limited

- Established: **July 2003**
- No. of ships in operation: **28**
- No. of employees: **19**
- Location: **United Kingdom**

Serving as a Highly Regarded Partner to Steel and Electric Power Companies in Europe

"K" Line Bulk Shipping (UK) Limited was established in 2003 to engage in bulk business in the Atlantic Ocean area and began operating its own bulk carriers in 2006. It employs nineteen workers of more than six different nationalities. It currently operates a fleet of approximately thirty carriers, including chartered vessels, and its fleet includes fifteen Capesize, five Panamax and eight Handymax class ships. Based in London, the company specializes in Atlantic Ocean waters, focusing on transport of cargo to leading European steelmakers and electric power companies, including Arcelor Mittal and ThyssenKrupp.

"K" Line LNG Shipping (UK) Limited

- Established: **February 2005**
- No. of ships in operation: **8**
- No. of employees: **25**
- Location: **United Kingdom**

Providing High-quality Shipping Services to Customers

In addition to providing high-quality ship management services for a fleet of eight modern LNG carriers, "K" Line LNG Shipping (UK) Limited engages in LNG transportation business development activities in the Atlantic region. The "K" Line Group operates its LNG transportation business from two locations, Tokyo and London, and "K" Line LNG Shipping (UK) is responsible for the Atlantic region. The company is contributing to the overall development of the "K" Line Group's energy transportation business by strengthening relationship with customers in the region and securing stable earnings based on robust charter contracts with oil and gas majors.

K Line Offshore AS

- Established: **October 2007**
- No. of ships in operation: **7**
- No. of employees: **9**
- Location: **Norway**

Contributing to Flourishing Offshore Energy Development

K Line Offshore AS is a shipping company that "K" Line established jointly with a Norwegian partner against a backdrop of flourishing offshore and ultra-deepwater resource development. The company has a fleet of seven vessels, consisting of two ultra large anchor handling tug supply vessels (AHTSs) and five ultra large platform supply vessels (PSVs). The company has compiled a successful track record, entering into medium-term and long-term contract with Petrobras of Brazil and ConocoPhillips of the U.S. for PSVs and up to eight months contract with Statoil of Norway for an AHTS.

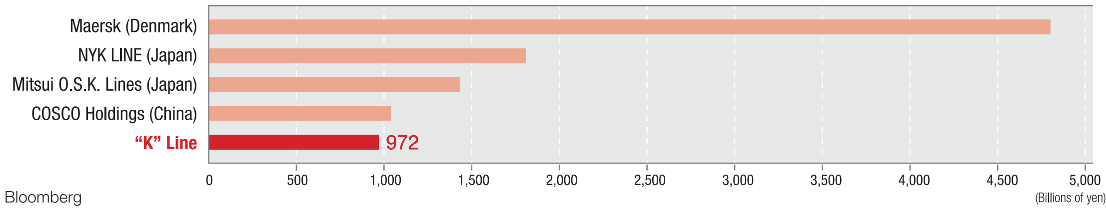
SAL Heavy Lift GmbH

- Established: **1980**
- No. of ships in operation: **16**
- No. of employees: **120**
- Location: **Germany**

Operating Heavy Lifters with the World's-highest Lifting Capacity

SAL Heavy Lift GmbH is a specialty heavy lift services company that employs highly specialized crew members and engineering technicians and has the capacity to safely transport heavy lift cargo in a wide range of shapes and sizes. It operates a fleet of sixteen heavy lifters, including two equipped with cranes with the world's highest lifting capacity of 2,000 tons. These vessels, two of only four heavy lifters in the world equipped with Dynamic Positioning System (DPS), are engaged in the transport of oil and gas development facilities and offshore-related facilities, which require advanced transport techniques.

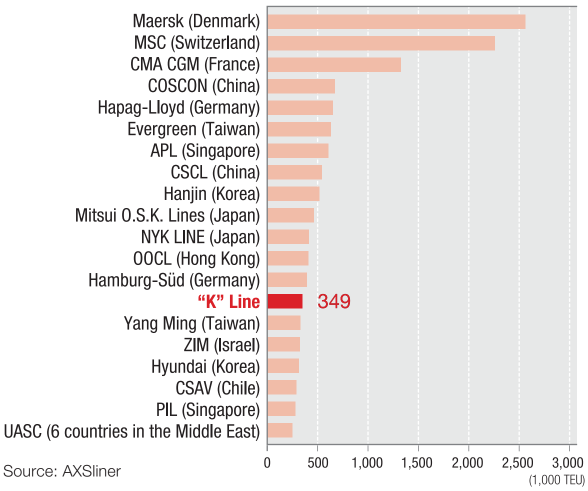
Sales among the Top-five Listed Marine Transport Companies (2011)



Source: Bloomberg

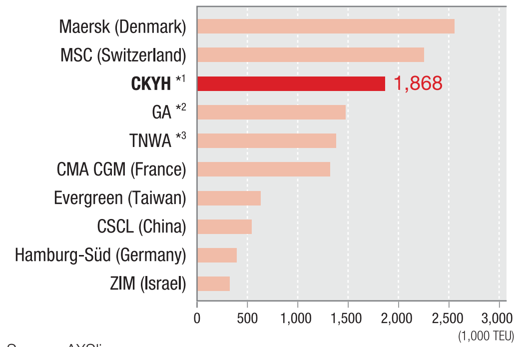
Containerships

Container Carriers Ranked by Operating Capacity (As of April 2012)



Source: AXSliner

Comparison of Operating Capacity by Alliance (As of April 2012)



Source: AXSliner

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

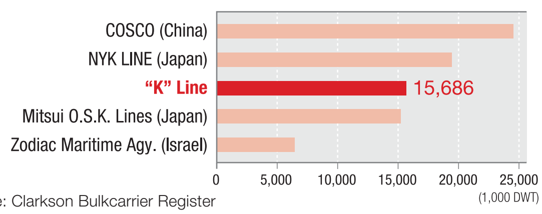
*2 GA: Grand Alliance
Hapag-Lloyd, NYK LINE, OOCL

*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

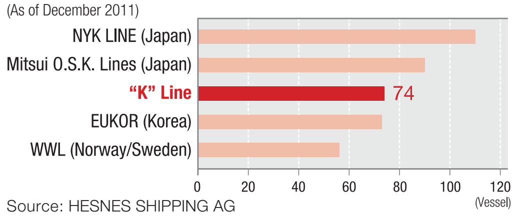
(As of March 2012)



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 2011)

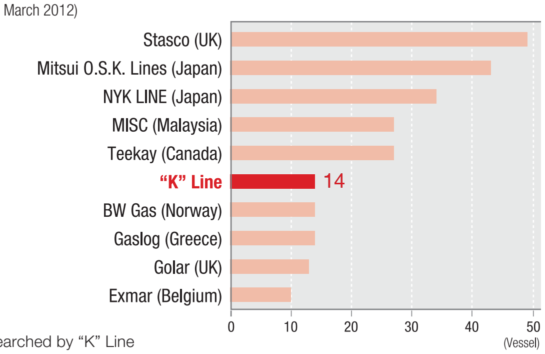


Source: HESNES SHIPPING AG

Energy Transportation Carriers and Tankers

Number of Managed LNG Carriers (By shipping company)

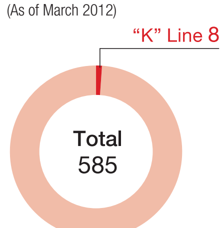
(As of March 2012)



Researched by "K" Line

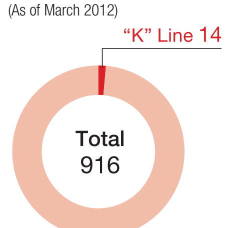
Number of VLCC*1s in Operation

(As of March 2012)



Number of Mid-sized Tankers*2 in Operation

(As of March 2012)



Source: Clarkson Tanker Register

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

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

For Further Information

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

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

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 at left.

Social Contribution Activities

CSR Activities

As the “K” Line Group continues to develop our global business, we aim to mutually benefit and coexist with the local communities of relevant countries. We seek to achieve this through a steady accrual of small efforts, including social contribution activities with resources as a shipping business group, development of the next generation and participation in volunteer work.

“K” Line Group’s Support for the Areas Affected by the Great East Japan Earthquake

Providing reefer containers free of charge

In addition to cooperating in the marine transport of materials for constructing temporary houses and drinking water, clothing, and other relief supplies to stricken areas, “K” Line provided free of charge ten reefer containers for use in reconstruction of the marine products processing industry, a major industry on the Sanriku coast. Cold storage facilities are essential for the resumption of the marine products industry, and marine products processors are utilizing the reefer containers as replacements for cold storage warehouses washed away or damaged by the tsunami.

In addition, having set up a volunteer leave system to support employees who participate in volunteer activities, since April 2012 we have been planning volunteer programs and engaging in more systematic reconstruction support activities.

- Planning volunteer tours and inviting participants from “K” Line and Group companies in Japan
- Including volunteer activities in training courses for new employees

Marine Transport Cooperation—Transport of Supplies to Peru

In response to a request from the Japanese Peruvian Association via the Asociacion Nippo-Peruana we transported from Yokohama to Callao, free of charge, 91 used wheel chairs, which were donated to the elderly and the sick in Peru. In addition, we provided free ocean transportation service to the Yamaguchi Prefecture Peru Association for their donation of an ambulance and a fire engine to the Santa Anita district of Lima, where slow development of medical facilities is a serious social problem.

Relief for natural disasters —Relief for flood damage in Thailand

Cooperation by shipping relief supplies free of charge

Miyagi Prefecture, which had received support from Thailand in the wake of the Great East Japan Earthquake, provided relief, such as water, medical and industrial gloves, towels, and masks to areas in Thailand damaged by flooding. We shipped a quantity of relief supplies, which required as much as nine 40-foot containers, free of charge.

In addition, “K” Line and K Line (Thailand) Ltd. together made a donation of 2 million baht to the Thai Red Cross Society.

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 immutable missions in operating a shipping business. Safe navigation and cargo operations are, above all, the foundation of our business as an international logistics infrastructure that supports the economic activities and lives of people around the world. In order to establish and maintain this foundation, we are committed to building a secure system for safety in navigation and cargo operation.

Collaboration with Group management companies

The "K" Line Group has three ship management companies that specialize in each of the type of ships being managed. We collaborate with these ship management companies to maintain ship quality, ensure navigation and cargo operations that are free of marine accidents and loss of time, and thorough cost management that takes cost-effectiveness into account. We also hold quarterly "K" Line Safety Measures Committee meetings to confirm the vector between "K" Line and the ship management companies and share knowledge and information.

Ship inspection —Establishment and Maintenance of KL-Quality

KL-Quality

KL-Quality is our original guidelines for quality management based on international conventions, ISO 9001 (quality control standards) and ISO 14001 (environmental management standards). This guidelines are applied to all ships operated by "K" Line, including ships of ship owners and management companies with whom we have signed a chartered ship contract or ship management contract.

Ship inspection activities

In order to firmly maintain safety in navigation and cargo operation, ship inspections are carried out based on the KL-Quality guidelines. Using a checklist that covers 160 items, ship inspectors inspect each and every ship to confirm implementation of the SMS by ship management companies and ships and the state of compliance, maintenance and management conditions, progress of initiatives to protect the environment and other points. The results of these inspections are reported to owners of chartered ships and ship management companies. If there are any problems, corrective measures are recommended and progress towards improvements is monitored, thereby helping us to maintain and increase safety in navigation and cargo operation.

Efforts to prevent piracy

We implement anti-piracy measures that follow the anti-piracy guide, Best Management Practices (BMP).

- Dedicated anti-piracy surveillance crew are allocated
- Searchlights and night-vision devices are used at night for early detection of pirates
- Crew on the bridge for navigational watch and anti-piracy surveillance crew wear bulletproof vests and helmets as a safety precaution
- To prevent pirates from coming on board, razor wires are installed around the perimeter of the deck and nozzles for high-pressure water hoses that are capable of sustained discharge around the hull periphery are installed.

Moreover, the Ship Safety Promotion Committee is consistently weighing additional measures.

Developing Maritime Technical Personnel who Excel in the Global Field

Establishment of a firm structure for managing the safety of ship navigation and cargo operation is positioned as a basic mission of the "K" Line Group. The "K" Line Maritime Academy (KLMA) was established to develop global maritime technical personnel and secure human resources to allow us to complete our mission to fully protect the human life, cargo and environment at sea while safely navigating and operating ships.

KLMA Structure

Review

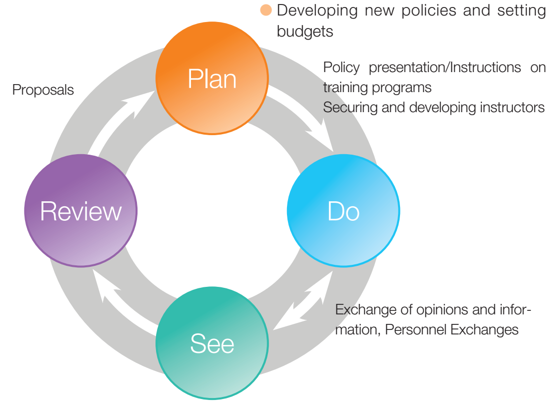
KLMA Meeting

- A quarterly meeting of the Sales Department and Marine Department of the Head Office and ship management companies

Plan

KLMA (HQs)

- The headquarters consist of the Marine Department of the Head Office and in-house ship management companies. It determines the policies of KLMA
- Creating the basic training matrix
- Developing new policies and setting budgets



See

Ship Management Companies

- Making requests for training and educational programs
- Creating the self-training matrix
- Evaluating the effects of education based on the seafarer evaluation sheets

Do

"K" Line Maritime Academy

- Holding training courses in training facilities in each country

KLMA (Japan) KLMA (Philippines)
KLMA (India) KLMA (East Europe)
KLMA (North Europe)

The formulation and improvement of a corporate governance structure is a key responsibility of directors.

I believe that corporate governance, compliance and risk management are without question the foundation of a company.

Examples of previously high-flying companies suddenly plunging into crisis when scandals came to light are too numerous to mention. When this occurs, the shareholders, business partners, employees and other stakeholders suffer great inconvenience and trouble with no prior warning. Corporate governance is a framework for preventing such situations, and the development and improvement of a corporate governance structure is a key responsibility of directors.

Corporate activities entail various risks other than the risk of scandal, and it is imperative that companies foresee these risks ahead of time and consider countermeasures before risks eventuate. We provide an overview of “K” Line’s risk management system in this report. Although risk management activities do not contribute directly to earnings, they minimize the risk of the Group suddenly finding itself in a crisis, and I believe that they are a source of stakeholder confidence in “K” Line.

The Company renewed its Board of Directors’ resolution concerning the internal control structure in March of this year, adding a “System to ensure the reliability of financial reporting” and a “Basic policy for exclusion of anti-social forces and status of development of a system for the exclusion of anti-social forces.” I chair meetings of the Board of Directors in my capacity as Chairman and Director. Since April 2011, I have ceased to serve concurrently as an executive officer and have since applied myself to service on the Board of Directors from a position one step removed from daily business operations.

On the Board of Directors, I strive to ensure that the outside directors and outside auditors are able to make appropriate judgments by providing comprehensive materials for each proposal put before the Board. In fact, the directors and corporate auditors actively express their views, including unvarnished criticism at times. The keystone of corporate governance is a Board of Directors where unwarranted optimism and pessimism are eliminated as far as possible and matters are calmly and fully discussed in an open atmosphere, and I will keep this in mind in operating the Board of Directors.

Director, Chairman
Hiroyuki Maekawa

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 meeting, 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. The chairperson does not have the authority of representation and is not an executive officer.

Executive Officers' Meeting

This Meeting is held twice a month, in principle, and is attended by executive officers and auditors. Participants help the President & CEO make decisions through frank discussions, in addition to sharing information on important matters.

Board of Auditors

The Board of Directors meets at least once every month. 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

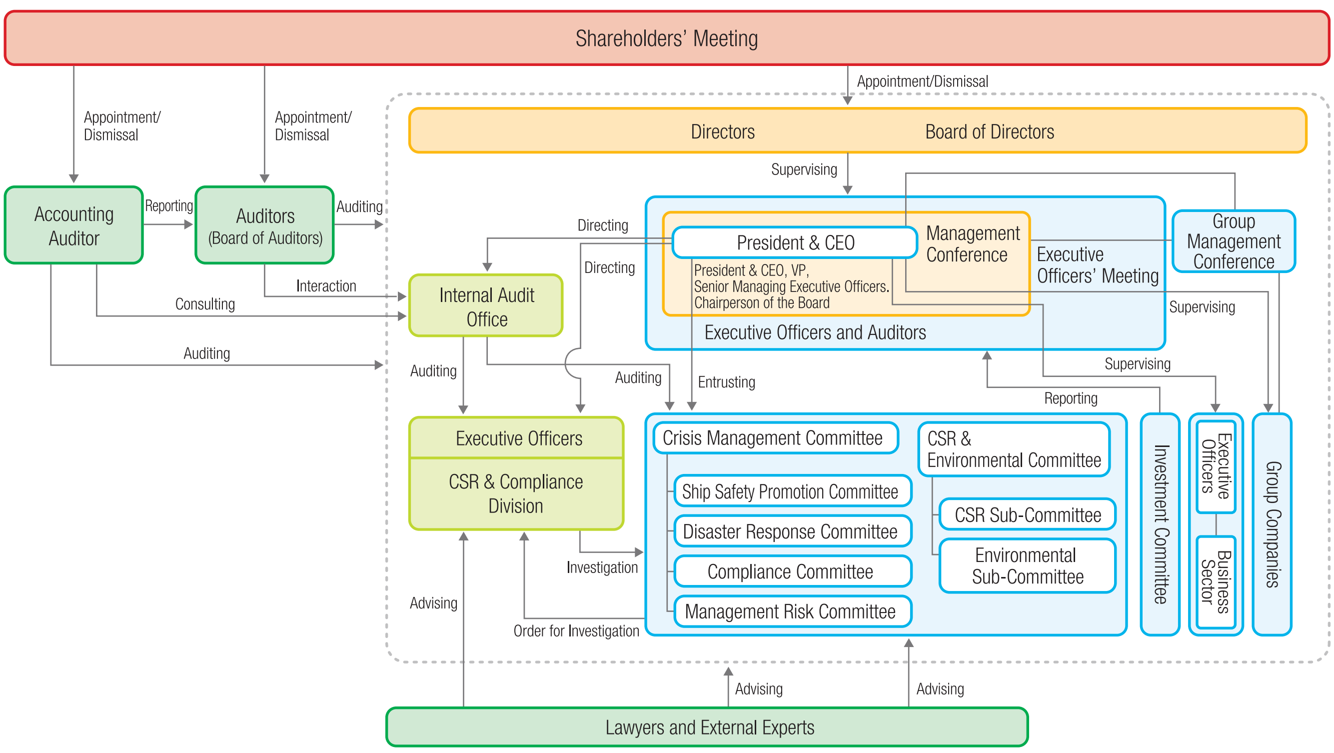
The Management Conference holds discussions and exchanges opinions every week, in principle, and is attended mainly by senior managing executive officers and higher-level executive officers. Depending on the agendum, others may be invited to the Conference.

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, 2012)



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.

■ Risk management system

Crisis Management Committee
Control and facilitate the management of all kinds of risks

- **Ship Safety Promotion Committee** — Managing risks to safety in ship operations
- **Disaster Response Committee** — Managing risk of disasters
- **Compliance Committee** — Managing compliance risks
- **Management Risk Committee** — Managing other risks

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 and have nothing to do with such forces. We will deal with specific incidents in cooperation with the relevant authorities and our corporate lawyers.

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

Response to Large-scale Disasters

We have established BCPs (Business Continuity Plans) 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.

Promotion of compliance

Compliance is the foundation of our corporate governance, CSR activities, and risk management. We have installed a Compliance Committee chaired by the president that discusses strategies and countermeasures to ensure compliance is maintained throughout the entire Group. Group companies must report compliance related issues to the Compliance Committee, which handles all compliance issues for the entire Group and reports details of its activities to the Board of Directors on a quarterly basis.

We have also installed a dedicated division (CSR & Compliance Division) to enhance awareness on compliance to executives and regular employees through training courses and other activities. A compliance officer is also designated for each Group company to form a compliance network. Through this organization, we work together as a group to carry out educational activities on compliance.

Initiatives to ensure compliance

To increase the thoroughness of our Group's compliance even further, we began designating a Compliance Month, starting in FY2011. During this month, we carry out various awareness-raising activities such as holding seminars for the management of our company and Group companies and sending notices out to Group companies.


Compliance seminars

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**

Senior Managing
Executive Officer
Masami Sasaki*

** Representative Director
* Director

Directors

Director, Chairman	**Hiroyuki Maekawa**
Representative Director, President & CEO	**Jiro Asakura**
Representative Director	**Takashi Saeki**
Representative Director	**Eizo Murakami**
Representative Director	**Keisuke Yoshida**
Representative Director	**Takashi Torizumi**
Director	**Masami Sasaki**
Director	**Toshiyuki Suzuki**
Director	**Takashi Yamaguchi**
Director	**Yukio Toriyama**
Director	**Shunichi Arisaka**
Director	**Mitoji Yabunaka*1**
Director	**Eiichiro Kinoshita*1**

Auditors

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

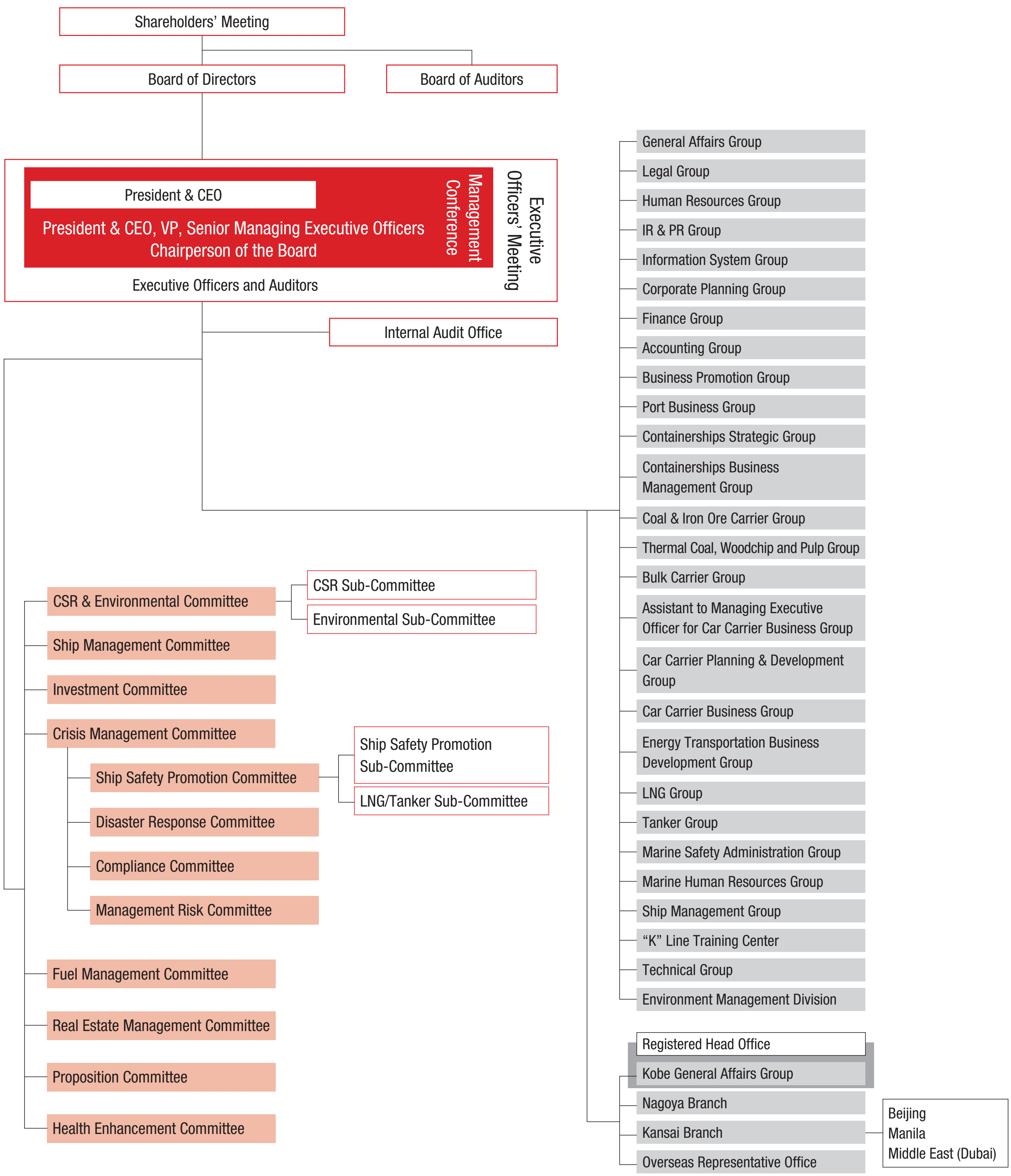
*1 Outside Director
*2 Outside Auditor

Executive Officers

(As of July 1, 2012)

President & CEO	**Jiro Asakura**	
Vice President Executive Officer	**Takashi Saeki**	Assistant to CEO, Dry bulk Sector, Energy Transportation Sector
Senior Managing Executive Officer	**Eizo Murakami**	Containerships Sector, Port Business, Car Carrier Sector, Information System
Senior Managing Executive Officer	**Keisuke Yoshida**	IR & PR, Finance, Corporate Planning, Business Promotion, Logistics
Senior Managing Executive Officer	**Takashi Torizumi**	General Affairs, Legal, Human Resources, Accounting, CSR & Compliance, Internal Audit
Senior Managing Executive Officer	**Masami Sasaki**	Marine Sector, Technical, Environment
Managing Executive Officer	**Toshiyuki Suzuki**	IR & PR, Information System, Corporate Planning, Business Promotion, Logistics, Research
Managing Executive Officer	**Hiromichi Aoki**	Energy Transportation Sector
Managing Executive Officer	**Kazutaka Imaizumi**	CEO of 'K' LINE (INDIA) PRIVATE LIMITED
Managing 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, Dry bulk Planning
Executive Officer	**Mitsuru Kochi**	President of "K" Line (Japan) Ltd.
Executive Officer	**Yukio Toriyama**	Accounting, Finance
Executive Officer	**Kenji Sakamoto**	Bulk Carrier Business
Executive Officer	**Kazuhiko Harigai**	Thermal Coal, Woodchip and Pulp Carrier Business
Executive Officer	**Yukikazu Myochin**	Containerships Business, Port Business
Executive Officer	**Kazuhiro Matsukawa**	President of "K" LINE AMERICA, INC.
Executive Officer	**Shunichi Arisaka**	Technical, Environment, General Manager of Environment Management Division
Executive Officer	**Yasunari Sonobe**	Car Carrier Sector

(As of July 1, 2012)



(As of March 31, 2012)

DOMESTIC		Company Name	"K" Line's Ownership (%)*	Paid-in Capital (millions)	Revenue (millions)
Marine Transportation		Kawasaki Kinkai Kisen Kaisha, Ltd.	51.0	2,368	41,370
		Asahi Kisen Kaisha, Ltd.	100.0	100	414
		Kobe Pier Co., Ltd.	100.0	100	63
	★	Shibaura Kaiun Co., Ltd.	100.0	20	481
Shipping Agency		"K" Line (Japan) Ltd.	100.0	150	2308
	★	Shimizu Kawasaki Transportation Co., Ltd.	50.0	10	236
Ship Management		"K" Line Ship Management Co., Ltd.	100.0	75	10,988
		Taiyo Nippon Kisen Co., Ltd.	100.0	400	23,114
		Escobal Japan Ltd.	100.0	10	534
Harbor Transportation/ Warehousing		Daito Corporation	100.0	842	25,069
		Nitto Total Logistics Ltd.	100.0	1,596	13,544
		Hokkai Transportation Co., Ltd.	80.1	60	10,819
		Seagate Corporation	100.0	270	7,406
		Nitto Tugboat Co., Ltd.	100.0	150	4,118
		Tokyo Kokusai Koun Kaisha, Ltd.	70.0	75	1,999
	★	Rinko Corporation	25.1	1,950	15,965
	★	Kokusai Logistics Co., Ltd.	83.3	100	1,165
Logistics		"K" Line Logistics, Ltd.	91.9	600	18,174
Land Transportation		Japan Express Transportation Co., Ltd.	100.0	100	4,554
		Shinto Rikuun Kaisha, Ltd.	100.0	30	1,057
		Maizuru Kousoku Yusou Co., Ltd.	100.0	25	811
Container Repairing		Intermodal Engineering Co., Ltd.	100.0	40	825
Travel Business		"K" Line Travel, Ltd.	100.0	100	8,465
Other Business		"K" Line Engineering Co., Ltd.	100.0	50	1,556
		Shinki Corporation	100.0	80	2,120
		"K" Line Systems, Ltd.	100.0	40	1,426
		KMDS Co., Ltd.	100.0	40	1,351
		Kawaki Kosan Kaisha, Ltd.	100.0	30	984
		"K" Line Accounting and Finance Co., Ltd.	100.0	100	195

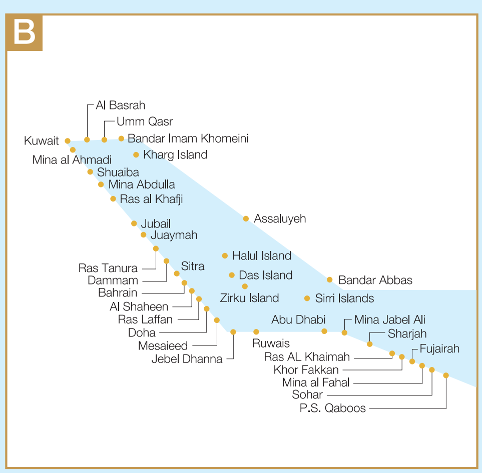
OVERSEAS		Company Name	"K" Line's Ownership (%)*	Paid-in Capital (millions)	Revenue (millions)
Marine Transportation		"K" Line Pte Ltd	100.0	US$1.1	US$385.7
		"K" Line Bulk Shipping (UK) Limited	100.0	US$33.9	US$284.9
		"K" Line LNG Shipping (UK) Limited	100.0	US$35.9	US$64.3
		SAL Heavy Lift GmbH	100.0	EUR120.6	EUR157.2
		"K" Line European Sea Highway Services GmbH	100.0	EUR5.3	EUR107
		K Line Offshore AS	95.3	NOK512.5	NOK372.3
	★	Northern LNG Transport Co., I Ltd.	49.0	US$39.6	US$16
	★	Northern LNG Transport Co., II Ltd.	36.0	US$42.3	US$15
Shipping Agency		"K" Line America, Inc.	100.0	US$15.5	US$74.9
		"K" Line (Australia) Pty Limited	100.0	A$0.0001	A$13.3
		"K" Line (Belgium)	51.0	EUR0.06	EUR3.1
		"K" Line Canada Ltd.	100.0	US$0.09	US$1.5
		K Line (China) Ltd.	100.0	US$2	US$21
		"K" Line (Deutschland) GmbH	100.0	EUR0.1	EUR7.5
		"K" Line (Europe) Limited	100.0	£0.01	£16.2
		"K" Line (Finland) OY	51.0	EUR0.01	EUR1.6
		"K" Line (France) SAS	100.0	EUR0.5	EUR3.3
		"K" Line (Hong Kong) Limited	100.0	HK$15	HK$186.8
		"K" Line (Korea) Ltd.	100.0	WON400	WON8866.9
		"K" Line Maritime (M) Sdn Bhd	57.5	MYR0.3	MYR10.7

OVERSEAS		Company Name	"K" Line's Ownership (%)*	Paid-in Capital (millions)	Revenue (millions)
		K Line Mexico SA de CV	100.0	US$0.005	US$0.3
		"K" Line (Nederland) B.V.	100.0	EUR0.1	EUR4.1
		K Line (Norway) AS	100.0	NOK0.1	NOK1.8
		"K" Line (Portugal)-Agentes de Navegação, S.A.	51.0	EUR0.2	EUR2.2
		"K" Line (Scandinavia) Holding A/S	51.0	DKK1	DKK12.6
		"K" Line Shipping (South Africa) Pty Ltd	51.0	ZAR0.0001	ZAR88.9
		"K" Line (Singapore) Pte Ltd	95.0	S$1.5	S$13
		K Line (Sweden) AB	100.0	SEK0.1	SEK17.2
		"K" Line (Taiwan) Ltd.	60.0	NT$60	NT$269.5
		K Line (Thailand) Ltd.	34.0	BAT30	BAT1839.5
		"K" LINE (VIETNAM) LIMITED	51.0	US$0.5	VND76325.9
		PT. K Line Indonesia	95.0	RP463.6	RP49654.8
Ship Management		"K" Line Ship Management (Singapore) Pte. Ltd.	100.0	S$0.7	S$17.4
Terminal Operator		International Transportation Service, Inc.	100.0	US$27.6	US$163.3
		Husky Terminal & Stevedoring, Inc.	100.0	US$0.1	US$48.3
Freight Consolidation		Century Distribution Systems, Inc.	100.0	US$2.3	US$7.6
		Century Distribution Systems (Europe) B.V.	100.0	EUR0.02	EUR0.9
		Century Distribution Systems (Hong Kong) Limited	100.0	HK$0.08	HK$69.1
		Century Distribution Systems (Shenzhen) Limited	100.0	RMB6.5	RMB136.4
		Century Distribution Systems (International) Limited	100.0	HK$1.8	HK$90.1
		Century Distribution Systems (Shipping) Limited	100.0	HK$0.000001	HK$0.6
Warehousing		Universal Logistics System, Inc.	100.0	US$12.3	US$0.7
		Universal Warehouse Co.	100.0	US$0.05	US$4.1
		Universal Warehouse Co. (NW)	100.0	US$0.0001	US$0.5
Logistics		"K" Line Logistics (Hong Kong) Ltd.	100.0	HK$8	HK$197.8
		"K" Line Logistics (UK) Ltd.	100.0	£0.2	£4
		"K" Line Logistics (U.S.A.) Inc.	100.0	US$0.5	US$37.6
		"K" Line Logistics (Singapore) Pte. Ltd.	100.0	S$1.15	S$22.3
		K Line Logistics (Thailand) Ltd.	86.5	BAT20	BAT475.6
		K Line Logistics South East Asia Ltd.	95.0	BAT73	BAT0
Land Transportation		James Kemball Limited	100.0	£0.01	£17.3
		ULS Express, Inc.	100.0	US$0.05	US$5.3
		PMC Transportation Company, Inc.	100.0	US$0	US$1.4
Container Repairing	★	Multimodal Engineering Corporation	100.0	US$0.15	US$8.7
Financing		"K" Line New York, Inc.	100.0	US$5.1	US$24.4
Holding Company		Kawasaki (Australia) Pty. Ltd.	100.0	A$4.8	A$0.9
		"K" Line Heavy Lift (UK) Limited	100.0	EUR32.6	EUR3.5
		"K" Line Holding (Europe) Limited	100.0	£19.9	£0
Other Business		Connaught Freight Forwarders Limited	100.0	HK$0.01	HK$0.07
		Cygnus Insurance Company Limited	100.0	US$3	US$3.3
		"K" Line TRS S.A.	100.0	US$0.006	US$0
		Marinus Consulting, Inc.	100.0	US$0.5	US$0
	★	"K" Line Auto Logistics Pty Ltd.	50.0	A$27	A$0.1

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

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

Global Service Network




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

Financial Section

Contents

Results of Operations

Operating Revenues

Consolidated operating revenues for fiscal year 2011 (from April 1, 2011 to March 31, 2012) were ¥972,311 million, a decrease of 1.3% year on year. By business segment, operating revenues from containership services fell by 11.1% year on year to ¥395,460 million, a decrease mainly attributable to a decline in freight rates due to worsening of market conditions. Operating revenues from bulk shipping services rose by 3.7% year on year to ¥463,507 million, despite sluggish market conditions for dry bulk services, as a result of fleet expansion, steady recovery in car carrier services following the impact on imports from Japan from the earthquake disaster, and robust cargo movements on inward voyages and routes between foreign countries. Operating revenues from other services rose by 21.9% to ¥113,344 million.

Cost of Sales, Selling, General and Administrative Expenses

Cost of sales rose by ¥84,866 million (9.8%) from ¥861,997 million for the previous year to ¥946,863 million, mainly as a result of soaring fuel oil prices and yen appreciation.

The cost of sales ratio rose by 9.9 points to 97.4%. Selling, general and administrative expenses rose by ¥1,533 million (2.4%) year on year to ¥66,011 million, partly due to an increase in the number of consolidated subsidiaries.

Operating Income

Consolidated operating loss was ¥40,563 million, compared to operating income of ¥58,610 million for the previous year, as a result of a decrease in gross profit.

Other (Non-operating) Income (Expenses)

The net balance of financial income and expenses was negative ¥5,183 million (negative ¥5,815 million for the previous year) as a result of an increase in interest received. The Company recorded an exchange loss of ¥5,229 million (a loss of ¥7,224 million) and equity in earnings of affiliates of ¥547 million (equity in earnings of affiliates of ¥102 million). As a result of these and other factors, other (non-operating) income (expenses) came to a loss of ¥8,393 million (a loss of ¥11,259 million).

Income before Income Taxes and Minority Interests

Gains on sales of fixed assets, share exchange, and other extraordinary gains amounted to ¥15,584 million. Impairment loss, loss on sales of investments in securities, and other extraordinary losses amounted to ¥15,767 million. As a result of these gains and losses and the operating loss, loss before income taxes and minority interests was ¥49,138 million (a gain of ¥50,210 million for the previous year).

Income Taxes

Income taxes decreased by ¥27,663 million to negative ¥9,362 million from ¥18,300 million for the previous year, mainly as a result of the application of tax-effect accounting attendant on the recording of a loss before income taxes and minority interests at the filing company.

Minority Interests

Minority interests were ¥1,575 million (¥1,307 million for the previous year). The increase is mainly attributable to an increase in the minority interest in income of Kawasaki Kinkai Kisen Kaisha, Ltd.

Net Income

Consolidated net loss was ¥41,351 million, compared to net income of ¥30,603 million for the previous year. Net loss per share was ¥54.14, compared to net income per share of ¥40.08 for the previous year.

Analysis of Sources of Capital and Liquidity

Cash Flows

Cash and cash equivalents were ¥92,756 million at the end of fiscal year 2011, a decrease of ¥1,674 million from the previous year. The details of cash flows are as follows.

Net cash used in operating activities was ¥2,909 million, a decrease of ¥87,811 million in cash used from the previous year. The increase is mainly due to loss before income taxes and minority interests of ¥49,138 million.

Net cash used in investing activities was ¥83,233 million, an increase of ¥29,117 million from the previous year. The increase is mainly due to purchases of vessels, property and equipment of ¥237,282 million and proceeds from sales of vessels, property and equipment of ¥162,898 million.

Net cash provided by financing activities was ¥86,307 million, an increase of ¥111,103 million from the previous year. The increase is mainly due to a net increase in long-term loans of

¥88,579 million and a net increase in short-term loans and commercial paper of ¥17,564 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 2011, the Company made capital investments of ¥239,197 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 ¥47.0 billion line of credit established under overdraft agreements with financial institutions, and the establishment of a ¥15.0 billion commitment line with financial institutions in Japan.

"K" Line has been rated by two Japanese and one overseas rating firm. As of June 26, 2012, the Company has a rating of BBB+ from Japan Credit Rating Agency, Ltd. (JCR), BBB- from Rating and Investment Information, Inc. (R&I) and BB from Standard & Poor's (S&P). The Company also has short-term credit ratings (commercial paper ratings) of j-2 from JCR and a-2 from R&I.

Financial Position

Total assets on March 31, 2012 were ¥1,066,649 million, an increase of ¥34,143 million from the end of the previous fiscal year. Current assets increased by ¥17,899 million to ¥280,744 million, mainly due to an increase in cash and cash equivalents.

Fixed assets increased by ¥16,244 million from the end of the previous fiscal year to ¥785,905 million. Vessels, property and equipment increased by ¥34,722 million to ¥618,450 million, mainly due to the purchase of vessels. Investments and other assets decreased by ¥18,067 million to ¥157,502 million, mainly due to a decrease in investments in securities attributable to a decline in the market value of listed stocks.

Total liabilities on March 31, 2012 were ¥806,714 million, an increase of ¥89,195 million from the end of the previous fiscal year. Current liabilities increased by ¥20,617 million to ¥224,329 million, mainly due to an increase in commercial paper. Long-term liabilities increased by ¥68,578 million to ¥582,385 million, mainly due to an increase in long-term debt.

Net assets on March 31, 2012 were ¥259,935 million, a decrease of ¥55,051 million from the end of the previous fiscal year. Shareholders' equity was ¥326,870 million. The change in shareholders' equity is mainly attributable to a decrease of ¥45,226 million in retained earnings. Accumulated other comprehensive loss increased by ¥3,871 million from the end of the previous fiscal year to negative ¥84,297 million, mainly attributable to ¥7,992 million in net unrealized holding loss on investments in securities and ¥9,808 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 gradually increase the dividend payout ratio as a percentage of consolidated net income with the aim of achieving a payout ratio of 30% in the mid-2010s.

The Company's year-end dividend (record date of March 31 of every year) is subject to resolution by the Annual Shareholders' Meeting. With regard to the interim dividend, as prescribed in the Articles of Incorporation, "By resolution of the Board of Directors, an interim dividend may be distributed by the Company as of the record date of September 30 of every year." Regrettably, the Company has decided not to pay cash dividends for fiscal 2011 because of the net loss recorded at a time of marked worsening of business conditions.

A decision on the dividend for fiscal 2012 has not been made at this time. A further announcement about the dividend will be made once the Company has determined that a forecast is possible, taking into consideration factors such as the outlook for the full year and the financial situation.

The "K" Line Group will work in unison to rigorously pursue cost reductions and service rationalization and make maximum efforts to ensure profitability and resume dividend payments in fiscal 2012.

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

The "K" Line Group reviewed the "K" LINE Vision 100: New Challenges medium-term management plan and in April 2012 formulated a new plan, "K" LINE Vision 100: Bridge to the Future. 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. The "K" Line Group's financial position and operating results may be adversely affected by cancellation of construction contracts before delivery of newbuildings. Moreover, the Group's financial position and operating results may also be adversely affected if, at the time the newbuildings are delivered, the demand for cargo transport falls below projections.

11. Losses from Disposal of Vessels, etc.

The "K" Line Group endeavors to implement fleet upgrades that are flexible and appropriate to the market. There are times, however, when we dispose of our vessels because of a worsening in the supply-demand balance or obsolescence due to technological innovation, as well as the case where a charter contract for a chartered vessel is terminated early, and such cases may adversely affect the "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. In addition, with regard to valuation method for marketable securities, the "K" Line Group uses the market value method based on market prices of on the last business day of the fiscal year for investments in securities with quoted market prices. As a result, stock market fluctuations may adversely affect the "K" Line Group's financial position and operating results.

13. Reversal of Deferred Tax Assets

Based on estimated future taxable income, the "K" Line Group assesses the possibility of recognition of deferred tax assets. When a conclusion is reached that, due to a decline in earning capacity, 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 26, 2012. In addition, the items discussed here do not necessarily represent every risk to the "K" Line Group.

Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
Assets	**2012**	2011	**2012**
Current assets:			
Cash and deposits (Notes 14 and 17)	¥ 96,698	¥ 74,064	$ 1,176,518
Marketable securities (Notes 3, 14 and 17)	1	24,999	12
Accounts and notes receivable—trade (Note 14)	77,895	78,314	947,743
Allowance for doubtful receivables	(667)	(527)	(8,115)
Inventories (Note 4)	38,383	34,577	467,003
Prepaid expenses and deferred charges	36,759	32,448	447,244
Deferred income taxes (Note 8)	4,988	2,224	60,689
Other current assets	26,687	16,746	324,699
Total current assets	280,744	262,845	3,415,793
Investments and other assets:			
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 14)	30,598	37,561	372,284
Investments in securities (Notes 3, 7 and 14)	54,879	74,789	667,709
Long-term loans receivable	7,633	7,519	92,870
Deferred income taxes (Note 8)	51,869	42,989	631,087
Other assets	13,014	14,014	158,339
Allowance for doubtful receivables	(491)	(1,303)	(5,974)
Total investments and other assets	157,502	175,569	1,916,315
Vessels, property and equipment:			
Vessels (Notes 5 and 7)	727,585	636,678	8,852,476
Buildings, structures and equipment (Notes 5 and 7)	94,772	97,498	1,153,085
Accumulated depreciation	(312,530)	(317,280)	(3,802,531)
	509,827	416,896	6,203,030
Land (Notes 5, 7 and 12)	29,826	30,718	362,891
Construction in progress	78,797	136,114	958,717
Vessels, property and equipment, net (Note 19)	618,450	583,728	7,524,638
Intangible assets:			
Goodwill, net (Note 6)	4,473	4,518	54,423
Other intangible assets	5,480	5,845	66,675
Total intangible assets	9,953	10,363	121,098
Total assets (Note 19)	¥1,066,649	¥1,032,505	$12,977,844

Liabilities and net assets	Millions of yen 2012	2011	Thousands of U.S. dollars (Note 1(a)) 2012
Current liabilities:			
Short-term loans (Notes 7 and 14)	¥ 9,680	¥ 9,144	$ 117,776
Commercial paper (Note 7)	17,000	—	206,838
Current portion of long-term debt (Notes 7 and 14)	62,747	62,017	763,438
Accounts and notes payable—trade (Note 14)	75,275	76,750	915,866
Advances received	24,652	20,053	299,939
Current portion of obligations under finance leases	8,931	2,805	108,663
Accrued income taxes (Note 8)	2,602	3,362	31,658
Deferred income taxes (Note 8)	3	4	37
Other current liabilities	23,439	29,577	285,180
Total current liabilities	224,329	203,712	2,729,395
Long-term liabilities:			
Long-term debt, less current portion (Notes 7 and 14)	480,736	407,432	5,849,081
Allowance for employees' retirement benefits (Note 10)	7,526	7,794	91,568
Allowance for directors' and corporate auditors' retirement benefits	1,952	1,978	23,750
Accrued expenses for overhaul of vessels	17,555	17,709	213,590
Obligations under finance leases, less current portion	13,428	1,964	163,378
Deferred income taxes (Note 8)	2,888	2,314	35,138
Deferred income taxes on land revaluation (Note 12)	2,591	2,633	31,525
Derivative liabilities	52,181	67,917	634,883
Other long-term liabilities	3,528	4,066	42,925
Total long-term liabilities	582,385	513,807	7,085,838
Commitments and contingent liabilities (Note 13)			
Net assets:			
Shareholders' equity (Note 11):			
Common stock: Authorized — 2,000,000,000 shares in 2012 and 2011 Issued — 765,382,298 shares in 2012 and 2011	65,032	65,032	791,240
Capital surplus	49,893	49,893	607,045
Retained earnings	212,850	258,076	2,589,731
Less treasury stock, at cost — 1,600,534 shares in 2012 and 1,589,909 shares in 2011	(905)	(904)	(11,011)
Total shareholders' equity	326,870	372,097	3,977,005
Accumulated other comprehensive (loss) income:			
Net unrealized holding (loss) gain on investments in securities (Note 3)	(6,037)	1,955	(73,452)
Deferred loss on hedges (Note 15)	(41,596)	(55,306)	(506,096)
Revaluation reserve for land (Note 12)	2,298	2,078	27,960
Translation adjustments	(38,962)	(29,154)	(474,048)
Total accumulated other comprehensive loss, net	(84,297)	(80,427)	(1,025,636)
Minority interests in consolidated subsidiaries	17,362	23,316	211,242
Total net assets	259,935	314,986	3,162,611
Total liabilities and net assets	¥1,066,649	¥1,032,505	$12,977,844

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, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2012	2011	**2012**
Marine transportation and other operating revenues (Note 19)	**¥ 972,311**	¥985,085	**$11,830,040**
Marine transportation and other operating costs and expenses	**946,863**	861,997	**11,520,416**
Gross operating income	**25,448**	123,088	**309,624**
Selling, general and administrative expenses	**66,011**	64,478	**803,151**
Operating (loss) income	**(40,563)**	58,610	**(493,527)**
Other income (expenses):			
Interest and dividend income	**4,079**	2,749	**49,629**
Interest expense	**(9,262)**	(8,564)	**(112,690)**
Equity in earnings of affiliates	**547**	102	**6,655**
Exchange loss, net	**(5,229)**	(7,224)	**(63,621)**
Gain on exchange of shares	**6,344**	—	**77,187**
Gain on sales of vessels, property and equipment, net	**4,570**	5,213	**55,603**
Loss on impairment of fixed assets (Notes 5 and 19)	**(3,362)**	(49)	**(40,905)**
Gain on sales of marketable securities and investments in securities, net	**1,026**	120	**12,483**
Loss on devaluation of investments in securities, net	**(2,517)**	(444)	**(30,624)**
Loss on amendments to shipbuilding contracts	**(1,938)**	—	**(23,580)**
Loss on cancellations of shipbuilding contracts	**(3,755)**	—	**(45,687)**
Loss on compensation for damages	**—**	(790)	**—**
Other, net	**922**	487	**11,218**
	(8,575)	(8,400)	**(104,332)**
(Loss) income before income taxes and minority interests	**(49,138)**	50,210	**(597,859)**
Income taxes (Note 8):			
Current	**5,124**	5,297	**62,343**
Prior years	**(1,053)**	—	**(12,812)**
Deferred	**(13,433)**	13,003	**(163,438)**
Total income taxes	**(9,362)**	18,300	**(113,907)**
(Loss) income before minority interests	**(39,776)**	31,910	**(483,952)**
Minority interests	**1,575**	1,307	**19,163**
Net (loss) income	**¥ (41,351)**	¥ 30,603	**$ (503,115)**

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

Consolidated Statements of Comprehensive Loss

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2012	2011	2012
(Loss) income before minority interests	¥(39,776)	¥ 31,910	$(483,952)
Other comprehensive (loss) income (Note 16):			
Net unrealized holding loss on investments in securities	(7,967)	(6,517)	(96,934)
Deferred income (loss) on hedges	16,113	(26,953)	196,046
Revaluation reserve for land	42	—	511
Translation adjustments	(10,053)	(13,219)	(122,314)
Share of other comprehensive loss of subsidiaries and affiliates accounted for by the equity method	(2,651)	(772)	(32,255)
Total other comprehensive loss	(4,516)	(47,461)	(54,946)
Comprehensive loss	¥(44,292)	¥(15,551)	$(538,898)
(Breakdown)			
Comprehensive (loss) income attributable to:			
Shareholders of Kawasaki Kisen Kaisha, Ltd.	¥(45,222)	¥(14,358)	$(550,213)
Minority interests	930	(1,193)	11,315

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, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2012	2011	2012
Shareholders' equity:			
Common stock:			
Balance at beginning of year	¥ 65,032	¥ 65,032	$ 791,240
Balance at end of year	65,032	65,032	791,240
Capital surplus:			
Balance at beginning of year	49,893	49,877	607,045
Disposal of treasury stocks	—	16	—
Balance at end of year	49,893	49,893	607,045
Retained earnings:			
Balance at beginning of year	258,076	229,661	3,139,993
Cash dividends	(4,202)	(3,056)	(51,125)
Net (loss) income	(41,351)	30,603	(503,115)
Disposal of treasury stock	(3)	(9)	(37)
Reversal of the revaluation reserve for land	—	161	—
Net change in retained earnings resulting from changes in scope of consolidation or equity method	330	716	4,015
Balance at end of year	212,850	258,076	2,589,731
Treasury stock, at cost:			
Balance at beginning of year	(904)	(950)	(10,999)
Purchase of treasury stock	(5)	(19)	(61)
Disposal of treasury stock	4	65	49
Balance at end of year	(905)	(904)	(11,011)
Accumulated other comprehensive income (loss):			
Net unrealized holding gain (loss) on investments in securities:			
Balance at beginning of year	1,955	8,545	23,786
Net changes during the year	(7,992)	(6,590)	(97,238)
Balance at end of year	(6,037)	1,955	(73,452)
Deferred (loss) gain on hedges:			
Balance at beginning of year	(55,306)	(28,936)	(672,904)
Net changes during the year	13,710	(26,370)	166,808
Balance at end of year	(41,596)	(55,306)	(506,096)
Revaluation reserve for land:			
Balance at beginning of year	2,078	2,045	25,283
Net changes during the year	220	33	2,677
Balance at end of year	2,298	2,078	27,960
Translation adjustments:			
Balance at beginning of year	(29,154)	(17,152)	(354,715)
Net changes during the year	(9,808)	(12,002)	(119,333)
Balance at end of year	(38,962)	(29,154)	(474,048)
Minority interests in consolidated subsidiaries:			
Balance at beginning of year	23,316	23,743	283,684
Net changes during the year	(5,954)	(427)	(72,442)
Balance at end of year	17,362	23,316	211,242
Total net assets	¥259,935	¥314,986	$3,162,611

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, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2012	2011	**2012**
Cash flows from operating activities:			
(Loss) income before income taxes and minority interests	**¥(49,138)**	¥50,210	**$(597,859)**
Adjustments to reconcile (loss) income before income taxes and minority interests to net cash (used in) provided by operating activities:			
Depreciation and amortization	**50,044**	44,722	**608,882**
Loss on impairment of fixed assets	**3,362**	49	**40,905**
Reversal of allowance for employees' retirement benefits	**(254)**	(225)	**(3,090)**
Reversal of allowance for directors' and corporate auditors' retirement benefits	**(21)**	(20)	**(256)**
(Decrease) increase in accrued expenses for overhaul of vessels	**(106)**	71	**(1,290)**
Interest and dividend income	**(4,079)**	(2,749)	**(49,629)**
Interest expense	**9,262**	8,564	**112,690**
Loss on amendments of shipbuilding contracts	**1,938**	—	**23,580**
Loss on cancellations of shipbuilding contracts	**3,755**	—	**45,687**
Loss on compensation for damages	**—**	790	**—**
Gain on sales of marketable securities and investments in securities, net	**(1,026)**	(120)	**(12,483)**
Gain on sales of vessels, property and equipment, net	**(4,570)**	(5,213)	**(55,603)**
Loss on devaluation of investments in securities, net	**2,517**	444	**30,624**
Gain on exchange of shares	**(6,344)**	—	**(77,187)**
Changes in operating assets and liabilities:			
Increase in accounts and notes receivable—trade	**(3,282)**	(4,298)	**(39,932)**
(Decrease) increase in accounts and notes payable—trade	**(950)**	8,468	**(11,559)**
Increase in inventories	**(3,935)**	(8,424)	**(47,877)**
Increase in other current assets	**(1,914)**	(10,190)	**(23,288)**
Increase in other current liabilities	**6,210**	5,624	**75,557**
Other, net	**6,102**	8,893	**74,244**
Subtotal	**7,571**	96,596	**92,116**
Interest and dividends received	**4,071**	2,824	**49,531**
Interest paid	**(9,429)**	(8,658)	**(114,722)**
Payment for compensation for damages	**—**	(790)	**—**
Income taxes paid	**(5,758)**	(5,070)	**(70,057)**
Income taxes refunded	**636**	—	**7,738**
Net cash (used in) provided by operating activities	**¥ (2,909)**	¥84,902	**$ (35,394)**

	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars (Note 1(a)) 2012
Cash flows from investing activities:			
Purchases of marketable securities and investments in securities	**¥ (2,020)**	¥ (3,097)	**$ (24,577)**
Proceeds from sales of marketable securities and investments in securities	**12,914**	1,064	**157,124**
Purchases of vessels, property and equipment	**(237,282)**	(146,462)	**(2,886,994)**
Proceeds from sales of vessels, property and equipment	**162,898**	92,464	**1,981,969**
Increase in intangible assets	**(848)**	(920)	**(10,318)**
Initiation in long-term loans receivable	**(11,345)**	(3,823)	**(138,034)**
Collection of long-term loans receivable	**6,721**	5,612	**81,774**
Additional acquisitions of shares of consolidated subsidiaries	**(12,414)**	—	**(151,040)**
Other, net	**(1,857)**	1,045	**(22,594)**
Net cash used in investing activities	**(83,233)**	(54,117)	**(1,012,690)**
Cash flows from financing activities:			
Increase (decrease) in short-term loans, net	**564**	(2,703)	**6,862**
Increase (decrease) in commercial paper	**17,000**	(9,000)	**206,838**
Proceeds from long-term loans	**154,476**	56,763	**1,879,499**
Repayment of long-term loans and obligations under finance leases	**(65,898)**	(64,348)	**(801,776)**
Redemption of bonds	**(15,378)**	(2,523)	**(187,103)**
Cash dividends paid	**(4,228)**	(3,086)	**(51,442)**
Cash dividends paid to minority shareholders	**(495)**	(338)	**(6,023)**
Proceeds from stock issuance to minority shareholders	**268**	439	**3,261**
Other, net	**(2)**	(1)	**(25)**
Net cash provided by (used in) financing activities	**86,307**	(24,797)	**1,050,091**
Effect of exchange rate changes on cash and cash equivalents	**(2,811)**	(4,560)	**(34,201)**
Net (decrease) increase in cash and cash equivalents	**(2,646)**	1,428	**(32,194)**
Cash and cash equivalents at beginning of year	**94,430**	92,122	**1,148,923**
Increase in cash and cash equivalents arising from initial consolidation of subsidiaries	**947**	880	**11,523**
Increase in cash and cash equivalents due to merger of subsidiaries	**25**	—	**304**
Cash and cash equivalents at end of year (Note 17)	**¥ 92,756**	¥ 94,430	**$ 1,128,556**

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

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
March 31, 2012

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, 2011 to the 2012 presentation. Such reclassifications had no effect on consolidated net income or net assets.

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at ¥82.19=U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2012. Furthermore, the translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and 288 and 316 subsidiaries for the years ended March 31, 2012 and 2011, respectively. The principles of consolidation are to include significant subsidiaries, whose voting interests are owned 40% 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 had transferred a tax-qualified defined benefit plan to a defined benefit pension plan. Certain overseas consolidated subsidiaries also have employees' defined benefit pension plans.

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

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

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

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

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

(o) Accrued expenses for overhaul of vessels

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

(p) Derivatives and hedging activities

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

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

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

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

(q) Income taxes

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

(r) Distribution of retained earnings

Under the 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

Accounting Standard for Accounting Changes and Error Corrections

Effective April 1, 2011, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan ("ASBJ") Statement No. 24 issued on December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24 issued on December 4, 2009).

3. Marketable Securities and Investments in Securities

At March 31, 2012 and 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		
	2012		
	Carrying value	Estimated fair value	Unrealized gain
Securities whose estimated fair value exceeds their carrying value:			
Government and municipal bonds	¥2	¥2	¥0
Total	¥2	¥2	¥0

	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	¥24,999	¥(1)
Total	¥24,999	¥24,999	¥(1)

	Thousands of U.S. dollars		
	2012		
	Carrying value	Estimated fair value	Unrealized gain
Securities whose estimated fair value exceeds their carrying value:			
Government and municipal bonds	$24	$24	$0
Total	$24	$24	$0

At March 31, 2012 and 2011, marketable securities and investments in securities with quoted market prices classified as other securities are summarized as follows:

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

	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		
	2012		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	$ 19,077	$ 11,461	$ 7,616
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	539,117	632,279	(93,162)
Total	$558,194	$643,740	$(85,546)

Proceeds from sales of investments in securities classified as other securities for the years ended March 31, 2012 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Proceeds from sales	¥16,702	¥860	$203,212
Aggregate gain	3,533	35	42,986
Aggregate loss	(2,598)	(0)	(31,610)

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

Impairment losses are recorded on securities whose fair value has declined by 50% or more, or whose fair value has declined by 30% or more, but less than 50%, if the decline is deemed to be irrecoverable.

The Company has recognized impairment losses on valuation of investments in securities classified as other securities of ¥1,260 million ($15,330 thousand) and ¥9 million for the years ended March 31, 2012 and 2011, respectively.

4. Inventories

Inventories as of March 31, 2012 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Raw materials and supplies	**¥38,303**	¥34,412	**$466,030**
Others	**80**	165	**973**
Total	**¥38,383**	¥34,577	**$467,003**

5. Loss on Impairment of Fixed Assets

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

			Millions of yen	Thousands of U.S. dollars
Asset Description	Usage	Classification	**2012**	**2012**
Assets for oil tanker services	Assets for oil tanker services	Vessels	**¥ 795**	**$ 9,673**
Honmoku distribution center	Logistics business	Building, structures and other	**1,665**	**20,258**
Assets for short sea and coastal business	Assets for sale	Vessels	**888**	**10,804**
Others	Idle assets	Land	**14**	**170**
Total			**¥3,362**	**$40,905**

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, 2012, since profitability of the assets for the oil tanker services and Honmoku distribution center significantly deteriorated, the carrying values were reduced to the respective recoverable amounts and a loss on impairment was recognized. The recoverable amounts were measured by the value in use method based on estimated future cash flows discounted at rates ranging from 3.2% to 4.4% for the year ended March 31, 2012.

Assets for sale had been grouped as business assets. The carrying values of these assets were reduced to the respective recoverable amounts. The recoverable amount was measured at net selling value based on a third party's appraisal.

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

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

6. Goodwill

Goodwill and negative goodwill as of March 31, 2012 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Goodwill	**¥4,477**	¥4,552	**$54,472**
Negative goodwill	**(4)**	(34)	**(49)**
Net	**¥4,473**	¥4,518	**$54,423**

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 0.72 per cent and 0.69 per cent per annum at March 31, 2012 and 2011, respectively.

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

Long-term debt at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Loans from banks and insurance companies due in installments from April 2012 through December 2028 at average interest rates of 1.06 per cent and 1.16 per cent per annum at March 31, 2012 and 2011, respectively	¥468,532	¥379,120	$5,700,595
Euro-yen zero coupon convertible bonds with stock acquisition rights in yen, due April 4, 2013	25,496	25,496	310,208
1.48 per cent bonds in yen, due December 14, 2011	—	15,000	—
1.83 per cent bonds in yen, due April 14, 2014	15,000	15,000	182,504
1.46 per cent bonds in yen, due June 19, 2014	30,000	30,000	365,008
Bonds in yen, interest rate indexed to TIBOR, due July 16, 2019	4,455	4,833	54,204
Total	543,483	469,449	6,612,519
Less: Current portion	(62,747)	(62,017)	(763,438)
	¥480,736	¥407,432	$5,849,081

The Euro-yen zero coupon convertible bonds with stock acquisition rights due 2013 are convertible at ¥851 ($10.35) per share subject to adjustment for certain events including stock splits.

If all of the Euro-yen zero coupon convertible bonds outstanding at March 31, 2012 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, 2012 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 62,747	$ 763,438
2014	90,553	1,101,752
2015	117,661	1,431,573
2016	39,477	480,314
2017	56,266	684,584
2018 and thereafter	176,779	2,150,858
Total	¥ 543,483	$6,612,519

A summary of assets pledged as collateral at March 31, 2012 for short-term loans and the current portion of long-term loans in the amount of ¥30,388 million ($369,729 thousand), long-term loans of ¥267,986 million ($3,260,567 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	¥370,465	$4,507,422
Buildings and structures at net book value	10,360	126,049
Land	4,679	56,929
Investments in securities	4,657	56,661
Other	174	2,118
Total	¥390,335	$4,749,179

Investments in securities of ¥4,657 million ($56,661 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, 2012.

Out of vessels at net book value of ¥370,465 million ($4,507,422 thousand) above, ¥4,916 million ($59,813 thousand) was pledged as collateral for entrusted guarantees.

8. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to a number of taxes based on income, which, in the aggregate, resulted in a statutory tax rate of approximately 37.6 % for the years ended March 31, 2012 and 2011.

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

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.

The tax effects of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at March 31, 2012 and 2011 are analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets:			
Allowance for employees' retirement benefits	¥ 2,615	¥ 2,752	$ 31,817
Loss on impairment of fixed assets	1,350	880	16,425
Elimination of intercompany profit	945	991	11,498
Non-deductible allowances	2,237	2,368	27,217
Accounts and notes payable—trade	4,481	3,495	54,520
Deferred loss on hedges	11,803	18,641	143,606
Loss on devaluation of investments in securities	1,189	1,062	14,466
Unrealized holding loss on investments in securities	2,694	—	32,778
Net operating loss carry forwards	29,671	16,172	361,005
Other	6,022	7,042	73,270
Gross deferred tax assets	63,007	53,403	766,602
Valuation allowance	(2,479)	(2,737)	(30,162)
Total deferred tax assets	60,528	50,666	736,440
Deferred tax liabilities:			
Reserve for special depreciation	(694)	(999)	(8,444)
Deferred gain on tangible fixed assets for tax purposes	(1,468)	(1,818)	(17,861)
Unrealized holding gain on investments in securities	—	(1,463)	—
Accelerated depreciation in overseas subsidiaries	(1,088)	(1,624)	(13,238)
Tax effect of undistributed earnings of overseas subsidiaries and affiliates accounted for by the equity method	(555)	(539)	(6,753)
Other	(2,757)	(1,328)	(33,543)
Total deferred tax liabilities	(6,562)	(7,771)	(79,839)
Net deferred tax assets	¥53,966	¥42,895	$656,601

The "Reform bill for partial revision of income tax law, etc. in response to the changing economic structure" and the "Special measures for secure the funds to realize the restoration of the damages following the Great East Japan Earthquake" were promulgated on December 2, 2011 and statutory tax rates will be changed for the fiscal years beginning on or after April 1, 2012.

The Company and its domestic subsidiaries changed the statutory tax rate used to measure deferred tax assets and liabilities mainly from 37.6% to 34.2% for temporary differences expected to be settled or realized in the fiscal years from April 1, 2012 to March 31, 2015, and mainly from 37.6% to 31.7% for temporary differences expected to be settled or realized in the fiscal years beginning April 1, 2015 and thereafter.

As a result of this change, the net amount of deferred tax assets (net of deferred tax liabilities) decreased by ¥8,214 million ($99,939 thousand), and income taxes - deferred (debit) increased by ¥5,865 million ($71,359 thousand) as of and for the year ended March 31, 2012.

9. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property at March 31, 2012 and 2011, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

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

	Millions of yen			
At March 31,	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 2012			
	Vessels	Equipment	Other	Total
Acquisition costs	$272,697	$ 381,531	$ 21,414	$ 675,642
Accumulated depreciation	(61,358)	(334,907)	(12,946)	(409,211)
Net book value	$211,339	$ 46,624	$ 8,468	$ 266,431

Lease payments related to finance leases accounted for as operating leases and depreciation and interest expense for the years ended March 31, 2012 and 2011 are summarized as follows:

	Millions of yen 2012	2011	Thousands of U.S. dollars 2012
Lease payments	¥4,830	¥5,578	$58,766
Depreciation	4,685	5,414	57,002
Interest expense	628	818	7,641

Future minimum lease payments subsequent to March 31, 2012 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 3,122	$ 37,985
2014 and thereafter	15,382	187,152
Total	¥18,504	$225,137

Future minimum lease payments or receipts subsequent to March 31, 2012 for non-cancellable operating leases are summarized as follows:

(As lessees)

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 20,548	$ 250,006
2014 and thereafter	97,381	1,184,828
Total	¥117,929	$1,434,834

(As lessors)

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥351	$ 4,271
2014 and thereafter	631	7,677
Total	¥982	$11,948

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, 2012 and 2011 for the Company's and its consolidated subsidiaries' defined benefit pension plans:

	Millions of yen 2012	2011	Thousands of U.S. dollars 2012
Retirement benefit obligation*	¥(24,169)	¥(24,596)	$(294,062)
Fair value of pension plan assets	16,608	15,990	202,068
Net unfunded benefit obligation	(7,561)	(8,606)	(91,994)
Unrecognized actuarial differences	642	1,130	7,811
Unrecognized past service cost	336	486	4,088
Net retirement benefit obligation	(6,583)	(6,990)	(80,095)
Prepaid pension cost	943	804	11,473
Allowance for employees' retirement benefits	¥ (7,526)	¥ (7,794)	$ (91,568)

* 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.

The components of retirement benefit expenses for the years ended March 31, 2012 and 2011 are outlined as follows:

	Millions of yen 2012	2011	Thousands of U.S. dollars 2012
Service cost*	¥1,657	¥1,785	$20,161
Interest cost	373	396	4,538
Expected return on pension plan assets	(124)	(145)	(1,509)
Amortization:			
Actuarial differences	185	364	2,251
Past service cost	100	125	1,217
Contribution to defined contribution pension plan	83	80	1,010
Total retirement benefit expenses	¥2,274	¥2,605	$27,668

* Retirement benefit expenses for certain domestic consolidated subsidiaries, whose benefit obligation is calculated based on the amount 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, 2012 and 2011 are as follows:

	2012	2011
Discount rate	Mainly 2.0%	Mainly 2.0%
Expected rates of return on plan assets	Mainly 0.60%	Mainly 0.80%

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, 2012 and 2011 amounted to ¥2,540 million ($30,904 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, 2012 and 2011 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, 2010	22	255	106	187
Vested	—	—	—	—
Exercised	4	16	—	—
Expired	—	—	—	—
Outstanding as of March 31, 2011	18	239	106	187
Vested	**—**	**—**	**—**	**—**
Exercised	**1**	**3**	**—**	**—**
Expired	**—**	**—**	**—**	**—**
Outstanding as of March 31, 2012	**17**	**236**	**106**	**187**

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

The unit price of stock options for each stock option plan of the Company during the years ended March 31, 2012 and 2011 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, 2011	¥156	¥278	¥633	¥693
Average market price per share at exercise during the year ended March 31, 2011	355	348	—	—
Exercise price as of March 31, 2012	**156**	**278**	**633**	**693**
Average market price per share at exercise during the year ended March 31, 2012	**265**	**296**	**—**	**—**

	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, 2012	**$1.90**	**$3.38**	**$7.70**	**$8.43**
Average market price per share at exercise during the year ended March 31, 2012	**3.22**	**3.60**	**—**	**—**

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, 2012 and 2011 are summarized as follows:

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

	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

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, 2012 and 2011, the fair value of land was lower than its carrying value after revaluation by ¥1,510 million ($18,372 thousand) and ¥899 million, respectively.

13. Commitments and Contingent Liabilities

At March 31, 2012, commitments made by the Company and its consolidated subsidiaries for the construction of vessels amounted to ¥164,113 million ($1,996,751 thousand).

Contingent liabilities for guarantees of loans to affiliates and third-party companies, reservation of guarantees mainly for currency swap contracts, and joint indebtedness principally related to co-ownership of vessels as of March 31, 2012 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	**2012**
Guarantee of loans	**¥18,741**	**$228,021**
Reservation of guarantee	**979**	**11,911**
Joint indebtedness	**2,440**	**29,687**
Total	**¥22,160**	**$269,619**

14. Financial Instruments

Status of financial instruments

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

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

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

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

For information on hedge accounting policies of the Group, see 1. Summary of Significant Accounting Policies (p) Derivatives and hedging activities.

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

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

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

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

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

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

Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the consolidated balance sheets as of March 31, 2012 and 2011, the estimated fair value and the difference between them are shown in the following table. The table does not include financial instruments for which it is extremely difficult to determine the fair value.

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

	Millions of yen		
	2011		
	Carrying value	Estimated fair value	Difference
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 debt, exclusive of bonds	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		
	2012		
	Carrying value	Estimated fair value	Difference
Assets			
Cash and deposits	$1,176,518	$1,176,518	$ —
Accounts and notes receivable—trade	947,743	947,743	—
Investments in securities	597,493	568,986	(28,507)
Total assets	$2,721,754	$2,693,247	$(28,507)
Liabilities			
Accounts and notes payable—trade	$ 915,866	$ 915,866	$ —
Short-term loans, inclusive of current portion of long-term loans	876,615	881,470	(4,855)
Bonds	907,324	878,100	29,224
Long-term loans	4,941,757	4,973,329	(31,572)
Total liabilities	$7,641,562	$7,648,765	$ (7,203)
Derivative transactions*	$ (647,013)	$ (655,019)	$ (8,006)

* 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, 2012 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Unlisted investments in securities	¥26,106	¥33,598	$317,630

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, 2012 and 2011 for cash and deposits, accounts and notes receivable—trade and held-to-maturity securities are summarized as follows:

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

	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	—	—
Total	¥177,375	¥2,079	¥ 1	¥—

	Thousands of U.S. dollars			
	2012			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	$1,176,518	$—	$—	$—
Accounts and notes receivable—trade	947,743	—	—	—
Investments in securities				
Held-to-maturity securities :				
(1) Government and municipal bonds	12	12	12	—
(2) Corporate bonds	13,749	—	—	—
Total	$2,138,022	$12	$12	$—

15. Derivatives and Hedging Activities

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

The estimated fair value of the derivatives positions outstanding qualifying for deferral hedge accounting March 31, 2012 and 2011 are summarized as follows:

Currency-related transactions

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

			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	Chartering expense	2,482	2,482	(25)
	Currency options positions				
	Buying-				
	Call : USD	Lease expense, others	272	160	(49)
	Put : USD	Accounts receivable—trade	58	—	(1)
	Selling-				
	Call : USD	Accounts receivable—trade	58	—	2
	Total		¥468,787	¥358,264	¥(64,323)

			Thousands of U.S. dollars		
			2012		
Method of hedge accounting	Transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Deferral hedge	Forward exchange contract				
	Buying:				
	USD	Capital expenditures	**$ 795,413**	**$ 318,396**	**$ (44,568)**
	JPY	Capital expenditures	**70,568**	**—**	**(6,862)**
	EUR	Capital expenditures	**4,161**	**—**	**49**
	AUD	Forecasted foreign currency transactions	**7,397**	**—**	**(0)**
	SGD	Forecasted foreign currency transactions	**34,396**	**—**	**(158)**
	Selling				
	USD	Forecasted foreign currency transactions	**119,613**	**—**	**(2,068)**
	Currency swap				
	Receiving USD, paying JPY	Chartering expense and lease expense	**3,638,326**	**3,323,373**	**(440,626)**
	Receiving USD, paying EUR	Chartering expense	**34,396**	**26,110**	**669**
	Currency options positions				
	Buying-				
	Call : USD	Lease expense, others	**1,947**	**—**	**(366)**
	Put : USD	Accounts receivable—trade	**2,604**	**—**	**37**
	Selling-				
	Call : USD	Accounts receivable—trade	**2,604**	**—**	**(97)**
	Total		**$4,711,425**	**$3,667,879**	**$(493,990)**

Interest-rate related transactions

Method of hedge accounting	Transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
			Millions of yen 2012		
Deferral hedge	Interest rate swap				
	Receive floating / Pay fixed	Long-term loans payable	**¥131,479**	**¥125,801**	**¥(13,200)**
Special treatment for interest rate swaps	Interest rate swap				
	Receive floating / Pay fixed	Long-term loans payable	**17,019**	**15,002**	**(658)**
	Total		**¥148,498**	**¥140,803**	**¥(13,858)**

Method of hedge accounting	Transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
			Millions of yen 2011		
Deferral hedge	Interest rate swap				
	Receive floating / Pay fixed	Long-term loans payable	¥141,921	¥130,050	¥(13,244)
Special treatment for interest rate swaps	Interest rate swap				
	Receive floating / Pay fixed	Long-term loans payable	22,284	17,559	(852)
	Total		¥164,205	¥147,609	¥(14,096)

Method of hedge accounting	Transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
			Thousands of U.S. dollars 2012		
Deferral hedge	Interest rate swap				
	Receive floating / Pay fixed	Long-term loans payable	**$1,599,696**	**$1,530,612**	**$(160,603)**
Special treatment for interest rate swaps	Interest rate swap				
	Receive floating / Pay fixed	Long-term loans payable	**207,069**	**182,528**	**(8,006)**
	Total		**$1,806,765**	**$1,713,140**	**$(168,609)**

Other

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

Method of hedge accounting	Transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
			Thousands of U.S. dollars 2012		
Deferral hedge	Bunker fuel swap	Bunker fuel purchases	**$130,770**	**$1,424**	**$8,249**
	Forward freight agreement	Ocean freight	**9,563**	**—**	**(681)**
	Total		**$140,333**	**$1,424**	**$7,568**

There was no outstanding other derivative position as of March 31, 2011.

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

16. Other Comprehensive Loss

The following table presents reclassification adjustments and tax effect allocated to each component of other comprehensive loss for the year ended March 31, 2012.

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Net unrealized holding loss on investments in securities:		
Amount arising during the year	¥(14,085)	$(171,371)
Reclassification adjustments for losses realized in the statement of operations	1,898	23,093
Amount before tax effect	(12,187)	(148,278)
Tax effect	4,220	51,344
Unrealized holding loss on investments in securities	(7,967)	(96,934)
Deferred loss on hedges:		
Amount arising during the year	7,424	90,327
Reclassification adjustments for losses realized in the statement of operations	3,069	37,340
Adjustments for acquisition costs of vessels due to valuation of hedges	12,458	151,576
Amount before tax effect	22,951	279,243
Tax effect	(6,838)	(83,197)
Deferred loss on hedges	16,113	196,046
Revaluation reserve for land:		
Amount arising during the year	42	511
Translation adjustments:		
Amount arising during the year	(10,053)	(122,314)
Share of other comprehensive loss of affiliates accounted for by the equity method:		
Amount arising during the year	(2,028)	(24,675)
Reclassification adjustments for gains realized in the statement of operations	(623)	(7,580)
Share of other comprehensive loss of affiliates accounted for by the equity method	(2,651)	(32,255)
Other comprehensive loss, net	¥ (4,516)	$ (54,946)

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, 2012 and 2011 are reconciled to cash and deposits reflected in the accompanying consolidated balance sheets as of March 31, 2012 and 2011 as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Cash and deposits	¥96,698	¥74,064	$1,176,518
Time deposits with a maturity of more than three months after the purchase date	(3,942)	(4,631)	(47,962)
Marketable securities with maturities of three months or less	—	24,997	—
Cash and cash equivalents	¥92,756	¥94,430	$1,128,556

18. Amounts per Share

Amounts per share at March 31, 2012 and 2011 and for the years then ended are as follows:

	Yen		U.S. dollars
	2012	2011	2012
Net assets	¥317.59	¥381.87	$ 3.86
Net (loss) income :			
Basic	(54.14)	40.08	(0.66)
Diluted	—	38.41	—
Cash dividends applicable to the year	—	9.50	—

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

Basic net (loss) income per share has been computed based on the net (loss) 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, 2012 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

Segment information for the years ended March 31, 2012 and 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 business, heavy lifter business and short sea and coastal business.

2. Calculation method of reporting segment (loss) income

Reporting segment (loss) income represents ordinary (loss) income, which consists of operating (loss) income and nonoperating income/expenses. Nonoperating income/expenses mainly include interest income, dividend income, interest expense, equity in earnings 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, 2012 and 2011 consisted of the following:

Millions of yen

	Year ended March 31, 2012					
	Containership	Bulk shipping	Other*1	Total	Adjustments and eliminations*2	Consolidated
1. Revenues:						
(1) Operating revenues from customers	¥395,460	¥463,507	¥113,344	¥ 972,311	¥ —	¥ 972,311
(2) Intra-group revenues and transfers	3,608	2,080	43,097	48,785	(48,785)	—
2. Total Revenues	399,068	465,587	156,441	1,021,096	(48,785)	972,311
3. Segment (Loss) Income*3	¥ (41,773)	¥ (8,628)	¥ 6,606	¥ (43,795)	¥ (5,161)	¥ (48,956)
4. Segment Assets	¥160,343	¥735,170	¥159,374	¥1,054,887	¥ 11,762	¥1,066,649
(1) Depreciation and amortization	¥ 5,233	¥ 38,727	¥ 5,218	¥ 49,178	¥ 866	¥ 50,044
(2) Amortization of goodwill	57	3,257	133	3,447	—	3,447
(3) Interest income	427	566	149	1,142	(18)	1,124
(4) Interest expenses	576	8,192	471	9,239	23	9,262
(5) Equity in earnings (loss) of affiliates	338	209	(0)	547	—	547
(6) Investments in affiliates accounted for by the equity method	2,269	2,749	5,135	10,153	—	10,153
(7) Increase in vessels, property and equipment, and intangible assets	25,161	208,980	4,237	238,378	818	239,196

Millions of yen

	Year ended March 31, 2011					
	Containership	Bulk shipping	Other*1	Total	Adjustments and eliminations*4	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 earnings (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, 2012					
	Containership	Bulk shipping	Other*1	Total	Adjustments and eliminations*2	Consolidated
1. Revenues:						
(1) Operating revenues from customers	$4,811,534	$5,639,457	$1,379,049	$11,830,040	$ —	$11,830,040
(2) Intra-group revenues and transfers	43,898	25,307	524,359	593,564	(593,564)	—
2. Total Revenues	4,855,432	5,664,764	1,903,408	12,423,604	(593,564)	11,830,040
3. Segment (Loss) Income*3	$ (508,249)	$ (104,976)	$ 80,374	$ (532,851)	$ (62,793)	$ (595,644)
4. Segment Assets	$1,950,882	$8,944,762	$1,939,093	$12,834,737	$ 143,107	$12,977,844
(1) Depreciation and amortization	$ 63,670	$ 471,189	$ 63,486	$ 598,345	$ 10,537	$ 608,882
(2) Amortization of goodwill	694	39,628	1,617	41,939	—	41,939
(3) Interest income	5,195	6,886	1,814	13,895	(219)	13,676
(4) Interest expenses	7,008	99,671	5,731	112,410	280	112,690
(5) Equity in earnings (loss) of affiliates	4,112	2,543	(0)	6,655	—	6,655
(6) Investments in affiliates accounted for by the equity method	27,607	33,447	62,477	123,531	—	123,531
(7) Increase in vessels, property and equipment, and intangible assets	306,132	2,542,645	51,552	2,900,329	9,952	2,910,281

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

*2 (1) The adjustment and elimination of segment loss of ¥5,161 million ($62,793 thousand) includes the following elements: ¥475 million ($5,779 thousand) of intersegment profit eliminations and ¥4,686 million ($57,014 thousand) of corporate expense, which are not distributed to specific segments.

(2) The adjustment and elimination of segment assets of ¥11,762 million ($143,107 thousand) includes the following elements: ¥67,210 million ($817,739 thousand) of intersegment transaction eliminations and ¥78,972 million ($960,846 thousand) of corporate assets, which are not distributed to specific segments.

(3) The adjustment and elimination of depreciation and amortization of ¥866 million ($10,537 thousand) is depreciation and amortization of assets that belong to the entire group, which are not distributed to specific segments.

(4) The adjustment and elimination of interest income of ¥18 million ($219 thousand) includes the following elements: ¥192 million ($2,336 thousand) of intersegment transaction eliminations and ¥174 million ($2,117 thousand) of interest income, which are not distributed to specific segments.

(5) The adjustment and elimination of interest expenses of ¥23 million ($280 thousand) includes the following elements: ¥192 million ($2,336 thousand) of intersegment transaction eliminations and ¥215 million ($2,616 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 ¥818 million ($9,952 thousand) 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 (loss) income as described in 2. Calculation method of reporting segment (loss) income.

*4 (1) The adjustment and elimination of segment income of ¥3,386 million includes the following elements: ¥134 million of intersegment loss eliminations and ¥3,520 million of corporate expense, which are not distributed to specific segments.

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

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

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

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

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

Revenues by countries or geographical areas for the years ended March 31, 2012 and 2011 are summarized as follows:

	Millions of yen					
	Year ended March 31, 2012					
	Japan	U.S.A.	Europe	Asia	Other	Total
Revenues	¥430,859	¥163,727	¥141,043	¥206,427	¥30,255	¥972,311

	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, 2012					
	Japan	U.S.A.	Europe	Asia	Other	Total
Revenues	$5,242,231	$1,992,055	$1,716,060	$2,511,583	$368,111	$11,830,040

At March 31, 2012 and 2011, vessels, property and equipment by countries or geographical areas are summarized as follows:

	Millions of yen		
	Year ended March 31, 2012		
	Japan	Other	Total
Vessels, property and equipment	¥423,450	¥195,000	¥618,450

	Millions of yen		
	Year ended March 31, 2011		
	Japan	Other	Total
Vessels, property and equipment	¥437,431	¥146,297	¥583,728

	Thousands of U.S. dollars		
	Year ended March 31, 2012		
	Japan	Other	Total
Vessels, property and equipment	$5,152,087	$2,372,551	$7,524,638

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

	Millions of yen				
	Year ended March 31, 2012				
	Containership	Bulk shipping	Other (Note)	Adjustments and eliminations	Total
Loss on impairment of fixed assets	¥ —	¥1,683	¥1,665	¥14	¥3,362

	Thousands of U.S. dollars				
	Year ended March 31, 2012				
	Containership	Bulk shipping	Other (Note)	Adjustments and eliminations	Total
Loss on impairment of fixed assets	$ —	$20,477	$20,258	$170	$40,905

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

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

The amortization and balance of goodwill for the years ended and as of March 31, 2012 and 2011 are as follows:

	Millions of yen				
	Year ended March 31, 2012				
	Containership	Bulk shipping	Other (Note)	Adjustments and eliminations	Total
Amortization for the year	¥ 85	¥3,258	¥134	¥—	¥3,477
Balance at the year end	766	3,694	17	—	4,477

	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, 2012				
	Containership	Bulk shipping	Other (Note)	Adjustments and eliminations	Total
Amortization for the year	$1,034	$39,640	$1,630	$—	$42,304
Balance at the year end	9,320	44,945	207	—	54,472

The amortization and balance of negative goodwill for the year ended and as of March 31, 2012 related to a business combination prior to April 1, 2011 is as follows:

	Millions of yen				
	Year ended March 31, 2012				
	Containership	Bulk shipping	Other (Note)	Adjustments and eliminations	Total
Amortization for the year	**¥29**	**¥1**	**¥—**	**¥—**	**¥30**
Balance at the year end	**—**	**4**	**—**	**—**	**4**

	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, 2012				
	Containership	Bulk shipping	Other (Note)	Adjustments and eliminations	Total
Amortization for the year	**$353**	**$12**	**$—**	**$—**	**$365**
Balance at the year end	**—**	**49**	**—**	**—**	**49**

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

20. Business Combinations

Common control transactions

1. Absorption-type mergers

SAL Heavy Lift GmbH, formerly SAL Schiffahrskontor Altes Land GmbH & CO. KG, was merged with 34 companies including HLL Heavy Lift + Load ANNEGRET GmbH & CO. KG.

(1) Summary of business combination

(i) Name and business description of acquired companies

	Company name	Business description
Surviving company	SAL Heavy Lift GmbH	Heavy lifter business
Acquired companies	HLL Heavy Lift + Load ANNEGRET GmbH & CO. KG and other 15 companies	Vessel holding company
	HLL Heavy Lift + Load ANNEGRET Verwaltung GmbH and other 15 companies	Stock holding company
	SAL Transport GmbH	Logistics business
	SAL Heavy Lift Engineering GmbH	Ship management business

(ii) Dates of combinations

May 31, 2011 : Merger of HLL Heavy Lift + Load ANNEGRET GmbH & CO. KG and other 15 companies (vessel holding company) and HLL Heavy Lift + Load ANNEGRET Verwaltung GmbH and other 15 companies (stock holding company)

June 30, 2011 : Merger of SAL Transport GmbH and SAL Heavy Lift Engineering GmbH

(iii) Legal description of business combinations

Absorption-type mergers in which SAL Heavy Lift GmbH was the surviving company and 34 companies including HLL Heavy Lift + Load ANNEGRET GmbH & CO. KG were the companies absorbed via the merger

(iv) Name of surviving company after business combinations

SAL Heavy Lift GmbH

(v) Main purpose for business combinations

Main purposes for these business combinations were related to the reduction of expenditures by simplifying the acquisition of additional shares and combining administrative functions.

(2) Summary of accounting treatment

The above mergers were treated as transactions under common control pursuant to "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on December 26, 2008), and "Implementation Guidance on Accounting Standard for Business Combinations and Business Divestitures" (ASBJ Guidance No. 10, issued on December 26, 2008).

2. Acquisition of additional shares

Additional shares of SAL Heavy Lift GmbH, SAL Schiffahrtskontor Altes Land Verwaltungsgesellschaft mbH and Neptun Crewing GmbH were acquired.

(1) Summary of business combination

(i) Name and business description of acquired companies

Company name	Business description
SAL Heavy Lift GmbH	Heavy Lifter Business
SAL Schiffahrtskontor Altes Land Verwaltungsgesellschaft mbH	Heavy Lifter Business
Neptun Crewing GmbH	Heavy Lifter Business

(ii) Date of combinations

June 30, 2011

(iii) Legal description of business combinations

Cash payment in exchange for shares

(iv) Names of companies after business combinations

There was no change in names of companies after business combinations

(v) Main purpose and description of the transactions

The Company acquired shares from minority shareholders of above companies for cash. As a result, SAL Heavy Lift GmbH, SAL Schiffahrtskontor Altes Land Verwaltungsgesellschaft mbH and Neptun Crewing GmbH became wholly owned subsidiaries of the Company.

Growth in the heavy lifter business, which was imperative for development of infrastructure, was expected as the global economy recovers. Additionally, synergistic effects among the heavy lifter business, existing offshore support vessel business and drill ship business were expected to be realized. The main purposes for the business combinations were to enhance the heavy lifter business and increase the proportion of business other than the containership business using the collective capability of Kawasaki Kisen Kaisha group by making these companies wholly owned subsidiaries.

(2) Summary of accounting treatment

This business combination was treated as a transaction with minority shareholders pursuant to "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on December 26, 2008), and "Implementation Guidance on Accounting Standard for Business Combinations and Business Divestitures" (ASBJ Guidance No. 10, issued on December 26, 2008).

(3) Summary of acquisition of additional shares of subsidiaries

(i) Acquisition cost of acquired companies

¥12,414 million ($151,040 thousand)

Full amount paid in cash.

(ii) Amount of goodwill

¥2,136 million ($25,989 thousand)

(iii) Reason for goodwill

Goodwill was recognized due to the difference between the acquisition cost and the resulting decrease in minority interests.

(iv) Method and period of amortization

The amount of goodwill has been amortized by the straight-line method over a period of five years.

Ernst & Young ShinNihon LLC

Independent Auditor's Report

The Board of Directors
Kawasaki Kisen Kaisha, Ltd.

We have audited the accompanying consolidated financial statements of Kawasaki Kisen Kaisha, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of operations, comprehensive loss, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kawasaki Kisen Kaisha, Ltd. and consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1(a).

Ernst & Young ShinNihon LLC

June 26, 2012
Osaka, Japan

Outline of the Company (As of March 31, 2012)

Name	Kawasaki Kisen Kaisha, Ltd. ("K" Line)	
Established	April 5, 1919	
Paid-in Capital	¥65,031.56 million	
President	Jiro Asakura	
Employees	On-land Duty	486
	At-sea Duty	178
	Total	664
Business Lines	Marine transportation, Land transportation, Air transportation, Through transportation involving marine, land and air transportation, Harbor transportation, etc.	

Offices

Head Office: Iino Building1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8540, 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) 78-393-2676

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, the Netherlands, Belgium, Italy, Finland, Denmark, Norway, Sweden, Spain, Portugal, Turkey, Canada, U.S.A., Mexico, Chile, Peru, Brazil, South Africa etc.

Affiliated Companies (to be consolidated): 29 (Domestic), 285 (Overseas)

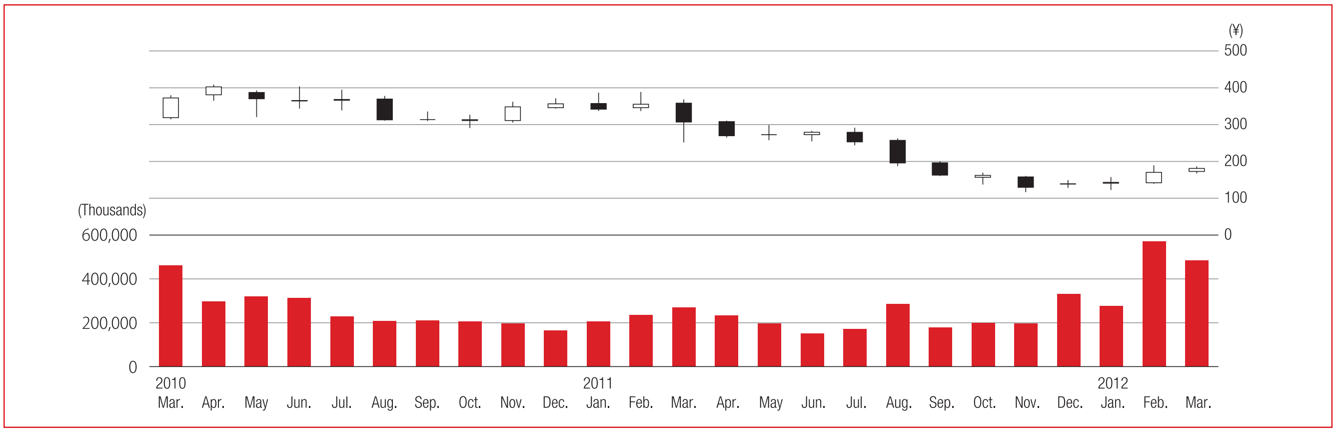
Stock Information (As of March 31, 2012)

Authorized	2,000,000,000 shares of common stock
Issued	765,382,298 shares of common stock
Number of Shareholders	45,092
Shareholder Registry Administrator	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo (Changed to the above on April 1, 2012 attendant on the merger of The Chuo Mitsui Trust & Banking Co., Ltd., The Sumitomo Trust and Banking Co., Ltd., and Chuo Mitsui Asset Trust and Banking Company, Limited)
Listing of Shares	"K" Line's shares are listed for trading on the following stock exchanges: Tokyo, Osaka, Nagoya and Fukuoka (Delisted from the Osaka Securities Exchange effective June 18, 2012)

Principal Shareholders

Shareholders	Number of Shares Held (thousands)	Percentage of Voting Rights (%)
Japan Trustee Services Bank, Ltd. (trust account)	73,709	9.63
The Master Trust Bank of Japan, Ltd. (trust account)	43,087	5.62
Trust & Custody Services Bank, Ltd. (Kawasaki Heavy Industries, Ltd. retirement benefit trust account re-entrusted by Mizuho Trust & Banking Co., Ltd.)	30,000	3.91
JFE Steel Corporation	28,174	3.68
Sompo Japan Insurance Inc.	27,295	3.56
Takashi Kotegawa	24,531	3.20
Chase Manhattan Bank GTS Clients Account Escrow	14,467	1.89
Nippon Life Insurance Company	14,331	1.87
Morgan Stanley & Co. International plc	14,098	1.84
Tokio Marine & Nichido Fire Insurance Co., Ltd.	14,010	1.83

Stock Price Range & Trading Volume (Tokyo Stock Exchange)



KAWASAKI KISEN KAISHA, LTD.

Iino Building, 1-1,
Uchisaiwaicho 2-chome,
Chiyoda-ku, Tokyo 100-8540, Japan
Phone: (+81) 3-3595-5063 (IR & PR Group)
Fax : (+81) 3-3595-5001
http://www.kline.co.jp/en/

E-book Information

Annual Report 2012 is also available in e-book format.

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