FINANCIAL HIGHLIGHTS

Brief report of the Year ended March 31, 2013

Kawasaki Kisen Kaisha, Ltd.

[Two Year Summary]

	Year ended Mar. 31, 2012	**Year ended Mar. 31, 2013**	**Year ended Mar. 31, 2013**
Consolidated			
Operating revenues (Millions of yen / Thousands of U.S. dollars)	¥ 972,310	**¥ 1,134,771**	**$ 12,065,619**
Operating income (loss) (Millions of yen / Thousands of U.S. dollars)	(40,563)	**14,886**	**158,283**
Net income (loss) (Millions of yen / Thousands of U.S. dollars)	(41,351)	**10,669**	**113,444**
Per share of common stock (Yen / U.S. dollars)	(54.14)	**12.07**	**0.13**

	Year ended Mar.31, 2012	**Year ended Mar. 31, 2013**	**Year ended Mar. 31, 2013**
Total Assets (Millions of yen / Thousands of U.S. dollars)	¥ 1,066,648	**¥ 1,180,433**	**$ 12,551,130**
Net assets (Millions of yen / Thousands of U.S. dollars)	259,934	**361,975**	**3,848,758**
Per share of common stock (Yen / U.S. dollars)	317.59	**363.18**	**3.86**

	Year ended Mar. 31, 2012	**Year ended Mar. 31, 2013**	**Year ended Mar. 31, 2013**
Net cash provided by (used in) operating activities (Millions of yen / Thousands of U.S. dollars)	¥ (2,908)	**¥ 59,756**	**$ 635,369**
Net cash used in investing activities (Millions of yen / Thousands of U.S. dollars)	(83,233)	**(27,212)**	**(289,336)**
Net cash provided by financing activities (Millions of yen / Thousands of U.S. dollars)	86,306	**26,364**	**280,323**

The U.S. dollar amounts are converted from the yen amount at ¥94.05=U.S.$1.00.
The exchange rate prevailing on March 31, 2013.

1. Operating Results

(1) Analysis of Operating Results

1) Summary of Consolidated Operating Results for FY2012

(Billion yen; rounded to nearest 100 million)

	Fiscal 2011 (Ended March 31, 2011)	Fiscal 2012 (Ended March 31, 2012)	Change	(% Change)
Operating Revenues	972.3	1,134.8	162.5	(16.7%)
Operating Income(loss)	△40.6	14.9	55.4	(—)
Ordinary Income (loss)	△49.0	28.6	77.5	(—)
Net Income (loss)	△41.4	10.7	52.0	(—)

Exchange Rate(¥/US$) (12-month average)	¥79.06	¥82.33	¥3.27	(4.1%)
Fuel oil price(US$/MT) (12-month average)	$672	$671	△$1	(△0.2%)

During the current consolidated fiscal year (April 1, 2012 to March 31, 2013) the world saw a sluggish economy in Europe due to the prolonged sovereign debt crisis, a mildly recovering economy in the United States despite some uncertainties derived from the fiscal problem, and a decelerating economy in emerging countries including China and India.

In our domestic economy, since late last year, financial performance of companies, mainly of export-oriented manufacturers has been expected to improve and recover prompted by the rapid correction of excessively appreciated Japanese yen, caused by the anticipation toward the monetary easing measures to be rendered by the Bank of Japan.

In the business environment surrounding the shipping industry, despite the lack of any substantial change in the tonnage demand-supply situation, in the containership business, operators achieved improvement in earnings on year-on-year basis because market freight rate recovery advanced, albeit variably due to seasonal factors in spite of unchanged tonnage over-supply. The car carrier business kept positive performance in general while shipment of automobiles on outbound Japanese-European routes decreased. The dry bulk market remained sluggish under strong tonnage supply pressure generated by massive deliveries of newly-constructed vessels and the low tonnage demand stemming from slowing growth of world economy in China and other countries.

In all, the business environment surrounding the shipping industry remained unstable reflecting deteriorating tonnage demand and deceleration of global economic growth, whereas soaring fuel prices calmed down and the correction of excessively appreciated yen in the latter half of the fiscal year.

In this severe business environment, we have made efforts and measures to make our operating profit return to the black and achieve other targets under a new mid-term business management plan called ““K”LINE Vision 100 – Bridge to the Future” started April 2012. As a result, for the current fiscal year the “K” Line Group posted operating revenues of ¥1,134.771 billion (an increase of ¥162.46 billion over a year ago), operating income of ¥14.886 billion (against operating loss of ¥40.563 billion a year ago), ordinary income of ¥28.589 billion (against ordinary loss of ¥48.955 billion a year ago), and net income of ¥10.669 billion (against net loss of ¥41.351 billion a year ago). Our performance substantially improved from a year ago. We successfully turned earnings to the black.

Shown below is the summarized performance per segment:

(Billion yen; rounded to nearest 100 million)

		Fiscal 2011 (Ended March 2012)	Fiscal 2012 (Ended March 2013)	Change (% Change)	
Containership	Operating revenues	468.0	552.8	84.8	(18.1%)
	Segment income (loss)	△38.5	6.6	45.1	(—)
Bulk Shipping	Operating revenues	443.1	502.6	59.5	(13.4%)
	Segment income (loss)	△0.1	24.1	24.2	(—)
Offshore Energy E&P Support and Heavy Lifter	Operating revenue	20.4	35.7	15.3	(74.9%)
	Segment income (loss)	△8.5	△2.4	6.1	(—)
Other	Operating revenue	40.8	43.7	2.9	(7.0%)
	Segment income (loss)	3.3	6.6	3.2	(96.4%)
Adjustments and eliminations	Segment income (loss)	△5.2	△6.3	△1.1	(—)
Total	Operating revenues	972.3	1,134.8	162.5	(16.7%)
	Segment income(loss)	△49.0	28.6	77.5	(—)

Note: We changed segment classifications in the current consolidated fiscal year. Figures shown for “previous fiscal year” in the table above represent figures that correspond to the reclassified segments. For further detail please see Segment Information at the last part of this report.

(1) Containership Business Segment

Containership Business

The number of loaded containers transported during the current fiscal year increased approximately 21% on the routes to/from Asia and North America, and approximately 3% on the routes to/from Asia and Europe a year-on-year basis. Meanwhile we continued downsizing of tonnage in loss-making South-North routes and Inter-Asia routes where we marked a 12% decrease in the number loaded. All in all, the number of loaded containers transported by the entire "K" Line Group increased approximately 3% on year-on-year basis. In the current fiscal year, we have achieved improvement in freight rates for year-on-year basis, albeit some offseason downward adjustments, made possible by our efforts for rate restoration exerted since the beginning of the year. The improvement of our business performance of this sector is also ascribed to our aggressive attempt on the enhancement of unit-wise economy of cargoes by way of deployment of newly-built large energy-efficient containerships in the service, streamlining of service routes including abolition of loss-making ones, enhancement of slow steaming navigation, temporary service reduction in reaction to the lowering tonnage demand in off-season, and implementation of cost-cutting measures.

Logistics Business

International logistics business was supported by the demand from emergency air cargo for the restoration of flood-disrupted supply chains in Thailand. However, the volume of outbound air cargo from Japan decreased as the surged demand started to return to normal.

Domestic logistics business returned to a normal-year volume after post-disaster reconstruction demand calmed down.

Overall, though affected by sluggish domestic demand and the stronger yen, our earnings in logistics business slightly improved over the previous year due in part to the effect of cost reduction.

As a result of the above, the financial performance of our containership business segment marked substantial improvement from a year ago, and subsequently returned to the black.

(2) Bulk Shipping Business Segment

Dry Bulk Business

Throughout the first half of the current fiscal year the Cape-size vessel market stayed stagnant under supply pressure stemming from deliveries of newly-constructed vessels. In the latter half of the year, daily earnings temporarily recovered to upper 10,000 dollars per day in the third quarter owing to seasonal factors but down to a low in the fourth quarter.

Panamax and Handymax market saw steady cargo movements such as grain from South America and coal and nickel from East Asia, but the daily earnings rate remained stagnant amid oversupply of newly-delivered tonnage and the sluggish Cape-size market. Under such worsening market condition in the entire dry bulk sector, the company made efforts for enhancing slow steaming navigation and minimizing cargo-free tonnage throughout the year as well as securing stable source of revenues like mid-/long- term voyage contracts. With these efforts, and the effects of favorable currency translation adjustment derived from our overseas affiliated companies, we have ultimately gained more revenue and increased profit for year-on-year basis.

Car Carrier Business

The current fiscal year saw sluggish shipments of automobiles on outbound Japanese-European routes while shipments on other routes generally continued strong. As a result, the number of automobiles transported by the "K" Line Group increased approximately 1% over the previous fiscal year. As compared with the previous year that was affected by the Great East Japan Earthquake and the Thai floods, profitability improved in the routes for outbound cargoes from Japan and Thailand optimization of efficient operations in Atlantic trade helping us post increased revenues and profits.

LNG Carrier Business and Tanker Business

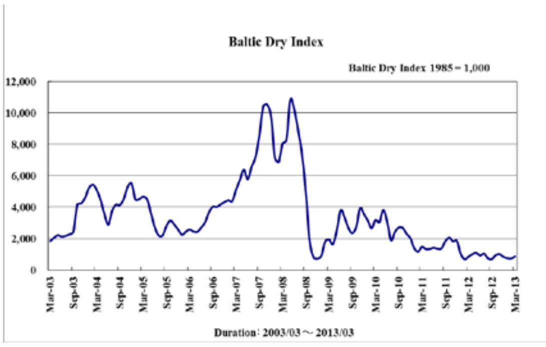
All of the LNG carriers, VLCCs and LPG carriers operated steadily under long- and medium- term contracts. In the sectors of AFRAMAX tankers and product tankers, amid the stagnant market conditions we continued to reduce the number of vessels in operation by redelivery or disposing of vessels, thus mitigating the impact of the stagnant market on our earnings. As a result, the LNG carrier and oil tanker business as a whole posted increased revenues and profits over the previous year.

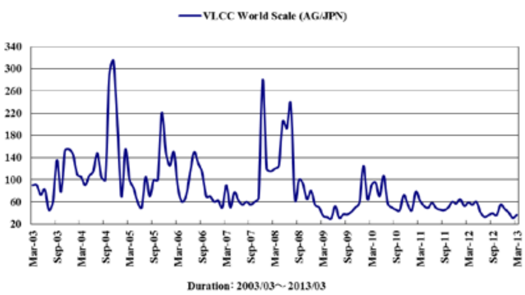
Short Sea and Coastal Business

In short sea transportation of dry bulk cargo we successfully secured steady coal shipments bound for Japan. In timber transportation we carried a greater volume of imported plywood to meet reconstruction demand than in the previous year while our chip transportation suffered from a sluggish market. Our transportation of export steel products also declined from a year ago.

In coastal business, shipper-dedicated limestone and coal carriers provided tramper services on a steady basis. We put into operation a newly-built shipper-dedicated coal carrier for use by an electric power company, while small-sized cargo ships suffered from a stagnant market. In liner business the company deployed a newly-built energy-efficient vessel as replacement of an existing vessel, which helped us to transport a greater volume than a year ago. In ferry business we achieved year-on-year increase in the transportation of passengers, passenger cars and trucks because of the placement of a newly-built vessel in active service and the revision of our timetables.

As the result of the above implemented measures, we had year-on-year increase in both revenues and profits in the bulk shipping business as a whole.





(3) Offshore Energy E&P Support and Heavy Lifter Business Segment

Offshore Energy E&P Support Business

In offshore support vessels business, our seven-vessel fleet was in steady operation. The drill ship worked successfully and contributed to our operating revenues. In offshore E&P support business as a whole, we had increased revenues and profits over the previous year.

Heavy Lifter Business

In heavy lifter business we successfully established a new revenue-earning service by winning the first order for offshore cargo transportation and installation using a ship equipped with a dynamic positioning system. And we achieved more vessel utility for profitable oil & gas project-oriented cargoes. Despite these achievements, sluggish market leads us to post increased loss from the previous year.

As a result, in offshore energy E&P support and heavy lifter business as a whole we booked increased revenue year-on-year and therefore smaller loss.

(4) Other Businesses

In Ooher business, which includes ship management service, travel agency service, and real estate rental and administration service, we could enjoy increased revenues and profits for the current fiscal year as compared with the previous year.

2) Prospects for Fiscal 2013

For the next fiscal year we expect operating revenues of ¥1,160 billion, operating income of ¥31 billion, ordinary income of ¥25 billion, and net income of ¥13 billion.

（Billion yen (rounded to nearest 100 million) / % indicates year-on-year change）

	Operating Revenue		Operating Income		Ordinary Income		Net Income	
Fiscal 2013 (End Mar. 2014)	1,160	2.2%	31	108.2%	25	△12.6%	13	21.8%

(Exchange Rate(¥/US$) : ¥95 / Fuel Oil Price(US$/MT): $620)

In containership business we expect steady cargo movements in Asia-North America routes in view of signs of mild recovery of the U.S. economy including housing market seemingly hitting bottom; and limited improvement in cargo movements on Asia-Europe routes given persisting uncertainties over the European economy. In all, we expect it will be some time before there is full-fledged improvement of supply-demand balance of vessels in this sector. The "K" Line Group will continue prudent business operations including continuous efforts for streamlining service routes on the principle of "selection and concentration", and enhancement of slow steam navigation and cost-cutting measures on a worldwide basis, as well as for freight rate restoration.

In the logistics business we anticipate sluggish demand for Japan outbound air cargo while expecting robust operations in international logistics service, principally in intra-Asia logistics services.

In dry bulk business, despite favorable factors toward tonnage supply-demand balance such as off-peaking of massive deliveries of newly-built ships and progress of vessel demolition/scrapping, we expect continuous stagnant market in the Cape-size sector because cargo movements are not active enough due to uncertainties over financial situation in Europe and elsewhere as well as slowing growth of Chinese economy. The markets of Panamax and Handy-size sectors are also expected to see stagnant activities as we suffer continuous excessive tonnage supply despite increases in vessel requirements to transport grain from South America, coal of U.S.-origin spurred by the progress of shale oil/gas developments in North America. The "K" Line Group will make further efforts to improve profit through efficient vessel allocation and reduction of ship operating costs.

In car carrier business, one of our major concerns toward our business performance is stagnant car sales in Europe and a slowdown in China, India, Russia and in other emerging markets while sales continue strong in North America and Southeast Asia. However, demand for maritime transportation of automobiles is expected to stay strong on a global basis. Regarding Japan's exports of automobiles, which have been on a decreasing trend because Japanese car makers have raised the ratio of their overseas production in reaction to the yen having been excessively appreciated over recent years, we are now closely watching how the progressive correction of the highly-appreciated yen will affect the above trend.

In LNG carrier business, we have carriers operating under medium- to long-term contracts and we expect stable operations. In oil tanker business it will take more time for the market to recover in a full-fledged manner. In this regard, we will have VLCCs and LPG carriers operating under medium- to long-term contracts to secure stable revenues while seeking further profitability on AFRAMAX tankers and product tankers through efficient vessel allocation.

In short sea business, we will keep ourselves engaged in prudent business operations through making adjustments to our tonnage and reducing ship operating costs for enhanced competitiveness.

In coastal business, we will develop new customers while maintaining stable relationships with existing customers for tramper service; and we will consider deployment of newly-built vessels as replacement of existing vessels for a larger volume of cargoes for liner service. As for ferry services, we will work to obtain more cars and passengers by putting into service a newly-built ferry equipped with upgraded facilities for passengers asreplacement of an existing one.

In energy E&P support vessel business we expect continuous contribution to the earnings to by offshore support vessels and drill ships through their stable operations.

In heavy lifter business we will work to enter into areas of profitable offshore cargo transportation and installation as well as participate in large-scale projects of natural resources, energy or petrochemical plants. We expect an improvement in profitability in this business as the amortization expenses relating to the goodwill that we incurred when participating in this business in past years decreases.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

Total assets at the end of March 2013 were ¥1,180.433 billion, an increase of ¥113.785 billion from the end of the previous fiscal year. Current assets increased by ¥73.502 billion from the end of the previous fiscal year, due mainly to increases in cash and deposits. Fixed assets increased by ¥40.283 billion, mainly as a result of an increase in the number of vessels.

Total liabilities at the end of the fiscal year were ¥818.458 billion an ¥11.743 billion increase from the end of the previous fiscal year. Current liabilities increased by ¥37.244 billion from the end of the previous fiscal year, due mainly to increase in short-term loans. Long-term liabilities decreased by ¥25.5 billion from the end of the previous fiscal year primarily because of decrease in bonds and derivative liabilities, despite an increase in long-term debt, less current portion.

Net assets increased by ¥102.041 billion to ¥361.975 billion from the end of the previous fiscal year due mainly to increases in common stock and capital surplus by the issuance of new shares of common stock of the company, deferred loss on hedge, and translation adjustments.

2) Cash Flows, billion yen (rounded to nearest 100 million)

Item	Fiscal 2011 (Ended March 2012)	Fiscal 2012 (Ended March 2013)	Year-on-year increase/(decrease)
Cash and cash equivalents at the beginning of the year	94.4	92.8	△1.7
(1) Cash flows from operating activities	△2.9	59.8	62.7
(2) Cash flows from investing activities	△83.2	△27.2	56.0
(3) Cash flows from financing activities	86.3	26.4	△59.9
(4) Currency translation gain or loss (on cash and cash equivalents)	△2.8	7.4	10.2
Net increase (decrease) in cash and cash equivalents	△2.6	66.3	68.9
Change in cash and cash equivalents as a result of companies newly included in consolidated accounting	0.9	0	△0.9
Change in cash and cash equivalents in conjunction with merger	**0**	-	△0
Cash and cash equivalents at the end of the year	92.8	159.1	66.3

Total cash and cash equivalents at the end of fiscal year 2012 were ¥159.075 billion, a increase of ¥66.319 billion over the end of the previous fiscal year. Details of each cash flow source are as follows:

Cash flows from operating activities were a net inflow of ¥59.756 billion (compared to a net cash outflow of ¥2.908 billion in the previous fiscal year) due mainly to the net income before taxes and other adjustments.

Cash flows from investing activities resulted in a net cash outflow of ¥27.212 billion (compared to a net cash outflow of ¥83.233 billion in the previous fiscal year) mainly as a result of expenditures for the acquisition of vessels.

Cash flows from financing activities resulted in a net cash inflow of ¥26.364 billion (compared to a net cash inflow of ¥86.306 billion in the previous fiscal year) due mainly to income from the issuance of new shares and other debt financing.

Reference: Changes in cash flow-related indicators

	Fiscal Year Ended March 2009	Fiscal Year Ended March 2010	Fiscal Year Ended March 2011	Fiscal Year Ended March 2012	Fiscal Year Ended March 2013
Equity ratio (%)	34.5	29.5	28.2	22.7	28.9
Equity ratio (based on market value) (%)	20.0	27.3	22.7	13.0	15.8
Ratio of debt to cash flow (annual)	5.7	-	5.7	-	10.5
Interest coverage ratio (x)	12.6	-	9.8	-	4.9

*Equity ratio is the shareholders' equity divided by total assets.

Equity ratio (based on market value) is market capitalization divided by total assets.

Ratio of debt to cash flow is interest-bearing debt divided by cash flow.

Interest coverage ratio is cash flow divided by interest expenses.

Notes

1. Indicators are calculated on the basis of consolidated figures.
2. Market capitalization is calculated based on the number of shares outstanding, not including treasury stock.
3. Cash flows above refer to operating cash flows.
4. Interest-bearing debt is the total of all liabilities on the consolidated balance sheet on which interest is paid (including ¥25.5 billion in Euro-Yen Zero Coupon Convertible Bonds). Also, interest expenses include interest paid shown in the consolidated statement of cash flows.
5. The ratio of debt to cash flow and the interest coverage ratio for the fiscal year ended March 2010 and ended March 2012 were omitted since the cash flows from operating activities were negative.

(3) Basic Dividend Policy and Dividend Payments for Fiscal Year 2012 and Following Fiscal Years

Our important task is to maximize returns to our shareholders while giving consideration to our main task of three priorities in our management plan: that is to maintain necessary inner reserves for investment in plant and equipment, for sustainable growth and to improve and strengthen financial position of the company. Our policy is to raise distribution payment ratio gradually with an intermediate target of 30 % of consolidated net profit to be achieved in mid-2010’s.

As for the year-end dividend payment, which we have announced as undecided owing to uncertainties in our net profit being susceptible to foreign exchange rates and share prices, we are pleased to announce that we now plan a year-end dividend of 2.5 yen per share since we have achieved posting 10.7 billion yen as net income through our comprehensive cost- cutting measures and rationalization of our services.

For the annual dividend in the following period, we plan 3.5 yen per share in accordance with above-mentioned policy.

Despite recent signs of improvement in our business environment, there still are uncertainties in trends of shipping market, foreign exchange rates and fuel oil prices. We will continuously work on maintaining sound financial position as our most important management task through enhancement of rationalization of business operations and thorough cost cutting in order to maximize dividend payments.

(4) Business Risks

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

A large percentage of the “K” Line Group’s business earnings come in revenue denominated in U.S. dollars. The revenues when converted to Japanese yen can therefore be negatively affected by fluctuations in exchange rates. The Group works to minimize negative impact 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. 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 significant and sustained rises in fuel oil prices along with decreased supplies can force the “K” Line Group’s business costs upward. 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 shipbuilding and so on. The Group strives to reduce interest-bearing debt to the greatest extent possible by investing its own capital and engaging in off-balance sheet deals such as operating leases, but in a high percentage of cases, still must rely on borrowing from financial institutions. In addition, we are investing in the working capital needed to carry out our business operations.

With regard to capital procurement, we are taking out loans above a certain scale at fixed interest rates and also using interest rate swap (swap into fixed rate) for capital investment in ships and equipment, but the rise in future interest rates has led to an increase in the cost of capital procurement, and this can have a negative impact on the “K” Line Group’s financial situation and operating results.

4. Public Regulations

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 new laws or regulations will be enacted in the future that may 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.

The Group is subject to the regulatory regimes of each country in which it operates, including scrutiny from government and other competition agencies under Japanese, European, U.S. and other foreign competition laws. If, despite the Group's efforts to establish and continuously maintain its internal systems and procedures aimed at preventing breaches of competition regulations in line with regulatory or other developments, any failure to comply with applicable competition laws and regulations were to occur, it could result in investigations, disciplinary actions or prosecution being taken against the Group and/or its employees by the relevant authorities. Any finding of infringement could potentially result in significant monetary fines and could also lead to the Group being precluded from enforcing contractual or other rights and agreements of the Group being rendered void. Further, investigations of alleged anti-competitive behaviour or decisions of competition authorities regarding any alleged infringement of competition laws may lead to civil claims (including class actions in the case of jurisdictions such as the United States) being brought by parties that claim to have been affected by the conduct to which such alleged anti-competitive behaviour relates, alleging that they have suffered related or consequent damages. Any failure or alleged failure by the Group to comply with relevant competition laws and regulations could therefore materially adversely affect the Group's business, reputation, results of operations and financial condition.
The Group is currently being investigated by the Fair Trade Commission of Japan (the "**Japan FTC**") as well as the competition authorities in Europe, the United States and certain other countries, in relation to alleged anti-competitive behaviour (alleged formation of a cartel) relating to the transportation of automobiles, automotive construction machineries and other exports. The Group is currently unable to predict what the eventual outcome of these investigations will be (including whether or not it will be subject to any fines, penalties, damages or other liabilities) or when such investigations and the accompanying processes will be concluded. An adverse outcome of these investigations may materially adversely affect the Group's business, financial condition and results of operations, as well as damage its reputation. There can also be no assurance that the current investigations or any future decisions by competition authorities will not induce private legal actions (including class actions) or other claims against the Group in the future. If the outcome of any such action is unfavourable to the Group, it could materially adversely affect the Group's financial condition and results of operations.

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

The “K” Line Group regards thorough safety in 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 one involving an oil spill, should occur despite these efforts and cause 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 put its crew members 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 Business 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 could 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. 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, but 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, the "K" Line Group looks into the reliability of the other party whenever possible. However, a full or partial breach of a contract can subsequently occur for reasons such as worsening of the business partner's financial position. As a result, the financial position and operating results of the "K" Line Group may be adversely affected.

9. Non-achievement of "K" LINE Medium-Term Management Plan

In April 2012, the "K" Line Group revised the "K" LINE Vision 100—A New Challenge—and adopted "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. Moreover, the Group's financial position and operating results may also be adversely affected if, at the time 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 and Market Value Fluctuations of Securities

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, the Group utilizes market value method to evaluate invested securities bearing market value, which are evaluated at the market value of the last day of each financial term. As a result, the Group's financial position and operating results may be adversely affected in line with the fluctuation of market price of these securities.

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 as well as changes in tax laws such as promulgation of tonnage tax regime in Japan, it cannot be guaranteed that there will be sufficient taxable income in the future, deferred tax assets are reversed and a tax expense incurred. This may adversely affect the “K” Line Group’s financial position and operating results.

Matters referring to the future are determined by the “K” Line Group as of the release date of the financial statements. In addition, the items discussed here do not necessarily represent every risk to the “K” Line Group.

2. Situation of the “K”LINE GROUP

The business segments of the “K” Line Group are Containership Business Segment, Bulk Shipping Business Segment, Offshore Energy E&P Support and Heavy Lifter Business Segment, and Other Businesses.

The main companies that handle these businesses (as of March 31, 2013) are the following:

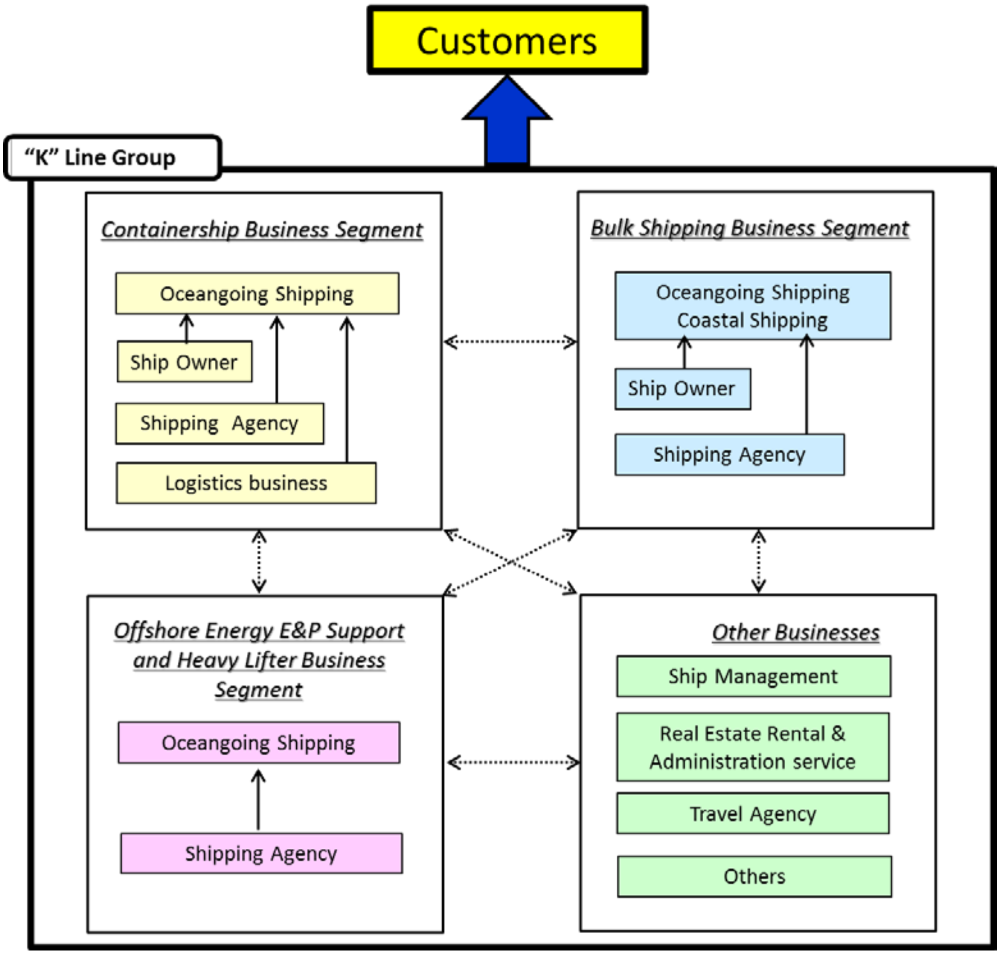
Business Segment	Principal Companies Managing Each Business	
	Domestic	Overseas
I. Containership	Kawasaki Kisen Kaisha, Ltd., Daito Corporation, Nitto Total Logistics, Seagate Corporation, “K” Line (Japan) Ltd., KMDS Co., Ltd, Intermodal Engineering Co., Ltd., Nitto Tugboat Co., Ltd., Hokkai Transportation Co., Ltd., “K” Line Logistics, Ltd., Japan Express Transportation Co., Ltd.	“K” LINE PTE LTD, “K” LINE AMERICA, INC., “K” LINE (KOREA) LTD., KLINE (CHINA) LTD., “K” LINE (HONG KONG) LIMITED, “K” LINE (TAIWAN) LTD., K LINE (THAILAND) LTD., “K” LINE (SINGAPORE) PTE LTD, PT. K LINE INDONESIA, “K” LINE MARITIME (M) SDN BHD, “K” LINE (EUROPE) LIMITED, “K” LINE (Deutschland) GmbH, KAWASAKI (AUSTRALIA) PTY. LTD., “K” Line (Nederland) B. V., “K” LINE (BELGIUM), “K” LINE (France) SAS, “K” LINE (SCANDINAVIA) HOLDING A/S, “K” LINE (PORTUGAL) – AGENTES DE NAVEGAÇÃO, S.A., INTERNATIONAL TRANSPORTATION SERVICE, INC., “K” LINE SHIPPING (SOUTH AFRICA) PTY LTD, “K” LINE (VIETNAM) LIMITED, CENTURY DISTRIBUTION SYSTEMS, INC., JAMES KEMBALL LIMITED, UNIVERSAL LOGISTICS SYSTEMS, INC.
II Bulk Shipping	Kawasaki Kisen Kaisha, Ltd., Kawasaki Kinkai Kisen Kaisha, Ltd., Kobe Pier Co., Ltd.	“K” LINE PTE LTD, “K” LINE BULK SHIPPING (UK) LIMITED, “K” Line European Sea Highway Services GmbH, “K” LINE LNG SHIPPING (UK) LIMITED、
III Offshore Energy E&P Support and Heavy Lifter		“K” LINE DRILLING/OFFSHORE HOLDING,INC., K LINE OFFSHORE AS, “K” LINE HEAVY LIFT (GERMANY) GmbH, SAL Heavy Lift GmbH

IV Other	Kawasaki Kisen Kaisha, Ltd., Daito Corporation, Nitto Total Logistics Ltd., Seagate Corporation, Hokkai Transportation Co., Ltd., Rinko Corporation, “K” Line Ship Management Co., Ltd., Taiyo Nippon Kisen Co., Ltd., Escobal Japan Ltd., Kawaki Kosan Kaisha, Ltd., “K” Line Accounting and Finance Co., Ltd., “K” Line Engineering Co., Ltd., Shinki Corporation, “K” Line Systems, Ltd., “K” Line Travel, Ltd.	“K” LINE NEW YORK, INC., “K” LINE HOLDING (EUROPE) LIMITED, CYGNUS INSURANCE COMPANY LIMITED、

NOTE / Companies without asterisk : Consolidated companies

Mark of *: Affiliated companies (subject to equity method)

The above overall business structure is as follows:



3. Management Policies

(1) Fundamental Company Management Policy

"K" Line Group has established the following Corporate Principles and Vision as a guide based on the fundamental policy that the Group will contribute to global prosperity and peace through its business activities as a shipping business organization.

"K" Line Group 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.

Group Vision

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

(2) Medium- to Long-Term Management Strategy and Goal Indicators for Management

"K" Line Group formulated "K" LINE Vision 100 – Bridge to the Future in April 2012 where we set forth three most prioritized tasks: Generating ordinary income in FY2012, Establishing a stable earnings structure, and Strengthening financial standing. The Group will continue the measures related to the Five Fundamental Tasks having been implemented since April 2008, and the entire Group will work together towards achieving the core theme of "K" Line Vision 100 – Synergy for and sustainable growth.

(Missions and tasks mentioned above are to be refereed in the following section.)

Financial Results of FY2011 and Projections and its Main Financial Indicators for FY2012–2014

Indicators	Unit	FY2012 Projection in "K"Line Vision 100 - Bridge to the Future	FY2012 Result	FY2013 Projection in "K"Line Vision 100 - Bridge to the Future	FY2013 Current Projection	FY2014 Projection in "K"Line Vision 100 - Bridge to the Future
Operating Revenue	(billion yen)	1,120	1,135	1,070	1,160	1,110
Ordinary Income	(billion yen)	12	29	39	25	60
Net Income	(billion yen)	11	11	25	13	42
EBITDA	(billion yen)	100	105	110	84	135
Shareholders' Equity	(billion yen)	260	341	280	360	330
Interest-bearing Debt	(billion yen)	580	630	540	580	490
Operating Cash Flow	(billion yen)	67	60	90	70	113
Investing Cash Flow	(billion yen)	▲ 50	▲ 27	▲ 50	▲ 50	▲ 50
DER	(%)	223%	185%	193%	162%	148%
ROA	(%)	1%	3%	4%	2%	6%
Shareholders' Equity Ratio	(%)	23%	29%	26%	31%	30%
Interest-bearing debt / Operating Cash Flow	(times)	9	11	6	8	4

(3) Tasks for the "K" Line Group to Address

The "K" Line Group set forth three most prioritized tasks in '"K" LINE Vision 100 - Bridge to the Future –', and five fundamental tasks in "K" LINE Vision 100. Detail of these tasks is described below.

a. Three High-Priority Tasks

(1) Returning to Profitability in Fiscal Year 2012

In order to achieve ordinary income in fiscal year 2012, the entire "K" Line Group strived for comprehensive rationalization measures in containership business including reorganization of unprofitable routes, the streamlining of fleet by redelivery and disposition of unprofitable vessels. cost-cutting measures, reduction of operating expense per TEU by utilizing large energy-efficient vessels, and enhancement of slow steam navigations, as well as administration cost-cutting throughout the entire Group. In terms of freight rates, we have achieved restoration in containership sector but suffered low earnings due to stagnant market in dry bulk and tanker sectors. Despite these severe market situations, however, we ultimately posted 28.6 billion yen for ordinary income and achieved one of the three tasks, through our effort to reduce unprofitable tonnages as well as effect of correction of excessively-appreciated yen.

(2) Establishing Stable Earnings Structures

The Group will undertake the following measures to establish structures that can generate stable earnings even under volatile business environment.

a. Structural reform in the containership business

We will undertake continuous structural reforms in containership business as per below:

- Reorganize service routes, utilizing state-of-the-art, energy-efficient large containerships to lower operating expenses per TEU.
- Rationalization of unprofitable service routes, streamline the fleet by returning and disposing of uneconomical vessels.
- Cost-cutting measures by reduction of fuel oil consumption through slow steaming, and utmost efforts throughout our global network.

b. Reinforcement of Dry bulk and Car carrier businesses as resources for stable earnings

- In Dry bulk business, maintain existing medium- and long-term contracts with customers in Japan and overseas, and target new medium- and long-term contracts with overseas customers, in particular, in emerging economies to enhance the resource of stable earnings.
- In the Car carrier business, we will reorganize service routes in response to changes in trade patterns which have been changing by the overseas shift of production bases and increases in demand in Chinese and other Asian markets, in addition to the dominant trade for Complete Built-Up (CBU) units exported from Japan, We will also reinforce handling of non-self-propelled sectors as a new core business.
- In Energy transportation and other segments, heavy lifter business and logistics business segments are focused on as growing sectors to generate stable earnings as well.

(3) Strengthening of Financial Standing

Starting in fiscal 2012, the “K” Line Group’s investment cash flow will be targeted to be capped at ¥50 billion maximum to secure stable free cash flow, and reduce interest-bearing debt to strengthen the Group’s financial base. Our past investment policy focusing on expansion of business scale has been reviewed; and future investment will be made in carefully selected areas having relatively stable and/or higher profitability.

b. Five Fundamental Tasks

(1) Activities to promote Environmental Protection

We are striving to help prevent further global warming by reducing our CO_2 emissions to the greatest extent possible. To accomplish this, we are implementing measures related to tangible aspects, such as adopting energy-efficient systems for vessel operations, onshore cargo loading and unloading and land transportation as well as effectively re-using energy generated; and also implementing measures related to intangible elements such as rigorously implementing appropriate navigational speed. We are doing our utmost to assist the effort to create a global environment with clean oceans and air, which is indispensable for all human beings and other forms of life on Earth.

In the “K” LINE Vision 100 management plan adopted in April 2008, the Group set a target of reducing carbon dioxide emissions by 10% by the mid-2010s compared to 2006 on a transport ton-mile basis* and took measures to achieve the target, which was achieved in fiscal year 2011. Accordingly, we set a new target for carbon dioxide emission reduction of 10% by 2019 compared to 2011 on a transport ton-mile basis to mark the 100th anniversary of “K” Line in 2019.

* Transport ton-mile basis is a standard based on transporting 1 ton of freight 1 nautical mile (1,852 meters).

(2) Reliable Management Structures for Safe Ship Operations

We are ensuring safety in navigation and improving the quality of all our vessels in operation by enhancing the KL Safety Standard, which is a management system based on global standards that also incorporates “K” Line’s own distinctive know-how, and also improving the KL Quality guidelines vessel inspections. In addition, we are endeavoring to improve safety management systems and strengthen onshore support structures through such measures as establishment of the KL Safety Network for promoting the sharing of information throughout the Group. We are focusing on reliable management systems for ensuring safe ship operations through efforts to hire and train seafarers by maintaining systems to recruit them from overseas sources, enhancing the “K” Line Maritime Academy's education and training, enhancing our seafarer training system and offering them an attractive workplace.

(3) Borderless Management Through the Best and Strongest Organization

As globalization of the “K” Line Group’s business activities accelerates, we need to conduct borderless management by sharing the “K” Line Standards within the different business activities and corporate cultures throughout the world. “K” Line is endeavoring to increase the overall strength of the Group’s companies by promoting collaboration and personnel exchanges between Group companies. At the same time, by strengthening the training of globally-capable personnel and promoting continual work restructuring, we are striving to dramatically improve the labor productivity that sustains our international competitiveness. In addition, we are aiming to create dynamic and fulfilling working environments for Group employees around the world by sharing our corporate vision, clarifying roles, placing the right personnel in the right jobs and treating employees fairly. Through these efforts, we are striving to improve our cost competitiveness and technological development capacity, and provide high-quality services, and thereby retain and strengthen our competitive edge in the shipping industry.

(4) Strategic Investment and Proper Allocation of Management Resources

Strengthening the Group’s financial standing is a high-priority task in the recently-adopted ““K” LINE Vision 100: Bridge to the Future” management plan and future investment will be made in carefully selected areas with stable and high earnings. In the Dry bulk business, investment will be focused on newly-designed energy-efficient vessels. Investment shall be made in relation with achievement of medium or long-term contracts. In Car carrier business, we will enhance vessel's lineup so as to be suitable to accommodate non-self-propelled cargoes. In the Energy transportation business, investment will be determined on a case–by-case basis through careful assessments of its profitability.

(5) Improvement of Corporate Value and Complete Risk Management

Through business expansion emphasizing profitability and capital efficiency, we are aiming to achieve sustainable growth built on a stable earnings base. At the same time, we are implementing complete risk management by clarifying various potential risks (in areas such as markets, currency exchange, human resources, safety, the environment and natural disasters) in the process of expansion, examining preventive measures against such risks, and rapidly responding to any risk that becomes apparent. We are looking to increase management soundness and improve corporate value along our path to sustained growth, based on a stable earnings base, through complete self-management of non-balance-sheet risks in addition to ensuring financial soundness.

4. Matters Relating to Summary Information

Changes in Accounting Policies, Accounting Estimates and Retrospective Restatement

Changes in Accounting Estimates

(Change of Service Lives)

Following the adoption of the Medium-Term Management Plan (of which fiscal 2012 is the first year) during the 1st Quarter of the this fiscal year, we reviewed our policies concerning vessel use as part of our investigation of fleet upgrade plans, taking into consideration the vessel use results, newly acquired upgrade results, and the outlook for vessel supply and demand. As a result of that review, it was determined that long-term use beyond the service lives previously employed can be expected for containerships, pure car carriers (PCCs), and oil tankers. Accordingly, the service lives of containerships and PCCs were increased from 15 years to 20 years, and the service lives of oil tankers were increased from 13 years to 20 years.

Further, dry bulk carriers entered repair docks during the 1st Quarter of this fiscal year for the first time under the new ballast tank paint standards adopted by the International Maritime Organization, and we received information corroborating the improved anti-corrosion performance. As a result, we determined that use for periods longer than the service lives applied in the past can be expected, and the service lives of vessels subject to the Performance Standard for Protective Coatings (PSPC) were increased from 15 to 20 years.

As a result, operating income, ordinary income and net income before income taxes and minority interests were increased by 7,360 million yen respectively, in this fiscal year, compared to under the prior method.

Changes in Accounting Policies

(Changes in Accounting Policies that are Difficult to Distinguish from Changes in Accounting Estimates)

Effective from the 1st Quarter of this fiscal year, the Company and its domestic subsidiaries changed the depreciation method for the relevant tangible assets newly acquired from April 1, 2012 according to the amendment of Corporation Tax Act in Japan.

The impact of this change on the consolidated quarterly financial statements is immaterial.

Consolidated Financial Statements

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2013 and 2012

(Millions of Yen/Thousands of U.S.Dollars)

	Year ended Mar. 31, 2012	Year ended Mar. 31, 2013	Year ended Mar. 31, 2013
ASSETS			
Current assets :			
Cash and deposits	¥ 96,698	¥ 162,126	$ 1,723,838
Accounts and notes receivable-trade	77,894	86,883	923,804
Short-term loans receivable	7,022	1,961	20,852
Marketable securities	1	0	8
Raw material and supply	38,303	42,690	453,912
Prepaid expenses and deferred charges	36,758	41,090	436,900
Deferred income taxes	4,988	3,067	32,618
Other current assets	19,744	17,387	184,878
Allowance for doubtful receivables	(666)	(962)	(10,238)
Total current assets	280,744	354,246	3,766,572
Fixed assets :			
(Tangible fixed assets)			
Vessels	473,552	560,474	5,959,322
Buildings and structures	24,262	23,675	251,731
Machinery and vehicles	6,467	7,202	76,583
Land	29,825	28,202	299,864
Construction in progress	78,797	39,291	417,777
Other tangible fixed assets	5,545	4,204	44,709
Total tangible fixed assets	618,449	663,051	7,049,986
(Intangible fixed assets)			
Goodwill	4,473	674	7,172
Other intangible fixed assets	5,479	5,223	55,542
Total intangible fixed assets	9,952	5,898	62,714
(Investments and other long-term assets)			
Investments in securities	75,214	87,118	926,303
Long-term loans receivable	15,066	16,711	177,687
Deferred income taxes	51,869	26,970	286,764
Other long-term assets	15,843	26,769	284,636
Allowance for doubtful receivables	(491)	(332)	(3,530)
Total investments and other long-term assets	157,501	157,238	1,671,859
Total fixed assets	785,904	826,187	8,784,558
Total assets	¥ 1,066,648	¥ 1,180,433	$ 12,551,130

Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2013 and 2012

(Millions of Yen/Thousands of U.S.Dollars)

	Year ended Mar. 31, 2012	Year ended Mar. 31, 2013	Year ended Mar. 31, 2013
LIABILITIES			
Current liabilities :			
Accounts and notes payable-trade	¥ 75,275	¥ 82,606	$ 878,330
Short-term loans and current portion of long-term debt	72,049	96,578	1,026,885
Commercial paper	17,000	-	-
Accrued income taxes	2,661	1,990	21,160
Accrued allowance	1,560	2,314	24,613
Allowance for directors' and corporate auditors' retirement benefits	171	71	763
Other current liabilities	55,610	78,010	829,462
Total current liabilities	224,328	261,573	2,781,214
Long-term liabilities :			
Bonds	74,573	48,699	517,799
Long-term debt, less current portion	406,162	428,869	4,560,019
Lease obligation	13,428	23,190	246,580
Deferred income taxes on land revaluation	2,590	2,590	27,546
Allowance for employees’ retirement benefits	7,525	7,300	77,620
Allowance for directors' and corporate auditors' retirement benefits	1,952	1,578	16,783
Accrued expenses for overhaul of vessels	17,555	16,483	175,263
Derivative liabilities	52,181	18,914	201,116
Other long-term liabilities	6,416	9,257	98,432
Total long-term liabilities	582,385	556,884	5,921,158
Total liabilities	806,714	818,458	8,702,373
NET ASSETS			
Shareholder's equity:			
Common stock	65,031	75,457	802,314
Capital surplus	49,892	60,315	641,311
Retained earnings	212,850	223,287	2,374,136
Less treasury stock, at cost	(904)	(904)	(9,617)
Total shareholders’ equity	326,870	358,155	3,808,145
Accumulated other comprehensive income (loss) :			
Net unrealized holding gain (loss) on investments in securities	(6,036)	2,475	26,325
Deferred loss on hedges	(41,596)	(8,104)	(86,168)
Revaluation reserve for land	2,297	2,350	24,991
Translation adjustments	(38,962)	(14,306)	(152,119)
Total accumulated other comprehensive loss, net	(84,297)	(17,584)	(186,971)
Minority interests in consolidated subsidiaries	17,361	21,404	227,584
Total net assets	259,934	361,975	3,848,758
Total liabilities and net assets	¥ 1,066,648	¥ 1,180,433	$ 12,551,130

Consolidated Statements of Income

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2013 and 2012

(Millions of Yen/Thousands of U.S.Dollars)

	Year ended Mar. 31 2012	Year ended Mar. 31, 2013	Year ended Mar. 31, 2013
Marine transportation and other operating revenues	¥ 972,310	¥ 1,134,771	$ 12,065,619
Marine transportation and other operating expenses	946,863	1,039,218	11,049,641
Gross income	25,447	95,552	1,015,978
Selling, general and administrative expenses	66,010	80,666	857,695
Operating income (loss)	(40,563)	14,886	158,283
Non-operating income :			
Interest income	1,123	1,159	12,331
Dividend income	2,954	3,353	35,658
Equity in earnings of affiliated companies	546	2,381	25,327
Exchange gain	-	18,644	198,237
Other non-operating income	1,955	2,124	22,590
Total non-operating income	6,581	27,664	294,143
Non-operating expenses :			
Interest expenses	9,261	12,262	130,382
Exchange loss	5,228	-	-
Other non-operating expenses	482	1,699	18,065
Total non-operating expenses	14,973	13,961	148,447
Ordinary income (loss)	(48,955)	28,589	303,979
Extraordinary profits :			
Gain on sales of fixed assets	4,612	13,684	145,502
Gain on exchange of shares	6,344	-	-
Other extraordinary profits	4,627	2,602	27,667
Total extraordinary profits	15,584	16,286	173,170
Extraordinary losses :			
Loss on impairment of fixed assets	3,362	2,565	27,277
Loss from revaluation of investment securities	2,517	7,249	77,080
Loss on change of ship building contracts	1,937	-	-
Loss on cancellation of ship building contracts	3,754	-	-
Other extraordinary losses	4,195	2,194	23,328
Total extraordinary losses	15,767	12,008	127,685
Income (loss) before income taxes	(49,138)	32,867	349,464
Income taxes :			
Current	5,123	7,585	80,651
Prior years	(1,053)	-	-
Deferred	(13,432)	11,902	126,553
Total income taxes	(9,362)	19,487	207,203
Net income (loss) before minority interests	(39,776)	13,379	142,260
Minority interests	1,575	2,710	28,816
Net income (loss)	¥ (41,351)	¥ 10,669	$ 113,444

Consolidated Statements of Comprehensive Income

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2013 and 2012

(Millions of Yen/Thousands of U.S.Dollars)

	Year ended Mar. 31, 2012	Year ended Mar. 31, 2013	Year ended Mar. 31, 2013
Income (loss) before minority interests	¥ (39,776)	¥ 13,379	$ 142,260
Other comprehensive income (loss):			
Net unrealized holding gain (loss) on investments in securities	(7,966)	8,498	90,357
Deferred income on hedges	16,112	33,642	357,706
Revaluation reserve for land	42	-	-
Translation adjustments	(10,053)	25,954	275,967
Share of other comprehensive income (loss) of subsidiaries and affiliates accounted for by the equity method	(2,650)	484	5,154
Total other comprehensive income (loss)	(4,515)	68,579	729,183
Comprehensive income (loss)	¥ (44,291)	¥ 81,959	$ 871,444
(Breakdown)			
Comprehensive income (loss) attributable to :			
Shareholders of Kawasaki Kisen Kaisha, Ltd.	¥ (45,221)	¥ 77,380	$ 822,764
Minority interests	929	4,578	48,680

Consolidated Statements of Shareholders' Equity

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2013 and 2012

(Millions of Yen/Thousands of U.S.Dollars)

	Year ended Mar.31, 2012	Year ended Mar.31, 2013	Year ended Mar.31, 2013
Shareholders' equity			
Common stock			
Balance at beginning of year	¥ 65,031	¥ 65,031	$ 691,457
Change in the item during the year			
Issuance of new shares	-	10,426	110,857
Net changes during the year	-	10,426	110,857
Balance at end of year	65,031	75,457	802,314
Additional paid-in capital			
Balance at beginning of year	49,892	49,892	530,489
Change in the item during the year			
Issuance of new shares	-	10,426	110,857
Disposal of treasury stocks	-	(3)	(35)
Net changes during the year	-	10,422	110,822
Balance at end of year	49,892	60,315	641,311
Retained earnings			
Balance at beginning of year	258,075	212,850	2,263,159
Change in the item during the year			
Cash dividends	(4,202)	-	-
Net Income (loss)	(41,351)	10,669	113,444
Disposal of treasury stocks	(2)	-	-
Reversal of the revaluation reserve for land	-	(1)	(13)
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other	330	(230)	(2,454)
Net changes during the year	(45,225)	10,437	110,977
Balance at end of year	212,850	223,287	2,374,136
Treasury stock, at cost			
Balance at beginning of year	(903)	(904)	(9,612)
Change in the item during the year			
Purchase of treasury stocks	(4)	(4)	(50)
Disposal of treasury stocks	4	4	45
Net changes during the year	(0)	(0)	(5)
Balance at end of year	(904)	(904)	(9,617)
Total of shareholders' equity			
Balance at beginning of year	372,095	326,870	3,475,494
Change in the item during the year			
Issuance of new shares	-	20,852	221,714
Cash dividends	(4,202)	-	-
Net Income (loss)	(41,351)	10,669	113,444
Purchase of treasury stocks	(4)	(4)	(50)
Disposal of treasury stocks	1	0	10
Reversal of the revaluation reserve for land	-	(1)	(13)
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other	330	(230)	(2,454)
Net changes during the year	(45,225)	31,285	332,651
Balance at end of year	¥ 326,870	¥ 358,155	$ 3,808,145

Consolidated Statements of Shareholders' Equity

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2013 and 2012

(Millions of Yen/Thousands of U.S.Dollars)

	Year ended Mar.31, 2012	**Year ended Mar.31, 2013**	**Year ended Mar.31, 2013**
Accumulated other comprehensive income (loss)			
Net unrealized holding gain (loss) on investments in securities			
Balance at beginning of year	¥ 1,955	**¥ (6,036)**	**$ (64,186)**
Change in the item during the year			
Net changes in the item other than shareholders' equity	(7,991)	**8,512**	**90,511**
Net changes during the year	(7,991)	**8,512**	**90,511**
Balance at end of year	(6,036)	**2,475**	**26,325**
Deferred gain (loss) on hedges			
Balance at beginning of year	(55,305)	**(41,596)**	**(442,278)**
Change in the item during the year			
Net changes in the item other than shareholders' equity	13,709	**33,492**	**356,110**
Net changes during the year	13,709	**33,492**	**356,110**
Balance at end of year	(41,596)	**(8,104)**	**(86,168)**
Revaluation reserve for land			
Balance at beginning of year	2,077	**2,297**	**24,432**
Change in the item during the year			
Net changes in the item other than shareholders' equity	220	**52**	**558**
Net changes during the year	220	**52**	**558**
Balance at end of year	2,297	**2,350**	**24,991**
Translation adjustments			
Balance at beginning of year	(29,153)	**(38,962)**	**(414,272)**
Change in the item during the year			
Net changes in the item other than shareholders' equity	(9,808)	**24,655**	**262,153**
Net changes during the year	(9,808)	**24,655**	**262,153**
Balance at end of year	(38,962)	**(14,306)**	**(152,119)**
Total accumulated other comprehensive income (loss)			
Balance at beginning of year	(80,426)	**(84,297)**	**(896,304)**
Change in the item during the year			
Net changes in the item other than shareholders' equity	(3,870)	**66,712**	**709,333**
Net changes during the year	(3,870)	**66,712**	**709,333**
Balance at end of year	(84,297)	**(17,584)**	**(186,971)**
Minority interests in consolidated subsidiaries			
Balance at beginning of year	23,316	**17,361**	**184,600**
Change in the item during the year			
Net changes in the item other than shareholders' equity	(5,955)	**4,042**	**42,985**
Net changes during the year	(5,955)	**4,042**	**42,985**
Balance at end of year	17,361	**21,404**	**227,584**
Total net assets			
Balance at beginning of year	314,986	**259,934**	**2,763,789**
Change in the item during the year			
Issuance of new shares	-	**20,852**	**221,714**
Cash dividends	(4,202)	**-**	**-**
Net income (loss)	(41,351)	**10,669**	**113,444**
Purchase of treasury stocks	(4)	**(4)**	**(50)**
Disposal of treasury stocks	1	**0**	**10**
Reversal of revaluation reserve for land	-	**(1)**	**(13)**
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other	330	**(230)**	**(2,454)**
Net changes in the item other than shareholders' equity	(9,826)	**70,755**	**752,318**
Net changes during the year	(55,051)	**102,041**	**1,084,969**
Balance at end of year	¥ 259,934	**¥ 361,975**	**$ 3,848,758**

Consolidated Statements of Cash Flows

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2013 and 2012

(Millions of Yen / Thousands of U.S.Dollars)

	Year ended Mar. 31, 2012	Year ended Mar. 31, 2013	Year ended Mar. 31, 2013
Cash flows from operating activities :			
Income (loss) before income taxes and minority interests	¥ (49,138)	¥ 32,867	$ 349,464
Depreciation and amortization	50,044	59,667	634,423
Loss on impairment of fixed assets	3,362	2,565	27,277
Reversal of employees' retirement benefits	(254)	(154)	(1,647)
Reversal of directors' and corporate auditors' retirement benefits	(20)	(392)	(4,172)
Decrease in accrued expenses for overhaul of vessels	(105)	(1,312)	(13,956)
Exchange (gain) loss	2,585	(12,350)	(131,315)
Interest and dividend income	(4,078)	(4,513)	(47,989)
Interest expense	9,261	12,262	130,382
Loss on change of ship building contracts	1,937	-	-
Loss on cancellations of ship building contracts	3,754	-	-
Gain on sales of vessels, property and equipment	(4,569)	(13,647)	(145,113)
Loss on revaluation of marketable securities and investments in securities	2,517	7,249	77,080
Gain on exchange of shares	(6,344)	-	-
Increase in accounts and notes receivable – trade	(3,281)	(4,290)	(45,620)
Increase in inventories	(3,935)	(3,687)	(39,208)
Increase in other current assets	(1,913)	(3,083)	(32,788)
Increase (decrease) in accounts and notes payable – trade	(950)	3,511	37,333
(Decrease) increase in other current liabilities	6,209	(873)	(9,287)
Other, net	2,489	3,431	36,489
Subtotal	7,570	77,248	821,353
Interest and dividends received	4,071	5,282	56,170
Interest paid	(9,429)	(12,277)	(130,538)
Income taxes paid	(5,757)	(8,419)	(89,523)
Income taxes refunded	636	-	-
Other, net	-	(2,077)	(22,093)
Net cash provided by (used in) operating activities	(2,908)	59,756	635,369
Cash flows from investing activities :			
Purchases of marketable securities and investments in securities	(2,020)	(3,797)	(40,381)
Proceeds from sale of marketable securities and investments in securities	12,913	6,972	74,135
Purchases of vessels, property and equipment	(237,281)	(132,288)	(1,406,579)
Proceeds from sale of vessels, property and equipment	162,898	97,068	1,032,100
Purchases of intangible fixed assets	(848)	(1,034)	(10,998)
Increase in long-term loans receivable	(11,344)	(1,792)	(19,056)
Collection of long-term loans receivable	6,720	5,997	63,764
Payment for acquisition of shares in consolidated subsidiaries	(12,414)	-	-
Other, net	(1,856)	1,662	17,678
Net cash used in investing activities	(83,233)	(27,212)	(289,336)
Cash flows from financing activities :			
(Decrease) increase in short-term loans, net	563	(1,283)	(13,644)
(Decrease) increase in commercial paper	17,000	(17,000)	(180,755)
Proceeds from long-term debt	154,476	119,357	1,269,086
Repayment of long-term debt and obligations under finance leases	(65,897)	(94,516)	(1,004,962)
Redemption of Bonds	(15,378)	(378)	(4,019)
Issuance of shares	-	20,852	221,715
Cash dividends paid	(4,228)	(2)	(28)
Cash dividends paid to minority shareholders	(494)	(696)	(7,410)
Proceeds from stock issuance to minority shareholders	268	32	345
Other, net	(2)	(0)	(4)
Net cash provided by financing activities	86,306	26,364	280,323
Effect of exchange rate changes on cash and cash equivalents	(2,810)	7,386	78,537
Net increase (decrease) in cash and cash equivalents	(2,646)	66,295	704,894
Cash and cash equivalents at beginning of the period	94,429	92,756	986,246
Increase in cash and cash equivalents arising from inclusion of subsidiaries in consolidation	947	23	253
Increase in cash and cash equivalents resulting from merger	25	-	-
Cash and cash equivalents at end of the period	¥ 92,756	¥ 159,075	$ 1,691,392

Segment information

Following the adoption of the Medium-Term Management Plan of which fiscal 2012 is the first year, the logistics business included in the “Other” segment until last fiscal year was consolidated with the containership business as of the 1st Quarter of this fiscal year. In addition, the energy transportation business, offshore support vessel business, and heavy lifter business which were included in bulk shipping business formed an independent reporting segment, Offshore E&P Support and Heavy Lifter business. As a result, the previous two segments—the containership business and bulk shipping business—were divided into three separate segments: containership business, bulk shipping business, and offshore energy E&P Support and Heavy Lifter business.

Information concerning operating revenues and profits or losses for the fiscal year 2012 and 2011 in each of these reporting segments reflecting these changes are as follows.

Year ended March 31, 2012

(Millions of yen)

	Containership	Bulk shipping	Offshore Energy E&P Support and Heavy Lifter	Other	Total	Adjustments and eliminations	Consolidated
Revenues							
Operating Revenues from customers	¥ 467,982	¥ 443,086	¥ 20,420	¥ 40,820	¥ 972,310	¥ -	¥ 972,310
Inter-group revenues and transfers	9,936	2,079	-	36,497	48,513	(48,513)	-
Total revenues	477,919	445,166	20,420	77,317	1,020,823	(48,513)	972,310
Segment (loss) income	¥ (38,510)	¥ (95)	¥ (8,532)	¥ 3,342	¥ (43,795)	¥ (5,160)	¥ (48,955)
Segment assets	¥ 221,024	¥ 631,194	¥ 103,975	¥ 98,668	¥ 1,054,863	¥ 11,784	¥ 1,066,648
Depreciation and amortization	¥ 7,878	¥ 34,050	¥ 4,677	¥ 2,572	¥ 49,178	¥ 865	¥ 50,044
Amortization of goodwill	188	0	3,257	0	3,446	-	3,446
Interest income	455	553	12	117	1,139	(15)	1,123
Interest expenses	774	5,816	2,375	270	9,236	25	9,261
Equity in earning (loss) of affiliates	517	208	-	(179)	546	-	546
Investments in affiliates accounted for by the equity method	4,047	2,749	-	3,355	10,152	-	10,152
Increase in vessels, property and equipment, and intangible assets	26,803	172,016	36,963	2,595	238,378	818	239,196

Year ended March 31, 2013

(Millions of yen)

	Containership	Bulk shipping	Offshore Energy E&P Support and Heavy Lifter	Other	Total	Adjustments and eliminations	Consolidated
Revenues							
Operating Revenues from customers	¥ 552,810	¥ 502,571	¥ 35,711	¥ 43,678	¥ 1,134,771	¥ -	¥ 1,134,771
Inter-group revenues and transfers	9,290	2,692	-	46,962	58,945	(58,945)	-
Total revenues	562,100	505,263	35,711	90,641	1,193,716	(58,945)	1,134,771
Segment income (loss)	¥ 6,630	¥ 24,064	¥ (2,422)	¥ 6,566	¥ 34,839	¥ (6,250)	¥ 28,589
Segment assets	¥ 259,227	¥ 708,783	¥ 116,094	¥ 107,429	¥ 1,191,535	¥ (11,101)	¥ 1,180,433
Depreciation and amortization	¥ 9,283	¥ 38,952	¥ 7,944	¥ 2,609	¥ 58,789	¥ 878	¥ 59,667
Amortization of goodwill	265	-	2,360	-	2,626	-	2,626
Interest income	752	561	12	200	1,526	(367)	1,159
Interest expenses	1,214	7,060	3,605	397	12,278	(16)	12,262
Equity in earning of affiliates	1,065	661	503	151	2,381	-	2,381
Investments in affiliates accounted for by the equity method	5,668	6,093	3,639	3,634	19,036	-	19,036
Increase in vessels, property and equipment, and intangible assets	29,446	101,956	276	2,438	134,117	437	134,554

Year ended March 31, 2013

(Thousands of U.S. dollars)

	Containership	Bulk shipping	Offshore Energy E&P Support and Heavy Lifter	Other	Total	Adjustments and eliminations	Consolidated
Revenues							
Operating Revenues from customers	$ 5,877,834	$ 5,343,660	$ 379,709	$ 464,416	$ 12,065,619	$ -	$ 12,065,619
Inter-group revenues and transfers	98,782	28,623	-	499,338	626,743	(626,743)	-
Total revenues	5,976,616	5,372,283	379,709	963,754	12,692,362	(626,743)	12,065,619
Segment income (loss)	$ 70,500	$ 255,874	$ (25,753)	$ 69,818	$ 370,439	$ (66,459)	$ 303,979
Segment assets	$ 2,756,277	$ 7,536,246	$ 1,234,395	$ 1,142,256	$ 12,669,174	$ (118,044)	$ 12,551,130
Depreciation and amortization	$ 98,704	$ 414,166	$ 84,470	$ 27,745	$ 625,084	$ 9,339	$ 634,423
Amortization of goodwill	2,828	-	25,102	-	27,930	-	27,930
Interest income	7,999	5,971	138	2,127	16,235	(3,904)	12,331
Interest expenses	12,918	75,073	38,340	4,223	130,554	(172)	130,382
Equity in earning of affiliates	11,324	7,031	5,358	1,613	25,327	-	25,327
Investments in affiliates accounted for by the equity method	60,276	64,792	38,695	38,647	202,411	-	202,411
Increase in vessels, property and equipment, and intangible assets	313,090	1,084,065	2,943	25,923	1,426,021	4,652	1,430,673