FINANCIAL HIGHLIGHTS

Brief report of the Year ended March 31,2011.

Kawasaki Kisen Kaisha, Ltd.

[Two Year Summary]

	Year ended Mar.31, 2010	**Year ended Mar.31, 2011**	**Year ended Mar.31, 2011**
Consolidated			
Operating revenues (Millions of yen / Thousands of U.S. dollars)	¥ 838,032	**¥ 985,084**	**$ 11,847,080**
Operating income (loss) (Millions of yen / Thousands of U.S. dollars)	(52,074)	**58,609**	**704,869**
Net income (loss) (Millions of yen / Thousands of U.S. dollars)	(68,721)	**30,603**	**368,051**
Per share of common stock (Yen / U.S. dollars)	(106.24)	**40.08**	**0.48**

	Year ended Mar.31, 2010	**Year ended Mar.31, 2011**	**Year ended Mar.31, 2011**
Total Assets (Millions of yen / Thousands of U.S. dollars)	¥ 1,043,884	**¥ 1,032,505**	**$ 12,417,383**
Net assets (Millions of yen / Thousands of U.S. dollars)	331,864	**314,986**	**3,788,168**
Per share of common stock (Yen / U.S. dollars)	403.53	**381.87**	**4.59**

	Year ended Mar.31, 2010	**Year ended Mar.31, 2011**	**Year ended Mar.31, 2011**
Net cash provided by (used in) operating activities (Millions of yen / Thousands of U.S. dollars)	¥ (23,940)	**¥ 84,901**	**$ 1,021,069**
Net cash used in investing activities (Millions of yen / Thousands of U.S. dollars)	(63,737)	**(54,116)**	**(650,831)**
Net cash (used in) provided by financing activities (Millions of yen / Thousands of U.S. dollars)	109,410	**(24,796)**	**(298,218)**

The U.S. dollar amounts are converted from the yen amount at ¥83.15=U.S.$1.00.
The exchange rate prevailing on March 31, 2011

1. Operating Results

(1) Analysis of Operating Results

1) Summary of Consolidated Operating Results for FY2010

During the 2010 consolidated fiscal year (April 1, 2010 through March 31, 2011), developed countries overall including those in North America and Europe experienced moderate recoveries. In contrast, emerging countries such as India and China posted firm economic growth. In the United States, economic indicators including consumer spending and capital investment have improved since the implementation of a monetary easing policy in August of 2010, and its economy continues to recover at a moderate pace. In Europe, too, monetary easing was implemented because of concerns about credit risks resulting from serious fiscal problems in some countries, but no prominent adverse impact was seen in the real economy, and the European economy as a whole continued to recover. Looking to the Japanese economy, although there was a temporary increase in domestic demand and recovery of exports due to economic stimulus measures, the yen continued to increase in value because of the monetary easing in the U.S. and Europe, and economic conditions took a rapid turn for the worse, particularly among export companies.

In the marine transportation business environment, the containership business saw a strong recovery in cargo movements, particularly outward cargo from Asia. Although there were some adverse developments in freight rates because of seasonal factors, the increase in shipping capacity supply slowed because of eco-friendly slow steaming by various shipping companies, was and there was some recovery in rates. In the dry bulk carrier segment, demand for chartered vessels, particularly small and middle-size vessels, remained firm as a result of strong demand for iron ore and grains in China and India. Cargo movements of completely built-up cars experienced a moderate recovery, particularly in demand to emerging countries.

Pursuant to the “K” LINE Vision 100 KV2010, the newly revised medium-term management plan announced in January of 2010, the “K” Line Group continued its concerted efforts to effect a restoration of freight charges in the containership segment and to reduce costs through eco-friendly slow steaming and other initiatives. As a result, consolidated operating revenues for the 2010 fiscal year were ¥985.084 billion, an increase of ¥147.052 billion over the previous year; operating income was ¥58.609 billion, compared to a loss of ¥52.074 billion in the previous year; ordinary income was

¥47.350 billion, compared to a loss of ¥66.272 billion in the previous year; and consolidated net income was ¥30.603 billion, compared to a net loss of ¥68.721 billion in the previous year. Thus, revenues and income were up substantially compared with the previous year.

Below is a summary of the activities in each business segment.

(1) Containership Business Segment

Containership business

As the business environment became increasingly uncertain in the wake of the collapse of Lehman Brothers, shipping capacity briefly declined, and cautious business management continued. On routes from Asia to North America (eastbound trade), shipping capacity was constrained, and as a result, the “K” Line Group’s number of loaded containers declined by 2% from the previous year. There was also some impact from the decline in cargo movement from North America to Asia beginning in the 2nd Quarter, resulting in a 14% year-on-year drop, while the number of loaded containers on North American services fell by 6% overall. Over the course of the year, cargo movements on European service routes recovered strongly, and the number of loaded containers from Asia to Northern Europe and the Mediterranean Sea rose 13% over the previous year. The number of loaded containers shipped from Northern Europe and the Mediterranean Sea to Asia was up 1%, while the European service routes grew 8% overall. The number of loaded containers on the South/North service and the Inter-Asia service was up 2% over the previous year, and as a result, the “K” Line Group’s number of loaded containers overall remained at the previous year’s level. The restoration of freight charges continued, and consequently, freight rate levels substantially improved over the previous year. Although there were some factors that had an adverse impact on earnings including rising fuel oil prices and the high value of the yen, the number of loaded containers was maximized by making full use of shipping capacity and equipment, the rationalization of ship assignments was conducted with those of other shipping companies, and various cost-cutting measures were implemented, resulting in higher revenues than the previous year and a return to profitability.

As a result of the above, the containership business segment reported operating revenues of ¥444.971 billion yen, operating income of ¥29.632 billion yen, and ordinary income of ¥29.005 billion yen.

(2) Bulk Shipping Business Segment

Dry bulk business

In dry bulk carrier transportation, although there were none of the major fluctuations in the market seen in the previous year, China's imports of iron ore on large vessels were down from the previous year and shipping capacity supply pressures increased as a result of the completion of nearly 200 newbuildings during the year, pushing the market down starting in the 3rd Quarter. The market for small and middle-size vessels remained strong, supported by brisk imports of coal and grain by China, India, and other emerging countries. "K" Line worked to implement efficient ship operations and reduce operating costs, and revenues and income were up from the same period in the previous year through the 3rd Quarter. Despite some sluggishness in the market in the 4th Quarter resulting from flooding damage in eastern Australia, the segment posted higher revenues and earnings for the year.

Car carrier business

In the car carrier business, global cargo movements of completely built-up cars recovered moderately during the current fiscal year and were up approximately 38% over the previous year, when cargo movements were greatly affected by the economic downturn. High resource prices pushed cargo movements to resource-producing countries in South America and Africa higher, while cargo movements from North America and Europe to China, which is undergoing remarkable economic growth, further increased. In contrast, however, the rising value of the yen meant that cargo movements from Japan to North America and Australia were relatively weak. The revenue environment was affected by high fuel prices, and conditions remained adverse, however efforts to cut costs including rationalization of ship operations and the extensive use of eco-friendly slow steaming were successful, and consequently, revenues and income increased from the previous year.

Energy transportation and tanker business

Long-term transportation contracts for LNG carriers were favorable. With respect to the spot fleet, the market for chartered vessels recovered beginning in the second half, which together with the conclusion of medium-term charter agreements, contributed to enhanced revenues. In addition, one aged carrier was sold in conjunction with the expiration of an agreement. In the oil tanker sector, VLCC under transportation contracts operated favorably, generating stable earnings. Shipping capacity of medium-size crude oil carriers and petroleum products tankers exceeded transport demand, pushing the rate market below expectations. Three newly constructed offshore support vessels also entered service.
Revenues in the energy and transportation tanker business as a whole were flat from the previous year, but a smaller loss was reported.

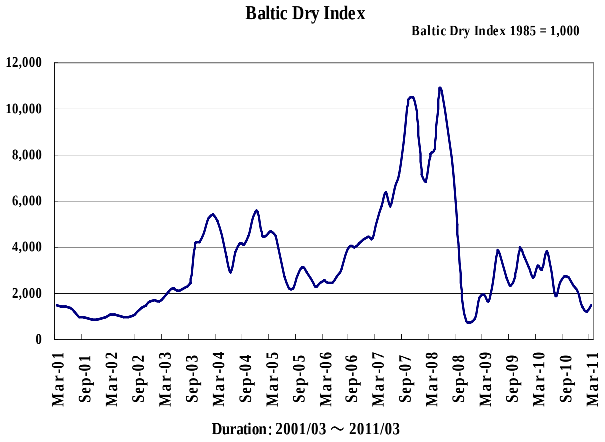
Heavy Lifter Business

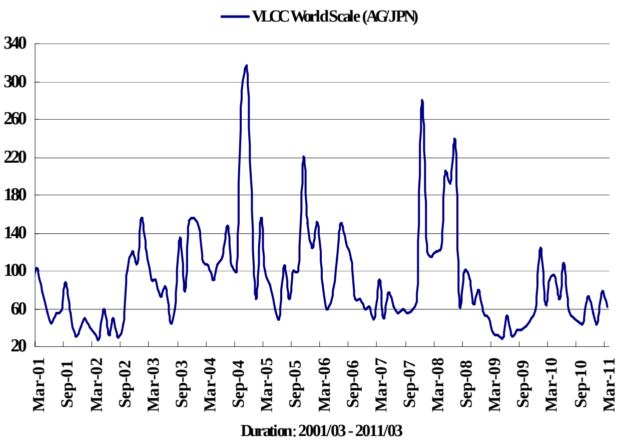
Cargo movements in the heavy lifter business, which had been stagnant following the collapse of Lehman Brothers, showed signs of recovery, and rate levels appear to have bottomed out, although they remain at low levels. As a result, the heavy lifter business reported lower revenues and income compared to the previous year.

Coastal and Ferry Business

In the costal tramp service, the transport volume for limestone carriers and small cargo carriers remained stable as a result of a moderate market recovery. In the regular Japanese domestic route businesses, efforts were made to acquire new freight on various services, although fuel oil prices remained at high levels and the effects of the Eastern Japan Earthquake pushed the number of voyages down, which had an adverse impact on earnings. In the ferry route business, freight volumes remained strong starting in the beginning of the year, but stormy weather and the earthquake in the second half caused an increase in non-operating days, and transport volumes declined from the previous year.

As a result of the above developments, operating revenues in the bulk shipping business segment were ¥447.111 billion, operating income was ¥28.480 billion, and ordinary income was ¥16.991 billion.





(3) Other Business

Logistics & Harbor Transportation Business

The logistics and harbor transportation business reported higher revenues and income compared to the previous year, supported by higher earnings in the warehouse and port transport services business. Results in the air freight forwarding business significantly outperformed the industry growth rate due to freight originating in Japan, but there was no progress in shifting the increases in air freight rates to the market. In the buyers consolidation business, earnings improved in conjunction with the moderate economic improvement in the U.S. The container land transportation business did not contribute significantly to earnings.

As a result, other businesses including logistics and harbor transportation reported operating revenues of ¥93.002 billion, operating income of ¥5.193 billion, and ordinary income of ¥4.739 billion.

2) Prospects for Fiscal 2011

In fiscal 2011, the “K” Line Group expects operating revenues of ¥1090.0 billion, operating income of ¥6.0 billion, ordinary income of ¥3.0 billion, and net income of ¥2.0 billion.

In the containership business, although the global economy is still recovering due to financial instability in Europe coupled with sluggish housing sales and slow improvement in employment in the United States, cargo movements will recover somewhat during the busy summer period, and it is expected that the supply and demand will tighten. “K” Line will continue to rationalize services to meet shipping demand and strengthen its efforts to restore rate levels and cut costs, however sluggishness in the short-term contract freight market since the beginning of the year and high fuel oil prices are expected to result in higher revenues but lower income. At this time, it is expected that the effects of the Eastern Japan Earthquake will be limited, but circumstances such as trends relating to harm caused by rumors require continued vigilance.

In the bulk shipping business segment, although a large number of newbuildings will be completed in the dry bulk business, cargo volumes are expected to increase only slightly, and consequently, the imbalance between supply and demand in shipping capacity is likely to increase, leading to unfavorable business conditions. However, the mechanisms for balancing supply and demand including solid freight shipping demand to China and India and ongoing scrapping of aged vessels, particularly large vessels, are expected to come into play, and the market is likely to recover gradually. “K” Line will endeavor to generate stable earnings through special-purpose vessels including steel raw material and thermal coal carriers and contracts of affreightment, and will implement active measures to develop new revenue sources including new projects in high-growth markets such as India.

In the car carrier business, cargo movements from Japan were greatly affected by the Eastern Japan Earthquake, and it is difficult to predict future cargo movements. “K” Line will work to reduce costs arising from an excess of detained and idle vessels and will make appropriate responses to recovery in cargo movements. The earnings environment is expected to be extremely harsh in the next fiscal year, but cargo movements of completely built-up cars on a global level and to China and India in particular are expected to grow over the medium to long term. “K” Line will work to expand its service network so that it can rapidly respond to the diversification of trade routes, actively research new vessels, and improve earnings.

In the energy transportation and tanker business, LNG carriers under long-term transportation contracts will maintain stable operation, and medium-term charter contracts for the spot fleet will continue from the previous year. New transport demand will be handled by introducing aged carriers following the expiration of long-term contracts. Completion of newly built tankers will increase pressure on shipping capacity supply, and the market is expected to remain at the same level as in the previous year. With respect to VLCCs, existing long-term contracts will be maintained and renewed, and new business from overseas customers will be developed to maintain and expand a stable earnings base. The customer base for petroleum products tankers will be expanded and measures taken to efficiently operate vessels and cut costs. Through these measures, “K” Line will improve its profitability.

In the heavy lifter business, the freight market is improving as a result of higher cargo movements relating to energy and offshore operations in conjunction with the global economic recovery. State-of-the art vessels completed last year with large cranes boasting a lifting capacity of 2,000 tons will serve to distinguish “K” Line from other companies and contribute to stable earnings.

In the coastal and ferry business, the main services originating from Hachinohe Port and Ibaraki Port (Hitachinaka District and Hitachi District) were rendered unusable by the Eastern Japan Earthquake with the exception of some areas, but we are responding by using alternative ports and aim to restore the original services as quickly as possible in conjunction with port restoration. The “K” Line Group is working to expand transport volumes on regular services between Hokkaido, Kanto, and Kyushu. In the ferry business, the Company will maintain the current four-vessel structure and actively undertake activities (safety in navigation) to maintain transport volumes. The Company will improve the service through operation of newly built alternative vessels starting in April 2012 and will reinforce cargo and passenger marketing.

The bulk shipping business as a whole is expected to report higher revenues but lower income.

In other businesses, the American general logistics company in which “K” Line invested in June of 2010 is expected to contribute to higher revenues and income in the logistics and harbor transportation segment.

Next year, the marine transportation business environment will be largely unpredictable because of the effects of the Grate East Japan Earthquake, exchange rates, and fuel oil price developments, but “K” Line will make concerted group-wide efforts to improve earnings through increased efficiency in ship operations and cost cutting measures. Foreign exchange rate and fuel oil price assumptions for the next fiscal year are ¥85 per $1 and a bunker price of US$650 per metric ton.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

Total assets at the end of March 2011 were ¥1,032.505 billion, a decrease of ¥11.379 billion from the end of the previous fiscal year. Current assets rose by ¥1.519 billion from the end of the previous fiscal year mainly as a result of increases in marketable securities. Fixed assets decreased by ¥12.898 billion from the end of the previous fiscal year due primarily to decreases in the market prices of shareholdings and a decline in goodwill as a result of depreciation.

Total liabilities at the end of the fiscal year were ¥717.519 billion, a ¥5.499 billion increase from the end of the previous fiscal year. Current liabilities increased by ¥12.757 billion due mainly to an increase in trade accounts payable. Long-term liabilities decreased by ¥7.258 billion from the end of the previous fiscal year primarily because of decreases in bonds and long-term debt, less the current portion.

Net assets fell by ¥16.878 billion to ¥314.986 billion from the end of the previous fiscal year due mainly to a decrease in deferred gain on hedges despite an increase in retained earnings from net income.

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

Item	Fiscal 2009 (Ended March 2010)	Fiscal 2010 (Ended March 2011)	Year-on-Year Change
Cash and cash equivalents at the beginning of the period	69.7	92.1	22.4
(1) Cash flows from operating activities	-23.9	84.9	108.8
(2) Cash flows from investing activities	-63.7	-54.1	9.6
(3) Cash flows from financing activities	109.4	-24.8	-134.2
(4) Currency translation gain or loss (on cash and cash equivalents)	0.5	-4.6	-5.1
Net increase (decrease) in cash and cash equivalents	22.3	1.4	-20.8
Change in cash and cash equivalents as a result of companies newly included in consolidated accounting	0.1	0.9	0.7
Cash and cash equivalents at the end of the period	92.1	94.4	2.3

Total cash and cash equivalents at the end of the current fiscal year were ¥94.429 billion, an increase of ¥2.307 billion over the end of the previous fiscal year. Details of each cash flow source are as follows.

Cash flows from operating activities were an inflow of ¥84.901 billion (compared to a net cash outflow of ¥23.940 billion in the previous fiscal year) due mainly to net income before income taxes.

Cash flows from investing activities resulted in a net cash outflow of ¥54.116 billion (compared to a net cash outflow of ¥63.737 billion in the previous fiscal year) mainly as a result of expenditure for the acquisition of vessels.

Cash flows from financing activities resulted in a net cash outflow of ¥24.796 billion (compared to a net cash outflow of ¥109.410 billion in the previous fiscal year) due mainly to expenditure for the repayment of loans.

Reference: Changes in cash flow-related indicators

	Fiscal Year Ended March 2007	Fiscal Year Ended March 2008	Fiscal Year Ended March 2009	Fiscal Year Ended March 2010	Fiscal Year Ended March 2011
Equity ratio (%)	38.3	36.7	34.5	29.5	28.2
Equity ratio (market capitalization) (%)	76.9	63.7	20.0	27.3	22.7
Ratio of debt to cash flow (annual)	4.9	2.3	5.7	—	5.7
Interest coverage ratio	16.0	27.7	12.6	—	9.8

*The equity ratio is the shareholders' equity divided by total assets.
The equity ratio (market capitalization) is market capitalization divided by total assets.
The ratio of debt to cash flow is interest-bearing debt divided by cash flow.
The 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 in the 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 ¥25.4 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 were omitted since the cash flows from operating activities were negative.

(3) Basic Dividend Policy and Dividend Payments for the Current and Following Fiscal Years

Our most important task is to maximize the return to shareholders while giving due consideration to the key issues of the management plan, which are to maintain the reserves necessary for capital investment to achieve sustained growth and improve and strengthen the Group’s fundamentals. Our policy is to increase the dividend payout ratio as a percentage of consolidated net income by 1% annually with the ultimate target of reaching 30%. In fiscal 2010 (the fiscal year ended March 2011), the dividend payout ratio was 24% as planned. Because of the decline in earnings in the 4th Quarter, however, the annual dividend will be reduced from the 10 yen announced earlier by 0.5 yen to 9.5 yen (including the 4-yen interim dividend paid earlier).

The dividend for the next fiscal year is undecided at this time because of the extreme uncertainty in the business environment, although the Company will keep in mind the target of a 25% dividend payout ratio. Further notice will be provided at such time as the Company determines that a forecast can be made, taking into account the forecasts for the year and the Company’s overall financial status.

Amidst an adverse and unpredictable marine transport market, the business environment makes forecasting exchange rates and bunker prices difficult, but the Group has made maintaining financial soundness its highest priority and will rationalize operation and cut costs while making maximum efforts to secure distributable income.

(4) Business Risks

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, also 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 US 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 US 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, also political conditions and fluctuations in oil production performance in producing countries. Such factors are extremely difficult to predict. The Group utilizes futures contracts in order to mitigate the impact of unstable elements on its bottom line, but remarkable and sustained rises in fuel oil prices along with decreased supplies can force the “K” Line Group's business costs upwards. This would have a negative impact on the Group's financial situation and operating results.

3. Interest Rate Fluctuations

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

4. Public Regulation

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

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

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

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

6. Competitive Environment, etc.

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

In the highly competitive environment of the containership sector, the Group is striving to maintain and improve the competitiveness of its services by participating in alliances

with foreign marine transportation companies. However, factors over which the “K” Line Group has no control, such as other companies deciding on their own to end alliances, could have a negative impact on the Group's marketing activities, financial situation and operating results.
Matters referring to the future are as judged by the “K” Line Group as of the end of March 2009. In addition, the items discussed here do not necessarily represent every risk to the “K” Line Group.

7. Natural Disasters

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

8. Business Partners’ Failure to Perform Contracts

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

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

In April 2011, the “K” Line Group revised the KV2010 Medium-Term Management Plan and adopted the “K” LINE Vision 100 - New Challenges - . Going forward, the Group will make every effort to carry out the Medium-Term Management Plan. Nonetheless, it is possible that the measures for carrying out the Medium-Term Management Plan will be affected by the various external factors discussed above and the group may not be able to achieve the goals of that plan.

10. Non-achievement of Investment Plans

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

11. Losses from Disposal of Vessels, etc.

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

12. Fixed Asset Impairment Losses

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

13. Reversal of Deferred Tax Assets

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

Matters referring to the future are as judged by the “K” Line Group at the date of this publication.

In addition, the items discussed here do not necessarily represent every risk to the “K” Line Group.

2. Situation of the “K” Line Group

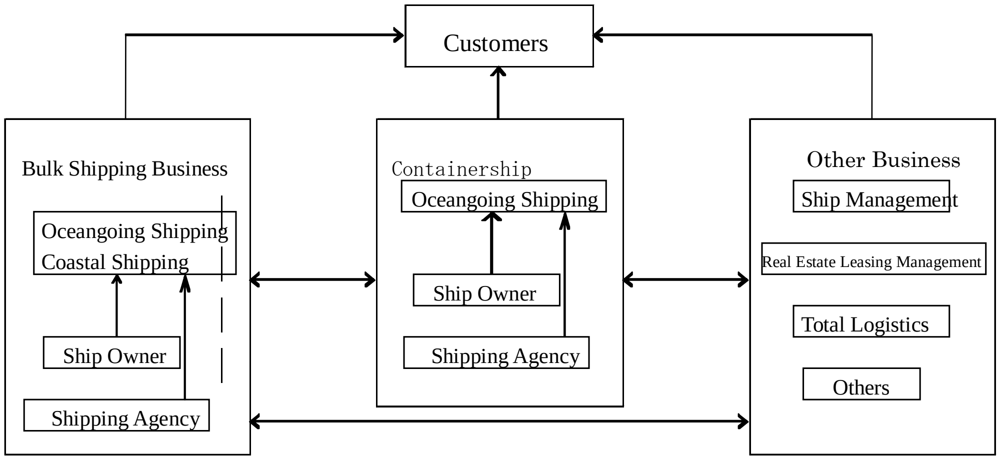
The business segments of the “K” Line Group are Containership Business Segment, Bulk Shipping Business Segment and Other Business based on the new standard by management approach.
The main companies that handle these businesses (as of March 31, 2011) are the following:

Business Segment	Principal Companies Managing Each Business	
	Domestic	Overseas
Containership Business	Kawasaki Kisen Kaisha, Ltd., Daito Corporation, Nitto Total Logistics Ltd., Seagate Corporation, “K” Line (Japan) Ltd., KMDS Co., Ltd., Intermodal Engineering Co., Ltd., Tokyo Kokusai Koun Kaisha, Ltd.,	“K” LINE PTE LTD, “K” LINE AMERICA, INC., K LINE MEXICO SA DE CV, “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, “K” Line (Nederland) B. V., “K” LINE (BELGIUM), “K” LINE (France) SAS, “K” LINE (FINLAND) OY, “K” LINE (SCANDINAVIA) HOLDING A/S, K LINE (NORWAY) AS, K Line (Sweden) AB, “K” LINE (PORTUGAL) – AGENTES DE NAVEGAÇÃO, S.A., KAWASAKI (AUSTRALIA) PTY. LTD., INTERNATIONAL TRANSPORTATION SERVICE, INC., KLB2124 SHIPPING S.A., KLB3205 SHIPPING S.A.,

Bulk Shipping Business	Kawasaki Kisen Kaisha, Ltd., Kawasaki Kinkai Kisen Kaisha, Ltd., Asahi 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 OFFSHORE AS, "K" LINE LNG SHIPPING (UK) LIMITED, "K" LINE HEAVY LIFT (UK) LIMITED, SAL Schiffahrtskontor Altes Land GmbH & Co.KG, KAW1652 SHIPPING S.A., TSC1521 SHIPPING S.A., USC0068 SHIPPING S.A., KAW1572 SHIPPING S.A., KAW1573 SHIPPING S.A.
Other Business	Kawasaki Kisen Kaisha, Ltd., Daito Corporation, Nitto Total Logistics Ltd., Seagate Corporation, Hokkai Transportation Co., Ltd., Rinko Corporation* "K" Line Logistics, Ltd., Nitto Tugboat Co., Ltd., Shinto Rikuun Kaisha, Ltd., Japan Express Transportation Co., Ltd., Maizuru Kousoku Yusou Co., Ltd., "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., Crown Enterprise Co., Ltd.	CENTURY DISTRIBUTION SYSTEMS, INC., JAMES KEMBALL LIMITED, "K" LINE NEW YORK, INC., "K" LINE HOLDING (EUROPE) LIMITED, UNIVERSAL LOGISTICS SYSTEM, INC., 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's fundamental policy is to contribute to global prosperity and peace primarily through its business activities as a marine-transport corporate group. Based on that aim, we have formulated the following Corporate Principles and Vision.

< "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 continued upgrading of service quality.

< Group Vision >

To be trusted and supported by customers in all corners of the world while being able to continue to grow globally with sustainability, 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.

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

In April 2008, the “K” Line Group adopted the “K” LINE Vision 100, a medium-term management plan reflecting the expansion of marine transport in conjunction with growth of the global economy and focusing on the second half of the 2010s up to and including the 100th anniversary of “K” Line’s foundation in 2019. However, when the global economy fell sharply following the collapse of Lehman Brothers in September of that year, the Group was forced to revise the plan and implement various emergency measures. The revised plan responded to drastic changes in the business environment, with a new plan being adopted in January 2010 - the “K” Line Vision 100 KV2010.
In 2010, the global economy experienced moderate recovery, and the Group achieved financial results exceeding its initial plans. The global economy remains unstable, however, with even more uncertainty arising in the business environment in recent times due to the effects of the Grate East Japan Earthquake.
To respond to structural changes in the market and the future expansion of demand, the Group revised its medium-term management plan and adopted “K” LINE Vision 100 - A New Challenge. Under the new plan, in addition to the basic missions specified earlier, expansion of a stable earnings base in addition to sustainable growth and strategic investment in response to changes in market structures and demand have been added. The Group is now making every effort to achieve these objectives.
(The issues and missions mentioned above correspond to Items 1 through 7 of the following section.)

(3) Tasks for the “K” Line Group to Address
In order to achieve “Synergy for All and Sustainable Growth,” which is a main theme of our medium-term management plan, our entire group will dedicate its efforts to the items below, with a focus on the Business Structural Reform:

1. Activities to Promote Environmental Protection
We are striving to assist in the prevention of global warming by reducing our CO2 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 operations 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 skies, which is indispensable for human beings and other forms of life on Earth.

2. Management Structure for Safe Ship Operations

We are ensuring safety in navigation and cargo operations and improving the quality of all our ships and vessels in operation by enhancing the KL Safety Standard, which is a management system based on global standards that also incorporates the “K” Line’s own distinctive know-how, and also improving the KL Quality guidelines for on board vessel inspections. In addition, we are promoting the sharing of information throughout the Group via the KL Safety Network and are endeavoring to improve safety management systems and strengthen onshore support structures. We are focusing on having a reliable management structure for ensuring safe ship operations by maintaining the system that secures seafarers at the procurement source for those human resources, while also enhancing the “K” Line Maritime Academy and endeavoring to enhance our seafarer training system and to secure trained technical marine personnel by 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, provide high-quality services, and retain and strengthen our competitive edge in the business world.

4. Proper Allocation of Strategic Investment and Management Resources

The global economy has overcome a crisis situation and is currently experiencing a moderate recovery, although there is still some instability. Emerging countries in particular are undergoing remarkable growth, giving rise to structural changes in markets and marine transport. In response to these changes in the business environment, “K” Line revised its “K” Line Vision 100 KV2010 plan that it adopted last year. “K” Line will formulate investment strategies for fleet upgrades that will enable the Company to respond dynamically to structural changes in markets and increases in demand in conjunction with economic recovery, and to facilitate entry into growth areas and the appropriate allocation of management resources. The Group is working to establish the foundation for building a stable earnings base and achieving future growth.

5. Improvement of Corporate Value and Complete Risk Management

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

6. Expansion of Stable Earnings Base and Sustainable Growth

Although there is some disparity in the degree of recovery in the business environment for each segment as well as the effects of the Eastern Japan Earthquake causing increasing uncertainty, the Group is reassessing the business strategies and investment allocations of each division to reinforce profitability with the aim of expanding its stable earnings base and achieving sustainable growth.

Cargo movements in the containership business are expected to recover moderately, and we will work to restore freight charges and cut costs while focusing on the development of business in high-growth Asia and on the North/South service routes.

In the dry bulk business, ton-miles are expected to increase as a result of expanding resource transportation in conjunction with sustained economic growth in China, India, and other emerging countries in addition to the use of more remote sources of resources and grains. As a result, we are planning to undertake fleet upgrades with the aim of establishing a 300-vessel fleet with a focus on small and middle-size vessels. The Group is also implementing measures to expand stable earnings sources through medium- and long-term contracts and to strengthen its global customer base.

In the car carrier business, we will respond to the diversification of marine transport demand resulting from the expansion of markets in emerging countries by enhancing vessel operations and implementing fleet upgrades. As a strategic investment in growth areas, we intend to further strengthen offshore-related business, a segment that is expected to grow in the future.

7. Strategic investment to respond to structural changes in markets and increased demand

As market structures change and diversify in conjunction with the expansion of demand in emerging countries, particularly China and India, we will invest in fleet upgrades to create a dynamic and flexible fleet structure that can respond to such changes. We will also strengthen and expand our business foundation by investing in new growth areas.

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, 2011 and 2010

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

	Year ended Mar.31, 2010	**Year ended Mar.31, 2011**	**Year ended Mar.31, 2011**
ASSETS			
Current assets :			
Cash and time deposits	¥ 96,059	¥ 74,063	$ 890,725
Accounts and notes receivable-trade	76,674	78,313	941,834
Short-term loans receivable	9,557	1,903	22,892
Marketable securities	0	24,998	300,641
Raw material and supply	26,510	34,411	413,853
Prepaid expenses and deferred charges	27,081	32,448	390,238
Deferred income taxes	11,537	2,224	26,748
Other current assets	14,397	15,008	180,500
Allowance for doubtful receivables	(493)	(526)	(6,337)
Total current assets	261,325	262,845	3,161,095
Fixed assets :			
(Tangible fixed assets)			
Vessels	369,830	379,295	4,561,577
Buildings and structures	26,874	25,422	305,738
Machinery and vehicles	8,608	6,629	79,724
Land	30,995	30,717	369,424
Construction in progress	146,401	136,114	1,636,970
Other tangible fixed assets	7,151	5,550	66,749
Total tangible fixed assets	589,861	583,728	7,020,181
(Intangible fixed assets)			
Goodwill	7,392	4,518	54,338
Other intangible fixed assets	6,562	5,845	70,296
Total intangible fixed assets	13,955	10,363	124,634
(Investments and other long-term assets)			
Investments in securities	112,916	101,312	1,218,434
Long-term loans receivable	19,067	15,896	191,177
Deferred income taxes	33,232	42,988	517,003
Other long-term assets	19,092	16,673	200,525
Allowance for doubtful receivables	(5,565)	(1,302)	(15,666)
Total investments and other long-term assets	178,741	175,569	2,111,474
Total fixed assets	782,558	769,660	9,256,288
Total assets	¥ 1,043,884	¥ 1,032,505	$ 12,417,383

Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2011 and 2010

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

	Year ended Mar.31, 2010	Year ended Mar.31, 2011	Year ended Mar.31, 2011
LIABILITIES			
Current liabilities :			
Accounts and notes payable-trade	¥ 70,310	¥ 76,750	$ 923,034
Short-term loans and current portion of long-term debt	61,960	55,783	670,876
Commercial paper	9,000	-	-
Accrued income taxes	3,189	3,456	41,566
Accrued allowance	1,474	2,088	25,120
Allowance for directors' and corporate auditors' retirement benefits	152	284	3,419
Other current liabilities	44,865	65,348	785,916
Total current liabilities	190,954	203,711	2,449,931
Long-term liabilities :			
Bonds	90,329	74,951	901,395
Long-term debt, less current portion	348,767	332,481	3,998,572
Deferred income taxes for land revaluation	2,633	2,632	31,664
Allowance for employees' retirement benefits	8,009	7,793	93,732
Allowance for directors' and corporate auditors' retirement benefits	2,001	1,978	23,792
Accrued expenses for overhaul of vessels	17,770	17,708	212,974
Derivative liabilities	-	67,916	816,800
Other long-term liabilities	51,554	8,344	100,356
Total long-term liabilities	521,065	513,807	6,179,284
Total liabilities	712,019	717,519	8,629,215
NET ASSETS			
Shareholder's equity:			
Common stock	65,031	65,031	782,099
Capital surplus	49,876	49,892	600,030
Retained earnings	229,661	258,075	3,103,737
Less treasury stock, at cost	(949)	(903)	(10,871)
Total shareholders' equity	343,619	372,095	4,474,996
Valuation and translation adjustments			
Net unrealized holding gain on investments in securities	8,545	1,955	23,514
Deferred loss on hedges	(28,936)	(55,305)	(665,132)
Revaluation reserve for land	2,044	2,077	24,987
Translation adjustments	(17,151)	(29,153)	(350,617)
Total valuation and translation adjustments	(35,498)	(80,426)	(967,247)
Minority interests in consolidated subsidiaries	23,743	23,316	280,420
Total net assets	331,864	314,986	3,788,168
Total liabilities and net assets	¥ 1,043,884	¥ 1,032,505	$ 12,417,383

Consolidated Statements of Income

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2011 and 2010

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

		Year ended Mar.31, 2010		Year ended Mar.31, 2011		Year ended Mar.31, 2011
Marine transportation and other operating revenues	¥	838,032	¥	985,084	$	11,847,080
Marine transportation and other operating expenses		824,022		861,996		10,366,767
Gross income (loss)		14,010		123,088		1,480,313
Selling, general and administrative expenses		66,085		64,478		775,444
Operating income (loss)		(52,074)		58,609		704,869
Non-operating income :						
Interest income		1,145		891		10,724
Dividend income		1,598		1,857		22,339
Equity in earnings of affiliated companies		-		101		1,224
Other non-operating income		2,406		1,974		23,750
Total non-operating income		5,150		4,825		58,038
Non-operating expenses :						
Interest expenses		8,759		8,564		102,995
Equity in loss of affiliated companies		379		-		-
Exchange loss		1,892		7,223		86,874
Loss on cancellation of derivatives		6,914		-		-
Other non-operating expenses		1,401		297		3,580
Total non-operating expenses		19,348		16,085		193,448
Ordinary income (loss)		(66,272)		47,350		569,458
Extraordinary profits :						
Gain on sales of fixed assets		11,627		5,506		66,221
Gain on reversal of accrued expenses for overhaul of vessels		4,250		-		-
Gain on cancellation of chartered vessels		-		1,222		14,705
Other extraordinary profits		1,904		1,171		14,092
Total extraordinary profits		17,782		7,900		95,018
Extraordinary losses :						
Loss on sales of fixed assets		1,098		-		-
Loss on impairment of fixed assets		8,906		-		-
Loss on cancellation of chartered vessels		22,831		-		-
Loss for change of ship building contracts		11,318		-		-
Loss from liquidation of affiliated copanies		-		1,091		13,124
Compensation for damage		-		790		9,503
Other extraordinary losses		3,709		3,159		38,000
Total extraordinary losses		47,865		5,041		60,628
Income (loss) before income taxes		(96,355)		50,209		603,848
Income taxes : current		3,846		5,297		63,713
deferred		(34,131)		13,002		156,377
Total income taxes		(30,285)		18,300		220,090
Income before minority interests		-		31,909		383,759
Minority interests		2,650		1,306		15,707
Net income (loss)	¥	(68,721)	¥	30,603	$	368,051

Consolidated Statements of Comprehensive Income

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2011 and 2010

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

	Year ended Mar.31, 2010	Year ended Mar.31, 2011	Year ended Mar.31, 2011
Net income before minority interests	¥ -	¥ 31,909	$ 383,759
Other comprehensive income:			
Net unrealized holding gain on investments in securities	-	(6,516)	(78,372)
Deferred loss on hedges	-	(26,953)	(324,150)
Translation adjustments	-	(13,219)	(158,982)
Equivalent share of gain to equity method affiliates	-	(772)	(9,288)
Total other comprehensive income	-	(47,461)	(570,791)
Comprehensive income	¥ -	¥ (15,551)	$ (187,033)
(Breakdown)			
Comprehensive income attributable to parent shareholders	-	(14,357)	(172,675)
Comprehensive income attributable to minority shareholders	-	(1,193)	(14,358)

Consolidated Statements of Shareholders' Equity

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2011 and 2010

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

	Year ended Mar.31, 2010	**Year ended Mar.31, 2011**	**Year ended Mar.31, 2011**
Shareholders' equity			
Common stock			
Balance at beginning of year	¥ 45,869	¥ **65,031**	$ **782,099**
Change in the item during the term			
Issuance of new shares	19,162	**-**	**-**
Net changes during the term	19,162	**-**	**-**
Balance at end of term	65,031	**65,031**	**782,099**
Additional paid-in capital			
Balance at beginning of year	30,714	**49,876**	**599,838**
Change in the item during the term			
Issuance of new shares	19,162	**-**	**-**
Disposal of treasury stocks	-	**15**	**192**
Net changes during the term	19,162	**15**	**192**
Balance at end of term	49,876	**49,892**	**600,030**
Retained earnings			
Balance at beginning of year	298,638	**229,661**	**2,762,011**
Change in the item during the term			
Cash dividends	-	**(3,056)**	**(36,756)**
Net Income	(68,721)	**30,603**	**368,051**
Disposal of treasury stocks	(6)	**(8)**	**(103)**
Reversal of the revaluation reserve for land	3	**160**	**1,930**
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other	(252)	**715**	**8,604**
Net changes during the term	(68,976)	**28,414**	**341,727**
Balance at end of term	229,661	**258,075**	**3,103,737**
Treasury stock, at cost			
Balance at beginning of year	(938)	**(949)**	**(11,419)**
Change in the item during the term			
Purchase of treasury stocks	(27)	**(18)**	**(218)**
Disposal of treasury stocks	15	**63**	**765**
Net changes during the term	(11)	**45**	**547**
Balance at end of term	(949)	**(903)**	**(10,871)**
Total of shareholders' equity			
Balance at beginning of year	374,283	**343,619**	**4,132,529**
Change in the item during the term			
Issuance of new shares	38,324	**-**	**-**
Cash dividends	-	**(3,056)**	**(36,756)**
Net Income	(68,721)	**30,603**	**368,051**
Purchase of treasury stocks	(27)	**(18)**	**(218)**
Disposal of treasury stocks	9	**71**	**855**
Reversal of the revaluation reserve for land	3	**160**	**1,930**
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other	(252)	**715**	**8,604**
Net changes during the term	(30,663)	**28,476**	**342,467**
Balance at end of term	¥ 343,619	¥ **372,095**	**$ 4,474,996**

Consolidated Statements of Shareholders' Equity

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2011 and 2010

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

	Year ended Mar.31, 2010	Year ended Mar.31, 2011	Year ended Mar.31, 2011
Valuation and translation adjustments			
Unrealized holding gain (loss) on investments in securities			
Balance at beginning of year	¥ (4,874)	¥ 8,545	$ 102,767
Change in the item during the term			
Net changes in the item other than shareholders' equity	13,419	(6,589)	(79,253)
Net changes during the term	13,419	(6,589)	(79,253)
Balance at end of term	8,545	1,955	23,514
Deferred gain (loss) on hedges			
Balance at beginning of year	(17,708)	(28,936)	(348,001)
Change in the item during the term			
Net changes in the item other than shareholders' equity	(11,227)	(26,369)	(317,130)
Net changes during the term	(11,227)	(26,369)	(317,130)
Balance at end of term	(28,936)	(55,305)	(665,132)
Revaluation reserve for land			
Balance at beginning of year	2,048	2,044	24,590
Change in the item during the term			
Net changes in the item other than shareholders' equity	(3)	32	397
Net changes during the term	(3)	32	397
Balance at end of term	2,044	2,077	24,987
Translation adjustments			
Balance at beginning of year	(18,975)	(17,151)	(206,274)
Change in the item during the term			
Net changes in the item other than shareholders' equity	1,824	(12,002)	(144,343)
Net changes during the term	1,824	(12,002)	(144,343)
Balance at end of term	(17,151)	(29,153)	(350,617)
Total valuation and total adjustments			
Balance at beginning of year	(39,510)	(35,498)	(426,917)
Change in the item during the term			
Net changes in the item other than shareholders' equity	4,012	(44,928)	(540,330)
Net changes during the term	4,012	(44,928)	(540,330)
Balance at end of term	(35,498)	(80,426)	(967,247)
Minority interests in consolidated subsidiaries			
Balance at beginning of year	21,379	23,743	285,545
Change in the item during the term			
Net changes in the item other than shareholders' equity	2,363	(426)	(5,126)
Net changes during the term	2,363	(426)	(5,126)
Balance at end of term	23,743	23,316	280,420

Consolidated Statements of Shareholders' Equity

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2011 and 2010

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

	Year ended Mar.31, 2010	Year ended Mar.31, 2011	Year ended Mar.31, 2011
Total net assets			
Balance at beginning of year	356,152	331,864	3,991,157
Change in the item during the term			
Issuance of new shares	38,324	-	-
Cash dividends	-	(3,056)	(36,756)
Net income	(68,721)	30,603	368,051
Purchase of treasury stocks	(27)	(18)	(218)
disposal of treasury stocks	9	71	855
Reversal of revaluation reserve for land	3	160	1,930
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other	(252)	715	8,604
Net changes in the item other than shareholders' equity	6,375	(45,354)	(545,455)
Net changes during the term	(24,287)	(16,878)	(202,989)
Balance at end of term	¥ 331,864	¥ 314,986	$ 3,788,168

Consolidated Statements of Cash Flows

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2011 and 2010

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

	Year ended Mar.31,2010	Year ended Mar.31,2011	Year ended Mar.31,2011
Cash flows from operating activities :			
Income (loss) before income taxes and minority interests	¥ (96,355)	¥ 50,209	$ 603,848
Depreciation and amortization	45,281	44,722	537,849
Loss on impairment of fixed assets	8,906	-	-
Reversal of employees' retirement benefits	(519)	(225)	(2,706)
(Reversal of) provision for directors' and corporate auditors' retirement benefits	57	(20)	(246)
Increase (decrese) in accrued expenses for overhaul of vessels	(2,488)	70	848
Interest and dividend income	(2,744)	(2,749)	(33,064)
Interest expense	8,759	8,564	102,995
Loss on cancellation of derivatives contracts	6,914	-	-
Loss on cancellation of chartered vessels	22,831	-	-
Gain on cancellation of chartered vessels	-	(990)	(11,908)
Loss from liquidation of affiliated companies	-	1,091	13,124
Loss on amendments to shipbuilding contracts	11,318	-	-
Loss on compensation for damage	-	790	9,503
Loss on sales of marketable securities and investments in securities	172	-	-
Gain on sales of vessels, property and equipment	(10,529)	(5,212)	(62,693)
Increase in accounts and notes receivable – trade	(1,620)	(4,298)	(51,691)
Increase in accounts and notes payable – trade	6,325	8,467	101,836
Increase in inventories	(6,472)	(8,424)	(101,313)
Increase in other current assets	(3,865)	(10,189)	(122,545)
Increase in other current liabilities	-	5,624	67,642
Other, net	10,998	9,165	110,224
Subtotal	(3,028)	96,595	1,161,704
Interest and dividends received	2,755	2,824	33,966
Interest paid	(8,538)	(8,657)	(104,122)
Payment for cancellation of derivatives	(3,472)	-	-
Payment for cancellation of chartered vessels	(22,831)	-	-
Payment for amendments to shipbuilding contracts	(460)	-	-
Payment for compensation for damage	-	(790)	(9,503)
Income taxes paid	(5,300)	(5,070)	(60,975)
Income taxes refunded	16,937	-	-
Net cash provided by (used in) operating activities	(23,940)	84,901	1,021,069
Cash flows from investing activities :			
Purchases of marketable securities and investments in securities	(8,778)	(3,097)	(37,246)
Proceeds from sale of marketable securities and investments in securities	2,925	1,063	12,796
Purchases of vessels, property and equipment	(178,174)	(146,461)	(1,761,414)
Proceeds from sale of vessels, property and equipment	119,642	92,463	1,112,014
Purchases of intangible fixed assets	(1,670)	(920)	(11,068)
Increase in long-term loans receivable	(22,210)	(3,823)	(45,978)
Collection of long-term loans receivable	24,626	5,612	67,497
Other, net	(97)	1,045	12,568
Net cash used in investing activities	(63,737)	(54,116)	(650,831)
Cash flows from financing activities :			
Decrease in short-term loans, net	(895)	(2,703)	(32,509)
Decrease in commercial paper	(13,000)	(9,000)	(108,238)
Proceeds from long-term debt	99,877	56,763	682,663
Repayment of long-term debt and obligations under finance leases	(48,201)	(64,347)	(773,877)
Proceeds from Issuance of Bonds	35,110	-	-
Redemption of Bonds	(189)	(2,523)	(30,343)
Issuance of shares	38,105	-	-
Cash dividends paid	(38)	(3,085)	(37,109)
Cash dividends paid to minority shareholders	(3,185)	(337)	(4,061)
Proceeds from stock issuance to minority shareholders	1,844	438	5,274
Other, net	(17)	(1)	(17)
Net cash (used in) provided by financing activities	109,410	(24,796)	(298,218)
Effect of exchange rate changes on cash and cash equivalents	545	(4,560)	(54,844)
Net increase in cash and cash equivalents	22,277	1,428	17,176
Cash and cash equivalents at beginning of the period	69,700	92,122	1,107,903
Increase in cash and cash equivalents arising from inclusion of subsidiaries in consolidation	143	879	10,579
Cash and cash equivalents at end of the period	¥ 92,122	¥ 94,429	$ 1,135,658

Segment information

Year ended March 31, 2010

(Millions of yen)

	Container-ship	Bulk shipping	Other	Adjustment	Consolidated
Revenues					
Operating Revenues	¥ 358,525	¥ 393,104	¥ 86,402	¥ -	¥ 838,032
Inter-group sales and transfers	2,389	2,041	43,109	(47,540)	-
Total revenues	360,914	395,146	129,512	(47,540)	838,032
Segment income	¥ (65,625)	¥ 1,070	¥ 2,332	¥ (4,050)	¥ (66,272)
Segment assets	¥ 170,402	¥ 698,583	¥ 155,878	¥ 19,019	¥ 1,043,884
Depreciation and amortization	5,188	33,676	5,528	887	45,281
Amortization of goodwill	(57)	2,899	15	-	2,857
Interest income	396	882	272	(405)	1,145
Interest expenses	677	7,626	838	(382)	8,759
Equity in earning (loss) of affiliated companies	37	(661)	243	-	(379)
Investment of equity method	6,407	6,956	5,021	-	18,385
Increase in tangible and intangible assets	24,022	149,359	6,509	1,598	181,489

Year ended March 31, 2011

(Millions of yen)

	Container-ship	Bulk shipping	Other	Adjustment	Consolidated
Revenues					
Operating Revenues	¥ 444,971	¥ 447,111	¥ 93,002	¥ -	¥ 985,084
Inter-group sales and transfers	2,438	1,735	41,619	(45,793)	-
Total revenues	447,409	448,846	134,621	(45,793)	985,084
Segment income	¥ 29,005	¥ 16,991	¥ 4,739	¥ (3,385)	¥ 47,350
Segment assets	¥ 174,629	¥ 659,509	¥ 153,162	¥ 45,203	¥ 1,032,505
Depreciation and amortization	3,888	34,314	5,548	970	44,722
Amortization of goodwill	(28)	2,895	6	-	2,873
Interest income	315	552	146	(122)	891
Interest expenses	695	7,442	530	(103)	8,564
Equity in earning (loss) of affiliated companies	385	(381)	97	-	101
Investment of equity method	5,803	5,435	5,109	-	16,349
Increase in tangible and intangible assets	27,881	116,797	3,576	738	148,993

Year ended March 31, 2011

(Thousands of U.S. dollars)

	Container-ship	Bulk shipping	Other	Adjustment	Consolidated
Revenues					
Operating Revenues	$ 5,351,425	$ 5,377,162	$ 1,118,492	$ -	$11,847,080
Inter-group sales and transfers	29,326	20,874	500,533	(550,733)	-
Total revenues	5,380,751	5,398,036	1,619,026	(550,733)	11,847,080
Segment income	$ 348,835	$ 204,343	$ 56,994	$ (40,715)	$ 569,458
Segment assets	$ 2,100,172	$ 7,931,559	$ 1,842,008	$ 543,644	$12,417,383
Depreciation and amortization	46,765	412,676	66,730	11,677	537,849
Amortization of goodwill	(343)	34,822	78	-	34,557
Interest income	3,790	6,641	1,762	(1,468)	10,724
Interest expenses	8,364	89,504	6,375	(1,248)	102,995
Equity in earning (loss) of affiliated companies	4,640	(4,584)	1,168	-	1,224
Investment of equity method	69,799	65,369	61,454	-	196,622
Increase in tangible and intangible assets	335,318	1,404,656	43,009	8,878	1,791,861

(Supplemental information)

Effective the 1st quarter of 2010FY, the Company and its consolidated subsidiaries have adopted "Accounting Standard for Disclosures about Segments of and Enterprise and Related Information" (ASBJ standard No.17, issued on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of and Enterprise and Related Information" (ASBJ Guidance No.20, issued on March 21, 2008).