(Translation)

NOTICE OF THE 149TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

The 149th term

(From April 1, 2016 to March 31, 2017)

Kawasaki Kisen Kaisha, Ltd.

The amounts are rounded to the nearest 100 million yen when figures are presented in billions of yen, or rounded down to the nearest million yen when figures are presented in millions of yen. The foreign currency amounts are rounded down to the nearest unit.

(Note) This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Dear shareholders,

First of all, I would like to express my sincere gratitude to you, our shareholders, for your continued support. With the delivery of the report of our business results, I would like to mention a few points that I believe are worth sharing with you.

In response to structural changes in the business environment, in April 2016, we reviewed the medium-term management plan, “ Value for our Next Century,” which was released in March 2015. As a result, a new initiative to “ensure competitiveness through business structural reform” has been added to our ongoing initiatives, and we have been working hard to improve our corporate value. Nevertheless, the outlook for the global economic environment remained uncertain, and the business environment surrounding the shipping industry was generally unfavorable. Amid the ongoing tonnage supply pressure and no prospects for any rapid market recovery, we recorded a loss on impairment and provision of allowance for loss of the containership business, heavy lifter business and offshore support business, while continuing business structural reforms in the dry bulk business segment as our measures for the future. In addition, the “K” Line Group came to record a loss attributable to owners of the parent of approximately ¥139.5 billion for its business performance in FY2016 (from April 1, 2016 to March 31, 2017). Despite our utmost, diverse measures to enhance competitiveness, we had to record a large loss in both the previous and current fiscal years. We deeply apologize for the great concern and inconvenience this has caused to our shareholders.

Under this difficult business environment, we decided to establish a new joint-venture company with Nippon Yusen Kabushiki Kaisha and Mitsui O.S.K. Lines, Ltd. to integrate the container shipping businesses (including worldwide terminal operating businesses excluding Japan) of all three companies in October 2016. The new joint-venture company is planned to commence its operations in April 2018, and will enhance its competitiveness to compete on a global level by mobilizing the best practices of the three companies, with a synergy effect in pursuit of economies of scale. As a result of this integration, our containership business will be operated in a different form, but it will still remain one of our core businesses and we are committed to getting its business operations on track, recognizing it as our top priority.

We released our long-term management policy and new medium-term management plan, ‘“Revival for Greater Strides” - Value for our Next Century –’ in April 2017 in order to present to our stakeholders our management policy after the integration of the containership business. Under the previous medium-term management plan, although we have achieved a certain degree of success in securing stable business, in addition to the emerging risk of investment in a market-sensitive business, the downturn in some of the new businesses developed to expand business portfolios resulted in an impairment of shareholders’ equity. Keeping this result in mind, we have reaffirmed our strong customer base built up by our strengths, namely, our technical capabilities, shipping service quality, global network and diverse human resources, and formulated our long-term management policy. We positioned the three years toward our 100th anniversary in

2019 as the period we make “Revival for Greater Strides” to develop our business foundation for realizing the vision of the “K” Line Group. An outline of the plan is as shown in “Issues to Address” on page 33. The entire “K” Line Group will work together to promote the plan.

Regarding dividends, we consider it an urgent management priority to improve our financial strength in light of the loss attributable to owners of the parent in the current fiscal year being recorded. Accordingly, it is with sincere regret that we announce we have decided to pay no dividends for the current fiscal year. We aim to resume dividend payments as early as possible under the policy of assigning the highest priority to improving financial strength and business foundation for the time being, but the annual dividend in FY2017 has yet to be decided.

The business environment will remain challenging in FY2017 and it is difficult to forecast, but all officers and employees of the “K” Line Group will unite to make efforts to improve our corporate value and turn a profit under the new medium-term management plan, ‘“Revival for Greater Strides” - K Value for our Next Century –.’ We will work to live up to shareholders’ expectations. I look forward to your ongoing support in the fiscal year ahead.

June 2017

Eizo Murakami

Representative Director, President & CEO

(Securities Code: 9107)
June 1, 2017

To our Shareholders:

Eizo Murakami
Representative Director,
President & CEO
Kawasaki Kisen Kaisha, Ltd.
8 Kaigan-dori, Chuo-ku, Kobe, Japan

Notice of the 149th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 149th Ordinary General Meeting of Shareholders of Kawasaki Kisen Kaisha, Ltd. (hereinafter referred to as “the Company”), details of which are set forth below. If you are unable to attend the meeting in person, you may exercise your voting rights by postal mail or via the Internet, etc. Please review the after-mentioned “Reference Materials for the General Meeting of Shareholders” and exercise your voting rights in accordance with “Guidance for Exercise of Voting Rights” in page 6. Please ensure that your votes reach the Company no later than 5:00 p.m., Thursday, June 22, 2017 (Japan Standard Time).

1. Date and time: 10:00 a.m., Friday, June 23, 2017 (Japan Standard Time)
(Reception desk opens at 9:00 a.m.)

2. Location: Iino Hall, 4th floor, Iino Building,
1-1, Uchisaiwai-cho 2-chome, Chiyoda-ku, Tokyo

3. Agenda:

Matters to be reported:

Business Report, Non-consolidated Financial Statements, Consolidated Financial Statements and Audit Reports by the Accounting Auditors and the Audit & Supervisory Board on the Consolidated Financial Statements for the Fiscal Year from April 1, 2016 to March 31, 2017

Matters to be resolved:

Proposition 1 Consolidation of Shares
Proposition 2 Election of nine (9) Directors
Proposition 3 Election of two (2) Substitute Audit & Supervisory Board Members

Regarding Internet Disclosure

This Notice and the Business Report for the 149th fiscal year has been posted on the Company's website.

- Of the Business Report for the 149th fiscal year, the following items have been posted on the Company's website shown below, in accordance with the provisions of relevant laws and regulations and Article 19 of the Company's Articles of Incorporation. As a consequence, the relevant documents are not included in the Business Report for the 149th fiscal year.
  - "Core Business"
  - "Principal Lenders"
  - "Matters Related to the Company's Stock Acquisition Rights"
  - "Status of Accounting Auditor"
  - "System to Ensure Proper Business Operations"
  - "Outline of Operational Status of System to Ensure Proper Business Operations"
  - "Consolidated Statement of Changes in Net Assets"
  - "Non-Consolidated Statement of Changes in Net Assets"
  - "Notes to Consolidated Financial Statements"
  - "Notes to Non-consolidated Financial Statements"

The Business Report for the 149th fiscal year and documents above are audited by Audit & Supervisory Board Members and Accounting Auditors to prepare their respective Audit Reports.

- If there are any amendments to Reference Materials for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements and/or Non-consolidated Financial Statements, such amendments will be announced on the Company's website below (in Japanese only).

  The Company's Website: http://www.kline.co.jp/ir/stock/meeting/index.html

---

- For those attending the meeting on the day, please submit the enclosed Voting Rights Exercise Form at the reception desk.
- In the event that the exercise of votes is duplicated by both the method of postal mail and the Internet, etc., the vote received last shall be deemed valid. However, if the duplicate votes are received on the same date, the vote via the Internet, etc. shall be deemed valid.

Guidance for Exercise of Voting Rights

Please exercise your voting rights after reviewing the Reference Materials for the General Meeting of Shareholders listed on pages 8 to 27.
You may exercise your voting rights by one of the following three methods.

1. By attending the shareholders' meeting
Please submit the enclosed Voting Rights Exercise Form to the reception at the meeting venue.
Please also bring this Notice of the 149th Ordinary General Meeting of Shareholders with you to the meeting.

2. By submitting Voting Rights Exercise Form by postal mail
Please indicate your approval or disapproval of each of the Propositions on the enclosed Voting Rights Exercise Form and send it by postal mail to arrive at the Company no later than 5:00 p.m., Thursday, June 22, 2017 (Japan Standard Time).

3. By exercising voting rights via the Internet
Please access the dedicated website for exercising voting rights (http://www.web54.net) and enter your vote for each Proposition by 5:00 p.m., Thursday, June 22, 2017 (Japan Standard Time).
Please see page 7 for details.

Exercise of Voting Rights via the Internet

1. Access the Voting Right Exercise Website
   Access the Voting Right Exercise Website and click the "Next" button.
   Voting Right Exercise Website (http://www.web54.net).

2. Login screen
   Enter the "Voting Right Exercise Code" and the "Password" printed on the enclosed Voting Right Exercise Form, and click "Login."

* You can exercise your voting rights via the Internet only by using the Voting Right Exercise Website (http//:www.web54.net) specified by the Company. Please note that no mobile-dedicated website is provided.
* If you exercise your voting rights via the Internet, you will need the Voting Right Exercise Code and the Password printed on the Voting Right Exercise Form. In principle, the Password provided this time is valid only for the 149th Ordinary General Meeting of Shareholders. A new password will be issued for the next ordinary general meeting of shareholders.
* If you exercise your voting rights via the Internet multiple times, the vote that reaches us last will be recorded as the effective vote.
* If you exercise your voting rights both via the Internet and by postal mail, the vote that reaches us last will be recorded as the effective vote. If both votes via the Internet and by postal mail arrive on the same day, the one exercised via the Internet will be recorded as the effective vote.
* Please note that shareholders bear any expenses incurred for accessing the Voting Right Exercise Website.

If you have any technical inquiries regarding the operation of a personal computer, etc. for voting on this site, please contact the following:

Dedicated phone line for Securities Agency Web Support, Sumitomo Mitsui Trust Bank, Limited
[Telephone number within Japan] 0120-652-031 (Toll free)
(Business hours: 9:00 – 21:00, Japan Standard Time)

* Institutional investors may also use the "Electronic Voting Rights Exercise Platform" operated by ICJ to electronically exercise the voting rights for this General Meeting of Shareholders.

Reference Materials for the General Meeting of Shareholders

Proposition 1: ***Consolidation of Shares***

1. Reasons for Proposition
   Japanese stock exchanges have announced the "Action Plan for Consolidating Trading Units," aiming to consolidate trading units to 100 shares of common stock of all domestic companies listed on Japanese stock exchanges by October 1, 2018.
   In light of the intent of this action plan, the Company resolved at the Board meeting held on May 18, 2017 to change its share unit from 1,000 shares to 100 shares effective on October 1, 2017 pursuant to Article 195, Paragraph 1 of the Companies Act (subject to approval of the proposal as originally proposed).
   The Company will consolidate its shares on the basis of 1 share for every 10 shares in order to maintain the price per trading unit of the shares of the Company at the level of investment unit which the stock exchanges consider desirable (50,000 yen or more and less than 500,000 yen) and keep the number of voting rights of shareholders unchanged even after the share unit is changed.

2. Consolidation ratio
   Shares of the Company's common stock will be consolidated at the ratio of 10 shares to 1 share.
   If any fractional shares less than one arise as a result of the consolidation of shares, pursuant to the provisions of Article 235 of the Companies Act, the Company will dispose all such fractional shares and distribute the proceeds to shareholders having fractional shares in proportion to their respective fractions.

3. Effective date of share consolidation
   October 1, 2017

4. Total number of authorized shares as of the effective date
   200,000,000 shares
   Pursuant to the provisions of Article 182, Paragraph 2 of the Companies Act, it will be deemed that the provisions concerning the total number of authorized shares in the Articles of Incorporation are amended on the effective date of the consolidation of shares as a result thereof.

For your reference Partial amendments to the Articles of Incorporation

If the proposal is accepted, the Company's Articles of Incorporation will be partially amended as follows as of October 1, 2017. The underlined parts are the changes.

Current Articles of Incorporation	Proposed amendments to the Articles of Incorporation
Article 6. (Total Number of Shares that may be Issued) The total number of shares that may be issued shall be <u>two billion (2,000,000,000) shares</u>.	Article 6. (Total Number of Shares that may be Issued) The total number of shares that may be issued shall be <u>two hundred million (200,000,000) shares</u>.
Article 8. (Share-voting Unit) The share-voting unit ("tangen-kabu") of the Company shall consist of <u>one thousand (1,000) shares</u>.	Article 8. (Share-voting Unit) The share-voting unit ("tangen-kabu") of the Company shall consist of <u>one hundred (100) shares</u>.

Proposition 2: ***Election of nine (9) Directors***

The terms of office for all nine (9) Directors will expire upon conclusion of this meeting.
It is therefore requested that nine (9) Directors be elected at this meeting.
The candidates are:

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)		Number of the Company's shares held
1	Jiro Asakura (July 31, 1950) <Reappointed> Attendance at Board meetings: 100% (15/15 meetings) Term of office as Director: 9 years	April, 1974	Joined the Company	111,000 shares
		July, 2000	General Manager, Coal & Iron Ore Carrier Group of Bulk Carrier Department	
		April, 2001	General Manager of Coal & Iron Ore Carrier Group	
		June, 2005	Director, General Manager of Coal & Iron Ore Carrier Group	
		June, 2006	Executive Officer, General Manager of Coal & Iron Ore Carrier Group	
		April, 2007	Managing Executive Officer	
		April, 2009	Senior Managing Executive Officer	
		June, 2009	Representative Director, Senior Managing Executive Officer	
		April, 2011	Representative Director, Vice President Executive Officer	
		May, 2011	Representative Director, President & CEO	
		April, 2015	Representative Director, Chairman of the board	
		June, 2015	Chairman of the Board (Current)	
		Reasons for nomination as candidate for Director: Mr. Jiro Asakura first became a Director of the Company in June 2005. In May 2011, he became Representative Director, President & CEO, in April 2015, he became Representative Director, Chairman of the board, and in June 2015, his office changed to Chairman of the board. He contributed to formulating the medium-term management Plan '"K" LINE Vision 100 - Bridge to the Future -,' promoting this plan to construct a stable earnings structure, and bringing about improved financial standing amid the difficult business environment following the 2008 Global Financial Crisis and the Great East Japan Earthquake. Mr. Asakura also has abundant knowledge and experience, most notably in the area of corporate governance. The Company believes his experience provides him with perspective that is broad and from a high vantage point, and it judges such perspective will continue to be essential for improving the Group's corporate governance in the future as well. Accordingly, the Company requests his election as Director. There is no special interest between Mr. Asakura and the Company.		

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th>Career summaries, positions and areas of responsibility in the Company
(Significant concurrent positions)</th><th>Number of the Company’s shares held</th></tr>
<tr><td rowspan="2">2</td><td rowspan="2">Eizo Murakami
(February 23, 1953)

<Reappointed>

Attendance at Board meetings:

87%
(13/15 meetings)

Term of office as Director: 9 years</td><td>April, 1975 Joined the Company
July, 2004 General Manager of Containerships Business Group
June, 2005 Director, General Manager of Containerships Business Group
June, 2006 Executive Officer
April, 2007 Managing Executive Officer
April, 2009 Senior Managing Executive Officer
June, 2009 Representative Director, Senior Managing Executive Officer
April, 2014 Representative Director, Vice President Executive Officer
April, 2015 Representative Director, President & CEO (Current)</td><td>154,000 shares</td></tr>
<tr><td colspan="2">Reasons for nomination as candidate for Director:
Mr. Eizo Murakami first became a Director of the Company in June 2005, and since April 2015 he has served as Representative Director, President & CEO. While in the top management position, he has effectively steered the Company in its operations amid a difficult business environment. He constantly maintained a high vantage point as he worked to put the Company on a solid footing for sustainable growth as an integrated logistics company grown from its shipping business. The Company judges that his leadership and management skills, which are backed by his broad and deep knowledge and experience accumulated until now from a diverse range of fields, are also demonstrated by his achievements in business structural reforms of the dry bulk business and concluding of an agreement on the integration of containership business between the three Japanese shipping companies. The Company believes these will be essential for the “K” Line Group to push ahead with its new medium-term management plan, ‘“Revival for Greater Strides” - Value for our Next Century –’ as well. Accordingly, the Company requests his election as Director. There is no special interest between Mr. Murakami and the Company.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summaries, positions and areas of responsibility in the Company
(Significant concurrent positions)</th><th>Number of the Company’s shares held</th></tr>
<tr><td rowspan="9">3</td><td rowspan="9">Toshiyuki Suzuki
(February 22, 1959)

<Reappointed>

Attendance at Board meetings:

100%
(15/15 meetings)

Term of office as Director: 6 years</td><td>April, 1981</td><td>Joined the Company</td><td rowspan="8">126,000 shares</td></tr>
<tr><td>April, 2006</td><td>General Manager of Containerships Business Group</td></tr>
<tr><td>April, 2008</td><td>Executive Officer</td></tr>
<tr><td>April, 2011</td><td>Managing Executive Officer</td></tr>
<tr><td>June, 2011</td><td>Director, Managing Executive Officer</td></tr>
<tr><td>April, 2014</td><td>Director, Senior Managing Executive Officer</td></tr>
<tr><td>April, 2015</td><td>Representative Director, Senior Managing Executive Officer
(Current)</td></tr>
<tr><td></td><td>Responsible for Containerships, Car Carriers, Port Businesses, Logistics and Affiliate Business Promotion Unit</td></tr>
<tr><td colspan="3">Reasons for nomination as candidate for Director:
Mr. Toshiyuki Suzuki has proven achievements, notably in the Company’s Containerships Sector and abundant management experience as a Director of the Company. Currently, he is appropriately executing business strategies as the executive officer responsible for Containerships, Car Carriers, Port Businesses, Logistics and Affiliate Business Promotion Unit. The Company judges that his abundant experience and proven achievements will contribute to the suitable fulfilment of the decision making and supervisory function of the Company’s Board of Directors. Accordingly, the Company requests his election as Director. There is no special interest between Mr. Suzuki and the Company.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th>Career summaries, positions and areas of responsibility in the Company
(Significant concurrent positions)</th><th>Number of the Company’s shares held</th></tr>
<tr><td rowspan="2">4</td><td rowspan="2">Hiromichi Aoki
(February 27, 1959)

<Reappointed>

Attendance at Board meetings:

100%
(15/15 meetings)

Term of office as Director: 3 years</td><td>April, 1981 Joined the Company
April, 2003 General Manager of LNG Group
April, 2008 Executive Officer, General Manager of LNG Group
July, 2008 Executive Officer
July, 2010 Executive Officer, General Manager of Energy Transportation Business Development Group
April, 2011 Managing Executive Officer
April, 2014 Senior Managing Executive Officer
June, 2014 Director, Senior Managing Executive Officer
April, 2015 Representative Director, Senior Managing Executive Officer (Current)

Responsible for Dry and Liquid Bulk Carriers Unit</td><td>119,000 shares</td></tr>
<tr><td colspan="2">Reasons for nomination as candidate for Director:
Mr. Hiromichi Aoki has proven achievements, notably in the Company’s Car Carriers and Energy Transportation Sectors, and abundant management experience as a Director of the Company. Currently he is appropriately executing business strategies as the executive officer responsible for Dry and Liquid Bulk Carriers Unit. The Company judges that his abundant experience and proven achievements will contribute to the suitable fulfilment of the decision making and supervisory function of the Company’s Board of Directors. Accordingly, the Company requests his election as Director. There is no special interest between Mr. Aoki and the Company.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th>Career summaries, positions and areas of responsibility in the Company
(Significant concurrent positions)</th><th>Number of the Company’s shares held</th></tr>
<tr><td rowspan="2">5</td><td rowspan="2">Tsuyoshi Yamauchi
(August 15, 1957)

<Reappointed>

Attendance at Board meetings:

100%
(15/15 meetings)

Term of office as Director: 6 years</td><td>April, 1981 Joined the Company
June, 2006 General Manager of Corporate Planning Group
April, 2009 Executive Officer
June, 2009 Director, Executive Officer
April, 2011 Director (retired in June 2011) Managing Director, TAIYO NIPPON KISEN CO., LTD. (retired in March 2013)
April, 2013 Managing Executive Officer
June, 2013 Director, Managing Executive Officer
April, 2014 Director, Senior Managing Executive Officer
April, 2015 Representative Director, Senior Managing Executive Officer (Current)

Responsible for Corporate Unit, assistance to Internal Audit, Chief Compliance Officer (CCO)</td><td>58,000 shares</td></tr>
<tr><td colspan="2">Reasons for nomination as candidate for Director:
Mr. Tsuyoshi Yamauchi has proven achievements, notably in the Company’s administrative divisions, including Corporate Planning, and abundant management experience as a Director of the Company. Currently he is appropriately executing business strategies as the executive officer responsible for Corporate Unit and as the Chief Compliance Officer. The Company judges that his abundant experience and achievements will contribute to the suitable fulfilment of the decision making and supervisory function of the Company’s Board of Directors. Accordingly, the Company requests his election as Director. There is no special interest between Mr. Yamauchi and the Company.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th>Career summaries, positions and areas of responsibility in the Company
(Significant concurrent positions)</th><th>Number of the Company’s shares held</th></tr>
<tr><td rowspan="2">6</td><td rowspan="2">Yukikazu Myochin
(March 27, 1961)

<Reappointed>

Attendance at Board meetings:

100%
(11/11 meetings)

Term of office as Director: 1 year</td><td>April, 1984 Joined the Company
January, 2010 General Manager of Containerships Business Group
April, 2011 Executive Officer
April, 2016 Managing Executive Officer
June, 2016 Director, Managing Executive Officer (Current)

In charge of Human Resources, Corporate Planning, Research, Project Office for Containerships and Terminal Business</td><td>61,000 shares</td></tr>
<tr><td colspan="2">Reasons for nomination as candidate for Director:
Mr. Yukikazu Myochin has proven achievements in a wide range of sectors including Containerships, Corporate Planning and IR & PR and abundant management experience. Currently, he is demonstrating leadership as an executive officer in charge of Human Resources, Corporate Planning Research and Project Office for Containerships and Terminal Business. The Company judges that his capability and experience, etc. will contribute to the improvement of the decision making and supervisory function of the Company’s Board of Directors. Accordingly, the Company requests his election as Director. There is no special interest between Mr. Myochin and the Company.</td></tr>
</table>

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)		Number of the Company's shares held
7	Akira Okabe (September 17, 1947) <Reappointed> <Outside Director> Attendance at Board meetings: 91% (10/11 meetings) Term of office as Director: 1 year	April, 1971	Joined Toyota Motor Sales Co., Ltd.	17,000 shares
		January, 2000	General Manager, Oceania and Middle East Sales Division, Regional Headquarters, Oceania and Middle East, Toyota Motor Corporation	
		June, 2001	Director, Chief Officer of Regional Headquarters, Oceania and Middle East, Toyota Motor Corporation	
		June, 2003	Managing Officer, Chief Officer of Regional Headquarters, Oceania and Middle East, Toyota Motor Corporation	
		June, 2005	Senior Managing Director, Chief Officer of Regional Headquarters, Australia, Asia and Middle East, Toyota Motor Corporation	
		June, 2009	Senior Managing Director, Chief Officer of Regional Headquarters, Australia and Asia, Deputy Chief Officer of Regional Headquarters, Middle East, Africa and Latin America, Toyota Motor Corporation	
		June, 2010	Senior Managing Director, Chief Officer of Regional Headquarters, Australia and Asia, Chief Officer of Regional Headquarters, Middle East, Africa and Latin America, Toyota Motor Corporation	
		April, 2011	Senior Managing Director, in charge of Private Distributor Relations, Regional Headquarters, Middle East, Africa and Latin America	
		June, 2011	Executive Adviser, Toyota Motor Corporation (Retired in March 2012)	
		April, 2012	Director & Vice Chairman, Tokai Tokyo Securities Co., Ltd.	
		April, 2015	Adviser, Tokai Tokyo Financial Holdings, Inc. (Current)	
		June, 2016	Outside Director of the Company (Current) Nominating Advisory Committee Chairman,	

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
		Reasons for nomination as candidate for Outside Director: Mr. Akira Okabe worked for more than 40 years at Toyota Motor Corporation and over that time, he has led various new businesses to successful results in emerging countries, mostly in Asia. He then went on to become a director at that company and at a securities company, and thus he has long-standing experience in corporate management. He has been Outside Director of the Company since June 2016 so that his experience and insight may be utilized in the Company's management. He is fulfilling his role of making active suggestions at the Board of Directors meetings and supervising the execution of business through his activities in his position as Nominating Advisory Committee Chairman and Remuneration Advisory Committee Member. Therefore, the Company requests that he again be elected as Outside Director. There is no special interest between Mr. Okabe and the Company. As there is no possibility that conflict of interest may occur between Mr. Okabe and general shareholders, the Company has designated him as an independent director pursuant to the regulations of the stock exchanges where its stock is listed, and if he is reelected, the Company plans to continue to appoint him as an independent director.	

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)		Number of the Company's shares held
8	Seiichi Tanaka (January 12, 1953) <Reappointed> <Outside Director> Attendance at Board meetings: 100% (11/11 meetings) Term of office as Director: 1 year	April, 1977	Joined Mitsui & Co., Ltd.	7,000 shares
		February, 2002	Manager, Ship and Marine Project Division, Mitsui & Co., Ltd.	
		April, 2005	General Manager, Machinery & Information, Industries Administrative Division, Mitsui & Co., Ltd.	
		April, 2006	Managing Officer, General Manager of Human Resources & General Affairs Division, Mitsui & Co., Ltd.	
		April, 2008	Executive Managing Officer, CPO*1, Mitsui & Co., Ltd., Director of Mitsui & Co. (Asia Pacific) Pte. Ltd.	
		June, 2008	Representative Director, Executive Managing Officer, CPO, Mitsui & Co., Ltd., Director, Mitsui & Co. (Asia Pacific) Pte. Ltd.	
		October, 2008	Representative Director, Senior Executive Managing Officer, CPO, Mitsui & Co., Ltd., Director, Mitsui & Co. (Asia Pacific) Pte. Ltd.	
		April, 2009	Representative Director, Senior Executive Managing Officer, CIO*2, CPO, Mitsui & Co., Ltd.	
		April, 2010	Representative Director, Executive Vice President, CIO, CPO, Mitsui & Co., Ltd.	
		April, 2011	Representative Director, Executive Vice President, Mitsui & Co., Ltd.	
		April, 2014	Director, Mitsui & Co., Ltd.	
		June, 2014	Counselor, Mitsui & Co., Ltd. (Retired in June 2016)	
		June, 2016	Outside Director of the Company (Current) Remuneration Advisory Committee Chairman *1: CPO (Chief Privacy Officer), *2: CIO (Chief Information Officer)	

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
		Reasons for nomination as candidate for Outside Director: Mr. Seiichi Tanaka joined Mitsui & Co., Ltd. after completing a Master's degree in marine engineering at university. After a long service in the Ship and Marine Project Division he left the division in 2006 and from 2008 to 2014, he gained experience in corporate management, serving as a representative director of Mitsui & Co., Ltd. He has been Outside Director of the Company since June 2016 so that his experience and insight may be utilized in the Company's management. He is fulfilling his role of making active suggestions at the Board of Directors meetings and supervising the execution of business through his activities in his position as Remuneration Advisory Committee Chairman and Nominating Advisory Committee Member. Therefore, the Company requests that he again be elected as Outside Director. There is no special interest between Mr. Tanaka and the Company. As there is no possibility that conflict of interest may occur between Mr. Tanaka and general shareholders, the Company has designated him as an independent director pursuant to the regulations of the stock exchanges where its stock is listed, and if he is reelected, the Company plans to continue to appoint him as an independent director.	

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
9	Kiyoshi Hosomizo (March 17, 1956) <Newly appointed> <Outside Director> Attendance at Board meetings: - Term of office as Director: -	April, 1978 Joined Ministry of Finance (MOF) July, 2002 Director, Legal Division, Budget Bureau, MOF July, 2003 Director, Financial System Stabilization Division, Minister's Secretariat, MOF July, 2004 Director, Planning Division, Planning and Coordination Bureau, MOF August, 2005 Tokyo Stock Exchange Administrator and Financial Futures Exchange Administrator, Kanto Local Finance Bureau, MOF, and Deputy Director-General of the Planning and Coordination Bureau (in charge of Market), and Secretary-General of the Executive Bureau, Certified Public Accountants and Auditing Oversight Board, Financial Services Agency (FSA) July, 2006 Tokyo Stock Exchange Administrator and Financial Futures Exchange Administrator, Kanto Local Finance Bureau, MOF, and Deputy Director-General of the Planning and Coordination Bureau (in charge of Market), FSA July, 2007 Deputy Director-General of the Planning and Coordination Bureau (in charge of planning), FSA July, 2009 Vice Commissioner of the Planning and Coordination Bureau (in charge of Secretariat), FSA July, 2010 Director-General of Inspection Bureau, FSA August, 2011 Director-General of the Supervisory Bureau, FSA July, 2014 Commissioner, FSA July, 2015 Retired September, 2015 Counselor, Mitsui & Co., Ltd. (Current) Special Advisor to Iwata Godo Attorneys and Counsellors at Law (Current) June, 2016 Outside Audit & Supervisory Board Member, SEIREN Co., Ltd. (Current)	0 shares

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
		Reasons for nomination as candidate for Outside Director: Mr. Kiyoshi Hosomizo has experience in prominent positions at the Ministry of Finance, and the Financial Services Agency, even though he has not been directly involved in corporate management apart from being an outside director. The Company judges that he will provide appropriate advice on the management of the Company and perform appropriate monitoring over the execution of business based on his deep insight into financial and other overall economic affairs as well as extensive knowledge and deep insight with respect to corporate governance accumulated over many years. Accordingly, the Company requests his election as Outside Director of the Company. There is no special interest between Mr. Hosomizo and the Company. Mr. Hosomizo satisfies the criteria for independence of Outside Director provided by the Company, and if he is elected as a Director, the Company plans to designate him as an independent director pursuant to the regulations of the stock exchanges where its stock is listed.	

Notes: 1) Messrs. Akira Okabe, Seiichi Tanaka, and Kiyoshi Hosomizo are candidates for Outside Director.

2) The Company has concluded a limited liability contract with Messrs. Akira Okabe and Seiichi Tanaka pursuant to Article 427, Paragraph 1 of the Companies Act. If the proposal is accepted, the Company intends to extend the contract with them. Likewise, the Company intends to conclude new contracts, under the same terms, with Messrs. Jiro Asakura and Kiyoshi Hosomizo. An overview of the contract is as follows. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, when acting in good faith and in the absence of any serious negligence, Directors (excluding those who are Executive Directors, etc.) may bear liability of 10,000,000 yen or the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act, whichever is higher, for the liabilities stipulated in Article 423, Paragraph 1 of the Companies Act.

<For your reference> Policies and Procedures for Nomination of Candidates for Directors

To achieve the medium-term management plan, the Company's Board of Directors shall consist of a variety of individuals including those with experience in managing corporations and other large organizations and those with expertise in the operational, technical, financial and other aspects of the shipping industry. This is to ensure constructive discussions and supervision based on diverse backgrounds and knowledge. The Company shall give extra consideration to such diversity when selecting candidates for Directors and the Audit & Supervisory Board Members. In addition, with respect to the size of the Board of Directors, for the time being the number of Directors shall range from eight to ten, of which at least two shall be Independent Outside Directors who satisfy the Company's criteria.

The Nominating Advisory Committee, comprised of all Outside Directors, the Chairman and the President and CEO, shall deliberate on the nomination of candidates for Directors in a fair, transparent and rigorous manner in response to consultation with the Board of Directors, and the Board of Directors shall determine candidates for Directors, respecting the recommendations of the Nominating Advisory Committee.

<For your reference> Criteria for Independence of Outside Directors

The Company specifies the criteria for the independence of Outside Directors for the purpose of electing them. An overview is provided below.

None of the following criteria may apply to the respective Outside Director.

1. A person who has become an Executive Director or employee of the Company within the past 10 years.
2. A person who has been a business executor (meaning a business executor as provided for in Article 2, Paragraph 3, Item 6 of the Ordinance for Enforcement of the Companies Act; the same shall apply hereinafter) of a corporate group for whom the Company is a major client within the past three years. "A corporate group for whom the Company is a major client" refers to a corporate group that has received payment from the Company in each of the years in this three-year period accounting for over 2% of consolidated sales in each such year for that corporate group
3. A person who has been a business executor of a corporate group that is a major client of the Company within the past three years. "A corporate group that is a major client of the Company" refers to a corporate group who made payment to the Company in each of the years in the three-year period accounting for over 2% of the Company's consolidated sales in each such year
4. A person who has, within the past three years, been a business executor of a financial institution or another principal creditor, or its parent company or important subsidiary that plays a critical role in the "K" LINE Group's financing to such a degree that it is irreplaceable for the Group.
5. A person who has been paid 10 million yen or more or has received other assets in an amount equivalent thereto other than officer's remuneration from the Group in the past three years; or a person who has, within the past three years, belonged to an audit firm, tax accounting firm, law firm, consulting firm or other professional advisory firm that has been paid 10 million yen or more or other assets in an amount equivalent thereto by the Group in each of the years in the three-year period accounting for over 2% of the total revenues of such juridical person, etc. However, this shall not apply to a person who belongs to such juridical person in outline but has substantially no conflict of interest with the Group (a person who does not receive any compensation from such juridical person, for example)
6. A shareholder holding over 10% of the voting rights of the Company. If the shareholder is a juridical person, a person who has been a business executor of the shareholder or its parent company or subsidiary within the past three years.
7. A person who is a relative of the second or less degree of a person falling under any of the above criteria.

<For your reference> Basic principle of corporate governance

Solid corporate governance is essential for a company to fulfill its social responsibility, respond to the mandate bestowed by stakeholders and achieve sustainable growth.
The Company has been engaged in initiatives to strengthen its framework of corporate governance and to develop and enhance systems for risk management, and continuously strives to increase its corporate value by acting in total accordance with our business ethics while building an organic and effective mechanism of governance, in conjunction with the achievement of increasingly robust earnings and a stronger financial standing.

The Kawasaki Kisen Kaisha, Ltd. Corporate Governance Guidelines provides for the basic principle of corporate governance in detail. The content thereof has been posted on the Company's website, as shown below:

The Company's Website:
http://www.kline.co.jp/en/pdf/csr/corporategovernanceguidelines.pdf

In addition, the Company has implemented all the principles of the Corporate Governance Code formulated by the Tokyo Financial Exchange. Please refer to the Company's corporate governance reports for the details thereof.

The Company's Website: http://www.kline.co.jp/en/csr/governance/index.html

Proposition 3: ***Election of two (2) Substitute Audit & Supervisory Board Members***

Audit & Supervisory Board Member Harusato Nihei will retire as Audit & Supervisory Board Member due to the resignation in association of his appointment as Senior Managing Executive Officer and CFO (Chief Financial Officer) at the conclusion of this General Meeting of Shareholders. Although his retirement will reduce the number of members of the Audit & Supervisory Board by one (1), the Company has judged based on the consultation with the Audit & Supervisory Board Members that the Audit & Supervisory Board with three (3) members is appropriate because its auditing system has been strengthened and auditing has become more effective through the enhancement of its internal control system, the placement of employees assisting Audit & Supervisory Board Members and other measures. However, it is requested that two (2) substitute Audit & Supervisory Board Members (one (1) substitute Standing Audit & Supervisory Board Member and one (1) substitute Outside Audit & Supervisory Board Member) be elected at this meeting. This is a precaution against cases where there is a vacancy which results in a shortfall in the number of the Audit & Supervisory Board Members prescribed by laws and regulations.
The Audit & Supervisory Board has already given its prior consent to the submission of this proposition.
The candidates are:

No.	Name (Date of birth)	Career summaries and positions in the Company (Significant concurrent positions)		Number of the Company's shares held
1	Keiji Tomoda (December 26, 1958) <Newly appointed>	April, 1982	Joined the Company	22,000 shares
		April, 2005	General Manager, Port Business Group	
		April, 2007	Vice President, "K" LINE (VIETNAM) LIMITED	
		April, 2009	General Manager, "K" LINE PTE LTD Global Operation Center (Singapore)	
		October, 2010	General Manager, Corporate Planning Group	
		June, 2013	General Manager, Corporate Planning Group and Secretary to the President, The Japanese Shipowners' Association	
		April, 2014	General Manager in charge of Marine Industry Affairs, Corporate Planning Group and Secretary to the President, The Japanese Shipowners' Association	
		April, 2015	Associate Director (in charge of Marine Industry Affairs), Corporate Planning Group and Secretary to the Chairman, The Japanese Shipowners' Association	
		June, 2015	Associate Director (in charge of Marine Industry Affairs) (Current)	

No.	Name (Date of birth)	Career summaries and positions in the Company (Significant concurrent positions)	Number of the Company's shares held
		Reasons for nomination as candidate for Substitute Audit & Supervisory Board Members: Mr. Keiji Tomoda became an Associate Director of the Company in April 2015, and is in charge of Marine Industry Affairs. Since joining the Company in April 1982, he has made proven achievements in a wide range of both domestic and overseas sectors including the Containership Business and Corporate Planning, and possesses broad and deep knowledge in business matters as well as considerable knowledge of financial and accounting matters. He can therefore contribute to the monitoring of business execution. Accordingly, the Company requests his election as a substitute Audit & Supervisory Board Member of a Standing Audit & Supervisory Board Member as it judges that he will perform effective auditing with his qualifications required for Standing Audit & Supervisory Board Members of the Company.	

Note: If Mr. Keiji Tomoda assumes office as Audit & Supervisory Board Member, the Company intends to conclude a limited liability contract with him pursuant to Article 427, Paragraph 1 of the Companies Act. An overview of the contract is as follows.
Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, when acting in good faith and in the absence of any serious negligence, Audit & Supervisory Board Members may bear liability of 10,000,000 yen or the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act, whichever is higher, for the liabilities stipulated in Article 423, Paragraph 1 of the Companies Act.

No.	Name (Date of birth)	Career summaries and positions in the Company (Significant concurrent positions)		Number of the Company's shares held
2	Junko Shiokawa (January 6, 1970) <Newly appointed> <Substitute Outside Audit & Supervisory Board Member>	April, 1995	Registered with Daiichi Tokyo Bar Association Joined Nagashima & Ohno (currently known as Nagashima Ohno & Tsunematsu) (retired in July 2000)	0 shares
		July, 1998	London Office, European Bank for Reconstruction and Development (until June 1999)	
		October, 2000	Joined New York Office, Sullivan & Cromwell LLP (retired in March 2005)	
		April, 2002	Admitted as Lawyer in New York, the United States of America	
		April, 2005	Joined Barclays Capital Japan Limited (currently known as Barclays Securities Japan Limited) (retired in March 2009)	
		June, 2010	Joined Hong Kong Office, Conyers Dill & Pearman (retired in November 2014)	
		July, 2010	Registered as Foreign Lawyer in Hong Kong	
		November, 2014	Joined Hong Kong Office, Harneys (Partner) (Current)	
		Reasons for nomination as candidate for Substitute Outside Audit & Supervisory Board Members: Ms. Junko Shiokawa is admitted to practice as a lawyer in Japan and New York (U.S.), and is a registered foreign lawyer in Hong Kong. She possesses extensive expert knowledge and experience in finance, cross border transactions and other areas, gained through working for Japanese and foreign law firms, securities companies and so forth. Ms. Shiokawa does not have prior experience of direct involvement in corporate management. However, the Company requests her election as a substitute Audit & Supervisory Board Member of an Outside Audit & Supervisory Board Member as it judges she will perform effective auditing from an outside independent standpoint as an Outside Audit & Supervisory Board Member of the Company. There is no special interest between Ms. Shiokawa and the Company. Up until now, Ms. Shiokawa has had no relations with the Company, and as there is no possibility that conflict of interest may occur between Ms. Shiokawa and general shareholders, if she assumes office as Audit & Supervisory Board Member, the Company plans to designate her as an independent director pursuant to the regulations of the stock exchanges where its stock is listed.		

Note: If Ms. Junko Shiokawa assumes office as Audit & Supervisory Board Member, the Company intends to conclude a limited liability contract with her pursuant to Article 427, Paragraph 1 of the Companies Act. An overview of the contract is as follows.
Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, when acting in good faith and in the absence of any serious negligence, Audit & Supervisory Board Members may bear liability of 10,000,000 yen or the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act, whichever is higher, for the liabilities stipulated in Article 423, Paragraph 1 of the Companies Act.

(Attachment)

Business Report
(From April 1, 2016 to March 31, 2017)

1. Matters Related to Current Conditions of the Corporate Group

(1) Business Progress and Results

[General Conditions]

During the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017; hereinafter, the "fiscal year"), the global economy was a year of great changes influenced by factors such as concerns about a slowdown in Chinese economic growth, confusion in financial markets due to the U.K.'s vote to leave the E.U., and establishment of the new government in the U.S. The U.S. economy made a solid movement, despite a sluggish start at the beginning of the year, as expectations of fiscal expansionary policy being brought in by the new government saw an uptick in private consumption and corporate investment activities. Conversely, the European economy was temporarily in confusion due to the U.K.'s vote to leave the E.U.; however, it gradually settled, with a slight recovery in the latter half of the year, led by an increase in private consumption due to an improvement in employment figures. The Chinese economy was quiet, mainly buoyed by infrastructure investment, in spite of a slowed rate of growth. Also, the agreement between major oil producing countries to reduce production saw a rise in crude oil prices, and other resource prices firmed; however, the economic recovery of developing and resource-rich nations in particular will take some time.

In the Japanese economy, the yen increased in value in the middle of the year; however, it continued to fall thereafter, due to firm personal consumption and expectation for the new U.S. government, which saw a moderate recovery, focused on exports and capital investment.

In the business environment surrounding the shipping industry, the overall freight rate market showed a gentle recovery from the historically low levels at the beginning of the year. Nevertheless, in the containership business, cargo movements shifted to an upward trend in the second-half of the fiscal year, mainly in the East-West services; however, not sufficient to recover from the slump in the freight market at the beginning of the fiscal year and, loss increased year on year. In the dry bulk business, the market has lifted out of the historically low levels at the start of the year and is on a course for recovery. While the vessel supply-demand gap is on the way to improve, the market conditions were weighed down.

The "K" Line Group (hereinafter "the Group") worked on measures to improve profitability, such as more efficient vessel allocation, and strove to reduce vessel operation costs. Nevertheless, business performance declined year on year.

As a result, operating revenues for the fiscal year were ¥1,030.191 billion (down ¥213.741 billion year on year), operating loss was ¥46.037 billion (compared to operating income of ¥9.427 billion year for the previous fiscal year), and ordinary loss was ¥52.388 billion (compared to ordinary income of ¥3.338 billion year for the previous fiscal year). Loss attributable to owners of the parent was ¥139.478 billion (down ¥87.979 billion year on year) due to recording of extraordinary losses such as provision of allowance for loss related to business restructuring and loss on impairment of fixed assets, despite efforts to save costs and maximize profitability especially in the containership business, and minimizing exposures in the dry bulk business. The average foreign exchange rate in the current fiscal year was ¥108.76/US$ (yen appreciation of ¥12.02/US$ compared to the previous fiscal year) and the average fuel oil price was US$264.50/MT* (down by US$30.07/MT compared to the previous fiscal year).

* MT: Metric ton (1 metric ton is 1,000 kilograms)

(Billions of yen)

Operating revenues	1,030.2	(a decrease of 17.2% over a year ago)
Operating loss	(46.0)	(income of ¥9.4 billion in the previous fiscal year)
Ordinary income (loss)	(52.4)	(income of ¥3.3 billion in the previous fiscal year)
Net loss attributable to owners of the parent	(139.5)	(a decrease of ¥88.0 billion over a year ago)

Containership Business Segment (Billions of yen)

Operating revenues	519.0	(a decrease of 15.6% over a year ago)
Ordinary income (loss)	(31.5)	(loss of ¥10.0 billion in the previous fiscal year)
Operating revenue composition ratio to total operating revenues	50.4%	

[Containership Business]

In the containership business, owing to solid demand in the East-West services from the third quarter, cargo volume loaded on the Asia-North America services recorded an increase of approximately 11% year on year, while cargo volume loaded on the Asia-Europe services recorded an increase of approximately 2% year on year. Cargo volume loaded on the North-South services also increased by approximately 7% year on year, while the Intra-Asia service was about the same level year on year as the result of service restructuring focused on profitability. As a result, overall cargo lifting increased approximately 6% year on year. Although the freight rate market turned favorable in the final stretch of the fiscal year reflecting steady cargo movements, the gap between vessel supply and demand is yet to be fixed and reduced revenues year on year led to a loss larger than the previous year.

[Logistics Business]

In the logistics business, including inland transportation and warehousing, demand for domestic logistics services was somewhat weak in comparison with the previous year. International logistic services performed strongly, with an increase in transport demand for air cargo from Japan; however, the logistics business overall recorded year-on-year decreases in both revenues and profit.

Bulk Shipping Business Segment (Billions of yen)

Operating revenues	456.5	(a decrease of 19.6% over a year ago)
Ordinary income (loss)	(9.5)	(income of ¥24.7 billion in the previous fiscal year)
Operating revenue composition ratio to total operating revenues	44.3%	

[Dry Bulk Business]

In the overall dry bulk sectors, market conditions improved from historically low levels and entered into a gradual recovery trend. Further uptrend has been seen, particularly in the Cape-size market, due to firming of marine transport volumes of iron ore and coal for China since September. On the other hand, after a strong start at the beginning of the year 2016, market conditions were weighed down by a gap between vessel supply and demand that was partly due to a slowdown in the number of ships scrapped in the second half of the year. The Group targeted uneconomical vessels for downsizing, and strove to cut operation costs and allocate vessels more efficiently, but its loss worsened with lower revenues year on year due to the market slump in the first half of the year.

[Car Carrier Business]

During the fiscal year, cargo movements for finished vehicles sagged with respect to such cargoes shipped from Asia to resource-rich countries in the Middle East, Central and South America, and Africa due to falls in resource prices, and such cargoes shipped from Europe and North America to Asia against the backdrop of the economic slowdown in China. Cargo movements within Europe also declined, reflecting a slump in the Russian economy. The overall volume of finished vehicles shipped by the Group during the fiscal year decreased by approximately 2.5% year on year, despite such results having been supported by increases in cargo volumes within the Atlantic Basin and those from Japan to Europe and North America. The Group recorded year-on-year declines in both revenues and profit despite adjusting tonnages in line with cargo volumes by scrapping aging vessels and so forth, and despite continuous efforts to improve efficiency of vessel allocation and operation.

[LNG Carrier Business and Tanker Business]

Although LNG carriers, very large crude carriers (VLCCs), and LPG carriers performed steadily on medium- and long-term charter contracts, the LNG carrier business and Tanker business overall reported year-on-year declines in both revenues and profit due to the softening of the market condition which affected profitability of the market-linked contracts.

[Short Sea and Coastal Business]

In the short sea and coastal business, the Group recorded year-on-year declines in both revenues and profit, mainly reflecting a year-on-year decline in transport volumes as a whole, partly due to the slump in the market in the short sea business, as well as cancellation of services because of the impact of typhoons and temporary expenses incurred for opening a new shipping route in the coastal business.

Offshore Energy E&P Support and Heavy Lifter Business Segment (Billions of yen)

Operating revenues	19.4	(a decrease of 21.2% over a year ago)
Ordinary income (loss)	(5.1)	(loss of ¥6.6 billion in the previous fiscal year)
Operating revenue composition ratio to total operating revenues	1.9%	

[Offshore Energy E&P Support Business]

The drillship continued to perform steadily, thereby helping to secure stable long-term earnings. However, in the offshore support business, softening market conditions continued due to stalled offshore development caused by the slump in crude oil prices. Overall, the offshore energy E&P support business narrowed its loss despite a year-on-year decline in revenues.

[Heavy Lifter Business]

In the heavy lifter business, the market was softened year on year and the fleet was scaled down to match the market condition, resulting in a decline in revenues. On the other hand, with regard to profitability, the business stayed around in loss year on year due to rightsizing the fleet scale and the effects of cost cutting.

Other Business (Billions of yen)

Operating revenues	35.3	(a decrease of 4.0% over a year ago)
Ordinary income (loss)	2.5	(an increase of 37.9% over a year ago)
Operating revenue composition ratio to total operating revenues	3.4%	

Other business includes the Group's ship management service, travel agency service, and real estate rental and administration service. The segment recorded year-on-year declines in revenues and increased profit.

(2) Financial Position and Results of Operation

Item	FY2013	FY2014	FY2015	FY2016 (current fiscal year)
Operating revenues (Millions of yen)	1,224,126	1,352,421	1,243,932	1,030,191
Ordinary income (loss) (Millions of yen)	32,454	48,980	3,338	(52,388)
Profit (loss) attributable to owners of the parent (Millions of yen)	16,642	26,818	(51,499)	(139,478)
Basic profit (loss) per share (Yen)	17.75	28.60	(54.95)	(148.82)
Total assets (Millions of yen)	1,254,741	1,223,328	1,115,223	1,045,209
Net assets (Millions of yen)	410,688	467,440	379,913	245,482
Net assets per share of common stock (Yen)	414.66	471.10	379.18	234.19

(Note) Overviews of FY2013 to FY2016 are as follows.

FY2013: We posted increases in both revenues and income year-on-year for FY2013 due to mixed factors such as a modest economic recovery shown in the U.S. and Europe and slowing economic growth in some emerging countries, which made our business environment somewhat unstable. However, our profitability improved due to the easing of fuel oil prices and the correction of excessive appreciation of the Japanese yen which increased revenues, while taking several measures such as cost-cutting efforts.

FY2014: During FY2014, the U.S. economy was on a recovery path and the European economy staged a modest recovery, despite some unstable factors such as Ukraine and Greece. Emerging nations saw their economies pick up, while China saw slowing economic growth recovery. Amid upward trends in the global economy, the market recovered in the containership business and oil tanker business, although the market stagnated in the dry bulk business sector. We also took several measures such as cost-cutting efforts. Consequently, we posted increases in both revenues and income year-on-year for FY2014.

FY2015: The U.S. economy saw a solid rebound, and economies in European countries stayed on moderate upward trends despite some remaining uncertainties, while falls in prices of crude oil and other resources caused economies of resource-rich countries to deteriorate. Amid uncertain economic conditions, stagnant growth in cargo movements of the containership business and a record-low level of demand in the dry bulk market adversely affected the Company’s operating performance. This resulted in a decline in sales year on year and recorded a loss, despite the Company undertaking efficient vessel allocation, reducing vessel operation costs and taking other measures to improve profitability.

FY2016: The overview for FY2016 is as provided in subsection “(1) Business Progress and Results,” pages 28 to 31.

(3) Capital Investment

Over the current fiscal year, the Group made overall capital investments of ¥68.048 billion.

The Containership Business, Bulk Shipping Business, and Offshore Energy E&P Support and Heavy Lifter Business segments made capital investments of ¥11.789 billion, ¥55.077 billion, and ¥0.008 billion, respectively, with such outlays primarily centered on ship construction.

In addition to the amounts noted above, the ship management services, travel agency services, real estate rental and administration services, and other businesses made capital investments amounting to ¥1.172 billion.

Meanwhile, sales of fixed assets amounted to ¥45.760 billion, mainly attributable to vessel disposals.

(4) Capital Procurement

No material funds were raised during the fiscal year under review.

(5) Issues to Address

The "K" Line Group has formulated its long-term management policy and medium-term management plan, '"Revival for Greater Strides" - Value for our Next Century –' which runs for three years toward our 100th anniversary in FY2019. The aim is to respond to the big change in the business environment surrounding the shipping industry and achieve sustainable growth.

As our long-term management policy, we aim for:

- A corporate group of total marine transport and logistics company in growing fields supported by customers by competitiveness with high-quality service; and
- A corporate group that persistently creates corporate value under newly-adopted advanced risk management and governance systems

And work on the following three priority initiatives:

- Maximizing our strengths to ensure competitiveness;
- Building a business portfolio resilient against market rate swings that depend on the economic environment; and
- Achieving growth via technological and business model innovation in response to social changes.

Based on the recognition of foregoing initiatives, we have a policy to work on the following priority themes for the three years from FY2017 to FY2019:

(1) Rebuilding Portfolio Strategy;

(2) Advancing management and Strategy; and

(3) ESG initiatives.

(1) Rebuilding Portfolio Strategy

In the rebuilding portfolio strategy, we work to thoroughly bolster and develop stable business, and develop new core business toward growth as main pillars of our efforts. We also wish to reduce market-sensitive business exposed to market conditions, improve and expand medium- and long-term contracts, succeed in integrating the containership business, and thoroughly implement cost savings. At the same time, we will develop the next-generation core business by developing logistics, distribution of finished vehicles and energy value chain business, and create markets and services via technological and business model innovation.

(2) Advanced management and Strategies

As an effort to develop systems supporting the rebuilding portfolio strategy, “K” Line (hereinafter “the Company”) will be committed to replacing portfolios through enhancing management of total quantity and quality of risk. It will do this by advancing management of business risk and return with a greater focus on capital costs, while, as an effort to enhance strategies by function, strengthening customer relationship management, creating new services and markets in pursuit of high-quality service via technological and business model innovation, quantitatively and qualitatively expanding human resources by securing, cultivating, and securing diversity of, human resources to thoroughly strengthen customer bases by mobilizing the efforts of the Group.

(3) ESG initiatives

In relation to the development of governance systems that will be most important in implementing the foregoing strategies for the enhancement of corporate value of the Group, the Company has carried out further clarification and strengthening of the business execution system by introducing a unit supervisory system. It has also enhanced the system of monitoring Board of Directors for better decision-making on important policies and so forth. From a safety aspect, the Company keeps, as a matter of course, the number of serious maritime accidents at zero, while from an environmental aspect, it has received recognition for its proactive actions as to be placed on the top rating, “A” rank in the “CDP Supply Chain Climate Change in 2016” and also the “Supplier Engagement Leader Board” by CDP. The Group will remain committed to developing its environmental, safety, governance systems.

(6) Status of Principal Subsidiaries (as of March 31, 2017)

Company name	Paid-in capital	Equity ownership (%)	Core business
KAWASAKI KINKAI KISEN KAISHA, LTD.	2,368 million yen	(50.7)	Marine transportation
“K” LINE LOGISTICS, LTD.	600 million yen	91.9	Air transportation agency
DAITO CORPORATION	842 million yen	100.0	Harbor transportation
TAIYO NIPPON KISEN CO., LTD.	400 million yen	100.0	Ship management
NITTO TOTAL LOGISTICS LTD.	1,596 million yen	100.0	Harbor transportation
HOKKAI TRANSPORTATION CO., LTD.	60 million yen	80.1	Harbor transportation
INTERNATIONAL TRANSPORTATION SERVICE, INC.	33.87 million U.S. dollar	70.0	Harbor transportation
“K” LINE BULK SHIPPING (UK) LIMITED	33.97 million U.S. dollar	(100.0)	Marine transportation
“K” LINE LNG SHIPPING (UK) LIMITED	35.90 million U.S. dollar	(100.0)	Marine transportation
K LINE OFFSHORE AS	1,120.06 million Norwegian krone	100.0	Marine transportation
“K” LINE PTE LTD	41.13 million U.S. dollar	100.0	Marine transportation
SAL Heavy Lift GmbH	155.45 million euro	(100.0)	Marine transportation

(Notes)
1. Figures shown in parentheses in the equity ownership column include ownership shares held by subsidiaries.
2. The Company’s 50.7% ownership of KAWASAKI KINKAI KISEN KAISHA, LTD. includes 3.1% ownership of other subsidiaries.
3. The Company’s ownership of “K” LINE BULK SHIPPING (UK) LIMITED and “K” LINE LNG SHIPPING (UK) LIMITED is through the Company’s wholly-owned subsidiary “K” LINE HOLDING (EUROPE) LIMITED.
4. The Company’s ownership of SAL Heavy Lift GmbH is through the Company’s wholly-owned subsidiary “K” LINE HEAVY LIFT (GERMANY) GmbH.

(7) Main Locations (as of March 31, 2017)

(i) The Company

Name	Location
Head Office	Iino Building, 1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo, Japan
Registered Head Office	Shinko Building, 8 Kaigandori, Chuo-ku, Kobe, Japan
Nagoya Branch	Nagoya International Center Building, 47-1, Nagono 1-chome, Nakamura-ku, Nagoya, Japan
Kansai Branch	Daidouseimei Kobe Building, 2-7, Sakaemachidori 1-chome, Chuo-ku, Kobe, Japan
Overseas Representative Office	Manila, Yangon, Dubai

(ii) Subsidiaries

Company name	Location
KAWASAKI KINKAI KISEN KAISHA, LTD.	Tokyo, Kushiro, Sapporo, Tomakomai, Hachinohe, Naka, Shizuoka, Osaka, Kitakyushu, Oita, Nichinan
“K” LINE LOGISTICS, LTD.	Tokyo, Ichikawa, Nagoya, Osaka
DAITO CORPORATION	Tokyo, Chiba, Yokohama
TAIYO NIPPON KISEN CO., LTD.	Kobe, Tokyo
NITTO TOTAL LOGISTICS LTD.	Kobe, Tokyo, Nagoya, Osaka, Kurashiki
HOKKAI TRANSPORTATION CO., LTD.	Kushiro, Sapporo, Tomakomai, Tokyo
INTERNATIONAL TRANSPORTATION SERVICE, INC.	U.S.A.
“K” LINE BULK SHIPPING (UK) LIMITED	U.K.
“K” LINE LNG SHIPPING (UK) LIMITED	U.K.
K LINE OFFSHORE AS	Norway
“K” LINE PTE LTD	Singapore
SAL Heavy Lift GmbH	Germany

(iii) Other Locations Overseas

Korea, China, Taiwan, Thailand, the Philippines, Singapore, Malaysia, Indonesia, Vietnam, Myanmar, India, Australia, UAE, U.K., Germany, France, the Netherlands, Belgium, Italy, Finland, Denmark, Norway, Sweden, Spain, Portugal, Turkey, Canada, U.S.A., Mexico, Peru, Chile, Brazil, South Africa

(8) Status of Employees (as of March 31, 2017)

Name of segment	Containership	Bulk Shipping	Offshore Energy E&P Support and Heavy Lifter	Other	Corporate (common)	Total
Number of employees	5,603	678	214	1,173	350	8,018
As of previous fiscal year end	5,656	662	225	1,227	327	8,097
Change from previous fiscal year end	(53)	16	(11)	(54)	23	(79)

(Note) Employees categorized as "Corporate (common)" are employees belonging to administrative divisions who cannot be categorized as belonging to a particular segment.

(9) Status of Vessels (as of March 31, 2017)

Name of segment	Containership	Bulk Shipping				Offshore Energy E&P Support and Heavy Lifter		Total
Vessel type	Containerships	Dry bulk carriers	Car carriers	LNG carriers and tankers	Short sea and coastal vessels	Offshore support vessels	Heavy lifter vessels	
Category								
Owned								
Number of vessels	7	63	32	28	21	7	13	171
Deadweight tons	460,448	7,354,711	480,738	2,693,545	218,895	32,481	138,192	11,379,010
Chartered								
Number of vessels	60	197	65	12	27	0	2	363
Deadweight tons	3,970,140	22,340,464	1,046,517	1,783,822	356,758	0	19,926	29,517,627
Total								
Number of vessels	67	260	97	40	48	7	15	534
Deadweight tons	4,430,588	29,695,175	1,527,255	4,477,367	575,653	32,481	158,118	40,896,637

(Note) The numbers of owned vessels include vessels for which ownership is shared and the numbers of deadweight tons include the portions owned by other companies in these vessels.

(10) Other Important Matters Related to Current Conditions of the Corporate Group

The Group has been investigated by the competition authorities in Europe and certain other countries in relation to alleged anti-competitive behavior (alleged formation of a cartel) relating to the transportation of automobiles, automotive construction machineries, and other automotive vehicles. In addition, the Group is currently subject to class actions in North America in relation to the same matter and it is possible that further private legal actions will be filed against the Group in the future. The Group is currently unable to predict what the eventual outcome of these investigations or legal actions will be. If the outcome of any such action is unfavorable to the Group, this could materially adversely affect the Group's business, financial condition and its operation results.

2. Matters Related to Corporate Stocks (as of March 31, 2017)

(1) Number of Authorized Shares: 2,000,000,000 shares

(2) Number of Issued and Outstanding Shares: 939,382,298 shares

(3) Aggregate Number of Shareholders: 32,732

(4) Major Shareholders (top 10)

Name of shareholders	Number of shares held (Thousands)	Percentage of shares held (%)
ROYAL BANK OF CANADA TRUST COMPANY (CAYMAN) LIMITED	210,164	22.41
CGML PB CLIENT ACCOUNT/COLLATERAL	80,084	8.54
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	51,745	5.51
Trust & Custody Services Bank, Ltd. (Kawasaki Heavy Industries, Ltd. retirement benefit trust account re-entrusted by Mizuho Trust & Banking Co., Ltd.)	33,923	3.61
The Master Trust Bank of Japan, Ltd. (trust account)	30,498	3.25
IMABARI SHIPBUILDING CO., LTD.	28,300	3.01
JFE Steel Corporation	28,174	3.00
Japan Trustee Services Bank, Ltd. (trust account)	25,142	2.68
GOLDMAN SACHS INTERNATIONAL	19,324	2.06
Sompo Japan Nipponkoa Insurance Inc.	19,107	2.03

(Note) Percentage of shares held is calculated excluding treasury stock (1,933,068 shares).

3. Matters Related to Directors and Audit & Supervisory Board Members

(1) Details of Directors and Audit & Supervisory Board Members (as of March 31, 2017)

Name	Position	Areas of responsibility in the Company and significant concurrent positions
Jiro Asakura	Chairman of the Board	
Eizo Murakami	Representative Director, President & CEO	CEO
Toshiyuki Suzuki	Representative Director, Senior Managing Executive Officer	Responsible for Containerships, Car Carriers, Port Business Unit
Hiromichi Aoki	Representative Director, Senior Managing Executive Officer	Responsible for Dry and Liquid Bulk Carriers Unit
Tsuyoshi Yamauchi	Representative Director, Senior Managing Executive Officer	Responsible for Corporate Unit, assistance to Internal Audit, CCO
Yukikazu Myochin	Director, Managing Executive Officer	In charge of Human Resources, Corporate Planning, Research, Project Office for Containerships and Terminal Business
Mitoji Yabunaka	Director	Adviser to Nomura Research Institute, Ltd., Special Visiting Professor of Ritsumeikan University, Specially Appointed Professor of Osaka University, Outside Director of Mitsubishi Electric Corporation, Outside Director of KOMATSU LTD., Outside Director of Takasago Thermal Engineering Co., Ltd.
Akira Okabe	Director	Advisor of Tokai Tokyo Financial Holdings, Inc.
Seiichi Tanaka	Director	
Keisuke Yoshida	Standing Audit & Supervisory Board Member	
Harusato Nihei	Standing Audit & Supervisory Board Member	
Toshikazu Hayashi	Audit & Supervisory Board Member	
Kozue Shiga	Audit & Supervisory Board Member	Partner of Shiraishi Sogo Law Office, Outside Audit & Supervisory Board Member of Shinsei Bank, Limited., and Outside Director of Ricoh Leasing Co., Ltd.

(Notes) 1. Directors Mitoji Yabunaka, Akira Okabe and Seiichi Tanaka are Outside Directors. The Company has designated them as independent directors pursuant to the regulations of each of the securities exchanges on which the Company is listed, and has provided the relevant notifications to each of these exchanges.

2. Audit & Supervisory Board Members Toshikazu Hayashi and Kozue Shiga are Outside Audit & Supervisory Board Members. The Company has designated them both as independent auditors pursuant to the regulations of each of the securities exchanges on which the Company is listed, and has provided the relevant notifications to each of these exchanges.

3. Audit & Supervisory Board Member Keisuke Yoshida has considerable knowledge of financial and accounting matters based on his engagement in financial and relevant operations of the Company. Audit & Supervisory Board Member Harusato Nihei has considerable knowledge of financial and accounting matters based on his work experience in the banking sector.

4. Directors Yukio Toriyama, Yutaka Nakagawa, Eiichiro Kinoshita, Audit & Supervisory Board Members Fumio Watanabe and Haruo Shigeta retired from their positions due to the expiration of

their terms of office upon the conclusion of the Ordinary General Meeting of Shareholders held on June 24, 2016.

5. Director Mitoji Yabunaka is an Outside Director of Mitsubishi Electric Corporation and KOMATSU LTD. The Company conducts business transactions with both companies, with sales accounting for less than 1% of the Company's consolidated revenue. In addition, Mr. Yabunaka is an Outside Director of Takasago Thermal Engineering Co., Ltd., but no special interests exist between the Company and the said company.
6. Director Akira Okabe is Adviser of Tokai Tokyo Financial Holdings, Inc. No special interests exist between the Company and the said Company.
7. Director Seiichi Tanaka retired from the post of Counselor of Mitsui & Co., Ltd. as of June 30, 2016.
8. Audit & Supervisory Board Member Kozue Shiga is Outside Audit & Supervisory Board Member of Shinsei Bank, Limited and Outside Director of Ricoh Leasing Co., Ltd. The Company has a business relationship with Shinsei Bank, Limited, but the transaction amount accounts for less than 1% of total consolidated revenue. No special interests exist between the Company and Ricoh Leasing Co., Ltd.

(2) Directors' and Audit & Supervisory Board Members' Remuneration

(i) Amount of Directors' and Audit & Supervisory Board Members' Remuneration

Category	Number of Persons	Amount (Millions of yen)
Directors (of which, Outside Directors)	12 (4)	316 (29)
Audit & Supervisory Board Members (of which, Outside Audit & Supervisory Board Members)	6 (4)	84 (23)

(Notes) 1. The above table includes remuneration for three Directors and two Audit & Supervisory Board Members who retired from their positions due to the expiration of their terms of office upon the conclusion of the Ordinary General Meeting of Shareholders held on June 24, 2016.

2. The maximum amount of monetary remuneration and the performance-based share remuneration plan for Directors was set at no more than ¥600 million per year and 620,000 points per year (equivalent to 620,000 shares of the Company's common stock) respectively, by resolution of the Ordinary General Meeting of Shareholders held on June 24, 2016.

3. The maximum amount of remuneration for Audit & Supervisory Board Members was set at no more than ¥12 million per month by resolution of the Ordinary General Meeting of Shareholders held on June 26, 2006.

(ii) Policies and Procedures for Determining Remuneration

The Board of Directors' policies for determining the remuneration for Directors are as follows.

・ The remuneration for Executive Directors shall be appropriate, fair, and balanced so as to reflect the Company's medium- to long-term business performance and the latent risks borne by said Executive Directors and to further enhance their willingness and motivation to bring about the Company's sustainable growth and maximize its corporate value.

- The remuneration for Outside Directors shall reflect the amount of time devoted to the Company's business, and the responsibilities borne by them, and shall not include business performance-linked factors.
- The amount of remuneration for each individual Director shall be fair and adequate in consideration of the Company's business performance and in light of the levels of remuneration paid by other comparable companies.

The Board of Directors' procedures for determining remuneration for Directors are as follows.

- The institutional design and level of remuneration for Directors shall be deliberated on, resolved, and recommended to the Board of Directors by the Remuneration Advisory Committee pursuant to the aforementioned policies.
- The Board of Directors shall determine the remuneration for each Director within the limit of the maximum yearly remuneration for Directors resolved at the General Meeting of Shareholders.

  The Remuneration Advisory Committee shall comprise all Outside Directors, the Chairman, and the President and CEO. The chairperson shall be appointed from among committee members who are Outside Directors.

The remuneration for Audit & Supervisory Board Members shall solely comprise monthly remuneration, which is determined after deliberations by Audit & Supervisory Board Members, within the limit of the maximum amount of monthly remuneration for Audit & Supervisory Board Members resolved at the General Meeting of Shareholders.

(3) Matters Related to Outside Directors and Outside Audit & Supervisory Board Members

Status of Main Activities during the Fiscal Year under Review

Name	Position	Status of main activities
Mitoji Yabunaka	Outside Director	Mr. Yabunaka attended 14 of the 15 meetings of the Board of Directors held during the current fiscal year. He made comments as appropriate, from his objective standpoint as an Outside Director, based on the abundant international experience and knowledge he has accumulated over his many years as a diplomat.
Akira Okabe	Outside Director	Mr. Okabe attended 10 of the 11 meetings of the Board of Directors held during the fiscal year under review since he assumed office in June 2016. He made comments as appropriate from an objective standpoint as an Outside Director based on his abundant experience and knowledge as a corporate manager.
Seiichi Tanaka	Outside Director	Mr. Tanaka attended all 11 of the meetings of the Board of Directors held during the current fiscal year since he assumed office in June 2016. He made comments as appropriate from an objective standpoint as an Outside Director based on his abundant experience and knowledge as a corporate manager.
Toshikazu Hayashi	Outside Audit & Supervisory Board Member	Mr. Hayashi attended all 15 of the meetings of the Board of Directors and all 15 of the meetings of the Audit & Supervisory Board held during the current fiscal year. He made comments as appropriate from the expert perspective he has gained as a corporate manager.
Kozue Shiga	Outside Audit & Supervisory Board Member	Ms. Shiga attended 10 of the 11 meetings of the Board of Directors and all 10 of the meetings of the Audit & Supervisory Board held during the current fiscal year since she assumed office in June 2016. She made comments as appropriate from an expert perspective as a lawyer.

(4) Overview of Contents of Limited Liability Contracts

The Company's Articles of Incorporation stipulate that, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may conclude limited liability contracts as prescribed in Article 423, Paragraph 1 of the said Act with Directors (excluding Executive Directors) and Audit & Supervisory Board Members pursuant to Article 427, Paragraph 1 of the Companies Act. Based on the provisions, the Company has concluded limited liability contracts with Non-Executive Directors Mitoji Yabunaka, Akira Okabe and Seiichi Tanaka and all Audit & Supervisory Board Members. When acting in good faith and in the absence of any serious negligence, the limit of liability on the basis of any such agreement will amount to either ¥10 million or an amount stipulated by laws and regulations, whichever amount may be higher.

Consolidated Financial Statements

Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2017 (A)
ASSETS	
Current assets:	
Cash and deposits	199,678
Accounts and notes receivable-trade	83,580
Raw materials and supplies	29,546
Prepaid expenses and deferred charges	45,862
Deferred income taxes	5,599
Short-term loans receivable	3,127
Other current assets	15,764
Allowance for doubtful receivables	(2,035)
Total current assets	381,123
Fixed assets:	
(Tangible assets)	
Vessels	412,285
Buildings and structures	18,239
Machinery and vehicles	10,952
Land	24,781
Construction in progress	55,551
Other tangible assets	4,577
Total tangible assets	526,387
(Intangible assets)	
Other intangible assets	4,005
Total intangible assets	4,005
(Investments and other assets)	
Investments in securities	80,721
Long-term loans receivable	17,466
Assets for retirement benefits	493
Deferred income taxes	3,268
Other investments and other assets	32,673
Allowance for doubtful receivables	(931)
Total investments and other assets	133,692
Total fixed assets	664,085
Total assets	1,045,209

(Note) The amounts presented are rounded down to the nearest million yen.

Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2017 (A)
LIABILITIES	
Current liabilities:	
Accounts and notes payable-trade	89,769
Short-term loans and current portion of long-term loans	47,469
Accrued income taxes	1,268
Allowance for loss related to the Anti-Monopoly Act	5,223
Allowance for loss related to business restructuring	19,867
Allowance for bonuses	2,387
Allowance for directors' bonuses	217
Other current liabilities	57,230
Total current liabilities	223,433
Long-term liabilities:	
Bonds	62,187
Long-term loans, less current portion	404,176
Obligations under finance leases, less current portion	33,055
Deferred income taxes on land revaluation	1,874
Allowance for loss related to business restructuring	28,022
Allowance for directors' and audit and supervisory board members' retirement benefits	1,645
Accrued expenses for overhaul of vessels	11,999
Liability for retirement benefits	7,514
Derivative liabilities	8,861
Other long-term liabilities	16,956
Total long-term liabilities	576,293
Total liabilities	799,727
NET ASSETS	
Shareholders' equity:	
Common stock	75,457
Capital surplus	60,334
Retained earnings	55,753
Less treasury stock	(1,084)
Total shareholders' equity	190,461
Accumulated other comprehensive income (loss):	
Net unrealized holding gain on investments in securities	8,849
Deferred gain on hedges	10,189
Revaluation reserve for land	6,263
Translation adjustments	6,555
Retirement benefits liability adjustments	(2,835)
Total accumulated other comprehensive income, net	29,022
Non-controlling interests	25,997
Total net assets	245,482
Total liabilities and net assets	1,045,209

(Note) The amounts presented are rounded down to the nearest million yen.

Consolidated Statement of Operations

(Millions of yen)

	Year ended March 31, 2017
Marine transportation and other operating revenues	1,030,191
Marine transportation and other operating costs and expenses	1,000,744
Gross operating income	29,446
Selling, general and administrative expenses	75,484
Operating loss	(46,037)
Non-operating income:	
Interest income	1,373
Dividend income	1,429
Equity in earnings of subsidiaries and affiliates	3,155
Other non-operating income	1,801
Total non-operating income	7,759
Non-operating expenses:	
Interest expenses	6,625
Exchange loss, net	4,006
Financing expenses	1,887
Other non-operating expenses	1,592
Total non-operating expenses	14,111
Ordinary loss	(52,388)
Extraordinary income:	
Gain on sales of fixed assets	5,292
Other extraordinary income	1,083
Total extraordinary income	6,375
Extraordinary losses:	
Loss on sales of fixed assets	8,416
Loss on impairment of fixed assets	20,362
Loss on cancellation of chartered vessels	7,943
Provision of allowance for loss related to business restructuring	47,889
Other extraordinary losses	601
Total extraordinary losses	85,212
Loss before income taxes	(131,226)
Income taxes:	
Current	3,795
Deferred	2,347
Total income taxes	6,142
Loss	(137,369)
Loss attributable to non-controlling interests	2,109
Loss attributable to owners of the parent	(139,478)

(Note) The amounts presented are rounded down to the nearest million yen.

Independent Auditor's Report

May 15, 2017

The Board of Directors
Kawasaki Kisen Kaisha, Ltd.

Ernst & Young ShinNihon LLC

Certified Public Accountant
Designated and Engagement Partner

Certified Public Accountant
Designated and Engagement Partner

Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 444, Section 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of operations, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Kawasaki Kisen Kaisha, Ltd. (the "Company") applicable to the fiscal year from April 1, 2016 through March 31, 2017.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Kawasaki Kisen Group, which consisted of the Company and consolidated subsidiaries, applicable to the fiscal year ended March 31, 2017 in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

As described in additional information to the consolidated financial statements, the Company, Mitsui O.S.K. Lines, Ltd., and Nippon Yusen Kabushiki Kaisha have agreed, based on resolutions by the Board of Directors of each company at meetings held on October 31, 2016, to integrate the container shipping businesses of all three companies and to enter into a business integration contract and a shareholders' agreement. Our opinion is not qualified in respect of this matter.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2017 (A)
ASSETS	
Current assets:	
Cash and deposits	117,007
Accounts receivable-shipping	27,569
Advances paid	4,529
Supplies	23,570
Prepaid expenses and deferred charges	42,079
Accounts receivable from agencies	34,692
Deferred income taxes	7,663
Short-term loans receivable	16,426
Other current assets	8,678
Allowance for doubtful receivables	(1,756)
Total current assets	280,461
Fixed assets:	
(Tangible assets)	
Vessels	55,224
Buildings	3,472
Structures	143
Machinery and equipment	138
Vehicles and transportation equipment	616
Equipment and fixtures	1,472
Land	11,600
Construction in progress	1,671
Other tangible assets	966
Total tangible assets	75,305
(Intangible assets)	
Software	750
Software in progress	177
Other intangible assets	6
Total intangible assets	934
(Investments and other assets)	
Investments in securities	28,877
Shares of subsidiaries and affiliates	72,198
Investments in capital	1,764
Investments in capital of subsidiaries and affiliates	4,549
Long-term loans receivable	5,491
Long-term loans receivable from subsidiaries	885
Long-term loans receivable from employees	81,988
Long-term prepaid expenses	7,650
Prepaid pension cost	1,793
Lease investment assets	25,256
Lease and guarantee deposits	1,863
Other investments and other assets	87
Allowance for doubtful receivables	(16,675)
Total investments and other assets	215,731
Total fixed assets	291,971
Total assets	572,432

(Note) The amounts presented are rounded down to the nearest million yen.

Non-Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2017 (A)
LIABILITIES	
Current liabilities:	
Accounts payable-shipping	80,366
Accounts payable-other business	1
Current portion of bonds	378
Short-term loans and current portion of long-term loans	32,767
Current portion of obligation under finance leases	1,837
Accounts payable-other	1,777
Accrued expenses	152
Accrued income taxes	146
Advances received	21,758
Deposits received	13,581
Accounts payable to agencies	301
Allowance for loss related to the Anti-Monopoly Act	5,223
Allowance for loss related to business restructuring	20,929
Allowance for bonuses	480
Other current liabilities	906
Total current liabilities	180,607
Long-term liabilities:	
Bonds	62,187
Long-term loans, less current portion	203,141
Obligations under finance leases, less current portion	16,403
Allowance for employees' retirement benefits	636
Accrued expenses for overhaul of vessels	731
Allowance for loss related to business restructuring	28,662
Deferred income taxes	8,028
Deferred income taxes on land revaluation	1,577
Other long-term liabilities	1,837
Total long-term liabilities	323,203
Total liabilities	503,811
NET ASSETS	
Shareholders' equity:	
Common stock	75,457
Capital surplus:	
Capital reserve	60,302
Total capital surplus	60,302
Retained earnings:	
Legal reserve	2,540
Other retained earnings	
Reserve for advanced depreciation	453
General reserve	60,552
Retained earnings brought forward	(151,401)
Total other retained earnings	(90,396)
Total retained earnings	(87,856)
Less treasury stock	(1,034)
Total shareholders' equity	46,869
Valuation and translation adjustments:	
Net unrealized holding gain on investments in securities	7,048
Deferred gain on hedges	10,893
Revaluation reserve for land	3,810
Total valuation and translation adjustments	21,751
Total net assets	68,621
Total liabilities and net assets	572,432

(Note) The amounts presented are rounded down to the nearest million yen.

Non-Consolidated Statement of Operations

(Millions of yen)

	Year ended March 31, 2017 (A)
Marine transportation revenues	
Freight	655,236
Charter hire	124,547
Other marine transportation revenue	19,044
Total marine transportation revenues	798,828
Marine transportation expenses	
Operating costs and expenses	429,053
Vessel expenses	8,599
Charter hire	338,374
Other marine transportation expenses	64,626
Total marine transportation expenses	840,654
Marine transportation loss	(41,826)
Other business revenue	555
Other business expenses	318
Other business income	237
Gross operating loss	(41,588)
General and administrative expenses	17,257
Operating loss	(58,845)
Non-operating income:	
Interest income	1,273
Dividend income	16,954
Other non-operating income	767
Total non-operating income	18,995
Non-operating expenses:	
Interest expenses	2,264
Interest on bonds	98
Financing expenses	1,887
Exchange loss, net	3,986
Provision of allowance for doubtful receivables	799
Other non-operating expenses	1,282
Total non-operating expenses	10,319
Ordinary loss	(50,169)
Extraordinary income:	
Gain on sales of investments in securities	315
Gain on redemption of investments in securities	288
Other extraordinary income	39
Total extraordinary income	643
Extraordinary losses:	
Provision of allowance for loss related to business restructuring	49,591
Loss on devaluation of shares of subsidiaries and affiliates	19,045
Loss on devaluation of investments in capital of subsidiaries and affiliates	19,427
Provision of allowance for doubtful receivables	15,526
Other extraordinary losses	10,154
Total extraordinary losses	113,744
Loss before income taxes	(163,270)
Income taxes:	
Current	(202)
Deferred	(1,822)
Total income taxes	(2,025)
Loss	(161,245)

(Note) The amounts presented are rounded down to the nearest million yen.

Independent Auditor's Report

May 15, 2017

The Board of Directors
Kawasaki Kisen Kaisha, Ltd.

Ernst & Young ShinNihon LLC

Certified Public Accountant
Designated and Engagement Partner

Certified Public Accountant
Designated and Engagement Partner

Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of operations, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of Kawasaki Kisen Kaisha, Ltd. (the "Company") applicable to the 149th fiscal year from April 1, 2016 through March 31, 2017.

Management's Responsibility for the Financial Statements and the Related Supplementary Schedules

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of Kawasaki Kisen Kaisha, Ltd. applicable to the 149th fiscal year ended March 31, 2017 in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

As described in additional information to the financial statements, the Company, Mitsui O.S.K. Lines, Ltd., and Nippon Yusen Kabushiki Kaisha have agreed, based on resolutions by the Board of Directors of each company at meetings held on October 31, 2016, to integrate the container shipping businesses of all three companies and to enter into a business integration contract and a shareholders' agreement. Our opinion is not qualified in respect of this matter.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

(TRANSLATION PURPOSE ONLY)
Copy of the Audit & Supervisory Board's Report

AUDIT REPORT

With respect to the Directors' execution of their duties during the 149th term from April 1, 2016 to March 31, 2017, the Audit & Supervisory Board has prepared this Audit Report after deliberations based on the audit reports prepared by each Audit & Supervisory Board Member. We hereby report as follows:

1. Method and Contents of Audit by the Audit & Supervisory Board Members and the Audit & Supervisory Board

(1) The Audit & Supervisory Board has established the audit policies, audit plans, etc. and received a report from each Audit & Supervisory Board Member regarding the status of implementation of their audit and results thereof. In addition, we have received reports from the Directors and the Accounting Auditor regarding the status of execution of their duties, and requested their explanations as necessary.

(2) In conformity with the Audit & Supervisory Board Member auditing standards established by the Audit & Supervisory Board, and in accordance with the audit policies and audit plans, etc., each Audit & Supervisory Board Member endeavored to facilitate a mutual understanding with the Directors, the internal audit division and other employees, etc. of the Company, endeavored to collect information and maintain and improve the audit environment, and conducted an audit by following the methods described below:

① Each Audit & Supervisory Board Member has attended the meetings of the Board of Directors and other important meetings, received reports on the status of execution of duties from the Directors and other employees and requested explanations as necessary, examined important approval/decision documents, and investigated the status of operations and assets of the headquarters and other major offices. Moreover, with respect to the subsidiaries, each Audit & Supervisory Board Member endeavored to facilitate a mutual understanding and exchanged information with the directors and audit & supervisory board members, etc. of each subsidiary, and received reports on their respective business from the subsidiaries as necessary.

② Each Audit & Supervisory Board Member received regular reports from Directors and employees, requested explanations as necessary, and conveyed their views, regarding the contents of deliberations at Board of Directors' meetings and the framework and operational status of systems (internal control systems) established on the basis of resolutions thereof to establish systems to ensure that directors perform their duties specified in the business report in compliance with relevant laws and regulations and the Articles of Incorporation, and other systems set forth in Article 100, Paragraphs 1 and 3, of the Ordinance for Enforcement of the Companies Act as being necessary for ensuring that business of the corporate group comprised of the stock company and its subsidiaries is carried out in a manner appropriate to a joint stock company (kabushiki kaisha). In addition, with regard to the internal controls for financial reporting, we received reports from the Directors and Ernst & Young ShinNihon LLC regarding the evaluation of said internal controls and the auditing activities, and requested explanations as necessary.

③ Each Audit & Supervisory Board Member monitored and verified whether the Accounting Auditor maintained its independence and properly conducted its audit, received a report from the Accounting Auditor on the status of their execution of duties, and requested explanations as necessary. Each Audit & Supervisory Board Member was notified by the Accounting Auditor that it had established "systems for ensuring appropriate execution of its duties" (in each item listed in Article 131 of the Ordinance on Accounting of Companies) in accordance with the "Quality Control Standards for Audits" (October 28, 2005, Business Accounting Council), and requested explanations as necessary.

Based on the above-described methods, each Audit & Supervisory Board Member examined the business report and supplementary schedules, the non-consolidated financial statements (non-consolidated balance sheets, non-consolidated statement of operations, non-consolidated statements of shareholders' equity, and notes to non-consolidated financial statements) and their supplementary schedules thereto, as well as the consolidated financial statements (consolidated balance sheets, consolidated statement of operations, consolidated statements of shareholders' equity, and notes to consolidated financial statements) for this business year.

2. Results of Audit

(1) Results of Audit of Business Report, etc.

① We acknowledge that the business report and the supplementary schedules thereto fairly present the status of the Company in conformity with the applicable laws and regulations and the Articles of Incorporation.

② We acknowledge that no misconduct or violations of laws and regulations, or the Articles of Incorporation was found with respect to the Directors' execution of their duties.

③ We acknowledge that the Board of Directors' resolutions with respect to the internal control systems are appropriate. We did not find any matter to be mentioned with respect to the descriptions of the business report and the Director's execution of their duties regarding the internal control system including the internal controls for financial reporting.

As noted in this business report," the "K" Line Group has been subject to investigation by anti-trust authorities in Europe and other countries overseas. The Audit & Supervisory Board confirms that the entire "K" Line Group undertakes measures to strengthen systems for compliance with anti-trust law, and fully engages in initiatives to prevent recurrence of such incidents. We will closely monitor the Group to ensure that it continues working to strengthen compliance systems while acting in total accordance with its corporate ethics.

(2) Results of Audit of Non-consolidated Financial Statements and their Supplementary Schedules

We acknowledge that the methods and results of audit performed by the Accounting Auditor, Ernst & Young ShinNihon LLC, are appropriate.

(3) Results of Audit of Consolidated Financial Statements

We acknowledge that the methods and results of audit performed by the Accounting Auditor, Ernst & Young ShinNihon LLC, are appropriate.

May 16, 2017

The Audit & Supervisory Board of
Kawasaki Kisen Kaisha, Ltd.

Standing Audit & Supervisory Board Member	Keisuke Yoshida
Standing Audit & Supervisory Board Member	Harusato Nihei
Outside Audit & Supervisory Board Member	Toshikazu Hayashi
Outside Audit & Supervisory Board Member	Kozue Shiga

"K" LINE
KAWASAKI KISEN KAISHA, LTD.

(Translation)

INTERNET DISCLOSURE FOR NOTICE OF THE 149TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

The 149th term
(From April 1, 2016 to March 31, 2017)

Core Business
Principal Lenders
Matters Related to Stock Acquisition Rights
Status of Accounting Auditor
System to Ensure Proper Business Operations
Outline of Operational Status of System to Ensure Proper Business Operations
Consolidated Statement of Changes in Net Assets
Non-Consolidated Statement of Changes in Net Assets
Notes to Consolidated Financial Statements
Notes to Non-consolidated Financial Statements

Kawasaki Kisen Kaisha, Ltd.

Pursuant to the provisions of relevant laws and regulations and Article 19 of the Company's Articles of Incorporation, the items listed above are provided to shareholders on the website of Kawasaki Kisen Kaisha, Ltd. (http://www.kline.co.jp/en).

(Note) This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Core Business (as of March 31, 2017)

Containership	Containership Business, Logistics Business
Bulk Shipping	Dry Bulk Business, Car Carrier Business, LNG Carrier Business and Tanker Business, Short Sea and Coastal Business
Offshore Energy E&P Support and Heavy Lifter	Offshore Energy E&P Support Business, Heavy Lifter Business
Other	Ship management services, travel agency services, real estate rental and administration services

Principal Lenders (as of March 31, 2017)

Lender	Loan balance (Millions of yen)
Mizuho Bank, Ltd.	103,895
Sumitomo Mitsui Trust Bank, Limited	75,822
Development Bank of Japan Inc.	67,685
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	30,625
The Norinchukin Bank	19,556
Japan Bank for International Cooperation	14,344
Sumitomo Mitsui Banking Corporation	13,034

Matters Related to Stock Acquisition Rights

The outstanding balance of Euro-Yen Zero Coupon Convertible Bonds as of March 31, 2017 is as follows:

Euro-Yen Zero Coupon Convertible Bonds due 2018: ¥50.0 billion

Total: ¥50.0 billion

Status of Accounting Auditor

(1) Name of Accounting Auditor
Ernst & Young ShinNihon LLC

(2) Amount of Remunerations Payable to Accounting Auditor for the Fiscal Year under Review

Item	Amount
1) Amount of remunerations to be paid to Accounting Auditor by the Company	¥90 million
2) Total amount of money and other financial benefits to be paid to Accounting Auditor by the Company and its subsidiaries	¥160 million

(Note) The audit contract between the Company and Accounting Auditor does not distinguish between classifications of remuneration amounts either for audits pursuant to the Companies Act or for audits pursuant to the Financial Instruments and Exchange Act, partially given the impracticality of deriving such classifications.
Of the Company's principal subsidiaries, accounting auditors other than the Accounting Auditor of the Company audit documents relating to accounts of INTERNATIONAL TRANSPORTATION SERVICE, INC., "K" LINE BULK SHIPPING (UK) LIMITED, "K" LINE LNG SHIPPING (UK) LIMITED, K LINE OFFSHORE AS, "K" LINE PTE LTD, and SAL Heavy Lift GmbH.

(3) Reason for the Consent to the Amounts of the Remunerations for Accounting Auditor, etc.
The Audit & Supervisory Board obtained necessary materials and received reports from Directors, the related internal departments and the accounting auditor. And after conducting the necessary verification and deliberations on whether or not the content of audit plans conducted by the accounting auditor, the execution status of accounting auditor's duty, the basis for calculation of estimates for its remuneration, etc. are appropriate, the Board gave the consent provided for in Article 399, Paragraph 1 of the Companies Act.

(4) Details of Non-audit Services (Services Other than Those of Article 2, Paragraph 1 of the Certified Public Accountants Act) Performed by Accounting Auditor
The Company entrusted the advisory services related to the integration of subsidiaries and affiliates to the accounting auditor and made payments in consideration thereof.

(5) Policy for Decisions on Dismissal or Non-reappointment of Accounting Auditor
If deemed necessary by the Audit & Supervisory Board in cases such as where an Accounting Auditor has difficulty in the execution of his or her duties, the Audit & Supervisory Board shall determine the content of a proposition regarding the dismissal or non-reappointment of the Accounting Auditor to be submitted to a general meeting of shareholders.
If circumstances involving an Accounting Auditor are deemed to fall under any of the items of Article 340, Paragraph 1 of the Companies Act, the Accounting Auditor shall be dismissed subject to unanimous approval by the Audit & Supervisory Board. In any such case, an Audit & Supervisory Board Member designated by the Audit & Supervisory Board shall report the dismissal of the Accounting Auditor and the grounds for dismissal at the first general meeting of shareholders to be convened after the dismissal.

(6) Business Suspension Order to which the Accounting Auditor was subject during Past Two Years
(i) Subject of administrative order Ernst & Young ShinNihon LLC

(ii) Content of administrative order
- Suspension from accepting new engagements for three months from January 1, 2016 to March 31, 2016
- Order for improvement of business operations (improvement of business management system)

(iii) Reasons for administrative order
- In regard to the audits of financial documents for Toshiba Corporation, for the fiscal years ended March 31, 2010, 2012 and 2013, certified public accountants of the above audit

corporation, in negligence of due care, attested that the financial statements contained no material misstatement, when in fact the statements contained material misstatement.

- The audit corporation's operation of services was found to be grossly inappropriate.

System to Ensure Proper Business Operations

The Company continues its efforts to establish a system to ensure the execution of duties by its Directors in compliance with laws and regulations and the Articles of Incorporation, as well as a system to ensure the appropriateness of businesses of the corporate group comprised of the Company and its subsidiaries (hereinafter, the "Group") specified by laws and regulations.

To be precise, the Company's Board of Directors assumes responsibility for establishing an internal control system, evaluating its effectiveness and ensuring its functions.

Currently, the Company establishes the following systems and will strive to review and improve them on a continuous basis and as necessary in order to enhance the effectiveness of its internal control.

(1) System to ensure the execution of duties by the Company's Directors, Executive Officers and employees in compliance with laws and regulations as well as the Articles of Incorporation

The Company has established the Charter of Conduct for "K" Line Group Companies and the "K" Line Implementation Guideline for Charter of Conduct, in which the compliance of the Group with laws and regulations as well as business ethics is specified as one of the principles of the conduct. The Directors are required to ensure thorough implementation of compliance and establish an effective internal system in order to achieve it. To that end, the Company constantly implements the following measures:

(i) The Company promotes the appropriate management of the Board of Directors in accordance with the Rules for the Board of Directors, in order to ensure the executions of duties by the Directors in compliance with laws and regulations as well as the Articles of Incorporation.

(ii) The Company establishes the Rules for Executive Officers, which specify matters to be complied with by the Executive Officers in order to ensure that the execution of duties by the Executive Officers appointed by the Board of Directors is in compliance with laws and regulations as well as the Articles of Incorporation, and promotes the active and faithful execution of the business delegated to them.

(iii) The Company establishes internal rules such as the Rules for Employees in order to ensure the execution of duties by the employees in compliance with laws and regulations as well as the Articles of Incorporation.

(iv) The Internal Audit Group supports the performance of responsibilities by the Board of Directors regarding the establishment, maintenance and improvement of the internal control system through the supervision and verification of the system.

(v) The Company establishes the Compliance Committee chaired by the President & CEO and strives to develop and maintain its compliance system.

(vi) The Company establishes a whistle-blowing system called the "Hotline System" in order to identify and appropriately handle legal violations and other compliance issues at an early stage. The Group specifies some internal contacts as well as a law firm as an external contact for whistle-blowers. This system is managed under the Rules for the Hotline System.

(2) System for retaining and managing information pertaining to the execution of duties by the Company's Directors

The Company appropriately retains and manages information regarding the execution of duties by its Directors in the form of fully searchable data that ensures the availability of perusal at any time, in accordance with the Rules for the Board of Directors and the Regulations for Documentation during the period specified by such rules and regulations.

(3) Rules and systems for the Company to manage risks of loss

The Company remains aware of the risks, as listed below, inherent in the course of conducting business. Accordingly, we will develop systems for addressing the respective risks, and the Crisis Management Committee will take overall charge of crisis and risk management initiatives, and promote such activities.

- Ship-related accidents (including incidents involving seawater contamination)
- Major disasters
- Compliance-related issues
- Other management risks

(4) System to ensure that Directors of the Company execute their duties efficiently

The Company adopts the executive officer system and promotes smooth decision-making on the execution of duties. The Board of Directors determines the fundamental management policies, matters required by laws and regulations, and other important matters regarding the management of businesses, while supervising the execution of duties by the Directors and Executive Officers. A meeting of the Board of Directors should be held at least once a month.

The Company also adopts a system of making resolutions in writing for the Board of Directors, which enables the flexible operation of the board.

In addition to the Board of Directors, the Company hosts an Management Conference that requires the attendance of the Director and Chairman, Executive Officers equivalent to or higher than Senior Executive Officer, Executive Officers responsible for business units, Executive Officers in charge of corporate planning, finance and accounting as well as Audit & Supervisory Board Members once a week in principle. By doing so, the Company establishes a system that contributes to decision-making by the President & CEO based on open discussions.

(5) Systems to ensure proper business operations of the corporate group comprised of the Company and its subsidiaries

The Company establishes the Charter of Conduct for "K" Line Group Companies as the code of conduct applicable to the entire Group, in order to ensure the appropriate operations of its subsidiaries (hereinafter, the "Group companies"). Each Group company establishes internal rules and regulations based on the charter. In addition, the Company establishes the Regulations for Business Operations by Subsidiaries in order to ensure the appropriate operations by its Group companies by supporting and managing the establishment and effective operation of their internal control systems while respecting the independence of these Group companies.

(i) System for reporting matters regarding the execution of duties by Directors, etc. of the Group companies to the Company

The Company establishes the Regulations for Business Operations by Subsidiaries and requires its Group companies to report important matters to the relevant departments of the Company. In addition, the Company provides its hotline contact as well as hotline systems of each Group company for whistle-blowers who identify any legal violations and other compliance issues in each respective office. The Company also hosts the Group Management Meeting twice a year to facilitate information exchange among the Company and the Group companies.

(ii) Rules and systems for managing risk of loss of the Group companies

The Group companies establish their own crisis management system independently according to their business scale and characteristics. The Company establishes the Regulations for Business Operations by Subsidiaries and requires the Group companies to report risks in executing their respective business operations according to the characteristics of their businesses to the Company, which will be handled by the Crisis Management Committee and other organizations.

(iii) System to ensure that Directors, etc. of the Group companies execute their duties efficiently

The Group companies independently manage their respective businesses in principle. The Company establishes the Regulations for Business Operations by Subsidiaries and specifies that certain important matters of the Group companies require approval of, discussion with, or reporting to the Company.

(iv) System to ensure that Directors, etc. and employees of the Group companies execute their duties in compliance with relevant laws and regulations and the Articles of Incorporation

The Company establishes the Charter of Conduct for "K" Line Group Companies and requires the Group companies to comply with the charter. In addition, the Company requires each Group company to establish its Implementation Guideline for Charter of Conduct according to the characteristics of their businesses and verifies the content of such guidelines.

Furthermore, the Company monitors via the Internal Audit Group, etc. the status of compliance and implementation of the internal control system by the Group companies.

(6) Matters concerning the employees who are to assist Audit & Supervisory Board Members in their duties

The Company establishes the Rules Concerning Employees Tasked with the Assisting Audit & Supervisory Board Members, and appoints employees who are required to assist the duties of Audit & Supervisory Board Members ("employees assisting Audit & Supervisory Board Members") under the supervision of the Audit & Supervisory Board.

(7) Matters concerning the independence of the employees assisting Audit & Supervisory Board Members from the Directors of the Company

The Company establishes the Rules Concerning Employees Tasked with the Assisting Audit & Supervisory Board Members, and specifies that it shall not order the employees assisting Audit & Supervisory Board Members to assume other duties concurrently in principle. If it needs to do so due to unavoidable reasons, prior approval should be obtained from the Audit & Supervisory Board. The Audit & Supervisory Board Members evaluate the performance of the employees assisting Audit & Supervisory Board Members. The appointment and transfer of the employees assisting Audit & Supervisory Board Members require prior approval from the Audit & Supervisory Board.

(8) Matters to ensure the effectiveness of instructions by the Audit & Supervisory Board Members of the Company given to the employees assisting them

When the employees assisting Audit & Supervisory Board Members request the Company for any information materials and/or reporting, the Company will promptly provide such materials and/or reporting.

(9) System for reporting to the Audit & Supervisory Board Members of the Company by the Directors, Executive Officers and employees of the Company; the Directors, the Audit & Supervisory Board Members, and employees of the Group companies; or a person who received a report from the above persons; and other systems for reporting to Audit & Supervisory Board Members of the Company

The Directors, Executive Officers and employees of the Company are required to report important matters regarding the management and operations of the Company's businesses and the status of executing its business in charge to the Audit & Supervisory Board Members as needed at a meeting of the Board of Directors or other important meetings, as well as to promptly report any compliance issues and other matters that may cause serious damage to the Company, if identified, to the Audit & Supervisory Board in accordance with the Rules for Systems of Reporting to Audit & Supervisory Board Members, Etc. The Directors are required to promptly report matters regarding the execution of duties in an appropriate manner to the Audit & Supervisory Board or its Members when being requested to do so. The Internal Audit Group is required to report the progress of its audits to the Audit & Supervisory Board as necessary and conduct additional audits if being requested to do so by the board.

The Directors, Audit & Supervisory Board Members and employees of the Group companies are required to report compliance issues and other important matters specified to the relevant department of the Company, and the relevant department is required to report the matter to the Audit & Supervisory Board Members of the Company as necessary in accordance with the Regulations for Business Operations by Subsidiaries. The Company hosts a Group Companies' Audit & Supervisory Board Communication Meeting twice a year, in order to share information among the Company, its Group companies and subsidiaries.

(10) System to ensure the non-unfair treatment of persons who made reporting as described in the above

The Company prohibits the Company or its Group companies, under the Rules for Systems of Reporting to Audit & Supervisory Board Members, Etc. and the Regulations for Business Operations by Subsidiaries, from unfairly treating the Directors, Audit & Supervisory Board Members, Executive Officers and employees of the Company and its Group companies who conducted whistle-blowing to the Audit & Supervisory Board Members of the Company due to the act of such whistle-blowing.

(11) Matters concerning policies on the advance payments, reimbursements and other procedures for settlements of expenditures and/or liabilities incurred from the execution of duties by the Audit & Supervisory Board Members of the Company

The Company establishes policies on the advance payments and reimbursements and other procedures for settlements of expenditures and liabilities incurred from the execution of duties by the Audit & Supervisory Board Members, and conduct such advance payments and reimbursements and settlements based on the policies.

(12) Other systems to ensure performance of effective audits by Audit & Supervisory Board Members of the Company

The Company cooperates in developing an environment ensuring effective audits by the Audit & Supervisory Board Members by coordinating regular meetings with the Audit & Supervisory Board Members and the Representative Directors, arranging collaboration of the Audit & Supervisory

Board Members with the Internal Audit Group, and other such means.

(13) System for ensuring the reliability of financial reports

To ensure the reliability of the Group's financial reports, the Company will engage in ongoing efforts to evaluate and improve the effectiveness of internal control systems pertaining to financial reporting, on the basis of Japan's Financial Instruments and Exchange Act, and other relevant laws and regulations.

(14) Fundamental policy toward anti-social forces and status of policy implementation

The Charter of Conduct for "K" Line Group Companies vows that "the "K" Line Group will resolutely confront any anti-social force or organization which may threaten social order and public safety."

Accordingly, the Company establishes a system that enables the swift and appropriate handling of matters relating to anti-social forces occurring within the Group, by appointing a department in charge of handling matters relating to anti-social forces and working with law enforcement officials, expert corporate legal counsel and other external organizations on a normal basis, with the aim of precluding all involvement of anti-social forces and severing any ties that could emerge.

Outline of Operational Status of System to Ensure Proper Business Operations

A summary of the operational status of the above system in the current fiscal year is as follows:

(1) Status of the Company's efforts made for the system to ensure the execution of duties by the Company's Directors, Executive Officers and employees in compliance with laws and regulations as well as the Articles of Incorporation

The Company carried out the following matters as its efforts for making officers and employees fully aware of the Charter of Conduct for "K" Line Group Companies and the "K" Line Implementation Guideline for Charter of Conduct, for ensuring compliance within the Company and for establishing an effective internal system to achieve it.

(i) In January 2017, the Company established the "K" Line Group Global Compliance Policy to strengthen the Group compliance system at a global level in conformity with countries' laws and regulations which have become more stringent year by year so as to encourage fair competition. The "K" Line Group Global Compliance Policy provides a vision with more clarity on compliance by more specifically stipulating the principles of the conduct and guidelines to perform fair, transparent and free competition and appropriate transactions in conformity with laws and regulations and social norms at home and abroad, as addressed in the Charter of Conduct for "K" Line Group Companies and the "K" Line Implementation Guideline for Charter of Conduct. In addition, the Company has established individual policies applicable to individual sectors in relation to, among others, the anti-trust law and the anti-bribery act. With regard to the anti-bribery act, it delivered a guidebook that serves as the code of conduct for the day-to-day duties to all officers and employees. Moreover, a seminar on anti-bribery given by an outside lecturer was held in March 2017.

(ii) In order to raise compliance consciousness, the Company held an e-learning seminar on compliance for all officers and employees from January through March 2017. In addition, compliance training was held for the different levels of employees. In February 2017, a seminar on insider trading regulation given by an outside lecturer was held.

(iii) Through monitoring and verifying the status of the internal control system, the Internal Audit Group supported the Board of Directors in carrying out its responsibilities for the development, maintenance and enhancement of the internal control system. In addition, the internal audit division ensured cooperation with the Board of Directors by submitting regular reports to the Board of Directors on a quarterly basis.

(iv) The Compliance Committee ensured to develop and maintain the compliance system by holding two regular meetings. In addition, the Compliance Committee reported a summary of its activities to the Board of Directors.

(2) Status of the Company's efforts made for rules and systems for the Company to manage risks of loss

In May 2016, the Company held a large-scale accident response drill in the event of an occurrence of ship-related accidents.

(3) Status of the Company's efforts made for the system to ensure that Directors of the Company execute their duties efficiently

The Board of Directors consists of 9 Directors including 3 Outside Directors, and the meetings of the Board of Directors were held 15 times. The meetings of the Board of Directors determined the fundamental management policies, matters required by laws and regulations, and other important matters regarding the management of businesses, while supervising the execution of duties by the Directors and Executive Officers.

The meetings of the Management Conference were held 42 times, attended by the Chairman of the Board, Executive Officers equivalent to or higher than Senior Executive Officer, Executive Officers responsible for business units, Executive Officers in charge of corporate planning, finance and accounting as well as the Audit & Supervisory Board Members. At these meetings, initiatives when studying new projects and matters to be kept in mind were ascertained and consultations were made to contribute to decision making by the President and CEO, etc. on important matters.

(4) Status of the Company's efforts made for the Systems to ensure proper business operations of the corporate group comprised of the Company and its subsidiaries

Based on the 'Charter of Conduct for "K" Line Group Companies' that is the code of conduct applicable to the entire Group, the Company had each Group company establish internal rules and regulations. In addition, in accordance with the "Regulations for Business Operations by Subsidiaries," the Company ensured the appropriate operations by its Group companies by supporting and managing the establishment and effective operation of their internal control systems while respecting the independence of these Group companies, and based on that, carried out the following matters.

(i) The Company required its Group companies to report important matters and business reports to the relevant departments of the Company. In addition, the Company held Group Management Meetings twice to facilitate information exchange among the Company and the Group companies.

(ii) The Company required the Group companies to report risks occurred in executing their business operations, which were handled by the Compliance Committee and other organizations.

(iii) Based on the "Regulations for Business Operations by Subsidiaries," the Company approved, discussed or received reports on certain important matters of the Group companies.

(5) Status of the Company's efforts made for the system for reporting to the Audit & Supervisory Board Members of the Company by the Directors, Executive Officers and employees of the Company; the Directors, the Audit & Supervisory Board Members, and employees of the Group companies; or a person who received a report from the above persons; and other systems for reporting to Audit & Supervisory Board Members of the Company

The Company has developed a system where the Directors, Executive Officers and employees of the Company are required in accordance with the Rules for Systems of Reporting to Audit & Supervisory Board Members, Etc., and the Directors, Audit & Supervisory Board Members and employees of the Group companies are required in accordance with the Regulations for Business Operations by Subsidiaries to report according to the matters through the relevant department of the Company to the Audit & Supervisory Board or its Members. In addition, the Company hosted the Group Companies' Audit & Supervisory Board Communication Meeting twice to share information among the Company, its Group companies and subsidiaries.

Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2016	75,457	60,297	195,863	(1,077)	330,541
Change in items during the year					
Cash dividends			(2,343)		(2,343)
Loss attributable to owners of the parent			(139,478)		(139,478)
Purchase of treasury stock				(6)	(6)
Changes in ownership interests due to transactions with non-controlling interests		36			36
Reversal of revaluation reserve for land			2		2
Net change in retained earnings from changes in scope of consolidation or equity method			1,710		1,710
Net changes in items other than shareholders' equity					
Net changes during the year	–	36	(140,109)	(6)	(140,079)
Balance at March 31, 2017	75,457	60,334	55,753	(1,084)	190,461

(Note) The amounts presented are rounded down to the nearest million yen.

(Millions of yen)

	Accumulated other comprehensive income (loss)						Non-controlling interests	Total net assets
	Net unrealized holding gain on investments in securities	Deferred gain on hedges	Revaluation reserve for land	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)		
Balance at April 1, 2016	6,485	4,752	6,266	9,689	(2,359)	24,834	24,537	379,913
Change in items during the year								
Cash dividends								(2,343)
Loss attributable to owners of the parent								(139,478)
Purchase of treasury stock								(6)
Changes in ownership interests due to transactions with non-controlling interests								36
Reversal of revaluation reserve for land								2
Net change in retained earnings from changes in scope of consolidation or equity method								1,710
Net changes in items other than shareholders' equity	2,364	5,436	(3)	(3,133)	(475)	4,188	1,459	5,647
Net changes during the year	2,364	5,436	(3)	(3,133)	(475)	4,188	1,459	(134,431)
Balance at March 31, 2017	8,849	10,189	6,263	6,555	(2,835)	29,022	25,997	245,482

(Note)The amounts presented are rounded down to the nearest million yen.

Non-Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2017

(Millions of yen)

	Shareholders' equity									
		Capital surplus		Retained earnings						
					Other retained earnings					
	Common stock	Capital reserve	Total capital surplus	Legal reserve	Reserve for advanced depreciation	General reserve	Retained earnings brought forward	Total retained earnings	Treasury stock	Total share-holders' equity
Balance at April 1, 2016	75,457	60,302	60,302	2,540	526	60,552	12,112	75,730	(1,027)	210,463
Change in items during the year										
Cash dividends							(2,343)	(2,343)		(2,343)
Reversal of reserve for advanced depreciation					(72)		72	–		–
Loss							(161,245)	(161,245)		(161,245)
Purchase of treasury stock									(6)	(6)
Reversal of revaluation reserve for land							1	1		1
Net changes in items other than shareholders' equity										
Net changes during the year	–	–	–	–	(72)	–	(163,514)	(163,587)	(6)	(163,594)
Balance at March 31, 2017	75,457	60,302	60,302	2,540	453	60,552	(151,401)	(87,856)	(1,034)	46,869

(Note) The amounts presented are rounded down to the nearest million yen.

(Millions of yen)

	Valuation and translation adjustments				Total net assets
	Net unrealized holding gain on investments in securities	Deferred gain on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at April 1, 2016	5,195	11,450	3,812	20,458	230,922
Change in items during the year					
Cash dividends					(2,343)
Reversal of reserve for advanced depreciation					–
Loss					(161,245)
Purchase of treasury stock					(6)
Reversal of revaluation reserve for land					1
Net changes in items other than shareholders' equity	1,852	(557)	(2)	1,292	1,292
Net changes during the year	1,852	(557)	(2)	1,292	(162,301)
Balance at March 31, 2017	7,048	10,893	3,810	21,751	68,621

(Note) The amounts presented are rounded down to the nearest million yen.

Notes to Consolidated Financial Statements

Notes on Important Matters Forming the Basis of Preparation of Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 313

Names and details of principal consolidated subsidiaries:

The Company's principal consolidated subsidiaries are as provided in "1. Matters Related to Current Conditions of the Corporate Group, (6) Status of Principal Subsidiaries" in the Business Report (page 35).

10 companies including MES1694 SHIPPING S.A. have been included in the scope of consolidation from the current fiscal year due to the materiality of their businesses. A total of 13 companies were excluded from the scope of consolidation due to sales of shares, their liquidations or mergers.

(2) Names and details of principal non-consolidated subsidiaries:

The Company's principal non-consolidated subsidiary is Chiba Koei Co., Ltd.

Non-consolidated subsidiaries are excluded from the scope of consolidation, as all of the non-consolidated subsidiaries are small-sized companies and any total amount of total assets, net sales, profit or loss (amount corresponding to the Company's equity in such subsidiaries), or retained earnings (amount corresponding to the Company's equity in such subsidiaries) etc., do not have material impact on the consolidated financial statements.

2. Application of equity method

(1) Number of entities accounted for under the equity method: 30

Of the entities accounted for under the equity method, 13 companies are non-consolidated subsidiaries, and the principal company among them is Shibaura Kaiun Co., Ltd.

The number of affiliates is 17, and the principal company among them is Rinko Corporation.

5 companies including ASIA AUTOMOBILE TERMINAL (SINGAPORE) PTE. LTD has been included in the scope of the entities accounted for under the equity method from the current fiscal year due to the materiality of their businesses.

(2) Non-consolidated subsidiaries and affiliates to which the equity method was not applied

Non-consolidated subsidiaries (Chiba Koei Co., Ltd. and others) and affiliates (Bousai Tokushu Eisen Co., Ltd. and others) are excluded from the scope of the equity method application, as their profit or loss, retained earnings, etc., do not have material impact on the consolidated financial statements and do not have significance as a whole.

(3) Items involving application of equity method for which a special description is deemed necessary

In the case of entities accounted for under the equity method with account closing dates that are different from the consolidated account closing date, the financial statements for the fiscal year of each of the entities are used.

3. Fiscal year of consolidated subsidiaries

The fiscal year of nine of the Company's consolidated subsidiaries ends on December 31. Of these, the financial statements as of that date are used for three of the companies. However, adjustments necessary for consolidation purposes are made if major transactions were executed between their account closing dates and the consolidated account closing date. For the six remaining companies, the accounts are based on financial statements for which a provisional settlement of accounts is performed based on the account closing as of the consolidated account closing date. The account closing dates of other consolidated subsidiaries are the same as the consolidated account closing date.

4. Accounting standards

(1) Standards and methods of valuation of significant assets

(i) Securities

Held-to-maturity debt securities: Stated at cost based on the amortized cost method.

Other securities

Marketable securities classified as other securities:
Fair value method based on the market price, etc. as of the end of the fiscal year (the valuation difference is accounted for as a separate component of net assets and the cost of sales is principally calculated by the moving-average method).

Non-marketable securities classified as other securities:
Mainly stated at cost based on the moving-average method.

(ii) Inventories: Mainly stated at cost based on the moving-average method (The method includes write-downs based on decreased profitability).

(2) Depreciation and amortization methods of significant assets

(i) Tangible assets (excluding leased assets)

Vessels: Straight-line method and the declining-balance method, with the method selected according to each vessel.

Other tangible assets: Mainly the declining-balance method
However, the straight-line method is applied to buildings (excluding accompanying facilities) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016.

(ii) Intangible assets (excluding leased assets)
Straight-line method
For software used internally, the straight-line method is applied based on the period of potential use by the Company and its consolidated subsidiaries (five years).

(iii) Leased assets

Leased assets under finance lease transactions that transfer ownership:
Same depreciation method as that applied to owned fixed assets.

Leased assets under finance lease transactions that do not transfer ownership:
Straight-line method based on the assumption that the useful life equals the lease term and the residual value equals zero.
Leased assets under finance lease transactions that do not transfer ownership whose inception date is on or before March 31, 2008 are accounted for under the method similar to the one that is applicable to regular rental transactions.

(3) Recognition for significant reserves

(i) Allowance for doubtful receivables: In order to prepare for potential credit losses on receivables, an estimated amount is recorded at the amount calculated based on the historical rate of credit loss with respect to ordinary receivables and at the amount determined in consideration of collectibility of individual receivables with respect to doubtful accounts and certain other receivables.

(ii) Allowance for bonuses: In order to prepare for bonuses to be paid to employees, the allowance for bonuses is accounted for at the estimated amount of the bonuses to be paid as allocated to the current fiscal year.

(iii) Allowance for directors' bonuses: In order to prepare for bonuses to be paid to directors, the allowance for directors' bonuses is accounted for at the estimated amount of the bonuses to be paid as allocated to the current fiscal year.

(iv) Allowance for directors' and audit & supervisory board members' retirement benefits: In order to prepare for retirement benefit payments to directors and audit & supervisory board members, the amount required at the end of the fiscal year by the internal rules is recorded at certain consolidated subsidiaries.

(v) Accrued expenses for overhaul of vessels: In order to prepare for expenditure on periodic overhaul, accrued expenses for overhaul of vessels are accounted for at the estimated amount of the expenses to be paid as allocated to the current fiscal year.

(vi) Allowance for loss related to the Anti-Monopoly Act: In order to prepare for fines and penalties required by overseas authorities relating to the Anti-Monopoly Act, an amount reasonably estimated to the extent possible is recorded.

(vii) Allowance for loss related to business restructuring: In order to prepare for loss accompanied by business restructuring, the estimated amount of loss is recorded.

(4) Accounting treatment for retirement benefits

(i) Method of attributing estimated retirement benefits to periods

The retirement benefit obligations are attributed to periods to the end of the current fiscal year using the benefit formula basis.

(ii) Method of amortizing actuarial differences and past service costs

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

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

(5) Recognition of marine transportation revenues and marine transportation expenses

The voyage completion method is applied. However, for containerships, revenues and expenses are recorded under the multiple transportation progress method.

(6) Significant hedge accounting method

Hedging activities are accounted for under the deferral hedge method.

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

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

(7) Recognition of deferred assets

Bond issuance costs are fully recognized as expenses when incurred.

(8) Recognition of interest expenses on vessel construction loans

For vessels for which the construction is over the long term, interest expenses on vessel construction loans incurred during the construction period is included in the acquisition cost.

(9) Accounting treatment for consumption taxes

Consumption taxes are accounted for under the tax exclusion method.

(10) Application of consolidated taxation system

The Company adopted the consolidated taxation system.

(11) Amortization method of goodwill and amortization period

Goodwill is amortized over a period of five years under the straight-line method.

Notes on Changes in Accounting Policies

(Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016)
The Company and its domestic subsidiaries adopted "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016 (Practical Issues Task Force ("PITF") Statement No.32 issued on June 17, 2016) in accordance with the revision of the Corporation Tax Law of Japan, and changed their method of accounting for depreciation of the facilities attached to buildings and other structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.
The effect on the consolidated financial statements for the year ended and as of March 31, 2017 was immaterial.

Additional Information

(Application of Recoverability of Deferred Tax Assets
The "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, issued March 28, 2016) was adopted from April 1, 2016.

(Agreement to the Integration of Container Shipping Businesses)
The Company, Mitsui O.S.K. Lines, Ltd., and Nippon Yusen Kabushiki Kaisha have agreed, based on the resolutions by the Board of Directors of each company at meetings held on October 31, 2016 and subject to regulatory approval from the relevant authorities, to establish a new joint-venture company to integrate the container shipping businesses (including worldwide terminal operating businesses excluding Japan) of all three companies and to enter into a business integration contract and a shareholders' agreement.

(1) Background

Although growing modestly, the container shipping industry has struggled in recent years due to a significant supply-and-demand imbalance following the rapid influx of newly built vessels. As a result, the destabilization of the industry has continued, thus creating an environment in which ensuring stable profitability is difficult. In order to combat these factors, since last year, industry participants have sought to gain benefits of scale and enhance competitiveness through mergers and acquisitions, and consequently, the structure of the industry has been changing significantly. Under these circumstances, the above three companies have decided to integrate their respective container shipping business on an equal footing to ensure stable and sustainable business operations.

(2) Overview of the new joint-venture company (planned)

Overview of the new joint-venture company has been agreed upon as follows:

Contribution Ratio	Kawasaki Kisen Kaisha, Ltd. 31% Mitsui O.S.K. Lines, Ltd. 31% Nippon Yusen Kabushiki Kaisha 38%
Contribution	Approximately ¥300.0 billion (Including shares of terminal companies as investments in kind)
Business Domain	Container Shipping Business (Including overseas terminal operating businesses)
Fleet Size	Approximately 1.4 million TEU* Note) This figure represents the total fleet size of the three companies as of October 2016, excluding their order books. * TEU: Twenty-foot Equivalent Unit

(3) Integration schedule

Agreement date: October 31, 2016

Establishment of new joint-venture company: July 1, 2017 (planned)

Business commencement: April 1, 2018 (planned)

(Change in balance of deferred tax assets and deferred tax liabilities in line with changes in corporate tax rates)

The “Act for Partial Revision to the Partial Revision, etc. of the Consumption Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources, etc. for Social Security” (Act No.85 of 2016) and the “Act for Partial Revision to the Partial Revision, etc. of the Local Tax Act and the Local Allocation Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources, etc. for Social Security” (Act No.86 of 2016) were enacted during the Japanese Diet session on November 18, 2016, and the timing of the Japanese consumption tax rate hike was postponed from April 1, 2017 to October 1, 2019.

This resulted in the postponing of the abolition of the special local corporation tax, the restoration of the corporation enterprise tax, and the revision to the local corporation tax rate and the corporation inhabitant tax rate on a per capita basis from fiscal years beginning on or after April 1, 2017 to fiscal years beginning on or after October 1, 2019.

Although the effective statutory tax rate used to measure the Company’s and its domestic consolidated subsidiaries’ deferred tax assets and liabilities was not changed, there was a reclassification between the national corporation tax and the local corporation tax. The effect of this reclassification was immaterial.

Notes on Changes in Presentation

(Consolidated statement of operations)

(1) "Financing expenses," which were included in "Other non-operating expenses" in the previous fiscal year (¥781 million for the fiscal year ended March 31, 2016), are presented separately from the current fiscal year due to an increase in materiality.

(2) "Gain on sales of investments in securities," which was recorded separately in the previous fiscal year (¥10,230 million for the fiscal year ended March 31, 2016), is included in "Other extraordinary income" from the current fiscal year due to a decrease in materiality.

(3) "Loss on sales of fixed assets," which was included in "Other extraordinary losses" in the previous fiscal year (¥9 million for the fiscal year ended March 31, 2016), is presented separately from the current fiscal year due to an increase in materiality.

(4) "Loss on devaluation of investments in securities," which was included in "Other extraordinary losses" in the previous fiscal year (¥8,369 million for the fiscal year ended March 31, 2016), is presented separately from the current fiscal year due to an increase in materiality.

Notes to Consolidated Balance Sheet

1. Assets pledged as collateral and secured liabilities

   Assets pledged as collateral (Millions of yen)

Asset category	
Vessels	288,022
Buildings and structures	2,586
Land	1,688
Investments in securities	13,962
Other	340
Total	306,599

   Investments in securities of ¥13,962 million in the table above were pledged as collateral to procure funds for vessel equipment at affiliates and others. As a result, there were no corresponding secured liabilities as of March 31, 2017.

   In addition, ¥3,546 million out of the ¥288,022 million for vessels in the table above was pledged as collateral for entrusted guarantees.

   Secured liabilities (Millions of yen)

Liability category	
Short-term loans and current portion of long-term loan	31,641
Long-term loans, less current portion	211,508
Total	243,150

2. Accumulated depreciation of assets (Millions of yen)

   Accumulated depreciation of tangible assets 410,251

3. Guarantee obligations (Millions of yen)

Guarantees	11,385
Additional funding obligation, etc.	2,943

4. Land revaluation

Pursuant to the “Act on Revaluation of Land” (Act No. 34 of 1998) and the “Act on Partial Amendment to the Act on Revaluation of Land” (Act No. 19 of 2001), the Company and certain consolidated subsidiaries performed revaluation of land for business use. The effect of this revaluation has been recorded as revaluation reserve for land in net assets, excluding the deferred tax liabilities or deferred tax assets associated with the revaluation.

Pursuant to the “Act on Revaluation of Land” (Act No. 34 of 1998) and the “Act on Partial Amendment to the Act on Revaluation of Land” (Act No. 19 of 2001), certain companies accounted for under the equity method performed revaluation of land for business use and recorded as revaluation reserve for land in net assets.

Revaluation method prescribed in Article 3, Paragraph 3 of the “Act on Revaluation of Land”
The revaluation of land for business use was calculated by making rational adjustments to the prices posted in accordance with the provision of Article 6 of the Public Notice of Land Prices Act for standard sites set forth in Article 6 of the same act in the neighborhood of the relevant land pursuant to Article 2, Paragraph 1 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119 of 1998). However, for some land, the revaluation was calculated by making rational adjustments to standard prices assessed in accordance with the provision of Article 9, Paragraph 1 of the Order for Enforcement of the National Land Use Planning Act for standard sites set forth in Article 7, Paragraph 1, Item 1 (a) of the same order in the neighborhood of the relevant land for business use pursuant to Article 2, Paragraph 2 of the Order for Enforcement of the Act on Revaluation of Land, by making rational adjustments to land prices registered in the land tax ledger set forth in Article 341, Item 10 of the Local Tax Act or in the supplementary land tax ledger set forth in Article 341, Item 11 of the same act for the relevant land for business use pursuant to Article 2, Paragraph 3 of the Order for Enforcement of the Act on Revaluation of Land, or by making rational adjustments to the value calculated by the method established and published by the Director-General of the National Tax Agency for computing land value that serves as a basis for the calculation of taxable amount of land value tax set forth in Article 16 of the Land-Holding Tax Act for the relevant land for business use pursuant to Article 2, Item 4 of the Order for Enforcement of the Act on Revaluation of Land.

Revaluation date	March 31, 2002
Difference between the fair value and revalued book value of the revalued land at March 31, 2017 (amount corresponding to the Company’s equity)	¥ (2,655) million

5. Other matters

“K” Line Group (hereinafter “the Group”) has been investigated by the competition authorities in Europe and certain other countries in relation to alleged anti-competitive behavior (alleged formation of a cartel) relating to the transportation of automobiles, automotive construction machineries and other automotive vehicles. In addition, the Group is currently subject to class actions in North America in relation to the same matter and it is possible that further private legal actions will be filed against the Group in the future. The Group is currently unable to predict what the eventual outcome of these investigations or class actions will be. If the outcome of any such action is unfavorable to the Group, this could materially adversely affect the Group’s business, financial condition and its operating results.

Notes to Consolidated Statement of Changes in Net Assets

1. Class and number of shares issued as of March 31, 2017

Common stock	939,382,298 shares

2. Matters related to dividends

(1) Amount of dividends distributed

Resolution	Class of shares	Total dividend amount (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 24, 2016	Common stock	2,343	2.5	March 31, 2016	June 27, 2016

(2) Dividends with the record date falling in the current fiscal year and with the effective date falling in the following fiscal year to be reported.

No items to be reported.

3. Class and number of shares to be delivered upon exercise of subscription rights to shares outstanding at March 31, 2017 (excluding those for which the exercise period has not arrived).

Common stock	163,612,565 shares

Notes on Financial Instruments

1. Conditions of financial instruments

   The Group obtains necessary funding, mainly through bank loans and the issuance of bonds, in accordance with its capital expenditure plans. Temporary surplus funds are invested in highly liquid financial assets, and short-term operating funds are financed through bank loans. The Group utilizes derivatives only for hedging the below-mentioned risks, and does not utilize them for speculation.

   Of the capital expenditures for acquisitions of tangible assets such as vessels, those denominated in foreign currencies are exposed to foreign exchange fluctuation risks. These are hedged by forward foreign exchange contracts. Loans are primarily used to raise funds for capital expenditure. Some of these are exposed to interest rate fluctuation risk, which is hedged by such means as interest rate swap contracts. In addition, foreign exchange fluctuation risk on future foreign currency-denominated debts is hedged by currency swap contracts.

   Derivative transactions are entered into after obtaining approval from the persons authorized to decide such matters in accordance with the regulations on decision making and the detailed rules on handling derivative operations, which stipulate details such as the authority to enter into transactions and transaction limits. Transaction results are reported periodically at the Executive Officers' Meeting.

2. Matters related to fair values, etc. of financial instruments

   The following table presents the Company's financial instruments on the consolidated balance sheet, their fair values and the differences as of March 31, 2017.

(Millions of yen)

	Carrying value (*)	Estimated fair value (*)	Difference
(1) Cash and deposits	199,678	199,678	–
(2) Accounts and notes receivable-trade	83,580	83,580	–
(3) Marketable securities and investments in securities			
(i) Held-to-maturity debt securities	4	5	0
(ii) Other securities	26,518	26,518	–
(iii) Shares of subsidiaries and affiliates	3,934	1,299	(2,634)
(4) Accounts and notes payable-trade	[89,769]	[89,769]	–
(5) Short-term loans and current portion of long-term loans	[47,469]	[47,602]	(132)
(6) Bonds	[62,187]	[65,915]	(3,728)
(7) Long-term loans, less current portion	[404,176]	[405,427]	(1,250)
(8) Derivative transactions	[539]	[696]	(157)

(*) Liabilities and net liabilities ("(8) Derivative transactions") are shown in square brackets [ ].

Note 1: (1) Cash and deposits, (2) Accounts and notes receivable-trade, (4) Accounts and notes payable-trade, and (5) Short-term loans and current portion of long-term loans

The relevant book values are used because the carrying amounts approximate fair value due to the short maturities of these instruments. However, fair values of amounts of the current portion of long-term loans, which are included in the total amount in "(5) Short-term loans and current portion of long-term loans," are calculated using the method shown in "(7) Long-term loans, less current portion" below.

(3) Marketable securities and investments in securities

The fair value of debt securities is based on counterparty financial institutions. The fair value of equity securities is based on the quoted market price.

(6) Bonds

The fair value of bonds is primarily measured based on the market price.

(7) Long-term loans, less current portion

The fair value of long-term loans, less current portion, is primarily calculated at the present value after applying a discount rate to the total of the principal and interest. The discount rate is based on the assumed interest rate for similar new borrowings.

(8) Derivative transactions

Assets and liabilities from derivative transactions are shown at net amounts. The fair value of derivative transactions is based on the price provided by counterparty financial institutions.

Note 2: Regarding non-listed stocks (the consolidated balance sheet amount: ¥50,264 million), as quoted prices are not available and also the future cash flows cannot be estimated reliably, the fair value of the items is deemed to be extremely difficult to measure and are not included in "(3) Marketable securities and investments in securities."

Notes on Per Share Information

Net assets per share	¥234.19
Basic loss per share	¥148.82

The basis of calculation for net assets per share and basic loss per share is as follows:

Amount of net assets on consolidated balance sheets	¥245,482 million
Net assets attributable to common stock	¥219,484 million
Number of shares of common stock issued and outstanding at the year end	939,382 thousand shares
Number of shares of common stock held as treasury stock at the year end	2,188 thousand shares
Loss in consolidated statement of operations attributable to parent company shareholder	¥139,478 million
Amount not attributable to shareholders of common stock	–
Loss attributable to common stock relating to parent company shareholder	¥139,478 million
Average number of outstanding shares of common stock	937,211 thousand shares

Significant Subsequent Events

No items to be reported.

Notes to Non-consolidated Financial Statements

Notes on Important Accounting Policies

1. Standards and methods of valuation of assets

(1) Securities

(i) Stocks of subsidiaries and affiliates: Stated at cost based on the moving-average method.

(ii) Held-to-maturity debt securities: Stated at cost based on the amortized cost method.

(iii) Other securities

Marketable securities classified as other securities:

Fair value method based on the market price, etc. as of the end of the fiscal year (the valuation difference is accounted for as a separate component of net assets and the cost of sales is calculated by the moving-average method).

Non-marketable securities classified as other securities:

Stated at cost based on the moving-average method.

(2) Inventories: Stated at cost based on the moving-average method (The method involves write-downs based on any decrease in profitability).

2. Depreciation and amortization methods of fixed assets

(1) Tangible assets (excluding leased assets)

(i) Vessels: Straight-line method

(ii) Other tangible assets: Declining-balance method

However, the straight-line method is applied to buildings (excluding accompanying facilities) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016.

(2) Intangible assets (excluding leased assets):

Straight-line method

For software used internally, the straight-line method is applied based on the period of potential use by the Company (five years).

(3) Leased assets

Leased assets under finance lease transactions that transfer ownership:

Same depreciation method as that applied to owned fixed assets.

Leased assets under finance lease transactions that do not transfer ownership:

Straight-line method based on the assumption that the useful life equals the lease term and the residual value equals zero.

Leased assets under finance lease transactions that do not transfer ownership whose inception date is on or before March 31, 2008 are accounted for under the method similar to the one that is applicable to regular rental transactions.

3. Recognition of reserves

(1) Allowance for doubtful receivables: In order to prepare for potential credit losses on receivables, an estimated amount is recorded at the amount calculated based on the historical rate of credit loss with respect to ordinary receivables and at the amount determined in consideration of collectibility of individual receivables with respect to doubtful accounts and certain other receivables.

(2) Allowance for bonuses: In order to prepare for bonuses to be paid to employees, the allowance for bonuses are accounted for at the estimated amount of the bonuses to be paid as allocated to the current fiscal year.

(3) Allowance for employees' retirement benefits:

In order to prepare for the provision of retirement benefit payments for employees, the deemed obligation at the end of the fiscal year is recorded based on estimated amounts of retirement benefit obligations and plan assets at the end of the current fiscal year.

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

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

(4) Accrued expenses for overhaul of vessels: In order to prepare for expenditure on periodic overhaul, accrued expenses for overhaul of vessels are accounted for at the estimated amount of the expenses to be paid as allocated to the current fiscal year.

(5) Allowance for loss related to the Anti-Monopoly Act:

In order to prepare for fines and penalties required by overseas authorities relating to the Anti-Monopoly Act, an amount reasonably estimated to the extent possible is recorded.

(6) Allowance for loss related to business restructuring:

In order to prepare for loss accompanied by business restructuring, the estimated amount of loss is recorded.

4. Recognition of marine transportation revenues and marine transportation expenses

The voyage completion method is applied. However, for containerships, revenues and expenses are recorded using the multiple transportation progress method.

5. Hedge accounting method

Hedging activities are accounted for under the deferral hedge method.

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

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

6. Recognition of deferred assets

   Bond issuance costs are charged to income as incurred.

7. Recognition of interest expenses on vessel construction loans

   For vessels for which the construction is over the long term, interest expenses on vessel construction loans incurred during the construction period are included in the acquisition cost.

8. Accounting treatment for retirement benefits

   The accounting treatment method for unrecognized actuarial differences and the unrecognized past service costs related to retirement benefits is different from the treatment for these items in the consolidated financial statements.

9. Accounting treatment for consumption taxes

   Consumption taxes are accounted for under the tax exclusion method.

10. Application of consolidated taxation system

    The Company adopted the consolidated taxation system.

Notes on Changes in Accounting Policies

(Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016)
The Company and its domestic subsidiaries adopted "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016 (Practical Issues Task Force ("PITF") Statement No.32 issued on June 17, 2016) in accordance with the revision of the Corporation Tax Law of Japan, and changed their method of accounting for depreciation of the facilities attached to buildings and other structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.
The effect on the non-consolidated financial statements for the year ended and as of March 31, 2017 was immaterial.

Additional Information

(Application of Recoverability of Deferred Tax Assets)
The "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, issued March 28, 2016) was adopted from April 1, 2016.

(Agreement to the Integration of Container Shipping Businesses)
The Company, Mitsui O.S.K. Lines, Ltd., and Nippon Yusen Kabushiki Kaisha have agreed, based on the resolutions by the Board of Directors of each company at meetings held on October 31, 2016 and subject to regulatory approval from the relevant authorities, to establish a new joint-venture company to integrate the container shipping businesses (including worldwide terminal operating businesses excluding Japan) of all three companies and to enter into a business integration contract and a shareholders' agreement.

(1) Background
Although growing modestly, the container shipping industry has struggled in recent years due to a significant supply-and-demand imbalance following the rapid influx of newly built vessels. As a result, the destabilization of the industry has continued, thus creating an environment in which ensuring stable profitability is difficult. In order to combat these factors, since last year, industry participants have sought to gain benefits of scale and enhance competitiveness through mergers and acquisitions, and consequently, the structure of the industry has been changing significantly. Under these circumstances, the above three companies have decided to integrate their respective container shipping business on an equal footing to ensure stable and sustainable business operations.

(2) Overview of the new joint-venture company (planned)
Overview of the new joint-venture company has been agreed upon as follows:

Contribution Ratio	Kawasaki Kisen Kaisha, Ltd. 31% Mitsui O.S.K. Lines, Ltd. 31% Nippon Yusen Kabushiki Kaisha 38%
Contribution	Approximately ¥300.0 billion (Including shares of terminal companies as investments in kind)
Business Domain	Container Shipping Business (Including overseas terminal operating businesses)
Fleet Size	Approximately 1.4 million TEU* Note) This figure represents the total fleet size of the three companies as of October 2016 excluding their order books. * TEU: Twenty-foot Equivalent Unit

(3) Integration schedule
Agreement date: October 31, 2016
Establishment of new joint-venture company: July 1, 2017 (planned)
Business commencement: April 1, 2018 (planned)

(Change in balance of deferred tax assets and deferred tax liabilities in line with changes in corporate tax rates)
The “Act for Partial Revision to the Partial Revision, etc. of the Consumption Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources, etc. for Social Security” (Act No.85 of 2016) and the “Act for Partial Revision to the Partial Revision, etc. of the Local Tax Act and the Local Allocation Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources, etc. for Social Security” (Act No.86 of 2016) were enacted during the Japanese Diet session on November 18, 2016, and the timing of the Japanese consumption tax rate hike was postponed from April 1, 2017 to October 1, 2019.
This resulted in the postponing of the abolition of the special local corporation tax, the restoration of the corporation enterprise tax, and the revision to the local corporation tax rate and the corporation inhabitant tax rate on a per capita basis from fiscal years beginning on or after April 1, 2017 to fiscal years beginning on or after October 1, 2019.
Although the effective statutory tax rate used to measure the Company’s and its domestic consolidated subsidiaries’ deferred tax assets and liabilities was not changed, there was a reclassification between the national corporation tax and the local corporation tax. The effect of this reclassification was immaterial.

Notes on Changes in Presentation

(Non-consolidated statement of operations)

(1) “Financing expenses,” which were included in “Other non-operating expenses” in the previous fiscal year (¥781 million for the fiscal year ended March 31, 2016), are presented separately from the current fiscal year due to an increase in materiality.

(2) “Loss on cancellation of chartered vessels,” which was recorded separately in the previous fiscal year (¥20,398 million for the fiscal year ended March 31, 2016), is included in “Other extraordinary losses” from the current fiscal year due to a decrease in materiality.

(3) “Loss on devaluation of investments in securities,” which was recorded separately in the previous fiscal year (¥8,367 million for the fiscal year ended March 31, 2016), is included in “Other extraordinary losses” from the current fiscal year due to a decrease in materiality.

Notes to Non-consolidated Balance Sheet

1. Assets pledged as collateral and secured liabilities

Assets pledged as collateral (Millions of yen)

Asset category	
Vessels	25,831
Investments in securities	5,895
Shares of subsidiaries and affiliates	14,947
Total	46,674

Investments in securities of ¥5,895 million and shares of subsidiaries and affiliates of ¥14,947 million in the table above were pledged as collateral to procure funds for vessel equipment at affiliates and others. As a result, there were no corresponding liabilities as of March 31, 2017.

In addition, ¥3,546 million out of the ¥25,831 million for vessels in the table above was pledged as collateral on the basis of a guarantee consignment.

Liabilities related to collateral (Millions of yen)

Liability category	
Short-term loans and current portion of long-term loans	2,148
Long-term loans, less current portion	16,947
Total	19,095

2. Accumulated depreciation of fixed assets (Millions of yen)

Accumulated depreciation of tangible assets	100,212

3. Guarantee obligations (Millions of yen)

Guarantees	62,904

(These guarantee obligations exclude ¥298 million of reguarantees by other companies.)

Commitment for future guarantee, etc.	102,222
Aditional funding obligation, etc.	7,948

(¥28,757 million out of the amount of ¥62,904 million for guarantees and ¥91,875 million out of the amount of ¥102,222 for commitment for future guarantee, etc. in the table above were for borrowing of equipment funds for vessels time-chartered by the Company from its subsidiaries that own vessels.)

4. Land revaluation

Pursuant to the "Act on Revaluation of Land" (Act No. 34 of 1998) and the "Act on Partial Amendment to the Act on Revaluation of Land" (Act No. 19 of 2001), the Company performed revaluation of land for business use. The effect of this revaluation has been recorded as revaluation reserve for land in net assets, excluding the deferred tax liabilities.

Revaluation method prescribed in Article 3, Paragraph 3 of the "Act on Revaluation of Land"

The revaluation of land for business use was calculated by making rational adjustments to the prices posted in accordance with the provision of Article 6 of the Public Notice of Land Prices Act for standard sites set forth in Article 6 of the same act in the neighborhood of the relevant land pursuant to Article 2, Paragraph 1 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119 of 1998). However, for some land, the revaluation was calculated by making rational adjustments to standard prices assessed in accordance with the provision of Article 9, Paragraph 1 of the Order for Enforcement of the National Land Use Planning Act for standard sites set forth in Article 7, Paragraph 1, Item 1 (a) of the same order in the neighborhood of the relevant land for business use pursuant to Article 2, Paragraph 2 of the Order for Enforcement of the Act on Revaluation of Land.

Revaluation date	March 31, 2002
Difference between the fair value and revalued book value of the revalued land at March 31, 2017	¥ (509) million

5. Monetary receivables from and monetary payables to subsidiaries and affiliates

	(Millions of yen)
Short-term monetary receivables	51,296
Long-term monetary receivables	107,245
Short-term monetary payables	34,521
Long-term monetary payables	2,515

6. Other matters

The Company has been investigated by the competition authorities in Europe and certain other countries in relation to alleged anti-competitive behavior (alleged formation of a cartel) relating to the transportation of automobiles, automotive construction machineries and other automotive vehicles. In addition, the Company is currently subject to class actions in North America in relation to the same matter and it is possible that further private legal actions will be filed against the Company in the future. The Company is currently unable to predict what the eventual outcome of these investigations or legal actions will be. If the outcome of any such action is unfavorable to the Company, this could materially adversely affect the Company's business, financial condition and its operation results.

Notes to Non-consolidated Statement of Operations

Transactions with subsidiaries and affiliates

		(Millions of yen)
Transaction amount - trading	Operating revenues	18,831
	Operating expenses	230,096
Transaction amount - non-trading		18,461

Notes to Non-consolidated Statement of Changes in Net Assets

Class and number of treasury stock as of March 31, 2017	
Common stock	1,933,068 shares

Notes on Tax Effect Accounting

Significant components of deferred tax assets and deferred tax liabilities

	(Millions of yen)
Deferred tax assets	
Allowance for doubtful receivables	5,205
Allowance for bonuses	137
Accrued expenses for overhaul of vessels	171
Loss on devaluation of investments in securities and other	11,894
Allowance for employees' retirement benefits	181
Loss on impairment of fixed assets	573
Loss on cancellation of chartered vessels	298
Accounts payable-shipping, voluntary non-deduction	1,811
Allowance for loss related to the Anti-Monopoly Act	1,012
Deferred assets for tax purposes	1,843
Allowance for loss related to business restructuring	14,175
Tax loss carried forward	48,519
Direct tax credit carried forward	2,276
Other	349
Subtotal	88,451
Valuation allowance	(79,762)
Total deferred tax assets	8,689
Deferred tax liabilities	
Reserve for advanced depreciation	(181)
Tax on retained surplus	(929)
Deferred gain on hedges	(4,341)
Net unrealized holding gain on investments in securities	(2,809)
Other	(792)
Total deferred tax liabilities	(9,054)
Net amount of deferred tax liabilities	(364)

Notes on Fixed Assets Used by the Company under Lease Transactions

1. Finance lease transactions that do not transfer ownership commencing on or before March 31, 2008
   In addition to fixed assets recorded on the non-consolidated balance sheet, some machinery and equipment are used under finance lease agreements that do not transfer ownership.

2. Operating lease transactions
   Future lease payments for non-cancelable operating lease transactions
   (Lessee)

	(Millions of yen)
Future lease payments	
Amount due within one year	11,509
Amount due after one year	55,334
Total	66,844

Notes on Transactions with Related Parties

1. Parent company and major corporate shareholders, etc.
   No items to be reported.

2. Subsidiaries and affiliates, etc.
   The disclosure has been omitted since transactions with subsidiaries and affiliates, etc. are determined based on the same business terms as those used for general transactions.

3. Directors and Audit & Supervisory Board Members, and individual shareholders, etc.
   No items to be reported.

Notes on Per Share Information

Net assets per share	¥73.20
Basic loss per share	¥172.00

The basis of calculation for net assets and basic loss per share is as follows:

Amount of net assets on balance sheet	¥68,621 million
Net assets attributable to common stock	¥68,621 million
Number of shares of common stock issued and outstanding at the year end	939,382 thousand shares
Number of shares of common stock held as treasury stock at the year end	1,933 thousand shares
Loss in statement of operations	¥161,245 million
Amount not attributable to shareholders of common stock	–
Loss attributable to common stock	¥161,245 million
Average number of outstanding shares of common stock	937,466 thousand shares

Significant Subsequent Events

No items to be reported.