(Translation)

NOTICE OF THE 151ST ORDINARY GENERAL MEETING OF SHAREHOLDERS

The 151st term

(From April 1, 2018 to March 31, 2019)

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. I am Yukikazu Myochin, appointed to Representative Director, President & CEO on April 1, 2019. 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.

As reported on and after page 28, the business conditions surrounding the Company in FY2018 (from April 1, 2018 to March 31, 2019) are described as a mixture of both positive and negative aspects. On one hand, the tanker market showed a certain level of improvement, on the other hand, the dry bulk market only on a par with last year, in part because of the dam break in Brazil. Under such circumstances, the "K" LINE Group continued to reduce costs and improve operational efficiency, but there was a significant impact due to a decline in liftings caused by teething problems that occurred immediately following the April 2018 commencement of the containership business operated by OCEAN NETWORK EXPRESS PTE. LTD. ("ONE"), the Company's equity-method affiliate, and we experienced an ordinary loss of ¥48.9 billion. Furthermore, we also posted an extraordinary loss for structural reforms primarily associated with an allowance for loss on vessel leasing for ONE and cancellations of chartered containerships and dry bulk vessels. As a result, loss attributable to owners of the parent amounted to ¥111.2 billion. These structural reforms were carried out to have a permanent rather than a passing impact and to enhance future profitability. However, leading up to the posting of this huge final deficit, we deeply apologize for causing our shareholders such great concern and inconvenience.

Accordingly, considering the strengthening of our financial standings to be an urgent priority, we regret to inform you that we have determined to pay no dividends for the current fiscal year. Under the policy of assigning the highest priority to improving financial strength and stabilizing the business foundation for the time being, we aim to resume dividend payments as early as possible, however, the annual dividend in FY2019 has yet to be decided.

FY2019 marks the final year of our medium-term management plan, '"Revival for Greater Strides" — Value for our Next Century,' which we presented to stakeholders in April 2017. We have strengthened the profit structure by rebuilding our business portfolio. In the containership business, we further enhanced competitiveness by generating synergies and pursuing "economies of scale" with the establishment of a joint venture that was formed with two Japanese shipping companies. Together with this initiative, in the domestic harbor transportation business, we built a structural alliance with Kamigumi Co., Ltd. to introduce external capital and knowledge. In addition, we are implementing structural reforms such as the disposal of uneconomical fleets and also moving forward on reducing market-exposed businesses. In FY2019, we will be thoroughly concentrating and redistributing management resources to the four business pillars of Dry Bulk, Energy Resource Transport, Car Carrier, and Logistics. While raising cost competitiveness and working to strengthen our solid revenue base, we are positioning FY2019 as a year that will be vital to completing our portfolio strategy rebuilding, one of the critical issues in the medium-term management plan.

The Group recognizes that one of the strengths we possess is our customer base, bound by long-term relationships of trust in each business area. In order to further strengthen the bonds that we have cultivated with our customers to the present, in January this year, we established the Corporate

Marketing Strategy Division and the AI/Digitalization Promotion Division. Moving forward, we will continue to precisely seize upon customer needs, enhancing the convenience of our services as well as providing safe and high quality shipping services by utilizing current cutting-edge technology together with big data, artificial intelligence, and other information and communication technology. Moreover, in addition to our utmost concern for the environment, we work to achieve sustainable growth and the creation of new value.

In April 2019, with your help, we were able to mark the 100th anniversary of the Company. We recognize this year to be critical in placing the cornerstone for the next century. Under the new management team, all officers and employees of the "K" LINE Group will work as one in their efforts to live up to shareholder expectations, improve our corporate value and return to profitability. I look forward to your ongoing support in the fiscal year ahead.

May 2019

Yukikazu Myochin

Representative Director, President & CEO

(Securities Code: 9107)
May 30, 2019

To our Shareholders:

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

Notice of the 151st Ordinary General Meeting of Shareholders

You are cordially invited to attend the 151st 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 20, 2019 (Japan Standard Time).

1. Date and time: 10:00 a.m., Friday, June 21, 2019 (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, 2018 to March 31, 2019

Matters to be resolved:

Proposition 1 Election of ten (10) Directors
Proposition 2 Election of three (3) Audit & Supervisory Board Members
Proposition 3 Election of one (1) Substitute Audit & Supervisory Board Member

Regarding Internet Disclosure

This Notice and the Business Report for the 151st fiscal year has been posted on the Company's website.

- Of the Business Report for the 151st 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 151st fiscal year.
  - "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"
  - "Notes to Consolidated Financial Statements"
  - "Non-Consolidated Statement of Changes in Net Assets"
  - "Notes to Non-consolidated Financial Statements"

  In addition to the Business Report for the 151st fiscal year, the documents above are audited by Audit & Supervisory Board Members to prepare their Audit Report while documents related to consolidated financial statements and non-consolidated financial statements among the documents above are audited by Accounting Auditors to prepare their 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: https://www.kline.co.jp/ir/stock/meeting.html

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- 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. If you exercise your voting rights via the Internet, etc. multiple times, the vote exercised last 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 151st 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 20, 2019 (Japan Standard Time).

3. By exercising voting rights via the Internet
Please access the dedicated website for exercising voting rights (https://www.web54.net) and enter your vote for each Proposition by 5:00 p.m., Thursday, June 20, 2019 (Japan Standard Time).
Please see page 7 for details.

Exercise of Voting Rights via the Internet, etc.

Scanning QR Code: "Smart Vote®" method

You can simply login to the Voting Right Exercise Website without entering your voting right exercise code and password.

1. Please scan the QR Code printed on the lower right-hand side of the Voting Rights Exercise Form.

   * "QR Code" is a registered trademark of DENSO WAVE INCORPORATED.

2. Indicate your approval or disapproval by following the instructions on the screen.

Please note that exercising voting rights by using "Smart Vote®" method is available only once.

If you need to change your votes after exercising your voting rights, please login to the Voting Right Exercise Website for PC by using your "Voting Right Exercise Code" and "Password" printed on the Voting Rights Exercise Form, and exercise your voting rights again.

* If you rescan the QR Code, you can access the Voting Right Exercise Website for PC.

Entering Voting Right Exercise Code and Password

Voting Right Exercise Website (Japanese only: https://www.web54.net).

1. Access the Voting Right Exercise Website.
   Click "Next."

2. Enter the "Voting Right Exercise Code" printed on the Voting Rights Exercise Form.
   Enter the "Voting Right Exercise Code."
   Click "Login."

3. Enter the "Password" printed on the Voting Rights Exercise Form.
   Enter the "Password."
   Click "Next."

4. Indicate your approval or disapproval by following the instructions on the screen.

* If you exercise your voting rights via the Internet, etc. multiple times, the vote exercised last will be recorded as the effective vote.
* If you exercise your voting rights both via the Internet, etc. and by postal mail, the vote that reaches us last will be recorded as the effective vote. If both votes via the Internet, etc. and by postal mail arrive on the same day, the one exercised via the Internet, etc. will be recorded as the effective vote.

If you have any technical inquiries regarding the operation of a PC, 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, Inc. to electronically exercise the voting rights for this General Meeting of Shareholders.

Reference Materials for the General Meeting of Shareholders

Proposition 1: *Election of ten (10) Directors*

The terms of office for all eight (8) Directors will expire upon conclusion of this meeting. In addition, Director Kiyoshi Hosomizo will retire as Director due to the resignation on June 18, 2019.
It is therefore requested that ten (10) Directors be elected at this meeting by increasing 1 (one) Outside Director to further promote the enhancement of corporate value.
The candidates are:

<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="2">1</td><td rowspan="2">Eizo Murakami
(February 23, 1953)

<Reappointed>

Attendance at Board meetings:

100%
(14/14 meetings)

Term of office as Director: 10 years</td><td>April, 1975
July, 2004

June, 2005

June, 2006
April, 2007
April, 2009
June, 2009

April, 2014

April, 2015

April, 2019</td><td>Joined the Company
General Manager of Containerships Business Group
Director, General Manager of Containerships Business Group
Executive Officer
Managing Executive Officer
Senior Managing Executive Officer
Representative Director, Senior Managing Executive Officer
Representative Director, Vice President Executive Officer
Representative Director, President & CEO
Chairman of the Board (Current)</td><td>16,900 shares</td></tr>
<tr><td colspan="3">Reasons for nomination as candidate for Director:
Mr. Eizo Murakami first became a Director of the Company in June 2005, and in April 2015, he became Representative Director, President & CEO, and in April 2019, his position changed to Chairman of the Board. While in the top management position, amid a difficult business environment, he contributed to reconstruct stable earning structure and form a business structure towards the future by formulating and promoting the present medium-term management plan, ‘“Revival for Greater Strides” — Value for our Next Century,’ founding of the containerships joint-venture, and reforming our Group’s business structure. As Mr. Murakami also has abundant knowledge and experience 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 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. Murakami and the Company.</td></tr>
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<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="2">2</td><td rowspan="2">Yukikazu Myochin
(March 27, 1961)

<Reappointed>

Attendance at Board meetings:

100%
(14/14 meetings)

Term of office as Director: 3 years</td><td>April, 1984
January, 2010

April, 2011
April, 2016
June, 2016
April, 2018

April, 2019</td><td>Joined the Company
General Manager of Containerships Business Group
Executive Officer
Managing Executive Officer
Director, Managing Executive Officer
Representative Director, Senior Managing Executive Officer
Representative Director, President & CEO (Current)</td><td>9,000 shares</td></tr>
<tr><td colspan="3">Reasons for nomination as candidate for Director:
Mr. Yukikazu Myochin first became a Director of the Company in June 2016, and in April 2018, he became Representative Director, and since April 2019, he has served as Representative Director, President & CEO. He has broad proven achievements and abundant managing experience in a wide range of sectors including Containerships, Corporate Planning and IR & PR, and has, as Executive Officer in charge of Corporate Planning, led his team to formulating and promoting the present medium-term management plan, ‘“Revival for Greater Strides” — Value for our Next Century,’ and has played an important role in founding of the containerships joint-venture. The Company judges that his leadership, which is backed by his broad and deep knowledge and experience, is proven by his business results as above, and believes his management skills are essential for completing the present medium-term management plan and formulating the next medium-term plan. 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
3	Harusato Nihei (August 30, 1957) <Reappointed> Attendance at Board meetings: 100% (10/10 meetings) Term of office as Director: 1 year	April, 1980	Joined Daiichi Kangyo Bank, Ltd.	1,900 shares
		March, 2006	General Manager, Taipei Branch, Mizuho Corporate Bank, Ltd.,	
		April, 2008	Executive Officer & General Manager, Taipei Branch, Mizuho Corporate Bank, Ltd.	
		April, 2009	Executive Officer & General Manager, Human Resource Management Division, Mizuho Corporate Bank, Ltd.	
		April, 2010	Managing Executive Officer, Sales &Marketing, Mizuho Corporate Bank, Ltd.	
		April, 2011	Managing Executive Officer, Mizuho Bank, Ltd.	
		April, 2012	Managing Executive Officer, Branch Operation, Mizuho Bank, Ltd.	
		April, 2013	Managing Executive Officer, Branch Operation, Mizuho Bank, Ltd. and Managing Executive Officer, Sales & Marketing, Mizuho Corporate Bank, Ltd.	
		July, 2013	Managing Executive Officer, Sales & Marketing, Mizuho Bank, Ltd.	
		April, 2014	Deputy President, Mizuho Research Institute, Ltd.	
		April, 2016	Adviser, Mizuho Research Institute, Ltd. (Retired in June, 2016)	
		June, 2016	Standing Audit & Supervisory Board Member, Kawasaki Kisen Kaisha, Ltd. (Retired in June, 2017)	
		June, 2017	Senior Managing Executive Office, Kawasaki Kisen Kaisha, Ltd.	
		June, 2018	Representative Director, Senior Managing Executive Officer (Current) Responsible for Finance, Accounting Unit, CFO (Chief Financial Officer)	
		Reasons for nomination as candidate for Director: Mr. Harusato Nihei accumulated experience in a broad range of areas including international operations while at Mizuho Bank Ltd. and served in the bank's management as an Executive Officer. Then, he was appointed as an Audit & Supervisory Board Member of the Company in 2016 and as a Senior Managing Executive Officer in 2017. Currently he is appropriately executing business strategies as the Executive Officer responsible for Finance, Accounting Unit and Chief Financial Officer. The Company judges that his outstanding expertise in accounting and finance as well as his experience as an Audit & Supervisory Board Member of the Company will contribute to the suitable fulfilment of the decision-making and supervisory functions of the Company's Board of Directors. Accordingly, the Company requests his election as Director. There is no special interest between Mr. Nihei and the Company.		

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<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="2">4</td><td rowspan="2">Atsuo Asano
(February 7, 1961)

<Reappointed>

Attendance at Board meetings:

100%
(10/10 meetings)

Term of office as Director: 1 year</td><td>April, 1983
October, 2009

April, 2010

April, 2012
April, 2014
April, 2018
June, 2018

April, 2019</td><td>Joined Kawasaki Kisen Kaisha, Ltd.
General Manager of Coal & Iron Ore Carrier Group
Executive Officer, General Manager of Coal & Iron Ore Carrier Group
Executive Officer
Managing Executive Officer
Senior Managing Executive Officer
Director, Senior Managing Executive Officer
Representative Director, Senior Managing Executive Officer (Current)

Responsible for Dry Bulk Carriers Unit, Marine Sector, Advanced Technology, Ship Technical and Environmental Affairs Unit</td><td rowspan="2">8,900 shares</td></tr>
<tr><td colspan="2">Reasons for nomination as candidate for Director:
Mr. Atsuo Asano has proven achievements, notably in the Company's Dry Bulk Sector, and abundant management experience as a Director of the Company. Currently he is appropriately executing business strategies as the Executive Officer responsible for the Dry Bulk Carriers Unit and Marine Sector, Advanced Technology, Ship Technical and Environmental Affairs Unit. The Company judges that his abundant experience and proven achievements will contribute to the suitable fulfilment of the decision-making and supervisory functions of the Company's Board of Directors. Accordingly, the Company requests his election as Director. There is no special interest between Mr. Asano and the Company.</td></tr>
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<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="8">5</td><td rowspan="8">Kazuhiko Harigai
(July 7, 1960)

<Newly appointed>

Attendance at Board meetings:
-

Term of office as Director: -</td><td>April, 1983</td><td>Joined Kawasaki Kisen Kaisha, Ltd.</td><td rowspan="8">9,100
shares</td></tr>
<tr><td>June, 2006</td><td>General Manager of Thermal Coal, Woodchip and Pulp Group</td></tr>
<tr><td>April, 2011</td><td>Executive Officer, General Manager of Thermal Coal, Woodchip and Pulp Group</td></tr>
<tr><td>April, 2012</td><td>Executive Officer</td></tr>
<tr><td>April, 2013</td><td>Managing Executive Officer</td></tr>
<tr><td>April, 2019</td><td>Senior Managing Executive Officer (Current)</td></tr>
<tr><td></td><td>Responsible for Energy Transportation Business Unit</td></tr>
<tr><td colspan="2">Reasons for nomination as candidate for Director:
Mr. Kazuhiko Harigai has proven achievements, notably in the Energy Transportation Sector, and abundant management experience as the Company’s Executive Officer, and, especially in the field of Thermal Coal Transportation business, he is the leading person in the Company with broad business network and insight. Currently he is appropriately executing business strategies as the Executive Officer responsible for Energy Transportation Business Unit and the Company judges that his management experience and proven achievements will contribute to the suitable fulfillment of the decision-making and supervisory functions of the Company’s Board of Directors. Accordingly, the Company requests his election as Director. There is no special interest between Mr. Harigai and the Company.</td></tr>
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<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="10">6</td><td rowspan="10">Yukio Toriyama
(November 10, 1959)

<Newly appointed>

Attendance at Board meetings:

-

Term of office as Director: -</td><td>April, 1983</td><td>Joined Kawasaki Kisen Kaisha, Ltd.</td><td rowspan="10">10,400 shares</td></tr>
<tr><td>April, 2010</td><td>General Manager of Port Business Group</td></tr>
<tr><td>April, 2011</td><td>Executive Officer, General Manager of Accounting Group</td></tr>
<tr><td>June, 2011</td><td>Director, Executive Officer, General Manager of Accounting Group</td></tr>
<tr><td>April, 2012</td><td>Director, Executive Officer</td></tr>
<tr><td>April, 2014</td><td>Director, Managing Executive Officer</td></tr>
<tr><td>June, 2016</td><td>Managing Executive Officer</td></tr>
<tr><td>April, 2019</td><td>Senior Managing Executive Officer (Current)</td></tr>
<tr><td></td><td>Responsible for General Affairs, Human Resources, Legal, Corporate Legal Risk & Compliance, Corporate Planning, Research and IR & PR Unit, assistance to Internal Audit, CCO (Chief Compliance Officer)</td></tr>
<tr><td colspan="2">Reasons for nomination as candidate for Director:
Mr. Yukio Toriyama has proven achievements, notably in the Company's Accounting, Finance and IR & PR sectors, and abundant management skill as an Executive Officer of the Company. Currently he is appropriately executing business strategies as the Executive Officer responsible for General Affairs, Human Resources, Legal, Corporate Legal Risk & Compliance, Corporate Planning, Research, IR & PR Unit and Chief Compliance Officer. Mr. Toriyama has experience also in Containerships Business and Port Business, so the Company judges that his abundant experience and proven achievements relating to a broad range of work including business departments will contribute to the suitable fulfillment 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. Toriyama 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> <Independent & Outside Director> Attendance at Board meetings: 93% (13/14 meetings) Term of office as Outside Director: 3 years	April, 1971	Joined Toyota Motor Sales Co., Ltd.	3,800 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. (Retired in March 2015)	
		April, 2015	Adviser, Tokai Tokyo Financial Holdings, Inc. (Retired in September 2017)	
		June, 2016	Outside Director of the Company (Current)	
		April, 2019	Visiting professor, The Graduate School of Project Design (Current)	
			Lead Independent Outside Director, 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 during that time, he led various new businesses to successful results in emerging economies, 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 an Outside Director of the Company since June 2016 so 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> <Independent & Outside Director> Attendance at Board meetings: 100% (14/14 meetings) Term of office as Outside Director: 3 years	April, 1977	Joined Mitsui & Co., Ltd.	2,800 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 the 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 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.	

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(Significant concurrent positions)</th><th>Number of the Company’s shares held</th></tr>
<tr><td rowspan="2">9</td><td rowspan="2">Keiji Yamada
(April 5, 1954)

<Newly appointed>

<Independent & Outside Director>

Attendance at Board meetings:

-

Term of office as Outside Director: -</td><td>April, 1977 Joined Ministry of Home Affairs (current Ministry of Internal Affairs and Communications)
July, 1982 Superintendent of Amakusa Tax Office, National Tax Agency
July, 1983 Manager of Local Affairs Division, General Affairs Department, Wakayama Prefecture
September, 1985 Deputy General Manager of San Francisco Tourism Promotion Office, Japan National Tourist Organization
April, 1989 Manager of Finance Division, General Affairs Department, Kochi Prefecture
January, 1992 Investigator, Local Administration Division, Local Administration Bureau, Ministry of Home Affairs
July, 1992 Counsellor, Cabinet Legislation Bureau
July, 1997 Manager, Land Information Division, Land Bureau, National Land Agency (currently known as Ministry of Land, Infrastructure, Transport and Tourism)
August, 1999 Director, General Affairs Department, Kyoto Prefecture
June, 2001 Vice-Governor, Kyoto Prefecture
April, 2002 Governor, Kyoto Prefecture (Retired in April 2018)
April, 2011 President, National Governors’ Association (Ditto)
April, 2018 Vice-President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law, Kyoto Sangyo University (Current)</td><td>0 shares</td></tr>
<tr><td colspan="2">Reasons for nomination as candidate for Outside Director:
Mr. Keiji Yamada has experience in prominent positions with central/local governmental offices such as former Ministry of Home Affairs, and also served 4 terms (16 years) as Governor of Kyoto Prefecture. Mr. Yamada does not have prior experience of direct involvement in corporate management, however, the Company judges that his wide range of experience/personal network and insight from his long-term experience as head of administrative organs, will contribute in promoting the Group’s corporate governance and making precise suggestions to the Company’s management and supervising the execution of business. Accordingly, the Company requests his election as Outside Director. There is no special interest between Mr. Yamada and the Company.
Mr. Yamada 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.</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
10	Ryuhei Uchida (October 6, 1977) <Newly appointed> <Outside Director> Attendance at Board meetings: - Term of office as Outside Director: -	April, 2002 Joined Mitsubishi Corporation December, 2009 Joined Innovation Network Corporation of Japan, Vice-President, Investment December, 2012 Joined Effissimo Capital Management Pte Ltd, Director (Current)	0 shares
		Reasons for nomination as candidate for Outside Director: Mr. Ryuhei Uchida first joined Mitsubishi Corporation, mainly served for supporting investments for Japanese and foreign non-listed companies, then joined Innovation Network Corporation of Japan, being in charge of investments for foreign non-listed companies and supporting business start-ups for Japanese non-listed companies, as well as also serving as an Outside Director for both British and Chilean companies. Currently he is in charge of managing investments of Japanese-listed companies as a Director of our shareholder, Effissimo Capital Management Pte Ltd, and has abundant experience and insight in corporate value enhancement. The Company judges that his precise suggestions and supervision on its management and the execution of business, with the sight as our shareholder, will promote the Company’s mid-long-term corporate value, and will meet expectation of all its stakeholders, including general shareholders. Accordingly, the Company requests his election as our Outside Director. There is no special interest between Mr. Uchida and the Company. Mr. Uchida satisfies the requisite for Outside Director in the Companies Act; however, due to conflicts with the shareholder requisite in the criteria for independence of Outside Directors provided by the Company, the Company requests him to be elected as a non-independent Outside Director.	

Notes: 1) Messrs. Akira Okabe, Seiichi Tanaka, Keiji Yamada and Ryuhei Uchida 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 and conclude the same contract with Messrs. Eizo Murakami, Keiji Yamada and Ryuhei Uchida. 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 10, of which at least two shall be Independent Outside Directors who satisfy the Company's criteria.

The Nominating Advisory Committee, comprised of all Independent Outside Directors, the Chairman and the President & 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.

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

Audit & Supervisory Board Members Messrs. Keisuke Yoshida and Toshikazu Hayashi will retire from their positions upon conclusion of this meeting.
It is therefore requested that three (3) Audit & Supervisory Board Members be elected at this meeting by increasing one (1) Audit & Supervisory Board Member to contribute to the enhancement of the audit system in the future.
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	Tsuyoshi Yamauchi (August 15, 1957) <Newly appointed> Attendance at Board meetings: - Attendance at Audit & Supervisory Board meetings: -	April, 1981	Joined the Company	6,600 shares
		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. (currently known as "K" LINE RORO BULK SHIP MANAGEMENT CO., LTD.) (Retired in March 2013)	
		April, 2013	Managing Executive Officer of the Company	
		June, 2013	Director, Managing Executive Officer	
		April, 2014	Director, Senior Managing Executive Officer	
		April, 2015	Representative Director, Senior Managing Executive Officer	
		April, 2018	Director	
		June, 2018	Special Advisor (Current)	
		Reasons for nomination as candidate for Audit & Supervisory Board Member: Mr. Tsuyoshi Yamauchi has, until his retirement as a Company Director in June 2018, made proven achievements and gained abundant experience in a wide range of sectors in corporate divisions, notably in Corporate Planning, and has broad and deep knowledge in business matters, which will contribute to monitoring business execution, as well as considerable knowledge of financial and accounting matters. Accordingly, the Company requests his election as an Audit & Supervisory Board Member as is judges that he will perform effective auditing with his qualifications required for Standing Audit & Supervisory Board Member of the Company. There is no special interest between Mr. Yamauchi and the Company.		

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summaries and positions in the Company
(Significant concurrent positions)</th><th>Number of the Company's shares held</th></tr>
<tr><td rowspan="8">2</td><td rowspan="8">Kunihiko Arai
(November 16, 1959)

<Newly appointed>

Attendance at Board meetings:
-
Attendance at Audit & Supervisory Board meetings:
-</td><td>April, 1982</td><td>Joined the Company</td><td rowspan="7">1,900 shares</td></tr>
<tr><td>August, 2001</td><td>General Manager, "K" LINE PTE LTD Trade Management Division</td></tr>
<tr><td>July, 2012</td><td>Representative in Beijing, China (Representative Office closed in December 2012)
Managing Director of KLINE (CHINA) LTD. (Current)</td></tr>
<tr><td>January, 2014</td><td>Managing Director of "K" LINE (HONG KONG) LIMITED (Retired in January 2019)</td></tr>
<tr><td>April, 2015</td><td>Managing Executive Officer</td></tr>
<tr><td>April, 2019</td><td>Special Advisor (Current)</td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Reasons for nomination as candidate for Audit & Supervisory Board Member:
Mr. Kunihiko Arai has, until his retirement as Executive Officer of the Company in March 2019, served mainly in the Containerships Business, and has made proven achievements in a wide range of both domestic and overseas sectors including being a Representative in Chile, Singapore and China, 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 an 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. There is no special interest between Mr. Arai and the Company.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summaries and positions in the Company
(Significant concurrent positions)</th><th>Number of the Company’s shares held</th></tr>
<tr><td rowspan="7">3</td><td rowspan="7">Atsumi Harasawa
(August 28, 1967)

<Newly appointed>

<Independent & Outside Audit & Supervisory Board Member>

Attendance at Board meetings:

-
Attendance at Audit & Supervisory Board meetings:

-</td><td>April, 1992</td><td>Joined Japan Airlines Co., Ltd. (Resigned in March, 2004)</td><td rowspan="6">0 shares</td></tr>
<tr><td>December, 2009</td><td>Registered with Tokyo Bar Association
Joined Sonderhoff & Einsel Law and Patent Office (Resigned in June, 2014)</td></tr>
<tr><td>June, 2014</td><td>Joined Digital Arts Inc. (Resigned in March, 2015)</td></tr>
<tr><td>April, 2015</td><td>Joined Yamasaki & Partners (Resigned in October, 2016)</td></tr>
<tr><td>November, 2016</td><td>Partner, Igarashi • Watanabe • Esaka Law Office (Current)</td></tr>
<tr><td>April, 2018</td><td>Outside Auditor, Lawson Bank, Inc. (Current)</td></tr>
<tr><td colspan="3">Reasons for nomination as candidate for Outside Audit & Supervisory Board Member:
Ms. Atsumi Harasawa, admitted to practice as a lawyer in Japan, possesses extensive expert knowledge and experience in the field of corporate law, labor law and patent rights, gained through working at a law firm, and also has knowledge and experience in the transportation sector by contributing on safety from the technical side being certified as a first class aircraft maintenance technician at Japan Airlines Co., Ltd. Ms. Harasawa does not have prior experience of direct involvement in corporate management apart from being an Outside Auditor, however, the Company judges that her presentation will enhance the diversity of its Board member structure, and will perform effective auditing from an outside independent standpoint as an Outside Audit & Supervisory Board Member. Accordingly, the Company requests her election as an Outside Audit & Supervisory Board Member.
There is no special interest between Ms. Harasawa and the Company. As there is no possibility that conflict of interest may occur between Ms. Harasawa and general shareholders, if she is elected as an 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.</td></tr>
</table>

Notes: 1) Ms. Atsumi Harasawa is a candidate for Outside Audit & Supervisory Board Member.

2) If the proposal is accepted, the Company intends to conclude a limited liability contract with Messrs. Tsuyoshi Yamauchi and Kunihiko Arai and Ms. Atsumi Harasawa 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.

Proposition 3: ***Election of one (1) Substitute Audit & Supervisory Board Member***

It is requested that one (1) substitute Audit & Supervisory Board Member be elected as a substitute for Outside Audit & Supervisory Board Member 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 candidate is:

<table>
<tr><th>Name
(Date of birth)</th><th colspan="2">Career summaries and positions in the Company
(Significant concurrent positions)</th><th>Number of the Company’s shares held</th></tr>
<tr><td rowspan="10">Shinsuke Kubo
(March 4, 1956)

<Newly appointed>

<Independent & Substitute Outside Audit & Supervisory Board Member></td><td>April, 1979</td><td>Joined Sanwa & Co. (currently known as Deloitte Touche Tohmatsu LLC)</td><td rowspan="9">0 shares</td></tr>
<tr><td>March, 1982</td><td>Registered as Certified Public Accountant</td></tr>
<tr><td>June, 1998</td><td>Representative Partner, Tohmatsu & Co. (currently known as Deloitte Touche Tohmatsu LLC)</td></tr>
<tr><td>September, 2017</td><td>Retired from Deloitte Touche Tohmatsu LLC</td></tr>
<tr><td>October, 2017</td><td>Managing Partner, Shinsuke Kubo CPA Office (Current)</td></tr>
<tr><td>January, 2018</td><td>Representative Director, Japan Enterprise Sustainable Transformation Advisory Co., Ltd. (Current)</td></tr>
<tr><td>May, 2018</td><td>Representative Partner, Kyoei Accounting Office (Current)</td></tr>
<tr><td>June, 2018</td><td>Outside Audit & Supervisory Board Member, Japan Airlines Co., Ltd. (Current)</td></tr>
<tr></tr>
<tr><td colspan="3">Reasons for nomination as candidate for Substitute Outside Audit & Supervisory Board Member:
Mr. Shinsuke Kubo, a CPA in Japan, has a variety of achievements and experiences through his work with both Japanese and foreign audit firms, in the fields of auditing, taxation business, IPO support, corporate revitalization and M&A. Mr. Kubo also has abundant experience in founding and managing venture businesses and companies that support reactivation of other businesses, the Company judges that he will perform effective auditing from an outside independent standpoint as an Outside Audit & Supervisory Board Member. Accordingly, the Company requests his election as a substitute Audit & Supervisory Board Member of an Outside Audit & Supervisory Board Member. There is no special interest between Mr. Kubo and the Company.
As there is no possibility that conflict of interest may occur between Mr. Kubo and general shareholders, if he assumes office as an Audit & Supervisory Board Member, the Company plans to designate him as an independent director pursuant to the regulations of the stock exchanges where its stock is listed.</td></tr>
</table>

Notes: 1) Mr. Shinsuke Kubo is a candidate for substitute Audit & Supervisory Board Member of an Outside Audit & Supervisory Board Member.

2) If Mr. Shinsuke Kubo 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.

<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.

Evaluation of the effectiveness of the Board of Directors
The Company stipulates in Article 22 of the "Kawasaki Kisen Kaisha, Ltd. CORPORATE GOVERNANCE GUIDELINES" as follows: "Each Director shall perform self-evaluation on the validity of the Board of Directors, his/her performance as a Director, etc. on an annual basis, and submit the results to the Board of Directors. Each year the Board of Directors shall, based on self-evaluation of each Director, analyze and evaluate the effectiveness of the Board of Directors as a whole, and shall disclose a summary of the results in a timely and proper manner."

Please refer to the Company's website below for details of the principle of corporate governance, details of the corporate governance reports and the results of the evaluation of the effectiveness of the Board of Director.
Front page > CSR > Governance > Corporate Governance

(Attachment)

Business Report
(From April 1, 2018 to March 31, 2019)

1. Matters Related to Current Conditions of the Corporate Group

(1) Business Progress and Results

[General Conditions]

In the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019), although the global economy continued to be steady on the whole, the U.S. imposed restrictions on imports of steel- and aluminum-related products, and the trade frictions between the U.S. and China intensified. Coupled with a deceleration in the Chinese economy and the Brexit possibility, the situation has created concerns over the global economy.

The U.S. economy recovered moderately backed by growth in private-sector consumption and capital investment reflecting the expansion of government expenditure and tax reduction effect. The European economy saw steady private-sector consumption thanks to improvement in employment and income situations, however, it began to slow down due to a deceleration in exports and capital investment.

The Chinese economy decelerated due to stagnation in capital investment and in the private-sector consumption primarily in automobile sales. Other economies in Asia also slowed down primarily in exports in line with the Chinese economy, while ASEAN countries sustaining growth on par with the previous year supported by domestic demand.

The Japanese economy recovered moderately owing to the recovery in the global economy primarily in the U.S. and improvement in the employment and income situations, despite a slowdown due to natural disasters.

Amid this situation, in response to the rapidly changing business environment, the Company carried out structural reforms aimed at improving profitability and reducing market-exposed fleets, and recorded allowance for loss and loss on cancellation of chartered vessels in the fourth quarter of the current fiscal year, while at the same time reallocating management resources by “Selection and Concentration.”

As a result, operating revenues for the fiscal year were ¥836.731 billion (down ¥325.293 billion year on year), operating loss was ¥24.736 billion (compared to operating income of ¥7.219 billion for the previous fiscal year), and ordinary loss was ¥48.933 billion (compared to ordinary income of ¥1.962 billion for the previous fiscal year). Loss attributable to owners of the parent was ¥111.188 billion (compared to profit attributable to owners of the parent of ¥10.384 billion for the previous fiscal year). The average foreign exchange rate in the current fiscal year was ¥110.67/US$ (yen appreciation of ¥0.52/US$ compared to the previous fiscal year) and the average fuel oil price was US$450.19/MT* (up by US$101.25/MT compared to the previous fiscal year).

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

Starting in the current fiscal year, the Group changed the categorization of business segments as follows. The figures for the previous fiscal year and the year-on-year comparison to be provided in the next page onward are based on the revised categorization.

Segments for the previous fiscal year (old)	
Bulk Shipping Business Segment	Coal & iron ore
	Thermal coal carrier
	Woodchip & pulp
	Bulk carrier
	Car carrier (including automotive logistics business)
	LNG carrier
	Tanker
	Liquefied gas new business
	Short sea and coastal
Offshore Energy E&P Support and Heavy Lifter Business Segment	Offshore energy E&P support
	Offshore support vessels
	Heavy lifter
Containership Business Segment	Containership (including port business)
	Logistics
Other Business	Ship management service, travel agency service, and real estate business, etc.

Segments for the current fiscal year (new)	
Dry Bulk Segment	Coal & iron ore
	Bulk carrier (including woodchip & pulp business)
Energy Resource Transport Segment	LNG carrier
	Tanker
	Thermal coal carrier
	Offshore energy E&P support
	Offshore support vessels
	Liquefied gas new business
Product Logistics Segment	Car carrier
	Automotive logistics
	Logistics
	Short sea and coastal
	Containership (including port business, containership-related business and equity in OCEAN NETWORK EXPRESS PTE. LTD.)
Other Business	Ship management service, travel agency service, and real estate business, etc.

Dry Bulk Segment (Billions of yen)

Operating revenues	273.8	(an increase of 10.0% year on year)
Segment profit (loss)	4.4	(loss of ¥0.1 billion in the previous fiscal year)
Operating revenue composition ratio to total operating revenues	32.7%	

[Dry Bulk Business]

In the Cape-size sector, the average market rate in the five major trades temporarily rose above 20,000 U.S. dollars per day in the first half due to robust cargo movements related to the shipments of iron ore from Brazil, which was supported by iron ore demand in China. However, in the second half, the market rate dropped rapidly and stayed low due to the combined effects that dampened market sentiment, including a freight train derailment accident in Australia and a dam break accident in Brazil. In the medium and small size-vessel sector, the market rates temporarily fell steeply due to the impacts of the decline in the market rates in the Cape-size sector and winter-season restrictions on coal imports in China, but the market generally stayed on the path of recovery because of brisk cargo movements, including the shipments of grains from South America and the shipments of coal to India. Under these circumstances, the Group strove to reduce operation costs and improve vessel operation efficiency. As a result, the overall dry bulk business recorded a year-on-year increase in revenue and returned to profit from a loss.

Energy Resource Transport Segment (Billions of yen)

Operating revenues	88.7	(an increase of 17.6% year on year)
Segment profit (loss)	2.5	(an increase of 465.7% year on year)
Operating revenue composition ratio to total operating revenues	10.6%	

[Energy Transportation Business (LNG Carrier, Tanker and Thermal Coal Carrier Business)]

Concerning LNG carriers, large crude oil tankers (VLCCs), LPG carriers and thermal coal carriers, business stayed firm for mid- and long-term charter contracts. The overall energy transportation business recorded year-on-year growth in both revenue and profit.

[Offshore Energy E&P Support Business]

The drillship business and the FPSO (Floating Production, Storage and Offloading system) business performed steadily and contributed to securing stable long-term earnings. However, in the offshore support business, the market remained weak as the vessel supply-demand balance did not improve. Thus, the overall offshore energy E&P support business recorded a year-on-year increase in revenue, but a loss was recorded.

Product Logistics Segment (Billions of yen)

Operating revenues	441.0	(a decrease of 44.8% year on year)
Segment profit (loss)	(49.2)	(profit of ¥5.8 billion in the previous fiscal year)
Operating revenue composition ratio to total operating revenues	52.7%	

[Car Carrier Business]

The volume of finished vehicles shipped by the Group increased year-on-year because of continued high demand to the U.S. and Europe and acquisition of new contracted cargoes, although there were several factors such as temporary lifting decline due to natural disasters in Japan, sales decline in some regions, including South America, and sales decline in Europe due to the introduction of new regulations on exhaust gas and fuel efficiency. However, due to the significant impacts of the deterioration of vessel operation efficiency, rise in fuel costs and other factors, the overall car carrier business recorded a year-on-year decline in revenue and a loss was recorded.

[Logistics Business]

In the domestic logistics sector, the operational ratio temporarily declined due to natural disasters that occurred in the second quarter. However, both revenue and profit increased mainly because of the steady performance of towage, sea-land integrated transportation, and warehousing business. In the international logistics sector, robust cargo movements related to semiconductors and increased demand related to e-commerce contributed to the earnings in air cargo transportation business. However, cost increased for enhancing business capabilities in the logistics business occurred after the integration of the containership business. As a result, the overall logistics business recorded a year-on-year increase in revenue, but profit declined.

[Short Sea and Coastal Business]

In the short sea business, the transportation volume mainly limestone and bio mass fuel steadily increased and the market also improved. In the coastal business, the number of voyages increased by the effects of expanded loadable space with newly built large-size ships launched and demand for alternative transportation associated with domestic natural disasters. As a result, the overall short sea and coastal business recorded a year-on-year increase in revenue however, profit declined due to an increase in the maintenance cost regarding coastal ships and the depreciation cost regarding newly built ships.

[Containership Business]

The operating revenues of OCEAN NETWORK EXPRESS PTE. LTD. (hereinafter referred to as “ONE”), the Company’s equity-method affiliate, were considerably affected by declines in liftings and space utilization in the first half that were caused by teething problems occurred immediately after the commencement of services. In the third quarter onwards, the problems have almost been resolved and the market rates, particularly in Asia-North America eastbound services, stayed firm backed by the high demand. However, ONE could not enjoy the merits of the rise in market prices due to the long-term contract with fixed freight charges that it entered into at the beginning of the fiscal year. Although the Company continued with ongoing efforts to improve profitability, the containership business recorded a loss.

Other Business (Billions of yen)

Operating revenues	33.2	(a decrease of 15.2% year on year)
Segment profit (loss)	1.1	(a decrease of 62.7% year on year)
Operating revenue composition ratio to total operating revenues	4.0%	

Other business includes the Group’s ship management service, travel agency service, and real estate rental and administration service. This segment recorded a year-on-year decline both in revenue and profit.

(2) Financial Position and Results of Operation

Item	FY2015	FY2016	FY2017	FY2018 (current fiscal year)
Operating revenues (Millions of yen)	1,243,932	1,030,191	1,162,025	836,731
Ordinary income (loss) (Millions of yen)	3,338	(52,388)	1,962	(48,933)
Profit (loss) attributable to owners of the parent (Millions of yen)	(51,499)	(139,478)	10,384	(111,188)
Basic profit (loss) per share (Yen)	(54.95)	(1,488.23)	111.13	(1,192.08)
Total assets (Millions of yen)	1,115,223	1,045,209	1,036,886	951,261
Net assets (Millions of yen)	379,913	245,482	243,094	181,233
Net assets per share of common stock (Yen)	379.18	2,341.93	2,326.65	1,110.48
Ratio of current profit to capital equity (ROE) (%)	(12.9)	(48.5)	4.8	(69.4)
Ratio of ordinary income to total assets (ROA) (%)	0.3	(4.8)	0.2	(4.9)
Capital Equity Ratio (%)	31.9	21.0	20.9	10.9

(Notes) 1. The Company consolidated its common stock at a ratio of 10 shares to 1, effective October 1, 2017. Accordingly, the basic profit (loss) per share and net assets per share of common stock have been calculated on the assumption that the share consolidation took place at the beginning of FY2016.

2. "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc." (ASBJ Statement No. 28, issued on February 16, 2018) has been applied from the beginning of this fiscal year. Deferred tax assets are presented in the "investments and other assets" of the balance sheet, and deferred tax liabilities are presented in the "long-term liabilities." In addition, figures in total assets and capital equity ratio for FY2017 are presented in figures after the restatement.

3. Overviews of FY2015 to FY2018 are as follows.

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 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 EU, and establishment of the new government in the U.S. The dry bulk vessel supply-demand gap is on the way to improving while the market conditions continue to be somewhat unfavorable. In the containership business, cargo movements shifted to an upward trend in the second-half of the fiscal year; however, the revenues decreased considerably from a year earlier due mainly to a slump in the freight market at the beginning of the fiscal year with the loss increasing due partly to the recognition of costs for structural reforms.

FY2017: The global economy continued to be steady throughout the year despite rising geopolitical tensions in some regions and concern over the trade friction between the U.S. and China. In the containership market, although the supply-demand balance did not reach a full-fledged recovery, in the dry bulk business, the cape-size sector market was on the path of recovery backed by vigorous movements of iron ore and coking coal cargo. Also, the medium-sized and small vessel sector continued to recover moderately, due to robust cargo movements mostly for grain and coal shipments. Despite negative impacts including the rising fuel oil prices and the ongoing appreciation of the yen, the Group returned to profitability at all stages of operating income, ordinary income and profit for the first time in three fiscal years. The contributing factors for the performance improvement included cost cutting measures and streamlining of the vessel allocation, in addition to the effect of the business structural reforms that the Group pressed forward with in the previous two fiscal years.

FY2018: The overview for FY2018 is as provided in subsection "(1) Business Progress and Results," pages 28 to 32.

(3) Capital Investment

Over the current fiscal year, the Group made overall capital investments of ¥97.911 billion.

The Dry Bulk, Energy Resource Transport, and Product Logistics segments made capital investments of ¥14.269 billion, ¥42.519 billion, and ¥40.270 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 ¥0.853 billion.

Meanwhile, sales of fixed assets amounted to ¥98.179 billion, mainly attributable to vessel and real estate disposal.

(4) Capital Procurement

The Company obtained a ¥50.0 billion loan for the investment in ONE from its subsidiary "K" LINE NEXT CENTURY GK, which raised the amount through receipt of preferred equity investment on April 2, 2018.

(5) Issues to Address

In April 2017, the "K" LINE Group has formulated its medium-term management plan, '"Revival for Greater Strides" — Value for our Next Century' with the following priority themes: (i) Rebuilding Portfolio Strategy; (ii) Advanced Management and Strategy; and (iii) ESG initiatives. The Group has united in concerted efforts.

In FY2017, the first year of the plan, the Group returned to profitability at all stages of operating income, ordinary income and profit for the first time in three fiscal years. In FY2018, however, profitability in the containership business primarily operated by ONE, an equity-method affiliate of the Company, substantially declined. We posted a net loss for the year as a result of executing fundamental structural reforms with a view to enhancing profitability in the final year of the plan FY2019 and onward. We remain committed to accomplishing these priority themes in FY2019 that marks the Company’s 100th anniversary, following the basic policies shown below.

(i) Rebuilding Portfolio Strategy

We aim to improve profitability by concentration of management resources to four business pillars and suitable portfolio. Key initiatives by business are as follows:

●Dry Bulk Business

Expand stable income business fleets; Optimize market-exposed fleets in the medium and small size-vessel sector

●Car Carrier Business

Streamline service network by rationalization of profitability management by services; Improve fundamental profitability through freight restoration

●Energy Transport Business

Reorganize market-exposed businesses; Thorough “Selection and Concentration” by business expansion through operational risk/return evaluation

●Logistics Business

Reform the Group’s global network by having “K” LINE LOGISTICS, LTD. as core entity; Expand area-based logistics business by having external know-how

In FY2018, as part of the efforts to rebuild business portfolio strategy, a joint holding company was established by the Company’s three domestic harbor transportation subsidiaries. We announced to partially transfer its shares to Kamigumi Co., Ltd. and completed the transfer on April 1, 2019. Furthermore, to develop the next-generation core business, we determined operationalization of LNG fuel supply business for vessel operations, which will be the first such service in Japan.

(ii) Advanced Management and Strategy

In order to develop a structure that supports the rebuilding of portfolio strategy, the Group commenced full-fledged implementation of quantitative evaluation through operational risk and return management. Utilization of the Company’s unique performance indicators, “K” VaCS (earnings indicator that indicates economic added value considering the cost of shareholders’ equity) and “K” RIC (efficiency indicator for higher corporate value, factoring in capital costs) helps us more clearly identify challenges and issues lying in each business portfolio, and establishing better visualization for the “Selection and Concentration” strategy toward sustainable growth in view of capital and management resources. In this manner, we carry out business management with a further emphasis on investment capital and level of operational risk and return.

(iii) 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 strengthening of the business execution system by introducing a unit supervisory system. It has also promoted evaluation of the effectiveness of the Board of Directors and so forth. From a safety aspect, the Company is continuing with its initiatives to keep the number of serious maritime accidents at zero, while from an environmental aspect, it has received sufficient recognition for its proactive actions as to be given the top rating, A rank, in the CDP Supply Chain Climate Change for three consecutive years since 2016. In addition, it has gained 1st prize in the Japanese Corporations for Effective Efforts to Address Climate and Energy Issues announced by WWF Japan in October 2018, in the field of transportation business among 31 Japanese companies including land and air transport. The Group will remain committed to developing its environmental, safety, governance systems.

(6) Status of Principal Subsidiaries, etc. (as of March 31, 2019)

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
“K” LINE RORO BULK SHIP MANAGEMENT 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	2,106.91 million Norwegian krone	100.0	Marine transportation
“K” LINE PTE LTD	41.13 million U.S. dollar	100.0	Marine transportation
OCEAN NETWORK EXPRESS PTE. LTD.	3,000.00 million U.S. dollar	(31.0)	Marine transportation

(Notes) 1. Figures shown in parentheses in the equity ownership column include ownership shares held by subsidiaries, etc.

2. The Company’s 50.7% ownership of KAWASAKI KINKAI KISEN KAISHA, LTD. includes 3.1% ownership of other subsidiaries.

3. TAIYO NIPPON KISEN CO., LTD. changed its name to “K” LINE RORO BULK SHIP MANAGEMENT CO., LTD. as of April 1, 2018.

4. 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.

5. K LINE OFFSHORE AS increased its capital in September and October 2018 and March 2019. As a result, its paid-in capital increased from 1,120.06 million Norwegian krone to 2,106.91 million Norwegian krone.

6. OCEAN NETWORK EXPRESS PTE. LTD. running a containership business is an equity-method affiliate but listed above because of the materiality. It increased its paid-in capital from 800.00 million U.S. dollar to 3,000.00 million U.S. dollar in April 2018.

(7) Main Locations (as of March 31, 2019)

(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	Shinko Building, 8 Kaigandori, Chuo-ku, Kobe, Japan
Overseas Representative Office	Manila, Yangon, Dubai

(Note) The Kansai Branch was moved from Daidouseimei Kobe Building, 2-7, Sakaemachidori 1-chome, Chuo-ku, Kobe, Japan as of June 19, 2018.

(ii) Subsidiaries, etc.

Company name	Location
KAWASAKI KINKAI KISEN KAISHA, LTD.	Tokyo, Kushiro, Sapporo, Tomakomai, Muroran, Hachinohe, Miyako, Naka, Shizuoka, Osaka, Kitakyushu, Oita, Nichinan
"K" LINE LOGISTICS, LTD.	Tokyo, Ichikawa, Nagoya, Osaka
DAITO CORPORATION	Tokyo, Chiba, Yokohama
"K" LINE RORO BULK SHIP MANAGEMENT CO., LTD.	Kobe, Chiba, Tokyo, the Philippines
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
OCEAN NETWORK EXPRESS PTE. LTD.	Singapore

(iii) Other Locations Overseas

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

(8) Status of Employees (as of March 31, 2019)

Name of segment	Dry Bulk	Energy Resource Transport	Product Logistics	Other	Corporate (common)	Total
Number of employees	166	212	4,025	1,244	375	6,022
As of previous fiscal year end	159	278	5,103	1,266	347	7,153
Change from previous fiscal year end	7	(66)	(1,078)	(22)	28	(1,131)

(Notes) 1. From the current fiscal year, the Group changed the categorization of business segments utilized in the report. Number of employees stated in "As of previous fiscal year end" and "Change from previous fiscal year end" are based on the revised categorization.

2. 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, 2019)

Name of segment	Dry Bulk	Energy Resource Transport		Product Logistics			Total
Vessel type	Dry bulk carriers	LNG carriers, tankers and thermal coal carriers	Offshore support vessels	Car carriers	Short sea and coastal vessels	Containerships	
Category							
Owned							
Number of vessels	54	34	7	32	26	7	160
Deadweight tons	6,645,827	3,415,207	32,481	492,599	213,709	460,448	11,260,271
Chartered							
Number of vessels	155	31	0	58	28	57	329
Deadweight tons	19,777,676	3,411,794	0	987,246	398,342	4,482,599	29,057,657
Total							
Number of vessels	209	65	7	90	54	64	489
Deadweight tons	26,423,503	6,827,001	32,481	1,479,845	612,051	4,943,047	40,317,928

(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) Reorganizations, etc. (Transfer of Business, Mergers, etc.)

The Company's three domestic harbor transportation subsidiaries (DAITO CORPORATION, NITTO TOTAL LOGISTICS LTD. and SEAGATE CORPORATION) established a joint holding company that became the wholly owning parent company of the three subsidiaries through share transfer on April 1, 2019, and transferred 49% of the total shares of the holding company to Kamigumi Co., Ltd. on the same day.

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

The Group has been investigated by the competition authorities in certain 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.

2. Matters Related to Corporate Stocks (as of March 31, 2019)

(1) Number of Authorized Shares: 200,000,000 shares

(2) Number of Issued and Outstanding Shares: 93,938,229 shares

(3) Aggregate Number of Shareholders: 28,997

(4) Major Shareholders (top 10)

Name of shareholders	Number of shares held (Thousands)	Percentage of shares held (%)
SMP PARTNERS (CAYMAN) LIMITED	15,297	16.31
GOLDMAN SACHS INTERNATIONAL	9,989	10.65
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	5,151	5.49
Trust & Custody Services Bank, Ltd. (Kawasaki Heavy Industries, Ltd. retirement benefit trust account re-entrusted by Mizuho Trust & Banking Co., Ltd.)	3,392	3.61
ECM MF	3,119	3.32
The Master Trust Bank of Japan, Ltd. (trust account)	3,067	3.27
IMABARI SHIPBUILDING CO., LTD.	2,910	3.10
JFE Steel Corporation	2,817	3.00
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SEGR ACCT	2,100	2.24
Sompo Japan Nipponkoa Insurance Inc.	1,910	2.03

(Note) Percentage of shares held is calculated excluding treasury stock (194,972 shares).

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

(1) Details of Directors and Audit & Supervisory Board Members (as of March 31, 2019)

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
Hiromichi Aoki	Representative Director, Senior Managing Executive Officer	Responsible for Energy Transportation Business Unit
Harusato Nihei	Representative Director, Senior Managing Executive Officer	Responsible for Finance, Accounting, IR & PR Unit, CFO (Chief Financial Officer)
Atsuo Asano	Representative Director, Senior Managing Executive Officer	Responsible for Dry Bulk Carriers Unit, in charge of Coal and Iron Ore Carrier Business, Bulk Carrier Business and Drybulk Planning, responsible for Human Resources Unit
Yukikazu Myochin	Representative Director, Senior Managing Executive Officer	Responsible for General Affairs, Legal, Corporate Legal Risk & Compliance, Corporate Planning, Research Unit, assistance to Internal Audit, CCO (Chief Compliance Officer)
Akira Okabe	Director	Nominating Advisory Committee Chairman
Seiichi Tanaka	Director	Remuneration Advisory Committee Chairman
Kiyoshi Hosomizo	Director	Outside Audit & Supervisory Board Member of SEIREN, Co., Ltd.
Keisuke Yoshida	Standing Audit & Supervisory Board Member	
Toshikazu Hayashi	Audit & Supervisory Board Member	
Kozue Shiga	Audit & Supervisory Board Member	Of Counsel of Shiraishi Sogo Law Office and Outside Director of Ricoh Leasing Co., Ltd.

(Notes)
1. Directors Akira Okabe, Seiichi Tanaka and Kiyoshi Hosomizo are Outside Directors. The Company has designated them as independent directors pursuant to the regulations of each of the stock 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 directors pursuant to the regulations of each of the stock 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.
4. Directors Toshiyuki Suzuki and Tsuyoshi Yamauchi 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 21, 2018.
5. Director Kiyoshi Hosomizo is Outside Audit & Supervisory Board Member of SEIREN, Co., Ltd. No special interests exist between the Company and the company where he concurrently holds the position. In addition, Mr. Hosomizo retired from the post of Special Advisor of Iwata Godo Attorneys and Counsellors at Law on October 31, 2018.
6. Audit & Supervisory Board Member Kozue Shiga is Of Counsel of Shiraishi Sogo Law Office (she

retired from the post of Partner on December 31, 2018 and was appointed Of Counsel on January 1, 2019) and Outside Director of Ricoh Leasing Co., Ltd. No special interests exist between the Company and the both entities where she concurrently holds the positions. In addition, Ms. Shiga retired from the post of Outside Audit & Supervisory Board Member of Shinsei Bank, Limited due to the expiration of her term of office upon the conclusion of the annual general meeting of shareholders held on June 20, 2018.

(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)	11 (3)	299 (32)
Audit & Supervisory Board Members (of which, Outside Audit & Supervisory Board Members)	3 (2)	49 (14)

(Notes) 1. The above table includes remuneration for two Directors 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 21, 2018.

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 62,000 shares of the Company's common stock) respectively, by resolution of the Ordinary General Meeting of Shareholders held on June 24, 2016. The above table includes ¥0 million of expenses relating to the performance-based share remuneration plan for one Director.

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 Independent Outside Directors, the Chairman, and the President & 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
Akira Okabe	Outside Director	Mr. Okabe attended 13 of the 14 meetings of the Board of Directors held during the current fiscal year. 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 14 of the meetings of the Board of Directors held during the current fiscal year. He made comments as appropriate from an objective standpoint as an Outside Director based on his abundant experience and knowledge as a corporate manager.
Kiyoshi Hosomizo	Outside Director	Mr. Hosomizo attended all 14 of the meetings of the Board of Directors held during the current fiscal year. He made comments as appropriate from an objective standpoint as an Outside Director based on his abundant experience and knowledge gained in prominent positions at the Ministry of Finance and the Financial Services Agency.
Toshikazu Hayashi	Outside Audit & Supervisory Board Member	Mr. Hayashi attended all 14 of the meetings of the Board of Directors and all 14 of the meetings of the Audit & Supervisory Board held during the current fiscal year. He made comments as appropriate based on his abundant experience and knowledge as a corporate manager.
Kozue Shiga	Outside Audit & Supervisory Board Member	Ms. Shiga attended 13 of the 14 meetings of the Board of Directors and all 14 of the meetings of the Audit & Supervisory Board held during the current fiscal year. 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. Based on the provisions, the Company has concluded limited liability contracts with Non-Executive Directors Jiro Asakura, Akira Okabe, Seiichi Tanaka and Kiyoshi Hosomizo 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 contract 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, 2019
ASSETS	
Current assets:	
Cash and deposits	143,201
Accounts and notes receivable-trade	62,722
Raw materials and supplies	26,258
Prepaid expenses and deferred charges	40,545
Short-term loans receivable	1,827
Other current assets	15,584
Allowance for doubtful receivables	(1,267)
Total current assets	**288,871**
Fixed assets:	
(Tangible assets)	
Vessels	392,177
Buildings and structures	13,032
Machinery and vehicles	9,373
Land	18,397
Construction in progress	12,923
Other tangible assets	2,726
Total tangible assets	**448,632**
(Intangible assets)	
Other intangible assets	4,377
Total intangible assets	**4,377**
(Investments and other assets)	
Investments in securities	164,110
Long-term loans receivable	17,328
Assets for retirement benefits	673
Deferred tax assets	4,686
Other investments and other assets	23,919
Allowance for doubtful receivables	(1,336)
Total investments and other assets	**209,381**
Total fixed assets	**662,390**
Total assets	**951,261**

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

Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2019
LIABILITIES	
Current liabilities:	
Accounts and notes payable-trade	57,836
Accounts payable-other	56,058
Short-term loans and current portion of long-term loans	86,423
Current portion of obligations under finance leases	11,364
Accrued income taxes	1,711
Allowance for loss related to the Anti-Monopoly Act	3,783
Allowance for loss on liquidation of subsidiaries and affiliates	91
Allowance for loss on chartering contracts	15,135
Allowance for bonuses	2,556
Allowance for directors' bonuses	254
Other current liabilities	44,137
Total current liabilities	**279,352**
Long-term liabilities:	
Bonds	10,000
Long-term loans, less current portion	405,706
Obligations under finance leases, less current portion	34,909
Deferred tax liabilities	9,633
Deferred tax liabilities on land revaluation	1,174
Allowance for directors' and audit and supervisory board members' retirement benefits	894
Allowance for directors' stock benefits	19
Accrued expenses for overhaul of vessels	12,251
Liability for retirement benefits	6,228
Derivative liabilities	6,208
Other long-term liabilities	3,649
Total long-term liabilities	**490,675**
Total liabilities	**770,028**
NET ASSETS	
Shareholders' equity:	
Common stock	75,457
Capital surplus	1,383
Retained earnings	16,692
Treasury stock	(2,381)
Total shareholders' equity	**91,152**
Accumulated other comprehensive income:	
Net unrealized holding gain on investments in securities	4,414
Deferred gain on hedges	2,999
Revaluation reserve for land	4,655
Translation adjustments	4,063
Retirement benefits liability adjustments	(3,710)
Total accumulated other comprehensive income	**12,423**
Non-controlling interests	**77,657**
Total net assets	**181,233**
Total liabilities and net assets	**951,261**

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

Consolidated Statement of Operations

(Millions of yen)

	Year ended March 31, 2019
Marine transportation and other operating revenues	836,731
Marine transportation and other operating costs and expenses	800,497
Gross profit	36,234
Selling, general and administrative expenses	60,971
Operating loss	(24,736)
Non-operating income:	
Interest income	1,627
Dividend income	1,835
Reversal of allowance for loss related to the Anti-Monopoly Act	838
Exchange gain, net	949
Other non-operating income	1,705
Total non-operating income	6,956
Non-operating expenses:	
Interest expenses	8,340
Equity in loss of subsidiaries and affiliates	18,875
Other non-operating expenses	3,937
Total non-operating expenses	31,153
Ordinary loss	(48,933)
Extraordinary income:	
Gain on sales of fixed assets	6,602
Gain on sales of investments in securities	1,625
Other extraordinary income	1,867
Total extraordinary income	10,095
Extraordinary losses:	
Loss on impairment of fixed assets	9,001
Loss on cancellation of chartered vessels	49,326
Other extraordinary losses	2,256
Total extraordinary losses	60,584
Loss before income taxes	(99,422)
Income taxes:	
Current	3,129
Deferred	6,229
Total income taxes	9,359
Loss	(108,782)
Profit attributable to non-controlling interests	2,405
Loss attributable to owners of the parent	(111,188)

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

Independent Auditor's Report

May 15, 2019

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, 2018 through March 31, 2019.

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, 2019 in conformity with accounting principles generally accepted in Japan.

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, 2019
ASSETS	
Current assets:	
Cash and deposits	70,978
Accounts receivable-shipping	26,180
Advances paid	3,341
Supplies	20,383
Prepaid expenses and deferred charges	39,391
Accounts receivable from agencies	9,528
Short-term loans receivable	6,841
Other current assets	10,099
Allowance for doubtful receivables	(1,009)
Total current assets	**185,736**
Fixed assets:	
(Tangible assets)	
Vessels	70,322
Buildings	978
Structures	68
Machinery and equipment	35
Vehicles and transportation equipment	138
Equipment and fixtures	232
Land	4,599
Construction in progress	2,612
Other tangible assets	354
Total tangible assets	**79,341**
(Intangible assets)	
Software	658
Other intangible assets	10
Total intangible assets	**668**
(Investments and other assets)	
Investments in securities	22,651
Shares of subsidiaries and affiliates	192,379
Investments in capital	500
Investments in capital of subsidiaries and affiliates	4,847
Long-term loans receivable	6,801
Long-term loans receivable from employees	616
Long-term loans receivable from subsidiaries	51,619
Long-term prepaid expenses	5,540
Prepaid pension cost	2,832
Lease investment assets	23,054
Lease and guarantee deposits	1,790
Other investments and other assets	1,460
Allowance for doubtful receivables	(13,889)
Total investments and other assets	**300,206**
Total fixed assets	**380,216**
Total assets	**565,952**

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

Non-Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2019
LIABILITIES	
Current liabilities:	
Accounts payable-shipping	46,227
Current portion of bonds	1,809
Short-term loans and current portion of long-term loans	59,593
Current portion of obligations under finance leases	7,319
Accounts payable-other	55,144
Accrued expenses	1,251
Accrued income taxes	157
Advances received	18,658
Deposits received	9,451
Accounts payable to agencies	1,526
Allowance for loss related to the Anti-Monopoly Act	3,783
Allowance for loss on liquidation of subsidiaries and affiliates	183
Allowance for loss on chartering contracts	15,614
Allowance for bonuses	529
Other current liabilities	449
Total current liabilities	**221,702**
Long-term liabilities:	
Bonds	10,000
Long-term loans, less current portion	242,566
Long-term loans payable from subsidiary	50,139
Obligations under finance leases, less current portion	15,779
Allowance for employees’ retirement benefits	513
Allowance for directors’ stock benefits	19
Accrued expenses for overhaul of vessels	420
Deferred tax liabilities	5,040
Deferred tax liabilities on land revaluation	877
Other long-term liabilities	1,460
Total long-term liabilities	**326,816**
Total liabilities	**548,518**
NET ASSETS	
Shareholders’ equity:	
Common stock	75,457
Capital surplus:	
Capital reserve	1,300
Total capital surplus	1,300
Retained earnings:	
Other retained earnings	
Reserve for advanced depreciation	307
Retained earnings carried forward	(68,884)
Total other retained earnings	(68,576)
Total retained earnings	(68,576)
Treasury stock	(2,333)
Total shareholders’ equity	**5,847**
Valuation and translation adjustments:	
Net unrealized holding gain on investments in securities	3,264
Deferred gain on hedges	6,263
Revaluation reserve for land	2,057
Total valuation and translation adjustments	**11,586**
Total net assets	**17,433**
Total liabilities and net assets	**565,952**

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

Non-Consolidated Statement of Operations

(Millions of yen)

	Year ended March 31, 2019
Marine transportation revenues	
Freight	425,030
Charter hire	126,880
Other marine transportation revenue	34,163
Total marine transportation revenues	586,073
Marine transportation expenses	
Operating costs and expenses	238,437
Vessel expenses	7,703
Charter hire:	
Charter hire	291,396
Provision of allowance for loss on chartering contracts	15,614
Other marine transportation expenses	50,872
Total marine transportation expenses	604,025
Marine transportation loss	(17,951)
Other business revenue	334
Other business expenses	141
Other business income	193
Gross operating loss	(17,758)
General and administrative expenses	16,041
Operating loss	(33,800)
Non-operating income:	
Interest income	1,444
Dividend income	23,849
Reversal of allowance for loss related to the Anti-Monopoly Act	838
Other non-operating income	1,324
Total non-operating income	27,456
Non-operating expenses:	
Interest expenses	3,197
Interest on bonds	96
Financing expenses	4,030
Exchange loss, net	100
Provision of allowance for doubtful receivables	85
Other non-operating expenses	778
Total non-operating expenses	8,289
Ordinary loss	(14,633)
Extraordinary income:	
Gain on sales of fixed assets	2,691
Gain on sales of investments in securities	1,583
Other extraordinary income	151
Total extraordinary income	4,426
Extraordinary losses:	
Loss on cancellation of chartered vessels	49,326
Provision of allowance for loss related to the Anti-Monopoly Act	834
Other extraordinary losses	4,192
Total extraordinary losses	54,353
Loss before income taxes	(64,560)
Income taxes:	
Current	70
Deferred	6,425
Total income taxes	6,496
Loss	(71,056)

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

Independent Auditor's Report

May 15, 2019

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 151st fiscal year from April 1, 2018 through March 31, 2019.

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 151st fiscal year ended March 31, 2019 in conformity with accounting principles generally accepted in Japan.

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 151st term from April 1, 2018 to March 31, 2019, 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, Executive Officers 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, Executive Officers, 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 competition authorities in certain countries relating to the transportation of automobiles, etc. The Audit & Supervisory Board confirms that the entire "K" LINE Group undertakes measures to strengthen systems for compliance with competition laws, 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, 2019

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

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

(Translation)

INTERNET DISCLOSURE FOR NOTICE OF THE 151ST ORDINARY GENERAL MEETING OF SHAREHOLDERS

The 151st term
(From April 1, 2018 to March 31, 2019)

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. (https://www.kline.co.jp/en/ir/stock/meeting.html).

(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.

fCore Business (as of March 31, 2019)

Dry Bulk Segment	Dry bulk business
Energy Resource Transport Segment	Energy transportation business and offshore energy E&P support business
Product Logistics Segment	Car carrier business, logistics business, short sea and coastal business, and containership business
Other Business	Ship management service, travel agency service, and real estate rental and administration service

(Note) "K" LINE Group changed its reporting segments to "Dry Bulk," "Energy Resource Transport," "Product Logistics," and "Other" respectively, effective this fiscal year, from previously "Containership," "Bulk shipping," "Offshore energy E&P support and heavy lifter," and "Other." Accompanied by the integration of the containership business under OCEAN NETWORK EXPRESS PTE. LTD., the Group reorganized its business portfolio strategy to build a new business model with a strong customer relationship base.

Principal Lenders (as of March 31, 2019)

Lender	Loan balance (Millions of yen)
Mizuho Bank, Ltd.	126,281
Sumitomo Mitsui Trust Bank, Limited	74,674
Development Bank of Japan Inc.	64,120
MUFG Bank, Ltd.	54,023
The Norinchukin Bank	23,857

Matters Related to Stock Acquisition Rights

No items to report.

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	¥154 million

(Notes) 1. The audit contract between the Company and Accounting Auditor does not classify the remuneration amounts separately for audits pursuant to the Companies Act and for audits pursuant to the Financial Instruments and Exchange Act, partially given the impracticality of deriving such classifications. Therefore, the amount listed in 1) is not classified in this way.
Of the Company's principal subsidiaries, etc., 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 OCEAN NETWORK EXPRESS PTE. LTD.
2. Other than the above remuneration for the fiscal year under review, the Company paid an additional remuneration pertaining to the previous fiscal year of ¥4 million.

(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
No items to report.

(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.

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 a 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) The "K" Line Group Global Compliance Policy (hereinafter "Global Policy"), which was established in January 2017, aims 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 Company works to make the Global Policy the code of conduct for the day-to-day duties for executives and employees of the Company and the Group companies through seminars conducted by the division dedicated to the initiative, delivery of a guidebook, activities by a special committee, and other initiatives.

(ii) Regarding compliance with domestic and foreign competition laws, the Company works to ensure compliance of executives and employees with the Regulation for Compliance with Anti-Monopoly Act and implemented the initiative to further strengthen compliance consciousness concerning competition laws through promoting educational and awareness-raising activities by a division dedicated to the initiative. In addition, the Company monitors and supervises the status of implementation of measures for compliance by conducting business process audits. With respect to contacts with competitor companies, the Company strictly enforces rules on prior reporting and approval, recoding and storing details of the contacts in accordance with the nature of the contact.

(iii) The Global Policy, including individual policies relating to anti-bribery act, established in January 2017, was established as part of the initiative to further enhance the Group's compliance system against bribery. Based on the Global Policy, the Company enhances its initiatives against bribery and corruption as a member of the Maritime Anti-Corruption Network (MACN), which is a global business network working towards the vision of a maritime industry free of corruption.

(iv) The Company discusses the policy for securing the compliance throughout the Company and the Group companies as well as measures to address compliance violations through the Compliance Committee chaired by the President & CEO. Under the Chief Compliance Officer (CCO), who has the ultimate responsibility for compliance, the Company strengthens compliance throughout the organization.

(v) The Company sets every November as the dedicated compliance-awareness month when the Company distributes a message from the President & CEO to executives and employees of the Company and the Group companies to remind them of the importance of compliance. The Company also holds a compliance e-learning training and a compliance seminar featuring lecturers invited from outside the company. Furthermore, as part of the Company's stratified personnel training system, it conducts compliance training and holds seminars focused on individual themes (such as insider trading and harassment prevention) as appropriate. In addition, the Company distributes, as necessary, a "Compliance Newsletter" to report the important compliance-related matters that require particular attention.

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

The Risk Management Committee had two meetings in order to recognize and promote crisis and risk management activities in general.

In September 2018, 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 nine Directors including three Outside Directors, and the meetings of the Board of Directors were held 14 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 45 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 & 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, 2019

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2018	75,457	60,507	67,107	(2,383)	200,688
Change in items during the year					
Transfer to retained earnings from capital surplus		(59,002)	59,002		–
Loss attributable to owners of the parent			(111,188)		(111,188)
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		(1)		4	2
Change in ownership interests due to transactions with non-controlling interests		(120)			(120)
Reversal of revaluation reserve for land			1,529		1,529
Net change in retained earnings from changes in scope of consolidation or equity method			242		242
Net changes in items other than shareholders' equity					
Net changes during the year	–	(59,124)	(50,414)	2	(109,536)
Balance at March 31, 2019	75,457	1,383	16,692	(2,381)	91,152

(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		
Balance at April 1, 2018	8,570	7,768	6,184	(3,539)	(2,661)	16,321	26,083	243,094
Change in items during the year								
Transfer to retained earnings from capital surplus								–
Loss attributable to owners of the parent								(111,188)
Purchase of treasury stock								(1)
Disposal of treasury stock								2
Change in ownership interests due to transactions with non-controlling interests								(120)
Reversal of revaluation reserve for land								1,529
Net change in retained earnings from changes in scope of consolidation or equity method								242
Net changes in items other than shareholders' equity	(4,155)	(4,768)	(1,529)	7,603	(1,048)	(3,898)	51,574	47,676
Net changes during the year	(4,155)	(4,768)	(1,529)	7,603	(1,048)	(3,898)	51,574	(61,860)
Balance at March 31, 2019	4,414	2,999	4,655	4,063	(3,710)	12,423	77,657	181,233

(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: 292

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, etc." in the Business Report.

Two companies, including PEARL RIVER BRIDGE SHIPPING S.A., have been included in the scope of consolidation from the current consolidated fiscal year due to new establishment and the materiality of their businesses.

A total of four companies were excluded from the scope of consolidation due to mergers or their liquidation.

(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: 38

Of the entities accounted for under the equity method, 14 companies are non-consolidated subsidiaries, and the principal company among them is Shibaura Kaiun Co., Ltd. The number of affiliates is 24, and the principal company among them is OCEAN NETWORK EXPRESS PTE. LTD.

Four companies, including Air Tiger Express Companies, Inc. have been included in the scope of the entities accounted for under the equity method from the current consolidated fiscal year due to new establishment and the materiality of their businesses.

Two companies were excluded from the scope of the entities accounted for under the equity method due to sales of shares, and two companies were excluded from the scope of the entities accounted for under the equity method due to conclusion of their liquidation.

(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 10 of the Company's consolidated subsidiaries ends on December 31. Of these, the financial statements as of that date are used for four of the companies. However, adjustments necessary for consolidation purposes are made if major transactions were executed between their account closing date 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 date of other consolidated subsidiaries is the same as the consolidated account closing date.

4. Accounting policies

(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 recognized 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 collectability 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 recognized at the estimated amount of the bonuses to be paid as allocated to the current consolidated fiscal year.

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

(iv) Allowance for directors' and audit and supervisory board members' retirement benefits:
In order to prepare for retirement benefit payments to directors and audit and supervisory board members, the amount required at the end of the fiscal year by the internal rules is recognized 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 recognized at the estimated amount of the expenses to be paid as allocated to the current consolidated 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 competition laws, an amount reasonably estimated to the extent possible is recognized.

(vii) Allowance for loss on liquidation of subsidiaries and affiliates:
In order to prepare for loss arising from the liquidation of subsidiaries and affiliates, the estimated amount of loss is recognized.

(viii) Allowance for directors' stock benefits:
In order to prepare for stock benefit, etc. to the directors and the executive officers in accordance with the Regulations for Delivery of Shares to Officers, the allowance for stock benefit is recognized at the estimated amount of the Company's stock corresponding to points to be provided to the eligible individuals as of the end of the current consolidated fiscal year.

(xi) Allowance for loss on chartering contracts:

In order to prepare for potential future loss under certain contracts where charter rates fall below hire rates, the probable and reasonably estimated amount of loss is recognized based on available information as of the end of the current consolidated fiscal year.

(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 consolidated 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 are 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 Presentation

(Consolidated Balance Sheet)

(1) "Partial Amendments to Accounting Standard for Tax Effect Accounting" (the Accounting Standards Board of Japan Guidance No. 28 issued on February 16, 2018), etc. have been applied from the beginning of the current consolidated fiscal year. "Deferred tax assets" are presented under "Investments and other assets" of the consolidated balance sheet, and "Deferred tax liabilities" are presented under "Long-term liabilities". "Deferred tax liabilities," which were included in "Other long-term liabilities" in the previous consolidated fiscal year (¥5,307 million as of the end of the previous consolidated fiscal year), are presented separately from the current consolidated fiscal year due to an increase in materiality.

(2) "Accounts payable-other" and "Current portion of obligations under finance leases," which were

included in “Other current liabilities” in the previous consolidated fiscal year (¥5,087 million and ¥7,107 million as of the end of the previous consolidated fiscal year, respectively), are presented separately from the current consolidated fiscal year due to an increase in materiality.

(3) An allowance for loss related to chartered vessels (¥20,324 million as of the end of the previous consolidated fiscal year) that was included in the separately presented item “Allowance for loss related to business restructuring” (¥24,543 million as of the end of the previous consolidated fiscal year) in the previous consolidated fiscal year, is presented separately as “Allowance for loss on chartering contracts” from the current consolidated fiscal year to enhance the comparability of consolidated financial statements.

(Consolidated Statement of Operations)

(1) “Gain on sales of investments in securities,” which was included in “Other extraordinary income” in the previous consolidated fiscal year (¥3,095 million for the previous consolidated fiscal year), is presented separately from the current consolidated fiscal year due to an increase in materiality.

(2) “Provision of allowance for loss related to the Anti-Monopoly Act,” which was recorded separately in the previous consolidated fiscal year (¥2,449 million for the previous consolidated fiscal year), is included in “Other extraordinary losses” from the current consolidated fiscal year due to a decrease in materiality.

Notes on Changes in Accounting Estimates

(Change in Service Lives)

Taking the opportunity to review fleet planning following the changes in the business environment for car carriers, the Group reviewed its policies concerning vessel use during this consolidated fiscal year in accordance with the actual service records and the outlook for vessel supply and demand.

As a result of this review, it became clear that a longer service life can be expected than that of the previous period, and therefore the service life of pure car carriers was changed from 20 years to 25 years.

As a result of this change in accounting estimates, operating loss, ordinary loss and loss before income taxes for the current consolidated fiscal year decreased by ¥2,464 million, respectively, compared to that under the previous method.

Notes to Consolidated Balance Sheet

1. Assets pledged as collateral and secured liabilities

Assets pledged as collateral (Millions of yen)

Asset category	
Vessels	276,983
Buildings and structures	453
Land	86
Investments in securities	19,561
Other	1,329
Total	298,415

Investments in securities of ¥19,561 million in the table above were pledged as collateral to procure funds for vessel equipment of subsidiaries, affiliates and others. There were no corresponding liabilities as of the end of the current consolidated fiscal year.

In addition, ¥3,062 million out of the ¥276,983 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 loans	33,949
Long-term loans, less current portion	181,769
Total	215,719

2. Accumulated depreciation of assets (Millions of yen)

Accumulated depreciation of tangible assets 407,807

3. Guarantee obligations (Millions of yen)

Guarantees, etc.	14,805
(Guarantees, etc. include commitment for future guarantees.)	
Additional funding obligation, etc.	3,274

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 a certain consolidated subsidiary 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 on 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), a certain domestic affiliate accounted for by the equity method also 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 for business use pursuant to Article 2, Item 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, Item 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, Item 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 the end of the current consolidated fiscal year (amount corresponding to the Group)	¥ (3,034) million

5. Other matters

The Group has been investigated by the overseas competition authorities 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, multiple service providers including the Group are currently subject to class actions in North America in relation to the same matter.

The Group contracts out containerships which the Company or its consolidated subsidiaries charter to other charterers. Since charter rates are highly sensitive to fluctuations in charter markets, there is a risk that charter rates may fall below hire rates. Depending on changes in the Group's planning for chartering contracts or trends in charter markets, it may be necessary for the Group to record an additional provision for losses, which could have a negative impact on the Group's financial position and operating results.

Notes to Consolidated Statement of Changes in Net Assets

1. Class and number of shares issued as of the end of the current consolidated fiscal year
   Common stock 93,938,229 shares

2. Matters related to dividends

(1) Amount of dividends distributed
No items to be reported.

(2) Dividends with the record date falling in the current consolidated fiscal year and with the effective date falling in the following fiscal year
No items to be reported.

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 derivatives, 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, 2019.

(Millions of yen)

	Carrying value (*)	Estimated fair value (*)	Difference
(1) Cash and deposits	143,201	143,201	–
(2) Accounts and notes receivable-trade	62,722	62,722	–
(3) Marketable securities and investments in securities			
(i) Held-to-maturity debt securities	3	4	0
(ii) Other securities	20,382	20,382	–
(iii) Shares of subsidiaries and affiliates	3,981	1,373	(2,607)
(4) Accounts and notes payable-trade	[57,836]	[57,836]	–
(5) Short-term loans and current portion of long-term loans	[86,423]	[86,440]	(17)
(6) Bonds	[10,000]	[9,614]	385
(7) Long-term loans, less current portion	[405,706]	[405,865]	(159)
(8) Derivative transactions	[4,154]	[4,228]	(74)

(*) 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 the price provided by 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: ¥139,743 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	¥1,110.48
Basic loss per share	¥1,192.8

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

Amount of net assets on consolidated balance sheet	¥181,233 million
Net assets attributable to common stock	¥103,576 million
Number of shares of common stock issued and outstanding at the year end	93,938 thousand shares
Number of shares of common stock held as treasury stock at the year end	666 thousand shares
Loss attributable to owners of the parent on consolidated statement of operations	¥111,188 million
Amount not attributable to shareholders of common stock	–
Loss attributable to owners of the parent relating to common stock	¥111,188 million
Average number of outstanding shares of common stock	93,272 thousand shares

Notes on Significant Subsequent Events

(Establishment of Joint Holding Company through Share Transfer and Partial Transfer of Holding Company's Shares)
On April 1, 2019, the Company established a joint holding company that became the wholly owning parent company of the three domestic harbor transportation subsidiaries of the Company through an associated share transfer, and 49% of the total shares of the holding company were then transferred to Kamigumi Co., Ltd. (hereinafter "Kamigumi").

1. Purpose
   Further enhancement of service quality by utilizing resources such as technology, knowledge and management resources that the Company and Kamigumi have cultivated in the harbor transportation business and domestic logistics business.

2. Procedures for the Share Transfer
   Under this joint share transfer, the three domestic harbor transportation subsidiaries of the Company became wholly-owned subsidiaries and the newly incorporated joint holding company became the wholly-owning parent company.

3. Effective Date of the Share Transfer
   April 1, 2019

4. Outline of the Three Target Companies (as of March 31, 2019)

(1) Company name	Daito Corporation	Nitto Total Logistics Ltd.	SEAGATE CORPORATION
(2) Date established	September 3, 1934	March 8, 1943	December 7, 1956
(3) Location of head office	Minato-ku, Tokyo	Chuo-ku, Kobe	Minami-ku, Hiroshima
(4) Representative	President Kazuhiro Matsukawa	President Mitsuru Kochi	President & CEO Hiroshi Nishiyama
(5) Capital	¥843 million	¥1,596 million	¥270 million
(6) Shareholder and share ownership ratio	Kawasaki Kisen Kaisha, Ltd. 100%	Kawasaki Kisen Kaisha, Ltd. 100%	Kawasaki Kisen Kaisha, Ltd. 100%
(7) Main business	Harbor transportation, warehousing, harbor tugboat service, custom brokerage, freight forwarding, etc.		

5. Outline of the Joint Holding Company (at the time of establishment)

(1) Company name	KLKG HOLDINGS, Co., Ltd.
(2) Location of head office	Chiyoda-ku, Tokyo
(3) Representative	Representative Director Daisuke Arai
(4) Capital	¥10 million
(5) Main business	Management of its subsidiaries within the group and the business of the group as a whole, etc.

6. Overview of the Partial Transfer of the Joint Holding Company's Shares

(1) Transfer to	Kamigumi Co., Ltd.
(2) Transfer date	April 1, 2019
(3) Number of shares transferred	49,000 shares
(4) Transfer price	Due to a confidentiality provision in the agreement with the transferee, the transfer price may not be disclosed.
(5) Gain on share transfer	The Company expects that this transaction will have an immaterial impact on its consolidated business results for the fiscal year ending March 31, 2020.
(6) Increase in capital surplus	Increase in capital surplus is currently being evaluated.
(7) Stock ownership after the transfer	51%

(Financing through Subordinated Loan)

The Company raised funds through a subordinated loan (the "Subordinated Loan") on April 5, 2019, which was agreed to on March 29, 2019. An overview is as follows.

Overview of the Subordinated Loan

(1)	Total loan amount	¥45.0 billion
(2)	Date of agreement	March 29, 2019
(3)	Loan execution date	April 5, 2019
(4)	Maturity date	March 31, 2054 The Company may, at its own discretion, make early repayment of all or part of the principal of the Subordinated Loan on March 31, 2024 or any interest payment date thereafter or upon occurrence of any predefined early repayment events.
(5)	Use of loan proceeds	Repayment of interest-bearing liabilities and capital expenditures mainly for vessels.
(6)	Applicable interest rate	(a) From April 5, 2019 up to and excluding March 31, 2024 At base floating interest rate plus initial spread (b) From March 31, 2024 At base floating interest rate plus 1.00% step-up from initial spread
(7)	Interest deferral clause	The Company may defer interest payments at its own discretion.
(8)	Replacement restrictions	There is no contractual provision on replacement restrictions. However, if the Company repays the Subordinated Loan earlier than the due date, the Company intends to replace the Subordinated Loan with other financial instruments that have an equal or higher equity credit from the credit rating agency (Note).

(9) Subordination clause
The creditors of the Subordinated Loan shall have a claim subordinated to that of other senior debt creditors in the event of the Company's liquidation, bankruptcy, corporate reorganization or civil rehabilitation proceedings or any equivalent proceedings under any laws other than Japanese Laws. Any provisions stipulated in the Subordinated Loan agreement shall not be amended in any manner detrimental to any of the Company's creditors other than the creditors of the Subordinated Loan.

(10) Evaluation of equity credit
Medium Level, 50% (Japan Credit Rating Agency, Ltd.)

(11) Lenders
Mizuho Bank, Ltd., Development Bank of Japan Inc., and Sumitomo Mitsui Trust Bank, Limited

(Note) The Company may decide not to replace the Subordinated Loan with other financial instruments that have an equal or higher equity credit, if the Company satisfies predefined financial requirements.

Non-Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2019

(Millions of yen)

	Shareholders' equity										
		Capital surplus			Retained earnings						
						Other retained earnings					
	Common stock	Capital reserve	Other capital surplus	Total capital surplus	Legal reserve	Reserve for advanced depreciation	General reserve	Retained earnings carried forward	Total retained earnings	Treasury stock	Total share-holders' equity
Balance at April 1, 2018	75,457	60,302	–	60,302	2,540	380	60,552	(121,522)	(58,049)	(2,335)	75,375
Change in items during the year											
Reversal of capital reserve		(59,002)	59,002	–							–
Reversal of other capital surplus			(59,002)	(59,002)				59,002	59,002		–
Reversal of legal reserve					(2,540)			2,540	–		–
Reversal of reserve for advanced depreciation						(72)		72	–		–
Reversal of general reserve							(60,552)	60,552	–		–
Loss								(71,056)	(71,056)		(71,056)
Purchase of treasury stock										(1)	(1)
Disposal of treasury stock										4	4
Loss on disposal of treasury stock								(1)	(1)		(1)
Reversal of revaluation reserve for land								1,528	1,528		1,528
Net changes in items other than shareholders' equity											
Net changes during the year	–	(59,002)	–	(59,002)	(2,540)	(72)	(60,552)	52,638	(10,526)	2	(69,527)
Balance at March 31, 2019	75,457	1,300	–	1,300	–	307	–	(68,884)	(68,576)	(2,333)	5,847

(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, 2018	6,428	10,877	3,585	20,891	96,266
Change in items during the year					
Reversal of capital reserve					–
Reversal of other capital surplus					–
Reversal of legal reserve					–
Reversal of reserve for advanced depreciation					–
Reversal of general reserve					–
Loss					(71,056)
Purchase of treasury stock					(1)
Disposal of treasury stock					4
Loss on disposal of treasury stock					(1)
Reversal of revaluation reserve for land					1,528
Net changes in items other than shareholders' equity	(3,163)	(4,613)	(1,528)	(9,305)	(9,305)
Net changes during the year	(3,163)	(4,613)	(1,528)	(9,305)	(78,832)
Balance at March 31, 2019	3,264	6,263	2,057	11,586	17,433

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

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 recognized 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 collectability 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 is recognized 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 current fiscal year is recognized 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 at the time when the cost is recognized.

(4) Accrued expenses for overhaul of vessels: In order to prepare for expenditure on periodic overhaul, accrued expenses for overhaul of vessels are recognized 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 competition laws, an amount reasonably estimated to the extent possible is recognized.

(6) Allowance for loss on liquidation of subsidiaries and affiliates:

In order to prepare for loss arising from the liquidation of subsidiaries and affiliates, the estimated amount of loss is recognized.

(7) Allowance for directors' stock benefits:

In order to prepare for stock benefit, etc. to the directors and the executive officers in accordance with the Regulations for Delivery of Shares to Officers, the allowance for stock benefit is recognized at the estimated amount of the Company's stock corresponding to points to be provided to the eligible individuals as of the end of the current fiscal year.

(8) Allowance for loss on chartering contracts:

In order to prepare for potential future loss under certain contracts where charter rates fall below hire rates, the probable and reasonably estimated amount of loss is recognized based on available information as of the end of the current fiscal year.

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 fully recognized as expenses when 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 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 Presentation

(Non-Consolidated Balance Sheet)

(1) "Partial Amendments to Accounting Standard for Tax Effect Accounting" (the Accounting Standards Board of Japan Guidance No. 28 issued on February 16, 2018), etc. have been applied from the beginning of the current fiscal year. "Deferred tax assets" are presented under "Investments and other assets" of the non-consolidated balance sheet, and "Deferred tax liabilities" are presented under "Long-term liabilities".

(2) An allowance for loss related to chartered vessels (¥20,733 million as of the end of the previous fiscal year) that was included in the separately presented item "Allowance for loss related to business restructuring" (¥23,916 million as of the end of the previous fiscal year) in the previous fiscal year, is presented separately as "Allowance for loss on chartering contracts" from the current fiscal year to enhance the comparability of non-consolidated financial statements.

(Non-Consolidated Statement of Operations)

"Loss on cancellation of chartered vessels," which was included in "Other extraordinary losses" in the previous fiscal year (¥1,450 million for the previous fiscal year), is presented separately from the current fiscal year due to an increase in materiality.

Notes on Changes in Accounting Estimates

(Change in Service Lives)
Taking the opportunity to review fleet planning following the changes in the business environment for car carriers, the Company reviewed its policies concerning vessel use during the current fiscal year in accordance with the actual service records and the outlook for vessel supply and demand.
As a result of this review, it became clear that a longer service life can be expected than that of the previous period, and therefore the service life of pure car carriers was changed from 20 years to 25 years.
As a result of this change in accounting estimate, marine transportation loss, operating loss, ordinary loss and loss before income taxes for the current fiscal year decreased by ¥642 million, respectively, compared to that under the previous method.

Notes to Non-consolidated Balance Sheet

1. Assets pledged as collateral and secured liabilities

Assets pledged as collateral (Millions of yen)

Asset category	
Vessels	32,687
Investments in securities	5,832
Shares of subsidiaries and affiliates	19,500
Total	58,020

Investments in securities of ¥5,832 million and shares of subsidiaries and affiliates of ¥19,500 million in the table above were pledged as collateral to procure funds for vessel equipment of subsidiaries, affiliates and others. There were no corresponding liabilities as of the end of the current fiscal year.
In addition, ¥3,062 million out of the ¥32,687 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 loans	2,497
Long-term loans, less current portion	21,497
Total	23,995

2. Accumulated depreciation of assets (Millions of yen)

Accumulated depreciation of tangible assets	104,530

3. Guarantee obligations (Millions of yen)

Guarantees, etc.	147,216

(Guarantees, etc. include commitment for future guarantees. These guarantee obligations exclude ¥203 million of reguarantees by other companies.)

(Millions of yen)

Additional funding obligation, etc.	8,885

¥99,030 million out of the amount of ¥147,216 million for guarantees etc. in the table above was 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 on land revaluation.

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 for business use pursuant to Article 2, Item 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, Item 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, 2019	¥ (1,003) million

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

	(Millions of yen)
Short-term monetary receivables	20,686
Long-term monetary receivables	22,809
Short-term monetary payables	41,174
Long-term monetary payables	1,238

6. Other matters

The Group has been investigated by the overseas competition authorities 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, multiple service providers including the Group are currently subject to class actions in North America in relation to the same matter.

The Group contracts out containerships which the Company or its consolidated subsidiaries charter to other charterers. Since charter rates are highly sensitive to fluctuations in charter markets, there is a risk that charter rates may fall below hire rates. Depending on changes in the Group's planning for chartering contracts or trends in charter markets, it may be necessary for the Group to record an additional provision for losses, which could have a negative impact on the Group's financial position and operating results.

Notes to Non-consolidated Statement of Operations

Transactions with subsidiaries and affiliates

		(Millions of yen)
Transaction amount - trading	Operating revenues	89,687
	Operating expenses	209,363
Transaction amount - non-trading		48,980

Notes to Non-consolidated Statement of Changes in Net Assets

Class and number of treasury stock as of the end of the current fiscal year

Common stock	641,872 shares

446,900 shares which are held by Trust & Custody Services Bank, Ltd., are included in the number of shares in treasury stock at the end of the current fiscal year.

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	4,184
Allowance for bonuses	151
Accrued expenses for overhaul of vessels	119
Loss on devaluation of investments in securities and others	12,741
Allowance for employees' retirement benefits	146
Loss on impairment of fixed assets	1,242
Loss on cancellation of chartered vessels	14,849
Accounts payable-shipping, voluntary non-deduction	3,521
Deferred assets for tax purposes	1,305
Allowance for loss on chartering contracts	4,450
Tax loss carried forward	54,063
Direct tax credit carried forward	2,219
Other	514
Subtotal	99,510
Valuation allowance for tax loss carried forward	(54,063)
Valuation allowance for the total of deductible temporary differences and others	(44,852)
Valuation allowance subtotal	(98,915)
Total deferred tax assets	594
Deferred tax liabilities	
Reserve for advanced depreciation	(122)
Tax on retained surplus	(335)
Deferred gain on hedges	(2,633)
Net unrealized holding gain on investments in securities	(1,301)
Other	(1,240)
Total deferred tax liabilities	(5,634)
Net amount of deferred tax liabilities	(5,040)

Notes on Fixed Assets Used by the Company under Lease Transactions

Operating lease transactions

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

	(Millions of yen)
Future lease payments:	
Amount due within one year	13,101
Amount due after one year	74,563
Total	87,665

Notes on Transactions with Related Parties

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

2. Subsidiaries and affiliates, etc.

Type	Subsidiary
Name	“K” LINE NEXT CENTURY GK
Voting rights (%)	100% direct ownership
Relationship	Loans Interlocking directors
Details of business transaction	Loans (*1)
Amount of transaction	¥50,139 million
Account	Long-term loans payable from subsidiary
Balance at the end of year	¥50,139 million

Type	Affiliate
Name	OCEAN NETWORK EXPRESS PTE. LTD. (*2)
Voting rights (%)	–
Relationship	Investee Chartering contractor, etc. Interlocking directors
Details of business transaction	Underwriting of additional investments
Amount of transaction	¥72,243 million
Account	–
Balance at the end of year	–
Details of business transaction	Receiving charter hire, etc. (*3)
Amount of transaction	¥65,483 million
Account	Accounts receivable-shipping
Balance at the end of year	¥1,306 million
Account	Advances paid
Balance at the end of year	¥227 million
Account	Lease investment assets
Balance at the end of year	¥312 million

Note 1: The interest rate is determined considering market interest rate.
Note 2: OCEAN NETWORK EXPRESS PTE. LTD. is a subsidiary of Ocean Network Express Holdings, Ltd., which holds direct ownership of 100% of voting rights. Ocean Network Express Holdings, Ltd. is an equity-method affiliate of the Company.
Note3: Charter hire, etc. is determined after discussion considering market prices, hiring cost and acquisition cost.

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	¥186.87
Basic loss per share	¥761.62

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

Amount of net assets on non-consolidated balance sheet	¥17,433 million
Net assets attributable to common stock	¥17,433 million
Number of shares of common stock issued and outstanding at the year end	93,938 thousand shares
Number of shares of common stock held as treasury stock at the year end	641 thousand shares

Loss on non-consolidated statement of operations	¥71,056 million
Amount not attributable to shareholders of common stock	–
Loss attributable to common stock	¥71,056 million
Average number of outstanding shares of common stock	93,296 thousand shares

Notes on Significant Subsequent Events

(Establishment of Joint Holding Company through Share Transfer and Partial Transfer of Holding Company's Shares)
On April 1, 2019, the Company established a joint holding company that became the wholly owning parent company of the three domestic harbor transportation subsidiaries of the Company through an associated share transfer, and 49% of the total shares of the holding company were then transferred to Kamigumi Co., Ltd. (hereinafter "Kamigumi").

1. Purpose
   Further enhancement of service quality by utilizing resources such as technology, knowledge and management resources that the Company and Kamigumi have cultivated in the harbor transportation business and domestic logistics business.

2. Procedures for the Share Transfer
   Under this joint share transfer, the three domestic harbor transportation subsidiaries of the Company became wholly-owned subsidiaries and the newly incorporated joint holding company became the wholly-owning parent company.

3. Effective Date of the Share Transfer
   April 1, 2019

4. Outline of the Three Target Companies (as of March 31, 2019)

(1) Company name	Daito Corporation	Nitto Total Logistics Ltd.	SEAGATE CORPORATION
(2) Date established	September 3, 1934	March 8, 1943	December 7, 1956
(3) Location of head office	Minato-ku, Tokyo	Chuo-ku, Kobe	Minami-ku, Hiroshima
(4) Representative	President Kazuhiro Matsukawa	President Mitsuru Kochi	President & CEO Hiroshi Nishiyama
(5) Capital	¥843 million	¥1,596 million	¥270 million
(6) Shareholder and share ownership ratio	Kawasaki Kisen Kaisha, Ltd. 100%	Kawasaki Kisen Kaisha, Ltd. 100%	Kawasaki Kisen Kaisha, Ltd. 100%
(7) Main business	Harbor transportation, warehousing, harbor tugboat service, custom brokerage, freight forwarding, etc.		

5. Outline of the Joint Holding Company (at the time of establishment)

(1) Company name	KLKG HOLDINGS, Co., Ltd.
(2) Location of head office	Chiyoda-ku, Tokyo
(3) Representative	Representative Director Daisuke Arai
(4) Capital	¥10 million
(5) Main business	Management of its subsidiaries within the group and the business of the group as a whole, etc.

6. Overview of the Partial Transfer of the Joint Holding Company's Shares

(1) Transfer to	Kamigumi Co., Ltd.
(2) Transfer date	April 1, 2019
(3) Number of shares transferred	49,000 shares
(4) Transfer price	Due to a confidentiality provision in the agreement with the transferee, the transfer price may not be disclosed.
(5) Gain on share transfer	The Company will record gain on sales of ¥31,127 million as extraordinary income for the fiscal year ending March 31, 2020.
(6) Stock ownership after the transfer	51%

(Financing through Subordinated Loan)

The Company raised funds through a subordinated loan (the "Subordinated Loan") on April 5, 2019, which was agreed to on March 29, 2019.
The details of the Subordinated Loan are as provided in "Notes on Significant Subsequent Events" of the notes to consolidated financial statements.