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

Dear shareholders,

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

In FY2015 (April 1, 2015 to March 31, 2016), we had worked on our new medium-term management plan since the beginning of the year; however, structural changes in the business environment became more prominent in late 2015. These changes are having significant influences on our businesses, as exemplified by the change in course of China's economy, which has been a heavy consumer of global resources, emerging economies affected by declining prices of resources, turbulent situation in the Middle East, and the European Union (EU) confronting refugee problems. In particular, our dry bulk and containership businesses are facing a difficult business climate as a result of excess supply of vessels amid a shrinking global economy as a whole and stagnant demand.

Under such circumstances, although the "K" Line Group maintained both operating income and ordinary income for the fiscal year under review, a loss of approximately ¥51.5 billion was recorded, mainly due to a special loss from business structural reforms in the dry bulk business segment. The business results of each segment are shown on page 28 through 30.

In response to these structural changes in the business environment, we recently reviewed the medium-term management plan. As a result, a new initiative to "ensure competitiveness through business structural reform" has been added to our ongoing initiatives to "ensure stability by improving our financial strength." We will work to improve our corporate value (K Value) for the next 100 years under the slogan of "K Value for our Next Century - Action for Future -".

Under the reviewed mid-term management plan, we will take various measures especially for the business segments facing volatile market conditions. In the dry bulk business, we will strengthen the competitive edge by reducing fleet scale of small- and medium-size vessels for which no medium- and long-term contract has been secured while disposing of high-cost ships. In the containership business, we will enhance the cost competitiveness utilizing fleets of the state-of-the-art, newly-built energy-efficient large ships and further emphasize Asia-North America services, Asia-Europe services and Europe-North America services by taking advantage of our strength. In addition, we will review businesses of affiliates. By appropriately allocating management resources to each business segment, we will survive the turbulence at the present moment and ascertain the ongoing structural changes in the business environment.

Our initiatives for the important themes laid out in the medium-term management plan we announced last year, such as improving and strengthening corporate governance and dialogues and collaboration with stakeholders, remain unchanged.

Regarding dividend, our important task is to maximize returns to our shareholders while maintaining necessary internal reserves to fund our capital investment and strengthen our financial position for the sake of sustainable growth under the medium-term management plan. We have decided to propose a year-end dividend of ¥2.5 per share for FY2015 (an annual dividend will be ¥5.0 inclusive of interim dividend) at our ordinary general meeting of shareholders.

The annual dividend in the FY2016 has yet to be decided because loss attributable to owners of the parent is expected, due to our ongoing business structural reforms.

Although the business environment is likely to remain challenging in FY2016, all Group members will unite to overcome difficulties, make diligent efforts to live up to shareholders' expectations, and endeavor to further improve our corporate value. I look forward to your ongoing support in the fiscal year ahead.

June 2016

Eizo Murakami

Representative Director, President & CEO

(Securities Code: 9107)
June 2, 2016

To our Shareholders:

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

Notice of the 148th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 148th 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 5. Please ensure that your votes reach the Company no later than 5:00 p.m., Thursday, June 23, 2016 (Japan Standard Time).

1. Date and time: 10:00 a.m., Friday, June 24, 2016 (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:

1. Business Report, 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, 2015 to March 31, 2016
2. Non-consolidated Financial Statements for the Fiscal Year from April 1, 2015 to March 31, 2016

Matters to be resolved:

Proposition 1 Appropriation of Surplus
Proposition 2 Election of nine (9) Directors
Proposition 3 Election of two (2) Audit & Supervisory Board Members
Proposition 4 Change in maximum amount of remuneration for Directors and determination of performance-based share remuneration

Regarding Internet Disclosure

This Notice and the Business Report for the 148th fiscal year has been posted on the Company's website.

- Of the Business Report for the 148th 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 148th fiscal year.
  - "Core Business"
  - "Principal Lenders"
  - "Matters Related to the Company's Stock Acquisition Rights"
  - "Status of Accounting Auditor"
  - "System to Ensure Proper Business Operations"
  - "Outline of Operational Status of System to Ensure Proper Business Operations"
  - "Consolidated Statement of Changes in Net Assets"
  - "Non-Consolidated Statement of Changes in Net Assets"
  - "Notes to Consolidated Financial Statements"
  - "Notes to Non-consolidated Financial Statements"

The Business Report for the 148th fiscal year and documents above are audited by Audit & Supervisory Board Members and Accounting Auditors to prepare their respective Audit Reports.

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

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

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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.

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 7 to 26.
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 148th 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 23, 2016 (Japan Standard Time).

3. By exercising voting rights via the Internet

Please access the dedicated website for exercising voting rights (http://www.web54.net) and enter your vote for each Proposition by 5:00 p.m., Thursday, June 23, 2016 (Japan Standard Time).
Please see page 6 for details.

Exercise of Voting Rights via the Internet

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

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

* You can exercise your voting rights via the Internet only by using the Voting Right Exercise Website (http//:www.web54.net) specified by the Company. Please note that no mobile-dedicated website is provided.
* If you exercise your voting rights via the Internet, you will need the Voting Right Exercise Code and the Password printed on the Voting Right Exercise Form. In principle, the Password provided this time is valid only for the 148th Ordinary General Meeting of Shareholders. A new password will be issued for the next ordinary general meeting of shareholders.
* If you exercise your voting rights via the Internet multiple times, the vote that reaches us last will be recorded as the effective vote.
* If you exercise your voting rights both via the Internet and by postal mail, the vote that reaches us last will be recorded as the effective vote. If both votes via the Internet and by postal mail arrive on the same day, the one exercised via the Internet will be recorded as the effective vote.
* Please note that shareholders bear any expenses incurred for accessing the Voting Right Exercise Website.

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

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

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

Reference Materials for the General Meeting of Shareholders

Proposition 1: ***Appropriation of Surplus***

The Company intends to carry out the appropriation of surplus in the following manner.

Matters concerning a year-end dividend

Under the medium-term management plan, “Value for our Next Century,” in consideration of such things as ensuring the maintenance of the reserves necessary for capital investment to establish sustainable growth and to improve and strengthen the group’s fundamentals, the Company places utmost importance on maximizing the return to shareholders. The Company intends to carry out the year-end dividend for the current term in the following manner.

(1) Type of dividend

Cash

(2) Matters regarding allotment of year-end dividend to shareholders and its amount

2.5 yen per share of common stock of the Company
Total amount of 2,343,687,358 yen

An annual dividend for this fiscal year will be 5 yen per share, after adding an interim dividend of 2.5 yen we have paid.

(3) The date on which the dividend takes effect

June 27, 2016

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

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

<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="14">1</td><td rowspan="14">Jiro Asakura
(July 31, 1950)

<Reappointed>

Attendance at Board meetings:

100%
(14/14 meetings)</td><td>April, 1974</td><td>Joined the Company</td><td rowspan="13">107,000 shares</td></tr>
<tr><td>July, 2000</td><td>General Manager, Coal & Iron Ore Carrier Group of Bulk Carrier Department</td></tr>
<tr><td>April, 2001</td><td>General Manager of Coal & Iron Ore Carrier Group</td></tr>
<tr><td>June, 2005</td><td>Director, General Manager of Coal & Iron Ore Carrier Group</td></tr>
<tr><td>June, 2006</td><td>Executive Officer, General Manager of Coal & Iron Ore Carrier Group</td></tr>
<tr><td>April, 2007</td><td>Managing Executive Officer</td></tr>
<tr><td>April, 2009</td><td>Senior Managing Executive Officer</td></tr>
<tr><td>June, 2009</td><td>Representative Director, Senior Managing Executive Officer</td></tr>
<tr><td>April, 2011</td><td>Representative Director,
Vice President Executive Officer</td></tr>
<tr><td>May, 2011</td><td>Representative Director, President & CEO</td></tr>
<tr><td>April 2015</td><td>Representative Director, Chairman of the board</td></tr>
<tr><td>June 2015</td><td>Chairman of the Board (Current)</td></tr>
<tr><td colspan="3">Reason for election:
Mr. Jiro Asakura first became a Director of the Company in June 2005. In May 2011, he became Representative Director, President & CEO, in April 2015, he became Representative Director, Chairman of the board, and in June 2015, his office changed to Chairman of the board. He contributed to formulating the previous medium-term management Plan ““K” LINE Vision 100 - Bridge to the Future -” , promoting this plan to construct a stable earnings structure, and bringing about improved financial standing amid the difficult business environment following the 2008 Global Financial Crisis and the Great East Japan Earthquake. Mr. Asakura also has abundant knowledge and experience, most notably in the area of corporate governance. The Company believes his experience provides him with perspective that is broad and from a high vantage point, and it judges such perspective will continue to be essential for improving the Group’s corporate governance in the future as well. Accordingly, the Company requests his election as Director.</td></tr>
</table>

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

<Reappointed>

Attendance at Board meetings:

100%
(14/14 meetings)</td><td>April, 1975 Joined the Company
July, 2004 General Manager of Containerships Business Group
June, 2005 Director, General Manager of Containerships Business Group
June, 2006 Executive Officer
April, 2007 Managing Executive Officer
April, 2009 Senior Managing Executive Officer
June, 2009 Representative Director, Senior Managing Executive Officer
April, 2014 Representative Director, Vice President Executive Officer
April 2015 Representative Director, President & CEO (Current)</td><td>136,000 shares</td></tr>
<tr><td colspan="2">Reason for election:
Mr. Eizo Murakami first became a Director of the Company in June 2005, and since April 2015 he has served as Representative Director, President & CEO. While in the top management position, he has effectively steered the Company in its operations amid a difficult business environment. He constantly maintained a high vantage point as he worked to put the Company on a solid footing for sustainable growth as an integrated logistics company grown from its shipping business. The Company judges that his leadership, which is backed by his broad and deep knowledge and experience accumulated until now from a diverse range of fields, will be essential for the management of the Group in the future as well. Accordingly, the Company requests his election as Director.</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	Toshiyuki Suzuki (February 22, 1959) <Reappointed> Attendance at Board meetings: 100% (14/14 meetings)	April, 1981 Joined the Company April, 2006 General Manager of Containerships Business Group April, 2008 Executive Officer April, 2011 Managing Executive Officer June, 2011 Director, Managing Executive Officer April, 2014 Director, Senior Managing Executive Officer April, 2015 Representative Director, Senior Managing Executive Officer (Current) Responsible for Containerships, Car Carriers, Port Business Unit	113,000 shares
		Reason for election: Mr. Toshiyuki Suzuki has proven achievements, notably in the Company's Containerships Sector and abundant management experience as a Director of the Company. Currently, he is appropriately executing business strategies as the executive officer responsible for Containerships, Car Carriers, Port Business Unit. The Company judges that his abundant experience and proven achievements will contribute to the suitable fulfilment of the decision making and supervisory function of the Company's Board of Directors. Accordingly, the Company requests his election as Director.	

<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="12">4</td><td rowspan="12">Hiromichi Aoki
(February 27, 1959)

<Reappointed>

Attendance at Board meetings:

100%
(14/14 meetings)</td><td>April, 1981</td><td>Joined the Company</td><td rowspan="11">108,000 shares</td></tr>
<tr><td>April, 2003</td><td>General Manager of LNG Group</td></tr>
<tr><td>April, 2008</td><td>Executive Officer, General Manager of LNG Group</td></tr>
<tr><td>July, 2008</td><td>Executive Officer</td></tr>
<tr><td>July, 2010</td><td>Executive Officer, General Manager of Energy Transportation Business Development Group</td></tr>
<tr><td>April, 2011</td><td>Managing Executive Officer</td></tr>
<tr><td>April, 2014</td><td>Senior Managing Executive Officer</td></tr>
<tr><td>June, 2014</td><td>Director, Senior Managing Executive Officer</td></tr>
<tr><td>April, 2015</td><td>Representative Director, Senior Managing Executive Officer (Current)</td></tr>
<tr><td></td><td></td></tr>
<tr><td></td><td>Responsible for Dry and Liquid Bulk Carriers Unit</td></tr>
<tr><td colspan="3">Reason for election:
Mr. Hiromichi Aoki has proven achievements, notably in the Company's Car Carriers and Energy Transportation Sectors, and abundant management experience as a Director of the Company. Currently he is appropriately executing business strategies as the executive officer responsible for Dry and Liquid Bulk Carriers Unit. The Company judges that his abundant experience and proven achievements will contribute to the suitable fulfilment of the decision making and supervisory function of the Company's Board of Directors. Accordingly, the Company requests his election as Director.</td></tr>
</table>

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

<Reappointed>

Attendance at Board meetings:

100%
(14/14 meetings)</td><td>April, 1981 Joined the Company
June, 2006 General Manager of Corporate Planning Group
April, 2009 Executive Officer
June, 2009 Director, Executive Officer
April, 2011 Director (retired in June 2011) Managing Director, TAIYO NIPPON KISEN CO., LTD. (retired in March 2013)
April, 2013 Managing Executive Officer
June, 2013 Director, Managing Executive Officer
April, 2014 Director, Senior Managing Executive Officer
April, 2015 Representative Director, Senior Managing Executive Officer (Current)

Responsible for Corporate Unit, assistance to Internal Audit, Chief Compliance Officer (CCO)</td><td>40,000 shares</td></tr>
<tr><td colspan="2">Reason for election:
Mr. Tsuyoshi Yamauchi has proven achievements, notably in the Company’s administrative divisions, including Corporate Planning, and abundant management experience as a Director of the Company. Currently he is appropriately executing business strategies as the executive officer responsible for Corporate Unit and as the Chief Compliance Officer. The Company judges that his abundant experience and achievements will contribute to the suitable fulfilment of the decision making and supervisory function of the Company’s Board of Directors. Accordingly, the Company requests his election as Director.</td></tr>
<tr><td rowspan="2">6</td><td rowspan="2">Yukikazu Myochin
(March 27, 1961)

< Newly appointed >

Attendance at Board meetings:

-</td><td>April, 1984 Joined the Company
January, 2010 General Manager of Containerships Business Group
April, 2011 Executive Officer
April, 2016 Managing Executive Officer (Current)

In charge of Human Resources, IR & PR, Corporate Planning, Research</td><td>49,000 shares</td></tr>
<tr><td colspan="2">Reason for election:
Mr. Yukikazu Myochin has proven achievements in a wide range of sectors including Containerships, Corporate Planning and IR & PR and abundant experience of duties. Currently, he is demonstrating leadership as an executive officer in charge of Human Resources, IR & PR, Corporate Planning and Research. The Company judges that his capability and experience, etc. will contribute to the improvement of the decision making and supervisory function of the Company’s Board of Directors. Accordingly, the Company requests his election as Director.</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	Mitoji Yabunaka (January 23, 1948) <Reappointed> <Outside Director> Attendance at Board meetings: 86% (12/14 meetings)	April, 1969 Joined Ministry of Foreign Affairs of Japan (MOFA) August, 1986 Director of Second International Organization Division, Economic Affairs Bureau, MOFA November, 1987 Director of Second North America Division, North American Affairs Bureau, MOFA September, 1990 Senior Research Fellow of International Institute for Strategic Studies September, 1991 Permanent Mission of Japan to the UN and Other International Organizations in Geneva April, 1994 Director of Management and Coordination Division, Minister's Secretariat, MOFA July, 1996 Assistant Vice-Minister, MOFA August, 1997 Deputy Director-General of the Asia Pacific Bureau, MOFA October, 1998 Consul General of Japan at Chicago December, 2002 Director-General of Asian and Oceanian Affairs Bureau, MOFA January, 2005 Deputy Minister for Foreign Affairs, MOFA (Economic Affairs) January, 2007 Deputy Minister for Foreign Affairs, MOFA (Political Affairs) January, 2008 Vice-Minister for Foreign Affairs, MOFA August, 2010 Adviser to MOFA (Retired in March 2016) October, 2010 Adviser to Nomura Research Institute, Ltd. (Current) Special Visiting Professor of Ritsumeikan University (Current) June, 2011 Outside Director of the Company (Current) April, 2012 Specially Appointed Professor, Osaka University (Current) June, 2012 Outside Director of Mitsubishi Electric Corporation (Current) June, 2014 Outside Director of KOMATSU LTD. (Current) Outside Director of Takasago Thermal Engineering Co., Ltd. (Current)	8,000 shares

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
		Reason for election: Mr. Mitoji Yabunaka, a candidate for Outside Director, has been elected as Outside Director of the Company since June 2011 so that the abundant international experience and knowledge he has accumulated over his many years as a diplomat may be utilized in the management of the Company, even though he has not been directly involved in corporate management apart from being an Outside Director. As 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, the Company requests that he again be elected as Outside Director. As there is no possibility that conflict of interest may occur between Mr. Yabunaka 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	Akira Okabe (September 17, 1947) < Newly appointed> < Outside Director> Attendance at Board meetings: -	April, 1971	Joined Toyota Motor Sales Co., Ltd.	10,000 shares
		January, 2000	General Manager, Oceania and Middle East Sales Division, Regional Headquarters, Oceania and Middle East, Toyota Motor Corporation	
		June, 2001	Director, Chief Officer of Regional Headquarters, Oceania and Middle East, Toyota Motor Corporation	
		June, 2003	Managing Officer, Chief Officer of Regional Headquarters, Oceania and Middle East, Toyota Motor Corporation	
		June, 2005	Senior Managing Director, Chief Officer of Regional Headquarters, Australia, Asia and Middle East, Toyota Motor Corporation	
		June, 2009	Senior Managing Director, Chief Officer of Regional Headquarters, Australia and Asia, Deputy Chief Officer of Regional Headquarters, Middle East, Africa and Latin America, Toyota Motor Corporation	
		June, 2010	Senior Managing Director, Chief Officer of Regional Headquarters, Australia and Asia, Chief Officer of Regional Headquarters, Middle East, Africa and Latin America, Toyota Motor Corporation	
		April, 2011	Senior Managing Director, in charge of Private Distributor Relations, Regional Headquarters, Middle East, Africa and Latin America	
		June, 2011	Executive Adviser, Toyota Motor Corporation (Retired in March 2012)	
		April, 2012	Director & Vice Chairman, Tokai Tokyo Securities Co., Ltd.	
		April, 2015	Adviser, Tokai Tokyo Financial Holdings, Inc. (Current)	

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
		Reason for election: Mr. Akira Okabe, a candidate for Outside Director, worked for more than 40 years at Toyota Motor Corporation and over that time, he has led various new businesses to successful results in emerging countries, mostly in Asia. He then went on to become a director at that company and at a securities company, and thus he has long-standing experience in corporate management. The Company requests his election as Outside Director of the Company so that it may utilize his experience and insight in the Company's management. Mr. Okabe has been providing various advice to the Company as a business advisor of the Company since July 2015 and he has been receiving remuneration from the Company. However, the amount of monthly remuneration is 100,000 yen, which is within the limit specified in the criteria for independence of Outside Directors provided by the Company (see page 19). Mr. Okabe satisfies other provisions of the criteria for independence of Outside Directors 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.	

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)		Number of the Company's shares held
9	Seiichi Tanaka (January 12, 1953) < Newly appointed> < Outside Director> Attendance at Board meetings: -	April, 1977	Joined Mitsui & Co., Ltd.	0 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. (Current) *1: CPO (Chief Privacy Officer), *2: CIO (Chief Information Officer)	
		Reason for election: Mr. Seiichi Tanaka, a candidate for Outside Director, joined Mitsui & Co., Ltd. after completing a Master's degree in marine engineering at university. After a long service in the Ship and Marine Project Division he left the division in 2006 and from 2008 to 2014, he gained experience in corporate management, serving as a representative director of Mitsui & Co., Ltd. The Company requests his election as Outside Director of the Company so that it may utilize his experience and insight in the Company's management. There is no special interest between Mr. Tanaka and the Company. Mr. Tanaka satisfies the criteria for independence of Outside Director provided by the Company, and if he is elected as a Director, the Company plans to designate him as an independent director pursuant to the regulations of the stock exchanges where its stock is listed.		

Notes: 1) Mr. Mitoji Yabunaka, Mr. Akira Okabe and Mr. Seiichi Tanaka are candidates for Outside Directors.

2) Mr. Mitoji Yabunaka, a candidate for Director, is also the Outside Director of KOMATSU LTD., with which the Company conducts business transactions with sales accounting for less than 1% of the Company's consolidated net sales.
Mr. Seiichi Tanaka, a candidate for Director, is also Counselor to Mitsui & Co., Ltd., with which the Company conducts business transactions with sales accounting for less than 1% of the Company's consolidated net sales. Therefore the Company judges that they are both fully independent of the Company and there is no possibility that conflict of interest may occur between them and general shareholders. No special interests exist between the Company and any of the other above candidates for Directors.

3) Takasago Thermal Engineering Co., Ltd., for which Mr. Mitoji Yabunaka serves as Outside Director, received a penalty order by the Tokyo District Court in November 2014 due to its violation of the Antimonopoly Act regarding a bid for the Hokuriku Shinkansen facility construction project and a business suspension order by the Ministry of Land, Infrastructure, Transport and Tourism in January 2015. The above incidents occurred before Mr. Yabunaka assumed the position of Director. Mr. Yabunaka currently provides opinions from the perspective of legal compliance as well as advice regarding the fact finding, cause identification, and recurrence prevention of the above incidents.

4) Mr. Mitoji Yabunaka currently serves as Outside Directors, and his term of service as Outside Director will be five (5) years upon the conclusion of this General Meeting of Shareholders.

5) The Company has concluded a limited liability contract with Mr. Mitoji Yabunaka pursuant to Article 427, Paragraph 1 of the Companies Act. If the proposal is accepted, the Company intends to extend the contract with him. Likewise, the Company intends to conclude new contracts, under the same terms, with Mr. Akira Okabe and Mr. Seiichi Tanaka. 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.

6) Mr. Seiichi Tanaka will retire from the position of Counselor to Mitsui & Co., Ltd. on June 30, 2016.

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

Audit & Supervisory Board Members Fumio Watanabe and Haruo Shigeta will retire from their positions upon conclusion of this meeting.
It is therefore requested that two (2) Audit & Supervisory Board Members be elected at this meeting.
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	Kozue Shiga (November 23, 1948) <Newly appointed> < Outside Director> Attendance at Board meetings - Attendance at Audit & Supervisory Board: -	November, 1967	Joined Japan Airlines Co., Ltd.	0 shares
		April, 1993	Was commissioned as public prosecutor	
		April, 1998	Registered with Daiichi Tokyo Bar Association	
		August, 1999	Established Shiga Law Office	
		June, 2002	Partner, San Sogo Law Office (retired in September 2005)	
		June, 2004	Outside Audit & Supervisory Board Member, Nippon Koa Insurance Co., Ltd. (retired in June, 2012)	
		June, 2005	Outside Director, Kabu.Com Securities Co., Ltd. (retired in June 2007)	
		October, 2005	Partner, Shiraishi Sogo Law Office (Current)	
		March, 2007	Outside Audit & Supervisory Board Member, FX Prime Corporation (currently FX Prime by GMO Corporation) (retired in November 2012)	
		April, 2007	Outside Audit & Supervisory Board Member, Tokushu Tokai Holdings Co., Ltd. (currently Tokushu Tokai Paper Co., Ltd.) (retired in June 2015)	
		September, 2009	Outside Director, Toyoko Inn Co., Ltd. (Current)	
		June, 2010	Outside Audit & Supervisory Board Member,, Shinsei Bank, Ltd. (Current)	
		June, 2015	Outside Director, Tokushu Tokai Paper Co., Ltd. (Current) Outside Director, Ricoh Leasing Co., Ltd. (Current)	

No.	Name (Date of birth)	Career summaries and positions in the Company (Significant concurrent positions)	Number of the Company's shares held
		Reason for election: Ms. Kozue Shiga, a candidate for Outside Audit & Supervisory Board Member, does not have prior experience of direct involvement in corporate management by methods other than serving as an outside director. However, she does possess expert knowledge and experience as a lawyer, and she also has experience of having served as outside director and outside audit & supervisory board member of multiple listed companies. Accordingly, the Company requests her election as an Outside Audit & Supervisory Board Member as it judges that she will perform effective auditing from an outside independent standpoint. There is no special interest between Ms. Shiga and the Company. Up until now, Ms. Shiga has had no relations with the Company, and as there is no possibility that conflict of interest may occur between Ms. Shiga and general shareholders, if she is elected as Audit & Supervisory Board Member, the Company plans to designate her as an independent director pursuant to the regulations of the stock exchanges where its stock is listed.	

<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="13">2</td><td rowspan="13">Harusato Nihei
(August 30, 1957)

<Newly appointed>

Attendance at Board meetings

-

Attendance at Audit & Supervisory Board:

-</td><td>April, 1980</td><td>Joined Daiichi Kangyo Bank, Ltd.</td><td rowspan="12">0 shares</td></tr>
<tr><td>March, 2006</td><td>General Manager, Taipei Branch, Mizuho Corporate Bank, Ltd.</td></tr>
<tr><td>April, 2008</td><td>Executive Officer & General Manager, Taipei Branch, Mizuho Corporate Bank, Ltd.</td></tr>
<tr><td>April, 2009</td><td>Executive Officer & General Manager, Human Resource Management Division, Mizuho Corporate Bank, Ltd.</td></tr>
<tr><td>April, 2010</td><td>Managing Executive Officer, Sales & Marketing, Mizuho Corporate Bank, Ltd.</td></tr>
<tr><td>April, 2011</td><td>Managing Executive Officer, Mizuho Bank, Ltd.</td></tr>
<tr><td>April, 2012</td><td>Managing Executive Officer, Branch Operation, Mizuho Bank, Ltd.</td></tr>
<tr><td>April, 2013</td><td>Managing Executive Officer, Branch Operation, Mizuho Bank, Ltd. and Managing Executive Officer, Sales & Marketing, Mizuho Corporate Bank, Ltd.</td></tr>
<tr><td>July, 2013</td><td>Managing Executive Officer, Sales & Marketing, Mizuho Bank, Ltd.</td></tr>
<tr><td>April, 2014</td><td>Deputy President, Mizuho Research Institute, Ltd.</td></tr>
<tr><td>April, 2016</td><td>Adviser, Mizuho Research Institute, Ltd. (Current)</td></tr>
<tr><td colspan="3">Reason for election:
Candidate for Audit & Supervisory Board Member Mr. Harusato Nihei has amassed experience in a broad range of areas while at Mizuho Bank Ltd., including international operations, and since 2008, he has served in the bank’s management as an executive officer. Accordingly he possesses appropriate insight with respect to finance and accounting.
Although Mr. Nihei satisfies the requirements for Outside Audit & Supervisory Board Member pursuant to the Companies Act, considering he comes from the Company’s main bank, the Company is not proposing him as a candidate for Outside Audit & Supervisory Board Member. As the main bank is a creditor of the Company, there is a possibility of certain aspects arising where its interests differ from those of ordinary shareholders. Nevertheless, the Company believes that welcoming an individual who comes from the main bank as an Audit & Supervisory Board Member will bring about improvement in corporate value and lead to profits for the ordinary shareholder as it expects that his insight will contribute to ensuring multifaceted examination of projects and that he will strictly fulfill his supervisory functions. Therefore the Company proposes Mr. Nihei’s election as Audit & Supervisory Board Member. No special interests exist between the Company and Mr. Nihei.</td></tr>
</table>

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

2) On October 30, 2014, Shinsei Bank, Ltd., for which Ms. Kozue Shiga serves as outside Audit & Supervisory Board Member, received corrective recommendations and guidance from Ikebukuro Labor Standards Inspection Office concerning extra payments, etc. associated with overtime work. At meetings of Shinsei Bank's Board of Directors and Audit & Supervisory Board, Ms. Shiga routinely promoted awareness about the need to drive home legal compliance and, following such recommendations and guidance, took necessary actions such as demanding further reinforcement of the framework to comply with the Labor Standards Act, as well as other relevant laws and ordinances.

3) If the proposal is accepted, the Company intends to conclude limited liability contracts with Ms. Kozue Shiga and Mr. Harusato Nihei 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.

4) There exists no special interest between each of the candidates for Audit & Supervisory Board Members and the Company.

5) Ms. Kozue Shiga is scheduled to retire as Outside Director, Tokushu Tokai Paper Co., Ltd. at the conclusion of the General Meeting of Shareholders on June 24, 2016. Mr. Harusato Nihei is scheduled to retire as Adviser to Mizuho Research Institute, Ltd. effective June 23, 2016.

Proposition 4: ***Change in Maximum Amount of Remuneration for Directors and Determination of Performance-based Share Remuneration***

1. Reasons for Proposition and Reasons Why the Proposed Remuneration is Reasonable
   By way of this Proposition, we propose that the limit of monetary remuneration for directors be reduced and performance-based share remuneration plan "Board Benefit Trust" ("the Plan") be introduced. The Plan purports to further enhance the connection between the remuneration of the directors (executive directors only) and executive officers, and share value, and thereby raise the directors' motivation to make contributions to increase the Company group's mid-term and long-term performance and corporate value. We are of the view that introducing the Plan is reasonable.
   Pursuant to the resolution passed at the Ordinary General Meeting of Shareholders held on June 28, 2001, the limit of remuneration for the directors of the Company has heretofore been set equal to or less than 60 million yen per month (equivalent to 720 million yen per year). Now, by way of this Proposition, we propose that this limit of annual amount be reduced by 120 million yen and be set equal to or less than 600 million yen per year and remuneration in share under the Plan be paid to directors (executive directors only) separately from the aforementioned amount of the limit. In addition, we propose that details of the Plan be left to the discretion of the Board of Directors within the framework described in 2. below.
   The amount of remuneration for directors shall not include the portion of employee's salary for directors who concurrently service as employees, as before. The number of Directors is nine (including two Outside Directors), and if the Proposition 2 is accepted, the number of Directors will be nine (including three Outside Directors).
   At this point in time, the Plan is applicable to a total of six Directors. If and when Proposition 2 is approved, the Plan would be applicable to a total of five Directors.

2. Amount and Contents of Remuneration under the Plan
   (1) Individuals eligible for the Plan
   The directors (executive directors only) and executive officers of the Company ("the directors, etc.").

   (2) Outline of the Plan
   The Plan is a performance-based share remuneration plan under which the

Company's shares will be acquired through a trust ("the Trust") using money contributed by the Company, and the Company's shares and the money equivalent to the market value of the Company' shares ("the Shares, etc.") will be delivered or paid to the directors, etc. ("the Delivery, etc.") through the Trust according to the "Regulations for Delivery of Shares to Officers". The directors, etc. will receive the Company's shares all at once after their retirement from office.

(3) Limit of amount of money the Company will contribute to the Trust and method of acquisition of the Company's shares

The Company will establish the Trust by contributing up to a total of 1,300 million yen (of which 480 million yen for directors) for the 4 fiscal years ("the Period") from the fiscal year ending March 31, 2017 until the fiscal year ending March 31, 2020, and the each 4 fiscal years following the first Period as the funds necessary for the Trust to acquire such number of shares as is reasonably expected to be required for the Plan a certain period of time in advance. And the Company will create a trust for eligible directors, etc. as beneficiaries ("the Trust")

After the first Period, the Company will make an additional contribution to the Trust of up to a total of 1,300 million yen (of which 480 million yen for directors) for each Period. Upon such additional contribution, however, if there are Company shares (excluding the ones which correspond to the number of share points awarded to the directors, etc. and which have yet to be delivered to them) and money remaining in the trust assets ("the Remaining Shares, etc.") as of the end of the Period immediately before the Period covered by the additional contribution, the total amount of the additional contribution and the amount of the Remaining Shares, etc.(the share price to be determined by market price on the final day of the Period immediately before the Period to be covered by the additional contribution) is to be within the amount approved at the OGM.

As a reference, basis market price of 243 yen per share on April 27, 2016, the number of shares able to acquire with 1,300 million yen for the first Period will be about 5.35 million shares.

The Trust will acquire the Company's shares through securities markets or by subscribing Treasury Shares.

For the first Period, the Trust will acquire the shares through securities markets.

(4) Details of the Company's shares to be delivered to the directors

In each fiscal year, the Company will award points ("the Share Points") to each directors, etc., which will be calculated by multiplying the base point awarded according to his/her duties and responsibilities and other elements by a factor which will vary depending on the degree of achievement of the consolidated earnings target, among other things.

The total number of Share Points awarded to the directors, etc. in each fiscal year is up to 1.70 million points (equivalent to 1.70 million ordinary shares of the Company; of which 0.62 million points for directors, equivalent to 0.62 million ordinary shares of the Company).

Upon the Delivery, etc. of Shares, etc. mentioned in (5) below, 1 point awarded to a directors, etc. will be converted to 1 share of the Company's ordinary shares. However, after the approval of the Plan at the OGM, if the number of the Company's shares is increased or decreased due to a stock split (*kabushiki bunkatsu*), free allotment of shares (*kabushiki mushōwariate*), stock consolidation (*kabushiki heigō*) or any other event, the number of the Company's shares to be delivered for each Share Point will be adjusted by a reasonable method.

(5) Time of the Delivery to the directors, etc.

If a director, etc. who has retired from office meets the beneficiary requirements stipulated in the "Regulations for Delivery of Shares to Officers", he/she will receive the Company's shares from the Trust basically after his/her retirement in proportion to the accumulated number of the Share Points awarded until his/her retirement as directors, etc., by taking the prescribed procedures to determine the beneficiary. As for a certain percentage, if a director, etc. meets requirements stipulated in the "Regulations for Delivery of Shares to Officers", the Company may pay him/her money equivalent to the market value of such shares, instead of delivering them.

Please note that the Trust may sell the Company's shares to pay money.

(Attachment)

Business Report

(From April 1, 2015 to March 31, 2016)

1. Matters Related to Current Conditions of the Corporate Group

(1) Business Progress and Results

[General Conditions]

During the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016; hereinafter “the fiscal year”), despite weakness in some areas, the global economy recovered gradually overall. In the U.S., increase of personal consumption and real estate investment provided a backdrop for a continued solid economic recovery. Amid this, the Federal Reserve Board meeting held in March decided to keep the target policy of interest rate in the range between 0.25% and 0.50%. In Europe, the economy showed weakness in some areas, amidst the ongoing Greek fiscal crisis and refugee issue as a new concern, but gradually recovered by the euro’s depreciation due to additional quantitative easing by the European Central Bank. Meanwhile, the slowdown in the Chinese economy became clear, with ongoing reduction of excess investment and adjustment of surplus facilities, despite solid growth in consumption. Also, the sharp fall in resource prices such as crude oil affected the economic conditions in emerging markets in Asia, and the economies of countries exporting natural resources, such as Brazil and Russia, also deteriorated.

The Japanese economy continued its gradual recovery trend with the improvement in employment and income environment; however, although the yen depreciated temporarily against the U.S. dollar due to quantitative and qualitative easing with the Bank of Japan adopting a negative interest rate, the yen proceeded to strengthen subsequently, and the Nikkei Stock Average continued to exhibit volatility and unstable movements.

In the business environment for the shipping industry, amid a fall in fuel oil prices, market conditions turned favorable in the oil tanker business due to expansion in stockpiles and transport demand associated with the drop in crude oil prices. Nevertheless, in the containership business, the freight rate market slumped as the gap between vessel supply and demand widened due to stagnating cargo movement combined with the continued launching of newly-built large-sized vessels. In the dry bulk business as well, freight rates stagnated at historically lowest market levels, as an oversupply of vessels overlapped a retreat in demand due to the slowdown in the Chinese economy and other factors. “K” Line Group (hereinafter “the Group”) made efforts to improve profitability, such as more efficient vessel allocation, and strived to reduce vessel operating costs. Nevertheless, business performance declined year on year.

As a result, operating revenues for the fiscal year were ¥1,243.932 billion (down ¥108.488 billion year on year), operating income was ¥9.427 billion (down ¥38.560 billion), ordinary income was ¥3.338 billion (down ¥45.642 billion), and loss attributable to owners of the parent was ¥51.499 billion (compared to profit attributable to owners of the parent of ¥26.818 billion for the previous fiscal year), due to the recording of extraordinary losses etc. during the fourth quarter, as the business environment faced structural changes, such as disposal of ships, early cancellation of charter contracts and loss on impairment. These extraordinary losses were posted as the result of Group’s business structural reform to reduce the risk of exposure to market conditions and further accelerating the reduction of fleet scale, focused on small- and medium-size vessels, in the dry bulk business. The average foreign exchange rate in the current fiscal year was ¥120.78/US$ (yen depreciation of ¥11.59/US$ compared to the previous fiscal year) and the average fuel oil price was US$294.57/MT* (down by US$245.94/MT compared to the previous fiscal year).

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

Performance per segment was as follows:

Containership Business Segment (Billions of yen)

Operating revenues	614.9	(a decrease of 9.2% over a year ago)
Ordinary income (loss)	(10.0)	(income of ¥20.6 billion in the previous fiscal year)
Operating revenue composition ratio to total operating revenues	49.4%	

[Containership Business]

During the fiscal year, overall cargo volume loaded on the Asia-North America service, for both east and west bound, recorded an increase of approximately 2% year on year, supported in part by the firm undertone of the U.S. economy. On other services, however, cargo volumes declined by approximately 13% in the Asia-Europe service, approximately 15% in the Intra-Asia service, and approximately 7% in the North-South service respectively, mainly reflecting a slump in demand due to uncertainty in the European economy, the economic slowdown in China and the fall in resource prices, as well as further reduction in the number of voyages and rationalization of services. Overall cargo volume loaded for the Group declined by approximately 5% year on year.

The freight rate market fell notably in the Asia-North America service from the third quarter due to deterioration in the vessel supply-demand balance. The market also continued to slump in the Asia-Europe and North-South services. As a result, the average freight rates for the Group across all services were lower than the previous fiscal year. The Group strengthened its competitiveness by completion of five new large-sized vessels with loading capacity of 14,000 TEU, while continuing various cost reducing efforts, such as reducing space and voyages on the Asia-Europe service in response to a decline in demand, rationalizing the North-South and Intra-Asia services, and cutting the cost on positioning empty containers. Despite these efforts, the segment resulted in a loss with decline in revenue year-on-year.

[Logistics Business]

In the logistics business, including inland transportation and warehousing, domestic logistics services performed steadily, mainly in inland transportation. In international logistics services, the export volume of airborne cargos from Asia, including Japan, declined due to the clearing of port congestion on U.S. west coast and slowdown in the Chinese economy. Overall, the logistics business saw both revenue and income decline year-on-year.

Bulk Shipping Business Segment (Billions of yen)

Operating revenues	567.6	(a decrease of 5.5% over a year ago)
Ordinary income	24.7	(a decrease of 32.5% over a year ago)
Operating revenue composition ratio to total operating revenues	45.6%	

[Dry Bulk Business]

In the large-vessel sector, the freight rate market slumped to the lowest level on record, as the increase in cargo movement for the winter season had almost no impact amid plateauing iron ore import volumes due to stagnating iron demand in China. In the small- and medium-size vessel sector, the freight market slumped as the vessel supply and demand balance collapsed, mainly due to the slump in transportation of coal to China and easing ship congestion for loading grain shipments in South America. The Group responded by reducing the number of cargo-free vessels through disposal of vessels, cutting operating costs and allocating vessels efficiently. However, the protracted slump in market conditions took its toll, and the Group had a year-on-year decline in revenue and recorded a loss.

[Car Carrier Business]

Cargo movements for finished vehicles during the fiscal year faltered for cargos from Europe and North America to Asia against a backdrop of the economic slowdown in China, as well as from Asia to resource-rich countries in Central and South America and Africa. Cargo movements within Europe also declined, reflecting a slump in the Russian economy. As a result, the overall volume of finished vehicles shipped by the Group during the fiscal year declined slightly year on year, despite the support from an increase in cargo volumes within the Atlantic Basin and from Japan to North America and other areas. The Group recorded year-on-year declines in both revenues and income despite continuous efforts to improve efficiency of vessel allocation and operation.

[LNG Carrier Business and Tanker Business]

LNG carriers, very large crude carriers (VLCCs), and LPG carriers performed steadily on medium- and long-term charter contracts. Moreover, the freight rate market in the oil tanker business continued to perform favorably throughout the fiscal year. The LNG carrier business and Tanker business overall reported year-on-year increases in both revenues and income for the fiscal year.

[Short Sea and Coastal Business]

In the short sea business, although market prices remained at low levels, the Group secured cargo volumes at the same level as the previous fiscal year. In the coastal business, the Group maintained stable operations in the tramper service, mainly in dedicated trampers, and a year-on-year increase in cargo volumes in the liner service through sales promotion by launching large-sized vessels. In the short sea and coastal business as a whole, the Group posted a year-on-year decrease in revenues partly due to a decrease in bunker adjustment charge resulting from a fall in fuel oil prices but an increase in income.

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

Operating revenues	24.7	(a decrease of 30.2% over a year ago)
Ordinary income (loss)	(6.6)	(a loss of ¥5.7 billion in the previous fiscal year)
Operating revenue composition ratio to total operating revenues	2.0%	

[Offshore Energy E&P Support Business]

The drill ship continued to perform favorably, helping to secure stable long-term earnings. However, the offshore support business was negatively impacted by softening market conditions due to stalled offshore development caused by the slump in crude oil prices. Overall, offshore energy E&P support business narrowed its loss despite a year-on-year decline in revenue, partly due to a reduction in valuation loss on foreign-currency denominated debt at a foreign subsidiary in the offshore support business.

[Heavy Lifter Business]

In the heavy lifter business, losses worsened as revenues declined year on year. The decline was due to a contraction in transportation and operations related to offshore projects by large vessels and a slump in market conditions across all vessel types.

Other Business (Billions of yen)

Operating revenues	36.8	(a decrease of 5.7% over a year ago)
Ordinary income	1.8	(a decrease of 39.6% over a year ago)
Operating revenue composition ratio to total operating revenues	3.0%	

Other business includes the Group’s ship management service, travel agency service, and real estate rental and administration service. The segment recorded year-on-year decrease in both revenues and income.

(2) Financial Position and Results of Operation

Item	FY2012	FY2013	FY2014	FY2015 (current fiscal year)
Operating revenues (Millions of yen)	1,134,771	1,224,126	1,352,421	1,243,932
Ordinary income (Millions of yen)	28,589	32,454	48,980	3,338
Profit (loss) attributable to owners of the parent (Millions of yen)	10,669	16,642	26,818	(51,499)
Basic earnings (loss) per share (Yen)	12.07	17.75	28.60	(54.95)
Total assets (Millions of yen)	1,180,433	1,254,741	1,223,328	1,115,223
Net assets (Millions of yen)	361,975	410,688	467,440	379,913
Net assets per share of common stock (Yen)	363.18	414.66	471.10	379.18

(Note) Overviews of FY2012 to FY2015 are as follows.

FY2012: Our posting of a loss for FY2011 spurred us into action to improve the bottom line. To that end, we drew up the medium-term management plan, “K” LINE Vision 100 - Bridge to the Future -, setting forth the three high-priority tasks of generating ordinary income in FY2012, building a stable earnings structure, and reinforcing financial standing. As a result, we achieved higher year-on-year revenues and regained positive earnings.

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

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

FY2015: The overview for FY2015 is as provided in subsection “(1) Business Progress and Results,” pages 27 to 30.

(3) Capital Investment

Over the current fiscal year, the Group made overall capital investments of ¥116.592 billion.

The Containership Business, Bulk Shipping Business, and Offshore Energy E&P Support and Heavy Lifter Business segments made capital investments of ¥31.168 billion, ¥82.851 billion, and ¥0.032 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 ¥2.539 billion.

Meanwhile, sales of fixed assets amounted to ¥91.075 billion, mainly attributable to vessel disposals.

(4) Capital Procurement

In August 2015, the Company issued unsecured domestic straight bonds in a total amount of ¥10 billion.

In September 2015, the Company took out subordinated loan of ¥30 billion and prepaid ¥30 billion of an existing subordinated loan before maturity.

In addition, the Group procured necessary funds through borrowings from financial institutions.

(5) Issues to Address

In March 2015, the Group announced a medium-term management plan with FY 2019 as the target year. Since then, however, global economic growth has slowed, notably so in China and other emerging countries since mid-2015. In addition to this, we have seen rising geopolitical risks such as the refugee issue in Europe. Against this backdrop with widespread uncertainty, the Group decided to review the medium-term plan in light of the structural changes afoot in the business environment, giving particular attention to the weakening growth in demand and the continuation of tonnage supply pressure. As a result, in April 2016, the Group formulated a new medium-term management plan "Value for our Next Century - Action for Future -".

Under the new medium-term management plan, the Group will carry out initiatives for achieving sustainable growth and enhancing corporate value guided by the following three core themes.

Each of the themes is detailed below.

(i) Ensuring Stability by Improving Financial Strength and Competitiveness Through Business Structural Reform

Currently, the direction of the Global economy is becoming more uncertain with weakening economic growth and concern over the direction of business structural reform in China, economic stagnation in emerging and developing countries due to the downturn in resource prices, and the impact on the economy of geopolitical risks such as the refugee issue in Europe while it must deal with a fiscal crisis. Amid this uncertainty, the Group is now concerned there will be a slower recovery in the balance of vessel supply and demand based on the weakening growth in demand for logistics transportation and an oversupply of new vessels. Amid such a business environment, the Company considers the initiatives for ensuring "stability" and "competitiveness" to be the top priority for management. Specific targets have been drawn up as follows:

- Implement business structural reform primarily in the dry bulk business sector (in particular, eliminate risk exposure in the small-and medium-size vessel sector)

- Strive for further stable expansion of businesses with stable earnings (Car-Carrier, LNG carrier, Oil-tanker, Dry Bulk based on long term contracts, and Logistics)
- Establish more stable earning streams by further promoting plans to ensure competitiveness in containership business sector (newly-built energy-efficient large vessels, and further emphasis on Asia-North America services, Asia-Europe services, and Europe-North America services)
- Improve asset efficiency through business structural reforms of overall business including affiliated companies

(ii) Further Business Growth Based on Financial Soundness

As aforementioned, it will be possible that the growth in logistics demand will weaken over the medium term. Nevertheless, we believe there will be sustainable growth in the long term, amid increasing population and expanding demand for energy. By firstly basing its business on ensuring “stability” and “competitiveness”, the Group will be able to realize a business portfolio with reduced risks. By doing so, the Group will aim to operate its businesses with a focus on striking a balance between stability and growth potential. Specifically, the Group plans to invest a total of ¥230 billion over the five years from FY2015 to FY2019, including on business structural reforms in the dry bulk business sector. As part of this plan strategically investing for growth, the Group plans to invest a total of ¥95 billion on initiatives with an emphasis on profitability and stability, such as expansion of the LNG carrier/oil tanker fleet based on medium- and long-term contracts, capturing logistics demands in Asia and other regions including terminal businesses. The Group also plans to invest a total of ¥105 billion as investment to improve the system that brings stable business profits to boost resilience to volatility, including large containerships of 14,000 TEU (ten vessels in total to be delivered by FY2018) and large car carriers of 7,500-unit capacity (ten vessels to be delivered by FY2017).

(iii) Dialogue and Collaboration with Stakeholders (in order to achieve sustainable growth and enhance corporate value)

The Group has positioned sustainable growth and enhanced corporate value through dialogues and collaboration with stakeholders as a key management policy. Under this policy, the Group is promoting the following initiatives.

- Collaboration with stakeholders through corporate social responsibility (CSR) initiatives

  The Group’s basic approaches to CSR are “consideration of impact on business activities” and “creating new value”. Its policy is to focus particularly on safe ship operation, environmental conservation, and human resource cultivation. As organizations for promoting CSR, the Group has established the CSR & Environmental Committee and beneath it the CSR Sub-Committee and the Environmental Sub-Committee. These organizations drive the initiatives of the entire Group and are primarily responsible for strengthening the Group’s information disclosure and dissemination. With regard to environmental conservation, in March 2015 the Group established its long-term environmental management vision ““K” Line Environmental Vision 2050 ‘Securing Blue Seas for Tomorrow’”. This policy sets out the direction that the Group aims to follow from multiple perspectives, in order to fulfill its responsibilities as a player in a key industry contributing to the well-being and prosperous lives of people.

- Strengthening corporate governance structure

  To ensure that the initiatives of the newly established Corporate Principle and Vision are duly carried out, and to help the Group to achieve sustainable growth and enhance corporate value, the Group has been strengthening its corporate governance structure, including reshaping the Group's internal control system. In risk management, the Group has established the Crisis Management Committee and several subordinate committees (the Compliance Committee, Ship Safety Promotion Committee, Management Risk Committee, and Disaster Response Committee), which are responsible for the Group's risk management. In addition, the Investment Committee is responsible for deliberating about important investments.

- Policy on returning profits to shareholders

  Although the policy of providing stable dividends will continue to be an ongoing plan, owing to the implementation of business structural reforms in FY 2015 and FY 2016, it will be the Company's policy to concentrate on ensuring the stability of the Group. As such, the Company has not decided on dividends for FY 2016. Later, ascertaining the structural changes in the business environment and recovering the Group's earning capacity, the Company will aim to provide a return to shareholders based on the initial stable dividend policy.

(6) Status of Principal Subsidiaries (as of March 31, 2016)

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

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

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

3. The Company’s ownership of “K” LINE BULK SHIPPING (UK) LIMITED and “K” LINE LNG SHIPPING (UK) LIMITED is through the Company’s wholly-owned subsidiary “K” LINE HOLDING (EUROPE) LIMITED.

4. The Company’s ownership of SAL Heavy Lift GmbH is through the Company’s wholly-owned subsidiary “K” LINE HEAVY LIFT (GERMANY) GmbH.

5. K LINE OFFSHORE AS increased paid-in capital from NOK 717.56 million to NOK 1,120.06 million in September 2015.

(7) Main Locations (as of March 31, 2016)

(i) The Company

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

(ii) Subsidiaries

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

(iii) Other Locations Overseas

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

(8) Status of Employees (as of March 31, 2016)

Name of segment	Containership	Bulk Shipping	Offshore Energy E&P Support and Heavy Lifter	Other	Corporate (common)	Total
Number of employees	5,656	662	225	1,228	326	8,097
As of previous fiscal year end	5,427	637	226	1,232	312	7,834
Change from previous fiscal year end	229	25	(1)	(4)	14	263

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

(9) Status of Vessels (as of March 31, 2016)

Name of segment	Containership	Bulk Shipping				Offshore Energy E&P Support and Heavy Lifter		Total
Vessel type	Containerships	Dry bulk carriers	Car carriers	LNG carriers and tankers	Short sea and coastal vessels	Offshore support vessels	Heavy lifter vessels	
Category								
Owned								
Number of vessels	7	68	39	28	20	7	13	182
Deadweight tons	460,448	7,782,546	583,109	2,890,833	212,066	32,481	138,192	12,099,675
Chartered								
Number of vessels	61	199	63	13	30	0	2	368
Deadweight tons	3,973,613	21,443,995	1,031,282	1,692,399	374,552	0	19,926	28,535,767
Total								
Number of vessels	68	267	102	41	50	7	15	550
Deadweight tons	4,434,061	29,226,541	1,614,391	4,583,232	586,618	32,481	158,118	40,635,442

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

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

The Group has been investigated by the competition authorities in Europe and certain other countries in relation to alleged anti-competitive behavior (alleged formation of a cartel) relating to the transportation of automobiles, automotive construction machineries and other automotive vehicles. In addition, the Group is currently subject to class actions in North America on the same matter. The Group is currently unable to predict what the eventual outcome of these investigations or class actions will be (including whether or not it will be subject to any fines, penalties, damages or other liabilities) or when such investigations or class actions and the accompanying processes will be concluded. There can also be no assurance that the current investigations or class actions or any future decisions by competition authorities or courts will not induce further private legal actions or other claims against the Group in the future. If the outcome of any such action is unfavorable to the Group, it could materially adversely affect the Group's financial condition and results of operations.

2. Matters Related to Corporate Stocks (as of March 31, 2016)

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

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

(3) Aggregate Number of Shareholders: 43,216

(4) Major Shareholders (top 10)

Name of shareholders	Number of shares held (Thousands)	Percentage of shares held (%)
Goldman Sachs International	144,939	15.46
Royal Bank of Canada Trust Company (Cayman) Limited	93,824	10.00
The Master Trust Bank of Japan, Ltd. (trust account)	38,081	4.06
Trust & Custody Services Bank, Ltd. (Kawasaki Heavy Industries, Ltd. retirement benefit trust account re-entrusted by Mizuho Trust & Banking Co., Ltd.)	32,923	3.51
Japan Trustee Services Bank, Ltd. (trust account)	30,325	3.23
JFE Steel Corporation	28,174	3.00
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	22,894	2.44
CGML PB CLIENT ACCOUNT/COLLATERAL	20,049	2.13
Sompo Japan Nipponkoa Insurance Inc.	19,107	2.03
Mizuho Bank, Ltd.	18,688	1.99

(Note) Percentage of shares held is calculated excluding treasury stock (1,907,355 shares).

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

(1) Details of Directors and Audit & Supervisory Board Members (as of March 31, 2016)

Name	Position	Areas of responsibility in the Company and significant concurrent positions
Jiro Asakura	Chairman of the Board	
Eizo Murakami	Representative Director, President & CEO	CEO
Toshiyuki Suzuki	Representative Director, Senior Managing Executive Officer	Control of Containerships, Port Business, assistance to Internal Audit
Hiromichi Aoki	Representative Director, Senior Managing Executive Officer	Control of Energy Transportation Sector, Car Carrier Sector, IR & PR
Tsuyoshi Yamauchi	Representative Director, Senior Managing Executive Officer	Control of General Affairs, Legal, Corporate Legal Risk & Compliance, Human Resources, Corporate Planning, Finance, Accounting CCO
Yukio Toriyama	Director, Managing Executive Officer	In charge of Accounting, Finance
Yutaka Nakagawa	Director, Managing Executive Officer	In charge of Human Resources, Logistics, Business Promotion
Mitoji Yabunaka	Director	Adviser to Ministry of Foreign Affairs of Japan, Adviser to Nomura Research Institute, Ltd., Special Visiting Professor of Ritsumeikan University, Specially Appointed Professor of Osaka University, Outside Director of Mitsubishi Electric Corporation, Outside Director of KOMATSU LTD., Outside Director of Takasago Thermal Engineering Co., Ltd.
Eiichiro Kinoshita	Director	Supervisory Committee member of The Norinchukin Bank, Adviser to Nagoya Railroad Co., Ltd.
Keisuke Yoshida	Standing Audit & Supervisory Board Member	
Fumio Watanabe	Standing Audit & Supervisory Board Member	
Haruo Shigeta	Audit & Supervisory Board Member	Attorney-at-law, L&J LAW OFFICE, LPC
Toshikazu Hayashi	Audit & Supervisory Board Member	

(Notes) 1. Directors Mitoji Yabunaka and Eiichiro Kinoshita are Outside Directors. The Company has designated them both as independent directors based on the regulations of each of the securities exchanges on which the Company is listed, and has provided the relevant notifications to each of these exchanges.

2. Audit & Supervisory Board Members Fumio Watanabe, Haruo Shigeta and Toshikazu Hayashi are Outside Audit & Supervisory Board Members. The Company has designated Haruo Shigeta and Toshikazu Hayashi both as independent auditors based on the regulations of each of the securities exchanges on which the Company is listed, and has provided the relevant notifications to each of

these exchanges.

3. Audit & Supervisory Board Member Fumio Watanabe has considerable knowledge of financial and accounting matters based on his long years of experience engaged in financial and accounting operations in the banking sector.
4. Director Takashi Torizumi retired from his position due to the expiration of his term of office, and Audit & Supervisory Board Members Norio Tsutsumi and Jiro Noguchi resigned from their positions upon the conclusion of the Ordinary General Meeting of Shareholders held on June 24, 2015.
5. Director Mitoji Yabunaka is an Outside Director of KOMATSU LTD. The Company conducts business transactions with the sales accounting for less than 1% of the Company's consolidated net sales. In addition, Mr. Yabunaka is an Outside Director of Mitsubishi Electric Corporation and Takasago Thermal Engineering Co., Ltd., but no special interests exist between the Company and the said companies.
6. Director Eiichiro Kinoshita is a member of the Supervisory Committee of The Norinchukin Bank. Although the Company has loans from the said bank (less than 1% of the Company's consolidated total assets as of March 31, 2016), the Supervisory Committee, for which Mr. Kinoshita serves, has taken no part in credit decisions. Therefore, the Company judges that he is fully independent of the Company and there is no possibility that conflict of interest may occur between him and general shareholders. Mr. Kinoshita also serves as Advisor of Nagoya Railroad Co., Ltd., but no special interests exist between the Company and the said company.
7. Audit & Supervisory Board Member Haruo Shigeta is listed as an attorney-at-law with L&J LAW OFFICE, LPC and the Company has a business relationship with this law office. Mr. Shigeta, however, is not involved in any legal cases of the Company. Therefore, the Company judges that he is fully independent of the Company and there is no possibility that conflict of interest may occur between him and general shareholders.

(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)	10 (2)	383 (21)
Audit & Supervisory Board Members (of which, Outside Audit & Supervisory Board Members)	6 (4)	84 (49)

(Notes) 1. The above table includes remuneration for one Director who retired from his position due to the expiration of his term of office and two Audit & Supervisory Board Members who resigned from their positions upon the conclusion of the Ordinary General Meeting of Shareholders held on June 24, 2015.

2. The maximum amount of remuneration for Directors was set at no more than ¥60 million per month

by resolution of the Ordinary General Meeting of Shareholders held on June 28, 2001.

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 monthly remuneration for Directors resolved at the General Meeting of Shareholders.

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

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

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

Status of Main Activities During the Fiscal Year under Review

Name	Position	Status of main activities
Mitoji Yabunaka	Outside Director	Mr. Yabunaka attended 12 of the 14 meetings of the Board of Directors held during the current fiscal year. He made comments as appropriate, from his objective standpoint as an Outside Director, based on the abundant international experience and knowledge he has accumulated over his many years as a diplomat.
Eiichiro Kinoshita	Outside Director	Mr. Kinoshita attended all 14 of the meetings of the Board of Directors held during the current fiscal year. He made comments as appropriate, from his objective standpoint as an Outside Director, based on the abundant financial knowledge he has accumulated over his many years at financial institutions along with the experience and knowledge he has accumulated over many years as a corporate manager.
Fumio Watanabe	Outside Audit & Supervisory Board Member	Mr. Watanabe attended all 14 of the meetings of the Board of Directors and all 19 of the meetings of the Audit & Supervisory Board held during the current fiscal year. He made comments as appropriate, as a Standing Audit & Supervisory Board Member, from the perspectives of business and accounting auditing.
Haruo Shigeta	Outside Audit & Supervisory Board Member	Mr. Shigeta attended all 14 of the meetings of the Board of Directors and all 19 of the meetings of the Audit & Supervisory Board held during the current fiscal year. He made comments as appropriate from his expert perspective as a legal scholar.
Toshikazu Hayashi	Outside Audit & Supervisory Board Member	Mr. Hayashi attended all 11 of the meetings of the Board of Directors and all 12 of the meetings of the Audit & Supervisory Board held during the current fiscal year since he assumed office in June 2015. He made comments as appropriate from the expert perspective he has gained as a corporate manager.

(4) Overview of Contents of Limited Liability Contracts

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

Consolidated Financial Statements

Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2016 (A)
ASSETS	
Current assets:	
Cash and deposits	241,101
Accounts and notes receivable-trade	79,652
Raw materials and supplies	22,131
Deferred charges and prepaid expenses	41,573
Deferred income taxes	856
Short-term loans receivable	3,083
Other current assets	13,413
Allowance for doubtful receivables	(597)
Total current assets	401,214
Fixed assets:	
(Tangible assets)	
Vessels	480,257
Buildings and structures	18,571
Machinery and vehicles	9,077
Land	24,862
Construction in progress	47,238
Other tangible assets	3,544
Total tangible assets	583,552
(Intangible assets)	
Goodwill	43
Other intangible assets	4,157
Total intangible assets	4,200
(Investments and other assets)	
Investments in securities	70,896
Long-term loans receivable	18,887
Assets for retirement benefits	585
Deferred income taxes	5,152
Other assets	31,933
Allowance for doubtful receivables	(1,199)
Total investments and other assets	126,256
Total fixed assets	714,009
Total assets	1,115,223

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

Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2016 (A)
LIABILITIES	
Current liabilities:	
Accounts and notes payable-trade	99,745
Short-term loans payable and current portion of long-term loans payable	71,787
Accrued income taxes	1,804
Allowance for loss relating to the Anti-Monopoly Act	5,223
Allowance for bonuses	2,355
Allowance for directors' bonuses	231
Other current liabilities	64,475
Total current liabilities	245,623
Long-term liabilities:	
Bonds	62,565
Long-term loans payable, less current portion	346,482
Obligations under finance leases	36,981
Deferred income taxes on land revaluation	1,874
Allowance for directors' and audit and supervisory board members' retirement benefits	1,643
Accrued expenses for overhaul of vessels	12,064
Liability for retirement benefits	7,747
Derivative liabilities	11,962
Other long-term liabilities	8,365
Total long-term liabilities	489,686
Total liabilities	735,309
NET ASSETS	
Shareholders' equity:	
Common stock	75,457
Capital surplus	60,297
Retained earnings	195,863
Less treasury stock, at cost	(1,077)
Total shareholders' equity	330,541
Accumulated other comprehensive income (loss):	
Net unrealized holding gain on investments in securities	6,485
Deferred gain on hedges	4,752
Revaluation reserve for land	6,266
Translation adjustments	9,689
Retirement benefits liability adjustments	(2,359)
Total accumulated other comprehensive income (loss), net	24,834
Non-controlling interests	24,537
Total net assets	379,913
Total liabilities and net assets	1,115,223

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

Consolidated Statement of Operations

(Millions of yen)

	Year ended March 31, 2016
Marine transportation and other operating revenues	1,243,932
Marine transportation and other operating costs and expenses	1,159,989
Gross operating income	83,943
Selling, general and administrative expenses	74,515
Operating income	9,427
Non-operating income:	
Interest income	1,713
Dividend income	2,823
Equity in earnings of subsidiaries and affiliates	3,587
Other non-operating income	1,916
Total non-operating income	10,040
Non-operating expenses:	
Interest expenses	7,654
Exchange loss, net	7,369
Other non-operating expenses	1,105
Total non-operating expenses	16,129
Ordinary income	3,338
Extraordinary income:	
Gain on sales of fixed assets	10,230
Gain on sales of investments in securities	6,318
Other extraordinary income	998
Total extraordinary income	17,547
Extraordinary losses:	
Loss on devaluation of investments in securities	8,369
Loss on impairment of fixed assets	19,249
Loss on cancellation of vessel charter contracts	20,079
Provision of allowance for loss relating to the Anti-Monopoly Act	3,551
Other extraordinary losses	916
Total extraordinary losses	52,165
Loss before income taxes	(31,278)
Income taxes:	
Current	5,941
Deferred	12,869
Total income taxes	18,810
Profit (loss)	(50,089)
Profit (loss) attributable to non-controlling interests	1,410
Profit (loss) attributable to owners of the parent company	(51,499)

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

Independent Auditor’s Report

May 11, 2016

The Board of Directors
Kawasaki Kisen Kaisha, Ltd.

Ernst & Young ShinNihon LLC

Kenji Sasaki
Certified Public Accountant
Designated and Engagement Partner

Kaname Matsumoto
Certified Public Accountant
Designated and Engagement Partner

Satoshi Uchida
Certified Public Accountant
Designated and Engagement Partner

Takayuki Ueki
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, 2015 through March 31, 2016.

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, 2016 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, 2016 (A)
ASSETS	
Current assets:	
Cash and deposits	154,716
Accounts receivable-shipping	25,884
Advances paid	3,596
Supplies	16,348
Deferred charges and prepaid expenses	34,696
Accounts receivable from agencies	30,220
Deferred income taxes	1,719
Short-term loans receivable	29,637
Other current assets	9,284
Allowance for doubtful receivables	(393)
Total current assets	305,710
Fixed assets:	
(Tangible assets)	
Vessels	64,221
Buildings	3,573
Structures	124
Machinery and equipment	164
Vehicles and transportation equipment	617
Equipment and fixtures	338
Land	11,674
Construction in progress	1,264
Other tangible assets	1,026
Total tangible assets	83,006
(Intangible assets)	
Software	916
Software in progress	133
Other intangible assets	6
Total intangible assets	1,057
(Investments and other assets)	
Investments in securities	26,316
Shares of subsidiaries and affiliates	87,903
Investments in capital	1,836
Investments in capital of subsidiaries and affiliates	23,788
Long-term loans receivable	6,119
Long-term loans receivable from employees	1,091
Long-term loans receivable from subsidiaries	60,392
Long-term prepaid expenses	8,480
Prepaid pension cost	1,706
Lease investment assets	24,134
Lease and guarantee deposits	1,990
Other assets	636
Allowance for doubtful receivables	(2,996)
Total investments and other assets	241,401
Total fixed assets	325,465
Total assets	631,175

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

Non-Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2016 (A)
LIABILITIES	
Current liabilities:	
Accounts payable-shipping	87,495
Accounts payable-other business	3
Current portion of bonds	378
Short-term loans payable and current portion of long-term loans payable	58,328
Lease obligations	1,179
Accounts payable-other	21
Accrued expenses	184
Accrued income taxes	52
Advances received	19,783
Deposits received	16,388
Accounts payable to agencies	298
Allowance for loss relating to the Anti-Monopoly Act	5,223
Allowance for bonuses	535
Allowance for loss on liquidation of subsidiaries	558
Other current liabilities	3,676
Total current liabilities	194,107
Long-term liabilities:	
Bonds	62,565
Long-term loans payable, less current portion	123,773
Lease obligation, less current portion	12,013
Allowance for employees’ retirement benefits	666
Accrued expenses for overhaul of vessels	719
Deferred income taxes	3,385
Deferred income taxes on land revaluation	1,577
Other long-term liabilities	1,444
Total long-term liabilities	206,145
Total liabilities	400,253
NET ASSETS	
Shareholders’ equity:	
Common stock	75,457
Capital surplus	
Capital reserve	60,302
Total capital surplus	60,302
Retained earnings	
Legal reserve	2,540
Other retained earnings	
Reserve for advanced depreciation	526
General reserve	60,552
Retained earnings brought forward	12,112
Total retained earnings	75,730
Less treasury stock, at cost	(1,027)
Total shareholders’ equity	210,463
Valuation and translation adjustments:	
Net unrealized holding gain on investments in securities	5,195
Deferred gain on hedges	11,450
Revaluation reserve for land	3,812
Total valuation and translation adjustments	20,458
Total net assets	230,922
Total liabilities and net assets	631,175

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

Non-Consolidated Statement of Operations

(Millions of yen)

	Year ended March 31, 2016 (A)
Marine transportation revenues	
Freight	800,441
Charter hire	162,065
Other marine transportation revenue	24,037
Total marine transportation revenues	986,545
Marine transportation expenses	
Operating costs and expenses	503,861
Vessel expenses	9,450
Charter hire	398,983
Other marine transportation expenses	69,288
Total marine transportation expenses	981,584
Marine transportation income	4,960
Other business revenue	567
Other business expenses	318
Other business income	249
Gross operating income	5,209
General and administrative expenses	16,595
Operating loss	(11,386)
Non-operating income:	
Interest income	1,347
Dividend income	27,837
Other non-operating income	1,127
Total non-operating income	30,311
Non-operating expenses:	
Interest expenses	2,841
Interest on bonds	63
Exchange loss, net	3,957
Provision of allowance for doubtful receivables	70
Other non-operating expenses	1,056
Total non-operating expenses	7,988
Ordinary income	10,936
Extraordinary income:	
Gain on sales of investments in securities	6,174
Other extraordinary income	1,018
Total extraordinary income	7,192
Extraordinary losses:	
Loss on cancellation of vessel charter contracts	20,398
Loss on devaluation of investments in securities	8,367
Provision of allowance for loss relating to the Anti-Monopoly Act	3,551
Other extraordinary losses	1,508
Total extraordinary losses	33,826
Loss before income taxes	(15,696)
Income taxes:	
Current	(209)
Deferred	12,147
Total income taxes	11,938
Profit (loss)	(27,635)

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

Independent Auditor's Report

May 11, 2016

The Board of Directors
Kawasaki Kisen Kaisha, Ltd.

Ernst & Young ShinNihon LLC

Kenji Sasaki
Certified Public Accountant
Designated and Engagement Partner

Kaname Matsumoto
Certified Public Accountant
Designated and Engagement Partner

Satoshi Uchida
Certified Public Accountant
Designated and Engagement Partner

Takayuki Ueki
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 148th fiscal year from April 1, 2015 through March 31, 2016.

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 148th fiscal year ended March 31, 2016 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 148th term from April 1, 2015 to March 31, 2016, the Audit & Supervisory Board has prepared this Audit Report after deliberations based on the audit reports prepared by each Audit & Supervisory Board Member. We hereby report as follows:

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

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

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

① Each Audit & Supervisory Board Member has attended the meetings of the Board of Directors and other important meetings, received reports on the status of execution of duties from the Directors and other employees and requested explanations as necessary, examined important approval/decision documents, and investigated the status of operations and assets of the headquarters and other major offices and vessels. 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, in sub-section (10) under the heading "Matters Related to Current Conditions of the Corporate Group," the "K" Line Group has been subject to investigation by anti-trust authorities in Europe and other countries overseas. The Audit & Supervisory Board finds that the entire "K" Line Group undertakes measures to strengthen systems for compliance with anti-trust law, and fully engages in initiatives to prevent recurrence of such incidents. We will closely monitor the Group to ensure that it continues working to strengthen compliance systems while acting in total accordance with its corporate ethics.

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

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

(3) Results of Audit of Consolidated Financial Statements

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

May 13, 2016

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

Standing Audit & Supervisory Board Member	Keisuke Yoshida
Standing Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Fumio Watanabe
Outside Audit & Supervisory Board Member	Haruo Shigeta
Outside Audit & Supervisory Board Member	Toshikazu Hayashi

"K" LINE
KAWASAKI KISEN KAISHA, LTD. ®

INTERNET DISCLOSURE FOR NOTICE OF THE 148TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

The 148th term
(From April 1, 2015 to March 31, 2016)

Kawasaki Kisen Kaisha, Ltd.

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

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

Core Business (as of March 31, 2016)

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

Principal Lenders (as of March 31, 2016)

Lender	Loan balance (Millions of yen)
Mizuho Bank, Ltd.	81,374
Sumitomo Mitsui Trust Bank, Limited	62,073
Development Bank of Japan Inc.	55,169
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	29,240
Sumitomo Mitsui Banking Corporation	17,231

Matters Related to Stock Acquisition Rights

The outstanding balance of Euro-Yen Zero Coupon Convertible Bonds as of March 31, 2016 is as follows:

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

Total: ¥50.0 billion

Status of Accounting Auditor

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

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

Item	Amount
1) Amount of remunerations to be paid to Accounting Auditor by the Company	¥92 million
2) Total amount of money and other financial benefits to be paid to Accounting Auditor by the Company and its subsidiaries	¥158 million

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

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

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

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

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

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

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

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

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

System to Ensure Proper Business Operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Furthermore, the Company monitors via the Internal Audit Office, 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 Office 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 an Audit & Supervisory Board Meeting of the Group's Major Subsidiaries and a Group Companies' Audit & Supervisory Board Communication Meeting once 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 Office, 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 Company established the Corporate Governance Guidelines in December 2015 to provide for the following specific businesses and roles executed by the Board of Directors. Simultaneously, it revised the "Rules for the Board of Directors" to promote the appropriate management of the Board of Directors.

- Businesses to be conducted to enhance the Company's corporate value and augment the shareholders' common interests over the medium- to long-term, including decision of business principles and medium-term management plan, and development of the framework of corporate governance.
- Decision-making of execution of important business and monitoring of the execution status of other businesses
- Inquiries to the Nominating Advisory Committee about a proposal to appoint or dismiss officers and a successor plan for the President and CEO, etc.
- Inquiries to the Remuneration Advisory Committee about an institutional design of Officers' remunerations, level of Officers' remuneration, etc.
- Decision of the criteria for independence of Outside Directors
- Analysis and evaluation about the effectiveness of the Board of Directors as a whole based on self-evaluation performed by each Director on an annual basis

(ii) The Company held a Compliance Seminar intended for all officers and employees in November 2015 and an Insider Trading Regulations Seminar in February 2016 to raise compliance consciousness.

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

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

(v) The Company revised the "Rules for the Hotline System" in July 2015 and decided the system of a contact for the whistle-blowing system called the "Hotline System" as follows. By doing so, the Company prepared to identify and appropriately handle legal violations and other compliance issues at an early stage. In parallel with this, the Company provided e-learning for all officers and employees to make them fully aware of this system.

- Set-up of a contact for reporting to Audit & Supervisory Board Members as a new contact for reports
- Expansion of reporting methods of whistle-blower
- Clarification of cases subject to whistle-blowing to promote whistle-blowing
- Establishment of a system where all whistle-blowings are reported to the Audit & Supervisory Board Members and investigation authorities by a third party was granted to the Audit & Supervisory Board Members
- Set-up of a preliminary consultation contact with which a potential whistle-blower can consult as to whether or not the person/case is subject to whistle-blowing

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

The Company held the Crisis Management Committee in March 2016. This committee takes overall charge of crisis and risk management initiatives and promote such activities. In addition, in May 2015, the company held a large-scale accident response drill in the event of an occurrence of ship-related accidents.

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

The Board of Directors consists of 9 Directors including 2 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.

In addition, to strengthen the Company's governance structure, it changed the positioning of the Executive Officers' Meeting and the Management Conference as shown below effective from October 2015:

(i) The Executive Officers' Meeting shall be attended by Executive Officers including those who concurrently hold the office as Director and the Audit & Supervisory Board Members, and was decided to be a place where business execution including monthly income and expenditure of business execution organizations, decision-making matters, etc. should be reported and discussed. It has been held once a month in principal.

(ii) The Management Conference is attended by 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 the Audit & Supervisory Board Members. It was decided to be a consultative organ for decision making by the President and CEO, etc. on important matters, which had been a function of the Executive Officers' Meeting, in addition functioning as a place where initiatives when studying new projects and matters to be kept in mind have been heretofore ascertained. It has been held once a week in principal. This Conference enabled the Company to ensure sufficient time for discussions regarding important matters in business execution and to make decision making prompt by increasing the frequency of acquiring the President's approval.

Further, the Company made decision-making prompt by revising the Decision-Making Standards to shift part of the matters to be referred at the meeting of the Board of Directors to those to be referred at the Management Conference.

By making these efforts, the Company clarified responsibilities of the business execution system and made the system more efficient.

(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, the Company revised 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, and based on that, the Company 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 Crisis Management 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, 2016

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2015	75,457	60,312	254,922	(1,071)	389,620
Change in items during the year					
Cash dividends			(7,968)		(7,968)
Profit (loss) attributable to owners of the parent			(51,499)		(51,499)
Purchase of treasury stock				(6)	(6)
Disposal of treasury stock		(0)		0	0
Changes in ownership interests due to transactions with non-controlling interests		(13)			(13)
Reversal of revaluation reserve for land			54		54
Net change in retained earnings from changes in scope of consolidation or equity method			354		354
Net changes in items other than shareholders' equity					
Net changes during the year	–	(14)	(59,058)	(6)	(59,079)
Balance at March 31, 2016	75,457	60,297	195,863	(1,077)	330,541

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

(Millions of yen)

	Accumulated other comprehensive income (loss)						Non-controlling interests	Total net assets
	Net unrealized holding gain on investments in securities	Deferred gain on hedges	Revaluation reserve for land	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)		
Balance at April 1, 2015	14,822	8,719	6,209	22,201	(41)	51,911	25,908	467,440
Change in items during the year								
Cash dividends								(7,968)
Profit (loss) attributable to owners of the parent								(51,499)
Purchase of treasury stock								(6)
Disposal of treasury stock								0
Changes in ownership interests due to transactions with non-controlling interests								(13)
Reversal of revaluation reserve for land								54
Net change in retained earnings from changes in scope of consolidation or equity method								354
Net changes in items other than shareholders' equity	(8,337)	(3,966)	57	(12,512)	(2,318)	(27,076)	(1,370)	(28,447)
Net changes during the year	(8,337)	(3,966)	57	(12,512)	(2,318)	(27,076)	(1,370)	(87,526)
Balance at March 31, 2016	6,485	4,752	6,266	9,689	(2,359)	24,834	24,537	379,913

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

Non-Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2016

(Millions of yen)

	Shareholders' equity										
		Capital surplus		Retained earnings							
					Other retained earnings						
	Common stock	Capital reserve	Total capital surplus	Legal reserve	Reserve for special depreci-ation	Reserve for advanced depreci-ation	General reserve	Retained earnings brought forward	Total retained earnings	Treasury stock, at cost	Total share-holders' equity
Balance at April 1, 2015	75,457	60,302	60,302	2,540	185	590	60,552	47,412	111,280	(1,021)	246,019
Change in items during the year											
Cash dividends								(7,968)	(7,968)		(7,968)
Reversal of reserve for special depreciation					(185)			185	–		–
Reversal of reserve for advanced depreciation						(64)		64	–		–
Profit (loss)								(27,635)	(27,635)		(27,635)
Purchase of treasury stock										(6)	(6)
Disposal of treasury stock								(0)	(0)	0	0
Reversal of revaluation reserve for land								54	54		54
Net changes in items other than shareholders' equity											
Net changes during the year	–	–	–	–	(185)	(64)	–	(35,299)	(35,549)	(6)	(35,555)
Balance at March 31, 2016	75,457	60,302	60,302	2,540	–	526	60,552	12,112	75,730	(1,027)	210,463

(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, 2015	12,530	15,681	3,811	32,023	278,043
Change in items during the year					
Cash dividends					(7,968)
Reversal of reserve for special depreciation					–
Reversal of reserve for advanced depreciation					–
Profit (loss)					(27,635)
Purchase of treasury stock					(6)
Disposal of treasury stock					0
Reversal of revaluation reserve for land					54
Net changes in items other than shareholders' equity	(7,335)	(4,231)	1	(11,564)	(11,564)
Net changes during the year	(7,335)	(4,231)	1	(11,564)	(47,120)
Balance at March 31, 2016	5,195	11,450	3,812	20,458	230,922

(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: 316

Names and details of principal consolidated subsidiaries:

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

Nineteen companies including MES1941 SHIPPING S.A. have been included in the scope of consolidation from the current fiscal year due to the materiality of their businesses. A total of twelve companies were excluded from the scope of consolidation due to their liquidations and mergers.

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

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

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

2. Application of equity method

(1) Number of entities accounted for under the equity method: 25

Of the entities accounted for under the equity method, 9 companies are non-consolidated subsidiaries, and the principal company among them is Shibaura Kaiun Co., Ltd.

The number of affiliates is 16, and the principal company among them is Rinko Corporation.

"K" LINE (INDIA) PRIVATE LIMITED has been included in the scope of the entities accounted for under the equity method from the current fiscal year due to the materiality of their businesses. A total of 2 companies were excluded from the scope of the equity method application due to sales of shares and the merger.

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

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

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

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

3. Fiscal year of consolidated subsidiaries

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

4. Accounting standards

(1) Standards and methods of valuation of significant assets

(i) Securities

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

Other securities

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

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

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

(2) Depreciation methods of significant depreciable 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

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

(iii) Leased assets

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

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

(3) Recognition for significant reserves

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

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

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

(iv) Allowance for directors' and audit & supervisory board members' retirement benefits:

In order to prepare for retirement benefit payments to Directors and Audit & Supervisory Board Members, the amount required at the end of the fiscal year by the internal rules is recorded at certain consolidated subsidiaries.

(v) Accrued expenses for overhaul of vessels:

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

(vi) Allowance for loss relating to the Anti-Monopoly Act:

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

(4) Accounting treatment for retirement benefits

(i) Method of attributing estimated retirement benefits to periods

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

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

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

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

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

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

(6) Significant hedge accounting method

Hedging activities are accounted for under the deferral hedge method.

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

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

(7) Recognition of deferred assets

Bond issuance costs are fully recognized as expenses when incurred.

(8) Recognition of interest expenses on vessel construction loans

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

(9) Accounting treatment for consumption taxes

Consumption taxes are accounted for under the tax exclusion method.

(10) Amortization method of goodwill and amortization period

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

Notes on Changes in Accounting Policies

(“Revised Accounting Standard for Business Combinations”)

The Company adopted “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (“ASBJ”) Statement No.21 of September 13, 2013), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22 of September 13, 2013), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No.7 of September 13, 2013) and other related accounting standards from April 1, 2015. Under the revised accounting standards, the difference between the fair value of the consideration received or paid and the change in non-controlling interests in a subsidiary shall be recognized in capital surplus as long as the parent retains control over the subsidiary and the corresponding acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred. Moreover, for business combinations carried out on or after April 1, 2015, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the consolidated financial statements for the period in which the business combination occurs. The Company adopted this provisional accounting treatment for business combinations completed on or after April 1, 2015. Additionally, the presentation of profit was changed and minority interests were changed to non-controlling interests are made in the consolidated financial statements. Certain reclassifications were made to the previous year’s consolidated financial statements to reflect these changes in presentation.

These revised accounting standards are applied prospectively in accordance with Section 58-2 (4) of “Revised Accounting Standard for Business Combinations,” Section 44-5(4) of “Revised Accounting Standard for Consolidated Financial Statements” and Section 57-4(4) of “Revised Accounting Standard for Business Divestitures.”

The effect of these changes on the Company’s consolidated operating results and financial position as of and for the year ended March 31, 2016 was immaterial.

Additional Information

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

The "Act for Partial Revision of the Income Tax Act, etc." (Act No. 15 of 2016) and the "Act for Partial Revision of the Local Tax Act, etc." (Act No. 13 of 2016) were enacted during the Japanese Diet session on March 29, 2016. As a result, the effective statutory tax rate used to measure the Company and its domestic consolidated subsidiaries' deferred tax assets and liabilities was changed from mainly 29.7 per. cent to mainly 28.7 per. cent for the temporary differences expected to be realized or settled in the period from April 1, 2016 to March 31, 2018 and to mainly 28.5 per. cent for the temporary differences expected to be realized or settled on April 1, 2018 or thereafter, respectively.

As a result of the above changes, the amount of deferred tax assets (after deducting deferred tax liabilities) decreased by ¥99 million, and income taxes-deferred increased by ¥239 million as of March 31, 2016 and for the year then ended.

Additionally, deferred tax liabilities on land revaluation decreased by ¥58 million, and the amount of revaluation reserve for land increased by the same amount as of March 31, 2016.

The deductible amount of tax loss carried forward will be also limited to 60 per cent. of taxable income before deductions of tax loss carried forward effective for fiscal years beginning on or after April 1, 2016, limited to 55 per cent. of taxable income before deductions of tax loss carried forward effective for fiscal years beginning on or after April 1, 2017 and limited to 50 per cent. of taxable income before deductions of tax loss carried forward effective for fiscal years beginning on or after April 1, 2018. The effect of these changes on deferred tax assets and income taxes-deferred was immaterial for the current fiscal year.

(Application of consolidated taxation system)

The Company and certain domestic consolidated subsidiaries adopted the consolidated taxation system, specifying the Company as a parent company for consolidated tax payments.

Notes on Changes in Presentation

(Consolidated balance sheet)

(1) "Marketable securities," which were recorded separately in the previous fiscal year (nil as of March 31, 2015), are included in "Other current assets" from the current fiscal year due to their immateriality.

(Consolidated statement of operations)

(1) "Gain on sales of shares of subsidiaries," which was recorded separately in the previous fiscal year (¥10,759 million for the fiscal year ended March 31, 2015), is included in "Other extraordinary income" from the current fiscal year due to a decrease in materiality.

(2) "Loss relating to the Anti-Monopoly Act," which was recorded separately in the previous fiscal year (¥7,023 million for the fiscal year ended March 31, 2015), is included in "Other extraordinary losses" from the current fiscal year due to a decrease in materiality.

(3) "Loss on devaluation of investments in securities," which was included in "Other extraordinary losses" in the previous fiscal year (¥7 million for the fiscal year ended March 31, 2015), is presented

separately from the current fiscal year due to an increase in materiality.

Notes to Consolidated Balance Sheet

1. Assets pledged as collateral and secured liabilities

Assets pledged as collateral (Millions of yen)

Asset category	
Vessels	330,422
Buildings and structures	3,580
Land	1,688
Investments in securities	11,372
Other	171
Total	347,235

The amount of ¥11,372 million for investments in securities in the table above was pledged as collateral to procure funds for vessel equipment at affiliates and others. As a result, there were no corresponding secured liabilities as of March 31, 2016.

In addition, ¥3,833 million out of the amount of ¥330,422 million for vessels in the table above was pledged as collateral for entrusted guarantees.

Secured liabilities (Millions of yen)

Liability category	
Short-term loans payable and current portion of long-term loan payables	29,956
Long-term loans payable, less current portion	233,942
Total	263,899

2. Accumulated depreciation of assets (Millions of yen)

Accumulated depreciation of tangible assets	405,571

3. Guarantee obligations (Millions of yen)

Guarantees	12,708
Additional funding obligation, etc.	2,920

4. Land revaluation

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

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

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

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

Revaluation date	March 31, 2002
The difference between the fair value and revalued book value of the revalued land at March 31, 2016 (amount corresponding to the Company’s equity)	(2,674) million yen

Notes to Consolidated Statement of Changes in Net Assets

1. Class and number of shares issued as of March 31, 2016

    Common stock 939,382,298 shares

2. Matters related to dividends

(1) Amount of dividends distributed

Resolution	Class of shares	Total dividend amount (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 24, 2015	Common stock	5,624	6.0	March 31, 2015	June 25, 2015
Board of Directors Meeting held on October 30, 2015	Common stock	2,343	2.5	September 30, 2015	November 30, 2015
Total		7,968			

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

Resolutions are planned as follows.

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

3. Class and number of shares to be delivered upon exercise of subscription rights to shares outstanding at March 31, 2016 (excluding those for which the exercise period has not arrived).

    Common stock 162,284,972 shares

Notes on Financial Instruments

1. Conditions of financial instruments

   The "K" Line 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 and the issuance of commercial papers. The Group utilizes derivatives only for hedging the below-mentioned risks, and does not utilize them for speculation.

   Of the capital expenditure funds 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 fluctuation risk of interest to be paid, but these risks are hedged by such means as interest rate swap contracts. In addition, foreign exchange fluctuation risks on future foreign currency-denominated debts are hedged by currency swap contracts.

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

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

   The following table presents the Company's financial instruments on the consolidated balance sheets, their fair values and the differences as of March 31, 2016.

(Millions of yen)

	Carrying value (*)	Estimated fair value (*)	Difference
(1) Cash and deposits	241,101	241,101	–
(2) Accounts and notes receivable-trade	79,652	79,652	–
(3) Marketable securities and investments in securities			
(i) Held-to-maturity debt securities	3	3	0
(ii) Other securities	22,495	22,495	–
(iii) Shares of subsidiaries and affiliates	3,826	1,022	(2,804)
(4) Accounts and notes payable-trade	[99,745]	[99,745]	–
(5) Short-term loans payable and current portion of long-term loans payable	[71,787]	[72,104]	(316)
(6) Bonds	[62,565]	[60,969]	1,595
(7) Long-term loans payable, less current portion	[346,482]	[348,136]	(1,654)
(8) Derivative transactions	[8,797]	[9,025]	(228)

(*) 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 payable and current portion of long-term loans payable

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 payable, which are included in the total amount in "(5) Short-term loans payable and current portion of long-term loans payable," are calculated using the method shown in "(7) Long-term loans payable, less current portion" below.

(3) Marketable securities and investments in securities

The fair value of debt securities equals reference statistical prices provided by the Japan Securities Dealers Association or has been provided by financial institutions with which the Company has business relationships. The fair value of equity securities equals quoted market price.

(6) Bonds

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

(7) Long-term loans payable, less current portion

The fair value of long-term loans payable, 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 in net amounts. The fair value of derivative transactions is based on the price provided by counter party financial institutions.

Note 2: Regarding non-listed stocks (the consolidated balance sheet amount: ¥44,570 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	379.18 yen
Basic earnings (loss) per share	(54.95) yen

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

Amount of net assets on consolidated balance sheets	379,913 million yen
Net assets attributable to common stock	355,375 million yen
Number of shares of common stock issued and outstanding at the year end	939,382 thousand shares
Number of shares of common stock held as treasury stock at the year end	2,162 thousand shares
Profit (loss) attributable to owners of the parent in consolidated statement of operations	(51,499) million yen
Amount not attributable to shareholders of common stock	–
Profit (loss) attributable to owners of the parent attributable to common stock	(51,499) million yen
Average number of outstanding shares of common stock	937,232 thousand shares

Significant Subsequent Events

No items to be reported.

Notes to Non-consolidated Financial Statements

Notes on Important Accounting Policies

1. Standards and methods of valuation of assets

(1) Securities

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

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

(iii) Other securities

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

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

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

2. Depreciation 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.

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

(3) Leased assets

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

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

3. Recognition of reserves

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

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

(3) Allowance for employees' retirement benefits:

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

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

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

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

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

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

(6) Allowance for loss on liquidation of subsidiaries:

In order to prepare for future expenses mainly arising from the liquidation of subsidiaries, an estimated amount is recorded.

4. Recognition of marine transportation revenues and marine transportation expenses

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

5. Hedge accounting method

Hedging activities are accounted for under the deferral hedge method.

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

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

6. Recognition of deferred assets
   Bond issuance costs are charged to income as incurred.

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

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

9. Accounting treatment for consumption taxes
   Consumption taxes are accounted for under the tax exclusion method.

Notes on Changes in Accounting Policies

("Revised Accounting Standard for Business Combinations")
The Company adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21 of September 13, 2013), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7 of September 13, 2013) and other related accounting standards from April 1, 2015. Under the revised accounting standards, the acquisition-related costs in a business combination shall be accounted for as expenses in the periods in which the costs are incurred. Moreover, for business combinations carried out on or after April 1, 2015, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the financial statements for the period in which the business combination occurs. The Company adopted this provisional accounting treatment for business combinations completed on or after April 1, 2015.
These revised accounting standards are applied prospectively in accordance with Section 58-2 (4) of "Revised Accounting Standard for Business Combinations" and Section 57-4 (4) of "Revised Accounting Standard for Business Divestitures."

There was no impact on the Company's non-consolidated operating results and financial position as of and for the year ended March 31, 2016 as a result of these changes.

Additional Information

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

The "Act for Partial Revision of the Income Tax Act, etc." (Act No. 15 of 2016) and the "Act for Partial Revision of the Local Tax Act, etc." (Act No. 13 of 2016) were enacted during the Japanese Diet session on March 29, 2016. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 29.7 per cent. to 28.7 per cent. for the temporary differences expected to be realized or settled in the period from April 1, 2016 to March 31, 2018 and to mainly 28.5 per cent. for the temporary differences expected to be realized or settled on April 1, 2018 or thereafter.

As a result of the above changes, deferred tax assets (after deducting deferred tax liabilities) decreased by ¥73 million, and income taxes-deferred increased by ¥154 million as of March 31, 2016 and for the year then ended.

Additionally, deferred tax liabilities on land revaluation decreased by ¥55 million, and revaluation reserve for land increased by the same amount as of March 31, 2016.

(Application of consolidated taxation system)

The Company adopts the consolidated taxation system, specifying the Company as a parent company for consolidated tax payments.

Notes on Changes in Presentation

(Non-consolidated balance sheet)

(1) "Long-term loans receivable from subsidiaries and affiliates" (¥52,378 million as of March 31, 2015) and "Long-term loans receivable from employees" (¥1,207 million as of March 31, 2015), which were included in "Long-term loans receivable" (¥60,339 million as of March 31, 2015), are presented separately from the current fiscal year to enhance the clarity of the disclosure.

(Non-consolidated statement of operations)

(1) "Gain on sales of fixed assets," which was recorded separately in the previous fiscal year (nil for the fiscal year ended March 31, 2015), is included in "Other extraordinary income" from the current fiscal year due to its immateriality.

(2) "Loss on devaluation of investments in securities," which was included in "Other extraordinary losses" in the previous fiscal year (¥10 million for the fiscal year ended March 31, 2015), is presented separately from the current fiscal year due to an increase in materiality.

(3) "Loss relating to the Anti-Monopoly Act," which was recorded separately in the previous fiscal year (¥7,023 million for the fiscal year ended March 31, 2015), is included in "Other extraordinary losses" from the current fiscal year due to a decrease in materiality.

Notes to Non-consolidated Balance Sheet

1. Assets pledged as collateral and secured liabilities

Assets pledged as collateral (Millions of yen)

Asset category	
Vessels	31,971
Investments in securities	5,735
Shares of subsidiaries and affiliates	13,177
Total	50,884

The amounts of ¥5,735 million for investments in securities and ¥13,177 million for shares of subsidiaries and affiliates in the table above were pledged as collateral to procure funds for vessel equipment at affiliates and others. As a result, there were no corresponding liabilities as of March 31, 2016.

In addition, ¥3,833 million out of the amount of ¥31,971 million for vessels in the table above was pledged as collateral on the basis of a guarantee consignment.

Liabilities related to collateral (Millions of yen)

Liability category	
Short-term loans payable and current portion of long-term loans payable	2,560
Long-term loans payable, less current portion	22,205
Total	24,766

2. Accumulated depreciation of assets (Millions of yen)

Accumulated depreciation of tangible assets	96,488

3. Guarantee obligations (Millions of yen)

Guarantees	66,948
Commitment for future guarantee, etc.	111,033

(These guarantee obligations include ¥29,398 million of guarantees and ¥99,617 million of commitment to guarantee for borrowing of equipment funds for vessels time-chartered by the Company from its subsidiaries that own vessels.)

Aditional funding obligation, etc.	7,856

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

Revaluation date	March 31, 2002
The difference between the fair value and revalued book value of the revalued land at March 31, 2016	(530) million yen

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

	(Millions of yen)
Short-term monetary receivables	59,764
Long-term monetary receivables	84,540
Short-term monetary payables	35,874
Long-term monetary payables	3,195

Notes to Non-consolidated Statement of Operations

Amount of transactions with subsidiaries and affiliates

		(Millions of yen)
Transaction amount-trading	Operating revenues	20,811
	Operating expenses	234,352
Transaction amount-non-trading		33,195

Notes to Non-consolidated Statement of Changes in Net Assets

Class and number of treasury stock as of March 31, 2016	
Common stock	1,907,355 shares

Notes on Tax Effect Accounting

Significant components of deferred tax assets and deferred tax liabilities

	(Millions of yen)
Deferred tax assets	
Allowance for doubtful receivables	915
Allowance for bonuses	153
Accrued expenses for overhaul of vessels	173
Loss on devaluation of investments in securities	1,572
Allowance for employees' retirement benefits	190
Loss on impairment of fixed assets	595
Loss on cancellation of vessel charter contracts	5,871
Accounts payable-shipping, voluntary non-deduction	1,847
Allowance for loss relating to the Anti-Monopoly Act	1,019
Deferred assets for tax purposes	2,907
Tax loss carried forward	26,194
Direct tax credit carried forward	2,181
Other	321
Subtotal	43,944
Valuation allowance	(36,702)
Total deferred tax assets	7,241
Deferred tax liabilities	
Reserve for advanced depreciation	(210)
Tax on retained surplus	(1,299)
Deferred gain on hedges	(4,559)
Net unrealized holding gain on investments in securities	(2,070)
Other	(768)
Total deferred tax liabilities	(8,908)
Net amount of deferred tax liabilities	(1,666)

Notes on Fixed Assets Used by the Company under Lease Transactions

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

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

	(Millions of yen)
Future lease payments	
Amount due within one year	11,529
Amount due after one year	55,405
Total	66,934

Notes on Transactions with Related Parties

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

2. Subsidiaries and affiliates, etc.
   The description of this matter has been omitted since transactions with subsidiaries and affiliates, etc. are determined on the same business terms as the terms of general transactions.

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

Notes on Per Share Information

Net assets per share	246.32 yen
Basic earnings (loss) per share	(29.48) yen

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

Amount of net assets on balance sheets	230,922 million yen
Net assets attributable to common stock	230,922 million yen
Number of shares of common stock issued and outstanding at the year end	939,382 thousand shares
Number of shares of common stock held as treasury stock at the year end	1,907 thousand shares
Loss in statement of operations	(27,635) million yen
Amount not attributable to shareholders of common stock	–
Loss attributable to common stock	(27,635) million yen
Average number of outstanding shares of common stock	937,488 thousand shares

Significant Subsequent Events

No items to be reported.