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BUSINESS REPORT

The 147th term

(from April 1, 2014 to March 31, 2015)

Kawasaki Kisen Kaisha, Ltd.

Dear shareholders,

First of all, I would like to express my sincere gratitude to you, our shareholders, for your continued support. My name is Eizo Murakami, and I am honored to have assumed my new role as President and CEO of Kawasaki Kisen Kaisha, Ltd. (“K” Line) on April 1, 2015. 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.

The year FY2014 (April 1, 2014 to March 31, 2015) was the final year of our three-year medium-term management plan, “K” LINE Vision 100 - Bridge to the Future - announced in April 2012. We are proud to have accomplished our targets in major items set forth in the management plan.

Looking back at the year FY2014, the overall global economy experienced a modest recovery supported by the steady recovery of the U.S. economy, although the economic outlook has become increasingly uncertain due to negative factors such as the impact of slowing economies in resource-rich countries caused by a drop in crude oil prices, concerns over stagnant economic growth in the euro zone, and the slowing down of China’s economy. Under such circumstances, the “K” Line Group achieved, despite the stagnation in the dry bulk sector, increases in revenues and income, reflecting factors such as a recovery in freight rates mainly of the North America route in the containership sector, the weakening Japanese yen, a drop in fuel oil prices since last summer, as well as our cost-cutting efforts by promoting slow steaming and improving the efficiency of vessel operations. Accordingly, we determined to propose a year-end dividend of ¥6 per share (an annual dividend will be ¥8.5 inclusive of interim dividend, an increase of ¥4 year-on-year) at our general meeting of shareholders, aiming to achieve the target of dividend payout ratio at 30% on a consolidated basis set forth in the medium-term management plan, “K” LINE Vision 100 - Bridge to the Future -.

From April this year, we will advance a new five-year medium-term management plan towards FY2019, the year marking the 100th Anniversary of the “K” Line Group, which we have announced in this March. The first two years of this plan will be a period focusing on reinforcing financial standing and the establishment of a stable earnings structure, while the last three years of the plan will be dedicated to strategic investments in growing areas.

The economic outlook in FY2015 is mixed with the anticipation of a continuous recovery in the U.S. economy and concerns over slowing economies in Europe, China and resource-rich countries. Nevertheless, under the new medium-term management plan “Value for our Next Century,” we will continue our concerted efforts to improve our corporate value with an emphasis on balancing stability and growth, thereby providing stable dividends and returning profits of the portion exceeding a certain level for all of our shareholders. We project total annual dividends amounting to ¥5 per share in FY2015.

I look forward to your ongoing support in the fiscal year ahead.

June 2015

Eizo Murakami

Representative Director, President & CEO

(Attachment)

Business Report

(From April 1, 2014 to March 31, 2015)

1. Matters Related to Current Conditions of the Corporate Group

(1) Business Progress and Results

[General Conditions]

During the current fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015), the global economy continued along a gradual recovery trend overall, with a continued economic recovery in the U.S., despite concerns over Ukrainian issues as well as the political situation in southern Europe. In emerging countries, China saw slowing economic growth, while India saw continued recovery. The Japanese economy was on a recovery trend, although there were temporary falls in capital expenditure and consumer spending due to the consumption tax hike in April 2014.

In foreign exchange rate trends (yen/U.S. dollar), the yen's appreciation was corrected to the ¥120 per dollar level in expectation of an interest rate hike in the U.S. The downward trend in crude oil prices has grown stronger since summer of 2014, and the WTI crude oil price fell to US$40/barrel level after the Organization of the Petroleum Exporting Countries (OPEC) decided at its regular meeting in November 2014 to leave production targets unchanged, and recovered to around US$50/barrel thereafter.

In the business environment for the shipping industry, the continued market slump in the dry bulk business sector and the declining trend in the export volume of finished vehicles from Japan in the car carrier business sector were negative factors. However, the market recovered further in the oil tanker business sector due to improvement in the tonnage supply-demand balance, as well as in the containership business sector where freight rates recovered on East-West services, particularly in Asia-North America, atop steady cargo volumes.

As a result, operating revenues for the current fiscal year were ¥1,352.421 billion (up ¥128.295 billion year on year), operating income was ¥47.988 billion (up ¥19.134 billion year on year), ordinary income was ¥48.980 billion (up ¥16.525 billion year on year), and net income was ¥26.818 billion (up ¥10.175 billion year on year).

The average foreign exchange rate in the current fiscal year was ¥109.19/US$ (yen depreciation of ¥9.44/US$ compared to the previous fiscal year) and the average fuel oil price was US$540.51/MT* (down by US$85.21/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	677.4	(an increase of 16.3% over a year ago)
Ordinary income	20.6	(a loss of ¥0.1 billion in the previous fiscal year)
Operating revenue composition ratio to total operating revenues	50.1%	

[Containership Business]

During the current fiscal year, the "K" Line Group (hereinafter "the Group")'s cargo volume loaded increased by approximately 4% year on year, supported by steady cargo movements. Cargo volumes were up approximately 6% year on year on the Asia-North America service, approximately 8% on the Asia-Europe service, and approximately 3% on the Intra-Asia service, but declined by approximately 6% on the North-South service. Freight rates remained stable, mainly on the Asia-North America service, and with the effect of falling fuel oil prices, the Group recorded a year-on-year increase in revenues for the current fiscal year, and income went into the black.

[Logistics Business]

In the logistics business, comprised of air freight, inland transportation, and warehousing services, the Group performed steadily both in domestic and international logistics, particularly in Asia. As for the air freight services, the handling volume of export cargoes from Japan marked a significant increase year on year, mainly on the North America service. Overall, the Group recorded year-on-year increases in both revenues and income for the current fiscal year in the logistics business.

Bulk Shipping Business Segment (Billions of yen)

Operating revenues	600.7	(an increase of 4.9% over a year ago)
Ordinary income	36.5	(a decrease of 11.5% over a year ago)
Operating revenue composition ratio to total operating revenues	44.4%	

[Dry Bulk Business]

In the large-(Cape-size) vessel sector, despite an upturn trend of freight rates seen briefly in October 2014, the market fell sharply in December and has remained at a historically low level in the absence of improvements in the fundamentals of supply-demand balance. The market for medium-sized (Panamax) vessels continued to stagnate due to a persistent oversupply of vessels partly reflecting a drop in the volume of coal transported to China. In the small vessel sector, the market remained at a low level as upward pressure on freight rates was limited despite brisk cargo volumes of coal transportation to India and steel products transportation to China, as well as an increase in grain transportation.

Despite the Group's efforts in reducing exposure to these market fluctuations by minimizing the fleet size of contractually uncommitted vessels, the Group recorded higher revenues but lower income in the dry bulk business for the current fiscal year compared with the previous fiscal year.

[Car Carrier Business]

During the current fiscal year, the total volume of finished vehicles shipped by the Group declined by approximately 3% year on year. Cargo volumes were steady from Europe and North America to the Far East, and within the Atlantic Basin; however, there was a declining trend in cargo volumes from Japan.

Despite the Group's continued efforts towards efficient allocation and operation of vessels, the Group recorded higher revenues but lower income for the current fiscal year compared with the previous fiscal year.

[LNG Carrier Business and Tanker Business]

LNG carriers, large crude tankers (VLCCs), and LPG carriers performed steadily on medium- and long-term charter contracts. In addition, the oil tanker business in general saw profitability improve as freight rates broke from a prolonged slump. The LNG carrier business and tanker business in aggregate reported year-on-year increases both revenues and income for the current fiscal year.

[Short Sea and Coastal Business]

The volume of cargos transported in the short sea business was the same level year on year. On the other hand, in the coastal business, tramper ships performed steadily and liner ships' cargo volumes increased due to aggressive sales activities through the promotion of newly-built large vessel deployed in Tomakomai-Hitachinaka service. However, in ferry services, transport volume fell sharply year on year due to fall back from a rush in demand ahead of the consumption tax hike in April 2014.

As a result, the Group posted year-on-year increases in both revenues and income in the short sea and coastal business as a whole for the current fiscal year.

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

Operating revenues	35.3	(an increase of 7.6% over a year ago)
Ordinary income (loss)	(5.7)	(a loss of ¥4.5 billion in the previous fiscal year)
Operating revenue composition ratio to total operating revenues		2.6%

[Offshore Energy E&P Support Business]

In the offshore support business, all vessels were in steady operation but sharp decline in crude oil prices and other factors caused softening of the market condition from autumn 2014 onwards. The drill ship was deployed stably, contributing to stable long-term earnings.

Overall, the offshore energy E&P support business recorded a loss, owing to a lower revenue year on year, and the impact of foreign-currency denominated debt valuation at a foreign subsidiary.

[Heavy Lifter Business]

In the large-size vessels sector, the Group steadily acquired contracts for highly profitable offshore operations and cargo transport services. The medium-sized and small-sized vessel sector saw recovery in the market for semi-liner services. As a result, the heavy lifter business saw a year-on-year increase in revenues, and a significant decrease in ordinary losses.

Other Business (Billions of yen)

Operating revenues	39.0	(an increase of 7.6% over a year ago)
Ordinary income	3.0	(an increase of 14.7% over a year ago)
Operating revenue composition ratio to total operating revenues		2.9%

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 increase in both revenues and income.

(2) Financial Position and Results of Operation

Item	FY2011	FY2012	FY2013	FY2014 (current fiscal year)
Operating revenues (Millions of yen)	972,310	1,134,771	1,224,126	1,352,421
Ordinary income (loss) (Millions of yen)	(48,955)	28,589	32,454	48,980
Net income (loss) (Millions of yen)	(41,351)	10,669	16,642	26,818
Net income (loss) per share of common stock (Yen)	(54.14)	12.07	17.75	28.60
Total assets (Millions of yen)	1,066,648	1,180,433	1,254,741	1,223,328
Net assets (Millions of yen)	259,934	361,975	410,688	467,440
Net assets per share of common stock (Yen)	317.59	363.18	414.66	471.10

(Note) Overviews of FY2011 to FY2014 are as follows.

FY2011: We posted negative earnings and significantly worse year-on-year results. This was partially attributable to a sluggish global economy due to factors that included the Great East Japan Earthquake in Japan, fiscal instability in Europe and the U.S., and slowing economic growth among emerging economies. In addition, we faced a deteriorating operating environment as the yen remained exceedingly strong, fuel oil prices persisted at high levels, and a large volume of new tonnage was completed.

FY2012: Our posting of a net 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: The overview for FY2014 is as provided in subsection "(1) Business Progress and Results," pages 3 to 6.

(3) Capital Investment

Over the current fiscal year, the “K” Line Group made overall capital investments of ¥89.501 billion.

The Containership Business, Bulk Shipping Business, and Offshore Energy E&P Support and Heavy Lifter Business segments made capital investments of ¥17.648 billion, ¥70.917 billion, and ¥0.099 billion, respectively, with such outlays primarily centered on ship construction.

In addition to the amounts noted above, the ship management services, travel agency services, real estate rental and administration services, and other businesses made capital investments amounting to ¥0.835 billion.

Meanwhile, sales of fixed assets amounted to ¥69.024 billion, mainly attributable to vessel disposals.

(4) Capital Procurement

We did not procure any material amounts of funds during the current fiscal year.

(5) Issues to Address

In March 2015, the Group drew up a new medium-term management plan, “Value for our Next Century” with the following three core themes, which are detailed below.

(i) Stability by Improving Financial Strength

While the Group expects to see growth in logistics demand in line with a gradual recovery in the global economy, the business environment is expected to remain volatile in marine transportation, which is the Group’s core business domain, due to instability in the supply-demand balance caused by tonnage supply pressure. For this reason, the Group’s first step is to ensure stability by further strengthening its financial structure. Specific targets have been drawn up as follows.

- Achieving equity ratio of 40% in FY2017, and continuing to reduce interest-bearing debt
- Thereafter, maintaining the free cash flow in the black, equity ratio of 40%, and DER of 80% to keep stability

(ii) Further Business Growth Based on Financial Soundness

The Group sees stable growth in logistics demand driven mainly by population growth in emerging countries, and growth in global energy demand are sources of growth opportunities. By making strategic investments to develop new businesses in growing sectors and enhancing the system that brings stable business profits with increased resilience in volatile markets, the Group aims to create a business portfolio with reduced risk, and to conduct business management with an emphasis on balancing stability and growth.

Specifically, in its strategic investments over the five years starting in fiscal 2015, the Group plans to invest a total of ¥120 billion in initiatives such as expanding the LNG and LPG carrier businesses, where growth is expected; expanding the offshore energy E&P support business; taking in logistics business in Asia and other regions, including terminal operating business; together with expansion of businesses of Cape-size vessels and thermal coal carrier entailing mid- to long-term contracts where the Group has an advantageous position. In addition, in efforts to enhance its system to bring stable business profits with higher resiliency against the market volatility, the Group plans to invest ¥170 billion in upgrading of its fleet to a highly competitive one, including 10 large containerships of 14,000TEU, 10 large car carriers of 7,500-unit capacity, and replacement of dry bulk carriers with energy efficient models.

(iii) Dialogues and Collaboration with Stakeholders

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

・ 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" toward 2050. 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 grow consistently and raise 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.

・ Returning profits to shareholders based on a stable dividend policy

Under the medium-term management plan "Value for our Next Century," the Group is targeting ROE of 10% or more for FY2019, aiming to achieve a balance between stability and growth, while paying stable dividends and sharing profit exceeding designated level, based on total return ratio.

(6) Status of Principal Subsidiaries (as of March 31, 2015)

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 TRANSPORTAION 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	717.56 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. The Company’s ownership of INTERNATIONAL TRANSPORTATION SERVICE, INC. decreased from 100% to 70% as the Company sold a portion of the shares of the company in August 2014.

(7) Core Business (as of March 31, 2015)

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

(8) Main Locations (as of March 31, 2015)

(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 TRANSPORTAION 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, 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, etc.

(9) Status of Employees (as of March 31, 2015)

Name of segment	Containership	Bulk Shipping	Offshore Energy E&P Support and Heavy Lifter	Other	Corporate (common)	Total
Number of employees	5,427	637	226	1,232	312	7,834
As of previous fiscal year end	5,367	617	243	1,168	308	7,703
Change from previous fiscal year end	60	20	(17)	64	4	131

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

(10) Principal Lenders (as of March 31, 2015)

Lender	Loan balance (Millions of yen)
Mizuho Bank, Ltd.	90,948
Sumitomo Mitsui Trust Bank, Limited	67,667
Development Bank of Japan Inc.	62,857
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	33,210
Mitsubishi UFJ Trust and Banking Corporation	25,155

(11) Status of Vessels (as of March 31, 2015)

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	9	70	35	30	21	7	14	186
Deadweight tons	603,246	7,878,109	521,979	3,025,076	233,690	32,481	147,736	12,442,317
Chartered								
Number of vessels	71	191	67	14	28	0	3	374
Deadweight tons	4,239,400	21,669,926	1,024,818	1,797,531	363,724	0	39,226	29,134,625
Total								
Number of vessels	80	261	102	44	49	7	17	560
Deadweight tons	4,842,646	29,548,035	1,546,797	4,822,607	597,414	32,481	186,962	41,576,942

(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.

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

The Group has been investigated by the competition authorities in Japan, the United States, Europe and certain other countries in relation to alleged anti-competitive behaviour (alleged formation of a cartel) relating to the transportation of automobiles, automotive construction machineries and other automotive vehicles, and "K" Line entered into a plea agreement with the United States Department of Justice, agreeing to pay a fine of USD $67.7 million in connection with this in September 2014. 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, with the exception of the completed investigations in Japan and the United States. 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 unfavourable 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, 2015)

(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: 40,164

(4) Major Shareholders (top 10)

Name of shareholders	Number of shares held (Thousands)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (trust account)	56,463	6.02
Japan Trustee Services Bank, Ltd. (trust account)	47,807	5.09
NORTHERN TRUST CO.(AVFC)RE 15PCT TREATY ACCOUNT	39,054	4.16
MSCO CUSTOMER SECURITIES	35,394	3.77
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
JFE Steel Corporation	28,174	3.00
Sompo Japan Nipponkoa Insurance Inc.	19,107	2.03
Mizuho Bank, Ltd.	18,688	1.99
Japan Trustee Services Bank, Ltd. (trust account 9)	15,597	1.66
Tokio Marine & Nichido Fire Insurance Co., Ltd.	14,010	1.49

(Note) Percentage of shares held is calculated excluding treasury stock (1,882,895 shares).

3. Matters Related to Stock Acquisition Rights

The outstanding balance of Euro-Yen Zero Coupon Convertible Bonds as of March 31, 2015 is as follows:

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

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

(1) Details of Directors and Audit & Supervisory Board Members (as of March 31, 2015)

Name	Position	Areas of responsibility in the Company and significant concurrent positions
Jiro Asakura	Representative Director, President & CEO	CEO President of THE JAPANESE SHIPOWNERS' ASSOCIATION
Eizo Murakami	Representative Director, Vice President Executive Officer	Assistant to President & CEO, Control of Marine Sector, Technical and Environmental Affairs, Fuel Cost Control
Takashi Torizumi	Representative Director, Senior Managing Executive Officer	Control of General Affairs, Legal, Human Resources, Accounting, CSR & Compliance
Toshiyuki Suzuki	Director, Senior Managing Executive Officer	Control of Containership Sector, in charge of Port Business
Hiromichi Aoki	Director, Senior Managing Executive Officer	Control of Energy Transportation Sector, Car Carrier Sector, IR & PR
Tsuyoshi Yamauchi	Director, Senior Managing Executive Officer	Control of Finance, Corporate Planning, Corporate Legal Risk Management, Logistics, Business Promotion
Yukio Toriyama	Director, Managing Executive Officer	In charge of Accounting, Finance, assistance to Internal Audit
Yutaka Nakagawa	Director, 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.

Name	Position	Areas of responsibility in the Company and significant concurrent positions
Eiichiro Kinoshita	Director	Outside Audit & Supervisory Board Member of Tokai Tokyo Financial Holdings, Inc., Supervisory Committee member of The Norinchukin Bank, Adviser to Nagoya Railroad Co., Ltd.
Norio Tsutsumi	Standing Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member of KAWASAKI KINKAI KISEN KAISHA, LTD.
Fumio Watanabe	Standing Audit & Supervisory Board Member	
Haruo Shigeta	Audit & Supervisory Board Member	Attorney-at-law, L&J LAW OFFICE, LPC
Jiro Noguchi	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 Jiro Noguchi are Outside Audit & Supervisory Board Members. The Company has designated Haruo Shigeta as an independent auditor 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. Directors Takashi Saeki, Keisuke Yoshida, Masami Sasaki, and Shunichi Arisaka retired from their positions upon the conclusion of the Ordinary General Meeting of Shareholders held on June 25, 2014, due to expiration of their terms of office.
5. 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, 2015), 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.
6. 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) Amount of Directors' and Audit & Supervisory Board Members' Remuneration

Category	Number of Persons	Amount (Millions of yen)
Directors (of which, Outside Directors)	14 (2)	391 (21)
Audit & Supervisory Board Members (of which, Outside Audit & Supervisory Board Members)	4 (3)	82 (48)

(Notes) 1. The above table includes remuneration for four Directors who retired from their positions upon the conclusion of the Ordinary General Meeting of Shareholders held on June 25, 2014, due to expiration of his term of office.

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.

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

(i) 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 15 meetings of the Board of Directors held during the current fiscal year. He made comments as appropriate, from his objective standpoint as an Outside Director, based on the abundant international experience and knowledge he has accumulated over his many years as a diplomat.
Eiichiro Kinoshita	Outside Director	Mr. Kinoshita attended 14 of the 15 meetings of the Board of Directors held during the current fiscal year. He made comments as appropriate, from his objective standpoint as an Outside Director, based on the abundant 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 15 of the meetings of the Board of Directors and all 17 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 15 of the meetings of the Board of Directors and all 17 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.
Jiro Noguchi	Outside Audit & Supervisory Board Member	Mr. Noguchi attended all 15 of the meetings of the Board of Directors and all 17 of the meetings of the Audit & Supervisory Board held during the current fiscal year. He made comments as appropriate from the expert perspective he has gained as a corporate manager.

(ii) Overview of Contents of Liability-Limiting Agreements

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company and its Outside Directors and Audit & Supervisory Board Members have concluded liability-limiting agreements as prescribed in Article 423, Paragraph 1 of the said Act. 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.

5. Status of Accounting Auditor

(1) Name of Accounting Auditor

Ernst & Young ShinNihon LLC

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

Item	Amount
1) Amount of remunerations to be paid to Accounting Auditor by the Company	¥90 million
2) Total amount of money and other financial benefits to be paid to Accounting Auditor by the Company and its subsidiaries	¥153 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) Details of Non-audit Services (Services Other than Those of Article 2, Paragraph 1 of the Certified Public Accountants Act) Performed by Accounting Auditor

No items to report.

(4) 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 contents of deliberations 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.

(Note) The Group changed a decision-making body from the Board of Directors to the Audit & Supervisory Board regarding the dismissal or non-reappointment of an Accounting Auditor in accordance with the Act for Partial Revision of the Companies Act (Act No. 90 of 2014) enacted on May 1, 2015.

Consolidated Financial Statements

Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2015 (A)	(Reference) As of March 31, 2014 (B)	(Reference) Change (A) − (B)
ASSETS			
Current assets:			
Cash and deposits	242,432	186,394	56,038
Accounts and notes receivable-trade	94,132	94,345	(212)
Marketable securities	–	49,998	(49,998)
Raw materials and supplies	35,312	49,032	(13,720)
Deferred charges and prepaid expenses	43,859	46,106	(2,246)
Deferred income taxes	1,260	2,072	(812)
Short-term loans receivable	3,410	2,515	895
Other current assets	23,845	17,797	6,047
Allowance for doubtful receivables	(1,999)	(656)	(1,343)
Total current assets	442,253	447,605	(5,352)
Fixed assets:			
(Tangible assets)			
Vessels	529,408	566,589	(37,181)
Buildings and structures	19,945	21,599	(1,654)
Machinery and vehicles	7,700	7,431	269
Land	25,820	26,623	(802)
Construction in progress	45,824	35,332	10,491
Other tangible assets	3,797	3,649	148
Total tangible assets	632,496	661,226	(28,729)
(Intangible assets)			
Goodwill	231	507	(276)
Other intangible assets	4,356	4,850	(494)
Total intangible assets	4,587	5,358	(771)
(Investments and other assets)			
Investments in securities	93,991	88,310	5,681
Long-term loans receivable	16,935	16,291	643
Asset for retirement benefits	1,605	1,168	437
Deferred income taxes	7,593	19,757	(12,164)
Other assets	24,230	15,333	8,896
Allowance for doubtful receivables	(364)	(310)	(54)
Total investments and other assets	143,991	140,551	3,440
Total fixed assets	781,075	807,135	(26,060)
Total assets	1,223,328	1,254,741	(31,413)

(Note) The amounts presented are rounded down to the nearest million yen.
(Reference) Certain information as of March 31, 2014 has been reclassified to conform to the 2015 presentation.

Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2015 (A)	(Reference) As of March 31, 2014 (B)	(Reference) Change (A) − (B)
LIABILITIES			
Current liabilities:			
Accounts and notes payable-trade	101,324	91,492	9,831
Short-term loans payable and current portion of long-term loans payable	81,475	77,091	4,383
Accrued income taxes	6,641	2,822	3,818
Allowance for loss relating to the Anti-Monopoly Act	1,672	67	1,604
Allowance for bonuses	2,754	2,381	372
Allowance for directors' bonuses	210	205	4
Other current liabilities	66,871	112,250	(45,379)
Total current liabilities	260,949	286,312	(25,363)
Long-term liabilities:			
Bonds	52,943	53,321	(378)
Long-term loans payable, less current portion	357,502	418,933	(61,430)
Obligations under finance leases	41,030	38,865	2,165
Deferred income taxes on land revaluation	1,961	2,096	(135)
Allowance for directors' and audit & supervisory board members' retirement benefits	1,531	1,541	(9)
Accrued expenses for overhaul of vessels	14,127	15,452	(1,324)
Liability for retirement benefits	6,310	7,978	(1,667)
Derivative liabilities	12,147	10,638	1,508
Other long-term liabilities	7,382	8,912	(1,529)
Total long-term liabilities	494,938	557,740	(62,801)
Total liabilities	755,887	844,052	(88,164)
NET ASSETS			
Shareholders' equity:			
Common stock	75,457	75,457	–
Capital surplus	60,312	60,312	–
Retained earnings	254,922	234,429	20,492
Less treasury stock, at cost	(1,071)	(908)	(163)
Total shareholders' equity	389,620	369,291	20,329
Accumulated other comprehensive income (loss):			
Net unrealized holding gain on investments in securities	14,822	8,188	6,634
Deferred gain (loss) on hedges	8,719	5,753	2,965
Revaluation reserve for land	6,209	5,978	230
Translation adjustments	22,201	71	22,129
Retirement benefits liability adjustments	(41)	(446)	404
Total accumulated other comprehensive income (loss), net	51,911	19,545	32,365
Minority interests in consolidated subsidiaries	25,908	21,851	4,056
Total net assets	467,440	410,688	56,751
Total liabilities and net assets	1,223,328	1,254,741	(31,413)

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

(Reference) Certain information as of March 31, 2014 has been reclassified to conform to the 2015 presentation.

Consolidated Statement of Income

(Millions of yen)

	Year ended March 31, 2015 (A)	(Reference) Year ended March 31, 2014 (B)	(Reference) Change (A) − (B)
Marine transportation and other operating revenues	1,352,421	1,224,126	128,295
Marine transportation and other operating costs and expenses	1,227,593	1,123,236	104,357
Gross operating income	124,827	100,889	23,937
Selling, general and administrative expenses	76,838	72,035	4,803
Operating income	47,988	28,854	19,134
Non-operating income:			
Interest income	1,481	1,321	159
Dividend income	2,234	2,183	50
Equity in earnings of subsidiaries and affiliates	2,180	2,756	(575)
Exchange gain	4,197	6,347	(2,150)
Other non-operating income	1,564	3,199	(1,634)
Total non-operating income	11,658	15,808	(4,150)
Non-operating expenses:			
Interest expenses	9,819	10,984	(1,164)
Other non-operating expenses	846	1,223	(377)
Total non-operating expenses	10,665	12,208	(1,542)
Ordinary income	48,980	32,454	16,525
Extraordinary income:			
Gain on sales of fixed assets	7,947	4,963	2,984
Gain on sales of investments in securities	7,735	2,766	4,968
Gain on sales of shares of subsidiaries	10,759	12	10,747
Other extraordinary income	1,741	586	1,155
Total extraordinary income	28,184	8,328	19,855
Extraordinary losses:			
Loss on impairment of fixed assets	13,571	3,958	9,612
Gain on cancellation of vessel charter contracts	5,225	—	5,225
Loss related to the Anti-Monopoly Act	7,023	5,698	1,324
Provision of allowance for loss relating to the Anti-Monopoly Act	1,672	67	1,604
Other extraordinary losses	1,040	3,814	(2,774)
Total extraordinary losses	28,532	13,539	14,993
Income before income taxes	48,632	27,244	21,388
Income taxes:			
Current	12,798	7,244	5,554
Deferred	7,803	1,333	6,470
Total income taxes	20,601	8,577	12,024
Net income before minority interests	28,030	18,666	9,364
Minority interests	1,212	2,024	(811)
Net income	26,818	16,642	10,175

(Note) The amounts presented are rounded down to the nearest million yen.
(Reference) Certain information as of March 31, 2014 has been reclassified to conform to the 2015 presentation.

Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2015

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2014	75,457	60,312	234,429	(908)	369,291
Cumulative effects of changes in accounting policies			(244)		(244)
Restated balance	75,457	60,312	234,185	(908)	369,047
Change in items during the year					
Cash dividends			(6,565)		(6,565)
Net income			26,818		26,818
Purchase of treasury stock				(163)	(163)
Disposal of treasury stock					–
Reversal of revaluation reserve for land			8		8
Net change in retained earnings from changes in scope of consolidation or equity method			475		475
Net changes in items other than shareholders' equity					
Net changes during the year	–	–	20,736	(163)	20,573
Balance at March 31, 2015	75,457	60,312	254,922	(1,071)	389,620

	Accumulated other comprehensive income (loss)						Minority interests in consolidated subsidiaries	Total net assets
	Net unrealized holding gain on investments in securities	Deferred gain (loss) on hedges	Revaluation reserve for land	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)		
Balance at April 1, 2014	8,188	5,753	5,978	71	(446)	19,545	21,851	410,688
Cumulative effects of changes in accounting policies							(11)	(255)
Restated balance	8,188	5,753	5,978	71	(446)	19,545	21,840	410,433
Change in items during the year								
Cash dividends								(6,565)
Net income								26,818
Purchase of treasury stock								(163)
Disposal of treasury stock								–
Reversal of revaluation reserve for land								8
Net change in retained earnings from changes in scope of consolidation or equity method								475
Net changes in items other than shareholders' equity	6,634	2,965	230	22,129	404	32,365	4,068	36,433
Net changes during the year	6,634	2,965	230	22,129	404	32,365	4,068	57,007
Balance at March 31, 2015	14,822	8,719	6,209	22,201	(41)	51,911	25,908	467,440

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

(Reference) For the year ended March 31, 2014

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2013	75,457	60,315	223,287	(904)	358,155
Cumulative effects of changes in accounting policies					–
Restated balance	75,457	60,315	223,287	(904)	358,155
Change in items during the year					
Cash dividends			(2,345)		(2,345)
Net income			16,642		16,642
Purchase of treasury stock				(9)	(9)
Disposal of treasury stock		(3)		5	2
Reversal of revaluation reserve for land			(3,159)		(3,159)
Net change in retained earnings from changes in scope of consolidation or equity method			3		3
Net changes in items other than shareholders' equity					
Net changes during the year	–	(3)	11,142	(3)	11,135
Balance at March 31, 2014	75,457	60,312	234,429	(908)	369,291

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

	Accumulated other comprehensive income (loss)						Minority interests in consolidated subsidiaries	Total net assets
	Net unrealized holding gain on investments in securities	Deferred gain (loss) on hedges	Revaluation reserve for land	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)		
Balance at April 1, 2013	2,475	(8,104)	2,350	(14,306)	–	(17,584)	21,404	361,975
Cumulative effects of changes in accounting policies								–
Restated balance	2,475	(8,104)	2,350	(14,306)	–	(17,584)	21,404	361,975
Change in items during the year								
Cash dividends								(2,345)
Net income								16,642
Purchase of treasury stock								(9)
Disposal of treasury stock								2
Reversal of revaluation reserve for land								(3,159)
Net change in retained earnings from changes in scope of consolidation or equity method								3
Net changes in items other than shareholders' equity	5,712	13,857	3,628	14,378	(446)	37,130	447	37,578
Net changes during the year	5,712	13,857	3,628	14,378	(446)	37,130	447	48,713
Balance at March 31, 2014	8,188	5,753	5,978	71	(446)	19,545	21,851	410,688

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

Independent Auditor's Report

May 12, 2015

The Board of Directors
Kawasaki Kisen Kaisha, Ltd.

Ernst & Young ShinNihon LLC

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 income, 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, 2014 through March 31, 2015.

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, 2015 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, 2015 (A)	(Reference) As of March 31, 2014 (B)	(Reference) Change (A) − (B)
ASSETS			
Current assets:			
Cash and deposits	115,664	104,110	11,553
Accounts receivable-shipping	32,517	45,371	(12,854)
Marketable securities	–	49,998	(49,998)
Advances paid	7,368	6,867	501
Supplies	27,869	38,876	(11,006)
Deferred charges and prepaid expenses	38,571	39,366	(794)
Accounts receivable from agencies	33,897	22,279	11,617
Deferred income taxes	2,199	3,461	(1,262)
Short-term loans receivable	18,847	15,132	3,715
Other current assets	34,198	6,052	28,145
Allowance for doubtful receivables	(1,670)	(369)	(1,300)
Total current assets	309,462	331,146	(21,683)
Fixed assets:			
(Tangible assets)			
Vessels	63,186	65,710	(2,524)
Buildings	3,682	3,777	(95)
Structures	137	153	(15)
Machinery and equipment	88	110	(21)
Vehicles and transportation equipment	21	33	(11)
Equipment and fixtures	295	446	(151)
Land	11,346	11,346	–
Construction in progress	9,127	2,859	6,268
Other tangible fixed assets	963	1,055	(92)
Total tangible assets	88,849	85,493	3,355
(Intangible assets)			
Software	958	1,251	(292)
Software in progress	12	18	(6)
Other intangible assets	6	6	–
Total intangible assets	977	1,277	(299)
(Investments and other assets)			
Investments in securities	51,685	42,057	9,628
Shares of subsidiaries and affiliates	78,337	73,727	4,609
Investments in capital	1,362	1,362	–
Investments in capital of subsidiaries and affiliates	23,321	23,284	36
Long-term loans receivable	60,339	63,379	(3,039)
Long-term prepaid expenses	4,650	4,616	33
Prepaid pension cost	1,114	855	258
Deferred income taxes	3,122	14,428	(11,306)
Lease investment assets	32,344	20,336	12,008
Lease and guarantee deposits	2,061	1,871	189
Other assets	1,741	397	1,344
Allowance for doubtful receivables	(3,058)	(577)	(2,480)
Total investments and other assets	257,022	245,740	11,281
Total fixed assets	346,849	332,512	14,337
Total assets	656,312	663,658	(7,346)

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

(Reference) Certain information as of March 31, 2014 has been reclassified to conform to the 2015 presentation.

Non-Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2015 (A)	(Reference) As of March 31, 2014 (B)	(Reference) Change (A) − (B)
LIABILITIES			
Current liabilities:			
Accounts payable-shipping	86,976	83,135	3,840
Accounts payable-other business	0	0	0
Current portion of bonds	378	45,378	(45,000)
Short-term loans payable and current portion of long-term loans payable	49,684	48,060	1,624
Lease obligations	995	865	129
Accounts payable-other	778	6,104	(5,326)
Accrued expenses	227	538	(310)
Accrued income taxes	155	81	74
Advances received	22,735	24,212	(1,476)
Deposits received	11,193	4,324	6,869
Accounts payable to agencies	599	647	(47)
Allowance for loss relating to the Anti-Monopoly Act	1,672	–	1,672
Allowance for bonuses	870	689	181
Other current liabilities	5,730	1,865	3,864
Total current liabilities	181,998	215,902	(33,903)
Long-term liabilities:			
Bonds	52,943	53,321	(378)
Long-term loans payable, less current portion	126,059	142,651	(16,592)
Lease obligation, less current portion	11,340	9,714	1,625
Allowance for employees' retirement benefits	707	737	(29)
Accrued expenses for overhaul of vessels	945	998	(52)
Deferred income taxes on land revaluation	1,655	1,778	(123)
Other long-term liabilities	2,620	1,642	977
Total long-term liabilities	196,270	210,843	(14,572)
Total liabilities	378,269	426,745	(48,476)
NET ASSETS			
Shareholders' equity:			
Common stock	75,457	75,457	–
Capital surplus			
Capital reserve	60,302	60,302	–
Total capital surplus	60,302	60,302	–
Retained earnings			
Legal reserve	2,540	2,540	–
Other retained earnings			
Reserve for special depreciation	185	438	(253)
Reserve for advanced depreciation	590	642	(51)
General reserve	60,552	60,552	–
Retained earnings brought forward	47,412	14,704	32,707
Total retained earnings	111,280	78,877	32,403
Less treasury stock, at cost	(1,021)	(858)	(163)
Total shareholders' equity	246,019	213,778	32,240
Valuation and translation adjustments:			
Net unrealized holding gain on investments in securities	12,530	4,621	7,909
Deferred gain on hedges	15,681	14,825	856
Revaluation reserve for land	3,811	3,687	123
Total valuation and translation adjustments	32,023	23,134	8,889
Total net assets	278,043	236,913	41,129
Total liabilities and net assets	656,312	663,658	(7,346)

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

(Reference) Certain information as of March 31, 2014 has been reclassified to conform to the 2015 presentation.

Non-Consolidated Statement of Income

(Millions of yen)

	Year ended March 31, 2015 (A)	(Reference) Year ended March 31, 2014 (B)	(Reference) Change (A) − (B)
Marine transportation revenues			
Freight	859,856	767,716	92,140
Charter hire	176,497	164,315	12,181
Other marine transportation revenue	23,199	21,545	1,654
Total marine transportation revenues	1,059,553	953,577	105,976
Marine transportation expenses			
Operating costs and expenses	565,096	517,304	47,791
Vessel expenses	7,091	6,950	141
Charter hire	391,304	358,851	32,452
Other marine transportation expenses	62,178	47,316	14,861
Total marine transportation expenses	1,025,669	930,423	95,246
Marine transportation income	33,883	23,154	10,729
Other business revenue	677	849	(172)
Other business expenses	428	501	(72)
Other business income	248	348	(99)
Gross operating income	34,132	23,502	10,629
General and administrative expenses	17,117	16,088	1,029
Operating income	17,014	7,413	9,600
Non-operating income:			
Interest income	1,297	1,215	82
Dividend income	31,250	11,330	19,919
Exchange gain	4,906	1,885	3,020
Other non-operating income	858	1,291	(433)
Total non-operating income	38,312	15,723	22,589
Non-operating expenses:			
Interest expenses	3,499	3,588	(88)
Interest on bonds	76	766	(690)
Provision of allowance for doubtful receivables	2,871	56	2,814
Other non-operating expenses	387	490	(102)
Total non-operating expenses	6,835	4,902	1,933
Ordinary income	48,490	18,234	30,256
Extraordinary income:			
Gain on sales of fixed assets	–	416	(416)
Gain on sales of shares of subsidiaries	12,561	2	12,558
Gain on sales of investments in securities	1,662	2,691	(1,029)
Other extraordinary income	768	388	(380)
Total extraordinary income	14,992	3,499	11,492
Extraordinary losses:			
Loss related to the Anti-Monopoly Act	7,023	5,698	1,324
Provision of allowance for loss relating to the Anti-Monopoly Act	1,672	–	1,672
Gain on cancellation of vessel charter contracts	5,172	–	5,172
Other extraordinary losses	15	3,377	(3,361)
Total extraordinary losses	13,883	9,075	4,807
Income before income taxes	49,599	12,658	36,941
Income taxes:			
Current	761	854	(92)
Deferred	9,809	450	9,359
Total income taxes	10,571	1,304	9,266
Net income	39,028	11,353	27,674

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

(Reference) Certain information as of March 31, 2014 has been reclassified to conform to the 2015 presentation.

Non-Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2015

(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, 2014	75,457	60,302	60,302	2,540	438	642	60,552	14,704	78,877	(858)	213,778
Cumulative effects of changes in accounting policies								(59)	(59)		(59)
Restated balance	75,457	60,302	60,302	2,540	438	642	60,552	14,645	78,817	(858)	213,719
Change in items during the year											
Cash dividends								(6,565)	(6,565)		(6,565)
Reversal of reserve for special depreciation					(253)			253	–		–
Reversal of reserve for advanced depreciation						(51)		51	–		–
Net income								39,028	39,028		39,028
Purchase of treasury stock										(163)	(163)
Disposal of treasury stock									–		–
Reversal of revaluation reserve for land									–		–
Net changes in items other than shareholders' equity											
Net changes during the year	–	–	–	–	(253)	(51)	–	32,767	32,462	(163)	32,299
Balance at March 31, 2015	75,457	60,302	60,302	2,540	185	590	60,552	47,412	111,280	(1,021)	246,019

	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, 2014	4,621	14,825	3,687	23,134	236,913
Cumulative effects of changes in accounting policies					(59)
Restated balance	4,621	14,825	3,687	23,134	236,854
Change in items during the year					
Cash dividends					(6,565)
Reversal of reserve for special depreciation					–
Reversal of reserve for advanced depreciation					–
Net income					39,028
Purchase of treasury stock					(163)
Disposal of treasury stock					–
Reversal of revaluation reserve for land					–
Net changes in items other than shareholders' equity	7,909	856	123	8,889	8,889
Net changes during the year	7,909	856	123	8,889	41,189
Balance at March 31, 2015	12,530	15,681	3,811	32,023	278,043

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

(Reference) For the year ended March 31, 2014

(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, 2013	75,457	60,302	60,302	2,540	677	706	60,552	8,396	72,872	(854)	207,778
Cumulative effects of changes in accounting policies									–		–
Restated balance	75,457	60,302	60,302	2,540	677	706	60,552	8,396	72,872	(854)	207,778
Change in items during the year											
Cash dividends								(2,345)	(2,345)		(2,345)
Reversal of reserve for special depreciation					(239)			239	–		–
Reversal of reserve for advanced depreciation						(64)		64	–		–
Net income								11,353	11,353		11,353
Purchase of treasury stock										(9)	(9)
Disposal of treasury stock								(3)	(3)	5	2
Reversal of revaluation reserve for land								(3,001)	(3,001)		(3,001)
Net changes in items other than shareholders' equity											
Net changes during the year	–	–	–	–	(239)	(64)	–	6,308	6,004	(3)	6,000
Balance at March 31, 2014	75,457	60,302	60,302	2,540	438	642	60,552	14,704	78,877	(858)	213,778

	Valuation and translation adjustments				
	Net unrealized holding gain on investments in securities	Deferred gain on hedges	Revaluation reserve for land	Total valuation and translation adjustments	Total net assets
Balance at April 1, 2013	978	3,033	356	4,367	212,146
Cumulative effects of changes in accounting policies					–
Restated balance	978	3,033	356	4,367	212,146
Change in items during the year					
Cash dividends					(2,345)
Reversal of reserve for special depreciation					–
Reversal of reserve for advanced depreciation					–
Net Income					11,353
Purchase of treasury stocks					(9)
Disposal of treasury stocks					2
Reversal of revaluation reserve for land					(3,001)
Net changes in items other than shareholders' equity	3,642	11,792	3,331	18,766	18,766
Net changes during the year	3,642	11,792	3,331	18,766	24,766
Balance at March 31, 2014	4,621	14,825	3,687	23,134	236,913

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

Independent Auditor's Report

May 12, 2015

The Board of Directors
Kawasaki Kisen Kaisha, Ltd.

Ernst & Young ShinNihon LLC

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 income, 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 147th fiscal year from April 1, 2014 through March 31, 2015.

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 147th fiscal year ended March 31, 2015 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 147th term from April 1, 2014 to March 31, 2015, 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

The Audit & Supervisory Board has established the audit policies, audit plans, etc. for the fiscal year 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.
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, 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, 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 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 company 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. The Audit & Supervisory Board Members also reviewed details regarding the basic policy and individual initiatives respectively set forth in items 3(a) and 3(b) of Article 118 of the Ordinance for Enforcement of the Companies Act, as specified in the business reports, thereby giving due consideration to matters that include deliberations of the Board of Directors and other corporate bodies. 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. Based on the above-described methods, each Audit & Supervisory Board Member examined the business report and supplementary schedules for the business year.

In addition, 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 non-consolidated financial statements (non-consolidated balance sheets, non-consolidated statements of income, non-consolidated statements of changes in net assets, and notes to non-consolidated financial statements) and their supplementary schedules thereto, as well as the consolidated financial statements (consolidated balance sheets, consolidated statements of income, consolidated statements of changes in net assets, and notes to consolidated financial statements) for this business year.

2. Results of Audit

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

i) 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.

ii) 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.

iii) 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 (12) under the heading "Matters Related to Current Conditions of the Corporate Group," the "K" Line Group was subject to investigation by the Fair Trade Commission of Japan and the U.S. Department of Justice (DOJ) in relation to alleged anti-competitive behavior (alleged formation of a cartel) relating to the transportation of automobiles and other exports, and has also been subject to investigation by anti-trust authorities in Europe and other countries overseas. Consequently, the Group concluded a plea agreement with DOJ to pay a penalty of US$67.7 million in connection with this in September 2014. 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.

iv) We did not find any matters warranting comment with respect to the basic policy concerning persons who control decisions on the Company's financial and business policies specified in the business report. The respective initiatives stipulated in item 3(b) of Article 118 of the Ordinance for Enforcement of the Companies Act conform to that basic policy, and are neither detrimental to the common interests of the Company's shareholders, nor are they undertaken for the purpose of maintaining the positions of the Company's Directors or Audit & Supervisory Board Members.

(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 14, 2015

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

Standing Audit & Supervisory Board Member	Norio Tsutsumi
Standing Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Fumio Watanabe
Outside Audit & Supervisory Board Member	Haruo Shigeta
Outside Audit & Supervisory Board Member	Jiro Noguchi