FINANCIAL HIGHLIGHTS

Brief report of the Year ended March 31, 2012

Kawasaki Kisen Kaisha, Ltd.

[Two Year Summary]

	Year ended Mar.31, 2011	Year ended Mar.31, 2012	Year ended Mar.31, 2012
Consolidated			
Operating revenues (Millions of yen / Thousands of U.S. dollars)	¥ 985,084	¥ 972,310	$ 11,830,037
Operating (loss) income (Millions of yen / Thousands of U.S. dollars)	58,609	(40,563)	(493,528)
Net (loss) income (Millions of yen / Thousands of U.S. dollars)	30,603	(41,351)	(503,116)
Per share of common stock (Yen / U.S. dollars)	40.08	(54.14)	(0.66)

	Year ended Mar.31, 2011	Year ended Mar.31, 2012	Year ended Mar.31, 2012
Total Assets (Millions of yen / Thousands of U.S. dollars)	¥ 1,032,505	¥ 1,066,648	$ 12,977,840
Net assets (Millions of yen / Thousands of U.S. dollars)	314,986	259,934	3,162,604
Per share of common stock (Yen / U.S. dollars)	381.87	317.59	3.86

	Year ended Mar.31, 2011	Year ended Mar.31, 2012	Year ended Mar.31, 2012
Net cash (used in) provided by operating activities (Millions of yen / Thousands of U.S. dollars)	¥ 84,901	¥ (2,908)	$ (35,394)
Net cash used in investing activities (Millions of yen / Thousands of U.S. dollars)	(54,116)	(83,233)	(1,012,695)
Net cash provided by (used in) financing activities (Millions of yen / Thousands of U.S. dollars)	(24,796)	86,306	1,050,086

The U.S. dollar amounts are converted from the yen amount at ¥82.19=U.S.$1.00.
The exchange rate prevailing on March 31, 2012.

1. Operating Results

(1) Analysis of Operating Results

1) Summary of Consolidated Operating Results for FY2011

(Billion yen; rounded to nearest 100 million)

	Fiscal 2010 (Ended March 2011)	Fiscal 2011 (Ended March 2012)	Change (% change)	
Operating revenues	985.1	972.3	-12.8	(-1.3%)
Operating income (loss)	58.6	-40.6	-99.2	(-)
Ordinary income (loss)	47.4	-49.0	-96.3	(-)
Net income (loss)	30.6	-41.4	-72.0	(-)

Exchange rate (¥/US$) (12-month average)	¥86.04	¥79.06	-¥6.98	(-8.1%)
Fuel oil prices (US$/MT) (12-month average)	$489	$672	$183	(37.4%)

During the consolidated fiscal year 2011 (April 1, 2011 through March 31, 2012), the global economy saw a slowdown in Western developed countries as a result of the increasing severity of the fiscal crisis and slowing economic growth in countries with emerging such as China and India. The Japanese economy started to recover from the downturn caused by the Great East Japan Earthquake, but the prolonged appreciation of the Yen and flooding in Thailand caused a further slowdown.

The marine transportation business environment was extremely adverse including weak market conditions, a strong yen and high fuel oil prices. The containership freight market was sluggish as a result of slumping cargo movements to Europe and the United States and an increase in the supply of space on large containerships. The dry bulk carrier market experienced a short-lived recovery starting in the summer, but declined because of the delivery of a large volume of newbuildings. In the car carrier business, shipping volume was down due to the effects of the earthquake in Japan and flooding in Thailand.

As a result of these developments, consolidated operating revenues for the fiscal year 2011 were ¥972.310 billion, a decrease of ¥12.773 billion from the previous fiscal year; operating losses were ¥40.563 billion compared to operating income of ¥58.609 billion in the previous fiscal year; ordinary losses were ¥48.955 billion compared to ordinary income of ¥47.350 billion in the previous fiscal year; and consolidated net losses were ¥41.351 billion compared to consolidated net income of

¥30.603 billion in the previous fiscal year. Thus, operating results were significantly worse than in the previous fiscal year.

Summaries of developments in each business segment are provided below.

(Billion yen; rounded to nearest 100 million)

		Fiscal 2010 (Ended March 2011)	Fiscal 2011 (Ended March 2012)	Change (% change)	
Containership	Operating revenues	445.0	395.5	-49.5	(-11.1%)
	Segment income (loss)	29.0	-41.8	-70.8	(-)
Bulk shipping	Operating revenues	447.1	463.5	16.4	(3.7%)
	Segment income (loss)	17.0	-8.6	-25.6	(-)
Other	Operating revenues	93.0	113.3	20.3	(21.9%)
	Segment income (loss)	4.7	6.6	1.9	(39.4%)
Adjustments and eliminations	Segment income (loss)	-3.4	-5.2	-1.8	(-)
Total	Operating revenues	985.1	972.3	-12.8	(-1.3%)
	Segment income (loss)	47.4	-49.0	-96.3	(-)

(1) Containership Business Segment

Containership business

In fiscal year 2011, the number of loaded containers from Asia to North America and Europe was down because of the economic slowdown in Europe and North America, but the number of loaded containers from North America and Europe to Asia increased. The "K" Line Group's total number of loaded containers including South-North routes and Inter-Asia routes was up by approximately 3% from the previous year.

Freight rate markets, however, continued their downward trend because of a deterioration in shipping capacity supply and demand due to operation of large containerships and slump to levy surcharges during the peak summer season. After the Global Financial Crisis "K" Line Group reduced its containership fleet size and has been continuing prudential business operation. The Company had taken comprehensive cost-cutting measures such as slow steaming and streamlining of services, but the financial results for the fiscal year 2011 were down sharply from the previous fiscal year, and the Company reported an operating loss.

(2) Bulk Shipping Business Segment

Dry Bulk business

For large vessels, the market was slumped due to a large number of new buildings delivery, it temporarily recovered to $30,000 per day level in conjunction with an increase in iron ore imports by China starting in the summer, but the market fell again in early 2012 when iron ore shipments declined because of flooding in Brazil. In the middle and small size vessel market, cargo movements of coal and grain were brisk, but overall, the market was sluggish because of the completion of a large volume of newbuildings. As a result, the dry bulk business reported decrease of revenues and profits year-on-year basis.

Car Carrier business

The number of cars exported from Japan was down 6% from the previous year due to a sharp drop in production and shipments as a result of the Great East Japan Earthquake. In contrast, cargo movements on homeward cargo and offshore routes were brisk, and the total number of units transported by the "K" Line Group was up approximately 10% compared to the previous fiscal year. The effects of the Great East Japan Earthquake and the flooding in Thailand resulted in a decrease in revenues as well as a decline in fleet allocation efficiency, and some vessels were unavoidably suspended service temporarily. As a result, earnings were down sharply compared to the previous fiscal year.

Energy Transportation and Tanker business

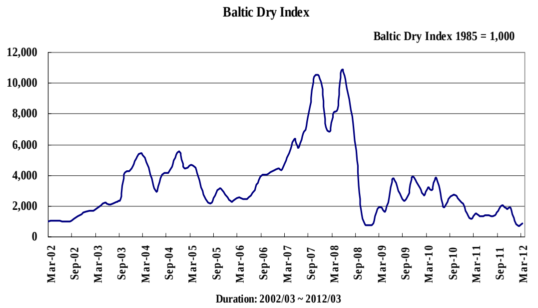
VLCCs secured stable earnings under the long term contracts. The market for AFRAMAX tankers and product tankers, remained sluggish. The "K" Line Group made efforts to improve earnings by redelivery of vessels under spot business and sold vessels in order to reduce fleet size. All LNG carriers were employed under medium or long-term contracts, and earnings improved. In Offshore support vessel business, five new built vessels were delivered during fiscal year 2011 and the fleet came seven in total. The "K" Line Group was able to establish a full-fledged business by securing long or mid term contracts with major oil companies. The energy transportation and tanker business overall reported lower earnings on lower revenues and losses were enlarged year-on-year basis.

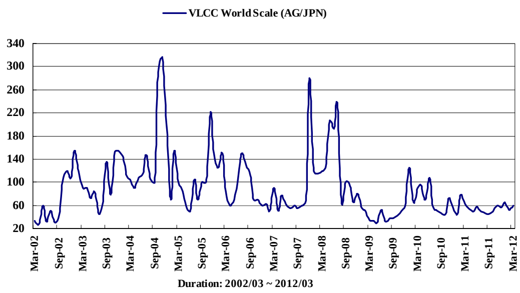
Heavy Lifter business

The heavy lifter business, operational revenues were increased due to delivery of two new buildings. However the amount of operational loss was almost same as previous fiscal year even lower Euro value due to slowed down market after the summer and an increase in goodwill amortization in conjunction with acquisition of remaining shares of SAL.

Short Sea and Coastal business

In the coastal tramp service, limestone transport and others were firm. In the liner business, as a contingency it was required to changes of ports of call on the Hitachi-Kushiro and Hitachinaka-Tomakomai routes due to the Great East Japan Earthquake. However after the recovery of normal services, shipping volumes came back strongly, and a year-on-year increase in shipping volume was reported. The Hitachinaka-Kitakyushu route shipping volume was down year-on-year due to reducing number of vessel in the third quarter. On the Hachinohe-Tomakomai ferry service was also affected by the earthquake to change ports of call for a while, but the volume of truck and passenger were increased year on year basis.





(3) Other Business

Logistics/Harbor Transportation business

For international logistics business, revenues and earnings were increased due to higher export volumes from China, Asia and Japan. In domestic logistics, transportation volume was reduced due to the Great East Japan Earthquake, on the other hand, the recovery demand for storage service was increased. As a result revenue and earnings were increased year-on-year basis.

2) Prospects for Fiscal 2012

In fiscal 2012, the “K” Line Group expects operating revenues of ¥1,120.0 billion, operating income of ¥16.0 billion, ordinary income of ¥12.0 billion, and net income of ¥11.0 billion.

(Billion yen; rounded to nearest 100 million; percentages indicate year-on-year change)

	Operating revenues		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
Fiscal 2012 (Ending March 2013)	1120.0	15.2%	16.0	-	12.0	-	11.0	-

(Based on an exchange rate of ¥80/US$1 and a fuel oil price of US$720/MT)

In containership business, the outlook for the global economy remains unclear, but marine transport demand is expected to increase moderately. The supply of new buildings remain high, and substantial time will be required to improve supply and demand balance, but freight rates, which fell substantially below the level necessary for sustaining business last year, began turning upward in 2012. Substantial improvement in earnings is expected due to freight rate restoration, cost-cutting, enhancing slow steaming, and selection and concentration in business operation.

In bulk shipping business, both revenues and profits are expected to increase. In dry bulk business, the market will remain sluggish for some time, but the market will improve gradually in the second half of 2012. China will increase imports for iron ore, grains and other products, scrapping of aged vessels will be accelerated and those will improve supply and demand. In the car carrier business, automobile sales will be kept growing in worldwide, particularly in countries with emerging economies, and marine transport demand is also expected to increase. Export volume from Japan is also expected to increase as a relief of high value of Yen and economic recovery in United States. In energy transportation and tanker business, the oil tanker market will remain sluggish. The Group will make efforts to maintain and renew existing contracts for VLCCs and to achieve an efficient allocation of AFRAMAX and product tankers. Earning will improve in LNG as high profitable contracts are scheduled to resume in the fiscal year. Earnings for Offshore support vessel business is expected increase due to improvement of the market as development of resources will expand under the circumstance of high value natural resources. Heavy lifter business, demand for project cargo is expected to increase in connection with expanding development of resources. In short sea and coastal business, try to maintain earnings with deployment of newly built vessels, proactive sales and efficient operations.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

Total assets at the end of March 2012 were ¥1,066.648 billion, an increase of ¥34.143 billion from the end of the previous fiscal year. Current assets increased by ¥17.899 billion from the end of the previous fiscal year, due mainly to increases in cash and deposits. Fixed assets increased by ¥16.244 billion, mainly as a result of an increase in the number of vessels.

Total liabilities at the end of the fiscal year were ¥806.714 billion, an ¥89.195 billion increase from the end of the previous fiscal year. Current liabilities increased by ¥20.616 billion from the end of the previous fiscal year, due mainly to increases in short-term loans and commercial paper. Long-term liabilities increased by ¥68.578 billion, due mainly to increase in long-term loans.

Net assets fell by ¥55.051 billion to ¥259.934 billion from the end of the previous fiscal year due mainly to a drop in retained earnings from the net loss despite a decrease in deferred loss on hedges.

2) Cash Flows (Billion yen; rounded to nearest 100 million)

Item	Fiscal 2010 (Ended March 2011)	Fiscal 2011 (Ended March 2012)	Year-on-year increase/(decrease)
Cash and cash equivalents at the beginning of the year	92.1	94.4	2.3
(1) Cash flows from operating activities	84.9	-2.9	-87.8
(2) Cash flows from investing activities	-54.1	-83.2	-29.1
(3) Cash flows from financing activities	-24.8	86.3	111.1
(4) Currency translation gain or loss (on cash and cash equivalents)	-4.6	-2.8	1.7
Net increase (decrease) in cash and cash equivalents	1.4	-2.6	-4.1
Change in cash and cash equivalents as a result of companies newly included in consolidated accounting	0.9	0.9	0.1
Change in cash and cash equivalents in conjunction with merger	-	0	0
Cash and cash equivalents at the end of the year	94.4	92.8	-1.7

Total cash and cash equivalents at the end of fiscal year 2011 were ¥92.756 billion, a decrease of ¥1.673 billion over the end of the previous fiscal year. Details of each cash flow source are as follows:

Cash flows from operating activities were a net outflow of ¥2.908 billion (compared to a net cash inflow of ¥84.901 billion in the previous fiscal year) due mainly to the net income before taxes and other adjustments.

Cash flows from investing activities resulted in a net cash outflow of ¥83.233 billion (compared to a net cash outflow of ¥54.116 billion in the previous fiscal year) mainly as a result of expenditures for the acquisition of vessels.

Cash flows from financing activities resulted in a net cash inflow of ¥86.306 billion (compared to a net cash outflow of ¥24.796 billion in the previous fiscal year) due mainly to income from the repayment of loans.

Reference: Changes in cash flow-related indicators

	Fiscal Year Ended March 2008	Fiscal Year Ended March 2009	Fiscal Year Ended March 2010	Fiscal Year Ended March 2011	Fiscal Year Ended March 2012
Equity ratio (%)	36.7	34.5	29.5	28.2	22.7
Equity ratio (based on market value) (%)	63.7	20.0	27.3	22.7	13.0
Ratio of debt to cash flow (annual)	2.3	5.7	-	5.7	-
Interest coverage ratio (x)	27.7	12.6	-	9.8	-

*Equity ratio is the shareholders' equity divided by total assets.

Equity ratio (based on market value) is market capitalization divided by total assets.

Ratio of debt to cash flow is interest-bearing debt divided by cash flow.

Interest coverage ratio is cash flow divided by interest expenses.

Notes

1. Indicators are calculated on the basis of consolidated figures.
2. Market capitalization is calculated based on the number of shares outstanding, not including treasury stock.
3. Cash flows above refer to operating cash flows.
4. Interest-bearing debt is the total of all liabilities on the consolidated balance sheet on which interest is paid (including ¥25.4 billion in Euro-Yen Zero Coupon Convertible Bonds). Also, interest expenses include interest paid shown in the consolidated statement of cash flows.
5. The ratio of debt to cash flow and the interest coverage ratio for the fiscal year ended March 2010 and ended March 2012 were omitted since the cash flows from operating activities were negative.

(3) Basic Dividend Policy and Dividend Payments for Fiscal Year 2011 and Following

Fiscal Years

With respect to the payment of dividends in fiscal year 2011, “K” Line Group reported a net loss due to the extreme deterioration of financial results. As a result, no dividend will be paid in fiscal year 2011 as planned.

Dividend for fiscal year 2012 has not yet been determined at this time because of extreme uncertainty in the business environment. Further notice will be provided at such time as the Company concludes the conditions turn to make a forecast with taking into account for overall situation such as the forecast for Company’s profitability and the financial status.

The Company’s highest priority is maximizing returns to shareholders while taking into consideration securing the internal reserves necessary for capital investment to achieve sustainable growth and reinforcing financial standing, key issues of the Company’s management plan. Our policy is to steadily increase the dividend payout as a percentage of consolidated net income, with a target of reaching 30% by the mid-2010s.

Even under sever market conditions and unpredictable currency and fuel oil price movements, the “K” Line Group will take comprehensive measures to cut costs and streamline services and will make every effort to return to profitability and resume the payment of dividends in the following fiscal year.

(4) Business Risks

The “K” Line Group is developing its business internationally. When unpredictable events occur, whether they are caused by socio-political or natural phenomena, they can have a negative impact on business in related areas and markets. Furthermore, in the Group’s main business field, marine transport, market conditions for cargo handling and marine transportation are heavily influenced by international factors such as economic trends, product market conditions, supply and demand balance for ships, as well as competitive relationships in various countries. Changes in any of those factors can have a negative impact on the “K” Line Group’s marketing activities and business results. In particular, a change in tax systems or economic policies, or an invocation of protective trade policies in major trading regions and countries like North America, Europe, Japan, China and so on can result in a decrease in shipping volume and worsen conditions in the freight market. This can have a serious impact on the “K” Line Group’s financial situation and operating results.

Other major risks that can have a negative impact on the “K” Line Group’s business activities include the following:

1. Exchange Rate Fluctuations

A large percentage of the “K” Line Group’s business earnings come in revenue denominated in U.S. dollars. The revenues as converted to Japanese yen can therefore be negatively affected by fluctuations in exchange rates. The Group works to minimize negative impacts from exchange rate fluctuations by incurring costs in dollars and creating currency hedges, but a stronger yen against the U.S. dollar can still have a negative influence on the “K” Line Group’s financial situation and operating results.

2. Fuel Oil Price Fluctuations

Fuel oil prices account for a major portion of the “K” Line Group’s ship operation costs. Fluctuations in fuel oil prices are influenced mainly by factors with which the “K” Line Group has no influence, such as crude oil supply and demand balance, production and pricing policies adopted by OPEC and other oil-producing nations, as well as political conditions and fluctuations in oil production. Such factors are extremely difficult to predict. The Group utilizes futures contracts in order to mitigate the impact of unstable elements on its bottom line, but significant and sustained rises in fuel oil prices along with decreased supplies can force the “K” Line Group’s business costs upwards. This would have a negative impact on the Group’s financial situation and operating results.

3. Interest Rate Fluctuations

The “K” Line Group carries out ongoing capital investment in its shipbuildings and so on. The Group strives to reduce interest-bearing debt to the greatest extent possible by investing its own capital and engaging in off-balance sheet deals such as operating leases, but in a high percentage of cases, still must rely on borrowing from financial institutions. In addition, we are investing in the working capital needed to carry out our business operations.

With regard to capital procurement, we are taking out loans above a certain scale at fixed interest rates and also using interest rate swap (swap into fixed rate) for capital investment in ships and equipment, but the rise in future interest rates has led to an increase in the cost of capital procurement, and this can have a negative impact on the “K” Line Group’s financial situation and operating results.

4. Public Regulations

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

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

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

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

6. Competitive Business Environment, etc.

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

In the highly competitive environment of the containership sector, the Group is striving to maintain and improve the competitiveness of its services by participating in alliances with foreign marine transportation companies. However, factors over which the “K” Line Group has no control, such as other companies deciding on their own to end alliances, could have a negative impact on the Group’s marketing activities, financial situation and operating results.

7. Natural Disasters

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

8. Business Partners’ Failure to Perform Contracts

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

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

In April 2012, the “K” Line Group revised its medium term management plan ‘ “K” LINE Vision 100—New Challenges—‘ and released a new management plan ‘ “K” Line Vision 100 Bridge to the Future’. Going forward, the Group will make every effort to carry out the Medium-Term Management Plan. Nonetheless, it is possible that the measures for carrying out the Medium-Term Management Plan will be affected by the various external factors discussed above and the Group may not be able to achieve the goals of that plan.

10. Non-achievement of Investment Plans

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

11. Losses from Disposal of Vessels, etc.

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

12. Fixed Asset Impairment Losses

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

13. Reversal of Deferred Tax Assets

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

Matters referring to the future are determined by the “K” Line Group as of the release date of the financial statements. In addition, the items discussed here do not necessarily represent every risk to the “K” Line Group.

2. Situation of the “K” LINE GROUP

The business segments of the “K” Line Group are Containership Business Segment, Bulk Shipping Business Segment and Other Business based on the new standard by management approach.

The main companies that handle these businesses (as of March 31, 2012) are the following:

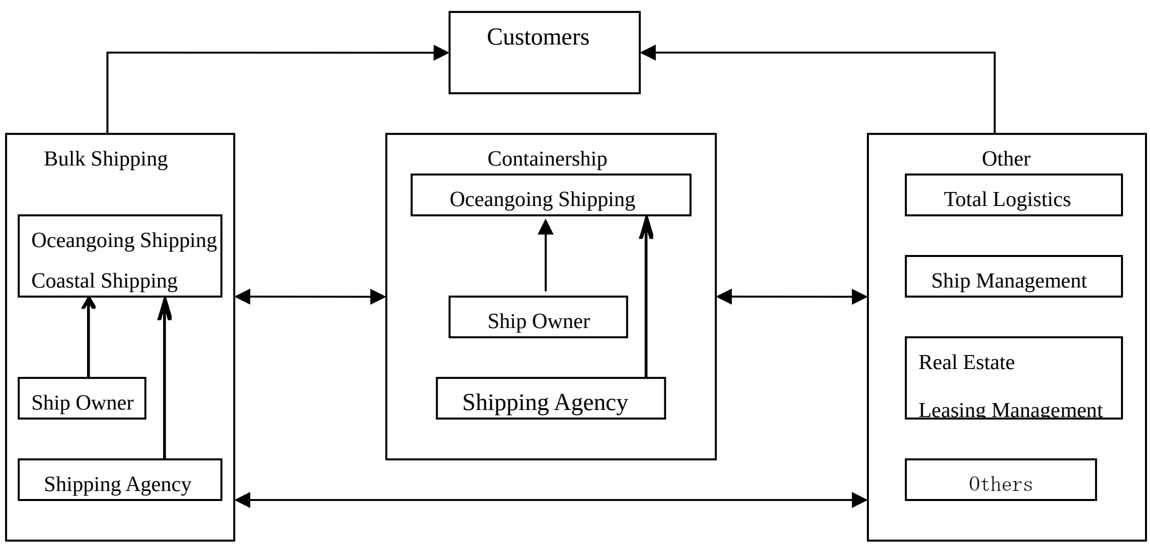
Business Segment	Principal Companies Managing Each Business	
	Domestic	Overseas
Containership	Kawasaki Kisen Kaisha, Ltd., Daito Corporation, Nitto Total Logistics Ltd., Seagate Corporation, “K” Line (Japan) Ltd., KMDS Co., Ltd., Intermodal Engineering Co., Ltd., Tokyo Kokusai Koun Kaisha, Ltd.	“K” LINE PTE LTD, “K” LINE AMERICA, INC., K LINE MEXICO SA DE CV, “K” LINE (KOREA) LTD., KLINE (CHINA) LTD., “K” LINE (HONG KONG) LIMITED, “K” LINE (TAIWAN) LTD., K LINE (THAILAND) LTD., “K” LINE (SINGAPORE) PTE LTD, PT. K LINE INDONESIA, “K” LINE MARITIME (M) SDN BHD, “K” LINE (EUROPE) LIMITED, “K” LINE (Deutschland) GmbH, KAWASAKI (AUSTRALIA) PTY. LTD., “K” Line (Nederland) B. V., “K” LINE (BELGIUM), “K” LINE (France) SAS, “K” LINE (FINLAND) OY, “K” LINE (SCANDINAVIA) HOLDING A/S, K LINE (NORWAY) AS, K Line (Sweden) AB, “K” LINE (PORTUGAL) – AGENTES DE NAVEGAÇÃO, S.A., INTERNATIONAL TRANSPORTATION SERVICE, INC., “K” LINE SHIPPING (SOUTH AFRICA) PTY LTD, “K” LINE (VIETNAM) LIMITED
Bulk Shipping	Kawasaki Kisen Kaisha, Ltd., Kawasaki Kinkai Kisen Kaisha, Ltd., Asahi Kisen Kaisha, Ltd., Kobe Pier Co., Ltd.	“K” LINE PTE LTD, “K” LINE BULK SHIPPING (UK) LIMITED, “K” Line European Sea Highway Services GmbH, K LINE OFFSHORE AS, “K” LINE LNG SHIPPING (UK) LIMITED, “K” LINE HEAVY LIFT (UK) LIMITED, SAL Heavy Lift GmbH

Other	Kawasaki Kisen Kaisha, Ltd., Daito Corporation, Nitto Total Logistics Ltd., Seagate Corporation, Hokkai Transportation Co., Ltd., Rinko Corporation*, “K” Line Logistics, Ltd., Nitto Tugboat Co., Ltd., Shinto Rikuun Kaisha, Ltd., Japan Express Transportation Co., Ltd., Maizuru Kousoku Yusou Co., Ltd., “K” Line Ship Management Co., Ltd., Taiyo Nippon Kisen Co., Ltd., Escobal Japan Ltd, Kawaki Kosan Kaisha, Ltd., “K” Line Accounting and Finance Co., Ltd., “K” Line Engineering Co., Ltd., Shinki Corporation, “K” Line Systems, Ltd., “K” Line Travel, Ltd.	CENTURY DISTRIBUTION SYSTEMS, INC., JAMES KEMBALL LIMITED, “K” LINE NEW YORK, INC., “K” LINE HOLDING (EUROPE) LIMITED, UNIVERSAL LOGISTICS SYSTEM, INC., CYGNUS INSURANCE COMPANY LIMITED

NOTE / Companies without asterisk : Consolidated companies

Mark of *: Affiliated companies (subject to equity method)

The above overall business structure is as follows:



3. Management Policies

(1) Fundamental Company Management Policy

"K" Line Group has established the following Corporate Principles and Vision as a guide based on the fundamental policy that the Group will contribute to global prosperity and peace through its business activities as a shipping business organization.

"K" Line Group Corporate Principles

The basic principles of "K" Line Group as a shipping business organization centering on shipping lie in: (a) Diligent efforts for safety in navigation and cargo operations as well as for environmental preservation; (b) Sincere response to customer needs by making every possible effort; and (c) Contributing to the world's economic growth and stability through continual upgrading of service quality.

Group Vision

1. To be trusted and supported by customers as a globally developing group,
2. To build a business base that will be capable of responding to any and all changes in business circumstances, and to continually pursue and practice innovation for survival in the global market,
3. To create and provide a workplace where each and every employee can have hopes and aspirations for the future, and can express creativity and display a challenging spirit.

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

In April 2011, the Group started "K" LINE Vision 2010—A New Challenge in order to respond to structural changes in markets and the future expansion of demand. However, the containership and dry bulk markets that have deteriorated drastically, and the Great East Japan Earthquake, the high value of the yen and rising fuel oil prices resulted in the Company reporting a net loss for the fiscal year 2011.

Facing this ongoing severe situation, in April 2012, the Company renewed its medium-term management plan as ""K" LINE Vision 100: Bridge to the Future", in which particularly focus on Three High-Priority Tasks: Generating ordinary income in FY2012, Building a stable earnings structure, and Reinforcing financial standing.

(Missions and tasks mentioned above are to be refereed in the following section.)

Financial Results of FY2011 and Projections and its Main Financial Indicators for FY2012–2014

Item	Unit	FY2011	FY2012	FY2013	FY2014
Operating Revenue	(billion yen)	972.3	1,120.0	1,070.0	1,110.0
Ordinary Income	(billion yen)	-49.0	12.0	39.0	60.0
Net Income	(billion yen)	-41.4	11.0	25.0	42.0
EBITDA	(billion yen)	13.8	100.0	110.0	135.0
Shareholders' Equity	(billion yen)	242.6	260.0	280.0	330.0
Interest-bearing Debt	(billion yen)	592.5	580.0	540.0	490.0
Operating Cash Flow	(billion yen)	-2.9	67.0	90.0	113.0
Investing Cash Flow	(billion yen)	-83.2	-50.0	-50.0	-50.0
DER	-	244%	223%	193%	148%
ROA	-	-5%	1%	4%	6%
Shareholders' Equity Ratio	-	23%	23%	26%	30%
Interest-bearing debt / Operating Cash Flow	(times)	-	8.7	6.0	4.3

(3) Tasks for the “K” Line Group to Address

““K” LINE Vision 100: Bridge to the Future”, the newly-reformed medium-term management plan, sets forth three high-priority tasks that we will focus on. The Group will continue the measures related to the Five Fundamental Tasks implemented consistently since April 2008, and the entire Group will work together towards achieving the core theme of “K” LINE Vision 100— Synergy for all and sustainable growth.

a. Three High-Priority Tasks

(1) Returning to Profitability in Fiscal Year 2012

In order to achieve ordinary income in fiscal year 2012, the entire “K” Line Group will strive for comprehensive cost-cutting measures, including reduction of fuel consumption through slow steaming and general and administrative expenses. In the containership business, we will proceed on rationalization measures including reorganization of unprofitable routes, the streamline of the fleet by redelivering and disposing of non profitable vessels. We will continue and enhance the prudent business operations that have been implemented after the Global Economic Crisis. The Group will also reduce operating expenses per TEU by putting state-of-the-art, energy-efficient large containerships into services to improve operations efficiency and profitability. The Group expects that these cost-cutting and service streamlining measures will result in a ¥28.0 billion improvement in earnings.

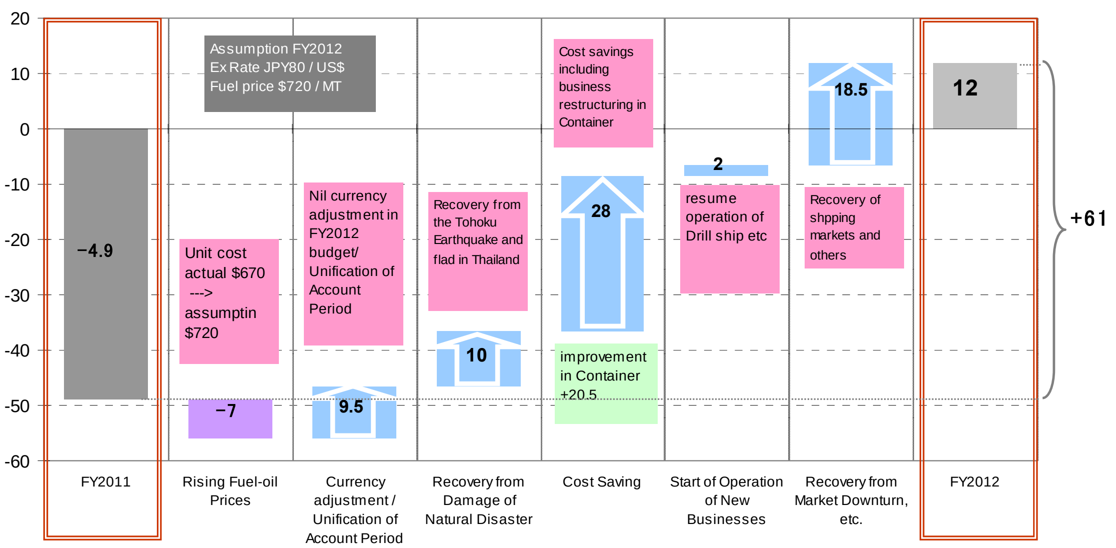
(unit: billion yen)

	Item	FY2011 Saved Costs	**FY2012 (comparison with the previous fiscal year)**	
			Cost Save Plan	Items
Container Business	Business Restructualing	2.8	**10.5**	Reduction of unit cost of containers by realignment of service routes to larger size vessels in connection with deployment of new-built large size energy-efficient container ships (3); Withdrawal from loss-making trade routes; Disposal of loss-making vessels (3.5); reduction of fuel cost through slow-steaming (4)
	Operational Cost Saving / Earning Improvement	12.2	**10**	Operational cost (cargo charges, port charges, feeder cost, etc.) (4); earning improvement of subsidiary companies (4); selling of owned containers (2)
	Sub Total	15	**20.5**	-
Non-Container Business	Operational Cost Saving	5.3	**2.5**	Reduction of fuel cost through slow-steaming (0.5); Reduction of operating expenditures, charter hire (2)
	Cost saving throughout entire "K"Line Group companies	1.4	**3.5**	Reduction of sales cost (1.5); reduction of administration & general expenses (salary & other benefit, equipment cost) (2)
	Sub Total	6.7	**6**	-
Head Office	Reduction of General & Administration Expenses	0.3	**1.5**	Personnel expenses (remuneration for executive officers, bonus payment for employees); other expenses (equipment cost, travel expenses, entertainment cost, etc.)
Total		22	**28**	-

Freight rate restoration has been progressing steadily in the container shipping business so far in this fiscal year and we expect certain degree of market recovery. The market conditions in the dry bulk business are also deteriorated so far, but we expect supply and demand situation will start to improve in the second half of this year and as a result a moderate recovery is expected. We anticipate that these market recoveries will result in a ¥18.5 billion improvement in earnings.

In addition, recovery from negative impact by the natural disasters that occurred in the prior fiscal year, the start of operations in new businesses are expected to lead to ordinary income of ¥12.0 billion in fiscal year 2012.

(billion yen)



(2) Establishing Stable Earnings Structures

The Group will undertake the following measures to establish structures that can generate stable earnings even under volatile business environment.

a. Structural reform in the containership business

We will undertake continuous structural reforms in the containership business as per below.

- Reorganize service routes, utilizing state-of-the-art, energy-efficient large containerships to lower operating expenses per TEU.
- Rationalizations of unprofitable service routes, streamline the fleet by returning and disposing of uneconomical vessels.
- Cost cutting measures by reduction of fuel oil consumption through slow steaming, and utmost efforts amongst the global network.

b. Reinforcement of Dry bulk and Car carrier businesses as resource of stable earnings

- In Dry bulk business, maintain existing medium- and long-term contracts with customers in Japan and overseas, and target new medium- and long-term contracts with overseas customers, in particular, in emerging economies to enhance of the resource of stable earnings.
- In the Car carrier business, we will reorganize service routes in respond to changes in trade patterns which have been changing by the overseas shift of production bases and increases in demand in Chinese and other Asian markets, in addition to the dominant trade for Complete Built-Up (CBU) units exported from Japan, We will also reinforce handling of non-self-propelled sectors as a new core business.

In Energy transportation and other segments, heavy lifter business and logistics business segments are focused on as growing sectors to generate stable earnings as well.

(3) Strengthening of Financial Standing

Starting in fiscal 2012, the “K” Line Group’s investment cash flow will be targeted to be capped up to ¥50 billion in maximum that is less than the Group’s depreciation cost of approximately ¥60 billion, so that we expect cash flow situation will be improved and interest-bearing debt will be reduced to strengthen the Group’s financial base. The prior investment policy such as expantion of scale has been reviewed, future investment will be made in carefully selected areas having relatively stable and/or higher profitability.

	FY2011	FY2012	FY2013	FY2014
Investment Cash Flow (billion yen)	83	50	50	50
Previous Mid-Term Management Plan (Apr. 2011)	95	80	65	−
Difference from Previous Mid-Term Management Plan	▲ 12	▲ 30	▲ 15	−

b. Five Fundamental Tasks

(1) Activities to promote Environmental Protection

We are striving to help prevent further global warming by reducing our CO_2 emissions to the greatest extent possible. To accomplish this, we are implementing measures related to tangible aspects, such as adopting energy-efficient systems for vessel operations, onshore cargo loading and unloading and land transportation as well as effectively re-using energy generated; and also implementing measures related to intangible elements such as rigorously implementing appropriate navigational speed. We are doing our utmost to assist the effort to create a global environment with clean oceans and air, which is indispensable for all human beings and other forms of life on Earth.

In the “K” LINE Vision 100 management plan adopted in April 2008, the Group set a target of reducing carbon dioxide emissions by 10% by the mid-2010s compared to 2006 on a transport ton-mile basis* and took measures to achieve the target, which was achieved in the fiscal year 2011. Accordingly, we set a new target for carbon dioxide emission reduction of 10% by 2019 compared to 2011 on a transport ton-mile basis to mark the 100th anniversary of “K” Line in 2019.

* Transport ton-mile basis is a standard based on transporting 1 ton of freight 1 nautical mile (1,852 meters).

(2) Reliable Management Structures for Safe Ship Operations

We are ensuring safety in navigation and improving the quality of all our vessels in operation by enhancing the KL Safety Standard, which is a management system based on global standards that also incorporates “K” Line’s own distinctive know-how, and also improving the KL Quality guidelines vessel inspections. In addition, we are endeavoring to improve safety management systems and strengthen onshore support structures through such measures as establishment of the KL Safety Network for promoting the sharing of information throughout the Group. We are focusing on reliable management systems for ensuring safe ship operations through efforts to hire and train seafarers by maintaining systems to recruit them from overseas sources, enhancing the “K” Line Maritime Academy's education and training, enhancing our seafarer training system and offering them an attractive workplace.

(3) Borderless Management Through the Best and Strongest Organization

As globalization of the “K” Line Group’s business activities accelerates, we need to conduct borderless management by sharing the “K” Line Standards within the different business activities and corporate cultures throughout the world. “K” Line is endeavoring to increase the overall strength of the Group’s companies by promoting collaboration and personnel exchanges between Group companies. At the same time, by strengthening the training of globally-capable personnel and promoting continual work restructuring, we are striving to dramatically improve the labor productivity that sustains our international competitiveness. In addition, we are aiming to create dynamic and fulfilling working environments for Group employees around the world by sharing our corporate vision, clarifying roles, placing the right personnel in the right jobs, and treating employees fairly. Through these efforts, we are striving to improve our cost competitiveness and technological development capacity, and provide high-quality services, and thereby retain and strengthen our competitive edge in the shipping industry.

(4) Strategic Investment and Proper Allocation of Management Resources

Strengthening the Group’s financial standing is a high-priority task in the recently-adopted ““K” LINE Vision 100: Bridge to the Future” management plan and future investment will be made in carefully selected areas with stable and high earnings. In the Dry bulk business, investment will be focused on new designed energy-efficient vessels. Investment shall be made in relation with achievement of medium or long term contracts. In the Car carrier business, will enhance vessel’s lineup which is suitable to accommodate non-self-propelled cargoes. In the Energy transportation business, investment will be determined on a case by case basis through careful assessments of its profitability.

(5) Improvement of Corporate Value and Complete Risk Management

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

Consolidated Financial Statements

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2012 and 2011

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

	Year ended Mar. 31, 2011	Year ended Mar. 31, 2012	Year ended Mar. 31, 2012
ASSETS			
Current assets :			
Cash and time deposits	¥ 74,063	¥ 96,698	$ 1,176,521
Accounts and notes receivable-trade	78,313	77,894	947,743
Short-term loans receivable	1,903	7,022	85,445
Marketable securities	24,998	1	12
Raw material and supply	34,411	38,303	466,033
Prepaid expenses and deferred charges	32,448	36,758	447,239
Deferred income taxes	2,224	4,988	60,691
Other current assets	15,008	19,744	240,224
Allowance for doubtful receivables	(526)	(666)	(8,113)
Total current assets	262,845	280,744	3,415,794
Fixed assets :			
(Tangible fixed assets)			
Vessels	379,295	473,552	5,761,675
Buildings and structures	25,422	24,262	295,200
Machinery and vehicles	6,629	6,467	78,687
Land	30,717	29,825	362,888
Construction in progress	136,114	78,797	958,719
Other tangible fixed assets	5,550	5,545	67,466
Total tangible fixed assets	583,728	618,449	7,524,635
(Intangible fixed assets)			
Goodwill	4,518	4,473	54,425
Other intangible fixed assets	5,845	5,479	66,671
Total intangible fixed assets	10,363	9,952	121,096
(Investments and other long-term assets)			
Investments in securities	101,312	75,214	915,125
Long-term loans receivable	15,896	15,066	183,310
Deferred income taxes	42,988	51,869	631,087
Other long-term assets	16,673	15,843	192,768
Allowance for doubtful receivables	(1,302)	(491)	(5,976)
Total investments and other long-term assets	175,569	157,501	1,916,315
Total fixed assets	769,660	785,904	9,562,046
Total assets	¥ 1,032,505	¥ 1,066,648	$ 12,977,840

Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2012 and 2011

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

	Year ended Mar. 31, 2011	Year ended Mar. 31, 2012	Year ended Mar. 31, 2012
LIABILITIES			
Current liabilities :			
Accounts and notes payable-trade	¥ 76,750	¥ 75,275	$ 915,869
Short-term loans and current portion of long-term debt	55,783	72,049	876,620
Commercial paper	-	17,000	206,838
Accrued income taxes	3,456	2,661	32,376
Accrued allowance	2,088	1,560	18,982
Allowance for directors' and corporate auditors' retirement benefits	284	171	2,091
Other current liabilities	65,348	55,610	676,614
Total current liabilities	203,711	224,328	2,729,389
Long-term liabilities :			
Bonds	74,951	74,573	907,324
Long-term debt, less current portion	332,481	406,162	4,941,753
Lease obligation	1,963	13,428	163,378
Deferred income taxes on land revaluation	2,632	2,590	31,521
Allowance for employees' retirement benefits	7,793	7,525	91,568
Allowance for directors' and corporate auditors' retirement benefits	1,978	1,952	23,753
Accrued expenses for overhaul of vessels	17,708	17,555	213,595
Derivative liabilities	67,916	52,181	634,887
Other long-term liabilities	6,380	6,416	78,068
Total long-term liabilities	513,807	582,385	7,085,847
Total liabilities	717,519	806,714	9,815,236
NET ASSETS			
Shareholder's equity:			
Common stock	65,031	65,031	791,235
Capital surplus	49,892	49,892	607,039
Retained earnings	258,075	212,850	2,589,732
Less treasury stock, at cost	(903)	(904)	(10,999)
Total shareholders' equity	372,095	326,870	3,977,007
Accumulated other comprehensive income (loss) :			
Net unrealized holding (loss) gain on investments in securities	1,955	(6,036)	(73,449)
Deferred loss on hedges	(55,305)	(41,596)	(506,099)
Revaluation reserve for land	2,077	2,297	27,958
Translation adjustments	(29,153)	(38,962)	(474,051)
Total accumulated other comprehensive loss, net	(80,426)	(84,297)	(1,025,641)
Minority interests in consolidated subsidiaries	23,316	17,361	211,237
Total net assets	314,986	259,934	3,162,604
Total liabilities and net assets	¥ 1,032,505	¥ 1,066,648	$ 12,977,840

Consolidated Statements of Income

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2012 and 2011

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

	Year ended Mar.31, 2011	Year ended Mar.31, 2012	Year ended Mar.31, 2012
Marine transportation and other operating revenues	¥ 985,084	¥ 972,310	$ 11,830,037
Marine transportation and other operating expenses	861,996	946,863	11,520,416
Gross income	123,088	25,447	309,620
Selling, general and administrative expenses	64,478	66,010	803,148
Operating (loss) income	58,609	(40,563)	(493,528)
Non-operating income :			
Interest income	891	1,123	13,672
Dividend income	1,857	2,954	35,953
Equity in earnings of affiliated companies	101	546	6,650
Other non-operating income	1,974	1,955	23,796
Total non-operating income	4,825	6,581	80,071
Non-operating expenses :			
Interest expenses	8,564	9,261	112,689
Exchange loss	7,223	5,228	63,620
Other non-operating expenses	297	482	5,873
Total non-operating expenses	16,085	14,973	182,182
Ordinary (loss) income	47,350	(48,955)	(595,640)
Extraordinary profits :			
Gain on sales of fixed assets	5,506	4,612	56,125
Gain on sales of investments in securities	129	3,641	44,301
Gain on share exchange	-	6,344	77,192
Other extraordinary profits	2,265	986	11,997
Total extraordinary profits	7,900	15,584	189,615
Extraordinary losses :			
Loss on impairment of fixed assets	48	3,362	40,907
Loss on sale of investment securities	8	2,614	31,816
Loss from revaluation of investment securities	443	2,517	30,630
Loss on change of ship building contracts	-	1,937	23,576
Loss on cancellation of ship building contracts	-	3,754	45,685
Compensation for damage	790	-	-
Other extraordinary losses	3,749	1,580	19,225
Total extraordinary losses	5,041	15,767	191,839
(Loss) Income before income taxes	50,209	(49,138)	(597,863)
Income taxes : current	5,297	5,123	62,341
Income taxes for prior years	-	(1,053)	(12,814)
Income taxes : deferred	13,002	(13,432)	(163,438)
Total income taxes	18,300	(9,362)	(113,911)
Net (loss) income before minority interests	31,909	(39,776)	(483,952)
Minority interests	1,306	1,575	19,164
Net (loss) income	¥ 30,603	¥ (41,351)	$ (503,116)

Consolidated Statements of Comprehensive Loss

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2012 and 2011

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

	Year ended Mar.31, 2011	Year ended Mar.31, 2012	Year ended Mar.31, 2012
Net (loss) income before minority interests	¥ 31,909	¥ (39,776)	$ (483,952)
Other comprehensive loss:			
Net unrealized holding loss on investments in securities	(6,516)	(7,966)	(96,932)
Deferred income(loss) on hedges	(26,953)	16,112	196,041
Revaluation reserve for land	-	42	513
Translation adjustments	(13,219)	(10,053)	(122,318)
Share of other comprehensive loss of subsidiaries and affiliates accounted for by the equity method	(772)	(2,650)	(32,251)
Total other comprehensive loss	(47,461)	(4,515)	(54,945)
Comprehensive loss	¥ (15,551)	¥ (44,291)	$ (538,897)
(Breakdown)			
Comprehensive loss attributable to shareholders of Kawasaki Kisen Kaisha, Ltd.	(14,357)	(45,221)	(550,212)
Comprehensive income(loss) attributable to minority shareholders of cosolidated subsidiaries	(1,193)	929	11,314

Consolidated Statements of Shareholders' Equity

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2012 and 2011

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

	Year ended Mar.31, 2011	Year ended Mar.31, 2012	Year ended Mar.31, 2012
Shareholders' equity			
Common stock			
Balance at beginning of year	¥ 65,031	¥ 65,031	$ 791,235
Change in the item during the year			
Net changes during the year	-	-	-
Balance at end of year	65,031	65,031	791,235
Additional paid-in capital			
Balance at beginning of year	49,876	49,892	607,039
Change in the item during the year			
Disposal of treasury stocks	15	-	-
Net changes during the year	15	-	-
Balance at end of year	49,892	49,892	607,039
Retained earnings			
Balance at beginning of year	229,661	258,075	3,139,990
Change in the item during the year			
Cash dividends	(3,056)	(4,202)	(51,129)
Net (loss) income	30,603	(41,351)	(503,116)
Disposal of treasury stocks	(8)	(2)	(33)
Reversal of the revaluation reserve for land	160	-	-
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other	715	330	4,020
Net changes during the year	28,414	(45,225)	(550,257)
Balance at end of year	258,075	212,850	2,589,732
Treasury stock, at cost			
Balance at beginning of year	(949)	(903)	(10,998)
Change in the item during the year			
Purchase of treasury stocks	(18)	(4)	(52)
Disposal of treasury stocks	63	4	51
Net changes during the year	45	(0)	(1)
Balance at end of year	(903)	(904)	(10,999)
Total of shareholders' equity			
Balance at beginning of year	343,619	372,095	4,527,265
Change in the item during the year			
Cash dividends	(3,056)	(4,202)	(51,129)
Net (loss) income	30,603	(41,351)	(503,116)
Purchase of treasury stocks	(18)	(4)	(52)
Disposal of treasury stocks	71	1	18
Reversal of the revaluation reserve for land	160	-	-
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other	715	330	4,020
Net changes during the year	28,476	(45,225)	(550,258)
Balance at end of year	¥ 372,095	¥ 326,870	$ 3,977,007

Consolidated Statements of Shareholders' Equity

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2012 and 2011

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

	Year ended Mar.31, 2011	Year ended Mar.31, 2012	Year ended Mar.31, 2012
Accumulated other comprehensive income (loss)			
Net unrealized holding gain (loss) on investments in securities			
Balance at beginning of year	¥ 8,545	¥ 1,955	$ 23,789
Change in the item during the year			
Net changes in the item other than shareholders' equity	(6,589)	(7,991)	(97,237)
Net changes during the year	(6,589)	(7,991)	(97,237)
Balance at end of year	1,955	(6,036)	(73,449)
Deferred gain (loss) on hedges			
Balance at beginning of year	(28,936)	(55,305)	(672,900)
Change in the item during the year			
Net changes in the item other than shareholders' equity	(26,369)	13,709	166,801
Net changes during the year	(26,369)	13,709	166,801
Balance at end of year	(55,305)	(41,596)	(506,099)
Revaluation reserve for land			
Balance at beginning of year	2,044	2,077	25,279
Change in the item during the year			
Net changes in the item other than shareholders' equity	32	220	2,679
Net changes during the year	32	220	2,679
Balance at end of year	2,077	2,297	27,958
Translation adjustments			
Balance at beginning of year	(17,151)	(29,153)	(354,712)
Change in the item during the year			
Net changes in the item other than shareholders' equity	(12,002)	(9,808)	(119,339)
Net changes during the year	(12,002)	(9,808)	(119,339)
Balance at end of year	(29,153)	(38,962)	(474,051)
Total accumulated other comprehensive income (loss)			
Balance at beginning of year	(35,498)	(80,426)	(978,545)
Change in the item during the year			
Net changes in the item other than shareholders' equity	(44,928)	(3,870)	(47,096)
Net changes during the year	(44,928)	(3,870)	(47,096)
Balance at end of year	(80,426)	(84,297)	(1,025,641)
Minority interests in consolidated subsidiaries			
Balance at beginning of year	23,743	23,316	283,695
Change in the item during the year			
Net changes in the item other than shareholders' equity	(426)	(5,955)	(72,458)
Net changes during the year	(426)	(5,955)	(72,458)
Balance at end of year	23,316	17,361	211,237
Total net assets			
Balance at beginning of year	331,864	314,986	3,832,415
Change in the item during the year			
Cash dividends	(3,056)	(4,202)	(51,129)
Net (loss) income	30,603	(41,351)	(503,116)
Purchase of treasury stocks	(18)	(4)	(52)
Disposal of treasury stocks	71	1	18
Reversal of revaluation reserve for land	160	-	-
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other	715	330	4,020
Net changes in the item other than shareholders' equity	(45,354)	(9,826)	(119,553)
Net changes during the year	(16,878)	(55,051)	(669,812)
Balance at end of year	¥ 314,986	¥ 259,934	$ 3,162,604

Consolidated Statements of Cash Flows

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2012 and 2011

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

	Year ended Mar.31, 2011	Year ended Mar.31, 2012	Year ended Mar.31, 2012
Cash flows from operating activities :			
(Loss) income before income taxes and minority interests	¥ 50,209	¥ (49,138)	$ (597,863)
Depreciation and amortization	44,722	50,044	608,883
Loss on impairment of fixed assets	48	3,362	40,907
Reversal of employees' retirement benefits	(225)	(254)	(3,093)
Reversal of directors' and corporate auditors' retirement benefits	(20)	(20)	(252)
(Decrease) increase in accrued expenses for overhaul of vessels	70	(105)	(1,289)
Interest and dividend income	(2,749)	(4,078)	(49,624)
Interest expense	8,564	9,261	112,689
Loss on change of ship building contracts	-	1,937	23,576
Loss on cancellation of ship building contracts	-	3,754	45,685
Loss on compensation for damage	790	-	-
Gain on sales of marketable securities and investments in securities	(120)	(1,026)	(12,485)
Gain on sales of vessels, property and equipment	(5,212)	(4,569)	(55,597)
Loss on revaluation of marketable securities and investments in securities	443	2,517	30,630
Gain on share exchange	-	(6,344)	(77,192)
Increase in accounts and notes receivable – trade	(4,298)	(3,281)	(39,928)
(Decrease) increase in accounts and notes payable – trade	8,467	(950)	(11,561)
Increase in inventories	(8,424)	(3,935)	(47,883)
Increase in other current assets	(10,189)	(1,913)	(23,284)
Increase in other current liabilities	5,624	6,209	75,556
Other, net	8,893	6,101	74,237
Subtotal	96,595	7,570	92,112
Interest and dividends received	2,824	4,071	49,535
Interest paid	(8,657)	(9,429)	(114,727)
Payment for compensation for damage	(790)	-	-
Income taxes paid	(5,070)	(5,757)	(70,052)
Income taxes refunded	-	636	7,739
Net cash (used in) provided by operating activities	84,901	(2,908)	(35,394)
Cash flows from investing activities :			
Purchases of marketable securities and investments in securities	(3,097)	(2,020)	(24,578)
Proceeds from sale of marketable securities and investments in securities	1,063	12,913	157,120
Purchases of vessels, property and equipment	(146,461)	(237,281)	(2,886,989)
Proceeds from sale of vessels, property and equipment	92,463	162,898	1,981,969
Purchases of intangible fixed assets	(920)	(848)	(10,319)
Increase in long-term loans receivable	(3,823)	(11,344)	(138,030)
Collection of long-term loans receivable	5,612	6,720	81,769
Payment for acquisition of shares in consolidated subsidiaries	-	(12,414)	(151,045)
Other, net	1,045	(1,856)	(22,592)
Net cash used in investing activities	(54,116)	(83,233)	(1,012,695)
Cash flows from financing activities :			
Increase (decrease) in short-term loans, net	(2,703)	563	6,860
Increase (decrease) in commercial paper	(9,000)	17,000	206,838
Proceeds from long-term debt	56,763	154,476	1,879,501
Repayment of long-term debt and obligations under finance leases	(64,347)	(65,897)	(801,771)
Redemption of Bonds	(2,523)	(15,378)	(187,103)
Cash dividends paid	(3,085)	(4,228)	(51,447)
Cash dividends paid to minority shareholders	(337)	(494)	(6,021)
Proceeds from stock issuance to minority shareholders	438	268	3,261
Other, net	(1)	(2)	(33)
Net cash provided by (used in) financing activities	(24,796)	86,306	1,050,086
Effect of exchange rate changes on cash and cash equivalents	(4,560)	(2,810)	(34,195)
Net (decrease) increase in cash and cash equivalents	1,428	(2,646)	(32,197)
Cash and cash equivalents at beginning of the period	92,122	94,429	1,148,923
Increase in cash and cash equivalents arising from inclusion of subsidiaries in consolidation	879	947	11,524
Increase in cash and cash equivalents resulting from merger	-	25	310
Cash and cash equivalents at end of the period	¥ 94,429	¥ 92,756	$ 1,128,561

Segment information

Year ended March 31, 2011

(Millions of yen)

	Container-ship	Bulk shipping	Other	Total	Adjustments and eliminations	Consolidated
Revenues						
Operating Revenues from customers	¥ 444,971	¥ 447,111	¥ 93,002	¥ 985,084	¥ -	¥ 985,084
Inter-group revenues and transfers	2,438	1,735	41,619	45,793	(45,793)	-
Total revenues	447,409	448,846	134,621	1,030,878	(45,793)	985,084
Segment income	¥ 29,005	¥ 16,991	¥ 4,739	¥ 50,735	¥ (3,385)	¥ 47,350
Segment assets	¥ 174,629	¥ 659,509	¥ 153,162	¥ 987,301	¥ 45,203	¥ 1,032,505
Depreciation and amortization	¥ 3,888	¥ 34,314	¥ 5,548	¥ 43,751	¥ 970	¥ 44,722
Amortization of goodwill	(28)	2,895	6	2,873	-	2,873
Interest income	315	552	146	1,013	(122)	891
Interest expenses	695	7,442	530	8,667	(103)	8,564
Equity in earning (loss) of affiliates	385	(381)	97	101	-	101
Investments in affiliates accounted for by the equity method	5,803	5,435	5,109	16,349	-	16,349
Increase in vessels, property and equipment, and intangible assets	27,881	116,797	3,576	148,255	738	148,993

Year ended March 31, 2012

(Millions of yen)

	Container-ship	Bulk shipping	Other	Total	Adjustments and eliminations	Consolidated
Revenues						
Operating Revenues from customers	¥ 395,460	¥ 463,507	¥ 113,342	¥ 972,310	¥ -	¥ 972,310
Inter-group revenues and transfers	3,608	2,079	43,097	48,784	(48,784)	-
Total revenues	399,068	465,587	156,440	1,021,095	(48,784)	972,310
Segment (loss) income	¥ (41,772)	¥ (8,628)	¥ 6,605	¥ (43,795)	¥ (5,160)	¥ (48,955)
Segment assets	¥ 160,342	¥ 735,170	¥ 159,373	¥ 1,054,886	¥ 11,761	¥ 1,066,648
Depreciation and amortization	¥ 5,232	¥ 38,727	¥ 5,217	¥ 49,178	¥ 865	¥ 50,044
Amortization of goodwill	56	3,257	132	3,446	-	3,446
Interest income	427	565	149	1,141	(18)	1,123
Interest expenses	575	8,191	471	9,239	22	9,261
Equity in earning (loss) of affiliates	338	208	(0)	546	-	546
Investments in affiliates accounted for by the equity method	2,268	2,749	5,135	10,152	-	10,152
Increase in vessels, property and equipment, and intangible assets	25,161	208,980	4,237	238,378	818	239,196

Year ended March 31, 2012

(Thousands of U.S. dollars)

	Container-ship	Bulk shipping	Other	Total	Adjustments and eliminations	Consolidated
Revenues						
Operating Revenues from customers	$ 4,811,537	$ 5,639,463	$ 1,379,036	$11,830,037	$ -	$11,830,037
Inter-group revenues and transfers	43,899	25,303	524,359	593,561	(593,561)	-
Total revenues	4,855,436	5,664,767	1,903,395	12,423,597	(593,561)	11,830,037
Segment (loss) income	$ (508,246)	$ (104,979)	$ 80,369	$ (532,856)	$ (62,784)	$ (595,640)
Segment assets	$ 1,950,879	$ 8,944,767	$ 1,939,088	$12,834,734	$ 143,106	$12,977,840
Depreciation and amortization	$ 63,669	$ 471,195	$ 63,484	$ 598,348	$ 10,535	$ 608,883
Amortization of goodwill	690	39,630	1,618	41,939	-	41,939
Interest income	5,197	6,883	1,813	13,893	(221)	13,672
Interest expenses	7,007	99,669	5,736	112,411	278	112,689
Equity in earning (loss) of affiliates	4,114	2,540	(4)	6,650	-	6,650
Investments in affiliates accounted for by the equity method	27,601	33,447	62,477	123,526	-	123,526
Increase in vessels, property and equipment, and intangible assets	306,138	2,542,648	51,553	2,900,338	9,954	2,910,292