(Translation)

NOTICE OF THE 150TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

The 150th term

(From April 1, 2017 to March 31, 2018)

Kawasaki Kisen Kaisha, Ltd.

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

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

Dear shareholders,

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

With respect to the business conditions surrounding the Company in FY2017 (from April 1, 2017 to March 31, 2018), the dry bulk market recovered slowly. This took place against the backdrop of robust movement of freight by ships ranging from large-scale ones to medium- and small-scale ones. Meanwhile, the containership market did not see a full-fledged recovery in the supply-demand balance although it saw a sign of recovery in shipping charges. As a result, the business conditions surrounding the Company in FY2017 remained generally unfavorable. Under this environment, the "K" LINE Group continuously took measures to improve the fiscal balance, including, but not limited to, cutting costs and streamlining the allocation of ships. In addition, the policies for strengthening our competitiveness through the business structural reforms that we pressed forward with in the previous two fiscal years also worked well. As a result, the "K" LINE Group recorded a profit attributable to owners of parent of ¥10.4 billion, securing a final surplus for the first time in three fiscal years. While it is with sincere regret that we caused great concern and inconvenience to our shareholders due to the huge final deficit recorded by the Company for the previous two fiscal years, I would like to express my sincere gratitude to our shareholders for their continued support.

We released our long-term management policy and new medium-term management plan, '"Revival for Greater Strides" — Value for our Next Century' in April 2017 in order to present to our stakeholders our management policy after the integration of the containership business. In order to strengthen our strong customer base built up by our strengths, namely, our technical capabilities, shipping service quality, global network and diverse human resources, we formulated our long-term management policy. And we positioned the three years from FY2017 to FY2019 as the period we make "Revival for Greater Strides" to develop our business foundation for realizing the vision of the "K" LINE Group.

FY2018, the second year for the medium-term management plan, will be a critical year in which new "K" LINE will be launched. OCEAN NETWORK EXPRESS PTE. LTD., which we established with Nippon Yusen Kabushiki Kaisha and Mitsui O.S.K. Lines, Ltd. by spinning off our containership business, started operating in April 2018. As a result of this, the containership business of the "K" LINE Group will be operated through OCEAN NETWORK EXPRESS PTE. LTD, an equity-method affiliate of the "K" LINE Group; however, the containership business will remain one of our core businesses. In the meantime, the "K" LINE Group is pressing forward with the development of the logistics, finished vehicle logistics and energy value chain businesses while attempting to create new services and markets through technological innovation and business model reform. In addition, the "Advanced Business Management", which was announced at the end of October 2017, was launched completely in FY2018. We will continue our efforts to complete the medium-term management plan by containing the total amount of business risks within a specific range while aiming to transform our business portfolio to an optimized one which can secure a return that matches the risk.

Although we recorded a profit attributable to owners of parent in the current fiscal year, we regret to inform you that we have determined to pay no dividends for the current fiscal year, as we consider the strengthening of our financial standings to be an urgent priority. We aim to resume dividend payments as early as possible, however, under the policy of assigning the highest priority to improving financial strength and business foundation for the time being, the annual dividend in FY2018 has yet to be decided.

The Company will have its 100th anniversary in 2019. FY2018 will be a critical year towards the next 100 years, which are considered the Company's second startup period. The business conditions will remain difficult to forecast, but, all officers and employees of the "K" LINE Group will work as one in their efforts to improve our corporate value and secure a profit under the new medium-term management plan, '"Revival for Greater Strides" — Value for our Next Century'. We will work to live up to shareholders' expectations. I look forward to your ongoing support in the fiscal year ahead.

May 2018

Eizo Murakami

Representative Director, President & CEO

(Securities Code: 9107)
May 30, 2018

To our Shareholders:

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

Notice of the 150th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 150th Ordinary General Meeting of Shareholders of Kawasaki Kisen Kaisha, Ltd. (hereinafter referred to as "the Company"), details of which are set forth below. If you are unable to attend the meeting in person, you may exercise your voting rights by postal mail or via the Internet, etc. Please review the after-mentioned "Reference Materials for the General Meeting of Shareholders" and exercise your voting rights in accordance with "Guidance for Exercise of Voting Rights" in page 6. Please ensure that your votes reach the Company no later than 5:00 p.m., Wednesday, June 20, 2018 (Japan Standard Time).

1. Date and time: 10:00 a.m., Thursday, June 21, 2018 (Japan Standard Time)
(Reception desk opens at 9:00 a.m.)

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

3. Agenda:

Matters to be reported:

Business Report, Non-consolidated Financial Statements, Consolidated Financial Statements and Audit Reports by the Accounting Auditors and the Audit & Supervisory Board on the Consolidated Financial Statements for the Fiscal Year from April 1, 2017 to March 31, 2018

Matters to be resolved:

Proposition 1 Reduction in Amount of Capital Reserve and Legal Reserve; Appropriation of Surplus
Proposition 2 Partial Amendments to the Articles of Incorporation
Proposition 3 Election of nine (9) Directors
Proposition 4 Election of two (2) Substitute Audit & Supervisory Board Members

Regarding Internet Disclosure

This Notice and the Business Report for the 150th fiscal year has been posted on the Company's website.

- Of the Business Report for the 150th fiscal year, the following items have been posted on the Company's website shown below, in accordance with the provisions of relevant laws and regulations and Article 19 of the Company's Articles of Incorporation. As a consequence, the relevant documents are not included in the Business Report for the 150th fiscal year.
  - "Core Business"
  - "Principal Lenders"
  - "Matters Related to the Company's Stock Acquisition Rights"
  - "Status of Accounting Auditor"
  - "System to Ensure Proper Business Operations"
  - "Outline of Operational Status of System to Ensure Proper Business Operations"
  - "Consolidated Statement of Changes in Net Assets"
  - "Non-Consolidated Statement of Changes in Net Assets"
  - "Notes to Consolidated Financial Statements"
  - "Notes to Non-consolidated Financial Statements"

  In addition to the Business Report for the 150th fiscal year, the documents above are audited by Audit & Supervisory Board Members to prepare their Audit Reports while consolidated financial statements and schedules to the financial statements among the documents above are audited by Accounting Auditors to prepare their Audit Reports.

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

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

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

Guidance for Exercise of Voting Rights

Please exercise your voting rights after reviewing the Reference Materials for the General Meeting of Shareholders listed on pages 8 to 25.
You may exercise your voting rights by one of the following three methods.

1. By attending the shareholders' meeting

Please submit the enclosed Voting Rights Exercise Form to the reception at the meeting venue.
Please also bring this Notice of the 150th Ordinary General Meeting of Shareholders with you to the meeting.

2. By submitting Voting Rights Exercise Form by postal mail

Please indicate your approval or disapproval of each of the Propositions on the enclosed Voting Rights Exercise Form and send it by postal mail to arrive at the Company no later than 5:00 p.m., Wednesday, June 20, 2018 (Japan Standard Time).

3. By exercising voting rights via the Internet

Please access the dedicated website for exercising voting rights (https://www.web54.net) and enter your vote for each Proposition by 5:00 p.m., Wednesday, June 20, 2018 (Japan Standard Time).
Please see page 7 for details.

Exercise of Voting Rights via the Internet

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

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

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

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

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

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

Reference Materials for the General Meeting of Shareholders

Proposition 1: ***Reduction in Amount of Capital Reserve and Legal Reserve; Appropriation of Surplus***

1. Reasons for Proposition
   As the result of the structural reforms carried out by the “K” LINE Group for the previous two fiscal years due to the stagnant marine transportation market, there is a deficit of 121,522,718,568 yen in the retained earnings brought forward as of the end of March 2018. Under these circumstances, for the purpose of offsetting the loss in retained earnings brought forward and securing the flexibility in financial strategies in the future, the Company proposes to reduce the capital reserve and legal reserve, and appropriate the surplus as follows.
   Furthermore, the Company, with sincere regret, determined to pay no dividends for the current fiscal year as we have already announced in the financial highlights, etc.

2. Reduction in Amount of Capital Reserve and Legal Reserve
   In accordance with Article 448, Paragraph 1 of the Companies Act, we propose to reduce a part of the capital reserve and all of the legal reserve and transfer the reduced amount to other capital reserve and retained earnings brought forward, respectively.
   (1) The surplus accounts to be reduced and their amount
       Capital reserve: ¥59,002,586,557 of ¥ 60,302,586,557

       Legal reserve: ¥2,540,336,700
   (2) The surplus accounts to be increased and their amount
       Other capital reserve: ¥59,002,586,557
       Retained earnings brought forward: ¥2,540,336,700

3. Appropriation of Surplus
   On condition that the reduction of a part of the capital reserve and all of the legal reserve as well as the increase of other capital reserve and retained earnings brought forward take effect, the Company proposes to transfer the increased other capital reserve and break into general reserve in order to compensate for the deficit of retained earnings brought forward, in accordance with Article 452 of the Companies Act.
   (1) The surplus accounts to be reduced and their amount
       Other capital reserve: ¥59,002,586,557
       General reserve: ¥60,552,000,000
   (2) The surplus account to be increased and its amount
       Retained earnings brought forward ¥119,554,586,557
   As a result of this, the total amount transferred to retained earnings brought forward will be 122,094,923,257 yen.

4. Effective Date of Reduction in Reserve and Appropriation of Surplus
   June 21, 2018

Proposition 2: ***Partial Amendments to the Articles of Incorporation***

1. Reasons for Proposition
   In order to keep pace with the expansion and diversification of business areas, the Company proposes to add a business purpose to the current Article 2 (Purposes) of the Company's Articles of Incorporation and renumber the current articles in accordance with the establishment of new article.

2. Amendment to the Articles of Incorporation
   Contents of amendments are as follows:

(Underlined portions are the changes.)

Current Articles of Incorporation	Proposed amendments
Article 2. (Purposes) The business purposes of the Company are as follows: (1) to (18) (Omitted) (New) (19) (Omitted)	Article 2. (Purposes) The business purposes of the Company are as follows: (1) to (18) (No change) (19) Business concerning liquefied natural gas and other fuels (20) (No change)

Proposition 3: ***Election of nine (9) Directors***

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

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summaries, positions and areas of responsibility in the Company
(Significant concurrent positions)</th><th>Number of the Company's shares held</th></tr>
<tr><td rowspan="15">1</td><td rowspan="15">Jiro Asakura
(July 31, 1950)

<Reappointed>

Attendance at Board meetings:

100%
(14/14 meetings)

Term of office as Director: 10 years</td><td>April, 1974</td><td>Joined the Company</td><td rowspan="14">11,500 shares</td></tr>
<tr><td>July, 2000</td><td>General Manager, Coal & Iron Ore Carrier Group of Bulk Carrier Department</td></tr>
<tr><td>April, 2001</td><td>General Manager of Coal & Iron Ore Carrier Group</td></tr>
<tr><td>June, 2005</td><td>Director, General Manager of Coal & Iron Ore Carrier Group</td></tr>
<tr><td>June, 2006</td><td>Executive Officer, General Manager of Coal & Iron Ore Carrier Group</td></tr>
<tr><td>April, 2007</td><td>Managing Executive Officer</td></tr>
<tr><td>April, 2009</td><td>Senior Managing Executive Officer</td></tr>
<tr><td>June, 2009</td><td>Representative Director, Senior Managing Executive Officer</td></tr>
<tr><td>April, 2011</td><td>Representative Director, Vice President Executive Officer</td></tr>
<tr><td>May, 2011</td><td>Representative Director, President & CEO</td></tr>
<tr><td>April, 2015</td><td>Representative Director, Chairman of the board</td></tr>
<tr><td>June, 2015</td><td>Chairman of the Board (Current)</td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Reasons for nomination as candidate for Director:
Mr. Jiro Asakura first became a Director of the Company in June 2005. In May 2011, he became Representative Director, President & CEO, in April 2015, he became Representative Director, Chairman of the board, and in June 2015, his office changed to Chairman of the board. He contributed to formulating the previous medium-term management Plan '"K" LINE Vision 100 - Bridge to the Future -,' promoting this plan to construct a stable earnings structure, and bringing about improved financial standing amid the difficult business environment following the 2008 Global Financial Crisis and the Great East Japan Earthquake. Mr. Asakura also has abundant knowledge and experience, most notably in the area of corporate governance. The Company believes his experience provides him with perspective that is broad and from a high vantage point, and it judges such perspective will continue to be essential for improving the Group's corporate governance in the future as well. Accordingly, the Company requests his election as Director. There is no special interest between Mr. Asakura and the Company.</td></tr>
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<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summaries, positions and areas of responsibility in the Company
(Significant concurrent positions)</th><th>Number of the Company’s shares held</th></tr>
<tr><td rowspan="10">2</td><td rowspan="10">Eizo Murakami
(February 23, 1953)

<Reappointed>

Attendance at Board meetings:

100%
(14/14 meetings)

Term of office as Director: 10 years</td><td>April, 1975</td><td>Joined the Company</td><td rowspan="9">16,200 shares</td></tr>
<tr><td>July, 2004</td><td>General Manager of Containerships Business Group</td></tr>
<tr><td>June, 2005</td><td>Director, General Manager of Containerships Business Group</td></tr>
<tr><td>June, 2006</td><td>Executive Officer</td></tr>
<tr><td>April, 2007</td><td>Managing Executive Officer</td></tr>
<tr><td>April, 2009</td><td>Senior Managing Executive Officer</td></tr>
<tr><td>June, 2009</td><td>Representative Director, Senior Managing Executive Officer</td></tr>
<tr><td>April, 2014</td><td>Representative Director, Vice President Executive Officer</td></tr>
<tr><td>April, 2015</td><td>Representative Director, President & CEO (Current)</td></tr>
<tr><td colspan="3">Reasons for nomination as candidate for Director:
Mr. Eizo Murakami first became a Director of the Company in June 2005, and since April 2015 he has served as Representative Director, President & CEO. While in the top management position, he has effectively steered the Company in its operations amid a difficult business environment. He constantly maintained a high vantage point as he worked to put the Company on a solid footing for sustainable growth as an integrated logistics company grown from its shipping business. The Company judges that his leadership and management skills, which are backed by his broad and deep knowledge and experience accumulated so far from a diverse range of fields, are also demonstrated by his achievements in the business structural reforms of the “K” LINE Group. The Company believes these will be essential for the “K” LINE Group to push ahead with its new medium-term management plan, ‘“Revival for Greater Strides” — Value for our Next Century’ as well. Accordingly, the Company requests his election as Director.
There is no special interest between Mr. Murakami and the Company.</td></tr>
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<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summaries, positions and areas of responsibility in the Company
(Significant concurrent positions)</th><th>Number of the Company’s shares held</th></tr>
<tr><td rowspan="2">3</td><td rowspan="2">Hiromichi Aoki
(February 27, 1959)

<Reappointed>

Attendance at Board meetings:

100%
(14/14 meetings)

Term of office as Director: 4 years</td><td>April, 1981
April, 2003
April, 2008

July, 2008
July, 2010

April, 2011
April, 2014
June, 2014

April, 2015</td><td>Joined the Company
General Manager of LNG Group
Executive Officer, General Manager of LNG Group
Executive Officer
Executive Officer, General Manager of Energy Transportation Business Development Group
Managing Executive Officer
Senior Managing Executive Officer
Director, Senior Managing Executive Officer
Representative Director, Senior Managing Executive Officer (Current)

Responsible for Energy Transportation Business Unit</td><td>13,000 shares</td></tr>
<tr><td colspan="3">Reasons for nomination as candidate for Director:
Mr. Hiromichi Aoki has proven achievements, notably in the Company’s Car Carriers and Energy Transportation Sectors, and abundant management experience as a Director of the Company. Currently he is appropriately executing business strategies as the executive officer responsible for Energy Transportation Business Unit. The Company judges that his abundant experience and proven achievements will contribute to the suitable fulfilment of the decision making and supervisory function of the Company’s Board of Directors. Accordingly, the Company requests his election as Director. There is no special interest between Mr. Aoki and the Company.</td></tr>
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<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summaries, positions and areas of responsibility in the Company
(Significant concurrent positions)</th><th>Number of the Company’s shares held</th></tr>
<tr><td rowspan="2">4</td><td rowspan="2">Harusato Nihei
(August 30, 1957)

<Newly appointed>

Attendance at Board meetings:

-

Term of office as Director: -</td><td>April, 1980
March, 2006

April, 2008

April, 2009

April, 2010

April, 2011

April, 2012

April, 2013

July, 2013

April, 2014

April, 2016

June, 2016

June, 2017</td><td>Joined Daiichi Kangyo Bank, Ltd.
General Manager, Taipei Branch, Mizuho Corporate Bank, Ltd.,
Executive Officer & General Manager, Taipei Branch, Mizuho Corporate Bank, Ltd.
Executive Officer & General Manager, Human Resource Management Division, Mizuho Corporate Bank, Ltd.
Managing Executive Officer, Sales &Marketing, Mizuho Corporate Bank, Ltd.
Managing Executive Officer, Mizuho Bank, Ltd.
Managing Executive Officer, Branch Operation, Mizuho Bank, Ltd.
Managing Executive Officer, Branch Operation, Mizuho Bank, Ltd. and Managing Executive Officer, Sales & Marketing, Mizuho Corporate Bank, Ltd.
Managing Executive Officer, Sales & Marketing, Mizuho Bank, Ltd.
Deputy President, Mizuho Research Institute, Ltd.
Adviser, Mizuho Research Institute, Ltd. (Retired in June, 2016)
Standing Audit & Supervisory Board Member, Kawasaki Kisen Kaisha, Ltd. (Resigned in June, 2017)
Senior Managing Executive Office, Kawasaki Kisen Kaisha, Ltd. (Current)

Responsible for Finance, Accounting, IR & PR Unit, CFO (Chief Financial Officer)</td><td>1,600 shares</td></tr>
<tr><td colspan="3">Reasons for nomination as candidate for Director:
Mr. Harusato Nihei accumulated experience in a broad range of areas including international operations while at Mizuho Bank Ltd. and served in the bank’s management as an Executive Officer. Then, he was appointed as an Audit & Supervisory Board Member of the Company in 2016 and as a Senior Managing Executive Officer in 2017. Currently he is appropriately executing business strategies as the executive officer responsible for Finance, Accounting, IR & PR Unit and Chief Financial Officer. The Company judges that his outstanding expertise in accounting and finance as well as his experience as an Audit & Supervisory Board Member of the Company will contribute to the suitable fulfilment of the decision-making and supervisory functions of the Company’s Board of Directors. Accordingly, the Company requests his election as Director. There is no special interest between Mr. Nihei and the Company.</td></tr>
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<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summaries, positions and areas of responsibility in the Company
(Significant concurrent positions)</th><th>Number of the Company’s shares held</th></tr>
<tr><td rowspan="9">5</td><td rowspan="9">Atsuo Asano
(February 7, 1961)

<Newly appointed>

Attendance at Board meetings:

-

Term of office as Director: -</td><td>April, 1983</td><td>Joined Kawasaki Kisen Kaisha, Ltd.</td><td rowspan="9">6,800 shares</td></tr>
<tr><td>October, 2009</td><td>General Manager of Coal & Iron Ore Carrier Group</td></tr>
<tr><td>April, 2010</td><td>Executive Officer, General Manager of Coal & Iron Ore Carrier Group</td></tr>
<tr><td>April, 2012</td><td>Executive Officer</td></tr>
<tr><td>April, 2014</td><td>Managing Executive Officer</td></tr>
<tr><td>April, 2018</td><td>Senior Managing Executive Officer (Current)</td></tr>
<tr><td></td><td>Responsible for Dry Bulk Carriers Unit, in charge of Bulk Carrier Business, responsible for Human Resources Unit</td></tr>
<tr><td colspan="2">Reasons for nomination as candidate for Director:
Mr. Atsuo Asano has proven achievements, notably in the Company’s Dry Bulk Sector, and abundant management experience as an Executive Officer of the Company. Currently he is appropriately executing business strategies as the executive officer responsible for Dry Bulk Carriers Unit and Human Resources Unit. He has experience also in Corporate Planning, and the Company judges that his abundant experience and proven achievements relating to a broad range of work including administration will contribute to the suitable fulfilment of the decision making and supervisory function of the Company’s Board of Directors. Accordingly, the Company requests his election as Director. There is no special interest between Mr. Asano and the Company.</td></tr>
</table>

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
6	Yukikazu Myochin (March 27, 1961) <Reappointed> Attendance at Board meetings: 100% (14/14 meetings) Term of office as Director: 2 years	April, 1984 Joined the Company January, 2010 General Manager of Containerships Business Group April, 2011 Executive Officer April, 2016 Managing Executive Officer June, 2016 Director, Managing Executive Officer April, 2018 Representative Director, Senior Managing Executive Officer (Current) Responsible for General Affairs, Legal, Corporate Legal Risk & Compliance, Corporate Planning, Research Unit, assistance to Internal Audit, CCO (Chief Compliance Officer)	7,100 shares
		Reasons for nomination as candidate for Director: Mr. Yukikazu Myochin has proven achievements in a wide range of sectors including Containerships, Corporate Planning and IR & PR and abundant management experience. Currently, he is appropriately executing business strategies as the executive officer in charge of General Affairs, Legal, Corporate Legal Risk & Compliance, Corporate Planning and Research Unit and as the Chief Compliance Officer. The Company judges that his capability and experience, etc. will contribute to the improvement of the decision making and supervisory function of the Company's Board of Directors. Accordingly, the Company requests his election as Director. There is no special interest between Mr. Myochin and the Company.	

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)		Number of the Company's shares held
7	Akira Okabe (September 17, 1947) <Reappointed> <Outside Director> Attendance at Board meetings: 100% (14/14 meetings) Term of office as Director: 2 years	April, 1971	Joined Toyota Motor Sales Co., Ltd.	2,500 shares
		January, 2000	General Manager, Oceania and Middle East Sales Division, Regional Headquarters, Oceania and Middle East, Toyota Motor Corporation	
		June, 2001	Director, Chief Officer of Regional Headquarters, Oceania and Middle East, Toyota Motor Corporation	
		June, 2003	Managing Officer, Chief Officer of Regional Headquarters, Oceania and Middle East, Toyota Motor Corporation	
		June, 2005	Senior Managing Director, Chief Officer of Regional Headquarters, Australia, Asia and Middle East, Toyota Motor Corporation	
		June, 2009	Senior Managing Director, Chief Officer of Regional Headquarters, Australia and Asia, Deputy Chief Officer of Regional Headquarters, Middle East, Africa and Latin America, Toyota Motor Corporation	
		June, 2010	Senior Managing Director, Chief Officer of Regional Headquarters, Australia and Asia, Chief Officer of Regional Headquarters, Middle East, Africa and Latin America, Toyota Motor Corporation	
		April, 2011	Senior Managing Director, in charge of Private Distributor Relations, Regional Headquarters, Middle East, Africa and Latin America	
		June, 2011	Executive Adviser, Toyota Motor Corporation (Retired in March 2012)	
		April, 2012	Director & Vice Chairman, Tokai Tokyo Securities Co., Ltd. (Retired in March 2015)	
		April, 2015	Adviser, Tokai Tokyo Financial Holdings, Inc. (Retired in September 2017)	
		June, 2016	Outside Director of the Company (Current) Nominating Advisory Committee Chairman,	

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

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)		Number of the Company's shares held
8	Seiichi Tanaka (January 12, 1953) <Reappointed> <Outside Director> Attendance at Board meetings: 100% (14/14 meetings) Term of office as Director: 2 years	April, 1977	Joined Mitsui & Co., Ltd.	1,500 shares
		February, 2002	Manager, Ship and Marine Project Division, Mitsui & Co., Ltd.	
		April, 2005	General Manager, Machinery & Information, Industries Administrative Division, Mitsui & Co., Ltd.	
		April, 2006	Managing Officer, General Manager of Human Resources & General Affairs Division, Mitsui & Co., Ltd.	
		April, 2008	Executive Managing Officer, CPO*[1], Mitsui & Co., Ltd., Director of Mitsui & Co. (Asia Pacific) Pte. Ltd.	
		June, 2008	Representative Director, Executive Managing Officer, CPO, Mitsui & Co., Ltd., Director, Mitsui & Co. (Asia Pacific) Pte. Ltd.	
		October, 2008	Representative Director, Senior Executive Managing Officer, CPO, Mitsui & Co., Ltd., Director, Mitsui & Co. (Asia Pacific) Pte. Ltd.	
		April, 2009	Representative Director, Senior Executive Managing Officer, CIO*[2], CPO, Mitsui & Co., Ltd.	
		April, 2010	Representative Director, Executive Vice President, CIO, CPO, Mitsui & Co., Ltd.	
		April, 2011	Representative Director, Executive Vice President, Mitsui & Co., Ltd.	
		April, 2014	Director, Mitsui & Co., Ltd.	
		June, 2014	Counselor, Mitsui & Co., Ltd. (Retired in June 2016)	
		June, 2016	Outside Director of the Company (Current) Remuneration Advisory Committee Chairman *1: CPO (Chief Privacy Officer), *2: CIO (Chief Information Officer)	

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

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
9	Kiyoshi Hosomizo (March 17, 1956) <Reappointed> <Outside Director> Attendance at Board meetings: 100% (10/10 meetings) Term of office as Director: 1 year	April, 1978 Joined Ministry of Finance (MOF) July, 2002 Director, Legal Division, Budget Bureau, MOF July, 2003 Director, Financial System Stabilization Division, Minister's Secretariat, MOF July, 2004 Director, Planning Division, Planning and Coordination Bureau, MOF August, 2005 Tokyo Stock Exchange Administrator and Financial Futures Exchange Administrator, Kanto Local Finance Bureau, MOF, and Deputy Director-General of the Planning and Coordination Bureau (in charge of Market), and Secretary-General of the Executive Bureau, Certified Public Accountants and Auditing Oversight Board, Financial Services Agency (FSA) July, 2006 Tokyo Stock Exchange Administrator and Financial Futures Exchange Administrator, Kanto Local Finance Bureau, MOF, and Deputy Director-General of the Planning and Coordination Bureau (in charge of Market), FSA July, 2007 Deputy Director-General of the Planning and Coordination Bureau (in charge of planning), FSA July, 2009 Vice Commissioner of the Planning and Coordination Bureau (in charge of Secretariat), FSA July, 2010 Director-General of Inspection Bureau, FSA August, 2011 Director-General of the Supervisory Bureau, FSA July, 2014 Commissioner, FSA (Retired in July 2015) September, 2015 Counselor, Mitsui & Co., Ltd. (Retired in June 2017) Special Advisor to Iwata Godo Attorneys and Counsellors at Law (Current) June, 2016 Outside Audit & Supervisory Board Member, SEIREN Co., Ltd. (Current) June, 2017 Outside Director of the Company (Current)	300 shares

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
		Reasons for nomination as candidate for Outside Director: Mr. Kiyoshi Hosomizo has experience in prominent positions at the Ministry of Finance and the Financial Services Agency and has broad and deep knowledge and experience in financial affairs, finance, economics and corporate governance, even though he has not been directly involved in corporate management apart from being an outside director. He has been Outside Director of the Company since June 2017 so that his experience and insight may be utilized in the Company's management. He is fulfilling his role of making active suggestions at the Board of Directors meetings and supervising the execution of business through his activities in his position as Remuneration Advisory Committee Member and Nominating Advisory Committee Member. Therefore, the Company requests that he again be elected as Outside Director. There is no special interest between Mr. Hosomizo and the Company. As there is no possibility that conflict of interest may occur between Mr. Hosomizo and general shareholders, the Company has designated him as an independent director pursuant to the regulations of the stock exchanges where its stock is listed, and if he is reelected, the Company plans to continue to appoint him as an independent director.	

Notes:

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

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

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

To achieve the medium-term management plan, the Company's Board of Directors shall consist of a variety of individuals including those with experience in managing corporations and other large organizations and those with expertise in the operational, technical, financial and other aspects of the shipping industry. This is to ensure constructive discussions and supervision based on diverse backgrounds and knowledge. The Company shall give extra consideration to such diversity when selecting candidates for Directors and the Audit & Supervisory Board Members. In addition, with respect to the size of the Board of Directors, for the time being the number of Directors shall range from eight to 10, of which at least two shall be Independent Outside Directors who satisfy the Company's criteria.

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

<For your reference> Criteria for Independence of Outside Directors

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

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

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

Proposition 4: ***Election of two (2) Substitute Audit & Supervisory Board Members***

It is requested that two (2) substitute Audit & Supervisory Board Members (one (1) substitute Standing Audit & Supervisory Board Member and one (1) substitute Outside Audit & Supervisory Board Member) be elected at this meeting. This is a precaution against cases where there is a vacancy which results in a shortfall in the number of the Audit & Supervisory Board Members prescribed by laws and regulations.
The Audit & Supervisory Board has already given its prior consent to the submission of this proposition.
The candidates are:

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summaries and positions in the Company
(Significant concurrent positions)</th><th>Number of the Company’s shares held</th></tr>
<tr><td rowspan="6">1</td><td rowspan="6">Kunihiko Arai
(November 16, 1959)

<Newly appointed></td><td>April, 1982</td><td>Joined the Company</td><td rowspan="5">0 shares</td></tr>
<tr><td>August, 2001</td><td>General Manager, “K” LINE PTE LTD Trade Management Division</td></tr>
<tr><td>July, 2012</td><td>Representative in Beijing, China (Representative Office closed in December 2012)
Managing Director of KLINE (CHINA) LTD. (Current)</td></tr>
<tr><td>January, 2014</td><td>Managing Director of “K” LINE (HONG KONG) LIMITED</td></tr>
<tr><td>April, 2015</td><td>Managing Executive Officer (Current)</td></tr>
<tr><td colspan="3">Reasons for nomination as candidate for Substitute Audit & Supervisory Board Members:
Mr. Kunihiko Arai became Managing Executive Officer in April 2015 and is currently serving as Managing Director of KLINE (CHINA) LTD. and Managing Director of “K” LINE (HONG KONG) LIMITED in China. Since joining the Company in April 1982, he served as a representative in Chile and Singapore and has made proven achievements in a wide range of both domestic and overseas sectors mainly in the Containership Business, and possesses broad and deep knowledge in business matters, as well as considerable knowledge of financial and accounting matters. He can therefore contribute to the monitoring of business execution. Accordingly, the Company requests his election as a substitute Audit & Supervisory Board Member of a Standing Audit & Supervisory Board Member as it judges that he will perform effective auditing with his qualifications required for Standing Audit & Supervisory Board Members of the Company. No special interests exist between the Company and Mr. Arai.</td></tr>
</table>

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

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summaries and positions in the Company
(Significant concurrent positions)</th><th>Number of the Company's shares held</th></tr>
<tr><td rowspan="10">2</td><td rowspan="10">Junko Shiokawa
(January 6, 1970)

<Reappointed>

<Substitute Outside Audit & Supervisory Board Member></td><td>April, 1995</td><td>Registered with Daiichi Tokyo Bar Association
Joined Nagashima & Ohno (currently known as Nagashima Ohno & Tsunematsu) (retired in July 2000)</td><td rowspan="9">0 shares</td></tr>
<tr><td>July, 1998</td><td>London Office, European Bank for Reconstruction and Development (until June 1999)</td></tr>
<tr><td>October, 2000</td><td>Joined New York Office, Sullivan & Cromwell LLP (retired in March 2005)</td></tr>
<tr><td>April, 2002</td><td>Admitted as Lawyer in New York, the United States of America</td></tr>
<tr><td>April, 2005</td><td>Joined Barclays Capital Japan Limited (currently known as Barclays Securities Japan Limited) (retired in March 2009)</td></tr>
<tr><td>June, 2010</td><td>Joined Hong Kong Office, Conyers Dill & Pearman (retired in November 2014)</td></tr>
<tr><td>July, 2010</td><td>Registered as Foreign Lawyer in Hong Kong</td></tr>
<tr><td>November, 2014</td><td>Joined Hong Kong Office, Harneys (Partner) (Current)</td></tr>
<tr><td>June, 2017</td><td>Outside Director of Asahi Net, Inc. (Current)</td></tr>
<tr><td colspan="3">Reasons for nomination as candidate for Substitute Outside Audit & Supervisory Board Members:
Ms. Junko Shiokawa is admitted to practice as a lawyer in Japan and New York (U.S.), and is a registered foreign lawyer in Hong Kong. She possesses extensive expert knowledge and experience in finance, cross border transactions and other areas, gained through working for Japanese and foreign law firms, securities companies and so forth. Ms. Shiokawa does not have prior experience of direct involvement in corporate management apart from being an outside director. However, the Company requests her election as a substitute Audit & Supervisory Board Member of an Outside Audit & Supervisory Board Member. This is because it judges she will perform effective auditing from an outside independent standpoint as an Outside Audit & Supervisory Board Member of the Company based on the abovementioned broad professional knowledge and experience. There is no special interest between Ms. Shiokawa and the Company. Up until now, Ms. Shiokawa has had no relations with the Company, and as there is no possibility that conflict of interest may occur between Ms. Shiokawa and general shareholders, if she assumes office as Audit & Supervisory Board Member, the Company plans to designate her as an independent director pursuant to the regulations of the stock exchanges where its stock is listed.</td></tr>
</table>

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

<For your reference> Basic principle of corporate governance

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

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

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

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

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

(Attachment)

Business Report

(From April 1, 2017 to March 31, 2018)

1. Matters Related to Current Conditions of the Corporate Group

(1) Business Progress and Results

[General Conditions]

In the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018), the global economy continued to be steady on the whole despite rising geopolitical tensions in some regions. In the beginning of 2018, the U.S. imposed restrictions on imports of steel- and aluminum-related products, and additional tariffs on Chinese products. In response to this, China announced high tariffs on products imported from the U.S. as a countermeasure. The situation has created concerns over an impact on the global economy.

The U.S. economy kept expanding against the backdrop of steady private-sector consumption and favorable employment and income environments, as well as positive corporate earnings pushed by an increased labor supply. Meanwhile, the European economy grew at a steady pace as exports and imports remained firm, but into 2018 it began to slow down due to the strong euro.

The Chinese economy continued to show steady growth throughout the year. Exports expanded on the back of the global economy's recovery, while private-sector consumption grew a little slowly but steadily thanks to favorable employment and income environments.

Emerging economies stayed generally strong because of such factors as the recovery of the economies of resource-rich countries due to a rise in the price of resources, an improvement in the Indian economy and a pickup in domestic demand in ASEAN countries.

In Japan, production activity recovered moderately, and exports stayed firm. As employment and income environments improved, the Japanese economy continued to recover at a moderate pace on the whole.

As for the business environment for the shipping industry, although cargo movements in the East-West services remained firm throughout the year in the containership business with freight rates recovering, the supply-demand balance did not reach a full-fledged recovery. In the dry bulk business, the market continued to see a moderate recovery. The Cape-size sector was on the path of recovery from a record-low level with an increase in the movements of China-bound iron ore and coking coal cargo. Robust cargo movements were also seen in the medium-sized and small vessel sector, mostly for grain and coal shipments. In addition to the structural reforms carried out in the previous two fiscal years in order to enhance competitiveness, the Group implemented measures to improve its profitability, including continued cost reduction and improvement of vessel allocation efficiency. Despite negative impacts including the rising fuel oil prices and the ongoing appreciation of the yen, the Group improved earnings year-on-year, returning to profitability at all stages of operating income, ordinary income and profit for the first time in three fiscal years.

As a result, operating revenues for the fiscal year were ¥1,162.025 billion (up ¥131.833 billion year on year), operating income was ¥7.219 billion (compared to operating loss of ¥46.037 billion for the previous fiscal year), and ordinary income was ¥1.962 billion (compared to ordinary loss of ¥52.388 billion for the previous fiscal year). Profit attributable to owners of the parent was ¥10.384 billion (compared to loss attributable to owners of the parent of ¥139.478 billion for the previous fiscal year). The average foreign exchange rate in the current fiscal year was ¥111.19/US$ (yen depreciation of ¥2.43/US$ compared to the previous fiscal year) and the average fuel oil price was US$348.94/MT* (up by US$84.44/MT compared to the previous fiscal year).

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

(Billions of yen)

Operating revenues	1,162.0	(an increase of 12.8% over a year ago)
Operating income (loss)	7.2	(loss of ¥46.0 billion in the previous fiscal year)
Ordinary income (loss)	2.0	(loss of ¥52.4 billion in the previous fiscal year)
Profit (loss) attributable to owners of the parent	10.4	(loss of ¥139.5 billion in the previous fiscal year)

Containership Business Segment (Billions of yen)

Operating revenues	598.5	(an increase of 15.3% over a year ago)
Segment profit (loss)	3.4	(an increase of ¥34.9 billion over a year ago)
Operating revenue composition ratio to total operating revenues	51.5 %	

[Containership Business]

In the containership business, the Company's handling volume in dominant legs declined 2% year on year in the Asia-North America services and grew 10% in the Asia-Europe services. Handling volume increased 3% year on year in the intra-Asia services while it declined 8% in the North-South services. Overall handling volume, including in return legs, remained at the previous year's level. Throughout FY2017, the freight rate market was on a path to recovery although the supply-demand balance had yet to improve, and outperformed the previous year, albeit below the initially expected level. As a result, the Company's containership business recorded year-on-year growth in revenue, while reducing losses despite the start-up costs, posted as an expense, associated with the establishment of the integrated containership company by three Japanese shipping companies.

[Logistics Business]

In the logistics business, demand for domestic logistics services performed strongly and recorded growth in both revenue and profit as handling volume related to inland transportation and warehousing/customs clearance sector remained firm. The international logistics sector also posted year-on-year growth in revenue, resulting from an increase in the volume of handled air cargo from and to Japan, particularly for aircraft parts and semiconductors, as well as the expansion of localized services and buyers' consolidation. Consequently, the overall logistics business recorded significant year-on-year growth in both revenue and profit.

Bulk Shipping Business Segment (Billions of yen)

Operating revenues	521.2	(an increase of 14.2% over a year ago)
Segment profit (loss)	3.2	(an increase of ¥12.7 billion over a year ago)
Operating revenue composition ratio to total operating revenues	44.8%	

[Dry Bulk Business]

In the Cape-size sector, the market continued to improve overall, albeit with a degree of instability. Amid remaining pressure on the supply of previously ordered new buildings, the average market rate in the five major services temporarily rose above 30,000 U.S. dollars per day as a result of increased China-bound cargo movements for iron ore and coking coal shipments, coupled with seasonal factors. In the medium-sized and small vessel sector, market rates also continued to rise moderately because of minor bulk movements in addition to strong demand for coal and grain. Scrapped capacity declined steeply year on year, and this slowed down actions for shipping capacity adjustments. This led to transportation demand being in excess of supply, thereby narrowing the supply-demand gap. The Group's efforts towards operation cost reduction and efficient vessel allocation increased revenue year-on-year, returning to profitability.

[Car Carrier Business]

During the fiscal year, cargo movements for finished vehicles remained sluggish in shipments from Asia to resource-rich countries in the Middle East, Central and South America, and Africa but cargo movements from Europe to North America and within Europe remained strong. As a result, the overall volume of finished vehicles shipped by the Group increased around 14.6% year on year. As the Group continued efforts to improve vessel allocation and operation efficiency while increasing the transportation volume, both revenue and profit grew year on year.

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

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

[Short Sea and Coastal Business]

Earnings improved in the short sea business, where freight rates rose despite a drop in cargo volumes, and in the coastal business, where cargo volumes remained steady. Consequently, the overall short sea and coastal business recorded year-on-year growth in both revenue and profit.

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

Operating revenues	7.5	(a decrease of 61.5% over a year ago)
Segment profit (loss)	(1.0)	(an increase of ¥4.2 billion over a year ago)
Operating revenue composition ratio to total operating revenues	0.6%	

[Offshore Energy E&P Support Business]

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

[Heavy Lifter Business]

As announced in July 2017, the Company transferred all of its shares of SAL Heavy Lift GmbH, which is in charge of this business, to SALTO Holding GmbH & Co. KG.

Other Business (Billions of yen)

Operating revenues	34.9	(a decrease of 1.0% over a year ago)
Segment profit (loss)	3.3	(an increase of 32.7% over a year ago)
Operating revenue composition ratio to total operating revenues	3.0%	

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

(2) Financial Position and Results of Operation

Item	FY2014	FY2015	FY2016	FY2017 (current fiscal year)
Operating revenues (Millions of yen)	1,352,421	1,243,932	1,030,191	1,162,025
Ordinary income (loss) (Millions of yen)	48,980	3,338	(52,388)	1,962
Profit (loss) attributable to owners of the parent (Millions of yen)	26,818	(51,499)	(139,478)	10,384
Basic profit (loss) per share (Yen)	28.60	(54.95)	(1,488.23)	111.13
Total assets (Millions of yen)	1,223,328	1,115,223	1,045,209	1,041,766
Net assets (Millions of yen)	467,440	379,913	245,482	243,094
Net assets per share of common stock (Yen)	471.10	379.18	2,341.93	2,326.65
Ratio of current profit to capital equity (ROE) (%)	6.5	(12.9)	(48.5)	4.8
Ratio of ordinary income to total assets (ROA) (%)	4.0	0.3	(4.8)	0.2
Capital Equity Ratio (%)	36.1	31.9	21.0	20.8

(Notes) 1. The Company consolidated its common stock at a ratio of 10 shares to 1, effective October 1, 2017. Accordingly, the basic profit (loss) per share and net assets per share of common stock have been calculated on the assumption that the share consolidation took place at the beginning of the 149th fiscal year.

2. Overviews of FY2014 to FY2017 are as follows.

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

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

FY2016: The global economy was a year of great changes influenced by factors such as concerns about a slowdown in Chinese economic growth, confusion in financial markets due to the U.K.'s vote to leave the E.U., and establishment of the new government in the U.S. The dry bulk vessel supply-demand gap is on the way to improving while the market conditions continue to be somewhat unfavorable. In the containership business, cargo movements shifted to an upward trend in the second-half of the fiscal year; however, the revenues decreased considerably from a year earlier due mainly to a slump in the freight market at the beginning of the fiscal year with the loss increasing due partly to the recognition of costs for structural reforms.

FY2017: The overview for FY2017 is as provided in subsection "(1) Business Progress and Results", pages 27 to 30.

(3) Capital Investment

Over the current fiscal year, the Group made overall capital investments of ¥101.105 billion.

The Containership Business, Bulk Shipping Business, and Offshore Energy E&P Support and Heavy Lifter Business segments made capital investments of ¥18.910 billion, ¥80.956 billion, and ¥0.000 billion, respectively, with such outlays primarily centered on ship construction.

In addition to the amounts noted above, the ship management services, travel agency services, real estate rental and administration services, and other businesses made capital investments amounting to ¥1.237 billion.

Meanwhile, sales of fixed assets amounted to ¥99.796 billion, mainly attributable to vessel disposals and real estate.

(4) Capital Procurement

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

(5) Issues to Address

In April 2017, the "K" LINE Group has formulated its medium-term management plan, '"Revival for Greater Strides" — KValue for our Next Century' with the following priority themes: (i) Rebuilding Portfolio Strategy; (ii) Advanced management and Strategy; and (iii) ESG Initiatives. The Group has united in concerted efforts to accomplish these challenges by its 100th anniversary in FY2019. The details and progress of each challenge are as follows.

(i) Rebuilding Portfolio Strategy

In order to thoroughly bolster and develop a stable business, we will:

- Improve and expand medium- and long-term contracts for stable business;
- Succeed in integrating the containership business;
- Reduce the market-sensitive business exposed to market conditions; and
- Thoroughly implement cost savings.

At the same time, to develop the next-generation core business, we aim to:

- Develop logistics, distribution of finished vehicles and energy value chain business; and
- Create markets and services via technological and business model innovation.

In FY2017, while selling the heavy lifter business, we made efforts to achieve our goals by expanding our stable revenue base. Such efforts include launching the finished-car logistics businesses in Chile and the Philippines, participating in the FPSO business in the offshore area of Ghana, and entering into a contract of affreightment (COA) of coal for power generation with Tenaga Nasional Berhad.

(ii) Advanced management and Strategy

In order to develop a structure that supports the rebuilding portfolio strategy, the Group implemented operational risk and return management. While preparing to utilize new performance indicators, "K" VaCS (Note 1) and "K" RIC (Note 2), all companies of the Group, inside and outside Japan, are joining forces to improve customer relationship management (CRM) and strengthen the customer base, in an effort to enhance strategies by function. In addition, as one of our pursuits of technological innovation, we have introduced the K-IMS system for optimizing vessel performance. In terms of our efforts towards business model transformation, we launched a review, looking at participation in the LNG fuel supply business for Japan's first LNG-fueled ferry operation and vessel operations within Japan. As we announced, our efforts are advancing at a steady pace.

(Note 1) "K" LINE Value after Cost of Shareholders' equity

The Company's unique earnings indicator that indicates economic added value considering the cost of shareholders' equity

(Note 2) "K" LINE Return on Invested Capital

The Company's unique efficiency indicator for higher corporate value, factoring in capital costs

(iii) ESG initiatives

In relation to the development of governance systems that will be most important in implementing the foregoing strategies for the enhancement of corporate value of the Group, the Company has carried out further strengthening of the business execution system by introducing a unit supervisory system. It has also promoted evaluation of the effectiveness of the Board of Directors and so forth. From a safety aspect, the Company keeps the number of serious maritime accidents at zero, while from an environmental aspect, it has received sufficient recognition for its proactive actions as to be given the top rating, A rank, in the CDP Supply Chain Climate Change for two consecutive years since 2016. The Group will remain committed to developing its environmental, safety, governance systems.

(6) Status of Principal Subsidiaries, etc. (as of March 31, 2018)

Company name	Paid-in capital	Equity ownership (%)	Core business
KAWASAKI KINKAI KISEN KAISHA, LTD.	2,368 million yen	(50.7)	Marine transportation
“K” LINE LOGISTICS, LTD.	600 million yen	91.9	Air transportation agency
DAITO CORPORATION	842 million yen	100.0	Harbor transportation
TAIYO NIPPON KISEN CO., LTD.	400 million yen	100.0	Ship management
NITTO TOTAL LOGISTICS LTD.	1,596 million yen	100.0	Harbor transportation
HOKKAI TRANSPORTATION CO., LTD.	60 million yen	80.1	Harbor transportation
INTERNATIONAL TRANSPORTATION SERVICE, INC.	33.87 million U.S. dollar	70.0	Harbor transportation
“K” LINE BULK SHIPPING (UK) LIMITED	33.97 million U.S. dollar	(100.0)	Marine transportation
“K” LINE LNG SHIPPING (UK) LIMITED	35.90 million U.S. dollar	(100.0)	Marine transportation
K LINE OFFSHORE AS	1,120.06 million Norwegian krone	100.0	Marine transportation
“K” LINE PTE LTD	41.13 million U.S. dollar	100.0	Marine transportation
OCEAN NETWORK EXPRESS PTE. LTD.	800.00 million U.S. dollar	(31.0)	Marine transportation

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

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

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

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

5. SAL Heavy Lift GmbH, which engaged in the Heavy Lifter Business as a consolidated subsidiary of the Company in the previous fiscal year, was excluded from principal subsidiaries of the Company. This was because “K” LINE HEAVY LIFT (GERMANY) GmbH, a wholly-owned subsidiary of the Company, transferred all of its shares in SAL Heavy Lift GmbH to SALTO Holding GmbH & Co. KG in July 2017.

6. OCEAN NETWORK EXPRESS PTE. LTD. running a containership business is an equity-method affiliate but listed above because of the materiality.

(7) Main Locations (as of March 31, 2018)

(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

(Note) The Kansai Branch is scheduled to be moved from Daidouseimei Kobe Building, 2-7, Sakaemachidori 1-chome, Chuo-ku, Kobe, Japan to Shinko Building, 8 Kaigandori, Chuo-ku, Kobe, Japan as of June 4, 2018.

(ii) Subsidiaries, etc.

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

(iii) Other Locations Overseas

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

(8) Status of Employees (as of March 31, 2018)

Name of segment	Containership	Bulk Shipping	Offshore Energy E&P Support and Heavy Lifter	Other	Corporate (common)	Total
Number of employees	4,786	798	17	1,205	347	7,153
As of previous fiscal year end	5,603	678	214	1,173	350	8,018
Change from previous fiscal year end	(817)	120	(197)	32	(3)	(865)

(Notes) 1. Employees categorized as "Corporate (common)" are employees belonging to administrative divisions who cannot be categorized as belonging to a particular segment.

2. Number of employees of the Containership Business Segment includes employees loaned to the integrated containership company and excludes those permanently transferred.

(9) Status of Vessels (as of March 31, 2018)

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	
Category							
Owned							
Number of vessels	7	62	33	27	26	7	162
Deadweight tons	460,448	7,087,460	499,278	2,431,118	224,682	32,481	10,735,467
Chartered							
Number of vessels	58	204	63	13	27	0	365
Deadweight tons	3,934,994	24,838,186	1,057,022	1,837,993	359,949	0	32,028,144
Total							
Number of vessels	65	266	96	40	53	7	527
Deadweight tons	4,395,442	31,925,646	1,556,300	4,269,111	584,631	32,481	42,763,611

(Notes) 1. 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.

2. The number of thermal coal carriers included in the Energy Transportation Business is included in that of the dry bulk carriers.

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

(i) For the integration of their container shipping businesses, including worldwide terminal operation businesses outside Japan, on July 7, 2017, Kawasaki Kisen Kaisha, Ltd., Mitsui O.S.K. Lines, Ltd., and Nippon Yusen Kabushiki Kaisha established Ocean Network Express Holdings Ltd. and OCEAN NETWORK EXPRESS PTE. LTD., which are accounted for by the equity method. The new companies began offering shipping services on April 1, 2018.

(ii) "K" LINE HEAVY LIFT (GERMANY) GmbH, a wholly-owned subsidiary of the Company, transferred all of its shares of SAL Heavy Lift GmbH which was in charge of heavy lifter business, to SALTO Holding GmbH & Co. KG in July 2017.

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

The Group has been investigated by the competition authorities in Europe and certain other countries in relation to alleged anti-competitive behavior (alleged formation of a cartel) relating to the transportation of automobiles, automotive construction machineries, and other automotive vehicles, and The European Commission adopted a decision imposing a fine on "K" LINE of € 39,100,000 in February 2018. In addition, the Group is currently subject to class actions in North America in relation to the same matter.

2. Matters Related to Corporate Stocks (as of March 31, 2018)

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

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

(3) Aggregate Number of Shareholders: 27,990

(4) Major Shareholders (top 10)

Name of shareholders	Number of shares held (Thousands)	Percentage of shares held (%)
SMP PARTNERS (CAYMAN) LIMITED	15,297	16.31
ECM MF	10,619	11.32
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	5,151	5.49
The Master Trust Bank of Japan, Ltd. (trust account)	3,416	3.64
Trust & Custody Services Bank, Ltd. (Kawasaki Heavy Industries, Ltd. retirement benefit trust account re-entrusted by Mizuho Trust & Banking Co., Ltd.)	3,392	3.61
IMABARI SHIPBUILDING CO., LTD.	2,830	3.01
JFE Steel Corporation	2,817	3.00
CGML-LONDON EQUITY	2,807	2.99
Japan Trustee Services Bank, Ltd. (trust account)	2,682	2.86
GOLDMAN SACHS INTERNATIONAL	1,954	2.08

(Notes) 1. Percentage of shares held is calculated excluding treasury stock (194,126 shares).

2. The Company consolidated its common stock at a ratio of 10 shares to 1 share and changed the number of shares constituting 1 share unit from the current 1,000 shares to 100 shares, effective October 1, 2017.

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

(1) Details of Directors and Audit & Supervisory Board Members (as of March 31, 2018)

Name	Position	Areas of responsibility in the Company and significant concurrent positions
Jiro Asakura	Chairman of the Board	
Eizo Murakami	Representative Director, President & CEO	CEO
Toshiyuki Suzuki	Representative Director, Senior Managing Executive Officer	Responsible for Containerships, Car Carriers, Port Business, Logistics and Affiliate Business Promotion Unit
Hiromichi Aoki	Representative Director, Senior Managing Executive Officer	Responsible for Dry and Liquid Bulk Carriers Unit
Tsuyoshi Yamauchi	Representative Director, Senior Managing Executive Officer	Responsible for General Affairs, Legal, Corporate Legal Risk & Compliance, Human Resources, Corporate Planning, Research, Project Office for Containerships and Terminal Business Unit, assistance to Internal Audit, CCO
Yukikazu Myochin	Director, Managing Executive Officer	In charge of Human Resources, Corporate Planning, Research, Project Office for Containerships and Terminal Business
Akira Okabe	Director	
Seiichi Tanaka	Director	
Kiyoshi Hosomizo	Director	Special Advisor of Iwata Godo Attorneys and Counsellors at Law and Outside Audit & Supervisory Board Member of SEIREN, Co., Ltd.
Keisuke Yoshida	Standing Audit & Supervisory Board Member	
Toshikazu Hayashi	Audit & Supervisory Board Member	
Kozue Shiga	Audit & Supervisory Board Member	Partner of Shiraishi Sogo Law Office, Outside Audit & Supervisory Board Member of Shinsei Bank, Limited., and Outside Director of Ricoh Leasing Co., Ltd.

(Notes)
1. Directors Akira Okabe, Seiichi Tanaka and Kiyoshi Hosomizo are Outside Directors. The Company has designated them as independent directors pursuant to the regulations of each of the securities exchanges on which the Company is listed, and has provided the relevant notifications to each of these exchanges.
2. Audit & Supervisory Board Members Toshikazu Hayashi and Kozue Shiga are Outside Audit & Supervisory Board Members. The Company has designated them both as independent auditors pursuant to the regulations of each of the securities exchanges on which the Company is listed, and has provided the relevant notifications to each of these exchanges.
3. Audit & Supervisory Board Member Keisuke Yoshida has considerable knowledge of financial and accounting matters based on his engagement in financial and relevant operations of the Company.
4. Director Mitoji Yabunaka retired from his position due to the expiration of his terms of office and Audit & Supervisory Board Member Harusato Nihei retired from his position due to the resignation upon the conclusion of the Ordinary General Meeting of Shareholders held on June 23, 2017.
5. Director Akira Okabe retired from the post of Adviser of Tokai Tokyo Financial Holdings, Inc. on September 30, 2017.

6. Director Kiyoshi Hosomizo is Special Advisor of Iwata Godo Attorneys and Counsellors at Law and Outside Audit & Supervisory Board Member of SEIREN, Co., Ltd. No special interests exist between the Company and the both companies where he concurrently holds the positions. In addition, Mr. Hosomizo retired from the post of Counselor of Mitsui & Co., Ltd. on June 30, 2017.
7. Audit & Supervisory Board Member Kozue Shiga is Outside Audit & Supervisory Board Member of Shinsei Bank, Limited. The Company has a business relationship with Shinsei Bank, Limited, but the transaction amount accounts for less than 1% of total consolidated revenue. In addition, Ms. Shiga is a Partner of Shiraishi Sogo Law Office and Outside Audit & Supervisory Board Member of Shinsei Bank, Limited.No special interests exist between the Company and the both companies where she concurrently holds the positions.

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

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

Category	Number of Persons	Amount (Millions of yen)
Directors (of which, Outside Directors)	10 (4)	296 (32)
Audit & Supervisory Board Members (of which, Outside Audit & Supervisory Board Members)	4 (2)	56 (14)

(Notes) 1. The above table includes remuneration for one Director who retired from his position due to the expiration of his terms of office and one Audit & Supervisory Board Member who retired from his positions due to the resignation upon the conclusion of the Ordinary General Meeting of Shareholders held on June 23, 2017.

2. The maximum amount of monetary remuneration and the performance-based share remuneration plan for Directors was set at no more than ¥600 million per year and 620,000 points per year (equivalent to 62,000 shares of the Company's common stock) respectively, by resolution of the Ordinary General Meeting of Shareholders held on June 24, 2016. The above table includes ¥2 million of expenses relating to the performance-based share remuneration plan for two Directors.

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

(ii) Policies and Procedures for Determining Remuneration

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

・ The remuneration for Executive Directors shall be appropriate, fair, and balanced so as to reflect the Company's medium- to long-term business performance and the latent risks borne by said Executive Directors and to further enhance their willingness and motivation to bring about the Company's sustainable growth and maximize its corporate value.
・ The remuneration for Outside Directors shall reflect the amount of time devoted to the Company's business, and the responsibilities borne by them, and shall not include business performance-linked factors.
・ The amount of remuneration for each individual Director shall be fair and adequate in consideration

of the Company's business performance and in light of the levels of remuneration paid by other comparable companies.

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

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

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

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

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

Status of Main Activities during the Fiscal Year under Review

Name	Position	Status of main activities
Akira Okabe	Outside Director	Mr. Okabe attended all 14 of the meetings of the Board of Directors held during the current fiscal year. He made comments as appropriate from an objective standpoint as an Outside Director based on his abundant experience and knowledge as a corporate manager.
Seiichi Tanaka	Outside Director	Mr. Tanaka attended all 14 of the meetings of the Board of Directors held during the current fiscal year. He made comments as appropriate from an objective standpoint as an Outside Director based on his abundant experience and knowledge as a corporate manager.
Kiyoshi Hosomizo	Outside Director	Mr. Hosomizo attended all 10 of the meetings of the Board of Directors held during the current fiscal year since he assumed office in June 2017. He made comments as appropriate from an objective standpoint as an Outside Director based on his abundant experience and knowledge gained in prominent positions at the Ministry of Finance and the Financial Services Agency.
Toshikazu Hayashi	Outside Audit & Supervisory Board Member	Mr. Hayashi attended all 14 of the meetings of the Board of Directors and all 15 of the meetings of the Audit & Supervisory Board held during the current fiscal year. He made comments as appropriate from the expert perspective he has gained as a corporate manager.
Kozue Shiga	Outside Audit & Supervisory Board Member	Ms. Shiga attended 13 of the 14 meetings of the Board of Directors and all 15 of the meetings of the Audit & Supervisory Board held during the current fiscal year. She made comments as appropriate from an expert perspective as a lawyer.

(4) Overview of Contents of Limited Liability Contracts

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

Consolidated Financial Statements

Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2018 (A)
ASSETS	
Current assets:	
Cash and deposits	200,606
Accounts and notes receivable-trade	89,218
Raw material and supply	31,759
Prepaid expenses and deferred charges	43,880
Deferred income taxes	5,700
Short-term loans receivable	2,378
Other current assets	24,562
Allowance for doubtful receivables	(1,679)
Total current assets	**396,426**
Fixed assets:	
(Tangible assets)	
Vessels	398,473
Buildings and structures	15,400
Machinery and vehicles	9,522
Land	21,119
Construction in progress	35,125
Other tangible assets	3,312
Total tangible assets	**482,953**
(Intangible assets)	
Other intangible assets	3,745
Total intangible assets	3,745
(Investments and other assets)	
Investments in securities	107,545
Long-term loans receivable	19,011
Assets for retirement benefits	657
Deferred income taxes	2,997
Other investments and other assets	29,361
Allowance for doubtful receivables	(934)
Total investments and other assets	**158,640**
Total fixed assets	**645,339**
Total assets	**1,041,766**

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

Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2018 (A)
LIABILITIES	
Current liabilities:	
Accounts and notes payable-trade	90,369
Short-term loans and current portion of long-term loans	41,783
Accrued income taxes	3,242
Allowance for loss related to the Anti-Monopoly Act	1,672
Allowance for loss related to business restructuring	24,543
Allowance for loss on liquidation of subsidiaries and affiliates	87
Allowance for bonuses	2,566
Allowance for directors' bonuses	241
Other current liabilities	118,637
Total current liabilities	**283,142**
Long-term liabilities:	
Bonds	11,809
Long-term loans, less current portion	419,935
Obligations under finance leases, less current portion	39,572
Deferred income taxes on land revaluation	1,783
Allowance for loss related to the Anti-Monopoly Act	2,449
Allowance for directors' and audit and supervisory board members' retirement benefits	1,843
Allowance for directors' stock benefits	10
Accrued expenses for overhaul of vessels	11,201
Liability for retirement benefits	6,578
Derivative liabilities	7,268
Other long-term liabilities	13,077
Total long-term liabilities	515,529
Total liabilities	**798,672**
NET ASSETS	
Shareholders' equity:	
Common stock	75,457
Capital surplus	60,507
Retained earnings	67,107
Less treasury stock	(2,383)
Total shareholders' equity	**200,688**
Accumulated other comprehensive income (loss):	
Net unrealized holding gain on investments in securities	8,570
Deferred gain on hedges	7,768
Revaluation reserve for land	6,184
Translation adjustments	(3,539)
Retirement benefits liability adjustments	(2,661)
Total accumulated other comprehensive income	**16,321**
Non-controlling interests	**26,083**
Total net assets	**243,094**
Total liabilities and net assets	**1,041,766**

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

Consolidated Statement of Income

(Millions of yen)

	Year ended March 31, 2018
Marine transportation and other operating revenues	1,162,025
Marine transportation and other operating costs and expenses	1,083,299
Gross profit	78,725
Selling, general and administrative expenses	71,506
Operating income	7,219
Non-operating income:	
Interest income	1,420
Dividend income	2,381
Reversal of allowance for loss related to the Anti-Monopoly Act	3,551
Other non-operating income	1,394
Total non-operating income	8,747
Non-operating expenses:	
Interest expenses	6,969
Equity in loss of subsidiaries and affiliates	4,601
Exchange loss, net	1,541
Other non-operating expenses	891
Total non-operating expenses	14,004
Ordinary income	1,962
Extraordinary income:	
Gain on sales of fixed assets	29,072
Other extraordinary income	6,259
Total extraordinary income	35,331
Extraordinary losses:	
Loss on impairment of fixed assets	7,635
Loss on cancellation of chartered vessels	2,772
Loss related to the Anti-Monopoly Act	6,399
Provision of allowance for loss related to the Anti-Monopoly Act	2,499
Other extraordinary losses	849
Total extraordinary losses	20,106
Profit before income taxes	17,188
Income taxes:	
Current	5,750
Deferred	(1,537)
Total income taxes	4,213
Profit	12,975
Profit attributable to non-controlling interests	2,590
Profit attributable to owners of the parent	10,384

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

Independent Auditor's Report

May 15, 2018

The Board of Directors
Kawasaki Kisen Kaisha, Ltd.

Ernst & Young ShinNihon LLC

Certified Public Accountant
Designated and Engagement Partner

Certified Public Accountant
Designated and Engagement Partner

Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 444, Section 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of 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, 2017 through March 31, 2018.

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, 2018 in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

As described in additional information to the consolidated financial statements, the Company jointly established a holding company, Ocean Network Express Holdings Ltd. and an operating company, OCEAN NETWORK EXPRESS PTE. LTD. on July 7, 2017 based on a business integration contract and a shareholders' agreement concluded on October 31, 2016 for the purpose of integrating the container shipping businesses (including worldwide terminal operation businesses outside Japan). The related operations of the container shipping businesses of the new company commenced on April 1, 2018.

Our opinion is not qualified in respect of this matter.

Conflicts of Interest

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

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2018 (A)
ASSETS	
Current assets:	
Cash and deposits	121,071
Accounts receivable-shipping	32,297
Advances paid	8,489
Supplies	26,135
Prepaid expenses and deferred charges	43,193
Accounts receivable from agencies	28,223
Deferred income taxes	6,231
Short-term loans receivable	6,147
Other current assets	20,351
Allowance for doubtful receivables	(1,237)
Total current assets	**290,904**
Fixed assets:	
(Tangible assets)	
Vessels	49,121
Buildings	2,319
Structures	124
Machinery and equipment	91
Vehicles and transportation equipment	419
Equipment and fixtures	273
Land	6,943
Construction in progress	18,028
Other tangible assets	818
Total tangible assets	**78,140**
(Intangible assets)	
Software	805
Other intangible assets	7
Total intangible assets	**812**
(Investments and other assets)	
Investments in securities	27,479
Shares of subsidiaries and affiliates	103,524
Investments in capital	1,762
Investments in capital of subsidiaries and affiliates	4,852
Long-term loans receivable	8,477
Long-term loans receivable from subsidiaries	737
Long-term loans receivable from employees	63,109
Long-term prepaid expenses	7,783
Prepaid pension cost	2,147
Lease investment assets	26,390
Lease and guarantee deposits	1,937
Other investments and other assets	1,563
Allowance for doubtful receivables	(14,434)
Total investments and other assets	**235,331**
Total fixed assets	**314,285**
Total assets	**605,189**

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

Non-Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2018 (A)
LIABILITIES	
Current liabilities:	
Accounts payable-shipping	79,755
Accounts payable-other business	0
Current portion of bonds	50,378
Short-term loans and current portion of long-term loans	27,942
Current portion of obligations under finance leases	2,170
Accounts payable-other	2,967
Accrued expenses	123
Accrued income taxes	95
Advances received	20,017
Deposits received	20,270
Accounts payable to agencies	431
Allowance for loss related to the Anti-Monopoly Act	1,672
Allowance for loss related to business restructuring	23,916
Allowance for loss on liquidation of subsidiaries and affiliates	87
Allowance for bonuses	588
Other current liabilities	606
Total current liabilities	**231,022**
Long-term liabilities:	
Bonds	11,809
Long-term loans, less current portion	234,740
Obligations under finance leases, less current portion	17,785
Allowance for employees’ retirement benefits	578
Allowance for directors’ stock benefits	10
Accrued expenses for overhaul of vessels	605
Allowance for loss related to the Anti-Monopoly Act	2,449
Deferred income taxes	7,199
Deferred income taxes on land revaluation	1,486
Other long-term liabilities	1,234
Total long-term liabilities	**277,900**
Total liabilities	**508,922**
NET ASSETS	
Shareholders’ equity:	
Common stock	75,457
Capital surplus:	
Capital reserve	60,302
Total capital surplus	60,302
Retained earnings:	
Legal reserve	2,540
Other retained earnings	
Reserve for advanced depreciation	380
General reserve	60,552
Retained earnings carried forward	(121,522)
Total other retained earnings	(60,589)
Total retained earnings	(58,049)
Less treasury stock	(2,335)
Total shareholders’ equity	**75,375**
Valuation and translation adjustments:	
Net unrealized holding gain on investments in securities	6,428
Deferred gain on hedges	10,877
Revaluation reserve for land	3,585
Total valuation and translation adjustments	**20,891**
Total net assets	**96,266**
Total liabilities and net assets	**605,189**

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

Non-Consolidated Statement of Income

(Millions of yen)

	Year ended March 31, 2018 (A)
Marine transportation revenues	
Freight	747,568
Charter hire	152,384
Other marine transportation revenue	20,197
Total marine transportation revenues	920,149
Marine transportation expenses	
Operating costs and expenses	481,347
Vessel expenses	8,856
Charter hire	357,346
Other marine transportation expenses	65,956
Total marine transportation expenses	913,507
Marine transportation income	6,641
Other business revenue	386
Other business expenses	174
Other business income	212
Gross operating income	6,854
General and administrative expenses	16,024
Operating loss	(9,170)
Non-operating income:	
Interest income	1,322
Dividend income	37,957
Reversal of allowance for loss related to the Anti-Monopoly Act	3,551
Other non-operating income	519
Total non-operating income	43,350
Non-operating expenses:	
Interest expenses	2,582
Interest on bonds	96
Financing expenses	755
Exchange loss, net	169
Provision of allowance for doubtful receivables	1,223
Other non-operating expenses	353
Total non-operating expenses	5,183
Ordinary income	28,996
Extraordinary income:	
Gain on sales of fixed assets	9,062
Gain on sales of investments in securities	3,094
Other extraordinary income	926
Total extraordinary income	13,083
Extraordinary losses:	
Bad debt expense	3,990
Loss related to the Anti-Monopoly Act	6,399
Provision of allowance for loss related to the Anti-Monopoly Act	2,449
Other extraordinary losses	2,980
Total extraordinary losses	15,820
Profit before income taxes	26,259
Income taxes:	
Current	(4,087)
Deferred	765
Total income taxes	3,322
Profit	29,581

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

Independent Auditor's Report

May 15, 2018

The Board of Directors
Kawasaki Kisen Kaisha, Ltd.

Ernst & Young ShinNihon LLC

Certified Public Accountant
Designated and Engagement Partner

Certified Public Accountant
Designated and Engagement Partner

Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of 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 150th fiscal year from April 1, 2017 through March 31, 2018.

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 150th fiscal year ended March 31, 2018 in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

As described in additional information to the consolidated financial statements, the Company jointly established a holding company, Ocean Network Express Holdings Ltd. and an operating company, OCEAN NETWORK EXPRESS PTE. LTD. on July 7, 2017 based on a business integration contract and a shareholders' agreement concluded on October 31, 2016 for the purpose of integrating the container shipping businesses (including worldwide terminal operation businesses outside Japan). The related operations of the container shipping businesses of the new company commenced on April 1, 2018.

Our opinion is not qualified in respect of this matter.

Conflicts of Interest

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

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

AUDIT REPORT

With respect to the Directors' execution of their duties during the 150th term from April 1, 2017 to March 31, 2018, the Audit & Supervisory Board has prepared this Audit Report after deliberations based on the audit reports prepared by each Audit & Supervisory Board Member. We hereby report as follows:

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

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

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

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

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

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

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

2. Results of Audit

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

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

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

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

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

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

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

(3) Results of Audit of Consolidated Financial Statements

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

May 16, 2018

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

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

"K" LINE
KAWASAKI KISEN KAISHA, LTD. ®

(Translation)

INTERNET DISCLOSURE FOR NOTICE OF THE 150TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

The 150th term
(From April 1, 2017 to March 31, 2018)

Kawasaki Kisen Kaisha, Ltd.

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

Core Business (as of March 31, 2018)

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
Other	Ship management services, travel agency services, real estate rental and administration services

(Note) The Heavy Lifter Business, which was included in the Company's core business in the previous fiscal year, was excluded from the Company's core business as the Company transferred all of its share in SAL Heavy Lift GmbH.

Principal Lenders (as of March 31, 2018)

Lender	Loan balance (Millions of yen)
Mizuho Bank, Ltd.	110,316
Sumitomo Mitsui Trust Bank, Limited	81,705
Development Bank of Japan Inc.	65,615
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	36,482
Mitsubishi UFJ Trust and Banking Corporation	30,418

(Note) The Bank of Tokyo-Mitsubishi UFJ, Ltd. has changed its trade name to MUFG Bank, Ltd. on April 1, 2018.

Matters Related to Stock Acquisition Rights

The outstanding balance of Euro-Yen Zero Coupon Convertible Bonds as of March 31, 2018 is as follows:

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

Total: ¥50.0 billion

Status of Accounting Auditor

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

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

Item	Amount
1) Amount of remunerations to be paid to Accounting Auditor by the Company	¥90 million
2) Total amount of money and other financial benefits to be paid to Accounting Auditor by the Company and its subsidiaries	¥154 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, and "K" LINE PTE LTD.

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

(4) Details of Non-audit Services (Services Other than Those of Article 2, Paragraph 1 of the Certified Public Accountants Act) Performed by Accounting Auditor
No items to report.

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

System to Ensure Proper Business Operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company establishes the Rules Concerning Employees Tasked with the Assisting Audit & Supervisory Board Members, and appoints employees who are required to assist the duties of Audit

& Supervisory Board Members ("employees assisting Audit & Supervisory Board Members") under the supervision of the Audit & Supervisory Board.

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

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

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

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

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

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

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

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

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

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

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

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

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

(13) System for ensuring the reliability of financial reports

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

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

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

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

Outline of Operational Status of System to Ensure Proper Business Operations

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

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

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

(i) The "K" Line Group Global Compliance Policy (hereinafter "Global Policy"), which was established in January 2017, aims to strengthen the Group compliance system at a global level in conformity with countries' laws and regulations which have become more stringent year by year so as to encourage fair competition. The Company worked to make the Global Policy the code of conduct for the day-to-day duties for officers and employees of the Company and the Group companies through seminars conducted by the division dedicated to the initiative, delivery of a guidebook, activities by a special committee, and other initiatives.

(ii) Regarding compliance with anti-trust laws in Japan and abroad, the Company worked to ensure compliance of officers and employees with the regulations on the Rules for Antimonopoly Act Compliance and implemented the initiative to further strengthen compliance consciousness concerning anti-trust laws through promoting educational and awareness-raising activities by a division dedicated to the initiative. In addition, the Company monitored and supervised the status of implementation of measures for compliance by conducting business process audits. With respect to contacts with competitor companies, the Company strictly enforced rules on prior reporting and approval, recoding and storing details of the contacts in accordance with the nature of the contact.

(iii) The Global Policy, including individual policies relating to anti-bribery act, established in January 2017, was established as part of the initiative to further enhance the Group's compliance system against bribery. Based on the Global Policy, the Company enhanced its initiatives against bribery and corruption as a member of the Maritime Anti-Corruption Network (MACN), which organizes activities aiming to achieve a marine transportation industry free of corruption.

(iv) The Company discussed the policy to ensure the compliance system of the Company and the Group companies as well as measures to address compliance violations through the Compliance Committee chaired by the President & CEO. Under the Chief Compliance Officer (CCO), who serves as the individual with the ultimate responsibility for compliance, the Company strengthened compliance system throughout the organization.

(v) In November, the dedicated compliance-awareness month, the Company sent out a message from the President & CEO to officers and employees of the Company and the Group companies and held a compliance seminar given by an outside lecturer, in order to reiterate the importance of compliance. Furthermore, as part of training sessions for the different levels of employees, compliance training, as well as seminars focused on matters such as insider trading regulation and harassment prevention, were held as necessary. The Company also distributed compliance newsletters to disseminate important compliance-related matters that require particular attention.

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

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

In October 2017, the Company held a large-scale accident response drill in the event of an occurrence of ship-related accidents.

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

The Board of Directors consists of nine Directors including three Outside Directors, and the meetings of the Board of Directors were held 14 times. The meetings of the Board of Directors determined the fundamental management policies, matters required by laws and regulations, and other important matters regarding the management of businesses, while supervising the execution of duties by the Directors and Executive Officers.

The meetings of the Management Conference were held 43 times, attended by the Chairman of the Board, Executive Officers equivalent to or higher than Senior Executive Officer, Executive Officers responsible for business units, Executive Officers in charge of corporate planning, finance and accounting as well as the Audit & Supervisory Board Members. At these meetings, initiatives when studying new projects and matters to be kept in mind were ascertained and consultations were made to contribute to decision making by the President and CEO, etc. on important matters.

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

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

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

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

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

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

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

Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2017	75,457	60,334	55,753	(1,084)	190,461
Change in items during the year					
Profit attributable to owners of the parent			10,384		10,384
Purchase of treasury stock				(1,301)	(1,301)
Disposal of treasury stock		(0)		0	0
Change in treasury stock arising from change in equity in entities accounted for under the equity method				1	1
Change in ownership interests due to transactions with non-controlling interests		173			173
Reversal of revaluation reserve for land			78		78
Net change in retained earnings from changes in scope of consolidation or equity method			890		890
Net changes in items other than shareholders' equity					
Net changes during the year	–	173	11,353	(1,299)	10,226
Balance at March 31, 2018	75,457	60,507	67,107	(2,383)	200,688

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

(Millions of yen)

	Accumulated other comprehensive income (loss)						Non-controlling interests	Total net assets
	Net unrealized holding gain on investments in securities	Deferred gain on hedges	Revaluation reserve for land	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance at April 1, 2017	8,849	10,189	6,263	6,555	(2,835)	29,022	25,997	245,482
Change in items during the year								
Profit attributable to owners of the parent								10,384
Purchase of treasury stock								(1,301)
Disposal of treasury stock								0
Change in treasury stock arising from change in equity in entities accounted for under the equity method								1
Change in ownership interests due to transactions with non-controlling interests								173
Reversal of revaluation reserve for land								78
Net change in retained earnings from changes in scope of consolidation or equity method								890
Net changes in items other than shareholders' equity	(279)	(2,421)	(78)	(10,094)	173	(12,700)	85	(12,614)
Net changes during the year	(279)	(2,421)	(78)	(10,094)	173	(12,700)	85	(2,388)
Balance at March 31, 2018	8,570	7,768	6,184	(3,539)	(2,661)	16,321	26,083	243,094

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

Notes to Consolidated Financial Statements

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

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 294

Names and details of principal consolidated subsidiaries:

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

Four companies, including OFFSHORE OPERATION CO., LTD., have been included in the scope of consolidation from the current fiscal year due to new establishment and the materiality of their businesses. A total of 22 companies were excluded from the scope of consolidation due to mergers, transfer of equity interest or their liquidation and one company was changed from a consolidated subsidiary to an entity accounted for under the equity method due to sales of shares.

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

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

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

2. Application of equity method

(1) Number of entities accounted for under the equity method: 38

Of the entities accounted for under the equity method, 17 companies are non-consolidated subsidiaries, and the principal company among them is Shibaura Kaiun Co., Ltd.

The number of affiliates is 21, and the principal company among them is Rinko Corporation.

Eight companies, including OCEAN NETWORK EXPRESS PTE. LTD., have been included in the scope of the entities accounted for under the equity method from the current fiscal year due to new establishment and the materiality of their businesses.

One company was excluded from the scope of the entities accounted for under the equity method due to sales of shares, and one company was changed from a consolidated subsidiary to an entity accounted for under the equity method.

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

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

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

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

3. Fiscal year of consolidated subsidiaries

The fiscal year of 11 of the Company's consolidated subsidiaries ends on December 31. Of these, the financial statements as of that date are used for five of the companies. However, adjustments necessary for consolidation purposes are made if major transactions were executed between their account closing dates and the consolidated account closing date. For the six remaining companies, the accounts are based on financial statements for which a provisional settlement of accounts is performed based on the account closing as of the consolidated account closing date. The account closing dates of other consolidated subsidiaries are the same as the consolidated account closing date.

4. Accounting standards

(1) Standards and methods of valuation of significant assets

(i) Securities

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

Other securities

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

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

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

(2) Depreciation and amortization methods of significant assets

(i) Tangible assets (excluding leased assets)

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

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

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

(iii) Leased assets

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

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

(3) Recognition for significant reserves

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

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

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

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

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

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

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

(viii) Allowance for loss on liquidation of subsidiaries and affiliates:
In order to prepare for loss accompanied by liquidation of subsidiaries and affiliates, the estimated amount of loss is recorded.

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

(4) Accounting treatment for retirement benefits

(i) Method of attributing estimated retirement benefits to periods
The retirement benefit obligations are attributed to periods to the end of the current fiscal year using the benefit formula basis.

(ii) Method of amortizing actuarial differences and past service costs
Actuarial differences are amortized in the years following the year in which the differences are recognized by the straight-line method principally over a period of nine years, which falls within

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

(5) Recognition of marine transportation revenues and marine transportation expenses
The voyage completion method is applied. However, for containerships, revenues and expenses are recorded under the multiple transportation progress method.

(6) Significant hedge accounting method
Hedging activities are accounted for under the deferral hedge method.
If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under each interest rate swap contract is added to or deducted from the interest on the underlying assets or liabilities for which the swap contract is executed “Special treatment for interest rate swaps”.
Forward foreign exchange contracts which meet certain criteria are accounted for by the allocation method which requires that recognized foreign currency receivables or payables be translated at the corresponding contract rates.

(7) Recognition of deferred assets
Bond issuance costs are fully recognized as expenses when incurred.

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

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

(10) Application of consolidated taxation system
The Company adopted the consolidated taxation system.

(11) Amortization method of goodwill and amortization period
Goodwill is amortized over a period of five years under the straight-line method.

Notes on Changes in Presentation

(Consolidated Statement of Income)
(1) “Financing expenses,” which were recorded separately in the previous fiscal year (¥1,887 million for the fiscal year ended March 31, 2017), are included in “Other non-operating expenses” from the current fiscal year due to a decrease in materiality.

(2) “Loss on sales of fixed assets,” which was recorded separately in the previous fiscal year (¥8,416 million for the fiscal year ended March 31, 2017), is included in “Other extraordinary losses” from the current fiscal year due to a decrease in materiality.

(3) “Loss related to the Anti-Monopoly Act,” which was included in “Other extraordinary losses” in the previous fiscal year (¥36 million for the fiscal year ended March 31, 2017), is presented separately from the current fiscal year due to an increase in materiality.

Notes on Changes in Accounting Estimates

(Allowance for Loss related to the Anti-Monopoly Act)
As of the end of the previous fiscal year, the Company had recorded the allowance for loss related to the Anti-Monopoly Act taking into account a partial settlement of a civil class action in the United States that was subject to the approval by the United States federal court. However, because the case was dismissed

by the court during the current fiscal year, the Company reasonably re-calculated the allowance based on this judgment. As a result of this change in accounting estimate, ordinary income and profit before income taxes increased by ¥3,551 million each for the current fiscal year.

(Allowance for Loss related to Business Restructuring)
In order to prepare for anticipated expenditures resulting from business restructuring in the course of integrating its container shipping businesses and for losses related to chartered vessels, the Group had previously estimated such amounts to be incurred and recorded an allowance for loss related to business restructuring.
However, after obtaining additional information as the business restructuring plan progresses, whereby it is possible to measure the amounts more accurately, the Group has changed its accounting estimate. As a result, the difference between the previous estimate and the current one has been deducted from marine transportation and other operating costs and expenses in the current fiscal year.
As a result, gross profit, operating income, ordinary income and profit before income taxes increased by ¥1,456 million for the current fiscal year.

Additional Information

(Establishment of Holding Company and Operating Company for New Integrated Container Shipping Business)
For the integration of the container shipping businesses, including worldwide terminal operation businesses outside Japan, Kawasaki Kisen Kaisha, Ltd., Mitsui O.S.K. Lines, Ltd., and Nippon Yusen Kabushiki Kaisha have concluded a business integration contract and a shareholders agreement on October 31, 2016. Based on the contract and the agreement, we have established the below holding company and operating company.
The companies began offering container shipping services from April 1, 2018.

Overview of the new companies

1. Holding company

Trade name	Ocean Network Express Holdings, Ltd.
Amount of capital stock	¥50 million
Shareholders/Contribution ratio	Kawasaki Kisen Kaisha, Ltd. 31% Mitsui O.S.K. Lines, Ltd. 31% Nippon Yusen Kabushiki Kaisha 38%
Location	Tokyo, JAPAN
Date of establishment	July 7, 2017

2. Operating company

Trade name	OCEAN NETWORK EXPRESS PTE. LTD.
Amount of capital stock	US$ 800 million
Shareholders/Contribution ratio	Kawasaki Kisen Kaisha, Ltd. 31% Mitsui O.S.K. Lines, Ltd. 31% Nippon Yusen Kabushiki Kaisha 38% (Including indirect ownership)
Location	SINGAPORE
Date of establishment	July 7, 2017

(New Performance-Based Share Remuneration Plan "Board Benefit Trust (BBT)")
In accordance with the resolution at the 148th Ordinary General Meeting of Shareholders on June 24, 2016, the Company introduced a new performance-based share remuneration plan "Board Benefit Trust (BBT)" for the directors (executive directors only) and executive officers of the Company. This plan purports to further enhance the connection between the remuneration of the directors (executive directors only) and executive officers, and share value, and thereby raise the directors' motivation to make contributions to increase the Company group's long-term performance and corporate value.

(1) Overview of the transaction
In accordance with the "Regulations for Delivery of Shares to Officers" which was established by Board of Directors' meeting, the Company awards points to the directors, etc. At the time of their retirement, the directors, etc. who satisfy requirements for beneficiaries will be provided shares in proportions to the points which the Company has granted to them. With regard to the shares which will be provided to officers in the future, a trust bank acquires the Company's treasury shares through third-party allotment by using the money entrusted by the Company. Such shares are managed as trust assets separately.

(2) Method of accounting for these transactions
The Company applies the same method as stipulated in the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employee etc. through Trusts (ASBJ PITF No. 30 issued on March 26, 2015).

(3) Shares in the Company held by the trust bank
The book value (excluding incidental costs) of the Company share now held by the trust bank are

accounted for as treasury stock in the net assets section of the Company's balance sheet. At the end of the fiscal year, the book value and total number of treasury stock held by the trust bank are respectively, ¥1,298 million and 448,100 shares.
With an effective date of October 1, 2017, the Company carried out a share consolidation at a ratio of 1 share for ten shares of the Company's common stock.

(Changes in Balance of Deferred Tax Assets and Deferred Tax Liabilities in Line with Changes in Corporate Income Tax Rates etc.)
The Tax Cuts and Jobs Act, which mainly focuses on reducing the federal corporate income tax rate from 35% to 21%, etc., in the U.S. from January 1, 2018, was enacted in the U.S. on December 22, 2017.
In line with this, the deferred tax assets and liabilities of consolidated subsidiaries in the U.S. as of March 31, 2018 were calculated in accordance with the revised statutory tax rate.
As a result of the change in tax rate, deferred tax assets (after offsetting deferred tax liabilities), deferred tax liabilities (after offsetting deferred tax assets), retirement benefits liability adjustments and total income taxes decreased by ¥35 million, ¥1,659 million, ¥14 million and ¥1,637 million, respectively, and net unrealized holding gain on investments in securities increased by 0 million as of March 31, 2018 and for the year then ended.

Notes to Consolidated Balance Sheet

1. Assets pledged as collateral and secured liabilities

Assets pledged as collateral (Millions of yen)

Asset category	
Vessels	290,030
Buildings and structures	1,887
Land	1,688
Investments in securities	16,616
Other	538
Total	310,761

Investments in securities of ¥16,616 million in the table above were pledged as collateral to procure funds for vessel equipment of subsidiaries, affiliates and others. As a result, there were no corresponding secured liabilities as of March 31, 2018.

In addition, ¥3,262 million out of the ¥290,030 million for vessels in the table above was pledged as collateral for entrusted guarantees.

Secured liabilities (Millions of yen)

Liability category	
Short-term loans and current portion of long-term loan	28,338
Long-term loans, less current portion	195,745
Total	224,084

2. Accumulated depreciation of assets (Millions of yen)

Accumulated depreciation of tangible assets	395,051

3. Guarantee obligations (Millions of yen)

Guarantees (Guarantees, etc. include commitment for future guarantees.)	19,780
Additional funding obligation, etc.	2,839

4. Land revaluation

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

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

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

Revaluation date	March 31, 2002
Difference between the fair value and revalued book value of the revalued land at March 31, 2018 (amount corresponding to the Company’s equity)	¥ (2,628) million

5. Other matters
“K” Line Group (hereinafter “the Group”) has been investigated by the competition authorities in Europe and certain other countries in relation to alleged anti-competitive behavior (alleged formation of a cartel) relating to the transportation of automobiles, automotive construction machineries and other automotive vehicles. In February 2018, the Group received the notice from the competition authorities in Europe that the Group shall pay a fine of €39.1 million. In addition, multiple service providers including the Group are currently subject to class actions in North America in relation to the same matter.

Notes to Consolidated Statement of Changes in Net Assets

1. Class and number of shares issued as of March 31, 2018

   Common stock 93,938,229 shares

2. Matters related to dividends

(1) Amount of dividends distributed

No items to be reported.

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

No items to be reported.

3. Class and number of shares to be delivered upon exercise of subscription rights to shares outstanding at March 31, 2018 (excluding those for which the exercise period has not arrived).

   Common stock 16,361,256 shares

Note: The Company implemented a share consolidation at a ratio of 1 share for 10 shares as of October 1, 2017.

Notes on Financial Instruments

1. Conditions of financial instruments

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

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

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

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

The following table presents the Company's financial instruments on the consolidated balance sheet, their fair values and the differences as of March 31, 2018.

(Millions of yen)

	Carrying value (*)	Estimated fair value (*)	Difference
(1) Cash and deposits	200,606	200,606	–
(2) Accounts and notes receivable-trade	89,218	89,218	–
(3) Marketable securities and investments in securities			
(i) Held-to-maturity debt securities	4	4	0
(ii) Other securities	26,146	26,146	–
(iii) Shares of subsidiaries and affiliates	3,959	1,184	(2,775)
(4) Accounts and notes payable-trade	[90,369]	[90,369]	–
(5) Short-term loans and current portion of long-term loans	[41,783]	[41,818]	(35)
(6) Bonds	[11,809]	[11,793]	15
(7) Long-term loans, less current portion	[419,935]	[420,330]	(395)
(8) Derivative transactions	[2,007]	[2,117]	(110)

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

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

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

(3) Marketable securities and investments in securities

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

(6) Bonds

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

(7) Long-term loans, less current portion

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

(8) Derivative transactions

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

Note 2: Regarding non-listed stocks (the consolidated balance sheet amount: ¥77,435 million), as quoted prices are not available and also the future cash flows cannot be estimated reliably, the fair value of the items is deemed to be extremely difficult to measure and are not included in "(3) Marketable securities and investments in securities".

Notes on Per Share Information

Net assets per share	¥2,326.65
Basic profit per share	¥111.13

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

Amount of net assets on consolidated balance sheets	¥243,094 million
Net assets attributable to common stock	¥217,010 million
Number of shares of common stock issued and outstanding at the year end	93,938 thousand shares
Number of shares of common stock held as treasury stock at the year end	666 thousand shares
Profit attributable to owners of the parent in consolidated statement of operations	¥10,384 million
Amount not attributable to shareholders of common stock	–
Profit attributable to owners of the parent relating to common stock	¥10,384 million
Average number of outstanding shares of common stock	93,444 thousand shares

Note: The Company implemented a share consolidation at a ratio of 1 share for 10 shares as of October 1, 2017. The Company calculated net assets per share, basic profit per share, total number of outstanding shares, the number of treasury stock at the end of the year and the average number of shares of common stock outstanding during the year as if the share consolidation had been implemented at the beginning of the current fiscal year.
In addition, effective from July 1, 2017, the Company introduced a new performance-based share remuneration plan "Board Benefit Trust (BBT)". The shares held by the Trust are included in treasury stock, which is deducted in calculating the number of treasury stock at the end of the year and the average number of shares of common stock outstanding during the current year.

Notes on Significant Subsequent Events

(Additional Investment in Equity-method Affiliate)
On April 2, 2018, as planned, the Company made an additional investment in an equity-method affiliate, OCEAN NETWORK EXPRESS PTE. LTD.

1. Description of OCEAN NETWORK EXPRESS PTE. LTD.

Trade name	OCEAN NETWORK EXPRESS PTE. LTD.
Capital stock	(Before additional investment) US$ 800 million (After additional investment) US$ 3,000 million
Shareholders/Contribution ratio	Kawasaki Kisen Kaisha, Ltd. 31% Mitsui O.S.K. Lines, Ltd. 31% Nippon Yusen Kabushiki Kaisha 38% (Including indirect ownership) (No change in contribution ratio as a result of the additional investment)
Location	SINGAPORE
Date of establishment	July 7, 2017

2. Outline of additional investment
(1) Additional investment US$ 2,200 million
(2) Capital stock after additional investment US$ 3,000 million

(3) Date of additional investment April 2, 2018

The Company obtained a ¥50,000 million loan for the above investment in OCEAN NETWORK EXPRESS PTE. LTD. from its subsidiary “K” LINE NEXT CENTURY GK (KNC), which raised said amount through a preferred equity investment on April 2, 2018. KNC was established on February 28, 2018 and became a special subsidiary company on April 2, 2018, the date on which KNC received the preferred equity investment.

3. Description of KNC and preferred equity investment

(1) Description of KNC

Trade name	“K” LINE NEXT CENTURY GK
Purpose of foundation	Receipt of preferred equity investment and loan to Kawasaki Kisen Kaisha Ltd.
Capital stock	¥100,000

(2) Equity investment and contribution ratio

Ordinary equity investment: ¥100,000	Contribution ratio: Kawasaki Kisen Kaisha Ltd. 100%
Preferred equity investment: ¥50,000 million	Contribution ratio: Other than Kawasaki Kisen Kaisha Ltd. 100% (No voting rights)

(3) Outline of preferred equity investment

Investee company	“K” LINE NEXT CENTURY GK
Amount of investment	¥50,000 million
Date of investment	April 2, 2018
Type of dividend	Cumulative and fixed dividend
Redemption date	April 2, 2023

Non-Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2018

(Millions of yen)

	Shareholders' equity									
	Common stock	Capital surplus		Retained earnings					Treasury stock	Total share-holders' equity
		Capital reserve	Total capital surplus	Legal reserve	Other retained earnings			Total retained earnings		
					Reserve for advanced depreciation	General reserve	Retained earnings carried forward			
Balance at April 1, 2017	75,457	60,302	60,302	2,540	453	60,552	(151,401)	(87,856)	(1,034)	46,869
Change in items during the year										
Reversal of reserve for advanced depreciation					(72)		72	–		–
Profit							29,581	29,581		29,581
Purchase of treasury stock									(1,301)	(1,301)
Disposal of treasury stock							(0)	(0)	0	0
Reversal of revaluation reserve for land							225	225		225
Net changes in items other than shareholders' equity										
Net changes during the year	–	–	–	–	(72)	–	29,879	29,806	(1,300)	28,505
Balance at March 31, 2018	75,457	60,302	60,302	2,540	380	60,552	(121,522)	(58,049)	(2,335)	75,375

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

(Millions of yen)

	Valuation and translation adjustments				Total net assets
	Net unrealized holding gain on investments in securities	Deferred gain on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at April 1, 2017	7,048	10,893	3,810	21,751	68,621
Change in items during the year					
Reversal of reserve for advanced depreciation					–
Profit					29,581
Purchase of treasury stock					(1,301)
Disposal of treasury stock					0
Reversal of revaluation reserve for land					225
Net changes in items other than shareholders' equity	(619)	(15)	(225)	(860)	(860)
Net changes during the year	(619)	(15)	(225)	(860)	27,644
Balance at March 31, 2018	6,428	10,877	3,585	20,891	96,266

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

Notes to Non-consolidated Financial Statements

Notes on Important Accounting Policies

1. Standards and methods of valuation of assets

(1) Securities

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

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

(iii) Other securities

Marketable securities classified as other securities:

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

Non-marketable securities classified as other securities:

Stated at cost based on the moving-average method.

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

2. Depreciation and amortization methods of fixed assets

(1) Tangible assets (excluding leased assets)

(i) Vessels: Straight-line method

(ii) Other tangible assets: Declining-balance method

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

(2) Intangible assets (excluding leased assets):

Straight-line method

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

(3) Leased assets

Leased assets under finance lease transactions that transfer ownership:

Same depreciation method as that applied to owned fixed assets.

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

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

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

3. Recognition of reserves

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

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

(3) Allowance for employees' retirement benefits:

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

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

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

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

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

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

(6) Allowance for loss related to business restructuring:

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

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

In order to prepare for loss accompanied by liquidation of subsidiaries and affiliates, the estimated amount of loss is recorded.

(8) Allowance for directors' stock benefits:

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

4. Recognition of marine transportation revenues and marine transportation expenses

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

5. Hedge accounting method
   Hedging activities are accounted for under the deferral hedge method.
   If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under each interest rate swap contract is added to or deducted from the interest on the underlying assets or liabilities for which the swap contract is executed "Special treatment for interest rate swaps".
   Forward foreign exchange contracts which meet certain criteria are accounted for by the allocation method which requires that recognized foreign currency receivables or payables be translated at the corresponding contract rates.

6. Recognition of deferred assets
   Bond issuance costs are fully recognized as expenses when incurred.
7. Recognition of interest expenses on vessel construction loans
   For vessels for which the construction is over the long term, interest expenses on vessel construction loans incurred during the construction period are included in the acquisition cost.

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

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

10. Application of consolidated taxation system
    The Company adopted the consolidated taxation system.

Notes on Changes in Presentation

(Non-Consolidated Balance Sheet)
"Software in progress," which was presented separately in the previous fiscal year (¥177 million for the fiscal year ended March 31, 2017), is included in "Other intangible assets," from the current fiscal year due to a decrease in materiality.

(Non-Consolidated Statement of Income)
"Provision of allowance for doubtful receivables," which was presented separately in the previous fiscal year (¥15,526 million for the fiscal year ended March 31, 2017), is included in "Other extraordinary losses," from the current fiscal year due to a decrease in materiality.

Notes on Changes in Accounting Estimates

(Allowance for Loss related to the Anti-Monopoly Act)
As of the end of the previous fiscal year, the Company had recorded the allowance for loss related to the Anti-Monopoly Act taking into account a partial settlement of a civil class action in the United States that was subject to the approval by the United States federal court. However, because the case was dismissed by the court during the current fiscal year, the Company reasonably re-calculated the allowance based on this judgment. As a result of this change in accounting estimate, ordinary income and profit before income taxes increased by ¥3,551 million each for the current fiscal year.

(Allowance for Loss related to Business Restructuring)
In order to prepare for anticipated expenditures resulting from business restructuring in the course of integrating its container shipping businesses and for losses related to chartered vessels, the Company had previously estimated such amounts to be incurred and recorded an allowance for loss related to business restructuring.
However, after obtaining additional information as the business restructuring plan progresses, whereby it is possible to measure the amounts more accurately, the Company has changed its accounting estimate.

As a result, the difference between the previous estimate and the current one has been deducted from other marine transportation expenses in the current fiscal year.
As a result, marine transportation income, gross operating income, ordinary income and profit before income taxes increased by ¥3,494 million each and operating loss decreased by ¥3,494 million for the current fiscal year.

Additional Information

(Establishment of New Companies relating to the Integration of Container Shipping Businesses)
For the integration of the container shipping businesses, including worldwide terminal operation businesses outside Japan, Kawasaki Kisen Kaisha, Ltd., Mitsui O.S.K. Lines, Ltd., and Nippon Yusen Kabushiki Kaisha have concluded a business integration contract and a shareholders agreement on October 31, 2016. Based on the contract and the agreement, we have established the below holding company and operating company.
The companies began offering container shipping services from April 1, 2018.

Overview of the new companies

1. Holding company

Trade name	Ocean Network Express Holdings, Ltd.
Amount of capital stock	¥50 million
Shareholders/Contribution ratio	Kawasaki Kisen Kaisha, Ltd. 31% Mitsui O.S.K. Lines, Ltd. 31% Nippon Yusen Kabushiki Kaisha 38%
Location	Tokyo, JAPAN
Date of establishment	July 7, 2017

2. Operating company

Trade name	OCEAN NETWORK EXPRESS PTE. LTD.
Amount of capital stock	US$ 800 million
Shareholders/Contribution ratio	Kawasaki Kisen Kaisha, Ltd. 31% Mitsui O.S.K. Lines, Ltd. 31% Nippon Yusen Kabushiki Kaisha 38% (Including indirect ownership)
Location	SINGAPORE
Date of establishment	July 7, 2017

(New Performance-Based Share Remuneration Plan “Board Benefit Trust (BBT)”)
In accordance with the resolution at the 148th Ordinary General Meeting of Shareholders on June 24, 2016, the Company introduced a new performance-based share remuneration plan “Board Benefit Trust (BBT)” for the directors (executive directors only) and executive officers of the Company. This plan purports to further enhance the connection between the remuneration of the directors (executive directors only) and executive officers, and share value, and thereby raise the directors’ motivation to make contributions to increase the Company group’s long-term performance and corporate value.

(1) Overview of the transaction
In accordance with the “Regulations for Delivery of Shares to Officers” which was established by Board of Directors’ meeting, the Company awards points to the directors, etc. At the time of their retirement, the directors, etc. who satisfy requirements for beneficiaries will be provided shares in proportions to the points which the Company has granted to them. With regard to the shares which will be provided to officers in the future, a trust bank acquires the Company’s treasury shares through third-party allotment by using the money entrusted by the Company. Such shares are managed as trust assets separately.

(2) Method of accounting for these transactions
The Company applies the same method as stipulated in the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employee etc. through Trusts (ASBJ PITF No. 30 issued on March 26, 2015).

(3) Shares in the Company held by the trust bank
The book value (excluding incidental costs) of the Company share now held by the trust bank are accounted for as treasury stock in the net assets section of the Company’s balance sheet. At the end of the fiscal year, the book value and total number of treasury stock held by the trust bank are respectively, ¥1,298 million and 448,100 shares.
With an effective date of October 1, 2017, the Company carried out a share consolidation at a ratio of 1 share for 10 shares of the Company’s common stock.

Notes to Non-consolidated Balance Sheet

1. Assets pledged as collateral and secured liabilities

Assets pledged as collateral (Millions of yen)

Asset category	
Vessels	23,460
Investments in securities	5,582
Shares of subsidiaries and affiliates	16,946
Total	45,989

Investments in securities of ¥5,582 million and shares of subsidiaries and affiliates of ¥16,946 million in the table above were pledged as collateral to procure funds for vessel equipment of subsidiaries, affiliates and others. As a result, there were no corresponding liabilities as of March 31, 2018.
In addition, ¥3,262 million out of the ¥23,460 million for vessels in the table above was pledged as collateral on the basis of a guarantee consignment.

Liabilities related to collateral (Millions of yen)

Liability category	
Short-term loans and current portion of long-term loans	1,972
Long-term loans, less current portion	13,820
Total	15,793

2. Accumulated depreciation of fixed assets (Millions of yen)
Accumulated depreciation of tangible assets 99,792

3. Guarantee obligations (Millions of yen)
Guarantees, etc. 161,991
(Guarantees, etc. include commitment for future guarantees. These guarantee obligations exclude ¥253 million of reguarantees by other companies.)
(Millions of yen)
Aditional funding obligation, etc. 8,210
¥116,557 million out of the amount of ¥161,991 million for guarantees etc. in the table above were for borrowing of equipment funds for vessels time-chartered by the Company from its subsidiaries that own vessels.

4. Land revaluation
Pursuant to the “Act on Revaluation of Land” (Act No. 34 of 1998) and the “Act on Partial Amendment to the Act on Revaluation of Land” (Act No. 19 of 2001), the Company performed revaluation of land for business use. The effect of this revaluation has been recorded as revaluation reserve for land in net assets, excluding the deferred tax liabilities.
Revaluation method prescribed in Article 3, Paragraph 3 of the “Act on Revaluation of Land”
The revaluation of land for business use was calculated by making rational adjustments to the prices

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

Revaluation date	March 31, 2002
Difference between the fair value and revalued book value of the revalued land at March 31, 2018	¥ (635) million

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

	(Millions of yen)
Short-term monetary receivables	35,284
Long-term monetary receivables	89,499
Short-term monetary payables	32,159
Long-term monetary payables	1,724

6. Other matters

The Company has been investigated by the competition authorities in Europe and certain other countries in relation to alleged anti-competitive behavior (alleged formation of a cartel) relating to the transportation of automobiles, automotive construction machineries and other automotive vehicles. In February 2018, the Group received the notice from the competition authorities in Europe that the Group shall pay a fine of €39.1 million. In addition, multiple service providers including the Company are currently subject to class actions in North America in relation to the same matter.

Notes to Non-consolidated Statement of Income

Transactions with subsidiaries and affiliates

		(Millions of yen)
Transaction amount - trading	Operating revenues	19,675
	Operating expenses	230,461
Transaction amount - non-trading		36,034

Notes to Non-consolidated Statement of Changes in Net Assets

Class and number of treasury stock as of March 31, 2018

Common stock	642,226 shares

Notes on Tax Effect Accounting

Significant components of deferred tax assets and deferred tax liabilities

	(Millions of yen)
Deferred tax assets	
Allowance for doubtful receivables	4,406
Allowance for bonuses	167
Accrued expenses for overhaul of vessels	156
Loss on devaluation of investments in securities and other	11,895
Allowance for employees' retirement benefits	164
Loss on impairment of fixed assets	500
Loss on cancellation of chartered vessels	64
Accounts payable-shipping, voluntary non-deduction	1,907
Deferred assets for tax purposes	1,893
Allowance for loss related to business restructuring	6,816
Tax loss carried forward	51,654
Direct tax credit carried forward	2,491
Other	388
Subtotal	82,507
Valuation allowance	(74,539)
Total deferred tax assets	7,968
Deferred tax liabilities	
Reserve for advanced depreciation	(151)
Tax on retained surplus	(841)
Deferred gain on hedges	(4,335)
Net unrealized holding gain on investments in securities	(2,562)
Other	(1,045)
Total deferred tax liabilities	(8,937)
Net amount of deferred tax liabilities	(968)

Notes on Fixed Assets Used by the Company under Lease Transactions

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

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

	(Millions of yen)
Future lease payments:	
Amount due within 1 year	11,505
Amount due after 1 year	54,121
Total	65,626

Notes on Transactions with Related Parties

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

2. Subsidiaries and affiliates, etc.

Type	Affiliate
Name	OCEAN NETWORK EXPRESS PTE. LTD. (*1)
Voting rights (%)	-
Relationship	Investee
Details of business transaction	Underwriting of investments (*2)
Amount of transaction	¥28,816 million
Account	-
Balance at the end of year	-

Note 1: OCEAN NETWORK EXPRESS PTE. LTD. is a subsidiary of Ocean Network Express Holdings, Ltd., which holds direct ownership of 100% of voting rights. OCEAN NETWORK EXPRESS PTE. LTD. is an equity-method affiliate of the Company.

Note 2: Underwriting of investments for OCEAN NETWORK EXPRESS PTE. LTD. represents the underwriting of an investment and additional contribution.

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

Notes on Per Share Information

Net assets per share	¥1,031.84
Basic profit per share	¥316.49

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

Amount of net assets on non-consolidated balance sheet	¥96,266 million
Net assets attributable to common stock	¥96,266 million
Number of shares of common stock issued and outstanding at the year end	93,938 thousand shares
Number of shares of common stock held as treasury stock at the year end	642 thousand shares
Profit on non-consolidated statement of income	¥29,581 million
Amount not attributable to shareholders of common stock	–
Profit attributable to common stock	¥29,581 million
Average number of outstanding shares of common stock	93,468 thousand shares

Note: The Company implemented a share consolidation at a ratio of 1 share for 10 shares as of October 1, 2017. The Company calculated net assets per share, basic profit per share, total number of outstanding shares, the number of treasury stock at the end of the year and the average number of shares of common stock outstanding during the year as if the share consolidation had been implemented at the beginning of the current fiscal year.

In addition, effective from July 1, 2017, the Company introduced a new performance-based share remuneration plan “Board Benefit Trust (BBT)”. The shares held by the Trust are included in treasury stock, which is deducted in calculating the number of treasury stock at the end of the year and the average number of shares of common stock outstanding during the current year.

Notes on Significant Subsequent Events

(Additional Investment in Equity-method Affiliate)
On April 2, 2018, as planned, the Company made an additional investment in an equity-method affiliate, OCEAN NETWORK EXPRESS PTE. LTD.

1. Description of OCEAN NETWORK EXPRESS PTE. LTD.

Trade name	OCEAN NETWORK EXPRESS PTE. LTD.
Capital stock	(Before additional investment) USD 800 million (After additional investment) USD 3,000 million
Shareholders/Contribution ratio	Kawasaki Kisen Kaisha, Ltd. 31% Mitsui O.S.K. Lines, Ltd. 31% Nippon Yusen Kabushiki Kaisha 38% (Including indirect ownership) (No change in contribution ratio as a result of the additional investment)
Location	SINGAPORE
Date of establishment	July 7, 2017

2. Outline of additional investment

(1)	Additional investment	US$ 2,200 million
(2)	Capital stock after additional investment	US$ 3,000 million
(3)	Date of additional investment	April 2, 2018

The Company obtained a ¥50,000 million loan for the above investment in OCEAN NETWORK EXPRESS PTE. LTD. from its subsidiary “K” LINE NEXT CENTURY GK (KNC), which raised said amount through a preferred equity investment on April 2, 2018. KNC was established on February 28, 2018 and became a special subsidiary company on April 2, 2018, the date on which KNC received the preferred equity investment.

3. Description of KNC and preferred equity investment

(1) Description of KNC

Trade name	“K” LINE NEXT CENTURY GK
Purpose of foundation	Receipt of preferred equity investment and loan to Kawasaki Kisen Kaisha and business Ltd.
Capital stock	¥100,000

(2) Equity investment and contribution ratio

Ordinary equity investment: ¥100,000	Contribution ratio: Kawasaki Kisen Kaisha Ltd. 100%
Preferred equity investment: ¥50,000 million	Contribution ratio: Other than Kawasaki Kisen Kaisha Ltd. 100% (No voting rights)

(3) Outline of preferred equity investment

Investee company	“K” LINE NEXT CENTURY GK
Amount of investment	¥50,000 million
Date of investment	April 2, 2018
Type of dividend	Cumulative and fixed dividend
Redemption date	April 2, 2023
Remarks	The Company ultimately has the obligation to pay dividends to holders of the preferred equity investment.