

FINANCIAL HIGHLIGHTS

Brief report of the three months ended June 30, 2018

Kawasaki Kisen Kaisha, Ltd.

[Two Year Summary]

	Three months ended June 30, 2018	Three months ended June 30, 2017	Three months ended June 30, 2018
Consolidated			
Operating revenues (Millions of yen / Thousands of U.S. dollars)	¥ 212,177	¥ 287,375	\$ 1,919,459
Operating (loss) income (Millions of yen / Thousands of U.S. dollars)	(13,370)	3,878	(120,954)
(Loss) profit attributable to owners of the parent (Millions of yen / Thousands of U.S. dollars)	(19,272)	8,523	(174,347)
(Loss) profit attributable to owners of the parent per share (Yen / U.S. dollars)			
Basic	(206.63)	90.95	(1.87)
Diluted	-	77.43	-

	Three months ended June 30, 2018	Year ended March 31, 2018	Three months ended June 30, 2018
Total assets (Millions of yen / Thousands of U.S. dollars)	¥ 1,024,770	¥ 1,036,886	\$ 9,270,585
Net assets (Millions of yen / Thousands of U.S. dollars)	280,345	243,094	2,536,148

	Three months ended June 30, 2018	Three months ended June 30, 2017	Three months ended June 30, 2018
Net cash (used in) provided by operating activities (Millions of yen / Thousands of U.S. dollars)	¥ (39,887)	¥ 8,948	\$ (360,842)
Net cash (used in) provided by investing activities (Millions of yen / Thousands of U.S. dollars)	(32,907)	6,180	(297,701)
Net cash provided by (used in) financing activities (Millions of yen / Thousands of U.S. dollars)	48,024	(10,512)	434,453

The U.S. dollar amounts are converted from the yen amounts at ¥110.54 = U.S.\$1.00, the approximate rate of exchange prevailing on June 30, 2018.

<Note>

The Company consolidated its common stock at a ratio of 10 shares to one share, effective October 1, 2017.

Accordingly, values for the items noted below have been recalculated on the assumption that the share consolidation took place at the beginning of the previous fiscal year.

- (Loss) profit attributable to owners of the parent per share
 - Basic
 - Diluted

1. Qualitative Information and Financial Statement

(1) Qualitative Information about the Consolidated Operating Result

(Billion Yen; rounded to the nearest 100 million yen)

	Three months ended June 30, 2018	Three months ended June 30, 2017	Change	% Change
Operating revenues	212.2	287.4	(75.2)	(26.2%)
Operating (loss) income	(13.4)	3.9	(17.2)	-
Ordinary (loss) income	(17.1)	6.0	(23.1)	-
(Loss) profit attributable to owners of the parent	(19.3)	8.5	(27.8)	-

Exchange Rate (¥/US\$) (3-month average)	¥108.10	¥111.48	(¥3.38)	(3.0%)
Fuel oil price (US\$/MT) (3-month average)	US\$414	US\$326	US\$88	27.2%

During the first three months of the fiscal year ending March 31, 2019 (from April 1, 2018 to June 30, 2018; hereinafter “the three-month period”), the global economy continued to be generally firm despite diplomatic developments such as the holding of the U.S.-North Korea summit meeting and the resumption of the U.S. economic sanctions against Iran. However, following the United States’ imposition of additional tariffs on imports of steel and aluminum products, China and the EU decided to take retaliatory measures, leaving lingering concerns over an economic growth slowdown.

The U.S. economy steadily grew, supported by robust personal consumption amid the favorable employment and income environments, and firm capital expenditures due to brisk corporate activities. The European economy grew moderately on the whole, as exports and investments, which had been slowing, started to improve, and personal consumption stayed robust, supported by favorable income and employment environments.

The Chinese economy steadily grew on the whole despite weak growth in sales of houses and personal consumption of consumer durable goods, such as vehicles and smartphones, as corporate imports and exports remained robust, underpinned by policy measures.

As for emerging countries, local currencies remained weak in Argentina and Turkey, while domestic demand stayed robust in India and ASEAN countries. As a result, the economic situation of emerging countries was generally favorable.

The Japanese economy recovered moderately on the whole, as personal consumption picked up amid a moderate recovery in the employment and income environments and corporate earnings stayed steady

despite a cost increase due to the labor shortage.

As for the business environment for the shipping industry, despite temporary market rate fluctuations, the market recovered on the whole in the dry bulk segment because of an improvement in the vessel supply-demand balance due to a recovery in cargo movements and the easing of the pressure from the supply of new ships. In the energy resource transport segment, a recovery was observed in the LNG spot rate market, where the supply-demand balance improved, but the market remained weak with respect to tankers and offshore support vessels. The Group is steadily implementing measures to improve its profitability, including continued cost reduction and improvement of vessel allocation efficiency. However, because of such factors as a rise in fuel oil prices and an increase in one-time expenses which arose during the period of the transfer of operations for the integration of the containership business, financial results deteriorated, with revenue declining year on year. The financial results of OCEAN NETWORK EXPRESS PTE. LTD., which started operations in April and whose results are reflected in the Company's results in accordance with the Company's equity ownership ratio, deteriorated compared with the initial plan due to the effects of a temporary decline in handling volume during the period of business transition and a rise in fuel oil prices.

As a result, operating revenues for the three-month period was ¥212.177 billion (down ¥75.198 billion year on year), operating loss was ¥13.370 billion (compared to operating income of ¥3.878 billion in the same period of the previous fiscal year), and ordinary loss was ¥17.095 billion (compared to ordinary income of ¥5.970 billion in the same period of the previous fiscal year). Loss attributable to owners of the parent was ¥19.272 billion (compared to profit attributable to owners of the parent of ¥8.523 billion in the same period of the previous fiscal year).

Performance per segment was as follows.

Starting in the 1st Quarter of the current fiscal year, the Group changed the categorization of business segments used in the report. The comparison and analysis regarding the 1st Quarter are based on the revised categorization.

(Billion Yen; rounded to the nearest 100 million yen)

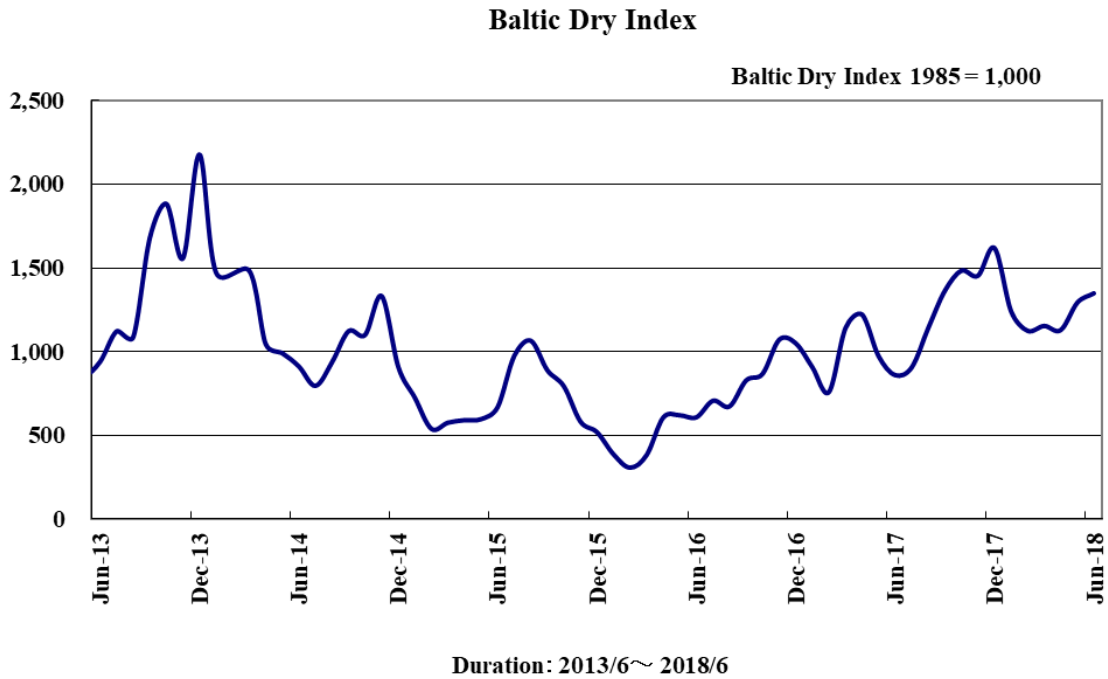
		Three months ended June 30, 2018	Three months ended June 30, 2017	Change	% Change
Dry bulk	Operating revenues	64.6	57.6	7.0	12.1%
	Segment profit (loss)	0.4	(1.4)	1.8	-
Energy resource transport	Operating revenues	20.2	19.6	0.6	3.0%
	Segment profit	0.3	0.5	(0.2)	(42.8%)
Product logistics	Operating revenues	119.1	197.2	(78.1)	(39.6%)
	Segment (loss) profit	(16.8)	7.2	(24.0)	-
Other	Operating revenues	8.3	13.0	(4.7)	(36.0%)
	Segment profit	0.4	1.1	(0.7)	(60.0%)
Adjustments and eliminations	Segment loss	(1.4)	(1.4)	(0.0)	-
Total	Operating revenues	212.2	287.4	(75.2)	(26.2%)
	Segment (loss)profit	(17.1)	6.0	(23.1)	-

(i) Dry Bulk Segment

Dry Bulk Business

In the Cape-size sector, the average market rate in the five major services temporarily rose above 20,000 U.S. dollars per day due to a recovery in cargo movements of iron ore from Brazil, which had been sluggish because of the effects of unfavorable weather conditions and the breakdown of equipment at the beginning of the year. In the medium and small vessel sector, market rates in the trans-Atlantic and trans-Pacific services temporarily widened as a result of a fall in Atlantic market rates caused by the continued sluggishness of grain shipments from South America in April. However, recently, Atlantic market rates have recovered to a level close to Pacific market rates, and the average market rate in the five major services has also stayed above 10,000 U.S. dollars per day. Scrapped vessel capacity continued to decline year on year, but the pressure from the supply of new ships was limited, so market rates generally stayed steady. In the dry bulk business, the Group strove to reduce operation costs and improve vessel allocation efficiency.

As a result, the overall Dry Bulk Segment recorded year-on-year growth in revenue and returned to profitability from a loss in the same period of previous fiscal year.



(ii) Energy Resource Transport Segment

Energy Transportation Business

(LNG Carrier, Tanker and Thermal Coal Carrier Business)

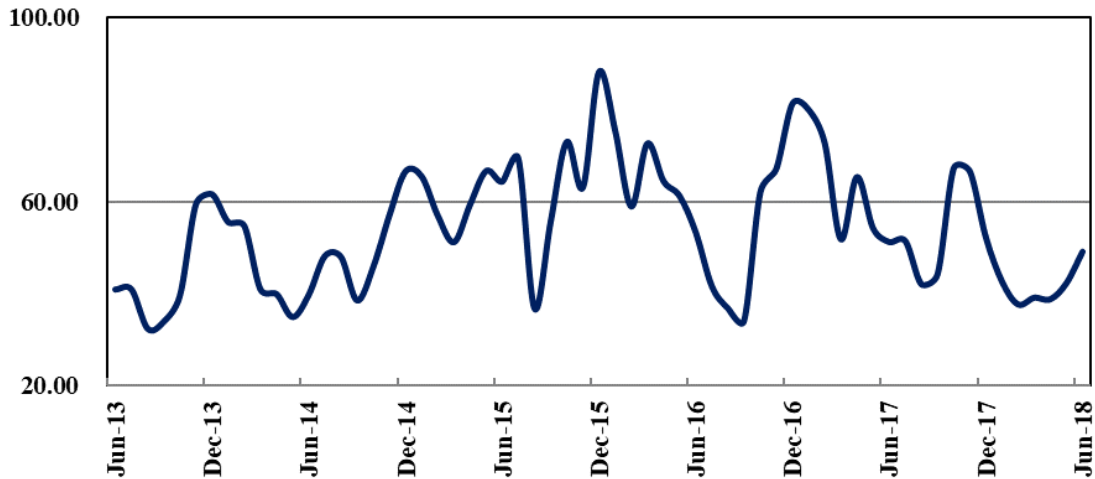
Concerning LNG carriers, large crude tankers (VLCCs), LPG carriers and thermal coal carriers, business was firm for medium- and long-term charter contracts. However, as some contracts for tankers were affected by the weak market, the overall Energy Transportation Business recorded an increase in revenue and a decline in profit on a year-on-year basis.

Offshore Energy E&P Support Business

The drillship business continued to perform steadily and contributed to securing stable long-term earnings. However, in the offshore support business, the market remained weak due to sluggish marine resource development activities. Overall, the offshore energy E&P support business recorded a year-on-year increase in revenue, but its loss expanded partly due to unfavorable foreign exchange effects.

As a result, the overall Energy Resource Transport Segment recorded year-on-year growth in revenue and a decline in profit on a year-on-year basis.

VLCC World Scale (AG/JPN)



Duration: 2013/6~2018/6

(iii) Product Logistics Segment

Car Carrier Business

Cargo movements for finished vehicles continued to gradually increase as a trend except for shipments to the Middle East, and the overall volume of finished vehicles shipped by the Group increased because of the conclusion of some new cargo contracts. However, as a result of a rise in fuel costs and the deterioration of operation efficiency, revenue declined year on year and a loss was recorded.

Logistics Business

In the domestic logistics sector, cargo movements continued to be robust, while new warehouses that opened in the Kansai region and Hokkaido in the previous fiscal year made a favorable start. As for the business of installing machinery at customers' factories, the Group acquired new contracts, leading to an improvement in profitability.

In the international logistics sector, the growth of cargo movements related to semiconductors in air cargo transportation, which became pronounced in the second half of the previous fiscal year, continued, contributing to earnings. Regarding localized logistics services in such countries as Thailand and Indonesia, the Group strove to achieve business expansion by continuously making new investments. On the other hand, following the integration of the containership business, we diligently proceeded with the

reorganization of the global network, organizational reform and IT system investment. As a result, logistics business overall recorded year-on-year increase in revenue and decline in profit.

Short Sea and Coastal Business

In the short sea and coastal businesses, the Group secured a stable transport volume thanks to robust cargo movements and the effects of upsizing vessels in the coastal business sector. On the other hand, because of a rise in fuel oil prices and a cost increase associated with the completion of large vessels and the start of new services, a loss was recorded while revenue increased year-on-year.

Containership Business

The financial results of OCEAN NETWORK EXPRESS PTE. LTD., which started business in April and whose results are reflected in the Company's results in accordance with the Company's equity ownership ratio, deteriorated compared with the initial plan because of a lower-than-expected handling volume for providing clumsy services in initial stage right after service start-up and a rise in bunker prices on the expenditure side. The containership business that has remained with the Company after the business integration recorded a year-on-year decline in revenue and loss mainly as a result of one-time expenses related business transition being higher than forecasted.

As a result of the above, the Product Logistics Segment recorded decline in revenue year-on-year, and a loss was recorded.

(iv) Other Business

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

(2) Qualitative Information on the Consolidated Financial Situation

Consolidated assets at the end of the consolidated 1st Quarter of this fiscal year were ¥1,024.770 billion, a decrease of ¥12.116 billion from the end of the previous fiscal year as a result of a decrease in cash and deposits and other factors.

Consolidated liabilities decreased by ¥49.368 billion to ¥744.424 billion as a result of a decrease in accounts and notes payable-trade and other factors compared to the end of the previous fiscal year.

Consolidated net assets were ¥280.345 billion, an increase of ¥37.251 billion compared to the end of the previous fiscal year as a result of an increase in non-controlling interests and other factors.

(3) Qualitative Information on the Consolidated Prospects for FY2018

(Billion Yen; rounded to the nearest 100 million yen)

	Prior Forecast (at the time of announcement Dated April 27, 2018)	Current Forecast (at the time of announcement of the 1st Quarter result)	Change	% Change
Operating revenues	754.5	775.0	20.5	2.7%
Operating income	5.0	5.0	-	-
Ordinary income	5.0	5.0	-	-
Profit attributable to owners of the parent	7.0	7.0	-	-

Exchange Rate (¥/US\$)	¥109.00	¥109.24	¥0.24	0.2%
Fuel oil price (US\$/MT)	US\$373	US\$451	US\$78	20.9%

In and beyond the 2nd Quarter, the global economy is expected to continue growing at a moderate pace on the whole despite points of concern such as the trade disputes and the increased political risk due to the resumption of the U.S. sanctions against Iran.

In the dry bulk business, there are concerns over the possible impact of the trade disputes on cargo movements and market rates. However, as the pressure from the increased vessel supply is limited, the supply-demand balance is expected to continue improving. Facing these uncertain factors, the Group will strive to expand stable revenue and profit by obtaining more medium- and long-term contracts through vigorous sales activities by utilizing the high quality of transportation, which is the Group's advantage, in addition to continuing to implement measures to improve profitability, including continued cost reduction and improvement of vessel allocation efficiency.

In the energy transportation business, the Group will strive to secure stable revenue and profit for LNG carriers, VLCCs, LPG carriers and thermal coal carriers by maintaining medium- and long-term charter contracts.

In the offshore energy E&P support business, although it is expected to take some more time for the market to recover, the Group will continue efforts to improve its profitability through cost cutting and other measures.

In the car carrier business, despite the lingering uncertainty over the future course in the economies of resource-rich and emerging countries as well as oil-producing countries, mainly in the Middle East, global demand for marine transport of finished vehicles is expected to stay firm over the medium- and long-term in line with growth in global vehicles sales. On the other hand, automakers' production bases are becoming

increasingly diverse amid the rapidly expanding electric vehicles (EV) market in addition to a shift to trends such as “local production, local consumption,” “mass production in the right place”, and “appropriate production volume in the right place,” so it is important to make flexible and timely responses to changes in and the increasing complexity of the trade structure and to maintain and an optimal fleet scale. Therefore, in fiscal year 2018, the Group is continuing to strengthen its business foundation by expanding the trade network through the start of new Mexico-Central and South America services. The Group will strive to enhance its revenue base by making maximum use of a new generation of large vessels featuring greater loading capacity for heavy construction machinery and rail cars. It will also continue strenuous efforts to reduce vessel expenditure and operation costs in addition to further improving operation efficiency.

As domestic demand for logistics services remains firm, revenue and profit for the logistics business are expected to stay stable. In land-sea integrated transport using the RORO service between Shimizu and Oita, for which daily vessel allocation started in March 2018, the Group aims to further increase handling volume by enhancing the cargo-attracting capability. In the international logistics business, the air cargo volume that grew briskly, mainly for aircraft parts and semiconductors in the second half of 2017, is expected to return to the normal level, but the Group aims to secure revenue and profit by obtaining new customers and concluding new cargo contracts through effective use of the retained containership network. The Group will further enhance its capability to provide logistics services with high value added by implementing such measures as increasing business footholds and strengthening the service lineup.

As for the short sea and coastal business, in addition to the rise in fuel oil prices, the initial cost related to the deliveries of new vessels and the start of new services is occurring in the current fiscal year. However, the Group will strive to improve its profitability by taking advantage of the moderate recovery in market rates in the short sea sector and the firm cargo movements in the domestic market.

In the containership business, the handling volume is expected to increase in the second quarter and beyond. Although the containership business has been affected by a rapid rise in bunker prices, the initially planned level of revenue and profit is expected to be secured due to advanced realization of synergy effects.

As explained above, although market rates are recovering as a trend, mainly in the dry bulk business, the vessel supply-demand gap has not been fully resolved. In addition, fuel oil prices are rising, so the Group is expected to face a tough business environment. In this situation, the Group will strive to improve revenue and profit by further promoting cost reduction and improvement of operation efficiency. Therefore, the Group has kept unchanged its previously announced forecasts of full-year results, including operating income, ordinary income, and profit attributable to owners of the parent.

Our important management task is to maximize returns to our shareholders while maintaining necessary internal reserves to fund investment for sustainable growth and strengthen our financial position.

However, it is with sincere regret that the Company announces it has decided to pay no interim dividend, as we consider it the top priority task to improve our financial strength and stabilize our business foundation. The term-end dividend remains yet to be determined. We will announce in due course when we have judged that we can forecast dividend payments after comprehensively taking into consideration the forecasts of full-year results and the Company's financial conditions.

Consolidated Financial Statements

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

Consolidated Balance Sheet

	(Millions of yen / Thousands of U.S.dollars)		
	Year ended June 30, 2018	Year ended March 31, 2018	Year ended June 30, 2018
ASSETS			
Current assets :			
Cash and deposits	¥ 137,700	¥ 200,606	\$ 1,245,710
Accounts and notes receivable-trade	73,441	89,218	664,388
Raw materials and supplies	28,135	31,759	254,531
Prepaid expenses and deferred charges	43,151	43,880	390,367
Other current assets	26,638	26,941	240,988
Allowance for doubtful receivables	(1,650)	(1,679)	(14,934)
Total current assets	<u>307,417</u>	<u>390,726</u>	<u>2,781,050</u>
Non-current assets :			
(Vessels, property and equipment)			
Vessels, net	408,797	398,473	3,698,184
Buildings and structures, net	14,710	15,400	133,078
Machinery and vehicles, net	9,920	9,522	89,746
Land	20,750	21,119	187,718
Construction in progress	21,052	35,125	190,453
Other, net	2,991	3,312	27,066
Total vessels, property and equipment	<u>478,223</u>	<u>482,953</u>	<u>4,326,246</u>
(Intangible assets)			
Other intangible assets	3,707	3,745	33,536
Total intangible assets	<u>3,707</u>	<u>3,745</u>	<u>33,536</u>
(Investments and other assets)			
Investments in securities	183,845	107,545	1,663,157
Long-term loans receivable	18,913	19,011	171,101
Asset for retirement benefits	662	657	5,989
Other investments and other assets	32,962	33,180	298,192
Allowance for doubtful receivables	(960)	(934)	(8,686)
Total investments and other assets	<u>235,422</u>	<u>159,461</u>	<u>2,129,753</u>
Total non-current assets	<u>717,353</u>	<u>646,160</u>	<u>6,489,535</u>
Total assets	<u>¥ 1,024,770</u>	<u>¥ 1,036,886</u>	<u>\$ 9,270,585</u>

Consolidated Balance Sheet

(Millions of yen / Thousands of U.S.dollars)

	Year ended June 30, 2018	Year ended March 31, 2018	Year ended June 30, 2018
LIABILITIES			
Current liabilities :			
Accounts and notes payable-trade	¥ 60,248	¥ 90,369	\$ 545,034
Short-term loans and current portion of long-term loans	43,014	41,783	389,134
Accrued income taxes	2,000	3,242	18,093
Allowance for loss related to the Anti-Monopoly Act	1,672	1,672	15,126
Allowance for loss related to business restructuring	19,456	24,543	176,011
Other allowance	1,711	2,894	15,484
Other current liabilities	105,462	118,635	954,065
Total current liabilities	233,565	283,141	2,112,947
Non-current liabilities :			
Bonds	11,809	11,809	106,830
Long-term loans, less current portion	421,137	419,935	3,809,820
Allowance for loss related to the Anti-Monopoly Act	2,449	2,449	22,162
Allowance for directors' and audit and supervisory board members' retirement benefits	910	1,843	8,235
Allowance for directors' stock benefits	19	10	176
Accrued expenses for overhaul of vessels	11,258	11,201	101,847
Liability for retirement benefits	6,114	6,578	55,315
Other non-current liabilities	57,160	56,823	517,105
Total non-current liabilities	510,859	510,651	4,621,490
Total liabilities	744,424	793,792	6,734,437
NET ASSETS			
Shareholders' equity:			
Common stock	75,457	75,457	682,628
Capital surplus	1,384	60,507	12,523
Retained earnings	107,196	67,107	969,750
Less treasury stock	(2,383)	(2,383)	(21,560)
Total shareholders' equity	181,654	200,688	1,643,341
Accumulated other comprehensive income:			
Net unrealized holding gain on investments in securities	8,135	8,570	73,600
Deferred gain on hedges	8,687	7,768	78,591
Revaluation reserve for land	6,184	6,184	55,950
Translation adjustments	2,546	(3,539)	23,038
Retirement benefits liability adjustments	(2,662)	(2,661)	(24,084)
Total accumulated other comprehensive income	22,892	16,321	207,095
Non-controlling interests	75,798	26,083	685,713
Total net assets	280,345	243,094	2,536,148
Total liabilities and net assets	¥ 1,024,770	¥ 1,036,886	\$ 9,270,585

Consolidated Statement of Operations

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

	Three months ended June 30, 2018	Three months ended June 30, 2017	Three months ended June 30, 2018
Marine transportation and other operating revenues	¥ 212,177	¥ 287,375	\$ 1,919,459
Marine transportation and other operating costs and expenses	208,943	265,241	1,890,206
Gross Profit	3,233	22,134	29,253
Selling, general and administrative expenses	16,603	18,256	150,208
Operating (loss) income	(13,370)	3,878	(120,954)
Non-operating income :			
Interest income	337	314	3,050
Dividend income	673	1,006	6,096
Equity in earnings of subsidiaries and affiliates	-	1,200	-
Exchange gain	1,087	1,251	9,835
Other non-operating income	329	363	2,984
Total non-operating income	2,428	4,136	21,965
Non-operating expenses :			
Interest expenses	2,038	1,685	18,440
Equity in loss of subsidiaries and affiliates	3,780	-	34,203
Other non-operating expenses	333	359	3,019
Total non-operating expenses	6,152	2,044	55,663
Ordinary (loss) income	(17,095)	5,970	(154,652)
Extraordinary income :			
Gain on sales of vessels, property and equipment	276	8,021	2,501
Other extraordinary income	145	74	1,319
Total extraordinary income	422	8,096	3,820
Extraordinary losses :			
Loss on impairment of vessels, property and equipment	178	-	1,615
Other extraordinary losses	100	191	912
Total extraordinary losses	279	191	2,527
(Loss) profit before income taxes	(16,952)	13,874	(153,358)
Income taxes :			
Current	844	2,298	7,642
Deferred	1,253	2,368	11,337
Total income taxes	2,097	4,667	18,979
(Loss) profit	(19,050)	9,207	(172,337)
Profit attributable to non-controlling interests	222	683	2,010
(Loss) profit attributable to owners of the parent	¥ (19,272)	¥ 8,523	\$ (174,347)

Consolidated Statement of Comprehensive Income

	(Millions of Yen / Thousands of U.S.Dollars)		
	Three months ended June 30, 2018	Three months ended June 30, 2017	Three months ended June 30, 2018
(Loss) profit	¥ (19,050)	¥ 9,207	\$ (172,337)
Other comprehensive income (loss)			
Net unrealized holding (loss) gain on investments in securities	(413)	129	(3,744)
Deferred gain (loss) on hedges	706	(1,145)	6,394
Translation adjustments	3,049	315	27,585
Retirement benefits liability adjustments	(2)	81	(20)
Share of other comprehensive income of subsidiaries and affiliates accounted for by the equity method	4,088	102	36,989
Total other comprehensive income (loss)	<u>7,428</u>	<u>(516)</u>	<u>67,203</u>
Comprehensive (loss) income	<u>¥ (11,621)</u>	<u>¥ 8,690</u>	<u>\$ (105,134)</u>
(Breakdown)			
Comprehensive (loss) income attributable to owners of the parent	¥ (12,701)	¥ 7,915	\$ (114,908)
Comprehensive income attributable to non-controlling interests	1,080	775	9,774

Consolidated Statement of Cash Flows

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

	Three months ended June 30, 2018	Three months ended June 30, 2017	Three months ended June 30, 2018
Cash flows from operating activities :			
(Loss) profit before income taxes	¥ (16,952)	¥ 13,874	\$ (153,358)
Depreciation and amortization	10,079	10,444	91,183
Increase (decrease) in liability for retirement benefits	197	(136)	1,785
Increase in retirement benefits liability adjustments	38	107	347
Decrease in allowance for directors' and audit and supervisory board members' retirement benefits	(932)	(129)	(8,440)
Increase (decrease) in accrued expenses for overhaul of vessels	63	(616)	578
Decrease in allowance for loss related to business restructuring	(5,086)	(7,043)	(46,018)
Interest and dividend income	(1,010)	(1,321)	(9,146)
Interest expenses	2,038	1,685	18,440
Exchange gain, net	(2,409)	(187)	(21,799)
Loss on impairment of vessels, property and equipment	178	-	1,615
Gain on sales of vessels, property and equipment, net	(248)	(8,021)	(2,249)
Decrease (increase) in accounts and notes receivable – trade	14,882	(2,049)	134,631
Decrease in inventories	3,661	758	33,120
Decrease in other current assets	3,034	446	27,448
(Decrease) increase in accounts and notes payable – trade	(28,026)	6,289	(253,537)
Decrease in other current liabilities	(17,544)	(443)	(158,719)
Other, net	1,890	(2,645)	17,098
Subtotal	<u>(36,149)</u>	<u>11,012</u>	<u>(327,023)</u>
Interest and dividends received	1,330	1,686	12,040
Interest paid	(1,711)	(1,497)	(15,485)
Payments for cancellation of chartered vessels	(1,450)	-	(13,117)
Income taxes paid	(1,907)	(2,252)	(17,257)
Net cash (used in) provided by operating activities	<u>(39,887)</u>	<u>8,948</u>	<u>(360,842)</u>
Cash flows from investing activities :			
Payments into time deposits	(2,140)	(2,339)	(19,363)
Proceeds from withdrawal of time deposits	41,355	1,544	374,122
Purchases of marketable securities and investments in securities	(77,212)	(1,422)	(698,505)
Proceeds from sales of marketable securities and investments in securities	75	381	680
Purchases of vessels, property and equipment	(36,715)	(18,320)	(332,145)
Proceeds from sales of vessels, property and equipment	41,751	26,304	377,702
Purchases of intangible assets	(128)	(187)	(1,165)
Payments of long-term loans receivable	(88)	(35)	(797)
Collection of long-term loans receivable	337	343	3,057
Other, net	(142)	(88)	(1,286)
Net cash (used in) provided by investing activities	<u>(32,907)</u>	<u>6,180</u>	<u>(297,701)</u>
Cash flows from financing activities :			
Decrease in short-term loans, net	(451)	(429)	(4,087)
Proceeds from long-term loans	9,011	234	81,521
Repayments of long-term loans and obligations under finance leases	(10,042)	(9,683)	(90,851)
Cash dividends paid to non-controlling interests	(282)	(220)	(2,555)
Proceeds from share issuance to non-controlling interests	50,000	32	452,325
Purchases of shares of subsidiaries not resulting in change in scope of consolidation	(265)	(445)	(2,399)
Other, net	55	(1)	499
Net cash provided by (used in) financing activities	<u>48,024</u>	<u>(10,512)</u>	<u>484,453</u>
Effect of exchange rate changes on cash and cash equivalents	1,099	9	9,944
Net (decrease) increase in cash and cash equivalents	<u>(23,671)</u>	<u>4,625</u>	<u>(214,147)</u>
Cash and cash equivalents at beginning of the period	158,072	156,791	1,430,003
Cash and cash equivalents at end of the period	¥ 134,400	¥ 161,417	\$ 1,215,857

(Notes in the Event of Significant Changes in Shareholders' Equity)

In accordance with a resolution approved at the 150th Ordinary General Meeting of Shareholders on June 21, 2018, the Company reduced its capital reserve by ¥59.002 billion and its legal reserve by ¥2.540 billion and transferred such amounts to other capital surplus and retained earnings carried forward respectively. It then transferred the other capital surplus by ¥59.002 billion and general reserve by ¥60.552 billion to retained earnings carried forward respectively.

As a result, the Company's capital surplus was reduced by ¥59.002 billion and its retained earnings were increased by ¥59.002 billion during the three-month period.

(Change in Accounting Estimate)

Taking the opportunity of the review of fleet planning following the changes of business environment for the car carriers, the Group reviewed our policies concerning vessel use during the consolidated 1st Quarter of this fiscal year in accordance with the actual service records and the outlook for vessel supply and demand.

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

As a result of this change in accounting estimate, operating loss, ordinary loss and loss before income taxes during the three-month period decreased by ¥ 0.615 billion respectively compared to under the prior method.

The effect to each segment is stated in page 17, Segment Information.

(Additional Information)

(Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.)

“Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.” (ASBJ Statement No. 28 issued Feb. 16, 2018) has been applied from the beginning of the consolidated 1st Quarter of this fiscal year. Deferred tax assets are included in the “Investments and other assets” and Deferred tax liabilities are included in the “Non-current liabilities” of the balance sheet respectively.

Segment information

Three months ended June 30, 2018

(Millions of Yen)

	Dry bulk	Energy resource transport	Product logistics	Other	Total	Adjustments and eliminations	Consolidated
Revenues							
Operating revenues from customers	¥ 64,624	¥ 20,174	¥ 119,057	¥ 8,321	¥ 212,177	¥ -	¥ 212,177
Inter-group revenues and transfers	40	0	1,950	11,340	13,331	(13,331)	-
Total revenues	¥ 64,665	¥ 20,174	¥ 121,007	¥ 19,661	¥ 225,508	¥ (13,331)	¥ 212,177
Segment profit (loss)	¥ 370	¥ 292	¥ (16,762)	¥ 434	¥ (15,666)	¥ (1,428)	¥ (17,095)

Three months ended June 30, 2017

(Millions of Yen)

	Dry bulk	Energy resource transport	Product logistics	Other	Total	Adjustments and eliminations	Consolidated
Revenues							
Operating revenues from customers	¥ 57,625	¥ 19,577	¥ 197,181	¥ 12,991	¥ 287,375	¥ -	¥ 287,375
Inter-group revenues and transfers	1	0	2,023	12,647	14,673	(14,673)	-
Total revenues	¥ 57,627	¥ 19,577	¥ 199,204	¥ 25,639	¥ 302,048	¥ (14,673)	¥ 287,375
Segment profit (loss)	¥ (1,425)	¥ 511	¥ 7,222	¥ 1,085	¥ 7,394	¥ (1,424)	¥ 5,970

Three months ended June 30, 2018

(Thousands of U.S. Dollars)

	Dry bulk	Energy resource transport	Product logistics	Other	Total	Adjustments and eliminations	Consolidated
Revenues							
Operating revenues from customers	\$ 584,624	\$ 182,507	\$ 1,077,052	\$ 75,277	\$ 1,919,459	\$ -	\$ 1,919,459
Inter-group revenues and transfers	369	1	17,642	102,595	120,606	(120,606)	-
Total revenues	\$ 584,993	\$ 182,508	\$ 1,094,693	\$ 177,872	\$ 2,040,066	\$ (120,606)	\$ 1,919,459
Segment profit (loss)	\$ 3,349	\$ 2,645	\$ (151,645)	\$ 3,926	\$ (141,725)	\$ (12,927)	\$ (154,652)

(Notes)

(Change in service life period)

As stated in the page 16, Change in Accounting Estimate, the Group changed the service life period of pure car carriers from 20 years to 25 years during the consolidated 1st Quarter of this fiscal year, and same change has been applied for the vessels of the reporting segments. As a result of this change, segment loss of the “Product Logistics” segment during the three- month period decreased by ¥ 0.615 billion compared to under the prior method.

(Change in reporting segments)

The Group decided to change its reporting segments to “Dry bulk,” “Energy resource transport,” “Product logistics,” and “Other” respectively, effective the consolidated 1st Quarter of this fiscal year, from previously “Containership,” “Bulk shipping,” “Offshore energy E&P support and heavy lifter,” and “Other.”

Accompanied by the integration of the containership business under OCEAN NETWORK EXPRESS PTE. LTD., the Group has reorganized its business portfolio strategy to build a new business model with a strong customer relationship base.

The “Dry bulk” segment includes dry bulk business, “Energy resource transport” segment includes energy transportation business and offshore energy E&P support business, “Product logistics” segment

includes car carrier business, logistics business, short sea and coastal business and containership business.

The revenues and segment profit or loss for the consolidated 1st Quarter of the previous year have been recalculated in conformity to the current year.