FINANCIAL HIGHLIGHTS

Brief report of the the year ended March 31, 2018

Kawasaki Kisen Kaisha, Ltd.

[Two Year Summary]

	Year ended March 31, 2018	Year ended March 31, 2017	Year ended March 31, 2018
Consolidated			
Operating revenues (Millions of yen / Thousands of U.S. dollars)	¥ 1,162,025	¥ 1,030,191	$ 10,937,736
Operating income (loss) (Millions of yen / Thousands of U.S. dollars)	7,219	(46,037)	67,956
Profit (loss) attributable to owners of the parent (Millions of yen / Thousands of U.S. dollars)	10,384	(139,478)	97,746
Profit (loss) attributable to owners of the parent per share (Yen / U.S. dollars)			
Basic	111.13	(1,488.23)	1.05
Diluted	94.57	-	0.89

	Year ended March 31, 2018	Year ended March 31, 2017	Year ended March 31, 2018
Total assets (Millions of yen / Thousands of U.S. dollars)	¥ 1,041,766	¥ 1,045,209	$ 9,805,782
Net assets (Millions of yen / Thousands of U.S. dollars)	243,094	245,482	2,288,159

	Year ended March 31, 2018	Year ended March 31, 2017	Year ended March 31, 2018
Net cash provided by (used in) operating activities (Millions of yen / Thousands of U.S. dollars)	¥ 1,167	¥ (43,919)	$ 10,988
Net cash used in investing activities (Millions of yen / Thousands of U.S. dollars)	(22,813)	(24,881)	(214,735)
Net cash provided by financing activities (Millions of yen / Thousands of U.S. dollars)	22,239	26,436	209,334

The U.S. dollar amounts are converted from the yen amounts at ¥106.24 = U.S.$1.00,
the approximate rate of exchange prevailing on March 31, 2018.

<Note>
The Company consolidated its common stock at a ratio of ten 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.

・Profit (loss) attributable to owners of the parent per share
  -Basic
  -Diluted

１． Qualitative Information and Financial Statement

(1) Qualitative Information about the Consolidated Operating Result

1) Summary of Consolidated Operating Results for FY2017

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

	Fiscal Year 2017 (Ended March 31, 2018)	Fiscal Year 2016 (Ended March 31, 2017)	Change	% Change
Operating revenues	**1,162.0**	1,030.2	131.8	12.8%
Operating income (loss)	**7.2**	(46.0)	53.3	-
Ordinary income (loss)	**2.0**	(52.4)	54.4	-
Profit (loss) attributable to owners of the parent	**10.4**	(139.5)	149.9	-

Exchange rate (¥/US$) (12-month average)	**¥111.19**	¥108.76	¥2.43	2.2%
Fuel oil price (US$/MT) (12-month average)	**US$349**	US$265	US$84	31.9%

In the fiscal year ended March 31, 2018 (from April 1, 2017, to March 31, 2018; hereinafter “the fiscal year”), the global economy continued to be steady on the whole despite rising geopolitical tensions in some regions. However, since the beginning of 2018, there have been developments that leave doubt over the global economy, including the United States’ imposition of restrictions on imports of steel and aluminum products and additional tariffs on Chinese products and China’s announcement of countermeasures, including the imposition of additional high tariffs on imports from the United States, in revenge for such U.S. measures.

The U.S. economy continued to grow amid robust corporate business performance due to steady personal consumption and a labor supply increase that have been supported by favorable employment and income environments. On the other hand, although the European economy kept expanding thanks to a steady increase in imports and exports, the economic growth has slowed down since the beginning of 2018 because of the euro’s appreciation.

In China, exports expanded against the backdrop of the global economic recovery and personal consumption grew in a stable manner, despite some slowdown, due to favorable employment and income environments. As a result, the Chinese economy continued to grow steadily throughout the year.

Emerging economies stayed generally strong because of such factors as the recovery of the economies of resource-rich countries due to a resource price rise, 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 also remained steady, the Japanese economy continued to recover at a moderate pace on the whole.

As for the business environment for the shipping industry, cargo movements in the East-West services remained firm throughout the year in the containership business and freight rates remained on a recovery track, but the supply-demand balance did not improve in earnest. In the dry bulk business, market rates in the Cape-size sector continued to recover from the historic low due to robust cargo movements of iron ore and coking coal bound for China. Market rates in the medium and small vessel sector also continued to recover moderately due to robust cargo movements especially of grain and coal. 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 effects of a rise in fuel oil prices and the yen's appreciation, business performance improved, recording in the first annual profit in all stages of operating profit, ordinary profit, and profit attributable to owners of the parent in two 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), 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).

Performance per segment was as follows.

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

		Fiscal Year 2017 (Ended March 31, 2018)	Fiscal Year 2016 (Ended March 31, 2017)	Change	% Change
Containership	Operating revenues	**598.5**	519.0	79.5	15.3%
	Segment profit (loss)	**3.4**	(31.5)	34.9	-
Bulk Shipping	Operating revenues	**521.2**	456.5	64.6	14.2%
	Segment profit (loss)	**3.2**	(9.5)	12.7	-
Offshore Energy E&P Support and Heavy Lifter	Operating revenues	**7.5**	19.4	(11.9)	(61.5%)
	Segment loss	**(1.0)**	(5.1)	4.2	-

Other	Operating revenues	**34.9**	35.3	(0.4)	(1.0%)
	Segment profit	**3.3**	2.5	0.8	32.7%
Adjustments and eliminations	Segment loss	**(7.0)**	(8.8)	1.8	-
Total	Operating revenues	**1,162.0**	1,030.2	131.8	12.8%
	Segment profit (loss)	**2.0**	(52.4)	54.4	**-**

(i) Containership Business Segment

Containership Business

The Group's handling volume in dominant legs declined 2% year on year in the Asia-North America services and increased 10% in the Asia-Europe services. The volume increased 3% year on year in the intra-Asia services but declined 8% in the North-South services. Consequently, the annual overall handling volume, including in dominant and return legs, remained almost flat compared with the previous year. Although the supply-demand balance did not improve in earnest, freight rates continued to recover. Although freight rates were lower than the initially expected level, they were higher than the level in the previous year. Overall, the Company's containership business recorded year-on-year growth in revenue, and its losses shrank despite recognizing startup expenditure of integration of the three Japanese shipping companies' containership business.

Logistics Business

The domestic logistics sector recorded year-on-year growth in both revenue and profit mainly due to the firmness of handling volume related to land transportation and warehousing/customs clearance. The international logistics sector also posted year-on-year growth in income thanks to an increase in handling volume of air cargoes arriving in and departing from Japan, mainly aircraft parts and semiconductors, and further promotion of localized services and buyers consolidation. As a result, the overall logistics business recorded steep year-on-year growth in both revenue and profit.

As a result of the above, the overall Containership Business Segment registered year-on-year growth in revenue and returned to profitability from a loss in the previous year.

(ii) Bulk Shipping Business Segment

Dry Bulk Business

In the Cape-size sector, the market continued to recover on the whole despite continued pressure from the supply of new ships on order, although there were some market rate fluctuations—for example, the average market rate in the five major services rose above 30,000 dollars per day due to growth in cargo movements of iron ore and coking coal bound for China, coupled with seasonal factors. In the medium and small vessel sector, market rates also continued to rise moderately as a result of robust demand especially for coal and grain in addition to other minor bulk movements. Vessel supply-demand adjustments slowed down because of a steep year-on-year decrease in scrapped capacity. However, as transportation demand exceeded supply, progress was made toward resolving the supply-demand gap. As a result of the reduction in operation costs and efficient vessel allocation, the Group registered growth in revenue and returned to profitability from a loss in the previous year.

Car Carrier Business

In 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, Tanker and Thermal Coal Carrier Business)

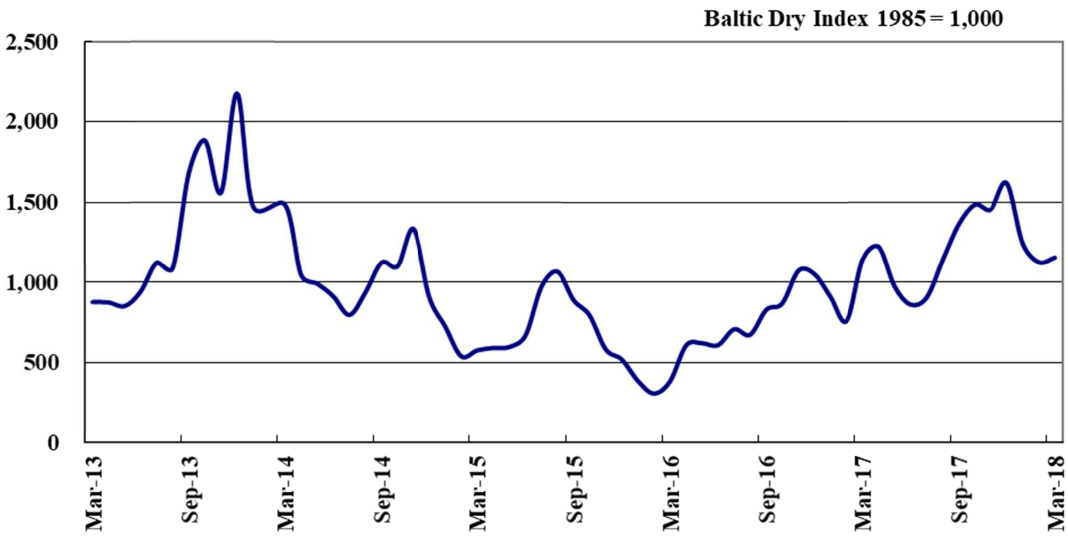
Concerning LNG carriers, large crude tankers (VLCCs), LPG carriers and thermal coal carriers, business was firm for medium- and long-term charter contracts. However, as contracts with market-linked freight rate were affected by the weakening of it, the overall Energy Transportation Business recorded year-on-year declines in both revenue and profit.

Short Sea and Coastal Business

Both the short sea and coastal businesses recorded improvements in profitability. In the short sea business, market rates continued to recover despite a decline in cargo volume, while in the coastal business, cargo volume remained firm. As a result, the overall short sea and coastal business recorded year-on-year growth in both revenue and profit.

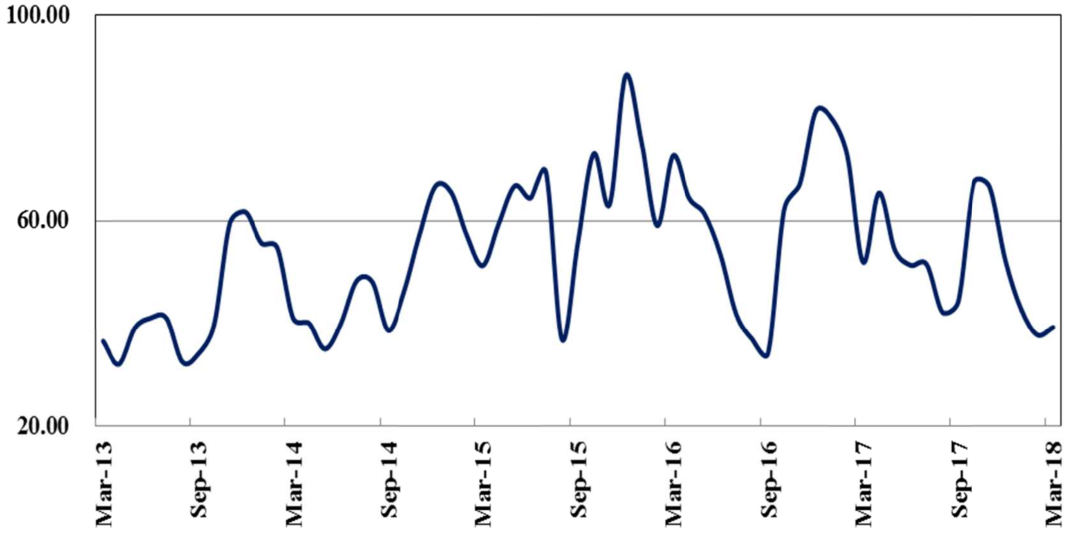
As a result of the above, the overall Bulk Shipping Business Segment recorded year-on-year growth in revenue and returned to profit from a loss in the previous year.

Baltic Dry Index



Duration：2013/3～ 2018/3

VLCC World Scale (AG/JPN)



Duration：2013/3~2018/3

(iii) Offshore Energy E&P Support and Heavy Lifter Business

Offshore Energy E&P Support Business

The drillship vessel 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 decline in revenue but losses shrank partly 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.

As a result of the above, the overall Offshore Energy E&P Support and Heavy Lifter Business Segment recorded a decline in revenue but greatly minimized its losses year on year.

(iv) Other Business

Other business includes the Group's ship management service, travel agency service, and real estate rental and administration service. This segment recorded a decline in revenue but profit grew year on year.

2) Prospects for Fiscal 2018

For the fiscal year ending March 31, 2019, the Group is projecting operating revenues of ¥754.5 billion, operating income of ¥5.0 billion, ordinary income of ¥5.0 billion and profit attributable to owners of the parent of ¥7.0 billion.

(Billion yen (rounded to nearest 100 million) / % indicates year-on-year change)

	Operating Revenue		Operating Income		Ordinary Income		Profit attributable to owners of the parent	
Fiscal Year 2018 (End March, 2019)	754.5	(35.1%)	5.0	(30.7%)	5.0	154.8%	7.0	(32.6%)

(Exchange Rate(¥/US$)：¥109 / Fuel Oil Price(US$/MT): $373)

Ocean Network Express, established through the integration of three Japanese shipping companies' containership businesses, started services in April 2018 as initially scheduled. Although a careful watch should be kept on the containership business conditions affected by consolidation between shipping companies, the new company expects to improve profitability by strengthening competitiveness through the synergy effects of the business integration and by enhancing service quality through the adoption of the three companies' best practices.

As domestic demand for logistics services remains firm, mainly with respect to land transportation and warehousing, the logistics business is expected to secure stable revenue and profits. In the international logistics sector, handling volume related to air cargoes, mainly for aircraft parts and semiconductors, is expected to remain firm. The Group will maximize its profits by promoting logistics services tailored to the needs in individual countries and regions. In order to achieve this, the Group will take over the trade network of its containership business which has been developed over the ages, and will step up groupwide efforts to provide a comprehensive range of logistics services.

In the dry bulk business, while growth of marine transport demand is expected to remain flat compared with the previous year, the pressure from supply of new vessels will weaken because new shipbuilding volume is limited. Therefore, the supply-demand balance is expected to improve moderately. However, given uncertainty factors such as the impact of a steel production decline due to the strengthening of China's environmental regulation and concerns over trade disputes raised by the restrictions on steel imports imposed by the United States, market volatility may grow at times. In addition to continuing to improve the efficiency of vessel operation and reduce costs, the Group will strive to expand stable income by taking advantage of its strengths to increase medium- and long-term contracts.

In the car carrier business, despite the lingering uncertainty over the future course of 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 to long term in line with growth in global vehicle sales. On the other hand, automakers' production bases are becoming increasingly diverse amid rapidly expanding electric vehicle (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 a flexible and timely response to changes in and the increasing complexity of the trade structure and to maintain an optimal fleet scale. Therefore, in fiscal year 2018, the Group is strengthening 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.

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

As for the short sea and coastal businesses, the Group will further improve profitability in the short sea business by concluding new cargo contracts through the expansion of sales activities and by promoting efficient vessel allocation. In the coastal business, the Group will expand business operations by winning new cargo contracts and increasing cargo and passenger transportation volume.

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

For more information on the management plan, please refer to the presentation material.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

Consolidated assets at the end of March 2018 were ¥1,041.766 billion, a decrease of ¥3.443 billion from the end of the previous fiscal year. Current assets increased by ¥15.303 billion from the end of the previous fiscal year, due mainly to an increase in accounts and notes receivable-trade. Non-current assets decreased by ¥18.746 billion, mainly as a result of a decrease in vessels.

Consolidated liabilities decreased by ¥1.055 billion to ¥798.672 billion from the end of the previous fiscal year, due mainly to a decrease in allowance for loss related to business restructuring, although long term loans and lease obligation increased.

Consolidated net assets were ¥243.094 billion, a decrease of ¥2.388 billion compared to the end of the previous fiscal year, mainly as a result of decrease in translation adjustments.

2) Cash Flows

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

Item	Fiscal 2017 (Ended March 2018)	Fiscal 2016 (Ended March 2017)	Year-on-year increase/(decrease)
Cash and cash equivalents at the beginning of the year	156.8	198.7	(42.0)
(1) Cash flows from operating activities	1.2	(43.9)	45.1
(2) Cash flows from investing activities	(22.8)	(24.9)	2.1
(3) Cash flows from financing activities	22.2	26.4	(4.2)
(4) Currency translation gain or loss (on cash and cash equivalents)	(0.8)	(0.0)	(0.7)
Net decrease in cash and cash equivalents	(0.2)	(42.4)	42.2

Item	Fiscal 2017 (Ended March 2018)	Fiscal 2016 (Ended March 2017)	Year-on-year increase/(decrease)
Change in cash and cash equivalents as a result of companies newly included in consolidated accounting	1.4	0.4	1.0
Cash and cash equivalents at the end of the year	158.1	156.8	1.3

Total cash and cash equivalents at the end of fiscal year 2017 were ¥158.072 billion, an increase of ¥1.280 billion over the end of the previous fiscal year. Details of each cash flow source are as follows:

Cash flows from operating activities were a net cash inflow of ¥1.167 billion (compared to a net cash outflow of ¥43.919 billion in the previous fiscal year) due mainly to profit before income tax and depreciation and amortization.

Cash flows from investing activities resulted in a net cash outflow of ¥22.813 billion (compared to a net cash outflow of ¥24.881 billion in the previous fiscal year) mainly as a result of expenditures for the acquisition of vessels.

Cash flows from financing activities resulted in a net cash inflow of ¥22.239 billion (compared to a net cash inflow of ¥26.436 billion in the previous fiscal year) due mainly to proceeds from long-term loans.

Reference: Changes in cash flow-related indicators

	Fiscal Year Ended March 2014	Fiscal Year Ended March 2015	Fiscal Year Ended March 2016	Fiscal Year Ended March 2017	Fiscal Year Ended March 2018
Equity ratio (%)	31.0	36.1	31.9	21.0	20.8
Equity ratio (based on market value) (%)	16.7	24.7	18.3	26.5	22.3
Ratio of debt to cash flow (annual)	7.3	5.3	13.2	—	488.8
Interest coverage ratio (x)	8.0	10.0	5.1	—	0.2

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

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

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

Interest coverage ratio is cash flow divided by interest expenses.

Notes

1. Indicators are calculated on the basis of consolidated figures.

2. Market capitalization is calculated based on the number of shares outstanding, not including treasury stock.

3. Cash flows above refer to cash flows from operating activities.

4. Interest-bearing debt is the total of all liabilities on the consolidated balance sheet on which interest is paid (including ¥50.0 billion in Euro-Yen Zero Coupon Convertible Bonds). Interest paid shown in the consolidated statement of cash flows is used as interest expenses.

5. The ratio of debt to cash flow and the interest coverage ratio for the fiscal year ended March 2017 was omitted since the cash flows from operating activities were negative.

(3) Basic Dividend Policy and Dividend Payments for Fiscal Year 2017 and Following Fiscal Years

Our important task is to maximize returns to our shareholders while maintaining necessary internal reserves to fund our capital investment and strengthen our financial position for the sake of sustainable growth, which is a priority of our management plan. However we consider it an urgent management priority to improve our financial strength in light of the current fiscal year's loss attributable to owners of the parent. Accordingly, it is with sincere regret that the Company announces it has decided to pay no dividend for the current fiscal year. The annual dividend in the fiscal year ending March 31, 2019 has yet to be decided and we assign the highest priority to improve financial strength and business foundation for the time being.

(4）Business Risks

The Group conducts international business operations, and unexpected events, such as political or social events or natural phenomena, can have a negative impact on the Group's business in the related regions or markets. In the field of marine transport, the Group's main business domain, conditions for cargo volumes and shipping are influenced by various factors, including economic trends in countries around the world, commodity market conditions, the balance of supply and demand for vessels and competition. Changes in these factors can have an impact on the Group's operating activities and operating results. In particular, changes in the taxation systems and economic policies of Japan and major trading countries and regions, such as North America, Europe and China, or their implementation of protective trade policies, etc., can causes a decline in international transport volumes and freight rates, with an attendant negative impact on the Group's financial position and operating results.

Other major risks that could negatively impact the Group's business activities include the following:

1. Exchange Rate Fluctuations

A high proportion of the Group's business sales is denominated in US dollars. As a consequence, values converted into Japanese yen may be affected by the foreign exchange rate. The Group takes measures to minimize the negative impact of foreign exchange fluctuations by converting expenses into US dollars and entering into foreign exchange forward contracts. However, appreciation of the yen against the US dollar could have a negative impact on the Group's financial position and operating results.

2. Fuel Oil Price Fluctuations

Fuel cost is a significant component of the Group's ship operation costs. The price of fuel oil is extremely difficult to predict because it reflects a number of factors that are beyond the Group's control, such as the supply and demand balance of crude oil, trends among OPEC and other oil producing countries, and changes in the politics and oil production capacity of oil-producing countries. Moreover, an expansion and strengthening of environmental regulations could require use of high quality fuel that has a low environmental impact, which could oblige the Group to procure fuel at a higher price. The Group takes measures to avoid the impact of unstable price fluctuations by fixing the price for a certain portion of its fuel consumption using futures contracts. However, a significant and sustained increase in fuel oil prices would push up the Group's operating costs and have a negative impact on the Group's financial position and operating results.

3. Interest Rate Fluctuations

The Group continuously makes capital expenditures for building vessels and so forth. The Group strives to reduce interest-bearing debt to the greatest extent possible by utilizing its own capital and engaging in off-balance deals. However, it relies on borrowing from financial institutions for a significant portion of its funds. In addition, the Group procures operating capital required for business operations.

When procuring funds, the Group borrows a certain amount at a fixed rate of interest, or uses fixed interest rate swaps for some of its borrowings for investment in ships and equipment. However, future interest-rate movements could increase the Group's financing costs, which could have a negative impact on the Group's financial position and operating results.

4. Public Regulations

The shipping business is influenced by international treaties on operation, registration, construction of ships and environmental conservation in general, as well as laws and regulations relating to business licenses and taxes in each country and region. The enactment of new laws and regulations in the future could restrict the Group's business development and increase its business costs, which could have a negative impact on the Group's financial position and operating results. The Group's operated vessels are managed and operated in accordance with current laws and regulations, and they carry appropriate insurance coverage. However, relevant laws and regulations could be changed, and this may incur a cost to make the Group compliant with such changes.

In relation to the case of a possible cartel related to transportation of cargoes, including automobiles and construction machinery vehicles, the Group has become the subject of investigations by European and other foreign competition law authorities. In February 2018, the European Commission determined that the Group should pay a fine of 39.10 million euros. In addition, in North America, class-action lawsuits related to this case have been filed against several business operators, including the Group.

5. Serious Marine Incidents, Negative Environmental Impact, Conflicts, etc.

The Group has positioned safety in all ship operations and environmental conservation as its top priorities and has maintained and strengthened its safe operation standards as well as a crisis management system.

With regard to environmental conservation, the Group recognizes the burden placed on the global environment by its business activities and promotes an Environmental Policy to minimize this burden. To ensure that initiatives for the environment are steadily promoted in line with the Environmental Policy, the CSR & Environmental Committee, chaired by the President & CEO, has been established to deliberate and formulate this promotion structure. Moreover, in March 2015, the Group formulated “K” LINE Environmental Vision 2050 “Securing Blue Seas for Tomorrow,” to stipulate the direction of the entire Company’s long-term initiatives.

With regard to safety in navigation, the Ship Safety Promotion Committee, chaired by the President & CEO, meets periodically to conduct investigations and initiatives based on all manner of perspectives with regard to those matters related to safety in navigation. Furthermore, in our Emergency Response Manual we have set out the actions we must take in the event of emergency, and accident response is continually improved by regularly holding accident response drills. However, an unexpected accident, particularly one involving an oil spill or other major accidents leading to environmental pollution, could occur and have a negative impact on the Group’s financial position and operating results. Furthermore, piracy losses, operating in areas affected by political unrest or military conflict, and the increased risk to vessels from terrorism could cause major damage to the Group’s vessels and jeopardize lives of the crews. This in turn, could have a negative impact on the Group’s safe operation of vessels, voyage planning and management and overall marine transportation business.

6. Competitive Business Environment, etc.

The Group conducts its business in the international marine transportation market. In competing with other leading marine transportation companies in Japan and overseas, differences between the Group and peers in terms of management resource allocation in each business segment and competitiveness on cost and technology could have a negative impact on the Group’s position in the industry and on its operating results.

In the highly competitive containership business segment, the Group maintains and enhances the competitiveness of its services by participating in alliances with other marine transportation companies. However, events that the Group cannot control, such as a unilateral withdrawal by alliance partners, could have a negative impact on the Group’s sales activities, financial position and operating results.

7. Natural Disasters

Maintenance of business operations in the event of a natural disaster is the Group’s duty as the Group provides pivotal role for society, and it is a critical aspect of the justification for the Group’s existence. If a major earthquake were to occur at the heart of the Tokyo metropolitan area, many buildings, transportation systems and lifelines are expected to suffer major damage. Furthermore, if a highly virulent new strain of influenza were to arise and cause a global pandemic, it could seriously harm the health of many people. Reputational damage could also accompany such natural disasters and secondary disasters.

The Group has drawn up a business continuity plan for these two disasters. In the event of a natural disaster, while the Group's goal is to continue business operations by applying or adapting this plan, such natural disasters could have a certain degree of negative impact on the Group's business.

8. Business Partners' Failure to Perform Contracts

When selecting business partners to provide service to or to receive service, the Group investigates their reliability as far as possible. However a business partner's financial position may deteriorate in the future and a full or partial breach of a contract could subsequently occur. This could in turn have a negative impact on the Group's financial position and operating results.

9. Non-achievement of Investment Plans

The Group plans the necessary investments to upgrade its fleet. However, if the investments do not proceed as planned due to changes in conditions in the shipping markets or official regulations in the future, the Group may be obliged to cancel ship building contracts prior to taking delivery of newbuildings and so forth, which could have a negative impact on the Group's financial position and operating results. In addition, if demand for transportation of cargo falls below the Group's prior projections when the Group takes delivery of newbuildings, it could have a negative impact on the Group's financial position and operating results.

10. Losses from Disposal of Vessels, etc.

The Group strives to upgrade its fleet flexibly in accordance with market conditions. However, it may be obliged to sell some of its vessels or make an early termination of charter contracts for chartered vessels if the actual balance of supply and demand for vessels deteriorates, or if vessels become obsolete due to technological innovation. As a result, there could be a negative impact on the Group's financial position and operating results.

11. Fixed Asset Impairment Losses and Market Value Fluctuations of Securities

Deterioration in the profitability of the Group's fixed assets such as vessels may make recovery of the investment amounts unlikely. In cases where the Group recognizes loss on impairment of fixed assets as a result, it could have a negative impact on the Group's financial position and operating results. In addition, as the evaluation standard and evaluation method for its marketable securities, or investment securities with a market price, the Group uses a market value method based on the market price on the last day of each financial term. As a result, a fall in the market price due to fluctuations in stock market conditions could have a negative impact on the Group's financial position and operating results.

12. Reversal of Deferred Tax Assets

The Group evaluates the likelihood of a reversal of deferred income taxes based on its estimated future taxable income. If the Group were to determine that it would not be able to secure sufficient taxable income in the future due to a decline in its earning capacity, its deferred income taxes would be reversed and income tax expense would be recorded. This could have a negative impact on the Group’s financial position and operating results.

Matters in the above text that refer to the future are as determined by the Group as of the day of publication of these materials. In addition, the items discussed here do not cover all of the risks relating to the Group.

2. Situation of the “K”LINE GROUP

The business segments of the “K” Line Group are Containership Business Segment, Bulk Shipping Business Segment, Offshore Energy E&P Support and Heavy Lifter Business Segment, and Other Businesses.

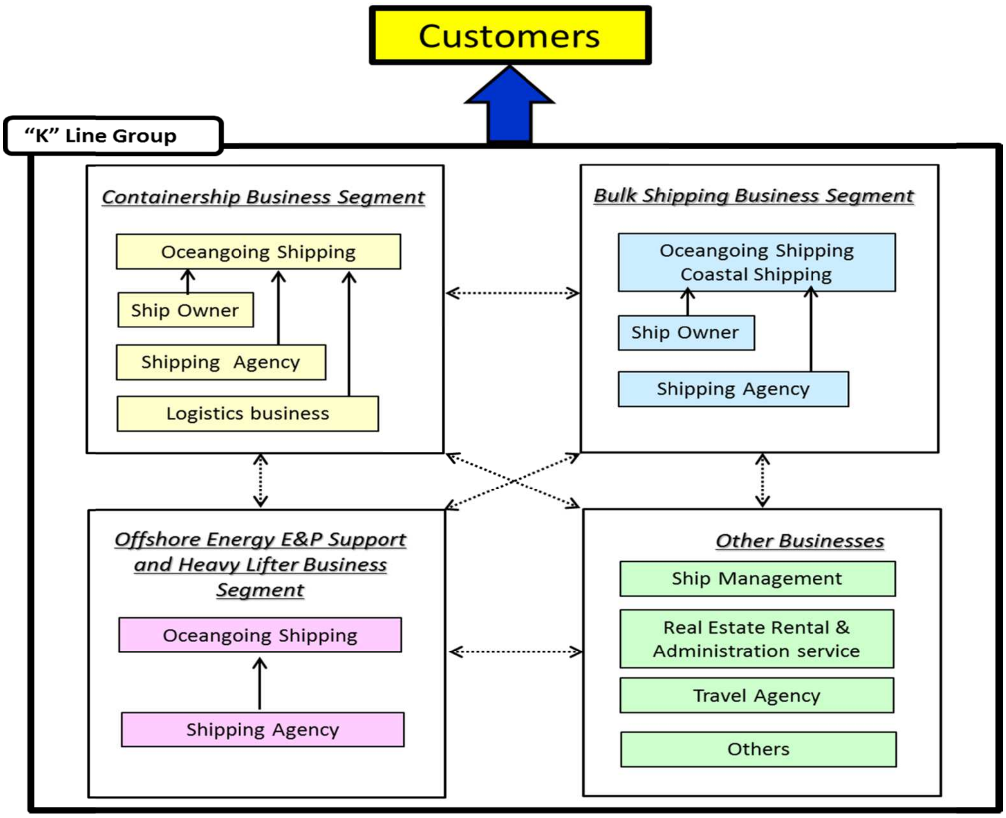
The main companies that handle these businesses (as of March 31, 2018) are the following:

Business Segment	Principal Companies Managing Each Business	
	Domestic	Overseas
I. Containership	Kawasaki Kisen Kaisha, Ltd., Daito Corporation, Nitto Total Logistics, Seagate Corporation, “K” Line (Japan) Ltd., KMDS Co., Ltd, Nitto Tugboat Co., Ltd., Hokkai Transportation Co., Ltd., “K” Line Logistics, Ltd., Japan Express Transportation Co., Ltd., Ocean Network Express Holdings, Ltd. *	“K” LINE PTE LTD, “K” LINE AMERICA, INC., “K” LINE (KOREA) LTD., KLINE (CHINA) LTD., “K” LINE (HONG KONG) LIMITED, “K” LINE (TAIWAN) LTD., K LINE (THAILAND) LTD., “K” LINE (SINGAPORE) PTE LTD, PT. K LINE INDONESIA, “K” LINE MARITIME (M) SDN BHD, “K” LINE (EUROPE) LIMITED, “K” LINE (Deutschland) GmbH, KAWASAKI (AUSTRALIA) PTY. LTD., “K” Line (Nederland) B. V., “K” LINE (BELGIUM) N.V., “K” LINE (France) SAS, “K” LINE (SCANDINAVIA) HOLDING A/S, “K” LINE (PORTUGAL) – AGENTES DE NAVEGAÇÃO, S.A., INTERNATIONAL TRANSPORTATION SERVICE, INC., “K” LINE SHIPPING (SOUTH AFRICA) PTY LTD, “K” LINE (VIETNAM) LIMITED, CENTURY DISTRIBUTION SYSTEMS, INC., UNIVERSAL LOGISTICS SYSTEM, INC. OCEAN NETWORK EXPRESS PTE. LTD. *
II. Bulk Shipping	Kawasaki Kisen Kaisha, Ltd., Kawasaki Kinkai Kisen Kaisha, Ltd.,	“K” LINE PTE LTD, “K” LINE BULK SHIPPING (UK) LIMITED, “K” Line European Sea Highway Services GmbH, “K” LINE LNG SHIPPING (UK) LIMITED
III. Offshore Energy E&P Support and Heavy Lifter		“K” LINE DRILLING/OFFSHORE HOLDING,INC., K LINE OFFSHORE AS,

IV. Other	Kawasaki Kisen Kaisha, Ltd., Daito Corporation, Nitto Total Logistics Ltd., Seagate Corporation, Hokkai Transportation Co., Ltd., Rinko Corporation*, “K” Line Ship Management Co., Ltd., Taiyo Nippon Kisen Co., Ltd., Kawaki Kosan Kaisha, Ltd., “K” Line Accounting and Finance Co., Ltd., “K” Line Engineering Co., Ltd., Shinki Corporation, “K” Line Business Systems, Ltd., “K” Line Travel, Ltd.	“K”LINE HOLDING (EUROPE) LIMITED, CYGNUS INSURANCE COMPANY LIMITED

NOTE / Companies without asterisk : Consolidated companies
Companies with asterisk : Affiliated companies (subject to equity method)

The above overall business structure is as follows:



3. Basic Approach to Selection of Accounting Standards

To allow reliable year-on-year and company-to-company comparisons, the Group's policy for the time being is to prepare its consolidated financial statements according to Japanese accounting standards.

With respect to application of IFRS, our policy is to respond appropriately based on consideration of various domestic and overseas circumstances.

4. Matters Relating to Summary Information

Changes in Accounting Estimate

(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 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 period, the Company reasonably re-estimated the allowance based on this judgment. As a result of this change in accounting estimate, ordinary income and income before income taxes increased by ¥3.551 billion in 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 marine transportation and other operating costs and expenses in the current fiscal year.

As a result, gross profit, operating income, ordinary income and income before income taxes increased by ¥1.456 billion 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 new companies

1. Holding company

Trade name	Ocean Network Express Holdings, Ltd.
Amount of capital stock	JPY 50,000,000
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	USD 800,000,000
Shareholders/ Contribution ratio	Kawasaki Kisen Kaisha, Ltd. 31%
	Mitsui O.S.K. Lines, Ltd. 31%
	Nippon Yusen Kabushiki Kaisha 38%
	(Including the 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 transactions

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, March, 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 yen and 448,100 stocks.

With an effective date of October 1, 2017, the Company carried out a share consolidation at a ratio of one share for ten shares of the Company’s common stock.

Significant Subsequent Event

(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. (ONE).

1. Description of ONE

Trade name	OCEAN NETWORK EXPRESS PTE. LTD.
Capital stock	(Before additional investment) USD 800,000,000
	(After additional investment) USD 3,000,000,000
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

Additional investment	USD 2,200,000,000
Capital stock after additional investment	USD 3,000,000,000
Date of additional investment	April 2, 2018

The Company obtained a ¥50 billion loan for the above investment in ONE 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 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

Company 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 billion	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 billion
Date of investment	April 2, 2018
Type of dividend	Cumulative and fixed dividend
Redemption date	April 2, 2023

(Change in Reporting Segments)

The Company decided to change its reporting segments to “Dry bulk,” “Energy resource transport,” “Product logistics,” and “Others” from “Containership,” Bulk shipping,” “Offshore energy E&P support and heavy lifter,” and “Others” effective the year ending March 31, 2019.

Through this change, operating conditions can be more easily understood by those outside the Company using a management approach as the key component. The Company is currently evaluating the impact of this change on the Group’s financial position and operating results.

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 March 31, 2018	Year ended March 31, 2017	Year ended March 31, 2018
ASSETS			
Current assets :			
Cash and deposits	¥ 200,606	¥ 199,678	$ 1,888,236
Accounts and notes receivable-trade	89,218	83,580	839,787
Raw material and supply	31,759	29,546	298,941
Prepaid expenses and deferred charges	43,880	45,862	413,032
Deferred income taxes	5,700	5,599	53,655
Short-term loans receivable	2,378	3,127	22,390
Other current assets	24,562	15,764	231,200
Allowance for doubtful receivables	(1,679)	(2,035)	(15,813)
Total current assets	396,426	381,123	3,731,428
Non-current assets :			
(Vessels, property and equipment)			
Vessels, net	398,473	412,285	3,750,689
Buildings and structures, net	15,400	18,239	144,960
Machinery and vehicles, net	9,522	10,952	89,633
Land	21,119	24,781	198,789
Construction in progress	35,125	55,551	330,627
Other, net	3,312	4,577	31,178
Total vessels, property and equipment	482,953	526,387	4,545,876
(Intangible assets)			
Other intangible assets	3,745	4,005	35,255
Total intangible assets	3,745	4,005	35,255
(Investments and other assets)			
Investments in securities	107,545	80,721	1,012,291
Long-term loans receivable	19,011	17,466	178,953
Asset for retirement benefits	657	493	6,191
Deferred income taxes	2,997	3,268	28,215
Other investments and other assets	29,361	32,673	276,372
Allowance for doubtful receivables	(934)	(931)	(8,799)
Total investments and other assets	158,640	133,692	1,493,223
Total non-current assets	645,339	664,085	6,074,354
Total assets	¥ 1,041,766	¥ 1,045,209	$ 9,805,782

Consolidated Balance Sheet

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

	Year ended March 31, 2018	Year ended March 31, 2017	Year ended March 31, 2018
LIABILITIES			
Current liabilities :			
Accounts and notes payable-trade	¥ 90,369	¥ 89,769	$ 850,617
Short-term loans and current portion of long-term loans	41,783	47,469	393,289
Accrued income taxes	3,242	1,268	30,524
Allowance for loss related to the Anti-Monopoly Act	1,672	5,223	15,738
Allowance for loss related to business restructuring	24,543	19,867	231,015
Allowance for loss on liquidation of subsidiaries and affiliates	87	-	824
Provision for bonuses	2,566	2,387	24,156
Provision for directors' bonus	241	217	2,269
Other current liabilities	118,637	57,230	1,116,694
Total current liabilities	283,142	223,433	2,665,126
Non-current liabilities :			
Bonds	11,809	62,187	111,154
Long-term loans, less current portion	419,935	404,176	3,952,702
Lease obligation	39,572	33,055	372,480
Deferred income taxes on land revaluation	1,783	1,874	16,790
Allowance for loss related to the Anti-Monopoly Act	2,449	-	23,059
Allowance for loss related to business restructuring	-	28,022	-
Allowance for directors' and audit and supervisory board members' retirement benefits	1,843	1,645	17,352
Allowance for directors' board benefit	10	-	99
Accrued expenses for overhaul of vessels	11,201	11,999	105,432
Liability for retirement benefits	6,578	7,514	61,921
Derivative liabilities	7,268	8,861	68,414
Other non-current liabilities	13,077	16,956	123,092
Total non-current liabilities	515,529	576,293	4,852,497
Total liabilities	798,672	799,727	7,517,623
NET ASSETS			
Shareholders' equity:			
Common stock	75,457	75,457	710,256
Capital surplus	60,507	60,334	569,538
Retained earnings	67,107	55,753	631,655
Less treasury stock	(2,383)	(1,084)	(22,437)
Total shereholiders' equity	200,688	190,461	1,889,013
Accumulated other comprehensive income (loss):			
Net unrealized holding gain on investments in securities	8,570	8,849	80,670
Deferred gain on hedges	7,768	10,189	73,119
Revaluation reserve for land	6,184	6,263	58,215
Translation adjustments	(3,539)	6,555	(33,318)
Retirement benefits liability adjustments	(2,661)	(2,835)	(25,053)
Total accumulated other comprehensive income	16,321	29,022	153,633
Non-controlling interests	26,083	25,997	245,513
Total net assets	243,094	245,482	2,288,159
Total liabilities and net assets	¥ 1,041,766	¥ 1,045,209	$ 9,805,782

Consolidated Statement of Operations

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

	Year ended March 31, 2018	Year ended March 31, 2017	Year ended March 31, 2018
Marine transportation and other operating revenues	¥ 1,162,025	¥ 1,030,191	$ 10,937,736
Marine transportation and other operating costs and expenses	1,083,299	1,000,744	10,196,719
Gross Profit	78,725	29,446	741,018
Selling, general and administrative expenses	71,506	75,484	673,062
Operating income (loss)	7,219	(46,037)	67,956
Non-operating income :			
Interest income	1,420	1,373	13,374
Dividend income	2,381	1,429	22,414
Equity in earnings of subsidiaries and affiliates	-	3,155	-
Reversal of allowance for loss related to the Anti-Monopoly Act	3,551	-	33,425
Other non-operating income	1,394	1,801	13,122
Total non-operating income	8,747	7,759	82,335
Non-operating expenses :			
Interest expenses	6,969	6,625	65,604
Equity in loss of subsidiaries and affiliates	4,601	-	43,310
Exchange loss	1,541	4,006	14,507
Other non-operating expenses	891	3,480	8,396
Total non-operating expenses	14,004	14,111	131,816
Ordinary income (loss)	1,962	(52,388)	18,474
Extraordinary income :			
Gain on sales of vessels, property and equipment	29,072	5,292	273,648
Other extraordinary income	6,259	1,083	58,919
Total extraordinary income	35,331	6,375	332,567
Extraordinary losses :			
Loss on impairment of vessels, property and equipment	7,635	20,362	71,874
Loss on cancellation of chartered vessels	2,772	7,943	26,093
Loss related to the Anti-Monopoly Act	6,399	36	60,232
Provision of allowance for loss related to the Anti-Monopoly Act	2,449	-	23,059
Provision of allowance for loss related to buisiness restructuring	-	47,889	-
Other extraordinary losses	849	8,982	7,994
Total extraordinary losses	20,106	85,212	189,253
Income (loss) before income taxes	17,188	(131,226)	161,788
Income taxes :			
Current	5,750	3,795	54,126
Deferred	(1,537)	2,347	(14,468)
Total income taxes	4,213	6,142	39,658
Profit (loss)	12,975	(137,369)	122,130
Profit attributable to non-controlling interests	2,590	2,109	24,384
Profit (loss) attributable to owners of the parent	¥ 10,384	¥ (139,478)	$ 97,746

Consolidated Statement of Comprehensive Income

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

		Year ended ended March 31, 2018		Year ended ended March 31, 2017		Year ended ended March 31, 2018
Profit (loss)	¥	12,975	¥	(137,369)	$	122,130
Other Comprehensive income (loss)						
Net unrealized holding (loss) gain on investments in securities		(272)		2,329		(2,560)
Deferred (loss) gain on hedges		(3,045)		4,636		(28,668)
Revaluation reserve for land		-		(0)		-
Translation adjustments		(8,724)		(2,580)		(82,116)
Retirement benefits liability adjustments		177		(432)		1,671
Share of other comprehensive (loss) income of subsidiaries and affiliates accounted for by the equity method		(521)		644		(4,906)
Total other comprehensive (loss) income		(12,385)		4,597		(116,580)
Comprehensive income (loss)	¥	589	¥	(132,772)	$	5,550
(Breakdown)						
Comprehensive loss attributable to owners of the parent	¥	(2,237)	¥	(135,287)	$	(21,064)
Comprehensive income attributable to non-controlling interests		2,827		2,515		26,614

Consolidated Statements of Changes in Net Assets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2018 (Millions of Yen)

	Shareholder's equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance March 31, 2017	¥ 75,457	¥ 60,334	¥ 55,753	¥ (1,084)	¥ 190,461
Change in items during the period					
Cash dividends					–
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 shares arising from change in equity in entities accounted for using 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 period	–	173	11,353	(1,299)	10,226
Balance March 31, 2018	¥ 75,457	¥ 60,507	¥ 67,107	¥ (2,383)	¥200,688

	Accumulated other comprehensive income						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 March 31, 2017	¥ 8,849	¥ 10,189	¥ 6,263	¥ 6,555	¥ (2,835)	¥ 29,022	¥ 25,997	¥ 245,482
Change in items during the period								
Cash dividends								–
Profit attributable to owners of the parent								10,384
Purchase of treasury stock								(1,301)
Disposal of treasury stock								0
Change in treasury shares arising from change in equity in entities accounted for using 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 period	(279)	(2,421)	(78)	(10,094)	173	(12,700)	85	(2,388)
Balance March 31, 2018	¥ 8,570	¥ 7,768	¥ 6,184	¥ (3,539)	¥ (2,661)	¥ 16,321	¥ 26,083	¥ 243,094

Consolidated Statements of Changes in Net Assets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2017 (Millions of Yen)

	Shareholder's equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance March 31, 2016	¥ 75,457	¥ 60,297	¥ 195,863	¥ (1,077)	¥ 330,541
Change in items during the period					
Cash dividends			(2,343)		(2,343)
Loss attributable to owners of the parent			(139,478)		(139,478)
Purchase of treasury stock				(6)	(6)
Disposal of treasury stock					–
Change in treasury shares arising from change in equity in entities accounted for using equity method					–
Change in ownership interests due to transactions with non-controlling interests		36			36
Reversal of revaluation reserve for land			2		2
Net change in retained earnings from changes in scope of consolidation or equity method			1,710		1,710
Net changes in items other than shareholders' equity					
Net changes during the period	–	36	(140,109)	(6)	(140,079)
Balance March 31, 2017	¥ 75,457	¥ 60,334	¥ 55,753	¥ (1,084)	¥190,461

	Accumulated other comprehensive income						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 March 31, 2016	¥ 6,485	¥ 4,752	¥ 6,266	¥ 9,689	¥ (2,359)	¥ 24,834	¥ 24,537	¥ 379,913
Change in items during the period								
Cash dividends								(2,343)
Loss attributable to owners of the parent								(139,478)
Purchase of treasury stock								(6)
Disposal of treasury stock								–
Change in treasury shares arising from change in equity in entities accounted for using equity method								–
Change in ownership interests due to transactions with non-controlling interests								36
Reversal of revaluation reserve for land								2
Net change in retained earnings from changes in scope of consolidation or equity method								1,710
Net changes in items other than shareholders' equity	2,364	5,436	(3)	(3,133)	(475)	4,188	1,459	5,647
Net changes during the period	2,364	5,436	(3)	(3,133)	(475)	4,188	1,459	(134,431)
Balance March 31, 2017	¥ 8,849	¥ 10,189	¥ 6,263	¥ 6,555	¥ (2,835)	¥ 29,022	¥ 25,997	¥ 245,482

Consolidated Statements of Changes in Net Assets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2018 (Thousands of USD)

	Shareholder's equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance March 31, 2017	$710,256	$567,908	$524,792	($10,206)	$1,792,751
Change in items during the period					
Cash dividends					–
Profit attributable to owners of the parent			97,746		97,746
Purchase of treasury stock				(12,250)	(12,250)
Disposal of treasury stock		(2)		5	3
Change in treasury shares arising from change in equity in entities accounted for using equity method				14	14
Change in ownership interests due to transactions with non-controlling interests		1,632			1,632
Reversal of revaluation reserve for land			739		739
Net change in retained earnings from changes in scope of consolidation or equity method			8,379		8,379
Net changes in items other than shareholders' equity					
Net changes during the period	–	1,630	106,863	(12,231)	96,262
Balance March 31, 2018	$710,256	$569,538	$631,655	($22,437)	$1,889,013

	Accumulated other comprehensive income						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 March 31, 2017	$83,299	$95,913	$58,954	$61,702	($26,686)	$273,181	$244,705	$2,310,637
Change in items during the period								
Cash dividends								–
Profit attributable to owners of the parent								97,746
Purchase of treasury stock								(12,250)
Disposal of treasury stock								3
Change in treasury shares arising from change in equity in entities accounted for using equity method								14
Change in ownership interests due to transactions with non-controlling interests								1,632
Reversal of revaluation reserve for land								739
Net change in retained earnings from changes in scope of consolidation or equity method								8,379
Net changes in items other than shareholders' equity	(2,629)	(22,794)	(739)	(95,019)	1,633	(119,548)	808	(118,740)
Net changes during the period	(2,629)	(22,794)	(739)	(95,019)	1,633	(119,548)	808	(22,478)
Balance March 31, 2018	$80,670	$73,119	$58,215	($33,318)	($25,053)	$153,633	$245,513	$2,288,159

Consolidated Statement of Cash Flows

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

	Year ended March 31, 2018	Year ended March 31, 2017	Year ended March 31, 2018
Cash flows from operating activities :			
Profit (loss) before income taxes	¥ 17,188	¥ (131,226)	$ 161,788
Depreciation and amortization	43,410	47,421	408,613
Decrease in liability for retirement benefits	(944)	(234)	(8,889)
(Increase) decrease in asset for retirement benefits	(163)	92	(1,544)
Increase in retirement benefits liability adjustments	317	235	2,988
(Decrease) increase in allowance for directors' and audit and supervisory board members' retirement benefits	(19)	0	(185)
Increase (decrese) in accrued expenses for overhaul of vessels	447	(13)	4,208
(Decrease) increase in allowance for loss related to buisiness restructuring	(23,345)	47,889	(219,747)
Decrease in allowance for loss related to the Anti-Monopoly Act	(1,101)	-	(10,366)
Interest and dividend income	(3,802)	(2,803)	(35,788)
Interest expenses	6,969	6,625	65,604
Exchange (gain) loss, net	(78)	260	(742)
Loss on impairment of vessels, property and equipment	7,635	20,362	71,874
Equity in (loss) earnings of subsidiaries and affiliates, net	4,601	(3,155)	43,310
Loss on cancellation of chartered vessels	2,772	7,943	26,093
Loss related to the Anti-Monopoly Act	6,399	36	60,232
(Gain) loss on sales of vessels, property and equipment, net	(29,065)	3,124	(273,587)
Increase in accounts and notes receivable – trade	(5,713)	(5,378)	(53,782)
Increase in inventories	(2,873)	(7,550)	(27,043)
Increase in other current assets	(9,021)	(5,201)	(84,919)
Increase in accounts and notes payable – trade	671	11,294	6,317
Other, net	693	1,014	6,526
Subtotal	14,975	(9,263)	140,962
Interest and dividends received	4,459	4,570	41,978
Interest paid	(6,774)	(6,658)	(63,770)
Payments for cancellation of chartered vessels	(1,322)	(27,885)	(12,445)
Payments related to the Anti-Monopoly Act	(6,071)	(285)	(57,144)
Income taxes paid	(4,100)	(4,396)	(38,593)
Net cash provided by (used in) operating activities	1,167	(43,919)	10,988
Cash flows from investing activities :			
Payments into time deposits	(126,111)	(125,186)	(1,187,045)
Proceeds from withdrawal of time deposits	126,590	124,714	1,191,554
Purchases of marketable securities and investments in securities	(32,977)	(5,062)	(310,408)
Proceeds from sales of marketable securities and investments in securities	4,367	1,981	41,112
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	3,694	-	34,772
Purchases of vessels, property and equipment	(96,673)	(66,433)	(909,952)
Proceeds from sales of vessels, property and equipment	99,796	45,760	939,345
Purchases of intangible assets	(3,027)	(753)	(28,497)
Payments of long-term loans receivable	(838)	(746)	(7,891)
Collection of long-term loans receivable	1,143	1,653	10,766
Other, net	1,222	(807)	11,508
Net cash used in investing activities	(22,813)	(24,881)	(214,735)
Cash flows from financing activities :			
Decrease in short-term loans, net	(453)	(613)	(4,273)
Proceeds from long-term loans	76,265	107,237	717,858
leases	(48,312)	(76,462)	(454,745)
Redemption of bonds	(378)	(378)	(3,558)
Purchase of treasury stock	(1,301)	(6)	(12,250)
Cash dividends paid to non-controlling interests	(2,832)	(1,032)	(26,664)
Proceeds from share issuance to non-controlling interests	32	-	307
Purchases of shares of subsidiaries not resulting in change in scope of consolidation	(691)	-	(6,513)
Other, net	(88)	(2,307)	(829)
Net cash provided by financing activities	22,239	26,436	209,334
Effect of exchange rate changes on cash and cash equivalents	(758)	(37)	(7,139)
Net decrease in cash and cash equivalents	(164)	(42,402)	(1,552)
Cash and cash equivalents at beginning of the period	156,791	198,745	1,475,827
Increase in cash and cash equivalents arising from initial consolidation of subsidiaries	1,445	448	13,606
Cash and cash equivalents at end of the period	¥ 158,072	¥ 156,791	$ 1,487,882

Segment information

Year ended March 31, 2018

(Millions of Yen)

	Containership	Bulk Shipping	Offshore Energy E&P Support and Heavy Lifter	Other	Total	Adjustments and eliminations	Consolidated
Revenues							
Operating Revenues from customers	¥ 598,473	¥ 521,156	¥ 7,472	¥ 34,922	¥ 1,162,025	¥ -	¥ 1,162,025
Inter-group revenues and transfers	5,312	2,783	-	47,149	55,245	(55,245)	-
Total revenues	¥ 603,786	¥ 523,940	¥ 7,472	¥ 82,071	¥ 1,217,270	¥ (55,245)	¥ 1,162,025
Segment profit (loss)	¥ 3,366	¥ 3,202	¥ (965)	¥ 3,341	¥ 8,945	¥ (6,982)	¥ 1,962
Segment assets	¥ 268,167	¥ 616,075	¥ 46,234	¥ 72,024	¥ 1,002,502	¥ 39,264	¥ 1,041,766
Depreciation and amortization	¥ 8,143	¥ 31,418	¥ 1,905	¥ 1,646	¥ 43,112	¥ 298	¥ 43,410
Amortization of goodwill	-	-	-	-	-	-	-
Interest income	556	831	16	191	1,594	(174)	1,420
Interest expenses	678	5,372	818	207	7,077	(107)	6,969
Equity in earnings(loss) of subsidiaries and affiliates	(4,352)	(1,400)	1,083	67	(4,601)	-	(4,601)
Investments in affiliates accounted for by the equity method	35,499	12,117	6,952	3,922	58,492	-	58,492
Increase in vessels, property and equipment, and intangible assets	18,910	80,956	0	960	100,827	277	101,105

Year ended March 31, 2017

(Millions of Yen)

	Containership	Bulk Shipping	Offshore Energy E&P Support and Heavy Lifter	Other	Total	Adjustments and eliminations	Consolidated
Revenues							
Operating Revenues from customers	¥ 518,954	¥ 456,541	¥ 19,420	¥ 35,274	¥ 1,030,191	¥ -	¥ 1,030,191
Inter-group revenues and transfers	5,128	2,442	-	44,695	52,266	(52,266)	-
Total revenues	¥ 524,082	¥ 458,984	¥ 19,420	¥ 79,970	¥ 1,082,457	¥ (52,266)	¥ 1,030,191
Segment profit (loss)	¥ (31,488)	¥ (9,476)	¥ (5,119)	¥ 2,518	¥ (43,566)	¥ (8,822)	¥ (52,388)
Segment assets	¥ 239,333	¥ 634,434	¥ 64,740	¥ 83,800	¥ 1,022,308	¥ 22,900	¥ 1,045,209
Depreciation and amortization	¥ 8,354	¥ 32,008	¥ 4,808	¥ 1,869	¥ 47,040	¥ 380	¥ 47,421
Amortization of goodwill	43	-	-	-	43	-	43
Interest income	598	777	7	150	1,534	(160)	1,373
Interest expenses	657	4,774	1,064	160	6,657	(32)	6,625
Equity in earnings of subsidiaries and affiliates	967	928	1,144	114	3,155	-	3,155
Investments in affiliates accounted for by the equity method	12,584	10,704	6,547	3,961	33,798	-	33,798
Increase in vessels, property and equipment, and intangible assets	11,789	55,077	8	845	67,720	327	68,048

Year ended March 31, 2018

(Thousands of U.S. Dollars)

	Containership	Bulk Shipping	Offshore Energy E&P Support and Heavy Lifter	Other	Total	Adjustments and eliminations	Consolidated
Revenues							
Operating Revenues from customers	$ 5,633,226	$ 4,905,467	$ 70,333	$ 328,710	$ 10,937,736	$ -	$ 10,937,736
Inter-group revenues and transfers	50,006	26,201	-	443,798	520,004	(520,004)	-
Total revenues	$ 5,683,232	$ 4,931,668	$ 70,333	$ 772,508	$ 11,457,741	$ (520,004)	$ 10,937,736
Segment profit (loss)	$ 31,692	$ 30,142	$ (9,087)	$ 31,452	$ 84,199	$ (65,725)	$ 18,474
Segment assets	$ 2,524,168	$ 5,798,899	$ 435,189	$ 677,944	$ 9,436,201	$ 369,581	$ 9,805,782
Depreciation and amortization	$ 76,647	$ 295,728	$ 17,932	$ 15,498	$ 405,806	$ 2,807	$ 408,613
Amortization of goodwill	-	-	-	-	-	-	-
Interest income	5,236	7,823	151	1,803	15,013	(1,639)	13,374
Interest expenses	6,391	50,568	7,705	1,953	66,616	(1,013)	65,604
Equity in earnings(loss) of subsidiaries and affiliates	(40,965)	(13,179)	10,195	639	(43,310)	-	(43,310)
Investments in affiliates accounted for by the equity method	334,148	114,057	65,445	36,922	550,571	-	550,571
Increase in vessels, property and equipment, and intangible assets	177,996	762,019	3	9,037	949,056	2,615	951,670