FINANCIAL HIGHLIGHTS

Brief report of the year ended March 31, 2014

Kawasaki Kisen Kaisha, Ltd.

[Two Year Summary]

	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2014
Consolidated			
Operating revenues (Millions of yen / Thousands of U.S. dollars)	¥ 1,134,771	¥ 1,224,126	$ 11,893,957
Operating income (Millions of yen / Thousands of U.S. dollars)	14,886	28,854	280,357
Net income (Millions of yen / Thousands of U.S. dollars)	10,669	16,642	161,702
Per share of common stock (Yen / U.S. dollars)	12.07	17.75	0.17

	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2014
Total Assets (Millions of yen / Thousands of U.S. dollars)	¥ 1,180,433	¥ 1,254,741	$ 12,191,427
Net assets (Millions of yen / Thousands of U.S. dollars)	361,975	410,688	3,990,371
Per share of common stock (Yen / U.S. dollars)	363.18	414.66	4.03

	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2014
Net cash provided by operating activities (Millions of yen / Thousands of U.S. dollars)	¥ 59,756	¥ 88,228	$ 857,249
Net cash used in investing activities (Millions of yen / Thousands of U.S. dollars)	(27,212)	(5,113)	(49,679)
Net cash (used in) provided by financing activities (Millions of yen / Thousands of U.S. dollars)	26,364	(26,634)	(258,785)

The U.S. dollar amounts are converted from the yen amount at ¥102.92=U.S.$1.00.
The exchange rate prevailing on March 31, 2014.

1. Operating Results

(1) Analysis of Operating Results

1) Summary of Consolidated Operating Results for FY2013

(Billion Yen; rounded to nearest 100 million)

	Fiscal 2012 (Ended March 31, 2013)	Fiscal 2013 (Ended March 31, 2014)	Change	% change
Operating revenues	1,134.8	1,224.1	89.4	7.9%
Operating income (loss)	14.9	28.9	14.0	93.8%
Ordinary income (loss)	28.6	32.5	3.9	13.5%
Net income (loss)	10.7	16.6	6.0	56.0%

Exchange rate (¥/US$) (12-month average)	¥82.33	¥99.75	¥17.42	21.2%
Fuel oil price (US$/MT) (12-month average)	$671	$626	($45)	(6.7%)

During the current consolidated fiscal year (April 1, 2013 to March 31, 2014) the world saw a mild recovery trend in the U.S. economy and some signs of receding prolonged economic downturn owing to the sovereign debt issue in Europe. Among emerging countries, China continued to grow, albeit at a slightly decelerating pace, while the growth rate in India and some other countries marked lower figures than previously estimated.

Our domestic economy followed a recovery track prompted by increased capital investment and private consumption.

In the business environment surrounding the shipping industry, the freight rates in containership sector went on at low levels, especially in Europe service routes, due to the stagnant European economies. In car carrier business, the growth of ex-Japan cargos lost momentum. On the other hand, the freight rates in the dry bulk sector substantially recovered in and after summer due particularly to increased shipments of China-bound iron ore. Overall, despite continued instability of the business environment surrounding the shipping industry such as continued low freight rates, there were positive factors towards our business performance, including the easing of fuel oil price which improved profitability and the correction of excessive appreciation of yen lasted for past several years which increased revenues.

As a result of these developments, for the current consolidated fiscal year the “K” Line Group posted operating revenues of ¥1,224.126 billion (an increase of ¥89.354 billion over a year ago), operating income of ¥28.854 billion (an increase of ¥13.967 billion over a year ago), ordinary income of ¥32.454 billion (an increase of ¥3.865 billion over a year ago), and net income of ¥16.642 billion (an increase of ¥5.972 billion over a year ago).

Performance per segment was as follows:

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

		Fiscal 2012 (Ended March, 2013)	Fiscal 2013 (Ended March, 2014)	Change	% change
Containership	Operating revenues	552.8	582.4	29.6	5.4%
	Segment income (loss)	6.6	(0.1)	(6.8)	—
Bulk Shipping	Operating revenues	502.6	572.7	70.1	14.0%
	Segment income (loss)	24.1	41.3	17.2	71.5%
Offshore Energy E&P Support and Heavy Lifter	Operating revenues	35.7	32.8	(2.9)	(8.1%)
	Segment income (loss)	(2.4)	(4.5)	(2.1)	—
Other	Operating revenues	43.7	36.2	(7.5)	(17.1%)
	Segment income (loss)	6.6	2.6	(3.9)	(59.9%)
Adjustment and eliminations	Segment income (loss)	(6.3)	(6.8)	(0.5)	—
Total	Operating revenues	1,134.8	1,224.1	89.4	7.9%
	Segment income (loss)	28.6	32.5	3.9	13.5%

(1) Containership Business Segment

Containership Business

The number of loaded containers transported during the current fiscal year by the “K” Line Group recorded a slight increase on a year-on-year basis in Asia-North America service; while approximately 5% decrease in Asia-Europe service owing to downsizing of our service capacity to meet decreased demand stemming from weak European economies. In addition, we carried approximately 20% less cargos in Intra-Asia and North-South services as a result of streamlining of unprofitable service lines. In all, the overall result of transportation volume carried by the entire “K” Line Group was about 7% less on a year-on-year basis.

The freight rate level was lower on a year-on-year basis as freight rates for both East-West and North-South trade routes were unstable due to continued deliveries of newly-built large-size vessels.

Our income for the current fiscal year deteriorated on a year-on-year basis despite our various attempts for the improvement of operating efficiency through the deployment of newly-built large energy-efficient vessels and for the cost cutting measures including slow steaming navigation.

Logistics Business

In the current fiscal year, we saw our domestic logistics business and international logistic business, principally in the Asian region, continue fairly strong; however, we suffered from a drop in outbound air cargos from Japan, and we posted a downturn in both revenues and profit on a year-on-year basis..

As a result, in the Containership Business Segment as a whole, we ended to break even, despite increased year-on-year revenues stemming from the corrected yen appreciation.

(2) Bulk Shipping Business Segment

Dry Bulk Business

In the Cape-size vessel sector, the freight rates substantially improved in and after summer due to a sharp increase in iron ore cargo bound for China as well as decreased new tonnage supply, reaching to the highest level in three years. Despite some downturn of the spot rates afterwards for a cooling-off, the overall market remained at high levels. In the Panamax and Handymax sector, the freight rates market recovered from the sluggish performance in and after summer owing to the increase in tonnage demand reflecting a rise in the trades of base cargo such as coal, nickel ore, in addition to new grains harvested in early spring and early autumn.

Following our efforts made through the entire current fiscal year toward reducing ship operating costs and forming efficient ship allocations for various trades, we achieved to post increased revenues and income on a year-on-year basis.

Car Carrier Business

The business operations in the current fiscal year saw a steady performance in the transportation of ex-Europe and ex-North America cargos bound for Far Eastern markets as well as cargos in the Atlantic basin; whereas a weak performance in the activity of entire ex-Japan cargos except for North America-bound and the Middle East-bound. The total number of cars transported by us dropped about 2% on a year-on-year basis.

In such a business environment we had been engaged in further improvement of operating efficiency through renegotiation of shipping contracts and reorganization of service routes. Consequently, we achieved to post increased revenues and income on a year-on-year basis.

LNG Carrier Business and Tanker Business

LNG carries, VLCCs and LPG carries operated steadily under long- and medium-term charter contracts. During the current fiscal year we sold one VLCC and trimmed fleets without medium- to-long term charter contracts. With respect to Aframax tankers and product tankers, our exposure to the market had been diminished to a limited level through downsizing our fleet by way of redelivery of chartered vessels or disposal of vessels in last fiscal year. As a result, the financial performance of LNG Carrier and Tanker Business as a whole reported increased income in the current fiscal year on a year-on-year basis.

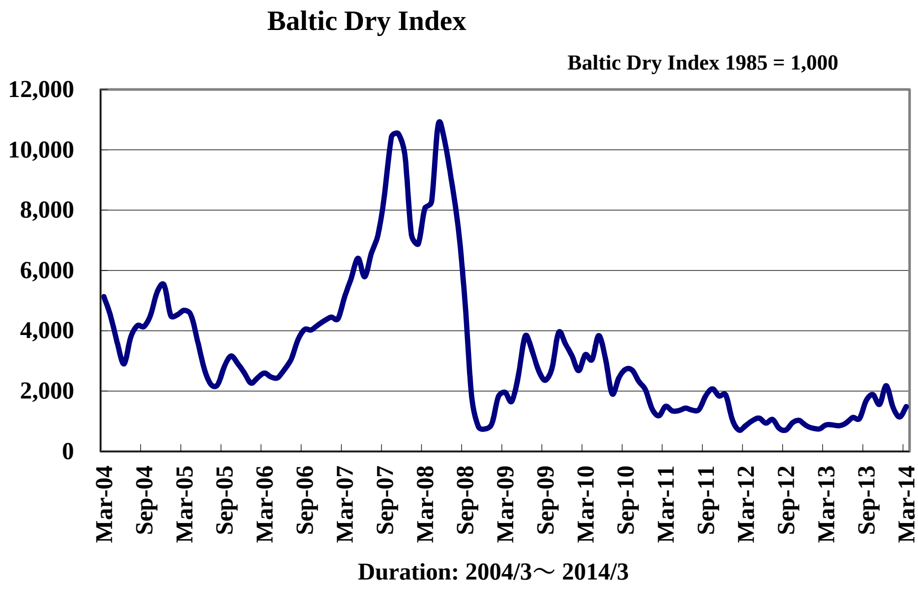
Short Sea and Coastal Business

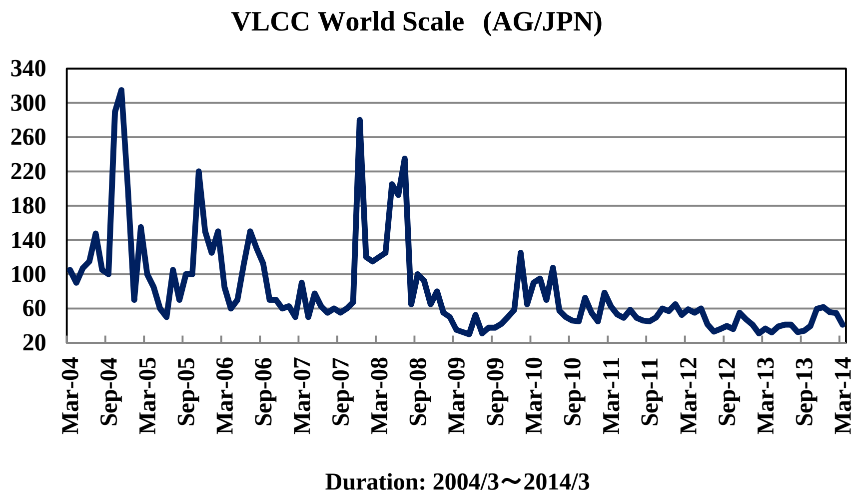
In short sea dry bulk sector, we enjoyed stable shipment demand for coal, gypsum, cement and other cargos on the back of steady production activities of domestic manufacturing industries. In timber transportation we were favored by steady cargo movement on the back of high-level domestic demand. On the other hand, the volume of our shipment of steel and general cargo decreased on a year-on-year basis.

In coastal business sector, we had all of our trampers engaged in high utilization owing to the domestic economy being on a recovery trend. In liner and ferry business, we were favored by steady transportation volumes due in part to a last-minute surge in demand before the consumption tax hike.

As a result, the financial performance of Short Sea and Coastal Business as a whole reported increased revenues and income in the current fiscal year on a yea-on-year basis.

As a result, in the Bulk Shipping Business Segment as a whole, we achieved an increase in both revenues and income in the current fiscal year on a year-on-year basis.





(3) Offshore Energy E&P Support and Heavy Lifer Business Segment

Offshore Energy E&P Support Business

In offshore support business, we had our entire fleet in steady operations resulting from firm tonnage demand for the active drilling operations at offshore oil and gas fields. The drill ship worked well and contributed to our earnings. In offshore energy E&P support business as a whole, we posted decreased income against increased revenues on a year-on-year basis due in part to the effect of foreign exchange valuation loss made at an overseas subsidiary.

Heavy Lifter Business

Our heavy lifter business was affected by a stagnant freight rates market throughout the year. In such a business environment, we made group-wide cost-cutting efforts in various ways towards the improvement of business income such as thoroughgoing slow steaming. In addition to this efforts, the completion of amortization of goodwill, which had been capitalized when we acquired this business, lead to a diminished loss despite diminished revenue on a year-on-year basis.

As a result, in the Offshore Energy E&P Support and Heavy Lifter Business Segment as a whole, we booked lower revenues and our loss widened on a year-on-year basis.

(4) Other Business

In other business, which includes ship management services, travel agency service, and real estate rental and administration service, we booked reduced revenues and income on a yea-on-year basis.

2) Prospects for Fiscal 2014

For the next fiscal year we expect operating revenues of ¥1,230 billion, operating income of ¥36 billion, ordinary income of ¥34 billion, and net income of ¥18 billion.

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

	Operating Revenue		Operating Income		Ordinary Income		Net Income	
Fiscal 2014 (End Mar. 2015)	1,230	0.5%	36	24.8%	34	4.8%	18	8.2%

(Exchange Rate(¥/US$) : ¥100 / Fuel Oil Price(US$/MT): $621)

In containership business, in view of U.S economy's recovery trend, and that downturn trend of the sovereign debt crisis-ridden European economy appears to have hit the bottom amid uncertainties stemming from the Ukrainian issues, we expect cargo movement to recover on East-West routes.

Nevertheless, we will keep ourselves in prudent business operations since we expect it will be a longer time before the freight rates market recovers in a full-fledged manner due to continued delivery of newly-built large-size vessels. On East-West routes we will take advantage of the streamlining effect anticipated by the alliance between major global container shipping lines, while working to reduce vessel operating costs by means of thoroughgoing slow steaming for profitability improvement.

In logistics business, we expect steady performance to continue in domestic logistics service. On international logistics service we expect ex-Japan air cargo to continue recovering, and logistics activities to stay firm principally in Asia.

In dry bulk business, we expect further market recovery in the Cape-size sector owing to decrease of deliveries of new tonnage in addition to the increase of cargo movements. As for the Panamax and Handymax sectors, we also expect stable movement in the freight rates market in reaction to the similar trend in the Cape-size sector while it will take some more time before the improvement of tonnage demand.

In car carrier business, we expect steady development of the demands for sea-borne transportation of complete cars on the global basis. We streamline our fleet utilization to follow the change of trade patterns such as ex-Japan trades which is expected to proceed on a trend of slight decrease, whereas trades on an increase trend like ex-South-East Asia as well as intra-Atlantic basin.

In LNG carrier and oil tanker business, we expect continued stable operations of our LNG carriers under long-/mid-term charter contracts. We will have VLCCs and LPG carriers operating under long-/mid-term contracts to secure stable revenues while seeking further profitability on Aframax tankers and product tankers through efficient vessel allocation.

In short sea business, we will keep ourselves in prudent business operations through making adjustments to our tonnage and reducing ship operating costs for enhanced competitiveness.

In coastal business, we will keep our fleet and service to meet the market conditions and demand.

In energy E&P support vessel business, we expect continuous contribution to our earnings by offshore support vessels and drill ships through their stable operations.

In heavy lifter business, we expect that it will take some more time before the market recovers in mid-/small-sized vessels sectors where competition is rather tough due to excessive tonnage. With the expectation of a larger volume of cargo prompted by future increase in energy/infrastructure projects, we will make further efforts to increase service contracts of transportations of these offshore/infrastructure-related cargos as well as continue cost-cutting measures like slow steaming in order to increase our profit.

(2) Analysis of Financial Position

1) Summary of Consolidated Operating Results for FY2013

Total assets at the end of March 2014 were ¥1,254.741 billion, an increase of ¥74.307 billion from the end of the previous fiscal year. Current assets increased by ¥93.359 billion from the end of the previous fiscal year, due mainly to increases in marketable securities. Fixed assets decreased by ¥19.051 billion, mainly as a result of a decrease in derivative assets.

Total liabilities at the end of the fiscal year were ¥844.052 billion, an ¥25.594 billion increase from the end of the previous fiscal year. Current liabilities increased by ¥24.739 billion from the end of the previous fiscal year, due mainly to increase in current portion of bonds payable, despite a decrease in short-term loans and current portion of long-term debt. Long-term liabilities increased by ¥0.855 billion from the end of the previous fiscal year primarily because of an increase in lease obligation, despite a decrease in long-term debt, less current portion and derivative liabilities.

Net assets increased by ¥48.713 billion to ¥410.688 billion from the end of the previous fiscal year due mainly to increases in deferred gain on hedge, and translation adjustments.

2) Cash Flows, billion yen (rounded to nearest 100 million)

Item	Fiscal 2012 (Ended March 2013)	Fiscal 2013 (Ended March 2014)	Year-on-year increase/(decrease)
Cash and cash equivalents at the beginning of the year	92.8	159.1	66.3
(1) Cash flows from operating activities	59.8	88.2	28.5
(2) Cash flows from investing activities	△27.2	△5.1	22.1
(3) Cash flows from financing activities	26.4	△26.6	△53.0
(4) Currency translation gain or loss (on cash and cash equivalents)	7.4	7.0	△0.4
Net increase (decrease) in cash and cash equivalents	66.3	63.5	△2.8
Change in cash and cash equivalents as a result of companies newly included in consolidated accounting	0	0	0
Cash and cash equivalents at the end of the year	159.1	222.6	63.5

Total cash and cash equivalents at the end of fiscal year 2013 were ¥222.606 billion, an increase of ¥63.531 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 inflow of ¥88.228 billion (compared to a net cash inflow of ¥59.756 billion in the previous fiscal year) due mainly to the net income before taxes and other adjustments.

Cash flows from investing activities resulted in a net cash outflow of ¥5.113 billion (compared to a net cash outflow of ¥27.212 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 outflow of ¥26.634 billion (compared to a net cash inflow of ¥26.364 billion in the previous fiscal year) due mainly to repayment of long-term debt and obligations under finance leases.

Reference: Changes in cash flow-related indicators

	Fiscal Year Ended March 2010	Fiscal Year Ended March 2011	Fiscal Year Ended March 2012	Fiscal Year Ended March 2013	Fiscal Year Ended March 2014
Equity ratio (%)	29.5	28.2	22.7	28.9	31.0
Equity ratio (based on market value) (%)	27.3	22.7	13.0	15.8	16.7
Ratio of debt to cash flow (annual)	-	5.7	-	10.5	7.3
Interest coverage ratio (x)	-	9.8	-	4.9	8.0

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

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

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

Interest coverage ratio is cash flow divided by interest expenses.

Notes

1. Indicators are calculated on the basis of consolidated figures.
2. Market capitalization is calculated based on the number of shares outstanding, not including treasury stock.
3. Cash flows above refer to operating cash flows.
4. Interest-bearing debt is the total of all liabilities on the consolidated balance sheet on which interest is paid (including ¥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 2010 and ended March 2012 were omitted since the cash flows from operating activities were negative.

(3) Basic Dividend Policy and Dividend Payments for Fiscal Year 2013 and Following Fiscal Years

Our important task is to maximize returns to our shareholders while, for the sake of sustainable growth which is a main task of our management plan, maintaining necessary internal reserve to fund for our investments in plant and equipment and strengthen our financial position. Our dividend policy is to raise distribution payment ratio gradually with an intermediate target of 30% of consolidated net profit to be achieved in mid-2010's.

As for annual dividend payment for the current fiscal year, which we have previously announced to pay 3.5, we are pleased to announce that we now plan annual dividend of 4.5 yen per share since we have achieved posting 16.6 billion yen as net income.

For the annual dividend in the following period, we plan 5 yen per share in accordance with above-mentioned policy.

Despite recent signs of improvement in our business environment by which we achieved improved net income current fiscal year, there still are probabilities of change in our prospect of business performance and financial position arising from unexpected change in trends of shipping market, foreign exchange rates and fuel oil prices. In such business environment, we will continuously work on maintaining sound financial position as our most important management task through enhancement of rationalization of business operations and thorough cost cutting in order to maximize dividend payments.

(4) Business Risks

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

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

1. Exchange Rate Fluctuations

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

2. Fuel Oil Price Fluctuations

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

3. Interest Rate Fluctuations

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

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

4. Public Regulations

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

The Group is subject to the regulatory regimes of each country in which it operates, including scrutiny from government and other competition agencies under Japanese, European, U.S. and other foreign competition laws. If, despite the Group's efforts to establish and continuously maintain its internal systems and procedures aimed at preventing breaches of competition regulations in line with regulatory or other developments, any failure to comply with applicable competition laws and regulations were to occur, it could result in investigations, disciplinary actions or prosecution being taken against the Group and/or its employees by the relevant authorities. Any finding of infringement could potentially result in significant monetary fines and could also lead to the Group being precluded from enforcing contractual or other rights and agreements of the Group being rendered void. Further, investigations of alleged anti-competitive behaviour or decisions of competition authorities regarding any alleged infringement of competition laws may lead to civil claims (including class actions in the case of jurisdictions such as the United States) being brought by parties that claim to have been affected by the conduct to which such alleged anti-competitive behaviour relates, alleging that they have suffered related or consequent damages. Any failure or alleged failure by the Group to comply with relevant competition laws and regulations could therefore materially adversely affect the Group's business, reputation, results of operations and financial condition.

The Group has been investigated by the Fair Trade Commission of Japan (the "**Japan FTC**") in relation to alleged anti-competitive behaviour (alleged formation of a cartel) relating to the transportation of automobiles, automotive construction machineries and other exports and the Japan FTC issued cease-and-desist orders and administrative surcharge payment orders (the amount of surcharge: approximately 5.698 billion yen) in connection with this in March 2014. In addition, the Group is currently subject to investigation by the competition authorities in Europe, the United States and certain other countries as well as class actions in North America on the same matter. The Group is currently unable to predict what the eventual outcome of these investigations or class actions will be (including whether or not it will be subject to any fines, penalties, damages or other liabilities) or when such investigations or class actions and the accompanying processes will be concluded. An adverse outcome of these investigations or class actions may materially adversely affect the Group's business, financial condition and results of operations, as well as damage its reputation. There can also be no assurance that the current investigations or class actions or any future decisions by competition authorities or courts will not induce further private legal actions or other claims against the Group in the future. If the outcome of any such action is unfavourable to the Group, it could materially adversely affect the Group's financial condition and results of operations.

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

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

6. Competitive Business Environment, etc.

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

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

7. Natural Disasters

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

8. Business Partners’ Failure to Perform Contracts

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

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

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

10. Non-achievement of Investment Plans

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

11. Losses from Disposal of Vessels, etc.

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

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

With respect to fixed assets such as vessels owned by the “K” Line Group, recovery of the amount invested may not be possible due to a downturn in profitability. The “K” Line Group’s financial position and operating results may be adversely affected when such asset impairment losses are realized. In addition, the Group utilizes market value method to evaluate invested securities bearing market value, which are evaluated at the market value of the last day of each financial term. As a result, the Group’s financial position and operating results may be adversely affected in line with the fluctuation of market price of these securities.

13. Reversal of Deferred Tax Assets

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

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

2. Situation of the “K”LINE GROUP

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

The main companies that handle these businesses (as of March 31, 2014) are the following:

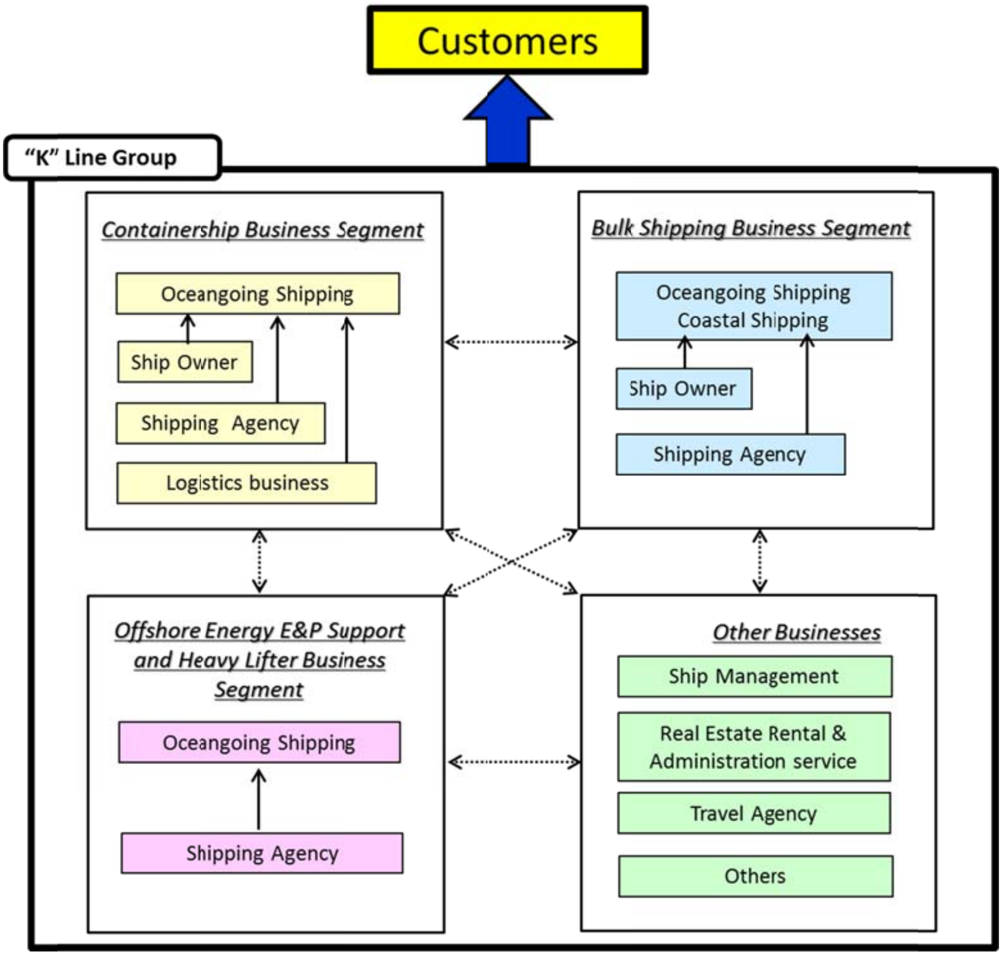
Business Segment	Principal Companies Managing Each Business	
	Domestic	Overseas
I. Containership	Kawasaki Kisen Kaisha, Ltd., Daito Corporation, Nitto Total Logistics, Seagate Corporation, “K” Line (Japan) Ltd., KMDS Co., Ltd, Nitto Tugboat Co., Ltd., Hokkai Transportation Co., Ltd., “K” Line Logistics, Ltd., Japan Express Transportation Co., Ltd. Shimizu Kawasaki Transportation Co., 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), “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., “K” LINE NEW YORK, INC.,, JAMES KEMBALL LIMITED, UNIVERSAL LOGISTICS SYSTEMS, INC.
II Bulk Shipping	Kawasaki Kisen Kaisha, Ltd., Kawasaki Kinkai Kisen Kaisha, Ltd., Kobe Pier Co., Ltd.	“K” LINE PTE LTD, “K” LINE BULK SHIPPING (UK) LIMITED, “K” Line European Sea Highway Services GmbH, “K” LINE LNG SHIPPING (UK) LIMITED、
III Offshore Energy E&P Support and Heavy Lifter		“K” LINE DRILLING/OFFSHORE HOLDING,INC., K LINE OFFSHORE AS, “K” LINE HEAVY LIFT (UK) LIMITED, “K” LINE HEAVY LIFT (GERMANY) GmbH, SAL Heavy Lift GmbH

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., Escobal Japan 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

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

The above overall business structure is as follows:



3. Management Policies

(1) Fundamental Company Management Policy

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

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

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

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

"K" Line Group formulated "K" LINE Vision 100 – Bridge to the Future in April 2012 where we set forth three most prioritized tasks: Generating ordinary income in FY2012, Establishing a stable earnings structure, and Strengthening financial standing. The Group will continue the measures related to the Five Fundamental Tasks having been implemented since April 2008, and the entire Group will work together towards achieving the core theme of "K" Line Vision 100 – Synergy for and sustainable growth.

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

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

Indicators	Unit	FY2012 Projection in "K"Line Vision 100 - Bridge to the Future	FY2012 Result	FY2013 Projection in "K"Line Vision 100 - Bridge to the Future	FY2013 Result	FY2014 Projection in "K"Line Vision 100 - Bridge to the Future	FY2014 Current Projection
Operating Revenue	(billion yen)	1,120	1,135	1,070	1,224	1,110	1,230
Ordinary Income	(billion yen)	12	29	39	33	60	34
Net Income	(billion yen)	11	11	25	17	42	18
EBITDA	(billion yen)	100	105	110	91	135	89
Shareholders' Equity	(billion yen)	260	341	280	389	330	4,040
Interest-bearing Debt	(billion yen)	580	630	540	644	490	547
Operating Cash Flow	(billion yen)	67	60	90	88	113	68
Investing Cash Flow	(billion yen)	▲ 50	▲ 27	▲ 50	▲ 5	▲ 50	▲ 50
DER	(%)	223%	185%	193%	166%	148%	136%
ROA	(%)	1%	3%	4%	3%	6%	3%
Shareholders' Equity Ratio	(%)	23%	29%	26%	31%	30%	34%
Interest-bearing debt / Operating Cash Flow	(times)	9	11	6	7	4	8

(3) Tasks for the "K" Line Group to Address

The "K" Line Group set forth three most prioritized tasks in '"K" LINE Vision 100 – Bridge to the Future –', and five fundamental tasks in "K" LINE Vision 100. Detail of these tasks is described below.

a. Three High-Priority Tasks

(1) Returning to Profitability in Fiscal Year 2012

In order to achieve ordinary income in fiscal year 2012, the entire "K" Line Group strived for comprehensive rationalization measures in containership business including reorganization of unprofitable routes, the streamlining of fleet by redelivery and disposition of unprofitable vessels. Cost-cutting measures, reduction of operating expense per TEU by utilizing large energy-efficient vessels, and enhancement of slow steam navigations, as well as administration cost-cutting throughout the entire Group. In terms of freight rates, we have achieved restoration in containership sector but suffered low earnings due to stagnant market in dry bulk and tanker sectors. Despite these severe market situations, however, we ultimately posted 28.6 billion yen for ordinary income and achieved one of the three tasks, through our effort to reduce unprofitable tonnages as well as effect of correction of excessively-appreciated yen.

(2) Establishing Stable Earnings Structures

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

a. Structural reform in the containership business

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

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

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

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

(3) Strengthening of Financial Standing

Starting in fiscal 2012, the “K” Line Group’s investment cash flow will be targeted to be capped at ¥50 billion maximum to secure stable free cash flow, and reduce interest-bearing debt to strengthen the Group’s financial base. Our past investment policy focusing on expansion of business scale has been reviewed; and future investment will be made in carefully selected areas having relatively stable and/or higher profitability.

b. Five Fundamental Tasks

(1) Activities to promote Environmental Protection

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

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

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

(2) Reliable Management Structures for Safe Ship Operations

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

(3) Borderless Management Through the Best and Strongest Organization

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

(4) Strategic Investment and Proper Allocation of Management Resources

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

(5) Improvement of Corporate Value and Complete Risk Management

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

4. Matters Relating to Summary Information

Changes in Accounting Policies

(Application of Accounting Standard for Retirement Benefits)

Effective the end of the current fiscal year, “K” Line Group has applied the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan Statement No. 26, May 17, 2012) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012), except for the provisions stated in Clause 35 of the Accounting Standard for Retirement Benefits and Clause 67 of the Guidance on Retirement Benefits.

“K” Line Group has changed its accounting method to post retirement benefit obligations less pension assets as “Net defined benefit liabilities” and posts an unrecognized actuarial difference and unrecognized prior service costs as said liability. If pension assets exceed retirement benefit obligations, the difference would be posted as “Net defined benefit assets.”

The Accounting Standard for Retirement Benefits is being applied transitionally as determined in its Clause37. At the end of the current fiscal year, the effect of the change in accounting standard is stated as “Remeasurements of defined benefit plans” under accumulated other comprehensive income.

As a result of the change, the Balance Sheets for the current fiscal year shows a net defined benefit liability of ¥7,978 million. The change also caused accumulated other comprehensive income to decrease by ¥446 million and minority interests in consolidated subsidiaries to decrease by ¥34million.

Consolidated Financial Statements

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

Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2014 and 2013

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

	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2014
ASSETS			
Current assets :			
Cash and deposits	¥ 162,126	¥ 186,394	$ 1,811,059
Accounts and notes receivable-trade	86,883	94,345	916,689
Marketable securities	0	49,998	485,798
Raw material and supply	42,690	49,032	476,413
Prepaid expenses and deferred charges	41,090	46,106	447,984
Deferred income taxes	3,067	2,072	20,140
Short-term loans receivable	1,961	2,515	24,441
Other current assets	17,387	17,797	172,924
Allowance for doubtful receivables	(962)	(656)	(6,383)
Total current assets	354,246	447,605	4,349,066
Fixed assets :			
(Tangible fixed assets)			
Vessels	560,474	566,589	5,505,148
Buildings and structures	23,675	21,599	209,867
Machinery and vehicles	7,202	7,431	72,203
Land	28,202	26,623	258,679
Construction in progress	39,291	35,332	343,305
Other tangible fixed assets	4,204	3,649	35,459
Total tangible fixed assets	663,051	661,226	6,424,660
(Intangible fixed assets)			
Goodwill	674	507	4,932
Other intangible fixed assets	5,223	4,850	47,132
Total intangible fixed assets	5,898	5,358	52,064
(Investments and other long-term assets)			
Investments in securities	87,118	88,310	858,050
Long-term loans receivable	16,711	16,291	158,297
Deferred income taxes	26,970	19,757	191,970
Other long-term assets	26,769	16,501	160,334
Allowance for doubtful receivables	(332)	(310)	(3,015)
Total investments and other long-term assets	157,238	140,551	1,365,636
Total fixed assets	826,187	807,135	7,842,360
Total assets	¥ 1,180,433	¥ 1,254,741	$ 12,191,427

Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2014 and 2013

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

	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2014
LIABILITIES			
Current liabilities :			
Accounts and notes payable-trade	¥ 82,606	¥ 91,492	$ 888,972
Short-term loans and current portion of long-term debt	96,578	77,091	749,042
Accrued income taxes	1,990	2,822	27,429
Provision for bonuses	2,314	2,381	23,138
Provision for directors's bonus	71	205	1,999
Other current liabilities	78,010	112,317	1,091,314
Total current liabilities	261,573	286,312	2,781,894
Long-term liabilities :			
Bonds	48,699	53,321	518,082
Long-term debt, less current portion	428,869	418,933	4,070,478
Lease obligation	23,190	38,865	377,631
Deferred income taxes on land revaluation	2,590	2,096	20,375
Allowance for employees' retirement benefits	7,300	-	-
Allowance for directors' and corporate auditors' retirement benefits	1,578	1,541	14,975
Accrued expenses for overhaul of vessels	16,483	15,452	150,138
Net defined benefit liability	-	7,978	77,519
Derivative liabilities	18,914	10,638	103,368
Other long-term liabilities	9,257	8,912	86,596
Total long-term liabilities	556,884	557,740	5,419,162
Total liabilities	818,458	844,052	8,201,055
NET ASSETS			
Shareholder's equity:			
Common stock	75,457	75,457	733,168
Capital surplus	60,315	60,312	586,009
Retained earnings	223,287	234,429	2,277,785
Less treasury stock, at cost	(904)	(908)	(8,823)
Total shareholders' equity	358,155	369,291	3,588,139
Accumulated other comprehensive income (loss) :			
Net unrealized holding gain on investments in securities	2,475	8,188	79,559
Deferred gain (loss) on hedges	(8,104)	5,753	55,904
Revaluation reserve for land	2,350	5,978	58,089
Translation adjustments	(14,306)	71	694
Remeasurements of defined benefit plans	-	(446)	(4,335)
Total accumulated other comprehensive income (loss), net	(17,584)	19,545	189,912
Minority interests in consolidated subsidiaries	21,404	21,851	212,320
Total net assets	361,975	410,688	3,990,371
Total liabilities and net assets	¥ 1,180,433	¥ 1,254,741	$ 12,191,427

Consolidated Statements of Income

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2014 and 2013

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

	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2014
Marine transportation and other operating revenues	¥ 1,134,771	¥ 1,224,126	$ 11,893,957
Marine transportation and other operating expenses	1,039,218	1,123,236	10,913,686
Gross income	95,552	100,889	980,270
Selling, general and administrative expenses	80,666	72,035	699,913
Operaing income	14,886	28,854	280,357
Non-operating income :			
Interest income	1,159	1,321	12,844
Dividend income	3,353	2,183	21,212
Equity in earnings of affiliated companies	2,381	2,756	26,787
Exchange gain	18,644	6,347	61,671
Other non-operating income	2,124	3,199	31,087
Total non-operating income	27,664	15,808	153,601
Non-operating expenses :			
Interest expenses	12,262	10,984	106,729
Other non-operating expenses	1,699	1,223	11,891
Total non-operating expenses	13,961	12,208	118,620
Ordinary income	28,589	32,454	315,338
Extraordinary profits :			
Gain on sales of fixed assets	13,684	4,963	48,222
Gain on sales of investments in securities	818	2,779	27,002
Other extraordinary profits	1,783	586	5,698
Total extraordinary profits	16,286	8,328	80,922
Extraordinary losses :			
Loss on impairment of fixed assets	2,565	3,958	38,464
Loss from revaluation of investment securities	7,249	1,607	15,621
Loss on sale of investment securities	550	1,557	15,129
Loss related to Anti-Monopoly Act	-	5,698	55,367
Other extraordinary losses	1,643	717	6,968
Total extraordinary losses	12,008	13,539	131,549
Income before income taxes	32,867	27,244	264,711
Income taxes :			
Current	7,585	7,244	70,388
Deferred	11,902	1,333	12,954
Total income taxes	19,487	8,577	83,342
Net income before minority interests	13,379	18,666	181,369
Minority interests	2,710	2,024	19,667
Net income	¥ 10,669	¥ 16,642	$ 161,702

Consolidated Statements of Comprehensive Income

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2014 and 2013

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

	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2014
Income before minority interests	¥ 13,379	¥ 18,666	$ 181,369
Other comprehensive income			
Net unrealized holding gain on investments in securities	8,498	5,717	55,552
Deferred income on hedges	33,642	13,053	126,836
Revaluation reserve for land	-	272	2,644
Translation adjustments	25,954	13,662	132,746
Share of other comprehensive income of subsidiaries and affiliates accounted for by the equity method	484	1,711	16,625
Total other comprehensive income	68,579	34,416	334,402
Comprehensive income	¥ 81,959	¥ 53,083	$ 515,771
(Breakdown)			
Comprehensive income attributable to:			
Shareholders of Kawasaki Kisen Kaisha, Ltd.	¥ 77,380	¥ 50,729	$ 492,904
Minority interests	4,578	2,353	22,868

Consolidated Statements of Shareholders' Equity

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2013 (Millions of Yen)

	Shareholder's equity				
	Common stock	Additional paid-in capital	Retained	Treasury stock, at cost	Total of shareholders' equity
Balance March 31, 2012	¥ 65,031	¥ 49,892	¥ 212,850	¥ (904)	¥ 326,870
Change in items during the term					
Issuance of new shares	10,426	10,426	-	-	20,852
Cash dividends	-	-	-	-	-
Net Income	-	-	10,669	-	10,669
Purchase of treasury stocks	-	-	-	(4)	(4)
Disposal of treasury stocks	-	(3)	-	4	0
Reversal of revaluation reserve for land	-	-	(1)	-	(1)
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other	-	-	(230)	-	(230)
Net changes in items other than shareholders' equity	-	-	-	-	-
Net changes during the term	10,426	10,422	10,437	(0)	31,285
Balance March 31, 2013	¥ 75,457	¥ 60,315	¥ 223,287	¥ (904)	¥ 358,155

	Valuation and translation adjustments						Minority interests in consolidated subsidiaries	Total net assets
	Unrealized holding gain (loss) on investments in securities	Deferred gain (loss) on hedges	Revaluation reserve for land	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)		
Balance March 31, 2012	¥ (6,036)	¥ (41,596)	¥ 2,297	¥ (38,962)	-	¥ (84,297)	¥ 17,361	¥ 259,934
Change in items during the term								
Issuance of new shares	-	-	-	-	-	-	-	20,852
Cash dividends	-	-	-	-	-	-	-	-
Net Income	-	-	-	-	-	-	-	10,669
Purchase of treasury stocks	-	-	-	-	-	-	-	(4)
Disposal of treasury stocks	-	-	-	-	-	-	-	0
Reversal of revaluation reserve for land	-	-	-	-	-	-	-	(1)
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other	-	-	-	-	-	-	-	(230)
Net changes in items other than shareholders' equity	8,512	33,492	52	24,655	-	66,712	4,042	70,755
Net changes during the term	8,512	33,492	52	24,655	-	66,712	4,042	102,041
Balance March 31, 2013	¥ 2,475	¥ (8,104)	¥ 2,350	¥ (14,306)	-	¥ (17,584)	¥ 21,404	¥ 361,975

Consolidated Statements of Shareholders' Equity

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2014 (Millions of Yen)

	Shareholder's equity				
	Common stock	Additional paid-in capital	Retained	Treasury stock, at cost	Total of shareholders' equity
Balance March 31, 2013	¥ 75,457	¥ 60,315	¥ 223,287	¥ (904)	¥ 358,155
Change in items during the term					
Issuance of new shares	-	-	-	-	-
Cash dividends	-	-	(2,345)	-	2,345
Net Income	-	-	16,642	-	16,642
Purchase of treasury stocks	-	-	-	(9)	(9)
Disposal of treasury stocks	-	(3)	-	5	2
Reversal of revaluation reserve for land	-	-	(3,159)	-	(3,159)
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other	-	-	3	-	3
Net changes in items other than shareholders' equity	-	-	-	-	-
Net changes during the term	-	(3)	11,142	(3)	11,135
Balance March 31, 2014	¥ 75,457	¥ 60,312	¥ 234,429	¥ (908)	¥ 369,291

	Valuation and translation adjustments						Minority interests in consolidated subsidiaries	Total net assets
	Unrealized holding gain (loss) on investments in securities	Deferred gain (loss) on hedges	Revaluation reserve for land	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)		
Balance March 31, 2013	¥ 2,475	¥ (8,104)	¥ 2,350	¥ (14,306)	-	¥ (17,584)	¥ 21,404	¥ 361,975
Change in items during the term								
Issuance of new shares	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	(2,345)
Net Income	-	-	-	-	-	-	-	16,642
Purchase of treasury stocks	-	-	-	-	-	-	-	(9)
Disposal of treasury stocks	-	-	-	-	-	-	-	2
Reversal of revaluation reserve for land	-	-	-	-	-	-	-	(3,159)
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other	-	-	-	-	-	-	-	3
Net changes in items other than shareholders' equity	5,712	13,857	3,628	14,378	(446)	37,130	447	37,578
Net changes during the term	5,712	13,857	3,628	14,378	(446)	37,130	447	48,713
Balance March 31, 2014	¥ 8,188	¥ 5,753	¥ 5,978	¥ 71	¥ (446)	¥ 19,545	¥ 21,851	¥ 410,688

Consolidated Statements of Shareholders' Equity

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2014 (Thousands of USD)

	Shareholder's equity				
	Common stock	Additional paid-in capital	Retained	Treasury stock, at cost	Total of shareholders' equity
Balance March 31, 2013	$733	$586	$2,170	($9)	$3,480
Change in items during the term	-	-	-	-	-
Issuance of new shares	-	-	-	-	-
Cash dividends	-	-	(23)	-	23
Net Income	-	-	162	-	162
Purchase of treasury stocks	-	-	-	-	-
Disposal of treasury stocks	-	-	-	-	-
Reversal of revaluation reserve for land	-	-	(31)	-	(31)
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other	-	-	-	-	-
Net changes in items other than shareholders' equity	-	-	-	-	-
Net changes during the term	-	-	108	-	108
Balance March 31, 2014	$733	$586	$2,278	($9)	$3,588

	Valuation and translation adjustments						Minority interests in consolidated subsidiaries	Total net assets
	Unrealized holding gain (loss) on investments in securities	Deferred gain (loss) on hedges	Revaluation reserve for land	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)		
Balance March 31, 2013	$24	($79)	$23	($139)	$0	($171)	$208	$3,517
Change in items during the term	-	-	-	-	-	-	-	-
Issuance of new shares	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	(23)
Net Income	-	-	-	-	-	-	-	162
Purchase of treasury stocks	-	-	-	-	-	-	-	-
Disposal of treasury stocks	-	-	-	-	-	-	-	-
Reversal of revaluation reserve for land	-	-	-	-	-	-	-	(31)
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other	-	-	-	-	-	-	-	-
Net changes in items other than shareholders' equity	55	135	35	140	(4)	361	4	365
Net changes during the term	55	135	35	140	(4)	361	4	473
Balance March 31, 2014	$80	$56	$58	$1	($4)	$190	$212	$3,990

Consolidated Statements of Cash Flows

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2014 and 2013

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

	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2014
Cash flows from operating activities :			
Income before income taxes and minority interests	¥ 32,867	¥ 27,244	$ 264,711
Depreciation and amortization	59,667	52,243	507,613
Reversal of employees' retirement benefits	(154)	-	-
Increase in net defined benefit liability	-	696	6,766
Reversal of directors' and corporate auditors' retirement benefits	(392)	(41)	(404)
Decrease in accrued expenses for overhaul of vessels	(1,312)	(1,112)	(10,814)
Interest and dividend income	(4,513)	(3,505)	(34,056)
Interest expense	12,262	10,984	106,729
Exchange gain	(12,350)	(3,091)	(30,042)
Loss on impairment of fixed assets	2,565	3,958	38,464
Loss related to Anti-Monopoly Act	-	5,698	55,367
Gain on sales of vessels, property and equipment	(13,647)	(4,958)	(48,176)
Gain on sales of marketable securities and investments in securities	(267)	(1,221)	(11,873)
Loss on revaluation of marketable securities and investments in securities	7,249	1,607	15,621
Increase in accounts and notes receivable – trade	(4,290)	(4,462)	(43,357)
Increase in inventories	(3,687)	(5,741)	(55,784)
Increase in other current assets	(3,083)	(1,491)	(14,493)
Increase in accounts and notes payable – trade	3,511	5,777	56,136
Increase (decrease) in other current liabilities	(873)	3,082	29,951
Change in derivative assets and liabilities, net	-	23,612	229,429
Other, net	3,699	(8,240)	(80,064)
Subtotal	77,248	101,038	981,723
Interest and dividends received	5,282	4,726	45,920
Interest paid	(12,277)	(10,995)	(106,836)
Income taxes paid	(8,419)	(6,541)	(63,558)
Other, net	(2,077)	-	-
Net cash provided by operating activities	59,756	88,228	857,249
Cash flows from investing activities :			
Payments into time deposits	(715)	(11,392)	(110,693)
Purchases of marketable securities and investments in securities	(3,797)	(2,137)	(20,768)
Proceeds from sale of marketable securities and investments in securities	6,972	11,053	107,400
Purchases of vessels, property and equipment	(132,288)	(92,317)	(896,979)
Proceeds from sale of vessels, property and equipment	97,068	88,909	863,871
Purchases of intangible fixed assets	(1,034)	(772)	(7,503)
Increase in long-term loans receivable	(1,792)	(1,069)	(10,391)
Collection of long-term loans receivable	5,997	1,536	14,934
Other, net	2,377	1,075	10,449
Net cash used in investing activities	(27,212)	(5,113)	(49,679)
Cash flows from financing activities :			
Decrease in short-term loans, net	(1,283)	(3,156)	(30,667)
Decrease in commercial paper	(17,000)	-	-
Proceeds from long-term debt	119,357	77,947	757,365
Repayment of long-term debt and obligations under finance leases	(94,516)	(122,004)	(1,185,435)
Proceeds from Issuance of Bonds	-	49,939	485,226
Redemption of Bonds	(378)	(25,874)	(251,399)
Issuance of shares	20,852	-	-
Cash dividends paid	(2)	(2,343)	(22,766)
Cash dividends paid to minority shareholders	(696)	(1,139)	(11,073)
Proceeds from stock issuance to minority shareholders	32	-	-
Other, net	(0)	(3)	(36)
Net cash (used in) provided by financing activities	26,364	(26,634)	(258,785)
Effect of exchange rate changes on cash and cash equivalents	7,386	7,019	68,205
Net increase in cash and cash equivalents	66,295	63,500	616,989
Cash and cash equivalents at beginning of the period	92,756	159,075	1,545,622
Increase in cash and cash equivalents arising from inclusion of subsidiaries in consolidation	23	30	296
Cash and cash equivalents at end of the period	¥ 159,075	¥ 222,606	$ 2,162,908

Segment information

Year ended March 31, 2013

(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	¥ 552,810	¥ 502,571	¥ 35,711	¥ 43,678	¥ 1,134,771	¥ -	¥ 1,134,771
Inter-group revenues and transfers	9,290	2,692	-	46,962	58,945	(58,945)	-
Total revenues	562,100	505,263	35,711	90,641	1,193,716	(58,945)	1,134,771
Segment income (loss)	¥ 6,630	¥ 24,064	¥ (2,422)	¥ 6,566	¥ 34,839	¥ (6,250)	¥ 28,589
Segment assets	¥ 259,227	¥ 708,783	¥ 116,094	¥ 107,429	¥ 1,191,535	¥ (11,101)	¥ 1,180,433
Depreciation and amortization	¥ 9,283	¥ 38,952	¥ 7,944	¥ 2,609	¥ 58,789	¥ 878	¥ 59,667
Amortization of goodwill	265	-	2,360	-	2,626	-	2,626
Interest income	752	561	12	200	1,526	(367)	1,159
Interest expenses	1,214	7,060	3,605	397	12,278	(16)	12,262
Equity in earning of affiliates	1,065	661	503	151	2,381	-	2,381
Investments in affiliates accounted for by the equity method	5,668	6,093	3,639	3,634	19,036	-	19,036
Increase in vessels, property and equipment, and intangible assets	29,446	101,956	276	2,438	134,117	437	134,554

Year ended March 31, 2014

(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	¥ 582,398	¥ 572,685	¥ 32,817	¥ 36,223	¥ 1,224,126	¥ -	¥ 1,224,126
Inter-group revenues and transfers	8,119	2,743	-	43,284	54,146	(54,146)	-
Total revenues	590,517	575,429	32,817	79,508	1,278,272	(54,146)	1,224,126
Segment (loss) income	¥ (141)	¥ 41,261	¥ (4,503)	¥ 2,635	¥ 39,251	¥ (6,797)	¥ 32,454
Segment assets	¥ 272,672	¥ 723,253	¥ 123,476	¥ 93,565	¥ 1,212,967	¥ 41,773	¥ 1,254,741
Depreciation and amortization	¥ 8,399	¥ 33,938	¥ 7,198	¥ 1,870	¥ 51,406	¥ 837	¥ 52,243
Amortization of goodwill	230	-	(0)	-	230	-	230
Interest income	526	680	113	133	1,453	(131)	1,321
Interest expenses	1,220	6,183	2,821	221	10,446	538	10,984
Equity in earning of affiliates	1,224	807	602	122	2,756	-	2,756
Investments in affiliates accounted for by the equity method	6,569	7,518	5,032	3,703	22,823	-	22,823
Increase in vessels, property and equipment, and intangible assets	9,089	83,047	184	762	93,083	294	93,377

Year ended March 31, 2014

(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	$ 5,658,748	$ 5,564,378	$ 318,868	$ 351,962	$ 11,893,957	$ -	$ 11,893,957
Inter-group revenues and transfers	78,887	26,654	-	420,562	526,102	(526,102)	-
Total revenues	5,737,635	5,591,032	318,868	772,524	12,420,058	(526,102)	11,893,957
Segment (loss) income	$ (1,379)	$ 400,906	$ (43,753)	$ 25,607	$ 381,380	$ (66,042)	$ 315,338
Segment assets	$ 2,649,367	$ 7,027,337	$ 1,199,729	$ 909,108	$ 11,785,541	$ 405,885	$ 12,191,427
Depreciation and amortization	$ 81,612	$ 329,754	$ 69,942	$ 18,170	$ 499,477	$ 8,135	$ 507,613
Amortization of goodwill	2,241	-	(4)	-	2,236	-	2,236
Interest income	5,113	6,610	1,102	1,297	14,122	(1,278)	12,844
Interest expenses	11,859	60,081	27,412	2,148	101,500	5,229	106,729
Equity in earning of affiliates	11,897	7,850	5,853	1,186	26,787	-	26,787
Investments in affiliates accounted for by the equity method	63,832	73,052	48,895	35,982	221,761	-	221,761
Increase in vessels, property and equipment, and intangible assets	88,312	806,910	1,792	7,409	904,423	2,863	907,286