

# FINANCIAL HIGHLIGHTS

Brief report of the nine months ended December 31, 2014

Kawasaki Kisen Kaisha, Ltd.

[Two Year Summary]

|   | Nine months<br>ended<br>December 31, 2013 | Nine months<br>ended<br>December 31, 2014 | Nine months<br>ended<br>December 31, 2014 |
|---|---|---|---|
| Consolidated  |   |   |   |
| Operating revenues<br>(Millions of yen / Thousands of U.S. dollars) | ¥ 918,009                                 | ¥ 1,015,061                               | \$ 8,420,250                              |
| Operating income<br>(Millions of yen / Thousands of U.S. dollars)   | 24,119                                    | 40,327                                    | 334,530                                   |
| Net income<br>(Millions of yen / Thousands of U.S. dollars)         | 15,707                                    | 33,006                                    | 273,802                                   |
| Per share of common stock (Yen / U.S. dollars)                      |   |   |   |
| Basic   | 16.75                                     | 35.20                                     | 0.29                                      |
| Diluted   | 15.80                                     | 30.07                                     | 0.25                                      |

|   | Year<br>ended<br>March 31, 2014 | Nine months<br>ended<br>December 31, 2014 | Nine months<br>ended<br>December 31, 2014 |
|---|---------------------------------|---|---|
| Total Assets<br>(Millions of yen / Thousands of U.S. dollars) | ¥ 1,254,741                     | ¥ 1,259,718                               | \$ 10,449,759                             |
| Net assets<br>(Millions of yen / Thousands of U.S. dollars)   | 410,688                         | 473,862                                   | 3,930,837                                 |

|  | Nine months<br>ended<br>December 31, 2013 | Nine months<br>ended<br>December 31, 2014 | Nine months<br>ended<br>December 31, 2014 |
|--|---|---|---|
| Net cash provided by operating activities<br>(Millions of yen / Thousands of U.S. dollars) | ¥ 78,550                                  | ¥ 67,963                                  | \$ 563,782                                |
| Net cash used in investing activities<br>(Millions of yen / Thousands of U.S. dollars)     | (14,882)                                  | (13,898)                                  | (115,296)                                 |
| Net cash used in financing activities<br>(Millions of yen / Thousands of U.S. dollars)     | (4,259)                                   | (105,522)                                 | (875,346)                                 |

The U.S. dollar amounts are converted from the yen amount at ¥120.55 = U.S.\$1.00.  
The exchange rate prevailing on December 31, 2014.

## 1. Qualitative Information and Financial Statements

### (1) Qualitative Information about the Consolidated Operating Result

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

|                    | Nine months ended<br>December 31, 2013 | Nine months ended<br>December 31, 2014 | Change | % Change |
|--------------------|--|--|--------|----------|
| Operating revenues | 918.0                                  | 1,015.1                                | 97.1   | 10.6%    |
| Operating income   | 24.1                                   | 40.3                                   | 16.2   | 67.2%    |
| Ordinary income    | 29.2                                   | 46.2                                   | 17.0   | 58.3%    |
| Net income         | 15.7                                   | 33.0                                   | 17.3   | 110.1%   |

|   |        |         |        |        |
|---|--------|---------|--------|--------|
| Exchange Rate (¥/US\$)<br>(9-month average)   | ¥98.54 | ¥105.80 | ¥7.26  | 7.4%   |
| Fuel oil price (US\$/MT)<br>(9-month average) | \$626  | \$588   | (\$38) | (6.0%) |

During the first nine months of the fiscal year ending March 31, 2015 (from April 1, 2014 to December 31, 2014; hereinafter “the nine-month period”), global economy saw a recovery trend continuing in the US, while the recovery appeared to mark time in Europe, where the political instability in southern Europe, in addition to the concern over deterioration in the situation in the Ukraine, affected the situation. In emerging countries, China again showed signs of slowing economic growth, while in India the economy appeared to gradually turn into a recovery trend.

The Japanese economy is on a trend of mild recovery, although there were falls in capital expenditure and consumer spending due to the consumption tax rate increase.

The yen continued to depreciate against the US dollar, reaching ¥120 per dollar at one point in expectation of an early interest rate rise by the Federal Reserve in the US. In addition, the downward trend in oil prices grew even stronger after the Organization of the Petroleum Exporting Countries (OPEC) decided at its regular meeting in November to leave production targets unchanged.

In the business environment for the shipping industry, negative factors included the continuing market slump in the dry bulk business sector, and the declining trend in the export volume of finished vehicles from Japan in the car carrier business sector. However, the oil tanker market recovered further in line with improvement of tonnage supply-demand balance, while the containership business saw freight rates on East-West services enter an uptrend atop steady cargo volumes.

As a result, operating revenues for the nine-month period were ¥1,015.061 billion (up ¥97.051 billion year on year), operating income was ¥40.327 billion (up ¥16.207 billion), ordinary income was ¥46.185 billion (up ¥17.017 billion), and net income was ¥33.006 billion (up ¥17.299 billion).

Performance per segment was as follows:

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

|   |                       | Nine months ended<br>December 31, 2013 | Nine months ended<br>December 31, 2014 | Change | %Change |
|---|-----------------------|--|--|--------|---------|
| Containership                                   | Operating revenues    | 436.4                                  | 503.8                                  | 67.4   | 15.4%   |
|   | Segment income (loss) | (1.1)                                  | 18.2                                   | 19.3   | -       |
| Bulk Shipping                                   | Operating revenues    | 428.5                                  | 451.9                                  | 23.5   | 5.5%    |
|   | Segment income (loss) | 34.3                                   | 32.7                                   | (1.6)  | (4.6%)  |
| Offshore Energy E&P<br>Support and Heavy Lifter | Operating revenues    | 25.8                                   | 29.9                                   | 4.1    | 16%     |
|   | Segment income (loss) | (3.1)                                  | (4.1)                                  | (1.0)  | -       |
| Other   | Operating revenues    | 27.3                                   | 29.4                                   | 2.0    | 7.5%    |
|   | Segment income (loss) | 3.4                                    | 3.2                                    | (0.3)  | (8.0%)  |
| Adjustment and elimination                      | Segment income (loss) | (4.3)                                  | (3.8)                                  | 0.5    | -       |
| Total   | Operating revenues    | 918.0                                  | 1,015.1                                | 97.1   | 10.6%   |
|   | Segment income        | 29.2                                   | 46.2                                   | 17.0   | 58.3%   |

(i) Containership Business Segment

Containership Business

During the nine-month period, the Group's cargo volume loaded increased by around 5% year on year, supported by steady cargo movements. Cargo volumes were up around 7% year on year on the Asia-North America service and around 9% on the Asia-Europe service, but declined by around 4% on both the Intra-Asia and North-South services. The freight rates improved year on year, due mainly to relatively stable market activities on East-West services. In addition to the effect of a fall in fuel oil prices, as a result of initiatives including rigorous implementation of slow steaming navigations and cost cutting measures, and sales activities to take profitable cargos such as reefer cargos, the Group recorded a year-on-year increase in revenues for the nine-month period, and income went into the black.

Logistics Business

The domestic logistics services performed strongly in the nine-month period. The international logistics

services also delivered steady results, mainly in Asia, with a large increase in handling volume of air freight export cargos from Japan. Supported by the yen's depreciation, the Group recorded year-on-year increases in both revenues and income for the nine-month period in the logistics business.

As a result of the above, the Containership Business Segment recorded year-on-year increases in revenues for the nine-month period, and income went into the black.

## (ii) Bulk Shipping Business Segment

### Dry Bulk Business

In the large vessel sector, the market recovered temporarily from the start of October, only to slump to the lowest level on record in December, due to a decline in volumes of iron-ore supply from Brazil. The market for medium-sized vessels continued to stagnate due to a persistent oversupply of vessels partly reflecting a drop in the volume of coal transported to China. In the small vessel sector, the market has yet to recover, as upward pressure on freight rates has been limited, despite brisk cargo volumes of coal transportation to India and steel products transportation to China, as well as an increase in grain transportation. In this severe environment, the Group worked to improve profitability throughout the period through measures such as reducing vessel operating costs and minimizing cargo-free vessels by securing medium- and long-term contracts. Despite these efforts, the Group recorded higher revenues but lower income for the nine-month period compared with the same period of the previous fiscal year.

### Car Carrier Business

During the nine-month period, the Group's total volume of finished vehicles shipped declined by around 3% year on year. Cargo volumes were steady from Europe and North America to the Far East, and within the Atlantic Basin; however, there was a declining trend in cargo volumes from Japan. Despite the Group's continued efforts towards efficient allocation and operation of vessels, the Group recorded higher revenues and lower income for the nine-month period compared with the same period of the previous fiscal year.

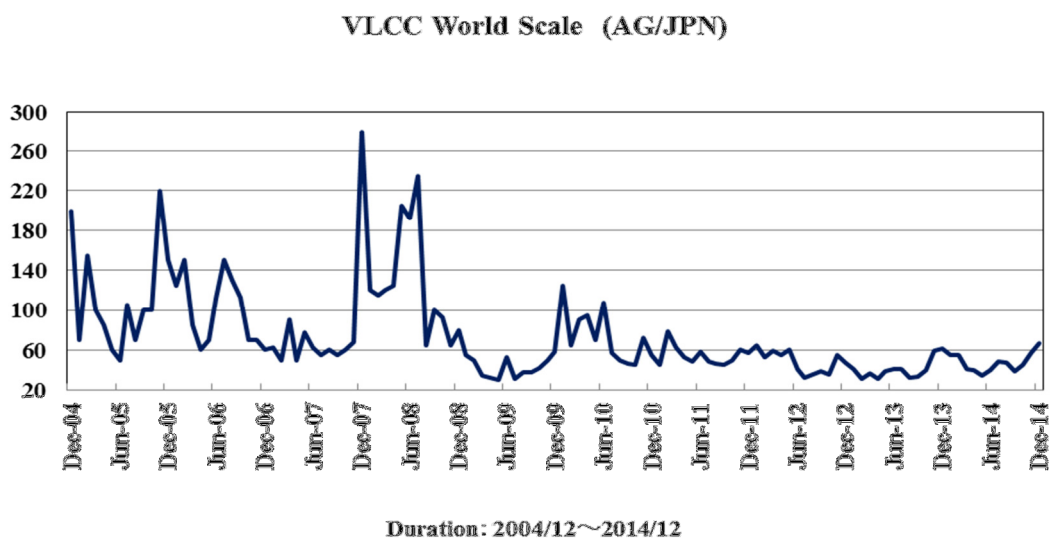
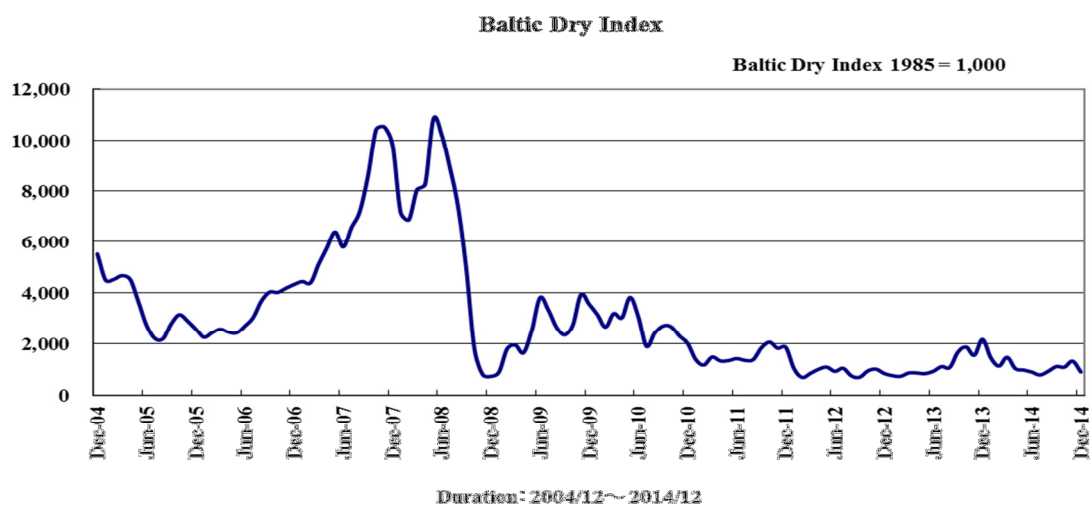
### LNG Carrier Business and Tanker Business

LNG carriers, large crude tankers (VLCCs), and LPG carriers performed steadily on medium- and long-term charter contracts. Freight rates for medium-sized crude oil carriers and oil product carriers broke from their prolonged slump and started on a recovery trend amid falling oil prices, and profitability improved. The LNG carrier business and tanker business in aggregate reported year-on-year increases in both revenues and income for the nine-month period.

## Short Sea and Coastal Business

In the coastal business in the nine-month period, while the volume of cargos transported in the liner service remained the same year on year, the volume declined in the ferry service due partly to a slackening of consumer consumption after the consumption tax hike. For the tramper service, the utilization level of shipper-dedicated vessels was stable, and likewise, the market for the small-sized vessels sector developed steadily supported by Japan's economy, which is in a recovery trend. As a result, although the Group's operating result in the short sea business sector was a loss owing to the weak market, the Group posted year-on-year increases in both revenues and income in the Short Sea and Coastal Business sector as a whole for the nine-month period.

As a result of the above, the Bulk Shipping Business Segment recorded higher revenues and lower income compared with the same period of the previous fiscal year.



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

Offshore Energy E&P Support Business

In the offshore support business, all vessels were in steady utilization backed by active drilling operations at offshore oil and gas fields. The drill ship was deployed stably, contributing to stable long-term earnings.

Overall, however, the offshore energy E&P support business recorded higher revenues year on year, but recorded a loss due to the impact of loss on foreign currency valuation at a foreign subsidiary.

Heavy Lifter Business

In the heavy lifter business, the Group was awarded contracts for profitable projects such as offshore operations in the large-sized vessels sector. The medium-sized and small-sized vessel sector saw recovery in the market conditions for semi-liner services. As a result, the heavy lifter business recorded a significant year-on-year increase in revenues and a decrease in operating losses.

As a result of the above, the Offshore Energy E&P Support and Heavy Lifter Business Segment as a whole recorded higher revenues year on year but its ordinary losses worsened compared with the same period of the previous fiscal year.

(iv) Other Business

Other business includes the Group's ship management service, travel agency service, and real estate rental and administration service. The segment recorded higher revenues and lower income for the nine-month period compared with the same period of the previous fiscal year.

(2) Qualitative Information on the Consolidated Financial Situation

Consolidated assets at the end of the consolidated 3rd Quarter were ¥1,259.718 billion, a increase of ¥4.976 billion over the end of the previous fiscal year as a result of a increase in cash and deposits, investments in securities and other factors.

Consolidated liabilities decreased by ¥58.196 billion to ¥785.856 billion due to factors including a decrease in long-term debt compared to the previous fiscal year.

Consolidated net assets were ¥473.862 billion, an increase of ¥63.173 billion compared to the end of the previous fiscal year as a result of increase in retained earnings, translation adjustments and other factors.

(3) Qualitative Information on the Consolidated Prospects for FY2014

(Billion yen; rounded to the nearest 100 million)

|                    | Prior Forecast<br>(at the time of announcement<br>dated October 31, 2014) | Current Forecast<br>(at the time of announcement of<br>the 3rd Quarter result) | Change | % Change |
|--------------------|---|--|--------|----------|
| Operating revenues | 1,250   | 1,350  | 100    | 8.0%     |
| Operating income   | 36  | 46   | 10     | 27.8%    |
| Ordinary income    | 34  | 48   | 14     | 41.2%    |
| Net income         | 21.5  | 25   | 3.5    | 16.3%    |

|                          |         |         |        |        |
|--------------------------|---------|---------|--------|--------|
| Exchange rate (¥/US\$)   | ¥103.76 | ¥108.56 | ¥4.80  | 4.6%   |
| Fuel oil price (US\$/MT) | \$601   | \$560   | (\$41) | (6.8%) |

In the containership business, despite some uncertainties like the effects of prolonged labor-management negotiations in ports on the US west coast, the Group will continue its cost reduction efforts, such as temporary reduction of service capacity in winter in line with slackening of market demand.

In the logistics business, the Group expects continued stable business operations backed by steady development of demand in domestic and international logistic services mainly in Asia.

In the dry bulk business, severe market conditions are expected to continue for all vessel classes, with a decline in demand for iron-ore transportation resulting from seasonal factors as well as a persistent oversupply of vessels that is expected to require some time to ease. The Group will continue to take all measures to improve income including securing medium- to long-term contracts, efficient allocation of vessels, and reduction of vessel operating costs.

In the car carrier business, the Group will reinforce business operations to pursue cargos from South-East Asian countries and trade within the Atlantic Basin in line with the changing trade structure. At the same time, the Group will continue to improve profitability of the business with further efforts to make efficient vessel allocations.

In the LNG carrier business and tanker business, the Group expects stable utilization of the LNG carriers, VLCCs, and LPG carriers based on medium- and long-term charter contracts. The Group also expects improvement of the market conditions for medium-sized crude oil carriers and oil product carriers to a certain degree.

In the short sea business, the Group will increase the size of the fleet while optimizing the tonnage. The Group will also work to make efficient allocation of vessels and reduce vessel operating costs. In the coastal business, the

Group will work on development of new customers in tramper services, and on active sales promotions for its Tomakomai-Ibaraki-Kyushu services, in particular in its liner service, whose fleet was upgraded and expanded.

In the offshore energy E&P support business, contrary to the drill ship, for which stable utilization is expected, the Group anticipates market conditions for the offshore support vessels sector to become slack in the fourth quarter owing to seasonal factors as well as the impact of falling oil prices. However, the Group estimates that its impact on full-year results will be limited.

In the heavy lifter business, the Group will continue to pursue business opportunities of profitable contracts such as transportation of project cargos and offshore installation operations, while carrying on its cost cutting measures to improve business profitability.

While there are uncertainties surrounding the market outlook for the containership business and the dry bulk business in the fourth quarter, the Group has revised its full-year operating forecasts taking into consideration the effects of further depreciation of the yen and the fall in fuel oil prices.

As for the year-end dividend for the current fiscal period, we are planning to change the amount of payment based on a revised forecast of the Group's operating results announced today. The final decision on the amount of payment will be made in line with the progress level of the fourth quarter forecast.

## 2. Matters Relating to Summary Information

### Changes in Accounting Policies, Accounting estimates and retrospective restatements

#### Changes in Accounting Policies

##### (Application of Accounting Standard for Retirement Benefits)

The Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No.26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, May 17, 2012), effective from the first quarter of the fiscal year ending March 31, 2015, in accordance with the provisions stated in paragraph 35 of ASBJ Statement No.26 and paragraph 67 of ASBJ Guidance No.25. As a result, the methods for calculating retirement benefit obligations and service costs have been revised in the following respects: The method for attributing projected benefits to periods has been changed from the straight-line basis to the benefit formula basis, and the method for determining the discount rate has been changed from referring to the period approximate to the expected average remaining working lives of employees, to use a single weighted-average discount rate that reflects the periods until the expected payment of retirement benefits and the amount of projected benefits every such period.

According to the transitional treatment provided in paragraph 37 of ASBJ Statement No.26, the effect of changing the



method for calculating retirement benefit obligations and service costs was recognized by adjusting retained earnings at the beginning of the consolidated cumulative third quarter.

As a result, net defined benefit asset decreased by ¥105 million and net defined benefit liability increased by ¥381 million, whereas retained earnings decreased by ¥244 million at the beginning of the consolidated cumulative third quarter. The effect of this change on consolidated operating results for the consolidated cumulative third quarter is immaterial.

#### Additional Information

(Adoption of the consolidated taxation system)

The Company files a tax return under the consolidated corporate-tax system, from the first quarter of the fiscal year ending March 31, 2015, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

## 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 nine months ended December 31, 2014

|  | (Millions of Yen/Thousands of U.S.Dollars) |   |   |
|--|--|---|---|
|  | Year<br>ended<br>March 31, 2014            | Nine months<br>ended<br>December 31, 2014 | Nine months<br>ended<br>December 31, 2014 |
| <b>ASSETS</b>                                |  |   |   |
| Current assets :                             |  |   |   |
| Cash and deposits                            | ¥ 186,394                                  | ¥ 201,814                                 | \$ 1,674,111                              |
| Accounts and notes receivable-trade          | 94,345                                     | 106,351                                   | 882,217                                   |
| Marketable securities                        | 49,998                                     | -   | -   |
| Raw material and supply                      | 49,032                                     | 42,006                                    | 348,458                                   |
| Other current assets                         | 68,492                                     | 83,650                                    | 693,911                                   |
| Allowance for doubtful receivables           | (656)                                      | (1,664)                                   | (13,810)                                  |
| Total current assets                         | <u>447,605</u>                             | <u>432,158</u>                            | <u>3,584,886</u>                          |
| Fixed assets :                               |  |   |   |
| (Tangible fixed assets)                      |  |   |   |
| Vessels                                      | 566,589                                    | 576,425                                   | 4,781,632                                 |
| Buildings and structures                     | 21,599                                     | 21,223                                    | 176,056                                   |
| Machinery and vehicles                       | 7,431                                      | 8,108                                     | 67,265                                    |
| Land   | 26,623                                     | 27,093                                    | 224,748                                   |
| Construction in progress                     | 35,332                                     | 33,438                                    | 277,384                                   |
| Other tangible fixed assets                  | 3,649                                      | 3,643                                     | 30,224                                    |
| Total tangible fixed assets                  | <u>661,226</u>                             | <u>669,933</u>                            | <u>5,557,309</u>                          |
| (Intangible fixed assets)                    |  |   |   |
| Goodwill                                     | 507  | 277                                       | 2,303                                     |
| Other intangible fixed assets                | 4,850                                      | 4,501                                     | 37,339                                    |
| Total intangible fixed assets                | <u>5,358</u>                               | <u>4,778</u>                              | <u>39,642</u>                             |
| (Investments and other long-term assets)     |  |   |   |
| Investments in securities                    | 88,310                                     | 103,944                                   | 862,249                                   |
| Long-term loans receivable                   | 16,291                                     | 17,251                                    | 143,106                                   |
| Net defined benefit asset                    | 1,168                                      | 1,153                                     | 9,571                                     |
| Other long-term assets                       | 35,091                                     | 30,779                                    | 255,322                                   |
| Allowance for doubtful receivables           | (310)                                      | (280)                                     | (2,326)                                   |
| Total investments and other long-term assets | <u>140,551</u>                             | <u>152,847</u>                            | <u>1,267,922</u>                          |
| Total fixed assets                           | <u>807,135</u>                             | <u>827,560</u>                            | <u>6,864,873</u>                          |
| Total assets                                 | <u>¥ 1,254,741</u>                         | <u>¥ 1,259,718</u>                        | <u>\$ 10,449,759</u>                      |

## Consolidated Balance Sheets

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

|  | (Millions of Yen/Thousands of U.S.Dollars) |   |   |
|--|--|---|---|
|  | Year<br>ended<br>March 31, 2014            | Nine months<br>ended<br>December 31, 2014 | Nine months<br>ended<br>December 31, 2014 |
| <b>LIABILITIES</b>                                       |  |   |   |
| Current liabilities :                                    |  |   |   |
| Accounts and notes payable-trade                         | ¥ 91,492                                   | ¥ 104,196                                 | \$ 864,339                                |
| Short-term loans and current portion of long-term debt   | 77,091                                     | 82,107                                    | 681,110                                   |
| Accrued income taxes                                     | 2,822                                      | 4,226                                     | 35,063                                    |
| Accrued allowance  | 2,587                                      | 2,205                                     | 18,293                                    |
| Other current liabilities                                | 112,317                                    | 76,501                                    | 634,605                                   |
| Total current liabilities                                | <u>286,312</u>                             | <u>269,237</u>                            | <u>2,233,410</u>                          |
| Long-term liabilities :                                  |  |   |   |
| Bonds  | 53,321                                     | 53,132                                    | 440,747                                   |
| Long-term debt, less current portion                     | 418,933                                    | 374,630                                   | 3,107,675                                 |
| Accrued expenses for overhaul of vessels                 | 15,452                                     | 13,747                                    | 114,042                                   |
| Other allowance  | 1,541                                      | 1,424                                     | 11,820                                    |
| Net defined benefit liability                            | 7,978                                      | 6,412                                     | 53,193                                    |
| Other long-term liabilities                              | 60,513                                     | 67,271                                    | 558,035                                   |
| Total long-term liabilities                              | <u>557,740</u>                             | <u>516,618</u>                            | <u>4,285,512</u>                          |
| Total liabilities  | <u>844,052</u>                             | <u>785,856</u>                            | <u>6,518,922</u>                          |
| <b>NET ASSETS</b>  |  |   |   |
| Shareholder's equity:                                    |  |   |   |
| Common stock   | 75,457                                     | 75,457                                    | 625,945                                   |
| Capital surplus  | 60,312                                     | 60,312                                    | 500,308                                   |
| Retained earnings  | 234,429                                    | 261,119                                   | 2,166,064                                 |
| Less treasury stock, at cost                             | (908)                                      | (913)                                     | (7,579)                                   |
| Total shareholders' equity                               | <u>369,291</u>                             | <u>395,975</u>                            | <u>3,284,738</u>                          |
| Accumulated other comprehensive income :                 |  |   |   |
| Net unrealized holding gain on investments in securities | 8,188                                      | 16,001                                    | 132,735                                   |
| Deferred gain on hedges                                  | 5,753                                      | 3,727                                     | 30,917                                    |
| Revaluation reserve for land                             | 5,978                                      | 5,973                                     | 49,553                                    |
| Translation adjustments                                  | 71   | 25,130                                    | 208,463                                   |
| Remeasurements of defined benefit plans                  | (446)                                      | (283)                                     | (2,352)                                   |
| Total accumulated other comprehensive income, net        | <u>19,545</u>                              | <u>50,548</u>                             | <u>419,316</u>                            |
| Minority interests in consolidated subsidiaries          | <u>21,851</u>                              | <u>27,338</u>                             | <u>226,783</u>                            |
| Total net assets   | <u>410,688</u>                             | <u>473,862</u>                            | <u>3,930,837</u>                          |
| Total liabilities and net assets                         | <u>¥ 1,254,741</u>                         | <u>¥ 1,259,718</u>                        | <u>\$ 10,449,759</u>                      |

## Consolidated Statements of Income

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for nine months ended December 31, 2014 and 2013

|  | (Millions of Yen/Thousands of U.S.Dollars) |   |   |
|--|--|---|---|
|  | Nine months<br>ended<br>December 31, 2013  | Nine months<br>ended<br>December 31, 2014 | Nine months<br>ended<br>December 31, 2014 |
| Marine transportation and other operating revenues         | ¥ 918,009                                  | ¥ 1,015,061                               | \$ 8,420,250                              |
| Marine transportation and other operating expenses         | 839,509                                    | 916,814                                   | 7,605,263                                 |
| Gross income   | 78,499                                     | 98,246                                    | 814,987                                   |
| Selling, general and administrative expenses               | 54,379                                     | 57,919                                    | 480,457                                   |
| Operating income   | 24,119                                     | 40,327                                    | 334,530                                   |
| Non-operating income :                                     |  |   |   |
| Interest income  | 953  | 1,025                                     | 8,509                                     |
| Dividend income  | 1,765                                      | 2,079                                     | 17,249                                    |
| Equity in earnings of affiliated companies                 | 2,164                                      | 2,188                                     | 18,154                                    |
| Exchange gain  | 7,275                                      | 7,030                                     | 58,317                                    |
| Other non-operating income                                 | 2,324                                      | 1,105                                     | 9,168                                     |
| Total non-operating income                                 | 14,484                                     | 13,428                                    | 111,396                                   |
| Non-operating expenses :                                   |  |   |   |
| Interest expenses  | 8,352                                      | 7,381                                     | 61,232                                    |
| Other non-operating expenses                               | 1,083                                      | 189                                       | 1,573                                     |
| Total non-operating expenses                               | 9,435                                      | 7,571                                     | 62,804                                    |
| Ordinary income  | 29,168                                     | 46,185                                    | 383,122                                   |
| Extraordinary profits :                                    |  |   |   |
| Gain on sales of fixed assets                              | 4,283                                      | 3,512                                     | 29,134                                    |
| Gain on sales of shares of subsidiaries and associates     | -  | 10,714                                    | 88,877                                    |
| Other extraordinary profits                                | 1,943                                      | 3,292                                     | 27,315                                    |
| Total extraordinary profits                                | 6,227                                      | 17,519                                    | 145,326                                   |
| Extraordinary losses :                                     |  |   |   |
| Loss on impairment of fixed assets                         | 2,695                                      | 2,483                                     | 20,602                                    |
| Loss related to Anti-Monopoly Act                          | -  | 7,023                                     | 58,260                                    |
| Provision of allowance for loss related to Anti-Monopoly A | 5,721                                      | -   | -   |
| Other extraordinary losses                                 | 3,576                                      | 864                                       | 7,172                                     |
| Total extraordinary losses                                 | 11,994                                     | 10,371                                    | 86,034                                    |
| Income before income taxes                                 | 23,401                                     | 53,332                                    | 442,414                                   |
| Income taxes :   |  |   |   |
| Current  | 6,029                                      | 8,686                                     | 72,054                                    |
| Deferred   | (173)                                      | 9,363                                     | 77,677                                    |
| Total income taxes   | 5,856                                      | 18,050                                    | 149,731                                   |
| Net income before minority interests                       | 17,544                                     | 35,282                                    | 292,683                                   |
| Minority interests   | 1,837                                      | 2,276                                     | 18,881                                    |
| Net income   | ¥ 15,707                                   | ¥ 33,006                                  | \$ 273,802                                |

## Consolidated Statements of Comprehensive Income

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for nine months ended December 31, 2014 and 2013

|   | (Millions of Yen/Thousands of U.S.Dollars) |                   |                   |                   |                   |                   |
|---|--|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | Nine months                                |                   | Nine months       |                   | Nine months       |                   |
|   | ended                                      | ended             | ended             | ended             | ended             | ended             |
|   | December 31, 2013                          | December 31, 2014 | December 31, 2014 | December 31, 2014 | December 31, 2014 | December 31, 2014 |
| Income before minority interests  | ¥  | 17,544            | ¥                 | 35,282            | \$                | 292,683           |
| Other comprehensive income  |  |                   |                   |                   |                   |                   |
| Net unrealized holding gain on investments in securities  |  | 11,657            |                   | 7,820             |                   | 64,869            |
| Deferred (loss) income on hedges  |  | 14,487            |                   | (1,786)           |                   | (14,821)          |
| Revaluation reserve for land  |  | 272               |                   | -                 |                   | -                 |
| Translation adjustments   |  | 17,180            |                   | 25,693            |                   | 213,133           |
| Remeasurements of defined benefit plans, net of tax   |  | -                 |                   | 166               |                   | 1,382             |
| Share of other comprehensive income of subsidiaries and affiliates accounted for by the equity method |  | 1,312             |                   | 929               |                   | 7,711             |
| Total other comprehensive income  |  | 44,909            |                   | 32,822            |                   | 272,274           |
| Comprehensive income  | ¥  | 62,454            | ¥                 | 68,105            | \$                | 564,956           |
| (Breakdown)   |  |                   |                   |                   |                   |                   |
| Comprehensive income attributable to:   |  |                   |                   |                   |                   |                   |
| Shareholders of Kawasaki Kisen Kaisha, Ltd.   | ¥  | 60,130            | ¥                 | 64,014            | \$                | 531,020           |
| Minority interests  |  | 2,323             |                   | 4,090             |                   | 33,936            |

## Consolidated Statements of Cash Flows

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for nine months ended December 31, 2014 and 2013

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

|   | Nine months<br>ended<br>December 31, 2013 | Nine months<br>ended<br>December 31, 2014 | Nine months<br>ended<br>December 31, 2014 |
|---|---|---|---|
| Cash flows from operating activities :  |   |   |   |
| Income before income taxes and minority interests   | ¥ 23,401                                  | ¥ 53,332                                  | \$ 442,414                                |
| Depreciation and amortization   | 39,891                                    | 40,206                                    | 333,524                                   |
| Provision for employees' retirement benefits  | 120                                       | -   | -   |
| Decrease in net defined benefit liability   | -   | (1,565)                                   | (12,989)                                  |
| Decrease in net defined benefit asset   | -   | 14  | 118                                       |
| Decrease in accrued expenses for overhaul of vessels  | (81)                                      | (1,759)                                   | (14,594)                                  |
| Interest and dividend income  | (2,719)                                   | (3,105)                                   | (25,758)                                  |
| Interest expense  | 8,352                                     | 7,381                                     | 61,232                                    |
| Exchange gain   | (3,119)                                   | (787)                                     | (6,534)                                   |
| Loss on impairment of fixed assets  | 2,695                                     | 2,483                                     | 20,602                                    |
| Loss related to Anti-Monopoly Act   | -   | 7,023                                     | 58,260                                    |
| Gain on sales of vessels, property and equipment  | (4,280)                                   | (3,486)                                   | (28,918)                                  |
| Gain on sales of shares of subsidiaries and associates  | -   | (10,714)                                  | (88,877)                                  |
| Increase in accounts and notes receivable – trade   | (12,350)                                  | (8,770)                                   | (72,757)                                  |
| Decrease (increase) in inventories  | (3,321)                                   | 7,579                                     | 62,873                                    |
| Increase in other current assets  | (844)                                     | (7,084)                                   | (58,766)                                  |
| Increase in accounts and notes payable – trade  | 10,420                                    | 9,536                                     | 79,112                                    |
| Increase in other current liabilities   | 3,771                                     | 2,336                                     | 19,383                                    |
| Change in derivative assets and liabilities, net  | 23,612                                    | -   | -   |
| Other, net  | 2,834                                     | (1,446)                                   | (12,002)                                  |
| Subtotal  | 88,382                                    | 91,174                                    | 756,321                                   |
| Interest and dividends received   | 3,530                                     | 4,074                                     | 33,803                                    |
| Interest paid   | (8,055)                                   | (7,243)                                   | (60,084)                                  |
| Payments related to Anti-Monopoly Act   | -   | (12,721)                                  | (105,530)                                 |
| Income taxes paid   | (5,307)                                   | (7,320)                                   | (60,728)                                  |
| Net cash provided by operating activities   | 78,550                                    | 67,963                                    | 563,782                                   |
| Cash flows from investing activities :  |   |   |   |
| Payments into time deposits   | (16,996)                                  | (16,080)                                  | (133,395)                                 |
| Proceeds from withdrawal of time deposits   | 11,199                                    | 12,532                                    | 103,962                                   |
| Purchases of marketable securities and investments in securities                              | (1,228)                                   | (3,660)                                   | (30,365)                                  |
| Proceeds from sale of marketable securities and investments in securities                     | 6,952                                     | 4,609                                     | 38,240                                    |
| Proceeds from sales of shares of subsidiaries   | -   | 13,620                                    | 112,989                                   |
| Purchases of vessels, property and equipment  | (69,640)                                  | (65,520)                                  | (543,516)                                 |
| Proceeds from sale of vessels, property and equipment   | 56,364                                    | 42,051                                    | 348,832                                   |
| Purchases of intangible fixed assets  | (685)                                     | (606)                                     | (5,028)                                   |
| Increase in long-term loans receivable  | (814)                                     | (1,537)                                   | (12,751)                                  |
| Collection of long-term loans receivable  | 112                                       | 2,252                                     | 18,681                                    |
| Other, net  | (147)                                     | (1,560)                                   | (12,944)                                  |
| Net cash used in investing activities   | (14,882)                                  | (13,898)                                  | (115,296)                                 |
| Cash flows from financing activities :  |   |   |   |
| Decrease in short-term loans, net   | (2,180)                                   | (661)                                     | (5,485)                                   |
| Proceeds from long-term debt  | 72,603                                    | 24,599                                    | 204,063                                   |
| Repayment of long-term debt and obligations under finance leases                              | (95,445)                                  | (80,527)                                  | (668,003)                                 |
| Proceeds from Issuance of Bonds   | 49,939                                    | -   | -   |
| Redemption of Bonds   | (25,685)                                  | (45,189)                                  | (374,857)                                 |
| Cash dividends paid   | (2,341)                                   | (6,563)                                   | (54,449)                                  |
| Cash dividends paid to minority shareholders  | (1,148)                                   | (1,133)                                   | (9,404)                                   |
| Proceeds from sales and leasebacks  | -   | 3,958                                     | 32,838                                    |
| Other, net  | (1)                                       | (5)                                       | (49)                                      |
| Net cash used in financing activities   | (4,259)                                   | (105,522)                                 | (875,346)                                 |
| Effect of exchange rate changes on cash and cash equivalents                                  | 9,090                                     | 12,179                                    | 101,031                                   |
| Net (decrease) increase in cash and cash equivalents  | 68,498                                    | (39,278)                                  | (325,828)                                 |
| Cash and cash equivalents at beginning of the period  | 159,075                                   | 222,606                                   | 1,846,591                                 |
| Increase in cash and cash equivalents arising from inclusion of subsidiaries in consolidation | 30  | 708                                       | 5,881                                     |
| Cash and cash equivalents at end of the period  | ¥ 227,604                                 | ¥ 184,036                                 | \$ 1,526,643                              |

## Segment information

Nine months ended December 31, 2013

(Millions of Yen)

|                                    | Containership | Bulk shipping | Offshore Energy<br>E&P Support<br>and<br>Heavy Lifter | Other    | Total     | Adjustments<br>and<br>eliminations | Consolidated |
|------------------------------------|---------------|---------------|---|----------|-----------|------------------------------------|--------------|
| Revenues                           |               |               |   |          |           |                                    |              |
| Operating Revenues from customers  | ¥ 436,447     | ¥ 428,460     | ¥ 25,765  | ¥ 27,335 | ¥ 918,009 | ¥ -                                | ¥ 918,009    |
| Inter-group revenues and transfers | 5,736         | 2,076         | -   | 31,777   | 39,591    | (39,591)                           | -            |
| Total revenues                     | 442,183       | 430,537       | 25,765  | 59,113   | 957,600   | (39,591)                           | 918,009      |
| Segment income (loss)              | ¥ (1,117)     | ¥ 34,254      | ¥ (3,097)   | ¥ 3,428  | ¥ 33,467  | ¥ (4,299)                          | ¥ 29,168     |

Nine months ended December 31, 2014

(Millions of Yen)

|                                    | Containership | Bulk shipping | Offshore Energy<br>E&P Support<br>and<br>Heavy Lifter | Other    | Total       | Adjustments<br>and<br>eliminations | Consolidated |
|------------------------------------|---------------|---------------|---|----------|-------------|------------------------------------|--------------|
| Revenues                           |               |               |   |          |             |                                    |              |
| Operating Revenues from customers  | ¥ 503,828     | ¥ 451,947     | ¥ 29,900  | ¥ 29,384 | ¥ 1,015,061 | ¥ -                                | ¥ 1,015,061  |
| Inter-group revenues and transfers | 5,689         | 2,401         | -   | 35,458   | 43,549      | (43,549)                           | -            |
| Total revenues                     | 509,517       | 454,348       | 29,900  | 64,842   | 1,058,610   | (43,549)                           | 1,015,061    |
| Segment income (loss)              | ¥ 18,225      | ¥ 32,693      | ¥ (4,099)   | ¥ 3,154  | ¥ 49,973    | ¥ (3,788)                          | ¥ 46,185     |

Nine months ended December 31, 2014

(Thousands of U.S. Dollars)

|                                    | Containership | Bulk shipping | Offshore Energy<br>E&P Support<br>and<br>Heavy Lifter | Other      | Total        | Adjustments<br>and<br>eliminations | Consolidated |
|------------------------------------|---------------|---------------|---|------------|--------------|------------------------------------|--------------|
| Revenues                           |               |               |   |            |              |                                    |              |
| Operating Revenues from customers  | \$ 4,179,417  | \$ 3,749,045  | \$ 248,036  | \$ 243,753 | \$ 8,420,250 | \$ -                               | \$ 8,420,250 |
| Inter-group revenues and transfers | 47,195        | 19,919        | -   | 294,140    | 361,254      | (361,254)                          | -            |
| Total revenues                     | 4,226,611     | 3,768,964     | 248,036   | 537,893    | 8,781,504    | (361,254)                          | 8,420,250    |
| Segment income (loss)              | \$ 151,186    | \$ 271,202    | \$ (34,009)   | \$ 26,171  | \$ 414,549   | \$ (31,427)                        | \$ 383,122   |