FINANCIAL HIGHLIGHTS

Brief report of the the year ended March 31, 2016

Kawasaki Kisen Kaisha, Ltd.

[Two Year Summary]

		Year ended March 31, 2015		**Year ended March 31, 2016**		**Year ended March 31, 2016**
Consolidated						
Operating revenues (Millions of yen / Thousands of U.S. dollars)	¥	1,352,421	¥	1,243,932	$	11,039,513
Operating income (Millions of yen / Thousands of U.S. dollars)		47,988		9,427		83,666
Net (loss) income attributable to owners of parent (Millions of yen / Thousands of U.S. dollars)		26,818		(51,499)		(457,042)
Per share of common stock (Yen / U.S. dollars)						
Basic		35.20		8.44		0.07
Diluted		30.07		9.90		0.09

		Year ended March 31, 2015		**Year ended March 31, 2016**		**Year ended March 31, 2016**
Total Assets (Millions of yen / Thousands of U.S. dollars)	¥	1,223,328	¥	1,115,223	$	9,897,265
Net assets (Millions of yen / Thousands of U.S. dollars)		467,440		379,913		3,371,618

		Year ended March 31, 2015		**Year ended March 31, 2016**		**Year ended March 31, 2016**
Net cash provided by operating activities (Millions of yen / Thousands of U.S. dollars)	¥	101,825	¥	39,635	$	351,754
Net cash used in investing activities (Millions of yen / Thousands of U.S. dollars)		(11,177)		(29,569)		(262,419)
Net cash used in financing activities (Millions of yen / Thousands of U.S. dollars)		(119,253)		(14,835)		(131,662)

The U.S. dollar amounts are converted from the yen amount at ¥112.68 = U.S.$1.00.
The exchange rate prevailing on March 31, 2016.

1. Operating Results

(1) Analysis of Operating Results

1) Summary of Consolidated Operating Results for FY2015

(Billion Yen; rounded to nearest 100 million)

	Fiscal 2014 (Ended March 31, 2015)	Fiscal 2015 (Ended March 31, 2016)	Change	% change
Operating revenues	1,352.4	1,243.9	(108.5)	(8.0%)
Operating income	48.0	9.4	(38.6)	(80.4%)
Ordinary income	49.0	3.3	(45.6)	(93.2%)
Net income(loss) attributable to owners of parent	26.8	(51.5)	(78.3)	-

Exchange rate (¥/US$) (12-month average)	¥109.19	¥120.78	¥11.59	10.6%
Fuel oil price (US$/MT) (12-month average)	US$541	US$295	(US$246)	(45.5%)

During the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016; hereinafter "the fiscal year"), despite weakness in some areas, the global economy recovered gradually overall. In the U.S., personal consumption and real estate investment increased, providing a backdrop for a continued strong economic recovery. Amid this, the Federal Reserve Board meeting held in March decided to keep the target policy of interest rate in the range between 0.25% and 0.50%. In Europe, the economy showed weakness in some areas, amidst the ongoing Greek fiscal crisis and refugee issue as a new concern, but gradually recovered by the euro's depreciation due to additional quantitative easing by the European Central Bank. Meanwhile, the slowdown in the Chinese economy became clear, with ongoing reduction of excess investment and adjustment of surplus facilities, despite solid growth in consumption. Also, the sharp fall in resource prices such as crude oil affected the economic conditions in emerging markets in Asia, and the economies of countries exporting natural resources, such as Brazil and Russia, also deteriorated.

The Japanese economy continued its gradual recovery trend with the improvement in employment and income environment; however, although the yen depreciated temporarily against the U.S. dollar due to quantitative and qualitative easing with the Bank of Japan adopting a negative interest rate, the yen proceeded to strengthen subsequently, and the Nikkei Stock Average continued to exhibit volatility and unstable movements.

In the business environment for the shipping industry, market conditions turned favorable in the oil tanker business amid a fall in fuel oil prices, due to expansion in stockpiles and transport demand associated with the drop in crude oil prices. Nevertheless, in the containership business, the freight rate market slumped as the gap between vessel supply and demand widened due to stagnating cargo movement combined with the continued launching of newly-built large-sized containerships. In the dry bulk business as well, freight rates stagnated at historically lowest market levels, as an oversupply of vessels overlapped a retreat in demand due to the slowdown in the Chinese economy and other factors. The Group made efforts to improve profitability, such as more efficient vessel allocation, and strived to reduce vessel operating costs. Nevertheless, business performance declined year on year.

As a result, operating revenues for the fiscal year were ¥1,243.932 billion (down ¥108.488 billion year on year), operating income was ¥9.427 billion (down ¥38.560 billion), ordinary income was¥3.338 billion (down ¥45.642 billion), and net loss attributable to owners of parent was ¥51.499 billion (compared to net income attributable to owners of parent of ¥26.818 billion for the previous fiscal year), due to the recording of extraordinary losses etc. during the fourth quarter, as the business environment faced structural changes, such as disposal of ships, early cancellation of charter contracts and loss on impairment. These extraordinary losses were posted as the result of Group's business structural reform to reduce the risk of exposure to market conditions and further accelerating the reduction of fleet scale, focused on small- and medium-size vessels, in the dry bulk business.

Performance per segment was as follows:

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

		Fiscal 2014 (Ended March, 2015)	Fiscal 2015 (Ended March, 2016)	Change	% change
Containership	Operating revenues	677.4	614.9	(62.5)	(9.2%)
	Segment income (loss)	20.6	(10.0)	(30.7)	-
Bulk Shipping	Operating revenues	600.7	567.6	(33.1)	(5.5%)
	Segment income	36.5	24.7	(11.8)	(32.5%)
Offshore Energy E&P Support and Heavy Lifter	Operating revenues	35.3	24.7	(10.7)	(30.2%)
	Segment income (loss)	(5.7)	(6.6)	(0.9)	-
Other	Operating revenues	39.0	36.8	(2.2)	(5.7%)
	Segment income	3.0	1.8	(1.2)	(39.6%)
Adjustment and eliminations	Segment income (loss)	(5.5)	(6.5)	(1.0)	-
Total	Operating revenues	1,352.4	1,243.9	(108.5)	(8.0%)
	Segment income	49.0	3.3	(45.6)	(93.2%)

ⅰ) Containership Business Segment

Containership Business

During the fiscal year, cargo volume loaded on the Asia-North America service for round-trip voyages overall recorded an increase of approximately 2% year on year, supported in part by the firm undertone of the U.S. economy. On other routes, however, cargo volumes declined by around 13% in the Asia-Europe service, around 15% in the Intra-Asia service, and around 7% in the North-South service, mainly reflecting a slump in demand due to uncertainty in the European economy, the economic slowdown in China and the fall in resource prices, as well as further reduction in sailings and rationalization of services. Overall cargo volume loaded for the Group declined by around 5% year on year.

The freight rate market fell notably in the Asia-North America service from the third quarter due to deterioration in the vessel supply-demand balance. The market also continued to slump in the Asia-Europe and North-South services. As a result, the average freight rate for the Group across all routes were lower than the previous fiscal year. The Group strengthened its competitiveness by completion of five new large-sized vessels with loading capacity of 14,000 TEU, while continuing various cost reducing efforts, such as reducing space and sailings on the Asia-Europe service in response to a decline in demand, rationalizing the North-South and Intra-Asia services, and cutting the cost on forwarding empty containers. Despite these efforts, the Group's sales declined year-on-year resulting in a loss.

Logistics Business

In the logistics business, including inland transportation and warehousing, domestic logistics services performed strongly, mainly in inland transportation. In international logistics services, the handling of air freight cargos from Asia, including Japan, declined due to the clearing of port congestion on U.S. west coast and slowdown in the Chinese economy. Overall, the logistics business saw both revenue and income decline year-on-year.

As a result of the above, the Containership Business Segment overall had a year-on-year decline in revenue and recorded a loss.

ⅱ) Bulk Shipping Business Segment

Dry Bulk Business

In the large-vessel sector, the freight rate market slumped to the lowest level on record, as the increase in cargo movement for the winter season had almost no impact amid plateauing iron ore import volumes due to stagnating iron demand in China. In the small- and medium-size vessel sector, the freight market slumped as the vessel supply and demand balance collapsed, mainly due to the slump in transportation of coal to China and easing demurrage for loading grain shipments in South America. The Group responded by reducing the number of cargo-free vessels through disposal of vessels, cutting operating costs and allocating vessels efficiently. However, the protracted slump in market conditions took its toll, and the Group had a year-on-year decline in revenue and recorded a loss.

Car Carrier Business

Cargo movements for finished vehicles during the fiscal year faltered for cargos from Europe and North America to Asia against a backdrop of the economic slowdown in China, as well as from Asia to resource countries in Central and South America and Africa. Cargo movements within Europe also declined, reflecting a slump in the Russian economy. As a result, the overall volume of finished vehicles shipped by the Group during the fiscal year declined slightly year on year, despite the support from an increase in cargo volumes within the Atlantic Basin and from Japan to North America and other areas. The Group recorded year-on-year declines in both revenues and income despite continuous efforts to improve efficiency of vessel allocation and operation.

LNG Carrier Business and Tanker Business

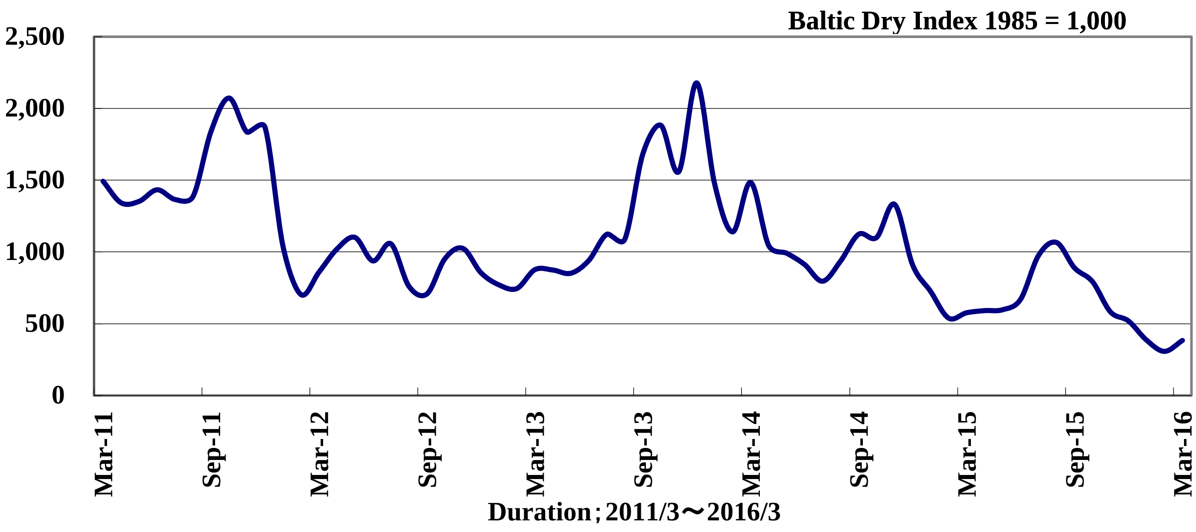
LNG carriers, large crude tankers (VLCCs), and LPG carriers performed steadily on medium- and long-term charter contracts. Moreover, the freight rate market in the oil tanker business continued to perform favorably throughout the fiscal year. The LNG carrier business and Tanker business overall reported year-on-year increases in both revenues and income for the fiscal year.

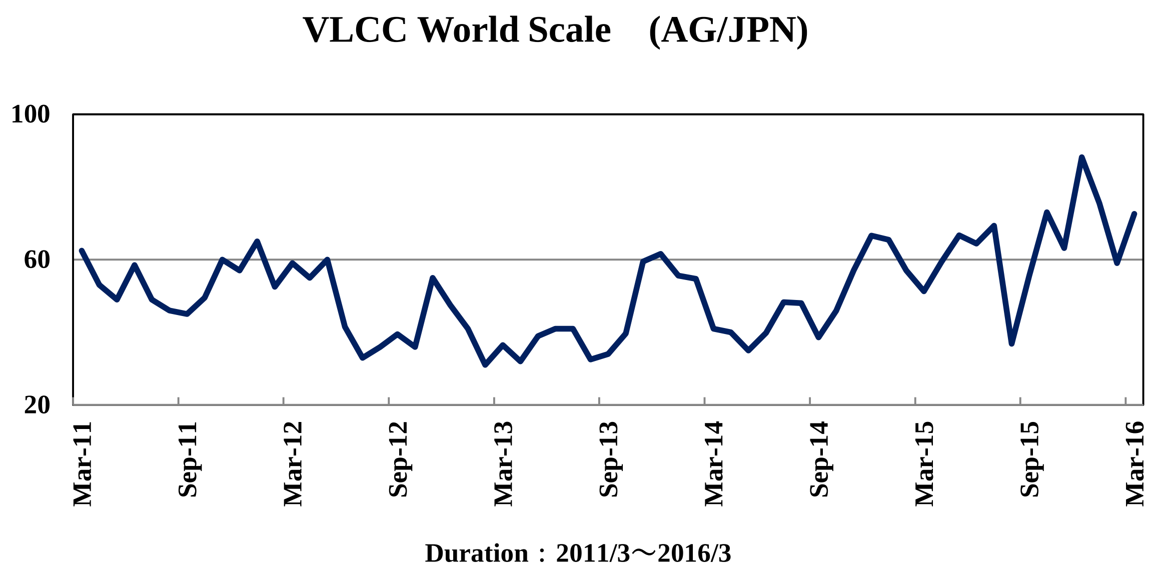
Short Sea and Coastal Business

In the short sea business, although market prices remained at low levels, the Group secured cargo volumes at the same level as the previous fiscal year. In the coastal business, the Group maintained stable operations in the tramper service, mainly in shipper-dedicated vessels, and a year-on-year increase in cargo volumes in the liner service through sales promotion by launching large-sized vessels. In the short sea and coastal business as a whole, the Group posted a year-on-year decrease in revenues and an increase in income, partly due to a decrease in bunker adjustment charge resulting from a fall in fuel oil prices.

As a result of the above, the Bulk Shipping Business Segment overall saw both revenue and income decline year on year.

Baltic Dry Index





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

Offshore Energy E&P Support Business

The drill ship continued to perform favorably, helping to secure stable long-term earnings. However, the offshore support business was negatively impacted by softening market conditions due to stalled offshore development caused by the slump in crude oil prices. Overall, offshore energy E&P support business narrowed its loss despite a year-on-year decline in revenue, partly due to a reduction in valuation loss on foreign-currency denominated debt at a foreign subsidiary in the offshore support business.

Heavy Lifter Business

In the heavy lifter business, losses worsened as revenues declined year on year. The decline was due to a contraction in transportation and operations related to offshore projects by large vessels and a slump in market conditions across all vessel classes.

As a result of the above, the Offshore Energy E&P Support and Heavy Lifter Business Segment overall recorded lower revenues year on year, and its losses worsened.

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 year-on-year declines in both revenues and income.

2) Prospects for Fiscal 2016

For the fiscal year ending March 31, 2017, the Group is projecting operating revenues of ¥1,100 billion, operating income of ¥17 billion, ordinary income of ¥15 billion and net loss attributable to owners of parent of ¥35 billion.

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

	Operating Revenue		Operating Income		Ordinary Income		Net loss attributable to owners of parent	
Fiscal 2016 (End Mar. 2017)	1,100	(11.6%)	17	80.3%	15	349.3%	(35)	-

(Exchange Rate(¥/US$) : ¥110 / Fuel Oil Price(US$/MT): $275)

In the business environment for the shipping industry, there is concern of a sluggish demand for cargo movement due mainly to marked slowdown of the Chinese economy, weakness in economies of emerging markets accompanying a slump in resource demand, and the effect of uncertainty in the European economy where there is political unrest caused by the refugee issue. In addition, with the currently ongoing vessel supply pressure, it’s expected that a certain amount of time will be needed for full-fledged recovery of supply and demand balance and market conditions, which reached record low levels. Under such structural changes to the business environment, the Group carried out revisions to the medium-term management plan which has “Ensuring competitiveness through business structural reform in addition to ensuring stability” as its top priority initiative. As a result, an extraordinary loss is expected to be recorded due to the implementation of structural reform for the dry bulk business, affiliated subsidiaries, etc., following the current fiscal year. For revisions to the medium-term management plan, please refer to 3. Management Policies.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

Total assets at the end of March 2016 were ¥1,115.223 billion, a decrease of ¥108.104 billion from the end of the previous fiscal year. Current assets decreased by ¥41.038 billion from the end of the previous fiscal year, due mainly to decreases in accounts and notes receivable-trade and raw material and supply. Fixed assets decreased by ¥67.065 billion, mainly as a result of a decrease in vessels and investments in securities.

Total liabilities at the end of the fiscal year were ¥735.309 billion, an ¥20.577 billion decrease from the end of the previous fiscal year. Current liabilities decreased by ¥15.325 billion from the end of the previous fiscal year.

Long-term liabilities decreased by ¥5.252 billion from the end of the previous fiscal year primarily because of a decrease in long-term debt.

Net assets decreased by ¥87.526 billion to ¥379.913 billion from the end of the previous fiscal year due mainly to decreases in retained earnings and translation adjustments.

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

Item	Fiscal 2014 (Ended March 2015)	Fiscal 2015 (Ended March 2016)	Year-on-year increase/(decrease)
Cash and cash equivalents at the beginning of the year	222.6	209.4	(13.2)
(1) Cash flows from operating activities	101.8	39.6	(62.2)
(2) Cash flows from investing activities	(11.2)	(29.6)	(18.4)
(3) Cash flows from financing activities	(119.3)	(14.8)	104.4
(4) Currency translation gain or loss (on cash and cash equivalents)	14.7	(5.9)	(20.6)
Net increase (decrease) in cash and cash equivalents	(13.9)	(10.7)	3.2
Change in cash and cash equivalents as a result of companies newly included in consolidated accounting	0.7	0.0	(0.7)
Cash and cash equivalents at the end of the year	209.4	198.7	(10.7)

Total cash and cash equivalents at the end of fiscal year 2015 were ¥198.745 billion, a decrease of ¥10.678 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 ¥39.635 billion (compared to a net cash inflow of ¥101.825 billion in the previous fiscal year) due mainly to decrease of depreciation and amortization and in accounts and notes receivable.

Cash flows from investing activities resulted in a net cash outflow of ¥29.569 billion (compared to a net cash outflow of ¥11.177 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 ¥14.835 billion (compared to a net cash outflow of ¥119.253 billion in the previous fiscal year) due mainly to repayment of long-term debt.

Reference: Changes in cash flow-related indicators

	Fiscal Year Ended March 2012	Fiscal Year Ended March 2013	Fiscal Year Ended March 2014	Fiscal Year Ended March 2015	Fiscal Year Ended March 2016
Equity ratio (%)	22.7	28.9	31.0	36.1	31.9
Equity ratio (based on market value) (%)	13.0	15.8	16.7	24.7	18.3
Ratio of debt to cash flow (annual)	-	10.5	7.3	5.3	13.2
Interest coverage ratio (x)	-	4.9	8.0	10.0	5.1

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

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

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

Interest coverage ratio is cash flow divided by interest expenses.

Notes

1. Indicators are calculated on the basis of consolidated figures.
2. Market capitalization is calculated based on the number of shares outstanding, not including treasury stock.
3. Cash flows above refer to cash flows from operating activities.
4. Interest-bearing debt is the total of all liabilities on the consolidated balance sheet on which interest is paid (including ¥50.0 billion in Euro-Yen Zero Coupon Convertible Bonds). Interest paid shown in the consolidated statement of cash flows is used as interest expenses.
5. The ratio of debt to cash flow and the interest coverage ratio for the fiscal year ended March 2012 was omitted since the cash flows from operating activities were negative.

(3) Basic Dividend Policy and Dividend Payments for Fiscal Year 2015 and Following Fiscal Years

Our important task is to maximize returns to our shareholders while maintaining necessary internal reserves to fund our capital investment and strengthen our financial position for the sake of sustainable growth, which is a priority of our management plan.

For the annual dividend in the fiscal year ended March 31, 2016, we plan to pay a year-end dividend of ¥2.5 per share as previously announced.

The annual dividend in the fiscal year ending March 31, 2017 has yet to be decided because net loss attributable to owners of parent is expected.

(4) Business Risks

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

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

1. Exchange Rate Fluctuations

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

2. Fuel Oil Price Fluctuations

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

3. Interest Rate Fluctuations

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

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

4. Public Regulations

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

The Group has been investigated by the competition authorities in Europe and certain other countries in relation to alleged anti-competitive behavior (alleged formation of a cartel) relating to the transportation of automobiles, automotive construction machineries and other automotive vehicles. In addition, the Group is currently subject to 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. 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 unfavorable to the Group, it could materially and adversely affect the Group's financial condition and results of operations.

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

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

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

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

6. Competitive Business Environment, etc.

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

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

7. Natural Disasters

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

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

8. Business Partners' Failure to Perform Contracts

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

9. Non-achievement of Investment Plans

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

10. Losses from Disposal of Vessels, etc.

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

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

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

12. Reversal of Deferred Tax Assets

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

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

2. Situation of the "K"LINE GROUP

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

The main companies that handle these businesses (as of March 31, 2016) are the following:

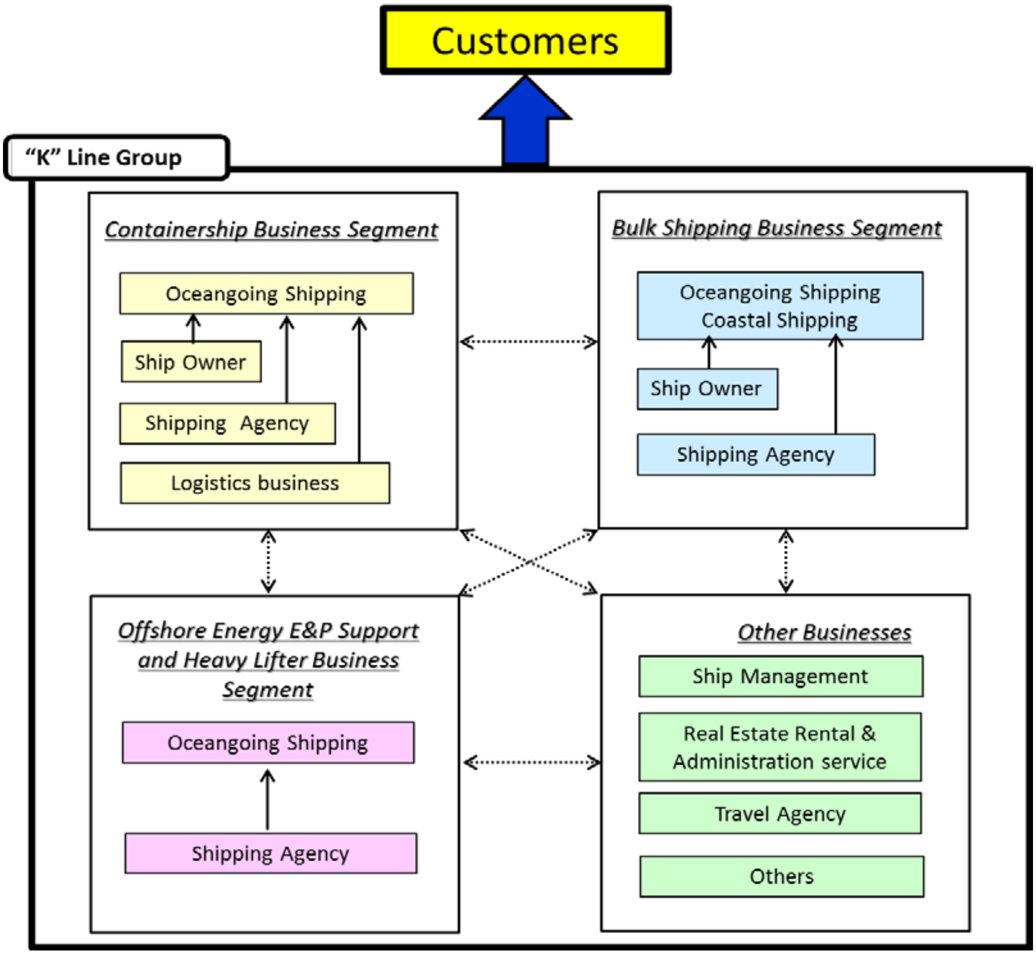
Business Segment	Principal Companies Managing Each Business	
	Domestic	Overseas
I. Containership	Kawasaki Kisen Kaisha, Ltd., Daito Corporation, Nitto Total Logistics, Seagate Corporation, "K" Line (Japan) Ltd., KMDS Co., Ltd, Nitto Tugboat Co., Ltd., Hokkai Transportation Co., Ltd., "K" Line Logistics,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

With the Group's 100th anniversary coming in April 2019, the Group has established the following Corporate Principle and Vision as its mission of contributing to the well-being and prosperous lifestyles of people around the world through achieving sustainable growth and enhancing corporate value.

Corporate Principle

~ : trust from all over the world~

As an integrated logistics company grown from shipping business, the "K" LINE Group contributes to society so that people live well and prosperously.

We always recognize this principle in our operations.

Vision

Concepts that the "K" Line Group pursues in business

- ◆ Providing reliable and excellent services - Contributing to society
- ◆ A fair way of business - Fostering trust from society
- ◆ Relentless efforts to achieve innovation - Generating new values
- ◆ Respecting humanity - Corporate culture that respect individuality and diversity

We pursue these concepts in our Vision and will progress further to the next stage.

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

In March 2015, the Group announced a medium-term management plan with fiscal 2019 as the target year. Since then, however, global economic growth has slowed, notably so in China and other emerging countries since mid-2015. In addition to this, we have seen rising geopolitical risks such as the refugee issue in Europe. Against this backdrop with widespread uncertainty, the Group decided to review the medium-term plan in light of the structural changes afoot in the business environment, giving particular attention to the weakening growth in demand and the continuation of tonnage supply pressure. As a result, in April 2016, the Group formulated a new medium-term management plan " Value for our Next Century - Action for Future -".

Under the new medium-term management plan, the Group will carry out initiatives for achieving sustainable growth and enhancing corporate value guided by the following three core themes:

(i) Ensuring stability by improving financial strength and competitiveness through business structural reform

(ii) Further business growth based on financial soundness

(iii) Dialogues and collaboration with stakeholders (in order to achieve sustainable growth and enhance corporate value)

Financial results of the fiscal year, and projections and key financial indicators for “K Value for our Next Century - Action for Future -”

	FY2015 results	FY2016 forecast	FY2019 target (new plan)	Post-FY2020 targets	FY2019 targets (original plan)
Operating revenue (¥ bln)	1,243.9	1,100.0	1,200.0		1,500.0
Operating income (¥ bln)	3.3	15.0	45.0		85.0
Net income (¥ bln)	▲51.5	▲35.0	33.0		Over 60.0
EBITDA (¥ bln)	24.7	33.0	93.0		150.0
ROE (%)	▲13%	▲11%	8%	Over 10%	Over 10%
Shareholders' equity (¥ bln)	355.4	320.0	400.0	500.0	600.0
Equity ratio (%)	32%	31%	36%	40%	40%
Interest-bearing debt (¥ bln)	525.2	520.0	480.0	480.0	480.0
DER(%)	148%	163%	120%		80%
NET DER(%)	80%	113%			55%
Operating CF (¥ bln)	39.6	0	90.0		120.0
Investing CF (¥ bln)	▲29.6	▲27.0	▲50.0		▲80.0
Exchange rate (Yen-US$)	¥ 120.78	¥ 110.00	¥ 110.00		¥ 110.00
Bunker oil price per mt (US$)	$ 295	$ 275	$ 370		$ 500

(3) Tasks for the “K” Line Group to Address

The initiatives to realize the core themes in the medium-term management plan “K Value for our Next Century – Action for Future -” are detailed below.

(i) Ensuring stability by improving financial strength and competitiveness through business structural reform

Currently, the direction of the Global economy is becoming more uncertain with weakening economic growth and concern over the direction of structural reform in China, economic stagnation in emerging countries and developing countries due to the downturn in resource prices, and the impact on the economy of geopolitical risks such as the refugee issue in Europe while it must deal with a fiscal crisis. Amid this uncertainty, the Group is now concerned there will be a slower recovery in the balance of vessel supply and demand based on the weakening growth in demand for logistics transportation and an oversupply of new vessels. Amid such a business environment, the Company considers the initiatives for stability and competitiveness to be the top priority for management. Specific targets have been drawn up as follows:

- Implement business structural reform primarily in the dry bulk business sector (in particular, eliminate risk exposure in the small-and medium-size vessel sector)
- Strive for further stable expansion of operations to provide stable revenues (car-carrier, LNG carrier, oil-tanker, dry bulk long-term contract carrier and logistics business sectors)

- Establish more stable revenue streams by further promoting plans to ensure competitiveness in containership business sector (newly-built energy-efficient large vessels, and further emphasis on Asia-North America services, Asia-Europe services, and Europe-North America services)
- Improve asset efficiency through structural reforms of overall business including subsidiaries and associates

(ii) Further business growth based on financial soundness

As aforementioned, it will be possible that the growth in logistics demand will weaken over the medium term. Nevertheless, we believe there will be sustainable growth in the long term, amid increasing population and expanding demand for energy. By firstly basing its business on stability and competitiveness, the Group will be able to realize a business portfolio with reduced risks. By doing so, the Group will aim to operate its businesses with a focus on striking a balance between stability and growth potential. Specifically, although the Group’s investment plan over the five years from fiscal 2015 to fiscal 2019, which concentrates on structural reforms in the dry bulk business sector, has been reduced from ¥330 billion to ¥230 billion, strategically investing for growth, the Group plans to invest a total of ¥95 billion on initiatives to supply logistics demand by expanding the LNG/oil carrier fleet based on medium- and long-term contracts with an emphasis on profitability and stability and establishing terminals in Asia and other regions. The Group also plans to invest a total of ¥105 billion in initiatives to expand stable revenues to boost resilience to volatility including large containerships of 14,000 TEU (ten vessels in total to be delivered by fiscal 2018) and large car carriers of 7,500-unit capacity (ten vessels to be delivered by fiscal 2017).

(iii) Dialogue and Collaboration with Stakeholders (in order to achieve sustainable growth and enhance corporate value)

The Group has positioned dialogues and collaboration with stakeholders to achieve sustainable growth and enhance corporate value as a key management policy. Under this policy, the Group is promoting the following measures.

- Collaboration with stakeholders through corporate social responsibility (CSR) activities

  The Group’s basic approaches to CSR are “consideration of impact on business activities” and “creating new value”. Its policy is to focus particularly on safe ship operation, environmental conservation, and human resource cultivation. As organizations for promoting CSR, the Group has established the CSR & Environmental Committee and beneath it the CSR Sub-Committee and the Environmental Sub-Committee. These organizations drive the initiatives of the entire Group and are primarily responsible for strengthening the Group's information disclosure and dissemination.

With regard to environmental conservation, in March 2015 the Group established its long-term environmental management vision toward 2050, entitled, "'K' Line Environmental Vision 2050 'Securing Blue Seas for Tomorrow'". This policy sets out the direction that the Group aims to follow from multiple perspectives, in order to fulfill its responsibilities as a player in a key industry contributing to the well-being and prosperous lives of people.

- Strengthening corporate governance structure

  To ensure that the initiatives of the newly established Corporate Principle and Vision are duly carried out, and to help the Group to achieve sustainable growth and enhance corporate value, the Group will strengthen its corporate governance structure, including reshaping the Group's internal control system. In risk management, the Group has established the Crisis Management Committee and several subordinate committees (the Compliance Committee, Ship Safety Promotion Committee, Management Risk Committee, and Disaster Response Committee), which are responsible for the Group's risk management. In addition, the Investment Committee is responsible for deliberating about important investments.

- Policy on returning profits to shareholders

  Although the policy of providing stable dividends will continue to be an ongoing plan, owing to the implementation of structural reforms in fiscal 2015 and fiscal 2016, it will be the Company's policy to concentrate on the stability of the Group. As such, the Company has not decided on dividends for fiscal 2016. Later, subject to recovery of the Group's earning capacity, the Company will study the structural changes in the business environment and aim to provide a return to shareholders based on the initial stable dividend policy.

4. Basic Approach to Selection of Accounting Standards

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

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

5. Matters Relating to Summary Information

Changes in Accounting Policies

(Application of Accounting Standard for Business Combinations and other standards)

The company has adopted the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013, hereinafter the “Business Combinations Standard”), the “Accounting Standard for Consolidated Financial Statements”(ASBJ Statement No.22, September 13, 2013, hereinafter the“Consolidated Financial Statements Standard”), the “Accounting Standard for Business Divestitures” (ASBJ Statement No.7, September 13, 2013, hereinafter the “Business Divestitures Standard”) and others effective from the consolidated fiscal year ending March 31, 2016. Accordingly, the Company’s accounting policies have been changed; the difference arising from a change in the Company’s ownership interest in a subsidiary over which the Company continues to have control being recorded as capital surplus and acquisition costs being expensed in the consolidated fiscal year in which they are incurred. Furthermore, for business combinations to be performed at and after the beginning of the consolidated fiscal year ending March 31, 2016, the method has been changed to reflect adjustments to the provisional amount arising from the finalization of the tentative accounting treatment relating to the purchase price allocation in the consolidated financial statements for the consolidated fiscal year to which the date of business combination belongs. In addition, the expression for net income, etc. has been changed, and “minority interests” has been changed to “non-controlling interests”. In order to reflect these changes, the full-year consolidated financial statements for the fiscal year ending March 31, 2015 have been reclassified.

The Business Combinations Standard and others were adopted in accordance with transitional treatments stipulated in Paragraph 58-2 (4) of the Business Combinations Standard, Paragraph 44-5 (4) of the Consolidated Financial Statements Standard and Paragraph 57-4 (4) of the Business Divestitures Standard, and they have been prospectively adopted from the beginning of the consolidated fiscal year ending March 31, 2016.

In the consolidated statements of cash flows for fiscal year ending March 31, 2016, cash flows related to an acquisition of ownership interests in subsidiaries that does not result in change in the scope of consolidation are recorded under cash flows from financing activities.

This accounting policy change has only a minor impact on the consolidated financial statements of the fiscal year ending March 31, 2016.

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, 2016 and 2015

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

		Year ended March 31, 2015		Year ended March 31, 2016		Year ended March 31, 2016
ASSETS						
Current assets :						
Cash and deposits	¥	242,432	¥	241,101	$	2,139,699
Accounts and notes receivable-trade		94,132		79,652		706,894
Raw material and supply		35,312		22,131		196,412
Prepaid expenses and deferred charges		43,859		41,573		368,949
Deferred income taxes		1,260		856		7,599
Short-term loans receivable		3,410		3,083		27,366
Other current assets		23,845		13,413		119,040
Allowance for doubtful receivables		(1,999)		(597)		(5,305)
Total current assets		442,253		401,214		3,560,655
Fixed assets :						
(Tangible fixed assets)						
Vessels		529,408		480,257		4,262,134
Buildings and structures		19,945		18,571		164,818
Machinery and vehicles		7,700		9,077		80,564
Land		25,820		24,862		220,650
Construction in progress		45,824		47,238		419,225
Other tangible fixed assets		3,797		3,544		31,456
Total tangible fixed assets		632,496		583,552		5,178,846
(Intangible fixed assets)						
Goodwill		231		43		384
Other intangible fixed assets		4,356		4,157		36,895
Total intangible fixed assets		4,587		4,200		37,279
(Investments and other long-term assets)						
Investments in securities		93,991		70,896		629,182
Long-term loans receivable		16,935		18,887		167,622
Asset for retirement benefits		1,605		585		5,199
Deferred income taxes		7,593		5,152		45,730
Other long-term assets		24,230		31,933		283,397
Allowance for doubtful receivables		(364)		(1,199)		(10,646)
Total investments and other long-term assets		143,991		126,256		1,120,485
Total fixed assets		781,075		714,009		6,336,610
Total assets	¥	1,223,328	¥	1,115,223	$	9,897,265

Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2016 and 2015

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

		Year ended March 31, 2015		Year ended March 31, 2016		Year ended March 31, 2016
LIABILITIES						
Current liabilities :						
Accounts and notes payable-trade	¥	101,324	¥	99,745	$	885,212
Short-term loans and current portion of long-term loans		81,475		71,787		637,096
Accrued income taxes		6,641		1,804		16,013
Allowance for loss related to the Anti-Monopoly Act		1,672		5,223		46,353
Provision for bonuses		2,754		2,355		20,904
Provision for directors's bonus		210		231		2,055
Other current liabilities		66,871		64,475		572,199
Total current liabilities		260,949		245,623		2,179,831
Long-term liabilities :						
Bonds		52,943		62,565		555,245
Long-term loans, less current portion		357,502		346,482		3,074,921
Lease obligation		41,030		36,981		328,200
Deferred income taxes on land revaluation		1,961		1,874		16,636
Allowance for directors' and corporate auditors' retirement benefits		1,531		1,643		14,585
Accrued expenses for overhaul of vessels		14,127		12,064		107,066
Liability for retirement benefits		6,310		7,747		68,757
Derivative liabilities		12,147		11,962		106,164
Other long-term liabilities		7,382		8,365		74,244
Total long-term liabilities		494,938		489,686		4,345,816
Total liabilities		755,887		735,309		6,525,647
NET ASSETS						
Shareholder's equity:						
Common stock		75,457		75,457		669,663
Capital surplus		60,312		60,297		535,124
Retained earnings		254,922		195,863		1,738,226
Less treasury stock, at cost		(1,071)		(1,077)		(9,561)
Total shareholders' equity		389,620		330,541		2,933,453
Accumulated other comprehensive income :						
Net unrealized holding gain on investments in securities		14,822		6,485		57,558
Deferred gain on hedges		8,719		4,752		42,181
Revaluation reserve for land		6,209		6,266		55,613
Translation adjustments		22,201		9,689		85,987
Retirement benefits liability adjustments		(41)		(2,359)		(20,941)
Total accumulated other comprehensive income, net		51,911		24,834		220,399
Non-controlling interests		25,908		24,537		217,767
Total net assets		467,440		379,913		3,371,618
Total liabilities and net assets	¥	1,223,328	¥	1,115,223	$	9,897,265

Consolidated Statements of Income

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2016 and 2015

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

	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2016
Marine transportation and other operating revenues	¥ 1,352,421	¥ 1,243,932	$ 11,039,513
Marine transportation and other operating expenses	1,227,593	1,159,989	10,294,545
Gross operating income	124,827	83,943	744,968
Selling, general and administrative expenses	76,838	74,515	661,302
Operaing income	47,988	9,427	83,666
Non-operating income :			
Interest income	1,481	1,713	15,207
Dividend income	2,234	2,823	25,056
Equity in earnings of subsidiaries and affiliates	2,180	3,587	31,837
Exchange gain	4,197	-	-
Other non-operating income	1,564	1,916	17,010
Total non-operating income	11,658	10,040	89,110
Non-operating expenses :			
Interest expenses	9,819	7,654	67,932
Exchange loss	-	7,369	65,404
Other non-operating expenses	846	1,105	9,812
Total non-operating expenses	10,665	16,129	143,148
Ordinary income	48,980	3,338	29,628
Extraordinary profits :			
Gain on sales of vessels, property and equipment	7,947	10,230	90,796
Gain on sales of investments in securities	7,735	6,318	56,079
Gain on sales of shares of subsidiaries and associates	10,759	-	-
Other extraordinary profits	1,741	998	8,858
Total extraordinary profits	28,184	17,547	155,732
Extraordinary losses :			
Loss on impairment of vessels, property and equipment	13,571	19,249	170,832
Loss from revaluation of investment securities	7	8,369	74,273
Loss on cancellation of chartered vessels	5,225	20,079	178,195
Provision of allowance for loss related to the Anti-Monopoly Ac	1,672	3,551	31,514
Other extraordinary losses	8,055	916	8,134
Total extraordinary losses	28,532	52,165	462,950
(Loss) income before income taxes	48,632	(31,278)	(277,589)
Income taxes :			
Current	12,798	5,941	52,729
Deferred	7,803	12,869	114,210
Total income taxes	20,601	18,810	166,939
Net (loss) income	28,030	(50,089)	(444,528)
Net income attributable to non-controlling interests	1,212	1,410	12,514
Net (loss) income attributable to owners of parent	¥ 26,818	¥ (51,499)	$ (457,042)

Consolidated Statements of Comprehensive Income

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2016 and 2015

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

		Year ended ended March 31, 2015		Year ended ended March 31, 2016		Year ended ended March 31, 2016
Net (loss) income	¥	28,030	¥	(50,089)	$	(444,528)
Other comprehensive (loss) income						
Net unrealized holding (loss) gain on investments in securities		6,693		(8,383)		(74,404)
Deferred (loss) income on hedges		3,273		(4,618)		(40,988)
Revaluation reserve for land		130		59		524
Translation adjustments		22,672		(13,857)		(122,981)
Retirement benefits liability adjustments		424		(2,389)		(21,205)
Share of other comprehensive income of subsidiaries and affiliates accounted for by the equity method		838		456		4,055
Total other comprehensive (loss) income		34,033		(28,733)		(254,999)
Comprehensive (loss) income	¥	62,064	¥	(78,822)	$	(699,527)
(Breakdown)						
Comprehensive (loss) income attributable to:						
Owners of parent	¥	59,192	¥	(78,521)	$	(696,855)
Non-controlling interests		2,871		(301)		(2,672)

Consolidated Statements of Shareholders' Equity

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2016 (Millions of Yen)

	Shareholder's equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total of shareholders' equity
Balance March 31, 2015	¥ 75,457	¥ 60,312	¥ 254,922	¥ (1,071)	¥ 389,620
Cumulative effects of changes in accounting policies					-
Restated balance	¥ 75,457	¥ 60,312	¥ 254,922	¥ (1,071)	¥ 389,620
Change in items during the term					
Cash dividends			¥ (7,968)		¥ (7,968)
Net (loss) income attributable to owners of parent			¥ (51,499)		¥ (51,499)
Purchase of treasury stocks				¥ (6)	¥ (6)
Disposal of treasury stocks		¥ (0)		¥ 0	¥ 0
Change in treasury shares of parent arising from transactions with non-controlling shareholders		¥ (13)			¥ (13)
Reversal of revaluation reserve for land			¥ 54		¥ 54
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other			¥ 354		¥ 354
Net changes in items other than shareholders' equity					
Net changes during the term	-	¥ (14)	¥ (59,058)	¥ (6)	¥ (59,079)
Balance March 31, 2016	¥ 75,457	¥ 60,297	¥ 195,863	¥ (1,077)	¥330,541

	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	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)		
Balance March 31, 2015	¥ 14,822	¥ 8,719	¥ 6,209	¥ 22,201	¥ (41)	¥ 51,911	¥ 25,908	¥ 467,440
Cumulative effects of changes in accounting policies								-
Restated balance	¥ 14,822	¥ 8,719	¥ 6,209	¥ 22,201	¥ (41)	¥ 51,911	¥ 25,908	¥ 467,440
Change in items during the term								
Cash dividends								¥ (7,968)
Net (loss) income attributable to owners of parent								¥ (51,499)
Purchase of treasury stocks								¥ (6)
Disposal of treasury stocks								¥ 0
Change in treasury shares of parent arising from transactions with non-controlling shareholders								¥ (13)
Reversal of revaluation reserve for land								¥ 54
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other								¥ 354
Net changes in items other than shareholders' equity	¥ (8,337)	¥ (3,966)	¥ 57	¥ (12,512)	¥ (2,318)	¥ (27,076)	¥ (1,370)	¥ (28,447)
Net changes during the term	¥ (8,337)	¥ (3,966)	¥ 57	¥ (12,512)	¥ (2,318)	¥ (27,076)	¥ (1,370)	¥ (87,526)
Balance March 31, 2016	¥ 6,485	¥ 4,752	¥ 6,266	¥ 9,689	¥ (2,359)	¥ 24,834	¥ 24,537	¥ 379,913

Consolidated Statements of Shareholders' Equity

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2015 (Millions of Yen)

	Shareholder's equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total of shareholders' equity
Balance March 31, 2014	¥ 75,457	¥ 60,312	¥ 234,429	¥ (908)	¥ 369,291
Cumulative effects of changes in accounting policies			¥ (244)		¥ (244)
Restated balance	¥ 75,457	¥ 60,312	¥ 234,185	¥ (908)	¥ 369,047
Change in items during the term					-
Cash dividends			¥ (6,565)		¥ (6,565)
Net income attributable to owners of parent			¥ 26,818		¥ 26,818
Purchase of treasury stocks				¥ (163)	¥ (163)
Disposal of treasury stocks					-
Change in treasury shares of parent arising from transactions with non-controlling shareholders					-
Reversal of revaluation reserve for land			¥ 8		¥ 8
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other			¥ 475		¥ 475
Net changes in items other than shareholders' equity					
Net changes during the term	-	-	¥ 20,736	¥ (163)	¥ 20,573
Balance March 31, 2015	¥ 75,457	¥ 60,312	¥ 254,922	¥ (1,071)	¥ 389,620

	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	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)		
Balance March 31, 2014	¥ 8,188	¥ 5,753	¥ 5,978	¥ 71	¥ (446)	¥ 19,545	¥ 21,851	¥ 410,688
Cumulative effects of changes in accounting policies							¥ (11)	¥ (255)
Restated balance	¥ 8,188	¥ 5,753	¥ 5,978	¥ 71	¥ (446)	¥ 19,545	¥ 21,840	¥ 410,433
Change in items during the term								
Cash dividends								¥ (6,565)
Net income attributable to owners of parent								¥ 26,818
Purchase of treasury stocks								¥ (163)
Disposal of treasury stocks								-
Change in treasury shares of parent arising from transactions with non-controlling shareholders								-
Reversal of revaluation reserve for land								¥ 8
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other								¥ 475
Net changes in items other than shareholders' equity	¥ 6,634	¥ 2,965	¥ 230	¥ 22,129	¥ 404	¥ 32,365	¥ 4,068	¥ 36,433
Net changes during the term	¥ 6,634	¥ 2,965	¥ 230	¥ 22,129	¥ 404	¥ 32,365	¥ 4,068	¥ 57,007
Balance March 31, 2015	¥ 14,822	¥ 8,719	¥ 6,209	¥ 22,201	¥ (41)	¥ 51,911	¥ 25,908	¥ 467,440

Consolidated Statements of Shareholders' Equity

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2016 (Thousands of USD)

	Shareholder's equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total of shareholders' equity
Balance March 31, 2015	$669,663	$535,251	$2,262,355	($9,506)	$3,457,763
Cumulative effects of changes in accounting policies					-
Restated balance	$669,663	$535,251	$2,262,355	($9,506)	$3,457,763
Change in items during the term					
Cash dividends			($70,720)		($70,720)
Net (loss) income attributable to owners of parent			($457,042)		($457,042)
Purchase of treasury stocks				($59)	($59)
Disposal of treasury stocks		($3)		$4	$2
Change in treasury shares of parent arising from transactions with non-controlling shareholders		($124)			($124)
Reversal of revaluation reserve for land			$484		$484
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other			$3,149		$3,149
Net changes in items other than shareholders' equity					
Net changes during the term	-	($127)	($524,129)	($54)	($524,310)
Balance March 31, 2016	$669,663	$535,124	$1,738,226	($9,561)	$2,933,453

	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	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)		
Balance March 31, 2015	$131,547	$77,383	$55,106	$197,028	($369)	$460,695	$229,930	$4,148,389
Cumulative effects of changes in accounting policies								-
Restated balance	$131,547	$77,383	$55,106	$197,028	($369)	$460,695	$229,930	$4,148,389
Change in items during the term								
Cash dividends								($70,720)
Net (loss) income attributable to owners of parent								($457,042)
Purchase of treasury stocks								($59)
Disposal of treasury stocks								$2
Change in treasury shares of parent arising from transactions with non-controlling shareholders								($124)
Reversal of revaluation reserve for land								$484
Net change in retained earnings resulting from inclusion or exclusion of subsidiaries and other								$3,149
Net changes in items other than shareholders' equity	($73,989)	($35,203)	$508	($111,041)	($20,572)	($240,297)	($12,163)	($252,460)
Net changes during the term	($73,989)	($35,203)	$508	($111,041)	($20,572)	($240,297)	($12,163)	($776,770)
Balance March 31, 2016	$57,558	$42,181	$55,613	$85,987	($20,941)	$220,398	$217,767	$3,371,618

Consolidated Statements of Cash Flows

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2016 and 2015

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

	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2016
Cash flows from operating activities :			
(Loss) income before income taxes and minority interests	¥ 48,632	(31,278)	(277,589)
Depreciation and amortization	53,526	48,302	428,673
Increase (decrease) in liability for retirement benefits	(1,667)	1,427	12,671
Decrease (Increase) in asset for retirement benefits	(437)	1,019	9,048
Increase (Decrease) in retirement benefits liability adjustments	453	(2,440)	(21,660)
Provision for (reversal of) allowance for directors' and audit and supervisory board members' retirement benefits	(16)	114	1,013
Decrease in accrued expenses for overhaul of vessels	(1,358)	(2,053)	(18,228)
Provision for allowance for loss related to the Anti-Monopoly Act	1,604	3,551	31,514
Interest and dividend income	(3,715)	(4,536)	(40,263)
Interest expense	9,819	7,654	67,932
Exchange loss (gain), net	(951)	3,062	27,181
Loss on impairment of vessels, property and equipment	13,571	19,249	170,832
Share of profit of equity in earnings of subsidiaries and affiliates	(2,180)	(3,587)	(31,837)
Loss on cancellation of chartered vessels	5,225	20,079	178,195
Gain on sales of vessels, property and equipment, net	(7,920)	(10,221)	(90,711)
Gain on sales of marketable securities and investments in securities, net	(7,724)	(6,262)	(55,574)
Loss on revaluation of marketable securities and investments in securities	56	8,369	74,273
Gain on sales of shares of subsidiaries and associates	(10,744)	-	-
Decrease in accounts and notes receivable – trade	2,296	12,933	114,778
Decrease in inventories	14,185	12,976	115,160
Decrease in other current assets	1,848	6,917	61,393
(Decrease) increase in accounts and notes payable – trade	7,652	(19,167)	(170,110)
(Decrease) increase in other current liabilities	6,356	(747)	(6,630)
Other, net	5,521	(12,353)	(109,629)
Subtotal	134,033	53,008	470,431
Interest and dividends received	4,978	5,935	52,677
Interest paid	(10,168)	(7,835)	(69,536)
Payment for cancellation of chartered vessels	(5,225)	(500)	(4,437)
Payments related to the Anti-Monopoly Act	(12,721)	(460)	(4,087)
Income taxes paid	(9,070)	(10,512)	(93,293)
Net cash provided by operating activities	101,825	39,635	351,754
Cash flows from investing activities :			
Payments into time deposits	(47,585)	(102,464)	(909,342)
Proceeds from withdrawal of time deposits	28,693	92,860	824,108
Purchases of marketable securities and investments in securities	(4,989)	(5,475)	(48,589)
Proceeds from sales of marketable securities and investments in securities	33,198	13,097	116,238
Purchases of vessels, property and equipment	(87,912)	(112,415)	(997,650)
Proceeds from sales of vessels, property and equipment	69,002	91,070	808,223
Purchases of intangible fixed assets	(829)	(805)	(7,147)
Increase in long-term loans receivable	(1,663)	(2,914)	(25,861)
Collection of long-term loans receivable	2,631	1,171	10,397
Other, net	(1,722)	(3,695)	(32,795)
Net cash used in investing activities	(11,177)	(29,569)	(262,419)
Cash flows from financing activities :			
Increase (decrease) in short-term loans, net	(920)	51	457
Proceeds from long-term loans	33,869	96,449	855,958
Repayment of long-term loans and obligations under finance leases	(102,702)	(111,379)	(988,458)
Proceeds from Issuance of Bonds	-	10,000	88,747
Redemption of Bonds	(45,378)	(378)	(3,355)
Cash dividends paid	(6,558)	(7,958)	(70,626)
Cash dividends paid to non-controlling interests	(1,445)	(1,301)	(11,552)
Proceeds from sales and leasebacks	3,880	1,859	16,500
Payments of commission for syndicate loan	-	(2,149)	(19,073)
Other, net	0	(29)	(259)
Net cash used in financing activities	(119,253)	(14,835)	(131,662)
Effect of exchange rate changes on cash and cash equivalents	14,714	(5,928)	(52,615)
Net decrease in cash and cash equivalents	(13,891)	(10,698)	(94,942)
Cash and cash equivalents at beginning of the period	222,606	209,424	1,858,575
Increase in cash and cash equivalents arising from inclusion of subsidiaries in consolidation	708	7	64
Increase in cash and cash equivalents resulting from merger	-	11	106
Cash and cash equivalents at end of the period	¥ 209,424	¥ 198,745	$ 1,763,804

Segment information

Year ended March 31, 2015

(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	¥ 677,428	¥ 600,687	¥ 35,317	¥ 38,988	¥ 1,352,421	¥ -	¥ 1,352,421
Inter-group revenues and transfers	7,353	3,036	1	47,426	57,818	(57,818)	-
Total revenues	684,781	603,724	35,319	86,414	1,410,239	(57,818)	1,352,421
Segment income (loss)	¥ 20,623	¥ 36,500	¥ (5,670)	¥ 3,023	¥ 54,477	¥ (5,496)	¥ 48,980
Segment assets	¥ 306,749	¥ 724,646	¥ 103,496	¥ 106,847	¥ 1,241,740	¥ (18,412)	¥ 1,223,328
Depreciation and amortization	¥ 8,816	¥ 35,539	¥ 6,132	¥ 2,242	¥ 52,730	¥ 796	¥ 53,526
Amortization of goodwill	241	-	(0)	-	241	-	241
Interest income	747	694	23	166	1,632	(150)	1,481
Interest expenses	1,093	6,136	2,272	213	9,715	104	9,819
Equity in earning of affiliates	1,026	59	911	182	2,180	-	2,180
Investments in affiliates accounted for by the equity method	8,233	7,987	5,965	4,170	26,356	-	26,356
Increase in vessels, property and equipment, and intangible assets	17,648	70,917	99	469	89,135	366	89,501

Year ended March 31, 2016

(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	¥ 614,908	¥ 567,617	¥ 24,655	¥ 36,751	¥ 1,243,932	¥ -	¥ 1,243,932
Inter-group revenues and transfers	8,054	2,534	0	50,474	61,063	(61,063)	-
Total revenues	622,962	570,151	24,656	87,225	1,304,996	(61,063)	1,243,932
Segment income (loss)	¥ (10,049)	¥ 24,656	¥ (6,553)	¥ 1,826	¥ 9,879	¥ (6,541)	¥ 3,338
Segment assets	¥ 231,471	¥ 686,164	¥ 88,077	¥ 80,808	¥ 1,086,521	¥ 28,702	¥ 1,115,223
Depreciation and amortization	¥ 7,478	¥ 33,044	¥ 5,146	¥ 2,271	¥ 47,940	¥ 361	¥ 48,302
Amortization of goodwill	173	-	-	-	173	-	173
Interest income	870	683	31	120	1,706	6	1,713
Interest expenses	852	5,158	1,426	163	7,600	53	7,654
Equity in earning of affiliates	2,179	427	899	80	3,587	-	3,587
Investments in affiliates accounted for by the equity method	8,459	7,936	6,172	4,108	26,676	-	26,676
Increase in vessels, property and equipment, and intangible assets	31,168	82,851	32	2,024	116,076	515	116,592

Year ended March 31, 2016

(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	$ 5,457,121	$ 5,037,425	$ 218,810	$ 326,156	$ 11,039,513	$ -	$ 11,039,513
Inter-group revenues and transfers	71,481	22,489	7	447,944	541,921	(541,921)	-
Total revenues	5,528,603	5,059,915	218,817	774,100	11,581,435	(541,921)	11,039,513
Segment income (loss)	$ (89,188)	$ 218,816	$ (58,161)	$ 16,214	$ 87,681	$ (58,052)	$ 29,628
Segment assets	$ 2,054,236	$ 6,089,495	$ 781,658	$ 717,151	$ 9,642,540	$ 254,725	$ 9,897,265
Depreciation and amortization	$ 66,366	$ 293,264	$ 45,675	$ 20,156	$ 425,461	$ 3,211	$ 428,673
Amortization of goodwill	1,535	-	-	-	1,535	-	1,535
Interest income	7,729	6,065	284	1,071	15,148	59	15,207
Interest expenses	7,564	45,783	12,656	1,450	67,452	479	67,932
Equity in earning of affiliates	19,345	3,796	7,979	718	31,837	-	31,837
Investments in affiliates accounted for by the equity method	75,076	70,435	54,776	36,462	236,748	-	236,748
Increase in vessels, property and equipment, and intangible assets	276,607	735,281	290	17,968	1,030,146	4,577	1,034,723