

FINANCIAL HIGHLIGHTS

Brief report of the the year ended March 31, 2017

Kawasaki Kisen Kaisha, Ltd.

[Two Year Summary]

| | Year ended March 31, 2017 | Year ended March 31, 2016 | Year ended March 31, 2017 |
|--|---------------------------------|---------------------------------|---------------------------------|
| Consolidated | | | |
| Operating revenues (Millions of yen / Thousands of U.S. dollars) | ¥ 1,030,191 | ¥ 1,243,932 | \$ 9,182,558 |
| Operating (loss) income (Millions of yen / Thousands of U.S. dollars) | (46,037) | 9,427 | (410,351) |
| Loss attributable to owners of the parent (Millions of yen / Thousands of U.S. dollars) | (139,478) | (51,499) | (1,243,235) |
| Loss attributable to owners of the parent per share (Yen / U.S. dollars) | | | |
| Basic | (148.82) | (54.95) | (1.33) |
| Diluted | - | - | - |

| | Year ended March 31, 2017 | Year ended March 31, 2016 | Year ended March 31, 2017 |
|---|---------------------------------|---------------------------------|---------------------------------|
| Total assets (Millions of yen / Thousands of U.S. dollars) | ¥ 1,045,209 | ¥ 1,115,223 | \$ 9,316,425 |
| Net assets (Millions of yen / Thousands of U.S. dollars) | 245,482 | 379,913 | 2,188,092 |
| Per share of common stock (Yen / U.S. dollars) | 234.19 | 379.18 | 2.09 |

| | Year ended March 31, 2017 | Year ended March 31, 2016 | Year ended March 31, 2017 |
|--|---------------------------------|---------------------------------|---------------------------------|
| Net cash (used in) provided by operating activities (Millions of yen / Thousands of U.S. dollars) | ¥ (43,919) | ¥ 39,635 | \$ (391,470) |
| Net cash used in investing activities (Millions of yen / Thousands of U.S. dollars) | (24,881) | (29,569) | (221,780) |
| Net cash provided by (used in) financing activities (Millions of yen / Thousands of U.S. dollars) | 26,436 | (14,835) | 235,638 |

The U.S. dollar amounts are converted from the yen amount at ¥112.19 = U.S.\$1.00.
The exchange rate prevailing on March 31, 2017.

1. Operating Results

(1) Analysis of Operating Results

1) Summary of Consolidated Operating Results for FY2016

(Billion Yen; rounded to nearest 100 million)

| | Fiscal 2015 (Ended March 31, 2016) | Fiscal 2016 (Ended March 31, 2017) | Change | % change |
|---|---------------------------------------|---------------------------------------|---------|----------|
| Operating revenues | 1,243.9 | 1,030.2 | (213.7) | (17.2%) |
| Operating (loss) income | 9.4 | (46.0) | (55.5) | - |
| Ordinary (loss) income | 3.3 | (52.4) | (55.7) | - |
| Loss attributable to owners of the parent | (51.5) | (139.5) | (88.0) | - |

| | | | | |
|--|---------|---------|----------|---------|
| Exchange rate (¥/US\$) (12-month average) | ¥120.78 | ¥108.76 | (¥12.02) | (10.0%) |
| Fuel oil price (US\$/MT) (12-month average) | \$295 | \$265 | (\$30) | (10.2%) |

During the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017; hereinafter “the fiscal year”), the global economy was a year of great changes influenced by factors, such as concerns about a slowdown in Chinese economic growth, confusion in financial markets due to the U.K.’s vote to leave the E.U., and establishment of the new government in the U.S. The U.S. economy made solid movement, despite sluggish start at the beginning of the fiscal year, as expectations of fiscal expansionary policy being brought in by the new government saw an uptick in private consumption and corporate investment activities. Conversely, the European economy was temporarily in confusion due to the U.K.’s vote to leave the E.U.; however, it gradually settled, with a slight recovery in the latter half of the year, led by an increase in private consumption due to an improvement in employment figures. The Chinese economy was quiet, mainly buoyed by infrastructure investment, in spite of a slowed rate of growth. Also, the agreement between major oil producing countries to reduce production saw a rise in crude oil prices, and other resource prices firmed; however, the economic recovery of developing nations, and resource-rich nations in particular will take some time.

In the Japanese economy, the yen increased in value in the middle of the year; however, it continued to fall thereafter, due to firm personal consumption and expectation for the new U.S. government, which saw a moderate recovery, focused on exports and capital investment.

In the business environment for the shipping industry, the overall freight rate market showed a gentle recovery from the historically low levels at the beginning of the year 2016. Nevertheless, in the containership business, cargo movements shifted to an upward trend in the second-half of the fiscal year, mainly in the East-West services; however not sufficient to recover the slump in the freight market at the beginning of the fiscal year and

loss increased year on year. In the dry bulk business, the market has lifted out of the historically low levels at the start of the year and is on a course for recovery. While the vessel supply-demand gap is on the way to improve, the market conditions were weighed down. The Group worked on measures to improve profitability, such as more efficient vessel allocation, and strove to reduce vessel operation costs. Nevertheless, business performance declined year on year.

As a result, operating revenues for the fiscal year were ¥1,030.191 billion (down ¥213.741 billion year on year), operating loss was ¥46.037 billion (compared to operating income of ¥9.427 billion year for the previous fiscal year), ordinary loss was ¥52.388 billion (compared to ordinary income of ¥3.338 billion year for the previous fiscal year). Loss attributable to owners of the parent was ¥139.478 billion (down ¥87.979 billion) due to recording of extraordinary losses such as provision of allowance for loss related to business restructuring and loss on impairment of fixed assets, despite efforts to saving costs and maximizing profitability especially in the containership business, and minimizing exposures in the dry bulk business.

Performance per segment was as follows:

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

| | | Fiscal 2015 (Ended March, 2016) | Fiscal 2016 (Ended March, 2017) | Change | % change |
|--|--------------------------|------------------------------------|------------------------------------|---------|----------|
| Containership | Operating revenues | 614.9 | 519.0 | (96.0) | (15.6%) |
| | Segment loss | (10.0) | (31.5) | (21.4) | - |
| Bulk Shipping | Operating revenues | 567.6 | 456.5 | (111.1) | (19.6%) |
| | Segment income (loss) | 24.7 | (9.5) | (34.1) | - |
| Offshore Energy E&P Support and Heavy Lifter | Operating revenues | 24.7 | 19.4 | (5.2) | (21.2%) |
| | Segment loss | (6.6) | (5.1) | 1.4 | - |
| Other | Operating revenues | 36.8 | 35.3 | (1.5) | (4.0%) |
| | Segment income | 1.8 | 2.5 | 0.7 | 37.9% |
| Adjustment and eliminations | Segment loss | (6.5) | (8.8) | (2.3) | - |
| Total | Operating revenues | 1,243.9 | 1,030.2 | (213.7) | (17.2%) |
| | Segment income (loss) | 3.3 | (52.4) | (55.7) | - |

i) Containership Business Segment

Containership Business

In the containership business, owing to solid demand in the East-West services from the third quarter, cargo volume loaded on the Asia-North America services recorded an increase of approximately 11% year on year, while cargo volume loaded on the Asia-Europe services recorded an increase of approximately 2% year on year. Cargo volume loaded on the North-South services also increased by approximately 7% year on year, while the Intra-Asia service was the same level year on year as the result of service restructuring focused on profitability. As a result, overall cargo volume increased approximately 6% year on year. Although the freight rate market turned favorable in the final stretch of the fiscal year, reflecting steady cargo movements, the gap between vessel supply and demand is yet to be fixed and reduced revenues year on year led to a loss larger than the previous year.

Logistics Business

In the logistics business, including inland transportation and warehousing, demand for domestic logistics services was somewhat weak in comparison with the previous year. International logistic services performed strongly, with an increase in transport demand for air cargo from Japan; however, the logistics business overall recorded year-on-year decreases in both revenues and profit.

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

ii) Bulk Shipping Business Segment

Dry Bulk Business

In the overall dry bulk sectors, market conditions improved from historically low levels and entered into a gradual recovery trend. Further uptrend has been seen, particularly in the Cape-size market, due to firming of marine transport volumes of iron ore and coal for China since September. On the other hand, after a strong start at the beginning of the year 2016, market conditions were weighed down by a gap between vessel supply and demand that was partly due to a slowdown in the number of ships scrapped in the second half of the year. The Group targeted uneconomical vessels for downsizing, and strove to cut operation costs and allocate vessels more efficiently, but its loss worsened with lower revenues year on year due to the market slump in the first half of the year.

Car Carrier Business

During the fiscal year, cargo movements for finished vehicles sagged with respect to such cargoes shipped from Asia to resource-rich countries in the Middle East, Central and South America, and Africa due to falls in resource prices, and such cargoes shipped from Europe and North America to Asia against the backdrop of the economic slowdown in China. Cargo movements within Europe also declined, reflecting a slump in the Russian economy. The overall volume of finished vehicles shipped by the Group during the fiscal year decreased by around 2.5% year on year, despite such results having been supported by increases in cargo volumes that included shipments within the Atlantic Basin and those from Japan to Europe and North America. The Group recorded year-on-year

declines in both revenues and profit despite adjusting tonnages in line with cargo volumes by scrapping aging vessels and so forth, and despite continuous efforts to improve efficiency of vessel allocation and operation.

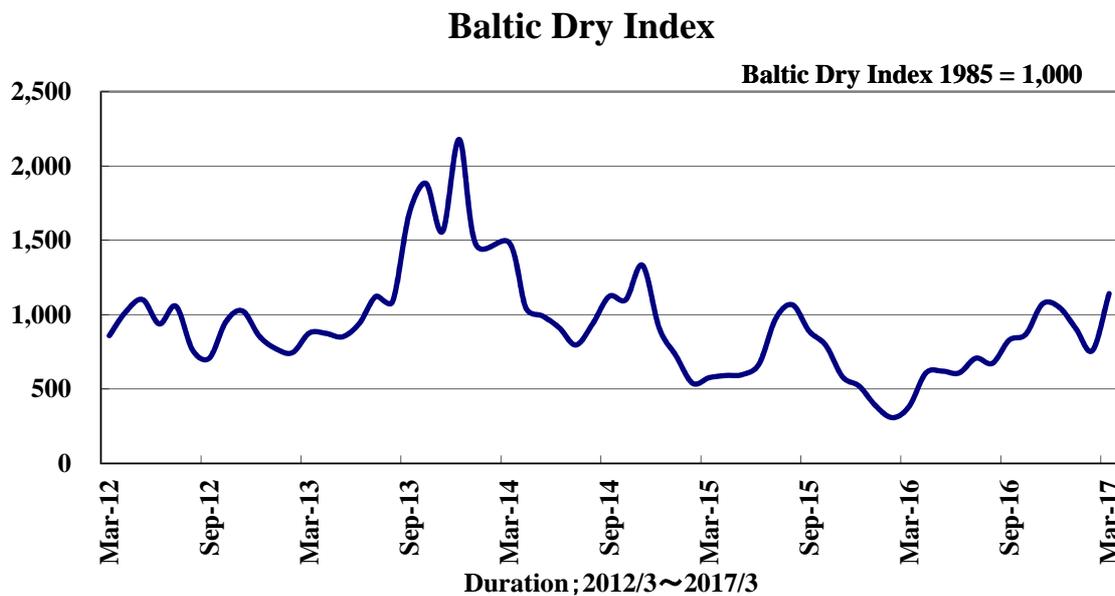
LNG Carrier Business and Tanker Business

Although LNG carriers, large crude tankers (VLCCs), and LPG carriers performed steadily on medium- and long-term charter contracts, the LNG carrier business and Tanker business overall reported year-on-year declines in both revenues and profit due to the softening of the market condition which affected profitability of the market-linked contracts.

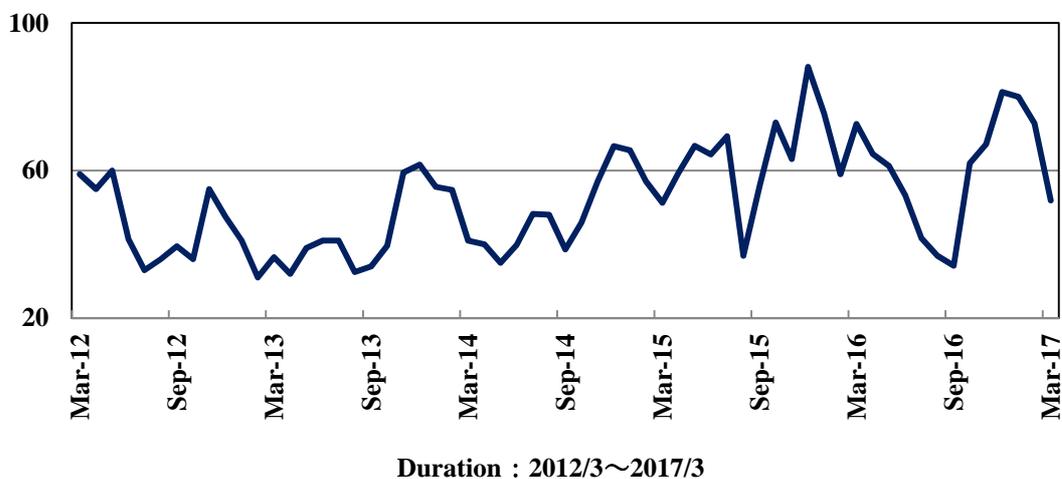
Short Sea and Coastal Business

In the short sea and coastal business, the Group recorded year-on-year declines in both revenues and profit, mainly reflecting a year-on-year decline in transport volumes as a whole, partly due to the slump in the market in the short sea business, as well as cancellation of services because of the impact of typhoons and temporary expenses incurred for opening a new shipping route in the coastal business.

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



VLCC World Scale (AG/JPN)



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

Offshore Energy E&P Support Business

The drillship vessel continued to perform steadily, thereby helping to secure stable long-term earnings. However, in the offshore support business, softening market conditions continued due to stalled offshore development caused by the slump in crude oil prices. Overall, the offshore energy E&P support business narrowed its loss despite a year-on-year decline in revenues.

Heavy Lifter Business

In the heavy lifter business, the market was softened year on year and the fleet was scaled down to match the market condition, resulting in a decline in revenues. On the other hand, with regard to profitability, the business kept same level in loss year on year due to rightsizing the fleet scale and the effects of cost cutting.

As a result of the above, the Offshore Energy E&P Support and Heavy Lifter Business Segment overall narrowed its loss despite a year-on-year decline in revenues.

iv) Other Business

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

2) Prospects for Fiscal 2017

For the fiscal year ending March 31, 2018, the Group is projecting operating revenues of ¥1,130 billion, operating income of ¥24 billion, ordinary income of ¥21 billion and profit attributable to owners of the parent of ¥21 billion.

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

| | Operating Revenue | | Operating Income | | Ordinary Income | | Profit attributable to owners of the parent | |
|--------------------------------|-------------------|------|------------------|---|-----------------|---|---|---|
| | | % | | % | | % | | % |
| Fiscal 2017 (End Mar. 2018) | 1,130 | 9.7% | 24 | - | 21 | - | 21 | - |

(Exchange Rate(¥/US\$) : ¥110 / Fuel Oil Price(US\$/MT): \$320)

In the business environment for the shipping industry in fiscal 2017, the global economy is likely to continue its gradual expansion, however there remains concern of sluggish demand for cargo movement due to uncertainty in both politics and economics such as geographical risks and protectionism. In addition, with the currently ongoing vessel supply pressure, it is expected that the market, which began a slight recovery, will remain unstable for a while. In addition to these structural changes in the business environment, we are conducting a review of our medium-term management plan, which lists reforming the Group's business portfolio as a core theme, with an eye to the integration of our container shipping business with other two domestic containership companies from fiscal 2018 onwards.

For revisions to the medium-term management plan, please refer to the presentation material.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

Consolidated assets at the end of March 2017 were ¥1,045.209 billion, a decrease of ¥70.014 billion from the end of the previous fiscal year. Current assets decreased by ¥20.090 billion from the end of the previous fiscal year, due mainly to a decrease in cash and deposits. Non-current assets decreased by ¥49.923 billion, mainly as a result of a decrease in vessels.

Consolidated liabilities increased by ¥64.417 billion to ¥799.727 billion from the end of the previous fiscal year. Current liabilities decreased by ¥22.189 billion from the end of the previous fiscal year, due mainly to a decrease in short-term loans and current portion of long-term loans. Non-current liabilities increased by ¥86.607 billion from the end of the previous fiscal year primarily because of an increase in long-term loans.

Consolidated net assets were ¥245.482 billion, a decrease of ¥134.431 billion compared to the end of the previous fiscal year as a result of decrease in retained earnings due to loss attributable to owners of the parent.

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

| Item | Fiscal 2015 (Ended March 2016) | Fiscal 2016 (Ended March 2017) | Year-on-year increase/(decrease) |
|--|-----------------------------------|-----------------------------------|-------------------------------------|
| Cash and cash equivalents at the beginning of the year | 209.4 | 198.7 | (10.7) |
| (1) Cash flows from operating activities | 39.6 | (43.9) | (83.6) |
| (2) Cash flows from investing activities | (29.6) | (24.9) | 4.7 |
| (3) Cash flows from financing activities | (14.8) | 26.4 | 41.3 |
| (4) Currency translation gain or loss (on cash and cash equivalents) | (5.9) | (0.0) | 5.9 |
| Net decrease in cash and cash equivalents | (10.7) | (42.4) | (31.7) |
| Change in cash and cash equivalents as a result of companies newly included in consolidated accounting | 0.0 | 0.4 | (0.4) |
| Cash and cash equivalents at the end of the year | 198.7 | 156.8 | (42.0) |

Total cash and cash equivalents at the end of fiscal year 2016 were ¥156.791 billion, a decrease of ¥41.953 billion over the end of the previous fiscal year. Details of each cash flow source are as follows:

Cash flows from operating activities were a net cash outflow of ¥43.919 billion (compared to a net cash inflow of ¥39.635 billion in the previous fiscal year) due mainly to loss before income tax and increases of payments for cancellation of chartered vessels.

Cash flows from investing activities resulted in a net cash outflow of ¥24.881 billion (compared to a net cash outflow of ¥29.569 billion in the previous fiscal year) mainly as a result of expenditures for the acquisition of vessels.

Cash flows from financing activities resulted in a net cash inflow of ¥26.436 billion (compared to a net cash outflow of ¥14.835 billion in the previous fiscal year) due mainly to proceeds from long-term loans.

Reference: Changes in cash flow-related indicators

| | Fiscal Year Ended March 2013 | Fiscal Year Ended March 2014 | Fiscal Year Ended March 2015 | Fiscal Year Ended March 2016 | Fiscal Year Ended March 2017 |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Equity ratio (%) | 28.9 | 31.0 | 36.1 | 31.9 | 21.0 |
| Equity ratio (based on market value) (%) | 15.8 | 16.7 | 24.7 | 18.3 | 26.5 |
| 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 2017 was omitted since the cash flows from operating activities were negative.

(3) Basic Dividend Policy and Dividend Payments for Fiscal Year 2016 and Following Fiscal Years

Our important task is to maximize returns to our shareholders while maintaining necessary internal reserves to fund our capital investment and strengthen our financial position for the sake of sustainable growth, which is a priority of our management plan. However we consider it an urgent management priority to improve our financial strength in light of the current fiscal year's loss attributable to owners of the parent. Accordingly, it is with sincere regret that the Company announces it has decided to pay no dividend for the current fiscal year. The annual dividend in the fiscal year ending March 31, 2018 has yet to be decided and we assign the highest priority to improve financial strength and business foundation for the time being.

(4) Business Risks

The Group conducts international business operations, and unexpected events, such as political or social events or natural phenomena, can have a negative impact on the Group's business in the related regions or markets. In the field of marine transport, the Group's main business domain, conditions for cargo volumes and shipping are influenced by various factors, including economic trends in countries around the world, commodity market conditions, the balance of supply and demand for vessels and competition. Changes in these factors can have an impact on the Group's operating activities and operating results. In particular, changes in the taxation systems and economic policies of Japan and major trading countries and regions, such as North America, Europe and China, or their implementation of protective trade policies, etc., can cause 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. 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, 2017) are the following:

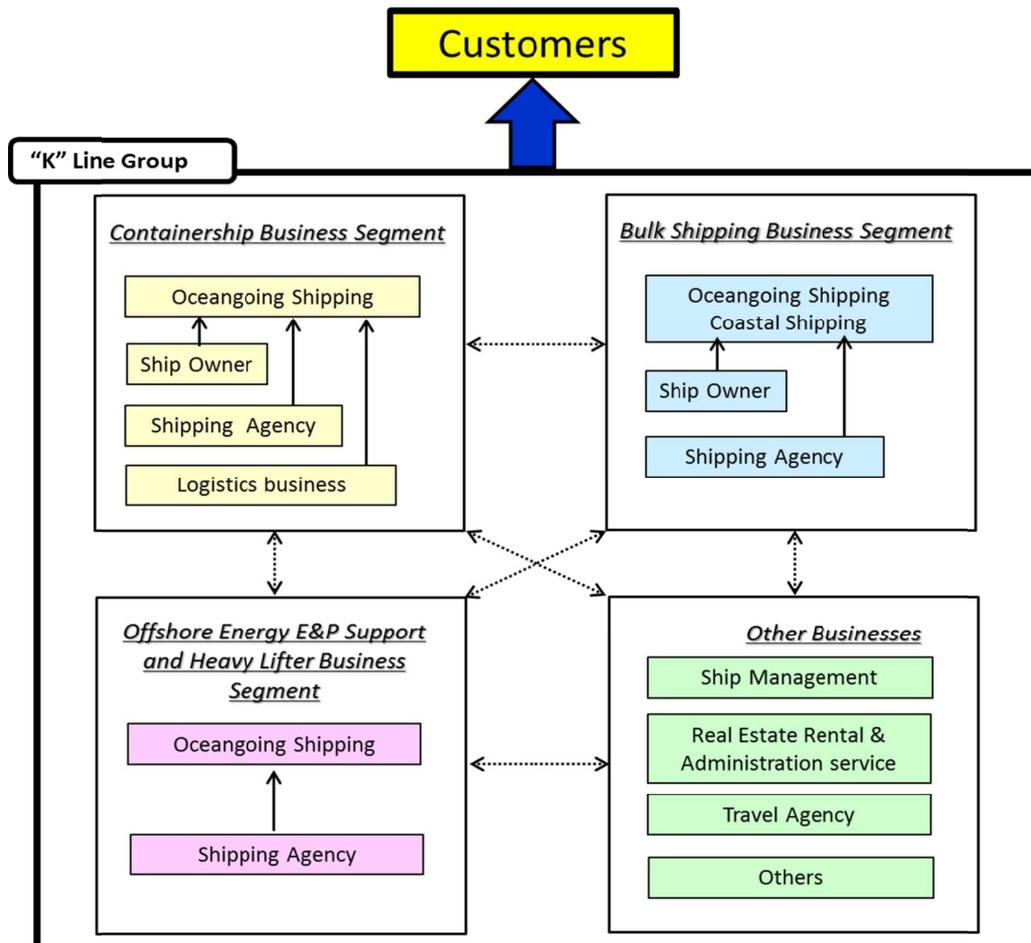
| Business Segment | Principal Companies Managing Each Business | |
|--|---|---|
| | Domestic | Overseas |
| I. Containership | Kawasaki Kisen Kaisha, Ltd., Daito Corporation, Nitto Total Logistics, Seagate Corporation, “K” Line (Japan) Ltd., KMDS Co., Ltd, Nitto Tugboat Co., Ltd., Hokkai Transportation 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., 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. Basic Approach to Selection of Accounting Standards

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

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

4. Matters Relating to Summary Information

Changes in Accounting Policies

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

Effective the first quarter of FY 2016, the "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Accounting Standards Board of Japan(ASBJ) PITF No.32, issued June 17, 2016) was adopted, in accordance with the revision of the Corporation Tax Law of Japan. As a result, the depreciation method for facilities attached to buildings and for structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.

The impact of this change on the Company's consolidated operating result of the fiscal year ending March 31, 2017 is immaterial.

Additional Information

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

Effective the first quarter of FY 2016, the "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, issued March 28, 2016) was adopted.

(Agreement to the Integration of Container Shipping Businesses)

Kawasaki Kisen Kaisha, Ltd., Mitsui O.S.K. Lines Ltd., and Nippon Yusen Kabushiki Kaisha have agreed, after the resolution by the board of directors of each company held on October 31, 2016 and subject to regulatory approval from the authorities, to establish a new joint-venture company to integrate the container shipping businesses (including worldwide terminal operating businesses excluding Japan) of all three companies and to sign a business integration contract and a shareholders agreement.

1. Background

Although growing modestly, the container shipping industry has struggled in recent years due to a decline in the container growth rate and the rapid influx of newly built vessels. These two factors have contributed to an imbalance of supply and demand which has destabilized the industry and has created an environment that is adverse to container line profitability. In order to combat these factors, industry participants have sought to gain

scale merit through mergers and acquisitions and consequently the structure of the industry is changing through consolidation. Under these circumstances, three companies have decided to integrate their respective container shipping on an equal footing to ensure future stable, efficient and competitive business operations.

2. Overview of the new joint-venture company

| Item | Outline |
|-------------------------------------|--|
| Shareholders/ Contribution Ratio | Kawasaki Kisen Kaisha, Ltd. 31% |
| | Mitsui O.S.K. Lines, Ltd. 31% |
| | Nippon Yusen Kabushiki Kaisha 38% |
| Amount of Contribution | Approx. 300 Billion JPY (Including share of terminals as investment in kind) |
| Business Domain | Container Shipping Business (Including terminal operating business excluding Japan) |
| Fleet Size | Approx. 1.4 Million TEU* Notes1) Figures are as of October, 2016 excluding order book Notes2) TEU: Twenty-foot Equivalent Unit |

3. Schedule

Agreement date: October 31st, 2016

Establishment of the new joint-venture company: July 1st, 2017 (planned)

Business commencement: April 1st, 2018 (planned)

Consolidated Financial Statements

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

Consolidated Balance Sheet

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

| | Year ended March 31, 2017 | Year ended March 31, 2016 | Year ended March 31, 2017 |
|---------------------------------------|---------------------------------|---------------------------------|---------------------------------|
| ASSETS | | | |
| Current assets : | | | |
| Cash and deposits | ¥ 199,678 | ¥ 241,101 | \$ 1,779,824 |
| Accounts and notes receivable-trade | 83,580 | 79,652 | 744,987 |
| Raw material and supply | 29,546 | 22,131 | 263,365 |
| Prepaid expenses and deferred charges | 45,862 | 41,573 | 408,793 |
| Deferred income taxes | 5,599 | 856 | 49,909 |
| Short-term loans receivable | 3,127 | 3,083 | 27,873 |
| Other current assets | 15,764 | 13,413 | 140,520 |
| Allowance for doubtful receivables | (2,035) | (597) | (18,143) |
| Total current assets | <u>381,123</u> | <u>401,214</u> | <u>3,397,128</u> |
| Non-current assets : | | | |
| (Vessels, property and equipment) | | | |
| Vessels, net | 412,285 | 480,257 | 3,674,885 |
| Buildings and structures, net | 18,239 | 18,571 | 162,573 |
| Machinery and vehicles, net | 10,952 | 9,077 | 97,628 |
| Land | 24,781 | 24,862 | 220,891 |
| Construction in progress | 55,551 | 47,238 | 495,155 |
| Other, net | 4,577 | 3,544 | 40,801 |
| Total vessels, property and equipment | <u>526,387</u> | <u>583,552</u> | <u>4,691,933</u> |
| (Intangible assets) | | | |
| Goodwill | - | 43 | - |
| Other intangible assets | 4,005 | 4,157 | 35,702 |
| Total intangible assets | <u>4,005</u> | <u>4,200</u> | <u>35,702</u> |
| (Investments and other assets) | | | |
| Investments in securities | 80,721 | 70,896 | 719,505 |
| Long-term loans receivable | 17,466 | 18,887 | 155,689 |
| Asset for retirement benefits | 493 | 585 | 4,401 |
| Deferred income taxes | 3,268 | 5,152 | 29,133 |
| Other investments and other assets | 32,673 | 31,933 | 291,236 |
| Allowance for doubtful receivables | (931) | (1,199) | (8,302) |
| Total investments and other assets | <u>133,692</u> | <u>126,256</u> | <u>1,191,662</u> |
| Total non-current assets | <u>664,085</u> | <u>714,009</u> | <u>5,919,297</u> |
| Total assets | <u>¥ 1,045,209</u> | <u>¥ 1,115,223</u> | <u>\$ 9,316,425</u> |

Consolidated Balance Sheet

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

| | Year ended March 31, 2017 | Year ended March 31, 2016 | Year ended March 31, 2017 |
|---|---------------------------------|---------------------------------|---------------------------------|
| LIABILITIES | | | |
| Current liabilities : | | | |
| Accounts and notes payable-trade | ¥ 89,769 | ¥ 99,745 | \$ 800,158 |
| Short-term loans and current portion of long-term loans | 47,469 | 71,787 | 423,118 |
| Accrued income taxes | 1,268 | 1,804 | 11,307 |
| Allowance for loss related to the Anti-Monopoly Act | 5,223 | 5,223 | 46,555 |
| Allowance for loss related to business restructuring | 19,867 | - | 177,084 |
| Provision for bonuses | 2,387 | 2,355 | 21,282 |
| Provision for directors's bonus | 217 | 231 | 1,938 |
| Other current liabilities | 57,230 | 64,475 | 510,124 |
| Total current liabilities | 223,433 | 245,623 | 1,991,567 |
| Non-current liabilities : | | | |
| Bonds | 62,187 | 62,565 | 554,301 |
| Long-term loans, less current portion | 404,176 | 346,482 | 3,602,608 |
| Lease obligation | 33,055 | 36,981 | 294,637 |
| Deferred income taxes on land revaluation | 1,874 | 1,874 | 16,707 |
| Allowance for loss related to business restructuring | 28,022 | - | 249,773 |
| Allowance for directors' and audit and supervisory board members' retirement benefits | 1,645 | 1,643 | 14,670 |
| Accrued expenses for overhaul of vessels | 11,999 | 12,064 | 106,961 |
| Liability for retirement benefits | 7,514 | 7,747 | 66,976 |
| Derivative liabilities | 8,861 | 11,962 | 78,990 |
| Other non-current liabilities | 16,956 | 8,365 | 151,143 |
| Total non-current liabilities | 576,293 | 489,686 | 5,136,766 |
| Total liabilities | 799,727 | 735,309 | 7,128,333 |
| NET ASSETS | | | |
| Shareholders' equity: | | | |
| Common stock | 75,457 | 75,457 | 672,588 |
| Capital surplus | 60,334 | 60,297 | 537,789 |
| Retained earnings | 55,753 | 195,863 | 496,960 |
| Less treasury stock | (1,084) | (1,077) | (9,665) |
| Total shareholders' equity | 190,461 | 330,541 | 1,697,672 |
| Accumulated other comprehensive income : | | | |
| Net unrealized holding gain on investments in securities | 8,849 | 6,485 | 78,881 |
| Deferred gain on hedges | 10,189 | 4,752 | 90,826 |
| Revaluation reserve for land | 6,263 | 6,266 | 55,827 |
| Translation adjustments | 6,555 | 9,689 | 58,429 |
| Retirement benefits liability adjustments | (2,835) | (2,359) | (25,271) |
| Total accumulated other comprehensive income | 29,022 | 24,834 | 258,693 |
| Non-controlling interests | 25,997 | 24,537 | 231,727 |
| Total net assets | 245,482 | 379,913 | 2,188,092 |
| Total liabilities and net assets | ¥ 1,045,209 | ¥ 1,115,223 | \$ 9,316,425 |

Consolidated Statement of Operations

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

| | Year ended March 31, 2017 | Year ended March 31, 2016 | Year ended March 31, 2017 |
|---|---------------------------------|---------------------------------|---------------------------------|
| Marine transportation and other operating revenues | ¥ 1,030,191 | ¥ 1,243,932 | \$ 9,182,558 |
| Marine transportation and other operating cost and expenses | <u>1,000,744</u> | <u>1,159,989</u> | <u>8,920,086</u> |
| Gross Profit | <u>29,446</u> | <u>83,943</u> | <u>262,472</u> |
| Selling, general and administrative expenses | <u>75,484</u> | <u>74,515</u> | <u>672,824</u> |
| Operating (loss) income | <u>(46,037)</u> | <u>9,427</u> | <u>(410,351)</u> |
| Non-operating income : | | | |
| Interest income | 1,373 | 1,713 | 12,246 |
| Dividend income | 1,429 | 2,823 | 12,740 |
| Equity in earnings of subsidiaries and affiliates | 3,155 | 3,587 | 28,125 |
| Other non-operating income | <u>1,801</u> | <u>1,916</u> | <u>16,057</u> |
| Total non-operating income | <u>7,759</u> | <u>10,040</u> | <u>69,167</u> |
| Non-operating expenses : | | | |
| Interest expenses | 6,625 | 7,654 | 59,053 |
| Exchange loss | 4,006 | 7,369 | 35,708 |
| Financing expenses | 1,887 | 781 | 16,827 |
| Other non-operating expenses | <u>1,592</u> | <u>323</u> | <u>14,192</u> |
| Total non-operating expenses | <u>14,111</u> | <u>16,129</u> | <u>125,781</u> |
| Ordinary (loss) income | <u>(52,388)</u> | <u>3,338</u> | <u>(466,965)</u> |
| Extraordinary income : | | | |
| Gain on sales of vessels, property and equipment | 5,292 | 10,230 | 47,171 |
| Other extraordinary income | <u>1,083</u> | <u>7,317</u> | <u>9,653</u> |
| Total extraordinary income | <u>6,375</u> | <u>17,547</u> | <u>56,825</u> |
| Extraordinary losses : | | | |
| Loss on sales of vessels, property and equipment | 8,416 | 9 | 75,022 |
| Loss on impairment of vessels, property and equipment | 20,362 | 19,249 | 181,501 |
| Loss on cancellation of chartered vessels | 7,943 | 20,079 | 70,801 |
| Provision of allowance for loss related to the Anti-Monopoly Act | - | 3,551 | - |
| Provision of allowance for loss related to business restructuring | <u>47,889</u> | <u>-</u> | <u>426,856</u> |
| Other extraordinary losses | <u>601</u> | <u>9,276</u> | <u>5,362</u> |
| Total extraordinary losses | <u>85,212</u> | <u>52,165</u> | <u>759,542</u> |
| Loss before income taxes | <u>(131,226)</u> | <u>(31,278)</u> | <u>(1,169,682)</u> |
| Income taxes : | | | |
| Current | 3,795 | 5,941 | 33,828 |
| Deferred | <u>2,347</u> | <u>12,869</u> | <u>20,926</u> |
| Total income taxes | <u>6,142</u> | <u>18,810</u> | <u>54,754</u> |
| Loss | <u>(137,369)</u> | <u>(50,089)</u> | <u>(1,224,436)</u> |
| Profit attributable to non-controlling interests | <u>2,109</u> | <u>1,410</u> | <u>18,800</u> |
| Loss attributable to owners of the parent | <u>¥ (139,478)</u> | <u>¥ (51,499)</u> | <u>\$ (1,243,235)</u> |

Consolidated Statement of Comprehensive Income

| | (Millions of Yen/Thousands of U.S.Dollars) | | |
|---|--|---------------------------------------|---------------------------------------|
| | Year ended ended March 31, 2017 | Year ended ended March 31, 2016 | Year ended ended March 31, 2017 |
| Loss | ¥ (137,369) | ¥ (50,089) | \$ (1,224,436) |
| Other comprehensive income (loss) | | | |
| Net unrealized holding gain (loss) on investments in securities | 2,329 | (8,383) | 20,768 |
| Deferred gain (loss) on hedges | 4,636 | (4,618) | 41,326 |
| Revaluation reserve for land | (0) | 59 | (6) |
| Translation adjustments | (2,580) | (13,857) | (22,997) |
| Retirement benefits liability adjustments | (432) | (2,389) | (3,856) |
| Share of other comprehensive income of subsidiaries and affiliates accounted for by the equity method | 644 | 456 | 5,742 |
| Total other comprehensive income (loss) | <u>4,597</u> | <u>(28,733)</u> | <u>40,977</u> |
| Comprehensive loss | <u>¥ (132,772)</u> | <u>¥ (78,822)</u> | <u>\$ (1,183,459)</u> |
| (Breakdown) | | | |
| Comprehensive loss attributable to Owners of the parent | ¥ (135,287) | ¥ (78,521) | \$ (1,205,880) |
| Comprehensive income (loss) attributable to non-controlling interests | 2,515 | (301) | 22,422 |

Consolidated Statements of Changes in Net Assets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2017

(Millions of Yen)

| | Shareholder's equity | | | | |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance March 31, 2016 | ¥ 75,467 | ¥ 80,297 | ¥ 195,863 | ¥ (1,077) | ¥ 350,541 |
| Change in items during the period | | | | | |
| Cash dividends | | | ¥ (2,343) | | ¥ (2,343) |
| Loss attributable to owners of the parent | | | ¥ (189,478) | | ¥ (189,478) |
| Purchase of treasury stock | | | | ¥ (6) | ¥ (6) |
| Disposal of treasury stock | | | | | - |
| Change in ownership interests due to transactions with non-controlling interests | | ¥ 36 | | | ¥ 36 |
| Reversal of revaluation reserve for land | | | ¥ 2 | | ¥ 2 |
| Net change in retained earnings from changes in scope of consolidation or equity method | | | ¥ 1,710 | | ¥ 1,710 |
| Net changes in items other than shareholders' equity | | | | | |
| Net changes during the period | - | ¥ 36 | ¥ (140,109) | ¥ (6) | ¥ (140,079) |
| Balance March 31, 2017 | ¥ 75,467 | ¥ 80,334 | ¥ 55,753 | ¥ (1,084) | ¥ 190,461 |

| | Accumulated other comprehensive income | | | | | | Noncontrolling interests | Total net assets |
|---|---|--------------------------------|------------------------------|-------------------------|---|--|--------------------------|------------------|
| | Net 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 | | |
| Balance March 31, 2016 | ¥ 6,485 | ¥ 4,752 | ¥ 6,266 | ¥ 9,689 | ¥ (2,359) | ¥ 24,834 | ¥ 24,537 | ¥ 379,913 |
| Change in items during the period | | | | | | | | |
| Cash dividends | | | | | | | | ¥ (2,343) |
| Loss attributable to owners of the parent | | | | | | | | ¥ (189,478) |
| Purchase of treasury stock | | | | | | | | ¥ (6) |
| Disposal of treasury stock | | | | | | | | - |
| Change in ownership interests due to transactions with non-controlling interests | | | | | | | | ¥ 36 |
| Reversal of revaluation reserve for land | | | | | | | | ¥ 2 |
| Net change in retained earnings from changes in scope of consolidation or equity method | | | | | | | | ¥ 1,710 |
| Net changes in items other than shareholders' equity | ¥ 2,364 | ¥ 5,436 | ¥ (3) | ¥ (3,133) | ¥ (475) | ¥ 4,188 | ¥ 1,459 | ¥ 5,647 |
| Net changes during the period | ¥ 2,364 | ¥ 5,436 | ¥ (3) | ¥ (3,133) | ¥ (475) | ¥ 4,188 | ¥ 1,459 | ¥ (134,481) |

Consolidated Statements of Changes in Net Assets

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

(Millions of Yen)

| | Shareholder's equity | | | | |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance March 31, 2015 | ¥ 75,457 | ¥ 60,812 | ¥ 254,922 | ¥ (1,071) | ¥ 389,620 |
| Change in items during the period | | | | | |
| Cash dividends | | | ¥ (7,968) | | ¥ (7,968) |
| Loss attributable to owners of the parent | | | ¥ (51,499) | | ¥ (51,499) |
| Purchase of treasury stock | | | | ¥ (6) | ¥ (6) |
| Disposal of treasury stock | | ¥ (0) | | ¥ 0 | ¥ 0 |
| Change in ownership interests due to transactions with non-controlling interests | | ¥ (18) | | | ¥ (18) |
| Reversal of revaluation reserve for land | | | ¥ 54 | | ¥ 54 |
| Net change in retained earnings from changes in scope of consolidation or equity method | | | ¥ 354 | | ¥ 354 |
| Net changes in items other than shareholders' equity | | | | | |
| Net changes during the period | - | (14) | ¥ (59,058) | ¥ (6) | ¥ (59,079) |
| Balance March 31, 2016 | ¥ 75,457 | ¥ 60,297 | ¥ 195,863 | ¥ (1,077) | ¥ 380,541 |

| | Accumulated other comprehensive income | | | | | | Non-controlling interests | Total net assets |
|---|---|--------------------------------|------------------------------|-------------------------|---|--|---------------------------|------------------|
| | Net 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 | | |
| Balance March 31, 2015 | ¥ 14,822 | ¥ 8,719 | ¥ 6,209 | ¥ 22,201 | ¥ (41) | ¥ 51,911 | ¥ 25,908 | ¥ 467,440 |
| Change in items during the period | | | | | | | | |
| Cash dividends | | | | | | | | ¥ (7,968) |
| Loss attributable to owners of the parent | | | | | | | | ¥ (51,499) |
| Purchase of treasury stock | | | | | | | | ¥ (6) |
| Disposal of treasury stock | | | | | | | | ¥ 0 |
| Change in ownership interests due to transactions with non-controlling interests | | | | | | | | ¥ (18) |
| Reversal of revaluation reserve for land | | | | | | | | ¥ 54 |
| Net change in retained earnings from changes in scope of consolidation or equity method | | | | | | | | ¥ 354 |
| Net changes in items other than shareholders' equity | ¥ (8,337) | ¥ (9,966) | ¥ 57 | ¥ (12,512) | ¥ (2,318) | ¥ (27,076) | ¥ (1,370) | ¥ (28,447) |
| Net changes during the period | ¥ (8,337) | ¥ (9,966) | ¥ 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 Changes in Net Assets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2017

(Thousands of USD)

| | Shareholder's equity | | | | |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance March 31, 2016 | \$672,588 | \$597,461 | \$1,745,818 | (\$9,602) | \$2,946,265 |
| Change in items during the period | | | | | |
| Cash dividends | | | (\$20,890) | | (\$20,890) |
| Loss attributable to owners of the parent | | | (\$1,243,235) | | (\$1,243,235) |
| Purchase of treasury stock | | | | (\$62) | (\$62) |
| Disposal of treasury stock | | | | | - |
| Change in ownership interests due to transactions with non-controlling interests | | \$328 | | | \$328 |
| Reversal of revaluation reserve for land | | | \$23 | | \$23 |
| Net change in retained earnings from changes in scope of consolidation or equity method | | | \$15,244 | | \$15,244 |
| Net changes in items other than shareholders' equity | | | | | |
| Net changes during the period | - | \$328 | (\$1,248,858) | (\$62) | (\$1,248,592) |
| Balance March 31, 2017 | \$672,588 | \$597,789 | \$496,960 | (\$9,664) | \$1,697,672 |

| | Accumulated other comprehensive income | | | | | | Noncontrolling interests | Total net assets |
|---|---|--------------------------------|------------------------------|-------------------------|---|--|--------------------------|------------------|
| | Net 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 | | |
| Balance March 31, 2016 | \$57,809 | \$42,365 | \$55,856 | \$86,363 | (\$21,032) | \$221,361 | \$218,718 | \$3,386,344 |
| Change in items during the period | | | | | | | | |
| Cash dividends | | | | | | | | (\$20,890) |
| Loss attributable to owners of the parent | | | | | | | | (\$1,243,235) |
| Purchase of treasury stock | | | | | | | | (\$62) |
| Disposal of treasury stock | | | | | | | | - |
| Change in ownership interests due to transactions with non-controlling interests | | | | | | | | \$328 |
| Reversal of revaluation reserve for land | | | | | | | | \$23 |
| Net change in retained earnings from changes in scope of consolidation or equity method | | | | | | | | \$15,244 |
| Net changes in items other than shareholders' equity | \$21,072 | \$48,461 | (\$29) | (\$27,934) | (\$4,288) | \$37,332 | \$13,009 | \$60,341 |
| Net changes during the period | \$21,072 | \$48,461 | (\$29) | (\$27,934) | (\$4,288) | \$37,332 | \$13,009 | (\$1,198,252) |
| Balance March 31, 2017 | \$78,881 | \$90,826 | \$55,827 | \$58,429 | (\$25,271) | \$258,693 | \$231,727 | \$2,188,092 |

Consolidated Statement of Cash Flows

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

| | Year ended March 31, 2017 | Year ended March 31, 2016 | Year ended March 31, 2017 |
|---|---------------------------------|---------------------------------|---------------------------------|
| Cash flows from operating activities : | | | |
| Loss before income taxes | ¥ (131,226) | ¥ (31,278) | \$ (1,169,682) |
| Depreciation and amortization | 47,421 | 48,302 | 422,687 |
| (Decrease) increase in liability for retirement benefits | (234) | 1,427 | (2,092) |
| Decrease in asset for retirement benefits | 92 | 1,019 | 821 |
| Increase (decrease) in retirement benefits liability adjustments | 235 | (2,440) | 2,098 |
| Increase in allowance for directors' and audit and supervisory board members' retirement benefits | 0 | 114 | 8 |
| Decrease in accrued expenses for overhaul of vessels | (13) | (2,053) | (121) |
| Increase in allowance for loss related to the Anti-Monopoly Act | - | 3,551 | - |
| Interest and dividend income | (2,803) | (4,536) | (24,985) |
| Interest expenses | 6,625 | 7,654 | 59,053 |
| Exchange loss, net | 260 | 3,062 | 2,325 |
| Loss on impairment of vessels, property and equipment | 20,362 | 19,249 | 181,501 |
| Equity in earnings of subsidiaries and affiliates | (3,155) | (3,587) | (28,125) |
| Loss on cancellation of chartered vessels | 7,943 | 20,079 | 70,801 |
| Provision of allowance for loss related to business restructuring | 47,889 | - | 426,856 |
| Loss (gain) on sales of vessels, property and equipment, net | 3,124 | (10,221) | 27,851 |
| Gain on sales of marketable securities and investments in securities, net | (340) | (6,262) | (3,039) |
| (Increase) decrease in accounts and notes receivable – trade | (5,378) | 12,933 | (47,941) |
| (Increase) decrease in inventories | (7,550) | 12,976 | (67,300) |
| (Increase) decrease in other current assets | (5,201) | 6,917 | (46,362) |
| Increase (decrease) in accounts and notes payable – trade | 11,294 | (19,167) | 100,673 |
| Increase (decrease) in other current liabilities | 190 | (747) | 1,696 |
| Other, net | 1,201 | (3,983) | 10,708 |
| Subtotal | <u>(9,263)</u> | <u>53,008</u> | <u>(82,569)</u> |
| Interest and dividends received | 4,570 | 5,935 | 40,743 |
| Interest paid | (6,658) | (7,835) | (59,348) |
| Payments for cancellation of chartered vessels | (27,885) | (500) | (248,560) |
| Payments related to the Anti-Monopoly Act | (285) | (460) | (2,544) |
| Income taxes paid | (4,396) | (10,512) | (39,191) |
| Net cash (used in) provided by operating activities | <u>(43,919)</u> | <u>39,635</u> | <u>(391,470)</u> |
| Cash flows from investing activities : | | | |
| Payments into time deposits | (125,186) | (102,464) | (1,115,844) |
| Proceeds from withdrawal of time deposits | 124,714 | 92,860 | 1,111,639 |
| Purchases of marketable securities and investments in securities | (5,062) | (5,475) | (45,125) |
| Proceeds from sales of marketable securities and investments in securities | 1,981 | 13,097 | 17,660 |
| Purchases of vessels, property and equipment | (66,433) | (112,415) | (592,156) |
| Proceeds from sales of vessels, property and equipment | 45,760 | 91,070 | 407,881 |
| Purchases of intangible assets | (753) | (805) | (6,715) |
| Increase in long-term loans receivable | (746) | (2,914) | (6,654) |
| Collection of long-term loans receivable | 1,653 | 1,171 | 14,735 |
| Other, net | (807) | (3,695) | (7,199) |
| Net cash used in investing activities | <u>(24,881)</u> | <u>(29,569)</u> | <u>(221,780)</u> |
| Cash flows from financing activities : | | | |
| (Decrease) increase in short-term loans, net | (613) | 51 | (5,465) |
| Proceeds from long-term loans | 107,237 | 96,449 | 955,853 |
| Repayments of long-term loans and obligations under finance leases | (76,462) | (111,379) | (681,542) |
| Proceeds from issuance of bonds | - | 10,000 | - |
| Redemption of bonds | (378) | (378) | (3,369) |
| Cash dividends paid | (2,351) | (7,958) | (20,959) |
| Cash dividends paid to non-controlling interests | (1,032) | (1,301) | (9,205) |
| Other, net | 36 | (319) | 326 |
| Net cash provided by (used in) financing activities | <u>26,436</u> | <u>(14,835)</u> | <u>235,638</u> |
| Effect of exchange rate changes on cash and cash equivalents | (37) | (5,928) | (337) |
| Net decrease in cash and cash equivalents | <u>(42,402)</u> | <u>(10,698)</u> | <u>(377,949)</u> |
| Cash and cash equivalents at beginning of the period | 198,745 | 209,424 | 1,771,508 |
| Increase in cash and cash equivalents arising from initial consolidation of subsidiaries | 448 | 7 | 3,998 |
| Increase in cash and cash equivalents resulting from merger | - | 11 | - |
| Cash and cash equivalents at end of the period | ¥ 156,791 | ¥ 198,745 | \$ 1,397,557 |

Segment information

Year ended March 31, 2017

(Millions of Yen)

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

Year ended March 31, 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 profit (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 earnings of subsidiaries and 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, 2017

(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 | \$ 4,625,671 | \$ 4,069,363 | \$ 173,106 | \$ 314,418 | \$ 9,182,558 | \$ - | \$ 9,182,558 |
| Inter-group revenues and transfers | 45,715 | 21,770 | - | 398,391 | 465,876 | (465,876) | - |
| Total revenues | \$ 4,671,386 | \$ 4,091,133 | \$ 173,106 | \$ 712,810 | \$ 9,648,434 | \$ (465,876) | \$ 9,182,558 |
| Segment profit (loss) | \$ (280,873) | \$ (84,473) | \$ (45,632) | \$ 22,452 | \$ (388,326) | \$ (78,639) | \$ (466,965) |
| Segment assets | \$ 2,133,286 | \$ 5,654,999 | \$ 577,061 | \$ 746,953 | \$ 9,112,299 | \$ 204,126 | \$ 9,316,425 |
| Depreciation and amortization | \$ 74,466 | \$ 285,304 | \$ 42,864 | \$ 16,663 | \$ 419,296 | \$ 3,391 | \$ 422,687 |
| Amortization of goodwill | 384 | - | - | - | 384 | - | 384 |
| Interest income | 5,331 | 6,933 | 64 | 1,346 | 13,674 | (1,428) | 12,246 |
| Interest expenses | 5,864 | 42,558 | 9,484 | 1,433 | 59,339 | (286) | 59,053 |
| Equity in earnings of subsidiaries and affiliates | 8,625 | 8,278 | 10,205 | 1,017 | 28,125 | - | 28,125 |
| Investments in affiliates accounted for by the equity method | 112,175 | 95,416 | 58,359 | 35,313 | 301,262 | - | 301,262 |
| Increase in vessels, property and equipment, and intangible assets | 105,083 | 490,929 | 77 | 7,537 | 603,626 | 2,916 | 606,543 |