“K” LINE
KAWASAKI KISEN KAISHA, LTD.

“K” LINE REPORT 2021

CONTENTS

About This Report

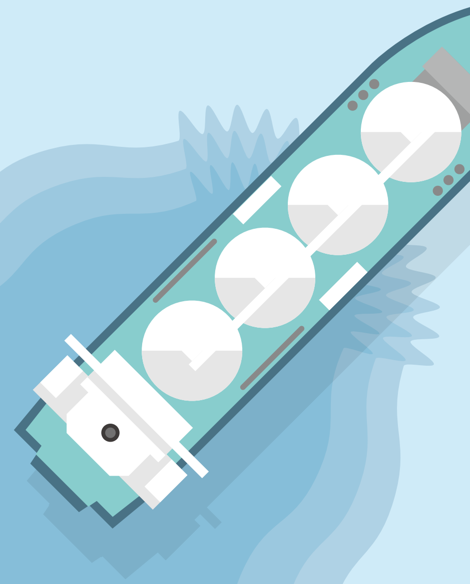
Editorial Policy
The "K" LINE Group is an integrated logistics company that owns and operates various fleets tailored to worldwide marine transportation needs. We also engage in land transportation and warehousing businesses. The "K" LINE Group has defined the K Value ("K" LINE Value) as a symbol of its corporate value. In this "K" LINE REPORT, we explain K Value to a wide range of stakeholders, providing both financial and non-financial information. For more details on each of these initiatives, please visit our website (www.kline.co.jp/en/).

Reporting Period
Fiscal 2020 (April 1, 2020–March 31, 2021)
Note: The report also includes some developments after April 2021.

Scope of Reporting
In principle, this report covers the activities and data of Kawasaki Kisen Kaisha, Ltd. and its subsidiaries and affiliates, except where otherwise noted.

Guidelines Referred to
- International Integrated Reporting Framework
- ISO 26000
- Environmental Reporting Guidelines 2018, The Ministry of the Environment of Japan
- Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation, The Ministry of Economy, Trade and Industry of Japan

Forward-Looking Statements
The Company's plans, strategies and future financial results indicated in this report reflect the judgment made by its management based on information currently available and include risk and uncertainty factors. Consequently, the actual financial results may be different from the Company's forecasts due to changes in the business environment, among other factors.



Corporate Principle and Vision

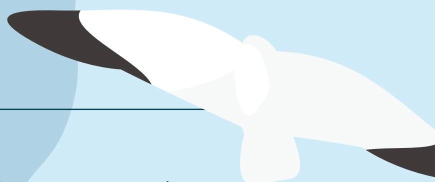
In shipping business, which serves as key logistics infrastructure supporting worldwide economic activity, the "K" LINE Group earns the trust of customers through the provision of safe, reliable marine transportation and logistics services. As an integrated logistics company grown from shipping business, our corporate principle is to help enrich the lives of people. Under this principle, we will make further improvements to K Value, which represents our unique value as a group.

Corporate Principle

K : 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

Our aim is to become an important infrastructure for global society, and to be the best partner with customers by providing the high-quality logistics services based on customer-first policy.

Values the "K" LINE Group prizes

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 respects individuality and diversity

“K”

Independence and Autonomy,
Broad-Mindedness,
and an Enterprising Spirit

Since its establishment in 1919, "K" LINE has embraced the "K" LINE spirit—independence and autonomy, broad-mindedness, and an enterprising spirit—as a core component of its corporate culture. This spirit has continued to be our driving force as we seek to adapt to the changing times and overcome adversity.

The "K" LINE spirit manifests itself even today in our efforts to implement flexible ideas that are unbound by existing frameworks and create new value.

Looking ahead, we will continue to evolve the "K" LINE spirit as we pursue ongoing growth while responding to the changes in the expectations of the global society and in customer needs.

LINE *SPIRIT*

Top: *CENTURY HIGHWAY GREEN* LNG-fueled car carrier
Bottom left: Stock boat under construction preceding "K" LINE's establishment (1918)
Bottom middle: Seafarers at work on a ship

"K" LINE by the Numbers




Segment	Dry Bulk	Energy Resource Transport		
Business	Dry bulk carrier	Thermal coal carrier	LNG carrier	Oil tanker

The "K" LINE Group develops its operations based on its four business pillars: dry bulk, energy resource transport, car carriers, and logistics and short sea and coastal vessels. In addition, we invest in containerships, and we have developed a prominent position in the shipping industry as a comprehensive logistics conglomerate centered on shipping. With 47 bases across the globe and diverse human resources on ships around the world, we provide safe and high-quality marine transportation and logistics services to help enrich the lives of people as described in our corporate principle.

Fiscal 2020 Consolidated Operating Revenues

¥625.5 billion

Dry Bulk	Energy Resource Transport
29.1%	12.4%

Number of Vessels in Operation

(As of March 31, 2020)

442

Dry bulk carriers
181

Dry Bulk Carrier

Fleet Scale

No. 6 in the World*1

LNG Carrier

Number of Vessels in Operation

No. 5 in the World*2

*1 Source: Clarksons (As of July 2021). Includes owned vessels and a part of chartered vessels
*2 Compiled by "K" LINE based on each company's disclosure documents (As of July 2021)
*3 Compiled by "K" LINE based on Hesnes Shipping "AS Year Report" (As of May 2021)
*4 Source: Alphaliner (As of June 2021)

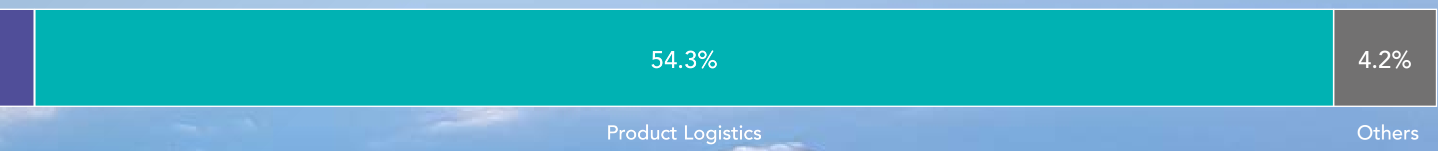
Product Logistics

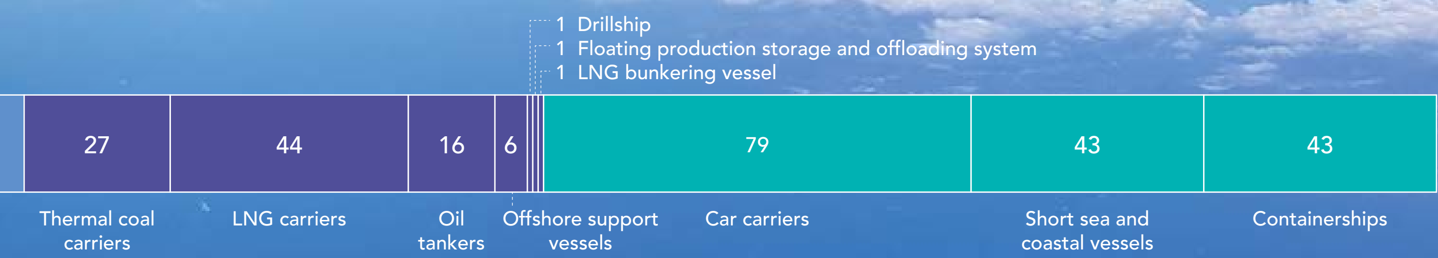
Offshore support vessel

Car carrier

Short sea and coastal vessel

Containership





Car Carrier

Number of Vessels in Operation

No. 5 in the World*3

Containership

Fleet Scale of Ocean Network Express

No. 6 in the World*4

For more information on business operations, please refer to Business Overview on pages P58–71

"K" LINE will continue to fulfill its social mission as a shipping company while providing new value to achieve ongoing improvements in corporate value.

Yukikazu Myochin
President & CEO

Commitment Represented by the Fiscal 2021 Management Plan Theme

The COVID-19 pandemic triggered a temporary period of stagnancy in economic activity, while drawing attention to a number of issues that had not previously been apparent. Concurrently, the pandemic stimulated changes in people's behavioral patterns, such as teleworking, while sparking an increase in concern about reducing our environmental impact. These trends have created a drive for industries to transform themselves in order to achieve decarbonized operations.

"K" LINE's mission is to fulfill its role as a shipping company—that is, ensuring that logistics channels remain fluid—and to continue providing an indispensable piece of social infrastructure that supports people's lives. The COVID-19 pandemic clearly showed the importance of safe and economically sound operation of vessels and of the need to achieve our targets for reductions in our environmental impact. At the same time, the pandemic presented a need to further build upon our expertise in providing safe, high-quality, and eco-friendly services and the engineering and digital technologies that underpin this insight. "K" LINE must also continue to achieve sustainable growth with stable earnings by supplying reliable services while utilizing its expertise and experience to grow together with society and the global environment. This is the commitment represented in the fiscal 2021 management plan's theme of "Connecting the World via Oceans and Technology."

The "K" LINE Spirit Shows True Potential in the Face of Adversity

"K" LINE boasts a long history spanning more than 100 years. Our ability to survive for this long period is a result of our continuous efforts to adapt to the volatile market environment by capitalizing on our strength in sales, acting with a sincere attitude, and offering sales proposals that meet customers' needs. The "K" LINE spirit has been our guiding principle throughout this process. To further reinforce our strength in sales, it will be important for all employees to remain receptive to changes in customer trends in order to respond flexibly on an organizational level.

If we turn to the automotive industry, for example, we will see the acceleration of initiatives for adopting alternative energy sources and contributing to the realization of a decarbonized society. These initiatives take forms such as the transition to electric vehicles and other so-called connected, autonomous, shared, and electric (CASE) technologies.*1 In addition, customers are increasingly expected to reduce greenhouse gas emissions in ways that extend to the direct and indirect emissions from business activities while pursuing reductions in greenhouse gas emissions across supply chains and the lifecycles of their products. For this reason, it is vitally important for "K" LINE to provide safe and reliable transportation, which is at the core of our services, as well as to offer solutions to address customers' decarbonization needs. If we do not, customers might not recognize us as a reliable business partner.

One step forward in this regard was building *CENTURY HIGHWAY GREEN*, "K" LINE's first LNG-fueled vessel. Completed in March 2021, this car carrier represents a completely new undertaking for "K" LINE and is an amalgamation of the latest technological advancements. In addition to contributing to reductions in greenhouse gas emissions and other environmental impacts, *CENTURY HIGHWAY GREEN* employs the latest digital technologies and onboard internet infrastructure. Moreover, its construction was funded using climate transition loans*2 designed for financing initiatives for decarbonizing operations (see pages 24–27).

We are already in the process of pursuing new innovations after *CENTURY HIGHWAY GREEN*. Specifically, we are currently planning to build an LNG-fueled Cape-size bulk carrier. Our first LNG-fueled bulk carrier, this will be equipped with the Seawing automated kite system for utilizing wind power, a unique and innovative provision for decarbonization.

These initiatives are all prime examples of the "K" LINE spirit (independence and autonomy, broad-mindedness, and enterprising spirit). In the current highly uncertain business environment, we aim to become a company that transforms adversity into opportunities and perceptively senses changes in order to contribute to the future.

*1 This term refers to technologies expected to transform the automotive industry going forward.
*2 This is a financing program designed to contribute to the transition to a carbon-neutral society by providing efficient funding to the initiatives of companies that are working toward decarbonization.

Management Policies for Achieving Ongoing Improvements in Corporate Value

"K" LINE is pursuing improvements in its ability to flexibly evolve to adapt to future uncertainty, while striving to become more unique by continuously promoting innovation in advance of change. With these objectives in mind, we have defined the following five business strategies in our management plan for fiscal 2021. Through these strategies, we aim to identify the best-possible course of action based on the outlook for social and business environment changes and to achieve ongoing improvements in corporate value through this course.

Refining Our Four-Pillar Business

The four pillars of "K" LINE's operations are its Dry Bulk, Energy Resource Transport, Car Carrier, and Logistics and Coastal and Short Sea businesses. We aim to improve the profitability of these businesses.

One measure for refining these businesses will be to continue and accelerate efforts to optimize our fleet scale, for which we achieved a certain degree of results in fiscal 2020. The optimization of our fleet scale is crucial, as strengthening our resilience to changes in a volatile market will be absolutely essential to improving corporate value in the future. Accordingly, we will move forward with fleet scale optimization ahead of schedule to prepare for unforeseen circumstances and facilitate flexible responses to any future temporary market downturns. Our focus in optimizing our fleet scale will not be limited to cutting down on high-cost vessels. Rather, we intend to improve overall asset value by assembling a fleet of highly competitive, and therefore profitable, vessels with exceptional levels of safety and superior environmental performance.

Another measure for refining our business pillars will be fortifying our ability to provide clients with new ideas. This measure is a reflection of my desire to continue to propose new ideas to customers in the future. Up until fiscal 2019, we were forced to focus on liquidating the unprofitable assets with which we had been saddled as a result of prior excessive investments. However, we are now nearing the end of this process. By tackling new challenges suited to this new phase, we hope to propose new value to customers. Setting forth the measure of fortifying our ability to provide clients with new ideas is symbolic of our commitment.

> **"If we cannot continue to propose new ideas to customers, we will not be able to become a reliable partner for customers."**

Through our history, we have proceeded to produce unique new services based on our identity as exemplified by the "K" LINE spirit. Our development and proposal capabilities have always been the Company's strength. These capabilities can be seen in the "Corona Series" of dedicated thermal coal carriers that became the standard in the shipping industry for supplying coal for thermal power plants in Japan due to their proprietarily developed wide-beam, shallow-draft structure. However, if we cannot continue to propose new ideas to customers, we will not be able to become a reliable partner for customers. As the leader of "K" LINE, I am committed to building an organization where all employees work diligently to create new value based on unrestrained ideas and a flexible approach.

Venturing into New Business Areas

"K" LINE will venture into new business areas to create value. In particular, we will focus on fields related to safety and the environment, which we are exploring actively under the leadership of four dedicated groups: the GHG Reduction Strategy Group, the Carbon-Neutral Promotion

Group, the Fuel Strategy & Procurement Group, and the Advanced Technology Group. Pooling our technologies and expertise through these groups, we will seek to develop growth businesses by concentrating the allocation of management resources on fields in which we can utilize "K" LINE's accumulated expertise and engage in co-creation with trustworthy partners.

In fields related to the realization of a low-carbon and ultimately carbon-free society, we have already begun developing LNG bunkering businesses at Mikawa Bay in Japan as well as in Singapore. As another example, we established "K" Line Wind Service, Ltd., as a joint venture with Group company Kawasaki Kinkai Kisen Kaisha, Ltd., in June 2021. "K" Line Wind Service was created to offer support services to offshore wind power generation businesses with the aim of facilitating our entry into this area. This company has started operations, and it is receiving numerous inquiries from potential customers in Japan and overseas.

Furthermore, "K" LINE is taking part in verification tests as part of its efforts to develop technologies related to next-generation fuels, such as ammonia, hydrogen, and biofuels, with an eye to the decarbonization trends anticipated after the 2030s. To accurately identify the business opportunities brought by technological innovation, members of "K" LINE, myself included, are learning from a range of experts with regard to next-generation fuels in order to continually update our knowledge regarding the technological hurdles to ensuring safety and commercializing these technologies and the challenges in developing supply chains.

Accelerating Business Development Abroad, Particularly in Asia

Asia is a growing market where we expect significant growth in shipping demand. In this region, "K" LINE is currently developing business portfolios for its four-pillar businesses on a country-by-country basis. In addition, we are utilizing the networks with local business partners established through the containership business that was integrated into Ocean Network Express Pte. Ltd. (ONE) as well as the "K" LINE brand, which is backed by years of experience.

We expect increased transport demand for energy resources. The Asian market is projected to see growth in energy demand, but countries in this region are still relatively dependent on other countries for their energy needs. In LNG transportation, for example, we are offering small-scale transportation services for countries where port infrastructure has not yet been developed for large-scale vessels. "K" LINE will also cater to various types of energy demand, such as that for renewable energy.

In business fields other than energy, we are developing portfolios to grow our businesses by fully utilizing the business resources in each country. Accordingly, we are advancing established businesses in China and India and incorporating demand in the Middle East, South Africa, and other emerging countries through trilateral transportation in the dry bulk vessel business; we will be expanding our service network to meet new demand arising from advancements in electric vehicle and other automotive technologies in the car carrier business; and we will be addressing local needs flexibly through collaboration with partners in the logistics and short sea businesses.

Achieving Further Competitiveness in Containership Business

The company just mentioned, ONE, is a company created by integrating the containership operations of Mitsui O.S. K. Lines, Ltd., Nippon Yusen Kabushiki Kaisha, and "K" LINE in 2018. This company is positioned as an equity-method affiliate of "K" LINE. Although ONE faced difficulties in its first year, it succeeded in generating synergies of ¥110.0 billion in fiscal 2019, the initial target set at the time of the integration. This feat was accomplished by incorporating the best practices of the three companies.

ONE has been achieving increases in earnings due to the strong growth in demand that has continued since the third quarter of fiscal 2020 as well as the favorable trends in freight rates. We expect that supply and demand will gradually return to normal levels as a result of COVID-19 vaccine rollouts and the subsequent easing of activity restrictions. It is when supply and demand return to normal that the true strength of ONE will be tested. "K" LINE is committed to providing ONE with ongoing support in the form of human and other resources.

Improving Corporate Value

"K" LINE had put forth a target of achieving equity capital of ¥300 billion or more by the mid-2020s. However, we managed to accomplish this target in the first quarter of fiscal 2021, substantially earlier than expected. This was a result of an increase in retained earnings stemming from the sale of businesses in conjunction with portfolio restructuring and improvements in the performance of ONE.

With this sooner-than-expected improvement in our financial base, we are now poised to move on to the next stage. We are in the process of drafting new management plans that incorporate growth strategies and disciplined investments in preparation for our move to this next stage. Looking ahead, we intend to redefine our core values and develop growth strategies in accordance with these redefined values. At the same time, we will continue to enhance our financial base and secure stable earnings while examining potential growth investments with a focus on balancing risks and returns.

We also recognize that shareholder returns are an important management priority. We are thus assessing the ideal level of capital and reviewing our capital policies, including shareholder returns, for the next stage.

"We intend to redefine our core values and develop growth strategies in accordance with these redefined values. At the same time, we will continue to enhance our financial base and secure stable earnings while examining potential growth investments with a focus on balancing risks and returns . . . We are . . . assessing the ideal level of capital and reviewing our capital policies, including shareholder returns . . . "

The COVID-19 Pandemic and Onboard Workstyle Reforms

The "K" LINE Group's corporate principle is to earn "trust from all over the world" and thereby "contribute to society so that people live well and prosperously." In addition, our vision is for "K" LINE to be trusted as an "important infrastructure for global society," indicating our commitment to fulfilling our responsibility to society. COVID-19 tested the depth of our resolve toward this commitment.

Our top priority in responding to the COVID-19 pandemic was ensuring the safety of seafarers. The staff of seafarers who operate "K" LINE Group vessels is comprised of around 4,000 employees from approximately 20 countries. Of these, more than 3,000 are from the Philippines. As COVID-19 prompted many countries to close their borders, the opportunities for seafarers to embark and disembark were limited. As a result, in July 2020, the peak of such border closures, 1,100 of our seafarers had been on board for more than 10 months, a period that would have been unthinkable in normal circumstances.

Coordinating with the relevant authorities, the "K" LINE Group sought to encourage the global society to join us in pursuing a swift resolution to the issues regarding the inability to change crew members. We also took our own steps to address these issues. Actions by the Group included, of course, exhaustive measures for preventing the infection of ship crew members by COVID-19. In addition, we expanded the range of onboard recreation options available to seafarers, to help them relieve the additional stress accumulated during their extended stays on board while providing mental and physical care to their families. Furthermore, additional allowances were provided to employees who had been scheduled to board but were forced to remain on standby due to travel restrictions.

The improvement of working environments for maritime employees is important, not just to address the current challenges but also for securing employees over the long term and for transmitting our safety culture and techniques. For this reason, we launched the "K-Smart" Project with the aim of installing digital technologies into vessels for the purpose of accelerating workstyle reforms. This project has involved installing onboard communication equipment, upgrading onboard networks through Wi-Fi and other methods, and taking steps to boost signal transmission between land and seafaring vessels. Through the project, we intend to increase safety and transportation quality by digitizing and streamlining certain onboard processes to reduce the burden placed on maritime employees. As we move forward with these advancements, enhancing cybersecurity will also be an important task for fully capitalizing on the introduction of digital technologies into vessels and ensuring safe navigation.

Forward-Looking Sustainability Management

The “K” LINE Implementation Guideline for the Charter of Conduct states that “‘K’ LINE will eliminate any discrimination in employment or compensation based on nationality, gender, religion, social class, or other social status, and ensure equal opportunity in the implementation of the human resources management.” Based on this principle, we are committed to positioning our employees where they can make the greatest possible contributions to our global business model, regardless of their gender or nationality. Most of all, we realize that if we do not offer an environment in which every employee can heighten and exercise their skills, with no division between maritime and onshore employees, then we will not be able to continue our business in the future.

> **“We realize that if we do not offer an environment in which every employee can heighten and exercise their skills, with no division between maritime and onshore employees, then we will not be able to continue our business in the future.”**

Sustainability management, I believe, is something that should not be practiced based on a short-term perspective, but rather should employ a longer-term perspective. Moreover, the perspective of sustainability management is incredibly potent for projecting social changes and the resulting changes in customer needs and thereby ensuring that we can provide valuable services in this projected future. I hope to fulfill our mission as a shipping company and achieve ongoing improvements in corporate value. Organization and human resource development to help employees exercise their skills, as well as business activities that contribute to the realization of a low-carbon and ultimately carbon-free society, are undertakings aimed at achieving these goals.

“K” LINE movie “Thank You Seafarers: Unsung Heroes”

In June 2020, employee volunteers released a video tribute to the seafarers who were facing challenging conditions due to our inability to undertake crew changeovers. This video deeply moved me. The messages were filled with respect and support for our colleagues, who were working around the clock in the face of this unforeseen adversity. I feel that these messages embody the concept of respecting humanity that is included among our values, as well as the broad-minded perspective which is part of the “K” LINE spirit. When Group employees recognize our corporate principle and vision as something that relates to themselves and reflect it in their actions, I believe it is incredibly meaningful when it comes to envisioning the future and providing new value. I will continue to carry out management based on our corporate principle and vision going forward, to further improve corporate value.

I look forward to the continued understanding and support of all of our stakeholders.

President & CEO

Megatrends and the "K" LINE Group's Response

The "K" LINE Group has developed management plans based on a medium- to long-term outlook for the trends in the global society and changes in the business environment for the shipping industry. The rapidly changing social and market environment presents opportunities for the Group. To capitalize on these opportunities and achieve sustainable growth, we have judged that it is imperative to continue to reinforce our operating foundation, implement cutting-edge initiatives, and bolster our unique competitive edge in order to flexibly evolve and adapt in the face of an uncertain future.

Megatrends

Global trends

Preparing for major trends and changes in the world by 2025 and beyond

- To realize both social sustainability and business activity
- Using an energy strategy and life-cycle assessment to accelerate movement toward a low-carbon or zero-carbon footprint
- Growing geopolitical uncertainty, as exemplified by U.S.–China conflict
- Changing values due to digital natives and contact-avoidance
- Added value generated through alliances that transcend business categories and national boundaries
- Faster pace of change in the business environment
- Reaffirmed importance of maritime shipping as infrastructure

Environment surrounding maritime shipping

Appearance of both "opportunity" and "threats" at the same time

- Responding to a changing customer business environment
  - Transitioning to low carbon / zero carbon, and our role in the energy value chain
  - Shifting focus overseas as growth in the Japan market flattens
  - Automotive industry trends such as connected, autonomous, shared, electric (CASE)
- Enhanced focus on safety and quality
- Changes in the supply chain and world economy caused by geopolitical factors
- Trends in environmental technologies, and possibilities for fresh demand for marine transport
- Low-carbon technologies / alternative fuels and replacement of aged vessels
- Growth industry as a global infrastructure

The "K" LINE Group's Response

Evolving flexibly to deal with future uncertainty
Coping with change through advanced efforts and innovation

Progress and Results of the Fiscal 2020 Management Plan

Firmly protecting our business in the short term ······ Progress as planned

- Fleet scale optimization: Reduced 25 vessels in fiscal 2020 and made our fleet leaner and stronger

Long-term fixed core fleet scale	Beginning of fiscal 2020	End of fiscal 2020	Fiscal 2025 target
Total	352 vessels	327 vessels	300 vessels

P20–23 Message from the CFO

- Refocus of investments: Continued to refocus investments as planned

Initiatives for safety / environment / quality and growth strategy ······ Progress as planned

- Reduction of greenhouse gas emissions

P19 Financial and ESG Highlights

- Expanded introduction of LNG-fueled vessels

P24–27 Special Feature: Providing New Value
Roundtable Discussion with Employees

- Expansion of LNG bunkering business

P60–61 Business Overview, Fuel Strategy & Procurement Business, Energy Resource Transport

- Expanded introduction of K-IMS

P30–31 Special Feature: Providing New Value
Improvement of Safety, Environmental Performance, and Quality with Digital Technologies

- R&D for the Seawing automated kite system

P38 Strategies for the "K" LINE Environmental Vision 2050

- Carbon capture and storage (CCS) demonstration trials

P62–63 Business Overview, Electricity Business, Energy Resource Transport

- Formulated the revised edition of "K" LINE Environmental Vision 2050

P38 Strategies for the "K" LINE Environmental Vision 2050

- Continuation of safe vessel operation and navigation

P34–35 Safety in Navigation and Cargo Operations

Secure liquidity on hand ······ Progress as planned

- Stably secured cash equal to more than three months' turnover to prepare for unforeseen business circumstances after the COVID-19 pandemic

Expand shareholders' equity ······ Progress well above expectations

- Significant improvement in earnings of Ocean Network Express (ONE) and completion of the sale of shares of a consolidated subsidiary operating container terminals on the North American West Coast to accelerate progress toward a shareholders' equity target of ¥150 billion by the mid-2020s

P20–23 Message from the CFO

Fiscal 2021 Management Plan

Overview of the 2021 Management Plan

The fiscal 2021 management plan, which is based on the theme of "Connecting the World via Oceans and Technology," has been designed as a rolling plan that will guide us in implementing business strategies aimed at realizing ongoing improvements in corporate value. The plan is centered around the four business strategies of refining our four-pillar business; venturing into new business areas; accelerating business development abroad, particularly in Asia; and achieving further competitiveness in the containership business. In conjunction with these four business strategies, we will advance organization-wide function strategies based on eight core themes. By continuously reinforcing our financial position in this manner, we aim to improve corporate value.

The "K" LINE Group looks to accelerate investments in strategic growth fields in line with the reinforcement of its financial position. Specifically, we are projecting total investments of around ¥250.0 billion over the five-year period beginning with fiscal 2021, and we have earmarked approximately ¥100.0 billion of this amount for environment-related investments, such as those for contributing to a decarbonized society. These investments will be used to reshape our business portfolio in response to market changes over the medium to long term.

Meanwhile, we will support equity-method affiliate Ocean Network Express Pte. Ltd. (ONE) in formulating business and investment plans as well as dividend policies and other capital measures, to facilitate the improvement of its competitiveness and corporate value.

Outline of Management Plan

		Growth Areas	
		Accelerating business development abroad • Expand overseas sites • Deploying our global network and collaboration with local partners	**Studying the incorporation of growth areas** • Utilizing environmental technologies • Utilizing AI and DX technologies
Refining our four-pillar business • Fortifying our ability to provide clients with new ideas • Continuing our fleet optimization in line with plans • Expanding our base of stable-income businesses • Refocus of investments • Better use of data • Rigorous pursuit of efficiency in vessel allocation	**Dry Bulk**	• Further strengthening transport in both emerging markets and between third countries	• Installation of the Seawing automated kite system on dry bulk carriers (from fiscal 2022 onward) • LNG-fueled Cape-size bulkers
	Energy Resource Transport	• Responding to diversifying energy demand	• Offshore support vessels for offshore wind power generation • Support for offshore wind power generation projects in Japan • Transport utilizing new energy • Transportation by small-scale LNG carriers • LNG-related business such as LNG bunkering vessels • On-ship CO_2 capture and storage verification test • LPG-fueled LPG and ammonia carriers
	Car Carrier	• Responding to growth in electric vehicles (EVs), particularly in China	• Expansion of the fleet of LNG-fueled car carriers (an additional eight vessels) • Increasing high & heavy cargo volume
	Logistics / Short Sea and Coastal	• Business development rooted in each area	

Containership

• "K" LINE, as a shareholder, continues to support ONE as the containership business is one of our key businesses.

Core themes

- Continuing to strengthen the financial base
- Providing safe, reliable, high-quality services
- R&D of environmental technologies
- Strengthening governance
- Sharing knowledge throughout the Group
- Deploying in-house talent and outside knowledge
- Promoting DX
- Improving operational efficiency

Investment Plan

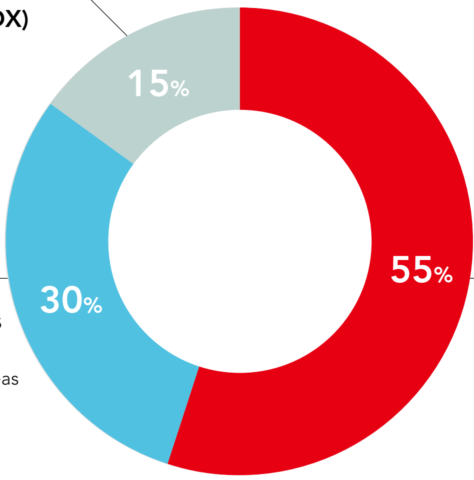
Refocusing investments in the short term

- Overall investment in the five years beginning in fiscal 2021 will be about ¥250.0 billion, within the scope of operating cash flow.
- Looking ahead after strengthening our financial base, we will consider investing in new growth areas.

Strategic investment (R&D / DX)

R&D for new environmental technologies
Investment for promoting digital transformation (DX)

- Investment for R&D for environmental technologies
- R&D for zero carbon
- Strengthen AI / digitalization



Environment for growth areas

Prioritize investment in energy resources, environment-related areas, and growth areas

- Vessels using alternative fuels
- Environmental response equipment
- New business contributing to low carbon

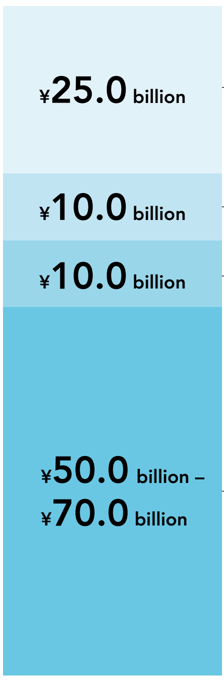
Replacement

Replacement investment focused mainly on stable-income business

- Investment based on long-term contracts
- Expansion of stable-income business
- Strengthening of profitability

Environment-Related Investment

Environment investment budget ¥100.0 billion (from fiscal 2021 for five years in total)



Environmental technology development

Investment and R&D for alternative fuel technologies, other new low-carbon / zero-carbon technologies, and improved fuel efficiency

Environmental response equipment

Sulfur oxide (SOx) scrubber, ballast water treatment system, Seawing, etc.

New business contributing to low carbon

LNG bunkering vessels, renewable energy-related business, etc.

Vessels using alternative fuels

One LNG-fueled car carrier was delivered in fiscal 2020.

Further new orders are now under consideration.

Other initiatives

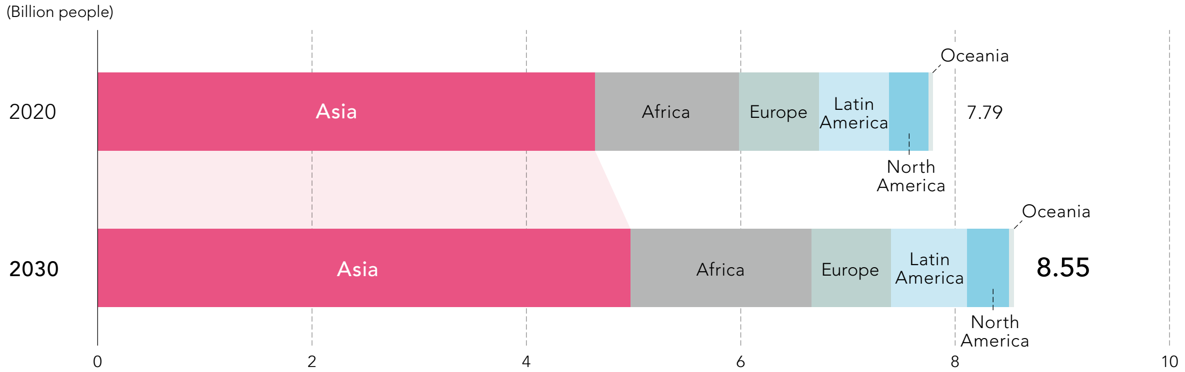
- Promoting investment in low carbon by setting ICP* on investment
  - ➤ Looking ahead after strengthening our financial base, we will consider investing in new growing areas.
- Promoting investments that incorporate transition finance

* Internal carbon pricing (ICP): Carbon pricing that is set and used inside the Company

Growth Potential of the Asian Market

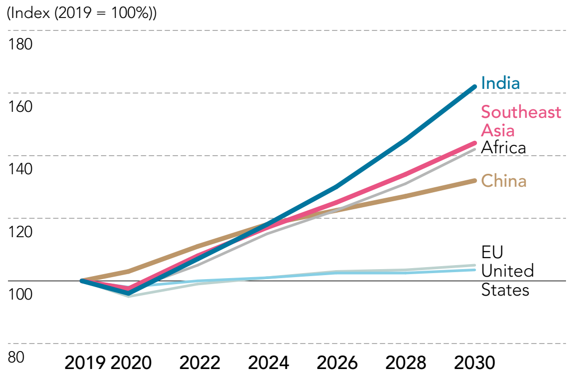
"K" LINE's business strategies for accelerating the global development of its business include expanding its overseas network, collaborating with local partners, generating synergies between "K" LINE Group companies, and training management personnel. A particular target of these strategies will be Asia, which is expected to account for nearly 5.0 billion of the projected global population of more than 8.5 billion people in 2030. In this market, we anticipate increases in logistics demand driven by population growth and rises in purchasing power. We also forecast increases in demand for electricity and other forms of energy as a result of population growth. At the same time, there will be efforts to support the decarbonization policies of national governments, giving rise to demand for transporting energy resources as needed to accommodate government energy and environmental policies.

World Population Prospects



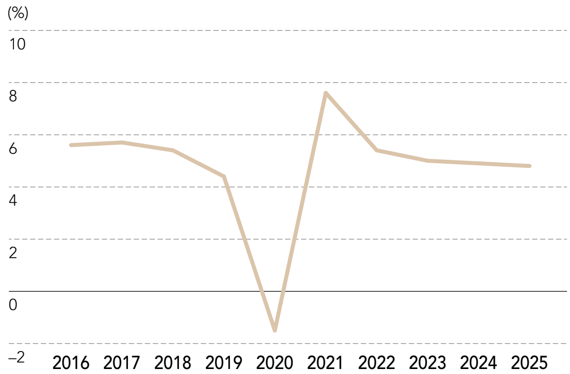
Source: United Nations, World Population Prospects 2019, Online Edition, Rev. 1. (Downloaded in August 2021)

Electricity Demand Outlook in Selected Regions/Countries in the Stated Policies Scenario



Source: IEA, World Energy Outlook 2020

Average for Asia, Gross Domestic Product, Constant Prices



Source: International Monetary Fund, Asia and Pacific Regional Economic Outlook (Downloaded in August 2021)

Key Points

- Population of Asia, including world population leaders China and India, to reach nearly **5.0 billion** in 2030
- Electricity demand in India, Southeast Asia, and other emerging markets to be **40% to 60%** higher in 2030, compared with 2019
- Annual GDP growth rates of approximately **5%** driven by population growth projected for Asian countries over the medium term

Initiatives for Improving Corporate Value

The "K" LINE Group is focused on boosting the profitability of its four-pillar business by optimizing fleet scale and enhancing services. In addition, we will support ONE in increasing its earnings power to stabilize our growth foundations and financial position from a medium- to long-term perspective. A new management plan has been formulated that incorporates growth strategies based on the faster-than-anticipated progress of efforts to improve our financial position observed at the time of the announcement of financial results for the three months ended June 30, 2021. In addition, the "K" LINE Group revised its core values to facilitate growth strategy formulation and disciplined investment. We are also examining shareholder return policies based on our ideal level of capital in our pursuit of improved corporate value.

Completed containership business structural reform by establishing Ocean Network Express (ONE)

Profitability of ONE

Now drafting a capital policy that incorporates a business plan, investment plan, and dividend policy to further strengthen competitiveness and growth in corporate value

×

Profitability of "K" LINE's own businesses

Strengthening the profitability of "K" LINE's own businesses through measures including fleet scale optimization and service quality

Management issues for growth in corporate value

Growth strategy

Planning a growth strategy by redefining core value and strengthening disciplined investment

Further enhancing financial strength

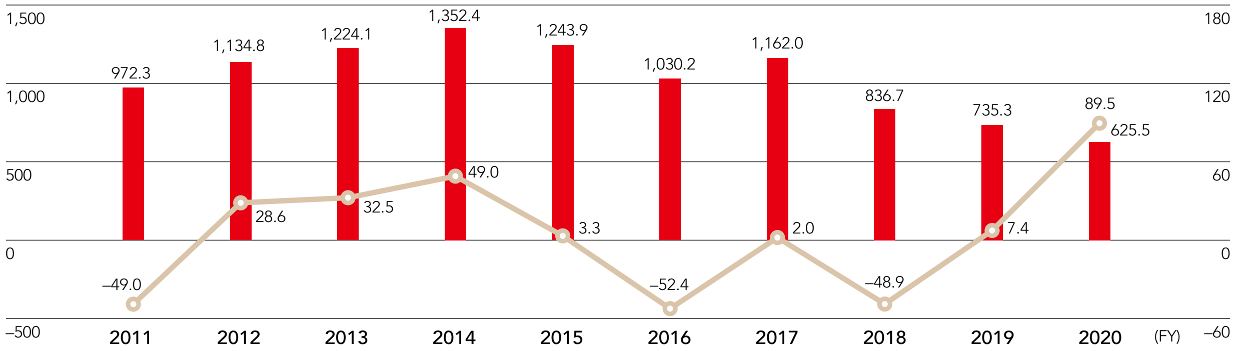
Return to shareholders

- Now drafting a new management plan that incorporates growth strategies based on the financial base being strengthened earlier than expected
- Considering shareholder dividends while maintaining an appropriate capital level

Financial and ESG Highlights

Kawasaki Kisen Kaisha, Ltd. and consolidated subsidiaries

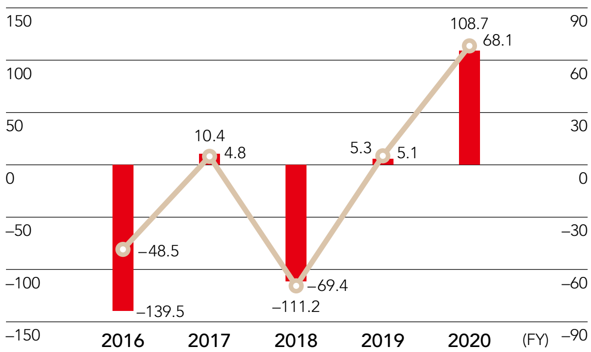
Operating Revenues, Ordinary Income



Operating revenues (left scale) Ordinary income (right scale)

In fiscal 2020, the COVID-19 pandemic caused a temporary dip in transportation demand, which mainly affected the Company's dry bulk and car carrier businesses. As a result, operating revenues decreased 14.9% year on year. Nonetheless, ordinary income rose steeply to ¥89.5 billion, primarily thanks to a solid performance by our containership business operated by equity-method affiliate ONE. The affiliate performed well due to increased cargo demand and stable short-term freight rates—particularly from the second half of the fiscal year onward—which stemmed from stay-at-home demand, etc.

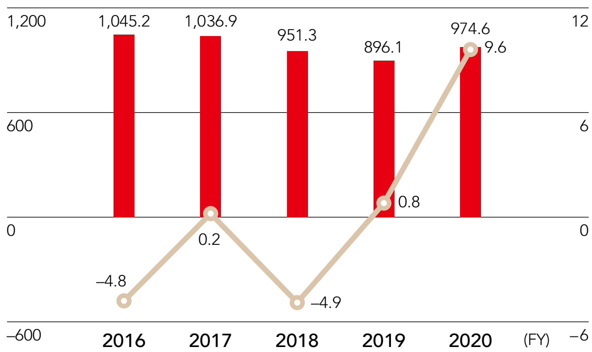
Profit Attributable to Owners of the Parent, Return on Equity (ROE)



Profit attributable to owners of the parent (left scale)
Return on equity (ROE) (right scale)

A significant increase in profit attributable to owners of the parent and a sharp rise in return on equity, to 68.1%, were attributable to the solid performance of ONE and the recognition of extraordinary income, which resulted from the sale of Company's shares in International Transportation Service, Inc., which operates the overseas terminal business.

Total Assets, Return on Assets (ROA)*

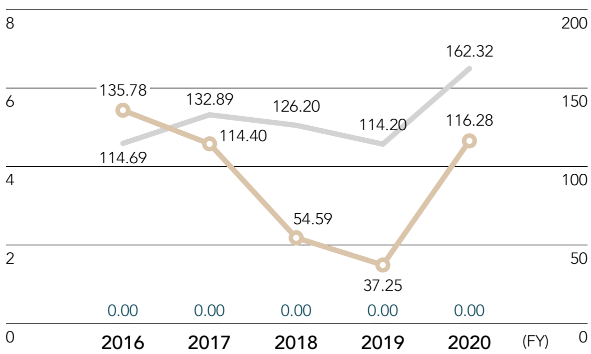


Total assets (left scale) Return on assets (ROA) (right scale)

In fiscal 2020, return on assets increased significantly year on year, to 9.6%, due to the marked growth in ordinary income.

* "Partial Amendments to the Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, issued on February 16, 2018), etc., has been applied from the beginning of fiscal 2018, and applied retroactively to the total assets and return on assets for fiscal 2017 for recalculation.

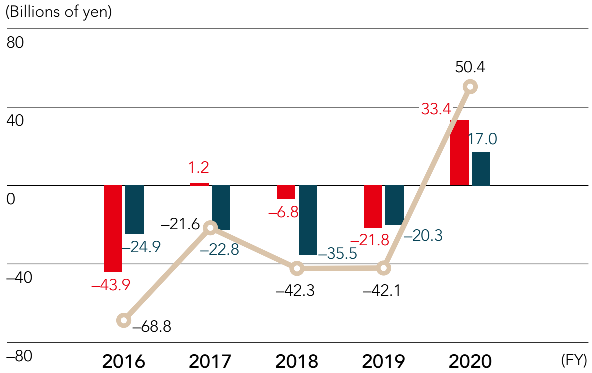
Cash Dividends per Share, Total Shareholder Return (TSR)



Cash dividends per share (left scale) Total shareholder return (right scale)
Benchmark: TOPIX including dividends (right scale)

In fiscal 2020, we gave first priority to continued efforts to improve and strengthen our financial position, and it was with sincere regret that we decided not to pay a dividend for the fiscal year. Further, TSR increased significantly year on year.

Cash Flows

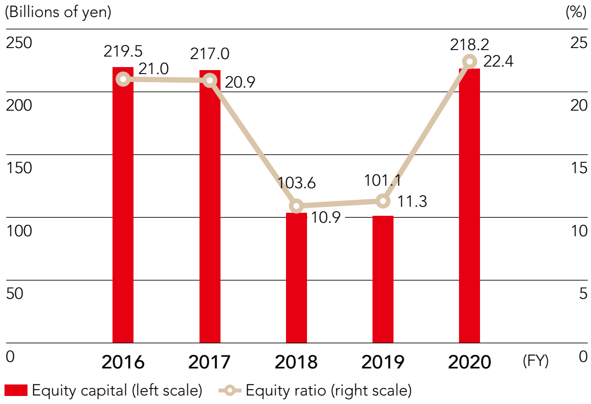


Cash flows from operating activities Cash flows from investing activities
Free cash flows

In fiscal 2020, net cash provided by operating activities was recorded due to profit before income taxes, and net cash provided by investing activities was booked as a result of income from the sale of shares of a subsidiary, which accompanied a change in the scope of consolidation. Consequently, positive free cash flow of ¥50.4 billion was recorded.

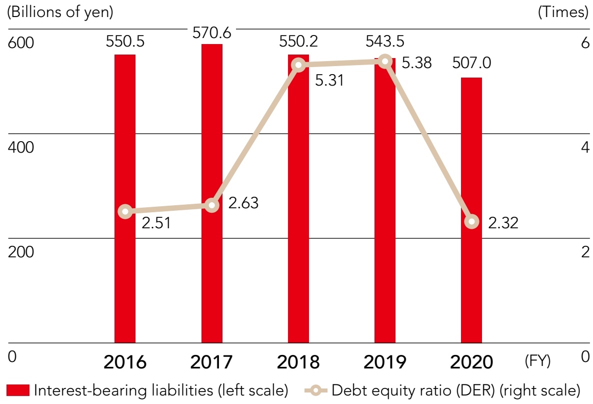
Note: Rounded to the nearest ¥0.1 billion (except for cash dividends per share and TSR)

Equity Capital, Equity Ratio



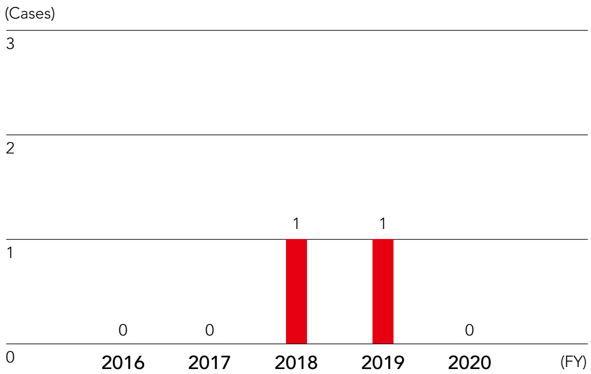
In fiscal 2020, equity capital grew steeply thanks to the increase in profit attributable to owners of the parent, etc. Consequently, at the end of the fiscal year equity capital had approximately doubled compared with its level at the previous fiscal year-end to reach ¥218.2 billion, while the equity ratio had improved significantly to 22.4%.

Interest-Bearing Liabilities, Debt Equity Ratio (DER)



At the end of fiscal 2020, interest-bearing liabilities totaled ¥507.0 billion, down from those of the previous fiscal year-end. Also, the significant growth in equity capital resulted in a marked improvement in the DER, to 2.32 times.

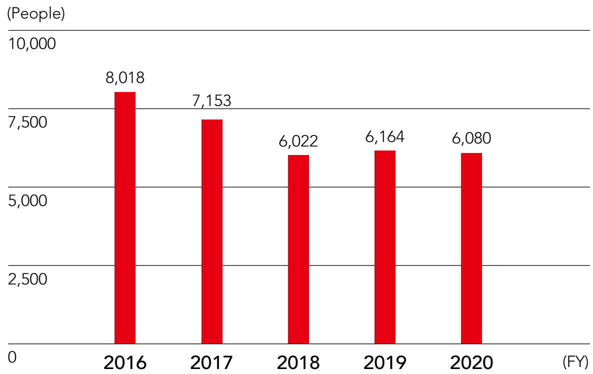
Number of Major Accidents*



In conducting shipping business, establishing and maintaining safety in navigation is an unending mission. Over the past five years, two oil spills have resulted from one grounding and one collision. In both cases, we took appropriate measures to minimize damage.

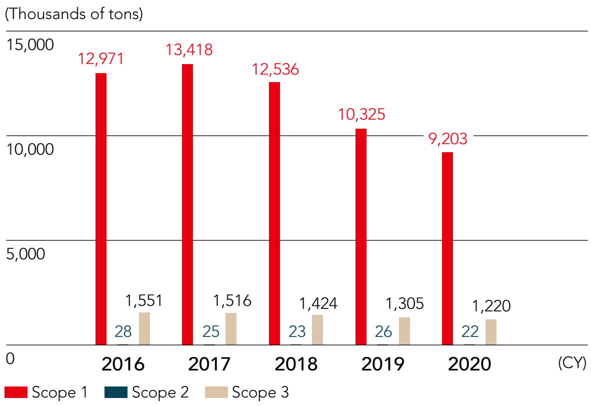
* The target range is our consolidated range, which corresponds to 100% of sales.

Number of Employees (Consolidated)



We seek to secure and train outstanding employees to maintain our world-class level of safety in navigation and cargo operations.

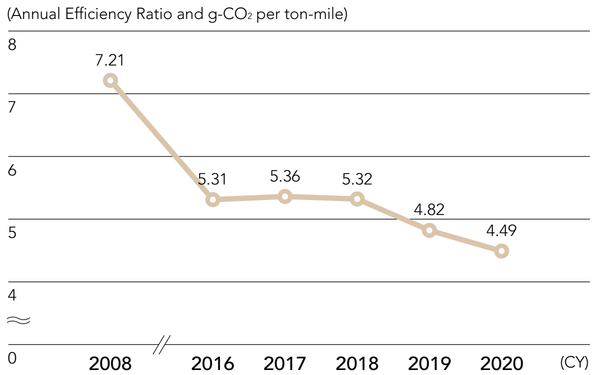
Greenhouse Gas Emissions* (Scope 1, 2, 3)



CO_2 emissions are calculated based on the "K" LINE Group's fuel consumption and electricity consumption, and third-party certification is obtained for these calculations. Scope 1 emissions, which are mainly from vessels, account for approximately 90% of "K" LINE's total emissions. Continuing their downward trend of 2019, our Scope 1 emissions again decreased year on year in 2020.

* The scope of calculation is "K" LINE's scope of consolidation, which corresponds to almost 100% of sales.

Greenhouse Gas Emissions per Deadweight Ton-Mile



We are reducing CO_2 emissions by introducing environment-friendly vessels and increasing the efficiency of vessel operations. In 2020, we formulated a revised version of the "K" LINE Environmental Vision 2050. We have aligned our CO_2 emission efficiency indicators with the targets of the International Maritime Organization (IMO) by setting 2008 as a base year and calculating AER.* In 2020, our GHG emissions per deadweight ton-mile were 37.7% lower than those of 2008.

* The average CO_2 emissions from a vessel per deadweight ton-mile (1,852 meters)

Message from the CFO

Yukio Toriyama
Representative Director
Senior Managing
Executive Officer

"K" LINE will pursue ongoing improvements in corporate value by building a new portfolio along with a strong financial base, while forecasting changes in a business environment characterized by both opportunities and risks.

Business Environment and Performance in Fiscal 2020

As a company that supports global logistics infrastructure with its operations centered on shipping, "K" LINE's business has a high level of susceptibility to changes in the business environment, particularly with regard to global economic trends. One such change was the global COVID-19 pandemic, which struck the world in early 2020. The pandemic and the ensuing infection prevention measures implemented in countries around the world had a massive impact on individual lifestyles, economic activities, and political trends across the globe. At "K" LINE, we saw relatively favorable performance when it came to energy-related businesses, such as LNG carriers and oil tankers. However, dry bulk carriers, car carriers, and other businesses were negatively affected by emergency production adjustments by cargo owners during the first half of the fiscal year.

Meanwhile, market conditions for containerships underwent a massive change in a manner that differed from our expectations. In the first quarter of fiscal 2020, cargo movement suffered a sudden, temporary decline as a result of the COVID-19 pandemic. This changed in the third quarter, when lockdowns were implemented by governments in countries such as the United States and in Europe; demand for consumer goods related to people staying at home increased sharply, causing a rapid recovery in cargo demand on Asia–North America trade routes. This strong demand resulted in serious shortages in cargo space and container boxes while measures for preventing COVID-19 infections caused labor shortages at ports, which slowed terminal operations. The slowdown in terminal operations, coupled with the congestions in in-land transportation of containers, led to supply chain disruptions and consequently a rise in freight rates in the containership market that soared past historic highs.

As a result of these factors, operating revenues in fiscal 2020 decreased ¥109.8 billion year on year, to ¥625.5 billion; ordinary income rose ¥82.1 billion, to ¥89.5 billion; and profit attributable to owners of the parent increased ¥103.4 billion, to ¥108.7 billion.

Operating Results by Segment

(Billions of yen)

Business Segment Upper row: Operating Revenues Lower row: Ordinary Income		Fiscal 2020 1H	Fiscal 2020 2H	Fiscal 2020 Full year	Vs. fiscal 2019 Full year	Vs. fiscal 2019 Change
Dry Bulk		88.0	93.9	182.0	233.8	–51.8
		–9.3	0.1	–9.1	4.1	–13.2
Energy Resource Transport		37.8	39.9	77.6	84.7	–7.0
		3.4	–2.3	1.1	9.9	–8.8
Product Logistics		161.7	177.9	339.7	384.5	–44.8
		18.7	85.8	104.5	–2.9	107.5
	Containership	21.3	20.9	42.2	102.0	–59.8
		21.5	82.3	103.8	–10.4	114.2
Others		12.5	13.6	26.2	32.3	–6.1
		0.6	0.4	1.1	1.7	–0.6
Adjustment		—	—	—	—	—
		–3.5	–4.5	–8.1	–5.4	–2.7
Total		300.1	325.4	625.5	735.3	–109.8
		10.0	79.5	89.5	7.4	82.1

Additional information about the business forecasts and management plan is available at the following webpage.
Home > Investor Relations > IR Library > Financial Report

Review of the Fiscal 2020 Management Plan

In light of the exceptionally unpredictable environment seen in April 2020, the start of fiscal 2020, "K" LINE announced a single-year rolling management plan, as opposed to the three-to-five-year medium-term management plans it usually presents. The purpose of the single-year plan was to allow the Company to respond more flexibly to changes in the short term amid the uncertain conditions. The main focus of the plan formulated for fiscal 2020 was to facilitate a measured response to the current market changes and to define medium- to long-term directives to be pursued based on an outlook for the post-COVID-19 business environment. Next, we will discuss some of the concrete business policies that were implemented based on this focus.

Strengthening of Business Resilience in the Short Term

All product logistics businesses, including the dry bulk business and the car carrier business, suffered from large decreases in demand in the first half of fiscal 2020 as a result of the COVID-19 pandemic. Strengthening our resilience toward these conditions is thus a top priority. One specific measure for accomplishing this goal was fleet scale optimization. In this regard, we set a target of downsizing our fleet by 52 vessels leading up to fiscal 2025, and in fiscal 2020 we were able to reduce our fleet by 25 vessels, centered on aged and low-margin vessels. In other words, we were able to achieve roughly half of our five-year reduction target in the single year of fiscal 2020. This accomplishment was a result of our quick response to favorable market conditions pertaining to secondhand vessels. By maintaining a flexible stance going forward, we aim to optimize our fleet scale ahead of schedule whenever possible.

Acceleration of Initiatives for Safety, the Environment, and Quality

Ensuring safety in navigation is a top management priority. With this focus, we took steps to protect maritime employees from the threat of COVID-19. Specifically, we prioritized improving employee welfare benefits for maritime employees with long stays on ships, providing mental and physical care to their families, and subsidizing the income of standby crews. The benefits of these measures manifested in our recording zero major accidents during fiscal 2020, despite the difficulty in switching out crew members.

Meanwhile, reducing environment impacts is also a top management priority, as is safety in navigation. In this regard, we completed construction of *CENTURY HIGHWAY GREEN*, our first LNG-fueled car carrier, based on the "K" LINE Environmental Vision 2050 (see pages 24–27). *CENTURY HIGHWAY GREEN* represented the first time that climate transition loans in Japan were used to fund shipbuilding. This new undertaking thus expanded the potential for procuring funds for initiatives related to the transition to decarbonized operations.

Medium- and Long-Term Targets and the Fiscal 2021 Management Plan

Traditionally, our shipping business has been prefaced on the idea that vessels continue producing profit over at least 20 years of operation. However, the recent tightening of environmental regulations and accelerating technological innovation have made it increasingly unclear whether a newly built vessel will be able to maintain its competitiveness over such a long term. At the same time, it is clear that the global society will continue to implement stricter environmental regulations and come to expect greater reductions in greenhouse gas emissions, in order to address climate change issues through means such as achieving a state of carbon neutrality. In response to these trends, companies have begun assessing all processes throughout their global supply chains with the goal of cutting greenhouse gas emissions across the entire lifecycles of their products, whether these products are automobiles or some other offering. Meanwhile, the shipping industry is undergoing a massive paradigm shift, the likes of which only come around once in a century. This shift can be seen in trends including the use of new fuel sources such as hydrogen and ammonia as replacements for conventional fossil fuels and companies pursuing the development of next-generation automated ship navigation systems. If we are unable to adapt to these changes, our business will fail to survive.

These changes to the shipping industry present both opportunities and risks. The "K" LINE Group was among the earliest companies in Japan to endorse recommendations of the Task Force on Climate-related Financial Disclosures in 2018. This move was symbolic of our acknowledgment of these opportunities and risks and of our strong commitment to addressing them through aggressive action.

"K" LINE has set targets for increasing equity capital and return on equity. We had originally intended to work toward these targets over a period of five to 10 years, but we now expect to achieve these targets in fiscal 2021. This outcome will be due to the improvement of performance at Ocean Network Express Pte. Ltd., recovery of earnings in "K" LINE's own businesses, and sales of the stock of our North American logistics subsidiaries.

Given the aforementioned business environment changes, as well as the improvements to our financial base, all of "K" LINE's business divisions will review their portfolio strategies from a medium- to long-term perspective. Considering the potential impacts of low-carbon and decarbonization trends on the shipping business after the conclusion of the COVID-19 pandemic, we seek to reassess the fundamental strengths of "K" LINE while discussing with both internal and external stakeholders our vision as a company that supplies a piece of global logistics infrastructure. Through this process, we look to develop new business portfolios that are more in line with our vision.

In the management plan for fiscal 2021, investment plans have been positioned as an important element of business strategies. There are currently three basic guidelines for investment plans that have been defined. First of all, we aim to invest a total of ¥250.0 billion, within the amount of operating cash flows, over the five-year period beginning with fiscal 2021. Secondly, we will budget ¥100.0 billion out of this amount for environmental investments. Lastly, we plan to invest in new growth fields while carefully assessing the inherent risks based on our progress in improving our financial position. "K" LINE has no intention of abandoning its basic stance toward discipline in its finances and investments. However, we recognize that it is important to revise our investment plans in line with business plans for fiscal 2022 and beyond based on the aforementioned efforts to develop new business portfolios and the need to accelerate environmental investments.

Enhancement of Risk-Return Management

When making investment decisions, we will also focus on enhancing risk-return management, which we have been enhancing over the past several years, and of improving the accuracy of said management. We have already installed business division-level frameworks for quantifying the risk of the maximum-possible business losses that can be projected based on measured statistics. We use "K" LINE Value after Cost of Shareholders' equity ("K" VaCS), a unique earnings indicator that shows economic value with an emphasis on the cost of shareholders' equity and business risks, to guarantee returns matched to risks and to determine the Group's optimal business portfolio. Another unique indicator is "K" LINE Return on Invested Capital ("K" RIC), an efficiency indicator that factors in the cost of capital. This indicator is used to set Groupwide and business division-specific hurdle rates to ensure that returns match amounts of invested capital.

"K" LINE has also recently introduced a framework in which internal carbon pricing standards are set to evaluate investments. Specifically, we have defined a unique economic indicator based on the benchmark of ¥4,000 per ton of CO_2 emissions. LNG-fueled vessels are more expensive to build than conventional fossil fuel-using vessels. Accordingly, it was impossible for investments

"K" VaCS –"K" LINE Value after Cost of Shareholders' equity–	"K" RIC –"K" LINE Return on Invested Capital–
• A profit indicator that represents economic value corresponding to the cost of shareholders' equity • Aims to optimize the Group's business portfolio based on quantified business department-basis risk values	• An efficiency indicator promoting corporate value enhancement that factors in the cost of capital • Accelerates return on invested capital by establishing a profitability baseline • Sets hurdle rates for each business and the Group overall by using business risk
Formula "K" VaCS = Net income after tax – (Business risk based on the Group's business attributes x Cost of shareholders' equity) Note: If "K" VaCS is greater than zero, then corporate value is enhanced	Formula "K" RIC = Earnings before interest after taxes ÷ invested capital Note: As a general rule, "K" RIC should be above the hurdle rate; among viable hurdle rate candidates is the weighted-average cost of capital (WACC)

in these vessels to clear hurdle rates based on prior investment standards. Setting internal carbon pricing standards, however, allows for decisions to be based on the trend toward a carbon-free society, making these standards a valuable indicator.

Improvement of Corporate Value and Shareholder Returns

As I have mentioned, we project that the earnings and equity capital improvements targeted by the fiscal 2021 management plan will be accomplished significantly earlier than initially forecast. Accordingly, we intend to pursue ongoing increases in total shareholder return by achieving stable improvements in return on equity through growth in ordinary income and equity capital.

Resuming dividends as quickly as possible is a top management priority. The spin-off of our containership business to form an equity-method affiliate means that the earnings of this business will only be recorded on our consolidated financial statements, and will therefore not have a direct impact on non-consolidated earnings. At the same time, it is a rule that dividend payments must be limited to the amount of retained earnings on the balance sheet, which represents non-consolidated earnings as defined by the Companies Act of Japan. In other words, it is difficult to determine the level of dividends it is possible for the Company to pay just by looking at disclosed figures for consolidating earnings. For this reason, we aim to increase non-consolidated dividend income, which is not reflected in consolidated earnings, by growing earnings from business other than the containership business. We will make the utmost effort in this regard with the objective of resuming dividend payments.

Future Vision for Maritime Businesses

The COVID-19 pandemic proved to be an opportunity for us to reconfirm the importance of the role of marine transportation as a piece of global economic infrastructure. It was also an opportunity to demonstrate this role to society as a whole. Ensuring safe navigation is an absolute must if we are to continue to fulfill this infrastructure role. We also must strengthen our countermeasures against new risks, such as the ever more destructive threat of cyberattacks. Specific risk factors we are being mindful of include those with the potential to boost market volatility, such as the move to decouple the U.S. and Chinese economies and the resumption of rises in COVID-19. We also recognize the importance of developing a fleet that allows for flexible adjustments in fleet scale to enable us to respond to sudden changes in the supply and demand balance without increasing the overall scale of our fleet.

The trend toward a carbon-free society brings with it expectations regarding eco-friendliness and other factors. Providing new services that address these expectations will require us to exercise leadership in developing business models that exceed the boundaries of conventional frameworks. Moreover, it is possible that the prior industry reorganization trend seen as centered on containership businesses will accelerate, causing increased consolidation focused on highly creditable shipping companies.

I believe that it is crucial for "K" LINE to maintain a strong corporate constitution if it is to make swift, accurate, and bold decisions based on a clear outlook for the rapidly changing business environment. This constitution should allow us to effectively select and integrate information from a wide range of sources and to stay a step ahead of the times. The strength of this corporate constitution should be supported by a robust financial platform and consistent stakeholder returns, which will be important to earning the unwavering trust of society. The business environment is currently characterized by a high level of volatility, making it incredibly difficult to predict the developments that will be seen even a year into the future. This rings true for the shipping business as well as for all other businesses. In this environment, "K" LINE is thoroughly committed to advancing its business and improving corporate value while capitalizing on opportunities, without fear of risks.

Roundtable Discussion with Employees

Pursuit of Innovation to Reduce the Environmental Impact and Improve Safety in Navigation

Naoki Yamada
Manager
North America Team
Car Carrier Business Group

Ryo Miyoshi
Manager
GHG Reduction Strategy Team
GHG Reduction Strategy Group

Yuya Kuroi
Manager
Fleet Management Team
Car Carrier Planning & Development Group

Arisa Ebata
Manager
Finance Team
Finance Group

Yasuaki Yamaguchi
AI/Digitalization Team
AI/Digitalization Strategy Group

In March 2021, "K" LINE completed construction of the *CENTURY HIGHWAY GREEN* LNG-fueled car carrier. This vessel is the "K" LINE Group's first LNG-fueled vessel, making it a next-generation eco-friendly car carrier that also represents an important milestone toward accomplishing the goals of the "K" LINE Environmental Vision 2050. We asked five employees who were involved in this shipbuilding project, which commenced in 2017, about the type of coordination that was needed to advance the project and the insight gained from the process.

Q: To begin with, could you please explain the relation between your group and the *CENTURY HIGHWAY GREEN* project, as well as the role you played in this project?

Yamada: I belong to the North America team of the Car Carrier Business Group. In this team, I am responsible mainly for sales activities and communication with automobile manufacturers that ship automobiles from Asia to North America. My role in the *CENTURY HIGHWAY GREEN* project involved managing the financial outflows and inflows related to the project. I learned from my predecessor that the start of this project can be traced to talks between the Car Carrier Business Group and its customers about the possibilities for reducing greenhouse gas emissions from marine transportation.

Miyoshi: I am in the GHG Reduction Strategy Group, a group established in April 2021 that is tasked with guiding our next-generation eco-friendly vessel strategies from a technological standpoint. Previously I was in the Ship Technical Group, where I was responsible for advancing shipbuilding in a way that incorporated the technological elements needed to achieve the goal of an LNG-fueled car carrier at the request of the Car Carrier Business Group. As a result, I believe I was involved in the *CENTURY HIGHWAY GREEN* project longer than anyone else here today.

Kuroi: I joined the *CENTURY HIGHWAY GREEN* project in 2018. I am currently a member of the Car Carrier Planning & Development Group's fleet management team, where I am responsible for arranging vessels with the capacity to meet cargo transportation needs, whether through new shipbuilding or chartering. The Car Carrier Business Group, to which Mr. Yamada belongs, was tasked with estimating the outflows and inflows associated with voyages by *CENTURY HIGHWAY GREEN*. I, meanwhile, played a role in negotiating with shipbuilding sites, managing negotiations with relevant internal divisions, and coordinating with ship management companies.

Ebata: I am a member of the Finance Group, which handles the procurement of funds for shipbuilding, and I was involved in the *CENTURY HIGHWAY GREEN* project for roughly one year prior to completion of the vessel. Negotiations with financial institutions on procuring funds to build new ships usually begin around three months before construction is completed. For *CENTURY HIGHWAY GREEN*, however, we started negotiations earlier than normal, given that this was our first LNG-fueled vessel.

Yamaguchi: Up until 2018, I was a member of the Ship Technical Group together with Mr. Miyoshi. However, I transferred to the newly established AI/Digitalization Strategy Group in 2019 and was quickly assigned to the *CENTURY HIGHWAY GREEN* project. I joined "K" LINE right around the completion of *DRIVE GREEN HIGHWAY*, a vessel that boasted world-leading levels of environmental performance at the time. So I hoped one day to be able to take part in a cutting-edge project like that one. This desire became a reality when I was able to participate in this unexpected project, which entailed the construction of a vessel incorporating the latest digital technologies.

Q: We have here today members from five divisions that were involved in this project. Could you please offer some insight into the coordination between internal and external parties that took place during the development process?

Miyoshi: In terms of coordination with external parties, close sharing of information on the vessel construction was most important with shipbuilding sites. Normally, we would share information with shipbuilding sites in a face-to-face manner during visits to the sites. In 2020, however, we could not make such visits because of the COVID-19 pandemic. There is a need to change course, to make timely adjustments in response to any technical issues that emerge during the construction process. For example, in this particular project, we were forced to make a massive change in our schedule as the delivery of the tank, a core component of the vessel, was delayed due to the pandemic. Since before the pandemic, we have had a shipbuilding supervisor stationed at shipbuilding sites in Kagawa Prefecture. This supervisor played a central role in remote communication between Kagawa and Tokyo, through which we shared information on the technical elements of the project. Overcoming the obstacles that occurred during the process of building the vessel through remote communication was a fresh and challenging experience.

Kuroi: "K" Line RoRo Bulk Ship Management Co., Ltd. (KRBS) was entrusted with management of *CENTURY HIGHWAY GREEN*. We also took a remote approach toward sharing information with this company. Ship management companies play a core role in ship operation, because they are the ones responsible for managing the maintenance of vessels and their engines, assigning crews, and undertaking other tasks that are necessary to ensure the smooth operation of vessels. KRBS had no prior experience managing LNG carriers or LNG-fueled vessels, meaning that *CENTURY HIGHWAY GREEN* was the first such vessel in their care. It was therefore absolutely essential for us to convey our accumulated technical knowledge and skills related to such vessels to KRBS.

Yamada: Coordination between all involved parties was vital to the progress of the project. For example, as we approached the completion of the vessel, we saw an unexpected increase in costs from the estimates formulated when ordering the construction of this ship. To limit this rise in costs, frequent communication was pursued with relevant parties inside and outside of the Company to request negotiations when necessary.

CENTURY HIGHWAY GREEN

Roundtable Discussion with Employees

Ebata: The ability of the Finance Group to secure ship-building funding with competitive rates has a direct impact on the profitability of the projects. For this reason, we also sought to share information internally on a frequent basis.

Q: How did "K" LINE's corporate culture influence coordination and information sharing?

Kuroi: The *CENTURY HIGHWAY GREEN* project was a completely new undertaking, and there was thus no room for mistakes. I felt a lot of pressure, and when the uncertainty mounted I naturally felt a desire to talk to someone with experience in this area to whom I could ask questions. In times like this, I sought out people within the organization who had experience in operating LNG carriers, and these individuals spared no expense in offering me guidance. Thinking back on the process, "K" LINE's open corporate culture, which allows us to question and receive information from a range of internal parties with ease, was an incredible benefit.

"People within the organization who had experience . . . spared no expense in offering me guidance. Thinking back on the process, "K" LINE's open corporate culture, which allows us to question and receive information from a range of internal parties with ease, was an incredible benefit. (Kuroi)"

Yamada: I joined "K" LINE around the same time as Mr. Miyoshi and Ms. Ebata. We therefore had been exchanging information on an informal basis fairly often, even before our participation in the project began. As Mr. Kuroi said, a corporate culture that makes it easy to communicate with others within the organization, including through informal internal networks, is incredibly important.

Yamaguchi: Another vital factor is the ease of moving forward with one's endeavors. The idea of installing digital technologies to equip *CENTURY HIGHWAY GREEN* with communications infrastructure as a digital flagship was proposed while the vessel was already in the process of being built. This proposal was based on the thinking that, if we were to equip the ship with the latest maritime industry digital technologies, we could achieve higher levels of safety through both environmental performance and digital technologies. Rather than immediately shooting down the proposal because of its late timing in the process, the Company took a flexible approach to looking at what we could actually accomplish. I think this approach is a major characteristic of the "K" LINE Group.

"If we were to equip the ship with the latest maritime industry digital technologies, we could achieve higher levels of safety through both environmental performance and digital technologies . . . [T]he Company took a flexible approach to looking at what we could actually accomplish. I think this approach is a major characteristic of the "K" LINE Group. (Yamaguchi)"

Yamada: I understand entirely. Personally, I believe that the "K" LINE spirit, which is characterized by an enterprising spirit, drives progress when the diligent individuals in core positions throughout the Company find solutions to the issues we face through individual efforts. For this reason, it is important for those around these individuals to support them and respect their efforts.

Ebata: Our ability to procure funds through climate transition loans could be said to be due to the indirect benefits of "K" LINE's corporate culture of encouraging employees to move forward. One of the major factors considered when screening "K" LINE for these loans was our putting forth Groupwide targets to achieve improvements in CO_2 efficiency and reduce greenhouse gas emissions to an extent that exceeded international industry targets in the "K" LINE Environmental Vision 2050. In other words, our Groupwide environmental initiatives, and the positioning of *CENTURY HIGHWAY GREEN* as an important milestone to accomplish our ambitious targets, won a high evaluation.

"One of the major factors considered when screening "K" LINE for [climate transition] loans was . . . our Groupwide environmental initiatives, and the positioning of *CENTURY HIGHWAY GREEN* as an important milestone to accomplish our ambitious targets . . . (Ebata)"

Q: What insight has the "K" LINE Group gained through the process of constructing *CENTURY HIGHWAY GREEN*?

Yamada: Amid the rapid push to achieve a decarbonized society that we have been seeing in 2021, we were able to demonstrate the "K" LINE Group's commitment to our customers and other stakeholders of reducing CO_2 emissions. This fact reaffirms the importance of making proposals that look to future market trends, even during a challenging operating environment. In 2017, when the *CENTURY HIGHWAY GREEN* project began, infrastructure for supplying LNG fuel was lacking and the shipping market was in decline, which made it difficult to engage in new undertakings. Nevertheless, the Group was quick to see the future potential of LNG-fueled vehicles, and this swift action led to our completion of *CENTURY HIGHWAY GREEN* in 2021.

> Amid the rapid push to achieve a decarbonized society that we have been seeing in 2021, we were able to demonstrate the "K" LINE Group's commitment to our customers and other stakeholders of reducing CO_2 emissions. This fact reaffirms the importance of making proposals that look to future market trends, even during a challenging operating environment. (Yamada)

Yamaguchi: The installation of digital technologies on *CENTURY HIGHWAY GREEN* was announced in conjunction with the completion of the vessel's construction. This announcement spurred an influx of requests for meetings from numerous IT companies with which we had no prior dealings, a development that made it clear how highly society evaluated this undertaking and the amount of attention it was garnering.

Ebata: We also saw a rise in inquiries from ESG financing institutions. In response to such inquiries, the Finance Group is working to communicate to financial institutions and investors that we are not merely focused on boosting numbers and project totals, but instead engaged in a Groupwide effort to accomplish the goals of the "K" LINE Environmental Vision 2050.

Miyoshi: The operation of our LNG-fueled vessels and our ship-to-ship LNG bunkering business commenced at essentially the same time, a fact that was incredibly meaningful in terms of gaining technical insight into the interface between the ships that receive LNG fuel and the ships that supply this fuel. Normalizing marine transport using alternative fuel sources requires the development of a supply chain for these alternative fuels. The "K" LINE Group is playing a leadership role in establishing this supply chain. However, I also recognize that the true value of *CENTURY HIGHWAY GREEN* and its alternative fuel approach with regard to safe navigation and the acquisition of related insight will be demonstrated when the vessel is actually at sea.

> I also recognize that the true value of *CENTURY HIGHWAY GREEN* and its alternative fuel approach with regard to safe navigation and the acquisition of related insight will be demonstrated when the vessel is actually at sea. (Miyoshi)

Kuroi: The construction of *CENTURY HIGHWAY GREEN* was an undertaking that required us to navigate uncharted seas involving new technologies and frameworks. Our successful completion of this vessel will no doubt be a boon for our next innovative project. I hope to use the experience gained through this project in future shipbuilding plans while pushing ahead with other projects, based on a strong commitment to take the lead in accomplishing the "K" LINE Environmental Vision 2050.

This roundtable discussion took place online out of consideration for the COVID-19 pandemic.

For more information on *CENTURY HIGHWAY GREEN*, please refer to the following press release:
https://www.kline.co.jp/en/news/car/car753727087818379669/main/0/link/210312EN1.pdf

For more information on the climate transition loans, please refer to the following press release:
https://www.kline.co.jp/en/news/car/car-7503535198498277982/main/0/link/210312EN2.pdf

For more information on the ship-to-ship LNG bunkering business, please refer to the following press release:
https://www.kline.co.jp/en/news/Liquefied_gas/Liquefied_gas-9164999208377012688/main/0/link/201021EN%20.pdf

Decarbonization Initiatives and Exploration of Growth Markets

We will support customers in their efforts to achieve carbon neutrality while cementing our presence in this growth market.

Satoshi Kanamori
Executive Officer
In charge of LNG,
Carbon-Neutral Promotion

Utilization of Energy Transportation Experience and Customer Base

"K" LINE established the Carbon-Neutral Promotion Group in April 2021 to facilitate the swift launch of businesses that contribute to carbon neutrality amid an accelerating global decarbonization movement.

We anticipate that markets which promote carbon neutrality will see continuous growth. Factors behind this growth will include increased demand for offshore support vessels for offshore wind energy generation; the establishment of supply chains for alternative fuel sources, such as LNG, hydrogen, and ammonia; the emergence of zero-emission ships that utilize fuel cells and electric systems; and the commercialization of carbon capture, utilization, and storage (CCUS) methodologies. With its accumulated experience and insight related to energy transportation business of oil, coal, and LNG and offshore support vessels, "K" LINE has been able to earn trust from energy industry customers around the world. We will support customers in their effort to achieve carbon neutrality with this business experience while increasing our presence in this growing market.

New Trends in Carbon Neutrality-Related Business

In June 2021, operations commenced at "K" Line Wind Service, Ltd. (KWS), a company that provides offshore support vessels and transportation service related to the development, construction, operation, and maintenance of offshore wind power generation projects. KWS is a joint venture with Kawasaki Kinkai Kisen Kaisha Ltd. that combines both parties' offshore support business expertise as well as the insight of the "K" LINE Group companies pertaining to tug vessel operations and logistics solutions. We plan to develop the operations of KWS to support the development of offshore wind power generation projects in Japan with a focus on recruiting and training Japanese seafarers, contributing to offshore business communities, and invigorating local communities.

Furthermore, in August 2021, Chubu Electric Power Co., Inc., and "K" LINE entered into a joint development agreement with DP Energy, a renewable energy developer headquartered in Ireland, for a tidal energy project in Canada. This project will be the first overseas tidal energy project participated in by Japanese companies and will entail the installation of three underwater turbine generators.

At the same time, "K" LINE is advancing R&D activities with an eye to future technological progress, including participation in verification tests for the social implementation of liquefied CO_2 maritime transportation (see page 65).

Offshore support vessel

By supporting customers' carbon neutrality initiatives, "K" LINE aims to help contribute to targets of the United Nations Sustainable Development Goals related to expanding renewable energy use (target 7.2), improving efficiency in natural resource use (targets 9.4 and 12.2), and mitigating climate change (target 13.3).

7 AFFORDABLE AND CLEAN ENERGY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

Value Creation Initiatives

- Contributions to customers' carbon neutrality initiatives utilizing insight accumulated through offshore service and energy transportation businesses
- Leadership for the development of carbon neutrality-related markets together with partners in maritime business communities comprised of shipbuilding, ship machinery, port transportation, and warehouse and distribution industries as a shipping company that plays a central role in the maritime industry
- Support for the development of offshore wind power generation, which has been defined as a priority field in the Japanese government's "Green Growth Strategy Through Achieving Carbon Neutrality in 2050," through offshore support vessels and transportation solutions
- Advancement of R&D activities with an eye to future innovation

Overview of Maritime Industry and Carbon Neutrality Trends

Regulatory Environment

- The International Maritime Organization (IMO), a specialized United Nations agency that plays a leadership role in international cooperative actions relating to maritime issues, is responsible for developing environmental policies and other rules for international shipping activities. The initial IMO greenhouse gas strategy launched in April 2018 puts forth the following greenhouse gas reduction targets for international shipping activities: reduce CO_2 emissions per transport work by at least 40% by 2030 compared to 2008, reduce total annual greenhouse emissions from international shipping by at least 50% by 2050 compared to 2008, and phase out greenhouse gas emissions as soon as possible in this century.
- The IMO's initial greenhouse gas strategy was originally planned to be revised in 2023, and the revision process is slated to begin in fall 2021.
- The European Union, which is taking the lead in environmental discussions, has introduced the EU Emissions Trading System (EU ETS) and has proposed instituting stricter international regulations by expanding the application of EU ETS to the entire world. The Japanese government encourages the acceleration of effective policy development by the IMO instead of simply expanding the application of the EU ETS.
- Meanwhile, the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) was instituted in the aviation industry in 2021, allowing for the utilization of voluntary credits.

Reduction of Greenhouse Gas Emissions from Ship Operations

- It is imperative for shipping companies to replace heavy fuel oil with low-emissions fuel to achieve carbon neutrality. In order to transition to low-emissions fuel while maintaining ongoing shipping operations, there is a need to establish supply infrastructure for providing alternative fuels with reliable quality in a timely manner across the globe.

Energy Supply Chain Development

- Shipping companies support energy resource supply chains through maritime transportation. The role played by these companies is particularly important in Japan, which depends on imports for a large amount of its energy resources. In the future, it is expected that shipping companies will be able to make continuous contributions to the safe transportation of and development of supply chains for new energy resources, such as hydrogen, ammonia, and CO_2, while also transporting traditional energy resources such as oil, coal, and LNG.
- The transition to alternative fuel sources is advancing rapidly in power, chemical, and other industries, and it will therefore be important to secure sufficient volumes of fuel over the long term. In order to facilitate this transition to alternative fuel sources, the shipping industry will need to contribute to the establishment of a sustainable and strategic energy supply chain together with the relevant industries.
- The transition to renewable energy will facilitate the local generation and local consumption of energy in Japan, and such localization will increase demand for short sea and coastal vessels. These increases in demand will create a greater need for Japanese seafarers to ensure the sustainability of operations, meaning that strategic educational programs are a must.

Improvement of Safety, Environmental Performance, and Quality with Digital Technologies

As we pursue safety in navigation, the reduction of environmental impacts, and improvements in service quality, we will use data and cutting-edge technologies to create new value.

Hiroshi Uchida
General Manager of AI/Digitalization Strategy Group

Data Platform Development to Support Digital Transformation

Guided by its management plan's theme of "Connecting the World via Oceans and Technology," "K" LINE is pursuing safety in navigation, the reduction of environmental impacts, and improvements in service quality. Our accumulated technological know-how is being utilized along with digital technologies to accelerate our progress toward these goals. At the same time, constituents of the Ship Technical Group, including the Safety and Quality Management Group and the Advanced Technology Group, are teaming up with the Information System Group, business groups, and all other onshore divisions to create new value.

Responding swiftly to digital transformation trends in the shipping industry and achieving higher levels of safety, environmental performance, and quality will require the development of data platforms for both onshore and offshore operations. "K" LINE is installing digital infrastructure for communications between onshore facilities and vessels at sea while linking data from the Kawasaki Integrated Maritime Solutions integrated vessel operation and performance management system, vessel management data, and data from various internal systems.

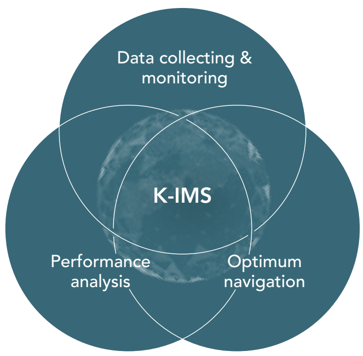
Safer Operation and More Sophisticated Operation Management Using AI Technologies

We started to use the Kawasaki Integrated Maritime Solutions system in 2016, and we have recently been augmenting this system with the latest artificial intelligence (AI) analysis technologies. Infusing the system with these technologies enables highly accurate analysis of the impacts of external factors such wind, waves, and currents on the operating performance of vessels at sea. When combined with the navigation optimization support system that is a component of the overall Kawasaki Integrated Maritime Solutions system, these analytical capabilities contribute to more sophisticated operation management along with increased safety and reduced environmental impacts.

"K" LINE is also using AI-powered technologies to develop autonomous ship technologies. For example, AI can be used to analyze data collected by the Kawasaki Integrated Maritime Solutions system as well as operation data pertaining to past incidents and maintenance records, which make it possible to optimize the performance of engine plants and to predict engine trouble in advance. We are also developing ship maneuvering support systems that use image recognition technologies employing high-spec cameras and AI to avoid collisions with other vessels and prevent vessels from grounding accidents, along with the latest collision risk calculation engines. By introducing such advanced technologies, we aim to reduce the burden placed on crew members while improving safety and transportation quality.

Reforms to Onboard Workstyles and Improvement of Service Quality through Digitalization

Digital technologies are contributing to reforms to onboard workstyles. We are bolstering the network infrastructure of ships by installing onboard communications equipment and Wi-Fi networks to heighten the efficiency of onboard work. For example, we are utilizing mathematical optimization technologies to automate cargo loading plan preparation in order to allow the planning simulations traditionally conducted onboard to be performed onshore. By sharing information between vessels and onshore facilities in these ways, we aim to expand safety in ship management and develop new frameworks to respond swiftly to customer needs.



By using data and cutting-edge technologies to increase the safety of operations, reduce environmental impacts, and improve service quality, "K" LINE aims to help contribute to targets of the United Nations Sustainable Development Goals related to increasing energy efficiency (targets 7.3 and 12.2), mitigating climate change (target 13.3), and preventing marine pollution (target 14.1).

Value Creation Initiatives

- Development of data platforms necessary for digital transformation
- Introduction of cutting-edge technologies into the Kawasaki Integrated Maritime Solutions integrated vessel operation and performance management system to boost safety in navigation, reduce environment impacts, and improve transportation quality and thereby heighten "K" LINE's service quality
- Digitalization of onboard work to reform onboard workstyles and strengthen service quality
- Development of next-generation autonomous ship technologies using advanced digital technologies

Digital Technology Utilization in the Shipping Industry

Installation of Offshore Broadband Networks

- The installation of high-speed communications equipment on ships is significantly behind the installation of onshore infrastructure. However, the spread of satellite communication services and the growth of this market sparked an increase in the speed of communications on ships together with a reduction in costs in the mid-2010s, contributing to the digitalization of onboard work. In the near future, increases in low-orbit satellites are expected to further accelerate the speed of communications on ships.
- The spread of broadband networks on ships and the installation of onboard Wi-Fi networks is contributing to improved operational efficiency as well as to increased benefits for crew members. These networks have been especially important since 2020, as they are an invaluable method of communicating with family members and maintaining good mental health for crew members faced with extended stays on vessels due to the COVID-19 pandemic.

Maritime Business and Vessel Innovation

- The digitalization of vessel navigation systems and terminal operations is becoming more common in the shipping industry, helping to reduce greenhouse gas emissions through the overall optimization of operation management. In addition, cutting-edge blockchain technology is being used to streamline processes across the shipping value chain, ranging from fuel procurement and cargo tracking to ship recycling and waste management.
- It can be expected that we will see increased use of open platforms for sharing navigation and ship data in conjunction with the acceleration of land and sea communications, the installation of high-speed communication systems and the spread of Internet of Things (IoT) technologies. In Japan, the Internet of Ships Open Platform (IoS-SP) ship data sharing platform was implemented in 2018 for the purpose of sharing shipping industry data. In this manner, data sharing and distribution are on the rise in Japan's shipping industry.
- R&D on autonomous ship technologies is moving forward with the goals of improving safety in navigation, onboard work environments, and industry competitiveness and productivity. In Japan, safety engineering guidelines have been established by the Ministry of Land, Infrastructure, Transport and Tourism to facilitate the practical application of autonomous ship technologies, and verification tests related to these guidelines are underway.

Cybersecurity Enhancement

- Recent years have seen serious system failures resulting from large-scale cyberattacks, and there have been cases in which weeks have been required to fully recover from attacks or when the alteration of Global Positioning System (GPS) data necessary for navigation has impacted ship courses. For these reasons, enhancing cybersecurity for information systems is a matter of utmost importance for shipping companies.
- In response to such issues, the IMO released guidelines on maritime cyber risk management in 2017, and the management of cyber risks through safety management systems based on the International Safety Management (ISM) Code has been strongly encouraged since January 2021.
- "K" LINE has been taking steps to enhance cybersecurity by developing a safe and robust global network to effectively manage cyber risks. For example, we received Cyber Security Management System accreditation from ClassNK, and we are working to improve system defense measures and surveillance using the latest technologies to build a safe and strong global network (see pages 54 and 55).

Management Strategies and ESG/CSR Management

Realizing a Sustainable Society and Creating New Values

The “K” LINE Group seeks to “build a management structure that emphasizes social responsibility” that is built on a dual framework of “managing the impact of our business activities” and “creating new values.” By recognizing and actively addressing the important issues in each framework, we contribute to building a sustainable society while bolstering our long-term competitive advantages and creating new values.

Building a Management Structure That Emphasizes Social Responsibility

Corporate governance

Establishment of a management structure that responds to the demands of society

P44–51

Stakeholder engagement

Promotion of dialogue with stakeholders

Managing the Impact of Our Business Activities

Most important issues

Environmental preservation

Reinforcement of environmental management

Environment-friendly business activities

P36–39

Most important issues

Safety in navigation and cargo operations

Prevention of major accidents

P34–35

Creating New Values

Most important issues

Human resource development

Improvement of corporate culture

Development of global leaders

Promotion of diversity

P40–43

Innovation

New value proposals through reduction of environmental burden and improvement of service quality

P24–31

Process to Identify Materiality

STEP 1 Specify themes related to the "K" LINE Group's business activities

STEP 2 Select "material issues"

STEP 3 Formulate CSR action plans

STEP 4 Match with SDGs

STEP 5 Review

Human rights

Prevention of discrimination

Respect for basic labor rights

Prevention of forced labor and child labor

P52

Labor practices

Prevention of over-long working hours

Promotion of diverse work styles

Improvement of occupational health and safety

P40–43

Compliance

Prevention of corruption

Prevention of anti-competitive behavior

P53

Risk management

Business continuity plans (BCPs) to respond to large-scale disasters

Enhancement of response capabilities for major accidents

Crisis and risk management system

P54–55

Community involvement and development

Assistance in recovery / reconstruction from natural disasters

Promotion of social contribution activities utilizing corporate resources

Employment creation and skills development

Support for education and employment creation

For more information on the process of identifying materiality, major initiatives based on priority issues and themes, and the Sustainability Development Goals, please refer to:

"K" LINE SUSTAINABILITY BOOKLET

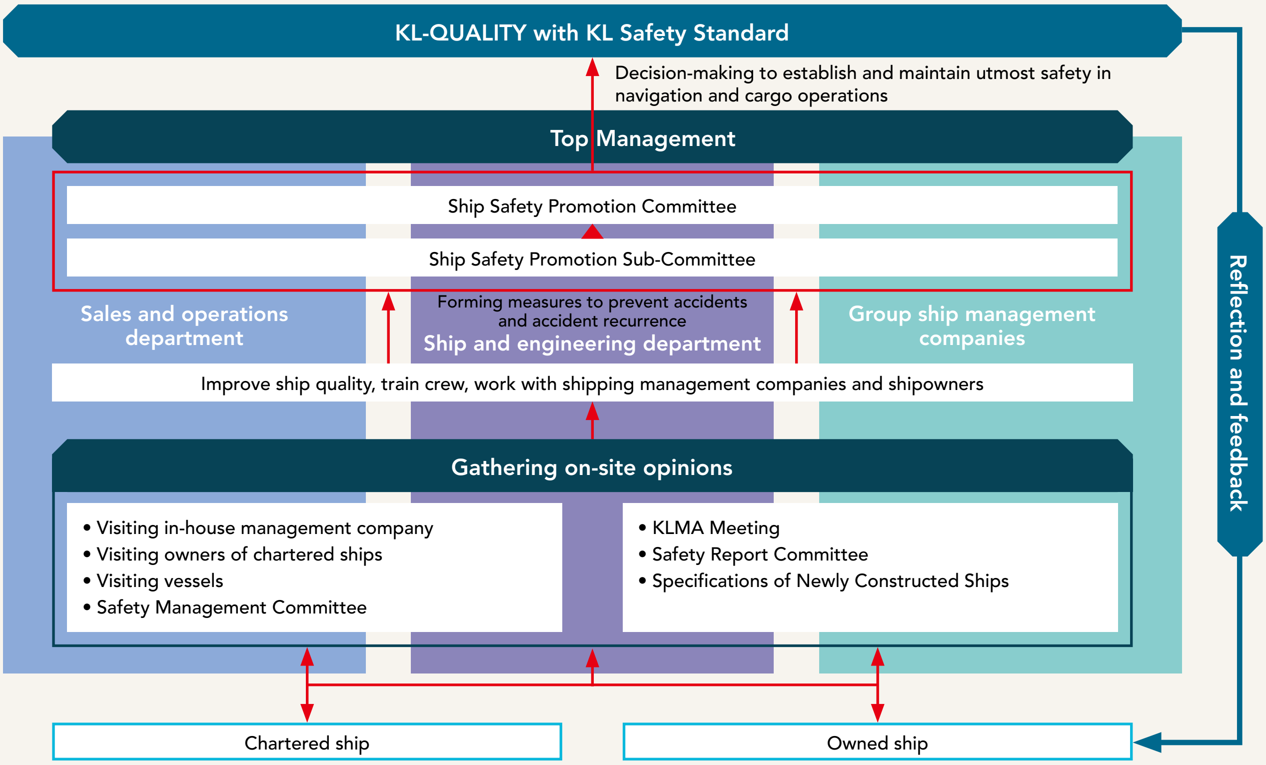
https://www.kline.co.jp/en/csr/group/booklet.html

Maintaining World-Leading Safety in Navigation and Cargo Operations

Safety in navigation and cargo operations is an immutable mission in a shipping business. The "K" LINE Group's corporate principle and vision calls for "providing reliable and excellent services" and reflects our commitment to provide safe shipping operations for the benefit of society. The "K" LINE Group has three policy pillars: enhancing the safety management system, strengthening the ship management system, and securing and training maritime technical personnel.

Enhancing Management Structures for Ensuring Safety in Navigation

The Ship Safety Promotion Committee, chaired by the president & CEO, is the top decision-making body covering operational safety. The committee determines accident prevention and safety measures for all ships operated by the Company—including owned, chartered, and entrusted vessels—and handles everything from basic policy formulation to the implementation of measures under the system shown below.



Strengthening the Ship Management System

Through in-house ship management companies that share our corporate principle, we provide higher-quality, safer, and more secure services by making full use of our expertise with regard to different vessel types.

Ship Management Company	Vessel Type
"K" Line Energy Ship Management Co., Ltd.	Oil tanker, LPG carrier, LNG carrier
"K" Line Ship Management (Singapore) Pte. Ltd.	Containership, chemical tanker
"K" Line LNG Shipping (UK) Limited	LNG carrier
"K" Line RoRo Bulk Ship Management Co., Ltd.	Car carrier, dry bulk carrier
Stargate Shipmanagement GmbH	Car carrier

Safety Campaign

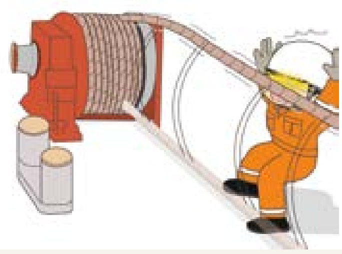
"K" LINE holds an annual Safety Campaign under the theme of "safety in navigation and environmental preservation," during which onshore and maritime employees join hands to share opinions and confirm actual conditions, in order to advance a concerted Companywide effort to improve safety awareness in areas that extend beyond ship hulls and equipment.

During the COVID-19 pandemic, online meeting systems were used to facilitate two-way communication and brisk exchanges of opinion between onshore and maritime employees.

"K" ARE Program

The "K" ARE Program is an initiative focused on the non-technical skills required to ensure safety in navigation and cargo operation. Through this program, we aim to foster a corporate culture in which failures can be used positively by removing the barriers between employees of different ranks under normal circumstances and cultivating workplace environments that facilitate the open reporting and sharing of failures. Moreover, we are encouraging unity among all employees, ranging from frontline staff to management both onshore and at sea, in our efforts to foster a culture of safety, reduce accidents attributable to human error, and eliminate serious accidents.

Safety Report System



Reports of near-misses resulting from unsafe behavior on vessels are carefully analyzed by seasoned maritime technical personnel stationed on shore, and the results are communicated back to vessels.

By entrenching a non-blaming culture, where the responsibility of near-miss parties is not called into question, we receive thousands of reports annually, which helps safety awareness to take root on the front lines.

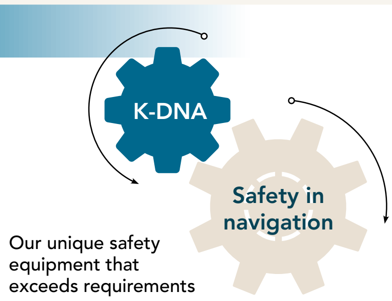
KL-QUALITY

KL-QUALITY, "K" LINE's unique quality guidelines, is used by ship supervisors to perform regular onboard inspection of all vessels in operation. During the COVID-19 pandemic, these inspections have been conducted remotely using IT and digital equipment.

In addition, we hold an annual Safety Measures Conference for Shipowners to share a variety of information and exchange opinions with the operation managers of the owners of ships used through long-term chartering agreements. Superior shipowners are presented with awards to recognize their accomplishments at this conference.

"K" Line-Drive to No Accident (K-DNA)

"K" Line-Drive to No Accident (K-DNA) is a set of unique safety equipment installation guidelines built on the know-how accumulated on the front lines that also reflects the lessons learned from past accidents. These guidelines epitomize the Company's DNA with respect to safe vessel operation and include installation standards related to navigation equipment, engine equipment, safety, and piracy countermeasures. By compiling our insight from a range of perspectives, we will continue to enhance the K-DNA guidelines to improve the safety of the equipment of all vessels in operation.



Vision for the Future We Target and the Future for Which We Must Prepare

Scenario	Impact on the Company	Negative Aspects (Risks)
Below 2°C Warming Scenario Future we target: Average rise in temperature limited to below 2°C above pre-industrial levels through measures for substantially reducing greenhouse gas emissions advanced via cooperation among the global society	**Need for low-carbon or decarbonized operations** • Customers and stakeholders requesting low-carbon shipping services • Increased shipping costs from installing new technologies and carbon taxes	• Higher operating costs from a carbon tax and natural resource prices • Decreased asset value of existing ships • Operations hampered by insufficient low-carbon ship fuel
• Stricter regulations, such as a carbon tax • Customer actions to realize low or zero carbon emissions • Carbon capture and reuse, hydrogen and other technologies enabling low- and decarbonized energy • Need for new low- and decarbonized energy supply and transportation	**Society needs for low-carbon goods** • Need to respond to demand for transport of low-carbon materials and products • Increased opportunities to support offshore businesses, such as offshore wind power generation and onboard carbon capture and storage	• Higher R&D and installation costs • Reduced profits if response to maritime transport demand changes is slow
4°C Warming Scenario Future for which we must prepare: Massive rise in physical risks due to insufficient countermeasures	**(Urgent) Need to enhance safety in navigation** • Increased potential of major accidents • Increased volatility in voyage and cargo handling schedules • Increased potential for damage to goods, roadways and ports, and cargo handling equipment due to rough weather • Increased need for disaster support services	• Increased potential of an oil spill accident • Higher costs for vessels and cargo damage • Increased troubleshooting activities
Natural disasters (acute risk) • More typhoons and cyclones • Intensifying natural disasters **Changes in the natural environment (chronic risk)** • Rising sea level • Changes in the land environment • Changes in the ocean environment	**(Constant) Need to enhance safety in navigation** • Increased need to change shipping routes and calling ports and restructure the logistics systems • Expanded shipping activities due to expanded ocean surface area and relaxed port regulations	• Higher port fees and insurance rates • Increased costs caused by reduced efficiency of maritime transport and cargo handling

Other Factors
Response to stricter environmental regulations, demand for clean transportation, and social issues
• Exhaust and drainage regulations
• Ship recycling issues
• Marine plastic pollution issues
• Underwater noise issues
	• Respond to tighter environmental regulations on maritime shipping
	• Demand for clean shipping from customers and stakeholders
	• Address social issues
	  • Green ship recycling
	  • Marine plastic pollution
	  • Underwater noise pollution
		• Decreased profits from higher operating and capital costs
		• Negative impact on marine ecosystems (marine life, mammals)

We have accomplished a number of the interim milestones for 2019 set out in the "K" LINE Environmental Vision 2050, which was announced in 2015. At the same time, we recognize that business conditions and customer expectations are constantly changing since the time of the vision's announcement, and that there is now a need to address the impacts of climate change and the rising demand for decarbonization. To reconfirm the path the Group should take in this new environment, we have performed climate change scenario analyses based on the recommendations of the Task Force on Climate-related Financial Disclosures.

Through the scenario analyses, we identified the risks and opportunities facing the Company. This information was used to chart a new course for "K" LINE by categorizing the issues to be addressed as well as our new targets for 2050, based on the two perspectives of decarbonization and the pursuit of zero environmental impacts.

Positive Aspects (Opportunities)	What We Must Do
• Increased profits from improved ship operating efficiency • Reduced carbon tax burden from low-carbon and decarbonized operations • Favorable customer evaluations for low-carbon and decarbonized operations • Increased profits from addition of new businesses • Development of leading expertise from early adoption of new technologies	**Hardware** • Install energy-saving equipment to improve ship operating efficiency • Launch ships with low-carbon or decarbonized new fuel and propulsion technologies • Make ships physically stronger
• Safer and more reliable services, protection of customers and Company assets • Increased shipping demand due to quick disaster response ability • Progress with the modal shift (increasing demand) • Increased transport demand for disaster prevention-related construction machinery and plants	**Software** • Enhance digital and automation technologies to make operations safer and more efficient • Raise employee awareness and provide training in new technologies • Construct a corporate structure capable of flexibly responding to needs, such as for reconstruction assistance
• A cleaner environment and ecosystem • Increased stakeholder trust and stakeholder valuation	**Business activities** • Develop and enter new energy supply and transportation businesses • Prepare fleet for new transportation technologies • Increase ability for green ship recycling • Participate in collection and studies of marine plastic pollution • Increase dialogue with administrators involved in improving port facilities, roads, and other infrastructure • Increase involvement in policy-making with governments, the United Nations, and NGOs

New 2050 Targets

Decarbonization

Decarbonize assuming the below 2°C scenario

"K" LINE decarbonization

Cut total greenhouse gas emissions by 50%

(Improve CO_2 emission efficiency by 70% over 2008)

Support the decarbonization of society

Be the transporter and supplier of new energy to support the decarbonization of society

Aim for zero environmental impact

Reduce "K" LINE's environmental impact on the sea and air to as close to zero as possible

- Zero oil spills
- Reduce the shipping operation's environmental impact on the sea and air to as close to zero as possible

Support the environmental activities of society

- Support the environmental activities of society
- Be the shipping industry leader in ecosystem protection

2030 Interim Milestones and Action Plan

The "K" LINE Group is advancing the following action plan to achieve its interim milestones for 2030 in order to accomplish its goals for 2050 and contribute to the realization of a zero-emissions society thereafter.

2030 Interim milestones

"K" LINE's decarbonization targets

Improve CO_2 emission efficiency by 50% by 2030, compared to 2008 (achieve improvement surpassing the International Maritime Organization's target of 40% improvement)

- Step up energy efficiency improvements (navigation efficiency, performance analysis, energy-efficient equipment, optimal operational support)
- Step up incorporation of LNG-fueled carriers
- Contribute to the demonstration and proliferation of the Seawing automated kite system (auxiliary wind propulsion system)
- Examine and install other new technologies

Introduction of the Seawing automated kite system

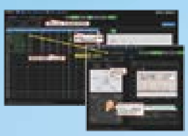
Launch of LNG-fueled car carriers (completion of *CENTURY HIGHWAY GREEN* in 2021)

Reduce "K" LINE's impact on the sea and air

Continue promoting efforts to reduce oil spill accidents to zero and reduce the environmental impact from vessel operation

- Strengthen safety in navigation (use the optimal navigation support system and develop automatic ship navigation for vessel steering and engine plant operation)
- Enhance ship resilience, such as seaworthiness, and maneuverability
- Strengthen all safety measures, including safety training for staff
- Install equipment to comply with regulations
- Reduce the impact of shipping operations on marine mammals
- Increase staff environmental awareness

The "K" LINE Group Environmental Award



Safe operations with the K-IMS integrated vessel operation and performance management system

Support development of a low-carbon society

Develop and expand new businesses that contribute to social decarbonization

- Identify customer needs and be an environmental frontrunner with an organizational structure facilitating exploration of new businesses
- Strengthen support for offshore wind power generation and renewable energy businesses
- Expand support of LNG transport and supply
- Develop a fleet capable of responding to changes in freight transportation demand
- Train personnel in new fuels and technologies

Participate in HySTRA for a hydrogen society

Establish the LNG fuel supply business (business started in 2020)

Support the environmental activities of society

Continue industry-academia-government dialogue with countries, municipalities, and universities

- Increase the ability to accommodate green ship recycling (ship dismantling and resource recycling procedures that are considerate of the environment and occupational health and safety)
- Participate in the collection and studies of marine plastic pollution
- Promote volunteer environmental protection activities

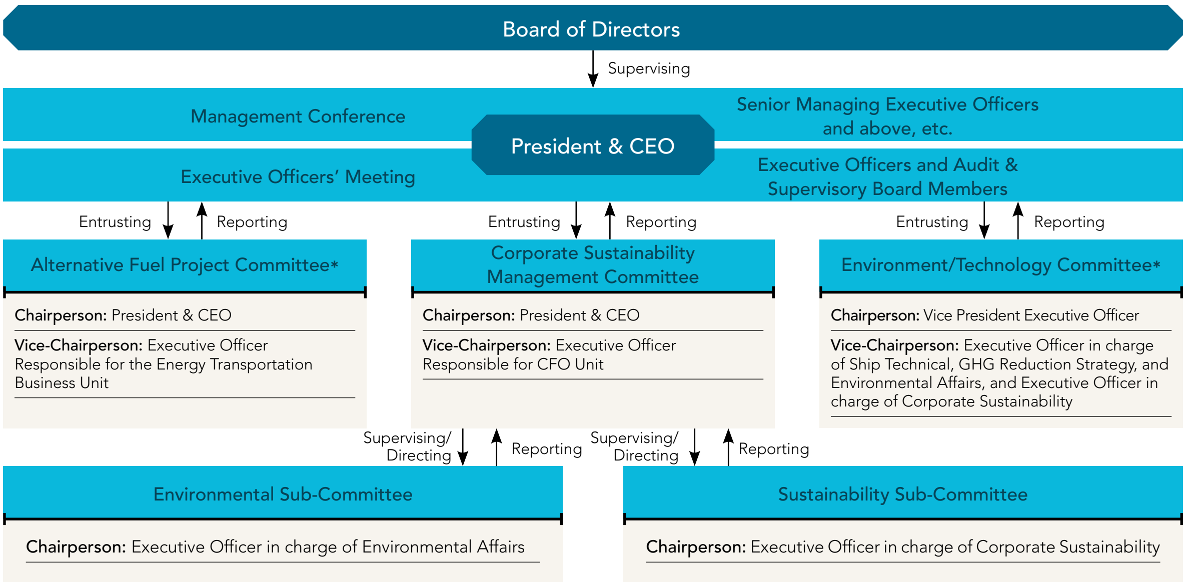
Communicate in-house environmental volunteer activities

Engage in responsible ship dismantling and resource recovery

For more information on the above action plan, please refer to the following website.
https://www.kline.co.jp/en/csr/environment/efforts.html

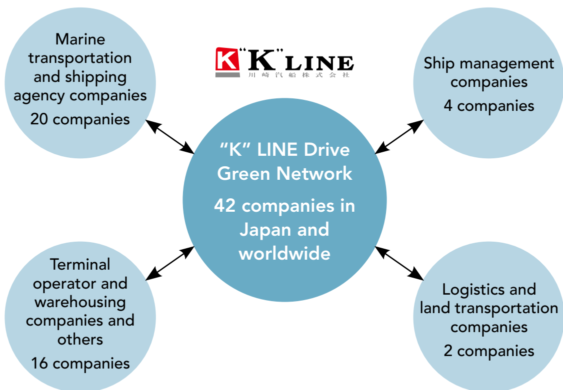
Environmental Governance

In April 2021, the "K" LINE Group reorganized the existing organization and reformed the promotion system for sustainability to reinforce management where sustainability is a key objective. The Corporate Sustainability Management Committee, chaired by the president & CEO, is enhancing corporate value by reviewing and formulating a promotion system for the "K" LINE Group's sustainability management. This committee functions as a place to hold strategic discussions, together with the Alternative Fuel Project Committee, which is in charge of accelerating initiatives to develop LNG-fueled vessels and the LNG fuel supply business and examines next-generation fuels and new technologies, and the Environment/Technology Committee, which formulates measures for compliance with environmental regulations, including technical aspects. The Environmental Sub-Committee, a subcommittee under the Corporate Sustainability Management Committee, is responsible for operating the environmental management system formulated in accordance with the "K" LINE Group Environmental Policy and the standards of the International Organization for Standardization (ISO). The subcommittee is also responsible for promoting other environmental activities.



* Reorganization scheduled in October 2021

The "K" LINE Group has developed the Drive Green Network (DGN), a framework to promote environmental management for the entire Group. We are using the DGN to centrally control our environmental management initiatives (such as setting environmental policies and targets and working to achieve them) through internal and external audits. We aim to continuously pursue environmental protection activities by actively using the PDCA cycle while ensuring environmental compliance across the entire Group.



Environmental Risk Management

"K" LINE is developing crisis and risk management systems to address climate change and various other management risks. The Crisis Management Committee, which is chaired by the president & CEO, is responsible for oversight and promotion of all areas of risk management. This committee has identified environmental risks, management risks, operational safety risks, natural disaster risks, and compliance risks along with response measures formulated based on assessments of these risks (see pages 54 and 55).

Basic Human Resource Management Policies

We support the contributions of maritime professionals who can compete on the global stage and give form to the "K" LINE spirit and four values the Group prizes through teamwork.

Shingo Kogure
Managing Executive Officer
Responsible for General Affairs, Human Resources Unit

Basic Human Resource Management Policies for Onshore Workers

Exercising "K" LINE's corporate principle and vision requires the development of human resources who can practice teamwork in their daily activities to give form to the "K" LINE spirit (the independence and autonomy, broad-mindedness, and enterprising spirit), which has supported our ambitions and value creation for a century, and the four values the "K" LINE Group prizes (providing reliable and excellent services, a fair way of business, relentless efforts to achieve innovation, and respecting humanity). In the current era, which is characterized by volatility, uncertainty, complexity, and ambiguity, "K" LINE will continue to foster maritime professionals who can compete on the global stage. We hope to endow these professionals with a propensity for self-growth—with a continual awareness of how circumstances affect them no matter how the operating environment may change—and make them proficient at coordinating their work with others.

Enhancement of Human Resource and Organizational Capabilities: Human Resource Strategies for Drawing Out Individual Potential

The "K" LINE Group is developing human resources and shaping workplace environments with the aim of allowing all employees to heighten their own skills and achieve greater results. Our approach toward career planning positions the first 10 years after joining the Company as one leg of an employee's career, during which he or she should be provided with various experiences and opportunities to learn in order to equip them to develop their careers through on-the-job experience. After the first 10 years, employees move onto a stage at which they are expected to build on their specialties with an emphasis on autonomy and to gain management skills and pursue career development. We have also prepared a number of training programs to help employees acquire the skills needed for their specific career plans.

Improvement of Work-Life Balance: Creation of a Workplace Environment That Keeps Employees Happy at Work

Ensuring that employees can maintain a good work-life balance is integral to encouraging employee skill development and to spurring the sustainable growth of the "K" LINE Group. We are actively adopting flexible workstyles as a measure to allow employees to continue working even amid the changes that accompany different life stages. For example, the Company had a teleworking system in place even before the COVID-19 pandemic. In addition, we offer robust systems for supporting employees, including maternity, childcare, and long-term care systems that surpass the legal requirements.

Promotion of Diversity: Utilization of Diversity as a Wellspring of Competitiveness

With subsidiaries and affiliates in more than 20 countries around the world, the "K" LINE Group is composed of diverse employees. Even at the Japan head office, we conduct group and mid-career hiring of employees of diverse nationalities, educational backgrounds, genders, and work areas (administrative, technical). We have also established an Action Plan for Promoting the Advancement of Women, to achieve a more ideal workplace gender balance, and we are promoting other diversity initiatives.

Onshore Workers

Onshore workers are tasked primarily with sales activities, onshore management of ship operation, and the corporate functions that support these activities. Through sales activities and vessel operation, these workers build trust with customers and support seafarers in achieving safe navigation. Onshore workers also play an indispensable administrative role by setting management policies and managing human resources, funds, and information in administrative divisions.

We seek to increase work engagement onboard and to develop human resources capable of shaping the future of the shipping industry.

Akihiro Fujimaru
Executive Officer
In charge of Marine Sector

Basic Human Resource Management Policies for Maritime Technical Personnel

"K" LINE employs seafarers of various nationalities and encourages mutual respect for the individuality and differences of employees with regard to age, gender, ethnicity, religion, and interests. These seafarers go about their daily work as a team in the restrictive space available to them onboard ships. No matter how the times may change, there will be no change to our mission of safely transporting cargo and commodities to people around the world. However, from the beginning of 2020 the outbreak of the global COVID-19 pandemic transformed all areas of ship operation together with the environment in which seafarers must live.

At the same time, we recognize that a number of factors contribute to work engagement, which represents the feelings of satisfactions and fulfillment that employees have toward their work. For seafarers, work engagement is heavily influenced by environments onboard ships, which function both as their workplace and their living space. The work engagement of seafarers also has an influence on important management priorities for the "K" LINE Group, such as the safe operation of ships, improvements in transportation service quality, and environmental preservation. Accordingly, we understand that there is a strong need to advance onboard workstyle reforms to facilitate the fulfillment of our social responsibilities and the exercise of our corporate principle and vision.

Today, we are seeing an increasingly strong drive to preserve the global environment through means such as contributing to the realization of a low-carbon and ultimately carbon-free society. This movement is changing the role expected of shipping companies in supporting global logistics infrastructure. We are thus expected to go further than simply identifying business risk factors related to enhancing environmental preservation initiatives; we must stand at the forefront of the quest to achieve a sustainable society and advance R&D and other new initiatives to accomplish this objective.

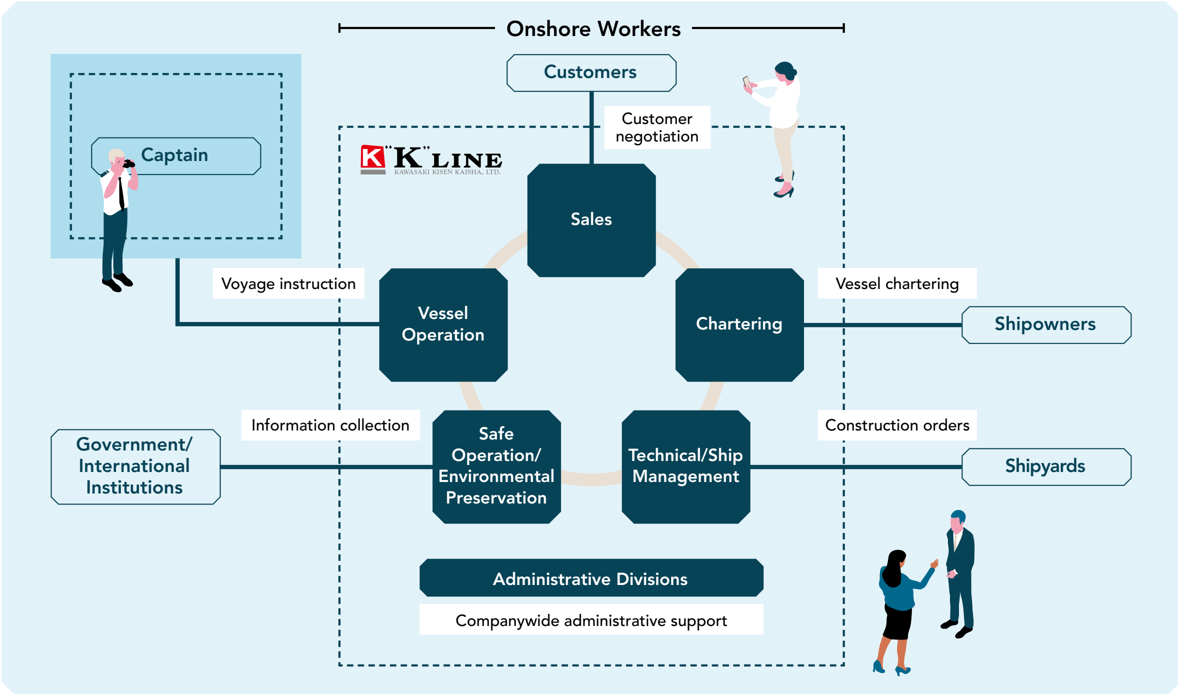
We are committed to fulfilling our mission as a shipping company on into the future. Fostering human resources will be indispensable to this pursuit. In our human resource efforts, we will broaden our perspective beyond ship crews to develop human resources who can fully exercise their talents as specialists with experience and insight gained at sea even when they are on land and thereby contribute to safe operation, improved service quality, and environmental preservation. We also look to cultivate human resources who can drive the development of major next-generation technologies.

Maritime Technical Personnel

Maritime technical personnel are hired to fulfill roles that differ from those of onshore workers. In the past, "maritime technical personnel" has referred to the ship crew members who worked primarily onboard ships. In recent years, however, career plans involving work both at sea and onshore are becoming more commonplace. At sea, they act as captains, officers, and chief and other engineers. Onshore, they function as maritime advisors to business divisions, offering input in relation to ship management and safe and economically sound vessel operation.

Human Resource-Related Initiatives for Onshore Workers

Duties of Onshore Workers



Latest Training Programs (Fiscal 2021)

The "K" LINE Group has prepared training programs that allow onshore workers to learn in an efficient manner in accordance with their years of service and qualifications. These programs are arranged into four categories based on the skills necessary for onshore workers: core skills, general skills, practical maritime skills, and management skills.

Core skills refer to the absolutely essential skills required by "K" LINE employees, such as professionalism, communication skills, and logistical thinking. General skills are business skills that can be used in any business division, including accounting, financing, and language skills. Practical maritime skills involve the specialized insight and expertise expected of maritime professionals, such as an understanding of "K" LINE's general maritime businesses and safety and environmental initiatives. Lastly, management skills are the skills needed for operating organizations and are based on the talents of individuals who have gained skills in the aforementioned three skills categories.

Digital transformation, which has been gaining attention in recent years, is projected to bring about substantial changes in the shipping industry. Responding to these changes will require us to project changes involving both society and customers and to produce innovation based on these changes. "K" LINE has launched training programs aimed at cultivating human resources who can produce this type of innovation.

Workplace Safety and Diverse Human Resources

"K" LINE is implementing systems for ensuring safe and comfortable workplaces and facilitating diverse workstyles in order to promote occupational health and safety and support healthy work-life balance. Specific systems include teleworking, shortened workhours, and flextime systems as well as a leave system for providing long-term care to family members that can be used for up to two years and a leave system for undergoing advanced infertility treatment. We also offer male employees as many as 10 days of childcare leave to encourage the involvement of men in childrearing. In fiscal 2020, we transitioned all employees to teleworking during the period of Japan's state of emergency declaration in order to prevent the spread of COVID-19 and protect the safety and health of employees. Even after the state of emergency declaration was canceled, we continued to take preventative measures, including encouraging staggered shifts, installing acrylic dividers and placing hand sanitizer in offices, and distributing masks to employees. In addition, we instituted a rule allowing employees to acquire special days of paid leave in the event that they experienced an adverse reaction to the COVID-19 vaccine.

Human Resource-Related Initiatives for Maritime Technical Personnel

The “K” LINE Group’s basic commitment is to the safety of navigation and the protection of human lives, cargo, and the natural environment at sea. The “K” Line Maritime Academy (KLMA) is the term for our human resource policies aimed at developing “K” LINE seafarers with the knowledge and skills necessary to act as invaluable crew members and maritime technical personnel in onshore divisions.

KLMA facilities for training seafarers have been established in Japan, India, Bangladesh, Bulgaria, and the Philippines. These facilities conduct training programs tailored to the individual needs of seafarers in each country. An aggregate of more than 20,000 individuals are trained at these facilities each year.

In addition, “K” LINE continues to offer scholarships to help pay the tuition of aspiring seafarers attending maritime universities and to recruit these individuals after they graduate. These efforts allow us to offer economic support to students while recruiting and developing high-quality human resources.

Message from the President of KLMA Philippines

KLMA Philippines was established in 2008 with a mandate to ensure that all “K” LINE seafarers are competent and skilled to perform required tasks for safe and efficient operation of ships through comprehensive and effective training using the latest simulation technologies, actual equipment training, and customized courses.

Education and training for seafarers must continuously catch up and even anticipate further modifications to the mariner’s role onboard due to the fast pace of technological advancement and regulatory changes in the shipping industry.

KLMA Philippines will continuously focus on technical skills and soft skills training to ensure that “K” LINE seafarers are properly equipped with abilities and competencies to support ship management’s goals for safe, reliable, and environmentally sustainable shipping services.

Among the training priorities of KLMA Philippines to meet the dynamic and rigorous demand of shipping industry are:

Edgardo T. Baratang

Captain
President
KLMA Philippines

Ship Automation and Control Systems

KLMA will train “K” LINE seafarers to be competent and knowledgeable about M.E. engine propulsion systems, electronic navigation systems, electrotechnical systems, cargo handling systems, and new ship technologies such as LNG-fueled vessels, environmental control systems to reduce emissions, etc.

Leadership Safety Behavior and Critical Thinking for Problem Solving

“K” LINE seafarers must also possess an understanding of soft skills such as leadership safety behavior and critical thinking for problem solving, mainly because we cannot rely on technology to do everything for us and, as such, we must work together with safety behavior and critical thinking for practical solutions when technology fails.

We at KLMA Philippines will be relentless in advocating and contributing to the “K” LINE corporate principle and vision, i.e., trust from all over the world, improve the lives of the people and society through safe operation of ships, and fair way of conducting business.

Message from a KLMA Philippines Graduate

Airon C. Peralta

Captain

The “K” Line SPIRIT* serves as my career purpose. It gives a positive challenge at work in achieving excellence and professionalism. It aligns how I think and act to clearly define my career goals.

As a Master, I make sure that all crew understand their respective responsibilities to achieve safe operation.

“K” LINE supported me in all aspects by uplifting my morale, keeps my SPIRIT alive and motivates me to be the best version of myself.

* Basic principle of KLMA that is an initialism of the words “skill,” “professionalism,” “intelligence,” “responsibility,” “innovation,” and “teamwork”

Corporate Governance

Establishing Sustainable Growth and Raising Corporate Value

Directors (As of June 23, 2021)

Yukikazu Myochin

Representative Director, President & CEO
Term of office as director: 5 years
Number of the Company's shares held: 13,700 shares

Born in March 1961
Apr 1984 Joined the Company
Jan 2010 General Manager of Containerships Business Group
Apr 2011 Executive Officer
Apr 2016 Managing Executive Officer
Jun 2016 Director, Managing Executive Officer
Apr 2018 Representative Director, Senior Managing Executive Officer
Apr 2019 Representative Director, President & CEO (Current)

Atsuo Asano

Representative Director
Term of office as director: 3 years
Number of the Company's shares held: 14,200 shares

Born in February 1961
Apr 1983 Joined the Company
Oct 2009 General Manager of Coal & Iron Ore Carrier Group
Apr 2010 Executive Officer, General Manager of Coal & Iron Ore Carrier Group
Apr 2012 Executive Officer
Apr 2014 Managing Executive Officer
Apr 2018 Senior Managing Executive Officer
Jun 2018 Director, Senior Managing Executive Officer
Apr 2019 Representative Director, Senior Managing Executive Officer
Jun 2020 Representative Director, Vice President Executive Officer (Current)

Yukio Toriyama

Representative Director
Term of office as director: 2 years
Number of the Company's shares held: 12,200 shares

Born in November 1959
Apr 1983 Joined the Company
Apr 2010 General Manager of Port Business Group
Apr 2011 Executive Officer, General Manager of Accounting Group
Jun 2011 Director, Executive Officer, General Manager of Accounting Group
Apr 2012 Director, Executive Officer
Apr 2014 Director, Managing Executive Officer
Jun 2016 Managing Executive Officer
Apr 2019 Senior Managing Executive Officer
Jun 2019 Representative Director, Senior Managing Executive Officer (Current)

Kazuhiko Harigai

Representative Director
Term of office as director: 2 years
Number of the Company's shares held: 14,400 shares

Born in July 1960
Apr 1983 Joined the Company
Jun 2006 General Manager of Thermal Coal, Woodchip and Pulp Group
Apr 2011 Executive Officer, General Manager of Thermal Coal, Woodchip and Pulp Group
Apr 2012 Executive Officer
Apr 2013 Managing Executive Officer
Apr 2019 Senior Managing Executive Officer
Jun 2019 Director, Senior Managing Executive Officer
Jun 2020 Representative Director, Senior Managing Executive Officer (Current)

Yasunari Sonobe

Director
Term of office as director: 1 year
Number of the Company's shares held: 2,200 shares

Born in March 1959
Apr 1982 Joined the Company
Jan 2005 Managing Director of "K" Line European Sea Highway Services GmbH, Bremen
Apr 2009 General Manager of Corporate Planning Group
Apr 2012 Executive Officer
Apr 2015 Managing Executive Officer, President of "K" LINE AMERICA, INC.
Apr 2019 Senior Managing Executive Officer
Jun 2020 Director, Senior Managing Executive Officer (Current)

Makoto Arai

Director
Term of office as director: 1 year
Number of the Company's shares held: 11,000 shares

Born in May 1959
Apr 1983 Joined the Company
Oct 2010 General Manager of IR & PR Group
Jul 2013 General Manager of IR & PR Group, General Manager of Legal Group
Sep 2013 General Manager of Legal Group
Apr 2015 Executive Officer
Apr 2018 Managing Executive Officer
Jun 2020 Director, Managing Executive Officer (Current)

Keiji Yamada

Independent & Lead Outside Director

Term in office as outside director: 2 years
Number of the Company's shares held: 0 shares

Born in April 1954
Apr 1977 Joined Ministry of Home Affairs (current Ministry of Internal Affairs and Communications)
Jul 1982 Superintendent of Amakusa Tax Office, National Tax Agency
Jul 1983 Manager of Local Affairs Division, General Affairs Department, Wakayama Prefecture
Sep 1985 Deputy General Manager of San Francisco Tourism Promotion Office, Japan National Tourist Organization
Apr 1989 Manager of Finance Division, General Affairs Department, Kochi Prefecture
Jan 1992 Investigator, Local Administration Division, Local Administration Bureau, Ministry of Home Affairs
Jul 1992 Counsellor, Cabinet Legislation Bureau
Jul 1997 Manager, Land Information Division, Land Bureau, National Land Agency (currently known as Ministry of Land, Infrastructure, Transport and Tourism)
Aug 1999 Director, General Affairs Department, Kyoto Prefecture
Jun 2001 Vice-Governor, Kyoto Prefecture
Apr 2002 Governor, Kyoto Prefecture (retired in April 2018)
Apr 2011 President, National Governors' Association (Ditto)
Apr 2018 Vice-President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law, Kyoto Sangyo University
Jun 2019 Outside Director of the Company (Current)
Mar 2020 Outside Audit & Supervisory Board Member, HORIBA, Ltd. (Current)
Apr 2020 Special Advisor to the President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law, Kyoto Sangyo University
Nov 2020 Outside Director, TOSE CO., LTD. (Current)
Apr 2021 Director, Kyoto Sangyo University, Special Advisor to the President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law, Kyoto Sangyo University (Current)

Ryuhei Uchida

Outside Director

Term in office as outside director: 2 years
Number of the Company's shares held: 0 shares

Born in October 1977
Apr 2002 Joined Mitsubishi Corporation
Dec 2009 Joined Innovation Network Corporation of Japan, Vice-President of Investment
Dec 2012 Joined Effissimo Capital Management Pte Ltd, Director (Current)
Jun 2019 Outside Director of the Company (Current)

Kozue Shiga

Independent & Outside Director

Term in office as outside director: 1 year
Number of the Company's shares held: 900 shares

Born in November 1948
Nov 1967 Joined Japan Airlines Co., Ltd.
Apr 1993 Commissioned as public prosecutor
Apr 1998 Registered with Daiichi Tokyo Bar Association
Aug 1999 Established Shiga Law Office
Oct 2005 Partner, Shiraishi Sogo Law Office (retired in December 2018)
Jun 2010 Outside Audit & Supervisory Board Member, Shinsei Bank, Ltd. (retired in June 2018)
Jun 2015 Outside Director, Ricoh Leasing Company, Ltd. (retired in June 2020)
Jun 2016 Outside Audit & Supervisory Board Member of the Company (retired in June 2020)
Jan 2019 Of Counsel, Shiraishi Sogo Law Office (Current)
Jun 2020 Outside Director of the Company (Current)

Tsuyoshi Kameoka

Independent & Outside Director

Term in office as outside director: Newly appointed
Number of the Company's shares held: 0 shares

Born in October 1956
Apr 1979 Joined Shell Sekiyu K.K.
Apr 2003 International Oil Products Trading Division Manager, Showa Shell Sekiyu K.K.
Apr 2005 Senior Officer and Kinki Area Manager, Showa Shell Sekiyu K.K.
Mar 2006 Executive Officer and Kinki Area Manager, Showa Shell Sekiyu K.K.
Nov 2008 Executive Officer and General Manager of Head Office Marketing Department, Showa Shell Sekiyu K.K.
Mar 2009 Corporate Executive Officer of Marketing Division, Showa Shell Sekiyu K.K.
Mar 2013 Executive Officer Vice President, Oil Business COO, Showa Shell Sekiyu K.K.
Mar 2015 President & Representative Director, Group CEO, Energy Solution Business COO, Showa Shell Sekiyu K.K.
Apr 2019 Vice Chairman and Representative Director, and Vice Chairman and Executive Officer, Idemitsu Kosan Co., Ltd.
Jun 2020 Special Advisor, Idemitsu Kosan Co., Ltd. (Current)
Jun 2021 Outside Director of the Company (Current)

Director Skill Matrix

	Expertise and experience				
	Corporate management & strategy	Legal & risk management	Finance & accounting	Technology	Global
Yukikazu Myochin	●	●			●
Atsuo Asano	●			●	●
Yukio Toriyama	●	●	●		●
Kazuhiko Harigai	●				●
Yasunari Sonobe	●				●
Makoto Arai	●	●			●
Keiji Yamada		●			●
Ryuhei Uchida	●				●
Kozue Shiga		●			●
Tsuyoshi Kameoka	●				●

Audit & Supervisory Board Members / Executive Officers (As of June 23, 2021)

Audit & Supervisory Board Members

Kunihiko Arai

Audit & Supervisory Board Member
Term in office as Audit & Supervisory Board member: 2 years

Number of the Company's shares held:
3,700 shares

Born in November 1959
Apr 1982 Joined the Company
Aug 2001 General Manager, "K" LINE PTE LTD Trade Management Division
Jul 2012 Representative in Beijing, China (Representative Office closed in December 2012)
Managing Director of K LINE (CHINA) LTD. (retired in June 2019)
Jan 2014 Managing Director of "K" LINE (HONG KONG) LIMITED (retired in January 2019)
Apr 2015 Managing Executive Officer of the Company
Apr 2019 Special Advisor of the Company
Jun 2019 Audit & Supervisory Board Member of the Company (Current)

Yutaka Akutagawa

Audit & Supervisory Board Member
Term in office as Audit & Supervisory Board member: Newly appointed

Number of the Company's shares held:
0 shares

Born in February 1966
Apr 1988 Joined The Dai-Ichi Kangyo Bank, Ltd.
Apr 2013 Joint General Manager Corporate Banking Coordination Division (Large Corporations) Mizuho Bank, Ltd. and Joint General Manager Corporate Banking Coordination Division (Large Corporations), Mizuho Corporate Bank, Ltd.
Jul 2013 Joint General Manager Corporate Banking Coordination Division (Large Corporations) Mizuho Bank, Ltd.
Apr 2014 General Manager, Corporate Banking Division No. 4, Mizuho Bank, Ltd.
Apr 2017 Executive Officer and General Manager, Corporate Banking Department No. 4, Mizuho Bank, Ltd.
Apr 2018 Executive Officer and General Manager, Corporate Institutional Banking Department, Mizuho Trust & Banking Co., Ltd.
Apr 2019 Managing Executive Officer in charge of Banking, Mizuho Bank, Ltd.
Apr 2020 Managing Executive Officer In charge of Banking, Head of Area, Mizuho Bank, Ltd. (retired in March 2021)
Apr 2021 Business Advisor of the Company
Jun 2021 Audit & Supervisory Board Member of the Company (Current)

Atsumi Harasawa

Outside Audit & Supervisory Board Member
Term in office as Audit & Supervisory Board member: 2 years

Number of the Company's shares held:
0 shares

Born in August 1967
Apr 1992 Joined Japan Airlines Co., Ltd. (resigned in March 2004)
Dec 2009 Registered with Tokyo Bar Association Joined Sonderhoff & Einsel Law and Patent Office (resigned in June 2014)
Jun 2014 Joined Digital Arts Inc. (resigned in March 2015)
Apr 2015 Joined Yamasaki & Partners (resigned in October 2016)
Nov 2016 Partner, Igarashi Watanabe & Esaka Law Office (Current)
Apr 2018 Outside Auditor, Lawson Bank, Inc. (Current)
Jun 2019 Audit & Supervisory Board Member of the Company (Current)
Jun 2020 Outside Director, Ricoh Leasing Company, Ltd. (Current)

Shinsuke Kubo

Outside Audit & Supervisory Board Member
Term in office as Audit & Supervisory Board member: 1 year

Number of the Company's shares held:
300 shares

Born in March 1956
Apr 1979 Joined Sanwa & Co. (currently known as Deloitte Touche Tohmatsu LLC)
Mar 1982 Registered as Certified Public Accountant
Jun 1998 Representative Partner, Tohmatsu & Co. (currently known as Deloitte Touche Tohmatsu LLC)
Sep 2017 Retired from Deloitte Touche Tohmatsu LLC
Oct 2017 Managing Partner, Shinsuke Kubo CPA Office (Current)
Jan 2018 Representative Director, Japan Enterprise Sustainable Transformation Advisory Co., Ltd. (retired in December 2020)
May 2018 Representative Partner, Kyoei Accounting Office (Current)
Jun 2018 Outside Audit & Supervisory Board Member, Japan Airlines Co., Ltd. (Current)
Jun 2020 Audit & Supervisory Board Member of the Company (Current)

Executive Officers

Yukikazu Myochin
President & CEO

Atsuo Asano
Vice President Executive Officer
Assistant to President & CEO, Responsible for Dry Bulk Carriers Unit, Marine Sector, Advanced Technology, Ship Technical, GHG Reduction Strategy and Environmental Affairs Unit

Yukio Toriyama
Senior Managing Executive Officer
Responsible for CFO Unit (Corporate Planning, Research, Corporate Sustainability, IR and Communication, Finance, Accounting, Taxation), CFO (Chief Financial Officer)

Kazuhiko Harigai
Senior Managing Executive Officer
Responsible for Energy Transportation Business Unit

Yasunari Sonobe
Senior Managing Executive Officer
Responsible for Product Logistics Business Unit (Car Carriers, Logistics, Port and Affiliated Business)

Kiyotaka Aya
Senior Managing Executive Officer
Supervising Marine Sector, CSO (Chief Safety Officer)

Yutaka Nakagawa
Managing Executive Officer
Managing Director of K LINE (THAILAND) LTD.

Daisuke Arai
Managing Executive Officer
Responsible for Containerships Business Unit, Information System, AI/Digitalization Strategy Unit, CIO (Chief Information Officer), Supervising Ship Technical, GHG Reduction Strategy, Environmental Affairs, In charge of Advanced Technology

Makoto Arai
Managing Executive Officer
Responsible for Legal, Corporate Legal Risk & Compliance Unit, Assistance to Internal Audit, CCO (Chief Compliance Officer)

Shingo Kogure
Managing Executive Officer
Responsible for General Affairs, Human Resources Unit

Takenori Igarashi
Managing Executive Officer
In charge of Car Carrier Business, Car Carrier Planning & Development, Car Carrier Quality and Operations

Noriaki Yamaga
Managing Executive Officer
In charge of Corporate Planning, Research, Corporate Sustainability, IR and Communication

Keiji Kubo
Managing Executive Officer
In charge of Logistics, Port and Affiliated Business

Toyohisa Nakano
Executive Officer
In charge of Ship Technical, GHG Reduction Strategy, and Environmental Affairs, General Manager of Ship Technical Group

Yuji Asano
Executive Officer
In charge of Finance, Accounting, Taxation

Takahiko Tsurukawa
Executive Officer
In charge of Bulk Carrier Business, Drybulk Planning

Michitomo Iwashita
Executive Officer
In charge of Electricity and Offshore Business

Satoshi Kanamori
Executive Officer
In charge of LNG, Carbon-Neutral Promotion, General Manager of Carbon-Neutral Promotion Group

Masatoshi Taguchi
Executive Officer
In charge of Coal & Iron Ore Carrier Business, Coal & Iron Ore Carrier Planning & Operation, General Manager of Coal & Iron Ore Carrier Business Group

Akihiro Fujimaru
Executive Officer
In charge of Marine Sector

Hisashi Nakayama
Executive Officer
In charge of Tankers, Fuel Strategy & Procurement

“K” LINE is developing and strengthening its corporate governance and risk management structures to fulfill its social responsibility and its commitment to its shareholders and stakeholders, and to achieve sustainable growth. While thoroughly enforcing its corporate ethics across the entire Group, “K” LINE will continue developing an organic and effective governance framework, strengthening its earning and financial structures, and enhancing its corporate value.

Corporate Governance Reform

2004
- Established the Internal Audit Office

2006
- Reduced the size of the Board of Directors from maximum 25 to maximum 15
- Introduced the executive officer system
- Adopted the “K” LINE Group Charter of Conduct

2009
- Shortened the term of office for directors from 2 years to 1 year
- Appointed the Company’s first outside directors (2 positions)

2015
- Takeover defense measures allowed to lapse
- Redefined the functions of the Board of Directors, Management Conference, and Executive Officers’ Meeting
- Established the Nomination Advisory Committee and Remuneration Advisory Committee
- Adopted the Corporate Governance Guidelines
- Initiated Board of Director effectiveness evaluation

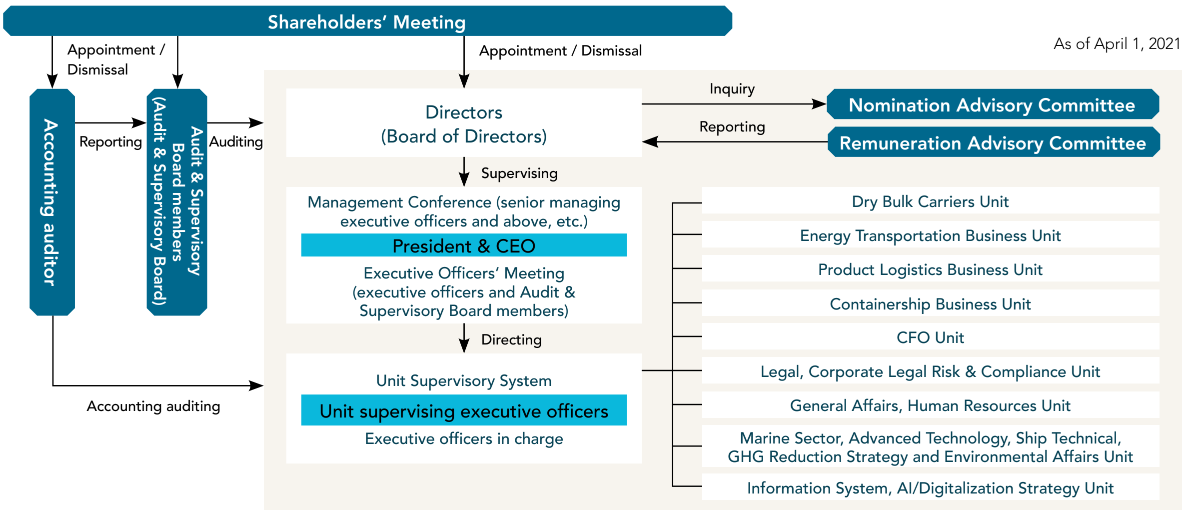
2016
- Initiated the Unit Supervisory System
- Increased the number of outside directors from 2 to 3 (one-third of all directors)
- Appointed the Company’s first female executive
- Appointed a lead outside director
- Adopted the “K” LINE Group Global Compliance Policy
- Initiated a performance-based share remuneration plan

2019
- Increased the number of outside directors from 3 to 4 (40% of all directors)

2020
- Appointed a female director

Corporate Governance Structure

The Board of Directors and the Audit & Supervisory Board construct, apply, and monitor the corporate governance system, and several committees and other offices contribute to enhancing the system.



Cross-Shareholding Policy

The Board of Directors reviews cross-shareholdings of listed shares from an independent and objective perspective at least once a year to determine whether holdings should be continued based on a concrete assessment of the holding purpose and medium- to long-term economic rationale of individual holdings.

Sales of holdings will be considered when assessments of the economic rationale reveal that returns from said holdings have fallen below the cost of shareholders’ equity in a given fiscal year. The sale of cross-shareholdings that have become applicable under the relevant criteria will be discussed each year at meetings of the Board of Directors to determine which holdings will be sold. As of March 31, 2021, the number of cross-shareholdings of listed shares was three.

Appointment of Outside Directors

The Company actively appoints outside directors to take advantage of external perspectives in order to enhance corporate value over the medium and long term. Outside directors should possess broad experience and insight that enables them to monitor operational execution while also being of strong character and highly aware of the importance of compliance with laws and social norms. In addition to these qualities, outside directors are expected to be able to fulfill the following roles and duties.

- Provide advice on business policies and business improvement based on their knowledge and experience with the aim of promoting sustainable corporate growth and increases in corporate value over the medium to long term
- Oversee management through important decision-making by the Board of Directors
- Monitor conflicts of interest between the Company and its management or controlling interests, etc.
- Appropriately represent the views of stakeholders on the Board of Directors from a standpoint independent from management and controlling interests
- Evaluate management's performance as needed and express views, as members of the Nomination Advisory Committee and the Remuneration Advisory Committee, on management nominations and remuneration (outside directors designated as independent directors only)

Basis for Outside Officer Appointments

	Name	Basis of appointment and expected role
Outside directors	Keiji Yamada	Mr. Yamada was appointed as an outside director in June 2019 to utilize his broad experience, personal networks, and insight gained from his years in positions heading public administrative bodies to contribute to the management of the Company. He is appropriately fulfilling his role by proactively offering input at meetings of the Board of Directors and overseeing operational execution as a member of the Nomination Advisory Committee and the Remuneration Advisory Committee. Mr. Yamada is expected to continue to fulfill this role.
	Ryuhei Uchida	Mr. Uchida was appointed as an outside director in June 2019 to utilize his broad experience and insight related to corporate value improvement to contribute to the management of the Company. It has been judged that having Mr. Uchida proactively offer input from the perspective of shareholders at meetings of the Board of Directors and provide oversight of management and operational execution will contribute to shareholder interests and improved corporate governance for the Group. Mr. Uchida is expected to continue to fulfill this role.
	Kozue Shiga	Ms. Shiga has professional knowledge and experience as a lawyer, has served as an outside director and outside auditor at several listed companies, and was appointed as an outside Audit & Supervisory Board member of the Company in June 2016 and then as an outside director in June 2020. She is appropriately performing her duties based on her robust experience and broad perspective by proactively offering input at meetings of the Board of Directors and overseeing operational execution through her activities as the chairperson of the Nomination Advisory Committee and a member of the Remuneration Advisory Committee. Ms. Shiga is expected to continue to fulfill this role.
	Tsuyoshi Kameoka (Newly appointed)	Mr. Kameoka was appointed as an outside director in June 2021 to utilize his broad experience and insight related to corporate management to contribute to the management of the Company. He is expected to appropriately fulfill a role of offering insight at meetings of the Board of Directors and overseeing operational execution based on this broad experience and insight.
	Name	**Basis of appointment**
Outside Audit & Supervisory Board members	Atsumi Harasawa	Ms. Harasawa has extensive professional knowledge and experience as a lawyer and in the transportation sector as a certified first class aircraft maintenance technician at Japan Airlines Co., Ltd. Her presence as an outside officer on the Audit and Supervisory Board enhances Board diversity and the effectiveness of audits through an independent perspective.
	Shinsuke Kubo	Mr. Kubo is a certified accountant with wide-ranging experience and knowledge of auditing through positions at auditing firms in Japan and overseas, supporting companies seeking to list on stock exchanges, and related to corporate reorganization and M&A. He was appointed as an outside Audit and Supervisory Board member to contribute an independent perspective to improve the effectiveness of the Company's audits.

Nomination Advisory Committee, Remuneration Advisory Committee

As a company structured with an Audit & Supervisory Board, "K" LINE voluntarily established a Nomination Advisory Committee and Remuneration Advisory Committee to enhance the function of the Board of Directors. The committees are composed of independent outside directors, the chairperson of the board, and the president & CEO. The independent outside directors on each committee nominate and select an independent outside director to serve as their committee chairperson.

Memberships of Committees (As of July 2021)

Nomination Advisory Committee

Chairperson	Kozue Shiga
Members	Keiji Yamada, Kozue Shiga, Tsuyoshi Kameoka, Yukikazu Myochin

Remuneration Advisory Committee

Chairperson	Keiji Yamada
Members	Keiji Yamada, Kozue Shiga, Tsuyoshi Kameoka, Yukikazu Myochin

The Nomination Advisory Committee and the Remuneration Advisory Committee are membered by a majority of outside directors designated as independent directors.

Numbers of Meetings and Attendance for the Board of Directors, the Audit & Supervisory Board, the Nomination Advisory Committee, and the Remuneration Advisory Committee

Meetings Attended / Meetings Held (Fiscal 2020)

	Board of Directors	Audit & Supervisory Board	Nomination Advisory Committee	Remuneration Advisory Committee
Eizo Murakami*1	5/5	—	2/2	2/2
Yukikazu Myochin	18/18	—	7/7	4/4
Harusato Nihei*1	5/5	—	—	—
Atsuo Asano	18/18	—	—	—
Yukio Toriyama	18/18	—	—	—
Kazuhiko Harigai	18/18	—	—	—
Yasunari Sonobe	13/13	—	—	—
Makoto Arai	13/13	—	—	—
Akira Okabe*1	5/5	—	2/2	2/2
Seiichi Tanaka	18/18	—	7/7	4/4
Keiji Yamada	17/18	—	7/7	4/4
Ryuhei Uchida	18/18	—	—	—
Kozue Shiga	18/18*2	4/4*1	5/5	2/2
Tsuyoshi Yamauchi	18/18	16/16	—	—
Kunihiko Arai	18/18	16/16	—	—
Atsumi Harasawa	18/18	16/16	—	—
Shinsuke Kubo	13/13	12/12	—	—

*1 Retired in June 2020
*2 Includes meetings of the Board of Directors attended as an outside Audit & Supervisory Board member prior to June 2020

Officer Remuneration System

The Company's Board of Directors determines remuneration levels for executives in consideration of the recommendations of the Remuneration Advisory Committee, which deliberates and determines the structure and level of compensation and reports its counsel to the Board. Director remuneration comprises a monthly salary, performance-based compensation, and the Board Benefit Trust (BBT) Performance-based Share Remuneration Plan. BBT compensation is linked to the Company's total shareholder return (TSR) to provide incentives for directors to contribute to the medium- and long-term growth in earnings and corporate value. See below for an overview of the remuneration system.

Classification	Type of remuneration	Nature of remuneration	Method of determination	Maximum limit of remuneration
Directors	(1) Monthly remuneration	Fixed remuneration	Remuneration is determined in accordance with position and performance rating.	Within ¥600 million/year
	(2) Bonuses based on consolidated performance*	Variable remuneration	Linked to the degree of achievement of consolidated performance targets in single fiscal years	
	(3) Performance-based share remuneration (BBT)*		Linked to the Company's medium- to long-term total shareholder return (TSR) TSR = The rate of increase of the Company's shares over a fixed period + The dividend rate over the fixed period (Total dividend ÷ Initial share price)	Over the 4 fiscal years from FY ending March 31, 2022 up until FY ending March 31, 2025: (1) Amount contributed to the trust by the Company: ¥480 million (2) Maximum points awarded to directors in any 1 fiscal year: 62,000 points (equivalent to 62,000 shares)
Audit & Supervisory Board members	Monthly remuneration only	Fixed remuneration	Determined following deliberation among Audit & Supervisory Board members	Within ¥12 million/month

* Limited to executive directors

Training for Officers

Attending officers	Timing of implementation	Content
Newly appointed officers	Within 3 months of taking office	Providing opportunities to attend seminars on legal responsibilities pertaining to the Companies Act and the Financial Instruments and Exchange Act, etc.
All officers	Yearly	Training related to compliance in such areas as competition law, insider trading regulations, and anti-bribery
Outside directors/ Outside Audit & Supervisory Board members	Upon appointment	Explanations about the Group's business, financial, and organizational status, as well as the management status, operating environment, and business issues from heads of relevant divisions or executive officers in charge

Board Evaluation

Article 22 of our Corporate Governance Guidelines states, "Each director shall perform a self-evaluation on the validity of the Board of Directors, his/her performance as a director, etc., on an annual basis, and submit the results to the Board of Directors. Each year the Board of Directors shall, based on the self-evaluation of each director, analyze and evaluate the effectiveness of the Board of Directors as a whole, and shall disclose a summary of the results in a timely and proper manner."

Progress in Addressing Issues Raised by the Fiscal 2019 Evaluation

Strengthen Group Governance

It has been confirmed that progress is being made in enhancing "K" LINE's monitoring and governance of OCEAN NETWORK EXPRESS PTE. LTD. (ONE), a company that integrates the containership businesses of three companies and that has a substantial impact on the performance of the Company. These monitoring and governance activities are conducted as a major shareholder, but there is still room for improvement in terms of maintaining a timely understanding of performance trends. On a Groupwide basis, it was confirmed that quantitative management of financial indicators and misconduct response measures are being duly executed. On the other hand, it has been pointed out that there is room for reinforcement in orientation to improve our corporate value as a group and also in function to support group companies while we continue to respect the independence of each company, and we have reaffirmed this point as a theme that we should continue to tackle.

Improve Board Diversity

As one female outside director was elected at the annual general shareholders' meeting held in June 2020, the absence of female directors was resolved. We will organize aspects such as capabilities, skills, and backgrounds that are necessary for the Board of Directors as a whole and continue to build a structure in which we can realize Board diversity, not only by meeting superficial standards such as gender and career background.

Improved Discussions regarding the Medium- to Long-Term Management Policy and Plan

Since the spread of COVID-19 had a very significant impact on our business, we had no choice but to concentrate our discussions on short-term damage control at the beginning of the fiscal year. As the impact of COVID-19 on the business was dealt with, we moved to discuss our new business plan and capital policy at the Board meetings and strategic meetings, looking ahead to our post–COVID-19 business plans. Recognizing that our important task is to strengthen our financial position and to stabilize our business base, we will continue to enhance our discussions.

Discussions on Risk Management for the Threat of Cyberattacks

Our information system group reported the current situation and issues on this subject to the Board of Directors, and it was reconfirmed that countermeasures against the threat of cyberattacks had been effectively put in place by introducing various kinds of security products and undergoing regular checks by third parties. However, regrettably, we encountered an enterprise system failure in mid-March 2021. Considering this incident very seriously, we, as the Board of Directors, intend to share issues including the emergency response and prevention of recurrence, further enhance measures of protection, detection, countermeasures, and recovery, and thoroughly educate our executive officers and employees.

Fiscal 2020 Evaluation

Method for and Scope of Evaluating Board Effectiveness

For fiscal 2020, the Board conducted a self-evaluation through questionnaires sent to all directors and Audit & Supervisory Board members, followed by discussion by the Board of Directors based on the results of the questionnaires. For fiscal 2020, we added a new topic to evaluate how the Board tackled issues related to CSR, ESG, and the SDGs.

Analysis of Board Effectiveness and Overview of Evaluation Results

We were able to confirm that our Board is highly effective overall. We have judged that the following strengths noted in the fiscal 2019 evaluation were continuously maintained and reinforced in fiscal 2020.

- Strives to continuously reform and improve governance
- A cooperative atmosphere due to the leadership of the chairperson
- Quick and appropriate decision-making process when executing duties
- Appropriate monitoring by diverse outside directors
- Proactive discussions about capital efficiency including review of the asset portfolio
- Constructive dialogue with shareholders

It has been pointed out that there was room for enhancement in discussions and efforts to improve corporate sustainability. In April 2021, we reorganized departments in charge of sustainability and environmental issues to establish a new structure to promote corporate sustainability. We will incorporate the sustainability promotion into our next medium-term management plan.

Going Forward

Our Board of Directors concludes that its effectiveness is properly maintained at this time; however, to realize a more effective Board, we will work on further improvements including the following items.

- Promote corporate sustainability
- Strengthen group governance
- Improve discussions regarding the medium- to long-term capital policy
- Enhance and reinforce measures against the threat of cyberattacks

Messages from Outside Directors

The Company actively appoints outside directors to take advantage of external perspectives to enhance corporate value over the medium and long term.

The Company's current outside directors were asked for their honest opinions in response to the following questions.

Q 1 What is the expected role of the shipping industry and of "K" LINE specifically amid the rapid increase in discussion regarding carbon neutrality, decarbonization, and other environmental preservation topics?

Q 2 Based on your experience, what do you believe is necessary to improve the effectiveness of the Company's Board of Directors?

Keiji Yamada

Outside Director

A 1 Society is rapidly transitioning toward virtual spaces centered on IT. However, this will not change the fact that it is companies operating in the physical spaces that support the lifestyles of people. As a company that supports the lifestyles of people both in Japan and around the world, "K" LINE has the potential to change society by contributing to the resolution of environmental issues. I am confident that "K" LINE can transform itself by putting forth a clear policy, such as "becoming the most eco-friendly shipping company."

A 2 Based on my experience as a prefectural governor, I believe that the issue requiring the most attention and effort is the motivation of employees. "K" LINE is a company that has faced a lot of challenges. I therefore hope to facilitate discussions of a brighter future for the Company, one in which its employees can find joy in their work and feel hope for the future, at meetings of the Board of Directors.

Ryuhei Uchida

Outside Director

A 1 There is no going backward when it comes to the global decarbonization trend, and responding to this trend will thus be absolutely essential for companies. This is especially important when it comes to the shipping industry, which has traditionally been highly dependent on fossil fuels. At the same time, this trend represents the emergence of a new and highly viable growth market when viewed from the perspective of customer needs. By positioning decarbonization as an opportunity to make broader contributions to customers, as opposed to a hurdle to be cleared, I believe that "K" LINE will be able to achieve future growth while boosting its competitiveness.

A 2 Addressing corporate governance issues and improving effectiveness requires the Board of Directors to practice appropriate decision-making and oversight based on both input from shareholders and the policies of management. It is therefore important for "K" LINE to build shared recognition among the Board of Directors through ongoing discussion about how to improve corporate value based on the perspectives of both management and shareholders.

Kozue Shiga

Outside Director

A 1 While ships were dependent on the power of people or on the wind for propulsion in the past, today the shipping industry must consume fuel in order to continue transporting cargo around the world. It is, of course, important for "K" LINE to move ahead with research for evolving fuels and ship structures in this regard. At the same time, however, I hope that the Company will broaden its perspective to turn its attention to research that may at first seem unrelated to its operations. I strongly believe that new and valuable ideas can originate in any field.

A 2 Diversity is vital to improving the effectiveness of the Board of Directors. However, it is sometimes said that accepting diversity requires a certain degree of commitment. For this reason, I constantly ask myself whether I am prepared to have an open mind should I encounter someone with a perspective that differs from my own. My job as a lawyer requires that I work amid contradictory claims. I have thus always sought to understand the perspective of the other party, and I hope to use this experience to help improve the effectiveness of "K" LINE's Board of Directors.

Tsuyoshi Kameoka

Outside Director

A 1 Awareness regarding environmental preservation is rising rapidly on a global scale. It is therefore crucial for the "K" LINE Group to more actively help preserve the environment if it hopes to exercise its corporate principle to contribute to society, so that people live well and prosperously. Accordingly, I feel that the Group needs to combine the insight, techniques, and passion of all of its members to advance innovative initiatives that benefit customers while protecting the environment.

A 2 I have experience as the CEO of a listed company, and this experience has made me aware of the importance of having a diverse team of directors who call upon their individual experience and insight to discuss and build shared recognition about what needs to be done to fuel the ongoing growth of a company. Outside directors, specifically, must monitor and advise the actions of the CEO based on such a shared recognition while sometimes spurring the CEO forward on initiatives aimed at the future.

Foundation for Value Creation

Realizing Responsible Corporate Behavior

The United Nations Global Compact

"K" LINE endorses the United Nations Global Compact, a voluntary initiative in which companies and organizations act as good members of society and participate in the creation of a global framework for sustainable growth by demonstrating responsible and creative leadership. As well as becoming a signatory to the compact in 2020, we have joined the Global Compact Network Japan (GCNJ), a local network in Japan whose membership includes Japanese companies. Through the GCNJ's subcommittees, which are focused on specific themes, member companies and organizations actively conduct discussions and exchange information on approaches to initiatives and methods for proceeding with them. In fiscal 2020, we participated in the Human Rights Due Diligence (HRDD) Subcommittee, the Anti-Corruption Subcommittee, the ESG Subcommittee, and the Reporting Research Subcommittee. At meetings of subcommittees, we collected information on the latest trends and the initiatives of progressive companies in relation to each theme and as far as possible shared information on our own initiatives.

Selecting Dismantling Yards in Consideration of Occupational Health and Safety and Environmental Performance

Vessels that have reached the end of their service lives are dismantled and become useful sources of metals. As vessels differ in size and shape, mechanization and automation of dismantling work is difficult. Therefore, the majority of such work is done using labor-intensive methods. Moreover, this work must be conducted in ways that ensure occupational health and safety and protect the environment. "K" LINE selects dismantling yards by inspecting the site and carrying out evaluations according to our own checklist that assesses factors such as whether work is being carried out safely, whether the substances with an impact on the human body or the environment are collected, and whether a negative impact on the surrounding environment is prevented or mitigated. Additionally, we monitor the work process and constantly check that work is being carried out in consideration of safety and the environment.

Initiatives to Increase Human Rights Awareness

The need to respect human rights is set forth at the beginning of the "K" LINE Group Charter of Conduct. To ensure implementation of this charter, we have established the Implementation Guideline for the Charter of Conduct, which includes 11 specific guidelines for conduct in relation to human rights, covering such areas as respect for personality and diversity, no tolerance for child labor and forced labor, prevention of harassment, and the promotion of work-life balance. Among our employees, we have instilled respect for human rights through e-learning programs and the issuance of newsletters. Given the heightening of society's expectations with respect to human rights in recent times, in the current fiscal year we have begun establishing a human rights due diligence process based on the United Nations Guiding Principles on Business and Human Rights. As part of this process, we will formulate a human rights policy and conduct risk analysis.

Compliance

The Group's Compliance System

To provide guidance to the officers and employees of the Company and Group companies in the conduct of their day-to-day duties, in January 2017 we established the "K" LINE Group Global Compliance Policy, with which all officers and employees must comply. Also, the Compliance Committee, which is chaired by the president, deliberates on policies to ensure the compliance of the Company and Group companies as well as measures in response to compliance violations. Further, under the supervision of the chief compliance officer, the compliance system is being strengthened throughout our organization.

In addition, to prevent compliance issues in the Group's domestic and overseas operations and detect and correct risks at an early stage, we have established the Hotline Desk and the Global Hotline Desk, which receive whistleblowing reports from officers and employees of the Company and its domestic and overseas Group companies. Furthermore, by ensuring the confidentiality of reported information and protecting whistleblowers, we are developing a system that whistleblowers can use with confidence. As part of these efforts, in July 2020 we registered our in-house whistleblowing system as a Whistleblowing Compliance Management System, which is a registration system for the self-declaration of conformity, with the Consumer Affairs Agency of Japan.

The Whistleblowing Compliance Management System logo

1. Our Efforts to Ensure Compliance with the Anti-Monopoly Act

We ensure that executives and employees comply with the Regulation for Compliance with the Anti-Corruption Act. Furthermore, we are making efforts to ensure compliance awareness concerning competition laws by conducting a continuous training program and promotion of educational activities through a dedicated department. In addition, we conduct audits and monitor the state of implementation of compliance measures. With respect to contacts with competing companies, we strictly enforce regulations on prior reporting and approval depending on the nature of the contact, as well as recording and storing details of each contact. In June 2021, we distributed an updated version of the *Guidebook for Anti-Monopoly Act Compliance* to employees.

2. Our Efforts to Prevent Bribery and Corruption

To effectively strengthen the prevention of bribery and corruption, we devote much effort to the prevention of corruption and bribery as a member of the Maritime Anti-Corruption Network (MACN), which is a global business network working toward the vision of a maritime industry free of corruption.

3. Our Efforts to Ensure Compliance with Economic Sanctions

In November 2019, we added individual policies on economic sanctions and anti-money laundering to the "K" LINE Group Global Compliance Policy. All officers and employees of the Company and Group companies are required to comply rigorously with regulations related to economic sanctions, anti-money laundering, and the prevention of terrorism financing that are applicable to the businesses of the "K" LINE Group. Further, in response to the growing trade friction between the United States and China, we are screening business partners even more stringently.

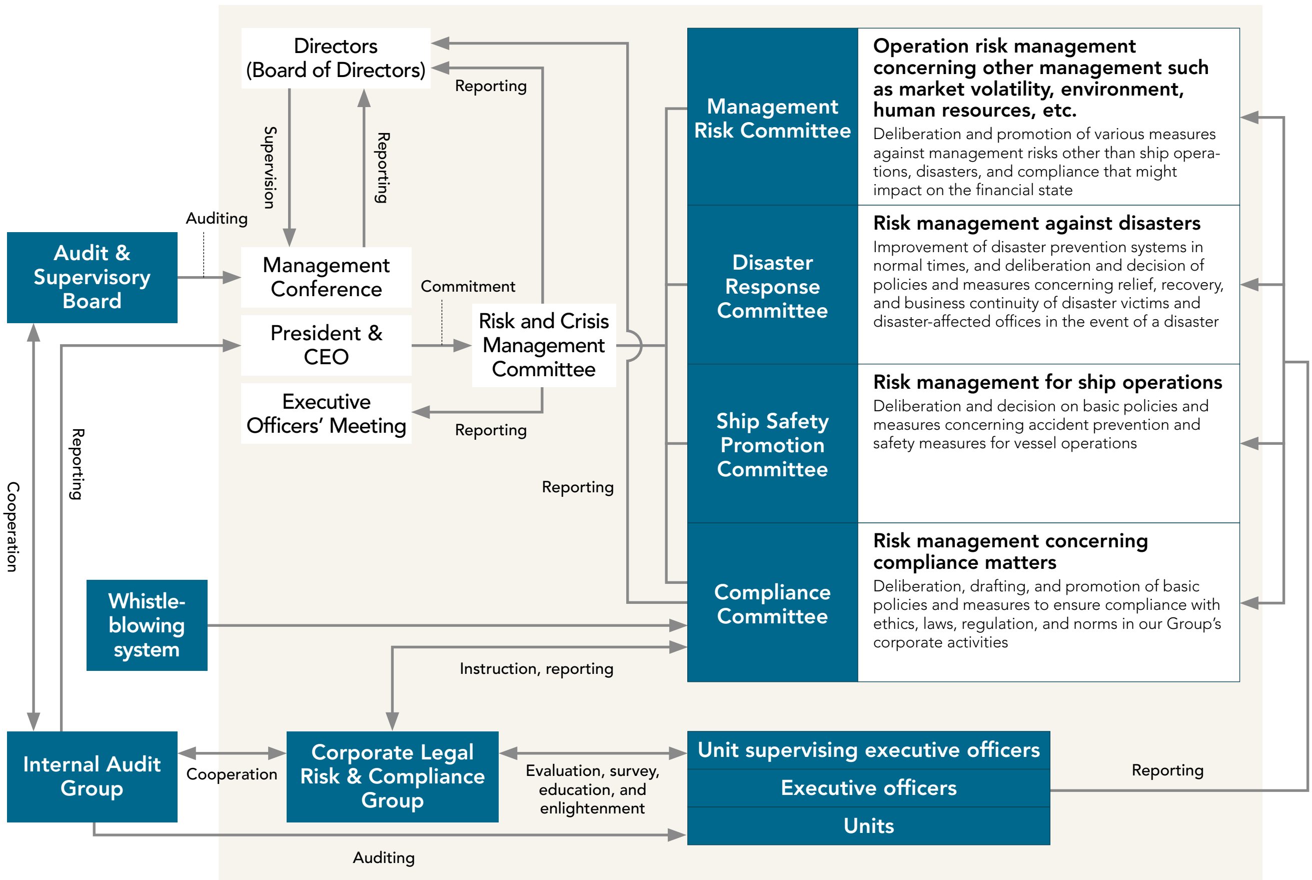
Our Efforts to Raise Compliance Awareness

We set every November as "Compliance Month," when we distribute a message from the president to executives and employees of "K" LINE and its Group companies to remind them of the importance of compliance. We also hold compliance e-learning training and compliance seminars featuring lecturers invited from outside the Company.

Risk Management

Risk Management System

We have established a risk and crisis management system so that we can recognize and prepare for various risks in management and fulfill our corporate social responsibility even if risks materialize. We classify risks into four categories: risks associated with vessel operations, compliance risks, disaster risks, and other management-related risks. For each category of risk, we have established a dedicated committee. In addition, the Risk and Crisis Management Committee was established to unify these four committees and to control and promote overall risk management. The president serves as the chairperson of all these committees, and their meetings are held regularly.



Ongoing BCP Formulation

The "K" LINE Group has established a business continuity plan (BCP) in preparation for impediments that could be caused by natural disasters and infectious diseases, including new strains of influenza. With respect for human life as our first priority, we aim to ensure business continuity and thereby meet the responsibility we have to support society's lifelines. To this end, we are transferring the management of operations to regional offices in Japan and overseas, storing backup data in remote locations, and utilizing teleworking. In preparation for an earthquake occurring directly beneath the Tokyo metropolitan area, we conduct regular evacuation drills and improve the BCP based on simulations of the scale and damage of such an earthquake. In these ways, we are making Companywide efforts to improve our disaster resilience.

Risks Associated with the COVID-19 Pandemic and Our Measures in Response

"K" LINE has implemented a range of COVID-19 countermeasures. In the management of onshore operations, we expanded and enhanced teleworking and took thorough measures to prevent infection at offices. As for vessels and crew members, we monitored the health of crew members before they boarded vessels, issued an order requiring crew members to spend time in quarantine before boarding vessels, conducted PCR tests, and supplied anti-infection equipment and materials. In fiscal 2021, the Company's business operations may continue to be affected by unexpected events, such as the emergence of variants or the discovery of new strains. However, by reviewing measures taken in fiscal 2020 and preparing a response manual for future pandemics caused by viruses, including COVID-19, we will establish capabilities for maintaining business continuity even during emergencies. We will then take measures suited to each business.

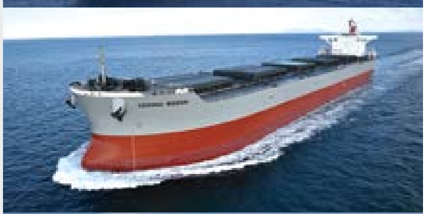
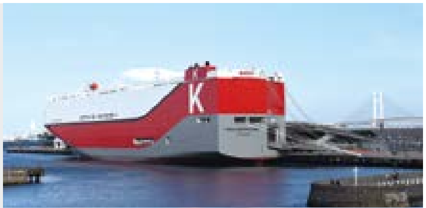
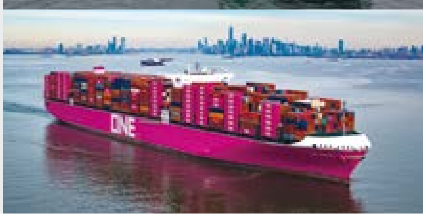
The Risk of Large-Scale Accidents and Our Measures in Response

As rigorously ensuring the safety of vessel operations is one of our highest priorities, we are maintaining and heightening operational safety levels and crisis management capabilities. 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, operation 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. To counter the aforementioned risks, the Ship Safety Promotion Committee, chaired by the president, meets periodically to conduct multifaceted investigations and initiatives for all matters related to the safety of vessel operations. Also, we have prepared an Emergency Response Manual, which sets out the accident response measures to be taken in the event of an emergency, and we continually improve our accident responses by holding regular drills for responses to large-scale accidents (see pages 34–35).

Risks Associated with Information Security and Our Measures in Response

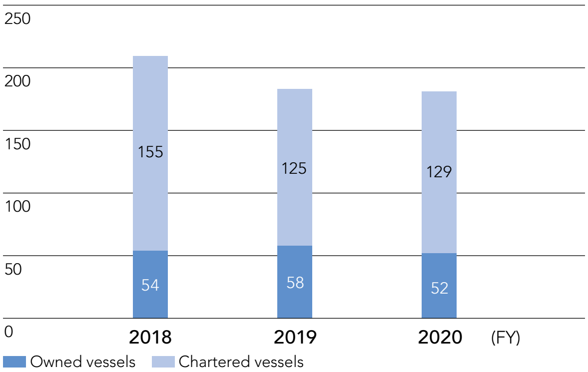
The "K" LINE Group is taking measures to ensure and improve information security in order to provide safe and secure marine transportation and logistics services as a logistics infrastructure supporting global economic activities. Cyberattacks have become extremely diverse in recent years, and local responses and product introductions alone are not sufficient for complete protection. Information leaks due to unauthorized access or system outages due to virus infections could significantly impact the operating activities, financial position, and business results of the "K" LINE Group. Rather than depending on any one measure for information security, we employ a range of measures. As well as helping to prevent cyberattacks, this multilayered approach increases our ability to detect abnormalities rapidly if a security incident occurs and to minimize its impact through countermeasures and restoration. In addition, we have implemented information security measures from the following three perspectives: information management that aims to protect information; cybersecurity that focuses on the defense of system networks against cyberattacks; and physical security that prevents unauthorized access to facilities such as office terminals. As for our efforts for marine cyber risk management, in particular, we have acquired Cyber Security Management System (CSMS) certification from ClassNK for our ship management companies and vessels, and we are proceeding with the acquisition of certification for other vessels. "Safety" is the core competence of the "K" LINE Group's maritime transport business. We will provide safer and more optimal transportation services by strengthening our response to cyber risks. We also provide security education to raise awareness of information security among Group officers and employees.

At a Glance

Segment	Business	Business overview
Dry Bulk	Bulk Carrier Business / Coal & Iron Ore Carrier Business 	The Dry Bulk Business transports commodities including iron ore, coal, grain, woodchips, and other minor bulk cargoes that are not packaged and loaded directly on the vessel. We are expanding our business internationally by actively engaging in transportation of cargoes bound not only for Japan but also for other countries and regions, such as China, India, and other emerging economies as well as the Atlantic region.
Energy Resource Transport	Tanker Business / Fuel Strategy & Procurement Business 	We engage in marine transportation of crude oil and liquefied petroleum gas (LPG). Since delivering our first large crude tanker in 1935 and our first LPG carrier in 1974, we have developed a global business for customers both in Japan and overseas. In addition to procuring fuel for "K" LINE fleets, the Fuel Strategy & Procurement Business contributes to reducing environmental impacts by supplying LNG fuel and also conducting demonstrations of liquefied hydrogen carriers.
	Electricity Business / Offshore Business 	In the Electricity Business, our proprietarily developed "Corona Series" of vessels transport thermal coal mainly from Australia and Indonesia to power companies in Japan and Taiwan. In the Offshore Business, we provide offshore support vessel services in the North Sea, drillship services off Brazil, and floating production storage and offloading system (FPSO) services off Ghana.
	LNG Carrier Business / Carbon-Neutral Promotion Business 	In the LNG Carrier Business, we offer global transportation of LNG, a fuel source for which demand is increasing worldwide, and also provide service to customers with diversifying needs across the LNG value chain. In Carbon-Neutral Promotion Business, we promote business development related to renewable energy including offshore wind power generation; carbon capture, utilization, and storage (CCUS); alternative fuels; and carbon offset.
Product Logistics	Car Carrier Business 	Since introducing Japan's first pure car carrier (PCC) in 1970, "K" LINE has continued to provide transportation services for passenger cars, trucks, and other vehicles. We apply the expertise gained over our 50 years of operation in this area to further enhance our RORO cargo services (roll-on, roll-off cargo services using specialized handling equipment). In addition, we commenced operation of an LNG-fueled car carrier in fiscal 2020, and we continue to perform fleet maintenance with special care for environmental concerns.
	Logistics and Port Business 	By combining the expertise and service networks of the entire "K" LINE Group, we provide comprehensive logistics services to meet a range of customer needs for sea transportation as well as air transportation, tugboat, land transportation, warehousing, and automotive logistics business from auto parts to complete built-up cars. In addition, we operate container terminals at four ports in Japan: Tokyo, Yokohama, Osaka, and Kobe.
	Short Sea and Coastal Business 	Kawasaki Kinkai Kisen Kaisha, Ltd. provides domestic marine transportation and ferry services. It operates passenger ferries, RORO cargo ships, dedicated carriers for limestone used in steel production, dedicated thermal coal carriers for electric power production and also general cargo carriers. It also operates general cargo vessels and bulk carriers for cargo to and from Asia. Furthermore, it has entered the offshore support vessel operations around Japan to further enhance the business.
	Containership Business 	The containership business in April 2018 integrated the containership businesses of three Japanese shipping companies to form a new company, Ocean Network Express Pte. Ltd. (ONE). Drawing on its enhanced route network, it provides stable, reliable, high-quality, and competitive services and is capable of swiftly adapting to changes in the environment.
Others		The "K" LINE Group also operates businesses engaging in ship management services, travel agency services, and real estate rental and administration services.

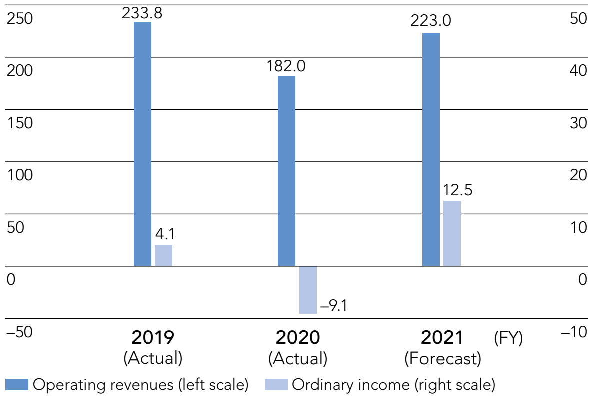
Dry Bulk Fleet

(Vessels)



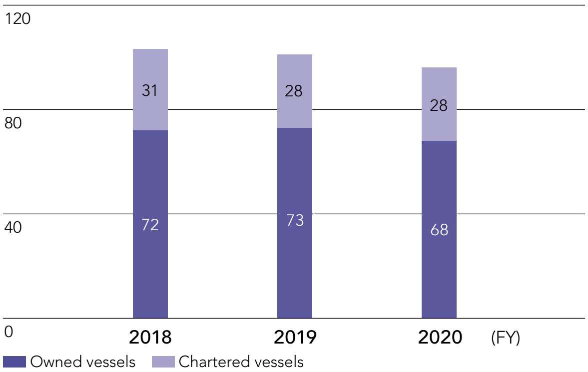
Dry Bulk Operating Revenues, Ordinary Income

(Billions of yen)



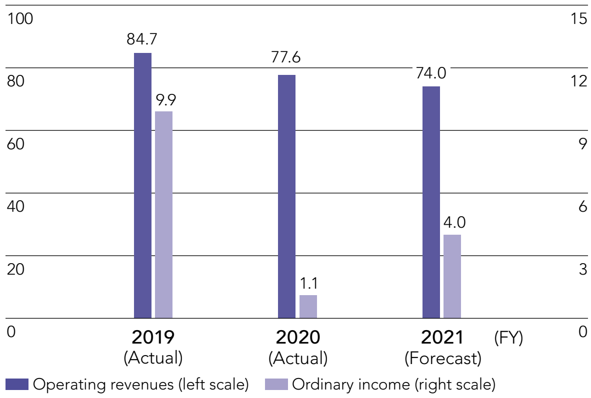
Energy Resource Transport Fleet

(Vessels)



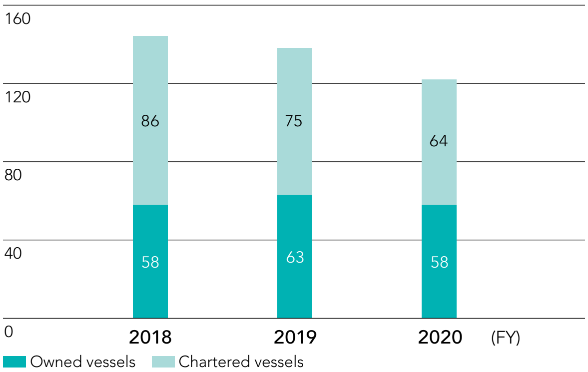
Energy Resource Transport Operating Revenues, Ordinary Income

(Billions of yen)



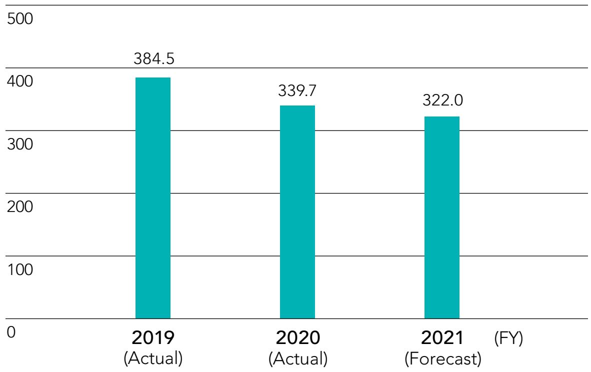
Product Logistics Fleet (Excluding Containership)

(Vessels)



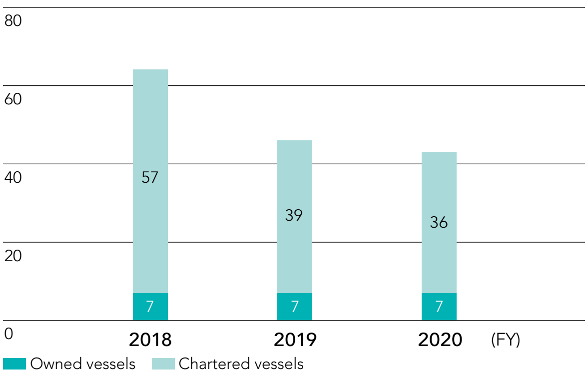
Product Logistics Operating Revenues

(Billions of yen)



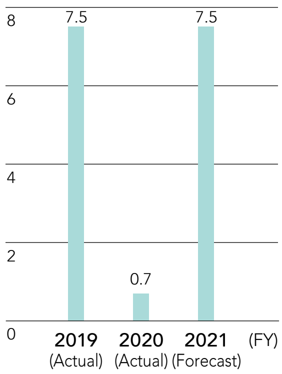
Product Logistics Fleet (Containership)

(Vessels)



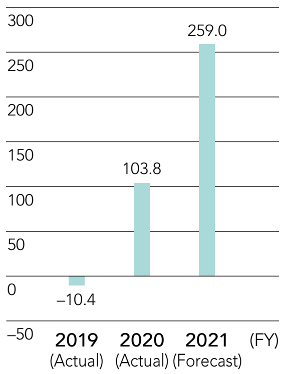
Product Logistics Ordinary Income (Excluding Containership)

(Billions of yen)



Product Logistics Ordinary Income (Containership)

(Billions of yen)



Note: Fiscal 2021 forecasts for segment operating revenues and ordinary income reflect the forecast announced in August 2021.

Business Overview

Dry Bulk

- Bulk Carrier Business
- Coal & Iron Ore Carrier Business

Takahiko Tsurukawa
Executive Officer
In charge of Bulk Carrier Business, Drybulk Planning

Panamax bulk carrier

Overview of Fiscal 2020

Demand for marine transportation was sluggish, particularly at the beginning of fiscal 2020, as a result of the economic stagnancy triggered by the COVID-19 pandemic. Cargo volume for Cape-size bulker declined substantially because of deceases in shipments of iron ore due to bad weather in loading regions. However, demand for transportation to China recovered near the middle of the fiscal year, and overall demand was strong in the second half of the fiscal year due to recovery of economic activities in principal markets. Meanwhile, cargo volumes for Panamax- and Handy-sized vessels benefited from the resumption of economic activities in China, increases in demand for transporting grain from Brazil and the United States to China, and rising demand for coal imports to China triggered by cold waves, but these factors were unable to compensate for the impacts of the COVID-19 pandemic felt at the beginning of the fiscal year. Supply of newly built ships was limited for all vessel types, but the ship supply and demand balance was weak in comparison to the previous fiscal year. Against this backdrop, we sought to reduce operating costs, optimize fleet scale, and hedge market risks through freight derivatives. However, ultimately the Dry Bulk Business recorded year-on-year decreases in sales and profit.

Fiscal 2021 Business Strategies

Fiscal and economic stimulus measures are boosting economic activities in countries around the world. This situation has been supporting demand for Cape-size bulker through factors such as the global recovery of steel demand, which led crude steel production in China to reach a historic monthly high in May 2021. Panamax- and Handy-sized bulker cargo volumes have been higher than initially anticipated due to increased demand for transportation of grain to China as well as cargo movement for thermal coal and minor bulk items seen in conjunction with the recovery of industrial activity. Supply of newly built ships is expected to remain limited, resulting in year-on-year increases in ship demand.

Objectives of the Dry Bulk Business will be to expand our foundations for stable earnings through medium- to long-term transportation contracts for high-quality transportation services, including the introduction of next-generation fuels. In addition, we will maximize our earnings potential through the strengthening of our marketing and chartering capabilities by utilizing overseas offices, by improving fleet allocation efficiency, and by optimizing fleet composition to improve our resilience to market fluctuation.

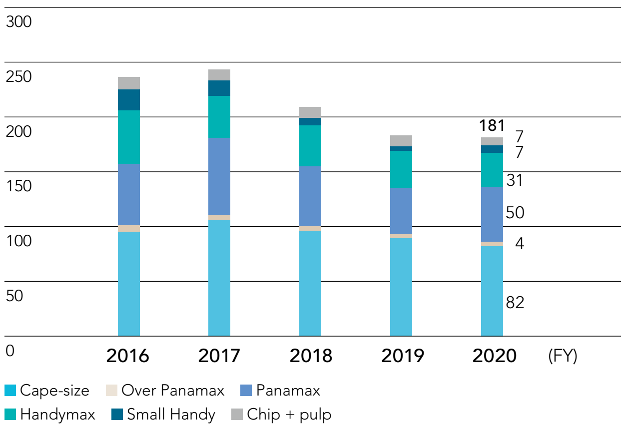
Dry Bulk (All Types) Fleet Ranking
(As of July 2021)

Ranking	Operator	100,000 DWT	Vessels
1	China COSCO Shipping	349.4	310
2	Fredriksen Group	149.1	120
3	NYK	143.0	154
4	Star Bulk Carriers	138.1	127
5	China Merchants	135.4	122
6	**"K" LINE**	**124.1**	**104**
7	Berge Bulk	121.2	64
8	Oldendorff Carriers	118.5	101
9	Pan Ocean	112.0	77
10	ICBC	111.8	36

Note: Owned vessels and a part of chartered vessels

Source: Clarksons

Dry Bulk Fleet
(Vessels)



Cape-size bulk carrier

Masatoshi Taguchi
Executive Officer
In charge of Coal & Iron Ore Carrier Business, Coal & Iron Ore Carrier Planning & Operation

Medium- to Long-Term Outlook

- Improved balance of ship supply and demand for large vessels, despite the gradual pace of overall growth in transportation demand, due to the retirement of aged and other unprofitable vessels amid requirements for safety and environmental performance and lower levels of speculative orders
- Strong performance for small- and medium-sized vessels due to increased demand for grain and minor bulk items centered on emerging countries, but it is necessary to monitor changes in coal transportation demand based on government fossil fuel policies of pertinent countries
- Acceleration in carbon neutrality measures such as environmental regulation and other activities to drive the transition to new fuel sources for ships and development of energy-saving equipment

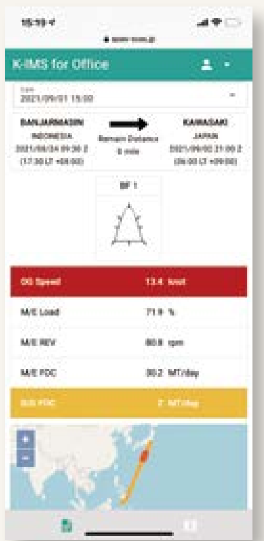
Major Medium- to Long-Term Strategies

- Reduce negative impacts on the environment and improve safety in navigation and transportation through means such as adopting next-generation fuel sources to contribute to the realization of a sustainable society
- Respond to customer needs related to newly emerging transportation demand and improvements of efficiency in transportation, while monitoring major changes in social needs such as carbon fuel policies of countries

TOPICS

Launch of Dry Bulk Digital Transformation Strategy Task Force

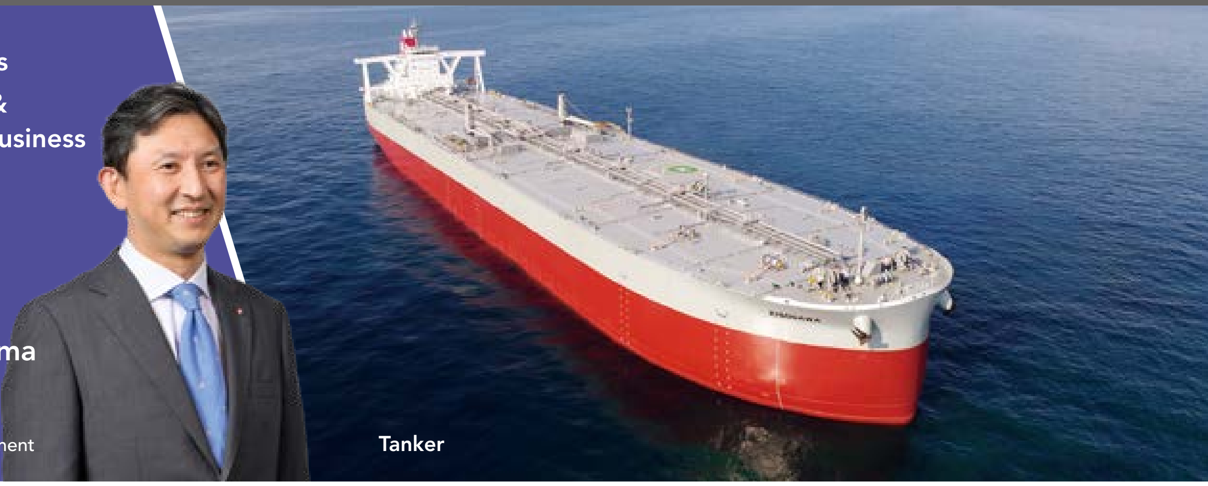
A digital transformation strategy task force was launched for the Dry Bulk Business in April 2021 to facilitate the organization-wide enhancement of the frontline- and customer-oriented initiatives previously instituted on an individual business group basis. The task force takes a quality approach, through digital transformation methodologies, to improve safety and efficiency and help preserve the environment by compiling and analyzing issues faced by "K" LINE and customers. We look to maximize work productivity and profitability for "K" LINE and also to improve convenience for customers and reduce environmental impacts. In order to achieve these goals, we are proposing multiple services to customers and developing new applications. We hope that this new task force will grow to become a team of capable and flexible Dry Bulk Business professionals who exceed customers' expectations through this new undertaking.



Smartphone app tracking vessel course

Energy Resource Transport

- Tanker Business
- Fuel Strategy & Procurement Business



Tanker

Hisashi Nakayama
Executive Officer
In charge of Tankers,
Fuel Strategy & Procurement

Overview of Fiscal 2020

Tanker Business

Very large crude carriers (VLCCs) and very large liquefied petroleum gas carriers (VLGCs) contributed to our earnings, particularly through medium- and long-term charter contracts. In addition, we sold one VLGC for which a medium- and long-term charter contract had expired in order to reduce market risk exposure.

Fuel Strategy & Procurement Business

In the LNG fuel supply business, we commenced operations in central Japan in October 2020 through which we carried out Japan's first ship-to-ship LNG bunkering of a LNG-fueled car carrier. In addition, we started managing *FueLNG Bellina*, an LNG bunkering vessel owned by FueLNG Pte Ltd of Singapore, in January 2021, also undertaking this country's first ship-to-ship LNG bunkering.

Fiscal 2021 Business Strategies

Tanker Business

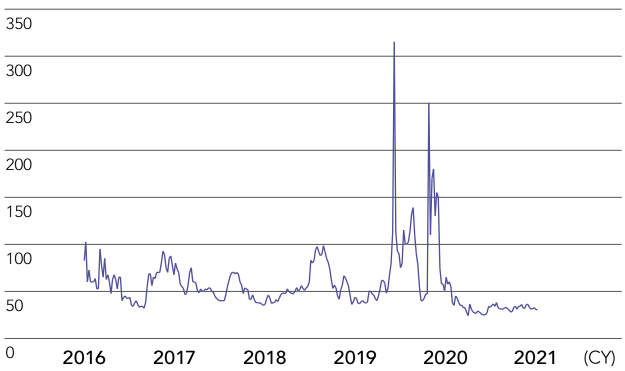
Transportation demand for crude oil and LPG is expected to show a recovery from the impacts of the COVID-19 pandemic, but the business environment is still plagued with uncertainty, and the uncertain outlook will likely continue in the future. We will supply high-quality services through our VLCC and VLGC fleet based on medium- to long-term contracts with principal customers while examining the possibility of transitioning to next-generation vessels.

Fuel Strategy & Procurement Business

We will provide reliable LNG fuel supplies in central Japan and Singapore in order to contribute to the realization of a decarbonized society. In hydrogen businesses, we will move forward with a verification test at the CO_2-free Hydrogen Energy Supply-Chain Technology Research Association (HySTRA) while participating in various associations and councils to develop a hydrogen supply chain.

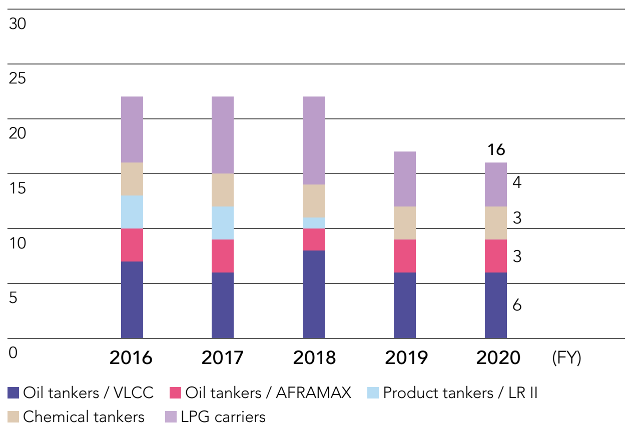
Concurrently, we will examine the potential of ammonia, biofuel, and other fuels as next-generation marine fuels.

Tanker Freight Index



Source: Clarksons

Tanker Fleet Scale



LPG carrier

Medium- to Long-Term Outlook

- Focus on trends in crude oil demand amid the transition to alternative energy sources to help preserve the environment
- Transition to eco-friendly vessels for crude oil and LPG transportation
- Increased demand for hydrogen and ammonia transportation and adoption of next-generation fuels to transition to a carbon-free society

Major Medium- to Long-Term Strategies

- Reduction of emissions from ships and provision of services using eco-friendly vessels
- Proactive adoption of safe navigation technologies to provide higher-quality services
- Development of the hydrogen and ammonia business and examination of next-generation fuel adoption to contribute to the realization of a carbon-free society

TOPICS

Accommodation of Next-Generation Energy to Contribute to the Realization a Decarbonized Society

"K" LINE continues to support the energy value chain by providing safe and high-quality crude oil and LPG transportation services. At the same time, we are introducing into our fleet vessels fueled by LNG and LPG in order to reduce our environmental impact. Looking ahead, we anticipate the emergence of new demand for transporting ammonia to power plants in Japan, and we therefore intend to enter into the ammonia transportation business.

Meanwhile, we are contributing to the realization of a hydrogen society through participation in pilot hydrogen supply chain demonstrations being conducted jointly by Australia and Japan using the *SUISO FRONTIER* liquefied hydrogen carrier. We thereby aim to accumulate expertise related to the safe transportation of next-generation energy sources. "K" LINE is also looking to lower and reduce CO_2 emissions for its own vessels, and the possibility of adopting ammonia and biofuels, next-generation fuels that are expected to follow the trend set by LNG and LPG, is being investigated.

SUISO FRONTIER
(Photograph provided by Kawasaki Heavy Industries, Ltd.)

Energy Resource Transport

- Electricity Business
- Offshore Business

Michitomo Iwashita
Executive Officer
In charge of Electricity and Offshore Business

Thermal coal carrier

Overview of Fiscal 2020

Electricity Business
During the first half of fiscal 2020, the state of emergency declaration issued in Japan caused a halt to economic activities in this country, resulting in massive drops in electricity and consequently coal demand. In the second half of the fiscal year, the resumption of economic activities sparked a recovery in power demand. In particular, demand for electricity increased during the cold wave at the beginning of 2021 and led coal-fired thermal power plants to continue to be operated at full capacity, as several nuclear power plants were still under a long-term suspension. Against this backdrop, the "K" LINE Group's fleet continued to operate smoothly, mainly under medium- to long-term contracts, and we were able to generate stable earnings through flexible and efficient fleet deployment in response to rapid fluctuations in coal demand.

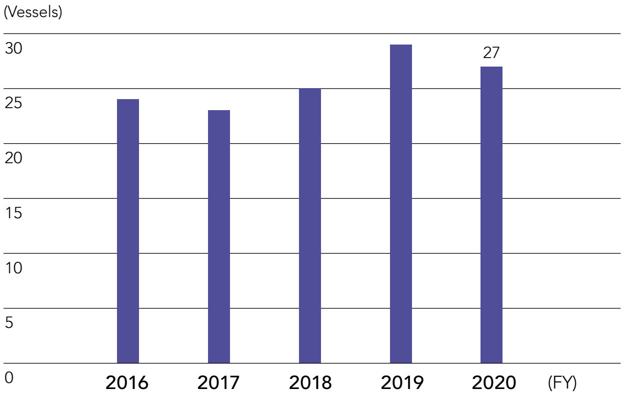
Offshore Business
The FPSO business produced stable earnings through continuously high utilization rates based on a long-term contract in the project off Ghana. Meanwhile, our drillship business recorded a loss, despite earnings from the smooth operation of a project off Brazil conducted under a long-term contract, following the re-examination of market conditions after the expiration of contracts. The offshore support vessel business suffered from a deterioration in market conditions due to sluggish trends in development projects as a result of falling crude oil prices in the first half of fiscal 2020. The market remained sluggish despite the recovery in oil prices in the second half of the fiscal year.

Fiscal 2021 Business Strategies

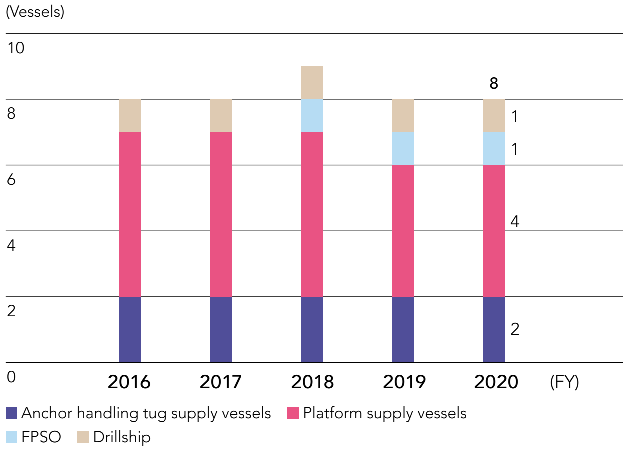
Electricity Business
The delays in restarting nuclear power plants in Japan mean that coal-fired thermal power plants will continue to be an important source of power for the country. Electricity demand has proved firm due to the recovery of economic conditions brought about by the acceleration of vaccinations. The outlook for electricity demand is currently opaque, but even if a sudden fluctuation in demand occurs, "K" LINE will continue to supply customers with the flexibility that only it can offer. Inspired by the importance of our mission of supporting a vital lifeline, we will continue to practice high-quality vessel operation to ensure safe operation.

Offshore Business
In our FPSO and drillship businesses, we look to secure stable earnings by maintaining high utilization rates under long-term contracts. As for the offshore support vessel business, we will continue to pursue cost reductions in order to improve earnings, given that market recovery will continue to be limited.

Thermal Coal Carrier Fleet (Including Co-Owned)



Offshore Energy E&P Fleet



Floating production storage and offloading system (FPSO)
(Photograph provided by Yinson Holdings Berhad)

Medium- to Long-Term Outlook

Electricity Business

- Ongoing operation of thermal power plants despite reduced coal consumption volume due to closure of inefficient power plants amid decarbonization trends and mixed burning with biomass fuel

Offshore Business

- Gradual market recovery driven by increased development investment together with recovery in crude oil prices

Major Medium- to Long-Term Strategies

Electricity Business

- Pursuit of carbon neutrality in 2050 and development of carbon neutral thermal power plants through introduction of CCUS technologies, given the unchanging necessity for thermal power as an adjustment-purpose power source

Offshore Business

- Response to impacts on development investment plans from the global decarbonization trend (impacts to influence offshore support vessel demand recovery and new FPSO order trends)

TOPICS

Adjustment of Group Fleet Composition in Response to Changes in Government Energy Policies

The business environment surrounding the Electricity Business in Japan underwent substantial change during fiscal 2020. Factors behind this change included the issuance of a government order to look at phasing out inefficient coal-fired thermal power plants in July 2020, the declaration of the country's goal of achieving carbon neutrality by 2050 in October, and the announcement of a national target of reducing greenhouse gas emissions by 46% from fiscal 2013's level by fiscal 2030 in April 2021. These government policies are expected to cause decreases in future demand for transportation of coal for thermal power plants in Japan. However, there will be no change to the position of thermal power as an important power source in Japan, given the energy mix as viewed from the circumstances regarding the resumption of nuclear power plant operation and the introduction of renewable energy. Accordingly, it is unlikely that thermal coal transportation demand will drop to zero in the short term. "K" LINE will carefully monitor the progress of Japan's decarbonization-related energy policies while adjusting its fleet composition to incorporate vessels with eco-friendly equipment, so that it can continue responding to transportation demand.

CCS verification test "CC-OCEAN" Project
(world's first on-vessel CO_2 capture verification test)

Energy Resource Transport

- LNG Carrier Business
- Carbon-Neutral Promotion Business

Satoshi Kanamori
Executive Officer
In charge of LNG, Carbon-Neutral Promotion

LNG carrier

Overview of Fiscal 2020

LNG Carrier Business
In the LNG Carrier Business, trends in utilization of existing vessels were favorable, and earnings contributions were made by this stable-earnings producing business via medium- to long-term chartering contracts. We are moving forward with the construction of project vessels scheduled to be delivered in fiscal 2022 as part of new projects. In addition, we are preparing, among other initiatives, for an expansion project in Qatar, where procurement of several dozen new ships is expected.

Carbon-Neutral Promotion Business
"K" LINE has continued to strengthen the business related to the LNG value chain development, such as gas to power projects and small-scale LNG transportation. The Carbon-Neutral Promotion Group was established on April 1, 2021, with the aim of accelerating such initiatives toward rapid global decarbonization. The organization will play a central role in creating new businesses related to fields such as renewable energy, hydrogen value chain development and CCUS technologies.

Fiscal 2021 Business Strategies

LNG Carrier Business
Demand for LNG, a relatively clean form of energy, is expected to grow over the long term, centered on emerging countries. Accordingly, we plan to expand our fleet in the LNG Carrier Business in line with the growth of this demand. We will also work to acquire long-term contracts that will be stable sources of future revenue subsequent to the long-term charter contract for two LNG carriers (scheduled to be delivered in 2022) acquired in 2020 from Petronas Group, Malaysia's national petroleum and gas conglomerate. Furthermore, we will respond flexibly to accommodate the diversifying needs of customers.

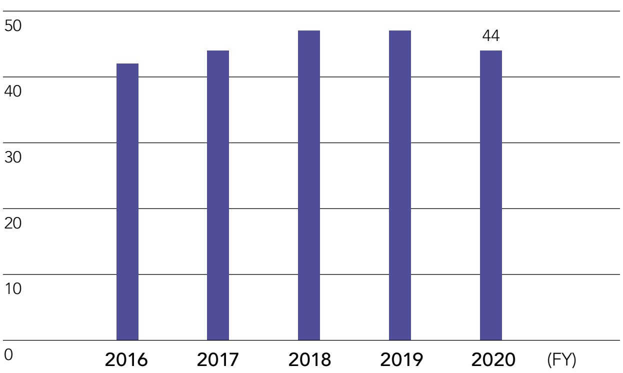
Carbon-Neutral Promotion Business
The Carbon-Neutral Promotion Business continues to develop the businesses contributing to the world's decarbonization such as offshore wind power projects and commercialized CCUS technologies. "K" Line Wind Service, Ltd. (KWS) was started in June 2021 to gather all of the knowledge and ideas within the "K" LINE Group and to contribute to the development of offshore wind projects. At the same time, targeting the practical implementation of liquefied CO_2 marine transportation, the Company participates in CO_2 marine transportation verification tests.

LNG Carrier Fleet Ranking
(As of June 2021)

Ranking	Operator	Vessels
1	MOL	89
2	NYK	76
3	Nakilat	69
4	Teekay	47
5	**"K" LINE**	**44**
6	Maran Gas	37
7	MISC	29
8	Gaslog	25
8	Iino Lines	25
10	Bergesen Worldwide	21
11	Golar	15

Source: Compiled by "K" LINE based on each company's disclosure

LNG Carrier (Including Co-Owned)



Offshore support vessel

Medium- to Long-Term Outlook

LNG Carrier Business

- Final investment decisions for multiple new projects anticipated even after the start of a large-scale production facility expansion project in Qatar, leading to a certain degree of ship procurement

Carbon-Neutral Promotion Business

- Worldwide decarbonization trends with the target of higher implementation of renewable energy, development of the supply chain of hydrogen and ammonia, and commercialization of CCUS

Major Medium- to Long-Term Strategies

LNG Carrier Business

- Medium- to long-term growth in LNG demand forecast centered on emerging countries, creating a need to predict the position within trends on expanded renewable energy use and next-generation energy development

Carbon-Neutral Promotion Business

- Examination and development of various methodologies for achieving carbon neutrality, making it crucial to determine what businesses we should advance and the ideal participation timing

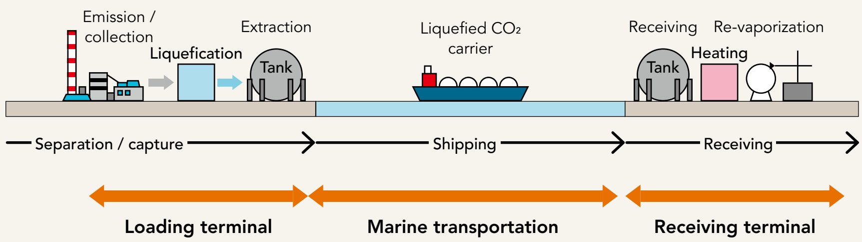
TOPICS

Participation in CCUS Verification

Through consignment from the Engineering Advancement Association of Japan, “K” LINE is participating in the R&D project on the social implementation of liquefied CO_2 maritime transportation, together with Ochanomizu University and Nippon Gas Line Co., Ltd. These R&D activities are being carried out as a part of “large-scale CCUS verification tests in Tomakomai City, Hokkaido” supported by the New Energy and Industrial Technology Development Organization and aim at the verification of CO_2 marine transportation technology.

CCUS refers to the technologies of CO_2 capture, utilization, and storage, and these technologies are therefore expected to play an important role in achieving the carbon-neutral society in 2050. Through the aforementioned verification tests, “K” LINE targets the development of liquefied CO_2 carrier transportation technologies, to establish the methodology of long-distance, high-volume transportation of CO_2 and to reduce the costs associated with CCUS technologies.

By expanding the accumulated technologies and expertise through the safe transportation and cargo handling of liquefied gas, “K” LINE will evaluate safety loading/discharging operation and transportation of liquefied CO_2 transportation with the target of establishing the technical guidelines.



Verification test scope: Loading, shipping, and unloading of CO_2 marine transportation

Product Logistics

Car Carrier Business

Takenori Igarashi
Managing Executive Officer
In charge of Car Carrier Business, Car Carrier Planning & Development, Car Carrier Quality and Operations

LNG-fueled car carrier

Overview of Fiscal 2020

In fiscal 2020, global automobile sales declined, particularly in April and May 2020, due to the COVID-19 pandemic. Meanwhile, a clear recovery trend was later seen in early autumn, most notably in the United States. However, the full-year automobile sale volume was only 7.7 million units in fiscal 2020, a decrease of approximately 14% from fiscal 2019.

Meanwhile, global marine transportation demand for completed automobiles was only around 13.7 million units in fiscal 2020, a decrease of approximately 18% from fiscal 2019.

At the same time, the number of automobiles transported by the "K" LINE Group in fiscal 2020 also declined in the first quarter due to the COVID-19 pandemic. There was a recovery trend seen centered on the United States beginning in September 2020. However, our transportation volume was only 2.6 million units in fiscal 2020, a decrease of approximately 23% from 3.3 million in fiscal 2019. We took steps to reduce costs through temporary revisions and reorganizations of services and rationalization of surplus vessels, but fiscal 2020 saw a decline in revenue compared to 2019, which resulted in us posting a loss.

Fiscal 2021 Business Strategies

The impacts of the COVID-19 pandemic are expected to persist throughout fiscal 2021. However, we also anticipate substantial recovery in automobile sales markets around the world as well as recovery in marine transportation demand.

In conjunction with this recovery, we will work to secure a proper fleet size and provide transportation services matched to customer demand. Specific measures will include improving conventional high and heavy cargo operations and reorganizing and strengthening our routes to accommodate changes in transportation demand, such as the trend toward electric vehicles. We will thereby seek to strengthen operating foundations.

"K" LINE also plans to accelerate global carbon neutrality initiatives in the Car Carrier Business. We completed construction of *CENTURY HIGHWAY GREEN*, our first LNG-fueled car carrier, in March 2021. This vessel is equipped with the latest digital technologies in addition to various eco-friendly technologies. In the future, we will accelerate initiatives for achieving carbon neutrality, such as seeking out alternative fuel sources.

Car Carrier Fleet Ranking

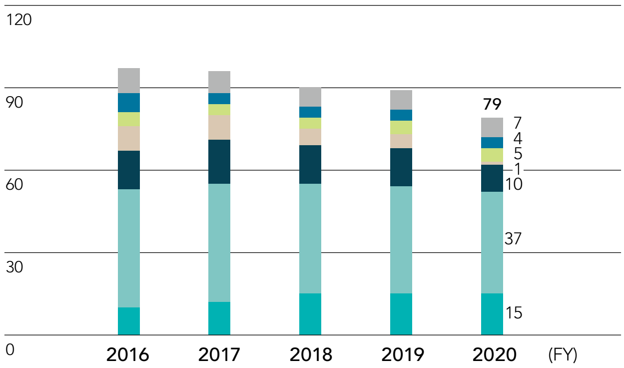
(As of May 2021)

Ranking	Operator	Vessels	Share	Capacity (units)	Share
1	WWL ASA	115	17.2%	777,120	19.6%
2	NYK	97	14.5%	590,880	14.9%
3	MOL	90	13.4%	534,530	13.5%
4	GLOVIS	86	12.8%	552,970	13.9%
5	**"K" LINE**	**68**	**10.1%**	**422,573**	**10.6%**
6	Grimaldi	57	8.5%	281,350	7.1%
7	Höegh	40	6.0%	268,870	6.8%
8	TOYOFUJI	16	2.4%	70,850	1.8%
9	UECC (NYK + WWL)	11	1.6%	47,280	1.2%
10	Others	90	13.4%	426,558	10.7%
	Total	670	100.0%	3,972,981	100.0%

Source: Compiled by "K" LINE based on Hesnes Shipping "AS Year Report"

"K" LINE Car Carrier Fleet

(Vessels)



7000 units, 6000 units, 5000 units, 4000 units, 3000 units, 2000 units, Less than 2000 units

Note: Includes short-term chartered vessels and Group company-operated vessels

Car carrier

➤ Medium- to Long-Term Outlook

- Strong recovery in global automobile sales volumes and marine transportation of completed automobiles after the COVID-19 pandemic subsides
- Changes in completed automobile transportation demand due to electric vehicle popularization and innovation in automotive industry
- Increased demand for eco-friendly transportation to contribute to carbon neutrality

➤ Medium- to Long-Term Strategies

- Expansion of earnings scale and ongoing growth through recovery of completed automobile transportation demand and operating foundation enhancement
- Fleet reformation to reduce environmental impacts and business transformation in response to changes in social and customer demand
- Development of a new completed automobile logistic business model that creates value through digital transformation

TOPICS

Provision of New Options through Eco-Friendly Approaches and Digital Technologies

In fiscal 2021, "K" LINE commenced operation of its first LNG-fueled car carrier. Also in this year, we will be responding actively to environmental regulations and promoting digitalization. Electric vehicles are becoming mainstream in the automotive industry as it pursues reductions in environmental impacts, a trend that is spurring changes in marine transportation of completed automobiles and subsequently changes in production bases and target markets as well as in the trading patterns for car carriers. Amid these changes, we are pressed to develop marine transportation methods that contribute to carbon neutrality and to provide safe and optimal transportation services and to create new value through digitalization. In addition to our existing services, "K" LINE will provide new services matched to changes in customers and in society in order to supply value in the transportation of completed automobiles. Furthermore, we will look to provide new automobile logistics services, such as land transportation.

CENTURY HIGHWAY GREEN
LNG-fueled car carrier

Product Logistics

Logistics and Port Business

Trucks operated by a Group company in Thailand

Keiji Kubo
Managing Executive Officer
In charge of Logistics, Port and Affiliated Business

Overview of Fiscal 2020

In the domestic logistics and port business, containership transportation volume declined during the first half of fiscal 2020 as a result of the COVID-19 pandemic, but it recovered in the second half of the fiscal year, and annual cargo handling volume at container terminals increased compared to 2019. Similarly, the tugboat business also saw improved performance due to second-half demand recovery. Meanwhile, the warehousing business continued to post strong performance. In domestic terminal operations, we proceeded to make effective use of assets through KLKG HOLDINGS, Co., Ltd., a joint venture with Kamigumi Co., Ltd., that commenced operations in fiscal 2019. The synergies generated with Kamigumi through this company are contributing to strong trends in cargo processed via domestic terminal subsidiaries.

In the international logistics business, our forwarding operations recorded an increase in air cargo volumes as customers turned to air transportation in response to sea container unit shortages and a lack of space on sea vessels.

Fiscal 2021 Business Strategies

The domestic logistics and port business will seek to secure a stable profit centered on tugboat, land and sea intermodal transportation, and warehousing operations. Similarly, we will build upon our cooperation with Kamigumi and seek to improve our service efficiency, to enhance our cost-competitiveness, and to raise our asset utilization efficiency. The port business will continue to provide high-standard and high-quality container terminal management in response to the increasing size of container ships.

In international logistics business, we will restructure the global network of “K” Line Logistics, Ltd., expand our customer base in our non-vessel operating common carrier (NVOCC) business,* and provide high-quality logistics services that utilize the comprehensive strength of the Group.

At the same time, we will continue to enhance our comprehensive automobile logistic services, which include logistics for everything from automotive parts to completed automobiles.

* Freight transportation business that includes incidental services, such as cargo handling, as an intermediary between shippers and carriers, during cargo transportation

TOPICS

Development of a High-Standard Container Terminal at Yokohama Port

The relocation of “K” LINE’s terminal at the Yokohama Port from Daikoku to Minami Honmoku was completed in April 2021. The container terminal, which has a quayside water depth of between 16 and 18 meters and a total length of 1,600 meters, is equipped to accommodate Ultra-large container vessels. Together with joint borrowers APM Terminals Japan K.K. and Mitsui O.S.K. Lines, Ltd., “K” LINE is able to use all facilities at Minami Honmoku in an integrated manner. We will utilize these high-standard capacities and provide high-quality services by flexibly using these facilities.

Cold storage facility in Vietnam

Medium- to Long-Term Outlook

- Strong growth expected in global logistics operations; possibility for unpredictable demand downturns, such as those caused by the COVID-19 pandemic in fiscal 2020
- Full recovery of coastal business from COVID-19 pandemic to be seen in fiscal 2022 and beyond, but domestic port business to continue to experience strong growth

Major Medium- to Long-Term Strategies

- Development of a logistics business model (as core business) for the "K" LINE Group that can adapt to market changes
- Intra-Group sharing of business models and enhancement of networking and consolidated management through rationalization of global organizations, along with examination and development of logistics services in preparation for future trends
- Expansion of earnings by installing infrastructure to accommodate large-scale vessels and by conducting selection and concentration on a port-by-port basis in domestic port business

The Group's Locally Oriented Comprehensive Logistics Services in Asia

Product Logistics

Short Sea and Coastal Business

Keiji Kubo
Managing Executive Officer
In charge of Logistics, Port and Affiliated Business

Ferry operated by Kawasaki Kinkai Kisen Kaisha, Ltd.

Overview of Fiscal 2020

The Short Sea Business recorded a loss in fiscal 2020 due to cargo volume declines resulting from the COVID-19 pandemic. Similarly, profit decreased in the Coastal Business, despite a reduction in costs from lower bunker prices, as a result of a decreased number of operating vessels and a decrease in cargo volume as well as a decline in ferry passengers throughout the fiscal year. The offshore support vessel business also recorded a loss as reduced earnings from salvage services outweighed the increase in ocean survey service earnings. The results of these activities were year-on-year declines in sales and profits for the Short Sea and Coastal Business.

Fiscal 2021 Business Strategies

In the Short Sea Business, we will pursue improvements in earnings by increasing fleet allocation efficiency through close monitoring of market trends and customer needs amid the uncertainty regarding the end of the COVID-19 pandemic. In the Coastal Business, we aim to acquire new cargo contracts amid the decline in major cargo items, such as paper products. As for the offshore support vessel business, we will actively take part in offshore wind power generation support projects in addition to existing business.

Medium- to Long-Term Outlook

- Steady recovery trend to be seen in the Short Sea Business; transportation demand projected for Russian coal, one of the main cargoes in this business, from steel, cement, and other manufacturers; and transportation demand forecast for biomass fuel in both short sea and more distant locations
- Low utilization of ferries expected by passengers and automobiles in the Coastal Business due to COVID-19 pandemic impacts; advancement of the modal shift due to strict environmental regulations and lack of truck drivers resulting from tightening of regulations on driver workhours
- Further promotion of offshore wind power generation backed by Japanese government policies to advance offshore support vessel business

Major Medium- to Long-Term Strategies

- Expansion of trading area in the Short Sea Business by continuing to optimize the fleet in response to changing market trends resulting from environmental regulation tightening in addition to existing business
- Appropriate response to the COVID-19 pandemic in the Coastal Business while continuing to provide punctual services to advance the modal shift and stimulate marine transportation demand
- Support for development, construction, and operation of offshore wind power generation projects through KWS, which was established and commenced operations in June 2021, in addition to existing business

TOPICS

Completion of a New Ferry

Completed in June 2021, *SILVER BREEZE* (see photograph at the top of the page) is a new ferry with an increased number of private rooms constructed amid the restrictions on passengers imposed in response to the COVID-19 pandemic on services between Hachinohe Port in Aomori Prefecture and Tomakomai Port in Hokkaido Prefecture. With this new vessel, we will seek to encourage ferry use by passengers and vehicles while exploring the possibility of utilizing its storage capacity to transport cargo and pursuing efficient service management.

Containership Business


Containership

Daisuke Arai
Managing Executive Officer
Responsible for Containerships Business Unit

Overview of Fiscal 2020

Equity-method affiliate Ocean Network Express Pte. Ltd. (ONE) achieved improvements in full-year performance, despite a first-half decline in cargo volume, as it flexibly reviewed fleet allocations and sought to improve operational efficiency in response to the COVID-19 pandemic.

In the third quarter of fiscal 2020, demand for consumer goods grew due to the spread of teleworking and people increasingly staying home. At the same time, consumer spending increased following measures for responding to the COVID-19 pandemic, such as government benefits in United States.

As a result, ocean freight and container capacity utilization showed favorable trends centered on North American trade.

Cargo volume exceeded the capacity of railway transportation networks due to an increase in cargo handling volume, causing delays in container delivery. The resulting shortage of container chassis and a lack of truck drivers disrupted supply chains.

ONE continued working to address the disruption through the allocation of provisional vessels and improvements in operations. Meanwhile, in the fourth quarter of fiscal 2020, a tight supply and demand balance emerged in North American, European, and all other routes. Consequently, short-term freight rates remained high, and ONE's earnings showed a substantial year-on-year improvement.

Fiscal 2021 Business Strategies

It is still difficult to predict when the COVID-19 pandemic will end, and the Containership Business is expected to continue to face unpredictable conditions accordingly. We expect brisk cargo movement continuing from fiscal 2020, and the supply chain disruption and tight transportation supply and demand balance will persist. ONE will continue to actively allocate provisional vessels and new container equipment to respond to the disruption.

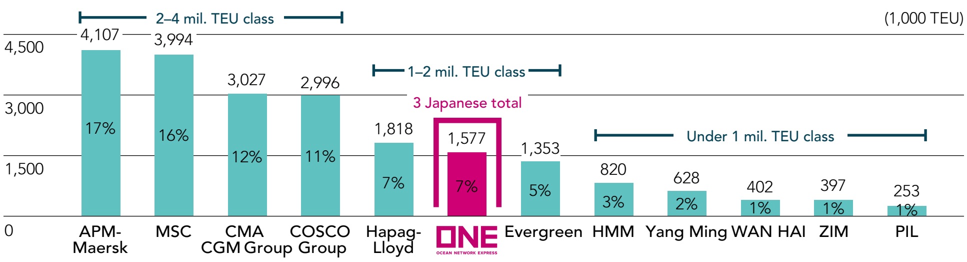
Medium- to Long-Term Outlook

- Potential for dynamic changes in economic conditions dedicated by future trends, as part of projected improvements in circumstances surrounding the COVID-19 pandemic around the world resulting from vaccine rollouts
- Overall reduction in the amount of disruption seen in terminals, ground transportation, and warehouses in North America, but a continuation of the tight supply and demand balance, creating the possibility for further disruption due to increases in cargo volume during the business seasons

Major Medium- to Long-Term Strategies

- Evolution into a highly competitive containership company by utilizing economies of scale and best practices presented through collaboration among three companies
- Sustainable management performed by securing competitiveness through alliances and by maintaining business scale in line with trade growth
- Support for human resources provided as a shareholder of ONE with a focus on recruiting and cultivating talented individuals

Containership Fleet Scale
(As of June 2021)



Source: Compiled by "K" LINE based on Alphaliner

11-Year Financial and ESG Data

Kawasaki Kisen Kaisha, Ltd. and consolidated subsidiaries
Years ended March 31

The Evolution of Medium-Term Management Plans	"K" LINE Vision 100 "Synergy for All and Sustainable Growth"		
	"KV" 2010	New Challenges	Bridge to the Future

		FY2010	FY2011	FY2012	FY2013
Operating results (for the year)	Operating revenues	¥ 985,084	¥ 972,310	¥1,134,771	¥1,224,126
	Operating income	58,609	(40,563)	14,886	28,854
	Ordinary income*4	47,350	(48,955)	28,589	32,454
	Profit attributable to owners of the parent	30,603	(41,351)	10,669	16,642
Financial position (at year-end)	Total assets	1,032,505	1,066,648	1,180,433	1,254,741
	Net assets	314,986	259,934	361,975	410,688
	Equity capital*5	291,669	242,572	340,571	388,837
	Interest-bearing liabilities	483,362	592,522	629,864	643,794
	Capital expenditures	148,993	239,196	134,554	93,377
	Depreciation and amortization	44,722	50,044	59,667	52,243
	Cash flows from operating activities	84,901	(2,908)	59,756	88,228
	Cash flows from investing activities	(54,116)	(83,233)	(27,212)	(5,113)
	Free cash flows	30,785	(86,142)	32,544	83,115
	Cash flows from financing activities	(24,796)	86,306	26,364	(26,634)
Per share data*3	Profit attributable to owners of the parent (¥)	40.08	(54.14)	12.07	17.75
	Net assets (¥)	381.87	317.59	363.18	414.66
	Cash dividends applicable to the year (¥)	9.50	—	2.50	4.50
	Dividend payout ratio (%)	23.7	—	20.7	25.4
Management index	Return on equity (ROE)*6 (%)	10.2	(15.5)	3.7	4.6
	Return on assets (ROA)*7 (%)	4.6	(4.7)	2.5	2.7
	Debt equity ratio (DER)*8 (Times)	1.66	2.44	1.85	1.66
	Equity ratio (%)	28.2	22.7	28.9	31.0
Average during the period	Exchange rate (¥ / US$)	86	79	82	100
	Fuel oil price (US$ / ton)	489	672	671	626
Consolidated business data	Vessels in operation*9	522	559	566	583
Human resource data	Consolidated employees	7,895	7,703	7,667	7,703
	Unconsolidated employees	623	664	659	652
	On land	437	486	481	478
	At sea	186	178	178	174
	Women (%)	18.9	22.9	22.8	24.4
	Persons with disabilities (%)	1.60	1.60	1.90	1.93
	Industrial accidents: On land	0	0	0	0
	Industrial accidents: At sea	0	0	1	3
Management*10	Directors	14	13	13	13
	Outside directors	2	2	2	2
	Audit & Supervisory Board members	5	5	5	4
	Outside Audit & Supervisory Board members	3	3	3	3
Environmental data*11	Fuel oil (thousands of tons)	3,802	3,949	3,966	3,651
	CO_2 emissions (thousands of tons)	11,838	12,298	12,352	11,377
	SOx emissions (thousands of tons)	208	214	209	190
	NOx emissions (thousands of tons)	308	323	319	292

*1 Rounded down to the nearest million yen
*2 "Partial Amendments to the Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, issued on February 16, 2018), etc. has been applied from the beginning of fiscal 2018, and applied retroactively to the total assets and return on assets for fiscal 2017 for recalculation.
*3 The Company consolidated its common stock at a ratio of ten shares to one share, effective October 1, 2017. The above figures for profit attributable to owners of the parent per share and net assets per share have been calculated on the assumption that the share consolidation took place at the beginning of the previous fiscal year (April 1, 2016).
*4 Ordinary income consists of operating income and non-operating income or expense.
*5 Equity capital: Net assets – (Non-controlling interests + Stock acquisition rights)
*6 Return on equity: Profit attributable to owners of the parent / Equity capital

		Value for Our Next Century					FY2020 Management Plan in Fiscal Year
			—Action for Future—	Revival for Greater Strides			

(Millions of yen)*1

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
	¥1,352,421	¥1,243,932	¥1,030,191	¥1,162,025	¥836,731	¥735,284	**¥625,486**
	47,988	9,427	(46,037)	7,219	(24,736)	6,840	**(21,286)**
	48,980	3,338	(52,388)	1,962	(48,933)	7,407	**89,498**
	26,818	(51,499)	(139,478)	10,384	(111,188)	5,269	**108,695**
	1,223,328	1,115,223	1,045,209	1,036,886*2	951,261	896,081	**974,608**
	467,440	379,913	245,482	243,094	181,233	200,234	**316,162**
	441,531	355,375	219,484	217,010	103,576	101,095	**218,193**
	536,846	525,152	550,512	570,584	550,211	543,451	**507,005**
	89,501	116,592	68,048	101,105	97,911	81,148	**45,332**
	53,526	48,302	47,421	43,410	40,789	44,253	**43,869**
	101,825	39,635	(43,919)	1,167	(6,808)	(21,797)	**33,397**
	(11,177)	(29,569)	(24,881)	(22,813)	(35,493)	(20,286)	**16,987**
	90,648	10,066	(68,801)	(21,646)	(42,303)	(42,083)	**50,384**
	(119,253)	(14,835)	26,436	22,239	19,290	16,731	**(34,845)**
	28.60	(54.95)	(1,488.23)	111.13	(1,192.08)	56.50	**1,165.34**
	471.10	379.18	2,341.93	2,326.65	1,110.48	1,083.88	**2,339.28**
	8.50	5.00	—	—	—	—	**—**
	29.7	—	—	—	—	—	**—**
	6.5	(12.9)	(48.5)	4.8	(69.4)	5.1	**68.1**
	4.0	0.3	(4.8)	0.2*2	(4.9)	0.8	**9.6**
	1.22	1.48	2.51	2.63	5.31	5.38	**2.32**
	36.1	31.9	21.0	20.9	10.9	11.3	**22.4**
	109	121	109	111	111	109	**106**
	541	295	265	349	450	467	**363**
	584	575	560	554	520	468	**442**
	7,834	8,097	8,018	7,153	6,022	6,164	**6,080**
	676	716	735	724	756	767	**769**
	504	541	552	531	552	562	**565**
	172	175	183	193	204	205	**204**
	25.4	26.3	24.9	25.1	25.8	25.7	**25.9**
	1.87	1.94	2.29	2.40	2.05	1.96	**1.82**
	0	0	1	2	0	0	**0**
	1	0	1	1	1	0	**0**
	10	9	9	9	9	10	**10**
	2	2	3	3	3	4	**4**
	4	4	4	3	3	4	**4**
	3	3	2	2	2	2	**2**
	3,646	3,942	3,872	4,102	3,824	3,140	**2,809**
	11,360	12,300	12,079	12,797	11,932	9,800	**8,762**
	182	190	183	195	188	130	**36**
	283	290	274	284	262	203	**181**

*7 Return on assets: Ordinary income / Total assets
*8 Debt equity ratio: Interest-bearing liabilities / Equity capital
*9 Includes project-use vessels owned by special purpose companies (SPCs)
*10 For Kawasaki Kisen Kaisha, Ltd.
*11 Total amounts calculated based on fuels supplied to vessels (the number of the vessels does not agree with that of vessels in operation), for which "K" LINE arranged fueling (including the portion purchased by ONE, to which all "K" LINE containerships have been chartered out). The figures are calculated on a calendar year basis.

Financial Analysis

Results of Operations

Operating revenues

In fiscal 2020, ended March 31, 2021, the "K" LINE Group reported consolidated operating revenues of ¥625,486 million, down 14.9% from those of fiscal 2019. By business segment, the Dry Bulk segment's operating revenues declined 22.2% year on year, to ¥181,983 million, due to sluggish market conditions, particularly in the first half of the consolidated fiscal year. As for the Energy Resource Transport segment, operating revenues decreased 8.3% year on year, to ¥77,641 million. The Product Logistics segment saw an 11.7% year-on-year decline in operating revenues, to ¥339,667 million. The Other segment's operating revenues fell 19.0% year on year.

Cost of sales and selling, general and administrative expenses

Cost of sales amounted to ¥590,046 million, a decline of 12.1%, or ¥81,341 million, from ¥671,387 million in the previous fiscal year. The cost of sales ratio increased 3.0 percentage points year on year, to 94.3%. Selling, general and administrative expenses edged down 0.6%, or ¥330 million year on year, to ¥56,726 million.

Operating income (loss)

Reflecting lower gross profit, an operating loss of ¥21,286 million was recorded, compared with the previous fiscal year's operating income of ¥6,840 million.

Non-operating income

Net non-operating income amounted to ¥110,784 million, which was largely attributable to equity in earnings of unconsolidated subsidiaries and affiliates of ¥118,165 million. In the previous fiscal year, the Company recorded net non-operating income of ¥567 million and equity in earnings of unconsolidated subsidiaries and affiliates of ¥8,011 million.

Profit before income taxes

Extraordinary income amounted to ¥32,339 million, which was largely the result of gain on sales of shares of subsidiaries. Extraordinary losses amounted to ¥7,982 million, due mainly to impairment loss. Consequently, profit before income taxes amounted to ¥113,854 million, compared with profit before income taxes of ¥11,315 million in the previous fiscal year.

Income taxes

Income taxes amounted to ¥2,772 million, a decline of ¥339 million from ¥3,111 million in the previous fiscal year, due principally to a decrease in income taxes.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests amounted to ¥2,386 million, down ¥548 million from ¥2,934 million in the previous fiscal year. This result was largely attributable to a decrease in profit attributable to non-controlling interests of Kawasaki Kinkai Kisen Kaisha, Ltd., and others.

Profit attributable to owners of the parent

Profit attributable to owners of the parent amounted to ¥108,695 million, compared with ¥5,269 million in the previous fiscal year. Profit attributable to owners of the parent per share was ¥1,165.34, compared with ¥56.50 in the previous fiscal year.

Analysis of Sources of Capital and Liquidity

Cash flows

As of the end of the consolidated fiscal year, cash and cash equivalents stood at ¥130,001 million, an increase of ¥18,068 million from the previous fiscal year-end. The details of cash flows are as follows.

Net cash provided by operating activities amounted to ¥33,397 million, compared with net cash used in operating activities of ¥21,797 million in the previous consolidated fiscal year. This change was primarily due to an increase in profit before income taxes.

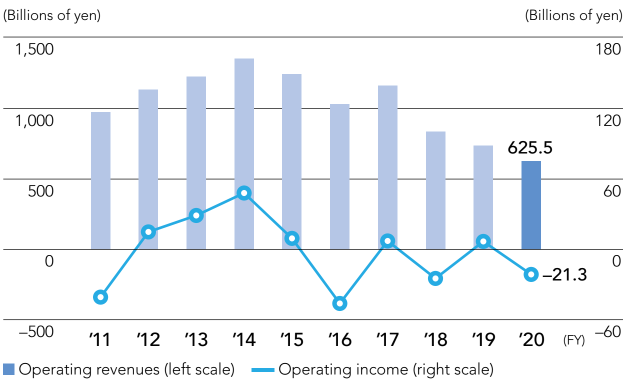
Net cash provided by investing activities totaled ¥16,987 million, compared with net cash used in investing activities of ¥20,286 million in the previous consolidated fiscal year. This was mainly due to proceeds from sales of vessels, property and equipment.

Net cash used in financing activities was ¥34,845 million, compared with net cash provided by financing activities of ¥16,731 million in the previous consolidated fiscal year. This change primarily stemmed from repayments of long-term loans and obligations under finance leases.

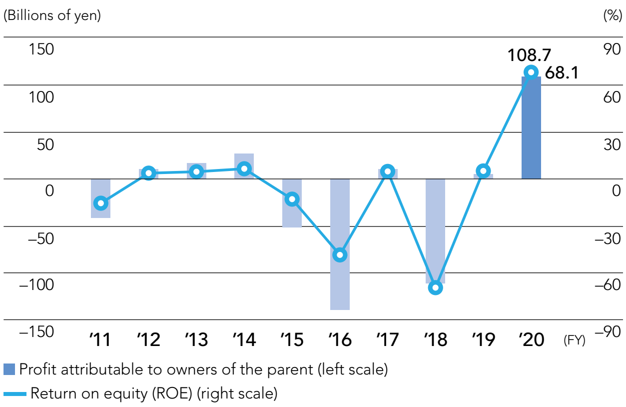
Funding requirements

The "K" LINE Group's major working capital requirements arise from shipping business expenses in connection with the dry bulk business and the car carrier business. These expenses include operating costs, such as port charges, cargo handling costs, and

Operating Revenues / Operating Income



Profit Attributable to Owners of the Parent / Return on Equity (ROE)



fuel costs; vessel expenses, such as crew expenses and expenses for overhaul of vessels; and chartering expenses. Other expenses comprise the costs of service operations, such as labor costs in connection with the operation of the Group's logistics business, and general administrative expenses for the Group's business operations, including personnel expenses, information processing costs, and other non-personnel expenses. Capital requirements include investments in vessels, logistics facilities, and terminal facilities. During fiscal 2020, the "K" LINE Group implemented capital investments of ¥45,332 million.

Financial policy

The "K" LINE Group gives priority to securing low-cost, stable funds to support its business continuity and expansion. The Company meets long-term funding requirements mainly by means of long-term debt from financial institutions, supplemented by the issuance of bonds and new shares. The Company procures short-term operating funds through bank loans, the issuance of commercial paper, and other methods, and invests temporary surplus funds in financial assets with high degrees of stability and liquidity. The Company employs a cash management system to effectively utilize the surplus funds of Group companies in Japan and overseas.

The Company secures liquidity by preparing for any urgent capital requirements through a ¥60.0 billion commercial paper issuance program and an ¥80.0 billion multi-year commitment line with financial institutions in Japan.

As of June 23, 2021, the Japan Credit Rating Agency, Ltd. gave the Company an issuer rating of BBB– and a short-term credit rating (commercial paper rating) of J-2.

Financial Position

At the end of the consolidated fiscal year, total assets amounted to ¥974,608 million, up ¥78,527 million from the previous fiscal year-end. Current assets at the end of the consolidated fiscal year were ¥266,210 million, an increase of ¥7,177 million from the previous fiscal year-end, which was largely attributable to a rise in cash and deposits.

Fixed assets at the end of the consolidated fiscal year amounted to ¥708,398 million, up ¥71,349 million from the previous fiscal year-end. Of this amount, vessels, property and equipment accounted for ¥391,334 million, a decline of ¥39,755 million from the previous fiscal year-end, which was primarily due to a reduction in vessels. Investments and other assets totaled ¥313,512 million, a rise of ¥111,883 million from the previous fiscal year-end, which mainly reflected an increase in investment securities.

Total liabilities at the end of the consolidated fiscal year amounted to ¥658,446 million, down ¥37,400 million from the previous fiscal year-end. Current liabilities were ¥261,529 million and fixed liabilities totaled ¥396,916 million at the end of the consolidated fiscal year, mainly as a result of a decline in obligations under finance leases and others, which outweighed an increase in short-term loans.

Net assets at the end of the consolidated fiscal year amounted to ¥316,162 million, up ¥115,928 million from the previous fiscal year-end. Of this amount, shareholders' equity totaled ¥218,103 million, mainly due to an increase of ¥108,672 million in retained earnings. Total accumulated other comprehensive income was ¥90 million, compared with a total accumulated other comprehensive loss of ¥7,756 million a year earlier. This change was mainly due to a ¥3,811 million increase in net unrealized holding gain on investment securities.

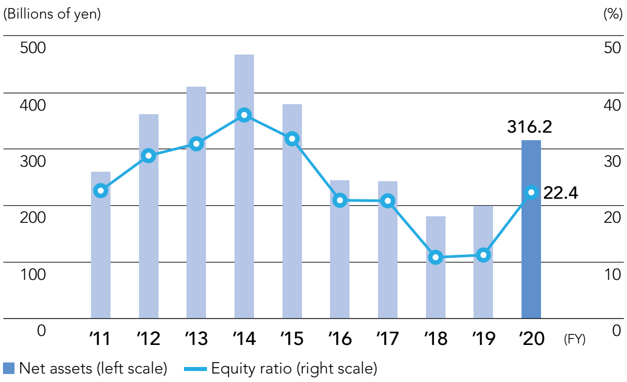
Dividend Policy

Maximizing return to shareholders is an important priority for us. The Company seeks to provide stable dividends while retaining adequate reserves to conduct necessary capital investment and strengthen the Company's financial position for enhancement of corporate value, which is a main priority of the management plan. A year-end dividend (record date: March 31 of each year) is subject to a resolution of the Annual Shareholders' Meeting, and an interim dividend is distributed as prescribed in the Articles of Incorporation: "by resolution of the Board of Directors, an interim dividend may be distributed by the Company as of the record date of September 30 of each year."

With respect to the appropriation of profits, the Company's basic policy is to enhance shareholder returns over the medium to long term in light of comprehensive consideration of future trends in business performance, investment for future growth, and strengthening of the Company's financial position. Based on this policy and consideration of future trends in business performance, with sincere regret we have decided not to pay a dividend for fiscal 2020.

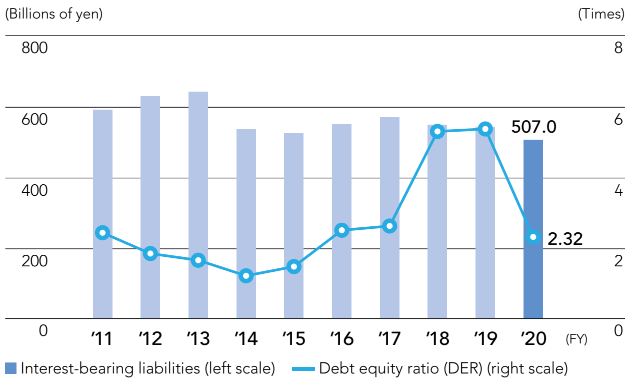
Given the need for comprehensive consideration of future trends in business performance, investment for future growth, and strengthening of the Company's financial position, we have yet to reach a decision regarding an annual dividend for fiscal 2021.

Net Assets / Equity Ratio



• Equity ratio: Equity capital / Total assets
• Equity capital: Net assets – (Non-controlling interests + Stock acquisition rights)

Interest-Bearing Liabilities / Debt Equity Ratio (DER)



• DER: Interest-bearing liabilities / Equity capital

Consolidated Financial Statements

Consolidated Balance Sheet

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
March 31, 2021

(Millions of yen)

	2020	2021
Assets		
Current assets:		
Cash and deposits (Notes 14 and 17)	¥115,394	¥132,371
Accounts and notes receivable-trade (Note 14)	60,022	56,125
Raw materials and supplies	25,859	22,309
Prepaid expenses and deferred charges	41,302	38,790
Short-term loans receivable	2,019	1,844
Other current assets	15,649	15,685
Allowance for doubtful receivables	(1,215)	(915)
Total current assets	259,032	266,210
Non-current assets:		
Vessels, property and equipment net of accumulated depreciation (Notes 2, 4, 5, 10, 12 and 20):		
Vessels	375,507	352,981
Buildings and structures	12,438	10,641
Machinery, equipment and vehicles	9,874	3,338
Land	18,336	16,356
Construction in progress	8,532	3,877
Other	6,399	4,137
Total vessels, property and equipment	431,089	391,334
Intangible assets (Note 4):		
Other intangible assets	4,329	3,551
Total intangible assets	4,329	3,551
Investments and other assets:		
Investment securities (Notes 3, 5, 11, 14 and 20)	150,993	257,522
Long-term loans receivable	16,857	19,043
Asset for retirement benefits (Note 8)	600	857
Deferred tax assets (Note 6)	5,877	3,378
Other non-current assets (Note 11)	28,377	33,964
Allowance for doubtful receivables	(1,077)	(1,253)
Total investments and other assets	201,629	313,512
Total non-current assets	637,048	708,398
Total assets (Note 20)	¥896,081	¥974,608

(Millions of yen)

	2020	2021
Liabilities		
Current liabilities:		
Accounts and notes payable – trade (Note 14)	¥ 47,673	¥ 51,661
Short-term loans and current portion of long-term loans (Notes 5 and 14)	104,576	138,002
Current portion of obligations under finance leases (Note 5)	15,633	6,023
Accrued income taxes (Note 6)	2,118	1,404
Allowance for loss related to the Anti-Monopoly Act	834	357
Allowance for loss on liquidation of a subsidiary	113	62
Allowance for loss on chartering contracts (Note 2)	16,474	15,556
Allowance for bonuses	2,344	2,655
Allowance for directors' bonuses	155	117
Other current liabilities	46,214	45,688
Total current liabilities	236,139	261,529
Non-current liabilities:		
Bonds (Notes 5 and 14)	7,000	7,000
Long-term loans, less current portion (Notes 5 and 14)	379,104	325,803
Obligations under finance leases, less current portion (Note 5)	34,136	30,176
Deferred tax liabilities (Note 6)	7,609	5,759
Deferred tax liabilities on land revaluation (Notes 6 and 12)	1,174	1,174
Allowance for directors' and audit and supervisory board members' retirement benefits	377	353
Allowance for directors' stock benefits	16	48
Accrued expenses for overhaul of vessels and other assets	11,548	11,904
Liability for retirement benefits (Note 8)	7,313	6,499
Derivative liabilities (Notes 14 and 15)	7,277	5,045
Other non-current liabilities	4,147	3,150
Total non-current liabilities	459,707	396,916
Total liabilities	695,847	658,446
Net assets		
Shareholders' equity (Note 9):		
Common stock Authorized–200,000,000 shares in 2020 and 2021 Issued–93,938,229 shares in 2020 and 2021	75,457	75,457
Capital surplus	13,723	14,295
Retained earnings	22,050	130,723
Treasury stock–666,130 shares in 2020 and 664,331 shares in 2021	(2,379)	(2,373)
Total shareholders' equity	108,852	218,103
Accumulated other comprehensive income:		
Net unrealized holding gain (loss) on investments securities	148	3,960
Deferred gain (loss) on hedges	(3,152)	(3,657)
Revaluation reserve for land (Note 12)	4,631	4,630
Translation adjustments	(4,821)	(1,963)
Retirement benefits liability adjustments	(4,562)	(2,879)
Total accumulated other comprehensive income	(7,756)	90
Non-controlling interests	99,138	97,968
Total net assets	200,234	316,162
Total liabilities and net assets	¥896,081	¥974,608

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Financial Statements

Consolidated Statement of Operations

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2021

(Millions of yen)

	2020	2021
Marine transportation and other operating revenues (Notes 2 and 20)	¥735,284	¥625,486
Marine transportation and other operating costs and expenses	671,387	590,046
Gross profit (loss)	63,897	35,440
Selling, general and administrative expenses	57,057	56,726
Operating income (loss)	6,840	(21,286)
Non-operating income:		
Interest income (Note 20)	1,123	541
Dividend income	2,565	1,977
Equity in earnings of unconsolidated subsidiaries and affiliates (Note 20)	8,011	118,165
Reversal of allowance for loss related to the Anti-Monopoly Act	375	—
Exchange gain	—	1,401
Other non-operating income	1,608	1,461
Total non-operating income	13,685	123,547
Non-operating expenses:		
Interest expenses (Note 20)	10,177	10,056
Exchange loss	1,583	—
Other non-operating expenses	1,357	2,705
Total non-operating expenses	13,117	12,762
Ordinary income (loss) (Note 20)	7,407	89,498
Extraordinary income:		
Gain on sales of vessels, property and equipment	4,756	11,947
Gain on sales of shares of subsidiaries (Note 19)	576	19,894
Other extraordinary income	4,869	496
Total extraordinary income	10,203	32,339
Extraordinary losses:		
Loss on impairment of fixed assets (Notes 2, 4 and 20)	604	6,307
Loss on cancellation of chartered vessels	—	1,061
Other extraordinary losses (Note 3)	5,691	613
Total extraordinary losses	6,295	7,982
Profit (loss) before income taxes	11,315	113,854
Income taxes (Note 6):		
Current	3,392	2,628
Deferred	(280)	143
Total income taxes	3,111	2,772
Profit (loss)	8,204	111,082
Profit (loss) attributable to non-controlling interests	2,934	2,386
Profit (loss) attributable to owners of the parent	¥ 5,269	¥108,695

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2021

(Millions of yen)

	2020	2021
Profit (loss)	¥ 8,204	¥111,082
Other comprehensive income (Note 16):		
Net unrealized holding gain (loss) on investments securities	(4,207)	4,048
Deferred gain (loss) on hedges	(4,094)	(756)
Translation adjustments	(7,915)	6,142
Retirement benefits liability adjustments	(958)	1,813
Share of other comprehensive income of subsidiaries and affiliates accounted for by the equity method	(3,893)	(2,374)
Total other comprehensive income	(21,069)	8,873
Comprehensive income	¥(12,865)	¥119,956
(Breakdown)		
Comprehensive income attributable to owners of the parent	¥(14,886)	¥116,542
Comprehensive income attributable to non-controlling interests	2,020	3,413

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2021

(Millions of yen)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gain (loss) on investments securities	Deferred gain (loss) on hedges
Balance at April 1, 2019	¥75,457	¥ 1,383	¥16,692	¥(2,381)	¥ 91,152	¥ 4,414	¥ 2,999
Cumulative effects of change in accounting policies	—	—	19	—	19	—	—
Restated balance	75,457	1,383	16,712	(2,381)	91,172	4,414	2,999
Change in items during the year							
Profit (loss) attributable to owners of the parent	—	—	5,269	—	5,269	—	—
Purchases of treasury stock	—	—	—	(1)	(1)	—	—
Disposal of treasury stock	—	(0)	—	2	1	—	—
Change in treasury stock arising from change in equity in entities accounted for under the equity method	—	(0)	—	0	0	—	—
Change in ownership interests due to transactions with non-controlling interests	—	12,340	—	—	12,340	—	—
Reversal of revaluation reserve for land	—	—	24	—	24	—	—
Net change in retained earnings from changes in scope of consolidation or equity method	—	—	43	—	43	—	—
Net changes in items other than shareholders' equity	—	—	—	—	—	(4,266)	(6,152)
Net changes during the year	—	12,339	5,337	1	17,679	(4,266)	(6,152)
Balance at March 31, 2020	¥75,457	¥13,723	¥22,050	¥(2,379)	¥108,852	¥ 148	¥(3,152)

(Millions of yen)

	Revaluation reserve for land	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2019	¥4,655	¥ 4,063	¥(3,710)	¥ 12,423	¥77,657	¥181,233
Cumulative effects of change in accounting policies	—	—	—	—	—	19
Restated balance	4,655	4,063	(3,710)	12,423	77,657	181,253
Change in items during the year						
Profit (loss) attributable to owners of the parent	—	—	—	—	—	5,269
Purchases of treasury stock	—	—	—	—	—	(1)
Disposal of treasury stock	—	—	—	—	—	1
Change in treasury stock arising from change in equity in entities accounted for under the equity method	—	—	—	—	—	0
Change in ownership interests due to transactions with non-controlling interests	—	—	—	—	—	12,340
Reversal of revaluation reserve for land	—	—	—	—	—	24
Net change in retained earnings from changes in scope of consolidation or equity method	—	—	—	—	—	43
Net changes in items other than shareholders' equity	(24)	(8,885)	(851)	(20,179)	21,480	1,300
Net changes during the year	(24)	(8,885)	(851)	(20,179)	21,480	18,980
Balance at March 31, 2020	¥4,631	¥(4,821)	¥(4,562)	¥ (7,756)	¥99,138	¥200,234

Consolidated Statement of Changes in Net Assets (continued)

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2021

(Millions of yen)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gain (loss) on investments securities	Deferred gain (loss) on hedges
Balance at April 1, 2020	¥75,457	¥13,723	¥ 22,050	¥(2,379)	¥108,852	¥ 148	¥(3,152)
Change in items during the year							
Profit (loss) attributable to owners of the parent	—	—	108,695	—	108,695	—	—
Purchases of treasury stock	—	—	—	(1)	(1)	—	—
Disposal of treasury stock	—	(2)	—	7	4	—	—
Change in ownership interests due to transactions with non-controlling interests	—	575	—	—	575	—	—
Reversal of revaluation reserve for land	—	—	0	—	0	—	—
Net change in retained earnings from changes in scope of consolidation or equity method	—	—	(23)	—	(23)	—	—
Net changes in items other than shareholders' equity	—	—	—	—	—	3,811	(505)
Net changes during the year	—	572	108,672	5	109,251	3,811	(505)
Balance at March 31, 2021	¥75,457	¥14,295	¥130,723	¥(2,373)	¥218,103	¥3,960	¥(3,657)

(Millions of yen)

	Revaluation reserve for land	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2020	¥4,631	¥(4,821)	¥(4,562)	¥(7,756)	¥99,138	¥200,234
Change in items during the year						
Profit (loss) attributable to owners of the parent	—	—	—	—	—	108,695
Purchases of treasury stock	—	—	—	—	—	(1)
Disposal of treasury stock	—	—	—	—	—	4
Change in ownership interests due to transactions with non-controlling interests	—	—	—	—	—	575
Reversal of revaluation reserve for land	—	—	—	—	—	0
Net change in retained earnings from changes in scope of consolidation or equity method	—	—	—	—	—	(23)
Net changes in items other than shareholders' equity	(0)	2,858	1,682	7,846	(1,169)	6,676
Net changes during the year	(0)	2,858	1,682	7,846	(1,169)	115,928
Balance at March 31, 2021	¥4,630	¥(1,963)	¥(2,879)	¥ 90	¥97,968	¥316,162

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2021

(Millions of yen)

	2020	2021
Cash flows from operating activities:		
Profit (loss) before income taxes	¥ 11,315	¥113,854
Depreciation and amortization	44,253	43,869
Increase (decrease) in liability for retirement benefits	1,110	(739)
(Increase) decrease in asset for retirement benefits	72	(256)
Increase (decrease) in retirement benefits liability adjustments	(1,047)	1,930
Increase (decrease) in allowance for directors' and audit and supervisory board members' retirement benefits	(516)	(9)
Increase (decrease) in accrued expenses for overhaul of vessels	(691)	327
Increase (decrease) in allowance for loss related to the Anti-Monopoly Act	(375)	—
Increase (decrease) in allowance for loss on chartering contracts	1,338	(917)
Interest and dividend income	(3,689)	(2,519)
Interest expenses	10,177	10,056
Exchange gain, net	(445)	(1,482)
Loss on impairment of fixed assets	604	6,307
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates, net	(8,011)	(118,165)
Loss on cancellation of chartered vessels	—	1,061
(Gain) loss on sales of vessels, property and equipment, net	(4,755)	(11,923)
Gain on sales of shares of subsidiaries	(561)	(19,893)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts and notes receivable – trade	1,840	(2,109)
(Increase) decrease in raw materials and supplies	383	3,039
(Increase) decrease in other current assets	(55)	(2,853)
Increase (decrease) in accounts and notes payable – trade	(9,148)	8,039
Other, net	(254)	883
Subtotal	41,541	28,498
Interest and dividends received	5,211	19,938
Interest paid	(11,397)	(10,039)
Payments for cancellation of chartered vessels	(51,774)	(1,061)
Payments related to the Anti-Monopoly Act	(2,573)	(630)
Income taxes paid	(2,804)	(3,308)
Net cash provided by (used in) operating activities	¥(21,797)	¥ 33,397

Consolidated Statement of Cash Flows (continued)

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2021

(Millions of yen)

	2020	2021
Cash flows from investing activities:		
Payments into time deposits	¥ (5,171)	¥ (5,199)
Proceeds from withdrawal of time deposits	6,646	6,535
Purchases of marketable securities and investment securities	(1,113)	(237)
Proceeds from sales of marketable securities and investment securities	4,141	296
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	25,784
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(143)	—
Purchases of vessels, property and equipment	(71,361)	(41,718)
Proceeds from sales of vessels, property and equipment	52,502	41,369
Purchases of intangible assets	(787)	(405)
Payments of long-term loans receivable	(1,402)	(4,309)
Collection of long-term loans receivable	972	1,906
Other, net	(4,567)	(7,033)
Net cash provided by (used in) investing activities	(20,286)	16,987
Cash flows from financing activities:		
Increase (decrease) in short-term loans, net	(36,390)	(921)
Proceeds from long-term loans	73,044	110,274
Repayments of long-term loans and obligations under finance leases	(50,743)	(140,191)
Redemption of bonds	(1,809)	(3,000)
Cash dividends paid to non-controlling interests	(963)	(849)
Purchases of shares of subsidiaries not resulting in change in scope of consolidation	(80)	(241)
Proceeds from sales of shares of subsidiaries not resulting in change in scope of consolidation	33,768	4
Other, net	(94)	78
Net cash provided by (used in) financing activities	16,731	(34,845)
Effect of exchange rate changes on cash and cash equivalents	(873)	2,527
Net increase (decrease) in cash and cash equivalents	(26,225)	18,066
Cash and cash equivalents at beginning of the year	138,040	111,933
Increase in cash and cash equivalents arising from initial consolidation of subsidiaries	118	1
Cash and cash equivalents at end of the year (Note 17)	¥111,933	¥ 130,001

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries
March 31, 2021

➤ 1. Summary of Significant Accounting Policies

(a) Basis of preparation

The accompanying consolidated financial statements of Kawasaki Kisen Kaisha, Ltd. (the "Company") and its consolidated subsidiaries (the "Group") have been prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS"), and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to present them in a form which is familiar to readers outside Japan. However, no adjustments have been made which would change the financial position or the results of operations presented in the original consolidated financial statements.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been rounded off. As a result, the totals in yen in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2020 to the 2021 presentation. Such reclassifications had no effect on consolidated profit, net assets or cash flows.

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and 279 and 267 subsidiaries for the years ended March 31, 2020 and 2021, respectively. The principles of consolidation are to include significant subsidiaries, whose voting interests are owned 40 per cent or more by the consolidated group and whose decision-making control over their operations is significantly affected by the consolidated group through financial or technical support, personnel, transactions, and so forth. In addition, significant affiliates whose decision-making control over their operations is significantly affected by the consolidated group in various ways are accounted for by the equity method.

For the purposes of consolidation, all significant intercompany transactions, account balances and unrealized profit among the consolidated group companies have been eliminated.

Goodwill is amortized by the straight-line method over a period of five years.

(c) Accounting period

The Company and 257 consolidated subsidiaries have a March 31 year end, and the remaining 10 consolidated subsidiaries have a December 31 year end. For four of these consolidated subsidiaries with a December year end, adjustments have been made for any significant transactions which took place during the period between their year end and the year end of the Company, and for the other six, a provisional closing of their accounts as of the year end of the Company has been used.

(d) Translation of foreign currencies

Revenues earned and expenses incurred in currencies other than Japanese yen of the Company and its subsidiaries that maintain their books in Japanese yen are translated into Japanese yen either at an average monthly exchange rate or at the rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in currencies other than Japanese yen are translated into Japanese yen at the exchange rate prevailing at the balance sheet date. Subsidiaries that maintain their books in a currency other than Japanese yen translate revenues and expenses and assets and liabilities denominated in foreign currencies into the currency used for financial reporting purposes in accordance with accounting principles generally accepted in their respective countries of domicile.

(e) Translation of accounts of overseas consolidated subsidiaries

The accounts of the overseas consolidated subsidiaries, except for the components of net assets excluding non-controlling interests of consolidated subsidiaries, are translated into Japanese yen at the rates of exchange in effect at the balance sheet date. The components of net assets excluding accumulated other comprehensive income and non-controlling interests are translated at their historical exchange rates. Differences arising from translation are presented as translation adjustments and non-controlling interests in the accompanying consolidated financial statements.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(g) Raw material and supplies

Raw material and supplies are mainly stated at cost based on the moving-average method (The method includes write-downs based on decreased profitability).

(h) Securities

Securities are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain or loss, both realized and unrealized, are credited or charged to income. Held-to-maturity debt securities are stated at their amortized costs. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of net assets. Non-marketable securities classified as other securities are carried at cost determined principally by the moving- average method.

Under the Companies Act of Japan (the "Companies Act"), net unrealized holding gain on investment securities of the related taxes, is not available for distribution as dividends.

(i) Vessels, property and equipment and depreciation (except for leased assets under finance leases)

Depreciation of vessels is computed by the straight-line or the declining-balance method over the estimated useful lives of the respective vessels.

Depreciation of property and equipment is computed principally by the declining-balance method over the estimated useful lives of the respective assets. However, the depreciation of buildings (excluding accompanying facilities) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 are computed by the straight-line method.

Maintenance, repairs and minor improvements are charged to income as incurred. Major improvements are capitalized.

(j) Capitalization of interest expense
Interest expense is generally charged to income as incurred. However, interest expense incurred in the construction of certain vessels is capitalized and included in the costs of the assets if the construction period is substantially long.

(k) Leases
Leased assets under finance lease transactions that transfer ownership to the lessee are depreciated by the same methods used for owned fixed assets.

Leased assets under finance lease transactions that do not transfer ownership to the lessee are depreciated to a residual value of zero by straight-line method over the lease term.

Finance lease transactions that do not transfer ownership to the lessee, starting on or before March 31, 2008 are accounted for as operating lease transactions.

(l) Research and development costs and computer software (except for leased assets under finance leases)
Research and development costs are charged to income as incurred.

Expenditures relating to the development of computer software intended for internal use are charged to income when incurred, unless these are deemed to contribute to the generation of future income or cost savings. Such expenditures are capitalized as assets and amortized by the straight-line method over their estimated useful life of five years.

(m) Allowance for doubtful receivables
An allowance for doubtful receivables is provided at an amount calculated based on the historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

(n) Allowance for bonuses
In order to prepare for bonuses to be paid to employees, the allowance for bonuses is recognized at the estimated amount of the bonuses to be paid as allocated to the current fiscal year.

(o) Allowance for directors' bonuses
In order to prepare for bonuses to be paid to directors, the allowance for directors' bonuses is recognized at the estimated amount of the bonuses to be paid as allocated to the current fiscal year at certain consolidated subsidiaries.

(p) Allowance for directors' and audit and supervisory board members' retirement benefits
In order to prepare for retirement benefit payments to directors and audit and supervisory board members, the amount required at the end of the fiscal year by the internal rules is recognized at certain consolidated subsidiaries.

(q) Accrued expenses for overhaul of vessels
Vessels and other assets of the Group are subject to periodic overhaul. An accrual is provided on the basis of the estimated amount of total expenses expected to be incurred for overhauling the vessels in the following year which has been allocated to the current fiscal year.

(r) Allowance for loss related to the Anti-Monopoly Act
In order to prepare for fines and penalties required by overseas authorities relating to the Anti-Monopoly Act, an amount reasonably estimated to the extent possible is recognized.

(s) Allowance for loss on liquidation of a subsidiary
In order to prepare for loss accompanied by liquidation of a subsidiary, the estimated amount of loss is recognized.

(t) Allowance for directors' stock benefits
In order to prepare for stock benefits, etc. to the directors and the executive officers in accordance with the Regulations for Delivery of Shares to Officers, the allowance for stock benefits is recognized at the estimated amount of the Company's stock corresponding to points to be provided to the eligible individuals as of the end of the current fiscal year.

(u) Allowance for loss on chartering contracts
In order to prepare for potential future loss under certain contracts where charter rates fall below hire rates, the probable and reasonably estimated amount of loss is recognized based on available information as of the end of the current fiscal year.

(v) Retirement benefits
The liability for retirement benefits has been provided principally at an amount calculated based on the retirement benefit obligation after the fair value of the pension plan assets are deducted within same plan. The retirement benefit obligations are attributed to each period by the benefit formula method.

Actuarial differences are amortized in the years following the year in which the differences are recognized by the straight-line method principally over a period of nine years, which falls within the estimated average remaining years of service of the eligible employees.

Past service cost is amortized by the straight-line method principally over a period of nine years, which falls within the estimated average remaining years of service of the eligible employees.

The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation at present and in the future, and the long-term expected rate of return from multiple plan assets at present and in the future.

(w) Derivatives and hedging activities
The Group utilizes derivatives, including forward foreign exchange contracts, interest rate swaps, currency options, currency swaps, bunker fuel swaps and forward freight agreements to hedge the risks arising from fluctuations in forward foreign currency exchange rates, mainly on investments in the overseas subsidiaries, etc. and forecast transactions denominated in foreign currencies; interest rates, mainly on loan and lease transactions; and market prices, mainly on bunker fuel.

The Group applies deferral hedge accounting method. If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract is executed under "Special treatment."

Forward foreign exchange contracts which meet certain criteria are accounted for by the allocation method which requires that recognized foreign currency receivables or payables be translated at the corresponding contract rates.

The hedge effectiveness is assessed based on a comparison of the cumulative changes in cash flows or fair value of the hedged items with those of the hedging instruments in the period from the start of the hedging relationship to the assessment date. However, an evaluation of effectiveness is omitted for interest-rate swaps which meet certain conditions for applying the Special treatment.

(w) Derivatives and hedging activities (continued)

The Group executes and manages transactions for the purpose of risk control with regard to financial markets and others in accordance with internal rules. These rules have been established not only to prevent derivative or other transactions from being used for any objective other than their original purpose or from being executed without limitation, but also to ensure the management body exercises its oversight functions.

The Company has adopted "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No.40, issued on September 29, 2020) from the end of the fiscal year ended March 31, 2021.

Summary of adoption of ASBJ PITF No,40

(1) Hedge accounting method: Deferral hedge accounting method
(2) Types of financial instruments used as hedging instruments: Interest rate swaps
(3) Types of financial instruments to be hedged: Long-term loans
(4) Type of hedging transactions: Cash flow hedge

(x) Income taxes

Deferred tax assets and liabilities have been recognized with respect to the differences between financial reporting and the tax bases of the assets and liabilities. Deferred tax assets and liabilities are measured at the rates which are expected to apply to the period when each asset or liability is realized, based on the tax rates which have been enacted as of the balance sheet date or are subsequently enacted.

(y) Deferred assets

Bond issuance costs are charged to income as incurred.

(z) Distribution of retained earnings

Under the Companies Act and the Company's Articles of Incorporation, the distribution of retained earnings with respect to a given fiscal year end is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial year. The distribution of retained earnings with respect to the interim financial period is made by resolution of the Board of Directors.

(aa) Revenues and related costs

Revenues of the Group from cargo freight and the related costs and expenses, except for those from container vessels, are recognized in full as of the dates on which the vessels complete their respective voyages (the voyage completion method). Revenues from container vessels are recognized based on the passage of the transportation period (the complex transportation progress method). The related costs and expenses are charged to income as incurred. Revenues and costs with respect to charter services are accounted for on an accrual basis.

(ab) Consolidated taxation system

The Company and certain domestic consolidated subsidiaries adopt the consolidated taxation system.

On March 31, 2020, the ASBJ issued "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No.39), based on provisions in the Act for Partial Amendments to Income Tax Act (Act No.8).

The Company and certain domestic subsidiaries applied tax laws in effect prior to the amendments to calculate deferred tax assets and deferred tax liabilities for certain items remeasured from the single tax return system in accordance with section 3 of ASBJ PITF

No.39 as an alternative to the application of section 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No.28).

(ac) Accounting standards issued but not yet effective

(Accounting Standard and Implementation Guidance for Revenue Recognition)

(1) Overview

On March 31, 2020, the ASBJ issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29), and "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19). On March 26, 2021, the ASBJ issued "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30). The International Accounting Standards Board ("IASB") and the Financial Accounting Standards Board ("FASB") in the United States co-developed comprehensive accounting standards for revenue recognition and issued "Revenue from Contracts with Customers" (issued as IFRS 15 by the IASB and Topic 606 by the FASB) in May 2014. The ASBJ developed comprehensive accounting standards on revenue recognition and issued them in conjunction with the implementation guidance based on the fact that IFRS 15 will be applied from fiscal years starting on or after January 1, 2018 and Topic 606 will be applied from fiscal years starting after December 15, 2017.

As the basic policy in developing accounting standards for revenue recognition, the ASBJ defined the accounting standard starting with incorporating the basic principle of IFRS 15 from a standpoint of comparability between financial statements, which is one benefit of ensuring consistency with IFRS 15. Furthermore, the ASBJ added alternative accounting treatment without impairing comparability when there are matters to be considered related to accounting practices, etc. common in Japan.

(2) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Effect of the adoption of accounting standard and implementation guidance

The major impact of the adoption of the "Accounting Standard for Revenue Recognition" on the consolidated financial statements is a change in the accounting treatment of shipping revenues and corresponding shipping expenses. In the past, the Group has adopted the voyage completion method whereby revenues and expenses were recorded at the time of completion of the voyage (revenues from container vessels were accounted for by the complex transportation progress method). However, from the beginning of the fiscal year ending March 31, 2022, revenues and expenses will be recorded on a pro rata basis over the estimated voyage duration according to the number of passage days. The Company is currently evaluating the effect of the adoption of the accounting standard and the implementation guidance on its consolidated financial statements.

(Accounting Standard and Implementation Guidance for Fair Value Measurement)

(1) Overview

On July 4, 2019, the ASBJ issued "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30), "Accounting Standards for Measurement of Inventories" (ASBJ Statement No.9), "Accounting Standard for Financial Instruments" (ASBJ Statement No.10), "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31), and "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19). The ASBJ tried ensuring consistency between Japanese standards and international standards mainly for guidance and disclosures on estimated fair value of financial instruments and issued "Accounting Standard for Fair Value Measurement", etc. based on the fact that the IASB and the FASB in the United States had already issued detailed guidance on fair value measurement (issued as IFRS 13 "Fair Value Measurement" by the IASB and Topic 820 "Fair Value Measurement" in the Accounting Standards Codification by the FASB), which are almost identical to each other.

As the basic policy in developing accounting standards for fair value measurement, the ASBJ incorporated basically all of the matters defined in IFRS 13 from a standpoint of increasing comparability of financial statements among domestic and foreign companies by using a unified measurement method. Furthermore, the ASBJ defined alternative accounting treatment to the individual matters without impairing comparability considering related to accounting practices, etc. common in Japan.

(2) Scheduled date of adoption

The Company expects to adopt the accounting standards and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Effect of the adoption of accounting standard and implementation guidance

The Company has not determined the effect of the adoption of the accounting standards and the implementation guidance on its consolidated financial statements.

➤ 2. Significant Accounting Estimates

Effective from the year ended March 31, 2021, the Company adopted "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No.31) and discloses information in the notes related to significant accounting estimates. However, comparative information for the prior year was omitted in accordance with provisional treatment in paragraph 11 in the standard.

(1) Impairment loss of vessels

(a) Amount recognized in consolidated financial statements for the current fiscal year

Consolidated Statement of Operations

Loss on impairment of fixed assets: ¥6,307 million (of which ¥5,587 million is related to vessels)

Consolidated Balance Sheet

Vessels (net book value): ¥352,981 million

(b) Information related to significant accounting estimates for the identified item

(i) Calculation method of the amount recognized in the consolidated financial statements for the current fiscal year.

When an impairment loss on an asset or asset group is recognized, the amount of the carrying value is reduced to the recoverable amount and the difference is recognized as impairment loss. The recoverable amount is the higher of net selling value and value in use of the asset or asset group. Net selling value is an objective fair value evaluation obtained from a third-party vessel valuation specialist. Value in use of the asset or asset group is calculated based on future cash flows expected to result from continuous usage and disposal after usage.

(ii) Significant assumptions used to calculate the amount recognized in the consolidated financial statements for the current fiscal year.

Significant assumptions used to calculate the amount recognized in the consolidated financial statements for the current fiscal year include the future cash flow period, freight and transportation volume forecasts, which serve as the basis of the business plan, a growth rate of the business (inflation rate or stress rate) during the period after the business plan, and the discount rate used to calculate the discounted present value.

The future cash flow estimated in determining whether to recognize impairment loss and calculating the value in use is based on freight, charter market conditions, bunker fuel market conditions, transportation volume, which are basis of the medium- to long-term plan and budget approved by the Board of Directors, modifying as necessary to be consistent with information from external sources such as the business environment and internal information and estimated taking into consideration of the usage status of an asset or asset group or rational future utilization plan of an asset or asset group.

In addition, future cash flows for a period that exceeds the period of the medium- to long-term plan and budget are calculated using the figures from the medium- to long-term plan and budget approved by the Board of Directors, and estimated by assuming certain level of an inflation rate and stress rate based on the trends from the past medium- to long-term plan and budget.

The basis of determining the future cash flows period in determining whether to recognize impairment loss for an asset or asset group is the lesser of the remaining economic useful lives of the asset or the major asset in the asset group and 20 years.

The discount rate used to calculate the value in use is the weighted average cost of capital at the time of measurement of impairment loss.

(iii) Accounting estimates related to COVID-19

Due to the high degree of uncertainty regarding the spread of COVID-19 and when it will end, it is difficult to forecast a future outlook.

With regards to the estimation of future cash flows in calculating of value in use, it is based on the assumption that the effects of the infectious disease will remain at a certain level during the next fiscal year, but the global economy and the accompanying demand for freight transportation will continue to improve and it is assumed that it will recover subsequent to the next fiscal year.

(iv) Impact on consolidated financial statements for the following year
There is high uncertainty in the estimation of the significant assumptions such as the future cash flow period, freight and transportation volume forecasts, which serve as the basis of the business plan, a growth rate of the business (inflation rate or stress rate) during the period after the business plan, and the discount rate used to calculate the discounted present value, therefore it may affect the calculation of future cash flows, which are the basis of value in use.

In addition, due to the high degree of uncertainty in the above assumption including the spread of COVID-19 and when it will end, it may affect the calculation of future cash flows, which are the basis of value in use, depending on future circumstances.

(2) Estimate of allowance for loss on chartering contracts

(a) Amount recognized in consolidated financial statements for the current fiscal year.
Consolidated Statement of Operations
Charter hire in Marine transportation and other operating revenues: ¥15,278 million
Consolidated Balance Sheet
Allowance for loss on chartering contracts: ¥15,556 million

(b) Information related to significant accounting estimates for the identified item

(i) Calculation method of the amount recognized in the consolidated financial statements for the current fiscal year.
After the establishment of OCEAN NETWORK EXPRESS PTE. LTD. (A joint venture for the purpose of integrating the regular container shipping business, hereinafter referred to as "ONE"), the containership business started a time charter business from the Company to ONE, and the business model has changed from the conventional business model of operating ships to provide services to the business model of chartering ships.

The allowance for loss on chartering contracts mentioned above is recognized in order to prepare for potential future loss under certain contracts where charter rates fall below hire rates with the probable and reasonably estimated amount of such loss based on available information as of the current fiscal year end.

(ii) Significant assumptions used to calculate the amount recognized in the consolidated financial statements for the current fiscal year.
Significant assumptions used to calculate the amount recognized in the consolidated financial statements for the current fiscal year are the range of vessels for which future charter contract losses are expected, the charter rate and hire rate of applicable vessels, and the expected duration of loss making from the contracts.

The range of vessels for which future charter contract losses are expected is based on the operation plan, which is based on the budget approved by the Board of Directors. The charter rate and hire rate of applicable vessels is based on the charter contract between the Company and the shipowner, and the charter contract between the Company and ONE.

The expected duration of loss making from the contracts is based on the term of the charter contract concluded with the lender, ONE, and the situation where the unfavorable results between the charter rate and hire rate is reasonably expected to continue from the current fiscal year end, even after the consideration of the market trends to which the vessel belongs to and the Group's policy with regard to the charter contract.

(iii) Accounting estimates related to COVID-19
The future spread and end of the outbreak of COVID-19 may affect the calculation of the estimated losses arising from charter contracts, but the impact will be limited.

(iv) Impact on consolidated financial statements for the following year
Due to the high degree of uncertainty in the estimation of the significant assumptions such as the range of vessels for which future charter contract losses are expected, the charter rate and hire rate of applicable vessels, and the expected duration of loss making from the contracts, depending on the Group's policy for chartering contracts and trends in charter market, an additional allowance may be needed to be recognized, which would affect the calculation of the amount of estimated loss resulting from chartering contracts.

In addition, due to the high degree of uncertainty in the above assumption including the spread of COVID-19 and when it will end, it may affect the calculation of the amount of estimated loss resulting from chartering contracts, depending on future circumstances.

➤ 3. Marketable Securities and Investment Securities

At March 31, 2020 and 2021, marketable securities and investment securities with quoted market prices classified as held-to-maturity debt securities are summarized as follows:

(Millions of yen)

	2020		
	Carrying value	Estimated fair value	Difference
Securities whose estimated fair val-ue exceeds their carrying value:			
Government and municipal bonds	¥3	¥3	¥0

(Millions of yen)

	2021		
	Carrying value	Estimated fair value	Difference
Securities whose estimated fair val-ue exceeds their carrying value:			
Government and municipal bonds	¥2	¥2	¥0

There are no securities whose estimated fair value does not exceed their carrying value at March 31, 2020 and 2021.

At March 31, 2020 and 2021 marketable securities and investment securities with quoted market prices classified as other securities are summarized as follows:

(Millions of yen)

	2020		
	Carrying value	Estimated fair value	Difference
Securities whose carrying value ex-ceeds their acquisition costs:			
Equity securities	¥1,136	¥ 523	¥ 613
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	6,193	6,352	(158)
Bonds	79	83	(3)
Total	¥7,409	¥6,958	¥ 451

(Millions of yen)

	2021		
	Carrying value	Estimated fair value	Difference
Securities whose carrying value ex-ceeds their acquisition costs:			
Equity securities	¥12,574	¥6,490	¥6,084
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	213	257	(43)
Bonds	82	83	(0)
Total	¥12,870	¥6,830	¥6,040

Proceeds from sales of investment securities classified as other securities for the years ended March 31, 2020 and 2021 are summarized as follows:

(Millions of yen)

	2020	2021
Proceeds from sales	¥3,866	¥279
Aggregate gain	1,265	117
Aggregate loss	0	8

Loss on impairment is recorded on securities when whose fair value has declined by 50 per cent or more, or whose fair value has declined by 30 per cent or more, but less than 50 per cent, if the decline is deemed to be irrecoverable. Loss on impairment is recorded on securities when whose fair value is difficult to determine if the decline is deemed to be irrecoverable considering the financial position of the securities' issuers.

The Company has recognized loss on devaluation of investment securities classified as other securities of ¥5,260 million and ¥4 million for the years ended March 31, 2020 and 2021, respectively. The Company has also recognized loss on devaluation of investments in unconsolidated subsidiaries and affiliates of ¥6 million and ¥1 million for the years ended March 31, 2020 and 2021, respectively. Loss on devaluation of investments in unconsolidated subsidiaries and affiliates recognized in other extraordinary losses in Consolidated Statement of Operations.

➤ 4. Loss on Impairment of Fixed Assets

Loss on impairment of fixed assets for the years ended March 31, 2020 and 2021 are as follows:

(Millions of yen)

Usage	Asset Description	Country	2020
Business assets	Vessels and others (product logistics business)	Japan and Singa-pore	¥249
Business assets	Vessels (dry bulk business)	Japan	58
Assets for sale	Vessels	Japan	254
Idle assets	Land and others	Japan	40
Total			¥604

(Millions of yen)

Usage	Asset Description	Country	2021
Business assets	Vessels (energy re-source transport business)	Norway	¥1,590
Business assets	Vessels and others (product logistics business)	Japan	1,225
Business assets	Vessels and others (dry bulk business)	Britain and Japan	346
Business assets	Software and others	Japan	7
Assets for sale	Vessels and others	Japan	3,133
Idle assets	Land	Japan	4
Total			¥6,307

In principle, the Company and its consolidated subsidiaries group business assets by units whose income and expenditure are monitored perpetually and those cash inflows that are largely independent of the cash flows from other assets are identifiable. However, the grouping for assets for sales and idle assets are conducted by individual asset.

As profitability decreased significantly, the carrying values of business assets and assets group were reduced to the respective recoverable amounts and loss on impairment was recognized for the years ended March 31, 2020 and 2021.

In addition, since the planned sales amounts of assets for sale were lower than the carrying values and the respective recoverable amounts of the idle assets were deemed to be irretrievably lower than the carrying values mainly due to decreasing land prices, the carrying values were reduced to the respective recoverable amounts and loss on impairment was recognized for the years ended March 31, 2020 and 2021.

The recoverable amounts are the higher of net selling value and the value-in-use. Net selling value is measured by third-party valuations and others. The value-in-use is based on estimated future cash flows discounted at rate of 7.5 per cent and 2.5 to 6.5 per cent for the years ended March 31, 2020 and 2021, respectively.

➤ 5. Short-Term Loans, Long-Term Debt, and Obligations under Finance Leases

Short-term loans at March 31, 2020 and 2021 consisted of the following:

(Millions of yen)

	2020	2021
Short-term loans from banks	¥4,726	¥3,816

Short-term loans from banks and insurance companies principally represent loans on deeds with average interest rates of 0.66 per cent and 0.47 per cent per annum at March 31, 2020 and 2021, respectively.

Long-term debt at March 31, 2020 and 2021 consisted of the following:

(Millions of yen)

	2020	2021
Long-term bank loans due within one year:		
Loans from banks and insurance companies due in installments through September 2057 at average interest rates of 1.25% and 1.52% per annum at March 31, 2020 and 2021, respectively	¥ 99,850	¥134,186
Long-term bank loans due after one year:		
Loans from banks and insurance companies due in installments through September 2057 at average in-terest rates of 1.25% and 1.52% per annum at March 31, 2020 and 2021, respectively	379,104	325,803
Bonds:		
0.69% bonds in yen, due August 31, 2020	3,000	—
1.05% bonds in yen, due August 31, 2022	7,000	7,000
Total	488,954	466,989
Amount due within one year	102,850	134,186
	¥386,104	¥332,803

The aggregate annual maturities of long-term debt subsequent to March 31, 2021 are summarized as follows:

(Millions of yen)

Year ending March 31,	2021
2022	¥134,186
2023	111,379
2024	39,488
2025	31,379
2026	25,595
2027 and thereafter	124,960
Total	¥466,989

The average interest rates applicable to the lease obligations due in installments through May 2029 are 3.00% and 3.17% at March 31, 2020, and 2021, respectively.

The aggregate annual maturities of obligations under finance leases subsequent to March 31, 2021 are summarized as follows:

(Millions of yen)

Year ending March 31,	2021
2022	¥ 6,023
2023	4,654
2024	12,776
2025	3,128
2026	2,476
2027 and thereafter	7,141
Total	¥36,199

A summary of assets pledged as collateral at March 31, 2021 for short-term loans and current portion of long-term loans in the amount of ¥41,574 million, long-term loans of ¥155,704 million and loans to be incurred in the future is presented below:

(Millions of yen)

Vessels	¥269,074
Investments in securities	19,153
Other	1,657
Total	¥289,885

Investments in securities of ¥19,153 million were pledged as collateral to secure future loans for investments in vessels of subsidiaries and affiliates. Therefore, no corresponding liabilities existed as of March 31, 2021.

➤ 6. Income Taxes

The reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2020 was omitted because the difference was less than 5% of the statutory tax rate.

The effective tax rate reflected in the accompanying Consolidated Statement of Operations for the year ended March 31, 2021 differed from the statutory tax rate for the following reasons:

	2021
Statutory tax rate	28.5%
Difference in statutory tax rates of consolidated subsidiaries	1.0
Equity in earnings of unconsolidated subsidiaries and affiliates, net	(29.2)
Items that are not permanently included in taxable income, such as dividends received	(0.9)
Changes in the valuation allowance	3.3
Other	(0.3)
Effective tax rate	2.4%

The tax effects of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at March 31, 2020 and 2021 are analyzed as follows:

(Millions of yen)

	2020	2021
Deferred tax assets:		
Liability for retirement benefits	¥ 2,775	¥ 2,600
Allowance for loss on chartering contracts	5,597	5,371
Other allowances	1,565	2,243
Loss on impairment of fixed assets	1,999	2,454
Elimination of unrealized intercompany profit	883	959
Accounts and notes payable – trade	3,001	3,431
Loss on devaluation of investment securities	7,288	7,420
Deferred assets for tax purposes	1,131	998
Tax loss carried forward (*2)	77,623	65,174
Foreign tax credit carried forward	2,010	1,550
Deferred gain (loss) on derivatives under hedge accounting	348	2,253
Other	2,088	1,557
Gross deferred tax assets	106,314	96,017
Valuation allowance for tax loss carried for-ward (*2)	(75,302)	(64,417)
Valuation allowance for the total of deductible temporary differences and others	(23,432)	(24,232)
Valuation allowance subtotal (*1)	(98,734)	(88,649)
Total deferred tax assets	7,579	7,368
Deferred tax liabilities:		
Reserve for special depreciation	(132)	(102)
Deferred gain on tangible fixed assets for tax purposes	(797)	(710)
Unrealized holding gain on investment securi-ties	(66)	(1,705)
Accelerated depreciation in overseas subsidi-aries	(4,858)	(1,720)
Accumulated earnings tax	(81)	(901)
Deferred capital gain based on group corporate tax system	(192)	(192)
Tax effect of undistributed earnings of over-seas unconsolidated subsidiaries and affiliates accounted for by the equity method	(860)	(1,248)
Other	(2,320)	(3,166)
Total deferred tax liabilities	(9,311)	(9,749)
Net deferred tax liabilities	¥ (1,731)	¥ (2,381)

(*1) Valuation allowance decreased by ¥10,085 million for the year ended March 31, 2021. The main reasons for the decrease are the combination of a decrease of ¥10,885 million in valuation allowance for tax loss carried forward, and an increase of ¥800 million in total of deductible temporary differences and other. The increase in the total of deductible temporary differences and other mainly consists of an increase of ¥1,241 million in valuation allowance for deferred gain (loss) on derivatives under hedge accounting, and a decrease of ¥506 million in valuation allowance for foreign tax credit carried forward.

(*2) Tax loss carried forward and related deferred tax assets as of March 31, 2021 will expire as follows:

(Millions of yen)

	2021		
Year ending March 31,	Tax loss carried forward (*)	Valuation allowance for tax loss carried forward	Deferred tax assets related to tax loss carried forward
2022	¥ 2,047	¥ (2,047)	¥ —
2023	1,386	(1,386)	—
2024	—	—	—
2025	4,082	(4,082)	—
2026	21,157	(21,157)	—
2027 and thereafter	36,501	(35,743)	757
	¥65,174	¥(64,417)	¥757

(*) The tax loss carried forward in the above table is measured using the statutory tax rate.

➤ 7. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of assets, mainly vessels, leased to the Group at March 31, 2020 and 2021, which would have been reflected in the accompanying Consolidated Balance Sheets if finance leases, other than those which transfer the ownership of the leased assets to the Group, that started on or before March 31, 2008 (which are currently accounted for as operating leases) had been capitalized:

(Millions of yen)

At March 31, 2020	Vessels	Total
Acquisition costs	¥18,517	¥18,517
Accumulated depreciation	(5,147)	(5,147)
Net book value	¥13,370	¥13,370

(Millions of yen)

At March 31, 2021	Vessels	Total
Acquisition costs	¥18,517	¥18,517
Accumulated depreciation	(5,900)	(5,900)
Net book value	¥12,616	¥12,616

Lease payments related to finance leases accounted for as operating leases and depreciation and interest expenses for the years ended March 31, 2020 and 2021 are summarized as follows:

(Millions of yen)

	2020	2021
Lease payments	¥1,061	¥1,063
Depreciation	753	753
Interest expenses	141	127

Future minimum lease payments subsequent to March 31, 2021 for finance leases accounted for as operating leases are summarized as follows:

(Millions of yen)

Year ending March 31,	2021
2022	¥ 936
2023 and thereafter	5,851
Total	¥6,788

Future minimum lease payments or receipts subsequent to March 31, 2021 for non-cancellable operating leases are summarized as follows:

(Millions of yen)

Year ending March 31,	2021
2022	¥ 27,071
2023 and thereafter	119,745
Total	¥146,817

(Millions of yen)

Year ending March 31,	2021
2022	¥3,417
2023 and thereafter	3,874
Total	¥7,292

➤ 8. Retirement Benefits

The Group has adopted funded and unfunded defined benefit plans and defined contribution plans. The defined benefit corporate pension plans (all of them are funded plans) provide for a lump-sum payment or annuity payment determined by reference to the current rate of pay and the length of service. The retirement lump-sum plans provide for a lump-sum payment, as employee retirement benefits, determined by reference to the current rate of pay and the length of service. Certain consolidated subsidiaries calculate asset for retirement benefits, liability for retirement benefits and retirement benefit expenses, for the defined benefit corporate pension plans and the retirement lump-sum plans based on the amount which would be payable at the year-end if all eligible employees terminated their services voluntarily (a "simplified method"). The Company and its certain consolidated subsidiaries have a selective defined contribution pension plans as a defined contribution plan.

The defined benefit plans

The changes in the retirement benefit obligation, except for plans which apply a simplified method, for the years ended March 31, 2020 and 2021 are as follows:

(Millions of yen)

	2020	2021
Retirement benefit obligation at beginning of the year	¥26,744	¥27,987
Service cost	1,574	1,991
Interest cost	70	71
Actuarial differences	631	94
Payment of retirement benefits	(1,006)	(963)
Foreign currency exchange rate changes	(28)	38
Other	—	(194)
Retirement benefit obligation at end of the year	¥27,987	¥29,025

The changes in pension plan assets, except for plans which apply a simplified method, for the years ended March 31, 2020 and 2021 are as follows:

(Millions of yen)

	2020	2021
Pension plan assets at fair value at beginning of the year	¥23,188	¥23,271
Expected return on pension plan assets	608	421
Actuarial differences	(854)	1,316
Contributions by the employer	1,314	1,145
Payment of retirement benefits	(982)	(759)
Foreign currency exchange rate changes	(2)	2
Other	—	(123)
Pension plan assets at fair value at end of the year	¥23,271	¥25,273

The changes in liability for retirement benefits calculated by a simplified method for certain consolidated subsidiaries for the years ended March 31, 2020 and 2021 are as follows:

(Millions of yen)

	2020	2021
Liability for retirement benefits, net at beginning of the year	¥1,998	¥1,997
Retirement benefit expenses	453	264
Payment of retirement benefits	(313)	(176)
Contributions to the plans	(140)	(116)
Other	—	(78)
Liability for retirement benefits, net at end of the year	¥1,997	¥1,890

The following table sets forth the funded status of the plans and the amounts recognized in the Consolidated Balance Sheets as of March 31, 2020 and 2021 for the Group's defined benefit plans:

(Millions of yen)

	2020	2021
Funded retirement benefit obligation	¥ 28,565	¥ 29,882
Plan assets at fair value	(25,251)	(27,302)
Subtotal	3,313	2,579
Unfunded retirement benefit obligation	3,399	3,062
Liability for retirement benefits, net	¥ 6,713	¥ 5,642
Liability for retirement benefits	¥ 7,313	¥ 6,499
Asset for retirement benefits	(600)	(857)
Liability for retirement benefits, net	¥ 6,713	¥ 5,642

The above includes retirement benefit plans which apply a simplified method.

Retirement benefit expenses for the Group for the years ended March 31, 2020 and 2021 are summarized as follows:

(Millions of yen)

	2020	2021
Service cost	¥1,574	¥1,991
Interest cost	70	71
Expected return on pension plan assets	(608)	(421)
Amortization of actuarial differences	499	712
Amortization of past service cost	(17)	(18)
Retirement benefit expenses calculated by a simplified method	453	264
Retirement benefit expenses	¥1,971	¥2,600

Retirement benefits liability adjustments included in other comprehensive income before tax effects for the Group for the years ended March 31, 2020 and 2021 are summarized as follows:

(Millions of yen)

	2020	2021
Past service cost	¥ (17)	¥ (18)
Actuarial (gain) loss	(985)	2,024
Total	¥(1,003)	¥2,005

Retirement benefits liability adjustments included in accumulated other comprehensive income before tax effects as of March 31, 2020 and 2021 are summarized as follows:

(Millions of yen)

	2020	2021
Unrecognized past service cost	¥ 88	¥ 69
Unrecognized actuarial differences	(4,843)	(2,819)
Total	¥(4,755)	¥(2,750)

The fair value of pension plan assets by major category as of March 31, 2020 and 2021 is as follows:

	2020	2021
Bonds	34%	33%
Equity	19	22
General account assets under insurance plan	30	29
Other	17	16
Total	100%	100%

The assumptions used in actuarial calculations for the above defined benefit plans for the years ended March 31, 2020 and 2021 are as follows:

	2020	2021
Discount rates	Mainly 0.0%	Mainly 0.0%
Expected rates of return on plan assets	Mainly 3.6%	Mainly 2.4%
Rates of salary increase	Mainly 1.2% to 16.0%	Mainly 1.2% to 16.0%

Total contributions paid by consolidated subsidiaries to the defined contribution plans amounted to ¥602 million and ¥771 million for the years ended March 31, 2020 and 2021, respectively.

➤ 9. Shareholders' Equity

Movements in common stock and treasury stock of the Company for the years ended March 31, 2020 and 2021 are summarized as follows:

Number of shares (Thousands)

	April 1, 2019	Increase	Decrease	March 31, 2020
Common stock	93,938	—	—	93,938
Treasury stock (*1, 2, 3)	666	0	0	666

Number of shares (Thousands)

	April 1, 2020	Increase	Decrease	March 31, 2021
Common stock	93,938	—	—	93,938
Treasury stock (*4, 5, 6)	666	0	2	664

(*1) The increase in the number of shares in treasury stock of 0 thousand shares is due to purchases of shares of less than one voting unit.
(*2) The decrease in the number of shares in treasury stock of 0 thousand shares is due to the decrease of 0 thousand shares resulting from providing shares related to the "Board Benefit Trust (BBT)" to officers.
(*3) 446 thousand shares, which are held by the Trust & Custody Services Bank, Ltd., are included in the number of shares in treasury stock at April 1, 2019 and March 31, 2020, respectively.
(*4) The increase in the number of shares in treasury stock of 0 thousand shares is due to purchases of shares of less than one voting unit.
(*5) The decrease in the number of shares in treasury stock of 2 thousand shares is due to the decrease of 2 thousand shares resulting from providing shares related to the "Board Benefit Trust (BBT)" to officers.
(*6) 446 and 443 thousand shares, which are held by the Custody Bank of Japan, Ltd., are included in the number of shares in treasury stock at April 1, 2020 and March 31, 2021, respectively.

➤ 10. Accumulated Depreciation

Accumulated depreciation of vessels, property, plant and equipment at March 31, 2020 and 2021 is as follows:

(Millions of yen)

	2020	2021
Accumulated depreciation	¥434,991	¥410,653

➤ 11. Investments in Unconsolidated Subsidiaries and Affiliates

Amounts corresponding to unconsolidated subsidiaries and affiliates as of March 31, 2020 and 2021 are as follows:

(Millions of yen)

	2020	2021
Investment securities (Equity securities)	¥136,267	¥237,248
Other non-current assets (Investment funds)	3,275	2,719

➤ 12. Land Revaluation

The Company and a certain domestic consolidated subsidiary revalued the land used in their business in accordance with the Act on Revaluation of Land (Act No. 34, March 31, 1998) and the Act to Partially Revise the Act on Revaluation of Land (Act No. 19, March 31, 2001). The effect of this revaluation has been recorded as revaluation reserve for land in net assets, excluding the related deferred tax liabilities on land revaluation.

The timing of the revaluation was effective March 31, 2002.

A certain domestic affiliate accounted for by the equity method also revalued the land used in their business in accordance with the Act on Revaluation of Land (Act No. 34, March 31, 1998) and the Act to Partially Revise the Act on Revaluation of Land (Act No. 19, March 31, 2001). The effect of this revaluation has been recorded as revaluation reserve for land in net assets.

The revaluation of land for business use was calculated by making rational adjustments to the prices posted in accordance with the provision of Article 6 of the Public Notice of Land Prices Act for standard sites set forth in Article 6 of the same act in the same neighborhood as the relevant land for business use pursuant to Article 2, Paragraph 1 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119 of 1998). However, for some land, the revaluation was calculated by making rational adjustments to standard prices assessed in accordance with the provision of Article 9, Paragraph 1 of the Order for Enforcement of the National Land Use Planning Act for standard sites set forth in Article 7, Paragraph 1, Item 1 (a) of the same order in the same neighborhood as the relevant land for business use pursuant to Article 2, Paragraph 2 of the Order for Enforcement of the Act on Revaluation of Land, by making rational adjustments to land prices registered in the land tax ledger set forth in Article 341, Item 10 of the Local Tax Act or in the supplementary land tax ledger set forth in Article 341, Item 11 of the same act for the relevant land for business use pursuant to Article 2, Paragraph 3 of the Order for Enforcement of the Act on Revaluation of Land, or by making rational adjustments to the value calculated by the method established and issued by the Director-General of the National Tax Agency for computing land value that serves as a basis for the calculation of the taxable amount for land value tax set forth in Article 16 of the Land-Holding Tax Act for the relevant land for business use pursuant to Article 2, Item 4 of the Order for Enforcement of the Act on Revaluation of Land.

At March 31, 2020 and 2021, the fair value of land was lower than its carrying value after revaluation by ¥2,977 million and ¥2,862 million, respectively.

➤ 13. Commitments and Contingent Liabilities

Contingent liabilities for guarantees of loans to affiliates and third-party companies and obligations for additional investment, etc. as of March 31, 2021 are as follows:

(Millions of yen)

	2021
Guarantees of loans	¥6,690
Obligations for additional investment, etc.	3,266

(Other Important Matters Related to Current Conditions of the Group)

The Group has been investigated by the overseas competition authorities 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, multiple service providers including the Group are currently subject to class actions in some countries in relation to the same matter.

➤ 14. Financial Instruments

Status of financial instruments

The Group obtains necessary funding, mainly through bank loans and the issuance of bonds, in accordance with their capital expenditure plans. Temporary excess funds are invested in highly liquid financial assets, and short-term operating funds are financed by bank loans. The Group utilizes derivatives only for avoiding risks, but does not utilize them for speculation.

Trade accounts and notes receivable are exposed to credit risk in the event of the nonperformance by counterparties. As revenues from marine transportation are mainly denominated in foreign currencies, trade receivables are exposed to foreign currency exchange risk and a portion of them, net of trade payables denominated in the same foreign currencies, are hedged by forward foreign exchange contracts. Future trade receivables such as for freight and chartered vessels are exposed to market risks, and some of them are hedged by forward freight agreements. The Group holds marketable securities and investment securities, which are mainly issued by companies who have a business relationship or capital alliance with the Group, and these securities are exposed to the risk of fluctuation in market prices. The Group also has long-term loans receivable mainly from other subsidiaries and affiliates.

The Group has trade accounts and notes payable, which have payment due dates within one year. Funds for certain capital expenditures, such as construction of vessels denominated in foreign currencies, are exposed to foreign currency exchange risk, which are hedged by forward foreign exchange contracts. Future trade payables such as payments for bunker fuel are exposed to the risk of fluctuation of market prices, and some of them are hedged by bunker fuel swap contracts. Loans payable, bonds, bonds with stock acquisition rights and lease obligations for finance lease contracts are taken out principally for the purpose of making capital investments. The repayment dates of long-term debt extend up to 36 years subsequent to the balance sheet date. Certain elements of these transactions are exposed to interest rate fluctuation risk. The Group hedges this risk by entering into interest rate swap transactions. The Group has entered into currency swap contracts to hedge foreign currency exchange risk against trade payables.

Regarding derivatives, the Group has entered into: 1) forward foreign exchange contracts and currency swap contracts to hedge foreign currency exchange risk arising from investments in the overseas subsidiaries, etc., receivables and payables denominated in foreign currencies and funds for capital investment to acquire operating assets such as vessels and others; 2) bunker fuel swap contracts to hedge the risk of bunker fuel price fluctuation; 3) forward freight agreements to hedge the risk of fluctuation of market prices; and 4) interest-rate swap contracts to hedge the risk of interest rate fluctuation arising from interest payables for long-term payables and bonds.

For information on hedge accounting policies of the Group, see Note 1. Summary of Significant Accounting Policies, (w) Derivatives and hedging activities.

The Company monitors regularly the condition of major business counterparties by each related business division with whom the Company has accounts receivable for business or loans receivable, and manages the outstanding balances and due dates by counterparties, to minimize the risk of default arising from any decline in the financial condition of counterparties. Its consolidated subsidiaries also monitor the condition of accounts receivable and loans receivable under a similar management policy.

The Group believes that the credit risk of derivatives is insignificant as the Group enters into derivatives transactions only with financial institutions which have a sound credit profile.

For investments in the overseas subsidiaries, etc., receivables and payables denominated in foreign currencies and future loans related to investment in vessels, the Company has entered into currency swap and forward foreign exchange contracts to hedge foreign currency exchange rate fluctuation risk, and interest-rate swap contracts to minimize interest rate fluctuation risk of loans and bonds.

For marketable securities and investments in securities, the Company continuously reviews the condition of holding securities considering the stock market and the relationship with issuing companies, taking into account market value of securities and financial condition of issuing companies in accordance with internal regulations.

The Company enters into derivative transactions with the approval from authorized officers in accordance with internal regulations, which set forth transaction authority and maximum upper limit on positions. Results of derivative transactions are regularly reported at the executive officers meeting. Its consolidated subsidiaries also manage derivative transactions under similar regulations.

The Company manages liquidity risk by preparing and updating cash management plan on timely basis and maintaining liquid instruments on hand based on reports from each business group.

The fair value of financial instruments is based on market price, if available. When there is no market price, fair value is reasonably estimated. Fair value can fluctuate because different assumptions may be adopted for calculations of fair value considering various factors. In addition, the notional amounts of derivatives in Note 15. Derivatives and Hedging Activities are not necessarily indicative of the actual market exposure involved in the derivative transactions.

Estimated fair value of financial instruments

The carrying value of financial instruments on the Consolidated Balance Sheets as of March 31, 2020 and 2021, and the estimated fair value and the difference between them are shown in the following table. The table does not include financial instruments for which it is extremely difficult to determine the fair value.

(Millions of yen)

	2020		
	Carrying value	Estimated fair value	Difference
Assets			
Cash and deposits	¥ 115,394	¥ 115,394	¥ —
Accounts and notes receivable – trade	60,022	60,022	—
Marketable securities and investment securities:			
Held to maturity debt securities	3	3	0
Other securities	7,409	7,409	—
Investments in unconsolidated subsidiaries and affiliates	936	1,556	619
Total assets	¥ 183,767	¥ 184,386	¥619
Liabilities			
Accounts and notes payable– trade	¥ (47,673)	¥ (47,673)	¥ —
Short-term loans and current portion of long-term loans	(104,576)	(104,584)	(8)
Long-term debt, less current portion:			
Bonds	(7,000)	(6,686)	313
Long-term loans	(379,104)	(379,135)	(30)
Total liabilities	¥(538,355)	¥(538,079)	¥275
Derivative transactions (*)	¥ (4,737)	¥ (4,777)	¥ (39)

(Millions of yen)

	2021		
	Carrying value	Estimated fair value	Difference
Assets			
Cash and deposits	¥ 132,371	¥ 132,371	¥ —
Accounts and notes receivable – trade	56,125	56,125	—
Marketable securities and investment securities:			
Held to maturity debt securities	2	2	0
Other securities	12,870	12,870	—
Investments in unconsolidated subsidiaries and affiliates	3,910	1,607	(2,302)
Total assets	¥ 205,279	¥ 202,977	¥(2,302)
Liabilities			
Accounts and notes payable– trade	¥ (51,661)	¥ (51,661)	¥ —
Short-term loans and current portion of long-term loans	(138,002)	(138,025)	(23)
Long-term debt, less current portion:			
Bonds	(7,000)	(6,812)	187
Long-term loans	(325,803)	(325,860)	(57)
Total liabilities	¥(522,467)	¥(522,360)	¥ 107
Derivative transactions (*)	¥ (6,591)	¥ (6,604)	¥ (12)

(*) The value of assets and liabilities arising from derivative transactions is shown at net value, and the amounts in parentheses represent net liability position.

Fair value of cash and deposits and accounts and notes receivable – trade is based on carrying value as most of them are settled within a short term and their fair value approximates carrying value.

Fair value of debt securities is based on market prices provided by financial institutions. Fair value of equity securities and investment securities is based on market prices prevailing in the applicable stock exchange. For information on securities classified by holding purpose, please refer to Note 3. Marketable Securities and Investment Securities.

Fair value of accounts and notes payable – trade and short-term loans is based on carrying value as most of them are settled within a short term and their fair value approximates carrying value, except for the current portion of long-term loans whose fair value is based on the same method as long-term loans.

Fair value of bonds is mainly based on market prices.

Fair value of long-term loans is mainly based on the present value of the total amount including principal and interest, discounted by the expected interest rate assuming a new borrowing of a similar loan.

The financial instruments whose fair value is difficult to determine as of March 31, 2020 and 2021 are summarized as follows.

(Millions of yen)

	2020	2021
Unlisted investment securities	¥142,645	¥240,739

For unlisted investment securities, there is neither market value nor estimated future cash flow, and it is difficult to determine the fair value. Therefore, the fair value of unlisted investment securities is not included in investment securities in the summary table of financial instruments.

The redemption schedule as of March 31, 2021 for cash and deposits, accounts and notes receivable – trade and held-to-maturity securities is summarized as follows:

(Millions of yen)

	2021			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	¥132,371	¥—	¥—	¥—
Accounts and notes receivable – trade	56,125	—	—	—
Marketable securities and Investment securities				
Held-to-maturity securities:				
Government, municipal bonds and others	0	1	—	—
Total	¥188,496	¥ 1	¥—	¥—

The redemption schedule as of March 31, 2021 for short-term loans and long-term debt is as provided in Note 5.

➤ 15. Derivatives and Hedging Activities

Information on the estimated fair value of the derivatives positions outstanding not qualified for deferral hedge accounting at March 31, 2020 and 2021 are summarized as follows:

Interest rate-related transactions

(Millions of yen)

		2020			
Method of hedge accounting	Transaction	Total contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value (*)	Gain (loss) on valuation
Transactions other than market transactions	Forward foreign exchange contracts				
	Buying:				
	USD	¥ 698	¥—	¥ 3	¥ —
	GBP	1,564	—	1	1
	Selling:				
	NOK	14,018	—	2,006	2,006
	Total	¥16,280	¥—	¥2,012	¥2,012

(Millions of yen)

		2021			
Method of hedge accounting	Transaction	Total contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value (*)	Gain (loss) on valuation
Transactions other than market transactions	Forward foreign exchange contracts				
	Buying:				
	GBP	¥ 800	¥—	¥ 4	¥ 4
	Selling:				
	NOK	12,031	—	(573)	(573)
	Total	¥12,832	¥—	¥(568)	¥(568)

(*) Fair value is mainly based on relevant prices quoted by financial institutions and others.

Others

Excluding the above, information on the estimated fair value of the derivatives positions outstanding not qualified for deferral hedge accounting at March 31, 2020 was not applicable and 2021 is summarized as follows:

(Millions of yen)

		2021			
Method of hedge accounting	Transaction	Total contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value (*)	Gain (loss) on valuation
Transactions other than market transactions	Forward freight agreements	¥1,522	¥—	¥(522)	¥(522)
	Total	¥1,522	¥—	¥(522)	¥(522)

(*) Fair value is mainly based on relevant prices quoted by financial institutions and others.

The estimated fair value of the derivatives positions outstanding qualified for deferral hedge accounting at March 31, 2020 and 2021 are summarized as follows:

Currency-related transactions

(Millions of yen)

Method of hedge accounting	Transaction	Major hedged item	2020 Total contract value (notional principal amount)	2020 Contract value (notional principal amount) over one year	2020 Estimated fair value (*1)
Deferral hedge	Forward foreign exchange contracts				
	Buying:				
	USD	Capital expenditures and others	¥12,645	¥8,622	¥576
	EUR	Forecasted foreign currency transactions	7	—	(0)
	Selling:				
	USD	Forecasted foreign currency transactions	4,910	—	56
	Currency swaps				
	Receiving JPY, paying USD	Vessel chartering revenues and forecasted foreign currency transactions	2,914	—	35
Fair value hedge (*2)	Forward foreign exchange contracts		701	—	109
	Selling:				
	NOK	Long-term loans			
	Receiving GBP, paying USD	Forecasted foreign currency transactions	687	—	13
	Total		¥21,866	¥8,622	¥791

(Millions of yen)

Method of hedge accounting	Transaction	Major hedged item	2021 Total contract value (notional principal amount)	2021 Contract value (notional principal amount) over one year	2021 Estimated fair value (*1)
Deferral hedge	Forward foreign exchange contracts				
	Buying:				
	USD	Capital expenditures and others	¥ 8,279	¥2,453	¥ 779
	Selling:				
	USD	Forecasted foreign currency transactions	8,354	—	(250)
Fair value hedge (*2)	Forward foreign exchange contracts		711	—	(13)
	Selling:				
	NOK	Long-term loans			
	Total		¥17,345	¥2,453	¥ 515

(*1) Fair value is mainly based on relevant prices quoted by financial institutions and others.
(*2) Fair value hedge is used by an overseas subsidiary that applies IFRS.

Interest rate-related transactions

(Millions of yen)

Method of hedge accounting	Transaction	Major hedged item	2020 Total contract value (notional principal amount)	2020 Contract value (notional principal amount) over one year	2020 Estimated fair value (*)
Deferral hedge	Interest rate swaps	Long-term loans			
	Receive floating/ Pay fixed		¥59,863	¥58,721	¥(7,277)
Special treatment for interest rate swaps	Interest rate swaps				
	Receive floating/ Pay fixed	Long-term loans	1,245	1,205	(39)
	Total		¥61,108	¥59,926	¥(7,317)

(Millions of yen)

Method of hedge accounting	Transaction	Major hedged item	2021 Total contract value (notional principal amount)	2021 Contract value (notional principal amount) over one year	2021 Estimated fair value (*)
Deferral hedge	Interest rate swaps	Long-term loans			
	Receive floating/ Pay fixed		¥56,052	¥54,010	¥(5,063)
Special treatment for interest rate swaps	Interest rate swaps				
	Receive floating/ Pay fixed	Long-term loans	945	—	(12)
	Total		¥56,997	¥54,010	(5,076)

(*) Fair value is mainly based on relevant prices quoted by financial institutions and others.

Others

(Millions of yen)

Method of hedge accounting	Transaction	Major hedged item	2020 Total contract value (notional principal amount)	2020 Contract value (notional principal amount) over one year	2020 Estimated fair value (*)
Deferral hedge	Bunker fuel swaps	Bunker fuel purchases	¥ 474	¥—	¥(111)
	Forward freight agreements	Ocean freight	993	—	(152)
	Total		¥1,467	¥—	¥(263)

(Millions of yen)

Method of hedge accounting	Transaction	Major hedged item	2021 Total contract value (notional principal amount)	2021 Contract value (notional principal amount) over one year	2021 Estimated fair value (*)
Deferral hedge	Bunker fuel swaps	Bunker fuel purchases	¥ 219	¥—	¥ 8
	Forward freight agreements	Ocean freight	4,284	—	(961)
	Total		¥4,503	¥—	¥(952)

(*) Fair value is mainly based on relevant prices quoted by financial institutions and others.

Notes to Consolidated Financial Statements

➤ 16. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2020 and 2021.

(Millions of yen)

	2020	2021
Net unrealized holding gain (loss) on investment securities:		
Amount arising during the year	¥ 721	¥ 5,840
Reclassification adjustments to profit or loss	(6,390)	(100)
Amount before tax effect	(5,668)	5,740
Tax effect	1,461	(1,691)
Net unrealized holding gain (loss) on investment securities	(4,207)	4,048
Deferred gain (loss) on hedges:		
Amount arising during the year	(3,700)	2,777
Reclassification adjustments to profit or loss	(1,993)	(439)
Adjustments for acquisition costs of vessels due to valuation of hedges	(896)	(35)
Amount before tax effect	(6,590)	2,302
Tax effect	2,495	(3,058)
Deferred gain (loss) on hedges	(4,094)	(756)
Translation adjustments:		
Amount arising during the year	(4,625)	5,562
Reclassification adjustments to profit or loss	(3,289)	580
Translation adjustments	(7,915)	6,142
Retirement benefits liability adjustments:		
Amount arising during the year	(1,410)	1,302
Reclassification adjustments to profit or loss	407	662
Amount before tax effect	(1,003)	1,964
Tax effect	44	(151)
Retirement benefits liability adjustments	(958)	1,813
Share of other comprehensive income of subsidiaries and affiliates accounted for by the equity method:		
Amount arising during the year	(4,657)	(3,538)
Reclassification adjustments to profit or loss	763	1,163
Share of other comprehensive income of subsidiaries and affiliates accounted for by the equity method	(3,893)	(2,374)
Total other comprehensive income	¥(21,069)	¥ 8,873

➤ 17. Supplementary Information on Consolidated Statement of Cash Flows

INTERNATIONAL TRANSPORTATION SERVICE, INC. which had been a consolidated subsidiary was excluded from the scope of consolidation due to transfer of equity interest for the year ended March 31, 2021. The assets and liabilities derecognized upon the transfer were as follows:

(Millions of yen)

Current assets	¥ 9,746
Fixed assets	6,629
Total assets	¥16,376

(Millions of yen)

Current liabilities	¥5,455
Long-term liabilities	2,592
Total liabilities	¥8,047

Cash and cash equivalents in the accompanying Consolidated Statement of Cash Flows for the years ended March 31, 2020 and 2021 are reconciled to cash and deposits reflected in the accompanying Consolidated Balance Sheet as of March 31, 2020 and 2021 as follows:

(Millions of yen)

	2020	2021
Cash and deposits	¥115,394	¥132,371
Time deposits with a maturity of more than three months after the purchase date	(3,461)	(2,369)
Cash and cash equivalents	¥111,933	¥130,001

➤ 18. Amounts per Share

Amounts per share at March 31, 2020 and 2021 and for the years then ended are as follows:

(Yen)

	2020	2021
Net assets	¥1,083.88	¥2,339.28
Profit (loss) attributable to owners of the parent:		
Basic	56.50	1,165.34

Net assets per share have been computed based on the number of shares of common stock outstanding at the year end.

Basic profit (loss) attributable to owners of the parent per share has been computed based on profit (loss) attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Diluted profit attributable to owners of the parent per share for the years ended March 31, 2020 and 2021 has not been presented because dilutive potential common shares do not exist.

The financial data used in the computation of basic profit (loss) per share for the years ended March 31, 2020 and 2021 in the table above is summarized as follows:

(Millions of yen)

	2020	2021
Information used in computation of basic profit (loss) per share:		
Profit (loss) attributable to owners of the parent	¥5,269	¥108,695

(Thousands of shares)

	2020	2021
Weighted-average number of shares of common stock outstanding	93,272	93,273

The Company introduced a new performance-based share remuneration plan "Board Benefit Trust (BBT)" during the fiscal year ended March 31, 2018. The shares held by the Trust are included in treasury stock, which is deducted in calculating the number of treasury stock at the end of the year and the average number of shares of common stock outstanding when calculating the basic profit (loss) attributable to owners of the parent per share during the current year. The average number of shares of common stock outstanding was 446,238 and 444,192 shares for the years ended March 31, 2020 and 2021, respectively.

➤ 19. Business Combination

Business combination for the year ended March 31, 2020

Transaction under common control, etc.

(Establishment of Joint Holding Company through Share Transfer and Partial Transfer of Holding Company's Shares)

1. Overview of transaction

(1) Name of the company after combination and its principal business

Wholly owning parent company through share transfer: KLKG HOLDINGS, Co., Ltd.

Principal business: Management of its subsidiaries within the group and the business of the group as a whole

(2) Name of combined companies and their principal businesses

Wholly owned subsidiary through share transfer: Daito Corporation, Nitto Total Logistics Ltd. and SEAGATE CORPORATION

Principal businesses: Harbor transportation, warehousing, harbor tugboat service, custom brokerage, freight forwarding, etc.

(3) Date of business combination

April 1, 2019

(4) Legal form of business combination

Establishment of joint holding company through share transfer

(5) Overview of the transaction

On April 1, 2019, the Company established a joint holding company that became the wholly owning parent company of the three domestic harbor transportation subsidiaries of the Company through an associated share transfer, and 49% of the total shares of the holding company were then transferred to Kamigumi Co., Ltd. ("Kamigumi"). Further enhancement of service quality by utilizing resources such as technology, knowledge and management resources that the Company and Kamigumi have cultivated in the harbor transportation business and domestic logistics business

2. Overview of accounting treatment

Based on the Accounting Standard for Business Combinations (ASBJ Statement No.21, January 16, 2019) and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019), the Company has treated the transactions as a transaction under common control, etc.

3. Items related to changes in the Company's ownership interest resulting from transaction with non-controlling shareholders

(1) Main cause of change in capital surplus

Partial sales of shares of subsidiaries not resulting in change in scope of consolidation

(2) Increase in capital surplus due to transactions with non-controlling shareholders

¥12,662 million

Business combination for the year ended March 31, 2021
Business divestiture
(Transfer of subsidiary's shares)

1. Overview of business divestiture

(1) Name of successor enterprise in business divestiture
MIP V BidCo, LLC

(2) Outline of the company to be divested
Name of the company: INTERNATIONAL TRANSPORTATION SERVICE, INC. ("ITS") (*)
(*) ITS includes Husky Terminal & Stevedoring, Inc., etc. a wholly owned subsidiary of ITS.
Main business: Operation of container terminal in North America

(3) Reason for business divestiture
ITS has been operating a container terminal business at the Port of Long Beach, California since 1971. Husky also started a container terminal business in 1983 at Tacoma Port, Washington. Currently, both companies provide services to THE Alliance, as a main customer. OCEAN NETWORK EXPRESS PTE. LTD. ("ONE"), to which the Company transferred the containership business, is a member of THE Alliance. As part of the portfolio strategy of group companies that the Company has been promoting, the Company is reviewing the group company strategy related to the transfer of the container ship business to ONE, and the Company decided to transfer all shares of ITS to MIP V BidCo, LLC.

(4) Date of business divestiture
December 22, 2020

(5) Matters concerning the outline of other transactions including the legal form
Transfer of shares for which the consideration received is only assets such as cash, etc.

2. Overview of accounting treatment

(1) Gain or loss from the transaction
Gain on sales of shares of subsidiaries: ¥19,955 million.

(2) Appropriate book value of assets and liabilities related to the transferred company and its main breakdown

(Millions of yen)

Current assets	¥ 9,746
Fixed assets	6,629
Total assets	¥16,376

(Millions of yen)

Current liabilities	¥5,455
Long-term liabilities	2,592
Total liabilities	¥8,047

(3) Accounting treatment
The difference between the book value of the transferred shares and the sale price is recorded as "Gain on sales of shares of subsidiaries" in extraordinary income in the Consolidated Statement of Operations.

3. Reporting segment in which the divested company was included
Product logistics segment

4. Estimated amount of profit or loss related to divested business recognized in the Consolidated Statement of Operations for the current fiscal year

(Millions of yen)

Operating revenues	¥27,773
Operating income	1,037

➤ 20. Segment Information

Segment information for the years ended March 31, 2020 and 2021

1. Overview of reporting segments
The Company's reporting segments are its structural units, for which separate financial information is available, and which are subject to periodic review by the Board of Directors in order to assist decision-making on the allocation of managerial resources and assessment of business performance.

The Group is a shipping business organization centering on marine transportation service and has three reporting segments, which are the dry bulk segment, the energy resource transport segment and the product logistics segment, considering the economic characteristics, service contents and method of the provision and categorization of the market and customers.

The dry bulk segment includes dry bulk business. The energy resource transport segment includes tanker business, thermal coal carrier business, LNG carrier business, and offshore energy E&P support business. The product logistics segment includes car carrier business, logistics business, short sea and coastal business, and containership business.

2. Calculation method of reporting segment profit (loss)
Reporting segment profit (loss) represents based on ordinary income (loss). Intra-group revenues and transfers are intra-group transactions which are based on market price and other.

3. Information on operating revenues, profit or loss, assets, and other items by each reporting segment
Reporting segment information for the years ended March 31, 2020 and 2021 consisted of the following:

(Millions of yen)

	2020						
	Dry bulk	Energy resource transport	Product logistics	Other (*1)	Total	Adjustments and eliminations (*2)	Consolidated
1. Revenues:							
(1) Operating revenues from customers	¥233,781	¥ 84,676	¥384,508	¥32,318	¥735,284	¥ —	¥735,284
(2) Intra-group revenues and transfers	38	0	8,366	48,670	57,076	(57,076)	—
Total revenues	¥233,820	¥ 84,676	¥392,874	¥80,989	¥792,360	¥(57,076)	¥735,284
2. Segment profit (loss) (*3)	¥ 4,089	¥ 9,921	¥ (2,933)	¥ 1,732	¥ 12,809	¥ (5,401)	¥ 7,407
3. Segment assets	¥245,295	¥226,470	¥380,026	¥54,384	¥906,176	¥(10,095)	¥896,081
4. Others							
(1) Depreciation and amortization	¥ 14,674	¥ 12,226	¥ 16,323	¥ 788	¥ 44,012	¥ 241	¥ 44,253
(2) Interest income	163	455	456	213	1,288	(164)	1,123
(3) Interest expenses	3,169	3,792	2,583	178	9,723	453	10,177
(4) Equity in earnings (losses) of unconsolidated subsidiaries and affiliates, net	5	3,289	4,630	86	8,011	—	8,011
(5) Investments in unconsolidated subsidiaries and affiliates accounted for by the equity method	396	29,054	97,836	4,066	131,353	—	131,353
(6) Increase in vessels, property and equipment and intangible assets	14,740	45,002	20,839	355	80,938	210	81,148

(Millions of yen)

	2021						
	Dry bulk	Energy resource transport	Product logistics	Other (*1)	Total	Adjustments and eliminations (*2)	Consolidated
1. Revenues:							
(1) Operating revenues from customers	¥181,983	¥ 77,641	¥339,667	¥26,193	¥625,486	¥ —	¥625,486
(2) Intra-group revenues and transfers	34	3	12,965	46,997	60,001	(60,001)	—
Total revenues	¥182,018	¥ 77,645	¥352,632	¥73,190	¥685,487	¥(60,001)	¥625,486
2. Segment profit (loss) (*3)	¥ (9,136)	¥ 1,071	¥104,545	¥ 1,084	¥ 97,565	¥ (8,066)	¥ 89,498
3. Segment assets	¥201,962	¥244,374	¥478,027	¥57,548	¥981,912	¥ (7,303)	¥974,608
4. Others							
(1) Depreciation and amortization	¥ 15,378	¥ 11,897	¥ 14,878	¥ 1,490	¥ 43,646	¥ 222	¥ 43,869
(2) Interest income	120	208	206	82	618	(76)	541
(3) Interest expenses	2,945	3,657	2,738	60	9,401	655	10,056
(4) Equity in earnings (losses) of unconsolidated subsidiaries and affiliates, net	7	283	117,956	(81)	118,165	—	118,165
(5) Investments in unconsolidated subsidiaries and affiliates accounted for by the equity method	419	27,335	202,379	4,080	234,215	—	234,215
(6) Increase in vessels, property and equipment and intangible assets	24,507	2,656	16,115	2,127	45,407	(75)	45,332

Notes to Consolidated Financial Statements

*1 The "Other" segment consists of business segments not classified into aforementioned three reporting segments, including ship management service, travel agency business, real estate rental and management business and others.

*2 (1) The adjustment and elimination of segment profit (loss) of ¥5,401 million includes the following elements: ¥254 million of intersegment transaction eliminations and ¥5,655 million of corporate expenses, which are mainly general and administrative expenses not distributed to specific segments.
(2) The adjustment and elimination of segment assets of ¥10,095 million includes the following elements: ¥22,980 million of intersegment transaction eliminations and ¥12,884 million of corporate assets, which are not distributed to specific segments.
(3) The adjustment and elimination of depreciation and amortization of ¥241 million is depreciation and amortization of assets that belong to the entire group, which are not distributed to specific segments.
(4) The adjustment and elimination of interest income of ¥164 million includes the following elements: ¥318 million of intersegment transaction eliminations and ¥153 million of interest income, which are not distributed to specific segments.
(5) The adjustment and elimination of interest expenses of ¥453 million includes the following elements: ¥318 million of intersegment transaction eliminations and ¥771 million of interest expenses, which are not distributed to specific segments.
(6) The adjustment and elimination of increase in vessels, property and equipment, and intangible assets of ¥210 million is the increase in assets that belong to the entire group, which are not distributed to specific segments.

*3 Segment profit (loss) is adjusted for ordinary income (loss) as described in 2. Calculation method of reporting segment profit (loss).

*4 (1) The adjustment and elimination of segment profit (loss) of ¥8,066 million includes the following elements: ¥6 million of intersegment transaction eliminations and ¥8,060 million of corporate expenses, which are mainly general and administrative expenses not distributed to specific segments.
(2) The adjustment and elimination of segment assets of ¥7,303 million includes the following elements: ¥24,477 million of intersegment transaction eliminations and ¥17,173 million of corporate assets, which are not distributed to specific segments.
(3) The adjustment and elimination of depreciation and amortization of ¥222 million is depreciation and amortization of assets that belong to the entire group, which are not distributed to specific segments.
(4) The adjustment and elimination of interest income of ¥76 million includes the following elements: ¥87 million of intersegment transaction eliminations and ¥11 million of interest income, which are not distributed to specific segments.
(5) The adjustment and elimination of interest expenses of ¥655 million includes the following elements: ¥87 million of intersegment transaction eliminations and ¥742 million of interest expenses, which are not distributed to specific segments.
(6) The adjustment and elimination of increase in vessels, property and equipment, and intangible assets of ¥75 million is the decrease in assets that belong to the entire group, which are not distributed to specific segments.

Revenues by countries or geographical areas for the years ended March 31, 2020 and 2021 are summarized as follows (*):

(Millions of yen)

	2020					
	Japan	U.S.A.	Europe	Asia	Others	Total
Revenues	¥613,509	¥42,774	¥36,465	¥41,854	¥679	¥735,284

(Millions of yen)

	2021					
	Japan	U.S.A.	Europe	Asia	Others	Total
Revenues	¥498,343	¥47,012	¥29,701	¥49,727	¥701	¥625,486

(*) These revenues are summarized based on the locations of the Company and its subsidiaries

At March 31, 2020 and 2021, vessels, property and equipment by countries or geographical areas are summarized as follows:

(Millions of yen)

	2020			
	Japan	Singapore	Others	Total
Vessels, property and equipment	¥308,729	¥57,278	¥65,081	¥431,089

(Millions of yen)

	2021			
	Japan	Singapore	Others	Total
Vessels, property and equipment	¥276,591	¥55,708	¥59,033	¥391,334

Losses on impairment of fixed assets for the years ended March 31, 2020 and 2021 are as follows:

(Millions of yen)

	2020					
	Dry bulk	Energy resource transport	Product logistics	Other (*)	Adjustments and eliminations	Total
Loss on impairment of fixed assets	¥58	¥254	¥249	¥28	¥12	¥604

(Millions of yen)

	2021					
	Dry bulk	Energy resource transport	Product logistics	Other (*)	Adjustments and eliminations	Total
Loss on impairment of fixed assets	¥3,029	¥1,590	¥1,414	¥268	¥4	¥6,307

(*) The "Other" segment consists of business segments not classified into aforementioned three reporting segments, including ship management service, travel agency business, real estate rental and management business and others.

➤ 21. Related Party Transactions

1. Transactions with related parties

There is no applicable item for the years ended March 31, 2020 and 2021.

2. Notes on parent company and subsidiaries and affiliates

Summarized financial statements of significant affiliate are as follows:

OCEAN NETWORK EXPRESS PTE. LTD. is classified as a significant affiliate for the year ended March 31, 2021. The affiliate's summarized financial statements for the years ended March 31, 2020 and 2021 are as follows:

(Millions of yen)

	2020	2021
Total current assets	¥ 386,172	¥ 820,570
Total fixed assets	622,557	633,268
Total current liabilities	249,797	357,812
Total long-term liabilities	508,869	505,863
Total net assets	250,062	590,162
Operating revenues	1,374,870	1,672,107
Profit (loss) before income taxes	18,710	391,773
Profit (loss)	12,702	385,606

Financial Section / Corporate Data

➤ 22. Subsequent Events

(Transfer of Subsidiary Shares and Fixed Assets)

Based on the resolution at the Board of Directors' meeting on April 30, 2021, as a result of undertaking a portfolio review of group companies, the Company has signed an agreement to transfer all shares of Century Distribution Systems, Inc. ("CDS"), a subsidiary of the Company, to Century Distribution Intermediate Holding, LLC, an investment fund managed by Sun Capital Partners, Inc. ("SUN"), a U.S.-based private investment firm. Based on the agreement, the Company transferred all shares of CDS on June 1, 2021.

On the same day, decision was made to transfer the certain fixed assets, such as buildings, structures and land, etc., owned in California, U.S.A., by Universal Logistics System, Inc. ("ULS"), a subsidiary of CDS, to a third party. Based on the decision, ULS transferred the fixed assets on June 1, 2021.

1. Transfer of CDS Shares

(1) Outline of the company to be transferred

Name of the company: Century Distribution Systems, Inc. (The Company's share: 100%)

Main business: Buyers' consolidation business, Non-Vessel Operating Common Carrier ("NVOCC") business, land transport business and warehouse and supply chain management business offering customers an IT system.

Business transaction with the Company: The Company's local subsidiaries and some of its group companies operate an agency business in Europe and Asia for CDS's subsidiaries.

(2) Transferee

Name of the transferee: Century Distribution Intermediate Holding, LLC (Investment fund managed by Sun Capital Partners, Inc.)

(3) Number of shares, transfer price, gain or loss, shareholding ratio after the transfer, and date of transfer

Number of shares: 22,550 shares

Transfer price: Undisclosed due to confidentiality provision in the agreement

Gain or loss: A gain on sales of shares of subsidiaries in the amount of ¥7.3 billion (*1) is recognized under extraordinary income in the Consolidated Statement of Operations for the year ending March 31, 2022.

Shareholding ratio after the transfer: None

Date of transfer: June 1, 2021

(*1) The amount includes expected cash dividends from CDS to be distributed following the sale of the fixed assets as described in 2. below. In addition, the final share transfer price is subject to change because the transfer price will be determined based on the terms and conditions of the Transfer Agreement, including the financial statements of the CDS Group.

(*2) The appropriate book values of assets and liabilities related to the transferred business and the main breakdown thereof, and the estimated amount of profit or loss related to the divested business to be recorded in the Consolidated Statement of Operations for the following fiscal year, are currently being calculated.

(4) Name of reporting segment in which the transferred company was included

Product logistics segment

2. Transfer of fixed assets owned by ULS

(1) Outline of the transfer of fixed assets

The Company has decided to sell the fixed assets (buildings, structures and land, etc.) owned by ULS to a third party in conjunction with the timing of the transfer of CDS shares as described in 1. above.

(2) Location and details

Location: 2850 E. Del Amo Blvd. Carson, CA 90221, U.S.A.

Details: Buildings and structures (264,450 SF) and land (835,425 SF), etc.

Description: Logistics warehouse

(*) The transfer price is not disclosed at the request of the transferee.

(3) Outline of transferee

The name of transferee is not disclosed at their request. However, there are no ownership or business relationships to be noted between the transferee and the Company or the Group, and the transferee is not a related party of the Company or the Group.

(4) Impact on profit or loss

In line with the transfer of the aforementioned fixed assets, the Company recognizes a gain on sales of fixed assets of approximately ¥12.2 billion as extraordinary income in the Consolidated Statement of Operations for the fiscal year ending March 31, 2022.

(5) Schedule of transfer

Date of transfer: June 1, 2021

Independent Auditor's Report

Independent Auditor's Report

The Board of Directors
Kawasaki Kisen Kaisha, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Kawasaki Kisen Kaisha, Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to "Subsequent Events" in the notes to the consolidated financial statements, which describes that the Company transferred all shares of a subsidiary, Century Distribution Systems, Inc. ("CDS"), on June 1, 2021. On the same day, Universal Logistics System, Inc., a subsidiary of CDS, transferred certain fixed assets, such as buildings, structures and land, etc., to a third party.

Our opinion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Impairment loss of vessel	
Description of Key Audit Matter	Auditor's Response
Kawasaki Kisen Kaisha, Ltd. (the "Company") recognized vessel of ¥352,981 million in the consolidated balance sheet as of March 31, 2021 and a related impairment loss of fixed assets of ¥6,307 million in the consolidated statement of operations for the year ended March 31, 2021. Impairment loss of vessel was ¥5,587 million out of impairment loss of fixed assets and information on impairment loss is described in Note 2 "Significant Accounting Estimate" and Note 4 "Loss on Impairment of Fixed Assets." Whenever there are indications of impairment for an asset or an asset group of vessels that are major business assets, the Company determines whether it is necessary to recognize an impairment loss. When the Company determines that an asset or an asset group is impaired, the Company reduces the carrying amount to the recoverable amount and recognizes the difference as an impairment loss. In recognizing and measuring impairment loss, the recoverable amount of the asset or the asset group is calculated based on the higher of net selling value and value in use. Net selling value is measured based on the valuations obtained from third-party vessel valuation specialists. Value in use is calculated as the discounted present value of estimated future cash flows. The estimated future cash flows generated from the continued use of an asset group are determined based on the business plan approved by the Board of Directors and the estimated future cash flow for a period that exceeds the period of the business plan are calculated by assuming certain level of growth rate of its business. As described in Note 2 "Significant Accounting Estimates," significant assumptions in estimating the value in use	The audit procedures we performed to assess the Company's judgement on impairment loss of vessel include the following, among others: ・ For net selling value obtained by the Company from third-party vessel valuation specialists, we understood the valuation method applied by the vessel valuation specialists and compared it with the Company's transaction history of selling and buying vessels and related information for other vessel markets to evaluate consistency. ・ We compared the cash flow projection period of value in use with the remaining economic lives of major assets. ・ We compared and recalculated the estimated future cash flows with the business plan approved by the Board of Directors to evaluate consistency. ・ For the freight and transportation volume forecasts which are significant assumption that serve as the basis of the business plan and a growth rate of its business during the period after the business plan, which are important assumptions that serve as the basis of the business plan, we inquired of the management and related departments, including the impact of the new coronavirus infection (COVID-19). In addition, considering the uncertainty, we examined the consistency of market forecasts with available external information including the information we independently obtained regarding market forecasts. ・ In order to evaluate whether any management bias existed in the estimates of the business plan, we compared the estimates made in the previous year and the business plans used for them with their actual results.

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include the future cash flow period, freight and transportation volume forecasts, which serve as the basis of the business plan, a growth rate of its business (inflation rate or stress rate) during the period after the business plan, and the discount rate used to calculate the discounted present value. Given that the significance of the amount of the impairment loss recorded in the consolidated financial statements and the significant assumptions used to estimate the recoverable amount are subject to uncertainty and require management's judgement, we determined impairment of vessel to be a key audit matter.	• For the discount rate, we evaluated the consistency between the evaluation method and accounting standards and the consistency between the input information used to calculate the discount rate and the available external information.

Estimate of Allowance for loss on chartering contracts

Description of Key Audit Matter	Auditor's Response
The Company recognized an allowance for loss on chartering contracts of ¥15,556 million in the consolidated balance sheet as of March 31, 2021. The Company recognized the allowance for loss on chartering contracts in order to prepare for potential future loss attributable to certain contracts where charter rates have fallen below hire rates, with the probable and reasonably estimated amount of loss based on available information as of the end of fiscal year as described in "(u) Allowance for loss on chartering contracts" in "1. Summary of significant accounting policies." As described in Note 2 "Significant Accounting Estimates," significant assumptions in estimating the allowance for loss on chartering contracts are the range of vessels for which future charter contract losses are expected, the charter rate and hire rate of applicable vessels, and the expected duration of loss making from the contracts. The expected duration of loss making from the contracts is based on the term of the charter	The audit procedures we performed to assess the Company's judgement on significant assumptions related to the allowance for loss on chartering contracts include the following, among others: • We obtained details on the Company's chartering contracts for the applicable vessels, and confirmed the number of vessels, contract type, scheduled date of return to the shipowner, and other important information and compared with the relevant qualitative information and the audit results of previous years. • We compared the charter rates for the applicable vessels with the corresponding charter rate list agreed with the external charter contractors, and recalculated the charter amount. In addition, regarding whether or not the chartering contract will continue, we discussed with the management and related departments regarding the outlook for the future chartering contract amounts and charter rate, including the impact of COVID-19.

contract concluded with the lender, and the situation where the unfavorable results between the charter rate and hire rate is reasonably expected to continue from the end of the current fiscal year, even after the consideration of the market trends to which the vessel belongs to and the Group's policy of the charter contract. Given that the significance of the allowance for loss on chartering contracts in the consolidated financial statements and significant assumptions used to estimate allowance for loss on chartering contracts are subject to uncertainty and require management's judgement, we determined the allowance for loss on chartering contracts to be a key audit matter.	• We inquired of the management and related departments about the assumption that the management had set as the period during which the loss resulting from the chartering contracts is expected to continue. In addition, we evaluated whether the assumptions were consistent with the available external information regarding the market forecast corresponding to the applicable vessels. • To assess whether management bias exists, we compared the estimated amount of chartering contract loss and their significant assumptions in previous years with subsequent actual performance in the current year.

Responsibilities of Management, the Audit and Supervisory Board Members and the Audit and Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Board Members and the Audit and Supervisory Board are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Board Members and the Audit and Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Board Members and the Audit and Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Board Members and the Audit and Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 23, 2021

北澄 和也

Kazuya Kitazumi
Designated Engagement Partner
Certified Public Accountant

内田 聡

Satoshi Uchida
Designated Engagement Partner
Certified Public Accountant

小林 雅史

Masashi Kobayashi
Designated Engagement Partner
Certified Public Accountant

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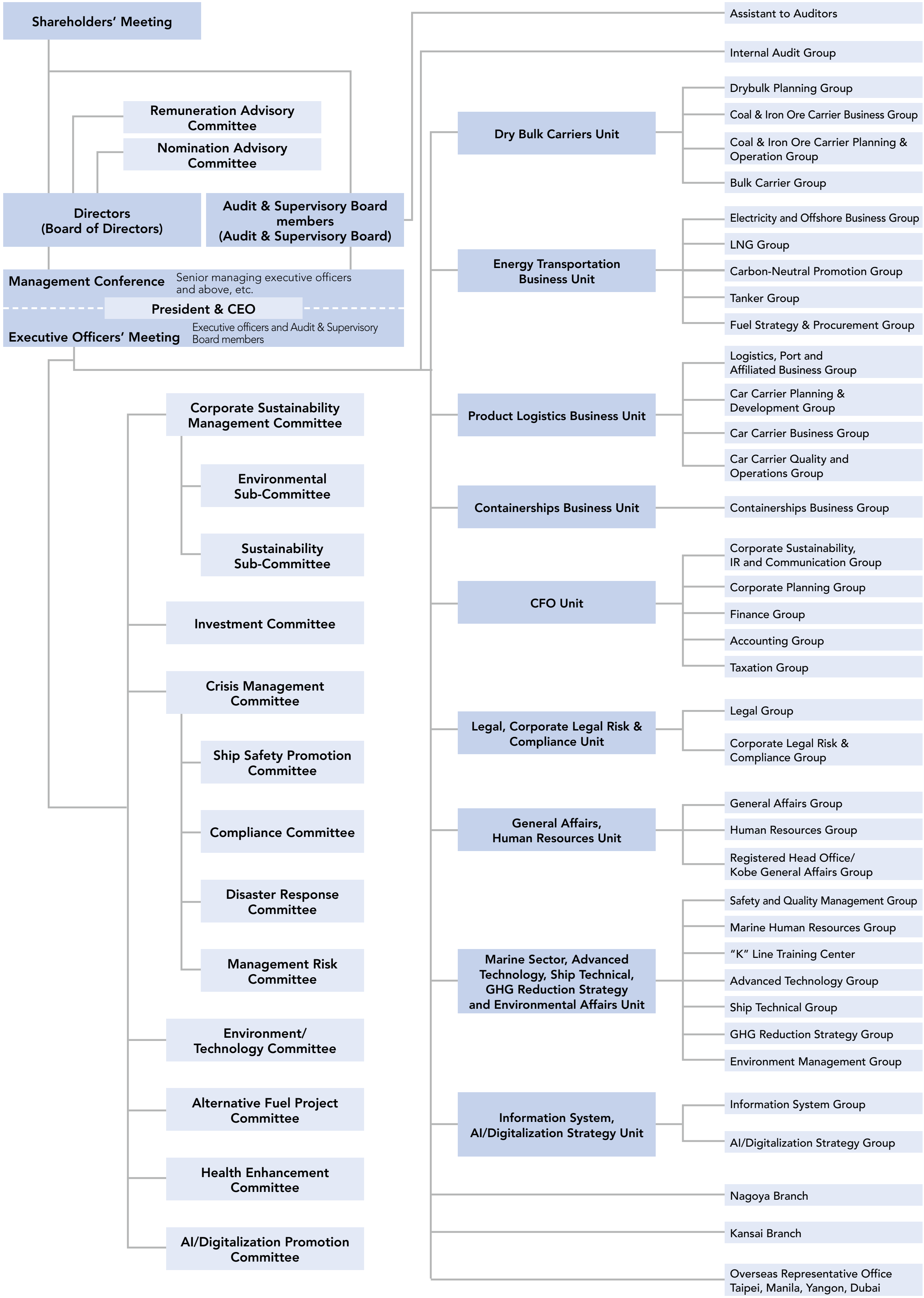
Organization

(As of July 1, 2021)



Global Network

Japan

Tokyo (Head office)
Kobe (Registered head office)
Nagoya
Kansai

Europe

Belgium
Antwerp
Germany
Bremen
Bremerhaven
Hamburg
Norway
Arendal
U.K.
London
Southampton

Africa

South Africa
Durban

Middle East

United Arab Emirates
Dubai

Asia

China
Guangzhou
Shanghai
Tianjin
India
Mumbai
Indonesia
Jakarta
Korea
Busan
Seoul
Malaysia
Shah Alam
Myanmar
Yangon
Philippines
Manila
Singapore
Singapore
Taiwan
Kaohsiung
Taipei
Thailand
Bangkok
Laem Chabang
Vietnam
Haiphong
Hanoi
Ho Chi Minh City

Oceania

Australia
Fremantle
Melbourne

North America

U.S.A.
Baltimore
Houston
Los Angeles
New York
Portland
Preston
Richmond
San Francisco

Central and South America

Brazil
Rio de Janeiro
Sao Paulo
Chile
Santiago
Mexico
Altamira
Mexico City
Peru
Lima

Major Subsidiaries and Affiliates*1

(As of March 31, 2021)

Domestic		Company name	"K" LINE's ownership (%)*2	Paid-in capital (millions of yen)*3	Fiscal 2020 revenue (millions of yen)*3
Marine transportation		Kawasaki Kinkai Kisen Kaisha, Ltd.	51.0	¥2,368	¥35,482
		Asahi Kisen Kaisha, Ltd.	100.0	100	123
	★	Shibaura Kaiun Co., Ltd.	100.0	20	755
Ship management		"K" Line Energy Ship Management Co., Ltd.	100.0	75	9,027
		"K" Line RoRo Bulk Ship Management Co., Ltd.	100.0	400	35,142
Harbor transportation/ Warehousing		Daito Corporation*4	100.0	842	22,591
		Nitto Total Logistics Ltd.*4	100.0	1,596	13,513
		Hokkai Transportation Co., Ltd.	80.1	60	11,531
		Seagate Corporation*4	100.0	270	6,484
		Nitto Tugboat Co., Ltd.	100.0	150	3,576
	★	Rinko Corporation	25.1	1,950	14,196
		KLKG Holdings, Co., Ltd.	51.0	10	1,118
Logistics		"K" Line Logistics, Ltd.	91.9	600	22,479
Land transportation		Japan Express Transportation Co., Ltd.	100.0	100	2,658
		Shinto Rikuun Kaisha, Ltd.	100.0	10	674
		Maizuru Kousoku Yusou Co., Ltd.	100.0	25	655
Travel business		"K" Line Travel, Ltd.	100.0	100	487
Holding company	★	Ocean Network Express Holdings, Ltd.	31.0	50	197
Other business		Shinki Corporation	85.5	80	2,779
		"K" Line Business Systems, Ltd.	100.0	40	980
		KMDS Co., Ltd.	100.0	40	1,177
		"K" Line Business Support, Ltd.	100.0	30	627
		Offshore Operation Co., Ltd.	55.8	26	1,415
		K Line Next Century GK	100.0	0	0

Overseas		Company name	"K" LINE's ownership (%)*2	Paid-in capital (millions)*3	Fiscal 2020 revenue (millions)*3
Marine transportation		"K" Line Pte Ltd	100.0	US$41	US$178
		"K" Line Bulk Shipping (UK) Limited	100.0	US$33	US$90
		"K" Line LNG Shipping (UK) Limited	100.0	US$35	US$109
		"K" Line European Sea Highway Services GmbH	100.0	EUR5	EUR74
		'K' Line (India) Shipping Private Limited	80.0	INR609	INR624
		K Line Offshore AS	100.0	NOK2,511	NOK300
	★	Northern LNG Transport Co., I Ltd.	49.0	US$47	US$23
	★	Northern LNG Transport Co., II Ltd.	36.0	US$52	US$23
	★	Ocean Network Express Pte. Ltd.*5	—	US$3,000	US$15,103
Shipping agency		"K" Line America, Inc.	100.0	US$15	US$13
		"K" Line (Australia) Pty Limited	100.0	A$0.0001	A$4
		"K" Line (Belgium) N.V.	51.0	EUR0.06	EUR1
		"K" Line Brasil Transportes Maritimos Ltda.	100.0	BRL1	BRL8
		K Line (China) Ltd.	100.0	CNY9	CNY23
		"K" Line Chile Ltda	100.0	US$0.6	US$3
		"K" Line (Deutschland) GmbH	100.0	EUR0.1	EUR6
		"K" Line (Europe) Limited	100.0	£0.01	£2

Overseas		Company name	"K" LINE's ownership (%)*2	Paid-in capital (millions)*3	Fiscal 2020 revenue (millions)*3
		"K" Line (Korea) Ltd.	100.0	KRW400	KRW11,304
		"K" Line Maritime (M) Sdn Bhd	100.0	MYR0.3	MYR0
		K Line Mexico SA de CV	100.0	MXN0.8	US$2
		K Line Peru S.A.C.	100.0	PEN1	PEN2
		"K" Line Shipping (South Africa) Pty Ltd	51.0	ZAR0.0001	ZAR10
		"K" Line (Taiwan) Ltd.	60.0	NT$60	NT$51
		K Line (Thailand) Ltd.	39.0	THB30	THB1,800
		"K" Line (Vietnam) Limited	100.0	US$3	VND18,343
		PT. K Line Indonesia	49.0	IDR2,557	IDR18,303
	★	"K" Line (India) Private Limited	50.0	INR60	INR362
Ship management		"K" Line Ship Management (Singapore) Pte. Ltd.	100.0	US$0.5	US$85
Freight consolidation		Century Distribution Systems, Inc.*6	100.0	US$2	US$48
		Century Distribution Systems (Canada), Inc.*6	100.0	US$0.0001	US$0
		Century Distribution Systems (Europe) B.V.*6	100.0	EUR0.01	EUR2
		Century Distribution Systems (Hong Kong) Limited*6	100.0	HK$0.07	HK$53
		Century Distribution Systems (International) Limited*6	100.0	HK$1	HK$565
		Century Distribution Systems (Shenzhen) Limited*6	100.0	CNY5	CNY841
Warehousing		Universal Logistics System, Inc.*6	100.0	US$12	US$0
		Universal Warehouse Co.*6	100.0	US$0.05	US$18
Logistics		"K" Line Logistics (Hong Kong) Ltd.	100.0	HK$8	HK$130
		"K" Line Logistics (Singapore) Pte. Ltd.	100.0	S$1	S$24
		K Line Logistics South East Asia Ltd.	95.0	THB73	THB0
		K Line Logistics (Thailand) Ltd.	86.5	THB20	THB1,295
		"K" Line Logistics (UK) Ltd.	100.0	£0.2	£5
		"K" Line Logistics (U.S.A.) Inc.	100.0	US$0.3	US$65
		K Line Total Logistics, LLC*6	100.0	US$0.01	US$52
Land transportation		ULS Express, Inc.*6	100.0	US$0.05	US$11
		PMC Transportation Company, Inc.*6	100.0	US$0	US$0
Container repairing		Bridge Chassis Supply LLC.	100.0	US$7	US$1
Holding company		Kawasaki (Australia) Pty. Ltd.	100.0	A$4	A$7
		"K" Line Holding (Europe) Limited	100.0	US$45	US$0
		"K" Line Drilling/Offshore Holding, INC.	100.0	£0.001	£0
Other business		"K" Line TRS S.A.	100.0	US$0.006	US$0
	★	"K" Line Auto Logistics Pty Ltd.	50.0	A$67	A$0.1

*1 Includes main consolidated subsidiaries, equity-method subsidiaries and equity-method affiliates
*2 Includes holdings of subsidiaries
*3 Rounded down to the nearest million
*4 KLKG Holdings, Co., Ltd. owns the company.
*5 Ocean Network Express Holdings, Ltd. owns 100% of the company.
*6 Sold on June 1, 2021
★ Subsidiaries and affiliates accounted for by the equity method

¥: Japanese yen
US$: United States dollars
EUR: Euro
INR: Indian rupee
NOK: Norwegian krone
A$: Australian dollars
BRL: Brazil real
£: Pounds sterling
KRW: Korean won
MYR: Malaysian ringgit
MXN: Mexican peso
PEN: Peruvian SOL
ZAR: South African rand
NT$: New Taiwan dollars
THB: Thai baht
VND: Vietnamese dong
IDR: Indonesian rupiah
S$: Singapore dollars
HK$: Hong Kong dollars
CNY: Chinese renminbi

Outline of the Company / Stock Information

Outline of the Company

(As of March 31, 2021)

Name		Kawasaki Kisen Kaisha, Ltd. ("K" LINE)
Established		April 5, 1919
Paid-in capital		¥75,457.64 million
President		Yukikazu Myochin (Effective from April 1, 2019)
Employees		On-land duty 565 At-sea duty 204 Unconsolidated total 769 Consolidated total 6,080
Business lines		Marine transportation, Land transportation, Air transportation, Through transportation involving marine, land and air transportation, Harbor transportation, etc.
Offices	Head office	Iino Building, 1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8540, Japan Phone: (+81) 3-3595-5000 Fax: (+81) 3-3595-5001
	Registered head office	Shinko Building, 8 Kaigandori, Chuo-ku, Kobe 650-0024, Japan Phone: (+81) 78-332-8020 Fax: (+81) 78-393-2676
	Branches	Nagoya Nagoya International Center Building, 47-1, Nagono 1-chome, Nakamura-ku, Nagoya 450-0001, Japan Phone: (+81) 52-589-4510 Fax: (+81) 52-589-4585 Kansai Shinko Building, 8 Kaigandori, Chuo-ku, Kobe 650-0024, Japan Phone: (+81) 78-325-8727 Fax: (+81) 78-393-2676
Overseas representative offices		Taipei, Manila, Yangon, Dubai
Overseas agents		Korea, China, Taiwan, Thailand, Singapore, Malaysia, Indonesia, Vietnam, India, Australia, U.K., Germany, Belgium, Turkey, U.S.A., Mexico, Chile, Peru, Brazil, South Africa
Affiliated companies (to be consolidated)		28 (domestic), 282 (overseas)

Stock Information

(As of March 31, 2021)

Authorized	200,000,000 shares of common stock
Issued	93,938,229 shares of common stock
Number of shareholders	26,708
Shareholder registry administrator	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan
Listing of shares	Tokyo, Nagoya and Fukuoka

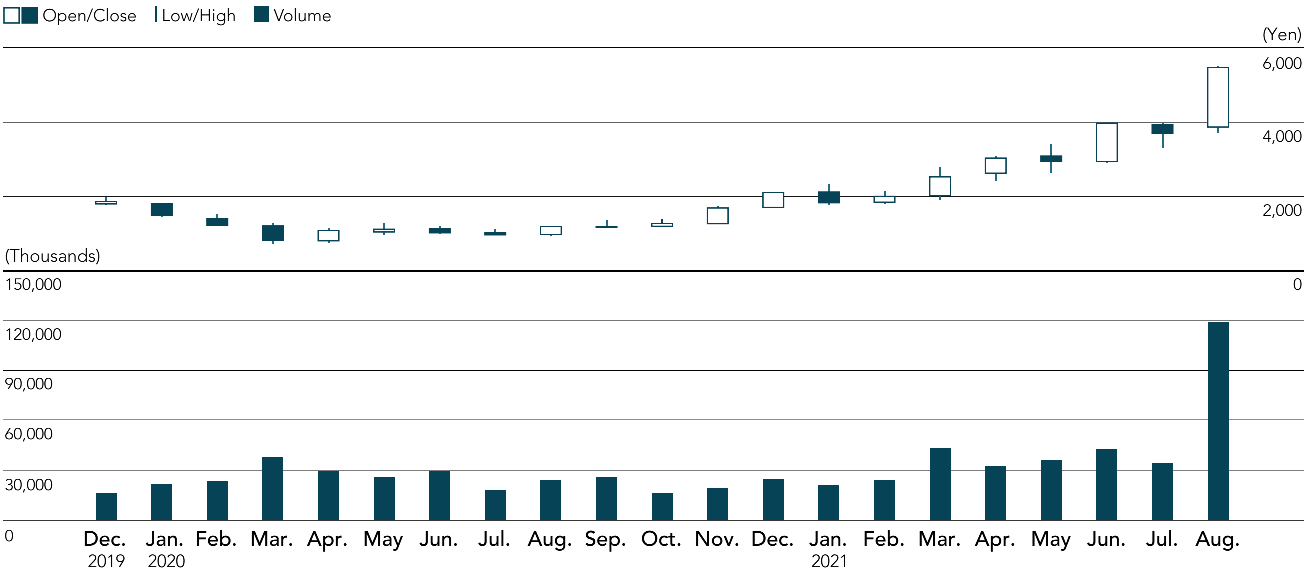
Principal Shareholders

(As of March 31, 2021)

Shareholders	Number of shares held (thousands)	Percentage of shares held (%)
ECM MF	10,716	11.43
GOLDMAN SACHS INTERNATIONAL	10,553	11.25
The Master Trust Bank of Japan, Ltd. (trust account)	5,836	6.22
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	5,803	6.19
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SEGR ACCT	5,100	5.44
CGML PB CLIENT ACCOUNT/COLLATERAL	4,722	5.03
Custody Bank of Japan, Ltd. (trust account)	2,418	2.58
IMABARI SHIPBUILDING CO., LTD.	2,352	2.50
Custody Bank of Japan, Ltd. (Kawasaki Heavy Industries, Ltd. retirement benefit trust account re-entrusted by Mizuho Trust & Banking Co., Ltd.)	2,035	2.17
Sompo Japan Insurance Inc.	1,910	2.03

Note: Percentage of shares held is calculated excluding treasury stock (196,580 shares).

Stock Price Range and Trading Volume (Tokyo Stock Exchange)



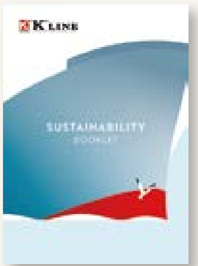
"K" LINE's Websites

In addition to this report, more information is available on "K" LINE's website, including the Charter of Conduct for "K" LINE Group Companies and environmental data.

Sustainability Website
https://www.kline.co.jp/en/csr.html

"K" LINE Environmental Vision 2050
https://www.kline.co.jp/en/csr/environment/management.html

Sustainability Booklet
https://www.kline.co.jp/en/csr/group/booklet.html



FACTBOOK
https://www.kline.co.jp/en/ir/library/fact.html

External Recognition

In recognition of our CSR initiatives, "K" LINE has been selected as a component in Socially Responsible Investment (SRI) and ESG indices used all over the world.

- FTSE Blossom Japan Index
- Dow Jones Sustainability Asia/Pacific Index
- S&P/JPX Carbon Efficient Index

In recognition of our disclosure of climate change information and efforts to reduce greenhouse gases, we have been selected for the CDP Climate Change A List for five consecutive years and for the Supplier Engagement Leaderboard for three consecutive years.

FTSE Blossom Japan

Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA

S&P/JPX Carbon Efficient Index

CDP A LIST 2020 CLIMATE

CDP SUPPLIER ENGAGEMENT LEADER 2020

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