

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"

Value for Our Next Century

FY2020 Management Plan in Fiscal Year

"KV" 2010

New Challenges

Bridge to the Future

—Action for Future—

Revival for Greater Strides

(Millions of yen)*1

		FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Operating results (for the year)	Operating revenues	¥ 985,084	¥ 972,310	¥1,134,771	¥1,224,126	¥1,352,421	¥1,243,932	¥1,030,191	¥1,162,025	¥836,731	¥735,284	¥625,486
	Operating income	58,609	(40,563)	14,886	28,854	47,988	9,427	(46,037)	7,219	(24,736)	6,840	(21,286)
	Ordinary income**4	47,350	(48,955)	28,589	32,454	48,980	3,338	(52,388)	1,962	(48,933)	7,407	89,498
	Profit attributable to owners of the parent	30,603	(41,351)	10,669	16,642	26,818	(51,499)	(139,478)	10,384	(111,188)	5,269	108,695
Financial position (at year-end)	Total assets	1,032,505	1,066,648	1,180,433	1,254,741	1,223,328	1,115,223	1,045,209	1,036,886**2	951,261	896,081	974,608
	Net assets	314,986	259,934	361,975	410,688	467,440	379,913	245,482	243,094	181,233	200,234	316,162
	Equity capital**5	291,669	242,572	340,571	388,837	441,531	355,375	219,484	217,010	103,576	101,095	218,193
	Interest-bearing liabilities	483,362	592,522	629,864	643,794	536,846	525,152	550,512	570,584	550,211	543,451	507,005
	Capital expenditures	148,993	239,196	134,554	93,377	89,501	116,592	68,048	101,105	97,911	81,148	45,332
	Depreciation and amortization	44,722	50,044	59,667	52,243	53,526	48,302	47,421	43,410	40,789	44,253	43,869
	Cash flows from operating activities	84,901	(2,908)	59,756	88,228	101,825	39,635	(43,919)	1,167	(6,808)	(21,797)	33,397
	Cash flows from investing activities	(54,116)	(83,233)	(27,212)	(5,113)	(11,177)	(29,569)	(24,881)	(22,813)	(35,493)	(20,286)	16,987
	Free cash flows	30,785	(86,142)	32,544	83,115	90,648	10,066	(68,801)	(21,646)	(42,303)	(42,083)	50,384
	Cash flows from financing activities	(24,796)	86,306	26,364	(26,634)	(119,253)	(14,835)	26,436	22,239	19,290	16,731	(34,845)
Per share data**3	Profit attributable to owners of the parent (¥)	40.08	(54.14)	12.07	17.75	28.60	(54.95)	(1,488.23)	111.13	(1,192.08)	56.50	1,165.34
	Net assets (¥)	381.87	317.59	363.18	414.66	471.10	379.18	2,341.93	2,326.65	1,110.48	1,083.88	2,339.28
	Cash dividends applicable to the year (¥)	9.50	—	2.50	4.50	8.50	5.00	—	—	—	—	—
	Dividend payout ratio (%)	23.7	—	20.7	25.4	29.7	—	—	—	—	—	—
Management index	Return on equity (ROE)**6 (%)	10.2	(15.5)	3.7	4.6	6.5	(12.9)	(48.5)	4.8	(69.4)	5.1	68.1
	Return on assets (ROA)**7 (%)	4.6	(4.7)	2.5	2.7	4.0	0.3	(4.8)	0.2**2	(4.9)	0.8	9.6
	Debt equity ratio (DER)**8 (Times)	1.66	2.44	1.85	1.66	1.22	1.48	2.51	2.63	5.31	5.38	2.32
	Equity ratio (%)	28.2	22.7	28.9	31.0	36.1	31.9	21.0	20.9	10.9	11.3	22.4
Average during the period	Exchange rate (¥ / US\$)	86	79	82	100	109	121	109	111	111	109	106
	Fuel oil price (US\$ / ton)	489	672	671	626	541	295	265	349	450	467	363
Consolidated business data	Vessels in operation**9	522	559	566	583	584	575	560	554	520	468	442
Human resource data	Consolidated employees	7,895	7,703	7,667	7,703	7,834	8,097	8,018	7,153	6,022	6,164	6,080
	Unconsolidated employees	623	664	659	652	676	716	735	724	756	767	769
	On land	437	486	481	478	504	541	552	531	552	562	565
	At sea	186	178	178	174	172	175	183	193	204	205	204
	Women (%)	18.9	22.9	22.8	24.4	25.4	26.3	24.9	25.1	25.8	25.7	25.9
	Persons with disabilities (%)	1.60	1.60	1.90	1.93	1.87	1.94	2.29	2.40	2.05	1.96	1.82
	Industrial accidents	On land At sea	0 0	0 0	0 1	0 3	0 1	0 0	1 1	2 1	0 1	0 0
Management**10	Directors	14	13	13	13	10	9	9	9	9	10	10
	Outside directors	2	2	2	2	2	2	3	3	3	4	4
	Audit & Supervisory Board members	5	5	5	4	4	4	4	3	3	4	4
	Outside Audit & Supervisory Board members	3	3	3	3	3	3	2	2	2	2	2
Environmental data**11	Fuel oil (thousands of tons)	3,802	3,949	3,966	3,651	3,646	3,942	3,872	4,102	3,824	3,140	2,809
	CO ₂ emissions (thousands of tons)	11,838	12,298	12,352	11,377	11,360	12,300	12,079	12,797	11,932	9,800	8,762
	SO _x emissions (thousands of tons)	208	214	209	190	182	190	183	195	188	130	36
	NO _x emissions (thousands of tons)	308	323	319	292	283	290	274	284	262	203	181

*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

*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 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

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.

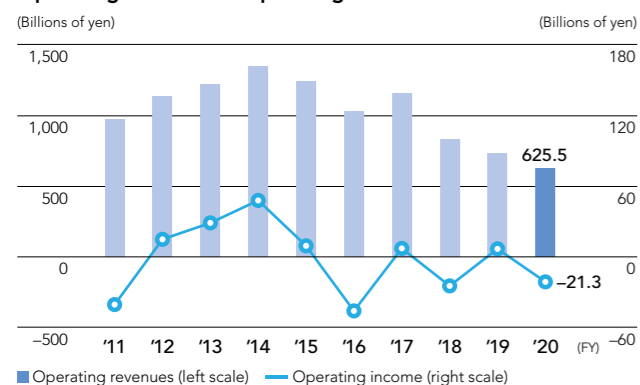
► Dividend Policy

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."

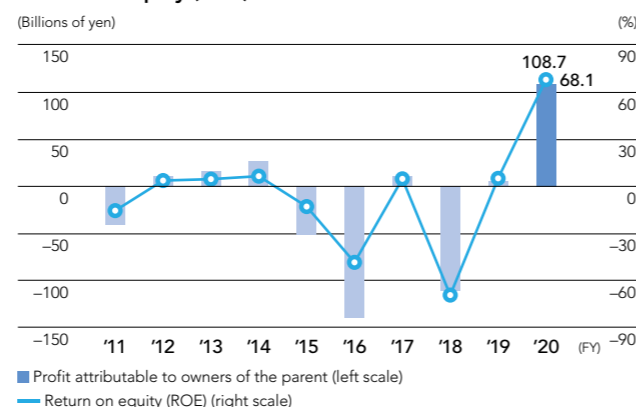
With respect to the appropriation of profits, the Company's basic policy is to enhance shareholder returns over the medium to long term in light of comprehensive consideration of future trends in business performance, investment for future growth, and strengthening of the Company's financial position. 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.

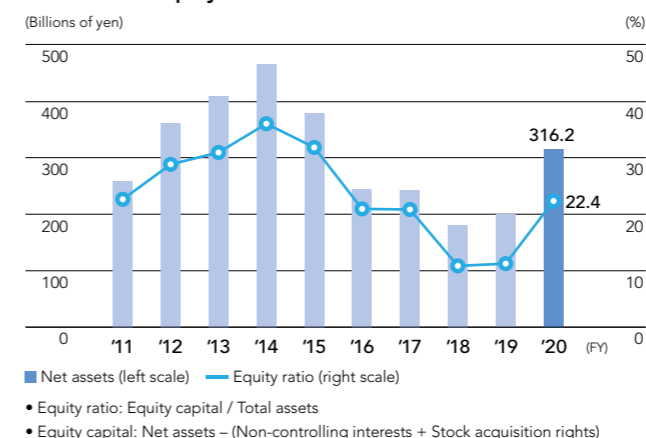
Operating Revenues / Operating Income



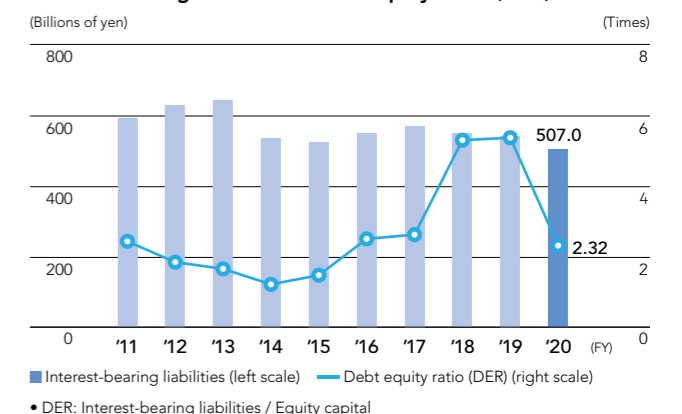
Profit Attributable to Owners of the Parent / Return on Equity (ROE)



Net Assets / Equity Ratio



Interest-Bearing Liabilities / Debt Equity Ratio (DER)



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 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 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:

	2020		
	Carrying value	Estimated fair value	Difference
Securities whose estimated fair value 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 value exceeds their carrying value:			
Government and municipal bonds	¥2	¥2	¥0

(Millions of yen)

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:

	2020		
	Carrying value	Estimated fair value	Difference
Securities whose carrying value exceeds 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 exceeds 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

(Millions of yen)

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

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

(Millions of yen)

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.

Notes to Consolidated Financial Statements

► 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 Singapore	¥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 interest 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%

Notes to Consolidated Financial Statements

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 forward (*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 securities	(66)	(1,705)
Accelerated depreciation in overseas subsidiaries	(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 overseas 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

Notes to Consolidated Financial Statements

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

Notes to Consolidated Financial Statements

(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.

Notes to Consolidated Financial Statements

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.

Notes to Consolidated Financial Statements

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)	Contract value (notional principal amount) over one year	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)	Contract value (notional principal amount) over one year	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)	Contract value (notional principal amount) over one year	Estimated fair value (*1)
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	Long-term loans			
	Receive floating/ Pay fixed		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)	Contract value (notional principal amount) over one year	Estimated fair value (*1)
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	Long-term loans			
	Receive floating/ Pay fixed		945	—	(12)
	Total		¥56,997	¥54,010	(5,076)

(*1) 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)	Contract value (notional principal amount) over one year	Estimated fair value (*1)
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)	Contract value (notional principal amount) over one year	Estimated fair value (*1)
Deferral hedge	Bunker fuel swaps	Bunker fuel purchases	¥ 219	¥—	¥ 8
	Forward freight agreements	Ocean freight	4,284	—	(961)
	Total		¥4,503	¥—	¥(952)

(*1) 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

Notes to Consolidated Financial Statements

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:

	2020						Consolidated
	Dry bulk	Energy resource transport	Product logistics	Other (*1)	Total	Adjustments and eliminations (*2)	
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

	2021						Consolidated
	Dry bulk	Energy resource transport	Product logistics	Other (*1)	Total	Adjustments and eliminations (*2)	
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

▶ 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

(*1) 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

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
<p>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."</p> <p>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.</p> <p>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.</p> <p>As described in Note 2 "Significant Accounting Estimates," significant assumptions in estimating the value in use</p>	<p>The audit procedures we performed to assess the Company's judgement on impairment loss of vessel include the following, among others:</p> <ul style="list-style-type: none"> 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.



<p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> 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.
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Estimate of Allowance for loss on chartering contracts	
Description of Key Audit Matter	Auditor's Response
<p>The Company recognized an allowance for loss on chartering contracts of ¥15,556 million in the consolidated balance sheet as of March 31, 2021.</p> <p>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."</p> <p>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.</p> <p>The expected duration of loss making from the contracts is based on the term of the charter</p>	<p>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:</p> <ul style="list-style-type: none"> 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.



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

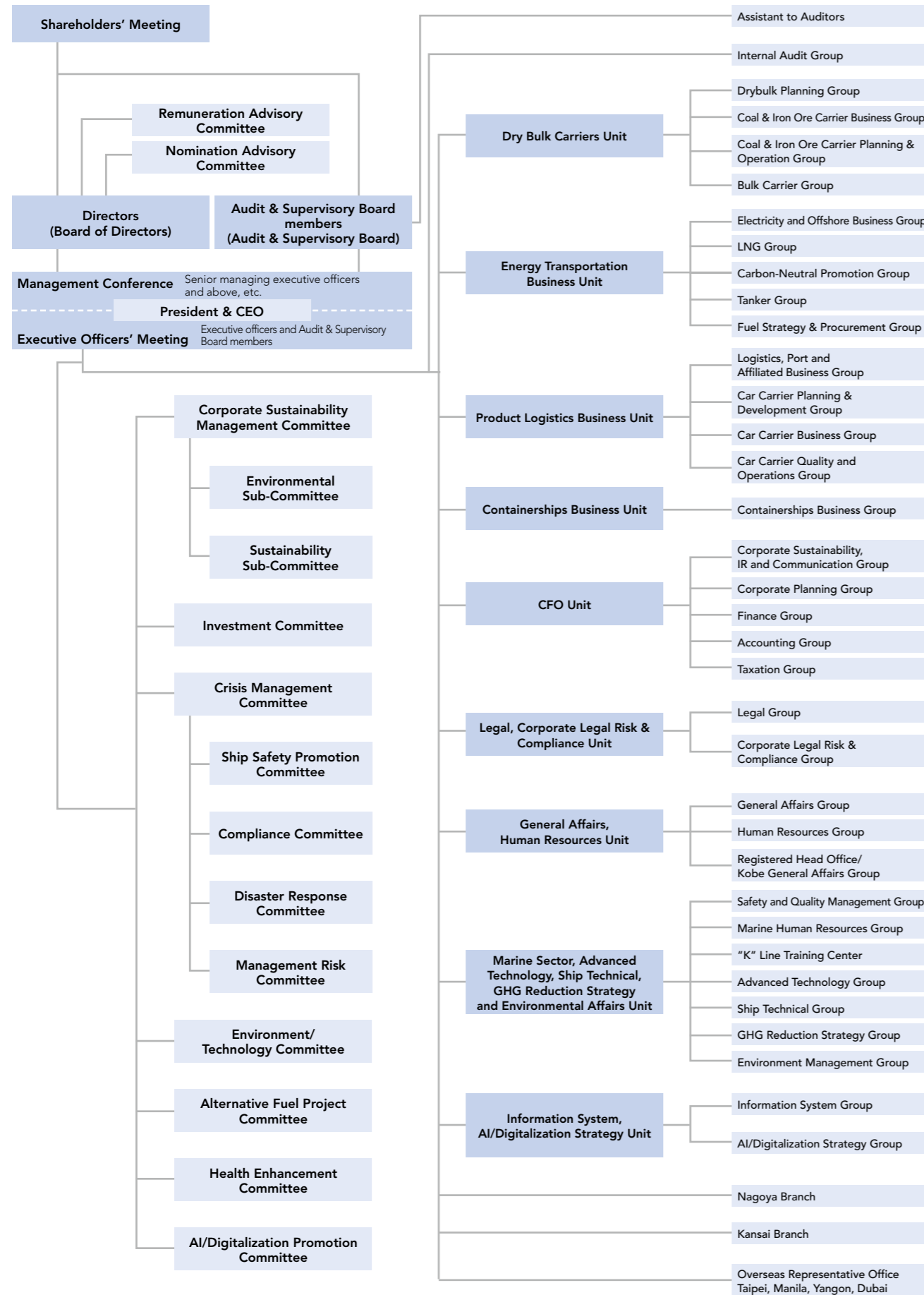
小林 雅史 

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	Middle East United Arab Emirates Dubai	Philippines Manila Singapore Singapore Taiwan Kaohsiung Taipei Thailand Bangkok Laem Chabang Vietnam Haiphong Hanoi Ho Chi Minh City	North America U.S.A. Baltimore Houston Los Angeles New York Portland Preston Richmond San Francisco
Europe Belgium Antwerp Germany Bremen Bremerhaven Hamburg Norway Arendal U.K. London Southampton	Asia China Guangzhou Shanghai Tianjin India Mumbai Indonesia Jakarta Korea Busan Seoul Malaysia Shah Alam Myanmar Yangon	Oceania Australia Fremantle Melbourne	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
"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
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
Warehousing	Century Distribution Systems (Shenzhen) Limited*6	100.0	CNY5	CNY841
	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	<table border="0"> <tr> <td>Head office</td> <td>Iino Building, 1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8540, Japan Phone: (+81) 3-3595-5000 Fax: (+81) 3-3595-5001</td> </tr> <tr> <td>Registered head office</td> <td>Shinko Building, 8 Kaigandori, Chuo-ku, Kobe 650-0024, Japan Phone: (+81) 78-332-8020 Fax: (+81) 78-393-2676</td> </tr> <tr> <td>Branches</td> <td> <p>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</p> <p>Kansai Shinko Building, 8 Kaigandori, Chuo-ku, Kobe 650-0024, Japan Phone: (+81) 78-325-8727 Fax: (+81) 78-393-2676</p> </td> </tr> <tr> <td>Overseas representative offices</td> <td>Taipei, Manila, Yangon, Dubai</td> </tr> <tr> <td>Overseas agents</td> <td>Korea, China, Taiwan, Thailand, Singapore, Malaysia, Indonesia, Vietnam, India, Australia, U.K., Germany, Belgium, Turkey, U.S.A., Mexico, Chile, Peru, Brazil, South Africa</td> </tr> <tr> <td>Affiliated companies (to be consolidated)</td> <td>28 (domestic), 282 (overseas)</td> </tr> </table>	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	<p>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</p> <p>Kansai Shinko Building, 8 Kaigandori, Chuo-ku, Kobe 650-0024, Japan Phone: (+81) 78-325-8727 Fax: (+81) 78-393-2676</p>	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)
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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

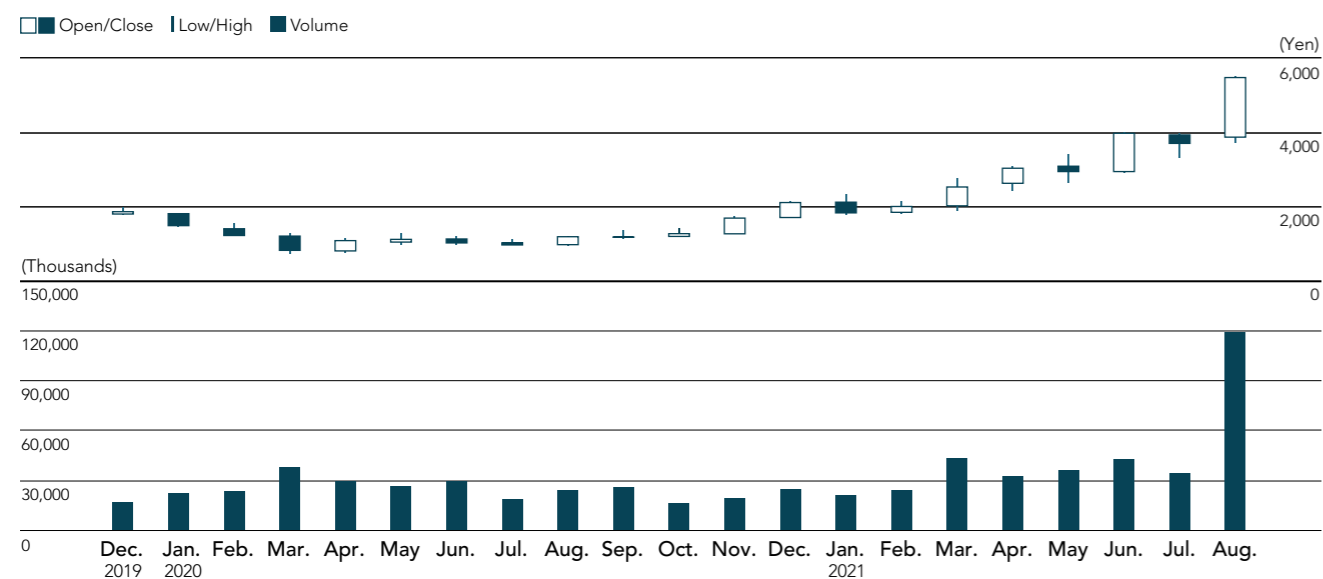
Principal Shareholders

(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.

