

(Translation)

**NOTICE OF THE 152ND ORDINARY GENERAL
MEETING OF SHAREHOLDERS**

The 152nd term

(From April 1, 2019 to March 31, 2020)

Kawasaki Kisen Kaisha, Ltd.

The amounts are rounded to the nearest 100 million yen when figures are presented in billions of yen or rounded down to the nearest million yen when figures are presented in millions of yen. The foreign currency amounts are rounded down to the nearest unit.

(Note) This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Dear shareholders,

I am Yukikazu Myochin, Representative Director, President & CEO, and I would first like to express my sincere gratitude to you, our shareholders, for your continued support. With the delivery of the report of our business results, I would like to mention a few points that I believe are worth sharing with you.

The business conditions surrounding the Company went through a repeated cycle of improvement and deterioration in FY2019 (from April 1, 2019 to March 31, 2020) with a growing sense of uncertainty in the global economy due to factors such as rising protectionism as well as constraints on global economic activity from the beginning of 2020 with the impact of the spread of the novel coronavirus (COVID-19). Under such circumstances, the “K” LINE Group turned profitable with an ordinary profit of ¥7.4 billion, realizing the benefits of the structural reforms in the containership and dry bulk businesses carried out in FY2018 and the realignment of service network and freight restoration in the car carrier business promoted in FY2019, with the containerships joint-venture company OCEAN NETWORK EXPRESS PTE. LTD. also recording its first profit. Furthermore, we sold assets such as by reducing cross-shareholdings, but recorded loss on devaluation on part of the shares held by the Company due to the slump in the share market through to the end of the fiscal year. This resulted in profit attributable to owners of the parent amount being kept to ¥5.3 billion. Therefore, although we were able to secure a final profit, after comprehensively considering investment for future growth and reinforcement of our financial structure, we regret to inform you that we have determined to pay no dividends for the current fiscal year. In addition, given the uncertainty concerning the impact of the COVID-19 on our earnings, we have not yet determined our earnings projections or the annual dividend for the FY2020.

FY2019 marked the final year of our medium-term management plan “‘Revival for Greater Strides’ –  Value for our Next Century,’ which was started in FY2017. During this period, we have made clear progress in rebuilding the portfolio strategy such as with the establishment of a joint venture in the containership business and reorganization of the domestic harbor transportation business, while also carrying out painful structural reforms such as the disposal of uneconomical fleets. This resulted in temporary impairment of shareholders’ equity, but operating risks were reduced through the reduction of market-exposed businesses, strengthening the cost-competitiveness of the fleet. To enhance the strategy by function, we established specialist structures to undertake the marketing strategy, AI/digitalization and cutting-edge technology. In collaboration with partners in these three fields, we will strive to meet the needs of customers and further refine the Company’s strengths in “safety,” “the environment,” and “quality.”

In this way, the Group had planned to continue to develop the priority issues that it has been tackling under the previous medium-term management plan, and launch a new medium-term management plan starting from the beginning of FY2020. However, we have postponed the announcement to our stakeholders. The spread of COVID-19 infections has had an extremely large impact on the global

economy and on the Group's business environment. Our first priority, as described in "Issues to Address" (pages 33 to 34) of the Business Report, is to focus on steady implementing measures designed to minimize the impact on our near-term financial results. Before disclosing the new medium-term management plan, we will carefully discern the impact on the business environment from the spread of COVID-19 and the social paradigm shifts for bringing it under control.

We aim to achieve a further leap ahead based on the platform for revival that we built under the previous medium-term management plan, but for now, we must ask for your patience.

With your help, we were able to mark the 100th anniversary of the Company last year. This year we embark on the next century, starting with our new medium-term management plan. The global economy is truly in a time of dramatic change, and it remains difficult to predict the business conditions that will surround the "K" LINE Group. However, all officers and employees of the "K" LINE Group will work as one in our efforts to live up to shareholder expectation, striving for sustained growth and improved corporate value. I look forward to your ongoing support in the fiscal year ahead.

June 2020

Yukikazu Myochin
Representative Director, President & CEO

June 4, 2020

To our Shareholders:

Yukikazu Myochin
Representative Director,
President & CEO
Kawasaki Kisen Kaisha, Ltd.
8 Kaigan-dori, Chuo-ku, Kobe, Japan

Notice of the 152nd Ordinary General Meeting of Shareholders

We are pleased to announce you that the 152nd Ordinary General Meeting of Shareholders of Kawasaki Kisen Kaisha, Ltd. (hereinafter referred to as “the Company”), details of which are set forth below.

For this Ordinary General Meeting of Shareholders, as a countermeasure against COVID-19, we request that you refrain from attending in person if possible, and instead review the after-mentioned “Reference Materials for the General Meeting of Shareholders” and exercise your voting rights in accordance with “Guidance for Exercise of Voting Rights” in page 6, and exercise your voting rights either in writing (by post) or the Internet, etc. by 5:00 p.m., Monday, June 22, 2020 (Japan Standard Time).

If you choose to attend in person, please be aware that you may be refused entry to the venue as the number of people in the venue is limited for the sake of ensuring appropriate spacing between shareholders’ seats.

1. Date and time: 10:00 a.m., Tuesday, June 23, 2020 (Japan Standard Time)
(Reception desk opens at 9:00 a.m.)

2. Location: Iino Hall, 4th floor, Iino Building,
1-1, Uchisaiwai-cho 2-chome, Chiyoda-ku, Tokyo

3. Agenda:

Matters to be reported:

Business Report, Non-consolidated Financial Statements, Consolidated Financial Statements and Audit Reports by the Accounting Auditor and the Audit & Supervisory Board on the Consolidated Financial Statements for the Fiscal Year from April 1, 2019 to March 31, 2020

Matters to be resolved:

Proposition 1 Election of ten (10) Directors

Proposition 2 Election of one (1) Audit & Supervisory Board Member

Proposition 3 Election of one (1) Substitute Audit & Supervisory Board Member

Regarding Internet Disclosure

This Notice and the Business Report for the 152nd fiscal year has been posted on the Company's website.

- Of the Business Report for the 152nd fiscal year, the following items have been posted on the Company's website shown below, in accordance with the provisions of relevant laws and regulations and Article 19 of the Company's Articles of Incorporation. As a consequence, the relevant documents are not included in the Business Report for the 152nd fiscal year.
 - "Core Business"
 - "Principal Lenders"
 - "Matters Related to Stock Acquisition Rights"
 - "Status of Accounting Auditor"
 - "System to Ensure Proper Business Operations"
 - "Outline of Operational Status of System to Ensure Proper Business Operations"
 - "Consolidated Statement of Changes in Net Assets"
 - "Notes to Consolidated Financial Statements"
 - "Non-consolidated Statement of Changes in Net Assets"
 - "Notes to Non-consolidated Financial Statements"

In addition to the Business Report for the 152nd fiscal year, the documents above are audited by Audit & Supervisory Board Members to prepare their Audit Report while documents related to consolidated financial statements and non-consolidated financial statements among the documents above are audited by Accounting Auditors to prepare their Audit Reports.

- If there are any amendments to Reference Materials for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements and/or Non-consolidated Financial Statements, such amendments will be announced on the Company's website below (in Japanese only).

The Company's Website: <https://www.kline.co.jp/ir/stock/meeting.html>

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- For those attending the meeting on the day, please submit the enclosed Voting Rights Exercise Form at the reception desk.
 - In the event that the exercise of votes is duplicated by both the method of postal mail and the Internet, etc., the vote received last shall be deemed valid. However, if the duplicate votes are received on the same date, the vote via the Internet, etc. shall be deemed valid. If you exercise your voting rights via the Internet, etc. multiple times, the vote exercised last shall be deemed valid.

Guidance for Exercise of Voting Rights

Please exercise your voting rights after reviewing the Reference Materials for the General Meeting of Shareholders listed on pages 8 to 24.

You may exercise your voting rights by one of the following three methods.

1. By attending the shareholders' meeting

Please submit the enclosed Voting Rights Exercise Form to the reception at the meeting venue.

Please also bring this Notice of the 152nd Ordinary General Meeting of Shareholders with you to the meeting.

2. By submitting Voting Rights Exercise Form by postal mail

Please indicate your approval or disapproval of each of the Propositions on the enclosed Voting Rights Exercise Form and send it by postal mail to arrive at the Company no later than 5:00 p.m., Monday, June 22, 2020 (Japan Standard Time).

3. By exercising voting rights via the Internet

Please access the dedicated website for exercising voting rights (<https://www.web54.net>) and enter your vote for each Proposition by 5:00 p.m., Monday, June 22, 2020 (Japan Standard Time).

Please see page 7 for details.

Exercise of Voting Rights via the Internet, etc.

Scanning QR Code: “Smart Vote®” method

You can simply login to the Voting Right Exercise Website without entering your voting right exercise code and password.

1. Please scan the QR Code printed on the lower right-hand side of the Voting Rights Exercise Form.

* “QR Code” is a registered trademark of DENSO WAVE INCORPORATED.

2. Indicate your approval or disapproval by following the instructions on the screen.

Please note that exercising voting rights by using “Smart Vote®” method is available only once.

If you need to change your votes after exercising your voting rights, please login to the Voting Right Exercise Website for PC by using your “Voting Right Exercise Code” and “Password” printed on the Voting Rights Exercise Form, and exercise your voting rights again.

* If you rescan the QR Code, you can access the Voting Right Exercise Website for PC.

Entering Voting Right Exercise Code and Password

Voting Right Exercise Website (Japanese only: <https://www.web54.net>).

1. Access the Voting Right Exercise Website.
Click “Next.”

2. Enter the “Voting Right Exercise Code” printed on the Voting Rights Exercise Form.
Enter the “Voting Right Exercise Code.”
Click “Login.”

3. Enter the “Password” printed on the Voting Rights Exercise Form.
Enter the “Password.”
Click “Next.”

4. Indicate your approval or disapproval by following the instructions on the screen.

* If you exercise your voting rights via the Internet, etc. multiple times, the vote exercised last will be recorded as the effective vote.

* If you exercise your voting rights both via the Internet, etc. and by postal mail, the vote that reaches us last will be recorded as the effective vote. If both votes via the Internet, etc. and by postal mail arrive on the same day, the one exercised via the Internet, etc. will be recorded as the effective vote.

If you have any technical inquiries regarding the operation of a PC, etc. for voting on this site, please contact the following:

Dedicated phone line for Securities Agency Web Support, Sumitomo Mitsui Trust Bank, Limited

[Telephone number within Japan] 0120-652-031 (Toll free)
(Business hours: 9:00 – 21:00, Japan Standard Time)

* Institutional investors may also use the “Electronic Voting Rights Exercise Platform” operated by ICJ, Inc. to electronically exercise the voting rights for this General Meeting of Shareholders.

Reference Materials for the General Meeting of Shareholders

Proposition 1: *Election of ten (10) Directors*

The terms of office for all ten (10) Directors will expire upon conclusion of this meeting. It is therefore requested that ten (10) Directors be elected at this meeting.

The candidates are:

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
1	<p>Yukikazu Myochin (March 27, 1961)</p> <p><Reappointed></p> <p>Attendance at Board meetings: 100% (14/14 meetings)</p> <p>Term of office as Director: 4 years</p>	<p>April, 1984 Joined the Company</p> <p>January, 2010 General Manager of Containerships Business Group</p> <p>April, 2011 Executive Officer</p> <p>April, 2016 Managing Executive Officer</p> <p>June, 2016 Director, Managing Executive Officer</p> <p>April, 2018 Representative Director, Senior Managing Executive Officer</p> <p>April, 2019 Representative Director, President & CEO (Current)</p>	11,400 shares
		<p>Reasons for nomination as candidate for Director: Mr. Yukikazu Myochin first became a Director of the Company in June 2016, and in April 2018, he became Representative Director, and since April 2019, he has served as Representative Director, President & CEO. Appointed to President in the final year of the previous medium-term management plan, ““Revival for Greater Strides” —  Value for our Next Century,’ he focused on completing the priority themes of rebuilding portfolio strategy, advanced management and ESG initiatives, and achieved results amid an ongoing difficult business environment with increased uncertainties. The Company judges that his leadership and management skills, which are backed by his broad and deep knowledge and experience, are essential for promoting the new medium-term management plan that will start from FY2020, and ensuring formation and enhancement of a business structure towards achieving an ideal constitution for the Company. Accordingly, the Company requests his election as Director. There is no special interest between Mr. Myochin and the Company.</p>	

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
2	<p data-bbox="236 629 485 696">Atsuo Asano (February 7, 1961)</p> <p data-bbox="256 725 464 763"><Reappointed></p> <p data-bbox="228 792 496 860">Attendance at Board meetings:</p> <p data-bbox="248 889 475 956">100% (14/14 meetings)</p> <p data-bbox="248 985 475 1052">Term of office as Director: 2 years</p>	<p data-bbox="509 286 1246 324">April, 1983 Joined the Company</p> <p data-bbox="509 331 1214 398">October, 2009 General Manager of Coal & Iron Ore Carrier Group</p> <p data-bbox="509 405 1241 472">April, 2010 Executive Officer, General Manager of Coal & Iron Ore Carrier Group</p> <p data-bbox="509 479 963 517">April, 2012 Executive Officer</p> <p data-bbox="509 524 1102 562">April, 2014 Managing Executive Officer</p> <p data-bbox="509 568 1193 607">April, 2018 Senior Managing Executive Officer</p> <p data-bbox="509 613 1214 680">June, 2018 Director, Senior Managing Executive Officer</p> <p data-bbox="509 687 1230 754">April, 2019 Representative Director, Senior Managing Executive Officer (Current)</p> <p data-bbox="730 792 1251 927">Responsible for Dry Bulk Carriers Unit, Marine Sector, Advanced Technology, Ship Technical and Environmental Affairs Unit</p>	11,600 shares
		<p data-bbox="509 949 1273 1391">Reasons for nomination as candidate for Director: Mr. Atsuo Asano has proven achievements, notably in the Company's Dry Bulk Sector, and abundant management experience as a Director of the Company. Currently he is appropriately executing business strategies as the Executive Officer responsible for the Dry Bulk Carriers Unit and Marine Sector, Advanced Technology, Ship Technical and Environmental Affairs Unit. The Company judges that his abundant experience and proven achievements will contribute to the suitable fulfilment of the decision-making and supervisory functions of the Company's Board of Directors. Accordingly, the Company requests his election as Director. There is no special interest between Mr. Asano and the Company.</p>	

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
3	<p data-bbox="225 636 496 703">Yukio Toriyama (November 10, 1959)</p> <p data-bbox="256 734 459 768"><Reappointed></p> <p data-bbox="229 801 496 965">Attendance at Board meetings: 100% (10/10 meetings)</p> <p data-bbox="248 999 477 1066">Term of office as Director: 1 year</p>	<p data-bbox="512 241 1270 741"> April, 1983 Joined the Company April, 2010 General Manager of Port Business Group April, 2011 Executive Officer, General Manager of Accounting Group June, 2011 Director, Executive Officer, General Manager of Accounting Group April, 2012 Director, Executive Officer April, 2014 Director, Managing Executive Officer June, 2016 Managing Executive Officer April, 2019 Senior Managing Executive Officer June, 2019 Representative Director, Senior Managing Executive Officer (Current) </p> <p data-bbox="730 775 1262 965"> Responsible for Corporate Unit (General Affairs, Human Resources, Legal, Corporate Legal Risk & Compliance, Corporate Planning, Research, Finance, Accounting, Taxation, IR & PR), CFO (Chief Financial Officer) </p> <p data-bbox="512 981 1270 1458"> Reasons for nomination as candidate for Director: Mr. Yukio Toriyama has proven achievements, notably in the Company's administrative divisions in general, and abundant management experience as a Director of the Company. Currently he is appropriately executing business strategies as the Executive Officer responsible for Corporate Unit and Chief Financial Officer. The Company judges that his abundant experience and proven achievements relating to a broad range of work including business departments will contribute to the suitable fulfillment of the decision-making and supervisory function of the Company's Board of Directors. Accordingly, the Company requests his election as Director. There is no special interest between Mr. Toriyama and the Company. </p>	11,300 shares

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
4	<p>Kazuhiko Harigai (July 7, 1960)</p> <p><Reappointed></p> <p>Attendance at Board meetings: 100% (10/10 meetings)</p> <p>Term of office as Director: 1 year</p>	<p>April, 1983 Joined the Company</p> <p>June, 2006 General Manager of Thermal Coal, Woodchip and Pulp Group</p> <p>April, 2011 Executive Officer, General Manager of Thermal Coal, Woodchip and Pulp Group</p> <p>April, 2012 Executive Officer</p> <p>April, 2013 Managing Executive Officer</p> <p>April, 2019 Senior Managing Executive Officer</p> <p>June, 2019 Director, Senior Managing Executive Officer (Current)</p> <p>Responsible for Energy Transportation Business Unit</p> <hr/> <p>Reasons for nomination as candidate for Director: Mr. Kazuhiko Harigai has proven achievements, notably in the Energy Transportation Sector, and abundant management experience as the Company's Director, and, especially in the field of Thermal Coal Transportation business, he is the leading person in the Company with broad business network and insight. Currently he is appropriately executing business strategies as the Executive Officer responsible for Energy Transportation Business Unit and the Company judges that his management experience and proven achievements will contribute to the suitable fulfillment of the decision-making and supervisory functions of the Company's Board of Directors. Accordingly, the Company requests his election as Director. There is no special interest between Mr. Harigai and the Company.</p>	11,800 shares

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
5	<p>Yasunari Sonobe (March 18, 1959)</p> <p>< Newly appointed ></p> <p>Attendance at Board meetings: –</p> <p>Term of office as Director: –</p>	<p>April, 1982 Joined the Company</p> <p>January, 2005 Managing Director of “K” Line European Sea Highway Services GmbH, Bremen</p> <p>April, 2009 General Manager of Corporate Planning Group</p> <p>April, 2012 Executive Officer</p> <p>April, 2015 Managing Executive Officer, President of “K” LINE AMERICA, INC.</p> <p>April, 2019 Senior Managing Executive Officer (Current)</p> <p>Responsible for the Product Logistics Business Unit (Car Carriers, Port Business, Logistics, Affiliated Business Promotion)</p> <p>Reasons for nomination as candidate for Director: Mr. Yasunari Sonobe has proven achievements, notably in the Company’s Car Carriers Sector, and abundant management experience as an Executive Officer of the Company. Currently he is appropriately executing business strategies as the Executive Officer responsible for the Product Logistics Business Unit (Car Carriers, Port Business, Logistics, Affiliated Business Promotion). He also has experience in the Corporate Planning Sector, and the Company judges that his abundant experience and proven achievements including in the Administration Sector will contribute to the suitable fulfilment of the decision-making and supervisory functions of the Company’s Board of Directors. Accordingly, the Company requests his election as Director. There is no special interest between Mr. Sonobe and the Company.</p>	2,100 shares

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
6	<p>Makoto Arai (May 5, 1959)</p> <p>< Newly appointed ></p> <p>Attendance at Board meetings: —</p> <p>Term of office as Director: —</p>	<p>April, 1983 Joined the Company</p> <p>October, 2010 General Manager of IR & PR Group</p> <p>July, 2011 General Manager of IR & PR Group, General Manager of Legal Group</p> <p>September, 2013 General Manager of Legal Group</p> <p>April, 2015 Executive Officer</p> <p>April, 2018 Managing Executive Officer (Current)</p> <p>In charge of Legal, Corporate Legal Risk & Compliance, Assistance to Internal Audit, CCO (Chief Compliance Officer)</p> <p>Reasons for nomination as candidate for Director: Mr. Makoto Arai has proven achievements, notably in the Legal Sector, and abundant management experience as an Executive Officer of the Company. Currently he is appropriately executing business strategies as the Executive Officer in charge of Legal, Corporate Legal Risk & Compliance, Assistance to Internal Audit, and Chief Compliance Officer. The Company judges that his abundant experience and proven achievements will contribute to the suitable fulfilment of the decision-making and supervisory functions of the Company's Board of Directors. Accordingly, the Company requests his election as Director. There is no special interest between Mr. Arai and the Company.</p>	9,300 shares

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
7	<p data-bbox="236 645 480 712">Seiichi Tanaka (January 12, 1953)</p> <p data-bbox="256 745 459 779"><Reappointed></p> <p data-bbox="236 813 475 880"><Independent & Outside Director></p> <p data-bbox="225 913 491 981">Attendance at Board meetings:</p> <p data-bbox="245 1014 470 1081">100% (14/14 meetings)</p> <p data-bbox="229 1115 486 1205">Term of office as Outside Director: 4 years</p>	<p data-bbox="512 241 1066 275">April, 1977 Joined Mitsui & Co., Ltd.</p> <p data-bbox="512 286 1182 353">February, 2002 Manager, Ship and Marine Project Division, Mitsui & Co., Ltd.</p> <p data-bbox="512 365 1235 454">April, 2005 General Manager, Machinery & Information, Industries Administrative Division, Mitsui & Co., Ltd.</p> <p data-bbox="512 465 1246 566">April, 2006 Managing Officer, General Manager of Human Resources & General Affairs Division, Mitsui & Co., Ltd.</p> <p data-bbox="512 577 1262 678">April, 2008 Executive Managing Officer, CPO*¹, Mitsui & Co., Ltd., Director of Mitsui & Co. (Asia Pacific) Pte. Ltd.</p> <p data-bbox="512 689 1241 813">June, 2008 Representative Director, Executive Managing Officer, CPO, Mitsui & Co., Ltd., Director, Mitsui & Co. (Asia Pacific) Pte. Ltd.</p> <p data-bbox="512 824 1235 947">October, 2008 Representative Director, Senior Executive Managing Officer, CPO, Mitsui & Co., Ltd., Director, Mitsui & Co. (Asia Pacific) Pte. Ltd.</p> <p data-bbox="512 958 1209 1059">April, 2009 Representative Director, Senior Executive Managing Officer, CIO*², CPO, Mitsui & Co., Ltd.</p> <p data-bbox="512 1070 1262 1137">April, 2010 Representative Director, Executive Vice President, CIO, CPO, Mitsui & Co., Ltd.</p> <p data-bbox="512 1149 1257 1216">April, 2011 Representative Director, Executive Vice President, Mitsui & Co., Ltd.</p> <p data-bbox="512 1227 1098 1261">April, 2014 Director, Mitsui & Co., Ltd.</p> <p data-bbox="512 1272 1273 1339">June, 2014 Counselor, Mitsui & Co., Ltd. (Retired in June 2016)</p> <p data-bbox="512 1350 1166 1417">June, 2016 Outside Director of the Company (Current)</p> <p data-bbox="735 1451 1198 1518">Remuneration Advisory Committee Chairman</p> <p data-bbox="735 1552 1273 1608">*1: CPO (Chief Privacy Officer), *2: CIO (Chief Information Officer)</p>	4,600 shares

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
		<p>Reasons for nomination as candidate for Outside Director: Mr. Seiichi Tanaka joined Mitsui & Co., Ltd. after completing a Master's Degree in marine engineering at a university. After a long service in the Ship and Marine Project Division he left the division in 2006 and from 2008 to 2014, he gained experience in corporate management, serving as a Representative Director of Mitsui & Co., Ltd. He has been Outside Director of the Company since June 2016 so his experience and insight may be utilized in the Company's management. He is fulfilling his role of making active suggestions at the Board of Directors meetings and supervising the execution of business through his activities in his position as Remuneration Advisory Committee Chairman and Nominating Advisory Committee Member. Therefore, the Company requests that he again be elected as Outside Director. There is no special interest between Mr. Tanaka and the Company. As Mr. Tanaka satisfies the criteria for independence of Outside Director provided by the Company, the Company has designated him as an independent director pursuant to the regulations of the stock exchanges where its stock is listed, and if he is reelected, the Company plans to continue to appoint him as an independent director.</p>	

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
8	<p>Keiji Yamada (April 5, 1954)</p> <p><Reappointed></p> <p><Independent & Outside Director></p> <p>Attendance at Board meetings: 100% (10/10 meetings)</p> <p>Term of office as Outside Director: 1 year</p>	<p>April, 1977 Joined Ministry of Home Affairs (current Ministry of Internal Affairs and Communications)</p> <p>July, 1982 Superintendent of Amakusa Tax Office, National Tax Agency</p> <p>July, 1983 Manager of Local Affairs Division, General Affairs Department, Wakayama Prefecture</p> <p>September, 1985 Deputy General Manager of San Francisco Tourism Promotion Office, Japan National Tourist Organization</p> <p>April, 1989 Manager of Finance Division, General Affairs Department, Kochi Prefecture</p> <p>January, 1992 Investigator, Local Administration Division, Local Administration Bureau, Ministry of Home Affairs</p> <p>July, 1992 Counsellor, Cabinet Legislation Bureau</p> <p>July, 1997 Manager, Land Information Division, Land Bureau, National Land Agency (currently known as Ministry of Land, Infrastructure, Transport and Tourism)</p> <p>August, 1999 Director, General Affairs Department, Kyoto Prefecture</p> <p>June, 2001 Vice-Governor, Kyoto Prefecture</p> <p>April, 2002 Governor, Kyoto Prefecture (Retired in April 2018)</p> <p>April, 2011 President, National Governors' Association (Ditto)</p> <p>April, 2018 Vice-President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law, Kyoto Sangyo University (Current)</p> <p>June, 2019 Outside Director of the Company (Current)</p> <p>March, 2020 Outside Audit & Supervisory Board member, HORIBA, Ltd. (Current)</p>	0 shares

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
		<p>Reasons for nomination as candidate for Outside Director: Mr. Keiji Yamada has experience in prominent positions with central/local governmental offices such as former Ministry of Home Affairs, and also served 4 terms (16 years) as Governor of Kyoto Prefecture. Mr. Yamada does not have prior experience of direct involvement in corporate management by methods other than serving as an outside director, however, he has been an Outside Director of the Company since June 2019 so his wide range of experience/personal network and insight may be utilized in the Company's management. He is fulfilling his role of making active suggestions at the Board of Directors meetings and supervising the execution of business through his activities in his position as Nominating Advisory Committee Member and Remuneration Advisory Committee Member. Therefore, the Company requests that he again be elected as Outside Director. There is no special interest between Mr. Yamada and the Company. As Mr. Yamada satisfies the criteria for independence of Outside Director provided by the Company, the Company has designated him as an independent director pursuant to the regulations of the stock exchanges where its stock is listed, and if he is reelected, the Company plans to continue to appoint him as an independent director.</p>	

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
9	<p>Kozue Shiga (November 23, 1948)</p> <p><Newly appointed></p> <p><Independent & Outside Director></p> <p>Attendance at Board meetings: –</p> <p>Term of office as Outside Director: –</p> <p>Term of office as Audit & Supervisory Board Member: 4 years</p>	<p>November, 1967 Joined Japan Airlines Co., Ltd.</p> <p>April, 1993 Commissioned as public prosecutor</p> <p>April, 1998 Registered with Daiichi Tokyo Bar Association</p> <p>August, 1999 Established Shiga Law Office</p> <p>October, 2005 Partner, Shiraishi Sogo Law Office (retired in December 2018)</p> <p>June, 2010 Outside Audit & Supervisory Board Member, Shinsei Bank, Ltd. (retired in June 2018)</p> <p>June, 2015 Outside Director, Ricoh Leasing Co., Ltd. (Current)</p> <p>June, 2016 Outside Audit & Supervisory Board Member (Current)</p> <p>January, 2019 Of Counsel, Shiraishi Sogo Law Office (Current)</p> <p>Reasons for nomination as candidate for Outside Director: Ms. Kozue Shiga has expert knowledge and experience as a lawyer, and she assumed Outside Audit & Supervisory Board Member of the Company in June 2016 after having served as an outside director and auditor of several listed companies. Though she does not have prior experience of direct involvement in corporate management by methods other than serving as an outside board member, the Company judges, based on her achievements in the improvement of audit and supervisory functions of the Company group, that she has expertise and personality appropriate to take a part of the Board and also will contribute to improvement in its diversity. Accordingly, the Company requests her election as Outside Director. There is no special interest between Ms. Shiga and the Company. Ms. Shiga satisfies the criteria for independence of Outside Director provided by the Company, and if she is elected as a Director, the Company plans to designate her as an independent director pursuant to the regulations of the stock exchanges where its stock is listed.</p>	600 shares

Note: Ms. Kozue Shiga's attendance at Board meetings refers to meetings that she attended as an outside Audit & Supervisory Board Member.

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
10	Ryuhei Uchida (October 6, 1977) <Reappointed> <Outside Director> Attendance at Board meetings: 100% (10/10 meetings) Term of office as Outside Director: 1 year	<p>April, 2002 Joined Mitsubishi Corporation</p> <p>December, 2009 Joined Innovation Network Corporation of Japan, Vice-President of Investment</p> <p>December, 2012 Joined Effissimo Capital Management Pte Ltd, Director (Current)</p> <p>June, 2019 Outside Director of the Company (Current)</p> <p>Reasons for nomination as candidate for Outside Director: Mr. Ryuhei Uchida first joined Mitsubishi Corporation, mainly served for supporting investments for Japanese and foreign non-listed companies, then joined Innovation Network Corporation of Japan, being in charge of investments for foreign non-listed companies and supporting business start-ups for Japanese non-listed companies, as well as also serving as an Outside Director for both British and Chilean companies. Currently he is in charge of managing investments of Japanese-listed companies as a Director of our shareholder, Effissimo Capital Management Pte Ltd. He has been an Outside Director of the Company since June 2019 so his abundant experience and insight in corporate value enhancement may be utilized in the Company's management. The Company judges that his proactive opinions given as a Director with the site as our shareholder and his precise supervision on its management and the execution of business will benefit general shareholders and contribute to improving the Group's corporate governance. Therefore, the Company requests that he again be elected as Outside Director. There is no special interest between Mr. Uchida and the Company. Mr. Uchida satisfies the requisite for Outside Director in the Companies Act; however, due to conflicts with the shareholder requisite in the criteria for independence of Outside Directors provided by the Company, the Company requests him to be elected as a non-independent Outside Director.</p>	0 shares

- Notes: 1) Messrs. Seiichi Tanaka, Keiji Yamada, Ms. Kozue Shiga and Mr. Ryuhei Uchida are candidates for Outside Director.
- 2) The Company has concluded a limited liability contract with Messrs. Seiichi Tanaka, Keiji Yamada and Ryuhei Uchida pursuant to Article 427, Paragraph (1) of the Companies Act. If the proposition is accepted, the Company intends to extend the contract with them and conclude the same contract with Ms. Kozue Shiga. The Company has currently concluded a contract with Ms. Kozue Shiga limiting her liability as an Audit & Supervisory Board Member.
The overview of the contract is as follows.
Pursuant to the provisions of Article 427, Paragraph (1) of the Companies Act, when acting in good faith and in the absence of any serious negligence, Directors (excluding those who are Executive Directors, etc.) or Audit & Supervisory Board Member may bear liability of 10,000,000 yen or the minimum liability amount stipulated in Article 425, Paragraph (1) of the Companies Act, whichever is higher, for the liabilities stipulated in Article 423, Paragraph (1) of the Companies Act.

<For your reference> Policies and Procedures for Nomination of Candidates for Directors

To achieve the medium-term management plan, the Company's Board of Directors shall consist of a variety of individuals including those with experience in managing corporations and other large organizations and those with expertise in the operational, technical, financial and other aspects of the shipping industry. This is to ensure constructive discussions and supervision based on diverse backgrounds and knowledge. The Company shall give extra consideration to such diversity when selecting candidates for Directors and the Audit & Supervisory Board Members. In addition, with respect to the size of the Board of Directors, for the time being the number of Directors shall range from eight to 10, of which at least two shall be Independent Outside Directors who satisfy the Company's criteria.

The Nominating Advisory Committee, comprised of all Independent Outside Directors, the Chairman and the President & CEO, shall deliberate on the nomination of candidates for Directors in a fair, transparent and rigorous manner in response to consultation with the Board of Directors, and the Board of Directors shall determine candidates for Directors, respecting the recommendations of the Nominating Advisory Committee.

Proposition 2: Election of one (1) Audit & Supervisory Board Member

Audit & Supervisory Board Member Kozue Shiga will retire from her position upon conclusion of this meeting.

It is therefore requested that one (1) Audit & Supervisory Board Member be elected at this meeting.

The Audit & Supervisory Board has already given its prior consent to the submission of this proposition.

The candidate is:

Name (Date of birth)	Career summaries and positions in the Company (Significant concurrent positions)	Number of the Company's shares held
<p>Shinsuke Kubo (March 4, 1956)</p> <p><Newly appointed></p> <p><Independent & Outside Audit & Supervisory Board Member></p> <p>Attendance at Board meetings: —</p> <p>Attendance at Audit & Supervisory Board meetings: —</p>	<p>April, 1979 Joined Sanwa & Co. (currently known as Deloitte Touche Tohmatsu LLC)</p> <p>March, 1982 Registered as Certified Public Accountant</p> <p>June, 1998 Representative Partner, Tohmatsu & Co. (currently known as Deloitte Touche Tohmatsu LLC)</p> <p>September, 2017 Retired from Deloitte Touche Tohmatsu LLC</p> <p>October, 2017 Managing Partner, Shinsuke Kubo CPA Office (Current)</p> <p>January, 2018 Representative Director, Japan Enterprise Sustainable Transformation Advisory Co., Ltd. (Current)</p> <p>May, 2018 Representative Partner, Kyoei Accounting Office (Current)</p> <p>June, 2018 Outside Audit & Supervisory Board Member, Japan Airlines Co., Ltd. (Current)</p>	<p>0 shares</p>
	<p>Reasons for nomination as candidate for Outside Audit & Supervisory Board Member: Mr. Shinsuke Kubo, a CPA in Japan, has a variety of achievements and experiences through his work with both Japanese and foreign audit firms, in the fields of auditing, IPO support, corporate revitalization and M&A. He also has abundant experience in founding and managing companies that support venture businesses and reactivation of businesses, and the Company judges that he will perform effective auditing from an outside independent standpoint as an Outside Audit & Supervisory Board Member. Accordingly, the Company requests his election as an Outside Audit & Supervisory Board Member. There is no special interest between Mr. Kubo and the Company. As there is no possibility that conflict of interest may occur between Mr. Kubo and general shareholders, if he is elected as an Outside Audit & Supervisory Board Member, the Company plans to designate him as an independent director pursuant to the regulations of the stock exchanges where its stock is listed.</p>	

Notes: 1) Mr. Shinsuke Kubo is a candidate for Outside Audit & Supervisory Board Member.

2) Japan Airlines Co., Ltd., where Mr. Shinsuke Kubo currently serves as Outside Audit & Supervisory Board Member, was found to have committed serious violations that affect the safety of aviation in December 21, 2018, such as issues concerning consumption of alcohol of the operating crews, changes in crew formation, etc., and received a “Business Improvement Order To Ensure Safety of Air Transport” from the Ministry of Land, Infrastructure, Transport and Tourism. Also in December 21, 2018,

Japan Air Commuter Co., Ltd., a subsidiary of Japan Airlines Co., Ltd., received an administrative warning regarding misconduct by a flight crew and insufficient safety management system. On January 11, 2019, Japan Airlines Co., Ltd. received a business improvement advisory to ensure safety of air transport due to a case of alcohol consumption by a cabin crew. Furthermore, on April 9, 2019, J-AIR Corporation, a subsidiary of Japan Airlines Co., Ltd., received an administrative warning regarding insufficient safety management system. On October 8, 2019, Japan Airlines Co., Ltd. again received a business improvement order for ensuring the safety of air transportation as it was recognized that the company's flight crew management and safety management systems were inadequate. On the same date, Japan Transocean Air Co., Ltd., a subsidiary of Japan Airlines Co., Ltd., was issued an administrative warning regarding insufficient internal safety management systems of the company after a violation of regulations relating to alcohol testing by a flight crew. Although Mr. Kubo had no knowledge of the facts until the matters were brought to light, he had been providing suggestions based on his perspective of legal compliance at meetings of the Board of Directors and other venues. In addition, since the cases were acknowledged, he has been fulfilling his responsibilities, including giving advice on thorough investigations regarding the cases and formulation of recurrence-preventive measures.

- 3) If the proposition is accepted, the Company intends to conclude a limited liability contract with Mr. Shinsuke Kubo pursuant to Article 427, Paragraph (1) of the Companies Act. An overview of the contract is as follows.
Pursuant to the provisions of Article 427, Paragraph (1) of the Companies Act, when acting in good faith and in the absence of any serious negligence, Audit & Supervisory Board Members may bear liability of 10,000,000 yen or the minimum liability amount stipulated in Article 425, Paragraph (1) of the Companies Act, whichever is higher, for the liabilities stipulated in Article 423, Paragraph (1) of the Companies Act.

Proposition 3: Election of one (1) Substitute Audit & Supervisory Board Member

It is requested that one (1) substitute Audit & Supervisory Board Member be elected as a substitute for Outside Audit & Supervisory Board Member at this meeting. This is a precaution against cases where there is a vacancy which results in a shortfall in the number of the Audit & Supervisory Board Members prescribed by laws and regulations.

The Audit & Supervisory Board has already given its prior consent to the submission of this proposition.

The candidate is:

Name (Date of birth)	Career summaries and positions in the Company (Significant concurrent positions)	Number of the Company's shares held
<p>Mari Ebisui (October 8, 1960)</p>	<p>April, 1985 Joined Ajinomoto General Foods, Inc. (current Ajinomoto AGF, Inc.)</p>	<p>0 shares</p>
	<p>March, 1998 Joined KPMG Peat Marwick, Tokyo Office (current KPMG Tax Corporation)</p>	
	<p>July, 2001 Representative Director, Ebisui Accounting & Consulting LLC (Current)</p>	
	<p>July, 2001 Registered as U.S. Certified Public Accountant (State of Illinois)</p>	
	<p>November, 2006 Registered as U.S. Certified Public Accountant (State of Washington)</p>	
	<p>April, 2008 Registered as Certified Fraud Examiner</p>	
<p><Newly appointed></p> <p><Independent & Outside Audit & Supervisory Board Member></p>	<p>Reasons for nomination as candidate for Substitute Outside Audit & Supervisory Board Member: Ms. Mari Ebisui is a CPA in the United States and has abundant experience in accounting reporting, auditing, and international taxation, which she acquired through working at an international accounting office and at an accounting consulting company. Furthermore, as she also has diverse knowledge related to compliance, internal controls, and related matters as Certified Fraud Examiner, the Company judges that she will perform effective auditing from an outside independent standpoint as an Outside Audit & Supervisory Board Member. Accordingly, the Company requests her election as a substitute Audit & Supervisory Board Member of an Outside Audit & Supervisory Board Member. There is no special interest between Ms. Ebisui and the Company. As there is no possibility that conflict of interest may occur between Ms. Ebisui and general shareholders, if she assumes office as an Audit & Supervisory Board Member, the Company plans to designate her as an independent director pursuant to the regulations of the stock exchanges where its stock is listed.</p>	

- Notes: 1) Ms. Mari Ebisui is a candidate for substitute Audit & Supervisory Board Member of an Outside Audit & Supervisory Board Member.
- 2) If Ms. Mari Ebisui assumes office as Audit & Supervisory Board Member, the Company intends to conclude a limited liability contract with her pursuant to Article 427, Paragraph (1) of the Companies Act. An overview of the contract is as follows. Pursuant to the provisions of Article 427, Paragraph (1) of the Companies Act, when acting in good faith and in the absence of any serious negligence, Audit & Supervisory Board Members may bear liability of 10,000,000 yen or the minimum liability amount stipulated in Article 425, Paragraph (1) of the Companies Act, whichever is higher, for the liabilities stipulated in Article 423, Paragraph (1) of the Companies Act.

<For your reference> Criteria for Independence of Outside Directors

The Company specifies the criteria for the independence of Outside Directors for the purpose of electing them. An overview is provided below.

None of the following criteria may apply to the respective Outside Director.

1. A person who has become an Executive Director or employee of the Company within the past 10 years.
2. A person who has been a business executor (meaning a business executor as provided for in Article 2, Paragraph (3), Item (6) of the Regulation for Enforcement of the Companies Act; the same shall apply hereinafter) of a corporate group for whom the Company is a major client within the past three years. “A corporate group for whom the Company is a major client” refers to a corporate group that has received payment from the Company in each of the years in this three-year period accounting for over 2% of consolidated sales in each such year for that corporate group
3. A person who has been a business executor of a corporate group that is a major client of the Company within the past three years. “A corporate group that is a major client of the Company” refers to a corporate group who made payment to the Company in each of the years in the three-year period accounting for over 2% of the Company’s consolidated sales in each such year.
4. A person who has, within the past three years, been a business executor of a financial institution or another principal creditor, or its parent company or important subsidiary that plays a critical role in the “K” LINE Group’s financing to such a degree that it is irreplaceable for the Group.
5. A person who has been paid 10 million yen or more or has received other assets in an amount equivalent thereto other than officer’s remuneration from the Group in the past three years; or a person who has, within the past three years, belonged to an audit firm, tax accounting firm, law firm, consulting firm or other professional advisory firm that has been paid 10 million yen or more or other assets in an amount equivalent thereto by the Group in each of the years in the three-year period accounting for over 2% of the total revenues of such juridical person, etc. However, this shall not apply to a person who belongs to such juridical person in outline but has substantially no conflict of interest with the Group (a person who does not receive any compensation from such juridical person, for example).
6. A shareholder holding over 10% of the voting rights of the Company. If the shareholder is a juridical person, a person who has been a business executor of the shareholder or its parent company or subsidiary within the past three years.
7. A person who is a relative of the second or less degree of a person falling under any of the above criteria.

Basic principle of corporate governance

Solid corporate governance is essential for a company to fulfill its social responsibility, respond to the mandate bestowed by stakeholders and achieve sustainable growth.

The Company has been engaged in initiatives to strengthen its framework of corporate governance and to develop and enhance systems for risk management, and continuously strives to increase its corporate value by acting in total accordance with our business ethics while building an organic and effective mechanism of governance, in conjunction with the achievement of increasingly robust earnings and a stronger financial standing.

Evaluation of the effectiveness of the Board of Directors

The Company stipulates in Article 22 of the “Kawasaki Kisen Kaisha, Ltd. CORPORATE GOVERNANCE GUIDELINES” as follows: “Each Director shall perform self-evaluation on the validity of the Board of Directors, his/her performance as a Director, etc. on an annual basis, and submit the results to the Board of Directors. Each year the Board of Directors shall, based on self-evaluation of each Director, analyze and evaluate the effectiveness of the Board of Directors as a whole, and shall disclose a summary of the results in a timely and proper manner.”

Independence and diversity in the composition of the Board of Directors

Ratio of Outside Directors: 4/10 persons 40%

Ratio of female Audit & Supervisory Board Members: 2/4 persons 50%

(As of April 1, 2020)

Please refer to the Company’s website below for details of the principle of corporate governance, details of the corporate governance reports and the results of the evaluation of the effectiveness of the Board of Director.

Front page > CSR > Governance > Corporate Governance

(Attachment)

Business Report
(From April 1, 2019 to March 31, 2020)

1. Matters Related to Current Conditions of the Corporate Group

(1) Business Progress and Results

[General Conditions]

In the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020), the global economy faced very difficult conditions with intensified trade frictions between the U.S. and China and concerns over economic slowdown stemming from growing protectionism. Coupled with geopolitical uncertainties such as enactment of the Brexit bill and economic deceleration in China and emerging countries, consumption and manufacturing have stagnated since the beginning of 2020 due to the spread of novel coronavirus disease (COVID-19), which has started to cause significant restriction of global economic activity.

The Japanese economy saw a certain amount of rush demand prior to a consumption tax hike during the first half. Meanwhile, in the second half, there were concerns over economic deceleration due to a decline in consumption after the tax hike, in addition to the effect of typhoons and the spread of COVID-19 in 2020.

Under such a business environment, in the final year of the present medium-term management plan, “Revival for Greater Strides” —  Value for our Next Century,’ the Company disposed of uneconomical containerships and medium and small size dry bulk vessels. Completed under the structural reforms implemented at the end of the previous fiscal year, the disposal has yielded steady results. In the car carrier business, we returned to profitability due to efforts to drastically realign our service network and restore freight. Business results of OCEAN NETWORK EXPRESS PTE. LTD. (hereinafter referred to as “ONE”), the Company’s equity-method affiliate, also greatly improved and achieved profit on a full-year basis as a result of contract renewal under its own marketing policy for the first time. In addition to these initiatives, the Company has worked to enhance businesses that generate stable earnings, and successfully secured profitability in all items of operating and ordinary income and profit for the period.

As a result, operating revenues for the fiscal year were ¥735.284 billion (down ¥101.446 billion year on year), operating income was ¥6.840 billion (compared to operating loss of ¥24.736 billion for the previous fiscal year), and ordinary income was ¥7.407 billion (compared to ordinary loss of ¥48.933 billion for the previous fiscal year). Profit attributable to owners of the parent was ¥5.269 billion (compared to loss attributable to owners of the parent of ¥111.188 billion for the previous fiscal year).

The average foreign exchange rate in the current fiscal year was ¥109.13/US\$ (yen appreciation of ¥1.54/US\$ compared to the previous fiscal year) and the average fuel oil price was US\$466.99/MT* (up by US\$16.80/MT compared to the previous fiscal year), as we began using compliant fuel oil to abide by the new IMO regulation to limit sulphur content of ships’ fuel oil that came into effect in January 2020.

* MT: Metric ton (one metric ton is 1,000 kilograms)

Operating revenues	Operating income (loss)	Ordinary income (loss)	Profit (loss) attributable to owners of the parent
¥735.3 billion (A decrease of 12.1% year on year)	¥6.8 billion (Loss of ¥24.7 billion in the previous fiscal year)	¥7.4 billion (Loss of ¥48.9 billion in the previous fiscal year)	¥5.3 billion (Loss of ¥111.2 billion in the previous fiscal year)

Dry Bulk Segment (Billions of yen)

Operating revenues	233.8	(a decrease of 14.6% year on year)
Segment profit (loss)	4.1	(a decrease of 7.9% year on year)
Operating revenue composition ratio to total operating revenues	31.8%	

[Dry Bulk Business]

In the Cape-size sector, market rates weakened at the beginning of the current fiscal year due to the lingering effects of a dam break accident that occurred in Brazil in the end of previous fiscal year. However, in accordance with a provision recovery of iron ore in Brazil, market rates showed a recovery trend in the first half of the fiscal year. In the medium and small size vessel sector, business performance remained steady in the first half of the fiscal year, driven by the positive effect of the recovery in market rates in the Cape-size sector, and thanks to the strong demand for shipment of grains from South America. In the second half of the current fiscal year, market rates were sluggish due to the decline in the iron ore volume shipped from Brazil in the Cape-size sector and the slowdown of the cargo movement of grains from South America and steam coal to China in the medium and small size vessel sector, followed by the contraction in transportation demand caused by the spread of COVID-19 around the end of the current fiscal year, affecting all vessel types.

Under these circumstances, the Group strove to reduce operation costs and improve vessel operation efficiency, but partly due to the vessel downtime for the installation of environmentally compatible equipment, the overall Dry Bulk Segment recorded a year-on-year decline both in revenue and profit.

Energy Resource Transport Segment (Billions of yen)

Operating revenues	84.7	(a decrease of 4.5% year on year)
Segment profit (loss)	9.9	(an increase of 298.2% year on year)
Operating revenue composition ratio to total operating revenues	11.5%	

[Tanker and Thermal Coal Carrier Business]

Concerning large crude oil tankers (VLCCs), LPG carriers, and thermal coal carriers, the business stayed firm for mid- and long-term charter contracts and contributed to secure stable profit.

[LNG Carrier and Offshore Energy E&P Business]

Concerning LNG carriers, and drillship and FPSO (Floating Production, Storage and Offloading system), the business stayed firm for mid- and long-term charter contracts and contributed to secure stable profit. Concerning the offshore support vessel business, the vessel supply and demand as well as the market improved.

As a result, the overall Energy Resource Transport Segment recorded a year-on-year decrease in revenue, but a profit increased.

Product Logistics Segment (Billions of yen)

Operating revenues	384.5	(a decrease of 12.8% year on year)
Segment profit (loss)	(2.9)	(loss of ¥49.2 billion in the previous fiscal year)
Operating revenue composition ratio to total operating revenues	52.3%	

[Car Carrier Business]

The volume of finished vehicles shipped by the Group decreased year-on-year because of the rationalization including cancellation and realignment for some unprofitable trades including other-than-Japan trades, even though stable cargo movements were maintained in the trades from the Far East. As a result, the overall car carrier business recorded a year-on-year decrease in revenue but turned a profit by tackling to improve its profitability including improvement in the vessel operation efficiency, a recovery in freight and optimization of the fleet allocation.

[Logistics Business]

The business in the domestic logistics sector performed steadily mainly in warehousing business despite the towage and air cargo/sea freight transportation having been affected by the decline in cargo volume around the end of the current fiscal year caused by the spread of COVID-19. In the meantime, in the international logistics sector, the lifting of air cargo transportation, in intra-Asia as well as to Europe and the United States, was tended to decline year-on-year. As a result, the overall logistics business recorded a year-on-year decline both in revenue and profit.

[Short Sea and Coastal Business]

In the short sea business, the transportation volume steadily increased mainly in steel materials and biomass fuel, in the meantime, it decreased year-on-year in timber products and coal. In the coastal business, the transportation volume increased in liner transportation by the schedule stabilization with improvement of the vessel operation efficiency. In the ferry business, it steadily performed due to the increase in use during the long holiday period however, caused by the spread of COVID-19 around the end of the current fiscal year, resulting in the transportation volume remaining almost unchanged from the previous fiscal year. As a result, the short sea and coastal business overall recorded a year-on-year decline both in revenue and profit with slight lower transportation volume.

[Containership Business]

In the first half of the current fiscal year, ONE achieved recovery in liftings and space utilization, improved the cargo portfolio, and implemented measures to improve its profitability, including reduction of the operational costs through realignment and rationalization of the trades. In the second half of the fiscal year, despite the decline in cargo movement starting after the Lunar New Year triggered by COVID-19, ONE carried out tasks to improve its profitability, including flexibly reducing the number of voyages in accordance with demand, and recorded a year-on-year decrease in revenue, but a loss was narrowed.

As a result, the overall Product Logistics Segment recorded a year-on-year decrease in revenue, but a loss decreased.

Other Segment (Billions of yen)

Operating revenues	32.3	(a decrease of 2.6% year on year)
Segment profit (loss)	1.7	(an increase of 54.0% year on year)
Operating revenue composition ratio to total operating revenues	4.4%	

Other Segment includes but not limited to the Group's ship management service, travel agency service, and real estate and administration service. The segment recorded a year-on-year decrease in revenue but a profit increased.

(2) Financial Position and Results of Operation

Item	FY2016	FY2017	FY2018	FY2019 (current fiscal year)
Operating revenues (Millions of yen)	1,030,191	1,162,025	836,731	735,284
Ordinary income (loss) (Millions of yen)	(52,388)	1,962	(48,933)	7,407
Profit (loss) attributable to owners of the parent (Millions of yen)	(139,478)	10,384	(111,188)	5,269
Basic profit (loss) per share (Yen)	(1,488.23)	111.13	(1,192.08)	56.50
Total assets (Millions of yen)	1,045,209	1,036,886	951,261	896,081
Net assets (Millions of yen)	245,482	243,094	181,233	200,234
Net assets per share of common stock (Yen)	2,341.93	2,326.65	1,110.48	1,083.88
Ratio of current profit to capital equity (ROE) (%)	(48.5)	4.8	(69.4)	5.1
Ratio of ordinary income to total assets (ROA) (%)	(4.8)	0.2	(4.9)	0.8
Capital equity ratio (%)	21.0	20.9	10.9	11.3

(Notes) 1. The Company consolidated its common stock at a ratio of 10 shares to 1, effective October 1, 2017. Accordingly, the basic profit (loss) per share and net assets per share of common stock have been calculated on the assumption that the share consolidation took place at the beginning of FY2016.

2. “Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.” (ASBJ Statement No. 28, issued on February 16, 2018) has been applied from the beginning of FY2018. Deferred tax assets are presented in the “investments and other assets” of the balance sheet, and deferred tax liabilities are presented in the “long-term liabilities.” In addition, figures in total assets and capital equity ratio for FY2017 are presented in figures after the restatement.

3. Overviews of FY2016 to FY2019 are as follows.

FY2016: The global economy was a year of great changes influenced by factors such as concerns about a slowdown in Chinese economic growth, confusion in financial markets due to the U.K.’s vote to leave the EU, and establishment of the new government in the U.S. The dry bulk vessel supply-demand gap is on the way to improving while the market conditions continue to be somewhat unfavorable. In the containership business, cargo movements shifted to an upward trend in the second-half of the fiscal year; however, the revenues decreased considerably from a year earlier due mainly to a slump in the freight market at the beginning of the fiscal year with the loss increasing due partly to the recognition of costs for structural reforms.

FY2017: The global economy continued to be steady throughout the year despite rising geopolitical tensions in some regions and concern over the trade friction between the U.S. and China. In the containership market, although the supply-demand balance did not reach a full-fledged recovery, in the dry bulk business, the cape-size sector market was on the path of recovery backed by vigorous movements of

iron ore and coking coal cargo. Also, the medium-sized and small vessel sector continued to recover moderately, due to robust cargo movements mostly for grain and coal shipments. Despite negative impacts including the rising fuel oil prices and the ongoing appreciation of the yen, the Group returned to profitability at all stages of operating income, ordinary income and profit for the first time in three fiscal years. The contributing factors for the performance improvement included cost cutting measures and streamlining of the vessel allocation, in addition to the effect of the business structural reforms that the Group pressed forward with in the previous two fiscal years.

FY2018: While the global economy continued a firm trend, worsening of the trade friction between the U.S. and China, a deceleration of the Chinese economy, and the specter of the U.K.'s exit from the European Union contributed to lingering sense of uncertainty regarding the future. Amid this situation, in response to the rapidly changing business environment, the Company carried out structural reforms aimed at improving profitability and reducing market-exposed fleets, and recorded a loss. Meanwhile, at the same time the Company reallocated management resources by "Selection and Concentration."

FY2019: The overview for FY2019 is as provided in subsection "(1) Business Progress and Results," pages 27 to 31.

(3) Capital Investment

Over the current fiscal year, the Group made overall capital investments of ¥81.148 billion.

The Dry Bulk, Energy Resource Transport, and Product Logistics segments made capital investments of ¥14.740 billion, ¥45.002 billion, and ¥20.839 billion, respectively, with such outlays primarily centered on ship construction.

In addition to the amounts noted above, the ship management services, travel agency services, real estate rental and administration services, and other businesses made capital investments amounting to ¥0.566 billion.

Meanwhile, sales of fixed assets amounted to ¥52.502 billion, mainly attributable to vessel disposal.

(4) Capital Procurement

The Company obtained a subordinated loan of ¥45.0 billion to appropriate for repayment of interest-bearing debts and capital expenditures mainly for vessels in April 2019. Additionally, the Group raised funds through its own capital and borrowings from financial institutions.

(5) Issues to Address

In FY2020, the impact of COVID-19 pandemic on the global economy and marine cargo movement cannot be forecast, and it is also difficult to make rational forecasts about the Group's businesses. We have therefore left the full-year financial results forecast and dividend forecast undetermined.

●Impact of COVID-19

(i) Recognition of the external environment and main impacts on the Group's business

At this time, envisaged external environmental factors that could impact the Group's businesses include a dampening of Global economic activity and a recession in business sentiment. The accompanying decline in demand for marine cargo movement and transportation, mainly of raw materials and finished products, is likely to cause a slump in shipping market conditions. In this situation, it is difficult to make forecasts;

however, we will monitor the impact on earnings closely and plan to announce a forecast as soon as a rational forecast becomes clear.

(ii) Response to the impact on financial results for the current fiscal year

To minimize the impact on its financial results for the fiscal year ending March 31, 2021, the Group will steadily implement the following measures.

- 1) Shrinking our fleet scale and reduction in fleet operational expenses through vessel allocation rationalization, suspension and laying up of vessels in correspondence with decline in cargo volume
As a countermeasure for the temporary retreat in demand, we will reduce fleet size and thoroughly reduce operating costs.
- 2) Securing sufficient liquidity on hand
We will secure sufficient liquidity on hand, including the use of commitment lines.
- 3) Equity measures
We will shore up equity by proceeding with sales of vessels, real estate, and so forth.
- 4) Overhauling our investment plan
Concentration on businesses leveraging “K” Line’s strengths and businesses with future growth potential

(iii) Measures to maintain safe operation and high quality services

We maintain safe vessel operations and are prioritizing the safety of vessel crew and Group officers and employees. We are steadily implementing the following measures to ensure that, as an integral part of society’s infrastructure, we can maintain stable logistics services.

At sea: Measures to secure onboard safety and maintain safe operation

- Thorough implementation of infection prevention on vessels based on a prevention manual, as well as supply of necessary goods, including preventive gear
- Ensuring the safety of crew and implementation of crew changes sequentially
- Because crew changes obstructed due to travel restrictions by lockdowns in various countries, we aim for early improvement of the situation through making approaches to the related governments and organizations.
- Meticulous care of crew and stand-by crew to ensure safety and maintain high levels of motivation

Onshore: Global telework programs to support the continuation of regular business activities

- Implementation of environmental arrangement for telework programs
Maintaining regular business activities without big problems at present

(6) Status of Principal Subsidiaries, etc. (as of March 31, 2020)

Company name	Paid-in capital	Equity ownership (%)	Core business
KAWASAKI KINKAI KISEN KAISHA, LTD.	2,368 million yen	(50.7)	Marine transportation
“K” LINE LOGISTICS, LTD.	600 million yen	91.9	Air transportation agency
“K” LINE RORO BULK SHIP MANAGEMENT CO., LTD.	400 million yen	100.0	Ship management
DAITO CORPORATION	842 million yen	(51.0)	Harbor transportation
NITTO TOTAL LOGISTICS LTD.	1,596 million yen	(51.0)	Harbor transportation
HOKKAI TRANSPORTATION CO., LTD.	60 million yen	80.1	Harbor transportation
INTERNATIONAL TRANSPORTATION SERVICE, INC.	33.87 million U.S. dollar	70.0	Harbor transportation
“K” LINE BULK SHIPPING (UK) LIMITED	33.97 million U.S. dollar	(100.0)	Marine transportation
“K” LINE LNG SHIPPING (UK) LIMITED	35.90 million U.S. dollar	(100.0)	Marine transportation
K LINE OFFSHORE AS	2,296.91 million Norwegian krone	100.0	Marine transportation
“K” LINE PTE LTD	41.13 million U.S. dollar	100.0	Marine transportation
OCEAN NETWORK EXPRESS PTE. LTD.	3,000.00 million U.S. dollar	(31.0)	Marine transportation

- (Notes) 1. Figures shown in parentheses in the equity ownership column include ownership shares held by subsidiaries, etc.
- The Company’s 50.7% ownership of KAWASAKI KINKAI KISEN KAISHA, LTD. includes 3.1% ownership of other subsidiaries.
 - The Company’s ownership of DAITO CORPORATION and NITTO TOTAL LOGISTICS LTD. is through an investment in KLKG HOLDINGS, Co., Ltd., which was established as a joint stock holding company on April 1, 2019.
 - The Company’s ownership of “K” LINE BULK SHIPPING (UK) LIMITED and “K” LINE LNG SHIPPING (UK) LIMITED is through the Company’s wholly owned subsidiary “K” LINE HOLDING (EUROPE) LIMITED.
 - K LINE OFFSHORE AS increased its capital in April 2019. As a result, its paid-in capital increased from 2,106.91 million Norwegian krone to 2,296.91 million Norwegian krone.
 - OCEAN NETWORK EXPRESS PTE. LTD. running a containership business is an equity-method affiliate but listed above because of the materiality.

(7) Main Locations (as of March 31, 2020)

(i) The Company

Name	Location
Head Office	Iino Building, 1-1, Uchisaiwai-cho 2-chome, Chiyoda-ku, Tokyo, Japan
Registered Head Office	Shinko Building, 8 Kaigan-dori, Chuo-ku, Kobe, Japan
Nagoya Branch	Nagoya International Center Building, 47-1, Nagono 1-chome, Nakamura-ku, Nagoya, Japan
Kansai Branch	Shinko Building, 8 Kaigan-dori, Chuo-ku, Kobe, Japan
Overseas Representative Office	Taipei, Manila, Yangon, Dubai

(Note) On May 24, 2019, the Company established an overseas representative office in Taipei.

(ii) Subsidiaries, etc.

Company name	Location
KAWASAKI KINKAI KISEN KAISHA, LTD.	Tokyo, Kushiro, Sapporo, Tomakomai, Muroran, Hachinohe, Miyako, Naka, Shizuoka, Osaka, Kitakyushu, Oita, Nichinan
“K” LINE LOGISTICS, LTD.	Tokyo, Ichikawa, Nagoya, Osaka
“K” LINE RORO BULK SHIP MANAGEMENT CO., LTD.	Kobe, Tokyo, the Philippines
DAITO CORPORATION	Tokyo, Chiba, Yokohama
NITTO TOTAL LOGISTICS LTD.	Kobe, Tokyo, Nagoya, Osaka, Kurashiki
HOKKAI TRANSPORTATION CO., LTD.	Kushiro, Sapporo, Tomakomai, Tokyo
INTERNATIONAL TRANSPORTATION SERVICE, INC.	U.S.A.
“K” LINE BULK SHIPPING (UK) LIMITED	U.K.
“K” LINE LNG SHIPPING (UK) LIMITED	U.K.
K LINE OFFSHORE AS	Norway
“K” LINE PTE LTD	Singapore
OCEAN NETWORK EXPRESS PTE. LTD.	Singapore

(iii) Other Locations Overseas

Korea, China, Taiwan, Thailand, Singapore, Malaysia, Indonesia, Vietnam, Bangladesh, India, Australia, U.K., Germany, the Netherlands, Belgium, Denmark, Turkey, U.S.A., Mexico, Peru, Chile, Brazil, South Africa
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(8) Status of Employees (as of March 31, 2020)

Name of segment	Dry Bulk	Energy Resource Transport	Product Logistics	Other	Corporate (common)	Total
Number of employees	165	193	4,178	1,238	390	6,164
As of previous fiscal year end	166	212	4,025	1,244	375	6,022
Change from previous fiscal year end	(1)	(19)	153	(6)	15	142

(Note) Employees categorized as “Corporate (common)” are employees belonging to administrative divisions who cannot be categorized as belonging to a particular segment.

(9) Status of Vessels (as of March 31, 2020)

Name of segment	Dry Bulk	Energy Resource Transport		Product Logistics			Total
Vessel type	Dry bulk carriers	Tankers and thermal coal carriers	LNG carriers and offshore support vessels	Car carriers	Short sea and coastal vessels	Containerships	
Category							
Owned							
Number of vessels	58	20	23	38	25	7	171
Deadweight tons	7,066,538	2,473,652	1,301,888	529,072	212,972	460,448	12,044,570
Chartered							
Number of vessels	125	26	2	51	24	39	267
Deadweight tons	16,863,769	2,668,289	152,272	935,091	351,955	3,621,895	24,593,271
Total							
Number of vessels	183	46	25	89	49	46	438
Deadweight tons	23,930,307	5,141,941	1,454,160	1,464,163	564,927	4,082,343	36,637,841

(Note) The numbers of owned vessels include vessels for which ownership is shared and the numbers of deadweight tons include the portions owned by other companies in these vessels.

(10) Reorganizations, etc. (Transfer of Business, Mergers, etc.)

The Company's three domestic harbor transportation subsidiaries (DAITO CORPORATION, NITTO TOTAL LOGISTICS LTD. and SEAGATE CORPORATION) established a joint holding company that became the wholly owning parent company of the three subsidiaries through share transfer on April 1, 2019, and transferred 49% of the total shares of the holding company to Kamigumi Co., Ltd. on the same day.

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

The Group has been investigated by the competition authorities in certain countries in relation to alleged anti-competitive behavior (alleged formation of a cartel) relating to the transportation of automobiles, automotive construction machineries, and other automotive vehicles. In addition, the Group is currently subject to class actions in certain countries in relation to the same matter.

2. Matters Related to Corporate Stocks (as of March 31, 2020)

(1) Number of Authorized Shares: 200,000,000 shares

(2) Number of Issued and Outstanding Shares: 93,938,229 shares

(3) Aggregate Number of Shareholders: 27,533

(4) Major Shareholders (top 10)

Name of shareholders	Number of shares held (Thousands)	Percentage of shares held (%)
ECM MF	12,716	13.56
GOLDMAN SACHS INTERNATIONAL	10,516	11.21
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	5,651	6.02
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SEGR ACCT	4,330	4.61
CGML PB CLIENT ACCOUNT/COLLATERAL	3,708	3.95
Trust & Custody Services Bank, Ltd. (Kawasaki Heavy Industries, Ltd. retirement benefit trust account re-entrusted by Mizuho Trust & Banking Co., Ltd.)	3,392	3.61
IMABARI SHIPBUILDING CO., LTD.	3,283	3.50
The Master Trust Bank of Japan, Ltd. (trust account)	2,811	2.99
Japan Trustee Services Bank, Ltd. (trust account)	2,417	2.57
Sompo Japan Insurance Inc.	1,910	2.03

(Note) Percentage of shares held is calculated excluding treasury stock (195,683 shares).

3. Matters Related to Directors and Audit & Supervisory Board Members

(1) Details of Directors and Audit & Supervisory Board Members (as of March 31, 2020)

Name	Position	Areas of responsibility in the Company and significant concurrent positions
Eizo Murakami	Chairman of the Board	
Yukikazu Myochin	Representative Director, President & CEO	CEO
Harusato Nihei	Representative Director, Senior Managing Executive Officer	Responsible for Finance, Accounting Unit, CFO (Chief Financial Officer)
Atsuo Asano	Representative Director, Senior Managing Executive Officer	Responsible for Dry Bulk Carriers Unit, Responsible for Marine Sector, Advanced Technology, Ship Technical and Environmental Affairs Unit
Yukio Toriyama	Representative Director, Senior Managing Executive Officer	Responsible for General Affairs, Human Resources, Legal, Corporate Legal Risk & Compliance, Corporate Planning, Research, IR & PR Unit, assistance to Internal Audit, CCO (Chief Compliance Officer)
Kazuhiko Harigai	Director, Senior Managing Executive Officer	Responsible for Energy Transportation Business Unit
Akira Okabe	Director	Nominating Advisory Committee Chairman
Seiichi Tanaka	Director	Remuneration Advisory Committee Chairman
Keiji Yamada	Director	Vice-President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law, Kyoto Sangyo University and External Corporate Auditor of HORIBA, Ltd.
Ryuhei Uchida	Director	Director of Effissimo Capital Management Pte Ltd
Tsuyoshi Yamauchi	Standing Audit & Supervisory Board Member	
Kunihiko Arai	Standing Audit & Supervisory Board Member	
Kozue Shiga	Audit & Supervisory Board Member	Of Counsel of Shiraishi Sogo Law Office and Outside Director of Ricoh Leasing Co., Ltd.
Atsumi Harasawa	Audit & Supervisory Board Member	Partner of Igarashi • Watanabe • Esaka Law Office

- (Notes) 1. Directors Akira Okabe, Seiichi Tanaka, Keiji Yamada and Ryuhei Uchida are Outside Directors. The Company has designated Akira Okabe, Seiichi Tanaka and Keiji Yamada as independent directors pursuant to the regulations of each of the stock exchanges on which the Company is listed, and has provided the relevant notifications to each of these exchanges.
2. Audit & Supervisory Board Members Kozue Shiga and Atsumi Harasawa are Outside Audit & Supervisory Board Members. The Company has designated them both as independent auditors pursuant to the regulations of each of the stock exchanges on which the Company is listed, and has provided the relevant notifications to each of these exchanges.
3. Audit & Supervisory Board Member Tsuyoshi Yamauchi has considerable knowledge of financial and accounting matters based on his engagement in a wide range of sectors in corporate divisions, notably in Corporate Planning of the Company. Audit & Supervisory Board Member Kunihiko Arai has considerable knowledge of financial and accounting matters based on his engagement in a wide range of both domestic and overseas sectors including being a Representative at overseas bases of the Company.

4. Director Kiyoshi Hosomizo retired from his position due to resignation on June 18, 2019. Directors Jiro Asakura and Hiromichi Aoki and Audit & Supervisory Board Members Keisuke Yoshida and Toshikazu Hayashi retired from their positions due to the expiration of their terms of office upon the conclusion of the Ordinary General Meeting of Shareholders held on June 21, 2019.
5. Director Keiji Yamada is Vice-President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law of Kyoto Sangyo University, and External Corporate Auditor of HORIBA, Ltd. No special interests exist between the Company and both entities where he concurrently holds the positions.
6. Director Ryuhei Uchida is Director of Effissimo Capital Management Pte Ltd. The entity has submitted a statement of large-volume holdings stating that it holds 38.99% of the issued and outstanding shares of the Company.
7. Audit & Supervisory Board Member Kozue Shiga is Of Counsel of Shiraishi Sogo Law Office and Outside Director of Ricoh Leasing Co., Ltd. No special interests exist between the Company and the both entities where she concurrently holds the positions.
8. Audit & Supervisory Board Member Atsumi Harasawa is Partner of Igarashi • Watanabe • Esaka Law Office. No special interests exist between the Company and the said office.

(2) Directors' and Audit & Supervisory Board Members' Remuneration

(i) Amount of Directors' and Audit & Supervisory Board Members' Remuneration

Category	Number of Persons	Amount (Millions of yen)
Directors	12	312
(of which, Outside Directors)	(4)	(32)
Audit & Supervisory Board Members	6	73
(of which, Outside Audit & Supervisory Board Members)	(3)	(14)

- (Notes)
1. The above table includes one Director who retired from his position due to resignation on June 18, 2019, as well as two Directors and two Audit & Supervisory Board Members who retired from their positions due to the expiration of their terms of office upon the conclusion of the Ordinary General Meeting of Shareholders held on June 21, 2019.
 2. The maximum amount of monetary remuneration and the performance-based share remuneration plan for Directors was set at no more than ¥600 million per year and 620,000 points per year (equivalent to 62,000 shares of the Company's common stock) respectively, by resolution of the Ordinary General Meeting of Shareholders held on June 24, 2016. The above table includes ¥0 million of remuneration relating to the performance-based share remuneration plan for one Director.
 3. The maximum amount of remuneration for Audit & Supervisory Board Members was set at no more than ¥12 million per month by resolution of the Ordinary General Meeting of Shareholders held on June 26, 2006.

(ii) Policies and Procedures for Determining Remuneration

The Board of Directors' policies for determining the remuneration for Directors are as follows.

- The remuneration for Executive Directors shall be appropriate, fair, and balanced so as to reflect the Company's medium- to long-term business performance and the latent risks borne by said Executive

Directors and to further enhance their willingness and motivation to bring about the Company's sustainable growth and maximize its corporate value.

- The remuneration for Outside Directors shall reflect the amount of time devoted to the Company's business, and the responsibilities borne by them, and shall not include business performance-linked factors.
- The amount of remuneration for each individual Director shall be fair and adequate in consideration of the Company's business performance and in light of the levels of remuneration paid by other comparable companies.

The Board of Directors' procedures for determining remuneration for Directors are as follows.

- The institutional design and level of remuneration for Directors shall be deliberated on, resolved, and recommended to the Board of Directors by the Remuneration Advisory Committee pursuant to the aforementioned policies.
- The Board of Directors shall determine the remuneration for each Director within the limit of the maximum yearly remuneration for Directors resolved at the General Meeting of Shareholders.

The Remuneration Advisory Committee shall comprise all Independent Outside Directors, the Chairman, and the President & CEO. The chairperson shall be appointed from among committee members who are Independent Outside Directors.

The remuneration for Audit & Supervisory Board Members shall solely comprise monthly remuneration, which is determined after deliberations by Audit & Supervisory Board Members, within the limit of the maximum amount of monthly remuneration for Audit & Supervisory Board Members resolved at the General Meeting of Shareholders.

<For your reference>

Overview of the Design of Remuneration System

Classification	Type of remuneration	Nature of remuneration	Method of determination	Maximum limit of remuneration
Director	1) Monthly remuneration	Fixed remuneration	Remuneration is determined in accordance with position and performance rating.	Within 600 million yen / year
	2) Bonuses based on consolidated performance*	Variable remuneration	Linked to the degree of achievement of consolidated performance targets in single fiscal years	
	3) Performance-based share remuneration (BBT)*		Linked to the Company's medium- to long-term total shareholders return (TSR) TSR = The rate of increase of the Company's shares over a fixed period + The dividend rate over the fixed period (Total dividend ÷ Initial share price)	Over the 4 fiscal years from FY ended March 31, 2017 up until FY ending March 31, 2020: (1) Amount contributed to the trust by the Company: 480 million yen (2) Maximum points awarded to Directors in any 1 FY: 620,000 points (equivalent to 62,000 shares)
Audit & Supervisory Board Member	Monthly remuneration only	Fixed remuneration	Determined following deliberation among Audit & Supervisory Board Members	Within 12 million yen / month

* Limited to Executive Directors

(3) Matters Related to Outside Directors and Outside Audit & Supervisory Board Members

Status of Main Activities During the Fiscal Year Under Review

Name	Position	Status of main activities
Akira Okabe	Outside Director	Mr. Okabe attended 13 of the 14 meetings of the Board of Directors held during the current fiscal year. He made comments as appropriate from an objective standpoint as an Outside Director based on his abundant experience and knowledge as a corporate manager.
Seiichi Tanaka	Outside Director	Mr. Tanaka attended all 14 of the meetings of the Board of Directors held during the current fiscal year. He made comments as appropriate from an objective standpoint as an Outside Director based on his abundant experience and knowledge as a corporate manager.
Keiji Yamada	Outside Director	Mr. Yamada attended all 10 meetings of the Board of Directors held after his assumption of office in June 2019. He made comments as appropriate from an objective standpoint as an Outside Director based on his wide range of experience/personal network and insight from his long-term experience as a head of administrative organs.
Ryuhei Uchida	Outside Director	Mr. Uchida attended all 10 meetings of the Board of Directors held after his assumption of office in June 2019. He made comments as appropriate from an objective standpoint as an Outside Director based on his abundant experience and insight in corporate value enhancement at a general trading company and investment funds.
Kozue Shiga	Outside Audit & Supervisory Board Member	Ms. Shiga attended 13 of the 14 meetings of the Board of Directors and all 14 of the meetings of the Audit & Supervisory Board held during the current fiscal year. She made comments as appropriate from an expert perspective as a lawyer.
Atsumi Harasawa	Outside Audit & Supervisory Board Member	Ms. Harasawa attended all 10 meetings of the Board of Directors and all 10 meetings of the Audit & Supervisory Board held after her assumption of office in June 2019. She made comments as appropriate from an expert perspective as a lawyer.

(4) Overview of Contents of Limited Liability Contracts

The Company's Articles of Incorporation stipulate that, pursuant to the provisions of Article 427, Paragraph (1) of the Companies Act, the Company may conclude limited liability contracts as prescribed in Article 423, Paragraph (1) of the said Act with Directors (excluding Executive Directors) and Audit & Supervisory Board Members. Based on the provisions, the Company has concluded limited liability contracts with Non-Executive Directors Eizo Murakami, Akira Okabe, Seiichi Tanaka, Keiji Yamada and Ryuhei Uchida and all Audit & Supervisory Board Members. When acting in good faith and in the absence of any serious negligence, the limit of liability on the basis of any such contract will amount to either ¥10 million or an amount stipulated by laws and regulations, whichever amount may be higher.

Consolidated Financial Statements

Consolidated Balance Sheet

(Millions of yen)

As of
March 31, 2020

ASSETS	
Current assets:	
Cash and deposits	115,394
Accounts and notes receivable-trade	60,022
Raw materials and supplies	25,859
Prepaid expenses and deferred charges	41,302
Short-term loans receivable	2,019
Other current assets	15,649
Allowance for doubtful receivables	(1,215)
Total current assets	259,032
Fixed assets:	
(Tangible assets)	
Vessels	375,507
Buildings and structures	12,438
Machinery and vehicles	9,874
Land	18,336
Construction in progress	8,532
Other tangible assets	6,399
Total tangible assets	431,089
(Intangible assets)	
Other intangible assets	4,329
Total intangible assets	4,329
(Investments and other assets)	
Investments in securities	150,993
Long-term loans receivable	16,857
Assets for retirement benefits	600
Deferred tax assets	5,877
Other investments and other assets	28,377
Allowance for doubtful receivables	(1,077)
Total investments and other assets	201,629
Total fixed assets	637,048
Total assets	896,081

(Note) The amounts presented are rounded down to the nearest million yen.

Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2020
LIABILITIES	
Current liabilities:	
Accounts and notes payable-trade	47,673
Short-term loans and current portion of long-term loans	104,576
Current portion of obligations under finance leases	15,633
Accrued income taxes	2,118
Allowance for loss related to the Anti-Monopoly Act	834
Allowance for loss on liquidation of subsidiaries and affiliates	113
Allowance for loss on chartering contracts	16,474
Allowance for bonuses	2,344
Allowance for directors' bonuses	155
Other current liabilities	46,214
Total current liabilities	236,139
Long-term liabilities:	
Bonds	7,000
Long-term loans, less current portion	379,104
Obligations under finance leases, less current portion	34,136
Deferred tax liabilities	7,609
Deferred tax liabilities on land revaluation	1,174
Allowance for directors' and audit and supervisory board members' retirement benefits	377
Allowance for directors' stock benefits	16
Accrued expenses for overhaul of vessels	11,548
Liability for retirement benefits	7,313
Derivative liabilities	7,277
Other long-term liabilities	4,147
Total long-term liabilities	459,707
Total liabilities	695,847
NET ASSETS	
Shareholders' equity:	
Common stock	75,457
Capital surplus	13,723
Retained earnings	22,050
Treasury stock	(2,379)
Total shareholders' equity	108,852
Accumulated other comprehensive income:	
Net unrealized holding gain on investments in securities	148
Deferred loss on hedges	(3,152)
Revaluation reserve for land	4,631
Translation adjustments	(4,821)
Retirement benefits liability adjustments	(4,562)
Total accumulated other comprehensive income	(7,756)
Non-controlling interests	99,138
Total net assets	200,234
Total liabilities and net assets	896,081

(Note) The amounts presented are rounded down to the nearest million yen.

Consolidated Statement of Operations

(Millions of yen)

	Year ended March 31, 2020
Marine transportation and other operating revenues	735,284
Marine transportation and other operating costs and expenses	671,387
Gross profit	63,897
Selling, general and administrative expenses	57,057
Operating income	6,840
Non-operating income:	
Interest income	1,123
Dividend income	2,565
Equity in earnings of affiliates	8,011
Reversal of allowance for loss related to the Anti-Monopoly Act	375
Other non-operating income	1,608
Total non-operating income	13,685
Non-operating expenses:	
Interest expenses	10,177
Exchange loss, net	1,583
Other non-operating expenses	1,357
Total non-operating expenses	13,117
Ordinary income	7,407
Extraordinary income:	
Gain on sales of fixed assets	4,756
Gain on sales of investments in securities	1,264
Gain on liquidation of subsidiaries and affiliates	2,989
Other extraordinary income	1,192
Total extraordinary income	10,203
Extraordinary losses:	
Loss on impairment of fixed assets	604
Loss on devaluation of investments in securities	5,260
Other extraordinary losses	431
Total extraordinary losses	6,295
Profit before income taxes	11,315
Income taxes:	
Current	3,392
Deferred	(280)
Total income taxes	3,111
Profit	8,204
Profit attributable to non-controlling interests	2,934
Profit attributable to owners of the parent	5,269

(Note) The amounts presented are rounded down to the nearest million yen.

Independent Auditor's Report

May 19, 2020

The Board of Directors
Kawasaki Kisen Kaisha, Ltd.

Ernst & Young ShinNihon LLC
Tokyo, Japan

Designated Engagement Partner
Certified Public Accountant

Designated Engagement Partner
Certified Public Accountant

Designated Engagement Partner
Certified Public Accountant

Opinion

Pursuant to Article 444, Section 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of operations, the consolidated statement of changes in net assets, and notes to the consolidated financial statements of Kawasaki Kisen Kaisha, Ltd. (the "Company") applicable to the fiscal year from April 1, 2019 to March 31, 2020.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position and results of operations of the Group, which consisted of the Company and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2020, 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 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.

Responsibilities of Management, Corporate Auditor and Board of Corporate Auditors 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.

Corporate Auditor and Board of Corporate Auditors 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.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, 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 Corporate Auditor and Board of Corporate Auditors 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 Corporate Auditor and Board of Corporate Auditors 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.

Conflicts of Interest

We have no interest in the Company and its consolidated subsidiaries which should be disclosed in accordance with the Certified Public Accountants Act.

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheet

	(Millions of yen)
	As of March 31, 2020
ASSETS	
Current assets:	
Cash and deposits	48,774
Accounts receivable-shipping	25,403
Advances paid	2,972
Supplies	20,118
Prepaid expenses and deferred charges	39,426
Accounts receivable from agencies	7,420
Short-term loans receivable	4,201
Other current assets	8,228
Allowance for doubtful receivables	(957)
Total current assets	155,587
Fixed assets:	
(Tangible assets)	
Vessels	69,528
Buildings	947
Structures	64
Machinery and equipment	13
Vehicles and transportation equipment	35
Equipment and fixtures	213
Land	4,592
Construction in progress	4,338
Other tangible assets	302
Total tangible assets	80,036
(Intangible assets)	
Software	569
Other intangible assets	6
Total intangible assets	576
(Investments and other assets)	
Investments in securities	11,982
Shares of subsidiaries and affiliates	198,925
Investments in capital	506
Investments in capital of subsidiaries and affiliates	4,835
Long-term loans receivable	6,010
Long-term loans receivable from employees	463
Long-term loans receivable from subsidiaries	34,351
Long-term prepaid expenses	10,776
Prepaid pension cost	2,734
Lease investment assets	19,279
Lease and guarantee deposits	1,767
Other investments and other assets	140
Allowance for doubtful receivables	(637)
Total investments and other assets	291,136
Total fixed assets	371,748
Total assets	527,336

(Note) The amounts presented are rounded down to the nearest million yen.

Non-Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2020
LIABILITIES	
Current liabilities:	
Accounts payable-shipping	37,259
Current portion of bonds	3,000
Short-term loans and current portion of long-term loans	58,800
Current portion of obligations under finance leases	4,607
Accounts payable-other	893
Accrued expenses	158
Accrued income taxes	123
Advances received	19,107
Deposits received	8,138
Accounts payable to agencies	819
Allowance for loss related to the Anti-Monopoly Act	834
Allowance for loss on liquidation of subsidiaries and affiliates	240
Allowance for loss on chartering contracts	17,902
Allowance for bonuses	611
Other current liabilities	1,998
Total current liabilities	154,497
Long-term liabilities:	
Bonds	7,000
Long-term loans, less current portion	251,994
Long-term loans payable from subsidiary	50,184
Obligations under finance leases, less current portion	16,682
Allowance for employees' retirement benefits	507
Allowance for directors' stock benefits	16
Accrued expenses for overhaul of vessels	157
Deferred tax liabilities	3,357
Deferred tax liabilities on land revaluation	877
Other long-term liabilities	3,480
Total long-term liabilities	334,258
Total liabilities	488,756
NET ASSETS	
Shareholders' equity:	
Common stock	75,457
Capital surplus:	
Capital reserve	1,300
Total capital surplus	1,300
Retained earnings:	
Other retained earnings	
Reserve for advanced depreciation	234
Retained earnings carried forward	(43,381)
Total other retained earnings	(43,146)
Total retained earnings	(43,146)
Treasury stock	(2,331)
Total shareholders' equity	31,279
Valuation and translation adjustments:	
Net unrealized holding gain on investments in securities	10
Deferred gain on hedges	5,232
Revaluation reserve for land	2,057
Total valuation and translation adjustments	7,300
Total net assets	38,579
Total liabilities and net assets	527,336

(Note) The amounts presented are rounded down to the nearest million yen.

Non-Consolidated Statement of Operations

(Millions of yen)

	Year ended March 31, 2020
Marine transportation revenues	
Freight	364,338
Charter hire	108,458
Other marine transportation revenue	26,050
Total marine transportation revenues	498,847
Marine transportation expenses	
Operating costs and expenses	192,513
Vessel expenses	8,400
Charter hire:	
Charter hire	246,915
Provision of allowance for loss on chartering contracts	17,531
Other marine transportation expenses	26,286
Total marine transportation expenses	491,647
Marine transportation income	7,200
Other business revenue	53
Other business expenses	50
Other business income	3
Gross operating income	7,203
General and administrative expenses	14,842
Operating loss	(7,638)
Non-operating income:	
Interest income	1,090
Dividend income	11,679
Reversal of allowance for loss related to the Anti-Monopoly Act	375
Other non-operating income	1,910
Total non-operating income	15,056
Non-operating expenses:	
Interest expenses	5,098
Interest on bonds	95
Financing expenses	1,812
Exchange loss, net	2,015
Provision of allowance for doubtful receivables	515
Other non-operating expenses	866
Total non-operating expenses	10,402
Ordinary loss	(2,984)
Extraordinary income:	
Gain on sales of shares of subsidiaries	31,312
Other extraordinary income	1,849
Total extraordinary income	33,161
Extraordinary losses:	
Loss on devaluation of investment in securities	4,115
Loss on liquidation of subsidiaries and affiliates	566
Other extraordinary losses	263
Total extraordinary losses	4,944
Profit before income taxes	25,232
Income taxes:	
Current	(171)
Deferred	(27)
Total income taxes	(198)
Profit	25,430

(Note) The amounts presented are rounded down to the nearest million yen.

Independent Auditor's Report

May 19, 2020

The Board of Directors
Kawasaki Kisen Kaisha, Ltd.

Ernst & Young ShinNihon LLC
Tokyo, Japan

Designated Engagement Partner
Certified Public Accountant

Designated Engagement Partner
Certified Public Accountant

Designated Engagement Partner
Certified Public Accountant

Opinion

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of operations, the statement of changes in net assets, notes to the financial statements the related supplementary schedules of Kawasaki Kisen Kaisha, Ltd. (the "Company") applicable to the 152nd fiscal year from April 1, 2019 to March 31, 2020.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position and results of operations of the Company applicable to the fiscal year ended March 31, 2020, 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 Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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.

Responsibilities of Management, Corporate Auditor and Board of Corporate Auditors for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Corporate Auditor and Board of Corporate Auditors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Corporate Auditor and Board of Corporate Auditors 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 Corporate Auditor and Board of Corporate Auditors 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.

Conflicts of Interest

We have no interest in the Company which should be disclosed in accordance with the Certified Public Accountants Act.

(TRANSLATION PURPOSE ONLY)

Copy of the Audit & Supervisory Board's Report

AUDIT REPORT

With respect to the Directors' execution of their duties during the 152nd term from April 1, 2019 to March 31, 2020, the Audit & Supervisory Board has prepared this Audit Report after deliberations based on the audit reports prepared by each Audit & Supervisory Board Member. We hereby report as follows:

1. Method and Contents of Audit by the Audit & Supervisory Board Members and the Audit & Supervisory Board

- (1) The Audit & Supervisory Board has established the audit policies, audit plans, etc. and received a report from each Audit & Supervisory Board Member regarding the status of implementation of their audit and results thereof. In addition, we have received reports from the Directors, Executive Officers and the Accounting Auditor regarding the status of execution of their duties, and requested their explanations as necessary.
- (2) In conformity with the Audit & Supervisory Board Member auditing standards established by the Audit & Supervisory Board, and in accordance with the audit policies, audit plans, etc., each Audit & Supervisory Board Member endeavored to facilitate a mutual understanding with the Directors, Executive Officers, the internal audit division and other employees, etc. of the Company, endeavored to collect information and maintain and improve the audit environment, and conducted an audit by following the methods described below:
 - ① Each Audit & Supervisory Board Member has attended the meetings of the Board of Directors and other important meetings, received reports on the status of execution of duties from the Directors and other employees and requested explanations as necessary, examined important approval/decision documents, and investigated the status of operations and assets of the headquarters and other major offices. Moreover, with respect to the subsidiaries, each Audit & Supervisory Board Member endeavored to facilitate a mutual understanding and exchanged information with the directors and audit & supervisory board members, etc. of each subsidiary, and received reports on their respective business from the subsidiaries as necessary.
 - ② Each Audit & Supervisory Board Member received regular reports from Directors and employees, requested explanations as necessary, and conveyed their views, regarding the contents of deliberations at Board of Directors' meetings and the framework and operational status of systems (internal control systems) established on the basis of resolutions thereof to establish systems to ensure that directors perform their duties specified in the business report in compliance with relevant laws and regulations and the Articles of Incorporation, and other systems set forth in Article 100, Paragraphs (1) and (3), of the Regulation for Enforcement of the Companies Act as being necessary for ensuring that business of the corporate group comprised of the stock company and its subsidiaries is carried out in a manner appropriate to a joint stock company (kabushiki kaisha). In addition, with regard to the internal controls for financial reporting, we received reports from the Directors and Ernst & Young ShinNihon LLC regarding the evaluation of said internal controls and the auditing activities, and requested explanations as necessary.
 - ③ Each Audit & Supervisory Board Member monitored and verified whether the Accounting Auditor maintained its independence and properly conducted its audit, received a report from the Accounting Auditor on the status of their execution of duties, and requested explanations as necessary. Each Audit & Supervisory Board Member was notified by the Accounting Auditor that it had established "systems for ensuring appropriate execution of its duties" (in each item listed in Article 131 of the Regulation on Corporate Accounting) in accordance with the "Quality Control Standards for Audits" (October 28, 2005, Business Accounting Council), and requested explanations as necessary.

Based on the above-described methods, each Audit & Supervisory Board Member examined the business report and supplementary schedules, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of operations, non-consolidated statement of changes in net assets, and notes to non-consolidated financial statements) and their supplementary schedules thereto, as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of operations, consolidated statement of changes in net assets, and notes to consolidated financial statements) for this business year.

2. Results of Audit

(1) Results of Audit of Business Report, etc.

- ① We acknowledge that the business report and the supplementary schedules thereto fairly present the status

- of the Company in conformity with the applicable laws and regulations and the Articles of Incorporation.
- ② We acknowledge that no misconduct or violations of laws and regulations, or the Articles of Incorporation was found with respect to the Directors' execution of their duties.
 - ③ We acknowledge that the Board of Directors' resolutions with respect to the internal control systems are appropriate. We did not find any matter to be mentioned with respect to the descriptions of the business report and the Director's execution of their duties regarding the internal control system including the internal controls for financial reporting.

As noted in this business report, the "K" LINE Group has been subject to investigation by competition authorities in certain countries relating to the transportation of automobiles, etc. The Audit & Supervisory Board confirms that the entire "K" LINE Group undertakes measures to strengthen systems for compliance with competition laws, and fully engages in initiatives to prevent recurrence of such incidents. We will closely monitor the Group to ensure that it continues working to strengthen compliance systems while acting in total accordance with its corporate ethics.

(2) Results of Audit of Non-consolidated Financial Statements and Their Supplementary Schedules

We acknowledge that the methods and results of audit performed by the Accounting Auditor, Ernst & Young ShinNihon LLC, are appropriate.

(3) Results of Audit of Consolidated Financial Statements

We acknowledge that the methods and results of audit performed by the Accounting Auditor, Ernst & Young ShinNihon LLC, are appropriate.

May 20, 2020

The Audit & Supervisory Board of
Kawasaki Kisen Kaisha, Ltd.

Standing Audit & Supervisory Board Member
Standing Audit & Supervisory Board Member
Outside Audit & Supervisory Board Member
Outside Audit & Supervisory Board Member

Tsuyoshi Yamauchi
Kunihiko Arai
Kozue Shiga
Atsumi Harasawa



(Translation)

**INTERNET DISCLOSURE FOR
NOTICE OF THE 152ND ORDINARY GENERAL
MEETING OF SHAREHOLDERS**

**The 152nd term
(From April 1, 2019 to March 31, 2020)**

Core Business
Principal Lenders
Matters Related to Stock Acquisition Rights
Status of Accounting Auditor
System to Ensure Proper Business Operations
Outline of Operational Status of System to Ensure Proper
Business Operations
Consolidated Statement of Changes in Net Assets
Notes to Consolidated Financial Statements
Non-Consolidated Statement of Changes in Net Assets
Notes to Non-consolidated Financial Statements

Kawasaki Kisen Kaisha, Ltd.

Pursuant to the provisions of relevant laws and regulations and Article 19 of the Company's Articles of Incorporation, the items listed above are provided to shareholders on the website of Kawasaki Kisen Kaisha, Ltd. (<https://www.kline.co.jp/en/ir/stock/meeting.html>).

(Note) This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Core Business (as of March 31, 2020)

Dry Bulk Segment	Dry bulk business
Energy Resource Transport Segment	Tanker business, thermal coal carrier business, LNG carrier business and offshore energy E&P support business
Product Logistics Segment	Car carrier business, logistics business, short sea and coastal business, and containership business
Other	Ship management service, travel agency service, and real estate rental and administration service

Principal Lenders (as of March 31, 2020)

Lender	Loan balance (Millions of yen)
Mizuho Bank, Ltd.	134,986
Development Bank of Japan Inc.	77,009
Sumitomo Mitsui Trust Bank, Limited	71,252
MUFG Bank, Ltd.	49,909
The Norinchukin Bank	27,320

Matters Related to Stock Acquisition Rights

No items to report.

Status of Accounting Auditor

- (1) Name of Accounting Auditor
Ernst & Young ShinNihon LLC

- (2) Amount of Remunerations Payable to Accounting Auditor for the Fiscal Year under Review

Item	Amount
1) Amount of remunerations to be paid to Accounting Auditor by the Company	¥90 million
2) Total amount of money and other financial benefits to be paid to Accounting Auditor by the Company and its subsidiaries	¥166 million

- (Notes) 1. The audit contract between the Company and Accounting Auditor does not classify the remuneration amounts separately for audits pursuant to the Companies Act and for audits pursuant to the Financial Instruments and Exchange Act, partially given the impracticality of deriving such classifications. Therefore, the amount listed in 1) is not classified in this way.

Of the Company's principal subsidiaries, etc., accounting auditors other than the Accounting Auditor of the Company audit documents relating to accounts of INTERNATIONAL TRANSPORTATION SERVICE, INC., "K" LINE BULK SHIPPING (UK) LIMITED, "K" LINE LNG SHIPPING (UK) LIMITED, K LINE OFFSHORE AS, "K" LINE PTE LTD and OCEAN NETWORK EXPRESS PTE. LTD.

2. Other than the above remuneration for the fiscal year under review, the Company paid an additional remuneration pertaining to the previous fiscal year of ¥13 million.

- (3) Reason for the Consent to the Amounts of the Remunerations for Accounting Auditor, etc.

The Audit & Supervisory Board obtained necessary materials and received reports from Directors, the related internal departments and the Accounting Auditor. And after conducting the necessary verification and deliberations on whether or not the content of audit plans conducted by the Accounting Auditor, the execution status of Accounting Auditor's duty, the basis for calculation of estimates for its remuneration, etc. are appropriate, the Board gave the consent provided for in Article 399, Paragraph 1 of the Companies Act.

- (4) Details of Non-audit Services (Services Other than Those of Article 2, Paragraph 1 of the Certified Public Accountants Act) Performed by Accounting Auditor

No items to report.

- (5) Policy for Decisions on Dismissal or Non-reappointment of Accounting Auditor

If deemed necessary by the Audit & Supervisory Board in cases such as where an Accounting Auditor has difficulty in the execution of his or her duties, the Audit & Supervisory Board shall determine the content of a proposition regarding the dismissal or non-reappointment of the Accounting Auditor to be submitted to a general meeting of shareholders.

If circumstances involving an Accounting Auditor are deemed to fall under any of the items of Article 340, Paragraph 1 of the Companies Act, the Accounting Auditor shall be dismissed subject to unanimous approval by the Audit & Supervisory Board. In any such case, an Audit & Supervisory Board Member designated by the Audit & Supervisory Board shall report the dismissal of the Accounting Auditor and the grounds for dismissal at the first general meeting of shareholders to be convened after the dismissal.

System to Ensure Proper Business Operations

The Company continues its efforts to establish a system to ensure the execution of duties by its Directors in compliance with laws and regulations and the Articles of Incorporation, as well as a system to ensure the appropriateness of businesses of the corporate group comprised of the Company and its subsidiaries (hereinafter, the “Group”) specified by laws and regulations.

To be precise, the Company’s Board of Directors assumes responsibility for establishing an internal control system, evaluating its effectiveness and ensuring its functions.

Currently, the Company establishes the following systems and will strive to review and improve them on a continuous basis and as necessary in order to enhance the effectiveness of its internal control.

(1) System to ensure the execution of duties by the Company’s Directors, Executive Officers and employees in compliance with laws and regulations as well as the Articles of Incorporation

The Company has established the Charter of Conduct for “K” Line Group Companies and the “K” Line Implementation Guideline for Charter of Conduct, in which the compliance of the Group with laws and regulations as well as business ethics is specified as one of the principles of the conduct. The Directors are required to ensure thorough implementation of compliance and establish an effective internal system in order to achieve it. To that end, the Company constantly implements the following measures:

- (i) The Company promotes the appropriate management of the Board of Directors in accordance with the Rules for the Board of Directors, in order to ensure the executions of duties by the Directors in compliance with laws and regulations as well as the Articles of Incorporation.
- (ii) The Company establishes the Rules for Executive Officers, which specify matters to be complied with by the Executive Officers in order to ensure that the execution of duties by the Executive Officers appointed by the Board of Directors is in compliance with laws and regulations as well as the Articles of Incorporation, and promotes the active and faithful execution of the business delegated to them.
- (iii) The Company establishes internal rules such as the Rules for Employees in order to ensure the execution of duties by the employees in compliance with laws and regulations as well as the Articles of Incorporation.
- (iv) The Internal Audit Group supports the performance of responsibilities by the Board of Directors regarding the establishment, maintenance and improvement of the internal control system through the supervision and verification of the system.
- (v) The Company establishes the Compliance Committee chaired by the President & CEO and strives to develop and maintain its compliance system.
- (vi) The Company establishes a whistle-blowing system called the “Hotline System” in order to identify and appropriately handle legal violations and other compliance issues at an early stage. The Group specifies some internal contacts as well as a law firm as an external contact for whistle-blowers. This system is managed under the Rules for the Hotline System.

(2) System for retaining and managing information pertaining to the execution of duties by the Company’s Directors

The Company appropriately retains and manages information regarding the execution of duties by its Directors in the form of fully searchable data that ensures the availability of perusal at any time, in accordance with the Rules for the Board of Directors and the Regulations for Documentation during the period specified by such rules and regulations.

(3) Rules and systems for the Company to manage risks of loss

The Company remains aware of the risks, as listed below, inherent in the course of conducting business. Accordingly, we will develop systems for addressing the respective risks, and the Crisis Management Committee will take overall charge of crisis and risk management initiatives, and promote such activities.

- Ship-related accidents (including incidents involving seawater contamination)
- Major disasters
- Compliance-related issues
- Other management risks

(4) System to ensure that Directors of the Company execute their duties efficiently

The Company adopts the executive officer system and promotes smooth decision-making on the execution of duties. The Board of Directors determines the fundamental management policies, matters required by laws and regulations, and other important matters regarding the management of businesses, while supervising the execution of duties by the Directors and Executive Officers. A meeting of the Board of Directors should be held at least once a month.

The Company also adopts a system of making resolutions in writing for the Board of Directors, which enables the flexible operation of the board.

In addition to the Board of Directors, the Company hosts a Management Conference that requires the attendance of the Director and Chairman, Executive Officers equivalent to or higher than Senior Executive Officer, Executive Officers responsible for business units, Executive Officers in charge of corporate planning, finance and accounting as well as Audit & Supervisory Board Members once a week in principle. By doing so, the Company establishes a system that contributes to decision-making by the President & CEO based on open discussions.

(5) Systems to ensure proper business operations of the corporate group comprised of the Company and its subsidiaries

The Company establishes the Charter of Conduct for “K” Line Group Companies as the code of conduct applicable to the entire Group, in order to ensure the appropriate operations of its subsidiaries (hereinafter, the “Group companies”). Each Group company establishes internal rules and regulations based on the charter. In addition, the Company establishes the Regulations for Business Operations by Subsidiaries in order to ensure the appropriate operations by its Group companies by supporting and managing the establishment and effective operation of their internal control systems while respecting the independence of these Group companies.

(i) System for reporting matters regarding the execution of duties by Directors, etc. of the Group companies to the Company

The Company establishes the Regulations for Business Operations by Subsidiaries and requires its Group companies to report important matters to the relevant departments of the Company. In addition, the Company provides its hotline contact as well as hotline systems of each Group company for whistle-blowers who identify any legal violations and other compliance issues in each respective office. The Company also hosts the Group Management Meeting twice a year to facilitate information exchange among the Company and the Group companies.

(ii) Rules and systems for managing risk of loss of the Group companies

The Group companies establish their own crisis management system independently according to their business scale and characteristics. The Company establishes the Regulations for Business Operations by Subsidiaries and requires the Group companies to report risks in executing their respective business operations according to the characteristics of their businesses to the Company, which will be handled by the Crisis Management Committee and other organizations.

(iii) System to ensure that Directors, etc. of the Group companies execute their duties efficiently

The Group companies independently manage their respective businesses in principle. The Company establishes the Regulations for Business Operations by Subsidiaries and specifies that certain important matters of the Group companies require approval of, discussion with, or reporting to the Company.

(iv) System to ensure that Directors, etc. and employees of the Group companies execute their duties in compliance with relevant laws and regulations and the Articles of Incorporation

The Company establishes the Charter of Conduct for “K” Line Group Companies and requires the Group companies to comply with the charter. In addition, the Company requires each Group company to establish its Implementation Guideline for Charter of Conduct according to the characteristics of their businesses and verifies the content of such guidelines.

Furthermore, the Company monitors via the Internal Audit Group, etc. the status of compliance and implementation of the internal control system by the Group companies.

(6) Matters concerning the employees who are to assist Audit & Supervisory Board Members in their duties

The Company establishes the Rules Concerning Employees Tasked with the Assisting Audit & Supervisory Board Members, and appoints employees who are required to assist the duties of Audit & Supervisory Board Members (“employees assisting Audit & Supervisory Board Members”) under the

supervision of the Audit & Supervisory Board.

- (7) Matters concerning the independence of the employees assisting Audit & Supervisory Board Members from the Directors of the Company

The Company establishes the Rules Concerning Employees Tasked with the Assisting Audit & Supervisory Board Members, and specifies that it shall not order the employees assisting Audit & Supervisory Board Members to assume other duties concurrently in principle. If it needs to do so due to unavoidable reasons, prior approval should be obtained from the Audit & Supervisory Board. The Audit & Supervisory Board Members evaluate the performance of the employees assisting Audit & Supervisory Board Members. The appointment and transfer of the employees assisting Audit & Supervisory Board Members require prior approval from the Audit & Supervisory Board.

- (8) Matters to ensure the effectiveness of instructions by the Audit & Supervisory Board Members of the Company given to the employees assisting them

When the employees assisting Audit & Supervisory Board Members request the Company for any information materials and/or reporting, the Company will promptly provide such materials and/or reporting.

- (9) System for reporting to the Audit & Supervisory Board Members of the Company by the Directors, Executive Officers and employees of the Company; the Directors, the Audit & Supervisory Board Members, and employees of the Group companies; or a person who received a report from the above persons; and other systems for reporting to Audit & Supervisory Board Members of the Company

The Directors, Executive Officers and employees of the Company are required to report important matters regarding the management and operations of the Company's businesses and the status of executing its business in charge to the Audit & Supervisory Board Members as needed at a meeting of the Board of Directors or other important meetings, as well as to promptly report any compliance issues and other matters that may cause serious damage to the Company, if identified, to the Audit & Supervisory Board in accordance with the Rules for Systems of Reporting to Audit & Supervisory Board Members, Etc. The Directors are required to promptly report matters regarding the execution of duties in an appropriate manner to the Audit & Supervisory Board or its Members when being requested to do so. The Internal Audit Group is required to report the progress of its audits to the Audit & Supervisory Board as necessary and conduct additional audits if being requested to do so by the Audit & Supervisory Board.

The Directors, Audit & Supervisory Board Members and employees of the Group companies are required to report compliance issues and other important matters specified to the relevant department of the Company, and the relevant department is required to report the matter to the Audit & Supervisory Board Members of the Company as necessary in accordance with the Regulations for Business Operations by Subsidiaries. The Company hosts a Group Companies' Audit & Supervisory Board Communication Meeting, in order to share information among the Company, its Group companies and subsidiaries.

- (10) System to ensure the non-unfair treatment of persons who made reporting as described in the above

The Company prohibits the Company or its Group companies, under the Rules for Systems of Reporting to Audit & Supervisory Board Members, Etc. and the Regulations for Business Operations by Subsidiaries, from unfairly treating the Directors, Audit & Supervisory Board Members, Executive Officers and employees of the Company and its Group companies who conducted whistle-blowing to the Audit & Supervisory Board Members of the Company due to the act of such whistle-blowing.

- (11) Matters concerning policies on the advance payments, reimbursements and other procedures for settlements of expenditures and/or liabilities incurred from the execution of duties by the Audit & Supervisory Board Members of the Company

The Company establishes policies on the advance payments and reimbursements and other procedures for settlements of expenditures and liabilities incurred from the execution of duties by the Audit & Supervisory Board Members, and conduct such advance payments and reimbursements and settlements based on the policies.

- (12) Other systems to ensure performance of effective audits by Audit & Supervisory Board Members of the Company

The Company cooperates in developing an environment ensuring effective audits by the Audit & Supervisory Board Members by coordinating regular meetings with the Audit & Supervisory Board

Members and the Representative Directors, arranging collaboration of the Audit & Supervisory Board Members with the Internal Audit Group, and other such means.

(13) System for ensuring the reliability of financial reports

To ensure the reliability of the Group's financial reports, the Company will engage in ongoing efforts to evaluate and improve the effectiveness of internal control systems pertaining to financial reporting, on the basis of Japan's Financial Instruments and Exchange Act, and other relevant laws and regulations.

(14) Fundamental policy toward anti-social forces and status of policy implementation

The Charter of Conduct for "K" Line Group Companies vows that "the "K" Line Group will resolutely confront any anti-social force or organization which may threaten social order and public safety."

Accordingly, the Company establishes a system that enables the swift and appropriate handling of matters relating to anti-social forces occurring within the Group, by appointing a department in charge of handling matters relating to anti-social forces and working with law enforcement officials, expert corporate legal counsel and other external organizations on a normal basis, with the aim of precluding all involvement of anti-social forces and severing any ties that could emerge.

Outline of Operational Status of System to Ensure Proper Business Operations

A summary of the operational status of the above system in the current fiscal year is as follows:

- (1) Status of the Company's efforts made for the system to ensure the execution of duties by the Company's Directors, Executive Officers and employees in compliance with laws and regulations as well as the Articles of Incorporation

The Company carried out the following matters as its efforts for making officers and employees fully aware of the Charter of Conduct for "K" Line Group Companies and the "K" Line Implementation Guideline for Charter of Conduct, for ensuring compliance within the Company and for establishing an effective internal system to achieve it.

- (i) The "K" Line Group Global Compliance Policy (hereinafter "Global Policy"), which was established in January 2017, aims to strengthen the Group compliance system at a global level. The Company requires executives and employees of the Company and the Group companies to comply with the Global Policy. In addition, the Company works to make the Global Policy the code of conduct for the day-to-day duties for executives and employees of the Company and the Group companies through seminars conducted by the division dedicated to the initiative, delivery of a guidebook, activities by a special committee, and other initiatives.
- (ii) Regarding compliance with domestic and foreign competition laws, the Company works to ensure compliance of executives and employees with the Regulation for Compliance with Anti-Monopoly Act and implemented the initiative to further strengthen compliance consciousness concerning competition laws through promoting educational and awareness-raising activities by a division dedicated to the initiative. In addition, the Company monitors and supervises the status of implementation of measures for compliance by conducting business process audits. With respect to contacts with competitor companies, the Company strictly enforces rules on prior reporting and approval, recoding and storing details of the contacts in accordance with the nature of the contact.
- (iii) To further enhance the system against bribery, based on the Global Policy, including individual policies relating to anti-bribery act, the Company enhances its initiatives against bribery and corruption as a member of the Maritime Anti-Corruption Network (MACN), which is a global business network working towards the vision of a maritime industry free of corruption.
- (iv) In November 2019, the Company revised the Global Policy (individual policies relating to economic sanctions and anti-money laundering was added). The Company ensures executives and employees of the Company and the Group companies to comply with the regulations regarding the economic sanctions as well as the rules and measures for the anti-money laundering and the countering financing of terrorism that are applicable to the business of the Group.
- (v) In order to quickly find information related to its management risks at its overseas companies and to manage them uniformly, the Company established a Global Hotline System in October 2018. The Company has already established a Hotline System for the Company and its domestic Group companies. Both systems ensure thorough protection for the reporter and confidentiality regarding the report. Furthermore, in June 2019, the Company partially revised their rules to improve the systems so that the reporter can more safely ask for advice and make a report.
- (vi) The Company discusses the policy for securing the compliance throughout the Company and the Group companies as well as measures to address compliance violations through the Compliance Committee chaired by the President & CEO. Under the Chief Compliance Officer (CCO), who has the ultimate responsibility for compliance, the Company strengthens compliance throughout the organization.
- (vii) The Company sets every November as the dedicated compliance-awareness month when the Company distributes a message from the President & CEO to executives and employees of the Company and the Group companies to remind them of the importance of compliance. The Company also holds a compliance e-learning training and a compliance seminar featuring lecturers invited from outside the company. Furthermore, as part of the Company's stratified personnel training system, it conducts compliance training and holds seminars focused on individual themes (such as insider trading and harassment prevention) as appropriate. In addition, the Company distributes, as necessary, a "Compliance Newsletter" to report the important compliance-related matters that require particular attention

- (2) Status of the Company's efforts made for rules and systems for the Company to manage risks of loss

The Risk Management Committee had two meetings in order to recognize and promote crisis and risk management activities in general.

In October 2019, the Company held a large-scale accident response drill in the event of an occurrence of ship-related accidents.

- (3) Status of the Company's efforts made for the system to ensure that Directors of the Company execute their duties efficiently

The Board of Directors consists of 10 Directors including four Outside Directors, and the meetings of the Board of Directors were held 14 times. The meetings of the Board of Directors determined the fundamental management policies, matters required by laws and regulations, and other important matters regarding the management of businesses, while supervising the execution of duties by the Directors and Executive Officers.

The meetings of the Management Conference were held 43 times, attended by the Chairman of the Board, Executive Officers equivalent to or higher than Senior Executive Officer, Executive Officers responsible for business units, Executive Officers in charge of corporate planning, finance and accounting as well as the Audit & Supervisory Board Members. At these meetings, initiatives when studying new projects and matters to be kept in mind were ascertained and consultations were made to contribute to decision making by the President & CEO, etc. on important matters.

- (4) Status of the Company's efforts made for the Systems to ensure proper business operations of the corporate group comprised of the Company and its subsidiaries

Based on the 'Charter of Conduct for "K" Line Group Companies' that is the code of conduct applicable to the entire Group, the Company had each Group company establish internal rules and regulations. In addition, in accordance with the "Regulations for Business Operations by Subsidiaries," the Company ensured the appropriate operations by its Group companies by supporting and managing the establishment and effective operation of their internal control systems while respecting the independence of these Group companies, and based on that, carried out the following matters.

- (i) The Company required its Group companies to report important matters and business reports to the relevant departments of the Company. In addition, the Company held Group Management Meetings twice to facilitate information exchange among the Company and the Group companies.
- (ii) The Company required the Group companies to report risks occurred in executing their business operations, which were handled by the Compliance Committee and other organizations.
- (iii) Based on the "Regulations for Business Operations by Subsidiaries," the Company approved, discussed or received reports on certain important matters of the Group companies.

- (5) Status of the Company's efforts made for the system for reporting to the Audit & Supervisory Board Members of the Company by the Directors, Executive Officers and employees of the Company; the Directors, the Audit & Supervisory Board Members, and employees of the Group companies; or a person who received a report from the above persons; and other systems for reporting to Audit & Supervisory Board Members of the Company

The Company has developed a system where the Directors, Executive Officers and employees of the Company are required in accordance with the Rules for Systems of Reporting to Audit & Supervisory Board Members, Etc., and the Directors, Audit & Supervisory Board Members and employees of the Group companies are required in accordance with the Regulations for Business Operations by Subsidiaries to report according to the matters through the relevant department of the Company to the Audit & Supervisory Board or its Members. In addition, the Company hosts the Group Companies' Audit & Supervisory Board Communication Meeting to share information among the Company, its Group companies and subsidiaries.

Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2019	75,457	1,383	16,692	(2,381)	91,152
Cumulative effects of changes in accounting policies			19		19
Restated balance	75,457	1,383	16,712	(2,381)	91,172
Change in items during the year					
Profit attributable to owners of the parent			5,269		5,269
Purchase 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					
Net changes during the year	–	12,339	5,337	1	17,679
Balance at March 31, 2020	75,457	13,723	22,050	(2,379)	108,852

(Note) The amounts presented are rounded down to the nearest million yen.

(Millions of yen)

	Accumulated other comprehensive income (loss)						Non-controlling interests	Total net assets
	Net unrealized holding gain on investments in securities	Deferred loss on hedges	Revaluation reserve for land	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance at April 1, 2019	4,414	2,999	4,655	4,063	(3,710)	12,423	77,657	181,233
Cumulative effects of changes in accounting policies								19
Restated balance	4,414	2,999	4,655	4,063	(3,710)	12,423	77,657	181,253
Change in items during the year								
Profit attributable to owners of the parent								5,269
Purchase 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	(4,266)	(6,152)	(24)	(8,885)	(851)	(20,179)	21,480	1,300
Net changes during the year	(4,266)	(6,152)	(24)	(8,885)	(851)	(20,179)	21,480	18,980
Balance at March 31, 2020	148	(3,152)	4,631	(4,821)	(4,562)	(7,756)	99,138	200,234

(Note) The amounts presented are rounded down to the nearest million yen.

Notes to Consolidated Financial Statements

Notes on Important Matters Forming the Basis of Preparation of Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 279

Names and details of principal consolidated subsidiaries:

The Company's principal consolidated subsidiaries are as provided in "1. Matters Related to Current Conditions of the Corporate Group, (6) Status of Principal Subsidiaries etc." in the Business Report.

A total of 5 companies, including KLKG HOLDINGS, Co., Ltd., have been included in the scope of consolidation from the current fiscal year due to new establishment and the materiality of their businesses. A total of 18 companies were excluded from the scope of consolidation due to sales of shares or their liquidation.

(2) Names and details of principal non-consolidated subsidiaries:

The Company's principal non-consolidated subsidiary is Chiba Koei Co., Ltd.

Non-consolidated subsidiaries are excluded from the scope of consolidation, as all of the non-consolidated subsidiaries are small-sized companies and any total amount of total assets, net sales, profit or loss (amount corresponding to the Company's equity in such subsidiaries), or retained earnings (amount corresponding to the Company's equity in such subsidiaries) etc., do not have material impact on the consolidated financial statements.

2. Application of equity method

(1) Number of entities accounted for under the equity method: 40

Of the entities accounted for under the equity method, 15 companies are non-consolidated subsidiaries, and the principal company among them is Shibaura Kaiun Co., Ltd. The number of affiliates is 25, and the principal company among them is OCEAN NETWORK EXPRESS PTE. LTD.

A total of four companies, including ARTEMIS GAS 1 SHIPPING INC., have been included in the scope of the entities accounted for under the equity method from the current fiscal year due to new establishment and the materiality of their businesses.

Two companies were excluded from the scope of the entities accounted for under the equity method due to their liquidation.

(2) Non-consolidated subsidiaries and affiliates to which the equity method was not applied

Non-consolidated subsidiaries (Chiba Koei Co., Ltd. and others) and affiliates (Bousai Tokushu Eisen Co., Ltd. and others) are excluded from the scope of the equity method application, as their profit or loss, retained earnings, etc., do not have material impact on the consolidated financial statements and do not have significance as a whole.

(3) Items involving application of equity method for which a special description is deemed necessary

In the case of entities accounted for under the equity method with account closing dates that are different from the account closing date for the consolidated financial statements, the financial statements for the fiscal year of each of the entities are used.

3. Fiscal year of consolidated subsidiaries

The fiscal year of 10 of the Company's consolidated subsidiaries ends on December 31. Of these, the financial statements as of that date are used for four of the companies. However, adjustments necessary for consolidation purposes are made if major transactions were executed between their account closing date and the account closing date for the consolidated financial statements. For the six remaining companies, the accounts are based on financial statements for which a provisional settlement of accounts is performed based on the account closing as of the account closing date for consolidated financial statements. The account closing date of other consolidated subsidiaries is the same as the consolidated account closing date.

4. Accounting policies

(1) Standards and methods of valuation of significant assets

(i) Securities

Held-to-maturity debt securities: Stated at cost based on the amortized cost method.

Other securities

Marketable securities classified as other securities:

Fair value method based on the market price, etc. as of the end of the fiscal year (the valuation difference is accounted for as a separate component of net assets and the cost of sales is principally calculated by the moving-average method).

Non-marketable securities classified as other securities:

Mainly stated at cost based on the moving-average method.

(ii) Inventories

Mainly stated at cost based on the moving-average method (The method includes write-downs based on decreased profitability).

(2) Depreciation and amortization methods of significant assets

(i) Tangible assets (excluding leased assets)

Vessels:

Straight-line method and the declining-balance method, with the method selected according to each vessel.

Other tangible assets:

Mainly the declining-balance method

However, the straight-line method is applied to 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.

(ii) Intangible assets (excluding leased assets)

Straight-line method

For software used internally, the straight-line method is applied based on the period of potential use by the Company and its consolidated subsidiaries (five years).

(iii) Leased assets

Leased assets under finance lease transactions that transfer ownership:

Same depreciation method as that applied to owned fixed assets.

Leased assets under finance lease transactions that do not transfer ownership:

Straight-line method based on the assumption that the useful life equals the lease term and the residual value equals zero.

Leased assets under finance lease transactions that do not transfer ownership whose inception date is on or before March 31, 2008 are accounted for under the method similar to the one that is applicable to regular rental transactions.

(3) Recognition for significant reserves

- (i) Allowance for doubtful receivables: In order to prepare for potential credit losses on receivables, an estimated amount is recognized at the amount calculated based on the historical rate of credit loss with respect to ordinary receivables and at the amount determined in consideration of collectability of individual receivables with respect to doubtful accounts and certain other receivables.
- (ii) 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.
- (iii) 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.
- (iv) 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.
- (v) Accrued expenses for overhaul of vessels: In order to prepare for expenditure on periodic overhaul, accrued expenses for overhaul of vessels are recognized at the estimated amount of the expenses to be paid as allocated to the current fiscal year.
- (vi) 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.
- (vii) Allowance for loss on liquidation of subsidiaries and affiliates: In order to prepare for loss arising from the liquidation of subsidiaries and affiliates, the estimated amount of loss is recognized.
- (viii) 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 year end of the current consolidation fiscal year.

(ix) 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 year end of the current fiscal year.

(4) Accounting treatment for retirement benefits

(i) Method of attributing estimated retirement benefits to periods

The retirement benefit obligations are attributed to periods to the end of the current fiscal year using the benefit formula basis.

(ii) Method of amortizing actuarial differences and past service costs

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 at the time when the cost is recognized.

(5) Recognition of marine transportation revenues and marine transportation expenses

The voyage completion method is applied. However, for containerships, revenues and expenses are recorded under the multiple transportation progress method.

(6) Significant hedge accounting method

Hedging activities are accounted for under the deferral hedge method.

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under each interest rate swap contract is added to or deducted from the interest on the underlying assets or liabilities for which the swap contract is executed "Special treatment for interest rate swaps".

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.

(7) Recognition of deferred assets

Bond issuance costs are fully recognized as expenses when incurred.

(8) Recognition of interest expenses on vessel construction loans

For vessels for which the construction is over the long term, interest expenses on vessel construction loans incurred during the construction period are included in the acquisition cost.

(9) Accounting treatment for consumption taxes

Consumption taxes are accounted for under the tax exclusion method.

(10) Application of consolidated taxation system

The Company adopted the consolidated taxation system.

On March 31, 2020, the Accounting Standards Board of Japan ("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 Practical Issues Task Force ("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).

(11) Amortization method of goodwill and amortization period

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

Change in Accounting Standards

(Applying International Financial Reporting Standards (IFRS) 16 Leases)

The overseas consolidated subsidiaries and affiliates accounted for by the equity method that are subject to IFRS have adopted IFRS 16 Leases (issued on January 13, 2016; hereinafter “IFRS 16”) from the fiscal year ended March 31, 2020. In applying IFRS 16, the overseas consolidated subsidiaries and affiliates, as lessees, principally recognize all lease transactions on their balance sheets as assets and liabilities. The Company has applied the modified retrospective approach with the cumulative effect of initially applying the standard is recognized as an adjustment to equity at the date of initial application.

As a result of the adoption of this accounting standard, assets increased by ¥10,265 million, liabilities increased by ¥10,245 million, and retained earnings increased by ¥19 million at the beginning of the current fiscal year. The increase in assets is due to the recognition of the right-of-use assets, and the increase in liabilities is due to increase in lease obligations. Furthermore, as a result of applying IFRS 16 on profit before income taxes in the current fiscal year decreased by ¥2,145 million compared with the amount that would have been recognized under the previous standard.

Notes on Changes in Presentation

(Consolidated Balance Sheet)

- (1) “Accounts payable other,” which was recorded separately in the previous fiscal year (¥56,058 million for the previous fiscal year), is included in “Other current liabilities” from the current fiscal year due to a decrease in materiality.

(Consolidated Statement of Operations)

- (1) “Gain on liquidation of subsidiaries and affiliates,” which was included in “Other extraordinary income” in the previous fiscal year (¥241 million for the previous fiscal year), is presented separately from the current fiscal year due to an increase in materiality.
- (2) “Loss on devaluation of investments in securities,” which was included in “Other extraordinary losses” in the previous fiscal year (¥0 million for the previous fiscal year), is presented separately from the current fiscal year due to an increase in materiality.

Additional Information

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

With respect to the Group, the forecast of profit or loss related to operating activities as well as cash flow estimates for assets or asset groups for which indications of impairment exist in determining impairment loss for the next fiscal year (from April 1, 2020 to March 31, 2021), considering available information and certain difficulties in making calculations, are based on the assumption that the period during which the main impacts of the infection will occur will be the first half of the next fiscal year with some impacts remaining until the second half of the same year.

Notes to Consolidated Balance Sheet

1. Assets pledged as collateral and secured liabilities	
Assets pledged as collateral	(Millions of yen)
Asset category	
Vessels	284,094
Investments in securities	19,051
Other	1,482
Total	304,628

Investments in securities of ¥19,051 million in the table above were pledged as collateral to procure funds for vessel equipment of subsidiaries, affiliates and others. There were no corresponding liabilities as of the end of the current fiscal year.

Secured liabilities	(Millions of yen)
Liability category	
Short-term loans and current portion of long-term loans	64,348
Long-term loans, less current portion	160,487
Total	224,835

2. Accumulated depreciation of assets	(Millions of yen)
Accumulated depreciation of tangible assets	434,991
3. Guarantee obligations	(Millions of yen)
Guarantees, etc.	
(Guarantees, etc. include commitment for future guarantees.)	12,775
Additional funding obligation, etc.	3,210

4. Land revaluation

Pursuant to the “Act on Revaluation of Land” (Act No. 34 of 1998) and the “Act on Partial Amendment to the Act on Revaluation of Land” (Act No. 19 of 2001), the Company and a certain consolidated subsidiary performed revaluation of land for business use. The effect of this revaluation has been recorded as revaluation reserve for land in net assets, excluding the deferred tax liabilities on land revaluation.

Pursuant to the “Act on Revaluation of Land” (Act No. 34 of 1998) and the “Act on Partial Amendment to the Act on Revaluation of Land” (Act No. 19 of 2001), a certain domestic affiliate accounted for by the equity method also performed revaluation of land for business use and recorded as revaluation reserve for land in net assets.

Revaluation method prescribed in Article 3, Paragraph 3 of the “Act on Revaluation of Land”

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 neighborhood of the relevant land for business use pursuant to Article 2, Item 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 neighborhood of the relevant land for business use pursuant to Article 2, Item 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, Item 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 published by the Director-General of the National Tax Agency for computing land value that serves as a basis for the calculation of taxable amount of 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.

Revaluation date	March 31, 2002
Difference between the fair value and revalued book value of the revalued land at the end of the current fiscal year (amount corresponding to the Group)	¥ (2,977) million

5. Other matters

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.

The Group contracts out containerships which the Company and its consolidated subsidiaries charter to other charterers. Since charter rates are highly sensitive to fluctuations in charter markets, there is a risk that charter rates may fall below hire rates. Depending on changes in the Group's planning for chartering contracts or trends in charter markets, it may be necessary for the Group to record an additional provision for losses, which could have a negative impact on the Group's financial position and operating results.

Notes to Consolidated Statement of Changes in Net Assets

- Class and number of shares issued as of the end of the current fiscal year
Common stock 93,938,229 shares
- Matters related to dividends
 - Amounts of dividends distributed
No items to be reported.
 - Dividends with the record date falling in the current fiscal year and with the effective date falling in the following fiscal year.
No items to be reported.

Notes on Financial Instruments

- Conditions of financial instruments
The Group obtains necessary funding, mainly through bank loans and the issuance of bonds, in accordance with its capital expenditure plans. Temporary surplus funds are invested in highly liquid financial assets, and short-term operating funds are financed through bank loans. The Group utilizes derivatives only for hedging the below-mentioned risks, and does not utilize them for speculation.

Of the capital expenditures for acquisitions of tangible assets such as vessels, those denominated in foreign currencies are exposed to foreign exchange fluctuation risks. These are hedged by forward foreign exchange contracts. Loans are primarily used to raise funds for capital expenditure. Some of these are exposed to interest rate fluctuation risk, which is hedged by such means as interest rate swap contracts. In addition, foreign exchange fluctuation risk on future foreign currency-denominated debts is hedged by currency swap contracts.

Derivative transactions are entered into after obtaining approval from the persons authorized to decide such matters in accordance with the regulations on decision making and the detailed rules on handling derivatives, which stipulate details such as the authority to enter into transactions and transaction limits. Transaction results are reported periodically at the Executive Officers' Meeting.

2. Matters related to fair values, etc. of financial instruments

The following table presents the Company's financial instruments on the consolidated balance sheet, their fair values and the differences as of March 31, 2020.

(Millions of yen)

	Carrying value (*)	Estimated fair value (*)	Difference
(1) Cash and deposits	115,394	115,394	–
(2) Accounts and notes receivable-trade	60,022	60,022	–
(3) Marketable securities and investments in securities			
(i) Held-to-maturity debt securities	3	3	0
(ii) Other securities	7,409	7,409	–
(iii) Shares of subsidiaries and affiliates	936	1,556	619
(4) Accounts and notes payable-trade	[47,673]	[47,673]	–
(5) Short-term loans and current portion of long-term loans	[104,576]	[104,584]	(8)
(6) Bonds	[7,000]	[6,686]	313
(7) Long-term loans, less current portion	[379,104]	[379,135]	(30)
(8) Derivative transactions	[4,737]	[4,777]	(39)

(*) Liabilities and net liabilities (“(8) Derivative transactions”) are shown in square brackets [].

Note 1: (1) Cash and deposits, (2) Accounts and notes receivable-trade, (4) Accounts and notes payable-trade, and (5) Short-term loans and current portion of long-term loans

The relevant book values are used because the carrying amounts approximate fair value due to the short maturities of these instruments. However, fair values of amounts of the current portion of long-term loans, which are included in the total amount in “(5) Short-term loans and current portion of long-term loans,” are calculated using the method shown in “(7) Long-term loans, less current portion” below.

(3) Marketable securities and investments in securities

The fair value of debt securities is based on the price provided by counterparty financial institutions. The fair value of equity securities is based on the quoted market price.

(6) Bonds

The fair value of bonds is primarily measured based on the market price.

(7) Long-term loans, less current portion

The fair value of long-term loans, less current portion, is primarily calculated at the present value after applying a discount rate to the total of the principal and interest. The discount rate is based on the assumed interest rate for similar new borrowings.

(8) Derivative transactions

Assets and liabilities from derivative transactions are shown at net amounts. The fair value of derivative transactions is based on the price provided by counterparty financial institutions.

Note 2: Regarding non-listed stocks (the consolidated balance sheet amount: ¥142,645 million), as quoted prices are not available and also the future cash flows cannot be estimated reliably, the fair value of the items is deemed to be extremely difficult to measure and are not included in “(3) Marketable securities and investments in securities.”

Notes on Per Share Information

Net assets per share	¥1,083.88
Basic profit per share	¥56.50

The basis of calculation for net assets per share and basic profit per share is as follows:

Amount of net assets on consolidated balance sheet	¥200,234 million
Net assets attributable to common stock	¥101,095 million
Number of shares of common stock issued and outstanding at the year end	93,938 thousand shares
Number of shares of common stock held as treasury stock at the year end	666 thousand shares
Profit attributable to owners of the parent on consolidated statement of operations	¥5,269 million
Amount not attributable to shareholders of common stock	—
Profit attributable to owners of the parent relating to common stock	¥5,269 million
Average number of outstanding shares of common stock	93,272 thousand shares

Note on Significant Subsequent Events

(Financing through the commitment line agreement)

The Company raised funds through the commitment line agreement on April 20, 2020, which was agreed to on March 20, 2018. An overview is as follows.

(1) Use of Loan Proceeds	Working capital
(2) Lending Institutions	A syndicate with Mizuho Bank, Ltd. as the arranger
(3) Total Loan Amount	¥47.6 billion
(4) Loan Execution Date	April 20, 2020
(5) Repayment Due Date	September 30, 2020
(6) Collateral assets or guarantee	None

Non-Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2020

(Millions of yen)

	Shareholders' equity							
	Common stock	Capital surplus		Retained earnings			Treasury stock	Total shareholders' equity
		Capital reserve	Total capital surplus	Other retained earnings		Total retained earnings		
				Reserve for advanced depreciation	Retained earnings carried forward			
Balance at April 1, 2019	75,457	1,300	1,300	307	(68,884)	(68,576)	(2,333)	5,847
Change in items during the year								
Reversal of reserve for advanced depreciation				(72)	72	-		-
Profit					25,430	25,430		25,430
Purchase of treasury stock							(1)	(1)
Disposal of treasury stock							2	2
Loss on disposal of treasury stock					(0)	(0)		(0)
Net changes in items other than shareholders' equity								
Net changes during the year	-	-	-	(72)	25,503	25,430	1	25,431
Balance at March 31, 2020	75,457	1,300	1,300	234	(43,381)	(43,146)	(2,331)	31,279

(Note) The amounts presented are rounded down to the nearest million yen.

(Millions of yen)

	Valuation and translation adjustments				Total net assets
	Net unrealized holding gain on investments in securities	Deferred gain on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at April 1, 2019	3,264	6,263	2,057	11,586	17,433
Change in items during the year					
Reversal of reserve for advanced depreciation					–
Profit					25,430
Purchase of treasury stock					(1)
Disposal of treasury stock					2
Loss on disposal of treasury stock					(0)
Net changes in items other than shareholders' equity	(3,254)	(1,031)	–	(4,286)	(4,286)
Net changes during the year	(3,254)	(1,031)	–	(4,286)	21,145
Balance at March 31, 2020	10	5,232	2,057	7,300	38,579

(Note) The amounts presented are rounded down to the nearest million yen.

Notes to Non-consolidated Financial Statements

Notes on Important Accounting Policies

1. Standards and methods of valuation of assets

(1) Securities

(i) Stocks of subsidiaries and affiliates: Stated at cost based on the moving-average method.

(ii) Held-to-maturity debt securities: Stated at cost based on the amortized cost method.

(iii) Other securities

Marketable securities classified as other securities:

Fair value method based on the market price, etc. as of the end of the fiscal year (the valuation difference is accounted for as a separate component of net assets and the cost of sales is calculated by the moving-average method).

Non-marketable securities classified as other securities:

Stated at cost based on the moving-average method.

(2) Inventories

Stated at cost based on the moving-average method (The method involves write-downs based on any decrease in profitability).

2. Depreciation and amortization methods of fixed assets

(1) Tangible assets (excluding leased assets)

(i) Vessels: Straight-line method

(ii) Other tangible assets: Declining-balance method

However, the straight-line method is applied to 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.

(2) Intangible assets (excluding leased assets):

Straight-line method

For software used internally, the straight-line method is applied based on the period of potential use by the Company (five years).

(3) Leased assets

Leased assets under finance lease transactions that transfer ownership:

Same depreciation method as that applied to owned fixed assets.

Leased assets under finance lease transactions that do not transfer ownership:

Straight-line method based on the assumption that the useful life equals the lease term and the residual value equals zero.

Leased assets under finance lease transactions that do not transfer ownership whose inception date is on or before March 31, 2008 are accounted for under the method similar to the one that is applicable to regular rental transactions.

3. Recognition of reserves

- (1) Allowance for doubtful receivables: In order to prepare for potential credit losses on receivables, an estimated amount is recognized at the amount calculated based on the historical rate of credit loss with respect to ordinary receivables and at the amount determined in consideration of collectability of individual receivables with respect to doubtful accounts and certain other receivables.
- (2) 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.
- (3) Allowance for employees' retirement benefits: In order to prepare for the provision of retirement benefit payments for employees, the deemed obligation at the end of the current fiscal year is recognized based on estimated amounts of retirement benefit obligations and plan assets at the end of the current fiscal year. Actuarial differences are amortized in the years following the year in which the differences are recognized by the straight-line method 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 over a period of nine years, which falls within the estimated average remaining years of service of the eligible employees.
- (4) Accrued expenses for overhaul of vessels: In order to prepare for expenditure on periodic overhaul, accrued expenses for overhaul of vessels are recognized at the estimated amount of the expenses to be paid as allocated to the current fiscal year.
- (5) 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.
- (6) Allowance for loss on liquidation of subsidiaries and affiliates: In order to prepare for loss arising from the liquidation of subsidiaries and affiliates, the estimated amount of loss is recognized.
- (7) 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.

(8) 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.

4. Recognition of marine transportation revenues and marine transportation expenses

The voyage completion method is applied. However, for containerships, revenues and expenses are recorded using the multiple transportation progress method.

5. Hedge accounting method

Hedging activities are accounted for under the deferral hedge method.

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under each interest rate swap contract is added to or deducted from the interest on the underlying assets or liabilities for which the swap contract is executed “Special treatment for interest rate swaps”.

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.

6. Recognition of deferred assets

Bond issuance costs are fully recognized as expenses when incurred.

7. Recognition of interest expenses on vessel construction loans

For vessels for which the construction is over the long term, interest expenses on vessel construction loans incurred during the construction period are included in the acquisition cost.

8. Accounting treatment for retirement benefits

The accounting treatment for unrecognized actuarial differences and the unrecognized past service costs related to retirement benefits is different from the treatment for these items in the consolidated financial statements.

9. Accounting treatment for consumption taxes

Consumption taxes are accounted for under the tax exclusion method.

10. Application of consolidated taxation system

The Company adopted the consolidated taxation system.

On March 31, 2020, the Accounting Standards Board of Japan (“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 Practical Issues Task Force (“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).

Notes on Changes in Presentation

(Non-Consolidated Statement of Operations)

“Gain on sales of investments in securities,” which was recorded separately in the previous fiscal year (¥1,583 million for the fiscal year ended March 31, 2019), is included in “Other extraordinary income” from the current fiscal year due to a decrease in materiality.

Additional Information

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

With respect to the Company, the forecast of profit or loss related to operating activities as well as cash flow estimates for assets or asset groups for which indications of impairment exist in determining impairment loss for the next fiscal year (from April 1, 2020 to March 31, 2021), considering available information and certain difficulties in making calculations, are based on the assumption that the period during which the main impacts of the infection will occur will be the first half of the next fiscal year with some impacts remaining until the second half of the same year.

Notes to Non-consolidated Balance Sheet

1. Assets pledged as collateral and secured liabilities

Assets pledged as collateral	(Millions of yen)
Asset category	
Vessels	44,782
Investments in securities	5,718
Shares of subsidiaries and affiliates	19,500
<u>Total</u>	<u>70,001</u>

¥713 million out of the amount of ¥45,322 million for vessels, investments in securities of ¥5,718 million and shares of subsidiaries and affiliates of ¥19,500 million in the table above were pledged as collateral to procure funds for vessel equipment of subsidiaries, affiliates and others. There were no corresponding liabilities as of March 31, 2020.

Secured Liabilities	(Millions of yen)
Liability category	
Short-term loans and current portion of long-term loans	6,242
Long-term loans, less current portion	29,778
<u>Total</u>	<u>36,020</u>

2. Accumulated depreciation of assets

Accumulated depreciation of tangible assets	(Millions of yen)
	107,885

3. Guarantee obligations

Guarantees, etc.	(Millions of yen)
	150,011
(Guarantees, etc. include commitment for future guarantees. These guarantee obligations exclude ¥170 million of reguarantees by other companies.)	
Additional funding obligation, etc.	(Millions of yen)
	8,712

¥95,310 million out of the amount of ¥150,011 million for guarantees etc. in the table above was for borrowing of equipment funds for vessels time-chartered by the Company from its subsidiaries that own vessels.

4. Land revaluation

Pursuant to the “Act on Revaluation of Land” (Act No. 34 of 1998) and the “Act on Partial Amendment to the Act on Revaluation of Land” (Act No. 19 of 2001), the Company performed revaluation of land for business use. The effect of this revaluation has been recorded as revaluation reserve for land in net assets, excluding the deferred tax liabilities on land revaluation.

Revaluation method prescribed in Article 3, Paragraph 3 of the “Act on Revaluation of Land”

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 neighborhood of the relevant land for business use pursuant to Article 2, Item 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 neighborhood of the relevant land for business use pursuant to Article 2, Paragraph 2 of the Order for Enforcement of the Act on Revaluation of Land.

Revaluation date	March 31, 2002
Difference between the fair value and revalued book value of the revalued land at March 31, 2020	¥ (978) million

5. Monetary receivables from and monetary payables to subsidiaries and affiliates

	(Millions of yen)
Short-term monetary receivables	15,043
Long-term monetary receivables	19,106
Short-term monetary payables	28,525
Long-term monetary payables	3,053

6. Other matters

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 Company are currently subject to class actions in North America in relation to the same matter.

The Group contracts out containerships which the Company and its consolidated subsidiaries charter to other charterers. Since charter rates are highly sensitive to fluctuations in charter markets, there is a risk that charter rates may fall below hire rates. Depending on changes in the Group’s planning for chartering contracts or trends in charter markets, it may be necessary for the Group to record an additional provision for losses, which could have a negative impact on the Group’s financial position and operating results.

Notes to Non-consolidated Statement of Operations

Transactions with subsidiaries and affiliates

		(Millions of yen)
Transaction amount - trading	Operating revenues	75,397
	Operating expenses	183,962
Transaction amount - non-trading		13,741

Notes to Non-consolidated Statement of Changes in Net Assets

Class and number of treasury stock as of the end of the current fiscal year	
Common stock	641,683 shares

446,000 shares which are held by Trust & Custody Services Bank, Ltd., are included in the number of shares in treasury stock the end of the current fiscal year.

Notes on Tax Effect Accounting

Significant components of deferred tax assets and deferred tax liabilities

	(Millions of yen)
Deferred tax assets	
Allowance for doubtful receivables	392
Allowance for bonuses	174
Accrued expenses for overhaul of vessels	44
Loss on devaluation of investments in securities and others	7,206
Allowance for employees' retirement benefits	144
Loss on impairment of fixed assets	1,250
Loss on cancellation of chartered vessels	3,001
Deferred assets for tax purposes	1,131
Allowance for loss on chartering contracts	5,102
Tax loss carried forward	75,087
Foreign tax credit carried forward	1,968
Other	739
Subtotal	96,244
Valuation allowance for tax loss carried forward	(75,087)
Valuation allowance for the total of deductible temporary differences and others	(20,985)
Valuation allowance subtotal	(96,072)
Total deferred tax assets	172
Deferred tax liabilities	
Reserve for advanced depreciation	(93)
Tax on retained surplus	(81)
Deferred gain on hedges	(2,276)
Net unrealized holding gain on investments in securities	(4)
Other	(1,074)
Total deferred tax liabilities	(3,530)
Net amount of deferred tax liabilities	(3,357)

Notes on Transactions with Related Parties

1. Parent company and major corporate shareholders, etc.
No items to be reported.
2. Subsidiaries and affiliates, etc.

Type	Subsidiary
Name	“K” LINE NEXT CENTURY GK
Voting rights (%)	100% direct ownership
Relationship	Loans Interlocking directors
Details of business transaction	Loans (*1)
Amount of transaction	¥45 million
Account	Long-term loans payable from subsidiary
Balance at the end of year	¥50,184 million

Type	Affiliate
Name	OCEAN NETWORK EXPRESS PTE. LTD. (*2)
Voting rights (%)	–
Relationship	Chartering contractor, etc. Interlocking directors
Details of business transaction	Receiving charter hire, etc. (*3)
Amount of transaction	¥51,082 million
Account	Accounts receivable-shipping
Balance at the end of year	¥842 million
Account	Lease investment assets
Balance at the end of year	¥240 million

Note 1: The interest rate is determined considering market interest rate.

Note 2: OCEAN NETWORK EXPRESS PTE. LTD. is a subsidiary of Ocean Network Express Holdings, Ltd., which holds direct ownership of 100% of voting rights. Ocean Network Express Holdings, Ltd. is an equity-method affiliate of the Company.

Note 3: Charter hire, etc. is determined after discussion considering market prices, hiring cost and acquisition cost.

3. Directors and Audit & Supervisory Board Members, and individual shareholders, etc.
No items to be reported.

Notes on Per Share Information

Net assets per share	¥413.52
Basic profit per share	¥272.58

The basis of calculation for net assets and basic profit per share is as follows:

Amount of net assets on non-consolidated balance sheet	¥38,579 million
Net assets attributable to common stock	¥38,579 million
Number of shares of common stock issued and outstanding at the year end	93,938 thousand shares
Number of shares of common stock held as treasury stock at the year end	641 thousand shares
Profit on non-consolidated statement of operations	¥25,430 million
Amount not attributable to shareholders of common stock	—
Profit attributable to common stock	¥25,430 million
Average number of outstanding shares of common stock	93,296 thousand shares

Notes on Significant Subsequent Events

(Financing through the commitment line agreement)

The Company raised funds through the commitment line agreement on April 20, 2020, which was agreed to on March 20, 2018.

The details of the “Financing” are as provided in “Note on Significant Subsequent Events” of the consolidated financial statements.