(Translation)

NOTICE OF THE 154TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

The 154th term

(From April 1, 2021 to March 31, 2022)

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 this notice of the ordinary general meeting of shareholders, I would like to mention a few points that I believe are worth sharing with you.

In FY2021 (from April 1, 2021 through March 31, 2022), compared to the previous fiscal year, in which business was greatly impacted by the spread of the novel coronavirus (COVID-19), transportation demand largely recovered mainly in the dry bulk and product logistics businesses. In the containership business, amid pressured transportation supply and demand caused by robust cargo movement combined with supply chain disruptions, high freight rates continued in the market. Against the backdrop of improved business performance, we rebuilt our business portfolio by transferring businesses and withdrawing from unprofitable businesses, while also advancing structural reforms by disposing of unprofitable ships. These efforts led to record-high profit attributable to owners of parent of ¥642.4 billion. One of the Company's important management tasks is to maximize returns to our shareholders. Considering all factors comprehensively, including business performance trends, the necessary investments to enhance corporate value, and maintaining and securing financial soundness, our basic policy is to work to raise shareholder profits over the medium to long term. Based on this policy, the Company is proposing a resolution to this General Meeting of Shareholders to pay a year-end dividend of ¥600 per share in the current fiscal year (basic dividend of ¥300, additional dividend of ¥300).

The business environment surrounding the Company is currently experiencing significant change, and we are tackling new management issues raised by these changes. In terms of our internal environment, due to fundamental improvements in our financial position, we now position the effective use of capital and our growth strategy as important tasks. In terms of the external environment, both our response to short- to medium-term changes such as COVID-19 and conditions in Ukraine, as well as management that anticipates the long-term move in society toward low-carbon/zero-carbon emissions, are gaining in importance. The Company is facing these changes head on and viewing them as opportunities, and for our sustainable growth and the enhancement of our corporate value, in May 2022, we formulated our five-year medium-term management plan.

One of the points in our medium-term management plan is "the concentrated allocation of management resources in businesses that will drive growth with low-carbon/zero-carbon emissions as a business opportunity." We have clarified the strategic direction of each business and are implementing the focused allocation of 80% of our total investment of ¥520.0 billion over five years into our iron ore, LNG carrier, and car carrier businesses, which we have positioned as growth drivers in our medium-term management plan. Our goal is to learn from our past mistakes and grow while maintaining disciplined investment. The second point is "building a solid business foundation to achieve our business strategies." By improving our technology and expertise through investment into the human resources that are the source of the Group's value proposition as well as their supporting systems and technologies, we aim to provide added value to our customers through our organizational business strength. The third point is "clarifying capital policy." We will appropriately allocate ¥900.0 billion to ¥1 trillion in cashflow that we expect over the coming five years to growth investment, securing financial soundness, and shareholder returns. With our growth investment centered on low-carbon/zero-carbon emissions, 60% of our total investment will be environmental investment. In terms of shareholder returns, in addition to the basic dividend, we will also flexibly pay special dividends and purchase treasury stock. In FY2022, our policy is to provide an additional ¥100.0 billion or more in shareholder returns in addition to our basic dividend of ¥300 per share.

Having passed through large changes in our business environment, the "K" LINE Group has entered a new management stage. In our businesses centered on marine transportation, we will deepen our partnerships with customers who can take part in activities aimed at low-carbon/zero-carbon emissions, and by pursuing growth opportunities, we will connect to enhanced corporate value. All officers and employees of the Group will come together to work to realize the new medium-term management plan, and I ask for the continued support of all our stakeholders.

June 2022

Yukikazu Myochin

Representative Director, President & CEO

(Securities Code: 9107)
June 3, 2022

To our Shareholders:

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

Notice of the 154th Ordinary General Meeting of Shareholders

We are pleased to announce you that the 154th 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., Wednesday, June 22, 2022 (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., Thursday, June 23, 2022 (Japan Standard Time)
(Reception desk scheduled to open 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, 2021 to March 31, 2022

Matters to be resolved:

Proposition 1 Appropriation of Surplus
Proposition 2 Partial Amendments to the Articles of Incorporation
Proposition 3 Election of nine (9) Directors
Proposition 4 Election of one (1) Substitute Audit & Supervisory Board Member

Regarding Internet Disclosure

This Notice and the Business Report for the 154th fiscal year has been posted on the Company's website.

- Of the Business Report for the 154th 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 154th 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 154th 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.
- This General Meeting of Shareholders will be livestreamed on the day of the meeting (see pages 7 to 8; Japanese version only), and the video will be posted on the Company's website above at a later date.

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 29.
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 154th 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., Wednesday, June 22, 2022 (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., Wednesday, June 22, 2022 (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.
   Click "Login."

3. Enter the "Password" printed on the Voting Rights Exercise Form.
   Enter the new password that you will actually use.
   Click "Register."

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: *Appropriation of Surplus*

The Company proposes the appropriation of surplus as follows:

Matters related to the year-end dividend
One of the Company's important management tasks is to maximize returns to our shareholders. Considering all factors comprehensively, including business performance trends, the necessary investments to enhance corporate value, and maintaining and securing financial soundness, our basic policy is to work to raise shareholder profits over the medium to long term. Considering shareholder returns and policies to enhance corporate value, the Company would like to pay the below year-end dividend for the current fiscal year.

1. Type of dividend property
   Cash
2. Allotment of dividend property and total amount of their aggregate amount
   600 yen per common stock of the Company
   (basic dividend 300 yen, additional dividend 300 yen)
   Total amount of 56,244,462,000 yen
3. Effective date of dividends of surplus
   June 24, 2022

Proposition 2: ***Partial Amendments to the Articles of Incorporation***

1. Reasons for Proposition

The Company proposes to partially amend its Articles of Incorporation in order to prepare for the introduction of the system for providing informational materials for the general meeting of shareholders in electronic format, in line with the enforcement of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) on September 1, 2022.

(1) Article 19, paragraph (1) in "Proposed amendments" will stipulate that the Company takes measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.

(2) Article 19, paragraph (2) in "Proposed amendments" will establish provisions that limit the scope of matters stated in the documents to be delivered to the shareholders who requested the delivery of paper-based documents.

(3) Since the provisions of the Internet Disclosure of the Reference Materials, etc. for the Shareholders' Meeting and Deemed Provision (Article 19 of the current Articles of Incorporation) will no longer be required, they will be deleted.

(4) In line with the new establishment and deletion of the above, the Company will establish supplementary provisions regarding the effective date, etc.

2. Amendments to the Articles of Incorporation

Contents of amendments are as follows:

(Underlined portions are the changes.)

Current Articles of Incorporation	Proposed amendments
Article 19. (Internet Disclosure of the Reference Materials for the General Meeting of Shareholders, etc. and Deemed Provision) In convening a Shareholders' Meeting, The Company shall be deemed to have provided the shareholders with the information which must be mentioned or displayed in the Reference Materials for the Shareholders' Meeting, Business Report, Account Statement and Consolidated Account Statement by disclosing such information using the Internet pursuant to the Ministry of Justice Ordinance.	(Delete)

Current Articles of Incorporation	Proposed amendments
(New)	Article 19. (Measures, etc. for Providing Information in Electronic Format) 1. In convening a Shareholders' Meeting, The Company shall take measures for providing information that constitutes the content of the Reference Materials for the Shareholders' Meeting, etc. in electronic format.
(New)	2. Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of the items designated by the Ministry of Justice Order in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights. (Supplementary Provisions) 1. The deletion of the current Article 19 of the Articles of Incorporation (Internet Disclosure of the Reference Materials for the General Meeting of Shareholders, etc. and Deemed Provision) and the establishment of the proposed amended Article 19 (Measures, etc. for Providing Information in Electronic Format) shall be effective from September 1, 2022, which is the date of enforcement of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as the "Date of Enforcement").

Current Articles of Incorporation	Proposed amendments
	2. Notwithstanding the provisions of the preceding paragraph, Article 19 of the current Articles of Incorporation (Internet Disclosure of the Reference Materials, etc. for the Shareholders' Meeting and Deemed Provision) shall remain effective regarding any general meeting of shareholders held on a date within six months from the Date of Enforcement. 3. These Supplementary Provisions shall be deleted on the date when six months have elapsed from the Date of Enforcement or three months have elapsed from the general meeting of shareholders in the preceding paragraph, whichever is later.

Proposition 3: ***Election of nine (9) Directors***

The terms of office for all ten (10) Directors will expire upon conclusion of this meeting. Therefore, in order to enable the Board of Directors to make more strategic and agile decisions, the Company proposes to reduce the number of Directors by one (1), and requests that nine (9) 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	Yukikazu Myochin (March 27, 1961) <Reappointed> Attendance at Board meetings: 100% (18/18 meetings) Term of office as Director: 6 years	April, 1984 Joined the Company January, 2010 General Manager of Containerships Business Group April, 2011 Executive Officer April, 2016 Managing Executive Officer June, 2016 Director, Managing Executive Officer April, 2018 Representative Director, Senior Managing Executive Officer April, 2019 Representative Director, President & CEO (Current)	14,400 shares
		Mr. Yukikazu Myochin has served as Representative Director, President & CEO since April 2019. Further, he formulated and executed management plans amid an ongoing difficult and unstable business environment due to the spread of COVID-19 from the beginning of 2020 and achieved substantial improvement in business results for two consecutive fiscal years beginning in the fiscal year ended March 31, 2021. His leadership and management skills, which are backed by his broad and deep knowledge and experience, are essential for enhancing corporate value over the medium to long term by promoting new medium-term management plans and strengthening the corporate governance system. Accordingly, the Company requests his election as Director. There is no special interest between Mr. Myochin and the Company.	

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summaries, positions and areas of responsibility in the Company
(Significant concurrent positions)</th><th>Number of the Company’s shares held</th></tr>
<tr><td rowspan="2">2</td><td rowspan="2">Atsuo Asano
(February 7, 1961)

<Reappointed>

Attendance at Board meetings:

100%
(18/18 meetings)

Term of office as Director: 4 years</td><td>April, 1983
October, 2009
April, 2010
April, 2012
April, 2014
April, 2018
June, 2018
April, 2019
June, 2020</td><td>Joined the Company
General Manager of Coal & Iron Ore Carrier Group
Executive Officer, General Manager of Coal & Iron Ore Carrier Group
Executive Officer
Managing Executive Officer
Senior Managing Executive Officer
Director, Senior Managing Executive Officer
Representative Director, Senior Managing Executive Officer
Representative Director, Vice President Executive Officer (Current)

Assistant to President & CEO, Responsible for Dry Bulk Carriers Unit, In charge of Bulk Carrier and Drybulk Planning, Responsible for Marine Sector, Advanced Technology, Ship Technical and GHG Reduction Strategy Unit</td><td rowspan="2">14,900 shares</td></tr>
<tr><td colspan="2">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 assists President & CEO and is appropriately executing business strategies as the Executive Officer responsible for the Dry Bulk Carriers Unit, in charge of Bulk Carrier and Drybulk Planning, and responsible for and Marine Sector, Advanced Technology, Ship Technical and GHG Reduction Strategy Unit. The Company judges that his abundant experience and proven achievements will contribute to the sustainable growth of the Group and increase its corporate value. Accordingly, the Company requests his election as Director. There is no special interest between Mr. Asano and the Company.</td></tr>
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(Date of birth)</th><th>Career summaries, positions and areas of responsibility in the Company
(Significant concurrent positions)</th><th>Number of the Company’s shares held</th></tr>
<tr><td rowspan="2">3</td><td rowspan="2">Yukio Toriyama
(November 10, 1959)

<Reappointed>

Attendance at Board meetings:

100%
(18/18 meetings)

Term of office as Director: 3 years</td><td>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)

Responsible for CFO Unit (Corporate Planning, Research, Corporate Sustainability, Environment Management, IR and Communication, Finance, Accounting, Taxation), Legal, Corporate Legal Risk & Compliance Unit, CFO (Chief Financial Officer)</td><td rowspan="2">12,400 shares</td></tr>
<tr><td>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 serves as Executive Officer responsible for CFO Unit to manage the groups ranging from Corporate Planning, Research, Corporate Sustainability, Environment Management, IR and Communication, Finance, Accounting, and Taxation, Legal, Corporate Legal Risk & Compliance Unit and is appropriately executing business strategies as the Executive Officer responsible for 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 sustainable growth of the Group and increase its corporate value. Accordingly, the Company requests his election as Director. There is no special interest between Mr. Toriyama and the Company.</td></tr>
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(Date of birth)</th><th colspan="2">Career summaries, positions and areas of responsibility in the Company
(Significant concurrent positions)</th><th>Number of the Company's shares held</th></tr>
<tr><td rowspan="11">4</td><td rowspan="11">Kazuhiko Harigai
(July 7, 1960)

<Reappointed>

Attendance at Board meetings:

100%
(18/18 meetings)

Term of office as Director: 3 years</td><td>April, 1983</td><td>Joined the Company</td><td rowspan="11">15,100 shares</td></tr>
<tr><td>June, 2006</td><td>General Manager of Thermal Coal, Woodchip and Pulp Group</td></tr>
<tr><td>April, 2011</td><td>Executive Officer, General Manager of Thermal Coal, Woodchip and Pulp Group</td></tr>
<tr><td>April, 2012</td><td>Executive Officer</td></tr>
<tr><td>April, 2013</td><td>Managing Executive Officer</td></tr>
<tr><td>April, 2019</td><td>Senior Managing Executive Officer</td></tr>
<tr><td>June, 2019</td><td>Director, Senior Managing Executive Officer</td></tr>
<tr><td>June, 2020</td><td>Representative Director, Senior Managing Executive Officer (Current)</td></tr>
<tr><td></td><td>Responsible for Energy Transportation Business Unit</td></tr>
<tr><td colspan="2">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 sustainable growth of the Group and increase its corporate value. Accordingly, the Company requests his election as Director. There is no special interest between Mr. Harigai and the Company.</td></tr>
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(Significant concurrent positions)</th><th>Number of the Company's shares held</th></tr>
<tr><td rowspan="2">5</td><td rowspan="2">Yasunari Sonobe
(March 18, 1959)

<Reappointed>

Attendance at Board meetings:

100%
(18/18 meetings)

Term of office as Director: 2 years</td><td>April, 1982 Joined the Company
January, 2005 Managing Director of "K" Line European Sea Highway Services GmbH, Bremen
April, 2009 General Manager of Corporate Planning Group
April, 2012 Executive Officer
April, 2015 Managing Executive Officer, President of "K" LINE AMERICA, INC.
April, 2019 Senior Managing Executive Officer
June, 2020 Director, Senior Managing Executive Officer (Current)

Responsible for Product Logistics Business Unit (Car Carriers, Logistics, Port, Short Sea and Coastal Business and Affiliated Business)</td><td rowspan="2">2,200 shares</td></tr>
<tr><td>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 a Director of the Company. Currently he is appropriately executing business strategies as the Executive Officer responsible for Product Logistics Business Unit (Car Carriers, Logistics, Port, Short Sea and Coastal Business and Affiliated Business). 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 sustainable growth of the Group and increase its corporate value. Accordingly, the Company requests his election as Director. There is no special interest between Mr. Sonobe and the Company.</td></tr>
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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	Keiji Yamada (April 5, 1954) <Reappointed> <Independent & Outside Director> Attendance at Board meetings: 100% (18/18 meetings) Term of office as Outside Director: 3 years	April, 1977	Joined Ministry of Home Affairs (current Ministry of Internal Affairs and Communications)	0 shares
		July, 1982	Superintendent of Amakusa Tax Office, National Tax Agency	
		July, 1983	Manager of Local Affairs Division, General Affairs Department, Wakayama Prefecture	
		September, 1985	Deputy General Manager of San Francisco Tourism Promotion Office, Japan National Tourist Organization	
		April, 1989	Manager of Finance Division, General Affairs Department, Kochi Prefecture	
		January, 1992	Investigator, Local Administration Division, Local Administration Bureau, Ministry of Home Affairs	
		July, 1992	Counsellor, Cabinet Legislation Bureau	
		July, 1997	Manager, Land Information Division, Land Bureau, National Land Agency (currently known as Ministry of Land, Infrastructure, Transport and Tourism)	
		August, 1999	Director, General Affairs Department, Kyoto Prefecture	
		June, 2001	Vice-Governor, Kyoto Prefecture	
		April, 2002	Governor, Kyoto Prefecture (retired in April 2018)	
		April, 2011	President, National Governors' Association (Ditto)	
		April, 2018	Vice-President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law, Kyoto Sangyo University	
		June, 2019	Outside Director of the Company (Current)	
		March, 2020	Outside Audit & Supervisory Board member, HORIBA, Ltd. (Current)	
		April, 2020	Special Advisor to the President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law, Kyoto Sangyo University	
		November, 2020	Outside Director, TOSE CO., LTD. (Current)	

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
		April, 2021 Trustee, Kyoto Sangyo University, Special Advisor to the President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law, Kyoto Sangyo University (Current) Director, Head of Outside Directors Remuneration Advisory Committee Chairperson	
		Reasons for nomination as candidate for Outside Director and summary of expected roles: 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. He has been an Outside Director of the Company since June 2019. Mr. Yamada does not have prior experience of direct involvement in corporate management by methods other than serving as an outside director, however, his wide range of experience/personal network and insight has been utilized in the Company's management. He serves as the head of Outside Directors and is fulfilling his role of making active suggestions at the Board of Directors meetings and supervising the Company's management and execution of business through his activities in his position as Nomination Advisory Committee Member and Remuneration Advisory Committee Member. Therefore, the Company requests that he again be elected as Outside Director. The Company expects that he will continue to fulfill these roles. 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 Tokyo Stock Exchange where its stock is listed, and if he is reelected, the Company plans to continue to appoint him as an independent director.	

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	Ryuhei Uchida (October 6, 1977) <Reappointed> <Outside Director> Attendance at Board meetings: 100% (18/18 meetings) Term of office as Outside Director: 3 years	April, 2002 Joined Mitsubishi Corporation December, 2009 Joined Innovation Network Corporation of Japan, Vice-President of Investment December, 2012 Joined Effissimo Capital Management Pte Ltd, Director (Current) June, 2019 Outside Director of the Company (Current) Reasons for nomination as candidate for Outside Director and summary of expected roles: 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 and his abundant experience and insight in corporate value enhancement has been utilized in the Company's management. The Company judges that his proactive opinions given as a Director with the perspective of our shareholder and his 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. The Company expects that he will continue to appropriately fulfill these roles. 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.	0 shares

<table>
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(Date of birth)</th><th>Career summaries, positions and areas of responsibility in the Company
(Significant concurrent positions)</th><th>Number of the Company's shares held</th></tr>
<tr><td>8</td><td>Kozue Shiga
(November 23, 1948)

<Reappointed>

<Independent & Outside Director>

Attendance at Board meetings:

100%
(18/18 meetings)

Term of office as Outside Director: 2 years</td><td>November, 1967 Joined Japan Airlines Co., Ltd.
April, 1993 Commissioned as public prosecutor
April, 1998 Registered with Daiichi Tokyo Bar Association
August, 1999 Established Shiga Law Office
October, 2005 Partner, Shiraishi Sogo Law Office (retired in December 2018)
June, 2010 Outside Audit & Supervisory Board Member, Shinsei Bank, Ltd. (retired in June 2018)
June, 2015 Outside Director, Ricoh Leasing Company, Ltd. (retired in June 2020)
June, 2016 Outside Audit & Supervisory Board Member of the Company (retired in June 2020)
January, 2019 Of Counsel, Shiraishi Sogo Law Office (Current)
June, 2020 Outside Director of the Company (Current)

Nomination Advisory Committee Chairperson
Reasons for nomination as candidate for Outside Director and summary of expected roles:
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 and Outside Director of the Company in June 2020 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, based on her abundant experience and from a broad perspective, she is appropriately fulfilling her role of making active suggestions at the Board of Directors meetings and supervising the Company's management and the execution of business through her activities in her position as Nomination Advisory Committee Chairperson and Remuneration Advisory Committee Member. Accordingly, the Company requests that she again be elected as Outside Director. The Company expects that she will continue to appropriately fulfill these roles. There is no special interest between Ms. Shiga and the Company.
As Ms. Shiga satisfies the criteria for independence of Outside Director provided by the Company, the Company has designated her as an independent director pursuant to the regulations of the Tokyo Stock Exchange where its stock is listed, and if she is reelected, the Company plans to continue to appoint her as an independent director.</td><td>1,000 shares</td></tr>
</table>

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	Tsuyoshi Kameoka (October 18, 1956) <Reappointed> <Independent & Outside Director> Attendance at Board meetings: 100% (13/13 meetings) Term of office as Outside Director: 1 year	April, 1979	Joined Shell Sekiyu K.K.	300 shares
		April, 2003	International Oil Products Trading Division Manager, Showa Shell Sekiyu K.K.	
		April, 2005	Senior Officer and Kinki Area Manager, Showa Shell Sekiyu K.K.	
		March, 2006	Executive Officer and Kinki Area Manager, Showa Shell Sekiyu K.K.	
		November, 2008	Executive Officer and General Manager of Head Office Marketing Department, Showa Shell Sekiyu K.K.	
		March, 2009	Corporate Executive Officer of Marketing Division, Showa Shell Sekiyu K.K.	
		March, 2013	Executive Officer Vice President, Oil Business COO, Showa Shell Sekiyu K.K.	
		March, 2015	President & Representative Director, Group CEO, Energy Solution Business COO, Showa Shell Sekiyu K.K.	
		April, 2019	Vice Chairman and Representative Director, and Vice Chairman and Executive Officer, Idemitsu Kosan Co.,Ltd.	
		June, 2020	Special Advisor, Idemitsu Kosan Co.,Ltd. (plans to retire from the office on June 30, 2022)	
		June, 2021	Outside Director of the Company (Current)	
		April, 2022	Trustee and Councilor, Kwansei Gakuin Educational Foundation (Current)	

		Reasons for nomination as candidate for Outside Director and summary of expected roles: Mr. Tsuyoshi Kameoka assumed the position of the President and Representative Director of Showa Shell Sekiyu K.K. and in April 2019, he realized its business integration with Idemitsu Kosan Co., Ltd., looking ahead to changes in the oil market in the future. He has been an Outside Director of the Company since June 2021 and his abundant experience and broad insight in corporate management has been utilized in the Company’s management. Based on his abundant experience and from a broad insight in corporate management, he is appropriately fulfilling his role of making active suggestions at the Board of Directors meetings and supervising the Company’s management and the execution of business through his activities in his position as Nomination Advisory Committee Member and Remuneration Advisory Committee Member. Accordingly, the Company requests that he again be elected as Outside Director. The Company expects that he will continue to fulfill these roles. There is no special interest between Mr. Kameoka and the Company. As Mr. Kameoka 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 Tokyo Stock Exchange where its stock is listed, and if he is reelected, the Company plans to continue to appoint him as an independent director.	

Notes: 1) Messrs. Keiji Yamada, Ryuhei Uchida, Tsuyoshi Kameoka and Ms. Kozue Shiga are candidates for Outside Director.

2) Mr. Tsuyoshi Kameoka served as Vice Chairman and Representative Director, and Vice Chairman and Executive Officer of Idemitsu Kosan Co.,Ltd. with which the Company conducts business transactions with sales accounting for less than 2% of the Company’s consolidated sales, and less than 1% of the consolidated sales of said company.

3) The Company has concluded a limited liability contract with Messrs. Keiji Yamada, Ryuhei Uchida, Tsuyoshi Kameoka and Ms. Kozue Shiga pursuant to Article 427, Paragraph (1) of the Companies Act. If the proposition is accepted, the Company intends to extend the contract with them.
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.

4) The Company has entered into a directors and officers liability insurance policy with an insurance company, as stipulated in Article 430-3, Paragraph (1) of the Companies Act. The contents of the insurance policy are provided on page 51 of the Business Report. If the proposition is accepted, all candidates for Director will be insured under the policy. The term of said policy is one year and will be renewed upon a resolution by the Board of Directors before expiration of the term.

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

To achieve the management plan, the Company's Board of Directors shall consist of a variety of individuals including the aspects of gender, internationality, career and age such as 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 whom one third or more shall be Independent Outside Directors.

The Nomination 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 Nomination Advisory Committee.

Director Skill Matrix

The expertise of candidates for director is as follows:

Name	Expertise				
	Corporate Management & Strategy	Legal & Risk Management	Finance & Accounting	Technology	Global
Yukikazu Myochin	●	●			●
Atsuo Asano	●			●	●
Yukio Toriyama	●	●	●		●
Kazuhiko Harigai	●				●
Yasunari Sonobe	●				●
Keiji Yamada		●			●
Ryuhei Uchida	●		●		●
Kozue Shiga		●			●
Tsuyoshi Kameoka	●	●			●

Proposition 4: ***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 Outside 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
Mari Ebisui (October 8, 1960) <Reappointed> <Independent & Outside Audit & Supervisory Board Member>	April, 1985	Joined Ajinomoto General Foods, Inc. (current Ajinomoto AGF, Inc.)	0 shares
	March, 1998	Joined KPMG Peat Marwick, Tokyo Office (current KPMG Tax Corporation)	
	July, 2001	Representative Director, Ebisui Accounting & Consulting LLC (Current)	
	July, 2001	Registered as U.S. Certified Public Accountant (State of Illinois)	
	November, 2006	Registered as U.S. Certified Public Accountant (State of Washington)	
	April, 2008	Registered as Certified Fraud Examiner	
	June, 2020	Outside Director, Ricoh Leasing Company, Ltd.	
	May, 2022	Non-Executive Auditor, AEON DELIGHT CO., LTD. (Current)	
	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.		

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.

3) The Company has entered into a directors and officers liability insurance policy with an insurance company, as stipulated in Article 430-3, Paragraph (1) of the Companies Act. The contents of the insurance policy are provided on page 51 of the Business Report. If Ms. Mari Ebisui assumes office as an Audit & Supervisory Board Member, she will be insured under the policy. The term of said policy is one year and will be renewed upon a resolution by the Board of Directors before expiration of the term.

<For your reference> Criteria for Independence of Outside Officers

In addition to the requirements prescribed in the Companies Act, the Company specifies the criteria for the independence of Outside Directors and Outside Audit & Supervisory Board Members for the purpose of electing them. An overview is provided below.

An Outside Officer shall be judged to be independent if none of the following criteria apply.

1. 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 "K" LINE Group ("the Group") is a major client within the past three years.
   "A corporate group for whom the Group is a major client" refers to a corporate group that has recorded sales to the Group 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.
2. A person who has been a business executor of a corporate group that is a major client of the Group within the past three years.
   "A corporate group that is a major client of the Group" refers to a corporate group to whom the Group has recorded sales in each of the years in the three-year period accounting for over 2% of the Group's consolidated sales in each such year.
3. 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 Group's financing to such a degree that it is irreplaceable for the Group.
4. A person who annually 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 annually been paid 10 million yen or more or other assets in an amount equivalent thereto by the Group accounting for over 2% of the total revenues of such juridical person, etc. in the latest fiscal year. 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).
5. 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.
6. A person who is a spouse or a relative of the second or less degree of a person falling under any of the above criteria.

Basic principle of corporate governance

To fulfill its corporate social responsibility, to respond to the mandate bestowed by shareholders and other stakeholders, and to achieve sustainable growth, establishing corporate governance is essential for the Company. The Company has been engaged in initiatives to strengthen its framework of corporate governance and to develop and enhance systems for risk management. The Company continuously strives to increase its corporate value by acting in total accordance with our business ethics at the group-wide level 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

For sustainable growth and the medium- to long-term enhancement of corporate value, the Company believes that the effective functioning of corporate governance is essential. As such, the Company conducts annual analyses and evaluations of the effectiveness of the Board of Directors and discloses those results in a timely and proper manner. Every three years, an independent third party performs an analysis, and that analysis was performed in the current fiscal year.

Independence and diversity in the Board of Directors

Ratio of Outside Directors: 4/10 persons	40%
Ratio of female executives: 2/14 persons	14%

(As of April 1, 2022)

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 Directors.
HOME > Sustainability > Governance > Corporate Governance

(Attachment)

Business Report
(From April 1, 2021 to March 31, 2022)

1. Matters Related to Current Conditions of the Corporate Group

(1) Business Progress and Results

[General Conditions]

In the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022), the global economy recorded high growth rates on a full-year basis due to a reaction following the recovery from the previous fiscal year, despite the renewed spread of the novel coronavirus (COVID-19) including the Omicron variant.

The Japanese economy recorded a positive growth with the personal consumption distinctly recovering backed by the progress of vaccination and the accompanying lifting of activity restrictions though its recovery was delayed under a series of declarations of state of emergency.

In this business environment, the Company released its management plan (Rolling Planning) in May. Since then, the Company engaged in "refining our four-pillar businesses," "accelerating global business development centered on Asia," "venturing into new business areas," "achieving further competitiveness in the containership business," and "continuously expanding our financial base." In November, in order to strengthen its measures on climate changes, the Company partially revised its long-term environment-related guideline "K" LINE Environmental Vision 2050 and proactively engaged in the efforts toward safety, environment, and quality by setting its high target "The Challenge of Achieving Net-Zero GHG Emissions" as a new target for 2050.

In its own businesses, all segments earned profits due to initiatives such as continuously promoting the optimization of fleet allocations, carefully choosing investments focused on stable earnings, pursuing thorough vessel efficiency, and growing profitability through enhancing customer proposal capabilities.

In addition, the performance of OCEAN NETWORK EXPRESS PTE. LTD. (hereinafter referred to as "ONE"), the Company's equity-method affiliate, substantially improved because of the effects such as flexible operations adapted to robust freight demand and contributions from the continued high level of freight rates.

Due to these initiatives towards enhancing corporate value and the improvement of profits attributable to market rates, etc., the Company achieved its FY2030 target ahead of schedule to increase its own capital, and promoted business structure reform of withdrawing from high-cost vessels and unprofitable businesses.

As a result, operating revenues for the fiscal year were ¥756.983 billion (up ¥131.496 billion year on year), operating income was ¥17.663 billion (compared to operating loss of ¥21.286 billion for the previous fiscal year), and ordinary income was ¥657.504 billion (up ¥568.006 billion year on year). Profit attributable to owners of the parent was ¥642.424 billion (up ¥533.728 billion year on year).

The average foreign exchange rate in the current fiscal year was ¥112.06/US$ (yen depreciation of ¥6.27 /US$ compared to the previous fiscal year) and the average fuel oil price was US$550.66/MT* (up by US$187.60/MT compared to the previous fiscal year).

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

Operating revenues	Operating income	Ordinary income	Profit attributable to owners of the parent
¥757.0 billion (An increase of 21.0% year on year)	¥17.7 billion (Loss of ¥21.3 billion in the previous fiscal year)	¥657.5 billion (7.3× compared to the previous fiscal year)	¥642.4 billion (5.9× compared to the previous fiscal year)

Dry Bulk Segment (Billions of yen)

Operating revenues	276.5	(an increase of 51.9% year on year)
Segment profit (loss)	23.7	(Loss of ¥9.1 billion in the previous fiscal year)
Operating revenue composition ratio to total operating revenues 36.5%		

[Dry Bulk Business]

In the Cape-size sector, market rates stayed mostly firm in the first half due to robust transportation demand in various countries, including China, and remained at a high level toward the middle of the fiscal year as a result of the strengthening of quarantine systems intended to prevent the expansion of COVID-19 and the tightening of the vessel supply-demand balance caused by an increase in port congestion in the Far East. In the second half, transportation demand weakened as China curbed crude steel production. Although market rates declined toward the end of the fiscal year because of the effects of a decrease in shipments due to unfavorable weather in major production regions, they mostly stayed firm throughout the year, despite some fluctuations.

In the medium and small vessel sector, market rates rose toward the middle of the fiscal year because of the effects of port congestion as well as an increase in demand for transportation of coal and minor bulk cargoes, and due to recovery in industrial activity in China and robust demand for grain imports from Brazil to China. In the second half, market rates declined due to the easing of port congestion and disruptions caused by a ban on exports of Indonesian coal, but toward the end of the fiscal year, the market rates rose again because of a change in patterns of transportation from alternative supply sources of grains and other cargoes due to the effects of the situations in Russia and Ukraine.

Under these circumstances, the Group strived to manage the market exposures appropriately and reduce operation costs and improve vessel operation efficiency.

As a result, the overall Dry Bulk Segment recorded a year-on-year increase in revenue and returned to profitability.

Energy Resource Transport Segment (Billions of yen)

Operating revenues	89.7	(an increase of 15.6% year on year)
Segment profit (loss)	4.8	(an increase of 344.9% year on year)
Operating revenue composition ratio to total operating revenues	11.9%	

[Tanker and Electricity 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 Business]

Concerning LNG carriers, 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, market rates remained sluggish although the oil price has recovered.

Furthermore, as announced on December 17, 2021, all ships owned by K LINE OFFSHORE AS, a consolidated subsidiary that operates an offshore support vessel business, were sold, and K LINE OFFSHORE AS is scheduled to be liquidated in the first half of FY ending March 31, 2023.

As a result, the overall Energy Resource Transport Segment recorded a year-on-year increase both in revenue and profit.

Product Logistics Segment (Billions of yen)

Operating revenues	380.2	(an increase of 11.9% year on year)
Segment profit (loss)	640.8	(an increase of 513.0% year on year)
Operating revenue composition ratio to total operating revenues	50.2%	

[Car Carrier Business]

In the global car sales market, although supply shortages of semiconductors and auto parts, and the situations in Russia and Ukraine affected production and shipments in some areas, the recovery from the impact of COVID-19 in the previous fiscal year continued. Despite the effects of continued rises in fuel prices, transportation demand has recovered.

[Logistics Business]

In the domestic logistics and port business, the domestic container handling volume recorded a year-on-year increase. In the towage business, the work volume stayed firm. The warehousing business remained firm.

As for the international logistics business, in the forwarding business, the air cargo transportation volume continued to increase. In the finished vehicles transportation business, the handling volume in inventory storage service remained low.

[Short Sea and Coastal Business]

In the short sea business, demand for transportation of steel and lumber stayed firm, but the transportation volume of bulk cargoes decreased year-on-year. Overall transportation volume in the whole of the short sea business recorded a year-on-year decrease.

In the coastal business, market rates stayed firm for ferry transportation, and the transportation volume recorded a year-on-year increase. Regarding liner transportation, the transportation volume rose year-on-year as the Group captured demand for transportation of timber products and food cargoes. With respect to tramp service business, ships dedicated to transportation of limestones and coal maintained stable operation, while the transportation volume of general cargo ships increased year-on-year due to growth in demand for lumber.

[Containership Business]

As for the performance of “ONE,” amid the tightening of the supply-demand balance due to supply chain disruptions and robust cargo movements, market rates stayed high in all trades. The business performance of “ONE” resulted in a significant increase in profit year on year.

As a result, the overall Product Logistics Segment recorded a year-on-year increase both in revenue and profit.

Other Segment (Billions of yen)

Operating revenues	10.6	(a decrease of 59.6% year on year)
Segment profit (loss)	(0.1)	(Profit of ¥1.1 billion in the previous fiscal year)
Operating revenue composition ratio to total operating revenues	1.4%	

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 decline both in revenue and profit.

(2) Financial Position and Results of Operation

Item	FY2018	FY2019	FY2020	FY2021 (current fiscal year)
Operating revenues (Millions of yen)	836,731	735,284	625,486	756,983
Ordinary income (loss) (Millions of yen)	(48,933)	7,407	89,498	657,504
Profit (loss) attributable to owners of the parent (Millions of yen)	(111,188)	5,269	108,695	642,424
Basic profit (loss) per share (Yen)	(1,192.08)	56.50	1,165.34	6,887.54
Total assets (Millions of yen)	951,261	896,081	974,608	1,574,960
Net assets (Millions of yen)	181,233	200,234	316,162	984,882
Net assets per share of common stock (Yen)	1,110.48	1,083.88	2,339.28	9,484.35
Ratio of current profit to capital equity (ROE) (%)	(69.4)	5.1	68.1	116.5
Ratio of ordinary income to total assets (ROA) (%)	(4.9)	0.8	9.6	51.6
Capital equity ratio (%)	10.9	11.3	22.4	56.2

(Notes) 1. "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued by the Accounting Standards Board of Japan on March 31, 2020) has been applied from the beginning of FY2021. The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition.

2. Overviews of FY2018 to FY2021 are as follows.

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: Following on from the previous fiscal year, the global economy continued to face very difficult conditions. With concerns over economic slowdown and geopolitical uncertainties, consumption and manufacturing have stagnated since the beginning of 2020 due to the spread of COVID-19, which has started to cause significant restriction of global economic activity. In this business environment, backed by the effects through the structural reforms implemented in the previous fiscal year, we enhanced businesses that generate stable earnings, drastically realigned our car carrier service network, and restored freight in the car carrier business. In addition, backed by a substantial improvement in the business of OCEAN NETWORK EXPRESS PTE. LTD. (ONE), the Company's equity-method affiliate, the Company successfully secured profitability in all operating income, ordinary income and profit for the period.

FY2020: Following the spread of novel coronavirus disease (COVID-19) and accompanying restrictions on movement and self-restraint from going out, the global economy experienced the worst negative growth of the post-war period, worse than what was witnessed in the Lehman crisis. Based on consideration of the impact on the Group's business environment due to the COVID-19 pandemic, the Company established a management plan in August 2020 and focused on initiatives to control the damage by rationalizing fleet sizes centered on dry bulk and car carriers and carefully selecting investment opportunities, while securing sufficient liquidity and selling its assets such as the international terminal service sector. In addition, the performance of ONE, the Company's equity-method affiliate, substantially improved because of the effects such as flexible operations adapted to robust demand and contributions from the continued high level of freight rates. Due to these initiatives and improved profits, the Company achieved its target to increase its own capital significantly ahead of schedule which was originally set in the mid-2020s.

FY2021: The overview for FY2021 is as provided in subsection "(1) Business Progress and Results," pages 30 to 35.

(3) Capital Investment

Over the current fiscal year, the Group made overall capital investments of ¥43.442 billion.

The Dry Bulk, Energy Resource Transport, and Product Logistics segments made capital investments of ¥15.251 billion, ¥4.616 billion, and ¥22.509 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 ¥1.063 billion.

Meanwhile, sales of fixed assets amounted to ¥46.382 billion, mainly attributable to vessel disposal.

(4) Capital Procurement

In September 2021, the Company originated a transition linked loan (purpose unspecified finance) of approximately ¥110.0 billion, the first transition linked loan in Japan, to further promote its transition strategy toward decarbonization.

(5) Issues to Address

In FY2022, despite the uncertainties in the situation in Russia and Ukraine, the global economy is expected to be recovering to a certain degree due to increased consumption backed by household savings accumulated through fiscal stimulus packages in various countries. Maritime cargo movements are expected to gradually stabilize, although logistics continue to be disrupted due to the COVID-19 pandemic.

In May 2021, the Group formulated its management plan, which is designed as a rolling plan, and since then we have been working on refining our four-pillar business; venturing into new business areas; accelerating business development abroad, particularly in Asia; achieving further competitiveness in the containership business; and continuously expanding our financial base. As a result, in FY2021, all segments of our businesses achieved profitability, and equity-method affiliate ONE produced strong results as the containership market trended at a high level, leading the Group's ordinary income and profit to exceed forecasts. In addition, the Company achieved its goal of expanding shareholder's equity by FY2030 ahead of schedule and was able to implement structural reforms by retiring unprofitable vessels and businesses.

In the midst of a drastically changing business environment, the Group announced a five-year medium-term management plan in May 2022. Drawing on the unique strengths of the Group, and using the low- and zero-carbon transitions of the Company and society as a motive, we will continue to help converting our energy infrastructure in parallel with the transition of our fleet to alternative fuel vessels. To ensure that we seize this business opportunity and increase profitability and growth, we will focus our management resources and strengthen partnerships with our customers to sustainably enhance our corporate value. To achieve this, we will work to execute our business strategy, build our business foundation, and clarify our capital policy.

[Business strategy]

Our new business portfolio framework categorizes the roles of the businesses and clarifies the strategic direction of each business according to its role.

Using the low- and zero-carbon transitions of the Company and society as an opportunity, we will achieve business growth through concentrated allocation of management resources in the portfolio of "businesses that play a role of driving growth." In the portfolio of "businesses that play a role of supporting a smooth energy source conversion and taking on new business opportunities," we will strive to meet the demand for alternative fuels while minimizing business risks. In the portfolio of "businesses that play a role in contributing by enhancing profitability," we will promote migration to a light-asset business model by aligning the ship ownership period with the contract period. For these three portfolios, we will continue to consider strategic replacement of business assets.

In the portfolio of "businesses that play a role of supporting the business as a shareholder and stabilizing the earning base," we aim to maximize corporate value through ongoing personal support and involvement in management governance. In the "new business domain," we will pursue Group synergies and expand the business domains in which we can leverage our strengths.

[Business foundation]

We will build a solid business foundation to realize our business strategy. By improving our unique technology and expertise through investment into the human resources that are the source of the Group's value proposition as well as their supporting systems and technologies, we aim to provide added value that meets our customers' needs through our organizational business strength.

[Capital policy]

Based on the optimal capital structure, we will strategically allocate resources to implement growth investments that capture mid- to long-term changes in the business environment, optimize capital efficiency, maintain and improve our financial base, and return profits to shareholders. In addition to base dividends, we will strive to increase shareholder value by flexibly implementing additional dividends and share buybacks. In addition, we will continue to stabilize and optimize our financial base by further improving our business management and maintaining and strengthening our investment discipline through the introduction of business investment management.

(6) Status of Principal Subsidiaries, etc. (as of March 31, 2022)

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
"K" LINE BULK SHIPPING (UK) LIMITED	33.97 million U.S. dollars	(100.0)	Marine transportation
"K" LINE LNG SHIPPING (UK) LIMITED	35.90 million U.S. dollars	(100.0)	Marine transportation
"K" LINE PTE LTD	41.14 million U.S. dollars	100.0	Marine transportation
OCEAN NETWORK EXPRESS PTE. LTD.	3,000.00 million U.S. dollars	(31.0)	Marine transportation

(Notes) 1. Figures shown in parentheses in the equity ownership column include ownership shares held by subsidiaries, etc.

2. The Company's 50.7% ownership of KAWASAKI KINKAI KISEN KAISHA, LTD. includes 3.1% ownership of other subsidiaries.

3. The Company's ownership ratio of DAITO CORPORATION and NITTO TOTAL LOGISTICS LTD. is through 51% ownership of KLKG HOLDINGS, Co., Ltd.

4. 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.

5. K LINE OFFSHORE AS was excluded from the scope of principal subsidiaries as it is scheduled to be liquidated in the first half of the FY2022.

6. The Company's ownership ratio of OCEAN NETWORK EXPRESS PTE. LTD. is through 31.0% ownership of OCEAN NETWORK EXPRESS HOLDINGS, LTD. OCEAN NETWORK EXPRESS PTE. LTD. is an equity-method affiliate running a containership business but is listed from the perspective of importance.

(7) Main Locations (as of March 31, 2022)

(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

(ii) Subsidiaries, etc.

Company name	Location
KAWASAKI KINKAI KISEN KAISHA, LTD.	Tokyo, Kushiro, Sapporo, Tomakomai, Hachinohe, Naka, Shizuoka, Osaka, Kitakyushu, Oita, Nichinan
"K" LINE LOGISTICS, LTD.	Tokyo, Funabashi, 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
"K" LINE BULK SHIPPING (UK) LIMITED	U.K.
"K" LINE LNG SHIPPING (UK) LIMITED	U.K.
"K" LINE PTE LTD	Singapore
OCEAN NETWORK EXPRESS PTE. LTD.	Singapore

(Note) In February 2022, KAWASAKI KINKAI KISEN KAISHA, LTD. suspended its operation of the Muroran Branch due to the suspension of the Hachinohe-Muroran route.

(iii) Other Locations Overseas

Korea, China, Taiwan, Thailand, Singapore, Malaysia, Indonesia, Vietnam, India, Australia, U.K., Germany, Belgium, U.S.A., Mexico, Peru, Chile, Brazil, South Africa

(8) Status of Employees (as of March 31, 2022)

Name of segment	Dry Bulk	Energy Resource Transport	Product Logistics	Other	Corporate (common)	Total
Number of employees	160	212	3,697	680	409	5,158
As of previous fiscal year end	165	203	4,145	1,192	375	6,080
Change from previous fiscal year end	(5)	9	(448)	(512)	34	(922)

(Notes) 1. Employees categorized as "Corporate (common)" are employees belonging to administrative divisions who cannot be categorized as belonging to a particular segment.

2. The main reason for the decrease in the number of employees is the transfer of all of the Company's holding shares of its consolidated subsidiary CENTURY DISTRIBUTION SYSTEMS, INC. to a third party in June 2021.

(9) Status of Vessels (as of March 31, 2022)

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	48	19	5	33	25	11	141
Deadweight tons	5,888,871	2,361,310	406,780	446,112	233,488	849,856	10,186,417
Chartered							
Number of vessels	126	27	2	50	19	30	254
Deadweight tons	16,601,473	2,782,450	152,272	916,112	255,558	2,970,195	23,678,060
Total							
Number of vessels	174	46	7	83	44	41	395
Deadweight tons	22,490,344	5,143,760	559,052	1,362,224	489,046	3,820,051	33,864,477

(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 transferred all of its holding shares of its subsidiary CENTURY DISTRIBUTION SYSTEMS, INC. to an investment fund operated by Sun Capital Partners, Inc. in June 2021.

(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.

The Company and its consolidated subsidiary Kawasaki Kinkai Kisen Kaisha, Ltd. (hereinafter referred to as “Kawasaki Kinkai Kisen”) have entered into a share exchange agreement to be effective on June 1, 2022, whereby the Company is the wholly share exchange parent company and Kawasaki Kinkai Kisen is the wholly share exchange subsidiary.

The share exchange agreement was subject to approval by resolution at an extraordinary shareholders’ meeting of Kawasaki Kinkai Kisen held on May 10, 2022.

2. Matters Related to Corporate Stocks (as of March 31, 2022)

(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: 35,039

(4) Major Shareholders (top 10)

Name of shareholders	Number of shares held (Thousands)	Percentage of shares held (%)
ECM MF	10,716	11.43
GOLDMAN SACHS INTERNATIONAL	10,596	11.30
The Master Trust Bank of Japan, Ltd. (trust account)	10,540	11.24
MLI FOR SEGREGATED PB CLIENT	5,651	6.02
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SEGR ACCT	5,149	5.49
CGML PB CLIENT ACCOUNT/COLLATERAL	4,841	5.16
Custody Bank of Japan, Ltd. (trust account)	3,714	3.96
IMABARI SHIPBUILDING CO., LTD.	2,352	2.50
Custody Bank of Japan, Ltd. (Kawasaki Heavy Industries, Ltd. retirement benefit trust account re-entrusted by Mizuho Trust & Banking Co., Ltd.)	2,035	2.17
Mizuho Bank, Ltd.	1,868	1.99

(Note) Percentage of shares held is calculated excluding treasury stock (197,459 shares).

(5) The Status of Shares Issued to Directors and Audit & Supervisory Board Members as Consideration for Execution of Their Duties During the Current Fiscal Year

There was no relevant matter during the current fiscal year.

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

(1) Details of Directors and Audit & Supervisory Board Members (as of March 31, 2022)

Name	Position	Areas of responsibility in the Company and significant concurrent positions
Yukikazu Myochin	Representative Director, President & CEO	CEO
Atsuo Asano	Representative Director, Vice President Executive Officer	Assistant to President & CEO, Responsible for Dry Bulk Carriers Unit, Marine Sector, Advanced Technology, Ship Technical, GHG Reduction Strategy and Environmental Affairs Unit
Yukio Toriyama	Representative Director, Senior Managing Executive Officer	Responsible for CFO Unit (Corporate Planning, Research, Corporate Sustainability, IR and Communication, Finance, Accounting, Taxation), CFO (Chief Financial Officer)
Kazuhiko Harigai	Representative Director, Senior Managing Executive Officer	Responsible for Energy Transportation Business Unit
Yasunari Sonobe	Director, Senior Managing Executive Officer	Responsible for Product Logistics Business Unit (Car Carriers, Logistics, Port and Affiliated Business)
Makoto Arai	Director, Managing Executive Officer	Responsible for Legal, Corporate Legal Risk & Compliance Unit, Assistance to Internal Audit, CCO (Chief Compliance Officer)
Keiji Yamada	Director	Remuneration Advisory Committee Chairperson, Trustee of Kyoto Sangyo University, Special Advisor to the President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law of Kyoto Sangyo University, Outside Audit & Supervisory Board member of HORIBA, Ltd. and Outside Director of TOSE CO., LTD.
Ryuhei Uchida	Director	Director of Effissimo Capital Management Pte Ltd
Kozue Shiga	Director	Nomination Advisory Committee Chairperson, and Of Counsel of Shiraishi Sogo Law Office
Tsuyoshi Kameoka	Director	Special Advisor of Idemitsu Kosan Co.,Ltd.
Kunihiko Arai	Standing Audit & Supervisory Board Member	
Yutaka Akutagawa	Standing Audit & Supervisory Board Member	
Atsumi Harasawa	Audit & Supervisory Board Member	Partner of Igarashi Watanabe & Esaka Law Office, Outside Director of Ricoh Leasing Company, Ltd. and Outside Audit & Supervisory Board member of GiXo Ltd.
Shinsuke Kubo	Audit & Supervisory Board Member	Representative Partner of Kyoei Accounting Office and Outside Audit & Supervisory Board Member of Japan Airlines Co., Ltd.

(Notes) 1. Directors, Keiji Yamada, Ryuhei Uchida, Kozue Shiga, and Tsuyoshi Kameoka are Outside Directors. The Company has designated Keiji Yamada, Kozue Shiga, and Tsuyoshi Kameoka as independent directors pursuant to the regulations of the Tokyo Stock Exchange, and has provided the relevant notification to the said exchange.

2. Audit & Supervisory Board Members Atsumi Harasawa and Shinsuke Kubo are Outside Audit & Supervisory Board Members. The Company has designated them both as independent auditors pursuant to the regulations of the Tokyo Stock Exchange, and has provided the relevant notification to the said exchange.
3. 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. Audit & Supervisory Board Member Yutaka Akutagawa has considerable knowledge of financial and accounting matters based on his wide range of experience in Mizuho Bank, Ltd. and his involvement in corporate management as its Executive Officer. Audit & Supervisory Board Member Shinsuke Kubo is qualified as a certified public accountant with considerable knowledge of financial and accounting matters based on his engagement in CPA offices inside and outside Japan.
4. Director Seiichi Tanaka retired from his position due to the expiration of his term of office upon the conclusion of the Ordinary General Meeting of Shareholders held on June 23, 2021.
5. Director Keiji Yamada is Trustee of Kyoto Sangyo University, Special Advisor to the President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law of Kyoto Sangyo University, Outside Audit & Supervisory Board member of HORIBA, Ltd. and Outside Director of TOSE CO., LTD. No special interests exist between the Company and each of these 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. Director Kozue Shiga is Of Counsel of Shiraishi Sogo Law Office. No special interests exist between the Company and the said office.
8. Director Tsuyoshi Kameoka is Special Advisor of Idemitsu Kosan Co.,Ltd. The Company conducts business transactions with the said company, but annual transaction volume accounts for less than 2% of the Company's consolidated sales and less than 1% of consolidated sales of the said company.
9. Audit & Supervisory Board Member Tsuyoshi Yamauchi retired from his position due to resignation upon the conclusion of the Ordinary General Meeting of Shareholders held on June 23, 2021.
10. Audit & Supervisory Board Member Atsumi Harasawa is Partner of Igarashi Watanabe &Esaka Law Office, Outside Director of Ricoh Leasing Company, Ltd. and Outside Audit & Supervisory Board member of GiXo Ltd. No special interests exist between the Company and each of these entities where she concurrently holds the positions.
11. Audit & Supervisory Board Member Shinsuke Kubo is Representative Partner of Kyoei Accounting Office. No special interests exist between the Company and the said office. In addition, he is Outside Audit & Supervisory Board Member of Japan Airlines Co., Ltd. The Company's air cargo business conducts business transactions with the said company, but annual transaction volume accounts for less than 1% of the Company's consolidated sales and less than 1% of consolidated sales of the said company.

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

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

Category	Total amount of remuneration (Millions of yen)	Total amount of remuneration by type (Millions of yen)			Number of Directors and Audit & Supervisory Board Members
		Fixed remuneration	Performance-based remuneration		
		Monthly remuneration	Bonuses based on consolidated performance	Performance-based share remuneration	
Directors (excluding Outside Directors)	302	286	-	15	6
Outside Directors	37	37	-	-	4
Total	340	324	-	15	10
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	62	62	-	-	3
Outside Audit & Supervisory Board Members	18	18	-	-	2
Total	81	81	-	-	5

(Notes) 1. The above table includes one Director and one Audit & Supervisory Board Member who retired from their positions upon the conclusion of the Ordinary General Meeting of Shareholders held on June 23, 2021.

2. The ¥15 million listed as performance-based share remuneration above is recorded as expense in the current fiscal year.

(ii) Matters Related to Resolutions by the General Meeting of Shareholders on Directors' and Audit & Supervisory Board Members' Remuneration

The maximum amount of monetary remuneration for Directors was set at no more than ¥600 million per year and a performance-based share remuneration plan was introduced in which the determination of the specific amount to be paid is left to the discretion of the Board of Directors to be within the framework of the total amount as resolved by resolution of the Ordinary General Meeting of Shareholders held on June 24, 2016. The number of Directors as of the conclusion of said Ordinary General Meeting of Shareholders is nine (of which, three are Outside Directors).

In accordance with the resolution of the Ordinary General Meeting of Shareholders held on June 24, 2016, the Company introduced the plan for the four fiscal years from the fiscal year ended March 31, 2018 to the fiscal year ended March 31, 2021 (hereinafter, this four-fiscal-year period and each subsequent four-fiscal-year period are referred to as the "Period"; there is no date set for the termination of the trust, and the trust will continue as long as the plan continues), as well as for each Period that follows. The Company established the trust for eligible Directors, etc. as beneficiaries with the Company contributing up to ¥480 million as the funds necessary to acquire the shares to be delivered to Directors, etc. based on the plan during the initial period.

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. The number of Audit & Supervisory Board Members as of the conclusion of said Ordinary General Meeting of Shareholders is four (of which, two are Outside Audit & Supervisory Board Members).

(iii) Policies on Remuneration for Each Individual Director

a. Method of determining policies on remuneration for each individual Director

・ Policies on determining remuneration for each individual Director are decided based on Article 13 of the Kawasaki Kisen Kaisha, Ltd. CORPORATE GOVERNANCE GUIDELINES established at the Board of Directors meeting held on November 27, 2015.

b. Overview of contents of policies for determining remuneration for each individual Director

・ 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 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. In addition, 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.

c. Reasons the Board of Directors has judged that the contents of remuneration for each individual Director are in line with said policies

・ 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 respect the recommendations of the Remuneration Advisory Committee and approve the remuneration for each Director within the limit of the maximum yearly remuneration as resolved by the General Meeting of Shareholders, and the Representative Director, President & CEO shall ultimately determine the amount to be paid to each Director. The amount of performance-based remuneration for each Director is determined according to the formula stipulated in the internal regulations within the limit of the resolution at the Ordinary General Meeting of Shareholders held on June 24, 2016.

・ In accordance with the above, the Company has judged that the contents of remuneration for each individual Director in the current fiscal year are in line with the policies for determining remuneration for each individual Director.

・ 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.

(iv) Policies on delegation of authority to determine the contents of remuneration for each individual Director

The contents of remuneration for each individual Director shall ultimately be determined by Yukikazu Myochin, the Representative Director, President & CEO, who has a general understanding of the status of execution of duties by Directors from the perspective of privacy and accurate ratings, as resolved at the Board of Directors meeting held on June 23, 2021.

In order for the Representative Director, President & CEO to appropriately exercise said authority in determining the amount to be paid to each individual Director, the Remuneration Advisory Committee provides recommendations within the limit of the maximum yearly remuneration as resolved by the General Meeting of Shareholders and said recommendations are approved at a meeting of the Board of Directors.

The Company has judged that the delegation of said authority is appropriate based on the fact that the undertaking of said measures can serve to ensure objectivity and transparency.

(v) Method of determining indicators relating to performance-based remuneration and amount of said performance-based remuneration; and reasons for selecting said indicators

a. Method of determining indicators relating to performance-based remuneration and amount of said performance-based remuneration

・ Bonuses based on consolidated performance

Bonuses based on consolidated performance are primarily linked to consolidated performance (operating income and profit attributable to owners of the parent) for single fiscal years to enhance the transparency and objectivity of payment standards.

The coefficient for multiplying the monthly (fixed) remuneration of individual Directors shall be determined according to consolidated performance as well as position and individual contributions based on the designated formula. The minimum value of the coefficient is 0%, the value in the standard assumed case is 5%, and the maximum value is 34%.

In the fiscal year under review, consolidated performance reached the payable range; however, in light of the difficult performance of "K" LINE's own businesses and the failure to pay dividends, the Company has decided not to pay performance-linked bonuses.

・ Performance-based share remuneration

The points to be granted to Directors in performance-based share remuneration (hereinafter "BBT") shall be calculated using the following method as linked to the Company's total shareholder return (TSR; hereinafter "TSR") in order to further share value with shareholders, strengthen incentives for Directors to enhance corporate value over the medium- to long-term, and make it functioning more effectively.

A combination of the ratio of the Company's TSR to the TOPIX growth rate (hereinafter, the "TSR Ratio") and the ranking of the Company's TSR to the TSR of other companies (hereinafter, the "Ranking") shall be used to determine the coefficient for multiplying fixed remuneration.

The period for evaluating the TSR Ratio and the Ranking shall be three years, and the evaluation (points awarded) shall be conducted every fiscal year.

If the TSR Ratio is 50% or less, the coefficient shall be 0% (the minimum value); if the TSR Ratio is 100%, the coefficient shall be 10% (the standard value); if the TSR Ratio is 150% or more, the coefficient shall be 40% (the maximum value); and if the TSR Ratio is more than 50% but less than 100% or more than 100% but less than 150%, the coefficient shall be calculated through a certain formula. This system is designed to increase incentives for Directors to enhance shareholder value by increasing the coefficient that remuneration shall be multiplied by when the TSR Ratio exceeds 100%.

The Ranking shall be determined by establishing the TSR of two comparable companies in the same general maritime industry as the Company, Nippon Yusen Kabushiki Kaisha and Mitsui O.S.K. Lines, Ltd., and calculating the TSR of the Company using the same method.

The coefficients calculated as detailed above shall be multiplied by the fixed remuneration of individual Directors to calculate the amount of BBT remuneration, which will be converted into points and awarded to individual Directors.

In the current fiscal year, the ratio of the Company's TSR to TOPIX growth rate for the three-year period from FY2018 to FY2020 was over 50% and less than 100%, and the coefficient to be multiplied by fixed remuneration was 5.48%.

(Note) Total Shareholders Return (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).

b. Reasons for selecting said indicators

The Company aims to optimize the balance between short-term performance and medium- to long-term corporate value enhancement, and to provide Directors with sound incentives for sustainable growth.

<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	Within 600 million yen / year
	2) Bonuses based on consolidated performance *	Variable remuneration	Linked to consolidated performance and individual performance evaluations for 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, 2018 up until FY ended March 31, 2021: (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 Current Fiscal Year and Summary of Duties Performed in Relation to Expected Roles

Name	Position	Status of Main Activities and Summary of Duties Performed in Relation to Expected Roles
Keiji Yamada	Outside Director	Mr. Yamada attended all 18 meetings of the Board of Directors held during the current fiscal year. Based on his wide range of experience/personal network and insight from his long-term experience as a head of administrative organs, he has fulfilled his expected roles of making comments as appropriate from an objective standpoint as an Outside Director and supervising the execution of business through his activities in his position as Remuneration Advisory Committee Chairperson and Nomination Advisory Committee Member.
Ryuhei Uchida	Outside Director	Mr. Uchida attended all 18 meetings of the Board of Directors held during the current fiscal year. Based on his abundant experience and insight in corporate value enhancement at a general trading company and investment funds, he has fulfilled his expected roles of making comments as appropriate from an objective standpoint as an Outside Director and contributing to the enhancement of the Group’s corporate governance with his precise supervision on the Company’s management and the execution of business.
Kozue Shiga	Outside Director	Ms. Shiga attended all 18 meetings of the Board of Directors held during the current fiscal year. She has expert knowledge and experience as a lawyer, and is fulfilling her expected roles of making comments as appropriate from an objective standpoint and supervising the execution of business through her activities in her position as Nomination Advisory Committee Chairperson and Remuneration Advisory Committee Member.
Tsuyoshi Kameoka	Outside Director	Mr. Tsuyoshi Kameoka attended all 13 meetings of the Board of Directors held after his assumption of office in June 2021. Based on his abundant experience in corporate management and broad insight, he is fulfilling his expected roles of making comments as appropriate from an objective standpoint as an Outside Director and supervising the execution of business through his activities in his position as Remuneration Advisory Committee Member and Nomination Advisory Committee Member.
Atsumi Harasawa	Outside Audit & Supervisory Board Member	Ms. Harasawa attended all 18 meetings of the Board of Directors and all 16 meetings of the Audit & Supervisory Board held during the current fiscal year. She has fulfilled her expected roles of making comments as appropriate from an expert perspective as a lawyer and conducting effective auditing from an independent point of view.

Name	Position	Status of Main Activities and Summary of Duties Performed in Relation to Expected Roles
Shinsuke Kubo	Outside Audit & Supervisory Board Member	Mr. Kubo attended all 18 meetings of the Board of Directors and all 16 meetings of the Audit & Supervisory Board held during the current fiscal year. He has fulfilled his expected roles of making comments as appropriate from an expert perspective as a certified public accountant and conducting effective auditing from an independent point of view.

(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 Keiji Yamada, Ryuhei Uchida, Kozue Shiga and Tsuyoshi Kameoka, as well as 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.

(5) Outline of Liability Insurance Contracts for Directors and Officers, etc.

The Company has concluded liability insurance contracts with an insurance company for Directors and Officers, etc., as stipulated in Article 430-3, Paragraph (1) of the Companies Act. The scope of the said contracts is for Directors, Audit & Supervisory Board Members and Executive Officers of the Company and its subsidiaries, and the insured does not bear the premium. The said contract covers damages that may arise from the insured assuming responsibility for the execution of their duties or receiving claims related to the pursuit of such responsibility. However, the coverage excludes illegal acts and the like of the insured carried out intentionally so that the properness of the execution of duties by the insured is not impaired.

Consolidated Financial Statements

Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2022
ASSETS	
Current assets:	
Cash and deposits	247,344
Accounts and notes receivable-trade and contract assets	103,699
Raw materials and supplies	36,572
Deferred and prepaid expenses	17,659
Short-term loans receivable	4,749
Other current assets	22,107
Allowance for doubtful accounts	(1,044)
Total current assets	**431,089**
Non-current assets:	
(Vessels, property and equipment)	
Vessels, net	339,821
Buildings and structures, net	9,817
Machinery, equipment and vehicles, net	2,904
Land	15,730
Construction in progress	9,679
Other, net	4,076
Total vessels, property and equipment	**382,029**
(Intangible assets)	
Other intangible assets	3,513
Total intangible assets	**3,513**
(Investments and other assets)	
Investment securities	691,809
Long-term loans receivable	23,007
Assets for retirement benefits	1,228
Deferred tax assets	2,589
Other investments and other assets	40,824
Allowance for doubtful accounts	(1,132)
Total investments and other assets	**758,326**
Total non-current assets	**1,143,870**
Total assets	**1,574,960**

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

Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2022
LIABILITIES	
Current liabilities:	
Accounts and notes payable-trade	62,756
Short-term loans and current portion of long-term loans	87,544
Lease obligations	26,870
Accrued income taxes	3,051
Provision for loss related to Anti-Monopoly Act	357
Provision for loss on liquidation of subsidiaries and affiliates	2,168
Provision for loss on chartering contracts	13,903
Provision for bonuses	4,165
Provision for directors' bonuses	309
Other current liabilities	50,411
Total current liabilities	**251,538**
Non-current liabilities:	
Long-term loans, less current portion	277,992
Lease obligations	24,047
Deferred tax liabilities	9,129
Deferred tax liabilities on land revaluation	1,174
Provision for directors' and audit and supervisory board members' retirement benefits	167
Provision for directors' stock benefits	307
Provision for periodic drydocking of vessels	13,392
Liability for retirement benefits	6,147
Derivative liabilities	3,417
Other non-current liabilities	2,761
Total non-current liabilities	**338,538**
Total liabilities	**590,077**
NET ASSETS	
Shareholders' equity:	
Common stock	75,457
Capital surplus	14,214
Retained earnings	777,130
Treasury stock	(2,378)
Total shareholders' equity	**864,424**
Accumulated other comprehensive income:	
Net unrealized holding gain (loss) on investment securities	5,474
Deferred gain (loss) on hedges	(893)
Revaluation reserve for land	4,630
Translation adjustments	12,954
Retirement benefits liability adjustments	(1,956)
Total accumulated other comprehensive income	**20,209**
Non-controlling interests	**100,248**
Total net assets	**984,882**
Total liabilities and net assets	**1,574,960**

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

Consolidated Statement of Operations

(Millions of yen)

	Year ended March 31, 2022
Marine transportation and other operating revenues	756,983
Marine transportation and other operating costs and expenses	681,605
Gross profit (loss)	75,377
Selling, general and administrative expenses	57,714
Operating income (loss)	17,663
Non-operating income:	
Interest income	671
Dividend income	2,226
Equity in earnings of unconsolidated subsidiaries and affiliates	640,992
Foreign exchange gains, net	10,742
Other non-operating income	1,470
Total non-operating income	656,103
Non-operating expenses:	
Interest expenses	10,305
Loss on valuation of derivatives	2,003
Financing expenses	3,467
Other non-operating expenses	487
Total non-operating expenses	16,263
Ordinary income (loss)	657,504
Extraordinary income:	
Gain on sales of non-current assets	19,758
Gain on sales of shares of subsidiaries and affiliates	8,967
Other extraordinary income	1,379
Total extraordinary income	30,105
Extraordinary losses:	
Impairment losses	18,159
Loss on cancellation of chartered vessels	7,262
Provision for loss on liquidation of subsidiaries and affiliates	2,168
Other extraordinary losses	924
Total extraordinary losses	28,516
Profit (loss) before income taxes	659,093
Income taxes:	
Current	8,665
Deferred	3,794
Total income taxes	12,459
Profit (loss)	646,633
Profit (loss) attributable to non-controlling interests	4,209
Profit (loss) attributable to owners of the parent	642,424

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

Independent Auditor's Report

May 17, 2022

The Board of Directors
Kawasaki Kisen Kaisha, Ltd.

Ernst & Young ShinNihon LLC
Tokyo, Japan

Satoshi Uchida
Designated Engagement Partner
Certified Public Accountant

Yuichiro Sagae
Designated Engagement Partner
Certified Public Accountant

Masashi Kobayashi
Designated Engagement Partner
Certified Public Accountant

Opinion

Pursuant to Article 444, paragraph 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. and its consolidated subsidiaries (the Group) applicable to the fiscal year from April 1, 2021 to March 31, 2022.

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 applicable to the fiscal year ended March 31, 2022, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the information included in the Group's business report and its supplementary schedules. Management is responsible for preparation and disclosure of the other information. the Audit and Supervisory Board Members and the Audit and Supervisory Board are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Audit and Supervisory Board Members and the Audit and Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit and Supervisory Board Members and the Audit and Supervisory Board are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Board Members and the Audit and Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Board Members and the Audit and Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated 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.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2022
ASSETS	
Current assets:	
Cash and deposits	199,868
Accounts receivable-shipping	62,662
Contract assets	8,366
Advances paid	4,660
Supplies	30,225
Deferred and prepaid expenses	16,881
Accounts receivable from agencies	8,023
Short-term loans receivable	13,008
Other current assets	12,297
Allowance for doubtful accounts	(956)
Total current assets	**355,036**
Non-current assets:	
(Vessels, property and equipment)	
Vessels, net	58,259
Buildings, net	891
Structures, net	48
Machinery and equipment, net	26
Vehicles and transportation equipment, net	88
Equipment and fixtures, net	201
Land	4,587
Construction in progress	2,460
Other, net	257
Total vessels, property and equipment	**66,820**
(Intangible assets)	
Software	399
Other intangible assets	41
Total intangible assets	**440**
(Investments and other assets)	
Investment securities	18,586
Shares of subsidiaries and affiliates	177,958
Investments in capital	532
Investments in capital of subsidiaries and affiliates	3,596
Long-term loans receivable	5,764
Long-term loans receivable from employees	257
Long-term loans receivable from subsidiaries and affiliates	46,083
Long-term prepaid expenses	17,620
Prepaid pension expenses	1,789
Lease investment assets	23,186
Lease and guarantee deposits	1,618
Other investments and other assets	5,475
Allowance for doubtful accounts	(677)
Total investments and other assets	**301,792**
Total non-current assets	**369,054**
Total assets	**724,090**

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

Non-Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2022
LIABILITIES	
Current liabilities:	
Accounts payable-shipping	56,797
Current portion of bonds	7,000
Short-term loans and current portion of long-term loans	133,847
Lease obligations	2,264
Accounts payable other than trade	7,792
Accrued expenses	342
Accrued income taxes	236
Advances received	1,213
Contract liabilities	15,828
Deposits received	8,122
Accounts payable to agencies	1,015
Provision for loss related to Anti-Monopoly Act	357
Provision for loss on chartering contracts	18,207
Provision for loss on guarantees	2,112
Provision for bonuses	2,218
Provision for directors' bonuses	116
Other current liabilities	741
Total current liabilities	**258,215**
Non-current liabilities:	
Long-term loans, less current portion	173,873
Lease obligations	12,615
Provision for employees' retirement benefits	590
Provision for directors' stock benefits	307
Provision for periodic drydocking of vessels	18
Deferred tax liabilities	4,257
Deferred tax liabilities on land revaluation	877
Other non-current liabilities	491
Total non-current liabilities	**193,031**
Total liabilities	**451,246**
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	100
Retained earnings carried forward	194,803
Total other retained earnings	194,904
Total retained earnings	194,904
Treasury stock	(2,330)
Total shareholders' equity	**269,331**
Accumulated other comprehensive income:	
Net unrealized holding gain (loss) on investment securities	4,740
Deferred gain (loss) on hedges	(3,285)
Revaluation reserve for land	2,057
Total accumulated other comprehensive income	**3,512**
Total net assets	**272,843**
Total liabilities and net assets	**724,090**

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

Non-Consolidated Statement of Operations

(Millions of yen)

	Year ended March 31, 2022
Marine transportation revenues	
Freight	417,823
Charter hire	109,780
Other marine transportation revenue	23,716
Total marine transportation revenues	551,320
Marine transportation expenses	
Operating costs and expenses	208,109
Vessel expenses	9,471
Charter hire:	
Charter hire	277,369
Provision for loss on chartering contracts	17,993
Other marine transportation expenses	24,573
Total marine transportation expenses	537,516
Marine transportation income (loss)	13,803
Other business revenue	52
Other business expenses	22
Other business income (loss)	29
Gross operating income (loss)	13,832
General and administrative expenses	18,797
Operating income (loss)	(4,964)
Non-operating income:	
Interest income	898
Foreign exchange gains, net	10,697
Dividend income	254,721
Other non-operating income	836
Total non-operating income	267,153
Non-operating expenses:	
Interest expenses	6,067
Interest on bonds	73
Loss on valuation of derivatives	1,972
Financing expenses	4,732
Provision of allowance for doubtful accounts	(6)
Provision for loss on guarantees	653
Other non-operating expenses	239
Total non-operating expenses	13,733
Ordinary income (loss)	248,455
Extraordinary income:	
Gain on sales of shares of subsidiaries and affiliates	6,968
Gain on sales of non-current assets	2,714
Other extraordinary income	168
Total extraordinary income (loss)	9,851
Extraordinary losses:	
Impairment losses	15
Loss on devaluation of shares of subsidiaries and affiliates	23,965
Loss on cancellation of chartered vessels	6,808
Other extraordinary losses	983
Total extraordinary losses	31,772
Profit (loss) before income taxes	226,534
Income taxes:	
Current	718
Deferred	(143)
Total income taxes	574
Profit (loss)	225,959

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

Independent Auditor's Report

May 17, 2022

The Board of Directors
Kawasaki Kisen Kaisha, Ltd.

Ernst & Young ShinNihon LLC
Tokyo, Japan

Satoshi Uchida
Designated Engagement Partner
Certified Public Accountant

Yuichiro Sagae
Designated Engagement Partner
Certified Public Accountant

Masashi Kobayashi
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, and notes to the financial statements of Kawasaki Kisen Kaisha, Ltd.(the Company) applicable to the fiscal year from April 1, 2021 to March 31, 2022.

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, 2022, 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.

Other Information

The other information comprises the information included in the Company’s business report and its supplementary schedules. Management is responsible for preparation and disclosure of the other information. the Audit and Supervisory Board Members and the Audit and Supervisory Board are responsible for overseeing the Company’s reporting process of the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Audit and Supervisory Board Members and the Audit and Supervisory Board 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.

The Audit and Supervisory Board Members and the Audit and Supervisory Board 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.

・ Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the 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.

・ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Board Members and the Audit and Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Board Members and the Audit and Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

(TRANSLATION PURPOSE ONLY)
Copy of the Audit & Supervisory Board's Report

AUDIT REPORT

With respect to the Directors' execution of their duties during the 154th term from April 1, 2021 to March 31, 2022, 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, in accordance with the audit policies, audit plans, etc., and while utilizing the Internet and other means, 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 employees of the Company, 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 19, 2022

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

Standing Audit & Supervisory Board Member	Kunihiko Arai
Standing Audit & Supervisory Board Member	Yutaka Akutagawa
Outside Audit & Supervisory Board Member	Atsumi Harasawa
Outside Audit & Supervisory Board Member	Shinsuke Kubo

"K" LINE
KAWASAKI KISEN KAISHA, LTD.

(Translation)

INTERNET DISCLOSURE FOR NOTICE OF THE 154TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

The 154th term
(From April 1, 2021 to March 31, 2022)

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, 2022)

Dry Bulk Segment	Dry bulk business
Energy Resource Transport Segment	Tanker business, Electricity business, LNG carrier business and offshore 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, 2022)

Lender	Loan balance (Millions of yen)
Mizuho Bank, Ltd.	93,632
Development Bank of Japan Inc.	77,293
Sumitomo Mitsui Trust Bank, Limited	36,729
MUFG Bank, Ltd.	34,061
The Norinchukin Bank	18,835

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	¥168 million

(Note) 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 "K" LINE BULK SHIPPING (UK) LIMITED, "K" LINE LNG SHIPPING (UK) LIMITED, "K" LINE PTE LTD and OCEAN NETWORK EXPRESS PTE. LTD.

(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) The Company established a Hotline System for receiving reports from executives and employees of the Company and the Group companies in Japan, as well as a Global Hotline System for receiving reports from executives and employees of the Group companies overseas, and is working to prevent compliance-related problems before they occur and to identify risks at an early stage and implement corrective measures in the Group's businesses in Japan and overseas. In addition, the Company ensured protection of the whistleblower and confidentiality of the report so that the whistleblower could utilize the systems without concern.

(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 regular meetings and eight extraordinary meetings in order to recognize and promote crisis and risk management activities in general.

In October 2021, 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 18 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 48 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, etc.

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 to share information 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 two times to share information among the Company, its Group companies and subsidiaries.

Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2021	75,457	14,295	130,723	(2,373)	218,103
Cumulative effects of change in accounting policies	–	–	3,982	–	3,982
Restated balance	75,457	14,295	134,706	(2,373)	222,085
Change in items during the year					
Profit attributable to owners of the parent	–	–	642,424	–	642,424
Purchase of treasury stock	–	–	–	(4)	(4)
Change in ownership interest of parent due to transactions with non-controlling interests	–	(80)	–	–	(80)
Net change in retained earnings from changes in scope of consolidation or equity method	–	–	(0)	–	(0)
Net changes in items other than shareholders' equity	–	–	–	–	–
Net changes during the year	–	(80)	642,424	(4)	642,338
Balance at March 31, 2022	75,457	14,214	777,130	(2,378)	864,424

(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 investment securities	Deferredloss on hedges	Revaluation reserve for land	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance at April 1, 2021	3,960	(3,657)	4,630	(1,963)	(2,879)	90	97,968	316,162
Cumulative effects of change in accounting policies	–	–	–	–	–	–	88	4,070
Restated balance	3,960	(3,657)	4,630	(1,963)	(2,879)	90	98,056	320,233
Change in items during the year								
Profit attributable to owners of the parent	–	–	–	–	–	–	–	642,424
Purchase of treasury stock	–	–	–	–	–	–	–	(4)
Change in ownership interests due to transactions with non-controlling interests	–	–	–	–	–	–	–	(80)
Net change in retained earnings from changes in scope of consolidation or equity method	–	–	–	–	–	–	–	(0)
Net changes in items other than shareholders' equity	1,514	2,764	–	14,917	923	20,119	2,191	22,331
Net changes during the year	1,514	2,764	–	14,917	923	20,119	2,191	664,649
Balance at March 31, 2022	5,474	(893)	4,630	12,954	(1,956)	20,209	100,248	984,882

(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: 249

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 two companies, including G HIGHWAY SHIPPING S.A. have been included in the scope of consolidation from the current fiscal year due to the materiality of their businesses. A total of 20 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: 42

Of the entities accounted for under the equity method, 14 companies are non-consolidated subsidiaries, and the principal company among them is Shibaura Kaiun Co., Ltd. The number of affiliates is 28, and the principal company among them is OCEAN NETWORK EXPRESS PTE. LTD.

One company was excluded from the scope of the entities accounted for under the equity method due to sales of shares.

(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 9 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 five 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 securities: Stated at cost based on the amortized cost method.

Other securities

Other than securities without market value:

Fair value method (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).

Securities without market value:

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) Vessels, property and equipment (excluding leased assets)

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

Other: 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 accounts: 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) Provision for bonuses: In order to prepare for bonuses to be paid to employees, the provision for bonuses is recognized at the estimated amount of the bonuses to be paid as allocated to the current fiscal year.

(iii) Provision for directors' bonuses: In order to prepare for bonuses to be paid to directors, the provision for directors' bonuses is recognized at the estimated amount of the bonuses to be paid as allocated to the current fiscal year.

(iv) Provision 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) Provision for periodic drydocking 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) Provision 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) Provision 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) Provision 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 provision for directors' 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) Provision 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) Policy for Recognizing Significant Revenues and Costs
The Company recognizes revenue at an amount expected to be received when control of promised goods or services is transferred. Therefore, the Company records marine transportation revenues and costs based on the number of days that have elapsed during a voyage.

(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.

(Hedge activities subject to “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR”)
Among the above hedge activities, the exceptional treatment prescribed in the PITF is applied to all hedge activities included in the scope of application of “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (Accounting Standards Board of Japan (“ASBJ”) Practical Issues Task Force (“PITF”) No.40, issued on March 17, 2022).

The details of hedging activities to which the PITF is applied are as follows.
(1) Hedge accounting method: Deferral hedge accounting method
(2) Applicable hedging instruments: Interest rate swaps
(3) Applicable hedged items: Long-term loans
(4) Applicable hedging transactions: Cash flow hedges

(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) Application of consolidated taxation system

The Company adopted the consolidated taxation system.

(Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system)

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

The Company and certain domestic subsidiaries transfer from the consolidated taxation system to the group tax sharing system from the following fiscal year. However, they 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, February 16, 2018).

From the beginning of the following fiscal year, the Company plans to apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021), which provides for accounting treatment and disclosure of corporate tax and local corporate taxes and tax effect accounting in the case where a group applies the group tax sharing system.

(10) 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)

(Application of Accounting Standard for Revenue Recognition)

Effective from the beginning of the fiscal year ended March 31, 2022, the Company has applied the “Accounting Standard for Revenue Recognition,” (ASBJ Statement No. 29, March 31, 2020) and therefore recognizes revenue at an amount expected to be received in transferring control of promised goods or services.

As a result of this application, although the Company had previously applied the “Voyage completion method,” in which the Company recorded marine transportation revenues and costs and expenses upon completion of voyage; provided, however, that the “Complex transportation progress method” was used for container ships, the Company has changed its calculation method related to marine transportation revenue and costs and expenses based on the number of elapsed days of a voyage from the beginning of the fiscal year ended March 31, 2022.

The application of the Accounting Standard for Revenue Recognition is subject to the transitional treatment provided for in the provision of Paragraph 84 of the Accounting Standard for Revenue Recognition.

The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year ended March 31, 2022 was added to or deducted from the beginning balance of retained earnings for the fiscal year ended March 31, 2022, and thus the new accounting policy was adopted from the beginning of the current fiscal year. However, the new accounting policy was not retrospectively applied to contracts where the recognition of nearly all the revenue amounts for periods prior to the beginning of the fiscal year ended March 31, 2022 were subject to the previous treatment, by applying the method provided for in Paragraph 86 of the Accounting Standard for Revenue Recognition. Furthermore, with regard to modifications to contracts carried out based on the contractual terms existing after all contract modifications had been reflected, the cumulative effect was added to or deducted from the beginning balance of retained earnings for the fiscal year ended March 31, 2022 by applying the method set forth in item (1) of the supplementary provisions of Paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result, for the fiscal year ended March 31, 2022, revenue increased by ¥13,583 million, costs and expenses increased by ¥7,279 million, operating income, ordinary income, and profit before income taxes increased by ¥6,303 million, respectively, and profit attributable to owners of the parent per share increased by ¥65.45. In addition, the beginning balance of retained earnings increased by ¥3,982 million.

Due to the application of Accounting Standard for Revenue Recognition, "Accounts and notes receivable-trade" presented in "Current assets" in the consolidated balance sheet for the previous fiscal year is included in "Accounts and notes receivable-trade and contract assets" from the fiscal year ended March 31, 2022. In accordance with the transitional treatment stipulated in Article 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated to reflect the new presentation method.

(Application of Accounting Standard for Fair Value Measurement)
The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), from the beginning of the fiscal year ended March 31, 2022. The Company has prospectively applied new accounting policies based on the Accounting Standard for Fair Value Measurement, in accordance with the transitional measurement provided for in Article 19 of Accounting Standard for Fair Value Measurement and Article 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019). The impact of the application of the Accounting Standard for Fair Value Measurement on the consolidated financial statements for the fiscal year ended March 31, 2022 is immaterial.
In addition, the Company decided to provide notes on items such as the breakdown of the fair value of financial instruments by appropriate classification.

Notes on Changes in Presentation

(Consolidated Statement of Operations)
(1) "Loss on valuation of derivatives," which was included in "Other non-operating expenses" in the previous fiscal year (¥719 million for the previous fiscal year), is presented separately from the current fiscal year due to an increase in materiality.

(2) "Financing expenses," which was included in "Other non-operating expenses" in the previous fiscal year (¥1,135 million for the previous fiscal year), is presented separately from the current fiscal year due to an increase in materiality.

(3) "Provision for loss on liquidation of subsidiaries and affiliates," which was included in "Other extraordinary losses" in the previous fiscal year (¥62 million for the previous fiscal year), is presented separately from the current fiscal year due to an increase in materiality.

Notes on Accounting Estimates

1. Estimate of charter contract loss provision
   (1) Amount recognized in consolidated financial statements for the current fiscal year.

   Consolidated Statement of Operations
   Marine transportation and other operating costs and expenses: ¥13,690 million

   Consolidated Balance Sheet
   Provision for loss on chartering contracts: ¥13,903 million

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

   After the establishment of OCEAN NETWORK EXPRESS PTE. LTD. (A joint venture for the purpose of integrating the regular container shipping business, hereinafter referred to as "ONE"), the containership business started regular shipping business from the Company to ONE, and the business form has changed from the conventional business form of operating ships to provide freight transportation services to the business form of chartering ships.

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

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

Significant assumptions used to calculate the amount recognized in the consolidated financial statements for the current fiscal year are the range of vessels for which future charter contract losses are expected, the charter rate and hire rate of applicable vessels, and the expected duration of loss making from the contracts.
The range of vessels for which future charter contract losses are expected is based on the operation plan, which is based on the budget approved by the Board of Directors.
The charter rate and hire rate of applicable vessels is based on the charter contract between the Company and the shipowner, and the charter contract between the Company and ONE.
The expected duration of loss making from the contracts is based on the term of the charter contract concluded with the lender, ONE, and the situation where the unfavorable relationship between the charter rate and hire rate is reasonably expected to continue from the end of the current fiscal year, even after the consideration of trends in the market to which the vessel belongs to and the Group’s policy of the charter contract.

(iii) Impact on consolidated financial statements for the following year

Due to high degree of uncertainty in the estimation of the significant assumptions such as the range of vessels for which future charter contract losses are expected, the charter rate and hire rate of applicable vessels, and the expected duration of loss making from the contracts, depending on the Group’s policy for chartering contracts and trends in the charter market, additional provision may need to be recognized, which would affect the calculation of the amount of estimated loss resulting from chartering contracts.

2. Estimate of total number of voyage days used in daily pro rata calculation of voyage days for revenue recognition

The Group considers the percentage of progress for revenues of ocean tramp shipping (excluding product logistics) for the parent company (Kawasaki Kisen Kaisha, Ltd.) as a significant accounting estimate due to the significance of the freight revenue amounts and the estimated period.

(1) Amount of marine transportation and other operating revenues for voyages not completed by the end of the current fiscal year in consolidated financial statements for the current fiscal year

Marine transportation and other operating revenues: ¥29,170 million.

(2) Other information

① Calculation method of the amount recognized in the consolidated financial statements for the current fiscal year

Marine transportation revenues for voyages not completed by the end of the current fiscal year are calculated based on the total freight revenue amounts and the voyage progress.
The voyage progress is calculated based on the number of elapsed days of a voyage by the end of the current fiscal year compared with the estimated total number of days of voyage, and the amount of revenue is recognized in line with the voyage progress.
A significant assumption in calculating the voyage progress is the total number of voyage days.

② Significant assumptions used to calculate the amount recognized in the consolidated financial statements for the current fiscal year

The total number of voyage days changes depending on weather conditions, congestion at the ports of loading and discharge and other factors, which may affect the voyage progress. Particularly in the current fiscal year, the increased congestion at ports due to the recent strengthening of quarantine system in various countries following COVID-19 may also have an impact.

③ Impact on consolidated financial statements for the following year

There is a possibility that the amount of revenues recognized for the following fiscal year could be affected because of the difference between estimated and actual total number of voyage days, which is a significant assumption due to fluctuations in the voyage progress.

Additional Information

Based on the resolution at the Board of Directors' meeting on March 16, 2022, the Company has signed a share exchange agreement with KAWASAKI KINKAI KISEN KAISHA, LTD. on the same day.
The outline of the share exchange is as follows.

(1) Outline of the share exchange
The Company became the share exchange wholly-owning parent company and KAWASAKI KINKAI KISEN KAISHA, LTD. became the share exchange wholly-owned subsidiary.

(2) Effective date of the share exchange
June 1, 2022

(3) Procedures for the share transfer
Simplified share exchange Pursuant to Article 796, Section 2 of the Companies Act (planned)

(4) Outline of allotment for the share exchange

	The Company (share exchange wholly-owning parent company)	KAWASAKI KINKAI KISEN KAISHA, LTD. (share exchange wholly-owned subsidiary)
Allotment ratio for the share exchange	1	0.58
Number of shares to be delivered upon the share exchange	Common stock of the Company: 888,258 shares (planned)	

Notes to Consolidated Balance Sheet

1. Amount of receivables from contracts with customers out of "Accounts and notes receivable-trade and contract assets"

	(Millions of yen) **2021**
Notes receivable - trade	594
Accounts receivable - trade	93,330
Contract assets	9,774

(*) Receivables other than those from contracts with customers are not classified because the amounts are not material.

2. Amount of contract liabilities in "Other current liabilities"

	(Millions of yen)
	2021
Contract liabilities	17,573

3. Assets pledged as collateral and secured liabilities

Assets pledged as collateral (Millions of yen)

Asset category	
Vessels	251,468
Investment securities	21,395
Other	4,584
Total	277,447

Investment securities of ¥21,395 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	45,686
Long-term loans, less current portion	142,654
Total	188,340

4. Accumulated depreciation of assets (Millions of yen)

Accumulated depreciation of vessels, property and equipment	362,766

5. Guarantee obligations (Millions of yen)

Guarantees.	5,951
Additional funding obligation, etc.	3,610

6. 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)	¥ (2,771) million

7. 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.

Notes to Consolidated Statement of Operations

Revenue from contracts with customers
Regarding revenue, the Company does not separately present revenue from contracts with customers and revenue from other sources. The amount of revenue from contracts with customers is described in "Change in Accounting Standards" in the notes to the consolidated financial statements.

Notes to Consolidated Statement of Changes in Net Assets

1. Class and number of shares issued as of the end of the current fiscal year
Common stock 93,938,229 shares

2. Matters related to dividends
(1) Amounts of dividends distributed
No items to be reported.

(2) Dividends with the record date falling in the current fiscal year and with the effective date falling in the following fiscal year.

Resolution	Class of shares	Total dividend amount (millions of yen)	Source of dividend	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders to be held on June 23, 2022	Common stock	56,244	Retained earnings	600	March 31, 2022	June 24, 2022

(*) The total amount of dividends resolved at the Ordinary General Meeting of Shareholders on June 23, 2022 includes ¥266 million of dividends on the Company's shares held by The Custody Bank of Japan, Ltd. as trust assets of the "Board Benefit Trust (BBT)".

Notes on Financial Instruments

1. 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, 2022.
Securities without market value, etc.(the amount recorded in the consolidated balance sheet:¥672,717 million) are not included in "(1) Marketable securities and investment securities". In addition, fair value of "cash and deposits" and "accounts and notes receivable – trade and contract assets", "accounts and notes payable-trade" are omitted because they are cash and their fair value approximates carrying value due to the short maturities of these instruments.

(Millions of yen)

	Carrying value (*)	Estimated fair value (*)	Difference
(1) Marketable securities and investment securities			
(i) Held-to-maturity securities	2	2	0
(ii) Other securities	14,954	14,954	–
(iii) Shares of subsidiaries and affiliates	4,134	1,194	(2,939)
(2) Short-term loans and current portion of long-term loans	[87,544]	[87,527]	16
(3) Bonds	[7,000]	[6,969]	30
(4) Long-term loans, less current portion	[277,992]	[277,937]	55
(5) Derivative transactions	[3,203]	[3,203]	–

(*) Liabilities and net liabilities ("(5) Derivative transactions") are shown in square brackets [ ].

3. The breakdown of the fair value of financial instruments by appropriate classification
Financial instruments are classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.
   - Level 1: Fair value calculated based on quoted market prices for the assets or liabilities for which such fair value is available in active markets as the inputs used in the calculation of observable fair value
   - Level 2: Fair value calculated using inputs for the calculation of observable fair value other than Level 1 inputs
   - Level 3: Fair value calculated using inputs that are unobservable

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified to the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

(1) Financial assets and liabilities measured at fair value by level as of March 31, 2022

	Estimated Fair Value（Millions of yen）			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Other securities	14,897	–	–	14,897
Derivative transactions				
Forward foreign exchange contracts	–	352	–	352
Forward freight agreements	–	[369]	–	[369]
Currency swaps	–	[633]	–	[633]
Interest rate swaps	–	[2,609]	–	[2,609]
Bunker fuel swaps	–	55	–	55

(*) Net liabilities ("Forward freight agreements", "Currency swaps", and "Interest rate swaps") are shown in square brackets [ ].

(2) Financial assets and liabilities other than those measured at fair value by level as of March 31, 2022

	Estimated Fair Value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Held-to-maturity securities	–	2	–	2
Other securities	–	57	–	57
Investments in unconsolidated subsidiaries and affiliates	1,194	–	–	1,194
Short-term loans and current portion of long-term loans	–	[87,527]	–	[87,527]
Bonds	–	[6,969]	–	[6,969]
Long-term loans, less current portion	–	[277,937]	–	[277,937]

(*) Liabilities are shown in square brackets [ ].

Fair value measurement method and inputs for fair value measurement

Marketable securities and investment securities

The fair value of marketable securities and golf memberships is the quoted market price. Marketable securities listed and traded on an active market are classified as Level 1. Golf memberships are classified as Level 2 because they are not traded so frequently that the underlying transaction prices can be considered as being quoted in an active market. Held-to-maturity securities, of which fair value is based on prices provided by financial institutions and measured by using observable inputs such as interest rates or exchange rates, are classified as Level 2.

Short-term loans and current portion of long-term loans

The fair value of short-term loans is based on carrying value because the carrying amounts approximate fair value due to the short maturities. However, fair values of amounts of the current portion of long-term loans, which are included in the total amount in "Short-term loans and current portion of long-term loans," are calculated using the method shown in "Long-term loans, less current portion" below.

Bonds

The fair value of the bonds issued by the Company is determined using the discounted present value method based on the total amount of principal and interest and an interest rate that takes into account the remaining term of the bonds and credit risk, and is classified as Level 2 fair value. In addition, Bonds include the current portion, and the current portion is included in "Other current liabilities" of current liabilities in the consolidated balance sheet.

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.

Derivative transactions

Forward foreign exchange contracts, forward freight agreements, currency swaps, interest rate swaps and bunker fuel swaps, of which fair value is based on prices provided by counterparty financial institutions and measured by using observable inputs such as interest rates or exchange rates, are classified as Level 2.

Notes on Revenue Recognition

1. Information on disaggregation of revenues from contracts with customers

(Millions of yen)

	Dry bulk	Energy resource transport	Product logistics	Other (*)	Total
Revenues:					
Revenues from customers with contracts	271,352	84,295	374,369	10,489	740,506
Other revenues	5,126	5,431	5,827	91	16,476
Operating revenues from customers	276,478	89,726	380,196	10,580	756,983

(*) The "Other" segment consists of business segments not classified into aforementioned three reporting segments, including ship management service, travel agency business, real estate rental and management business and others

2. Foundational information for understanding revenue from contracts with customers

Revenue from contracts with customers is recognized based on the following five-step approach at the amount of the consideration for which the Company expects to be entitled in exchange for goods or services.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the separate performance obligations in the contract
Step 5: Recognize revenue when (or as), the performance obligations are satisfied

The performance obligations as part of the Group's business are primarily as follows.

(1) Freight revenue

Regarding voyage charter contracts, one voyage unit is considered a single performance obligation and contract. The transaction price is determined based on the amount billed per voyage and allocated to a performance obligation based on the amount agreed with the vessel owner.

Due to the nature of the performance obligation, benefits accrue to the customers as the entity satisfies the obligations in the contract with customers over the course of the voyage. Therefore, the Company determines that performance obligations are satisfied over a certain period of time and recognizes revenue in line with the progress. The progress is measured based on the number of elapsed voyage days up to the end of the fiscal year compared with the estimated total number of voyage days.

(2) Charter rates
Time charter contracts entitle the Company to receive from the customer a consideration whose amount corresponds directly to the value to the customer for the portion of the Company's performance obligation satisfied to date, such as an agreement to charge a fixed amount based on the time of service rendered. In accordance with the treatment in the application guidelines of Article 19 of the Accounting Standard for Revenue Recognition, the Company recognizes revenue at the amount the Company has a right to claim from the customer.

Notes on Per Share Information

Net assets per share	¥9,484.35
Basic profit per share	¥6,887.54

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	¥984,882 million
Net assets attributable to common stock	¥884,634 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	665 thousand shares
Profit attributable to owners of the parent on consolidated statement of operations	¥642,424 million
Amount not attributable to shareholders of common stock	–
Profit attributable to owners of the parent relating to common stock	¥642,424 million
Average number of outstanding shares of common stock	93,273 thousand shares

Note on Significant Subsequent Events

No items to be reported.

Non-Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2022

(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, 2021	75,457	1,300	1,300	162	(34,877)	(34,715)	(2,325)	39,716
Cumulative effects of changes in accounting policies	–	–	–	–	3,659	3,659	–	3,659
Restated balance	75,457	1,300	1,300	162	(31,217)	(31,055)	(2,325)	43,376
Change in items during the year								
Reversal of reserve for advanced depreciation	–	–	–	(61)	61	–	–	–
Profit	–	–	–	–	225,959	225,959	–	225,959
Purchase of treasury stock	–	–	–	–	–	–	(4)	(4)
Net changes in items other than shareholders' equity	–	–	–	–	–	–	–	–
Net changes during the year	–	–	–	(61)	226,020	225,959	(4)	225,954
Balance at March 31, 2022	75,457	1,300	1,300	100	194,803	194,904	(2,330)	269,331

(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 investment securities	Deferred gain on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at April 1, 2021	3,328	(550)	2,057	4,835	44,551
Cumulative effects of changes in accounting policies	–	–	–	–	3,659
Restated balance	3,328	(550)	2,057	4,835	48,211
Change in items during the year					
Reversal of reserve for advanced depreciation	–	–	–	–	–
Profit	–	–	–	–	225,959
Purchase of treasury stock	–	–	–	–	(4)
Net changes in items other than shareholders' equity	1,412	(2,734)	–	(1,322)	(1,322)
Net changes during the year	1,412	(2,734)	–	(1,322)	224,632
Balance at March 31, 2022	4,740	(3,285)	2,057	3,512	272,843

(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 securities: Stated at cost based on the amortized cost method.

(iii) Other securities

Marketable securities classified as other securities:
Fair value method (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) Vessels, property and equipment (excluding leased assets)

(i) Vessels: Straight-line method

(ii) Other: 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 accounts: 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) Provision for bonuses: In order to prepare for bonuses to be paid to employees, the provision for bonuses is recognized at the estimated amount of the bonuses to be paid as allocated to the current fiscal year.

(3) Provision for directors' bonuses: In order to prepare for bonuses to be paid to directors, the provision for directors' bonuses is recognized at the estimated amount of the bonuses to be paid as allocated to the current fiscal year

(4) Provision 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.

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(5) Provision for periodic drydocking: 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.

(6) Provision 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.

(7) Provision 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 provision for directors' 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) Provision 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.

(9) Provision for loss on guarantees: In order to prepare for possible losses on guarantees to a subsidiary and an affiliate, an provision is provided in the amount of estimated losses, taking into consideration the financial position of each guaranteed party.

4. Policy for Recognizing Significant Revenues and Costs
The Company recognizes revenue at an amount expected to be received when control of promised goods or services is transferred. Therefore, the Company records marine transportation revenues and costs based on the number of days that have elapsed during a voyage.

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.

The Company has adopted "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" ASBJ Practical Issues Task Force ("PITF") No.40, issued on March 17, 2022) from the end of the fiscal year ended March 31, 2022.

Summary of adoption of ASBJ PITF No.40
(1) Hedge accounting method: Deferral hedge accounting method
(2) Applicable hedging instruments: Interest rate swaps
(3) Applicable hedged: Long-term loans
(4) Applicable hedging transactions: Cash flow hedge

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. Application of consolidated taxation system
   The Company adopted the consolidated taxation system.
   (Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system)
   On March 31, 2020, the ASBJ issued "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ Practical Issues Task Force ("PITF") No.39, March 31, 2020), based on provisions in the Act for Partial Amendments to Income Tax Act (Act No.8).
   The Company and certain domestic subsidiaries transfer from the consolidated taxation system to the Group Tax Sharing System from the following fiscal year. However, they 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, February 16, 2018).

   From the beginning of the following fiscal year, the Company plans to apply the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021), which provides for accounting treatment and disclosure of corporate tax and local corporate taxes and tax effect accounting in the case where a group applies the group tax sharing system.

(Change in Accounting Standards)

(Application of Accounting Standard for Revenue Recognition)
Effective from the beginning of the fiscal year ended March 31, 2022, the Company has applied the "Accounting Standard for Revenue Recognition," (ASBJ Statement No. 29, March 31, 2020) and therefore recognizes revenue at an amount expected to be received in transferring control of promised goods or services.
As a result of this application, although the Company had previously applied the "Voyage completion method," in which the Company recorded marine transportation revenues and costs and expenses upon completion of voyage; provided, however, that the "Complex transportation progress method" was used for container ships, the Company has changed its calculation method related to marine transportation revenue and costs and expenses based on the number of elapsed days of a voyage from the beginning of the fiscal year ended March 31, 2022.
The application of the Accounting Standard for Revenue Recognition is subject to the transitional treatment provided for in the provision of Paragraph 84 of the Accounting Standard for Revenue Recognition.
The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year ended March 31, 2022 was added to or deducted from the beginning balance of retained earnings for the fiscal year ended March 31, 2022, and thus the new accounting policy was adopted from the beginning of the current fiscal year. However, the new accounting policy was not retrospectively applied to contracts where the recognition of nearly all the revenue amounts for periods prior to the beginning of the fiscal year ended March 31, 2022 were subject to the previous treatment, by applying the method provided for in Paragraph 86 of the Accounting Standard for Revenue Recognition. Furthermore, with regard to modifications to contracts carried out based on the contractual terms existing after all contract modifications had been reflected, the cumulative effect was added to or deducted from the beginning balance of retained earnings for the fiscal year ended March 31, 2022 by applying the method set forth in item (1) of the supplementary provisions of Paragraph 86 of the Accounting Standard for Revenue Recognition.
As a result, for the fiscal year ended March 31, 2022, marine transportation revenues increased by ¥13,693 million, marine transportation costs and expenses increased by ¥8,281 million, operating income, ordinary income, and profit before income taxes increased by ¥5,412 million, respectively, and profit attributable to owners of the parent per share increased by ¥58.01. In addition, the beginning balance of retained earnings increased by ¥3,659 million.

Due to the application of Accounting Standard for Revenue Recognition, “Accounts receivable-shipping” presented in “Current assets” in the non-consolidated balance sheet for the previous fiscal year is included in “Accounts receivable-shipping” and “Contract assets” from the fiscal year ended March 31, 2022. “Advances received” presented in “Current liabilities” in the non-consolidated balance sheet for the previous fiscal year is included in “Advances received” and “Contract liabilities” from the fiscal year ended March 31, 2022. In accordance with the transitional treatment stipulated in Article 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated to reflect the new presentation method.

(Application of Accounting Standard for Fair Value Measurement)
The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019), from the beginning of the fiscal year ended March 31, 2022. The Company has prospectively applied new accounting policies based on the Accounting Standard for Fair Value Measurement, in accordance with the transitional measurement provided for in Article 19 of Accounting Standard for Fair Value Measurement and Article 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No.10, July 4, 2019). The impact of the application of the Accounting Standard for Fair Value Measurement on the non-consolidated financial statements for the fiscal year ended March 31, 2022 is immaterial.

Notes on Changes in Presentation

(Non-Consolidated Statement of Operations)
“Loss on valuation of derivatives,” which was included in “Other non-operating expenses” in the previous fiscal year (¥714 million for the previous fiscal year), is presented separately from the current fiscal year due to an increase in materiality.

“Loss on liquidation of subsidiaries and affiliates,” which was recorded separately in the previous fiscal year (¥2,024 million for the previous fiscal year), is included in “Other extraordinary losses” from the current fiscal year due to a decrease in materiality.

Notes on Accounting Estimates

1. Estimate of charter contract loss provision
   (1) Amount recognized in non-consolidated financial statements for the current fiscal year

       Non-Consolidated Statement of Operations
       Provision for loss on chartering contracts: ¥17,993 million

       Non-Consolidated Balance Sheet
       Provision for loss on chartering contracts: ¥18,207 million

   (2) Other information
       As the same information is provided in the “Notes on Accounting Estimates” in the notes to the consolidated financial statements, the notes are omitted.

2. Estimate of total number of voyage days used in daily pro rata calculation of voyage days for revenue recognition

   The Company considers the percentage of progress for revenues of ocean tramp shipping (excluding product logistics) as a significant accounting estimate due to the significance of the freight revenue amounts and the estimated period.

(1) Amount of marine transportation revenues for voyages not completed by the end of the current fiscal year in non-consolidated financial statements for the current fiscal year

Marine transportation revenues: ¥29,170 million.

(2) Other information

Regarding the calculation method of the amount in (1), as the same information is provided in the "Notes on Accounting Estimates" in the notes to the consolidated financial statements, the notes are omitted.

Additional Information

Based on the resolution at the Board of Directors' meeting on March 16, 2022, the Company has signed a share exchange agreement with KAWASAKI KINKAI KISEN KAISHA, LTD.
The outline of the share exchange is as follows.

(1) Outline of the share exchange
The Company became the share exchange wholly-owning parent company and KAWASAKI KINKAI KISEN KAISHA, LTD. became the share exchange wholly-owned subsidiary.

(2) Effective Date of the share exchange
June 1, 2022

(3) Procedures for the share transfer
Simplified share exchange Pursuant to Article 796, Section 2 of the Companies Act (planned)

(4) Outline of allotment for the share exchange

	The Company (the share exchange wholly-owning parent company)	KAWASAKI KINKAI KISEN KAISHA, LTD. (the share exchange wholly-owned subsidiary)
Allotment ratio for the share exchange	1	0.58
Number of shares to be delivered upon the share exchange	Common stock of the Company: 888,258 shares (planned)	

Notes to Non-consolidated Balance Sheet

1. Assets pledged as collateral and secured liabilities

Assets pledged as collateral (Millions of yen)

Asset category	
Vessels	41,376
Investment securities	6,431
Shares of subsidiaries and affiliates	19,501
Total	67,309

¥1,865 million out of the amount of ¥41,376 million for vessels, investment securities of ¥6,431 million and shares of subsidiaries and affiliates of ¥19,501 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, 2022.

Secured Liabilities (Millions of yen)

Liability category	
Short-term loans and current portion of long-term loans	4,018
Long-term loans, less current portion	26,292
Total	30,310

2. Accumulated depreciation of assets (Millions of yen)

Accumulated depreciation of vessels, property and equipment	64,439

3. Guarantee obligations (Millions of yen)

Guarantees, etc.	95,933

(Guarantees, etc. include commitment for future guarantees. These guarantee obligations exclude ¥123 million of reguarantees by other companies.)

(Millions of yen)

Additional funding obligation, etc.	9,797

¥67,226 million out of the amount of ¥95,933 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, 2022	¥(898) million

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

(Millions of yen)

Short-term monetary receivables	30,393
Long-term monetary receivables	23,129
Short-term monetary payables	114,309
Long-term monetary payables	1,927

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.

Notes to Non-consolidated Statement of Operations

Transactions with subsidiaries and affiliates

(Millions of yen)

Transaction amount – trading	Operating revenues	71,890
	Operating expenses	186,274
Transaction amount - non-trading		241,071

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	640,959 shares

443,500 shares which are held by Custody Bank of Japan, Ltd. in relation to the Board Benefit Trust (BBT) 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 accounts	434
Provision for bonuses	632
Loss on devaluation of investment securities and others	14,170
Provision for employees' retirement benefits	168
Impairment losses	1,098
Accounts payable-shipping	4,299
Deferred assets for tax purposes	824
Provision for loss on chartering contracts	5,189
Provision for loss on guarantees	601
Deferred loss on hedges	2,050
Tax loss carried forward	61,492
Foreign tax credit carried forward	1,115
Other	650
Subtotal	92,727
Valuation allowance for tax loss carried forward	(61,492)
Valuation allowance for the total of deductible temporary differences and others	(30,334)
Valuation allowance subtotal	(91,827)
Total deferred tax assets	900
Deferred tax liabilities	
Reserve for advanced depreciation	(40)
Tax on retained surplus	(864)
Deferred gain on hedges	(1,557)
Net unrealized holding gain on investment securities	(1,889)
Other	(805)
Total deferred tax liabilities	(5,157)
Net amount of deferred tax liabilities	(4,257)

Notes on Revenue Recognition

Foundational information for understanding revenue from contracts with customers is omitted because the same information is provided in the "Notes on Revenue Recognition" in the notes to the consolidated financial statements.

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	Loan from the party Interlocking directors
Details of business transaction	Loan from the party (*1)
Amount of transaction	¥208 million
Account	Short-term loans and current portion of long-term loans
Balance at the end of year	¥50,441 million
Details of business transaction	Repayment (*1)
Amount of transaction	¥61 million
Details of business transaction	Payment of interest
Amount of transaction	¥166 million

Type	Subsidiary
Name	“K” LINE PTE LTD
Voting rights (%)	100% direct ownership
Relationship	Loan from the party Interlocking directors
Details of business transaction	Loan from the party (*1)
Amount of transaction	¥9,481 million
Account	Short-term loans and current portion of long-term loans
Balance at the end of year	¥9,927 million
Details of business transaction	Payment of interest (*1)
Amount of transaction	¥17 million
Account	Accrued expenses
Balance at the end of year	¥8 million

Type	Subsidiary
Name	KISOGAWA SHIPPING S.A.
Voting rights (%)	100% direct ownership
Relationship	Chartering contractor
Details of business transaction	Payment of charter hire, etc. (*2)
Amount of transaction	¥1,087 million
Account	Accounts payable-shipping
Balance at the end of year	¥236 million
Details of business transaction	Collection of Lease investment assets (*3)
Amount of transaction	¥327 million
Account	Lease investment assets
Balance at the end of year	¥7,905 million
Details of business transaction	Receiving of interest
Amount of transaction	¥37 million
Account	Other current assets
Balance at the end of year	¥529 million

Type	Affiliate
Name	OCEAN NETWORK EXPRESS PTE. LTD. (*4)
Voting rights (%)	–
Relationship	Chartering contractor, etc. Interlocking directors
Details of business transaction	Receiving dividend
Amount of transaction	¥214,234 million
Account	–
Balance at the end of year	–

Note 1: Regarding loan from the party, the interest rate is determined considering market interest rate.
Note 2: Payment of Charter hire, etc. is determined after discussion considering market prices, hiring cost and acquisition cost.
Note 3: Lease payment is determined considering the cost equivalent amount and replacement value of the underlying asset.
Note 4: 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.

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	¥2,924.46
Basic profit per share	¥2,421.92

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

Amount of net assets on non-consolidated balance sheet	¥272,843 million
Net assets attributable to common stock	¥272,843 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	640 thousand shares
Profit on non-consolidated statement of operations	¥225,959 million
Amount not attributable to shareholders of common stock	–
Profit attributable to common stock	¥225,959 million
Average number of outstanding shares of common stock	93,297 thousand shares

Notes on Significant Subsequent Events

No items to be reported.