

(Translation)

**NOTICE OF THE 156TH ORDINARY GENERAL
MEETING OF SHAREHOLDERS**

The 156th term

(From April 1, 2023 to March 31, 2024)

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 would first like to express my sincere gratitude to you, our shareholders, for your continued support. I hereby announce the 156th Ordinary General Meeting of Shareholders of Kawasaki Kisen Kaisha, Ltd.

In FY2023 (from April 1, 2023 through March 31, 2024), amid growing geopolitical risks such as the situation in the Middle East, interest rate hikes to control inflation, and concerns about economic fragmentation caused by rising tensions between the U.S. and China and other regions, the dry bulk business was affected by weakening market conditions. Despite this, the car carrier business remained robust due to the recovery in demand for transportation, resulting in improvement in operating income. However, with the tonnage supply-demand balance loosening in the containership business as a result of the delivery of newly built vessels, profitability declined and profit attributable to owners of the parent came to ¥104.7 billion.

The 5-year medium-term management plan, which started in FY2022, is making solid progress. Ordinary income of ¥135.7 billion was recorded in FY2023, the second year of the plan, putting us well on track to achieve the target of ¥140.0 billion in FY2026, the final year of the plan, and we have raised the final year target to ¥160.0 billion. Beyond that, we are aiming for at least ¥250.0 billion by FY2030. Regarding investments, we will steadily increase profit by implementing a disciplined investment plan that focuses on “businesses that play a role of driving growth” (coal/iron ore, car carriers, and LNG carriers) and businesses that contribute to the low-carbon and decarbonization of the Company and society.

In terms of capital policy, the Company will make flexible and proactive return of profits to shareholders in order to further enhance corporate value by increasing capital efficiency and maintaining financial soundness with an awareness of the optimal capital structure and cash allocation. Under our shareholder return policy, the Company purchased and canceled its treasury stock of approximately ¥56.2 billion in FY2023, and plans to pay a dividend of ¥250 per share (an interim dividend of ¥100 per share and a year-end dividend of ¥150 per share; based on the number of shares prior to the share split implemented on April 1, 2024). In addition, during the remaining period of the medium-term management plan, after carrying out the investments necessary to increase corporate value, while also taking into account operating cash flow surplus, we have set forth a plan to increase total shareholder returns for the period of the medium-term management plan by ¥200.0 billion from the previous level to a minimum of ¥700.0 billion.

In FY2024, we will continue to steadily implement our medium-term management plan, strive to achieve sustainable growth, and maximize corporate value for the purpose of further enhancing shareholder value. I ask for the continued support of all our stakeholders.

Yukikazu Myochin
Representative Director, President & CEO

(Securities Code: 9107)
May 31, 2024

To our Shareholders:

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

Notice of the 156th Ordinary General Meeting of Shareholders

We are pleased to announce the 156th Ordinary General Meeting of Shareholders of Kawasaki Kisen Kaisha, Ltd. (hereinafter referred to as “the Company”), details of which are set forth below.

If you are not attending the meeting in person, please review the after-mentioned “Reference Materials for the General Meeting of Shareholders” and exercise your voting rights in advance either via the Internet, etc. or in writing (by post) in accordance with “Guidance for Exercise of Voting Rights” on page 7. Please ensure that your votes reach the Company no later than 5:00 p.m., Thursday, June 20, 2024 (Japan Standard Time).

When convening this general meeting of shareholders, the Company takes measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. (matters for which measures for providing information in electronic format are to be taken) in electronic format, and posts this information on the Company’s website. Please access the website shown below to review the information.

The Company’s Website: <https://www.kline.co.jp/ir/stock/meeting.html> (in Japanese)

In addition, apart from posting matters for which measures for providing information in electronic format are to be taken on the Company’s website, the Company also posts this information on the website of Tokyo Stock Exchange, Inc. (TSE) and the website of Sumitomo Mitsui Trust Bank. Please refer below.

The Tokyo Stock Exchange website (Listed Company Search):
<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show> (in Japanese)

(Access the TSE website indicated above, enter “Kawasaki Kisen” in the “Issue name (company name)” or the Company’s securities code “9107” in the “Code” and Search. Then select “Basic information” followed by “Documents for public inspection/PR information” and review the information from the “Notice of General Shareholders Meeting/Information Materials for a General Shareholder Meeting” under “Filed information available for public inspection.”)

The Portal of Shareholders' Meeting (Sumitomo Mitsui Trust Bank, Limited)
<https://www.soukai-portal.net> (in Japanese)

Please scan the QR Code on the Voting Rights Exercise Form or access the above URL and enter your ID and password.

1. Date and time: 10:00 a.m., Friday, June 21, 2024 (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, 2023 to March 31, 2024

Matters to be resolved:

Proposition 1 Appropriation of Surplus

Proposition 2 Election of eight (8) Directors

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

Proposition 4 Election of one (1) Substitute Audit & Supervisory Board Member

- We will send paper-based documents stating the items concerning measures for providing information in electronic format to shareholders who requested the delivery of paper-based documents, but in accordance with the provisions of relevant laws and regulations and the Company's Articles of Incorporation, these paper-based documents do not include the following items.

- "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"

The Audit & Supervisory Board Members and the Accounting Auditor have audited the documents subject to audit, including the above items.

- If there are any amendments to items concerning measures for providing information in electronic format, a statement that the items have been amended, as well as the items before and after the amendment, will be posted on each of the aforementioned websites where the Company takes measures for providing information in electronic format.

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- For those attending the meeting on the day, please submit the Voting Rights Exercise Form at the reception desk.
 - In the event that the voting rights have been exercised in writing with the Voting Rights Form and where no vote for or against a proposal has been indicated on the Voting Rights Form, it shall be treated as a vote for the proposal.
 - 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, and the video will be posted on the aforementioned Company's website 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 10 to 30.

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.

2. By submitting Voting Rights Exercise Form by postal mail

Please indicate your approval or disapproval of each of the Propositions on the Voting Rights Exercise Form and send it by postal mail to arrive at the Company no later than 5:00 p.m., Thursday, June 20, 2024 (Japan Standard Time).

3. By exercising voting rights via the Internet

Please follow the instructions on the following page and exercise your voting rights by 5:00 p.m., Thursday, June 20, 2024 (Japan Standard Time).

Please see the following page for details.

Exercise of Voting Rights via the Internet, etc.

Exercise of Voting Rights via a smartphone, etc.

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. Tap the “To Exercise of Voting Rights” button on the Portal of Shareholders’ Meeting top screen.
3. 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.

Exercise of Voting Rights via a PC, etc.

Access the URL shown below, by entering the Portal of Shareholders’ Meeting Login ID and Password printed on the Voting Rights Exercise Form.

After logging in, please indicate your approval or disapproval by following the instructions on the screen.

The Portal of Shareholders’ Meeting <https://www.soukai-portal.net> (in Japanese)

You can continue to use the Voting Right Exercise Website (<https://www.web54.net>).
(in Japanese)

Acceptance of questions in advance

We will accept questions from shareholders in advance. Login to the Portal of Shareholders’ Meeting and tap or click the “Questions in advance” button on the top screen. The “Enter questions in advance” screen will appear, so please enter your questions following the instructions on the screen.

(1) Deadline for questions: 5:00 p.m., Tuesday, June 11, 2024 (Japan Standard Time)

(2) Points to note

We plan to answer the questions received from shareholders that are of high interest on the day of the General Meeting of Shareholders. Questions not answered on the day of the General Meeting of Shareholders will be responded to on our website after the conclusion of the meeting. Please understand that we do not guarantee a response to every question received.

* 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)

Please refer to the Q&A using the QR Code.

* 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

The Company's basic policy is to improve shareholder profits over the medium and long terms by proactively promoting shareholder returns, including share buyback. This is done by taking cash flow into consideration and ensuring the investment level and financial stability necessary to improve our corporate value while being conscious of optimal capital structure and cash allocation. In accordance with this basic policy, 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
150 yen per common stock of the Company
Total amount of 35,680,831,350 yen
3. Effective date of dividends of surplus
June 24, 2024

Proposition 2: Election of eight (8) Directors

The terms of office for all nine (9) Directors will expire upon conclusion of this meeting. Therefore, the Company requests that eight (8) Directors be elected at this meeting. The candidates are:

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
1	<p>Yukikazu Myochin (March 27, 1961)</p> <p><Reappointed></p> <p>Attendance at Board meetings: 100% (19/19 meetings)</p> <p>Term of office as Director: 8 years</p>	<p>April, 1984 Joined the Company</p> <p>January, 2010 General Manager of Containerships Business Group</p> <p>April, 2011 Executive Officer</p> <p>April, 2016 Managing Executive Officer</p> <p>June, 2016 Director, Managing Executive Officer</p> <p>April, 2018 Representative Director, Senior Managing Executive Officer</p> <p>April, 2019 Representative Director, President & CEO (Current)</p> <p>President, The Japanese Shipowners' Association</p> <p>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 since 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 the current 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.</p>	140,700 shares

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
2	<p>Kazuhiko Harigai (July 7, 1960)</p> <p><Reappointed></p> <p>Attendance at Board meetings: 100% (19/19 meetings)</p> <p>Term of office as Director: 5 years</p>	<p>April, 1983 Joined the Company</p> <p>June, 2006 General Manager of Thermal Coal, Woodchip and Pulp Group</p> <p>April, 2011 Executive Officer, General Manager of Thermal Coal, Woodchip and Pulp Group</p> <p>April, 2012 Executive Officer</p> <p>April, 2013 Managing Executive Officer</p> <p>April, 2019 Senior Managing Executive Officer</p> <p>June, 2019 Director, Senior Managing Executive Officer</p> <p>June, 2020 Representative Director, Senior Managing Executive Officer</p> <p>April, 2024 Representative Director, Vice President Executive Officer (Current)</p> <p>Assistant to President & CEO</p> <p>Reasons for nomination as candidate for Director: Mr. Kazuhiko Harigai has a broad business network and insights based on his many years of proven achievements, notably in the Energy Resource Transport Sector and the Dry Bulk Sector. He has abundant management experience as a Director of the Company. Currently he assists the President & CEO as the Vice President Executive Officer and is appropriately executing business strategies. 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.</p>	144,400 shares

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
3	<p>Noriaki Yamaga (December 10, 1963)</p> <p><New candidate></p> <p>Attendance at Board meetings:</p> <p>-</p> <p>Term of office as Director: -</p>	<p>April, 1986 Joined the Company</p> <p>April, 2011 General Manager of Containerships Business Management Group</p> <p>August, 2017 OCEAN NETWORK EXPRESS PTE. LTD.</p> <p>April, 2020 Executive Officer of the Company</p> <p>April, 2021 Managing Executive Officer</p> <p>April, 2024 Senior Managing Executive Officer (Current)</p> <p>Responsible for CFO Unit (Corporate Planning, Research, Finance, Accounting, Taxation, Corporate Sustainability, Environment Management, IR and Communication), in charge of Corporate Sustainability, Environment Management, IR and Communication, CFO (Chief Financial Officer)</p> <p>Mr. Noriaki Yamaga has many years of proven achievements, notably in the Company's Containerships business, Corporate Planning, IR and Communication, and Corporate Sustainability Sectors, and abundant management experience as an Executive Officer of the Company. Currently he is appropriately executing business strategies as the Executive Officer responsible for the CFO Unit (Corporate Planning, Research, Finance, Accounting, Taxation, Corporate Sustainability, Environment Management, and IR and Communication), and the Company judges that his abundant experience and proven achievements relating to a wide range of work will contribute to the suitable fulfillment of the decision-making and supervisory functions of the Company's Board of Directors. Accordingly, the Company requests his election as Director. There is no special interest between Mr. Yamaga and the Company.</p>	6,573 shares

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
4	<p data-bbox="256 757 456 819">Keiji Yamada (April 5, 1954)</p> <p data-bbox="256 853 456 887"><Reappointed></p> <p data-bbox="236 920 477 983"><Independent & Outside Director></p> <p data-bbox="225 1016 488 1079">Attendance at Board meetings:</p> <p data-bbox="240 1113 472 1176">100% (19/19 meetings)</p> <p data-bbox="225 1209 472 1312">Term of office as Outside Director: 5 years</p>	<p data-bbox="507 237 1257 340">April, 1977 Joined Ministry of Home Affairs (currently known as Ministry of Internal Affairs and Communications)</p> <p data-bbox="507 351 1257 414">July, 1982 Superintendent of Amakusa Tax Office, National Tax Agency</p> <p data-bbox="507 425 1257 528">July, 1983 Manager of Local Affairs Division, General Affairs Department, Wakayama Prefecture</p> <p data-bbox="507 539 1257 642">September, 1985 Deputy General Manager of San Francisco Tourism Promotion Office, Japan National Tourist Organization</p> <p data-bbox="507 654 1257 716">April, 1989 Manager of Finance Division, General Affairs Department, Kochi Prefecture</p> <p data-bbox="507 728 1257 831">January, 1992 Investigator, Local Administration Division, Local Administration Bureau, Ministry of Home Affairs</p> <p data-bbox="507 842 1257 862">July, 1992 Counsellor, Cabinet Legislation Bureau</p> <p data-bbox="507 873 1257 999">July, 1997 Manager, Land Information Division, Land Bureau, National Land Agency (currently known as Ministry of Land, Infrastructure, Transport and Tourism)</p> <p data-bbox="507 1010 1257 1072">August, 1999 Director, General Affairs Department, Kyoto Prefecture</p> <p data-bbox="507 1084 1257 1104">June, 2001 Vice-Governor, Kyoto Prefecture</p> <p data-bbox="507 1115 1257 1196">April, 2002 Governor, Kyoto Prefecture (retired in April 2018)</p> <p data-bbox="507 1207 1257 1270">April, 2011 President, National Governors' Association (retired in April 2018)</p> <p data-bbox="507 1281 1257 1406">April, 2018 Vice-President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law, Kyoto Sangyo University</p> <p data-bbox="507 1417 1257 1480">June, 2019 Outside Director of the Company (Current)</p> <p data-bbox="507 1491 1257 1554">March, 2020 Outside Audit & Supervisory Board member, HORIBA, Ltd. (Current)</p> <p data-bbox="507 1565 1257 1727">April, 2020 Special Advisor to the President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law, Kyoto Sangyo University</p> <p data-bbox="507 1738 1257 1800">November, 2020 Outside Director, TOSE CO., LTD. (Current)</p>	1,500 shares

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
		<p>April, 2021 Trustee*, The Educational Corporation of 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)</p> <p>*Scheduled to take office as President of The Educational Corporation of Kyoto Sangyo University on June 1, 2024</p> <p>Director, Lead Outside Director Remuneration Advisory Committee Chairperson</p> <p>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 Lead Outside Director 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 Chairperson of the Remuneration Advisory Committee and Nomination 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.</p>	

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
5	<p>Ryuhei Uchida (October 6, 1977)</p> <p><Reappointed></p> <p><Outside Director></p> <p>Attendance at Board meetings: 100% (19/19 meetings)</p> <p>Term of office as Outside Director: 5 years</p>	<p>April, 2002 Joined Mitsubishi Corporation</p> <p>December, 2009 Joined Innovation Network Corporation of Japan, Vice-President of Investment</p> <p>December, 2012 Joined Effissimo Capital Management Pte Ltd, Director (Current)</p> <p>June, 2019 Outside Director of the Company (Current)</p> <p>Reasons for nomination as candidate for Outside Director 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 bring common benefits to 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.</p>	0 shares

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
6	<p data-bbox="252 887 459 954">Koji Kotaka (May 14, 1958)</p> <p data-bbox="252 987 459 1021"><Reappointed></p> <p data-bbox="252 1055 475 1111"><Independent & Outside Director></p> <p data-bbox="225 1144 491 1211">Attendance at Board meetings:</p> <p data-bbox="240 1245 464 1312">100% (14/14 meetings)</p> <p data-bbox="233 1346 480 1447">Term of office as Outside Director: 1 year</p>	<p data-bbox="507 237 1270 1211"> April, 1987 Joined Sato and Tsuda Law Office (retired in March 1988) August, 1990 Joined Goldman Sachs Japan Co., Ltd. November, 1998 Managing Director, Goldman Sachs Japan Co., Ltd. November, 2006 Partner, Goldman Sachs Japan Co., Ltd. (retired in November 2008) November, 2009 Counsel, Nishimura & Asahi (retired in December 2010) January, 2011 Representative Attorney, Koji Kotaka & Associates (Current) September, 2012 Senior Advisor, Apollo Global Management LLC (Current) June, 2013 Outside Director, Monex Group, Inc. (retired in June 2018) February, 2016 Outside Director, LINE Corporation (retired in February 2021) March, 2018 Outside Director, Kenedix, Inc. (retired in March 2021) March, 2021 Member of the Management Committee, Kenedix, Inc. (Current) May, 2022 Senior Advisor, Greenhill & Co., Japan Ltd. (retired in December, 2023) June, 2023 Outside Director of the Company (Current) </p> <p data-bbox="507 1223 1270 2085"> Reasons for nomination as candidate for Outside Director and summary of expected roles: Mr. Koji Kotaka, in addition to being a lawyer, has experience in roles such as a company director in a broad range of industries including securities, investment banking, IT and real estate. The Company judges that his expertise in law, particularly his abundant insight into the investment area contributes to the Company's management. Accordingly, he has been elected as Outside Director of the Company since June 2023. He draws on his abundant experience in law, finance and accounting and broad insight, which also includes investment and IR, to appropriately fulfill his role of actively making suggestions at the Board of Directors meetings and supervising the execution of business as Outside Director of the Company. 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. Kotaka and the Company. As Mr. Kotaka 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. </p>	31,400 shares

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
7	<p>Hiroyuki Maki (November 15, 1980)</p> <p><Reappointed></p> <p><Independent & Outside Director></p> <p>Attendance at Board meetings:</p> <p>100% (14/14 meetings)</p> <p>Term of office as Outside Director: 1 year</p>	<p>August, 2004 Representative Director, Melco Asset Management Limited (retired in October 2006)</p> <p>November, 2006 Representative Director, Melco Asset Management Pte. Ltd. (retired in September 2007)</p> <p>October, 2007 Representative Director, MAM PTE. LTD. (retired in May 2014)</p> <p>June, 2011 Director, MELCO HOLDINGS INC.</p> <p>June, 2014 President & CEO, MELCO HOLDINGS INC. (Current)</p> <p>May, 2018 President & CEO, BUFFALO INC. (Current)</p> <p>May, 2020 President & CEO, Buffalo IT Solutions Inc. (retired in May 2023)</p> <p>October, 2020 President & CEO, Melco Financial Holdings Inc. (retired in April 2023)</p> <p>May, 2021 President & CEO, BIOS Corporation (retired in May 2022)</p> <p>May, 2022 Director, Shimadaya Corporation (Current)</p> <p>June, 2022 Outside Director, Saison Information Systems Co., Ltd. (currently known as Saison Technology Co., Ltd.) (retired in June 2023)</p> <p>June, 2023 Outside Director of the Company (Current)</p> <p>Reasons for nomination as candidate for Outside Director and summary of expected roles: Mr. Hiroyuki Maki is the President and CEO of MELCO HOLDINGS INC., mainly engaged in IT related business and food business, and President and Director of its subsidiary companies. The Company judges that his abundant experience and insight in Group business administration contribute to the Company's management. Accordingly, he has been elected as Outside Director of the Company since June 2023. He draws on his abundant experience as a corporate manager and broad insight in the IT and digital realm to appropriately fulfill his role of actively making suggestions at the Board of Directors meetings and supervising the execution of business as Outside Director of the Company. 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. Maki and the Company. As Mr. Maki 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.</p>	0 shares

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
8	<p>Takako Masai (March 8, 1965)</p> <p><New candidate></p> <p><Independent & Outside Director></p> <p>Attendance at Board meetings: -</p> <p>Term of office as Outside Director: -</p>	<p>November, 1988 Joined Scotiabank, Tokyo</p> <p>July, 1989 Joined the Toronto-Dominion Bank, Tokyo</p> <p>March, 1998 Head of Financial Products Division, Tokyo Branch, Crédit Agricole Indosuez Bank (currently known as Crédit Agricole CIB)</p> <p>May, 2007 General Manager, Capital Markets Division, Shinsei Bank, Limited (currently known as SBI Shinsei Bank, Limited)</p> <p>April, 2013 Executive Officer, Head of Markets Research Department, Markets Sub- Group, Shinsei Bank, Limited.</p> <p>July, 2015 Executive Officer, General Manager of Markets Research Division, Shinsei Bank, Limited.</p> <p>June, 2016 Member of the Policy Board, Bank of Japan (retired in June 2021)</p> <p>June, 2021 Director, SBI Financial and Economic Research Institute Co., Ltd. (Current)</p> <p>July, 2021 Outside Director, Mitsubishi Chemical Holdings Corporation (currently known as Mitsubishi Chemical Group Corporation) (retired in June 2023)</p> <p>July, 2021 Outside Director, TOBISHIMA CORPORATION (Current)</p> <p>July, 2021 Advisory Board member of Sim Kee Boon Institute for Financial Economics (Current)</p> <p>August, 2021 Representative Director (currently Chairperson), SBI Financial and Economic Research Institute Co., Ltd. (Current)</p> <p>August, 2021 Outside Director, BlackRock Japan Co., Ltd. (retired in August 2023)</p> <p>April, 2022 Guest Professor, Jissen Women's University (Current)</p> <p>Reasons for nomination as candidate for Outside Director and summary of expected roles: Ms. Takako Masai has experience in promoting business related to the financial market in both foreign and domestic banks. She has also been involved in the formulation of monetary policy as a deliberation member of the Policy Board at the Bank of Japan. The Company judges that her abundant experience in the financial market, insights of financial economics, and knowledge on diversity will contribute to the Company's management. Accordingly, the Company requests her election as Outside Director. After her appointment, the Company expects that she will draw on her broad insight to appropriately fulfill her role of making suggestions at</p>	0 shares

	<p>the Board of Directors meetings and supervising the execution of business as Outside Director of the Company. There is no special interest between Ms. Masai and the Company.</p> <p>Ms. Masai satisfies the criteria for independence of Outside Director provided by the Company, and if she is elected as an Outside Director, the Company plans to designate her as an independent director pursuant to the regulations of Tokyo Stock Exchange where its stock is listed.</p>	
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- Notes: 1) Messrs. Keiji Yamada, Ryuhei Uchida, Koji Kotaka, and Hiroyuki Maki, and Ms. Takako Masai are candidates for Outside Director.
- 2) The Company has concluded a limited liability contract with Messrs. Keiji Yamada, Ryuhei Uchida, Koji Kotaka, and Hiroyuki Maki pursuant to Article 427, Paragraph (1) of the Companies Act. If the proposition is accepted, the Company intends to extend the contract with them and conclude the same contract with Ms. Takako Masai. 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.) 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 in “3. Matters Related to Directors and Audit & Supervisory Board Members, (5) Outline of Liability Insurance Contracts for Directors and Officers, etc.” 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.
- 4) Ms. Takako Masai’s official name in the household register is Takako Nishida.

<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	Human Resources & Labor	Safety & Quality	Environment & Technology	Global	Sales & Marketing
Yukikazu Myochin	●	●		●	●	●	●	●
Kazuhiko Harigai	●				●	●	●	●
Noriaki Yamaga	●	●	●			●	●	●
Keiji Yamada		●		●	●	●	●	
Ryuhei Uchida	●		●				●	
Koji Kotaka		●	●				●	
Hiroyuki Maki	●		●	●		●	●	●
Takako Masai	●		●				●	●

The Company has identified the skills (knowledge, experience, abilities, etc.) required of the Board of Directors based on the Company's materialities (priority issues) in its aim to enhance the functions of the Board of Directors with a thoughtful combination of these skills while considering diversity in the composition of the Board members.

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

Audit & Supervisory Board Member Shinsuke Kubo will retire from his position due to the expiration of his term of office upon conclusion of this meeting.

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

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

The candidate is:

Name (Date of birth)	Career summaries, positions in the Company (Significant concurrent positions)	Number of the Company's shares held
<p>Shinsuke Kubo (March 4, 1956)</p> <p><Reappointed></p> <p><Independent & Outside Audit & Supervisory Board Member></p> <p>Attendance at Board meetings:</p> <p>94.7% (18/19 meetings)</p> <p>Attendance at Audit & Supervisory Board meetings:</p> <p>100% (14/14 meetings)</p> <p>Term of office as Audit & Supervisory Board Member: 4 years</p>	<p>April, 1979 Joined Sanwa & Co. (currently known as Deloitte Touche Tohmatsu LLC)</p> <p>March, 1982 Registered as Certified Public Accountant</p> <p>June, 1998 Representative Partner, Tohmatsu & Co. (currently known as Deloitte Touche Tohmatsu LLC)</p> <p>September, 2017 Retired from Deloitte Touche Tohmatsu LLC</p> <p>October, 2017 Managing Partner, Shinsuke Kubo CPA Office (Current)</p> <p>January, 2018 Representative Director, Japan Enterprise Sustainable Transformation Advisory Co., Ltd. (retired in December 2020)</p> <p>May, 2018 Representative Partner, Kyoei Accounting Office (Current)</p> <p>June, 2018 Outside Audit & Supervisory Board Member, Japan Airlines Co., Ltd. (Current)</p> <p>June, 2020 Audit & Supervisory Board Member (Current)</p> <p>Reasons for nomination as candidate for Audit & Supervisory Board Member: Mr. Shinsuke Kubo, a CPA in Japan, has a variety of achievements and experiences through his work with both Japanese and foreign audit firms, in the fields of auditing, IPO support, corporate revitalization and M&A. He also has abundant experience in founding and managing companies that support venture businesses and reactivation of businesses. In light of his performance in the effective auditing from an outside independent standpoint since being appointed as Outside Audit & Supervisory Board Member of the Company in June 2020, the Company requests that he again be elected as Outside Audit & Supervisory Board Member. As Mr. Kubo satisfies the criteria for independence of Outside Audit & Supervisory Board Members provided by the Company, the Company has designated him as an independent auditor 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 auditor.</p>	<p>5,500 shares</p>

- Notes: 1) Mr. Shinsuke Kubo is a candidate for Outside Audit & Supervisory Board Member.
- 2) The Company has concluded a limited liability contract with Mr. Shinsuke Kubo pursuant to Article 427, Paragraph (1) of the Companies Act. If the proposition is accepted, the Company intends to extend the contract with him.

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, 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 in “3. Matters Related to Directors and Audit & Supervisory Board Members, (5) Outline of Liability Insurance Contracts for Directors and Officers, etc.” of the Business Report. If the proposition is accepted, Mr. Shinsuke Kubo will continue to be an 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.

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
<p>Akiko Kumakura (September 27, 1978)</p> <p><Independent & Outside Substitute Audit & Supervisory Board Member></p>	<p>October, 2003 Joined Asahi & Co. (currently known as KPMG AZSA LLC) (retired in July 2012)</p>	<p>0 shares</p>
	<p>July, 2007 Registered as Certified Public Accountant (deregistered in August 2012, re-registered in April 2017)</p>	
	<p>April, 2017 Managing Partner, Kumakura Certified Public Accountant Office (Current)</p>	
	<p>May, 2017 Outside Corporate Auditor, Bank of Innovation, Inc. (retired in December 2019)</p>	
	<p>December, 2019 Outside Director (Audit & Supervisory Committee Member), Bank of Innovation, Inc. (Current)</p>	
	<p>September, 2020 Outside Audit & Supervisory Board Member, GiXo Ltd. (Current)</p>	
	<p>May, 2022 Outside Director, YARUKI Switch Group Holdings Co., Ltd. (retired in August 2023)</p>	
<p>March, 2024 Outside Director, Audit and Supervisory Committee member, Chatwork Co., Ltd. (Current)</p>		

Name (Date of birth)	Career summaries and positions in the Company (Significant concurrent positions)	Number of the Company's shares held
	<p>Reasons for nomination as candidate for Substitute Outside Audit & Supervisory Board Member:</p> <p>Ms. Akiko Kumakura has abundant experience in accounting audits, internal audits and internal controls as a Certified Public Accountant. Ms. Kumakura does not have prior experience of direct involvement in corporate management by methods other than serving as an outside director/auditor. However, she has experience in the position of outside corporate auditor and outside director (audit & supervisory committee member) at multiple companies, so 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. Kumakura and the Company.</p> <p>As there is no possibility that conflict of interest may occur between Ms. Kumakura and general shareholders, if she assumes office as an Audit & Supervisory Board Member, the Company plans to designate her as an independent auditor pursuant to the regulations of the stock exchanges where its stock is listed.</p>	

- Notes: 1) Ms. Akiko Kumakura is a candidate for substitute Outside Audit & Supervisory Board Member.
- 2) If Ms. Akiko Kumakura 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 in “3. Matters Related to Directors and Audit & Supervisory Board Members, (5) Outline of Liability Insurance Contracts for Directors and Officers, etc.” of the Business Report. If Ms. Akiko Kumakura 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.

Key Initiatives to Enhance Corporate Governance

Basic principle of corporate governance

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

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

Evaluation of the effectiveness of the Board of Directors

Based on the belief that effective corporate governance is essential for sustainable growth and enhancing corporate value over the medium to long term, we evaluate the effectiveness of the Board of Directors each year, through self-evaluation and evaluation by independent external parties, and disclose the results in a timely and proper manner.

Revision to the officers' remuneration system

	Before	After
LTI	7%	32%
STI	21%	20%
Fixed	72%	48%

} Ratio of performance-based remuneration is over 50%

- Further focus on medium- to long-term performance-based remuneration (stock) to further share value with shareholders
- Introduce new KPI for performance-based remuneration
 - Short-term incentive (STI): Introduced safety factor (serious maritime accidents) as negative indicator
 - Long-term incentive (LTI): Link with ROE and CO₂ emissions efficiency in addition to relative total shareholder return (TSR)

Review of the composition of the Board of Directors

Reinforce the independence of the supervisory function by increasing the ratio of Outside Directors on the Board of Directors

Before review Ratio of Outside Directors: 44%

After review Ratio of Outside Directors: 55%

Four out of five are Independent Outside Directors.

Review of the Director skill matrix

Clarify the diversity of the composition of the Board of Directors by reviewing items based on materialities identified as the Company's priority issues

	FY2022		FY2023
Corporate Management & Strategy	✓		✓
Legal & Risk Management	✓		✓
Finance & Accounting	✓		✓
Human Resources & Labor	–	▶	✓
Safety & Quality	–		✓
Technology*	✓		–
Environment & Technology	–		✓
Global	✓		✓
Sales & Marketing	–		✓

* Technology has been moved to Environment & Technology as a part of the FY2023 review.

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, 2023 to March 31, 2024)

1. Matters Related to Current Conditions of the Corporate Group

(1) Business Progress and Results

[General Conditions]

In the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024), the global economy headed for a recovery from the novel coronavirus (COVID-19). However, rising geopolitical risks, such as the situation in the Middle East, interest rate hikes to curb inflation in Europe, the U.S., and other countries, and concerns about the polarization of the global economy, such as the conflict between the U.S. and China, continued. On the other hand, the Japanese economy recorded moderate growth with a recovery in service consumption and inbound tourism demand.

For shipping rates, in our own business, market rates weakened due to the impact of the downturn in the Chinese economy in the Dry Bulk business, but remained stable in the Energy Transportation business, and remained firm in the Car carrier business, where favorable cargo movements continued. Containership rates weakened due to an increase in delivery of newly built vessels and a drop in cargo demand, but rose at the end of the fiscal year due to the tight supply chain caused by the situation in the Middle East.

Amid this business environment, the Company is steadily implementing its 5-year Medium-term Management Plan starting from FY2022. We formulated growth strategies seeing the achievement of a low-carbon and zero-carbon society as business opportunities and are concentrating management resources on three businesses that will be the drivers of growth based on portfolio strategies. In addition, for the containership business, which is an important business for the Group, we are enhancing our support as a shareholder to the sustainable growth and development of our equity-method affiliate OCEAN NETWORK EXPRESS PTE. LTD. (hereinafter referred to as “ONE”).

Furthermore, aiming for the optimal capital structure, we are also progressing cash allocation that balance growth investment and shareholder returns. Through these initiatives, we aim to be a company that continues to deserve the trust of all stakeholders by reducing our environmental impact and continuously improving our corporate value to realize a sustainable society.

In terms of our performance for the fiscal year, we secured profits in all segments of our own business. Although the performance in the Dry Bulk segment worsened year on year in conjunction with declining market rates, improvements in the performance in the Product Logistics segment, particularly the Car carrier business, along with the impact of foreign exchange rates, caused the overall performance of our own business to surpass that of the previous fiscal year. In addition, the performance of ONE was profitable despite a deterioration against the backdrop of a decline in freight rates due to the weakening of the vessel supply-demand balance.

With respect to our shareholder return policy, we actively implemented shareholders' return, including share buyback regarding excess of appropriated equity capital, by identifying performance trends, awareness of the optimal capital structure, securing of investment required to enhance corporate value, and strengthening the soundness of financial basis.

As a result, operating revenues for the fiscal year were ¥962.3 billion (up ¥19.6 billion year on year), operating income was ¥84.7 billion (up ¥5.9 billion year on year), and ordinary income was ¥135.7 billion (down ¥555.0

billion year on year). Profit attributable to owners of the parent was ¥104.7 billion (down ¥590.1 billion year on year).

The average foreign exchange rate in the current fiscal year was ¥143.82/US\$ (yen depreciation of ¥8.75 /US\$ compared to the previous fiscal year) and the average fuel oil price was US\$620/MT* (down by US\$149/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
¥962.3 billion (An increase of 2.1% year on year)	¥84.7 billion (An increase of 7.5% year on year)	¥135.7 billion (A decrease of 80.3% year on year)	¥104.7 billion (A decrease of 84.9% year on year)

Dry Bulk Segment (Billions of yen)

Operating revenues	295.0	(a decrease of 5.5% year on year)
Segment profit (loss)	3.6	(a decrease of 81.1% year on year)
Operating revenue composition ratio to total operating revenues	30.7%	

(Note) In the fiscal year ended March 31, 2024, the Company changed the allocation method of corporate expenses to present the condition of each segment in a more appropriate manner. Segment information for the previous fiscal year is presented based on the changed allocation method.

[Dry Bulk Business]

In the Cape-size sector, market rates remained to be sluggish in the first half of the fiscal year. In the second half of the fiscal year, while strong demand for China-bound transportation continued and demand for transportation of bauxite from the Atlantic to East Asia and iron ore loaded in Brazil increased, market rates increased as the tonnage supply contracted due to an increase in vessels taking detours round the Red Sea and stormy weather around the ports of discharge in China.

In the medium and small vessel sector, in the first half of the fiscal year, market rates were sluggish due to a decrease in demand for coal and steel products transportation to distant destinations, such as Europe, as well as a decrease in demand for transportation led by a decline in grain futures prices and delayed harvests. In the second half of the fiscal year, with an increase in demand for coal transportation to China and India, and the recovery and full-scale increase in demand for grain transportation from North and South America, market rates increased as the vessel supply-demand balance tightened due to the prolonged Panama Canal drought and an increase in vessels taking detours round the Red Sea.

Under these circumstances, although the Group strived to manage the market exposures appropriately and reduce operation costs and improve vessel operation efficiency, the overall Dry Bulk Segment recorded a year-on-year decrease both in revenue and profit due to the impact of contracts concluded in the previous fiscal year when the market was struggling and other temporary factors.

Energy Resource Transport Segment (Billions of yen)

Operating revenues	106.9	(an increase of 6.7% year on year)
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Segment profit (loss)	7.9	(a decrease of 12.2% year on year)
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Operating revenue composition ratio to total operating revenues	11.1%
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(Note) In the fiscal year ended March 31, 2024, the Company changed the allocation method of corporate expenses to present the condition of each segment in a more appropriate manner. Segment information for the previous fiscal year is presented based on the changed allocation method.

[LNG Carrier Business, Electricity Business, Tanker Business and Offshore Business]

Concerning LNG carriers, thermal coal carriers, large crude oil tankers (VLCCs), LPG 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.

On the other hand, partly due to reorganizations of operating ships conducted in the previous fiscal year, the overall Energy Resource Transport Segment recorded a year-on-year increase in revenue but decrease in profit.

Product Logistics Segment (Billions of yen)

Operating revenues	550.1	(an increase of 5.8% year on year)
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Segment profit (loss)	131.1	(a decrease of 80.4% year on year)
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Operating revenue composition ratio to total operating revenues	57.2%
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(Note) In the fiscal year ended March 31, 2024, the Company changed the allocation method of corporate expenses to present the condition of each segment in a more appropriate manner. Segment information for the previous fiscal year is presented based on the changed allocation method.

[Car Carrier Business]

In the global car sales market, recovery continued while the impact of supply shortages of semiconductors and auto parts on production and shipments gradually decreased. Meanwhile, the Group continued to engage in initiatives to restore freight and improve vessel operational efficiency.

[Logistics Business]

In the domestic logistics and port business, the domestic container handling volume decreased year-on-year. In the towage business and warehousing business, work volume stayed firm. As for the international logistics sector, market rates were sluggish and the downtrend in ocean and air cargo transportation demand continued in the forwarding business from the beginning of the year. In the finished vehicle transportation business, the port congestion in Australia continued, but demand was still high and both land transportation volume and storage volume increased year-on-year.

[Short Sea and Coastal Business]

In the short sea business, despite the stable transportation volume in steel products and biomass fuel transportation, the total transportation volume significantly decreased year-on-year due to a considerable decline in the transportation of Russian coal. In the coastal business, although the number of users of passenger and car transportation increased during the busy period, the total transportation volume decreased year-on-year due to a decline in cargo movement resulting from high price level and a decline in vessel availability due to stormy weather. The transportation volume of dedicated vessels for tramp services decreased year-on-year due to a long-term periodic inspection at the thermal power plant.

[Containership Business]

Although short-term freight rates have showed a certain level of increase because of easing of surplus in vessel due to continued detouring via the Cape of Good Hope route caused by the situation in the Middle East since the fourth quarter, our equity-method affiliate ONE recorded a significant year-on-year decrease in revenue and profit because of sluggish cargo movement until the end of the third quarter and increased supply resulting from delivery of newly built vessels.

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

(2) Financial Position and Results of Operation

Item	FY2020	FY2021	FY2022	FY2023 (current fiscal year)
Operating revenues (Millions of yen)	625,486	756,983	942,606	962,300
Ordinary income (Millions of yen)	89,498	657,504	690,839	135,796
Profit attributable to owners of the parent (Millions of yen)	108,695	642,424	694,904	104,776
Basic profit per share (Yen)	129.48	765.28	857.01	145.24
Total assets (Millions of yen)	974,608	1,574,960	2,052,616	2,109,432
Net assets (Millions of yen)	316,162	984,882	1,546,679	1,624,600
Net assets per share of common stock (Yen)	259.92	1,053.82	2,042.80	2,251.81
Ratio of current profit to capital equity (ROE) (%)	68.1	116.5	57.9	6.7
Ratio of ordinary income to total assets (ROA) (%)	9.6	51.6	38.1	6.5
Capital equity ratio (%)	22.4	56.2	73.8	75.5

(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, and the key management indices for FY2021 onward are those after applying the accounting standard and relevant ASBJ regulations.

2. The Company conducted share splits with one ordinary share split into three shares on October 1, 2022 and on April 1, 2024. Basic profit per share and net assets per share of common stock are calculated assuming these share splits occurred at the beginning of the 153rd term.

3. Overviews of FY2020 to FY2023 are as follows.

FY2020: Following the spread of 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 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 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 COVID-19 including the

Omicron variant. The Company released its management plan (Rolling Planning) in May 2021. 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 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 ONE substantially improved from the previous fiscal year. Due to these improvements, 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.

FY2022: The global economy headed for a recovery from COVID-19, such as with the abolition of the China’s zero-COVID policy. However inflationary pressures due to factors such as the higher price of energy and resources caused by the Russia-Ukraine situation and concerns about the impact of polarization of the global economy centered on the conflict between the U.S. and China continued. The Company carried out initiatives in line with its 5-year Medium-term Management Plan, announced in May 2022. In our own business, all segments continued to record profits due to the optimization of fleets with the completion of structural reforms, reductions to operational costs with the ongoing implementation of efficient operations and fleet allocations, the acquisition of new medium and long-term contracts with the enhancements to the customer-oriented sales system and ongoing initiatives to create synergies of businesses within the Group. In addition, the performance of ONE continued to remain at a high level from the previous fiscal year.

FY2023: The overview for FY2023 is as provided in subsection “(1) Business Progress and Results,” pages 31 to 35.

(3) Capital Investment

Over the current fiscal year, the Group made overall capital investments of ¥85.8 billion.

The Dry Bulk, Energy Resource Transport, and Product Logistics segments made capital investments of ¥11.9 billion, ¥40.0 billion, and ¥33.1 billion, respectively, with such outlays primarily centered on ship construction.

Meanwhile, sales of fixed assets amounted to ¥20.1 billion, mainly attributable to vessel disposal.

(4) Capital Procurement

The Group raised the required funds for the current fiscal year through its own capital, borrowings from financial institutions, and the issuance of unsecured bonds.

(5) Issues to Address

We forecast that the uncertain business environment will continue in FY2024 due to the unpredictable nature of the conflict between the U.S. and China, the Russia-Ukraine situation, and the situation in the Middle East as well as concerns about economic decoupling, downward pressure on the global economy, and energy policy trends in all countries.

Even under this very uncertain business environment, we aim to strengthen our risk management and

preparation in the anticipation of unpredicted contingencies, respond appropriate to changes in the business environment in the short and medium term while aiming for management that is focused on the low- and zero-carbon transitions of the Company and society over the long-term.

We are aiming for sustainable growth and to improve our corporate value by both contributing to the response to environmental challenges and achieving profitability growth as a company that is very resilient to market fluctuations with two pillars of our own business and container ships. We will develop partnerships with customers who can share growth opportunities, promote the reduction of greenhouse gas emissions, switch to alternative fuels, and response to demand for new types of transportation as part of society's infrastructure.

[Business strategy]

The Group strives to clarify the role of each business, strengthen the profitability of business through well-balanced resource allocation according to the characteristics of each business and further improve corporate value based on a portfolio strategy that leverages the Group's strengths with the shipping industry at the core as set out on the 5-year Medium-term Management Plan, released in May 2022.

In the coal/iron ore, car carriers and LNG carriers businesses, which are "businesses that play a role of driving growth," we will achieve business growth through concentrated allocation of management resources for the purpose of achieving growth by taking on environmental challenges as opportunities and turning these business areas into mainstays of group-wide profitability.

Thermal coal carriers, tanker and LPG carrier business, which are "businesses that play a role of supporting a smooth energy source conversion and taking on new business opportunities," will aim to promote the response to new energy transport demand, while minimizing business risks.

In bulk carriers, short sea and coastal, and port/logistics businesses, which are "businesses that play a role in contributing by enhancing profitability," we will strive to strengthen resistance to market fluctuations and secure stable income, promoting a business strategy that pursues synergies.

In "businesses that play a role of supporting the business as a shareholder and stabilizing the earning base," Containerships are considered to be an important main business for the Company, and we aim to maximize corporate value through ongoing human resource support and involvement in management governance for the purpose of enhancing our support as a shareholder to the sustainable growth and development of our equity-method affiliate ONE.

In the "new business domain," we aim to expand the business domains in which we can leverage the Group's strengths, pursuing the refinement of specialized fields between Group companies such as liquified CO₂ carriers and support vessel business for offshore wind power generation projects.

[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]

We will promote shareholders' return, including share buyback regarding excess of appropriated equity

capital, by awareness of the optimal capital structure, securing of investment required to enhance corporate value, and strengthening the soundness of financial basis. In addition to base dividends, we will strive to increase shareholder value by flexibly implementing additional dividends and share buybacks. In addition, we will aim to further increase corporate value by introducing business management systems with awareness of capital costs and cash flow for each business area through further improvement of business management and by maintaining and strengthening our investment discipline through the introduction of business investment management.

(6) Status of Principal Subsidiaries, etc. (as of March 31, 2024)

Company name	Paid-in capital	Equity ownership (%)	Core business
KAWASAKI KINKAI KISEN KAISHA, LTD.	2,368 million yen	100.0	Marine transportation
“K” LINE LOGISTICS, LTD.	600 million yen	95.9	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	35.20 million U.S. dollars	(100.0)	Marine transportation
“K” LINE LNG SHIPPING (UK) LIMITED	40.90 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 ownership ratio of DAITO CORPORATION and NITTO TOTAL LOGISTICS LTD. is through 51% ownership of KLKG HOLDINGS, Co., Ltd.
 3. 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.
 4. 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, 2024)

(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, Dubai

(ii) Subsidiaries, etc.

Company name	Location
KAWASAKI KINKAI KISEN KAISHA, LTD.	Tokyo, Kushiro, Sapporo, Tomakomai, Hachinohe, Naka, Shizuoka, Kitakyushu, Oita
“K” LINE LOGISTICS, LTD.	Tokyo, 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

(iii) Other Locations Overseas

Korea, China, Taiwan, Thailand, Singapore, Malaysia, Indonesia, Vietnam, India, Australia, U.K., Germany, France, Belgium, U.S.A., Mexico, Peru, Chile, Brazil, South Africa
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(8) Status of Employees (as of March 31, 2024)

Name of segment	Dry Bulk	Energy Resource Transport	Product Logistics	Other	Corporate (common)	Total
Number of employees	180	190	3,732	477	433	5,012
As of previous fiscal year end	170	190	3,700	443	415	4,918
Change from previous fiscal year end	10	0	32	34	18	94

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

(9) Status of Vessels (as of March 31, 2024)

Name of segment	Dry Bulk	Energy Resource Transport	Product Logistics			Total
Vessel type	Dry bulk carriers	LNG carriers, tankers, thermal coal carriers	Car carriers	Short sea and coastal vessels	Containerships	
Category						
Owned						
Number of vessels	51	25	32	24	11	143
Deadweight tons	6,255,941	3,426,959	456,088	206,881	849,856	11,195,725
Chartered						
Number of vessels	140	20	59	19	30	268
Deadweight tons	17,388,141	1,712,751	1,071,990	167,300	2,970,195	23,310,377
Total						
Number of vessels	191	45	91	43	41	411
Deadweight tons	23,644,082	5,139,710	1,528,078	374,181	3,820,051	34,506,102

(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.

2. Matters Related to Corporate Stocks (as of March 31, 2024)

(1) Number of Authorized Shares: 600,000,000 shares

(Note) 1,800,000,000 shares due to the share split (3 shares for 1 ordinary share) conducted on April 1, 2024.

(2) Number of Issued and Outstanding Shares: 238,242,689 shares

(Note) 238,242,689 shares due to the cancellation of treasury stock on December 1, 2023 (decrease of 12,469,700 shares).

714,728,067 shares due to the share split on April 1, 2024 (increase of 476,485,378 shares).

(3) Aggregate Number of Shareholders: 73,107

(4) Major Shareholders (top 10)

Name of shareholders	Number of shares held (Thousands)	Percentage of shares held (%)
ECM MF	32,149	13.51
The Master Trust Bank of Japan, Ltd. (trust account)	22,262	9.35
MLI FOR SEGREGATED PB CLIENT	16,954	7.12
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SEGR ACCT	15,300	6.43
CGML PB CLIENT ACCOUNT/COLLATERAL	14,125	5.93
Suntera (Cayman) Limited as trustee of ECM Master Fund	13,238	5.56
Custody Bank of Japan, Ltd. (trust account)	6,644	2.79
IMABARI SHIPBUILDING CO., LTD.	5,652	2.37
SMBC Nikko Securities Inc.	5,308	2.23
Mizuho Bank, Ltd.	4,755	1.99

(Note) Percentage of shares held is calculated excluding treasury stock (370,480 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

The Company issued 35,733 shares of remuneration relating to the performance-based share remuneration plan for one Director (excluding Outside Directors) during the current fiscal year.

(6) Other Matters Related to Stocks

(i) Share buyback

A share buyback was conducted as follows in accordance with a resolution at the Board of Directors meeting convened on August 2, 2023.

- Class and total number of shares acquired Common shares of the Company 11,676,000 shares
- Total amount of repurchase price of shares ¥56,201,702,697
- Acquisition period From August 3, 2023 to October 18, 2023

(ii) Cancellation of treasury stock

Treasury stock were cancelled in accordance with a resolution at the Board of Directors meeting convened on November 24, 2023.

- Class and total number of shares cancelled Common shares of the Company 12,469,700 shares
- Cancellation date December 1, 2023
- Number of issued and outstanding shares after cancellation 238,242,689 shares

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

(1) Details of Directors and Audit & Supervisory Board Members (as of March 31, 2024)

Name	Position	Areas of responsibility in the Company and significant concurrent positions
Yukikazu Myochin	Representative Director, President & CEO	CEO, and President of The Japanese Shipowners' Association
Atsuo Asano	Representative Director, Vice President Executive Officer	Assistant to President & CEO, Responsible for Dry Bulk Carriers Unit, in charge of Bulk Carriers
Yukio Toriyama	Representative Director, Senior Managing Executive Officer	Responsible for CFO Unit (Corporate Planning, Research, Finance, Accounting, Taxation), CFO (Chief Financial Officer)
Kazuhiko Harigai	Representative Director, Senior Managing Executive Officer	Responsible for Energy Transportation Business Unit
Keiji Yamada	Director	Remuneration Advisory Committee Chairperson, Trustee of The Educational Corporation 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 Attorney, Oka-Partners Law Office
Koji Kotaka	Director	Representative Attorney of Koji Kotaka & Associates
Hiroyuki Maki	Director	President & CEO of MELCO HOLDINGS INC. and President & CEO of BUFFALO INC.
Kunihiko Arai	Standing Audit & Supervisory Board Member	
Makoto Arai	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, Koji Kotaka, and Hiroyuki Maki are Outside Directors. The Company has designated Keiji Yamada, Kozue Shiga, Koji Kotaka, and Hiroyuki Maki 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 Makoto Arai has considerable knowledge of financial and accounting matters based on his engagement primarily in the Legal, Corporate Legal Risk & Compliance and Internal Audit divisions and on his experience as a Director of the Company. 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. Directors Yasunari Sonobe and Tsuyoshi Kameoka retired from their positions due to the expiration of their terms of office, and Audit & Supervisory Board Member Yutaka Akutagawa retired from his position due to resignation upon the conclusion of the Ordinary General Meeting of Shareholders held on June 23, 2023.
5. Director Keiji Yamada is Trustee of The Educational Corporation 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 38.52% of the issued and outstanding shares of the Company.
7. Director Kozue Shiga is Attorney, Oka-Partners Law Office. No special interests exist between the Company and the said office.
8. Director Koji Kotaka is Representative Attorney of Koji Kotaka & Associates. No special interests exist between the Company and the said office.
9. Director Hiroyuki Maki is President & CEO of MELCO HOLDINGS INC. and President & CEO of BUFFALO INC. No special interests exist between the Company and the two companies.
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	Short-term performance-based remuneration (monetary)	Medium- to long-term performance-based remuneration (stock)	
Directors (excluding Outside Directors)	693	218	116	358	5
Outside Directors	39	39	-	-	4
Total	732	257	116	358	9
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	60	60	-	-	3
Outside Audit & Supervisory Board Members	20	20	-	-	2
Total	80	80	-	-	5

- (Notes) 1. The above table includes two Directors who retired from their positions due to the expiration of their terms of office and one Audit & Supervisory Board Member who retired from his position due to resignation upon the conclusion of the Ordinary General Meeting of Shareholders held on June 23, 2023.
2. Of the remuneration, etc. relating to the current fiscal year, the ¥116 million of short-term performance-based remuneration (monetary) to Directors is to be paid to four Directors, excluding five Outside Directors, serving at the end of the current term.
3. Of the remuneration, etc. relating to the current fiscal year, the ¥358 million of medium- to long-term performance-based remuneration (stock) to Directors is to be paid to four Directors, excluding five Outside Directors, serving at the end of the current term.

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

By resolution of the 155th Ordinary General Meeting of Shareholders held on June 23, 2023, the maximum amount of monetary remuneration for Directors was set at no more than ¥800 million (of which, ¥111 million is for Outside Directors) per year for nine Directors (of which, five are Outside Directors), and the specific amount to be paid as fixed remuneration and short-term performance-based remuneration within the framework of the total amount is to be determined by the Board of Directors following deliberations of the Remuneration Advisory Committee. Furthermore, by resolution of the 155th Ordinary General Meeting of Shareholders held on June 23, 2023, in addition to the above maximum amount of remuneration framework, the maximum amount of the funds necessary to acquire performance-based share remuneration for four Executive Directors was set at ¥2,400 million per period (four fiscal years) (equivalent to ¥600 million per fiscal year) as performance-based share remuneration.

The maximum amount of remuneration for Audit & Supervisory Board Members was set at no more than

¥12 million per month by resolution of the 138th 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's position in accordance with the officers' remuneration regulations within the limit of the maximum yearly remuneration as resolved by the General Meeting of Shareholders, and the Representative Director, President & CEO shall make a proposal regarding performance-based remuneration for individual Directors, and the final payment amount shall be determined after deliberation by the Remuneration Advisory Committee. The amount of performance-based remuneration for each Director is determined according to the formula stipulated in the officers' remuneration regulations within the limit of the resolution at the 155th Ordinary General Meeting of Shareholders held on June 23, 2023.
- 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, 2023.

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

- Short-term performance-based remuneration (monetary)

Short-term performance-based remuneration (monetary) is primarily linked to the level of achievement of the targets for consolidated performance for a single fiscal year to enhance the transparency and objectivity of payment standards.

The coefficient for multiplying the base amount for each position shall be linked to consolidated performance (total amount of ordinary income, amount of ordinary income excluding the containership business, and profit attributable to owners of the parent) for single fiscal years as well as individual contributions. The coefficient linked to consolidated performance varies in value from 0 to 1.5 based on the designated formula according to the level of achievement of targets. The degree of linkage to performance increases in accordance with management responsibility. In addition to this, in the event of a serious marine accident, the Company applies subtraction indicators according to the extent of the accident and its impact.

In the fiscal year under review, total amount of ordinary income and amount of ordinary income excluding the containership business exceeded the target, and profit attributable to owners of the parent fell below the target, so the coefficient linked to the consolidated performance was set at 1.03.

- Medium- to long-term performance-based remuneration (stock)

The medium- to long-term performance-based remuneration (stock) shall be linked to the total shareholders return (TSR) and other indicators 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.

For TSR-based indicators, 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 shall be used to determine the coefficient for multiplying the base amount for each position.

If the TSR Ratio is 50% or less, the coefficient for multiplying the base amount for each position shall be 0 (the minimum value); if the TSR Ratio is 100%, the coefficient shall be 1 (when set targets were achieved); if the TSR Ratio is 150% or more, the coefficient shall be 1.62 (the maximum value); and if the TSR Ratio is more than 50% but less than 150%, the coefficient shall be calculated through a certain formula.

Apart from TSR-based indicators, the Company introduces coefficients based on the level of achievement of the targets in the medium-term management plan and the ranking of the Company to other companies as ROE indicators, and coefficients that assess the improvements in CO₂ emissions efficiency as ESG indicators.

The degree of linkage to performance is designed to increase in accordance with management responsibility. The composition ratio for TSR indicators: ROE indicators: ESG indicators (CO₂) is set at 90:5:5.

The total values of each coefficient (the minimum value 0, the maximum value 1.8) calculated as detailed above shall be multiplied by the base amount for each position to calculate the amount of medium- to long-term performance-based remuneration, which will be converted into points and awarded to Directors each fiscal year. In principle, the Company's stock, etc. will be delivered at the time of retirement in proportion to the accumulated number of the points awarded.

In the current fiscal year, the ratio of the Company's TSR to TOPIX growth rate for the three-year period from FY2021 to FY2023 was over 150%, resulting in a payment coefficient based on TSR indicators of 1.62, a payment coefficient based on ROE indicators of 0.05 and a payment coefficient based on ESG indicators of 0.05. Thus, the coefficient to be multiplied by the base amount for each position was 1.72.

- Composition ratio of remuneration

The composition ratio for fixed remuneration (monetary), short-term performance-based remuneration (monetary), and medium- to long-term performance-based remuneration (stock) according to the typical case of achieving the performance target assumes a ratio of 100:40:65.

According to the level of achievement of targets, short-term performance-based remuneration varies from 0 to 1.5 times and medium- to long-term performance-based remuneration varies from 0 to 1.8 times. In addition, the degree of linkage to performance increases in accordance with management responsibility.

b. Reasons for selecting said indicators

The Company provides motivation with the optimal balance between short-term performance and medium- to long-term shareholder value enhancement, providing Directors with incentives to promote sustainable initiatives, aimed at maximizing corporate value.

<For your reference>

Overview of Remuneration System Applicable to the Current Fiscal Year

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 800 million yen / year (Of which, within 111 million yen for Outside Directors)
	2) Short-term performance-based remuneration (monetary)*1	Variable remuneration	Linked to consolidated performance and individual performance evaluations for single fiscal years. Applied subtraction indicators in the event of a serious accident.	
	3) Medium- to long-term performance-based remuneration (stock) "BBT"*1		Linked to the Company's medium- to long-term total shareholders return (TSR*2), ROE indicators, and ESG indicators (improvement in reducing CO2 emissions)*3.	
Audit & Supervisory Board Member	Monthly remuneration only	Fixed remuneration	Determined following deliberation among Audit & Supervisory Board Members	Within 12 million yen / month

*1 Limited to Executive Directors

*2 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)

*3 The composition ratio for TSR indicators: ROE indicators: ESG indicators is set at 90:5:5

(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 19 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 appropriately 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 19 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 appropriately 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 19 meetings of the Board of Directors held during the current fiscal year. She has expert knowledge and experience as a lawyer, and is appropriately 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.
Koji Kotaka	Outside Director	Mr. Kotaka attended all 14 meetings of the Board of Directors held after his assumption of office in June 2023. In addition to being a lawyer, he has experience in roles such as a company director in a broad range of industries including securities, investment banking, IT and real estate. Drawing on his abundant experience in law, finance and accounting and broad insight, which also includes investment and IR, he has appropriately fulfilled his role of making suggestions at the Board of Directors meetings and supervising the execution of business.
Hiroyuki Maki	Outside Director	Mr. Maki attended all 14 meetings of the Board of Directors held after his assumption of office in June 2023. Drawing on his abundant experience as a corporate manager and broad insight in the IT and digital realm, he has appropriately fulfilled his role of making suggestions at the Board of Directors meetings and supervising the execution of business.

Name	Position	Status of Main Activities and Summary of Duties Performed in Relation to Expected Roles
Atsumi Harasawa	Outside Audit & Supervisory Board Member	Ms. Harasawa attended all 19 meetings of the Board of Directors and all 14 meetings of the Audit & Supervisory Board held during the current fiscal year. She has appropriately 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.
Shinsuke Kubo	Outside Audit & Supervisory Board Member	Mr. Kubo attended 18 of the 19 meetings of the Board of Directors and all 14 meetings of the Audit & Supervisory Board held during the current fiscal year. He has appropriately 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, Koji Kotaka and Hiroyuki Maki, 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, 2024
ASSETS	
Current assets:	
Cash and deposits	272,616
Accounts and notes receivable - trade and contract assets	129,632
Raw materials and supplies	42,513
Deferred and prepaid expenses	25,629
Short-term loans receivable	1,688
Other current assets	17,609
Allowance for doubtful accounts	(1,411)
Total current assets	488,278
Non-current assets:	
(Vessels, property and equipment)	
Vessels, net	324,106
Buildings and structures, net	9,600
Machinery, equipment and vehicles, net	3,245
Land	15,548
Construction in progress	51,364
Other, net	6,452
Total vessels, property and equipment	410,318
(Intangible assets)	
Other intangible assets	6,036
Total intangible assets	6,036
(Investments and other assets)	
Investment securities	1,139,971
Long-term loans receivable	20,479
Asset for retirement benefits	2,387
Deferred tax assets	3,728
Other investments and other assets	39,955
Allowance for doubtful accounts	(1,723)
Total investments and other assets	1,204,799
Total non-current assets	1,621,154
Total assets	2,109,432

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

Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2024
LIABILITIES	
Current liabilities:	
Accounts and notes payable - trade	77,596
Short-term loans and current portion of long-term loans	49,135
Lease obligations	11,958
Accrued income taxes	3,399
Provision for loss related to the Anti-Monopoly Act	3,821
Provision for loss on chartering contracts	5,442
Provision for bonuses	3,393
Provision for directors' bonuses	418
Other current liabilities	54,742
Total current liabilities	209,908
Non-current liabilities:	
Bonds	8,000
Long-term loans, less current portion	206,107
Lease obligations	12,580
Deferred tax liabilities	16,519
Deferred tax liabilities on land revaluation	1,174
Provision for directors' and audit and supervisory board members' retirement benefits	38
Provision for directors' stock benefits	2,300
Provision for periodic drydocking of vessels	16,542
Liability for retirement benefits	4,855
Other non-current liabilities	6,805
Total non-current liabilities	274,924
Total liabilities	484,832
NET ASSETS	
Shareholders' equity:	
Common stock	75,457
Capital surplus	29,102
Retained earnings	1,233,274
Treasury stock	(7,648)
Total shareholders' equity	1,330,186
Accumulated other comprehensive income:	
Net unrealized holding gain (loss) on investment securities	13,030
Deferred gain (loss) on hedges	3,076
Revaluation reserve for land	4,677
Foreign currency translation adjustments	240,272
Retirement benefits liability adjustments	681
Total accumulated other comprehensive income	261,738
Non-controlling interests	32,674
Total net assets	1,624,600
Total liabilities and net assets	2,109,432

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

Consolidated Statement of Operations

	(Millions of yen)
	Year ended March 31, 2024
Marine transportation and other operating revenues	962,300
Marine transportation and other operating costs and expenses	801,126
Gross profit (loss)	161,174
Selling, general and administrative expenses	76,410
Operating income (loss)	84,763
Non-operating income:	
Interest income	3,755
Dividend income	3,285
Equity in earnings of unconsolidated subsidiaries and affiliates	51,710
Foreign exchange gains	5,192
Other non-operating income	1,884
Total non-operating income	65,828
Non-operating expenses:	
Interest expenses	9,642
Loss on valuation of derivatives	3,469
Other non-operating expenses	1,683
Total non-operating expenses	14,795
Ordinary income (loss)	135,796
Extraordinary income:	
Gain on sales of non-current assets	1,926
Gain on liquidation of subsidiaries and affiliates	428
Other extraordinary income	1,132
Total extraordinary income	3,487
Extraordinary losses:	
Impairment losses	258
Loss on valuation of investment securities	1,558
Provision for loss related to the Anti-Monopoly Act	2,485
Other extraordinary losses	1,232
Total extraordinary losses	5,535
Profit (loss) before income taxes	133,748
Income taxes:	
Current	15,640
Deferred	11,188
Total income taxes	26,829
Profit (loss)	106,918
Profit (loss) attributable to non-controlling interests	2,142
Profit (loss) attributable to owners of the parent	104,776

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

“Translation”
Independent Auditor’s Report

May 14, 2024

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

Kazuma Miwa
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, 2023 to March 31, 2024.

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, 2024, 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, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

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.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheet

	(Millions of yen)
	As of March 31, 2024
ASSETS	
Current assets:	
Cash and deposits	219,733
Accounts receivable - shipping	84,267
Contract assets	7,356
Advances paid	4,100
Supplies	35,902
Deferred and prepaid expenses	22,494
Accounts receivable from agencies	14,305
Short-term loans receivable	24,243
Other current assets	8,727
Allowance for doubtful accounts	(1,213)
Total current assets	419,917
Non-current assets:	
(Vessels, property and equipment)	
Vessels, net	51,564
Buildings, net	839
Structures, net	28
Machinery and equipment, net	10
Vehicles and transportation equipment, net	276
Equipment and fixtures, net	386
Land	4,577
Construction in progress	29,352
Other, net	195
Total vessels, property and equipment	87,231
(Intangible assets)	
Software	549
Other intangible assets	1,322
Total intangible assets	1,872
(Investments and other assets)	
Investment securities	27,092
Shares of subsidiaries and affiliates	206,069
Investments in capital	705
Investments in capital of subsidiaries and affiliates	3,596
Long-term loans receivable	3,360
Long-term loans receivable from employees	200
Long-term loans receivable from subsidiaries and affiliates	47,042
Long-term prepaid expenses	18,580
Prepaid pension expenses	841
Deferred tax assets	3,520
Lease investment assets	21,840
Lease and guarantee deposits	1,883
Other investments and other assets	1,566
Allowance for doubtful accounts	(1,236)
Total investments and other assets	335,064
Total non-current assets	424,167
Total assets	844,085

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

Non-Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2024
LIABILITIES	
Current liabilities:	
Accounts payable - shipping	75,586
Short-term loans and current portion of long-term loans	72,772
Lease obligations	1,502
Accounts payable other than trade	3,212
Accrued expenses	741
Accrued income taxes	1,432
Advances received	1,135
Contract liabilities	27,268
Deposits received	7,127
Accounts payable to agencies	370
Provision for loss related to Anti-Monopoly Act	3,821
Provision for loss on chartering contracts	6,204
Provision for loss on guarantees	549
Provision for bonuses	1,454
Provision for directors' bonuses	112
Other current liabilities	3,138
Total current liabilities	206,429
Non-current liabilities:	
Bonds	8,000
Long-term loans, less current portion	97,281
Lease obligations	3,702
Provision for employees' retirement benefits	663
Provision for directors' stock benefits	2,300
Provision for periodic drydocking of vessels	93
Deferred tax liabilities on land revaluation	877
Other non-current liabilities	1,232
Total non-current liabilities	114,150
Total liabilities	320,580
NET ASSETS	
Shareholders' equity:	
Common stock	75,457
Capital surplus:	
Capital reserve	9,607
Other capital surplus	0
Total capital surplus	9,607
Retained earnings:	
Legal reserve	9,257
Other retained earnings	
Reserve for advanced depreciation	78
Retained earnings carried forward	428,812
Total other retained earnings	428,891
Total retained earnings	438,148
Treasury stock	(7,612)
Total shareholders' equity	515,601
Accumulated other comprehensive income:	
Net unrealized holding gain (loss) on investment securities	11,073
Deferred gain (loss) on hedges	(5,226)
Revaluation reserve for land	2,057
Total accumulated other comprehensive income	7,904
Total net assets	523,505
Total liabilities and net assets	844,085

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

Non-Consolidated Statement of Operations

(Millions of yen)

	Year ended March 31, 2024
Marine transportation revenues	
Freight	601,629
Charter hire	136,986
Other marine transportation revenue	25,668
Total marine transportation revenues	764,284
Marine transportation expenses	
Operating costs and expenses	287,490
Vessel expenses	9,609
Charter hire:	
Charter hire	344,273
Provision for loss on chartering contracts	6,166
Other marine transportation expenses	26,080
Total marine transportation expenses	673,620
Marine transportation income (loss)	90,664
Other business revenue	49
Other business expenses	31
Other business income (loss)	17
Gross operating income (loss)	90,682
General and administrative expenses	30,583
Operating income (loss)	60,099
Non-operating income:	
Interest income	4,251
Dividend income	113,038
Foreign exchange gains	5,273
Other non-operating income	2,607
Total non-operating income	125,169
Non-operating expenses:	
Interest expenses	7,245
Interest on bonds	32
Loss on valuation of derivatives	3,469
Provision of allowance for doubtful accounts	297
Other non-operating expenses	1,339
Total non-operating expenses	12,384
Ordinary income (loss)	172,884
Extraordinary income:	
Gain on sales of non-current assets	278
Gain on sale of golf club membership	246
Gain on sales of shares of subsidiaries and affiliates	367
Other extraordinary income	210
Total extraordinary income	1,102
Extraordinary losses:	
Impairment losses	1
Loss on valuation of investment securities	1,558
Provision for loss related to the Anti-Monopoly Act	2,485
Other extraordinary losses	403
Total extraordinary losses	4,449
Profit (loss) before income taxes	169,537
Income taxes:	
Current	11,563
Deferred	(168)
Total income taxes	11,394
Profit (loss)	158,142

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

“Translation”
Independent Auditor’s Report

May 14, 2024

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

Kazuma Miwa
Designated Engagement Partner
Certified Public Accountant

Opinion

Pursuant to Article 436, paragraph 2, item 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 and the related supplementary schedules of Kawasaki Kisen Kaisha, Ltd. (the Company) applicable to the fiscal year from April 1, 2023 to March 31, 2024.

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, 2024, 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.

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, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

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.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

(TRANSLATION PURPOSE ONLY)

Copy of the Audit & Supervisory Board's Report

AUDIT REPORT

With respect to the Directors' execution of their duties during the 156th term from April 1, 2023 to March 31, 2024, 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" (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.

(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 16, 2024

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

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



(Translation)

REFERENCE DOCUMENTS FOR THE 156TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

(Items concerning measures for providing information in electronic format that are not included in documents delivered to shareholders who have requested delivery of paper-based documents, pursuant to the provisions of relevant laws and regulations and the Company's Articles of Incorporation)

The 156th term (From April 1, 2023 to March 31, 2024)

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

Kawasaki Kisen Kaisha, Ltd.

Pursuant to the provisions of relevant laws and regulations and Article 19 of the Company's Articles of Incorporation, the items listed above are not included in the documents delivered to shareholders who have requested delivery of paper-based documents.

(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, 2024)

Dry Bulk Segment	Dry bulk business
Energy Resource Transport Segment	LNG carrier business, Electricity business, Tanker 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, 2024)

Lender	Loan balance (Billions of yen)
Mizuho Bank, Ltd.	66.2
Development Bank of Japan Inc.	50.3
Sumitomo Mitsui Trust Bank, Limited	30.8
The Norinchukin Bank	13.4
MUFG Bank, Ltd.	9.4

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	¥99 million
2) Total amount of money and other financial benefits to be paid to Accounting Auditor by the Company and its subsidiaries	¥158 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

The Company paid to the Accounting Auditor a consideration for the preparation of comfort letters in issuing corporate bonds.

- (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, etc. 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 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.
- (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 held two meetings in order to recognize and promote crisis and risk management activities in general.

In October 2023, 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 9 Directors including five Outside Directors, and the meetings of the Board of Directors were held 19 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 to share information among the Company, its Group companies and subsidiaries.

Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2023	75,457	29,102	1,302,769	(6,550)	1,400,779
Change in items during the year					
Cash dividends	–	–	(98,422)	–	(98,422)
Profit (loss) attributable to owners of the parent	–	–	104,776	–	104,776
Purchase of treasury stock	–	–	–	(56,211)	(56,211)
Disposal of treasury stock	–	0	–	159	159
Cancellation of treasury stock	–	(788)	(54,954)	55,743	–
Disposal of treasury stock for the Board Benefit Trust	–	788	–	4,051	4,839
Purchase of treasury stock for the Board Benefit Trust	–	–	–	(4,839)	(4,839)
Changes in a foreign affiliated company's interests in its subsidiary	–	–	(20,908)	–	(20,908)
Reversal of revaluation reserve for land	–	–	5	–	5
Net change in retained earnings from changes in scope of consolidation or equity method	–	–	8	–	8
Net changes in items other than shareholders' equity	–	–	–	–	–
Net changes during the year	–	0	(69,495)	(1,097)	(70,592)
Balance at March 31, 2024	75,457	29,102	1,233,274	(7,648)	1,330,186

(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	Deferred loss on hedges	Revaluation reserve for land	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance at April 1, 2023	6,482	2,100	4,682	103,353	(2,000)	114,619	31,280	1,546,679
Change in items during the year								
Cash dividends	-	-	-	-	-	-	-	(98,422)
Profit (loss) attributable to owners of the parent	-	-	-	-	-	-	-	104,776
Purchase of treasury stock	-	-	-	-	-	-	-	(56,211)
Disposal of treasury stock	-	-	-	-	-	-	-	159
Cancellation of treasury stock	-	-	-	-	-	-	-	-
Disposal of treasury stock for the Board Benefit Trust	-	-	-	-	-	-	-	4,839
Purchase of treasury stock for the Board Benefit Trust	-	-	-	-	-	-	-	(4,839)
Changes in a foreign affiliated company's interests in its subsidiary	-	-	-	-	-	-	-	(20,908)
Reversal of revaluation reserve for land	-	-	-	-	-	-	-	5
Net change in retained earnings from changes in scope of consolidation or equity method	-	-	-	-	-	-	-	8
Net changes in items other than shareholders' equity	6,548	975	(5)	136,918	2,681	147,119	1,394	148,513
Net changes during the year	6,548	975	(5)	136,918	2,681	147,119	1,394	77,920
Balance at March 31, 2024	13,030	3,076	4,677	240,272	681	261,738	32,674	1,624,600

(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: 232

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 2 companies, including "K" Line Marine Solutions Co., Ltd have been included in the scope of consolidation from the current fiscal year due to the materiality of their businesses and a total of 6 companies were excluded from the scope of consolidation due to their liquidation. In addition, 1 company has been excluded from the scope of consolidation and included in the scope of the entities accounted for under the equity method due to the partial sale of its shares. Furthermore, 1 company was dissolved as a result of an absorption-type merger within the Group.

(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: 46

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 32, and the principal company among them is OCEAN NETWORK EXPRESS PTE. LTD.

From the current fiscal year, 1 company has been included in the scope of application of the equity method due to the materiality of their businesses and a total of 2 companies have been excluded from the scope of application of the equity method due to the sale of shares and liquidation.

In addition, 1 company has been excluded from the scope of consolidation and included in the scope of the entities accounted for under the equity method due to the partial sale of its 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 8 of the Company's consolidated subsidiaries ends on December 31. Of these, the financial statements as of that date are used for 3 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 5 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 losses related to lawsuits for damages filed in connection with the Anti-Monopoly Act, an amount reasonably estimated to the extent possible is recognized.
- (vii) 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.
- (viii) 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.
- (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 the group tax sharing system
The Company adopted 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.

Notes on Changes in Presentation

(Consolidated Balance Sheet)

- (1) “Gain on liquidation of subsidiaries and affiliates,” which was included in “Other extraordinary income” in the previous fiscal year (¥447 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 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: ¥31,927 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

A significant assumption used in the voyage progress calculation is the estimate of the total number of voyage days. 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.

- 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.

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)	¥ (2,680) million

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 “Notes on Revenue Recognition” in the notes to the consolidated financial statements.

Notes to Consolidated Statement of Changes in Net Assets

1. Class and number of shares issued and treasury stock

	April 1, 2023 (thousands of shares)	Increase (thousands of shares)	Decrease (thousands of shares)	March 31, 2024 (thousands of shares)
Shares issued				
Common stock	250,712	—	12,469	238,242
Total	250,712	—	12,469	238,242
Treasury stock				
Common stock	3,438	12,587	13,434	2,591
Total	3,438	12,587	13,434	2,591

(*1) The Company split its common shares on the basis of one (1) share into three (3) shares effective April 1, 2024. In the above table, the amounts are based on the number of shares before the stock split.

(*2) There were 1,319 thousand and 2,167 thousand shares, which are held by the Custody Bank of Japan, Ltd., included in the number of shares in treasury stock at April 1, 2023 and March 31, 2024, respectively.

(*3) The decrease in the number of shares issued in common stock of 12,469 thousand shares is due to cancellation of treasury stock based on the resolution at the Board of Directors' meeting.

(*4) The increase in the number of shares in treasury stock of 12,587 thousand shares is due to increase of 11,676 thousand shares by purchase of treasury stock based on the resolution at the Board of Directors' meeting, etc.

(*5) The decrease in the number of shares in treasury stock of 13,434 thousand shares is due to decrease of 12,469 thousand shares by cancellation of treasury stock based on the resolution at the Board of Directors' meeting, etc.

2. Matters related to dividends

(1) Amounts of dividends distributed

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, 2023	Common stock	74,593	Retained earnings	300	March 31, 2023	June 26, 2023
Board of Directors' Meeting to be held on November 2, 2023	Common stock	28,848	Retained earnings	100	September 30, 2023	December 4, 2023

- (*1) The total amount of dividends resolved at the Ordinary General Meeting of Shareholders on June 23, 2023 includes ¥395 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)."
- (*2) The total amount of dividends resolved at the Board of Directors' Meeting on November 2, 2023 includes ¥131 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)."
- (*3) The Company split its common share on the basis of one (1) share into three (3) shares effective April 1, 2024. "Dividend per share" is described at the pre-stock split amount.
- (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 21, 2024	Common stock	35,680	Retained earnings	150	March 31, 2024	June 24, 2024

- (*1) The total amount of dividends resolved at the Ordinary General Meeting of Shareholders on June 21, 2024 includes ¥325 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)."
- (*2) The Company split its common share on the basis of one (1) share into three (3) shares effective April 1, 2024. "Dividend per share" is described at the pre-stock split amount.

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.

Receivables for future freight and charter hire are exposed to market fluctuation risk and are hedged by freight forward agreements (FFA). Of the capital expenditures for acquisitions of tangible assets such as vessels, those denominated in foreign currencies are exposed to foreign exchange fluctuation risks. Liabilities for future bunker oil, etc. are exposed to price fluctuation risk and hedged by bunker oil swap transactions. 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, 2024.

Securities without market value, etc. (the amount recorded in the consolidated balance sheet: ¥1,110,853 million) are not included in "(1) Investment securities." In addition, fair value of "cash and deposits," "marketable securities," "accounts and notes receivable - trade and contract assets" and "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) Investment securities			
(i) Other securities	24,293	24,305	12
(ii) Shares of subsidiaries and affiliates	4,824	1,161	(3,663)
(2) Short-term loans and current portion of long-term loans	[49,135]	[49,125]	9
(3) Bonds	[8,000]	[7,947]	52
(4) Long-term loans, less current portion	[206,107]	[206,066]	41
(5) Derivative transactions	[2,258]	[2,258]	—

(*) 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, 2024

	Estimated Fair Value (Millions of yen) (*)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities	24,258	—	—	24,258
Derivative transactions				
Forward foreign exchange contracts	—	1,005	—	1,005
Forward freight agreements	—	[1,951]	—	[1,951]
Currency swaps	—	[1,861]	—	[1,861]
Interest rate swaps	—	337	—	337
Bunker fuel swaps	—	211	—	211

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

(2) Financial assets and liabilities other than those measured at fair value by level as of March 31, 2024

	Estimated Fair Value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities	–	47	–	47
Investments in unconsolidated subsidiaries and affiliates	1,161	–	–	1,161
Short-term loans and current portion of long-term loans	–	[49,125]	–	[49,125]
Bonds		[7,947]		[7,947]
Long-term loans, less current portion	–	[206,066]	–	[206,066]

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

Fair value measurement method and inputs for fair value measurement

Investment securities

The fair value of marketable securities and golf club membership is the quoted market price. Marketable securities listed and traded on an active market are classified as Level 1. Golf club membership is 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.

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.

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, are classified as Level 2. 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	291,518	103,661	545,998	9,984	951,162
Other revenues	3,539	3,323	4,155	118	11,137
Operating revenues from customers	295,057	106,985	550,154	10,102	962,300

(*) 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 transferring 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 judged a single performance obligation and contract based on understanding to agreement with customers. 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 customers for each voyage and includes variable consideration such as demurrage charges and dispatch charges. If variable consideration is included in the consideration for the contract with customers, it is recorded in the transaction price only if it is highly likely that there will be no significant reduction in the revenue recorded up to the time when the degree of uncertainty regarding variable consideration is finally resolved.

Given the nature of the voyage, it is expected that the customer will receive benefits as the entity fulfills its obligations in its contract with the customer. Therefore, the Company has determined that this is a performance obligation that will be satisfied as the voyage progresses, and recognizes revenue based on the degree of progress made in satisfying the performance obligation. Progress is measured based on the number of elapsed days of a voyage to the end of the period relative to the estimated total number of days of voyage days. The consideration for the transactions is mainly invoiced upon completion of loading of cargoes and the majority of the consideration is received by the completion of the voyage, while variable consideration, such as demurrage charges and dispatch charges, are invoiced after the berthing period is fixed. The consideration does not include significant financing component.

(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.

3. Information for understanding the amounts for the year ended March 31, 2024 and subsequent years

(1) Balance of contract assets and contract liabilities

The breakdown of accounts receivable arising from contracts with customers, contract assets and contract liabilities as of March 31, 2023 and 2024 is as follows:

	(Millions of yen)	
	2023	2024
Notes receivable - trade	546	640
Accounts receivable - trade	100,343	119,709
	<u>100,890</u>	<u>120,350</u>
Contract assets	6,632	9,282
Contract liabilities	21,085	28,297

The beginning balance of contract liabilities was mainly recognized in revenue for the year ended March 31, 2024.

The timing of satisfying performance obligations and the normal timing of payments are described above in Note 2 "Foundational information for understanding revenue from contracts with customers."

Changes in the balance of contract assets are mainly due to the recognition of revenues and transfer to accounts receivable. Changes in the balance of contract liabilities are mainly due to the receipt of considerations in advance from customers and the satisfaction of performance obligations.

Revenue recognized for performance obligations satisfied (or partially satisfied) in past periods is immaterial.

Receivables other than those arising from contracts with customers for the years ended March 31, 2023 and 2024 are not classified because their amounts are immaterial.

(2) Transaction price allocated to remaining performance obligations

As described above in Note 2 "Foundational information for understanding revenue from contracts with customers," the Group recognizes each voyage as a single performance obligation and also contract voyage. Since a voyage is normally completed within a year, the Company applies the provisions of Article 80-22 (1) of the Accounting Standard for Revenue Recognition and therefore omits related information in the notes.

For contracts involving the long-term time-charter of vessels, as described above in Note 2 "Foundational information for understanding revenue from contracts with customers," the Company also recognizes revenue from the satisfaction of performance obligations in accordance with the provision of Article 19 of Implementation Guidance on Accounting Standard for Revenue Recognition, and accordingly, the Company omits related information in the notes in accordance with the provisions of Article 80-22 (2) of the Accounting Standard for Revenue Recognition.

Notes on Per Share Information

Net assets per share	¥2,251.81
Basic profit per share	¥145.24

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	¥1,624,600 million
Net assets attributable to common stock	¥1,591,925 million
Number of shares of common stock issued and outstanding at the year end	714,728 thousand shares
Number of shares of common stock held as treasury stock at the year end	7,773 thousand shares
Profit attributable to owners of the parent on consolidated statement of operations	¥104,776 million
Amount not attributable to shareholders of common stock	—
Profit attributable to owners of the parent relating to common stock	¥104,776 million
Average number of outstanding shares of common stock	721,415 thousand shares

(*) The Company split its common shares on the basis of one (1) share into three (3) shares effective April 1, 2024. Accordingly, net assets per share, basic profit per share, total number of issued shares at the end of the period, number of treasury stock at the end of the period and average number of shares outstanding during the period are calculated on the assumption that the stock split was conducted at the beginning of the current fiscal year ended March 31, 2024.

Note on Significant Subsequent Events

(Stock split)

At the Board of Directors meeting held on February 2, 2024, the Company resolved to conduct a stock split effective April 1, 2024.

1. Purpose of the split

The purpose of the stock split is to further expand the investor base and increase the liquidity of the Company's shares by reducing the level of the investment unit and creating a more investment-friendly environment for individual investors and other investors.

2. Method of the split

With March 31, 2024 as the record date, one share of common stock of the Company held by the shareholders recorded or registered in the latest shareholder registry as of said date shall be split into three shares.

3. Increase in number of shares as a result of the split

Total number of shares issued before the split	238,242,689 shares
Increase in number of shares due to the stock split	476,485,378 shares
Total number of issued shares after the stock split	714,728,067 shares
Total number of authorized shares after the stock split	1,800,000,000 shares

4. Schedule of the stock split
 - Date to announce the record date: March 11, 2024 (Monday)
 - Record date: March 31, 2024 (Sunday) (*)
 - Effective date: April 1, 2024 (Monday)

(*) As the record date falls on non-business day of the shareholder registry administrator, the record date in substance is March 29, 2024 (Friday).
5. Effect on per share information
 - For the effect on per share information, please refer to “Notes on Per Share Information.”

(Share Buyback)

At the Board of Directors meeting held on May 7, 2024, the Company resolved to repurchase treasury stock pursuant to the provisions of Article 156, as applied mutatis mutandis pursuant to Article 165, Paragraph 3 of the Companies Act, and decided on the specific method of the repurchase.

1. Reason for the share buyback

The Company’s basic policy is to enhance shareholder value over the medium to long term by actively promoting shareholder returns, including buybacks of treasury shares, while consistently paying close attention to capital efficiency, securing the necessary investments to enhance corporate value, and ensuring the soundness of finances, taking into account cash flow. The Company has raised the minimum cumulative amount of shareholder returns during the five-year medium-term management plan period from fiscal 2022 to fiscal 2026 from a minimum of ¥500 billion to over ¥700 billion. From fiscal 2024 onwards, in addition to the basic dividend and additional dividend, the Company plans to implement an additional return of the order of ¥150 billion. Considering the size of this additional return, the Company believes it is preferable to conduct it in the form of a share buyback, with a maximum amount of ¥100 billion. The repurchase of treasury shares will be carried out based on these policies.
2. Details of Matters Relating to the Share Buyback
 - (1) Type of shares to be repurchased: Common shares of the Company stock.
 - (2) Total number of shares to be repurchased: 39,556,000 shares (maximum)
(Representing 5.5% of the total number of issued shares excluding treasury shares)
 - (3) Total amount of repurchase price: ¥100 billion (maximum)
 - (4) Repurchase period: From May 8, 2024, to July 31, 2024
 - (5) Method of repurchase: Planned to be conducted through off-auction own share repurchase trading (ToSTNeT-3) and purchases on the Tokyo Stock Exchange
3. Other

In principle, the treasury shares to be repurchased are planned to be cancelled.

Non-Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2024

(Millions of yen)

	Shareholders' equity									
	Common stock	Capital surplus			Legal reserve	Retained earnings			Treasury stock	Total shareholders' equity
		Capital reserve	Other capital surplus	Total capital surplus		Other retained earnings	Retained earnings carried forward	Total retained earnings		
Balance at April 1, 2023	75,457	9,607	–	9,607	8,463	89	424,850	433,403	(6,515)	511,952
Change in items during the year										
Cash dividends	–	–	–	–	–	–	(98,441)	(98,441)	–	(98,441)
Transfer to legal reserve by cash dividends	–	–	–	–	794	–	(794)	–	–	–
Reversal of reserve for advanced depreciation	–	–	–	–	–	(10)	10	–	–	–
Profit (loss) attributable to owners of the parent	–	–	–	–	–	–	158,142	158,142	–	158,142
Purchase of treasury stock	–	–	–	–	–	–	–	–	(56,211)	(56,211)
Disposal of treasury stock	–	–	0	0	–	–	–	–	159	159
Cancellation of treasury stock	–	–	(788)	(788)	–	–	(54,954)	(54,954)	55,743	–
Disposal of treasury stock for the Board Benefit Trust	–	–	788	788	–	–	–	–	4,051	4,839
Purchase of treasury stock for the Board Benefit Trust	–	–	–	–	–	–	–	–	(4,839)	(4,839)
Reversal of revaluation reserve for land	–	–	–	–	–	–	0	0	–	0
Net changes in items other than shareholders' equity	–	–	–	–	–	–	–	–	–	–
Net changes during the year	–	–	0	0	794	(10)	3,962	4,745	(1,097)	3,648
Balance at March 31, 2024	75,457	9,607	0	9,607	9,257	78	428,812	438,148	(7,612)	515,601

(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, 2023	5,585	(4,230)	2,057	3,412	515,365
Change in items during the year					
Cash dividends	–	–	–	–	(98,441)
Transfer to legal reserve by cash dividends	–	–	–	–	–
Reversal of reserve for advanced depreciation	–	–	–	–	–
Profit (loss) attributable to owners of the parent	–	–	–	–	158,142
Purchase of treasury stock	–	–	–	–	(56,211)
Disposal of treasury stock	–	–	–	–	159
Cancellation of treasury stock	–	–	–	–	–
Disposal of treasury stock for the Board Benefit Trust	–	–	–	–	4,839
Purchase of treasury stock for the Board Benefit Trust	–	–	–	–	(4,839)
Reversal of revaluation reserve for land	–	–	–	–	0
Net changes in items other than shareholders' equity	5,488	(996)	(0)	4,491	4,491
Net changes during the year	5,488	(996)	(0)	4,491	8,140
Balance at March 31, 2024	11,073	(5,226)	2,057	7,904	523,505

(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

(i) Leased assets under finance lease transactions that transfer ownership:

Same depreciation method as that applied to owned fixed assets.

(ii) 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.

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.
- (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 losses related to lawsuits for damages filed in connection with 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, a 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.
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 the group tax sharing system
The Company adopted the group tax sharing system.

Notes on Changes in Presentation

(Non-Consolidated Statement of Operations)

- (1) “Financing expenses,” which was presented separately in the previous fiscal year (¥3,587 million for the previous fiscal year), is included in “Other non-operating expenses” from the current fiscal year due to a decrease in materiality.
- (2) “Gain on sales of investment securities,” which was presented separately in the previous fiscal year (¥220 million for the previous fiscal year), is included in “Other extraordinary income” from the current fiscal year due to a decrease in materiality.
- (3) “Gain on liquidation of subsidiaries and affiliates,” which was presented separately in the previous fiscal year (¥716 million for the previous fiscal year), is included in “Other extraordinary income” from the current fiscal year due to a decrease in materiality.
- (4) “Gain on sale of golf club membership,” which was included in “Other extraordinary income” in the previous fiscal year (¥1 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 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: ¥31,927 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.

Notes to Non-consolidated Balance Sheet

1. Assets pledged as collateral and secured liabilities

Assets pledged as collateral	(Millions of yen)
Asset category	
Vessels	34,980
Investment securities	7,956
Shares of subsidiaries and affiliates	20,640
<u>Total</u>	<u>63,577</u>

In the above table, ¥1,682 million out of the amount of ¥40,262 million for vessels, investment securities of ¥7,956 million and shares of subsidiaries and affiliates of ¥20,640 million were pledged as collateral to procure funds for vessel equipment of subsidiaries, affiliates and others. There were no corresponding liabilities as of March 31, 2024.

Secured liabilities	(Millions of yen)
Liability category	
Short-term loans and current portion of long-term loans	5,881
Long-term loans, less current portion	19,627
<u>Total</u>	<u>25,508</u>

2. Accumulated depreciation of assets (Millions of yen)
Accumulated depreciation of vessels, property and equipment 75,934

3. Guarantee obligations (Millions of yen)
Guarantees, etc. 98,688
(Guarantees, etc. include commitment for future guarantees. These guarantee obligations exclude ¥69 million of re-guarantees by other companies.)

	(Millions of yen)
Additional funding obligation, etc.	12,120

In the above table, ¥82,786 million out of the amount of ¥98,688 million for guarantees etc. 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, 2024	¥ (773) million

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

	(Millions of yen)
Short-term monetary receivables	43,609
Long-term monetary receivables	21,832
Short-term monetary payables	83,697
Long-term monetary payables	620

Notes to Non-consolidated Statement of Operations

Transactions with subsidiaries and affiliates

	(Millions of yen)
Transaction amount – trading	Operating revenues 89,552
	Operating expenses 215,969
Transaction amount - non-trading	111,694

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	2,538,380 shares
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Note1: The Company split its common shares on the basis of one share into three shares effective April 1, 2024. The number of common stock above represents the number of shares before the stock split.

Note2: There were 2,167,900 shares, which are held by Custody Bank of Japan, Ltd. in relation to the Board Benefit Trust (BBT), included in the number of shares in treasury stock the end of the current fiscal year.

Notes on Tax Effect Accounting

1. Significant components of deferred tax assets and deferred tax liabilities

	(Millions of yen)
Deferred tax assets	
Allowance for doubtful accounts	667
Provision for bonuses	435
Loss on devaluation of investment securities and others	1,353
Provision for employees' retirement benefits	189
Provision for directors' stock benefits	655
Impairment losses	874
Accounts payable - shipping	6,362
Deferred assets for tax purposes	1,328
Provision for loss on chartering contracts	1,768
Provision for loss on guarantees	156
Deferred loss on hedges	2,243
Tax loss carried forward	47,554
Other	1,390
<hr/> Subtotal	<hr/> 64,980
Valuation allowance for tax loss carried forward	(45,329)
Valuation allowance for the total of deductible temporary differences and others	(10,245)
<hr/> Valuation allowance subtotal	<hr/> (55,575)
Total deferred tax assets	9,404
Deferred tax liabilities	
Reserve for advanced depreciation	(31)
Deferred gain on hedges	(1,054)
Net unrealized holding gain on investment securities	(4,414)
Other	(383)
<hr/> Total deferred tax liabilities	<hr/> (5,883)
Net amount of deferred tax assets	3,520

2. The Company applies the group tax sharing system and accounts for corporate tax and local corporate taxes or tax effect accounting and conduct the disclosures relating to these items, in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021).

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.

(*) Based on the resolution at the Board of Directors' meeting on August 2, 2023, the Company purchased treasury stock of ¥20,368 million from Effissimo Capital Management Pte Ltd. at the closing price on August 3, 2023, the day before the transaction by Tokyo Stock Exchange Trading NeTwork System (ToSTNeT-3).

2. Subsidiaries and affiliates, etc.

Type	Subsidiary
Name	"K" LINE AMERICA, INC
Voting rights (%)	100% direct ownership
Relationship	Shipping agency
Details of business transaction	Shipping agency (*1)
Amount of transaction	—
Account	Accounts receivable - shipping
Balance at the end of year	¥13,190

Type	Subsidiary
Name	"K" LINE HOLDING (EUROPE) LIMITED
Voting rights (%)	100% direct ownership
Relationship	—
Details of business transaction	A paid capital reduction (*2)
Amount of transaction	¥8,542 million
Account	—
Balance at the end of year	—

Type	Subsidiary
Name	"K" LINE PTE LTD
Voting rights (%)	100% direct ownership
Relationship	Loan from the party
Details of business transaction	Loan from the party (*3)
Amount of transaction	¥5,919 million
Account	Short-term loans and current portion of long-term loans
Balance at the end of year	¥15,993 million
Details of business transaction	Payment of interest (*3)
Amount of transaction	¥808 million
Account	Accrued expenses
Balance at the end of year	¥209 million

Type	Affiliate
Name	OCEAN NETWORK EXPRESS PTE. LTD. (*2)
Voting rights (%)	—
Relationship	Chartering contractor, etc.
Details of business transaction	Receiving dividend
Amount of transaction	¥95,884 million
Account	—
Balance at the end of year	—

Note 1: “K” LINE AMERICA, INC. is our agent company responsible for the collection of freight charges and carries out settlements with customers on the Company’s behalf. Therefore, there is no freight revenue accruing to this company from these transactions, and no transaction amount.

Note 2: This is the capital reduction carried out by the subsidiary.

Note 3: Regarding loan from the party, this is related to the GCMS (Group Cash Management System) with which the Company has concluded contracts with each of its group companies, the transaction amount represents the net increase or decrease amount during the period.

In addition, the interest rate is determined considering market interest rate.

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	¥740.34
Basic profit per share	¥219.17

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

Amount of net assets on non-consolidated balance sheet	¥523,505 million
Net assets attributable to common stock	¥523,505 million
Number of shares of common stock issued and outstanding at the year end	714,728 thousand shares
Number of shares of common stock held as treasury stock at the year end	7,615 thousand shares
Profit on non-consolidated statement of operations	¥158,142 million
Amount not attributable to shareholders of common stock	—
Profit attributable to common stock	¥158,142 million
Average number of outstanding shares of common stock	721,565 thousand shares

(*) The Company split its common shares on the basis of one (1) share into three (3) shares effective April 1, 2024. Accordingly, net assets per share, basic profit per share, total number of issued shares at the end of the period, number of treasury stock at the end of the period and average number of shares outstanding during the period are calculated on the assumption that the stock split was conducted at the beginning of the current fiscal year ended March 31, 2024.

Notes on Significant Subsequent Events

(Stock split)

At the Board of Directors meeting held on February 2, 2024, the Company resolved to conduct a stock split effective April 1, 2024.

1. Purpose of the split

The purpose of the stock split is to further expand the investor base and increase the liquidity of the Company's shares by reducing the level of the investment unit and creating a more investment-friendly environment for individual investors and other investors.

2. Method of the split

With March 31, 2024 as the record date, one (1) share of common stock of the Company held by the shareholders recorded or registered in the latest shareholder registry as of said date shall be split into three (3) shares.

3. Increase in number of shares as a result of the split

Total number of shares issued before the split	238,242,689 shares
Increase in number of shares due to the stock split	476,485,378 shares
Total number of issued shares after the stock split	714,728,067 shares
Total number of authorized shares after the stock split	1,800,000,000 shares

4. Schedule of the stock split

Date to announce the record date: March 11, 2024 (Monday)

Record date: March 31, 2024 (Sunday) (*)

Effective date: April 1, 2024 (Monday)

(*) As the record date falls on non-business day of the shareholder registry administrator, the record date in substance is March 29, 2024 (Friday).

5. Effect on per share information

For the effect on per share information, please refer to "Notes on Per Share Information."

(Share Buyback)

At the Board of Directors meeting held on May 7, 2024, the Company resolved to repurchase treasury stock pursuant to the provisions of Article 156, as applied mutatis mutandis pursuant to Article 165, Paragraph 3 of the Companies Act, and decided on the specific method of the repurchase.

1. Reason for the share buyback

The Company's basic policy is to enhance shareholder value over the medium to long term by actively promoting shareholder returns, including buybacks of treasury shares, while consistently paying close attention to capital efficiency, securing the necessary investments to enhance corporate value, and ensuring the soundness of finances, taking into account cash flow. The Company has raised the minimum cumulative amount of shareholder returns during the five-year medium-term management plan period from fiscal 2022 to fiscal 2026 from a minimum of ¥500 billion to over ¥700 billion. From fiscal 2024 onwards, in addition to the basic dividend and additional dividend, the Company plans to implement an additional return of the order of ¥150 billion. Considering the size of this additional return, the Company believes it is preferable to conduct it in the form of a share buyback, with a maximum amount of ¥100 billion. The repurchase of treasury shares will be carried out based on these policies.

2. Details of Matters Relating to the Share Buyback

- (1) Type of shares to be repurchased: Common shares of the Company stock.
- (2) Total number of shares to be repurchased: 39,556,000 shares (maximum)
(Representing 5.5% of the total number of issued shares excluding treasury shares)
- (3) Total amount of repurchase price: ¥100 billion (maximum)
- (4) Repurchase period: From May 8, 2024, to July 31, 2024
- (5) Method of repurchase: Planned to be conducted through off-auction own share repurchase trading (ToSTNeT-3) and purchases on the Tokyo Stock Exchange

3. Other

In principle, the treasury shares to be repurchased are planned to be cancelled.