

FINANCIAL HIGHLIGHTS

Brief report of the year ended March 31, 2020

Kawasaki Kisen Kaisha, Ltd.

[Two Year Summary]

(Million yen; rounded down to the nearest million yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Consolidated		
Operating revenues	¥ 836,731	¥ 735,284
Operating (loss) income	(24,736)	6,840
(Loss) profit attributable to owners of the parent	(111,188)	5,269
(Loss) profit attributable to owners of the parent per share (Yen)		
Basic	(1,192.08)	56.50
Diluted	-	-

	Year ended March 31, 2019	Year ended March 31, 2020
Total assets	¥ 951,261	¥ 896,081
Net assets	181,233	200,234

	Year ended March 31, 2019	Year ended March 31, 2020
Net cash used in operating activities	¥ (6,808)	¥ (21,797)
Net cash used in investing activities	(35,493)	(20,286)
Net cash provided by financing activities	19,290	16,731

1. Qualitative Information and Financial Statement

(1) Qualitative Information about the Consolidated Operating Result

1) Summary of Consolidated Operating Results for FY2019

(Billion Yen; rounded to the nearest 100 million yen)

	Fiscal Year 2018 (Ended March 31, 2019)	Fiscal Year 2019 (Ended March 31, 2020)	Change	% Change
Operating revenues	836.7	735.3	(101.4)	(12.1%)
Operating (loss) income	(24.7)	6.8	31.6	-
Ordinary (loss) income	(48.9)	7.4	56.3	-
(Loss) profit attributable to owners of the parent	(111.2)	5.3	116.5	-

Exchange Rate (¥/US\$) (12-month average)	¥110.67	¥109.13	(¥1.54)	(1.4%)
Fuel oil price (US\$/MT) (12-month average)	US\$450	US\$467	US\$17	3.7%

Performance per segment was as follows.

(Billion Yen; rounded to the nearest 100 million yen)

		Fiscal Year 2018 (Ended March 31, 2019)	Fiscal Year 2019 (Ended March 31, 2020)	Change	% Change
Dry bulk	Operating revenues	273.8	233.8	(40.0)	(14.6%)
	Segment profit	4.4	4.1	(0.4)	(7.9%)
Energy resource transport	Operating revenues	88.7	84.7	(4.0)	(4.5%)
	Segment profit	2.5	9.9	7.4	298.2%
Product logistics	Operating revenues	441.0	384.5	(56.5)	(12.8%)
	Segment loss	(49.2)	(2.9)	46.3	-
Other	Operating revenues	33.2	32.3	(0.9)	(2.6%)
	Segment profit	1.1	1.7	0.6	54.0%
Adjustments and eliminations	Segment loss	(7.8)	(5.4)	2.4	-
Total	Operating revenues	836.7	735.3	(101.4)	(12.1%)
	Segment (loss) profit	(48.9)	7.4	56.3	-

(i) Dry Bulk Segment

Dry Bulk Business

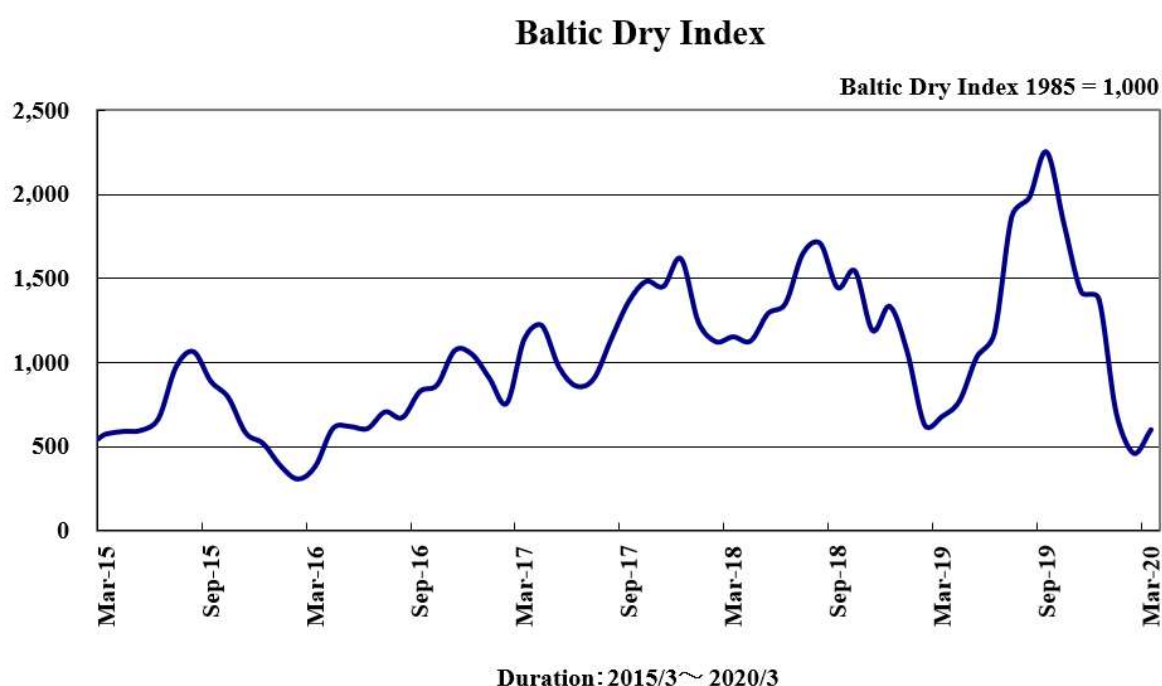
In the Cape-size sector, market rates weakened at the beginning of the current fiscal year due to the lingering effects of a dam break accident that occurred in Brazil in the end of previous fiscal year. However, in accordance with a

provision recovery of iron ore in Brazil, market rates showed a recovery trend in the first half of the fiscal year.

In the medium and small size vessel sector, business performance remained steady in the first half of the fiscal year, driven by the positive effect of the recovery in market rates in the Cape-size sector, and thanks to the strong demand for shipment of grains from South America.

In the second half of the current fiscal year, market rates were sluggish due to the decline in the iron ore volume shipped from Brazil in the Cape-size sector and the slowdown of the cargo movement of grains from South America and steam coal to China in the medium and small size vessel sector, followed by the contraction in transportation demand caused by the spread of COVID-19 around the end of the current fiscal year, affecting all vessel types.

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



(ii) Energy Resource Transport Segment

Tanker and Thermal Coal Carrier Business

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

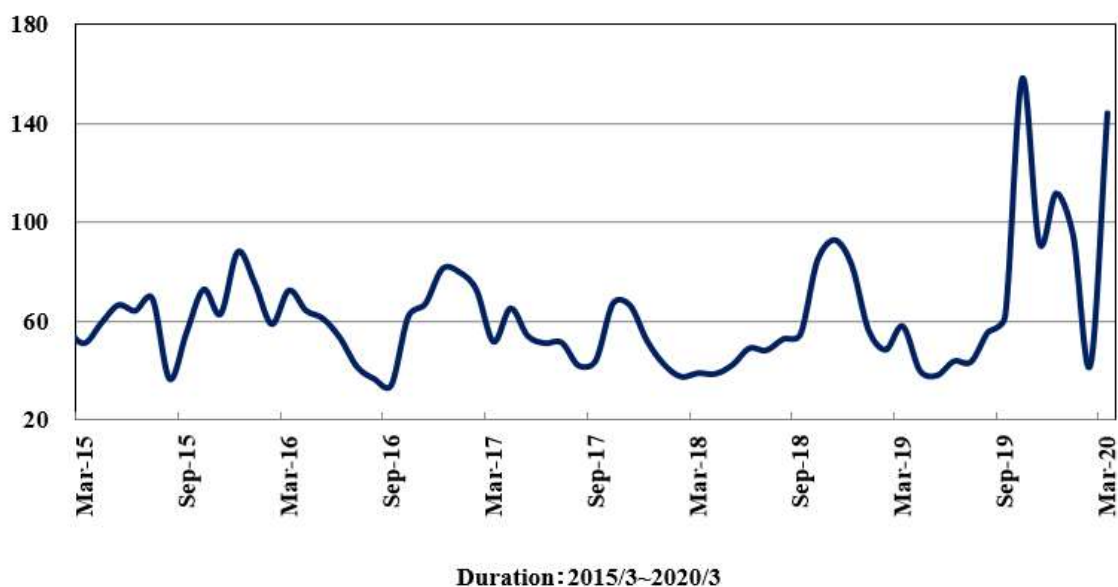
LNG Carrier and Offshore Energy E&P Business

Concerning LNG carriers, and drillship and FPSO (Floating Production, Storage and Offloading system), the business stayed firm for mid- and long-term charter contracts and contributed to secure stable profit.

Concerning the offshore support vessel business, the vessel supply and demand as well as the market improved.

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

VLCC World Scale (AG/JPN)



(iii) Product Logistics Segment

Car Carrier Business

The volume of finished vehicles shipped by the Group decreased year-on-year because of the rationalization including cancellation and realignment for some unprofitable trades including other-than-Japan trades, even though stable cargo movements were maintained in the trades from the Far East.

As a result, the overall car carrier business recorded a year-on-year decrease in revenue but turned a profit by tackling to improve its profitability including improvement in the vessel operation efficiency, a recovery in freight and optimization of the fleet allocation.

Logistics Business

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

Short Sea and Coastal Business

In the short sea business, the transportation volume steadily increased mainly in steel materials and biomass fuel, in the meantime, it decreased year-on-year in timber products and coal. In the coastal business, the transportation volume increased in liner transportation by the schedule stabilization with improvement of the vessel operation

efficiency. In the ferry business, it steadily performed due to the increase in use during the long holiday period however, caused by the spread of COVID-19 around the end of the current fiscal year, resulting in the transportation volume remaining almost unchanged from the previous fiscal year.

As a result, the short sea and coastal business overall recorded a year-on-year decline both in revenue and profit with slight lower transportation volume.

Containership Business

In the first half of the current fiscal year, OCEAN NETWORK EXPRESS PTE. LTD. (hereinafter referred to as "ONE") achieved recovery in liftings and space utilization, improved the cargo portfolio, and implemented measures to improve its profitability, including reduction of the operational costs through realignment and rationalization of the trades.

In the second half of the fiscal year, despite the decline in cargo movement starting after the Lunar New Year triggered by the COVID-19 outbreak, ONE carried out tasks to improve its profitability, including flexibly reducing the number of voyages in accordance with demand, and recorded a year-on-year decrease in revenue, but a loss was narrowed.

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

(iv) Other Segment

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

2) Prospects for Fiscal 2020

Unpredicted situation is expected to continue because of difficulties to rationally estimate the spread scale, the effect range, and the period till the settle of COVID-19 in the future, as well as several unclear factors such as world economy and ocean cargo movement.

The Company will make an announcement of the consolidated financial forecasts for the fiscal year ending March 31, 2021 promptly once the forecasts can be rationally estimated, by carefully determining the effect to the financial positions by COVID-19.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

Consolidated assets at the end of March 2020 were ¥896.081 billion, a decrease of ¥55.180 billion from the end of the previous fiscal year. Current assets decreased by ¥29.838 billion from the end of the previous fiscal year, due mainly to a decrease in cash and deposits. Non-current assets decreased by ¥25.342 billion, mainly as a result of a decrease in vessels.

Consolidated liabilities decreased by ¥74.181 billion to ¥695.847 billion from the end of the previous fiscal year, mainly as a result of a decrease in other current liabilities.

Consolidated net assets were ¥200.234 billion, an increase of ¥19.000 billion compared to the end of the previous fiscal year, mainly as a result of an increase in non-controlling interests.

2) Cash Flows

(Billion Yen; rounded to the nearest 100 million yen)

Item	Fiscal 2018 (Ended March 2019)	Fiscal 2019 (Ended March 2020)	Year-on-year increase/(decrease)
Cash and cash equivalents at the beginning of the year	158.1	138.0	(20.0)
(1) Cash flows from operating activities	(6.8)	(21.8)	(15.0)
(2) Cash flows from investing activities	(35.5)	(20.3)	15.2
(3) Cash flows from financing activities	19.3	16.7	(2.6)
(4) Currency translation gain or loss (on cash and cash equivalents)	3.0	(0.9)	(3.9)
Net decrease in cash and cash equivalents	(20.0)	(26.2)	(6.2)
Change in cash and cash equivalents as a result of companies newly included in consolidated accounting	-	0.1	0.1
Cash and cash equivalents at the end of the year	138.0	111.9	(26.1)

Total cash and cash equivalents at the end of fiscal year 2019 were ¥111.933 billion, a decrease of ¥26.107 billion over the end of the previous fiscal year. Details of each cash flow source are as follows:

Cash flows from operating activities were a net cash outflow of ¥21.797 billion (compared to a net cash outflow of ¥6.808 billion in the previous fiscal year) mainly as a result of payments for cancellation of chartered vessels.

Cash flows from investing activities resulted in a net cash outflow of ¥20.286 billion (compared to a net cash outflow of ¥35.493 billion in the previous fiscal year) mainly as a result of expenditures for the acquisition of vessels.

Cash flows from financing activities resulted in a net cash inflow of ¥16.731 billion (compared to a net cash inflow of ¥19.290 billion in the previous fiscal year) due mainly to proceeds from long-term loans.

Reference: Changes in cash flow-related indicators

	Fiscal Year Ended March 2016	Fiscal Year Ended March 2017	Fiscal Year Ended March 2018	Fiscal Year Ended March 2019	Fiscal Year Ended March 2020
Equity ratio (%)	31.9	21.0	20.9	10.9	11.3
Equity ratio (based on market value) (%)	18.3	26.5	22.4	11.7	8.5
Ratio of debt to cash flow (annual)	13.2	-	488.8	-	-
Interest coverage ratio (x)	5.1	-	0.2	-	-

*Equity ratio is the shareholders' equity divided by total assets.

Equity ratio (based on market value) is market capitalization divided by total assets.

Ratio of debt to cash flow is interest-bearing liabilities divided by cash flow.

Interest coverage ratio is cash flow divided by interest expenses.

Notes

1. Indicators are calculated on the basis of consolidated figures.
2. Market capitalization is calculated based on the number of shares outstanding, not including treasury stock.
3. Cash flows above refer to cash flows from operating activities.
4. Interest-bearing liabilities are the total of all liabilities on the consolidated balance sheet on which interest is paid (including ¥50.0 billion in Euro-Yen Zero Coupon Convertible Bonds). Interest paid shown in the consolidated statement of cash flows is used as interest expenses.
5. The ratio of debt to cash flow and the interest coverage ratio for the fiscal year ended March 2017, March 2019 and March 2020 was omitted since the cash flows from operating activities were negative.

(3) Basic Dividend Policy and Dividend Payments for Fiscal Year 2019 and Following Fiscal Year

Our important task is to maximize returns to our shareholders with stable dividend, while maintaining

necessary internal reserves to fund our capital investment and strengthen our financial position for the sake of sustainable growth, which is a priority of our management plan. However, we consider it an urgent management priority to improve the financial position and stabilize the business foundation, being under the circumstances that increased concerns about the slow down risks of world economic such as worldwide COVID-19 and continuous trade disputes between the United States and China, as well as the deterioration risks of the transportation demand, thus, it is with sincere regret that the Company announces it has decided to pay no dividend for the current fiscal year.

The annual dividend in the fiscal year ending March 31, 2021 has yet to be decided and we assign highest priority to improve financial strength and business foundation for the time being.

(4) Business Risks

The Group conducts international business operations, and unexpected events, such as political or social events or natural phenomena, can have a negative impact on the Group's business in the related regions or markets. In the field of marine transport, the Group's main business domain, conditions for cargo volumes and shipping are influenced by various factors, including economic trends in countries around the world, commodity market conditions, the balance of supply and demand for vessels and competition. Changes in these factors can have an impact on the Group's operating activities and operating results. In particular, changes in the taxation systems and economic policies of Japan and major trading countries and regions, such as North America, Europe and China, or their implementation of protective trade policies, etc., can cause a decline in international transport volumes and freight rates, with an attendant negative impact on the Group's financial position and operating results.

Other major risks that could negatively impact the Group's business activities include the following:

1. Exchange Rate Fluctuations

A high proportion of the Group's business sales is denominated in US dollars. As a consequence, values converted into Japanese yen may be affected by the foreign exchange rate. The Group takes measures to minimize the negative impact of foreign exchange fluctuations by converting expenses into US dollars and entering into foreign exchange forward contracts. However, appreciation of the yen against the US dollar could have a negative impact on the Group's financial position and operating results.

2. Fuel Oil Price Fluctuations

Fuel cost is a significant component of the Group's ship operation costs. The price of fuel oil is extremely difficult to predict because it reflects a number of factors that are beyond the Group's control, such as the supply and demand balance of crude oil, trends among OPEC and other oil producing countries, and changes in the politics and oil production capacity of oil-producing countries. Moreover, an expansion and strengthening of environmental regulations could require use of high quality fuel that has a low environmental impact, which could oblige the Group to procure fuel at a higher price. The Group takes measures to avoid the impact of unstable price fluctuations by fixing the price for a certain portion of its fuel consumption using futures contracts. However, a significant and

sustained increase in fuel oil prices would push up the Group's operating costs and have a negative impact on the Group's financial position and operating results.

3. Interest Rate Fluctuations

The Group continuously makes capital expenditures for building vessels and so forth. The Group strives to reduce interest-bearing debt to the greatest extent possible by utilizing its own capital and engaging in off-balance deals. However, it relies on borrowing from financial institutions for a significant portion of its funds. In addition, the Group procures operating capital required for business operations.

When procuring funds, the Group borrows a certain amount at a fixed rate of interest or uses fixed interest rate swaps for some of its borrowings for investment in ships and equipment. However, future interest-rate movements could increase the Group's financing costs, which could have a negative impact on the Group's financial position and operating results.

4. Public Regulations

The shipping business is influenced by international treaties on operation, registration, construction of ships and environmental conservation in general, as well as laws and regulations relating to business licenses and taxes in each country and region. The enactment of new laws and regulations in the future could restrict the Group's business development and increase its business costs, which could have a negative impact on the Group's financial position and operating results. The Group's operated vessels are managed and operated in accordance with current laws and regulations, and they carry appropriate insurance coverage. However, relevant laws and regulations could be changed, and this may incur a cost to make the Group compliant with such changes.

In relation to the case of a possible cartel related to transportation of cargoes, including automobiles and construction machinery vehicles, the Group has become the subject of investigation by foreign competition law authorities. In addition, in some countries, class-action lawsuits related to this case have been filed against several business operators, including the Group.

5. Serious Marine Incidents, Negative Environmental Impact, Conflicts, etc.

The Group has positioned safety in all ship operations and environmental conservation as its top priorities and has maintained and strengthened its safe operation standards as well as a crisis management system.

With regard to environmental conservation, the Group recognizes the burden placed on the global environment by its business activities and promotes an Environmental Policy to minimize this burden. To ensure that initiatives for the environment are steadily promoted in line with the Environmental Policy, the CSR & Environmental Committee, chaired by the President & CEO, has been established to deliberate and formulate this promotion structure. Moreover, in March 2015, the Group formulated "K" LINE Environmental Vision 2050 "Securing Blue Seas for Tomorrow," to stipulate the direction of the entire Company's long-term initiatives.

With regard to safety in navigation, the Ship Safety Promotion Committee, chaired by the President & CEO, meets periodically to conduct investigations and initiatives based on all manner of perspectives with regard to those matters related to safety in navigation. Furthermore, in our Emergency Response Manual we have set out the actions we must take in the event of emergency, and accident response is continually improved by regularly holding accident response drills. However, an unexpected accident, particularly one involving an oil spill or other major accidents leading to

environmental pollution, could occur and have a negative impact on the Group's financial position and operating results. Furthermore, piracy losses, operating in areas affected by political unrest or military conflict, and the increased risk to vessels from terrorism could cause major damage to the Group's vessels and jeopardize lives of the crews. This in turn, could have a negative impact on the Group's safe operation of vessels, voyage planning and management and overall marine transportation business.

6. Competitive Business Environment, etc.

The Group conducts its business in the international marine transportation market. In competing with other leading marine transportation companies in Japan and overseas, differences between the Group and peers in terms of management resource allocation in each business segment and competitiveness on cost and technology could have a negative impact on the Group's position in the industry and on its operating results.

In the highly competitive containership business segment, the Group maintains and enhances the competitiveness of its services by participating in alliances with other marine transportation companies. However, events that the Group cannot control, such as a unilateral withdrawal by alliance partners, could have a negative impact on the Group's sales activities, financial position and operating results.

7. Natural Disasters

Maintenances of business operations in the event of a natural disaster in the Group's duty as the Group provides pivotal role for society, and it is a critical aspect of the justification for the Group's existence. If a major earthquake were to occur at the heart of the Tokyo metropolitan area, many buildings, transportation systems and lifelines are expected to suffer from major damages. Furthermore, if infectious diseases, equivalent to the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response, were to arise and cause a global pandemic, it could seriously harm the health of many people. Reputational damage could also accompany such natural disasters and secondary disasters. The Group has drawn up a business continuity plan (BCP) for these two disasters. In the event of a natural disaster, while the Group's goal is to continue business operations by applying or adapting this plan, such natural disasters could have a certain degree of negative impact on the Group's business.

The Group is currently carrying out measures for the business continuity by applying this plan against the infection spread of current COVID-19.

8. Business Partners' Failure to Perform Contracts

When selecting business partners to provide service to or to receive service, the Group investigates their reliability as far as possible. However, a business partner's financial position may deteriorate in the future, and a full or partial breach of a contract could subsequently occur. This could in turn have a negative impact on the Group's financial position and operating results.

9. Non-achievement of Investment Plans

The Group plans the necessary investments to upgrade its fleet. However, if the investments do not proceed as planned due to changes in conditions in the shipping markets or official regulations in the future, the Group may be obliged to cancel ship building contracts prior to taking delivery of newbuildings and so forth, which could have a

negative impact on the Group's financial position and operating results. In addition, if demand for transportation of cargo falls below the Group's prior projections when the Group takes delivery of newbuildings, it could have a negative impact on the Group's financial position and operating results.

10. Losses from Disposal of Vessels, etc.

The Group strives to upgrade its fleet flexibly in accordance with market conditions. However, it may be obliged to sell some of its vessels or make an early termination of charter contracts for chartered vessels in case of the deterioration in the actual balance between supply and demand for vessels, the obsolescence of vessels due to technological innovation, or changes of the trends in the charter markets. As a result, there could be a negative impact on the Group's financial position and operating results.

11. Fixed Asset Impairment Losses and Market Value Fluctuations of Securities

Deterioration in the profitability of the Group's fixed assets such as vessels may make recovery of the investment amounts unlikely. In cases where the Group recognizes loss on impairment of fixed assets as a result, it could have a negative impact on the Group's financial position and operating results. In addition, as the evaluation standard and evaluation method for its marketable securities, or investment securities with a market price, the Group uses a market value method based on the market price on the last day of each financial term. As a result, a fall in the market price due to fluctuations in stock market conditions could have a negative impact on the Group's financial position and operating results.

12. Reversal of Deferred Tax Assets

The Group evaluates the likelihood of a reversal of deferred tax assets based on its estimated future taxable income. If the Group were to determine that it would not be able to secure sufficient taxable income in the future due to a decline in its earning capacity, its deferred tax assets would be reversed, and income tax expense would be recorded. This could have a negative impact on the Group's financial position and operating results.

13. Allowance for loss on chartering contracts

The Group contract out containerships which the Company and its consolidated subsidiaries charter to other charterers. Because charter rates are highly sensitive to fluctuations in charter markets, there is a risk that charter rates may fall below hire rates. Based on available information, the Group recorded a provision for potential future losses whose amount can be reasonably estimated under certain contracts where charter rates fall below hire rates. However, depending on changes in the Group's planning for chartered vessel contracts or trends in charter markets, it may be necessary for the Group to record an additional provision for losses, which could have a negative impact on the Group's financial position and operating results.

Matters in the above text that refer to the future are as determined by the Group as of the day of publication of these materials. In addition, the items discussed here do not cover all of the risks relating to the Group.

2. Situation of the “K” LINE GROUP

The business segments of the “K” Line Group are Dry Bulk Segment, Energy Resource Transport Segment, Product Logistics Segment.

The main companies that handle these businesses (as of March 31, 2020) are the following:

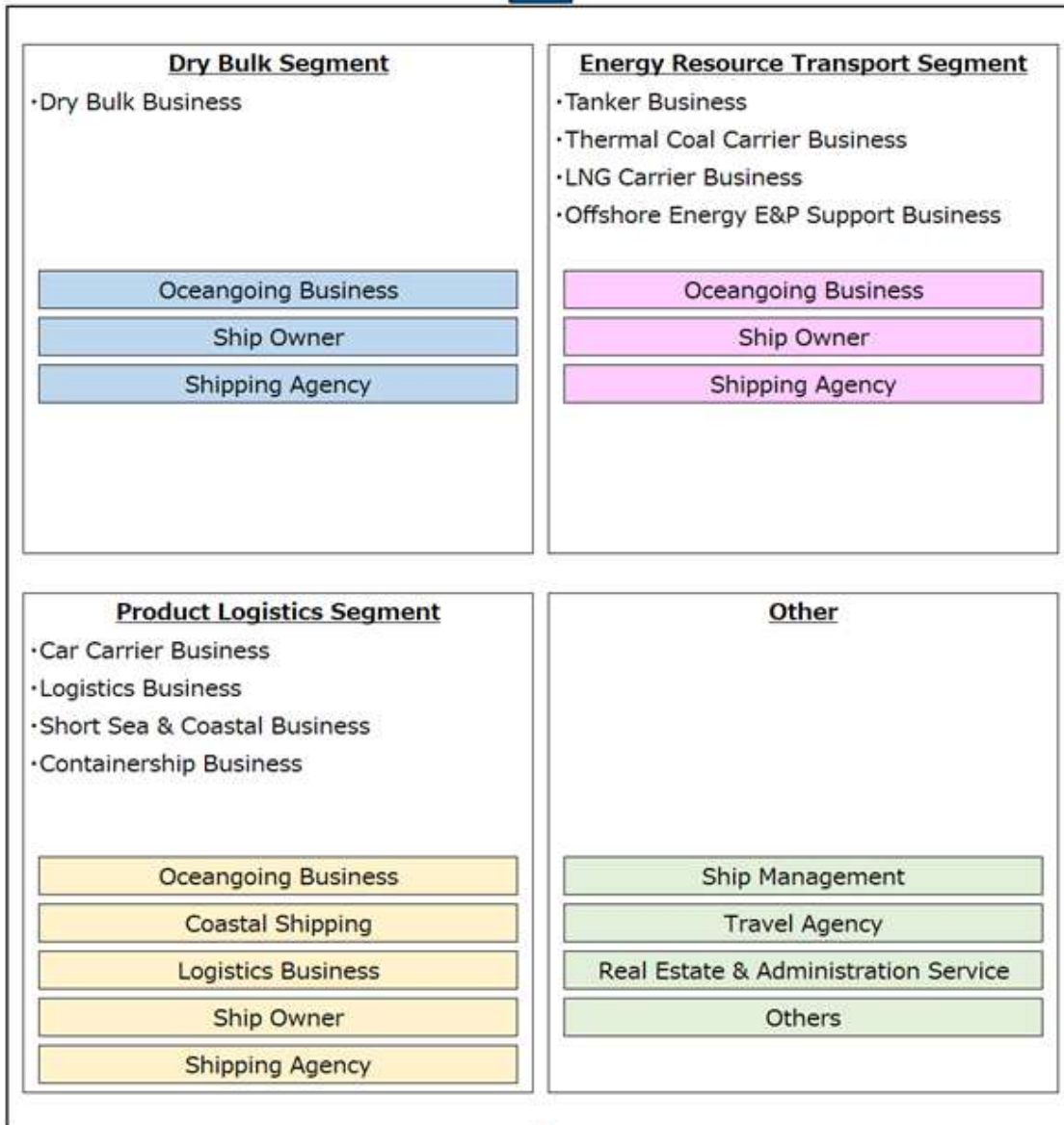
Business Segment	Principal Companies Managing Each Business	
	Domestic	Overseas
I. Dry Bulk	Kawasaki Kisen Kaisha, Ltd.	“K” LINE BULK SHIPPING (UK) LIMITED, “K” LINE PTE LTD
II. Energy Resource Transport	Kawasaki Kisen Kaisha, Ltd.	“K” LINE (TAIWAN) LTD., “K” LINE LNG SHIPPING (UK) LIMITED, “K” LINE DRILLING/OFFSHORE HOLDING, INC., K LINE OFFSHORE AS, “K” LINE PTE LTD
II. Product Logistics	Kawasaki Kisen Kaisha, Ltd., Kawasaki Kinkai Kisen Kaisha, Ltd., “K” Line (Japan) Ltd., Daito Corporation, Nitto Total Logistics Ltd., “K” Line Logistics, Ltd., Japan Express Transportation Co., Ltd., Hokkai Transportation Co., Ltd., Seagate Corporation, Nitto Tugboat Co., Ltd., Ocean Network Express Holdings, Ltd. * KLLG HOLDINGS, Co., Ltd.	K LINE (THAILAND) LTD., KAWASAKI (AUSTRALIA) PTY. LTD., “K” LINE (SINGAPORE) PTE LTD, INTERNATIONAL TRANSPORTATION SERVICE, INC., UNIVERSAL LOGISTICS SYSTEM, INC., “K” LINE AMERICA, INC., ”K” LINE (Deutschland) GmbH, ”K” LINE (BELGIUM) N.V., PT., K LINE INDONESIA, “K” LINE MARITIME (M) SDN. BHD., “K” Line (Nederland) B.V., KLINE (CHINA) LTD., “K” LINE (AUSTRALIA) PTY. LIMITED, “K” LINE (EUROPE) LIMITED, ”K” LINE PTE LTD, “K” LINE (SCANDINAVIA) HOLDING A/S, “K” LINE (VIETNAM) LIMETED, “K” LINE BRASIL TRANSPORTES MARITIMOS LTDA., “K” LINE SHIPPING (SOUTH AFRICA) PTY LTD, OCEAN NETWORK EXPRESS PTE. LTD.*, ”K” LINE (KOREA) LTD., “K” Line European Sea Highway Services GmbH, CENTURY DISTRIBUTION SYSTEMS, INC.
IV. Other	Kawasaki Kisen Kaisha, Ltd., Kawasaki Kinkai Kisen Kaisha, Ltd., Daito Corporation, Nitto Total Logistics Ltd., Hokkai Transportation Co., Ltd., Seagate Corporation, “K” Line Engineering Co., Ltd., Shinki Corporation, “K” Line Energy Ship Management Co., Ltd., Rinko Corporation*, KMDS Co., Ltd., "K" LINE BUSINESS SUPPORT, LTD., “K” Line Business Systems, Ltd., “K” Line Travel, Ltd., “K” Line RoRo Bulk Ship Management Co., Ltd., KLLG HOLDINGS, Co., Ltd.	CYGNUS INSURANCE COMPANY LIMITED, “K” LINE HOLDING (EUROPE) LIMITED

NOTE / Companies without asterisk : Consolidated companies

Companies with asterisk : Affiliated companies (subject to equity method)

The above overall business structure is as follows:

CUSTOMERS



KAWASAKI KISEN KAISHA, LTD

3. Basic Approach to Selection of Accounting Standards

To allow reliable year-on-year and company-to-company comparisons, the Group's policy for the time being is to prepare its consolidated financial statements according to Japanese accounting standards.

With respect to application of IFRS, our policy is to respond appropriately based on consideration of various domestic and overseas circumstances.

4. Matters Relating to Summary Information

(Notes in the Event of Significant Changes in Shareholders' Equity)

During the current fiscal year ended March 31, 2020, as the Company sold a portion of the shares of consolidated subsidiary KLKG HOLDINGS, Co., Ltd., the capital surplus increased by ¥12,662 million. As a result, the capital surplus at the end of fiscal year was ¥13,723 million.

(Change in Accounting Standards)

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

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

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

(Significant Subsequent Event)

(Financing through the commitment line agreement)

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

Overview of the commitment line agreement

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

Consolidated Financial Statements

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

Consolidated Balance Sheet

	(Millions of yen)	
	Year ended March 31, 2019	Year ended March 31, 2020
ASSETS		
Current assets :		
Cash and deposits	¥ 143,201	¥ 115,394
Accounts and notes receivable-trade	62,722	60,022
Raw materials and supplies	26,258	25,859
Prepaid expenses and deferred charges	40,545	41,302
Short-term loans receivable	1,827	2,019
Other current assets	15,584	15,649
Allowance for doubtful receivables	(1,267)	(1,215)
Total current assets	288,871	259,032
Non-current assets :		
(Vessels, property and equipment)		
Vessels, net	392,177	375,507
Buildings and structures, net	13,032	12,438
Machinery and vehicles, net	9,373	9,874
Land	18,397	18,336
Construction in progress	12,923	8,532
Other, net	2,726	6,399
Total vessels, property and equipment	448,632	431,089
(Intangible assets)		
Other intangible assets	4,377	4,329
Total intangible assets	4,377	4,329
(Investments and other assets)		
Investments in securities	164,110	150,993
Long-term loans receivable	17,328	16,857
Asset for retirement benefits	673	600
Deferred tax assets	4,686	5,877
Other investments and other assets	23,919	28,377
Allowance for doubtful receivables	(1,336)	(1,077)
Total investments and other assets	209,381	201,629
Total non-current assets	662,390	637,048
Total assets	¥ 951,261	¥ 896,081

Consolidated Balance Sheet

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
LIABILITIES		
Current liabilities :		
Accounts and notes payable-trade	¥ 57,836	¥ 47,673
Short-term loans and current portion of long-term loans	86,423	104,576
Lease obligation (current portion)	11,364	15,633
Accrued income taxes	1,711	2,118
Allowance for loss related to the Anti-Monopoly Act	3,783	834
Allowance for loss on liquidation of subsidiaries and affiliates	91	113
Allowance for loss on chartering contracts	15,135	16,474
Allowance for bonuses	2,556	2,344
Allowance for directors' bonuses	254	155
Other current liabilities	100,195	46,214
Total current liabilities	<u>279,352</u>	<u>236,139</u>
Non-current liabilities :		
Bonds	10,000	7,000
Long-term loans, less current portion	405,706	379,104
Obligations under finance leases, less current portion	34,909	34,136
Deferred tax liabilities (non-current)	9,633	7,609
Deferred tax liabilities on land revaluation	1,174	1,174
Allowance for directors' and audit and supervisory board members' retirement benefits	894	377
Allowance for directors' stock benefits	19	16
Accrued expenses for overhaul of vessels and other assets	12,251	11,548
Liability for retirement benefits	6,228	7,313
Derivative liabilities	6,208	7,277
Other non-current liabilities	3,649	4,147
Total non-current liabilities	<u>490,675</u>	<u>459,707</u>
Total liabilities	<u>770,028</u>	<u>695,847</u>
NET ASSETS		
Shareholders' equity:		
Common stock	75,457	75,457
Capital surplus	1,383	13,723
Retained earnings	16,692	22,050
Treasury stock	(2,381)	(2,379)
Total shareholders' equity	<u>91,152</u>	<u>108,852</u>
Accumulated other comprehensive income :		
Net unrealized holding gain on investments in securities	4,414	148
Deferred gain on hedges	2,999	(3,152)
Revaluation reserve for land	4,655	4,631
Translation adjustments	4,063	(4,821)
Retirement benefits liability adjustments	(3,710)	(4,562)
Total accumulated other comprehensive income	<u>12,423</u>	<u>(7,756)</u>
Non-controlling interests	77,657	99,138
Total net assets	<u>181,233</u>	<u>200,234</u>
Total liabilities and net assets	<u>¥ 951,261</u>	<u>¥ 896,081</u>

Consolidated Statement of Operations

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Marine transportation and other operating revenues	¥ 836,731	¥ 735,284
Marine transportation and other operating costs and expenses	800,497	671,387
Gross Profit	36,234	63,897
Selling, general and administrative expenses	60,971	57,057
Operating (loss) income	(24,736)	6,840
Non-operating income :		
Interest income	1,627	1,123
Dividend income	1,835	2,565
Equity in earnings of subsidiaries and affiliates	-	8,011
Reversal of allowance for loss related to the Anti-Monopoly Act	838	375
Exchange gain	949	-
Other non-operating income	1,705	1,608
Total non-operating income	6,956	13,685
Non-operating expenses :		
Interest expenses	8,340	10,177
Equity in loss of subsidiaries and affiliates	18,875	-
Exchange loss	-	1,583
Other non-operating expenses	3,937	1,357
Total non-operating expenses	31,153	13,117
Ordinary (loss) income	(48,933)	7,407
Extraordinary income :		
Gain on sales of vessels, property and equipment	6,602	4,756
Gain on sales of investments in securities	1,625	1,264
Gain on liquidation of subsidiaries and affiliates	241	2,989
Other extraordinary income	1,625	1,192
Total extraordinary income	10,095	10,203
Extraordinary losses :		
Loss on impairment of vessels, property and equipment	9,001	604
Loss from revaluation of investment securities	0	5,260
Loss on cancellation of chartered vessels	49,326	-
Other extraordinary losses	2,256	431
Total extraordinary losses	60,584	6,295
(Loss) profit before income taxes	(99,422)	11,315
Income taxes :		
Current	3,129	3,392
Deferred	6,229	(280)
Total income taxes	9,359	3,111
(Loss) profit	(108,782)	8,204
Profit attributable to non-controlling interests	2,405	2,934
(Loss) profit attributable to owners of the parent	¥ (111,188)	¥ 5,269

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Year		Year	
	ended		ended	
	March 31, 2019		March 31, 2020	
(Loss) profit	¥	(108,782)	¥	8,204
Other Comprehensive income (loss)				
Net unrealized holding loss on investments in securities		(4,143)		(4,207)
Deferred loss on hedges		(5,545)		(4,094)
Translation adjustments		3,232		(7,915)
Retirement benefits liability adjustments		(1,009)		(958)
Share of other comprehensive income (loss) of subsidiaries and affiliates accounted for by the equity method		6,030		(3,893)
Total other comprehensive loss		(1,435)		(21,069)
Comprehensive loss	¥	(110,217)	¥	(12,865)
(Breakdown)				
Comprehensive loss attributable to owners of the parent	¥	(113,557)	¥	(14,886)
Comprehensive income attributable to non-controlling interests		3,339		2,020

Consolidated Statement of Changes in Net Assets

Kawasaki Kisen Kaisha Ltd. and Consolidated Subsidiaries for the year ended March 31, 2019

(Millions of yen)

	Shareholder's equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance April 1, 2018	¥ 75,457	¥ 60,507	¥ 67,107	¥ (2,383)	¥ 200,688
Cumulative effects of changes in accounting policies					-
Restated balance	75,457	60,507	67,107	(2,383)	200,688
Change in items during the period					
Transfer to retained earnings from capital surplus		(59,002)	59,002		-
Loss attributable to owners of the parent			(111,188)		(111,188)
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		(1)		4	2
Change in treasury stock arising from change in equity in entities accounted for under the equity method					-
Change in ownership interests due to transactions with non-controlling interests		(120)			(120)
Reversal of revaluation reserve for land			1,529		1,529
Net change in retained earnings from changes in scope of consolidation or equity method			242		242
Net changes in items other than shareholders' equity					
Net changes during the period		(59,124)	(50,414)	2	(109,536)
Balance March 31, 2019	¥ 75,457	¥ 1,383	¥ 16,692	¥ (2,381)	¥ 91,152

	Accumulated other comprehensive income (loss)						Non-controlling interests	Total net assets
	Net unrealized holding gain on investments in securities	Deferred gain on hedges	Revaluation reserve for land	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance April 1, 2018	¥ 8,570	¥ 7,768	¥ 6,184	¥ (3,539)	¥ (2,661)	¥ 16,321	¥ 243,094	
Cumulative effects of changes in accounting policies							-	
Restated balance	8,570	7,768	6,184	(3,539)	(2,661)	16,321	243,094	
Change in items during the period								
Transfer to retained earnings from capital surplus							-	
Loss attributable to owners of the parent							(111,188)	
Purchase of treasury stock							(1)	
Disposal of treasury stock							2	
Change in treasury stock arising from change in equity in entities accounted for under the equity method							-	
Change in ownership interests due to transactions with non-controlling interests							(120)	
Reversal of revaluation reserve for land							1,529	
Net change in retained earnings from changes in scope of consolidation or equity method							242	
Net changes in items other than shareholders' equity	(4,155)	(4,768)	(1,529)	7,603	(1,048)	(3,898)	47,676	
Net changes during the period	(4,155)	(4,768)	(1,529)	7,603	(1,048)	(3,898)	(61,860)	
Balance March 31, 2019	¥ 4,414	¥ 2,999	¥ 4,655	¥ 4,063	¥ (3,710)	¥ 12,423	¥ 181,233	

Consolidated Statement of Changes in Net Assets

Kawasaki Kisen Kaisha Ltd. and Consolidated Subsidiaries for the year ended March 31, 2020

(Millions of yen)

	Shareholder's equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance April 1, 2019	¥ 75,457	¥ 1,888	¥ 16,692	¥ (2,381)	¥ 91,152
Cumulative effects of changes in accounting policies			19		19
Restated balance	75,457	1,888	16,712	(2,381)	91,172
Change in items during the period					
Transfer to retained earnings from capital surplus					-
Profit attributable to owners of the parent			5,269		5,269
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		(0)		2	1
Change in treasury stock arising from change in equity in entities accounted for under the equity method		(0)		0	0
Change in ownership interests due to transactions with non-controlling interests		12,340			12,340
Reversal of revaluation reserve for land			24		24
Net change in retained earnings from changes in scope of consolidation or equity method			43		43
Net changes in items other than shareholders' equity					
Net changes during the period	-	12,889	5,387	1	17,679
Balance March 31, 2020	¥ 75,457	¥ 13,728	¥ 22,050	¥ (2,379)	¥ 108,852

	Accumulated other comprehensive income (loss)						Non-controlling interests	Total net assets
	Net unrealized holding gain on investments in securities	Deferred gain on hedges	Revaluation reserve for land	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance April 1, 2019	¥ 4,414	¥ 2,999	¥ 4,655	¥ 4,063	¥ (3,710)	¥ 12,423	¥ 77,657	¥ 181,253
Cumulative effects of changes in accounting policies								19
Restated balance	4,414	2,999	4,655	4,063	(3,710)	12,423	77,657	181,253
Change in items during the period								
Transfer to retained earnings from capital surplus								-
Profit attributable to owners of the parent								5,269
Purchase of treasury stock								(1)
Disposal of treasury stock								1
Change in treasury stock arising from change in equity in entities accounted for under the equity method								0
Change in ownership interests due to transactions with non-controlling interests								12,340
Reversal of revaluation reserve for land								24
Net change in retained earnings from changes in scope of consolidation or equity method								43
Net changes in items other than shareholders' equity	(4,266)	(6,152)	(24)	(8,885)	(851)	(20,179)	21,480	1,300
Net changes during the period	(4,266)	(6,152)	(24)	(8,885)	(851)	(20,179)	21,480	18,980
Balance March 31, 2020	¥ 148	¥ (3,152)	¥ 4,631	¥ (4,821)	¥ (4,562)	¥ (7,756)	¥ 99,138	¥ 200,234

Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Cash flows from operating activities :		
(Loss) profit before income taxes	¥ (99,422)	¥ 11,315
Depreciation and amortization	40,789	44,253
(Decrease) increase in liability for retirement benefits	(386)	1,110
(Increase) decrease in asset for retirement benefits	(15)	72
Decrease in retirement benefits liability adjustments	(927)	(1,047)
Decrease in allowance for directors' and audit and supervisory board members' retirement benefits	(948)	(516)
Increase (decrease) in accrued expenses for overhaul of vessels	1,065	(691)
Decrease in allowance for loss related to business restructuring	(4,218)	-
Decrease in allowance for loss related to the Anti-Monopoly Act	(338)	(375)
(Decrease) increase in allowance for loss on chartering contracts	(5,188)	1,338
Interest and dividend income	(3,462)	(3,689)
Interest expenses	8,340	10,177
Exchange gain, net	(1,839)	(445)
Loss on impairment of vessels, property and equipment	9,001	604
Equity in loss (earnings) of subsidiaries and affiliates, net	18,875	(8,011)
Loss on cancellation of chartered vessels	49,326	-
Gain on sales of vessels, property and equipment, net	(6,567)	(4,755)
Gain on sales of marketable securities and investments in securities, net	(1,622)	(1,264)
Loss on revaluation of marketable securities and investments in securities	976	5,267
Gain on liquidation of subsidiaries and affiliates	(51)	(2,710)
Decrease in accounts and notes receivable – trade	26,639	1,840
Decrease in inventories	5,501	383
Decrease (increase) in other current assets	9,516	(55)
Decrease in accounts and notes payable – trade	(32,445)	(9,148)
Other, net	(11,082)	(2,108)
Subtotal	1,513	41,541
Interest and dividends received	5,590	5,211
Interest paid	(7,243)	(11,397)
Payments for cancellation of chartered vessels	(1,450)	(51,774)
Payments related to the Anti-Monopoly Act	(833)	(2,573)
Income taxes paid	(4,386)	(2,804)
Net cash used in operating activities	(6,808)	(21,797)
Cash flows from investing activities :		
Payments into time deposits	(7,229)	(5,171)
Proceeds from withdrawal of time deposits	44,574	6,646
Purchases of marketable securities and investments in securities	(79,050)	(1,113)
Proceeds from sales of marketable securities and investments in securities	3,310	4,141
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-	(143)
Purchases of vessels, property and equipment	(95,893)	(71,361)
Proceeds from sales of vessels, property and equipment	98,179	52,502
Purchases of intangible assets	(1,399)	(787)
Payments of long-term loans receivable	(1,269)	(1,402)
Collection of long-term loans receivable	2,856	972
Other, net	427	(4,567)
Net cash used in investing activities	(35,493)	(20,286)
Cash flows from financing activities :		
Increase (decrease) in short-term loans, net	38,696	(36,390)
Proceeds from long-term loans	38,638	73,044
Repayments of long-term loans and obligations under finance leases	(56,523)	(50,743)
Redemption of bonds	(50,378)	(1,809)
Cash dividends paid to non-controlling interests	(915)	(963)
Proceeds from share issuance to non-controlling interests	50,000	-
Purchases of shares of subsidiaries not resulting in change in scope of consolidation	(265)	(80)
Proceeds from sales of shares of subsidiaries not resulting in change in scope of consolidation	-	33,768
Other, net	38	(94)
Net cash provided by financing activities	19,290	16,731
Effect of exchange rate changes on cash and cash equivalents	2,980	(873)
Net decrease in cash and cash equivalents	(20,032)	(26,225)
Cash and cash equivalents at beginning of the period	158,072	138,040
Increase in cash and cash equivalents arising from initial consolidation of subsidiaries	-	118
Cash and cash equivalents at end of the period	¥ 138,040	¥ 111,933

Segment information

Year ended March 31, 2019

(Millions of yen)

	Dry bulk	Energy resource transport	Product logistics	Other	Total	Adjustments and eliminations	Consolidated
Revenues							
Operating revenues from customers	¥ 273,826	¥ 88,701	¥ 441,028	¥ 33,175	¥ 836,731	¥ -	¥ 836,731
Inter-group revenues and transfers	160	0	8,901	48,954	58,015	(58,015)	-
Total revenues	¥ 273,986	¥ 88,701	¥ 449,929	¥ 82,129	¥ 894,747	¥ (58,015)	¥ 836,731
Segment profit (loss)	¥ 4,441	¥ 2,491	¥ (49,196)	¥ 1,124	¥ (41,139)	¥ (7,794)	¥ (48,933)
Segment assets	¥ 263,305	¥ 242,849	¥ 386,734	¥ 63,851	¥ 956,740	¥ (5,479)	¥ 951,261
Depreciation and amortization	¥ 13,448	¥ 11,136	¥ 14,484	¥ 1,434	¥ 40,504	¥ 284	¥ 40,789
Interest income	353	587	670	249	1,859	(232)	1,627
Interest expenses	3,060	3,248	1,821	289	8,418	(78)	8,340
Equity in earnings (loss) of subsidiaries and affiliates	-	1,183	(20,136)	77	(18,875)	-	(18,875)
Investments in subsidiaries and affiliates accounted for by the equity method	-	23,349	97,829	3,981	125,159	-	125,159
Increase in vessels, property and equipment, and intangible assets	14,269	42,519	40,270	619	97,678	233	97,911

Year ended March 31, 2020

(Millions of yen)

	Dry bulk	Energy resource transport	Product logistics	Other	Total	Adjustments and eliminations	Consolidated
Revenues							
Operating revenues from customers	¥ 233,781	¥ 84,676	¥ 384,508	¥ 32,318	¥ 735,284	¥ -	¥ 735,284
Inter-group revenues and transfers	38	0	8,366	48,670	57,076	(57,076)	-
Total revenues	¥ 233,820	¥ 84,676	¥ 392,874	¥ 80,989	¥ 792,360	¥ (57,076)	¥ 735,284
Segment profit (loss)	¥ 4,089	¥ 9,921	¥ (2,933)	¥ 1,732	¥ 12,809	¥ (5,401)	¥ 7,407
Segment assets	¥ 245,295	¥ 226,470	¥ 380,026	¥ 54,384	¥ 906,176	¥ (10,095)	¥ 896,081
Depreciation and amortization	¥ 14,674	¥ 12,226	¥ 16,323	¥ 788	¥ 44,012	¥ 241	¥ 44,253
Interest income	163	455	456	213	1,288	(164)	1,123
Interest expenses	3,169	3,792	2,583	178	9,723	453	10,177
Equity in earnings of subsidiaries and affiliates	5	3,289	4,630	86	8,011	-	8,011
Investments in subsidiaries and affiliates accounted for by the equity method	396	29,054	97,836	4,066	131,353	-	131,353
Increase in vessels, property and equipment, and intangible assets	14,740	45,002	20,839	355	80,938	210	81,148