Notes to Consolidated Financial Statements

1. Notes on Fundamental Items in Preparation of the Consolidated Financial Statements, etc.

(1) Items on the scope of the consolidation

i) Consolidated subsidiaries

- Number of consolidated subsidiaries: 8
- The names of the consolidated subsidiaries:
  Kamigumi Land Transport Co., Ltd., Kamigumi Marine Transport Co., Ltd., Kamigumi Air Service Co., Ltd., Izumi Sangyo Co., Ltd., Kamix Corp., Kamigumi (Hong Kong) Co., Ltd., Oita Koun Co., Ltd. and Iwagawa Jozo Co., Ltd.

ii) Unconsolidated subsidiaries

- The name of principal unconsolidated subsidiary:
  Kamitsu Unyu Co., Ltd.
- Reason for exclusion from the scope of consolidation
  This unconsolidated subsidiary is excluded from the scope of consolidation since it is small in size, and total assets, net sales, profit (loss) (the amount proportionate to equity) and retained earnings (the amount proportionate to equity) of this company have little impact on the consolidated financial statements.

(2) Items on the application of equity method

i) Unconsolidated subsidiaries and affiliates subject to application of the equity method

- Number of unconsolidated subsidiaries subject to application of the equity method: 1
- The name of unconsolidated subsidiary subject to application of the equity method:
  Kamitsu Unyu Co., Ltd.
- Number of affiliates subject to application of the equity method: 2
- The names of affiliates subject to application of the equity method:
  Japan Port Industry Co., Ltd.
  EASTERN SEA LAEM CHABANG TERMINAL CO., LTD.

ii) Unconsolidated subsidiaries and affiliates not subject to application of the equity method

Unconsolidated subsidiaries not subject to application of the equity method (Maruko Marine Transport Co., Ltd. etc.) and unconsolidated affiliates not subject to application of the equity method (Kobe Port International Distribution Center Co., Ltd. etc.) are excluded from the scope of equity method since profit (loss) (the amount proportionate to equity) and retained earnings (the amount proportionate to equity) of each company have little impact on the consolidated financial statements even if they are excluded from the scope of equity method, as well as have minor significance as a whole.

(3) Items on fiscal term, etc. of consolidated subsidiaries

The final day of the fiscal term of all domestic consolidated subsidiaries conforms to that of the consolidated fiscal term.

The final day of the fiscal term of the foreign consolidated subsidiary is December 31. In preparing consolidated financial statements, financial statements as of that date are used, and necessary adjustment is made with respect to significant transactions which occur between the end of consolidated fiscal term and the said date.

(4) Items on accounting policy

i) Valuation basis and methods for major assets:

a) Marketable securities

Held-to-maturity debt securities: Held-to-maturity debt securities are stated at amortized cost.

Available-for-sale securities

Securities with market value: Market value method based on the market value, etc. at the end of the consolidated fiscal term (any valuation gain or loss to be reported in a designated component of net assets; cost of sale to be computed mainly by the moving-average method).

Securities without market value: Stated at cost based on the moving-average method.

b) Inventories

Merchandise, finished goods and raw materials: Mainly stated based on first-in, first-out cost method
Work in process: Stated at gross average cost
Supplies: Mainly stated at the last purchase price method
The book value stated in the balance sheet is written down based on the decreased profitability.

ii) Depreciation and amortization methods for major depreciable assets:

a) Tangible fixed assets (excluding lease assets):

As for the Company, buildings (excluding fixtures) are depreciated mainly by straight-line method. As for tangible fixed assets other than buildings, straight-line method is applicable to real estate assets for rent, and declining-balance method is applicable to other tangible fixed assets. Domestic consolidated subsidiaries chiefly apply the straight-line method to buildings (excluding fixtures), the declining-balance method to tangible fixed assets other than buildings.

However, fixtures and structures acquired on or after April 1, 2016 are depreciated by straight-line method.

As for the foreign consolidated subsidiary, the straight-line method is applicable.

b) Intangible fixed assets (excluding lease assets):

Amortization method for intangible fixed assets: by straight-line method

For software for internal use, straight-line method based on the internally estimated useful life (five years) is applied.

c) Lease assets:

Depreciation of lease assets through finance lease transactions not involving the transfer of ownership is computed on the straight-line method over the lease period as the durable period and assuming no residual value.

iii) Appropriation standard applicable to important provisions:

a) Allowance for doubtful accounts:

The Company appropriates estimated non-recoverable amounts, based on actual bad debts with respect to general claims, and based on individual examinations of recoverability with respect to specified claims such as debt claims with default potential.

b) Allowance for employees' bonuses:

In order to provide for payment of employees' bonus, consolidated subsidiaries of the Company appropriate the corresponding amount based on the estimated payment obligation.

c) Allowance for retirement benefits for directors and audit & supervisory board members:

In order to provide for payment of retirement benefits for directors and audit & supervisory board members, the domestic consolidated subsidiaries appropriate the necessary amount for payment as of the end of the fiscal term in accordance with internal regulations.

d) Accrued expenses for overhaul of vessels:

In order to provide for payment of periodic overhaul of vessels stipulated in the Ship Safety Law, the Company appropriates the necessary amount based on the estimated expenses of overhauling vessels in the future.

iv) Other fundamental items in preparation of the consolidated financial statements:

a) Standards for translation of primary assets and liabilities denominated in foreign currencies into Japanese yen

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot rate of foreign exchange as of the end of the consolidated fiscal term, and the resulting exchange differences are credited or charged to income. Assets and liabilities of the foreign consolidated subsidiary are translated into Japanese yen at the spot rate of foreign exchange as of the end of the consolidated fiscal term. Revenues and expenses of them are translated into Japanese yen at the average rate during the term. The resulting exchange differences have been recorded as "foreign currency translation adjustment" in net assets.

b) Items on amortization of goodwill

The Company amortizes goodwill by straight-line method over a period of five years.

c) Accounting method for employees' severance and retirement benefits

In the calculation of liabilities for employees' severance and retirement benefits, the benefit formula standard is used as the method to attribute the estimated payment obligation to the periods until the fiscal term under review.

Any actuarial difference is expensed from the respective following term of such accrual on the pro-rata fixed installment basis over a certain specific number of years (10 years) within the length of the average remaining period of service of the employees at the time of each accrual of such a difference.

d) Accounting treatment of Consumption Taxes, etc.

For accounting purposes, amounts on the consolidated financial statements are reported net of consumption taxes.

2. Notes on Changes in Accounting Policy

Following the revision to the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (ASBJ PITF No. 32, June 17, 2016) from the consolidated fiscal term under review, and changed the depreciation method for fixtures and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The effect of this change on operating profit, recurring profit and profit before income taxes for the consolidated fiscal term under review is immaterial.

3. Additional Information

The Company has applied the “Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) from the consolidated fiscal term under review.

4. Notes on Consolidated Balance Sheet, etc.

(1) Accumulated depreciation on tangible fixed assets: ¥229,743 million

(2) Debt guarantee:

We guarantee the borrowing by the following companies from financial institutions, etc.

Kobe Mega Container Terminal Co., Ltd.	¥1,868 million
Yumeshima Container Terminal Co., Ltd.	¥1,025 million
Others	¥1,159 million
Total	¥4,054 million

(3) Transactions of notes receivable endorsement: ¥296 million

5. Notes on Consolidated Statements of Changes in Net Assets

(1) Items on total number of outstanding shares

Type of share	Number of shares as of the beginning of the 78th consolidated fiscal term	Number of increased shares during the 78th consolidated fiscal term	Number of decreased shares during the 78th consolidated fiscal term	Number of shares as of the end of the 78th consolidated fiscal term
Ordinary share	274,345 thousand Shares	- thousand Shares	- thousand Shares	274,345 thousand Shares

(2) Items on dividends from surplus

i) Amount of dividends paid, etc.

a) Items on dividends which were resolved on at the 77th Ordinary General Meeting of Shareholders held on June 29, 2016

- Total amount of dividends ¥1,752 million
- Amount of dividends per share ¥7
- Record date March 31, 2016
- Effective date June 30, 2016

b) Items on dividends which were resolved on at the Board of Directors meeting held on November 11, 2016

- Total amount of dividends ¥1,502 million
- Amount of dividends per share ¥6
- Record date September 30, 2016
- Effective date December 5, 2016

ii) Dividends record date of which is included in the term under review and which become effective in the following term

The following will be brought before the 78th Ordinary General Meeting of Shareholders to be held on June 29, 2017

- Total amount of dividends ¥2,211 million
- Source of dividends Retained earnings
- Amount of dividends per share ¥9
- Record date March 31, 2017
- Effective date June 30, 2017

6. Notes on Financial Instruments

(1) Matters concerning the status of financial instruments

The Group manages temporary surplus funds mainly as safe and secure financial assets.

Notes and trade accounts receivable, which are operating receivables, are exposed to customer credit risk. Investment securities primarily consist of stocks, and the Company comprehends market values of listed stocks on a regular basis.

As for derivatives transaction, the Company uses forward exchange contracts within a necessary range.

(2) Matters concerning market value, etc., of financial instruments

Amounts recorded in the consolidated balance sheet, market value, and differences between them as of March 31, 2017 are stated below:

	Amounts recorded in the consolidated balance sheet (*)	Market values (*)	Differences
i) Cash and deposit	¥47,381 million	¥47,381 million	¥- million
ii) Notes receivable and trade accounts receivable	¥41,765 million	¥41,765 million	¥- million
iii) Marketable securities and investment securities	¥22,754 million	¥22,797 million	¥43 million
iv) Long-term loan receivable	¥135 million	¥136 million	¥0 million
v) Notes payable and trade accounts payable	(¥25,674 million)	(¥25,674 million)	¥- million

(*) Items recorded as debt are presented in parentheses.

Notes: 1. Calculation methods for market value of financial instruments and matters concerning securities

i) Cash and deposit and ii) Notes receivable and trade accounts receivable

Since these are settled in short term, their market values are almost equivalent to book value. Accordingly, they are stated at book value.

iii) Marketable securities and investment securities

Shares are stated at price on securities market, and bonds are stated at price offered by correspondent financial institutes.

iv) Long-term loan receivable

Market value of long-term loans is computed based on a current price obtained by discounting future cash flow at the rate in which yield on national bonds is adjusted with credit spread, classified by a certain period and credit risk segment related to credit management.

v) Notes payable and trade accounts payable

Since these are settled in short term, their market values are almost equivalent to book value. Accordingly, they are stated at book value.

2. Unlisted stocks (the amount recorded in the consolidated balance sheet at ¥8,770 million) do not have a market price, and future cash flow cannot be estimated. Therefore, as it is considered extremely difficult to identify their market value, unlisted stocks are not included in “iii) Marketable securities and investment securities.”

7. Notes on Information per Share

(1) Net assets per share ¥1,270.04

(2) Basic earnings per share ¥65.53

Notes to Non-Consolidated Financial Statements

1. Notes on Items of Important Accounting Policy

(1) Valuation basis and methods of assets

i) Valuation basis and methods of securities:

a) Held-to-maturity securities: Held-to-maturity securities are stated at amortized cost.

b) Investment in subsidiaries and affiliates: Stated at cost based on the moving-average method.

c) Available-for-sale securities

Securities with market value: Stated using the market value method based on fair market value, etc. as of the fiscal closing date (any valuation gain or loss to be reported in a designated component of net assets; cost of sale to be computed by the moving-average method).

Securities without market value: Stated at cost based on the moving-average method.

ii) Valuation basis and method of inventories

Supplies: Supplies are stated at cost based on the last purchase price method (the book value stated in the balance sheet is written down based on the decreased profitability.)

(2) Depreciation and amortization method for fixed assets:

a) Tangible fixed assets (excluding lease assets):

Buildings (excluding fixtures) are depreciated mainly by straight-line method. As for tangible fixed assets other than buildings, straight-line method is applicable to real estate assets for rent, and declining-balance method is applicable to other tangible fixed assets.

However, fixtures and structures acquired on or after April 1, 2016 are depreciated by straight-line method.

b) Intangible fixed assets (excluding lease assets):

Amortization method for intangible fixed assets: by straight-line method

For software for internal use, straight-line method based on the internally estimated useful life (five years) is applied.

c) Lease assets:

Depreciation of lease assets through finance lease transactions not involving the transfer of ownership is computed on the straight-line method over the lease period as the durable period and assuming no residual value.

(3) Appropriation standard applicable to provisions:

a) Allowance for doubtful accounts:

The Company appropriates estimated non-recoverable amounts, based on actual bad debts with respect to general claims, and based on individual examinations of recoverability with respect to specified claims such as debt claims with default potential.

b) Allowance for employees' severance and retirement benefits:

The Company makes provisions for the necessary amount of allowance for employees' severance and retirement benefits based on the Company's estimated payment obligation at the term-end.

Any actuarial difference is expensed from the following term of such accrual on the pro-rata fixed installment basis over a certain specific number of years (10 years) within the length of the average remaining period of service of the employees at the time of accrual of such a difference.

(4) Other fundamental items in preparation of the non-consolidated financial statements

i) Accounting treatment for employees' severance and retirement benefits

The accounting treatment method for unsettled amounts of unrecognized actuarial gains and losses related to employees' severance and retirement benefits is different from the accounting treatment method for the consolidated financial statements.

ii) Accounting treatment of consumption taxes, etc.

For accounting purpose, amounts on the non-consolidated financial statements are reported net of consumption taxes.

2. Notes on Changes in Accounting Policy

Following the revision to the Corporation Tax Act, the Company has applied the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (ASBJ PITF No. 32, June 17, 2016) from the fiscal term under review, and changed the depreciation method for fixtures and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The effect of this change on operating profit, recurring profit and profit before income taxes for the fiscal term under review is immaterial.

3. Additional Information

The Company has applied the "Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) from the fiscal term under review.

4. Notes on Non-Consolidated Balance Sheet, etc.

(1) Accumulated depreciation on tangible fixed assets: ¥224,108 million

(2) Debt guarantee:

We guarantee the borrowing by the following companies from financial institutions, etc.

Kobe Mega Container Terminal Co., Ltd.	¥1,868 million
Yumeshima Container Terminal Co., Ltd.	¥1,025 million
Others	¥1,159 million
Total	¥4,054 million

(3) Transactions of notes receivable endorsement: ¥275 million

(4) Monetary claims and obligations to subsidiaries and affiliates

i)	Short-term monetary claims	¥2,162 million
ii)	Long-term monetary claims	¥2,165 million
iii)	Short-term monetary obligations	¥2,869 million

5. Notes to Non-Consolidated Statement of Income

Volume of transactions with subsidiaries and affiliates

i)	Net sales	¥2,230 million
ii)	Cost of sales, selling, general and administrative expenses	¥17,368 million
iii)	Volume of transactions other than operating transactions	¥1,066 million

6. Notes on Non-Consolidated Statements of Changes in Net Assets

Items on the number of treasury stocks

Type of share	Number of shares as of the beginning of the 78th fiscal term	Number of increased shares during the 78th fiscal term	Number of decreased shares during the 78th fiscal term	Number of shares as of the end of the 78th fiscal term
Ordinary share	23,930 thousand Shares	4,705 thousand Shares	- thousand Shares	28,636 thousand Shares

Note: The increase in the number of treasury stocks of ordinary shares (4,705 thousand shares) is caused by the increase due to the acquisition of treasury stocks due to the resolution of the Board of Directors (4,703 thousand shares) and that due to the purchase of fractional shares (2 thousand shares).

7. Notes on Tax Effect Accounting

Breakdown of deferred tax assets and deferred tax liabilities by principal cause

Deferred tax assets

Allowance for employees' severance and retirement benefits	¥4,248 million
Accrued bonuses	¥650 million
Enterprise taxes payable, etc.	¥226 million
Loss on valuation of golf club membership	¥104 million
Others	¥932 million
Subtotal deferred tax assets	¥6,161 million
Valuation allowance	(¥526 million)
Total deferred tax assets	¥5,635 million

Deferred tax liabilities

Differences in valuation of available-for-sale securities	(¥2,196 million)
Reserve for advanced depreciation of fixed assets	(¥1,028 million)
Reserve for special depreciation	(¥215 million)
Others	(¥70 million)
Total deferred tax liabilities	(¥3,511 million)
Net amount of deferred tax assets	¥2,124 million

8. Notes on Transactions with Relevant Parties

Officers and principal individual shareholders, etc.

<table>
<tr><th>Item</th><th>Name</th><th>Location</th><th>Capital or contribution (Million yen)</th><th>Business details or occupation</th><th>Ratio of possessing (possessed) voting right, etc. (%)</th><th>Relation with the parties interested</th><th colspan="2">Details of transactions</th><th>Amount of transactions (Million yen)</th><th>Item</th><th>Balance at the end of the term (Million yen)</th></tr>
<tr><td rowspan="3">Officer</td><td rowspan="3">Masami Kubo</td><td rowspan="3">-</td><td rowspan="3">-</td><td rowspan="3">Chairman & Representative Director, the Company
Chairman & Representative Director, World Cargo Distribution Center Co., Ltd.</td><td rowspan="3">Directly (possessed) 0.0</td><td rowspan="3">-</td><td rowspan="2">Transactions with World Cargo Distribution Center Co., Ltd.</td><td>Fund loan</td><td>-</td><td>Short-term loan receivable</td><td>3,500</td></tr>
<tr><td>Receipt of interest</td><td>78</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Debt guarantee to World Cargo Distribution Center Co., Ltd.</td><td>85</td><td>-</td><td>-</td></tr>
</table>

Conditions of transaction or policy for deciding conditions of transaction

(a) The transaction with World Cargo Distribution Center Co., Ltd. is so-called transactions for the benefit of third parties.

(b) We received no guarantee fee for the debt guarantee.

(c) We made loans at the interest rate based on the market interest rate.

9. Notes on Information per Share

(1) Net assets per share	¥1,260.38
(2) Basic earnings per share	¥66.07