

Consolidated Statements of Changes in Net Assets
(From April 1, 2019 to March 31, 2020)

(Million yen)

	Shareholders' equity				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the term	31,642	26,854	295,208	(28,020)	325,684
Changes in the term					
Dividends from surplus			(5,464)		(5,464)
Profit attributable to owners of parent			18,378		18,378
Purchase of treasury stocks				(3,849)	(3,849)
Disposal of treasury stocks		3		9	12
Cancellation of treasury stocks		(3)	(6,639)	6,642	—
Net changes of items other than shareholders' equity in the term					
Total changes in the term	—	—	6,274	2,802	9,077
Balance at end of the term	31,642	26,854	301,483	(25,217)	334,761

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Differences in valuation of available-for-sale securities	Foreign currency translation adjustment	Accumulated adjustment for employees' severance and retirement benefits	Total accumulated other comprehensive income		
Balance at beginning of the term	5,574	69	(970)	4,673	1,841	332,200
Changes in the term						
Dividends from surplus						(5,464)
Profit attributable to owners of parent						18,378
Purchase of treasury stocks						(3,849)
Disposal of treasury stocks						12
Cancellation of treasury stocks						—
Net changes of items other than shareholders' equity in the term	(3,470)	(24)	(106)	(3,600)	67	(3,533)
Total changes in the term	(3,470)	(24)	(106)	(3,600)	67	5,544
Balance at end of the term	2,104	45	(1,077)	1,073	1,909	337,744

Note: Figures of less than one (1) million yen have been omitted.

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: 12
- 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., Oita Koun Co., Ltd., Iwagawa Jozo Co., Ltd., MB Service Japan Co., Ltd., Japan Port Industry Co., Ltd., Kamigumi (Hong Kong) Co., Ltd., Kamigumi International Forwarding (Shanghai) Co., Ltd., and Kamigumi Global Solutions Malaysia Sdn. Bhd.

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: 4
- The names of affiliates subject to application of the equity method:
EASTERN SEA LAEM CHABANG TERMINAL CO., LTD.
Shanghai Kamigumi Logistic Service Co., Ltd.
Toyotsu Kamigumi Logistics (Changshu) Co., Ltd.
KLKG Holdings Co., Ltd.
The Company newly acquired stocks of KLKG Holdings Co., Ltd., which is subject to application of the equity method.
The Company has invested in four subsidiaries of KLKG Holdings Co., Ltd., and incorporated their profits and losses recognized using the equity method for profits and losses of KLKG Holdings Co., Ltd., because these subsidiaries' profits and losses had material impacts on the Company's consolidated financial statements. As a result, these four subsidiaries and KLKG Holdings Co., Ltd. are counted as one company of the entire KLKG Holdings group in reporting the number of affiliates subject to the application of the equity method.

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

Unconsolidated subsidiaries not subject to application of the equity method (Kamigumi Singapore PTE. 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 excluding MB Service Japan Co., Ltd. and Japan Port Industry Co., Ltd. conforms to that of the consolidated fiscal term.

The final day of the fiscal term of Japan Port Industry Co., Ltd. is the end of February.

The final day of the fiscal term of MB Service Japan Co., Ltd. and the foreign consolidated subsidiaries 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: Stated using the market value method based on fair market value, etc. as of the consolidated fiscal closing date (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 the first-in, first-out cost method

Work in process: Stated at cost based on the gross average method

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 and amortizable 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 standards 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) 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 end of 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.

- c) Accounting treatment of consumption taxes, etc.

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

2. Notes on Consolidated Balance Sheet, etc.

- (1) Accumulated depreciation on tangible fixed assets: ¥265,110 million

- (2) Debt guarantee:

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

Kobe Mega Container Terminal Co., Ltd.	¥1,435 million
<u>Others</u>	<u>¥1,489 million</u>
Total	¥2,924 million

- (3) Transactions of notes receivable endorsement: ¥281 million

3. 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 81 st consolidated fiscal term	Number of increased shares during the 81 st consolidated fiscal term	Number of decreased shares during the 81 st consolidated fiscal term	Number of shares as of the end of the 81 st consolidated fiscal term
Common share	134,386 thousand Shares	- thousand Shares	3,450 thousand Shares	130,936 thousand Shares

Note: The decrease in the number of outstanding common shares (3,450 thousand shares) is caused by the cancellation of treasury stocks based on a resolution of the Board of Directors.

- (2) Items on dividends from surplus

- i) Amount of dividends paid, etc.

- a) Items on dividends which were resolved on at the 80th Ordinary General Meeting of Shareholders held on June 27, 2019

- Total amount of dividends	¥2,746 million
- Amount of dividends per share	¥23
- Record date	March 31, 2019
- Effective date	June 28, 2019

- b) Items on dividends which were resolved on at the Board of Directors meeting held on November 8, 2019

- Total amount of dividends	¥2,717 million
- Amount of dividends per share	¥23
- Record date	September 30, 2019
- Effective date	December 2, 2019

- 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 81st Ordinary General Meeting of Shareholders to be held on June 26, 2020

- Total amount of dividends	¥2,710 million
- Source of dividends	Retained earnings
- Amount of dividends per share	¥23
- Record date	March 31, 2020
- Effective date	June 29, 2020

4. 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 receivable and trade accounts receivable and electronically recorded monetary claims-operating, 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 transactions, 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, 2020 are stated below:

	Amounts recorded in the consolidated balance sheet (*)	Market values (*)	Differences
i) Cash and deposit	¥32,233 million	¥32,233 million	¥- million
ii) Notes receivable and trade accounts receivable	¥44,482 million	¥44,482 million	¥- million
iii) Electronically recorded monetary claims-operating	¥636 million	¥636 million	¥- million
iv) Marketable securities and investment securities	¥21,080 million	¥21,098 million	¥18 million
v) Long-term loan receivable	¥269 million	¥269 million	(¥0 million)
vi) Notes payable and trade accounts payable	(¥25,528 million)	(¥25,528 million)	¥- million

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

Notes: 1. Matters concerning calculation methods for market value of financial instruments

- i) Cash and deposit, ii) Notes receivable and trade accounts receivable and iii) Electronically recorded monetary claims-operating

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

- iv) Marketable securities and investment securities

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

- v) 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.

- vi) 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 ¥47,296 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 values, unlisted stocks are not included in "iv) Marketable securities and investment securities."

5. Notes on Information per Share

(1) Net assets per share	¥2,849.94
(2) Basic earnings per share	¥155.06

Non-Consolidated Statements of Changes in Net Assets
(From April 1, 2019 to March 31, 2020)

(Million yen)

	Shareholders' equity								
	Capital stock	Additional paid-in capital			Retained earnings				
		Capital reserve	Other additional paid-in capital	Total additional paid-in capital	Legal retained earnings	Other retained earnings			
						Reserve for employees' severance and retirement benefits	Reserve for cash dividends	Reserve for advanced depreciation of fixed assets	Reserve for special depreciation
Balance at beginning of the term	31,642	26,854	—	26,854	5,978	800	1,138	2,383	225
Changes in the term									
Reversal of reserve for advanced depreciation of fixed assets								(96)	
Reversal of reserve for special depreciation									(130)
Provision of general reserve									
Dividends from surplus									
Profit									
Purchase of treasury stocks									
Disposal of treasury stocks			3	3					
Cancellation of treasury stocks			(3)	(3)					
Net changes of items other than shareholders' equity in the term									
Total changes in the term	—	—	—	—	—	—	—	(96)	(130)
Balance at end of the term	31,642	26,854	—	26,854	5,978	800	1,138	2,287	95

	Shareholders' equity						Valuation / translation differences, etc.		Total net assets
	Retained earnings				Treasury stock	Total shareholders' equity	Differences in valuation of available-for-sale securities	Total valuation / translation differences, etc.	
	Other retained earnings			Total retained earnings					
	General reserve	Retained earnings carried forward to the following term	Total other retained earnings						
Balance at beginning of the term	252,000	28,357	284,904	290,883	(28,020)	321,359	4,954	4,954	326,313
Changes in the term									
Reversal of reserve for advanced depreciation of fixed assets		96	—	—		—			—
Reversal of reserve for special depreciation		130	—	—		—			—
Provision of general reserve	8,000	(8,000)	—	—		—			—
Dividends from surplus		(5,464)	(5,464)	(5,464)		(5,464)			(5,464)
Profit		17,597	17,597	17,597		17,597			17,597
Purchase of treasury stocks					(3,849)	(3,849)			(3,849)
Disposal of treasury stocks					9	12			12
Cancellation of treasury stocks		(6,639)	(6,639)	(6,639)	6,642	—			—
Net changes of items other than shareholders' equity in the term							(3,339)	(3,339)	(3,339)
Total changes in the term	8,000	(2,279)	5,494	5,494	2,802	8,296	(3,339)	(3,339)	4,957
Balance at end of the term	260,000	26,078	290,399	296,377	(25,217)	329,655	1,615	1,615	331,271

Note: Figures of less than one (1) million yen have been omitted.

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 standards 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 Non-Consolidated Balance Sheet, etc.

- (1) Accumulated depreciation on tangible fixed assets: ¥255,766 million
- (2) Debt guarantee:
We guarantee the borrowing by the following companies from financial institutions, etc.
- | | |
|--|-----------------------|
| Kobe Mega Container Terminal Co., Ltd. | ¥1,435 million |
| <u>Others</u> | <u>¥1,489 million</u> |
| Total | ¥2,924 million |
- (3) Transactions of notes receivable endorsement: ¥268 million
- (4) Monetary claims and obligations to subsidiaries and affiliates
- | | |
|--------------------------------------|----------------|
| i) Short-term monetary claims | ¥2,338 million |
| ii) Long-term monetary claims | ¥2,574 million |
| iii) Short-term monetary obligations | ¥2,578 million |

3. Notes to Non-Consolidated Statement of Income

Volume of transactions with subsidiaries and affiliates

- | | |
|---|-----------------|
| i) Net sales | ¥2,355 million |
| ii) Cost of sales, selling, general and administrative expenses | ¥18,081 million |
| iii) Volume of transactions other than operating transactions | ¥1,318 million |

4. 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 81 st fiscal term	Number of increased shares during the 81 st fiscal term	Number of decreased shares during the 81 st fiscal term	Number of shares as of the end of the 81 st fiscal term
Common share	14,952 thousand Shares	1,600 thousand Shares	3,454 thousand Shares	13,097 thousand Shares

- Notes: 1. The increase in the number of treasury stocks of common shares (1,600 thousand shares) is caused by the increase due to the acquisition of treasury stocks in accordance with the resolution of the Board of Directors (1,600 thousand shares) and the increase due to the purchase of fractions (0 thousand shares).
2. The decrease in the number of treasury stocks of common shares (3,454 thousand shares) is caused by the disposal of treasury stocks for restricted stock remuneration (4 thousand shares) and the cancellation of treasury stocks in accordance with the resolution of the Board of Directors (3,450 thousand shares).

5. 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	¥4,797 million
Accrued bonuses	¥697 million
Enterprise taxes payable, etc.	¥278 million
Loss on valuation of golf club membership	¥102 million
<u>Others</u>	<u>¥979 million</u>
Subtotal deferred tax assets	¥6,854 million
<u>Valuation allowance</u>	<u>(¥509 million)</u>
Total deferred tax assets	¥6,344 million

Deferred tax liabilities

Differences in valuation of available-for-sale securities	(¥577 million)
Reserve for advanced depreciation of fixed assets	(¥1,007 million)
Reserve for special depreciation	(¥41 million)
<u>Others</u>	<u>(¥63 million)</u>
Total deferred tax liabilities	(¥1,690 million)
Net amount of deferred tax assets	¥4,654 million

6. Notes on Transactions with Relevant Parties

Officers and principal individual shareholders, etc.

Item	Name	Location	Capital or contribution (Million yen)	Business details or occupation	Ratio of possessing (possessed) voting right, etc. (%)	Relation with the parties interested	Details of transactions		Amount of transactions (Million yen)	Item	Balance at the end of the term (Million yen)
Officer	Masami Kubo	-	-	Chairman & Representative Director, the Company	Directly (possessed) 0.0	-	Transactions with World Cargo Distribution Center Co., Ltd.	Fund loan	-	Short-term loan receivable	3,500
				Chairman & Representative Director, World Cargo Distribution Center Co., Ltd.				Receipt of interest	105	-	-

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 made loans at the interest rate based on the market interest rate.

7. Notes on Information per Share

(1) Net assets per share	¥2,811.21
(2) Basic earnings per share	¥148.48