

CSR & Annual Report
IINO REPORT
2021



[Contact]

IINO LINES

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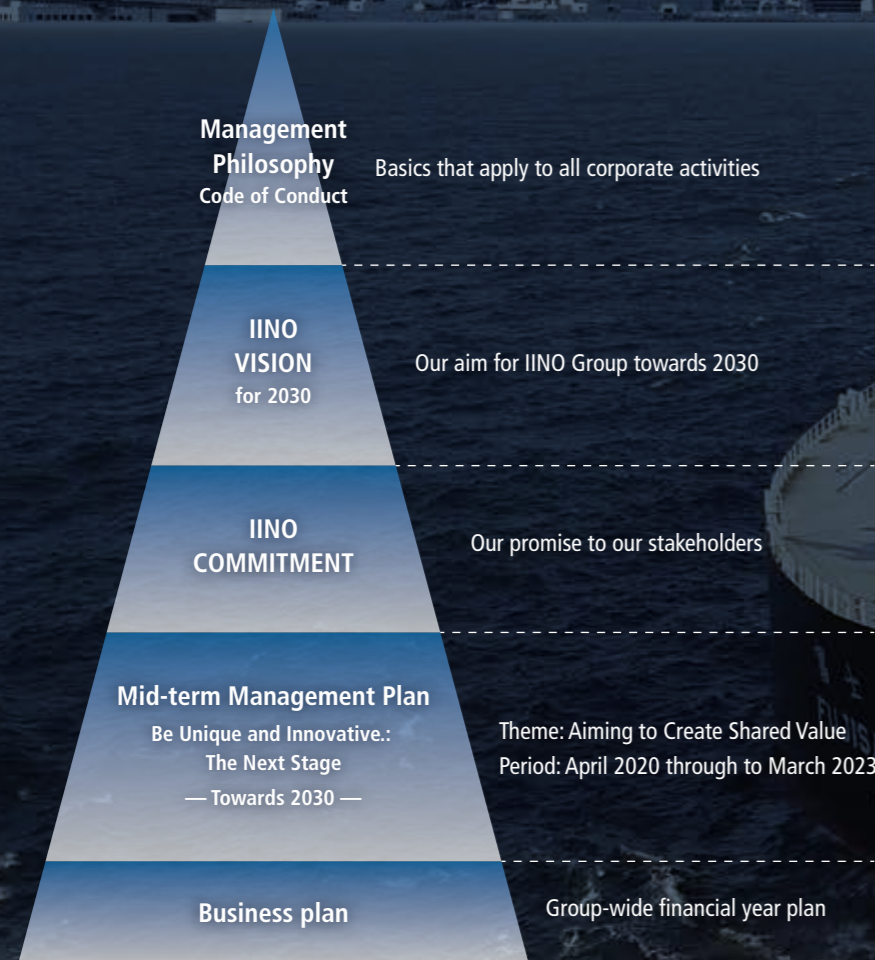
Safe Operations at Sea and Shore

The main businesses of the IINO Group are the Shipping Business (Oceangoing Shipping and Short-sea/Domestic) and the Real Estate Business.

Our business model features these dual business pillars. There is market volatility in the shipping business while it at the same time grows constantly in line with the expansion of the global economy. With relatively small changes in market conditions, the real estate business secures stable earnings.

Management Philosophy

- Safety is the foundation of our business operations.
- We will always provide a stable supply of good services and products at fair prices.
- We will respond to customers' needs promptly.
- We will respect the law and uphold our social and environmental responsibilities.
- We will constantly strive to increase our corporate value and enhance returns to all investors and stakeholders.



Code of Conduct

We have formulated the Code of Conduct as an expression of our Management Philosophy. Officers and employees in the IINO Group are committed to conducting business activities in compliance with this Code.

1. Safety is Priority No. 1

Safety is our highest management priority. Because we are acutely aware of the harm that could be caused to life, customer resources, and the environment by any negligence in our shipping or real estate operations, we will constantly strive to eliminate accidents of all kinds.

2. Contribute to society

While striving to satisfy our customers and earn their trust, we will also contribute to society in general by always providing high-quality products and services at appropriate prices based on fair, transparent, and free competition. Based on this Code, we consider companies with whom we do business as contractual partners or business associates.

We will not only avoid doing harm, but will actively strive to make positive contributions to society. We will always act on behalf of the people in and around our greater business community.

3. Demonstrate respect for our customers

The continued trust of our customers is the source of the Group's prosperity. In every situation, our management and staff will act as representatives of the Group and behave in ways that will strengthen these trust relationships.

In all transactions, we will unflinchingly treat every customer with kindness and respect, regardless of nationality, company size, transaction size, etc. We will respond promptly and directly to our customers' needs, always striving to improve customer satisfaction.

4. Maintain compliance and preserve the social order

In this Code of Conduct, we define compliance as fulfilling our social responsibilities, which include the observance of all laws and regulations wherever we operate.

Our Group companies will all strive to develop such a compliance structure throughout their organizations. Management and staff of all Group companies will behave in a proper manner, not only observing all laws and regulations in the countries where we operate, but also respecting local customs and social mores as well. If any member of the Group learns of a breach of the above policies or that a possible breach may occur, that person shall immediately report the situation to the IINO Group Compliance Committee.

We will respect the social order wherever we operate, and we will have nothing to do with anti-social forces or organizations that undermine that order or threaten public safety.

5. Eradicate discrimination and respect human rights

In all our transactions, including hiring, we will never discriminate against anyone due to nationality, race, religion, age, gender, or any other unjust reason.

We will respect human rights in the workplace so as to maintain an environment in which all employees can work comfortably.

6. Protect the environment

The Group is acutely aware of its responsibility to reduce the environmental impact of its business operations. To that end, we will observe all relevant domestic and international laws and regulations and strive in every way possible to preserve ocean environments, harbor environments, and the environments surrounding the buildings we manage.

7. Fully disclose all relevant information

We will make every effort to communicate fully with our stakeholders in a manner that will ensure their understanding. Moreover, we will show proper consideration for the interests of every stakeholder, including stockholders, customers, employees, and regional communities, among others.

We will disclose promptly and in an appropriate manner all material information about our Group companies, including information that may be detrimental to their interests.

We will not disclose information pertaining to any individual customer nor compromise the privacy of either corporations or individuals with whom we do business.

Publishing the IINO Report



In May 2020, the Group developed “Be Unique and Innovative.: The Next Stage –Towards 2030–,” its Mid-term Management Plan for the period from April 2020 to March 2023, with a view towards the continued growth of Group companies. As stated in the IINO Vision for 2030, the goal of the Group is to be an independent global group that continues to evolve through creative thinking in response to the demands of the times.

This report includes accounts about our medium- and long-term value creation with a focus on the progress regarding the Mid-term Management Plan, value creation strategies including financial and business strategies, and sustainability initiatives that constitute a key part of value creation. The report has been produced in accordance with the Group’s policy of plainly communicating these matters to shareholders, investors, and other stakeholders.

In the process of publishing this report, we formed a Group-wide perspective referencing the Global Reporting Initiative (GRI) Standards, the Integrated Reporting Framework proposed by the Value Reporting Foundation (VRF), and feedback from stakeholders. The individual departments worked together in earnest to create this report. I am certain that the production process of and the content of this report are properly validated.

We will continue to incorporate feedback from stakeholders into our management and strive to improve the content of the IINO Report to showcase our specific actions. We will make full use of this report as a tool for constructive dialogue, press ahead with actions to understand and overcome social issues, and create social value concurrently with economic value to increase our corporate value.

October 2021

President and Representative Director **Hiromi Tosha**

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Editorial Policy

The IINO Group started to publish the “IINO Report” combining the Annual Report for investors and Safety and Environmental Report for shareholders since 2009. The basic policy of the IINO Report is to report our overall activities easily to all our stakeholders. For more detailed information not appearing in this report, please refer to the documents below available on our website.

Company Website

<https://www.iino.co.jp/kaiun/english/>

Annual securities report, summary of financial report, financial results - supplementary report

<https://www.iino.co.jp/kaiun/english/ir/index.html>

IINO Report [Detailed Online Report]

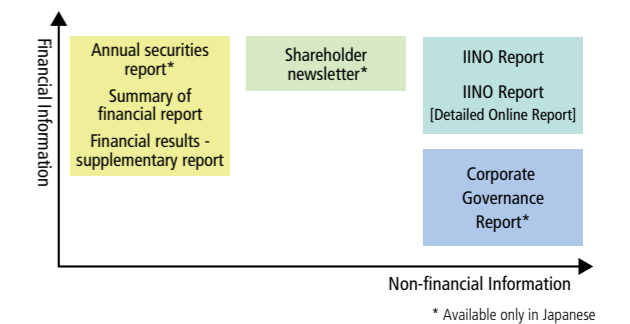
https://www.iino.co.jp/kaiun/english/ir/library_annual.html

Period covered: Fiscal year 2020 (from April 1, 2020 to March 31, 2021)

Note: Some information may concern other periods.

Issued: October 2021

Reporting cycle: Annual, with a report issued every year



Scope Covered in this Report

This report covers IINO Kaiun Kaisha, Ltd., its 59 consolidated subsidiaries, five equity method affiliates, and 10 non-consolidated affiliates. When the applicable companies differ for each field of activity, the scope of coverage is indicated. In this report, the terms “IINO Group” or “the Group” refers to the entire corporate group of 75 companies; “IINO LINES” or “the Company” refers to IINO Kaiun Kaisha, Ltd. alone.

Cautionary note on forward-looking statements

The IINO Report includes statements concerning future plans, strategies, and earnings forecasts of the Group. Such content constitutes forward-looking statements and is based on information available at the time of preparation of this report. Actual results may differ from those expressed or implied by forward-looking statements owing to various factors including economic trends, market environments, exchange rates, and tax regimes.

Overview of IINO LINES

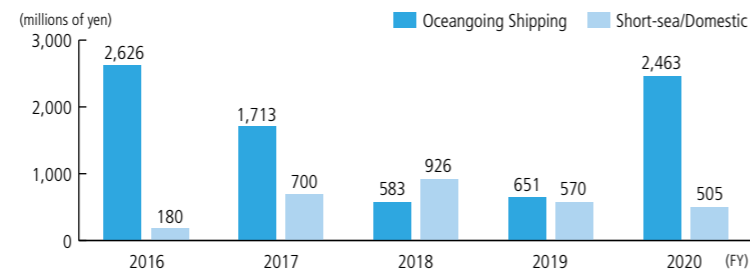
Overview of the Shipping Business

Built on our track record spanning nearly a century, we own and operate ships (ship leasing), manage ships, conduct agent operations, and sell ship equipment. This business consists of two segments: Oceangoing Shipping and Short-sea/Domestic. The Oceangoing Shipping Business is divided into four categories: oil tankers, chemical tankers, large gas carriers, and dry bulk carriers. In the Short-sea/Domestic business, IINO Gas Transport Co., Ltd. (IGT), established in 2007, operates small gas carriers.

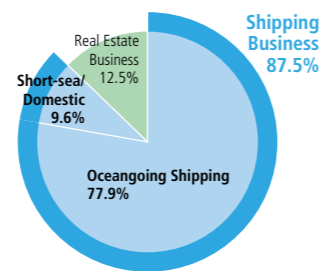
Operating Profit and Its Explanation

The Group balances investment for growth and investment in medium- and long-term contracts for stable earnings in an attempt to maximize earnings. For fiscal year 2020, the Oceangoing Shipping Business recorded an operating profit of 2.5 billion yen with the assistance of a temporary improvement in the chemical tanker and large gas carrier markets, while the Short-sea/Domestic shipping business recorded an operating profit of 0.5 billion yen amid the impact of the COVID-19 pandemic and other factors.

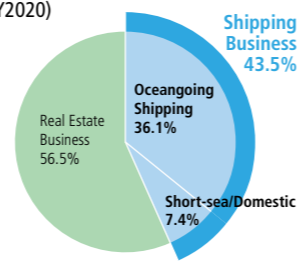
Operating Profit



Shares of Sales by Segment (FY2020)



Share of Operating Profit by Segment (FY2020)

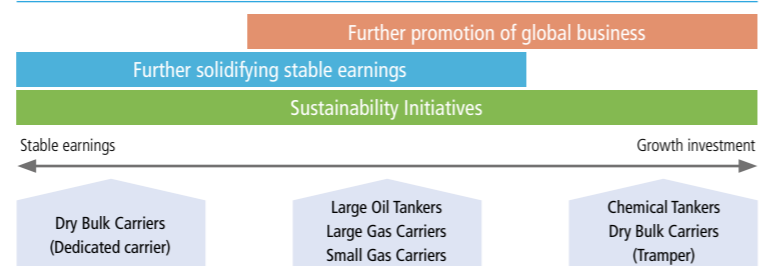


Shipping Business

		No. of vessels	Contract type
Oil Tanker	VLCC	5 vessels	Time charter contracts
Chemical Tanker		41 vessels	Time charter contracts / COA Spot contracts
Large Gas Carrier	LNG carrier	11 vessels	Mainly time charter contracts
	LPG carrier	5 vessels	
Dry Bulk Carrier		20 vessels	Medium- to long-term contracts / COA Spot contracts
Small Gas Carrier		24 vessels	Medium- to long-term contracts

(As of June 30, 2021)

Stable Earnings and Growth Investment



Characteristics of the Shipping Business

- (1) Nearly a century of experience and reliability
- (2) Providing transport services in pursuit of safety, security, and enhanced quality
- (3) Positive investment in environmentally friendly ships and other assets that help reduce environmental impact
- (4) Efficient transport using a global network and long-term stable supply of wide variety of cargo

Oil Tanker (VLCC)

- Almost 100 years of history in the transportation of crude oil
- Ownership of VLCC leveraging cutting-edge technologies and designed for enhanced propulsion performance and excellent fuel efficiency
- A fleet of VLCCs based on medium- and long-term contracts that are not susceptible to market conditions
- Flexible response to customers based on the integration of cutting-edge technological innovation with vast experience

- A wide variety of types of ship to properly meet customers' transport needs which vary depending on cargo
- Introduction of cutting-edge vessels with superior environmental performance while accelerating the shift to larger ships

Large Gas Carrier

- Experience and technical capabilities backed by a long history of around 60 years
- Extensive experience as an LPG transportation pioneer in the industry
- Participation in LNG transportation projects for Japan and other countries.
- Positive investment in environmentally friendly ships including dual-fuel main engine vessels

Small Gas Carrier

- Engaged in domestic LPG transport since 1960
- Holding one of the largest shares of the market in terms of domestic transport quantity of LPG and petrochemical gas
- Providing an integrated marine transport service encompassing ownership, management, and operation of carriers for domestic transport and for oceangoing transport in adjacent waters

Chemical Tanker

- The Group holds the largest share of the market of petrochemical products transported from the Middle East to the Far East and to Europe in terms of quantity
- Transport market share is being increased through a joint venture with a U.S.-based shipping operator
- Cargo quality management based on years of experience and expertise and the establishment of a vessel operation management system
- Efforts to decrease environmental impact such as the construction of methanol carriers equipped with a dual-fuel main engine vessel

Dry Bulk Carrier

- Tramping and dedicated carrier services provided in a wide range of the ocean including coastal waters.

All Fleet
106 Vessels

Deadweight tonnage
5,240,118 dwt
(inclusive of ownership partners' shares)

Major Group Companies

Oceangoing Shipping	
Ship Operation	IINO SINGAPORE PTE. LTD.
Ship Management	IINO Marine Service Co., Ltd.
Ship Brokerage, Ship Equipment Sales	IINO Enterprise Co., Ltd.
Ship Equipment Sales	Godo Senpaku Kogyo Co., Ltd.
Short-sea/Domestic	
Ship Operation, Leasing, and Management	IINO Gas Transport Co., Ltd.

Fleet

Tonnage in Operation (as of June 30, 2021)

Vessel type	Owned or Chartered	Owned		Chartered		Total	
		No. of vessels	dwt (mt)	No. of vessels	dwt (mt)	No. of vessels	dwt (mt)
Oil Tankers		5	1,538,396	0	0	5	1,538,396
Chemical Tankers		15	537,046	26	872,393	41	1,409,439
Large Gas Carriers	Large LNG Carriers	11	798,884	0	0	11	798,884
	Large LPG Carriers	4	216,572	1	55,134	5	271,706
	Subtotal	15	1,015,456	1	55,134	16	1,070,590
Dry Bulk Carriers	Dry Bulk Carriers	3	255,785	15	810,748	18	1,066,533
	Woodchip Carriers	0	0	2	96,899	2	96,899
	Subtotal	3	255,785	17	907,647	20	1,163,432
Small Gas Carriers	Small LNG Carriers	1	1,938	0	0	1	1,938
	Small LPG Carriers	14	23,636	8	30,900	22	54,536
	Molten Sulfur Carriers	1	1,787	0	0	1	1,787
Subtotal	16	27,361	8	30,900	24	58,261	
Total		54	3,374,044	52	1,866,074	106	5,240,118

Note 1: The "Owned" category includes tonnage owned by IINO LINES and affiliated companies. The dwt shown is inclusive of ownership partners' shares.
Note 2: Chartered vessels include short-term chartered vessels.

Overview of IINO LINES

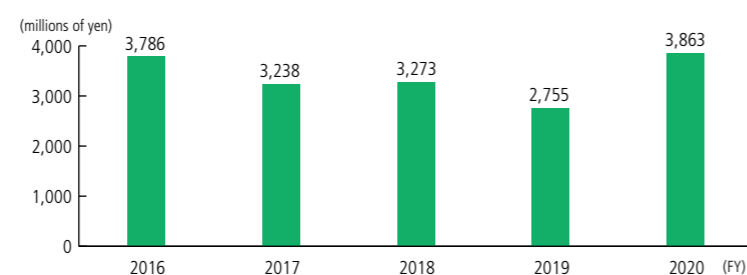
Overview of the Real Estate Business

We own office buildings in central Tokyo and in London. We manage most of them independently to provide high quality office spaces. At the IINO Building, we also operate conference rooms and a theatrical hall. It has acquired different environmental certifications including LEED Platinum certification. We own photo studios in Minami-Aoyama and Hiroo in Tokyo. In June 2021, Hibiya Fort Tower was completed. Featuring superior environmental features and a convenient location, it will be the starting point for innovative businesses.

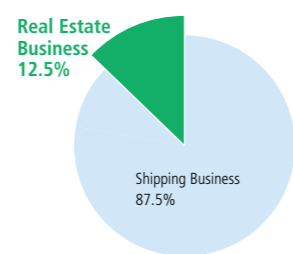
Operating Profit and Its Explanation

In October 2011, the new IINO Building was completed. Beginning in fiscal year 2012, it has been in full operation and earnings have been stable. Operating profit for fiscal year 2020 stood at 3.9 billion yen, as the IINO Building reached full occupancy after the vacant spaces that came into being in fiscal year 2019 gained new tenants.

Operating Profit



Shares of Sales by Segment (FY2020)



Operating Profit Ratio by Segment (FY2020)



Real Estate Business

We own six office buildings in central Tokyo and one in London. We manage most of them independently to provide high quality office spaces. The IINO Building boasts the best quality and has acquired LEED Platinum certification and other environmental certifications. In our real estate-related business, we own photo studios in Minami-Aoyama and Hiroo in Tokyo. At the IINO Building, we also operate conference rooms and a theatrical hall. In the future, we will work to acquire key properties in central Tokyo that will be sources of stable earnings from a long-term perspective and seek properties not only in central Tokyo but also outside Japan and in provincial areas with a view towards accelerated growth.

Strategies for Solidifying Stable Earnings



Characteristics of the Real Estate Business

- (1) Providing safety and security through integrated operation, management, and maintenance services
- (2) Providing office spaces with environmental considerations including enhanced energy efficiency
- (3) Contributing to cultural creation through the real estate-related business including the hall, the photo studios, and the art project at the IINO Building
- (4) Continuing to be a long-term source of stable earnings and a strategy aimed at generating profits quickly

Office Building Leasing

- Offering integrated services based on building management carried out by IINO Building Technology Co., Ltd.
- An abundance of experience nurtured over approximately 60 years since the completion of the former IINO Building in 1960
- IINO Building featuring superior environmental performance

IINO Hall & Conference Center

- Providing a space that serves as a hall and conference rooms on the same floor
- Customer services based on its location in central Tokyo
- Capable of contributing to any intellectual activity, including cultural and artistic activities

Studio Business (IINO Mediapro Co., Ltd.)

- Photo studios in prime Tokyo locations: Hiroo and Minami-Aoyama
- Providing creative spaces that meet creators' needs
- Extensive services including studio operation, photo retouching, and coordination for photography/videography in and outside Japan

Warehousing (IINO Enterprise Co., Ltd. / Taiho Marine Co., Ltd.)

- Operation of hazardous materials warehouses since establishment in 1979
- Storage and handling of hazardous materials with consideration for safety in compliance with laws, ordinances, and regulations

Office Property

7 buildings 6 in central Tokyo
1 in London, UK

Gross floor area
270,143.05m²
(inclusive of ownership partners' shares)

Major Group Companies (Real Estate Business)

Building Management	IINO Building Technology Co., Ltd.
Warehousing	IINO Enterprise Co., Ltd. Taiho Marine Co., Ltd.
Photography Studios and Photo Retouching Services	IINO Mediapro Co., Ltd.
Hall and Conference Center Management	IINO Hall Co., Ltd.

Facilities

Lease Buildings (as of June 30, 2021)

Name	Location	Gross floor area (m ²)
Central Tokyo		
Hibiya Fort Tower	Nishi Shimbashi, Minato-ku	105,609.21
IINO Building	Uchisaiwaicho, Chiyoda-ku	103,826.88
Tokyo Fujimi Building	Fujimi, Chiyoda-ku	10,674.86
Shiodome Shiba-Rikyu Building	Kaigan, Minato-ku	32,702.37
NS Toranomon Building	Nishi Shimbashi, Minato-ku	9,877.04
IINO Takehaya Building	Koishikawa, Bunkyo-ku	4,736.37
Overseas		
BRACON HOUSE	London, UK	2,716.32
		270,143.05

- Notes: 1. Shiodome Shiba-Rikyu Building and Tokyo Fujimi Building are jointly owned with other parties. Gross floor areas shown are inclusive of ownership partners' shares.
2. The company is a unit owner of Hibiya Fort Tower and NS Toranomon Building. The gross floor area shown is inclusive of areas owned by other unit owners.
3. IINO Building includes IINO Hall & Conference Center. Main facilities: 1 IINO Hall (500 theater-style tiered seats), 5 conference rooms
4. The floor area of BRACON HOUSE is the gross indoor floor area.

Photography Studios

Name	Location	Main facilities
IINO Hiroo Studio	Hiroo, Shibuya-ku, Tokyo	5 white cyclorama studios 1 guest room
IINO Minami-Aoyama Studio	Minami-Aoyama, Minato-ku, Tokyo	4 white cyclorama studios 1 daylight studio 2 guest room
Column Minami-Aoyama (Photo Retouch)	Minami-Aoyama, Minato-ku, Tokyo	11 retouch booths 3 meeting rooms

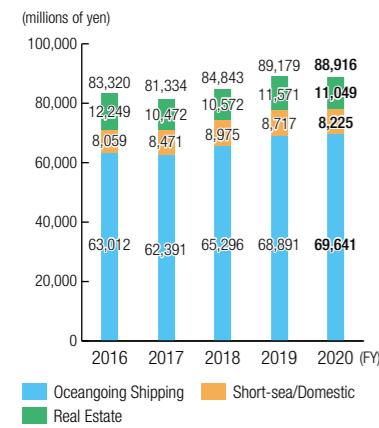
Major Group Companies (Other Businesses)

Accounting Service Commissioned Business	IINO Management Data Processing Co., Ltd.
IT-related Business	IINO System Co., Ltd.
Insurance Agency, Support for General Affairs and Human Resources-related Operations	IINO Business Service Co., Ltd.

Financial and Non-Financial Highlights

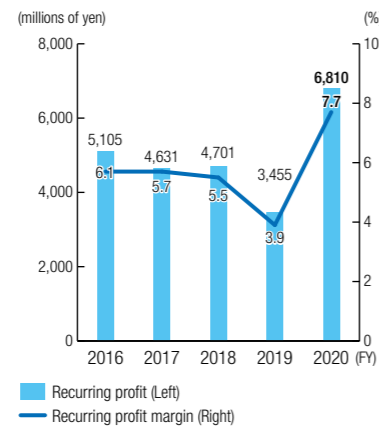
Financial Data

Revenues



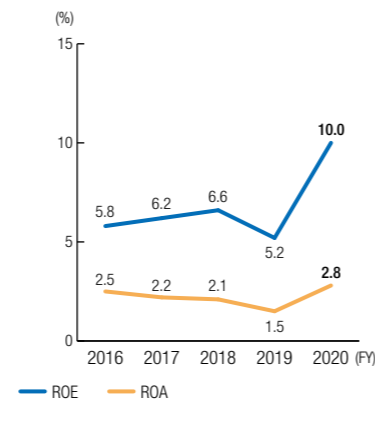
Revenues declined 0.3% year on year to 88.9 billion yen. In the Shipping Business, revenues in the Ocean-going Shipping segment rose 1.1% year on year to 69.6 billion yen, while the Short-sea/Domestic Shipping segment saw a decline in revenues of 5.6% year on year to 8.2 billion yen. In the Real Estate Business, revenues were down 4.5% year on year to 11.0 billion yen.

Recurring Profit / Recurring Profit Margin



Recurring profit is defined as a key indicator of profitability that is emphasized in the Mid-term Management Plan. For fiscal year 2020, it rose 97.1% year on year to 6.8 billion yen, significantly surpassing the target level of 3.6 billion yen, reflecting soaring markets for some type of vessels and full occupancy of the IINO Building. The recurring profit margin rose from 3.9% for the previous fiscal year to 7.7%.

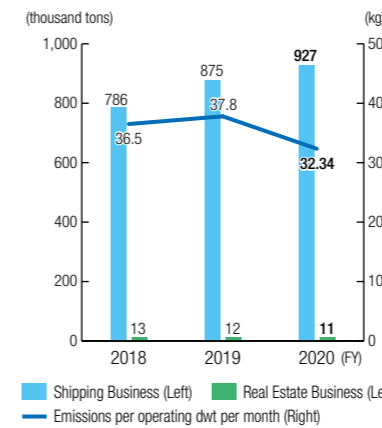
ROE/ROA



Return on equity (ROE) is defined in the Mid-term Management Plan as a key indicator of efficiency with greater attention to capital cost in the stable earnings base. For fiscal year 2020, ROE stood at 10.0%, exceeding the target of 6.0%. Return on assets (ROA) was 2.8%.

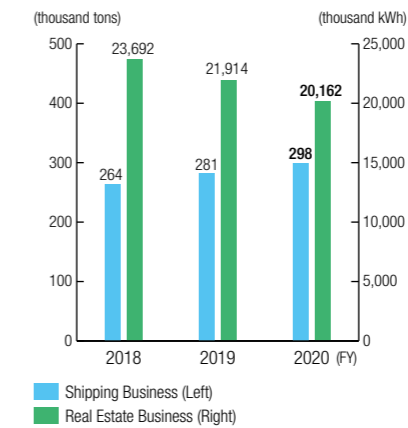
Non-Financial Data

CO2 Emissions (Shipping Business/Real Estate Business)



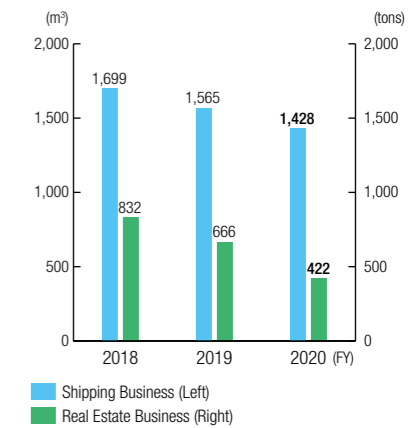
The IINO Group's total CO2 emissions from ships in operation amounted to 927 thousand tons, up 52 thousand tons year on year. However, CO2 emissions per operating deadweight tonnage per month decreased 12% year on year to 32.34 kg. CO2 emissions from our buildings for lease in Japan, including those from tenants, were 11 thousand tons, down around 1,000 tons year on year.

Energy Consumption (Shipping Business/Real Estate Business)



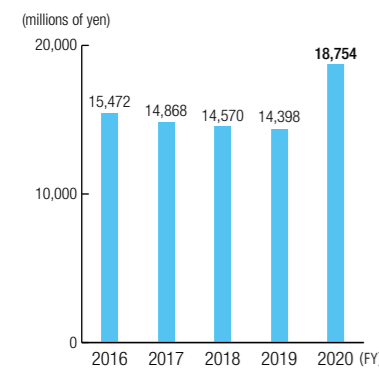
Total consumption of fuel oils for ships, specifically Grade A heavy oil and Grade C heavy oil, increased 17 thousand tons year on year to 298 thousand tons. Power consumption included in the energy consumption in buildings was down 8% year on year to 20,162 thousand kWh. The power consumption target at each building is set at 1% lower than the level of the previous fiscal year.

Waste (Shipping Business/Real Estate Business)



We properly treat waste generated from ships in an effort to conserve the marine environment. For fiscal year 2020, waste emissions associated with life onboard the vessels amounted to 1,428 m³, down 137 m³ year on year. At buildings, we work with tenants to sort waste. For fiscal year 2020, waste emissions stood at 422 tons, down 244 tons year on year, while the recycling rate was 74%, up 2 percentage points year on year.

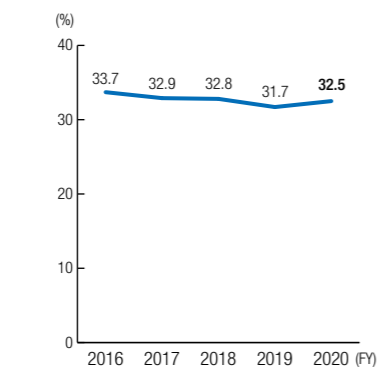
EBITDA



Earnings before interest, taxes, depreciation, and amortization (EBITDA) has been defined in the Mid-term Management Plan as a management indicator of profitability that takes into account depreciation, interest rates, and gain or loss on business investments and with attention to cash flows. For fiscal year 2020, EBITDA stood at 18.7 billion yen, surpassing the planned level of 15.6 billion yen.

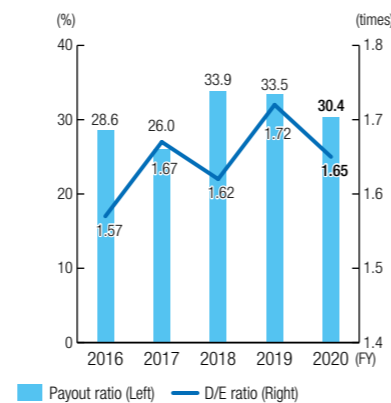
* The figures prior to fiscal year 2019 are recalculated based on the calculation formula used for fiscal year 2020.

Shareholders' Equity Ratio



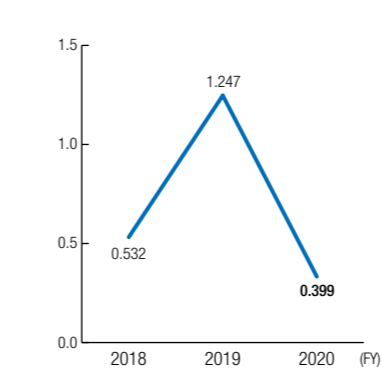
For fiscal year 2020, the shareholders' equity ratio was 32.5%, surpassing 31.7% for fiscal year 2019. This is due chiefly to an increase in retained earnings associated with the posting of profit attributable to owners of parent and an increase in net assets following a rise in the valuation difference on available-for-sale securities after soaring share prices of investment securities owned.

Payout Ratio /D/E Ratio



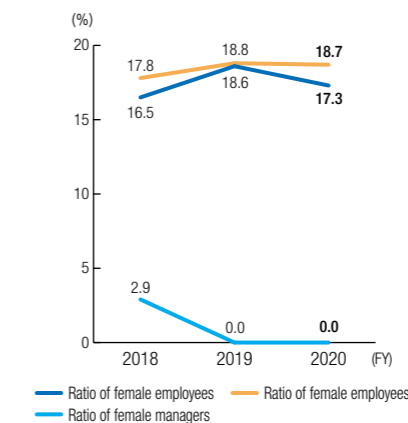
The Mid-term Management Plan defines the debt-to-equity (D/E) ratio as a key indicator of soundness for maintaining financial discipline with a focus on investment balance and sets its upper limit at 2.0. For fiscal year 2020, it stood at 1.65 to meet the limit. Setting a standard payout ratio of 30%, we have a basic policy of continuously paying dividends. For fiscal year 2020, our payout ratio was 30.4%.

Occupational Accident Frequency Rate for Crew (Shipping Business)



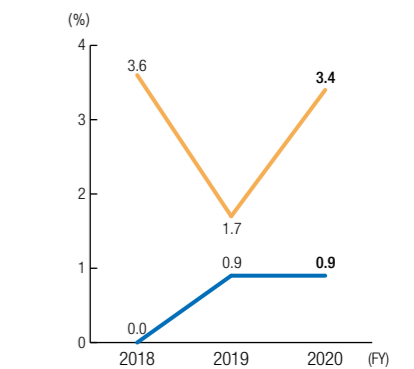
We announce the number of people suffering lost-time injuries due to occupational accidents per one million working hours as an indicator of the frequency of occupational accidents among crew members. For fiscal year 2020, this figure stood at 0.399, lower than the target of 0.5 for fiscal year 2020.

Ratios of Female Personnel (Consolidated, Non-Consolidated and at Managerial Levels)



The ratio of female personnel was 18.7%, remaining almost unchanged from past years. For fiscal year 2020, the ratio of female personnel at managerial levels was 0 on a non-consolidated basis. As of the end of June 2021, it rose to 5.9% after appointing female managers and other initiatives.

Turnover Rate (Non-consolidated)



The turnover rates have remained low, at 0.9% among the onshore staff and 3.4% among seafarers. We will continue our efforts to improve working environments conducive to fruitful labor.

Top Message



Renewing Awareness of the Significance of Being an Independent Global Company to Accelerate Reforms

President and Representative Director

Hiromi Tosha

Anti-Infection Measures with Top Priority on the Safety of Employees, Executives, and Stakeholders

In fiscal year 2020, COVID-19 had a major impact on us. As it spread, we instituted measures giving top priority to the safety of our employees, executives, and stakeholders.

The space onboard a ship is in a sense closed. If infections spread there, a cluster of infections can form instantly. Especially at a port of call, personnel from the port authority and customs have to perform

their duties on board. We paid utmost attention to controlling contact between crew members and others.

Once crew members engaging in the Oceangoing Shipping segment come on board, they normally live in an environment that is away from land for six months. Due to of COVID-19, they could not be rotated as intended and remained in service for 10 to 12 consecutive months. To ensure safe ship operations under these circumstances, we focused on mental health care to minimize the burden on them and to address the issue of their extended service by calling at additional ports away from

the normal route where they could be rotated.

In addition, we encouraged onshore employees to work from home and to implement remote working in order to reduce their attendance at offices. We started with improvements in communication and other infrastructure, and we are currently working on introducing online banking and a project to shift to electronic supporting documents.

In the Real Estate Business, as an owner of office buildings we have a social mission to offer spaces where users can work without concern. We thus have carried out the thorough disinfection of each floor.

Working on Priority Measures in the First Fiscal Year of the Mid-term Management Plan

The Mid-term Management Plan that got underway in fiscal year 2020 defines three priority measures, specifically, the further promotion of global business, further solidifying stable earnings, and sustainability initiatives. We have been working to establish our position as an independent global company that continues to evolve with creative ideas in response to the demands of the times.

Top Message

For “further solidifying stable earnings,” we signed a new ship contract for securing medium- and long-term stable earnings from contracts with Japanese and overseas cargo owners in the Shipping Business. As for the Real Estate Business, our flagship IINO Building and other office buildings are in operation with near-full occupancy to solidify stable earnings. In addition, Hibiya Fort Tower was completed at a location adjacent to the IINO Building at the end of June 2021, further strengthening the base of stable earnings.

With regard to “further promotion of global business,” we had planned to transfer our staff overseas to increase bases for overseas offices so as to enhance services for overseas clients and environmental protection, but the pandemic forced us to postpone such efforts. Even under these circumstances, we are working to expand our bases in London and in Dubai in fiscal year 2021. We will continue to address this as a priority measure.

In terms of “sustainability initiatives,” we are seeking to contribute to building a sustainable society and to create social value by resolving materiality issues that are significant to stakeholders and that have huge impacts on our corporate value. The external circumstances surrounding the Shipping Business and the Real Estate Business are changing rapidly along with materiality issues for stakeholders. In the Shipping Business, we need to reduce greenhouse gases (GHG), conserve eco-systems, and prevent pollution in order to ensure safety and address climate change from the perspective of preventing oil spills and other accidents that would have a huge impact on the global environment and local

communities. In the Real Estate Business, we must ensure the safety of tenants and construction workers. At office buildings, it is important to contribute to local communities, for example, by ensuring a connection with the surrounding environment by means of the IINO Forest next to the IINO Building and offering a space for cultural creation at IINO Hall. To accurately understand the actual circumstances and incorporate them into our management strategies, we think it will be important to have dialogues with stakeholders, undertake company-wide discussions based on them, have the ability to put them into action will be achieved by creating onshore and marine working environments that are friendly to diverse people, and strengthen governance as a foundation for being able to do so. The entire Group will steadily address materiality issues to push ahead with the ESG management stated in the Mid-term Management Plan.

While it is not always possible to develop new products or to achieve innovation given the characteristics of our businesses, we will actively do what we can. We have already embarked on different initiatives. Recent groundbreaking efforts include a decision on the plan to introduce a solar power generation system at the IINO Building, in which its output is expected to cover a portion of our power consumption. The system will come into operation in spring 2022. In addition, we started procuring electric power with a non-fossil value certificate attesting that the power was generated from solar or other renewable energy in April 2021. Reducing GHG emissions is our biggest challenge. As for shifting from conventional ships with heavy oil engines to those propelled by



● Priority Measures

I) Further promotion of global business

Vision towards 2030 · Expansion of global business development



- **Initiatives in the chemical tanker market**
 - Strengthening measures to develop routes other than the existing Middle East routes
 - Achieving further efficiencies in allocation of vessels through amalgamation on Middle East routes
- **Initiatives for gas carriers and dry bulk carriers**
 - Strengthening measures for new cargoes and new routes
 - Accelerate business development for overseas customers
- **Strengthening organizational capability to support a global system**
 - Increase the headcount, strengthen functions, and expand networks of overseas offices
 - Secure and train professionals, utilizing joint-venture companies and overseas local hiring
 - Further enhance expertise concerning sales and ship management throughout the IINO Group

II) Further solidifying stable earnings

Vision towards 2030 · Establish a stronger, stable earnings base



- **Initiatives for strengthening Real Estate Business**
 - Acquire properties in central Tokyo that will become sources of stable earnings from a long-term perspective. Focus on excellent properties, going beyond the target area
 - Advance into properties overseas and in the regions of Japan. Focus on excellent properties to generate earnings early
- **Further strengthening of energy transport**
 - Promote stable fleet replacement. Regular fleet replacement with new VLCCs and VLGCs. Prevent asset obsolescence with the latest-model vessels
 - Continue to offer high-quality service to cargo owners with which IINO LINES has contracts. Ongoing supply of stable and high-quality energy transport, focused on oil tankers, LPG, and LNG carriers for Short-sea/ Domestic and Ongoing Shipping, and dry bulk carriers

III) Sustainability initiatives

Vision towards 2030 · Establishing a more environmentally friendly business system · Building the third pillar in the foundations of the business



- **Promoting investment in assets that contribute positively to the environment**
 - Investment in large vessels with fuel-efficient engines. Reducing CO₂ emissions as well as improving economic efficiency
 - Investment in facilities that can reduce power consumption in owned buildings (such as LED, air conditioning, solar panels, etc.)
- **Strengthening initiatives on vessels that use next-generation fuel**
 - Investment in vessels fueled by LNG, LPG, methanol, etc. Enhancement of know-how on operating and managing dual-fuel engine vessels
- **Strengthening initiatives on sustainable cargo**
 - Strengthening relationships with shippers and accumulating operational know-how of cargo (LNG, grains, fertilizers, etc.) that has a low impact on the environment and contributes to the eradication of hunger and poverty
- **Promoting new business development**
 - Cultivating new business targeting expansion into markets related to the Group's business

clean energy, we will approach clients in Japan and overseas with a high awareness and understanding about the environment. We have already concluded a contract with a Europe-based client for two very large gas carriers (VLGCs) equipped with dual-fuel main engines for LPG. One of the vessels will reach delivery in February 2022 and one in February 2023.

Reorganizing the Corporate Philosophy System to Make Clear Our Significance

The current Mid-term Management Plan is the second since I became President. We started formulating it with discussions for reviewing our

medium- and long-term management policy looking at the long term, instead of separating it into short three-year periods. I hoped to make clear the orientation about what we should be like and what we should do without being influenced by temporary market fluctuations. Based on this idea, we concurrently reorganized our corporate philosophy system.

All of our officers and employees, ranging from officers and managers, who have supported our past growth to middle-level, young, and new employees who will support future growth, have extensively discussed clarifying a roadmap for what our company should be like in 10 years, while envisioning themselves as well, to develop the IINO VISION for 2030.

Top Message

Amid drastic changes in addressing society expectations, we need to remain constantly aware of the demands of the times and to think freely without being constrained by conventional stereotypes. If we are complacent with our 120-year history, we will be left behind. We will ultimately fail to survive if we rely only on the successful experience with the IINO MODEL.

I strongly think that the IINO Group itself must change. It is vital to keep evolving. I ardently believe that only those who do not hesitate to change can survive in the long run.

However, there is something we must not change. That is our spirit of continuing to be an independent company. This independent status allows us to stand on our own feet and to demonstrate what we believe by our actions. It allows us to judge on our own merits whether general social trends are appropriate or not, and to do what we believe is right and to convey our own thinking to society. Even if small in size, our significance as an independent company is enormous.

Closely Watching the Changing Tides to Try New Things according to the Demands of the Times

The changes of the tides are accelerating. This represents both opportunities and risks to businesses. They will be left behind if they do not respond to changes. If they lead in taking action, they will enjoy a first-mover advantage. When we think of 10 or 30 years from now, whether we change gradually or whether we reject any change will make a clear difference.

While closely watching the changing tides, we must operate both of our existing businesses that generate stable earnings and businesses with great future potential but that also have risks.

For example, the Shipping Business is seeing changes in the cargo that ships carry as well as a change in fuel. A century ago, the fuel of vessels shifted from coal to oil. Today, it is shifting from oil to gas, and in the future ammonia and hydrogen may be the mainstream. In

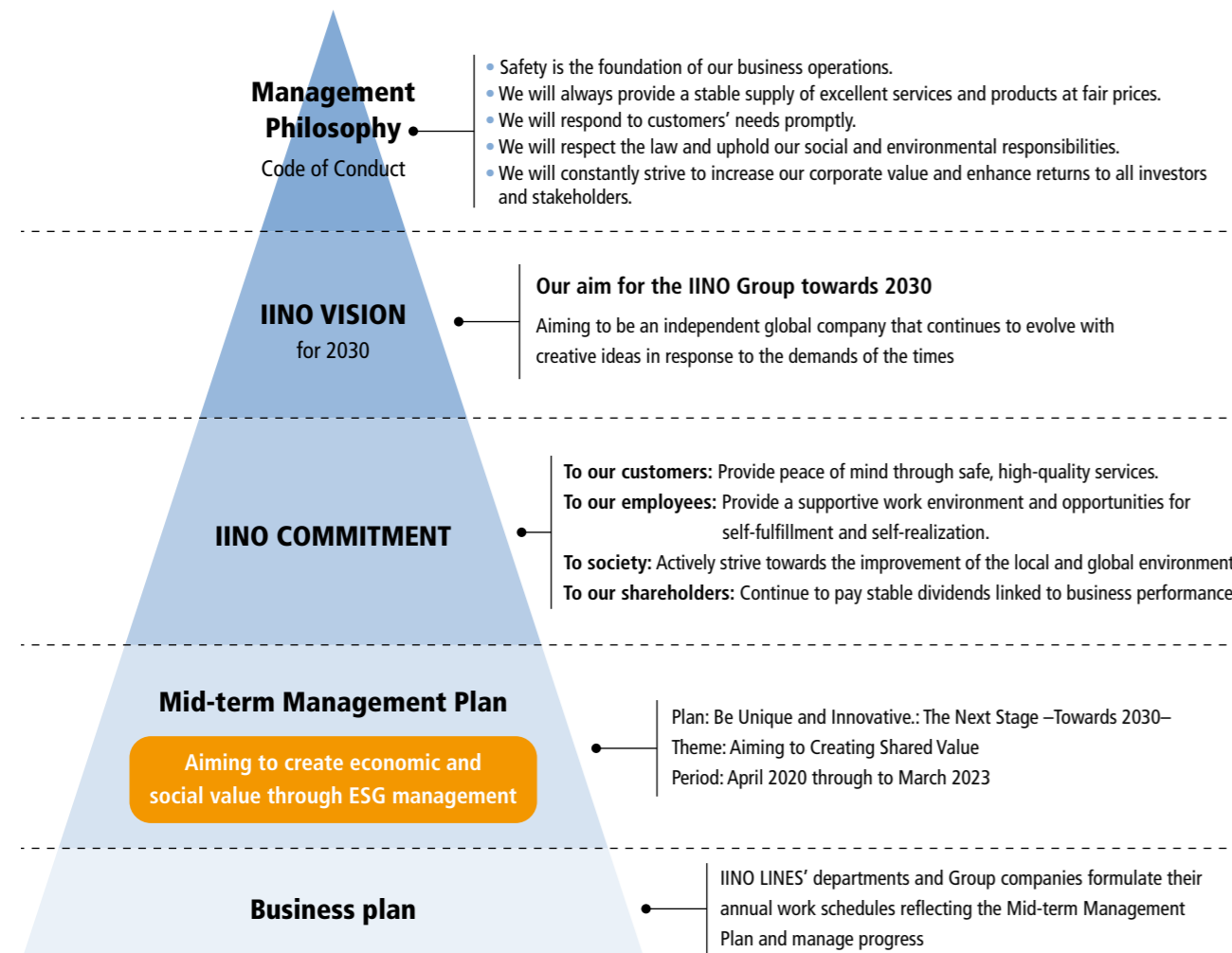
addition, there will be demand for transporting ammonia and hydrogen as new cargo items. A change in fuel leads to a change in ship engines and to demand for new know-how. A change in what we carry leads to a change in routes. I think that it is essential for us to try new things in accordance with the demands of the times in order to retain our independence despite our scale.

We have a history of maintaining our brand name by surmounting recessions in the shipping industry. After the consolidation of shipping companies in 1964, the jobs remaining were tanker business and tramper not a liner business. Tankers were not the mainstream of shipping at that time. However, we increased the number of gas carriers and started the operation of chemical tanker to pioneer new businesses. This is how we have evolved into what we are today.

If we lose this pioneering spirit, we will again be caught by a huge wave. Our major characteristic lies in that we vigorously keep trying new things even though we have no support behind us. Consisting of stability in the Real Estate Business and growth potential in the Shipping Business, the IINO MODEL is a constant business model. However, the portfolio within must always be changed. When we neglect to try new things, the portfolio will become obsolete and the IINO MODEL will fail.



● Reorganization of the Corporate Philosophy System



Listen to Clients to Widen the Range of Services from Different Angles and to Enrich Businesses

The Group is not a manufacturer and is unable to create new products or innovation independently. For our business growth, it is vital to learn from clients from various perspectives and to widen the range of services we offer.

For example, from the perspective of environmental issues, the views of Japanese, American, and European clients are quite different. We think that Japan is building a consensus about bearing the environmental cost in society. Today, we are competing for survival in the race of cost cutting and in open competition. In the near future, players will suddenly move towards valuing environmental conservation. I think that is the current situation in Japan.

In Europe, relevant parties began to pay attention to such concerns 10 years ago or earlier, and they have since been working to develop new rules for maintaining their comparative advantage looking to the next era. The application of Europe's rules to the entire world means that they will have an advantage in the environmental sector and win out internationally.

In a situation where there are clear regional disparities, our strength lies in the fact that we have bases in the Middle East, Europe, the United States, and Asia, as well as experience in directly communicating with local people and conducting business in these regions. We can evolve by ourselves by doing business with people in environmentally advanced regions if we are prepared to accept changes. The knowledge and

expertise we accumulate there will later be sought by Japanese clients. This is in line with our stance on ESG management.

Looking Back on My Past Five Years as President

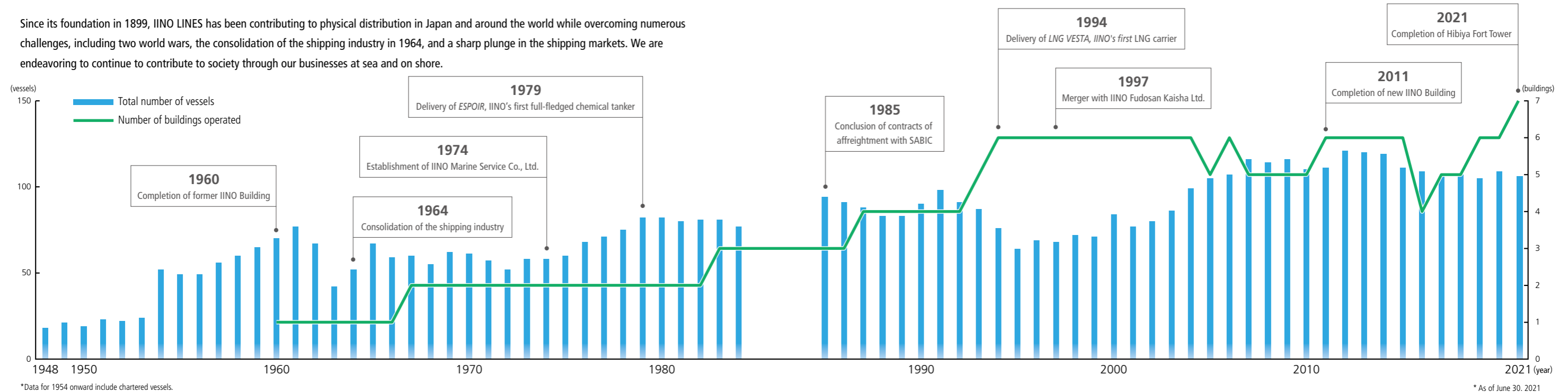
As I look back on the past five years, I frankly feel that changes in the environment have been rapid. In contrast, I feel that our Group's changes were slow. When the president alone has this view, the company does not change. When all the staff take action, the company will move in the same direction. It is an ongoing challenge. I think that the only way is to set an example personally. I realize that I will speak out about my ideas on what I should do, as is my character.

Last year, we announced the IINO COMMITMENT. It was a specific pledge to our clients, officers and employees, society, shareholders, and other stakeholders. It is part of carrying through and fulfilling our societal commitment. Since it is publicized widely, we have to make sure that we put it into action.

We have a free and broad-minded corporate culture and will further bolster it. Without being constrained by past experience or conventional wisdom, we will make use of free ideas to positively respond to the demands of the times and to evolve by offering solutions to social issues. Even under circumstances where large companies set the trends in society, as an independent global company, we will put into practice what we consider to be right at our own discretion, as we seek to play a role of offering value that may be unfamiliar to large companies and clients.

History of the IINO Group

Since its foundation in 1899, IINO LINES has been contributing to physical distribution in Japan and around the world while overcoming numerous challenges, including two world wars, the consolidation of the shipping industry in 1964, and a sharp plunge in the shipping markets. We are endeavoring to continue to contribute to society through our businesses at sea and on shore.



*Data for 1954 onward include chartered vessels.

* As of June 30, 2021

1899-1959

In 1899, Torakichi Iino established IINO Shokai in Maizuru, Kyoto, and started transportation of coal by barge and stevedoring. Later, following the transition from coal to petrol, the company moved into the tanker business, shipping crude oil using the largest oceangoing tankers in the nation; the *FUJISAN MARU* (1st generation) and *GOHO MARU*. In 1944 the company adopted its current name, IINO Kaiun Kaisha, Ltd. (IINO LINES). The company began offering regular ocean liner services in the 1950s. In 1955, IINO Fudosan Kaisha Ltd. (IINO Real Estate) was established.



Torakichi Iino, founding President



FUJISAN MARU (1st generation)

1960-1978

In 1960, construction of the former IINO Building was completed. The same year, *TOHO MARU*, Japan's first pressurized gas carrier for Short-sea/ Domestic, was delivered and the Group began Short-sea/Domestic of LPG. IINO LINES split off the Liner Service Department upon the consolidation of the shipping industry in 1964 and began to streamline its management approach thereafter. In 1970, the IINO Group's first Panamax dry bulk carrier, *ZENKOREN MARU* No. 5, began shipping operations. In 1971, after more than a decade of stagnation in the shipping industry, we managed to pay the first dividend in 13 and a half years as a result of careful and appropriate efforts including long- and short-term contract renewals under more favorable terms.

In 1974, IINO Marine Service Co., Ltd. was established to offer ship management operations. In the following year, the company completed Japan's first Flag of Convenience (FOC) vessel adopting a system whereby Japanese and foreign crew members worked together aboard.*

*A system enabling crew members of more than one nationality to operate a ship owned by an overseas subsidiary established solely for the purpose of owning the vessel



Former IINO Building



ZENKOREN MARU No. 5

1979-2010

After delivery of the chemical tanker *ESPOIR* in 1979 and a deal with Saudi Arabia Basic Industries Corporation (SABIC) in 1985, the company opened a Middle East route and entered the chemical tanker business. 1994, the construction of the Group's first LNG carrier, *LNG VESTA*, was delivered. In 1997, the company merged with IINO Fudosan Kaisha Ltd. Following the expansion of its business, the company established local subsidiaries in Singapore in 2002 and London in 2004. In 2006,

the company's recurring profit surpassed 10.0 billion yen for the first time following completion of the Shiodome Shiba-Rikyu Building (the company's first high-rise office building), and an improvement in shipping markets.



Shiodome Shiba-Rikyu Building



LNG VESTA

2011-Present

In 2011, the construction of the new IINO Building featuring state-of-the-art environmental capabilities was completed. In response to diversification of chemical tanker routes, the company established a U.S. subsidiary in 2015. In 2019, *Creole Sun*, the company's first methanol carrier equipped with a dual-fuel main engine vessel, was delivered. In 2020, the company acquired an office building in London. In June 2021,



New IINO Building

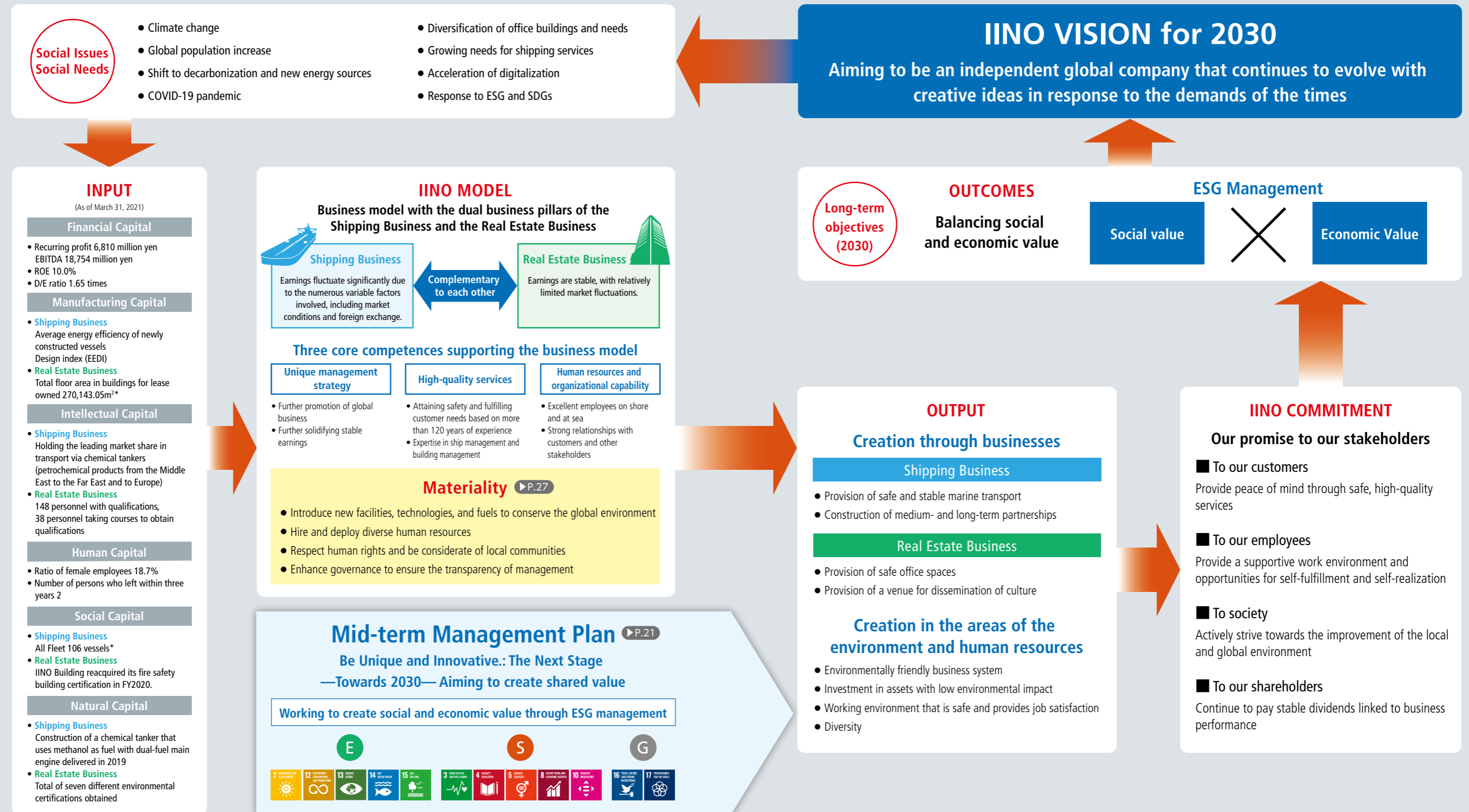
Hibiya Fort Tower, adjacent to the IINO Building, was completed. In May 2020, the company developed a Mid-term Management Plan for the period from April 2020 to March 2023, with sustainability initiatives included in its priority measures aimed at the continued growth of Group companies towards 2030.



Creole Sun

Value Creation Process

The IINO Group capitalizes on the diverse capital resources that it has cultivated to implement its business model featuring the dual business pillars of the Shipping Business and the Real Estate Business. In doing so, we fulfill our commitments to our stakeholders and create economic and social value from a long-term perspective.

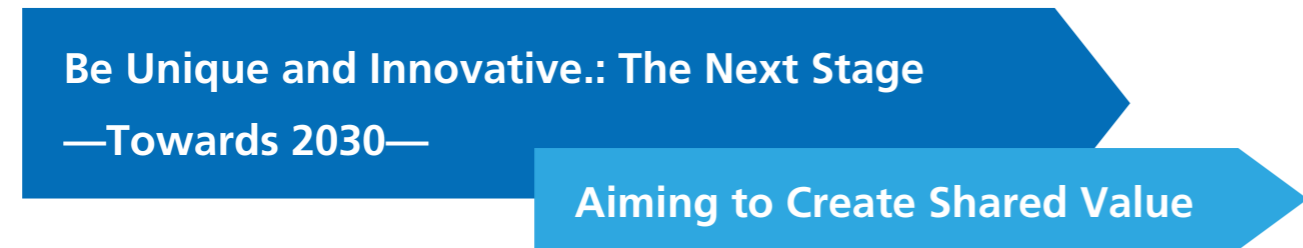


*As of June 30, 2021

Progress of Mid-term Management Plan

In this section, we explain the progress of our Mid-term Management Plan “Be Unique and Innovative.: The Next Stage –Towards 2030–” formulated with a view to further growth of Group companies towards 2030.

Outline of Mid-term Management Plan



The Group formulated the three-year Mid-term Management Plan “Be Unique and Innovative.: The Next Stage –Towards 2030–” (April 2020 through March 2023, “the Plan”) with a view to further growth of Group companies towards 2030, and has been engaged in various initiatives since fiscal year 2020.

In the Plan, we set our goals towards 2030 (IINO VISION for 2030) with a view to establish our position as an independent global company that continues to evolve with creative ideas in response to the demands of the times. The Plan was formulated to further pursue the creation of our own unique business model (the IINO Model) and the provision

of high quality service (IINO QUALITY). Moreover, we aim to increase the economic value of the Group while at the same time creating social value by responding to social needs including environmental preservation through proactive initiatives on sustainability, thereby creating shared value (CSV) as a Group.

In this plan, the IINO Group will take action on three fronts as priority strengthening measures to achieve the IINO VISION for 2030 and advance CSV. We will also promote the six foundation items implemented to make sure of the priority strengthening measures in order to establish solid foundations for the Company.

Review of the First Year

Progress with regard to the three priority measures during the first year of the Plan was as follows.

With regard to the first priority measure, “Further promotion of global business,” the Group placed orders for two environmentally friendly large-scale gas carriers (VLGCs) for use in operations under newly signed time charter contracts with overseas customers in the Oceangoing Shipping Business. We also continued our efforts in the Real Estate Business overseas, such as by securing earnings through the smooth operation of the office building in London. In June 2021, in order to accurately grasp the needs of customers from a global perspective and develop our global business operations (including overseas bases), we established the Business Strategy Department by integrating the Overseas Strategy Department (which oversees the activities of overseas locations) with the Business Development Promotion Department (which handles planning and research for new businesses).

With regard to the second priority measure, “Further solidifying stable earnings,” in the Shipping Business we have delivered a large crude oil tanker and small gas carrier that will be deployed in medium- to long-term contracts, thus securing stable earnings. In the Real Estate Business, continued full-occupancy operation of the IINO Building has secured stable earnings, and Hibiya Fort Tower completed at the end of June 2021 has also contributed to an increase in stable earnings.

The third priority measure is “Sustainability initiatives.” We are

advancing investments in environmentally friendly assets and initiatives to introduce next-generation fueled vessels. Specifically, in addition to the delivery of two large-scale crude oil tankers equipped with SOx scrubbers, we have also placed orders for two VLGCs equipped with dual-fuel main engine for LPG, which will contribute to reducing greenhouse gas emissions.

Additionally, in building Hibiya Fort Tower, with the objective of allocation for construction business costs, we have also decided to engage in additional borrowing through Green Bond, Green Loans, and borrowings based on the Development Bank of Japan Inc.’s DBJ Environmentally Rated Loan Program. Through such means, we have raised funds for acquiring assets that contribute to reducing the environmental impact of our creation of social value. Also note that for the IINO Building we have decided to procure funds through a Green Loan that will be used to refinance construction project costs.

In addition to these priority measures, we have organized new taskforces for strengthening ESG and SDG initiatives and the acceleration of digital transformation (DX), both of which are fundamental response measures. The Group will work together in a united effort to further strengthen efforts to reduce greenhouse gas emissions, develop remote work environments, and promote digitalization, such as by renewing or replacing core systems.

Numerical Targets (As of August 5, 2021)

		FY2020 Result	FY 2021 Plan	FY 2021 Forecast	FY 2022 Plan	FY 2030 Target
Assumptions	Exchange rate	105.79/\$	105 yen/\$	108 yen/\$	105 yen/\$	
	Bunker oil price	\$346/mt	\$670/mt	\$500/mt	\$650/mt	
Revenues	(billions of yen)	88.9	90.0–110.0	920	90.0–110.0	160.0
	(billions of yen)	6.8	7.0–8.0	45	7.5–8.5	12.0
Operating profit	Shipping Business	3.0	2.5–3.5	5	2.5–3.5	6.0
	Real Estate Business	3.9	4.5	40	5.0	6.0
Recurring profit*1	(billions of yen)	6.8	6.5–7.5	50	7.0–8.0	10.0
Net income	(billions of yen)	7.7	6.0–7.0	80	7.0–8.0	10.0
EBITD*1	(billions of yen)	18.8	19.0–20.0	—	19.5–20.5	25.0
ROE*2	(%)	10.0	7–8	—	8–9	10
D/E Ratio*3	(times)	1.65	Max. 2.0	—	Max. 2.0	Max. 2.0

* Plan and target figures announced May 2020, predicted figures announced August 5, 2021.

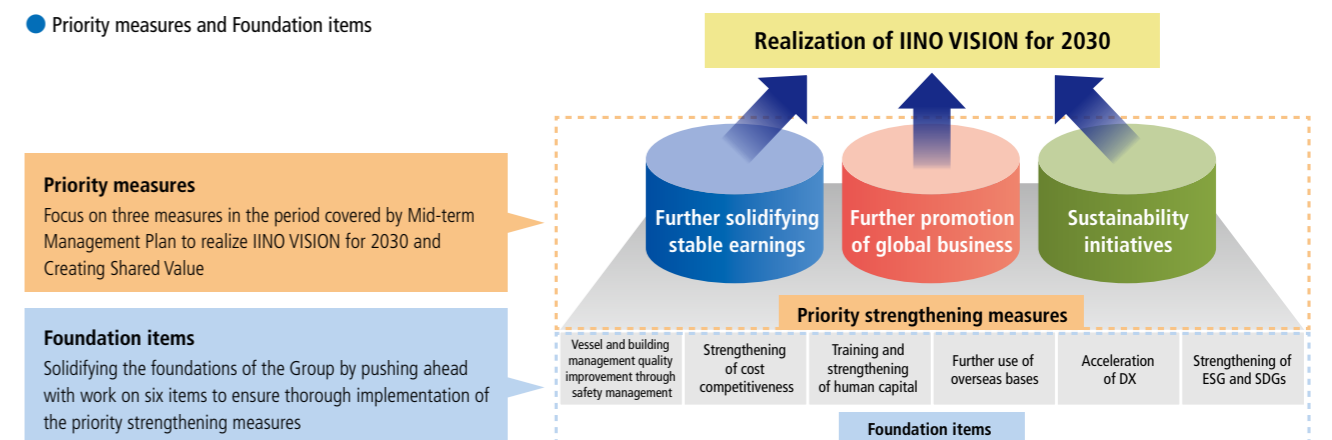
* EBITDA: Operating profit + Depreciation + Dividend income and Equity in earnings of affiliates of main business investments

*1 Profitability indicator: Taking into consideration depreciation expenses, interest, business investment (profit/loss), and awareness of cash flow

*2 Efficiency indicator: Greater awareness of capital costs against the backdrop of a stable financial base

*3 Financial health indicator: Focusing on the balance of investment and maintaining the discipline in the financial base

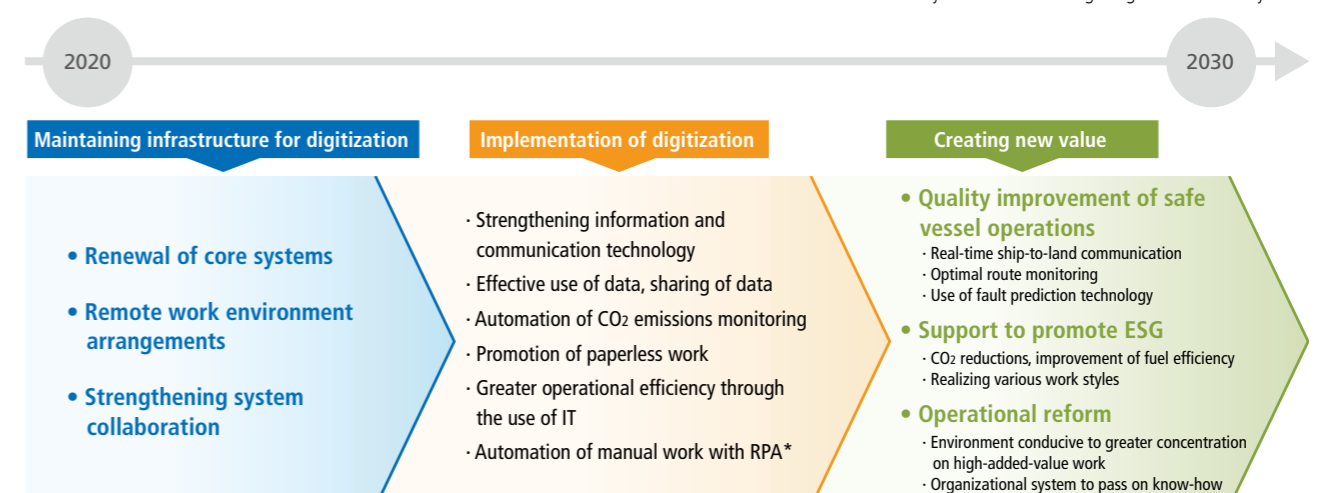
Priority measures and Foundation items



Progress in Accelerating DX

In this section we will present the progress of the IINO DX Task Force, which is responsible for accelerating DX, which is one of the Group’s foundation items. Firstly, the task force is working on maintaining infrastructure for digitalization, namely, supervising and managing IT systemization projects of each Group company and department, developing efficient projects, and optimally deploying systems personnel as necessary. As the driving force behind the Group’s digital transformation, the task force is also focusing on the following initiatives.

- Initiative 1:** Remote work environment arrangements
 - ➔ Commenced work from home protocols as an emergency response to the COVID-19 pandemic and introduced a free addressing system for the Oceangoing Shipping Sales Division.
 - ➔ Began selection and consideration for full-scale, next-generation communications/remote work environment with the aim of implementing future workplace reforms.
- Initiative 2:** Work duties relating to ingoing/outgoing payments and complete shift to working from home
 - ➔ Introduced internet banking, launched evidence documentation digitalization project
- Initiative 3:** Vessel management
 - Working to visualize vessel status and centralize and increase sophistication of vessel management data
- Initiative 4:** Renewal of core systems and enhancing integration between systems



*RPA (Robotic Process Automation)

Message from Executive Officer in Charge of Finance



Review of the First Year of the Mid-term Management Plan

Fiscal year 2020 was the first year of the Mid-term Management Plan. We made a fresh start under extraordinary circumstances including the COVID-19 pandemic that tremendously impacted people's lives around the world as well as domestic and overseas economies. Affected by COVID-19, the Group's Shipping Business enjoyed the benefits of surges in large gas carrier markets and chemical tanker markets. Also affected by COVID-19, our Real Estate Business achieved an increase in rental income following new tenant occupancies in the IINO Building, thereby achieving favorable results. Accordingly, the Group's business performance exceeded forecasts. We use three quantifiable indicators to evaluate the achievement of the Mid-term Management Plan, specifically profitability, efficiency, and financial soundness. In fiscal year 2020, these indicators were all higher than forecast. (See Table 1.)

Regarding cash flows, the operating cash flow hit a five-year high at approximately 19.3 billion yen, a significant jump in the indicator supported by strong overall sales. The investing cash flow stood at around 23.0 billion yen. The factors behind this high level include the procurement of large vessels and the purchase of real estate in the UK. According to the plan, we are to create a cumulative total operating cash

● (Table 1) Profitability, Efficiency, and Financial Results and Forecasts

	FY2019 Results	FY2020 Results	FY2021 Forecasts
Profitability index			
Recurring profit (billions of yen)	3.5	6.8	4.5
EBITDA (billions of yen)	14.4	18.8	—
Efficiency index			
ROE (%)	5.2	10.0	—
Financial soundness indicator			
D/E Ratio (times)	1.72	1.65	—

flow of 55.0 billion yen in the three-year period and invest 45.0 billion yen in businesses in growth areas and in the area of the environment. The results for fiscal year 2020 were in line with this plan. (See Table 2.)

Initiatives Supporting the Financial Foundation for the Future

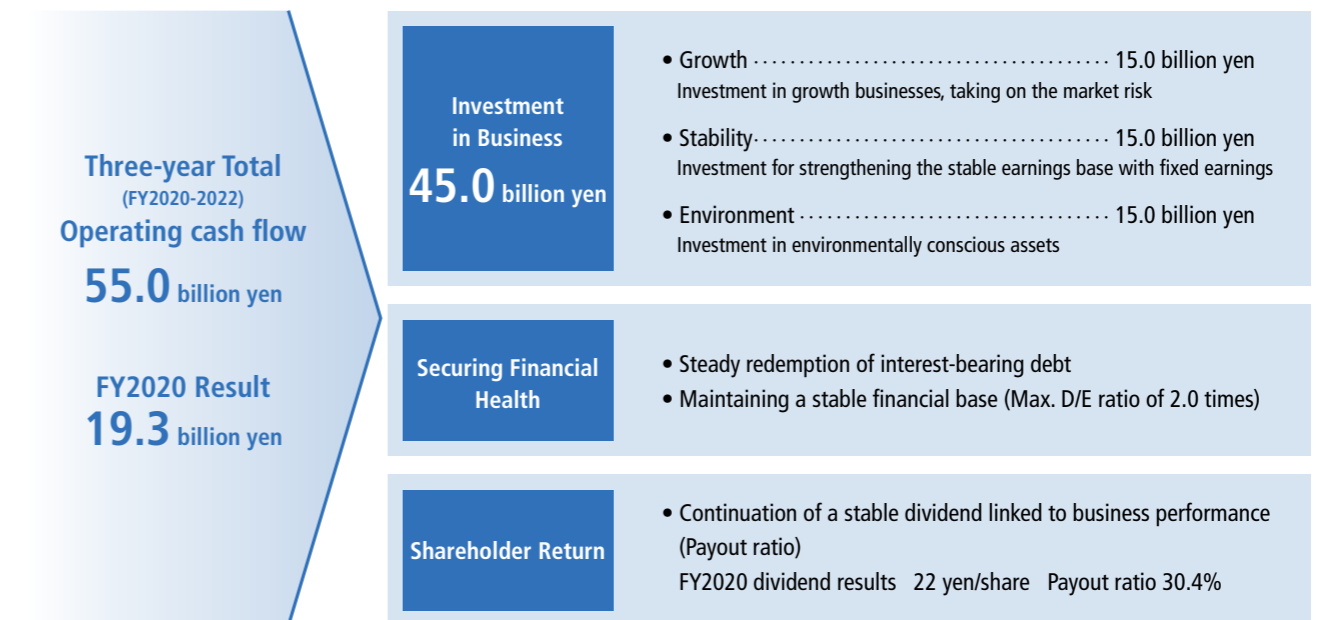
In contrast with the briskness of fiscal year 2020, the market is expected to be weak due to the pandemic. The business environment precludes optimism. Profits are expected to shrink from fiscal year 2020. Both in the Shipping Business and the Real Estate Business, we will need to take action while working to improve results. We will provide a solid financial foundation for practical activities.

Our fund procurement is centered on borrowings from the financial institutions we trade with. They rate us as having a stable financial base and have continued favorable and stable transactions with us for a long time. With Japanese financial institutions, we have set a revolving line and a commitment line of 18.0 billion yen and a U.S. dollar-denominated commitment line of USD 60 million. Thus, we have secured sufficient liquidity. Our corporate bond gained a long-term issuer rating of BBB+ (Outlook: Stable) from Japan Credit Rating Agency, Ltd. (JCR) and an issuer rating of BBB (Rating Outlook: Stable) from Rating and Investment Information, Inc. (R&I). Both ratings remained unchanged. Since we have maintained our solid financial base as in the past, we will continue to flexibly and promptly procure funding to carry out our business activities towards growth.

Environmentally Considerate Investing and Fund Procurement

The Group is conducting ESG management, or management focused on the environment, society, and corporate governance, in an effort

● (Table 2) Allocation of Operating Cash Flows



to increase its corporate value. The Mid-term Management Plan also reflects this concept and sets specific quantitative indicators to enhance such efforts. Among these, the reduction of environmental impact is to be addressed in the Shipping Business and in the Real Estate Business. To tackle the financial aspects of this issue, our investments and fund procurement activities give due consideration to the environment.

Our actions related to our investments in ships with environmental considerations include the decision to construct two dual-fuel engine vessels using LPG, which will open the way for the use of LPG as a fuel in addition to bunker oil and help reduce the emission of carbon dioxide (CO₂), nitrogen oxides (NO_x), sulfur oxides (SO_x), and other substances. Our actions also include the installation of ballast water treatment systems and SO_x scrubbers in newly constructed ships to protect marine eco-systems.

In the Real Estate Business, we participated in the construction of the environment-friendly Hibiya Fort Tower, which was completed in June 2021. To finance this project, we issued 5.0 billion yen of Green Bonds and borrowed 1.5 billion yen through Green Loans. This was the first time we issued Green Bonds, a defining feature of which is that the funds must only be spent on Green Projects, which are projects that contribute to the environment. They have attracted so much attention from institutional investors that a large number of investors applied to purchase the bonds. In tandem, we decided to procure 2.0 billion yen under the DBJ Environmentally Rated Loan Program run by Development Bank of Japan Inc. (DBJ) and appropriated the amount to the construction of Hibiya Fort Tower. At the time we took out the loan, we were rated as having advanced environmental initiatives. Additionally, we decided to procure funds of 5.76 billion yen for the IINO Building through a Green Loan. The loan has been used to refinance construction project costs. At present, environmental response is a significant requirement for investments and loans irrespective of whether the

financing is direct or indirect. We believe that we managed to succeed in our timely fund procurement leveraging green finance.

Basic Policy on Earnings Distribution and Dividends

The return of earnings to shareholders is a significant issue for management. Our basic dividend policy is to continuously pay stable dividends while securing retained earnings in preparation for changes in the business environment and using these retained earnings to invest for growth to maintain our sound financial foundation. In view of this, our new policy is to continue paying dividends at a standard payout ratio of 30% against the full-year earnings results to ensure our dividends are more linked to earnings growth.

For fiscal year 2020, we paid an interim dividend of 6 yen per share and a year-end dividend of 16 yen per share, which was an increase of 5 yen from the dividend forecast, resulting in a total annual dividend of 22 yen per share.

Long-Term Financial Approach

As we continue to be impacted by the COVID-19 pandemic, the outlook remains uncertain. In line with the changes in social circumstances, businesses must carry out work style and other reforms. When I think of what the future holds beyond the Mid-term Management Plan, I feel that ESG management based on sustainability will be more and more significant. From this perspective, we will invest our funds to seize business opportunities. For this purpose, while mainly procuring funds through loans from financial institutions, we will ensure our financial actions are flexible and choose the fund procurement methods that best fit the financial situation from the extensive options available to us, including the issuance of corporate bonds.

Promotion of ESG Management

IINO Group's ESG Management

Aiming to enhance corporate value by tackling and overcoming environmental, social, and economic issues

It is becoming increasingly important to position sustainability at the core of corporate management. As well as the creation of economic value, companies are required to create social value in cooperation with all stakeholders as a member of society by tackling the resolution of issues related to ESG (environment, social and governance). In the Mid-term Management Plan formulated in May 2020, IINO LINES set out its plans to promote ESG management to tackle and overcome ESG issues while aiming to improve corporate value. We will pursue the realization of a sustainable society and corporate growth by putting ESG management into practice based on our Management Philosophy.

IINO COMMITMENT (Our promise to our stakeholders)

- To our customers: Provide peace of mind through safe, high-quality services
- To our employees: Provide a supportive work environment and opportunities for self-fulfillment and self-realization
- To society: Actively strive towards the improvement of the local and global environment
- To our shareholders: Continue to pay stable dividends linked to business performance

SDGs to be tackled through business



• Environment

We are making company-wide efforts to achieve a low-carbon society, including the setting of greenhouse gas (GHG) reduction targets and establishing the IINO Environmental Management Task Force to meet them. In the Shipping Business, we comply with international agreements and regulations, work to improve fuel consumption through more efficient operation, and conduct research into clean energies. In the Real Estate Business, we are proactively pursuing environmental initiatives such as reducing GHG emissions and curbing waste generation in each building.

In addition, Company will strengthen its analysis and response to the risks and opportunities that climate change poses to its business, and has endorsed the TCFD recommendations corresponding to its efforts to expand the disclosure of related information.



• Social

It is our social mission to continue providing safe and secure services in the Shipping Business and Real Estate Business, and to put ESG management into practice, it is essential to develop, secure, and make good use of excellent human resources. We are implementing various measures to enhance education and training, improve the workplace environment (particularly in terms of dealing with the long-term boarding of employees at sea during the COVID-19 pandemic), and offer opportunities for self-realization so that employees at sea and on shore can demonstrate their full capabilities. We are also tackling the diversity of officers and employees in terms of capabilities as well as gender, race, nationality, and other factors. We are implementing various measures to prevent the spread of COVID-19 in order to ensure safety and peace of mind in both the Shipping Business and Real Estate Business while safeguarding the health of employees.

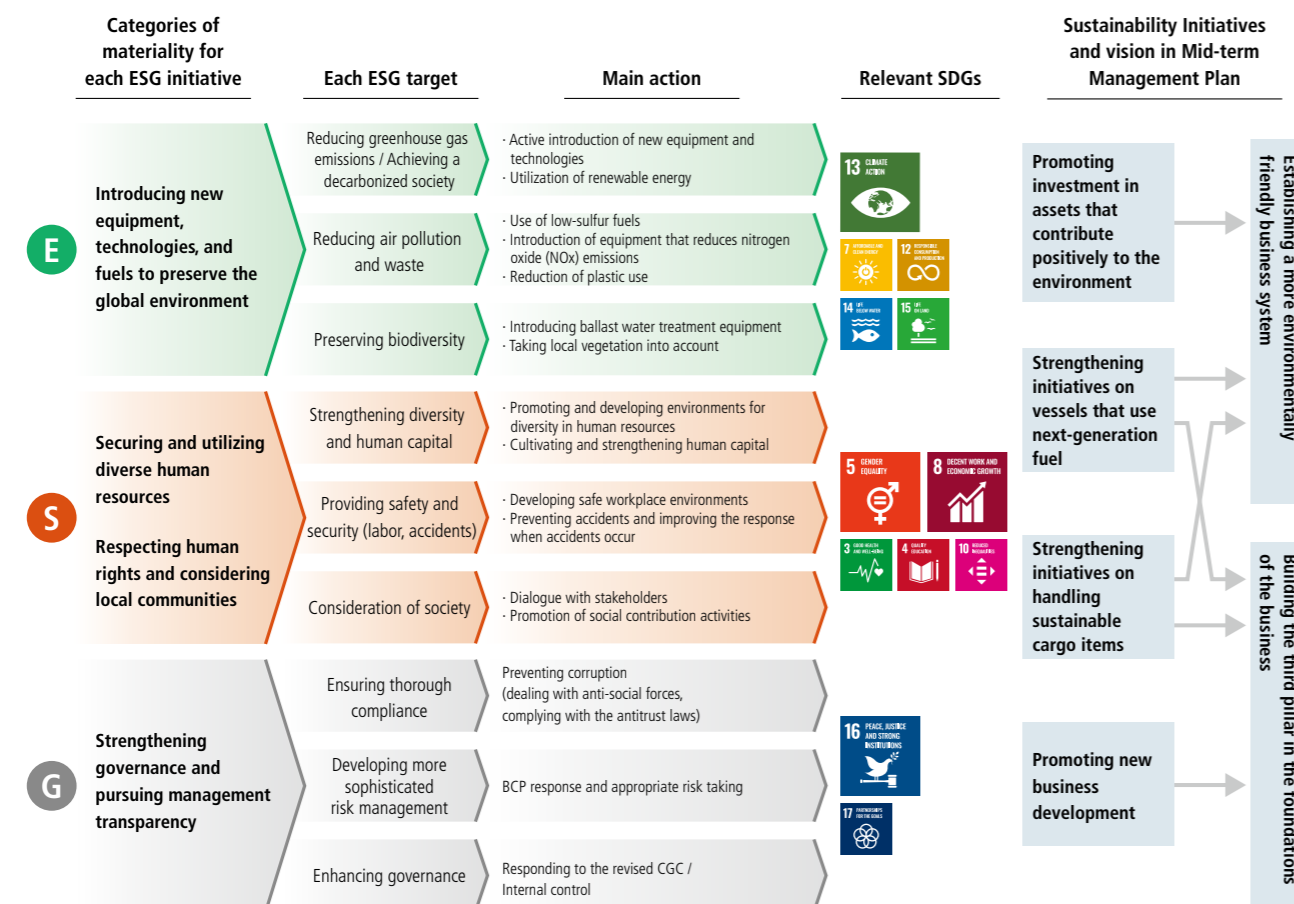


• Governance

Stakeholders' recognition of issues is changing greatly owing to the spread of COVID-19. We will continue strengthening corporate governance to respond to the change. We will 1) establish a framework for highly objective and transparent management through discussions at the Nomination and Remuneration Committee, and 2) further enhance functions of the Board of Directors by means of evaluation of its effectiveness. Through these initiatives, we will realize a corporate governance structure tolerant of change and formulate the optimum solution.



Relationship between materiality (key issues) for each ESG initiative and the Mid-term Management Plan



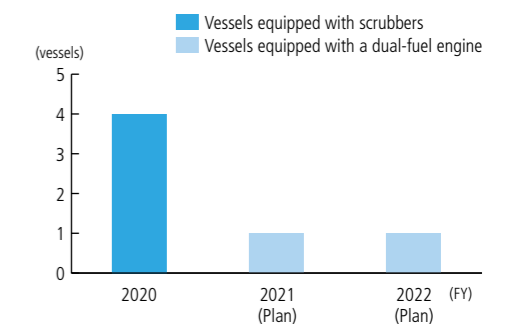
Specific actions and progress

Investment in assets that contribute positively to the environment

In the Shipping Business, we use heavy oil with low sulfur content (compliant fuel oil) and have delivered ships equipped with SOx scrubbers (sulfur removal equipment) in order to reduce sulfur oxide (SOx) emissions. In addition, with the aim of developing a decarbonized or low-carbon society, we have delivered chemical tankers that use methanol as vessels that use next-generation fuel. We have also decided to invest in two VLGCs that use LPG as fuel. In the Real Estate Business, the IINO Building now uses electricity with non-fossil fuel energy certificates* as a new initiative starting in fiscal year 2021. As for Hibiya Fort Tower, green bonds were issued to appropriate construction project costs, and we have decided to engage in borrowing based on green loans and DBJ Environmental Ratings run by the Development Bank of Japan.

* Electricity that can be considered to be derived from renewable energies with zero CO2 emissions

Environmentally friendly vessels



Developing organizations and human resources to create next-generation business

- 1) The Business Strategy Department was newly established in June 2021 by integrating the Business Development Department, which plans, researches, and proposes new businesses, and Overseas Strategy, which oversees the activities of overseas sites. The new department is coordinating with various departments and companies and taking on the challenge of reform in order to accurately identify needs from a worldwide perspective, develop the Company's global business including overseas sites, and to research investment targets in Japan and overseas which will establish a new pillar of business activities that fall outside our core shipping and real estate businesses.
- 2) To implement "sustainability initiatives" identified as a priority strengthening measure and "acceleration of DX" stated as a foundation item in our Mid-term Management Plan, we have established the IINO Environmental Management Task Force and IINO DX Task Force, each comprising personnel from multiple Group companies and multiple departments. The task forces are engaged in concrete efforts including roadmap creation, the formulation of proposed actions, and progress management.

Materiality (Key Issues)

In terms of ESG management, our goal is to create social and economic value by overcoming materiality issues (key issues) that are important to stakeholders and society, and which have a significant impact on our corporate value. We will achieve this goal by combining materiality issues with our management strategies and engaging in steadily implementation.

Group Materiality Issues

The external environment surrounding the Shipping Business and Real Estate Business has changed significantly, and the social issues that are important to society and our stakeholders are constantly changing. In the Shipping Business, it is essential for us to ensure safety from the perspective of preventing accidents that could significantly impact local communities and the environment, such as oil pollution. We must also reduce greenhouse gas (GHG) emissions to combat climate change, preserve ecosystems, and take action on pollution. In the Real Estate Business, it is essential that we prevent accidents, ensure the safety of tenants and construction personnel, and make contributions to local communities through our buildings and halls. We also assess that in order to accurately identify materiality issues and combine them with management strategy, it is important to engage in dialogue with stakeholders and to reflect that dialogue in company-wide discussions (highly transparent management) and the ability to take action (workplace environments that enable a wide range of people to work, both onshore and offshore, and organizations comprising a highly diverse range of human resources).

Progress Management on Materiality Issues

Progress on the nine goals* the Company to address is managed through implementation plans developed by each department and Group company on an annual basis. To adapt to the changing external environment, the goals are periodically reviewed based on the PDCA cycle in order to promote these initiatives.

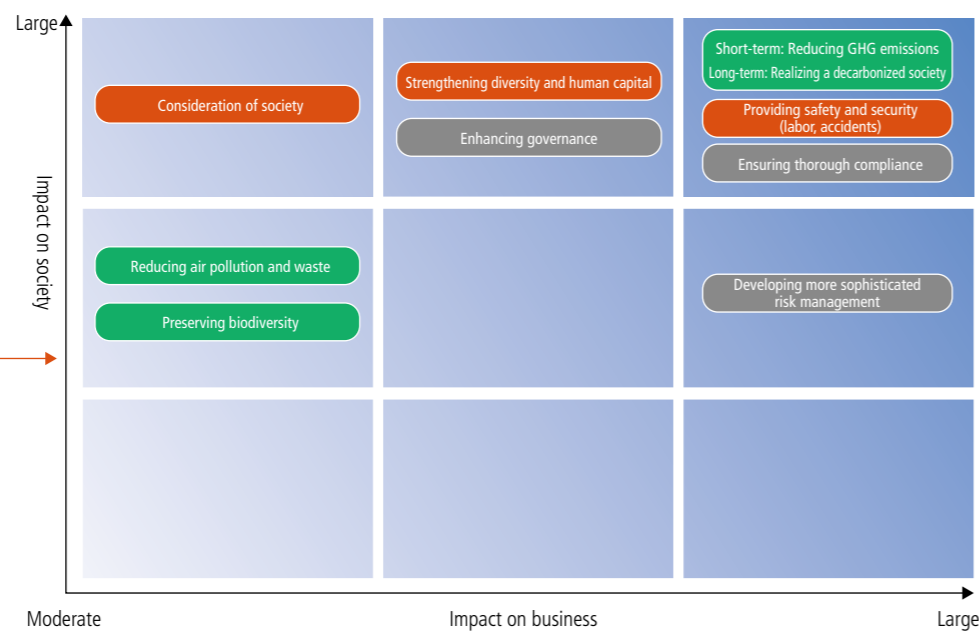
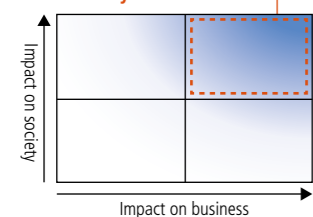
* See the goals listed in the table on page 28.

Materiality Matrix

Social issues were identified as goals to be tackled by the Company in light of the degree of impact on society and the degree of impact on the Group's business.

- Goals concerning the environment
- Goals concerning society
- Goals concerning governance

Plot key issues



Materiality Issue Identification Process

Step.1 Identify social issues

To recognize social issues that relate to our business, we extracted a list of 35 social issues by referring to general social issues (Charter of Corporate Behavior, SDGs), issues unique to Japan (revised Corporate Governance Code), and issues unique to the industry (SASB).

Step.2 Gathering feedback from stakeholders

We compiled information on the social issues that are important to stakeholders based on dialogue with each stakeholder (customers, business partners, shareholders, financial institutions, officers, and employees, etc.) and individual questionnaires.

Step.3 Internal discussion and evaluation

Members of the Board of Directors discussed and evaluated the compiled social issues based on four perspectives, namely (1) degree of impact on society, (2) degree of impact on business, (3) level of importance, and (4) the Company's response status.

Step.4 Determining the goals to be tackled by the Company

Nine social issues identified through discussion and evaluation were set as goals to be tackled by the Company. They were arranged into four groups based on their characteristics, and materiality categories were determined for these groups.



Materiality Categories	Environment	Social	Governance
Identified Social Issues	<ul style="list-style-type: none"> Introducing new equipment, technologies, and fuels to protect the global environment 	<ul style="list-style-type: none"> Securing and utilizing diverse human resources Respecting human rights and considering local communities 	<ul style="list-style-type: none"> Enhancing governance and pursuing management transparency
	<ul style="list-style-type: none"> Reducing GHG emissions / Achieving a decarbonized society Active introduction of new equipment and technologies Utilization of renewable energy Reducing air pollution and waste Use of low-sulfur fuels Introduction of equipment that reduces nitrogen oxide (NOx) emissions Reduction of plastic use Preserving biodiversity Introducing ballast water treatment equipment Taking local vegetation into account 	<ul style="list-style-type: none"> Strengthening diversity and human capital Promoting and developing environments to facilitate human resource diversity Cultivating and strengthening human capital Providing safety and security (labor, accidents) Developing safe workplace environments Preventing accidents and improving the response when accidents occur Consideration of society Dialogue with stakeholders Promotion of social contribution activities 	<ul style="list-style-type: none"> Ensuring thorough compliance Preventing corruption (dealing with anti-social forces, complying with the antitrust laws) Developing more sophisticated risk management BCP response and appropriate risk taking Enhancing governance Responding to the revised Corporate Governance Code (CGC) / strengthening internal control
	<ul style="list-style-type: none"> Loss of trust from society Accelerated obsolescence of owned assets and intellectual capital such as know-how Changes to marine shipping movements from desulfurized fuel, resulting in reduced shipping volume Extreme weather interfering with navigation or building safety 	<ul style="list-style-type: none"> Decline in corporate competitiveness due to inability to respond to human capital diversification and development Accidents occurring due to human error in connection with deteriorating labor environment Damage to corporate value due to delays in responding to social issues Severe negative impact on the local community due to accidents 	<ul style="list-style-type: none"> Scandals and loss of public trust due to inadequate functioning of governance and internal control Unexpected losses from excessive risk taking, or loss of opportunity to enhance corporate value due to excessive risk avoidance
Risks and Opportunities	<ul style="list-style-type: none"> Providing eco-friendly services to customers at a reasonable price Working with customers to respond to various environmental regulations ahead of time Maintaining and expanding the value of owned assets Capturing the demand for new marine shipping movements generated with the introduction of desulfurized fuel 	<ul style="list-style-type: none"> Improving labor productivity due to diversification of human capital (including capabilities) Reducing accident frequency and providing shipping and office space in a stable manner Developing a resilient organization through active exchange of human resources 	<ul style="list-style-type: none"> Putting into practice management from the perspective of each stakeholder through enhanced governance Appropriately managing risks and returns and implementing investment to enhance corporate value
	<ul style="list-style-type: none"> GHG reductions: Purchase of solar panels and electricity with non-fossil fuel energy certificates Pollution: Introduction of high-performance water producing equipment to reduce plastics Biodiversity: Development of the IINO Forest, ballast water treatment equipment, etc. 	<ul style="list-style-type: none"> Hiring, cultivating, and enhancing diverse human resources Various facilities to prevent accidents (raising awareness and discussing response measures after accidents occur) Remote work and other environmental improvements during the COVID-19 pandemic 	<ul style="list-style-type: none"> Revision of Nomination and Remuneration Committee systems Enhancing functioning of the Board of Directors and Board of Auditors with the appointment of one female auditor Risk management by Risk Management Committee
The Group's Response	<ul style="list-style-type: none"> Introduction of new technologies and equipment to cut GHGs, accumulation of know-how Promoting the replacement of equipment to capture new transportation demand 	<ul style="list-style-type: none"> Preventing COVID-19 infections among employees at sea and restricting long-term boarding Developing workplace environments enabling various people to work (support systems, remote work, hot desking) 	<ul style="list-style-type: none"> Considering improvements to compliance and risk management to coincide with the revised Corporate Governance Code (CGC)
	<ul style="list-style-type: none"> Response Status 	<ul style="list-style-type: none"> Response Status 	<ul style="list-style-type: none"> Response Status
<ul style="list-style-type: none"> Future Action 	<ul style="list-style-type: none"> Future Action 	<ul style="list-style-type: none"> Future Action 	

Departmental Business Strategy

Oceangoing Shipping Business Oil Tanker Department



Characteristics and Strengths of the Business

In this business, we enter into time charter contracts for very large crude carriers (VLCC), with capacities of 300,000 tons to play a central role in marine oil transportation and ensure stable transport. We are a pioneer in the marine transportation of crude oil since we delivered Japan's first large oceangoing crude oil tanker in 1931. As of the end of March 2021, our VLCC fleet consists of five vessels, including vessels equipped with SOx scrubbers to serve Japanese petroleum companies.

One of this business' strengths is our medium- and long-term time charter contracts with clients. They are a source of stable earnings that are not susceptible to fluctuations in the marine transportation markets. Our other strengths include the broad reach of our services based on our operation of a wide variety of ships including tankers, gas carriers, and dry bulk carriers and our services closely connected with our customers and based on our independent implementation of safe operations and our ship management system. These contribute to earning the trust of our customers.

Review of the First Year of the Mid-term Management Plan

In fiscal year 2020, the first year of the Mid-term Management Plan, we achieved favorable results to contribute to an increase in the sales and income of the Oceangoing Shipping Business. Since many of our contracts are medium- and long-term time charter contracts, we secured stable earnings even during the harsh business environment of the COVID-19 pandemic. In addition, the delivery of two new VLCC vessels, *SHOHO MARU* and *YOHO*, increased operations and further solidified the foundations of our stable earnings.

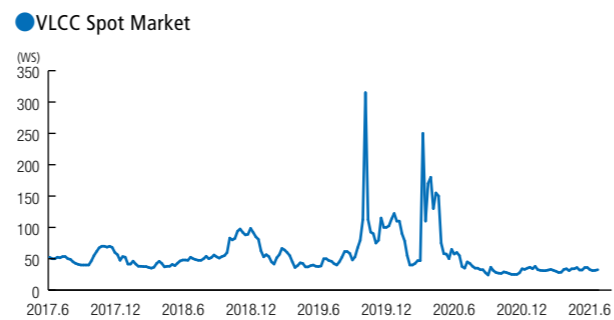
Meanwhile, vessels must be docked twice every five years to undergo special surveys, docking surveys, and other surveys to maintain their

Working hard to ensure safety and environmental protection with a view towards continuously solidifying stable earnings

Ryuichi Osonoe
Director, Managing Executive Officer
In charge of Oil Tanker Department

class according to the classification regulations. For fiscal year 2021, the allowance for docking is expected to increase. It is essential for the safe, reliable, and stable transportation of crude oil to Japan, and we regard it as an upfront investment for the continued growth of this business.

The VLCC spot market (loaded in the Middle East and unloaded in the Far East) varies depending on the increase of the marine transportation of crude oil due to the recovery of the global economy following the progress that has been made in vaccinations and also depending on the supply-demand situation regarding VLCC shipping space. Centering on long-term time charter contracts, this business is not directly affected by fluctuations in the VLCC spot market.



Further Solidifying Stable Earnings

This business has the mission of further solidifying stable earnings during the period of the Mid-term Management Plan. We must address issues regarding safety and environmental protection assuming risks such as the risk of vessels running aground and pollution from oil spills. The International Maritime Organization (IMO) obliges shipping companies in different countries to consider safety and the environment. On the basis of our expertise supported by nearly 100 years of operation and ship management, we will observe international rules, work to

reduce environmental impact, and to continue to provide safe and stable transportation. We believe that this will help strengthen our ties with clients, bring us new business opportunities, and lead to the solidification of stable earnings.

We are also positively addressing the issue of the long-term boarding of crew members. For example, direct calls at ports in the countries of origin of crew members for the purpose of rotating the crew to avoid long-term boarding during the COVID-19 pandemic involves deviation from routes. It raises questions regarding the ship management expenses incurred by the company and the increase of the number of days crew spend on board that increases the uncertainty in clients' schedules for raw materials procurement. Our policy is to put safety first, and this is understood by our clients through our resolute efforts to engage in dialogue regarding crew rotations.

Towards 2030, we will be focusing more efforts on digital transformation (DX). We will apply digital technologies for real-time communication between ship and shore, as well as qualitative improvement in safe operations, including optimal route monitoring, the reduction of CO₂ emissions, the improvement of fuel efficiency, and operational reforms, to further solidify stable earnings.

Sustainability Initiatives

We carry out sustainability initiatives in the marine transportation sector towards the long-term target of reducing greenhouse gas (GHG) emissions per transport unit by 40% by 2030 and by 50% by 2050 compared with the 2008 level.

In January 2020, regulations on sulfur concentrations in marine fuel oil (SOx regulations) were toughened and an obligation was introduced to equip VLCCs with SOx scrubbers (devices removing SOx from ship exhaust) or to use a conforming fuel oil with a limited sulfur content. We began responding to this action at an early date. In March 2020, *FUJISAN MARU* (5th generation) was delivered, becoming our first VLCC with a SOx scrubber. This vessel has a stern fin, a helm with a



VLCC (*YOHO*) delivered in January 2021

fin, an ECO-Cap energy-efficient propeller boss cap, and other features to improve propulsion performance while adopting an electronically controlled main engine to reduce fuel consumption as an environmental measure. This was followed by *SHOHO MARU* delivered in September 2020 and *YOHO* delivered in January 2021, which are both VLCCs with SOx scrubbers. Their CO₂ emissions are 20% lower than VLCCs delivered during the first decade of the 2000s. They are expected to contribute to the reduction of CO₂ emissions.

In addition, starting August 2021, mineral water generators were progressively installed in three VLCCs. Traditionally, mineral water in plastic bottles was used for drinking. The shift to the mineral water generators will reduce plastic waste, supply high-quality water to crew members, and improve their working environment by eliminating the need to load plastic bottled water onto vessels.

Basic strategy under the Mid-term Management Plan

- Further expansion of global business development
- Strengthening of partnerships with key clients actively addressing environmental issues

[SWOT]

Strengths	Weaknesses
<ul style="list-style-type: none"> • System for safe operation based on a wealth of experience in crude oil transport and high-quality ship management • Detailed responsiveness by practicing safe operations and ship management internally • Long-term partnerships with clients unique to independent operators • Expansion of services with the operation of many different types of ships 	<ul style="list-style-type: none"> • Decrease in transport ships due to crew shortages • Decrease in operations due to the increase of ships in dock
<ul style="list-style-type: none"> • An increase in tanker markets due chiefly to a decline in crude oil prices • Obligation to consider safety and the environment imposed by the International Maritime Organization (IMO) 	<ul style="list-style-type: none"> • Risks of running aground and other accidents • Maintenance including statutory special surveys that ships must undergo twice every five years and docking surveys • Market downturn • Increasing ship management costs • Decrease of oil consumption for the reduction of greenhouse gas emissions

Departmental Business Strategy

Oceangoing Shipping Business Gas Carrier Department



Characteristics and Strengths of the Business

In this business, we own and operate gas carriers designed to transport liquefied petroleum gas (LPG), liquefied natural gas (LNG), and other liquefied gases. As a pioneer in this industry, we entered this business early on in the 1960s and have since been engaged in the transportation of petrochemical gases, ammonia, and other gases in addition to LPG and LNG. As of the end of June 2021, we had five large LPG carriers (VLGC), including carriers we own and chartered carriers. Most of the LNG carriers are shared with other companies. There is one oceangoing LNG carrier in which we have a majority stake, along with 25 other oceangoing LNG carriers and one domestic LNG carrier. We deliver LPG to state-run petroleum companies in Europe and Japanese oil wholesalers, and LNG to electric utility companies and gas companies in Japan and overseas.

One strength of this business lies mainly in the time charter contracts based on the medium- and long-term contracts. Around 90% of the contracts for LPG or LNG are medium- and long-term contracts. It is notable that, especially for LNG, a large number of contracts are long term because ship operations are planned in line with clients' long-term business plans. As a result, in this business we secure stable earnings that are unaffected by marine transport market conditions.

Review of the First Year of the Mid-term Management Plan

In fiscal year 2020, the first year of the Mid-term Management Plan, we secured stable earnings despite the adverse economic environment during the COVID-19 pandemic, as this business is centered on medium- and long-term contracts. In addition, due to a surge in the LPG carrier market, a market-linked LPG carrier helped boost performance and increase sales and income in the Oceangoing Shipping Business.

As in fiscal year 2020, the COVID-19 pandemic will not directly impact this business in fiscal year 2021. However, the global demand and economic situation will remain uncertain. Freight movement of propane from the United States to China will continue the move and the freight market will stay solid. In these circumstances, a decline in operations after the sale of one VLGC in May is expected to negatively impact our results for fiscal year 2021.

The sale of the VLGC is part of our fleet management to ensure safe operations and environmental consideration. It is also an action to increase the company's competitiveness. It prepares us for the future as a company that works to provide IINO QUALITY. In doing so, we will continue to build closer partnerships with key clients.

● Large LPG Carrier (VLGC) Charter Rate (Loaded in the Middle East and Unloaded in Far East)



Initiatives to Reduce Environmental Impact

As an initiative to meet the CO₂ emissions reduction targets for 2030 and 2050, we placed orders for two dual main engine VLGC vessels for LPG in fiscal year 2020. These vessels will be delivered in 2022 and 2023, respectively. Our decision to charter out these vessels for European clients who have a high level of environmental awareness will help expand our global business.

We are also taking the lead in the medium- and small-sized LNG shipping business, which is a business involving a low environmental impact fuel. These services include to supply LNG to LNG-fueled ships, including large vessels using medium- and small-sized LNG bunkering ships. The social significance of this is large from the perspective of environmental protection. We pay close attention to it as a business where our expertise in handling liquefied gases can be fully utilized.

Initiatives taken by many countries and businesses towards the establishment of a carbon-free society are gathering momentum. In view of this, we believe we must undertake reforms. We have defined actions for working vessels for offshore wind power facilities and next-generation fuel carriers as future initiatives, and we are broadening our knowledge and preparing to engage in these initiatives.

Cross-Sectoral Use of Expertise to Differentiate Our Services

In the Group, one role of our department is the cross-sectoral use of sales expertise. One reason is that it is a way we are able to differentiate ourselves from European and other shipping companies specializing in single business domains. Another reason is that it is a powerful driver towards the further promotion of global business, which is a priority measure in the Mid-term Management Plan.

We can make use of these characteristics for safe operation and cost management. Gases are hazardous materials, causing the form of the product and operational requirements to vary extensively depending on the details of our clients' businesses. In our business, we inherited the knowledge and skills for safe operation of the long-standing large tanker business and they have been an asset to us. We will earn the trust of clients and achieve earnings growth by ensuring safety and cost effectiveness suited to specific contracts.

Another big factor that enables us to differentiate ourselves is our high-quality ship management, expressed as IINO QUALITY. IINO Marine Service Co., Ltd., a Group subsidiary, will inherit the expertise in marine

skills and ship management methods that its parent company has accumulated over many years for the transportation of many different goods in many different forms tailored to respective clients.

Cross-Sectoral Personnel Deployment and Respect for Diversity

We are pressing ahead with the cross-sectoral use of the expertise of our human resources as we work to deploy and develop them. One example is our transfer of human resources between ship and shore duties, a system we have implemented since the 1960s. For instance, a former captain is now working in a shore-based sales team. The captain is able to share opinions from the perspective of his on-board experience to improve discussions between ship and shore staff. This increases their abilities and improves quality. Due to the high level of expertise needed for the job, it has been difficult to rotate marine engineers who handle dangerous materials. In this respect, IINO Marine Service Co., Ltd., plays a central role in addressing the development of specialists and their transfer between ship and shore duties.

At the same time, our crew and shore staff are of diverse nationalities, and we have taken their mutual respect of people's different cultures and practices for granted. Our corporate culture accepts diversity and we always have nurtured this strength. We believe it is key to our sustainable growth.

Basic strategy under the Mid-term Management Plan

- Further expansion of global business development
- Strengthening of partnerships with important clients who are active toward environmental responsiveness
- Participation in LNG carrier projects and Initiatives for small and medium-sized gas carriers

[SWOT]

Strengths	Weaknesses
<ul style="list-style-type: none"> • System for safe operation based on a wealth of experience in crude gas transport and high-quality ship management • Long-term relationships of trust with domestic and overseas charterers through marine transport services • Dual-fuel main engine vessels that are LPG-ready for next-generation energy sources • Various carrier types and sizes, including large LNG carriers, small LNG carriers, and large LPG carriers 	<ul style="list-style-type: none"> • Decrease in operations after the sale of owned vessels including aging LPG carrier • Limited number of vessels that can be managed
<ul style="list-style-type: none"> • Various needs regarding LPG and LNG amid mounting demand for compliance with environmental regulations 	<ul style="list-style-type: none"> • A wide variety of product forms and ship operation needs • Deterioration of supply-demand balance following high-volume orders for new building vessels

Departmental Business Strategy

Oceangoing Shipping Business Dry Bulk Carrier Department



Operating under a business model securing steady earnings while balancing between dedicated carriers and trampers

Atsushi Takeda
Executive Officer
In charge of Dry Bulk Carrier Department and commission as General Manager, Dry Bulk Carrier Department

Characteristics and Strengths of the Business

In this business, we operate dedicated ships for long- and medium-term transport services for specific clients and provide transport services for general clients in a way that combines medium- to short-term contracts with spot contracts. Cargo items are wide-ranging, including steam coal, wood biomass fuels, and other basic fuels for power, woodchips that are the raw materials for papermaking, raw materials for fertilizers, and recycled materials. The transport demands of customers vary depending on the cargo. To meet this demand, our fleet consists of many different types of vessels, ranging from small- and medium-sized bulk carriers to vessels designed exclusively for woodchips. Of the 20 ships we operate, three are under our ownership (as of the end of June 2021). We made an early start in the transportation of woodchips for papermaking. While transporting woodchips from different countries, we are also involved in the procurement of papermaking raw materials by, for example, investing in a tree-planting project in Vietnam.

A strength of this business is the implementation of our business model focused on balanced management in the shipping business. We have established a foundation for stable earnings on the basis of medium- and long-term contracts that are not susceptible to market conditions.

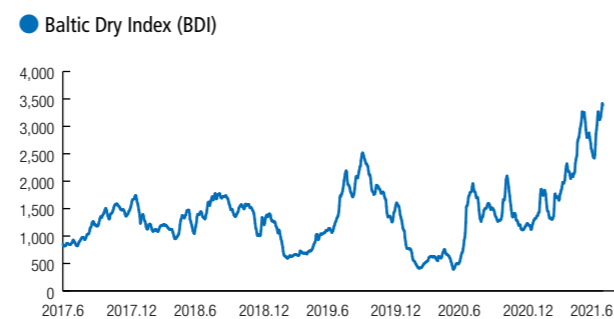
Review of the First Year of the Mid-term Management Plan

For fiscal year 2020, the first year of the Mid-term Management Plan, we made a fresh start after the end of the previous year, in which we were busy addressing the market instability triggered by the Brazilian mine dam collapse and the shift of fuel oil for ships in operation to meet more stringent fuel sulfur content regulations. However, the unexpected COVID-19 pandemic caused the outlook to be more uncertain than it

had been the previous year.

At the beginning of the term, the dry bulk carrier market was weak after a decline in transport demand due to the COVID-19 pandemic. Fortunately, demand later rallied for the transportation of raw materials to China, which had quickly resumed its economic activities. Other cargo movement increased with the expansion of cereals exports from South America and the economic stimulus packages of different countries. These factors supported brisk market conditions. Particularly in the fourth quarter, the market grew sharply due to the continuously strong demand for cereals mainly in China, a rise in coal demand amid high demand for electric power in the winter of the northern hemisphere, and demurrage at ports of loading and unloading. The fiscal year ended with a far higher level of sales than in the previous fiscal year. In this situation, our department saw the operating balance improve from the previous fiscal year and garnered solid profitability.

A final end to the global pandemic is not in sight and the market circumstances are still uncertain for fiscal year 2021. However, China is expected to stay on a growth track with the help of government stimulus packages. In the United States, the Federal Reserve will maintain its large-scale relaxation of capital requirements to stimulate an economic



* Freight rate index for Oceangoing bulk carriers, as calculated by the Baltic Exchange in London. (January 4, 1985 = 1,000)

turnaround. Amid these moves, the dry bulk carrier markets are expected to recover.

We will continue fleet coordination and the flexible procurement of shipping spaces to implement strategies suited to the changing shipping markets. We will also work to establish stable earnings and to diversify routes and cargo from a global perspective.

Medium-Term Strategy for the Business

To secure stable earnings in this business, we maintain a fleet dedicated to providing medium- and long-term transportation services for specific clients in addition to a fleet of trampers mainly for operations serving medium- and short-term spot contracts. Our business model focuses on a balance between dedicated carriers and trampers that is capable of responding to market fluctuations to steadily earn a profit. An advantage our department has is the accumulation of knowledge and expertise, including an accurate understanding of cargo flows, actions for receiving cargo transport orders, and approaches to customers based on the accumulated data.

In the area of dedicated carriers, the Mid-term Management Plan has set the goal of acquiring new projects while retaining long-term contracts for transporting coal for power generation, woodchips, and other resources in line with measures to strengthen the energy resources shipping business. We will also seek to acquire contracts for cargo items other than coal and woodchips, such as carbon-neutral wood biomass fuels, to maintain the business and ensure long-term stable earnings. We carried out a structural reform of tramper services to improve the fleet quality and worked to gain contracts of affreightment. We will continue to make the most of this fleet to provide high-quality transportation services. To achieve continued development, we are planning to step

up global operations, including overseas expansion and trilateral transportation.

Sustainability Initiatives

We recognize that Japan and overseas trends towards the reduction of carbon emissions and the ability to claim a carbon-free status pose significant issues for us as well. In this business, we will shift to larger-sized vessels with higher fuel efficiency through the renewal of shipping spaces to ensure the environmental compliance of the ships we operate for the reduction of carbon emissions. We will work not only on actions to reduce environmental impact but also to transport clean cargoes that help advance sustainability. We will endeavor to increase the transportation of wheat, soybeans, and corn from which food and animal feed are produced, raw materials for fertilizers, and other cargoes in addition to the aforementioned wood biomass fuels and recycled materials.

Basic strategy under the Mid-term Management Plan

- Strengthening of the existing business foundation and diversification of initiatives
- Global marketing
- Securing a flexible and stable fleet
- Efficient vessel allocation and thorough optimal economic fleet operation
- Sustainability Initiatives

[SWOT]

Strengths	Weaknesses
<ul style="list-style-type: none"> ■ Medium- to long-term contracts resilient to market conditions ■ Relationships with clients that transcend departments or our vessel types developed through transportation of petrochemical products over the years ■ Balanced sourcing of shipping tonnage ■ Accumulated know-how in cargo bundling and transportation ■ Reliable delivery of peace of mind to our clients 	<ul style="list-style-type: none"> ■ Changes in earnings following the fluctuation of market conditions ■ Relatively small-scale operations
<ul style="list-style-type: none"> ■ Needs for the transport of a wide variety of resources, ranging from industrial materials to recycled materials ■ Growing demand for carbon-neutral fuels such as wood biomass fuels, pellets, and palm kernel shells ■ Growing demand for wheat, soybeans, corn, and other cereals as food and animal feed 	<ul style="list-style-type: none"> ■ Fluctuations of market conditions ■ Decline in demand for coal and woodchips ■ Increasing need for environmental regulations

Departmental Business Strategy

Oceangoing Shipping Business Chemical Tanker Departments No. 1 & No. 2



Characteristics and Strengths of This Business

In this business, we transport liquid cargo such as petrochemical products, inorganic chemicals, vegetable oils, and biomass fuels. Our operations can be classified into three different types: chartering vessels, a U.S.-based joint venture, and operation.

The operation is subdivided into two types: contracts of affreightment and spot contracts. The first prescribes the weight of the cargo to be transported in a predetermined period as well as its place of departure and destination. They make up around 70% of our operations, while spot contracts are the around 30%.

The strength of this business is in our track record as a stable provider of safe and high-quality services. In cooperation with technologically skilled shipyards that develop competitive vessels and cooperation with the vessel owners that are our partners, we carry out vessel and operation management within the Group. IINO Marine Service Co., Ltd., a ship management company in the Group, plays a central role in the establishment of advanced management systems and operational quality, covering all aspects of operations, including crew training, safe vessel operations, repairs, maintenance, new vessel construction, and budgeting and cost management. Our sales unit and ship management company work together on improving the quality of operations.

In addition, in collaboration with our business unit in Singapore, we can also provide swift support to cargo owners overseas. This Singapore unit hires employees not only Japanese but also a variety of foreigners, with a view towards the development of professionals can demonstrate their strengths in the global business arena.

These efforts have earned us praise from cargo owners and enabled us to hold a large market share in the Middle East route market, one of the world's leading transportation markets.

Review of the First Year of the Mid-term Management Plan

In fiscal year 2020, during the COVID-19 pandemic, we failed to meet

the targets projected in terms of promoting a global system that was part of the strategy of the Mid-term Management Plan. For the current fiscal year, we will expand our base in Dubai in the United Arab Emirates (UAE), which is at the heart of our chemical tanker business, to increase the efficiency of vessel allocation. We will make preparations to conduct intensive business activities in locations closer to clients. Assuming that the pandemic will come to an end and that the visa acquisition issue will be sorted out, we will prepare to begin activities around this fall.

The chemical tanker market surged significantly at the beginning of fiscal year 2020. Speculative demand for oil tankers for offshore storage rose sharply after a plunge in crude oil prices and product tankers pulled out of the market. Thereafter, the worldwide economic slowdown resulted in weak transportation demand during and after summer. In addition, the adverse conditions in the oil tanker market sparked the return of product tankers into the chemical tanker market, resulting in a

Fleet Composition

Department name	Business	Number of vessels
Chemical Tanker Department No. 1 (Tokyo Head Office)	1) Time charters	6 vessels
	2) U.S. joint venture	7 vessels

- Features**
- 1) Chartering out of chemical tankers to transport methanol on long-term contracts that serve as a stable source of earnings
 - 2) Collaboration with Allied Chemical Carriers LLC. (ACC), a joint venture with a U.S. fleet operator

Department name	Business	Number of vessels
Chemical Tanker Department No. 2 (mainly in Singapore)	Direct chemical tanker operations	28 vessels

- Features**
- Direct cargo chartering consigned to a subsidiary in Singapore
 - Medium risk-return business based mainly on contracts of affreightment
 - Leading share based on transport volumes on routes from the Middle East to Asia and Europe

(As of June 30, 2021)

market plunge.

Amid this situation, we worked to realize stable and efficient transport by introducing spot cargo, in which the freight rates are high when the markets are high, in addition to contracts of affreightment on the main routes from the Middle East to Europe and to Asia. We proactively took cargoes such as a phosphoric acid solution from North Africa and spot cargoes from Asia to secure earnings. In the joint venture business with a U.S. operator, we posted steady operation by efficient allocation of vessels through contracts of affreightment and spot market shipping.

Flexible Response to Requests for Ongoing Partnerships with Clients

Our advantage lies in our achieving the greatest possible flexibility to respond to diverse requests in pursuit of long-term relationships with clients, high-quality services, and safe and stable operations. To achieve this, we take their perspective during fleet development and vessel allocation planning to create proposals. We are striving to serve them for the long term as their business partners instead of seeking one-way relationships.

Sustainability Initiatives

To increase investments in assets that help reduce environmental impact, we constructed our first dual-fuel main engine vessel powered by methanol and heavy oil. Delivered in December 2019, it was our first time to manage a dual-fuel main engine vessel capable of capitalizing on our expertise and experience in ship management to respond to the needs of methanol manufacturers under a long-term contract.

Other initiatives include changing the lighting inside vessels to LED, ship design requests that consider energy efficiency, the introduction of weather routing using meteorological and oceanographic data to achieve optimal operations, the optimization of the heating of chemical cargo items that require heating during transportation, and other efforts to improve fuel efficiency.

We will continue to work hard to ensure the environmentally friendly nature of our vessels, including the dual-fuel main engine vessels

powered by methanol, and to reduce our environmental impact to contribute to the prevention of air pollution and reduction of greenhouse gas emissions.



Two-stroke dual-fuel main engine vessel *Creole Sun*

Future Issues and Strategy

In the first half of fiscal year 2021, crude oil and fuel oil prices were rising, which leads to rises in costs amid hopes for an economic recovery following the economic measures taken by many countries and the progress in vaccination. On the other hand, freight rate markets are weak because of the ongoing influx of product tankers into the chemical tanker market following the sluggish oil tanker markets. The business conditions surrounding the chemical tanker business remain harsh.

Under this business environment, we will work to improve profitability, which is a priority issue. In addition, with a view towards sustainable growth, we will seek global expansion based on long-term relationships of trust with our clients who are our partners.

Basic strategy under the Mid-term Management Plan

- Strengthening of competitiveness to promote a global system
- Strengthening of organizational capability to support a global system
- Promotion of investment in assets that contribute positively to the environment
- Strengthening of initiatives on vessels that use next-generation fuel

[SWOT]

Strengths	Weaknesses
<ul style="list-style-type: none"> Stable provision of safe and high-quality services Relationships of trust with clients and business partners cultivated over the years Know-how on transportation of petrochemical products accumulated over many years Carry out vessel and operation management within the Group A large market share in the Middle East routes market, one of the world's leading transportation markets 	<ul style="list-style-type: none"> Routes other than the existing Middle East routes
<ul style="list-style-type: none"> A surge in tanker markets due partly to a decrease in crude oil prices Methanol manufacturers' need for a fuel shift Growing need for environmental regulations Increased production of petrochemical products in the Middle East and in North America 	<ul style="list-style-type: none"> Market decline Rise in fuel prices Immigration restrictions imposed by different countries due to the pandemic and other issues Cost increases

Departmental Business Strategy

Short-sea/Domestic Business IINO Gas Transport Co., Ltd.

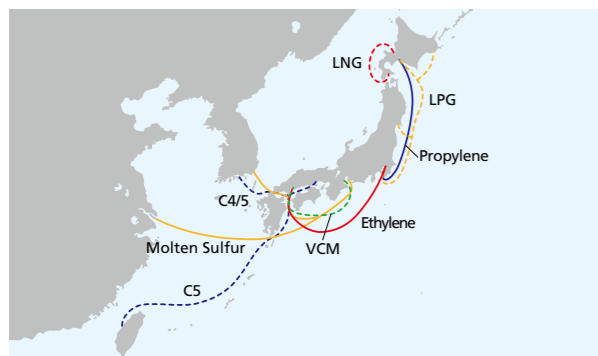


Characteristics and Strengths of This Business

IINO Gas Transport Co., Ltd. (IGT) was founded in April 2007 to strengthen the Group's edge as a pioneer in short-sea and domestic shipping by small gas carrier. IGT has engaged in the Shipping Business since the delivery of Japan's first pressurized small LPG carrier, *TOHO MARU*, in 1960.

A major characteristic of IGT is our integrated in-house system providing comprehensive transport services including the ownership, maintenance, and management of vessels and the assignment of crew members. Mainly operating vessels under our control, we transport LPG, petrochemical gas, vinyl chloride monomers, molten sulfur, LNG, and other materials domestically and overseas. Compared to oceangoing shipping, domestic shipping requires fewer days at sea, with more frequent voyages. This requires providing services which satisfy client needs through more rapid decision-making and swift business execution. We believe our integrated in-house system is the best for smoothly carrying out logistics operations on a domestic and short-sea basis. We diligently work to respond to the wide-ranging requests of our clients and society.

Our fleet consists of 24 ships, including 14 under our control. To ensure their ability to operate, we employ around 200 Japanese crew



Mainstay domestic and overseas routes for our company fleet

members as of June 30, 2021. This figure was one of the highest in the industry. To maintain stable performance, it is vital that we provide clients with safe, high-quality transportation services, including the safe operation of vessels, safe cargo handling, and on-time deliveries. Accordingly, we are working on recruiting and developing highly competent staff and improving the working environment.

Review of the First Year of the Mid-term Management Plan

For fiscal year 2020, the first year of the Mid-term Management Plan, we endeavored to secure stable earnings by providing safe, high-quality transportation services. However, business conditions were harsh as a whole chiefly due to the COVID-19 pandemic.

In domestic gas transport, a decline in LPG demand due to the COVID-19 pandemic and seasonal reasons and a decrease in demand for products negatively impacted shipments. The regular repair of a petrochemical shipping plant was prolonged, resulting in a shipment slide. Operations dropped in winter due to the docking of operating ships. Amid these circumstances, we worked to secure stable sales from medium- and long-term contracts and to allocate vessels efficiently.

In short-sea gas transport, the impact of a decline in petrochemical plant operations due to the pandemic could not be completely averted. There was some impact from a market decline at the time of the renewal of time charter contracts. Meanwhile, we captured new chartered service users in an effort to maintain stable revenue from chartered services.

Initiatives for Recruiting and Developing Human Resources

The labor shortage in Japan's logistics industry as a whole is aggravating both ground and marine logistics. We will improve the working environment to ensure that it is more worker friendly. Newly constructed vessels are equipped with private rooms, bathrooms, corridors, canteens, and other features completely different from the features of existing

carriers. They are also equipped with shower rooms for women and smoking rooms.

In addition, we are focusing on staff training. Providing human error training and workshops on harassment, we are working to ensure that rules are better understood and observed by crew and holding interviews with individual crew members. In terms of safety, we are working to coordinate operations to prevent crew anxiety or discontent from developing into an accident or incident. Under the slogan, "Putting no pressure on the crew," we are trying to help them work without stress. Two years ago, these initiatives helped us achieve accident-free operations for 13 months. We have since been making improvements to break this record.

Sustainability Initiatives

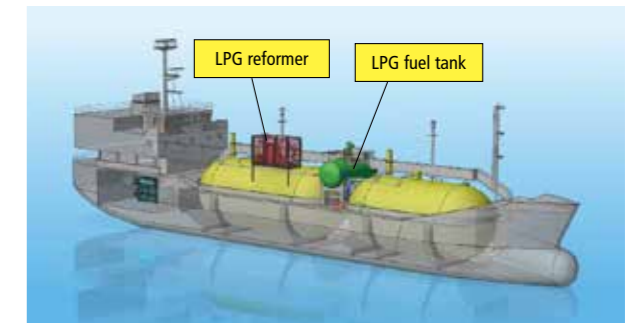
As an effort toward the achievement of a carbon-free future, we participated in joint research into dual-fuel main engine vessels for domestic LPG transport and won the 2020 Marine Engineering of the Year award. We are also working on shifting fuels from Grade C heavy oil to Grade A heavy oil. Normally, different types of heavy oil are used for different power generators and main engines. We are switching to Grade A heavy oil with a lower SOx content to increase our actions to prevent air pollution. We also expect that our exclusive use of Grade A heavy oil will reduce the number of accidents arising from errors in switching the valve between Grade A and Grade C heavy oil.

We also presume that the progress shifting the fuels of carriers exclusively for automobiles and ferries in Japan to LNG will help domestic gas carriers enjoy the growing need for the supply of LNG fuel to different ships as LNG bunkering vessels. We have sufficient expertise and workforce capacity to meet the rising demand. We will continue to consider these possibilities.

Future Issues and Strategy

In view of the ongoing shift towards a low-carbon society, it is unlikely that the need for transportation using high fuel efficiency vessels will vanish. With the sales, organizational, and management capacity of the Group, we believe that our Short-sea/Domestic Shipping Business will continue stably. The future issue facing us is the need to recruit, develop, and retain a highly competent long-term workforce.

There is a prospect that the crew workforce in Japan will be 30%



Concept drawing of an LPG-fired LPG carrier with an LPG reformer

smaller in 10 years if this issue is left unaddressed. Then, it will be impossible to transport goods between petrochemical complexes in Japan. This will hamper the manufacturing of many products, and it is possible that there will be no items on supermarket shelves. Our role is like that of a pipeline. The Group's oceangoing shipping section transports cargo between Japan and other countries, and as the Group's domestic shipping section, we deal with domestic transportation. We are aware that interruption of these pipelines could disrupt the economy.

Our actions to secure our workforce include the management of a pool of crew members with the ship owners and management companies. A radical solution to this problem will be the reduction of the labor required in vessel operations. The Ministry of Land, Infrastructure, Transport and Tourism is researching autonomous shipping vessels with advanced sensors, data processing capabilities, secure satellite communication systems, and other features. With an eye toward the utilization of these technologies, we will continue to address human resources issues in ship operations.

Basic strategy under the Mid-term Management Plan

- Securing stable earnings by offering high-quality, safe transportation services
- Securing and developing seafarers employed by the company
- Improvement of crew's working environment
- Consideration for the environment
- Concentration in core competencies regarding vessels operated by the company

[SWOT]

Strengths	Weaknesses
<ul style="list-style-type: none"> ■ 60-year track record of offering domestic pressurized LPG shipping services ■ Stable earnings based on medium- to long-term contracts ■ Medium- to long-term relationships with top level vessel owners ■ Integrated in-house system including ownership of vessels, maintenance and management, staffing, and sales ■ Approximately 200 Japanese seafarers employed by the company 	<ul style="list-style-type: none"> ■ Decreased crew retention ratio ■ A decrease in transport vessels due to the shortage of crew members
<ul style="list-style-type: none"> ■ Stable need for short-sea and domestic shipping services ■ Transactions in yen that are not susceptible to foreign exchange rates ■ Car carriers and ferries shifting to LNG fuels 	<ul style="list-style-type: none"> ■ Decreased shipments due to a decline in product demand ■ Market decrease ■ Downward pressure on logistics costs from clients ■ Growing need for environmental regulations

Departmental Business Strategy

Real Estate Business Office Leasing & Operation Department /Property Development Planning Department



Characteristics and Strengths of This Business

In this business, we have been providing integrated services that include building operations, management, and maintenance since the completion of the former IINO Building in 1960. The current IINO Building was completed in 2011 and features enhanced energy efficiency, disaster preparedness, and security measures to provide high-quality office spaces that give due consideration to human and environmental conditions. Since its completion, we have been working to increase the added value it provides by continually working to acquire environmental certifications.

In the IINO Building, we operate the IINO Hall & Conference Center, which consists of a theatrical hall and leased convention rooms. The IINO Hall has a history dating back to the former IINO Building. Providing high-quality services, it hosts a wide variety of visitors. Apart from office buildings, IINO Mediapro Co., Ltd. owns and operates two photo studios in Minami-Aoyama and Hiroo in Tokyo that contribute to cultural outreach.

In March 2020, we acquired the Bracton House in London, enriching our business portfolio, which includes overseas assets. In addition, Hibiya Fort Tower was completed in June 2021 adjacent to the IINO Building. Comparable in size with the IINO Building, it features superior environmental performance.

We own six buildings in central Tokyo and one in London. Although we have a limited number of properties, a majority, including the IINO Building, are large buildings in convenient locations. Except for the building in London, we operate and manage them independently or jointly to provide high-quality office spaces. We intensively invest in large buildings such as the IINO Building and Hibiya Fort Tower to increase the value of the properties owned.

A small team with a limited staff is engaged in this business. They work to ensure careful operations and provide services closely connected to our clients. In the Real Estate Business as well, we stick to the integrated in-house system developed in the Shipping Business. In collaboration with IINO Building Technology Co., Ltd., a Group building

maintenance company, we provide direct services to customers from the stage of their entry to build favorable relationships.

Review of the First Year of the Mid-term Management Plan

Our activities during fiscal year 2020, the first year of the Mid-term Management Plan, include the strengthening of our earnings base, such as the promotion of tenant leasing at our core IINO Building; efforts to acquire key properties in the central Tokyo, which will be sources of stable earnings over the long term; the quick establishment of earnings from Bracton House in London acquired in 2020; and the accumulation of expertise in the management of overseas real estate.

For the fiscal year, we maintained stable earnings. While the operations of our commercial tenants were affected by the COVID-19 pandemic, office tenants maintained solid operations.

The IINO Hall & Conference Center was greatly impacted by the pandemic in terms of operations and earnings. However, from October 2020 onwards, events with reduced spectators leveraging Internet distribution or recording began to increase. Even during the state of emergency declared in January 2021, operations improved. Although IINO Mediapro Co., Ltd. implemented measures to prevent COVID-19 infections and capture new clients, its earnings decreased due to a fall in advertising demand.

In the London real estate business, commercial tenants in the leased building were impacted by the pandemic while office tenants were able to operate their businesses smoothly, enabling us to maintain earnings.

Outlook for Fiscal Year 2021

For fiscal year 2021, we will secure stable earnings from office tenants which are maintaining solid operations. However, repair expenses will increase for some buildings. We also foresee that the operations of commercial tenants, IINO Hall, and the photo studios will remain affected due to the self-restraints requested of businesses in their

activities during the pandemic.

Hibiya Fort Tower was completed in June 2021. Before completion, leasing to office tenants was strong. The building is expected to help increase earnings. We saw a number of clients with a need to unify scattered offices, for example, several tenants occupying multiple floors in medium-sized buildings. From 2021 to 2022, large office buildings in Tokyo will be in limited supply. We will continue to work on leasing under favorable conditions with a view towards full occupancy.

Sustainability Initiatives

The IINO Building marks the 10th anniversary of its completion this year. Guided by the idea of creating buildings that will be admired for the next 100 years, our basic stance is to construct buildings with a focus on sustainability from the beginning of the development plan. We are introducing an array of advanced, environmentally friendly equipment while also paying attention to the internal environment, including the comfort of people visiting the offices and tenants and the intellectual productivity, and health of workers. A good example of this is our introduction of LED lighting on all of the office floors of our large buildings before other companies.

The Group's basic aspiration is to increase the value of its real estate from quality and environmental perspectives. There is no finish line for this aspiration. Moving towards fiscal year 2022, we are carrying out a plan to install solar power generation equipment on the IINO Building. In April 2021, we began procuring electric power with non-fossil value

certificates. Towards 2030, we will expand our use of renewable energy.

This idea is also being implemented at Hibiya Fort Tower. For example, it includes the Sky Garden relaxation space in the common area on the 11th floor. We will work to create a space where people are able to experience greenery in buildings.

Future Issues and Strategy

The COVID-19 outbreak triggered a trend among IT and other companies towards downsizing their offices and shifting to hot desking and shared offices. Following the rapid shift to remote working, the forms that offices take are now drastically changing.

However, even amid this trend, communication remains an indispensable part of business and we believe that offices themselves will not become nonexistent. In addition to working remotely from home, there will be a need in the future for office spaces that provide environments matched to the different work styles and situations, including personal compartments for concentration while working, spaces for people to hold discussions, and spaces to rest and refresh through meals and conversation.

Instead of thinking about the decrease in office demand from 100% to 60%, we believe we will be able to propose new solutions addressing the portion that relates to that 40% decline. To propose unique ideas to customers that leverage the knowledge and track record that we have cultivated, we will work with the engineering team to study what offices should be like in the new normal created by the COVID-19 pandemic.



Hibiya Fort Tower "Sky Garden"

Basic strategy under the Mid-term Management Plan

- Expansion of sources of stable earnings
- Enhancement of client satisfaction by providing a safe and comfortable office environment
- Vigorous sustainability initiatives
- Development of new properties, replacement of the existing properties, and promotion of redevelopment regardless of whether in the vicinity of the IINO Building
- Acquisition of properties overseas and in local cities in Japan

[SWOT]

Strengths	Weaknesses
<ul style="list-style-type: none"> • Ownership of large high-specification buildings in convenient locations • Providing high-quality office spaces under the Group's management • Integrated services including ownership, management, and operation of buildings • S-class buildings with high environmental performance and expertise in the management and operation of these buildings • Accumulated know-how gained through construction projects for replacement buildings and redevelopment projects • Knowledge of styles and layouts of offices obtained from overseas real estate in London 	<ul style="list-style-type: none"> • Scarcity of properties owned • Limited knowledge in the ownership and management of real estate other than office buildings
S	W
Opportunities	Threats
<ul style="list-style-type: none"> • Need for office integration chiefly among large businesses • Growing social needs including for environmental conservation • A huge tide of change in the styles and layouts of offices following work style reforms 	<ul style="list-style-type: none"> • Shrinking demand for office buildings in the central parts of cities • Decrease in office workers due to employment adjustment • Return of contracted floors and stagnation of relocation demand due to cost reductions • Cancellation and postponement of events due to requests and for other reasons
O	T

Departmental Business Strategy

Real Estate Business IINO Hall & Conference Center

Advance to the next step using the expertise obtained over 10 years of operations

Outlook for Fiscal Year 2021 and COVID-19 Impact

Events at the IINO Hall & Conference Center were successively cancelled or postponed in the spring and summer following the declaration of emergency in response to the increasing number of COVID-19 infections and event restrictions that required events to be held without spectators. The formats of events changed, with the number of events being broadcast online and hybrid events broadcast online, while including increasing in-person spectators. These changes affected the facility's operations.

For the foreseeable future we will address the task of gaining more reservations for the autumn busy season. However, when the pandemic will end is still uncertain, and the business environment may remain adverse for the foreseeable future depending on the COVID-19 situation.

Future Strategy

As a high-end facility, the IINO Hall & Conference Center will continue to thoroughly implement fundamental measures to prevent infection

and ensure the safety and security of users and visitors. We will flexibly prepare the venue for hybrid events. With high-quality proposals and support for event organization by dedicated coordinators, we will strive to capture customers during the rise of event demand.

In addition, we will also vigorously endeavor to attract cultural and entertainment events, including movie premieres, concerts, and traditional comic storytelling (Rakugo) as a center of arts and culture. We will maintain the tempo of our efforts to enhance the image of the IINO Building and IINO Group, centered on business with high levels of repeat customers.



IINO Hall

Real Estate Business IINO Mediapro Co., Ltd.

Always in view of the demand of the times while being rooted in confidence and achievements

Outlook for Fiscal Year 2021 and Future Direction

Established in 1997, IINO Mediapro Co., Ltd. (IMP) owns two studios. The Hiroo Studio was opened in May 1998 and the Minami-Aoyama Studio in May 2002. Riding the trend towards the digitalization of photos, they are now recognized as Tokyo's leading commercial photo studios.

In fiscal year 2020, these studios were forced to close for about two months after the state of emergency was declared in April. Their sales and profits dropped considerably from the previous fiscal year. After clients praised them for their measures to prevent infection, revenues for the second half rallied to a level close to the same period of the previous year.

In fiscal year 2021 as well, there is concern that studio operations will be weak due to the impact of the COVID-19 pandemic and the possibility that advertisement shooting projects may decrease after the deterioration of corporate earnings. A large-scale renovation of the

Minami-Aoyama Studio took place in May 2021, as it approaches its 20th anniversary in 2022. To meet new demand for live broadcasting from the studio during the pandemic, construction to improve the Internet environment was carried out in 2020. With an eye towards the post-pandemic era, IMP will ensure that its studios are always ready for the changes of the times.



Minami-Aoyama Studio

Ship Management IINO Marine Service Co., Ltd.

Provide safe, high-quality ship management services that satisfy clients

Established in 1974, IINO Marine Service Co., Ltd. (IMS) managed 38 vessels as of June 30, 2021, primarily serving IINO Group shipping operations.

Coordination between crew onboard and operators onshore is essential for the stable operation of vessels. The management technology for understanding the situation of onboard vessels from onshore bases becomes more and more advanced every day. Leveraging experience and expertise in ship management built up over many years along with new technology, IMS provides support to vessels navigating all over the globe, on an as-needed basis.

The IINO Group set the specific quantifiable target for 2030 of reducing its greenhouse gas emissions from ships per unit of transportation by 40% from the 2008 level. Accordingly, IMS has been actively introducing technologies to reduce environmental impact. In December 2019, *Creole Sun*, a chemical tanker with a dual-fuel main engine was delivered. This engine paves the way for the use of

methanol as fuel to massively reduce the emission of sulfur oxides (SOx) during combustion. In addition, the construction of *FUJISAN MARU*, a very large crude oil carrier (VLCC) with SOx scrubbers was delivered in fiscal year 2019 and *SHOHO MARU* and *YOHO*, two VLCCs with SOx scrubbers, were delivered in fiscal year 2020. IMS has taken charge of the management of these vessels. These three ships are each equipped with a system for the constant onshore monitoring of navigation data and engine operations. IMS is advancing its structure in which onshore operators appropriately support and accurately monitor operations.

Number of Vessels Managed by IMS

Vessel type	No. of vessels
Oil Tankers	4
Chemical Tankers	26
Large Gas Carriers	5
Dry Bulk Carriers	3
Total	38

(As of June 30, 2021)

Building Management IINO Building Technology Co., Ltd.

Provide people with safety, security, and relaxation

The mission of IINO Building Technology Co., Ltd. (IBT) is to ensure the safety and security of the tenants and users of our buildings.

Activities for Fiscal Year 2020

Operations Management:

IBT monitored the operations of individual facilities and equipment and indoor air circulation to ensure the comfort of the people in the buildings and measured the levels of energy conservation and CO₂ emissions reduction.

Environmental Considerations:

The IINO Building demonstrates superior environmental performance, leading it to be recognized as a top-level business facility in fiscal year 2020 in the period of the Tokyo Metropolitan Government's third global warming countermeasures plan.

Hygienic Environment:

Since March 2020, we have been disinfecting common areas using alcohol as a part of cleaning them to prevent the spread of COVID-19.

Security:

In fiscal year 2020, the IINO Building continued to maintain its fire safety building certification, commonly called the Excellence Mark and awarded by the Tokyo Fire Department, demonstrating the building's excellence regarding fire and disaster preparedness.

Technical Support:

Hibiya Fort Tower was completed in July 2021. IBT was involved in the development project, including in the planning and construction of the building, and worked to enhance quality through its expertise in building management.

Robotization:

The IINO Building is working to introduce robots. Operation of cleaning robots began in fiscal year 2019 and security robots in the second half of fiscal year 2020.

IBT will continue to introduce new technologies to raise customer satisfaction.



Security robot

Creation of Social Value through the Real Estate Business

We are committed to the creation of social value by securing stable earnings in the Real Estate Business to increase economic value and by addressing social needs, including the need to protect the environment with a view towards the sustainability initiatives mentioned as priority measures in the IINO VISION for 2030 and in the Mid-term Management Plan.



Photo by Kouji Okamoto

IINO Building

With the goal of being a building that will be esteemed for the next 100 years, it features advanced systems to provide superior environmental performance and comfort. While continuing to closely manage and operate the building, we also endeavor to ensure the building achieves harmony with the surrounding environment.

Address: Uchisaiwaicho 2-1-1, Chiyoda ku, Tokyo
 Number of Floors: 5 basement floors / 27 floors above ground
 Completion: End of October 2011 (first phase), end of October 2014 (second phase)

Hibiya Fort Tower

Hibiya Fort Tower was built as an environment-conscious facility, with such features as solar panels, rooftop vegetation, low heat storage pavement, and low emissivity (Low-E) that reduces the radiated heat from sunlight and eaves that block direct sunlight.

Address: 1-1-1, Nishi Shimbashi, Minato-ku, Tokyo
 Number of Floors: 2 basement floors / 27 floors above ground
 Completion: June 2021

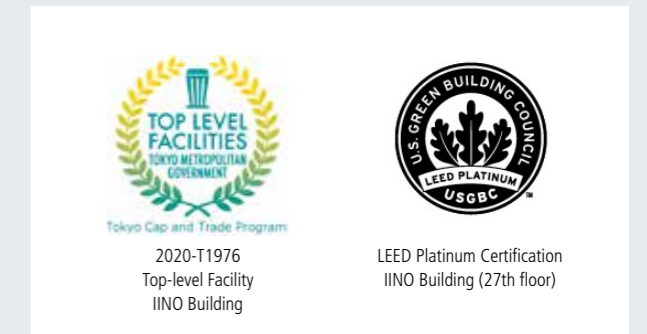
Environmental Considerations

The IINO Building features a double skin exterior structure. This controls thermal load and naturally ventilates through air passages. In addition to this advanced environmentally friendly structure, the structure aims to ensure the efficiency of facility operations to reduce CO₂ emissions and energy consumption through an integrated management system involving the everyday cooperation of tenants.

The building has acquired several environmental certifications including being ranked S by the Comprehensive Assessment System for Built Environment Efficiency (CASBEE), earning five stars in the Development Bank of Japan's (DBJ's) Green Building certification, and earning the LEED 2009 Platinum Certification for Commercial Interiors (LEED 2009-CI). LEED 2009 is a U.S.-based environmental evaluation assessment system. In addition, it has also been certified as a facility with considerations for biodiversity by the Association for Business Innovation in cooperation with the Nature and Community (ABINC) operated by the Japan Business Initiative for Biodiversity. In 2016, the building was awarded a prize in the 57th Building Contractors Association (BCS) Prize from the Japan Federation of Construction Contractors. It was also recognized as an Outstanding Specified Global Warming Countermeasure Office (Top-level Facility) for fiscal year 2015 under the Tokyo Metropolitan ordinance concerning the Environment to Secure the Health and Safety of the Citizens of Tokyo and was again

recognized as such for fiscal year 2020.

We procured funds by issuing Green Bonds and taking a Green Loan to finance the construction of Hibiya Fort Tower. Prior to the procurement of funds, we underwent a green bond assessment and a green loan assessment carried out by Japan Credit Rating Agency, Ltd. (JCR), as a third-party institution, receiving the top overall rating, Green 1, respectively. The DBJ rated IINO as a company with advanced environmental initiatives and thereby granted a loan. Additionally, for the IINO Building we decided to procure funds through a Green Loan. The loan will be used to refinance construction project costs and received a Green Loan rating of Green 1 from JCR.



Providing Places for Relaxation and Culture

In the process of developing the IINO Building, we emphasized inheriting the architectural vision of the former IINO Building and harmony with the surrounding environment under the key concept of "to connect,"

We have constructed a green space named the IINO Forest between the adjacent Hibiya Park and the building. There, a large number of domestic species have been planted in consideration of biodiversity to establish a green bond in the central city area. The greenery-rich space has been well received by the people working in neighboring office buildings as a space where people are able to relax.

Traditionally a familiar cultural center, the IINO Hall is now annexed

to the Conference Center to increase its functionality for sharing information and promoting exchange. At the entrance lobby on the first floor, lunch-time concerts are given by young musicians, although these are currently suspended due to the COVID-19 pandemic. The hall also plays a role in aiding the development of the people of the next generation who will develop cultural activities.



A bird of the Great Tit species that flew into IINO Forest

Providing Optimum Spaces for Business Scenarios

Composed of office floors, a hall, and a commercial facility, the IINO Building also brings people together. At the ground level, its pilotis (pillars) area creates a north-south walkway through the premises. At the underground level, it features pathways that connect to neighboring buildings and a subway station. As a node with different transportation routes surrounding it, the building is very convenient for tenants and everyone using the building.

Managers are stationed in the building 24/7 to monitor equipment operations to always ensure the building and its facilities operate at best condition. In addition, regular maintenance and inspections are

carried out in accordance with the medium- and long-term repair plan to prevent failures or other problems from happening.

We remain committed to increasing convenience and enhancing safety to support tenants and other users and to provide optimum spaces for business scenarios.



Pilotis shaping the north-south link (IINO Building)

ESG Initiatives

Environment

The IINO Group has positioned action on climate change as one of the materiality issues in its Mid-term Management Plan. This section introduces the Group's climate change-related initiatives, including the formulation of greenhouse gas (GHG) emission reduction targets and sustainability efforts.

IINO Group's Basic Policy

The IINO Group Philosophy states that "We will respect the law and uphold our social and environmental responsibilities," while the Code of Conduct stipulates that "The Group is acutely aware of its responsibility to reduce the environmental impact of its business operations. To that end, we will observe all relevant domestic and international laws and regulations and strive in every way possible to preserve ocean environments, harbor environments, and the environments surrounding the buildings we manage." In terms of specific initiatives, the Group will strive to conserve resources and energy, reduce waste, effectively utilize water resources and engage in recycling, reduce and prevent the release of GHGs and air pollutants, and help reduce the impact on the global environment. The Group will also develop quality and environmental management systems, make every effort to reduce its environmental impact, and make continuous improvements in these areas.

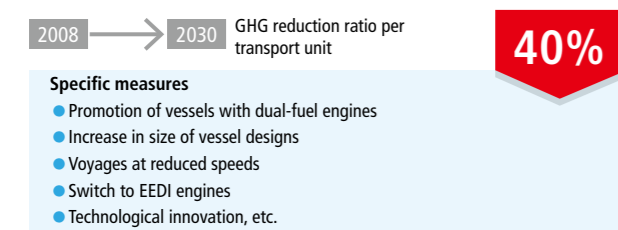
IINO Group Initiatives

Although transportation by ship is more efficient than other means of transportation, due to the large shipping volumes involved total emissions are unavoidably large. The Group emits approximately 930,000 tons of CO₂ per year from the Shipping Business and about 11,000 tons of CO₂ per year from the Real Estate Business, accounting for approximately 0.003% of the 32.8 billion tons emitted worldwide (2017). Reducing emissions of greenhouse gases such as CO₂ is a global social issue, and the Group is pursuing initiatives to reduce these GHG emissions. Making proactive efforts to overcome environmental issues is essential for the Company as it aims to become a global corporation. Among these environmental issues, action on climate change is particularly pressing. The Group has already been using technologies to reduce its environmental impact in the Shipping Business and has also taken the initiative in the Real Estate Business, such as obtaining Top-Level Facility certification among other initiatives. KPIs have also been set in the Mid-term Management Plan to advance GHG reduction efforts on a unified, Group-wide scale.

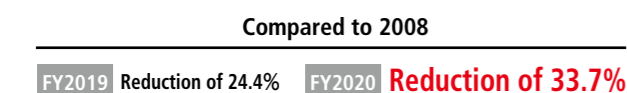
● Progress of the IINO Group's initiatives aimed at medium- to long-term reduction targets for GHG/CO₂ emissions

Shipping Business
GHG emissions reduction measures
40% reduction (compared with 2008 levels) towards 2030

As a measure to reduce GHG emissions from vessels, the Group's target is to reduce GHG emissions per transport unit **40%** by 2030 (compared to 2008).

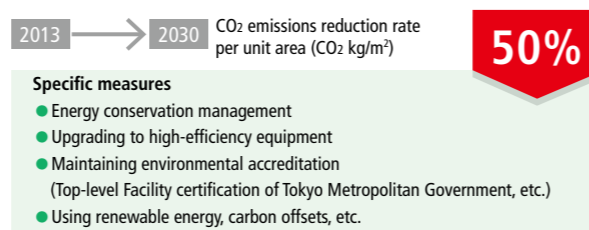


Furthermore, the Group has established a target to reduce GHG total emissions **50%** by 2050 (compared to 2008).



Real Estate Business
CO₂ emissions rate reduction measures
50% reduction (compared with 2013 levels) towards 2030

The buildings in the portfolio of the Real Estate Business are maintaining Japan's top-level CO₂ emissions rate. However, to further reduce the CO₂ emissions rate, the Group's target is to reduce CO₂ emissions **50%** by 2030 (compared to 2013), taking into account Japanese government targets.



* In August 2021, the target was revised from a 40% reduction from 2008 levels to a 50% reduction from 2013 levels.

Support of the TCFD Recommendations

In July 2021, we indicated our support of the TCFD recommendations, which are the recommendations released by the Task Force on Climate-Related Financial Disclosures established by the Financial Stability Board (FSB). We are also a member of the TCFD Consortium, which provides a forum for discussion among supporting companies and financial institutions.



Reason for Supporting the TCFD Recommendations

Risks and opportunities concerning climate change have been positioned as a key management-related materiality issue in pursuing sustainability initiatives. As the Company will endeavor to strengthen its analysis and response to the risks and opportunities that climate change poses and expand the disclosure of related information, it has indicated support for the TCFD recommendations.

Future Action on Climate Change

Based on the TCFD recommendations, the Company identified major risks and opportunities in the Shipping Business in light of its world outlook based on the 2°C and 4°C scenarios and designated the corresponding items. In anticipation of a decline in the demand for the marine transportation of fossil fuels, a major form of cargo, due to

the shift to a decarbonized society going forward, the Company will formulate strategies to proactively tackle the transportation of clean energy such as ammonia.

Meanwhile, in the Real Estate Business the Company has advanced initiatives aimed at cutting GHG emissions, such as acquiring Top-level Facility recertification for the IINO Building under the Tokyo Metropolitan Ordinance on Environmental Preservation and installing LED lighting on office floors of the Shiodome Shiba-Rikyu Building. Looking ahead, the Company is considering installing solar panels on the IINO Building and will endeavor to further strengthen its efforts.

The Company will aim to achieve its outlook of the world based on the 2°C scenario. We will strengthen our risk management in anticipation of the impacts climate change will have on our business and continue to pursue initiatives to unify the countermeasures we take with business strategy going forward.

● World outlook based on the 2°C and 4°C scenarios, and major risks and opportunities in the Group's Shipping Business

	2°C scenario Scenario in which social changes impact business due to the shift to a decarbonized society	4°C scenario Scenario in which climate change mitigation measures are not successful and the progression of global warming without action impacts business
External Scenarios	IEA, World Energy Outlook 2020 Sustainability development scenarios (SDS), etc.	IEA, World Energy Outlook 2020 Stated Policies Scenario (STEPS), etc.
World Outlook	<p>To achieve sustainable development while holding the increase in the global average temperature to below 2°C by the end of this century, ambitious government policies and environmental innovations are pursued.</p> <p>[Policies and Regulations]</p> <ul style="list-style-type: none"> ● Policies designed to balance climate change measures with economic growth ● Global carbon pricing and carbon price increases ● Further strengthening of environmental regulations by the IMO <p>[Economies and Markets]</p> <ul style="list-style-type: none"> ● Advancing modal shift ● Increasing shift from fossil fuels to renewable energies ● Preference for decarbonized services by client companies <p>[Technology]</p> <ul style="list-style-type: none"> ● Widespread adoption of next-generation vessels and fuels 	<p>Despite various countries implementing policies to achieve goals in line with the Paris Agreement, due to such aspects as insufficient cooperation or the inadequate development of environmental technologies or energy conversion by various countries, global average temperatures rise around 4°C by the end of this century.</p> <p>[Policies and Regulations]</p> <ul style="list-style-type: none"> ● Giving priority to domestic economic growth <p>[Economies and Markets]</p> <ul style="list-style-type: none"> ● Substantial economic growth globally ● Reliance on fossil fuels, sharp rise in the price of fossil fuels <p>[Environment]</p> <ul style="list-style-type: none"> ● Increasingly severe storms and flooding, increasingly polarized weather phenomena ● Chronic acceleration of changes including rising sea levels and rising air and water temperatures
Major Risks That Would Emerge in 2°C and 4°C Worlds	<ul style="list-style-type: none"> ● Decrease in sales due to decline in demand for fossil fuels ● Increase in operating costs due to carbon pricing ● Increase in shipbuilding costs due to handling of fuel efficiency regulations ● Higher fuel costs due to handling of fuel efficiency regulations (use of next-generation fuels) 	<ul style="list-style-type: none"> ● Higher fuel costs due to rising crude oil prices ● Increase in repair costs due to hull and equipment damage during encounters with rough water, increased operating costs due to route changes to avoid rough weather ● Increase in ship repair costs, etc., due to rising air and sea temperatures ● Decrease in sales due to reduced crop yields
Major Opportunities That Would Emerge in 2°C and 4°C Worlds	<ul style="list-style-type: none"> ● Increase in sales due to higher demand for clean energy sources (hydrogen, ammonia, biofuels, etc.) ● Transportation of goods related to offshore wind power generation, creation of business opportunities related to CO₂ transportation for carbon capture and storage (CCS) ● Lower operating costs due to low carbon operation 	<ul style="list-style-type: none"> ● Higher sales due to increased demand for fossil fuels (LNG, etc.) with a low GHG emission factor ● High sales from increased demand for transporting goods related to coastal disaster prevention construction associated with rising sea levels

ESG Initiatives

Environment

Addressing climate change risks and opportunities in the Group

The Group is implementing the following initiatives based on its Mid-term Management Plan.

Mid-term Management Plan Be Unique and Innovative: The Next Stage –Towards 2030– Priority Measures and Items to Address ESG and the SDGs	Initiatives from April 2020 onward
<p>1) Promoting investment in assets that help reduce environmental impact (Shipping Business)</p> <ul style="list-style-type: none"> Invest in ships that use large and fuel-efficient engines. Reduce the CO₂ emission rate while improving economic efficiency. <p>(Real Estate Business)</p> <ul style="list-style-type: none"> Promote an energy mix at owned buildings. Switch to renewable energy and promote the installation of eco-friendly equipment (LED lighting, air conditioning equipment, solar panels, etc.). <p>(Shipping Business and Real Estate Business)</p> <ul style="list-style-type: none"> 15 billion yen is expected to be invested in environmentally responsive assets over the duration of the Mid-term Management Plan. 	<p>(Shipping Business)</p> <p>Two new oil tankers (VLCCs) (SHOHO MARU and YOHO) have been delivered.</p> <ul style="list-style-type: none"> They employ electronically controlled main engines to reduce fuel consumption. CO₂ emissions are expected to be reduced by up to 20% compared with existing VLCCs. <p>(Real Estate Business)</p> <p>Purchase of electricity with non-fossil value certificates</p> <ul style="list-style-type: none"> From fiscal year 2021, CO₂ emissions are being reduced by purchasing electricity with non-fossil value certificates. <p>Installation of LED lighting on office floors of the Shiodome Shiba-Rikyu Building</p> <ul style="list-style-type: none"> The replacement of lighting with LED lighting that can significantly reduce power consumption is complete. <p>Decision to install solar panels on the roof of the IINO Building.</p> <ul style="list-style-type: none"> The decision has been made to install the solar panels during fiscal year 2022. <p>Efforts to help achieve a sustainable society in the funding of construction project costs for new buildings</p> <ul style="list-style-type: none"> Green bonds were issued and green loans were used to (partially) fund construction project costs of Hibiya Fort Tower, which features excellent environmental performance.
<p>2) Strengthening initiatives aimed at ships running on next-generation fuel</p> <ul style="list-style-type: none"> Invest in ships that use LNG, LPG, or methanol, etc., as their fuel. Developing more sophisticated operational and management expertise in vessels equipped with dual-fuel main engines 	<p>Order placement for two VLGCs equipped with dual-fuel main engines, etc.</p> <ul style="list-style-type: none"> The vessels are equipped with engines capable of using LPG as the main engine fuel. Operational and management data on a chemical tanker equipped with methanol dual-fuel main engines (constructed in 2019) was accumulated.
<p>3) Strengthening initiatives aimed at sustainable cargo</p> <ul style="list-style-type: none"> Accumulate operational expertise related to cargo that helps reduce environmental impact (LNG, etc.) and strengthen relationships with shippers. 	<p>Continue activities for LNG carrier projects</p> <ul style="list-style-type: none"> Activities for domestic and overseas projects will be considered.
<p>4) Initiatives aimed at reducing greenhouse gas (GHG) emissions (Shipping Business)</p> <p>Reducing GHG emissions to achieve the IMO target (40% reduction by 2030).</p> <ul style="list-style-type: none"> Formulate GHG emission reduction target in line with IMO target at the Group. <p>(Real Estate Business)</p> <ul style="list-style-type: none"> Reduce GHG emissions to achieve the target announced by the Japanese government (46% reduction by 2030). Revise the IINO Group's GHG emission reduction target to be in line with the government target. 	<p>Formation of the IINO Environmental Management Task Force as an organization spanning departments</p> <ul style="list-style-type: none"> Periodically monitor GHG emissions results. Oversee initiatives related to GHG emission reductions.

Environmental Initiatives in the Shipping Business and Real Estate Business

GHG Reduction Initiatives in the Shipping Business

In terms of GHG reduction targets in the Shipping Business, the Company is pursuing action on climate change such as setting the target of reducing emissions per transportation unit by 40% compared with 2008 levels by 2030. To promote climate change initiatives in the Shipping Business, there are plans to complete one LPG fuel-compatible VLGC in 2022 and 2023, respectively. In addition, two VLCCs that were delivered in fiscal year 2020 have managed to reduce CO₂ emissions by up to 20% compared with Company-owned VLCCs that were delivered in the 2000s. In addition to environmental action related to these newly built vessels, action including operating existing vessels and reduced speed is being considered in anticipation of EEXI* rules in 2023.

* EEXI (Energy Efficiency Existing Ship Index): A set of rules that evaluate the fuel efficiency performance of existing vessels, require main engine output restrictions on vessels falling below standard, and require similar fuel efficiency performance as newly built ships compatible with energy conservation to be fulfilled

CO₂ Reduction Initiatives in the Real Estate Business

In terms of CO₂ reduction targets in the Real Estate Business, the Company is pursuing action on climate change such as setting the target of reducing emissions per total floor area by 50% compared with 2013 levels by the year 2030. To promote climate change initiatives in the Real Estate Business, around 10% of electricity used at the IINO Building owned by the Company was changed to electricity with non-fossil value certificates* starting in April 2021. CO₂ emissions are expected to be reduced by roughly 680 tons in fiscal year 2021 thanks to this initiative.

From fiscal year 2022 and beyond, the amount of electricity with non-fossil value certificates purchased will be steadily increased to further reduce CO₂ emissions.

* A non-fossil value certificate is a system to extract the environmental value of electricity generated from non-fossil power sources that do not use fossil fuels such as oil or coal and converts it into a certificate that can be sold. When a non-fossil value certificate with renewable energy-derived tracking is purchased, electricity within the scope of the purchase is treated as if it is essentially derived from renewable energy.

Climate Change Initiatives in the Shipping Business and Real Estate Business (Initiatives from fiscal year 2020 onward)

2020	<p>May Set greenhouse gas reduction targets in Mid-term Management Plan</p> <p>August Established the IINO Environmental Management Task Force</p> <p>September Obtained third-party verification of GHG emissions VLCC SHOHO MARU equipped with extensive environmental equipment was delivered</p> <p>December Obtained "B-" rating in CDP Climate Change Scores for 2020</p>
2021	<p>January VLCC YOHO equipped with extensive environmental equipment was delivered</p> <p>February For Hibiya Fort Tower, we decided to fund construction costs through Green Bonds, a Green Loan and with loans based on the environmental ratings of the Development Bank of Japan Inc.</p> <p>April Began purchase of electricity with non-fossil value certificates (IINO Building)</p> <p>June Completed Hibiya Fort Tower, a building with outstanding environmental performance</p> <p>July Indicated support for TCFD recommendations</p> <p>August Decided to procure funds for IINO Building through Green Loans (refinancing of construction project costs) Joined the Japan Hydrogen Association (JH2A)</p>
(Future)	<p>By 2022 Installation of 500 solar panels on the roof of the IINO Building Delivery of VLGC equipped with dual-fuel main engines for Equinor</p> <p>By 2023 Delivery of VLGC equipped with dual-fuel main engines for Borealis</p>

Key Data

Change in fuel oil usage in the Shipping Business (thousand tons)	FY2018	FY2019	FY2020
	Grade C heavy oil	245	260
Grade A heavy oil	19	21	21

*Low-sulfur C fuel oil (compliant oil) and low-sulfur gas oil are included from fiscal year 2019 onward.

Change in CO ₂ emissions in the Shipping Business (thousand tons)	FY2018	FY2019	FY2020
		786	875

Change in electricity usage in the Real Estate Business (thousand kWh)	FY2018	FY2019	FY2020
		23,692	21,914

Change in CO ₂ emissions in the Real Estate Business (thousand tons)	FY2018	FY2019	FY2020
		13	12

Introduction to Environmental Conservation Initiatives

Initiatives to effectively utilize water resources in Real Estate Business

In densely populated urban areas, water resources available per person are extremely limited even when there is sufficient rainfall, and droughts occur frequently. With the advance of climate change, rainfall patterns will change, leading to concerns over the growing risk of droughts.

In addition, there are strict water quality standards for drinking water (tap water). Producing drinking water that meets

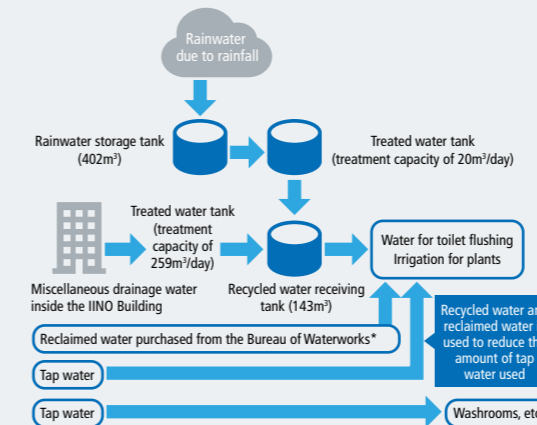
those standards requires a large amount of energy, which increases GHG emissions. However, of the water used in office buildings, there is also water that does not need to be of the same quality as drinking water, such as water used in toilets and to water plants.

The IINO Group actively utilizes reclaimed water and rainwater to reduce its use of tap water that has a large environmental impact, as well as to ensure the effective utilization of water resources.

In fiscal year 2020, the Group used 29 thousand m³ of reclaimed water and recycled water. This had the equivalent effect of reducing tap water use by 45.8%, contributing to the effective utilization of water resources.

Efforts to reduce tap water usage at the IINO Building

Purpose: Reduce the use of tap water
Efforts: Effectively utilize reclaimed water, miscellaneous drainage water, and rainwater as water for toilet flushing and plant watering (irrigation)



* Reclaimed water: water that has undergone more advanced treatment such as filtration and ozone treatment in addition to regular sewage treatment and that has more relaxed water quality requirements than tap water

Waste reduction initiatives in the Shipping Business

While the plastic waste from PET bottles and other items generated on board vessels is unloaded and recycled when vessels make port calls, there have been problems such as a lack of space to temporarily store bulky plastic waste on ships. The Company has been working to reduce plastic and other waste and since August 2021 and has installed mineral water production equipment on three Company-owned large crude oil tankers for the purpose of reducing drinking water PET bottle waste generated on board. This is expected to reduce plastic waste by around 30 m³ annually on each vessel. To coincide with the installation of the equipment, all employees boarding the vessels were issued stainless steel bottles bearing the IINO Group logo for carrying around drinking water, and all shipboard personnel are making unified efforts to reduce waste.

ESG Initiatives

Social (Safety)

The IINO Group believes that providing high-quality services (IINO QUALITY) with a high awareness of safety leads to the trust of stakeholders. In this section, we introduce initiatives for ensuring that safety.

IINO Group Basic Policy

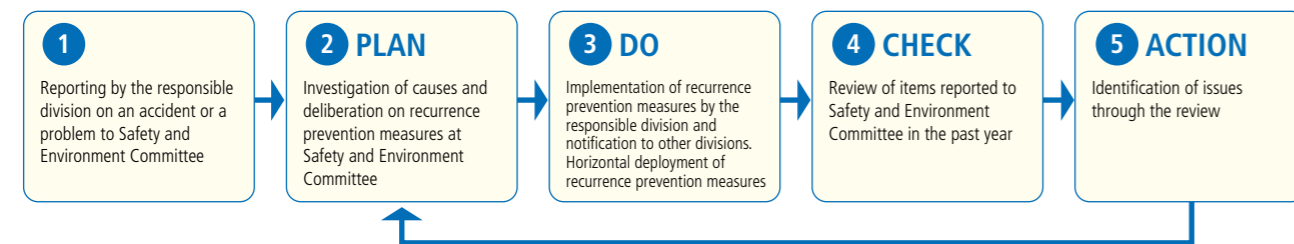
The IINO Group works under the corporate philosophy that safety is the foundation of its business operations. We also adhere to a code of conduct with the basic policy that states: "Safety is our highest management priority. Because we are acutely aware of the harm that could be caused to life, customer resources, and the environment by any negligence in our shipping or real estate operations, we will constantly strive to eliminate accidents of all kinds." We aim to ensure the safety of all business partners, including employees and outsourcing partners.

IINO Group Safety System

The Safety and Environment Committee formulates and promotes the IINO Group's safety-related policies. For example, in the event of accidents or disasters accompanying the Group's business activities that threaten the safety of people, vessels, or buildings, the Safety and Environment Committee investigates the causes of the accident, discusses measures for preventing recurrences, and seeks to enhance and ensure thorough implementation of safety measures, including preventive measures.

In the event of an emergency, such as the occurrence of a major incident, IINO LINES establishes an Emergency Headquarters led by the resident and Representative Director as HQ Director in accordance with the Risk Management Rule to manage the crisis.

● PDCA Cycle for Improvement Activities for Safety



IINO Group's Safety Initiatives

Ensuring the provision of stable, high-quality service, IINO QUALITY, has been our goal since the previous Mid-term Management Plan. Offering safety and security is essential for ensuring high-quality service in the Shipping Business and Real Estate Business. The COVID-19 pandemic has radically changed the conventional perception of safety and security. Initiatives to support the supply chain and ensure business continuity are becoming increasingly important. In addition to offering safety and peace of mind for customers, the Group engaged in initiatives that contribute to society through the stable continuation of business operations.

In order to fulfill our social mission by focusing on ensuring the safety of the Group's officers, employees, and ship crew members and preventing infections, we are working to enhance our telecommuting system for land-based personnel in terms of both hardware and human aspects to establish a system that will enable business continuity. For maritime personnel, we implement thorough onboard disease prevention measures, limit visits by outside visitors, and conduct temperature checks for crew. We also actively implement mental support and the facilitation of crew changes.

Going forward, we will continue to monitor the spread of infectious diseases and take other appropriate measures to fulfill our social mission.

IINO Group Response to COVID-19

As a result of the COVID-19 pandemic, the global economy and business environment surrounding the IINO Group are expected to remain unpredictable for the time being. We are duly addressing the future impact of the pandemic on the global economy. As a response to the pandemic, the Group believes that its social mission is to continue to provide safe and stable ocean transportation in the shipping industry, fulfill its role as a part of social infrastructure, and to thoroughly implement infectious disease countermeasures in the real estate industry as well as continue to provide safe office spaces.

Key Data

● Number of persons certified as being involved in industrial accidents

	FY2018	FY2019	FY2020
IINO Kaiun Kaisha, Ltd.	2*	0	0
IINO Building Technology Co., Ltd.	0	0	0
IINO Marine Service Co., Ltd.	0	0	0
Total	2	0	0

*Persons involved in industrial accidents, including fatalities, injuries, and illness

*Injury (commuting workers' compensation)

[Shipping Business] Safety Measures at Sea

During the COVID-19 pandemic, on-site checks through ship visits by supervisors and the exchange of opinions through direct dialogue with crew members have been restricted. In order to ensure the safe operation of vessels, it has been necessary to take various measures different from those employed during normal times. The Group's ship management companies have been taking the following responses to maintain the safety quality of vessels operated by the Company.

Real-Time Monitoring

When vessels managed by the IINO Group operate in abnormal weather conditions and high-risk waters, the Company obtains the ship's navigation plan in advance, provides weather information to the vessel, and advises on safe navigation. When necessary, we remotely monitor the ship's electronic charts and perform real-time activity monitoring using AIS (Automatic Ship Identification Device) data.

Remote Auditing

In order to confirm the condition of vessels and the state of implementation of the crew's safety actions, even under conditions where supervisory ship visit activities are restricted, the Group has conducted remote audits of the vessels under its management, making full use of technologies for communication between ships and land. Navigation data and on-site photos and records received from ships as electronic data are evaluated and feedback on improvement measures are communicated to the vessels via e-mail and telephone.



Vessel activity monitoring of a vessel from land (during passage through the Panama Canal)

Cyber Security Measures

Cyber security measures must be toughened in response to advances in communication technologies and IT both at sea and on land. The Group's ship management companies have formulated a cyber security management system that covers responses to cyber attacks on managed vessels and preventive measures against such attacks. We have created manuals documenting specific policies and response actions, and are conducting training for maritime and land employees. Onboard ship, we conduct training drills in preparation for cyber attacks on onboard systems.

Using Video Chat for Training Prior to Boarding

The IINO Group conducts preboarding training before posting key officers on its managed vessels. During the COVID-19 pandemic we are unable to call officers to attend training at the Company, and have therefore conducted preboarding training, provided information necessary for boarding the vessel, and conducted Q&A sessions with crew and passengers using video chat. Since remote training still enables visual contact and offers other benefits in terms of cost effectiveness, the Group is now considering using this as a standard method for implementing future preboarding training.



Online preboarding training session

ESG Initiatives

Social (Safety)

[Real Estate Business] Office Leasing & Operation Department Safety Initiatives

The IINO Group works under the corporate philosophy that safety is the foundation of its business operations. In the Real Estate Business, as well, we place a key focus on safety and are constantly working on the safety management of owned properties. We provide secure and comfortable offices and commercial spaces with the highest priority on ensuring the safety of tenants and all persons in the building.

Formulation of Business Continuity Plan (BCP)

The IINO Group has formulated a Business Continuity Plan (BCP) to ensure the continuation of business and swift recovery in the event of a crisis such as a major disaster, accident, or incident. In the event of a disaster it will be essential to swiftly restore building functions. We believe it is crucial to make careful preparations from before a crisis occurs, and conduct real estate BCP drills based on the scenario of a major earthquake striking. (➡ See page 52 for information about our BCP drills in anticipation of endemic COVID-19.)

Fire Safety Building Certificate (Excellence Mark) Recertification

We obtained recertification for the IINO Building in February 2021 (following on from the previous certification in February 2018) under the Fire Safety Building Certificate (Excellence Mark) scheme. Buildings certified under the Excellence Mark scheme are recognized by the fire chief as enabling safe and secure use by actively implementing fire prevention and disaster readiness measures that are above the standards stipulated by laws and regulations. The Marunouchi Fire Station has issued Excellence Mark Fire Safety Building Certificate certifications for 22 structures, including the IINO Building, which is the only building in the Uchisaiwaicho 2-chome district to acquire certification.



Fire Safety Building Certificate (Excellence Mark)

Regularization of Accident Review Meetings

As of July 2020, IINO Building Technology Co., Ltd., which is responsible for the operation and management of owned buildings, holds monthly accident review meetings. Through these meetings, we will determine if accidents and other problems occurring at each building are due to human or equipment factors, as well as identify whether those factors are manageable. We will thoroughly investigate the causes of accidents and problems that are identified as manageable, and seek to reduce the number of such incidents by taking appropriate countermeasures.

Introduction of Security and Cleaning Robots

The IINO Building has completed demonstrative testing for the introduction of robots, and actual operation commenced as of winter 2020. Security robots have led to a reduction of one security guard by standing guard and conducting security patrols in the third floor office lobby. Going forward, we will continue to perform version upgrades for the security robots introduced and proceed with considerations for internal patrols of the building (introduction of security robots and elevator interlocking controls). We have begun trial operation of cleaning robots in the lower and middle floor corridors of the IINO Building (in August 2019 and September 2020, respectively), confirming the high-level cleaning abilities of these robots. In fiscal year 2021 we will begin test operations in upper floor corridors and begin using robots to clean all corridors of the IINO Building Office floors.

Going forward, we will continue to increase the number of situations and places where cleaning robots can play an active role, and aim to ensure consistent quality and improve the efficiency of cleaning work, even during the COVID-19 pandemic.



Cleaning robot

COVID-19 Countermeasures

Shipping Business Initiatives

Preventing Infected Persons from Boarding Vessels

At the time of a crew change, crew members scheduled to board a vessel self-isolate to prevent infection for two weeks before boarding and check and record their body temperature and health condition. Furthermore, crew members in good health condition undergo a PCR test before boarding and board only after confirmation of a negative test result. Online preboarding briefings are conducted to ensure that passengers avoid contact with the manning company and ship management company personnel.

To prevent infection of crew members by vessel visitors, in principle, we prohibit entry to living areas of vessels by family members of employees and crew, or workers from countries with remarkably high levels of infection. We request persons who must visit vessels to perform essential work to record their body temperature and physical condition on a checklist and produce a negative result in a PCR test. Permission to visit vessels is only granted after confirming that there are no abnormalities.

Mental Health Support for Crew Members

COVID-19-related, high-stress conditions aboard vessels continue due to factors such as the use of an unaccustomed, complex work system necessitated by infection prevention measures, anxiety about the risk of infection at ports of call, prohibition from going ashore, and the fact that crew members are forced to remain aboard vessel for long periods of time because strict communicable disease control measures in various countries make crew changes extremely difficult. To control this stress and maintain safe operation, it is important to provide mental health support for crew members. We help crew members maintain their mental health and motivation such as by making crew changeover plans known to crew members on a regular basis. In September, video messages from crew members to their families, and from their families to them, were uploaded to YouTube. In ways such as this, we will continue to provide support for the mental health of crew members by various means.



Infection prevention poster displayed aboard a vessel

Real Estate Business Initiatives

BCP Response Training for Living with COVID-19

As one initiative in the Real Estate Business, we are conducting BCP response training (first-response desktop training) for the Group's owned buildings twice a year. We conduct training with the aims of ensuring and maintaining building function without disrupting critical operations in the event of disaster at any given time. BCP response training envisages complex disasters enabling response to various scenarios, including outbreaks of infectious diseases. We conduct training to make maximum effective use of communication equipment and apps (PHS, iPad, Teams), etc., envisaging on-site situations such as a response headquarters where people do not gather (in order to avoid close contact).

We also review the work, training content, and scenarios set by the emergency response headquarters office of the Real Estate Business Division, identify issues according to environments and situations in recent years, and verify how to

deal with them in BCP training.

We will continue to conduct BCP response training to maintain and ensure safe and secure buildings, while adapting the training content and system to match current needs.

Installation of Temperature Measurement System at the IINO Building

In June 2021, we installed a temperature measurement system that can simultaneously measure the temperatures of many people on the reception floor of the IINO Building. We will utilize this system to measure the body temperatures of tenant employees and visitors to the office area as part of our response to COVID-19. Please refer to our website for details of other measures against infectious diseases at office buildings owned by the Group.

[https://www.iino.co.jp/kaiun/english/csr/safety_building.html]

ESG Initiatives

Social (Human Resources)

Cultivating, retaining, and utilizing talented human resources is an important and indispensable foundation for putting ESG management into practice in line with the IINO Group Philosophy. Moreover, the IINO COMMITMENT set out in the Mid-term Management Plan promises to "provide a supportive work environment and opportunities for self-fulfillment and self-realization" to officers and employees. This section introduces our efforts to make good on those promises.

IINO Group Personnel Policy

In the IINO Group Philosophy, we vow to "constantly strive to increase our corporate value and enhance returns to all investors and stakeholders," while in the Code of Conduct, we pledge that "in all our transactions, including hiring, we will never discriminate against anyone due to nationality, race, religion, age, gender, or any other unjust reason," and that we "will respect human rights in the workplace so as to maintain an environment in which all employees can work comfortably." This forms our basic policy. Additionally, the current Mid-term Management Plan describes management that aims to enhance corporate value through solutions to social issues (ESG management). Cultivating, retaining, and utilizing talented human resources is an important and indispensable foundation for putting ESG management into practice, and to this end, we are working to enhance our training systems and develop a workplace environment conducive to a diverse range of human resources.

The Group Philosophy and the Code of Conduct are translated into English and published on the Company's website to make them known to the Group employees working around the world.

IINO Group Human Resource Initiatives

People are the foundation for conducting business. Some 2,200 people work for the IINO Group, comprising employees on shore and employees at sea who operate vessels (including foreign seamen onboard hired on a temporary basis). For ensuring safety and security, it is indispensable to foster, secure, and utilize excellent human resources. In order to respond to discontinuous change of the external environment, we need to offer a working environment where our employees on shore and those at sea can display their full potential. We are implementing initiatives to improve the workplace environment, including enrichment of the training system, enhancement of internal communication, and the cultivation of a personnel system conducive to diversity.

Initiatives for Crew Members

With people's movements being restricted and regulated in various countries due to the global spread of COVID-19, the shipping industry is feeling the effects. In particular, sometimes crew members need to stay on board longer than expected because crew changes cannot be carried out at scheduled ports due to restrictions or regulations on movement, and these situations are increasingly interfering with the appropriate timing of crew changes. To the crew members working extended periods at sea and away from their families, the lack of a set schedule for disembarking can be a source of considerable stress. The Company is taking a range of measures to alleviate the stress of crew members.

Development of Shipboard Communication Environments

While communication environments on shore have advanced considerably in recent years, the situation at sea has been less than ideal for a long time. The Company has been making active efforts, including improvements to onboard communications equipment, and has strived to shorten the physical and mental distance between crew members and their families by developing infrastructure enabling video chats with family on shore, and by increasing the bandwidth available for personal-use Wi-Fi.

Mental Health Management

Those working at sea face various restrictions and can find it more difficult to control stress than those working on shore. The Company has placed a particular focus on the mental health of crew members working under special environments and has conducted training on mutual

awareness between crew members and mental health care. Additionally, mental health managers are nominated on each vessel to manage and improve mental health on board.



Crew members on board a vessel watch a video of the president's New Year message.

Building Teams Regardless of Nationality

Mutual understanding is essential to maintaining good teamwork in closed environments with crew members of different nationalities on board together. Through training on multicultural understanding, we promote team building founded upon mutual recognition, understanding, and respect for cultural differences.

Initiatives for Onshore Personnel

One of the Priority Strengthening Measures for achieving the IINO VISION for 2030 set forth in the Mid-term Management Plan is the "training and strengthening of human capital." This section introduces some specific initiatives in this area.

Promoting Opportunities for Female Employees

As part of putting ESG management into practice based on the IINO Group Philosophy, the Company promotes opportunities for female employees. While the percentage of female managers at the Company was 0% in fiscal year 2020, the percentage rose to 5.9% at the end of June 2021 due to the appointment of a new female manager and the transfer of a female employee seconded to a Group company back to head office. Additionally, as of July there are 37 female employees working at the Company, and 44 when employees seconded to Group companies are included.

Introduction of an On-Site Childcare Center

The use of the Kids Square on-site childcare center in Hibiya Fort Tower began in July 2021. By utilizing the center, we aim to create a vibrant workplace environment where employees can smoothly return to work after being on childcare leave, and can maintain a healthy balance between work and home life.



Kids Square on-site childcare center

Mentor Program

We have introduced a mentor program which enables new employees to discuss the various problems, troubles, and concerns that arise during work and which they feel uncomfortable discussing within their own department or section. Mentors (senior employees) offer mentees (new employees) advice and support that is based on their experience and help mentees envision their jobs and careers by helping them solve problems and achieve growth.

Introduction of Hot Desking

With the aim of strengthening internal communication across different divisions and departments, a hot desking system was launched on the

Ongoing Initiatives to Ensure Safety

The Company believes that it is important that ships and the company, and the staff working on shore and at sea feel close to one another. Moving forward we will continue with efforts to relieve stress and improve the motivation of personnel working at sea, and promote measures to ensure safety by maximizing the capabilities of seafarers.

27th floor of the IINO Building and 5th floor of the NS Toranomon Building in April 2021. The system enables employees to select their workplace and desk within the office based on what they are working on, and supports greater diversity in working styles.

Holding Online Exchange Sessions

In July 2021, online internal exchange sessions were held between outside officers and young employees with the aim of resolving the lack of communication due to employees working from home, and to encourage engagement between officers and employees. We aim to create a comfortable environment for employees and support their motivation to proactively contribute to the company and their work even through the rare opportunity to exchange communication with outside officers. We implement initiatives that help enhance work engagement by matching the achievement of corporate objectives with the direction of personal growth on the part of employees.

Publication of the IINO PRESS In-House Magazine

We have published the IINO PRESS in-house magazine based on the concept of "know one another" since September 2018. We aim to deepen mutual understanding between employees through in-house exchange in the form of articles and develop an environment in which employees can work with peace of mind.

Key data

● Personnel Data (non-consolidated)

		FY2018	FY2019	FY2020
Average number of years of service (Year)	Positions on shore	14.6	14.9	14.4
	Positions at sea	9.9	10.2	10.5
Ratio of female employees (%)		17.8	18.8	18.7
Number of women who took maternity leave (Persons)		1	0	2
Number of working mothers (Persons)		10	9	10

ESG Initiatives

Governance (Corporate Governance)

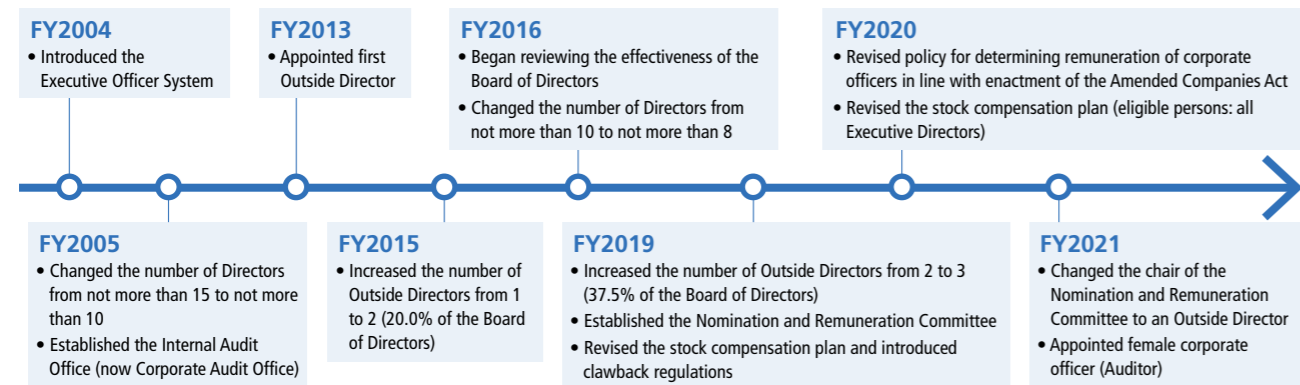
Basic Views

The Company's basic view towards establishing relationships of trust with various stakeholders, which serve as the foundation for sustainable growth and enhancing corporate value over the medium to long term, is set out in the IINO Group Philosophy. To realize this philosophy, we have established a Code of Conduct for all officers and employees in the IINO Group composed of seven mottos: Safety is Priority No. 1, Contribute to society, Demonstrate respect for our customers, Maintain compliance and preserve the social order, Eradicate discrimination and respect human rights, Protect the environment, and Fully disclose all relevant information. By implementing this Code of Conduct, we work to balance stakeholder interests and realize efficient corporate activities.

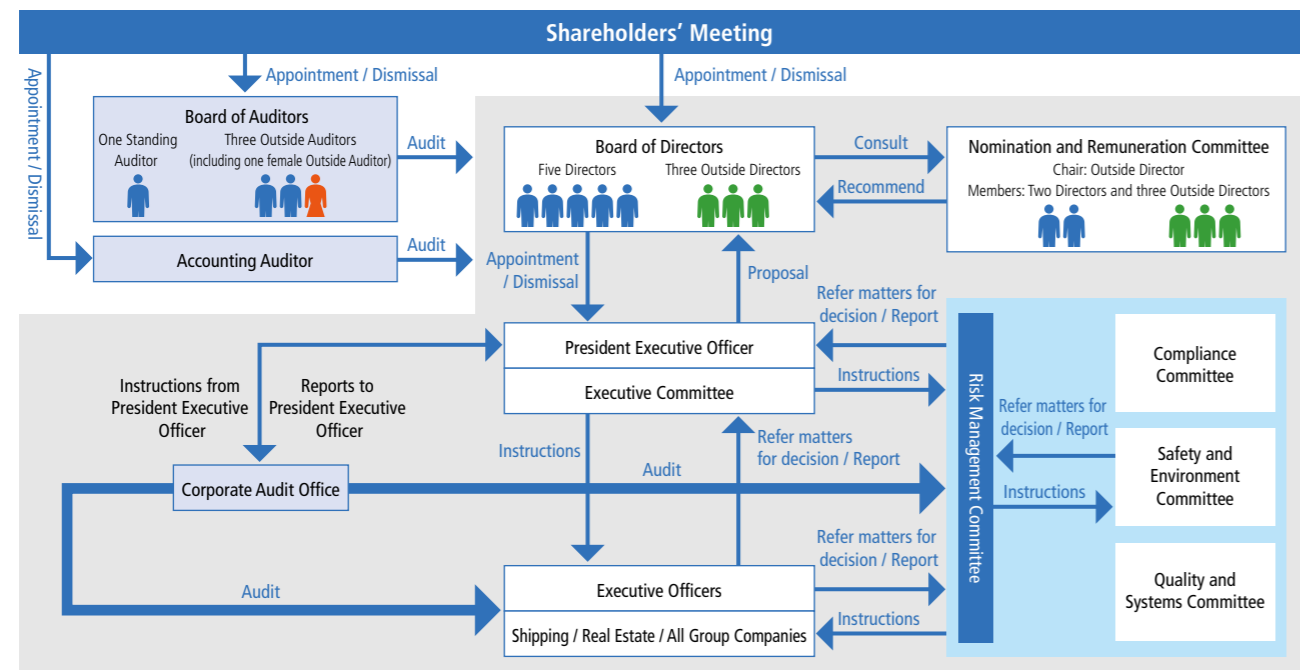
Therefore, we believe it is important to ensure sound management, transparency, and efficiency. The Code of Conduct is viewed as a framework for realizing efficient business activities by coordinating the interests of the various stakeholders who constitute a company. Based on these views, and with an organizational structure founded on the members of the Board of Auditors, we are working to both enrich our corporate governance and balance soundness, transparency, and efficiency in management. We take account of our relationships with shareholders, employees, and other stakeholders in our decision-making and business execution. IINO LINES spares incessant effort to produce the best corporate results, and is ultimately engaged in the creation of sustainable growth and enhancement of corporate value over the medium to long term.

Corporate Governance Initiatives and Promotion Framework

Changes to Strengthen Corporate Governance



Organizational Structure



Composition and Operation of Institutions

Institution	Board of Directors	Executive Committee	Nomination and Remuneration Committee (Established in October 2019)	Board of Auditors
Composition	5 Directors 3 Outside Directors • Outside Directors account for not less than one-third of the Directors	12 Executive Officers (including 5 Directors)	Chair: Outside Director Members: 2 Representative Directors 3 Outside Directors • Outside Directors account for the majority	1 Standing Auditor 3 Outside Auditors • Outside Auditors account for the majority
Attendance	4 Auditors	1 Standing Auditor		
Objectives and powers	• Decide important matters • Supervise the Directors' execution of duties and Executive Officers' business execution • Improve the environment to support appropriate risk-taking	• Decide matters as requested by the Board of Directors, deliberate on matters as instructed by the Board of Directors, and exchange opinions concerning management	• Enhance objectivity, transparency, and fairness of procedures concerning nomination of Director candidates and remuneration of Directors and strengthen the supervision and accountability of the Board of Directors so as to further enhance the corporate governance system	• Audit the execution of duties by Directors from an independent and objective standpoint, mindful of the fiduciary duty to shareholders
Secretariat	Corporate Planning Department	Corporate Planning Department	Human Resources Department	Staff of Auditors
Meeting frequency	Regular Board meetings: Monthly Extraordinary Board meetings: Ad hoc basis	Weekly	7 times (FY2020 Result)	Monthly

Board of Directors

The Board of Directors, in view of the responsibility entrusted to it by shareholders and in an effort to create sustainable growth and enhance corporate value over the medium to long term, will appropriately fulfill its duties and responsibilities, including maintaining an environment to support appropriate risk-taking and having highly effective supervision of directors. To this end, in adequate consideration of balanced knowledge, experience, and ability alongside diversity in the overall Board of Directors, the Company's Board of Directors consists of eight Directors (including three Outside Directors).

Directors are appointed from those who are of outstanding character, are knowledgeable, capable, and possess abundant experience, and are able to appropriately fulfill their duties.

Further, Outside Directors are appointed from those who satisfy the requirements for Outside Directors set forth in the Companies Act, who have constructive opinions, who and can be expected to contribute to the further growth of the Company. They are also personnel with high levels of professional expertise, such as persons with experience in regulatory supervision or diplomacy, or serving as corporate officers of other companies.

Composition of the Board of Directors (excluding Auditors who attend meetings)

Name	Attendance Status (FY2020)
President and Representative Director	Hiromi Toshia 100% (22/22 times)
Representative Director	Akihiko Okada 100% (22/22 times)
Director	Ryuichi Osonoe 95% (21/22 times)
Director	Tomoshige Jingu 100% (22/22 times)
Director	Yusuke Otani 100% (17/17 times)
Outside Director	Shigeru Endo 100% (22/22 times)
Outside Director	Kei Oe 100% (22/22 times)
Outside Director	Yasuyuki Yoshida 100% (22/22 times)

[Effectiveness Review]

Aiming to improve the functioning of the Board of Directors with a view to achieving sustainable growth and enhancing corporate value over the medium and long term, since fiscal year 2016 the Company has undertaken an analysis and review of the effectiveness of the Board of Directors, covering all Directors and Auditors once a year. Conducted in February 2021 using an anonymized self-evaluation questionnaire, the fiscal year 2020 review covered such topics as the role, responsibility, scale, and composition of the Board of Directors. As part of the analysis and review, the Board of Directors deliberated on the findings. The results and related issues are as follows. Going forward, we will continue to pursue initiatives that seek to further enhance the effectiveness of the Board of Directors.

Overview of the Effectiveness Review for Fiscal Year 2020

Target: All Directors and Auditors
Details: Roles, responsibilities, scale, and composition of the Company's Board of Directors
Results

- Evaluation**
 - The composition and number of members of the Company's Board of Directors were appropriate for its operation and for ensuring genuine deliberations
 - The appropriate support structures were in place in terms of improving the content of the materials and reports provided to Board members and providing explanations in advance relating to agenda items to Outside Directors and Auditors to help promote more detailed discussions
- Improvements of issues identified in fiscal year 2019**
 - Training of Directors and Auditors to deepen their understanding of new fields, such as use of information and communication technology and ESG initiatives
 - Provision of support to Directors and Auditors mainly to help them deal with online meetings and better understand the Company's ESG initiatives
- Newly identified issues**
 - Further improvement in the support framework to promote more in-depth discussion of ESG initiatives
 - Improvement of diversity in the composition of Board of Directors and Board of Auditors, including the appointment of female corporate officers

ESG Initiatives

Governance (Corporate Governance)

Board of Auditors

The Board of Auditors, in view of the responsibility entrusted to it by shareholders, will appropriately fulfill its duties and responsibilities from an independent and objective standpoint, including auditing the execution of duties by directors. To this end, in consideration of including persons with appropriate knowledge of finance and accounting, the Company's Board of Auditors consists of four auditors (including three Outside Auditors).

Auditors are appointed from those who are of outstanding character, are knowledgeable, capable, and possess abundant experience, and are able to appropriately fulfill their duties. Furthermore, Outside Auditors are appointed from those who satisfy the requirements for Outside Auditors set forth in the Companies Act who are of outstanding character, are knowledgeable, capable, and possess abundant experience, and are able to appropriately fulfill their duties.

● Composition of the Board of Auditors

	Name	Attendance Status (FY2020)
Standing Auditor	Yoshinori Hashimura	100% (15/15 times)
Outside Auditor	Yoshio Yamada	100% (15/15 times)
Outside Auditor	Hiroshi Takahashi	100% (10/10 times)
Outside Auditor	Mari Miyoshi*	—

*Ms. Miyoshi was elected at the General Meeting of Shareholders on June 25, 2021.

Nomination and Remuneration Committee

IINO LINES established Nomination and Remuneration Committee in October 2019 as a voluntary advisory body serving the Board of Directors with the objective of enhancing objectivity, transparency, and fairness of procedures concerning nomination of candidates for Director, etc., and remuneration of Directors and strengthening the supervision and accountability of the Board of Directors so as to further enhance the corporate governance system. The Committee consists of five members, namely, three Outside Directors and two Representative Directors, and is chaired by Outside Director. In response to the Board of Directors' request for consultation, the Committee deliberates on the following matters and provides recommendations to the Board of Directors. The Committee met seven times in fiscal year 2020 in light of the recommendations by the Nomination and Remuneration Committee in response to the Board of Directors' request for consultation.

● Composition of the Nomination and Remuneration Committee

	Name	Attendance Status (FY2020)
President and Representative Director	Hiroshi Toshi	100% (7/7 times)
Representative Director	Akihiko Okada	100% (7/7 times)
Outside Director	Shigeru Endo	100% (7/7 times)
Outside Director	Kei Oe	100% (7/7 times)
Outside Director	Yasuyuki Yoshida	100% (7/7 times)

[Remuneration]

-Bonuses (performance-linked compensation)

At a given time each year, the Company pays Directors' bonuses to Executive Directors mainly according to the level of achievement of the consolidated net income target for each fiscal year. The Company judges that the bonuses will incentivize Directors to contribute to enhancement of corporate value in the medium and long run because the Company uses consolidated net income, which is directly funds new capital investment and shareholder returns for enhancement of corporate value, as the primary indicator of performance.

The amounts of Directors' bonuses are calculated according to the level of achievement of performance targets, using consolidated net income as the primary performance indicator, and the position of each Director, taking a report by the voluntary Nomination and Remuneration Committee, which is chaired by an Outside Director, into consideration, and the directors' bonuses are resolved by the Board of Directors upon careful deliberation of the propriety of payment and the amounts.

-Stock compensation plan (performance-linked compensation)

The Company has also established a stock compensation plan under which Executive Directors contribute part of their compensation to the Directors' shareholding association, with the aim of making Executive Directors share shareholder value with shareholders to a greater degree, clarifying management's commitment to achievement of the Company's Mid-term Management Plan and further promoting initiatives to enhance corporate value. The stock compensation plan is a plan for delivering Company shares to Executive Directors by having Executive Directors contribute an amount of their monthly compensation set according to their position to the Directors' shareholding association and having them withdraw Company shares purchased at fair market value in the open market by the Directors' shareholding association, from the Directors' shareholding association, in an amount commensurate with their holding, on a trading day at the end of the fiscal year, in principle. Stock compensation via the stock compensation plan is a means of achieving the Company's sustainable growth and enhancement of its medium- to long-term corporate value because the value of shares held is linked to the share price and Executive Directors share the shareholder value with shareholders. Moreover, the Company has introduced clawback regulations that require Executive Directors to return without compensation all or part of the shares that they purchased through the Directors' shareholding association according to the degree of their responsibility in the event of a material accounting fraud or a huge loss.

-Ratio of fixed compensation and performance-linked compensation

The Company determines the ratio among the fixed compensation (monthly compensation), performance-linked compensation (bonuses), and performance-linked compensation (purchase of shares by the Directors' shareholding association), making sure that compensation incentivizes Executive Directors to contribute not only to improving business results in the short term but also to enhancing its medium- to long-term corporate value.

Risk Management Committee and Three Committees

The IINO Group has established the Risk Management Committee to manage risk, deliberate on policy, make proposals, and offer advice at the Group-wide level. It has also established three committees, Compliance Committee, Safety and Environment Committee, and Quality and Systems Committee (the members of the three committees also include the Representative Directors of major Group companies), which report to the Risk Management Committee. The Risk Management

Committee oversees the risk management activities of the Group as a whole, including strategic business risks and risks associated with major investment projects by giving instructions to the three committees and having proposals submitted to it or reported to it by the three committees.

To grasp the situation of business execution, the Standing Auditor attends Risk Management Committee, the three committees, and other important meetings and receives reports.

Activities of each committee are as follows.

Risk Management Committee

- Number of times held: Held 26 times from April 2020 to March 2021
- Chairman: President and Representative Director
- Agenda: Major investments, Progress of annual business plans of each department and major group company, reports from three committees, strategies such as Mid-term Management Plan, and other risk-related matters

[Activities] The Risk Management Committee, which has been established for the IINO Group's integrated risk management, deliberates, proposes, and advises on management and policy across the Group, including risks relating to business strategy and major investments and ESG risks, in cooperation with its three committees, namely, Safety and Environment Committee, Quality and Systems Committee, and Compliance Committee, whose members also include Representative Directors of main Group companies. The Risk Management Committee also estimates the monetary impact in the event that risk materializes and measures the benefit of risk management concerning business risks.

Compliance Committee

- Number of times held: Held 4 times from April 2020 to March 2021
- Chairman: President and Representative Director
- Agenda: Disputes, reports on matters for which legal advice is sought

[Activities] The Code of Conduct and the Compliance Regulations form the basis for the compliance system to ensure compliance in the execution of duties by the Group's officers and employees, including Directors and Executive Officers. The Compliance Committee, established under the Compliance Committee Regulations, formulates and promotes compliance policies regarding compliance throughout the Group. Working together with Auditors and the Corporate Audit Office and based on the Compliance Regulations, the Chief Compliance Officer oversees compliance-related procedures and processes throughout the IINO Group. All officers and employees of the Group are obliged to report any serious legal and regulatory compliance breaches based on the Compliance Regulations and Internal Reporting System Operational Regulations.

Safety and Environment Committee

- Number of times held: Held 13 times from April 2020 to March 2021
- Chairman: President and Representative Director
- Agenda: Discussions on safety and environmental issues within the Group
 - Study about on risks and opportunities for the IINO Group concerning climate change,
 - Report on emergency drills, etc.

[Activities] The Safety and Environment Committee, established under the Safety and Environment Committee Regulations, is responsible for formulating and promoting policies on safety and the environment and implementing and reinforcing preventive and other measures to mitigate risks relating to any serious accidents or problems that might affect vessels and buildings during the course of the IINO Group's business operations. The Committee also monitors the Group's environmental impact and considers countermeasures to strengthen environmental initiatives.

Quality and Systems Committee

- Number of times held: Held 12 times from April 2020 to March 2021
- Chairman: President and Representative Director
- Agenda: Proposals for the replacement of backbone systems and reports on progress
 - Proposals of measures and improvements to strengthen the remote working environment and reports on progress
 - Proposals concerning project to promote home-based payment operations and reports on progress

[Activities] The Quality and Systems Committee, established under the Quality and Systems Committee Regulations, is responsible for formulating and promoting policies on systems and development of the environment for digital transformation (DX), including renewal of backbone systems and remote working, and for implementing and reinforcing preventive and other measures to mitigate risks relating to system failure, etc.

ESG Initiatives

Governance (Corporate Governance)

Status of Independent Directors and Auditors

In light of the criteria for independent officers of the securities exchange on which it is listed, the Company has designated a total of six corporate officers comprising three Outside Directors and three Outside Auditors as

independent officers because they are judged unlikely to have conflicts of interest with general shareholders. The Company has also defined independent criteria and the qualities required of Outside Directors and Outside Auditors in the Criteria Relating to the Independence and Qualifications of Outside Directors and Auditors.

Relationship between Outside Directors and Auditors and the Company

Position	Name	Independent Director or Auditor	Reason for election
Outside Director	Shigeru Endo (2013-)	○	Although Mr. Endo has no experience of direct involvement in corporate management, the Company judged that he is able to appropriately execute the duties of an Outside Director by mainly applying his abundant international experience and knowledge cultivated during many years as a diplomat in the Company's management, offering appropriate advice concerning the Company's management based on a broad point of view, and exercising management oversight from an independent standpoint. Therefore, the Company has appointed him as an Outside Director.
	Kei Oe (2015-)	○	The Company judged that Mr. Oe is able to appropriately execute the duties of an Outside Director by applying his experience and knowledge gained as a corporate manager in the Company's management, offering appropriate advice concerning the Company's management based on a broad point of view, and exercising management oversight from an independent standpoint. Therefore, the Company has appointed him as an Outside Director.
	Yasuyuki Yoshida (2019-)	○	The Company considers that by leveraging the abundant experience and knowledge that he has cultivated through his many years of research at think tanks, Mr. Yoshida is able to provide appropriate advice for management of the Company from various aspects and exercise management oversight from an independent standpoint, and is able to execute his duties as Outside Director appropriately. Therefore, the Company has appointed him as an Outside Director.
Outside Auditor	Yoshio Yamada (2018-)	○	Mr. Yamada has abundant expert knowledge and experience regarding corporate law, developed as an attorney. The Company has judged that he is able to continue to appropriately execute his duties as Outside Auditor. Therefore, the Company has appointed him as an Outside Auditor.
	Hiroshi Takahashi (2020-)	○	Mr. Takahashi has abundant business experience and knowledge gained at financial institutions. The Company has judged that he is able to appropriately execute his duties as an Outside Auditor. Therefore, the Company has appointed him as an Outside Auditor.
	Mari Miyoshi (2021-)	○	Ms. Miyoshi has abundant international experience and knowledge gained through many years of service as a diplomat. The Company has judged that she is able to appropriately execute her duties as an Outside Auditor. Therefore, the Company has appointed her as an Outside Auditor.

Emergency Response

In the event of occurrence of any emergency concerning the Group's operations, such as environmental pollution (oil spillage etc.), a major incident or problem involving human lives and/or assets, or a large-scale disaster, the Company establishes an Emergency Headquarters led by President and Representative Director acting as HQ Director to manage the crisis in accordance with Risk Management Rules. In addition, the

Group has formulated a Business Continuity Plan (BCP) envisaging an outbreak of a novel influenza and a large-scale earthquake occurring in the area where the Group operates. Under this plan, systemic preparations have been made to ensure the swift recovery and continuation of all businesses of the Group. The Company has also made efforts to improve its regional disaster prevention capabilities, including making space available to the local authorities for emergency stockpiling at IINO Building.

Governance (Compliance)

Group Anti-bribery Policy

The Group commits to upholding its social responsibilities in its philosophy and stipulates that it will "Maintain compliance and preserve the social order" in its Code of Conduct. The Compliance

Regulations, which must be upheld by the Group's corporate officers and employees, prohibit the giving and receiving of economic benefits beyond social norms and the provision of wrongful gains to public officials in Japan or overseas as part of efforts to prevent bribery and corruption.

Compliance Initiatives

Internal Reporting System and Prevention of Harassment

A whistleblower system has been established such that if officers and employees (includes transferred employees, contract employees, non-regular employees, and temporary employees) of the IINO Group discover illegal or unethical actions, or have reason to suspect such actions are taking place, the Company will quickly confirm the facts, and engage in appropriate corrective measures. The Company deals with compliance violations including "prevention of insider trading," the prevention of corruption such as "entertainment and gift-giving beyond social norms and the provision of wrongful gains to public officials in Japan and overseas," and bullying, sexual harassment, and other forms of harassment. The Compliance Committee conducts investigations based on information received and seeks to resolve any issues with the cooperation of lawyers and other experts where necessary.

The Internal Reporting System Operational Regulations stipulate that the General Manager of the Human Resources Department and an external lawyer specified by the Company will serve as the point of contact for whistleblowing. The regulations also stipulate that details of whistleblowing reports or enquiries and personal information obtained in connection with investigations must not be disclosed from the viewpoint of protecting personal information and the Company ensures that everyone is aware of these regulations.

In addition, structures are also in place such that, as required, the Standing Auditor will receive a report from the Compliance Committee and the whistleblowing contact point regarding any incidents.

The Compliance Regulations and the Internal Reporting System Operational Regulations stipulate that any whistleblowers among the Group's officers and employees shall not be treated disadvantageously.

Internal workshops for the Group's employees are held every year led by IINO LINES' attorney for the purpose of raising their awareness of the importance of preventing harassment. These workshops have changed the way employees think and educated employees about harassment.

Compliance Violations

Number of cases discussed and found to be violations by the Compliance Committee in fiscal year 2020: 6

Anti-corruption Awareness-raising and Internal Training

The Group Philosophy and Code of Conduct clearly specify that Group officers and employees are required to observe laws and regulations and conduct themselves in keeping with social and moral norms and the Group prohibits bribery and insider trading and any ties whatsoever with antisocial forces. Specific measures to ensure that all Group officers and employees know this are outlined as follows.

[Anti-corruption Awareness-raising]

The Company raises awareness to prevent corruption among Group officers and employees by posting compliance courses on matters such as involvement in bribery and violations of public officer ethics and collusion with customers and suppliers and other e-learning videos about corruption in Web bulletins used for internal communication. The Company also alerts each department and each company, including overseas subsidiaries and representative offices, to the need to strengthen measures to prevent unfair competition, including measures against bribery and tighter information management.

[Anti-corruption Internal Training]

The Company seeks to improve compliance awareness among officers and employees by providing anti-corruption training to Group officers and employees both in Japan and overseas, including annual Insider Trading Regulation Training with a guest speaker.

Initiatives to Assess and Avoid Corruption Risk

The Company clearly specifies its commitment to preventing bribery and other forms of corruption in the Group Anti-corruption Policy and strives to assess and prevent corruption risks in its activities and the selection of business partners. In its business operations around the world, the Group investigates and collects information about unlawful practices which might occur given its business activities. More specifically, on the selection of business partners, the Group carries out corruption checks using credit research agencies and other means. Contracts concluded by the Group also include regulations for the elimination of antisocial forces, clearly stating that the Group will cancel the contract if the other party is found to have ties with antisocial forces. When, as a result of such risk assessment, the risk of corruption is judged especially high, the Compliance Committee conducts an investigation based on the information received and judges whether to proceed with the business or new business partner, in cooperation with a lawyer or other outside expert where necessary.

Corruption-related Penalty Charges, Surcharges, or Settlement Money

In fiscal year 2020, there were no major violations or laws and regulations due to the non-observance of anti-bribery regulations and the Group incurred no penalty charges, surcharges, or settlement money related to corruption.

	FY2018	FY2019	FY2020
Disciplinary dismissals due to violations of anti-corruption laws* (persons)	0	0	0
Penalty charges, surcharges and settlement money incurred due to violations of anti-corruption laws* (yen)	0	0	0

*Including but not limited to the Antimonopoly Act, Instruments and Exchange Act, and Unfair Competition Prevention Act

Outside Directors Roundtable Conversation



Continuing from last year, we held a roundtable conversation between our three Outside Directors and had them discuss their assessment of the IINO Group's governance and the challenges the Group faces towards medium- to long-term growth.

Remarks on the end of the first year of the Mid-term Management Plan

Endo Fiscal year 2020 was a year that began and ended in the shadow of the COVID-19 pandemic. Despite the concerns, once the year ended, business performance was not bad. Construction of Hibiya Fort Tower was also completed on June 30 without incident. Along with business results, I was also concerned about the health of employees and crew members. We also needed to cope with the new environment arising from the pandemic in the Real Estate Business. This is a topic that links to materiality and ESG management, and I believe it is an important aspect of the Mid-term Management Plan. These are a part of crisis

management and were addressed as a company from the early stages of the pandemic. While I asked questions about investor relations/ shareholder relations at Board of Directors meetings, the reporting has also been enhanced.

Oe The Company formulated an excellent Mid-term Management Plan, but since the initiatives aimed at achieving its goals, particularly the sustainability initiatives listed under the Priority Strengthening Measures, involve considerable costs, I suggested that it was important to optimize the allocation of people, goods, and money while also leaving open the option of divesting from unprofitable divisions.

Yoshida As there will also be a gap between the top management involved with formulating a Mid-term Management Plan and the people putting it into practice in the field, I think it is important to try to bridge that gap.

I also asked for reports on the three pillars of the Priority Strengthening Measures in terms of how each section will be tackled and make progress on their developments. We receive reports on the status of the environmental and DX task forces as appropriate and interim reports on other measures every quarter, and these have been very easy to understand and helpful. This enables us to verify how employees see the Mid-term Management Plan and how they are working in their respective positions. I also think it is important for employees to be aware of how the Mid-term Management Plan is linked to their daily work. I believe that reporting will foster an awareness among employees. On the other hand, in considering succession plans I think that information on career paths and other aspects of managerial positions is lacking.

The challenges confronting IINO LINES

Oe In recent years, I have shared my concerns that junior employees, who we want to see play an active role in the future, are becoming increasingly stability-oriented in a way that settles for the status quo, and of course, this trend isn't something that can change in the space of a year. Even so, I think it is important to keep talking about these matters. To continue to achieve things, I think we need not only a great philosophy but also the passion to act in a visceral way that embodies it.

IINO LINES has an excellent Management Philosophy and has created an outstanding Mid-term Management Plan. The feelings of each employee will play a big part in bringing the plan to fruition. This is not a matter of theory. Unless people feel something, such as "I don't want to lose to that person" or "I want to be number one," they can't demonstrate their full potential. As long as I am a Director, I am going to keep saying this in simple and honest terms.

Yoshida As Mr. Oe mentioned, I think it is important to have a willingness to take on challenges. However, in order to foster that willingness, I think there may be too few opportunities to consider what customers expect of IINO LINES, or what is expected of each employee. The willingness to take on challenges increases by becoming aware of your own strengths. That requires positive opportunities to become aware of what you should do to improve and how you can make up for your weaknesses. Under the banner of the Mid-term Management Plan, I think there is also an opportunity for everyone to get on the same page and achieve alignment (in terms of coordination, with the aim of company-wide optimization instead of partial optimization).

Endo Even during the COVID-19 pandemic, steady progress has been made on the reinforcement of main overseas offices, which was one of

the challenges I brought up last year, and I think we have made a start that bodes well for becoming an independent global corporation in the future. I would like to emphasize the importance of having a sense of being in the field and seeing the view from the front lines even though information can be obtained from Tokyo. Specifically, IINO LINES has reaffirmed the Middle East as its home ground and begun efforts to rebuild the Dubai main office. Meanwhile, in Europe the Company has promoted strengthening of the London office, identified environmental and other trends early on, and developed proposals for customers. Efforts have also been made to strengthen the management structure by sending the appropriate executive to serve as president. Also, in the United States there has been an ongoing focus on information collection and other efforts.

The second issue of human resource development is not something that will happen overnight, but efforts to hire and train mid-career employees and to provide opportunities and responsibilities deserve recognition. I have also been impressed by the rise in the number of talented female employees and look forward to seeing them succeed in the future. In any case, the education aspect of human resources development tends to be emphasized, but I think the co-development perspective will become increasingly important in the future.

On the issue of further deepening the Company's risk management culture, I would like to see the theme of resilience continuing to be pursued on both the company-wide level and individual employee level. The ability to respond to an emergency situation and recover, the ability to identify a sign of crisis, and the ability to foresee things one step ahead of the market are all forms of resilience, and I hope that IINO LINES always strives to improve in those areas. Safety is the foundation of the Company's business, and there needs to be mechanisms to properly recognize that nothing happening (in other words, no accidents occurring) is the best outcome. While it is easy to declare that "safety is important, and the foundation of the Company," just saying it is no guarantee. On the other hand, it is reassuring to know that there are people at IINO LINES who can make appropriate decisions at critical moments.

I look forward to seeing the DX Task Force take on ethical and cultural issues in addition to productivity and efficiency improvements, and to seeing the IINO Environmental Management Task Force take on the challenge of carbon neutrality strategy.

On the role of real estate, as I mentioned last year, with telework becoming increasingly popular, I think the key to success will depend on how much added value we can give to "space." I continue to have high hopes for the ideas of young people. While the pandemic has had an impact, I look forward to revisiting this discussion in the future.

To pursue further improvements to governance

Yoshida The Company's governance system comprises four auditors including Outside Auditors, three Outside Directors and five Directors

Outside Directors Roundtable Conversation



serving concurrently as Executive Officers. The Board of Directors is made up of seven non-executive members, including auditors, and five executive members, and I believe it functions sufficiently in overseeing the execution of business. In particular, three of the auditors are part-time and while the full-time auditor is not an independent officer, they have been brought in from the outside. As this structure has been firmly established, it is safe to say that the governance of the company depends on the ability and actions of us as Outside Directors.

Oe I also recognize the Company's governance in the sense that members of management are very positive. The question is whether the Company is striving for the highest level. For example, while there are publicly listed companies with more than half of their board members as Outside Directors, since IINO LINES has a sense of balance, I don't think we need to rush to match the highest level. Starting this year, a female auditor with a global perspective was appointed, and an Outside Director chairs the Nomination and Remuneration Committee. In these ways the governance structure is gradually evolving.

I also think it would be preferable to make changes to the appraisal system for officers and employees into a more well-balanced system based on the principles of competition. I very much hope this is taken up as a topic for future consideration.

Endo While IINO LINES has around 150-160 employees, it has focused on governance and deserves high praise for this approach. Given that sustainable growth and enhancing corporate value in the medium to long term are the most important aspects of governance, the Company has already made efforts to improving how it functions for these purposes. For instance, the Nomination and Remuneration Committee convenes monthly, and as Mr. Oe also pointed out, an Outside Director

chairs this committee.

I hope that we continue to pursue more in-depth discussions into the relationship between management, execution, and supervision.

What message should IINO LINES send out to the stock market?

Oe Unlike a manufacturing business, in the Shipping Business we do not come out with new products, nor do we deal directly with consumers. That gives us a low profile as a stock. To attract attention to the Company given that position, we need to be proactive in showcasing change.

Shareholder return and shareholder benefits are one such area. It was a drastic decision for the Company to target a dividend payout ratio of 30% after pursuing a stable dividend policy of 8-12 yen per year in the previous Mid-term Management Plan, and I think it is important to continue with these kinds of plans on an annual basis.

Yoshida While a company cannot choose its shareholders, I think it should spread the message on what kind of investors it wants to own its shares. Stable growth through the mutual pillars of the Shipping and Real Estate businesses is a characteristic of IINO LINES, but I believe the Company should add the idea of long-term and stable income gains to that message.

Additionally, since the Company is publicly listed and is managed under a sense of pressure that comes with the strict scrutiny of investors, I think the benefits of maintaining its market listing outweigh the costs.

Endo Regarding the TSE market restructuring, I hope the Company aims to be listed in the Prime Market. I also agree with the idea of promoting the Company's dual pillar management structure as an advantage.



However, I hope that the Company continually devises ways to improve and enhance its standing rather than settling for the status quo.

Achieving economic value and social value in ESG management

Endo The Company has been working on social contribution activities from before it mentioned ESG or the SDGs in its Mid-term Management Plan, including the IINO Forest and support for earthquake reconstruction. There are growing social demands to pursue economic value while creating social value. However, ESG management is easier said than done, and how to generate profit poses a challenge for the Company. Personally, I want to encourage and support this endeavor as much as possible.

The Company has already started specific activities such as CO₂ reduction targets and indicated its support for the TCFD recommendations this July. I have recommended that going forward, the Company also participates in the UN Global Compact in order to strengthen its response to such issues as human rights, areas of growing importance. In light of global trends such as the Principles for Responsible Investment, human rights and moral values underlying ESG, and the "no one left behind" concept of the SDGs, efforts are needed to remain aware of the Company's position while further enhancing corporate value. In the spirit of actually creating change rather than chasing after it, a platform unique to IINO should be created, and when doing so, I think it will be important to conduct business with confidence, while maintaining a deep recognition of the Company's management philosophy.

Oe I agree with Mr. Endo's opinion. On a basic level, I think that ESG is not just an issue of companies but an issue of individuals as well. For example, the destruction of the environment due to plastic waste is an issue that arose due to individual consumer needs. Striking a balance between economic value and social value, or to put it another way, to make money while doing good, cannot be achieved if consumers do not support those good deeds and agree to have the prices passed on. It is only when individuals are convinced that ESG succeeds. If you wonder why rules are developed in Europe ahead of the rest of the world, you will find that unlike Japan, it is based on the individual. This is something I want not only the Company's employees but all stakeholders of IINO LINES to understand.

Yoshida I do not believe that social value and economic value are opposing concepts. Companies provide value to society through their business activities. How to internalize the external diseconomies (pollution, CO₂ emissions, etc.) that arise in that process is an essential task for sustainable business and economic activities. I think the questions of how far the Company will go in that internalization process and how it will absorb or pass on the costs will require ingenuity and



effort as a company.

Message to stakeholders

Oe I believe that in part, Outside Directors embody the position of stakeholders and have a responsibility to play a part in management from that perspective. That is why, as I mentioned last year, rather than generalized comments like critics, I make a point of presenting solutions that include specifics. I said that ESG was an issue for individuals, but I hope we can disseminate a message that guides each stakeholder including employees and related parties towards solutions.

Yoshida I want to support confidence management that is firmly rooted in the Management Philosophy. We may sometimes lose our way, but it is at those moments that the Management Philosophy becomes the tool to make up for our weaknesses. I am excited to see the leadership of top management and success of employees going forward.





Endo I have great hopes for IINO LINES as it strives to achieve an unshakeable position as an independent global company by 2030. Over the next decade there may be a significant redrawing of the global geopolitical map, and those changes could have a not-insignificant effect on Japanese business. It will not be easy for IINO LINES to determine what conditions are necessary and sufficient to properly deal with those changes. While I hold high hopes for the Company, I will also keep a watchful eye and endeavor to provide appropriate advice as needed.

Management and Audit Team (as of June 25, 2021)

Directors

 <p>Hiromi Tosha President and Representative Director</p> <p>Apr. 1981 Joined the Company Jun. 2010 Director; Executive Officer Jun. 2016 President and Representative Director; President Executive Officer (to present)</p>	 <p>Akihiko Okada Representative Director</p> <p>Apr. 1983 Joined the Company Jun. 2012 Director; Executive Officer Jun. 2018 Representative Director; Senior Managing Executive Officer (to present)</p>
 <p>Ryuichi Osonoe Director</p> <p>Oct. 1985 Joined the Company Jun. 2013 Director; Executive Officer Jun. 2016 Director; Managing Executive Officer (to present)</p>	 <p>Tomoshige Jingu Director</p> <p>Apr. 1983 Joined The Industrial Bank of Japan, Limited (currently, Mizuho Bank, Ltd.) Jun. 2016 Director; Managing Executive Officer, the Company (to present)</p>
 <p>Yusuke Otani Director</p> <p>Apr. 1991 Joined the Company Jun. 2020 Director; Executive Officer Jun. 2021 Director; Managing Executive Officer (to present)</p>	 <p>Shigeru Endo Outside Director (Independent)</p> <p>Apr. 1974 Joined the Ministry of Foreign Affairs Jun. 2013 Outside Director, the Company (to present) Jun. 2013 Outside Director, JGC Corporation (currently, JGC HOLDINGS CORPORATION) (to present) Apr. 2014 Special Assistant to the Minister for Foreign Affairs (to present) Dec. 2017 Special Envoys to invite the 2025 World Expo Jun. 2018 External Director, ADEKA Corporation (to present)</p>
 <p>Kei Oe Outside Director (Independent)</p> <p>Apr. 1973 Joined Asahi Chemical Industry Co., Ltd. (currently, Asahi Kasei Corp.) Jun. 2015 Outside Director, the Company (to present)</p>	 <p>Yasuyuki Yoshida Outside Director (Independent)</p> <p>Apr. 1971 Joined Mitsubishi Research Institute, Inc. Jun. 2008 Outside Director, Tadano Ltd. (to present) Jun. 2019 Outside Director, the Company (to present)</p>

Auditors

 <p>Yoshinori Hashimura Standing Auditor</p> <p>Apr. 1989 Joined Asahi Glass Co., Ltd. (currently, AGC Inc.) Sep. 2004 Established Hashimura Certified Public Accountant Office (to present) Jun. 2016 Auditor, the Company (to present)</p>	 <p>Yoshio Yamada Outside Auditor (Independent)</p> <p>Apr. 1983 Registered as an attorney (Dai-ichi Tokyo Bar Association) (to present) Apr. 1989 Established Yamada Law Office (to present) Jun. 2018 Outside Auditor, the Company (to present)</p>
 <p>Hiroshi Takahashi Outside Auditor (Independent)</p> <p>Apr. 1977 Joined Japan Development Bank Jun. 2017 President and Representative Director, Japan Economic Research Institute Inc. (to present) Jun. 2017 External Director, KNT-CT Holdings Co., Ltd. (to present) Jun. 2018 Outside Director, Miyako Holdings Co., Ltd. (to present) Jun. 2020 Outside Auditor, the Company (to present)</p>	 <p>Mari Miyoshi Outside Auditor (Independent)</p> <p>Apr. 1980 Joined the Ministry of Foreign Affairs Jun. 2021 Outside Auditor, the Company (to present)</p>

Executive Officers

<p>Hiromi Tosha President and Representative Director President Executive Officer</p>	<p>Akihiko Okada Representative Director Senior Managing Executive Officer</p> <p>In charge of Human Resources Department; Management of Business Administration Department, Stakeholder Relations Department, Office Leasing and Operation Department and Property Development Planning Department</p>	<p>Ryuichi Osonoe Director Managing Executive Officer</p> <p>In charge of Oil Tanker Department; Management of Gas Carrier Department, Dry Bulk Carrier Department, Chemical Tanker Department No. 1, Chemical Tanker Department No. 2 and Business Strategy Department</p>
<p>Tomoshige Jingu Director Managing Executive Officer</p> <p>Management of Finance and Accounting Department; President and Director, IINO Management Data Processing Co., Ltd.</p>	<p>Yusuke Otani Director Managing Executive Officer</p> <p>In charge of Corporate Planning Department, Business Administration Department and Stakeholder Relations Department</p>	<p>Yoichi Hasegawa Executive Officer</p> <p>President and Director, IINO UK Ltd.</p>
<p>Koichi Yoshikawa Executive Officer</p> <p>In charge of Business Strategy Department</p>	<p>Norichika Inoue Executive Officer</p> <p>In charge of Marine Department and commission as General Manager; Managing Director, IINO Marine Service Co., Ltd.</p>	<p>Seiichi Fujimura Executive Officer</p> <p>In charge of Chemical Tanker Department No. 1 and Chemical Tanker Department No. 2; Managing Director, IINO Singapore Pte. Ltd.</p>
<p>Osamu Fushida Executive Officer</p> <p>In charge of Finance and Accounting Department and commission as General Manager</p>	<p>Atsushi Takeda Executive Officer</p> <p>In charge of Dry Bulk Carrier Department and commission as General Manager</p>	<p>Kiichi Iwai Executive Officer</p> <p>In charge of Office Leasing and Operation Department; commission as General Manager, Property Development Planning Department</p>
<p>Kunihiko Senoo Executive Officer</p> <p>In charge of Gas Carrier Department</p>		

Specialty and Experience of Directors and Auditors

(as of ended Jun. 2021)

		Corporate Management	Marketing	Finance/Accounting/Technology/IT	Human resources/Labor affairs/Legal affairs	ESG Management	International work experience
President and Representative Director	Hiromi Tosha	○	○			○	○
Representative Director	Akihiko Okada	○			○	○	
Director	Ryuichi Osonoe		○			○	○
Director	Tomoshige Jingu		○	○		○	
Director	Yusuke Otani		○	○		○	
Director	Outside/Independent Shigeru Endo					○	○
Director	Outside/Independent Kei Oe	○	○				
Director	Outside/Independent Yasuyuki Yoshida		○			○	
Auditor	Yoshinori Hashimura			○		○	
Auditor	Outside/Independent Yoshio Yamada				○	○	
Auditor	Outside/Independent Hiroshi Takahashi	○			○		
Auditor	Outside/Independent Mari Miyoshi					○	○

* The above list does not list all of the experience and skills of each individual. The skills particularly expected of and emphasized from the perspective of the Company's Management Philosophy and the priority strengthening measures stated in the Mid-term Management Plan are listed for each Director and Auditor. Four such items are listed for the President and Representative Director, three for other full-time Directors, and two for independent Outside Directors and Auditors.

Key Consolidated Financial Data

The key consolidated financial data presented here were prepared by the IINO Group in order to indicate the trend of the Group's financial conditions over the past 10 years and have not been audited by independent auditors. Please also refer to the consolidated financial statements and accompanying notes presented in the consolidated financial reports.

Notes: 1. Revenues for each segment are before elimination of intra-segment sales.
2. Interest-bearing debt = Bonds + Borrowings
3. Free cash flow = Cash flows from operating activities + Cash flows from investing activities
4. Shareholders' equity ratio = (Net assets – Non-controlling interests) / Total assets (at year-end)
5. ROE = Net income / (Net assets – Share subscription rights – Non-controlling interests) (yearly average)
6. D/E ratio = Interest bearing debt / (Net assets – Non-controlling interests) (at year-end)

Consolidated Statements of Operations (millions of yen)		FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Revenues* ¹		77,975	86,021	96,701	100,177	94,843	83,320	81,334	84,843	89,179	88,916
Shipping	Oceangoing Shipping	62,887	67,024	76,595	79,397	72,865	63,012	62,391	65,296	68,891	69,641
	Short-sea/Domestic Shipping	7,673	7,715	8,675	9,192	8,907	8,059	8,471	8,975	8,717	8,225
Real Estate		7,416	11,282	11,430	11,588	13,071	12,249	10,472	10,572	11,571	11,049
Cost of sales		69,996	75,234	83,621	85,799	79,974	69,880	68,816	73,160	78,074	75,589
Selling, general and administrative expenses		6,393	5,908	6,234	6,392	6,754	6,848	6,867	6,901	7,129	6,495
Operating profit (loss)		1,587	4,879	6,846	7,986	8,115	6,591	5,651	4,782	3,976	6,831
Shipping	Oceangoing Shipping	(25)	622	1,823	3,285	3,767	2,626	1,713	583	651	2,463
	Short-sea/Domestic Shipping	250	289	805	650	364	180	700	926	570	505
Real Estate		1,362	3,967	4,218	4,051	3,984	3,786	3,238	3,273	2,755	3,863
Recurring profit (loss)		(464)	2,259	5,953	7,194	7,655	5,105	4,631	4,701	3,455	6,810
Profit (loss) before income taxes		(4,144)	1,412	5,265	5,302	4,267	3,854	4,609	5,257	4,193	8,158
Income taxes - current		254	165	315	149	198	105	209	296	287	279
Income taxes - deferred		(80)	78	(42)	(56)	403	(124)	135	172	127	234
Profit (loss) attributable to non-controlling interests		(24)	3	72	(4)	6	(12)	22	105	(8)	(10)
Profit (loss) attributable to owners of parent		(4,294)	1,166	4,920	5,213	3,659	3,885	4,243	4,685	3,788	7,655
Consolidated Balance Sheets (millions of yen)											
Current assets		27,696	25,810	36,496	31,455	29,125	25,145	24,711	24,365	29,884	29,818
Vessels, property and equipment		167,257	171,114	171,338	174,779	181,113	157,234	163,209	175,326	182,056	194,244
Total assets		209,752	212,724	225,312	228,693	230,278	203,969	210,237	222,435	231,088	245,611
Current liabilities		32,739	38,684	46,306	36,416	35,342	38,039	41,688	51,607	47,563	44,345
Net assets		45,782	47,228	58,568	65,907	65,285	68,774	69,237	73,077	73,428	79,835
Interest-bearing debt* ²		135,955	135,767	130,189	126,353	130,383	107,796	115,112	117,970	126,327	131,744
Consolidated Statements of Cash Flows (millions of yen)											
Cash flows from operating activities		10,162	11,311	13,785	16,107	18,804	11,075	12,117	14,549	13,079	19,282
Cash flows from investing activities		(34,022)	(11,567)	(2,224)	(13,022)	(18,551)	12,788	(15,399)	(21,202)	(14,840)	(22,991)
Free Cash Flow* ³		(23,860)	(256)	11,561	3,085	253	23,863	(3,282)	(6,653)	(1,761)	(3,709)
Cash and cash equivalents at end of period		11,522	8,670	16,906	11,965	14,326	10,719	10,536	9,826	14,208	13,301
Per Share Data (yen)											
Net income (loss) per share		(40.60)	11.66	45.77	46.98	32.97	35.01	38.53	44.28	35.80	72.35
Net assets per share		452.38	468.86	525.39	593.72	587.51	619.18	653.29	689.25	692.63	753.55
Dividends per share		2.00	4.00	8.00	10.00	10.00	10.00	10.00	15.00	12.00	22.00
Key Performance Indicators											
Shareholders' equity ratio (%)* ⁴		21.6	22.0	25.9	28.8	28.3	33.7	32.9	32.8	31.7	32.5
Payout ratio (%)		—	34.3	18.0	21.3	30.3	28.6	26.0	33.9	33.5	30.4
ROE (%)* ⁵		—	2.5	9.4	8.4	5.6	5.8	6.2	6.6	5.2	10.0
D/E ratio (times)* ⁶		3.01	2.90	2.23	1.92	2.00	1.57	1.67	1.62	1.72	1.65

Corporate Data / Stock Information / External Evaluation

Corporate Data (as of March 31, 2021)

Company Name	IINO Kaiun Kaisha, Ltd. (IINO LINES)	Principal Customers	Astomos Energy Corporation; Chevron Phillips Chemical Company LP; Chuetsu Pulp & Paper Co., Ltd.; Electric Power Development Co., Ltd.; ENEOS Corporation; Hokkaido Gas Co., Ltd.; Idemitsu Kosan Co., Ltd.; Idemitsu Tanker Co., Ltd.; ITOCHU Corporation; KANEKA CORPORATION; Mitsubishi Corporation; MITSUI & CO., LTD.; National Federation of Agricultural Cooperative Associations (ZEN-NOH); OCP S.A.; Oji Holdings Corporation; PAN PACIFIC COPPER CO., LTD.; Saudi Basic Industries Corporation; SK Shipping Co., Ltd.; Sojitz Corporation; Tokyo Gas Co., Ltd.; Tohoku Electric Power Co., Inc.; TOSOH LOGISTICS CORPORATION; ZEON CORPORATION
Established	July 1899	Main Banks	Mizuho Bank, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Trust Bank, Limited Sumitomo Mitsui Banking Corporation
Capital	13,091,775,488 yen	Employees	166 non-consolidated (110 on shore, 56 at sea) 659 consolidated
Head Office	IINO Building, 2-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo 100-0011, Japan		
Offices	Representative offices: Dubai, Shanghai Overseas subsidiaries: Singapore, London, Houston, Connecticut		
Group Companies	Consolidated subsidiaries: 59 Equity-method affiliates: 5 Non-consolidated affiliates: 10 Total: 74		
Stock code	9119		

Stock Information (as of March 31, 2021)

Business Year	April 1 through March 31 of the following year
General Shareholders' Meeting	June
Equity Stock	Shares authorized: 440,000,000 Shares issued: 108,900,000
Trading Unit	100 shares
Stock Exchange Listings	Tokyo (First Section), Fukuoka
Method of Public Notification	Electronic (If electronic notification is not possible due to accidents, trouble, or other unavoidable circumstances, public notices will be issued in the <i>Nihon Keizai Shimbun</i> newspaper. Public notices of the company are posted on the company's website at [https://www.iino.co.jp/kaiun/ir/publicnotice.html])

Major Shareholders

Shareholder name	Investment in the company	
	Number of shares held (thousands of shares)	Percentage of ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Accounts)	6,161	5.82
IINO LINES' Client Stock Ownership	5,167	4.88
Mizuho Bank, Ltd.	4,941	4.67
Tokio Marine & Nichido Fire Insurance Co., Ltd.	4,211	3.98
Custody Bank of Japan, Ltd.(Trust Accounts)	3,910	3.69
Sumitomo Mitsui Trust Bank, Limited	3,622	3.42
TAKENAKA CORPORATION	3,350	3.16
Nippon Life Insurance Company	2,256	2.13
The Toa Reinsurance Company, Limited	2,253	2.12
The Senshu Ikeda Bank, Ltd.	1,745	1.64

Notes: 1. Numbers of shares held are rounded off to the nearest thousand.
2. Percentages of ownership are calculated excluding treasury stock (3,093 thousand shares).

Number of Shareholders 12,582



External Evaluation

- DBJ Green Building Certification 2018 5 Stars: IINO Building
- DBJ Green Building Certification 2018 4 Stars: Shiodome Shiba-Rikyu Building
- LEED Platinum Certification IINO Building (27th floor)
- Outstanding Specified Global Warming Countermeasure Office (Top-level Facility) IINO Building
- Building-Housing Energy-efficiency Labeling System (BELS) 5 Stars: IINO Building
- Certification from the Association for Business Innovation in harmony with Nature and Community (ABINC) First Special Award IINO Building
- EDO-MIDORI Tokyo Green Certification (Excellent Greenery Site) IINO Building
- DBJ Environmentally Rated Loan Program Certificate
- S&P/JPX Carbon Efficient Index
- CDP

Third-Party Opinion

The IINO Report 2021 indicates IINO LINES' strong commitment to taking on new challenges to meet the needs of the times and achieving sustainable growth, with "Value Creation" as a key word throughout. Particularly impressive this fiscal year is the way IINO LINES specifically highlights its mid-to-long-term value creation story by newly identifying material issues and clarifying the value (output) created through its unique business model called the IINO Model.

Moreover, the Business Strategy Section looks further along the time axis and carefully reports on the features and strengths of IINO LINES' businesses from a medium-to-long term perspective and on the progress of priority measures under the Mid-term Management Plan formulated last fiscal year, namely (i) further promotion of global business, (ii) further solidifying stable earnings, and (iii) sustainability initiatives. As the foundations underpinning business, the report then clearly presents the ESG initiatives that will be the source of IINO LINES' value creation. Every part of the report has value creation spun through it as a consistent theme.

Going forward, I would like to see enhancement of quantitative target management and information disclosures through non-financial KPIs related to the identified material issues, for further evolution of value creation. I think that communicating targets and progress using KPIs that are consistent with IINO LINES' sustainable growth strategies will make your strategies even more convincing and be even more appealing to stakeholders.

In the environment surrounding the Shipping and Real Estate Businesses, moves to realize a low carbon society, which IINO LINES identifies as a material issue, are expected to accelerate even more going forward. I sincerely hope that IINO LINES will look beyond IINO VISION for 2030 and also strive to achieve carbon neutrality.



Susumu Kimura
General Manager
Sustainable Solutions Department
Development Bank of Japan Inc.

Response to Third-Party Opinion



Yusuke Otani
Director and Managing Executive
Officer in charge of Stakeholder
Relations Department

I would like to thank Mr. Kimura for his valuable observations regarding the IINO Report Since 2020. In the IINO Report 2021 issued this year, we endeavored to explain the management strategies of the IINO Group by enhancing non-financial information, such as the identification of material issues and progress of the Mid-Term Management Plan and environment, social (safety/human resources), and governance initiatives based on an awareness of ESG management, in addition to financial information. We will continue working to further enhance corporate value aiming to realize the IINO VISION for 2030 set out in the Mid-Term Management Plan.

The non-financial KPIs which Mr. Kimura mentioned are deeply connected with "strengthening of ESG" under the Mid-Term Management Plan and, as well as enhancing quantitative target management, we intend to increase information disclosures about non-financial KPIs.

In order to continue to be the top choice for our clients, we welcome our stakeholders' opinions and will see that they are reflected in the Group's activities.

Consolidated Financial Statements

IINO KAIUN KAISHA, LTD. AND ITS CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended March 31, 2021 and 2020

(Millions of yen)

	2021	2020
Net sales	¥ 88,916	¥ 89,179
Cost of sales (Note 13)	75,589	78,074
Gross profit	13,326	11,105
Selling, general and administrative expenses	6,495	7,129
Operating profit	6,831	3,976
Non-operating income:		
Interest income	30	61
Dividend income	875	759
Equity in earnings of affiliates	324	311
Foreign exchange gains	130	8
Other	110	17
Total non-operating income	1,468	1,157
Non-operating expenses:		
Interest expense	1,256	1,463
Other	233	214
Total non-operating expenses	1,490	1,678
Ordinary income	6,810	3,455
Extraordinary income:		
Gain on sales of non-current assets	463	968
Gain on liquidation of subsidiaries	822	–
Insurance proceeds	80	–
Other	0	1
Total extraordinary income	1,365	969
Extraordinary losses:		
Loss on retirement of non-current assets	16	20
Loss on valuation of investment securities	–	210
Loss on valuation of golf club membership	0	1
Other	–	1
Total extraordinary losses	17	231
Profit before income taxes	8,158	4,193

The accompanying notes are an integral part of these financial statements.

(Millions of yen)

	2021	2020
Income taxes (Note 9)		
Income taxes - current	279	287
Income taxes - deferred	234	127
Total income taxes	513	414
Profit	7,646	3,780
Profit attributable to non-controlling interests	(10)	(8)
Profit attributable to owners of parent	¥ 7,655	¥ 3,788
		(Yen)
Net income per share, basic and diluted	¥ 72.35	¥ 35.80
Cash dividends per common share	¥ 22.00	¥ 12.00

(Millions of yen)

	2021	2020
Profit	¥ 7,646	¥ 3,780
Other comprehensive income		
Valuation difference on available-for-sale securities	2,300	(1,537)
Deferred gains or losses on hedges	(793)	21
Foreign currency translation adjustments	(1,016)	5
Share of other comprehensive income of entities accounted for using the equity method	(354)	(330)
Total other comprehensive income	¥ 137	¥ (1,841)
Comprehensive income	¥ 7,782	¥ 1,939
Attributable to;		
Owners of parent	¥ 7,820	¥ 1,944
Non-controlling interests	¥ (38)	¥ (6)

The accompanying notes are an integral part of these financial statements.

Consolidated Financial Statements

IINO KAIUN KAISHA, LTD. AND ITS CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended March 31, 2021

(Millions of yen)

	Shareholders' equity					Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares		
Balance as of March 31, 2020	¥ 13,092	¥ 7,613	¥ 52,542	¥ (3,245)	¥ 70,002	
Dividends of surplus	–	–	(1,375)	–	(1,375)	
Profit attributable to owners of parent	–	–	7,655	–	7,655	
Purchase of treasury shares	–	–	–	(0)	(0)	
Disposal of treasury shares	–	(0)	–	0	0	
Cancellation of treasury shares	–	(1,338)	–	1,338	–	
Net changes of items other than shareholders' equity	–	–	–	–	–	
Balance as of March 31, 2021	¥ 13,092	¥ 6,275	¥ 58,822	¥ (1,907)	¥ 76,282	

(Millions of yen)

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income	Non-controlling interests	
Balance as of March 31, 2020	¥ 1,803	¥ 725	¥ 756	¥ 3,283	¥ 143	¥ 73,428
Dividends of surplus	–	–	–	–	–	(1,375)
Profit attributable to owners of parent	–	–	–	–	–	7,655
Purchase of treasury shares	–	–	–	–	–	(0)
Disposal of treasury shares	–	–	–	–	–	0
Cancellation of treasury shares	–	–	–	–	–	–
Net changes of items other than shareholders' equity	2,300	(958)	(1,176)	165	(38)	127
Balance as of March 31, 2021	¥ 4,103	¥ (234)	¥ (421)	¥ 3,449	¥ 105	¥ 79,835

The accompanying notes are an integral part of these financial statements.

IINO KAIUN KAISHA, LTD. AND ITS CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of March 31, 2021 and 2020

(Millions of yen)

	2021	2020
ASSETS		
Current assets:		
Cash and deposits (Note 3 and 4)	¥ 13,304	¥ 14,211
Notes and accounts receivable – trade (Note 4)	7,536	7,006
Supplies	2,679	2,451
Merchandise	76	90
Real estates for sale	3	3
Deferred and prepaid expenses	1,797	1,744
Income taxes receivable	102	65
Other	4,324	4,315
Allowance for doubtful accounts	(1)	(3)
Total current assets	29,818	29,884
Non-current assets:		
Property, plant and equipment:		
Vessels, net (Note 7)	98,215	84,065
Buildings and structures, net (Note 7 and 10)	40,125	39,561
Land (Note 7 and 10)	42,801	41,612
Lease assets, net	5,094	6,202
Construction in progress	7,838	10,422
Other, net (Note 7 and 10)	171	194
Total property, plant and equipment	194,244	182,056
Intangible assets:		
Telephone subscription right	9	9
Other	520	542
Total intangible assets	529	551
Investments and other assets:		
Investment securities (Note 4, 5 and 7)	18,743	15,762
Long-term loans receivable	147	186
Retirement benefit asset (Note 8)	225	–
Deferred tax assets	20	101
Other (Note 9)	1,884	2,548
Total investments and other assets	21,019	18,597
Total non-current assets	215,793	201,204
Total assets	245,611	231,088

The accompanying notes are an integral part of these financial statements.

Consolidated Financial Statements

IINO KAIUN KAISHA, LTD. AND ITS CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
 As of March 31, 2021 and 2020

(Millions of yen)

	2021	2020
LIABILITIES, MINORITY INTERESTS, AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable – trade (Note 4)	¥ 5,777	¥ 5,136
Short-term loans payable (Note 4 and 7)	26,688	34,892
Accrued expenses	310	290
Income taxes payable (Note 9)	242	219
Advances received	2,911	2,873
Provision for bonuses	338	311
Provision for shareholder benefit plans	26	–
Lease obligations	5,122	1,907
Other	2,932	1,935
Total current liabilities	44,345	47,563
Non-current liabilities:		
Long-term loans payable (Note 4 and 7)	100,056	91,435
Bonds (Note 4 and 7)	5,000	–
Provision for retirement benefits for directors (and other officers)	60	62
Retirement benefit liability (Note 8)	704	705
Provision for special repairs	3,624	3,025
Lease and guarantee deposits received	8,977	8,201
Lease obligations	29	4,471
Deferred tax liabilities	2,747	1,954
Other	234	244
Total non-current liabilities	121,430	110,097
Total liabilities	165,776	157,660

The accompanying notes are an integral part of these financial statements.

IINO KAIUN KAISHA, LTD. AND ITS CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
 As of March 31, 2021 and 2020

(Millions of yen)

	2021	2020
Net assets		
Shareholders' equity:		
Capital stock (Common stock, no par value)		
Authorized 440,000,000 shares in 2021 (440,000,000 shares in 2020)		
Issued and outstanding – 108,900,000 shares in 2021 (111,075,980 shares in 2020)	¥ 13,092	¥ 13,092
Capital surplus	6,275	7,613
Retained earnings	58,822	52,542
Treasury shares, at cost – 3,093,851 shares in 2021 (5,269,276 shares in 2020)	(1,907)	(3,245)
Total Shareholders' equity	76,282	70,002
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,103	1,803
Deferred gains or losses on hedges	(234)	725
Foreign currency translation adjustment	(421)	756
Total accumulated other comprehensive income	3,449	3,283
Non-controlling interests	105	143
Total net assets	79,835	73,428
Total liabilities and net assets	245,611	231,088

The accompanying notes are an integral part of these financial statements.

Consolidated Financial Statements

IINO KAIUN KAISHA, LTD. AND ITS CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 2021 and 2020

(Millions of yen)

	2021	2020
Cash flows from operating activities:		
Profit before income taxes	¥ 8,158	¥ 4,193
Depreciation	11,083	9,740
Share of loss (profit) of entities accounted for using equity method	(324)	(311)
Decrease (increase) in retirement benefit asset	(225)	87
Increase (decrease) in retirement benefit liability	(1)	45
Interest and dividend income	(905)	(820)
Insurance proceeds	(80)	–
Loss (gain) on sales of investment securities	(0)	(1)
Loss (gain) on valuation of investment securities	–	210
Interest expenses	1,256	1,463
Loss (gain) on sales of property, plant and equipment and intangible assets	(463)	(968)
Decrease (increase) in notes and accounts receivable – trade	(531)	(471)
Decrease (increase) in inventories	(215)	161
Increase (decrease) in notes and accounts payable – trade	635	(237)
Increase (decrease) in lease and guarantee deposits received	784	57
Loss (gain) on liquidation of subsidiaries	(822)	–
Other, net	1,417	554
Sub-total	19,766	13,701
Interest and dividend income received	1,072	1,037
Insurance proceeds	80	–
Interest expenses paid	(1,268)	(1,475)
Income taxes (paid) refund	(368)	(184)
Net cash provided by (used in) operating activities	19,282	13,079
Cash flows from investing activities:		
Purchase of property, plant and equipment and intangible assets	(30,870)	(17,711)
Proceeds from sale of property, plant and equipment and intangible assets	7,677	2,225
Purchase of investment securities	(3)	(7)
Proceeds from sale of investment securities	2	8
Other, net	202	644
Net cash provided by (used in) investing activities	(22,991)	(14,840)
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	(8,543)	(1,747)
Proceeds from long-term loans payable	29,765	33,028
Repayments of long-term loans payable	(20,670)	(22,690)
Proceeds from bond issuance	4,970	–
Purchase of treasury shares	(0)	(0)
Proceeds from disposal of treasury shares	0	–
Cash dividends paid	(1,371)	(1,586)
Repayments of lease obligations	(1,256)	(771)
Net cash provided by (used in) financing activities	2,894	6,234
Effect of exchange rate change on cash and cash equivalents	(92)	(89)
Net increase (decrease) in cash and cash equivalents	(907)	4,382
Cash and cash equivalents at beginning of period (Note 3)	14,208	9,826
Cash and cash equivalents at end of period (Note 3)	13,301	14,208

The accompanying notes are an integral part of these financial statements.

IINO KAIUN KAISHA, LTD. AND ITS CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presentation of the consolidated financial statements

The accompanying consolidated financial statements of IINO KAIUN KAISHA, LTD. (the “Company”) and its consolidated subsidiaries (collectively, the “Companies”) are prepared on the basis of accounting principles generally accepted in Japan. The accompanying consolidated financial statements are prepared by the Company as required under the Financial Instrument Exchange Law of Japan.

Certain items presented in the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan have been reclassified for the convenience of readers outside of Japan.

2. Summary of significant accounting policies

a. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its 59 significant subsidiaries in 2021 (58 in 2020).

The other subsidiaries are excluded from consolidation since, in aggregate, the combined total assets, net sales, net income, and retained earnings of these subsidiaries do not have a material effect on the consolidated financial statements of the Companies.

For the purposes of preparing the consolidated financial statements, all significant intercompany transactions, account balances, and unrealized profits among the Companies have been eliminated.

b. Equity method

Investments in significant affiliates are accounted for under the equity method as of March 31, 2021 and 2020.

Investments in the remaining 6 non-consolidated subsidiaries and 4 affiliates of the Company are stated at cost on March 31, 2021 (7 non-consolidated subsidiaries and 2 affiliates on March 31, 2020) since the Company's equity in their net income (loss) and retained earnings, on aggregate, does not have a material effect on the consolidated financial statements.

c. Fiscal periods of consolidated subsidiaries

The accounts of the consolidated subsidiaries, except for IKK Holding Ltd. and 16 other subsidiaries whose fiscal year ends are December 31, are prepared as of the same date as the consolidated financial statements. The aforementioned 17 subsidiaries with the different financial years are included in the consolidated financial statements based on their accounts as of December 31 (their fiscal year ends), and necessary adjustments for significant transactions during the period between their fiscal year ends and the consolidated balance sheet date are reflected in the consolidated financial statements.

d. Foreign currency translation

All monetary assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing on the balance sheet dates. The foreign exchange gains and losses from translation are recognized in the statements of income to the extent that they are not hedged by forward exchange contracts. Revenues and expenses are translated using the average exchange rates of the respective periods.

e. Vessel operating revenues and related costs

Vessel operating revenues and related costs are recognised using the percentage-of-completion method, according to the number of days the vessel has completed its voyage.

f. Income taxes

The provision for income taxes is computed based on “profit before corporate income taxes” in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the amounts of assets and liabilities recorded for tax purposes.

g. Net income and dividends per share

Net income per share of common stock is based on the weighted average number of shares of common stock outstanding during each year, appropriately adjusted for stock splits during the year.

Cash dividends per common share shown for each year in the accompanying statements of operations represent dividends approved as applicable to the respective year.

Consolidated Financial Statements

h. Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows are comprised of cash in hand, bank deposits able to be withdrawn on demand, and marketable securities with an original maturity of three months or less and which represent a minor risk of fluctuation in value.

i. Marketable securities and investment securities

Equity securities classified as “Other securities” (available-for-sale securities) for which market quotations are available, are stated at fair market value. Net unrealized gains or losses on these securities are reported as a separate item in other comprehensive income at a net-of-tax amount and carried as accumulated other comprehensive income. Equity and debt securities classified as “Other securities” (available-for-sale-securities) for which market quotations are not available, are stated at amortized cost or acquisition cost calculated using the weighted average method.

j. Derivative financial instruments and hedge accounting

In accordance with the “Accounting Standard for Financial Instruments” and the “Guidelines for Accounting for Financial Instruments,” gains or losses arising from changes in the fair value of interest rate swap agreements, forward exchange contracts and currency swap contracts designated as “hedging instruments” are reported as a separate item in other comprehensive income and carried as accumulated other comprehensive income until the profits and losses on the hedged items or transactions are recognized.

In addition, net cash flows from interest rate swap agreements which meet certain criteria under the accounting standard, are offset against or added to the interest arising from the hedged interest-bearing debt.

In addition, designation (“Furiate-shori”) is applied to forward exchange contracts and currency swap contracts designated as hedging instruments under certain criteria.

Derivatives that do not meet the criteria for hedge accounting are marked to market, and the unrealized gains or losses on the derivative instruments are charged or credited to current earnings.

k. Allowance for doubtful accounts

An allowance for doubtful accounts is generally provided at an amount calculated using the bad debt loss ratio, primarily based on past experience, plus the estimated uncollectible amount of specific receivables.

l. Inventories

Real estates held for sale are stated at cost, determined using the specific cost method and the real estate held for sale with lower profitability are written down for the purpose of reporting on the Balance Sheet. Other inventories are stated at cost, determined using the first-in first-out method and other inventories with lower profitability are written down for the purpose of reporting on the Balance Sheet.

m. Depreciation and amortization

Tangible fixed assets (excluding lease assets):

Vessels, property and equipment, including significant capital expenditures and additions, are stated at cost. Maintenance and repairs are charged to income as incurred.

Depreciation is computed using the straight-line method (or the fixed ratio method for some vessels) over the estimated useful lives of the assets as designated by the Japanese income tax laws.

Intangible fixed assets (excluding lease assets):

Amortization of intangible assets is primarily computed using the straight-line method over the estimated useful lives of the assets as designated by the Japanese income tax laws. Software for internal use is depreciated using the straight-line method over the period of estimated use (5 years).

Lease assets:

Finance lease transactions that transfer the ownership are capitalized and accounted for as ordinary sales transactions.

Finance lease transactions that do not transfer the ownership are capitalized and depreciated by using the straight-line method over the lease term of the assets with no residual value.

n. Accrued employees' pension and severance costs

Accrued employees' pension and severance costs under the defined benefit plans of the Companies are determined based on the required payment for personal circumstances of projected benefit obligations at year end, calculated by applying the simplified method to employee service rendered to that date, and the actuarial value of plan assets at year end.

o. Reserve for periodic overhaul of vessels

Japanese law requires that vessels be overhauled every five years. The Companies provide for the estimated cost of the future periodic overhaul of vessels.

p. Appropriation of retained earnings

The Corporation Law of Japan provides that an amount equal to 10% of distribution of surplus (aggregate of capital surplus and retained earnings) must be appropriated as a legal reserve or as capital reserve depending on which surplus is distributed, until the total of such reserve and additional capital reserve equals 25% of Capital.

q. Significant accounting estimates

Impairment of fixed assets:

(i). Impairment loss being recorded in the current fiscal year
No impairment loss has been recorded in this fiscal year.

(ii). Significant accounting estimates in the identified items
Impairment test to determine whether to recognize the impairment loss for an asset group will be conducted via comparison of the carrying amounts of the asset group and total undiscounted future cash flows derived from them, only when an indication of impairment loss for the fixed assets is identified. As a result of the test, if it turned out that the total undiscounted future cash flows are smaller than the carrying amounts and the recognition of impairment loss is required, the carrying amounts will be decreased to the recoverable amount (higher one of net realizable value or value in use) and the decreased amount will be recognized as an impairment loss.

The Companies estimate the future cash flows for the impairment test purposes based on the mid-term business plan as well as taking account of other information that are publicly available.

Estimating the future cash flows from shipping-outer-harbor operation involves high uncertainties, which could significantly affect a result of the impairment test and the level of impairment loss to be recognized. The amount accounted for as vessels and other tagible fixed assets belonging to the shipping-outer-harbour segment was ¥101,754 million at the end of this fiscal year.

(iii). Accounting estimates of the potential impacts due to the Covid-19
In relation to the impairment test for tangible fixed assets, the estimate of future cash flow is based on the assumption that the Covid-19 pandemic would continue to affect the Companies businesses throughout the fiscal year ending March 31, 2022, taking account of expected increase in the expenses for infection prevention measures.

r. New standards, amendments and interpretations issued but not effective for the fiscal year ended March 31, 2021 and not early adopted

(i). Revenue recognition

The following new standards, amendments and interpretations will be adopted from the beginning of the fiscal year ending March 31, 2022. The adoption impact on the consolidated financial statements is currently under review.

- ASBJ Statement No.29 (revised 2020) Accounting Standard for Revenue Recognition;
- ASBJ Guidance No.30 (revised 2021) Implementation Guidance on Accounting Standard for Revenue Recognition

(ii). Fair value

The following new standards, amendments and interpretations will be adopted from the beginning of the fiscal year ending March 31, 2022. The adoption impact on the consolidated financial statements is currently unconfirmed.

- ASBJ Statement No.30 Accounting Standard for Fair Value Measurement;
- ASBJ Statement No.9 (revised 2019) Accounting Standard for Measurement of Inventories;
- ASBJ Statement No.10 (revised 2019) Accounting Standard for Financial Instruments;
- ASBJ Guidance No.31 Implementation Guidance on Accounting Standard for Fair Value Measurement;
- ASBJ Guidance No.19 (revised 2019) Implementation Guidance on Disclosures about Fair Value of Financial Instruments

Consolidated Financial Statements

s. Changes in presentation

(i). Consolidated statements of cash flows

In terms of the monetary significance, "Increase (decrease) in lease and guarantee deposits received," which was accounted for as "Other, net" of "Cash flows from operating activities" in the previous fiscal year, is presented as an independent item on the consolidated statements of cash flows in this fiscal year. The comparison information presenting the consolidated statements of cash flows for the previous fiscal year is also reclassified to reflect this changes in presentation.

As a result, the ¥611 million of "Other, net" of "Cash flows from operating activities" in the consolidated statements of cash flows for the previous fiscal year is reclassified as the ¥57 million of "Increase (decrease) in lease and guarantee deposits received" and ¥554 million of "Other, net" respectively.

t. Implementation of "Accounting Standard for Disclosure of Accounting Estimates"

The notes about significant accounting estimates are disclosed due to the implementation of the ASBJ Statement No.31 (2020) "Accounting Standard for Disclosure of Accounting Estimates" from the end of the current fiscal year.

Nevertheless, the notes do not include information of the previous fiscal year according to the transition measures by the Item 11 of the accounting standard.

u. Additional information

Implementation of Consolidated Taxation System:

The Company and its domestic consolidated companies applied for being eligible for the Consolidated Taxation System during the current fiscal year and were successfully approved that the regime will be effective from the next fiscal year. Accordingly, the Companies have adopted the accounting treatments and presentation for the Consolidated Taxation System according to ASBJ Practical Solution No.5 and No.7 (revised 2015) "Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System Part 1 and Part 2" from this fiscal year.

Notwithstanding above, with respect to the items related to a transition to the Group Tax Sharing System (introduced by the Act on Partial Revision of the Income Tax Act (No.8, 2020)) and treatments under the individual taxation regime which have been revised due to the transition as well, the Companies have not implemented the item 44 of ASBJ Guidance No.28 "Implementation Guidance on Tax Effect Accounting (2018)" and still have accounted for the amount of deferred tax assets and liabilities based on the pre-update original tax laws according to the item 3 of ASBJ Practical Solution No.39 "Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (2020)."

3. Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows as of March 31, 2021 and 2020 were comprised of the following:

(Millions of yen)

	2021	2020
Cash and time deposits	¥ 13,304	¥ 14,211
Time deposits with a maturity over 3 months	(3)	(3)
Cash and cash equivalents	¥ 13,301	¥ 14,208

4. Financial instruments

Fair value of the financial instruments on March 31, 2021 is summarized below.

(Millions of yen)

	Book value	Fair value
Cash and time deposits	¥ 13,304	¥ 13,304
Notes and accounts receivable	7,536	7,536
Available-for-sale securities	11,604	11,604
Accounts payable	(5,777)	(5,777)
Short-term loans	(6,387)	(6,387)
Long-term loans	(120,357)	(121,541)
Bonds	(5,000)	(5,002)
Derivative financial instruments	684	684

The book values of Cash and time deposits, Notes and accounts receivable, Accounts payable and Short-term loans are deemed as their fair values since such financial instruments are settled within a short term. Available-for-sale securities are measured at fair value based on the market quotations. The fair value of Long-term loans is based on the discounted cash flow of its interests and principals by incremental borrowing rate. The fair value of Bonds is computed based on the market price.

5. Investment securities

Comparison of the aggregate cost and fair value of the "Other securities" for which market quotations are available on March 31, 2021 and 2020 are as follows:
(Millions of yen)

	Cost	Fair value (carrying amount)	Net unrealized gains	Net unrealized losses
March 31, 2021				
Equity securities	¥ 5,721	¥ 11,604	¥ 6,751	¥ 868
Debt securities	-	-	-	-
Other	-	-	-	-
	¥ 5,721	¥ 11,604	¥ 6,751	¥ 868
March 31, 2020				
Equity securities	¥ 5,720	¥ 8,420	¥ 3,486	¥ 787
Debt securities	-	-	-	-
Other	-	-	-	-
	¥ 5,720	¥ 8,420	¥ 3,486	¥ 787

For the year ended March 31, 2021, proceeds from sales of "Other securities" were ¥2 million and the gross realized gains were ¥0 million.

For the year ended March 31, 2020, proceeds from sales of "Other securities" were ¥2 million and the gross realized gains were ¥1 million.

6. Derivative financial instruments

In the normal course of business, the Companies employ forward exchange contracts to manage their exposure to adverse fluctuations in foreign exchange rates in respect of receivables and payables. In addition, the Companies use interest rate swap agreements to limit their exposure to loss in relation to underlying debt resulting from adverse fluctuations in interest rates. The Companies do not use derivatives for speculative or trading purposes.

There are no derivative instruments outstanding to which hedge accounting is not applied.

7. Borrowings

"Short-term loans" was principally comprised of short-term notes with interest rates 0.4% and 0.3% on average on March 31, 2021 and 2020, respectively.

Short-term lease payables were ¥5,122 million and ¥1,907 million, on March 31, 2021 and 2020 respectively.

"Long-term debts," including long-term loans and corporate bonds, on March 31, 2021 and 2020 was comprised of the following:

(Millions of yen)

	2021	2020
Secured loans, principally from banks and insurance companies, due 2023 to 2031 (due 2021 to 2031 as of March 31, 2020) with interest rates 0.5% on average as of March 31, 2021 (0.7% as of March 31, 2020)	¥ 120,357	¥ 111,393
	120,357	111,393
Less : portion due within one year	(20,301)	(19,958)
	¥ 100,056	¥ 91,435

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(Millions of yen)

	2021	2020
Corporate bonds, due 2024 with interest rates 0.49% on average as of March 31, 2021	¥ 5,000	–
	5,000	–
Less : portion due within one year	–	–
	¥ 5,000	–

As of March 31, 2021 and 2020, the following assets were pledged as collateral for the debt:

(Millions of yen)

	2021	2020
Investment securities	¥ 3,651	¥ 3,799
Vessels, property and equipment, net of accumulated depreciation:		
Vessels	91,600	75,921
Buildings	35,884	37,219
Land	30,040	30,040
	¥ 161,174	¥ 146,979

The aggregate annual maturities of long-term debts including long-term loans, corporate bonds and lease payments on March 31, 2021 are summarized below:
(Millions of yen)

	Corporate bonds	Lease payments	Long-term loans
Years ending March 31,			
2022	–	5,122	20,301
2023	–	27	12,126
2024	5,000	3	10,000
2025 and thereafter	–	–	77,930
	¥ 5,000	¥ 5,152	¥ 120,357

8. Defined benefit

Under the terms of the employee severance indemnity plans of the Companies, substantially all employees are entitled to consider "benefits" at the time of their severance. The amount of the benefit is based on a simplified method.

"Accrued employees' pension and severance costs" as of March 31, 2021 and 2020 is summarized as follows:

(Millions of yen)

	2021	2020
Projected benefit obligations under funded retirement benefit plan	¥ (2,368)	¥ (2,233)
Plan assets	2,263	1,870
Net	¥ (105)	¥ (363)
Projected benefit obligations under unfunded retirement benefit plan	¥ (374)	¥ (342)
Accrued employees' pension and severance costs in total	¥ (479)	¥ (705)

Net pension and severance costs in respect of retirement benefits for the years ended March 31, 2021 and 2020 were as follows:

(Millions of yen)

	2021	2020
Pension and severance costs by a simplified method	¥ (14)	¥ 371
Net pension and severance costs	¥ (14)	¥ 371

9. Income taxes

The statutory corporate income tax rate used for calculating deferred tax assets and liabilities as of March 31, 2021 was 30.1%.

On March 31, 2021 and 2020, significant components of deferred tax assets and liabilities were as follows:

(Millions of yen)

	2021	2020
Deferred tax assets:		
Carried forward tax losses	¥ 4,976	¥ 6,232
Accrued employees' pension and severance costs	178	241
Impairment loss	–	49
Rebuilding related loss	8	9
Unrealized profits related to fixed assets	230	229
Reserve for retirement benefits to directors and statutory auditors	20	21
Reserve for bonus	103	97
Reserve for periodic overhaul of vessels	1,023	832
Deferred gains or losses on hedges	30	33
Other	383	390
Total	6,951	8,132
Less: valuation allowance:		
for carried forward tax losses	(4,976)	(6,232)
for other items	(1,665)	(1,425)
Total	(6,641)	(7,658)
Deferred tax assets	310	474
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	(1,730)	(795)
Deferred gains or losses on hedges	(213)	(507)
Retained earnings appropriated as tax deductible reserves	(60)	(66)
Other	(1,033)	(958)
Deferred tax liabilities	(3,036)	(2,327)
Net deferred tax assets (liabilities)	¥ (2,727)	¥ (1,853)

For the years ended March 31, 2021 and 2020, reconciliation of the statutory corporate income tax rate to the effective income tax rate is as follows:

	2021	2020
Statutory corporate income tax rate	30.1%	29.8%
Adjustment:		
Entertainment expenses and other items which are non-deductible	0.1%	0.7%
Dividends and other items which are excluded from gross revenues	(0.4%)	(0.7%)
Increase (decrease) of valuation allowance	5.0%	22.5%
Amount of taxable income of specified foreign subsidiary companies, etc.	9.9%	10.5%
Deduction based on the tonnage tax system	(23.4%)	(37.1%)
Net profit earned by subsidiaries, to which different effective tax rates is applied	(6.7%)	(11.0%)
Impact of the liquidation of a consolidated subsidiary	(2.7%)	–
Other	(5.7%)	(4.8%)
Effective corporate income tax rate	6.3%	9.9%

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10. Investment properties

The Company and its consolidated subsidiaries have office buildings (including land) held for lease. Net profit from the lease contracts was ¥3,687 million for the year ended March 31, 2021.

Total amount of the fair value of the investment properties is ¥197,146 million on the balance sheet dates.

11. Commitments and contingent liabilities

As of March 31, 2021, contingent liabilities for loans guaranteed amounted to ¥475 million (¥986 million on March 31, 2020).

12. Leases

Operating leases

Future minimum lease payments under operating leases as of March 31, 2021 and 2020 were as follows:

(Millions of yen)

	2021	2020
Due within one year	¥ 3,950	¥ 5,800
Due after one year	13,271	15,052
	¥ 17,221	¥ 20,853

13. Segment information

The operations of the Companies, by line of business, for the years ended March 31, 2021 and 2020 were as follows:

(Millions of yen)

	2021	2020
Revenues:		
Shipping-Oceangoing	¥ 69,295	¥ 68,391
Shipping-Short-sea / Domestic	8,581	9,244
Real estate	11,158	11,667
Adjustment	(118)	(123)
	¥ 88,916	¥ 89,179
Identifiable operating costs and expenses:		
Shipping-Oceangoing	¥ 66,832	¥ 67,740
Shipping-Short-sea / Domestic	8,076	8,674
Real estate	7,295	8,912
Adjustment	(118)	(123)
	¥ 82,085	¥ 85,203
Operating profit:		
Shipping-Oceangoing	¥ 2,463	¥ 651
Shipping-Short-sea / Domestic	505	570
Real estate	3,863	2,755
	¥ 6,831	¥ 3,976

Identifiable assets as of March 31, 2021 and 2020, and depreciation and capital expenditures, by line of business for the years then ended are summarized as follows:

(Millions of yen)

	2021	2020
Identifiable assets:		
Shipping-Oceangoing	¥ 118,070	¥ 112,844
Shipping-Short-sea / Domestic	10,849	10,254
Real estate	90,799	90,059
Adjustment	25,893	17,931
	¥ 245,611	¥ 231,088
Depreciation and amortization:		
Shipping-Oceangoing	¥ 8,354	¥ 7,165
Shipping-Short-sea / Domestic	749	583
Real estate	1,979	1,992
Adjustment	–	–
	¥ 11,083	¥ 9,740
Investments into equity-methods affiliates		
Shipping-Oceangoing	¥ 2,170	¥ 2,530
Shipping-Short-sea / Domestic	–	–
Real estate	–	–
Adjustment	–	–
	¥ 2,170	¥ 2,530
Capital expenditures:		
Shipping-Oceangoing	¥ 22,580	¥ 15,144
Shipping-Short-sea / Domestic	1,976	1,977
Real estate	5,967	274
Adjustment	46	15
	¥ 30,567	¥ 17,410

14. Subsequent events

In the board meeting on March 31, 2021, the Company has approved to dispose of a large gas carrier owned by its consolidated subsidiary of which financial year is December-end. This will result as "Gain on sales of non-current assets" (extraordinary income) of ¥2,900 million in the second quarter of the fiscal year ending March 31, 2022.

These Consolidated Financial Statements have been prepared by Iino Kaiun Kaisha, Ltd. and have not been audited by a third party.