IINO LINES

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Integrated Report 2022

2022
Integrated Report

IINO LINES

IINO LINES

Publishing the Integrated Report

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. Constructive dialogue with stakeholders is essential to identifying those demands, and we believe that to accomplish this, it is necessary for stakeholders to fully understand the various efforts underway in the Group to create economic and social value.

In this report, we have summarized the progress of our Mid-term Management Plan, which is now in its final year, as well as the issues we face, namely medium-term value creation strategies including financial and business strategies, as well as our sustainability-linked value creation story that serves as the source of long-term value creation. The report has been prepared in accordance with the Group's policy of plainly communicating these matters to shareholders, investors, and other stakeholders.

In the preparation of this report, we referenced the Global Reporting Initiative (GRI) Standards, the Integrated Reporting Framework proposed by the IFRS Foundation, and valuable feedback received from stakeholders.

Group officers and employees worked together in earnest across departmental lines to compile reports on the various initiatives the Group pursued over the year to create economic and social value. I am confident that the production process and the content of this report are properly validated.

We will continue to make every effort to improve the content of the Integrated Report to facilitate more constructive dialogue with stakeholders, while also aiming to incorporate feedback from stakeholders in our management and enhance corporate value.

September 2022

President and Representative Director **Hiromi Tosha**

Contents

Editorial Policy

IINO Group started to publish the *IINO Report* combining the Annual Report for investors and Safety and Environmental Report for stakeholders in 2009. The new editorial policy in fiscal 2022 is to plainly communicate to stakeholders how our ESG initiatives are linked with measures to enhance corporate value, and the name has been changed to the Integrated Report to reflect this. 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/

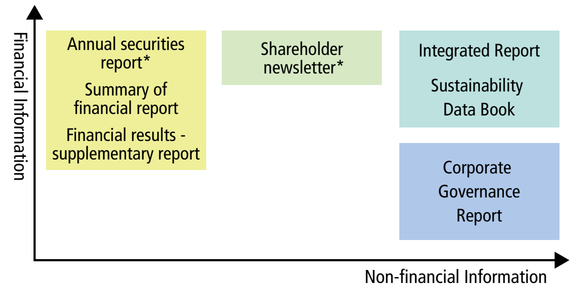
Annual securities report, summary of financial report, financial results - supplementary report
https://www.iino.co.jp/kaiun/english/ir/index.html

Sustainability Data Book
(IINO Report (Detailed Online Report) prior to 2021)
https://www.iino.co.jp/kaiun/english/ir/library_annual.html

Period covered: Fiscal year 2021 (from April 1, 2021 to March 31, 2022)
Note: Some information may concern other periods.

Issued: October 2022

Reporting cycle: Annual, with a report issued every year



*Available only in Japanese

Scope Covered in this Report

This report covers IINO Kaiun Kaisha, Ltd., its 62 consolidated subsidiaries, 5 equity method affiliates, and 9 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 77 companies; "IINO LINES" or "the Company" refers to IINO Kaiun Kaisha, Ltd.

Cautionary note on forward-looking statements

This 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 the 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.

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

1. Safety is Priority No. 1
2. Contribute to society
3. Demonstrate respect for our customers
4. Maintain compliance and preserve the social order
5. Eradicate discrimination and respect human rights
6. Protect the environment
7. Fully disclose all relevant information

IINO VISION for 2030

Aiming to be an independent global company that continues to evolve with creative ideas in response to the demands of the time

IINO COMMITMENT

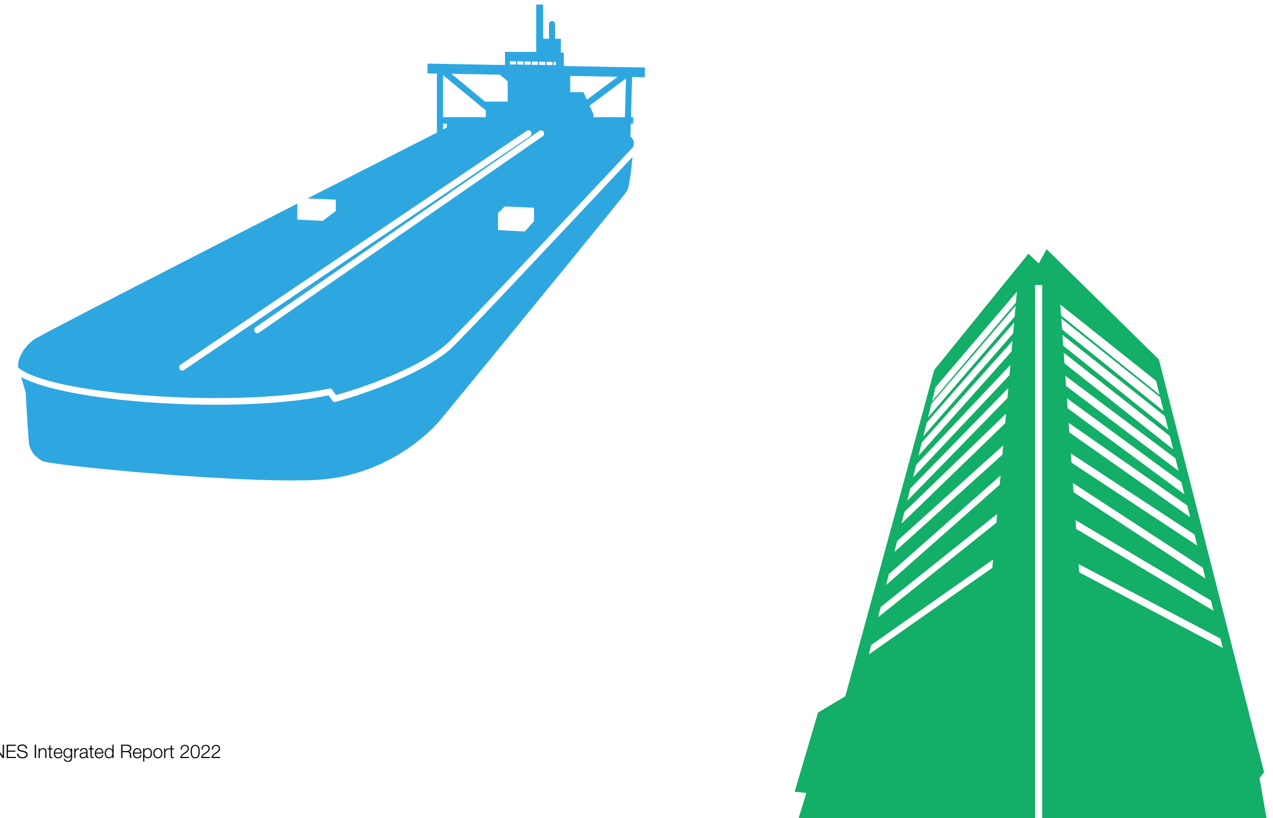
To our customers: Provide peace of mind through safe, high-quality services

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

Safe Operations at Sea and On Shore

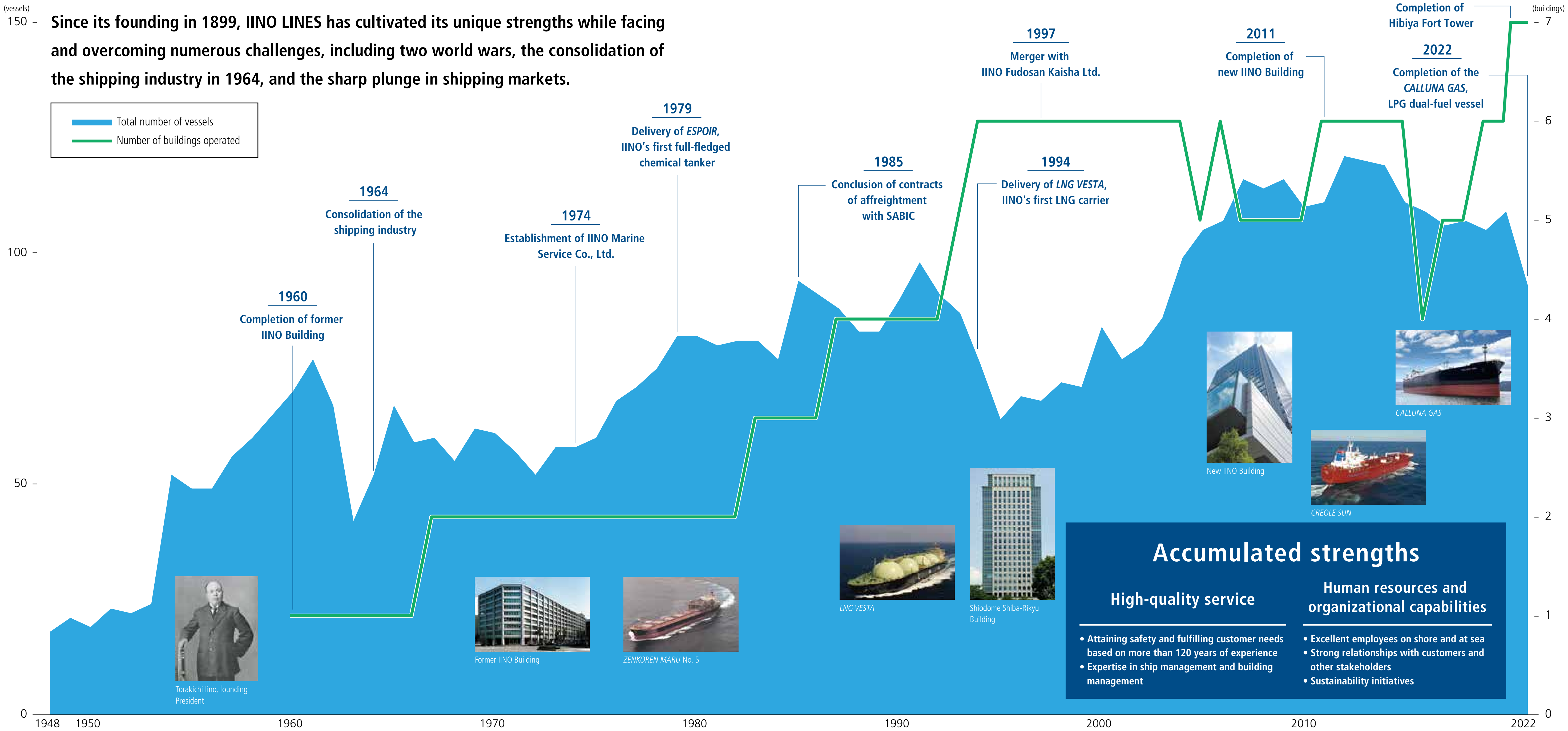


The core businesses of the IINO Group are the Shipping Business (Oceangoing Shipping and Short-sea/Domestic) and the Real Estate Business. These two businesses complement one another, with the Shipping Business realizing growth in step with the expanding global economy while being exposed to high volatility, and the Real Estate business securing stable earnings thanks to relatively less volatile changes in market conditions.

Over a history spanning more than 120 years, we have been contributing to logistics in Japan and around the world.

We will continue to contribute to society through our businesses at sea and on shore.

Since its founding in 1899, IINO LINES has cultivated its unique strengths while facing and overcoming numerous challenges, including two world wars, the consolidation of the shipping industry in 1964, and the sharp plunge in shipping markets.



Accumulated strengths

High-quality service

- Attaining safety and fulfilling customer needs based on more than 120 years of experience
- Expertise in ship management and building management

Human resources and organizational capabilities

- Excellent employees on shore and at sea
- Strong relationships with customers and other stakeholders
- Sustainability initiatives

* Data for 1954 onward includes chartered and contracted vessels.

* As of June 30, 2022

1899-1959

- Founded in Maizuru, Kyoto
- Launched tanker business
- Liner Service business launched after the Second World War

1960-1978

- Completion of former IINO Building
- Entered the domestic and oceangoing LPG carrier business
- Transferred the Liner Service business upon the consolidation of the shipping industry
- Rebuilt from the shipping industry consolidation to develop tankers, dry bulk carriers, and LPG carriers as main businesses

1979-2010

- Entered the chemical tanker business
- Entered the ammonia carrier business
- Entered the LNG carrier business
- Completion of Shiodome Shiba-Rikyu Building

2011- present

- Completion of new IINO Building
- Completion of first and large gas carrier & methanol carrier equipped with dual-fuel main engine
- Acquired office building in London, UK
- Completion of Hibiya Fort Tower

Shipping Business

Built on our track record spanning nearly a century, we operate and own ships (ship owning and chartering), manage ships, conduct agent operations, and sell ship equipment. This business consists of two segments: Oceangoing Shipping and Short-sea/Domestic Shipping.

- More than a century of experience and reliability
- Providing transport services in pursuit of safety, security, and enhanced quality
- Positive investment in environmentally friendly ships, environmental data collection, and other assets including DX that help reduce environmental impact
- Efficient transport using a global network and long-term stable transport of a wide variety of cargo

All Fleet

94 Vessels

Deadweight tonnage

4,440,647 dwt

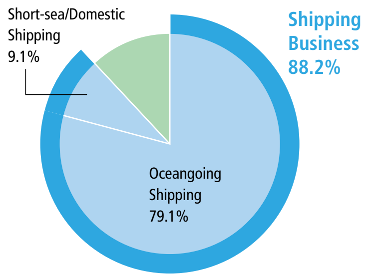
(inclusive of ownership partners' shares)

(as of June 30, 2022)

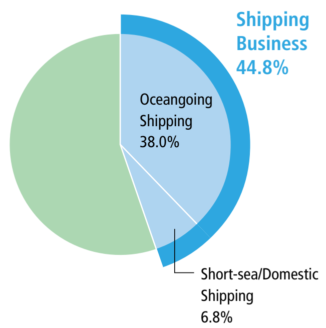
Business Strategy

We balance investment for growth and investment in medium- and long-term contracts for stable earnings in an attempt to maximize earnings.

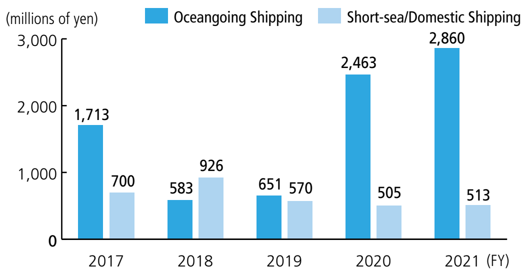
• Shares of Sales by Segment (FY2021)



• Share of Operating Profit by Segment



• Operating Profit



Business strategy by department in the Shipping Business ▶P.31

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 rental conference rooms and a theatrical hall. We also own photo studios in Minami-Aoyama and Hiroo in Tokyo.

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

Office Property

7 buildings

6 in central Tokyo
1 in London, UK

Gross floor area

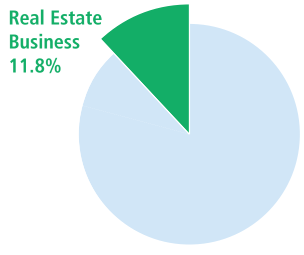
271,228.48 m²

* Aggregated by leased floor space of the London, U.K., office

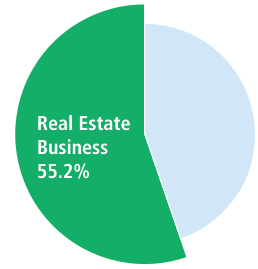
Business Strategy

We acquire properties in central Tokyo that will become sources of stable earnings from a long-term perspective, and also look beyond Tokyo to overseas and regional properties with the aim of generating profits as soon as possible.

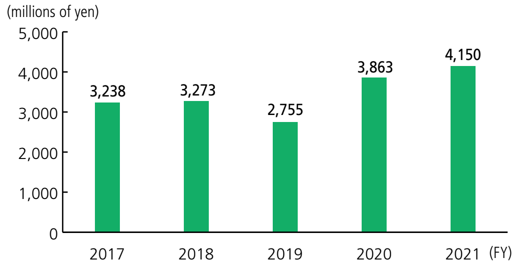
• Shares of Sales by Segment (FY2021)



• Operating Profit Ratio by Segment (FY2021)



• Operating Profit



Business strategy by department in the Real Estate Business ▶P.43

Top Message

We will flexibly respond to the changing business environment and the demands of society while aiming to enhance corporate value and shape a sustainable society.

President and Representative Director
Hiromi Tosha

Reflecting on Fiscal Year 2021

Looking at our business results for the fiscal year ended March 31, 2022, net sales rose 17.1% year on year to 104.1 billion yen, operating profit increased 10.1% year on year to 7.524 billion yen, recurring profit jumped 38.5% year on year to 9.431 billion yen, while profit attributable to owners of the parent recorded a 63.6% year-on-year increase to reach a record 12.526 billion yen. In the Shipping Business, record profits were achieved due to improved profitability in ship operations, increased dividends from the investments in business, significant depreciation of the yen against the U.S. dollar in the fourth quarter, and the recording of extraordinary profit from the disposal of vessels after a careful examination of trends in the market for ship sales.

In the Real Estate Business, while the commercial floors of the buildings we own and sites such as IINO Hall & Conference Center were impacted by the COVID-19 pandemic, we managed to secure stable revenues overall due to the steady continued operation of office floors. We have steadily built the operating structure and earnings base targeted in the Mid-term Management Plan, and I feel we are starting to see the results of those efforts.

In the Shipping Business, despite growing demand for container transportation, factors including supply chain disruptions due to COVID-19 have produced supply shortages in international shipping containers and excess demand, triggering a sharp rise in shipping rates and windfall revenues for container shipping companies. Against this backdrop of a strongly performing container market, there is vigorous investment in newly built container ships, but due to the time taken from order placement to ship completion, solid relationship between supply and demand will likely continue for some time. Additionally, for the larger oil tankers, chemical tankers, and gas carriers owned and operated by the IINO Group, due to sharply rising costs for goods, various energy sources, and materials, we recognize that the prices for newbuilding ships have risen, making the situation unprofitable due to a considerable rise in the break-even point. For investments in building new ships we need to carefully gauge the balance with the shipping market and for the immediate future we will carefully watch ship prices and forecasts of the relationship between supply and demand.

Meanwhile, the ongoing rise in the price of goods over the long term will have negative effects on the global economy. This represents a risk of shrinking demand for shipping, and in time, this could cause an excess supply of vessels. In other words, although the market environment for the Shipping Business is enjoying tail winds in many aspects for the short term, in the long term there are many things to be concerned about.

Another problem is the increasingly long periods of time crew members working in our Oceangoing Shipping Business need to remain on board due to COVID-19. IINO LINES monitors the changes in the number of crew members weekly, and since the beginning of this year, the Company has confirmed that usual continuous periods have been maintained. However, if a positive case of COVID-19 were to occur in the closed space of a ship, it could develop into a cluster infection and prevent the ship from entering port. Given this risk, we will focus on continuing with stringent border control measures to prevent cluster infections.

Second year of the Mid-term Management Plan

In the Mid-term Management Plan, we aim to establish our position as an independent global company that continues to evolve with creative ideas in response to the demands of the times and have defined three priority measures, specifically, the further promotion of global business, further solidifying stable earnings, and sustainability initiatives. In fiscal year 2021, we actively implemented measures and stepped up initiatives aimed at each of these items.

On further promoting global business, we have augmented personnel at our bases in London, Dubai, and Houston to improve services for overseas customers and promote environmental responsiveness. I feel we have finally been able to get to grips with measures we had been prevented from implementing due to the pandemic. Although there is a preparatory period needed until full-scale operations begin, we will accelerate the initiatives pursued at each overseas site.

On further solidifying stable earnings, we aim to strengthen ties with existing customers and do more to provide high-quality services. In February 2022 we took delivery of one large LPG carrier, which is a dual-fuel main engine vessel capable of using LPG as fuel, and another such vessel is scheduled for completion in February 2023. Additionally, in the Real Estate Business, Hibiya Fort Tower was completed at the end of June 2021 on a site adjacent to the IINO Building. In this way, strong operations on office floors are continuing, contributing to the solidifying of stable earnings.

Sustainability initiatives is an area of particular focus for us. We have made efforts to build out our structure with the establishment of the Sustainability Promotion Department to further enhance ESG management, and the setting up of the Technical Department to improve the handling of various environmental technologies aimed at meeting our greenhouse gas (GHG) reduction targets. We will actively promote the switching of fuels, accumulate expertise in ship and operating management, and expand ties with customers that place an emphasis on sustainability initiatives. In addition, we are promoting the introduction of the U.S. startup company Bearing's Carbon Intensity Indicator (CII) optimization tool and accumulating data from operations involving various routes and ship types for analysis. In May 2022, the Company became a partner company of Plug and Play. Plug and Play is an accelerator (providing services to encourage collaboration between startups and operating companies) that maintains a network of startups around the world. We regard collaboration with startups as an effective system facilitating solutions to various business issues. To adapt to the various changes to the operating environment surrounding the Shipping Business, we will proactively take on the challenge of new initiatives.

New challenges are a significant driving force that will be responsible for the growth of the IINO Group. I have personally experienced many challenges in the course of company work. Sometimes they ended in failure, but my superiors and senior colleagues at the time allowed me to repeatedly take on those challenges. I don't want employees to ever settle for the status quo; I want to give them opportunities to take on new challenges, just like the times I was given such opportunities.

ESG Management at the IINO Group

By playing to our strengths as an independent global group, we have enhanced our own value. There are both pros and cons to being independent. Although we can always analyze and make decisions internally and act with agility, there is nothing that protects us. Even so, I value the degree of freedom in our management and think it is important to maintain our independence.

It is because of our independence that we have developed a solid customer base. We have accumulated information and know-how through that network, enabling us to deliver beneficial services to customers. For example, expertise in solving issues in Europe, where a social consensus has formed about the environment, can definitely be of use to Japanese companies in the future. I believe that expanding global business and maintaining points of contact with customers around the world is the right path forward for us and will further enhance our value in the future.

The IINO MODEL, our unique business model, strikes a balance between the Shipping and Real Estate businesses. It involves a business portfolio in which the Shipping Business, which is subject to highly volatile factors such as market conditions and exchange rates, and the Real Estate Business, which undergoes relatively less volatile fluctuations and generates stable earnings, complement one another. While maintaining the balance of this two-pillar structure, in the future we may add additional pillars to end up with a three- or four-pillar structure. There is also a possibility of the two pillars morphing into a separate business. We regard this practice of flexibly responding to changes in the business environment and the demands of society to help solve issues as a member of society as ESG management, and aim to enhance our corporate value and shape a sustainable society in the process.

Dialogue with Experts (Towards Realizing a Sustainable Society)

President and
Representative Director
Hiromi Tosha

Special Adviser to the President
Professor of The University of Tokyo
Department of Civil Engineering
Graduate School of Engineering
Dr. Taikan Oki

Contributing to Society through Business Activities and the Role IINO LINES is Expected to Play

As a special guest we invited Dr. Taikan Oki, one of the foremost researchers on the SDGs who has been raising awareness and disseminating information through books, lectures, and other activities. Dr. Oki spoke with President Tosha about the efforts of the IINO Group to achieve a sustainable society.

Towards Creating Shared Value in Terms of Economic and Social Value

Oki: In its Mid-term Management Plan, the IINO Group started that it aims to "create economic and social value through ESG management," indicating that it will forge a path to enhancing its corporate value through a head-on approach to overcoming ESG issues. I assume there were many discussions on the way to arriving at that point.
Tosha: In formulating the Mid-term Management Plan, our discussions were not limited to a period of three years; we also looked further ahead. IINO LINES is a long-established company that is observing our 123rd anniversary this year, but the size of our business in the industry is small. As a corporate group that is small yet independent, and as one with a unique presence that has developed a dual business model of the Shipping Business and Real Estate Business, we engaged in repeated discussions about what we can do for our diverse stakeholders, our identity as a company, what is needed to convey our reason for existing, and what value underpins those considerations. Those matters included meeting the expectations of customers, contributing to society, and providing employees with opportunities to succeed. As a result, we arrived at the idea of creating shared value both in terms of economic and social value, which means contributing to society through our business activities.
Oki: Japan has declared its goal of achieving carbon neutrality and realizing a decarbonized society by the year 2050. However, it is not realistic to completely switch to sourcing renewable energy only domestically; I think sourcing from overseas is also essential. Given those conditions, the Shipping Business has two missions to fulfill, namely contributing to the stable supply of energy and reducing greenhouse gas (GHG) emissions due to the fuel consumed by the ships themselves.
Tosha: The Japanese Shipowners' Association has committed to the challenge of achieving carbon neutrality by 2050, and action on climate change is a pressing issue for the Shipping Business. We recognize it as an unavoidable and essential theme. The IINO Group has also set the target for its Shipping Business of reducing GHG emissions per unit transported by 40% compared with 2008 levels in the lead up to 2030, and we are making particular investments in assets that help in reducing our environmental impact and stepping up efforts to introduce ships powered by next-generation fuels. We operate a chemical tanker equipped with dual-fuel main engine that uses methanol as its fuel, a replacement fuel that significantly reduces the production of sulfur oxides (SOx) during fuel combustion. Moreover, in February 2022 a large LPG carrier that uses LPG as its fuel was completed, with a second one scheduled to be completed in February 2023. Since we anticipate that our knowledge and technical expertise related to ships fueled by methanol and LPG can be utilized for the maintenance of ships whose main engines are powered by carbon-free fuels expected to put into practical use in the future, we will continue working to accumulate know-how in this area. Additionally, in December 2023 we are scheduled to complete the world's first ammonia carrier designed and built under basic certification for ammonia-fueled vessels by the American Bureau of Shipping (ABS), a global maritime classification society. We have already concluded a time charter contract with a Japanese charterer.

In the Real Estate Business, we have also set the goal of reducing CO_2 emissions per unit of floor area by 50% compared with 2013 levels. As for the IINO Building that opened in 2011, we have emphasized sustainability efforts based on the concept of being a building that will be admired for 100 years. including the comprehensive use of LED lighting and the introduction of specifications with high environmental performance such as a double-skin external facade for all four sides of the office section. In April 2021, the building switched part of the electricity use to electricity from renewable energy sources with non-fossil fuel certificates, reducing CO_2 emissions by 685 tons. In May 2022, we installed rooftop solar power generating equipment capable of reducing CO_2 emissions by a further 30 tons annually going forward. We also hope to pursue research into self-delivery systems for electricity derived from renewable energy, among other endeavors.

Sustainability Initiatives Unique to the IINO Group

Oki: The Mid-term Management Plan indicates the SDGs that contribute to each ESG material issue, and the key SDGs that should be tackled through business activities. I see the 17 goals that make up the SDGs not as individual goals, but as a range of approaches to an essential problem. In the interest of "leaving no one behind," perhaps the best approach is to urge companies to remove challenges and obstacles using their own business activities, the expertise they possess, and their unique strengths as entry points.
Tosha: When IINO LINES considers what impact it has on society and at the same time what it can contribute, naturally it is those areas related to the global environment and climate change, such as the atmosphere, water, and GHG that first come to mind. We have already been doing our utmost in accordance with various regulations, but we must do even more to respond to new regulations and meet the demands of society. But we do not see this as a negative; by becoming actively involved, we want to champion initiatives aimed at solving the issues represented by the SDGs. To accomplish that, in addition to further solidifying stable earnings and further promotion of global business as the priority measures in the Mid-term Management Plan, sustainability initiatives are positioned as the third axis of our efforts.
Oki: In an era such as now when there are rapid changes in the business environment, it is entirely possible that the assumptions made when a plan is formulated can change significantly down the road. I think the practice of looking closely at society's demands and how it is changing in order to adapt, in other words, practicing adaptive management (approaches and systems for handling events associated with uncertainty), will be an important perspective.
Tosha: In the IINO VISION for 2030, which outlines the IINO Group's goal towards 2030, our declaration is "aiming to be an independent global company that continues to evolve with creative ideas in response to the demands of the times." Looking ahead, a time will come when only those who can evolve amid changing times will survive. It is inevitable that the IINO Group will be committed to sustainability initiatives, and we intend to further strengthen efforts to invest in assets that help reduce our environmental impact, and to advance the adoption of ships powered by next-generation fuels. At the same time, we will continue to evolve environmental technologies. Even if something currently has a minimal environmental impact, it could fall into obsolescence due to the development of innovative technologies. In other words, it could become difficult to recoup the investment. However, if we adopt a wait-and-see approach out of a fear of the risks, we could quickly fall behind the times. That is why we need to fulfill our mission of ensuring the stable supply of energy resources while considering a balance with GHG emissions reduction and taking the stance of doing what we can. Based on this thinking, we have restructured the IINO Environmental Management Task Force that was

Dialogue with Experts (Towards Realizing a Sustainable Society)

launched at the same time as the Mid-term Management Plan, newly establishing the Sustainability Promotion Department in 2022. To achieve carbon neutrality in 2050, we will start by setting science-based reduction targets.

Oki: I got the sense that the IINO Group is now able to tackle these challenges in an organized way from a more long-term perspective, and that the sustainability activities that are unique to the IINO Group have become more concrete. While it is important to make efforts to meet the 2050 targets, that doesn't mean that those objectives need to be achieved at all costs. I think a strategy of working toward goals while analyzing and monitoring the current situation is quiet realistic.

Adapting to Change with New Challenges While Striving to Solve Issues

Tosha: In the Shipping Business, Energy Efficiency Existing Ship Index (EEXI) regulations (fuel efficiency performance regulations for existing large oceangoing vessels) and Carbon Intensity Indicator (CII) ratings (ratings systems for fuel efficiency results) are due to start in January 2023. These represent new international rules requiring ships to reduce their GHG emissions imposed by the International Maritime Organization (IMO), a dedicated body of the United Nations. The EEXI regulations will inspect and certify fuel efficiency performance based on various specifications, and the CII ratings will check fuel efficiency based on actual voyage data. By combining these regulations, the IMO has created mechanisms by which it aims to achieve its 2030 reduction target of improving fuel efficiency by at least 40% (compared with 2008) by 2030.

Oki: How will you go about adapting to these new rules?

Tosha: The CII ratings require forced improvement by gradually strengthening the evaluation criteria annually up to 2026, and if a ship is evaluated poorly, an improvement plan has to be submitted. To respond to this, IINO LINES is implementing the phased introduction of a CII optimization tool (AI-based analysis program) developed by the startup Bearing, Inc. based in Silicon Valley in the United States. This is able to simulate CII ratings based on voyage data and future voyage plans in real time, with the AI making predictions based on expected running speed, weather conditions, and sea conditions. The tool is already being operated on various routes and ship types. When developing the program, our representative in Houston went to Silicon Valley and worked with the Business Strategy Department at our Tokyo head office and involved maritime engineering experts in our operational and ship management departments to develop and improve the tool, bringing it to completion. This result led us to treat collaboration with outside parties as one of the effective measures to help solve various issues and improve business efficiency, and to decide to become a partner company of Plug and Play, the worlds largest accelerator (providing services engaging collaboration between startups and operating companies). Plug and Play maintains a network with over 45,000 startups around the world and has functions to link partner companies with startups suitable for solving their issues. By combining the innovative ideas of startups with the various expertise IINO LINES has accumulated, we aim to adapt to the fast-changing business environment and solve the issues we face in the Shipping Business, including climate change and ensuring safety.

Oki: While fuel efficiency can be increased by traveling at low speeds, that means the delivery deadlines demanded by customers cannot be met. However, if speed is prioritized, GHG emissions increase. I would like to focus on economic value and social value as a new well-balanced initiative. I have also been convinced again that taking on new challenges to solve issues is the driving force behind the IINO Group.

Regarding the Real Estate Business, I think the challenge will be how to respond going forward amid trends such as advancing automation and robotization.

Tosha: Automation is advancing in locations like factories and distribution centers. IINO LINES has also introduced robots for some tasks, such as security and cleaning in the IINO Building, but in the future, I think that automation will be possible across an even greater range of tasks with the equipping of AI and through integrated control with other facility systems such as elevators. From a different perspective, when automation has advanced further, the future challenge will be how to make a distinction between the work that should be done by humans, and the work that should be left to robots and machines.

Oki: It is under those conditions that providing fulfilling work and employment opportunities will be the greatest contribution to the SDGs, and I think that is an important role to play as a company.

Striving to Cultivate and Retain Talented Human Resources to Practice ESG Management

Tosha: The IINO Group already continuously employs around 1,400 crew members, but the majority of them are foreign nationals on temporary employment. They basically work on a cycle of nine months on board followed by three months off, and the end of that off period, each individual is free to decide whether to board a ship operated by the same company. For our part, we believe that having crew members who understand our corporate value continue to work with the same value standards is extremely important in terms of safety in navigation. Given this, as a part of our care for their families waiting at home, we upload scenes of the crew members working to YouTube and provide support through donation and loan programs during disasters, as part of efforts to raise the percentage of crew members who repeat voyages with us.

Oki: Properly managing foreign employees who are in the position of temporary employment is a very important undertaking, and at the same time, I think it is a major challenge to "further promoting global business."

Tosha: To demonstrate teamwork between crew members of different languages and cultures in the closed environment of a ship, mutual understanding is critical. We aim to develop teams that exhibit mutual respect by having people recognize and understand cultural differences through training that promotes multicultural understanding. Moreover, our Code of Conduct pledges that we will "eradicate discrimination and respect human rights," 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" as our basic policy. Cultivating and retaining talented human resources is essential to implementing ESG management. We will continue to develop workplace environments with enhanced training and where a diverse range of human resources can work with peace of mind.

Having Society as a Whole Bear Environmental Costs Will Lead to the Development of a Sustainable Society

Tosha: I get the sense that Europe is far ahead of Japan in terms of awareness of environmental conservation. Ships that use LPG as a fuel can curb CO_2 emissions by around 15% compared with ships that burn heavy fuel, but doing so drives up the monetary burden on customers. At present, all of the companies that have adopted these proposals of ours are Europe based.

Until now, the EU has put the focus on the power and manufacturing sectors for its Emissions Trading Scheme (ETS), but from 2024 this will also apply to maritime transportation. Various opinions have been expressed about this, but what's important is how the money levied through this scheme will be allocated. I think it would be better for the money to be allocated to environmental conservation and GHG reductions on a global scale instead of being distributed based on the conditions in each region. I believe we need to set common global rules instead of operating on a regional basis.

Oki: If we turn our attention to Japan, environmental taxes have been utilized to promote the spread and development of renewable energy and to fund environmental conservation, but in addition to investments aimed at carbon neutrality and R&D into things like ships that run on renewable energy, I think it will also be necessary to support the companies and individuals that are seriously affected by social changes.

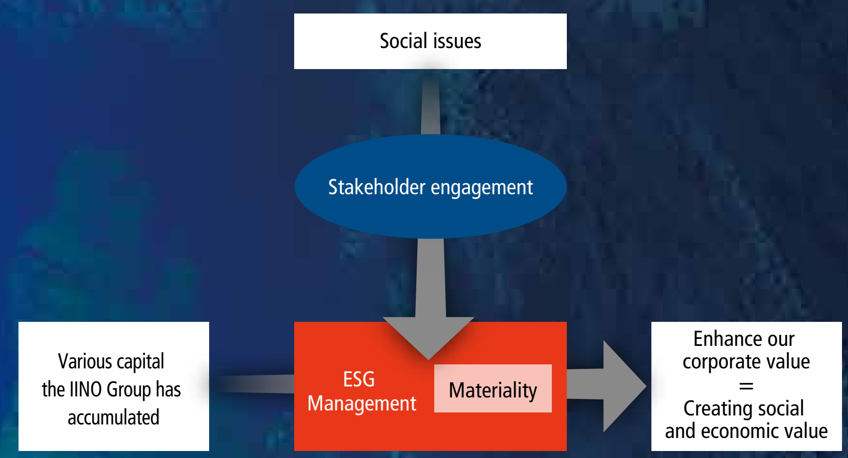
Tosha: I don't think a social consensus about the environment has taken root in Japan yet. However, if private companies can pass on environmental costs to customers and consumers in their pricing, and governments create mechanisms spread that burden wide and thin among everyone as social costs, I believe we can make rapid progress. At the moment, this is confined to environmentally conscious companies and individuals, but I think that changes ensuring the burden extends across society as a whole will lead to the development of a sustainable society.

IINO VISION for 2030

Our Aim for the IINO Group towards 2030

Aiming to be an independent global company that continues to evolve with creative ideas in response to the demands of the times

The COVID-19 pandemic that began in 2020 and the geopolitical risks that have materialized with Russia's invasion of Ukraine in 2022 have transformed society. On the domestic front, we must respond to increasingly diverse office-related needs due to the declining working population and work style reforms, and looking to the world, society as a whole must respond to climate change at the global level and tackle initiatives including human rights violations. the IINO Group strives to face the demands of society that change with the times and solve such issues by employing various capital accumulated over many years in the Shipping Business and Real Estate Business. The Group also aims to enhance our corporate value by adopting long-term perspectives in its management and creating economic and social value.



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.

IINO COMMITMENT
Our promise to our stakeholders

IINO VISION for 2030
Our Aims towards 2030

INPUT

Financial Capital

Stable Financial Base
- Total Assets 247.1 billion yen
- Free Cash Flow 12.67 billion yen
- Issue Ratings BBB+ (JCR), BBB (R&I)

Manufacturing Capital

Well-balanced Investments between the Shipping Business and Real Estate Business
- Shipping Business Owned 47 vessels / Chartered 45 vessels
- Real Estate Business 6 (Domestic) 1 (UK)

Intellectual Capital

Active investment in environmental technologies and accumulation of expertise
- Environmental investments 15 billion yen (cumulative value over three years)

Human Capital

Diverse range of human resources supporting the IINO MODEL
- Employees Approx. 650
- Marine personnel (oceangoing and domestic vessels) Approx. 250
- Foreign crew members Approx. 1,400

Social Capital

Good relationships with ship owners, business partners, and banks that support our foundations

Natural Capital

Consideration of biodiversity
- Ownership of vessels equipped with ballast water treatment system (As of June 30, 2022) 25 Vessels
- IINO Forest

As of March 31, 2022

IINO MODEL

Business model with the dual business pillars of the Shipping Business and the Real Estate Business

Shipping Business
Earnings fluctuate significantly due to the numerous variable factors involved, including market conditions and foreign exchange.

Complementary to each other

Real Estate Business
Earnings are stable, with relatively limited market fluctuations.

Very large impact on the environment | Large impact on the environment

Management based on sustainability initiatives including climate change

Strengths we have developed

High-quality services
- Attaining safety and fulfilling customer needs based on more than 120 years of experience
- Expertise in ship management and building management

Human resources and organizational capability
- Excellent employees on shore and at sea
- Strong relationships with customers and other stakeholders
- Sustainability initiatives

Unique management strategy
- Further promotion of global business
- Further solidifying stable earnings

Materiality ▶P.21～24
- Introduce new facilities, technologies, and fuels to conserve the global environment
- Hire and deploy diverse human resources
- Respect human rights and be considerate of local communities
- Enhance governance to ensure the transparency of management

Mid-term Management Plan ▶P.19

Be Unique and Innovative: The Next Stage —Towards 2030— Aiming to create shared value

Working to create social and economic value through ESG management

OUTPUT

Creation through businesses

Shipping Business
- Provision of safe and stable marine transport
  - Various liquid cargo (crude oil, petrochemical products, LPG, LNG)
  - Various dry cargo (grain, fertilizer, coal, chips)
- Construction of medium- and long-term partnerships with shippers

Real Estate Business
- Provision of safe office spaces
- Provision of a venue for dissemination of culture

OUTCOMES

Long-term objectives (2030)

Balancing social and economic value

ESG Management

Social value × Economic value

Creating social and economic value

Financial Capital

Recurring profit	9.4 billion yen
EBITDA	21.1 billion yen
ROE	14.6%
D/E ratio	1.32 times

Human Capital

[Onshore personnel]
Ratio of female managers 5.3%
Turnover rate 1.7%
[Shipboard personnel]
Foreign crew member retention rate Approx. 97%

Manufacturing Capital

Promoting active investment in assets that contribute to enhanced corporate value in the long term
- In addition to methanol carriers equipped with methanol dual-fuel main engine, our first large gas carrier equipped with an LPG dual-fuel main engine was completed
- Establishment of local subsidiaries overseas and augmentation of personnel

Social Capital
- Customer Satisfaction Rating 70% of respondents gave full score (3 points).

Intellectual Capital
- Accumulation of expertise in ship management for dual-fuel main engine vessels
- Accumulation of expertise in optimum ship management and operation to comply with CII regulations in a joint venture with a startup

Natural Capital

GHG reduction ratio (FY2021)
[Shipping Business]
38.9%
(compared with 2008 levels)
CO_2 emissions reduction rate
[Real Estate Business]
16.0%
(compared with 2013 levels)

Impact on economic value

Improvement of corporate value in the medium and long term due to improved earnings power and achievement of growth

Impact on social value

Focusing on climate change while actively utilizing cooperation and collaboration with outside parties to improve sustainability with the aim of solving social issues

Management Strategy ~Progress of Mid-term Management Plan~

In the Mid-term Management Plan, we have established initiatives to take from fiscal year 2020 to fiscal year 2022 to achieve our goals towards 2030 (IINO VISION for 2030): Establish our position as an independent global company that continues to evolve with creative ideas in response to the demands of the times.

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 (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 addressing social issues through sustainability initiatives, thereby creating shared value (CSV). In this plan, the IINO Group will take action on three fronts as priority strengthening measures. We will also promote the six foundation items to ensure that we implement the priority strengthening measures.

● Priority measures and Foundation items

Priority measures
Focus on three measures in the period covered by Mid-term Management Plan to realize IINO VISION for 2030 and Creating Shared Value

Foundation items
Solidifying the foundations of the Group by pushing ahead with work on six items to ensure thorough implementation of the priority strengthening measures

● Progress of priority strengthening measures and future initiatives

Priority Strengthening Measures	Implementation Items	Major Initiatives (FY2020 – FY2021)	Major Future Initiatives (FY2022)
Further promotion of global business	Strengthening of competitiveness to promote a global system	· Concluded two time charter out contract of new VLGCs with the European customers · Increase in cargo volume from Asia	· Expansion of overseas strategy in response to diversification of customers and cargo, and changes in commercial distribution · Reinforcement of chemical tanker services in the Middle East and challenge new routes · Collaboration with overseas startup companies
	Strengthening organizational capability to support a global system	· Increase in personned at London and Houston subsidiaries and establishment and increase in personned at Dubai subsidiary	
Further solidifying stable earnings	Initiatives for strengthening the real estate business	· Completion of Hibiya Fort Tower	· Consider new office building projects, including overseas · Strengthen relationships with existing clients and further provide high-quality services
	Further strengthening of energy transport	· Delivery of 2 new VLCCs · Delivery of two LPG dual-fuel VLGCs (one to be completed in 2023)	
Sustainability initiatives	Promote investment in assets that contribute positively to the environment	· Introduction of CII optimization tool jointly developed with an AI startup company · Installation of solar panels on the IINO Building and start of procurement of electricity with nonfossil certificates	· Accelerate studies to establish 2050 zero-emission targets · Accelerate studies for new business creation · Acquire a new contract for ammonia transportation · Promote ESG management initiatives (establish Sustainability Promotion Department/Technology Department)
	Strengthening initiatives on next-generation fueled ships	· Delivery of LPG dual-fuel VLGCs · Concluded a time charter contract for an ammonia carrier capable of switching to ammonia fuel	
	Strengthening initiatives on sustainable cargoes	· Transportation of woody biomass fuel · Re-entry into ammonia transportation	
	Promotion of new business development	· Established Business Strategy Department	

GHG emissions reduction targets and progress
Shipping :40% reduction per unit of transportation by 2030 (compared to 2008)
Real estate :50% reduction per unit area by 2030 (compared to 2013)

Progress in reducing GHG emissions (%)

	FY2020	FY2021*
Shipping	33.7	38.9
Real estate	9.3	16.0

*Calculated from provisional values

The next mid-term management plan to achieve "IINO VISION for 2030" is currently being formulated (to be announced in 2023).

Progress of Mid-term Management Plan

Progress of the three priority strengthening measures towards 2030 that was made during the two years (April 2020 to March 2022) was as follows.

With regard to "Further promotion of global business," the Group placed orders for two environmentally friendly large-scale gas carriers (VLGCs) for newly signed time charter contracts with overseas customers in the Shipping Business. One of the VLGCs was completed in February 2022. We also expanded our bases in London, Dubai, Houston, and Shanghai to accurately identify the needs of domestic and overseas customers.

Regarding "Further solidifying stable earnings," in addition to the one environmentally friendly large-scale gas carrier (VLGC) that was completed, Hibiya Fort Tower was completed at the end of June 2021 in the Real Estate Business, contributing to stable earnings.

As for "Sustainability initiatives," we introduced a CII optimization tool developed by a startup company in response to environmental regulations in the Shipping Business. At the same time, we decided to re-enter transportation of ammonia, which attracts attention as a fuel which does not emit CO_2.

Promotion of Digital Transformation (DX)

We are advancing DX for streamlining efficiency improvements in individual operations, whether existing or new, such as ESG-related operations, and to change the lifestyle of IINO Group employees. We are managing its progress by dividing it into three phases towards 2030, namely "maintaining infrastructure for digitization," "implementation of digitization," and "creating new value."

Progress in Accelerating DX ~Maintaining infrastructure for digitization~

Around two years have passed since the launch of the IINO DX Task Force, which is responsible for accelerating DX. The task force started by maintaining infrastructure for digitization as the first phase and has been implementing various projects to improve the operational efficiency across the entire Group.

Renewal of core systems
- The system for the Shipping Business has been replaced with a new one as part of the Oceangoing Shipping Sales Division.
▶ Real-time data integration with overseas branches has become possible.

Remote work environment arrangements
- Remote work environment arranged for working from home
- Arrangement of the remote work environment also completed for systems for accounting and ingoing/outgoing payments
▶ A new workstyle established, with paperless work enabled for evidence documentation and business forms

Strengthening system collaboration
- All internal data are managed centrally to make effective use of data for business analysis and other purposes.
▶ Efficient utilization of internal data

Improving the infrastructure for vessel management and refining the management
- Introduction of a vessel performance analysis tool using AI
▶ Realizing more environmentally friendly vessel operation by using AI that is capable of high-precision future prediction of vessel operation performance

Introducing an electronic contract service
- Introduction of the service driven in response to requests from inside and outside the Company
▶ Began to be used for internal minutes, electronic approval, and others, for not using seals internally

Future Challenges in DX ~Promotion of digitalization~

Moving forward, we will accelerate DX, such as automation of CO_2 emissions monitoring, introduction of paperless work to an even wider range of operations, and strengthening information and communication technology, as initiatives for implementation of digitalization as the second phase in line with the Mid-term Management Plan.

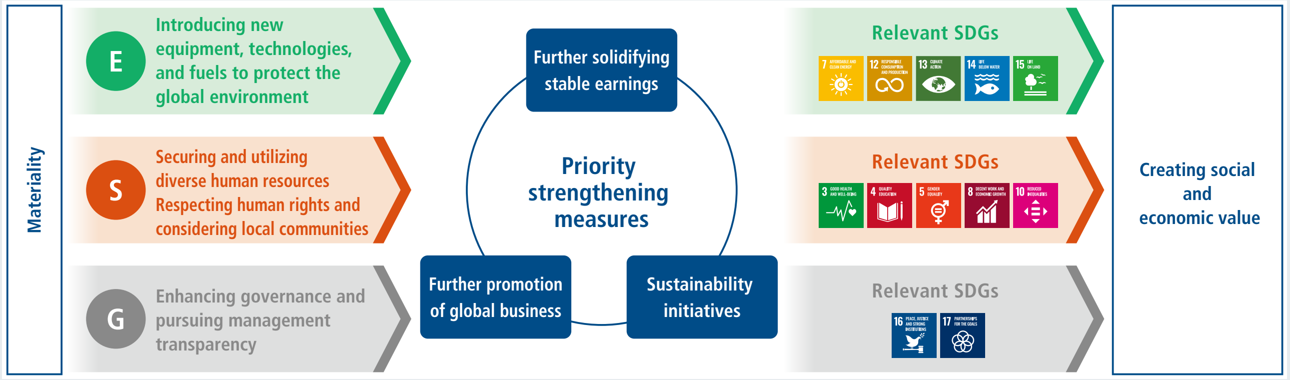
Replacing the comprehensive vessel management package
▶ We will consecutively introduce the new system to strengthen collaboration between vessel management operations. This will make it possible to save time spent on ship-to-land communication and use the saved time for ensuring safety, efficient operations, and other purposes.

Further expansion of vessel performance analysis tool using AI
▶ By further developing the high-precision operation performance analysis function, which has immediacy, we will add a function for measuring and estimating our CO_2 emissions. This will make it a promising tool for managing CO_2 emissions and formulating vessel operation strategies beyond the boundary between the vessel management unit and sales unit.
(To be used as CII monitor as well)

Priority Strengthening Measures and Materiality

Our materiality issues are identified through discussion by the Board of Directors based on stakeholders' opinions, with the two axes of impact on society and impact on business used as the criteria. Under the Mid-term Management Plan, we have set the creating shared value (CSV) as a goal and aim to create economic value (equivalent of the impact of materiality issues on business) and social value (equivalent of the impact of materiality issues on society). We aim to overcome social issues specified as our materiality issues by working on the priority strengthening measures and foundation items of the Mid-term Management Plan.

● Relevant SDGs in the Mid-term Management Plan



Priority strengthening measures 1 Further Solidifying Stable Earnings

	Materiality Categories		
	-Introducing new equipment, technologies, and fuels to protect the global environment	-Securing and utilizing diverse human resources -Respecting human rights and considering local communities	-Enhancing governance and pursuing management transparency
Goals	Reducing GHG emissions / Achieving a decarbonized society Reducing air pollution and waste Preserving biodiversity	Providing safety and security (labor, accidents) Strengthening diversity and human capital Consideration of society	Developing more sophisticated risk management (including BCP)

Connection with materiality

Providing differentiated services (IINO Quality) and winning trust from customers to solidify stable earnings

- To prevent accidents, we list safety and security at the top of the IINO Group Philosophy and take various initiatives by positioning safety and security as the most important management task.
- We understand that the provision of environmentally friendly services is a new business opportunity in the Shipping Business and Real Estate Business. We have established a department that specializes in considering whether to invest in new businesses proactively (Business Development Promotion Department).
- Because new businesses involve unforeseeable risks, we will reinforce our risk management structure to ensure thorough management of risks, including risks associated with existing businesses.

Shipping Business: Aiming to differentiate ourselves by bolstering environmental initiatives as a social issue

- Because vessels emit an extremely large amount of CO_2, shipping companies face strong demands from domestic and overseas customers to take environmental measures.
- We will bolster our environmental measures, accumulate intellectual capital internally, and provide it to customers in an effort to differentiate ourselves.
- The provision of differentiated services will enable us to build and maintain medium- to long-term relationships with customers, which will turn into important social capital or relationship capital and lead to higher corporate value.

Real Estate Business: Differentiating ourselves by providing integrated services, from ownership to management of buildings

- Differentiating ourselves from other companies by implementing the Group's environmental policy and its safety and security policy based on in-house ownership and in-house management

Priority strengthening measures 2 Further Promotion of Global Business

	Materiality Categories	
	-Securing and utilizing diverse human resources	-Enhancing governance and pursuing management transparency
Goals	Strengthening diversity and human capital	Ensuring thorough compliance

Connection with materiality

Aiming to be an independent global company that continues to evolve with creative ideas

- Global business operations in both the Shipping Business and Real Estate Business contribute to improving our corporate value.
- To drive global business operations, we have built a system for identifying requests from domestic and overseas customers accurately and for complying with unique regulations imposed on each industry (environmental regulations, safety-related regulations, and others) and laws.

Shipping Business: Building a system for identifying the needs of domestic and overseas customers by expanding overseas bases and diversifying employees

- Building a system for identifying the needs of domestic and overseas customers accurately on a timely basis by expanding our existing overseas bases, including those in London, Dubai, and Houston, and employing and developing local staff to promote diversity
- Strengthening organizational capability by increasing diversity in line with the development of global business operations, such as assigning local staff to managerial positions

Priority strengthening measures 3 Sustainability Initiatives

	Materiality Categories		
	-Introducing new equipment, technologies, and fuels to protect the global environment	-Securing and utilizing diverse human resources -Respecting human rights and considering local communities	-Enhancing governance and pursuing management transparency
Goals	Reducing GHG emissions / Achieving a decarbonized society Reducing air pollution and waste Preserving biodiversity	Strengthening diversity and human capital Consideration of society	Enhancing governance Developing more sophisticated risk management

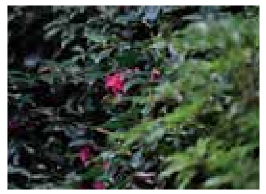
Connection with materiality

Building a framework for driving sustainability initiatives

- Increasing opportunities to engage in dialogue with customers, business partners, investors, and other stakeholders to identity social issues that we must address
- Building a company-wide framework for driving initiatives to address each of the identified social issues
  - (Human resources and workstyle) Stepping up investment in human capital to strengthen the capability of each employee and developing systems and an environment that permit diverse human resources to work
  - (Organizations) When we established a department specializing in driving sustainability initiatives (Sustainability Promotion Department), we set up a CSR Working Team consisting of members from across the Group to advance initiatives to address human rights issues.
  - (Progress management) Progress is managed by including sustainability initiatives in annual implementation plans developed by each department and Group company.

Shipping Business: Addressing climate change in collaboration with startup companies

- In the Shipping Business, we are required to address climate change. To enhance measures to comply with new environmental regulations (EEXI and CII), we will be proactive in collaborating with startup companies, aiming to solve issues.



Real Estate Business: Providing high-quality office spaces that are friendly to people and the environment and spaces that contribute to cultural creation

- Reducing CO_2 and waste by working together with tenants
- IINO Forest developed as a public space on the premises of the IINO Building and as a green corridor connected to the Imperial Palace and Hibiya Park
- Providing IINO Hall as a place that contributes to cultural creation

Materiality (Key Issues)

In terms of ESG management, our goal is to create social and economic value by overcoming materiality 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 hall. 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

The nine goals* the Company should address are reflected in annual implementation plans developed by each department and Group company and the progress is managed by reporting it to the Risk Management Committee every quarter. To adapt to the changing external environment, the appropriateness of the goals is periodically discussed and reviewed by the Board of Directors based on the PDCA cycle and the goals are revised as necessary.

* See the goals listed in the table on page 24.

Materiality Issue Identification Process

Step 1 Identify social issues

To recognize social issues that relate to our business, we extracted a list of 40 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

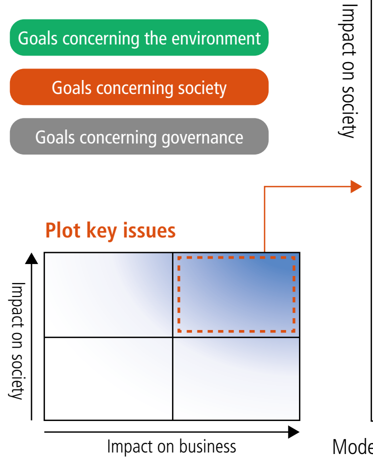
Nine social issues identified through discussion and evaluation were set as goals to be tackled by the Company. They were arranged into four groups based on their characteristics, and materiality categories were determined for these groups.

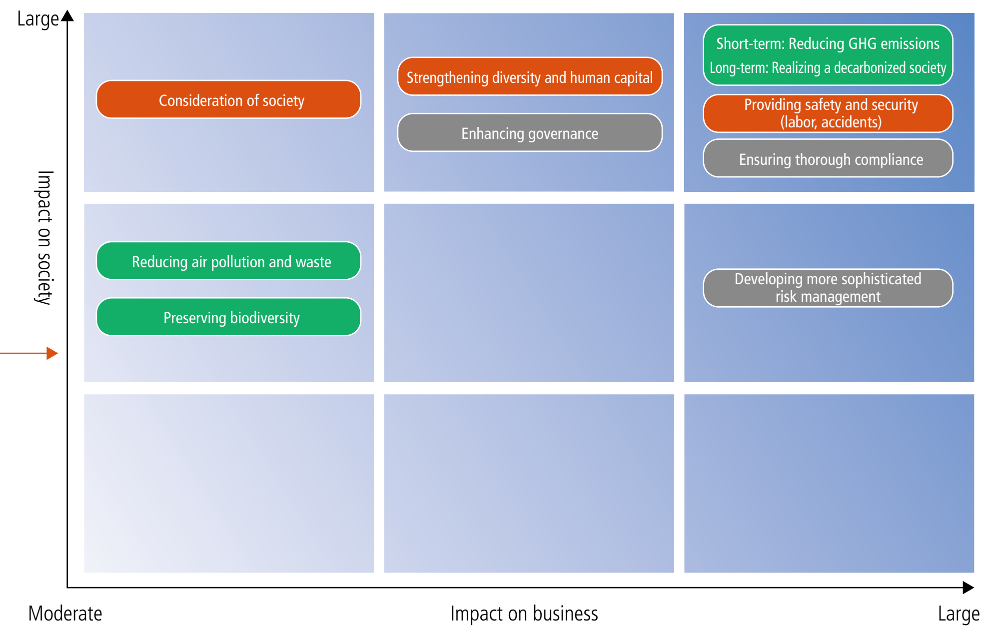
Step 5 Determining the appropriateness of the goals

The opinions of stakeholders were again summarized, and the appropriateness of the determined goals was discussed and evaluated by the Board of Directors.

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.





Categories	Materiality	Risks and Opportunities	Major Initiatives
Environment • Introducing new equipment, technologies, and fuels to protect the global environment	**Reducing GHG emissions / Achieving a decarbonized society** Active introduction of new equipment and technologies Utilization of renewable energy Proactively adopting energy-saving technologies	**Risks** · Loss of trust from society · Accelerated obsolescence of owned assets and intellectual capital such as know-how · Changes to marine shipping movements from non-fossil fuel, resulting in reduced shipping volume · Extreme weather interfering with navigation or building safety **Opportunities** · 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 non-fossil fuel	· Supporting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and implementing scenario analysis · Setting GHG reduction targets · Investing methanol/LPG dual-fuel ships · Installing solar panels on the IINO Building · Procurement of electricity with non-fossil fuel energy certificates · Introducing carbon-neutral city gas
	Reducing air pollution and waste usage of low-sulfur fuels Introduction of equipment that reduces nitrogen oxide (NOx) emissions Reduction of plastic use and promotion of the 3Rs		· Introducing high-performance water producing equipment in VLCCs for reducing plastics · Installing an automatic PET bottle collecting machine in Hibiya Fort Tower ▶ P.50
	Preserving biodiversity Introducing ballast water treatment equipment Taking local vegetation into account		· Ballast water treatment equipment installed · Development of the IINO Forest ▶ P.51
Social • Securing and utilizing diverse human resources • Respecting human rights and considering local communities	**Strengthening diversity and human capital** Promoting and developing environments to facilitate human resource diversity Cultivating and strengthening human capital	**Risks** · 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 · Severe negative impact on the local community due to accidents · Damage to corporate value due to delays in responding to social issues **Opportunities** · Improving labor productivity due to diversification of human capital · Reducing accident frequency and providing shipping and office space in a stable manner · Developing a resilient organization through active exchange of human resources	· Hiring, cultivating, and enhancing diverse human resources (foreigners, mid-career workers, and female employees) · Setting a target ratio of women to all career-track employees (manager candidates) · Formulating rules on working from home · Introducing a hot-desking system
	Providing safety and security (labor, accidents) Developing safe workplace environments Preventing accidents and improving the response when accidents occur		· Various facilities to prevent accidents (raising awareness and discussing response measures after accidents occur) · Preventing COVID-19 infections among employees at sea and restricting long-term boarding · Remote work and other environmental improvements during the COVID-19 pandemic
	Consideration of society Dialogue with stakeholders Promotion of social contribution activities		· Establishing a volunteer leave system · Donations via Red Cross and other organizations in the event of national disaster/conflict ▶ P.54
Governance • Enhancing governance and pursuing management transparency	**Ensuring thorough compliance** Preventing corruption (dealing with antisocial forces, complying with the antitrust laws)	**Risks** · 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 **Opportunities** · 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	· The Compliance Committee plans and implements compliance-related measures.
	Developing more sophisticated risk management BCP response and appropriate risk taking		· The Board of Directors, the Risk Management Committee, and the Corporate Audit Office, which is the internal audit department, manage company-wide risks. ▶ P.59
	Enhancing governance Responding to the revised Corporate Governance Code (CGC) / strengthening internal control Establishing a management structure for addressing each ESG issue		· Appoint an Outside Director as chair of the Nomination and Remuneration Committee · Appoint female directors · Establish Sustainability Promotion Department/Technology Department · Shorten the term of office of Directors (from two years to one year)

Message from Executive Officer in Charge of Finance

Implementing consistent measures and supporting business based on a stable financial base

Osamu Fushida

Executive Officer
In charge of Finance and Accounting
Department and commission as General Manager,
Finance and Accounting Department

Overview of Fiscal Year 2021

In fiscal year 2021, progress was made with COVID-19 vaccinations and the percentage of people developing serious symptoms fell, but with the advent of new variants of the disease, we had to adjust based on the circumstances. Amid this situation, economic activity showed signs of a gradual recovery in various countries, but during the latter half of the fiscal year, conditions continued to be unpredictable and unstable due to the worsening situation in Ukraine and other developments. In our forecast made at the beginning of the period, we expected sluggish market conditions due to the pandemic, and predicted that both sales and profits would decline year over year. However, market conditions turned out to be solid overall. Each business division took advantage of the situation to expand sales and the ongoing depreciation of the yen boosted performance, which led to increased sales and profits. As a result, we met all three of the numerical indicators for profitability, efficiency, and health that were established as targets in our Mid-term Management Plan (see Table 1).

In terms of cash flow, operating cash flow amounted to approximately 15.8 billion yen. According to our plans, we intend to generate cumulative operating cash flow of 55 billion yen over three years, 45 billion yen of which we intend to allocate to business investments while remaining aware of growth potential and environmental action.

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

	FY2020 Results	FY2021 Results	FY2022 Forecasts*
■ Profitability index			
Recurring profit (billions of yen)	6.8	9.4	12.1
EBITDA (billions of yen)	18.8	21.1	—
■ Efficiency index			
ROE (%)	10.0	14.6	—
■ Financial soundness indicator			
D/E ratio (times)	1.65	1.32	—

* Announced August 2, 2022

Combined operating cash flow from the previous fiscal year and the current fiscal year was 35.1 billion yen, indicating that our performance is proceeding according to plan. Our investment activities are also proceeding largely as planned (see Table 2).

Even with various unpredictable events taking place, we have responded appropriately, and looking at the results, we have seen steady improvements in numerical indicators in terms of our financial performance. This suggests that IINO LINES is successfully building a more robust and stable financial base.

Steadily Supporting Business on the Financial Front amid an Uncertain Environment

In response to strong market conditions for chemical tankers and dry bulk carriers, we expect year-on-year growth in both sales and income in fiscal year 2022. However, the impact of the pandemic will continue, and we think the future business environment will continue to be hard to predict due to the difficult situation in Ukraine, concerns about a global economic slowdown, and other factors. It is precisely because of this uncertain environment that we will build up a financial structure capable of responding in stable and flexible ways so that our businesses can be reliably supported in financial terms.

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. We have thus ensured liquidity on hand in anticipation of management risks. 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. In order to build a reliable financial base and carry out business activities aimed at growth as we have done in the past, we will continue to procure funds in a flexible and agile manner.

● (Table 2) Allocation of Operating Cash Flows

Three-year Total
(FY2020-2022)
Operating cash flow
55.0 billion yen

FY2021 Result
15.8 billion yen

FY2020 - FY2021
Actual Cumulative Total
35.1 billion yen

Investment in Business
45.0 billion yen

- Growth ······ 15.0 billion yen
  Investment in growth businesses, taking on the market risk
- Stability ······ 15.0 billion yen
  Investment for strengthening the stable earnings base with fixed earnings
- Environment ······ 15.0 billion yen
  Investment in environmentally conscious assets

Securing Financial Health

- Steady redemption of interest-bearing debt
- Maintaining a stable financial base (Max. D/E ratio of 2.0 times)

Shareholder Return

- Continuation of a stable dividend linked to business performance
  (Payout ratio)
  FY2021 dividend results 36 yen/share Payout ratio 30.4%

Environmentally Considerate Investing and Fund Procurement

The IINO Group strives to promote ESG management and improve its corporate value, and has stepped up its efforts by setting various themes that reflect this approach in its Mid-term Management Plan. Of these themes, the Company has strengthened environmentally considerate investing and fund procurement for the reduction of environmental impact.

In the Shipping Business, we have completed the construction of a LPG dual-fuel main engine vessel in fiscal year 2021, as well as decided to build an ammonia carrier whose main engine can be converted in the future to run on ammonia, which is expected to be a CO_2 emission-free next-generation fuel (completion slated for fiscal year 2023). In addition, to comply with the International Maritime Organization's (IMO) carbon intensity indicators (CII), its rating system for fuel efficiency, we are jointly developing a CO_2 emission management system utilizing the AI technologies of the U.S.-based company Bearing.

In the Real Estate Business, we are pursuing projects to reduce the environmental impact of our existing buildings, such as installing a solar power system and gradually replacing lighting with the latest LED equivalents at the IINO Building, and developing plans to replace air conditioning heat source equipment with the latest eco-friendly equipment in the Shiodome Building. In these ways, we are not only committed to investing in new large-scale projects, but also to continuing with environmentally considerate investments that make use of our existing assets.

Continuing on from the completion of Hibiya Fort Tower in June 2021, a building with excellent environmental performance that was financed in part through green bonds and green loans, we are also using green loans in the refinancing of the IINO Building. We have also signed a commitment line agreement arranged by domestic financial institution Mizuho Bank for Mizuho Eco Finance, an environmental evaluation and financing product. Going forward, we will continue to utilize environmentally conscious financing as fitting while working to make investments that are appropriate and responsive to each project.

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 2021, we paid an interim dividend of 11 yen per share and a year-end dividend of 25 yen per share, resulting in a total annual dividend of 36 yen per share.

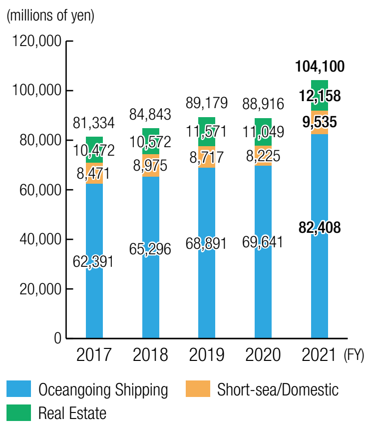
Long-Term Financial Approach

We believe the business environment will remain uncertain for the foreseeable future due to the COVID-19 pandemic and the situation in Ukraine. Companies need to enact a variety of reforms amid these changing social conditions, and under this environment, IINO LINES will continue to invest in business funds that seize growth opportunities while emphasizing sustainability. In the Shipping Business in particular, we face a strong need to take environmental action such as reducing CO_2 emissions. Support on the financial front is vital to steadily solving key issues in our business activities. In the Finance and Accounting Department, we intend to maintain a stable financial base that can respond to unexpected business risks by ensuring liquidity based on borrowings from financial institutions, with a view to diversifying fund procurement including through the issuance of corporate bonds.

Financial and Non-Financial Highlights

Financial Data

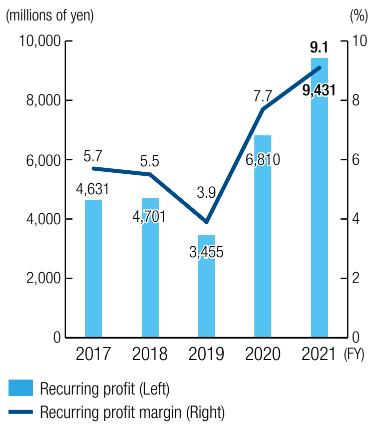
Revenues*



Revenues increased 17.1% year on year to 104.1 billion yen. Revenues in the Oceangoing Shipping segment in the Shipping Business rose 19.1% year on year to 82.4 billion yen, while the Short-sea/Domestic Shipping segment saw a rise in revenues of 11.1% year on year to 9.5 billion yen. In the Real Estate Business, revenues increased 9.8% year on year to 12.2 billion yen.

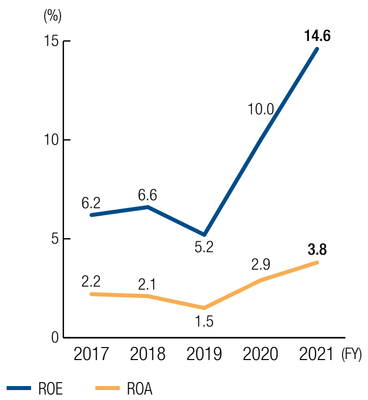
*Revenues of each segment represent figures before the adjustment of inter-segment sales while the year-on-year increase/decrease rates are calculated based on the figures after the adjustment of inter-segment sales.

Recurring Profit / Recurring Profit Margin



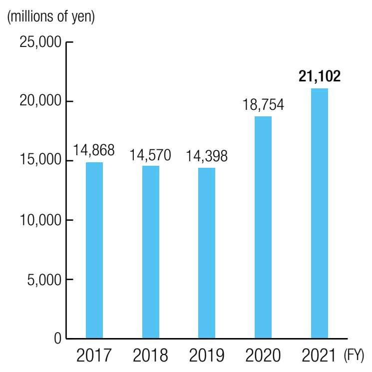
Recurring profit is defined as a key indicator of profitability that is emphasized in the Mid-term Management Plan. For fiscal year 2021, it rose 38.5% year on year to 9.4 billion yen, significantly surpassing the targeted 6.5 to 7.5 billion yen, reflecting an increase in dividends from business investees and the significant depreciation of the yen (against the U.S. dollar) in the fourth quarter, in addition to the strong marine transportation market. The recurring profit margin was 9.1%.

ROE / ROA



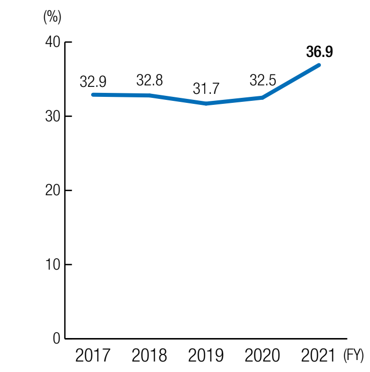
Return on equity (ROE) is defined in the Mid-term Management Plan as a key indicator of efficiency with greater attention to capital cost in the stable earnings base. For fiscal year 2021, ROE stood at 14.6%, exceeding the target of 8.0-9.0%. Return on assets (ROA) was 3.8%.

EBITDA



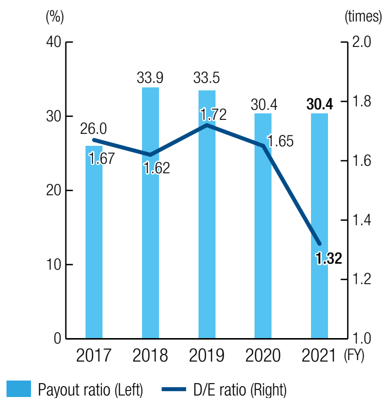
Earnings before interest, taxes, depreciation, and amortization (EBITDA) has been defined in the Mid-term Management Plan as a management indicator of profitability that takes into account depreciation, interest rates, and gain or loss on business investments and with attention to cash flows. For fiscal year 2021, EBITDA stood at 21.1 billion yen, surpassing the planned level of 19-20 billion yen.

Shareholders' Equity Ratio



For fiscal year 2021, the shareholders' equity ratio was 36.9%, surpassing 32.5% for fiscal year 2020. 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, as well as an increase in foreign currency translation adjustment attributed to the depreciation of the yen.

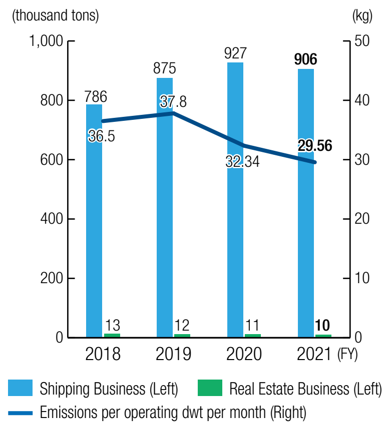
Payout Ratio / D/E Ratio



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 times. For fiscal year 2021, it stood at 1.32 times. Setting a standard payout ratio of 30%, we have a basic policy of continuously paying dividends. For fiscal year 2021, our payout ratio was 30.4%.

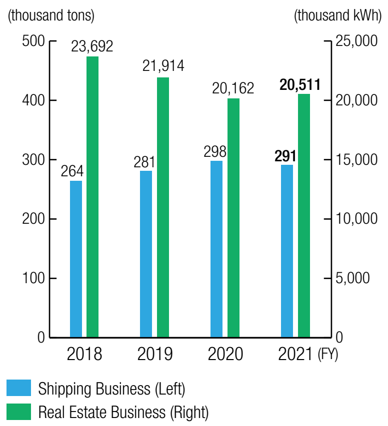
Non-Financial Data

CO_2 Emissions (Shipping Business/Real Estate Business)



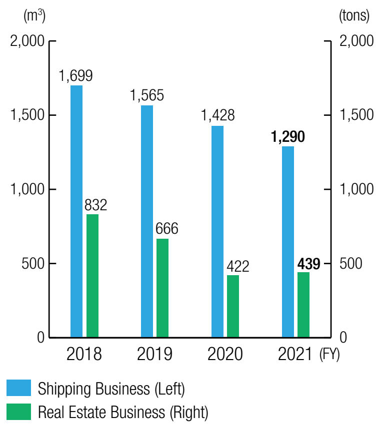
The IINO Group's total CO_2 emissions from ships in operation amounted to 906 thousand tons, down 21 thousand tons year on year. However, CO_2 emissions per operating deadweight tonnage per month decreased 9% year on year to 29.56 kg. CO_2 emissions from our buildings for lease in Japan, including those from tenants, were 10 thousand tons, down around 1 thousand tons year on year. Regarding the CO_2 emissions from the Real Estate Business in fiscal year 2021, some of the power consumption of the IINO Building was offset using non-fossil fuel energy certificates.

Energy Consumption (Shipping Business/Real Estate Business)



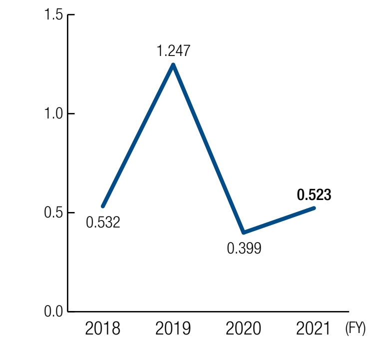
Total consumption of fuel oils for ships, specifically A-type heavy oil and C-heavy oil oil, decreased 7 thousand tons year on year to 291 thousand tons. Power consumption included in the energy consumption in buildings was up 2% year on year to 20,511 thousand kWh. The power consumption target at each building is set at 1% lower than the level of the previous fiscal year.

Waste (Shipping Business/Real Estate Business)



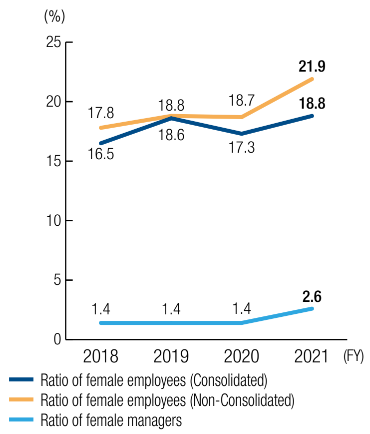
We properly treat waste generated from ships in an effort to conserve the marine environment. For fiscal year 2021, waste emissions associated with life onboard the vessels amounted to 1,290 m³, down 138 m³ year on year. At buildings, we work with tenants to sort waste. For fiscal year 2021, waste emissions stood at 439 tons, up 17 tons year on year, while the recycling rate was 74%, remaining flat year on year.

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 2021, this figure stood at 0.523, higher than the target of 0.5 for fiscal year 2021.

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

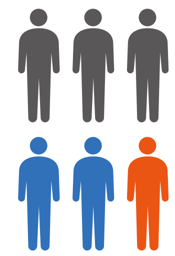


The ratio of female personnel was 18.8% on a consolidated basis and 21.9% on a non-consolidated basis, both increasing year on year. For fiscal year 2021, the ratio of female personnel at managerial levels was 2.6% on a non-consolidated basis. As of the end of June 2022, it rose to 5.3% after appointing female managers and other initiatives.

Composition of the Board of Directors

Ratio of Outside Directors to all Directors on the Board of Directors

3 persons (including one female)/ 8 members



There are eight members of the Board of Directors, including five executive members and three non-executive members. The three non-executive members are Independent Outside Directors who have fulfilled our Criteria Relating to the Independence and Qualifications of Outside Directors and Auditors, and one is a female Director (appointed in June 2022).

IINO MODEL and Business Portfolio

The IINO Group's business portfolio features the dual business pillars of the Shipping Business and the Real Estate Business. We call this business model the IINO MODEL. We are deepening the IINO MODEL in line with changes in the external environment, aiming to improve our corporate value.

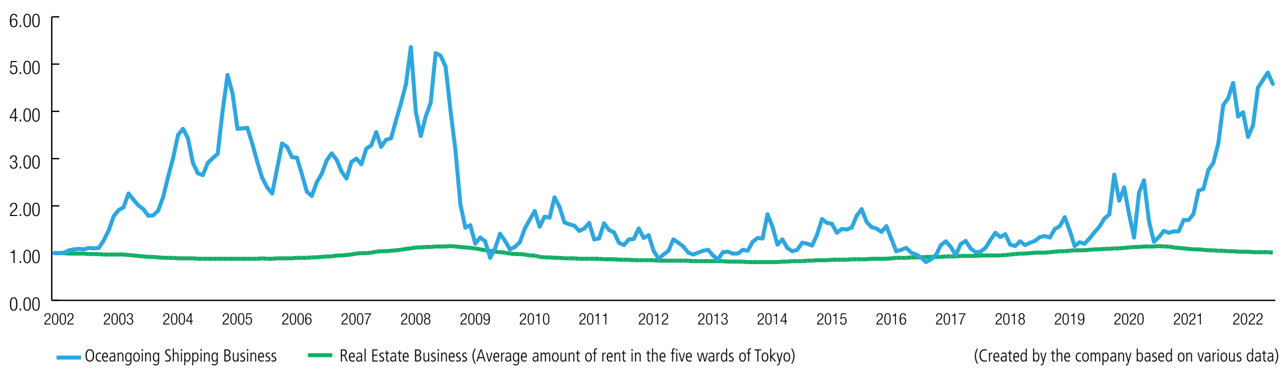
About IINO MODEL

Definition of the IINO MODEL: A business model featuring the dual business pillars of the Shipping Business, which is subject to market volatility while growing constantly in line with the expansion of the global economy, and the Real Estate Business, which secures stable earnings with relatively small changes in market conditions.

Characteristics of the Shipping Business
Supply and demand change reflecting global GDP and increasing population. The business is very susceptible to market risk and foreign exchange risk.

Characteristics of the Real Estate Business
The business secures stable earnings from long-term contracts with tenants. While demand is decreasing in Japan due to the population decline, it is growing modestly worldwide due to the increasing global population. While it is subject to market risk, this business is relatively stable compared to the Shipping Business.

● Market Trends of the Shipping Business and the Real Estate Business (Changes in values assuming that the value for December 2001 is 1.00)



(Created by the company based on various data)

Risk Management Method

In the Shipping Business, the correlation coefficient between the types of ships is not that large, ranging from -0.1 to 0.40; therefore, risks and returns are optimized by dispersing the types of ships in each business. Foreign exchange risk can be alleviated by combining it with the Real Estate Business.

● Correlation Coefficient of the Market Conditions of Each Type of Ship during 2007 to 2022 (Data for chemical tankers are for 2008 and thereafter.)

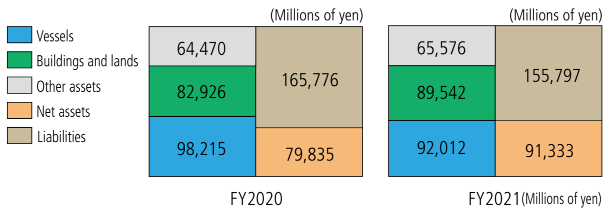
	Tankers	Dry Bulk Carries	LPG Carries	Chemical Tankers
Tankers	1.00	—	—	—
Dry Bulk Carries	0.35	1.00	—	—
LPG Carries	0.26	-0.09	1.00	—
Chemical Tankers	0.37	0.11	0.41	1.00

Investment Policy

Defining the sum of stable earnings from some vessels in the Shipping Business and those from the Real Estate Business as the maximum risk tolerance, we invest in types of ships that are affected by the market (types of ships used for spot operations) and growth businesses, within our risk tolerance. At the same time, we also invest in businesses which generate stable earnings, thereby increasing stable earnings and raising our risk tolerance level.

Balance Sheet Management

Maintain the ratio of the amount of non-current assets in the Shipping Business to that in the Real Estate Business at 1 to 1.



	FY2020	FY2021 (Millions of yen)
Total assets	245,611	247,130
Depreciation	11,083	11,728

Changes in the External Environment

● **Shipping Business: Positioned as a Growth Business**

Urgent task: Tackling climate change

- Changing marine fuel: Evolve into a company needed by society by driving environmental initiatives for vessels themselves, such as using vessels with dual-fuel main engines.
- Transporting new cargoes as alternatives to fossil fuels: Be the first to tap into the growing demand for the transportation of cargoes with a reduced environmental impact as alternatives to existing ones, such as ammonia and hydrogen, thereby increasing earnings.

● **Real Estate Business: Positioned as a Mature Business**

Urgent task: Responding to the population decline in Japan

- Responding to changes in office supply and demand from a global perspective: Invest more widely in properties in Japan and other countries in addition to those in central Tokyo.

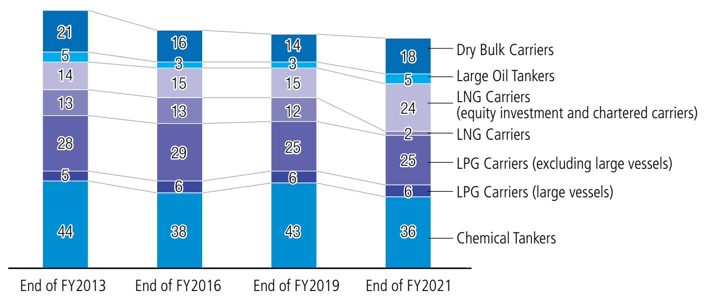
Business Portfolio

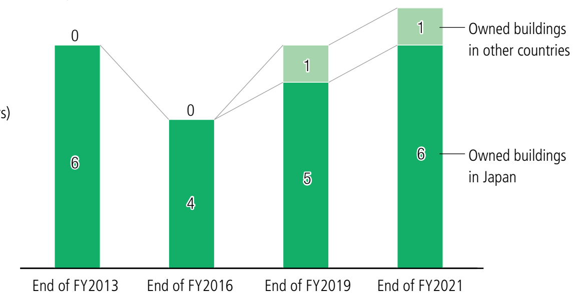
We manage our businesses by dividing them into three categories of growth, mainstay, and mature businesses, based on the fundamental idea of the IINO MODEL, changes in the external environment, and policy under the Mid-term Management Plan.

● Business Portfolio

Vessel type	Responsible department	Growth business	Mainstay business	Mature business	Priority strengthening measures of especially high relevance	Forecast demand
Large Oil Tankers	Oil Tanker Department				Further solidifying stable earnings	Future demand needs to be monitored, partly because of movements towards decarbonization.
LPG Carriers/ LNG Carriers	Gas Carrier Department IGT				Further solidifying stable earnings Further promotion of global business Sustainability initiatives	Demand for gas carriers will increase in relation to decarbonization.
Dry Bulk Carriers	Dry Bulk Carrier Department				Further solidifying stable earnings Sustainability initiatives	Cargo movements will increase in response to the global economy and population.
Chemical Tankers	Chemical Tanker Departments No. 1 & No. 2				Further promotion of global business	Cargo movements will increase in response to the global economy.
Real Estate Business	Office Leasing & Operation Department /Property Development Planning Department				Further solidifying stable earnings Further promotion of global business	Real estate demand will increase in response to the global population.

● Numbers of Ships and Buildings as of the End of Past Mid-term Management Plans





Optimizing Risks and Returns by Owning and Chartering Multiple Types of Ships to Avoid the Impact of Market Conditions

The number of chemical tankers as our mainstay has been around 40, and we have been replacing vessels with large ones to improve the efficiency of operations and reduce environmental impact. Regarding large crude oil tankers, we completed three new VLCCs during fiscal years 2019 and 2020, thus solidifying stable earnings. As for large LPG carriers, we are tackling climate change proactively, for instance, by completing a dual-fuel main engine vessel in February 2022.

Managing Assets Efficiently and Solidifying Stable Earnings by Replacing Assets and Rebuilding Existing Buildings

In fiscal year 2016, the number of buildings we own decreased temporarily due to the sale of the Sasazuka Center Building and the dismantling of the Sakurada Building. However, we acquired the NS Toranomon Building in fiscal year 2017 and Bracton House in London, U.K., in fiscal year 2019. Also, in fiscal year 2021, Hibiya Fort Tower was completed in a redevelopment project with the owners of land near the Sakurada Building. As a result, we have thus solidified stable earnings.

Toward the Next Mid-term Management Plan

We plan to prepare the next Mid-term Management Plan by including the content of our business portfolio among the topics of discussion in light of issues to consider at present.

Issues

- Further environmental regulations
- Rising ship prices
- Investment strategies based on our forecasts for the shipping and real estate markets 5 and 10 years from now
- Uncertainty with the global economy attributable to the COVID-19 pandemic and the situation in Ukraine

Departmental Business Strategy

Oceangoing Shipping Business

Oil Tanker Department

Rolling out a business that responds to customer needs based on medium- and long-term contracts

Kunihiko Senoo

Executive Officer
In charge of Oil Tanker Department and Gas Carrier Department

SWOT

S — Strengths	W — Weaknesses
• Systems for safe operation based on a wealth of experience in crude oil transport and high-quality ship management are implemented entirely within the group to ensure meticulous service in ensuring safe operation and high-quality ship management • Long-term partnerships with clients as an independent operator • Business structure that is less susceptible to fluctuations in the tanker market due to medium- and long-term time charter contracts	• Decrease in ships due to crew shortages • Relatively small vessel fleet (revenue fluctuates with or without docking)
O — Opportunities	**T — Threats**
• 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)	• Risks of oil spillage due to running aground and other accidents • Market downturn • Increasing ship management costs • Decrease of oil consumption for the reduction of greenhouse gas emissions

Characteristics and Strengths of the Business

In this business, we enter into time charter contracts with 300,000 ton-class very large crude carriers (VLCCs), which are the mainstay in the marine transportation of oil, playing a role in the stable transportation of crude oil to Japan, which is highly depending on overseas energy resources.

The business is a pioneer in the marine transportation of crude oil since completing the *FUJISAN MARU*, Japan's first large oceangoing crude oil tanker, in 1931. As of August 31, 2022, our VLCC fleet consists of four vessels, and we count Japanese petroleum companies gradually transforming into comprehensive energy companies to reduce their future environmental impact as our customers.

Regulations on sulfur oxides (SOx) emitted by vessels have been in effect since January 2020, and the business began equipping its VLCCs with SOx scrubbers, starting with the vessels completed from March 2020 onwards. VLCCs completed in September 2020 and January 2021 were also equipped with SOx scrubbers. Going forward, we will comply with increasingly stringent environmental regulations and step up efforts to revamp and augment our fleet of eco-friendly VLCCs with improved propulsion capabilities and fuel economy.

One of this business' strengths is our medium- and long-term time charter contracts with clients. This greatly reduces the effects of market conditions for crude oil tankers, which are highly volatile in the short term, and affords a business structure that provides us with stable earnings. Other major strengths take account of the broad reach of our services based on the operation of a wide variety of ships, including tankers, gas carriers, and dry bulk carriers, and the exacting service we offer customers by implementing safe operation and ship management systems entirely within the Group. We are also committed to proposing ways customers can reduce their environmental impact in the future.

Review of Fiscal Year 2021

In fiscal year 2021, demand for crude oil increased due to recovering economic activity as the COVID-19 pandemic progressed, and coordinated production cuts by OPEC Plus members continued to shrink from the summer. However, due to continued pressure on shipping capacity, the market for large oil tankers remained sluggish in general. Under these conditions, the business strived to secure revenue by continuing to invest in medium- and long-term contracts for controlled shipping capacity. Additionally, as a measure needed to ensure the safe and stable transportation of crude oil to Japan, we worked on older vessels in dock for longer periods than usual so that they can be used safely in the long term. This was carried out systematically as part of the business's upfront investment in sustainable growth. Although losses due to underutilization were incurred from this docking work, revenues increased due to a total of three VLCCs completed in fiscal years 2019 and 2020 entering full service.

In terms of further solidifying stable earnings, an initiative of the Mid-term Management Plan, the fleet of three VLCCs mentioned above was completed between fiscal years 2019 and 2020, bringing the total fleet to four vessels. As action connected with sustainability initiatives, equipment that produces mineral water from seawater was installed on three VLCC vessels in an effort to reduce plastic waste (we estimate that this will reduce PET bottle usage by around 18,000 bottles annually across the three vessels). We are also promoting digital transformation (DX) and have began efforts to manage the CO_2 emissions from our ships.

VLCC with SOx scrubber *FUJISAN MARU* (5th generation)

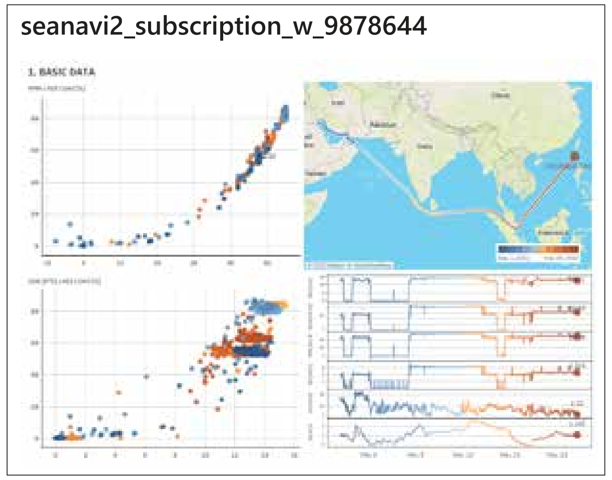
Future Outlook and Strategy

In the long term, an intensifying trend towards reducing greenhouse gas (GHG) emissions in society as a whole is seen as a certainty. However, in the immediate term the prices of crude oil and petroleum products continue to rise sharply due to the Russian invasion of Ukraine and other developments, and amid a changing international situation, the outlook for the crude oil market as a whole is extremely uncertain. While the Oil Tanker Department is currently in a position to continue doing business on the basis of medium- and long-term contracts, in the future there are concerns over unpredictable issues including personnel costs, ship building costs, and sharply rising prices of ship components and equipment. Despite a market environment whose outlook is difficult to predict, we will pursue high quality service through the appropriate allocation of management resources, and even if we face declining demand for crude oil and petroleum products, we will make every effort to always be chosen by customers and continue to operate the business in a stable manner.

In fiscal year 2022, the final year of the current Mid-term Management Plan, rather than launching new endeavors we will focus on refining what we have cultivated to date and pursuing services of even higher quality.

Sustainability Initiatives

Sustainability, and above all the reducing of CO_2 emissions, has become an essential initiative in the shipping industry. In January 2023, the International Maritime Organization (IMO) will launch carbon intensity indicators (CII), its rating system for fuel efficiency. Vessels will be ranked from A to E depending on the degree to which CO_2 emissions reductions are achieved during operation. Ships that are lowly ranked will be required to implement specific improvement measures to reduce CO_2 emissions in various ways, and this will essentially mark the beginning of the selection of high-quality ships. The Oil Tanker Department is working ahead of these trends and has begun managing CO_2 emissions through DX. Three VLCC vessels have installed the integrated ship operation support platform Sea-Navi®2.0 from NIHON SHIPYARD CO., LTD. by accumulating and managing various operational data in addition to engine RPM and fuel consumption, we work to select optimum routes that will lead to fewer CO_2 emissions. In the future, we will install a system that utilizes AI technology from the U.S.-based company Bearing, and will translate these efforts into new business opportunities by enhancing these advanced activities and becoming the choice of customers.



Report from Sea-Navi®

Basic strategy under the Mid-term Management Plan

- Further solidifying stable earnings
- Sustainability initiatives

Departmental Business Strategy

Oceangoing Shipping Business

Gas Carrier Department

Aiming to strengthen one-stop service as a Group and expand business

Kunihiko Senoo

Executive Officer
In charge of Oil Tanker Department and Gas Carrier Department

SWOT

S — Strengths

- Customer development through coordination with other Group businesses and the enhancement of one-stop services utilizing synergies as a Group
- Long-term relationships of trust with domestic and overseas charterers through shipping services
- Dual-fuel main engine vessels that use LPG as fuel. Initiatives for next generation energy source including ammonia.
- Various carrier types and sizes, including large LNG carriers, small LNG carriers, and very large LPG carriers

W — Weaknesses

- Decrease in operations after the sale of owned vessels including aging LPG carriers
- Limited number of vessels that can be managed

O — Opportunities

- Diverse needs related to new energy due to heightened demands from environmental regulations

T — Threats

- A wide variety of commodity forms and ship operation needs
- Deterioration of supply-demand balance following high-volume orders for new building vessels

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 March 31, 2022, we operate a fleet of six very large gas carriers (VLGC), including carriers we own and chartered carriers, and of those, one of the VLGCs we own has been equipped with an LPG dual-fuel main engine designed to reduce CO_2 and SOx emissions. Among LNG carriers, we own and operate one oceangoing LNG carrier and 24 other oceangoing LNG carriers in which we have investment equity or chartered, making up a total fleet of 25 vessels that are jointly owned or chartered. Under this configuration, we provide LPG and LNG carriers to comprehensive energy companies in Japan and overseas.

A strength of this business lies in medium- and long-term contracts based on time charter contracts with key domestic and overseas partners actively working to reduce their environmental impact. More than 80% of the LPG carrier contracts and all of the LNG carrier contracts are medium- to long-term plans. 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 shipping market conditions.

Review of Fiscal Year 2021

The LPG carrier market in fiscal year 2021 was generally solid throughout the period. There was a temporary decline due to a decrease in cargo during the summer off-season, but in addition to strong exports from the United States, robust demand for PDH (propane dehydrogenation) plants in China and strong household demand in India, there was a tightening of supply and demand for shipping capacity due to an increase in the number of vessels in dock, and congestion at the Panama Canal. Meanwhile, in the LNG carrier market natural gas prices rose sharply in early autumn due to increased demand primarily in China, other parts of Asia, and Europe. However, from the start of the year onwards, the market softened with the calming of demand over winter in the northern hemisphere, and despite increased cargo movements from the United States to Europe in connection with the deteriorating situation in Ukraine, market conditions did not improve significantly. Under these conditions, operating costs for LNG carriers increased in the second quarter due to periodic maintenance, but LPG and LNG carriers both secured stable revenue mainly due to existing medium- and long-term contracts. In addition, one LPG carrier vessel was sold during the period, and one order was placed for an ammonia carrier that will be able to be fitted with a main engine that can use non CO_2-emitting ammonia as a fuel in the future. Thus, we are going to get back into ammonia transportation for the first time in six years. Additionally, in February 2022 IINO LINES' first VLGC equipped with an LPG dual-fuel main engine was delivered.

In terms of initiatives under the Mid-term Management Plan, for the further expansion of global business development, we promoted customer development through coordination with other Group businesses and the enhancement of one-stop services utilizing synergies as a Group. For the strengthening of partnerships with important clients who are active towards environmental responsiveness, we pursued initiatives aimed at the introduction of VLGCs and ammonia carriers that will lead to CO_2 reductions. Furthermore, for participation in LNG carrier projects and initiatives for small and medium-sized gas carriers, we continued to engage in business activities for LNG carrier projects and examined projects for small and medium-sized gas carriers.

Concept drawing of an ammonia carrier

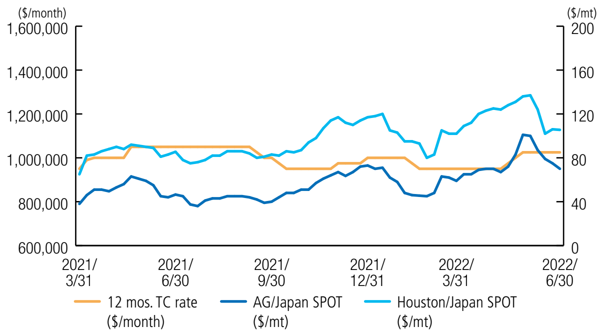
Future Outlook and Strategy

In fiscal year 2022, we expect that further progress will be made in COVID-19 vaccinations around the world, there will be a growing trend to relax restrictions on economic activity, and that the impact on market conditions will gradually end. However, while economic sanctions on Russia for the invasion of Ukraine have had a significant impact on the energy transportation industry, the impact on the marine transportation of LPG is limited, and shipping volume of LNG from the United States to Europe has expanded.

While we expect the completion of around 25 newly built VLGCs in the LPG carrier shipping market overall, as there are few aging vessels, we do not expect to see a reduction in the number of vessels due to scrapping and there are concerns over a deterioration in the demand-supply balance. Despite this, in addition to the increase in PDH plants in China and rising consumer demand in India and Southeast Asia, since sharply rising crude oil prices have increased the relative price competitiveness of LPG, even during the COVID-19 pandemic LPG demand is expected to remain strong. With regard to LNG, demand for ship-based transportation to Europe in connection with economic sanctions against Russia is expected to continue at a high level. Amid these comparatively solid market conditions for both LPG and LNG carriers, we believe that this business, which is based on medium- and long-term contracts, will be able to adequately cover negative factors such as a deteriorating demand-supply balance in LPG carriers and secure stable revenue.

Additionally, to achieve the targets of the Mid-term Management Plan, we will focus on developing global customers. Our structure that provides one-stop services as a Group is one of the Group's unique strengths that is not seen among our competitors overseas. We will revive in-person sales activities that were stalled during the COVID-19 pandemic and make appeals to this strength with potential customers. We will engage in proactive messaging aimed at customers that are highly environmentally conscious, and continue to strengthen our efforts regarding LNG carrier projects and the expansion of the small and medium-sized gas carrier business.

● Change in the VLGC market



Sustainability Initiatives

In this business, we recognize the major society-wide trend of decarbonization, believe that proactive action on environmental issues is a key factor in being selected by customers, and strive to make continual improvements as one of our sustainability initiatives. In particular, we are actively promoting the introduction of VLGCs equipped with LPG dual-fuel main engines, which have CO_2 reducing effects, in an effort to switch over to next-generation fuel, and following on from our achievements in fiscal year 2021, we plan to expand these efforts in the future. Additionally, we will continue to respond to the rapidly changing external environment, such as changes to regulations, fuels, and cargo, including the DX-driven responses to the fuel efficiency rating system (carbon intensity indicators; CII) launched by the International Maritime Organization (IMO).

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

Departmental Business Strategy

Oceangoing Shipping Business

Dry Bulk Carrier Department

Pursuing a stable revenue base through fleet management that responds to changes in the business environment

Atsushi Takeda

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

SWOT

Strengths (S)	Weaknesses (W)
• 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 booking and operation • Reliable delivery of peace of mind to our clients	• Changes in earnings following the fluctuation of market conditions • Relatively small-scale fleet

Opportunities (O)	Threats (T)
• 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	• Fluctuation in shipping market conditions • Concerns over falling demand for cargo transportation due to rapid inflation • Increasing need for environmental regulations • Impediments to a free trade environment

Characteristics and Strengths of the Business

In this business, we operate two types of dry bulk ships*. One is dedicated carriers for medium-and long-term transport services for specific clients. The other is tramping vessels for providing transport services for many and unspecified clients in a way that combines medium- to short-term contracts with spot contracts. Cargo items are wide-ranging, basic fuels for power including steaming coal and wood biomass fuels, 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 18 ships we operate, three are under our ownership (as of the end of March 2022). 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.

* Dry bulk carrier: A ship that transports large volumes of various resources such as iron ore, coal, and wood chips in bulk

Review of Fiscal Year 2021

The dry bulk carrier market in fiscal year 2021 remained solid throughout the period, driven by the recovery of economic activity around the world. Due to the raw material and fuel prices crude steel production in China declined, and congestion at Chinese ports improved compared with the summer, resulting in a slight softening in market conditions from early autumn to the beginning of the year; however, conditions shifted upward again primarily in the Asia-Pacific region due to recovering economic activity following the Lunar New Year in Asia, with the fiscal year ending on a solid note. Of the dry bulk carriers operated by this business, dedicated carriers for which medium- and long-term contracts have been established operate in a stable manner that is not influenced by market conditions, and as a result, they have formed the same revenue base as before. However, we were also able to achieve strong performance with tramping vessels against the backdrop of solid market conditions. Due to the spread of COVID-19 infections, there were some slowdowns due to stricter quarantine measures and crew changes in some countries and regions, but this had the effect of narrowing down the overall supply of vessels in turn producing the positive factor of bolstering market conditions.

Additionally, as a measure under the Mid-term Management Plan, we focused on strengthening the foundations of stable revenue, including the alteration and extension of contracts for our dedicated carriers. Meanwhile, we continued to promote the ongoing diversification of customers, items transported, and routes for trampers. We also procured vessels in anticipation of future business expansion. Further, as a globalization initiative, we promoted efforts to secure new cargo transportation from Asia to Europe and the United States, and between other countries in addition to our existing main routes, in an effort to form a path to future business expansion.

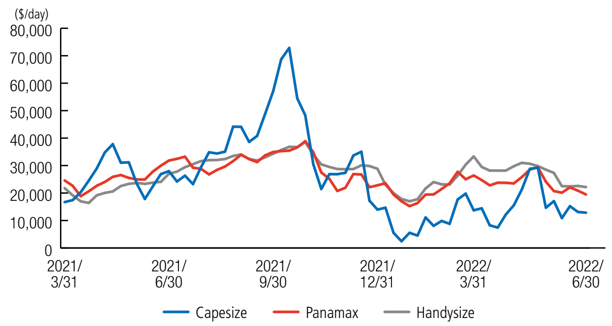
New small handy bulk carrier *REGINA ISLAND*

Future Outlook and Strategy

Regarding the business environment from fiscal year 2022 onwards, in addition to the ongoing COVID-19 pandemic, there are various other factors producing uncertainty, including the Russian invasion of Ukraine and its effects, rising inflation, and the effects of policies to raise interest rates to contain it. Due to the impact of economic sanctions against Russia, patterns in the movement of cargo are already changing. While this situation makes it difficult to predict the future, in this business we have continued to make efforts to closely ascertain changing market conditions in order to build a ship operating structure that is dynamic and flexible. In addition, with decarbonization standing as a major challenge for all of society, there is a rising need for the transportation of resources such as wood biomass fuel, and we recognize the importance of responding to the demands of the times.

In light of these circumstances, in fiscal year 2022, the final year of the current Mid-term Management Plan, we will strengthen the following key measures. In terms of strengthening of the existing business foundation and diversification of initiatives, given our renewed awareness of both the difficulty and importance of fleet procurement, we will work to upgrade and expand our dedicated ships, which represent a stable revenue base, and also conclude transportation contracts for trampers based on market conditions. From the perspective of environmental issues, we will focus on introducing ships with excellent fuel performance and switch to more eco-friendly fuels. In terms of global expansion, we will continue initiatives for transportation between third countries. For securing a flexible and stable fleet, we will work to develop an environment that is conducive to the procurement of high-quality ships for use as trampers. In terms of efficient vessel allocation and thorough optimal economic fleet operation, we will endeavor to allocate vessels that match the size of the cargo to be transported, ensuring that cargo transportation is as waste free as possible. For sustainability initiatives, in addition to the aforementioned wood biomass fuel, we will work to increase the amount of fertilizers, grains, and recycled raw materials that we handle as a part of our efforts to promote the expansion of environmentally and socially conscious cargo transportation.

● Change in the dry bulk carrier market



Human Resource Development Aimed at Fleet Management Optimization

In this business, the optimization of fleet management, which involves fleet procurement, replacement, and efficient operation, is directly linked with improved earnings. In addition to the need to objectively ascertain the required shipping capacity based on forecasts of future transportation demand, as the procurement of shipping capacity requests high-level expertise, highly experienced professional human resources are required, but developing these human resources is not an easy task. We will continue to promote practical training through work experience to enhance the operational capabilities of our staff.

Basic strategy under the Mid-term Management Plan

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

Departmental Business Strategy

Oceangoing Shipping Business

Chemical Tanker Departments No. 1 & No. 2

Covering a wide variety of transportation by strengthening our global structure and human resources

Seiichi Fujimura

Executive Officer
In charge of Chemical Tanker Department No. 1 & No. 2 and Managing Director, IINO Singapore Pte. Ltd.

SWOT

S — Strengths
- 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 operation and ship management within the Group
- A large market share in the Middle East routes market, one of the world's leading shipping markets

W — Weaknesses
- Routes other than Middle East routes

O — Opportunities
- 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

T — Threats
- Market decline
- Rise in fuel prices
- Slowdown in the global economy due to the impact of the pandemic and the situation in Ukraine
- Increased costs, including those related to environmental regulations

Characteristics and Strengths of the Business

In this business, we transport liquid cargo such as petrochemical products, inorganic chemicals, vegetable oils, and biomass fuels. Our operations consist of chartered-out vessels (time charters) and operation by ourselves. Our operation is subdivided into two types, specifically contracts of affreightment and spot contracts, and we engage in the transportation of cargo under these contracts. Contracts of affreightment is a contract to "transport a predetermined volume of cargo at an agreed rate to and from a designated range of ports within a certain period of time," and they account for approximately 70% of the cargo handled through our operations. The other approximately 30% of cargo is transported through spot contracts.

The strength of this business is in our track record as a stable provider of safe and high-quality transportation services. In cooperation with technologically skilled shipyards that develop competitive vessels and cooperation with the ship owners that are our partners, we carry out from operation management to ship management within the Group. Regarding our ship management structure and the quality of operations, 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 ship building, and budgeting and cost management. Our sales unit and ship management company work together on improving the quality of operations.

In addition, we coordinate with overseas bases in Singapore, Dubai, Houston, London, and Shanghai and have a structure in place to provide prompt support to overseas shippers, including on technical matters. We endeavor to develop and improve our professional human resources, and in Singapore we hire a diverse range of foreign nationals in addition to Japanese employees in an effort to develop human resources that can support our global expansion.

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

Review of Fiscal Year 2021

In fiscal year 2021, the chemical tanker market experienced a tightening in the supply and demand of shipping capacity from the summer onwards in response to stricter quarantine requirements at Chinese ports and unfavorable weather, while the market remained firm in Asia. In other regions, due to the influx of product tankers into the chemical tanker market and temporary operational shutdowns of petrochemical plants in the southern United States due to bad weather, the market was sluggish overall, but during the winter demand period the demand-supply balance of shipping capacity continued to tighten, and the resumption of exports from restarted petrochemical plants in the southern United States placed upward pressure on markets in other regions as well. In response to the situation in Ukraine which deteriorated thereafter, demand for the transportation of petroleum and petrochemicals products from the United States, Middle East, and Asia to Europe increased mainly as substitutional demand for Russian products. Against a backdrop of product tankers exiting the chemical tanker market and rising demand for chemical tankers themselves, a further rise in market prices for chemical tankers was seen.

Operating within this market environment, in fiscal year 2021 the business operated under stable contracts of affreightment along its main routes from the Middle East to Europe and Asia, as well as contracts of affreightment from North Africa to India and Pakistan for phosphoric acid, in addition to actively pursuing spot cargo with high freight rates from Asia. As a result, profitability improved considerably from the summer onwards. In addition, in the third quarter we shifted from joint ventures with U.S.-based operators to a time charter contract with profit sharing.

With regard to initiatives under the Mid-term Management Plan in fiscal year 2021, as part of efforts to develop and promote our global structure, we expanded our site in Dubai (United Arab Emirates) in the Middle East, the core area for this business, and from the start of 2022 have been conducting full-scale business activities in the Middle East region. In addition, as an initiative to reduce our environmental impact, we have stepped up business activities for a methanol dual-fuel main engine equipped vessel in the area of time charter contract, and have also made efforts to switch to vessels that use next-generation fuel.

● Fleet Composition

Department name	Business	Number of vessels
Chemical Tanker Department No. 1 (Tokyo Head Office)	Time charters	9 vessels

Features
- Chartering out of chemical tankers to transport methanol on long-term contracts that serve as a stable source of earnings
- Time charters with profit sharing for U.S. operators

Department name	Business	Number of vessels
Chemical Tanker Department No. 2 (mainly in Singapore)	Direct chemical tanker operations	27 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, 2022)

Future Outlook and Strategy

Looking at the market conditions for fiscal year 2022, caution is needed due to concerns over a global economic slowdown caused by the pandemic and rising prices of goods in connection with the Russian invasion of Ukraine, but we believe that the positive performance in this business overall will continue.

The business will promote various measures in line with the basic strategies of the Mid-term Management Plan and aim to improve business results. In terms of strengthening competitiveness to promote a global system and strengthening of organizational capability to support a global system, we will drive a further global expansion by deepening coordination with the newly expanded Dubai Office, the Houston and London Offices where we have augmented staff, as well as the Shanghai Office. For the promotion of investment in assets that contribute positively to the environment, and the strengthening of initiatives on vessels that use next-generation fuel, we plan to introduce biofuel on a trial basis. Additionally, with the expanded functionality of our ship management system, we will promote initiatives to accumulate and evaluate information that impacts fuel economy such as weather, routes, and speed in order to optimize our fuel efficiency. Regarding improved fuel economy, we will also work on managing the CO_2 emissions from our ships utilizing the AI technologies of the U.S.-based company Bearing.

Chemical tanker with methanol dual-fuel main engine *CREOLE SUN*

Utilization and Development of Global Human Resources

In this business, we see the utilization and development of human resources who can flourish on the global stage as an important theme of business growth. At our office in Singapore, which is a region where many people involved in maritime affairs gather and has the largest chemical tanker department in the Company, we not only hire sales staff but also maritime technical staff, and work to diversify the range of human resources while improving service and quality. We also work with IINO Marine Service Co., Ltd. to enter into dispatch agreements with an Indian company for Indian crew members, a new crew resource for IINO LINES. In these ways, we are further diversifying our crew resources to ensure the stable supply of crew members that handle safe marine transportation, thereby strengthening the systems that indirectly support our business.

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

Departmental Business Strategy

Short-sea/Domestic Business

IINO Gas Transport Co., Ltd.

Strive to expand and improve the integrated in-house system and accurately respond to changing customer needs

Hitoshi Sato

President and Representative Director,
IINO Gas Transport Co., Ltd.

SWOT

S — Strengths

- 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 ship owners
- Integrated in-house system including owning of vessels, maintenance and management, manning and sales
- Approximately 200 Japanese seafarers employed

W — Weaknesses

- Decreased crew retention ratio
- A decrease in transport vessels due to the shortage of crew members

O — Opportunities

- 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

T — Threats

- Decreased shipments due to a decline in product demand
- Market decrease
- Downward pressure on logistics costs from clients
- Growing need for environmental regulations

Characteristics and Strengths of the 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 shipowning, maintenance, and management of vessels and the assignment of crew members. Under this structure, we mainly operate vessels under our control and work to smoothly transport LPG, petrochemical gas, vinyl chloride monomer, 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 that covers everything from the assignment of crew members to operation and management is the best for smoothly carrying out marine logistics operations on a domestic and short-sea basis. We work to expand and improve our integrated in-house system and respond to the wide-ranging request of our clients and society.

Our fleet consists of 26 ships, including 16 under our control. To ensure their ability to operate, we employ around 200 Japanese crew members as of March 31, 2022. 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 shipping services, including the safe operation of vessels, safe cargo handling, and on-time deliveries. Accordingly, we strive to recruit and develop excellent crew members and promote improvements to the work environment.

Review of Fiscal Year 2021

In fiscal year 2021, although there were unstable factors including sluggish private sector LPG demand due to the spread of COVID-19 infections, market conditions were solid overall. During this period, IGT endeavored to secure stable earnings by offering high-quality, safe transportation services in line with the Mid-term Management Plan. In the area of domestic gas transport, we made efforts to ensure stable earnings and allocate vessels efficiently based on medium- and long-term contracts under circumstances of weak demand for the transportation of LPG for the private sector due to surging COVID-19 infections. Additionally, in short-sea gas transport, although we were unable to fully avoid the effects of softening market conditions up to the summer, in the fourth quarter we completed updates to some contracts under solid market conditions, as part of efforts to improve profitability.

Strengthening Human Resource Development to Provide Safe and High-Quality Transportation Services

In fiscal year 2021, we started a human resource training program utilizing new media with the aim of offering high-quality, safe transportation services, which is a key basis of promoting the Mid-term Management Plan. Although we have made progress with the development of regulations for safe transportation, including a Safety Management System (SMS) and the building in-house systems, due to the spread of COVID-19 we have been forced to limit conventional OJT-based training opportunities. To make up for the deficiency of these opportunities, IGT has pursued a unique initiative aimed at achieving more effective training, with the development and rollout of two types of training systems, IGT Tube and IGTeacher, which enable learning anytime and anywhere. With IGT Tube, videos depicting actual vessel operation are used to explain things in a straight forward way, such as the key points to ensuring safety when navigating narrow sea lanes.

With IGTeacher, software that can be easily operated with a smartphone is utilized so that individuals can gain knowledge in expert fields in a quiz format. Through the operation of these systems, we will further promote the development of our Japanese crew members.

Additionally, to deal with the major issue of labor shortages that are common across the domestic logistics industry, IGT is developing a comfortable workplace environment that is in tune with the times. On newly built vessels, we are installing bright and clean private rooms, baths, corridors, dining rooms, and other features that are a complete change from the traditional image of operating vessels. We are also installing women-only shower rooms and smoking rooms, among others.

IGT Tube

IGTeacher

Sustainability Initiatives

As a decarbonization initiative, IGT is promoting the ongoing switch from C-heavy oil, which has been conventionally used for its low cost, to A-type heavy oil, which produces fewer sulfur oxide (SOx) emissions. By standardizing around A-type heavy oil, we also expect a reduction in accidents due to incorrect valve switching between A and C-heavy oil.

Additionally, in an effort to prevent air pollution, we are promoting plans to further reduce SOx and CO_2 emissions with the trial use of biofuel made by processing waste cooking oil in fall 2022.

Future Outlook and Strategy

In the future, the trend of decarbonization will accelerate on a society-wide basis, and in the ship-based transportation industry, we believe that the marine transportation of various petroleum-derived products will decrease. In light of these trends, IGT has set the switch to alternate fuels, efficient ship operation through diversification of the items transported, and the securement and development of human resources as important management themes towards ensuring the stable operation of the domestic and short-sea shipping business. Concentration in core competencies regarding vessels operated by the company, which is being pursued as a part of the Mid-term Management Plan, is one of the initiatives consistent with these themes. We will continue to monitor trends in energy transformation, withdraw from unprofitable areas, take on the challenge of new businesses with growth potential, and promote the efficient operation of our ships and personnel. Regarding fuel conversion, in addition to the trial use and introduction of biofuel, we are also eying the introduction of fuel cell batteries in the future. Our greatest focus is on securing and developing talented human resources to support the safe operation of vessels. IGT will combine various measures to develop an attractive workplace environment, including human resource development incorporating the aforementioned IGT Tube and IGTeacher systems, improved or revamped equipment and facilities, enhanced training about harassment, and ensuring reasonable rotations.

Basic strategy under the Mid-term Management Plan

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

Special Feature Sustainability in the Shipping Business and Efforts to Adapt to a Changing Business Environment

Through the use of digital tools and collaboration with startups, we will strengthen our sustainability efforts while developing systems that can respond to a rapidly changing business environment in a precise and speedy manner. At the same time, we will reduce workloads and labor costs through business streamlining, eliminate personnel shortages, and raise competitiveness by optimizing the allocation of personnel.

Responding to a New Rating Scheme by Managing CO_2 Emissions Using Digital Tools

In the shipping industry, starting January 2023 the International Maritime Organization's (IMO) Carbon Intensity Indicator (CII) fuel economy rating system will go into effect, requiring ships to be operated with even greater consideration given to the environment. Each Group company is stepping up efforts to reduce CO_2 and other greenhouse gas (GHG) emissions.

In anticipation of these trends, IINO LINES identified sustainability initiatives as a priority strengthening measure in its Mid-term Management Plan and has been working to reducing its environmental impact in various ways, including GHG reductions. In addition, one of the foundation items to ensure the steady implementation of the priority strengthening measures is accelerating DX promotion, and by making improvements to information and communication technologies while ensuring the effective utilization and sharing of data, we have been promoting the visualization of ship statuses and increasingly centralized and sophisticated ship management information.

As part of these efforts, we have implemented the phased introduction of a CII optimization tool developed together with the U.S. Silicon Valley-based startup Bearing. The tool was jointly developed by combining Bearing's high-precision AI-based performance analysis and simulation models with IINO LINES' longstanding knowledge of ship operation and management. In addition to monitoring CII rating results from the first day of each year to the latest data, the tool predicts CO_2 emissions and the resultant future CII rating based on a range of operating scenarios (routes that consider weather and hydrographic conditions), enabling measures to be taken for each ship to achieve its targeted CII rating. The tool has been designed with user-friendliness in mind and features an easy-to-read interface with visualized information and highly intuitive operation that anyone can use. We believe the tool will be effective in improving operational quality by promoting information sharing between operating and ship management departments, reduce workload and labor costs through business streamlining, and reduce additional workload that could emerge when CII goes into effect.

IINO LINES and Bearing will continue to adopt a system of collaboration regarding expanded functionality for the CII optimization tool and other AI tools that will help reduce the environmental impact of ship operation.

CII rating simulation driven by the CII optimization tool

Overcoming Environmental Changes through Collaboration with Startups

IINO LINES regards collaboration with startups (B-to-B collaboration) possessing various advanced technologies as one of the most effective ways to adapt to the changing environment surrounding the shipping industry in a precise and speedy fashion. In May 2022, IINO LINES was the first domestic shipping company to become a corporate partner of Plug and Play, the world's top-class accelerator (a company that encourages business growth), and this endeavor has been further strengthened.

Plug and Play, whose declared mission is to accelerate innovation around the world, provides a maritime-focused accelerator program. Through its network of over 45,000 startups, it promotes and supports products, services, and workstyle reforms that offer the best solutions to the issues faced by its client companies.

In June 2022 in Antwerp, Belgium, where Plug and Play's maritime section is based, IINO LINES and other corporate partners gathered with startups boasting outstanding technologies for the annual Maritime EXPO Day. We worked to gather knowledge about cutting-edge initiatives in the European and global maritime fields and the structure of initiatives at each company, as well as to build relationships with other corporate partners in the interest of open innovation.

In addition, as a corporate partner of Plug and Play, we also have a presence at the company's offices in Silicon Valley in the United States as a tenant. With our U.S. subsidiary taking a leading role, we are building a network in Silicon Valley, where there is a high concentration of people and information from around the world as a cutting-edge hub for innovation. We have been continuing with efforts to gather information about real estate and other industries, such as by taking part in the Silicon Valley Summit, an event for presenting results of accelerator programs held in June 2022. Going forward, we aim to smoothly respond to the rapidly changing business environment and solve issues faced by the shipping industry, such as climate change and ensuring safety, through innovations that integrate the breakthrough technologies of Plug and Play and its network of startups with the wide-ranging expertise that IINO LINES has accumulated in the Shipping Business.

Delivery of a presentation at Maritime EXPO Day

Representatives from Plug and Play and IINO LINES

Benefits from Collaboration with Startups

(1) Knowledge of the latest system development (agile development methods that emphasize speed and flexibility)

(2) Improve efficiency by utilizing various business systems for increasingly complex regulatory compliance, and optimize the allocation of human resources with expert knowledge

(3) Improve competitiveness by fostering an innovative corporate culture with a positive attitude that seeks to incorporate change as an opportunity

Column

Securing Excellent Human Resources and Retaining Them for the Long Term

The labor shortage in the domestic logistics industry is not limited to onshore logistics; it is also a serious problem in maritime logistics. According to some predictions, at this rate the number of crew members in Japan will decline by 30% within a decade.

To tackle these issues, the IINO Group is working to develop a comfortable workplace environment that is in tune with the times. In the domestic and short-sea shipping business, we are installing bright and clean private rooms, baths, corridors, dining rooms, and other features that are a complete change from the traditional image of operating vessels. We are also installing smoking rooms and women-only shower rooms.

We are also concentrating on training human resources. In addition to promoting thorough rule compliance with courses on human error and harassment, we engage in discussions with each individual crew member. On the safety front, to prevent unease or unhappiness among seafarers from leading to accidents, we have adopted the motto of "don't place pressure on people in the field," and work to make adjustments to operation based on the idea of having crew members work comfortably and in good spirits.

Departmental Business Strategy

Real Estate Business

Office Leasing & Operation Department / Property Development Planning Department

Offering high-quality office-centric services to a diverse range of tenants and contributing to regional revitalization

Kiichi Iwai

Executive Officer
In charge of Office Leasing and Operation Department and Property Development Planning Department and commission as General Manager, Property Development Planning Department

SWOT

S Strengths

- 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

W Weaknesses

- Scarcity of properties owned
- Limited knowledge in the ownership and management of real estate other than office buildings

O Opportunities

- 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

T Threats

- 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 for self-restraint and other reasons

Characteristics and Strengths of the 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 rental conference 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 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 adhere 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 Fiscal Year 2021

The leasing market for office buildings in central Tokyo remained sluggish due to the spread of COVID-19 infections. Rents have also fallen in response to decreased office demand due to domestic companies expanding their remote work practices and other factors, with the percentage of unoccupied office space falling in the 6% range. Under these conditions, despite the COVID-19 pandemic having an impact on retail floors, utilization of the office floors in the buildings we own, including Hibiya Fort Tower, continued to be solid, and we maintained stable earnings.

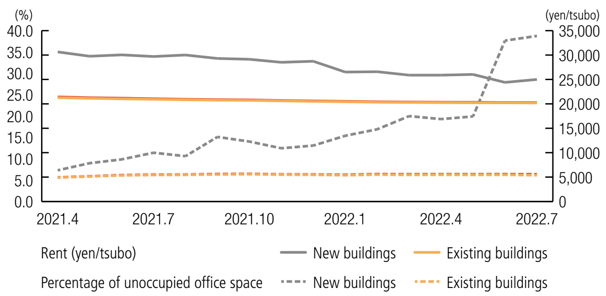
Conditions have been difficult for leased halls and convention rooms due to repeated waves of COVID-19 infections. The IINO Hall & Conference Center is no exception, and was significantly impacted in terms of utilization and revenue, but from October onwards, with the easing of restrictions on the holding of events we started to see signs of a slight recovery in event demand, and conditions headed in a positive direction.

The photo studio business remained sluggish due to declining demand for photo shoots in response to the spread of COVID-19 infections. Even under this declining demand, IINO Mediapro Co., Ltd. made every effort to secure customers while implementing thorough infection control measures, but in part due to poor demand for advertising, the uncertain situation continued.

Additionally, for our office building leasing operations in London, England, retail floors were impacted by temporary lockdown periods established due to the pandemic, but the office floors continued to operate steadily, maintaining revenue.

In connection with the Mid-term Management Plan in fiscal year 2021, our efforts included strengthening relationships with tenants, enhancing environmental action, promoting new businesses, and considering the acquisition of an overseas office building.

● Percentage of unoccupied office space and rent (Central Tokyo)



(Source: Miki Shoji Co., Ltd)

Future Outlook and Strategy

In fiscal year 2022, although we will still not be able to avoid the effects of the COVID-19 pandemic completely, we expect the steady utilization of office floors to continue and will endeavor to secure stable revenue with a focus on this area. We will also continue to step up activities to attract tenants to Hibiya Fort Tower, aiming for full occupancy. Additionally, we will continue to consider revitalization efforts such as increasing the value of old buildings through renovations and acquiring new properties in regional areas or overseas, while keeping a close watch on signs of the pandemic ending to expand use of various facilities such as retail floors, halls, and studios. We will steadily implement the basic strategies of the Mid-term Management Plan and will aim to achieve our targets in its final year.

IINO Building (back) and Hibiya Fort Tower (foreground)

Sustainability Initiatives

Among the basic strategies outlined in the Mid-term Management Plan, sustainability initiatives in particular are regarded as an important theme that will lead the times going forward, and we will further strengthen initiatives in this area.

In May 2022, a solar power generation system installed on the rooftop of the IINO Building commenced operation. In addition, in the Sustainability Promotion Department launched in June 2022, an Environmental Management Section was established, strengthening our organizational structure including coordination on environmental action in the Real Estate Business. Going forward, we will roll out aggressive measures toward CO_2 reduction targets that exceed government targets (50% reduction compared with 2013 levels by 2030). As a part of those efforts, we are placing time restrictions on nighttime lighting in our buildings. Further, in addition to a series of environmental responses from a sustainability perspective, we will also comply with the Act on the Rational Use of Energy, Act on Promotion of Global Warming Countermeasures and Tokyo Metropolitan Government ordinances (Ordinance to Improve the Urban Environment and Protect the Health of Citizens), while strengthening disaster prevention and BCP initiatives.

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
- Sustainability initiatives
- Development of new properties, replacement of the existing properties, and promotion of redevelopment regardless of whether in the vicinity of IINO Building
- Acquisition of properties overseas and in local cities in Japan

Departmental Business Strategy

Real Estate Business IINO Hall & Conference Center

Developing a high quality support system adapted to changing customers needs and the environment

Outlook for Fiscal Year 2022 and COVID-19 Impact

At the IINO Hall & Conference Center, scheduling was uncertain regarding the holding of business events and parties in response to the resurgence of COVID-19 infections caused by new variants. However, from October 2021 onwards, restrictions on the holding of events were relaxed, and we saw signs of a recovery in event demand, mainly cultural events for the general public. While the challenge will be to secure more reservations for the typically busy fall season, reservations with short preparatory periods from the initial inquiry to holding the event have been increasing, and depending on the spread of COVID-19 infections, we may have difficulty in acquiring new contracts. For these reasons and other factors, the impact on performance is expected to continue.

Future Strategy

On the operational front, we are prioritizing the safety and security of users above all else, and are thoroughly implementing measures to prevent droplet-based transmission and enhance cleaning. However, as hybrid-style events (combining streaming with in-person visitors) that have developed in response to the COVID-19 pandemic have taken root to some extent, we will further drive improvements to the streaming-related equipment infrastructure to accurately respond to changing customer needs and usage patterns, as well as gain new customers when demand recovers. In addition to business-oriented events, 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 continue to enhance the image of the IINO Building and the IINO Group.

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 2022 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 2021, state of emergency declarations and priority measures to stop the spread of COVID-19 were continually in effect to prevent infections, however we continued operations unaffected. As a result, sales and income rose compared with fiscal year 2020, but sales topped out at 85-90% of pre-pandemic levels. In fiscal year 2022, IMP will observe its 25th anniversary, while the Minami-Aoyama Studio will observe a milestone of 20 years in operation. Studio utilization rates are gradually returning, however a trend of shrinking advertising budgets can also be seen. We will seize upon the opportunity of this milestone year to redouble our efforts to achieve pre-pandemic-level results with renewed vigor. Anticipating the post-COVID 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 35 vessels, mainly those operated by IINO Group, as of June 30, 2022.

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. IMS has also introduced crew evaluation and development systems, worked to enhance welfare programs, and concentrated on advancing the well-being of the crew who support safe operation onboard.

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. As part of those efforts, IMS has been providing technical support regarding the construction of new ships fitted with dual-fuel main engines capable of using methanol and LPG as fuel. We have also been providing support for the construction of environmental impact-reducing ships that can accommodate the switching of fuel to ammonia, which has attracted attention as a zero-emission fuel. In February 2022, the IINO Group decided to gradually introduce an optimization tool for a CII (carbon intensity indicator) developed by Bearing, and CO_2 emission management based on the tool has been phased in among the vessels managed by IMS. In addition, the introduction of equipment that produces mineral water has been expanded on managed vessels with the aim of reducing plastic waste.

● Number of Vessels Managed by IMS

Vessel type	No. of vessels
Oil Tankers	4
Chemical Tankers	23
Large Gas Carriers	5
Dry Bulk Carriers	3
Total	35

(as of June 30, 2022)

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 2021

Operations Management:
We have monitored the indoor air environment and endeavored to provide a pleasant environment to ensure the comfort of residents.

Preventing Infections:
In fiscal year 2021, we continued to incorporate alcohol sterilization to clean common areas.

Environmental Certification:
In December 2021, the IINO Building acquired DBJ (Development Bank of Japan) green building certification (5 stars), demonstrating its excellent environmental performance. Also note that the Shiodome Shiba-Rikyu Building obtained the same certification (4 stars).

Environmental Construction work:
In November 2021, the main construction of installing solar power generating equipment on the roof of the IINO Building was started. Safe construction was continued, and in May 2022, the system was launched according to plan.

New Properties:
June 2021 marked the opening of Hibiya Fort Tower, a redevelopment project in the Shimbashi Tamuracho district. IBT is implementing security and cleaning management services in a safe manner.

DX Promotion:
Robots have been utilized for security and cleaning, and work on the next phase has already begun.

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

Solar power generating equipment on the roof of the IINO Building

Special Feature

Responding to Climate Change in the Real Estate Business

The IINO Group is doing its utmost to reduce greenhouse gas (GHG) emissions through environmentally and socially conscious real estate development and operation and hopes to contribute to a 50% reduction (compared with 2013 levels) in GHG emissions by the year 2030 in light of the Japanese government's targets.

IINO Building

With the goal of being a building that will be admired 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: 27 floors above ground, 5 basement floors, 2 penthouse floors
Completion: End of October 2011 (first phase), end of October 2014 (second phase)

Shiodome Shiba-Rikyu Building

With stunning views of the Kyu-Shiba-rikyu Gardens, Rainbow Bridge, and other features, the Shiodome Shiba-Rikyu Building provides a spacious office environment with three-meter ceiling heights. The location offers smooth access to Haneda Airport and various locations throughout Tokyo.

Address: Kaigan 1-2-3, Minato-ku, Tokyo
Number of Floors: 21 floors above ground, 3 basement floors, 2 penthouse floors
Completion: July 2006

Earning High Recognition for Consideration for the Environment and Society and Maintaining DBJ Green Building Certification

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 CO_2 emissions and energy consumption through an integrated management system involving the everyday cooperation of tenants.

The building has acquired several certifications specific to environmental friendliness, 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 our office area (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.

In 2021, the IINO Building maintained its five-star DBJ Green Building certification awarded by Development Bank of Japan as a building afforded outstanding environmental and social consideration at the top of its class in Japan. This means that the building has been highly regarded as real estate required by society and the economy overall from five perspectives, namely, environmental performance of the building; comfort and diversity of tenants and users; environmental, security, and disaster risk management; consideration of the surrounding environment and community; and cooperation with stakeholders and IR activities. Specifically, the use of solar power generation and underground heat, renewable energy and energy saving equipment including nighttime heat storage, being a "top-level office" under Tokyo's Ordinance to Improve the Urban Environment and Protect the Health of Citizens, the available of EV charging facilities, the ceiling height of three meters on standard floors, efforts to improve service through customer satisfaction surveys, the installation of emergency generators, and improved security through a QR code-based visitor entrance system were recognized as innovations.

In addition, the Shiodome Shiba-Rikyu Building maintained its 4-star rating under the same scheme, which describes a building with outstanding consideration for the environment and society. With the aim of reducing GHG emissions, in July 2022 Carbon Neutral City Gas ("CN City Gas," hereafter)*1 offered by Tokyo Gas Co., Ltd. was introduced.

In these ways, the IINO Group is doing its utmost to reduce GHG emissions through environmentally and socially conscious real estate development and operation and hopes to contribute to a 50% reduction (compared with 2013 levels) in GHG emissions by the year 2030 in light of the Japanese government's targets.

*1 City gas whose raw material is liquefied natural gas (carbon neutral LNG) which is not believed to release CO_2 on a global scale when burned, for which the GHGs generated in the process from natural gas mining to combustion is offset with CO_2 credits (carbon offsetting)

DBJ Green Building 2021

DBJ Green Building Certification 5 Stars: IINO Building

DBJ Green Building 2021

DBJ Green Building Certification 4 Stars: Shiodome Shiba-Rikyu Building

Column

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 support
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 initiatives
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. 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.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Initiatives to Achieve Materiality Goals (Environmental)

Reducing GHG Emissions / Achieving a Decarbonized Society

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 initiatives for reducing greenhouse gas (GHG) emissions and achieving a decarbonized society, including the formulation of GHG emission reduction targets and specific efforts to achieve these targets.

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 910 thousands tons of CO_2 per year from the Shipping Business and about 10 thousands tons of CO_2 per year from the Real Estate Business, accounting for approximately 0.003% of the 33.5 billion tons emitted worldwide (2018). Reducing emissions of greenhouse gases such as CO_2 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. KPIs have been set in the Mid-term Management Plan to advance GHG reduction efforts on a unified, Group-wide scale, and the progress of these efforts is managed. In July 2021, the Company indicated its support for the TCFD recommendations, and guided by these recommendations, it is progressing with a range of initiatives such as the identification of risks and opportunities in the Shipping Business and the Real Estate Business based on the 2°C and 4°C scenarios. To accelerate these initiatives, the Company established the Sustainability Promotion Department in June 2022 as a department specialized in addressing social issues, including climate change. This department is undertaking initiatives towards acquiring SBT certification.

● Progress of the IINO Group's initiatives aimed at medium- to long-term reduction targets for GHG/CO_2 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 with 2008).

2008 → 2030 GHG reduction ratio per transport unit **40%**

Specific measures
- Re-entering the ammonia transportation business
- Strengthening environmental measures using AI
- Investing in dual-fuel main engine vessels

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

Compared with 2008

FY2020 Reduction of 33.7% | FY2021 **Reduction of 38.9%**

Real Estate Business

CO_2 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 CO_2 emissions rate. However, to further reduce the CO_2 emissions rate, the Group's target is to reduce CO_2 emissions **50%*** by 2030 (compared with 2013), taking into account Japanese government targets.

2013 → 2030 CO_2 emissions reduction rate per unit area (CO_2 kg/m²) **50%**

Specific measures
- Beginning to procure electricity with non-fossil fuel energy certificates
- Installing solar panels
- Introducing carbon-neutral city gas

Major environmental certifications awarded to IINO Building

Compared to 2013

FY2020 Reduction of 9.3% | FY2021 **Reduction of 16.0%**

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

Reducing Air Pollution and Waste

Waste including plastic waste and raw garbage is generated in the operation of both the Shipping Business and the Real Estate Business. The IINO Group practices the 3Rs (reduce, reuse, and recycle) in its efforts to reduce waste.

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 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 has resulted in a 40% to 50% reduction in plastic waste per vessel.* Further, it has also resulted in the extension of the life of boiler refractory materials attributed to the reduced amount of incineration and the improvement of the labor environment due to the reduction of labor for loading and storing PET bottles. Together with the installation of the mineral water production equipment, stainless-steel bottles with the IINO Group logo were distributed to all tanker crew members so that they could carry drinking water with them. All crew members are working together to reduce waste.

*Data for October to December 2021, with an estimated reduction of around 500 (1.5-liter) PET bottles per vessel per month

SHOHO MARU crew members with stainless steel bottles with the IINO Group logo

Initiatives for Preventing Air Pollution in the Shipping Business

Heavy oil, conventional marine fuel, is moderately priced, which is a benefit. However, a drawback of heavy oil is its high sulfur content. The combustion of heavy oil generates sulfur oxides (SOx), which cause acid rain and air pollution. In January 2020, it became mandatory to use low-sulfur fuels (compliant fuels) or install scrubbers (desulfurization equipment) to reduce the environmental impact. In response, we have been advancing initiatives to prevent air pollution by (1) using compliant fuels, (2) installing desulfurization equipment, and (3) using dual-fuel main engine vessels that are fueled by methanol and LPG and contribute to the reduction of SOx emissions.

Waste Reduction Initiatives in the Real Estate Business

There has been growing demand globally for the reduction of waste, which has resulted in the tightening of regulations, including regulations regarding reducing food waste and promoting recycling.

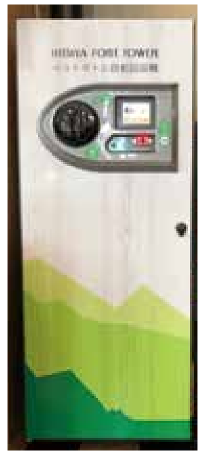
For our major buildings for lease, we create and submit a reuse plan for large-scale commercial buildings based on the ordinance on disposal and reuse of waste for the 23 wards of Tokyo. We have introduced instruments for weighing waste in buildings including the IINO Building and the Shiodome Shiba-Rikyu Building, measuring and recording the weight of waste accurately. This has enabled us to examine waste emission trends and related issues, helping us to control emissions and reduce disposal costs.

We work together with tenants to recycle raw garbage (leftover food and cooking waste) and waste food oil from the IINO Building in our efforts to build a recycling-oriented society.

Raw garbage cannot be recycled into fodder if it contains foreign materials or impurities; therefore, we request that tenants segregate waste. Separated raw garbage is sent to facilities for recycling it into fodder, where it is dried and recycled into a raw material for making compound feed for livestock. In fiscal year 2021, 47.2 tons of raw garbage collected from the IINO Building was recycled into livestock feed.

If waste food oil is incinerated as is, it has a significant environmental impact, including CO_2 emissions. Refined into a biodiesel fuel (BDF), however, waste food oil can be used as a carbon-neutral fuel. The IINO Building emits 7 tons of waste food oil every year, and all of it is refined into a biodiesel fuel.

At Hibiya Fort Tower, we have installed an automatic PET bottle collecting machine and PET bottle recycling boxes jointly with Mitsui & Co. Real Estate Ltd., the joint owner of the building, and Coca-Cola Bottlers Japan Inc., which installs and manages beverage vending machines in the building, to promote the recycling of PET bottles.



Automatic PET bottle collecting machine installed in Hibiya Fort Tower

Preserving Biodiversity

We understand that biodiversity preservation is a social issue that we should address proactively as a member of society. The IINO Building is located close to the Imperial Palace, which has been managed with the least possible care with the intention to revive the nature of Musashino for many years. Taking advantage of this location, we are advancing the forestation of the IINO Forest on the premises of the IINO Building, with the intent of connecting greenery and an awareness of native vegetation.

Initiatives involving the IINO Forest

Provision of Habitat

The IINO Forest, a public space on the premises of the IINO Building, was designed under the concept of connecting the greenery of the Imperial Palace and Hibiya Park, which are adjacent to the building. It attracts birds and insects living in nearby green areas.

Consideration for Biodiversity

We planted tall and low trees (roughly 140 trees of approximately 80 species), conscious of the vegetation that would be appropriate for the local area — or potentially natural vegetation — referencing the vegetation of the Imperial Palace, the shrine forest of Atago Jinja shrine, the slope forest of Mt. Atago, and other examples. In selecting the trees to plant, we also considered the target species we wished to attract to the IINO Forest, which we had determined in advance. We also conduct biological surveys regularly to check what species are attracted and enable the results of the surveys to be reflected in the maintenance and management plan for the forest as a whole. We maintain and manage the forest with an awareness of circulation and consideration of the creatures living there, including avoiding the use of insecticides as much as possible and allowing some pruned branches to accumulate in the greenery area to provide a habitat for insects and other creatures that are food for birds.

● Measures to attract target species

Birds	- Putting up nest boxes - Setting up bird bath - Planting species of trees which permit foraging - Leaving dead trees in place (for Japanese pygmy woodpeckers)
Butterflies	- Providing plants which permit foraging
Others	- Placing planters as bacterial beds

● Target species that have been attracted

Birds: Nine of the 10 target species have been attracted.
Japanese pygmy woodpecker, azure-winged magpie, great tit, brown-eared bulbul, Japanese bush warbler, Japanese white-eye, red-bellied thrush, dusky thrush, European greenfinch

Brown-eared bulbul

Butterflies: Eight of 11 target species have been attracted.
Straight swift, green-banded swallowtail, Asian swallowtail, *Eurema mandarina*, small copper, pale grass blue, Indian fritillary, *Hestina japonica*

Indian fritillary

Consideration for the Local Community

We engage in initiatives to deepen people's understanding of nature, such as providing people working in the area with seedlings of native species which have sprouted in the IINO Forest.

Event distributing seedlings (held in July 2022)

Future Issues

- Thickening of medium-to-small trees resulting from the growth of their trunks
- Changes in vegetation structure resulting from hollowing, etc.

Addressing Issues

We will manage the greenery area in the future by incorporating concepts such as disturbances of the area in an effort to maintain the natural hierarchy of the forest.

A bird bath in the IINO Forest

Initiatives to Achieve Materiality Goals (Social)

Strengthening Diversity and Human Capital

We understand that cultivating, retaining, and utilizing talented human resources is indispensable for putting ESG management into practice. 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 promote diversity and strengthen human capital.

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.

Initiatives for Crew Members

Promoting and Developing Environments to Facilitate Human Resource Diversity

The IINO Group assigns crew members from five countries: Japan, South Korea, the Philippines, Myanmar, and India. While cultures, customs, religions, and other elements differ among people of different nationalities, we believe it important to know and respect each other. We have therefore held a joint training session for crew members of multiple nationalities using online technologies in addition to continuing to provide cross-cultural training. We also provide opportunities to understand each other's ideas through group discussion.

Cultivating and Strengthening Human Capital

Regarding the training and development of crew members, we facilitate their personal development by following the IINO Group's unique evaluation and cultivation program, whose goal is the strengthening of the three aspects of skills, knowledge, and ability to think and act. We also have crew members alternate working on ships and on shore in a well-planned manner, so that they can demonstrate their marine technical skills, which they have cultivated on ships, in their work on shore as well. Thus, we cultivate marine technical personnel who can demonstrate their capabilities both on ships and on shore.

Initiatives for On-Shore Personnel

Promoting and Developing Environments to Facilitate Human Resource Diversity

We promote the empowerment of female employees in our practice of ESG management based on the IINO Group Philosophy. As of March 2022, women are 9.5% of all career-track employees and 2.6% of all employees in managerial positions. To increase the percentage of female employees in managerial positions, we have set the target of increasing the percentage of career-track employees who are women to 15% or higher by March 31, 2024 in our action plan based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace. We are enhancing programs promoting a healthy work-life balance, such as the introduction of a work-from-home system and the extension of the period for shorter working hours, aiming to create a workplace where employees can work vibrantly while balancing work and family life.

Cultivating and Strengthening Human Capital

To build an organizational structure enabling the "Further promotion of global business," which we have set as a priority strengthening measure in the Mid-term Management Plan, we newly dispatched six resident officers, including both young and experienced employees, to overseas offices in fiscal year 2021. In Japan, we are enhancing training programs using e-learning tools, including online business English conversation programs and business courses aimed at improving business administration and management skills. Moving forward, we will consider resumption of the Short-term Training Program, which has been suspended due to the COVID-19 pandemic, and take other initiatives to cultivate and strengthen globally competitive human resources.

Dubai office established in August 2021

Providing Safety and Security

The IINO Group believes that providing high-quality services (IINO QUALITY) with a high awareness of safety in both the Shipping Business and the Real Estate Business leads to the trust of stakeholders. In this section, we introduce initiatives for ensuring safety as stated at the top of our Group Philosophy.

IINO Group Basic Policy

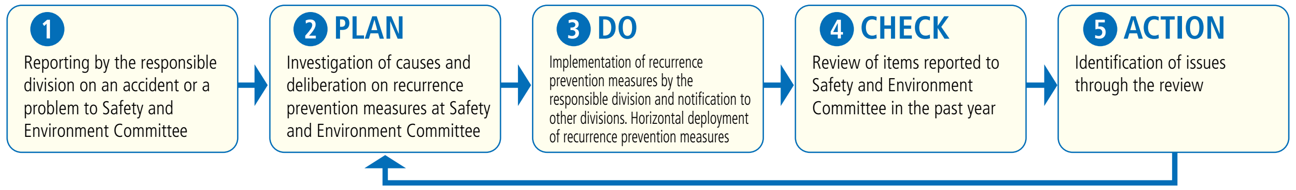
The IINO Group works under the corporate philosophy that safety is the foundation of its business operations. We also adhere to a Code of Conduct with the basic policy that states: "Safety is our highest management priority. Because we are acutely aware of the harm that could be caused to life, customer 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, the 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 President and Representative Director as HQ Director in accordance with the Risk Management Rule to manage the crisis.

● PDCA Cycle for Improvement Activities for Safety



Safety Initiatives for the Shipping Business

Developing Safe Workplace Environments and Preventing Accidents

We believe that communication is important for the safety of navigation. We believe it important to build an on-board environment that enables crew members to communicate proactively with each other. We try to instill a Speak up/Listen up culture, which encourages low-ranked crew members to make suggestions and recommendations without hesitation and encourages high-ranked seafaring officers to listen to the suggestions and recommendations of crew members, even if they are about less significant matters. We also think that communication between the head office and vessels is important. Believing that the Company's consideration for on-site workers will reinforce the relationship of trust, we ensure that the Company is ready to give a helping hand when a crew member has a problem.

The good physical and mental health of the crew members working onboard is also important. They work and live aboard vessels. The IINO Group focuses its efforts on improving the welfare and well-being of crew members so that they can lead seafaring lives with a sense of security.

Improving the Response when Accidents Occur

Continual training is important for responding appropriately to accidents and other emergencies. At the IINO Group, we regularly hold emergency response training assuming a serious accident at sea jointly with related departments and crew members in our efforts to strengthen our prompt response system. We provide opportunities for crew members to do case study exercises in regular safety training programs using actual accidents and problems. Thus, we use lessons from the past to prevent the recurrence of accidents and problems.

Safety Initiatives for the Real Estate Business

Developing Safe Workplace Environments and Preventing Accidents

The IINO Group takes the thorough safety measures necessary in the event of an earthquake, serious accident, or a similar event in our efforts to minimize the risk of accidents. For our owned properties, we have strengthened equipment safety measures and also enabled on-site staff to regularly participate in a range of safety education seminars (off-the-job training) conducted by the Tokyo Building Maintenance Association and enable them to participate in risk prediction training (on-the-job training) every month. This is training that enables safety measures to function effectively based on the idea that people handle equipment in our efforts to increase the safety awareness of on-site staff.

In addition, at the IINO Building, we identify hazardous areas and take measures to implement preventive maintenance from the perspective of ensuring the safety of tenants and visitors.

Improving the Response When Accidents Occur

We have established an emergency contact network for responding to accidents 24 hours a day and 365 days a year and deploy initial response personnel to disaster prevention centers. Through these and other measures, we strive to improve our initial response systems in buildings to enable immediate responses to accidents. In addition, related departments cooperate closely throughout the process from the initial response to an accident to its end by following the accident manual to prevent damage from spreading and the recurrence of an accident.

Consideration of Society

At the IINO Group, we return to society a part of the profits gained through business activities, such as by using them for dissemination of culture at the IINO Hall and for giving humanitarian aid and disaster aid. As a member of society, we engage in activities to solve issues faced by society based on our intention to, "always act on behalf of the people in and around our greater business community," which is included in the Code of Conduct.

Social Contribution Activities

Our Code of Conduct says, "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" and "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." Based on these pledges, we conduct customer satisfaction surveys in the form of questionnaire surveys in the pursuit of high-quality services and products. We are also proactively engaged in social contribution activities such as donation and volunteer activities.

Customer Satisfaction Survey

To understand the needs of customers and how satisfied they are with our services, we send questionnaires to some of our customers based on an ISO management system in addition to interviewing them regularly. The results of the questionnaires are reported to the Quality and System Committee and used to improve the quality of our services.

● Outline of the customer satisfaction survey for fiscal year 2021

- Subjects: Some customers in the Shipping Business and Real Estate Business
- Survey period: February to March 2022
- Questions (excerpts)

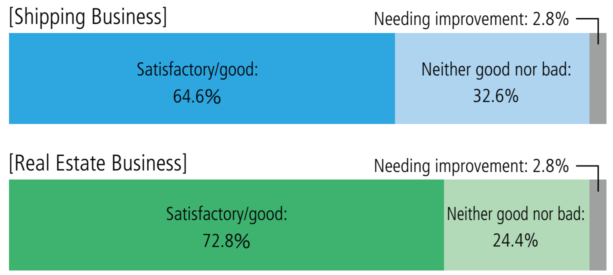
<Shipping Business>

(1) Are vessels operated safely and efficiently?
(2) Do we communicate well with you, such as by visiting you regularly?
(3) Do we suggest optimal types of ships and forms of transportation?
(4) Do we fully consider environmental problems (such as problems related to global warming and biodiversity)?
(5) Do we handle and respond to (and prevent) complaints and problems promptly and appropriately?

<Real Estate Business>

(1) Are communal areas (such as entrance, corridors, and elevators) always kept clean?
(2) A question about firefighting, fire escape, and evacuation drills
(3) Do the people in charge from the building management company (IINO Building Technology Co., Ltd.) act appropriately?
(4) A question about security equipment of the building
(5) Do we fully consider environmental problems (such as problems related to global warming and biodiversity)?

● Results



Award presentation ceremony for SABIC Suppliers Recognition Program 2022

Donations

Humanitarian Aid to Ukraine

To support Ukrainians and people who have been forced to evacuate from Ukraine to surrounding countries, we have donated 10 million yen in total via the Japanese Red Cross Society and the United Nations High Commissioner for Refugees (UNHCR). At the same time, we sent 188,000 yen to the Japanese Red Cross Society as a donation from officers and employees of IINO Group.

Donation to Japanese Foundation for Cancer Research

We have donated one million yen to the Japanese Foundation for Cancer Research, the only private research institution in Japan that is specialized in cancer. The purpose of this donation was to support activities to defeat malignant neoplasm (cancer), which is the leading cause of death in Japan, from the viewpoint of contributing to society.

Relief Money for People Affected by Typhoon Rai in the Philippines

The IINO Group has close ties with the Philippines, with many Filipino crew members working aboard our vessels, for example. To support the people affected by Typhoon Rai in December 2021, we sent USD 30,000 dollars to the Philippine Red Cross via IMS Philippines Maritime Corp. (an IINO Group company engaged in the seafarer manning business).

A video showing the volunteers' activities, which was shared by the Philippine Red Cross, is available for viewing at the following URL.
[https://www.youtube.com/watch?v=9jIZgOwCw-I]

Initiatives to Achieve Materiality Goals (Governance)

Basic Views

We view corporate governance as a framework for realizing efficient business activities by coordinating the interests of the various stakeholders who constitute a company. Based on this view, and with an organizational structure founded on the members of the Audit & Supervisory Board, 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 undertakes 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

FY2004
- Introduced the Executive Officer System

FY2005
- Changed the number of Directors from not more than 15 to not more than 10
- Established the Internal Audit Office (now Corporate Audit Office)

FY2013
- Appointed first Outside Director

FY2015
- Increased the number of Outside Directors from 1 to 2 (20.0% of the Board of Directors)

FY2016
- Began reviewing the effectiveness of the Board of Directors
- Changed the number of Directors from not more than 10 to not more than 8

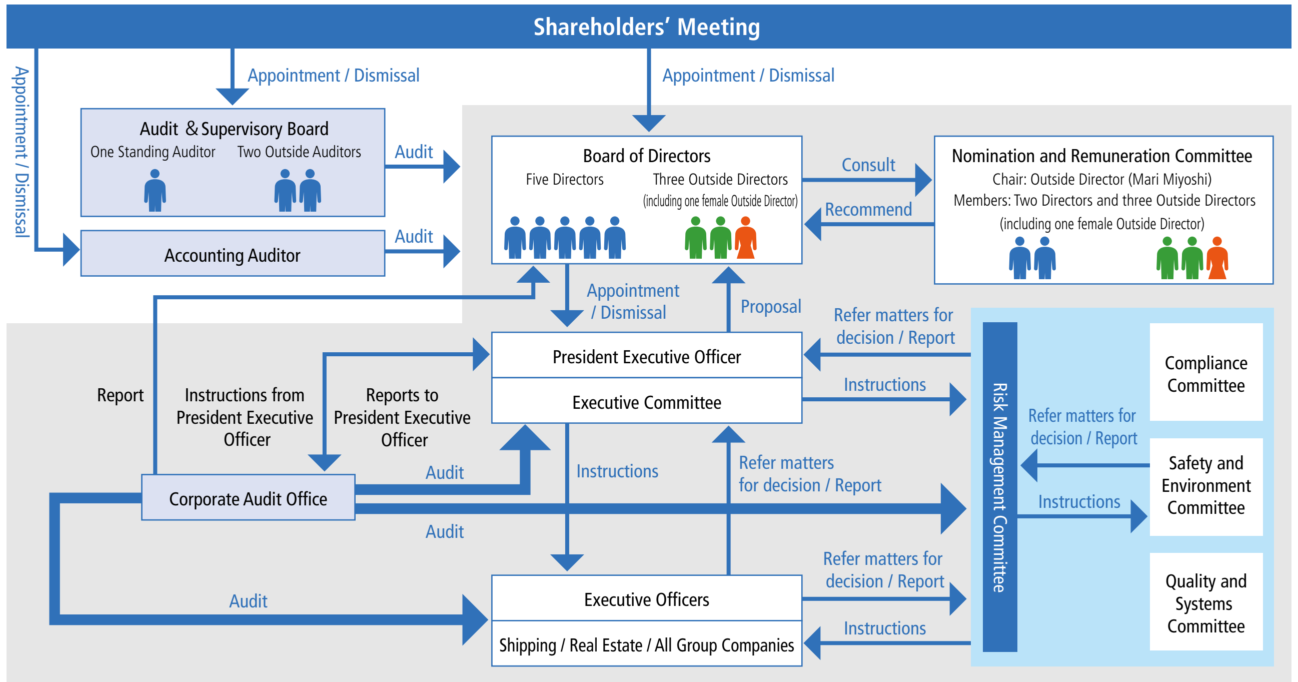
FY2019
- Increased the number of Outside Directors from 2 to 3 (37.5% of the Board of Directors)
- Established the Nomination and Remuneration Committee

FY2020
- Revised policy for determining remuneration of corporate officers in line with enactment of the Amended Companies Act
- Revised the stock compensation plan (eligible persons: all Executive Directors) and introduced clawback regulations

FY2021
- Changed the chair of the Nomination and Remuneration Committee to an Outside Director
- Appointed female corporate officer (Auditor)
- The Corporate Audit Office reported the results of internal audits to the Board of Directors.
- Reinforced the risk management system

FY2022
- Shorten the term of office of Directors from two years to one year
- Appoint female Directors

● Organizational Structure



Enhancing Governance

● Overview of the Board of Directors

Institution	Board of Directors
Composition	5 Directors 3 Outside Directors · Outside Directors account for not less than one-third of the Directors
Attendance	3 Auditors
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
Secretariat	Corporate Planning Department
Meeting frequency	Regular Board meetings: Monthly Extraordinary Board meetings: Ad hoc basis

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

	Name	Attendance Status (FY2021)
President and Representative Director	Hiromi Tosha	100% (21/21 times)
Representative Director	Akihiko Okada	95% (20/21 times)
Director	Ryuichi Osonoe	100% (21/21 times)
Director	Tomoshige Jingu	100% (21/21 times)
Director	Yusuke Otani	100% (21/21 times)
Outside Director	Shigeru Endo*1	100% (21/21 times)
Outside Director	Kei Oe	100% (21/21 times)
Outside Director	Yasuyuki Yoshida	100% (21/21 times)
Outside Director	Mari Miyoshi*2	—

*1. Stepped down voluntarily in June 2022.
*2. Appointed in June 2022.

Analysis and Review of the Effectiveness of the Board of Directors

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.

Overview of the Effectiveness Review for Fiscal Year 2021 and Issues Identified in the Review

Overview of the Effectiveness Review for Fiscal Year 2021 (Conducted in February 2022)	
Overview	
Target	All eight Directors including Outside Directors All four Auditors including Outside Auditors
Method	Anonymous survey
Items for the review	Roles, responsibilities, scale, and composition of the Company's Board of Directors
Review process	1. Implementation of the questionnaire survey 2. Analysis, review, and discussion by the Board of Directors
Overview of results of the review	- It was confirmed that the Board of Directors operates with an appropriate composition and an appropriate number of members and deliberates substantively. - Outside Directors indicate that decision-making appropriately reflected their input.

Issues to Address in Fiscal Year 2022
(1) Increase the diversity of the Board of Directors
(2) Operation of the Board of Directors
(3) Continued enhancement of the governance system for the Group as a whole, including the improvement of the supervisory functions of the Board of Directors
(4) Enhanced initiatives for sustainability/strategies based on a medium- to long-term perspective need to be considered and formulated.

Effectiveness Review for Fiscal Year 2020 and Measures Taken to Address Identified Issues

	Effectiveness Review for Fiscal Year 2020	Measures Taken to Address Issues Identified in Fiscal Year 2021
Identified issues	(1) Continued improvement of the support framework to promote more in-depth discussion of ESG initiatives	(1) Reinforced the structure supporting the Board of Directors, such as by improving the content of the materials and reports provided to Board members and providing explanations of agenda items to Outside Directors and Auditors prior to meetings to help promote more detailed discussion
	(2) Increase the diversity of the Board of Directors and Audit & Supervisory Board Members including the appointment of female officers	(2) Increased diversity by appointing a female Auditor in June 2021
	(3) Status of sustainability and DX initiatives needs to be reported to the Board of Directors on a continuous basis.	(3) Environmental evaluations, including evaluations of sustainability initiatives and responses to the TCFD recommendations, and other issues were shared and discussed by the Board of Directors.

Audit & Supervisory Board Executive Committee Nomination and Remuneration Committee

● Composition and Operation of Institutions

Institution	Executive Committee	Nomination and Remuneration Committee	Audit & Supervisory Board
Composition	14 Executive Officers (including 5 Directors)	Chair: Outside Director (Mari Miyoshi) Members: 2 Representative Directors 3 Independent Outside Directors · Outside Directors account for the majority	1 Standing Auditor 2 Independent Outside Auditors · Outside Auditors account for the majority
Attendance	1 Standing Auditor		
Objectives and powers	· 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	Human Resources Department	Staff of Auditors
Meeting frequency	Weekly	10 times (FY2021 Result)	Monthly

Audit & Supervisory Board

The Audit & Supervisory Board, 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 Auditors & Supervisory Board consists of 3 Auditors (including 2 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 Audit & Supervisory Board

	Name	Attendance Status (FY2021)
Standing Auditor	Yoshinori Hashimura	100% (15/15 times)
Outside Auditor	Yoshio Yamada	100% (15/15 times)
Outside Auditor	Hiroshi Takahashi	100% (15/15 times)
Outside Auditor	Mari Miyoshi*1	100% (10/10 times)

*1. Stepped down voluntarily in June 2022.

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 an Outside Director. At the request of the Board of Directors, the Committee deliberates on the following matters and provides recommendations to the Board of Directors. The Committee met 10 times in fiscal year 2021.

● Composition of the Nomination and Remuneration Committee

	Name	Attendance Status (FY2021)
President and Representative Director	Hiromi Tosha	100% (10/10 times)
Representative Director	Akihiko Okada	100% (10/10 times)
Outside Director	Shigeru Endo*2	100% (10/10 times)
Outside Director	Kei Oe	100% (10/10 times)
Outside Director	Yasuyuki Yoshida	100% (10/10 times)
Outside Director	Mari Miyoshi*3	—

*2. Stepped down from the position of an Outside Director voluntarily in June 2022.
*3. Appointed as an Outside Director in June 2022.

Policy for Determining Directors' Remuneration

Basic Policy

The amounts of remuneration for individual Directors are determined in a way that ensures the remuneration will incentivize them to contribute to enhancing corporate value.

- Executive Directors: Monthly compensation + Performance-linked compensation + Stock compensation plan
- Outside Directors: Monthly compensation

I-(1) Monthly compensation (basic compensation)
- Eligible persons: All Directors
- Method of determination: Fixed monthly compensation has been set for each position.

I-(2) Performance-linked compensation
- Eligible persons: Executive Directors
- Indicators: Consolidated net income, etc., for each fiscal year
- Reason for using the indicators:
  The Company has determined that net income is the source of new capital investment and shareholder returns to increase corporate value and its use as the primary indicator will incentivize Directors to contribute to increasing corporate value over the medium and long term.
- Method of determination:
  The amounts 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, and resolved by the Board of Directors upon careful deliberation of the propriety of payment and the amounts.

I-(3) Stock compensation (non-monetary compensation, etc.)
- Objective: Increasing Executive Directors' sharing of shareholder value with shareholders, clarifying management's commitment to the achievement of the Company's Mid-term Management Plan, and further promoting initiatives to increase corporate value
- Eligible persons: Executive Directors
- System
  A plan for delivering shares of the Company's stock to Executive Directors by having Executive Directors contribute a set amount of their monthly compensation according to their position to the Directors' shareholding association and having them withdraw shares of the Company's stock 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
- Clawback regulations
  Executive Directors are required to return without compensation all or part of the shares that they purchased through the Directors' shareholding association according to the Director's degree of responsibility in the event of material accounting fraud or a huge loss.

II. Policy for the determination of the ratio between monthly compensation, performance-linked compensation, and stock compensation in the remuneration of each Director
The Company determines the ratio between monthly compensation, performance-linked compensation, and stock compensation in the remuneration of each Director, ensuring that compensation incentivizes Executive Directors to contribute not only to improving business results in the short term but also to increasing corporate value over the medium and long term.

III. Matters related to the determination of the content of compensation for individual Directors
The amounts of compensation for individual Directors are determined by the Board of Directors in consideration of recommendations from the Nomination and Remuneration Committee chaired by an Outside Director.

● Total Amount of Compensation, etc., for Directors and Auditors (FY2021)

Position	Total amount of compensation, etc. (millions of yen)	Total amount of compensation, etc., by type (millions of yen)			Number of eligible corporate officers
		Basic compensation	Performance-linked compensation, etc.		
			Bonuses	Non-monetary compensation, etc. (stock compensation plan)	
Directors (Outside Directors)	239 27	188 27	30 0	21 0	8 3
Auditors (Outside Auditors)	47 23	47 23	0 0	0 0	4 3
Total (Outside Directors and Auditors)	286 49	235 49	30 0	21 0	12 6

(Notes) 1. As of the end of fiscal year 2021, there are eight Directors (including three Outside Directors) and four Auditors (including three Outside Auditors).
2. Figures for non-monetary compensation, etc. are portions of the amounts of the Executive Directors' monthly compensation, which are set according to their position and which they contribute to the Directors' shareholding association under the stock compensation plan.

Developing More Sophisticated Risk Management and Crisis Management

The IINO Group has established the Risk Management Committee to manage risk, deliberate about the policy, make proposals, and offer advice at the Group-wide level. It has also established three committees, Safety and Environment Committee, Quality and Systems Committee, and Compliance Committee, which report to the Risk Management Committee. The Risk Management Committee gives instructions to the three committees and has them submit or report proposals. It also oversees the risk management activities of the Group as a whole, including strategic business risks and risks associated with major investment projects. The Board of Directors supervises the status of the operation of the risk management system and receives regular reports on the status of risk management.

Business Risks

Risks which may occur in the IINO Group's businesses are reported to the Board of Directors by the Risk Management Committee, and the Board of Directors supervises the status of operation of the risk management system.

In particular, risks and opportunities in the Shipping Business and the Real Estate Business caused by climate change are reviewed in scenario analyses based on the TCFD recommendations before being reported to the Board of Directors.

● Some of the Matters (Business Risks) to Be Reported to the Board of Directors

	Indicators to watch
Market-related risks	Amounts of losses
Risk of asset price fluctuation	Impairment review
Risk of fuel oil price fluctuation	Bunker adjustment factor (BAF)
Foreign exchange risk	US$ exposure
Interest rate risk	Variable-rate borrowings

Risks Relating to Serious Accidents or Problems That Might Affect Vessels or Buildings

Risks relating to any serious accidents or problems that might affect vessels or buildings are specific to the Shipping Business and the Real Estate Business. The Safety and Environment Committee, established under the Safety and Environment Committee Regulations, addresses these risks by formulating and promoting the IINO Group's policies on safety and the environment and by implementing and reinforcing preventive and other measures. Further, in the event of an emergency, 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 the President and Representative Director acting as HQ Director to manage the crisis in accordance with the Risk Management Rules. In addition, the Group has formulated a Business Continuity Plan (BCP) envisaging 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.

Risks Relating to Systems and Administrative Work

The Quality and Systems Committee, established under the Quality and Systems Committee Regulations, is responsible for formulating and promoting policies on systems and the administrative work of the IINO Group. It also implements and reinforces preventive and other measures to mitigate risks relating to system failure, etc.

Policy on Cross-shareholdings

Regarding cross-shareholdings, the Board of Directors determines whether to continue holding each stock every year based on the following policy and considers reducing cross-held shares which are no longer deemed reasonable.

Policy

The Company shall cross-hold shares only where the reasonability of the cross-holding is recognized as a result of the verification of its economic rationality (such as whether the benefits and risks of the cross-holding are commensurate with the capital cost in light of the investment criteria that the Company has set from the viewpoint of capital cost) and the verification of the appropriateness of the purpose of the cross-shareholding (such as whether maintaining and reinforcing the business relationship and other relationships with the investment destination will contribute to increasing the Company's profits and corporate value over the medium and long term, which applies where the purpose is to maintain and reinforce these relationships, for example).

● The Number of Shares of Stock that the Company Holds for Purposes Other Than Pure Investment and Amounts Recorded on Balance Sheet (As of March 31, 2022)

Number of stocks	76
Number of listed stocks included in the above	32
Total amount recorded on the balance sheet (millions of yen)	16,089
Total amount of the listed stocks included in the above (millions of yen)	10,891

Dialogue with Shareholders and Investors

We understand that dialogue with our shareholders and other stakeholders is important for the achievement of the sustainable growth of the IINO Group and the increase of its corporate value over the medium and long term. The President and Representative Director, the Executive Officer in charge of Stakeholder Relations Department, and the Stakeholder Relations Department are the contacts for dialogue with shareholders. The opinions of shareholders and the matters pointed out by them in the dialogue are regularly reported to the Board of Directors.

● Total Number of Meetings with Investors and Shareholders (FY2021)

Institutional investors in Japan	21
Overseas institutional investors	11
Total	32

Note: In addition to the above, the Company holds a financial results briefing for institutional investors once a year.

Ensuring Thorough 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, nonregular 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 2021: 2

(Fiscal year 2020: 6 cases)

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 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 2021, 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.

	FY2019	FY2020	FY2021
Disciplinary dismissals due to violations of anti-corruption laws* (persons)	0	0	0
Penalty charges, surcharges, and settlement money incurred due to violations of anticorruption laws* (yen)	0	0	0

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

Independent Outside Directors Roundtable Discussion

A roundtable discussion between three Independent Outside Directors was held to discuss the progress of the Mid-term Management Plan, governance, ESG management, and other topics.

Reflecting on Implementation of the Mid-term Management Plan

Oe: My focus is on numerical targets. If I review the Mid-term Management Plan from that perspective, in the year in review the Company already gets close to a perfect score of 100 in terms of each metric of profitability, efficiency, and soundness. On the DX front, progress has been made in improving operations through the introduction of systems. In the future I hope to see more progress and look forward to drastic reforms that will transform business models themselves. Meanwhile, since the Company was selected as part of two ESG indexes, the FTSE Blossom Japan Index and FTSE Blossom Japan Sector Relative Index, I must also recognize the Company in terms of ESG management to a certain degree, and I believe initiatives have also yielded progress in that area.

Yoshida: I look at progress on the Mid-term Management Plan in the context of the three perspectives of SGS. The priority measures to embody the future vision of the IINO Group have been defined for the further promotion of global business, as Stable Earnings (further solidifying stable earnings), Global Business (promotion of global business), and Sustainability (sustainability initiatives), so I am looking at what progress has been made in these three areas. The Company has made strides in organizational action in pursuit of SGS, including improvements to overseas sites, overseas strategies driven by the Business Strategy Department, and the consideration of new businesses. One project that is symbolic of the three priority areas would be the introduction of a long-term contract for a European customer involving dual-fuel main engine vessels that leads to reduced CO_2 emissions. This is a project that embodies each element of SGS. The fact that these kind of projects have developed also gives me the sense that the business domains set in the Mid-term Management Plan are functioning properly and advancing steadily. This shows me that each business division has properly narrowed down its goals and is working towards them.

Miyoshi: After serving a year as an Outside Auditor, I assumed the post of Outside Director in June 2022. While serving as an Outside Auditor, I got the sense that IINO LINES has a flexible corporate culture. I think the Company has managed to create a very open organization despite boasting a long history of 123 years, and I assume that it is because of this flexible corporate culture that such smooth progress has been made on the Mid-term Management Plan. Among these achievements, it is the response to environmental issues that catches my attention. In my days working as a diplomat, I was involved with negotiations on global warming related to the Kyoto Protocol, and since that time, environmental issues have become much more important, and initiatives to tackle the environment have advanced on all fronts. Against this backdrop, the shipping industry has an image of being mature, heavy, and having a large impact on the environment, but even from looking at press releases over the last year, I can see that the IINO Group is actively engaged in environmental activities.

Issues Facing the IINO Group

Oe: The major risks the Group currently faces include the COVID-19 pandemic and Russia's invasion of Ukraine. I think one of the reasons the Company has managed to make steady progress on its Mid-term Management Plan even in the midst of this uncertainty about the future is its dual management structure of operating the Shipping Business and Real Estate Business. While the shipping industry is highly volatile, the real estate industry is relatively stable, and this combination functions in a complementary way. The IINO Group is not the only organization that anchors its operations in multiple different industries; we also see combinations of manufacturing or service businesses with the Real Estate Businesses. However, the combination of the Shipping Business and Real Estate Business is resilient against the definitive risks, such as damage due to major earthquakes and major disturbances. This has been borne out by the history of the shipping industry. I therefore believe the Company's IINO MODEL boasts outstanding features as a business model for dual management. The Company has also done well to structure the ship types that make up its portfolio in the Shipping Business to reflect the needs of the times. I think it is this dual management structure and high-quality portfolio that have enabled the Group to overcome two major risks to date.

Yoshida: During last year's roundtable discussion, the willingness of employees to take on challenges was mentioned, and over this past year, I think I have seen the budding of that spirit throughout the IINO Group. A concrete example of this is joint research through a business alliance with a Silicon Valley startup. This is an initiative to accurately manage the CO_2 emissions generated by ships utilizing AI. Efforts to seek out technologies that can be applied from a global perspective, engage in joint development with the relevant companies, and enhance the quality of the core business represent open innovation not found in conventional, self-sufficient, technological development, and I think this is a groundbreaking case that will be a precursor to major challenges in the future. I hope that this mindset continues when the next Mid-term Management Plan is being formulated as well.

Miyoshi: In fiscal year 2021, we have been exposed to harsh social conditions due to the COVID-19 pandemic, the invasion of Ukraine, and other developments. Under these conditions, the top management of the IINO Group has demonstrated leadership and firmly steered the Group in the right direction. The Group has also been proactive in making international humanitarian contributions, demonstrating its ability to act in a way befitting a global company.

On the other hand, I would like to raise issues in terms of human resource development. While the Company has built a flexible structure, people often have to assume concurrent roles as a result. The Company has made progress expanding its human resource development system, such as with the introduction of an incentive system for obtaining qualifications. While this is a good step on the way to respecting the individual initiative of employees, human resource development needs to be further strengthened in areas where the Company will concentrate its management resources in the future.

Initiatives to Enhance Governance

Oe: The term of office of directors was changed from two years to one year by a resolution of the General Meeting of Shareholders held in June 2022. I strongly agree with this decision from the perspective that having top management undergo an annual review promotes a sense of urgency in management and will contribute to improved corporate governance. I also think that the Nomination and Remuneration Committee is an excellent system as it allows top management to speak frankly and engage in productive exchanges of opinion. I think the committee has been successful because it is a voluntary body and can exist outside the organizational framework.

Yoshida: In terms of internal audits, I was impressed at a Board of Directors meeting when I heard a report on the activities of the Corporate Audit Office, which is responsible for internal audits at the Company. While it is routine to conduct full audits of operations, the internal audits run by the Company also cover matters expressly designated by the president, which demonstrates that the president is aware of issues in some cases. From this, I can ascertain that management is being implemented flexibly with an awareness of issues, and that threefold audits are functioning properly.

Oe: One of the issues the IINO Group has been slow to address is women's empowerment. I hope that the recent selection of Ms. Miyoshi as the first female director will represent a big first step on the way to more female managers and officers in the future.

Miyoshi: I am not worried about gender issues. The Company already employs many talented female staff and I believe that with time, the number of female managers will increase as a matter of course. Personally, I look at my career through the lens of having worked as a diplomat, rather than being a woman, and I consider this to be the main

Independent Outside Directors Roundtable Discussion

reason I was appointed as an Outside Director. Going forward, I recognize that it will be important to promote human resources from a wide variety of backgrounds, with diversity as the key. As a company that is open to hiring mid-career workers and people of many nationalities, assembling a diverse range of people and having them exchange opinions will generate ideas for the future and create a climate that facilitates innovation. I think one of my missions is to enhance the Company's management capabilities by elevating the S (social) part of ESG.

Yoshida: I agree that given a fair chance, the number of female managers will increase as a result of continuing to promote talented human resources based on equal opportunity. I also agree that the percentage of female managers at the company is currently at a low level in the 5% range (as of June, 30 2022), but I think taking approaches as a matter of course will steadily yield results.

Oe: On another front, I think the Board of Directors is functioning well. I think one of the most important factors behind this is a perception that has filtered down to the executive officer ranks that top management will listen earnestly to their opinions. Sometimes discussions can become heated or run out of time, so I think it is a good idea to further pursue initiatives to improve operational efficiency. In addition, since none of the members on the board are officers who closely direct ship management, which is an important element in the shipping industry, I would like to see direct feedback from people in the field reach top management, such as by having the head of the Ship Management Division frequently report on conditions to start with.

Yoshida: To make Board of Directors meetings more efficient, there is a need to make comments while ensuring that discussion is appropriate to the theme at hand. But if we still run out of time, I think the time for discussion should be extended. The ultimate goal of the Board of Directors is to make decisions, and it is necessary to engage in discussion before doing so.

Creating Economic Value and Social Value in ESG Management

Yoshida: Achieving a balance between economic value and social value in ESG management requires practical action. It seems that we have gotten to the stage of implementing activities that are more conscious of the S (social) in ESG, but since the IINO Group has a solid management philosophy and is committed to achieving growth together with society, I think it should stay on that path. Rather, I think this might be the time to give E (environment) more attention. Examples of this include efforts to acquire global customers that exhibit a strong environmental awareness, the business alliance with the Silicon Valley startup mentioned earlier, and the utilization of dual-fuel main engine vessels. All of these endeavors are based on the Mid-term Management Plan. By having each department properly tackle these plans and share their knowledge with each other, there will be new discoveries that will yield results a little at a time. We are starting to see practical results from positioning sustainability as a domain in the Mid-term Management Plan.

Oe: There are many aspects in which social value and economic value are in conflict with one another, and striking a balance is not a challenge that is easy to solve. Look at agricultural produce, for example. There are conflicting desires where producers want to sell goods at a high price, and consumers want to buy goods as cheaply as possible, and the companies that connect producers with consumers have to reconcile the difference. Traditionally, those reconciled differences develop into a wider divergence when unexpected events occur, which makes

corporate decision-making extremely difficult. We are seeing these difficult situations due to the COVID-19 pandemic and the invasion of Ukraine. The key to overcoming these issues lies in the awareness of the individuals that make up the company. It is important to have both a sense of being an individual consumer, and a sense of being able to consider the position of producers. The Company's top management has a high level of awareness that allows them to see things from multiple perspectives, and as they are also encouraging employees to exhibit those same qualities, I think it will be possible to strike a balance between social value and economic value, even if it takes some time.

Miyoshi: Generally speaking, companies often place a greater importance on economic value in line with market principles, but in the shipping industry, market principles are not the only criteria for making decisions. Most of Japan's trade is by sea, an even from the perspective of securing energy resources, the element of the country's national interest is also important. In pursuing sustainable business, I think top management is aware of these key demands.

Towards the Next Mid-term Management Plan

Yoshida: The formulation of the next Mid-term Management Plan should not be something that is simply decided from the top down. It is important that it should be devised in a way that makes it "everybody's Mid-term Management Plan" by getting many people involved, engaging in full discussions, and then having everyone work on it once things have been decided. It is also crucial that individual employees have a sense of being an involved party and think of it as "my Mid-term Management Plan." While taking action is important, I place a greater emphasis on the frame of mind when taking that action. I look forward to and hope to see multifaceted discussions that include a consideration of how to leverage the new innovations that were discussed during the current Mid-term Management Plan.

Oe: As the current Mid-term Management Plan is focused on fiscal year 2030, I don't think any major changes are needed. However, one thing we have to worry about is that the role of ESG investment may change due to the COVID-19 pandemic and the invasion of Ukraine. While ESG investments will continue, I think we need to look at how those investments are implemented, fully examine those approaches including from a timeline basis, and reflect those findings in our plans. Also as something related to what I mentioned about the advantages of dual management, since we will be firmly positioned on the next growth curve if we manage to surmount the slump in the highly volatile shipping industry, I hope there is an awareness of the need to build a resilient structure that can endure a recession. In that sense, I think that

one option would be to reiterate the numerical target of over 100 billion yen in net assets that was previously stated. Major companies in the shipping industry are performing well and have the necessary funds to allocate to investments. To maintain competitiveness within an industry with well-funded competitors, the IINO Group needs to make more precise and effective investments. I think a strong awareness of that will be important for the next Mid-term Management Plan.

Miyoshi: I think that aspiring to greater heights as an independent global company means taking into account the issues seen in the UN Global Compact initiative, such as the protection of human rights, elimination of unfair labor practices, and action on the environment.

Message to Stakeholders

Miyoshi: As a newly appointed Outside Director, I am at the stage of observing management from a perspective that is close to that of stakeholders. I hope to use that fresh perspective and the experience I have gained in my career to date in an effort to enhance the corporate value of the IINO Group.

Yoshida: I feel that through the initiatives it has implemented in the Mid-term Management Plan, the IINO Group has established a solid management style of advancing in line with management plans. I hope that stakeholders find this reassuring.

Oe: I agree that the Group has practiced solid management in line with management plans. I hope to work even harder to give shareholders even more confidence in top management. Additionally, as I also believe that in order to realize ESG management, the ethics of individuals and the company must match, I hope that employees, who possess this duality, will work tirelessly to make this a reality.

Directors and Audit & Supervisory Board Members

(as of June 28, 2022; number of shares held as of March 31, 2022)

Executive Directors

Hiromi Tosha

Number of shares held 89,900 shares

President and Representative Director

Apr. 1981 Joined the Company
Jun. 2010 Director; Executive Officer
Jun. 2016 President and Representative Director; President Executive Officer (to present)

Akihiko Okada

Number of shares held 48,600 shares

Representative Director

Apr. 1983 Joined the Company
Jun. 2012 Director; Executive Officer
Jun. 2018 Representative Director; Senior Managing Executive Officer (to present)

Ryuichi Osonoe

Number of shares held 45,200 shares

Director

Oct. 1985 Joined the Company
Jun. 2013 Director; Executive Officer
Jun. 2022 Director; Senior Managing Executive Officer (to present)

Tomoshige Jingu

Number of shares held 38,700 shares

Director

Apr. 1983 Joined The Industrial Bank of Japan, Limited (currently, Mizuho Bank, Ltd.)
Jun. 2016 Director; Managing Executive Officer, the Company (to present)

Yusuke Otani

Number of shares held 21,900 shares

Director

Apr. 1991 Joined the Company
Jun. 2020 Director; Executive Officer
Jun. 2021 Director; Managing Executive Officer (to present)

Non-Executive Directors

Kei Oe

Number of shares held 22,600 shares

Independent Outside Director

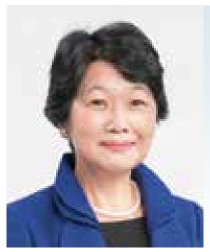
Apr. 1973 Joined Asahi Chemical Industry Co., Ltd. (currently, Asahi Kasei Corp.)
Jun. 2015 Outside Director (to present)

Yasuyuki Yoshida

Number of shares held 14,100 shares

Independent Outside Director

Apr. 1971 Joined Mitsubishi Research Institute, Inc.
Jun. 2019 Outside Director (to present)



Mari Miyoshi

Number of shares held 700 shares

Independent Outside Director

Apr. 1980 Joined the Ministry of Foreign Affairs
Jun. 2021 Outside Auditor, the Company
Apr. 2022 Visiting Professor, Graduate School of Public Policy, The University of Tokyo (to present)
Jun. 2022 Stepped down voluntarily as Outside Auditor, the Company
Jun. 2022 Outside Director (to present)

Audit & Supervisory Board Members

Yoshinori Hashimura

Number of shares held 7,700 shares

Full-time Audit & Supervisory Board Member

Apr. 1989 Joined Asahi Glass Co., Ltd. (currently, AGC Inc.)
Sep. 2004 Established Hashimura Certified Public Accountant Office (to present)
Jun. 2016 Full-time Audit & Supervisory Board Member (to present)

Yoshio Yamada

Number of shares held 1,900 shares

Independent Outside Audit & Supervisory Board Member

Apr. 1983 Registered as an attorney (Dai-Ichi Tokyo Bar Association) (to present)
Apr. 1989 Established Yamada Law Office (to present)
Jun. 2018 Outside Audit & Supervisory Board Member (to present)

Hiroshi Takahashi

Number of shares held 2,100 shares

Independent Outside Audit & Supervisory Board Member

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 Audit & Supervisory Board Member (to present)

Executive Officers

President and Representative Director President Executive Officer	Hiromi Tosha	
Representative Director Senior Managing Executive Officer	Akihiko Okada	In charge of Human Resources Department, Management of Office Leasing and Operation Department and Property Development Planning Department
Senior Managing Executive Officer	Ryuichi Osonoe	In charge of Business Strategy Department, Management of Oil Tanker Department, Gas Carrier Department, Dry Bulk Carrier Department, Chemical Tanker Department No. 1 and Chemical Tanker Department No. 2.
Managing Executive Officer	Tomoshige Jingu	Management of Finance and Accounting Department and President and Director, IINO Management Data Processing Co., Ltd.
Managing Executive Officer	Yusuke Otani	In charge of Corporate Planning Department, Stakeholder Relations Department and Sustainability Promotion Department, Management of Business Administration Department
Executive Officer	Norichika Inoue	In charge of Marine Department and IINO Marine Service Co., Ltd., Managing Director.
Executive Officer	Seiichi Fujimura	In charge of Chemical Tanker Department No. 1 and Chemical Tanker Department No. 2; President and Director, IINO Singapore Pte. Ltd.
Executive Officer	Osamu Fushida	In charge of Finance and Accounting Department and commission as General Manager
Executive Officer	Atsushi Takeda	In charge of Dry Bulk Carrier Department and commission as General Manager
Executive Officer	Kiichi Iwai	In charge of Office Leasing and Operation Department and Property Development Planning Department and commission as General Manager, Property Development Planning Department
Executive Officer	Kunihiko Senoo	In charge of Oil Tanker Department and Gas Carrier Department
Executive Officer	Satoshi Hirao	IINO Gas Transport Co., Ltd., Managing Director
Executive Officer	Akira Hoshi	In charge of Technical Department and commission as General Manager
Executive Officer	Yasutaka Tsuneto	In charge of Business Administration Department and commission as General Manager, Deputy in charge of Sustainability Promotion Department and commission as General Manager

Specialty and Experience of Directors and Auditors

(as of June 28, 2022)

			Corporate Management	Sales Strategy/ 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	Kei Oe	○	○				
Director	Outside/Independent	Yasuyuki Yoshida		○			○	
Director	Outside/Independent	Mari Miyoshi					○	○
Auditor		Yoshinori Hashimura			○		○	
Auditor	Outside/Independent	Yoshio Yamada				○	○	
Auditor	Outside/Independent	Hiroshi Takahashi	○			○		

* 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.

Why the Company Values Experience and Skills in Each Category

Corporate Management: Experience and skills in this category are important for improving corporate value from a long-term perspective in a business environment that is constantly changing.
Sales Strategy/Marketing: Experience and skills in this category are important for grasping customer demand and market movements and making appropriate management decisions.
Finance/Accounting/Technology/IT: Experience and skills in this category form the management foundation and are important for taking environmental measures and driving DX.
Human Resources/Labor Affairs/Legal Affairs: Experience and skills in this category form the management foundation and are important for utilizing human resources and ensuring thorough compliance.
ESG Management: "Sustainability initiatives" is included in the priority strengthening measures, and experience and skills in ESG management are important for driving various ESG measures that contribute to enhancing corporate value.
International Work Experience: "Further promotion of global business" is included in the priority strengthening measures, and international work experience is important for driving global development with the Shipping Business and the Real Estate Business as dual business pillars.

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 15 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)	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	**FY2021**
Revenues*1	95,090	94,496	77,031	74,472	77,975	86,021	96,701	100,177	94,843	83,320	81,334	84,843	89,179	88,916	**104,100**
Shipping – Oceangoing	84,863	87,627	64,047	61,374	62,887	67,024	76,595	79,397	72,865	63,012	62,391	65,296	68,891	69,641	**82,408**
Shipping – Short-sea/Domestic			7,765	7,790	7,673	7,715	8,675	9,192	8,907	8,059	8,471	8,975	8,717	8,225	**9,535**
Real Estate	8,744	5,500	5,219	5,307	7,416	11,282	11,430	11,588	13,071	12,249	10,472	10,572	11,571	11,049	**12,158**
Retail	1,483	1,369	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Cost of sales	72,074	75,534	66,433	65,830	69,996	75,234	83,621	85,799	79,974	69,880	68,816	73,160	78,074	75,589	**89,155**
Selling, general and administrative expenses	6,492	7,036	6,512	6,250	6,393	5,908	6,234	6,392	6,754	6,848	6,867	6,901	7,129	6,495	**7,421**
Operating profit (loss)	16,524	11,926	4,086	2,393	1,587	4,879	6,846	7,986	8,115	6,591	5,651	4,782	3,976	6,831	**7,524**
Shipping – Oceangoing	13,376	11,196	3,051	1,062	(25)	622	1,823	3,285	3,767	2,626	1,713	583	651	2,463	**2,860**
Shipping – Short-sea/Domestic			306	459	250	289	805	650	364	180	700	926	570	505	**513**
Real Estate	3,141	749	727	873	1,362	3,967	4,218	4,051	3,984	3,786	3,238	3,273	2,755	3,863	**4,150**
Retail	7	(20)	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Recurring profit (loss)	16,062	11,256	2,225	1,059	(464)	2,259	5,953	7,194	7,655	5,105	4,631	4,701	3,455	6,810	**9,431**
Profit (loss) before income taxes	8,732	9,301	1,817	1,253	(4,144)	1,412	5,265	5,302	4,267	3,854	4,609	5,257	4,193	8,158	**12,991**
Income taxes - current	4,625	534	179	779	254	165	315	149	198	105	209	296	287	279	**366**
Income taxes - deferred	(1,420)	3,176	1,409	(185)	(80)	78	(42)	(56)	403	(124)	135	172	127	234	**123**
Profit (loss) attributable to non-controlling interests	6	(14)	50	5	(24)	3	72	(4)	6	(12)	22	105	(8)	(10)	**(25)**
Profit (loss) attributable to owners of parent	5,521	5,605	180	654	(4,294)	1,166	4,920	5,213	3,659	3,885	4,243	4,685	3,788	7,655	**12,526**
Consolidated Balance Sheets (millions of yen)															
Current assets	24,670	24,790	25,115	24,945	27,696	25,810	36,496	31,455	29,125	25,145	24,711	24,365	29,884	29,818	**33,550**
Vessels, property and equipment	134,460	135,501	137,904	143,142	167,257	171,114	171,338	174,779	181,113	157,234	163,209	175,326	182,056	194,244	**191,626**
Capital investment	28,161	36,828	26,861	29,215	46,230	21,672	9,505	14,231	24,015	18,624	20,842	23,760	17,410	30,567	**12,423**
Total assets	176,228	175,808	180,735	184,842	209,752	212,724	225,312	228,693	230,278	203,969	210,237	222,435	231,088	245,611	**247,130**
Current liabilities	47,501	32,498	25,191	32,798	32,739	38,684	46,306	36,416	35,342	38,039	41,688	51,607	47,563	44,345	**38,232**
Net assets	52,591	53,395	52,727	52,871	45,782	47,228	58,568	65,907	65,285	68,774	69,237	73,077	73,428	79,835	**91,333**
Interest-bearing debt*2	98,049	104,916	109,227	110,860	135,955	135,767	130,189	126,353	130,383	107,796	115,112	117,970	126,327	131,744	**120,928**
Consolidated Statements of Cash Flow (millions of yen)															
Cash flows from operating activities	12,780	8,648	12,353	10,993	10,162	11,311	13,785	16,107	18,804	11,075	12,117	14,549	13,079	19,282	**15,782**
Depreciation	8,352	8,908	9,989	8,625	9,149	10,515	8,529	8,678	8,867	8,548	8,509	8,918	9,740	11,083	**11,728**
Cash flows from investing activities	(18,946)	(10,591)	(12,784)	(13,187)	(34,022)	(11,567)	(2,224)	(13,022)	(18,551)	12,788	(15,399)	(21,202)	(14,840)	(22,991)	**(3,115)**
Free cash flow*3	(6,166)	(1,943)	(431)	(2,194)	(23,860)	(256)	11,561	3,085	253	23,863	(3,282)	(6,653)	(1,761)	(3,709)	**12,667**
Cash and cash equivalents at end of period	9,237	11,087	13,728	13,091	11,522	8,670	16,906	11,965	14,326	10,719	10,536	9,826	14,208	13,301	**11,654**
Per Share Data (yen)															
Net income (loss) per share	50.39	51.54	1.69	6.13	(40.60)	11.66	45.77	46.98	32.97	35.01	38.53	44.28	35.80	72.35	**118.39**
Net assets per share	477.08	497.64	489.78	490.04	452.38	468.86	525.39	593.72	587.51	619.18	653.29	689.25	692.63	753.55	**863.00**
Dividends per share	15.00	15.00	12.00	6.00	2.00	4.00	8.00	10.00	10.00	10.00	10.00	15.00	12.00	22.00	**36.00**
Key Performance Indicators															
Shareholders' equity ratio (%)*4	29.7	30.2	28.9	28.3	21.6	22.0	25.9	28.8	28.3	33.7	32.9	32.8	31.7	32.5	**36.9**
Payout ratio (%)	29.8	28.9	711.8	97.9	—	34.3	18.0	21.3	30.3	28.6	26.0	33.9	33.5	30.4	**30.4**
ROE (%)*5	10.6	10.6	0.3	1.3	—	2.5	9.4	8.4	5.6	5.8	6.2	6.6	5.2	10.0	**14.6**
D/E ratio (times)*6	1.88	1.98	2.09	2.12	3.01	2.90	2.23	1.92	2.00	1.57	1.67	1.62	1.72	1.65	**1.32**

Non-Financial Data

Scope of calculation for environmental and safety data
[Shipping Business] Environmental data: Vessels in the IINO Group's operation / Safety data: vessels managed by IINO Marine Service Co., Ltd.
[Real Estate Business] Both environmental and safety data are derived from the five company-owned buildings in Japan managed by the IINO Group.

Environmental Data		FY2017	FY2018	FY2019	FY2020	FY2021
CO_2 Emissions (Scope 1, Scope 2)*1 *2 *3	Shipping Business (thousand tons)	—	786	875	927	**906**
	Real Estate Business (thousand tons)	—	13	12	11	**10**
NOx Emissions*1	Shipping Business (thousand tons)	—	23	25	26	**25**
SOx Emissions*1	Shipping Business (thousand tons)	—	15	12	4	**5**
Waste	Shipping Business (m^3)	1,521	1,699	1,565	1,428	**1,290**
	Real Estate Business (tons)	952	832	666	422	**439**
Energy consumption (Fuel Oils)*1	Shipping Business (thousand tons)	—	264	281	298	**291**
Energy consumption (Power consumptions)*1	Real Estate Business (thousand kWh)	—	23,692	21,914	20,162	**20,511**
Water usage (Supplied water, Well water, and Spring water)	Real Estate Business (thousand m^3)	95	83	76	57	**57**

Safety Data		FY2017	FY2018	FY2019	FY2020	FY2021
Accidents per voyage (Shipping Business)	Equipment failures/damage (accidents)	0.0058	0.0069	0.0104	0.0132	**0.0234**
	Collisions/groundings/fire (accidents)	0.001	0	0	0	**0.0007**
	Storm-related hull damage incidents (accidents)	0	0.0011	0.0012	0.0007	**0.0014**
Status of accidents (Real Estate Business)*1	Human factors (number of occurrences)	—	31	37	29	**27**
	Equipment factors (number of occurrences)	—	18	16	18	**23**
	External/indeterminate factors (number of occurrences)	—	3	5	1	**1**
Occupational accident frequency rate (Shipping Business)*4	Tanker	0.78	0.57	1.334	0.40	**0.52**
	Dry Bulk carriers	0	0	0		
Number of people certified as having suffered occupational accidents (Real Estate Business)	Deaths (persons)	0	0	0	0	**0**
	Injuries (persons)	1	0	0	0	**0**
	Diseases (persons)	0	0	0	0	**0**

Human Resources Data*5		FY2017	FY2018	FY2019	FY2020	FY2021
Number of employees (consolidated) (persons)		622	629	646	659	**644**
Number of employees (persons)		147	152	160	166	**169**
Breakdown	Male Onshore (persons)	67	70	74	79	**81**
	Male Seafare (persons)	55	55	56	56	**51**
	Female Onshore (persons)	25	27	30	31	**37**
	Female Seafare (persons)	0	0	0	0	**0**
Ratio of female employees (consolidated) (%)		16.2	16.5	18.6	17.3	**18.8**
Ratio of female managers (%)		1.5	1.4	1.4	1.4	**2.6**
Ratio of employees with disabilities (%)		1.3	1.2	1.2	1.1	**1.0**
Turnover Rate	Position at shore (%)	1.1	0	0.9	0.9	**1.7**
	Position at sea (%)	0	3.6	1.7	3.4	**13.7**
Number of persons who left within three years	Position at shore (persons)	0	0	0	1	**0**
	Position at sea (persons)	1	0	0	1	**2**
Average monthly overtime per employee (Hour)		23.5	23.9	23.5	25.4	**28.5**

1. Data from fiscal year 2017 was omitted because the calculation method was different.
2. Third-party verification has yet to be obtained for fiscal year 2018 figures. It has been obtained for fiscal year 2019 and fiscal year 2020 figures, and will be obtained for fiscal year 2021 figures.
3. Of CO_2 emissions from the Real Estate Business for fiscal year 2021, some of the power consumption of the IINO Building was offset using non-fossil fuel energy certificates.
4. The number of people suffering lost-time injuries due to occupational accidents per one million working hours
5. This data is the non-consolidated data for the Company. Data for the overall IINO Group is marked with "(consolidated)."

Corporate Data / Stock Information / External Evaluation

Corporate Data (as of March 31, 2022)

Company Name	IINO Kaiun Kaisha, Ltd. (IINO LINES)
Established	July 1899
Capital	13,091,775,488 yen
Head Office	IINO Building, 2-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo 100-0011, Japan
Offices	Representative offices: Dubai, Shanghai Overseas subsidiaries: Singapore, London, Houston, Dubai
Group Companies	Consolidated subsidiaries: 62 Equity-method affiliates: 5 Non-consolidated affiliates: 9 Total: 76
Stock Code	9119
Principal Customers	Astomos Energy Corporation; Idemitsu Kosan Co., Ltd.; Idemitsu Tanker Co., Ltd.; ITOCHU Corporation; Oji Holdings Corporation; ENEOS Corporation; Osaka Gas Co., Ltd. KANEKA CORPORATION; National Federation of Agricultural Cooperative Associations (ZEN-NOH); Sojitz Corporation; Chuetsu Pulp & Paper Co., Ltd.; Electric Power Development Co., Ltd.; TOKYO GAS CO., LTD.; Tosoh Logistics Corporation; Tohoku Electric Power Co., Inc.; Zeon Corporation; PAN PACIFIC COPPER CO., LTD.; Hokkaido Gas Co., Ltd.; MITSUI & CO., LTD.; Mitsubishi Corporation; Chevron Phillips Chemical Company LP; Equinor; OCP S.A.; QatarEnergy; Saudi Basic Industries Corporation; SK Shipping Co., Ltd.
Main Banks	Mizuho Bank, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Trust Bank, Limited Sumitomo Mitsui Banking Corporation
Employees	169 non-consolidated (118 on shore, 51 at sea) 644 consolidated

Stock Information (as of March 31, 2022)

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 (Prime Market*), 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 *Nihon Keizai Shimbun* newspaper. Public notices of the company are posted on the company's website at [https://www.iino.co.jp/kaiun/ir/publicnotice.html])
Number of Shareholders	14,024

*Transitioned from April 4, 2022

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)	12,675	11.97
IINO LINES' Client Stock Ownership	5,371	5.07
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)	4,134	3.90
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 (3,094 thousand shares).

Percentage of Ownership by Shareholder Category

ESG Evaluations

FTSE Blossom Japan Index

FTSE Blossom Japan Sector Relative Index

S&P/JPX Carbon Efficient Index

CDP Score B

Other Evaluations and Awards

DBJ Green Building Certification 5 Stars: IINO Building

DBJ Green Building Certification 4 Stars: Shiodome Shiba-Rikyu Building

LEED Platinum Certification IINO Building (27th floor)

「2020-T1976」 Outstanding Specified Global Warming Countermeasure Office (Top-level Facility) 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

Building-Housing Energy-efficiency Labeling System (BELS) 5 Stars: IINO Building

Consolidated Financial Statements

IINO KAIUN KAISHA, LTD. AND ITS CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended March 31, 2022 and 2021

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Net sales	104,100	88,916
Cost of sales (Note 13)	89,155	75,589
Gross profit	14,945	13,326
Selling, general and administrative expenses	7,421	6,495
Operating profit	7,524	6,831
Non-operating income:		
Interest income	40	30
Dividend income	2,122	875
Penalty fee income	174	–
Equity in earnings of affiliates	101	324
Foreign exchange gains	780	130
Other	38	110
Total non-operating income	3,254	1,468
Non-operating expenses:		
Interest expense	1,107	1,256
Other	240	233
Total non-operating expenses	1,347	1,490
Ordinary income	9,431	6,810
Extraordinary income:		
Gain on sales of non-current assets	4,428	463
Gain on sales of investment securities	8	0
Gain on liquidation of subsidiaries	–	822
Gain on liquidation of affiliates	23	–
Insurance proceeds	62	80
Compensation proceeds	44	–
Other	6	–
Total extraordinary income	4,570	1,365
Extraordinary losses:		
Loss on retirement of non-current assets	2	16
Loss on sales of non-current assets	4	–
Loss on sales of investment securities	28	–
Loss on valuation of investment securities	969	–
Loss on valuation of golf club membership	–	0
Other	8	–
Total extraordinary losses	1,010	17
Profit before income taxes	12,991	8,158

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Income taxes (Note 9)		
Income taxes - current	366	279
Income taxes - deferred	123	234
Total income taxes	489	513
Profit	12,501	7,646
Loss attributable to non-controlling interests	(25)	(10)
Profit attributable to owners of parent	12,526	7,655

(Yen)

Net income per share, basic and diluted	118.39	72.35
Cash dividends per common share	36.00	22.00

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Profit	12,501	7,646
Other comprehensive income		
Valuation difference on available-for-sale securities	532	2,300
Deferred gains or losses on hedges	331	(793)
Foreign currency translation adjustments	590	(1,016)
Share of other comprehensive income of entities accounted for using the equity method	506	(354)
Total other comprehensive income	1,959	137
Comprehensive income	14,460	7,782
Comprehensive income attributable to:		
Owners of parent	14,542	7,820
Non-controlling interests	(82)	(38)

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 EQUITY

For the year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2021	13,092	6,275	58,822	(1,907)	76,282
Cumulative effects of changes in accounting policies	–	-	(106)	–	(106)
Balance as of March 31, 2021 after reflecting accounting policy changes	13,092	6,275	58,717	(1,907)	76,176
Dividends of surplus	–	–	(2,857)	–	(2,857)
Profit attributable to owners of parent	–	–	12,526	–	12,526
Purchase of treasury shares	–	–	–	(0)	(0)
Disposal of treasury shares	–	–	–	–	–
Cancellation of treasury shares	–	–	–	–	–
Net changes of items other than shareholders' equity	–	–	–	–	–
Total changes of items other than shareholder's equity	–	–	9,670	(0)	9,669
Balance as of March 31, 2022	13,092	6,275	68,386	(1,907)	85,845

(Millions of yen)

	Accumulated other comprehensive income					
	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	Total net assets
Balance as of March 31, 2021	4,103	(234)	(421)	3,449	105	79,835
Cumulative effects of changes in accounting policies	–	–	–	–	–	(106)
Balance as of March 31, 2021 after reflecting accounting policy changes	4,103	(234)	(421)	3,449	105	79,730
Dividends of surplus	–	–	–	–	–	(2,857)
Profit attributable to owners of parent	–	–	–	–	–	12,526
Purchase of treasury shares	–	–	–	–	–	(0)
Disposal of treasury shares	–	–	–	–	–	–
Cancellation of treasury shares	–	–	–	–	–	–
Net changes of items other than shareholders' equity	532	559	924	2,016	(82)	1,934
Total changes of items during period	532	559	924	2,016	(82)	11,603
Balance as of March 31, 2022	4,635	326	504	5,464	23	91,333

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, 2022 and 2021

(Millions of yen)

	As of March 31, 2022	As of March 31, 2021
ASSETS		
Current assets:		
Cash and deposits (Notes 3 and 4)	11,660	13,304
Notes and accounts receivable – trade (Note 4)	–	7,536
Notes, accounts receivable and contract assets – trade (Note 4)	10,956	–
Supplies	4,159	2,679
Merchandise	91	76
Real estate for sale	3	3
Deferred and prepaid expenses	2,045	1,797
Income taxes refund receivable	78	102
Other	4,562	4,324
Allowance for doubtful accounts	(4)	(1)
Total current assets	33,550	29,818
Non-current assets:		
Property, plant and equipment:		
Vessels, net (Note 7)	92,012	98,215
Buildings and structures, net (Notes 7 and 10)	46,610	40,125
Land (Notes 7 and 10)	42,932	42,801
Lease assets, net	4,871	5,094
Construction in progress	4,994	7,838
Other, net (Notes 7 and 10)	207	171
Total property, plant and equipment	191,626	194,244
Intangible assets:		
Telephone subscription right	9	9
Other	625	520
Total intangible assets	634	529
Investments and other assets:		
Investment securities (Notes 4, 5 and 7)	18,675	18,743
Long-term loans receivable	170	147
Retirement benefit asset (Note 8)	279	225
Deferred tax assets (Note 9)	26	20
Other	2,169	1,884
Total investments and other assets	21,319	21,019
Total non-current assets	213,580	215,793
Total assets	247,130	245,611

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, 2022 and 2021

(Millions of yen)

	As of March 31, 2022	As of March 31, 2021
LIABILITIES, AND NET ASSETS		
Current liabilities:		
Accounts payable – trade (Note 4)	8,572	5,777
Short-term loans payable (Notes 4 and 7)	23,322	26,688
Accrued expenses	340	310
Income taxes payable (Note 9)	232	242
Advances received	–	2,911
Advances received and contract liabilities	2,301	–
Provision for bonuses	513	338
Provision for shareholder benefit plans	36	26
Lease obligations	1,001	5,122
Other	1,916	2,932
Total current liabilities	38,232	44,345
Non-current liabilities:		
Long-term loans payable (Notes 4 and 7)	92,606	100,056
Bonds (Notes 4 and 7)	5,000	5,000
Provision for retirement benefits for directors (and other officers)	76	60
Retirement benefit liability (Note 8)	715	704
Provision for special repairs	3,074	3,624
Leasehold and guarantee deposits received	8,802	8,977
Lease obligations	3,969	29
Deferred tax liabilities (Note 9)	3,142	2,747
Other	180	234
Total non-current liabilities	117,565	121,430
Total liabilities	155,797	165,776

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, 2022 and 2021

(Millions of yen)

	As of March 31, 2022	As of March 31, 2021
Net assets		
Shareholders' equity:		
Capital stock (Common stock, no par value)		
Authorized 440,000,000 shares in 2022 (440,000,000 shares in 2021)		
Issued and outstanding – 108,900,000 shares in 2022 (108,900,000 shares in 2021)	13,092	13,092
Capital surplus	6,275	6,275
Retained earnings	68,386	58,822
Treasury shares, at cost – 3,094,798 shares in 2022 (3,093,851 shares in 2021)	(1,907)	(1,907)
Total shareholders' equity	85,845	76,282
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,635	4,103
Deferred gains or losses on hedges	326	(234)
Foreign currency translation adjustment	504	(421)
Total accumulated other comprehensive income	5,464	3,449
Non-controlling interests	23	105
Total net assets	91,333	79,835
Total liabilities and net assets	247,130	245,611

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, 2022 and 2021

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Cash flows from operating activities:		
Profit before income taxes	12,991	8,158
Depreciation	11,728	11,083
Share of loss (profit) of entities accounted for using equity method	(101)	(324)
Decrease (increase) in retirement benefit asset	(54)	(225)
Increase (decrease) in retirement benefit liability	11	(1)
Interest and dividend income	(2,161)	(905)
Insurance claim income	(62)	(80)
Compensation income	(44)	–
Loss (gain) on sales of investment securities	20	(0)
Loss (gain) on valuation of investment securities	969	–
Interest expenses	1,107	1,256
Loss (gain) on sales of property, plant and equipment and intangible assets	(4,424)	(463)
Decrease (increase) in receivables	(3,406)	(531)
Decrease (increase) in inventories	(1,490)	(215)
Increase (decrease) in payables	2,779	635
Increase (decrease) in leasehold and guarantee deposits received	(175)	784
Loss (gain) on liquidation of subsidiaries	–	(822)
Other, net	(2,689)	1,417
Sub-total	14,998	19,766
Interest and dividends received	2,316	1,072
From insurance income proceeds	62	80
From compensation proceeds	44	–
Interest paid	(1,116)	(1,268)
Income taxes refund (paid)	(522)	(368)
Net cash provided by (used in) operating activities	15,782	19,282
Cash flows from investing activities:		
Purchase of property, plant and equipment and intangible assets	(12,498)	(30,870)
Proceeds from sale of property, plant and equipment and intangible assets	8,606	7,677
Purchase of investment securities	(12)	(3)
Proceeds from sale of investment securities	233	2
Other, net	555	202
Net cash provided by (used in) investing activities	(3,115)	(22,991)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(1,819)	(8,543)
Proceeds from long-term borrowings	14,097	29,765
Repayments of long-term borrowings	(23,777)	(20,670)
Proceeds from issuance of bonds	–	4,970
Purchase of treasury shares	(0)	(0)
Proceeds from disposal of treasury shares	–	0
Dividends paid	(2,852)	(1,371)
Repayments of lease obligations	(473)	(1,256)
Net cash provided by (used in) financing activities	(14,824)	2,894
Effect of exchange rate change on cash and cash equivalents	510	(92)
Net increase (decrease) in cash and cash equivalents	(1,647)	(907)
Cash and cash equivalents at beginning of period (Note 3)	13,301	14,208
Cash and cash equivalents at end of period (Note 3)	11,654	13,301

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 62 significant subsidiaries in 2022 (59 in 2021).

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, 2022 and 2021.

Investments in the remaining 6 non-consolidated subsidiaries and 3 affiliates of the Company are stated at cost on March 31, 2022 (6 non-consolidated subsidiaries and 4 affiliates on March 31, 2021) 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 21 other subsidiaries whose fiscal year ends are December 31, are prepared as of the same date as the consolidated financial statements. The aforementioned 22 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. Recognition standard of significant revenues and expenses

The following is a summary of main performance obligations and the satisfaction timing of such obligations, which is also the timing to recognize revenues, in our primary businesses in relation to revenue from contracts with customers:

(i) Oceangoing and short-sea/domestic shipping businesses
Revenue is recognized when control over promised goods or services is transferred to a customer at the consideration to be received in exchange of such goods or services. For the shipping business, revenue and expense are recognized over time while a performance obligation is satisfied as the customer simultaneously receives and consumes the benefits provided by the Company's performance. The progress in the satisfaction of performance obligation is estimated by the number of days the vessel has completed its voyage. Generally, consideration from the contract is gradually received under the terms of contract according to the progress in the satisfaction of performance obligations. The consideration from the contract does not include a significant financing component. In relation to certain types of transactions such as trading of articles for ships, performance obligation is satisfied at a point in time and revenue is recognized at such timing.

For the transactions of which considerations will be confirmed through negotiations with a customer after the provision of service, given its uncertainties, such variable considerations are included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

(ii) Real estate business
The business largely consists of lease transactions and therefore classified as revenue other than the one from contracts with customers.

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.

Consolidated Financial Statements

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.

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 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 ("Tokurei-shori").

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 estate 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.

However, depreciation is provided on the straight-line method over the estimated useful lives of the assets as per the rates prescribed as follows,

Office building with steel frame	50 years
Elevator, Water supply and drainage equipment, Refrigerator, Generator, High voltage equipment	20 years
Vessel	15 to 20 years

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 Companies Act 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. Consolidated Taxation System and Group Tax Sharing System

(i) Adoption of Consolidated Taxation System
The Company and its domestic consolidated subsidiaries have adopted the Consolidated Taxation System since the current fiscal year.

(ii) Deferred tax accounting in relation to transition to Group Tax Sharing System
The Company and its domestic consolidated subsidiaries will adopt the Group Tax Sharing System instead of the Consolidated Taxation System from the next 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 above, the Companies have not implemented article 44 of ASBJ Guidance No.28 "Implementation Guidance on Tax Effect Accounting (February 16, 2018)" and still have accounted for the amount of deferred tax assets and liabilities based on the pre-update original tax laws according to article 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 (March 31, 2020)".

In addition, the Companies are expected to adopt ASBJ Practical Solution No.42 "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (August 12, 2021)" from the beginning of the next fiscal year, which stipulates the accounting treatments and disclosures in relation to corporate tax, local corporate tax, and deferred tax, accounting for the implementation of the Group Tax Sharing System.

r. 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 and the previous fiscal year.

(ii). Significant accounting estimates in the identified items
The 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 cashflows 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 cashflows 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 Company and its consolidated subsidiaries estimate the future cashflows for the impairment test purposes based on the mid-term business plan as well as taking account of other information that is publicly available.

Estimating the future cashflows from oceangoing shipping 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 tangible fixed assets belonging to the oceangoing shipping segment was 89,092 million yen 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 cashflow is based on the assumption that the COVID-19 pandemic would continue to affect the Companies businesses throughout the fiscal year ending March 31, 2023, taking account of expected increase in the expenses for infection prevention measures.

s. Accounting policy changes

(i). Revenue recognition
ASBJ Statement No.29 (March 31, 2020) Accounting Standard for Revenue Recognition (referred to as "the revenue recognition standard" hereafter) has been adopted since the beginning of this fiscal year, resulting that revenue is recognized when control over promised goods or services is transferred to a customer at the amount of consideration to be received in exchange of such goods or services.

Regarding the oceangoing shipping business, for the transactions of which considerations will be confirmed through negotiations with a customer after the provision of service, unconfirmed transaction prices had been estimated at the end of each fiscal year and reflected in the consolidated financial statements in the past. Since this fiscal year, however, given the uncertainties, the Company has started to adopt the accounting method where such variable considerations are included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

The transitional measurements of the revenue recognition standard (article 84) has been applied, which adds or reduces the cumulative impacts to the beginning balance of retained earnings of this fiscal year by the amount calculated as if the new accounting policy would have been adopted before the beginning of this fiscal year. As a result, the beginning balance of retained earnings of this fiscal year decreased by 106 million yen, while the impacts to sales, cost of sales and net assets per share are immaterial.

Due to the adoption of the new accounting standard, "Notes and accounts receivable – trade" in the current assets in the previous fiscal year has been presented as "Notes, accounts receivable and contract assets – trade" since this fiscal year. "Advances received" in the current liabilities has also been presented as "Advances received and contract liabilities". The presentation of the financial statemetns for the previous fiscal year has not been reclassed in accordance with the new

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presentation method due to adopting the transitional measures of the revenue recognition standard (article 89-2). Notes regarding the revenue recognition for the previous fiscal year are not presented as well due to adopting the transitional measures of the revenue recognition standard (article 89-3).

(ii). Fair value
ASBJ Statement No.30 (July 4, 2019) Accounting Standard for Fair Value Measurement (referred to as "the fair value standard" hereafter) has been adopted since the beginning of this fiscal year. Due to the transition measurements by article 19 of the fair value standard and article 44-2 of ASBJ Statement No.10 (July 4, 2019) Accounting Standard for Financial Instruments, new accounting policies stipulated in the fair value standard will be adopted for the future fiscal years. However, no impacts are identified in terms of consolidated financial statements.

The breakdown of financial instruments per fair value level hierarchy is also disclosed in the notes of "Financial Instruments" below. However, the notes for the previous fiscal year are not presented due to the transition measures stipulated by article 7-4 of ASBJ Guidance No.19 (July 4, 2019) Implementation Guidance on Disclosures about Fair Value of Financial Instruments.

3. Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows as of March 31, 2022 and 2021 were comprised of the following:

(Millions of yen)

	2022	2021
March 31		
Cash and time deposits	11,660	13,304
Time deposits with a maturity over 3 months	(5)	(3)
Cash and cash equivalents	11,654	13,301

4. Financial instruments

Fair value of the financial instruments on March 31, 2022 is summarized below.

(Millions of yen)

	Book value	Fair value
March 31		
Available-for-sale securities	11,020	11,020
Long-term loans payable	(111,341)	(111,409)
Bonds	(5,000)	(4,993)
Derivative financial instruments	948	948
Lease and guarantee deposits received	(8,802)	(8,237)

The book values of Cash and time deposits, Notes, accounts receivable and contract assets, Accounts payable and Short-term borrowings 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. Long-term borrowings within a year which is included in Short-term loans payable on the consolidated balance sheet is included in the Long-term borrowings on the above table.

The fair value of financial instruments is classified into three levels below, according to the significance of inputs for fair value calculation and whether those are observable or not.

Level 1: fair value which is calculated based on the observable inputs, which are market values in the active markets for assets and liabilities being subject to the fair value calculation;

Level 2: fair value which is calculated based on the observable inputs other than the Level 1 inputs; and

Level 3: fair value which is calculated based on the unobservable inputs

When there are more than one input which significantly affects the fair value calculation, the calculated fair value is classified as the lowest hierarchy among the fair value levels that each input belongs to.

Breakdown of financial instruments per fair value level hierarchy as of March 31, 2022 is summarized below:

(i) Financial instruments recorded at the fair values on the consolidated balance sheet

(Millions of yen)

	Fair value			
Level classification	Level 1	Level 2	Level 3	Total
Available-for-sale securities				
Other securities				
Equity	11,020	–	–	11,020
Derivative financial instruments	-	948	–	948
	11,020	948	–	11,968

(ii) Financial instruments other than (i)

(Millions of yen)

	Fair value			
Level classification	Level 1	Level 2	Level 3	Total
Bonds	–	4,993	-	4,993
Long-term borrowings	–	-	111,409	111,409
Lease and guarantee deposits received	–	-	8,237	8,237
	–	4,993	119,646	124,639

The following is a summary of adopted methods and inputs for fair value calculation:

(a) Available-for-sale securities
The fair value of equity is obtained from the market value in the stock exchange market and classified as Level 1.

(b) Derivative financial instruments
The fair value of interest rate swaps and forward exchange contracts are based on the discounted cashflow method by using observable inputs such as interest rates and foreign exchange rates. The fair value is classified as Level 2.
For the interest rate swaps under Tokurei-shori, the fair value of such contracts is included in "Long-term borrowings" on the above table because the interest rate swaps are accounted for as part of long-term borrowings.

(c) Bonds
The fair value of bonds is calculated based on the market value and classified as Level 2.

(d) Long-term loans payable
The fair value of long-term borrowings is classified as Level 3 because the fair value is calculated by discounting total future cashflows from interest and loan repayments with the interest rate which would have been applied if the Companies newly had another loan transaction under the same terms and conditions. The long-term lborrowings with floating interest rates are accounted for together with the interest rate swaps under Tokurei-shori, and its fair value is calculated by discounting the total future cashflows from the loans, which take into account the effects of interest rate swaps under Tokurei-shori, with the reasonably estimated interest rate which would have been applied if the Companies newly had another loan under the same terms and conditions.

(e) Lease and guarantee deposits received
The fair value of lease and guarantee deposits received is classified as Level 3 because the fair value is calculated by discounting the future expected repayment amount with the interest rate which would have been applied if the Companies newly had the transaction under the same terms and conditions.

5. Investment securities

Comparison of the aggregate cost and fair value of the "Other securities" for which market quotations are available on March 31, 2022 and 2021 are as follows:

(Millions of yen)

	Cost	Fair value (carrying amount)	Net unrealized gains	Net unrealized losses
March 31, 2022				
Equity securities	4,742	11,020	6,318	40
Debt securities	–	–	–	–
Other	–	–	–	–
	4,742	11,020	6,318	40
March 31, 2021				
Equity securities	5,721	11,604	6,751	868
Debt securities	–	–	–	–
Other	–	–	–	–
	5,721	11,604	6,751	868

For the year ended March 31, 2022, proceeds from sales of "Other securities" were 233 million yen and the gross realized gains were 8 million yen while the gross realized losses were 28 million yen.
For the year ended March 31, 2021, proceeds from sales of "Other securities" were 2 million yen and the gross realized gains were 0 million yen.

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.

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7. Borrowings

"Short-term loans" was principally comprised of short-term notes with interest rates 0.4% and 0.4% on average on March 31, 2022 and 2021, respectively.
Short-term lease payables were 1,001 million yen and 5,122 million yen on March 31, 2022 and 2021, respectively.
"Long-term debts", including long-term loans and corporate bonds, on March 31, 2022 and 2021 was comprised of the following:

(Millions of yen)

	2022	2021
March 31		
Secured loans, principally from banks and insurance companies, due 2023 to 2038 (due 2023 to 2031 as of March 31, 2021) with interest rates 0.6% on average as of March 31, 2022 (0.5% as of March 31, 2021)	111,341	120,357
	111,341	120,357
Less: portion due within one year	(18,735)	(20,301)
	92,606	100,056

(Millions of yen)

	2022	2021
March 31		
Corporate bonds, due 2024 with interest rates 0.49% on average as of March 31, 2022 and 2021	5,000	5,000
	5,000	5,000
Less: portion due within one year	–	–
	5,000	5,000

As of March 31, 2022 and 2021, the following assets were pledged as collateral for the debt:

(Millions of yen)

	2022	2021
March 31		
Investment securities	4,117	3,651
Vessels, property and equipment, net of accumulated depreciation:		
Vessels	81,978	91,600
Buildings	36,272	35,884
Land	30,734	30,040
	153,101	161,174

The aggregate annual maturities of long-term debts including long-term loans, corporate bonds and lease payments on March 31, 2022 are summarized below:

(Millions of yen)

	Corporate bonds	Lease payments	Long –term loans
Year ending March 31,			
2023	–	1,001	18,735
2024	5,000	311	10,658
2025	–	3,338	9,754
2026 and thereafter	–	320	72,194
	5,000	4,970	111,341

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, 2022 and 2021 is summarized as follows:

(Millions of yen)

	2022	2021
March 31		
Projected benefit obligations under funded retirement benefit plan	(2,380)	(2,368)
Plan assets	2,343	2,263
Net	(38)	(105)
Projected benefit obligations under unfunded retirement benefit plan	(398)	(374)
Accrued employees' pension and severance costs in total	(436)	(479)

Net pension and severance costs in respect of retirement benefits for the years ended March 31, 2022 and 2021 were as follows:

(Millions of yen)

	2022	2021
March 31		
Pension and severance costs by a simplified method	196	(14)
Net pension and severance costs	196	(14)

9. Income taxes

The statutory corporate income tax rate used for calculating deferred tax assets and liabilities as of March 31, 2022 was 29.8%.

On March 31, 2022 and 2021, significant components of deferred tax assets and liabilities were as follows:

(Millions of yen)

	2022	2021
March 31		
Deferred tax assets:		
Carried forward tax losses	4,233	4,976
Accrued employees' pension and severance costs	170	178
Rebuilding related loss	7	8
Unrealized profits related to fixed assets	229	230
Reserve for retirement benefits to directors and statutory auditors	25	20
Reserve for bonus	155	103
Reserve for periodic overhaul of vessels	850	1,023
Deferred gains or losses on hedges	14	30
Other	392	383
Total	6,075	6,951
Less: valuation allowance:		
for carried forward tax losses	(4,233)	(4,976)
for other items	(1,528)	(1,665)
Total	(5,761)	(6,641)
Deferred tax assets	315	310
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	(1,913)	(1,730)
Deferred gains or losses on hedges	(297)	(213)
Retained earnings appropriated as tax deductible reserves	(60)	(60)
Other	(1,162)	(1,033)
Deferred tax liabilities	(3,431)	(3,036)
Net deferred tax assets (liabilities)	(3,116)	(2,727)

For the years ended March 31, 2022 and 2021, reconciliation of the statutory corporate income tax rate to the effective income tax rate is as follows:

	2022	2021
March 31		
Statutory corporate income tax rate	29.8%	30.1%
Adjustment:		
Entertainment expenses and other items which are non-deductible	0.2%	0.1%
Dividends and other items which are excluded from gross revenues	(1.0%)	(0.4%)
Increase (decrease) of valuation allowance	(3.0%)	5.0%
Amount of taxable income of specified foreign subsidiary companies, etc.	9.7%	9.9%
Deduction based on the tonnage tax system	(21.5%)	(23.4%)
Net profit earned by subsidiaries, to which different effective tax rates is applied	(10.2%)	(6.7%)
Impact of the liquidation of a consolidated subsidiary	–	(2.7%)
Other	(0.2%)	(5.7%)
Effective corporate income tax rate	3.8%	6.3%

10. Investment properties

The company and its consolidated subsidiaries have office buildings (including land) held for lease. Net profit from the lease contracts was 3,675 million yen for the year ended March 31, 2022.
Total amount of the fair value of the investment properties is 194,708 million yen on the balance sheet dates.

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11. Commitments and contingent liabilities

As of March 31, 2022, contingent liabilities for loans guaranteed amounted to 390 million yen (475 million yen on March 31, 2021).

12. Leases

Operating leases

Future minimum lease payments under operating leases as of March 31, 2022 and 2021 were as follows:

(Millions of yen)

	2022	2021
March 31		
Due within one year	4,053	3,950
Due after one year	10,751	13,271
	14,805	17,221

13. Segment information

The operations of the Companies, by line of business, for the years ended March 31, 2022 and 2021 were as follows:

(Millions of yen)

	2022	2021
March 31		
Revenues:		
Shipping-oceangoing	82,546	69,295
Shipping-short-sea/domestic	9,535	8,581
Real estate	12,254	11,158
Adjustment	(235)	(118)
	104,100	88,916
Operating profit:		
Shipping-oceangoing	2,860	2,463
Shipping-short-sea/domestic	513	505
Real estate	4,150	3,863
	7,524	6,831

Identifiable assets as of March 31, 2022 and 2021, and depreciation and capital expenditures, by line of business for the years then ended are summarized as follows:

(Millions of yen)

	2022	2021
March 31		
Identifiable assets:		
Shipping-oceangoing	114,004	118,070
Shipping-short-sea/domestic	15,719	10,849
Real estate	93,481	90,799
Adjustment	23,925	25,893
	247,130	245,611
Depreciation and amortization:		
Shipping-oceangoing	8,676	8,354
Shipping-short-sea/domestic	795	749
Real estate	2,257	1,979
Adjustment	–	–
	11,728	11,083
Investments into equity-methods affiliates		
Shipping-oceangoing	1,950	2,170
Shipping-short-sea/domestic	–	–
Real estate	–	–
Adjustment	–	–
	1,950	2,170
Capital expenditures:		
Shipping-oceangoing	5,329	22,580
Shipping-short-sea/domestic	3,941	1,976
Real estate	2,967	5,967
Adjustment	185	46
	12,423	30,567

14. Revenue recognition

The correlation between the satisfactions of performance obligations and cashflows in relation to contracts with customers, and the amount and timing of the revenues being expected to arise in the future fiscal years from such contracts outstanding at the end of this fiscal year are summarized in this section. In addition to this note, Note 13 "Segment information" contain the breakdown of revenues from contracts with customers. The underlying information to understand revenues from contracts with customers is also described in Note 2 "Summary of significant accounting policy".

The outstanding balances of contract assets and contract liabilities as of March 31, 2022 were as follows:

(Millions of yen)

	2022
March 31	
Receivables from contracts with customers (beginning balance)	6,385
Receivables from contracts with customers (ending balance)	9,235
Contract assets (beginning balance)	584
Contract assets (ending balance)	643
Contract liabilities (beginning balance)	1,635
Contract liabilities (ending balance)	1,341

Contract assets represent the rights of the Company and its consolidated subsidiaries for considerations for the contracts of which voyages have already commenced but have not been charged to customers as of the end of the fiscal year. Contract assets are reclassified to receivables at the timing when the rights for the considerations become unconditional.

Contract liabilities mainly represent payments in advance received from customers in relation to the voyages which have not passed yet. Contract liabilities are derecognized while the corresponding revenues are recognized. The amount included in the beginning balance of contract liabilities has largely been recognized as a revenue during this fiscal year.

There has not been significant fluctuation in the balances of contract assets and contract liabilities during this fiscal year. The amount of revenues which were recognized in this fiscal year in relation to the performance obligations which had been already satisfied in the past fiscal years (e.g. changes in transaction price) are not material.

The total amount of considerations allocated to the remaining performance obligations is 182,600 million yen. The remaining performance obligations primarily consist of contract of affreightment of the oceangoing and short-sea/domestic shipping businesses and time charter party which provide designated ships to specific customers for certain periods, including consecutive voyage charter. Revenues arising from such contracts, which can vary depending on various factors including foreign exchange rates and operating costs, are calculated based on the estimates as of the end of fiscal year.

Revenues from the real estate business and bareboat charter party, a type of contract in the oceangoing and short-sea/domestic shipping businesses, are not included in this note as those are mainly from lease transactions and therefore out of the scope of revenue from contracts with customers.

As to the disclosure of consideration allocated to the remaining performance obligations, contracts of which contract periods are initially expected not to exceed one year are excluded from the scope according to the practical expedient.

This note also does not include contracts which have not been concluded at the end of the fiscal year yet, even if the Companies can reliably expect those are to be concluded.
It is expected that approximately half of the remaining performance obligations will be satisfied mostly within the next two years and almost all the remaining performance obligations, except for long-time contracts, such as certain time charter party, will be satisfied mostly within the next ten years.

15. Subsequent events

In the board meeting on June 23, 2022, the Company has approved to dispose of a large oil tanker owned by the group. This will result as "Gain on sales of non-current assets" (extraordinary income) of 2,900 million yen in the second quarter of the fiscal year ending March 31, 2023.

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