



Nippon Yusen Kabushiki Kaisha

Financial Results

Year Ended March 31, 2021

2021



Consolidated Balance Sheet

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(March 31, 2021)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
ASSETS			
CURRENT ASSETS:			
Cash and deposits (Notes 4 and 13, 14)	¥ 107,369	¥ 81,861	\$ 969,824
Notes and operating accounts receivable—trade (Notes 4 and 13)	234,909	191,813	2,121,845
Short-term investment securities (Notes 4 and 5)	144	134	1,309
Inventories (Notes 7 and 13)	37,619	32,532	339,799
Deferred and prepaid expenses	56,438	61,162	509,785
Other	104,108	77,091	940,374
Allowance for doubtful accounts (Note 4)	(2,101)	(2,173)	(18,985)
Total current assets	538,488	442,421	4,863,953
NON-CURRENT ASSETS:			
VESSELS, PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION (Notes 8, 10, 11, and 13):			
Vessels	534,378	603,317	4,826,829
Buildings and structures	109,198	107,643	986,350
Aircraft	35,838	38,023	323,712
Machinery, equipment, and vehicles	26,040	28,856	235,209
Furniture and fixtures	5,303	5,145	47,900
Land	86,912	83,504	785,050
Construction in progress	44,704	44,903	403,797
Other	5,314	4,935	47,999
Total vessels, property, plant and equipment	847,689	916,329	7,656,850
INTANGIBLE ASSETS:			
Leasehold right	4,912	4,926	44,371
Software (Note 13)	5,768	5,915	52,103
Goodwill	10,190	11,055	92,049
Other	3,408	3,670	30,783
Total intangible assets	24,279	25,568	219,308
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4, 5, 9, and 13)	578,892	449,267	5,228,904
Long-term loans receivable (Note 4)	21,393	11,876	193,235
Net defined benefit asset (Note 27)	60,339	41,430	545,020
Deferred tax assets (Note 15)	6,110	4,910	55,197
Other (Note 13)	53,393	46,694	482,286
Allowance for doubtful accounts (Note 4)	(5,350)	(5,567)	(48,326)
Total investments and other assets	714,779	548,611	6,456,318
Total non-current assets	1,586,748	1,490,509	14,332,477
DEFERRED ASSETS	243	333	2,200
TOTAL ASSETS	2,125,480	1,933,264	19,198,631

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
LIABILITIES			
CURRENT LIABILITIES:			
Notes and operating accounts payable–trade (Note 4)	¥ 168,690	¥ 137,911	\$ 1,523,711
Current portion of bonds payable (Notes 4 and 12)	25,000	20,000	225,815
Short-term loans payable (Notes 4, 12, and 13)	161,045	162,675	1,454,661
Commercial papers	–	19,000	–
Leases liabilities (Notes 4 and 12)	19,477	18,740	175,931
Income taxes payable	14,390	5,340	129,980
Advances received	36,405	39,349	328,837
Provision for bonuses	14,063	9,360	127,033
Provision for directors' bonuses	366	310	3,306
Provision for stock payment	170	–	1,535
Provision for losses related to contracts	14,364	–	129,744
Provision for related to business restructuring	3	20	34
Other	88,286	60,906	797,455
Total current liabilities	542,262	473,615	4,898,048
NON-CURRENT LIABILITIES:			
Bonds payable (Notes 4 and 12)	107,000	132,000	966,489
Long-term loans payable (Notes 4, 12, and 13)	560,913	616,234	5,066,509
Leases liabilities (Notes 4 and 12)	77,707	81,203	701,897
Deferred tax liabilities (Note 15)	64,718	44,632	584,576
Net defined benefit liability (Note 27)	16,697	15,920	150,818
Provision for directors' retirement benefits	979	1,067	8,843
Provision for stock payment	551	285	4,982
Provision for periodic dry docking of vessels	14,595	18,536	131,831
Provision for losses related to contracts	52,071	23,078	470,341
Provision for related to business restructuring	927	1,001	8,379
Provision for loss on guarantees	–	224	–
Other	19,645	26,624	177,446
Total non-current liabilities	915,805	960,809	8,272,115
Total liabilities	1,458,068	1,434,424	13,170,164
EQUITY (Notes 16 and 31)			
SHAREHOLDERS' CAPITAL:			
Common stock	144,319	144,319	1,303,584
Capital surplus	44,214	45,737	399,373
Retained earnings	444,801	311,892	4,017,713
Treasury stock	(3,381)	(3,429)	(30,539)
Total shareholders' capital	629,954	498,520	5,690,131
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):			
Unrealized gain (loss) on available-for-sale securities	22,004	9,474	198,758
Deferred gain (loss) on hedges	(29,187)	(27,752)	(263,641)
Foreign currency translation adjustments	(11,365)	(18,966)	(102,659)
Remeasurements of defined benefit plans	13,927	1,388	125,798
Total accumulated other comprehensive income (loss)	(4,621)	(35,856)	(41,744)
Non-controlling interests	42,078	36,175	380,079
Total equity	667,411	498,839	6,028,467
TOTAL LIABILITIES AND EQUITY	2,125,480	1,933,264	19,198,631

	Yen		U.S. dollars (Note 2)
	2021	2020	2021
Equity per share	¥3,703.27	¥2,740.41	\$33.45

See notes to consolidated financial statements.

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(Year ended March 31, 2021)

(Consolidated Statement of Income)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
REVENUES	¥1,608,414	¥1,668,355	\$14,528,175
COSTS AND EXPENSES (Notes 19 and 22)	1,375,232	1,461,434	12,421,935
Gross profit	233,181	206,921	2,106,239
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Notes 18 and 22)	161,644	168,225	1,460,071
Operating profit	71,537	38,696	646,167
NON-OPERATING INCOME:			
Interest income	2,385	3,576	21,544
Dividend income	5,552	7,826	50,151
Equity in earnings of unconsolidated subsidiaries and affiliates	155,928	22,517	1,408,437
Foreign exchange gains	719	–	6,499
Other	5,530	3,387	49,954
Total non-operating income	170,115	37,306	1,536,586
NON-OPERATING EXPENSES:			
Interest expenses	15,978	25,958	144,330
Foreign exchange losses	–	1,399	–
Derivative losses	8,363	2,739	75,539
Other	1,974	1,419	17,837
Total non-operating expenses	26,316	31,516	237,707
Recurring profit	215,336	44,486	1,945,046
OTHER GAINS:			
Gain on sales of non-current assets (Note 20)	42,009	29,245	379,451
Other	5,609	8,203	50,669
Total other gains	47,618	37,448	430,121
OTHER LOSSES:			
Loss on sales of non-current assets (Note 21)	671	530	6,069
Impairment loss (Note 17)	24,385	20,655	220,267
Provision for losses related to contracts (Note 23)	54,955	–	496,393
Other	12,523	18,224	113,118
Total other losses	92,536	39,410	835,848
PROFIT BEFORE INCOME TAXES	170,418	42,525	1,539,319
Income taxes - Current	15,000	1,359	135,489
Income taxes - Deferred	9,102	5,466	82,220
Total income taxes (Note 15)	24,102	6,825	217,709
PROFIT	146,315	35,699	1,321,609
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	7,086	4,569	64,012
PROFIT ATTRIBUTABLE TO OWNERS OF PARENT	139,228	31,129	1,257,596

	Per share of common stock (Note 3. M):	Yen	U.S. dollars (Note 2)
Basic profit	¥824.55	¥184.39	\$7.45
Cash dividends applicable to the year	200.00	40.00	1.81

(Consolidated Statement of Comprehensive Income)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Profit	¥146,315	¥ 35,699	\$1,321,609
Other comprehensive income (Note 24)			
Unrealized gain (loss) on available-for-sale securities	12,339	(13,577)	111,455
Deferred gain (loss) on hedges	1,992	(5,745)	17,993
Foreign currency translation adjustments	9,286	(6,335)	83,882
Remeasurements of defined benefit plans	12,678	(11,319)	114,516
Share of other comprehensive income of associates accounted for using equity method	(4,398)	(9,939)	(39,731)
Total other comprehensive income	31,897	(46,916)	288,116
Comprehensive income	178,212	(11,216)	1,609,725
Comprehensive income attributable to owners of parent	170,463	(14,940)	1,539,726
Comprehensive income attributable to non-controlling interests	7,749	3,723	69,999

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(Year ended March 31, 2021)

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' capital	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, April 1, 2019	¥144,319	¥42,894	¥293,719	¥(3,715)	¥477,218	¥ 23,156	¥(15,685)	¥ (9,988)	¥ 12,731	¥ 10,214	¥34,293	¥521,725
Cumulative effects of changes in accounting policies	-	-	(8,505)	-	(8,505)	-	-	-	-	-	(355)	(8,860)
Restated balance, April 1, 2019	144,319	42,894	285,214	(3,715)	468,713	23,156	(15,685)	(9,988)	12,731	10,214	33,937	512,865
Dividends from surplus	-	-	(5,087)	-	(5,087)	-	-	-	-	-	-	(5,087)
Profit attributable to owners of the parent company	-	-	31,129	-	31,129	-	-	-	-	-	-	31,129
Purchase of treasury stock	-	-	-	(482)	(482)	-	-	-	-	-	-	(482)
Disposal of treasury stock	-	(0)	-	768	768	-	-	-	-	-	-	768
Change in equity of parent related to transactions with non-controlling shareholders	-	2,844	-	-	2,844	-	-	-	-	-	-	2,844
Adjustments due to change in the fiscal period of consolidated subsidiaries	-	-	22	-	22	-	-	-	-	-	-	22
Change in scope of consolidation	-	-	65	-	65	-	-	-	-	-	-	65
Change in scope of equity method	-	-	(177)	-	(177)	-	-	-	-	-	-	(177)
Decrease by merger	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	(1)	723	-	722	-	-	-	-	-	-	722
Net change of items other than shareholders' capital	-	-	-	-	-	(13,682)	(12,067)	(8,978)	(11,342)	(46,070)	2,237	(43,833)
Total changes of items during the period	-	2,843	26,677	286	29,807	(13,682)	(12,067)	(8,978)	(11,342)	(46,070)	2,237	(14,025)
Balance, March 31, 2020	144,319	45,737	311,892	(3,429)	498,520	9,474	(27,752)	(18,966)	1,388	(35,856)	36,175	498,839
Dividends from surplus	-	-	(6,782)	-	(6,782)	-	-	-	-	-	-	(6,782)
Profit attributable to owners of the parent company	-	-	139,228	-	139,228	-	-	-	-	-	-	139,228
Purchase of treasury stock	-	-	-	(15)	(15)	-	-	-	-	-	-	(15)
Disposal of treasury stock	-	3	-	62	66	-	-	-	-	-	-	66
Change in equity of parent related to transactions with non-controlling shareholders	-	(297)	-	-	(297)	-	-	-	-	-	-	(297)
Change in scope of consolidation	-	(1,229)	453	-	(776)	-	-	-	-	-	-	(776)
Other	-	-	9	0	10	-	-	-	-	-	-	10
Net change of items other than shareholders' capital	-	-	-	-	-	12,530	(1,435)	7,601	12,538	31,234	5,903	37,138
Total changes of items during the period	-	(1,523)	132,908	48	131,433	12,530	(1,435)	7,601	12,538	31,234	5,903	168,571
Balance, March 31, 2021	144,319	44,214	444,801	(3,381)	629,954	22,004	(29,187)	(11,365)	13,927	(4,621)	42,078	667,411

Thousands of U.S. dollars (Note 2)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' capital	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, March 31, 2020	\$1,303,584	\$413,132	\$2,817,198	\$(30,974)	\$4,502,941	\$85,576	\$(250,677)	\$(171,317)	\$12,543	\$(323,874)	\$326,756	\$4,505,823
Dividends from surplus	-	-	(61,263)	-	(61,263)	-	-	-	-	-	-	(61,263)
Profit attributable to owners of the parent company	-	-	1,257,596	-	1,257,596	-	-	-	-	-	-	1,257,596
Purchase of treasury stock	-	-	-	(135)	(135)	-	-	-	-	-	-	(135)
Disposal of treasury stock	-	31	-	567	599	-	-	-	-	-	-	599
Change in equity of parent related to transactions with non-controlling shareholders	-	(2,689)	-	-	(2,689)	-	-	-	-	-	-	(2,689)
Change in scope of consolidation	-	(11,102)	4,092	-	(7,009)	-	-	-	-	-	-	(7,009)
Other	-	-	88	3	92	-	-	-	-	-	-	92
Net change of items other than shareholders' capital	-	-	-	-	-	113,182	(12,964)	68,657	113,254	282,130	53,323	335,453
Total changes of items during the period	-	(13,759)	1,200,514	435	1,187,189	113,182	(12,964)	68,657	113,254	282,130	53,323	1,522,643
Balance, March 31, 2021	1,303,584	399,373	4,017,713	(30,539)	5,690,131	198,758	(263,641)	(102,659)	125,798	(41,744)	380,079	6,028,467

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(Year ended March 31, 2021)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
OPERATING ACTIVITIES			
Profit before income taxes	¥ 170,418	¥ 42,525	\$ 1,539,319
Adjustments for:			
Depreciation and amortization	98,803	104,057	892,457
Impairment loss	24,385	20,655	220,267
Loss (gain) on sales and retirement of vessels, property, plant and equipment and intangible assets	(41,063)	(28,384)	(370,912)
Loss (gain) on sales of short-term and long-term investment securities	(963)	(7,179)	(8,699)
Loss (gain) on valuation of short-term and long-term investment securities	4,358	10,938	39,369
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(155,928)	(22,517)	(1,408,437)
Interest and dividend income	(7,937)	(11,402)	(71,695)
Interest expenses	15,978	25,958	144,330
Foreign exchange losses (gains)	(3,285)	401	(29,676)
Decrease (increase) in notes and accounts receivable—trade	(35,150)	20,999	(317,499)
Decrease (increase) in inventories	(4,789)	7,041	(43,257)
Increase (decrease) in notes and accounts payable—trade	25,534	(17,712)	230,639
Increase (decrease) in provision for losses related to contracts	43,357	(12,386)	391,628
Other, net	11,342	(3,614)	102,449
Subtotal	145,061	129,380	1,310,282
Interest and dividend income received	42,000	21,851	379,371
Interest expenses paid	(16,864)	(25,866)	(152,326)
Paid expenses related to antitrust law	(958)	—	(8,654)
Income taxes paid	(9,902)	(8,434)	(89,447)
Net cash provided by operating activities	159,336	116,931	1,439,225
INVESTING ACTIVITIES			
Purchase of vessels, property, plant, and equipment and intangible assets	(102,087)	(138,766)	(922,115)
Proceeds from sales of vessels, property, plant and equipment and intangible assets	76,026	70,837	686,719
Purchase of investment securities	(14,121)	(13,728)	(127,552)
Proceeds from sales and redemption of investment securities	12,916	20,729	116,670
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(579)	—	(5,238)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	1,762	—	15,923
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation (Note 14)	(0)	(424)	(0)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation (Note 14)	883	379	7,984
Payments of loans receivable	(19,221)	(11,803)	(173,619)
Collections of loans receivable	22,415	15,767	202,469
Other, net	5,132	2,141	46,360
Net cash used in investing activities	(16,871)	(54,867)	(152,396)
FINANCING ACTIVITIES			
Net increase (decrease) in short-term loans payable	(64,207)	(37,136)	(579,964)
Net increase (decrease) in commercial papers	(19,000)	8,000	(171,619)
Proceeds from long-term loans payable	125,187	85,939	1,130,773
Repayments of long-term loans payable	(115,651)	(90,950)	(1,044,632)
Proceeds from issuance of bonds	—	26,856	—
Redemption of bonds	(20,000)	(30,000)	(180,652)
Repayments of leases liabilities	(19,903)	(19,275)	(179,780)
Proceeds from share issuance to non-controlling shareholders	1,221	3,271	11,034
Purchase of treasury stock	(15)	(482)	(135)
Proceeds from sales of treasury stock	33	334	303
Cash dividends paid to shareholders	(6,782)	(5,087)	(61,263)
Cash dividends paid to non-controlling interests	(3,359)	(4,436)	(30,340)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(925)	—	(8,360)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	3,058	—
Other, net	(2,081)	(1,827)	(18,805)
Net cash used in financing activities	(125,483)	(61,733)	(1,133,443)
Effect of exchange rate change on cash and cash equivalents	8,688	(1,550)	78,475
Net increase (decrease) in cash and cash equivalents	25,669	(1,219)	231,860
Cash and cash equivalents at beginning of period	77,092	78,280	696,341
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	709	26	6,408
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	122	30	1,107
Increase (decrease) in beginning balance of cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries	—	(26)	—
Cash and cash equivalents at end of period (Note 14)	103,593	77,092	935,718

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(Year ended March 31, 2021)

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements from International Financial Reporting Standards.

In preparing these consolidated financial statements, additional information is provided in order to present the consolidated financial

statements in a format familiar to international readers. The result of this does not affect the financial position, results of operations, and cash flows of the consolidated companies as reported in the original consolidated financial statements.

Yen figures less than a million yen are rounded down to the nearest million yen, except for per share data. U.S. dollar figures less than a thousand dollars are rounded down to the nearest thousand dollars, except for per share data.

2. U.S. Dollar Amounts

The accompanying consolidated financial statements are stated in yen, and the U.S. dollar amounts represent the arithmetical results of translating yen to U.S. dollars using the exchange rate prevailing at March 31, 2021, which was ¥110.71 to \$1.00. The statements in such dollar amounts are solely for the convenience of readers

outside Japan and are not intended to imply that the yen amounts have been, or could be, readily converted, realized, or settled in dollars at that rate, or any other rates, of exchange.

3. Summary of Significant Accounting Policies

A. Consolidation Policies

(1) The consolidated financial statements include the accounts of Nippon Yusen Kabushiki Kaisha (the "Company") and its 502 consolidated subsidiaries (the "NYK Group") at March 31, 2021.

During the fiscal year ended March 31, 2021, the Company newly established five companies that were included within the scope of consolidation as they were newly established.

A total of 24 companies were included in the scope of consolidation as their total assets, revenues, profit, and retained earnings, etc., increased to material amounts.

One company was included in the scope of consolidation due to the acquisition of its shares.

Four companies were changed from unconsolidated subsidiaries accounted for by the equity method to consolidated subsidiaries due to additional acquisitions of their shares.

Four companies were changed from affiliates accounted for by the equity method to consolidated subsidiaries due to additional acquisitions of their shares.

One company was changed from a consolidated subsidiary to an affiliate accounted for by the equity method due to a partial disposal of shares.

A total of 29 companies were excluded from the scope of consolidation as they were liquidated.

Four companies were excluded from the scope of consolidation due to mergers.

Three companies were excluded from the scope of consolidation due to the disposal of their shares.

There are no significant unconsolidated subsidiaries that require particular mention.

The total amounts of total assets, net sales, equity in net profits, and equity in retained earnings of unconsolidated subsidiaries are all insignificant compared with the total amounts of total assets, net sales, equity in net profits, and retained earnings of the Company's consolidated subsidiaries, and since they do not exert a material impact on the consolidated financial statements as a whole, they have been excluded.

(2) Investments in unconsolidated subsidiaries and affiliates are accounted for either using the cost method or using the equity method, depending on the extent of influence or fiscal significance each carries. The Company accounted for 3 unconsolidated subsidiaries and 203 affiliates using the equity method at March 31, 2021.

In the consolidated fiscal year ended March 31, 2021, 11 companies were included in the scope of companies accounted for using the equity method as their total assets, revenues, profit, and retained earnings, etc., increased to material amounts.

One company was changed from a consolidated subsidiary to an affiliate accounted for by the equity method due to a partial disposal of shares.

Four companies were changed from affiliates accounted for by the equity method to consolidated subsidiaries due to additional acquisitions of their shares.

Four companies were changed from unconsolidated subsidiaries accounted for by the equity method to consolidated subsidiaries due to additional acquisitions of their shares.

Two companies were excluded from the scope of application of the equity method as they were liquidated.

Two companies were excluded from the scope of consolidation due to mergers.

There are no unconsolidated subsidiaries or affiliated companies not accounted for by the equity method that require particular mention.

The total amounts of equity in net profits and retained earnings of unconsolidated subsidiaries or affiliated companies not accounted for by the equity method are insignificant compared with the total amounts of equity in net profits of the Company's consolidated subsidiaries and affiliated companies accounted for by the equity method, and their impact on retained earnings is thus negligible. Since they do not exert a material impact on the consolidated financial statements as a whole, they have been excluded.

For one of the companies accounted for by the equity method whose closing date for their financial statements is December 31, the Company has used financial statements based on a provisional closing conducted as of the closing date for the consolidated financial statements. For the other companies with closing dates that differ from the consolidated closing date, the Company has used the financial statements for each company's financial year.

- (3) Any material difference between the cost of an investment in a subsidiary and the amount of underlying equity in net assets of the subsidiary upon inclusion in the consolidation, unless specifically identified and reclassified to the applicable accounts from which the value originates, is treated as goodwill or negative goodwill, as the case may be, and amortized over a period of 5 to 20 years on a straight-line basis.
- (4) All significant intercompany balances, transactions, and material unrealized profit within the consolidated group have been eliminated in consolidation.

B. Accounting Period

The Company's accounting period begins each year on April 1 and ends the following year on March 31.

During the fiscal year ended March 31, 2021, December 31 was used by 40 consolidated subsidiaries as the closing date for their financial statements. Necessary adjustments have been made to address transactions that occurred between closing dates different to that of the Company.

Eight companies with a fiscal year end of December 31 provide financial statements based on provisional settlement of accounts as of March 31 to facilitate preparation of the consolidated financial statements.

C. Foreign Currency Financial Statements

The balance sheet accounts of consolidated foreign subsidiaries are translated into yen at the current exchange rate as of the balance sheet date, except for equity, which is translated at the historical rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity and "Non-controlling interests."

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

D. Valuation of Assets

- (1) Short-term and long-term investment securities are classified and accounted for, depending on management's intent, as follows:
 - i) Held-to-maturity debt securities to maturity are reported at amortized cost.
 - ii) (a) Available-for-sale securities with fair value, which are not classified as the aforementioned securities, are reported at fair values, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity and (b) available-for-sale securities whose fair values are not readily determinable are reported at cost using the moving average method.
- (2) Derivatives are valued at market.
- (3) Inventories are stated at the lower of cost, determined by the first-in, first-out method, or net selling value, which is defined as the selling price, less additional estimated manufacturing costs and estimated direct selling expenses.

E. Depreciation and Amortization

- (1) Vessels, property, plant and equipment, except for lease assets, are depreciated as follows:

Vessels, property, plant and equipment are depreciated generally by the straight-line method.
- (2) Intangible assets, except for lease assets, are amortized as follows:

Computer software is amortized by the straight-line method based principally on the length of period it can be used internally (five years). Other intangible assets are amortized by the straight-line method.
- (3) Leased assets are depreciated as follows:

Leased assets related to financial leases that transfer ownership rights are depreciated by the same depreciation method that is applied to fixed assets owned by the Company. Leased assets related to financial leases that do not transfer ownership rights are depreciated under the straight-line method based on the lease term as the useful life and assuming no residual value.

Some overseas consolidated subsidiaries applied IFRS 16 Leases. Consequently, as a general rule, each of the lessees' leases is recorded as either an asset or a liability on the consolidated balance sheet, and recognized right-of-use assets are depreciated using the straight-line method.

F. Capitalization of Interest Expenses

Interest expenses are generally charged to income as incurred. However, interest expenses incurred in the construction of certain assets, particularly projects for vessels, are capitalized and included in the costs of assets when a construction period is substantially

long and the amount of interest incurred during such a period is significantly material.

G. Accounting for Consumption Taxes

Consumption taxes are accounted for by the tax exclusion method.

H. Provisions

(1) Allowance for doubtful accounts:

The allowance for doubtful accounts is provided to prepare for credit losses on sales receivables, loans, and so forth. It is stated as the projected unrecoverable amount, calculated based on the historical default rate for general receivables and on individual collectability for specific receivables such as doubtful accounts.

(2) Provision for bonuses:

To provide for bonuses paid to employees, provision for bonuses is recorded as the amount of projected future payments that is attributable to the fiscal year under review.

(3) Provision for directors' bonuses:

To provide for bonuses paid to Directors and Audit and Supervisory Board Members, provision for bonuses is recorded as the amount of projected future payments that is attributable to the fiscal year under review.

(4) Provision for directors' retirement benefits:

To provide for the payment of retirement benefits to Directors and Audit and Supervisory Board Members in accordance with internal policies, certain consolidated subsidiaries record such provisions calculated as the estimated amount that would be payable if all Directors and Audit and Supervisory Board members were to retire at the balance sheet date.

(5) Provision for stock payment:

Provision for stock payment is calculated based on the estimated amount of shares of the Company corresponding to the points granted to eligible Directors and Executive Officers at the end of the fiscal year under review, to prepare for the payment of the Company stocks to Directors and Executive Officers based on the Share Delivery Rules.

(6) Provision for periodic dry docking of vessels:

Provision for periodic dry docking of vessels is provided based on the estimated amount of expenditures for periodic dry docking in the future.

(7) Provision for losses related to contracts:

Provision for possible losses associated with the fulfillment of fixed-term vessel charter contracts, performance of lease contracts, or early redelivery of vessels, and purchase of non-current assets are based on estimated amounts of future losses.

(8) Provision related to business restructuring:

Provision for losses resulting from business restructuring is provided in preparation for estimated future losses.

(9) Provision for loss on guarantees:

Provision for possible losses on guarantees, etc., to subsidiaries or affiliates, is recorded based on the estimated amount of

losses, individually taking into account the financial condition etc., of the guaranteed.

I. Accounting Method for Retirement Benefits

(1) Method of attributing estimated amounts of retirement benefits to periods:

In calculating defined benefit obligations, the estimated amount of retirement benefits attributed to a period up to the fiscal year under review is primarily determined based on a benefit formula basis.

(2) Amortization of unrecognized actuarial gain (loss) and prior service cost:

Unrecognized actuarial gain (loss) is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over a certain period (primarily eight years), which is not more than the average remaining service period of employees.

Prior service cost is amortized by the straight-line method over a certain period (primarily eight years), which is not more than the average remaining service period of employees.

J. Income Taxes

The Company and its subsidiaries recognize future tax consequences of temporary differences between assets and liabilities in accounting and tax treatments. Deferred taxes are computed based on the pretax income or loss included in the consolidated statement of income and measured by applying currently enacted laws to the temporary differences. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of the temporary differences between the carrying amounts and the tax bases of assets and liabilities.

Adoption of consolidated taxation system

The Company and some of its consolidated subsidiaries adopted the consolidated taxation system from the consolidated fiscal year under review, with the Company as the consolidated parent company for tax payment purposes.

Adoption of tax effect accounting for the transition from the consolidated taxation system to the group tax relief system

With regard to items that were shifted to the Japanese group tax relief system, which was established by the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020), and those for which the consolidated taxation system was reviewed in line with the shift to the Japanese group tax relief system, the Company and some of its consolidated subsidiaries do not apply the provisions of Item 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, issued on February 16, 2018) in accordance with the treatment provided for under Item 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation

System to the Group Tax Sharing System" (ASBJ PITF No. 39, issued on March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities are instead accounted for by following the provisions of the tax law before the amendment.

K. Freight Revenue and Expense Recognition

Freight revenues and expenses are recognized by two different methods depending on types of cargo transportation.

(1) Transportation by containerships:

Revenues and expenses arising from ocean transportation of containers are recognized proportionately to shipments move.

(2) Transportation by vessels other than containerships:

Revenues and expenses from transportation by vessels other than containerships are principally recognized upon the voyage completion method.

L. Method of Accounting for Material Hedge Transactions

For assets, liabilities, and planned transactions, the Company and its consolidated subsidiaries apply hedge accounting to derivative transactions in order to offset risks posed by fluctuations in interest rates, foreign currency exchange rates, and cash flows. In addition, hedge accounting is also applied to derivative transactions used to mitigate the risks of price fluctuations in fuel procurement and others. For hedge accounting, the Company and its consolidated subsidiaries adopt a deferred hedge method that requires the Company to mark the derivative transactions effective as hedges to market and to defer the valuation loss/gain. For forward foreign exchange contracts, etc., that meet the required conditions under the accounting standard, the Company and its consolidated subsidiaries translate hedged foreign currency assets and liabilities at the rates of these contracts. In addition, for interest rate swap contracts, etc., that meet specified conditions under the accounting standard, the related interest differentials paid or received under the contracts are included in the interest income/expense of the hedged financial assets and liabilities. In addition, the following hedging methods for various risks are utilized: interest rate swaps to hedge the risk of interest rate fluctuations related to borrowings, bonds, and others; currency swap contracts, forward foreign currency exchange contracts, debts, and credits in foreign currency to hedge the foreign exchange risk associated with monetary assets and liabilities, expected transactions, and others; and fuel swap contracts to hedge the risk of price fluctuations in fuel oil and others. The Company and its consolidated subsidiaries evaluate the effectiveness of hedging methods at the end of each financial quarter, except for interest rate swaps and interest rate caps that meet specified conditions under the accounting standard by analyzing the ratios of the cumulative amount of market fluctuation or cash flow among the hedging financial instruments and the hedged items.

For foreign currency transactions, both short-term and long-term receivables and payables denominated in foreign currencies are translated into yen at exchange rates in effect at the balance sheet date.

However, short-term and long-term receivables and payables covered by forward exchange contracts are translated at the contract rates.

Any differences between the foreign exchange contract rates and historical rates resulting from the translation of receivables and payables are recognized as income or expense over the lives of the related contracts.

However, interest rate swaps, etc., that are subject to special accounting treatment are excluded from the abovementioned evaluation.

Of the above hedges, all of those falling under the scope of application of "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (the Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 40, issued on September 29, 2020) were subjected to special treatment stipulated in the above solution. Details of hedges subjected to said special treatment are as follows.

Method for hedge accounting: Deferred hedge method, special accounting treatment

Hedging instruments: Interest rate swap, currency swap

Hedged items: Accounts payable, loans payable

Types of hedge transactions: To cancel out exchange fluctuations; to secure stable cash flows

M. Per Share Information

Basic profit per share is computed by dividing profit available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock or reverse stock splits.

Cash dividends per share consist of interim dividends paid during the year and dividends to be paid after the end of the year.

When calculating equity per share, the shares held by the performance-based stock remuneration Board Incentive Plan (BIP) trust are included in the treasury shares deducted from the total number of issued shares at the fiscal year-end. Also, when calculating profit per share, the shares held by the BIP trust are included in the treasury shares deducted when calculating the weighted-average number of common shares outstanding for the period.

The number of treasury shares deducted when calculating equity per share was 730 thousand shares in the previous consolidated fiscal year and 696 thousand shares in the consolidated fiscal year under review. Also, the average number of treasury shares for the period deducted when calculating profit per share was 732 thousand shares in the previous consolidated fiscal year and 705 thousand shares in the consolidated fiscal year under review.

N. Cash and Cash Equivalents

Cash and cash equivalents are composed of cash on hand, bank deposits that are able to be withdrawn on demand, and short-term investments with original maturities of three months or less that are exposed to minor value fluctuation risk.

O. Significant Accounting Estimates

(1) Impairment losses of non-current assets

- The amount recorded for the consolidated fiscal year under review mainly includes ¥534,378 million (\$4,826,829 thousand) for vessels and ¥35,838 million (\$323,712 thousand) for aircraft.
- Information on the significant accounting estimate

If any indicators of impairment exists for assets or asset groups (hereinafter the "asset group"), such asset group is subject to measurement of impairment loss in which the recoverable amount is calculated based on value in use or the net selling price at disposition for the asset group.

Value in use is calculated as the discounted present value for future cash flows.

Significant assumptions in business plans that form the basis of future cash flows are mainly composed of market conditions for freight and charter rates and future prospects of cargo demand.

In forecasting the conditions of the shipping and air cargo markets, the assumptions concerning the impact of the COVID-19 pandemic, the timing of its subsidence, and the market trends thereafter are as follows.

Although the timing of the subsidence of COVID-19 remains uncertain, the Company assumes that disruptions to the logistics network as a whole are decreasing as workers are returning to work due to vaccinations, and that demand and supply will gradually reach an appropriate balance.

The period to estimate the future cash flows is based on the average remaining useful lives of vessels and aircraft within the asset group concerned.

The Company uses discount rates derived primarily based on capital cost.

The net selling price at disposition is primarily estimated based on the valuation results made by management's experts.

In the event future prospects worsen for market conditions for freight and charter rates and future prospects of cargo demand or devaluation of vessels and aircraft, new or additional impairment losses may be recognized.

(2) Provision for losses related to contracts associated with dry bulk restructuring

- The provision for losses related to contracts recorded for the consolidated fiscal year under review was ¥42,617 million (\$384,942 thousand).
- Information on the significant accounting estimate

As part of dry bulk restructuring, which is one of the measures in the current medium-term management plan, the Company has made the decision to cancel time charter contracts in the future.

In order to provide for the losses arising from such redeliveries, including cancellation penalties for time charter contracts, an estimated amount of future losses is recognized as provision for losses related to contracts.

Cancellation penalties are incurred based on the agreement with the owners of the vessels that the Company has decided to end its contracts.

As final agreements have not yet been reached between the Company and the owners of the vessels for some contracts as of the end of the consolidated fiscal year under review, uncertainty remains in the evaluation of the likelihood of the cancellation of the contracts.

The Company evaluates such likelihood comprehensively in view of the progress of negotiations at each company.

Furthermore, since there is no provision for cancellation penalties in time charter contracts, in light of the level of cancellation penalties in past cancellations, the Company estimated contract cancellation fees based on the terms and conditions of time charter contracts, current and future shipping market rates, and vessel prices in the second hand vessel sales market, among others.

In forecasting the conditions of the shipping, the assumptions concerning the impact of the COVID-19 pandemic, the timing of its subsidence, and the market trends thereafter are as follows.

Although the timing of the subsidence of COVID-19 remains uncertain, the Company assumes that disruptions to the logistics network as a whole are decreasing as workers are returning to work due to vaccinations, and that demand and supply will gradually reach an appropriate balance.

In the event of significant deviations arising between the actual and estimated cancellation penalties, the Company may recognize further provisions or reverse provisions.

P. Yet to Be Adopted Accounting Standards

In the fiscal year under review, the Company had not yet adopted the following standards:

"Accounting Standard for Revenue Recognition" (Statement No. 29), issued by the ASBJ on March 31, 2020, the "Implementation Guidance on Accounting Standard for Revenue Recognition" (Guidance No. 30), issued by the ASBJ on March 26, 2021, and the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (Guidance No. 19), issued by the ASBJ on March 31, 2020.

i) Background

The International Accounting Standards Board (IASB) and the U.S.-based Financial Accounting Standards Board (FASB) have been jointly developing a comprehensive accounting standard related to revenue recognition and announced a new guidance, "Revenue from Contracts with Customers" (issued as IFRS 15 by the IASB and Topic 606 by the FASB), in May 2014. Given that IFRS 15 could be adopted effective from fiscal years starting from January 1, 2018, or later, and Topic 606 could be adopted effective from fiscal years starting from December 15, 2017, or later, the ASBJ also established a comprehensive accounting standard related to revenue recognition and announced it together with the implementation guidance.

As its basic policy when developing its standard, the ASBJ reflected the fundamental principles of IFRS 15 in order to

ensure that financial statements disclosed in Japan would be comparable, recognizing that as one of the benefits of maintaining consistency with this particular international financial reporting standard. Furthermore, to deal with cases of accounting entries that could arise in consideration of business procedures that have been carried out in Japan in the past, the ASBJ included alternative treatments within a scope that would not compromise the comparability of financial statements.

ii) Scheduled date of adoption

The Company plans to adopt the standards, above, from April 1, 2021.

iii) Impact of adopting the accounting standards

At the time of preparing this report, the Company was in the process of assessing the monetary impact of adopting the "Accounting Standard for Revenue Recognition" and other related matters on its statements of consolidated financial results.

"Accounting Standard for Fair Value Measurement" (Statement No. 30), "Accounting Standard for Measurement of Inventories" (Statement No. 9), "Accounting Standard for Financial Instruments" (Statement No. 10), and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (Guidance No. 31), all issued by the ASBJ on July 4, 2019, and the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (Guidance No. 19), issued by the ASBJ on March 31, 2020

i) Background

The ASBJ announced the "Accounting Standard for Fair Value Measurement" and so forth having conducted initiatives to achieve compatibility with Japanese and international accounting standards regarding guidance and disclosure related mainly to the fair values of financial instruments. The ASBJ's action takes into consideration the status of IFRS 13 Fair Value Measurement under the International Financial Reporting Standards (IFRS) and Accounting Standards Codification Topic 820 Fair Value Measurement, in which the International Accounting Standards Board (IASB) and the U.S.-based Financial Accounting Standards Board (FASB) offer substantially the same guidance on measurement of fair values.

As its basic policy for developing its standard, the ASBJ has generally incorporated all of the provisions of IFRS 13 with a view to improving the comparability of financial statements between Japanese and overseas corporations by using a unified method for measurement. Furthermore, in consideration of business procedures that have been carried out in Japan in the past, the ASBJ has prescribed other treatments for individual items within a scope that does not substantially compromise the comparability of financial statements.

ii) Scheduled date of adoption

The Company will adopt the standard, above, from April 1, 2021.

iii) Impact of adopting the accounting standards

At the time of preparing this report, the Company was in the process of assessing the monetary impact of adopting the "Accounting Standard for Fair Value Measurement" and other related matters on its statements of consolidated financial results.

Q. Changes in Presentation

(1) Consolidated Statement of Income

"Derivative losses," which was included in "Other" under "Non-operating expenses" in the fiscal year ended March 31, 2020, has been presented as a separate item in the consolidated fiscal year under review because the amount exceeded 10% of total non-operating expenses. The consolidated financial statements for the fiscal year ended March 31, 2020 were restated in order to reflect this change in the presentation method.

Consequently, the previously stated amount of ¥4,158 million for "Other" under "Non-operating expenses" in the consolidated statement of income for the fiscal year ended March 31, 2020 has been reclassified as "Derivative losses" totaling ¥2,739 million and "Other" amounting to ¥1,419 million.

"Gain on sales of investment securities," which was presented as a separate item under "Other gains" in the consolidated statement of income for the fiscal year ended March 31, 2020, has been included in "Other" in the consolidated fiscal year under review because the amount was less than 10% of the total of other gains. The consolidated financial statements for the fiscal year ended March 31, 2020 were restated in order to reflect this change in the presentation method.

Consequently, the previously stated amount of ¥6,373 million for "Gain on sales of investment securities" under "Other gains" in the consolidated statement of income for the fiscal year ended March 31, 2020 has been reclassified as "Other."

"Loss on valuation of investment securities," which was presented as a separate item under "Other losses" in the consolidated statement of income for the fiscal year ended March 31, 2020, has been included in "Other" in the consolidated fiscal year under review because the amount was less than 10% of the total of other losses. The consolidated financial statements for the fiscal year ended March 31, 2020 were restated in order to reflect this change in the presentation method.

Consequently, the previously stated amount of ¥10,886 million for "Loss on valuation of investment securities" under "Other losses" in the consolidated statement of income for the fiscal year ended March 31, 2020 has been reclassified as "Other."

(2) Consolidated Statement of Cash Flows

"Increase (decrease) in provision for losses related to contracts," which was included in "Other" under "Operating activities" in the fiscal year ended March 31, 2020, has been presented as a separate item in the consolidated fiscal year under review because the amount became material. The consolidated financial statement for the fiscal year ended March 31, 2020 was restated in order to reflect this change in the presentation method.

Consequently, the previously stated amount of ¥(16,001) million for "Other, net" under "Operating activities" in the consolidated statement of cash flows for the fiscal year ended March 31, 2020, has been reclassified as "Increase (decrease) in provision for losses related to contracts," totaling ¥(12,386) million and "Other, net" amounting to ¥(3,614) million.

(3) Application of the "Accounting Standard for Disclosure of Accounting Estimates"

The Company has adopted the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, issued on March 31, 2020) from the consolidated financial statements for the fiscal year ended March 31, 2021, whereby notes on significant accounting estimates are presented in the notes to the consolidated financial statements.

However, pursuant to the transitional provisions set out in Paragraph 11 of the Accounting Standard, these notes do not include notes pertaining to the previous consolidated fiscal year.

R. Additional Information

(1) Transactions Related to the Board Incentive Plan Trust

Based on the resolution at the General Meeting of Shareholders held on June 20, 2016, the Company introduced the "Board

Incentive Plan Trust" (the "Plan") as a performance-based stock remuneration plan, and the Plan was extended at the Board of Directors meeting held in March 2019. Accounting treatments related to the trust are in accordance with "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts" (PITF No. 30, March 26, 2015).

The Plan is a stock remuneration plan for Directors and Executive Officers of the Company (excluding Outside Directors, Directors and Executive Officers who are non-residents of Japan, foreign nationals, and/or directors of listed subsidiaries; hereinafter collectively referred to as "Director(s), etc."), wherein a trust established by the Company (Board Incentive Plan Trust) acquires the Company's shares using the cash contributed by the Company. Through this trust, the Company's shares and money equivalent to the amount obtained by converting the Company's shares into cash corresponding to the points granted based on the degree of achievement of business performance of each fiscal year and according to individual position of the recipient are delivered and paid to Directors, etc.

The Company's shares remaining in the Trust are recorded under equity as treasury stock, calculated based on the total book value (excluding incidental expenses) of the shares in the Trust. As of March 31, 2021, the Company's treasury stock consisted of 696 thousand shares with a total book value of ¥1,220 million, (\$11,019 thousand), compared with 730 thousand shares and a total book value of ¥1,280 million as of March 31, 2020.

In addition, the estimated amount of the above Directors' remuneration allotted at the end of the consolidated fiscal year under review was recorded as provision for stock payment.

4. Financial Instruments

(1) Disclosure on Financial Instruments

a. Policy on financial instruments

Internal funding provides the Company and its consolidated subsidiaries with some of the funds they require for capital expenditures for vessels, aircraft, and transport equipment, as well as working capital. Other funds are procured from outside sources. Methods of raising funds include loans from banks and other financial institutions, as well as issuing corporate bonds. Funds are invested mainly in short-term deposits. The Company and its consolidated subsidiaries utilize derivatives to hedge risks mentioned below and do not engage in speculative financial transactions.

b. Contents and risks of financial instruments

Notes and operating accounts receivable-trade are subject to client credit risk. In addition, foreign currency-denominated transactions are subject to foreign exchange rate risk.

Investment securities include held-to-maturity debt securities and corporate shares. The Company and its consolidated subsidiaries mainly used the current value method to evaluate investment securities that have explicit fair values, taking as the fair value the average market price during the one-month period preceding the end of the fiscal year. Consequently, shifts in stock market conditions could affect the operating performance and financial condition of the Company and its consolidated subsidiaries.

Notes and operating accounts payable-trade are settled in the short term. Of these, transactions denominated in foreign currencies are subject to foreign exchange rate risk.

Loans payable are subject to interest rate risk, and the Company and its consolidated subsidiaries utilize derivative financial instruments to hedge against these risks.

As for derivative financial instruments, to avert interest rate risks associated with loans payable, the Company and its

consolidated subsidiaries utilize interest rate swap contracts. To avert foreign exchange risk associated with foreign currency assets and liabilities, the Company and its consolidated subsidiaries utilize forward foreign exchange contracts and currency swap contracts. Similarly, to deal with the risk of price fluctuations in fuel and chartered freight, the Company and its consolidated subsidiaries utilize fuel swap contracts, freight (chartered-freight) forward transactions, and other methods.

The details of hedge accounting for derivative financial instruments are described below. Methods for evaluating effectiveness of hedging are described above in "3. Summary of Significant Accounting Policies, L. Method of Accounting for Material Hedge Transactions."

① Hedge accounting method

The Company and its consolidated subsidiaries primarily adopt deferral hedge accounting that requires marking the derivative financial instruments effective as hedges to market, and deferring the valuation loss/gain. For forward foreign exchange contracts, etc., that meet the required conditions for designation accounting under the accounting standard, the Company and its consolidated subsidiaries translate hedged foreign currency assets and liabilities at the rates of these contracts. In addition, for interest rate swap contracts that meet specified conditions for exceptional accounting under the accounting standard, the related interest differentials paid or received under the contracts are included in the interest income/expense of the hedged financial assets and liabilities.

② Principal hedging methods and items hedged

Principal hedging methods	Principal items hedged
Currency swap contacts	Loans payable and receivable
Interest rate swap contracts	Loans payable and receivable
Fuel swap contracts	Purchase price of fuel
Forward foreign exchange contracts	Forecasted foreign currency transactions, investment in overseas subsidiaries

③ Risks inherent in derivative transactions

Derivative transactions are subject to inherent market risk, which is derived from future changes in market prices (currency rates, interest rates, commodity prices and share prices), and credit risk, which arises from the counterparties becoming unable to perform their contractual obligations. The derivative financial instruments utilized by the Company and its consolidated subsidiaries are only those that offset the fluctuation in fair value of the underlying financial assets and liabilities; thereby, the Company and its consolidated subsidiaries are not exposed to material market risk. The counterparties in the derivative transactions are financial institutions with high credit ratings, implying that credit risk is immaterial.

c. Risk management for financial instruments

① Credit risk management

The Company utilizes credit management regulations to minimize its risk on notes and operating accounts receivable-trade and long-term loans receivable. In terms of held-to-maturity debt securities, in line with asset management regulations, the Company and its consolidated subsidiaries hold only highly rated debt securities, so credit risk is negligible.

② Market risk management

To hedge exchange rate fluctuation risk associated with foreign currency assets and liabilities, the Company and its consolidated subsidiaries make use of forward foreign exchange contracts, currency swap contracts, and other methods.

The Company and its consolidated subsidiaries utilize interest rate swaps and other methods to avert the fluctuation risks of interest paid on loans payable.

The Company and its consolidated subsidiaries periodically ascertain the price of short-term and long-term investment securities and the financial conditions of their issuers (corporate business partners).

The Company and its consolidated subsidiaries review the status of their holdings in instruments other than held-to-maturity debt securities on an ongoing basis, taking into consideration their relationships with their corporate business partners.

The derivative transactions of the Company and its consolidated subsidiaries follow the internal approval process specified in the Company's Rules for Risk Management Employing Financial Instruments and other rules and regulations, and are subject to internal controls operated principally by the divisions in charge of accounting. In addition, to prevent improper transactions, the back-office function for these transactions is performed by personnel of the Company and its consolidated subsidiaries who are not directly involved in the transactions. Information regarding the amounts, etc., of derivative transaction contracts is reported regularly to the Board of Directors.

③ Management of liquidity risk associated with capital raising activities

Cash planning is made and updated by the financial division of the Company on a timely basis based on reports from business divisions of the Company, and the Company also enters into commitment-line contracts with a number of financial institutions in order to meet unexpected cash demand.

d. Supplementary explanation of fair value of financial instruments and others

The fair value of financial instruments includes, in addition to the value determined based on market prices, valuations calculated on a reasonable basis if no market price is available. However, as

certain variables are used for these calculations, the result of such calculations may vary if different assumptions are used.

The contract amounts of interest rate swap transactions and currency swap transactions do not represent the amounts exchanged by the parties and do not measure the Company's and its consolidated subsidiaries' exposure to credit or market risk.

(2) Disclosure of the Fair Value of Financial Instruments and Others

The table below shows the book value of financial instruments as indicated in the consolidated balance sheets as of March 31, 2021 and 2020, as well as their fair values and unrealized gains or losses. Note that financial instruments for which fair value cannot be reliably determined are not included in this table (refer to Note b).

	Millions of yen						Thousands of U.S. dollars (Note 2)		
	2021			2020			2021		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
① Cash and deposits	¥ 107,369	¥ 107,369	¥ -	¥ 81,861	¥ 81,861	¥ -	\$ 969,824	\$ 969,824	\$ -
② Notes and operating accounts receivable-trade	234,909	-	-	191,813	-	-	2,121,845	-	-
Allowance for doubtful accounts *1	(1,074)	-	-	(906)	-	-	(9,708)	-	-
Balance	233,834	233,834	-	190,906	190,906	-	2,112,136	2,112,136	-
③ Short-term and long-term investment securities (Note 5)									
Available-for-sale securities	83,890	83,890	-	73,298	73,298	-	757,749	757,749	-
Investments in affiliates	17,697	10,624	(7,072)	16,809	8,220	(8,588)	159,853	95,970	(63,883)
④ Long-term loans receivable	21,393	-	-	11,876	-	-	193,235	-	-
Allowance for doubtful accounts *1	(751)	-	-	(553)	-	-	(6,784)	-	-
Balance	20,641	22,403	1,761	11,322	13,147	1,825	186,451	202,366	15,915
Total	463,433	458,123	(5,310)	374,198	367,434	(6,763)	4,186,015	4,138,047	(47,968)
① Notes and operating accounts payable-trade	168,690	168,690	-	137,911	137,911	-	1,523,711	1,523,711	-
② Current portion of bonds payable	25,000	25,000	-	20,000	20,000	-	225,815	225,815	-
③ Short-term loans payable	161,045	161,045	-	162,675	162,675	-	1,454,661	1,454,661	-
④ Commercial papers	-	-	-	19,000	19,000	-	-	-	-
⑤ Leases liabilities (current)	19,477	19,477	-	18,740	18,740	-	175,931	175,931	-
⑥ Bonds payable	107,000	108,275	1,275	132,000	133,180	1,180	966,489	978,007	11,518
⑦ Long-term loans payable	560,913	568,452	7,539	616,234	626,263	10,028	5,066,509	5,134,609	68,100
⑧ Leases liabilities (non-current)	77,707	84,149	6,442	81,203	86,775	5,571	701,897	760,088	58,190
Total	1,119,833	1,135,090	15,256	1,187,764	1,204,545	16,780	10,115,016	10,252,825	137,809
Derivative financial instruments *2	(11,064)	(11,064)	-	(5,199)	(5,199)	-	(99,944)	(99,944)	-

* 1. An individual listing of allowance for doubtful accounts on notes and operating accounts receivable-trade and long-term loans receivable has been omitted.

* 2. Amount of derivative financial instruments is net of related assets and liabilities.

a. Calculation method for the fair value of financial instruments and matters concerning marketable securities and derivative transactions

Assets

① Cash and deposits

These assets are stated at book value as they are settled in the short term and their fair values approximate book values.

② Notes and operating accounts receivable-trade

These assets are stated at book value as they are settled in the short term and their fair values approximate book values.

Claims with default possibility are stated at adjusted book value.

The expected amount of doubtful accounts on these assets is calculated based on either the present value of expected future

cash flows or expected recoverable amount of their collateral or guarantees; hence, their fair values approximate their book values at the closing date, less the current expected amount of doubtful accounts.

③ Short-term and long-term investment securities

Shares are stated at the stock exchange quoted price and bonds are stated at either the stock exchange quoted price or the price presented by transacting financial institutions.

④ Long-term loans receivable

Long-term loans receivable with variable interest rates are stated at book value. The interest rate on these assets reflects the market rate in the short term; therefore, their fair values approximate book values. Those with fixed-interest rates are stated at fair value, which is calculated by discounting the principal and

interest using the assumed rate applied to a similar type of new loan. Meanwhile, loans with default possibility are stated at adjusted book value. The expected amount of doubtful accounts on these assets is calculated based on either the present value of expected future cash flows or expected recoverable amount of their collateral or guarantees; hence, their fair values approximate their book values at the closing date, less the current expected amount of doubtful accounts.

Liabilities

① Notes and operating accounts payable-trade, ② Current portion of bonds payable, ③ Short-term loans payable, ④ Commercial papers and ⑤ Leases liabilities (current)

These assets are stated at book value as they are settled in the short term and their fair values approximate book values.

⑥ Bonds payable

The fair value of the corporate bonds issued by the Company is calculated based on the market price.

⑦ Long-term loans payable

Long-term loans payable with variable interest rates are stated at book value as the interest rate on these loans reflects the market rate in the short term and their fair values approximate book values. Long-term loans payable with fixed interest rates are stated at present value. The present value is calculated by discounting a periodically divided portion of the principal and interest of these loans *, using the assumed rate applied to a similar loan.

* As to the long-term loans payable involved in the interest rate swap agreement that meets the requirements for exceptional accounting (refer to "6. Derivatives"), the total amount of principal and interest income at the post-swap rate is applied.

⑧ Leases liabilities (non-current)

The fair value of each lease liabilities is stated at its present value, which is calculated by discounting the total amount of principal and interest, using the assumed rate applied to a similar type of new lease transaction.

Derivative financial instruments

Refer to "6. Derivatives."

b. Financial instruments for which fair value cannot be reliably determined

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
	Book value	Book value	Book value
Investments in unconsolidated subsidiaries and affiliates	¥467,034	¥348,992	\$4,218,535
Shares in unlisted companies	7,808	7,814	70,528
Others	2,607	2,486	23,548
Total	477,449	359,293	4,312,611

As these instruments do not have readily available fair values, and their fair values cannot be reliably determined, they are not included in "③ Short-term and long-term investment securities."

c. Maturity analysis for financial assets and securities with contractual maturities

	Millions of yen							
	2021				2020			
	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and deposits	¥107,369	¥ -	¥ -	¥ -	¥ 81,861	¥ -	¥ -	¥ -
Notes and operating accounts receivable-trade	234,679	230	-	-	190,863	949	-	-
Short-term and long-term investment securities:								
Held-to-maturity debt securities (government bonds)	-	-	-	-	-	-	-	-
Held-to-maturity debt securities (corporate bonds)	-	-	-	-	-	-	-	-
Held-to-maturity debt securities (others)	-	-	-	-	-	-	-	-
Available-for-sale securities with maturity dates (government bonds)	-	-	-	-	-	-	-	-
Available-for-sale securities with maturity dates (others)	-	-	-	-	-	-	-	-
Long-term loans receivable	-	8,083	11,899	1,410	-	5,583	1,779	4,512
Total	342,048	8,313	11,899	1,410	272,725	6,532	1,779	4,512

Thousands of U.S. dollars (Note 2)

	2021			
	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and deposits	\$ 969,824	\$ -	\$ -	\$ -
Notes and operating accounts receivable-trade	2,119,766	2,079	-	-
Short-term and long-term investment securities:				
Held-to-maturity debt securities (government bonds)	-	-	-	-
Held-to-maturity debt securities (corporate bonds)	-	-	-	-
Held-to-maturity debt securities (others)	-	-	-	-
Available-for-sale securities with maturity dates (government bonds)	-	-	-	-
Available-for-sale securities with maturity dates (others)	-	-	-	-
Long-term loans receivable	-	73,016	107,482	12,736
Total	3,089,590	75,096	107,482	12,736

d. Maturity analysis for corporate bonds and long-term loans after the balance sheet date

Millions of yen

	2021					
	Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years	More than five years
Current portion of bonds payable	¥ 25,000	¥ -	¥ -	¥ -	¥ -	¥ -
Short-term loans payable	161,045	-	-	-	-	-
Commercial papers	-	-	-	-	-	-
Leases liabilities (current)	19,477	-	-	-	-	-
Bonds payable	-	30,000	10,000	33,000	-	34,000
Long-term loans payable	-	119,495	70,460	51,737	37,490	281,728
Leases liabilities (non-current)	-	15,026	15,074	11,993	7,557	28,054
Total	205,523	164,522	95,535	96,731	45,048	343,782

Thousands of U.S. dollars (Note 2)

	2021					
	Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years	More than five years
Current portion of bonds payable	\$ 225,815	\$ -	\$ -	\$ -	\$ -	\$ -
Short-term loans payable	1,454,661	-	-	-	-	-
Commercial papers	-	-	-	-	-	-
Leases liabilities (current)	175,931	-	-	-	-	-
Bonds payable	-	270,978	90,326	298,076	-	307,108
Long-term loans payable	-	1,079,359	636,445	467,326	338,638	2,544,739
Leases liabilities (non-current)	-	135,732	136,163	108,334	68,262	253,404
Total	1,856,408	1,486,069	862,935	873,736	406,901	3,105,252

Millions of yen

	2020					
	Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years	More than five years
Current portion of bonds payable	¥ 20,000	¥ -	¥ -	¥ -	¥ -	¥ -
Short-term loans payable	162,675	-	-	-	-	-
Commercial papers	19,000	-	-	-	-	-
Leases liabilities (current)	18,740	-	-	-	-	-
Bonds payable	-	25,000	30,000	10,000	33,000	34,000
Long-term loans payable	-	159,981	122,361	67,323	41,229	225,338
Leases liabilities (non-current)	-	15,068	14,129	14,587	8,126	29,291
Total	220,415	200,049	166,491	91,910	82,355	288,629

5. Securities

(1) Short-term and long-term investment securities held-to-maturity with fair value as of March 31, 2021 and 2020, are not applicable.

(2) Short-term and long-term investment securities classified as available-for-sale securities with fair value as of March 31, 2021 and 2020, are summarized as follows:

	Millions of yen						Thousands of U.S. dollars (Note 2)		
	2021			2020			2021		
	Book value	Acquisition costs	Difference	Book value	Acquisition costs	Difference	Book value	Acquisition costs	Difference
Securities for which book value exceeds acquisition costs:									
Corporate shares	¥64,095	¥30,288	¥33,807	¥47,973	¥26,496	¥21,476	\$578,952	\$273,582	\$305,370
Government bonds and others	-	-	-	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-	-	-	-
Others	173	147	25	157	138	19	1,565	1,330	234
Subtotal	64,269	30,435	33,833	48,131	26,634	21,496	580,517	274,912	305,605
Securities for which book value is equal to or less than acquisition costs:									
Corporate shares	19,615	26,074	(6,458)	25,160	30,937	(5,777)	177,181	235,519	(58,337)
Government bonds and others	-	-	-	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-	-	-	-
Others	5	7	(2)	6	8	(2)	49	68	(18)
Subtotal	19,621	26,081	(6,460)	25,167	30,946	(5,779)	177,231	235,587	(58,355)
Total	83,890	56,517	27,373	73,298	57,581	15,717	757,749	510,500	247,249

(3) Proceeds, gains, and losses on sales of available-for-sale securities in the fiscal years ended March 31, 2021 and 2020, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Proceeds from sales	¥2,529	¥15,224	\$22,849
Gross realized gains	181	6,373	1,637
Gross realized losses	(0)	(1)	(7)

(4) Impairment losses were recognized in the fiscal year ended March 31, 2021, and were recorded as a loss on valuation of investment securities in the amount of ¥4,282 million (\$38,683 thousand).

When processing impairment, as a general rule, if the fair value at the end of the period has fallen by 50% or more compared with the acquisition price, the asset is impaired by the amount deemed necessary considering its recoverability and so forth.

6. Derivatives

Derivative financial instruments with fair value as of March 31, 2021 and 2020, are summarized as follows:

(1) Derivative transactions not qualifying for hedge accounting

	Millions of yen								Thousands of U.S. dollars (Note 2)			
	2021				2020				2021			
	Contracts outstanding	Contracts outstanding (more than one year)	Fair value	Valuation gains (losses)	Contracts outstanding	Contracts outstanding (more than one year)	Fair value	Valuation gains (losses)	Contracts outstanding	Contracts outstanding (more than one year)	Fair value	Valuation gains (losses)
a. Currency-related												
Forward foreign currency exchange contracts:												
Buy U.S. dollar, sell Japanese yen	¥ -	¥-	¥ -	¥ -	¥34,632	¥ -	¥ 79	¥ 79	\$ -	\$ -	\$ -	\$ -
Sell U.S. dollar, buy Japanese yen	13,165	-	(94)	(94)	9,549	-	(113)	(113)	118,916	-	(853)	(853)
Sell Japanese yen, buy Euro	4,662	-	8	8	2,179	-	16	16	42,116	-	73	73
Sell Thai baht, buy Japanese yen	8,049	-	72	72	2,173	-	30	30	72,712	-	653	653
Others	7,949	-	(94)	(94)	7,530	-	47	47	71,807	-	(852)	(852)
Currency swaps:												
Receive Japanese yen, pay U.S. dollar	-	-	-	-	-	-	-	-	-	-	-	-
Receive U.S. dollar, pay Japanese yen	-	-	-	-	-	-	-	-	-	-	-	-
Receive New Taiwan dollar, pay Japanese yen	1,552	-	12	12	-	-	-	-	14,018	-	114	114
Receive Thai baht, pay Japanese yen	1,991	-	38	38	2,388	-	(117)	(117)	17,988	-	348	348
Receive Thai baht, pay Euro	-	-	-	-	488	-	17	17	-	-	-	-
Interest rate currency swaps:												
Receive U.S. dollar floating, pay Mexican Peso fixed	248	-	29	29	219	210	66	66	2,244	-	266	266
	37,619	-	(27)	(27)	59,162	210	21	21	339,803	-	(249)	(249)
b. Interest rate-related												
Interest rate swaps:												
Receive fixed, pay floating	-	-	-	-	-	-	-	-	-	-	-	-
Receive floating, pay fixed	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
c. Commodity-related												
Market transactions												
Freight (chartered-freight) forward transactions:												
Forward chartered-freight agreements on buyer's side	738	-	(75)	(75)	30	-	(5)	(5)	6,666	-	(680)	(680)
Forward chartered-freight agreements on seller's side	3,371	-	(3,054)	(3,054)	247	-	61	61	30,454	-	(27,585)	(27,585)
Off-market transactions												
Freight (chartered-freight) forward transactions:												
Forward chartered-freight agreements on buyer's side	1,062	-	303	303	215	-	(67)	(67)	9,598	-	2,743	2,743
Forward chartered-freight agreements on seller's side	11,912	-	(2,482)	(2,482)	1,579	-	418	418	107,597	-	(22,424)	(22,424)
Fuel swaps:												
Receive floating, pay fixed	681	-	(21)	(21)	1,522	18	(647)	(647)	6,159	-	(196)	(196)
	17,766	-	(5,330)	(5,330)	3,595	18	(240)	(240)	160,475	-	(48,143)	(48,143)

* Method for calculating derivative amounts as of the balance sheet dates: The amounts of market transactions were calculated according to the closing prices of relevant stock exchanges as of the final day of the Company's fiscal year, while amounts of off-market transactions were calculated based on the values and discounted present values reported by the financial institutes handling the transactions.

(2) Derivative transactions qualifying for hedge accounting

		Millions of yen						Thousands of U.S. dollars (Note 2)		
		2021			2020			2021		
		Contracts outstanding	Contracts outstanding (more than one year)	Fair value	Contracts outstanding	Contracts outstanding (more than one year)	Fair value	Contracts outstanding	Contracts outstanding (more than one year)	Fair value
a. Currency-related										
Derivative transactions qualifying for general accounting policies, deferral hedge accounting										
Forward foreign currency exchange contracts:	Principal items hedged:									
Sell U.S. dollar, buy Japanese yen	Investment for equity of overseas subsidiary	¥104,517	¥ 675	¥(5,970)	¥ 80,590	¥ 1,308	¥ 56	\$ 944,067	\$ 6,101	\$(53,926)
Sell Euro, buy Japanese yen		5,103	-	(220)	5,566	-	(78)	46,098	-	(1,994)
Others		167	-	8	91	0	0	1,513	-	75
Currency swaps:	Principal items hedged:									
Receive U.S. dollar, pay Japanese yen	Charterage/	12,267	12,267	(144)	-	-	-	110,809	110,809	(1,308)
Receive Singapore dollar, pay U.S. dollar	Loans receivable/	159	95	(12)	206	147	(29)	1,436	862	(111)
Others	Loans payable	14	3	14	-	-	-	131	32	131
Foreign exchange contracts and other derivative transactions qualifying for designation accounting										
Forward foreign currency exchange contracts:	Principal items hedged:									
Buy U.S. dollar, sell Japanese yen	Forecasted capital expenditures	28,864	15,566	2,465	42,364	29,407	2,244	260,723	140,604	22,269
Sell U.S. dollar, buy Japanese yen		1,204	-	(2)	1,184	-	(2)	10,875	-	(23)
Integration treatment of interest rate and currency swaps (qualifying for designation accounting and exceptional accounting)										
Interest rate and currency swaps:	Principal items hedged:									
Receive fixed U.S. dollar, pay floating Japanese yen	Accounts payable	680	-	83	2,041	680	209	6,147	-	751
		152,979	28,608	(3,779)	132,044	31,544	2,400	1,381,803	258,410	(34,134)
b. Interest rate-related										
Derivative transactions qualifying for general accounting policies, deferral hedge accounting										
Interest rate swaps:	Principal items hedged:									
Receive fixed, pay floating		10,000	10,000	774	10,000	10,000	951	90,326	90,326	6,999
Receive floating, pay fixed	Long-term loans payable	96,878	75,918	(4,260)	111,231	96,647	(6,595)	875,066	685,739	(38,483)
Interest rate swap derivative transactions qualifying for exceptional accounting										
Interest rate swaps:	Principal items hedged:									
Receive fixed, pay floating	Long-term loans payable	25,000	25,000	- ²	25,000	25,000	- ²	225,815	225,815	- ²
Receive floating, pay fixed		29,828	25,114		34,341	29,828		269,428	226,853	
		161,706	136,033	(3,485)	180,572	161,476	(5,644)	1,460,635	1,228,734	(31,483)
c. Commodity-related										
Derivative transactions qualifying for general accounting policies, deferral hedge accounting										
Freight (chartered-freight) forward transactions:	Principal items hedged:									
Forward chartered-freight agreements on seller's side	Charterage	6,064	-	(543)	-	-	-	54,782	-	(4,910)
Forward chartered-freight agreements on buyer's side	Charterage	109	-	29	-	-	-	987	-	265
Fuel swaps:	Principal items hedged:									
Receive floating, pay fixed	Fuel	1,280	13	108	72	-	(6)	11,570	117	979
Fuel oil collar transactions: ^{*3}	Principal items hedged:									
Buy call option, sell put option	Fuel	4,076	-	92	9,990	-	(1,810)	36,822	-	837
Freight (chartered-freight) collar transactions: ^{*3}										
Buy put option, sell call option	Charterage	4,764	3,405	(76)	6,020	4,683	288	43,038	30,756	(692)
		16,296	3,418	(389)	16,083	4,683	(1,528)	147,201	30,873	(3,520)

* 1. Fair values as of the date of the financial statement were calculated based on the values reported by the financial institutes handling the transactions and the discounted present values.

2. As exceptional accounting for interest rate swaps is handled together with the long-term loans payable hedged, their fair value is included in that of the long-term loans payable.

3. Fuel oil collar transactions and freight (chartered-freight) collar transactions are zero-cost option transactions, and call options and put options are shown as a lump sum because they are included in integrated contracts.

7. Inventories

Inventories as of March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Products and goods	¥ 1,818	¥ 1,778	\$ 16,427
Work in progress	676	583	6,114
Raw materials, fuel, and supplies	35,123	30,170	317,257

8. Accumulated Depreciation

As of March 31, 2021 and 2020, accumulated depreciation of vessels, property, plant, and equipment is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Accumulated depreciation	¥1,059,036	¥1,042,003	\$9,565,860

9. Investment in Unconsolidated Subsidiaries and Affiliates

Amounts corresponding to unconsolidated subsidiaries and affiliates as of March 31, 2021 and 2020, are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Investment securities (stocks)	¥484,731	¥365,801	\$4,378,388
Other investments and other assets (investment in capital)	10,467	10,301	94,547
(Of which, amount invested in companies under joint control)	165,478	170,211	1,494,698

10. Investment and Rental Property

The Company and some of its consolidated subsidiaries own offices and other buildings (including land) for earning rent, and other purposes in Tokyo and other regions. Profit from rental of these properties (with main rental income recorded as revenues and main rental expense recorded as costs and expenses) in the consolidated fiscal year ended March 31, 2021, totaled ¥3,484 million (\$31,472 thousand), and profit from sales totaled ¥25,682 million (\$231,981 thousand) (with gain on sales as other gains and loss on sales as other losses).

The amounts recorded in the consolidated balance sheets, the increase (decrease) during the fiscal years ended March 31, 2021 and 2020, and the fair values of the relevant investment and rental property as of March 31, 2021 and 2020, are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Amount recorded in consolidated balance sheet:			
Balance at beginning of year	¥ 45,949	¥ 46,306	\$ 415,040
Increase (decrease) during the fiscal year	(737)	(357)	(6,661)
Balance at end of year	45,211	45,949	408,379
Fair value as of current fiscal year end	123,866	133,601	1,118,834

* 1. The amount recorded in the consolidated balance sheet is the acquisition cost, net of accumulated depreciation and impairment losses.

2. Of the increase (decrease) during the fiscal year ended March 31, 2021, the decrease of ¥-1,274 million (\$-11,511 thousand) was primarily due to depreciation.

3. The fair value as of the fiscal year end is the amount calculated primarily based on the Real Estate Appraisal Standard (including adjustments made using indexes).

11. Deferred Capital Gains

Under certain conditions, such as exchanges of fixed assets of similar kinds, gains from insurance claims, and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer gains arising from such transactions by reducing the cost of the assets acquired. As such, deferred capital gains from insurance claims were deducted from the cost of properties acquired in replacement, which amounted to ¥5,730 million (\$51,758 thousand) and ¥5,839 million as of March 31, 2021 and 2020, respectively.

12. Short-Term and Long-Term Debt

(1) Bonds as of March 31, 2021 and 2020, consisted of the following:

	Interest rate	Maturity date	Millions of yen		Thousands of
			2021	2020	U.S. dollars (Note 2)
			2021	2020	2021
Unsecured Straight Bonds No. 23	2.36%	June 7, 2024	¥ 10,000	¥ 10,000	\$ 90,326
Unsecured Straight Bonds No. 25	2.65%	June 22, 2026	10,000	10,000	90,326
Unsecured Straight Bonds No. 31*	1.218%	September 9, 2021	25,000	25,000	225,815
Unsecured Straight Bonds No. 32	2.13%	September 9, 2031	10,000	10,000	90,326
Unsecured Straight Bonds No. 35	1.177%	June 17, 2022	10,000	10,000	90,326
Unsecured Straight Bonds No. 37*	0.939%	September 11, 2020	–	20,000	–
Unsecured Straight Bonds No. 38	0.39%	May 31, 2022	20,000	20,000	180,652
Unsecured Straight Bonds No. 39	0.53%	May 31, 2024	10,000	10,000	90,326
Unsecured Straight Bonds No. 40	0.29%	May 24, 2023	10,000	10,000	90,326
Unsecured Straight Bonds No. 41	0.29%	August 29, 2024	13,000	13,000	117,423
Unsecured Straight Bonds No. 42	0.65%	August 29, 2029	14,000	14,000	126,456
Total			132,000	152,000	1,192,304

* The Company plans to redeem Unsecured Straight Bonds No. 31 and No. 37 within one year.

The aggregate annual maturities of convertible bonds and bonds as of March 31, 2021, were as follows:

Millions of yen				
Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years
¥25,000	¥30,000	¥10,000	¥33,000	¥–

Thousands of U.S. dollars (Note 2)				
Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years
\$225,815	\$270,978	\$90,326	\$298,076	\$–

(2) Loans payable, leases liabilities (current / non-current), and other interest-bearing liabilities as of March 31, 2021 and 2020, were as follows:

Classification	Average interest rate	Repayment deadline	Millions of yen		Thousands of U.S. dollars (Note 2)
			2021	2020	2021
Short-term loans payable(including overdraft)	1.55%	–	¥ 6,536	¥ 67,661	\$ 59,040
Current portion of long-term loans payable	0.73%	–	154,509	95,013	1,395,621
Leases liabilities (current)	2.78%	–	19,477	18,740	175,931
Long-term loans payable	0.97%	2022–2036	560,913	616,234	5,066,509
Leases liabilities (non-current)	2.88%	2022–2061	77,707	81,203	701,897
Other interest-bearing liabilities					
Commercial papers	–	–	–	19,000	–
Current portion of long-term accounts payable	2.04%	–	3,732	1,361	33,709
Long-term accounts payable	–	–	–	3,680	–
Total			822,875	902,894	7,432,710

Average interest rate is the weighted average interest rate for amounts outstanding as of the fiscal year end.

Long-term loans payable, Leases liabilities (non-current), and long-term accounts payable (excluding current portion) scheduled for repayment within five years from March 31, 2021, are as follows:

	Millions of yen			
	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years
Long-term loans payable	¥119,495	¥70,460	¥51,737	¥37,490
Leases liabilities (non-current)	15,026	15,074	11,993	7,557

	Thousands of U.S. dollars (Note 2)			
	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years
Long-term loans payable	\$1,079,359	\$636,445	\$467,326	\$338,638
Leases liabilities (non-current)	135,732	136,163	108,334	68,262

13. Pledged Assets and Secured Liabilities

As of March 31, 2021, the following assets were pledged as collateral for short-term loans payable, long-term loans payable, and others:

Pledged assets	Net book value	
	Millions of yen	Thousands of U.S. dollars (Note 2)
Cash and deposits	¥ 3,768	\$ 34,039
Notes and operating accounts receivable-trade	5,366	48,477
Inventories	199	1,804
Deferred and prepaid expenses	182	1,652
Vessels*	88,204	796,720
Buildings and structures	1,905	17,210
Machinery, equipment and vehicles	7,197	65,016
Furniture and fixtures	10	98
Land	648	5,856
Construction in progress	237	2,149
Other of vessels, property, plant and equipment	108	980
Software	161	1,463
Investment securities*	97,631	881,871
Other of investments and other assets	367	3,315
Total	205,993	1,860,657

Secured liabilities	Thousands of U.S. dollars (Note 2)	
	Millions of yen	U.S. dollars
Notes and operating accounts payable - trade	¥ 19	\$ 176
Short-term loans payable	13,481	121,776
Lease liabilities of current liabilities	189	1,715
Long-term loans payable	83,514	754,354
Lease liabilities of non-current liabilities	2,319	20,950
Total	99,525	898,972

* Vessels include ¥118 million (\$1,067 thousand) and investment securities include ¥83,313 million (\$752,539 thousand) pledged as collateral for the debt of affiliates, etc.

14. Supplementary Information on Consolidated Statement of Cash Flows

(1) Cash and cash equivalents in the accompanying consolidated statement of cash flows for the years ended March 31, 2021 and 2020, are reconciled to cash and deposits reflected in the accompanying consolidated balance sheets as of March 31, 2021 and 2020, as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Cash and deposits	¥107,369	¥81,861	\$969,824
Time deposits with a maturity of more than three months	(3,775)	(4,769)	(34,106)
Cash and cash equivalents	103,593	77,092	935,718

(2) Important non-financial transactions

The amounts of assets and liabilities related to lease transactions are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Amount of assets related to lease transactions	¥-	¥ 93,679	\$-
Amount of liabilities related to lease transactions	-	102,329	-

* 1. The amounts of assets and liabilities related to lease transactions in the fiscal year under review are not presented as they are not important.

2. From the previous fiscal year, NYK Group companies that prepare financial reports in accordance with International Financial Reporting Standards (IFRS) applied IFRS 16 Leases. Consequently, for lease transactions executed by consolidated subsidiaries that have adopted IFRS, the above amounts of assets and liabilities related to lease transactions include the balance at the beginning of the year added upon initial adoption.

15. Income Taxes

(1) Significant components of deferred tax assets and liabilities as of March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Deferred tax assets:			
Provision for bonuses	¥ 3,083	¥ 1,976	\$ 27,853
Net defined benefit liabilities	4,056	3,930	36,639
Impairment loss on vessels, property, plant and equipment	37,239	42,620	336,367
Losses on revaluation of securities	8,271	8,707	74,715
Tax loss carryforwards*	96,470	99,627	871,383
Unrealized gains on sale of vessels, property, plant and equipment	1,359	1,424	12,283
Provision for periodic dry docking of vessels	3,979	5,174	35,945
Accrued expenses	493	453	4,455
Deferred loss on derivatives under hedge accounting	11,708	11,164	105,759
Allowance for doubtful accounts	2,538	1,968	22,932
Provision for losses related to contracts	18,862	6,594	170,381
Others	12,364	7,797	111,684
Subtotal of deferred tax assets	200,429	191,440	1,810,400
Less valuation allowances for tax loss carryforwards*	(83,938)	(93,110)	(758,180)
Less valuation allowances for temporary differences	(95,678)	(85,864)	(864,229)
Valuation allowances	(179,617)	(178,975)	(1,622,410)
Total deferred tax assets	20,812	12,464	187,989
Deferred tax liabilities:			
Net defined benefit assets	(14,783)	(9,356)	(133,530)
Gain on securities contribution to employee retirement benefit trust	(2,885)	(2,882)	(26,062)
Depreciation	(1,728)	(1,596)	(15,612)
Reserve for reduction entry	(3,731)	(3,771)	(33,708)
Valuation difference on available-for-sale securities	(8,895)	(5,062)	(80,349)
Deferred gain on derivatives under hedge accounting	(8,359)	(7,006)	(75,510)
Undistributed retained earnings of consolidated subsidiaries	(10,330)	(4,658)	(93,314)
Others	(28,705)	(17,851)	(259,281)
Total deferred tax liabilities	(79,419)	(52,186)	(717,369)
Net deferred tax (liabilities) assets	(58,607)	(39,721)	(529,379)

* The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2021 and 2020, were as follows:

March 31, 2020	Millions of yen						Total
	One year or less	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years	
Deferred tax assets relating to tax loss carryforwards*	¥ 12,265	¥ 4,078	¥ 3,809	¥ 1,813	¥ 10,616	¥ 67,044	¥ 99,627
Less valuation allowances for tax loss carryforwards	(12,224)	(4,010)	(3,744)	(1,616)	(10,610)	(60,904)	(93,110)
Net deferred tax assets relating to tax loss carryforwards	40	67	65	197	5	6,139	6,516

* The amount of deferred tax assets relating to tax loss carryforwards was calculated using statutory tax rates.

March 31, 2021	Millions of yen						Total
	One year or less	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years	
Deferred tax assets relating to tax loss carryforwards*	¥ 5,069	¥ 3,823	¥ 723	¥ 10,661	¥ 19,536	¥ 56,655	¥ 96,470
Less valuation allowances for tax loss carryforwards	(4,869)	(3,760)	(664)	(10,543)	(19,385)	(44,714)	(83,938)
Net deferred tax assets relating to tax loss carryforwards	199	62	59	118	151	11,941	12,532

* The amount of deferred tax assets relating to tax loss carryforwards was calculated using statutory tax rates.

March 31, 2021	Thousands of U.S. dollars (Note 2)						
	One year or less	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years	Total
Deferred tax assets relating to tax loss carryforwards*	\$ 45,790	\$ 34,533	\$ 6,534	\$ 96,305	\$ 176,469	\$ 511,749	\$ 871,383
Less valuation allowances for tax loss carryforwards	(43,988)	(33,968)	(5,998)	(95,237)	(175,102)	(403,885)	(758,180)
Net deferred tax assets relating to tax loss carryforwards	1,802	565	536	1,067	1,366	107,863	113,202

* The amount of deferred tax assets relating to tax loss carryforwards was calculated using statutory tax rates.

(2) Reconciliation of the statutory income tax rate to the effective income tax rate for the years ended March 31, 2021 and 2020, was as follows:

	2021	2020
Normal statutory income tax rate	28.8%	28.8%
Increase (decrease) in taxes resulting from:		
Amortization of goodwill	0.4	2.9
Equity in earnings of unconsolidated subsidiaries and affiliates	(26.8)	(13.9)
Permanently non-deductible expenses for tax purposes, such as entertainment expenses	0.3	1.2
Changes in valuation allowance	0.5	6.1
Tax exemption of shipping business	0.4	(3.2)
Effects of foreign tax included in deductible expenses	0.3	1.5
Amount of tax effect reversal due to elimination of loss carryforwards	5.7	0.8
Effect of U.S. tax reform	(0.1)	(7.5)
Other	4.5	(0.7)
Actual effective income tax rate	14.1%	16.0%

16. Equity

The consolidated financial statements have been reported in accordance with the provisions set forth in the Japanese Companies Act (the "Companies Act").

(1) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, such as (a) having a Board of Directors, (b) having independent auditors, (c) having an Audit & Supervisory Board, and (d) the term of service of the directors being prescribed as one year rather than the normal two-year term by articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at

any time during the fiscal year if the company has prescribed so in its articles of incorporation. Semiannual interim dividends may also be paid once a year upon resolution of the company as stipulated. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(2) Increases/decreases and transfer of common stock, reserve, and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as legal retained earnings (a component of retained earnings) or as legal capital surplus (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal retained earnings and legal capital surplus equals 25% of the amount of common stock. Under the Companies Act, the total

amount of legal retained earnings and legal capital surplus may be reversed without limitation. The Companies Act also provides that common stock, legal retained earnings and legal capital surplus, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(3) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies

Act, stock acquisition rights are presented as a component of equity. The Companies Act also provides that companies can purchase both treasury stock purchase rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

(A) Matters concerning outstanding shares

Changes in the number of outstanding shares in the consolidated fiscal year ended March 31, 2021, were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
At March 31, 2020	170,055	1,224
Increase in number of shares	-	6
Decrease in number of shares	-	35
At March 31, 2021	170,055	1,195

(B) Matters concerning dividends

(1) Total dividend payments to be paid for the consolidated fiscal year ended March 31, 2021, are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Approved at the ordinary general meeting of shareholders on June 29, 2020	¥3,391	\$30,632
Approved by the Board of Directors on November 5, 2020	3,391	30,631
Total	6,782	61,263

(2) The effective date for dividends, including retained earnings, as of March 31, 2021, shall be determined in the subsequent consolidated fiscal year as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
At the ordinary general meeting of shareholders on June 18, 2021	¥30,520	\$275,679

17. Impairment Losses

In principle, the Company and its consolidated subsidiaries categorize operating assets under each business for which investment decisions concerning the assets are made, while leased properties, properties held for sale, idle properties, and other types of properties are categorized separately as individual properties.

During the fiscal year under review, the expected sale price of properties held for sale was below their total book value, and the book values of certain categories of operating assets, which had become less profitable due to sluggish performance and other factors, were reduced to their recoverable amounts. The combined amount of these reductions was recorded as an "impairment loss" of ¥24,385 million (\$220,267 thousand) under "other losses."

The breakdown is as follows:

Location	Application	Type	Millions of yen	Thousands of U.S. dollars (Note 2)
Norway	Business assets	Vessels (Dry bulk carriers)	¥ 9,346	\$ 84,419
Japan	Business assets	Vessels (Dry bulk carriers)	4,843	43,751
Japan	Assets held for sale	Vessels (Tankers)	1,750	15,807
Japan	Assets held for sale	Vessels (Dry bulk carriers)	1,698	15,346
Japan	Business assets	Vessels (Tankers)	1,674	15,124
Others	Assets held for sale, etc.	Vessels, etc.	5,072	45,817
Total			24,385	220,267

The recoverable amount for these asset groups will be the higher of the net selling price of the asset or its value in use.

The net selling price is based on an appraisal value reasonably calculated by a third party, etc., and the value in use is calculated from the projected future cash flows discounted mainly at 8.01%.

18. Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Employee salaries	¥72,313	¥72,533	\$653,178
Provision for bonuses	10,327	6,792	93,284
Retirement benefit costs	3,764	1,971	34,004

19. Retirement Benefit Costs and Provision Included in Costs and Expenses

The components of retirement benefit costs and provision included in costs and expenses are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Provision for periodic dry docking of vessels	¥10,331	¥11,979	\$93,322
Provision for bonuses	3,628	2,782	32,777
Retirement benefit expenses	717	1,304	6,484

20. Gain on Sales of Non-Current Assets

The main components of gain on sales of non-current assets are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Land	¥25,684	¥16,340	\$231,996
Vessels	13,942	11,328	125,939

21. Loss on Sales of Non-Current Assets

The main components of loss on sales of non-current assets are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Vessels	¥410	¥114	\$3,707

22. Research and Development Expenses Included in Costs and Expenses and Selling, General and Administrative Expenses

The components of research and development expenses included in costs and expenses and selling, general and administrative expenses are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
	¥1,471	¥1,207	\$13,291

23. Amount Transferred to Provision for Losses Related to Contracts

In the consolidated fiscal year under review, the amount of expected future losses was recorded to provide for losses arising in association with the redelivery of time-chartered vessels. These mainly consist of expenses expected to arise in the future in conjunction with the redelivery of vessels carried out as part of structural reforms in the dry bulk division.

24. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥15,922	¥(20,102)	\$143,822
Reclassification adjustments to profit or loss for the year	(65)	1,229	(592)
Amount before income tax effect	15,857	(18,873)	143,230
Income tax effect	(3,517)	5,296	(31,774)
Total	12,339	(13,577)	111,455
Deferred gain (loss) on hedges:			
Gains (losses) arising during the year	4,417	(5,343)	39,900
Reclassification adjustments to profit or loss for the year	(1,312)	1,089	(11,858)
Adjustment for the acquisition cost of assets	(304)	(82)	(2,751)
Amount before income tax effect	2,799	(4,336)	25,291
Income tax effect	(807)	(1,408)	(7,297)
Total	1,992	(5,745)	17,993
Foreign currency translation adjustments:			
Gains (losses) arising during the year	12,101	(6,046)	109,306
Reclassification adjustments to profit or loss for the year	(2,814)	(288)	(25,424)
Amount before income tax effect	9,286	(6,335)	83,882
Income tax effect	–	–	–
Total	9,286	(6,335)	83,882
Remeasurements of defined benefit plans:			
Gains (losses) arising during the year	18,643	(13,438)	168,396
Reclassification adjustments to profit or loss for the year	(1,499)	(2,500)	(13,546)
Amount before income tax effect	17,143	(15,939)	154,850
Income tax effect	(4,465)	4,619	(40,334)
Total	12,678	(11,319)	114,516
Share of other comprehensive income of associates accounted for using the equity method:			
Gains (losses) arising during the year	(5,895)	(12,940)	(53,254)
Reclassification adjustments to profit or loss for the year	1,497	3,001	13,522
Total	(4,398)	(9,939)	(39,731)
Total other comprehensive income (loss)	31,897	(46,916)	288,116

25. Commitments and Contingent Liabilities

(1) Commitments made by the Company and its consolidated subsidiaries as of March 31, 2021, totaled ¥164,554 million (\$1,486,356 thousand) for the construction of vessels.

Contingent liabilities for notes receivable discounted and endorsed, guarantees of loans as of March 31, 2021, were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Guarantees of loans	¥114,176	\$1,031,310

(2) Certain operating lease agreements that the NYK Group concluded on its respective vessels incorporate a residual value guarantee clause. The maximum amount of potential future payment under the guarantee obligation is ¥4,007 million (\$36,202 thousand).

The guarantee may be paid if the companies choose to return the leased property rather than exercise the option to purchase. The operating lease agreements will expire by January 2022.

(3) Some operating lease agreements that the NYK Group concluded on its aircraft incorporate a residual value guarantee clause. The maximum amount of potential future payment under the guarantee obligation is ¥42,110 million (\$380,371 thousand). The companies may pay the guarantee if they choose to return the leased properties at the end of the lease term. The operating lease agreements will expire by December 2026.

(4) The Company has been under investigation by some authorities overseas, on account of suspected violations of the antitrust laws concerning the shipping of cargo including automobiles handled in or after September 2012. Also, the Company has been party to class civil lawsuits in several regions for damages and suspension of shipments, etc., without a specific amount of damage, for its conspiracy to fix prices of shipping with major automobile shipping companies concerning marine transportation of assembled automobiles, etc. With the exception of the recorded provision for losses related to antitrust law, it is difficult to reasonably predict the results of the investigations by overseas authorities and civil lawsuits at present.

26. Accounting for Leases

Operating leases

As lessees

The fiscal year-end balance of unearned lease payments related to non-cancellable transactions as of March 31, 2021 is as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Within one year	¥21,280	\$192,214
More than one year	51,804	467,926
Total	73,084	660,141

As lessors

The fiscal year-end balance of unearned lease payments related to non-cancellable transactions as of March 31, 2021 is as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Within one year	¥ 7,059	\$ 63,761
More than one year	11,604	104,815
Total	18,663	168,576

27. Accounting for Employees' Retirement Benefits

1. Outline of employees' retirement benefit plans

The Company and its domestic consolidated subsidiaries maintain the following defined benefit plans: the national government's Employees' Pension Fund and a retirement lump-sum allowance system.

Some overseas consolidated subsidiaries also maintain defined contribution plans or defined benefit plans.

2. Defined benefit plans

(1) Changes in defined benefit obligation for the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Balance at beginning of year	¥87,788	¥86,226	\$792,956
Service costs	3,296	3,356	29,773
Interest costs	1,067	1,059	9,640
Actuarial (gains) losses	1,902	496	17,186
Benefits paid	(3,934)	(3,212)	(35,535)
Prior service cost	(89)	170	(812)
Others	1,493	(308)	13,486
Balance at end of year	91,523	87,788	826,694

(2) Changes in plan assets for the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Balance at beginning of year	¥118,453	¥131,302	\$1,069,948
Expected return on plan assets	1,556	1,621	14,055
Actuarial gains (losses)	21,367	(13,259)	193,006
Contributions from the employer	620	1,096	5,603
Benefits paid	(2,556)	(2,282)	(23,091)
Others	1,023	(23)	9,247
Balance at end of year	140,465	118,453	1,268,769

(3) Reconciliation between the balance at beginning of year and the balance at end of year in relation to net defined benefit liability for which the shortcut method was applied for the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Balance at beginning of year	¥5,155	¥ 5,915	\$46,570
Net periodic benefit costs	1,007	1,082	9,104
Benefits paid	(440)	(448)	(3,976)
Contributions from the employer	(364)	(346)	(3,293)
Other	(59)	(1,047)	(532)
Balance at end of year	5,300	5,155	47,872

(4) Reconciliation between the liability recorded in the consolidated balance sheets and the balances of defined benefit obligation and plan assets as of March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Funded defined benefit obligation	¥ 90,107	¥ 86,453	\$ 813,902
Plan assets	(146,444)	(124,133)	(1,322,773)
	(56,337)	(37,680)	(508,870)
Unfunded defined benefit obligation	12,694	12,170	114,668
Net liability (asset) arising from defined benefit obligation	(43,642)	(25,509)	(394,201)
Net defined benefit liability	16,697	15,920	150,818
Net defined benefit asset	(60,339)	(41,430)	(545,020)
Net liability (asset) arising from defined benefit obligation	(43,642)	(25,509)	(394,201)

(5) Components of net periodic benefit costs for the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Service costs	¥ 3,296	¥ 3,356	\$ 29,773
Interest costs	1,067	1,059	9,640
Expected return on plan assets	(1,556)	(1,621)	(14,055)
Recognized actuarial (gains) losses	(1,284)	(2,546)	(11,605)
Amortization of prior service cost	(90)	171	(818)
Net periodic benefit costs calculated using the shortcut method	1,007	1,082	9,104
Other	(166)	69	(1,500)
Net periodic benefit costs	2,273	1,570	20,539

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Prior service cost	¥ 5	¥ 2	\$ 49
Actuarial gains (losses)	17,137	(15,942)	154,800
Total	17,143	(15,939)	154,850

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Unrecognized prior service cost	¥ 6	¥ 0	\$ 56
Unrecognized actuarial gains (losses)	18,184	2,079	164,252
Total	18,190	2,080	164,308

(8) Components of plan assets

① Plan assets consisted of the following as of March 31, 2021 and 2020:

	2021	2020
Debt investments	32%	38%
Equity investments	53%	47%
Cash and cash equivalents	2%	1%
Others	13%	14%
Total	100%	100%

A retirement benefit trust established for a corporate pension plan accounts for 35% and 31% of plan assets as of March 31, 2021 and 2020, respectively.

② Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(9) Assumptions in calculation of the above information

	2021	2020
Discount rate	Mainly 1.1%	Mainly 1.1%
Expected rate of return on plan assets	Mainly 1.8%	Mainly 1.8%
Expected rate of salary increase	Mainly 1.2%–7.0%	Mainly 1.2%–7.1%

A point system has been adopted for certain employees, and the expected rate of salary increase includes the expected rate of point increase.

3. Defined contribution plan

Certain consolidated subsidiaries had ¥1,899 million and ¥2,326 million (\$21,015 thousand) for the fiscal years ended March 31, 2020 and March 31, 2021, in defined contribution retirement benefit costs. Besides the retirement benefit costs shown above, certain consolidated subsidiaries treated the amount of defined contributions paid to the multi-employer plan as retirement benefit costs.

28. Segment Information

1. Outline of reportable segments

The Company's reportable segments are constituent units of the Company and its consolidated subsidiaries for which separate financial information is obtainable. The segments are periodically reviewed by the Company's management to evaluate the allocation of management resources and business performance.

The NYK Group operates comprehensive logistics businesses covering maritime, land, and air transportation on a global scale. These operations are categorized under six reportable segments: Liner Trade, Air Cargo Transportation, Logistics, Bulk Shipping, Real Estate, and Other. The main operations and services of each reportable segment are listed as follows.

Reportable segment	Major operation and services in each segment
Liner Trade	Ocean cargo shipping, ship owning and chartering, shipping agency, container terminals business, harbor transport services, tugboat operation
Air Cargo Transportation	Air cargo transport
Logistics	Warehouse operation, cargo transport/handling business, coastal cargo shipping
Bulk Shipping	Ocean cargo shipping, ship owning and chartering, shipping agency
Real Estate	Rental, management and sale of real estate properties
Other	Ownership and operation of passenger ships, wholesaling of ship machinery and furniture, other services related to transport, information-processing business, wholesaling of oil products, others

2. Method for calculating revenues, profits and losses, assets, and other financial items of reportable segments

The accounting methods for the reportable segments are the same as those described in "3. Summary of Significant Accounting Policies." The profits and losses recorded under reportable segments are based on recurring profits or losses. Intra-segment revenues and transfers are primarily based on third-party transaction prices.

3. Information on revenues, profit (loss), assets, and other items by reportable segments

The table below presents certain segment information for the years ended March 31, 2021 and 2020.

Year ended March 31, 2021:

	Millions of yen								Consolidated Total
	Global Logistics				Others			Adjustments*	
	Liner Trade	Air Cargo Transportation	Logistics	Bulk Shipping	Real Estate	Others	Total		
I Revenues:									
(1) Revenues from customers	¥166,181	¥115,069	¥559,749	¥ 681,313	¥ 5,963	¥ 80,136	¥1,608,414	¥ -	¥1,608,414
(2) Intersegment revenues	4,355	7,389	1,485	251	920	49,652	64,055	(64,055)	-
Total	170,537	122,459	561,234	681,564	6,884	129,789	1,672,469	(64,055)	1,608,414
Segment profit (loss)	140,821	33,281	27,049	18,605	2,584	(2,251)	220,090	(4,754)	215,336
Segment assets	428,685	65,535	348,707	1,271,637	52,400	173,614	2,340,579	(215,099)	2,125,480
II Other items:									
Depreciation and amortization	9,891	3,232	19,913	63,293	1,366	1,159	98,857	(53)	98,803
Amortization of goodwill and negative goodwill	42	-	814	924	-	-	1,782	-	1,782
Interest income	187	203	267	1,694	1	703	3,058	(673)	2,385
Interest expenses	3,347	337	1,811	9,614	48	1,079	16,237	(259)	15,978
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	141,565	-	(163)	17,504	-	(2,977)	155,929	(0)	155,928
Investments in equity method affiliates	249,459	-	1,918	223,884	-	418	475,680	(313)	475,367
Increase in vessels, property, plant, and equipment and intangible assets	6,782	1,569	6,946	85,745	384	753	102,181	(402)	101,778
III Information about impairment loss by reportable segments:									
Impairment loss	194	-	1,126	22,399	536	129	24,385	-	24,385
IV Information about balance of goodwill by reportable segments:									
Balance of goodwill (negative goodwill) at the end of current period	89	-	4,284	5,816	-	-	10,190	-	10,190

Thousands of U.S. dollars (Note 2)

	Global Logistics				Others		Total	Adjustments*	Consolidated Total
	Liner Trade	Air Cargo Transportation	Logistics	Bulk Shipping	Real Estate	Others			
I Revenues:									
(1) Revenues from customers	\$1,501,052	\$1,039,375	\$5,055,995	\$ 6,154,039	\$ 53,869	\$ 723,843	\$14,528,175	\$ -	\$14,528,175
(2) Intersegment revenues	39,345	66,750	13,413	2,269	8,313	448,495	578,587	(578,587)	-
Total	1,540,397	1,106,126	5,069,408	6,156,309	62,182	1,172,339	15,106,763	(578,587)	14,528,175
Segment (loss) profit	1,271,985	300,622	244,329	168,055	23,341	(20,341)	1,987,992	(42,945)	1,945,046
Segment assets	3,872,144	591,952	3,149,736	11,486,201	473,314	1,568,188	21,141,538	(1,942,907)	19,198,631
II Other items:									
Depreciation and amortization	89,343	29,199	179,870	571,709	12,339	10,476	892,939	(482)	892,457
Amortization of goodwill and negative goodwill	386	-	7,357	8,354	-	-	16,098	-	16,098
Interest income	1,690	1,842	2,413	15,309	13	6,358	27,627	(6,083)	21,544
Interest expenses	30,233	3,047	16,363	86,840	439	9,746	146,670	(2,340)	144,330
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	1,278,704	-	(1,473)	158,111	-	(26,895)	1,408,446	(9)	1,408,437
Investments in equity method affiliates	2,253,270	-	17,329	2,022,262	-	3,778	4,296,639	(2,828)	4,293,811
Increase in vessels, property, plant, and equipment and intangible assets	61,267	14,173	62,741	774,508	3,473	6,805	922,969	(3,639)	919,329
III Information about impairment loss by reportable segments:									
Impairment loss	1,754	-	10,176	202,323	4,841	1,171	220,267	-	220,267
IV Information about balance of goodwill by reportable segments:									
Balance of goodwill (negative goodwill) at the end of current period	808	-	38,699	52,541	-	-	92,049	-	92,049

* Adjustments of segment profit or loss are ¥66 million (\$596 thousand) of internal exchanges or transfers among segments and ¥-4,820 million (\$-43,542 thousand) of corporate expenses. The Company accounts general and administrative expenses and non-operating expenses that do not belong to any single segment as corporate expenses.

Adjustments of segment assets are ¥-237,649 million (\$-2,146,598 thousand) of receivables or assets relating to internal exchanges among segments and ¥22,550 million (\$203,691 thousand) of corporate assets.

Major corporate assets are the excess of operating funds (cash and deposits).

Year ended March 31, 2020:

	Millions of yen								Consolidated Total
	Global Logistics				Others			Adjustments*	
	Liner Trade	Air Cargo Transportation	Logistics	Bulk Shipping	Real Estate	Others	Total		
I Revenues:									
(1) Revenues from customers	¥196,530	¥ 70,237	¥474,352	¥ 819,776	¥ 6,344	¥101,114	¥1,668,355	¥ -	¥1,668,355
(2) Intersegment revenues	5,717	4,920	1,973	31	1,002	64,575	78,220	(78,220)	-
Total	202,248	75,157	476,326	819,807	7,346	165,690	1,746,576	(78,220)	1,668,355
Segment profit (loss)	13,442	(15,583)	4,721	44,187	2,564	1,773	51,106	(6,619)	44,486
Segment assets	296,981	63,205	281,608	1,269,819	54,948	159,032	2,125,594	(192,330)	1,933,264
II Other items:									
Depreciation and amortization	11,668	4,006	19,881	65,982	1,355	1,216	104,110	(53)	104,057
Amortization of goodwill and negative goodwill	44	-	680	3,605	-	-	4,329	-	4,329
Interest income	454	283	577	2,834	2	1,595	5,747	(2,170)	3,576
Interest expenses	5,633	276	2,192	14,488	58	3,595	26,245	(286)	25,958
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	5,742	-	21	17,427	-	(660)	22,531	(14)	22,517
Investments in equity method affiliates	121,936	-	2,059	227,135	-	1,360	352,492	(118)	352,373
Increase in vessels, property, plant, and equipment and intangible assets	5,659	16,989	7,797	106,482	1,205	801	138,935	296	139,232
III Information about impairment loss by reportable segments:									
Impairment loss	1	16,151	2,507	1,989	-	5	20,655	-	20,655
IV Information about balance of goodwill by reportable segments:									
Balance of goodwill (negative goodwill) at the end of current period	131	-	4,259	6,664	-	-	11,055	-	11,055

* Adjustments of segment profit or loss are ¥50 million of internal exchanges or transfers among segments and ¥-6,669 million of corporate expenses.
The Company accounts general and administrative expenses and non-operating expenses that do not belong to any single segment as corporate expenses.
Adjustments of segment assets are ¥-207,063 million of receivables or assets relating to internal exchanges among segments and ¥14,732 million of corporate assets.
Major corporate assets are the excess of operating funds (cash and deposits).

29. Related Information

Information by geographical segment is as follows. As there were no customers that accounted for more than 10% of consolidated revenues, information about revenues from major customers is omitted.

Year ended March 31, 2021:

	Millions of yen					
	Japan	North America	Europe	Asia	Others	Total
I Revenues	¥1,053,797	¥101,882	¥164,118	¥273,583	¥15,032	¥1,608,414
II Tangible fixed assets	547,666	31,346	180,874	85,854	1,948	847,689

	Thousands of U.S. dollars (Note 2)					
	Japan	North America	Europe	Asia	Others	Total
I Revenues	\$9,518,538	\$920,266	\$1,482,416	\$2,471,172	\$135,781	\$14,528,175
II Tangible fixed assets	4,946,854	283,141	1,633,768	775,488	17,597	7,656,850

Year ended March 31, 2020:

	Millions of yen					
	Japan	North America	Europe	Asia	Others	Total
I Revenues	¥1,173,036	¥91,839	¥165,294	¥218,986	¥19,199	¥1,668,355
II Tangible fixed assets	599,989	33,771	198,502	81,286	2,778	916,329

30. Related Party Disclosures

(1) Related-party transactions

Previous fiscal year (April 1, 2019 to March 31, 2020)

No matters of importance to report.

Fiscal year under review (April 1, 2020 to March 31, 2021)

No matters of importance to report.

(2) Summarized financial information as of and for the years ended March 31, 2021 and 2020, for OCEAN NETWORK EXPRESS PTE. LTD., which was classified as a significant affiliated company, is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Total current assets	¥ 820,309	¥ 385,905	\$ 7,409,531
Total non-current assets	617,754	611,750	5,579,932
Total current liabilities	357,286	249,219	3,227,228
Total non-current liabilities	505,863	508,869	4,569,268
Total equity	574,913	239,566	5,192,966
Revenues	1,597,798	1,378,435	14,432,286
Profit before income taxes	373,176	14,217	3,370,757
Profit attributable to owners of parent	367,247	8,141	3,317,201

31. Subsequent Events

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2021, was approved at the Company's shareholders' meeting held on June 18, 2021.

	Millions of yen	Thousands of U.S. dollars (Note 2)
Year-end cash dividends, ¥180.00 (\$1.63) per share	¥30,520	\$275,679

Partial Transfer of Subsidiary Stock

On May 27, 2021, the Company reached an agreement with Japan Post Real Estate Co., Ltd. to transfer 51% of the issued shares of the Company's consolidated subsidiary Yusen Real Estate Corporation. Accordingly, Yusen Real Estate Corporation will become an equity-method affiliate.

1. Name of the assignee
Japan Post Real Estate Co., Ltd.
2. Name of the target company
Yusen Real Estate Corporation
3. Name of the reporting segment of the target company
Real Estate
4. Business operations of the target company
Ownership, rental, real estate master lease, and contracted management, etc., of buildings, condominiums, and stores
5. Main reason for the transfer
The Company has presented effective use of real estate holdings as a measure under its current medium-term management plan and has positioned the early realization of further business growth of Yusen Real Estate Corporation as its most important priority. The Company judges that forming a partnership with Japan Post Real Estate Co., Ltd. to develop business is the best strategy for further growth and increase the corporate value of Yusen Real Estate Corporation.
6. Timing of the transfer
Scheduled in the second quarter of the fiscal year ending March 31, 2022
* The timing of the transfer has not been fixed as it is necessary to obtain the approval of the relevant government authorities in each country in relation to the Competition Law, etc.
7. Transfer ratio
51%
8. Transfer price
The transfer price shall not be disclosed due to the obligation of confidentiality with the assignee.
9. Impact of the transaction
As a result of this transaction, the Company expects to record a gain on the transfer of shares of approximately ¥23.0 billion (\$207,749 thousand) under other gains for the second quarter of the fiscal year ending March 31, 2022.

Other Information

① Quarterly information, etc., in the consolidated fiscal year under review

(Cumulative period)		First quarter	Second quarter	Third quarter	Total
Revenues	Millions of yen	¥361,170	¥722,031	¥1,145,943	¥1,608,414
Amount of profit (loss) before income taxes	Millions of yen	15,749	29,916	64,822	170,418
Amount of profit (loss) attributable to owners of parent	Millions of yen	11,684	22,180	52,362	139,228
Profit (loss) per share	Yen	69.21	131.37	310.11	824.55

(Fiscal period)		First quarter	Second quarter	Third quarter	Fourth quarter
Profit (loss) per share	Yen	¥69.21	¥62.16	¥178.73	¥514.43

(Cumulative period)		First quarter	Second quarter	Third quarter	Total
Revenues	Thousands of U.S. dollars (Note 2)	\$3,262,309	\$6,521,829	\$10,350,854	\$14,528,175
Amount of profit (loss) before income taxes	Thousands of U.S. dollars (Note 2)	142,256	270,219	585,517	1,539,319
Amount of profit (loss) attributable to owners of parent	Thousands of U.S. dollars (Note 2)	105,541	200,350	472,966	1,257,596
Profit (loss) per share	U.S. dollars (Note 2)	0.62	1.19	2.8	7.45

(Fiscal period)		First quarter	Second quarter	Third quarter	Fourth quarter
Profit (loss) per share	U.S. dollars (Note 2)	\$0.63	\$0.56	\$1.61	\$4.65

② Lawsuits

In addition to the items detailed in 25. Commitments and Contingent Liabilities, in connection with the collision of ACX Crystal, a containership chartered by the Company, with U.S. Navy Destroyer Fitzgerald on June 17, 2017 (Japan time) off the coast of Shimoda, Shizuoka Prefecture, lawsuits for damages totaling \$308 million have been filed against the Company in the United States by bereaved family members of the crew members of Fitzgerald who died in the collision and by crew members who claim to have been injured. To date, the court of first instance and the court of second instance in the U.S. have ruled to reject the plaintiff's lawsuit.

Management's Report on Internal Control Over Financial Reporting

1. Matters relating to the basic framework of internal control over financial reporting

Hitoshi Nagasawa, President, Representative Director, President and Chief Executive Officer, and Hiroshi Kubota, Director, Managing Executive Officer, are responsible for designing and operating effective internal control over financial reporting of the Company and have designed and operated internal control over financial reporting of the consolidated financial statements in accordance with the basic framework for internal control set forth in "On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that material misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters relating to the scope of assessment, the basis date of assessment, and the assessment procedures

The assessment of internal control over financial reporting was performed as of March 31, 2021, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting on a consolidated basis ("company-level controls"), and based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method affiliated companies, from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts on financial reporting. In light of the results of assessment of company-level controls conducted for the Company and consolidated subsidiaries, we reasonably determined the scope of assessment of process-level controls. Regarding the consolidated subsidiaries and the equity-method affiliated companies that do not have a material effect on financial reporting, we did not include them in the scope of assessment of company-level controls.

Regarding the scope of assessment of process-level controls, we selected locations and business units to be tested in descending order of revenues, and the companies whose combined revenues reach two thirds of revenues on a consolidated basis, in addition, because of the monetary and qualitative significance of the impact on the reliability of the consolidated financial statements, Ocean Network Express Pte. Ltd. an equity-method affiliate, were selected as "significant locations and/or business units." We included in the scope of assessment, at the selected significant locations and/or business units, business processes leading to revenues, costs and expenses, and accounts receivable-trade as significant accounts that may have a material impact on the business objectives of the Company. Further, in addition to selected significant locations and/or business units, we also selected for testing the business processes having greater materiality, taking into account their impact on the financial reporting.

3. Matters relating to the results of the assessment

As a result of the assessment described above, as of the end of this fiscal year, we concluded that the Company's internal control over financial reporting of the consolidated financial statements was effectively maintained.

Hitoshi Nagasawa

President, Representative Director,
President and Chief Executive Officer
June 18, 2021

Hiroshi Kubota

Director, Managing Executive Officer



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Nippon Yusen Kabushiki Kaisha:

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Nippon Yusen Kabushiki Kaisha and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Member of
Deloitte Touche Tohmatsu Limited

Impairment losses of non-current assets	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As presented in the consolidated balance sheet, the Group recorded ¥534,378 million (\$4,826,829 thousand) for vessels and ¥35,838 million (\$323,712 thousand) for aircraft as of March 31, 2021, and these amounts represented 25.1% and 1.7% of total assets, respectively. In addition, as presented in the consolidated statement of income, the Group recorded impairment losses of ¥24,385 million (\$220,297 thousand) for the year ended March 31, 2021.</p> <p>As stated in the notes to the consolidated financial statements 3. Summary of Significant Accounting Policies O. Significant Accounting Estimates (1) Impairment losses of non-current assets, if any impairment indicators exist for assets or group of assets, the Group measures impairment losses for the assets or group of assets to determine whether impairment losses should be recognized. In determining whether an impairment loss is needed, the Group calculates the recoverable amounts based on the value in use or the net selling price at disposition for the asset or group of assets.</p> <p>Value in use is calculated as the discounted present value of the future cash flows. Significant assumptions used in business plans that form the basis of future cash flows are mainly composed of market conditions for freight and charter rates and future prospects of cargo demand. Since the shipping and air cargo markets are highly volatile, including the impact of COVID-19 to the business, forecasting them requires a high degree of judgment. Furthermore, the period to estimate the future cash flows is based on the average remaining useful lives of the vessels and aircraft belonging to each asset or group of assets and is, therefore, relatively long term. Due to this uncertainty, there is a high degree of subjectivity and dependence on management's judgment regarding market conditions in estimating the future cash flows. Additionally, complex calculation is required in deriving the discount rate used to determine the discounted present value, and this is dependent on management's judgment. The net selling price at disposition is primarily estimated based on the valuation results made by management's experts. For some assets or groups of assets, for which there may be no observable markets, the valuation methods and results may be highly dependent on the judgment of the experts and management.</p> <p>Based on the above, we determined that the estimation of the recoverable amounts used in the impairment tests of non-current assets is particularly important in the audit of the consolidated financial statements of the Company as of March 31, 2021 as it involves significant judgements made by management and identified it as a key audit matter.</p>	<p>Our audit procedures related to the estimation of the recoverable amounts for the impairment test of non-current assets included the following, among others:</p> <p>(Value in use)</p> <ul style="list-style-type: none"> We tested the design, implementation, and operating effectiveness of the Group's internal controls relevant to developing future cash flows, including assumptions made by management regarding market conditions for freight and charter rates and future prospects of cargo demand. We evaluated the accuracy of management's historical estimates for future plans by comparing the budgets and business plans for past fiscal years with actual results. We evaluated the reasonableness of key assumptions, such as future projections for freight and charter rates and future prospects concerning factors such as cargo demand, by comparing them with available external data, such as market research reports, and analyzing trends using past results. We held discussions with management to evaluate management's assumptions concerning market trends during and after the period of recovery from the impact of the COVID-19 pandemic. For the discount rate, we evaluated the appropriateness of the calculation method adopted by management with the assistance of our valuation specialists, who used available external data. We also checked the consistency of the variables used against available external data. <p>(Net selling price at disposition)</p> <ul style="list-style-type: none"> With the assistance of our asset valuation specialists, we evaluated the reliability of management's experts and the appropriateness of valuation methodologies. In cases where there were comparable transactions, we tested the appropriateness of valuation results by comparing the valuation amounts with those transactions.

Provision for losses related to contracts associated with dry bulk restructuring	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As stated in the notes to the consolidated financial statements 3. Summary of Significant Accounting Policies O. Significant Accounting Estimates (2) Provision for losses related to contracts associated with dry bulk restructuring, as part of its dry bulk restructuring, which is one of the measures in the current medium-term management plan, Nippon Yusen Kabushiki Kaisha (the "Company") has made the decision to cancel time charter contracts in the future. Consequently, it has recorded provision for losses related to contracts of ¥42,617 million (\$384,942 thousand) in the consolidated balance sheet for expenses related to cancellation penalties for the contracts and other expenses that are expected to arise as a result of this decision.</p> <p>The Company has recorded a provision for expenses related to cancellation penalties for time charter contracts and other expenses that are expected to arise in the future, as it has determined that they have satisfied the following requirements as defined in Note 18 of the Corporate Accounting Principles: "1) the expense is a specific future expense or loss, 2) it is attributable to an event that occurred prior to the current fiscal year, 3) the occurrence of the expense is highly likely, and 4) its amount can be reasonably estimated."</p> <p>Cancellation penalties are incurred based on the agreement with the owners of the vessels that the Company has decided to end its contracts. However, as final agreements have not yet been reached between the Company and the owners of the vessels for certain contracts as of March 31, 2021, the evaluation of the likelihood of the cancellation of the contracts is dependent on management's judgment. Furthermore, since there is no provision for cancellation penalties related to in time charter contracts, in light of the level of cancellation penalties in past cancellations, the Company estimated contract cancellation fees based on (1) the terms and conditions of time charter contracts, (2) current and future shipping market rates, and (3) vessel prices in the second hand vessel sales market, among others. In this regard, the uncertainty of the estimate is relatively high since cancellation terms are determined through individual negotiations.</p> <p>Based on the above, we determined that the evaluation of the reasonableness of the estimated provision for losses related to contracts associated with dry bulk restructuring is particularly important in the audit of the consolidated financial statements of the Company as of March 31, 2021 as it involves significant judgements made by management and identified it as a key audit matter.</p>	<p>Our audit procedures related to testing the reasonableness of the estimate of provision for losses related to contracts associated with dry bulk restructuring included the following, among others:</p> <ul style="list-style-type: none"> • Regarding the recognition of provision for losses related to contracts, we evaluated the design and operating effectiveness of the Company's internal controls over the completeness of identification of contracts subject to the provision for losses related to contracts, the likelihood of cancellation of the contracts, and the reasonableness of the estimate of the amounts. • For the likelihood of cancellation of the contracts, based on the list of time charter contracts used for the selection of applicable contracts, we inquired of management about the basis for determining that certain contracts had a high likelihood of being cancelled. We also inspected the supporting documents to corroborate our inquiry. • For the completeness of the provision for losses related to contracts, based on the list of time charter contracts used for the selection of contracts subject to the provision for losses related to contracts, we inquired of management about the basis for determining that certain contracts had a low likelihood of being cancelled. We also inspected the supporting documents to corroborate our inquiry. • For the reasonableness of the provision calculation method, we inquired of management, and checked its consistency against the calculation methods for time charter cancellation penalties in the past. • For the contract terms and conditions, results and forecasts of the shipping market rates, and the estimate of second hand vessel sales prices used in calculating the provision, we evaluated their consistency with time charter contracts, published current and future market data, and available external data such as market research reports.

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Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for

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the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Internal Control

Opinion

We have audited management's report on internal control over financial reporting of the consolidated financial statements of Nippon Yusen Kabushiki Kaisha as of March 31, 2021.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of the consolidated financial statements of Nippon Yusen Kabushiki Kaisha as of March 31, 2021, is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and Audit & Supervisory Board for Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit

Our objectives are to obtain reasonable assurance about whether management's report on internal control over financial reporting is free from material misstatement and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards for internal control over financial reporting generally accepted in Japan will always detect a material misstatement when it exists.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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- Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting.
- Examine representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.
- Obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and performance of the internal control audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the internal control audit, result of the internal control audit, including any identified material weakness which should be disclosed and the result of remediation.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tokmatsu LLC

June 18, 2021

Major Group Companies

(As of March 31, 2021)

			(Millions of yen)	
		Company	Voting rights held (%)	Paid-in capital
Domestic	Liner	UNI-X NCT CORPORATION	100.00	¥ 934
		ASAHI UNYU KAISHA, LTD.	100.00	100
		YUSEN KOUN CO., LTD.	100.00	100
		SHIN-NIPPON KAIYOSHA CORP.	100.00	490
		NIPPON CONTAINER YUSO CO., LTD.	51.00	250
		HONMA CORPORATION	100.00	50
		NAIKAI TUG BOAT SERVICE CO., LTD.	100.00	97
	Air Cargo Transportation	NIPPON CARGO AIRLINES CO., LTD.	100.00	10,000
	Logistics	YUSEN LOGISTICS CO., LTD.	100.00	4,301
		KINKAI YUSEN KAISHA LTD.	100.00	465
		CAMELLIA LINE CO., LTD.	51.00	400
	Bulk Shipping	NYK BULK & PROJECTS CARRIERS LTD.	100.00	2,100
		ASAHI SHIPPING CO., LTD.	69.67	495
		HACHIUMA STEAMSHIP CO., LTD.	76.18	500
		NS UNITED KAIUN KAISHA, LTD.	18.57	10,300
		KYOEI TANKER CO., LTD.	30.06	2,850
	Real Estate	YUSEN REAL ESTATE CORPORATION	100.00	450
	Others	NYK CRUISES CO., LTD.	50.00	2,000
		NYK BUSINESS SYSTEMS CO., LTD.	100.00	99
		SANYO TRADING CO., LTD.	50.78	100
		NYK TRADING CORPORATION	79.25	1,246

			(Millions of indicated units)	
		Company	Voting rights held (%)	Paid-in capital
Overseas	Liner	YUSEN TERMINALS LLC	100.00	US\$ 2
		CERES HALIFAX INC.	100.00	CA\$ 0.0
		AMADEUS SHIPHOLDING S.A.	100.00	US\$ 0.0
		OCEAN NETWORK EXPRESS PTE. LTD.	0.00	US\$ 3,000
	Logistics	YUSEN LOGISTICS (AMERICAS) INC.	100.00	US\$ 70
		YUSEN LOGISTICS (CHINA) CO., LTD.	100.00	CHY 158
		YUSEN LOGISTICS (UK) LTD.	100.00	£ 44
		YUSEN LOGISTICS (THAILAND) CO., LTD.	100.00	B 70
		YUSEN LOGISTICS (HONG KONG) LTD.	100.00	HK\$ 55
	Bulk Shipping	INTERNATIONAL CAR OPERATORS N.V.	100.00	€ 104
		NYK BULKSHIP (ASIA) PTE. LTD.	100.00	US\$ 7
		SAGA SHIPHOLDING (NORWAY) AS	100.00	US\$ 6
		NYK BULKSHIP (ATLANTIC) N.V.	100.00	US\$ 555
		NYK AUTOMOTIVE LOGISTICS (CHINA) CO., LTD.	100.00	CHY 245
		NYK ENERGY TRANSPORT (ATLANTIC) LTD.	100.00	US\$ 51
		NYK BULKSHIP (KOREA) CO., LTD.	100.00	KRW 11,386
		NYK SHIPMANAGEMENT PTE. LTD.	100.00	US\$ 0.4
	ADAGIO MARITIMA S.A.	100.00	¥ 0.1	

Currencies: B: Thai Baht CA\$: Canadian dollar CHY: Chinese yuan HK\$: Hong Kong dollar KRW: Korean won US\$: U.S dollar £: Pound sterling €: EURO



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