Financial Results 2022

Year Ended March 31, 2022

Nippon Yusen Kabushiki Kaisha

Consolidated Balance Sheet

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(March 31, 2022)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2021	2022
ASSETS			
CURRENT ASSETS:			
Cash and deposits (Notes 4 and 13, 14)	¥ 233,019	¥ 107,369	$ 1,903,909
Notes and operating accounts receivable–trade (Note 4)	–	234,909	–
Notes and operating accounts receivable-trade, and contract assets (Notes 4 and 13)	359,158	–	2,934,542
Short-term investment securities (Notes 4 and 5)	–	144	–
Inventories (Notes 7 and 13)	57,029	37,619	465,965
Deferred and prepaid expenses	24,152	56,438	197,338
Other	94,937	104,108	775,695
Allowance for doubtful accounts (Note 4)	(3,433)	(2,101)	(28,053)
Total current assets	764,863	538,488	6,249,397
NON-CURRENT ASSETS:			
VESSELS, PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION (Notes 8, 10, 11, and 13)**:**			
Vessels	577,147	534,378	4,715,639
Buildings and structures	105,494	109,198	861,956
Aircraft	103,683	35,838	847,154
Machinery, equipment, and vehicles	27,548	26,040	225,086
Furniture and fixtures	5,979	5,303	48,855
Land	72,722	86,912	594,184
Construction in progress	65,834	44,704	537,910
Other	5,867	5,314	47,944
Total vessels, property, plant and equipment	964,277	847,689	7,878,731
INTANGIBLE ASSETS:			
Leasehold right	5,117	4,912	41,812
Software (Note 13)	6,135	5,768	50,132
Goodwill	8,711	10,190	71,178
Other	3,637	3,408	29,723
Total intangible assets	23,602	24,279	192,847
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4, 5, 9, and 13)	1,146,438	578,892	9,367,089
Long-term loans receivable (Note 4)	27,503	21,393	224,718
Net defined benefit asset (Note 25)	85,644	60,339	699,764
Deferred tax assets (Note 15)	10,571	6,110	86,374
Other (Note 13)	62,099	53,393	507,386
Allowance for doubtful accounts (Note 4)	(5,236)	(5,350)	(42,787)
Total investments and other assets	1,327,019	714,779	10,842,546
Total non-current assets	2,314,899	1,586,748	18,914,126
DEFERRED ASSETS	259	243	2,120
TOTAL ASSETS	3,080,023	2,125,480	25,165,644

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2021	2022
LIABILITIES			
CURRENT LIABILITIES:			
Notes and operating accounts payable–trade (Notes 4 and 13)	¥ 218,650	¥ 168,690	$ 1,786,503
Current portion of bonds payable (Notes 4 and 12)	30,000	25,000	245,118
Short-term loans payable (Notes 4, 12, and 13)	130,919	161,045	1,069,687
Leases liabilities (Notes 4 and 12)	23,818	19,477	194,609
Income taxes payable	25,097	14,390	205,058
Contract liabilities	39,792	–	325,129
Provision for bonuses	23,188	14,063	189,463
Provision for directors' bonuses	517	366	4,224
Provision for stock payment	1,270	170	10,377
Provision for losses related to contracts	134	14,364	1,095
Provision for related to business restructuring	–	3	–
Other	79,895	124,691	652,794
Total current liabilities	573,282	542,262	4,684,061
NON-CURRENT LIABILITIES:			
Bonds payable (Notes 4 and 12)	97,000	107,000	792,548
Long-term loans payable (Notes 4, 12, and 13)	447,069	560,913	3,652,826
Leases liabilities (Notes 4 and 12)	79,493	77,707	649,507
Deferred tax liabilities (Note 15)	57,446	64,718	469,375
Net defined benefit liability (Note 25)	15,907	16,697	129,972
Provision for directors' retirement benefits	819	979	6,693
Provision for stock payment	–	551	–
Provision for periodic dry docking of vessels	16,347	14,595	133,565
Provision for losses related to contracts	18,074	52,071	147,677
Provision for related to business restructuring	407	927	3,328
Other	15,102	19,645	123,394
Total non-current liabilities	747,667	915,805	6,108,890
Total liabilities	1,320,949	1,458,068	10,792,951
EQUITY (Notes 16 and 30)			
SHAREHOLDERS' CAPITAL:			
Common stock	144,319	144,319	1,179,179
Capital surplus	44,314	44,214	362,074
Retained earnings	1,396,300	444,801	11,408,618
Treasury stock	(3,428)	(3,381)	(28,013)
Total shareholders' capital	1,581,506	629,954	12,921,859
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):			
Unrealized gain (loss) on available-for-sale securities	32,136	22,004	262,577
Deferred gain (loss) on hedges	(15,452)	(29,187)	(126,252)
Foreign currency translation adjustments	85,785	(11,365)	700,915
Remeasurements of defined benefit plans	29,737	13,927	242,974
Total accumulated other comprehensive income (loss)	132,207	(4,621)	1,080,215
Non-controlling interests	45,359	42,078	370,617
Total equity	1,759,073	667,411	14,372,692
TOTAL LIABILITIES AND EQUITY	3,080,023	2,125,480	25,165,644

	Yen		U.S. dollars (Note 2)
	2022	2021	2022
Equity per share	¥10,144.29	¥ 3,703.27	$ 82.88

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, 2022)

(Consolidated Statement of Income)	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2021	2022
REVENUES	¥2,280,775	¥1,608,414	$18,635,309
COSTS AND EXPENSES (Notes 19, 21 and 29)	1,827,342	1,375,232	14,930,488
Gross profit	453,433	233,181	3,704,820
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 18 and 21)	184,493	161,644	1,507,425
Operating profit	268,939	71,537	2,197,395
NON-OPERATING INCOME:			
Interest income	2,127	2,385	17,385
Dividend income	6,279	5,552	51,306
Equity in earnings of unconsolidated subsidiaries and affiliates	742,645	155,928	6,067,859
Foreign exchange gains	11,384	719	93,020
Other	4,012	5,530	32,782
Total non-operating income	766,449	170,115	6,262,355
NON-OPERATING EXPENSES:			
Interest expenses	12,279	15,978	100,332
Derivative losses	17,707	8,363	144,679
Other	2,247	1,974	18,365
Total non-operating expenses	32,234	26,316	263,377
Recurring profit	1,003,154	215,336	8,196,373
OTHER GAINS:			
Gain on sales of non-current assets (Note 20)	19,575	42,009	159,940
Gain on sales of shares of subsidiaries and associates	29,265	903	239,113
Other	2,619	4,706	21,406
Total other gains	51,460	47,618	420,460
OTHER LOSSES:			
Loss on sales of non-current assets	56	671	463
Impairment loss (Note 17)	2,810	24,385	22,964
Provision for losses related to contracts	–	54,955	–
Loss on cancellation of leased aircrafts	8,048	–	65,758
Other	6,383	12,523	52,157
Total other losses	17,298	92,536	141,342
PROFIT BEFORE INCOME TAXES	1,037,315	170,418	8,475,490
Income taxes - Current	42,459	15,000	346,918
Income taxes - Deferred	(22,961)	9,102	(187,607)
Total income taxes (Note 15)	19,498	24,102	159,311
PROFIT	1,017,817	146,315	8,316,179
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	8,711	7,086	71,182
PROFIT ATTRIBUTABLE TO OWNERS OF PARENT	1,009,105	139,228	8,244,997

Per share of common stock (Note 3. L):	Yen		U.S. dollars (Note 2)
Basic profit	¥ 5,973.76	¥ 824.55	$ 48.81
Cash dividends applicable to the year	1,450.00	200.00	11.85

(Consolidated Statement of Comprehensive Income)	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2021	2022
Profit	¥1,017,817	¥ 146,315	$ 8,316,179
Other comprehensive income (Note 22)			
Unrealized gain (loss) on available-for-sale securities	10,107	12,339	82,580
Deferred gain (loss) on hedges	6,346	1,992	51,852
Foreign currency translation adjustments	14,892	9,286	121,680
Remeasurements of defined benefit plans	15,943	12,678	130,264
Share of other comprehensive income of associates accounted for using equity method	90,974	(4,398)	743,317
Total other comprehensive income	138,263	31,897	1,129,696
Comprehensive income	1,156,080	178,212	9,445,875
Comprehensive income attributable to owners of parent	1,145,934	170,463	9,362,973
Comprehensive income attributable to non-controlling interests	10,146	7,749	82,902

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(Year ended March 31, 2022)

	Millions of yen											
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' capital	Unrealized gain (loss) on available-forsale securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)	Noncontrolling interests	Total equity
Balance, April 1, 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
Cumulative effects of changes in accounting policies	**–**	**–**	**6,467**	**–**	**6,467**	**–**	**–**	**–**	**–**	**–**	**–**	**6,467**
Restated Balance, March 31, 2021	**144,319**	**44,214**	**451,268**	**(3,381)**	**636,422**	**22,004**	**(29,187)**	**(11,365)**	**13,927**	**(4,621)**	**42,078**	**673,879**
Dividends from surplus	**–**	**–**	**(64,430)**	**–**	**(64,430)**	**–**	**–**	**–**	**–**	**–**	**–**	**(64,430)**
Profit attributable to owners of the parent company	**–**	**–**	**1,009,105**	**–**	**1,009,105**	**–**	**–**	**–**	**–**	**–**	**–**	**1,009,105**
Purchase of treasury stock	**–**	**–**	**–**	**(231)**	**(231)**	**–**	**–**	**–**	**–**	**–**	**–**	**(231)**
Disposal of treasury stock	**–**	**0**	**–**	**183**	**183**	**–**	**–**	**–**	**–**	**–**	**–**	**183**
Change in equity of parent related to transactions with non–controlling shareholders	**–**	**99**	**–**	**–**	**99**	**–**	**–**	**–**	**–**	**–**	**–**	**99**
Change in scope of consolidation	**–**	**–**	**380**	**–**	**380**	**–**	**–**	**–**	**–**	**–**	**–**	**380**
Other	**–**	**–**	**(22)**	**(0)**	**(22)**	**–**	**–**	**–**	**–**	**–**	**–**	**(22)**
Net change of items other than shareholders' capital	**–**	**–**	**–**	**–**	**–**	**10,132**	**13,735**	**97,150**	**15,810**	**136,829**	**3,281**	**140,110**
Total changes of items during the period	**–**	**99**	**945,031**	**(47)**	**945,083**	**10,132**	**13,735**	**97,150**	**15,810**	**136,829**	**3,281**	**1,085,194**
Balance, March 31, 2022	**144,319**	**44,314**	**1,396,300**	**(3,428)**	**1,581,506**	**32,136**	**(15,452)**	**85,785**	**29,737**	**132,207**	**45,359**	**1,759,073**

	Thousands of U.S. dollars (Note 2)											
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' capital	Unrealized gain (loss) on available-forsale securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)	Noncontrolling interests	Total equity
Balance, March 31, 2021	$1,179,179	$361,259	$3,634,292	$(27,624)	$5,147,107	$179,790	$(238,481)	$ (92,862)	$113,792	$ (37,760)	$343,807	$5,453,154
Cumulative effects of changes in accounting policies	**–**	**–**	**52,846**	**–**	**52,846**	**–**	**–**	**–**	**–**	**–**	**–**	**52,846**
Restated Balance, March 31, 2021	**1,179,179**	**361,259**	**3,687,139**	**(27,624)**	**5,199,953**	**179,790**	**(238,481)**	**(92,862)**	**113,792**	**(37,760)**	**343,807**	**5,506,001**
Dividends from surplus	**–**	**–**	**(526,439)**	**–**	**(526,439)**	**–**	**–**	**–**	**–**	**–**	**–**	**(526,439)**
Profit attributable to owners of the parent company	**–**	**–**	**8,244,997**	**–**	**8,244,997**	**–**	**–**	**–**	**–**	**–**	**–**	**8,244,997**
Purchase of treasury stock	**–**	**–**	**–**	**(1,889)**	**(1,889)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,889)**
Disposal of treasury stock	**–**	**2**	**–**	**1,501**	**1,503**	**–**	**–**	**–**	**–**	**–**	**–**	**1,503**
Change in equity of parent related to transactions with non-controlling shareholders	**–**	**812**	**–**	**–**	**812**	**–**	**–**	**–**	**–**	**–**	**–**	**812**
Change in scope of consolidation	**–**	**–**	**3,107**	**–**	**3,107**	**–**	**–**	**–**	**–**	**–**	**–**	**3,107**
Other	**–**	**–**	**(185)**	**(0)**	**(185)**	**–**	**–**	**–**	**–**	**–**	**–**	**(185)**
Net change of items other than shareholders' capital	**–**	**–**	**–**	**–**	**–**	**82,787**	**112,229**	**793,777**	**129,182**	**1,117,976**	**26,810**	**1,144,786**
Total changes of items during the period	**–**	**814**	**7,721,479**	**(388)**	**7,721,905**	**82,787**	**112,229**	**793,777**	**129,182**	**1,117,976**	**26,810**	**8,866,691**
Balance, March 31, 2022	**1,179,179**	**362,074**	**11,408,618**	**(28,013)**	**12,921,859**	**262,577**	**(126,252)**	**700,915**	**242,974**	**1,080,215**	**370,617**	**14,372,692**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(Year ended March 31, 2022)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2021	2022
OPERATING ACTIVITIES			
Profit before income taxes	¥1,037,315	¥ 170,418	$ 8,475,490
Adjustments for:			
Depreciation and amortization	101,596	98,803	830,108
Impairment loss	2,810	24,385	22,964
Loss (gain) on sales and retirement of vessels, property, plant and equipment and intangible assets	(19,090)	(41,063)	(155,980)
Loss (gain) on sales of short-term and long-term investment securities	(29,301)	(963)	(239,406)
Loss (gain) on valuation of short-term and long-term investment securities	929	4,358	7,590
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(742,645)	(155,928)	(6,067,859)
Interest and dividend income	(8,407)	(7,937)	(68,691)
Interest expenses	12,279	15,978	100,332
Foreign exchange losses (gains)	(8,487)	(3,285)	(69,347)
Decrease (increase) in notes and accounts receivable–trade	–	(35,150)	–
Decrease (increase) in notes and accounts receivable-trade, and contract assets	(69,664)	–	(569,199)
Decrease (increase) in inventories	(20,207)	(4,789)	(165,104)
Increase (decrease) in notes and accounts payable–trade	37,378	25,534	305,407
Increase (decrease) in provision for losses related to contracts	(48,227)	43,357	(394,044)
Other, net	11,636	11,342	95,080
Subtotal	257,917	145,061	2,107,338
Interest and dividend income received	288,052	42,000	2,353,560
Interest expenses paid	(11,795)	(16,864)	(96,376)
Paid expenses related to antitrust law	–	(958)	–
Income taxes paid	(26,411)	(9,902)	(215,798)
Net cash provided by operating activities	507,762	159,336	4,148,723
INVESTING ACTIVITIES			
Proceeds from sales and redemption of securities	147	–	1,208
Purchase of vessels, property, plant, and equipment and intangible assets	(192,726)	(102,087)	(1,574,688)
Proceeds from sales of vessels, property, plant and equipment and intangible assets	35,435	76,026	289,530
Purchase of investment securities	(18,022)	(14,121)	(147,257)
Proceeds from sales and redemption of investment securities	10,155	12,916	82,973
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(0)	(579)	(0)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	1,762	–
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(56)	(0)	(462)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	36,013	883	294,255
Payments of loans receivable	(13,608)	(19,221)	(111,190)
Collections of loans receivable	10,044	22,415	82,072
Other, net	(15,954)	5,132	(130,360)
Net cash used in investing activities	(148,571)	(16,871)	(1,213,919)
FINANCING ACTIVITIES			
Net increase (decrease) in short-term loans payable	(1,905)	(64,207)	(15,566)
Net increase (decrease) in commercial papers	–	(19,000)	–
Proceeds from long-term loans payable	18,423	125,187	150,531
Repayments of long-term loans payable	(160,671)	(115,651)	(1,312,780)
Proceeds from issuance of bonds	19,892	–	162,535
Redemption of bonds	(25,000)	(20,000)	(204,265)
Repayments of leases liabilities	(20,389)	(19,903)	(166,592)
Proceeds from share issuance to non-controlling shareholders	5,983	1,221	48,886
Purchase of treasury stock	(231)	(15)	(1,889)
Proceeds from sales of treasury stock	290	33	2,376
Cash dividends paid to shareholders	(64,430)	(6,782)	(526,439)
Cash dividends paid to non-controlling interests	(5,283)	(3,359)	(43,166)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(60)	(925)	(491)
Other, net	(4,155)	(2,081)	(33,949)
Net cash used in financing activities	(237,535)	(125,483)	(1,940,811)
Effect of exchange rate change on cash and cash equivalents	1,445	8,688	11,810
Net increase (decrease) in cash and cash equivalents	123,100	25,669	1,005,803
Cash and cash equivalents at beginning of period	103,593	77,092	846,420
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	–	709	–
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	8	122	71
Decrease in cash and cash equivalents resulting from share exchanges	(7)	–	(62)
Cash and cash equivalents at end of period (Note 14)	226,694	103,593	1,852,233

See notes to consolidated financial statements.

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, 2022, which was ¥122.39 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 488 consolidated subsidiaries (the "NYK Group") at March 31, 2022.

During the fiscal year ended March 31, 2022, the Company newly established 12 companies that were included within the scope of consolidation as they were newly established.

A total of 14 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 changed from a consolidated subsidiary to an affiliate accounted for by the equity method due to a partial disposal of shares.

One company was changed from a consolidated subsidiary to an affiliate accounted for by the equity method due to merger.

A total of 34 companies were excluded from the scope of consolidation as they were liquidated.

One company was 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 210 affiliates using the equity method at March 31, 2022.

In the consolidated fiscal year ended March 31, 2022, the Company newly established 11 companies and judged 6 companies to have a material impact on the consolidated financial statements. Consequently, these companies were newly included in the scope of companies accounted for using the equity method.

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

One company was changed from a consolidated subsidiary to an affiliate accounted for by the equity method due to merger.

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

Six companies were excluded from the scope of application of the equity method due to mergers.

Four companies were excluded from the scope of application of the equity method due to the disposal of their shares.

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, 2022, December 31 was used by 41 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.

From the fiscal year under review, a consolidated subsidiary has changed its closing date of account from March 31 to December 31.

The impact of the change in the closing date of account on retained earnings is stated in the consolidated statement of changes in equity.

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 investment securities and investment securities are classified and accounted for, depending on management's intent, as follows:
  i) Held-to-maturity debt securities are reported at amortized cost (primarily straight-line method).
  ii) Available-for-sale securities
    (a) Securities other than nonmarketable shares
      Fair value method (Unrealized gains and losses are reported as accumulated other comprehensive income (loss), and the costs of securities sold are determined by the moving-average method)
    (b) Nonmarketable shares
      Primarily, cost method determined by the moving-average method

(2) Derivatives are stated at fair value.

(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 straightline 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 expenses 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. Provisions and Allowances

(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.

H. 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.

I. 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.

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

The Company and some of its consolidated subsidiaries shall, from the next fiscal year, make a transition from the consolidated taxation system to the the Japanese group tax sharing system. However, with regard to items that were shifted to the Japanese group tax sharing 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 non-consolidated taxation system was reviewed in line with the shift to the Japanese group tax sharing 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 Practical Solution 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 amendment.

From the beginning of the next fiscal year, the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ Practical Solution No. 42 issued on August 12, 2021), which prescribes the accounting treatment and disclosure of income taxes, local income taxes and tax effect accounting under the Japanese group tax sharing system, is scheduled to be adopted.

J. Revenue and expense recognition

Regarding the contracts with customers, when control of the promised goods or service transfers to the customer, the expected monetary compensation received in return to which the Company expects to be entitled is recognized as revenue based on the following Five-Step Approach.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognize revenue when a performance obligation is satisfied by transferring a promised goods or service to a customer at a point in time or over time

(Overall businesses)

The Group operates mainly liner trade business, bulk shipping business, air cargo transportation business, logistics business, real estate business, and other business services.

We determine whether we provide goods or services as a principal or as an agent in identifying performance obligations. In the cases the promise we made to a customer, by its nature, consists of a performance obligation to provide specified goods or services by ourselves, we recognize revenue at the gross amount of consideration as a principal. Whereas in the cases the performance obligation involves arranging other parties to provide such goods or services, we recognize revenue at the net amount of consideration as an agent.

The consideration receivable from customers is normally paid within one year from the fulfillment of performance obligations. This process does not involve a significant financing component.

The transaction price is measured at the amount of consideration that the Group expects to become entitled to in return for the transfer of the promised goods or services to the customer and may include variable consideration. In cases where variable consideration is included in the consideration of contracts with customers, it is included in the transaction price only to the extent that it is highly probable that a significant reduction of revenue recorded until that time will not occur when the uncertainty associated with such variable consideration is subsequently resolved.

Transaction price is allocated to each performance obligation at an amount that reflects the amount of consideration the Group expects to become entitled to in return for the transfer of the promised goods or services to the customer. In order to allocate the transaction price to each performance obligation in proportion to the stand-alone selling price, we determine at the inception of the contract the stand-alone selling price for each individual goods or services that form the basis of each performance obligation in the contract. Then transaction price shall be allocated in proportion to such stand-alone selling price.

In recognizing revenue, we identify the performance obligations of liner trade business, bulk shipping business, air cargo transportation business, logistics business, and other business services, respectively, based on contracts with customers. In some cases, performance obligations are satisfied and revenue is recognized at a point in time. In other cases, performance obligations are satisfied and revenue is recognized over time by using an estimate of the progress towards complete satisfaction of the performance obligations, based primarily on the number of days within the performance period. Normally, revenues are recognized on the following timing when the Group's performance obligations are considered to have been fulfilled. Furthermore, among matters relating to the five steps mentioned above (from Step 1 to Step 5), matters which the Group believes it would be more appropriate to disclose by business segment are stated hereunder.

(1) Revenues from shipping operation (liner trade and bulk shipping businesses)

In shipping operations (liner trade and bulk shipping businesses), we provide customers with transportation services, etc. based on charter contracts and other types of contracts (e.g., consecutive voyage charter contract, contract of affreightment, contract for carriage of individual goods, time charter contract, etc.), in which performance obligations are deemed to be fulfilled over a certain period of time. In the case of transportation services (excluding time charter), revenue is recognized by using a reasonable estimate of the progress towards complete satisfaction of the performance obligations, based on the number of days within the voyage period. Certain bulk shipping businesses provided as transportation services involving normal voyage duration from the place of departure to the place of return (including unloaded voyage as part of the performance of transportation service, but excluding voyage not for performing transportation service or stand-by period), one voyage of a vessel carrying consignments of more than one customer is defined as a single performance obligation, and revenue is recognized over such a period of voyage. In the case of the time charter, since we are entitled to receive the amount of consideration directly corresponding to the customer value for the portion of completed service to date, revenue is recognized at such entitled amount.

The consideration receivable from the customer in the time charter is normally received prior to the satisfaction of performance obligations which is fulfilled within one year of such receipt. In cases other than the time charter, payment is normally received within one year of the fulfillment of performance obligation. This process does not involve a significant financing component.

Transaction price depends on variable elements such as the number of voyages, freight rate, demurrage, and dispatch money, etc., which involves variable consideration.

Allocation of variable consideration (transaction price) charged for consecutive voyage charter and contract of affreightment to the relevant performance obligations is achieved by allocating it to the transportation services in each voyage, because the allocation of the entire amount of variable consideration derived from each voyage to the transportation services in each voyage should reflect the amount of price we expect to be entitled to, in view of the condition of payment of variable consideration being individually related to the transportation services in each voyage, along with all performance obligations and payment conditions in the contract.

On the other hand, since revenue from bareboat charter contract is derived from revenue associated primarily with lease transactions, thus outside the scope of the Accounting Standard for Revenue Recognition, etc. Revenues are hence recognized in accordance with the Accounting Standard for Lease Transactions, etc.

(2) Revenues from the air cargo operation (air cargo transportation business)

In the air cargo transportation business, we provide customers with air cargo transportation services and other services based on the transportation service contract, etc., in which performance obligations are deemed to be fulfilled over a certain period of time. In the case of air cargo transportation service, revenue is recognized by using a reasonable estimate of the progress towards complete satisfaction of the performance obligations, based on the number of days within the transportation period.

(3) Revenues from logistics operation (logistics business)

In the logistics business, we provide customers with services including international cargo transportation services (marine/air) and logistics services (land transportation and warehousing) based on carriage contract, etc., in which performance obligations are deemed to be fulfilled over a certain period of time. In the international cargo transportation services (marine/air), revenue is recognized by using a reasonable estimate of the progress towards complete satisfaction of the performance obligations, based on the number of days in the period of transportation by sea or air, etc. In the case of logistics services (land transportation and warehousing), revenue is recognized by using a reasonable estimate of the progress towards complete satisfaction of the performance obligations, based on the number of days in the period of transportation or warehousing and other services, etc.

(4) Other revenues (real estate business and other business services)

In other business services, we provide customers with services including mainly marine fueling service and fuel sale, in which performance obligations are deemed to be fulfilled at the time of delivery, when customers obtain control over the fueling service and sale of marine fuel, etc., hence revenue is recognized at this point in time.

The real estate business primarily comprises property leasing business where revenues derive mainly from property leasing transactions, which is outside the scope of the Accounting Standard for Revenue Recognition, etc. Thus revenues are recognized in accordance with the Accounting Standard for Lease Transactions, etc.

K. 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 "Revised Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (the Accounting Standards Board of Japan (ASBJ) the revised Practical Solution No. 40 (revised 2022), issued on March 17, 2022) 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

L. 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 696 thousand shares in the previous consolidated fiscal year and 612 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 705 thousand shares in the previous consolidated fiscal year and 627 thousand shares in the consolidated fiscal year under review.

M. 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.

N. Significant Accounting Estimates

(1) Impairment losses of non-current assets

• The amount recorded in the consolidated balance sheet

The amounts of non-current assets recorded are mainly as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2021	2022
Vessels	¥577,147	¥534,378	$4,715,639
Aircrafts	103,683	35,838	847,154

• 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 present discounted 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 conditions in 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 Company expects that revenues and operating profit will decrease due to an appropriate balance of demand.

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) Recoverability of deferred tax assets

• The amount recorded in the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2021	2022
Deferred tax assets	¥10,571	¥6,110	$86,374

• Information on the significant accounting estimate

We evaluate the recoverability of deferred tax assets by estimating future taxable income concerning deductible temporary differences and tax losses carryforwards.

Significant assumptions in the business plan as the basis of estimating future taxable income mainly include future prospects of market condition for freight rates, charterages, etc., and cargo transport demand. In forecasting above, the assumption used for forecasting the timing of subsidence of the impact of COVID-19 and the future market condition is that although the timing of subsidence of COVID-19 remains uncertain, the disturbance in the logistics network as a whole is resolving as workers are returning to work due to vaccinations, and demand and supply will gradually reach an appropriate balance. The Company expects that revenues and operating profit will decrease due to an appropriate balance of demand.

In the event of worsened future prospects for freight rates, charterages, etc. or cargo transport demand, which are the preconditions for business plan, deferred tax assets may be reduced.

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

• The amount recorded in the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2021	2022
Provision for losses related to contracts	¥–	¥42,617	$–

(Note) The amount recorded for the consolidated fiscal year under review is not presented as it has not material impact.

O. Yet to Be Adopted Accounting Standards

(1) “Leases” (U.S. GAAP ASU 2016-02)

i) Overview

This accounting standard requires lessees to record almost all leases as assets and liabilities on the balance sheet.

ii) Scheduled date of application

This accounting standard will be applied effective from the beginning of the fiscal year ending March 31, 2023.

iii) Effects of application of the accounting standard

Due to the application of U.S. GAAP ASU 2016-02 “Leases,” assets and liabilities are expected to each increase by approximately ¥40 billion in the consolidated balance sheet at the beginning of the fiscal year ending March 31, 2023. In addition, the application has minor effects on retained earnings.

(2) “Implementation Guidance on Accounting Standard for Fair Value Measurement” (Guidance No. 31, June 17, 2021, issued by the Accounting Standards Board of Japan (ASBJ))

i) Overview

The “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31) revised on June 17, 2021 was issued. At the time of its issuance on July 4, 2019, the guidance was to be examined over roughly one year after the issuance of the “Accounting Standard for Fair Value Measurement” because the examination of “determination of fair value of investment trusts” needs a certain period of time for consultation with relevant parties, etc. and a note on fair value of “investments in partnerships and others of which the amount corresponding to the equity holdings is recorded on a net basis in the balance sheet” also requires certain examination.

ii) Scheduled date of application

This implementation guidance will be applied effective from the beginning of the fiscal year ending March 31, 2023.

iii) Effects of application of the implementation guidance

At the time of preparing this report, the Company was in the process of assessing the monetary effects of adopting the “Implementation Guidance on Accounting Standard for Fair Value Measurement” on its consolidated financial statements.

P. Changes in Presentation

Consolidated Statement of Income

“Gain on sale of shares of subsidiaries and associates,” which was included in “Other” under "Other gains" in the fiscal year ended March 31, 2021, has been presented as a separate item in the fiscal year under review onward because its monetary significance increased. The consolidated financial statements for the fiscal year under review were restated in order to reflect this change in the presentation method.

Consequently, the previously stated amount of ¥5,609 million for “Other” under "Other gains" in the consolidated statement of income for the fiscal year ended March 31, 2021 has been reclassified as “Gain on sale of shares of subsidiaries and associates” totaling ¥903 million and “Other” amounting to ¥4,706 million.

Q. Changes in Accounting Policies

(1) Adoption of the Accounting Standard for Revenue Recognition, etc.

The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 issued on March 31, 2020; hereinafter referred to as “Revenue Recognition Accounting Standard”), etc. has been adopted from the start of the fiscal year under review, and when control of the promised goods or service transfers to the customer, the expected monetary compensation received in return is recognized as revenue.

As a result, from the beginning of the fiscal year under review, the method for accounting for revenue of the shipping operation changed from the voyage completion method, whereby the full amount of a voyage revenue is recognized upon the completion of said voyage (except for business involving container ships, revenue from which is accounted for on the intermodal transportation percentage of completion basis), to a method whereby revenue is recognized by using a reasonable estimate of the progress towards complete satisfaction of the performance obligations, based primarily on the number of days within the voyage period.

In accordance with the transitional arrangements set forth in the proviso of Article 84 of the Revenue Recognition Accounting Standard, retained earnings at the start of the fiscal year under review has been adjusted to reflect the cumulative impact assuming the accounting standard is retroactively adopted prior to the start of the fiscal year under review, and the new accounting policy has been applied from the balances at the beginning of the accounting period.

As a result, compared to the previous accounting policy, the starting balances at the beginning of the fiscal year under review mainly change as follow. Notes and operating accounts receivable-trade, and contract assets increased by ¥43,222 million ($353,153 thousand), notes and operating accounts payable-trade increased by ¥5,991 million ($48,956 thousand), contract liabilities increased by ¥24,640 million ($201,324 thousand), retained earnings increased by ¥6,467 million ($52,846 thousand), deferred and prepaid expenses decreased by ¥35,147 million ($287,175 thousand) and other under current liabilities decreased by ¥30,521 million ($249,377 thousand).

Also, during the fiscal year under review, revenue increased by ¥15,778 million ($128,916 thousand), cost and expenses increased by ¥8,914 million ($72,834 thousand), operating profit increased by ¥6,863 million ($56,082 thousand) and recurring profit and profit before income taxes each increased by ¥8,559 million ($69,933 thousand). During the fiscal year under review, notes and operating accounts receivable-trade, and contract assets increased by ¥58,992 million ($482,005 thousand), notes and operating accounts payable-trade increased by ¥4,567 million ($37,316 thousand), contract liabilities increased by ¥37,074 million ($302,920 thousand), deferred and prepaid expenses decreased by ¥55,387 million ($452,552 thousand) and other under current liabilities decreased by ¥53,478 million ($436,952 thousand).

As a result of adopting the Revenue Recognition Accounting Standard, etc., “notes and operating accounts receivable-trade” presented in “current assets” in the consolidated balance sheet for the previous fiscal year is included in “notes, operating accounts receivable-trade and contract assets” for the fiscal year under review. Furthermore, “decrease (increase) in notes and accounts receivable-trade” presented in “net cash provided by (used in) operating activities” in the consolidated statement of cash flows for the previous fiscal year is included in “decrease (increase) in notes and accounts receivable-trade and contract assets” for the fiscal year under review. In accordance with the transitional arrangements set forth in Article 89-2 of the Revenue Recognition Accounting Standard, figures for the previous fiscal year have not been restated based on the new presentation.

(2) Adoption of the Accounting Standard for Fair Value Measurement, etc.

The “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30 issued on July 4, 2019; hereinafter “Fair Value Accounting Standard”), etc. has been applied from the start of the fiscal year under review, and in accordance with the transitional arrangements set forth in Article 19 of the Fair Value Accounting Standard and Article 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10 issued on July 4, 2019), the new accounting policy set forth in the Fair Value Accounting Standard, etc. has been permanently adopted.

As a result of this change, from the fiscal year under review, the method used to determine the fair value of available-for-sale securities other than nonmarketable shares has been revised from the method using the average market price of previous one month to the final day of the accounting period to the method using the market price on the final day of the accounting period.

Also, we started to present notes on information for each level of fair value hierarchy in the "Notes to financial instruments." However, of these notes, those related to the previous fiscal year are not provided, in accordance with the transitional arrangements set forth in Article 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019).

These changes have minor impact on the consolidated financial statements for the fiscal year under review.

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, 2022, the Company's treasury stock consisted of 612 thousand shares with a total book value of ¥1,192 million, ($9,744 thousand), compared with 696 thousand shares and a total book value of ¥1,220 million as of March 31, 2021.

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.

(2) Russia and Ukraine situation

The Company has a business relationship with a Russian shipping company, including substantive joint ownership and management of LNG vessels. However, in consideration of the sanctions in various countries due to the situation involving Russian and Ukraine, the Company is holding discussions with the interested parties to take appropriate measures.

Although the situation involving Russia and Ukraine may have an impact on the Group's consolidated financial statements in the following fiscal year onward, it is difficult to reasonably estimate the financial impact at this time.

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, and contract assets 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, comprising primarily stocks held for reasons such as undertaking business or capital alliances with business partners, and involving exposure to the risks associated with market price fluctuations.

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, K. 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 contractss	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 contract assets 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

As certain variables are used for the calculations of fair value of financial statements, 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 book value of financial instruments on the consolidated balance sheet, their fair values and differences between book value and fair values as of March 31, 2022 and 2021, are described below.

	Millions of yen						Thousands of U.S. dollars (Note 2)		
	2022			2021			2022		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
① Short-term and long-term investment securities (Note 5) *2									
Available-for-sale securities	¥ 75,922	¥ 75,922	¥ –	¥ 83,890	¥ 83,890	¥ –	$ 620,328	$ 620,328	$ –
Investments in affiliates	22,496	21,154	(1,342)	17,697	10,624	(7,072)	183,810	172,842	(10,968)
② Long-term loans receivable	27,503			21,393			224,718		
Allowance for doubtful accounts *3	(222)			(751)			(1,814)		
Balance	27,281	27,919	637	20,641	22,403	1,761	222,904	228,115	5,211
Total	125,699	124,995	(704)	122,229	116,919	(5,310)	1,027,043	1,021,286	(5,757)
① Bonds payable	127,000	129,044	2,044	132,000	133,275	1,275	1,037,666	1,054,373	16,707
② Long-term loans payable	447,069	445,467	(1,602)	560,913	568,452	7,539	3,652,826	3,639,734	(13,091)
③ Leases liabilities	103,311	105,153	1,841	97,184	103,626	6,442	844,117	859,163	15,045
Total	677,380	679,664	2,284	790,097	805,354	15,256	5,534,610	5,553,271	18,661
Derivative financial instruments *4	(5,377)	(5,377)	–	(11,064)	(11,064)	–	(43,935)	(43,935)	–

* 1. As of March 31, 2021, cash and deposits, notes and operating accounts receivable-trade, notes and operating accounts payable-trade, and short-term loans payable are omitted, because they comprise short-term instruments whose carrying amount approximates their fair value. As of March 31, 2022, cash and deposits, notes and operating accounts receivable-trade, and contract assets, notes and operating accounts payable-trade, and short-term loans payable are omitted, because they comprise short-term instruments whose carrying amount approximates their fair value.

2. As of March 31, 2021, as the following financial instruments do not have readily available fair values, and their fair values cannot be reliably determined, the amounts of these financial instruments recorded in the consolidated balance sheet are not included in "(1) Short-term and long-term investment securities." As of March 31, 2022, nonmarketable shares are not included in (i) Short-term investment securities and investment securities. The applicable financial instruments are recognized on the consolidated balance sheet as follows.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2021	2022
	Book value	Book value	Book value
Investments in unconsolidated subsidiaries and affiliates	¥1,017,419	¥467,034	$8,312,933
Shares in unlisted companies	29,492	7,808	240,967
Others	1,107	2,607	9,049
Total	1,048,019	477,449	8,562,950

* 3. Allowance for doubtful accounts separately recognized in long-term loans receivable is excluded.

4. The total amount after offsetting receivables and payables is presented for derivative transactions.

(Note) 1. Maturity analysis for financial assets and securities with contractual maturities after the balance sheet date

	Millions of yen							
	2022				2021			
	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	¥233,019	¥ –	¥ –	¥ –	¥107,369	¥ –	¥ –	¥ –
Notes and operating accounts receivable-trade	–	–	–	–	234,679	230	–	–
Notes and operating accounts receivable-trade, and contract assets	357,920	1,238	–	–	–	–	–	–
Short-term and long-term investment securities:								
Held-to-maturity debt securities								
Government bonds	–	–	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–
Available-for-sale securities with maturity dates								
Government bonds	–	–	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–
Long-term loans receivable	–	5,903	5,452	16,146	–	8,083	11,899	1,410
Total	590,939	7,142	5,452	16,146	342,048	8,313	11,899	1,410

	Thousands of U.S. dollars (Note 2)			
	2022			
	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and deposits	$1,903,909	$ –	$ –	$ –
Notes and operating accounts receivable-trade, and contract assets	2,924,424	10,117	–	–
Short-term and long-term investment securities:				
Held-to-maturity debt securities				
Government bonds	–	–	–	–
Corporate bonds	–	–	–	–
Others	–	–	–	–
Available-for-sale securities with maturity dates				
Government bonds	–	–	–	–
Corporate bonds	–	–	–	–
Others	–	–	–	–
Long-term loans receivable	–	48,238	44,551	131,929
Total	4,828,333	58,356	44,551	131,929

(Note) 2. Maturity analysis for bonds payable, long-term loans payable, lease liabilities and other interest-bearing liabilities after the balance sheet date

	Millions of yen					
	2022					
	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	¥ 30,000	¥ –	¥ –	¥ –	¥ –	¥ –
Short-term loans payable	130,919	–	–	–	–	–
Leases liabilities (current)	23,818	–	–	–	–	–
Bonds payable	–	10,000	33,000	–	20,000	34,000
Long-term loans payable	–	68,651	55,237	48,013	77,836	197,329
Leases liabilities (non-current)	–	18,285	14,447	9,162	6,730	30,866
Total	184,737	96,937	102,685	57,175	104,567	262,196

	Thousands of U.S. dollars (Note 2)					
	2022					
	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	$ 245,118	$ –	$ –	$ –	$ –	$ –
Short-term loans payable	1,069,687	–	–	–	–	–
Leases liabilities (current)	194,609	–	–	–	–	–
Bonds payable	–	81,706	269,629	–	163,412	277,800
Long-term loans payable	–	560,923	451,326	392,299	635,972	1,612,304
Leases liabilities (non-current)	–	149,406	118,046	74,860	54,996	252,198
Total	1,509,414	792,035	839,003	467,159	854,380	2,142,303

	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	–	–	–	–	–
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

(3) Fair value information by level within the fair value hierarchy

Fair value of financial instruments is classified into the following three levels, according to the observability and significance of the inputs used for determining the fair value.

Level 1 fair value: Fair value determined by (unadjusted) market price of the identical assets or liabilities in active markets
Level 2 fair value: Fair value determined by using directly or indirectly observable inputs other than the inputs used for Level 1 fair value
Level 3 fair value: Fair value determined by using significant but unobservable inputs

With the use of multiple inputs with significant impacts on fair value determination, such fair value is classified as the lowest priority level in determining the fair value of all levels to which each input belongs.

① Financial instruments recorded at fair value in the consolidated balance sheet
March 31, 2022

	Fair Values (Millions of yen)				Fair Values (Thousands of U.S. dollars (Note 2))			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Short-term and long-term investment securities								
Available-for-sale securities								
Corporate shares	¥75,877	¥ –	¥ –	¥75,877	$619,963	$ –	$ –	$619,963
Others	44	–	–	44	365	–	–	365
Derivatives transactions								
Interest rate-related	–	1,494	–	1,494	–	12,212	–	12,212
Total	75,922	1,494	–	77,416	620,328	12,212	–	632,541
Derivatives transactions								
Currency-related	–	3,680	–	3,680	–	30,071	–	30,071
Commodity-related	–	3,269	–	3,269	–	26,710	–	26,710
Total	–	6,949	–	6,949	–	56,782	–	56,782

② Financial instruments other than financial instruments recorded at fair value in the consolidated balance sheet
March 31, 2022

	Fair Values (Millions of yen)				Fair Values (Thousands of U.S. dollars (Note 2))			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Short-term and long-term investment securities								
Investments in subsidiaries and affiliates								
Investments in affiliates	¥21,154	¥ –	¥ –	¥ 21,154	$172,842	$ –	$ –	$ 172,842
Long-term loans receivable	–	27,919	–	27,919	–	228,115	–	228,115
Total	21,154	27,919	–	49,073	172,842	228,115	–	400,958
Bonds payable	–	129,044	–	129,044	–	1,054,373	–	1,054,373
Long-term loans payable	–	445,467	–	445,467	–	3,639,734	–	3,639,734
Lease liabilities	–	105,153	–	105,153	–	859,163	–	859,163
Total	–	679,664	–	679,664	–	5,553,271	–	5,553,271

(Note) Description of the valuation techniques and inputs used in determining fair value

Short-term and long-term investment securities
Fair values of short-term and long-term investment securities are classified as level 1 fair values insofar as their fair values can be determined by using the unadjusted market price in active markets. This category largely consists of shares in listed companies and government bonds. On the other hand, they are classified as level 2 fair values, even if they are measured by using the publicly quoted market price, insofar as such market is inactive. This category largely consists of local government bonds and corporate bonds.

Derivatives transactions
Derivative transactions comprise currency-related transactions (forward foreign currency exchange contract, currency swap, etc.), interest rate-related transactions (interest rate swap), and commodity-related transactions (freight (charterage), fuel oil, etc.). They involve evaluation techniques to determine fair value using the observable inputs, including primarily exchange rate, interest rate, and commodity futures price, based on the discounted present value method. They are classified as level 2 fair value.

Long-term loans receivable
The fair value of long-term loans receivable is categorized by a specified period and determined using the discounted cash flow method based on future cash flows and an interest rate obtained by adding the credit spread to LIBOR and TORF yields and other appropriate indicators, for each type of credit risk categorized for credit management purposes, and is classified as Level 2. In addition, the fair value of doubtful receivables is determined based on estimated cash flows discounted to the present value using similar rates or the amount expected to be recovered over collateral and guarantees, and it is classified as Level 2.

Bonds payable
The fair value of the corporate bonds issued by the Company is determined based on the market price, and classified as level 2.

Long-term loans payable and lease liabilities
Fair values of long-term loans payables and lease liabilities are determined by the discounted present value method, based on the sum of principal and interest*, and the interest rate reflecting the remaining period of the payables and liabilities as well as credit risk, which are classified as level 2.
* As to the long-term loans payable involved in the interest rate swap agreement that meet the requirements for exceptional accounting, the total amount of its principal and interest income at the post-swap rate is applied.

5. Securities

(1) Short-term and long-term investment securities held-to-maturity with fair value as of March 31, 2022 and 2021, are not applicable.

(2) Short-term and long-term investment securities classified as available-for-sale securities with fair value as of March 31, 2022 and 2021, are summarized as follows:

	Millions of yen						Thousands of U.S. dollars (Note 2)		
	2022			2021			2022		
	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	¥77,820	¥31,547	¥46,272	¥64,095	¥30,288	¥33,807	$635,841	$257,764	$378,076
Government bonds and others	–	–	–	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–	–	–	–
Others	33	15	17	173	147	25	270	126	143
Subtotal	77,853	31,563	46,290	64,269	30,435	33,833	636,111	257,890	378,220
Securities for which book value is equal to or less than acquisition costs:									
Corporate shares	18,249	20,821	(2,571)	19,615	26,074	(6,458)	149,108	170,120	(21,011)
Government bonds and others	–	–	–	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–	–	–	–
Others	11	13	(1)	5	7	(2)	95	110	(15)
Subtotal	18,261	20,834	(2,573)	19,621	26,081	(6,460)	149,203	170,231	(21,027)
Total	96,114	52,397	43,716	83,890	56,517	27,373	785,315	428,121	357,193

(3) Proceeds, gains, and losses on sales of available-for-sale securities in the fiscal years ended March 31, 2022 and 2021, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2021	2022
Proceeds from sales	¥616	¥2,529	$5,033
Gross realized gains	200	181	1,635
Gross realized losses	(61)	(0)	(504)

(4) Impairment losses were recognized in the fiscal year ended March 31, 2022, and were recorded as a loss on valuation of investment securities in the amount of ¥929 million ($7,590 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, 2022 and 2021, are summarized as follows:

(1) Derivative transactions not qualifying for hedge accounting

	Millions of yen								Thousands of U.S. dollars (Note 2)			
	2022				2021				2022			
	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	¥ 2,031	¥ –	¥ 8	¥ 8	¥ –	¥ –	¥ –	¥ –	$ 16,596	$ –	$ 69	$ 69
Sell U.S. dollar, buy Japanese yen	120,960	–	197	197	13,165	–	(94)	(94)	988,323	–	1,610	1,610
Sell Japanese yen, buy Euro	–	–	–	–	4,662	–	8	8	–	–	–	–
Sell Thai baht, buy Japanese yen	10,002	–	295	295	8,049	–	72	72	81,728	–	2,413	2,413
Others	12,368	–	(101)	(101)	7,949	–	(94)	(94)	101,054	–	(830)	(830)
Currency swaps:												
Receive New Taiwan dollar, pay Japanese yen	–	–	–	–	1,552	–	12	12	–	–	–	–
Receive Thai baht, pay Japanese yen	1,600	–	100	100	1,991	–	38	38	13,079	–	819	819
Interest rate currency swaps:												
Receive U.S. dollar floating, pay Mexican Peso fixed	274	262	20	20	248	–	29	29	2,243	2,145	165	165
	147,238	262	519	519	37,619	–	(27)	(27)	1,203,025	2,145	4,246	4,246
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	2,738	–	(180)	(180)	738	–	(75)	(75)	22,377	–	(1,473)	(1,473)
Forward chartered-freight agreements on seller's side	7,739	–	(1,303)	(1,303)	3,371	–	(3,054)	(3,054)	63,234	–	(10,652)	(10,652)
Off-market transactions												
Freight (chartered-freight) forward transactions:												
Forward chartered-freight agreements on buyer's side	–	–	–	–	1,062	–	303	303	–	–	–	–
Forward chartered-freight agreements on seller's side	15,199	7,896	(2,974)	(2,974)	11,912	–	(2,482)	(2,482)	124,192	64,520	(24,307)	(24,307)
Fuel swaps:												
Receive floating, pay fixed	1,901	68	411	411	681	–	(21)	(21)	15,535	561	3,360	3,360
	27,579	7,965	(4,047)	(4,047)	17,766	–	(5,330)	(5,330)	225,340	65,082	(33,072)	(33,072)

(2) Derivative transactions qualifying for hedge accounting

		Millions of yen						Thousands of U.S. dollars (Note 2)		
		2022			2021			2022		
		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	¥ 89,479	¥ –	¥ (6,739)	¥104,517	¥ 675	¥ (5,970)	$ 731,097	$ –	$ (55,065)
Sell Euro, buy Japanese yen		–	–	–	5,103	–	(220)	–	–	–
Others		1,405	–	45	167	–	8	11,480	–	372
Currency swaps:	**Principal items hedged:**									
Receive U.S. dollar, pay Japanese yen	Charterage	12,267	12,267	743	12,267	12,267	(144)	100,234	100,234	6,076
Receive Singapore dollar, pay U.S. dollar	Loans receivable Loans payable	104	34	(7)	159	95	(12)	857	285	(60)
Others		3	–	3	14	3	14	31	–	31
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	21,320	–	2,563	28,864	15,566	2,465	174,202	–	20,944
Buy U.S. dollar, sell Japanese yen		13,938	1,025	(736)	1,204	–	(2)	113,889	8,379	(6,015)
Others		1,912	–	(72)	–	–	–	15,628	–	(592)
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	–	–	–
		140,433	13,328	(4,199)	152,979	28,608	(3,779)	1,147,422	108,900	(34,309)
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	589	10,000	10,000	774	81,706	81,706	4,817
Receive floating, pay fixed	Long-term loans payable	85,207	53,419	905	96,878	75,918	(4,260)	696,193	436,465	7,394
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	*1	25,000	25,000	*1	204,265	204,265	*1
Receive floating, pay fixed		25,619	19,679		29,828	25,114		209,330	160,793	
		145,827	108,098	1,494	161,706	136,033	(3,485)	1,191,495	883,229	12,212
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	4,809	–	(585)	6,064	–	(543)	39,293	–	(4,781)
Forward chartered-freight agreements on buyer's side		183	–	(0)	109	–	29	1,500	–	(1)
Fuel swaps:	Principal items hedged:									
Receive floating, pay fixed	Fuel	4,609	1,054	742	1,280	13	108	37,661	8,618	6,069
Fuel oil collar transactions:*2	Principal items hedged:									
Buy call option, sell put option	Fuel	12,274	–	1,258	4,076	–	92	100,288	–	10,279
Freight (chartered-freight) collar transactions:*2										
Buy put option, sell call option	Charterage	3,764	2,631	(637)	4,764	3,405	(76)	30,756	21,502	(5,205)
		25,640	3,686	778	16,296	3,418	(389)	209,500	30,121	6,363

* 1. 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.
2. 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, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2021	2022
Products and goods	¥ 1,492	¥ 1,818	$ 12,192
Work in progress	499	676	4,081
Raw materials, fuel, and supplies	55,037	35,123	449,690

8. Accumulated Depreciation

As of March 31, 2022 and 2021, accumulated depreciation of vessels, property, plant, and equipment is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2021	2022
Accumulated depreciation	¥998,354	¥1,059,036	$8,157,154

9. Investment in Unconsolidated Subsidiaries and Affiliates

Amounts corresponding to unconsolidated subsidiaries and affiliates as of March 31, 2022 and 2021, are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2021	2022
Investment securities (stocks)	¥1,039,916	¥484,731	$8,496,744
Other investments and other assets (investment in capital)	11,439	10,467	93,464
(Of which, amount invested in companies under joint control)	194,931	165,478	1,592,708

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, 2022, totaled ¥3,321 million ($27,138 thousand), and profit from sales totaled ¥348 million ($2,847 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, 2022 and 2021, 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)
	2022	2021	2022
Amount recorded in consolidated balance sheet:			
Balance at beginning of year	¥ 45,211	¥ 45,949	$369,406
Increase (decrease) during the fiscal year	(29,768)	(737)	(243,223)
Balance at end of year	15,443	45,211	126,182
Fair value as of current fiscal year end	70,805	123,866	578,523

* 1. The amount recorded in the consolidated balance sheet is the acquisition cost, net of accumulated depreciation and impairment losses.
2. The decreased amount in decrease during the fiscal year ended March 31, 2022, the mainly decrease is attributable to change in scope of consolidation of ¥–24,750 million ($–202,224 thousand), change of application ¥–4,321 million ($–35,313 thousand) and depreciation of ¥–659 million ($–5,391 thousand).
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 ¥5,126 million ($41,887 thousand) and ¥5,730 million as of March 31, 2022 and 2021, respectively.

12. Short-Term and Long-Term Debt

(1) Bonds as of March 31, 2022 and 2021, consisted of the following:

			Millions of yen		Thousands of U.S. dollars (Note 2)
			2022	2021	2022
	Interest rate	Maturity date			
Unsecured Straight Bonds No. 23	2.36%	June 7, 2024	¥ 10,000	¥ 10,000	$ 81,706
Unsecured Straight Bonds No. 25	2.65%	June 22, 2026	10,000	10,000	81,706
Unsecured Straight Bonds No. 31	1.218%	September 9, 2021	–	25,000	–
Unsecured Straight Bonds No. 32	2.13%	September 9, 2031	10,000	10,000	81,706
Unsecured Straight Bonds No. 35*	1.177%	June 17, 2022	10,000	10,000	81,706
Unsecured Straight Bonds No. 38*	0.39%	May 31, 2022	20,000	20,000	163,412
Unsecured Straight Bonds No. 39	0.53%	May 31, 2024	10,000	10,000	81,706
Unsecured Straight Bonds No. 40	0.29%	May 24, 2023	10,000	10,000	81,706
Unsecured Straight Bonds No. 41	0.29%	August 29, 2024	13,000	13,000	106,217
Unsecured Straight Bonds No. 42	0.65%	August 29, 2029	14,000	14,000	114,388
Unsecured Straight Bonds No. 43	0.26%	July 29, 2026	10,000	–	81,706
Unsecured Straight Bonds No. 44	0.38%	July 28, 2028	10,000	–	81,706
Total			127,000	132,000	1,037,666

* The Company plans to redeem Unsecured Straight Bonds No.35, and Unsecured Straight Bonds No.38 within one year.

The aggregate annual maturities of convertible bonds and bonds as of March 31, 2022, 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
¥30,000	¥10,000	¥33,000	¥–	¥20,000

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
$245,118	$81,706	$269,629	$–	$163,412

(2) Loans payable, leases liabilities (current / non-current), and other interest-bearing liabilities as of March 31, 2022 and 2021, were as follows:

			Millions of yen		Thousands of U.S. dollars (Note 2)
			2022	2021	2022
Classification	Average interest rate	Repayment deadline			
Short-term loans payable(including overdraft)	3.43%	–	¥ 5,101	¥ 6,536	$ 41,678
Current portion of long-term loans payable	1.08%	–	125,817	154,509	1,028,008
Leases liabilities (current)	2.81%	–	23,818	19,477	194,609
Long-term loans payable	1.14%	2023–2037	447,069	560,913	3,652,826
Leases liabilities (non-current)	2.83%	2023–2061	79,493	77,707	649,507
Other interest-bearing liabilities					
Current portion of long-term accounts payable	–%	–	–	3,732	–
Total			681,299	822,875	5,566,630

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, 2022, 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	¥68,651	¥55,237	¥48,013	¥77,836
Leases liabilities (non-current)	18,285	14,447	9,162	6,730

	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	$560,923	$451,326	$392,299	$635,972
Leases liabilities (non-current)	149,406	118,046	74,860	54,996

13. Pledged Assets and Secured Liabilities

As of March 31, 2022, the following assets were pledged as collateral for short-term loans payable, long-term loans payable, and others:

	Net book value	
Pledged assets	Millions of yen	Thousands of U.S. dollars (Note 2)
Cash and deposits	¥ 9,118	$ 74,507
Notes and operating accounts receivable-trade and contract assets	6,352	51,907
Inventories	136	1,115
Deferred and prepaid expenses	258	2,112
Vessels*	88,852	725,982
Buildings and structures	1,976	16,147
Machinery, equipment and vehicles	7,299	59,638
Furniture and fixtures	50	409
Land	704	5,756
Construction in progress	505	4,130
“Other” of vessels, property, plant and equipment	512	4,189
Software	122	1,001
Investment securities*	114,419	934,875
“Other” of investments and other assets	439	3,588
Total	230,749	1,885,363

Secured liabilities	Millions of yen	Thousands of U.S. dollars (Note 2)
Notes and operating accounts payable - trade	¥ 146	$ 1,199
Short-term loans payable	25,603	209,194
Lease liabilities of current liabilities	218	1,785
Long-term loans payable	49,060	400,851
Lease liabilities of non-current liabilities	2,345	19,164
Total	77,374	632,195

* Vessels include ¥78 million ($642thousand) and investment securities include ¥113,809million ($929,889thousand) pledged as collateral for the debt of affiliates, etc.

14. Supplementary Information on Consolidated Statement of Cash Flows

Cash and cash equivalents in the accompanying consolidated statement of cash flows for the years ended March 31, 2022 and 2021, are reconciled to cash and deposits reflected in the accompanying consolidated balance sheets as of March 31, 2022 and 2021, as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2021	2022
Cash and deposits	¥233,019	¥107,369	$1,903,909
Time deposits with a maturity of more than three months	(6,324)	(3,775)	(51,676)
Cash and cash equivalents	226,694	103,593	1,852,233

15. Income Taxes

(1) Significant components of deferred tax assets and liabilities as of March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2021	2022
Deferred tax assets:			
Provision for bonuses	¥ 5,036	¥ 3,083	$ 41,148
Net defined benefit liabilities	3,965	4,056	32,403
Impairment loss on vessels, property, plant and equipment	33,747	37,239	275,741
Losses on revaluation of securities	4,808	8,271	39,284
Tax loss carryforwards*2	74,102	96,470	605,460
Unrealized gains on sale of vessels, property, plant and equipment	1,442	1,359	11,789
Provision for periodic dry docking of vessels	4,537	3,979	37,073
Accrued expenses	464	493	3,792
Deferred loss on derivatives under hedge accounting	14,691	11,708	120,040
Allowance for doubtful accounts	2,848	2,538	23,272
Provision for losses related to contracts	4,982	18,862	40,709
Others	21,529	12,364	175,906
Subtotal of deferred tax assets	172,156	200,429	1,406,623
Less valuation allowances for tax loss carryforwards*2	(48,684)	(83,938)	(397,781)
Less valuation allowances for temporary differences	(64,916)	(95,678)	(530,406)
Valuation allowances*1	(113,600)	(179,617)	(928,188)
Total deferred tax assets	58,555	20,812	478,434
Deferred tax liabilities:			
Net defined benefit assets	(21,761)	(14,783)	(177,802)
Gain on securities contribution to employee retirement benefit trust	(2,872)	(2,885)	(23,468)
Depreciation	(2,047)	(1,728)	(16,725)
Reserve for reduction entry	(1,274)	(3,731)	(10,413)
Valuation difference on available-for-sale securities	(12,284)	(8,895)	(100,374)
Deferred gain on derivatives under hedge accounting	(9,537)	(8,359)	(77,925)
Undistributed retained earnings of consolidated subsidiaries	(13,624)	(10,330)	(111,324)
Others	(42,028)	(28,705)	(343,400)
Total deferred tax liabilities	(105,431)	(79,419)	(861,435)
Net deferred tax (liabilities) assets	(46,875)	(58,607)	(383,000)

*1 Valuation allowances change mainly due to a decrease in the valuation allowances for tax loss carryforwards and provision for losses related to contracts.
*2 The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2022 and 2021, were as follows:

	Millions of yen						
March 31, 2021	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*	¥ 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.

	Millions of yen						
March 31, 2022	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*	¥ 2,354	¥ 395	¥ 593	¥ 17,361	¥ 8,290	¥ 45,105	¥ 74,102
Less valuation allowances for tax loss carryforwards	(1,976)	(269)	(485)	(3,507)	(8,039)	(34,405)	(48,684)
Net deferred tax assets relating to tax loss carryforwards	378	126	107	13,853	251	10,700	25,417

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

March 31, 2022	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*	$ 19,241	$ 3,233	$ 4,846	$ 141,857	$ 67,742	$ 368,540	$ 605,460
Less valuation allowances for tax loss carryforwards	(16,149)	(2,202)	(3,970)	(28,661)	(65,684)	(281,113)	(397,781)
Net deferred tax assets relating to tax loss carryforwards	3,092	1,030	876	113,195	2,058	87,426	207,679

* 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, 2022 and 2021, was as follows:

	2022	2021
Normal statutory income tax rate	28.7%	28.8%
Increase (decrease) in taxes resulting from:		
Amortization of goodwill	0.0	0.4
Equity in earnings of unconsolidated subsidiaries and affiliates	(20.5)	(26.8)
Permanently non-deductible expenses for tax purposes, such as entertainment expenses	0.0	0.3
Changes in valuation allowance	(8.4)	0.5
Tax exemption of shipping business	(0.9)	0.4
Effects of foreign tax included in deductible expenses	0.1	0.3
Amount of tax effect reversal due to elimination of loss carryforwards	0.0	5.7
Effect of U.S. tax reform	–	(0.1)
Other	2.8	4.5
Actual effective income tax rate	1.9%	14.1%

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, 2022, were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
At March 31, 2021	170,055	1,195
Increase in number of shares	–	30
Decrease in number of shares	–	(104)
At March 31, 2022	170,055	1,121

(B) Matters concerning dividends

(1) Total dividend payments to be paid for the consolidated fiscal year ended March 31, 2022, are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Approved at the ordinary general meeting of shareholders on June 18, 2021	¥30,520	$ 249,370
Approved by the Board of Directors on November 4, 2021	33,910	277,069
Total	64,430	526,439

(2) The effective date for dividends, including retained earnings, as of March 31, 2022, 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 22, 2022	¥211,935	$1,731,640

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 ¥2,810 million ($22,964 thousand) under “other losses.”

The breakdown is as follows:

Location	Application	Type	Millions of yen	Thousands of U.S. dollars (Note 2)
Japan	Business assets	Vessels (Tankers)	¥1,613	$13,183
Other	Business assets, etc.	Buildings and structures, etc.	1,197	9,780
Total			2,810	22,964

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 5.27%.

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)
	2022	2021	2022
Employee salaries	¥79,659	¥72,313	$650,864
Provision for bonuses	17,107	10,327	139,776
Retirement benefit costs	2,643	3,764	21,596

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)
	2022	2021	2022
Provision for periodic dry docking of vessels	¥12,081	¥10,331	$98,709
Provision for bonuses	6,303	3,628	51,504
Retirement benefit expenses	(630)	717	(5,150)

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)
	2022	2021	2022
Vessels	¥18,784	¥13,942	$153,478

21. 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)
	2022	2021	2022
	¥1,078	¥1,471	$8,809

22. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2021	2022
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥ 12,653	¥15,922	$103,388
Reclassification adjustments to profit or loss for the year	781	(65)	6,382
Amount before income tax effect	13,434	15,857	109,771
Income tax effect	(3,327)	(3,517)	(27,190)
Total	10,107	12,339	82,580
Deferred gain (loss) on hedges:			
Gains (losses) arising during the year	5,110	4,417	41,754
Reclassification adjustments to profit or loss for the year	3,261	(1,312)	26,644
Adjustment for the acquisition cost of assets	(1,466)	(304)	(11,979)
Amount before income tax effect	6,905	2,799	56,418
Income tax effect	(558)	(807)	(4,566)
Total	6,346	1,992	51,852
Foreign currency translation adjustments:			
Gains (losses) arising during the year	15,691	12,101	128,211
Reclassification adjustments to profit or loss for the year	(799)	(2,814)	(6,530)
Amount before income tax effect	14,892	9,286	121,680
Income tax effect	–	–	–
Total	14,892	9,286	121,680
Remeasurements of defined benefit plans:			
Gains (losses) arising during the year	27,022	18,643	220,793
Reclassification adjustments to profit or loss for the year	(4,571)	(1,499)	(37,354)
Amount before income tax effect	22,451	17,143	183,438
Income tax effect	(6,507)	(4,465)	(53,173)
Total	15,943	12,678	130,264
Share of other comprehensive income of associates accounted for using the equity method:			
Gains (losses) arising during the year	88,880	(5,895)	726,210
Reclassification adjustments to profit or loss for the year	2,093	1,497	17,107
Total	90,974	(4,398)	743,317
Total other comprehensive income (loss)	138,263	31,897	1,129,696

23. Commitments and Contingent Liabilities

(1) Commitments made by the Company and its consolidated subsidiaries as of March 31, 2022, totaled ¥260,435 million ($2,127,918 thousand) for the construction of vessels.
Contingent liabilities for notes receivable discounted and endorsed, guarantees of loans as of March 31, 2022, were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Guarantees of loans	¥173,842	$1,420,394

(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 ¥3,525 million ($28,804 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 2023.

(3) (Previous fiscal year)
The NYK Group has been under investigation by 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 NYK Group has been party to class civil lawsuits in several regions for damages and suspension of shipments, etc. without 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.

(Fiscal year under review)
The NYK Group has been under investigation by an authority 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 Group has been sued in class civil lawsuits in several regions for damages and suspension of shipments, etc. without 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 actions for damages at present.

24. 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, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2021	2022
Within one year	¥15,807	¥21,280	$129,154
More than one year	43,987	51,804	359,405
Total	59,794	73,084	488,560

As lessors

The fiscal year-end balance of unearned lease payments related to non-cancellable transactions as of March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2021	2022
Within one year	¥3,625	¥ 7,059	$29,620
More than one year	5,931	11,604	48,466
Total	9,557	18,663	78,087

25. 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, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2021	2022
Balance at beginning of year	¥91,523	¥87,788	$747,801
Service costs	3,348	3,296	27,358
Interest costs	1,082	1,067	8,844
Actuarial (gains) losses	(1,781)	1,902	(14,553)
Benefits paid	(3,347)	(3,934)	(27,347)
Prior service cost	25	(89)	205
Others	976	1,493	7,974
Balance at end of year	91,827	91,523	750,283

(2) Changes in plan assets for the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2021	2022
Balance at beginning of year	¥140,465	¥118,453	$1,147,687
Expected return on plan assets	1,699	1,556	13,889
Actuarial gains (losses)	24,676	21,367	201,625
Contributions from the employer	1,486	620	12,146
Benefits paid	(2,242)	(2,556)	(18,326)
Others	686	1,023	5,611
Balance at end of year	166,772	140,465	1,362,632

(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, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2021	2022
Balance at beginning of year	¥5,300	¥5,155	$43,304
Net periodic benefit costs	918	1,007	7,503
Benefits paid	(458)	(440)	(3,743)
Contributions from the employer	(345)	(364)	(2,822)
Other	(205)	(59)	(1,683)
Balance at end of year	5,208	5,300	42,557

(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, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2021	2022
Funded defined benefit obligation	¥ 89,893	¥ 90,107	$ 734,483
Plan assets	(172,553)	(146,444)	(1,409,867)
	(82,660)	(56,337)	(675,384)
Unfunded defined benefit obligation	12,923	12,694	105,592
Net liability (asset) arising from defined benefit obligation	(69,736)	(43,642)	(569,791)
Net defined benefit liability	15,907	16,697	129,972
Net defined benefit asset	(85,644)	(60,339)	(699,764)
Net liability (asset) arising from defined benefit obligation	(69,736)	(43,642)	(569,791)

(5) Components of net periodic benefit costs for the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2021	2022
Service costs	¥ 3,348	¥ 3,296	$ 27,358
Interest costs	1,082	1,067	8,844
Expected return on plan assets	(1,699)	(1,556)	(13,889)
Recognized actuarial (gains) losses	(4,246)	(1,284)	(34,693)
Amortization of prior service cost	40	(90)	329
Net periodic benefit costs calculated using the shortcut method	918	1,007	7,503
Other	(5)	(166)	(46)
Net periodic benefit costs	(562)	2,273	(4,593)

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2021	2022
Prior service cost	¥ 9	¥ 5	$ 77
Actuarial gains (losses)	22,441	17,137	183,361
Total	22,451	17,143	183,438

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2021	2022
Unrecognized prior service cost	¥ 15	¥ 6	$ 123
Unrecognized actuarial gains (losses)	39,994	18,184	326,783
Total	40,010	18,190	326,906

(8) Components of plan assets

① Plan assets consisted of the following as of March 31, 2022 and 2021:

	2022	2021
Debt investments	28%	32%
Equity investments	58%	53%
Cash and cash equivalents	1%	2%
Others	13%	13%
Total	100%	100%

A retirement benefit trust established for a corporate pension plan accounts for 44% and 35% of plan assets as of March 31, 2022 and 2021, 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

	2022	2021
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%–7.1%	Mainly 1.2%–7.0%

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

The Company and certain consolidated subsidiaries had ¥2,326 million and ¥2,764 million ($22,588 thousand) for the fiscal years ended March 31, 2021 and March 31, 2022, 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.

26. 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, 2022 and 2021.

Year ended March 31, 2022:

	Millions of yen								
	Global Logistics				Others				
	Liner Trade	Air Cargo Transportation	Logistics	Bulk Shipping	Real Estate	Others	Total	Adjustments*	Consolidated Total
I Revenues:									
(1) Revenues from customers	¥185,931	¥178,411	¥845,279	¥ 974,284	¥ 4,095	¥ 92,772	¥2,280,775	¥ –	¥2,280,775
(2) Intersegment revenues	4,620	10,320	2,213	271	111	77,632	95,169	(95,169)	–
Total	190,552	188,731	847,492	974,556	4,207	170,405	2,375,944	(95,169)	2,280,775
Segment profit (loss)	734,245	74,068	58,727	139,100	2,127	(1,231)	1,007,038	(3,884)	1,003,154
Segment assets	945,345	141,904	418,931	1,497,120	27,764	221,454	3,252,520	(172,497)	3,080,023
II Other items:									
Depreciation and amortization	9,818	5,651	21,003	63,356	702	1,109	101,643	(46)	101,596
Amortization of goodwill and negative goodwill	45	–	859	846	–	–	1,750	–	1,750
Interest income	60	107	213	1,659	90	942	3,073	(946)	2,127
Interest expenses	2,561	568	1,683	8,212	19	113	13,158	(879)	12,279
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	715,990	–	(103)	30,412	198	(3,856)	742,642	3	742,645
Investments in equity method affiliates	757,825	–	2,198	269,832	2,459	420	1,032,735	(2,009)	1,030,726
Increase in vessels, property, plant, and equipment and intangible assets	4,296	74,471	8,214	118,653	83	687	206,407	(1,266)	205,140
III Information about impairment loss by reportable segments:									
Impairment loss	75	–	902	1,832	–	–	2,810	–	2,810
IV Information about balance of goodwill by reportable segments:									
Balance of goodwill (negative goodwill) at the end of current period	49	–	3,674	4,987	–	–	8,711	–	8,711

	Thousands of U.S. dollars (Note 2)								
	Global Logistics				Others				
	Liner Trade	Air Cargo Transportation	Logistics	Bulk Shipping	Real Estate	Others	Total	Adjustments*	Consolidated Total
I Revenues:									
(1) Revenues from customers	$ 1,519,176	$ 1,457,728	$ 6,906,443	$ 7,960,489	$ 33,466	$ 758,005	$18,635,309	$ –	$18,635,309
(2) Intersegment revenues	37,749	84,321	18,083	2,219	908	634,307	777,592	(777,592)	–
Total	1,556,925	1,542,049	6,924,527	7,962,709	34,374	1,392,313	19,412,901	(777,592)	18,635,309
Segment (loss) profit	5,999,227	605,183	479,840	1,136,532	17,383	(10,059)	8,228,107	(31,734)	8,196,373
Segment assets	7,724,044	1,159,445	3,422,923	12,232,373	226,850	1,809,414	26,575,050	(1,409,405)	25,165,644
II Other items:									
Depreciation and amortization	80,226	46,174	171,613	517,660	5,741	9,067	830,485	(376)	830,108
Amortization of goodwill and negative goodwill	370	–	7,018	6,916	–	–	14,305	–	14,305
Interest income	493	881	1,743	13,555	738	7,703	25,115	(7,730)	17,385
Interest expenses	20,929	4,642	13,755	67,102	161	924	107,516	(7,184)	100,332
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	5,850,077	–	(846)	248,487	1,623	(31,509)	6,067,832	26	6,067,859
Investments in equity method affiliates	6,191,894	–	17,959	2,204,691	20,094	3,433	8,438,071	(16,417)	8,421,654
Increase in vessels, property, plant, and equipment and intangible assets	35,104	608,476	67,117	969,468	685	5,618	1,686,470	(10,351)	1,676,118
III Information about impairment loss by reportable segments:									
Impairment loss	613	–	7,376	14,973	–	–	22,964	–	22,964
IV Information about balance of goodwill by reportable segments:									
Balance of goodwill (negative goodwill) at the end of current period	404	–	30,025	40,748	–	–	71,178	–	71,178

* 1. Adjustments of segment profit or loss are ¥59 million ($484 thousand) of internal exchanges or transfers among segments and ¥–3,943 million ($–32,219 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 ¥–290,074 million ($–2,370,086 thousand) of receivables or assets relating to internal exchanges among segments and ¥117,577 million ($960,680 thousand) of corporate assets. Major corporate assets are the excess of operating funds (cash and deposits).

2. On April 1, 2021, “Global Logistics” has been renamed to “Liner & Logistics”.

Year ended March 31, 2021:

	Millions of yen								
	Global Logistics				Others				
	Liner Trade	Air Cargo Transportation	Logistics	Bulk Shipping	Real Estate	Others	Total	Adjustments*	Consolidated 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

* 1. Adjustments of segment profit or loss are ¥66 million of internal exchanges or transfers among segments and ¥–4,820 million of corporate expenses which are not attributed to specific segments. 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 of receivables or assets relating to internal exchanges among segments and ¥22,550 million of corporate assets. Major corporate assets are the excess of operating funds (cash and deposits).
2. On April 1, 2021, "Global Logistics" has been renamed to "Liner & Logistics".

4. Notes Regarding Changes in Reportable Segments

(Adoption of the Accounting Standard for Revenue Recognition)

In accordance with the Changes in Accounting Policies stated above, the Revenue Recognition Accounting Standard has been adopted from the beginning of the consolidated fiscal year, and because the accounting method for revenue recognition has been changed, the method used to measure profit or loss in each reportable segment has been similarly changed. As a result of these changes, revenue from customers through the consolidated fiscal year increased by 26,017 million yen ($212,578 thousand) in the Bulk Shipping segment, and the segment income (loss) increased by 9,936 million yen ($81,185 thousand) in the Bulk Shipping segment.

5. 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, 2022:

	Millions of yen					
	Japan	North America	Europe	Asia	Others	Total
I Revenues	¥1,479,673	¥149,451	¥217,907	¥415,444	¥18,298	¥2,280,775
II Tangible fixed assets	630,908	35,309	204,993	90,285	2,781	964,277

	Thousands of U.S. dollars (Note 2)					
	Japan	North America	Europe	Asia	Others	Total
I Revenues	$12,089,822	$1,221,109	$1,780,433	$3,394,434	$149,509	$18,635,309
II Tangible fixed assets	5,154,904	288,499	1,674,918	737,686	22,723	7,878,731

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

27. Related Party Disclosures

(1) Related-party transactions

Previous fiscal year (April 1, 2020 to March 31, 2021)
No matters of importance to report.

Fiscal year under review (April 1, 2021 to March 31, 2022)
No matters of importance to report.

(2) Summarized financial information as of and for the years ended March 31, 2022 and 2021, 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)
	2022	2021	2022
Total current assets	¥2,340,248	¥ 820,309	$19,121,242
Total non-current assets	672,138	617,754	5,491,777
Total current liabilities	539,816	357,286	4,410,625
Total non-current liabilities	525,499	505,863	4,293,646
Total equity	1,947,071	574,913	15,908,748
Revenues	3,372,753	1,597,798	27,557,426
Profit before income taxes	1,888,297	373,176	15,428,524
Profit attributable to owners of parent	1,875,191	367,247	15,321,446

28. Revenue recognition

1. Information regarding the disaggregation of revenue from contracts with customers

“Revenues” stated in the consolidated statement of income for the previous fiscal year and the fiscal year under review primarily represent “revenues derived from the contracts with customers.” Revenues recognized from other sources are mainly derived from leasing transactions and are disclosed as part of revenues due to their financial insignificance.

Disaggregated revenue is provided in Segment Information(Note 26).

2. Useful information in understanding revenue from contracts with customers

Notes are omitted because the identical information is stated in Note 3 "J. Revenue and expense recognition".

3. Basic Information for understanding the amount of revenues in the current fiscal year and from the next fiscal year onward

(i) Balances at the beginning and end of the current fiscal year of receivables from contracts with customers, contracts assets, and contract liabilities

Balances at the beginning and end of the current fiscal year of receivables from contracts with customers, contracts assets, and contract liabilities in the current fiscal year are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	Balance at the beginning of current fiscal year	Balance at the end of current fiscal year	Balance at the beginning of current fiscal year	Balance at the end of current fiscal year
Receivables from contracts with customers*	¥268,509	¥335,673	$2,193,885	$2,742,655
Contract assets	10,150	23,485	82,938	191,886
Contract liabilities	26,024	39,792	212,639	325,129

* Receivables from contracts with customers include the amount related to leasing transactions. Such amount is disclosed as part of receivables from contracts with customers due to its financial insignificance.

Group's rights to receive payment of consideration in return for the transfer of goods or services to a customer in the normal business activities, those subject to conditions other than the passage of time, are presented as contract assets. Contract assets normally increase when the Group transfers goods or services to the customer before customer pays consideration or the due date, while they decrease when the Group's rights to consideration become unconditional. Group's obligation to transfer goods or services to a customer in its normal business activities, those for which the payment of consideration has been received from the customer or for which payment of consideration has become due are presented as contract liabilities. In liner trade business and bulk shipping business other than time charter business, freight (excluding demurrage and dispatch money, etc.) becomes determined as a legal claim primarily at the point in time when a consignment is loaded onto the ship at the loading port. Contract assets arise in certain bulk shipping businesses, including unloaded voyages during the period of transportation service (excluding time charter business), which is transferred to receivables from contracts with customers primarily at the point in time when a consignment is loaded onto the ship at the loading port.

Contract liabilities normally increase when the Group receives payment of consideration from a customer before the transfer of goods or services to the customer, while they decrease when the Group fulfills performance obligations. The main cause of a decrease in contract liabilities is the fulfillment of performance obligations, while the main cause of an increase in contract liabilities is an increase in advances received.

The amount of the revenues which is recognized in the current fiscal year and included in the balance of contract liabilities at the beginning of the fiscal year under review is ¥25,988 million ($212,342 thousand). The amount of revenues recognized in the current fiscal year due to fulfilling performance obligations in the past period is financially insignificant.

(ii) Transaction price allocated to remaining performance obligations

The total amount of transaction price allocated to remaining performance obligations at the end of the current fiscal year is financially insignificant except that the transactions omitted from the reference in the notes for the practical expedient. The total amount of consideration received from contracts with customers does not contain any financially significant portion, which is not included in the transaction price.

Concerning the transaction price allocated to the following remaining performance obligations, notes are omitted for the practical expedient. With respect to consecutive voyage charter and contract of affreightment in shipping operation (liner trade business and bulk shipping business), we are focusing on gaining long-term contracts with customers to level out the impact of the changes in the market environment. Meanwhile, revenues derived from consecutive voyage charter and contract of affreightment are classified as variable considerations due to the variable elements involved in the transaction price, such as the number of voyages and freight rates. Such variable consideration is the type of variable consideration allocated to transportation service provided in each voyage, as required by Article 72 of the Accounting Standard for Revenue Recognition, and thus is deemed to be a variable consideration to be allocated to performance obligations not fully fulfilled, and notes are omitted. This type of variable consideration is eliminated as performance obligations are fulfilled progressively, where revenues are recognized over a period not exceeding 26 years.

A time charter contract is a contract involving rights to claim for payment based on the length of time during which service is provided, where revenues are recognized at an amount we are entitled to claim as required by Article 19 of the Implementation Guidance on the Accounting Standard for Revenue Recognition, and notes are omitted.

Notes are also omitted for the contracts initially expected to terminate within one year.

29. Schedule of Asset Retirement Obligations

Because the amounts of asset retirement obligations at the beginning and the end of the fiscal year under review were not more than 1% of the total amount of liabilities and equity at the beginning and the end of the fiscal year under review, this information is omitted in accordance with Article 92-2 of the Regulation on Consolidated Financial Statements.

30. Subsequent Events

(1) Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2022, was approved at the Company's shareholders' meeting held on June 22, 2022.

	Millions of yen	Thousands of U.S. dollars (Note 2)
Year-end cash dividends, ¥1,250.00 ($10.21) per share	¥211,935	$1,731,640

(2) Stock split and partial amendment to the Articles of Incorporation associated with stock split

The Board of Directors meeting of the Company held on May 26, 2022 resolved to implement a stock split.

1. Purpose of stock split

   The purpose of the stock split is to reduce the price per investment unit of the Company's stock, creating a more investment-friendly environment to broaden the investor base.

2. Method of stock split

   The Company will implement a 3-for-1 stock split of its common stocks owned by shareholders listed or recorded in the shareholder registry at the end of September 30, 2022.

3. Number of shares to be increased by stock split

   Total number of issued shares before stock split: 170,055,098 shares
   Number of shares to be increased by this stock split: 340,110,196 shares
   Total number of issued shares after stock split: 510,165,294 shares
   Total number of shares authorized to be issued after stock split: 895,065,000 shares

4. Schedule of stock split

   Public notice of record date: Thursday, September 15, 2022 (scheduled)
   Record date: Friday, September 30, 2022
   Effective date: Saturday, October 1, 2022

5. Effect on per-share information

   Per-share information on the premise that the stock split was implemented at the beginning of the previous fiscal year is as follows:

	Yen		U.S. dollars (Note 2)
	2022	2021	2022
Equity per share	¥3,381.43	¥1,234.42	$27.63
Profit per share (common stock)	1,991.25	274.85	16.27

(Note) Diluted earnings per share is not presented since no potential shares exist.

6. Others

   There is no change to the amount of common stock as a result of this stock split.
   As the stock split will be implemented with an effective date of October 1, 2022, the year-end dividend for the fiscal year ended March 31, 2022 with a record date of March 31, 2022 and the interim dividend for the fiscal year ending March 31, 2023 with a record date of September 30, 2022 will be commenced based on the number of shares held before the stock split.

7. Partial amendment to the Articles of Incorporation associated with stock split

   (1) Reasons for the amendment

   Associated with this stock split, pursuant to the provisions of Article 184, paragraph (2) of the Companies Act, the Company's Articles of Incorporation will be partially amended with the effective date of Saturday, October 1, 2022.

   (2) Details of the amendment

   The details of the amendment are as follows:
   (Underlined parts indicate the amendment)

Current Articles of Incorporation	After Amendment
(Total Number of Shares Authorized to Be Issued)	(Total Number of Shares Authorized to Be Issued)
Article 5. The total number of shares authorized to be issued by the Company shall be 298,355,000 shares.	Article 5. The total number of shares authorized to be issued by the Company shall be 895,065,000 shares.

   (3) Schedule of amendment to the Articles of Incorporation

   Date of resolution by the Board of Directors: Thursday, May 26, 2022
   Effective date: Saturday, October 1, 2022

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

(Cumulative period)		First quarter	Second quarter	Third quarter	Total
Revenues	Millions of yen	¥504,611	¥1,051,381	¥1,675,958	¥2,280,775
Amount of profit before income taxes	Millions of yen	159,892	433,004	728,188	1,037,315
Amount of profit attributable to owners of parent	Millions of yen	151,093	411,319	692,216	1,009,105
Profit per share	Yen	894.72	2,435.15	4,097.91	5,973.76

(Fiscal period)		First quarter	Second quarter	Third quarter	Fourth quarter
Profit per share	Yen	¥894.72	¥1,540.28	¥1,662.63	¥1,875.80

(Cumulative period)		First quarter	Second quarter	Third quarter	Total
Revenues	Thousands of U.S. dollars (Note 2)	$4,122,981	$8,590,419	$13,693,592	$18,635,309
Amount of profit before income taxes	Thousands of U.S. dollars (Note 2)	1,306,414	3,537,908	5,949,738	8,475,490
Amount of profit attributable to owners of parent	Thousands of U.S. dollars (Note 2)	1,234,524	3,360,727	5,655,825	8,244,997
Profit per share	U.S. dollars (Note 2)	7.31	19.9	33.48	48.81

(Fiscal period)		First quarter	Second quarter	Third quarter	Fourth quarter
Profit per share	U.S. dollars (Note 2)	$7.31	$12.59	$13.58	$15.33

② Lawsuits

In addition to the items detailed in “25. Commitments and Contingent Liabilities,” lawsuits for damages totaling US$308 million have been filed in connection with the collision of ACX Crystal, a containership chartered by NYK, with U.S. Navy Destroyer USS Fitzgerald in June 2017 by bereaved family members of the crew members of USS Fitzgerald who died and crew members of USS Fitzgerald who claim to have been injured (hereinafter, the “plaintiffs”) in the United States. The court of the first instance and the court of appeals have ruled to reject the plaintiff’s lawsuit, however, following a filing of a rehearing petition from the plaintiffs (appellants) thereafter, the court of appeals granted the petition in July, 2021, and the hearing is ongoing.

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 Takaya Soga, Director, Senior 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, 2022, 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 22, 2022

Takaya Soga
Director, Senior Managing Executive Officer

Deloitte.

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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, 2022, 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, 2022, 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
As presented in the consolidated balance sheet, the Group recorded ¥577,147 million ($4,715,639 thousand) for vessels and ¥103,683 million ($847,154 thousand) for aircraft as of March 31, 2022, and these amounts represented 18.7% and 3.3% of total assets, respectively. In addition, as presented in the consolidated statement of income, the Group recorded impairment losses of ¥2,810 million ($22,964 thousand) for the year ended March 31, 2022. 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. 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, considering 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 involving 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. 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 Group as of March 31, 2022, as it involves significant judgments made by management and identified it as a key audit matter.	Our audit procedures related to the estimation of the recoverable amounts for the impairment test of non-current assets included the following, among others: (Value in use) • We tested the design 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 including 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 input data used against available external data. (Net selling price at disposition) • 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.

Changes in Accounting Policies Related to the Recognition of Revenue in the Shipping Business due to the Adoption of the Accounting Standard for Revenue Recognition: Accuracy of Revenue Recorded	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As stated in the notes to the consolidated financial statements 3. Summary of Significant Accounting Policies Q. Changes in Accounting Policies (1) Adoption of the Accounting Standard for Revenue Recognition, etc., the Group has adopted the Accounting Standard for Revenue Recognition since the beginning of the year ended March 31, 2022. As a result, the Group has changed its method of accounting for revenues of the shipping operation (excluding time charter business), from the voyage completion method, whereby the full amount of a voyage revenue is recognized upon the completion of said voyage, to a method whereby revenue is recognized by using a reasonable estimate of the progress towards complete satisfaction of the performance obligations, based primarily on the number of days within the voyage period. Consequently, the Group's sales increased by ¥15,778 million ($128,916 thousand) for the year ended March 31, 2022. Due to the changes in accounting policies, relevant programs of information technology ("IT") systems and operational processes pertaining to revenue recognition have been also changed. Sales are quantitatively and qualitatively material, so if IT systems and operational processes do not operate effectively as intended and revenue is not recorded accurately, this may have a material impact on the consolidated financial statements. Furthermore, testing IT systems requires a high level of expertise. Based on the above, we identified the accuracy of revenue recorded given the changes in accounting policies regarding revenue recognition in the shipping business to be a key audit matter because they have an especially material impact on the audit of consolidated financial statements of the Group for the year ended March 31, 2022.	Our audit procedures related to the accuracy of revenue recorded, included the following, among others: (Test of the effectiveness of internal controls) With the assistance of our IT specialists, we tested the effectiveness of internal controls in the following areas: • We evaluated the design and operating effectiveness of internal controls that ensure the accuracy of transaction prices, voyage start dates, and expected voyage completion dates, which serve as the basis for calculating revenue. • We obtained an understanding of the relevant IT systems to record revenue based on the progress towards complete satisfaction of the performance obligations, then we evaluated the design and operating effectiveness of automated application controls that ensure the accuracy of revenue calculations. • In order to determine whether the above automated application controls operated effectively throughout the year, we evaluated the design and operating effectiveness of general IT controls over system change management, system operation management, and access security, among others, for relevant IT systems. (Audit procedures to address the accuracy of revenue recorded) We selected samples of voyages that have not yet been completed as of March 31, 2022, and conducted the following procedures: • We compared transaction prices to contracts and other supporting documents. • We examined the consistency between voyage progress and external data of the vessel's movements. • We examined the accuracy of revenue recorded by recalculating the amounts.

Other Information

Management is responsible for the other information. 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 other information. The other information comprises the information included in Financial Results 2022, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 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, 2022.

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, 2022, 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:

- 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 Tohmatsu LLC

August 3, 2022

Major Group Companies

(As of March 31, 2022)

		Company	Voting rights held (%)	(Millions of yen) 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.	18.58	10,300
		KYOEI TANKER CO., LTD.	30.02	2,850
	Real Estate	YUSEN REAL ESTATE CORPORATION	49.00	450
	Others	NYK CRUISES CO., LTD.	50.00	100
		NYK BUSINESS SYSTEMS CO., LTD.	100.00	99
		NYKT MARINE CO., LTD.	100.00	60
		NYK TRADING CORPORATION	80.99	1,246

		Company	Voting rights held (%)	(Millions of indicated units) 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 (VIETNAM) CO., LTD.	99.00	VND 6,374
		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 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 VND: VIETNAMESE DONG

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