NYK GROUP

Financial Results 2023

Year Ended March 31, 2023

Nippon Yusen Kabushiki Kaisha

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(Year ended March 31, 2023)

(Consolidated Statement of Income)	Millions of yen		Thousands of U.S. dollars (Note 2)
	2023	2022	2023
REVENUES (Note 25)	¥2,616,066	¥2,280,775	$19,591,597
COSTS AND EXPENSES (Notes 5 and 7)	2,105,915	1,827,342	15,771,100
Gross profit	510,150	453,433	3,820,489
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 4 and 7)	213,799	184,493	1,601,130
Operating profit	296,350	268,939	2,219,351
NON-OPERATING INCOME:			
Interest income	4,320	2,127	32,352
Dividend income	12,224	6,279	91,544
Equity in earnings of unconsolidated subsidiaries and affiliates	811,957	742,645	6,080,708
Foreign exchange gains	–	11,384	–
Other	7,638	4,012	57,200
Total non-operating income	836,141	766,449	6,261,821
NON-OPERATING EXPENSES:			
Interest expenses	15,388	12,279	115,240
Foreign exchange losses	3,182	–	23,829
Other	4,132	19,955	30,944
Total non-operating expenses	22,702	32,234	170,014
Recurring profit	1,109,790	1,003,154	8,311,166
OTHER GAINS:			
Gain on sales of non-current assets (Note 6)	7,355	19,575	55,081
Gain on step acquisitions	1,485	7	11,121
Other	4,512	31,877	33,790
Total other gains	13,352	51,460	99,992
OTHER LOSSES:			
Loss on sales of non-current assets	46	56	344
Impairment losses (Note 8)	27,951	2,810	209,323
Loss on liquidation of subsidiaries and associates	4,477	20	33,528
Loss on cancellation of leased aircrafts	–	8,048	–
Other	7,225	6,362	54,107
Total other losses	39,701	17,298	297,318
PROFIT BEFORE INCOME TAXES	1,083,441	1,037,315	8,113,839
Income taxes - Current	45,189	42,459	338,418
Income taxes - Deferred	12,900	(22,961)	96,607
Total income taxes (Note 23)	58,089	19,498	435,025
PROFIT	1,025,352	1,017,817	7,678,813
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	12,828	8,711	96,068
PROFIT ATTRIBUTABLE TO OWNERS OF PARENT	1,012,523	1,009,105	7,582,737

Per share of common stock (Note 28):	Yen		U.S. dollars (Note 2)
Basic profit	¥1,993.71	¥1,991.25	$14.93
Cash dividends applicable to the year	(Note 28)	(Note 28)	(Note 28)

(Consolidated Statement of Comprehensive Income)	Millions of yen		Thousands of U.S. dollars (Note 2)
	2023	2022	2023
Profit	¥1,025,352	¥1,017,817	7,678,813
Other comprehensive income (Note 9)			
Unrealized gain (loss) on available-for-sale securities	706	10,107	5,287
Deferred gain (loss) on hedges	(3,509)	6,346	(26,278)
Foreign currency translation adjustments	21,743	14,892	162,832
Remeasurements of defined benefit plans	(2,262)	15,943	(16,940)
Share of other comprehensive income of associates accounted for using equity method	126,422	90,974	946,768
Total other comprehensive income	143,099	138,263	1,071,661
Comprehensive income	1,168,452	1,156,080	8,750,483
Comprehensive income attributable to owners of parent	1,154,618	1,145,934	8,646,880
Comprehensive income attributable to non-controlling interests	13,834	10,146	103,602

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(Year ended March 31, 2023)

	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, 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
Dividends from surplus	–	–	(389,957)	–	(389,957)	–	–	–	–	–	–	(389,957)
Profit attributable to owners of the parent company	–	–	1,012,523	–	1,012,523	–	–	–	–	–	–	1,012,523
Purchase of treasury stock	–	–	–	(1,537)	(1,537)	–	–	–	–	–	–	(1,537)
Disposal of treasury stock	–	1	–	1,173	1,174	–	–	–	–	–	–	1,174
Change in equity of parent related to transactions with non–controlling shareholders	–	703	–	–	703	–	–	–	–	–	–	703
Change in scope of consolidation	–	–	11	–	11	–	–	–	–	–	–	11
Other	–	(122)	37	–	(85)	–	–	–	–	–	–	(85)
Net change of items other than shareholders' capital	–	–	–	–	–	773	22,035	121,652	(2,365)	142,094	993	143,087
Total changes of items during the period	–	582	622,614	(364)	622,832	773	22,035	121,652	(2,365)	142,094	993	765,920
Balance, March 31, 2023	144,319	44,897	2,018,915	(3,793)	2,204,338	32,909	6,583	207,437	27,371	274,302	46,352	2,524,993

	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, 2022	$1,080,798	$331,865	$10,456,826	$(25,672)	$11,843,825	$240,665	$(115,719)	$642,439	$222,699	$990,092	$339,691	$13,173,616
Dividends from surplus	–	–	(2,920,369)	–	(2,920,369)	–	–	–	–	–	–	(2,920,369)
Profit attributable to owners of the parent company	–	–	7,582,737	–	7,582,737	–	–	–	–	–	–	7,582,737
Purchase of treasury stock	–	–	–	(11,510)	(11,510)	–	–	–	–	–	–	(11,510)
Disposal of treasury stock	–	7	–	8,784	8,792	–	–	–	–	–	–	8,792
Change in equity of parent related to transactions with non-controlling shareholders	–	5,264	–	–	5,264	–	–	–	–	–	–	5,264
Change in scope of consolidation	–	–	82	–	82	–	–	–	–	–	–	82
Other	–	(913)	277	–	(636)	–	–	–	–	–	–	(636)
Net change of items other than shareholders' capital	–	–	–	–	–	5,788	165,019	911,046	(17,711)	1,064,135	7,436	1,071,571
Total changes of items during the period	–	4,358	4,662,727	(2,725)	4,664,360	5,788	165,019	911,046	(17,711)	1,064,135	7,436	5,735,939
Balance, March 31, 2023	1,080,798	336,231	15,119,561	(28,405)	16,508,185	246,453	49,299	1,553,486	204,980	2,054,235	347,127	18,909,555

See notes to consolidated financial statements.

Consolidated Balance Sheet

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(March 31, 2023)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2023	2022	2023
ASSETS			
CURRENT ASSETS:			
Cash and deposits (Notes 11, 17, and 19)	¥204,817	¥233,019	$1,533,865
Notes and operating accounts receivable-trade, and contract assets (Notes 11, 19, and 25)	337,702	359,158	2,529,034
Inventories (Notes 11 and 12)	57,593	57,029	431,311
Deferred and prepaid expenses (Note 11)	30,897	24,152	231,386
Other	91,693	94,937	686,684
Allowance for doubtful accounts	(2,562)	(3,433)	(19,186)
Total current assets	720,142	764,863	5,393,110
NON-CURRENT ASSETS:			
VESSELS, PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION (Notes 11, 15, 16, and 24)**:**			
Vessels	637,257	577,147	4,772,388
Buildings and structures	143,069	105,494	1,071,437
Aircraft	98,573	103,683	738,208
Machinery, equipment, and vehicles	32,311	27,548	241,975
Furniture and fixtures	7,536	5,979	56,436
Land	89,882	72,722	673,122
Construction in progress	126,324	65,834	946,034
Other	8,795	5,867	65,865
Total vessels, property, plant and equipment	1,143,751	964,277	8,565,498
INTANGIBLE ASSETS:			
Leasehold right	5,365	5,117	40,178
Software (Note 11)	8,390	6,135	62,832
Goodwill	13,712	8,711	102,688
Other	13,923	3,637	104,268
Total intangible assets	41,392	23,602	309,982
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 11, 13, 19, and 20)	1,688,380	1,146,438	12,644,199
Long-term loans receivable (Note 19)	27,642	27,503	207,009
Net defined benefit asset (Note 22)	88,404	85,644	662,053
Deferred tax assets (Note 23)	9,120	10,571	68,299
Other (Note 11)	62,947	62,099	471,407
Allowance for doubtful accounts (Note 19)	(5,174)	(5,236)	(38,747)
Total investments and other assets	1,871,320	1,327,019	14,014,229
Total non-current assets	3,056,464	2,314,899	22,889,717
DEFERRED ASSETS	190	259	1,422
TOTAL ASSETS	3,776,797	3,080,023	28,284,258

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2023	2022	2023
LIABILITIES			
CURRENT LIABILITIES:			
Notes and operating accounts payable–trade (Notes 11, 19, and 25)	¥206,153	¥218,650	$1,543,870
Current portion of bonds payable (Notes 19 and 30)	10,000	30,000	74,889
Short-term loans payable (Notes 11, 19, and 30)	73,581	130,919	551,044
Leases liabilities (Notes 11, 19, and 30)	26,412	23,818	197,798
Income taxes payable	17,914	25,097	134,157
Contract liabilities	50,562	39,792	378,656
Provision for bonuses	20,736	23,188	155,290
Provision for directors’ bonuses	617	517	4,620
Provision for stock payment	241	1,270	1,804
Provision for losses related to contracts	146	134	1,093
Other	92,668	79,895	693,986
Total current liabilities	499,034	573,282	3,737,242
NON-CURRENT LIABILITIES:			
Bonds payable (Notes 19 and 30)	87,000	97,000	651,538
Long-term loans payable (Notes 11, 19, and 30)	422,691	447,069	3,165,513
Leases liabilities (Notes 11, 19, and 30)	74,406	79,493	557,223
Deferred tax liabilities (Note 23)	71,676	57,446	536,778
Net defined benefit liability (Note 22)	15,302	15,907	114,595
Provision for directors’ retirement benefits	862	819	6,455
Provision for stock payment	54	–	404
Provision for periodic dry docking of vessels	20,892	16,347	156,459
Provision for losses related to contracts	8,883	18,074	66,524
Provision for related to business restructuring	256	407	1,917
Other	50,741	15,102	379,997
Total non-current liabilities	752,769	747,667	5,637,452
Total liabilities	1,251,803	1,320,949	9,374,694
EQUITY (Notes 10 and 29)			
SHAREHOLDERS’ CAPITAL:			
Common stock	144,319	144,319	1,080,798
Capital surplus	44,897	44,314	336,231
Retained earnings	2,018,915	1,396,300	15,119,561
Treasury stock	(3,793)	(3,428)	(28,405)
Total shareholders’ capital	2,204,338	1,581,506	16,508,185
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):			
Unrealized gain (loss) on available-for-sale securities	32,909	32,136	246,453
Deferred gain (loss) on hedges	6,583	(15,452)	49,299
Foreign currency translation adjustments	207,437	85,785	1,553,486
Remeasurements of defined benefit plans	27,371	29,737	204,980
Total accumulated other comprehensive income (loss)	274,302	132,207	2,054,235
Non-controlling interests	46,352	45,359	347,127
Total equity	2,524,993	1,759,073	18,909,555
TOTAL LIABILITIES AND EQUITY	3,776,797	3,080,023	28,284,258

	Yen		U.S. dollars (Note 2)
	2023	2022	2023
Equity per share (Note 28)	¥4,877.55	¥3,381.43	$36.52

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(Year ended March 31, 2023)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2023	2022	2023
OPERATING ACTIVITIES			
Profit before income taxes	¥1,083,441	¥1,037,315	$8,113,839
Adjustments for:			
Depreciation and amortization	121,658	101,596	911,091
Impairment losses	27,951	2,810	209,323
Loss (gain) on sales and retirement of vessels, property, plant and equipment and intangible assets	(6,925)	(19,090)	(51,861)
Loss (gain) on sales of short-term and long-term investment securities	(1,341)	(29,301)	(10,042)
Loss (gain) on valuation of short-term and long-term investment securities	482	929	3,609
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(811,957)	(742,645)	(6,080,708)
Interest and dividend income	(16,544)	(8,407)	(123,897)
Interest expenses	15,388	12,279	115,240
Foreign exchange losses (gains)	607	(8,487)	4,545
Decrease (increase) in notes and accounts receivable-trade, and contract assets	35,645	(69,664)	266,943
Decrease (increase) in inventories	(236)	(20,207)	(1,767)
Increase (decrease) in notes and accounts payable–trade	(20,282)	37,378	(151,890)
Other, net	2,385	(36,590)	17,861
Subtotal	430,272	257,917	3,222,287
Interest and dividend income received	457,209	288,052	3,424,017
Interest expenses paid	(14,444)	(11,795)	(108,170)
Income taxes paid	(48,183)	(26,411)	(360,840)
Net cash provided by operating activities	824,853	507,762	6,177,286
INVESTING ACTIVITIES			
Proceeds from sales and redemption of securities	–	147	–
Purchase of vessels, property, plant, and equipment and intangible assets	(198,360)	(192,726)	(1,485,508)
Proceeds from sales of vessels, property, plant and equipment and intangible assets	29,009	35,435	217,247
Purchase of investment securities	(57,423)	(18,022)	(430,038)
Proceeds from sales and redemption of investment securities	9,957	10,155	74,567
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(23,055)	(0)	(172,657)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	7,286	–	54,564
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	–	(56)	–
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	2,919	36,013	21,860
Payments of loans receivable	(7,040)	(13,608)	(52,722)
Collections of loans receivable	8,333	10,044	62,405
Other, net	(24,592)	(15,954)	(184,168)
Net cash used in investing activities	(252,964)	(148,571)	(1,894,435)
FINANCING ACTIVITIES			
Net increase (decrease) in short-term loans payable	(4,450)	(1,905)	(33,325)
Proceeds from long-term loans payable	16,663	18,423	124,788
Repayments of long-term loans payable	(135,545)	(160,671)	(1,015,090)
Proceeds from issuance of bonds	–	19,892	–
Redemption of bonds	(30,000)	(25,000)	(224,668)
Repayments of leases liabilities	(24,226)	(20,389)	(181,427)
Proceeds from share issuance to non-controlling shareholders	987	5,983	7,391
Purchase of treasury stock	(1,537)	(231)	(11,510)
Proceeds from sales of treasury stock	2,950	290	22,092
Cash dividends paid to shareholders	(389,957)	(64,430)	(2,920,369)
Cash dividends paid to non-controlling interests	(12,001)	(5,283)	(89,874)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(108)	(60)	(808)
Other, net	(3,976)	(4,155)	(29,776)
Net cash used in financing activities	(581,203)	(237,535)	(4,352,602)
Effect of exchange rate change on cash and cash equivalents	(22,836)	1,445	(171,017)
Net increase (decrease) in cash and cash equivalents	(32,150)	123,100	(240,769)
Cash and cash equivalents at beginning of period	226,694	103,593	1,697,700
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	898	–	6,725
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	614	8	4,598
Increase (decrease) in beginning balance of cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries	173	–	1,295
Decrease in cash and cash equivalents resulting from share exchanges	–	(7)	–
Cash and cash equivalents at end of period (Note 17)	196,231	226,694	1,469,564

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, 2023, which was ¥133.53 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 493 consolidated subsidiaries (the “NYK Group”) at March 31, 2023.

During the fiscal year ended March 31, 2023, the Company newly established 13 companies that were included within the scope of consolidation as they were newly established.

A total of 19 companies were included in the scope of consolidation as their total assets, revenues, profit, and retained earnings, etc., increased to material amounts.

A total of 11 companies were included in the scope of consolidation due to the acquisition of shares.

A total of 3 companies were changed from affiliates accounted for by the equity method to consolidated subsidiaries due to the acquisition of shares.

A total of 38 companies were excluded from the scope of consolidation as they were liquidated.

A total of 2 companies were excluded from the scope of consolidation due to mergers.

One company was excluded from the scope of consolidation due to the disposal of its 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 205 affiliates using the equity method at March 31, 2023.

In the consolidated fiscal year ended March 31, 2023, the Company newly established one company and judged 4 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.

A total of 3 companies were changed from affiliates accounted for by the equity method to consolidated subsidiaries due to the acquisition of shares.

A total of 5 companies were excluded from the scope of application of the equity method as they were liquidated.

One company was excluded from the scope of application of the equity method due to mergers.

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

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

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

(3) 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, 2023, December 31 was used by 42 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.

A total of 21 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.

A total of 6 companies changed to the method of conducting a provisional closing as of the closing date of the consolidated financial statements from the method of using the financial statements as of December 31.

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 straight-line method.

(3) Leased assets are depreciated as follows:

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

Some overseas consolidated subsidiaries applied IFRS 16 "Leases" or ASU No. 2016-02 "Leases." ASU No. 2016-02 "Leases," which is applied from the current consolidated fiscal year, is stated in "Note 3. O." Consequently, as a general rule, each of the lessees' leases is recorded as an asset and a liability on the consolidated balance sheet, and recognized right-of-use assets are depreciated using the straight-line method.

F. 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.

G. 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.

H. 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 the Group is 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. Therefore, the revenue is 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.

I. 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

J. Method of Amortization of Goodwill and Period of Amortization

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.

K. 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.

L. 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.

M. 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 group tax sharing system

The Company and some of its domestic consolidated subsidiaries have adopted the group tax sharing system.

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)
	2023	2022	2023
Vessels	¥637,257	¥577,147	$4,772,388
Aircrafts	98,573	103,683	738,208

• 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 losses 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.

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)
	2023	2022	2023
Deferred tax assets	¥9,120	¥10,571	$68,299

• 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 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.

O. Changes in Accounting Policies

(1) Adoption of ASU No. 2016-02, “Leases”

From the current fiscal year, affiliates that prepare their financial statements in accordance with US GAAP have adopted ASU No. 2016-02, “Leases.” Consequently, each of the lessees’ leases is recorded as an asset and a liability on the consolidated balance sheet.

As a result of adopting this accounting standard, mainly buildings and structures, land, other current liabilities, and other non-current liabilities increased by 19,889 million yen, 20,305 million yen, 9,574 million yen, and 31,074 million yen, respectively, at the beginning of the current fiscal year. The impact on retained earnings is negligible.

These changes have a negligible impact on the consolidated financial statements for the current fiscal year.

(2) Adoption of the Implementation Guidance on Accounting Standard for Fair Value Measurement

The Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31 issued on June 17, 2021; hereinafter “Fair Value Measurement Accounting Standard Implementation Guidance”) has been applied from the start of the current consolidated fiscal year, and in accordance with the transitional arrangements set forth in Paragraph 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance, the new accounting policy set forth in the Fair Value Measurement Accounting Standard Implementation Guidance will be prospectively adopted.

This adoption has no impact on the consolidated financial statements.

In the notes on investment trusts in the information for each level of the fair value hierarchy of “Financial Instruments,” those related to the previous consolidated fiscal year are not provided in accordance with Paragraph 27-3 of the Fair Value Measurement Accounting Standard Implementation Guidance.

P. Yet to Be Adopted Accounting Standards

- "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022, Accounting Standards Board of Japan)
- "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022, Accounting Standards Board of Japan)
- "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022, Accounting Standards Board of Japan)

i) Overview

In February 2018, ASBJ Statement No. 28 Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. (hereinafter, "ASBJ Statement No. 28, etc.") was published and the transfer of authority for practical guidelines on tax effect accounting in the Japanese Institute of Certified Public Accountants to the ASBJ was completed. In the process of the relevant deliberations, it was decided that the following two issues would be examined again after the publication of ASBJ Statement No. 28, etc. The issues were examined and released this time.

- Classification of tax expenses (taxation on other comprehensive income)
- Tax effects relating to sale of shares of subsidiaries, etc. (shares of subsidiaries or shares of associates) in the case where the group taxation regime is applied

ii) Scheduled date of application

These accounting standards and guidance will be applied effective from the beginning of the consolidated fiscal year ending March 31, 2025.

iii) Effects of application of the implementation guidance

The impact of the application of the Accounting Standard for Current Income Taxes, etc. on the consolidated financial statements is currently under evaluation.

Q. Changes in Presentation

(1) Consolidated Statement of Income

"Derivative losses," which was presented in "Non-operating expenses" as a separate item in the consolidated fiscal year ended March 31, 2022, has been included in "Other" in the consolidated fiscal year under review onward because its quantitative materiality decreased. The consolidated financial statements for the previous fiscal year were restated in order to reflect this change in the presentation method.

Consequently, the previously stated amount of ¥17,707 million for "Derivative losses" under "Non-operating expenses" in the consolidated statement of income for the consolidated fiscal year ended March 31, 2022 has been reclassified as "Other."

"Gain on step acquisitions ," which was included in "Other" under "Other gains" in the consolidated fiscal year ended March 31, 2022, has been presented as a separate item in the consolidated fiscal year under review onward because the amounts became material. The consolidated financial statements for the previous consolidated fiscal year were restated in order to reflect this change in the presentation method.

Consequently, the previously stated amount of ¥2,619 million for "Other" under "Other gains" in the consolidated statement of income for the consolidated fiscal year ended March 31, 2022 has been reclassified as "Gain on step acquisitions" totaling ¥7 million and "Other" amounting to ¥2,612 million.

"Gain on sale of shares of subsidiaries and associates," which was presented in "Other gains" as a separate item in the consolidated fiscal year ended March 31, 2022, has been included in "Other" in the consolidated fiscal year under review onward because its quantitative materiality decreased. The consolidated financial statements for the previous fiscal year were restated in order to reflect this change in the presentation method.

Consequently, the previously stated amount of ¥29,265 million for "Gain on sale of shares of subsidiaries and associates" under "Other gains" in the consolidated statement of income for the consolidated fiscal year ended March 31, 2022 has been reclassified as "Other."

"Loss on liquidation of subsidiaries and associates," which was included in "Other" under "Other losses" in the consolidated fiscal year ended March 31, 2022, has been presented as a separate item in the consolidated fiscal year under review onward because its quantitative materiality increased. The consolidated financial statements for the previous fiscal year were restated in order to reflect this change in the presentation method.

Consequently, the previously stated amount of ¥6,383 million for "Other" under "Other losses" in the consolidated statement of income for the consolidated fiscal year ended March 31, 2022 has been reclassified as "Loss on liquidation of subsidiaries and associates" totaling ¥20 million and "Other" amounting to ¥6,362 million.

(2) Consolidated Statement of Cash Flows

"Increase (decrease) in provision for losses related to contracts," which was presented in "Operating Activities" as a separate item in the consolidated fiscal year ended March 31, 2022, has been included in "Other, net" in the consolidated fiscal year under review onward because its quantitative materiality decreased. The consolidated financial statements for the previous consolidated fiscal year were restated in order to reflect this change in the presentation method.

Consequently, the previously stated amount of ¥(48,227) million for "Increase (decrease) in provision for losses related to contracts" under "Operating Activities" in the consolidated statement of cash flows for the consolidated fiscal year ended March 31, 2022 has been reclassified as “Other, net.”

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. As the three years extension period expired, it was resolved at the Ordinary General Meeting of Shareholders held on June 22, 2022 to partially revise and continue the Plan.

The Plan is a stock remuneration plan for Directors who concurrently serve as Executive Officers, the Chairman of the Board of Directors not serving concurrently as Chairman and Executive Officer, and Executive Officers (excluding, however, Executive Officers whose main responsibilities are the execution of business of the Company’s affiliates and who concurrently serve as Executive Officer of the Company, and who are paid basic compensation determined separately from the Company’s Executive Officers; hereinafter referred to as “Directors, etc.”) who are resident in Japan, where 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 targets during the period covered by the Plan and according to individual position of the recipient are delivered and paid to Directors, etc. 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 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, 2023, the Company’s treasury stock consisted of 450 thousand shares with a total book value of ¥1,510 million, compared with 1,836 thousand shares and a total book value of ¥1,192 million as of March 31, 2022. The Company conducted a 3-for-1 common stock split with an effective date of October 1, 2022. The number of shares of treasury stock held by the Trust in the previous fiscal year and the fiscal year under review is calculated on the assumption that this stock split took place at the beginning of the previous fiscal year.

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 joint ownership of LNG vessels holding companies. 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. 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)
	2023	2022	2023
Employee salaries	¥93,715	¥79,659	$701,827
Provision for bonuses	14,789	17,107	110,754
Retirement benefit costs	2,672	2,643	20,010

5. 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)
	2023	2022	2023
Provision for periodic dry docking of vessels	¥16,143	¥12,081	$120,894
Provision for bonuses	6,139	6,303	45,974
Retirement benefit expenses	(1,550)	(630)	(11,607)

6. 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)
	2023	2022	2023
Vessels	¥6,623	¥18,784	$49,599

7. 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)
	2023	2022	2023
	¥1,808	¥1,078	$13,540

8. 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 goodwill / 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 losses” of ¥27,951 million ($209,323 thousand) under “other losses.”

The breakdown is as follows:

Location	Application	Type	Millions of yen	Thousands of U.S. dollars (Note 2)
Cyprus	—	Goodwill	¥20,319	$152,168
Other	Assets held for sale, etc.	Land and buildings, etc.	7,631	57,148
Total	—		27,951	209,323

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 9.27%.

9. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2023	2022	2023
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥2,044	¥12,653	$15,307
Reclassification adjustments to profit or loss for the year	(62)	781	(464)
Amount before income tax effect	1,982	13,434	14,843
Income tax effect	(1,276)	(3,327)	(9,555)
Total	706	10,107	5,287
Deferred gain (loss) on hedges:			
Gains (losses) arising during the year	7,961	5,110	59,619
Reclassification adjustments to profit or loss for the year	(2,619)	3,261	(19,613)
Adjustment for the acquisition cost of assets	(3,803)	(1,466)	(28,480)
Amount before income tax effect	1,538	6,905	11,518
Income tax effect	(5,047)	(558)	(37,796)
Total	(3,509)	6,346	(26,278)
Foreign currency translation adjustments:			
Gains (losses) arising during the year	24,463	15,691	183,202
Reclassification adjustments to profit or loss for the year	(2,720)	(799)	(20,369)
Amount before income tax effect	21,743	14,892	162,832
Income tax effect	–	–	–
Total	21,743	14,892	162,832
Remeasurements of defined benefit plans:			
Gains (losses) arising during the year	3,294	27,022	24,668
Reclassification adjustments to profit or loss for the year	(6,631)	(4,571)	(49,659)
Amount before income tax effect	(3,337)	22,451	(24,990)
Income tax effect	1,074	(6,507)	8,043
Total	(2,262)	15,943	(16,940)
Share of other comprehensive income of associates accounted for using the equity method:			
Gains (losses) arising during the year	126,768	88,880	949,359
Reclassification adjustments to profit or loss for the year	(345)	2,093	(2,583)
Total	126,422	90,974	946,768
Total other comprehensive income (loss)	143,099	138,263	1,071,661

10. 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.

(4) Stock Split

On October 1, 2022, the Company completed a 3 for 1 stock split by way of a free share distribution. 340,110 thousand shares were issued to shareholders of record on September 30, 2022.

(5) Matters concerning outstanding shares

Changes in the number of outstanding shares in the consolidated fiscal year ended March 31, 2023, were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
At March 31, 2022	170,055	1,121
Increase in number of shares	340,110	1,472
Decrease in number of shares	—	(602)
At March 31, 2023	510,165	1,991

(Notes)
1. The Company conducted a 3-for-1 common stock split with an effective date of October 1, 2022.
2. The increase of 340,110 thousand shares in the total number of issued shares of common stock is due to the stock split.
3. The number of shares of treasury stock includes the Company's shares held by the Board Incentive Plan trust account (612 thousand shares as of April 1, 2022; 450 thousand shares as of March 31, 2023).
4. The increase in shares of treasury stock is due to the stock split, acquisition of shares by the Board Incentive Plan trust account and purchase of shares less than one unit.
5. The decrease in shares of treasury stock is mainly due to delivery of stock by the Board Incentive Plan trust account.

(6) Matters concerning dividends

a. Total dividend payments to be paid for the consolidated fiscal year ended March 31, 2023, are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)	Dividend per share	Thousands of U.S. dollars (Note 2)	Base date
Approved at the ordinary general meeting of shareholders on June 22, 2022	¥211,935	$1,587,171	¥1,250	$9.36	March 31, 2022
Approved by the Board of Directors on November 4, 2022	178,022	1,333,198	1,050	7.86	September 30, 2022

(Notes)
1. The total dividend resolved by the Ordinary General Meeting of Shareholders held on June 22, 2022 includes dividends of 765 million yen on the Company shares owned by the Board Incentive Plan trust.
2. The total dividend resolved by the Board of Directors' meeting held on November 4, 2022 includes dividends of 157 million yen on the Company shares owned by the Board Incentive Plan trust.
3. The Company conducted a 3-for-1 common stock split with an effective date of October 1, 2022. Dividend per share is the amount before the stock split.

b. The effective date for dividends, including retained earnings, as of March 31, 2023, shall be determined in the subsequent consolidated fiscal year as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)	Dividend per share	Thousands of U.S. dollars (Note 2)	Base date
At the ordinary general meeting of shareholders on June 21, 2023	¥86,467	$647,547	¥170	$1.27	March 31, 2023

(Notes)
1. The total dividend resolved by the Ordinary General Meeting of Shareholders held on June 21, 2023 includes dividends of 76 million yen on the Company shares owned by the Board Incentive Plan trust.
2. The Company conducted a 3-for-1 common stock split with an effective date of October 1, 2022. Dividend per share is the amount after the stock split.

11. Pledged Assets and Secured Liabilities

As of March 31, 2023, the following assets were pledged as collateral for short-term loans payable, long-term loans payable, and others:

Pledged assets	Net book value: Millions of yen	Net book value: Thousands of U.S. dollars (Note 2)
Cash and deposits	¥4,727	$35,400
Notes and operating accounts receivable-trade and contract assets	6,755	50,587
Inventories	163	1,220
Deferred and prepaid expenses	356	2,666
Vessels*	75,963	568,883
Buildings and structures	1,947	14,580
Machinery, equipment and vehicles	7,503	56,189
Furniture and fixtures	7	52
Land	730	5,466
Construction in progress	545	4,081
“Other” of vessels, property, plant and equipment	787	5,893
Software	278	2,081
Investment securities*	131,246	982,895
“Other” of investments and other assets	329	2,463
Total	231,342	1,732,509

Secured liabilities	Millions of yen	Thousands of U.S. dollars (Note 2)
Notes and operating accounts payable - trade	¥23	$172
Short-term loans payable	8,959	67,093
Lease liabilities of current liabilities	2,559	19,164
Long-term loans payable	46,882	351,097
Lease liabilities of non-current liabilities	—	—
Total	58,425	437,542

* Vessels include ¥2,485 million ($18,610 thousand) and investment securities include ¥130,604 million ($978,087 thousand) pledged as collateral for the debt of affiliates, etc.

12. Inventories

Inventories as of March 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2023	2022	2023
Products and goods	¥2,130	¥1,492	$15,951
Work in progress	428	499	3,205
Raw materials, fuel, and supplies	55,035	55,037	412,154

13. Investment in Unconsolidated Subsidiaries and Affiliates

Amounts corresponding to unconsolidated subsidiaries and affiliates as of March 31, 2023 and 2022, are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2023	2022	2023
Investment securities (stocks)	¥1,576,210	¥1,039,916	$11,804,163
Other investments and other assets (investment in capital)	12,213	11,439	91,462
(Of which, amount invested in companies under joint control)	275,200	194,931	2,060,960

14. Commitments and Contingent Liabilities

(1) Commitments made by the Company and its consolidated subsidiaries as of March 31, 2023, totaled ¥550,082 million ($4,119,538 thousand) for the construction of vessels.

Contingent liabilities for notes receivable discounted and endorsed, guarantees of loans as of March 31, 2023, were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Guarantees of loans	¥188,505	$1,411,705

(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 ¥2,553 million ($19,119 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 April 2025.

(3) 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 subject 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. Except for 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.

15. Accumulated Depreciation

As of March 31, 2023 and 2022, accumulated depreciation of vessels, property, plant, and equipment is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2023	2022	2023
Accumulated depreciation	¥1,142,555	¥998,354	$8,556,541

16. 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 ¥5,051 million ($37,826 thousand) and ¥5,126 million as of March 31, 2023 and 2022, respectively.

17. 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, 2023 and 2022, are reconciled to cash and deposits reflected in the accompanying consolidated balance sheets as of March 31, 2023 and 2022, as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2023	2022	2023
Cash and deposits	¥204,817	¥233,019	$1,533,865
Time deposits with a maturity of more than three months	(8,586)	(6,324)	(64,300)
Cash and cash equivalents	196,231	226,694	1,469,564

18. 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, 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2023	2022	2023
Within one year	¥3,888	¥15,807	$29,117
More than one year	8,701	43,987	65,161
Total	12,590	59,794	94,285

As lessors

The fiscal year-end balance of unearned lease payments related to non-cancellable transactions as of March 31, 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2023	2022	2023
Within one year	¥2,770	¥3,625	$20,744
More than one year	3,311	5,931	24,795
Total	6,082	9,557	45,547

19. 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, I. Method of Accounting for Material Hedge Transactions.”

① Hedge accounting method

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

② Principal hedging methods and items hedged

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

③ Risks inherent in derivative transactions

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

c. Risk management for financial instruments

① Credit risk management

The Company utilizes credit management regulations to minimize its risk on Notes and operating accounts receivable-trade, and 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, 2023 and 2022, are described below.

	Millions of yen						Thousands of U.S. dollars (Note 2)		
	2023			2022			2023		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
① **Short-term and long-term investment securities (Note 20)** *2									
Available-for-sale securities	¥78,289	¥78,289	¥–	¥75,922	¥75,922	¥–	$586,302	$586,302	$–
Investments in affiliates	27,080	20,096	(6,984)	22,496	21,154	(1,342)	202,800	150,498	(52,302)
② **Long-term loans receivable**	27,642			27,503			207,009		
Allowance for doubtful accounts *3	(95)			(222)			(711)		
Balance	27,547	27,499	(47)	27,281	27,919	637	206,298	205,938	(351)
Total	132,917	125,885	(7,031)	125,699	124,995	(704)	995,409	942,746	(52,654)
① **Bonds payable**	97,000	98,444	1,444	127,000	129,044	2,044	726,428	737,242	10,814
② **Long-term loans payable**	422,691	422,162	(529)	447,069	445,467	(1,602)	3,165,513	3,161,551	(3,961)
③ **Leases liabilities**	100,818	100,808	(10)	103,311	105,153	1,841	755,021	754,946	(74)
Total	620,510	621,414	904	677,380	679,664	2,284	4,646,970	4,653,740	6,770
Derivative financial instruments *4	3,719	3,719	–	(5,377)	(5,377)	–	27,851	27,851	–

* 1. 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. As of March 31, 2023, 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, 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. As of March 31, 2023, 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)
	2023	2022	2023
	Book value	Book value	Book value
Investments in unconsolidated subsidiaries and affiliates	¥1,549,129	¥1,017,419	$11,601,355
Shares in unlisted companies	32,545	29,492	243,728
Others	1,335	1,107	9,997
Total	1,583,010	1,048,019	11,855,088

* 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							
	2023				2022			
	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	¥204,817	¥–	¥–	¥–	¥233,019	¥–	¥–	¥–
Notes and operating accounts receivable-trade, and contract assets	336,980	722	–	–	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	–	5,038	20,198	2,405	–	5,903	5,452	16,146
Total	541,797	5,760	20,198	2,405	590,939	7,142	5,452	16,146

	Thousands of U.S. dollars (Note 2)			
	2023			
	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and deposits	$1,533,865	$–	$–	$–
Notes and operating accounts receivable-trade, and contract assets	2,523,627	5,407	–	–
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	–	37,729	151,261	18,010
Total	4,057,492	43,136	151,261	18,010

(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					
	2023					
	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	¥10,000	¥—	¥—	¥—	¥—	¥—
Short-term loans payable	73,581	—	—	—	—	—
Leases liabilities (current)	26,412	—	—	—	—	—
Bonds payable	—	33,000	—	20,000	—	34,000
Long-term loans payable	—	79,944	46,510	89,530	75,371	131,334
Leases liabilities (non-current)	—	16,529	12,247	8,450	6,608	30,570
Total	109,993	129,474	58,757	117,981	81,979	195,904

	Thousands of U.S. dollars (Note 2)					
	2023					
	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	$74,889	$—	$—	$—	$—	$—
Short-term loans payable	551,044	—	—	—	—	—
Leases liabilities (current)	197,798	—	—	—	—	—
Bonds payable	—	247,135	—	149,779	—	254,624
Long-term loans payable	—	598,696	348,311	670,486	564,449	983,554
Leases liabilities (non-current)	—	123,784	91,717	63,281	49,487	228,937
Total	823,732	969,624	440,028	883,554	613,936	1,467,116

	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

(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, 2023

	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	¥78,242	¥—	¥—	¥78,242	$585,950	$—	$—	$585,950
Others	46	—	—	46	344	—	—	344
Derivatives transactions								
Currency-related	—	4,053	—	4,053	—	30,352	—	30,352
Interest rate-related	—	4,446	—	4,446	—	33,295	—	33,295
Total	78,289	8,499	—	86,789	586,302	63,648	—	649,958
Derivatives transactions								
Commodity-related	—	4,832	—	4,832	—	36,186	—	36,186
Total	—	4,832	—	4,832	—	36,186	—	36,186

March 31, 2022

	Fair Values (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Short-term and long-term investment securities				
Available-for-sale securities				
Corporate shares	¥75,877	¥—	¥—	¥75,877
Others	44	—	—	44
Derivatives transactions				
Interest rate-related	—	1,494	—	1,494
Total	75,922	1,494	—	77,416
Derivatives transactions				
Currency-related	—	3,680	—	3,680
Commodity-related	—	3,269	—	3,269
Total	—	6,949	—	6,949

② Financial instruments other than financial instruments recorded at fair value in the consolidated balance sheet

March 31, 2023

	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	¥20,096	¥−	¥−	¥20,096	$150,498	$−	$−	$150,498
Long-term loans receivable	−	27,499	−	27,499	−	205,938	−	205,938
Total	20,096	27,499	−	47,596	150,498	205,938	−	356,444
Bonds payable	−	98,444	−	98,444	−	737,242	−	737,242
Long-term loans payable	−	422,162	−	422,162	−	3,161,551	−	3,161,551
Lease liabilities	−	100,808	−	100,808	−	754,946	−	754,946
Total	−	621,414	−	621,414	−	4,653,740	−	4,653,740

March 31, 2022

	Fair Values (Millions of yen)			
	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
Long-term loans receivable	−	27,919	−	27,919
Total	21,154	27,919	−	49,073
Bonds payable	−	129,044	−	129,044
Long-term loans payable	−	445,467	−	445,467
Lease liabilities	−	105,153	−	105,153
Total	−	679,664	−	679,664

(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 if 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, if 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 (chartered- freight) forward, fuel swaps, 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.

20. Securities

(1) Short-term and long-term investment securities held-to-maturity with fair value as of March 31, 2023 and 2022, are not applicable.

(2) Short-term and long-term investment securities classified as available-for-sale securities with fair value as of March 31, 2023 and 2022, are summarized as follows:

	Millions of yen						Thousands of U.S. dollars (Note 2)		
	2023			2022			2023		
	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	¥82,618	¥33,691	¥48,926	¥77,820	¥31,547	¥46,272	$618,722	$252,310	$366,404
Government bonds and others	–	–	–	–	–	–	-	-	-
Corporate bonds	–	–	–	–	–	–	-	-	-
Others	46	30	15	33	15	17	344	224	112
Subtotal	82,664	33,722	48,942	77,853	31,563	46,290	619,066	252,542	366,524
Securities for which book value is equal to or less than acquisition costs:									
Corporate shares	15,310	18,925	(3,614)	18,249	20,821	(2,571)	114,655	141,728	(27,065)
Government bonds and others	–	–	–	–	–	–	-	-	-
Corporate bonds	–	–	–	–	–	–	-	-	-
Others	–	–	–	11	13	(1)	-	-	-
Subtotal	15,310	18,925	(3,614)	18,261	20,834	(2,573)	114,655	141,728	(27,065)
Total	97,975	52,647	45,327	96,114	52,397	43,716	733,730	394,270	339,451

(3) Proceeds, gains, and losses on sales of available-for-sale securities in the fiscal years ended March 31, 2023 and 2022, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2023	2022	2023
Proceeds from sales	¥1,641	¥616	$12,289
Gross realized gains	597	200	4,470
Gross realized losses	(427)	(61)	(3,197)

(4) Impairment losses are recognized in the fiscal year ended March 31, 2023 and 2022, and are recorded as a loss on valuation of investment securities in the amount of ¥482 million ($3,609 thousand), ¥929 million, respectively. 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.

21. Derivatives

Derivative financial instruments with fair value as of March 31, 2023 and 2022, are summarized as follows:

(1) Derivative transactions not qualifying for hedge accounting

	Millions of yen								Thousands of U.S. dollars (Note 2)			
	2023				2022				2023			
	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	¥3,770	¥–	¥(3)	¥(3)	¥2,031	¥–	¥8	¥8	$28,233	$–	$(22)	$(22)
Sell U.S. dollar, buy Japanese yen	222,875	380	875	875	120,960	–	197	197	1,669,100	2,845	6,552	6,552
Sell Euro, buy Japanese yen	20,442	–	(106)	(106)	–	–	–	–	153,089	–	(793)	(793)
Sell Thai baht, buy Japanese yen	12,316	–	155	155	10,002	–	295	295	92,233	–	1,160	1,160
Others	8,629	–	(5)	(5)	12,368	–	(101)	(101)	64,622	–	(37)	(37)
Currency swaps:												
Receive Thai baht, pay Japanese yen	1,564	–	77	77	1,600	–	100	100	11,712	–	576	576
Interest rate currency swaps:												
Receive U.S. dollar floating, pay Mexican Peso fixed	315	301	(1)	(1)	274	262	20	20	2,359	2,254	(7)	(7)
	269,913	681	990	990	147,238	262	519	519	2,021,365	5,099	7,414	7,414
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	1,149	–	44	44	2,738	–	(180)	(180)	8,604	–	329	329
Forward chartered-freight agreements on seller's side	4,835	–	(1,018)	(1,018)	7,739	–	(1,303)	(1,303)	36,209	–	(7,623)	(7,623)
Off-market transactions:												
Freight (chartered-freight) forward transactions:												
Forward chartered-freight agreements on buyer's side	–	–	–	–	–	–	–	–	–	–	–	–
Forward chartered-freight agreements on seller's side	12,845	5,902	(1,645)	(1,645)	15,199	7,896	(2,974)	(2,974)	96,195	44,199	(12,319)	(12,319)
Fuel swaps:												
Receive floating, pay fixed	565	–	(16)	(16)	1,901	68	411	411	4,231	–	(119)	(119)
Other	114	–	(0)	(0)	–	–	–	–	853	–	(0)	(0)
	19,509	5,902	(2,637)	(2,637)	27,579	7,965	(4,047)	(4,047)	146,101	44,199	(19,748)	(19,748)

(2) Derivative transactions qualifying for hedge accounting

		Millions of yen						Thousands of U.S. dollars (Note 2)		
		2023			2022			2023		
		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	¥162,839	¥—	¥1,890	¥89,479	¥–	¥(6,739)	$1,219,493	$—	$14,154
Others		1,292	692	83	1,405	–	45	9,675	5,182	621
Currency swaps:	Principal items hedged:									
Receive U.S. dollar, pay Japanese yen	Charterage	12,267	12,267	1,116	12,267	12,267	743	91,866	91,866	8,357
Receive Singapore dollar, pay U.S. dollar	Loans receivable Loans payable	38	—	(1)	104	34	(7)	284	—	(7)
Others		—	—	—	3	–	3	—	—	—
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	680	—	(2)	21,320	–	2,563	5,092	—	(14)
Sell U.S. dollar, buy Japanese yen		25,644	18,847	26	13,938	1,025	(736)	192,046	141,144	194
Others		1,807	—	(49)	1,912	–	(72)	13,532	—	(366)
		204,571	31,807	3,063	140,433	13,328	(4,199)	1,532,022	238,201	22,938
b. Interest rate-related										
Derivative transactions qualifying for general accounting policies, deferral hedge accounting										
Interest rate swaps:	Principal items hedged:									
Receive fixed, pay floating	Long-term loans payable	10,000	10,000	418	10,000	10,000	589	74,889	74,889	3,130
Receive floating, pay fixed		61,090	51,011	4,028	85,207	53,419	905	457,500	382,019	30,165
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	187,223	187,223	*1
Receive floating, pay fixed		19,707	16,696		25,619	19,679		147,584	125,035	
		115,798	102,707	4,446	145,827	108,098	1,494	867,205	769,167	33,295
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	2,229	—	(542)	4,809	–	(585)	16,692	—	(4,059)
Forward chartered-freight agreements on buyer's side		20	—	1	183	–	(0)	149	—	7
Fuel swaps:	Principal items hedged:									
Receive floating, pay fixed	Fuel	8,178	1,681	(811)	4,609	1,054	742	61,244	12,588	(6,073)
Fuel oil collar transactions:*2	Principal items hedged:									
Buy call option, sell put option	Fuel	18,081	—	(711)	12,274	–	1,258	135,407	—	(5,324)
Freight (chartered-freight) collar transactions:*2										
Buy put option, sell call option	Charterage	2,466	822	(130)	3,764	2,631	(637)	18,467	6,155	(973)
		30,977	2,503	(2,195)	25,640	3,686	778	231,985	18,744	(16,438)

* 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.

22. 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, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2023	2022	2023
Balance at beginning of year	¥91,827	¥91,523	$687,688
Service costs	3,236	3,348	24,234
Interest costs	1,207	1,082	9,039
Actuarial (gains) losses	(3,427)	(1,781)	(25,664)
Benefits paid	(4,019)	(3,347)	(30,098)
Prior service cost	369	25	2,763
Others	474	976	3,549
Balance at end of year	89,666	91,827	671,504

(2) Changes in plan assets for the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2023	2022	2023
Balance at beginning of year	¥166,772	¥140,465	$1,248,947
Expected return on plan assets	1,727	1,699	12,933
Actuarial gains (losses)	1,108	24,676	8,297
Contributions from the employer	1,165	1,486	8,724
Benefits paid	(3,126)	(2,242)	(23,410)
Others	431	686	3,227
Balance at end of year	168,079	166,772	1,258,735

(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, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2023	2022	2023
Balance at beginning of year	¥5,208	¥5,300	$39,002
Net periodic benefit costs	881	918	6,597
Benefits paid	(563)	(458)	(4,216)
Contributions from the employer	(294)	(345)	(2,201)
Other	79	(205)	591
Balance at end of year	5,310	5,208	39,766

(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, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2023	2022	2023
Funded defined benefit obligation	¥88,340	¥89,893	$661,574
Plan assets	(173,858)	(172,553)	(1,302,014)
	(85,517)	(82,660)	(640,432)
Unfunded defined benefit obligation	12,415	12,923	92,975
Net liability (asset) arising from defined benefit obligation	(73,101)	(69,736)	(547,450)
Net defined benefit liability	15,302	15,907	114,595
Net defined benefit asset	(88,404)	(85,644)	(662,053)
Net liability (asset) arising from defined benefit obligation	(73,101)	(69,736)	(547,450)

(5) Components of net periodic benefit costs for the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2023	2022	2023
Service costs	¥3,236	¥3,348	$24,234
Interest costs	1,207	1,082	9,039
Expected return on plan assets	(1,727)	(1,699)	(12,933)
Recognized actuarial (gains) losses	(6,315)	(4,246)	(47,292)
Amortization of prior service cost	432	40	3,235
Net periodic benefit costs calculated using the shortcut method	881	918	6,597
Other	(2)	(5)	(14)
Net periodic benefit costs	(2,287)	(562)	(17,127)

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2023	2022	2023
Prior service cost	¥57	¥9	$426
Actuarial gains (losses)	(3,394)	22,441	(25,417)
Total	(3,337)	22,451	(24,990)

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2023	2022	2023
Unrecognized prior service cost	¥362	¥15	$2,711
Unrecognized actuarial gains (losses)	38,624	39,994	289,253
Total	38,987	40,010	291,971

(8) Components of plan assets

① Plan assets consisted of the following as of March 31, 2023 and 2022:

	2023	2022
Debt investments	27%	28%
Equity investments	59%	58%
Cash and cash equivalents	1%	1%
Others	13%	13%
Total	100%	100%

A retirement benefit trust established for a corporate pension plan accounts for 45% and 44% of plan assets as of March 31, 2023 and 2022, respectively.

② Method of determining the expected rate of return on plan assets
To determine the expected long-term return on plan assets, the Group takes into account the current and expected allocation of plan assets and the current and expected long-term returns from the various assets of the plan assets.

(9) Assumptions in calculation of the above information

	2023	2022
Discount rate	Mainly 1.1%	Mainly 1.1%
Expected rate of return on plan assets	Mainly 1.6%	Mainly 1.8%
Expected rate of salary increase	Mainly 1.2%–7.1%	Mainly 1.2%–7.1%

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

3. Defined contribution plan

The Company and certain consolidated subsidiaries had ¥2,764 million and ¥3,430 million ($25,687 thousand) for the fiscal years ended March 31, 2022 and March 31, 2023, 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.

23. Income Taxes

(1) Significant components of deferred tax assets and liabilities as of March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2023	2022	2023
Deferred tax assets:			
Provision for bonuses	¥4,309	¥5,036	$32,269
Net defined benefit liabilities	3,834	3,965	28,712
Impairment losses on vessels, property, plant and equipment	29,331	33,747	219,658
Losses on revaluation of securities	4,355	4,808	32,614
Tax loss carryforwards*2	46,437	74,102	347,764
Unrealized gains on sale of vessels, property, plant and equipment	1,925	1,442	14,416
Provision for periodic dry docking of vessels	5,808	4,537	43,495
Accrued expenses	793	464	5,938
Deferred loss on derivatives under hedge accounting	18,688	14,691	139,953
Allowance for doubtful accounts	3,692	2,848	27,649
Provision for losses related to contracts	2,379	4,982	17,816
Others	11,080	21,529	82,977
Subtotal of deferred tax assets	132,637	172,156	993,312
Less valuation allowances for tax loss carryforwards*2	(29,212)	(48,684)	(218,767)
Less valuation allowances for temporary differences	(67,583)	(64,916)	(506,125)
Valuation allowances*1	(96,796)	(113,600)	(724,900)
Total deferred tax assets	35,841	58,555	268,411
Deferred tax liabilities:			
Net defined benefit assets	(22,382)	(21,761)	(167,617)
Gain on securities contribution to employee retirement benefit trust	(2,862)	(2,872)	(21,433)
Depreciation	(2,260)	(2,047)	(16,925)
Reserve for reduction entry	(1,201)	(1,274)	(8,994)
Valuation difference on available-for-sale securities	(13,390)	(12,284)	(100,277)
Deferred gain on derivatives under hedge accounting	(10,978)	(9,537)	(82,213)
Undistributed retained earnings of consolidated subsidiaries	(17,155)	(13,624)	(128,473)
Others	(28,166)	(42,028)	(210,933)
Total deferred tax liabilities	(98,397)	(105,431)	(736,890)
Net deferred tax (liabilities) assets	(62,556)	(46,875)	(468,478)

*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, 2023 and 2022, were as follows:

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
	Millions of yen						
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, 2023	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
	Millions of yen						
Deferred tax assets relating to tax loss carryforwards*	¥501	¥368	¥440	¥824	¥300	¥44,001	¥46,437
Less valuation allowances for tax loss carryforwards	(318)	(242)	(330)	(216)	(237)	(27,867)	(29,212)
Net deferred tax assets relating to tax loss carryforwards	182	126	110	608	62	16,133	17,224

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

March 31, 2023	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
	Thousands of U.S. dollars (Note 2)						
Deferred tax assets relating to tax loss carryforwards*	$3,751	$2,755	$3,295	$6,170	$2,246	$329,521	$347,764
Less valuation allowances for tax loss carryforwards	(2,381)	(1,812)	(2,471)	(1,617)	(1,774)	(208,694)	(218,767)
Net deferred tax assets relating to tax loss carryforwards	1,362	943	823	4,553	464	120,819	128,989

* 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, 2023 and 2022, was as follows:

	2023	2022
Normal statutory income tax rate	28.6%	28.7%
Increase (decrease) in taxes resulting from:		
Amortization of goodwill	0.7	0.0
Equity in earnings of unconsolidated subsidiaries and affiliates	(21.4)	(20.5)
Permanently non-deductible expenses for tax purposes, such as entertainment expenses	0.0	0.0
Changes in valuation allowance	(3.0)	(8.4)
Tax exemption of shipping business	(0.7)	(0.9)
Effects of foreign tax included in deductible expenses	0.0	0.1
Amount of tax effect reversal due to elimination of loss carryforwards	—	0.0
Other	1.1	2.8
Actual effective income tax rate	5.4%	1.9%

(3) Account for corporate and local corporate taxes and account for tax effect accounting

The Company and some of its domestic consolidated subsidiaries adopted the group tax sharing system. In accordance with "the Practical Solution No.42, August 12, 2021, Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System", the Group accounts for corporate and local corporate taxes and account for and disclose tax effect accounting.

24. 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, and profit from sales totaled ¥348 million (with gain on sales as other gains and loss on sales as other losses).
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, 2023, totaled ¥2,638 million ($19,755 thousand), and profit from sales totaled ¥32 million ($239 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, 2023 and 2022, and the fair values of the relevant investment and rental property as of March 31, 2023 and 2022, are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2023	2022	2023
Amount recorded in consolidated balance sheet:			
Balance at beginning of year	¥15,443	¥45,211	$115,651
Increase (decrease) during the fiscal year	(890)	(29,768)	(6,665)
Balance at end of year	14,553	15,443	108,986
Fair value as of current fiscal year end	70,585	70,805	528,607

* 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, 2023, the decrease is mainly attributable to depreciation of ¥–526 million ($–3,939 thousand) and change of application ¥–338 million ($–2,531 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).

25. 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 "H. 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 fiscal year of receivables from contracts with customers, contracts assets, and contract liabilities

	Millions of yen			
	2023		2022	
	Balance at the beginning of the fiscal year	Balance at the end of the fiscal year	Balance at the beginning of the fiscal year	Balance at the end of the fiscal year
Receivables from contracts with customers*	¥335,673	¥319,011	¥268,509	¥335,673
Contract assets	23,485	18,691	10,150	23,485
Contract liabilities	39,792	50,562	26,024	39,792

	Thousands of U.S. dollars (Note 2)	
	2023	
	Balance at the beginning of the fiscal year	Balance at the end of the fiscal year
Receivables from contracts with customers*	$2,513,839	$2,389,058
Contract assets	175,878	139,976
Contract liabilities	298,000	378,656

* 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 portion of the revenues recognized in the consolidated fiscal year ended March 31, 2022, which was included in the balance of contract liabilities at the beginning of the consolidated fiscal year under review, was ¥25,988 million yen. The amount of revenues recognized in the consolidated fiscal year due to fulfilling performance obligations in the past period was financially insignificant.

The portion of the revenues recognized in the current consolidated fiscal year ended March 31, 2023, which is included in the balance of contract liabilities at the beginning of the consolidated fiscal year under review, is ¥35,917 ($268,980 thousand) million yen. The amount of revenues recognized in the current consolidated 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 and the previous 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 significant financing 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 25 years for the current fiscal year and 26 years for the previous fiscal year.

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.

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, 2023 and 2022.

Year ended March 31, 2023:

	Millions of yen								
	Liner & Logistics				Others				
	Liner Trade	Air Cargo Transportation	Logistics	Bulk Shipping	Real Estate	Others	Total	Adjustments*	Consolidated Total
I Revenues:									
(1) Revenues from customers	¥195,265	¥206,785	¥858,644	¥1,240,166	¥3,352	¥111,851	¥2,616,066	¥—	¥2,616,066
(2) Intersegment revenues	5,439	11,310	3,802	649	—	122,661	143,863	(143,863)	—
Total	200,705	218,095	862,446	1,240,816	3,352	234,512	2,759,929	(143,863)	2,616,066
Segment profit (loss)	791,397	61,849	54,306	212,152	1,330	(2,203)	1,118,834	(9,044)	1,109,790
Segment assets	1,379,232	135,103	473,901	1,754,550	26,562	247,344	4,016,695	(239,897)	3,776,797
II Other items:									
Depreciation and amortization	9,771	9,427	25,130	75,506	534	1,331	121,702	(43)	121,658
Amortization of goodwill and negative goodwill	—	—	916	839	—	—	1,755	—	1,755
Interest income	421	9	1,469	3,885	65	6,896	12,747	(8,426)	4,320
Interest expenses	2,701	716	2,053	15,950	—	2,341	23,763	(8,374)	15,388
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	771,925	—	(27)	42,226	131	(2,303)	811,953	4	811,957
Investments in equity method affiliates	1,177,198	—	2,228	351,833	2,586	508	1,534,355	(2,004)	1,532,350
Increase in vessels, property, plant, and equipment and intangible assets	5,718	4,903	13,169	175,440	741	1,158	201,133	(2,267)	198,865
III Information about impairment losses by reportable segments:									
Impairment losses	—	—	1,781	25,108	29	1,031	27,951	—	27,951
IV Information about balance of goodwill by reportable segments:									
Balance of goodwill (negative goodwill) at the end of current period	—	—	9,555	4,156	—	—	13,712	—	13,712

	Thousands of U.S. dollars (Note 2)								
	Liner & Logistics				Others				
	Liner Trade	Air Cargo Transportation	Logistics	Bulk Shipping	Real Estate	Others	Total	Adjustments*	Consolidated Total
I Revenues:									
(1) Revenues from customers	$1,462,330	$1,548,603	$6,430,345	$9,287,545	$25,102	$837,646	$19,591,597	$—	$19,591,597
(2) Intersegment revenues	40,732	84,700	28,473	4,860	—	918,602	1,077,383	(1,077,383)	—
Total	1,503,070	1,633,303	6,458,818	9,292,413	25,102	1,756,249	20,668,980	(1,077,383)	19,591,597
Segment (loss) profit	5,926,735	463,184	406,695	1,588,796	9,960	(16,498)	8,378,896	(67,730)	8,311,166
Segment assets	10,329,004	1,011,780	3,549,022	13,139,743	198,921	1,852,347	30,080,843	(1,796,577)	28,284,258
II Other items:									
Depreciation and amortization	73,174	70,598	188,197	565,460	3,999	9,967	911,420	(322)	911,091
Amortization of goodwill and negative goodwill	—	—	6,859	6,283	—	—	13,143	—	13,143
Interest income	3,152	67	11,001	29,094	486	51,643	95,461	(63,101)	32,352
Interest expenses	20,227	5,362	15,374	119,448	—	17,531	177,960	(62,712)	115,240
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	5,780,910	—	(202)	316,228	981	(17,247)	6,080,678	29	6,080,708
Investments in equity method affiliates	8,815,981	—	16,685	2,634,861	19,366	3,804	11,490,713	(15,007)	11,475,698
Increase in vessels, property, plant, and equipment and intangible assets	42,821	36,718	98,622	1,313,862	5,549	8,672	1,506,275	(16,977)	1,489,290
III Information about impairment losses by reportable segments:									
Impairment losses	—	—	13,337	188,032	217	7,721	209,323	—	209,323
IV Information about balance of goodwill by reportable segments:									
Balance of goodwill (negative goodwill) at the end of current period	—	—	71,556	31,124	—	—	102,688	—	102,688

* Adjustments of segment profit or loss are ¥19 million ($142 thousand) of internal exchanges or transfers among segments and ¥–9,063 million ($-67,872 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 ¥–335,927 million ($-2,515,741 thousand) of receivables or assets relating to internal exchanges among segments and ¥96,029 million ($719,156 thousand) of corporate assets. Major corporate assets are the excess of operating funds (cash and deposits).

Year ended March 31, 2022:

	Millions of yen								
	Liner & 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 losses by reportable segments:									
Impairment losses	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

* Adjustments of segment profit or loss are ¥59 million of internal exchanges or transfers among segments and ¥–3,943 million of corporate expenses. The Company accounts general and administrative expenses and non-operating expenses that do not belong to any single segment as corporate expenses. Adjustments of segment assets are ¥–290,074 million of receivables or assets relating to internal exchanges among segments and ¥117,577 million of corporate assets. Major corporate assets are the excess of operating funds (cash and deposits).

4. 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, 2023:

	Millions of yen					
	Japan	North America	Europe	Asia	Others	Total
I Revenues	¥1,784,521	¥168,434	¥264,396	¥374,398	¥24,315	¥2,616,066
II Vessels, property, plant and equipment	690,657	84,535	244,374	119,951	4,232	1,143,751

	Thousands of U.S. dollars (Note 2)					
	Japan	North America	Europe	Asia	Others	Total
I Revenues	$13,364,195	$1,261,394	$1,980,049	$2,803,849	$182,093	$19,591,597
II Vessels, property, plant and equipment	5,172,298	633,078	1,830,105	898,307	31,693	8,565,498

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 Vessels, property, plant and equipment	630,908	35,309	204,993	90,285	2,781	964,277

27. Related Party Disclosures

(1) Related-party transactions

Previous fiscal year (April 1, 2021 to March 31, 2022)

No matters of importance to report.

Fiscal year under review (April 1, 2022 to March 31, 2023)

No matters of importance to report.

(2) Summarized financial information as of and for the years ended March 31, 2023 and 2022, 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)
	2023	2022	2023
Total current assets	¥2,780,024	¥2,340,248	$20,819,471
Total non-current assets	1,409,715	672,138	10,557,290
Total current liabilities	505,014	539,816	3,782,026
Total non-current liabilities	638,284	525,499	4,780,079
Total equity	3,046,440	1,947,071	22,814,648
Revenues	3,955,092	3,372,753	29,619,501
Profit before income taxes	2,051,717	1,888,297	15,365,213
Profit attributable to owners of parent	2,024,453	1,875,191	15,161,034

28. Per Share Information

Equity per share is computed by dividing equity other than non-controlling interests by the year-end number of common shares, retroactively adjusted for stock or reverse stock splits.

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 1,836 thousand shares in the previous consolidated fiscal year and 450 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 1,883 thousand shares in the previous consolidated fiscal year and 771 thousand shares in the consolidated fiscal year under review.

Date of record		Dividend per share				
		First quarter	Second quarter	Third quarter	Year-end	Full year
Year ended March 31, 2022	Yen	—	¥200	—	¥1,250	¥1,450
Year ended March 31, 2023	Yen	—	¥1,050	—	¥170	—
Year ended March 31, 2023	U.S. dollars (Note 2)	—	$7.86	—	$1.27	—

(Note) A 3-for-1 common stock split was conducted with an effective date of October 1, 2022. The year-end dividend per share for the fiscal year ending March 31, 2023 indicated above is based on the number of shares after the stock split, and the full-year dividend is stated as “-”. Based on the number of shares prior to the stock split, the year-end dividend for the fiscal year March 31, 2023 would be ¥510.00 ($3.82) for a full-year dividend of ¥1,560.00 ($11.68) per share.

29. Subsequent Events

1. Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2023, was approved at the Company’s shareholders’ meeting held on June 21, 2023.

	Millions of yen	Thousands of U.S. dollars (Note 2)
Year-end cash dividends, ¥170.00 ($1,273) per share	¥86,467	$647,547

2. Share exchange of shares of a subsidiary

At the Board of Directors on July 10, 2023, the Company resolved to exchange all shares of its consolidated subsidiary NIPPON CARGO AIRLINES CO., LTD., and concluded the final agreement on the same day.

(1) Name of the succeeding company

Wholly owning parent company in the share exchange: ANA HOLDINGS INC. ("ANAHD")

(2) Description of the business subject to divestiture

Wholly owned subsidiary in the share exchange: NIPPON CARGO AIRLINES CO., LTD. ("NCA")
Business: Air Cargo Transportation
Description of major transactions with the Company: The Company has lent business funds to NCA.

(3) Main reason for business divestiture

NYK has been involved in the management of NCA as a major shareholder since its establishment; however, the continual introduction of new aircraft to expand the operation and maintenance system, as well as the continual training of personnel engaged in operation and maintenance, required considerable expenditures. In the highly volatile business environment of airfreight transportation, NCA has been facing challenges in expanding its business scale at a level that is commensurate with such costs.

NCA has recently been providing value to the public through its air cargo transportation business under its mission statement of “Never Stop Logistics even during the Covid-19 Pandemic”. However, in order for NCA to achieve further growth and increase its corporate value from a long-term perspective, including environmental response, we believe that the best option is to transfer the shares of NCA to ANAHD, which operates the same category of business, and has been providing human resources support to strengthen NCA’s maintenance system.

(4) Date of business divestiture (effective date of share exchange)

October 1, 2023 (planned)

(5) Other items regarding the overview of transactions (including legal form)

Business divestiture through share exchange to make ANAHD a wholly-owning parent company and NCA a wholly-owned subsidiary

(I) Method of share exchange

Share exchange in which consideration is the shares of the succeeding company

(II) Allotment of shares in connection with the share exchange

	ANAHD (Wholly owning parent company in the share exchange)	NCA (Wholly owned subsidiary in the share exchange)
Share exchange ratio	1	0.009815
Number of shares to be delivered through the share exchange	ANAHD common stock: 3,926,000 shares (planned)	

(III) Basis for calculating the share exchange ratio

NYK retained EY Strategy & Consulting K.K. ("EY") as a third-party valuation agent independent of any of NYK, NCA and ANAHD, to verify the fairness and appropriateness of the calculation of the share exchange ratio (the "share exchange ratio"). NYK and ANAHD have negotiated on and discussed the share exchange ratio with each other, referring to the calculation results of the share exchange ratio submitted by their respective third-party valuation agents as well as comprehensively considering factors such as the financial condition, asset status, future prospects, etc. of both companies. As a result, the Company concluded that the share exchange ratio is within the range of EY's calculation results and is also at a fair and reasonable level, and have therefore decided to conduct the share exchange with the share exchange ratio.

(IV) Consideration received

This has not been presented as the stock price of ANAHD’s common stock on the effective date of the share exchange has not been confirmed as of the filing date of the Financial Results.

(V) Gain or loss on the transfer

This has not been presented as the stock price of ANAHD’s common stock on the effective date of the share exchange has not been confirmed as of the filing date of the Financial Results.

(VI) Ownership ratio after share exchange

The ownership ratio after the share exchange will be 0% as all of NCA’s issued shares will be transferred due to the share exchange. As a result, NCA will cease to be a consolidated subsidiary of the Company.

(6) Names of categories that include the business subject to divestiture in the disclosure of segment information

Air Cargo Transportation

3. Issuance of Corporate Bonds

On July 14, 2023, the Company’s management decided to issue straight bonds after taking into account the upper limit for the issuance of unsecured straight bonds, which was set in a meeting of the Board of Directors held on March 30, 2023, and a review of that limit. The issuance of the bonds was conducted on July 21, 2023. Details are as follows.

Unsecured Straight Bond No.45

1. Issue amount: 10 billion yen
2. Issue price: 100 yen per par value of 100 yen
3. Coupon rate: 0.439% per annum
4. Maturity date: July 21, 2028 (lump-sum payment upon maturity)
5. Closing date and issuance date: July 21, 2023
6. Use of proceeds: Investment in LNG-fueled vessels, LPG-fueled vessels, etc.

Unsecured Straight Bond No.46

1. Issue amount: 10 billion yen
2. Issue price: 100 yen per par value of 100 yen
3. Coupon rate: 0.910% per annum
4. Maturity date: July 21, 2033 (lump-sum payment upon maturity)
5. Closing date and issuance date: July 21, 2023
6. Use of proceeds: Investment in LNG-fueled vessels, LPG-fueled vessels, etc.

4. Acquisition of treasury stock

At the Board of Directors Meeting held on August 3, 2023, pursuant to Article 459 paragraph 1 of the Companies Act and Article 44 of our Articles of Incorporation, it was resolved to acquire treasury stock.

(1) Reason for the treasury stock acquisition

In March 2023, the Company announced our new Medium-Term Management Plan “Sail Green, Drive Transformations 2026 - A Passion for Planetary Wellbeing -” covering the 4 years from FY2023. This plan sets forth the management strategy for becoming a corporate group that will continue to contribute to society and sustainably grow, as well as a new financial strategy for promoting management with an awareness of capital efficiency. Under this plan, concerning shareholder returns, the Company has set forth a policy of nimbly providing returns with an awareness of both increasing capital efficiency and achieving sustainable growth.

Based on this policy, the Company will acquire 200.0 billion yen (maximum) worth of treasury stock. Also, it is planned to retire the acquired treasury stock.

(2) Details of the acquisition

(I) Share class: Common stock

(II) Total number of shares to be acquired: 85,000,000 shares (maximum)
(16.7% of total issued shares (excluding treasury stock))

(III) Total value of the stock acquisition: 200.0 billion yen (maximum)

(IV) Acquisition period: August 4, 2023 – April 30, 2024

(V) Acquisition method: Purchase on the open market in the Tokyo Stock Exchange based on discretionary trading contracts

Note that all or part of the stock acquisition may not be executed depending on market trends and other factors.

30. Short-Term and Long-Term Debt

(1) Bonds as of March 31, 2023 and 2022, consisted of the following:

			Millions of yen		Thousands of U.S. dollars (Note 2)
			2023	2022	2023
	Interest rate	Maturity date			
Unsecured Straight Bonds No. 23	2.36%	June 7, 2024	¥10,000	¥10,000	$74,889
Unsecured Straight Bonds No. 25	2.65%	June 22, 2026	10,000	10,000	74,889
Unsecured Straight Bonds No. 32	2.13%	September 9, 2031	10,000	10,000	74,889
Unsecured Straight Bonds No. 35*	1.177%	June 17, 2022	—	10,000	—
Unsecured Straight Bonds No. 38*	0.39%	May 31, 2022	—	20,000	—
Unsecured Straight Bonds No. 39	0.53%	May 31, 2024	10,000	10,000	74,889
Unsecured Straight Bonds No. 40*	0.29%	May 24, 2023	10,000	10,000	74,889
Unsecured Straight Bonds No. 41	0.29%	August 29, 2024	13,000	13,000	97,356
Unsecured Straight Bonds No. 42	0.65%	August 29, 2029	14,000	14,000	104,845
Unsecured Straight Bonds No. 43	0.26%	July 29, 2026	10,000	10,000	74,889
Unsecured Straight Bonds No. 44	0.38%	July 28, 2028	10,000	10,000	74,889
Total			97,000	127,000	726,428

* The Company plans to redeem Unsecured Straight Bonds No.35 and Unsecured Straight Bonds No.38 within one year from March 31, 2022, and Unsecured Straight Bonds No.40 within one year from March 31, 2023.

The aggregate annual maturities of convertible bonds and bonds as of March 31, 2023, 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
¥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
$74,889	$247,135	$—	$149,779	$—

(2) Loans payable, leases liabilities (current / non-current), and other interest-bearing liabilities as of March 31, 2023 and 2022, were as follows:

			Millions of yen		Thousands of U.S. dollars (Note 2)
			2023	2022	2023
Classification	Average interest rate	Repayment deadline			
Short-term loans payable(including overdraft)	0.98%	–	¥1,204	¥5,101	$9,016
Current portion of long-term loans payable	3.69%	–	72,377	125,817	542,028
Leases liabilities (current)	3.56%	–	26,412	23,818	197,798
Long-term loans payable	3.28%	2024–2037	422,691	447,069	3,165,513
Leases liabilities (non-current)	3.79%	2024–2061	74,406	79,493	557,223
Total			597,091	681,299	4,471,586

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, 2023, 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	¥79,944	¥46,510	¥89,530	¥75,371
Leases liabilities (non-current)	16,529	12,247	8,450	6,608

	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	$598,696	$348,311	$670,486	$564,449
Leases liabilities (non-current)	123,784	91,717	63,281	49,487

31. 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.

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

(Cumulative period)		First quarter	Second quarter	Third quarter	Total
Revenues	Millions of yen	¥673,050	¥1,365,878	¥2,050,198	¥2,616,066
Amount of profit before income taxes	Millions of yen	365,049	750,627	985,627	1,083,441
Amount of profit attributable to owners of parent	Millions of yen	343,377	706,058	920,372	1,012,523
Profit per share	Yen	677.22	1,391.01	1,812.60	1,993.71

(Fiscal period)		First quarter	Second quarter	Third quarter	Fourth quarter
Profit per share	Yen	¥677.22	¥713.69	¥421.73	¥181.34

(Cumulative period)		First quarter	Second quarter	Third quarter	Total
Revenues	Thousands of U.S. dollars (Note 2)	$5,040,440	$10,228,997	$15,353,838	$19,591,597
Amount of profit before income taxes	Thousands of U.S. dollars (Note 2)	2,733,835	5,621,410	7,381,315	8,113,839
Amount of profit attributable to owners of parent	Thousands of U.S. dollars (Note 2)	2,571,534	5,287,635	6,892,623	7,582,737
Profit per share	U.S. dollars (Note 2)	5,071	10,417	13,574	14,930

(Fiscal period)		First quarter	Second quarter	Third quarter	Fourth quarter
Profit per share	U.S. dollars (Note 2)	$5,071	$5,344	$3,158	$1,358

Deloitte.

Deloitte Touche Tohmatsu LLC
Marunouchi Nijubashi Building
3-2-3 Marunouchi
Chiyoda-ku, Tokyo 100-8360
Japan

Tel: +81 (3) 6213 1000
Fax: +81 (3) 6213 1005
www2.deloitte.com/jp/en

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, 2023, 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, 2023, 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 Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was 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 the matter.

<table>
<tr><th colspan="2">Impairment Losses of Non-current Assets</th></tr>
<tr><th>Key Audit Matter Description</th><th>How the Key Audit Matter Was Addressed in the Audit</th></tr>
<tr><td>As presented in the consolidated balance sheet, the Group recorded ¥637,257 million ($4,772,388 thousand) for vessels and ¥98,573 million ($738,208 thousand) for aircraft as of March 31, 2023, and these amounts represented 16.8% and 2.6% of total assets, respectively. In addition, as presented in the consolidated statement of income, the Group recorded impairment losses of ¥27,951 million ($209,323 thousand) for the year ended March 31, 2023.

As stated in the notes to the consolidated financial statements 3. Summary of Significant Accounting Policies N. 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 impairment losses are needed, the Group calculates the recoverable amounts based on the value in use or the net selling price at disposition for the assets or group of assets.

The 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 trends in environmental laws and regulations in the future, 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 involves 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 management's judgment.

Based on the above, we identified the estimation of the recoverable amounts used in the impairment tests of non-current assets as a key audit matter because the matter is particularly important in the audit of the consolidated financial statements of the Group as of March 31, 2023 and it involves significant judgments made by management.</td><td>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.

• 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.</td></tr>
</table>

Other Information

Management is responsible for the other information. The Audit and Supervisory Committee is 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 2023, 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 the Audit and Supervisory Committee 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.

The Audit and Supervisory Committee is 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 the Audit and Supervisory Committee 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 the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it 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 the Audit and Supervisory Committee, 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.

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 9, 2023

NYK LINE
NIPPON YUSEN KAISHA

3-2, Marunouchi 2-chome,
Chiyoda-ku, Tokyo 100-0005, Japan
Telephone: +81-3-3284-5151
https://www.nyk.com/english/

Printed in Japan