

NS UNITED REPORT

2021

Financial Report

For the fiscal year ended March 31, 2021

**NS United Kaiun Kaisha, Ltd.**



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## Financial Information

### 1. Basis of Preparation of Consolidated Financial Statements

The consolidated financial statements of NS United Kaiun Kaisha, Ltd. (the Company) and its subsidiaries (the Group) are prepared in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976) and the Rules on Financial Statements in the Shipping Industry (Public Notice of the Ministry of Transport No. 431 of 1954).

### 2. Audit Certification

The Company's consolidated financial statements for the current fiscal year (from April 1, 2020 to March 31, 2021) were audited by Ernst & Young ShinNihon LLC, in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

### 3. Particular Efforts to Ensure the Appropriateness of the Consolidated Financial Statements and Others

The Company is making particular efforts to ensure the appropriateness of the consolidated financial statements and others. Specifically, the Company has become a member of the Financial Accounting Standards Foundation (hereinafter, the "Foundation") and participates in seminars and other programs sponsored by the Foundation in order to have an appropriate understanding about the contents of the accounting standards, and establish a system that allows the Company to properly respond to the changes in the accounting standards.



## Consolidated Financial Statements and Supplementary Schedules

### 1. Consolidated Financial Statements and Supplementary Schedules

#### (1) Consolidated Financial Statements

##### 1) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income Consolidated Statement of Income

(Unit: Million yen)

	For the previous fiscal year (From April 1, 2019 to March 31, 2020)		For the current fiscal year (From April 1, 2020 to March 31, 2021)	
Revenues				
Shipping business revenue and other operating revenue		148,415		138,454
Operating expenses				
Shipping business expenses and other operating expenses	*1, *2	135,613	*1, *2	126,066
Gross profit		12,802		12,388
General and administrative expenses	*3	5,762	*3	5,652
Operating income		7,040		6,736
Non-operating income				
Interest income		72		19
Dividend income		130		51
Share of profit of entities accounted for using equity method		10		12
Foreign exchange gains		—		240
Gain on derivatives		146		95
Compensation income		—		285
Insurance claim income		—		102
Other		58		61
Total non-operating income		416		865
Non-operating expenses				
Interest expenses		1,486		1,432
Foreign exchange losses		275		—
Loss on derivatives		150		437
Other		65		200
Total non-operating expenses		1,977		2,069
Ordinary income		5,479		5,532
Extraordinary income				
Gain on sales of fixed assets	*4	2,881	*4	4,470
Gain on sales of investment securities		7		2
Transportation contract cancellation fees		—		196
Total extraordinary income		2,888		4,668
Extraordinary losses				
Loss on sales of investment securities		—		9
Loss on valuation of investment securities		1,041		—
Loss on sales of fixed assets	*5	—	*5	3
Loss on cancellation of chartered vessels		50		2,838
Reversal of foreign currency translation adjustment		79		—
Total extraordinary losses		1,170		2,849
Profit before income taxes		7,197		7,351
Income taxes – current		541		847
Income taxes – deferred		710		373
Total income taxes		1,251		1,220
Profit		5,947		6,131
Profit attributable to owners of Parent		5,947		6,131

##### Consolidated Statement of Comprehensive Income

(Unit: Million yen)

	For the previous fiscal year (From April 1, 2019 to March 31, 2020)	For the current fiscal year (From April 1, 2020 to March 31, 2021)
Profit	5,947	6,131
Other comprehensive income		
Unrealized gains (losses) on securities	17	911
Deferred gains (losses) on hedges	(1,230)	(416)
Foreign currency translation adjustment	76	(6)
Remeasurements of defined benefit plans, net of tax	(138)	230
Share of other comprehensive income (loss) of entities accounted for using equity method	(6)	(25)
Total other comprehensive income (loss)	(1,282)	694
Comprehensive income:	4,665	6,825
Comprehensive income attributable to owners of Parent	* 4,665	* 6,825

## 2) Consolidated Statement of Changes in Net Assets

For the previous fiscal year (from April 1, 2019 to March 31, 2020)

(Unit: Million yen)

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	
Balance at April 1, 2019	10,300	17,181	62,394	(994)	88,881
Changes of items during the year					
Dividends of surplus			(2,592)		(2,592)
Profit attributable to owners of Parent			5,947		5,947
Acquisition of treasury stock				(1)	(1)
Change of scope of consolidation					
Net changes of items other than shareholders' equity					
Total changes of items during the year	—	—	3,354	(1)	3,354
Balance at March 31, 2020	10,300	17,181	65,748	(995)	92,235

	Accumulated other comprehensive income					Total net assets
	Unrealized gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at April 1, 2019	(17)	(9)	(124)	307	157	89,038
Changes of items during the year						
Dividends of surplus						(2,592)
Profit attributable to owners of Parent						5,947
Acquisition of treasury stock						(1)
Change of scope of consolidation						
Net changes of items other than shareholders' equity	17	(1,230)	69	(138)	(1,282)	(1,282)
Total changes of items during the year	17	(1,230)	69	(138)	(1,282)	2,072
Balance at March 31, 2020	(0)	(1,239)	(55)	169	(1,125)	91,110

For the current fiscal year (from April 1, 2020 to March 31, 2021)

(Unit: Million yen)

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	
Balance at April 1, 2020	10,300	17,181	65,748	(995)	92,235
Changes of items during the year					
Dividends of surplus			(1,532)		(1,532)
Profit attributable to owners of Parent			6,131		6,131
Acquisition of treasury stock				(0)	(0)
Change of scope of consolidation			(1)		(1)
Net changes of items other than shareholders' equity					
Total changes of items during the year	—	—	4,599	(0)	4,599
Balance at March 31, 2021	10,300	17,181	70,347	(995)	96,833

	Accumulated other comprehensive income					Total net assets
	Unrealized gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at April 1, 2020	(0)	(1,239)	(55)	169	(1,125)	91,110
Changes of items during the year						
Dividends of surplus						(1,532)
Profit attributable to owners of Parent						6,131
Acquisition of treasury stock						(0)
Change of scope of consolidation						(1)
Net changes of items other than shareholders' equity	911	(416)	(31)	230	694	694
Total changes of items during the year	911	(416)	(31)	230	694	5,293
Balance at March 31, 2021	911	(1,655)	(85)	399	(431)	96,402

## 3) Consolidated Balance Sheet

(Unit: Million yen)

	For the previous fiscal year (As of March 31, 2020)	For the current fiscal year (As of March 31, 2021)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	19,803	27,663
Trade notes and accounts receivable	18,650	19,779
Inventories	*4 5,876	*4 7,454
Prepaid expenses	3,027	2,947
Derivatives	1,379	92
Other current assets	1,773	3,206
Allowance for doubtful accounts	(24)	(32)
<b>Total current assets</b>	<b>50,484</b>	<b>61,109</b>
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Vessels, net	*3 176,472	*3 196,656
Buildings, net	422	406
Land	703	703
Construction in progress	9,636	650
Other tangible fixed assets, net	61	143
<b>Total tangible fixed assets</b>	<b>*1 187,295</b>	<b>*1 198,558</b>
Intangible fixed assets	2,546	2,216
<b>Investments and other assets</b>		
Investment securities	*2 2,599	*2 3,446
Long-term loans receivable	28	26
Deferred tax assets	3,537	2,903
Retirement benefit asset	1,480	1,955
Other investments and other assets	552	546
<b>Total investments and other assets</b>	<b>8,197</b>	<b>8,876</b>
<b>Total fixed assets</b>	<b>198,038</b>	<b>209,651</b>
<b>Total assets</b>	<b>248,522</b>	<b>270,760</b>

(Unit: Million yen)

	For the previous fiscal year (As of March 31, 2020)	For the current fiscal year (As of March 31, 2021)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade notes and accounts payable	6,097	10,624
Short-term borrowings	*3 37,733	*3 29,990
Lease obligations	351	349
Accounts payable – other	737	201
Accrued expenses	227	234
Income taxes payable	284	610
Advances received	1,201	1,191
Provision for bonuses	425	414
Provision for bonuses for directors (and other officers)	52	74
Derivatives liabilities	3,115	2,484
Other current liabilities	2,408	3,760
<b>Total current liabilities</b>	<b>52,630</b>	<b>49,931</b>
<b>Long-term liabilities</b>		
Long-term borrowings	*3 94,681	*3 114,488
Lease obligations	4,729	4,380
Deferred tax liabilities	1,600	1,366
Provision for special repairs	3,609	4,049
Retirement benefit liability	161	143
Other long-term liabilities	2	0
<b>Total long-term liabilities</b>	<b>104,783</b>	<b>124,427</b>
<b>Total liabilities</b>	<b>157,412</b>	<b>174,358</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	10,300	10,300
Capital surplus	17,181	17,181
Retained earnings	65,748	70,347
Treasury stock, at cost	(995)	(995)
<b>Total shareholders' equity</b>	<b>92,235</b>	<b>96,833</b>
<b>Accumulated other comprehensive income</b>		
Unrealized gains (losses) on securities	(0)	911
Deferred gains (losses) on hedges	(1,239)	(1,655)
Foreign currency translation adjustment	(55)	(85)
Accumulated remeasurements of defined benefit plans	169	399
<b>Total accumulated other comprehensive income</b>	<b>(1,125)</b>	<b>(431)</b>
<b>Total net assets</b>	<b>91,110</b>	<b>96,402</b>
<b>Total liabilities and net assets</b>	<b>248,522</b>	<b>270,760</b>

## 4) Consolidated Statement of Cash Flows

(Unit: Million yen)

	For the previous fiscal year (From April 1, 2019 to March 31, 2020)	For the current fiscal year (From April 1, 2020 to March 31, 2021)
Cash flow from operating activities		
Profit before income taxes	7,197	7,351
Depreciation and amortization	15,046	17,875
Increase (decrease) in allowance for doubtful accounts	2	8
Increase (decrease) in provision for bonuses	(14)	(11)
Increase (decrease) in provision for bonuses for directors (and other officers)	(17)	22
Increase (decrease) in provision for special repairs	566	434
Increase (decrease) in retirement benefit asset and retirement benefit liability	(152)	(169)
Interest and dividend income	(202)	(70)
Interest expenses	1,486	1,432
Foreign exchange losses (gains)	131	(152)
Share of loss (profit) of entities accounted for using equity method	(10)	(12)
Loss (gain) on sales of tangible fixed assets and intangible fixed assets	(2,881)	(4,466)
Loss (gain) on sales of investment securities	(7)	6
Loss (gain) on valuation of investment securities	1,041	—
Decrease (increase) in trade receivables	(2,976)	(1,129)
Decrease (increase) in inventories	1,267	(1,578)
Increase (decrease) in trade payables	(666)	4,527
Increase (decrease) in accounts payable - other	1	156
Other, net	(958)	226
Subtotal	18,854	24,451
Interest and dividends received	387	176
Interest paid	(1,496)	(1,445)
Income taxes paid	(840)	(528)
Net cash provided by (used in) operating activities	16,905	22,654
Cash flow from investing activities		
Decrease (increase) in time deposits	20	—
Purchase of vessels	(55,428)	(41,157)
Proceeds from sales of vessels	15,666	16,274
Purchase of other fixed assets	(200)	(174)
Proceeds from sales of other fixed assets	—	4
Purchase of investment securities	(4)	(3)
Proceeds from sales and redemption of investment securities	9	41
Other, net	2	2
Net cash provided by (used in) investing activities	(39,935)	(25,012)
Cash flow from financing activities		
Net increase (decrease) in short-term borrowings	(100)	300
Proceeds from long-term borrowings	41,176	51,963
Repayments of long-term borrowings	(22,289)	(40,329)
Purchase of treasury stock	(1)	(0)
Dividends paid	(2,590)	(1,532)
Other, net	(97)	(351)
Net cash provided by (used in) financing activities	16,099	10,051

(Unit: Million yen)

	For the previous fiscal year (From April 1, 2019 to March 31, 2020)	For the current fiscal year (From April 1, 2020 to March 31, 2021)
Effect of exchange rate changes on cash and cash equivalents	(55)	166
Net increase (decrease) in cash and cash equivalents	(6,985)	7,859
Cash and cash equivalents at the beginning of the year	26,738	19,753
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	0
Cash and cash equivalents at the end of the year	* 19,753	* 27,613

## [Notes to Consolidated Financial Statements]

(Going Concern Assumption)

Not applicable

## (Basis for the Preparation of the Consolidated Financial Statements)

## 1. Scope of consolidation

## (1) Number of consolidated subsidiaries: 53

Names of major consolidated subsidiaries:

NS United Naiko Kaiun Kaisha, Ltd.

NS United Coastal Tanker Kaisha, Ltd.

During the current fiscal year, NAVIGATOR LINE S.A. was included in the scope of consolidation due to an increase in materiality.

## (2) Names and others of major non-consolidated subsidiaries

Major non-consolidated subsidiaries:

NS UNITED BULK PTE. LTD.

(Reason for exclusion from the scope of consolidation)

The amounts of total assets, revenues, profit or loss (amount corresponding to equity interest), retained earnings (amount corresponding to equity interest) and others of the non-consolidated subsidiaries do not have a material impact on the consolidated financial statements and are all insignificant in general, therefore such subsidiaries are excluded from the scope of consolidation.

## 2. Application of the equity method

## (1) Number of equity-method affiliates: 3

Names of non-consolidated subsidiaries accounted for by the equity method:

NS UNITED SHIPPING (U.K.) LTD.

NS UNITED SHIPPING (U.S.A.) INC.

NS UNITED SHIPPING (H.K.) CO., LTD.

(2) Amounts such as profit or loss (amount corresponding to equity interest), retained earnings (amount corresponding to equity interest) and others of non-consolidated subsidiaries (NS UNITED BULK PTE. LTD. and others) and affiliates (SHINSHO SENPAKU KAISHA, LTD. and others) do not have a material impact on the consolidated financial statements and are all insignificant in general, therefore such non-consolidated subsidiaries and affiliates are excluded from the scope of equity method.

(3) The fiscal year-end dates of equity-method affiliates are different from the consolidated fiscal year-end date, but the consolidated financial statements are prepared using the non-consolidated financial statements for the fiscal year of each equity-method affiliate.

## 3. Accounting policies

## (1) Basis and methods of valuation of significant assets

## 1) Securities

## a. Held-to-maturity bonds

Stated at amortized cost (straight-line method)

## b. Other securities

Securities with fair value

Stated at fair value based on the market price and others as of fiscal year-end (all valuation differences are included in net assets and costs of securities sold are principally calculated by the moving-average method)

Securities without fair value

Stated at cost using the moving-average method

## 2) Inventories

Stated at cost determined primarily by the first-in first-out method (carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability)

## (2) Depreciation and amortization method for significant depreciable and amortizable assets

## 1) Tangible fixed assets (excluding leased assets)

## a. Vessels

Primarily calculated using the straight-line method. However, for certain vessels, depreciation is calculated using the declining balance method.

The useful lives of major vessels range from 13 years to 25 years.

## b. Buildings (excluding facilities attached to buildings)

Primarily calculated using the straight-line method.

## c. Other assets

Calculated using the declining balance method. However, facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated using the straight-line method.

## 2) Intangible fixed assets (excluding leased assets)

Calculated using the straight-line method. Software for internal use is amortized over the estimated internal useful life (five years) and contract-related intangible assets are amortized over the contract period.

## 3) Leased assets

## a. Leased assets under finance lease transactions which transfer ownership

The same depreciation method as applied to self-owned fixed assets is used.

## b. Leased assets under finance lease transactions which do not transfer ownership

Calculated using the straight-line method over the useful life of the lease term, with no residual value.

## (3) Reporting basis for significant allowances and provisions

## 1) Allowance for doubtful accounts

To provide for bad debt expenses arising from trade receivables, loans receivable, and other credits, the estimated uncollectible amount is recognized based on actual bad debt rates for general receivables, and individual collectability for specified debts including possible bad debts.

## 2) Provision for bonuses

Provision for bonuses is established to cover bonus payments to employees and is provided in the amount based on the estimated amount of payment.

## 3) Provision for bonuses for directors (and other officers)

Provision for bonuses for directors (and other officers) is established to cover bonus payments to directors and officers and is provided in the amount based on the estimated amount of payment.

## 4) Provision for special repairs

Provision for special repairs is established to provide for special repairs (regular inspections) of vessels and is provided in the amount calculated based on the actual cost of regular inspections and others.

## (4) Method of accounting for retirement benefit plans

## 1) Method of attributing estimated retirement benefits to the periods

In calculating retirement benefit obligations, the benefit formula basis is applied to attribute estimated retirement benefits to the period up to the end of the current fiscal year.

## 2) Method of amortization of actuarial gains and losses and prior service costs

Prior service cost is amortized using the straight-line method over a fixed number of years (8 to 10 years) within the estimated average remaining service years of the employees at the time of cost incurrence.

Actuarial gains and losses for each fiscal year are amortized proportionally from the following fiscal year using the straight-line method over a fixed number of years (8 to 10 years) within the estimated average remaining service years of employees at the time of incurrence.

## 3) Adoption of simplified method at small-scale companies and others

Certain consolidated subsidiaries use the simplified method, which uses the benefits payable assuming the voluntary retirement of all employees at the fiscal year-end as the retirement benefit obligations, to calculate net retirement benefit liability and retirement benefit expenses.

## (5) Standards for translation of significant foreign currency-denominated assets or liabilities into Japanese yen

Foreign currency-denominated monetary claims and liabilities are translated into Japanese yen at the spot exchange rates prevailing on the fiscal year-end date, and the resulting exchange differences are recorded as exchange gains or losses. Foreign currency-denominated claims and liabilities hedged by forward exchange contracts and currency swaps eligible for the allocation method are translated into the Japanese yen amount of such forward exchange contracts and currency swaps. Assets and liabilities of overseas subsidiaries are translated into Japanese yen at the spot exchange rates prevailing on the fiscal year-end date, and revenue and expenses are translated into Japanese yen at the average exchange rates prevailing over the period, with the differences resulting from such translations recorded as foreign currency translation adjustment under net assets.

- (6) Standards for recording significant revenue and expenses  
Revenue and expenses of the shipping business are primarily based on the daily pro rata calculation of the number of voyage days.
- (7) Primary method of hedge accounting
- 1) Method of hedge accounting  
Deferred hedge accounting is applied primarily, while some interest rate swap transactions meeting the requirements for the special treatment are accounted for using the special treatment, and some forward exchange contracts and currency swaps are accounted for using the allocation method.
  - 2) Hedging instruments and hedged items  
Hedging instruments and hedged items to which hedge accounting is applied are as follows:
    - a. Hedging instruments: Interest rate swaps  
Hedged items: Interest on borrowings
    - b. Hedging instruments: Currency swaps  
Hedged items: Borrowings in foreign currencies
    - c. Hedging instruments: Forward exchange contracts  
Hedged items: Forecasted transactions in foreign currencies
    - d. Hedging instruments: Fuel oil swaps  
Hedged items: Fuel oil prices
    - e. Hedging instruments: Futures transactions  
Hedged items: Freight rates, charter rates
  - 3) Hedging policy  
Regarding the execution and management of derivative transactions at the Company, transactions involving interest rate swaps, currency swaps, and forward exchange contracts, among others, are managed by the Finance and Accounting Group; transactions involving fuel oil swaps are managed by the Energy Group; and futures transactions on freight and charter rates are managed by each sales division group. All transactions are executed upon receiving approval of related items including purposes, notional principal amounts, contract terms, and structures by the director in charge each time derivative transactions are entered into.  
Regarding derivative transactions conducted by Group companies based on guarantee or reservation of guarantee by the Company, transactions are managed by each Group company, as well as by the Finance and Accounting Group of the Company in an integrated manner after the prior approval of the transaction terms by the Company. Other derivative transactions are executed and managed by the General Manager or other senior staff of the Accounting Department of each company upon receiving the approval of the director in charge in accordance with the Accounting Rules, etc., and are reported to the Company. In entering into derivative transactions, the Company conducts transactions only with highly creditworthy financial institutions to minimize credit risk.
  - 4) Method of assessing hedging effectiveness  
The Company verifies the hedging effectiveness of individual transactions under the risk management system in accordance with the Accounting Rules, etc., and regularly reports the results to authorities including the Board of Executive Officers.
- (8) Scope of funds in the consolidated statement of cash flows  
Funds (cash and cash equivalents) in the consolidated statement of cash flows consist of cash on hand, deposits in banks which can be withdrawn at any time, and short-term investments with a maturity of three months or less from the date of acquisition which can easily be converted to cash and are subject to little risk of change in value.
- (9) Other significant items for the preparation of consolidated financial statements
- 1) Method of recording interest expenses paid on loans for ship construction  
Of the interest expenses paid on loans for ship construction, interest expenses incurred during the period up until completion are included in the acquisition cost.
  - 2) Accounting treatment of consumption taxes  
Consumption taxes are accounted for by the tax exclusion method.

- (Significant Accounting Estimates)
1. Recoverability of deferred tax assets
    - (1) Amount reported in consolidated financial statements for the current fiscal year  
The amount of deferred tax assets is 2,903 million yen.
    - (2) Information regarding significant accounting estimates for identified items  
With respect to future deductible temporary differences and tax loss carryforwards, the recoverability of deferred tax assets is determined after estimating taxable income based on future marine transportation market conditions and the like.  
Major assumptions in the business plan underlying the estimates of future taxable income include marine transportation market conditions, bunker prices, and foreign exchange rates. Estimates of market conditions, one of the major assumptions, are highly uncertain, and market fluctuations may have a material effect on estimating taxable income and determining the recoverability of deferred tax assets. Therefore, a reversal of deferred tax assets may arise if there is a significant decline in future market conditions on which the business plan is based.  
Although the impact of the spread of COVID-19 on economic activities still remains, the Company's projections represent the best estimates derived by comprehensively taking into account currently available information.
  2. Total number of voyage days to be used in the daily pro rata calculation of the number of voyage days
    - (1) Amount reported in consolidated financial statements for the current fiscal year  
The amount of shipping business revenue for voyages not completed by the end of the current fiscal year and other operating revenue is 9,130 million yen.
    - (2) Information regarding significant accounting estimates for identified items  
Shipping business revenue for voyages not completed by the end of the current fiscal year is calculated based on total estimated freight rates and the progress of the voyages.  
When calculating total estimated freight rates, the total number of voyage days, which consists of the number of voyage days between ports and the number of days in ports, is estimated. The progress of voyages is calculated based on the ratio of number of voyage days completed by the end of the current fiscal year to the total estimated number of voyage days. The total number of voyage days changes depending on variables such as weather conditions and port congestion, and these changes may affect the total estimated freight rates and voyage progress.
- (Accounting Standards Not yet Adopted)
- "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29, issued on March 31, 2020)
  - "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, issued on March 26, 2021)
  - "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, issued on March 31, 2020)
- (1) Overview  
The International Accounting Standards Board ("IASB") and the Financial Accounting Standards Board ("FASB") jointly developed comprehensive accounting standards for revenue recognition and the Revenue from Contracts with Customers was issued in May 2014 (IFRS 15 issued by the IASB, and Topic 606 issued by the FASB). IFRS 15 is effective from fiscal years beginning on or after January 1, 2018, and Topic 606 is effective from fiscal years beginning after December 15, 2017. Based on such a situation, the ASBJ developed the comprehensive accounting standard for revenue recognition and issued such standard along with the implementation guidance.  
The ASBJ's basic policy in developing accounting standard for revenue recognition was to set an accounting standard that incorporates the basic principles of IFRS 15 as a starting point from the viewpoint of comparability among financial statements which is one of the merits for consistency with IFRS 15. If there are any items which should be considered among current practices in Japan, alternative treatments would be added to the extent where comparability is not impaired.
  - (2) Planned date for adoption  
These accounting standards will be adopted from the beginning of the fiscal year ending March 31, 2022.
  - (3) Effect of adopting these accounting standards  
The financial impact from the application of Accounting Standards for Revenue Recognition and the associated guidance on the Company's consolidated financial statements is under evaluation at this time.



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

(1) Overview

Based on the fact that International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) have already established similar detailed guidance on the measurement of fair value (IFRS 13 "Fair Value Measurement" issued by the IASB and Accounting Standards Codification Topic 820 "Fair Value Measurement" issued by the FASB), the ASBJ has worked to establish the consistency in accounting standards between Japanese and international standards, mainly for the guidance and disclosure of fair value of financial instruments, and issued "Accounting Standard for Fair Value Measurement" and other standards.

The ASBJ's basic policy in developing accounting standards for measurement of fair value was to employ a unified accounting standard that incorporates all the basic principles of IFRS 13 from the viewpoint of improving comparability among financial statements of domestic and overseas companies. Considering items among current practices in Japan, alternative treatments on individual items would be added to the extent where comparability is not significantly impaired.

(2) Planned date for adoption

These accounting standards will be adopted from the beginning of the fiscal year ending March 31, 2022.

(3) Effect of adopting these accounting standards

The financial impact from the application of "Accounting Standards for Fair Value Measurement" and the associated guidance on the Company's consolidated financial statements is undetermined at this time.

(Changes in Presentation)

(Consolidated Statement of Income)

"Loss on derivatives," which was recorded in "Other" under "Non-operating expenses" in the previous fiscal year, has been reclassified and shown as a separate line item in the current fiscal year due to its increased monetary significance. The consolidated financial statements for the previous fiscal year have been restated to reflect this change in presentation.

As a result, in the consolidated statement of income for the previous fiscal year, 216 million yen recorded in "Other" under "Non-operating expenses" has been reclassified as 150 million yen in "Loss on derivatives" and 65 million yen in "Other."

(Adoption of "Accounting Standard for Disclosure of Accounting Estimates")

"Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, issued on March 31, 2020) has been adopted beginning with the consolidated financial statements for the current fiscal year, and notes concerning significant accounting estimates are included in the consolidated financial statements.

However, comparative information for the previous fiscal year is not presented in these notes in accordance with the transitional measures set forth in the proviso to Paragraph 11 of the accounting standard.

(Consolidated Statement of Income)

\*1 The amounts of provisions recorded for the items below are as follows:

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Provision for bonuses	170 million yen	180 million yen
Retirement benefit expenses	82	75
Provision for special repairs	1,589	1,641

\*2 Gain or loss on valuation of inventories based on the write-down method (reversal) is as follows:

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Write-down of inventories (reversal of write-downs)	1,006 million yen	(1,047) million yen

\*3 Major items of general and administrative expenses are as follows:

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Remuneration for directors (and other officers) and employee salaries	3,106 million yen	3,018 million yen
Depreciation and amortization	79	226
Provision of allowance for doubtful accounts	2	8
Provision for bonuses	255	235
Provision for bonuses for directors (and other officers)	52	74
Retirement benefit expenses	97	106

\*4 Breakdown of gain on sales of fixed assets is as follows:

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Vessels	2,881 million yen	4,467 million yen
Other	—	3
Total	2,881	4,470

\*5 Breakdown of loss on sales of fixed assets is as follows:

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Vessels	— million yen	3 million yen

## (Consolidated Statement of Comprehensive Income)

\* Amounts of reclassification adjustments and tax effects relating to other comprehensive income (loss)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Unrealized gains (losses) on securities:		
Gains (losses) incurred during the year	(1,122) million yen	(1,004) million yen
Reclassification adjustments to profit	1,034	6
Amount before tax effects	(89)	1,010
Tax effects	105	(99)
Unrealized gains (losses) on securities	17	911
Deferred gains (losses) on hedges:		
Gains (losses) incurred during the year	86	(661)
Reclassification adjustments to profit	491	591
Adjustments of asset acquisition cost	(2,298)	(512)
Amount before tax effects	(1,721)	(582)
Tax effects	491	166
Deferred gains (losses) on hedges	(1,230)	(416)
Foreign currency translation adjustment:		
Gains (losses) incurred during the year	(3)	(6)
Reclassification adjustments to profit	79	—
Foreign currency translation adjustment	76	(6)
Remeasurements of defined benefit plans, net of tax:		
Gains (losses) incurred during the year	(103)	416
Reclassification adjustments to profit	(91)	(93)
Amount before tax effects	(195)	324
Tax effects	56	(94)
Remeasurements of defined benefit plans, net of tax	(138)	230
Share of other comprehensive income of entities accounted for using equity method:		
Gains (losses) incurred during the year	(6)	(25)
Total of other comprehensive income (loss)	(1,282)	694

## (Consolidated Statement of Changes in Net Assets)

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

## 1. Class and total number of issued shares and class and number of treasury stock

	Number of shares at the beginning of the year (Thousand shares)	Increase during the year (Thousand shares)	Decrease during the year (Thousand shares)	Number of shares at the end of the year (Thousand shares)
Issued shares				
Common stock	23,971	—	—	23,971
Total	23,971	—	—	23,971
Treasury stock				
Common stock (Note 1)	404	0	—	404
Total	404	0	—	404

(Notes) 1. The increase in the number of common stock of treasury stock is due to the purchase of shares less than one unit.  
2. The number of shares is rounded down to the nearest thousand shares.

## 2. Dividends

## (1) Amount of dividends paid

(Resolution)	Class of shares	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 26, 2019	Common stock	1,532	65.00	March 31, 2019	June 27, 2019
The Board of Directors meeting held on October 31, 2019	Common stock	1,061	45.00	September 30, 2019	December 5, 2019

## (2) Dividends whose record date falls in the current fiscal year but whose effective date falls in the following fiscal year

(Resolution)	Class of shares	Total amount of dividends (Million yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 25, 2020	Common stock	825	Retained earnings	35.00	March 31, 2020	June 26, 2020

Current fiscal year (from April 1, 2020 to March 31, 2021)

1. Class and total number of issued shares and class and number of treasury stock

	Number of shares at the beginning of the year (Thousand shares)	Increase during the year (Thousand shares)	Decrease during the year (Thousand shares)	Number of shares at the end of the year (Thousand shares)
Issued shares				
Common stock	23,971	—	—	23,971
Total	23,971	—	—	23,971
Treasury stock				
Common stock (Note 1)	404	0	—	404
Total	404	0	—	404

(Notes) 1. The increase in the number of common stock of treasury stock is due to the purchase of shares less than one unit.  
2. The number of shares is rounded down to the nearest thousand shares.

2. Dividends

(1) Amount of dividends paid

(Resolution)	Class of shares	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 25, 2020	Common stock	825	35.00	March 31, 2020	June 26, 2020
The Board of Directors meeting held on October 30, 2020	Common stock	707	30.00	September 30, 2020	December 7, 2020

(2) Dividends whose record date falls in the current fiscal year but whose effective date falls in the following fiscal year

(Resolution)	Class of shares	Total amount of dividends (Million yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 28, 2021	Common stock	1,178	Retained earnings	50.00	March 31, 2021	June 29, 2021

(Consolidated Balance Sheet)

\*1 Accumulated depreciation of tangible fixed assets

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Accumulated depreciation of tangible fixed assets	114,992 million yen	119,760 million yen

\*2 Assets or liabilities related to non-consolidated subsidiaries and affiliates included in each account are as follows:

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Investment securities (shares)	835 million yen	717 million yen

\*3 Assets pledged as collateral

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Vessels	148,976 million yen	158,688 million yen

Liabilities corresponding to the aforementioned assets pledged as collateral are as follows:

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Short-term borrowings	29,789 million yen	26,825 million yen
Long-term borrowings	86,225	93,525

\*4 Inventories

The breakdown of inventories is as follows:

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Raw materials and supplies	5,876 million yen	7,454 million yen

(Consolidated Statement of Cash Flows)

\* The relationship between cash and cash equivalents at year-end and cash and deposits in the consolidated balance sheet

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Cash and deposits	19,803 million yen	27,663 million yen
Time deposits whose deposit term is over three months	(50)	(50)
Cash and cash equivalents	19,753	27,613

## (Lease Transactions)

## 1. Finance lease transactions

Finance lease transactions which transfer ownership

## 1) Details of leased assets

Tangible fixed assets

Vessels in international shipping business.

## 2) Method of depreciation of leased assets

Leased assets on finance lease transactions which transfer ownership

The same depreciation method as applied to self-owned fixed assets is used.

## (Impairment Loss)

No impairment loss was recognized on leased assets.

## 2. Operating lease transactions

Unexpired lease payments for non-cancellable operating lease transactions

(Unit: Million yen)

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Due within one year	1,163	823
Due after one year	2,426	1,622
Total	3,589	2,444

## (Financial Instruments)

## 1. Status of financial instruments

## (1) Policy for financial instruments

The Group obtains necessary funds through borrowings from financial institutions, by primarily taking into consideration its capital investment plan for conducting the marine transportation services and related businesses. In addition, the Group also procures short-term working capital through borrowings from financial institutions. The Group invests its funds in short-term deposits and the like, as well as in safe and secure financial assets. The Group uses derivative transactions to hedge the risks described below, and does not enter into any speculative transactions.

## (2) Content and risks of financial instruments

Trade notes and accounts receivable, which are trade receivables, are exposed to the credit risk of customers. Shares are investment securities, primarily constituted of shares of companies with which the Group has business relationships, and are exposed to the risk of market price fluctuations.

Trade notes and accounts payable, which are trade payables, mostly have payment due dates within one year. Borrowings are mainly for the purpose of obtaining funds required for capital investment, with maturity up to 14 years after the fiscal year-end date. Borrowings with floating interest rates are exposed to the risk of interest rate fluctuations. Trade payables and borrowings are exposed to liquidity risk (risk of not being able to make payments when due).

The Group companies which are primarily engaged in the international shipping business are required to hedge foreign exchange risk since most of their operating revenue and expenses are denominated in foreign currencies. In addition, the Company is required to hedge the risk of price fluctuations of fuel oil for the operation of vessels. For these purposes, the Group enters into derivative transactions.

Specifically, the Group enters into interest rate swaps to hedge the risk of interest rate fluctuations related to borrowings, forward exchange contracts and the like to hedge exchange rate fluctuation risk related to revenue and expenses in foreign currencies, and fuel oil swap transactions to hedge fuel oil price fluctuation risk. In addition, the Group conducts currency swap transactions to hedge exchange rate fluctuation risk related to certain foreign currency-denominated borrowings. Further, the Group sometimes enters into in futures contracts to hedge the risk of fluctuations in freight and charter rates.

## (3) Risk management system for financial instruments

The Group monitors the collection of trade receivables, manages their balance by customer, and promptly grasps and addresses concerns about collection of trade receivables due to reasons such as deterioration of customers' financial position. Regarding securities, the Group invests in bonds and the like with high credit ratings in accordance with internal rules, and therefore is exposed to minimal credit risk. Regarding shares of which are investment securities, the Group periodically reports on reviews of their fair value to the Board of Directors.

The liquidity risk of trade payables and borrowings is managed by each Group company by means such as creating a monthly cash flow plan.

Regarding the execution and management of derivative transactions at the Company, transactions involving interest rate swaps, currency swaps, and forward exchange contracts, among others, are managed by the Finance and Accounting Group; transactions involving fuel oil swaps are managed by the Energy Group; and futures transactions on freight and charter rates are managed by each sales Group. All transactions are executed upon receiving approval of related items including purposes, notional principal amounts, contract terms, and structures by the director in charge each time derivative transactions are entered into.

Regarding derivative transactions conducted by the Group companies based on guarantee or reservation of guarantee by the Company, transactions are managed by each Group company, as well as by the Finance and Accounting Group of the Company in an integrated manner after the prior approval of the contents of the transactions by the Company. Other derivative transactions are executed and managed by the General Manager or other senior staff of the Accounting Department of each company upon receiving the approval of the director in charge in accordance with the Accounting Rules, etc., and are reported to the Company. In entering into derivative transactions, the Company conducts transactions only with highly creditworthy financial institutions to minimize credit risk.

## (4) Supplementary explanation on matters related to the fair value of financial instruments

Fair value of financial instruments is measured based on the quoted market price, if available, or reasonably assessed value if a quoted market price is not available. Fair value of financial instruments for which a quoted market price is not available is calculated based on certain assumptions, and the fair value might differ if different assumptions are used. In addition, the contract amount and other amounts of derivative transactions described below in "2. Fair value of financial instruments" does not itself represent the market risk of the derivative transactions.

## 2. Fair value of financial instruments

The carrying amount on the consolidated balance sheet, fair value, and the difference between them are as follows. Financial instruments for which it is deemed extremely difficult to measure the fair value are not included in the table below. (Please refer to (Note 2).)

Previous fiscal year (as of March 31, 2020)

	Carrying amount on the consolidated balance sheet (*1) (Million yen)	Fair value (*1) (Million yen)	Difference (Million yen)
(1) Cash and deposits	19,803	19,803	—
(2) Trade notes and accounts receivable	18,650	18,650	—
(3) Investment securities	1,501	1,501	—
(4) Trade notes and accounts payable	[6,097]	[6,097]	—
(5) Short-term borrowings	[600]	[600]	—
(6) Long-term borrowings	[131,814]	[132,384]	(569)
(7) Derivative transactions (*2)			
Hedge accounting not applied	—	—	—
Hedge accounting applied	[1,735]	[1,381]	354

(\*1) Figures in square brackets indicate financial instruments classified as liabilities.

(\*2) Receivables and payables arising from derivative transactions are presented as net amounts. Figures in square brackets represent net liabilities.

Current fiscal year (as of March 31, 2021)

	Carrying amount on the consolidated balance sheet (*1) (Million yen)	Fair value (*1) (Million yen)	Difference (Million yen)
(1) Cash and deposits	27,663	27,663	—
(2) Trade notes and accounts receivable	19,779	19,779	—
(3) Investment securities	2,457	2,457	—
(4) Trade notes and accounts payable	[10,624]	[10,624]	—
(5) Short-term borrowings	[900]	[900]	—
(6) Long-term borrowings	[143,578]	[144,238]	(660)
(7) Derivative transactions (*2)			
Hedge accounting not applied	[75]	[75]	—
Hedge accounting applied	[2,317]	[1,740]	577

(\*1) Figures in square brackets indicate financial instruments classified as liabilities.

(\*2) Receivables and payables arising from derivative transactions are presented as net amounts. Figures in square brackets represent net liabilities.

(Note 1) Method for measuring the fair value of financial instruments and information on securities and derivative transactions

(1) Cash and deposits and (2) Trade notes and accounts receivable

The carrying amounts are used as fair values as these items are settled within a short period of time and the fair values are approximately equal to the carrying amounts.

(3) Investment securities

Fair value of shares is based on prices quoted on stock exchanges.

For information on securities by holding purpose, please refer to "Securities."

(4) Trade notes and accounts payable and (5) Short-term borrowings

The carrying amounts are used as fair values as these items are settled within a short period of time and the fair values are approximately equal to the carrying amounts.

Please note that (5) Short-term borrowings do not include the current portion of long-term borrowings.

(6) Long-term borrowings

Fair value of long-term borrowings with fixed interest rates is determined by discounting the total amount of principal and interest using the interest rates assumed to be applied if similar borrowings were newly made. Fair value of long-term borrowings with floating interest rates is based on the carrying amount, as the fair value is approximately equal to the carrying amount considering that floating interest rates reflect the market rate in the short term and the credit standing of the Group has not changed significantly after the execution of borrowings. Please note that (6) Long-term borrowings include the current portion of long-term borrowings.

(7) Derivative transactions

Please refer to "Derivative Transactions."

(Note 2) Unlisted shares are not included in (3) Investment securities as they have no market price and it is deemed extremely difficult to measure the fair value.

(Unit: Million yen)

Classification	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Shares of subsidiaries and affiliates	835	717
Other unlisted shares	264	272
Total	1,099	989

(Note 3) Scheduled redemption amounts of monetary receivables and securities with maturity dates after the fiscal year-end date

Previous fiscal year (as of March 31, 2020)

	Due within one year (Million yen)
Cash and deposits	19,801
Trade notes and accounts receivable	18,650
Total	38,451

Current fiscal year (as of March 31, 2021)

	Due within one year (Million yen)
Cash and deposits	27,661
Trade notes and accounts receivable	19,779
Total	47,440

(Note 4) Scheduled repayment amounts of short-term borrowings and long-term borrowings after the fiscal year-end date

Previous fiscal year (as of March 31, 2020)

	Due within one year (Million yen)	Due after one year but within two years (Million yen)	Due after two years but within three years (Million yen)	Due after three years but within four years (Million yen)	Due after four years but within five years (Million yen)	Due after five years (Million yen)
Short-term borrowings	600	—	—	—	—	—
Long-term borrowings	37,133	25,148	10,656	9,612	11,344	37,921
Total	37,733	25,148	10,656	9,612	11,344	37,921

Current fiscal year (as of March 31, 2021)

	Due within one year (Million yen)	Due after one year but within two years (Million yen)	Due after two years but within three years (Million yen)	Due after three years but within four years (Million yen)	Due after four years but within five years (Million yen)	Due after five years (Million yen)
Short-term borrowings	900	—	—	—	—	—
Long-term borrowings	29,090	14,977	27,343	13,170	12,951	46,048
Total	29,990	14,977	27,343	13,170	12,951	46,048

(Securities)

## 1. Other securities

Previous fiscal year (as of March 31, 2020)

	Type	Carrying amount on the consolidated balance sheet (Million yen)	Acquisition cost (Million yen)	Difference (Million yen)
Securities whose carrying amount on the consolidated balance sheet exceeds their acquisition cost	(1) Shares	582	425	156
	(2) Bonds	—	—	—
	(3) Others	—	—	—
	Subtotal	582	425	156
Securities whose carrying amount on the consolidated balance sheet does not exceed their acquisition cost	(1) Shares	919	998	(79)
	(2) Bonds	—	—	—
	(3) Others	—	—	—
	Subtotal	919	998	(79)
Total		1,501	1,423	78

Current fiscal year (as of March 31, 2021)

	Type	Carrying amount on the consolidated balance sheet (Million yen)	Acquisition cost (Million yen)	Difference (Million yen)
Securities whose carrying amount on the consolidated balance sheet exceeds their acquisition cost	(1) Shares	2,457	1,378	1,079
	(2) Bonds	—	—	—
	(3) Others	—	—	—
	Subtotal	2,457	1,378	1,079
Securities whose carrying amount on the consolidated balance sheet does not exceed their acquisition cost	(1) Shares	—	—	—
	(2) Bonds	—	—	—
	(3) Others	—	—	—
	Subtotal	—	—	—
Total		2,457	1,378	1,079

## 2. Sales of other securities

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

Type	Proceeds from sales (Million yen)	Total gain on sales (Million yen)	Total loss on sales (Million yen)
(1) Shares	9	7	—
(2) Bonds			
1) Government bonds/Local government bonds, etc.	—	—	—
2) Corporate bonds	—	—	—
3) Other bonds	—	—	—
(3) Others	—	—	—
Total	9	7	—

Current fiscal year (from April 1, 2020 to March 31, 2021)

Type	Proceeds from sales (Million yen)	Total gain on sales (Million yen)	Total loss on sales (Million yen)
(1) Shares	41	2	9
(2) Bonds			
1) Government bonds/Local government bonds, etc.	—	—	—
2) Corporate bonds	—	—	—
3) Other bonds	—	—	—
(3) Others	—	—	—
Total	41	2	9

## 3. Impairment loss on securities

Previous fiscal year (as of March 31, 2020)

An impairment loss of 1,041 million yen (1,041 million yen for shares of other securities) was recognized.

Current fiscal year (as of March 31, 2021)

Not applicable

## (Derivative Transactions)

## 1. Derivative transactions for which hedge accounting is not applied

Previous fiscal year (as of March 31, 2020)

Not applicable

Current fiscal year (as of March 31, 2021)

Classification	Transaction type	Contract amount, etc. (Million yen)	Of contract amount, etc., transactions due over one year (Million yen)	Fair value (Million yen)	Gain or loss on valuation (Million yen)
Transactions other than market transactions	Freight rates (futures transactions on charter rates)				
	Short position	390	—	(75)	(75)
<b>Total</b>		<b>390</b>	<b>—</b>	<b>(75)</b>	<b>(75)</b>

(Note) Method of measuring fair value

The fair value is calculated based on amounts such as prices quoted by the counterparty.

## 2. Derivative transactions for which hedge accounting is applied

## (1) Currency-related transactions

Previous fiscal year (as of March 31, 2020)

Hedge accounting method	Transaction type	Major hedged item	Contract amount, etc. (Million yen)	Of contract amount, etc., transactions due over one year (Million yen)	Fair value (Million yen)
Principle method	Forward exchange contracts				
	Short position U.S. dollar	Trade receivables	2,374	—	36
	Long position U.S. dollar	Funds to purchase vessels	30,800	—	1,341
Allocation treatment for forward exchange contracts	Forward exchange contracts				
	Long position U.S. dollar	Lease obligations	5,384	4,917	429
<b>Total</b>			<b>38,559</b>	<b>4,917</b>	<b>1,806</b>

(Note) Method of measuring fair value

The fair value is calculated based on amounts such as prices quoted by the counterparty financial institutions.

Current fiscal year (as of March 31, 2021)

Hedge accounting method	Transaction type	Major hedged item	Contract amount, etc. (Million yen)	Of contract amount, etc., transactions due over one year (Million yen)	Fair value (Million yen)
Principle method	Forward exchange contracts				
	Short position U.S. dollar	Trade receivables	1,418	—	(20)
	Long position U.S. dollar	Funds to purchase vessels	—	—	—
Allocation treatment for forward exchange contracts	Forward exchange contracts				
	Long position U.S. dollar	Lease obligations	4,917	4,463	630
<b>Total</b>			<b>6,335</b>	<b>4,463</b>	<b>610</b>

(Note) Method of measuring fair value

The fair value is calculated based on amounts such as prices quoted by the counterparty financial institutions.

## (2) Interest-related transactions

Previous fiscal year (as of March 31, 2020)

Hedge accounting method	Transaction type	Major hedged item	Contract amount, etc. (Million yen)	Of contract amount, etc., transactions due over one year (Million yen)	Fair value (Million yen)
Principle method	Interest rate swap transactions				
	Paying fixed interest/Receiving floating interest	Interest on borrowings	75,251	59,590	(3,012)
Special treatment for interest rate swaps	Interest rate swap transactions				
	Paying fixed interest/Receiving floating interest	Interest on borrowings	6,903	6,406	(75)
<b>Total</b>			<b>82,154</b>	<b>65,996</b>	<b>(3,087)</b>

(Note) Method of measuring fair value

The fair value is calculated based on amounts such as prices quoted by the counterparty financial institutions.

Current fiscal year (as of March 31, 2021)

Hedge accounting method	Transaction type	Major hedged item	Contract amount, etc. (Million yen)	Of contract amount, etc., transactions due over one year (Million yen)	Fair value (Million yen)
Principle method	Interest rate swap transactions Paying fixed interest/Receiving floating interest	Interest on borrowings	63,858	53,717	(2,353)
Special treatment for interest rate swaps	Interest rate swap transactions Paying fixed interest/Receiving floating interest	Interest on borrowings	6,406	5,908	(54)
Total			70,264	59,625	(2,406)

(Note) Method of measuring fair value

The fair value is calculated based on amounts such as prices quoted by the counterparty financial institutions.

### (3) Fuel oil-related transactions

Previous fiscal year (as of March 31, 2020)

Hedge accounting method	Transaction type	Major hedged item	Contract amount, etc. (Million yen)	Of contract amount, etc., transactions due over one year (Million yen)	Fair value (Million yen)
Principle method	Fuel oil swap transactions	Fuel oil price	235	—	(100)

(Note) Method of measuring fair value

The fair value is calculated based on amounts such as prices quoted by the counterparty financial institutions.

Current fiscal year (as of March 31, 2021)

Hedge accounting method	Transaction type	Major hedged item	Contract amount, etc. (Million yen)	Of contract amount, etc., transactions due over one year (Million yen)	Fair value (Million yen)
Principle method	Fuel oil swap transactions	Fuel oil price	1,977	845	56

(Note) Method of measuring fair value

The fair value is calculated based on amounts such as prices quoted by the counterparty financial institutions.

(Retirement Benefits)

#### 1. Outline of adopted retirement benefit plans

The Company and its domestic consolidated subsidiaries have established a lump-sum retirement payment plan as a defined benefit plan. The Company has established a retirement benefit trust for its lump-sum retirement payment plan.

The Company and certain consolidated subsidiaries have adopted a contract-type defined benefit corporate pension plan, and certain other consolidated subsidiaries have adopted the Smaller Enterprise Retirement Allowance Mutual Aid (SERAMA) Scheme.

Certain employees may be entitled to additional special retirement benefits.

#### 2. Defined benefit plan

(1) Reconciliation between the beginning and ending balances of retirement benefit obligations (excluding plans that apply the simplified method)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Beginning balance of retirement benefit obligations	4,305 million yen	4,169 million yen
Service cost	252	271
Interest cost	26	25
Actuarial gains or losses	(35)	(183)
Retirement benefits paid	(378)	(160)
Transfer due to the change from the simplified method to the principle method	—	50
Amortization of the change from the simplified method to the principle method	—	7
Ending balance of retirement benefit obligations	4,169	4,179

(2) Reconciliation between the beginning and ending balances of pension assets (excluding plans that apply the simplified method)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Beginning balance of pension assets	5,785 million yen	5,633 million yen
Expected return on plan assets	58	56
Actuarial gains or losses	(138)	234
Contributions by business owners	297	312
Retirement benefits paid	(369)	(138)
Ending balance of pension assets	5,633	6,096

(3) Reconciliation between the beginning and ending balances of retirement benefit liability of the plans that apply the simplified method

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Beginning balance of retirement benefit liability	118 million yen	145 million yen
Retirement benefit expenses	52	26
Retirement benefits paid	(11)	(2)
Contributions to the plans	(14)	(14)
Transfer due to the change from the simplified method to the principle method	—	(50)
Ending balance of retirement benefit liability	145	105



(4) Reconciliation of the ending balance of retirement benefit obligations and pension assets with retirement benefit liability and retirement benefit asset recorded in the consolidated balance sheet

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Funded retirement benefit obligations	4,229 million yen	4,245 million yen
Pension assets	(5,633)	(6,096)
Unfunded retirement benefit obligations	(1,404)	(1,851)
	85	39
Net amount of liabilities and assets recorded in the consolidated balance sheet	(1,319)	(1,812)
Retirement benefit liability	161	143
Retirement benefit asset	(1,480)	(1,955)
Net amount of liabilities and assets recorded in the consolidated balance sheet	(1,319)	(1,812)

(Note) Plans that apply the simplified method are included.

(5) Amounts of retirement benefit expenses and their components

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Service cost	252 million yen	271 million yen
Interest cost	26	25
Expected return on plan assets	(58)	(56)
Amortization of actuarial gains or losses	(119)	(99)
Amortization of prior service cost	27	7
Retirement benefit expenses calculated using the simplified method	52	26
Amortization of the change from the simplified method to the principle method	—	7
Retirement benefit expenses for defined benefit plan	179	180

(6) Remeasurements of defined benefit plans

Components of remeasurements of defined benefit plans (before tax effect deduction) are as follows:

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Prior service cost	27 million yen	7 million yen
Actuarial gains or losses	(222)	317
Total	(195)	324

(7) Accumulated remeasurements of defined benefit plans

Components of accumulated remeasurements of defined benefit plans (before tax effect deduction) are as follows:

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Unrecognized prior service cost	(7) million yen	— million yen
Unrecognized actuarial gains or losses	242	559
Total	235	559

(8) Pension assets

1) Major components of pension assets

The proportion of each major category to the total pension assets is as follows:

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Bonds	48 %	46 %
Shares	20	28
Cash and deposits	21	19
Others	11	7
Total	100	100

2) Method for setting long-term expected rate of return

In determining the long-term expected rate of return on pension assets, the current and projected allocations of pension assets and the current and projected long-term rate of returns on various assets constituting pension assets are taken into account.

(9) Assumptions used for actuarial calculations

Major assumptions for actuarial calculations

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Discount rate	0.1 – 0.7%	0.1 – 0.7%
Long-term expected rate of return	0.2 – 1.5%	0.1 – 1.5%
Expected rate of salary increase	3.6 – 5.2%	3.6 – 5.2%

(Stock Options and Others)

Not applicable

(Tax Effect Accounting)

## 1. Significant components of deferred tax assets and deferred tax liabilities

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
<b>Deferred tax assets</b>		
Allowance for doubtful accounts	9 million yen	11 million yen
Provision for bonuses	135	143
Retirement benefit liability	86	88
Loss on valuation of securities, etc.	513	513
Accrued enterprise tax	20	30
Depreciation	80	57
Provision for special repairs	853	1,037
Deferred gains (losses) on hedges	496	662
Loss on cancellation of chartered vessels	493	370
Tax loss carryforwards (Note)	634	502
Impairment loss	1,308	1,211
Other	1,336	1,022
Subtotal deferred tax assets	5,963	5,645
Valuation allowance for tax loss carryforwards (Note)	(0)	—
Valuation allowance for the total of future deductible temporary differences, etc.	(2,246)	(2,016)
Subtotal valuation allowance	(2,246)	(2,016)
Total deferred tax assets	3,717	3,629
<b>Deferred tax liabilities</b>		
Reserve for special depreciation	461	350
Retirement benefit asset	403	445
Reserve for tax purpose reduction entry of fixed assets	8	22
Retained income of specified foreign subsidiary companies	778	1,129
Gain on valuation of assets (vessels) acquired by merger	86	13
Unrealized gains (losses) on securities	22	120
Other	23	13
Total deferred tax liabilities	1,780	2,092
Net deferred tax assets	1,937	1,537

(Note) Tax loss carryforwards and related deferred tax assets expire as follows:

Previous fiscal year (as of March 31, 2020)

	Due within one year (Million yen)	Due after one year but within two years (Million yen)	Due after two years but within three years (Million yen)	Due after three years but within four years (Million yen)	Due after four years but within five years (Million yen)	Due after five years (Million yen)	Total (Million yen)
Tax loss carryforwards (*1)	—	—	—	—	—	634	634
Valuation allowance	—	—	—	—	—	(0)	(0)
Deferred tax assets	—	—	—	—	—	634	(*2) 634

(\*1) Tax loss carryforwards are multiplied by the effective statutory tax rate.

(\*2) The Company has judged that tax loss carryforwards will be recoverable as it expects to record taxable income in the following fiscal year and thereafter.

Current fiscal year (as of March 31, 2021)

	Due within one year (Million yen)	Due after one year but within two years (Million yen)	Due after two years but within three years (Million yen)	Due after three years but within four years (Million yen)	Due after four years but within five years (Million yen)	Due after five years (Million yen)	Total (Million yen)
Tax loss carryforwards (*1)	—	—	—	—	135	367	502
Valuation allowance	—	—	—	—	—	—	—
Deferred tax assets	—	—	—	—	135	367	(*2) 502

(\*1) Tax loss carryforwards are multiplied by the effective statutory tax rate.

(\*2) The Company has judged that tax loss carryforwards will be recoverable as it expects to record taxable income in the following fiscal year and thereafter.

## 2. Reconciliation of the effective statutory tax rate and effective income tax rate

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Effective statutory tax rate	28.55%	28.55%
(Reconciliations)		
Entertainment and other expenses not deductible for income tax purposes	0.98	0.54
Non-taxable income such as dividend income	(0.14)	(0.12)
Change in valuation allowance	(1.07)	(3.05)
Deductible expenses related to revenues from Japanese vessels	(13.13)	(11.86)
Difference of effective statutory tax rate applicable to the Company and its consolidated subsidiaries	0.29	0.49
Per capita inhabitant tax	0.21	0.20
Effect of liquidation of overseas subsidiaries	0.50	—
Other	1.19	1.84
Effective income tax rate	17.38	16.59

## (Asset Retirement Obligations)

Previous fiscal year (as of March 31, 2020)  
Description is omitted due to immateriality.

Current fiscal year (as of March 31, 2021)  
Description is omitted due to immateriality.

## (Segment Information and Others)

## [Segment information]

## 1. Overview of reportable segments

The Company's reportable segments are the Group's constituent units for which discrete financial information is available and which are periodically reviewed by the Board of Directors for the purpose of deciding the allocation of management resources and evaluating the business results.

The Group conducts business activities mainly in marine transportation services, and the reportable segments are classified based on operational regions of vessels. The two reportable segments are the international shipping business and the coastal shipping business.

In the international shipping business, the Group conducts business activities such as transportation of materials including iron ores, coking coals, steel products, and nonferrous metal ores by bulk carriers; transportation of crude oil, LPG, and other petroleum products by tankers; and vessel leasing. In the coastal shipping business, the Group conducts business activities such as transportation of materials including steel products, limestone, and cement by bulk carriers in domestic water areas; transportation of LPG, LNG, and other petroleum products by tankers; and vessel leasing.

## 2. Calculation method of the amounts of revenues, profit or loss, assets and other items by reportable segment

The accounting method for the reportable business segments is the same as "Basis for the Preparation of the Consolidated Financial Statements."

Segment profit consists of figures based on operating income.

Intersegment revenues and transfers are based on the current market prices.

## 3. Information on the amounts of revenues, profit or loss, assets and other items by reportable segment

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

	Reportable segment			Others (Note 1)	Total	Adjustments (Note 2) (Note 3)	Carrying amounts on the consolidated financial statements (Note 4)
	International shipping business	Coastal shipping business	Total				
(Unit: Million yen)							
Revenues							
Sales to external customers	124,342	24,073	148,415	—	148,415	—	148,415
Intersegment sales or transfers	—	8	8	370	377	(377)	—
Total	124,342	24,081	148,423	370	148,792	(377)	148,415
Segment profit	5,853	1,185	7,038	0	7,039	2	7,040
Segment assets	218,443	29,935	248,377	216	248,594	(72)	248,522
Other items							
Depreciation	12,913	2,131	15,044	2	15,046	—	15,046
Investment in equity-method affiliates	557	—	557	—	557	—	557
Increase in tangible fixed assets and intangible fixed assets	59,590	1,809	61,399	2	61,401	—	61,401

(Notes) 1. The "Others" segment includes information services and other services.

2. The adjustment of 2 million yen for segment profit is elimination of intersegment transactions.

3. The adjustment of (72) million yen for segment assets is elimination of intersegment transactions.

4. Segment profit is reconciled to operating income recorded in the consolidated statement of income.

Current fiscal year (from April 1, 2020 to March 31, 2021)

(Unit: Million yen)

	Reportable segment			Others (Note 1)	Total	Adjustments (Note 2) (Note 3)	Carrying amounts on the consolidated financial statements (Note 4)
	International shipping business	Coastal shipping business	Total				
Revenues							
Sales to external customers	116,721	21,733	138,454	—	138,454	—	138,454
Intersegment sales or transfers	—	6	6	369	375	(375)	—
Total	116,721	21,739	138,460	369	138,829	(375)	138,454
Segment profit	4,943	1,769	6,712	21	6,733	3	6,736
Segment assets	238,332	32,254	270,586	234	270,819	(59)	270,760
Other items							
Depreciation	15,636	2,238	17,874	2	17,875	—	17,875
Investment in equity-method affiliates	438	—	438	—	438	—	438
Increase in tangible fixed assets and intangible fixed assets	36,221	4,427	40,648	2	40,650	—	40,650

(Notes) 1. The "Others" segment includes information services and other services.

2. The adjustment of 3 million yen for segment profit is elimination of intersegment transactions.

3. The adjustment of (59) million yen for segment assets is elimination of intersegment transactions.

4. Segment profit is reconciled to operating income recorded in the consolidated statement of income.

[Related information]

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

## 1. Information by product and service

Descriptions are omitted as revenues from marine transportation services account for more than 90% of revenues recorded in the consolidated statement of income.

## 2. Information by region

## (1) Revenues

(Unit: Million yen)

Japan	Australia	Brazil	Asia (excluding Japan)	North America /South America (excluding Brazil)	Europe	Middle East	Others	Total
46,737	51,007	10,691	10,246	24,003	2,036	196	3,500	148,415

(Note) Regarding revenues, freight rates are based on the port of loading and vessel leasing fees are based on the port of delivery. Other revenues are classified by country or region based on customers' locations.

## (2) Tangible fixed assets

Descriptions are omitted as the value of tangible fixed assets located in Japan accounts for more than 90% of the value of tangible fixed assets recorded in the consolidated balance sheet.

## 3. Information on major customer

(Unit: Million yen)

Name of customer	Revenues	Relevant segment
NIPPON STEEL CORPORATION	83,397	International shipping business, coastal shipping business

Current fiscal year (from April 1, 2020 to March 31, 2021)

## 1. Information by product and service

Descriptions are omitted as revenues from marine transportation services account for more than 90% of revenues recorded in the consolidated statement of income.

## 2. Information by region

## (1) Revenues

(Unit: Million yen)

Japan	Australia	Brazil	Asia (excluding Japan)	North America /South America (excluding Brazil)	Europe	Middle East	Others	Total
38,366	50,501	11,252	9,332	21,311	2,220	137	5,334	138,454

(Note) Regarding revenues, freight rates are based on the port of loading and vessel leasing fees are based on the port of delivery. Other revenues are classified by country or region based on customers' locations.

## (2) Tangible fixed assets

Descriptions are omitted as the value of tangible fixed assets located in Japan accounts for more than 90% of the value of tangible fixed assets recorded in the consolidated balance sheet.

## 3. Information on major customer

(Unit: Million yen)

Name of customer	Revenues	Relevant segment
NIPPON STEEL CORPORATION	65,685	International shipping business, coastal shipping business

[Information on impairment loss on fixed assets by reportable segment]

Not applicable

[Information on amortization and unamortized balance of goodwill by reportable segment]

Not applicable

[Information on gain on negative goodwill by reportable segment]

Not applicable

[Information on related parties]

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

## (1) Transactions between company submitting the consolidated financial statements and related parties

Type	Name of company, etc.	Location	Capital or investment in capital (Million yen)	Description of business or profession	Percentage of the voting rights holding (held)	Relationship with related parties	Details of transactions	Transaction amount (Million yen)	Account	Year-end balance (Million yen)
Other related company	NIPPON STEEL CORPORATION	Chiyoda-ku, Tokyo	419,524	Manufacturing and sales, etc., of steel products	[Held] Direct: 33.40%	Transportation of steel raw materials and products Concurrent Directors Transfer of Directors	(Business transactions) Transportation of steel raw materials and products	73,245	Trade accounts receivable	8,363
									Trade accounts payable	106

(Notes) 1. Freight rates and other terms and conditions of transactions are decided upon negotiation with the abovementioned company, taking into consideration market prices and costs at the Company.

2. Transaction amount includes the freight rates for commercial vessels, and freight rates are calculated based on a voyage-completion basis. Transaction amount also includes the amount of transactions conducted via trading firms and the like.  
3. Transaction amount does not include consumption and other taxes.

## (2) Transactions between consolidated subsidiaries of company submitting the consolidated financial statements and related parties

Type	Name of company, etc.	Location	Capital or investment in capital (Million yen)	Description of business or profession	Percentage of the voting rights holding (held)	Relationship with related parties	Details of transactions	Transaction amount (Million yen)	Account	Year-end balance (Million yen)
Other related company	NIPPON STEEL CORPORATION	Chiyoda-ku, Tokyo	419,524	Manufacturing and sales, etc., of steel products	[Held] Indirect: 100.00%	Transportation of steel raw materials and products Transfer of Directors	(Business transactions) Transportation of steel raw materials and products	9,077	Trade accounts receivable	2,113
									Trade accounts payable	46

(Notes) 1. Freight rates and other terms and conditions of transactions are decided upon negotiation in each period, taking into consideration costs and the current market prices.

2. Transaction amount includes freight rates for commercial vessels, and also includes those for transactions with NIPPON STEEL LOGISTICS CO., LTD., which are substantively transactions with NIPPON STEEL CORPORATION.  
3. Transaction amount does not include consumption and other taxes.

Current fiscal year (from April 1, 2020 to March 31, 2021)

## (1) Transactions between company submitting the consolidated financial statements and related parties

Type	Name of company, etc.	Location	Capital or investment in capital (Million yen)	Description of business or profession	Percentage of the voting rights holding (held)	Relationship with related parties	Details of transactions	Transaction amount (Million yen)	Account	Year-end balance (Million yen)
Other related company	NIPPON STEEL CORPORATION	Chiyoda-ku, Tokyo	419,524	Manufacturing and sales, etc., of steel products	[Held] Direct: 33.40%	Transportation of steel raw materials and products Concurrent Directors Transfer of Directors	(Business transactions) Transportation of steel raw materials and products	57,068	Trade accounts receivable	8,503
									Trade accounts payable	97

(Notes) 1. Freight rates and other terms and conditions of transactions are decided upon negotiation with the abovementioned company, taking into consideration market prices and costs at the Company.

2. Transaction amount includes the freight rates for commercial vessels, and freight rates are calculated based on a voyage-completion basis. Transaction amount also includes the amount of transactions conducted via trading firms and the like.  
3. Transaction amount does not include consumption and other taxes.

## (2) Transactions between consolidated subsidiaries of company submitting the consolidated financial statements and related parties

Type	Name of company, etc.	Location	Capital or investment in capital (Million yen)	Description of business or profession	Percentage of the voting rights holding (held)	Relationship with related parties	Details of transactions	Transaction amount (Million yen)	Account	Year-end balance (Million yen)
Other related company	NIPPON STEEL CORPORATION	Chiyoda-ku, Tokyo	419,524	Manufacturing and sales, etc., of steel products	[Held] Indirect: 100.00%	Transportation of steel raw materials and products Transfer of Directors	(Business transactions) Transportation of steel raw materials and products	7,602	Trade accounts receivable	2,103
									Trade accounts payable	37

(Notes) 1. Freight rates and other terms and conditions of transactions are decided upon negotiation in each period, taking into consideration costs and the current market prices.

2. Transaction amount includes freight rates for commercial vessels, and also includes those for transactions with NIPPON STEEL LOGISTICS CO., LTD., which are substantively transactions with NIPPON STEEL CORPORATION.  
3. Transaction amount does not include consumption and other taxes.

## (Per Share Information)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Net assets per share	3,866.04 yen	4,090.63 yen
Net income per share	252.33 yen	260.17 yen

(Notes) 1. Diluted net income per share after adjustment for residual securities is not stated as there are no residual securities.

2. The basis for calculation of net income per share is as follows:

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Profit attributable to owners of Parent (Million yen)	5,947	6,131
Amounts not attributable to shareholders of common stock (Million yen)	—	—
Profit attributable to owners of Parent pertaining to common stock (Million yen)	5,947	6,131
Average number of shares during the year (Shares)	23,566,804	23,566,655

## (Significant Subsequent Events)

Not applicable

## 5) Consolidated Supplementary Schedules

[Schedule of bonds payable]

Not applicable

[Schedules of borrowings]

Classification	Balance at the beginning of the year (Million yen)	Balance at the end of the year (Million yen)	Average interest rate (%)	Due
Short-term borrowings	600	900	0.30	—
Current portion of long-term borrowings	37,133	29,090	0.64	—
Current portion of lease obligations	351	349	2.24	—
Long-term borrowings (excluding current portion)	94,681	114,488	0.96	September 2035
Lease obligations (excluding current portion)	4,729	4,380	2.24	January 2023
<b>Total</b>	<b>137,494</b>	<b>149,207</b>	<b>—</b>	<b>—</b>

(Notes) 1. The average interest rate represents the weighted-average rate applicable to the year-end balance of borrowings.

2. The due date of long-term borrowings shown in the above table is the latest due date.

3. The payment schedule of long-term borrowings (excluding the current portion) within five years after the fiscal year-end date is as follows:

	Due after one year but within two years (Million yen)	Due after two years but within three years (Million yen)	Due after three years but within four years (Million yen)	Due after four years but within five years (Million yen)
Long-term borrowings	14,977	27,343	13,170	12,951
Lease obligations	4,380	—	—	—

[Schedule of asset retirement obligations]

Description is omitted due to immateriality.

## (2) Other

Quarterly financial information for the current fiscal year

(Cumulative period)	First quarter	Second quarter	Third quarter	Current fiscal year
Revenues (Million yen)	31,565	65,722	101,608	138,454
Profit before income taxes (Million yen)	2,773	3,776	7,171	7,351
Profit attributable to owners of Parent (Million yen)	2,133	2,927	5,513	6,131
Net income per share (Yen)	90.50	124.19	233.94	260.17

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Net income per share (Yen)	90.50	33.69	109.75	26.23



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## Independent Auditor's Report

The Board of Directors  
 NS United Kaiun Kaisha, Ltd.

### Opinion

We have audited the accompanying consolidated financial statements of NS United Kaiun Kaisha, Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

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

### 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 ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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

Recoverability of deferred tax assets	
Description of Key Audit Matter	Auditor's Response
<p>As described in the Notes to Consolidated Financial Statements (Tax Effect Accounting), the Company recorded deferred tax assets of 3,629 million yen (before offsetting with deferred tax liabilities) as of March 31, 2021. Of this amount, the Company recorded deferred tax assets on tax loss carryforwards of 502 million yen. These tax loss carryforwards are mainly attributable to NS United Kaiun Kaisha, Ltd., the parent company, and the Company determines the recoverability of deferred tax assets considering expected future taxable income based on profitability and marine transportation market conditions.</p> <p>The estimate of future taxable income, based on future business plans, involves management's judgment due to uncertainty of marine transportation market conditions that are significant assumptions by management. Therefore, we have determined the recoverability of deferred tax assets to be a key audit matter.</p>	<p>We mainly performed the following audit procedures in considering the recoverability of deferred tax assets.</p> <ul style="list-style-type: none"> <li>We considered the scheduling of the timing of the reversal of future temporary differences and the usage of tax loss carryforwards with regards to the balances of temporary differences and tax loss carryforwards.</li> <li>We evaluated future business plans that serve as the basis for the estimate of future taxable income made by management to evaluate the estimate. In considering future business plans, we considered the consistency between the future business plans and the most recent income and expenditure plan approved by the board of directors, and evaluated the accuracy of the estimate based on the degree to which targets set forth in business plans for the corresponding period of the previous years were achieved.</li> <li>We held discussions with management regarding marine transportation market conditions that are significant assumptions underlying the estimate of future taxable income, and compared these factors with available external information.</li> <li>We considered management's evaluation of uncertainty, based on which a certain level of risk was reflected in future business plans.</li> </ul>



Estimate of total number of voyage days to be used in the daily pro rata calculation of the number of voyage days	
Description of Key Audit Matter	Auditor's Response
<p>As described in the Notes to Consolidated Financial Statements (“(6) Standards for recording significant revenue and expenses” under “3.Accounting policies” in “Basis for the Preparation of the Consolidated Financial Statements”), NS United Kaiun Kaisha, Ltd., the parent company, records shipping business revenue for voyage on a daily pro rata calculation of the number of voyage days. As described in the Notes to Consolidated Financial Statements (Significant Accounting Estimates), of revenues of 138,454 million yen recorded for the fiscal year ended March 31, 2021, shipping business revenue for voyages that were not completed by the end of the fiscal year ended March 31, 2021 was 9,130 million yen.</p> <p>Shipping business revenue for voyages that are not completed by the end of the fiscal year is measured on the basis of total estimated freight rates and voyage progress. Total estimated freight rates are based on estimates of the total number of voyage days (total the number of voyage days between ports and the number of days in ports). Voyage progress is determined on the basis of the proportion of voyage days that have elapsed up until the end of the fiscal year to the total number of voyage days.</p> <p>Estimates of the total number of voyage days are changed in accordance with factors such as weather conditions and port congestion and, as a result, total estimated freight rates and voyage progress may vary.</p> <p>The estimates of the total number of voyage days used in making calculations on a daily pro rata basis involve uncertainty and thus require management to exercise judgment. Therefore, we have determined the estimate of the total number of voyage days used in the daily pro rata calculation of the number of voyage days to be a key audit matter.</p>	<p>We mainly performed the following audit procedures in considering the estimate of the total number of voyage days used in the daily pro rata calculation of the number of voyage days.</p> <ul style="list-style-type: none"> <li>Regarding estimates of the total number of voyage days for voyages that were not completed as of March 31, 2021, we considered the consistency between estimates of the total number of voyage days and the calculated number of voyage days by shipping route and sailing speeds and between estimates of the total number of voyage days and information on scheduled lay days obtained from shipping agents. We compared the calculated number of voyage days by shipping route and sailing speeds to the historical number of voyage days, and compared lay days in ports to berthing period with approved contracts and information obtained from shipping agents.</li> <li>We assessed whether the estimate of the total number of voyage days should be revised, by comparing the total number of voyage days for voyages that were completed from the end of the fiscal year ended March 31, 2021 up until the date of submission of the auditor's report or the revised estimate based on the latest information to the estimated number of voyage days. In addition, we checked whether any deviations were observed, made inquiries of the responsible persons and evaluated the soundness of their responses using external sources.</li> </ul>

**Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing 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. 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, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not 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 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 in accordance with accounting principles generally accepted in Japan.





- 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 Corporate Auditor and the Board of Corporate Auditors 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 Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, 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.



Ernst & Young ShinNihon LLC  
Tokyo, Japan

June 28, 2021

Katsuya Ishida  
Designated Engagement Partner  
Certified Public Accountant

Koki Yamamoto  
Designated Engagement Partner  
Certified Public Accountant





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## **NS United Kaiun Kaisha, Ltd.**

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