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2023

Financial Report

For the fiscal year ended March 31, 2023



NS United Kaiun Kaisha, Ltd.

**Integrated Report Secretariat
General Affairs, Legal & Insurance Team**

Otemachi 1st Square West Tower, 5-1,
Otemachi 1-Chome, Chiyoda-ku, Tokyo 100-8108, Japan
E-mail: general-affairs@nsuship.co.jp



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, 2022 to March 31, 2023) 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 Other Financial Reports

The Company is making particular efforts to ensure the appropriateness of the consolidated financial statements and other financial reports. 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

(Million yen)

	For the previous fiscal year (From April 1, 2021 to March 31, 2022)	For the current fiscal year (From April 1, 2022 to March 31, 2023)
Revenues		
Shipping business revenue and other operating revenue	*1 195,941	*1 250,825
Operating expenses		
Shipping business expenses and other operating expenses	*2, *3 163,345	*2, *3 211,461
Gross profit	32,595	39,365
General and administrative expenses	*4, *5 5,884	*4, *5 6,878
Operating income	26,711	32,487
Non-operating income		
Interest income	4	9
Dividend income	117	220
Share of profit of entities accounted for using equity method	5	12
Foreign exchange gains	1,581	1,268
Gain on derivatives	176	573
Other	233	119
Total non-operating income	2,117	2,202
Non-operating expenses		
Interest expenses	1,304	1,191
Loss on derivatives	899	31
Other	19	23
Total non-operating expenses	2,221	1,245
Ordinary income	26,606	33,444
Extraordinary income		
Gain on sales of fixed assets	*6 2,495	*6 332
Gain on sales of investment securities	–	77
Total extraordinary income	2,495	410
Extraordinary losses		
Impairment losses	–	*7 994
Loss on valuation of investment securities	32	–
Total extraordinary losses	32	994
Profit before income taxes	29,069	32,860
Income taxes – current	5,409	6,794
Income taxes – deferred	77	(1,537)
Total income taxes	5,486	5,257
Profit	23,582	27,603
Profit attributable to owners of parent	23,582	27,603

Consolidated Statement of Comprehensive Income

(Million yen)

	For the previous fiscal year (From April 1, 2021 to March 31, 2022)	For the current fiscal year (From April 1, 2022 to March 31, 2023)
Profit	23,582	27,603
Other comprehensive income		
Unrealized gains (losses) on securities	462	397
Deferred gains (losses) on hedges	1,415	(161)
Foreign currency translation adjustment	(22)	(20)
Remeasurements of defined benefit plans, net of tax	(294)	(167)
Share of other comprehensive income (loss) of entities accounted for using equity method	46	50
Total other comprehensive income (loss)	1,607	99
Comprehensive income:	25,190	27,702
Comprehensive income attributable to owners of parent	* 25,190	* 27,702

2) Consolidated Statement of Changes in Net Assets
 For the previous fiscal year (from April 1, 2021 to March 31, 2022)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2021	10,300	17,181	70,347	(995)	96,833
Cumulative effects of changes in accounting polices			17		17
Restated balance	10,300	17,181	70,364	(995)	96,850
Changes of items during the year					
Dividends of surplus			(3,417)		(3,417)
Profit attributable to owners of parent			23,582		23,582
Acquisition of treasury stock				(1)	(1)
Change of scope of consolidation			(2)		(2)
Net changes of items other than shareholders' equity					
Total changes of items during the year	–	–	20,163	(1)	20,162
Balance at March 31, 2022	10,300	17,181	90,527	(996)	117,013

	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, 2021	911	(1,655)	(85)	399	(431)	96,402
Cumulative effects of changes in accounting polices						17
Restated balance	911	(1,655)	(85)	399	(431)	96,419
Changes of items during the year						
Dividends of surplus						(3,417)
Profit attributable to owners of parent						23,582
Acquisition of treasury stock						(1)
Change of scope of consolidation						(2)
Net changes of items other than shareholders' equity	462	1,415	24	(294)	1,607	1,607
Total changes of items during the year	462	1,415	24	(294)	1,607	21,770
Balance at March 31, 2022	1,373	(240)	(61)	105	1,177	118,189

For the current fiscal year (from April 1, 2022 to March 31, 2023)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2022	10,300	17,181	90,527	(996)	117,013
Changes of items during the year					
Dividends of surplus			(8,484)		(8,484)
Profit attributable to owners of parent			27,603		27,603
Acquisition of treasury stock				(1)	(1)
Change of scope of consolidation			(1)		(1)
Net changes of items other than shareholders' equity					
Total changes of items during the year	–	–	19,118	(1)	19,117
Balance at March 31, 2023	10,300	17,181	109,646	(997)	136,129

	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, 2022	1,373	(240)	(61)	105	1,177	118,189
Changes of items during the year						
Dividends of surplus						(8,484)
Profit attributable to owners of parent						27,603
Acquisition of treasury stock						(1)
Change of scope of consolidation						(1)
Net changes of items other than shareholders' equity	397	(161)	29	(167)	99	99
Total changes of items during the year	397	(161)	29	(167)	99	19,216
Balance at March 31, 2023	1,770	(401)	(32)	(62)	1,276	137,405

3) Consolidated Balance Sheet

(Million yen)

	For the previous fiscal year (As of March 31, 2022)	For the current fiscal year (As of March 31, 2023)
Assets		
Current assets		
Cash and deposits	22,265	30,314
Trade notes, accounts receivable, and contract assets	* ⁶ 29,084	* ⁶ 32,297
Securities	9,000	10,000
Inventories	* ⁵ 12,148	* ⁵ 13,382
Prepaid expenses	4,110	5,220
Derivatives	839	144
Other current assets	3,145	3,375
Allowance for doubtful accounts	(31)	(14)
Total current assets	80,561	94,718
Fixed assets		
Tangible fixed assets		
Vessels, net	* ³ 181,526	* ³ 165,140
Buildings, net	297	278
Land	397	397
Construction in progress	2,218	3,689
Other tangible fixed assets, net	110	215
Total tangible fixed assets	*¹ 184,548	*¹ 169,718
Intangible fixed assets	1,909	1,609
Investments and other assets		
Investment securities	* ² 3,945	* ² 4,420
Long-term loans receivable	24	10
Deferred tax assets	1,579	3,124
Retirement benefit asset	1,743	1,640
Other long-term assets	562	545
Total investments and other assets	7,853	9,739
Total fixed assets	194,310	181,066
Total assets	274,871	275,784

(Million yen)

	For the previous fiscal year (As of March 31, 2022)	For the current fiscal year (As of March 31, 2023)
Liabilities		
Current liabilities		
Trade notes and accounts payable	12,315	13,755
Short-term borrowings	* ³ 15,323	* ³ 19,685
Lease obligations	4,380	–
Accounts payable – other	91	245
Accrued expenses	190	248
Income taxes payable	4,991	4,110
Contract liabilities	3,288	4,797
Provision for bonuses	627	758
Provision for bonuses for directors (and other officers)	68	59
Derivatives liabilities	1,167	785
Other current liabilities	5,715	5,587
Total current liabilities	48,155	50,031
Non-current liabilities		
Long-term borrowings	* ³ 103,991	* ³ 81,102
Deferred tax liabilities	643	631
Provision for special repairs	3,761	6,469
Retirement benefit liability	131	147
Other non-current liabilities	0	0
Total non-current liabilities	108,527	88,349
Total liabilities	156,682	138,379
Net assets		
Shareholders' equity		
Common stock	10,300	10,300
Capital surplus	17,181	17,181
Retained earnings	90,527	109,646
Treasury stock, at cost	(996)	(997)
Total shareholders' equity	117,013	136,129
Accumulated other comprehensive income		
Unrealized gains (losses) on securities	1,373	1,770
Deferred gains (losses) on hedges	(240)	(401)
Foreign currency translation adjustment	(61)	(32)
Accumulated remeasurements of defined benefit plans	105	(62)
Total accumulated other comprehensive income	1,177	1,276
Total net assets	118,189	137,405
Total liabilities and net assets	274,871	275,784

4) Consolidated Statement of Cash Flows

(Million yen)

	For the previous fiscal year (From April 1, 2021 to March 31, 2022)	For the current fiscal year (From April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	29,069	32,860
Depreciation and amortization	17,668	17,828
Impairment losses	–	994
Increase (decrease) in allowance for doubtful accounts	(1)	(17)
Increase (decrease) in provision for bonuses	213	131
Increase (decrease) in provision for bonuses for directors (and other officers)	(6)	(9)
Increase (decrease) in provision for special repairs	(307)	2,690
Increase (decrease) in retirement benefit asset and retirement benefit liability	(211)	(115)
Interest and dividend income	(121)	(230)
Interest expenses	1,304	1,191
Foreign exchange losses (gains)	(545)	(524)
Share of loss (profit) of entities accounted for using equity method	(5)	(12)
Loss (gain) on sales of tangible fixed assets and intangible fixed assets	(2,495)	(332)
Loss (gain) on sales of investment securities	–	(73)
Loss (gain) on valuation of investment securities	32	–
Decrease (increase) in trade receivables	(9,303)	(3,212)
Decrease (increase) in inventories	(4,692)	(1,232)
Increase (decrease) in trade payables	1,686	1,435
Increase (decrease) in accounts payable - other	(116)	(30)
Other, net	2,954	189
Subtotal	35,125	51,532
Interest and dividends received	176	230
Interest paid	(1,350)	(1,171)
Income taxes paid	(1,070)	(7,661)
Net cash provided by (used in) operating activities	32,881	42,930
Cash flows from investing activities		
Purchase of vessels	(5,495)	(5,950)
Proceeds from sales of vessels	5,162	4,004
Purchase of other fixed assets	(69)	(203)
Proceeds from sales of other fixed assets	546	9
Purchase of investment securities	(4)	(6)
Proceeds from sales and redemption of investment securities	–	173
Other, net	0	15
Net cash provided by (used in) investing activities	139	(1,958)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(300)	–
Proceeds from long-term borrowings	11,035	2,346
Repayments of long-term borrowings	(36,887)	(21,880)
Repayments of lease obligations	(349)	(4,380)
Purchase of treasury stock	(1)	(1)
Dividends paid	(3,414)	(8,476)
Net cash provided by (used in) financing activities	(29,915)	(32,392)

(Million yen)

	For the previous fiscal year (From April 1, 2021 to March 31, 2022)	For the current fiscal year (From April 1, 2022 to March 31, 2023)
Effect of exchange rate change on cash and cash equivalents	495	468
Net increase (decrease) in cash and cash equivalents	3,601	9,049
Cash and cash equivalents at the beginning of the year	27,613	31,215
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	2	–
Cash and cash equivalents at the end of the year	* 31,215	* 40,264

[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: 56

Names of major consolidated subsidiaries:

NS United Naiko Kaiun Kaisha, Ltd.

NS United Coastal Tanker Kaisha, Ltd.

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

(2) Names 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 differ from the consolidated fiscal year-end date, but the consolidated financial statements are prepared using the financial statements for the respective fiscal years 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 other than shares that do not have a market price

Stated at fair value (all valuation differences are included in net assets and costs of securities sold are principally calculated by the moving-average method)

Shares that do not have a market price

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) Accounting 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 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

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

The details of the main performance obligations related to revenue from contracts with the Group's customers and the timing at which the Group typically satisfies these performance obligations (when it typically recognizes revenue) are as follows:

In the international shipping business and coastal shipping business, the Group mainly concludes cargo shipping contracts. The Group adopts a daily pro rata basis based on the number of voyage days in which performance obligations for these contracts are deemed to be satisfied over time, since customers simultaneously receive and consume the benefits provided by the Company's and its consolidated subsidiaries' performance as they perform the obligations under the contracts with their customers, and revenue and expenses are recognized based on progress toward complete satisfaction of a performance obligation. Progress is measured based on the proportion of the number of voyage days completed to the total estimated number of voyage days. The Group includes an estimate of variable consideration such as demurrage and dispatch fees in the transaction price as it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Furthermore, for charter contracts, revenue is recognized based on the completed charter period, as performance obligations are satisfied over time.

(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 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 and others 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 and others 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

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.

(Significant Accounting Estimates)

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

Amount of shipping business revenue for voyages not completed by the end of the current fiscal year and other operating revenue

(Million yen)

Previous fiscal year	Current fiscal year
16,111	16,522

(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)

Not applicable.

(Change in presentation method)

Consolidated statement of income

"Compensation income" and "insurance claim income" under "non-operating income," which were presented separately in the previous fiscal year, are included in "other" under "non-operating income" from the current fiscal year due to a decrease in materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 39 million yen presented as "compensation income" and 137 million yen presented as "insurance claim income" under "non-operating income" in the consolidated statement of income for the previous fiscal year have been reclassified as "other" under "non-operating income."

Consolidated statement of cash flows

"Repayments of lease obligations," which was included in "other, net" under "cash flows from financing activities" in the previous fiscal year, is presented separately in the current fiscal year due to an increase in materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 349 million yen presented as "other, net" under "cash flows from financing activities" in the consolidated statements of cash flows for the previous fiscal year has been reclassified as "repayments of lease obligations" of 349 million yen.

(Consolidated Statement of Income)

*1 Revenue from contracts with customers

The Company does not disaggregate revenue from contracts with customers and revenue from other sources. The amount of revenue from contracts with customers is as presented in "1. Information on disaggregation of revenue from contracts with customers under [Notes to Consolidated Financial Statements], (Revenue Recognition)" in the consolidated financial statements.

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

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Provision for bonuses	220 million yen	252 million yen
Retirement benefit expenses	65	89
Provision for special repairs	2,673	4,466

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

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Write-down of inventories (reversal of write-downs)	(17) million yen	461 million yen

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

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Remuneration for directors (and other officers) and employee salaries	3,010 million yen	3,487 million yen
Depreciation and amortization	219	204
Provision of allowance for doubtful accounts	(1)	(1)
Provision for bonuses	408	506
Provision for bonuses for directors (and other officers)	68	59
Retirement benefit expenses	58	128

*5 Research and development expenses included in general and administrative expenses are as follows:

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Research and development expenses	10 million yen	32 million yen

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

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Vessels	2,344 million yen	332 million yen
Buildings	90	–
Land	61	–
Other	–	1
Total	2,495	332

*7 Impairment losses

In the current fiscal year, the Group recognized an impairment loss on the following asset group.

(1) Summary of asset group for which impairment loss was recognized

Usage	Type	Impairment loss
Cargo shipping	Vessels	994 million yen

(2) Circumstances

The book value of the vessel above was reduced to its recoverable amount due to deterioration in profitability.

(3) Method of grouping

Each vessel is considered as an individual asset group.

(4) Calculation method of recoverable amount

The recoverable value of the said vessel is measured by value in use, which is calculated by discounting future cash flows at a rate of 2.2%.

(Consolidated Statement of Comprehensive Income)

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

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Unrealized gains (losses) on securities:		
Gains (losses) incurred during the year	530 million yen	508 million yen
Reclassification adjustments to profit	–	–
Amount before tax effects	530	508
Tax effects	(68)	(111)
Unrealized gains (losses) on securities	462	397
Deferred gains (losses) on hedges:		
Gains (losses) incurred during the year	783	2,000
Reclassification adjustments to profit	1,245	(468)
Adjustments of asset acquisition cost	(48)	(1,757)
Amount before tax effects	1,980	(225)
Tax effects	(566)	64
Deferred gains (losses) on hedges	1,415	(161)
Foreign currency translation adjustment:		
Gains (losses) incurred during the year	(22)	(20)
Reclassification adjustments to profit	–	–
Foreign currency translation adjustment	(22)	(20)
Remeasurements of defined benefit plans, net of tax:		
Gains (losses) incurred during the year	(274)	(166)
Reclassification adjustments to profit	(137)	(68)
Amount before tax effects	(411)	(234)
Tax effects	117	67
Remeasurements of defined benefit plans, net of tax	(294)	(167)
Share of other comprehensive income of entities accounted for using equity method:		
Gains (losses) incurred during the year	46	50
Total of other comprehensive income (loss)	1,607	99

(Consolidated Statement of Changes in Net Assets)

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

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 28, 2021	Common stock	1,178	50.00	March 31, 2021	June 29, 2021
The Board of Directors meeting held on October 29, 2021	Common stock	2,239	95.00	September 30, 2021	December 6, 2021

(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, 2022	Common stock	4,478	Retained earnings	190.00	March 31, 2022	June 29, 2022

Current fiscal year (from April 1, 2022 to March 31, 2023)

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	–	405
Total	404	0	–	405

(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 28, 2022	Common stock	4,478	190.00	March 31, 2022	June 29, 2022
The Board of Directors meeting held on October 31, 2022	Common stock	4,006	170.00	September 30, 2022	December 5, 2022

(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, 2023	Common stock	4,595	Retained earnings	195.00	March 31, 2023	June 29, 2023

(Consolidated Balance Sheet)

*1 Accumulated depreciation of tangible fixed assets

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Accumulated depreciation of tangible fixed assets	129,851 million yen	149,094 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, 2022)	Current fiscal year (As of March 31, 2023)
Investment securities (shares)	713 million yen	774 million yen

*3 Assets pledged as collateral

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Vessels	129,504 million yen	111,258 million yen

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

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Short-term borrowings	12,698 million yen	16,106 million yen
Long-term borrowings	87,577	69,773

*4 Contingent liabilities

The Company has guaranteed the borrowings of unconsolidated companies from financial institutions.

The guarantee obligations cover funds for purchasing vessels by affiliated companies.

Guarantee obligations

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
SHINSHO SENPAKU KAISHA, LTD.	230 million yen	207 million yen

*5 Inventories

The breakdown of inventories is as follows:

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Raw materials and supplies	12,148 million yen	13,382 million yen

*6 Trade notes, accounts receivable, and contract assets

The amount of trade notes, accounts receivable, and contract assets from contracts with customers is as presented in "3. (1) Balances of contract assets and contract liabilities under [Notes to Consolidated Financial Statements], (Revenue Recognition)."

(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, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Cash and deposits	22,265 million yen	30,314 million yen
Time deposits whose deposit term is over three months	(50)	(50)
Securities with a maturity of three months or less from the date of acquisition	9,000	10,000
Cash and cash equivalents	31,215	40,264

(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 Losses)

No impairment loss was recognized on leased assets.

2. Operating lease transactions

Future lease payments for non-cancellable operating lease transactions

(Million yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Due within one year	1,055	891
Due after one year	1,243	399
Total	2,299	1,290

(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 12 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, 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 and others 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 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.

Previous fiscal year (as of March 31, 2022)

	Carrying amount on the consolidated balance sheet (*2) (Million yen)	Fair value (*2) (Million yen)	Difference (Million yen)
(1) Investment securities (*3)	2,980	2,980	–
(2) Long-term borrowings	[118,715]	[118,998]	(284)
(3) Derivative transactions (*4)	[327]	729	1,057

Current fiscal year (as of March 31, 2023)

	Carrying amount on the consolidated balance sheet (*2) (Million yen)	Fair value (*2) (Million yen)	Difference (Million yen)
(1) Investment securities (*3)	3,491	3,491	–
(2) Long-term borrowings	[100,187]	[100,168]	19
(3) Derivative transactions (*4)	[641]	[650]	(9)

(*1) "Cash and deposits," "trade notes and accounts receivable," "securities," "trade notes and accounts payable," and "short-term borrowings" are not presented as these items are cash and settled within a short period of time and their fair values are approximately equal to the carrying amounts.

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

(*3) Shares that do not have a market price are not included in (1) Investment securities. These financial instruments are recorded on the consolidated balance sheet as follows:

Classification	(Million yen)	
	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Shares of subsidiaries and affiliates	713	774
Other unlisted shares	252	154
Total	965	928

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

(Note 1) Scheduled redemption amounts of monetary receivables and securities with maturity dates after the fiscal year-end date

Previous fiscal year (as of March 31, 2022)

	Due within one year (Million yen)
Cash and deposits	22,263
Trade notes and accounts receivable	25,563
Total	47,827

Current fiscal year (as of March 31, 2023)

	Due within one year (Million yen)
Cash and deposits	30,312
Trade notes and accounts receivable	27,877
Total	58,189

(Note 2) Scheduled repayment amounts of short-term borrowings and long-term borrowings after the fiscal year-end date

Previous fiscal year (as of March 31, 2022)

	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	14,723	25,353	17,726	11,345	17,795	31,772
Total	15,323	25,353	17,726	11,345	17,795	31,772

Current fiscal year (as of March 31, 2023)

	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	19,085	18,492	11,631	18,411	7,896	24,671
Total	19,685	18,492	11,631	18,411	7,896	24,671

3. Fair value information by level within the fair value hierarchy

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

Level 1 fair value: Fair value determined by (unadjusted) market price of the identical assets or liabilities in active markets

Level 2 fair value: Fair value determined by using directly or indirectly observable inputs other than the inputs used for Level 1 fair value

Level 3 fair value: Fair value determined by using significant but unobservable inputs

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

(1) Financial instruments measured at fair value

Previous fiscal year (March 31, 2022)

(Million yen)

Classification	Fair value			Total
	Level 1	Level 2	Level 3	
Investment securities				
Other securities				
Shares	2,980	–	–	2,980
Derivatives				
Interest-related transactions	–	(1,107)	–	(1,107)
Currency-related transactions	–	1,077	–	1,077
Fuel oil-related transactions	–	751	–	751
Freight rate-related transactions	–	9	–	9

Current fiscal year (March 31, 2023)

(Million yen)

Classification	Fair value			Total
	Level 1	Level 2	Level 3	
Investment securities				
Other securities				
Shares	3,491	–	–	3,491
Derivatives				
Interest-related transactions	–	(541)	–	(541)
Currency-related transactions	–	(58)	–	(58)
Fuel oil-related transactions	–	(21)	–	(21)
Freight rate-related transactions	–	(30)	–	(30)

(2) Financial instruments other than those measured at fair value

Previous fiscal year (March 31, 2022)

(Million yen)

Classification	Fair value			Total
	Level 1	Level 2	Level 3	
Long-term borrowings	–	118,998	–	118,998

Current fiscal year (March 31, 2023)

(Million yen)

Classification	Fair value			Total
	Level 1	Level 2	Level 3	
Long-term borrowings	–	100,168	–	100,168

Note: A description of the valuation technique(s) and inputs used in the fair value measurements

Investment securities

Fair value of listed shares is based on quoted prices. As listed shares are traded in active markets, their fair value is classified as Level 1.

Derivative transactions

Fair value of derivative transactions is calculated based on amounts such as prices quoted by the counterparty financial institution, and is classified as Level 2.

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 loan 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 long-term borrowings include the current portion of long-term borrowings.

(Securities)

1. Held-to-maturity bonds

Previous fiscal year (as of March 31, 2022)

	Type	Carrying amount on the consolidated balance sheet (Million yen)	Acquisition cost (Million yen)	Difference (Million yen)
Bonds whose fair value exceeds their carrying amount on the consolidated balance sheet	(1) Government bonds/local government bonds	-	-	-
	(2) Corporate bonds	-	-	-
	(3) Others	-	-	-
	Subtotal	-	-	-
Bonds whose fair value does not exceed their carrying amount on the consolidated balance sheet	(1) Government bonds/local government bonds	-	-	-
	(2) Corporate bonds	-	-	-
	(3) Others	9,000	9,000	-
	Subtotal	9,000	9,000	-
Total		9,000	9,000	-

Current fiscal year (as of March 31, 2023)

	Type	Carrying amount on the consolidated balance sheet (Million yen)	Acquisition cost (Million yen)	Difference (Million yen)
Bonds whose fair value exceeds their carrying amount on the consolidated balance sheet	(1) Government bonds/local government bonds	-	-	-
	(2) Corporate bonds	-	-	-
	(3) Others	-	-	-
	Subtotal	-	-	-
Bonds whose fair value does not exceed their carrying amount on the consolidated balance sheet	(1) Government bonds/local government bonds	-	-	-
	(2) Corporate bonds	-	-	-
	(3) Others	10,000	10,000	-
	Subtotal	10,000	10,000	-
Total		10,000	10,000	-

2. Other securities

Previous fiscal year (as of March 31, 2022)

	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	2,980	1,382	1,598
	(2) Bonds	-	-	-
	(3) Others	-	-	-
	Subtotal	2,980	1,382	1,598
Securities whose carrying amount on the consolidated balance sheet does not exceed their acquisition cost	(1) Shares	-	-	-
	(2) Bonds	-	-	-
	(3) Others	-	-	-
	Subtotal	-	-	-
Total		2,980	1,382	1,598

Current fiscal year (as of March 31, 2023)

	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	3,491	1,389	2,103
	(2) Bonds	-	-	-
	(3) Others	-	-	-
	Subtotal	3,491	1,389	2,103
Securities whose carrying amount on the consolidated balance sheet does not exceed their acquisition cost	(1) Shares	-	-	-
	(2) Bonds	-	-	-
	(3) Others	-	-	-
	Subtotal	-	-	-
Total		3,491	1,389	2,103

3. Sales of other securities

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

Not applicable.

Current fiscal year (from April 1, 2022 to March 31, 2023)

Type	Proceeds from sales (Million yen)	Total gain on sales (Million yen)	Total loss on sales (Million yen)
(1) Shares	97	77	4
(2) Bonds			
1) Government bonds/local government bonds	-	-	-
2) Corporate bonds	-	-	-
3) Other bonds	-	-	-
(3) Others	-	-	-
Total	97	77	4

4. Impairment loss on securities

Previous fiscal year (as of March 31, 2022)

An impairment loss of 32 million yen (32 million yen for shares of other securities) was recognized.

Current fiscal year (as of March 31, 2023)

Not applicable.

(Derivative Transactions)

1. Derivative transactions for which hedge accounting is not applied

(1) Currency-related transactions

Previous fiscal year (as of March 31, 2022)

Not applicable.

Current fiscal year (as of March 31, 2023)

Classification	Transaction type	Contract amount (Million yen)	Of contract amount, transactions due over one year (Million yen)	Fair value (Million yen)	Gain or loss on valuation (Million yen)
Transactions other than market transactions	Forward exchange contracts Long position U.S. dollar	3,438	–	(50)	(50)
Total		3,438	–	(50)	(50)

(2) Other transactions

Previous fiscal year (as of March 31, 2022)

Classification	Transaction type	Contract amount (Million yen)	Of contract amount, 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	725	–	9	9
Total		725	–	9	9

Current fiscal year (as of March 31, 2023)

Classification	Transaction type	Contract amount (Million yen)	Of contract amount, 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	355	–	(30)	(30)
Total		355	–	(30)	(30)

2. Derivative transactions for which hedge accounting is applied

(1) Currency-related transactions

Previous fiscal year (as of March 31, 2022)

Hedge accounting method	Transaction type	Major hedged item	Contract amount (Million yen)	Of contract amount, transactions due over one year (Million yen)	Fair value (Million yen)
Principle method	Forward exchange contracts Short position U.S. dollar	Trade receivables	159	–	(4)
Allocation treatment for forward exchange contracts	Forward exchange contracts Long position U.S. dollar	Lease obligations	4,463	–	1,081
	Total		4,622	–	1,077

Current fiscal year (as of March 31, 2023)

Hedge accounting method	Transaction type	Major hedged item	Contract amount (Million yen)	Of contract amount, transactions due over one year (Million yen)	Fair value (Million yen)
Principle method	Forward exchange contracts Short position U.S. dollar	Trade receivables	253	–	0
	Long position U.S. dollar	Vessel purchase fund	3,104	–	(9)
	Total		3,358	–	(8)

(2) Interest-related transactions

Previous fiscal year (as of March 31, 2022)

Hedge accounting method	Transaction type	Major hedged item	Contract amount (Million yen)	Of contract amount, 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	45,222	40,291	(1,083)
Special treatment for interest rate swaps	Interest rate swap transactions Paying fixed interest/ Receiving floating interest	Interest on borrowings	5,908	5,410	(24)
	Total		51,130	45,701	(1,107)

Current fiscal year (as of March 31, 2023)

Hedge accounting method	Transaction type	Major hedged item	Contract amount (Million yen)	Of contract amount, 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	40,443	26,488	(532)
Special treatment for interest rate swaps	Interest rate swap transactions Paying fixed interest/ Receiving floating interest	Interest on borrowings	5,410	4,913	(9)
	Total		45,853	31,400	(541)

(3) Other transactions

Previous fiscal year (as of March 31, 2022)

Hedge accounting method	Transaction type	Major hedged item	Contract amount (Million yen)	Of contract amount, transactions due over one year (Million yen)	Fair value (Million yen)
Principle method	Fuel oil swap transactions	Fuel oil price	1,909	259	751
	Total		1,909	259	751

Current fiscal year (as of March 31, 2023)

Hedge accounting method	Transaction type	Major hedged item	Contract amount (Million yen)	Of contract amount, transactions due over one year (Million yen)	Fair value (Million yen)
Principle method	Fuel oil swap transactions	Fuel oil price	2,570	–	(21)
	Total		2,570	–	(21)

(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 for which the simplified method is applied)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Beginning balance of retirement benefit obligations	4,179 million yen	4,294 million yen
Service cost	266	281
Interest cost	25	27
Actuarial gains or losses	215	(109)
Retirement benefits paid	(392)	(247)
Ending balance of retirement benefit obligations	4,294	4,246

(2) Reconciliation between the beginning and ending balances of pension assets (excluding plans for which the simplified method is applied)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Beginning balance of pension assets	6,096 million yen	6,016 million yen
Expected return on plan assets	60	58
Actuarial gains or losses	(59)	(275)
Contributions by business owners	279	285
Retirement benefits paid	(361)	(220)
Ending balance of pension assets	6,016	5,864

(3) Reconciliation between the beginning and ending balances of retirement benefit liability of the plans for which the simplified method is applied

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Beginning balance of retirement benefit liability	105 million yen	111 million yen
Retirement benefit expenses	29	35
Retirement benefits paid	(3)	(4)
Contributions to the plans	(21)	(16)
Ending balance of retirement benefit liability	111	125

(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, 2022)	Current fiscal year (As of March 31, 2023)
Funded retirement benefit obligations	4,367 million yen	4,332 million yen
Pension assets	(6,016)	(5,864)
	(1,648)	(1,532)
Unfunded retirement benefit obligations	37	40
Net amount of liabilities and assets recorded in the consolidated balance sheet	(1,611)	(1,493)
Retirement benefit liability	131	147
Retirement benefit asset	(1,743)	(1,640)
Net amount of liabilities and assets recorded in the consolidated balance sheet	(1,611)	(1,493)

(Note) Plans for which the simplified method is applied are included.

(5) Amounts of retirement benefit expenses and their components

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Service cost	266 million yen	281 million yen
Interest cost	25	27
Expected return on plan assets	(60)	(58)
Amortization of actuarial gains or losses	(137)	(68)
Retirement benefit expenses calculated using the simplified method	29	35
Retirement benefit expenses for defined benefit plan	124	217

(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, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Actuarial gains or losses	(411) million yen	(234) million yen

(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, 2022)	Current fiscal year (As of March 31, 2023)
Unrecognized actuarial gains or losses	147 million yen	(86) million yen

(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, 2022)	Current fiscal year (As of March 31, 2023)
Bonds	48%	49%
Shares	22	20
Cash and deposits	19	20
Others	11	11
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, 2022)	Current fiscal year (As of March 31, 2023)
Discount rate	0.3 – 0.7%	0.3 – 0.7%
Long-term expected rate of return	0.1 – 1.5%	0.1 – 1.5%
Expected rate of salary increase	3.1 – 5.2%	2.8 – 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, 2022)	Current fiscal year (As of March 31, 2023)
Deferred tax assets		
Allowance for doubtful accounts	9 million yen	4 million yen
Provision for bonuses	200	239
Retirement benefit liability	78	82
Loss on valuation of securities	509	509
Accrued enterprise tax	55	68
Depreciation and amortization	33	22
Provision for special repairs	959	1,702
Deferred gains (losses) on hedges	328	197
Loss on cancellation of chartered vessels	247	124
Tax loss carryforwards (Note)	24	23
Impairment losses	1,114	1,315
Other	1,080	1,211
Subtotal deferred tax assets	4,635	5,497
Valuation allowance for tax loss carryforwards (Note)	–	(21)
Valuation allowance for total future deductible temporary differences and others	(1,678)	(1,544)
Subtotal valuation allowance	(1,678)	(1,565)
Total deferred tax assets	2,958	3,931
Deferred tax liabilities		
Reserve for special depreciation	266	188
Retirement benefit asset	496	534
Reserve for tax purpose reduction entry of fixed assets	29	25
Retained income of specified foreign subsidiary companies	798	348
Unrealized gains (losses) on securities	187	300
Other	246	43
Total deferred tax liabilities	2,022	1,438
Net deferred tax assets	936	2,493

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

Previous fiscal year (as of March 31, 2022)
Description is omitted due to immateriality.

Current fiscal year (as of March 31, 2023)
Description is omitted due to immateriality.

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

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Effective statutory tax rate	28.55%	28.55%
(Reconciliations)		
Entertainment and other expenses not deductible for income tax purposes	0.17	0.22
Non-taxable income such as dividend income	(0.03)	(0.05)
Change in valuation allowance	(1.17)	(0.34)
Deductible expenses related to revenues from Japanese vessels	(8.94)	(12.45)
Difference of effective statutory tax rate applicable to the Company and its consolidated subsidiaries	0.13	0.08
Per capita inhabitant tax	0.05	0.05
Other	0.11	(0.06)
Effective income tax rate	18.87	16.00

(Asset Retirement Obligations)

Previous fiscal year (as of March 31, 2022)
Description is omitted due to immateriality.

Current fiscal year (as of March 31, 2023)
Description is omitted due to immateriality.

(Revenue Recognition)

1. Information on disaggregation of revenue from contracts with customers

Information on disaggregation of revenue from contracts with customers is as presented in "Notes to Consolidated Financial Statements (Segment Information)."

2. Useful information in understanding revenue from contracts with customers

Useful information in understanding revenue is as presented in "(6) Standards for recording significant revenue and expenses under 3. Accounting policies in Notes (Basis for the Preparation of the Consolidated Financial Statements) to (1) Consolidated Financial Statements in 1. Consolidated Financial Statements and Supplementary Schedules."

3. Balances of contract liabilities and the transaction price allocated to the remaining performance obligations

(1) Balances of contract assets and contract liabilities

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Receivables from contracts with customers (beginning balance)	17,318	25,563
Receivables from contracts with customers (ending balance)	25,563	27,877
Contract assets (beginning balance)	2,461	3,520
Contract assets (ending balance)	3,520	4,420
Contract liabilities (beginning balance)	2,582	3,288
Contract liabilities (ending balance)	3,288	4,797

(Million yen)

(2) Transaction price allocated to the remaining performance obligations

The Company and its subsidiaries have applied the practical expedient to the notes on transaction prices allocated to the remaining performance obligations. Contracts with an original expected duration of one year or less and transactions in which revenue from the satisfaction of performance obligations is recognized as the invoice amount are not presented.

(Segment Information)
[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 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, and information on disaggregation of revenue

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

	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							
Revenues from contracts with customers	172,219	23,722	195,941	–	195,941	–	195,941
Sales to external customers	172,219	23,722	195,941	–	195,941	–	195,941
Intersegment sales or transfers	–	7	7	366	373	(373)	–
Total	172,219	23,728	195,947	366	196,313	(373)	195,941
Segment profit	24,935	1,772	26,706	1	26,707	4	26,711
Segment assets	243,258	31,465	274,723	213	274,936	(65)	274,871
Other items							
Depreciation and amortization	15,281	2,385	17,666	2	17,668	–	17,668
Investment in equity-method affiliates	435	–	435	–	435	–	435
Increase in tangible fixed assets and intangible fixed assets	4,734	823	5,557	10	5,567	–	5,567

- (Notes) 1. The "Others" segment includes information services and other services.
2. The adjustment of 4 million yen for segment profit is elimination of intersegment transactions.
3. The adjustment of (65) 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, 2022 to March 31, 2023)

	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							
Revenues from contracts with customers	224,069	26,756	250,825	–	250,825	–	250,825
Sales to external customers	224,069	26,756	250,825	–	250,825	–	250,825
Intersegment sales or transfers	–	14	14	371	385	(385)	–
Total	224,069	26,771	250,840	371	251,211	(385)	250,825
Segment profit (loss)	30,082	2,427	32,509	(25)	32,484	3	32,487
Segment assets	245,013	30,613	275,626	221	275,847	(63)	275,784
Other items							
Depreciation and amortization	15,566	2,258	17,824	4	17,828	–	17,828
Investment in equity-method affiliates	496	–	496	–	496	–	496
Increase in tangible fixed assets and intangible fixed assets	6,102	225	6,327	2	6,329	–	6,329

- (Notes) 1. The "Others" segment includes information services and other services.
2. The adjustment of 3 million yen for segment profit (loss) is elimination of intersegment transactions.
3. The adjustment of (63) million yen for segment assets is elimination of intersegment transactions.
4. Segment profit (loss) is reconciled to operating income recorded in the consolidated statement of income.

[Related information]

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

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

(Million yen)								
Japan	Australia	Brazil	Asia (excluding Japan)	North America/ South America (excluding Brazil)	Europe	Middle East	Others	Total
46,689	64,822	19,109	18,171	34,934	3,404	372	8,442	195,941

(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

(Million yen)		
Name of customer	Revenues	Relevant segment
NIPPON STEEL CORPORATION	90,111	International shipping business, coastal shipping business

Current fiscal year (from April 1, 2022 to March 31, 2023)

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

(Million yen)

Japan	Australia	Brazil	Asia (excluding Japan)	North America/South America (excluding Brazil)	Europe	Middle East	Others	Total
65,411	86,653	18,742	22,619	43,707	1,493	444	11,756	250,825

(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

(Million yen)

Name of customer	Revenues	Relevant segment
NIPPON STEEL CORPORATION	118,267	International shipping business, coastal shipping business

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

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

Not applicable.

Current fiscal year (from April 1, 2022 to March 31, 2023)

(Million yen)

	International shipping business	Coastal shipping business	Others	Corporate / elimination	Total
Impairment losses	–	994	–	–	994

[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, 2021 to March 31, 2022)

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

Type	Name of company	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 of steel products	[Held] Direct: 33.41%	Transportation of steel raw materials and products Concurrent Directors Transfer of Directors	(Business transactions) Transportation of steel raw materials and products	79,995	Trade accounts receivable	10,860
									Trade accounts payable	674

(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.

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

Type	Name of company	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 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	9,224	Trade accounts receivable	2,653
									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.

Current fiscal year (from April 1, 2022 to March 31, 2023)

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

Type	Name of company	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 of steel products	[Held] Direct: 33.44%	Transportation of steel raw materials and products Concurrent Directors Transfer of Directors	(Business transactions) Transportation of steel raw materials and products	106,317	Trade accounts receivable	13,519
									Trade accounts payable	221

(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.

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

Type	Name of company	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 of steel products	[Held] Indirect: 100.00%	Transportation of steel raw materials and products	(Business transactions) Transportation of steel raw materials and products	11,014	Trade accounts receivable	3,585
									Trade accounts payable	69

(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.

(Per Share Information)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Net assets per share	5,015.17 yen	5,830.65 yen
Net income per share	1,000.67 yen	1,171.29 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, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Profit attributable to owners of parent (Million yen)	23,582	27,603
Amounts not attributable to shareholders of common stock (Million yen)	–	–
Profit attributable to owners of parent pertaining to common stock (Million yen)	23,582	27,603
Average number of shares during the year (Shares)	23,566,487	23,566,186

(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	600	0.31	–
Current portion of long-term borrowings	14,723	19,085	0.96	–
Current portion of lease obligations	4,380	–	–	–
Long-term borrowings (excluding current portion)	103,991	81,102	1.27	September 2035
Lease obligations (excluding current portion)	–	–	–	–
Total	123,695	100,787	–	–

(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	18,492	11,631	18,411	7,896

[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)	62,312	130,836	196,863	250,825
Profit before income taxes (Million yen)	13,188	24,206	30,810	32,860
Profit attributable to owners of parent (Million yen)	10,498	19,426	25,358	27,603
Net income per share (Yen)	445.45	824.33	1,076.02	1,171.29

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Net income per share (Yen)	445.45	378.87	251.69	95.27

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, 2023, 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, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

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.

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 Company) group records shipping business revenue for voyages based on 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 250,825 million yen recorded for the fiscal year ended March 31, 2023, shipping business revenue for voyages that were not completed by the end of the fiscal year ended March 31, 2023 was 16,522 million yen, with revenue attributable to the Company accounting for 16,392 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 determined based on estimates of the total number of voyage days (total of 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 estimated total number of voyage days.</p> <p>Estimates of the total number of voyage days are changed in accordance with factors such as 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 subjective judgment. Therefore, we have determined the Company's 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"> • Regarding estimates of the total number of voyage days for voyages that were not completed as of March 31, 2023, we considered the consistency of estimates of the total number of voyage days with the calculated number of voyage days by shipping route and sailing speeds and with days in ports based on information, including information on port congestion, obtained from local 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 days in ports to berthing periods stipulated in contracts and port information obtained from local shipping agents. • 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, 2023 up until the date of submission of the auditor's report or the revised estimate based on the latest information to the estimated total 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.

Other Information

The other information comprises the information included in the Annual Report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's reporting process of the other information.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, 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 consolidated 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

September 13, 2023

Katsuya Ishida
Designated Engagement Partner
Certified Public Accountant

Koki Yamamoto
Designated Engagement Partner
Certified Public Accountant

Memo

Memo