

Financial Statements (FY2022)

- 01 Consolidated Balance Sheets
- 03 Consolidated Statements of Income and
Consolidated Statements of Comprehensive Income
- 04 Consolidated Statements of Changes in Net Assets
- 05 Consolidated Statements of Cash Flows
- 06 Notes to Consolidated Financial Statements
- 36 Independent Auditor's Report

Consolidated Balance Sheets

Mitsui O.S.K. Lines, Ltd. March 31, 2023 and 2022

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Current assets:			
Cash and deposits (Notes 3 and 18)	¥ 93,961	¥ 99,878	\$ 703,669
Trade receivables (Notes 3 and 13)	124,134	109,891	929,633
Contract assets (Note 13)	8,329	15,601	62,375
Marketable securities (Note 4)	500	1,000	3,744
Inventories (Note 5)	50,787	46,085	380,341
Deferred and prepaid expenses	26,820	21,545	200,853
Other current assets (Notes 3 and 6)	135,669	58,748	1,016,018
Allowance for doubtful accounts	(1,662)	(1,298)	(12,446)
Total current assets	438,541	351,452	3,284,213
Vessels, property and equipment, net of accumulated depreciation (Notes 7 and 12):			
Vessels (Note 10)	708,682	632,105	5,307,286
Buildings and structures	132,943	127,954	995,603
Machinery, equipment and vehicles	25,227	25,290	188,923
Furniture and fixtures	5,585	5,529	41,825
Land (Note 10)	299,710	254,594	2,244,514
Vessels and other property under construction	162,234	59,988	1,214,962
Others	7,856	5,688	58,833
Net vessels, property and equipment	1,342,240	1,111,152	10,051,973
Investments, intangibles and other assets:			
Intangible assets (Note 10)	36,739	36,624	275,136
Investment securities (Notes 3, 4 and 7)	1,430,873	978,848	10,715,741
Long-term loans receivable (Note 3)	116,893	110,104	875,406
Long-term prepaid expenses	8,550	8,562	64,030
Net defined benefit assets (Note 16)	20,987	18,957	157,170
Deferred tax assets (Note 15)	2,058	1,217	15,412
Other non-current assets (Note 6)	191,173	93,343	1,431,685
Allowance for doubtful accounts	(23,811)	(23,562)	(178,319)
Total investments, intangibles and other assets	1,783,465	1,224,096	13,356,286
Total assets	¥3,564,247	¥2,686,701	\$26,692,481

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
LIABILITIES AND NET ASSETS			
Current liabilities:			
Trade payables (Note 3)	¥ 99,872	¥ 96,034	\$ 747,936
Bonds due within one year (Notes 3 and 7)	30,000	23,700	224,668
Short-term bank loans (Notes 3 and 7)	339,354	192,170	2,541,406
Commercial paper (Notes 3 and 7)	80,000	8,000	599,116
Accrued income taxes (Note 15)	6,979	8,624	52,265
Advances received	2,493	2,188	18,669
Contract liabilities (Note 13)	31,006	23,125	232,202
Provision for bonuses	11,660	9,433	87,321
Provision for directors' bonuses	829	660	6,208
Provision for share-based payments	113	184	846
Provision for contract loss	4,700	11,036	35,198
Provision for loss on sales and disposals of vessels, property, equipment and others	-	1,431	-
Other current liabilities (Note 6)	62,165	37,414	465,550
Total current liabilities	669,176	414,002	5,011,428
Non-current liabilities:			
Bonds due after one year (Notes 3 and 7)	159,500	189,500	1,194,488
Long-term bank loans (Notes 3 and 7)	524,801	575,101	3,930,210
Lease obligations	17,509	10,803	131,124
Deferred tax liabilities (Note 15)	84,870	74,516	635,587
Net defined benefit liabilities (Note 16)	9,188	9,355	68,808
Provision for share-based payments	605	354	4,530
Directors' and corporate auditors' retirement benefits	750	1,485	5,616
Provision for periodic drydocking	19,078	15,836	142,874
Provision for loss on guarantees	1,535	-	11,495
Provision for contract loss	7,057	11,057	52,849
Other non-current liabilities (Note 6)	132,552	49,822	992,675
Total non-current liabilities	957,449	937,832	7,170,291
Total liabilities	1,626,626	1,351,835	12,181,726
Commitments and contingent liabilities (Note 8)			
Net assets (Note 9):			
Owners' equity			
Common stock at March 31, 2023;			
Authorized — 946,200,000 shares			
Issued — 362,010,900 shares	65,589	65,400	491,192
Capital surplus	-	23,090	-
Retained earnings	1,571,582	1,091,250	11,769,504
Treasury stock, at cost	(558)	(2,267)	(4,178)
Total owners' equity	1,636,614	1,177,474	12,256,526
Accumulated other comprehensive income			
Unrealized holding gains on available-for-sale securities, net of tax	32,472	34,010	243,181
Unrealized gains on hedging derivatives, net of tax	77,590	27,161	581,067
Foreign currency translation adjustments	171,647	29,232	1,285,456
Remeasurements of defined benefit plans, net of tax	7,021	6,691	52,579
Total accumulated other comprehensive income	288,732	97,095	2,162,300
Share option	550	781	4,118
Non-controlling interests	11,724	59,514	87,800
Total net assets	1,937,621	1,334,866	14,510,754
Total liabilities and net assets	¥3,564,247	¥2,686,701	\$26,692,481

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
(Consolidated Statements of Income)			
Shipping and other revenues (Notes 13 and 14)	¥1,611,984	¥1,269,310	\$12,072,073
Shipping and other expenses	1,376,504	1,117,405	10,308,574
Gross operating income	235,479	151,905	1,763,491
Selling, general and administrative expenses	126,770	96,899	949,374
Operating income	108,709	55,005	814,116
Non-operating income:			
Interest income	14,473	6,940	108,387
Dividend income	7,824	8,239	58,593
Equity in earnings of affiliated companies	668,435	657,375	5,005,878
Foreign exchange gain	23,700	7,080	177,488
Others	11,990	3,581	89,792
Total non-operating income	726,423	683,217	5,440,148
Non-operating expenses:			
Interest expense	17,268	11,392	129,319
Provision of allowance for doubtful accounts	3,019	1,080	22,609
Others	3,255	3,971	24,376
Total non-operating expenses	23,543	16,443	176,312
Ordinary income	811,589	721,779	6,077,952
Other gains:			
Gain on sales of vessels, property, equipment and others	9,884	13,414	74,020
Gain on sales of investment securities	13,968	4,855	104,605
Others	2,162	5,521	16,191
Total other gains	26,014	23,791	194,817
Other losses:			
Loss on sales and disposals of vessels, property, equipment and others	225	649	1,685
Loss on valuation of investment securities	-	2,308	-
Provision for loss on sales and disposals of vessels, property, equipment and others	-	1,431	-
Impairment losses (Note 10)	4,008	125	30,015
Loss related to business restructuring	-	2,299	-
Settlement payments (Note 23)	5,300	-	39,691
Others	8,909	5,763	66,719
Total other losses	18,444	12,577	138,126
Income before income taxes	819,160	732,993	6,134,651
Income taxes (Note 15):			
Current	14,729	12,846	110,304
Deferred	6,187	5,993	46,334
Net income	798,242	714,154	5,977,997
Income attributable to non-controlling interests	2,182	5,335	16,340
Income attributable to owners of parent	¥ 796,060	¥ 708,819	\$ 5,961,656

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
(Consolidated Statements of Comprehensive Income)			
Net income	¥798,242	¥714,154	\$5,977,997
Other comprehensive income (Note 19):			
Unrealized holding gains on available-for-sale securities, net of tax	(1,548)	4,626	(11,592)
Unrealized gains on hedging derivatives, net of tax	7,487	9,102	56,069
Foreign currency translation adjustments	36,025	16,924	269,789
Remeasurements of defined benefit plans, net of tax	329	(845)	2,463
Share of other comprehensive income of associates accounted for using equity method	151,908	32,989	1,137,631
	194,202	62,797	1,454,369
Comprehensive income	¥992,444	¥776,951	\$7,432,367
Comprehensive income attributable to owners of parent	¥987,697	¥767,958	\$7,396,817
Comprehensive income attributable to non-controlling interests	4,747	8,993	35,550

	Yen		U.S. dollars (Note 1)
	2023	2022	2023
(Amounts per share of common stock)			
Net income	¥2,204.04	¥1,970.16	\$16.50
Diluted net income (Note 2)	2,196.51	1,960.97	16.44
Cash dividends applicable to the year	560.00	1,200.00	4.19

See accompanying notes.

*1 The Company split its common share on the basis of one (1) share into three (3) shares effective April 1, 2022.

Accordingly, net income per share and diluted net income per share are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year ended March 31, 2022.

Consolidated Statements of Changes in Net Assets

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2023 and 2022

	Millions of yen										
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gains on available-for-sale securities, net of tax	Unrealized gains on hedging derivatives, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax	Share option	Non-controlling interests	Total net assets
Balance at April 1, 2021	¥65,400	¥ 45,351	¥ 435,589	¥(6,515)	¥29,917	¥ 5,150	¥ (4,653)	¥7,541	¥1,347	¥120,020	¥ 699,150
Cumulative effects of changes in accounting policies	-	-	349	-	-	-	-	-	-	-	349
Restated balance	¥65,400	¥ 45,351	¥ 435,939	¥(6,515)	¥29,917	¥ 5,150	¥ (4,653)	¥7,541	¥1,347	¥120,020	¥ 699,500
Exercise of subscription rights to shares	-	-	-	657	-	-	-	-	(657)	-	-
Dividends paid	-	-	(52,137)	-	-	-	-	-	-	-	(52,137)
Net income attributable to owners of parent	-	-	708,819	-	-	-	-	-	-	-	708,819
Due to change in consolidated subsidiaries	-	-	(3)	-	-	-	-	-	-	-	(3)
Purchases of treasury stock	-	-	-	(97)	-	-	-	-	-	-	(97)
Disposal of treasury stock	-	-	(1,366)	3,687	-	-	-	-	-	-	2,321
Purchases of shares of consolidated subsidiaries	-	(22,260)	-	-	-	-	-	-	-	-	(22,260)
Net changes of items other than owner's equity during the year	-	-	-	-	4,092	22,011	33,885	(850)	91	(60,505)	(1,274)
Balance at March 31 and April 1, 2022	¥65,400	¥ 23,090	¥ 1,091,250	¥(2,267)	¥34,010	¥27,161	¥ 29,232	¥6,691	¥ 781	¥ 59,514	¥1,334,866
Issuance of new shares	189	189	-	-	-	-	-	-	-	-	378
Exercise of subscription rights to shares	-	-	-	225	-	-	-	-	(225)	-	-
Dividends paid	-	-	(216,639)	-	-	-	-	-	-	-	(216,639)
Net income attributable to owners of parent	-	-	796,060	-	-	-	-	-	-	-	796,060
Due to changes in scope of consolidation and equity method	-	-	(341)	-	-	-	-	-	-	-	(341)
Purchases of treasury stock	-	-	-	(56)	-	-	-	-	-	-	(56)
Disposal of treasury stock	-	-	(686)	1,540	-	-	-	-	-	-	853
Purchases of shares of consolidated subsidiaries	-	(121,340)	-	-	-	-	-	-	-	-	(121,340)
Transfer from retained earnings to capital surplus	-	98,060	(98,060)	-	-	-	-	-	-	-	-
Net changes of items other than owner's equity during the year	-	-	-	-	(1,537)	50,429	142,415	329	(5)	(47,790)	143,839
Balance at March 31, 2023	¥65,589	-	¥1,571,582	¥ (558)	¥32,472	¥77,590	¥171,647	¥7,021	¥ 550	¥ 11,724	¥1,937,621

	Thousands of US dollars (Note 1)										
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gains on available-for-sale securities, net of tax	Unrealized gains on hedging derivatives, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax	Share option	Non-controlling interests	Total net assets
Balance at April 1, 2022	\$489,777	\$ 172,919	\$ 8,172,320	\$(16,977)	\$254,699	\$203,407	\$ 218,917	\$50,108	\$ 5,848	\$ 445,697	\$ 9,996,749
Issuance of new shares	1,415	1,415	-	-	-	-	-	-	-	-	2,830
Exercise of subscription rights to shares	-	-	-	1,685	-	-	-	-	(1,685)	-	-
Dividends paid	-	-	(1,622,399)	-	-	-	-	-	-	-	(1,622,399)
Net income attributable to owners of parent	-	-	5,961,656	-	-	-	-	-	-	-	5,961,656
Due to changes in scope of consolidation and equity method	-	-	(2,553)	-	-	-	-	-	-	-	(2,553)
Purchases of treasury stock	-	-	-	(419)	-	-	-	-	-	-	(419)
Disposal of treasury stock	-	-	(5,137)	11,532	-	-	-	-	-	-	6,388
Purchases of shares of consolidated subsidiaries	-	(908,709)	-	-	-	-	-	-	-	-	(908,709)
Transfer from retained earnings to capital surplus	-	734,366	(734,366)	-	-	-	-	-	-	-	-
Net changes of items other than owner's equity during the year	-	-	-	-	(11,510)	377,660	1,066,539	2,463	(37)	(357,897)	1,077,203
Balance at March 31, 2023	\$491,192	-	\$11,769,504	\$(4,178)	\$243,181	\$581,067	\$1,285,456	\$52,579	\$ 4,118	\$ 87,800	\$14,510,754

See accompanying notes.

Consolidated Statements of Cash Flows

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Cash flows from operating activities:			
Income before income taxes	¥ 819,160	¥ 732,993	\$ 6,134,651
Adjustments to reconcile income before income taxes to net cash provided by operating activities			
Depreciation and amortization	94,660	86,399	708,904
Provision for loss on sales and disposals of vessels, property, equipment and others	-	1,431	-
Impairment losses	4,008	125	30,015
Loss related to business restructuring	-	2,299	-
Settlement payments	5,300	-	39,691
Equity in losses (earnings) of affiliated companies, net	(668,435)	(657,375)	(5,005,878)
Various provisions (reversals)	(5,729)	(9,792)	(42,904)
Interest and dividend income	(22,297)	(15,180)	(166,981)
Interest expense	17,268	11,392	129,319
Loss (gain) on sales of investment securities	(13,476)	(4,855)	(100,921)
Loss (gain) on valuation of investment securities	-	2,308	-
Loss (gain) on sale and retirement of non-current assets	(9,008)	(12,412)	(67,460)
Foreign exchange loss (gain)	(16,720)	(8,369)	(125,215)
Changes in operating assets and liabilities:			
Trade receivables	(7,774)	(20,353)	(58,219)
Contract assets	7,612	(15,601)	57,005
Inventories	(3,896)	(16,095)	(29,176)
Trade payables	318	21,033	2,381
Others, net	(7,134)	(14,449)	(53,426)
Sub total	193,855	83,495	1,451,771
Interest and dividend income received	393,108	242,193	2,943,967
Interest expenses paid	(17,608)	(11,560)	(131,865)
Income taxes paid	(19,430)	(6,490)	(145,510)
Net cash provided by (used in) operating activities	549,925	307,637	4,118,362
Cash flows from investing activities:			
Purchase of investment securities	(28,568)	(75,939)	(213,944)
Proceeds from sales and redemption of investment securities	19,961	23,213	149,487
Purchase of vessels, property and equipment and intangible assets	(266,531)	(112,337)	(1,996,038)
Proceeds from sales of vessels, property and equipment and intangible assets	36,050	52,089	269,976
Disbursements for long-term loans receivables	(27,433)	(19,350)	(205,444)
Collections of long-term loans receivables	8,526	22,295	63,850
Others, net	(24,001)	2,578	(179,742)
Net cash provided by (used in) investing activities	(281,995)	(107,450)	(2,111,847)
Cash flows from financing activities:			
Net increase (decrease) in short-term bank loans	129,297	45,265	968,299
Net increase (decrease) in commercial paper	72,000	(32,000)	539,204
Proceeds from long-term bank loans	76,397	165,205	572,133
Repayments of long-term bank loans	(151,985)	(254,696)	(1,138,208)
Proceeds from issuance of bonds	-	50,000	-
Redemption of bonds	(23,700)	(17,800)	(177,488)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(166,094)	(84,725)	(1,243,870)
Cash dividends paid by the Company	(216,094)	(51,996)	(1,618,317)
Cash dividends paid to non-controlling interests	(2,465)	(3,613)	(18,460)
Others, net	936	(7,422)	7,009
Net cash provided by (used in) financing activities	(281,709)	(191,784)	(2,109,705)
Effect of foreign exchange rate changes on cash and cash equivalents	7,655	5,295	57,327
Net increase (decrease) in cash and cash equivalents	(6,124)	13,698	(45,862)
Cash and cash equivalents at the beginning of the year	97,135	83,436	727,439
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	37	-	277
Cash and cash equivalents at the end of the year (Note 18)	¥ 91,047	¥ 97,135	\$ 681,846

See accompanying notes.

Notes to Consolidated Financial Statements

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2023 and 2022

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (together "Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The accounts of overseas subsidiaries are made revisions according to ASBJ PITF No.18.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of Mitsui O.S.K. Lines, Ltd. (hereinafter referred to as the "Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Some supplementary information included in the statutory

Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Translations of millions of Japanese yen into thousands of U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2023, which was ¥133.53 to U.S. \$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Yen figures less than a million yen are rounded down to the nearest million yen, except for per share data. U.S. dollar figures less than a thousand dollars are rounded down to the nearest thousand dollars, except for per share data. And, therefore, the totals shown in tables do not necessarily agree with the sums of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and 385 subsidiaries for the year ended March 31, 2023 (373 subsidiaries for the year ended March 31, 2022). Since the fiscal year ended March 31, 2023, 30 companies have been newly included in the scope of consolidation due to new establishment, the increase in materiality and other reasons. 20 companies have been excluded from the scope of consolidation due to liquidation and other reasons. 2 companies have been changed from affiliated companies accounted for using the equity method to consolidated subsidiaries due to share acquisition. All significant inter-company balances, transactions and all material unrealized profit within the consolidated group have been eliminated in consolidation.

Investments in unconsolidated subsidiaries and affiliated companies are accounted for by the equity method. Companies accounted for using the equity method include 2 unconsolidated subsidiaries and 122 affiliated companies for the year ended March 31, 2023 (2 unconsolidated subsidiaries and 125 affiliated companies for the year ended March 31, 2022). Since the year ended March 31, 2023, 1 company has been newly included in the scope of companies accounted for using the equity method due to the increase in materiality. 2 companies have been excluded from the scope of companies accounted for using equity method due to liquidation and other reasons. 2 companies have been changed from affiliated companies accounted for using the equity method to consolidated subsidiaries due to share acquisition. Investments in other subsidiaries and affiliated companies were stated at cost since total revenues, total assets, the Company's equity in net income and retained earnings and others in such companies were not material.

The difference between acquisition cost and net assets acquired is treated as goodwill and amortized by the straight-line method over the estimated period of its effect.

Amortized amount is included in "Selling, general and administrative expenses" of the consolidated statements of income.

(2) TRANSLATION OF FOREIGN CURRENCY

Revenues earned and expenses incurred in currencies other than Japanese yen of the Company and its subsidiaries keeping their books in Japanese yen are translated into Japanese yen either at a monthly exchange rate or at the rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in currencies other than Japanese yen are translated into yen at the exchange rate prevailing at the balance sheet date.

Subsidiaries keeping their books in a currency other than Japanese yen translate the revenues and expenses and assets and liabilities in foreign currencies into the currency used for financial reporting in accordance with accounting principles generally accepted in their respective countries.

All the items in financial statements of subsidiaries, which are stated in currencies other than Japanese yen, were translated into Japanese yen at the year-end exchange rate, except for owners' equity which is translated at historical rates. Translation differences arising from the application of more than one exchange rate are presented as foreign currency translation adjustments in the net assets section of the consolidated balance sheets.

(3) CASH AND CASH EQUIVALENTS

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(4) FREIGHT REVENUES AND RELATED EXPENSES

The Company and its consolidated subsidiaries (hereinafter referred to as the "Group") mainly provides services such as maritime cargo transport, charter contracts, and other services related to the operation of seafaring vessels.

In maritime cargo transport services, each voyage for the purpose of transporting customers' cargo is deemed to be a contract and a performance obligation. Considering that this performance obligation is satisfied over the duration of a voyage as the number of days spent on

the voyage elapses, the Company measures progress as the number of days until the end of the fiscal year relative to the estimated total number of days expected for each voyage (including the duration of ballast voyages related to performance of transport services, excluding the duration of travel or standby of vessels not intended for performance of transportation services), and revenue is recognized based on this progress. The Company includes the amount of variable consideration related to adjustment of fuel costs, surcharges for demurrage/dispatch, and etc., in transaction prices because it is highly unlikely that any significant reversals in the cumulative amount of revenue recognized will occur when the uncertainty associated with the variable consideration is subsequently resolved.

In charter services, the provision of transport services by vessels with complete transport capabilities through the assignment of captains, crew members, etc. is deemed to be a performance obligation. Considering that this performance obligation is satisfied by providing transport services over the duration of a contract, revenue is recognized at the amount that the Company is entitled to charge customers for the services rendered in accordance with Paragraph 19 of the "Implementation Guidance on Accounting Standard for Revenue Recognition."

While the Company may receive consideration for certain maritime cargo transport and charter-related transactions immediately upon the satisfaction of a performance obligations, the Company receives consideration in advance for amounts prescribed in the relevant contract. This transaction price does not include any significant financing components.

Certain consolidated subsidiaries involved in Car Carriers, Terminal and Logistics, Ferries and Coastal RoRo ships business provide services such as air and sea forwarding and land transport, and revenue is mainly recognized over the duration of transportation period.

(5) SECURITIES

Securities are classified into (a) securities held for trading purposes (hereafter referred to as "trading securities"), (b) debt securities intended to be held to maturity (hereafter referred to as "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, or (d) for all other securities that are not classified in any of the above categories (hereafter referred to as "available-for-sale securities").

Trading securities are stated at fair market value. Unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. Held-to-maturity debt securities are stated at amortized cost, net of the amount considered not collectible. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities without market value that are other than shares and etc. are stated at fair market values, and the corresponding unrealized holding gains or losses, net of applicable income taxes, are reported as separate component of net assets. Available-for-sale securities without market value that are other than shares and etc. are stated at moving-average cost. Contributions in the investment limited partnership (which are deemed to be securities pursuant to Article 2, Paragraph 2 of the Financial Instruments and

Exchange Act) are valued at the net amount proportionate to equity interests based on the financial statements for the most recent fiscal year available depending on the reporting date stipulated in the partnership agreement.

(6) INVENTORIES

Inventories are stated principally at cost determined by first-in first-out method (with regard to the book value of inventories on the balance sheet, by writing the inventories down based on their decrease in profitability of assets).

(7) DEPRECIATION AND AMORTIZATION

Depreciation of vessels and buildings is computed mainly by the straight-line method. Depreciation of other property and equipment is computed mainly by the declining-balance method. Amortization of intangible assets is computed by the straight-line method. Computer software is amortized by the straight-line method based principally on the length of period it can be used internally (five years).

Depreciation of finance lease that transfer ownership to lessees is computed mainly by the identical to depreciation method applied to self-owned non-current assets. Depreciation of finance lease that do not transfer ownership to lessees is computed mainly by straight-line method on the assumption that the lease term is the useful life and an estimated residual is zero.

(8) AMORTIZATION OF BOND ISSUE EXPENSES AND STOCK ISSUE EXPENSES

Bond issue expenses and stock issue expenses are charged to expenses as incurred.

(9) INTEREST CAPITALIZATION

In cases where a vessel's construction period is long and the amount of interest accruing during this period is significant, such interest expenses are capitalized as a part of the acquisition cost which amounted to ¥1,168 million (\$8,747 thousand) for the year ended March 31, 2023 (¥172 million for the year ended March 31, 2022).

(10) ALLOWANCE FOR DOUBTFUL ACCOUNTS

Allowance for doubtful accounts is provided in an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual percentage of the Company's collection losses.

(11) PROVISION FOR BONUSES

Provision for bonuses to employees is based on the estimated amount of future payments attributed to the fiscal year.

(12) PROVISION FOR DIRECTORS' BONUSES

The Company and several domestic consolidated subsidiaries record provision for bonuses to directors based on the estimated amount of future payments.

(13) PROVISION FOR SHARE-BASED PAYMENTS

The Company records provision for granting Company stock, etc. to eligible directors and executive officers under the performance based stock compensation plan based on the estimated number of shares, etc. granted at the end of the fiscal year.

(14) PROVISION FOR LOSS ON GUARANTEES

The Company recognizes provision for loss on guarantees based on consideration of the financial conditions of guaranteed parties to prepare for loss on guarantees.

(15) PROVISION FOR CONTRACT LOSS

The Company recognizes provision for contract loss to cover potential losses with higher probability for the future performance of contract due to a decision made over contract, etc.

(16) PROVISION FOR LOSS RELATED TO BUSINESS RESTRUCTURING

Provision for loss related to business restructuring is recorded for estimated losses arising from business restructurings to be carried out.

(17) PROVISION FOR LOSS ON SALES AND DISPOSALS OF VESSELS, PROPERTY, EQUIPMENT AND OTHERS

Provision for loss on sales and disposals of vessels, property, equipment and others is based on the estimated amounts of loss to be incurred due to a decision of sales and disposals of vessels, property, equipment and others, which is defined as the difference between the estimated amount of sales consideration and book value.

For this provision, amounts deemed unrecoverable with respect to loss on sales and disposals arising from transactions between consolidated companies are recorded as the estimated amounts of loss. Therefore, the amounts provided for this provision do not correspond to an impairment loss.

(18) DIRECTORS' AND CORPORATE AUDITORS' RETIREMENT BENEFITS

Some domestic subsidiaries of the company recognize liabilities for retirement benefits for directors and corporate auditors at an amount required in accordance with the internal regulations.

(19) PROVISION FOR PERIODIC DRYDOCKING

Provision for periodic drydocking is based on the estimated amount of expenditures for periodic drydocking in the future.

(20) EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The Group recognized net defined benefit assets and net defined benefit liabilities for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the end of the year. Projected benefit obligations are attributed to each period by the straight-line method.

Actuarial gains and losses are recognized in the statements of income using the straight-line method over the average of the estimated remaining service lives of mainly 10 years commencing with the following period. Past service costs are chiefly accounted for as expenses in lump-sum at the time of occurrence.

(21) INCOME TAXES

The Group recognizes tax effects of temporary differences between the financial statement basis and the tax basis of assets and liabilities. The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach are used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(22) AMOUNTS PER SHARE OF COMMON STOCK

Net income per share of common stock is computed based upon the weighted-average number of shares outstanding during the year.

Fully diluted net income per share of common stock assumes exercise of the outstanding stock options at the beginning of the year or at the date of issuance.

Cash dividends per share have been presented on an accrual basis and include dividends to be approved after the balance sheet date, but applicable to the year then ended.

(23) DERIVATIVES AND HEDGE ACCOUNTING

Companies are required to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedging instruments and meet certain hedging criteria, the Group defers recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

If interest rate swap contracts are used as hedging instruments and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed ("special treatment").

If foreign exchange forward contracts are used as hedging instruments and meet certain hedging criteria, hedged foreign currency assets and liabilities are translated at the rate of these contracts ("allocation method").

The following summarizes hedging derivative financial instruments used by the Group and items hedged:

Hedging instruments:	Hedged items:
Loans payable in foreign currencies	Foreign currency future transactions
Forward foreign exchange contracts	Foreign currency future transactions
Currency option contracts	Foreign currency future transactions
Currency swap contracts	Charterage and foreign currency loans payable
Interest rate swap contracts	Interest on loans and bonds payable
Interest rate cap contracts	Interest on loans
Fuel oil swap contracts	Fuel oil
Freight futures	Freight

The derivative transactions are executed and managed by the Company in accordance with the established policies in order to hedge the Group's exposure to interest rate increases, fuel oil increases, freight decreases, and foreign currency exchange rate risk.

The Company evaluates hedge effectiveness by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the cumulative changes in cash flows from or the changes in fair value of hedging instruments.

Of the above, all hedging relationships included in the scope of applying the "Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (PITF No. 40, March 17, 2022) are subject to the special treatment defined in said practical solution. The details of the hedging relationships to which this practical solution is applied are as follows.

Hedge accounting	Deferral hedge accounting, special accounting rules for interest swaps
Hedging instruments	Interest swaps
Hedged items	Interest paid on loans
Hedge transaction type	Transactions with fixed cash flows

(24) SIGNIFICANT ACCOUNTING ESTIMATES

(Provision for Contract Loss Related to Long-term Charter Agreements)

1. Carrying amounts in the current year's financial statements

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Provision for contract loss	¥10,894	¥22,093	\$81,584

2. Information on the nature of significant accounting estimates for identified items

Recognition of Provision for contract loss is estimated from the future charter fees and vessel procurement cost related to long-term charter contracts. The estimate of charter fees is influenced by market trend in charter hire, while the estimate of procurement cost is influenced by trends in vessel expenses, such as interest on funding for capital investment in vessels and crew personnel expenses. As a result, these factors may have significant impacts on the amounts of Provision for contract loss in the consolidated financial statements for the following fiscal year.

(25) CHANGES IN ACCOUNT POLICIES

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

The Company has adopted "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021.) effective from the beginning of the fiscal year ended March 31, 2023, and in accordance with the transitional treatment prescribed in Paragraph 27-2 of "Implementation Guidance on Accounting Standard for Fair Value Measurement", the new accounting policy prescribed by "Implementation Guidance on Accounting Standard for Fair Value Measurement" will be adopted prospectively. There is no impact on the consolidated financial statements.

(Adoption of ASC 842, Lease Accounting)

Some of consolidated foreign subsidiaries of the Company adopting Generally Accepted Accounting Principles in the U.S. have adopted ASC 842, Lease Accounting, effective from the beginning of the fiscal year ended March 31, 2023. In accordance with the adoption of the standard, the Company decided to record leasing transactions of the lessee of the subsidiaries, for all leases in principle, in assets and liabilities on the Balance Sheet. In the adoption of the standard, the subsidiaries have adopted a method that recognizes the cumulative effect on the date of initial application, which is permitted as a transitional treatment.

As a result, "Other non-current assets" in Investments, intangibles and other assets increased by ¥82,761 million (\$619,793 thousand), "Other current liabilities" in Current liabilities increased by ¥6,987 million (\$52,325 thousand), and "Other non-current liabilities" in Non-current liabilities increased by ¥75,774 million (\$567,467 thousand) at the beginning of the fiscal year. There is no impact on the consolidated statements of income in the fiscal year ended March 31, 2023.

(Changes in Method of Evaluating Inventories)

The Group has mainly adopted the cost method based on the moving average method for evaluating raw materials and supplies included in inventories. However, the Company and some of its consolidated subsidiaries changed to the cost method based on first-in first-out method effective from the fiscal year ended March 31, 2023.

This change in the evaluation method resulted from our judgment that by taking the opportunity to change the core system, the Company can more appropriately evaluate inventories and calculate periodic profit or loss with inventory valuation by using the first-in first-out method. However, because it is impossible in practice to calculate inventories by the first-in first-out method due to the difference in the recording method of inventory recipient and payment data for past fiscal years from the new core system and difficult to calculate the cumulative effect in case it is adopted retrospectively, the Company has adopted the cost method based on the first-in first-out method effective from the beginning of the fiscal year to the future, recognizing book value at the end of the previous consolidated fiscal year as the beginning balance of the fiscal year.

As a result, Inventories for the fiscal year decreased by ¥1,439 million (\$10,776 thousand), and Shipping and other expenses for the fiscal year increased by the same amount. Consequently, Operating income, Ordinary income, and Income before income taxes for the fiscal year decreased by the same amount, respectively. In addition, net assets per share decreased by ¥3.61 (\$0.02), net income per share decreased by ¥3.62 (\$0.02), and diluted net income per share decreased by ¥3.61 (\$0.02) for the fiscal year ended March 31, 2023.

In the consolidated statements of cash flows for the fiscal year, Income before income taxes decreased by ¥1,439 million (\$10,776 thousand) and Changes in Inventories raised by ¥1,439 million (\$10,776 thousand).

(26) STANDARDS AND GUIDANCE NOT YET ADOPTED

The following standard and guidance were issued but not yet adopted. "The Practical Solution on the Accounting for and Disclosure of the Issuance and Holding of Electronically Recorded Transferable Rights That Must Be Indicated on Securities, etc." (ASBJ PITF No. 43, August 20, 2022)

I. Overview

The Financial Instruments and Exchange Act was amended by the Act Partially Amending the Payment Services Acts to Respond to Diversification of Financial Transactions upon Developments in Information and Telecommunications Technology, which was enacted in May, 2019. Initial Coin Offerings (a general term of the act of fundraising from investors by issuing tokens (electronic records and symbols) by companies, etc.) are regulated under the Financial Instruments and Exchange Act, and various provisions have been developed. Based on the above, this solution was issued by ASBJ for the purpose of clarifying the accounting solution on the issuance and holding of electronically recorded transferable rights that must be indicated on securities, etc.

II. Effective date

The Company will apply this solution effective from the beginning of the consolidated fiscal year ending March 31, 2024.

III. Effects of the application of the standards

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of this new solution on the consolidated financial statements.

"Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022)

"Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022)

"Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022)

I. Overview

Transfer of JICPA's practical guidelines on tax effect accounting to ASBJ was completed with the issuance of standards and guidance including ASBJ Statement No.28, Partial Amendments to Accounting Standard for Tax Effect Accounting (hereinafter collectively referred to as "ASBJ Statement No.28, etc.") in February 2018. During their deliberations, it had been determined that the following two issues would be further discussed subsequent to the issuance of ASBJ Statement No. 28, etc. The above standards and guidance were issued as a result of the discussions on the two issues below:

- Categories in which income tax expense should be recorded (taxes on other comprehensive income)
- Tax effects associated with sales of shares of subsidiaries, etc. (i.e., shares of subsidiaries or affiliates) when the group taxation regime is applied

II. Effective date

The Company will apply these standards and guidance effective from the beginning of the consolidated fiscal year ending March 31, 2025.

III. Effects of the application of the standards

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards and guidance on the consolidated financial statements.

(27) RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the 2023 presentation.

(28) ADDITIONAL INFORMATION

(Change in Consolidated Subsidiary Company (Share Transfer))

The Company made a decision to transfer shares in its consolidated subsidiary INTERNATIONAL TRANSPORTATION INC., (hereinafter referred to as "ITI") through a resolution of the Company's Board of Directors on October 31, 2022 (hereinafter referred to as the "Share Transfer"). However, due to delays in obtaining approvals from the relevant government authorities, the Share Transfer has not been completed yet.

Upon the completion of the Share Transfer, ITI will no longer be a consolidated subsidiary of the Company.

I. Reason for change (Share Transfer)

TraPac, LLC., which is a wholly-owned subsidiary of ITI, has been operating a container terminal business in California, U.S.A.. After transferring our container shipping businesses to Ocean Network Express, Pte, Ltd., an affiliated company accounted for using the equity method, in 2018, we have been reviewing our business portfolio strategy of container terminal businesses, and came to a decision to transfer the shares in ITI, a holding company of TraPac, LLC.

II. Overview of ITI

Name	INTERNATIONAL TRANSPORTATION INC.	
Location	630 West Harry Bridges Blvd, Wilmington, CA 90744 USA	
Name and title of representative person	Osamu Sakurada, Chairman	
Contents of business	Holding company for operating container terminal business	
Amount of stated capital	\$104,562 thousand	
Date of establishment	December 16, 1993	
Large shareholder and shareholding ratio	Mitsui O.S.K. Lines, Ltd. 100%	
Relationship between the Company and ITI	Capital relationship	We own 100% of shares in the company in question.
	Personal relationship	We have dispatched 3 part-time officers to the company in question.
	Transactional relationship	There is no matter falling under this category.

III. Overview of recipients and transfer prices

There will be two recipients of the Share Transfer (of the two recipients, one recipient will be hereinafter referred to as "Recipient 1" and the other recipient will be referred to by the name Ocean Network Express Pte. Ltd. (hereinafter referred to as "ONE")). The Company has entered into share transfer agreements with Recipient 1 and ONE, respectively (hereinafter, the Share Transfer to Recipient 1 shall be referred to as the "Share Transfer 1" and the Share Transfer to ONE shall be referred to as the "Share Transfer 2").

With respect to the Share Transfer 1 to Recipient 1, a large investment fund mainly engaged in infrastructure investment, the transfer price is scheduled to be approximately \$950,000 thousand, but we refrain from disclosing the overview of Recipient 1 due to the confidential obligation under the share transfer agreement.

The overview of ONE and the transfer price with respect to the Share Transfer 2 are as follows:

(1) Overview of ONE

Name of recipients	Ocean Network Express Pte. Ltd. (hereinafter referred to as "ONE") or an entity designated by ONE	
Location	7 Straits View, #16-01 Marina One East Tower, Singapore 018936	
Name and title of representative person	Jeremy Nixon, CEO	
Contents of business	Container shipping business	
Amount of stated capital	\$3,000 million	
Date of establishment	July 7, 2017	
Net assets (as of March 31, 2023)	\$22,814 million	
Total assets (as of March 31, 2023)	\$31,402 million	
Large shareholder and shareholding ratio	Ocean Network Express Holdings, Ltd. 100%	
Relationship between the Company and ONE	Capital relationship	We own 31.0% of outstanding shares in Ocean Network Express Holdings, Ltd. which owns 100% of outstanding shares in ONE.
	Personal relationship	We have dispatched 46 employees to ONE as secondees.
	Transactional relationship	We have entered into charter contracts on container ships with ONE, under which we have leased container ships to ONE.

* ONE is a related party of the Group.

(2) Transfer price of ONE

Approximately \$212,500 thousand

IV. Number of transferring shares and status of owned shares before and after transfer

(1) Number of shares owned before transfer	1,000 shares (Number of voting rights: 1,000 units) (Voting right holding ratio: 100%)
(2) Number of shares transferred (*)	1,000 shares (Number of voting rights: 1,000 units)
(3) Number of shares owned after transfer	0 shares (Number of voting rights: 0 units) (Voting right holding ratio: 0%)

* The figures provided above provide the total number of shares to be transferred to Recipient 1 and ONE. The number of shares to be transferred to each recipient is provided below.

Recipient 1:	490 shares (Number of voting rights: 490 units) (Voting right holding ratio: 49%)
ONE:	510 shares (Number of voting rights: 510 units) (Voting right holding ratio: 51%)

V. Schedule

Execution date of share transfer agreement (Share Transfer 1)	November 11, 2022
Execution date of share transfer agreement (Share Transfer 2)	December 27, 2022
Implementation date of Share Transfer 1	August 2023 (scheduled)
Implementation date of Share Transfer 2 (Date of change in consolidated subsidiary company)	August 2023 (scheduled)

Since the Share Transfer will be implemented after obtaining the approval of the relevant government authorities in accordance with the relevant laws and regulations, the above schedule may be changed if any change or delay occurs in such approval.

VI. Impact on consolidated operating results**(1) Share Transfer 1**

After the implementation of the Share Transfer 1, ITI will continue to be a consolidated subsidiary of the Company until the implementation of the Share Transfer 2. Accordingly, there will be no impact on the consolidated financial results until the fiscal year ending March 31, 2024.

(2) Share Transfer 2

Gain on sale of shares of subsidiaries and associates, approximately ¥12,600 million (\$94,360 thousand) is scheduled to be recorded as extraordinary income for the consolidated fiscal year ending March 31, 2024.

3. FINANCIAL INSTRUMENTS

(1) QUALITATIVE INFORMATION ON FINANCIAL INSTRUMENTS

I. Policies for using financial instruments

We raise capital investment funds to acquire vessels and other fixed assets primarily through bank loans and corporate bonds. In addition, we secure short-term operating funds primarily through bank loans. Furthermore, we have established commitment line with Japanese banks to maintain a sufficient amount of working capital and prepare supplementary liquidity for emergency situations.

Derivatives are utilized to hedge risks as discussed below and are executed within the scope of real requirements.

Our policy is not to use derivatives for speculative purposes.

II. Details of financial instruments / Risk and its management

Trade receivables are exposed to the credit risks of customers. We strive to mitigate such risks in accordance with internal regulations. Besides, trade receivables denominated in foreign currencies are exposed to the foreign currency exchange rate risk. We avoid the risk mainly by, in principle, utilizing forward exchange contracts which cover the net position (The difference between trade receivables and trade payables dominated in foreign currencies).

Short-term loans receivable and long-term loans receivable are mainly for group companies and exposed to the credit risks of borrowers.

In relation to these risks, the Group periodically monitors collectability of loans including financial condition of borrowers for early detection and reduction of default risks.

Investment securities are mainly stocks of companies with which we have business relationships. These investment securities are exposed to the price fluctuation risk. We identify the market value of listed stocks on a quarterly basis.

Trade payables are due within a year.

Short-term bank loans and commercial papers are primarily used for raising short-term operating funds, while long-term bank loans and bonds are mainly for capital investments. Although several items with variable interest rates are exposed to the interest rate risk, a certain portion of such variable interest rates is fixed with the use of interest rate swaps or interest rate caps.

Long-term bank loans and bonds denominated in foreign currencies are exposed to the foreign currency exchange rate risk, a part of which is avoided by using currency swaps.

Our major derivative transactions and hedged risks are as follows.

* Forward foreign exchange contracts / Currency swap contracts
: To cover exchange volatility of foreign-currency-denominated trade receivables, trade payables, long-term bank loans, and corporate bonds.

* Interest rate swap contracts / Interest rate cap contracts
: To avoid interest rate risk arising out of interest payment of long-term bank loans and corporate bonds.

* Fuel oil swap contracts
: To hedge fluctuation of fuel oil price.

With regard to the detail of hedge accounting (hedging instruments, hedged items, the way of evaluating hedge effectiveness), see Note 2 (23) to the consolidated financial statements.

Derivative transactions are executed and managed in accordance with our internal regulations and dealt only with highly rated financial institutions to mitigate credit risks.

On the other hand, as trade payables, bank loan payables, bonds, and commercial papers are exposed to the risk of financing for repayment, we manage the risk by planning cash management program monthly, having established commitment lines with several financial institutions, and adjusting funding period (balancing short-term / long-term combination), in consideration of market circumstances.

III. Supplemental information on fair value

Fair value of financial instruments that are actively traded in organized financial markets is determined by market value.

For those where there are no active markets, it is determined by reasonable estimation. Reasonably estimated value might vary depending on condition of calculation as several variation factors are included in the calculation. On the other hand, derivative transactions mentioned in following (2) do not indicate the market risk of such derivatives.

(2) FAIR VALUES OF FINANCIAL INSTRUMENTS

Book values and fair values of the financial instruments on the consolidated balance sheet at March 31, 2023 were the following;

	Millions of yen		
	Book Value	Fair Value	Difference
Assets			
Investment securities ⁽²⁾⁽³⁾			
Investments in unconsolidated subsidiaries and affiliated companies	¥ 3,650	¥ 3,505	¥ (145)
Available-for-sale securities	81,561	81,606	45
Long-term loans receivable ⁽⁴⁾	138,683		
Allowance for doubtful accounts ⁽⁵⁾	(19,059)		
Total	¥204,836	¥206,653	¥ 1,817
Liabilities			
Bonds ⁽⁶⁾	189,500	188,503	(996)
Long-term bank loans ⁽⁷⁾	612,139	610,701	(1,437)
Total	¥801,639	¥799,205	(2,434)
Derivative financial instruments ⁽⁸⁾	¥ 72,691	¥ 72,691	¥ -

	Thousands of U.S. dollars (Note 1)		
	Book Value	Fair Value	Difference
Assets			
Investment securities ⁽²⁾⁽³⁾			
Investments in unconsolidated subsidiaries and affiliated companies	\$ 27,334	\$ 26,248	\$ (1,085)
Available-for-sale securities	610,806	611,143	337
Long-term loans receivable ⁽⁴⁾	1,038,590		
Allowance for doubtful accounts ⁽⁵⁾	(142,731)		
Total	\$1,534,007	\$1,547,614	\$ 13,607
Liabilities			
Bonds ⁽⁶⁾	1,419,156	1,411,690	(7,458)
Long-term bank loans ⁽⁷⁾	4,584,280	4,573,511	(10,761)
Total	\$6,003,437	\$5,985,209	\$(18,228)
Derivative financial instruments ⁽⁸⁾	\$ 544,379	\$ 544,379	\$ -

*1 "Cash" is omitted, and financial instruments settled within a short period are also omitted because their fair value is almost equivalent to book value.

*2 Unquoted stock are not included in the amount presented under the line "Investments securities" in the table summarizing fair value of financial instruments. The table summarizes financial instruments is the following;

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Book Value		Book Value
	2023	2023	2023
Unlisted stocks	¥1,342,167		\$10,051,426

*3 Investments in partnerships and other similar entities, in which the amount equivalent to equity interest is recorded on the consolidated balance sheet at a net amount are not included in "Investments securities". The amount reported on the consolidated balance sheet for the financial instruments are ¥3,494 million (\$26,166 thousand).

*4 The book value of long-term loans receivable includes current portion amounting to ¥21,790 million (\$163,184 thousand).

*5 An individual listing of allowance for doubtful accounts on long-term loans receivable is omitted.

*6 The book value of bonds includes current portion amounting to ¥30,000 million (\$224,668 thousand).

*7 The book value of long-term bank loans includes current portion amounting to ¥87,337 million (\$654,062 thousand).

*8 Amounts of derivative financial instruments are net of asset and liability. Negative amount stated with () means that the net amount is liability.

Book values and fair values of the financial instruments on the consolidated balance sheet at March 31, 2022 were the following;

	Millions of yen		
	Book Value	Fair Value	Difference
Assets			
Investment securities ^{(*)2)(*)3)}			
Held-to-maturity securities	¥ 188	¥ 188	¥ (0)
Investments in unconsolidated subsidiaries and affiliated companies	3,258	3,182	(75)
Available-for-sale securities	88,225	88,242	16
Long-term loans receivable ^(*)4)	111,732		
Allowance for doubtful accounts ^(*)5)	(16,677)		
Total	¥186,726	¥190,189	¥3,462
Liabilities			
Bonds ^(*)6)	213,200	213,592	392
Long-term bank loans ^(*)7)	655,411	655,743	332
Total	¥868,611	¥869,335	¥ 724
Derivative financial instruments ^(*)8)	¥ 59,171	¥ 59,171	¥ -

*1 "Cash" is omitted, and financial instruments settled within a short period are also omitted because their fair value is almost equivalent to book value.

*2 Unquoted stock are not included in the amount presented under the line "Investments securities" in the table summarizing fair value of financial instruments. The table summarizes financial instruments is the following;

	Millions of yen
	Book Value
Unlisted stocks	2022
	¥884,263

*3 Equity investments in cooperatives, etc., whose equity equivalents are recorded on the consolidated balance sheet at a net amount are not included in "Investments securities". The amount reported on the consolidated balance sheet for the financial instruments are ¥2,913 million.

*4 The book value of long-term loans receivable includes current portion amounting to ¥1,628 million.

*5 An individual listing of allowance for doubtful accounts on long-term loans receivable is omitted.

*6 The book value of bonds includes current portion amounting to ¥23,700 million.

*7 The book value of long-term bank loans includes current portion amounting to ¥80,309 million.

*8 Amounts of derivative financial instruments are net of asset and liability. Negative amount stated with () means that the net amount is liability.

At March 31, 2023, the aggregate annual maturity of monetary claims and securities was as follows;

	Millions of yen			
	Within a year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	¥ 93,961	¥ -	¥ -	¥ -
Trade receivables	124,134	-	-	-
Short-term loans receivable	32,391	-	-	-
Marketable securities and investments securities				
Held-to-maturity debt securities (Bonds)	-	-	-	-
Available-for-sale securities (Other)	500	-	-	-
Long-term loans receivable ^(*)	21,790	18,747	22,742	56,343
Total	¥272,778	¥18,747	¥22,742	¥56,343

	Thousands of U.S. dollars (Note 1)			
	Within a year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	\$ 703,669	\$ -	\$ -	\$ -
Trade receivables	929,633	-	-	-
Short-term loans receivable	242,574	-	-	-
Marketable securities and investments securities				
Held-to-maturity debt securities (Bonds)	-	-	-	-
Available-for-sale securities (Other)	3,744	-	-	-
Long-term loans receivable ^(*)	163,184	140,395	170,313	421,950
Total	\$2,042,821	\$140,395	\$170,313	\$421,950

* Long-term loans receivable does not include those amounting to ¥19,059 million (\$142,731 thousand), for which the planned redemption amount cannot be expected.

At March 31, 2022, the aggregate annual maturity of monetary claims and securities was as follows;

	Millions of yen			
	Within a year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	¥ 99,878	¥ -	¥ -	¥ -
Trade receivables	109,891	-	-	-
Short-term loans receivable	6,566	-	-	-
Marketable securities and investments securities				
Held-to-maturity debt securities (Bonds)	-	188	-	-
Available-for-sale securities (Other)	1,000	-	-	-
Long-term loans receivable ⁽¹⁾	1,850	22,261	19,119	51,823
Total	¥219,186	¥22,449	¥19,119	¥51,823

* Long-term loans receivable does not include those amounting to ¥16,677 million, for which the planned redemption amount cannot be expected.

Fair value information of financial instruments by level of inputs

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair values: the fair value measured by quoted prices of identical assets or liabilities in active markets.

Level 2 fair values: the fair value measured using observable inputs other than Level 1.

Level 3 fair values: the fair values measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) FINANCIAL ASSETS AND FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

At March 31, 2023, Financial assets and financial liabilities measured at fair value were as follows;

Category	Millions of yen			
	Fair Value			
	Level1	Level2	Level3	Total
Investment securities				
Available-for-sale securities	¥81,452	¥ -	¥ -	¥ 81,452
Derivative financial instruments				
Currency-related	-	71,323	-	71,323
Interest-related	-	3,629	-	3,629
Others	-	29	-	29
Total assets	¥81,452	¥74,981	¥ -	¥156,434
Derivative financial instruments				
Currency-related	-	363	-	363
Interest-related	-	1,658	-	1,658
Others	-	269	-	269
Total liabilities	¥ -	¥ 2,290	¥ -	¥ 2,290

Thousands of U.S. dollars (Note 1)

Category	Fair Value			
	Level1	Level2	Level3	Total
Investment securities				
Available-for-sale securities	\$609,990	\$ -	\$ -	\$ 609,990
Derivative financial instruments				
Currency-related	-	534,134	-	534,134
Interest-related	-	27,177	-	27,177
Others	-	217	-	217
Total assets	\$609,990	\$561,529	\$ -	\$1,171,526
Derivative financial instruments				
Currency-related	-	2,718	-	2,718
Interest-related	-	12,416	-	12,416
Others	-	2,014	-	2,014
Total liabilities	\$ -	\$ 17,149	\$ -	\$ 17,149

At March 31, 2022, Financial assets and financial liabilities measured at fair value were as follows;

Category	Millions of yen			
	Fair Value			
	Level1	Level2	Level3	Total
Investment securities				
Available-for-sale securities	¥ 88,112	¥ -	¥ -	¥ 88,112
Derivative financial instruments				
Currency-related	-	64,451	-	64,451
Interest-related	-	81	-	81
Others	-	1,062	-	1,062
Total assets	¥ 88,112	¥ 65,594	¥ -	¥ 153,706
Derivative financial instruments				
Currency-related	-	362	-	362
Interest-related	-	6,052	-	6,052
Others	-	7	-	7
Total liabilities	¥ -	¥ 6,423	¥ -	¥ 6,423

(2) FINANCIAL ASSETS AND FINANCIAL LIABILITIES OF WHICH BOOK VALUE IS NOT MEASURED AT FAIR VALUE

At March 31, 2023, Financial assets and financial liabilities of which book value is not measured at fair value were as follows;

Category	Fair Value			
	Millions of yen			
	Level1	Level2	Level3	Total
Investment securities				
Investments in and advances to subsidiaries and affiliates	¥3,505	¥ -	¥ -	¥ 3,505
Available-for-sale securities	-	154	-	154
Long-term loans receivable	-	121,541	-	121,541
Total assets	¥3,505	¥121,695	¥ -	¥125,200
Bonds	-	188,503	-	188,503
Long-term bank loans	-	610,701	-	610,701
Total liabilities	¥ -	¥799,205	¥ -	¥799,205

Category	Fair Value			
	Thousands of U.S. dollars (Note 1)			
	Level1	Level2	Level3	Total
Investment securities				
Investments in and advances to subsidiaries and affiliates	\$26,248	\$ -	\$ -	\$ 26,248
Available-for-sale securities	-	1,153	-	1,153
Long-term loans receivable	-	910,214	-	910,214
Total assets	\$26,248	\$ 911,368	\$ -	\$ 937,617
Bonds	-	1,411,690	-	1,411,690
Long-term bank loans	-	4,573,511	-	4,573,511
Total liabilities	\$ -	\$5,985,209	\$ -	\$5,985,209

At March 31, 2022, Financial assets and financial liabilities of which book value is not measured at fair value were as follows;

Category	Fair Value			
	Millions of yen			
	Level1	Level2	Level3	Total
Investment securities				
Held-to-maturity debt securities	¥ -	¥ 188	¥ -	¥ 188
Investments in and advances to subsidiaries and affiliates	3,182	-	-	3,182
Available-for-sale securities	-	130	-	130
Long-term loans receivable	-	98,575	-	98,575
Total assets	¥3,182	¥ 98,894	¥ -	¥102,076
Bonds	-	213,592	-	213,592
Long-term bank loans	-	655,743	-	655,743
Total liabilities	¥ -	¥869,335	¥ -	¥869,335

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

a) Investment securities

Listed shares are valued using quoted prices. As listed shares are traded in active markets, their fair value is classified as Level 1.

The fair value of golf club membership is measured using publicly disclosed quoted prices. Although the fair value of golf club membership is measured using a quoted price, such a market is not recognized as an active market, and fair value is classified as Level 2.

The fair value of bonds held by the Company is evaluated by discounting the total amount of principal and interest using the rate that would apply if similar bonds were subscribed to, and is classified as Level 2.

b) Derivative transactions

The fair value of derivatives is measured using the discounted cash flow method using interest rates, exchange rates and other observable inputs, and is classified as Level 2. However, since interest swap contracts, to which special treatment is applied, are accounted for together with the long-term bank loans being hedged, the fair value is included in the fair value of the relevant hedged item (see "Long-term bank loans" below).

c) Long-term loans receivable

The fair value of long-term loans receivable with variable interest rates is evaluated at book value since the interest rate reflects the market rate in a short term and fair value is almost equal to book value, unless the creditworthiness of the borrower has changed significantly since the loan was made, and is classified as Level 2. The fair value of long-term loans receivable with fixed interest rates, for each category of loans

based on the type of loans, and maturity length, is evaluated by discounting the total amount of principal and interest using the rate which would apply if similar borrowings were newly made, and is classified as Level 2.

d) Bonds

The fair value of bonds issued by the Company and its consolidated subsidiaries is measured using publicly disclosed quoted prices.

Although the fair value of bonds is measured using a quoted price, such a market is not recognized as an active market, and fair value is classified as Level 2.

e) Long-term bank loans

The fair value of long-term bank loans with variable interest rates is evaluated at book value since fair value is almost equivalent to book value, the interest rate reflects the market rate in a short term and there has been no significant change in the creditworthiness of the Group before and after such bank loans were made, and is classified as Level 2. Long-term bank loans with fixed interest rates are classified by their duration, and based on their individual loan type, their fair value is evaluated by discounting the total amount of principal and interest using the rate which would apply if similar bank loans were to be newly made, and is classified as Level 2.

Certain long-term bank loans with variable interest rates are subject to the special treatment applied to interest swap contracts (see "Derivative transactions" above), and measured using the sum of principal and interest accounted for together with the relevant hedged item.

4. SECURITIES

A. The following tables summarize acquisition costs, book values and fair values of securities with available fair values at March 31, 2023 and 2022.

Held-to-maturity debt securities:

Securities with book values not exceeding acquisition costs at March 31, 2023

Type	Millions of yen		
	Acquisition cost	Book value	Difference
bonds	¥ -	¥ -	¥ -
Total	¥ -	¥ -	¥ -

Type	Thousands of U.S. dollars (Note 1)		
	Acquisition cost	Book value	Difference
bonds	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -

Securities with book values not exceeding acquisition costs at March 31, 2022

Type	Millions of yen		
	Acquisition cost	Book value	Difference
bonds	¥188	¥188	¥(0)
Total	¥188	¥188	¥(0)

Available-for-sale securities:

Securities with book values exceeding acquisition costs at March 31, 2023

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥25,689	¥79,540	¥53,851
Total	¥25,689	¥79,540	¥53,851

Type	Thousands of U.S. dollars (Note 1)		
	Acquisition cost	Book value	Difference
Equity securities	\$192,383	\$595,671	\$403,287
Total	\$192,383	\$595,671	\$403,287

Securities with book values exceeding acquisition costs at March 31, 2022

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥21,365	¥79,578	¥58,213
Total	¥21,365	¥79,578	¥58,213

Securities with book values not exceeding acquisition costs at March 31, 2023

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥3,111	¥2,020	¥(1,090)
Others	500	500	-
Total	¥3,611	¥2,520	¥(1,090)

Type	Thousands of U.S. dollars (Note 1)		
	Acquisition cost	Book value	Difference
Equity securities	\$23,298	\$15,127	\$(8,162)
Others	3,744	3,744	-
Total	\$27,042	\$18,872	\$(8,162)

Securities with book values not exceeding acquisition costs at March 31, 2022

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥11,650	¥8,647	¥(3,002)
Others	1,000	1,000	-
Total	¥12,650	¥9,647	¥(3,002)

Unlisted stocks(¥8,162 million(\$61,124 thousand)) are not included in the above "Available-for-sale securities" because they are unquoted stock.

Investments(¥3,494 million(\$26,166 thousand)) in partnerships and other similar entities, in which the amount equivalent to equity interest is recorded on the consolidated balance sheet at a net amount are not included in "Available-for-sale securities" at March 31, 2023.

Unlisted stocks(¥8,377 million) are not included in the above "Available-for-sale securities", because they are unquoted stock.

Equity investments(¥2,913 million) in cooperatives, etc., whose equity equivalents are recorded on the consolidated balance sheet at a net amount are not included in "Available-for-sale securities" at March 31, 2022.

B. Total sales of available-for-sale securities sold in the years ended March 31, 2023 and 2022 and the related gains and losses were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Proceeds from sales	¥19,350	¥8,031	\$144,911
Gross realized gains	13,968	4,855	104,605
Gross realized losses	491	-	3,677

C. Impairment losses of securities

For the year ended March 31, 2023, the Company reduced the book value on the securities and booked the reductions as impairment losses of ¥82 million (\$614 thousand).

For the year ended March 31, 2022, the Company reduced the book value on the securities and booked the reductions as impairment losses of ¥3,707 million.

With regard to the impairment losses, the Company principally reduces the book value on the securities to the amount which is considered the recoverability, etc. in the event the fair market value declines more than 50% in comparison with the acquisition cost.

5. INVENTORIES

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Fuel and supplies	¥49,422	¥44,559	\$370,119
Others	1,365	1,526	10,222
Total	¥50,787	¥46,085	\$380,341

6. DERIVATIVE TRANSACTIONS

The Group enters into derivative transactions to hedge the Group's exposure to interest rate increases, fuel oil increases, freight decreases, and currency exchange fluctuations, in accordance with the guidance determined by the management of the Company.

I. Hedge accounting not applied

The following tables summarize the outstanding contract amounts and fair values of financial derivatives of the Group at March 31, 2023 and 2022, for which hedge accounting has not been applied.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
(1) Currency related:			
Forward currency exchange contracts			
Sell (U.S. dollar):			
Contracts outstanding	¥66,789	¥194	\$500,179
Fair values	0	(5)	0
Buy (U.S. dollar):			
Contracts outstanding	¥ -	¥ 3	\$ -
Fair values	-	1	-
Buy (Others):			
Contracts outstanding	¥ 258	¥ 0	\$ 1,932
Fair values	(2)	0	(14)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
(2) Interest related			
Interest rate swaps			
Receive floating, pay fixed			
Contracts outstanding	¥-	¥10,707	\$-
Fair values	-	(644)	-
Receive fixed, pay floating			
Contracts outstanding	¥-	¥10,707	\$-
Fair values	-	(288)	-

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
(3) Others			
a. Fuel oil swaps			
Receive floating, pay fixed			
Contracts outstanding	¥886	¥871	\$6,635
Fair values	13	485	97
b. Freight futures			
Contracts outstanding	¥676	¥ 84	\$5,062
Fair values	(24)	(0)	(179)

II. Hedge accounting applied

The following tables summarize the outstanding contract amounts and fair values of financial derivatives of the Group at March 31, 2023 and 2022, for which hedge accounting has been applied.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
(1) Deferral hedge accounting			
a. Forward currency exchange contracts to hedge the risk for the foreign currency transactions			
Sell (U.S. dollar):			
Contracts outstanding	¥ 11,723	¥ 7,734	\$ 87,793
Fair values	(250)	(356)	(1,872)
Buy (U.S. dollar):			
Contracts outstanding	¥ 47,423	¥ 48,085	\$ 355,148
Fair values	7,586	3,397	56,811
Buy (others):			
Contracts outstanding	¥ 7,847	¥ -	\$ 58,765
Fair values	163	-	1,220
b. Currency swaps contracts to hedge the risk for charterages			
Sell (U.S. dollar):			
Contracts outstanding	¥ 3,383	¥ -	\$ 25,335
Fair values	(38)	-	(284)
Buy (U.S. dollar):			
Contracts outstanding	¥195,868	¥213,806	\$1,466,846
Fair values	63,501	61,051	475,556
c. interest rate swaps to hedge the risk for the long-term bank loans and charterages			
Receive floating, pay fixed			
Contracts outstanding	¥116,758	¥104,267	\$ 874,395
Fair values	1,971	(5,038)	14,760
d. Fuel oil swaps to hedge the risk for the fuel oil			
Receive floating, pay fixed			
Contracts outstanding	¥ 4,859	¥ 2,552	\$ 36,388
Fair values	(229)	568	(1,714)
(2) Special treatment			
Interest rate swaps to hedge the risk for the long-term bank loans			
Receive floating, pay fixed			
Contracts outstanding	¥19,000	¥19,225	\$142,290
Fair values	-	-	-
(3) Allocation method			
Currency swaps to hedge the risk for trade payables			
Contracts outstanding	¥695	¥1,119	\$5,204
Fair values	-	-	-

- Interest rate swaps which special treatment are applied to are recorded as the combined amount of such interest rate swaps and their hedge items. Therefore, their fair values are included in fair values of such hedge items.
- Currency swaps which allocation method are applied to are recorded as the combined amount of such currency swaps and their hedge items. Therefore, their fair values are included in fair values of such hedge items.

7. SHORT-TERM DEBT AND LONG-TERM DEBT

(1) SHORT-TERM DEBT

Short-term debt at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Short-term bank loans	¥252,016	¥111,860	\$1,887,336
Commercial paper	80,000	8,000	599,116
Total	¥332,016	¥119,860	2,486,452

Average interest rates on short-term bank loans at March 31, 2023 and 2022 were 3.92% and 0.76%, respectively.
Average interest rates on commercial paper at March 31, 2023 and 2022 were 0.00% and -0.08%, respectively.

(2) LONG-TERM DEBT

Long-term debt at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Bonds:			
1.139% yen bonds due July 12, 2022	¥ -	¥ 8,700	\$ -
0.320% yen bonds due July 19, 2023	5,000	5,000	37,444
0.420% yen bonds due August 30, 2023	5,000	5,000	37,444
0.420% yen bonds due September 8, 2023	5,000	5,000	37,444
0.970% yen bonds due June 19, 2024	29,500	29,500	220,924
0.490% yen bonds due July 18, 2025	5,000	5,000	37,444
0.490% yen bonds due July 29, 2025	10,000	10,000	74,889
1.600% yen bonds due April 27, 2056	50,000	50,000	374,447
0.340%–0.960% yen bonds of the Company's subsidiary company.	80,000	95,000	599,116
Long-term bank loans due within one year:			
Long-term bank loans due within one year at average interest rate of 2.11% and 0.68% at March 31, 2023 and 2022, respectively.	87,337	80,309	654,062
Long-term bank loans due after one year:			
Long-term bank loans due through 2036 at average interest rate of 1.70% and 0.69% at March 31, 2023 and 2022, respectively.	524,801	575,101	3,930,210
	801,638	868,610	6,003,429
Amount due within one year	117,337	104,009	878,731
	¥684,301	¥764,601	\$5,124,698

At March 31, 2023, the aggregate annual maturity of long-term debt was as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars (Note 1)
2024	¥117,337	\$ 878,731
2025	138,058	1,033,909
2026	84,910	635,887
2027	86,119	644,941
2028	64,832	485,523
2029 and thereafter	310,380	2,324,421
Total	¥801,638	\$6,003,429

(3) ASSETS PLEDGED AND SECURED DEBT

At March 31, 2023 and 2022, the following assets were pledged as collateral for short-term debt and long-term debt.

Assets pledged	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Vessels	¥181,509	¥156,092	\$1,359,312
Investment securities	163,575	106,795	1,225,005
Others	1,019	1,077	7,631
Total	¥346,105	¥263,966	\$2,591,964

With regard to Investment securities at March 31, 2023, ¥162,914 million (\$1,220,055 thousand) were pledged as collateral for Long-term loans by subsidiaries and affiliated companies and future charter hire fees payments, and ¥661 million (\$4,950 thousand) were pledged as collateral for Long-term loans regarding Offshore business projects.

With regard to Investment securities at March 31, 2022, ¥106,187 million (\$795,229 thousand) were pledged as collateral for Long-term loans by subsidiaries and affiliated companies and future charter hire fees payments, and ¥607 million (\$4,545 thousand) were pledged as collateral for Long-term loans regarding Offshore business projects.

Secured debt	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Long-term bank loans due within one year	¥ 17,389	¥ 12,613	\$ 130,225
Long-term bank loans due after one year	159,889	146,404	1,197,401
Total	¥177,279	¥159,017	\$1,327,634

8. COMMITMENTS AND CONTINGENT LIABILITIES

(A) COMMITMENT

At March 31, 2023 and 2022, certain subsidiaries had loan commitment agreements. The nonexercised portion of loan commitments was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Total loan limits	¥19,361	¥17,746	\$144,993
Loan executions	16,023	17,746	119,995
The nonexercised portion of loan commitments	¥ 3,338	¥ -	\$ 24,998

(B) CONTINGENT LIABILITIES

At March 31, 2023 and 2022, the Company and its consolidated subsidiaries were contingently liable mainly as guarantors or co-guarantors of indebtedness of related and other companies in the aggregate amount of

¥222,375 million (\$1,665,356 thousand) and ¥227,274 million, respectively.

U.S. dollars-denominated liabilities were included in the above amount, which were \$1,626,739 thousand and \$1,781,789 thousand respectively.

9. NET ASSETS

Net assets comprises four sections, which are the owners' equity, accumulated other comprehensive income, share option and non-controlling interests.

Under the Japanese Companies Act (hereinafter referred to as "the Act") and regulations, the entire amount paid for new shares is required to be designated as common stock.

However, a company may, by a resolution of the board of directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in-capital, which is included in capital surplus.

Under the Act, in cases where a dividend distribution of surplus is

made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Act, appropriations (legal earnings reserve and additional paid-in-capital) could be used to eliminate or reduce a deficit or could be capitalized) generally require a resolution of the shareholders' meeting.

(A) SHARES ISSUED AND OUTSTANDING

Changes in number of shares issued and outstanding during the years ended March 31, 2023 and 2022 were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
Balance at April 1, 2021	120,628	1,008
Increase during the year	-	13
Decrease during the year	-	(670)
Balance at March 31 and April 1, 2022	120,628	351
Increase during the year	241,382	720
Decrease during the year	-	(808)
Balance at March 31, 2023	362,010	263

*The Company split its common stock on the basis of one (1) share into three (3) shares effective April 1, 2022.

(B) SHARE OPTION

Share option at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Stock options	¥550	¥781	\$4,118
Total	¥550	¥781	\$4,118

(C) DIVIDENDS

(1) Dividends paid for the year ended March 31, 2023 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Approved at the shareholders' meeting held on June 21, 2022	¥108,252	\$ 810,694
Approved at the board of directors held on October 31, 2022	¥108,387	\$ 811,705
Total	¥216,639	\$1,622,399

(2) Dividend included in the retained earnings at March 31, 2023 and to be paid in subsequent periods was as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Approved at the shareholders' meeting held on June 20, 2023	¥94,056	\$704,381
Total	¥94,056	\$704,381

10. Impairment losses

For the year ended March 31, 2023, the Group recorded an impairment loss on the following asset group.

Location	Application	Type	Millions of yen	Thousands of U.S. dollars (Note 1)
Asia	Operating assets	Vessels	¥3,204	\$23,994
Japan	Operating assets	Land	¥ 192	\$ 1,437
Japan	Assets to be disposed	Software	¥ 612	\$ 4,583

The Company and its consolidated subsidiaries grouped operating assets based on management accounting categories, and also grouped assets to be disposed and idle assets by asset unit.

For the year ended March 31, 2023, considering significant deterioration of profitability of operating assets of the Company and its consolidated subsidiaries related to Energy Business segment such as LNG Bunkering vessel, the Group reduced the book value on these assets to recoverable amounts and booked the reductions as impairment loss under Other losses on the Consolidated Statements of Income.

The recoverable amount of Vessels are based on value in use, and calculated by discounting future cash flows at 7.70% mainly.

The recoverable amount of Land is based on the asset's net selling price, and evaluated by valuation reasonably calculated by a third party.

With regard to the Assets to be disposed, according to decision making on disposal, the Group reduced the book value on these assets to recoverable amounts and booked the reductions as impairment loss under Other losses on the Consolidated Statements of Income for items which recoverable amount is less than the book value.

And with regard to Software, the recoverable amount is measured based on the asset's net selling price, which disposal value was calculated as nil.

11. LEASES

AS LESSEE:

Future Lease Payments Under Operating Leases For Only Non-Cancelable Contracts

At March 31, 2023 and 2022:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Amount due within one year	¥ 20,269	¥ 26,727	\$ 151,793
Amount due after one year	116,871	206,169	875,241
Total	¥137,141	¥232,897	\$1,027,042

Some of consolidated foreign subsidiaries of the Company adopting Generally Accepted Accounting Principles in the U.S. have adopted ASC 842, Lease Accounting. For operating lease transactions, Right-of-use assets (hereinafter referred to as "ROU") and lease liabilities will be

recorded based on the net present value of lease payments among the lease period. Lease expense will be recognized with straight-line method among the lease period. ROU is mainly composed of Land.

AS LESSOR:

Future Lease Income Under Operating Leases For Only Non-Cancelable Contracts

At March 31, 2023 and 2022:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Amount due within one year	¥12,894	¥14,087	\$ 96,562
Amount due after one year	14,746	19,139	110,432
Total	¥27,640	¥33,226	\$206,994

12. RENTAL PROPERTIES

The Company and some of its consolidated subsidiaries own real estate for office lease (including lands) in Tokyo, Osaka and other areas.

Information about the book value and the fair value of such rental properties was as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Book value			
Balance at the beginning of the year	¥330,518	¥329,801	\$2,475,234
Changes during the year	47,116	717	352,849
Balance at the end of the year	377,634	330,518	2,828,083
Fair value at the end of the year	644,921	573,865	4,829,783

- Notes: 1. Book value is the acquisition cost, net of accumulated depreciation.
2. Of changes during the year ended March 31, 2022, the primary increase was mainly due to the acquisition of a building named "ESTATE YODOYABASHI" (¥2,123 million), while the primary decrease was mainly due to the depreciation of existing properties (¥6,982 million).
Of changes during the year ended March 31, 2023, the primary increase was mainly due to the acquisition of two buildings named "Otemachi Tower - ENEOS Building" and "Otemachi first square"(¥48,988 million (\$366,868 thousand)), while the primary decrease was mainly due to the depreciation of existing properties (¥7,662 million (\$57,380 thousand)).
3. Fair value is mainly based on the amount appraised by outside independent real estate appraisers.

In addition, information for rental revenue and expense from rental properties was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Rental revenue	¥32,380	¥32,091	\$242,492
Rental expense	19,737	18,804	147,809
Difference	¥12,642	¥13,286	\$ 94,675
Other profit (loss)	¥ 1,013	¥ (1,496)	\$ 7,586

Note: Rental revenue is mainly recorded as "shipping and other revenues" and rental expense (depreciation expense, repairs and maintenance fee, utilities, personnel cost, tax and public charge, etc.) is mainly recorded as "shipping and other expenses".
Other profit (loss) are gain on sales of vessels, property, equipment and others (recorded in Other gains) and Loss on building reconstruction, Loss on disposals of vessels, property, equipment and others, Impairment losses (recorded in Other losses).

13. 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 "Significant Matters for Basis of Preparation of Consolidated Financial Statements, 14. Segment and Related Information."

2. Basic information for understanding revenue from contracts with customers

Basic information for understanding revenue is as presented in "Significant Matters for Basis of Preparation of Consolidated Financial Statements 2. Summary of Significant Accounting Policies, (4) Freight Revenues and Related Expenses."

3. Information for understanding revenue recognition for the current consolidated fiscal year and the following year

(1) Contract asset and contract liability balances

	Millions of yen		
	Beginning balance of Fiscal year ending March 31, 2022	Closing balance of Fiscal year ending March 31, 2022	Closing balance of Fiscal year ending March 31, 2023
Trade receivables	-	1,174	1,006
Account receivables	-	108,716	123,128
Receivables from contracts with customers	103,398	109,891	124,134
Contract assets	6,626	15,601	8,329
Contract liabilities	22,526	23,125	31,006

	Thousands of U.S. dollars (Note 1)		
	Beginning balance of Fiscal year ending March 31, 2022	Closing balance of Fiscal year ending March 31, 2022	Closing balance of Fiscal year ending March 31, 2023
Trade receivables	-	8,792	7,533
Account receivables	-	814,169	922,099
Receivables from contract with customers	774,342	822,968	929,633
Contract assets	49,621	116,835	62,375
Contract liabilities	168,696	173,182	232,202

The balance of contract liabilities at the beginning of the fiscal year under review is generally recognized as revenue in the fiscal year.

Changes in the balance of contract liabilities during this fiscal year were mainly due to receiving consideration in advance and satisfying performance obligations in the maritime cargo transport and ship chartering businesses. Changes in the balance of contract assets were mainly due to the recognition of revenue and transfer to receivables.

The amount of revenue recognized in the fiscal year under review resulting from performance obligations that were satisfied in previous periods is immaterial.

(2) Transaction price allocated to the remaining performance obligations
The Group has applied the practical expedient to notes on transaction prices allocated to the remaining performance obligations. In maritime cargo transport, each voyage to transport customers' cargoes is considered contracts and performance obligations, and the duration of each voyage is one year or less. In regard to performance obligations in ship chartering, revenue from the satisfaction of performance obligations is recognized in accordance with Paragraph 19 of "Implementation Guidance on Accounting Standard for Revenue Recognition". As such, notes pertaining to each of these performance obligations are not presented.

The transaction price allocated to the remaining performance obligations for other services provided by the Group in this fiscal year is immaterial.

14. SEGMENT AND RELATED INFORMATION

(A) SEGMENT INFORMATION:

Millions of yen

For the year ended March 31, 2023:	Reportable segment										Consolidated
	Product Transport Business									Adjustment and elimination	
	Dry Bulk Business	Energy Business	Container Ships	Car Carriers, Terminal and Logistics, Ferries and Coastal RoRo Ships	Real Property Business	Associated Businesses	Sub Total	Others	Total		
1. Revenues:											
(1) Revenues from customers	¥429,602	¥ 388,709	¥ 53,060	¥624,291	¥ 39,582	¥ 57,113	¥1,592,360	¥ 19,623	¥1,611,984	¥ -	¥1,611,984
(2) Inter-segment revenues	1,242	13,165	299	3,872	3,109	26,178	47,868	13,477	61,345	(61,345)	-
Total revenues	¥430,844	¥ 401,874	¥ 53,360	¥628,164	¥ 42,691	¥ 83,292	¥1,640,229	¥ 33,100	¥1,673,329	¥ (61,345)	¥1,611,984
Segment income (loss)	¥57,668	¥ 39,597	¥620,173	¥ 85,265	¥ 8,131	¥ (585)	¥ 810,251	¥ 1,772	¥ 812,024	¥ (434)	¥ 811,589
Segment assets	¥359,210	¥1,223,633	¥999,130	¥517,325	¥479,283	¥100,963	¥3,679,547	¥370,391	¥4,049,938	¥(485,691)	¥3,564,247
2. Others											
Depreciation and amortization	¥ 11,610	¥ 38,563	¥ 5,123	¥ 24,416	¥ 7,989	¥ 2,123	¥ 89,826	¥ 847	¥ 90,674	¥ 3,985	¥ 94,660
Amortization of goodwill	-	175	-	-	212	-	387	-	387	-	387
Interest income	1,606	10,963	124	343	136	21	13,196	5,937	19,133	(4,660)	14,473
Interest expense	2,736	13,414	1,150	773	1,588	76	19,740	4,919	24,659	(7,391)	17,268
Equity in earnings (losses) of affiliated companies, net	19,001	26,471	620,755	2,021	-	184	668,435	-	668,435	-	668,435
Investment in affiliates	30,980	270,593	949,005	24,493	6	2,289	1,277,370	40	1,277,410	-	1,277,410
Increase in vessels, property and equipment and intangible assets	20,003	118,886	5,191	28,054	59,794	34,153	266,084	3,233	269,318	2,774	272,092

Thousands of U.S. dollars (Note 1)

For the year ended March 31, 2023:	Reportable segment										Consolidated
	Product Transport Business									Adjustment and elimination	
	Dry Bulk Business	Energy Business	Container Ships	Car Carriers, Terminal and Logistics, Ferries and Coastal RoRo Ships	Real Property Business	Associated Businesses	Sub Total	Others	Total		
1. Revenues:											
(1) Revenues from customers	\$3,217,269	\$2,911,023	\$ 397,363	\$4,675,286	\$ 296,427	\$427,716	\$11,925,110	\$ 146,955	\$12,072,073	\$ -	\$12,072,073
(2) Inter-segment revenues	9,301	98,592	2,239	28,997	23,283	196,045	358,481	100,928	459,409	(459,409)	-
Total revenues	\$3,226,570	\$3,009,615	\$ 399,610	\$4,704,291	\$ 319,710	\$623,769	\$12,283,599	\$ 247,884	\$12,531,483	\$ (459,409)	\$12,072,073
Segment income (loss)	\$ 431,872	\$ 296,540	\$4,644,446	\$ 638,545	\$ 60,892	\$ (4,381)	\$ 6,067,932	\$ 13,270	\$ 6,081,210	\$ (3,250)	\$ 6,077,952
Segment assets	\$2,690,107	\$9,163,730	\$7,482,438	\$3,874,223	\$3,589,328	\$756,107	\$27,555,957	\$2,773,841	\$30,329,798	\$(3,637,317)	\$26,692,481
2. Others											
Depreciation and amortization	\$ 86,946	\$ 288,796	\$ 38,365	\$ 182,850	\$ 59,829	\$ 15,899	\$ 672,702	\$ 6,343	\$ 679,053	\$ 29,843	\$ 708,904
Amortization of goodwill	-	1,310	-	-	1,587	-	2,898	-	2,898	-	2,898
Interest income	12,027	82,101	928	2,568	1,018	157	98,824	44,461	143,286	(34,898)	108,387
Interest expense	20,489	100,456	8,612	5,788	11,892	569	147,831	36,838	184,670	(55,350)	129,319
Equity in earnings (losses) of affiliated companies, net	142,297	198,240	4,648,805	15,135	-	1,377	5,005,878	-	5,005,878	-	5,005,878
Investment in affiliates	232,007	2,026,458	7,107,054	183,426	44	17,142	9,566,164	299	9,566,464	-	9,566,464
Increase in vessels, property and equipment and intangible assets	149,801	890,331	38,875	210,095	447,794	255,770	1,992,690	24,211	2,016,910	20,774	2,037,684

Financial Statements

Millions of yen

For the year ended March 31, 2022:	Reportable segment										Adjustment and elimination	Consolidated
	Product Transport Business					Real Property Business	Associated Businesses	Sub Total	Others	Total		
	Dry Bulk Business	Energy Business	Container Ships	Car Carriers, Terminal and Logistics, Ferries and Coastal RoRo Ships	Coastal RoRo Ships							
1. Revenues:												
(1) Revenues from customers	¥360,742	¥294,006	¥ 56,664	¥458,689	¥ 38,919	¥44,567	¥1,253,590	¥ 15,720	¥1,269,310	¥ -	¥1,269,310	
(2) Inter-segment revenues	171	9,159	274	3,591	3,074	21,631	37,902	8,572	46,475	(46,475)	-	
Total revenues	¥360,913	¥303,165	¥ 56,939	¥462,281	¥ 41,993	¥66,198	¥1,291,492	¥ 24,293	¥1,315,786	¥ (46,475)	¥1,269,310	
Segment income (loss)	¥ 43,275	¥ 19,838	¥634,000	¥ 28,997	¥ 9,793	¥(2,316)	¥ 733,589	¥ 2,714	¥ 736,303	¥ (14,523)	¥ 721,779	
Segment assets	¥294,175	¥886,028	¥650,143	¥391,584	¥420,487	¥67,699	¥2,710,118	¥245,837	¥2,955,956	¥(269,254)	¥2,686,701	
2. Others												
Depreciation and amortization	¥ 10,808	¥ 35,122	¥ 3,995	¥ 25,384	¥ 7,255	¥ 2,038	¥ 84,604	¥ 639	¥ 85,244	¥ 1,155	¥ 86,399	
Amortization of goodwill	-	33	-	-	192	-	225	-	225	-	225	
Interest income	844	5,681	10	198	64	23	6,822	1,315	8,138	(1,197)	6,940	
Interest expense	1,582	6,716	703	963	1,243	82	11,292	699	11,991	(599)	11,392	
Equity in earnings (losses) of affiliated companies, net	3,481	16,579	635,876	1,250	-	188	657,375	-	657,375	-	657,375	
Investment in affiliates	9,489	192,457	607,765	21,969	6	1,941	833,630	40	833,671	-	833,671	
Increase in vessels, property and equipment and intangible assets	4,612	47,449	16,866	30,123	5,299	2,916	107,268	283	107,551	6,451	114,003	

- * 1. "Others" primarily consists of business segments that are not included in reportable segments, such as the ship operations business, the ship management business, the ship chartering business and the financing business.
2. (1) Adjustment in Segment income (loss) of -¥434 million (-\$3,250 thousand) include the following:
 -¥9,268 million (-\$69,407 thousand) of corporate profit which is not allocated to segments, ¥7,026 million (\$52,617 thousand) of adjustment for management accounting and ¥1,807 million (\$13,532 thousand) of inter-segment transaction elimination.
- (2) Adjustment in Segment assets of -¥485,691 million (-\$3,637,317 thousand) include the following:
 ¥31,220 million (\$233,805 thousand) of assets which are not allocated to segments and -¥516,911 million (-\$3,871,122 thousand) of inter-segment transaction elimination.
- (3) Adjustment in Depreciation and amortization of ¥3,985 million (\$29,843 thousand) include the following:
 ¥3,985 million (\$29,843 thousand) of depreciation of assets which are not allocated to segments.
- (4) Adjustment in Interest income of -¥4,660 million (-\$34,898 thousand) include the following:
 ¥4,181 million (\$31,311 thousand) of interest income which is not allocated to segments and -¥8,841 million (-\$66,209 thousand) of inter-segment transaction elimination.
- (5) Adjustment in Interest expenses of -¥7,391 million (-\$55,350 thousand) include the following:
 ¥8,482 million (\$63,521 thousand) of interest expenses which are not allocated to segments, -¥7,026 million (-\$52,617 thousand) of adjustment for management accounting and -¥8,846 million (-\$66,247 thousand) of inter-segment transaction elimination.
- (6) Adjustment in Increase of tangible / intangible fixed assets of ¥2,774 million (\$20,774 thousand) include the following:
 ¥13,657 million (\$102,276 thousand) of Increase of tangible / intangible fixed assets which are not allocated to segments and -¥10,883 million (-\$81,502 thousand) of inter-segment elimination.
3. Management has decided not to allocate liabilities to segments. Therefore segment information regarding liabilities is not disclosed.
4. Segment income (loss) corresponds to Ordinary income in the consolidated statements of operations.
5. Revenues from contracts with customers and other revenues are not stated separately because revenues other than those from contracts with customers are immaterial.
6. Notes to changes in reportable segments etc:
 (1) "Terminal and Logistics Business," which was conventionally presented in "Containerships Business," has been included in the conventional "Car Carriers, Ferries and Coastal RoRo Ships Businesses," in order to clearly disclose the information related to "Containerships Business," which has a big impact on the Group's operating results. As a result, the name of the conventional segment "Car Carriers, Ferries and Coastal RoRo Ships Businesses," was changed to the "Car Carriers, Terminal and Logistics, Ferries and Coastal RoRo Ships Businesses."
- (2) "Real Property Business," which was conventionally presented in "Associated Businesses," has been disclosed independently as a reportable segment, because the significance of "Real Property Business" increased as Daibiru Corporation became a wholly owned subsidiary of the Company.
- (3) The name of "Energy and Offshore Business" has been changed to "Energy Business." This change has no impact on segment information. In addition, Revenues and Segment profit (loss) during the previous fiscal year are reclassified or adjusted to conform to the presentation for the fiscal year.
7. As stated in (Changes in Account Policies), We have changed in method of evaluating inventories.
 The Group has mainly adopted the cost method based on the moving average method for evaluating raw materials and supplies included in inventories. However, the Company and some of its consolidated subsidiaries changed to the cost method based on first-in first-out method effective from the fiscal year ended March 31, 2023. Since it is impossible in practice to calculate the cumulative effect in case it is adopted retrospectively, the Company has adopted the cost method based on the first-in first-out method effective from the beginning of the fiscal year to the future, recognizing book value at the end of the previous consolidated fiscal year as the beginning balance of the fiscal year. Due to this change, compared with the previous method, Segment profit (loss) for the fiscal year decreased ¥ 922 million (\$6,904 thousand) in the Dry Bulk Business, ¥182 million (\$1,362 thousand) in the Energy Business, ¥ 333 million (\$2,493 thousand) in the Car Carriers, Terminal and Logistics, Ferries and Coastal RoRo ships, ¥ 0 million (\$5 thousand) in Others Business. There were no changes in Segment profit (loss) in Container Ships, Real Property Business, and Associated businesses.
8. We have changed the allocation of general and administrative expenses to company-wide profit and loss to appropriately reflect expenses in each segment. This new method of allocating general and administrative expenses has been used from the beginning of the fiscal year. In comparison with the results based on the previous method, Segment profit (loss) for the fiscal year decreased ¥ 938 million (\$7,024 thousand) in the Dry Bulk Business, ¥ 772 million (\$5,781 thousand) in the Energy Business, increased ¥ 2,778 million (\$20,804 thousand) in the Containerships Business, ¥ 709 million (\$5,309 thousand) in the Car Carriers, Terminal and Logistics, Ferries and Coastal RoRo Ships Businesses, decreased ¥ 1,028 million (\$7,698 thousand) in the Real Property Business, ¥ 1,352 million (\$10,125 thousand) in the Associated Businesses, ¥ 94 million (\$703 thousand) in Others, and increased ¥ 699 million (\$5,234 thousand) in Adjustment in Segment profit (loss).
9. (1) Adjustment in Segment income (loss) of -¥14,523 million include the following:
 -¥21,765 million of corporate profit which is not allocated to segments, ¥5,712 million of adjustment for management accounting and ¥1,529 million of inter-segment transaction elimination.
- (2) Adjustment in Segment assets of -¥269,254 million include the following:
 ¥22,681 million of assets which are not allocated to segments and -¥291,936 million of inter-segment transaction elimination.
- (3) Adjustment in Depreciation and amortization of ¥1,155 million include the following:
 ¥1,155 million of depreciation of assets which are not allocated to segments.
- (4) Adjustment in Interest income of -¥1,197 million include the following:
 ¥711 million of interest income which is not allocated to segments and -¥1,909 million of inter-segment transaction elimination.
- (5) Adjustment in Interest expenses of -¥599 million include the following:
 ¥4,379 million of interest expenses which are not allocated to segments, -¥3,049 million of adjustment for management accounting and -¥1,929 million of inter-segment transaction elimination.
- (6) Adjustment in Increase of tangible / intangible fixed assets of ¥6,451 million include the following:
 ¥6,451 million of Increase of tangible / intangible fixed assets which are not allocated to segments.

(B) RELATED INFORMATION:

(1) Information about geographic areas:

In our core marine transportation business, the areas which services are provided are not necessarily consistent with the location of our customers. Therefore, revenues by geographic areas are revenues by geographic areas of each company's registration.

Millions of yen

For the year ended March 31, 2023:	Japan	North America	Europe	Asia		Others	Consolidated
				Singapore			
Revenues	¥1,255,986	¥81,016	¥38,747	¥235,738	¥176,331	¥ 496	¥1,611,984
Vessels, property and equipment	¥1,054,595	¥21,880	¥27,605	¥218,796	¥148,592	¥19,363	¥1,342,240

Thousands of U.S. dollars (Note 1)

For the year ended March 31, 2023:	Japan	North America	Europe	Asia		Others	Consolidated
				Singapore			
Revenues	\$9,406,021	\$606,725	\$290,174	\$1,765,430	\$1,320,534	\$ 3,714	\$12,072,073
Vessels, property and equipment	\$7,897,813	\$163,858	\$206,732	\$1,638,553	\$1,112,798	\$145,008	\$10,051,973

Millions of yen

For the year ended March 31, 2022:	Japan	North America	Europe	Asia		Others	Consolidated
				Singapore			
Revenues	¥988,225	¥67,693	¥33,593	¥179,590	¥132,580	¥ 207	¥1,269,310
Vessels, property and equipment	¥907,375	¥22,133	¥ 9,196	¥154,827	¥ 92,307	¥17,619	¥1,111,152

(2) Information about impairment loss by reportable segment:

Millions of yen

For the year ended March 31, 2023:	Reportable segment										Consolidated
	Product Transport Business										
	Dry Bulk Business	Energy Business	Container Ships	Car Carriers, Terminal and Logistics, Ferries and Coastal RoRo ships	Real Property Business	Associated businesses	Sub Total	Others	Total	Adjustment and elimination	
Impairment loss	¥-	¥3,204	¥-	¥-	¥192	¥-	¥3,396	¥-	¥3,396	¥612	¥4,008

Thousands of U.S. dollars (Note 1)

For the year ended March 31, 2023:	Reportable segment										Consolidated
	Product Transport Business										
	Dry Bulk Business	Energy Business	Container Ships	Car Carriers, Terminal and Logistics, Ferries and Coastal RoRo ships	Real Property Business	Associated businesses	Sub Total	Others	Total	Adjustment and elimination	
Impairment loss	\$-	\$23,994	\$-	\$-	\$1,437	\$-	\$25,432	\$-	\$25,432	\$4,583	\$30,015

For the year ended March 31, 2022:
There was no material impairment loss.

(3) Information about goodwill by reportable segment:

Millions of yen

For the year ended March 31, 2023:	Reportable segment										Consolidated
	Product Transport Business										
	Dry Bulk Business	Energy Business	Container Ships	Car Carriers, Terminal and Logistics, Ferries and Coastal RoRo ships	Real Property Business	Associated businesses	Sub Total	Others	Total	Adjustment and elimination	
Goodwill at the end of current year	¥-	¥3,212	¥-	¥-	¥1,597	¥-	¥4,810	¥-	¥4,810	¥-	¥4,810

Thousands of U.S. dollars (Note 1)

For the year ended March 31, 2023:	Reportable segment										Consolidated
	Product Transport Business										
	Dry Bulk Business	Energy Business	Container Ships	Car Carriers, Terminal and Logistics, Ferries and Coastal RoRo ships	Real Property Business	Associated businesses	Sub Total	Others	Total	Adjustment and elimination	
Goodwill at the end of current year	\$-	\$24,054	\$-	\$-	\$11,959	\$-	\$36,021	\$-	\$36,021	\$-	\$36,021

Millions of yen

For the year ended March 31, 2022:	Reportable segment										Consolidated
	Product Transport Business										
	Dry Bulk Business	Energy Business	Container Ships	Car Carriers, Terminal and Logistics, Ferries and Coastal RoRo ships	Real Property Business	Associated businesses	Sub Total	Others	Total	Adjustment and elimination	
Goodwill at the end of current year	¥-	¥568	¥-	¥-	¥1,599	¥-	¥2,167	¥-	¥2,167	¥-	¥2,167

15. INCOME TAXES

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate statutory rates in Japan of approximately 28.7% for the year ended March 31, 2023 and 28.7% for the year ended March 31, 2022.

(A) SIGNIFICANT COMPONENTS OF DEFERRED TAX ASSETS AND LIABILITIES AT MARCH 31, 2023 AND 2022 WERE AS FOLLOWS:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Deferred tax assets:			
Operating loss carried forward ^(*)	¥ 67,850	¥ 67,970	\$ 508,125
Write-down of securities and other investments	4,510	3,409	33,775
Provision for bonuses	3,193	2,708	23,912
Impairment loss	9,781	10,787	73,249
Excess bad debt expenses	7,255	7,091	54,332
Net defined benefit liabilities	2,705	3,466	20,257
Directors' and corporate auditors' retirement benefits	233	452	1,744
Unrealized gain on sale of fixed assets	1,194	1,407	8,941
Provision for contract loss	3,427	6,329	25,664
Transfer of charters from subsidiaries and affiliates	-	727	-
Deemed dividends	12,278	11,572	91,949
Unrealized gains on hedging derivatives	3,716	4,977	27,828
Others	15,052	9,692	112,723
Total deferred tax assets	131,199	130,592	982,543
Valuation allowance for carryforward tax loss ^(*)	(67,627)	(67,692)	(506,455)
Valuation allowance for deductible temporary differences	(55,880)	(56,503)	(418,482)
Valuation allowance total	(123,508)	(124,196)	(924,945)
Net deferred tax assets	7,690	6,396	57,590
Deferred tax liabilities:			
Reserve deductible for tax purposes when appropriated for deferred gain on real properties	(2,735)	(2,137)	(20,482)
Reserve deductible for tax purposes when appropriated for special depreciation	(752)	(1,076)	(5,631)
Unrealized holding gains on available-for-sale securities	(17,792)	(18,453)	(133,243)
Revaluation reserve	(26,013)	(25,479)	(194,810)
Retained earnings of consolidated subsidiaries	(14,958)	(6,973)	(112,019)
Unrealized gains on hedging derivatives	(20,862)	(18,460)	(156,234)
Others	(7,387)	(7,113)	(55,320)
Total deferred tax liabilities	(90,502)	(79,695)	(677,765)
Net deferred tax liabilities	¥ (82,811)	¥ (73,299)	\$(620,167)

*1 Carryforward tax loss and its deferred tax assets by expiration periods

For the year ended March 31, 2023:	Millions of yen						
	2024	2025	2026	2027	2028	2029 and beyond	Total
Carryforward tax loss ^(*)	¥12,640	¥9,727	¥5,377	¥5,301	¥6,990	¥27,813	¥67,850
Valuation allowance	12,630	9,725	5,372	5,255	6,980	27,663	67,627
Net deferred tax assets	¥ 10	¥ 2	¥ 5	¥ 45	¥ 9	¥ 145	¥ 223

For the year ended March 31, 2023:	Thousands of U.S. dollars (Note 1)						
	2024	2025	2026	2027	2028	2029 and beyond	Total
Carryforward tax loss ^(*)	\$94,660	\$72,845	\$40,268	\$39,698	\$52,347	\$208,290	\$508,125
Valuation allowance	94,585	72,830	40,230	39,354	52,272	207,166	506,455
Net deferred tax assets	\$ 74	\$ 14	\$ 37	\$ 337	\$ 67	\$ 1,085	\$ 1,670

For the year ended March 31, 2022:	Millions of yen						
	2024	2025	2026	2027	2028	2029 and beyond	Total
Carryforward tax loss ^(*)	¥1,937	¥14,454	¥10,606	¥4,777	¥8,539	¥27,655	¥67,970
Valuation allowance	1,936	14,445	10,593	4,753	8,466	27,496	67,692
Net deferred tax assets	¥ 1	¥ 8	¥ 13	¥ 23	¥ 73	¥ 158	¥ 277

*2 Carryforward tax loss shown in the above table is after multiplying the statutory tax rate.

(B) RECONCILIATION OF THE STATUTORY TAX RATE TO THE EFFECTIVE TAX RATE:

	2023	2022
Statutory tax rate	28.7%	28.7%
Permanently non-deductible expenses for tax purposes, such as entertainment expenses	0.1%	0.1%
Permanently not taxable incomes for tax purposes, such as dividend income	(0.2)%	(0.1)%
Effect of tonnage tax system	(1.4)%	(1.3)%
Changes in valuation allowance	(0.0)%	(5.2)%
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(23.4)%	(25.7)%
Effect of difference of effective tax rate for consolidated subsidiaries	(1.5)%	(0.1)%
Effect of elimination of inter-company transactions	-	1.0%
Others	0.3%	5.2%
Effective tax rate	2.6%	2.6%

*1 Changes in valuation allowance of effect of net loss carried forward for foreign subsidiaries are included in Effect of difference of effective tax rate for consolidated subsidiaries.

(C) ACCOUNTING TREATMENT OF CORPORATION TAX AND LOCAL CORPORATION TAX AND ACCOUNTING TREATMENT OF RELATED TAX EFFECT ACCOUNTING

The Company is applying Group Tax Sharing System from the Consolidated Taxation System from the fiscal year ending March 31, 2023. Moreover, for the accounting treatment and disclosure of tax effect accounting for corporation tax and local corporation tax, the Company has adopted "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021) from this fiscal year-end under review.

16. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

(A) OUTLINE OF EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The Group has funded and un-funded defined benefit pension plans and defined contribution pension plans.

The defined benefit corporate pension plans provide for a lump-sum payment or annuity payment determined by reference to the current rate of pay and the length of service.

The Company has a retirement benefit trust.

The retirement lump-sum plans provide for a lump-sum payment, as employee retirement benefits, determined by reference to the current rate of pay and the length of service.

Certain consolidated subsidiaries calculate liabilities for retirement benefit and retirement benefit expenses, for the defined benefit corporate pension plans and the retirement lump-sum plans based on the amount which would be payable at the year end if all eligible employees terminated their services voluntarily (the "simplified method").

(B) DEFINED BENEFIT PLANS

(1) Movements In Retirement Benefit Obligations Except Plan Applied Simplified Method

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Balance at the beginning of the year	¥44,610	¥44,398	\$334,082
Service cost	1,711	1,693	12,813
Interest cost	389	386	2,913
Actuarial loss (gain)	(550)	47	(4,118)
Benefits paid	(1,725)	(1,915)	(12,918)
Balance at the end of the year	¥44,435	¥44,610	\$332,771

(2) Movements In Plan Assets Except Plan Applied Simplified Method

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Balance at the beginning of the year	¥60,082	¥65,158	\$449,951
Expected return on plan assets	1,203	1,304	9,009
Actuarial loss (gain)	1,571	2,719	11,765
Contributions paid by the employer	970	937	7,264
Benefits paid	(1,500)	(1,737)	(11,233)
Return of retirement benefit trust	-	(8,300)	-
Balance at the end of the year	¥62,328	¥60,082	\$466,771

(3) Movements In Net Liability For Retirement Benefits Based On The Simplified Method

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Balance at the beginning of the year	¥5,850	¥5,833	\$43,810
Retirement benefit costs	1,657	1,218	12,409
Benefits paid	(953)	(624)	(7,136)
Contributions paid by the employer	(460)	(575)	(3,444)
Balance at the end of the year	¥6,093	¥5,850	\$45,630

(4) Reconciliation From Retirement Benefit Obligations And Plan Assets To Liability (Asset)

For Retirement Benefits Including Plan Applied Simplified Method

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Funded retirement benefit obligations	¥ 52,003	¥ 52,674	\$ 389,448
Plan assets	(72,904)	(70,854)	(545,974)
	(20,900)	(18,179)	(156,519)
Unfunded retirement benefit obligations	9,101	8,577	68,156
Total net liability (asset) for retirement benefits at the end of the year	(11,799)	(9,602)	(88,362)
Liability for retirement benefits	9,188	9,355	68,808
Asset for retirement benefits	(20,987)	(18,957)	(157,170)
Total net liability (asset) for retirement benefits at the end of the year	¥(11,799)	¥ (9,602)	\$ (88,362)

(5) Retirement Benefit Costs

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Service cost	¥ 1,711	¥ 1,693	\$ 12,813
Interest cost	389	386	2,913
Expected return on plan assets	(1,203)	(1,304)	(9,009)
Net actuarial loss amortization	(1,658)	(1,574)	(12,416)
Retirement benefit costs calculated by the simplified method	1,657	1,218	12,409
Other	-	0	-
Total retirement benefit costs for the fiscal year	896	418	6,710
Gain on return of retirement benefit trust	¥ -	¥(2,270)	\$ -

(6) Remeasurements Of Defined Benefit Plans

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Actuarial loss (gain)	¥463	¥(1,193)	\$3,467

(7) Accumulated Remeasurements Of Defined Benefit Plans

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Unrecognized actuarial differences	¥9,851	¥9,388	\$73,773

(8) Plan Assets

1. Plan assets comprise:

	2023	2022
Equity securities	31%	29%
Bonds	18%	22%
Jointly invested assets	42%	43%
Cash and cash equivalents	6%	4%
Other	3%	2%
Total	100%	100%
Retirement benefit trust	28%	25%

2. Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(9) Actuarial Assumptions

The discount rates were mainly 0.5%–1.1% for the year ended March 31, 2023 and 2022.

The rates of expected return on plan assets were mainly 2.0% for the years ended March 31, 2023 and 2022.

The expected rates of salary increase were mainly 0.5% –6.5% for the year ended March 31, 2023 and 2022.

(C) DEFINED CONTRIBUTION PLANS

The amounts of contributions to defined contribution plans were ¥1,041 million (\$7,796 thousand) at March 31, 2023 and ¥907 million at March 31, 2022.

17. STOCK OPTIONS

(A) AMOUNT OF STOCK OPTIONS EXPENSES

Stock options expenses which were accounted for as general and administrative expenses for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
General and administrative expenses	-	¥213	-

(B) AMOUNT OF PROFIT BY NON-EXERCISE OF STOCK ACQUISITION RIGHTS

Profit by non-exercise of stock acquisition rights which were accounted for as other income for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Other income	¥5	¥121	\$37

(C) TERMS AND CONDITIONS

The following table summarizes terms and conditions of stock options for the years when they were granted:

	2012	2013	2014	2015	2016
Number of grantees	Directors: 9 Executive officers: 22 Employees: 33 Presidents of the Company's domestic consolidated subsidiaries: 30	Directors: 9 Executive officers: 18 Employees: 38 Presidents of the Company's domestic consolidated subsidiaries: 33	Directors: 9 Executive officers: 19 Employees: 33 Presidents of the Company's domestic consolidated subsidiaries: 32	Directors: 8 Executive officers: 18 Employees: 37 Presidents of the Company's domestic consolidated subsidiaries: 32	Directors: 9 Executive officers: 18 Employees: 32 Presidents of the Company's domestic consolidated subsidiaries: 37
Number of stock options	Common stock 492,000	Common stock 480,000	Common stock 444,000	Common stock 465,000	Common stock 474,000
Grant date	August 13, 2012	August 16, 2013	August 18, 2014	August 17, 2015	August 15, 2016
Vesting conditions	No provisions	No provisions	No provisions	No provisions	No provisions
Service period	No provisions	No provisions	No provisions	No provisions	No provisions
Exercise period	From July 28, 2014 to June 21, 2022	From August 2, 2015 to June 20, 2023	From August 2, 2016 to June 23, 2024	From August 1, 2017 to June 20, 2025	From August 1, 2018 to June 19, 2026
	2017	2018	2019	2020	2021
Number of grantees	Directors: 9 Executive officers: 18 Employees: 33 Presidents of the Company's domestic consolidated subsidiaries: 35	Directors: 9 Executive officers: 18 Employees: 44 Presidents of the Company's domestic consolidated subsidiaries: 31	Directors: 8 Executive officers: 18 Employees: 51 Presidents of the Company's domestic consolidated subsidiaries: 29	Directors: 8 Executive officers: 19 Employees: 54 Presidents of the Company's domestic consolidated subsidiaries: 31	Employees: 70 Presidents of the Company's domestic consolidated subsidiaries: 26
Number of stock options	Common stock 471,000	Common stock 492,000	Common stock 477,000	Common stock 498,000	Common stock 288,000
Grant date	August 15, 2017	August 15, 2018	August 15, 2019	August 17, 2020	August 16, 2021
Vesting conditions	No provisions	No provisions	No provisions	No provisions	No provisions
Service period	No provisions	No provisions	No provisions	No provisions	No provisions
Exercise period	From August 1, 2019 to June 25, 2027	From August 1, 2020 to June 23, 2028	From August 1, 2021 to June 22, 2029	From August 1, 2022 to June 21, 2030	From August 1, 2023 to June 20, 2031

Note:

*1. The Company consolidated its common stocks basis of ten (10) shares into one(1) share effective October 1, 2017. The figures have been converted to the number after the consolidation.

*2. The Company split its common stock on the basis of one (1) share into three (3) shares effective April 1, 2022. The figures have been converted to the number after the split.

(D) CHANGES IN NUMBER AND UNIT PRICES

The following tables summarize changes in number and unit prices of stock options for the years when they were granted:

(1) Changes in number of stock options

Non-vested stock options	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Balance at March 31, 2022	-	-	-	-	-	-	-	-	498,000	288,000
Options granted during the year	-	-	-	-	-	-	-	-	-	-
Options expired during the year	-	-	-	-	-	-	-	-	-	-
Options vested during the year	-	-	-	-	-	-	-	-	498,000	-
Balance at March 31, 2023	-	-	-	-	-	-	-	-	-	288,000

Vested stock options	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Balance at March 31, 2022	10,200	166,500	181,200	298,500	85,500	289,500	177,300	305,100	-	-
Options vested during the year	-	-	-	-	-	-	-	-	498,000	-
Options exercised during the year	6,000	131,100	59,700	68,100	25,500	63,600	61,500	69,900	316,800	-
Options expired during the year	4,200	-	-	-	-	-	-	-	-	-
Balance at March 31, 2023	-	35,400	121,500	230,400	60,000	225,900	115,800	235,200	181,200	-

(2) Unit prices of stock options exercised during the year

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Exercise price	¥ 924	¥1,490	¥1,374	¥1,424	¥ 807	¥1,260	¥ 981	¥ 988	¥ 702	¥2,450
Average market price of share at exercise	¥3,288	¥3,438	¥3,383	¥3,404	¥3,362	¥3,411	¥3,453	¥3,456	¥3,562	-
Fair value per stock option at grant date	¥ 224	¥ 574	¥ 440	¥ 314	¥ 187	¥ 364	¥ 321	¥ 165	¥ 133	¥ 741

Note:

*1. The Company consolidated its common stocks basis of ten (10) shares into one(1) share effective October 1, 2017. The figures have been converted to the number after the consolidation.

*2. The Company split its common stock on the basis of one (1) share into three (3) shares effective April 1, 2022. The figures have been converted to the number after the split.

18. SUPPLEMENTARY INFORMATION ON CONSOLIDATED STATEMENT OF CASH FLOWS

Cash and cash equivalent in the accompanying consolidated statement of cash flows for the years ended March 31, 2023 and 2022, are reconciled to cash and deposits reflected in the accompanying consolidated balance sheets at March 31, 2023 and 2022, as follows.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Cash and deposits	¥93,961	¥99,878	\$703,669
Time deposits with maturities of more than three months	(3,414)	(3,743)	(25,567)
Short-term investments with maturities of three months or less (Securities)	500	1,000	3,744
Cash and Cash equivalents	¥91,047	¥97,135	\$681,846

19. COMPREHENSIVE INCOME

For the years ended March 31, 2023 and 2022, the amounts reclassified to net income (loss) that were recognized in other comprehensive income and tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Unrealized holding gains on available-for-sale securities, net of tax:			
Increase (Decrease) during the year	¥ 11,281	¥10,093	\$ 84,482
Reclassification adjustments	(13,469)	(3,405)	(100,868)
Sub-total, before tax	(2,187)	6,687	(16,378)
Tax effect	639	(2,061)	4,785
	(1,548)	4,626	(11,592)
Unrealized gains on hedging derivatives, net of tax:			
Increase (Decrease) during the year	29,801	29,659	223,178
Reclassification adjustments	(18,809)	(16,736)	(140,859)
Adjustments of acquisition cost	(1,075)	(295)	(8,050)
Sub-total, before tax	9,916	12,627	74,260
Tax effect	(2,429)	(3,525)	(18,190)
	7,487	9,102	56,069
Foreign currency translation adjustments:			
Increase (Decrease) during the year	35,914	16,352	268,958
Reclassification adjustments	1,462	571	10,948
Sub-total, before tax	37,376	16,924	279,907
Tax effect	(1,351)	-	(10,117)
	36,025	16,924	269,789
Remeasurements of defined benefit plans:			
Increase (Decrease) during the year	2,122	2,652	15,891
Reclassification adjustments	(1,658)	(3,845)	(12,416)
Sub-total, before tax	463	(1,193)	3,467
Tax effect	(133)	347	(996)
	329	(845)	2,463
Share of other comprehensive income (loss) of associates accounted for using equity method:			
Decrease during the year	146,280	26,384	1,095,484
Reclassification adjustments	5,627	6,604	42,140
	151,908	32,989	1,137,631
Total other comprehensive income (loss)	¥194,202	¥62,797	\$1,454,369

20. RELATED PARTY TRANSACTIONS

(A) RELATED PARTY TRANSACTIONS

For the year ended March 31, 2023

(1) The transactions between the Company and the related party.

Category	Name of company	Address	Paid-in capital	Business description	Ratio of the Group's voting rights	Relation with related party	Description of transaction ^(*)	Millions of yen		Thousands of U.S. dollars (Note 1)		
								Transactions during the year ended March 31, 2023	Balance at March 31, 2023	Transactions during the year ended March 31, 2023	Balance at March 31, 2023	
							Transacted amount	Account	Amount	Transacted amount	Amount	
Affiliated company	BUZIOS5 MV32 B.V.	NETHERLANDS	US\$100,000	Energy Business	20.00%	Interlocking directorate Debt guarantee	Debt guarantee	¥48,690	-	-	\$364,637	-
Affiliated company	AREA1 MEXICO MV34 B.V.	NETHERLANDS	US\$100,000	Energy Business	30.00%	Interlocking directorate Debt guarantee	Debt guarantee	¥45,032	-	-	\$337,242	-
Affiliated company	MARLIM1 MV33 B.V.	NETHERLANDS	US\$100,000	Energy Business	20.00%	Interlocking directorate Debt guarantee	Debt guarantee	¥37,700	-	-	\$282,333	-

Note: *1. The Company conducted bank loan guarantees for affiliated companies above and guarantee fees were determined by considering the form of guarantees and other conditions.

(2) The transactions between the subsidiaries and the related party.

The Company recorded allowance for doubtful accounts on subordinated long-term loans to its affiliated company, which amounted to ¥15,924 million ((\$119,254 thousand)).

The Company recorded reversal of allowance for doubtful accounts on subordinated long-term loans to its affiliated company, which amounted to ¥3,317 million ((\$24,840 thousand)).

For the year ended March 31, 2022

(1) The transactions between the Company and the related party.

Category	Name of company	Address	Paid-in capital	Business description	Ratio of the Group's voting rights	Relation with related party	Description of transaction ⁽¹⁾	Millions of yen	
								Transactions during the year ended March 31, 2022	Balance at March 31, 2022
							Transacted amount	Account	Amount
Affiliated company	AREA1 MEXICO MV34 B.V.	NETHERLANDS	US\$100,000	Energy Business	30.00%	Interlocking directorate Debt guarantee	¥38,766	-	-
Affiliated company	LIBRA MV31 B.V.	NETHERLANDS	US\$100,000	Energy Business	20.60%	Interlocking directorate Debt guarantee	¥36,506	-	-
Affiliated company	BUZIOS5 MV32 B.V.	NETHERLANDS	US\$100,000	Energy Business	20.00%	Interlocking directorate Debt guarantee	¥29,619	-	-

Note: *1. The Company conducted bank loan guarantees for affiliated companies above and guarantee fees were determined by considering the form of guarantees and other conditions.

(2) The transactions between the subsidiaries and the related party.

The Company recorded allowance for doubtful accounts on subordinated long-term loans to its affiliated company, which amounted to ¥16,677 million.

(B) NOTE ABOUT SIGNIFICANT RELATED PARTIES

A significant affiliated company to be disclosed for the year ended March 31, 2023 and 2022 was Ocean Network Express Pte. Ltd. and the summary of its financial statements were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Total current assets	¥2,783,459	¥2,345,314	\$20,845,195
Total non-current assets	1,409,715	672,138	10,557,290
Total current liabilities	508,449	544,881	3,807,751
Total non-current liabilities	638,284	525,499	4,780,079
Total net assets	3,046,440	1,947,071	22,814,648
Shipping and other revenues	3,901,550	3,670,529	29,218,527
Income before income taxes	2,028,325	2,062,365	15,190,032
Net income	2,001,371	2,048,052	14,988,174

21. BUSINESS COMBINATION

(Transactions under common control)

ADDITIONAL INVESTMENT IN CONSOLIDATED SUBSIDIARY DAIBIRU CORPORATION

1. OVERVIEW OF THE TRANSACTION

(1) Company name at the time of business combination and type of business

Company name at the time of business combination: DAIBIRU CORPORATION

Type of business: Ownership, operation, management, and leasing of real estate

(2) Date of business combination

Acquisition through tender offer for share: April 28, 2022

(3) Legal form of business combination

Share acquisition as a non-controlling interest

(4) Company name after business combination

Not changed.

(5) Other matters concerning the transaction

With the aim of making DAIBIRU CORPORATION (hereinafter referred to as "DAIBIRU"), which is a consolidated subsidiary of the Company, a wholly-owned subsidiary, the Company acquired additional shares of DAIBIRU on January 25, 2022 through a tender offer under the Financial Instruments and Exchange Act to acquire the common stock of DAIBIRU. DAIBIRU became a wholly-owned subsidiary of the Company upon the effectuation of the share consolidation of DAIBIRU's common stock on April 28, 2022.

2. ACCOUNTING TREATMENT OF TRANSACTION

The transaction was accounted for as a non-controlling interest within transactions under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

3. MATTERS LISTED ON THE ADDITIONAL ACQUISITION OF SUBSIDIARY SHARES

Breakdown of acquisition cost and consideration by type

		Millions of yen	Thousands of U.S. dollars (Note 1)
Acquisition consideration	Cash	¥43,896	\$328,735
Acquisition cost		¥43,896	\$328,735

4. MATTERS RELATED TO CHANGES IN THE COMPANY'S EQUITY FROM TRANSACTION WITH NON-CONTROLLING INTEREST

(1) Main cause of change in capital surplus

Additional acquisition of subsidiary shares

(2) Decrease in capital surplus from transaction with non-controlling interest

	Millions of yen	Thousands of U.S. dollars (Note 1)
	¥15,292	\$114,521

22. SUBSEQUENT EVENT

At its Board of Directors meeting held on April 28, 2023, the Company resolved to subscribe to shares of MODEC, Inc. (hereinafter referred to as "MODEC"; President & CEO: Takeshi Kanamori, Head Office: Chuo-ku, Tokyo) through a third-party allotment conducted by MODEC for the Company and Mitsui & Co., Ltd. (hereinafter referred to as "Mitsui & Co."; President & CEO: Kenichi Hori, Head Office: Chiyoda-ku, Tokyo) as allottees. The Company also decided to enter into a business alliance agreement (hereinafter referred to as "Business Alliance Agreement," and the business alliance formed by Business Alliance Agreement is hereinafter referred to as "Business Alliance") with MODEC.

1. OVERVIEW OF SUBSCRIPTION FOR SHARES THROUGH THIRD-PARTY ALLOTMENT

(1) Type and number of shares to be subscribed: 10,162,300 shares of common stock

(2) Amount to be paid: ¥12,845,147,200 (\$96,196,713)

(3) Payment date: June 30, 2023

After the subscription, the Company's shareholding ratio in MODEC will be 14.86%, making the Company the second largest shareholder, with the same ratio as Mitsui & Co.

2. DETAILS, ETC. OF BUSINESS ALLIANCE

- MODEC will provide its know-hows in engineering, construction, leasing, and operation of FPSOs, etc.;
- The Company will provide its global network, as well as know-hows in business development, fundraising and each regional characteristic;
- The Company will cooperate with MODEC in strengthening its operational system; and
- The Company will provide human resources support to MODEC.

The Company plans to hold discussions with MODEC regarding the contents, terms and conditions, and timing of each of the item of Business Alliance and intends to implement each of these items.

3. IMPACT ON PROFIT AND LOSS

The direct impact of the Business Alliance on the Company's consolidated financial results for the fiscal year ending March 31, 2024 is expected to be immaterial.

23. OTHERS

(1) Settlement payments

On January 10, 2014, the Group filed a lawsuit against Mitsubishi Heavy Industries, Ltd. (hereinafter referred to as "MHI") at Tokyo District Court, seeking compensation for damages associated with a maritime accident involving a vessel constructed by MHI. In response, MHI filed a countersuit at Tokyo District Court, seeking payment for reinforcement of the ship's hull strength for the same type of vessel. After nearly 10 years since the accident, a settlement agreement was reached through diligent negotiations between both companies, resulting in the Group recording an extraordinary loss of ¥5,300 million (\$39,691 thousand) as the net burden amount of the two lawsuits.

(2) Others

Since 2012, the Company and its subsidiary have been the subject of investigations by the antitrust authorities in the U.S. and other countries, on the suspicion of violations of each country's competition laws with respect to ocean transport services of completed build-up vehicles. In addition, a class-action lawsuit was filed in the U.K. etc. against the Group, for damage claims, a cease and desist order for the questioned conduct. Meanwhile, the effect of these investigations and lawsuit on the financial results of the Group is uncertain as its financial impact is not estimable at this stage.

Independent Auditor's Report



Independent auditor's report

To the Board of Directors of Mitsui O.S.K. Lines, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Mitsui O.S.K. Lines, Ltd. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheet as at March 31, 2023, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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 our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of the estimate of the provision for contract losses related to the long-term charter contracts

The key audit matter	How the matter was addressed in our audit
In the consolidated balance sheet of the Group, a provision for contract losses of ¥11,757 million was recognized. Of this amount, ¥10,894 million was a provision for contract losses related to long-term charter agreements, as described in Note 2. SUMMARY OF SIGNIFICANT	The primary procedures we performed to assess whether the estimate of the provision for contract losses related to the long-term charter contracts was reasonable included the following: (1) Internal control testing

ACCOUNTING POLICIES, (24)
“SIGNIFICANT ACCOUNTING
ESTIMATES, (Provision for Contract Loss
Related to Long-term Charter Agreements)”.

The Group leases vessels to customers under the long-term charter contracts. Charter fees for vessels leased to certain customers are calculated each year based on the market trend in charter hire fees for the past several years, while vessel procurement costs are estimated each year based on changes in interest rates on funding for capital investment in vessels and vessel expenses including crew personnel expenses.

If it is probable that a loss will be incurred in the future due to the procurement costs exceeding charter fees influenced by changes in charter hire fees, interest rates and vessel expenses, the Group recognizes a provision for contract losses for each vessel over the contract period of the long-term charter contract.

Since future information on charter hire fees, interest rates and vessel expenses, which forms the basis for estimating a provision for contract losses related to long-term charter agreements, is significantly affected by the supply and demand for vessels and foreign exchange rates, the estimate of the provision for contract losses involved a high degree of uncertainty. Accordingly, management’s judgment thereon had a significant effect on the estimate.

We, therefore, determined that our assessment of the reasonableness of the estimate of the provision for contract losses related to the long-term charter contracts was the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

We tested the design and operating effectiveness of certain of the Group’s internal controls relevant to the estimate of a provision for contract losses related to long-term charter agreements. In this assessment, we focused our testing on the controls to appropriately reflect information obtained from external organizations in estimating future charter hire fees, interest rates and vessel expenses.

(2) Assessment of the reasonableness of the estimated provision for contract losses related to the long-term charter contracts

In order to assess whether the key assumptions used to estimate a provision for contract losses related to long-term charter agreements are appropriate, we primarily:

- assessed whether the estimated charter hire fees were proper by analyzing past trends and the market trend data as of the end of the current fiscal year published by maritime service providers;
- assessed whether the estimated interest rates were proper by analyzing past trends and forecasts published by financial institutions;
- assessed whether the estimated vessel expenses were proper by analyzing maritime market trends and inspecting relevant documents; and
- analyzed the causes of differences between the estimated losses on contracts in the past and actual results and assessed whether the causes were appropriately reflected in estimating the allowance for loss on contracts.

Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited financial statements, but does not include the financial statements and our auditor’s report thereon.

We do not perform any work on the other information as we determine such information does not exist.

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

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

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

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

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

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

As part of our 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. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a

manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with corporate auditors 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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We 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.

Iwao Hirano
Designated Engagement Partner
Certified Public Accountant

Yoshikuni Noguchi
Designated Engagement Partner
Certified Public Accountant

Katsunori Totani
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 20, 2023

The logo consists of the letters 'M', 'O', and 'L' in a bold, white, sans-serif font, each contained within a dark blue square. The squares are arranged horizontally and touch each other.

M O L

Mitsui O.S.K. Lines