



Financial Statements (FY2021)

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Consolidated Balance Sheets

Mitsui O.S.K. Lines, Ltd. March 31, 2022 and 2021

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Current assets:			
Cash and deposits (Notes 3 and 17)	¥ 99,878	¥ 86,238	\$ 816,063
Trade receivables (Note 3)	109,891	86,828	897,875
Contract assets (Note 12)	15,601	–	127,469
Marketable securities (Note 4)	1,000	500	8,170
Inventories (Note 5)	46,085	29,615	376,542
Deferred and prepaid expenses	21,545	49,866	176,035
Other current assets (Notes 3 and 6)	58,748	74,505	480,006
Allowance for doubtful accounts	[1,298]	[553]	[10,605]
Total current assets	351,452	327,000	2,871,574
Vessels, property and equipment, net of accumulated depreciation (Notes 7 and 11):			
Vessels	632,105	625,896	5,164,678
Buildings and structures	127,954	145,171	1,045,461
Machinery, equipment and vehicles	25,290	26,861	206,634
Furniture and fixtures	5,529	5,477	45,175
Land	254,594	252,794	2,080,186
Vessels and other property under construction	59,988	40,704	490,138
Others	5,688	2,551	46,474
Net vessels, property and equipment	1,111,152	1,099,458	9,078,780
Investments, intangibles and other assets:			
Intangible assets	36,624	31,364	299,240
Investment securities (Notes 3, 4 and 7)	978,848	459,357	7,997,777
Long-term loans receivable (Note 3)	110,104	83,258	899,615
Long-term prepaid expenses	8,562	9,926	69,956
Net defined benefit assets (Note 15)	18,957	24,172	154,890
Deferred tax assets (Note 14)	1,217	2,369	9,943
Other non-current assets (Note 6)	93,343	79,184	762,668
Allowance for doubtful accounts	[23,562]	[20,533]	[192,515]
Total investments, intangibles and other assets	1,224,096	669,101	10,001,601
Total assets	¥2,686,701	¥2,095,559	\$21,951,965

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Current liabilities:			
Trade payables (Note 3)	¥ 96,034	¥ 73,019	\$ 784,655
Bonds due within one year (Notes 3 and 7)	23,700	17,800	193,643
Short-term bank loans (Notes 3 and 7)	192,170	166,879	1,570,144
Commercial paper (Notes 3 and 7)	8,000	40,000	65,364
Accrued income taxes (Note 14)	8,624	4,119	70,463
Advances received	2,188	31,762	17,877
Contract liabilities (Note 12)	23,125	–	188,945
Provision for bonuses	9,433	4,962	77,073
Provision for directors' bonuses	660	211	5,392
Provision for share-based payments	184	–	1,503
Provision for contract loss	11,036	13,709	90,170
Provision for loss related to business restructuring	–	12,173	–
Provision for loss on sales and disposals of vessels, property, equipment and others	1,431	6,217	11,692
Other current liabilities (Note 6)	37,414	46,718	305,694
Total current liabilities	414,002	417,574	3,382,645
Non-current liabilities:			
Bonds due after one year (Notes 3 and 7)	189,500	163,200	1,548,329
Long-term bank loans (Notes 3 and 7)	575,101	623,006	4,698,921
Lease obligations	10,803	14,059	88,267
Deferred tax liabilities (Note 14)	74,516	65,172	608,840
Net defined benefit liabilities (Note 15)	9,355	9,245	76,435
Provision for share-based payments	354	–	2,892
Directors' and corporate auditors' retirement benefits	1,485	1,645	12,133
Provision for periodic drydocking	15,836	15,219	129,389
Provision for contract loss	11,057	21,229	90,342
Other non-current liabilities (Note 6)	49,822	66,056	407,075
Total non-current liabilities	937,832	978,834	7,662,652
Total liabilities	1,351,835	1,396,409	11,045,305
Commitments and contingent liabilities (Note 8)			
Net assets (Note 9):			
Owners' equity			
Common stock at March 31, 2022:			
Authorized — 315,400,000 shares			
Issued — 120,628,611 shares	65,400	65,400	534,357
Capital surplus	23,090	45,351	188,659
Retained earnings	1,091,250	435,589	8,916,169
Treasury stock, at cost	[2,267]	[6,515]	[18,522]
Total owners' equity	1,177,474	539,825	9,620,671
Accumulated other comprehensive income			
Unrealized holding gains on available-for-sale securities, net of tax	34,010	29,917	277,882
Unrealized gains on hedging derivatives, net of tax	27,161	5,150	221,921
Foreign currency translation adjustments	29,232	[4,653]	238,843
Remeasurements of defined benefit plans, net of tax	6,691	7,541	54,669
Total accumulated other comprehensive income	97,095	37,956	793,324
Share option	781	1,347	6,381
Non-controlling interests	59,514	120,020	486,265
Total net assets	1,334,866	699,150	10,906,659
Total liabilities and net assets	¥2,686,701	¥2,095,559	\$21,951,965

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2022 and 2021

[Consolidated Statements of Income]	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Shipping and other revenues (Notes 12 and 13)	¥1,269,310	¥991,426	\$10,371,027
Shipping and other expenses	1,117,405	911,055	9,129,871
Gross operating income	151,905	80,370	1,241,155
Selling, general and administrative expenses	96,899	85,674	791,723
Operating income (loss)	55,005	(5,303)	449,423
Non-operating income:			
Interest income	6,940	6,036	56,703
Dividend income	8,239	6,795	67,317
Equity in earnings of affiliated companies	657,375	132,912	5,371,149
Foreign exchange gain	7,080	12,412	57,847
Others	3,581	3,239	29,258
Total non-operating income	683,217	161,397	5,582,294
Non-operating expenses:			
Interest expense	11,392	12,518	93,079
Others	5,051	9,971	41,269
Total non-operating expenses	16,443	22,489	134,349
Ordinary income	721,779	133,604	5,897,369
Other gains:			
Gain on sales of vessels, property, equipment and others	13,414	10,758	109,600
Gain on sales of investment securities	4,855	1,924	39,668
Others	5,521	4,213	45,109
Total other gains	23,791	16,897	194,386
Other losses:			
Loss on sales and disposals of vessels, property, equipment and others	649	5,501	5,302
Loss on valuation of shares of subsidiaries and affiliates	1,398	3,302	11,422
Loss on valuation of investment securities	2,308	14	18,857
Provision for loss on sales and disposals of vessels, property, equipment and others	1,431	6,217	11,692
Loss related to business restructuring	2,299	18,480	18,784
Loss on building reconstruction	1,389	114	11,348
Others	3,100	16,555	25,328
Total other losses	12,577	50,187	102,761
Income before income taxes	732,993	100,313	5,988,994
Income taxes (Note 14):			
Current	12,846	6,810	104,959
Deferred	5,993	303	48,966
Net income	714,154	93,199	5,835,068
Income attributable to non-controlling interests	5,335	3,147	43,590
Income attributable to owners of parent	¥ 708,819	¥ 90,052	\$ 5,791,478

[Consolidated Statements of Comprehensive Income]	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Net income	¥714,154	¥ 93,199	\$5,835,068
Other comprehensive income (Note 18):			
Unrealized holding gains on available-for-sale securities, net of tax	4,626	16,329	37,797
Unrealized gains on hedging derivatives, net of tax	9,102	(14,799)	74,368
Foreign currency translation adjustments	16,924	(10,249)	138,279
Remeasurements of defined benefit plans, net of tax	(845)	4,866	(6,904)
Share of other comprehensive income(loss) of associates accounted for using equity method	32,989	(14,015)	269,539
	62,797	(17,867)	513,089
Comprehensive income	¥776,951	¥ 75,332	\$6,348,157
Comprehensive income attributable to owners of parent	¥767,958	¥ 69,994	\$6,274,679
Comprehensive income attributable to non-controlling interests	8,993	5,337	73,478

[Amounts per share of common stock]	Yen		U.S. dollars (Note 1)
	2022	2021	2022
Net income	¥1,970.16	¥250.99	\$16.09
Diluted net income (Note 2)	1,960.97	250.22	16.02
Cash dividends applicable to the year	1,200.00	150.00	9.80

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 is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year ended March 31, 2021.

Consolidated Statements of Changes in Net Assets

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2022 and 2021

	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, 2020	¥65,400	¥ 45,007	¥ 351,636	¥(6,722)	¥16,306	¥ 28,170	¥ 10,889	¥2,648	¥1,646	¥126,253	¥ 641,235
Exercise of subscription rights to shares	-	-	-	21	-	-	-	-	(21)	-	-
Dividends paid	-	-	(5,979)	-	-	-	-	-	-	-	(5,979)
Net income attributable to owners of parent	-	-	90,052	-	-	-	-	-	-	-	90,052
Due to change in consolidated subsidiaries	-	-	(0)	-	-	-	-	-	-	-	(0)
Purchases of treasury stock	-	-	-	(25)	-	-	-	-	-	-	(25)
Disposal of treasury stock	-	-	(118)	211	-	-	-	-	-	-	92
Purchases of shares of consolidated subsidiaries	-	344	-	-	-	-	-	-	-	-	344
Net changes of items other than owner's equity during the year	-	-	-	-	13,610	(23,019)	(15,542)	4,893	(277)	(6,233)	(26,568)
Balance at March 31 and 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, 2022	¥65,400	¥ 23,090	¥1,091,250	¥(2,267)	¥34,010	¥ 27,161	¥ 29,232	¥6,691	¥ 781	¥ 59,514	¥1,334,866

	Thousands of U.S. 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, 2021	\$534,357	\$ 370,544	\$3,559,024	\$(53,231)	\$244,439	\$ 42,078	\$(38,017)	\$61,614	\$11,005	\$ 980,635	\$ 5,712,476
Cumulative effects of changes in accounting policies	-	-	2,851	-	-	-	-	-	-	-	2,851
Restated balance	\$534,357	\$ 370,544	\$3,561,884	\$(53,231)	\$244,439	\$ 42,078	\$(38,017)	\$61,614	\$11,005	\$ 980,635	\$ 5,715,336
Exercise of subscription rights to shares	-	-	-	5,368	-	-	-	-	(5,368)	-	-
Dividends paid	-	-	(425,990)	-	-	-	-	-	-	-	(425,990)
Net income attributable to owners of parent	-	-	5,791,478	-	-	-	-	-	-	-	5,791,478
Due to change in consolidated subsidiaries	-	-	(24)	-	-	-	-	-	-	-	(24)
Purchases of treasury stock	-	-	-	(792)	-	-	-	-	-	-	(792)
Disposal of treasury stock	-	-	(11,161)	30,125	-	-	-	-	-	-	18,963
Purchases of shares of consolidated subsidiaries	-	(181,877)	-	-	-	-	-	-	-	-	(181,877)
Net changes of items other than owner's equity during the year	-	-	-	-	33,434	179,843	276,860	(6,945)	743	(494,362)	(10,409)
Balance at March 31, 2022	\$534,357	\$ 188,659	\$8,916,169	\$(18,522)	\$277,882	\$221,921	\$238,843	\$54,669	\$ 6,381	\$ 486,265	\$10,906,659

See accompanying notes.

Consolidated Statements of Cash Flows

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Cash flows from operating activities:			
Income before income taxes	¥ 732,993	¥ 100,313	\$ 5,988,994
Adjustments to reconcile income before income taxes to net cash provided by operating activities			
Depreciation and amortization	86,399	85,798	705,931
Provision for loss on sales and disposals of vessels, property, equipment and others	1,431	6,217	11,692
Loss related to business restructuring	2,299	18,480	18,784
Loss on building reconstruction	1,389	114	11,348
Equity in losses (earnings) of affiliated companies, net	(657,375)	(132,912)	(5,371,149)
Various provisions (reversals)	(9,792)	(4,937)	(80,006)
Interest and dividend income	(15,180)	(12,832)	(124,029)
Interest expense	11,392	12,518	93,079
Loss (gain) on sales of investment securities	(4,855)	(1,778)	(39,668)
Loss (gain) on valuation of investment securities	2,308	14	18,857
Loss (gain) on sale and retirement of non-current assets	(12,412)	(4,977)	(101,413)
Loss on valuation of shares of subsidiaries and associates	1,398	3,302	11,422
Foreign exchange loss (gain)	(8,369)	(13,152)	(68,379)
Changes in operating assets and liabilities:			
Trade receivables	(20,353)	(7,262)	(166,296)
Contract assets	(15,601)	-	(127,469)
Inventories	(16,095)	3,693	(131,505)
Trade payables	21,033	4,517	171,852
Others, net	(17,112)	20,420	(139,815)
Sub total	83,495	77,538	682,204
Interest and dividend income received	242,193	43,426	1,978,862
Interest expenses paid	(11,560)	(12,883)	(94,452)
Income taxes paid	(6,490)	(9,183)	(53,027)
Net cash provided by (used in) operating activities	307,637	98,898	2,513,579
Cash flows from investing activities:			
Purchase of investment securities	(75,939)	(5,109)	(620,467)
Proceeds from sales and redemption of investment securities	23,213	7,765	189,664
Purchase of vessels, property and equipment and intangible assets	(112,337)	(104,419)	(917,860)
Proceeds from sales of vessels, property and equipment and intangible assets	52,089	59,691	425,598
Disbursements for long-term loans receivables	(19,350)	(28,992)	(158,101)
Collections of long-term loans receivables	22,295	19,261	182,163
Others, net	2,578	(2,857)	21,063
Net cash provided by (used in) investing activities	(107,450)	(54,660)	(877,931)
Cash flows from financing activities:			
Net increase (decrease) in short-term bank loans	45,265	(15,233)	369,842
Net increase (decrease) in commercial paper	(32,000)	15,000	(261,459)
Proceeds from long-term bank loans	165,205	111,589	1,349,824
Repayments of long-term bank loans	(254,696)	(117,270)	(2,081,019)
Proceeds from issuance of bonds	50,000	-	408,530
Redemption of bonds	(17,800)	(36,766)	(145,436)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(84,725)	-	(692,254)
Cash dividends paid by the Company	(51,996)	(5,969)	(424,838)
Cash dividends paid to non-controlling interests	(3,613)	(8,747)	(29,520)
Others, net	(7,422)	(4,308)	(60,642)
Net cash provided by (used in) financing activities	(191,784)	(61,705)	(1,566,990)
Effect of foreign exchange rate changes on cash and cash equivalents	5,295	(142)	43,263
Net increase (decrease) in cash and cash equivalents	13,698	(17,610)	111,920
Cash and cash equivalents at the beginning of the year	83,436	102,283	681,722
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	-	(1,236)	-
Cash and cash equivalents at the end of the year (Note 17)	¥ 97,135	¥ 83,436	\$ 793,651

See accompanying notes.

Notes to Consolidated Financial Statements

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2022 and 2021

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. (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, 2022, which was ¥122.39 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 373 subsidiaries for the year ended March 31, 2022 (363 subsidiaries for the year ended March 31, 2021). Since the fiscal year ended March 31, 2022, 19 companies have been newly included in the scope of consolidation due to new establishment, the increase in materiality and other reasons. 9 companies have been excluded from the scope of consolidation due to liquidation and other reasons. 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 125 affiliated companies for the year ended March 31, 2022 (110 affiliated companies for the year ended March 31, 2021). Since the year ended March 31, 2022, 17 companies have been newly included in the scope of companies accounted for using the equity method due to purchases of its shares, the increase in materiality and other reasons. 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 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 the container shipping 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, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "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, "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 the moving-average 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 EXPENSE AND STOCK ISSUE EXPENSE

Bond issue expense and stock issue expense are charged to income 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 ¥172 million (\$1,405 thousand) for the year ended March 31, 2022 (¥415 million for the year ended March 31, 2021).

(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 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.

(15) 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.

(16) 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.

(17) 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.

(18) PROVISION FOR PERIODIC DRYDOCKING

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

(19) EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The Company and its consolidated subsidiaries (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.

(20) 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.

(21) 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.

(22) 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

(23) SIGNIFICANT ACCOUNTING ESTIMATES

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Provision for contract loss	¥22,093	¥34,939	\$180,513

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.

(24) OTHER SIGNIFICANT MATTERS IN PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

[Application of the Consolidated Taxation System]

The Consolidated Taxation System is applied.

(25) CHANGES IN ACCOUNT POLICIES

[Adoption of Accounting Standard for Revenue Recognition]

The Company has adopted "Accounting Standard for Revenue Recognition" [ASBJ Statement No. 29, March 31, 2020.], etc. from the beginning of the fiscal year ended March 31, 2022 to recognize revenue at the amount expected to be received in exchange for the promised goods or services when the control of those goods or services is transferred to customers. As a result, the Company has decided to adopt the percentage of voyage-completion method mainly to freight revenue and freight revenue expenses, which were previously accounted under the completed-voyage method.

The adoption of "Accounting Standard for Revenue Recognition," etc. follows the transitional treatment prescribed in the proviso of Paragraph 84 of "Accounting Standard for Revenue Recognition." The cumulative effect of retroactive adoption of the new accounting policy prior to the beginning of the fiscal year ended March 31, 2022 is added to or subtracted from retained earnings at the beginning of the fiscal year ended March 31, 2022, and the new accounting policy is adopted from the beginning balance. However, the new accounting policy has not been adopted retrospectively to contracts which recognized almost all amounts of revenue in accordance with the previous treatment prior to the beginning of the fiscal year ended March 31, 2022 by adopting the method prescribed in Paragraph 86 of "Accounting Standard for Revenue Recognition." In addition, by adopting the method prescribed in item (1) of the supplementary provisions of Paragraph 86 of "Accounting Standard for Revenue Recognition," changes in contracts made prior to the beginning of the fiscal year ended March 31, 2022 are accounted for based on the contract terms after reflecting all changes in contracts, and the cumulative effect is added to or deducted from retained earnings at the beginning of the fiscal year ended March 31, 2022.

As a result, Shipping and other revenues increased by ¥20,044

million, Shipping and other expenses increased by ¥10,417 million, Selling, general and administrative expenses increased by ¥9 million, Operating profit increased by ¥9,617 million, and Ordinary profit and Income before income taxes and non-controlling interests each increased by ¥9,597 million in the fiscal year ended March 31, 2022. The balance of retained earnings at the beginning of the fiscal year ended March 31, 2022 increased by ¥349 million. In addition, net assets per share increased by ¥25.41, and net income per share increased by ¥24.51 for the fiscal year ended March 31, 2022. Furthermore, the Company split its common share on the basis of one (1) share into three (3) shares effective April 1, 2022. The effect of "net assets per share" and "net income per share" is calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended March 31, 2022.

Due to the adoption of "Accounting Standard for Revenue Recognition," etc., Trade receivables presented in Current assets in the consolidated balance sheets of the previous fiscal year, have been included in Trade receivables and Contract assets from the fiscal year ended March 31, 2022. In addition, some of Advances received presented as Current liabilities, Unearned revenue included in Other current liabilities, and Long-term unearned revenue included in Other fixed liabilities have been included in Contract liabilities from the fiscal year ended March 31, 2022. In addition, Change in Trade receivables, presented in Cash flows from operating activities of the previous fiscal years' consolidated cash flow statement, has been included in Change in Trade receivable and Change in Contract assets. The Company has not reclassified the financial statements of the previous fiscal year using the new presentation method in order to comply with the transitional treatment prescribed in Paragraph 89-2 of "Accounting Standard for Revenue Recognition". Moreover, the Company has not stated "Notes on REVENUE RECOGNITION" related to the previous fiscal year in accordance with the transitional treatment prescribed in Paragraph 89-3 of "Accounting Standard for Revenue Recognition".

[Adoption of Accounting Standard for Fair Value Measurement]

The Company has adopted "Accounting Standard for Fair Value Measurement" [ASBJ Statement No. 30, July 4, 2019.], etc. from the fiscal year ended March 31, 2022, and in accordance with the transitional treatment prescribed in Paragraph 19 of "Accounting Standard for Fair Value Measurement" and Paragraph 44-2 of "Accounting Standard for Financial Instruments" [ASBJ Statement No. 10, July 4, 2019], the new accounting policy prescribed by "Accounting Standard for Fair Value Measurement," etc. will be adopted prospectively. There is no impact on the consolidated financial statements. In addition, the Company decided to include notes on fair value of financial instruments by level within the fair value hierarchy in the "Notes on Financial Instruments." However, the Company has not stated the note related to the previous fiscal year in "Notes on FINANCIAL INSTRUMENTS" in accordance with the transitional treatment prescribed in Paragraph 7-4 of "Guidance on Disclosures about Fair Value of Financial Instruments" [ASBJ Guidance No. 19, July 4, 2019.].

(26) STANDARDS AND GUIDANCE NOT YET ADOPTED

The following standard and guidance were issued but not yet adopted.

[Fair Value Measurement]

"Implementation Guidance on Accounting Standard for Fair Value Measurement" [ASBJ Guidance No. 31, June 17, 2021]

I. Overview

At the time of the publication of "Implementation Guidance on Accounting Standard for Fair Value Measurement" on July 4, 2019, it was stipulated that the review of "Fair Value Measurement of Investment Trusts" and notes on fair value of "Investments in Partnerships, etc., in which Equity Equivalents are Recorded in the Balance Sheet at the Net Amount" would take approximately one year after the publication.

The guidance was revised and announced on June 17, 2021.

3. FINANCIAL INSTRUMENTS

(1) QUALITATIVE INFORMATION ON FINANCIAL INSTRUMENTS

1. 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.

II. Effective date

The Company will apply this standard and guidance from the beginning of the consolidated fiscal year ending March 31, 2023.

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 on the consolidated financial statements.

(27) RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the 2022 presentation.

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 (22) 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, 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	¥95,054	¥98,575	¥3,520
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	¥ -

	Thousands of U.S. dollars (Note 1)		
	Book Value	Fair Value	Difference
Assets			
Investment securities ^{(*)2} (*)3			
Held-to-maturity securities	\$ 1,536	\$ 1,536	\$ (0)
Investments in unconsolidated subsidiaries and affiliated companies	26,619	25,998	(612)
Available-for-sale securities	720,851	720,990	130
Long-term loans receivable ^{(*)4}	912,917		
Allowance for doubtful accounts ^{(*)5}	(136,261)		
Total	\$776,648	\$805,417	\$28,760
Liabilities			
Bonds ^{(*)6}	1,741,972	1,745,175	3,202
Long-term bank loans ^{(*)7}	5,355,102	5,357,815	2,712
Total	\$7,097,074	\$7,102,990	\$ 5,915
Derivative financial instruments ^{(*)8}	\$ 483,462	\$ 483,462	\$ -

*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:

	Thousands of U.S. dollars (Note 1)	
	Millions of yen Book Value	Book Value
	2022	2022
Unlisted stocks	¥884,263	\$7,224,961

*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 [\$23,800 thousand].

*4 The book value of long-term loans receivable includes current portion amounting to ¥1,628 million [\$13,301 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 ¥23,700 million [\$193,643 thousand].

*7 The book value of long-term bank loans includes current portion amounting to ¥80,309 million [\$656,172 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, 2021 were the following:

	Millions of yen		
	Book Value	Fair Value	Difference
Assets			
Investment securities ^{(*)2}			
Investments in unconsolidated subsidiaries and affiliated companies	¥ 3,082	¥ 3,700	¥ 618
Available-for-sale securities	86,290	86,290	-
Long-term loans receivable ^{(*)3}	103,333		
Allowance for doubtful accounts ^{(*)4}	(15,007)		
	88,325	92,355	4,029
Total	¥177,697	¥182,345	¥4,648
Liabilities			
Bonds ^{(*)5}	¥181,000	¥180,763	¥ (236)
Long-term bank loans ^{(*)6}	725,297	726,940	1,643
Total	¥906,297	¥907,703	¥1,407
Derivative financial instruments ^{(*)7}	¥ 40,342	¥ 40,342	¥ -

*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 The above items are not included in the amount presented under the line "Investments securities" in the table summarizing fair value of financial instruments, because the fair value is extremely difficult to estimate as they have no quoted market price.

	Millions of yen
	Book Value 2021
Unlisted stocks	¥ 8,505
Investments in unconsolidated subsidiaries and affiliated companies	361,473
Others	5
Total	¥369,985

*3 The book value of long-term loans receivable includes current portion amounting to ¥20,074 million.

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

*5 The book value of bonds includes current portion amounting to ¥17,800 million.

*6 The book value of long-term bank loans includes current portion amounting to ¥102,291 million.

*7 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, 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

	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	\$ 816,063	\$ -	\$ -	\$ -
Trade receivables	897,875	-	-	-
Short-term loans receivable	53,648	-	-	-
Marketable securities and investments securities				
Held-to-maturity debt securities (Bonds)	-	1,536	-	-
Available-for-sale securities (Other)	8,170	-	-	-
Long-term loans receivable ^{(*)1}	15,115	181,885	156,213	423,425
Total	\$1,790,881	\$183,421	\$156,213	\$423,425

* Long-term loans receivable does not include those amounting to ¥16,677 million [\$136,261 thousand], for which the planned redemption amount cannot be expected.

At March 31, 2021, 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	¥ 86,238	¥ -	¥ -	¥ -
Trade receivables	86,828	-	-	-
Short-term loans receivable	7,810	-	-	-
Marketable securities and investments securities				
Available-for-sale securities (Other)	500	-	-	-
Long-term loans receivable ⁽¹⁾	20,074	9,094	15,924	43,231
Total	¥201,452	¥9,094	¥15,924	¥43,231

* Long-term loans receivable does not include those amounting to ¥15,007 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

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

Category	Thousands of U.S. dollars (Note 1)			
	Fair Value			
	Level1	Level2	Level3	Total
Investment securities				
Available-for-sale securities	\$719,928	\$ -	\$ -	\$ 719,928
Derivative financial instruments				
Currency-related	-	526,603	-	526,603
Interest-related	-	661	-	661
Others	-	8,677	-	8,677
Total assets	\$719,928	\$535,942	\$ -	\$1,255,870
Derivative financial instruments				
Currency-related	-	2,957	-	2,957
Interest-related	-	49,448	-	49,448
Others	-	57	-	57
Total liabilities	\$ -	\$ 52,479	\$ -	\$ 52,479

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

Category	Millions of yen			
	Fair Value			
	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

Category	Thousands of U.S. dollars (Note 1)			
	Fair Value			
	Level1	Level2	Level3	Total
Investment securities				
Held-to-maturity debt securities	\$ -	\$ 1,536	\$ -	\$ 1,536
Investments in and advances to subsidiaries and affiliates	25,998	-	-	25,998
Available-for-sale securities	-	1,062	-	1,062
Long-term loans receivable	-	805,417	-	805,417
Total assets	\$25,998	\$ 808,023	\$ -	\$ 834,022
Bonds	-	1,745,175	-	1,745,175
Long-term bank loans	-	5,357,815	-	5,357,815
Total liabilities	\$ -	\$7,102,990	\$ -	\$7,102,990

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, 2022 and 2021.

Held-to-maturity debt securities:

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)

Type	Thousands of U.S. dollars (Note 1)		
	Acquisition cost	Book value	Difference
Bonds	\$1,536	\$1,536	\$(0)
Total	\$1,536	\$1,536	\$(0)

Available-for-sale securities:

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

Type	Thousands of U.S. dollars (Note 1)		
	Acquisition cost	Book value	Difference
Equity securities	\$174,564	\$650,200	\$475,635
Total	\$174,564	\$650,200	\$475,635

Securities with book values exceeding acquisition costs at March 31, 2021

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥25,180	¥77,334	¥52,154
Total	¥25,180	¥77,334	¥52,154

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)

Type	Thousands of U.S. dollars (Note 1)		
	Acquisition cost	Book value	Difference
Equity securities	\$ 95,187	\$70,651	\$(24,528)
Others	8,170	8,170	-
Total	\$103,358	\$78,821	\$(24,528)

Securities with book values not exceeding acquisition costs at March 31, 2021

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥11,714	¥8,955	¥(2,758)
Others	500	500	-
Total	¥12,214	¥9,455	¥(2,758)

B. Total sales of available-for-sale securities sold in the years ended March 31, 2022 and 2021 and the related gains and losses were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Proceeds from sales	¥8,031	¥6,102	\$65,618
Gross realized gains	4,855	1,924	39,668
Gross realized losses	-	146	-

C. Impairment losses of securities

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 (\$30,288 thousand).

For the year ended March 31, 2021, the Company reduced the book value on the securities and booked the reductions as impairment losses of ¥3,317 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, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Fuel and supplies	¥44,559	¥27,998	\$364,073
Others	1,526	1,616	12,468
Total	¥46,085	¥29,615	\$376,542

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, 2022 and 2021, for which hedge accounting has not been applied.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
[1] Currency related:			
Forward currency exchange contracts			
Sell (U.S. dollar):			
Contracts outstanding	¥194	¥ 26	\$1,585
Fair values	(5)	(0)	(40)
Buy (U.S. dollar):			
Contracts outstanding	¥ 3	¥9,967	\$ 24
Fair values	1	(4)	8
Buy (Others):			
Contracts outstanding	¥ 0	¥ -	\$ 3
Fair values	0	-	0
[2] Interest related			
Interest rate swaps			
Receive floating, pay fixed			
Contracts outstanding	¥10,707	¥10,728	\$87,482
Fair values	(644)	(1,266)	(5,261)
Receive fixed, pay floating			
Contracts outstanding	¥10,707	¥10,478	\$87,482
Fair values	(288)	213	(2,353)
[3] Others			
a. Fuel oil swaps			
Receive floating, pay fixed			
Contracts outstanding	¥871	¥1,280	\$7,116
Fair values	485	350	3,962
b. Freight futures			
Contracts outstanding	¥ 84	¥1,454	\$ 686
Fair values	(0)	(25)	(0)

II. HEDGE ACCOUNTING APPLIED

The following tables summarize the outstanding contract amounts and fair values of financial derivatives of the Group at March 31, 2022 and 2021, for which hedge accounting has been applied.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
(1) Deferral hedge accounting			
a. Forward currency exchange contracts to hedge the risk for the foreign currency transactions			
Sell (U.S. dollar):			
Contracts outstanding	¥ 7,734	¥ 11,071	\$ 63,191
Fair values	(356)	(457)	(2,908)
Buy (U.S. dollar):			
Contracts outstanding	¥ 48,085	¥ 31,193	\$ 392,883
Fair values	3,397	2,807	27,755
Buy (others):			
Contracts outstanding	¥ -	¥ 2,056	\$ -
Fair values	-	28	-
b. Currency swaps contracts to hedge the risk for charterages			
Buy (U.S. dollar):			
Contracts outstanding	¥213,806	¥229,235	\$1,746,923
Fair values	61,051	49,236	498,823
c. interest rate swaps to hedge the risk for the long-term bank loans and charterages			
Receive floating, pay fixed			
Contracts outstanding	¥104,267	¥119,451	\$ 851,924
Fair values	(5,038)	(10,945)	(41,163)
d. Fuel oil swaps to hedge the risk for the fuel oil			
Receive floating, pay fixed			
Contracts outstanding	¥ 2,552	¥ 5,089	\$ 20,851
Fair values	568	404	4,640

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
(2) Special treatment			
Interest rate swaps to hedge the risk for the long-term bank loans			
Receive floating, pay fixed			
Contracts outstanding	¥19,225	¥19,285	\$157,079
Fair values	-	-	-

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
(3) Allocation method			
a. Currency swaps to hedge the risk for the foreign bonds and long-term bank loans			
Contracts outstanding	¥ -	¥1,017	\$ -
Fair values	-	-	-
b. Currency swaps to hedge the risk for trade payables			
Contracts outstanding	¥1,119	¥ -	\$9,142
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, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Short-term bank loans	¥111,860	¥ 64,588	\$913,963
Commercial paper	8,000	40,000	65,364
Total	¥119,860	¥104,588	\$979,328

Average interest rates on short-term bank loans at March 31, 2022 and 2021 were 0.76% and 0.62%, respectively.

Average interest rates on commercial paper at March 31, 2022 and 2021 were -0.08% and -0.00%, respectively.

(2) LONG-TERM DEBT

Long-term debt at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Bonds:			
1.361% yen bonds due June 21, 2021	¥ -	¥ 17,800	\$ -
1.652% yen bonds due May 27, 2022	5,000	5,000	40,853
1.139% yen bonds due July 12, 2022	8,700	8,700	71,084
1.071% yen bonds due January 23, 2023	10,000	10,000	81,706
0.320% yen bonds due July 19, 2023	5,000	5,000	40,853
0.420% yen bonds due August 30, 2023	5,000	5,000	40,853
0.420% yen bonds due September 8, 2023	5,000	5,000	40,853
0.845% yen bonds due March 4, 2024	15,000	15,000	122,559
0.970% yen bonds due June 19, 2024	29,500	29,500	241,032
0.803% yen bonds due March 3, 2025	15,000	15,000	122,559
0.490% yen bonds due July 18, 2025	5,000	5,000	40,853
0.490% yen bonds due July 29, 2025	10,000	10,000	81,706
0.564% yen bonds due October 25, 2028	10,000	10,000	81,706
0.340% yen bonds due Mar 5, 2030	10,000	10,000	81,706
0.850% yen bonds due December 15, 2031	10,000	10,000	81,706
0.780% yen bonds due July 19, 2034	10,000	10,000	81,706
0.960% yen bonds due July 19, 2039	10,000	10,000	81,706
1.600% yen bonds due April 27, 2056	50,000	-	408,530
Long-term bank loans due within one year:			
Long-term bank loans due within one year at average interest rate of 0.68% and 0.82% at March 31, 2022 and 2021, respectively.	80,309	102,291	656,172
Long-term bank loans due after one year:			
Long-term bank loans due through 2056 at average interest rate of 0.69% and 0.98% at March 31, 2022 and 2021, respectively.	575,101	623,006	4,698,921
	868,610	906,297	7,097,066
Amount due within one year	104,009	120,091	849,816
	¥764,601	¥786,206	\$6,247,251

At March 31, 2022, 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)
2023	¥104,009	\$ 849,816
2024	108,826	889,173
2025	122,912	1,004,265
2026	78,528	641,621
2027	124,449	1,016,823
2028 and thereafter	329,883	2,695,342
Total	¥868,610	\$7,097,066

(3) ASSETS PLEDGED AND SECURED DEBT

At March 31, 2022 and 2021, 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)
	2022	2021	2022
Vessels	¥156,092	¥158,794	\$1,275,365
Buildings and structures	-	159	-
Land	-	183	-
Vessels and other property under construction	-	968	-
Investment securities	106,795	73,706	872,579
Others	1,077	1,208	8,799
Total	¥263,966	¥235,019	\$2,156,761

Secured debt	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Long-term bank loans due within one year	¥ 12,613	¥ 13,509	\$ 103,055
Long-term bank loans due after one year	146,404	138,060	1,196,208
Total	¥159,017	¥151,570	\$1,299,264

8. COMMITMENTS AND CONTINGENT LIABILITIES

(A) COMMITMENT

At March 31, 2022 and 2021, 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)
	2022	2021	2022
Total loan limits	¥17,746	¥16,052	\$144,995
Loan executions	17,746	16,052	144,995
The nonexercised portion of loan commitments	¥ -	¥ -	\$ -

(B) CONTINGENT LIABILITIES

At March 31, 2022 and 2021, 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 ¥227,274 million (\$1,856,965 thousand) and ¥213,000 million, respectively. U.S. dollars -denominated liabilities were included in the above amount, which were \$1,781,789 thousand and \$1,806,848 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 ("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, 2022 and 2021 were as follows:

	Shares of common stock (Thousands)		Shares of treasury stock (Thousands)
	2022	2021	2022
Balance at April 1, 2020	120,628		1,034
Increase during the year	-		9
Decrease during the year	-		(35)
Balance at March 31 and April 1, 2021	120,628		1,008
Increase during the year	-		13
Decrease during the year	-		(670)
Balance at March 31, 2022	120,628		351

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

(B) SHARE OPTION

Share option at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Stock options	¥781	¥1,347	\$6,381
Total	¥781	¥1,347	\$6,381

(C) DIVIDENDS

(1) Dividends paid for the year ended March 31, 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Approved at the shareholders' meeting held on June 22, 2021	¥16,149		\$131,947
Approved at the board of directors held on October 29, 2021	¥35,988		\$294,043
Total	¥52,137		\$425,990

(2) Dividend included in the retained earnings at March 31, 2022 and to be paid in subsequent periods was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Approved at the shareholders' meeting held on June 21, 2022	¥108,252		\$884,484
Total	¥108,252		\$884,484

10. LEASES

AS LESSEE:

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

At March 31, 2022 and 2021:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Amount due within one year	¥ 26,727	¥ 27,670	\$ 218,375
Amount due after one year	206,169	216,380	1,684,524
Total	¥232,897	¥244,051	\$1,902,908

AS LESSOR:

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

At March 31, 2022 and 2021:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Amount due within one year	¥14,087	¥14,662	\$115,099
Amount due after one year	19,139	23,799	156,377
Total	¥33,226	¥38,462	\$271,476

11. 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:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
For the year ended March 31			
Book value			
Balance at the beginning of the year	¥329,801	¥327,585	\$2,694,672
Changes during the year	717	2,215	5,858
Balance at the end of the year	330,518	329,801	2,700,531
Fair value at the end of the year	573,865	563,243	4,688,822

Notes: 1. Book value is the acquisition cost, net of accumulated depreciation.

2. Of changes during the year ended March 31, 2021, the primary increase was mainly due to the completion of "275 George Street" in Sydney, Australia (¥6,691 million), while the primary decrease was mainly due to the depreciation of existing properties (¥7,047 million).

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 [\$17,346 thousand]), while the primary decrease was mainly due to the depreciation of existing properties (¥6,982 million [\$57,047 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)
	2022	2021	2022
Rental revenue	¥32,091	¥32,949	\$262,202
Rental expense	18,804	18,406	153,640
Difference	¥13,286	¥14,542	\$108,554

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".

12. 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, 13. 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		Thousands of U.S. dollars (Note 1)
	2022	2022	2022
Receivables from contracts with customers (beginning balance)	¥103,398		\$844,823
Contract assets (beginning balance)	6,626		54,138
Contract liabilities (beginning balance)	¥ 22,526		\$184,050

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 are 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.

13. SEGMENT AND RELATED INFORMATION

(A) SEGMENT INFORMATION:

For the year ended March 31, 2022:	Millions of yen									
	Reportable segment									
	Product Transport Business					Others				
	Dry Bulk Business	Energy and Offshore Business	Container Ships	Car Carriers, Ferries and Coastal RoRo ships	Associated businesses	Sub Total	Others	Total	Adjustment and elimination	Consolidated
1. Revenues:										
(1) Revenues from customers	¥360,742	¥294,006	¥276,229	¥239,124	¥ 83,487	¥1,253,590	¥ 15,720	¥1,269,310	¥ -	¥1,269,310
(2) Inter-segment revenues	171	9,159	1,117	228	24,616	35,292	8,572	43,865	(43,865)	-
Total revenues	¥360,913	¥303,165	¥277,346	¥239,352	¥108,103	¥1,288,882	¥ 24,293	¥1,313,175	¥ (43,865)	¥1,269,310
Segment income (loss)	¥ 43,275	¥ 19,838	¥653,227	¥ 9,771	¥ 7,473	¥ 733,584	¥ 2,714	¥ 736,299	¥ (14,519)	¥ 721,779
Segment assets	¥294,175	¥886,028	¥841,542	¥199,725	¥488,163	¥2,709,634	¥245,837	¥2,955,472	¥(268,770)	¥2,686,701
2. Others										
Depreciation and amortization	¥ 10,808	¥ 35,122	¥ 13,311	¥ 16,068	¥ 9,293	¥ 84,604	¥ 639	¥ 85,244	¥ 1,155	¥ 86,399
Amortization of goodwill	-	33	-	-	192	225	-	225	-	225
Interest income	844	5,681	158	50	88	6,822	1,315	8,138	(1,197)	6,940
Interest expense	1,582	6,716	1,182	484	1,326	11,292	699	11,991	(599)	11,392
Equity in earnings (losses) of affiliated companies, net	3,481	16,579	636,704	421	188	657,375	-	657,375	-	657,375
Investment in affiliates	9,489	192,457	625,712	4,022	1,947	833,630	40	833,671	-	833,671
Increase in vessels, property and equipment and intangible assets	4,612	47,449	22,470	24,519	8,215	107,268	283	107,551	6,451	114,003

For the year ended March 31, 2022:	Thousands of U.S. dollars (Note 1)									
	Reportable segment									
	Product Transport Business					Others				
	Dry Bulk Business	Energy and Offshore Business	Container Ships	Car Carriers, Ferries and Coastal RoRo ships	Associated businesses	Sub Total	Others	Total	Adjustment and elimination	Consolidated
1. Revenues:										
(1) Revenues from customers	\$2,947,479	\$2,402,206	\$2,256,957	\$1,953,787	\$ 682,139	\$10,242,585	\$ 128,441	\$10,371,027	\$ -	\$10,371,027
(2) Inter-segment revenues	1,397	74,834	9,126	1,862	201,127	288,356	70,038	358,403	(358,403)	-
Total revenues	\$2,948,876	\$2,477,040	\$2,266,083	\$1,955,649	\$ 883,266	\$10,530,942	\$ 198,488	\$10,729,430	\$ (358,403)	\$10,371,027
Segment income (loss)	\$ 353,582	\$ 162,088	\$5,337,257	\$ 79,834	\$ 61,058	\$ 5,993,823	\$ 22,175	\$ 6,016,006	\$ (118,628)	\$ 5,897,369
Segment assets	\$2,403,586	\$7,239,382	\$6,875,904	\$1,631,873	\$3,988,585	\$22,139,341	\$2,008,636	\$24,147,985	\$(2,196,012)	\$21,951,965
2. Others										
Depreciation and amortization	\$ 88,307	\$ 286,967	\$ 108,758	\$ 131,285	\$ 75,929	\$ 691,265	\$ 5,221	\$ 696,494	\$ 9,437	\$ 705,931
Amortization of goodwill	-	269	-	-	1,568	1,838	-	1,838	-	1,838
Interest income	6,895	46,417	1,290	408	719	55,739	10,744	66,492	(9,780)	56,703
Interest expense	12,925	54,873	9,657	3,954	10,834	92,262	5,711	97,973	(4,894)	93,079
Equity in earnings (losses) of affiliated companies, net	28,441	135,460	5,202,255	3,439	1,536	5,371,149	-	5,371,149	-	5,371,149
Investment in affiliates	77,530	1,572,489	5,112,443	32,862	15,908	6,811,259	326	6,811,594	-	6,811,594
Increase in vessels, property and equipment and intangible assets	37,682	387,686	183,593	200,334	67,121	876,444	2,312	878,756	52,708	931,473

For the year ended March 31, 2021:	Millions of yen									
	Reportable segment								Adjustment and elimination	Consolidated
	Dry Bulk Business	Energy and Offshore Business	Product Transport Business		Associated businesses	Sub Total	Others	Total		
		Container Ships	Car Carriers, Ferries and Coastal RoRo ships							
1. Revenues:										
(1) Revenues from customers	¥222,053	¥278,865	¥219,453	¥175,722	¥ 78,942	¥ 975,038	¥ 16,388	¥ 991,426	¥ -	¥ 991,426
(2) Inter-segment revenues	122	8,724	1,130	163	19,183	29,322	6,189	35,512	(35,512)	-
Total revenues	¥222,175	¥287,589	¥220,583	¥175,885	¥ 98,126	¥1,004,360	¥ 22,577	¥1,026,938	¥ (35,512)	¥ 991,426
Segment income (loss)	¥ (4,275)	¥ 29,764	¥117,113	¥(14,468)	¥ 9,450	¥ 137,584	¥ 2,661	¥ 140,246	¥ (6,641)	¥ 133,604
Segment assets	¥265,123	¥804,032	¥419,813	¥186,595	¥492,670	¥2,168,235	¥198,883	¥2,367,119	¥(271,559)	¥2,095,559
2. Others										
Depreciation and amortization	¥ 10,279	¥ 35,381	¥ 11,502	¥ 17,435	¥ 9,615	¥ 84,214	¥ 415	¥ 84,629	¥ 1,168	¥ 85,798
Amortization of goodwill	-	30	-	-	146	176	-	176	-	176
Interest income	883	4,756	510	64	86	6,301	1,935	8,236	(2,199)	6,036
Interest expense	1,872	7,932	1,318	627	1,294	13,044	1,313	14,358	(1,840)	12,518
Equity in earnings (losses) of affiliated companies, net	(2,983)	15,553	120,042	88	212	132,912	-	132,912	-	132,912
Investment in affiliates	5,227	140,420	198,058	3,635	2,689	350,031	40	350,072	-	350,072
Increase in vessels, property and equipment and intangible assets	12,379	50,966	5,504	19,285	13,295	101,431	282	101,713	5,595	107,309

- *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 -¥14,519 million [-\$118,628 thousand] include the following:
 -¥21,765 million [-\$177,833 thousand] of corporate profit which is not allocated to segments, ¥5,712 million [\$46,670 thousand] of adjustment for management accounting and ¥1,533 million [\$12,525 thousand] of inter-segment transaction elimination.
 (2) Adjustment in Segment assets of -¥268,770 million [-\$2,196,012 thousand] include the following:
 ¥22,681 million [\$185,317 thousand] of assets which are not allocated to segments and -¥291,452 million [-\$2,381,338 thousand] of inter-segment transaction elimination.
 (3) Adjustment in Depreciation and amortization of ¥1,155 million [\$9,437 thousand] include the following:
 ¥1,155 million [\$9,437 thousand] of depreciation of assets which are not allocated to segments.
 (4) Adjustment in Interest income of -¥1,197 million [-\$9,780 thousand] include the following:
 ¥711 million [\$5,809 thousand] of interest income which is not allocated to segments and -¥1,909 million [-\$15,597 thousand] of inter-segment transaction elimination.
 (5) Adjustment in Interest expenses of -¥599 million [-\$4,894 thousand] include the following:
 ¥4,379 million [\$35,779 thousand] of interest expenses which are not allocated to segments, -¥3,049 million [-\$24,912 thousand] of adjustment for management accounting and -¥1,929 million [-\$15,761 thousand] of inter-segment transaction elimination.
 (6) Adjustment in Increase of tangible / intangible fixed assets of ¥6,451 million [\$52,708 thousand] include the following:
 ¥6,451 million [\$52,708 thousand] of Increase of tangible / intangible fixed assets which are not allocated to segments.
- *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.

As stated in [Changes in Accounting Standards], We have adopted "Accounting Standard for Revenue Recognition" [ASBJ Statement No. 29, March 31, 2020], etc. from the beginning of the fiscal year ended March 31, 2022 and changed the accounting method for revenue recognition. Due to this change, compared with the previous method, Revenues in the Dry Bulk Business increased by ¥11,962 million [\$97,736 thousand], Segment profit (loss) increased by ¥5,983 million [\$48,884 thousand], Revenues in the Energy and Offshore Business increased by ¥3,605 million [\$29,455 thousand], Segment profit (loss) increased by ¥1,463 million [\$11,953 thousand], Revenues in the Container ships Business decreased by ¥433 million [\$3,537 thousand], Segment profit (loss) decreased by ¥192 million [\$1,568 thousand], Revenues in the Car Carriers, Ferries and Coastal RoRo ships Businesses increased by ¥5,364 million [\$43,827 thousand], Segment profit (loss) increased by ¥2,296 million [\$18,759 thousand], Revenues in Associated Businesses decreased by ¥454 million [\$3,709 thousand], Segment profit (loss) decreased by ¥46 million [\$375 thousand], Revenues in Others Business didn't change, and Segment profit (loss) increased by ¥93 million [\$759 thousand].

In addition, from the fiscal year ended March 31, 2022, the name of Energy Transport Business has been changed to Energy and Offshore Business. As a result of this change, the name of Energy Transport Business of the previous fiscal year has been changed as well. This change has no impact on segment information.

- *7. (1) Adjustment in Segment income (loss) of -¥6,641 million include the following:
 -¥10,869 million of corporate profit which is not allocated to segments, ¥5,007 million of adjustment for management accounting and -¥779 million of inter-segment transaction elimination.
 (2) Adjustment in Segment assets of -¥271,559 million include the following:
 ¥20,943 million of assets which are not allocated to segments and -¥292,503 million of inter-segment transaction elimination.
 (3) Adjustment in Depreciation and amortization of ¥1,168 million include the following:
 ¥1,168 million of depreciation of assets which are not allocated to segments.
 (4) Adjustment in Interest income of -¥2,199 million include the following:
 ¥921 million of interest income which is not allocated to segments and -¥3,121 million of inter-segment transaction elimination.
 (5) Adjustment in Interest expenses of -¥1,840 million include the following:
 ¥4,763 million of interest expenses which are not allocated to segments, -¥3,463 million of adjustment for management accounting and -¥3,140 million of inter-segment transaction elimination.
 (6) Adjustment in Increase of tangible / intangible fixed assets of ¥5,595 million include the following:
 ¥5,595 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.

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

For the year ended March 31, 2022:	Thousands of U.S. dollars (Note 1)					
	Japan	North America	Europe	Asia	Others	Consolidated
Revenues	\$8,074,393	\$553,092	\$274,475	\$1,467,358	\$ 1,691	\$10,371,027
Vessels, property and equipment	\$7,413,800	\$180,839	\$ 75,136	\$1,265,029	\$143,957	\$ 9,078,780

For the year ended March 31, 2021:	Millions of yen					
	Japan	North America	Europe	Asia	Others	Consolidated
Revenues	¥776,050	¥48,713	¥38,709	¥127,689	¥ 262	¥ 991,426
Vessels, property and equipment	¥910,829	¥35,622	¥ 1,139	¥104,118	¥47,746	¥1,099,458

(2) Information about impairment loss by reportable segment:

For the year ended March 31, 2022:

There was no material impairment loss.

For the year ended March 31, 2021:	Millions of yen									
	Reportable segment								Adjustment and elimination	Consolidated
	Dry Bulk Business	Energy and Offshore Business	Product Transport Business		Associated businesses	Sub Total	Others	Total		
		Container Ships	Car Carriers, Ferries and Coastal RoRo ships							
Impairment loss	¥1,884	¥8,225	¥-	¥-	¥15	¥10,125	¥-	¥10,125	¥173	¥10,298

(3) Information about goodwill by reportable segment:

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

For the year ended March 31, 2022:	Thousands of U.S. dollars (Note 1)									
	Reportable segment								Adjustment and elimination	Consolidated
	Dry Bulk Business	Energy and Offshore Business	Product Transport Business		Associated businesses	Sub Total	Others	Total		
		Container Ships	Car Carriers, Ferries and Coastal RoRo ships							
Goodwill at the end of current year	\$-	\$4,640	\$-	\$-	\$13,064	\$17,705	\$-	\$17,705	\$-	\$17,705

For the year ended March 31, 2021:	Millions of yen									
	Reportable segment								Adjustment and elimination	Consolidated
	Dry Bulk Business	Energy and Offshore Business	Product Transport Business		Associated businesses	Sub Total	Others	Total		
		Container Ships	Car Carriers, Ferries and Coastal RoRo ships							
Goodwill at the end of current year	¥-	¥541	¥-	¥-	¥1,643	¥2,184	¥-	¥2,184	¥-	¥2,184

14. 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 28.6% for the year ended March 31, 2022 and 28.7% for the year ended March 31, 2021.

(A) SIGNIFICANT COMPONENTS OF DEFERRED TAX ASSETS AND LIABILITIES AT MARCH 31, 2022 AND 2021 WERE AS FOLLOWS:

	Millions of yen		Thousands of U.S. dollars [Note 1]
	2022	2021	2022
Deferred tax assets:			
Operating loss carried forward (*1)	¥ 67,970	¥ 92,108	\$ 555,355
Write-down of securities and other investments	3,409	2,181	27,853
Provision for bonuses	2,708	1,505	22,125
Impairment loss	10,787	15,511	88,136
Excess bad debt expenses	7,091	6,004	57,937
Net defined benefit liabilities	3,466	4,636	28,319
Directors' and corporate auditors' retirement benefits	452	528	3,693
Unrealized gain on sale of fixed assets	1,407	1,383	11,496
Provision for loss related to business restructuring	-	5,563	-
Provision for contract loss	6,329	10,031	51,711
Transfer of charters from subsidiaries and affiliates	727	1,258	5,940
Deemed dividends	11,572	11,514	94,550
Unrealized gains on hedging derivatives	4,977	6,811	40,665
Others	10,515	11,873	85,913
Total deferred tax assets	131,415	170,912	1,073,739
Valuation allowance for carryforward tax loss(*1)	(67,692)	(91,784)	(553,084)
Valuation allowance for deductible temporary differences	(57,327)	(73,425)	(468,396)
Valuation allowance total	(125,019)	(165,209)	(1,021,480)
Net deferred tax assets	6,396	5,702	52,259
Deferred tax liabilities:			
Reserve deductible for tax purposes when appropriated for deferred gain on real properties	(2,137)	(2,286)	(17,460)
Reserve deductible for tax purposes when appropriated for special depreciation	(1,076)	(1,388)	(8,791)
Unrealized holding gains on available-for-sale securities	(18,453)	(16,727)	(150,772)
Gain on securities contributed to employee retirement benefit trust	(2,012)	(1,996)	(16,439)
Revaluation reserve	(25,479)	(18,518)	(208,178)
Retained earnings of consolidated subsidiaries	(6,973)	(6,382)	(56,973)
Unrealized gains on hedging derivatives	(18,460)	(15,021)	(150,829)
Others	(5,101)	(6,184)	(41,678)
Total deferred tax liabilities	(79,695)	(68,505)	(651,156)
Net deferred tax liabilities	¥ (73,299)	¥ (62,802)	\$ (598,896)

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

	Millions of yen						
	2023	2024	2025	2026	2027	2028 and beyond	Total
For the year ended March 31, 2022:							
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

	Thousands of U.S. dollars						
	2023	2024	2025	2026	2027	2028 and beyond	Total
For the year ended March 31, 2022:							
Carryforward tax loss ^(*)	\$15,826	\$118,097	\$86,657	\$39,030	\$69,768	\$225,958	\$555,355
Valuation allowance	15,818	118,024	86,551	38,834	69,172	224,658	553,084
Net deferred tax assets	\$ 8	\$ 65	\$ 106	\$ 187	\$ 596	\$ 1,290	\$ 2,263

	Millions of yen						
	2022	2023	2024	2025	2026	2027 and beyond	Total
For the year ended March 31, 2021							
Carryforward tax loss ^(*)	¥40,208	¥2,126	¥13,186	¥9,578	¥4,443	¥22,565	¥92,108
Valuation allowance	40,172	2,123	13,181	9,572	4,437	22,297	91,784
Net deferred tax assets	¥ 35	¥ 3	¥ 5	¥ 5	¥ 5	¥ 267	¥ 323

*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:

	2022	2021
Statutory tax rate	28.7%	28.7%
Permanently non-deductible expenses for tax purposes, such as entertainment expenses	0.1%	0.2%
Permanently not taxable incomes for tax purposes, such as dividend income	(0.1)%	(0.2)%
Effect of tonnage tax system	(1.3)%	(4.9)%
Changes in valuation allowance	(5.2)%	16.3%
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(25.7)%	(38.1)%
Effect of difference of effective tax rate for consolidated subsidiaries	(0.1)%	2.2%
Effect of elimination of inter-company transactions	1.0%	0.9%
Effect of expired net operating loss carry-forwards for tax purposes	5.7%	3.0%
Others	(0.5)%	(1.0)%
Effective tax rate	2.6%	7.0%

*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 will transition to the 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.

Regarding the accounting treatment and disclosure of corporation tax and local corporation tax, since the Company applied the Consolidated Taxation System during the fiscal year under review, it has followed "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)" (PITF No. 5, February 16, 2018) and "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)" (PITF No. 7, February 16, 2018).

15. 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]
	2022	2021	2022	
Balance at the beginning of the year	¥44,398	¥44,412	\$362,758	
Service cost	1,693	1,655	13,832	
Interest cost	386	385	3,153	
Actuarial loss (gain)	47	(220)	384	
Benefits paid	(1,915)	(1,834)	(15,646)	
Balance at end of the year	¥44,610	¥44,398	\$364,490	

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

	Millions of yen			Thousands of U.S. dollars [Note 1]
	2022	2021	2022	
Balance at the beginning of the year	¥65,158	¥57,284	\$532,380	
Expected return on plan assets	1,304	1,145	10,654	
Actuarial loss (gain)	2,719	7,545	22,215	
Contributions paid by the employer	937	920	7,655	
Benefits paid	(1,737)	(1,737)	(14,192)	
Return of retirement benefit trust	(8,300)	-	(67,815)	
Balance at end of the year	¥60,082	¥65,158	\$490,906	

(3) Movements in Net Liability for Retirement Benefits Based on the Simplified Method

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Balance at the beginning of the year	¥5,833	¥6,274	\$47,659
Retirement benefit costs	1,218	756	9,951
Benefits paid	(624)	(539)	(5,098)
Contributions paid by the employer	(575)	(657)	(4,698)
Balance at the end of the year	¥5,850	¥5,833	\$47,798

(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)
	2022	2021	2022
Funded retirement benefit obligations	¥ 52,674	¥ 52,437	\$ 430,378
Plan assets	(70,854)	(75,780)	(578,919)
	(18,179)	(23,343)	(148,533)
Unfunded retirement benefit obligations	8,577	8,416	70,079
Total net liability (asset) for retirement benefits at the end of the year	(9,602)	(14,926)	(78,454)
Liability for retirement benefits	9,355	9,245	76,435
Asset for retirement benefits	(18,957)	(24,172)	(154,890)
Total net liability (asset) for retirement benefits at the end of the year	¥ (9,602)	¥ (14,926)	\$ (78,454)

(5) Retirement Benefit Costs

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Service cost	¥ 1,693	¥ 1,655	\$ 13,832
Interest cost	386	385	3,153
Expected return on plan assets	(1,304)	(1,145)	(10,654)
Net actuarial loss amortization	(1,575)	(941)	(12,868)
Retirement benefit costs calculated by the simplified method	1,218	756	9,951
Other	0	(301)	3
Total retirement benefit costs for the fiscal year	418	409	3,415
Gain on return of retirement benefit trust	¥(2,270)	¥ -	\$(18,547)

(6) Remeasurements of Defined Benefit Plans

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Actuarial loss (gain)	¥(1,193)	¥6,825	\$(9,747)

(7) Accumulated Remeasurements of Defined Benefit Plans

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Unrecognized actuarial differences	¥9,388	¥10,561	\$76,705

(8) Plan Assets

1. Plan assets comprise:

	2022	2021
Equity securities	29%	22%
Bonds	22%	22%
Jointly invested assets	43%	40%
Cash and cash equivalents	4%	15%
Other	2%	1%
Total	100%	100%
Retirement benefit trust	25%	30%

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, 2022 and 2021.

The rates of expected return on plan assets were mainly 2.0% for the years ended March 31, 2022 and 2021.

The expected rates of salary increase were mainly 0.5%~6.5% for the year ended March 31, 2022 and 2021.

(C) DEFINED CONTRIBUTION PLANS

The amounts of contributions to defined contribution plans were ¥907 million (\$7,410 thousand) at March 31, 2022 and ¥787 million at March 31, 2021.

16. 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, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
General and administrative expenses	¥213	¥66	\$1,740

(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, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Other income	¥121	¥343	\$988

(C) TERMS AND CONDITIONS

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

	2011	2012	2013	2014	2015	2016
Number of grantees	Directors: 10 Executive officers: 22 Employees: 35 Presidents of the Company's domestic consolidated subsidiaries: 33	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 173,000	Common stock 164,000	Common stock 160,000	Common stock 148,000	Common stock 155,000	Common stock 158,000
Grant date	August 9, 2011	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	No provisions
Service period	No provisions	No provisions	No provisions	No provisions	No provisions	No provisions
Exercise period	From July 26, 2013 to June 22, 2021	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 157,000	Common stock 164,000	Common stock 159,000	Common stock 166,000	Common stock 96,000
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: The Company consolidated its common shares (ten shares into one shares), effective October 1, 2017. The figures have been converted to the number after the consolidation.

(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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Balance at March 31, 2021	-	-	-	-	-	-	-	-	159,000	166,000	-
Options granted during the year	-	-	-	-	-	-	-	-	-	-	96,000
Options expired during the year	-	-	-	-	-	-	-	-	-	-	-
Options vested during the year	-	-	-	-	-	-	-	-	159,000	-	-
Balance at March 31, 2022	-	-	-	-	-	-	-	-	-	166,000	96,000

Vested stock options	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Balance at March 31, 2021	168,000	99,500	154,800	141,000	151,200	123,300	156,000	163,000	-	-	-
Options vested during the year	-	-	-	-	-	-	-	-	159,000	-	-
Options exercised during the year	28,000	96,100	98,300	79,600	51,700	94,800	59,500	103,900	57,300	-	-
Options expired during the year	140,000	-	1,000	1,000	-	-	-	-	-	-	-
Balance at March 31, 2022	-	3,400	55,500	60,400	99,500	28,500	96,500	59,100	101,700	-	-

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Exercise price	¥4,680	¥2,770	¥4,470	¥4,120	¥4,270	¥2,420	¥3,780	¥2,943	¥2,962	¥2,105	¥7,350
Average market price of share at exercise	¥5,140	¥6,564	¥8,064	¥7,987	¥8,535	¥6,879	¥7,817	¥7,957	¥9,280	¥ -	¥ -
Fair value per stock option at grant date	¥ 870	¥ 670	¥1,720	¥1,320	¥ 940	¥ 560	¥1,090	¥ 963	¥ 493	¥ 398	¥2,222

Note: The Company consolidated its common shares (ten shares into one share), effective October 1, 2017. The figures have been converted to the number after the consolidation.

(E) KEY FIGURES FOR FAIR VALUE PER STOCK OPTION

The Company utilized the Black Scholes Model for calculating fair value per stock option. Key figures of the calculation were as follows:

	2021
Stock price volatility	40.71%
Expected remaining term of the option	5 years and 11 months
Expected dividends	¥1,200 per share
Risk-free interest rate	[0.12]%

17. 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, 2022 and 2021, are reconciled to cash and deposits reflected in the accompanying consolidated balance sheets at March 31, 2022 and 2021, as follows.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Cash and deposits	¥99,878	¥86,238	\$816,063
Time deposits with maturities of more than three months	(3,743)	(3,301)	(30,582)
Short-term investments with maturities of three months or less (Securities)	1,000	500	8,170
Cash and Cash equivalents	¥97,135	¥83,436	\$793,651

18. COMPREHENSIVE INCOME

For the years ended March 31, 2022 and 2021, 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)
	2022	2021	2022
Unrealized holding gains on available-for-sale securities, net of tax:			
Increase (Decrease) during the year	¥ 10,093	¥ 24,734	\$ 82,465
Reclassification adjustments	(3,405)	(1,762)	(27,820)
Sub-total, before tax	6,687	22,972	54,636
Tax effect	(2,061)	(6,642)	(16,839)
	4,626	16,329	37,797
Unrealized gains on hedging derivatives, net of tax:			
Increase (Decrease) during the year	29,659	(1,670)	242,331
Reclassification adjustments	(16,736)	(14,630)	(136,743)
Adjustments of acquisition cost	(295)	(346)	(2,410)
Sub-total, before tax	12,627	(16,647)	103,170
Tax effect	(3,525)	1,847	(28,801)
	9,102	(14,799)	74,368
Foreign currency translation adjustments:			
Increase (Decrease) during the year	16,352	(11,505)	133,605
Reclassification adjustments	571	1,255	4,665
	16,924	(10,249)	138,279
Remeasurements of defined benefit plans:			
Increase (Decrease) during the year	2,652	7,766	21,668
Reclassification adjustments	(3,845)	(941)	(31,415)
Sub-total, before tax	(1,193)	6,825	(9,747)
Tax effect	347	(1,958)	2,835
	(845)	4,866	(6,904)
Share of other comprehensive income (loss) of associates accounted for using equity method:			
Decrease during the year	26,384	(21,403)	215,573
Reclassification adjustments	6,604	7,388	53,958
	32,989	(14,015)	269,539
Total other comprehensive income (loss)	¥ 62,797	¥(17,867)	\$ 513,089

19. RELATED PARTY TRANSACTIONS

(A) RELATED PARTY TRANSACTIONS

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	Millions of yen		Thousands of U.S. dollars (Note 1)	
							Transactions during the year ended March 31, 2022	Balance at March 31, 2022	Transactions during the year ended March 31, 2022	Balance at March 31, 2022
Affiliated company	AREA1 MEXICO MV34 B.V.	NETHERLANDS	US\$100,000	Energy and Offshore Business	30.00%	Interlocking directorate Debt guarantee	¥38,766	-	\$316,741	-
Affiliated company	LIBRA MV31 B.V.	NETHERLANDS	US\$100,000	Energy and Offshore Business	20.60%	Interlocking directorate Debt guarantee	¥36,506	-	\$298,276	-
Affiliated company	BUZIOS5 MV32 B.V.	NETHERLANDS	US\$100,000	Energy and Offshore Business	20.00%	Interlocking directorate Debt guarantee	¥29,619	-	\$242,005	-

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 (\$136,261 thousand).

For the year ended March 31, 2021

(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	Transactions during the year ended March 31, 2021		Balance at March 31, 2021	
							Description of transaction (*1)	Transacted amount	Account	Amount
Affiliated company	AREA1 MEXICO MV34 B.V.	NETHERLANDS	US\$100,000	Energy and Offshore Business	30.00%	Interlocking directorate Debt guarantee	Debt guarantee	¥33,178	-	-
Affiliated company	SEPIA MV30 B.V.	NETHERLANDS	US\$100,000	Energy and Offshore Business	20.60%	Interlocking directorate Debt guarantee	Debt guarantee	¥32,533	-	-
Affiliated company	LIBRA MV31 B.V.	NETHERLANDS	US\$100,000	Energy and Offshore Business	20.60%	Interlocking directorate Debt guarantee	Debt guarantee	¥26,032	-	-

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 ¥15,007 million.

The Company recorded provision of allowance for doubtful accounts on subordinated long-term loans to its affiliated company, which amounted to ¥7,653 million.

(B) NOTE ABOUT SIGNIFICANT RELATED PARTIES

A significant affiliated company to be disclosed for the year ended March 31, 2022 and 2021 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)
	2022	2021	2022
Total current assets	¥2,345,314	¥ 825,097	\$19,162,627
Total non-current assets	672,138	617,754	5,491,772
Total current liabilities	544,881	362,074	4,452,005
Total non-current liabilities	525,499	505,863	4,293,643
Total net assets	1,947,071	574,913	15,908,742
Shipping and other revenues	3,670,529	1,672,107	29,990,432
Income before income taxes	2,062,365	390,532	16,850,763
Net income	2,048,052	384,326	16,733,818

20. BUSINESS COMBINATION

[Transactions under common control]

ADDITIONAL INVESTMENT IN CONSOLIDATED SUBSIDIARY UTOC 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: Utoc Corporation

Type of business: Port transport business, maritime transport business, automated transport of general cargo, cargo transport consignment business, warehouse business, customs business, construction business, real estate business

(2) Date of business combination

Acquisition through tender offer for shares: January 25, 2022

Acquisition through Demand for Share Cash-Out: March 2, 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 concentrating the Group's management resources in a stronger form and strengthening Group-wide management by making Utoc Corporation ("Utoc"), a consolidated subsidiary of the Company, a wholly-owned subsidiary, the Company resolved at its Board of Directors meeting held on November 30, 2021 to acquire the common stock of Utoc through a tender offer (hereinafter "Utoc Tender Offer") under the Financial Instruments and Exchange Act, implemented the Utoc Tender Offer from December 1, 2021 to January 18, 2022, and acquired additional shares of Utoc on January 25, 2022.

Utoc became a wholly-owned subsidiary of the Company upon effectuation of the share acquisition on March 2, 2022, through a series of procedures (Demand for Share Cash-Out) to make the Company the sole shareholder of Utoc.

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

	Cash (including other payables)	Millions of yen	Thousands of U.S. dollars (Note 1)
		¥10,179	\$83,168
Acquisition consideration			
Acquisition cost		¥10,179	\$83,168

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) Increase in capital surplus from transaction with non-controlling interest

	Millions of yen	Thousands of U.S. dollars (Note 1)
	¥1,539	\$12,574

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: January 25, 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 concentrating the Group's management resources in a stronger form and strengthening Group-wide management by making DAIBIRU CORPORATION ("DAIBIRU"), a consolidated subsidiary of the Company, a wholly-owned subsidiary, the Company resolved at its Board of Directors meeting held on November 30, 2021 to acquire the common stock of DAIBIRU through a tender offer (hereinafter "DAIBIRU Tender Offer") under the Financial Instruments and Exchange Act, implemented the DAIBIRU Tender Offer from December 1, 2021 to January 18, 2022, and acquired additional shares of DAIBIRU on January 25, 2022.

The Company intends to make DAIBIRU a wholly-owned subsidiary through a series of procedures (Share Consolidation) to make the Company the sole shareholder of DAIBIRU.

Independent Auditor's Report

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	¥77,429	\$632,641
Acquisition cost		¥77,429	\$632,641

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)
	¥23,779	\$194,288

21. SUBSEQUENT EVENT

The Company conducted a stock split with an effective date of April 1, 2022 as approved at the Board of Directors' meeting held on February 28, 2022.

1. PURPOSE OF THE STOCK SPLIT

The purpose is to expand the investor base by reducing the Company's stock price per investment unit.

2. OUTLINE OF THE STOCK SPLIT

(1) Method of the stock split

Each share of common stock owned by shareholders listed or recorded in the closing register of shareholders on the record date of March 31, 2022 will be split into 3 shares per share of the Company's common stock.

(2) Number of shares to be increased by the stock split

- Total number of issued shares before the stock split: 120,628,611 shares
- Number of shares to be increased by the stock split: 241,257,222 shares
- Total number of issued shares following the stock split: 361,885,833 shares
- Total number of authorized shares following the stock split: 946,200,000 shares

3. SCHEDULE OF THE STOCK SPLIT

Public notice of record date: March 15, 2022

Record date: March 31, 2022

Effective date: April 1, 2022

4. IMPACT ON PER-SHARE INFORMATION

The impact of the stock split is described in "Per-share Information."



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, 2022, 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, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

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 ¥22,093 million was recognized at March 31, 2022. As described in Note2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (14) "PROVISION FOR CONTRACT LOSS" to the consolidated	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

financial statements, the Group recognizes estimated losses on contracts that are probable to be incurred in the future due to decisions made over the contracts, among others.

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, 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. 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 the propriety of key assumptions used to estimate a provision for contract losses, 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, 2022 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 21, 2022

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.