Consolidated Financial Statements

Kawasaki Kisen Kaisha, Ltd.
and Consolidated Subsidiaries

March 31, 2024
with Independent Auditor's Report

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries

Consolidated Financial Statements

March 31, 2024

Contents

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2024

	2023	**2024**
	(Millions of yen)	
Assets		
Current assets:		
Cash and deposits *(Notes 6, 15 and 18)*	¥ 247,429	**¥ 272,616**
Accounts and notes receivable-trade and contract assets *(Notes 6, 15 and 20)*	107,522	**129,632**
Marketable securities *(Notes 4 and 15)*	102,001	—
Raw materials and supplies *(Note 6)*	38,356	**42,513**
Deferred and prepaid expenses *(Note 6)*	22,018	**25,629**
Short-term loans receivable	2,293	**1,688**
Other current assets *(Note 16)*	16,345	**17,609**
Allowance for doubtful accounts	(1,074)	**(1,411)**
Total current assets	534,894	**488,278**
Non-current assets:		
Vessels, net *(Note 6)*	319,329	**324,106**
Buildings and structures, net *(Note 5)*	9,709	**9,600**
Machinery, equipment and vehicles, net *(Note 5)*	3,129	**3,245**
Land *(Notes 5 and 13)*	15,537	**15,548**
Construction in progress	18,842	**51,364**
Other, net	5,599	**6,452**
Total vessels, property and equipment *(Notes 11 and 21)*	372,147	**410,318**
Intangible assets *(Note 21)*:		
Other intangible assets	3,808	**6,036**
Total intangible assets	3,808	**6,036**
Investments and other assets:		
Investment securities *(Notes 4, 6, 12, 15 and 21)*	1,070,227	**1,139,971**
Long-term loans receivable	24,568	**20,479**
Asset for retirement benefits *(Note 9)*	1,400	**2,387**
Deferred tax assets *(Note 7)*	6,175	**3,728**
Other investments and other assets *(Notes 5, 12 and 16)*	41,323	**39,955**
Allowance for doubtful accounts	(1,930)	**(1,723)**
Total investments and other assets	1,141,765	**1,204,799**
Total non-current assets	1,517,722	**1,621,154**
Total assets *(Note 21)*	¥ 2,052,616	**¥ 2,109,432**

Consolidated Balance Sheet (continued)

	2023	2024
	(Millions of yen)	
Liabilities		
Current liabilities:		
Accounts and notes payable - trade *(Note 15)*	¥ 62,803	**¥ 77,596**
Short-term loans and current portion of long-term loans *(Notes 6 and 15)*	50,691	**49,135**
Lease obligations *(Note 6)*	13,367	**11,958**
Accrued income taxes *(Note 7)*	2,095	**3,399**
Provision for loss related to the Anti-Monopoly Act	1,692	**3,821**
Provision for loss on chartering contracts *(Note 2)*	9,609	**5,442**
Provision for bonuses	4,489	**3,393**
Provision for directors' bonuses	523	**418**
Other current liabilities *(Note 16)*	40,106	**54,742**
Total current liabilities	185,378	**209,908**
Non-current liabilities:		
Bonds *(Notes 6 and 15)*	—	**8,000**
Long-term loans, less current portion *(Notes 6 and 15)*	267,313	**206,107**
Lease obligations *(Note 6)*	20,320	**12,580**
Deferred tax liabilities *(Note 7)*	4,044	**16,519**
Deferred tax liabilities on land revaluation *(Note 13)*	1,174	**1,174**
Provision for directors' and audit and supervisory board members' retirement benefits	83	**38**
Provision for directors' stock benefits	1,192	**2,300**
Provision for periodic drydocking of vessels	14,810	**16,542**
Liability for retirement benefits *(Note 9)*	6,441	**4,855**
Other non-current liabilities *(Note 16)*	5,177	**6,805**
Total non-current liabilities	320,558	**274,924**
Total liabilities	¥ 505,937	**¥ 484,832**
Net assets		
Shareholders' equity *(Note 10)*:		
Common stock Authorized — 600,000,000 shares in 2023 and 2024 Issued — 250,712,389 shares in 2023 and 238,242,689 shares in 2024	¥ 75,457	**¥ 75,457**
Capital surplus	29,102	**29,102**
Retained earnings	1,302,769	**1,233,274**
Treasury stock *(Notes 3 and 19)* —3,438,017 shares in 2023 and 2,591,017 shares in 2024	(6,550)	**(7,648)**
Total shareholders' equity	1,400,779	**1,330,186**
Accumulated other comprehensive income:		
Net unrealized holding gain (loss) on investment securities	6,482	**13,030**
Deferred gain (loss) on hedges *(Note 16)*	2,100	**3,076**
Revaluation reserve for land *(Note 13)*	4,682	**4,677**
Foreign currency translation adjustments	103,353	**240,272**
Retirement benefits liability adjustments *(Note 9)*	(2,000)	**681**
Total accumulated other comprehensive income	114,619	**261,738**
Non-controlling interests	31,280	**32,674**
Total net assets	1,546,679	**1,624,600**
Total liabilities and net assets	¥ 2,052,616	**¥ 2,109,432**

The accompanying notes are an integral part of the consolidated financial statements.

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Operations

Year ended March 31, 2024

	2023	**2024**
	(Millions of yen)	
Marine transportation and other operating revenues *(Notes 2 and 20)*	¥ 942,606	**¥ 962,300**
Marine transportation and other operating costs and expenses *(Note 2)*	799,881	**801,126**
Gross profit (loss)	142,724	**161,174**
Selling, general and administrative expenses	63,866	**76,410**
Operating income (loss)	78,857	**84,763**
Non-operating income:		
Interest income *(Note 21)*	2,805	**3,755**
Dividend income	2,517	**3,285**
Equity in earnings of unconsolidated subsidiaries and affiliates *(Note 21)*	627,759	**51,710**
Foreign exchange gains	—	**5,192**
Other non-operating income	2,950	**1,884**
Total non-operating income	636,033	**65,828**
Non-operating expenses:		
Interest expenses *(Note 21)*	9,996	**9,642**
Foreign exchange losses	9,723	**—**
Loss on valuation of derivatives *(Note 16)*	—	**3,469**
Other non-operating expenses	4,332	**1,683**
Total non-operating expenses	24,052	**14,795**
Ordinary income (loss) *(Note 21)*	690,839	**135,796**
Extraordinary income:		
Gain on sales of non-current assets	3,829	**1,926**
Gain on liquidation of subsidiaries and affiliates	447	**428**
Other extraordinary income	472	**1,132**
Total extraordinary income	4,748	**3,487**
Extraordinary losses:		
Impairment losses *(Notes 5 and 21)*	18	**258**
Loss on change in equity	614	**—**
Loss on valuation of marketable securities	—	**1,558**
Provision for loss related to the Anti-Monopoly Act	1,335	**2,485**
Other extraordinary losses	742	**1,232**
Total extraordinary losses	2,710	**5,535**
Profit (loss) before income taxes	692,877	**133,748**
Income taxes *(Note 7)*:		
Current	3,864	**15,640**
Deferred	(9,982)	**11,188**
Total income taxes	(6,117)	**26,829**
Profit (loss)	698,994	**106,918**
Profit (loss) attributable to non-controlling interests	4,090	**2,142**
Profit (loss) attributable to owners of the parent *(Note 19)*	¥ 694,904	**¥ 104,776**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year ended March 31, 2024

	2023	**2024**
	(Millions of yen)	
Profit (loss)	¥ 698,994	**¥ 106,918**
Other comprehensive income *(Note 17):*		
Net unrealized holding gain (loss) on investment securities	894	**6,484**
Deferred gain (loss) on hedges	402	**613**
Foreign currency translation adjustments	12,014	**15,584**
Retirement benefits liability adjustments	(29)	**2,754**
Share of other comprehensive income (loss) of unconsolidated subsidiaries and affiliates accounted for using the equity method	81,759	**122,619**
Total other comprehensive income	95,042	**148,054**
Comprehensive income	¥ 794,036	**¥ 254,973**
(Breakdown)		
Comprehensive income attributable to owners of parent	¥ 789,261	**¥ 251,900**
Comprehensive income attributable to non-controlling interests	4,774	**3,073**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2024

(Millions of yen)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gain (loss) on investments securities	Deferred gain (loss) on hedges
Balance at April 1, 2022	¥ 75,457	¥ 14,214	¥ 777,130	¥ (2,378)	¥ 864,424	¥ 5,474	¥ (893)
Change in items during the year							
Cash dividends	–	–	(84,613)	–	(84,613)	–	–
Profit (loss) attributable to owners of the parent	–	–	694,904	–	694,904	–	–
Purchase of treasury stock	–	–	–	(89,558)	(89,558)	–	–
Disposal of treasury stock	–	60	–	30	90	–	–
Cancellation of treasury stock	–	(381)	(84,574)	84,955	–	–	–
Disposal of treasury stock for the Board Benefit Trust	–	–	–	–	–	–	–
Purchase of treasury stock by the Board Benefit Trust	–	–	–	–	–	–	–
Share exchanges	–	14,898	–	400	15,299	–	–
Changes in a foreign affiliated company's interests in its subsidiary	–	–	–	–	–	–	–
Change in ownership interest of parent due to transactions with non-controlling interests	–	310	–	–	310	–	–
Reversal of revaluation reserve for land	–	–	(52)	–	(52)	–	–
Net changes in retained earnings from changes in scope of consolidation or equity method	–	–	(25)	–	(25)	–	–
Net changes in items other than shareholders' equity	–	–	–	–	–	1,007	2,994
Net changes during the year	–	14,888	525,639	(4,172)	536,355	1,007	2,994
Balance at March 31, 2023	¥ 75,457	¥ 29,102	¥ 1,302,769	¥ (6,550)	¥ 1,400,779	¥ 6,482	¥ 2,100

Consolidated Statement of Changes in Net Assets (continued)

(Millions of yen)

	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2022	¥ 4,630	¥ 12,954	¥ (1,956)	¥ 20,209	¥ 100,248	¥ 984,882
Change in items during the year						
Cash dividends	―	―	―	―	―	(84,613)
Profit (loss) attributable to owners of the parent	―	―	―	―	―	694,904
Purchase of treasury stock	―	―	―	―	―	(89,558)
Disposal of treasury stock	―	―	―	―	―	90
Cancellation of treasury stock	―	―	―	―	―	―
Disposal of treasury stock for the Board Benefit Trust	―	―	―	―	―	―
Purchase of treasury stock by the Board Benefit Trust	―	―	―	―	―	―
Share exchanges	―	―	―	―	―	15,299
Changes in a foreign affiliated company's interests in its subsidiary	―	―	―	―	―	―
Change in ownership interest of parent due to transactions with non-controlling interests	―	―	―	―	―	310
Reversal of revaluation reserve for land	―	―	―	―	―	(52)
Net changes in retained earnings from changes in scope of consolidation or equity method	―	―	―	―	―	(25)
Net changes in items other than shareholders’ equity	52	90,398	(43)	94,409	(68,968)	25,441
Net changes during the year	52	90,398	(43)	94,409	(68,968)	561,796
Balance at March 31, 2023	¥ 4,682	¥ 103,353	¥ (2,000)	¥ 114,619	¥ 31,280	¥ 1,546,679

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets (continued)

(Millions of yen)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gain (loss) on investments securities	Deferred gain (loss) on hedges
Balance at April 1, 2023	¥ 75,457	¥ 29,102	¥ 1,302,769	¥ (6,550)	¥ 1,400,779	¥ 6,482	¥ 2,100
Change in items during the year							
Cash dividends	—	—	(98,422)	—	(98,422)	—	—
Profit (loss) attributable to owners of the parent	—	—	104,776	—	104,776	—	—
Purchase of treasury stock	—	—	—	(56,211)	(56,211)	—	—
Disposal of treasury stock	—	0	—	159	159	—	—
Cancellation of treasury stock	—	(788)	(54,954)	55,743	—	—	—
Disposal of treasury stock for the Board Benefit Trust	—	788	—	4,051	4,839	—	—
Purchase of treasury stock by the Board Benefit Trust	—	—	—	(4,839)	(4,839)	—	—
Share exchanges	—	—	—	—	—	—	—
Changes in a foreign affiliated company's interests in its subsidiary	—	—	(20,908)	—	(20,908)	—	—
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	5	—	5	—	—
Net changes in retained earnings from changes in scope of consolidation or equity method	—	—	8	—	8	—	—
Net changes in items other than shareholders' equity	—	—	—	—	—	6,548	975
Net changes during the year	—	0	(69,495)	(1,097)	(70,592)	6,548	975
Balance at March 31, 2024	¥ 75,457	¥ 29,102	¥ 1,233,274	¥ (7,648)	¥ 1,330,186	¥ 13,030	¥ 3,076

Consolidated Statement of Changes in Net Assets (continued)

(Millions of yen)

	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2023	¥ 4,682	¥ 103,353	¥ (2,000)	¥ 114,619	¥ 31,280	¥ 1,546,679
Change in items during the year						
Cash dividends	—	—	—	—	—	(98,422)
Profit (loss) attributable to owners of the parent	—	—	—	—	—	104,776
Purchase of treasury stock	—	—	—	—	—	(56,211)
Disposal of treasury stock	—	—	—	—	—	159
Cancellation of treasury stock	—	—	—	—	—	—
Disposal of treasury stock for the Board Benefit Trust	—	—	—	—	—	4,839
Purchase of treasury stock by the Board Benefit Trust	—	—	—	—	—	(4,839)
Share exchanges	—	—	—	—	—	—
Changes in a foreign affiliated company's interests in its subsidiary	—	—	—	—	—	(20,908)
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—	5
Net changes in retained earnings from changes in scope of consolidation or equity method	—	—	—	—	—	8
Net changes in items other than shareholders' equity	(5)	136,918	2,681	147,119	1,394	148,513
Net changes during the year	(5)	136,918	2,681	147,119	1,394	77,920
Balance at March 31, 2024	¥ 4,677	¥ 240,272	¥ 681	¥ 261,738	¥ 32,674	¥ 1,624,600

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended March 31, 2024

	2023	**2024**
	(Millions of yen)	
Cash flows from operating activities:		
Profit (loss) before income taxes	¥ 692,877	**¥ 133,748**
Depreciation and amortization	42,396	**45,360**
Increase (decrease) in liability for retirement benefits	439	**(1,663)**
(Increase) decrease in asset for retirement benefits	(171)	**(986)**
Increase (decrease) in retirement benefits liability adjustments	(125)	**3,057**
Increase (decrease) in provision for directors' and audit and supervisory board members' retirement benefits	(79)	**(44)**
Increase (decrease) in provision for periodic drydocking of vessels	1,389	**1,672**
Increase (decrease) in provision for loss related to the Anti-Monopoly Act	1,335	**2,485**
Increase (decrease) in provision for loss on chartering contracts	(4,294)	**(4,166)**
Increase (decrease) in provision for directors' stock benefits	885	**1,267**
Interest and dividend income	(5,323)	**(7,040)**
Interest expenses	9,996	**9,642**
Foreign exchange losses (gains)	7,786	**(5,754)**
Impairment losses	18	**258**
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(627,759)	**(51,710)**
(Gain) loss on sales of vessels, property and equipment	(3,802)	**(1,919)**
(Gain) loss on valuation of marketable securities	—	**1,558**
(Gain) loss on change in equity	614	**—**
(Gain) loss on liquidation of subsidiaries and affiliates	(321)	**(147)**
(Increase) decrease in accounts and notes receivable – trade and contract assets	(1,651)	**(19,275)**
(Increase) decrease in inventories	(1,642)	**(3,850)**
(Increase) decrease in other current assets	(8,586)	**(3,041)**
Increase (decrease) in accounts and notes payable – trade	(1,969)	**11,826**
Increase (decrease) in other current liabilities	(1,935)	**9,993**
Other, net	3,414	**(309)**
Subtotal	103,489	**120,961**
Interest and dividends income received	368,103	**106,910**
Interest expenses paid	(9,676)	**(9,939)**
Payments for cancellation of chartered vessels	(546)	**—**
Payments related to the Anti-Monopoly Act	(399)	**(459)**
Income taxes paid	(4,919)	**(14,377)**
Net cash provided by (used in) operating activities	¥ 456,049	**¥ 203,095**

Consolidated Statement of Cash Flows (continued)

	2023	**2024**
	(Millions of yen)	
Cash flows from investing activities:		
Payments into time deposits	¥ (4,231)	¥ **(4,801)**
Proceeds from withdrawal of time deposits	4,729	**4,509**
Purchases of marketable securities and investment securities	(21,669)	**(8,520)**
Proceeds from sales of marketable securities and investment securities	965	**574**
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	4,882	**33**
Purchases of vessels, property and equipment	(67,641)	**(82,635)**
Proceeds from sales of vessels, property and equipment	37,746	**20,108**
Purchases of intangible assets	(867)	**(2,227)**
Payments of long-term loans receivable	(2,264)	**(330)**
Collection of long-term loans receivable	3,835	**7,118**
Other, net	(2,230)	**(741)**
Net cash provided by (used in) investing activities	(46,745)	**(66,911)**
Cash flows from financing activities:		
Increase (decrease) in short-term loans, net	(635)	**(166)**
Proceeds from long-term loans	44,450	**27,291**
Repayments of long-term loans and obligations under finance leases	(102,294)	**(102,565)**
Proceeds from issuance of bonds	—	**8,000**
Redemption of bonds	(7,000)	—
Purchase of treasury stock	(89,558)	**(56,353)**
Cash dividends paid	(84,506)	**(98,307)**
Cash dividends paid to non-controlling interests	(4,035)	**(1,710)**
Repayments to non-controlling interests	(56,875)	—
Purchases of shares of subsidiaries not resulting in change in scope of consolidation	(289)	—
Proceeds from sales of shares of subsidiaries not resulting in change in scope of consolidation	11	**134**
Other, net	(57)	**(49)**
Net cash provided by (used in) financing activities	(300,790)	**(223,727)**
Effect of exchange rate changes on cash and cash equivalents	(6,001)	**10,186**
Net increase (decrease) in cash and cash equivalents	102,512	**(77,357)**
Cash and cash equivalents at beginning of the year	244,316	**346,831**
Increase in cash and cash equivalents arising from initial consolidation of subsidiaries	2	**0**
Cash and cash equivalents at end of the year *(Note 18)*	¥ 346,831	¥ **269,474**

The accompanying notes are an integral part of the consolidated financial statements.

1. Summary of Significant Accounting Policies

(a) Basis of preparation

The accompanying consolidated financial statements of Kawasaki Kisen Kaisha, Ltd. (the "Company") and its consolidated subsidiaries (the "Group") have been prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS"), and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been rounded down. As a result, the totals in yen in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2023 to the presentation for the year ended March 31, 2024. Such reclassifications had no effect on consolidated profit, net assets or cash flows.

1. Summary of Significant Accounting Policies (continued)

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and 238 and 232 subsidiaries for the years ended March 31, 2023 and 2024, respectively. The principles of consolidation are to include significant subsidiaries, whose voting interests are owned 40 per cent or more by the consolidated group and whose decision-making control over their operations is significantly affected by the consolidated group through financial or technical support, personnel, transactions, and so forth. In addition, significant affiliates whose decision-making control over their operations is significantly affected by the consolidated group in various ways are accounted for by the equity method.

For the year ended March 31, 2024, 2 consolidated subsidiaries were included in the scope of consolidation in terms of materiality and 6 companies were excluded from the scope of consolidation due to their liquidation. In addition, 1 company has been excluded from the scope of consolidation and included in the scope of the entities accounted for under the equity method due to the partial sale of its shares. Furthermore, 1 company was dissolved as a result of an absorption-type merger within the Group.

Certain subsidiaries are excluded from the scope of consolidation as the effect of their total assets, revenues, profit or loss and retained earnings (each amount of profit or loss and retained earnings in proportion to the interest held by the Company) on the accompanying consolidated financial statements are not significant.

The Company accounted for 14 unconsolidated subsidiaries and 32 affiliates using the equity method at March 31, 2024. The main affiliated company is OCEAN NETWORK EXPRESS PTE. LTD. For the year ended March 31, 2024, 1 company has been included in the scope of application of the equity method due to the materiality of their businesses and a total of 2 companies have been excluded from the scope of application of the equity method due to the sale of shares and liquidation. In addition, 1 company has been excluded from the scope of consolidation and included in the scope of the entities accounted for under the equity method due to the partial sale of its shares.

Certain unconsolidated subsidiaries and affiliates are not accounted for by the equity method but stated at cost, because the effect of their profit or loss and retained earnings (each amount in proportion to the interest held by the Company) on the accompanying consolidated financial statements are not significant individually or in the aggregate.

1. Summary of Significant Accounting Policies (continued)

(b) Principles of consolidation (continued)

For the purposes of consolidation, all significant intercompany transactions, account balances and unrealized profit among the consolidated group companies have been eliminated.

Goodwill is amortized by the straight-line method over a period of five years.

(c) Accounting period

The Company's accounting period begins each year on April 1 and ends the following year on March 31. During the fiscal year ended March 31, 2024, the Company and 224 consolidated subsidiaries have a March 31 year end, and the remaining 8 consolidated subsidiaries have a December 31 year end. Out of the 8 consolidated subsidiaries that have a December 31 year end, 3 used December 31 as the closing date for their financial statements. However, necessary adjustments have been made to address any significant transactions that occurred between closing dates to that of the Company, and the remaining 5 out of the 8 consolidated subsidiaries with a fiscal year end of December 31 provide financial statements based on provisional settlement of accounts as of March 31 to facilitate preparation of the consolidated financial statements.

For the companies accounted for by the equity method whose closing dates that differ from the closing date of the Company, the Company has used their financial statements for each company's fiscal year.

(d) Translation of foreign currencies

Revenues earned and expenses incurred in currencies other than Japanese yen of the Company and its subsidiaries that maintain their books in Japanese yen are translated into Japanese yen either at an average 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 Japanese yen at the exchange rate prevailing at the balance sheet date. Subsidiaries that maintain their books in a currency other than Japanese yen translate revenues and expenses and assets and liabilities denominated in foreign currencies into the currency used for financial reporting purposes in accordance with accounting principles generally accepted in their respective countries of domicile.

1. Summary of Significant Accounting Policies (continued)

(e) Translation of accounts of overseas consolidated subsidiaries

The accounts of the overseas consolidated subsidiaries, except for the components of net assets excluding non-controlling interests of consolidated subsidiaries, are translated into Japanese yen at the rates of exchange in effect at the balance sheet date. The components of net assets excluding accumulated other comprehensive income and non-controlling interests are translated at their historical exchange rates. Differences arising from translation are presented as translation adjustments and non-controlling interests in the accompanying consolidated financial statements.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(g) Raw material and supplies

Raw material and supplies are mainly stated at cost based on the moving-average method (The method includes write-downs based on decreased profitability).

(h) Securities

Securities are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain or loss, both realized and unrealized, are credited or charged to income. Held-to-maturity debt securities are stated at their amortized costs. Quoted securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of net assets. Unquoted securities classified as other securities are carried at cost determined principally by the moving-average method.

Under the Companies Act of Japan (the “Companies Act”), net unrealized holding gain on investment securities after netting of applicable income taxes, is not available for distribution as dividends.

1. Summary of Significant Accounting Policies (continued)

(i) Vessels, property and equipment and depreciation (except for leased assets under finance leases)

Depreciation of vessels is computed by the straight-line or the declining-balance method over the estimated useful lives of the respective vessels.

Depreciation of property and equipment is computed principally by the declining-balance method over the estimated useful lives of the respective assets. However, the depreciation of buildings (excluding accompanying facilities) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 are computed by the straight-line method.

Maintenance, repairs and minor improvements are charged to income as incurred. Major improvements are capitalized.

(j) Capitalization of interest expense

Interest expense is generally charged to income as incurred. However, interest expense incurred in the construction of certain vessels is capitalized and included in the costs of the assets if the construction period is substantially long.

(k) Leases

Leased assets under finance lease transactions that transfer ownership to the lessee are depreciated by the same methods used for owned fixed assets.

Leased assets under finance lease transactions that do not transfer ownership to the lessee are depreciated to a residual value of zero by straight-line method over the lease term.

Finance lease transactions that do not transfer ownership to the lessee, starting on or before March 31, 2008 are accounted for as operating lease transactions.

1. Summary of Significant Accounting Policies (continued)

(l) Research and development costs and computer software (except for leased assets under finance leases)

Research and development costs are charged to income as incurred.

Expenditures relating to the development of computer software intended for internal use are charged to income when incurred, unless these are deemed to contribute to the generation of future income or cost savings. Such expenditures are capitalized as assets and amortized by the straight-line method over their estimated useful life of five years.

(m) Allowance for doubtful accounts

An allowance for doubtful accounts is provided at an amount calculated based on the historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

(n) Provision for bonuses

In order to prepare for bonuses to be paid to employees, the provision for bonuses is recognized at the estimated amount of the bonuses to be paid as allocated to the current fiscal year.

(o) Provision for directors' bonuses

In order to prepare for bonuses to be paid to directors, the provision for directors' bonuses is recognized at the estimated amount of the bonuses to be paid as allocated to the current fiscal year.

(p) Provision for directors' and audit and supervisory board members' retirement benefits

In order to prepare for retirement benefit payments to directors and audit and supervisory board members, the amount required at the end of the fiscal year by the internal rules is recognized at certain consolidated subsidiaries.

1. Summary of Significant Accounting Policies (continued)

(q) Provision for periodic drydocking of vessels

Vessels and other assets of the Group are subject to periodic overhaul. A provision is provided on the basis of the estimated amount of total expenses expected to be incurred for overhauling the vessels in the following year which has been allocated to the current fiscal year.

(r) Provision for loss related to the Anti-Monopoly Act

In order to prepare for losses related to lawsuits for damages filed in connection with the Anti-Monopoly Act, an amount reasonably estimated to the extent possible is recognized.

(s) Provision for directors' stock benefits

In order to prepare for stock benefits, etc. to the directors and the executive officers in accordance with the Regulations for Delivery of Shares to Officers, the provision for stock benefits is recognized at the estimated amount of the Company's stock corresponding to points to be provided to the eligible individuals as of the end of the current fiscal year.

(t) Provision for loss on chartering contracts

In order to prepare for potential future losses from certain contracts where charter rates have fallen below hire rates, a provision for losses on chartering contracts is recognized at the amount of reasonably estimable based on available information as of the end of the current fiscal year.

1. Summary of Significant Accounting Policies (continued)

(u) Retirement benefits

The liability for retirement benefits has been provided principally at an amount calculated based on the retirement benefit obligation after the fair value of the pension plan assets are deducted within same plan. The retirement benefit obligations are attributed to each period by the benefit formula method.

Actuarial differences are amortized in the years following the year in which the differences are recognized by the straight-line method principally over a period of nine years, which falls within the estimated average remaining years of service of the eligible employees.

Past service cost is amortized by the straight-line method principally over a period of nine years, which falls within the estimated average remaining years of service of the eligible employees.

The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation at present and in the future, and the long-term expected rate of return from multiple plan assets at present and in the future.

(v) Recognition of revenues, and costs and expenses

The Company recognizes revenue at an amount expected to be received when control of promised goods or services is transferred. Therefore, the Company records marine transportation revenues based on the number of days that have elapsed during a voyage and records costs and expenses associated with revenues.

1. Summary of Significant Accounting Policies (continued)

(w) Derivatives and hedging activities

The Group utilizes derivatives, including forward foreign exchange contracts, interest rate swaps, currency options, currency swaps, bunker fuel swaps and forward freight agreements to hedge the risks arising from fluctuations in forward foreign currency exchange rates, mainly on investments in the overseas subsidiaries, etc. and forecast transactions denominated in foreign currencies; interest rates, mainly on loan and lease transactions; and market prices, mainly on bunker fuel, freight and charter fees.

The Group applies deferral hedge accounting method. If interest rate swap contracts are used as hedges 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 is executed under "Special treatment."

Forward foreign exchange contracts which meet certain criteria are accounted for by the allocation method which requires that recognized foreign currency receivables or payables be translated at the corresponding contract rates.

The hedge effectiveness is assessed based on a comparison of the cumulative changes in cash flows or fair value of the hedged items with those of the hedging instruments in the period from the start of the hedging relationship to the assessment date. However, an evaluation of effectiveness is omitted for interest-rate swaps which meet certain conditions for applying the Special treatment.

The Group executes and manages transactions for the purpose of risk control with regard to financial markets and others in accordance with internal rules. These rules have been established not only to prevent derivative or other transactions from being used for any objective other than their original purpose or from being executed without limitation, but also to ensure the management body exercises its oversight functions.

1. Summary of Significant Accounting Policies (continued)

(x) Income taxes

Deferred tax assets and liabilities have been recognized with respect to the differences between financial reporting and the tax bases of the assets and liabilities. Deferred tax assets and liabilities are measured at the rates which are expected to apply to the period when each asset or liability is realized, based on the tax rates which have been enacted as of the balance sheet date or are subsequently enacted.

(y) Deferred assets

Bond issuance costs are charged to income as incurred.

(z) Distribution of retained earnings

Under the Companies Act and the Company's Articles of Incorporation, the distribution of retained earnings with respect to a given fiscal year end is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial year.

The distribution of retained earnings with respect to the interim financial period is made by resolution of the Board of Directors.

(aa) Group tax sharing system

The Company and certain domestic subsidiaries adopted the group tax sharing system.

1. Summary of Significant Accounting Policies (continued)

(ab) Accounting standards issued but not yet effective

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

(1) Overview

In February 2018, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting" and others ("ASBJ Statement No. 28, etc."), which completed the transfer of practical guidelines on tax effect accounting at the Japanese Institute of Certified Public Accountants to the ASBJ. These accounting standards issued but not yet effective related to the following two issues, which were to be discussed again after the release of ASBJ Statement No. 28, etc. in the course of the deliberation, were deliberated and released.

・ Classification of tax expenses (Taxation on other comprehensive income)
・ Tax effect on the sale of shares of subsidiaries, etc. (shares of subsidiaries or affiliates) when the group corporate tax system is applied.

(2) Scheduled date of adoption

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

(3) Effect of the adoption of accounting standards and guidance

The effect of the application of the "Accounting Standard for Current Income Taxes" and other accounting standard and guidance on the consolidated financial statements is currently under evaluation.

2. Significant Accounting Estimates

Estimate of total number of voyage days used in voyage progress calculation for revenue recognition

The Group considers the voyage progress in calculating freight revenue of ocean tramp shipping (excluding product logistics) for the Company as a significant accounting estimate due to the significance of the freight revenue amounts and the estimated period.

(a) Amount of freight revenue included in marine transportation and other operating revenues for voyages not completed as of the end of the fiscal year in the consolidated financial statements for the fiscal years ended March 31, 2023 and 2024

	2023	**2024**
	(Millions of yen)	
Marine transportation and other operating revenues	¥ 26,706	**¥ 31,927**

(b) Other Information

(i) Calculation method of the amount recognized in the consolidated financial statements for the year ended March, 31, 2024

Marine transportation revenues for voyages not completed as of the end of the fiscal year are calculated based on the total freight revenue amounts and the estimate of voyage progress. The voyage progress is calculated based on the number of elapsed days of a voyage as of the end of the fiscal year compared with the estimated total number of voyage days, and the amount of marine transportation revenue is recognized in proportion to the voyage progress.

(ii) Significant assumptions in calculation the voyage progress for revenue recognition for the year ended March, 31, 2024

A significant assumption in calculating the voyage progress for revenue recognition is the total number of voyage days. The total number of voyage days may change depending on weather conditions, congestion at the ports of loading and unloading and other factors, which may affect the voyage progress.

2. Significant Accounting Estimates (continued)

Estimate of total number of voyage days used in voyage progress calculation for revenue recognition (continued)

(b) Other Information (continued)

(iii) Impact on consolidated financial statements for the following year

There is a possibility that the amount of marine transportation revenue recognized for the following fiscal year could be affected because of the difference between estimated and actual total number of voyage days, which is a significant assumption, due to fluctuations in the voyage progress.

3. Additional Information

(Performance-linked stock compensation plan for directors and executive officers)

(1) Transaction summary

The Company has introduced the Board Benefit Trust (the "BBT"), a performance-linked stock compensation plan for its directors and executive officers (the "Directors") based on the resolution at the Ordinary General Meeting of Shareholders on June 24, 2016. The BBT plan clarifies how the Company's performance and its stock influence the Directors' compensation and leads the Directors to aim for more contributions to the improvement of the Company's performance and corporate value over the medium to long-term period. In addition, the Company has decided to make additional monetary contribution to the BBT in this fiscal year based on the resolution at the Board of Directors' meeting held on November 2, 2023.

The shares are acquired through the trust funded by the Company and established based on the BBT (the "Trust"). The BBT plan enables the Directors to be granted the Company's shares and the amount of cash equivalent to the market price of the Company's shares (the "Shares") through the Trust in accordance with the Directors' Stock Compensation Rules stipulated by the Company.

In principle, the Directors are to receive the shares compensation upon their retirement from the position.

(2) The Company's own stock in the Trust

The Company's outstanding shares of the Trust are included in the treasury shares of the net assets based on the book value of the Trust (excluding ancillary expenses). The book values of the treasury shares were ¥1,275 million and ¥5,955 million and the number of the stocks were 3,959,100 shares and 6,503,700 shares as of March 31, 2023 and 2024, respectively.

The Company split its common shares on the basis of one share into three shares effective April 1, 2024. The number of stocks as of March 31, 2023 and 2024 are described at the post-stock split amount.

4. Marketable Securities and Investment Securities

At March 31, 2023, marketable securities and investment securities with quoted market prices classified as held-to-maturity debt securities are summarized as follows:

	2023		
	Carrying value	Estimated fair value	Difference
		(Millions of yen)	
Securities whose estimated fair value exceeds their carrying value:			
Government and municipal bonds	¥ 1	¥ 1	¥ 0
Securities whose estimated fair value does not exceed their carrying value:			
Bonds	2,000	2,000	—
Certificate of deposit	100,000	100,000	—
Total	¥ 102,001	¥ 102,001	¥ 0

At March 31, 2024, there were no items to be disclosed.

4. Marketable Securities and Investment Securities (continued)

At March 31, 2023 marketable securities and investment securities with quoted market prices classified as other securities are summarized as follows:

	2023		
	Carrying value	Acquisition costs	Difference
		(Millions of yen)	
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥ 14,759	¥ 6,542	¥ 8,216
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	119	156	(37)
Bonds	1,308	1,344	(36)
Total	¥ 16,186	¥ 8,044	¥ 8,142

At March 31, 2024 marketable securities and investment securities with quoted market prices classified as other securities are summarized as follows:

	2024		
	Carrying value	**Acquisition costs**	**Difference**
		(Millions of yen)	
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	**¥ 22,902**	**¥ 6,671**	**¥ 16,230**
Bonds	**842**	**840**	**2**
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	**100**	**119**	**(19)**
Bonds	**447**	**453**	**(6)**
Total	**¥ 24,293**	**¥ 8,084**	**¥ 16,208**

4. Marketable Securities and Investment Securities (continued)

Proceeds from sales of investment securities classified as other securities for the years ended March 31, 2023 and 2024 are summarized as follows:

	2023		2024	
	(Millions of yen)			
Proceeds from sales	¥	395	**¥**	**258**
Aggregate gain		312		**202**
Aggregate loss		—		**0**

The Company has recognized loss on devaluation of investment securities of ¥251 million and ¥1,807 million for the years ended March 31, 2023 and 2024, respectively.

Loss on impairment is recorded on securities when whose fair value has declined by 50 per cent or more, or whose fair value has declined by 30 per cent or more, but less than 50 per cent, if the decline is deemed to be irrecoverable. Loss on impairment is recorded on unquoted securities if the decline is deemed to be irrecoverable considering the financial position of the securities' issuers for the years ended March 31, 2023 and 2024.

5. Loss on Impairment of Fixed Assets

In principle, the Company and its consolidated subsidiaries group business assets by units whose income and expenditure are monitored perpetually and those cash inflows that are largely independent of the cash flows from other assets are identifiable. However, the grouping for assets for sales and idle assets are conducted by individual asset.

Loss on impairment of fixed assets for the years ended March 31, 2023 is as follows:

Usage	Asset Description	Country	2023
			(Millions of yen)
Business assets	Machinery and equipment	Japan	¥ 14
Idle assets	Land	Japan	3
Total			¥ 18

For the business assets or business asset groups for which profitability has decreased significantly and for the idle assets of land whose land price has decreased, as the carrying values of the investments are not expected to be recoverable, the carrying values were reduced to the respective recoverable amounts and loss on impairment was recognized.
The recoverable amount in the measurement of impairment loss is measured by net realizable value, and the net realizable value is based on a valuation reasonably calculated by a third party valuations.

Loss on impairment of fixed assets for the years ended March 31, 2024 is as follows:

Usage	Asset Description	Country	**2024**
			(Millions of yen)
Business assets	Machinery and equipment, and others	Japan	**¥ 217**
Idle assets	Buildings	Japan	**40**
Idle assets	Land	Japan	**1**
Total			**¥ 258**

For the business assets or business asset groups for which profitability has decreased significantly, the idle assets of buildings for which decision to dispose has been made and the idle assets of land whose land price has decreased, the carrying values of the investments are not expected to be recoverable, the carrying values were reduced to the respective recoverable amounts and loss on impairment was recognized.
The recoverable amount in the measurement of impairment loss for business assets is measured by the value in use and is measured and evaluated as zero because no future cash flows are expected. For idle assets, it is measured by net realizable value and the net realizable value is based on the expected disposal amount or a valuation reasonably calculated by a third party valuations.

6. Short-Term Loans, Long-Term Debt and Lease Obligations

Short-term loans at March 31, 2023 and 2024 consisted of the following:

	2023	**2024**
	(Millions of yen)	
Short-term loans from banks	¥ 3,141	**¥ 2,885**

Short-term loans from banks and insurance companies principally represent loans on deeds with average interest rates of 0.50% and 0.55% per annum at March 31, 2023 and 2024, respectively.

Long-term debt at March 31, 2023 and 2024 consisted of the following:

	2023	**2024**
	(Millions of yen)	
Long-term bank loans due within one year:		
Loans from banks and insurance companies due in installments through September 2057 at average interest rates of 2.13% and 2.41% per annum at March 31, 2023 and 2024, respectively	¥ 47,549	**¥ 46,249**
Long-term bank loans due after one year:		
Loans from banks and insurance companies due in installments through September 2057 at average interest rates of 2.13% and 2.41% per annum at March 31, 2023 and 2024, respectively	267,313	**206,107**
Bonds:		
0.73% bonds in yen, due September 11, 2028	—	**8,000**
Total	314,863	**260,356**
Amount due within one year	47,549	**46,249**
	¥ 267,313	**¥ 214,107**

6. Short-Term Loans, Long-Term Debt and Lease Obligations (continued)

The aggregate annual maturities of long-term debt subsequent to March 31, 2024 are summarized as follows:

Year ending March 31,		*(Millions of yen)*
2025	¥	46,249
2026		48,595
2027		48,159
2028		22,827
2029		27,364
2030 and thereafter		67,160
Total	¥	260,356

The average interest rates applicable to the lease obligations due in installments through Nov 2038 are 3.14% and 2.90% at March 31, 2023, and 2024, respectively.

The aggregate annual maturities of obligations under finance leases subsequent to March 31, 2024 are summarized as follows:

Year ending March 31,		*(Millions of yen)*
2025	¥	11,958
2026		4,132
2027		2,274
2028		6,115
2029		37
2030 and thereafter		21
Total	¥	24,539

6. Short-Term Loans, Long-Term Debt and Lease Obligations (continued)

A summary of assets pledged as collateral at March 31, 2024 for short-term loans and current portion of long-term loans in the amount of ¥37,284 million, long-term loans of ¥127,320 million and loans to be incurred in the future is presented below:

	(Millions of yen)
Vessels	¥ 222,035
Investment securities	29,617
Other	5,218
Total	¥ 256,871

Investment securities of ¥29,617 million were pledged as collateral to secure future loans for investments in vessels of subsidiaries and affiliates. Therefore, no corresponding liabilities existed as of March 31, 2024.

7. Income Taxes

The effective tax rate reflected in the accompanying Consolidated Statement of Operations for the years ended March 31, 2023 and 2024 differed from the statutory tax rate for the following reasons:

	2023	**2024**
Statutory tax rate	28.5%	**28.5%**
Items that are not permanently included in taxable income, such as dividends received	(0.0)	**(1.1)**
Difference in statutory tax rates of consolidated subsidiaries	(0.4)	**(0.7)**
Equity in earnings of unconsolidated subsidiaries and affiliates, net	(25.8)	**(11.0)**
Effect of tonnage tax system	(1.4)	**(7.6)**
Combined foreign subsidiary tax	(0.1)	**5.1**
Retained earnings of subsidiaries and associates	2.4	**11.9**
Changes in the valuation allowance	(2.9)	**(3.5)**
Other	(1.2)	**(1.6)**
Effective tax rate	(0.9)%	**20.1%**

7. Income Taxes (continued)

The tax effects of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at March 31, 2023 and 2024 are analyzed as follows:

	2023	**2024**
	(Millions of yen)	
Deferred tax assets:		
Liability for retirement benefits	¥ 2,540	**¥ 2,162**
Provision for loss on chartering contracts	3,203	**1,768**
Other allowances	2,870	**2,657**
Impairment loss of fixed assets	1,688	**1,565**
Elimination of unrealized intercompany profit	842	**767**
Accounts and notes payable – trade	4,636	**6,419**
Loss on devaluation of investment securities	1,736	**1,503**
Deferred assets for tax purposes	632	**1,330**
Tax loss carried forward (*2)	64,577	**48,232**
Deferred loss on derivatives under hedge accounting	3,080	**3,192**
Other	2,098	**2,688**
Gross deferred tax assets	87,906	**72,287**
Valuation allowance for tax loss carried forward (*2)	(61,751)	**(45,875)**
Valuation allowance for the total of deductible temporary differences and others	(11,081)	**(11,955)**
Valuation allowance subtotal (*1)	(72,833)	**(57,831)**
Total deferred tax assets	15,073	**14,456**
Deferred tax liabilities:		
Deferred gain on tangible fixed assets for tax purposes	(586)	**(575)**
Unrealized holding gain on investment securities	(2,696)	**(5,321)**
Accelerated depreciation in overseas subsidiaries	(1,694)	**(1,655)**
Accumulated earnings tax	(365)	**—**
Deferred capital gain based on group corporate tax system	(192)	**(192)**
Retained earnings of subsidiaries and associates	(3,930)	**(15,057)**
Asset for retirement benefits	(426)	**(721)**
Deferred gain on derivatives under hedge accounting	(1,295)	**(2,041)**
Other	(1,752)	**(1,682)**
Total deferred tax liabilities	(12,941)	**(27,246)**
Net deferred tax assets (liabilities)	¥ 2,131	**¥ (12,790)**

7. Income Taxes (continued)

(*1) Valuation allowance decreased by ¥15,001 million for the year ended March 31, 2024. The main reason for the decrease was a decrease in tax loss carried forward of ¥15,875 million.

(*2) Tax loss carried forward and related deferred tax assets as of March 31, 2024 will expire as follows:

(Millions of yen)

	2024		
Year ending March 31,	Tax loss carried forward (*)	Valuation allowance for tax loss carried forward	Deferred tax assets related to tax loss carried forward
2025	¥ —	¥ —	¥ —
2026	12,651	(10,427)	2,224
2027	2,621	(2,621)	0
2028	—	—	—
2029	8,976	(8,976)	0
2030 and thereafter	23,981	(23,851)	130
	¥ 48,232	¥ (45,875)	¥ 2,356

(*) The tax loss carried forward in the above table is measured using the statutory tax rate

(Accounting treatment of corporate tax and local corporate taxes or tax effect accounting)

The Company and certain domestic subsidiaries have applied the group tax sharing system and account for corporate tax and local corporate taxes or tax effect accounting and conduct the disclosures relating to these items, in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021).

8. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of assets, mainly vessels, leased to the Group at March 31, 2023 and 2024, which would have been reflected in the accompanying Consolidated Balance Sheet if finance leases, other than those which transfer the ownership of the leased assets to the Group, that started on or before March 31, 2008 (which are currently accounted for as operating leases) had been capitalized:

At March 31, 2023	Vessels	Total
	(Millions of yen)	
Acquisition costs	¥ 18,517	¥ 18,517
Accumulated depreciation	(7,406)	(7,406)
Net book value	¥ 11,110	¥ 11,110

At March 31, 2024	**Vessels**	**Total**
	(Millions of yen)	
Acquisition costs	**¥ 18,517**	**¥ 18,517**
Accumulated depreciation	**(8,160)**	**(8,160)**
Net book value	**¥ 10,357**	**¥ 10,357**

Lease payments related to finance leases accounted for as operating leases and depreciation and interest expenses for the years ended March 31, 2023 and 2024 are summarized as follows:

	2023	**2024**
	(Millions of yen)	
Lease payments	¥ 1,243	**¥ 1,388**
Depreciation	753	**753**
Interest expenses	114	**108**

Mainly, the difference between the total lease payments and the amount equivalent to the acquisition cost of the leased property is considered to be the amount equivalent to interest expenses, and the interest method is used to allocate the amount to each fiscal year.

8. Leases (continued)

Future minimum lease payments subsequent to March 31, 2024 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	*(Millions of yen)*
2025	¥ 1,280
2026 and thereafter	4,161
Total	¥ 5,442

Future minimum lease payments or receipts subsequent to March 31, 2024 for non-cancellable operating leases are summarized as follows:

(As lessees)

Year ending March 31,	*(Millions of yen)*
2025	¥ 16,146
2026 and thereafter	69,481
Total	¥ 85,628

(As lessors)

Year ending March 31,	*(Millions of yen)*
2025	¥ 120
2026 and thereafter	9
Total	¥ 129

9. Retirement Benefits

The Group has adopted funded and unfunded defined benefit plans and defined contribution plans. The defined benefit corporate pension plans (all of them are funded 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 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 asset for retirement benefits, liability for retirement benefits 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 (a “simplified method”). The Company and its certain consolidated subsidiaries have a selective defined contribution pension plans as a defined contribution plan.

The defined benefit plans

The changes in the retirement benefit obligation, except for plans which apply a simplified method, for the years ended March 31, 2023 and 2024 are as follows:

	2023	**2024**
	(Millions of yen)	
Retirement benefit obligation at beginning of the year	¥ 28,650	¥ **28,979**
Service cost	1,658	**1,640**
Interest cost	78	**95**
Actuarial differences	(286)	**(807)**
Payment of retirement benefits	(1,238)	**(925)**
Past service cost	53	**—**
Foreign currency exchange rate changes	62	**81**
Other	—	**0**
Retirement benefit obligation at end of the year	¥ 28,979	¥ **29,064**

9. Retirement Benefits (continued)

The changes in pension plan assets, except for plans which apply a simplified method, for the years ended March 31, 2023 and 2024 are as follows:

	2023	2024
	(Millions of yen)	
Pension plan assets at fair value at beginning of the year	¥ 25,750	¥ **25,742**
Expected return on pension plan assets	669	**402**
Actuarial differences	(895)	**1,662**
Contributions by the employer	1,154	**1,173**
Payment of retirement benefits	(936)	**(696)**
Pension plan assets at fair value at end of the year	¥ 25,742	¥ **28,284**

The changes in liability for retirement benefits calculated by a simplified method for certain consolidated subsidiaries for the years ended March 31, 2023 and 2024 are as follows:

	2023	2024
	(Millions of yen)	
Liability for retirement benefits, net at beginning of the year	¥ 2,018	¥ **1,803**
Retirement benefit expenses	324	**194**
Payment of retirement benefits	(212)	**(169)**
Contributions to the plans	(121)	**(140)**
Other	(205)	**—**
Liability for retirement benefits, net at end of the year	¥ 1,803	¥ **1,688**

9. Retirement Benefits (continued)

The following table sets forth the funded status of the plans and the amounts recognized in the Consolidated Balance Sheets as of March 31, 2023 and 2024 for the Group's defined benefit plans:

	2023		2024	
	(Millions of yen)			
Funded retirement benefit obligation	¥	30,418	¥	**30,505**
Plan assets at fair value		(27,650)		**(30,414)**
Subtotal		2,767		**90**
Unfunded retirement benefit obligation		2,272		**2,377**
Liability for retirement benefits, net	¥	5,040	¥	**2,468**
Liability for retirement benefits	¥	6,441	¥	**4,855**
Asset for retirement benefits		(1,400)		**(2,387)**
Liability for retirement benefits, net	¥	5,040	¥	**2,468**

The above includes retirement benefit plans which apply a simplified method.

Retirement benefit expenses for the Group for the years ended March 31, 2023 and 2024 are summarized as follows:

	2023		2024	
	(Millions of yen)			
Service cost	¥	1,658	¥	**1,640**
Interest cost		78		**95**
Expected return on pension plan assets		(669)		**(402)**
Amortization of actuarial differences		512		**617**
Amortization of past service cost		(20)		**(14)**
Retirement benefit expenses calculated by a simplified method		324		**194**
Retirement benefit expenses	¥	1,885	¥	**2,130**

9. Retirement Benefits (continued)

Retirement benefits liability adjustments included in other comprehensive income before tax effects for the Group for the years ended March 31, 2023 and 2024 are summarized as follows:

	2023	2024
	(Millions of yen)	
Past service cost	¥ (73)	¥ **(14)**
Actuarial (gain) loss	(40)	**3,111**
Total	¥ (114)	¥ **3,096**

Retirement benefits liability adjustments included in accumulated other comprehensive income before tax effects as of March 31, 2023 and 2024 are summarized as follows:

	2023	2024
	(Millions of yen)	
Unrecognized past service cost	¥ (23)	¥ **(38)**
Unrecognized actuarial differences	(2,001)	**1,109**
Total	¥ (2,025)	¥ **1,071**

The fair value of pension plan assets by major category as of March 31, 2023 and 2024 is as follows:

	2023	2024
Bonds	34%	**36%**
Equity	24	**27**
General account assets under insurance plan	30	**28**
Other	12	**9**
Total	100%	**100%**

(Method of determining the expected rate of return on plan assets)

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

9. Retirement Benefits (continued)

The assumptions used in actuarial calculations for the above defined benefit plans for the years ended March 31, 2023 and 2024 are as follows:

	2023	**2024**
Discount rates	Mainly 0.0%	**Mainly 0.0%**
Expected rates of return on plan assets	Mainly 3.4%	**Mainly 1.8%**
Rates of salary increase	Mainly 1.2% to 16.0%	**Mainly 1.2% to 16.5%**

Total contributions paid by the Company and certain consolidated subsidiaries to the defined contribution plans amounted to ¥731 million and ¥921 million for the years ended March 31, 2023 and 2024, respectively.

10. Shareholders' Equity

Movements in common stock and treasury stock of the Company for the years ended March 31, 2023 and 2024 are summarized as follows:

	Number of shares (Thousands)			
	April 1, 2022	Increase	Decrease	March 31, 2023
Common stock (*1, 3, 4)	93,938	190,310	33,536	250,712
Treasury stock (*1, 2, 5, 6)	665	36,399	33,626	3,438

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

(*2) There were 443 thousand and 1,319 thousand shares, which are held by the Custody Bank of Japan, Ltd., included in the number of shares in treasury stock at April 1, 2022 and March 31, 2023, respectively.

(*3) The increase in the number of shares issued in common stock of 190,310 thousand shares is due to increase of 811 thousand shares (based on pre-stock split) by the issue of new shares and increase of 189,498 thousand shares by stock split as a result of a share exchange with the Company as the wholly owning parent company and Kawasaki Kinkai Kisen Kaisha, Ltd. as the wholly-owned subsidiary on June 1, 2022.

(*4) The decrease in the number of shares issued in common stock of 33,536 thousand shares is due to cancellation of treasury stock based on the resolution at the Board of Directors' meeting.

(*5) The increase in the number of shares in treasury stock of 36,399 thousand shares is due to increase of 1,157 thousand shares by the stock split and increase of 35,236 thousand shares (based on the post-stock split) by purchase of treasury stock based on the resolution at the Board of Directors' meeting, etc.

(*6) The decrease in the number of shares in treasury stock of 33,626 thousand shares is due to decrease of 33,536 thousand shares (based on the post-stock split) by cancellation of treasury stock based on the resolution at the Board of Directors' meeting, etc.

10. Shareholders' Equity (continued)

	Number of shares (Thousands)			
	April 1, 2023	**Increase**	**Decrease**	**March 31, 2024**
Common stock (*1, 3)	**250,712**	**—**	**12,469**	**238,242**
Treasury stock (*1, 2, 4, 5)	**3,438**	**12,587**	**13,434**	**2,591**

(*1) The Company split its common shares on the basis of one share into three shares effective April 1, 2024. The above number of shares are described on pre-stock split basis.

(*2) There were 1,319 thousand and 2,167 thousand shares, which are held by the Custody Bank of Japan, Ltd., included in the number of shares in treasury stock at April 1, 2023 and March 31, 2024, respectively.

(*3) The decrease in the number of shares issued in common stock of 12,469 thousand shares is due to cancellation of treasury stock based on the resolution at the Board of Directors' meeting.

(*4) The increase in the number of shares in treasury stock of 12,587 thousand shares is due to increase of 11,676 thousand shares by purchase of treasury stock based on the resolution at the Board of Directors' meeting, etc.

(*5) The decrease in the number of shares in treasury stock of 13,434 thousand shares is due to decrease of 12,469 thousand shares by cancellation of treasury stock based on the resolution at the Board of Directors' meeting, etc.

10. Shareholders' Equity (continued)

Amounts of dividends distributed for the year ended March 31, 2023 as follows:

	Cash dividends per share	Total amount of dividend
	(Yen)	*(Millions of yen)*
Ordinary General Meeting of Shareholders to be held on June 23, 2022 (*1, 3)	¥ 600	¥ 56,244
Board of Directors' Meeting to be held on November 4, 2022 (*2, 3)	300	28,388

(*1) The total amount of dividends resolved at the Ordinary General Meeting of Shareholders on June 23, 2022 includes ¥266 million of dividends on the Company's shares held by The Custody Bank of Japan, Ltd. as trust assets of the "Board Benefit Trust (BBT)".

(*2) The total amount of dividends resolved at the Board of Directors' Meeting on November 4, 2022 includes ¥131 million of dividends on the Company's shares held by The Custody Bank of Japan, Ltd. as trust assets of the "Board Benefit Trust (BBT)".

(*3) The Company split its common shares on the basis of one share into three shares effective October 1, 2022. "Dividend per share" is described at the pre-stock split amount.

Dividends with the record date falling in the year ended March 31, 2023 and with the effective date falling in the following fiscal year:

	Cash dividends per share	**Total amount of dividend**
	(Yen)	*(Millions of yen)*
Approved at the shareholders' meeting held on June 21, 2023 (*1)	**¥ 300**	**¥ 74,593**

(*1) The total amount of dividends resolved at the Ordinary General Meeting of Shareholders on June 23, 2023 includes ¥395 million of dividends on the shares of the Company held by The Custody Bank of Japan, Ltd. as trust assets of the "Board Benefit Trust (BBT)".

10. Shareholders' Equity (continued)

Amounts of dividends distributed for the year ended March 31, 2024 as follows:

	Cash dividends per share	Total amount of dividend
	(Yen)	*(Millions of yen)*
Ordinary General Meeting of Shareholders held on June 23, 2023 (*1, 3)	¥ **300**	¥ **74,593**
Board of Directors' Meeting held on November 2, 2023 (*2, 3)	**100**	**23,848**

(*1) The total amount of dividends resolved at the Ordinary General Meeting of Shareholders on June 23, 2023 includes ¥395 million of dividends on the Company's shares held by The Custody Bank of Japan, Ltd. as trust assets of the "Board Benefit Trust (BBT)".

(*2) The total amount of dividends resolved at the Board of Directors' Meeting on November 2, 2023 includes ¥131 million of dividends on the Company's shares held by The Custody Bank of Japan, Ltd. as trust assets of the "Board Benefit Trust (BBT)".

(*3) The Company split its common shares on the basis of one share into three shares effective April 1, 2024. "Dividend per share" is described at the pre-stock split amount.

Dividends with the record date falling in the year ended March 31, 2024 and with the effective date falling in the following fiscal year:

	Cash dividends per share	Total amount of dividend
	(Yen)	*(Millions of yen)*
Approved at the shareholders' meeting held on June 21, 2024 (*1, 2)	¥ **150**	¥ **35,680**

(*1) The total amount of dividends resolved at the Ordinary General Meeting of Shareholders on June 21, 2024 includes ¥325 million of dividends on the shares of the Company held by The Custody Bank of Japan, Ltd. as trust assets of the "Board Benefit Trust (BBT)".

(*2) The Company split its common shares on the basis of one share into three shares effective April 1, 2024. "Dividend per share" is described at the pre-stock split amount.

11. Accumulated Depreciation

Accumulated depreciation of vessels, property, plant and equipment at March 31, 2023 and 2024 is as follows:

	2023	2024
	(Millions of yen)	
Accumulated depreciation	¥ 374,355	**¥ 417,059**

12. Investments in Unconsolidated Subsidiaries and Affiliates

Amounts corresponding to unconsolidated subsidiaries and affiliates as of March 31, 2023 and 2024 are as follows:

	2023	2024
	(Millions of yen)	
Investment securities (Equity securities)	¥ 1,043,301	**¥ 1,102,174**
(For the portion of investments in jointly controlled entities)	(992,490)	**(1,063,222)**
Other investments and other assets (Investment funds)	1,565	**1,664**
(For the portion of investments in jointly controlled entities)	(1,252)	**(1,349)**

13. Land Revaluation

The Company and a certain domestic consolidated subsidiary revalued the land used in their business in accordance with the Act on Revaluation of Land (Act No. 34, March 31, 1998) and the Act to Partially Revise the Act on Revaluation of Land (Act No. 19, March 31, 2001). The effect of this revaluation has been recorded as revaluation reserve for land in net assets, excluding the related deferred tax liabilities on land revaluation.

The timing of the revaluation was effective March 31, 2002.

A certain domestic affiliate accounted for by the equity method also revalued the land used in their business in accordance with the Act on Revaluation of Land (Act No. 34, March 31, 1998) and the Act to Partially Revise the Act on Revaluation of Land (Act No. 19, March 31, 2001). The effect of this revaluation has been recorded as revaluation reserve for land in net assets.

The revaluation of land for business use was calculated by making rational adjustments to the prices posted in accordance with the provision of Article 6 of the Public Notice of Land Prices Act for standard sites set forth in Article 6 of the same act in the same neighborhood as the relevant land for business use pursuant to Article 2, Paragraph 1 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119 of 1998). However, for some land, the revaluation was calculated by making rational adjustments to standard prices assessed in accordance with the provision of Article 9, Paragraph 1 of the Order for Enforcement of the National Land Use Planning Act for standard sites set forth in Article 7, Paragraph 1, Item 1 (a) of the same order in the same neighborhood as the relevant land for business use pursuant to Article 2, Paragraph 2 of the Order for Enforcement of the Act on Revaluation of Land, by making rational adjustments to land prices registered in the land tax ledger set forth in Article 341, Item 10 of the Local Tax Act or in the supplementary land tax ledger set forth in Article 341, Item 11 of the same act for the relevant land for business use pursuant to Article 2, Paragraph 3 of the Order for Enforcement of the Act on Revaluation of Land, or by making rational adjustments to the value calculated by the method established and issued by the Director-General of the National Tax Agency for computing land value that serves as a basis for the calculation of the taxable amount for land value tax set forth in Article 16 of the Land-Holding Tax Act for the relevant land for business use pursuant to Article 2, Item 4 of the Order for Enforcement of the Act on Revaluation of Land.

At March 31, 2023 and 2024, the fair value of land was lower than its carrying value after revaluation by ¥2,856 million and ¥2,680 million, respectively.

14. Commitments and Contingent Liabilities

Contingent liabilities for guarantees of loans to affiliates and third-party companies and obligations for additional investment, etc. as of March 31, 2023 and 2024 are as follows:

	2023		2024	
	(Millions of yen)			
Guarantees of loans:				
ICE GAS LNG SHIPPING CO., LTD.	¥	4,160	¥	**3,885**
BANGKOK COLD STORAGE SERVICE, LTD.		1,219		**2,037**
Other 8 (9 in the previous fiscal year)		2,256		**2,031**
Total	¥	7,636	¥	**7,955**

	2023		2024	
	(Millions of yen)			
Obligations for additional investment, etc.:				
OCEANIC BREEZE LNG TRANSPORT S.A.	¥	3,939	¥	**4,466**
Total	¥	3,939	¥	**4,466**

15. Financial Instruments

Status of financial instruments

The Group obtains necessary funding, mainly through bank loans and the issuance of bonds, in accordance with their capital expenditure plans. Temporary excess funds are invested in highly liquid financial assets, and short-term operating funds are financed by bank loans. The Group utilizes derivatives only for avoiding risks, and does not utilize them for speculation.

Trade accounts and notes receivable are exposed to credit risk in the event of the nonperformance by counterparties. As revenues from marine transportation are mainly denominated in foreign currencies, trade receivables are exposed to foreign currency exchange risk and a portion of them, net of trade payables denominated in the same foreign currencies, are hedged by forward foreign exchange contracts. Future trade receivables such as for freight and chartered vessels are exposed to market risks, and some of them are hedged by forward freight agreements. The Group holds marketable securities and investment securities, which are mainly issued by companies who have a business relationship or capital alliance with the Group, and these securities are exposed to the risk of fluctuation in market prices. The Group also has long-term loans receivable mainly from other subsidiaries and affiliates.

The Group has trade accounts and notes payable, which have payment due dates within one year. Funds for certain capital expenditures, such as construction of vessels denominated in foreign currencies, are exposed to foreign currency exchange risk, which are hedged by forward foreign exchange contracts. Future trade payables such as payments for bunker fuel are exposed to the risk of fluctuation of market prices, and some of them are hedged by bunker fuel swap contracts. Loans payable, bonds and lease obligations for finance lease contracts are taken out principally for the purpose of making capital investments. The repayment dates of long-term debt extend up to 33 years subsequent to the balance sheet date. Certain elements of these transactions are exposed to interest rate fluctuation risk. The Group hedges this risk by entering into interest rate swap transactions. The Group has entered into currency swap contracts to hedge foreign currency exchange risk against trade payables.

Regarding derivatives, the Group has entered into: 1) forward foreign exchange contracts and currency swap contracts to hedge foreign currency exchange risk arising from investments in the overseas subsidiaries, etc., receivables and payables denominated in foreign currencies and funds for capital investment to acquire operating assets such as vessels and others; 2) bunker fuel swap contracts to hedge the risk of bunker fuel price fluctuation; 3) forward freight agreements to hedge the risk of fluctuation of market prices; and 4) interest-rate swap contracts to hedge the risk of interest rate fluctuation arising from interest payables for long-term payables and bonds.

15. Financial Instruments (continued)

Status of financial instruments (continued)

For information on hedge accounting policies of the Group, see Note 1. Summary of Significant Accounting Policies, (w) Derivatives and hedging activities.

The Company monitors regularly the condition of major business counterparties by each related business division with whom the Company has accounts receivable for business or loans receivable, and manages the outstanding balances and due dates by counterparties, to minimize the risk of default arising from any decline in the financial condition of counterparties. Its consolidated subsidiaries also monitor the condition of accounts receivable and loans receivable under a similar management policy.

The Group believes that the credit risk of derivatives is insignificant as the Group enters into derivatives transactions only with financial institutions which have a sound credit profile.

For investments in the overseas subsidiaries, etc., receivables and payables denominated in foreign currencies and future loans related to investment in vessels, the Company has entered into currency swap and forward foreign exchange contracts to hedge foreign currency exchange rate fluctuation risk, and interest-rate swap contracts to minimize interest rate fluctuation risk of loans and bonds.

For marketable securities and investment securities, the Company continuously reviews the condition of holding securities considering the stock market and the relationship with issuing companies, taking into account market value of securities and financial condition of issuing companies in accordance with internal regulations.

The Company enters into derivative transactions with the approval from authorized officers in accordance with internal regulations, which set forth transaction authority and maximum upper limit on positions. Results of derivative transactions are regularly reported at the executive officers meeting. Its consolidated subsidiaries also manage derivative transactions under similar regulations.

The Company manages liquidity risk by preparing and updating cash management plan on timely basis and maintaining liquid instruments on hand based on reports from each business group.

The fair value of financial instruments can fluctuate because different assumptions may be adopted for calculations of fair value considering various factors. In addition, the notional amounts of derivatives in Note 16. Derivatives and Hedging Activities are not necessarily indicative of the actual market exposure involved in the derivative transactions.

15. Financial Instruments (continued)

Estimated fair value of financial instruments

The carrying value of financial instruments on the Consolidated Balance Sheet as of March 31, 2023, and the estimated fair value and the difference between them are shown in the following table. In addition, the fair value of "cash and deposits," "marketable securities," "accounts and notes receivable – trade and contract assets," and "accounts and notes payable-trade," is omitted because they are cash and their fair value approximates carrying value due to the short maturities of these instruments.

	2023		
	Carrying value	Estimated fair value	Difference
		(Millions of yen)	
Assets			
Investment securities:			
Other securities	¥ 16,186	¥ 16,186	¥ —
Investments in unconsolidated subsidiaries and affiliates	4,429	1,055	(3,374)
Total assets	¥ 20,616	¥ 17,241	¥ (3,374)
Liabilities			
Short-term debt:			
Short-term loans and current portion of long-term loans	(50,691)	(50,677)	13
Long-term debt, less current portion:			
Long-term loans	(267,313)	(267,236)	77
Total liabilities	¥ (318,004)	¥ (317,913)	¥ 91
Derivative transactions (*)	¥ (1,304)	¥ (1,304)	¥ —

15. Financial Instruments (continued)

Estimated fair value of financial instruments (continued)

Unquoted securities as of March 31, 2023 are as follows. They are not included in the table above.

	2023
	(Millions of yen)
Unlisted investment securities	¥ 1,049,611

(*) The value of assets and liabilities arising from derivative transactions is shown at net value, and the amounts in parentheses represent net liability position.

15. Financial Instruments (continued)

Estimated fair value of financial instruments (continued)

The carrying value of financial instruments on the Consolidated Balance Sheet as of March 31, 2024, and the estimated fair value and the difference between them are shown in the following table. In addition, the fair value of “cash and deposits,” “accounts and notes receivable – trade and contract assets,” and “accounts and notes payable-trade,” is omitted because they are cash and their fair value approximates carrying value due to the short maturities of these instruments.

	2024		
	Carrying value	**Estimated fair value**	**Difference**
		(Millions of yen)	
Assets			
Investment securities:			
Other securities	¥ 24,293	¥ 24,305	¥ 12
Investments in unconsolidated subsidiaries and affiliates	4,824	1,161	(3,663)
Total assets	¥ 29,117	¥ 25,467	¥ (3,650)
Liabilities			
Short-term debt:			
Short-term loans and current portion of long-term loans	(49,135)	(49,125)	9
Long-term debt, less current portion:			
Bonds	(8,000)	(7,947)	52
Long-term loans	(206,107)	(206,066)	41
Total liabilities	¥ (263,242)	¥ (263,139)	¥ 103
Derivative transactions (*)	¥ (2,258)	¥ (2,258)	¥ —

15. Financial Instruments (continued)

Estimated fair value of financial instruments (continued)

Unquoted securities as of March 31, 2024 are as follows. They are not included in the table above.

	2024
	(Millions of yen)
Unlisted investment securities	**¥ 1,110,853**

(*) The value of assets and liabilities arising from derivative transactions is shown at net value, and the amounts in parentheses represent net liability position.

15. Financial Instruments (continued)

The redemption schedule as of March 31, 2024 for cash and deposits, accounts and notes receivable – trade and held-to-maturity securities is summarized as follows:

	2024			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
	(Millions of yen)			
Cash and deposits	¥ 272,616	¥ —	¥ —	¥ —
Accounts and notes receivable-trade and contract assets	129,632	—	—	—
Marketable securities and Investment securities				
Held-to-maturity securities:				
Government, municipal bonds and others	—	—	—	—
Total	¥ 402,249	¥ —	¥ —	¥ —

The redemption schedule as of March 31, 2024 for short-term loans and long-term debt is as provided in Note 6.

Financial instruments are classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

Level 1: Fair value calculated based on quoted market prices for the assets or liabilities for which such fair value is available in active markets as the inputs used in the calculation of observable fair value

Level 2: Fair value calculated using inputs for the calculation of observable fair value other than Level 1 inputs

Level 3: Fair value calculated using inputs that are unobservable

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified to the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

15. Financial Instruments (continued)

(1) Financial assets and liabilities measured at fair value by level

	2023			
	Estimated fair value			
	Level 1	Level 2	Level 3	Total
	(Millions of yen)			
Investment securities:				
Other securities	¥ 16,141	¥ —	¥ —	¥ 16,141
Derivative transactions:				
Forward foreign exchange contracts	—	574	—	574
Forward freight agreements	—	27	—	27
Currency swaps	—	—	—	—
Interest rate swaps	—	996	—	996
Bunker fuel swaps	—	4	—	4
Total assets	¥ 16,141	¥ 1,603	¥ —	¥ 17,744
Derivative transactions:				
Forward foreign exchange contracts	¥ —	¥ (124)	¥ —	¥ (124)
Forward freight agreements	—	(233)	—	(233)
Currency swaps	—	(973)	—	(973)
Interest rate swaps	—	(1,543)	—	(1,543)
Bunker fuel swaps	—	(31)	—	(31)
Total liabilities	¥ —	¥ (2,907)	¥ —	¥ (2,907)

15. Financial Instruments (continued)

(1) Financial assets and liabilities measured at fair value by level (continued)

	2024			
	Estimated fair value			
	Level 1	**Level 2**	**Level 3**	**Total**
	(Millions of yen)			
Investment securities:				
Other securities	**¥ 24,258**	**¥ —**	**¥ —**	**¥ 24,258**
Derivative transactions:				
Forward foreign exchange contracts	**—**	**1,490**	**—**	**1,490**
Forward freight agreements	**—**	**74**	**—**	**74**
Currency swaps	**—**	**—**	**—**	**—**
Interest rate swaps	**—**	**1,349**	**—**	**1,349**
Bunker fuel swaps	**—**	**211**	**—**	**211**
Total assets	**¥ 24,258**	**¥ 3,125**	**¥ —**	**¥ 27,384**
Derivative transactions:				
Forward foreign exchange contracts	**¥ —**	**¥ (485)**	**¥ —**	**¥ (485)**
Forward freight agreements	**—**	**(2,026)**	**—**	**(2,026)**
Currency swaps	**—**	**(1,861)**	**—**	**(1,861)**
Interest rate swaps	**—**	**(1,011)**	**—**	**(1,011)**
Bunker fuel swaps	**—**	**—**	**—**	**—**
Total liabilities	**¥ —**	**¥ (5,384)**	**¥ —**	**¥ (5,384)**

15. Financial Instruments (continued)

(2) Financial assets and liabilities other than those measured at fair value by level

	2023			
	Estimated fair value			
	Level 1	Level 2	Level 3	Total
	(Millions of yen)			
Investment securities:				
Other securities	¥ —	¥ 45	¥ —	¥ 45
Investments in unconsolidated subsidiaries and affiliates	1,055	—	—	1,055
Total assets	¥ 1,055	¥ 45	¥ —	¥ 1,100
Short-term debt:				
Short-term loans and current portion of long-term loans	¥ —	¥ (50,677)	¥ —	¥ (50,677)
Long-term debt, less current portion:				
Long-term loans	—	(267,236)	—	(267,236)
Total liabilities	¥ —	¥ (317,913)	¥ —	¥ (317,913)

15. Financial Instruments (continued)

(2) Financial assets and liabilities other than those measured at fair value by level (continued)

	2024			
	Estimated fair value			
	Level 1	**Level 2**	**Level 3**	**Total**
	(Millions of yen)			
Investment securities:				
Other securities	¥ —	¥ 47	¥ —	¥ 47
Investments in unconsolidated subsidiaries and affiliates	1,161	—	—	1,161
Total assets	¥ 1,161	¥ 47	¥ —	¥ 1,208
Short-term debt:				
Short-term loans and current portion of long-term loans	¥ —	¥ (49,125)	¥ —	¥ (49,125)
Long-term debt, less current portion:				
Bonds	—	(7,947)	—	(7,947)
Long-term loans	—	(206,066)	—	(206,066)
Total liabilities	¥ —	¥ (263,139)	¥ —	¥ (263,139)

(*) Description of valuation techniques used and inputs related to the calculation of fair value

Investment securities

The fair value of marketable securities and golf memberships is the quoted market price. Marketable securities listed and traded on an active market are classified as Level 1. Golf memberships are classified as Level 2 because they are traded so infrequently that the underlying transaction prices cannot be used as the basis for a quoted in an active market. Held-to-maturity securities, of which fair value is based on prices provided by financial institutions and measured by using observable inputs such as interest rates or foreign exchange rates, are classified as Level 2.

15. Financial Instruments (continued)

(2) Financial assets and liabilities other than those measured at fair value by level (continued)

Short-term loans

The fair value of short-term loans is determined by carrying value as most of them are settled within a short term and their fair value approximates carrying value. Current portion of long-term loans in short-term loans are determined as described long-term loans below.

Bonds

The fair value of the bonds issued by the Company is determined using the discounted present value method based on the total amount of principal and interest and an interest rate that takes into account the remaining term of the bonds and credit risk, and is classified as Level 2 fair value.

Long-term loans

The fair value of long-term loans is determined using the discounted present value method based on the total amount of principal and an interest rate that would be applicable to a similar new borrowing, and is classified as Level 2 fair value.

Derivative transactions

Forward foreign exchange contracts, forward freight agreements, currency swaps, interest rate swaps and bunker fuel swaps, of which fair value is based on prices provided by counterparty financial institutions and measured by using observable inputs such as interest rates or exchange rates, are classified as Level 2.

16. Derivatives and Hedging Activities

Information on the estimated fair value of the derivatives positions outstanding not qualified for deferral hedge accounting at March 31, 2023 and 2024 is summarized as follows:

Others

Excluding the above, information on the estimated fair value of the derivatives positions outstanding at March 31, 2023 and 2024 are summarized as follows:

		2023			
Method of hedge accounting	Transaction	Total contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value	Gain (loss) on valuation
		(Millions of yen)			
Transactions other than market transactions	Forward freight agreements	¥ 676	¥ 36	¥ (47)	¥ (47)
	Total	¥ 676	¥ 36	¥ (47)	¥ (47)

		2024			
Method of hedge accounting	**Transaction**	**Total contract value (notional principal amount)**	**Contract value (notional principal amount) over one year**	**Estimated fair value**	**Gain (loss) on valuation**
		(Millions of yen)			
Transactions other than market transactions	**Forward freight agreements**	**¥ 4,317**	**¥ 36**	**¥ (1,185)**	**¥ (1,185)**
	Total	**¥ 4,317**	**¥ 36**	**¥ (1,185)**	**¥ (1,185)**

16. Derivatives and Hedging Activities (continued)

The estimated fair value of the derivatives positions outstanding qualified for deferral hedge accounting at March 31, 2023 and 2024 are summarized as follows:

Currency-related transactions

Method of hedge accounting	Transaction	Major hedged item	2023 Total contract value (notional principal amount)	2023 Contract value (notional principal amount) over one year	2023 Estimated fair value
				(Millions of yen)	
Deferral hedge	Forward foreign exchange contracts				
	Buying:				
	USD	Capital expenditures and others	¥ 5,980	¥ 5,283	¥ 487
	Selling:				
	USD	Forecasted foreign currency transactions	10,915	580	(37)
	Currency swaps				
	Selling:				
	Receiving JPY, paying USD	Vessel chartering revenues and forecasted foreign currency transactions	6,972	6,972	(973)
	Total		¥ 23,867	¥ 12,836	¥ (523)

Method of hedge accounting	**Transaction**	**Major hedged item**	**2024 Total contract value (notional principal amount)**	**2024 Contract value (notional principal amount) over one year**	**2024 Estimated fair value**
				(Millions of yen)	
Deferral hedge	Forward foreign exchange contracts				
	Buying:				
	USD	Capital expenditures and others	**¥ 5,283**	**¥ –**	**¥ 1,490**
	Selling:				
	USD	Forecasted foreign currency transactions	**3,968**	**–**	**(485)**
	Currency swaps				
	Selling:				
	Receiving JPY, paying USD	Vessel chartering revenues and forecasted foreign currency transactions	**5,897**	**5,897**	**(1,861)**
	Total		**¥ 15,149**	**¥ 5,897**	**¥ (855)**

16. Derivatives and Hedging Activities (continued)

Interest rate-related transactions

Method of hedge accounting	Transaction	Major hedged item	2023 Total contract value (notional principal amount)	2023 Contract value (notional principal amount) over one year	2023 Estimated fair value
				(Millions of yen)	
Deferral hedge	Interest rate swaps Receive floating / Pay fixed	Long-term loans	¥ 45,806	¥ 45,806	¥ (547)
	Total		¥ 45,806	¥ 45,806	¥ (547)

Method of hedge accounting	Transaction	Major hedged item	2024 Total contract value (notional principal amount)	2024 Contract value (notional principal amount) over one year	2024 Estimated fair value
				(Millions of yen)	
Deferral hedge	Interest rate swaps Receive floating / Pay fixed	Long-term loans	¥ 42,386	¥ 42,302	¥ 337
	Total		¥ 42,386	¥ 42,302	¥ 337

16. Derivatives and Hedging Activities (continued)

Others

Method of hedge accounting	Transaction	Major hedged item	2023 Total contract value (notional principal amount)	2023 Contract value (notional principal amount) over one year	2023 Estimated fair value
				(Millions of yen)	
Deferral hedge	Bunker fuel swaps	Bunker fuel purchases	¥ 1,258	¥ 459	¥ (26)
	Forward freight agreements	Ocean freight	1,534	—	(159)
	Total		¥ 2,793	¥ 459	¥ (185)

Method of hedge accounting	Transaction	Major hedged item	2024 Total contract value (notional principal amount)	2024 Contract value (notional principal amount) over one year	2024 Estimated fair value
				(Millions of yen)	
Deferral hedge	Bunker fuel swaps	Bunker fuel purchases	**¥ 1,914**	**¥ 147**	**¥ 211**
	Forward freight agreements	Ocean freight	**3,857**	**—**	**(766)**
	Total		**¥ 5,772**	**¥ 147**	**¥ (554)**

17. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2023 and 2024.

	2023	2024
	(Millions of yen)	
Net unrealized holding gain (loss) on investment securities:		
Amount arising during the year	¥ 1,294	**¥ 9,146**
Reclassification adjustments to profit or loss	(92)	**—**
Amount before tax effect	1,202	**9,146**
Tax effect	(307)	**(2,661)**
Net unrealized holding gain (loss) on investment securities	894	**6,484**
Deferred gain (loss) on hedges:		
Amount arising during the year	(3,176)	**(1,446)**
Reclassification adjustments to profit or loss	1,586	**2,862**
Adjustments for acquisition costs of vessels due to valuation of hedges	(490)	**39**
Amount before tax effect	(2,081)	**1,455**
Tax effect	2,484	**(842)**
Deferred gain (loss) on hedges	402	**613**
Translation adjustments:		
Amount arising during the year	10,300	**15,562**
Reclassification adjustments to profit or loss	1,713	**22**
Translation adjustments	12,014	**15,584**
Retirement benefits liability adjustments:		
Amount arising during the year	(607)	**2,493**
Reclassification adjustments to profit or loss	492	**602**
Amount before tax effect	(114)	**3,096**
Tax effect	85	**(342)**
Retirement benefits liability adjustments	(29)	**2,754**
Share of other comprehensive income of subsidiaries and affiliates accounted for by the equity method:		
Amount arising during the year	81,938	**123,677**
Reclassification adjustments to profit or loss	(179)	**(1,058)**
Share of other comprehensive income of subsidiaries and affiliates accounted for by the equity method	81,759	**122,619**
Total other comprehensive income	¥ 95,042	**¥ 148,054**

18. Supplementary Information on Consolidated Statement of Cash Flows

Cash and cash equivalents in the accompanying Consolidated Statement of Cash Flows for the years ended March 31, 2023 and 2024 are reconciled to cash and deposits reflected in the accompanying Consolidated Balance Sheet as of March 31, 2023 and 2024 as follows:

	2023	**2024**
	(Millions of yen)	
Cash and deposits	¥ 247,429	**¥ 272,616**
Time deposits with a maturity of more than three months after the purchase date	(2,598)	**(3,141)**
Certificate of deposit with a maturity within three months after the acquisition date and bonds	102,000	**—**
Cash and cash equivalents	¥ 346,831	**¥ 269,474**

The amounts of important non-financial transactions for the years ended March 31, 2023 and 2024 are as follows:

	2023	**2024**
	(Millions of yen)	
Cancellation of treasury stock	¥ 84,955	**¥ 55,743**
Increase in capital surplus due to share exchange	14,898	**—**
Decrease in treasury stock due to share exchange	400	**—**

19. Amounts per Share

Amounts per share at March 31, 2023 and 2024 and for the years then ended are as follows:

	2023	**2024**
	(Yen)	
Net assets	¥ 2,042.80	**¥ 2,251.81**
Profit (loss) attributable to owners of the parent:		
Basic	857.01	**145.24**

Net assets per share have been computed based on the number of shares of common stock outstanding at the year end.

Basic profit (loss) attributable to owners of the parent per share has been computed based on profit (loss) attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Diluted profit attributable to owners of the parent per share for the years ended March 31, 2023 and 2024 has not been presented because dilutive potential common shares do not exist.

The Company introduced a performance-based share remuneration plan “Board Benefit Trust (BBT)”. The shares held by the Trust are included in treasury stock, which is deducted in calculating the number of shares of common stock outstanding at the year end and the weighted-average number of shares of common stock outstanding during the year when calculating the net assets per share at the end of the year and the basic profit (loss) attributable to owners of the parent per share during the current year.
The number of shares held by the Trust at the end of the year was 3,959,100 shares and 6,503,700 shares for the years ended March 31, 2023 and 2024, respectively.
The weighted-average number of shares held by the Trust during the year was 3,966,577 shares and 4,951,200 shares for the years ended March 31, 2023 and 2024, respectively.

The Company split its common shares on the basis of one share into three shares effective October 1, 2022 and April 1, 2024 respectively. Accordingly, net assets per share and profit (loss) per share are calculated on the assumption that those stock splits were conducted at the beginning of the previous fiscal year ended March 31, 2023.

19. Amounts per Share (continued)

The financial data used in the computation of basic profit (loss) per share for the years ended March 31, 2023 and 2024 in the table above is summarized as follows:

	2023	**2024**
	(Millions of yen)	
Profit (loss) attributable to owners of the parent	¥ 694,904	**¥ 104,776**

	2023	**2024**
	(Thousands of shares)	
Weighted-average number of shares of common stock outstanding	810,851	**721,415**

20. Revenue Recognition

1. Information on disaggregation of revenue from contracts with customers

Revenues arising from contracts with customers and other revenues are not presented separately. Information on disaggregation of revenue from contracts with customers for the year ended March 31, 2024 is described in Note 21 “Segment Information.”

2. Foundational information for understanding revenue from contracts with customers

Revenue from contracts with customers is recognized based on the following five-step approach at the amount of the consideration for which the Company expects to be entitled in exchange for transferring goods or services.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the separate performance obligations in the contract
Step 5: Recognize revenue when (or as), the performance obligations are satisfied

20. Revenue Recognition (continued)

2. Foundational information for understanding revenue from contracts with customers (continued)

The performance obligations as part of the Group's business are primarily as follows.

(1) Freight revenue

Regarding voyage charter contracts, one voyage unit is judged a single performance obligation and contract based on understanding to agreement with customers. The transaction price is determined based on the amount billed per voyage and allocated to a performance obligation based on the amount agreed with the customers for each voyage and includes variable consideration such as demurrage charges and dispatch charges. If variable consideration is included in the consideration for the contract with customers, it is recorded in the transaction price only if it is highly likely that there will be no significant reduction in the revenue recorded up to the time when the degree of uncertainty regarding variable consideration is finally resolved. Given the nature of the voyage, it is expected that the customer will receive benefits as the entity fulfills its obligations in its contract with the customer. Therefore, the Company has determined that this is a performance obligation that will be satisfied as the voyage progresses, and recognizes revenue based on the degree of progress made in satisfying the performance obligation. Progress is measured based on the number of elapsed days of a voyage to the end of the period relative to the estimated total number of days of voyage days. The consideration for the transactions is mainly invoiced upon completion of loading of cargoes and the majority of the consideration is received by the completion of the voyage, while variable consideration, such as demurrage charges and dispatch charges, are invoiced after the berthing period is fixed. The consideration does not include a significant financing component.

(2) Charter rates

Time charter contracts entitle the Company to receive from the customer a consideration whose amount corresponds directly to the value to the customer for the portion of the Company's performance obligation satisfied to date, such as an agreement to charge a fixed amount based on the time of service rendered. In accordance with the treatment in the application guidelines of Article 19 of the Accounting Standard for Revenue Recognition, the Company recognizes revenue at the amount the Company has a right to claim from the customer.

20. Revenue Recognition (continued)

3. Information for understanding the amounts for the year ended March 31, 2024 and subsequent years

(1) Balance of contract assets and contract liabilities

The breakdown of accounts receivable arising from contracts with customers, contract assets and contract liabilities as of March 31, 2023 and 2024 is as follows:

	2023	**2024**
	(Millions of yen)	
Accounts receivable arising from contracts with customers:		
Notes receivable	¥ 546	**¥ 640**
Accounts receivable	100,343	**119,709**
	100,890	**120,350**
Contract assets	6,632	**9,282**
Contract liabilities	¥ 21,085	**¥ 28,297**

The beginning balance of contract liabilities was mainly recognized in revenue for the year ended March 31, 2024. The timing of satisfying performance obligations and the normal timing of payments are described above in 2 “Foundational information for understanding revenue from contracts with customers.” Changes in the balance of contract assets are mainly due to the recognition of revenues and transfer to accounts receivable. Changes in the balance of contract liabilities are mainly due to the receipt of considerations in advance from customers and the satisfaction of performance obligations. Revenue recognized for performance obligations satisfied (or partially satisfied) in past periods is immaterial. Receivables other than those arising from contracts with customers for the years ended March 31, 2023 and 2024 are not classified because their amounts are immaterial.

20. Revenue Recognition (continued)

3. Information for understanding the amounts for the year ended March 31, 2024 and subsequent years (continued)

(2) Transaction price allocated to remaining performance obligations

As described above in 2 “Foundational information for understanding revenue from contracts with customers,” the Group recognizes each voyage as a single performance obligation and also contract voyage. Since a voyage is normally completed within a year, the Company applies the provisions of Article 80-22 (1) of the Accounting Standard for Revenue Recognition and therefore omits related information in the notes.

For contracts involving the long-term time-charter of vessels, as described above in 2 “Foundational information for understanding revenue from contracts with customers,” the Company also recognizes revenue from the satisfaction of performance obligations in accordance with the provision of Article 19 of Implementation Guidance on Accounting Standard for Revenue Recognition, and accordingly, the Company omits related information in the notes in accordance with the provisions of Article 80-22 (2) of the Accounting Standard for Revenue Recognition.

21. Segment Information

Segment information for the years ended March 31, 2023 and 2024

1. Overview of reporting segments

The Company's reporting segments are its structural units, for which separate financial information is available, and which are subject to periodic review by the Board of Directors in order to assist decision-making on the allocation of managerial resources and assessment of business performance.

The Group is a shipping business organization centering on marine transportation service and has three reporting segments, which are the dry bulk segment, the energy resource transport segment and the product logistics segment, considering the economic characteristics, service contents and method of the provision and categorization of the market and customers.

The dry bulk segment includes dry bulk business. The energy resource transport segment includes LNG carrier business, electricity business, tanker carrier business, and offshore business. The product logistics segment includes car carrier business, logistics business, short sea and coastal business, and containership business.

2. Calculation method of reporting segment profit (loss)

Reporting segment profit (loss) represents based on ordinary income (loss). Inter-group revenues and transfers are inter-group transactions which are based on market price and other.

21. Segment Information (continued)

Segment information for the years ended March 31, 2023 and 2024 (continued)

3. Information on operating revenues, profit or loss, assets, and other items by each reporting segment

Reporting segment information for the years ended March 31, 2023 and 2024 consisted of the following:

	(Millions of yen) 2023						
	Dry bulk	Energy resource transport	Product logistics	Other (*1)	Total	Adjustments and eliminations (*2)	Consolidated
1. Revenues:							
Revenues from contract with customers	¥ 307,835	¥ 96,024	¥ 513,637	¥ 10,195	¥ 927,693	¥ —	¥ 927,693
Other revenues	4,431	4,201	6,156	123	14,912	—	14,912
Operating revenues from customers	¥ 312,267	¥ 100,225	¥ 519,794	¥ 10,318	¥ 942,606	¥ —	¥ 942,606
Inter-group revenues and transfers	42	24	5,516	57,421	63,004	(63,004)	—
Total revenues	¥ 312,309	¥ 100,250	¥ 525,310	¥ 67,739	¥ 1,005,610	¥ (63,004)	¥ 942,606
2. Segment profit (loss) (*3)	¥ 19,130	¥ 9,061	¥ 669,917	¥ 804	¥ 698,913	¥ (8,074)	¥ 690,839
3. Segment assets	¥ 285,917	¥ 236,256	¥ 1,482,497	¥ 47,468	¥ 2,052,140	¥ 476	¥ 2,052,616
4. Others							
Depreciation and amortization	¥ 14,697	¥ 9,997	¥ 16,596	¥ 679	¥ 41,970	¥ 426	¥ 42,396
Interest income	242	719	326	128	1,417	1,388	2,805
Interest expenses	2,244	2,469	637	28	5,380	4,615	9,996
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates, net	88	2,956	624,458	256	627,759	—	627,759
Investments in unconsolidated subsidiaries and affiliates accounted for by the equity method	589	38,046	974,412	5,102	1,018,150	—	1,018,150
Increase in vessels, property and equipment and intangible assets	4,545	32,457	34,044	246	71,294	533	71,827

21. Segment Information (continued)

Segment information for the years ended March 31, 2023 and 2024 (continued)

3. Information on operating revenues, profit or loss, assets, and other items by each reporting segment (continued)

(Millions of yen)

	2024						
	Dry bulk	Energy resource transport	Product logistics	Other (*1)	Total	Adjustments and eliminations (*4)	Consolidated
1. Revenues:							
Revenues from contract with customers	¥ 291,518	¥ 103,661	¥ 545,998	¥ 9,984	¥ 951,162	¥ —	¥ 951,162
Other revenues	3,539	3,323	4,155	118	11,137	—	11,137
Operating revenues from customers	¥ 295,057	¥ 106,985	¥ 550,154	¥ 10,102	¥ 962,300	¥ —	¥ 962,300
Inter-group revenues and transfers	99	16	4,363	70,000	74,478	(74,478)	—
Total revenues	¥ 295,156	¥ 107,002	¥ 554,517	¥ 80,103	¥ 1,036,779	¥ (74,478)	¥ 962,300
2. Segment profit (loss) (*3)	¥ 3,606	¥ 7,954	¥ 131,130	¥ 1,435	¥ 144,127	¥ (8,331)	¥ 135,796
3. Segment assets	¥ 248,392	¥ 255,602	¥ 1,552,490	¥ 47,265	¥ 2,103,750	¥ 5,682	¥ 2,109,432
4. Others							
Depreciation and amortization	¥ 15,802	¥ 11,089	¥ 17,464	¥ 757	¥ 45,113	¥ 246	¥ 45,360
Interest income	231	741	599	123	1,696	2,058	3,755
Interest expenses	2,412	2,425	325	29	5,193	4,449	9,642
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates, net	62	3,305	47,991	351	51,710	—	51,710
Investments in unconsolidated subsidiaries and affiliates accounted for by the equity method	720	41,367	1,023,463	5,183	1,070,735	—	1,070,735
Increase in vessels, property and equipment and intangible assets	11,954	40,029	33,196	279	85,460	396	85,857

21. Segment Information (continued)

Segment information for the years ended March 31, 2023 and 2024 (continued)

3. Information on operating revenues, profit or loss, assets, and other items by each reporting segment (continued)

*1 The "Other" consists of business divisions not classified into aforementioned three reporting segments, including ship management service, travel agency business, real estate rental and management business and others.

*2 (1) The adjustment and elimination of segment profit (loss) of ¥8,074 million includes the following elements: ¥95 million of intersegment transaction eliminations and ¥7,979 million of corporate expenses, which are mainly general and administrative expenses not distributed to specific segments.

(2) The adjustment and elimination of segment assets of ¥476 million includes the following elements: ¥27,478 million of intersegment transaction eliminations and ¥27,954 million of corporate assets, which are not distributed to specific segments.

(3) The adjustment and elimination of depreciation and amortization of ¥426 million is depreciation and amortization of assets that belong to the entire group, which are not distributed to specific segments.

(4) The adjustment and elimination of interest income of ¥1,388 million includes the following elements: ¥65 million of intersegment transaction eliminations and ¥1,453 million of interest income, which are not distributed to specific segments.

(5) The adjustment and elimination of interest expenses of ¥4,615 million includes the following elements: ¥19 million of intersegment transaction eliminations and ¥4,635 million of interest expenses, which are not distributed to specific segments.

(6) The adjustment and elimination of increase in vessels, property and equipment, and intangible assets of ¥533 million is the increase in assets that belong to the entire group, which are not distributed to specific segments.

21. Segment Information (continued)

Segment information for the years ended March 31, 2023 and 2024 (continued)

3. Information on operating revenues, profit or loss, assets, and other items by each reporting segment (continued)

*3 Segment profit (loss) is adjusted for ordinary income (loss) as described in 2. Calculation method of reporting segment profit (loss).

*4 (1) The adjustment and elimination of segment profit (loss) of ¥8,331 million includes the following elements: ¥51 million of intersegment transaction eliminations and ¥8,280 million of corporate expenses, which are mainly general and administrative expenses not distributed to specific segments.

(2) The adjustment and elimination of segment assets of ¥5,682 million includes the following elements: ¥21,415 million of intersegment transaction eliminations and ¥27,097 million of corporate assets, which are not distributed to specific segments.

(3) The adjustment and elimination of depreciation and amortization of ¥246 million is depreciation and amortization of assets that belong to the entire group, which are not distributed to specific segments.

(4) The adjustment and elimination of interest income of ¥2,058 million includes the following elements: ¥8 million of intersegment transaction eliminations and ¥2,067 million of interest income, which are not distributed to specific segments.

(5) The adjustment and elimination of interest expenses of ¥4,449 million includes the following elements: ¥8 million of intersegment transaction eliminations and ¥4,457 million of interest expenses, which are not distributed to specific segments.

(6) The adjustment and elimination of increase in vessels, property and equipment, and intangible assets of ¥396 million is the increase in assets that belong to the entire group, which are not distributed to specific segments.

21. Segment Information (continued)

Segment information for the years ended March 31, 2023 and 2024 (continued)

3. Information on operating revenues, profit or loss, assets, and other items by each reporting segment (continued)

Revenues by countries or geographical areas for the years ended March 31, 2023 and 2024 are summarized as follows (*):

(Millions of yen)

	2023					
	Japan	U.S.A.	Europe	Asia	Others	Total
Revenues	¥ 847,438	¥ 12,549	¥ 30,254	¥ 50,871	¥ 1,492	¥ 942,606

(Millions of yen)

	2024					
	Japan	**U.S.A.**	**Europe**	**Asia**	**Others**	**Total**
Revenues	**¥ 872,047**	**¥ 8,417**	**¥ 37,257**	**¥ 43,380**	**¥ 1,197**	**¥ 962,300**

(*) These revenues are summarized based on the locations of the Company and its subsidiaries

At March 31, 2023 and 2024, vessels, property and equipment by countries or geographical areas are summarized as follows:

(Millions of yen)

	2023			
	Japan	Singapore	Others	Total
Vessels, property and equipment	¥ 301,072	¥ 54,658	¥ 16,417	¥ 372,147

(Millions of yen)

	2024			
	Japan	**Singapore**	**Others**	**Total**
Vessels, property and equipment	**¥ 334,534**	**¥ 59,151**	**¥ 16,632**	**¥ 410,318**

The Company has omitted a description of sales to external customers because there are no customers whose sales account for 10% or more of the net sales in the consolidated statements of operation.

21. Segment Information (continued)

Segment information for the years ended March 31, 2023 and 2024 (continued)

3. Information on operating revenues, profit or loss, assets, and other items by each reporting segment (continued)

Losses on impairment of fixed assets for the years ended March 31, 2023 and 2024 are as follows:

(Millions of yen)

	2023					
	Dry bulk	Energy resource transport	Product logistics	Other (*)	Adjustments and eliminations	Total
Loss on impairment of fixed assets	¥ —	¥ —	¥ 14	¥ —	¥ 3	¥ 18

(Millions of yen)

	2024					
	Dry bulk	**Energy resource transport**	**Product logistics**	**Other (*)**	**Adjustments and eliminations**	**Total**
Loss on impairment of fixed assets	**¥ —**	**¥ —**	**¥ 257**	**¥ —**	**¥ 1**	**¥ 258**

(*) The "Other" consists of business divisions not classified into aforementioned three reporting segments, including ship management service, travel agency business, real estate rental and management business and others.

22. Related Party Transactions

1. Transactions with related parties

No items to be reported for the years ended March 31, 2023 and 2024.

(*) Based on the resolution at the Board of Directors' meeting on August 2, 2023, the Company purchased ¥20,368 million in shares of treasury stock from Effissimo Capital Management Pte Ltd. at the closing price on August 3, 2023, the day before the transaction by Tokyo Stock Exchange Trading NeTwork System (ToSTNeT-3).

2. Notes on parent company and subsidiaries and affiliates

Summarized financial statements of significant affiliate are as follows:

OCEAN NETWORK EXPRESS PTE. LTD. is classified as a significant affiliate for the year ended March 31, 2024. The affiliate's summarized financial statements for the years ended March 31, 2023 and 2024 are as follows:

	2023	**2024**
	(Millions of yen)	
Total current assets	¥ 2,780,263	**¥ 3,033,910**
Total non-current assets	1,444,756	**1,706,716**
Total current liabilities	505,058	**599,450**
Total non-current liabilities	638,284	**820,937**
Total net assets	3,081,676	**3,320,239**
Operating revenues	3,909,998	**2,198,228**
Profit (loss) before income taxes	2,029,322	**185,634**
Profit (loss)	2,002,330	**160,678**

23. Subsequent Events

(1.Stock split)

At the Board of Directors meeting held on February 2, 2024, the Company resolved to conduct a stock split effective April 1, 2024.

1. Purpose of the split
The purpose of the stock split is to further expand the investor base and increase the liquidity of the Company's shares by reducing the level of the investment unit and creating a more investment-friendly environment for individual investors and other investors.

2. Method of the split
With March 31, 2024 as the record date, one (1) share of common stock of the Company held by the shareholders recorded or registered in the latest shareholder registry as of said date shall be split into three (3) shares.

3. Increase in number of shares as a result of the split

Total number of shares issued before the split	238,242,689 shares
Increase in number of shares due to the stock split	476,485,378 shares
Total number of issued shares after the stock split	714,728,067 shares
Total number of authorized shares after the stock split	1,800,000,000 shares

4. Schedule of the stock split

Date to announce the record date:	March 11, 2024 (Monday)
Record date:	March 31, 2024 (Sunday) (*)
Effective date:	April 1, 2024 (Monday)

(*) As the record date falls on non-business day of the shareholder registry administrator, the record date in substance is March 29, 2024 (Friday).

5. Effect on per share information
For the effect on per share information, please refer to Note 19 “Amounts per Share.”

23. Subsequent Events (continued)

(2.Acquisition of Treasury Stock)

At the Board of Directors meeting held on May 7, 2024, the Company resolved to acquire treasury stock pursuant to the provisions of Article 156, as applied mutatis mutandis pursuant to Article 165, Paragraph 3 of the Companies Act, and decided on the specific method of acquisition.

1. Reason for the acquisition of treasury stock
The Company's basic policy is to enhance shareholder value over the medium to long term by actively promoting shareholder returns, including the buyback of treasury shares, while consistently paying close attention to capital efficiency, securing the necessary investments to enhance corporate value, and ensuring the soundness of finances, taking into account cash flow. The Company has raised the minimum cumulative amount of shareholder returns during the five-year medium-term management plan period from fiscal 2022 to fiscal 2026 from a minimum of ¥500 billion to over ¥700 billion. From fiscal 2024 onwards, in addition to the basic dividend and additional dividend, the Company plan to implement an additional return of the order of ¥150 billion. Considering the size of this additional return, the Company believes it is preferable to conduct it in the form of a share buyback, with a maximum amount of ¥100 billion. The acquisition of treasury shares will be carried out based on these policies.

2. Details of Matters Relating to the Acquisition

(1) Type of shares to be acquired:	Common shares of Company stock.
(2) Total number of shares to be acquired:	39,556,000 shares (maximum) (Representing 5.5% of the total number of issued shares excluding treasury shares)
(3) Total acquisition price:	¥100 billion (maximum)
(4) Acquisition period:	From May 8, 2024, to July 31, 2024
(5) Method of acquisition:	Planned to be conducted through off-auction own share repurchase trading (ToSTNeT-3) and purchases on the Tokyo Stock Exchange

3. Status of acquisition of treasury stock

(1) Type of shares acquired:	Common shares of Company stock.
(2) Total number of shares acquired:	39,556,000 shares
(3) Total acquisition price:	¥90,874,945,796
(4) Acquisition period:	From May 9, 2024, to July 24, 2024
(5) Method of acquisition:	Conducted through off-auction own share repurchase trading (ToSTNeT-3) and purchases on the Tokyo Stock Exchange

23. Subsequent Events (continued)

(3. Cancellation of Treasury Stock)

At the meeting of the Board of Directors held on July 26, 2024, the Company resolved to cancel a portion of the Company's treasury stock pursuant to Article 178 of the Companies Act of Japan.

1. Type of shares to be cancelled:	Common shares of Company stock
2. Total number of shares to be cancelled:	39,556,000 shares (5.53% of total number of shares outstanding before the cancellation)
3. Scheduled date of cancellation:	August 7, 2024
4. Total number of shares outstanding after the cancellation:	675,172,067 shares

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Independent Auditor's Report

The Board of Directors
Kawasaki Kisen Kaisha, Ltd.

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Kawasaki Kisen Kaisha, Ltd. (the Company) and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2024, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Estimate of total voyage days for revenue recognition based on the number of elapsed days of a voyage	
Description of Key Audit Matter	**Auditor's Response**
As described in Note 2 "Significant Accounting Estimates", out of marine transportation and other operating revenues of ¥962,300 million in the consolidated statement of operations for the year ended	The audit procedures we performed to examine the estimate of the total voyage days, which is a significant assumption in revenue recognition, include the following, among others:

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March 31, 2024, the marine transportation revenues recorded based on the number of elapsed days of voyages not completed as of the end of the fiscal year for the Company's ocean tramp shipping (excluding product logistics), which was more significant than others given the revenue amount and the length of voyages, was ¥31,927 million. Marine transportation revenues for voyages not completed as of the end of the fiscal year are measured based on the total freight revenue and the voyage progress. The voyage progress is calculated based on the number of elapsed days of a voyage by the end of the fiscal year to the estimated total voyage days, and the revenue is recognized in proportion to the voyage progress. A significant assumption in calculating the voyage progress is the estimate of the total voyage days. The Company designed, implemented and has been maintaining the business processes and related IT systems to comprehensively identify voyages not completed as of the end of the fiscal year and calculate the voyage progress based on the number of elapsed days of a voyage by the end of the fiscal year to the estimated total voyage days. If such business processes and related IT systems do not function as intended and the required information on voyages is not accurately captured there could be a significant impact on the consolidated financial statements. The estimate of the total voyage days, which is a significant assumption, may change depending on weather conditions, congestion at ports and other factors, which may then affect the voyage progress. Accordingly, we determined the estimate of the total number of voyage days, which is a significant assumption in the revenue recognition based on the number of elapsed days of a voyage, to be a key audit matter.	・ We assessed the effectiveness of the design and operation of internal controls over the business processes and related IT systems, which capture the information required for revenue recognition, particularly the progress of the voyage. ・ In order to evaluate the reasonableness of the estimate of the total voyage days as of March 31, 2024 to see whether there was significant discrepancy between actual total voyage days and estimate of the total voyage days, we compared the estimate of the total voyage days to the actual voyage days for which the voyage was completed during the audit period after the end of the fiscal year. ・ For the estimate of the total voyage days for which the voyage was not completed during the audit period after the end of the fiscal year, the audit procedures we performed include the following, among others: i. We obtained from the Company the information including the number of days calculated based on voyage distance and speed, and the number of days docked at ports of loading and unloading based on the information including congestion status from local agents and inquired of the persons in charge of related departments regarding the estimation method. ii. With respect to the information obtained, we compared the number of days calculated based on the voyage distance and speed with external sources available to the auditors, such as voyage distance tables. Additionally, we verified the number of days docked at ports of loading and unloading by comparing them with the port anchoring periods designated in the contract and port information from local agents. iii. We compared the estimate of total voyage days with the total number of

	voyage days estimated based on the latest data on ship locations, which we obtained from external available source by ourselves and to see whether there was significant discrepancy. ・ In order to assess the accuracy of calculation of voyage progress based on the estimated total voyage days and the revenue recognized in proportion to the calculated voyage progress, we also performed recalculations.

Other Information

The other information comprises the information included in disclosure documents that contains audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

Responsibilities of Management, the Audit and Supervisory Board Member and the Audit and Supervisory Board for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Board Member and the Audit and Supervisory Board are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit and Supervisory Board Member and the Audit and Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with the Audit and Supervisory Board Member and the Audit and Supervisory Board, 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.

Fee-related Information

The fees for the audits of the financial statements of Kawasaki Kisen Kaisha, Ltd. and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2024 are ¥249 million and ¥44 million, respectively.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

August 2, 2024

Satoshi Uchida
Designated Engagement Partner
Certified Public Accountant

Yuichiro Sagae
Designated Engagement Partner
Certified Public Accountant

Kazuma Miwa
Designated Engagement Partner
Certified Public Accountant

Notes to the Reader of Independent Auditor's Report:
This is a copy of the Independent Auditor's Report and the original copy (with electronic signature) is kept separately by the Company.