YUSEN LOGISTICS (UK) LIMITED

Registered Number: 02548297

Annual Report and Financial Statements

for the period from 29 March 2020 to 27 March 2021

Contents

Company Information

Directors:	Mr. A. Fitt Mr. J. Fern Mr. M. Kobayashi Mr. T. Kondo Mr. J. Osendarp Mr. E. Verbeek Ms. L. Navid Lane
Company Secretary:	Ms. L. Navid Lane
Registered Office:	Grange Park 1 Cheaney Drive Grange Park Northampton NN4 5FB
Bankers:	Barclays Bank PLC Level 28 1 Churchill Place Canary Wharf London E14 5HP
Solicitor:	Eversheds Sutherland Water Court 116 - 118 Canal Street Nottingham NG1 7HF
Statutory Auditor:	Deloitte LLP 1 New Street Square London EC4A 3HQ

The directors, in preparing the strategic report of Yusen Logistics (UK) Limited ("the Company") have complied with s414C and s172 of the Companies Act, 2006.

Fair Review of the Business

The principal activities of the Company are the design, management and delivery of logistics solutions, including the leasing of warehouse space, for its customers in a wide range of industries. The Company provides logistics services in air, ocean and road transportation and warehousing, in addition to completing value added activities to enhance the core service offering.

For information, FY19 in this report relates to the 52-week financial period ended 28 March 2020 and FY20 relates to the 52-week financial period ended 27 March 2021.

The Company has reported an increase in revenue to £227,772,000 (FY19: £219,940,000) and achieved a profit before taxation of £13,468,000 (FY19: £2,384,000). Whilst improvement in profit was noted across all areas of operation, £10,899,000 was due to non-recurring items:

- £8,940,000 relates to the profit generated from the sale and leaseback of one of the Company's properties.
- £1,959,000 relates to income received from Government's Grants which is split between the Government's Coronavirus Job Retention Scheme (£1,844,000) and other grants received (£115,000).

Company revenue increased by £7,832,000 (3.6%) with improvement noted in all areas of operation; the Company also successfully retained all business renewals and won several new contracts. An additional 3 leased facilities were also added to the Company's portfolio during the year to meet an increase in demand for services. Company profit margins before tax increased year on year to 5.9% or 1.1% excluding non-recurring items (FY19: 1.1%). Net assets have increased period on period by £9,732,000 (38.7%) whilst borrowings decreased year on year by £19,770,000 following the repayment of all loans.

The Company operates in an increasingly challenging environment, with continuing cost and exchange rate pressures. It is committed to continuous improvement in service quality and cost management, in order to deliver innovative, flexible and cost-effective solutions for its customers.

KPI's

The financial KPI's monitored during the period are KPI's centred around revenues and operating profits. Revenue increased by £7,832,000 (3.6%) compared to the 52-week period ended 28 March 2020, with operating profit (excluding non-recurring items totalling £10,899,000) increasing by £59,000 (1.5%) the reasons for which are set out in the Fair Review of the Business section above.

Individual KPI targets are set for each customer of the Company which monitor operational performance; these include OTIF (On Time, In Full deliveries), stock discrepancy / damage tolerances, failed deliveries and POD (Proof of Delivery) efficiency. Internally, the Company's operations track key metrics covering, for example, pick rates and order accuracy.

Absenteeism is monitored by the Company HR department and has decreased during the period to 2.38% (FY19: 3.22%); this is lower than the industry average of 3.3%. The business will target further reductions of this in FY20 through investment in training and development of staff (Source: Xpert HR).

The Company continues to review policies and procedures to ensure the highest standards of health and safety across the whole business. Comprehensive key performance indicators, showing trends in the frequency and severity of accidents across all locations compared with industry benchmarks, are reported monthly to the Board. Period on period produced a same rate in the Lost Time Accident Frequency Rate (the cumulative total of lost time accidents per 100,000 hours worked) to 0.72 (FY19: 0.72) and Road Vehicle Accidents per Million Kilometres decreased to 8.63 (FY19: 9.58).

Principal Risks and Uncertainties

Risk Management Framework

The Company's directors remain actively committed to the management of financial and non-financial risk, adding value to stakeholders by applying Enterprise Risk Management methodology to identify risk and mitigate the impact of negative events on the business. This is achieved through an Enterprise Risk Management Board (ERMB) made up of the Board of Directors whose role it is to identify significant risk and implement measures to control and mitigate those risks to achieve continuous risk reduction.

During the year, significant progress has been made to strengthen and embed a culture of risk management within the business, including:

- The full redesign of the Enterprise Risk Management framework to provide a more robust and structured mechanism for risk identification, categorisation and mitigation;
- The roll-out of a new quarterly Board of Director meeting cycle, incorporating the provision of full ERMB meetings, to provide a regular, focused platform for risk identification and mitigation;
- The establishment of quantitative and qualitative metrics to measure risk exposure and report on the positive impact of measures taken to mitigate risk; and
- The completion of risk workshops with all key senior stakeholders, to further embed a risk management culture.

As a result of these initiatives, significant risk reduction was achieved during FY20 although further improvements to the Enterprise Risk Management framework are planned for the forthcoming year, including:

- The devolution of risk management to functional and operational business unit levels, to enhance the breadth of risk management and to allow the ERMB to focus on strategic, Company-level risk;
- The implementation of a new risk management software platform, to provide improved risk visibility and an effective tool for the devolution of risk management across the business; and
- The deployment of external consultants to embed the new risk management software and enhance the Company's overall risk management culture.

In addition to Enterprise Risk Management, further assurance is gained from strong internal audit activity and a comprehensive Integrated Management System providing the business with a robust policy and procedure framework.

Covid-19

Although the Company posted a significant loss in April 2020, due mainly to the temporary closure of automotive manufacturing facilities for 2 customers and a reduction in transport activity, it recovered well and reported FY20 profit before taxation (excluding non-recurring items) of £2,569,000 and revenue of £227,772,000 (an increase on the prior year of 7.8% and 3.6%, respectively).

The varied portfolio of customers managed by the Company ensured overall performance was not impacted, with volumes in Asset Light Logistics (predominately associated with the movement of pharmaceuticals) and International Freight Forwarding unaffected, whereas volumes in consumer electronic and white / brown goods reported significant growth on the back of increased e-commerce activity.

The Company utilised the Government's Coronavirus Job Retention Scheme during the year and received grants totalling £1,844,000 and deferred VAT liabilities for the first quarter amounting to £3,412,751 (repaid over the remaining of the year). *The Company also changed some property leases from quarterly to monthly and was able to secure payment holidays for leased equipment.*

Following the successful migration of office staff to a remote working arrangement, the Company has confirmed that these arrangements will remain in place post-pandemic. As a consequence, all office-based staff have undertaken a Remote Working Assessment for the role and individual circumstances, and have been issued with a new remote working contract. To support remote working arrangements, the Company invested in new IT and office equipment for all staff and implemented / upgraded IT systems to facilitate improved connectivity and communication links. In-line with Government issued guidelines, the Company is reviewing the opening of offices (under strict Covid secure protocols) to facilitate a gradual return to office working if required.

Mental health and physical well-being have been key focus points for the Company during the year and following a partnership with Mind, the mental health charity, have promoted mental health awareness and training for all staff during the year. All staff were asked to complete the Mind Workplace Wellness Index survey so that the impact of remote working on individuals could be assessed and remedial actions implemented as appropriate. Additionally, line managers were provided with additional training on how to identify the signs of mental health concerns in individuals.

At the commencement of the pandemic, the Company established a Covid Team to monitor and assess risks, track the number of reported cases within the business and recommend actions to mitigate threats. A RAG Alert Status document was created that highlighted requirements to be adopted depending on the severity of the virus and the impact on society at the time. Throughout the year, consultation took place with customers, suppliers, employees and trade unions at all times.

To allow operations to continue, the Company implemented appropriate social distancing measures, improved hygiene and Personal Protective Equipment requirements and reviewed / updated working practices; all work being undertaken in accordance with Government guidelines.

Brexit

Following the UK decision to leave the European Union, the Company has established a Brexit committee to consider various scenarios and identify risk mitigation actions. Communication links have been established with key bodies (Freight Transport Association, Confederation of British Industry, etc) and regular feedback has been provided to our customers and suppliers.

Internally, the Company established a team of subject matter experts to oversee the transition from the EU and the impacts this would have on the organisation. A key output has the been the formation of a stand-alone Land Freight Forwarding (LFF) Customs Team to manage all Brexit related activities and the increase in volume that this has created, as well as developing new products to support customers and facilitate growth.

The directors will ensure a flexible and proactive reaction to customer and supplier needs and will work with them to mitigate operational cost wherever possible. In addition, the directors are committed to continuous improvement in all areas of the business environment.

Financial Risk Management Objectives and Policies

The Company's financial instruments comprise borrowings, cash and other liquid resources and various other items such as trade receivables and payables that arise directly from its operations. The main purpose of these financial instruments is to provide working capital for the Company's operations. The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below. Policies are continuously reviewed for improvement and updated as required; ERM and credit Policies have been amended during the year.

A key risk of the Company remains the success in retention and renewal of customer contracts and a full assessment of this risk is considered when assessing Going Concern.

Price Risk

The Company seeks to enter into formal contracts with its customers and wherever practicable, will aim to include provisions for annual rate reviews to reflect changes in prices and more frequent reviews for specific costs such as fuel surcharges. The Company produces quarterly macro-economic reports to highlight known / predicted changes to key financial metrics to support price review discussions with customers.

Interest Rate Risk

The Company finances its operations through a mixture of inter-company accounts and, if required, bank borrowings. Working capital bank borrowings are provided by a cash pooling arrangement supported by the Group headed by Nippon Yusen Kabushiki Kaisha (the 'Group'). The Company's exposure to interest rate fluctuations on its borrowings is managed on a group basis by the use of both fixed and floating rate facilities where appropriate. These borrowings are supported by guarantees provided by Yusen Logistics Co. Ltd.

Liquidity Risk

The Company seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Company generates sufficient cash inflows to support its operations, although funding is available from the Group if required. The latest Going Concern forecast for the Company forecasts a positive cash position at the end of FY21. Short-term flexibility is achieved by the Group cash pooling arrangements.

Currency Risk

The Company is exposed to transactional foreign exchange risk. Approximately 27% (FY19: 28%) of the Company's sales and 44% (FY19: 44%) of the Company's purchases are invoiced in currencies other than Pounds Sterling. The Company's policy is to achieve a natural hedge on revenues and costs for specific elements of its business; in addition, it attempts to match the timing of the settlement of these sales and purchase invoices so as to eliminate, as far as possible, currency exposure. The Company uses Deutsche Bank's Maestro FX system to reduce foreign exchange risk and enhance liquidity management by integrating balance sheet hedging with cash management.

Credit Risk

The Company's principal financial assets are trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful debtors, which are calculated using the Historical Cost Loss Rate. In order to manage credit risk, the directors set limits for customers based on third party credit references and other available data. Credit limits are reviewed by the credit manager and senior management on a regular basis in conjunction with debt ageing and collection history. The Company has no significant concentration of credit risk, with exposure spread over a large number of customers and sectors.

The Directors' Statement on s172 Disclosure

The Board of Directors, in line with their duties under s172 of the Companies Act, 2006 act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its stakeholders as a whole and in doing so, have regard to a range of matters when making decisions for the long term. Key decisions and matters that are of strategic importance to the Company are appropriately informed by s172 factors as detailed below:

a) The likely consequences of any decision in the long-term (Sale and Leaseback and Risk Management Framework);
b) The interests of the Company's employees (Covid-19, Director Roadshows, Disabled Employees and Employee Consultation);
c) The need to foster the company's business relationships with suppliers, customers and others (Covid-19 and Brexit);
d) The impact of the company's operations on the community and the environment (Streamlined Energy and Carbon Reporting and Sustainability Policy);
e) The desirability of the company maintaining a reputation for high standards of business conduct (Code of Conduct); and
f) The need to act fairly between members of the Company (Transform 2025 and Sustainability Policy).

Through an open and transparent dialogue with our key stakeholders, we have been able to develop a clear understanding of their needs, assess their perspectives and monitor their impact on our strategic ambition and culture. As part of the Board's decision-making process, the Board considers the potential impact of decisions on relevant stakeholders whilst also having regard to a number of broader factors, including the impact of the Company's operations on the community and environment, responsible business practices and the likely consequences of decisions in the long term.
The business strategy continues to consist of four main elements: working smarter, growing faster, being better and delivering more, all of which combine to target achievement of the goal to be recognised as the most customer centred logistics company in the UK. This strategy is consistent with the Yusen Logistics global strategy 'Transform 2025' and considers likely consequences of any decision-making in the long term. The adoption of the global Transform 2025 strategy by all subsidiaries of Yusen Logistics, supported by standard policies, ensures a level of shared understanding and a collaborative working approach between members of the Company. Additionally, 3 Yusen Logistics (Europe) B.V. directors have joined the Company's Board so that the broader effect of decision making is understood.

As Transform 2025 places great focus on the effect of our business on the environment, the Board ensures decisions consider the wider impact on the community. To support this approach, the Company has again engaged the services of a consultancy firm to assess the Company's direct and indirect carbon emissions, calculated in line with the Greenhouse Gas (GHG) Protocol Emission Scope (refer to the Streamlined Energy and Carbon Report on page 10) and has formally adopted a Sustainability Policy:

- To reduce GHG emissions by 30% by 2030 and by 50% by 2050 (using 2019 as a baseline).
- Targets to apply to Scope 1 and 2, although the Company is committed to working with clients, suppliers and industry with the ambition of meeting the same targets for Scope 3.
- Off-setting will generally not be considered as a means to achieve targets.
- Achievement will be based on the basis of a Revenue / Tonne CO^2 factor.

The targets adopted by the Company correspond to the targets being set by the Group globally.

Our employees are fundamental to the delivery of our plan and we aim to be a responsible employer in our approach to the pay and benefits our employees receive. Our health, safety and well-being of our employees is one of our primary considerations in the way we do our business; this can be evidenced by the Company's handling of the Covid-19 pandemic. To ensure high standards of business conduct are maintained, the Company has adopted key policies for employees, including a Code of Conduct Policy which requires annual confirmation of agreement by all staff. Additionally, the Board of Directors undertake regular 'Roadshows' whereby they visit sites (currently being performed 'virtually') to directly speak to all employees and answer and questions of concern, which is supplemented by regular briefings by the Managing Director to staff.

The Company aims to promote strong working partnerships with our customers, suppliers and others, and seeks to engage with them on all appropriate matters. In addition to discussions on normal contractual arrangements, which focus on performance to ensure that required business standards are maintained, the Company has engaged in constructive dialogue with all interested stakeholders over key matters such as Covid-19 and Brexit. A Brexit Customer Council has been established since the decision to leave the EU was made, at which customers are briefed on developments by Senior Company Managers and external speakers from bodies such as the Freight Transport Association and Confederation of British Industry.

Sale and Leaseback

On 23 October 2020, the Company sold one of its freehold facilities to UK Warehouse Properties Ltd C/O Alter Domus (UK) Ltd for £27,200,000 and agreed to lease the property back for the next 5 years. The transaction produced a profit for the year of £8,940,000 and enabled the Company to repay all loan liabilities of £19,770,000. All contracts operating from the facility remain in place and the site is forecast to remain profitable during the financial year ending March 2022.

The sale has enabled the Company to repay outstanding borrowings and improve the Company's net working capital position, facilitating further investment in technological and business advancements for the future.

Approved by the Board on 30 June 2021 and signed on its behalf by:

A. Fitt
Managing Director
30 June 2021

The directors present their annual report and the audited financial statements in accordance with the weekly accounting period basis for the period from 29 March 2020 to 27 March 2021. The current financial year constitutes a 52-week accounting period (the 'period', the 'financial year'). The previous financial period was the 52-week accounting period from 31 March 2019 to 28 March 2020.

The Company has chosen, in accordance with section 414c(11) of the Companies Act, 2006 and as noted in this directors' report, to include certain additional matters in its strategic report that would otherwise be required to be disclosed in this Directors' Report. This includes a review of likely future developments and information on financial risk management.

Directors

The directors who served throughout the period and to the date of signing this report were as follows:

- Mr. A. Fitt
- Mr. J. Fern
- Mr. M. Kobayashi
- Mr. T. Kondo (appointed 1 June 2020)
- Mr. J. Osendarp (appointed 1 June 2020)
- Mr. E. Verbeek (appointed 1 June 2020)
- Ms. L. Navid Lane (appointed 22 April 2021)
- Mr. K. Appleton (resigned on 1 June 2020)

Dividends

The directors do not recommend the payment of a dividend for the period (FY19: £nil).

Disabled Employees

The Company recognises its obligations towards disabled people and endeavours to provide employment where possible having regard to the physical demands of the Company's operations and the abilities of the disabled persons. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee Consultation

The Company recognises its responsibilities towards keeping employees informed of the performance of the Company and of other matters affecting them as employees. This is achieved through formal and informal meetings, the Company magazine and consultations at appropriate times with employees, employee representatives and trade unions.

The Company does not run any share schemes.

Supplier Payment Policy

It is the Company's policy to settle the terms of payments with suppliers when agreeing the terms of the transactions, to ensure that suppliers are aware of these terms and to abide by them. Trade payables at the period end amount to 36 days (FY19: 25 days) of average supplies for the period.

Branches

Yusen Logistics (UK) Limited has one branch located in Finland. No further branches exist outside of the UK.

Streamlined Energy and Carbon Reporting

Yusen Logistics (UK) Limited is committed to minimising the environmental impacts of our business activities by complying with accepted environmental practices, including the commitment to meet, or where possible, exceed the requirements of relevant environmental legislation.

During the period, the Company engaged the services of a consultancy firm to complete a comprehensive carbon assessment as part of the Company's direct and indirect carbon emissions, calculated in-line with the Greenhouse Gas (GHG) Protocol Emission Scope.

This carbon assessment categorises emissions into three groups or 'scopes':

- *Scope 1: Direct emissions that result from activities within the organisation's control, for example, on-site fuel* combustion, process emissions, refrigerant losses and company vehicles.
- Scope 2: Indirect emissions from any electricity, heat or steam purchased and used by the Company.
- *Scope 3: Any other indirect emissions from sources outside of the Company's direct control, for example, employee* commuting and business travel, outsourced transportation, waste disposal and water consumption.

The total measured carbon emissions for the Company for FY20 reduced by 10.8% during the period to 17,462,734 kg CO^2 (FY19: 19,551,781 kg CO^2). The majority of these emissions are attributable to the organisation's operational activities, most notably goods vehicle use at 84.6% (FY19: 83.6%) with emissions in this area reducing by 1,594,419 kg CO^2 (9.8%) despite the Company reporting a 3.6% increase in revenue during the period. Other key metrics identified are:

- Gas, electric, water and other utility consumption, which make up 15% of the total Company emissions, reduced by 103,215 kg CO^2 (3.8%).
- Company car usage reduced by 91% to 432,319 kg CO^2.
- The intensity ratio of 'kg CO^2 / £million turnover' reduced to 76.5 (FY19: 88.9).

The Company has formally adopted a Sustainability Policy to reduce GHG emissions by 30% by 2030 and by 50% by 2050 (using FY19 as a baseline). Targets will apply to Scope 1 and 2 activities, although the Company is committed to working with clients, suppliers and industry with the ambition of meeting the same targets for Scope 3, and off-setting will generally not be considered as a means to achieve targets. Achievement will be based on the intensity ratio of 'kg CO^2 / £million turnover'.

The targets adopted by the Company correspond to the targets being set by the Group globally.

Whilst the impact of the Covid-19 pandemic undoubtedly assisted in reducing carbon emissions for the Company, with support staff working remotely, the Company did report an increase in activity and has added 3 new leased facilities to its portfolio during the period to support an increase in demand for its services.

To support longer-term strategic aims, the Company has updated its annual Environmental Policy Statement for FY22 to include targets and objectives such as:

- Reducing the environmental impact of our transport fleet through positive fleet management and environmentally efficient driver training;
- Working with contract hauliers to encourage the use of low carbon vehicles and fuels;
- Introducing a system of re-use rather than disposal and the promoting of recycling and use of recyclable materials;
- *Reducing, as far as possible, our use of non-renewable energy resources and developing an energy efficiency* programme;
- Developing environmental awareness and sound environmental practices amongst all YLUK employees; and
- *Monitoring progress and publishing an environmental performance report on an annual basis.*

Research and Development

The Company continues to invest in developing technology to automate and improve business processes across its service offerings. Where appropriate, these costs are capitalised as internally generated intangible assets. In the current period, £nil (FY19: £13,000) costs were capitalised.

During the year, the Company submitted 2 claims under the Government's Research and Development Expenditure Credit (RDEC) Scheme. Total R&D expenditure credits of £10,711 and £11,865 for FY18 and FY19 respectively have been accepted by HMRC, with a further claim for FY20 yet to be finalised.

Future Developments

The directors expect to continue operations in-line with prior year trading (refer to the Strategic Report for details).

Post Balance Sheet Events

The directors consider there to be no adjusting or non-adjusting events required.

Going Concern

The financial statements are prepared on a going concern basis, which the Directors believe to be appropriate. The Directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future, being at least 12 months from the date of signing of these financial statements, including being able to settle liabilities as they fall due.

The Company reported FY20 profit before taxation (excluding non-recurring items, being the sale and leaseback gain and government assistance received) of £2,569,000 and revenue of £227,772,000 (an increase on the prior year of 7.8% and 3.6%, respectively) with improvement noted within all Business Units. Performance was affected in the first period by the effects of the Covid-19 pandemic, due mainly to the temporary closure of automotive manufacturing facilities for 2 customers and a reduction in transport activity, but not as significantly as forecast in the prior year sensitivity analysis. Likewise, the Company successfully retained all business renewals and won several new contracts, although these were adjustments made to previous performance assessments.

The Company had GBP cash and cash equivalents at the end of FY20 of £118,000 (including EUR and USD) although an additional £13,253,000 was also available under the Group's cash pooling facility (disclosed within trade and other receivables in the accounts). The Company has forecast to generate sufficient cash inflows to support its operations during the current trading period and has a net current asset position of £2,436,000 at 27 March 2021 (the net current liability position was £25,783,000 at 28 March 2020, with the improvement resulting from the sale and leaseback of a freehold property in the year, which facilitated the repayment of all external borrowings).

The Company produces an annual budget, with rolling forecast adjustments produced each period, and reports actual performance against budget / forecast to the Board of Directors on a monthly basis. The Company has produced a base case cash flow forecast for the going concern period of 12 months from signing these financial statements, which forecasts the Company to be profit-making and cash generative throughout. This is reflective of actual performance in the first period of FY21 with results ahead of forecast.

The Company holds 1 freehold property which if required, could be sold to deliver a significant cash injection.

The Company also benefits from an intercompany financing facility that provides additional overdraft funds for GBP £15,000,000 and EUR €500,000; these facilities are currently due to expire on 31 March 2022 but are reviewed annually by the Group at the commencement of each financial year and historically, have always been renewed. As these facilities expire before the end of the 12-month going concern period, the Company's parent company Yusen Logistics Co. Ltd also agrees to provide financial support to settle all financial commitments as they fall due, for a period of at least 12 months from the date of signing of these financial statements. The directors, having made sufficient enquiries, are satisfied that Yusen Logistics Co. Ltd is in a position to provide the level of support required.

Taking account of all information set out above, the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

Directors' Indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of the directors of the Company and its subsidiaries, which were made during the period and remain in force at the date of this report.

Disclosure of Information to the Statutory Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act, 2006.

Reappointment of Statutory Auditor

Deloitte LLP have indicated their willingness to be reappointed as auditor for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board on 30 June 2021 and signed on its behalf by:

A. Fitt
Managing Director
30 June 2021

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 Reduced Disclosure Framework. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these *financial statements, the directors are required to:*

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 2006. They are also responsible for safeguarding the assets of the Company and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report on the Audit of the Financial Statements

Opinion

In our opinion the financial statements of Yusen Logistics (UK) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 27th March 2021 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, 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.

Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the Audit was Considered Capable of Detecting Irregularities, including Fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, Reduced disclosure framework FRS 101, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included The Data Protection Act 2018, The Public Interest Disclosure Act 1998, The Employment Rights Act 1996, The Climate Change Act 2008 and The UK Bribery Act 2010.

We discussed among the audit engagement team including relevant internal specialists such as tax, pensions and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified a presumed risk of fraud in revenue recognition, being a risk of revenue not being recognised in the correct financial period. Our specific procedures performed to address the risk included testing, on a sample basis, that revenue has been recognised in the correct accounting period.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on Other Legal and Regulatory Requirements

Opinions on Other Matters Prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are Required to Report by Exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our Report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kevin Thompson

Kevin Thompson (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
1 July 2021

Income Statement - for the 52-week period ended 27 March 2021

	Note	29 March 2020 to 27 March 2021 £'000	31 March 2019 to 28 March 2020 £'000
Revenue	4	227,772	219,940
Cost of Sales		(198,545)	(194,821)
Gross Profit		**29,227**	**25,119**
Administrative Expenses		(24,905)	(21,283)
Other Operating Income	4	-	252
Other Operating Expenses		(447)	(272)
Government Assistance Received	6	1,959	-
Gain on Sale and Leaseback	11	8,940	-
Operating Profit		**14,774**	**3,816**
Finance Income	10	115	441
Finance Expenses	10	(1,421)	(1,873)
Profit Before Taxation		**13,468**	**2,384**
Taxation on Profit of Ordinary Activities	12	(1,811)	(485)
Profit for the Financial Period Attributable to Owners of the Company	5	**11,657**	**1,899**

The above results were derived from continuing operations. The notes on pages 23 to 51 form part of these financial statements.

Statement of Comprehensive Income - for the 52-week period ended 27 March 2021

	Note	29 March 2020 to 27 March 2021 £'000	31 March 2019 to 28 March 2020 £'000
Profit for the Financial Period		11,657	1,899
Items that will not be Reclassified Subsequently to Profit or Loss:			
Actuarial (Loss) / Gain on Defined Benefit Pension Schemes Before Tax	26	(2,627)	1,107
Deferred Tax Relating to Actuarial Gain / (Loss) on Defined Benefit Pension Schemes	22	701	(210)
Other Comprehensive (Expenditure) / Income for the Financial Period		(1,926)	**897**
Total Comprehensive Income for the Financial Period		**9,731**	**2,796**

The notes on pages 23 to 51 form part of these financial statements.

Statement of Financial Position

	Note	27 March 2021 £'000	28 March 2020 £'000
Non-Current Assets			
Intangible Assets	13	269	314
Property, Plant and Equipment	14	15,621	27,647
Right-of-Use Assets	15	39,779	42,785
Investment in Subsidiary	16	17,731	17,731
Long-Term Receivables	18	25	21
Post-Employment Benefit Obligations	26	2,005	4,130
		75,430	92,628
Current Assets			
Inventories	17	207	238
Trade and Other Receivables	18	65,294	56,191
Cash and Cash Equivalents		118	105
		65,619	56,534
Total Assets		**141,049**	**149,162**
Current Liabilities			
Trade and Other Payables	19	(50,067)	(46,847)
Lease Liabilities	20	(10,502)	(10,215)
Borrowings	19	-	(19,310)
Current Tax Liabilities		(852)	(86)
Provisions	21	(1,762)	(5,859)
		(63,183)	(82,317)
Net Current Assets / (Liabilities)		**2,436**	**(25,783)**
Total Assets Less Current Liabilities		**77,866**	**66,845**
Non-Current Liabilities Non-Current Liabilities			
Borrowings	19	-	(460)
Provisions	21	(6,163)	(4,193)
Lease Liabilities	20	(35,721)	(35,855)
Deferred Tax Liabilities	22	(1,080)	(1,166)
		(42,964)	(41,674)
Total Liabilities		**(106,147)**	**(123,991)**
Net Assets		**34,902**	**25,171**
Equity			
Share Capital	23	44,130	44,130
Retained Earnings		(9,228)	(18,959)
Equity Attributable to the Owner of the Company		**34,902**	**25,171**

The financial statements of Yusen Logistics (UK) Limited (registration number: 02548297) were approved by the Board of Directors and authorised for issue on 30 June 2021. Signed on behalf of the Board of Directors:

A. Fitt
Managing Director
30 June 2021

Statement of Changes in Equity - for the 52-week period ended 27 March 2021

	Note	Share Capital £'000	Retained Earnings £'000	Total £'000
At 31 March 2019		**44,130**	**(21,755)**	**22,375**
Profit for the Period		-	1,899	1,899
Other Comprehensive Gain / (Loss) for the Period:				
Actuarial Gain on Defined Benefit Pension Schemes Before Tax	26	-	1,107	1,107
Deferred Tax Relating to Actuarial Gain on Defined Benefit Pension Schemes	22	-	(210)	(210)
Total Comprehensive Income		**-**	**2,796**	**2,796**
At 28 March 2020		44,130	**(18,959)**	**25,171**

	Note	Share Capital £'000	Retained Earnings £'000	Total £'000
At 29 March 2020		**44,130**	**(18,959)**	**25,171**
Profit for the Period		-	11,657	11,657
Other Comprehensive Gain / (Loss) for the Period:				
Actuarial Loss on Defined Benefit Pension Schemes Before Tax	26	-	(2,627)	(2,627)
Deferred Tax Relating to Actuarial Loss on Defined Benefit Pension Schemes	22	-	701	701
Total Comprehensive Income		**-**	**9,731**	**9,731**
At 27 March 2021		**44,130**	**(9,228)**	**34,902**

1. General Information

The Company is a private company limited by share capital incorporated and registered in England and Wales and domiciled in the United Kingdom.

The address of its registered office is: Grange Park 1, Cheaney Drive, Grange Park, Northampton NN4 5FB.

The financial statements are presented in Pounds Sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Adoption of New and Revised Standards

Amendments to IFRSs and the New Interpretation that are Mandatorily Effective for the Current Period

The following amendments / improvements have been noted during the accounting period, although its introduction has not made an impact on the Financial Statements of the Company:

- IFRS 17 Insurance Contracts.

Going Concern

The financial statements are prepared on a going concern basis, which the Directors believe to be appropriate. The Directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future, being at least 12 months from the date of signing of these financial statements, including being able to settle liabilities as they fall due.

The Company reported FY20 profit before taxation (excluding non-recurring items, being the sale and leaseback gain and government assistance received) of £2,569,000 and revenue of £227,772,000 (an increase on the prior year of 7.8% and 3.6%, respectively) with improvement noted within all Business Units. Performance was affected in the first period by the effects of the Covid-19 pandemic, due mainly to the temporary closure of automotive manufacturing facilities for 2 customers and a reduction in transport activity, but not as significantly as forecast in the prior year sensitivity analysis. Likewise, the Company successfully retained all business renewals and won several new contracts, although these were adjustments made to previous performance assessments.

The Company had GBP cash and cash equivalents at the end of FY20 of £118,000 (including EUR and USD) although an additional £13,253,000 was also available under the Group's cash pooling facility (disclosed within trade and other receivables in the accounts). The Company has forecast to generate sufficient cash inflows to support its operations during the current trading period and has a net current asset position of £2,436,000 at 27 March 2021 (the net current liability position was £25,783,000 at 28 March 2020, with the improvement resulting from the sale and leaseback of a freehold property in the year, which facilitated the repayment of all external borrowings).

The Company produces an annual budget, with rolling forecast adjustments produced each period, and reports actual performance against budget / forecast to the Board of Directors on a monthly basis. The Company has produced a base case cash flow forecast for the going concern period of 12 months from signing these financial statements, which forecasts the Company to be profit-making and cash generative throughout. This is reflective of actual performance in the first period of FY21 with results ahead of forecast.

The Company holds 1 freehold property which if required, could be sold to deliver a significant cash injection.

The Company also benefits from an intercompany financing facility that provides additional overdraft funds for GBP £15,000,000 and EUR €500,000; these facilities are currently due to expire on 31 March 2022 but are reviewed annually by the Group at the commencement of each financial year and historically, have always been renewed. As these facilities expire before the end of the 12-month going concern period, the Company's parent company Yusen Logistics Co. Ltd also agrees to provide financial support to settle all financial commitments as they fall due, for a period of at least 12 months from the date of signing of these financial statements. The directors, having made sufficient enquiries, are satisfied that Yusen Logistics Co. Ltd is in a position to provide the level of support required.

Taking account of all information set out above, the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

2. Accounting Policies

Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of Accounting

The financial statements have been prepared on the historical cost basis. When derivatives are held, they are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the period ended 27 March 2021 the financial statements have therefore been prepared in accordance with FRS 101 as issued by the FRC, incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Financial statements and Reports) Regulations, 2015.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards issued not yet effective, impairment of assets and related party transactions.

Where relevant, equivalent disclosures have been given in the group financial statements of Nippon Yusen Kabushiki Kaisha. The group financial statements of Nippon Yusen Kabushiki Kaisha are available to the public and can be obtained as set out in note 27.

The principal accounting policies adopted are set out below.

Revenue Recognition and Other Operating Income

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is recognised in line with the principles set out in IFRS 15, which requires a number of judgements and affects various areas of the financial statements including revenue, profits, assets (giving rise to contract fulfilment costs, capitalisation of costs to obtain a contract, trade receivables and accrued income) and liabilities (deferred income).

The Company derives revenue from a variety of services. The Company's revenue relates to both short-term and long-term contracts and services consumed both at a time and over time. Initially, the Company identifies whether a contract with a customer exists as defined in IFRS 15 then identifies the performance obligations, the transaction price and allocates the transaction price to all performance obligations in proportion to the stand-alone selling price of each performance obligation. The Company determines stand-alone selling prices by reference to either stated contract prices, the observable stand-alone prices of services sold to existing clients or using expected cost-plus margins.

Any income derived from the leasing of warehouses is accounted for in accordance with the requirements of IFRS16.

Where the Company acts as a freight forwarding agent, revenue represents the commission element only.

Government grants are recognised in other operating income as a part of the income statement on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate.

Foreign Currencies

The financial statements are presented in Pounds Sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

Current Tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and Deferred Tax for the Period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property Plant and Equipment

All property, plant and equipment assets are stated at cost, net of depreciation and any provision for impairment. Capital work in progress represents assets under construction and is stated at cost. Depreciation commences when an asset is brought into use.

Depreciation

Depreciation is recognised so as to write off the cost or valuation of assets (other than assets under construction) less their residual values over their useful lives, using the straight-line method, on the following bases.

Asset Class	Depreciation Rate
Freehold Property	10 to 50 years
Motor Vehicles	2 to 10 years
Equipment	1 to 10 years
Furniture and Fixtures	1 to 10 years
Improvement to Leasehold Property	Expected Term of Lease

Right-of-use assets are depreciated based on the expected lease term, or if shorter, the useful life of the asset as per the above bases.

Freehold land is not depreciated. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Internally Generated Intangible Assets - Research and Development Expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in the income statement in the period in which it is incurred.

Intangible Assets Acquired Separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset Class	Amortisation Method and Rate
Software and Licences	1 to 5 years
Internally Generated Software	1 to 5 years

Amortisation is recognised within cost of sales and administrative expenses within the income statement.

Derecognition of Intangible Assets

An intangible asset is derecognised on disposal or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of Tangible and Intangible Assets Excluding Goodwill

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its' carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Leases

The Company as a Lessee

For any new contracts the Company entered into, the Company considers whether a contract is or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration'. To apply this definition, the Company assesses whether a contract met the 3 following criteria:

- The contract contains an identified asset, which is identified in the contract or implicitly specified at the time the asset is made available to the Company;
- The Company has the right to obtain substantially all the economic benefits from use of the identified asset throughout the period of use; and
- The Company has the right to direct the use of the identified asset throughout the period of use.

Measurement and Recognition of Leases as a Lessee

The Company ensures that at the lease commence date, the Company recognised a right-of-use asset and lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred, an estimate of costs to restore the asset to its original condition at the end of the lease, any lease payments made in advance of the lease commencement date and incentives received from the lessor.

The Company measures the lease liability at the present value of lease payments outstanding, discounted using the Company's incremental borrowing rate. Lease payments are split into principal and interest repayments, using the effective interest rate method. Interest repayments on the lease liabilities are recognised within the income statement.

The right-of-use asset is depreciated on a straight-line basis over the lease term or if shorter, over the useful life of the lease asset. The depreciation charge on right-of-use assets is recognised in the income statement. The provisions of IAS 36 concerning determination and recognition of impairments of assets also apply to right-of-use assets.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or income statement if the right-of-use asset is already reduced to zero.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered or changed. During each financial year, the Company undergoes a practical expedient over the impairment of right-of-use assets to approximate the value of asset impairment to be equal to the value of onerous lease provisions.

The Company conducts an exercise to ensure that all leased assets with terms that are exceeding 12 months and of leases of high value (> £4,000) are recognised under IFRS 16 accounting.

For leases with terms not exceeding 12 months and for leases of low-value assets (< £4,000), the Company exercises the optional application exemptions and these leases are classified as operating leases. The lease payments under these contracts are generally recognised on a straight-line basis over the lease term as other operating expenses. Operating lease incentives granted by lessors to the Company are recognised over the term of the lease.

Measurement and Recognition of Sale and Leaseback

A sale and leaseback transaction is one where the company sells an asset and immediately reacquires the use of the asset by entering into a lease with the buyer. The amount recognised is calculated by splitting the total gain or loss into:

- an unrecognised amount relating to the rights retained by the seller-lessee, and
- a recognised amount relating to the buyer-lessor' rights in the underlying asset at the end of leaseback

For the sale, generally the assets are sold at fair value, and accordingly the profit or loss from the sale is recognised immediately in the company's income statement. Once the asset has been sold and leased back, a respective right-of-use asset and lease liability is recognised on the statement of financial position accordingly if the conditions set out by IFRS 16 are met.

Investment in Subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, allowances for impairment.

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company. Acquisition related costs are expensed as incurred.

When the consideration transferred by the group in a business combination includes contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against the value of investments. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

Yusen Logistics (UK) Limited are exempt from the preparation of consolidated financial statements, in accordance with section 401 of the Companies Act, 2006. This is on the basis that the Company is a wholly-owned subsidiary of the ultimate parent undertaking, Nippon Yusen Kabushiki Kaisha, which is a Company established under the law of a non-EEA state (see the registered address of Nippon Yusen Kabushiki Kaisha in note 27). The subsidiaries have been included in the consolidated financial statements of Nippon Yusen Kabushiki Kaisha.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade Receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer) they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is made in line with the requirements of IFRS 9. Impairment is based on a lifetime expected credit loss, which is achieved by following a methodology which uses a provision matrix for measuring the historical loss rate.

Inventories

Inventories, which comprise fuel, are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Share Capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined Contribution Pension Obligation

The pension costs charged against profits represent the amount of contributions payable to the scheme in respect of the accounting period. Differences between contributions payable in the period and contributions paid are shown as either an accrual or a prepayment in the balance sheet.

Defined Benefit Pension Obligation

The Company operates a defined benefit scheme in the UK which was closed to future accrual on 30 June 2017 having previously closed to new entrants. The assets of the scheme are administered by trustees in funds independent of the Company.

For the defined benefit scheme, the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income statement if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. Interest cost and the expected return on assets are shown as a net amount in finance costs or finance income, which is recognised in the income statement using the effective interest method. Actuarial gains and losses are recognised immediately in other comprehensive income.

Pension scheme liabilities are measured on an actuarial basis using a projected unit method and are discounted to their present value using a discount rate reflecting market yields on AA rated corporate bonds. Pension scheme assets are valued at market value at the balance sheet date. The pension scheme deficit is recognised in full on the balance sheet.

Termination Benefits

A liability and expense are recognised for termination benefits at the earlier of when the entity can no longer withdraw the offer of those benefits or when the Company recognises costs for restructuring for which a provision has been made that involves the payment of termination benefits.

Financial Instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of Financial Assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company has no debt instruments which meet this definition.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Financial Liabilities and Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recognised at fair value through other comprehensive income.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Derivative Financial Instruments

The Company enters into forward foreign exchange contracts to manage its exposure to foreign exchange rate risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a current asset due after one year or a creditor due after more than one year if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The directors' have considered critical accounting judgements made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements. The directors determined that there are no critical accounting judgements relevant to the financial statements.

Post-Employment Benefit Obligations

The present value of the post-employment benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include a discount rate and an inflation rate. Any changes in these assumptions will impact the carrying amount of post-employment benefit obligations. Key assumptions for post-employment benefit obligations are disclosed in note 26.

4. Revenue and Other Operating Income

Revenue and other operating income are attributable to the continuing principal activities of the Company, those of the design, implementation and management of logistics solutions and relate predominantly to the United Kingdom and Europe.

An analysis of the Company's revenue by class of business is set out below:

	29 March 2020 to 27 March 2021 £'000	31 March 2019 to 28 March 2020 £'000
Transport Revenue	96,249	101,408
Contract Logistics Revenue	67,821	61,554
Ocean Freight Revenue	37,069	32,518
Air Freight Revenue	26,633	24,460
	227,772	**219,940**

An analysis of the Company's revenue by geographical market is set out below:

	29 March 2020 to 27 March 2021 £'000	31 March 2019 to 28 March 2020 £'000
United Kingdom	131,582	125,445
Europe	49,861	49,647
North America	5,786	5,200
Japan	10,707	10,303
Other Asian Countries	25,379	25,244
Other	4,457	4,101
	227,772	**219,940**

An analysis of the Company's other operating income is set out below:

	29 March 2020 to 27 March 2021 £'000	31 March 2019 to 28 March 2020 £'000
Net Foreign Exchange Gains *	-	251
Gain on Disposal of Property, Plant and Equipment	-	1
	-	**252**

* In the current year, the Company incurred foreign exchange losses of £431,119 disclosed within other operating expenses (£181,053 realised gain and £612,173 unrealised loss).

5. *Income and Expenses*

Profit for the period has been arrived at after (crediting) / charging:

	Note	29 March 2020 to 27 March 2021 £'000	31 March 2019 to 28 March 2020 £'000
Net Foreign Exchange Expenses / (Income)		431	(251)
Write-Down of Inventories Recognised as an Expense		-	71
Impairment Loss on Receivables		14	326
Depreciation of Property, Plant and Equipment	14	3,297	3,049
Depreciation of Right-Of-Use Assets	15	9,510	9,025
Gain on Disposal of Property, Plant and Equipment		-	(1)
Gain on Sales and Leaseback	11	8,940	-
Amortisation of Intangible Assets	13	155	222
Impairment of Property, Plant and Equipment	14	-	4
Impairment of Right-Of-Use Assets	15	-	192
Lease Expense for Leases that Fall Outside of the Scope of IFRS16 - Property		1,533	578
Lease Expense for Leases that Fall Outside of the Scope of IFRS16 - Plant and Machinery		3,880	4,129

6. Government Assistance Received

Government grants are not recognised until there is a reasonable assurance that the Company complies with the conditions attached to them and that the grants will be received. The following government grants were received during the period:

	29 March 2020 to 27 March 2021 £'000	31 March 2019 to 28 March 2020 £'000
Job Retention Scheme Grants	1,844	-
Other Government Grants / Reliefs	115	-
	1,959	-

Under the Job Retention Scheme, HMRC reimburse up to 80% of the wages of certain employees who have been asked to stop working ('furloughed') but who are being kept on the payroll. This scheme is designed to compensate for staff costs, so amounts received are recognised in the Income Statement over the same period as the costs to which they relate.

The Company is still furloughing a small number of employees in the financial year ending March 2022 and will continue to utilise the scheme as appropriate until it ends on the anticipated date of 30 September 2021.

Other government grants or reliefs received relate to customs recruitment and training grants and RDEC claim relief the Company received during the period. None of these grants were received in the prior year.

During the year, the Company took advantage of the VAT payment deferment offered by HMRC for payments amounting to £3,412,751 which was repaid in full by 31 March 2021.

7. *Auditor's Remuneration*

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual financial statements were £136,000 (FY19: £110,000) and £22,000 (FY19: £20,000) for other audit-related services.

Fees payable to Deloitte LLP and their associates for taxation compliance services were £36,000 (FY19: £36,000) and tax *advisory services were £34,000 (FY19: £57,000). Fees payable for JSOX audit services were £39,000 (FY19: £39,000).*

8. Staff Costs

The average monthly number of employees (including executive directors) was:

	29 March 2020 to 27 March 2021 No.	31 March 2019 to 28 March 2020 No.
Operational	1,083	1,153
Operational Management	79	83
Central Services	135	132
	1,297	**1,368**

Their aggregate remuneration comprised:

	Note	29 March 2020 to 27 March 2021 £'000	31 March 2019 to 28 March 2020 £'000
Wages and Salaries		41,225	41,147
Social Security Costs		4,450	4,279
Pension Costs - Defined Contribution Scheme	26	2,861	3,020
		48,536	**48,446**

9. Directors' Remuneration

The directors' remuneration for the period was as follows:

	29 March 2020 to 27 March 2021 £'000	31 March 2019 to 28 March 2020 £'000
Salaries, Fees, Bonuses and Benefits in Kind	635	609
Value of Company Pension Contributions to Money Purchase Schemes	11	11
	646	**620**

During the period the number of directors who were receiving benefits and share incentives was as follows:

	29 March 2020 to 27 March 2021 No.	31 March 2019 to 28 March 2020 No.
Accruing Benefits under Money Purchase Pension Scheme	1	1
	1	**1**

In respect of the highest paid director:

	29 March 2020 to 27 March 2021 £'000	31 March 2019 to 28 March 2020 £'000
Remuneration	286	220
Benefits Receivable under Long-Term Incentive Scheme	28	28
	314	**248**

At the start of the year, an interest free unsecured loan balance of £11,247 was held by a Director which was part repaid during the year and the value outstanding as at 27 March 2021 was £6,243. The remainder balance will be paid back to the Company on a fixed monthly amount of £417 within 2 years.

In addition to the above, Yusen Logistics (UK) Limited receives charges from Yusen Logistics Co Ltd for the services of Mr. M. Kobayashi as a director. This equates to an equivalent of £96,000 (FY19: £110,000).

The Company was charged a management service fee by Yusen Logistics (Europe) B.V. which included elements of cost relating to Company directors employed by Yusen Logistics (Europe) B.V. It is not possible to identify separately that part of the charges relating to the directors' emoluments paid by Yusen Logistics (Europe) B.V.

10. Finance Income and Costs

	29 March 2020 to 27 March 2021 £'000	31 March 2019 to 28 March 2020 £'000
Finance Income		
Interest Income from Group Cash Pooling Facility	-	17
Interest Income from Group Loans	12	101
Net Finance Charge in Respect of Defined Benefit Pension Scheme	102	64
Other Finance Income	1	259
Total Finance Income	**115**	**441**
Finance Costs		
Interest Payable on Group Cash Pooling Facility	-	(44)
Interest Payable on Group Loans	(107)	(192)
Interest Payable on Bank Loans	(29)	(147)
Other Finance Costs	(66)	(207)
Interest Charge on Right-Of-Use Assets	(1,219)	(1,283)
Total Finance Costs	**(1,421)**	**(1,873)**
Net Finance Cost	**(1,306)**	**(1,432)**

11. Gain on Sale and Leaseback

In order to repay outstanding borrowings and improve the Company's net working capital position, facilitating further investment in technological and business advancements for the future, the Company sold one of its freehold facilities to UK Warehouse Properties Ltd C/O Alter Domus (UK) Ltd and agreed to lease the property back for the next 5 years. The sale was completed on 23 October at which date the ownership of the facility was transferred to the acquirer, with no repurchase option available.

The following gain was recognised:

	£'000
Proceeds from Sale	27,200
Cost of Sale	(1,266)
Derecognised Asset Carrying Value	(12,511)
Right-Of-Use Asset Retained	3,817
Lease Liability Recognised	(8,300)
Net Income	**8,940**

The leaseback was treated in accordance with IFRS 16 resulting in a right-of-use asset and lease liability being recorded in the financial statements with the cost being depreciated over a 5-year period. As a result, the following transactions were made under IFRS 16 to recognise the lease on 23 October:

	£'000
Right-of-Use Asset Cost	3,817
Lease Liability	(8,300)

12. Tax

Tax charged for the period in the income statement:

	Note	29 March 2020 to 27 March 2021 £'000	31 March 2019 to 28 March 2020 £'000
Current Taxation			
UK Corporation Tax		1,399	634
Over Provision in Prior Period (UK Corporation Tax)		(215)	(4)
Foreign Tax		12	24
Total Current Income Tax		**1,196**	**654**
Deferred Taxation	22		
Origination and Reversal of Timing Differences		(97)	(46)
Under / (Over) Provision in Prior Period		510	(255)
Changes to Deferred Tax Rates		202	132
Total Deferred Tax		**615**	**(169)**
Tax Charge to Income Statement		1,811	485
Tax Charge to Other Comprehensive Income		(701)	210
Total Tax Charge		**1110**	**695**

The tax on profit before tax for the period is lower (FY19: higher) than the standard rate of corporation tax in the UK of 19% (FY19: 19%) due to required adjustments.

The charge for the period can be reconciled to the profit in the income statement as follows:

	29 March 2020 to 27 March 2021 £'000	31 March 2019 to 28 March 2020 £'000
Profit Before Tax	**13,468**	**2,384**
Corporation Tax at Standard Rate	2,559	453
Over Provision in Prior Period (UK Corporation Tax)	(215)	(4)
Capital Loss Relief Utilised on Gain on Sale and Leaseback	(1,335)	-
Effect of Expenses not Deductible in Determining Taxable Profit	185	159
Income Tax in Higher Rate Jurisdictions	2	1
Rate Changes and Prior Period Deferred Tax Movement	615	(124)
Tax Expense for the Period	**1,811**	**485**

Legislation was introduced to amend the main rate of corporation tax from 17% to 19% for FY18. There have been no changes in the rate during FY20. It had been proposed that the rate of Corporation tax should be increased to 25% from FY23 however, the rate has not yet been substantively enacted therefore deferred tax continues to be measured at 19%.

13. Intangible Assets

	Software and Licences £'000
Cost or Valuation	
At 29 March 2020	5,934
Additions: External	110
At 27 March 2021	6,044
Amortisation	
At 29 March 2020	5,620
Amortisation Charge	155
At 27 March 2021	5,775
Carrying Amount	
At 27 March 2021	269
At 28 March 2020	314

At the period end, the following values in relation to assets in construction were included in intangible fixed asset cost:

- £79,000 (FY19: £28,000) included in software and licences additions cost.
- £38,000 (FY19: £52,000) included in brought forward software and licences cost.

14. *Property, Plant and Equipment*

	Freehold Property £'000	Improvements to Leasehold Property £'000	Motor Vehicles £'000	Equipment £'000	Furniture and Fixtures £'000	Total £'000
Cost or Valuation						
At 29 March 2020	25,067	17,031	4,245	3,413	7,527	57,283
Additions	46	2,175	142	250	1,302	3,915
Disposals	(16,810)	-	(21)	-	(304)	(17,135)
At 27 March 2021	**8,303**	**19,206**	**4,366**	**3,663**	**8,525**	**44,063**
Depreciation						
At 29 March 2020	7,358	10,660	2,879	2,830	5,909	29,636
Charge for the Period	368	1,673	380	230	646	3,297
Eliminated on Disposal	(4,323)	-	(21)	-	(147)	(4,491)
At 27 March 2021	**3,403**	**12,333**	**3,238**	**3,060**	**6,408**	**28,442**
Carrying Amount						
At 27 March 2021	4,900	6,873	1,128	603	2,117	15,621
At 28 March 2020	17,709	6,371	1,366	583	1,618	27,647

At the period end, the following values in relation to assets in construction were included in fixed asset cost:

- £30,000 (FY19: £nil) included in brought forward furniture and fixtures additions cost.
- £208,000 (FY19: £102,000) included in furniture and fixtures additions cost.
- £28,000 (FY19: £28,000) included in brought forward improvements to leasehold property cost.
- £331,000 (FY19: £39,000) included in improvements to leasehold property additions cost.

15. Leases: Right-of-Use Assets

The Company has leases for warehouse buildings and related facilities, motor vehicles, equipment and fixtures and fittings. Except for short-term leases and low underlying value assets, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability. The Company classifies its right-of-use assets in a manner consistent to property, plant and equipment (note 14). All leases are integral to supporting the Company's trading activities.

The Company has entered into some leases with termination or extension options and the possibility of exercising these options have been carefully considered during the assessment of the lease terms. The Company does not have any leases with variable or residual value payments.

The table below illustrates the Company's leasing activities by type of right-of-use assets recognised in the statement of financial position:

Right-of-Use Asset	Number of Right-of-Use Assets Leased	Range of Lease Term	Average Term Remaining
Buildings	16	3 to 25 years	3 years
Motor Vehicles	149	2 to 7 years	2 years
Equipment	168	3 to 7 years	4 years
Furniture and Fixtures	6	3 to 5 years	2 years

Right-of-Use Assets

	Property £'000	Motor Vehicles £'000	Furniture and Fixtures £'000	Office Equipment £'000	Total £'000
Cost					
At 29 March 2020	42,855	4,888	4,046	21	51,810
Additions	5,455	635	258	177	6,525
Disposals	-	(355)	(315)	-	(670)
Impairment	-	-	-	-	-
At 27 March 2021	**48,310**	**5,168**	**3,989**	**198**	**57,665**
Accumulated Depreciation					
At 29 March 2020	6,653	1,617	750	5	9,025
Charge for the Year	7,077	1,534	855	44	9,510
Disposals	-	(355)	(294)	-	(649)
At 27 March 2021	**13,730**	**2,796**	**1,311**	**49**	**17,886**
Carrying Amount					
At 27 March 2021	34,580	2,372	2,678	149	39,779
At 28 March 2020	36,202	3,271	3,296	16	42,785

The maturity analysis of lease liabilities is presented in note 20.

16. Investment in Subsidiary

	£'000
Cost	
At 29 March 2020	17,731
Additions	-
Disposals	-
At 27 March 2021	**17,731**
Provisions for Impairment	
At 29 March 2020 and 27 March 2021	-
Carrying Amount	
At 27 March 2021	17,731
At 28 March 2020	17,731

The brought forward investment balance represents the acquisition of ILG Holdings Ltd.

Yusen Logistics (UK) Limited are exempt from the preparation of consolidated financial statements, in accordance with section 401 of the Companies Act, 2006. This is on the basis that the Company is a wholly-owned subsidiary of the ultimate parent undertaking, Nippon Yusen Kabushiki Kaisha, which is a Company established under the law of a non-EEA state (see the registered address of Nippon Yusen Kabushiki Kaisha in note 27). The subsidiaries have been included in the consolidated financial statements of Nippon Yusen Kabushiki Kaisha.

Related Undertakings Disclosure

The parent Company and the Company have investments in the following subsidiary undertakings.

- ILG Holdings Limited, principal place of business and country of incorporation is the UK, registered address being *Logistics House, Charles Avenue, Burgess Hill, West Sussex, England* RH15 9TQ.
- International Logistics Group Limited, principal place of business and country of incorporation is the UK, registered address being Logistics House, Charles Avenue, Burgess Hill, West Sussex, England RH15 9TQ.

	Holding	Holding %	Capital and Reserves £'000	Profit for Period £'000
Subsidiary Undertakings				
ILG Holdings Ltd	1,000,000 Ordinary Shares 788,187 Preference Shares	100	2,827	208
International Logistics Group Ltd	44,502 Ordinary Shares	100	12,466	6,337

- Numbers mentioned in the above table are based on unaudited financial information.

17. *Inventories*

	27 March 2021 £'000	28 March 2020 £'000
Fuel	207	238

18. Trade and Other Receivables

	27 March 2021 £'000	28 March 2020 £'000
Amounts Falling Due Within 1 Year		
Trade Receivables	39,566	34,630
Prepayments and Accrued Income	15,509	11,136
Other Receivables	674	190
Amounts Owed by Group Undertakings:		
Parent	4,577	3,389
Subsidiary	545	3,688
Other Group Companies	4,423	3,158
	65,294	**56,191**
Amounts Falling Due After 1 Year		
Guarantee Deposits	25	21
Total Trade and Other Receivables	**65,319**	**56,212**

£3,716,000 *(FY19: £2,311,000)* within amounts owed by Group undertakings relates to a *EUR* cash pooling arrangement supported by the Group. This credit facility was renewed on 31 March 2021 and is guaranteed by Yusen Logistics Co., Ltd. Interest is charged on the use of the credit facility at the EONIA rate + 0.425% per annum (minimum 0.425%). The Company receives interest on debit balances at the higher of the EONIA rate - 0.325% or 0%.

£855,000 (FY19: £513,000) within amounts owed by Group undertakings relates to a USD cash pooling arrangement within the Group. The Company has no credit facility associated with this arrangement. The Company receives interest on debit balances at the higher of the effective federal funds rate - 0.05% or 0%.

£nil (FY19: £2,400,000) within amounts owed by Group undertakings relates to a loan made to JLG Holdings Limited as part of the acquisition deal, to settle third party financing. The Company received interest on this loan at a rate of 2.03% per annum, and the loan was fully repaid in July 2020.

The remaining amounts due from parent, subsidiary and other group undertakings are unsecured, interest free and have no fixed date of repayment.

19. Trade and Other Payables

	27 March 2021 £'000	28 March 2020 £'000
Amounts Falling Due Within 1 Year		
Overdrafts	912	4,253
Trade Payables	16,295	10,816
Other Taxation and Social Security	5,329	6,570
Accruals and Deferred Income	24,505	16,310
Other Payables	2,074	1,716
Amounts Owed to Group Undertakings:		
Parent Company	951	1,030
Subsidiary	1	5
Other Group Companies	-	6,147
	50,067	46,847
Current Portion of Borrowings		
From Subsidiary	-	-
From Other Group Companies	-	17,500
Bank Borrowings	-	1,810
	-	19,310
Total Trade and Other Payables	50,067	66,157

£912,000 (FY19: £4,253,000) overdraft and £nil (FY19: £1,588,000) within amounts owed to other group undertakings relate to a cash pooling arrangement supported by the group. This credit facility was renewed on 31 March 2021 and is guaranteed by Yusen Logistics Co., Ltd. Interest is charged on the use of the credit facility at the Bank of England base rate + 0.3% per annum.

Borrowings from another group company represented an unsecured intra-group company loan. The loan including interest was fully repaid in October 2020. Bank loans were also fully repaid including interest during the financial year.

	27 March 2021 £'000	28 March 2020 £'000
Amounts Falling Due After 1 Year		
Bank Borrowings	-	460
	-	460

20. Lease liabilities

Lease liabilities are presented in the balance sheet as follows:

Liabilities	Property £'000	Motor Vehicles £'000	Furniture and Fixtures £'000	Office Equipment £'000	Total £'000
At 28 March 2020	39,578	3,423	3,052	17	46,070
Additions	9,932	552	280	166	10,930
Interest Expense	1,065	71	81	3	1,220
Lease Payments	(9,578)	(1,542)	(560)	(44)	(11,724)
Disposals	-	(151)	(122)	-	(273)
At 27 March 2021	**40,997**	**2,353**	**2,731**	**142**	**46,223**

Analysed as:	27 March 2021 £'000
Non-current	35,721
Current	10,502
	46,223

Maturity Analysis:	27 March 2021 £'000
Year 1	10,503
Year 2	10,206
Year 3	8,232
Year 4	7,740
Year 5	4,239
Onwards	5,303
	46,223

During the year, capital repayments of £11,724,000 were made towards right-of-use assets lease liabilities.

At the year end, the Company did not have any committed leases that were yet to commence.

The weighted average incremental borrowing rate for lease liabilities initially recognised as of 29 March 2020 was 2.63% p.a.

21. Provisions

	27 March 2021 £'000	28 March 2020 £'000
Asset Retirement Obligation	7,615	5,758
Contingent Consideration	-	4,035
Other Provisions	310	259
	7,925	10,052
Current	1,762	5,859
Non-Current	6,163	4,193
	7,925	10,052

	Asset Retirement Obligations £'000	Contingent consideration £'000	Other Provisions £'000	Total £'000
At 28 March 2020	5,758	4,035	259	10,052
Additional Provisions	1,857	-	190	2,047
Provisions Used	-	(4,035)	(26)	(4,061)
Unused Provision Reversed	-	-	(113)	(113)
At 27 March 2021	**7,615**	**-**	**310**	**7,925**

Asset retirement obligations relate to property dilapidation provision. The remaining dilapidation provisions mainly relate to vehicles, trailers and manual handling equipment.

During the year, £4,035,000 earnout was paid out under the terms of the acquisition of ILG Holdings Ltd.

The remaining relate to onerous operations and customer redress and is all capable of crystallising within one year.

The estimates and associated assumptions used when calculating these provisions are based on historical experience and other factors that are considered to be relevant as at the balance sheet date. Actual results may differ from these estimates as a result of changing timescales, commercial agreements and market conditions.

No reimbursement is expected in relation to these provisions.

22. Deferred Tax

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period:

	27 March 2021 £'000	28 March 2020 £'000
Provisions	108	88
Retirement Benefit Obligation	(381)	(784)
Accelerated Tax Depreciation	(807)	(470)
Net Deferred Tax Liabilities	**(1,080)**	**(1,166)**

	28 March 2020 £'000	Charge to Income Statement £'000	Charge to Other Comprehensive Income £'000	27 March 2021 £'000
Provisions	88	20	-	108
Retirement Benefit Obligation	(784)	(298)	701	(381)
Accelerated Tax Depreciation	(470)	(337)	-	(807)
Net Deferred Tax Liabilities	**(1,166)**	**(615)**	**701**	**(1,080)**

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	27 March 2021 £'000	28 March 2020 £'000
Deferred Tax Liabilities	(1,188)	(1,254)
Deferred Tax Assets	108	88
	(1,080)	(1,166)

The deferred tax assets have been recognised and are expected to be recoverable as future taxable profits are expected to be earned by the Company in excess of the deferred taxation asset. There is no expiry period applicable to the deferred tax assets.

At the balance sheet date, the group has unused capital tax losses of £nil (FY19: £6,607,000) which do not expire, available for offset against future capital profits. During the year, tax losses amounting to £6,607,000 were fully utilised against current year capital profits.

23. Called-Up Share Capital

	27 March 2021		28 March 2020	
	No.	*£'000*	*No.*	*£'000*
Authorised:				
Ordinary Shares of £1 each	24,330,000	24,330	24,330,000	24,330
Redeemable Shares of £1 each	20,000,000	20,000	20,000,000	20,000
	44,330,000	**44,330**	**44,330,000**	**44,330**
Issued and Fully Paid:				
Ordinary Shares of £1 each	24,330,000	24,330	24,330,000	24,330
Redeemable Shares of £1 each	19,800,000	19,800	19,800,000	19,800
	44,130,000	**44,130**	**44,130,000**	**44,130**

The redeemable shares are redeemable at par under the requirements of the Companies Act, 2006 and by agreement between the Company and its shareholder and are therefore, regarded as equity.

There are two classes of shares held by the business, being ordinary shares and redeemable shares. However, as 100% of the share capital is owned by the immediate parent company, Yusen Logistics Europe B.V., the rights, preferences and restrictions attached to these shares do not have an impact on the business.

24. Reserves

Retained earnings represent cumulative profits or losses net of dividends paid and other adjustments.

25. Commitments

Capital Commitments

At 27 March 2021, the total amount contracted for but not provided in the financial statements was £15,000 (FY19: £nil) for the purchase of tangible assets and £54,000 (FY19: £nil) for the purchase of intangible assets.

26. Retirement Benefit Schemes

Defined Contribution Pension Schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. The total cost of £2,862,000 (FY19: £3,020,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 27 March 2021, contributions of £241,000 (FY19: £254,000) due in respect of the current reporting period had not been paid over to the scheme.

Defined Benefit Pension Schemes

The Company operates a UK registered trust-based pension scheme that provides defined benefits, which was closed to future accrual on 30 June 2017 having previously closed to new entrants. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier). The Trustees are responsible for running the Scheme in accordance with the Scheme's Trust Deed and Rules, which sets out their powers. The Trustees of the Scheme are required to act in the best interest of the beneficiaries of the Scheme. There is a requirement that at least one-third of the Trustees are nominated by members of the Scheme. There are no minimum funding requirements or asset ceilings for the plan.

The assets of the scheme are administered by trustees in funds independent of the Company.

The most recent formal actuarial valuation as at 5 April 2020 has been updated to 27 March 2021 by a qualified independent actuary.

The liabilities of the defined benefits scheme are valued by projecting the best estimate of future benefit outflow (allowing for revaluation to retirement for deferred members and annual pension increases for all members) and then discounting to the balance sheet date.

The scheme assets are invested with Legal & General Investment Management, Allianz Global Investors and Pictet Asset Management.

Through the scheme, the Company is exposed to a number of risks: asset volatility, changes in bond yields, inflation risk and life expectancy. The Company and Trustees of the scheme manage these risks through ensuring that investments are well diversified, reviewing the investment strategy on a regular basis and investing in liability driven investment assets whose long-term investment returns are expected to hedge interest rate and inflation rate movements.

The major assumptions used by the actuary are:

	27 March 2021 %	28 March 2020 %
Rate of Increase in Pensions Payment:		
• Pre 1997	3.30	2.50
• Post 1997	3.30	2.50
Discount Rate	1.80	2.35
Inflation Assumption	3.40	2.60

Mortality Assumptions

The assumed life expectations on retirement at age 65 are:

	27 March 2021 Years	28 March 2020 Years
Retiring Today:		
Males	86.9	85.7
Females	89.3	87.8
Retiring in 20 Years:		
Males	88.2	87.7
Females	90.7	90.0

The sensitivities regarding the principal assumption used to measure the scheme liabilities are set out below:

Assumption	Change in Assumption	Impact on Scheme Liabilities
Discount Rate	Increase by 1%	Decrease by 13%
RPI Rate	Increase by 1%	Increase by 5%
Age Rating	Add One Year	Increase by 5%

The calculations are an approximation and are provided by the scheme actuary. Each assumption change is considered in isolation, which in practice is unlikely to occur as some of the assumptions are correlated.

Amounts recognised in the income statement in respect of these defined benefit schemes are as follows:

	27 March 2021 £'000	28 March 2020 £'000
Interest Cost	908	947
Expected Return on Scheme Assets	(1,010)	(1,011)
Total Operating Income	**(102)**	**(64)**

Of the net charge for the period, a cost of £nil (FY19: £nil) was recognised within staff costs (within administrative costs) and net interest income of £102,000 (FY19: £64,000) was recognised within finance income. The remeasurement of the net defined benefit obligation is included in the statement of comprehensive income.

The actual return on scheme assets was a gain of £4,642,000 (FY19: £518,000 gain).

Amounts recognised in the statement of comprehensive income in respect of these defined benefit schemes are as follows:

	27 March 2021 £'000	28 March 2020 £'000
Experience Adjustments Gain	(969)	(108)
Changes in Demographic Assumptions	2,036	108
Changes in Financial Assumptions	5,192	(1,600)
Actuarial Loss / (Gain) on Scheme Assets	(3,632)	493
Total Actuarial Loss	**2,627**	**(1,107)**

The amount included in the balance sheet arising from the Company's obligations in respect of its defined benefit retirement benefit scheme is as follows:

	27 March 2021 £'000	28 March 2020 £'000
Present Value of Funded Obligation	44,823	39,622
Fair Value of Scheme Assets	(46,828)	(43,752)
Surplus in Scheme Recognised in the Balance Sheet	**(2,005)**	**(4,130)**

Movements in the present value of defined benefit obligations were as follows:

	27 March 2021 £'000	28 March 2020 £'000
At Beginning of the Period	39,622	42,087
Past Service Cost	-	-
Interest Cost	908	947
Benefits Paid	(1,966)	(1,812)
Actuarial Loss / (Gain) on Scheme Liabilities:		
• Experience Adjustments	(969)	(108)
• Changes in Demographic Assumptions	2,036	108
• Changes in Financial Assumptions	5,192	(1,600)
At the End of the Period	**44,823**	**39,622**

Movements in the fair value of scheme assets were as follows:

	27 March 2021 £'000	28 March 2020 £'000
At Beginning of the Period	43,752	44,646
Expected Return on Scheme Assets	1,010	1,011
Actuarial Gain / (Loss) on Scheme Assets	3,632	(493)
Contributions by the Company	400	400
Benefits Paid	(1,966)	(1,812)
At the End of the Period	**46,828**	**43,752**

The analysis of the scheme assets and the expected rate of return at the balance sheet date were as follows:

	27 March 2021 £'000	28 March 2020 £'000
Diversified Growth Funds	17,545	24,273
Liability Driven Investment Holdings	10,945	11,682
Diversified Credit Funds	9,217	7,463
Cash	9,121	334
	46,828	**43,752**

Following an investment review during 2019 it was agreed that the Scheme assets would be invested in managed funds with Legal & General Investment Management, Pictet Asset Management and Allianz Global Investors. Approximately 60% of the Legal & General Investment Management assets are invested in Liability Driven Investments, with the remainder invested in a Global Equity Fund or a Diversified Growth Fund. The assets held with Pictet Asset Management are held in an actively managed Diversified Growth Fund. The assets held with Allianz Global Investors are held in an actively managed Diversified Credit Fund.

The five-year history of experience adjustments is as follows:

	2021	2020	2019	2018	2017
Present Value of Defined Benefit Obligations (£'000)	(44,823)	(39,622)	(42,087)	(41,735)	(42,655)
Fair Value of Scheme Assets (£'000)	46,828	43,752	44,646	43,511	43,109
Surplus in the Scheme (£'000)	**2,005**	**4,130**	**2,559**	**1,776**	**454**
Experience Adjustments on Scheme Liabilities (£'000)	(969)	(108)	72	746	(137)
Present Value of the Scheme Liabilities (%)	2	-	-	(2)	-
Experience Adjustments on Scheme Assets (£'000)	3,632	(493)	1,210	(418)	4,192
Present Value of the Scheme Assets (%)	8	(1)	3	(1)	10

The employer's best estimate of contributions to be paid to the scheme by the Company in the next financial period is £400,000.

The most recently completed triennial actuarial valuation as at 5 April 2020 was completed by the scheme actuary for the trustees of the scheme. This valuation revealed a funding shortfall of £0.1 million. The Company has agreed to continue paying contributions of £400,000 each year until 31 March 2024.

The Company estimates that the overall duration of the scheme liabilities as at 27 March 2021 was around 12 years.

27. Controlling Party

The Company's immediate parent company is Yusen Logistics (Europe) B.V, Taurusavenue 27 t/m 27 A, 2132LS Hoofddorp, the Netherlands. Yusen Logistics (Europe) B.V. are incorporated in the Netherlands.

The smallest and largest group of undertakings for which consolidated financial statements are prepared, in which these financial statements are consolidated, are those of the ultimate parent company, Nippon Yusen Kabushiki Kaisha, incorporated in Japan. The Company's ultimate controlling party is the same as the ultimate parent company. The consolidated financial statements of this group are available to the public and may be obtained from the registered head office, 3-2, Marunouchi 2-chome, Chiyoda-Ku, Tokyo, 100-0005 Japan.

The ultimate parent company is listed on the Tokyo Stock Exchange.

28. Related Party Transaction

As a qualifying entity, the Company has taken advantage of the exemption given by Financial Reporting Standard 101 not to disclose transactions between entities where 100% of the voting rights are controlled within the Nippon Yusen Kabushiki Kaisha group.

29. Subsequent Events

The Company has evaluated the subsequent events occurring after the year end date of 27 March 2021 and determined that there have been no such events that have occurred which would require additional adjustments to our disclosures reported in the financial statements.

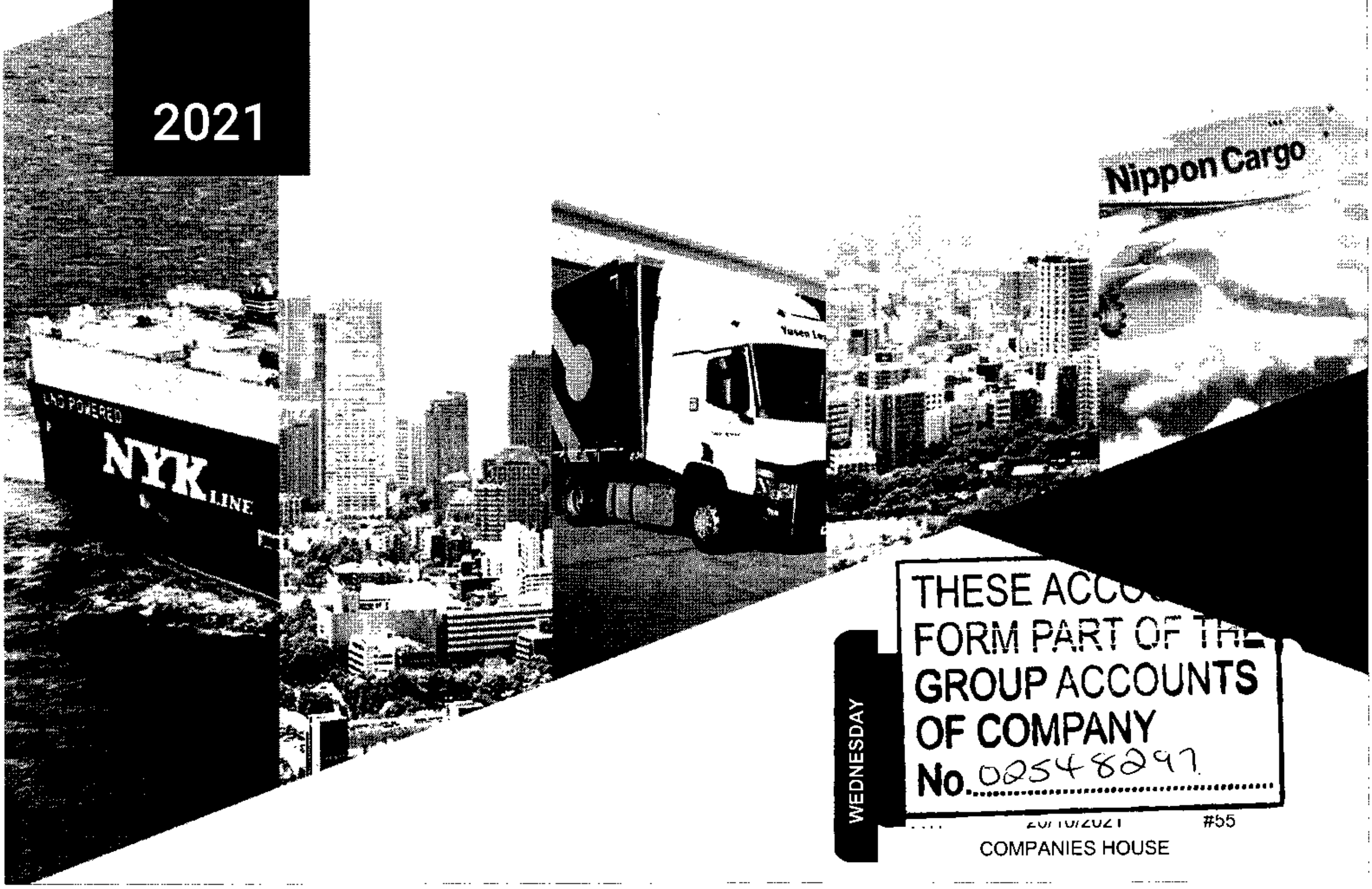
NYK GROUP

Nippon Yusen Kabushiki Kaisha

Financial Results

Year Ended March 31, 2021

2021



Consolidated Balance Sheet

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(March 31, 2021)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
ASSETS			
CURRENT ASSETS:			
Cash and deposits (Notes 4 and 13, 14)	**¥ 107,369**	¥ 81,861	**$ 969,824**
Notes and operating accounts receivable–trade (Notes 4 and 13)	**234,909**	191,813	**2,121,845**
Short-term investment securities (Notes 4 and 5)	**144**	134	**1,309**
Inventories (Notes 7 and 13)	**37,619**	32,532	**339,799**
Deferred and prepaid expenses	**56,438**	61,162	**509,785**
Other	**104,108**	77,091	**940,374**
Allowance for doubtful accounts (Note 4)	**(2,101)**	(2,173)	**(18,985)**
Total current assets	**538,488**	442,421	**4,863,953**
NON-CURRENT ASSETS:			
VESSELS, PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION (Notes 8, 10, 11, and 13):			
Vessels	**534,378**	603,317	**4,826,829**
Buildings and structures	**109,198**	107,643	**986,350**
Aircraft	**35,838**	38,023	**323,712**
Machinery, equipment, and vehicles	**26,040**	28,856	**235,209**
Furniture and fixtures	**5,303**	5,145	**47,900**
Land	**86,912**	83,504	**785,050**
Construction in progress	**44,704**	44,903	**403,797**
Other	**5,314**	4,935	**47,999**
Total vessels, property, plant and equipment	**847,689**	916,329	**7,656,850**
INTANGIBLE ASSETS:			
Leasehold right	**4,912**	4,926	**44,371**
Software (Note 13)	**5,768**	5,915	**52,103**
Goodwill	**10,190**	11,055	**92,049**
Other	**3,408**	3,670	**30,783**
Total intangible assets	**24,279**	25,568	**219,308**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4, 5, 9, and 13)	**578,892**	449,267	**5,228,904**
Long-term loans receivable (Note 4)	**21,393**	11,876	**193,235**
Net defined benefit asset (Note 27)	**60,339**	41,430	**545,020**
Deferred tax assets (Note 15)	**6,110**	4,910	**55,197**
Other (Note 13)	**53,393**	46,694	**482,286**
Allowance for doubtful accounts (Note 4)	**(5,350)**	(5,567)	**(48,326)**
Total investments and other assets	**714,779**	548,611	**6,456,318**
Total non-current assets	**1,586,748**	1,490,509	**14,332,477**
DEFERRED ASSETS	**243**	333	**2,200**
TOTAL ASSETS	**2,125,480**	1,933,264	**19,198,631**

See notes to consolidated financial statements

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
LIABILITIES			
CURRENT LIABILITIES:			
Notes and operating accounts payable–trade (Note 4)	**¥ 168,690**	¥ 137,911	**$ 1,523,711**
Current portion of bonds payable (Notes 4 and 12)	**25,000**	20,000	**225,815**
Short-term loans payable (Notes 4, 12, and 13)	**161,045**	162,675	**1,454,661**
Commercial papers	**–**	19,000	**–**
Leases liabilities (Notes 4 and 12)	**19,477**	18,740	**175,931**
Income taxes payable	**14,390**	5,340	**129,980**
Advances received	**36,405**	39,349	**328,837**
Provision for bonuses	**14,063**	9,360	**127,033**
Provision for directors' bonuses	**366**	310	**3,306**
Provision for stock payment	**170**	–	**1,535**
Provision for losses related to contracts	**14,364**	–	**129,744**
Provision for related to business restructuring	**3**	20	**34**
Other	**88,286**	60,906	**797,455**
Total current liabilities	**542,262**	473,615	**4,898,048**
NON-CURRENT LIABILITIES:			
Bonds payable (Notes 4 and 12)	**107,000**	132,000	**966,489**
Long-term loans payable (Notes 4, 12, and 13)	**560,913**	616,234	**5,066,509**
Leases liabilities (Notes 4 and 12)	**77,707**	81,203	**701,897**
Deferred tax liabilities (Note 15)	**64,718**	44,632	**584,576**
Net defined benefit liability (Note 27)	**16,697**	15,920	**150,818**
Provision for directors' retirement benefits	**979**	1,067	**8,843**
Provision for stock payment	**551**	285	**4,982**
Provision for periodic dry docking of vessels	**14,595**	18,536	**131,831**
Provision for losses related to contracts	**52,071**	23,078	**470,341**
Provision for related to business restructuring	**927**	1,001	**8,379**
Provision for loss on guarantees	**–**	224	**–**
Other	**19,645**	26,624	**177,446**
Total non-current liabilities	**915,805**	960,809	**8,272,115**
Total liabilities	**1,458,068**	1,434,424	**13,170,164**
EQUITY (Notes 16 and 31)			
SHAREHOLDERS' CAPITAL:			
Common stock	**144,319**	144,319	**1,303,584**
Capital surplus	**44,214**	45,737	**399,373**
Retained earnings	**444,801**	311,892	**4,017,713**
Treasury stock	**(3,381)**	(3,429)	**(30,539)**
Total shareholders' capital	**629,954**	498,520	**5,690,131**
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):			
Unrealized gain (loss) on available-for-sale securities	**22,004**	9,474	**198,758**
Deferred gain (loss) on hedges	**(29,187)**	(27,752)	**(263,641)**
Foreign currency translation adjustments	**(11,365)**	(18,966)	**(102,659)**
Remeasurements of defined benefit plans	**13,927**	1,388	**125,798**
Total accumulated other comprehensive income (loss)	**(4,621)**	(35,856)	**(41,744)**
Non-controlling interests	**42,078**	36,175	**380,079**
Total equity	**667,411**	498,839	**6,028,467**
TOTAL LIABILITIES AND EQUITY	**2,125,480**	1,933,264	**19,198,631**

	Yen		U.S. dollars (Note 2)
	2021	2020	2021
Equity per share	**¥3,703.27**	¥2,740.41	**$33.45**

See notes to consolidated financial statements

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(Year ended March 31, 2021)

(Consolidated Statement of Income)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
REVENUES	**¥1,608,414**	¥1,668,355	**$14,528,175**
COSTS AND EXPENSES (Notes 19 and 22)	**1,375,232**	1,461,434	**12,421,935**
Gross profit	**233,181**	206,921	**2,106,239**
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Notes 18 and 22)	**161,644**	168,225	**1,460,071**
Operating profit	**71,537**	38,696	**646,167**
NON-OPERATING INCOME:			
Interest income	**2,385**	3,576	**21,544**
Dividend income	**5,552**	7,826	**50,151**
Equity in earnings of unconsolidated subsidiaries and affiliates	**155,928**	22,517	**1,408,437**
Foreign exchange gains	**719**	–	**6,499**
Other	**5,530**	3,387	**49,954**
Total non-operating income	**170,115**	37,306	**1,536,586**
NON-OPERATING EXPENSES:			
Interest expenses	**15,978**	25,958	**144,330**
Foreign exchange losses	**–**	1,399	**–**
Derivative losses	**8,363**	2,739	**75,539**
Other	**1,974**	1,419	**17,837**
Total non-operating expenses	**26,316**	31,516	**237,707**
Recurring profit	**215,336**	44,486	**1,945,046**
OTHER GAINS:			
Gain on sales of non-current assets (Note 20)	**42,009**	29,245	**379,451**
Other	**5,609**	8,203	**50,669**
Total other gains	**47,618**	37,448	**430,121**
OTHER LOSSES:			
Loss on sales of non-current assets (Note 21)	**671**	530	**6,069**
Impairment loss (Note 17)	**24,385**	20,655	**220,267**
Provision for losses related to contracts (Note 23)	**54,955**	–	**496,393**
Other	**12,523**	18,224	**113,118**
Total other losses	**92,536**	39,410	**835,848**
PROFIT BEFORE INCOME TAXES	**170,418**	42,525	**1,539,319**
Income taxes - Current	**15,000**	1,359	**135,489**
Income taxes - Deferred	**9,102**	5,466	**82,220**
Total income taxes (Note 15)	**24,102**	6,825	**217,709**
PROFIT	**146,315**	35,699	**1,321,609**
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**7,086**	4,569	**64,012**
PROFIT ATTRIBUTABLE TO OWNERS OF PARENT	**139,228**	31,129	**1,257,596**

Per share of common stock (Note 3 M)	Yen		U.S. dollars (Note 2)
Basic profit	**¥824.55**	¥184.39	**$7.45**
Cash dividends applicable to the year	**200.00**	40.00	**1.81**

(Consolidated Statement of Comprehensive Income)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Profit	**¥146,315**	¥ 35,699	**$1,321,609**
Other comprehensive income (Note 24)			
Unrealized gain (loss) on available-for-sale securities	**12,339**	(13,577)	**111,455**
Deferred gain (loss) on hedges	**1,992**	(5,745)	**17,993**
Foreign currency translation adjustments	**9,286**	(6,335)	**83,882**
Remeasurements of defined benefit plans	**12,678**	(11,319)	**114,516**
Share of other comprehensive income of associates accounted for using equity method	**(4,398)**	(9,939)	**(39,731)**
Total other comprehensive income	**31,897**	(46,916)	**288,116**
Comprehensive income	**178,212**	(11,216)	**1,609,725**
Comprehensive income attributable to owners of parent	**170,463**	(14,940)	**1,539,726**
Comprehensive income attributable to non-controlling interests	**7,749**	3,723	**69,999**

See notes to consolidated financial statements

Consolidated Statement of Changes in Equity

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(Year ended March 31, 2021)

	Millions of yen											
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' capital	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, April 1, 2019	¥144,319	¥42,894	¥293,719	¥(3,715)	¥477,218	¥ 23,156	¥(15,685)	¥ (9,988)	¥ 12,731	¥ 10,214	¥34,293	¥521,725
Cumulative effects of changes in accounting policies	–	–	(8,505)	–	(8,505)	–	–	–	–	–	(355)	(8,860)
Restated balance, April 1, 2019	144,319	42,894	285,214	(3,715)	468,713	23,156	(15,685)	(9,988)	12,731	10,214	33,937	512,865
Dividends from surplus	–	–	(5,087)	–	(5,087)	–	–	–	–	–	–	(5,087)
Profit attributable to owners of the parent company	–	–	31,129	–	31,129	–	–	–	–	–	–	31,129
Purchase of treasury stock	–	–	–	(482)	(482)	–	–	–	–	–	–	(482)
Disposal of treasury stock	–	(0)	–	768	768	–	–	–	–	–	–	768
Change in equity of parent related to transactions with non-controlling shareholders	–	2,844	–	–	2,844	–	–	–	–	–	–	2,844
Adjustments due to change in the fiscal period of consolidated subsidiaries	–	–	22	–	22	–	–	–	–	–	–	22
Change in scope of consolidation	–	–	65	–	65	–	–	–	–	–	–	65
Change in scope of equity method	–	–	(177)	–	(177)	–	–	–	–	–	–	(177)
Decrease by merger	–	–	–	–	–	–	–	–	–	–	–	–
Other	–	(1)	723	–	722	–	–	–	–	–	–	722
Net change of items other than shareholders' capital	–	–	–	–	–	(13,682)	(12,067)	(8,978)	(11,342)	(46,070)	2,237	(43,833)
Total changes of items during the period	–	2,843	26,677	286	29,807	(13,682)	(12,067)	(8,978)	(11,342)	(46,070)	2,237	(14,025)
Balance, March 31, 2020	144,319	45,737	311,892	(3,429)	498,520	9,474	(27,752)	(18,966)	1,388	(35,856)	36,175	498,839
Dividends from surplus	–	–	**(6,782)**	–	**(6,782)**	–	–	–	–	–	–	**(6,782)**
Profit attributable to owners of the parent company	–	–	**139,228**	–	**139,228**	–	–	–	–	–	–	**139,228**
Purchase of treasury stock	–	–	–	**(15)**	**(15)**	–	–	–	–	–	–	**(15)**
Disposal of treasury stock	–	**3**	–	**62**	**66**	–	–	–	–	–	–	**66**
Change in equity of parent related to transactions with non-controlling shareholders	–	**(297)**	–	–	**(297)**	–	–	–	–	–	–	**(297)**
Change in scope of consolidation	–	**(1,229)**	**453**	–	**(776)**	–	–	–	–	–	–	**(776)**
Other	–	–	**9**	**0**	**10**	–	–	–	–	–	–	**10**
Net change of items other than shareholders' capital	–	–	–	–	–	**12,530**	**(1,435)**	**7,601**	**12,538**	**31,234**	**5,903**	**37,138**
Total changes of items during the period	–	**(1,523)**	**132,908**	**48**	**131,433**	**12,530**	**(1,435)**	**7,601**	**12,538**	**31,234**	**5,903**	**168,571**
Balance, March 31, 2021	**144,319**	**44,214**	**444,801**	**(3,381)**	**629,954**	**22,004**	**(29,187)**	**(11,365)**	**13,927**	**(4,621)**	**42,078**	**667,411**

	Thousands of U.S. dollars (Note 2)											
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' capital	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, March 31, 2020	$1,303,584	$413,132	$2,817,198	$(30,974)	$4,502,941	$85,576	$(250,677)	$(171,317)	$12,543	$(323,874)	$326,756	$4,505,823
Dividends from surplus	–	–	**(61,263)**	–	**(61,263)**	–	–	–	–	–	–	**(61,263)**
Profit attributable to owners of the parent company	–	–	**1,257,596**	–	**1,257,596**	–	–	–	–	–	–	**1,257,596**
Purchase of treasury stock	–	–	–	**(135)**	**(135)**	–	–	–	–	–	–	**(135)**
Disposal of treasury stock	–	**31**	–	**567**	**599**	–	–	–	–	–	–	**599**
Change in equity of parent related to transactions with non-controlling shareholders	–	**(2,689)**	–	–	**(2,689)**	–	–	–	–	–	–	**(2,689)**
Change in scope of consolidation	–	**(11,102)**	**4,092**	–	**(7,009)**	–	–	–	–	–	–	**(7,009)**
Other	–	–	**88**	**3**	**92**	–	–	–	–	–	–	**92**
Net change of items other than shareholders' capital	–	–	–	–	–	**113,182**	**(12,964)**	**68,657**	**113,254**	**282,130**	**53,323**	**335,453**
Total changes of items during the period	–	**(13,759)**	**1,200,514**	**435**	**1,187,189**	**113,182**	**(12,964)**	**68,657**	**113,254**	**282,130**	**53,323**	**1,522,643**
Balance, March 31, 2021	**1,303,584**	**399,373**	**4,017,713**	**(30,539)**	**5,690,131**	**198,758**	**(263,641)**	**(102,659)**	**125,798**	**(41,744)**	**380,079**	**6,028,467**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(Year ended March 31, 2021)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
OPERATING ACTIVITIES			
Profit before income taxes	**¥ 170,418**	¥ 42,525	**$ 1,539,319**
Adjustments for:			
Depreciation and amortization	**98,803**	104,057	**892,457**
Impairment loss	**24,385**	20,655	**220,267**
Loss (gain) on sales and retirement of vessels, property, plant and equipment and intangible assets	**(41,063)**	(28,384)	**(370,912)**
Loss (gain) on sales of short-term and long-term investment securities	**(963)**	(7,179)	**(8,699)**
Loss (gain) on valuation of short-term and long-term investment securities	**4,358**	10,938	**39,369**
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	**(155,928)**	(22,517)	**(1,408,437)**
Interest and dividend income	**(7,937)**	(11,402)	**(71,695)**
Interest expenses	**15,978**	25,958	**144,330**
Foreign exchange losses (gains)	**(3,285)**	401	**(29,676)**
Decrease (increase) in notes and accounts receivable–trade	**(35,150)**	20,999	**(317,499)**
Decrease (increase) in inventories	**(4,789)**	7,041	**(43,257)**
Increase (decrease) in notes and accounts payable–trade	**25,534**	(17,712)	**230,639**
Increase (decrease) in provision for losses related to contracts	**43,357**	(12,386)	**391,628**
Other, net	**11,342**	(3,614)	**102,449**
Subtotal	**145,061**	129,380	**1,310,282**
Interest and dividend income received	**42,000**	21,851	**379,371**
Interest expenses paid	**(16,864)**	(25,866)	**(152,326)**
Paid expenses related to antitrust law	**(958)**	–	**(8,654)**
Income taxes paid	**(9,902)**	(8,434)	**(89,447)**
Net cash provided by operating activities	**159,336**	116,931	**1,439,225**
INVESTING ACTIVITIES			
Purchase of vessels, property, plant, and equipment and intangible assets	**(102,087)**	(138,766)	**(922,115)**
Proceeds from sales of vessels, property, plant and equipment and intangible assets	**76,026**	70,837	**686,719**
Purchase of investment securities	**(14,121)**	(13,728)	**(127,552)**
Proceeds from sales and redemption of investment securities	**12,916**	20,729	**116,670**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	**(579)**	–	**(5,238)**
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	**1,762**	–	**15,923**
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation (Note 14)	**(0)**	(424)	**(0)**
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation (Note 14)	**883**	379	**7,984**
Payments of loans receivable	**(19,221)**	(11,803)	**(173,619)**
Collections of loans receivable	**22,415**	15,767	**202,469**
Other, net	**5,132**	2,141	**46,360**
Net cash used in investing activities	**(16,871)**	(54,867)	**(152,396)**
FINANCING ACTIVITIES			
Net increase (decrease) in short-term loans payable	**(64,207)**	(37,136)	**(579,964)**
Net increase (decrease) in commercial papers	**(19,000)**	8,000	**(171,619)**
Proceeds from long-term loans payable	**125,187**	85,939	**1,130,773**
Repayments of long-term loans payable	**(115,651)**	(90,950)	**(1,044,632)**
Proceeds from issuance of bonds	**–**	26,856	**–**
Redemption of bonds	**(20,000)**	(30,000)	**(180,652)**
Repayments of leases liabilities	**(19,903)**	(19,275)	**(179,780)**
Proceeds from share issuance to non-controlling shareholders	**1,221**	3,271	**11,034**
Purchase of treasury stock	**(15)**	(482)	**(135)**
Proceeds from sales of treasury stock	**33**	334	**303**
Cash dividends paid to shareholders	**(6,782)**	(5,087)	**(61,263)**
Cash dividends paid to non-controlling interests	**(3,359)**	(4,436)	**(30,340)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**(925)**	–	**(8,360)**
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**–**	3,058	**–**
Other, net	**(2,081)**	(1,827)	**(18,805)**
Net cash used in financing activities	**(125,483)**	(61,733)	**(1,133,443)**
Effect of exchange rate change on cash and cash equivalents	**8,688**	(1,550)	**78,475**
Net increase (decrease) in cash and cash equivalents	**25,669**	(1,219)	**231,860**
Cash and cash equivalents at beginning of period	**77,092**	78,280	**696,341**
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	**709**	26	**6,408**
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	**122**	30	**1,107**
Increase (decrease) in beginning balance of cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries	**–**	(26)	**–**
Cash and cash equivalents at end of period (Note 14)	**103,593**	77,092	**935,718**

See notes to consolidated financial statements

Notes to Consolidated Financial Statements

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(Year ended March 31, 2021)

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements from International Financial Reporting Standards.

In preparing these consolidated financial statements, additional information is provided in order to present the consolidated financial statements in a format familiar to international readers. The result of this does not affect the financial position, results of operations, and cash flows of the consolidated companies as reported in the original consolidated financial statements.

Yen figures less than a million yen are rounded down to the nearest million yen, except for per share data. U.S. dollar figures less than a thousand dollars are rounded down to the nearest thousand dollars, except for per share data.

2. U.S. Dollar Amounts

The accompanying consolidated financial statements are stated in yen, and the U.S. dollar amounts represent the arithmetical results of translating yen to U.S dollars using the exchange rate prevailing at March 31, 2021, which was ¥110.71 to $1.00. The statements in such dollar amounts are solely for the convenience of readers outside Japan and are not intended to imply that the yen amounts have been, or could be, readily converted, realized, or settled in dollars at that rate, or any other rates, of exchange.

3. Summary of Significant Accounting Policies

A. Consolidation Policies

(1) The consolidated financial statements include the accounts of Nippon Yusen Kabushiki Kaisha (the "Company") and its 502 consolidated subsidiaries (the "NYK Group") at March 31, 2021.

During the fiscal year ended March 31, 2021, the Company newly established five companies that were included within the scope of consolidation as they were newly established.

A total of 24 companies were included in the scope of consolidation as their total assets, revenues, profit, and retained earnings, etc., increased to material amounts.

One company was included in the scope of consolidation due to the acquisition of its shares.

Four companies were changed from unconsolidated subsidiaries accounted for by the equity method to consolidated subsidiaries due to additional acquisitions of their shares.

Four companies were changed from affiliates accounted for by the equity method to consolidated subsidiaries due to additional acquisitions of their shares.

One company was changed from a consolidated subsidiary to an affiliate accounted for by the equity method due to a partial disposal of shares.

A total of 29 companies were excluded from the scope of consolidation as they were liquidated.

Four companies were excluded from the scope of consolidation due to mergers.

Three companies were excluded from the scope of consolidation due to the disposal of their shares.

There are no significant unconsolidated subsidiaries that require particular mention.

The total amounts of total assets, net sales, equity in net profits, and equity in retained earnings of unconsolidated subsidiaries are all insignificant compared with the total amounts of total assets, net sales, equity in net profits, and retained earnings of the Company's consolidated subsidiaries, and since they do not exert a material impact on the consolidated financial statements as a whole, they have been excluded.

(2) Investments in unconsolidated subsidiaries and affiliates are accounted for either using the cost method or using the equity method, depending on the extent of influence or fiscal significance each carries The Company accounted for 3 unconsolidated subsidiaries and 203 affiliates using the equity method at March 31, 2021.

In the consolidated fiscal year ended March 31, 2021, 11 companies were included in the scope of companies accounted for using the equity method as their total assets, revenues, profit, and retained earnings, etc., increased to material amounts.

One company was changed from a consolidated subsidiary to an affiliate accounted for by the equity method due to a partial disposal of shares.

Four companies were changed from affiliates accounted for by the equity method to consolidated subsidiaries due to additional acquisitions of their shares.

Four companies were changed from unconsolidated subsidiaries accounted for by the equity method to consolidated subsidiaries due to additional acquisitions of their shares

Two companies were excluded from the scope of application of the equity method as they were liquidated.

Two companies were excluded from the scope of consolidation due to mergers.

There are no unconsolidated subsidiaries or affiliated companies not accounted for by the equity method that require particular mention.

The total amounts of equity in net profits and retained earnings of unconsolidated subsidiaries or affiliated companies not accounted for by the equity method are insignificant compared with the total amounts of equity in net profits of the Company's consolidated subsidiaries and affiliated companies accounted for by the equity method, and their impact on retained earnings is thus negligible. Since they do not exert a material impact on the consolidated financial statements as a whole, they have been excluded.

For one of the companies accounted for by the equity method whose closing date for their financial statements is December 31, the Company has used financial statements based on a provisional closing conducted as of the closing date for the consolidated financial statements. For the other companies with closing dates that differ from the consolidated closing date, the Company has used the financial statements for each company's financial year.

(3) Any material difference between the cost of an investment in a subsidiary and the amount of underlying equity in net assets of the subsidiary upon inclusion in the consolidation, unless specifically identified and reclassified to the applicable accounts from which the value originates, is treated as goodwill or negative goodwill, as the case may be, and amortized over a period of 5 to 20 years on a straight-line basis.

(4) All significant intercompany balances, transactions, and material unrealized profit within the consolidated group have been eliminated in consolidation.

B. 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, 2021, December 31 was used by 40 consolidated subsidiaries as the closing date for their financial statements. Necessary adjustments have been made to address transactions that occurred between closing dates different to that of the Company.

Eight companies 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.

C. Foreign Currency Financial Statements

The balance sheet accounts of consolidated foreign subsidiaries are translated into yen at the current exchange rate as of the balance sheet date, except for equity, which is translated at the historical rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity and "Non-controlling interests."

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

D. Valuation of Assets

(1) Short-term and long-term investment securities are classified and accounted for, depending on management's intent, as follows:
  i) Held-to-maturity debt securities to maturity are reported at amortized cost.
  ii) (a) Available-for-sale securities with fair value, which are not classified as the aforementioned securities, are reported at fair values, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity and (b) available-for-sale securities whose fair values are not readily determinable are reported at cost using the moving average method.

(2) Derivatives are valued at market.

(3) Inventories are stated at the lower of cost, determined by the first-in, first-out method, or net selling value, which is defined as the selling price, less additional estimated manufacturing costs and estimated direct selling expenses.

E. Depreciation and Amortization

(1) Vessels, property, plant and equipment, except for lease assets, are depreciated as follows:

Vessels, property, plant and equipment are depreciated generally by the straight-line method.

(2) Intangible assets, except for lease assets, are amortized as follows:

Computer software is amortized by the straight-line method based principally on the length of period it can be used internally (five years). Other intangible assets are amortized by the straight-line method.

(3) Leased assets are depreciated as follows:

Leased assets related to financial leases that transfer ownership rights are depreciated by the same depreciation method that is applied to fixed assets owned by the Company Leased assets related to financial leases that do not transfer ownership rights are depreciated under the straight-line method based on the lease term as the useful life and assuming no residual value.

Some overseas consolidated subsidiaries applied IFRS 16 Leases. Consequently, as a general rule, each of the lessees' leases is recorded as either an asset or a liability on the consolidated balance sheet, and recognized right-of-use assets are depreciated using the straight-line method.

F. Capitalization of Interest Expenses

Interest expenses are generally charged to income as incurred. However, interest expenses incurred in the construction of certain assets, particularly projects for vessels, are capitalized and included in the costs of assets when a construction period is substantially long and the amount of interest incurred during such a period is significantly material.

G. Accounting for Consumption Taxes

Consumption taxes are accounted for by the tax exclusion method

H. Provisions

(1) Allowance for doubtful accounts:
The allowance for doubtful accounts is provided to prepare for credit losses on sales receivables, loans, and so forth. It is stated as the projected unrecoverable amount, calculated based on the historical default rate for general receivables and on individual collectability for specific receivables such as doubtful accounts.

(2) Provision for bonuses:
To provide for bonuses paid to employees, provision for bonuses is recorded as the amount of projected future payments that is attributable to the fiscal year under review.

(3) *Provision for directors' bonuses:*
To provide for bonuses paid to Directors and Audit and Supervisory Board Members, provision for bonuses is recorded as the amount of projected future payments that is attributable to the fiscal year under review

(4) Provision for directors' retirement benefits:
To provide for the payment of retirement benefits to Directors and Audit and Supervisory Board Members in accordance with internal policies, certain consolidated subsidiaries record such provisions calculated as the estimated amount that would be payable if all Directors and Audit and Supervisory Board members were to retire at the balance sheet date.

(5) Provision for stock payment:
Provision for stock payment is calculated based on the estimated amount of shares of the Company corresponding to the points granted to eligible Directors and Executive Officers at the end of the fiscal year under review, to prepare for the payment of the Company stocks to Directors and Executive Officers based on the Share Delivery Rules.

(6) Provision for periodic dry docking of vessels:
Provision for periodic dry docking of vessels is provided based on the estimated amount of expenditures for periodic dry docking in the future.

(7) Provision for losses related to contracts:
Provision for possible losses associated with the fulfillment of fixed-term vessel charter contracts, performance of lease contracts, or early redelivery of vessels, and purchase of non-current assets are based on estimated amounts of future losses.

(8) Provision related to business restructuring:
Provision for losses resulting from business restructuring is provided in preparation for estimated future losses.

(9) Provision for loss on guarantees:
Provision for possible losses on guarantees, etc., to subsidiaries or affiliates, is recorded based on the estimated amount of losses, individually taking into account the financial condition etc., of the guaranteed.

I. Accounting Method for Retirement Benefits

(1) Method of attributing estimated amounts of retirement benefits to periods:
In calculating defined benefit obligations, the estimated amount of retirement benefits attributed to a period up to the fiscal year under review is primarily determined based on a benefit formula basis.

(2) Amortization of unrecognized actuarial gain (loss) and prior service cost.
Unrecognized actuarial gain (loss) is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over a certain period (primarily eight years), which is not more than the average remaining service period of employees.
Prior service cost is amortized by the straight-line method over a certain period (primarily eight years), which is not more than the average remaining service period of employees

J. Income Taxes

The Company and its subsidiaries recognize future tax consequences of temporary differences between assets and liabilities in accounting and tax treatments. Deferred taxes are computed based on the pretax income or loss included in the consolidated statement of income and measured by applying currently enacted laws to the temporary differences. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of the temporary differences between the carrying amounts and the tax bases of assets and liabilities.

Adoption of consolidated taxation system
The Company and some of its consolidated subsidiaries adopted the consolidated taxation system from the consolidated fiscal year under review, with the Company as the consolidated parent company for tax payment purposes.

Adoption of tax effect accounting for the transition from the consolidated taxation system to the group tax relief system
With regard to items that were shifted to the Japanese group tax relief system, which was established by the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020), and those for which the consolidated taxation system was reviewed in line with the shift to the Japanese group tax relief system, the Company and some of its consolidated subsidiaries do not apply the provisions of Item 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, issued on February 16, 2018) in accordance with the treatment provided for under Item 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation

System to the Group Tax Sharing System" (ASBJ PITF No. 39, issued on March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities are instead accounted for by following the provisions of the tax law before the amendment.

K. Freight Revenue and Expense Recognition

Freight revenues and expenses are recognized by two different methods depending on types of cargo transportation.

(1) Transportation by containerships:
Revenues and expenses arising from ocean transportation of containers are recognized proportionately to shipments move.

(2) Transportation by vessels other than containerships:
Revenues and expenses from transportation by vessels other than containerships are principally recognized upon the voyage completion method.

L. Method of Accounting for Material Hedge Transactions

For assets, liabilities, and planned transactions, the Company and its consolidated subsidiaries apply hedge accounting to derivative transactions in order to offset risks posed by fluctuations in interest rates, foreign currency exchange rates, and cash flows. In addition, hedge accounting is also applied to derivative transactions used to mitigate the risks of price fluctuations in fuel procurement and others. For hedge accounting, the Company and its consolidated subsidiaries adopt a deferred hedge method that requires the Company to mark the derivative transactions effective as hedges to market and to defer the valuation loss/gain. For forward foreign exchange contracts, etc., that meet the required conditions under the accounting standard, the Company and its consolidated subsidiaries translate hedged foreign currency assets and liabilities at the rates of these contracts. In addition, for interest rate swap contracts, etc., that meet specified conditions under the accounting standard, the related interest differentials paid or received under the contracts are included in the interest income/expense of the hedged financial assets and liabilities. In addition, the following hedging methods for various risks are utilized: interest rate swaps to hedge the risk of interest rate fluctuations related to borrowings, bonds, and others; currency swap contracts, forward foreign currency exchange contracts, debts, and credits in foreign currency to hedge the foreign exchange risk associated with monetary assets and liabilities, expected transactions, and others; and fuel swap contracts to hedge the risk of price fluctuations in fuel oil and others. The Company and its consolidated subsidiaries evaluate the effectiveness of hedging methods at the end of each financial quarter, except for interest rate swaps and interest rate caps that meet specified conditions under the accounting standard by analyzing the ratios of the cumulative amount of market fluctuation or cash flow among the hedging financial instruments and the hedged items.

For foreign currency transactions, both short-term and long-term receivables and payables denominated in foreign currencies are translated into yen at exchange rates in effect at the balance sheet date.

However, short-term and long-term receivables and payables covered by forward exchange contracts are translated at the contract rates.

Any differences between the foreign exchange contract rates and historical rates resulting from the translation of receivables and payables are recognized as income or expense over the lives of the related contracts.

However, interest rate swaps, etc., that are subject to special accounting treatment are excluded from the abovementioned evaluation.

Of the above hedges, all of those falling under the scope of application of "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (the Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 40, issued on September 29, 2020) were subjected to special treatment stipulated in the above solution. Details of hedges subjected to said special treatment are as follows.

Method for hedge accounting: Deferred hedge method, special accounting treatment

Hedging instruments: Interest rate swap, currency swap

Hedged items: Accounts payable, loans payable

Types of hedge transactions: To cancel out exchange fluctuations; to secure stable cash flows

M. Per Share Information

Basic profit per share is computed by dividing profit available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock or reverse stock splits

Cash dividends per share consist of interim dividends paid during the year and dividends to be paid after the end of the year.

When calculating equity per share, the shares held by the performance-based stock remuneration Board Incentive Plan (BIP) trust are included in the treasury shares deducted from the total number of issued shares at the fiscal year-end. Also, when calculating profit per share, the shares held by the BIP trust are included in the treasury shares deducted when calculating the weighted-average number of common shares outstanding for the period.

The number of treasury shares deducted when calculating equity per share was 730 thousand shares in the previous consolidated fiscal year and 696 thousand shares in the consolidated fiscal year under review. Also, the average number of treasury shares for the period deducted when calculating profit per share was 732 thousand shares in the previous consolidated fiscal year and 705 thousand shares in the consolidated fiscal year under review.

N. Cash and Cash Equivalents

Cash and cash equivalents are composed of cash on hand, bank deposits that are able to be withdrawn on demand, and short-term investments with original maturities of three months or less that are exposed to minor value fluctuation risk.

O. Significant Accounting Estimates

(1) Impairment losses of non-current assets

- The amount recorded for the consolidated fiscal year under review mainly includes ¥534,378 million ($4,826,829 thousand) for vessels and ¥35,838 million ($323,712 thousand) for aircraft.
- Information on the significant accounting estimate

If any indicators of impairment exists for assets or asset groups (hereinafter the "asset group"), such asset group is subject to measurement of impairment loss in which the recoverable amount is calculated based on value in use or the net selling price at disposition for the asset group.

Value in use is calculated as the discounted present value for future cash flows.

Significant assumptions in business plans that form the basis of future cash flows are mainly composed of market conditions for freight and charter rates and future prospects of cargo demand.

In forecasting the conditions of the shipping and air cargo markets, the assumptions concerning the impact of the COVID-19 pandemic, the timing of its subsidence, and the market trends thereafter are as follows.

Although the timing of the subsidence of COVID-19 remains uncertain, the Company assumes that disruptions to the logistics network as a whole are decreasing as workers are returning to work due to vaccinations, and that demand and supply will gradually reach an appropriate balance.

The period to estimate the future cash flows is based on the average remaining useful lives of vessels and aircraft within the asset group concerned.

The Company uses discount rates derived primarily based on capital cost.

The net selling price at disposition is primarily estimated based on the valuation results made by management's experts.

In the event future prospects worsen for market conditions for freight and charter rates and future prospects of cargo demand or devaluation of vessels and aircraft, new or additional impairment losses may be recognized.

(2) Provision for losses related to contracts associated with dry bulk restructuring

- The provision for losses related to contracts recorded for the consolidated fiscal year under review was ¥42,617 million ($384,942 thousand).
- Information on the significant accounting estimate

As part of dry bulk restructuring, which is one of the measures in the current medium-term management plan, the Company has made the decision to cancel time charter contracts in the future.

In order to provide for the losses arising from such redeliveries, including cancellation penalties for time charter contracts, an estimated amount of future losses is recognized as provision for losses related to contracts.

Cancellation penalties are incurred based on the agreement with the owners of the vessels that the Company has decided to end its contracts.

As final agreements have not yet been reached between the Company and the owners of the vessels for some contracts as of the end of the consolidated fiscal year under review, uncertainty remains in the evaluation of the likelihood of the cancellation of the contracts.

The Company evaluates such likelihood comprehensively in view of the progress of negotiations at each company

Furthermore, since there is no provision for cancellation penalties in time charter contracts, in light of the level of cancellation penalties in past cancellations, the Company estimated contract cancellation fees based on the terms and conditions of time charter contracts, current and future shipping market rates, and vessel prices in the second hand vessel sales market, among others.

In forecasting the conditions of the shipping, the assumptions concerning the impact of the COVID-19 pandemic, the timing of its subsidence, and the market trends thereafter are as follows.

Although the timing of the subsidence of COVID-19 remains uncertain, the Company assumes that disruptions to the logistics network as a whole are decreasing as workers are returning to work due to vaccinations, and that demand and supply will gradually reach an appropriate balance.

In the event of significant deviations arising between the actual and estimated cancellation penalties, the Company may recognize further provisions or reverse provisions.

P. Yet to Be Adopted Accounting Standards

In the fiscal year under review, the Company had not yet adopted the following standards:

"Accounting Standard for Revenue Recognition" (Statement No. 29), issued by the ASBJ on March 31, 2020, the "Implementation Guidance on Accounting Standard for Revenue Recognition" (Guidance No. 30), issued by the ASBJ on March 26, 2021, and the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (Guidance No. 19), issued by the ASBJ on March 31, 2020.

i) Background

The International Accounting Standards Board (IASB) and the U.S.-based Financial Accounting Standards Board (FASB) have been jointly developing a comprehensive accounting standard related to revenue recognition and announced a new guidance, "Revenue from Contracts with Customers" (issued as IFRS 15 by the IASB and Topic 606 by the FASB), in May 2014. Given that IFRS 15 could be adopted effective from fiscal years starting from January 1, 2018, or later, and Topic 606 could be adopted effective from fiscal years starting from December 15, 2017, or later, the ASBJ also established a comprehensive accounting standard related to revenue recognition and announced it together with the implementation guidance.

As its basic policy when developing its standard, the ASBJ reflected the fundamental principles of IFRS 15 in order to ensure that financial statements disclosed in Japan would be comparable, recognizing that as one of the benefits of maintaining consistency with this particular international financial reporting standard. Furthermore, to deal with cases of accounting entries that could arise in consideration of business procedures that have been carried out in Japan in the past, the ASBJ included alternative treatments within a scope that would not compromise the comparability of financial statements.

ii) Scheduled date of adoption
The Company plans to adopt the standards, above, from April 1, 2021.

iii) Impact of adopting the accounting standards
At the time of preparing this report, the Company was in the process of assessing the monetary impact of adopting the "Accounting Standard for Revenue Recognition" and other related matters on its statements of consolidated financial results.

"Accounting Standard for Fair Value Measurement" (Statement No. 30), "Accounting Standard for Measurement of Inventories" (Statement No. 9), "Accounting Standard for Financial Instruments" (Statement No. 10), and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (Guidance No. 31), all issued by the ASBJ on July 4, 2019, and the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (Guidance No. 19), issued by the ASBJ on March 31, 2020

i) Background
The ASBJ announced the "Accounting Standard for Fair Value Measurement" and so forth having conducted initiatives to achieve compatibility with Japanese and international accounting standards regarding guidance and disclosure related mainly to the fair values of financial instruments. The ASBJ's action takes into consideration the status of IFRS 13 Fair Value Measurement under the International Financial Reporting Standards (IFRS) and Accounting Standards Codification Topic 820 Fair Value Measurement, in which the International Accounting Standards Board (IASB) and the U.S.-based Financial Accounting Standards Board (FASB) offer substantially the same guidance on measurement of fair values.

As its basic policy for developing its standard, the ASBJ has generally incorporated all of the provisions of IFRS 13 with a view to improving the comparability of financial statements between Japanese and overseas corporations by using a unified method for measurement. Furthermore, in consideration of business procedures that have been carried out in Japan in the past, the ASBJ has prescribed other treatments for individual items within a scope that does not substantially compromise the comparability of financial statements.

ii) Scheduled date of adoption
The Company will adopt the standard, above, from April 1, 2021.

iii) Impact of adopting the accounting standards
At the time of preparing this report, the Company was in the process of assessing the monetary impact of adopting the "Accounting Standard for Fair Value Measurement" and other related matters on its statements of consolidated financial results.

Q. Changes in Presentation

(1) Consolidated Statement of Income
"Derivative losses," which was included in "Other" under "Non-operating expenses" in the fiscal year ended March 31, 2020, has been presented as a separate item in the consolidated fiscal year under review because the amount exceeded 10% of total non-operating expenses. The consolidated financial statements for the fiscal year ended March 31, 2020 were restated in order to reflect this change in the presentation method.

Consequently, the previously stated amount of ¥4,158 million for "Other" under "Non-operating expenses" in the consolidated statement of income for the fiscal year ended March 31, 2020 has been reclassified as "Derivative losses" totaling ¥2,739 million and "Other" amounting to ¥1,419 million.

"Gain on sales of investment securities," which was presented as a separate item under "Other gains" in the consolidated statement of income for the fiscal year ended March 31, 2020, has been included in "Other" in the consolidated fiscal year under review because the amount was less than 10% of the total of other gains. The consolidated financial statements for the fiscal year ended March 31, 2020 were restated in order to reflect this change in the presentation method.

Consequently, the previously stated amount of ¥6,373 million for "Gain on sales of investment securities" under "Other gains" in the consolidated statement of income for the fiscal year ended March 31, 2020 has been reclassified as "Other."

"Loss on valuation of investment securities," which was presented as a separate item under "Other losses" in the consolidated statement of income for the fiscal year ended March 31, 2020, has been included in "Other" in the consolidated fiscal year under review because the amount was less than 10% of the total of other losses. The consolidated financial statements for the fiscal year ended March 31, 2020 were restated in order to reflect this change in the presentation method.

Consequently, the previously stated amount of ¥10,886 million for "Loss on valuation of investment securities" under "Other losses" in the consolidated statement of income for the fiscal year ended March 31, 2020 has been reclassified as "Other."

(2) Consolidated Statement of Cash Flows

"Increase (decrease) in provision for losses related to contracts," which was included in "Other" under "Operating activities" in the fiscal year ended March 31, 2020, has been presented as a separate item in the consolidated fiscal year under review because the amount became material. The consolidated financial statement for the fiscal year ended March 31, 2020 was restated in order to reflect this change in the presentation method.

Consequently, the previously stated amount of ¥(16,001) million for "Other, net" under "Operating activities" in the consolidated statement of cash flows for the fiscal year ended March 31, 2020, has been reclassified as "Increase (decrease) in provision for losses related to contracts," totaling ¥(12,386) million and "Other, net" amounting to ¥(3,614) million.

(3) Application of the "Accounting Standard for Disclosure of Accounting Estimates"

The Company has adopted the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, issued on March 31, 2020) from the consolidated financial statements for the fiscal year ended March 31, 2021, whereby notes on significant accounting estimates are presented in the notes to the consolidated financial statements.

However, pursuant to the transitional provisions set out in Paragraph 11 of the Accounting Standard, these notes do not include notes pertaining to the previous consolidated fiscal year

R. Additional Information

(1) Transactions Related to the Board Incentive Plan Trust

Based on the resolution at the General Meeting of Shareholders held on June 20, 2016, the Company introduced the "Board Incentive Plan Trust" (the "Plan") as a performance-based stock remuneration plan, and the Plan was extended at the Board of Directors meeting held in March 2019. Accounting treatments related to the trust are in accordance with "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc through Trusts" (PITF No. 30, March 26, 2015)

The Plan is a stock remuneration plan for Directors and Executive Officers of the Company (excluding Outside Directors, Directors and Executive Officers who are non-residents of Japan, foreign nationals, and/or directors of listed subsidiaries; hereinafter collectively referred to as "Director(s), etc."), wherein a trust established by the Company (Board Incentive Plan Trust) acquires the Company's shares using the cash contributed by the Company. Through this trust, the Company's shares and money equivalent to the amount obtained by converting the Company's shares into cash corresponding to the points granted based on the degree of achievement of business performance of each fiscal year and according to individual position of the recipient are delivered and paid to Directors, etc.

The Company's shares remaining in the Trust are recorded under equity as treasury stock, calculated based on the total book value (excluding incidental expenses) of the shares in the Trust. As of March 31, 2021, the Company's treasury stock consisted of 696 thousand shares with a total book value of ¥1,220 million, ($11,019 thousand), compared with 730 thousand shares and a total book value of ¥1,280 million as of March 31, 2020.

In addition, the estimated amount of the above Directors' remuneration allotted at the end of the consolidated fiscal year under review was recorded as provision for stock payment.

4. Financial Instruments

(1) Disclosure on Financial Instruments

a. Policy on financial instruments

Internal funding provides the Company and its consolidated subsidiaries with some of the funds they require for capital expenditures for vessels, aircraft, and transport equipment, as well as working capital. Other funds are procured from outside sources. Methods of raising funds include loans from banks and other financial institutions, as well as issuing corporate bonds. Funds are invested mainly in short-term deposits. The Company and its consolidated subsidiaries utilize derivatives to hedge risks mentioned below and do not engage in speculative financial transactions.

b. Contents and risks of financial instruments

Notes and operating accounts receivable–trade are subject to client credit risk. In addition, foreign currency-denominated transactions are subject to foreign exchange rate risk

Investment securities include held-to-maturity debt securities and corporate shares. The Company and its consolidated subsidiaries mainly used the current value method to evaluate investment securities that have explicit fair values, taking as the fair value the average market price during the one-month period preceding the end of the fiscal year. Consequently, shifts in stock market conditions could affect the operating performance and financial condition of the Company and its consolidated subsidiaries.

Notes and operating accounts payable–trade are settled in the short term. Of these, transactions denominated in foreign currencies are subject to foreign exchange rate risk.

Loans payable are subject to interest rate risk, and the Company and its consolidated subsidiaries utilize derivative financial instruments to hedge against these risks.

As for derivative financial instruments, to avert interest rate risks associated with loans payable, the Company and its consolidated subsidiaries utilize interest rate swap contracts. To avert foreign exchange risk associated with foreign currency assets and liabilities, the Company and its consolidated subsidiaries utilize forward foreign exchange contracts and currency swap contracts. Similarly, to deal with the risk of price fluctuations in fuel and chartered freight, the Company and its consolidated subsidiaries utilize fuel swap contracts, freight (chartered-freight) forward transactions, and other methods.

The details of hedge accounting for derivative financial instruments are described below. Methods for evaluating effectiveness of hedging are described above in "3. Summary of Significant Accounting Policies, L. Method of Accounting for Material Hedge Transactions."

① Hedge accounting method

The Company and its consolidated subsidiaries primarily adopt deferral hedge accounting that requires marking the derivative financial instruments effective as hedges to market, and deferring the valuation loss/gain. For forward foreign exchange contracts, etc., that meet the required conditions for designation accounting under the accounting standard, the Company and its consolidated subsidiaries translate hedged foreign currency assets and liabilities at the rates of these contracts. In addition, for interest rate swap contracts that meet specified conditions for exceptional accounting under the accounting standard, the related interest differentials paid or received under the contracts are included in the interest income/expense of the hedged financial assets and liabilities.

② Principal hedging methods and items hedged

Principal hedging methods	Principal items hedged
Currency swap contacts	Loans payable and receivable
Interest rate swap contracts	Loans payable and receivable
Fuel swap contracts	Purchase price of fuel
Forward foreign exchange contracts	Forecasted foreign currency transactions, investment in overseas subsidiaries

③ Risks inherent in derivative transactions

Derivative transactions are subject to inherent market risk, which is derived from future changes in market prices (currency rates, interest rates, commodity prices and share prices), and credit risk, which arises from the counterparties becoming unable to perform their contractual obligations. The derivative financial instruments utilized by the Company and its consolidated subsidiaries are only those that offset the fluctuation in fair value of the underlying financial assets and liabilities, thereby, the Company and its consolidated subsidiaries are not exposed to material market risk. The counterparties in the derivative transactions are financial institutions with high credit ratings, implying that credit risk is immaterial.

c. Risk management for financial instruments

① Credit risk management

The Company utilizes credit management regulations to minimize its risk on notes and operating accounts receivable-trade and long-term loans receivable. In terms of held-to-maturity debt securities, in line with asset management regulations, the Company and its consolidated subsidiaries hold only highly rated debt securities, so credit risk is negligible.

② Market risk management

To hedge exchange rate fluctuation risk associated with foreign currency assets and liabilities, the Company and its consolidated subsidiaries make use of forward foreign exchange contracts, currency swap contracts, and other methods.

The Company and its consolidated subsidiaries utilize interest rate swaps and other methods to avert the fluctuation risks of interest paid on loans payable.

The Company and its consolidated subsidiaries periodically ascertain the price of short-term and long-term investment securities and the financial conditions of their issuers (corporate business partners).

The Company and its consolidated subsidiaries review the status of their holdings in instruments other than held-to-maturity debt securities on an ongoing basis, taking into consideration their relationships with their corporate business partners.

The derivative transactions of the Company and its consolidated subsidiaries follow the internal approval process specified in the Company's Rules for Risk Management Employing Financial Instruments and other rules and regulations, and are subject to internal controls operated principally by the divisions in charge of accounting. In addition, to prevent improper transactions, the back-office function for these transactions is performed by personnel of the Company and its consolidated subsidiaries who are not directly involved in the transactions. Information regarding the amounts, etc., of derivative transaction contracts is reported regularly to the Board of Directors.

③ Management of liquidity risk associated with capital raising activities

Cash planning is made and updated by the financial division of the Company on a timely basis based on reports from business divisions of the Company, and the Company also enters into commitment-line contracts with a number of financial institutions in order to meet unexpected cash demand.

d. **Supplementary explanation of fair value of financial instruments and others**

The fair value of financial instruments includes, in addition to the value determined based on market prices, valuations calculated on a reasonable basis if no market price is available. However, as certain variables are used for these calculations, the result of such calculations may vary if different assumptions are used.

The contract amounts of interest rate swap transactions and currency swap transactions do not represent the amounts exchanged by the parties and do not measure the Company's and its consolidated subsidiaries' exposure to credit or market risk.

(2) Disclosure of the Fair Value of Financial Instruments and Others

The table below shows the book value of financial instruments as indicated in the consolidated balance sheets as of March 31, 2021 and 2020, as well as their fair values and unrealized gains or losses. Note that financial instruments for which fair value cannot be reliably determined are not included in this table (refer to Note b).

	Millions of yen						Thousands of U.S. dollars (Note 2)		
	2021			2020			2021		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
① Cash and deposits	**¥ 107,369**	**¥ 107,369**	**¥ –**	¥ 81,861	¥ 81,861	¥ –	**$ 969,824**	**$ 969,824**	**$ –**
② Notes and operating accounts receivable-trade	**234,909**	**–**	**–**	191,813	–	–	**2,121,845**	**–**	**–**
Allowance for doubtful accounts *1	**(1,074)**	**–**	**–**	(906)	–	–	**(9,708)**	**–**	**–**
Balance	**233,834**	**233,834**	**–**	190,906	190,906	–	**2,112,136**	**2,112,136**	**–**
③ Short-term and long-term investment securities (Note 5)									
Available-for-sale securities	**83,890**	**83,890**	**–**	73,298	73,298	–	**757,749**	**757,749**	**–**
Investments in affiliates	**17,697**	**10,624**	**(7,072)**	16,809	8,220	(8,588)	**159,853**	**95,970**	**(63,883)**
④ Long-term loans receivable	**21,393**	**–**	**–**	11,876	–	–	**193,235**	**–**	**–**
Allowance for doubtful accounts *1	**(751)**	**–**	**–**	(553)	–	–	**(6,784)**	**–**	**–**
Balance	**20,641**	**22,403**	**1,761**	11,322	13,147	1,825	**186,451**	**202,366**	**15,915**
Total	**463,433**	**458,123**	**(5,310)**	374,198	367,434	(6,763)	**4,186,015**	**4,138,047**	**(47,968)**
① Notes and operating accounts payable-trade	**168,690**	**168,690**	**–**	137,911	137,911	–	**1,523,711**	**1,523,711**	**–**
② Current portion of bonds payable	**25,000**	**25,000**	**–**	20,000	20,000	–	**225,815**	**225,815**	**–**
③ Short-term loans payable	**161,045**	**161,045**	**–**	162,675	162,675	–	**1,454,661**	**1,454,661**	**–**
④ Commercial papers	**–**	**–**	**–**	19,000	19,000	–	**–**	**–**	**–**
⑤ Leases liabilities (current)	**19,477**	**19,477**	**–**	18,740	18,740	–	**175,931**	**175,931**	**–**
⑥ Bonds payable	**107,000**	**108,275**	**1,275**	132,000	133,180	1,180	**966,489**	**978,007**	**11,518**
⑦ Long-term loans payable	**560,913**	**568,452**	**7,539**	616,234	626,263	10,028	**5,066,509**	**5,134,609**	**68,100**
⑧ Leases liabilities (non-current)	**77,707**	**84,149**	**6,442**	81,203	86,775	5,571	**701,897**	**760,088**	**58,190**
Total	**1,119,833**	**1,135,090**	**15,256**	1,187,764	1,204,545	16,780	**10,115,016**	**10,252,825**	**137,809**
Derivative financial instruments *2	**(11,064)**	**(11,064)**	**–**	(5,199)	(5,199)	–	**(99,944)**	**(99,944)**	**–**

* 1 An individual listing of allowance for doubtful accounts on notes and operating accounts receivable-trade and long-term loans receivable has been omitted.
2 Amount of derivative financial instruments is net of related assets and liabilities

a. **Calculation method for the fair value of financial instruments and matters concerning marketable securities and derivative transactions**

Assets

① Cash and deposits

These assets are stated at book value as they are settled in the short term and their fair values approximate book values.

② Notes and operating accounts receivable-trade

These assets are stated at book value as they are settled in the short term and their fair values approximate book values.

Claims with default possibility are stated at adjusted book value. The expected amount of doubtful accounts on these assets is calculated based on either the present value of expected future cash flows or expected recoverable amount of their collateral or guarantees; hence, their fair values approximate their book values at the closing date, less the current expected amount of doubtful accounts.

③ Short-term and long-term investment securities

Shares are stated at the stock exchange quoted price and bonds are stated at either the stock exchange quoted price or the price presented by transacting financial institutions.

④ Long-term loans receivable

Long-term loans receivable with variable interest rates are stated at book value. The interest rate on these assets reflects the market rate in the short term; therefore, their fair values approximate book values. Those with fixed-interest rates are stated at fair value, which is calculated by discounting the principal and interest using the assumed rate applied to a similar type of new loan. Meanwhile, loans with default possibility are stated at adjusted book value. The expected amount of doubtful accounts on these assets is calculated based on either the present value of expected future cash flows or expected recoverable amount of their collateral or guarantees; hence, their fair values approximate their book values at the closing date, less the current expected amount of doubtful accounts.

Liabilities

① Notes and operating accounts payable-trade, ② Current portion of bonds payable, ③ Short-term loans payable, ④ Commercial papers and ⑤ Leases liabilities (current)

These assets are stated at book value as they are settled in the short term and their fair values approximate book values.

⑥ Bonds payable

The fair value of the corporate bonds issued by the Company is calculated based on the market price.

⑦ Long-term loans payable

Long-term loans payable with variable interest rates are stated at book value as the interest rate on these loans reflects the market rate in the short term and their fair values approximate book values. Long-term loans payable with fixed interest rates are stated at present value. The present value is calculated by discounting a periodically divided portion of the principal and interest of these loans *, using the assumed rate applied to a similar loan.

* As to the long-term loans payable involved in the interest rate swap agreement that meets the requirements for exceptional accounting (refer to "6. Derivatives"), the total amount of principal and interest income at the post-swap rate is applied

⑧ Leases liabilities (non-current)

The fair value of each lease liabilities is stated at its present value, which is calculated by discounting the total amount of principal and interest, using the assumed rate applied to a similar type of new lease transaction.

Derivative financial instruments

Refer to "6. Derivatives."

b. Financial instruments for which fair value cannot be reliably determined

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
	Book value	Book value	Book value
Investments in unconsolidated subsidiaries and affiliates	**¥467,034**	¥348,992	$4,218,535
Shares in unlisted companies	**7,808**	7,814	70,528
Others	**2,607**	2,486	23,548
Total	**477,449**	359,293	4,312,611

As these instruments do not have readily available fair values, and their fair values cannot be reliably determined, they are not included in "③ Short-term and long-term investment securities."

c. Maturity analysis for financial assets and securities with contractual maturities

	Millions of yen							
	2021				2020			
	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and deposits	**¥107,369**	**¥ –**	**¥ –**	**¥ –**	¥ 81,861	¥ –	¥ –	¥ –
Notes and operating accounts receivable-trade	**234,679**	**230**	**–**	**–**	190,863	949	–	–
Short-term and long-term investment securities:								
Held-to-maturity debt securities (government bonds)	**–**	**–**	**–**	**–**	–	–	–	–
Held-to-maturity debt securities (corporate bonds)	**–**	**–**	**–**	**–**	–	–	–	–
Held-to-maturity debt securities (others)	**–**	**–**	**–**	**–**	–	–	–	–
Available-for-sale securities with maturity dates (government bonds)	**–**	**–**	**–**	**–**	–	–	–	–
Available-for-sale securities with maturity dates (others)	**–**	**–**	**–**	**–**	–	–	–	–
Long-term loans receivable	**–**	**8,083**	**11,899**	**1,410**	–	5,583	1,779	4,512
Total	**342,048**	**8,313**	**11,899**	**1,410**	272,725	6,532	1,779	4,512

	Thousands of U.S. dollars (Note 2)			
	2021			
	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and deposits	**$ 969,824**	**$ –**	**$ –**	**$ –**
Notes and operating accounts receivable-trade	**2,119,766**	**2,079**	**–**	**–**
Short-term and long-term investment securities:				
Held-to-maturity debt securities (government bonds)	–	–	–	–
Held-to-maturity debt securities (corporate bonds)	–	–	–	–
Held-to-maturity debt securities (others)	–	–	–	–
Available-for-sale securities with maturity dates (government bonds)	–	–	–	–
Available-for-sale securities with maturity dates (others)	–	–	–	–
Long-term loans receivable	**–**	**73,016**	**107,482**	**12,736**
Total	**3,089,590**	**75,096**	**107,482**	**12,736**

d. Maturity analysis for corporate bonds and long-term loans after the balance sheet date

	Millions of yen					
	2021					
	Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years	More than five years
Current portion of bonds payable	**¥ 25,000**	**¥ –**	**¥ –**	**¥ –**	**¥ –**	**¥ –**
Short-term loans payable	**161,045**	**–**	**–**	**–**	**–**	**–**
Commercial papers	**–**	**–**	**–**	**–**	**–**	**–**
Leases liabilities (current)	**19,477**	**–**	**–**	**–**	**–**	**–**
Bonds payable	**–**	**30,000**	**10,000**	**33,000**	**–**	**34,000**
Long-term loans payable	**–**	**119,495**	**70,460**	**51,737**	**37,490**	**281,728**
Leases liabilities (non-current)	**–**	**15,026**	**15,074**	**11,993**	**7,557**	**28,054**
Total	**205,523**	**164,522**	**95,535**	**96,731**	**45,048**	**343,782**

	Thousands of U.S. dollars (Note 2)					
	2021					
	Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years	More than five years
Current portion of bonds payable	**$ 225,815**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**
Short-term loans payable	**1,454,661**	**–**	**–**	**–**	**–**	**–**
Commercial papers	**–**	**–**	**–**	**–**	**–**	**–**
Leases liabilities (current)	**175,931**	**–**	**–**	**–**	**–**	**–**
Bonds payable	**–**	**270,978**	**90,326**	**298,076**	**–**	**307,108**
Long-term loans payable	**–**	**1,079,359**	**636,445**	**467,326**	**338,638**	**2,544,739**
Leases liabilities (non-current)	**–**	**135,732**	**136,163**	**108,334**	**68,262**	**253,404**
Total	**1,856,408**	**1,486,069**	**862,935**	**873,736**	**406,901**	**3,105,252**

	Millions of yen					
	2020					
	Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years	More than five years
Current portion of bonds payable	¥ 20,000	¥ –	¥ –	¥ –	¥ –	¥ –
Short-term loans payable	162,675	–	–	–	–	–
Commercial papers	19,000	–	–	–	–	–
Leases liabilities (current)	18,740	–	–	–	–	–
Bonds payable	–	25,000	30,000	10,000	33,000	34,000
Long-term loans payable	–	159,981	122,361	67,323	41,229	225,338
Leases liabilities (non-current)	–	15,068	14,129	14,587	8,126	29,291
Total	220,415	200,049	166,491	91,910	82,355	288,629

5. Securities

(1) Short-term and long-term investment securities held-to-maturity with fair value as of March 31, 2021 and 2020, are not applicable

(2) Short-term and long-term investment securities classified as available-for-sale securities with fair value as of March 31, 2021 and 2020, are summarized as follows:

	Millions of yen						Thousands of U.S. dollars (Note 2)		
	2021			2020			2021		
	Book value	Acquisition costs	Difference	Book value	Acquisition costs	Difference	Book value	Acquisition costs	Difference
Securities for which book value exceeds acquisition costs:									
Corporate shares	**¥64,095**	**¥30,288**	**¥33,807**	¥47,973	¥26,496	¥21,476	**$578,952**	**$273,582**	**$305,370**
Government bonds and others	**–**	**–**	**–**	–	–	–	**–**	**–**	**–**
Corporate bonds	**–**	**–**	**–**	–	–	–	**–**	**–**	**–**
Others	**173**	**147**	**25**	157	138	19	**1,565**	**1,330**	**234**
Subtotal	**64,269**	**30,435**	**33,833**	48,131	26,634	21,496	**580,517**	**274,912**	**305,605**
Securities for which book value is equal to or less than acquisition costs:									
Corporate shares	**19,615**	**26,074**	**(6,458)**	25,160	30,937	(5,777)	**177,181**	**235,519**	**(58,337)**
Government bonds and others	**–**	**–**	**–**	–	–	–	**–**	**–**	**–**
Corporate bonds	**–**	**–**	**–**	–	–	–	**–**	**–**	**–**
Others	**5**	**7**	**(2)**	6	8	(2)	**49**	**68**	**(18)**
Subtotal	**19,621**	**26,081**	**(6,460)**	25,167	30,946	(5,779)	**177,231**	**235,587**	**(58,355)**
Total	**83,890**	**56,517**	**27,373**	73,298	57,581	15,717	**757,749**	**510,500**	**247,249**

(3) Proceeds, gains, and losses on sales of available-for-sale securities in the fiscal years ended March 31, 2021 and 2020, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Proceeds from sales	**¥2,529**	¥15,224	**$22,849**
Gross realized gains	**181**	6,373	**1,637**
Gross realized losses	**(0)**	(1)	**(7)**

(4) Impairment losses were recognized in the fiscal year ended March 31, 2021, and were recorded as a loss on valuation of investment securities in the amount of ¥4,282 million ($38,683 thousand).

When processing impairment, as a general rule, if the fair value at the end of the period has fallen by 50% or more compared with the acquisition price, the asset is impaired by the amount deemed necessary considering its recoverability and so forth.

6. Derivatives

Derivative financial instruments with fair value as of March 31, 2021 and 2020, are summarized as follows:

(1) Derivative transactions not qualifying for hedge accounting

	Millions of yen								Thousands of U.S. dollars (Note 2)			
	2021				2020				2021			
	Contracts outstanding	Contracts outstanding (more than one year)	Fair value	Valuation gains (losses)	Contracts outstanding	Contracts outstanding (more than one year)	Fair value	Valuation gains (losses)	Contracts outstanding	Contracts outstanding (more than one year)	Fair value	Valuation gains (losses)
a. Currency-related												
Forward foreign currency exchange contracts:												
Buy U.S. dollar, sell Japanese yen	¥ –	¥–	¥ –	¥ –	¥34,632	¥ –	¥ 79	¥ 79	$ –	$ –	$ –	$ –
Sell U.S. dollar, buy Japanese yen	**13,165**	**–**	**(94)**	**(94)**	9,549	–	(113)	(113)	**118,916**	**–**	**(853)**	**(853)**
Sell Japanese yen, buy Euro	**4,662**	**–**	**8**	**8**	2,179	–	16	16	**42,116**	**–**	**73**	**73**
Sell Thai baht, buy Japanese yen	**8,049**	**–**	**72**	**72**	2,173	–	30	30	**72,712**	**–**	**653**	**653**
Others	**7,949**	**–**	**(94)**	**(94)**	7,530	–	47	47	**71,807**	**–**	**(852)**	**(852)**
Currency swaps:												
Receive Japanese yen, pay U.S. dollar	**–**	**–**	**–**	**–**	–	–	–	–	**–**	**–**	**–**	**–**
Receive U.S. dollar, pay Japanese yen	**–**	**–**	**–**	**–**	–	–	–	–	**–**	**–**	**–**	**–**
Receive New Taiwan dollar, pay Japanese yen	**1,552**	**–**	**12**	**12**	–	–	–	–	**14,018**	**–**	**114**	**114**
Receive Thai baht, pay Japanese yen	**1,991**	**–**	**38**	**38**	2,388	–	(117)	(117)	**17,988**	**–**	**348**	**348**
Receive Thai baht, pay Euro	**–**	**–**	**–**	**–**	488	–	17	17	**–**	**–**	**–**	**–**
Interest rate currency swaps:												
Receive U.S. dollar floating, pay Mexican Peso fixed	**248**	**–**	**29**	**29**	219	210	66	66	**2,244**	**–**	**266**	**266**
	37,619	**–**	**(27)**	**(27)**	59,162	210	21	21	**339,803**	**–**	**(249)**	**(249)**
b. Interest rate-related												
Interest rate swaps:												
Receive fixed, pay floating	**–**	**–**	**–**	**–**	–	–	–	–	**–**	**–**	**–**	**–**
Receive floating, pay fixed	**–**	**–**	**–**	**–**	–	–	–	–	**–**	**–**	**–**	**–**
	–	**–**	**–**	**–**	–	–	–	–	**–**	**–**	**–**	**–**
c. Commodity-related												
Market transactions												
Freight (chartered-freight) forward transactions												
Forward chartered-freight agreements on buyer's side	**738**	**–**	**(75)**	**(75)**	30	–	(5)	(5)	**6,666**	**–**	**(680)**	**(680)**
Forward chartered-freight agreements on seller's side	**3,371**	**–**	**(3,054)**	**(3,054)**	247	–	61	61	**30,454**	**–**	**(27,585)**	**(27,585)**
Off-market transactions												
Freight (chartered-freight) forward transactions*												
Forward chartered-freight agreements on buyer's side	**1,062**	**–**	**303**	**303**	215	–	(67)	(67)	**9,598**	**–**	**2,743**	**2,743**
Forward chartered-freight agreements on seller's side	**11,912**	**–**	**(2,482)**	**(2,482)**	1,579	–	418	418	**107,597**	**–**	**(22,424)**	**(22,424)**
Fuel swaps												
Receive floating, pay fixed	**681**	**–**	**(21)**	**(21)**	1,522	18	(647)	(647)	**6,159**	**–**	**(196)**	**(196)**
	17,766	**–**	**(5,330)**	**(5,330)**	3,595	18	(240)	(240)	**160,475**	**–**	**(48,143)**	**(48,143)**

* Method for calculating derivative amounts as of the balance sheet dates: The amounts of market transactions were calculated according to the closing prices of relevant stock exchanges as of the final day of the Company's fiscal year, while amounts of off-market transactions were calculated based on the values and discounted present values reported by the financial institutes handling the transactions.

(2) Derivative transactions qualifying for hedge accounting

		Millions of yen						Thousands of U.S. dollars (Note 2)		
		2021			2020			2021		
		Contracts outstanding	Contracts outstanding (more than one year)	Fair value	Contracts outstanding	Contracts outstanding (more than one year)	Fair value	Contracts outstanding	Contracts outstanding (more than one year)	Fair value
a. Currency-related										
Derivative transactions qualifying for general accounting policies, deferral hedge accounting										
Forward foreign currency exchange contracts:	Principal items hedged:									
Sell U.S. dollar, buy Japanese yen	Investment for equity of overseas subsidiary	**¥104,517**	**¥ 675**	**¥(5,970)**	¥ 80,590	¥ 1,308	¥ 56	**$ 944,067**	**$ 6,101**	**$(53,926)**
Sell Euro, buy Japanese yen		**5,103**	**–**	**(220)**	5,566	–	(78)	**46,098**	**–**	**(1,994)**
Others		**167**	**–**	**8**	91	0	0	**1,513**	**–**	**75**
Currency swaps:	**Principal items hedged:**									
Receive U.S. dollar, pay Japanese yen	Charterage/ Loans receivable/ Loans payable	**12,267**	**12,267**	**(144)**	–	–	–	**110,809**	**110,809**	**(1,308)**
Receive Singapore dollar, pay U.S. dollar		**159**	**95**	**(12)**	206	147	(29)	**1,436**	**862**	**(111)**
Others		**14**	**3**	**14**	–	–	–	**131**	**32**	**131**
Foreign exchange contracts and other derivative transactions qualifying for designation accounting										
Forward foreign currency exchange contracts:	Principal items hedged:									
Buy U.S. dollar, sell Japanese yen	Forecasted capital expenditures	**28,864**	**15,566**	**2,465**	42,364	29,407	2,244	**260,723**	**140,604**	**22,269**
Sell U.S. dollar, buy Japanese yen		**1,204**	**–**	**(2)**	1,184	–	(2)	**10,875**	**–**	**(23)**
Integration treatment of interest rate and currency swaps (qualifying for designation accounting and exceptional accounting)										
Interest rate and currency swaps:	Principal items hedged:									
Receive fixed U.S. dollar, pay floating Japanese yen	Accounts payable	**680**	**–**	**83**	2,041	680	209	**6,147**	**–**	**751**
		152,979	**28,608**	**(3,779)**	132,044	31,544	2,400	**1,381,803**	**258,410**	**(34,134)**
b. Interest rate-related										
Derivative transactions qualifying for general accounting policies, deferral hedge accounting										
Interest rate swaps:	Principal items hedged:									
Receive fixed, pay floating		**10,000**	**10,000**	**774**	10,000	10,000	951	**90,326**	**90,326**	**6,999**
Receive floating, pay fixed	Long-term loans payable	**96,878**	**75,918**	**(4,260)**	111,231	96,647	(6,595)	**875,066**	**685,739**	**(38,483)**
Interest rate swap derivative transactions qualifying for exceptional accounting										
Interest rate swaps:	Principal items hedged:									
Receive fixed, pay floating	Long-term loans payable	**25,000**	**25,000**	*2	25,000	25,000	*2	**225,815**	**225,815**	*2
Receive floating, pay fixed		**29,828**	**25,114**		34,341	29,828		**269,428**	**226,853**	
		161,706	**136,033**	**(3,485)**	180,572	161,476	(5,644)	**1,460,635**	**1,228,734**	**(31,483)**
c. Commodity-related										
Derivative transactions qualifying for general accounting policies, deferral hedge accounting										
Freight (chartered-freight) forward transactions:	Principal items hedged:									
Forward chartered-freight agreements on seller's side	Charterage	**6,064**	**–**	**(543)**	–	–	–	**54,782**	**–**	**(4,910)**
Forward chartered-freight agreements on buyer's side	Charterage	**109**	**–**	**29**	–	–	–	**987**	**–**	**265**
Fuel swaps:	Principal items hedged:									
Receive floating, pay fixed	Fuel	**1,280**	**13**	**108**	72	–	(6)	**11,570**	**117**	**979**
Fuel oil collar transactions.*3	Principal items hedged:									
Buy call option, sell put option	Fuel	**4,076**	**–**	**92**	9,990	–	(1,810)	**36,822**	**–**	**837**
Freight (chartered-freight) collar transactions.*3										
Buy put option, sell call option	Charterage	**4,764**	**3,405**	**(76)**	6,020	4,683	288	**43,038**	**30,756**	**(692)**
		16,296	**3,418**	**(389)**	16,083	4,683	(1,528)	**147,201**	**30,873**	**(3,520)**

*1 Fair values as of the date of the financial statement were calculated based on the values reported by the financial institutes handling the transactions and the discounted present values.
2 As exceptional accounting for interest rate swaps is handled together with the long-term loans payable hedged, their fair value is included in that of the long-term loans payable.
3 Fuel oil collar transactions and freight (chartered-freight) collar transactions are zero-cost option transactions, and call options and put options are shown as a lump sum because they are included in integrated contracts.

7. Inventories

Inventories as of March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Products and goods	¥ 1,818	¥ 1,778	$ 16,427
Work in progress	676	583	6,114
Raw materials, fuel, and supplies	35,123	30,170	317,257

8. Accumulated Depreciation

As of March 31, 2021 and 2020, accumulated depreciation of vessels, property, plant, and equipment is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Accumulated depreciation	¥1,059,036	¥1,042,003	$9,565,860

9. Investment in Unconsolidated Subsidiaries and Affiliates

Amounts corresponding to unconsolidated subsidiaries and affiliates as of March 31, 2021 and 2020, are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Investment securities (stocks)	¥484,731	¥365,801	$4,378,388
Other investments and other assets (investment in capital)	10,467	10,301	94,547
(Of which, amount invested in companies under joint control)	165,478	170,211	1,494,698

10. Investment and Rental Property

The Company and some of its consolidated subsidiaries own offices and other buildings (including land) for earning rent, and other purposes in Tokyo and other regions. Profit from rental of these properties (with main rental income recorded as revenues and main rental expense recorded as costs and expenses) in the consolidated fiscal year ended March 31, 2021, totaled ¥3,484 million ($31,472 thousand), and profit from sales totaled ¥25,682 million ($231,981 thousand) (with gain on sales as other gains and loss on sales as other losses).

The amounts recorded in the consolidated balance sheets, the increase (decrease) during the fiscal years ended March 31, 2021 and 2020, and the fair values of the relevant investment and rental property as of March 31, 2021 and 2020, are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Amount recorded in consolidated balance sheet:			
Balance at beginning of year	¥ 45,949	¥ 46,306	$ 415,040
Increase (decrease) during the fiscal year	(737)	(357)	(6,661)
Balance at end of year	45,211	45,949	408,379
Fair value as of current fiscal year end	123,866	133,601	1,118,834

*1 The amount recorded in the consolidated balance sheet is the acquisition cost, net of accumulated depreciation and impairment losses.
2. Of the increase (decrease) during the fiscal year ended March 31, 2021, the decrease of ¥-1,274 million ($-11,511 thousand) was primarily due to depreciation.
3 The fair value as of the fiscal year end is the amount calculated primarily based on the Real Estate Appraisal Standard (including adjustments made using indexes).

11. Deferred Capital Gains

Under certain conditions, such as exchanges of fixed assets of similar kinds, gains from insurance claims, and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer gains arising from such transactions by reducing the cost of the assets acquired. As such, deferred capital gains from insurance claims were deducted from the cost of properties acquired in replacement, which amounted to ¥5,730 million ($51,758 thousand) and ¥5,839 million as of March 31, 2021 and 2020, respectively.

12. Short-Term and Long-Term Debt

(1) Bonds as of March 31, 2021 and 2020, consisted of the following:

			Millions of yen		Thousands of U.S. dollars (Note 2)
			2021	**2020**	**2021**
	Interest rate	Maturity date			
Unsecured Straight Bonds No 23	2.36%	June 7, 2024	**¥ 10,000**	¥ 10,000	**$ 90,326**
Unsecured Straight Bonds No 25	2.65%	June 22, 2026	**10,000**	10,000	**90,326**
Unsecured Straight Bonds No 31*	1.218%	September 9, 2021	**25,000**	25,000	**225,815**
Unsecured Straight Bonds No 32	2.13%	September 9, 2031	**10,000**	10,000	**90,326**
Unsecured Straight Bonds No 35	1.177%	June 17, 2022	**10,000**	10,000	**90,326**
Unsecured Straight Bonds No 37*	0.939%	September 11, 2020	**–**	20,000	**–**
Unsecured Straight Bonds No. 38	0.39%	May 31, 2022	**20,000**	20,000	**180,652**
Unsecured Straight Bonds No 39	0.53%	May 31, 2024	**10,000**	10,000	**90,326**
Unsecured Straight Bonds No 40	0.29%	May 24, 2023	**10,000**	10,000	**90,326**
Unsecured Straight Bonds No 41	0.29%	August 29, 2024	**13,000**	13,000	**117,423**
Unsecured Straight Bonds No. 42	0.65%	August 29, 2029	**14,000**	14,000	**126,456**
Total			**132,000**	152,000	**1,192,304**

* The Company plans to redeem Unsecured Straight Bonds No 31 and No 37 within one year

The aggregate annual maturities of convertible bonds and bonds as of March 31, 2021, were as follows:

Millions of yen				
Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years
¥25,000	**¥30,000**	**¥10,000**	**¥33,000**	**¥–**

Thousands of U.S. dollars (Note 2)				
Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years
$225,815	**$270,978**	**$90,326**	**$298,076**	**$–**

(2) Loans payable, leases liabilities (current / non-current), and other interest-bearing liabilities as of March 31, 2021 and 2020, were as follows.

			Millions of yen		Thousands of U.S. dollars (Note 2)
			2021	2020	2021
Classification	Average interest rate	Repayment deadline			
Short-term loans payable(including overdraft)	1.55%	–	¥ 6,536	¥ 67,661	$ 59,040
Current portion of long-term loans payable	0.73%	–	154,509	95,013	1,395,621
Leases liabilities (current)	2.78%	–	19,477	18,740	175,931
Long-term loans payable	0.97%	2022–2036	560,913	616,234	5,066,509
Leases liabilities (non-current)	2.88%	2022–2061	77,707	81,203	701,897
Other interest bearing liabilities					
Commercial papers	–	–	–	19,000	–
Current portion of long-term accounts payable	2.04%	–	3,732	1,361	33,709
Long-term accounts payable	–	–	–	3,680	–
Total			822,875	902,894	7,432,710

Average interest rate is the weighted average interest rate for amounts outstanding as of the fiscal year end

Long-term loans payable, Leases liabilities (non-current), and long-term accounts payable (excluding current portion) scheduled for repayment within five years from March 31, 2021, are as follows:

	Millions of yen			
	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years within five years
Long-term loans payable	¥119,495	¥70,460	¥51,737	¥37,490
Leases liabilities (non-current)	15,026	15,074	11,993	7,557

	Thousands of U.S. dollars (Note 2)			
	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years
Long-term loans payable	$1,079,359	$636,445	$467,326	$338,638
Leases liabilities (non-current)	135,732	136,163	108,334	68,262

13. Pledged Assets and Secured Liabilities

As of March 31, 2021, the following assets were pledged as collateral for short-term loans payable, long-term loans payable, and others:

	Net book value	
Pledged assets	Millions of yen	Thousands of U.S. dollars (Note 2)
Cash and deposits	¥ 3,768	$ 34,039
Notes and operating accounts receivable-trade	5,366	48,477
Inventories	199	1,804
Deferred and prepaid expenses	182	1,652
Vessels*	88,204	796,720
Buildings and structures	1,905	17,210
Machinery, equipment and vehicles	7,197	65,016
Furniture and fixtures	10	98
Land	648	5,856
Construction in progress	237	2,149
"Other" of vessels, property, plant and equipment	108	980
Software	161	1,463
Investment securities*	97,631	881,871
"Other" of investments and other assets	367	3,315
Total	205,993	1,860,657

Secured liabilities	Millions of yen	Thousands of U.S. dollars (Note 2)
Notes and operating accounts payable - trade	¥ 19	$ 176
Short-term loans payable	13,481	121,776
Lease liabilities of current liabilities	189	1,715
Long-term loans payable	83,514	754,354
Lease liabilities of non-current liabilities	2,319	20,950
Total	99,525	898,972

* Vessels include ¥118 million ($1,067 thousand) and investment securities include ¥83,313 million ($752,539 thousand) pledged as collateral for the debt of affiliates, etc.

14. Supplementary Information on Consolidated Statement of Cash Flows

(1) Cash and cash equivalents in the accompanying consolidated statement of cash flows for the years ended March 31, 2021 and 2020, are reconciled to cash and deposits reflected in the accompanying consolidated balance sheets as of March 31, 2021 and 2020, as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Cash and deposits	¥107,369	¥81,861	$969,824
Time deposits with a maturity of more than three months	(3,775)	(4,769)	(34,106)
Cash and cash equivalents	103,593	77,092	935,718

(2) Important non-financial transactions

The amounts of assets and liabilities related to lease transactions are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Amount of assets related to lease transactions	¥–	¥ 93,679	$–
Amount of liabilities related to lease transactions	–	102,329	–

* 1 The amounts of assets and liabilities related to lease transactions in the fiscal year under review are not presented as they are not important.
2 From the previous fiscal year, NYK Group companies that prepare financial reports in accordance with International Financial Reporting Standards (IFRS) applied IFRS 16 Leases. Consequently, for lease transactions executed by consolidated subsidiaries that have adopted IFRS, the above amounts of assets and liabilities related to lease transactions include the balance at the beginning of the year added upon initial adoption.

15. Income Taxes

(1) Significant components of deferred tax assets and liabilities as of March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Deferred tax assets:			
Provision for bonuses	**¥ 3,083**	¥ 1,976	**$ 27,853**
Net defined benefit liabilities	**4,056**	3,930	**36,639**
Impairment loss on vessels, property, plant and equipment	**37,239**	42,620	**336,367**
Losses on revaluation of securities	**8,271**	8,707	**74,715**
Tax loss carryforwards*	**96,470**	99,627	**871,383**
Unrealized gains on sale of vessels, property, plant and equipment	**1,359**	1,424	**12,283**
Provision for periodic dry docking of vessels	**3,979**	5,174	**35,945**
Accrued expenses	**493**	453	**4,455**
Deferred loss on derivatives under hedge accounting	**11,708**	11,164	**105,759**
Allowance for doubtful accounts	**2,538**	1,968	**22,932**
Provision for losses related to contracts	**18,862**	6,594	**170,381**
Others	**12,364**	7,797	**111,684**
Subtotal of deferred tax assets	**200,429**	191,440	**1,810,400**
Less valuation allowances for tax loss carryforwards*	**(83,938)**	(93,110)	**(758,180)**
Less valuation allowances for temporary differences	**(95,678)**	(85,864)	**(864,229)**
Valuation allowances	**(179,617)**	(178,975)	**(1,622,410)**
Total deferred tax assets	**20,812**	12,464	**187,989**
Deferred tax liabilities:			
Net defined benefit assets	**(14,783)**	(9,356)	**(133,530)**
Gain on securities contribution to employee retirement benefit trust	**(2,885)**	(2,882)	**(26,062)**
Depreciation	**(1,728)**	(1,596)	**(15,612)**
Reserve for reduction entry	**(3,731)**	(3,771)	**(33,708)**
Valuation difference on available-for-sale securities	**(8,895)**	(5,062)	**(80,349)**
Deferred gain on derivatives under hedge accounting	**(8,359)**	(7,006)	**(75,510)**
Undistributed retained earnings of consolidated subsidiaries	**(10,330)**	(4,658)	**(93,314)**
Others	**(28,705)**	(17,851)	**(259,281)**
Total deferred tax liabilities	**(79,419)**	(52,186)	**(717,369)**
Net deferred tax (liabilities) assets	**(58,607)**	(39,721)	**(529,379)**

* The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2021 and 2020, were as follows:

	Millions of yen						
March 31, 2020	One year or less	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years	Total
Deferred tax assets relating to tax loss carryforwards*	¥ 12,265	¥ 4,078	¥ 3,809	¥ 1,813	¥ 10,616	¥ 67,044	¥ 99,627
Less valuation allowances for tax loss carryforwards	(12,224)	(4,010)	(3,744)	(1,616)	(10,610)	(60,904)	(93,110)
Net deferred tax assets relating to tax loss carryforwards	40	67	65	197	5	6,139	6,516

* The amount of deferred tax assets relating to tax loss carryforwards was calculated using statutory tax rates.

	Millions of yen						
March 31, 2021	One year or less	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years	Total
Deferred tax assets relating to tax loss carryforwards*	**¥ 5,069**	**¥ 3,823**	**¥ 723**	**¥ 10,661**	**¥ 19,536**	**¥ 56,655**	**¥ 96,470**
Less valuation allowances for tax loss carryforwards	**(4,869)**	**(3,760)**	**(664)**	**(10,543)**	**(19,385)**	**(44,714)**	**(83,938)**
Net deferred tax assets relating to tax loss carryforwards	**199**	**62**	**59**	**118**	**151**	**11,941**	**12,532**

* The amount of deferred tax assets relating to tax loss carryforwards was calculated using statutory tax rates

March 31, 2021	One year or less	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years	Total
	Thousands of U.S. dollars (Note 2)						
Deferred tax assets relating to tax loss carryforwards*	**$ 45,790**	**$ 34,533**	**$ 6,534**	**$ 96,305**	**$ 176,469**	**$ 511,749**	**$ 871,383**
Less valuation allowances for tax loss carryforwards	**(43,988)**	**(33,968)**	**(5,998)**	**(95,237)**	**(175,102)**	**(403,885)**	**(758,180)**
Net deferred tax assets relating to tax loss carryforwards	**1,802**	**565**	**536**	**1,067**	**1,366**	**107,863**	**113,202**

* The amount of deferred tax assets relating to tax loss carryforwards was calculated using statutory tax rates.

(2) Reconciliation of the statutory income tax rate to the effective income tax rate for the years ended March 31, 2021 and 2020, was as follows:

	2021	2020
Normal statutory income tax rate	**28.8%**	28.8%
Increase (decrease) in taxes resulting from:		
Amortization of goodwill	**0.4**	2.9
Equity in earnings of unconsolidated subsidiaries and affiliates	**(26.8)**	(13.9)
Permanently non-deductible expenses for tax purposes, such as entertainment expenses	**0.3**	1.2
Changes in valuation allowance	**0.5**	6.1
Tax exemption of shipping business	**0.4**	(3.2)
Effects of foreign tax included in deductible expenses	**0.3**	1.5
Amount of tax effect reversal due to elimination of loss carryforwards	**5.7**	0.8
Effect of U.S. tax reform	**(0.1)**	(7.5)
Other	**4.5**	(0.7)
Actual effective income tax rate	**14.1%**	16.0%

16. Equity

The consolidated financial statements have been reported in accordance with the provisions set forth in the Japanese Companies Act (the "Companies Act").

(1) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, such as (a) having a Board of Directors, (b) having independent auditors, (c) having an Audit & Supervisory Board, and (d) the term of service of the directors being prescribed as one year rather than the normal two-year term by articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. Semiannual interim dividends may also be paid once a year upon resolution of the company as stipulated. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(2) Increases/decreases and transfer of common stock, reserve, and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as legal retained earnings (a component of retained earnings) or as legal capital surplus (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal retained earnings and legal capital surplus equals 25% of the amount of common stock. Under the Companies Act, the total amount of legal retained earnings and legal capital surplus may be reversed without limitation. The Companies Act also provides that common stock, legal retained earnings and legal capital surplus, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(3) Treasury stock and treasury stock acquisition rights
The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a component of equity. The Companies Act also provides that companies can purchase both treasury stock purchase rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights

(A) Matters concerning outstanding shares
Changes in the number of outstanding shares in the consolidated fiscal year ended March 31, 2021, were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
At March 31, 2020	170,055	1,224
Increase in number of shares	–	6
Decrease in number of shares	–	35
At March 31, 2021	170,055	1,195

(B) Matters concerning dividends
(1) Total dividend payments to be paid for the consolidated fiscal year ended March 31, 2021, are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Approved at the ordinary general meeting of shareholders on June 29, 2020	¥3,391	$30,632
Approved by the Board of Directors on November 5, 2020	3,391	30,631
Total	6,782	61,263

(2) The effective date for dividends, including retained earnings, as of March 31, 2021, shall be determined in the subsequent consolidated fiscal year as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
At the ordinary general meeting of shareholders on June 18, 2021	¥30,520	$275,679

17. Impairment Losses

In principle, the Company and its consolidated subsidiaries categorize operating assets under each business for which investment decisions concerning the assets are made, while leased properties, properties held for sale, idle properties, and other types of properties are categorized separately as individual properties.

During the fiscal year under review, the expected sale price of properties held for sale was below their total book value, and the book values of certain categories of operating assets, which had become less profitable due to sluggish performance and other factors, were reduced to their recoverable amounts. The combined amount of these reductions was recorded as an "impairment loss" of ¥24,385 million ($220,267 thousand) under "other losses."

The breakdown is as follows:

Location	Application	Type	Millions of yen	Thousands of U.S. dollars (Note 2)
Norway	Business assets	Vessels (Dry bulk carriers)	¥ 9,346	$ 84,419
Japan	Business assets	Vessels (Dry bulk carriers)	4,843	43,751
Japan	Assets held for sale	Vessels (Tankers)	1,750	15,807
Japan	Assets held for sale	Vessels (Dry bulk carriers)	1,698	15,346
Japan	Business assets	Vessels (Tankers)	1,674	15,124
Others	Assets held for sale, etc	Vessels, etc	5,072	45,817
Total			24,385	220,267

The recoverable amount for these asset groups will be the higher of the net selling price of the asset or its value in use.

The net selling price is based on an appraisal value reasonably calculated by a third party, etc., and the value in use is calculated from the projected future cash flows discounted mainly at 8.01%.

18. Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Employee salaries	**¥72,313**	¥72,533	**$653,178**
Provision for bonuses	**10,327**	6,792	**93,284**
Retirement benefit costs	**3,764**	1,971	**34,004**

19. Retirement Benefit Costs and Provision Included in Costs and Expenses

The components of retirement benefit costs and provision included in costs and expenses are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Provision for periodic dry docking of vessels	**¥10,331**	¥11,979	**$93,322**
Provision for bonuses	**3,628**	2,782	**32,777**
Retirement benefit expenses	**717**	1,304	**6,484**

20. Gain on Sales of Non-Current Assets

The main components of gain on sales of non-current assets are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Land	**¥25,684**	¥16,340	**$231,996**
Vessels	**13,942**	11,328	**125,939**

21. Loss on Sales of Non-Current Assets

The main components of loss on sales of non-current assets are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Vessels	**¥410**	¥114	**$3,707**

22. Research and Development Expenses Included in Costs and Expenses and Selling, General and Administrative Expenses

The components of research and development expenses included in costs and expenses and selling, general and administrative expenses are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
	¥1,471	¥1,207	**$13,291**

23. Amount Transferred to Provision for Losses Related to Contracts

In the consolidated fiscal year under review, the amount of expected future losses was recorded to provide for losses arising in association with the redelivery of time-chartered vessels. These mainly consist of expenses expected to arise in the future in conjunction with the redelivery of vessels carried out as part of structural reforms in the dry bulk division.

24. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	**¥15,922**	¥(20,102)	**$143,822**
Reclassification adjustments to profit or loss for the year	**(65)**	1,229	**(592)**
Amount before income tax effect	**15,857**	(18,873)	**143,230**
Income tax effect	**(3,517)**	5,296	**(31,774)**
Total	**12,339**	(13,577)	**111,455**
Deferred gain (loss) on hedges:			
Gains (losses) arising during the year	**4,417**	(5,343)	**39,900**
Reclassification adjustments to profit or loss for the year	**(1,312)**	1,089	**(11,858)**
Adjustment for the acquisition cost of assets	**(304)**	(82)	**(2,751)**
Amount before income tax effect	**2,799**	(4,336)	**25,291**
Income tax effect	**(807)**	(1,408)	**(7,297)**
Total	**1,992**	(5,745)	**17,993**
Foreign currency translation adjustments:			
Gains (losses) arising during the year	**12,101**	(6,046)	**109,306**
Reclassification adjustments to profit or loss for the year	**(2,814)**	(288)	**(25,424)**
Amount before income tax effect	**9,286**	(6,335)	**83,882**
Income tax effect	**–**	–	**–**
Total	**9,286**	(6,335)	**83,882**
Remeasurements of defined benefit plans:			
Gains (losses) arising during the year	**18,643**	(13,438)	**168,396**
Reclassification adjustments to profit or loss for the year	**(1,499)**	(2,500)	**(13,546)**
Amount before income tax effect	**17,143**	(15,939)	**154,850**
Income tax effect	**(4,465)**	4,619	**(40,334)**
Total	**12,678**	(11,319)	**114,516**
Share of other comprehensive income of associates accounted for using the equity method:			
Gains (losses) arising during the year	**(5,895)**	(12,940)	**(53,254)**
Reclassification adjustments to profit or loss for the year	**1,497**	3,001	**13,522**
Total	**(4,398)**	(9,939)	**(39,731)**
Total other comprehensive income (loss)	**31,897**	(46,916)	**288,116**

25. Commitments and Contingent Liabilities

(1) Commitments made by the Company and its consolidated subsidiaries as of March 31, 2021, totaled ¥164,554 million ($1,486,356 thousand) for the construction of vessels.

Contingent liabilities for notes receivable discounted and endorsed, guarantees of loans as of March 31, 2021, were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Guarantees of loans	**¥114,176**	**$1,031,310**

(2) Certain operating lease agreements that the NYK Group concluded on its respective vessels incorporate a residual value guarantee clause. The maximum amount of potential future payment under the guarantee obligation is ¥4,007 million ($36,202 thousand). The guarantee may be paid if the companies choose to return the leased property rather than exercise the option to purchase. The operating lease agreements will expire by January 2022.

(3) Some operating lease agreements that the NYK Group concluded on its aircraft incorporate a residual value guarantee clause. The maximum amount of potential future payment under the guarantee obligation is ¥42,110 million ($380,371 thousand). The companies may pay the guarantee if they choose to return the leased properties at the end of the lease term. The operating lease agreements will expire by December 2026.

(4) The Company has been under investigation by some authorities overseas, on account of suspected violations of the antitrust laws concerning the shipping of cargo including automobiles handled in or after September 2012. Also, the Company has been party to class civil lawsuits in several regions for damages and suspension of shipments, etc., without a specific amount of damage, for its conspiracy to fix prices of shipping with major automobile shipping companies concerning marine transportation of assembled automobiles, etc. With the exception of the recorded provision for losses related to antitrust law, it is difficult to reasonably predict the results of the investigations by overseas authorities and civil lawsuits at present.

26. Accounting for Leases

Operating leases

As lessees

The fiscal year-end balance of unearned lease payments related to non-cancellable transactions as of March 31, 2021 is as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Within one year	**¥21,280**	**$192,214**
More than one year	**51,804**	**467,926**
Total	**73,084**	**660,141**

As lessors

The fiscal year-end balance of unearned lease payments related to non-cancellable transactions as of March 31, 2021 is as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Within one year	**¥ 7,059**	**$ 63,761**
More than one year	**11,604**	**104,815**
Total	**18,663**	**168,576**

27. Accounting for Employees' Retirement Benefits

1. Outline of employees' retirement benefit plans

The Company and its domestic consolidated subsidiaries maintain the following defined benefit plans: the national government's Employees' Pension Fund and a retirement lump-sum allowance system.

Some overseas consolidated subsidiaries also maintain defined contribution plans or defined benefit plans.

2. Defined benefit plans

(1) Changes in defined benefit obligation for the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	**2020**	**2021**
Balance at beginning of year	**¥87,788**	¥86,226	**$792,956**
Service costs	**3,296**	3,356	**29,773**
Interest costs	**1,067**	1,059	**9,640**
Actuarial (gains) losses	**1,902**	496	**17,186**
Benefits paid	**(3,934)**	(3,212)	**(35,535)**
Prior service cost	**(89)**	170	**(812)**
Others	**1,493**	(308)	**13,486**
Balance at end of year	**91,523**	87,788	**826,694**

(2) Changes in plan assets for the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	**2020**	**2021**
Balance at beginning of year	**¥118,453**	¥131,302	**$1,069,948**
Expected return on plan assets	**1,556**	1,621	**14,055**
Actuarial gains (losses)	**21,367**	(13,259)	**193,006**
Contributions from the employer	**620**	1,096	**5,603**
Benefits paid	**(2,556)**	(2,282)	**(23,091)**
Others	**1,023**	(23)	**9,247**
Balance at end of year	**140,465**	118,453	**1,268,769**

(3) Reconciliation between the balance at beginning of year and the balance at end of year in relation to net defined benefit liability for which the shortcut method was applied for the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	**2020**	**2021**
Balance at beginning of year	**¥5,155**	¥ 5,915	**$46,570**
Net periodic benefit costs	**1,007**	1,082	**9,104**
Benefits paid	**(440)**	(448)	**(3,976)**
Contributions from the employer	**(364)**	(346)	**(3,293)**
Other	**(59)**	(1,047)	**(532)**
Balance at end of year	**5,300**	5,155	**47,872**

(4) Reconciliation between the liability recorded in the consolidated balance sheets and the balances of defined benefit obligation and plan assets as of March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	**2020**	**2021**
Funded defined benefit obligation	¥ 90,107	¥ 86,453	$ 813,902
Plan assets	(146,444)	(124,133)	(1,322,773)
	(56,337)	(37,680)	(508,870)
Unfunded defined benefit obligation	12,694	12,170	114,668
Net liability (asset) arising from defined benefit obligation	(43,642)	(25,509)	(394,201)
Net defined benefit liability	16,697	15,920	150,818
Net defined benefit asset	(60,339)	(41,430)	(545,020)
Net liability (asset) arising from defined benefit obligation	(43,642)	(25,509)	(394,201)

(5) Components of net periodic benefit costs for the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Service costs	¥ 3,296	¥ 3,356	$ 29,773
Interest costs	1,067	1,059	9,640
Expected return on plan assets	(1,556)	(1,621)	(14,055)
Recognized actuarial (gains) losses	(1,284)	(2,546)	(11,605)
Amortization of prior service cost	(90)	171	(818)
Net periodic benefit costs calculated using the shortcut method	1,007	1,082	9,104
Other	(166)	69	(1,500)
Net periodic benefit costs	2,273	1,570	20,539

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Prior service cost	¥ 5	¥ 2	$ 49
Actuarial gains (losses)	17,137	(15,942)	154,800
Total	17,143	(15,939)	154,850

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Unrecognized prior service cost	¥ 6	¥ 0	$ 56
Unrecognized actuarial gains (losses)	18,184	2,079	164,252
Total	18,190	2,080	164,308

(8) Components of plan assets

① Plan assets consisted of the following as of March 31, 2021 and 2020:

	2021	2020
Debt investments	32%	38%
Equity investments	53%	47%
Cash and cash equivalents	2%	1%
Others	13%	14%
Total	100%	100%

A retirement benefit trust established for a corporate pension plan accounts for 35% and 31% of plan assets as of March 31, 2021 and 2020, respectively.

② 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) Assumptions in calculation of the above information

	2021	2020
Discount rate	**Mainly 1.1%**	Mainly 1.1%
Expected rate of return on plan assets	**Mainly 1.8%**	Mainly 1.8%
Expected rate of salary increase	**Mainly 1.2%–7.0%**	Mainly 1.2%–7.1%

A point system has been adopted for certain employees, and the expected rate of salary increase includes the expected rate of point increase

3. Defined contribution plan

Certain consolidated subsidiaries had ¥1,899 million and ¥2,326 million ($21,015 thousand) for the fiscal years ended March 31, 2020 and March 31, 2021, in defined contribution retirement benefit costs. Besides the retirement benefit costs shown above, certain consolidated subsidiaries treated the amount of defined contributions paid to the multi-employer plan as retirement benefit costs.

28. Segment Information

1. Outline of reportable segments

The Company's reportable segments are constituent units of the Company and its consolidated subsidiaries for which separate financial information is obtainable. The segments are periodically reviewed by the Company's management to evaluate the allocation of management resources and business performance.

The NYK Group operates comprehensive logistics businesses covering maritime, land, and air transportation on a global scale. These operations are categorized under six reportable segments: Liner Trade, Air Cargo Transportation, Logistics, Bulk Shipping, Real Estate, and Other. The main operations and services of each reportable segment are listed as follows.

Reportable segment	Major operation and services in each segment
Liner Trade	Ocean cargo shipping, ship owning and chartering, shipping agency, container terminals business, harbor transport services, tugboat operation
Air Cargo Transportation	Air cargo transport
Logistics	Warehouse operation, cargo transport/handling business, coastal cargo shipping
Bulk Shipping	Ocean cargo shipping, ship owning and chartering, shipping agency
Real Estate	Rental, management and sale of real estate properties
Other	Ownership and operation of passenger ships, wholesaling of ship machinery and furniture, other services related to transport, information-processing business, wholesaling of oil products, others

2. Method for calculating revenues, profits and losses, assets, and other financial items of reportable segments

The accounting methods for the reportable segments are the same as those described in "3. Summary of Significant Accounting Policies." The profits and losses recorded under reportable segments are based on recurring profits or losses. Intra-segment revenues and transfers are primarily based on third-party transaction prices.

3. Information on revenues, profit (loss), assets, and other items by reportable segments

The table below presents certain segment information for the years ended March 31, 2021 and 2020.

Year ended March 31, 2021:

	Millions of yen								
		Global Logistics			Others				
	Liner Trade	Air Cargo Transportation	Logistics	Bulk Shipping	Real Estate	Others	Total	Adjustments*	Consolidated Total
I Revenues:									
(1) Revenues from customers	**¥166,181**	**¥115,069**	**¥559,749**	**¥ 681,313**	**¥ 5,963**	**¥ 80,136**	**¥1,608,414**	**¥ –**	**¥1,608,414**
(2) Intersegment revenues	**4,355**	**7,389**	**1,485**	**251**	**920**	**49,652**	**64,055**	**(64,055)**	**–**
Total	**170,537**	**122,459**	**561,234**	**681,564**	**6,884**	**129,789**	**1,672,469**	**(64,055)**	**1,608,414**
Segment profit (loss)	**140,821**	**33,281**	**27,049**	**18,605**	**2,584**	**(2,251)**	**220,090**	**(4,754)**	**215,336**
Segment assets	**428,685**	**65,535**	**348,707**	**1,271,637**	**52,400**	**173,614**	**2,340,579**	**(215,099)**	**2,125,480**
II Other items:									
Depreciation and amortization	**9,891**	**3,232**	**19,913**	**63,293**	**1,366**	**1,159**	**98,857**	**(53)**	**98,803**
Amortization of goodwill and negative goodwill	**42**	**–**	**814**	**924**	**–**	**–**	**1,782**	**–**	**1,782**
Interest income	**187**	**203**	**267**	**1,694**	**1**	**703**	**3,058**	**(673)**	**2,385**
Interest expenses	**3,347**	**337**	**1,811**	**9,614**	**48**	**1,079**	**16,237**	**(259)**	**15,978**
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	**141,565**	**–**	**(163)**	**17,504**	**–**	**(2,977)**	**155,929**	**(0)**	**155,928**
Investments in equity method *affiliates*	***249,459***	**–**	***1,918***	***223,884***	**–**	***418***	***475,680***	***(313)***	***475,367***
Increase in vessels, property, plant, and equipment and intangible assets	**6,782**	**1,569**	**6,946**	**85,745**	**384**	**753**	**102,181**	**(402)**	**101,778**
III Information about impairment loss by reportable segments:									
Impairment loss	**194**	**–**	**1,126**	**22,399**	**536**	**129**	**24,385**	**–**	**24,385**
IV Information about balance of goodwill by reportable segments:									
Balance of goodwill (negative goodwill) at the end of current period	**89**	**–**	**4,284**	**5,816**	**–**	**–**	**10,190**	**–**	**10,190**

	Thousands of U.S. dollars (Note 2)								
	Global Logistics				Others				
	Liner Trade	Air Cargo Transportation	Logistics	Bulk Shipping	Real Estate	Others	Total	Adjustments*	Consolidated Total
I Revenues:									
(1) Revenues from customers	**$1,501,052**	**$1,039,375**	**$5,055,995**	**$ 6,154,039**	**$ 53,869**	**$ 723,843**	**$14,528,175**	**$ –**	**$14,528,175**
(2) Intersegment revenues	**39,345**	**66,750**	**13,413**	**2,269**	**8,313**	**448,495**	**578,587**	**(578,587)**	**–**
Total	**1,540,397**	**1,106,126**	**5,069,408**	**6,156,309**	**62,182**	**1,172,339**	**15,106,763**	**(578,587)**	**14,528,175**
Segment (loss) profit	**1,271,985**	**300,622**	**244,329**	**168,055**	**23,341**	**(20,341)**	**1,987,992**	**(42,945)**	**1,945,046**
Segment assets	**3,872,144**	**591,952**	**3,149,736**	**11,486,201**	**473,314**	**1,568,188**	**21,141,538**	**(1,942,907)**	**19,198,631**
II Other items:									
Depreciation and amortization	**89,343**	**29,199**	**179,870**	**571,709**	**12,339**	**10,476**	**892,939**	**(482)**	**892,457**
Amortization of goodwill and negative goodwill	**386**	**–**	**7,357**	**8,354**	**–**	**–**	**16,098**	**–**	**16,098**
Interest income	**1,690**	**1,842**	**2,413**	**15,309**	**13**	**6,358**	**27,627**	**(6,083)**	**21,544**
Interest expenses	**30,233**	**3,047**	**16,363**	**86,840**	**439**	**9,746**	**146,670**	**(2,340)**	**144,330**
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	**1,278,704**	**–**	**(1,473)**	**158,111**	**–**	**(26,895)**	**1,408,446**	**(9)**	**1,408,437**
Investments in equity method affiliates	**2,253,270**	**–**	**17,329**	**2,022,262**	**–**	**3,778**	**4,296,639**	**(2,828)**	**4,293,811**
Increase in vessels, property, plant, and equipment and intangible assets	**61,267**	**14,173**	**62,741**	**774,508**	**3,473**	**6,805**	**922,969**	**(3,639)**	**919,329**
III Information about impairment loss by reportable segments:									
Impairment loss	**1,754**	**–**	**10,176**	**202,323**	**4,841**	**1,171**	**220,267**	**–**	**220,267**
IV Information about balance of goodwill by reportable segments:									
Balance of goodwill (negative goodwill) at the end of current period	**808**	**–**	**38,699**	**52,541**	**–**	**–**	**92,049**	**–**	**92,049**

* Adjustments of segment profit or loss are ¥66 million ($596 thousand) of internal exchanges or transfers among segments and ¥–4,820 million ($–43,542 thousand) of corporate expenses. The Company accounts general and administrative expenses and non-operating expenses that do not belong to any single segment as corporate expenses.
Adjustments of segment assets are ¥–237,649 million ($–2,146,598 thousand) of receivables or assets relating to internal exchanges among segments and ¥22,550 million ($203,691 thousand) of corporate assets.
Major corporate assets are the excess of operating funds (cash and deposits).

Year ended March 31, 2020:

	Millions of yen								
	Global Logistics				Others				
	Liner Trade	Air Cargo Transportation	Logistics	Bulk Shipping	Real Estate	Others	Total	Adjustments*	Consolidated Total
I Revenues:									
(1) Revenues from customers	¥196,530	¥ 70,237	¥474,352	¥ 819,776	¥ 6,344	¥101,114	¥1,668,355	¥ –	¥1,668,355
(2) Intersegment revenues	5,717	4,920	1,973	31	1,002	64,575	78,220	(78,220)	–
Total	202,248	75,157	476,326	819,807	7,346	165,690	1,746,576	(78,220)	1,668,355
Segment profit (loss)	13,442	(15,583)	4,721	44,187	2,564	1,773	51,106	(6,619)	44,486
Segment assets	296,981	63,205	281,608	1,269,819	54,948	159,032	2,125,594	(192,330)	1,933,264
II Other items:									
Depreciation and amortization	11,668	4,006	19,881	65,982	1,355	1,216	104,110	(53)	104,057
Amortization of goodwill and negative goodwill	44	–	680	3,605	–	–	4,329	–	4,329
Interest income	454	283	577	2,834	2	1,595	5,747	(2,170)	3,576
Interest expenses	5,633	276	2,192	14,488	58	3,595	26,245	(286)	25,958
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	5,742	–	21	17,427	–	(660)	22,531	(14)	22,517
Investments in equity method affiliates	121,936	–	2,059	227,135	–	1,360	352,492	(118)	352,373
Increase in vessels, property, plant, and equipment and intangible assets	5,659	16,989	7,797	106,482	1,205	801	138,935	296	139,232
III Information about impairment loss by reportable segments:									
Impairment loss	1	16,151	2,507	1,989	–	5	20,655	–	20,655
IV Information about balance of goodwill by reportable segments:									
Balance of goodwill (negative goodwill) at the end of current period	131	–	4,259	6,664	–	–	11,055	–	11,055

* Adjustments of segment profit or loss are ¥50 million of internal exchanges or transfers among segments and ¥–6,669 million of corporate expenses.
The Company accounts general and administrative expenses and non-operating expenses that do not belong to any single segment as corporate expenses.
Adjustments of segment assets are ¥–207,063 million of receivables or assets relating to internal exchanges among segments and ¥14,732 million of corporate assets.
Major corporate assets are the excess of operating funds (cash and deposits).

29. Related Information

Information by geographical segment is as follows. As there were no customers that accounted for more than 10% of consolidated revenues, information about revenues from major customers is omitted

Year ended March 31, 2021:

	Millions of yen					
	Japan	North America	Europe	Asia	Others	Total
I Revenues	**¥1,053,797**	**¥101,882**	**¥164,118**	**¥273,583**	**¥15,032**	**¥1,608,414**
II Tangible fixed assets	**547,666**	**31,346**	**180,874**	**85,854**	**1,948**	**847,689**

	Thousands of U.S dollars (Note 2)					
	Japan	North America	Europe	Asia	Others	Total
I Revenues	**$9,518,538**	**$920,266**	**$1,482,416**	**$2,471,172**	**$135,781**	**$14,528,175**
II Tangible fixed assets	**4,946,854**	**283,141**	**1,633,768**	**775,488**	**17,597**	**7,656,850**

Year ended March 31, 2020:

	Millions of yen					
	Japan	North America	Europe	Asia	Others	Total
I Revenues	¥1,173,036	¥91,839	¥165,294	¥218,986	¥19,199	¥1,668,355
II Tangible fixed assets	599,989	33,771	198,502	81,286	2,778	916,329

30. Related Party Disclosures

(1) Related-party transactions

Previous fiscal year (April 1, 2019 to March 31, 2020)
No matters of importance to report.

Fiscal year under review (April 1, 2020 to March 31, 2021)
No matters of importance to report.

(2) Summarized financial information as of and for the years ended March 31, 2021 and 2020, for OCEAN NETWORK EXPRESS PTE. LTD., which was classified as a significant affiliated company, is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Total current assets	**¥ 820,309**	¥ 385,905	**$ 7,409,531**
Total non-current assets	**617,754**	611,750	**5,579,932**
Total current liabilities	**357,286**	249,219	**3,227,228**
Total non-current liabilities	**505,863**	508,869	**4,569,268**
Total equity	**574,913**	239,566	**5,192,966**
Revenues	**1,597,798**	1,378,435	**14,432,286**
Profit before income taxes	**373,176**	14,217	**3,370,757**
Profit attributable to owners of parent	**367,247**	8,141	**3,317,201**

31. Subsequent Events

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2021, was approved at the Company's shareholders' meeting held on June 18, 2021.

	Millions of yen	Thousands of U.S. dollars (Note 2)
Year-end cash dividends, ¥180.00 ($1.63) per share	**¥30,520**	**$275,679**

Partial Transfer of Subsidiary Stock

On May 27, 2021, the Company reached an agreement with Japan Post Real Estate Co., Ltd. to transfer 51% of the issued shares of the Company's consolidated subsidiary Yusen Real Estate Corporation. Accordingly, Yusen Real Estate Corporation will become an equity-method affiliate.

1. Name of the assignee
   Japan Post Real Estate Co., Ltd.
2. Name of the target company
   Yusen Real Estate Corporation
3. Name of the reporting segment of the target company
   Real Estate
4. Business operations of the target company
   Ownership, rental, real estate master lease, and contracted management, etc., of buildings, condominiums, and stores
5. Main reason for the transfer
   The Company has presented effective use of real estate holdings as a measure under its current medium-term management plan and has positioned the early realization of further business growth of Yusen Real Estate Corporation as its most important priority. The Company judges that forming a partnership with Japan Post Real Estate Co., Ltd. to develop business is the best strategy for further growth and increase the corporate value of Yusen Real Estate Corporation.
6. Timing of the transfer
   Scheduled in the second quarter of the fiscal year ending March 31, 2022
   * The timing of the transfer has not been fixed as it is necessary to obtain the approval of the relevant government authorities in each country in relation to the Competition Law, etc.
7. Transfer ratio
   51%
8. Transfer price
   The transfer price shall not be disclosed due to the obligation of confidentiality with the assignee.
9. Impact of the transaction
   As a result of this transaction, the Company expects to record a gain on the transfer of shares of approximately ¥23.0 billion ($207,749 thousand) under other gains for the second quarter of the fiscal year ending March 31, 2022.

Other Information

① Quarterly information, etc., in the consolidated fiscal year under review

(Cumulative period)		First quarter	Second quarter	Third quarter	Total
Revenues	Millions of yen	¥361,170	¥722,031	¥1,145,943	¥1,608,414
Amount of profit (loss) before income taxes	Millions of yen	15,749	29,916	64,822	170,418
Amount of profit (loss) attributable to owners of parent	Millions of yen	11,684	22,180	52,362	139,228
Profit (loss) per share	Yen	69.21	131.37	310.11	824.55

(Fiscal period)		First quarter	Second quarter	Third quarter	Fourth quarter
Profit (loss) per share	Yen	¥69.21	¥62.16	¥178.73	¥514.43

(Cumulative period)		First quarter	Second quarter	Third quarter	Total
Revenues	Thousands of U.S. dollars (Note 2)	$3,262,309	$6,521,829	$10,350,854	$14,528,175
Amount of profit (loss) before income taxes	Thousands of U.S. dollars (Note 2)	142,256	270,219	585,517	1,539,319
Amount of profit (loss) attributable to owners of parent	Thousands of U.S. dollars (Note 2)	105,541	200,350	472,966	1,257,596
Profit (loss) per share	U.S. dollars (Note 2)	0.62	1.19	2.8	7.45

(Fiscal period)		First quarter	Second quarter	Third quarter	Fourth quarter
Profit (loss) per share	U.S. dollars (Note 2)	$0.63	$0.56	$1.61	$4.65

② Lawsuits

In addition to the items detailed in 25. Commitments and Contingent Liabilities, in connection with the collision of ACX Crystal, a containership chartered by the Company, with U.S. Navy Destroyer Fitzgerald on June 17, 2017 (Japan time) off the coast of Shimoda, Shizuoka Prefecture, lawsuits for damages totaling $308 million have been filed against the Company in the United States by bereaved family members of the crew members of Fitzgerald who died in the collision and by crew members who claim to have been injured. To date, the court of first instance and the court of second instance in the U.S. have ruled to reject the plaintiff's lawsuit.

Management's Report on Internal Control Over Financial Reporting

1. Matters relating to the basic framework of internal control over financial reporting

Hitoshi Nagasawa, President, Representative Director, President and Chief Executive Officer, and Hiroshi Kubota, Director, Managing Executive Officer, are responsible for designing and operating effective internal control over financial reporting of the Company and have designed and operated internal control over financial reporting of the consolidated financial statements in accordance with the basic framework for internal control set forth in "On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that material misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters relating to the scope of assessment, the basis date of assessment, and the assessment procedures

The assessment of internal control over financial reporting was performed as of March 31, 2021, which is the end of this fiscal year.
The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting on a consolidated basis ("company-level controls"), and based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method affiliated companies, from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts on financial reporting. In light of the results of assessment of company-level controls conducted for the Company and consolidated subsidiaries, we reasonably determined the scope of assessment of process-level controls. Regarding the consolidated subsidiaries and the equity-method affiliated companies that do not have a material effect on financial reporting, we did not include them in the scope of assessment of company-level controls.

Regarding the scope of assessment of process-level controls, we selected locations and business units to be tested in descending order of revenues, and the companies whose combined revenues reach two thirds of revenues on a consolidated basis, in addition, because of the monetary and qualitative significance of the impact on the reliability of the consolidated financial statements, Ocean Network Express Pte. Ltd. an equity-method affiliate, were selected as "significant locations and/or business units." We included in the scope of assessment, at the selected significant locations and/or business units, business processes leading to revenues, costs and expenses, and accounts receivable–trade as significant accounts that may have a material impact on the business objectives of the Company. Further, in addition to selected significant locations and/or business units, we also selected for testing the business processes having greater materiality, taking into account their impact on the financial reporting.

3. Matters relating to the results of the assessment

As a result of the assessment described above, as of the end of this fiscal year, we concluded that the Company's internal control over financial reporting of the consolidated financial statements was effectively maintained.

Hitoshi Nagasawa
President, Representative Director,
President and Chief Executive Officer
June 18, 2021

Hiroshi Kubota
Director, Managing Executive Officer

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Nippon Yusen Kabushiki Kaisha:

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Nippon Yusen Kabushiki Kaisha and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

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

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside 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 provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Member of
Deloitte Touche Tohmatsu Limited

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Impairment losses of non-current assets	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As presented in the consolidated balance sheet, the Group recorded ¥534,378 million ($4,826,829 thousand) for vessels and ¥35,838 million ($323,712 thousand) for aircraft as of March 31, 2021, and these amounts represented 25.1% and 1.7% of total assets, respectively. In addition, as presented in the consolidated statement of income, the Group recorded impairment losses of ¥24,385 million ($220,297 thousand) for the year ended March 31, 2021. As stated in the notes to the consolidated financial statements 3. Summary of Significant Accounting Policies O. Significant Accounting Estimates (1) Impairment losses of non-current assets, if any impairment indicators exist for assets or group of assets, the Group measures impairment losses for the assets or group of assets to determine whether impairment losses should be recognized. In determining whether an impairment loss is needed, the Group calculates the recoverable amounts based on the value in use or the net selling price at disposition for the asset or group of assets. Value in use is calculated as the discounted present value of the future cash flows. Significant assumptions used in business plans that form the basis of future cash flows are mainly composed of market conditions for freight and charter rates and future prospects of cargo demand. Since the shipping and air cargo markets are highly volatile, including the impact of COVID-19 to the business, forecasting them requires a high degree of judgment. Furthermore, the period to estimate the future cash flows is based on the average remaining useful lives of the vessels and aircraft belonging to each asset or group of assets and is, therefore, relatively long term. Due to this uncertainty, there is a high degree of subjectivity and dependence on management's judgment regarding market conditions in estimating the future cash flows. Additionally, complex calculation is required in deriving the discount rate used to determine the discounted present value, and this is dependent on management's judgment. The net selling price at disposition is primarily estimated based on the valuation results made by management's experts. For some assets or groups of assets, for which there may be no observable markets, the valuation methods and results may be highly dependent on the judgment of the experts and management. Based on the above, we determined that the estimation of the recoverable amounts used in the impairment tests of non-current assets is particularly important in the audit of the consolidated financial statements of the Company as of March 31, 2021 as it involves significant judgements made by management and identified it as a key audit matter.	Our audit procedures related to the estimation of the recoverable amounts for the impairment test of non-current assets included the following, among others: (Value in use) • We tested the design, implementation, and operating effectiveness of the Group's internal controls relevant to developing future cash flows, including assumptions made by management regarding market conditions for freight and charter rates and future prospects of cargo demand. • We evaluated the accuracy of management's historical estimates for future plans by comparing the budgets and business plans for past fiscal years with actual results. • We evaluated the reasonableness of key assumptions, such as future projections for freight and charter rates and future prospects concerning factors such as cargo demand, by comparing them with available external data, such as market research reports, and analyzing trends using past results. • We held discussions with management to evaluate management's assumptions concerning market trends during and after the period of recovery from the impact of the COVID-19 pandemic. • For the discount rate, we evaluated the appropriateness of the calculation method adopted by management with the assistance of our valuation specialists, who used available external data. We also checked the consistency of the variables used against available external data. (Net selling price at disposition) • With the assistance of our asset valuation specialists, we evaluated the reliability of management's experts and the appropriateness of valuation methodologies. • In cases where there were comparable transactions, we tested the appropriateness of valuation results by comparing the valuation amounts with those transactions.

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Provision for losses related to contracts associated with dry bulk restructuring	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As stated in the notes to the consolidated financial statements 3. Summary of Significant Accounting Policies O. Significant Accounting Estimates (2) Provision for losses related to contracts associated with dry bulk restructuring, as part of its dry bulk restructuring, which is one of the measures in the current medium-term management plan, Nippon Yusen Kabushiki Kaisha (the "Company") has made the decision to cancel time charter contracts in the future. Consequently, it has recorded provision for losses related to contracts of ¥42,617 million ($384,942 thousand) in the consolidated balance sheet for expenses related to cancellation penalties for the contracts and other expenses that are expected to arise as a result of this decision. The Company has recorded a provision for expenses related to cancellation penalties for time charter contracts and other expenses that are expected to arise in the future, as it has determined that they have satisfied the following requirements as defined in Note 18 of the Corporate Accounting Principles: "1) the expense is a specific future expense or loss, 2) it is attributable to an event that occurred prior to the current fiscal year, 3) the occurrence of the expense is highly likely, and 4) its amount can be reasonably estimated." Cancellation penalties are incurred based on the agreement with the owners of the vessels that the Company has decided to end its contracts. However, as final agreements have not yet been reached between the Company and the owners of the vessels for certain contracts as of March 31, 2021, the evaluation of the likelihood of the cancellation of the contracts is dependent on management's judgment. Furthermore, since there is no provision for cancellation penalties related to in time charter contracts, in light of the level of cancellation penalties in past cancellations, the Company estimated contract cancellation fees based on (1) the terms and conditions of time charter contracts, (2) current and future shipping market rates, and (3) vessel prices in the second hand vessel sales market, among others. In this regard, the uncertainty of the estimate is relatively high since cancellation terms are determined through individual negotiations. Based on the above, we determined that the evaluation of the reasonableness of the estimated provision for losses related to contracts associated with dry bulk restructuring is particularly important in the audit of the consolidated financial statements of the Company as of March 31, 2021 as it involves significant judgements made by management and identified it as a key audit matter.	Our audit procedures related to testing the reasonableness of the estimate of provision for losses related to contracts associated with dry bulk restructuring included the following, among others: • Regarding the recognition of provision for losses related to contracts, we evaluated the design and operating effectiveness of the Company's internal controls over the completeness of identification of contracts subject to the provision for losses related to contracts, the likelihood of cancellation of the contracts, and the reasonableness of the estimate of the amounts. • For the likelihood of cancellation of the contracts, based on the list of time charter contracts used for the selection of applicable contracts, we inquired of management about the basis for determining that certain contracts had a high likelihood of being cancelled. We also inspected the supporting documents to corroborate our inquiry. • For the completeness of the provision for losses related to contracts, based on the list of time charter contracts used for the selection of contracts subject to the provision for losses related to contracts, we inquired of management about the basis for determining that certain contracts had a low likelihood of being cancelled. We also inspected the supporting documents to corroborate our inquiry. • For the reasonableness of the provision calculation method, we inquired of management, and checked its consistency against the calculation methods for time charter cancellation penalties in the past. • For the contract terms and conditions, results and forecasts of the shipping market rates, and the estimate of second hand vessel sales prices used in calculating the provision, we evaluated their consistency with time charter contracts, published current and future market data, and available external data such as market research reports.

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Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

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

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

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

As part of 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. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

・Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of 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 whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

・Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for

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the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & 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 Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & 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.

Report on Internal Control

Opinion

We have audited management's report on internal control over financial reporting of the consolidated financial statements of Nippon Yusen Kabushiki Kaisha as of March 31, 2021.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of the consolidated financial statements of Nippon Yusen Kabushiki Kaisha as of March 31, 2021, is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and Audit & Supervisory Board for Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit

Our objectives are to obtain reasonable assurance about whether management's report on internal control over financial reporting is free from material misstatement and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards for internal control over financial reporting generally accepted in Japan will always detect a material misstatement when it exists.

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

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・Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting.

・Examine representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

・Obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and performance of the internal control audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the internal control audit, result of the internal control audit, including any identified material weakness which should be disclosed and the result of remediation.

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

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.

Deloitte Touche Tohmatsu LLC

June 18, 2021

Major Group Companies

(As of March 31, 2021)

		Company	Voting rights held (%)	Paid-in capital (Millions of yen)
Domestic	Liner	UNI-X NCT CORPORATION	100.00	¥ 934
		ASAHI UNYU KAISHA, LTD.	100.00	100
		YUSEN KOUN CO., LTD.	100.00	100
		SHIN-NIPPON KAIYOSHA CORP.	100.00	490
		NIPPON CONTAINER YUSO CO., LTD.	51.00	250
		HONMA CORPORATION	100.00	50
		NAIKAI TUG BOAT SERVICE CO., LTD.	100.00	97
	Air Cargo Transportation	NIPPON CARGO AIRLINES CO., LTD.	100.00	10,000
	Logistics	YUSEN LOGISTICS CO., LTD.	100.00	4,301
		KINKAI YUSEN KAISHA LTD.	100.00	465
		CAMELLIA LINE CO., LTD.	51.00	400
	Bulk Shipping	NYK BULK & PROJECTS CARRIERS LTD.	100.00	2,100
		ASAHI SHIPPING CO., LTD.	69.67	495
		HACHIUMA STEAMSHIP CO., LTD.	76.18	500
		NS UNITED KAIUN KAISHA, LTD.	18.57	10,300
		KYOEI TANKER CO., LTD.	30.06	2,850
	Real Estate	YUSEN REAL ESTATE CORPORATION	100.00	450
	Others	NYK CRUISES CO., LTD.	50.00	2,000
		NYK BUSINESS SYSTEMS CO., LTD.	100.00	99
		SANYO TRADING CO., LTD.	50.78	100
		NYK TRADING CORPORATION	79.25	1,246

		Company	Voting rights held (%)	Paid-in capital (Millions of indicated units)
Overseas	Liner	YUSEN TERMINALS LLC	100.00	US$ 2
		CERES HALIFAX INC	100.00	CA$ 0.0
		AMADEUS SHIPHOLDING S.A.	100.00	US$ 0.0
		OCEAN NETWORK EXPRESS PTE. LTD.	0.00	US$ 3,000
	Logistics	YUSEN LOGISTICS (AMERICAS) INC	100.00	US$ 70
		YUSEN LOGISTICS (CHINA) CO., LTD.	100.00	CHY 158
		YUSEN LOGISTICS (UK) LTD	100.00	£ 44
		YUSEN LOGISTICS (THAILAND) CO., LTD.	100.00	B 70
		YUSEN LOGISTICS (HONG KONG) LTD	100.00	HK$ 55
	Bulk Shipping	INTERNATIONAL CAR OPERATORS N.V.	100.00	€ 104
		NYK BULKSHIP (ASIA) PTE. LTD.	100.00	US$ 7
		SAGA SHIPHOLDING (NORWAY) AS	100.00	US$ 6
		NYK BULKSHIP (ATLANTIC) N.V.	100.00	US$ 555
		NYK AUTOMOTIVE LOGISTICS (CHINA) CO., LTD.	100.00	CHY 245
		NYK ENERGY TRANSPORT (ATLANTIC) LTD.	100.00	US$ 51
		NYK BULKSHIP (KOREA) CO., LTD.	100.00	KRW 11,386
		NYK SHIPMANAGEMENT PTE. LTD	100.00	US$ 0.4
		ADAGIO MARITIMA S.A.	100.00	¥ 0.1

Currencies: B: Thai Baht CA$: Canadian dollar CHY: Chinese yuan HK$: Hong Kong dollar KRW: Korean won US$: U.S. dollar £: Pound sterling €: EURO

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