

(Translation)

NYK Trading Corporation

Balance Sheet

(As of March 31, 2024)
(Unit: Thousands of yen)

Assets		Liabilities	
Account	Amount	Account	Amount
Current assets	22,288,168	Current liabilities	17,703,778
Cash and deposits	57,840	Electronically recorded monetary debts	529,621
Notes receivable - trade	231,905	Accounts payable - trade	15,776,216
Electronically recorded monetary claims	817,570	Short-term loans payable	242,300
Accounts receivable - trade	18,000,646	Income taxes payable	211,507
Merchandise	749,840	Contract liability	260,904
Advance payments	310,071	Deposits received	395,551
Short-term loans receivable	1,754,219	Provision for directors and Audit and Supervisory Board members' bonuses	13,725
Other	368,207	Provision for bonuses	151,823
Allowance for doubtful accounts	△ 2,132	Other	122,129
Noncurrent assets	2,206,108	Noncurrent liabilities	563,832
Property, plant, and equipment	1,518,754	Provision for retirement benefits	393,325
Buildings	214,902	Provision for directors and Audit and Supervisory Board members' retirement benefits	97,787
Structures	3,918	Other	72,719
Machinery and equipment	664,061		
Vehicles	2,503	Total liabilities	18,267,610
Tools, furniture, and fixtures	34,529	Net assets	
Land	598,839	Shareholders' equity	6,228,667
Intangible assets	51,758	Common stock	500,000
Software	51,758	Capital surplus	15,435
Investments and other assets	635,595	Legal capital surplus	15,435
Investments in securities	77,237	Retained earnings	5,713,232
Shares of subsidiaries and associates	196,266	Legal reserve	296,095
Investments in capital of subsidiaries and associates	1,070	Other retained earnings	5,417,136
Long-term loans receivable	1,200	General reserve	2,750,000
Deferred tax assets	215,222	Retained earnings brought forward	2,667,136
Other	201,256	Valuation and translation adjustments	△ 2,001
Allowance for doubtful accounts	△ 56,659	Valuation difference on available-for-sale securities	△ 2,016
		Deferred gains or losses on hedges	14
Total assets	24,494,276	Total net assets	6,226,666
		Total liabilities and net assets	24,494,276

* Rounded down to the nearest 1,000 yen

(Translation)

NYK Trading Corporation

Statement of Income

From April 1, 2023,
to March 31, 2024

(Unit: Thousands of yen)

Account	Amount	
Net sales		167,898,795
Cost of sales		164,743,255
Gross profit		3,155,539
Selling, general, and administrative expenses		2,252,767
Operating income		902,772
Nonoperating income		
Interest and dividend income	222,238	
Gain on derivative transactions	65,214	
Other nonoperating income	128,402	415,855
Nonoperating expenses		
Interest expenses	61,461	
Foreign exchange losses	38,295	
Other nonoperating expenses	18,554	118,311
Ordinary income		1,200,316
Extraordinary loss		
Compensation for damages	44,794	
Impairment loss for investments in capital of subsidiaries and associates	17,864	
Loss on sale of investments in capital of subsidiaries and associates	64,915	127,573
Income before income taxes		1,072,742
Income taxes - current	274,114	
Income taxes - deferred	9,679	283,793
Net income		788,948

* Rounded down to the nearest 1,000 yen

(TRANSLATION)

NYK Trading Corporation

Statement of Changes in Equity

(From April 1, 2023,
to March 31, 2024)

(Unit: Thousands of yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Retained earnings			Treasury stock	Total shareholders' equity	
		Legal capital surplus	Other capital surplus	Legal reserve	Other retained earnings				Total retained earnings
					General reserve	Retained earnings brought forward			
Balance at beginning of the current period	1,246,126	15,435	-	296,095	2,750,000	3,118,017	6,164,113	△ 1,472,133	5,953,541
Changes in items during the period									
Capital reduction	△ 746,126		746,126						-
Dividend from surplus						△ 513,822	△ 513,822		△ 513,822
Net income						788,948	788,948		788,948
Retirement of treasury shares			△ 746,126			△ 726,007	△ 726,007	1,472,133	-
Net changes in items other than shareholders' equity									-
Total changes in items during the period	△ 746,126	-	-	-	-	△ 450,881	△ 450,881	1,472,133	275,126
Balance at end of the current period	500,000	15,435	-	296,095	2,750,000	2,667,136	5,713,232	-	6,228,667

* Rounded down to the nearest 1,000 yen

(Unit: Thousands of yen)

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustment	
Balance at beginning of the current period	△ 5,332	△ 6,102	△ 11,435	5,942,105
Changes in items during the period				
Capital reduction				-
Dividend from surplus			-	△ 513,822
Net income			-	788,948
Retirement of treasury shares			-	-
Net changes in items other than shareholders' equity	3,316	6,117	9,433	9,433
Total changes in items during the period	3,316	6,117	9,433	284,560
Balance at end of the current period	△ 2,016	14	△ 2,001	6,226,666

* Rounded down to the nearest 1,000 yen

Notes on Specific Items

Notes on significant accounting policies

1. Evaluation criteria and evaluation method for securities investments in subsidiaries and associates are stated at cost, determined by the moving-average method.
With reference to other securities, those that have a fair value are evaluated by the fair value method, which is based on the fair value or its equivalent on the closing date (in which all of the evaluation differences are reported in a separate component of equity, net of applicable taxes, and the cost of securities sold is calculated by the moving-average method), while those that do not have a fair value are stated at cost, determined by the moving-average method.
2. The evaluation criteria for derivatives are based on the fair value method.
3. Inventories are stated at the lower of cost, determined by the moving-average method, or net selling value.
4. With reference to the depreciation method for property, plant, and equipment, the items under tools, furniture, and fixtures are based on the declining-balance method, while others are based on the straight-line method (excluding leased assets).
5. The depreciation method for intangible assets is based on the straight-line method (excluding leased assets).
Software for internal use is depreciated using the straight-line method over the estimated useful lives (five years).
6. Allowances for doubtful accounts are provided for bad debt expenses. The allowances for doubtful accounts for general accounts receivable are recorded by the general loss ratio, while for the specific accounts receivable, including doubtful accounts receivable, the expected uncollectible amounts are recorded by considering their individual collectibility.
7. Provision for bonuses is allocated based on bonuses paid to the employees and is recorded based on the expected payment amounts.
8. Provision for directors and Audit and Supervisory Board members' bonuses is allocated based on bonuses paid to the directors and Audit and Supervisory Board members, and is recorded based on the expected payment amounts.
9. Provision for retirement benefits for employees is recorded based on the amount required at the end of the current period for voluntary retirement.
10. For the provision for directors, Audit and Supervisory Board members, and officers' retirement benefits, the necessary payment amount at the end of the period is recorded based on internal policies governing the payment of retirement benefits to the directors, Audit and Supervisory Board members, and the officers.
11. Recognition criteria for revenue and expenses
The contents of primary obligations and the time to recognize revenue in the primary business are as follows:

Energy business
Energy business is primarily from wholesale sales of petroleum products (i.e., marine fuels, marine lubricants, industrial fuels, and chemicals). The performance obligation to deliver the products or finished goods is based on a sales contract made with the customer. The performance obligation is deemed to have been fulfilled at the time the products or finished goods are delivered to the customer and the customer acquires control of those products or finished goods, and revenue is recognized at that time of delivery.

Machinery and instrumentation business
Machinery and instrumentation business is primarily from wholesale sales of marine equipment, machinery components, marine supplies, and service of installation.
The performance obligation to deliver the products or finished goods is based on a sales contract made with the customer. The performance obligation is deemed to have been fulfilled at the time the products or finished goods are delivered to the customer and the customer acquires control of those products or finished goods. Revenue is recognized at that time of delivery.
The performance obligation related to service is to provide installation services. The performance obligation is deemed to have been fulfilled at the time of completion of the installation service. Revenue is recognized at that time of service completion.
12. For hedge accounting, NYK Trading Corporation (the "Company") utilizes the deferred hedge treatment, in principle.
For further information, with reference to the exchange contracts that meet the required conditions under the accounting standard, the Company translates hedged foreign currency assets and liabilities at the exchange rates listed in these contracts.
13. The accounting treatment for consumption tax and other taxes is based on the tax exclusion method.
14. The Japanese group relief system is adopted.

Notes Regarding Revenue Recognition

Basic information for understanding revenue is included in the "Accounting Policies and Recognition criteria for revenue and expenses."

In addition to "revenue from contracts with customers," rental revenue is included in net sales in the statement of income because the amount is immaterial.

Notes Regarding Accounting Estimates

Items for which accounting estimates were included in the financial statements for the current fiscal year under review and that may have a significant impact on the financial statements for the next fiscal years are as follows:

Deferred tax assets	215,222 thousand yen
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(TRANSLATION)

Notes on the balance sheet

1. Pledged assets and collateral-related liabilities

(1) Pledged assets

Buildings	25,920 thousand yen
Structures	347 thousand yen
Land	182,090 thousand yen

(2) Collateral-related liabilities

Accounts payable - trade	2,668,705 thousand yen
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2. Accumulated depreciation of property, plant, and equipment 1,463,612 thousand yen

3. Guarantee obligations

The Company is providing guarantees (including guarantees reservation) for trade payables to business partners with reference to the following subsidiaries:

NYKT Marine Co., Ltd.	233,491 thousand yen
AMCO Engineering Corporation	12,978 thousand yen
NYK Trading (Singapore) Pte. Ltd.	75,705 thousand yen
Total	322,174 thousand yen

4. Short-term monetary claims and obligations from/to subsidiaries and associates

Short-term monetary claims	6,282,649 thousand yen
Short-term monetary obligations	70,156 thousand yen

Notes on the statement of income

Transactions with subsidiaries

Net sales	73,794,629 thousand yen
Amount of goods purchased	286,205 thousand yen
Selling, general, and administrative expenses	△ 5,062 thousand yen
Nonbusiness transactions	289,784 thousand yen

Notes on the statement of changes in equity

1. Number of shares outstanding at the end of March in the current fiscal year

Common shares	29 shares
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2. Matters related to the dividend from surplus distributed during the current fiscal year

Dividend declaration at the annual meeting of shareholders on June 14, 2023

Matters related to the dividend from common shares

Total dividend amount	513,822 thousand yen
Dividend amount per share	17,718,000 yen
Basis date	March 31, 2023
Effective date	June 15, 2023

Dividend declaration to be scheduled at the annual meeting of shareholders on June 12, 2024

Matters related to the dividend from common shares

Total dividend amount	493,725 thousand yen
Dividend resource	Retained earnings
Dividend amount per share	17,025,000 yen
Basis date	March 31, 2024
Effective date	June 13, 2024

(TRANSLATION)

Notes on accounting for income taxes

1. The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities at March 31, 2024, are as follows:

Deferred tax assets	
Allowance for doubtful accounts	18,002 thousand yen
Provision for bonuses	46,488 thousand yen
Provision for retirement benefits	120,436 thousand yen
Loss on revaluation of inventory	14,375 thousand yen
Loss on revaluation of golf memberships	20,960 thousand yen
Deferred assets	345 thousand yen
Loss on revaluation of land, other impairment loss	40,678 thousand yen
Accrued enterprise tax	16,553 thousand yen
Provision for directors and Audit and Supervisory Board members' retirement benefits	29,942 thousand yen
Valuation difference on available-for-sale securities	889 thousand yen
Others	58,146 thousand yen
Total deferred tax assets	366,820 thousand yen
Amount of valuation reserve	△ 151,591 thousand yen
Net amount of deferred tax assets	215,229 thousand yen
Deferred tax liabilities	
Deferred gains on hedges	△ 6 thousand yen
Total deferred tax liabilities	△ 6 thousand yen
Net amount of deferred tax assets	215,222 thousand yen

2. The accounting treatment for tax effects accounting related to corporate income tax and local corporate tax or related to the foregoing The Company has adopted a Japanese group relief system. In line with this, the Company conducts accounting treatment and disclosure for tax effect accounting related to corporate tax and local corporation tax in accordance with Practical Solution on Treatment of Accounting Treatment and Disclosure Under the Japanese Group Relief System (ASBJ PITF No. 42, August 12, 2021).

Notes on leased noncurrent assets

In addition to the noncurrent assets recorded in the balance sheet, the Company has seven vehicles and three multifunction printers, telephone systems, etc., under lease contracts, totaling 10 items.

Notes on financial instruments

1. Matters related to the status of financial instruments
The Company limits fund operations to short-term deposits and equivalents and raises funds through borrowings from banks and other financial institutions.
With reference to the credit risks related to notes receivable from its customers (especially related to portions of the accounts "notes receivable - trade, electronically recorded monetary claims, and accounts receivable - trade"), the Company manages these risks in accordance with internal credit management policies.
The purpose of the borrowings is to finance working capital and equipment, and the Company manages the risk related to interest rates by conducting interest rate swap transactions against the interest rate risk of certain borrowings.
For further information, the Company conducts derivative transactions in accordance with internal control policies.
2. Matters related to the fair value and others of financial instruments
The balance sheet amounts, the fair values, and the differences for these products as of March 31, 2024, are as follows:
Unlisted stocks (the balance sheet amount of which is 77,237 thousand yen), shares of subsidiaries and associates (the balance sheet amount of which is 196,266 thousand yen), and investments in capital of subsidiaries and associates (the balance sheet amount of which is 1,070 thousand yen) do not have a fair value. As a result, such fair values cannot be reliably determined and have not been subject to fair value disclosure.
Cash and deposits, notes receivable - trade, electronically recorded monetary claims, accounts receivable - trade, short-term loans receivable, notes payable - trade, electronically recorded monetary debts, accounts payable - trade, and short-term loans payable are not disclosed because they have short maturities and their book values approximate fair value.
Long-term loans receivable and long-term loans payable with variable interest rates are not disclosed because the interest rate on these loans reflects the market rate in the short term, and such book values approximate fair value.

(Unit: Thousands of yen)			
	Balance sheet amount	Fair value	Amount of difference
Derivative transactions	9,640	9,640	-

Note: Explanation of the valuation methods and inputs used in calculating fair values
The fair values of financial instruments are categorized into the following three levels in accordance with the observability and importance of the inputs used in the fair value calculation:

Level 1 fair value: Fair value calculated using the (unadjusted) market price in an active market for an identical asset or liability.
Level 2 fair value: Fair value calculated using inputs that are directly or indirectly observable, other than the Level 1 inputs.
Level 3 fair value: Fair value calculated using important inputs that cannot be observed.

In cases where multiple inputs that have a material effect on the calculation of the fair value are used, among the levels to which the respective inputs belong, the fair value is categorized at the level with the lowest priority in the fair value calculation.

Derivative transactions

The Company conducts interest rate swap transactions against the interest rate risk of borrowings, exchange contract transactions against the foreign exchange rate risk of receivables and payables in foreign currency, and bunker fuel oil and petroleum products' futures transactions against the fluctuating market price risk of bunker fuel oil and petroleum products.
The market values of these transactions as of March 31, 2023, are categorized into the Level 2 fair value. Net assets/liabilities arising from derivative transactions are calculated based on the prices presented by financial institutions and are shown as net.

(TRANSLATION)

Notes on rental and other properties

The Company has office buildings for rent in Kanagawa and Shizuoka.

The profit or loss related to the real estate for rent and other purposes for the period ended March 31, 2024, is 14,189 thousand yen. (The rent revenues are recorded in sales, while the major rent expenses are recorded in cost of sales.)

In addition, the balance sheet amount and the fair value of the real estate for rent and other purposes are as follows:

(Unit: Thousands of yen)

Balance sheet amount	Fair value
348,229	409,728

Note 1: The balance sheet amount is the acquisition cost, net of accumulated depreciation and life-to-date impairment loss.

Note 2: The fair value at the end of the current period is the amount that was internally calculated, mainly based on the "property tax valuation amount" (including the adjusted amount using indexes and other criteria).

Notes on transactions with related parties

1. Parent company

(Unit: Thousands of yen)

Attribute	Company and other names	Address	Percentage of voting rights ownership (of being owned)	Relationship with the relevant party	Details of transactions	Transaction amount	Item	Balance at end of the period
Parent company	NYK Line	Chiyoda -ku	(Owned) 100.00%	Support of funding	Sales of petroleum products and others	73,407,012	Accounts receivable - trade	4,355,273
					Interest receipt from loans receivable	1,164	Short-term loans receivable	1,571,930
				Concurrent position as executive	Interest payment from loans payable	52,700		
					Debt guarantee	2,668,705		
					Payment of guarantee fee	14,799		

Notes: Transaction conditions and policies governing transactions

1. For the sales of petroleum products and others, the price is based on the market value and other factors.
2. Consumption and other taxes are not included in the transaction amounts; however, the balance at the end of the period includes such consumption and other taxes.
3. With reference to loans receivable and payable, the interest rates are decided in a rational manner and consider market interest rates.
4. The payment of guarantee fees for trade payables is set at an annual rate of 0.2% of the maximum guaranteed amount.

2. Fellow subsidiaries and others

(Unit: Thousands of yen)

Attribute	Company and other names	Address	Percentage of voting rights ownership (of being owned)	Relationship with the relevant party	Details of transactions	Transaction amount	Item	Balance at end of the period
Subsidiary of the parent company	NYK BULK & PROJECTS CARRIERS LTD.	Chiyoda -ku	Not applicable	Not applicable	Sales of petroleum products and others	10,800,808	Accounts receivable - trade	1,235,923
Subsidiary of the parent company	KNUTSEN NYK OFFSHORE TANKERS AS	Norway	Not applicable	Not applicable	Sales of petroleum products and others	2,388,966	Accounts receivable - trade	339,934
Associate of the parent company	OCEAN NETWORK EXPRESS PTE. LTD.	Singapore	Not applicable	Not applicable	Sales of petroleum products and others	12,256,685	Accounts receivable - trade	1,028,351
Subsidiary of the parent company	KINKAI YUSEN KAISHA LTD.	Minato-ku	Not applicable	Not applicable	Sales of petroleum products and others	1,839,261	Accounts receivable - trade	371,399

Notes: Transaction conditions and the decision-making policy of transaction conditions

1. For the sales of petroleum products and others, the price is based on the market value and other factors.
2. Consumption and other taxes are not included in the transaction amounts; however, the balance at the end of the period includes such consumption and other taxes.

Notes on per share information

1. Net assets per share 214,712,622.41 yen
2. Net income per share 27,205,114.75 yen