

MOL REPORT 2020

FINANCIAL SECTION

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Consolidated Balance Sheets

Mitsui O.S.K. Lines, Ltd. March 31, 2020 and 2019

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Current assets:			
Cash and cash equivalents (Note 3)	¥ 102,283	¥ 119,155	\$ 939,841
Trade receivables (Note 3)	81,362	92,160	747,606
Inventories (Note 5)	33,520	36,445	308,003
Deferred and prepaid expenses	61,028	63,413	560,764
Other current assets (Notes 3 and 6)	56,951	76,538	523,302
Allowance for doubtful accounts	[258]	[253]	[2,370]
Total current assets	334,887	387,460	3,077,157
Vessels, property and equipment, net of accumulated depreciation (Notes 7 and 13):			
Vessels	711,498	715,344	6,537,701
Buildings and structures	146,582	145,229	1,346,889
Machinery, equipment and vehicles	29,205	29,345	268,354
Furniture and fixtures	4,174	4,523	38,353
Land	241,162	222,565	2,215,951
Vessels and other property under construction	66,363	73,718	609,785
Others	2,713	3,182	24,928
Net vessels, property and equipment	1,201,698	1,193,910	11,041,973
Investments, intangibles and other assets:			
Intangible assets	28,810	28,695	264,724
Investment securities (Notes 3, 4 and 7)	346,890	360,706	3,187,448
Long-term loans receivable (Note 3)	85,261	73,129	783,432
Long-term prepaid expenses	8,490	5,698	78,011
Net defined benefit assets (Note 16)	16,121	15,764	148,130
Deferred tax assets (Note 15)	3,228	3,048	29,660
Other non-current assets (Note 6)	85,911	67,761	789,405
Allowance for doubtful accounts	[12,584]	[1,697]	[115,629]
Total investments, intangibles and other assets	562,131	553,107	5,165,220
Total assets	¥2,098,717	¥2,134,477	\$19,284,360

See accompanying notes.

FINANCIAL SECTION

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Current liabilities:			
Trade payables (Note 3)	¥ 69,189	¥ 81,020	\$ 635,753
Bonds due within one year (Notes 3 and 7)	36,766	28,500	337,829
Short-term bank loans (Notes 3 and 7)	180,351	187,419	1,657,180
Commercial paper (Notes 3 and 7)	25,000	40,000	229,716
Accrued income taxes (Note 15)	5,336	5,494	49,030
Advances received	34,348	35,814	315,611
Allowance for bonuses	4,706	4,742	43,241
Allowance for directors' bonuses	179	180	1,644
Provision for contract loss	17,644	17,198	162,124
Provision for loss related to business restructuring	-	304	-
Provision for environmental measures	622	-	5,715
Other current liabilities (Note 6)	48,020	45,975	441,238
Total current liabilities	422,164	446,649	3,879,114
Non-current liabilities:			
Bonds due after one year (Notes 3 and 7)	181,000	168,198	1,663,144
Long-term bank loans (Notes 3 and 7)	655,117	665,997	6,019,636
Lease obligations	16,091	14,224	147,854
Deferred tax liabilities (Note 15)	58,480	58,123	537,351
Net defined benefit liabilities (Note 16)	9,524	11,927	87,512
Directors' and corporate auditors' retirement benefits	1,565	1,499	14,380
Reserve for periodic drydocking	18,441	18,220	169,447
Provision for contract loss	26,639	36,624	244,776
Provision for environmental measures	-	620	-
Other non-current liabilities (Note 6)	68,457	60,785	629,026
Total non-current liabilities	1,035,316	1,036,220	9,513,148
Total liabilities	1,457,481	1,482,870	13,392,272
Commitments and contingent liabilities (Note 8)			
Net assets (Note 9):			
Owners' equity			
Common stock as of March 31, 2020:			
Authorized — 315,400,000 shares			
Issued — 120,628,611 shares	65,400	65,400	600,937
Capital surplus	45,007	45,385	413,553
Retained earnings	351,636	329,888	3,231,057
Treasury stock, at cost	(6,722)	(6,764)	(61,766)
Total owners' equity	455,320	433,909	4,183,772
Accumulated other comprehensive income			
Unrealized holding gains on available-for-sale securities, net of tax	16,306	26,840	149,830
Unrealized gains on hedging derivatives, net of tax	28,170	44,391	258,844
Foreign currency translation adjustments	10,889	16,197	100,055
Remeasurements of defined benefit plans, net of tax	2,648	3,725	24,331
Total accumulated other comprehensive income	58,014	91,154	533,069
Share subscription rights	1,646	1,803	15,124
Non-controlling interests	126,253	124,739	1,160,093
Total net assets	641,235	651,607	5,892,079
Total liabilities and net assets	¥2,098,717	¥2,134,477	\$19,284,360

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
(Consolidated Statements of Income)			
Shipping and other revenues (Note 14)	¥1,155,404	¥1,234,077	\$10,616,594
Shipping and other expenses	1,035,771	1,094,915	9,517,329
Gross operating income	119,632	139,161	1,099,255
Selling, general and administrative expenses	95,852	101,442	880,749
Operating income	23,779	37,718	218,496
Non-operating income:			
Interest income	8,028	7,832	73,766
Dividend income	6,127	5,982	56,298
Equity in earnings of affiliated companies	15,949	-	146,549
Foreign exchange gain	17,058	15,850	156,739
Others	2,800	2,988	25,728
Total non-operating income	49,965	32,654	459,110
Non-operating expenses:			
Interest expense	16,549	21,806	152,062
Equity in losses of affiliated companies	-	7,804	-
Others	2,104	2,187	19,332
Total non-operating expenses	18,654	31,798	171,404
Ordinary income	55,090	38,574	506,202
Other gains:			
Gain on sales of vessels, property, equipment and others	8,295	4,654	76,219
Gain on sales of investment securities	3,266	681	30,010
Others	4,542	9,082	41,734
Total other gains	16,104	14,418	147,973
Other losses:			
Loss on sales and disposals of vessels, property, equipment and others	449	1,120	4,125
Loss on valuation of investment securities	2,752	191	25,287
Loss related to business restructuring (Note 10)	8,243	-	75,741
Provision of allowance for doubtful accounts (Note 11)	7,784	-	71,524
Others	4,835	4,902	44,427
Total other losses	24,064	6,214	221,115
Income before income taxes	47,130	46,778	433,060
Income taxes (Note 15):			
Current	8,970	8,793	82,422
Deferred	(30)	4,309	(275)
Net income	38,190	33,674	350,914
Income attributable to non-controlling interests	5,566	6,799	51,143
Income attributable to owners of parent	¥ 32,623	¥ 26,875	\$ 299,761

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
(Consolidated Statements of Comprehensive Income)			
Net income	¥ 38,190	¥33,674	\$ 350,914
Other comprehensive income (Note 18):			
Unrealized holding gains on available-for-sale securities, net of tax	(11,567)	(6,783)	(106,285)
Unrealized gains on hedging derivatives, net of tax	(5,535)	2,146	(50,859)
Foreign currency translation adjustments	(2,108)	(9,011)	(19,369)
Remeasurements of defined benefit plans, net of tax	(1,071)	(2,180)	(9,841)
Share of other comprehensive income (loss) of associates accounted for using equity method	(15,294)	7,320	(140,531)
	(35,577)	(8,508)	(326,904)
Comprehensive income	¥ 2,612	¥25,166	\$ 24,000
Comprehensive income			
Comprehensive income attributable to owners of parent	¥ (1,218)	¥17,408	\$ (11,191)
Comprehensive income attributable to non-controlling interests	3,831	7,757	35,201

	Yen		U.S. dollars (Note 1)
	2020	2019	2020
(Amounts per share of common stock)			
Net income	¥272.79	¥224.72	\$2.50
Diluted net income (Note 2)	263.55	217.09	2.42
Cash dividends applicable to the year	65.00	45.00	0.59

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2020 and 2019

	Millions of yen										
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gains on available-for-sale securities, net of tax	Unrealized gains on hedging derivatives, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax	Share subscription rights	Non-controlling interests	Total net assets
Balance at April 1, 2018	¥65,400	¥45,385	¥306,642	¥(6,807)	¥ 33,400	¥ 37,873	¥23,442	¥5,905	¥2,026	¥114,776	¥628,044
Cumulative effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Restated balance	¥65,400	¥45,385	¥306,642	¥(6,807)	¥ 33,400	¥ 37,873	¥23,442	¥5,905	¥2,026	¥114,776	¥628,044
Issuance of new shares—exercise of subscription rights to shares	-	-	-	4	-	-	-	-	(4)	-	-
Dividends paid	-	-	(3,587)	-	-	-	-	-	-	-	(3,587)
Net income attributable to owners of parent	-	-	26,875	-	-	-	-	-	-	-	26,875
Due to change in consolidated subsidiaries	-	-	(0)	-	-	-	-	-	-	-	(0)
Purchases of treasury stock	-	-	-	(31)	-	-	-	-	-	-	(31)
Disposal of treasury stock	-	-	(40)	69	-	-	-	-	-	-	28
Purchases of shares of consolidated subsidiaries	-	(0)	-	-	-	-	-	-	-	-	(0)
Net changes of items other than owner's equity during the year	-	-	-	-	(6,559)	6,518	(7,244)	(2,180)	(218)	9,963	278
Balance at March 31 and April 1, 2019	¥65,400	¥45,385	¥329,888	¥(6,764)	¥ 26,840	¥ 44,391	¥16,197	¥3,725	¥1,803	¥124,739	¥651,607
Cumulative effects of changes in accounting policies	-	-	(1,812)	-	-	-	-	-	-	-	(1,812)
Restated balance	¥65,400	¥45,385	¥328,075	¥(6,764)	¥ 26,840	¥ 44,391	¥16,197	¥3,725	¥1,803	¥124,739	¥649,794
Issuance of new shares—exercise of subscription rights to shares	-	-	-	5	-	-	-	-	(5)	-	-
Dividends paid	-	-	(6,577)	-	-	-	-	-	-	-	(6,577)
Net income attributable to owners of parent	-	-	32,623	-	-	-	-	-	-	-	32,623
Due to change in consolidated subsidiaries	-	-	(2,446)	-	-	-	-	-	-	-	(2,446)
Purchases of treasury stock	-	-	-	(28)	-	-	-	-	-	-	(28)
Disposal of treasury stock	-	-	(38)	65	-	-	-	-	-	-	26
Purchases of shares of consolidated subsidiaries	-	(377)	-	-	-	-	-	-	-	-	(377)
Net changes of items other than owner's equity during the year	-	-	-	-	(10,533)	(16,221)	(5,308)	(1,076)	(151)	1,514	(31,777)
Balance at March 31, 2020	¥65,400	¥45,007	¥351,636	¥(6,722)	¥ 16,306	¥ 28,170	¥10,889	¥ 2,648	¥1,646	¥126,253	¥641,235

	Thousands of U.S. dollars (Note 1)										
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gains on available-for-sale securities, net of tax	Unrealized gains on hedging derivatives, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax	Share subscription rights	Non-controlling interests	Total net assets
Balance at April 1, 2019	\$600,937	\$417,026	\$3,031,223	\$(62,151)	\$246,623	\$ 407,893	\$148,828	\$34,227	\$16,567	\$1,146,182	\$5,987,383
Cumulative effects of changes in accounting policies	-	-	(16,649)	-	-	-	-	-	-	-	(16,649)
Restated balance	\$600,937	\$417,026	\$3,014,563	\$(62,151)	\$246,623	\$ 407,893	\$148,828	\$34,227	\$16,567	\$1,146,182	\$5,970,724
Issuance of new shares—exercise of subscription rights to shares	-	-	-	45	-	-	-	-	(45)	-	-
Dividends paid	-	-	(60,433)	-	-	-	-	-	-	-	(60,433)
Net income attributable to owners of parent	-	-	299,761	-	-	-	-	-	-	-	299,761
Due to change in consolidated subsidiaries	-	-	(22,475)	-	-	-	-	-	-	-	(22,475)
Purchases of treasury stock	-	-	-	(257)	-	-	-	-	-	-	(257)
Disposal of treasury stock	-	-	(349)	597	-	-	-	-	-	-	238
Purchases of shares of consolidated subsidiaries	-	(3,464)	-	-	-	-	-	-	-	-	(3,464)
Net changes of items other than owner's equity during the year	-	-	-	-	(96,783)	(149,048)	(48,773)	(9,886)	(1,387)	13,911	(291,987)
Balance at March 31, 2020	\$600,937	\$413,553	\$3,231,057	\$(61,766)	\$149,830	\$ 258,844	\$100,055	\$24,331	\$15,124	\$1,160,093	\$5,892,079

See accompanying notes.

Consolidated Statements of Cash Flows

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Cash flows from operating activities:			
Income before income taxes	¥ 47,130	¥ 46,778	\$ 433,060
Adjustments to reconcile income before income taxes to net cash provided by operating activities			
Depreciation and amortization	87,765	90,138	806,441
Loss related to business restructuring	8,243	-	75,741
Equity in losses (earnings) of affiliated companies, net	(15,949)	7,804	(146,549)
Various provisions (reversals)	(6,241)	(21,683)	(57,346)
Interest and dividend income	(14,156)	(13,815)	(130,074)
Interest expense	16,549	21,806	152,062
Loss (gain) on sales of investment securities	(2,403)	(661)	(22,080)
Loss (gain) on valuation of investment securities	2,752	191	25,287
Loss (gain) on sales and disposal of vessels, property and equipment and intangible assets, net	(7,546)	(3,143)	(69,337)
Foreign exchange loss (gain)	(15,984)	(19,228)	(146,871)
Changes in operating assets and liabilities:			
Trade receivables	10,292	33,490	94,569
Inventories	2,835	2,333	26,049
Trade payables	(11,261)	(50,151)	(103,473)
Others, net	1,837	(23,282)	16,879
Sub total	103,863	70,576	954,360
Interest and dividend income received	21,803	16,606	200,339
Interest expenses paid	(16,988)	(21,449)	(156,096)
Income taxes paid	(7,955)	(10,484)	(73,095)
Net cash provided by (used in) operating activities	100,723	55,248	925,507
Cash flows from investing activities:			
Purchase of investment securities	(16,898)	(115,300)	(155,269)
Proceeds from sales and redemption of investment securities	13,446	10,117	123,550
Purchase of vessels, property and equipment and intangible assets	(155,104)	(155,683)	(1,425,195)
Proceeds from sales of vessels, property and equipment and intangible assets	44,642	69,423	410,199
Disbursements for long-term loans receivables	(6,680)	(25,661)	(61,380)
Collections of long-term loans receivables	13,840	38,863	127,170
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(7,437)	-
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-	(3,284)	-
Others, net	(497)	(9,379)	(4,566)
Net cash provided by (used in) investing activities	(107,250)	(198,341)	(985,481)
Cash flows from financing activities:			
Net increase (decrease) in short-term bank loans	(9,102)	11,829	(83,635)
Net increase (decrease) in commercial paper	(15,000)	35,000	(137,829)
Proceeds from long-term bank loans	117,491	130,592	1,079,582
Repayments of long-term bank loans	(104,756)	(90,593)	(962,565)
Proceeds from issuance of bonds	50,000	20,000	459,432
Redemption of bonds	(28,500)	(31,734)	(261,876)
Cash dividends paid by the Company	(6,570)	(3,599)	(60,369)
Cash dividends paid to non-controlling interests	(2,937)	(1,894)	(26,987)
Others, net	(1,352)	921	(12,423)
Net cash provided by (used in) financing activities	(728)	70,520	(6,689)
Effect of foreign exchange rate changes on cash and cash equivalents	(1,625)	2,137	(14,931)
Net increase (decrease) in cash and cash equivalents	(8,881)	(70,435)	(81,604)
Cash and cash equivalents at beginning of year	119,155	189,591	1,094,872
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(7,991)	-	(73,426)
Cash and cash equivalents at end of year	¥ 102,283	¥ 119,155	\$ 939,841

See accompanying notes.

Notes to Consolidated Financial Statements

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2020 and 2019

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Translations of millions of Japanese yen into thousands of U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2020, which was ¥108.83 to U.S. \$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and 368 subsidiaries for the year ended March 31, 2020 (371 subsidiaries for the year ended March 31, 2019). Since the fiscal year ended March 31, 2020, 25 companies have been newly included in the scope of consolidation due to new establishment, the increase in materiality and other reasons. 27 companies have been excluded from the scope of consolidation due to liquidation and other reasons, and 1 company has been changed from a consolidated subsidiary to an affiliated company due to sales of its shares. All significant inter-company balances, transactions and all material unrealized profit within the consolidated group have been eliminated in consolidation.

Investments in unconsolidated subsidiaries and affiliated companies are accounted for by the equity method. Companies accounted for using the equity method include 103 affiliated companies for the year ended March 31, 2020 (90 affiliated companies for the year ended March 31, 2019). Since the year ended March 31, 2020, 12 companies have been newly included in the scope of companies accounted for using the equity method due to new establishment, the increase in materiality and other reasons. 1 company has been changed from a consolidated subsidiary to an affiliated company due to sales of its shares. Investments in other subsidiaries and affiliated companies were stated at cost since total revenues, total assets, the Company's equity in net income and retained earnings and others in such companies were not material.

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

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

(2) TRANSLATION OF FOREIGN CURRENCY

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

currencies other than Japanese yen are translated into yen at the exchange rate prevailing at the balance sheet date.

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

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

(3) CASH AND CASH EQUIVALENTS

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

(4) FREIGHT REVENUES AND RELATED EXPENSES

Freight revenues and the related voyage expenses are recognized mainly by the completed-voyage method.

(5) SECURITIES

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

Trading securities are stated at fair market value. Unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. Held-to-maturity debt securities are stated at amortized cost, net of the amount considered not collectible. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for

FINANCIAL SECTION

using the equity method are stated at moving-average cost. Available-for-sale securities with fair market values are stated at fair market values, and the corresponding unrealized holding gains or losses, net of applicable income taxes, are reported as separate component of net assets. Available-for-sale securities of which fair value is not readily determinable are stated at moving-average cost.

(6) INVENTORIES

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

(7) DEPRECIATION AND AMORTIZATION

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

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

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

Bond issue expense and stock issue expense are charged to income as incurred.

(9) INTEREST CAPITALIZATION

In cases where a vessel's construction period is long and the amount of interest accruing during this period is significant, such interest expenses are capitalized as a part of the acquisition cost which amounted to ¥922 million (\$8,471 thousand) for the year ended March 31, 2020.

(10) ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

(11) ALLOWANCE FOR BONUSSES

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

(12) ALLOWANCE FOR DIRECTORS' BONUSSES

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

(13) PROVISION FOR CONTRACT LOSS

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

(14) DIRECTORS' AND CORPORATE AUDITORS' RETIREMENT BENEFITS

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

(15) RESERVE FOR PERIODIC DRYDOCKING

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

(16) PROVISION FOR ENVIRONMENTAL MEASURES

Provision for environmental measures is based on the estimated amounts of future obligations associated with polychlorinated biphenyl (PCB) waste.

(17) EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

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

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

(18) INCOME TAXES

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

(19) AMOUNTS PER SHARE OF COMMON STOCK

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

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

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

(20) DERIVATIVES AND HEDGE ACCOUNTING

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

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

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

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

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

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

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

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

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

(Application of tax effect accounting for the transition from the consolidated tax payment system to the group taxation system)

Having regard to paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No.39, March 31, 2020), the Company and its domestic consolidated subsidiaries did not follow paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No.28, February 16, 2018) but applied provisions of pre-amended tax laws when calculating the amounts of deferred tax assets and liabilities that relate to transitioning to the group taxation system and related amendments of tax laws for transitioning to the single tax payment system.

(22) CHANGES IN ACCOUNTING POLICIES

(Adoption of IFRS No.16 Lease)

Subsidiaries using International Financial Reporting Standards started to apply IFRS No.16 Lease (hereinafter referred to as "IFRS16") from the current fiscal year. In accordance with IFRS16, lessees are required to recognize almost all leases as assets or liabilities in the balance sheet. Having followed the transitional treatment regarding the application of IFRS 16, the cumulative effects of the changes in the accounting policies were subtracted from the opening balance of retained earnings for the current consolidated fiscal year.

The effects of these changes on the consolidated financial statement were immaterial.

(23) STANDARDS AND GUIDANCE NOT YET ADOPTED

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

(Revenue Recognition)

"Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020)

"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, March 31, 2020)

"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, March 31, 2020)

I. Overview

The above standard and guidance provide comprehensive principles for revenue recognition. As a basic policy in developing the above standard, ASBJ adopted the basic principle of IFRS 15 from the viewpoint of comparability between financial statements, which is one of the benefits of convergence with IFRS 15.

II. Effective date

The Company will apply this standard and guidance from the beginning of the fiscal year ending March 31, 2022.

III. Effects of the application of the standards

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

(Fair Value Measurement)

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)

"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)

"Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019)

"Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)

"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, March 31, 2020)

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I. Overview

In order to enhance comparability with internationally recognized accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (together, hereinafter referred to as "Fair Value Accounting Standards") were developed and guidance on methods measuring fair value was issued. Fair Value Accounting Standards are applicable to the fair value measurement of the following items:

- Financial instruments in "Accounting Standard for Financial Instruments"; and
- Inventories held for trading purposes in "Accounting Standard for Measurement of Inventories."

II. Effective date

The Company will apply this standard and guidance from the beginning of the consolidated fiscal year ending March 31, 2022.

III. Effects of the application of the standards

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

(Disclosure of Accounting Estimates)
"Accounting Standard for Disclosure of Accounting Estimates"
(ASBJ Statement No.31, March 31, 2020)

I. Overview

In order to enhance the reliability of information to financial statements users, "Accounting Standard for Disclosure of Accounting Estimates" was developed and issued.

As a basic policy to develop the standard, ASBJ did not revise each disclosure but demonstrated the basic principle for disclosure so that companies can determine each disclosure based on the principle and ASBJ referred to paragraph 125 "Sources of estimation uncertainty" of IAS No.1 "Presentation of Financial Statements".

II. Effective date

The Company will apply this standard from the end of the consolidated fiscal year ending March 31, 2021.

(Accounting Policy Disclosures, Accounting Changes and Error Corrections)
"Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (Revised ASBJ Statement No.24, March 31, 2020)

I. Overview

In relation to disclosures related to accounting principles and procedures adopted when there is an uncertainty about accounting

treatment under existing related accounting guidance, "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" was revised and issued.

ASBJ has decided to follow the Note 1-2 of "Corporate Accounting Principles" in order not to influence the current practice when accounting treatment under existing related accounting guidance is clear.

II. Effective date

The Company will apply this standard from the end of the consolidated fiscal year ending March 31, 2021.

(24) RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the 2020 presentation.

(25) ADDITIONAL INFORMATION

(Adoption of the consolidated taxation system)

The Company will file a tax return under the consolidated corporate-tax system from the fiscal year ending March 31, 2021, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

Accordingly, the Company and its wholly owned domestic subsidiaries will apply "Practical Solution on Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 1)" (ASBJ Practical Issues Task Force ("PITF") No.5 of January 16, 2015) and Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)" (ASBJ PITF No.7 of January 16, 2015)

(Accounting estimates related to the impact of the COVID-19 pandemic)
The Group has seen a decline in shipments in multiple businesses due to the impact of the COVID-19 pandemic, and the Group has been adjusting the operation of vessels in some of them. However, the Group has maintained the stable transport of essential goods and resources. The impact of the COVID-19 pandemic is expected to affect our businesses in terms of stagnation and a decline in shipments resulting from the slowdown of the global economy, although the situation would vary from business segment to business segment. While it is very hard to predict with a certainty when the impact of COVID-19 will ease in Japan and other parts of the world, the Group analyzed and evaluated the impact on each market using multiple external sources of information. As a result, our accounting estimates, including the impairment of fixed assets, are based on the assumption that the impact will remain for six months to one year. However, because the impact of the spread of COVID-19 involves many uncertainties, it may have a material impact on the consolidated financial position and financial performance for the fiscal year ending March 31, 2021.

3. FINANCIAL INSTRUMENTS**(1) QUALITATIVE INFORMATION ON FINANCIAL INSTRUMENTS****I. Policies for using financial instruments**

We raise capital investment funds to acquire vessels and other fixed assets primarily through bank loans and corporate bonds.

In addition, we secure short-term operating funds primarily through bank loans. Furthermore, we have established commitment line with Japanese banks to maintain a sufficient amount of working capital and prepare supplementary liquidity for emergency situations.

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Derivatives are utilized to hedge risks as discussed below and are executed within the scope of real requirements. Our policy is not to use derivatives for speculative purposes.

II. Details of financial instruments / Risk and its management

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

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

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

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

Trade payables are due within a year.

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

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

Our major derivative transactions and hedged risks are as follows.

- * Forward foreign exchange contracts / Currency swap contracts
: To cover exchange volatility of foreign-currency-denominated trade receivables, trade payables, long-term bank loans, and corporate bonds.
- * Interest rate swap contracts/ Interest rate cap contracts
: To avoid interest rate risk arising out of interest payment of long-term bank loans and corporate bonds.
- * Fuel oil swap contracts
: To hedge fluctuation of fuel oil price.

With regard to the detail of hedge accounting (hedging instruments, hedged items, the way of evaluating hedge effectiveness), see Note 2 [20] to the consolidated financial statements.

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

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

III. Supplemental information on fair value

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

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

[2] FAIR VALUES OF FINANCIAL INSTRUMENTS

Book values and fair values of the financial instruments on the consolidated balance sheet at March 31, 2020 were the following;

	Millions of yen		
	Book Value	Fair Value	Difference
Assets			
Cash and cash equivalents	¥ 102,283	¥ 102,283	¥ -
Time deposits with a maturity of more than three months	4,001	4,001	-
Trade receivables	81,362	81,362	-
Short-term loans receivable	4,454	4,454	-
Investment securities			
Available-for-sale securities	67,344	67,344	-
Investments in unconsolidated subsidiaries and affiliated companies	3,078	2,841	[236]
Long-term loans receivable ^{(*)1}	86,208		
Allowance for doubtful accounts ^{(*)2}	[7,784]		
	78,424	82,086	3,661
Total	¥ 340,949	¥ 344,374	¥3,424
Liabilities			
Trade payables	¥ 69,189	¥ 69,189	¥ -
Short-term bank loans	100,063	100,063	-
Commercial paper	25,000	25,000	-
Bonds ^{(*)3}	217,766	217,503	[262]
Long-term bank loans ^{(*)4}	735,404	738,681	3,276
Total	¥1,147,423	¥1,150,438	¥3,014
Derivative financial instruments ^{(*)5}	¥ 41,437	¥ 41,324	¥ [112]

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Thousands of U.S. dollars [Note 1]

	Book Value	Fair Value	Difference
Assets			
Cash and cash equivalents	\$ 939,841	\$ 939,841	\$ -
Time deposits with a maturity of more than three months	36,763	36,763	-
Trade receivables	747,606	747,606	-
Short-term loans receivable	40,926	40,926	-
Investment securities			
Available-for-sale securities	618,799	618,799	-
Investments in unconsolidated subsidiaries and affiliated companies	28,282	26,104	(2,168)
Long-term loans receivable ^{(*)1}	792,134		
Allowance for doubtful accounts ^{(*)2}	(71,524)		
Total	\$ 3,132,858	\$ 3,164,329	\$31,461
Liabilities			
Trade payables	\$ 635,753	\$ 635,753	\$ -
Short-term bank loans	919,443	919,443	-
Commercial paper	229,716	229,716	-
Bonds ^{(*)3}	2,000,973	1,998,557	(2,407)
Long-term bank loans ^{(*)4}	6,757,364	6,787,475	30,101
Total	\$10,543,260	\$10,570,963	\$27,694
Derivative financial instruments ^{(*)5}	\$ 380,749	\$ 379,711	\$ (1,029)

*1 The book value of long-term loans receivable includes current portion amounting to ¥946 million (\$8,692 thousand).

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

*3 The book value of bonds includes current portion amounting to ¥36,766 million (\$337,829 thousand).

*4 The book value of long-term bank loans includes current portion amounting to ¥80,287 million (\$737,728 thousand).

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

Book values and fair values of the financial instruments on the consolidated balance sheet at March 31, 2019 were the following;

	Millions of yen		
	Book Value	Fair Value	Difference
Assets			
Cash and cash equivalents	¥ 119,155	¥ 119,155	¥ -
Time deposits with a maturity of more than three months	5,849	5,849	-
Trade receivables	92,160	92,160	-
Short-term loans receivable	18,192	18,192	-
Investment securities			
Available-for-sale securities	96,881	96,881	-
Investments in unconsolidated subsidiaries and affiliated companies	3,012	2,009	(1,002)
Long-term loans receivable ^{(*)1}	78,033	80,745	2,711
Total	¥ 413,286	¥ 414,995	¥ 1,708
Liabilities			
Trade payables	¥ 81,020	¥ 81,020	¥ -
Short-term bank loans	109,314	109,314	-
Commercial paper	40,000	40,000	-
Bonds ^{(*)2}	196,698	198,840	2,142
Long-term bank loans ^{(*)3}	744,101	747,419	3,317
Total	¥1,171,135	¥1,176,595	¥ 5,460
Derivative financial instruments ^{(*)4}	¥ 30,041	¥ 29,895	¥ (145)

*1 The book value of long-term loans receivable includes current portion amounting to ¥4,904 million.

*2 The book value of bonds includes current portion amounting to ¥28,500 million.

*3 The book value of long-term bank loans includes current portion amounting to ¥78,104 million.

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

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The following is a description of the valuation methodologies used for the assets and liabilities measured at the fair value.

Cash and cash equivalents, Time deposits with a maturity of more than three months, Trade receivables and Short-term loans receivable

The fair value of above assets is evaluated at the book value because they are settled within a short term period and the fair value is almost equal to book value.

Investment securities

The fair value of stocks is evaluated at market prices at stock exchange as at the end of the years and the fair value of bonds is evaluated at market prices at the stock exchange or at the value provided by financial institutions as at the end of the years.

Long-term loans receivable

The fair value of long-term loans receivable with variable interest rates is evaluated at the book value because the interest rate reflects the market rate in a short term and the fair value is almost equal to the book value, unless the creditworthiness of the borrower has changed significantly because the loan was made. The fair value of long-term loans receivable with fixed interest rates, for each category of loans based on the type of loans, and maturity length, is evaluated by discounting the total amount of principal and interest using the rate which would apply if similar loans were newly made.

Derivative financial instruments

Please refer to Note 6 to the consolidated financial statements.

The following table summarizes financial instruments whose fair value is extremely difficult to estimate.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Book Value	Book Value	Book Value
	2020	2019	2020
Unlisted stocks	¥ 8,688	¥ 8,734	\$ 79,830
Investments in unconsolidated subsidiaries and affiliated companies	267,767	252,066	2,460,415
Others	11	10	101
Total	¥276,468	¥260,812	\$2,540,365

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

Trade payables, Short-term bank loans and Commercial paper

The fair value of above liabilities is evaluated at the book value because they are settled within a short term period and the fair value is almost equal to the book value.

Bonds

The fair value of corporate bonds is evaluated on their market price.

Long-term bank loans

The fair value of long-term bank loans with variable interest rates is evaluated at the book value because the interest rate reflects the market rate in a short term and there has been no significant change in the Company's creditworthiness before and after such bank loans were made. The fair value of long-term bank loans with fixed interest rates, for each category of bank loans based on types of bank loans, and maturity length, is evaluated by discounting the total amount of principal and interest using the rate which would apply if similar bank loans were newly made. The fair value of long-term bank loans qualifying for allocation method of currency swap is evaluated at the book value because such bank loans were deemed as the variable interest rates bank loans and the interest rate reflects the market rate in a short term.

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At March 31, 2020, the aggregate annual maturity of monetary claims and securities was as follows;

	Millions of yen			
	Within a year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	¥102,283	¥ -	¥ -	¥ -
Time deposits with a maturity of more than three months	4,001	-	-	-
Trade receivables	81,362	-	-	-
Short-term loans receivable	4,454	-	-	-
Marketable securities and investments securities				
Available-for-sale securities (Governmental/municipal bonds)	-	-	-	-
Available-for-sale securities (Corporate bonds)	-	-	-	-
Long-term loans receivable ⁽¹⁾	946	16,976	12,790	47,710
Total	¥193,048	¥16,976	¥12,790	¥47,710

	Thousands of U.S. dollars (Note 1)			
	Within a year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	\$ 939,841	\$ -	\$ -	\$ -
Time deposits with a maturity of more than three months	36,763	-	-	-
Trade receivables	747,606	-	-	-
Short-term loans receivable	40,926	-	-	-
Marketable securities and investments securities				
Available-for-sale securities (Governmental/municipal bonds)	-	-	-	-
Available-for-sale securities (Corporate bonds)	-	-	-	-
Long-term loans receivable ⁽¹⁾	8,692	155,986	117,522	438,390
Total	\$1,773,849	\$155,986	\$117,522	\$438,390

* Long-term loans receivable does not include those amounting to ¥7,784 million (\$71,524 thousand), for which the planned redemption amount cannot be expected.

At March 31, 2019, the aggregate annual maturity of monetary claims and securities was as follows;

	Millions of yen			
	Within a year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	¥119,155	¥ -	¥ -	¥ -
Time deposits with a maturity of more than three months	5,849	-	-	-
Trade receivables	92,160	-	-	-
Short-term loans receivable	18,192	-	-	-
Marketable securities and investments securities				
Available-for-sale securities (Governmental/municipal bonds)	-	10	-	-
Available-for-sale securities (Corporate bonds)	-	205	-	-
Long-term loans receivable	4,904	11,093	12,968	49,067
Total	¥240,263	¥11,309	¥12,968	¥49,067

4. SECURITIES

A. The following tables summarize acquisition costs, book values and fair values of securities with available fair values at March 31, 2020 and 2019.

Available-for-sale securities:

Securities with book values exceeding acquisition costs at March 31, 2020

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥24,463	¥55,796	¥31,332
Total	¥24,463	¥55,796	¥31,332

Type	Thousands of U.S. dollars (Note 1)		
	Acquisition cost	Book value	Difference
Equity securities	\$224,781	\$512,689	\$287,898
Total	\$224,781	\$512,689	\$287,898

FINANCIAL SECTION

Securities with book values exceeding acquisition costs at March 31, 2019

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥38,095	¥83,005	¥44,909
Bonds			
Corporate bonds	200	205	5
Total	¥38,295	¥83,210	¥44,915

Securities with book values not exceeding acquisition costs at March 31, 2020

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥16,465	¥11,547	¥(4,917)
Total	¥16,465	¥11,547	¥(4,917)

Type	Thousands of U.S. dollars (Note 1)		
	Acquisition cost	Book value	Difference
Equity securities	\$151,291	\$106,101	\$(45,180)
Total	\$151,291	\$106,101	\$(45,180)

Securities with book values not exceeding acquisition costs at March 31, 2019

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥16,238	¥13,660	¥(2,577)
Bonds			
Governmental/municipal bonds	10	10	(0)
Total	¥16,248	¥13,670	¥(2,577)

B. Total sales of available-for-sale securities sold in the years ended March 31, 2020 and 2019 and the related gains and losses were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Proceeds from sales	¥12,653	¥1,362	\$116,263
Gross realized gains	3,266	681	30,010
Gross realized losses	862	20	7,920

C. Impairment losses of securities

For the year ended March 31, 2020, the Company reduced the book value on the securities and booked the reductions as impairment losses of ¥3,165 million (\$29,082 thousand).

For the year ended March 31, 2019, the Company reduced the book value on the securities and booked the reductions as impairment losses of ¥223 million.

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

5. INVENTORIES

Inventories as at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Fuel and supplies	¥32,217	¥35,004	\$296,030
Others	1,303	1,441	11,972
Total	¥33,520	¥36,445	\$308,003

FINANCIAL SECTION

6. DERIVATIVE TRANSACTIONS

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

I. HEDGE ACCOUNTING NOT APPLIED

The following tables summarize the outstanding contract amounts and fair values of financial derivatives of the Group at March 31, 2020 and 2019, for which hedge accounting has not been applied.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
(1) Currency related:			
Forward currency exchange contracts			
Sell (U.S. dollar):			
Contracts outstanding	¥ 382	¥ 388	\$ 3,510
Fair values	(6)	(1)	(55)
Buy (U.S. dollar):			
Contracts outstanding	¥26,022	¥48,287	\$239,106
Fair values	(1)	(14)	(9)
Buy (Others):			
Contracts outstanding	¥ 3	¥ 5	\$ 27
Fair values	0	(0)	0
(2) Interest related			
Interest rate swaps			
Receive floating, pay fixed			
Contracts outstanding	¥12,561	¥17,584	\$115,418
Fair values	(2,010)	(1,076)	(18,469)
Receive fixed, pay floating			
Contracts outstanding	¥11,984	¥13,046	\$110,116
Fair values	691	(503)	6,349
(3) Others			
a. Fuel oil swaps			
Receive floating, pay fixed			
Contracts outstanding	¥ 958	¥ -	\$ 8,802
Fair values	(421)	-	(3,868)
b. Freight futures			
Contracts outstanding	¥2,179	¥ -	\$20,022
Fair values	(134)	-	(1,231)

Note: Fair values are measured based on forward exchange rates prevailing at the end of the year and information provided by financial institutions, etc.

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II. HEDGE ACCOUNTING APPLIED

The following tables summarize the outstanding contract amounts and fair values of financial derivatives of the Group at March 31, 2020 and 2019, for which hedge accounting has been applied.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
[1] Deferral hedge accounting			
a. Forward currency exchange contracts to hedge the risk for the foreign currency transactions			
Sell (U.S. dollar):			
Contracts outstanding	¥ 87,106	¥110,469	\$ 800,385
Fair values	128	(89)	1,176
Buy (U.S. dollar):			
Contracts outstanding	¥ 74,240	¥ 55,464	\$ 682,164
Fair values	2,665	2,421	24,487
Buy (Euro):			
Contracts outstanding	¥ 472	¥ 708	\$ 4,337
Fair values	(21)	(2)	(192)
Buy (Australian dollar):			
Contracts outstanding	¥ 5,948	¥ -	\$ 54,654
Fair values	(729)	-	(6,698)
b. Currency swaps contracts to hedge the risk for charterages			
Sell (U.S. dollar):			
Contracts outstanding	¥ -	¥ 1,493	\$ -
Fair values	-	(181)	-
Buy (U.S. dollar):			
Contracts outstanding	¥249,908	¥227,250	\$2,296,315
Fair values	57,646	36,832	529,688
c. Interest rate swaps to hedge the risk for the long-term bank loans and charterages			
Receive floating, pay fixed			
Contracts outstanding	¥152,245	¥182,072	\$1,398,924
Fair values	(14,857)	(7,338)	(136,515)
d. Interest rate caps to hedge the risk for the long-term bank loans			
Buy			
Contracts outstanding	¥ -	¥ 22,869	\$ -
Fair values	-	50	-
e. Fuel oil swaps to hedge the risk for the fuel oil			
Receive floating, pay fixed			
Contracts outstanding	¥ 5,954	¥ 4,074	\$ 54,709
Fair values	(1,484)	(54)	(13,635)
f. Freight futures to hedge the risk for the freight			
Contracts outstanding	¥ 81	¥ 1	\$ 744
Fair values	(28)	0	(257)
[2] Special treatment			
Interest rate swaps to hedge the risk for the long-term bank loans			
Receive floating, pay fixed			
Contracts outstanding	¥19,345	¥20,284	\$177,754
Fair values	-	-	-
[3] Allocation method			
Currency swaps to hedge the risk for the foreign bonds and long-term bank loans			
Contracts outstanding	¥1,539	¥1,714	\$14,141
Fair values	-	-	-

Notes: 1. Fair values are measured based on forward exchange rates prevailing at the end of the year and information provided by financial institutions, etc.

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

3. Currency swaps which allocation method are applied to are recorded as the combined amount of such currency swaps and their hedge items. Therefore, their fair values are included in fair values of such hedge items.

FINANCIAL SECTION

7. SHORT-TERM DEBT AND LONG-TERM DEBT

(1) SHORT-TERM DEBT

Short-term debt at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Short-term bank loans	¥100,063	¥109,314	\$ 919,443
Commercial paper	25,000	40,000	229,716
Total	¥125,063	¥149,314	\$1,149,159

Average interest rates on short-term bank loans at March 31, 2020 and 2019 were 1.64% and 1.10%, respectively.

Average interest rates on commercial paper at March 31, 2020 and 2019 were 0.00% and 0.00%, respectively.

(2) LONG-TERM DEBT

Long-term debt at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Bonds:			
1.999% yen bonds due May 27, 2019	¥ -	¥ 18,500	\$ -
1.673% yen bonds due September 13, 2019	-	10,000	-
0.000% U.S. dollars bonds due April 24, 2020 ⁽¹⁾	21,766	22,198	200,000
1.398% yen bonds due May 28, 2020	15,000	15,000	137,829
1.361% yen bonds due June 21, 2021	17,800	17,800	163,557
1.652% yen bonds due May 27, 2022	5,000	5,000	45,943
1.139% yen bonds due July 12, 2022	8,700	8,700	79,941
1.071% yen bonds due January 23, 2023	10,000	10,000	91,886
0.320% yen bonds due July 19, 2023	5,000	-	45,943
0.420% yen bonds due August 30, 2023	5,000	5,000	45,943
0.420% yen bonds due September 8, 2023	5,000	5,000	45,943
0.845% yen bonds due March 4, 2024	15,000	15,000	137,829
0.970% yen bonds due June 19, 2024	29,500	29,500	271,064
0.803% yen bonds due March 3, 2025	15,000	15,000	137,829
0.490% yen bonds due July 18, 2025	5,000	-	45,943
0.490% yen bonds due July 29, 2025	10,000	-	91,886
0.564% yen bonds due October 25, 2028	10,000	10,000	91,886
0.340% yen bonds due Mar 5, 2030	10,000	-	91,886
0.850% yen bonds due December 15, 2031	10,000	10,000	91,886
0.780% yen bonds due July 19, 2034	10,000	-	91,886
0.960% yen bonds due July 19, 2039	10,000	-	91,886
Long-term bank loans due within one year:			
Long-term bank loans due within one year at average interest rate of 1.24% and 1.48% at March 31, 2020 and 2019, respectively.	80,287	78,104	737,728
Long-term bank loans due after one year:			
Long-term bank loans due through 2076 at average interest rate of 1.34% and 1.52% at March 31, 2020 and 2019, respectively.	655,117	665,997	6,019,636
	953,170	940,799	8,758,338
Amount due within one year	117,053	106,604	1,075,558
	¥836,117	¥834,195	\$7,682,780

* Zero coupon convertible bonds, details are as follows.

	the 2020 Bonds
(1) Exercise period	From May 8, 2014 to April 9, 2020
(2) Conversion price	U.S.\$47.80 per share

At March 31, 2020, the aggregate annual maturity of long-term debt was as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars (Note 1)
2021	¥117,053	\$1,075,558
2022	127,384	1,170,486
2023	98,376	903,941
2024	101,905	936,368
2025	107,321	986,134
2026 and thereafter	401,131	3,685,849
Total	¥953,170	\$8,758,338

FINANCIAL SECTION

(3) ASSETS PLEDGED AND SECURED DEBT

At March 31, 2020 and 2019, the following assets were pledged as collateral for short-term debt and long-term debt.

Assets pledged	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Vessels	¥192,171	¥175,975	\$1,765,790
Vessels and other property under construction	130	9,324	1,194
Investment securities	83,522	70,448	767,453
Total	¥275,824	¥255,748	\$2,534,448

Secured debt	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Long-term bank loans due within one year	¥ 11,960	¥ 12,180	\$ 109,896
Long-term bank loans due after one year	157,027	148,861	1,442,865
Total	¥168,987	¥161,042	\$1,552,761

8. COMMITMENTS AND CONTINGENT LIABILITIES

(A) COMMITMENT

At March 31, 2020 and 2019, certain subsidiaries had loan commitment agreements. The nonexercised portion of loan commitments was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Total loan limits	¥15,780	¥16,093	\$144,996
Loan executions	15,780	16,093	144,996
The nonexercised portion of loan commitments	¥ -	¥ -	\$ -

(B) CONTINGENT LIABILITIES

At March 31, 2020 and 2019, the Company and its consolidated subsidiaries were contingently liable mainly as guarantors or co-guarantors of indebtedness of related and other companies in

the aggregate amount of ¥186,208 million (\$1,710,998 thousand) and ¥123,075 million, respectively. U.S. dollars-denominated liabilities were included in the above amount, which were \$1,554,251 thousand and \$978,917 thousand respectively.

9. NET ASSETS

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

Under the Japanese Companies Act ("the Act") and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the board of directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in-capital, which is included in capital surplus.

Under the Act, in cases where a dividend distribution of

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

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

(A) SHARES ISSUED AND OUTSTANDING

Changes in number of shares issued and outstanding during the years ended March 31, 2020 and 2019 were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
Balance at April 1, 2018	120,628	1,034
Increase during the year	-	11
Decrease during the year	-	(11)
Balance at March 31 and April 1, 2019	120,628	1,034
Increase during the year	-	10
Decrease during the year	-	(10)
Balance at March 31, 2020	120,628	1,034

FINANCIAL SECTION

(B) SHARE SUBSCRIPTION RIGHTS

Share subscription rights at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Stock options	¥1,646	¥1,803	\$15,124
Total	¥1,646	¥1,803	\$15,124

(C) DIVIDENDS

(1) Dividends paid for the year ended March 31, 2020 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Approved at the shareholders' meeting held on June 25, 2019	¥2,989	\$27,464
Approved at the board of directors held on October 31, 2019	¥3,587	\$32,959
Total	¥6,577	\$60,433

(2) Dividends included in the retained earnings at March 31, 2020 and to be paid in subsequent periods were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Approved at the shareholders' meeting held on June 23, 2020	¥4,185	\$38,454
Total	¥4,185	\$38,454

10. LOSS RELATED TO BUSINESS RESTRUCTURING

For the year ended March 31, 2020, in relation to losses related to charter contracts recognized for the year ended March 31, 2018, the Company recorded additional losses which are expected to incur as a result of reflecting the latest trends of fleet charter fees and costs on the estimate.

11. PROVISION OF ALLOWANCE FOR DOUBTFUL ACCOUNTS

For the year ended March 31, 2020, the Company recorded provision of allowance for doubtful accounts on subordinated long-term loans to its affiliated company because the affiliate's operating results are expected to significantly deteriorate due to the effect of COVID-19, etc. and a portion of those loans could potentially become unrecoverable.

12. LEASES

AS LESSEE:

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

At March 31, 2020 and 2019:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Amount due within one year	¥ 30,687	¥ 34,822	\$ 281,971
Amount due after one year	230,284	249,783	2,115,997
Total	¥260,971	¥284,605	\$2,397,969

AS LESSOR:

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

At March 31, 2020 and 2019:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Amount due within one year	¥16,901	¥22,134	\$155,297
Amount due after one year	28,128	33,158	258,458
Total	¥45,029	¥55,293	\$413,755

FINANCIAL SECTION

13. RENTAL PROPERTIES

The Company and some of its consolidated subsidiaries own real estate for office lease (including lands) in Tokyo, Osaka and other areas. Information about the book value and the fair value of such rental properties was as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Book value			
Balance at beginning of the year	¥307,274	¥299,603	\$2,823,431
Changes during the year	20,311	7,670	186,630
Balance at end of the year	327,585	307,274	3,010,061
Fair value at end of the year	549,820	508,562	5,052,099

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

2. Of changes during the year ended March 31, 2019, the primary increase was mainly due to the acquisition of "Office building development project in Australia" named "275 George Street" (¥10,524 million) and the new construction named "BiTO AKIBA" (¥1,359 million), while the primary decrease was mainly due to the depreciation of existing properties (¥7,144 million). Of changes during the year ended March 31, 2020, the primary increase was mainly due to the acquisition of three buildings etc., in Sapporo named "DAIBIRU PIVOT" (¥14,467 million [\$132,932 thousand]) and the new construction named "BiTO AKIBA" (¥1,249 million [\$11,476 thousand]), while the primary decrease was mainly due to the depreciation of existing properties (¥7,013 million [\$64,439 thousand]).

3. Fair value is mainly based on the amount appraised by outside independent real estate appraisers.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Rental revenue	¥32,458	¥30,621	\$298,244
Rental expense	18,704	18,024	171,864
Difference	¥13,753	¥12,597	\$126,371

Note: Rental revenue is mainly recorded as "shipping and other revenues" and rental expense (depreciation expense, repairs and maintenance fee, utilities, personnel cost, tax and public charge, etc.) is mainly recorded as "shipping and other expenses".

14. SEGMENT AND RELATED INFORMATION

(A) SEGMENT INFORMATION:

For the year ended March 31, 2020:	Millions of yen										
	Reportable segment									Adjustment and elimination	Consolidated
	Dry Bulk Business	Energy Transport Business	Container Ships	Product Transport Business Car Carries, Ferries and Coastal RoRo ships	Associated businesses	Sub Total	Others	Total			
1. Revenues:											
(1) Revenues from customers	¥277,151	¥289,375	¥226,420	¥249,043	¥ 96,556	¥1,138,548	¥ 16,855	¥1,155,404	¥ -	¥1,155,404	
(2) Inter-segment revenues	0	8,864	1,202	211	25,501	35,780	5,924	41,704	(41,704)	-	
Total revenues	¥277,152	¥298,240	¥227,623	¥249,255	¥122,057	¥1,174,328	¥ 22,779	¥1,197,108	¥ (41,704)	¥1,155,404	
Segment income (loss)	¥ 12,044	¥ 25,428	¥ 4,114	¥ 2,621	¥ 12,346	¥ 56,555	¥ 3,458	¥ 60,014	¥ (4,923)	¥ 55,090	
Segment assets	¥307,016	¥866,610	¥335,723	¥221,839	¥451,027	¥2,182,216	¥239,092	¥2,421,308	¥(322,591)	¥2,098,717	
2. Others											
Depreciation and amortization	¥ 10,541	¥ 35,961	¥ 12,847	¥ 17,735	¥ 9,170	¥ 86,255	¥ 417	¥ 86,673	¥ 1,091	¥ 87,765	
Amortization of goodwill	-	54	-	-	118	172	-	172	-	172	
Interest income	1,392	5,668	1,320	73	91	8,546	4,359	12,906	(4,878)	8,028	
Interest expense	2,939	10,711	1,962	1,085	1,453	18,152	3,841	21,994	(5,444)	16,549	
Equity in earnings (losses) of affiliated companies, net	(1,973)	13,098	4,071	518	235	15,949	-	15,949	-	15,949	
Investment in affiliates	9,722	136,174	94,811	3,640	2,598	246,947	40	246,987	-	246,987	
Increase in vessels, property and equipment and intangible assets	7,815	101,288	10,207	11,877	26,105	157,294	1,022	158,316	2,302	160,618	

FINANCIAL SECTION

Thousands of U.S. dollars (Note 1)

For the year ended March 31, 2020:	Reportable segment									Adjustment and elimination	Consolidated
	Product Transport Business					Sub Total	Others	Total			
	Dry Bulk Business	Energy Transport Business	Container Ships	Car Carries, Ferries and Coastal RoRo ships	Associated businesses						
1. Revenues:											
(1) Revenues from customers	\$2,546,641	\$2,658,963	\$2,080,492	\$2,288,367	\$ 887,218	\$10,461,710	\$ 154,874	\$10,616,594	\$ -	\$10,616,594	
(2) Inter-segment revenues	0	81,448	11,044	1,938	234,319	328,769	54,433	383,203	(383,203)	-	
Total revenues	\$2,546,650	\$2,740,420	\$2,091,546	\$2,290,315	\$1,121,538	\$10,790,480	\$ 209,308	\$10,999,797	\$ (383,203)	\$10,616,594	
Segment income (loss)	\$ 110,668	\$ 233,648	\$ 37,802	\$ 24,083	\$ 113,442	\$ 519,663	\$ 31,774	\$ 551,447	\$ (45,235)	\$ 506,202	
Segment assets	\$2,821,060	\$7,962,969	\$3,084,838	\$2,038,399	\$4,144,326	\$20,051,603	\$2,196,930	\$22,248,534	\$ (2,964,173)	\$19,284,360	
2. Others											
Depreciation and amortization	\$ 96,857	\$ 330,432	\$ 118,046	\$ 162,960	\$ 84,259	\$ 792,566	\$ 3,831	\$ 796,407	\$ 10,024	\$ 806,441	
Amortization of goodwill	-	496	-	-	1,084	1,580	-	1,580	-	1,580	
Interest income	12,790	52,081	12,129	670	836	78,526	40,053	118,588	(44,822)	73,766	
Interest expense	27,005	98,419	18,028	9,969	13,351	166,792	35,293	202,095	(50,022)	152,062	
Equity in earnings (losses) of affiliated companies, net	(18,129)	120,352	37,406	4,759	2,159	146,549	-	146,549	-	146,549	
Investment in affiliates	89,331	1,251,254	871,184	33,446	23,872	2,269,107	367	2,269,475	-	2,269,475	
Increase in vessels, property and equipment and intangible assets	71,809	930,699	93,788	109,133	239,869	1,445,318	9,390	1,454,709	21,152	1,475,861	

Millions of yen

For the year ended March 31, 2019:	Reportable segment									Adjustment and elimination	Consolidated
	Product Transport Business					Sub Total	Others	Total			
	Dry Bulk Business	Energy Transport Business	Container Ships	Car Carries, Ferries and Coastal RoRo ships	Associated businesses						
1. Revenues:											
(1) Revenues from customers	¥291,140	¥280,972	¥276,994	¥268,180	¥101,125	¥1,218,412	¥ 15,665	¥1,234,077	¥ -	¥1,234,077	
(2) Inter-segment revenues	1,029	8,592	1,446	1,073	27,003	39,146	6,241	45,388	(45,388)	-	
Total revenues	¥292,169	¥289,565	¥278,441	¥269,254	¥128,128	¥1,257,558	¥ 21,906	¥1,279,465	¥ (45,388)	¥1,234,077	
Segment income (loss)	¥ 21,924	¥ 21,135	¥ (14,378)	¥ 2,114	¥ 12,907	¥ 43,703	¥ 2,580	¥ 46,284	¥ (7,709)	¥ 38,574	
Segment assets	¥329,592	¥852,162	¥350,962	¥250,983	¥439,630	¥2,223,331	¥286,559	¥2,509,891	¥(375,413)	¥2,134,477	
2. Others											
Depreciation and amortization	¥ 11,777	¥ 38,802	¥ 11,622	¥ 17,012	¥ 9,489	¥ 88,703	¥ 351	¥ 89,054	¥ 1,083	¥ 90,138	
Amortization of goodwill	-	22	-	-	120	142	-	142	-	142	
Interest income	1,483	4,872	1,382	284	49	8,071	4,363	12,434	(4,601)	7,832	
Interest expense	3,116	14,987	1,935	1,209	1,362	22,610	3,500	26,111	(4,304)	21,806	
Equity in earnings (losses) of affiliated companies, net	(2,823)	13,817	(19,548)	436	313	(7,804)	-	(7,804)	-	(7,804)	
Investment in affiliates	12,310	118,947	94,487	3,197	2,521	231,464	39	231,503	-	231,503	
Increase in vessels, property and equipment and intangible assets	8,490	81,497	9,532	30,442	17,432	147,394	375	147,770	1,673	149,443	

*1. "Others" primarily consists of business segments that are not included in reportable segments, such as the ship operations business, the ship management business, the ship chartering business and the financing business

*2. (1) Adjustment in Segment income (loss) of -¥4,923 million [-\$45,235 thousand] include the following:
 -¥9,649 million [-\$88,661 thousand] of corporate profit which is not allocated to segments, ¥6,575 million [\$60,415 thousand] of adjustment for management accounting and -¥1,849 million [-\$16,989 thousand] of inter-segment transaction elimination.

(2) Adjustment in Segment assets of -¥322,591 million [-\$2,964,173 thousand] include the following:
 ¥14,681 million [\$134,898 thousand] of assets which are not allocated to segments and -¥337,273 million [-\$3,099,081 thousand] of inter-segment transaction elimination.

(3) Adjustment in Depreciation and amortization of ¥1,091 million [\$10,024 thousand] include the following:

¥1,091 million [\$10,024 thousand] of depreciation of assets which are not allocated to segments.

(4) Adjustment in Interest income of -¥4,878 million [-\$44,822 thousand] include the following:
 ¥2,210 million [\$20,306 thousand] of interest income which is not allocated to segments and -¥7,088 million [-\$65,129 thousand] of inter-segment transaction elimination.

(5) Adjustment in Interest expenses of -¥5,444 million [-\$50,022 thousand] include the following:
 ¥5,719 million [\$52,549 thousand] of interest expenses which are not allocated to segments, -¥4,068 million [-\$37,379 thousand] of adjustment for management accounting and -¥7,095 million [-\$65,193 thousand] of inter-segment transaction elimination.

(6) Adjustment in Increase of tangible / intangible fixed assets of ¥2,302 million [\$21,152 thousand] include the following:
 ¥2,902 million [\$26,665 thousand] of Increase of tangible / intangible fixed assets which are not allocated to segments and -¥599 million [-\$5,503 thousand] of inter-segment transaction elimination.

*3. Management has decided not to allocate liabilities to segments. Therefore segment information regarding liabilities is not disclosed.

*4. Segment income (loss) corresponds to Ordinary income in the consolidated statements of operations.

*5. (1) Adjustment in Segment income (loss) of -¥7,709 million include the following:
 -¥13,606 million of corporate profit which is not allocated to segments, ¥6,312 million of adjustment for management accounting and -¥415 million of inter-segment transaction elimination.

(2) Adjustment in Segment assets of -¥375,413 million include the following:
 ¥13,805 million of assets which are not allocated to segments and -¥389,218 million of inter-segment transaction elimination.

(3) Adjustment in Depreciation and amortization of ¥1,083 million include the following:

¥1,083 million of depreciation of assets which are not allocated to segments.

(4) Adjustment in Interest income of -¥4,601 million include the following:
 ¥2,982 million of interest income which is not allocated to segments and -¥7,583 million of inter-segment transaction elimination.

(5) Adjustment in Interest expenses of -¥4,304 million include the following:
 ¥7,188 million of interest expenses which are not allocated to segments, -¥3,906 million of adjustment for management accounting and -¥7,586 million of inter-segment transaction elimination.

(6) Adjustment in Increase of tangible / intangible fixed assets of ¥1,673 million is increase of tangible / intangible fixed assets which are not allocated to segments.

FINANCIAL SECTION

(B) RELATED INFORMATION:

(1) Information about geographic areas:

In our core marine transportation business, the areas which services are provided are not necessarily consistent with the location of our customers.

Therefore, revenues by geographic areas are revenues by geographic areas of each company's registration.

Millions of yen						
For the year ended March 31, 2020:	Japan	North America	Europe	Asia	Others	Consolidated
Revenues	¥930,799	¥42,618	¥51,251	¥127,591	¥ 3,142	¥1,155,404
Vessels, property and equipment	¥986,679	¥41,478	¥ 1,306	¥125,897	¥46,336	¥1,201,698

Thousands of U.S. dollars (Note 1)						
For the year ended March 31, 2020:	Japan	North America	Europe	Asia	Others	Consolidated
Revenues	\$8,552,779	\$391,601	\$470,927	\$1,172,388	\$ 28,870	\$10,616,594
Vessels, property and equipment	\$9,066,240	\$381,126	\$ 12,000	\$1,156,822	\$425,764	\$11,041,973

Millions of yen						
For the year ended March 31, 2019:	Japan	North America	Europe	Asia	Others	Consolidated
Revenues	¥1,004,421	¥39,189	¥38,644	¥148,321	¥ 3,500	¥1,234,077
Vessels, property and equipment	¥ 978,727	¥45,234	¥13,959	¥107,033	¥48,955	¥1,193,910

(2) Information about impairment loss by reportable segment:

For the year ended March 31, 2020:

There was no material impairment loss.

Millions of yen										
For the year ended March 31, 2019:	Reportable segment									
	Product Transport Business									
	Dry Bulk Business	Energy Transport Business	Container Ships	Car Carries, Ferries and Coastal RoRo ships	Associated businesses	Sub Total	Others	Total	Adjustment and elimination	Consolidated
Impairment loss	¥-	¥1,377	¥-	¥-	¥-	¥1,377	¥-	¥1,377	¥-	¥1,377

(3) Information about goodwill by reportable segment:

Millions of yen										
For the year ended March 31, 2020:	Reportable segment									
	Product Transport Business									
	Dry Bulk Business	Energy Transport Business	Container Ships	Car Carries, Ferries and Coastal RoRo ships	Associated businesses	Sub Total	Others	Total	Adjustment and elimination	Consolidated
Goodwill at the end of current year	¥-	¥605	¥-	¥-	¥1,527	¥2,132	¥-	¥2,132	¥-	¥2,132

Thousands of U.S. dollars (Note 1)										
For the year ended March 31, 2020:	Reportable segment									
	Product Transport Business									
	Dry Bulk Business	Energy Transport Business	Container Ships	Car Carries, Ferries and Coastal RoRo ships	Associated businesses	Sub Total	Others	Total	Adjustment and elimination	Consolidated
Goodwill at the end of current year	\$-	\$5,559	\$-	\$-	\$14,031	\$19,590	\$-	\$19,590	\$-	\$19,590

Millions of yen										
For the year ended March 31, 2019:	Reportable segment									
	Product Transport Business									
	Dry Bulk Business	Energy Transport Business	Container Ships	Car Carries, Ferries and Coastal RoRo ships	Associated businesses	Sub Total	Others	Total	Adjustment and elimination	Consolidated
Goodwill at the end of current year	¥-	¥667	¥-	¥-	¥1,673	¥2,341	¥-	¥2,341	¥-	¥2,341

FINANCIAL SECTION

15. INCOME TAXES

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate statutory rates in Japan of approximately 28.7% for the year ended March 31, 2020 and 28.8% for the year ended March 31, 2019.

(A) SIGNIFICANT COMPONENTS OF DEFERRED TAX ASSETS AND LIABILITIES AT MARCH 31, 2020 AND 2019 WERE AS FOLLOWS:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Deferred tax assets:			
Operating loss carried forward ^(*)	¥ 85,835	¥ 82,089	\$ 788,707
Write-down of securities and other investments	1,979	1,094	18,184
Reserve for bonuses expenses	1,428	1,375	13,121
Impairment loss	14,025	15,353	128,870
Excess bad debt expenses	3,686	500	33,869
Net defined benefit liabilities	4,045	3,901	37,168
Retirement allowances for directors	467	423	4,291
Unrealized gain on sale of fixed assets	1,349	1,220	12,395
Provision for loss related to business restructuring	-	79	-
Provision for contract loss	12,667	15,344	116,392
Transfer of charters from subsidiaries and affiliates	2,350	3,982	21,593
Deemed dividends	11,433	11,322	105,053
Unrealized gains on hedging derivatives	12,101	13,924	111,191
Others	10,854	9,142	99,733
Total deferred tax assets	162,225	159,754	1,490,627
Valuation allowance for carryforward tax loss ^(*)	(85,523)	(82,032)	(785,840)
Valuation allowance for deductible temporary differences	(68,609)	(70,989)	(630,423)
Valuation allowance total	(154,133)	(153,021)	(1,416,273)
Net deferred tax assets	8,092	6,732	74,354
Deferred tax liabilities:			
Reserve deductible for tax purposes when appropriated for deferred gain on real properties	(2,381)	(2,454)	(21,878)
Reserve deductible for tax purposes when appropriated for special depreciation	(1,725)	(1,549)	(15,850)
Unrealized holding gains on available-for-sale securities	(10,281)	(15,027)	(94,468)
Gain on securities contributed to employee retirement benefit trust	(3,011)	(2,958)	(27,667)
Revaluation reserve	(18,613)	(18,756)	(171,028)
Retained earnings of consolidated subsidiaries	(5,291)	(6,658)	(48,617)
Unrealized gains on hedging derivatives	(17,432)	(11,560)	(160,176)
Others	(4,606)	(2,842)	(42,322)
Total deferred tax liabilities	(63,343)	(61,807)	(582,036)
Net deferred tax liabilities	¥ (55,251)	¥ (55,074)	\$ (507,681)

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

For the year ended March 31, 2020:	Millions of yen						
	2021	2022	2023	2024	2025	2026 and beyond	Total
Carryforward tax loss ^(*)	¥4,225	¥39,825	¥2,113	¥13,743	¥9,425	¥16,502	¥85,835
Valuation allowance	4,200	39,821	2,112	13,742	9,424	16,221	85,523
Net deferred tax assets	¥ 25	¥ 3	¥ 0	¥ 0	¥ 0	¥ 280	¥ 312

For the year ended March 31, 2020:	Thousands of U.S. dollars						
	2021	2022	2023	2024	2025	2026 and beyond	Total
Carryforward tax loss ^(*)	\$38,822	\$365,937	\$19,415	\$126,279	\$86,602	\$151,630	\$788,707
Valuation allowance	38,592	365,900	19,406	126,270	86,593	149,048	785,840
Net deferred tax assets	\$ 229	\$ 27	\$ 0	\$ 0	\$ 0	\$ 2,572	\$ 2,866

For the year ended March 31, 2019:	Millions of yen						
	2020	2021	2022	2023	2024	2025 and beyond	Total
Carryforward tax loss ^(*)	¥3,278	¥2,953	¥39,937	¥1,949	¥13,786	¥20,183	¥82,089
Valuation allowance	3,251	2,938	39,927	1,947	13,783	20,183	82,032
Net deferred tax assets	¥ 27	¥ 15	¥ 9	¥ 1	¥ 3	¥ -	¥ 57

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

FINANCIAL SECTION

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

	2020
Statutory tax rate	28.7 %
Permanently non-deductible expenses for tax purposes, such as entertainment expenses	0.8 %
Permanently not taxable incomes for tax purposes, such as dividend income	(0.8)%
Effect of tonnage tax system	(6.8)%
Changes in valuation allowance	6.2 %
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(9.7)%
Effect of difference of effective tax rate for consolidated subsidiaries	(2.4)%
Effect of elimination of inter-company transactions	4.0 %
Others	(1.1)%
Effective tax rate	19.0 %

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

*2 Reconciliation of the statutory tax rate to the effective tax rate for the year ended March 31, 2019, is not stated as the difference is less than 5% of the normal effective statutory tax rate.

16. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

(A) OUTLINE OF EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

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

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

The Company has a retirement benefit trust.

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

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

(B) DEFINED BENEFIT PLANS

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

	Millions of yen		Thousands of U.S. dollars [Note 1]
	2020	2019	2020
Balance at beginning of the year	¥47,057	¥46,361	\$432,389
Service cost	1,786	1,767	16,410
Interest cost	409	405	3,758
Actuarial loss (gain)	(3,187)	226	(29,284)
Benefits paid	(1,653)	(1,703)	(15,188)
Balance at end of the year	¥44,412	¥47,057	\$408,086

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

	Millions of yen		Thousands of U.S. dollars [Note 1]
	2020	2019	2020
Balance at beginning of the year	¥59,775	¥61,939	\$549,251
Expected return on plan assets	1,195	1,238	10,980
Actuarial loss (gain)	(2,925)	(2,405)	(26,876)
Contributions paid by the employer	7,298	493	67,058
Benefits paid	(1,490)	(1,490)	(13,691)
Balance at end of the year	¥57,284	¥59,775	\$526,362

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

	Millions of yen		Thousands of U.S. dollars [Note 1]
	2020	2019	2020
Balance at beginning of the year	¥ 8,880	¥ 9,676	\$ 81,595
Retirement benefit costs	1,130	1,622	10,383
Benefits paid	(2,920)	(1,761)	(26,830)
Contributions paid by the employer	(815)	(656)	(7,488)
Balance at end of the year	¥ 6,274	¥ 8,880	\$ 57,649

FINANCIAL SECTION

(4) Reconciliation from Retirement Benefit Obligations and Plan Assets to Liability (Asset) for Retirement Benefits Including Plan Applied Simplified Method

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Funded retirement benefit obligations	¥ 52,174	¥ 54,740	\$ 479,408
Plan assets	(67,175)	(69,353)	(617,247)
	(15,001)	(14,613)	(137,838)
Unfunded retirement benefit obligations	8,404	10,775	77,221
Total net liability (asset) for retirement benefits at end of the year	(6,596)	(3,837)	(60,608)
Liability for retirement benefits	9,524	11,927	87,512
Asset for retirement benefits	(16,121)	(15,764)	(148,130)
Total net liability (asset) for retirement benefits at end of the year	¥ (6,596)	¥ (3,837)	\$ (60,608)

(5) Retirement Benefit Costs

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Service cost	¥ 1,786	¥ 1,767	\$ 16,410
Interest cost	409	405	3,758
Expected return on plan assets	(1,195)	(1,238)	(10,980)
Net actuarial loss amortization	(1,770)	(398)	(16,263)
Retirement benefit costs calculated by the simplified method	1,130	1,622	10,383
Other	(114)	(104)	(1,047)
Total retirement benefit costs for the fiscal year	¥ 245	¥ 2,053	\$ 2,251

(6) Remeasurements of Defined Benefit Plans

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Actuarial loss (gain)	¥(1,509)	¥(3,030)	\$(13,865)

(7) Accumulated Remeasurements of Defined Benefit Plans

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Unrecognized actuarial differences	¥3,736	¥5,245	\$34,328

(8) Plan Assets

1. Plan assets comprise:

	2020	2019
Equity securities	27%	30%
Bonds	24%	24%
Jointly invested assets	44%	41%
Cash and cash equivalents	4%	4%
Other	1%	1%
Total	100%	100%
Retirement benefit trust	25%	27%

2. Long-term expected rate of return

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

(9) ACTUARIAL ASSUMPTIONS

The discount rates were mainly 0.5%-1.1% for the year ended March 31, 2020 and 2019.

The rates of expected return on plan assets were mainly 2.0% for the years ended March 31, 2020 and 2019.

The expected rate of salary increase were mainly 0.5% ~5.7% for the years ended March 31, 2020 and 2019.

(C) DEFINED CONTRIBUTION PLANS

The amounts of contributions to defined contribution plans were ¥962 million [\$8,839 thousand] at March 31, 2020 and ¥737 million at March 31, 2019.

FINANCIAL SECTION

17. STOCK OPTIONS

(A) AMOUNT OF STOCK OPTIONS EXPENSES

Stock options expenses which were accounted for as general and administrative expenses for the fiscal years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
General and administrative expenses	¥78	¥157	\$716

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

Profit by non-exercise of stock acquisition rights which were accounted for as other income for the fiscal years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Other income	¥230	¥376	\$2,113

(C) TERMS AND CONDITIONS

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

	2009	2010	2011	2012	2013	2014
Number of grantees	Directors: 11 Executive officers: 20 Employees: 34 Presidents of the Company's domestic consolidated subsidiaries: 35	Directors: 10 Executive officers: 21 Employees: 36 Presidents of the Company's domestic consolidated subsidiaries: 33	Directors: 10 Executive officers: 22 Employees: 35 Presidents of the Company's domestic consolidated subsidiaries: 33	Directors: 9 Executive officers: 22 Employees: 33 Presidents of the Company's domestic consolidated subsidiaries: 30	Directors: 9 Executive officers: 18 Employees: 38 Presidents of the Company's domestic consolidated subsidiaries: 33	Directors: 9 Executive officers: 19 Employees: 33 Presidents of the Company's domestic consolidated subsidiaries: 32
Number of stock options	Common stock 165,000	Common stock 171,000	Common stock 173,000	Common stock 164,000	Common stock 160,000	Common stock 148,000
Grant date	August 14, 2009	August 16, 2010	August 9, 2011	August 13, 2012	August 16, 2013	August 18, 2014
Vesting conditions	No provisions	No provisions	No provisions	No provisions	No provisions	No provisions
Service period	No provisions	No provisions	No provisions	No provisions	No provisions	No provisions
Exercise period	From July 31, 2011 to June 22, 2019	From July 31, 2012 to June 21, 2020	From July 26, 2013 to June 22, 2021	From July 28, 2014 to June 21, 2022	From August 2, 2015 to June 20, 2023	From August 2, 2016 to June 23, 2024

	2015	2016	2017	2018	2019
Number of grantees	Directors: 8 Executive officers: 18 Employees: 37 Presidents of the Company's domestic consolidated subsidiaries: 32	Directors: 9 Executive officers: 18 Employees: 32 Presidents of the Company's domestic consolidated subsidiaries: 37	Directors: 9 Executive officers: 18 Employees: 33 Presidents of the Company's domestic consolidated subsidiaries: 35	Directors: 9 Executive officers: 18 Employees: 44 Presidents of the Company's domestic consolidated subsidiaries: 31	Directors: 8 Executive officers: 18 Employees: 51 Presidents of the Company's domestic consolidated subsidiaries: 29
Number of stock options	Common stock 155,000	Common stock 158,000	Common stock 157,000	Common stock 164,000	Common stock 159,000
Grant date	August 17, 2015	August 15, 2016	August 15, 2017	August 15, 2018	August 15, 2019
Vesting conditions	No provisions	No provisions	No provisions	No provisions	No provisions
Service period	No provisions	No provisions	No provisions	No provisions	No provisions
Exercise period	From August 1, 2017 to June 20, 2025	From August 1, 2018 to June 19, 2026	From August 1, 2019 to June 25, 2027	From August 1, 2020 to June 23, 2028	From August 1, 2021 to June 23, 2029

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

(D) CHANGES IN NUMBER AND UNIT PRICES

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

(1) Changes in number of stock options

Non-vested stock options	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Balance at March 31, 2019	-	-	-	-	-	-	-	-	156,000	164,000	-
Options granted during the year	-	-	-	-	-	-	-	-	-	-	159,000
Options expired during the year	-	-	-	-	-	-	-	-	-	-	-
Options vested during the year	-	-	-	-	-	-	-	-	156,000	-	-
Balance at March 31, 2020	-	-	-	-	-	-	-	-	-	164,000	159,000

Vested stock options	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Balance at March 31, 2019	163,000	170,000	170,000	115,800	155,800	142,000	153,200	149,700	-	-	-
Options vested during the year	-	-	-	-	-	-	-	-	156,000	-	-
Options exercised during the year	-	-	-	-	-	-	-	9,400	-	-	-
Options expired during the year	-	1,000	2,000	-	1,000	1,000	2,000	-	-	-	-
Balance at March 31, 2020	163,000	169,000	168,000	115,800	154,800	141,000	151,200	140,300	156,000	-	-

FINANCIAL SECTION

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Exercise price	¥6,390	¥6,420	¥4,680	¥2,770	¥4,470	¥4,120	¥4,270	¥2,420	¥3,780	¥2,943	¥2,962
Average market price of share at exercise	-	-	-	-	-	-	-	¥2,506	-	-	-
Fair value per stock option at grant date	¥1,360	¥2,030	¥870	¥670	¥1,720	¥1,320	¥940	¥560	¥1,090	¥963	¥493

(E) KEY FIGURES FOR FAIR VALUE PER STOCK OPTION

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

	2019
Stock price volatility	35.28%
Expected remaining term of the option	5 years and 11 months
Expected dividends	¥45 per share
Risk-free interest rate	(0.25)%

18. COMPREHENSIVE INCOME

For the years ended March 31, 2020 and 2019, the amounts reclassified to net income (loss) that were recognized in other comprehensive income and tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Unrealized holding gains on available-for-sale securities, net of tax:			
Increase (Decrease) during the year	¥(16,572)	¥ (8,946)	\$(152,274)
Reclassification adjustments	541	(400)	4,971
Sub-total, before tax	(16,030)	(9,347)	(147,293)
Tax effect	4,463	2,563	41,008
	(11,567)	(6,783)	(106,285)
Unrealized gains on hedging derivatives, net of tax:			
Increase (Decrease) during the year	15,525	20,453	142,653
Reclassification adjustments	(15,722)	(15,325)	(144,463)
Adjustments of acquisition cost	(485)	(515)	(4,456)
Sub-total, before tax	(682)	4,612	(6,266)
Tax effect	(4,853)	(2,466)	(44,592)
	(5,535)	2,146	(50,859)
Foreign currency translation adjustments:			
Increase (Decrease) during the year	(1,913)	(9,024)	(17,577)
Reclassification adjustments	(195)	12	(1,791)
	(2,108)	(9,011)	(19,369)
Remeasurements of defined benefit plans:			
Increase (Decrease) during the year	261	(2,632)	2,398
Reclassification adjustments	(1,770)	(398)	(16,263)
Sub-total, before tax	(1,509)	(3,030)	(13,865)
Tax effect	437	850	4,015
	(1,071)	(2,180)	(9,841)
Share of other comprehensive income (loss) of associates accounted for using equity method:			
Decrease during the year	(19,593)	6,172	(180,033)
Reclassification adjustments	4,299	1,147	39,501
	(15,294)	7,320	(140,531)
Total other comprehensive income (loss)	¥(35,577)	¥ (8,508)	\$(326,904)

FINANCIAL SECTION

19. RELATED PARTY TRANSACTIONS

(A) RELATED PARTY TRANSACTIONS

For the year ended March 31, 2020

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

Category	Name of company	Address	Paid-in capital	Business description	Ratio of the Group's voting rights	Relation with related party	Millions of yen			Thousands of U.S. dollars [Note 1]		
							Description of transaction (*1)	Transacted amount	Balance at March 31, 2020		Transactions during the year ended March 31, 2020	Balance at March 31, 2020
									Account	Amount		
Affiliated company	SEPIA MV30 B.V.	NETHERLANDS	US\$100,000	Energy Transport Business	20.60%	Interlocking directorate Debt guarantee	Debt guarantee	¥24,031	-	-	\$220,812	-
Affiliated company	LIBRA MV31 B.V.	NETHERLANDS	US\$100,000	Energy Transport Business	20.60%	Interlocking directorate Debt guarantee	Debt guarantee	¥21,351	-	-	\$196,186	-

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

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

The Company recorded provision of allowance for doubtful accounts on subordinated long-term loans to its affiliated company, which amounted to ¥7,784 million[(\$71,524 thousand)].

For the year ended March 31, 2019

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

Category	Name of company	Address	Paid-in capital	Business description	Ratio of the Group's voting rights	Relation with related party	Millions of yen			
							Description of transaction (*1)	Transacted amount	Balance at March 31, 2019	
									Account	Amount
Affiliated company	Ocean Network Express Pte. Ltd.	SINGAPORE	US\$3,000,000,000	Containerships	- [*2]	Interlocking directorate Time-charter of vessels	Underwriting of capital increase	¥72,141	-	-

Notes: *1. Transaction conditions and policies to decide transaction conditions, etc.

Underwriting of capital increase was carried out at US\$10,000 per share.

*2. The Company owns 31% of the voting rights of Ocean Network Express Holdings, Ltd. and the said company is a holding company that owns 100% of the common shares of Ocean Network Express Pte. Ltd.

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

There was no applicable matter.

(B) NOTE ABOUT SIGNIFICANT RELATED PARTIES

A significant affiliated company to be disclosed for the year ended March 31, 2020 and 2019 was Ocean Network Express Pte. Ltd. and the summary of its financial statements were as follows:

	Millions of yen		Thousands of U.S. dollars [Note 1]
	2020	2019	2020
Total current assets	¥ 385,905	¥ 376,264	\$ 3,545,943
Total non-current assets	611,750	35,865	5,621,152
Total current liabilities	250,460	167,895	2,301,387
Total non-current liabilities	507,628	5,320	4,664,412
Total net assets	239,566	238,913	2,201,286
Shipping and other revenues	1,374,646	1,258,215	12,631,131
Income (Loss) before income taxes	14,178	(67,601)	130,276
Net income (loss)	8,119	(71,024)	74,602

20. SUBSEQUENT EVENT

There is no applicable matter.

FINANCIAL SECTION

21. OTHERS**(1) LITIGATION**

On January 10, 2014, the Company filed a lawsuit against Mitsubishi Heavy Industries, Ltd. (hereinafter "MHI") at Tokyo District Court seeking compensation for damages in association with a maritime accident caused by a vessel constructed by MHI. In response, MHI filed a countersuit at Tokyo District Court seeking payment for reinforcement of the strength of the ship's hull of the same type of ship, and the legal dispute is continuing.

The Company recognizes the claims of the countersuit by MHI has no legitimate basis, and intends to assert the propriety of the Company in addition to upholding the claims for damages under the lawsuit.

(2) OTHERS

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

Independent Auditor's Report

Independent auditor's report

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

Opinion

We have audited the accompanying consolidated financial statements of Mitsui O.S.K. Lines, Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheet as at March 31, 2020, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies, other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

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

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Hiroshi Miura
Designated Engagement Partner
Certified Public Accountant

Yoshikuni Noguchi
Designated Engagement Partner
Certified Public Accountant

Katsunori Totani
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 23, 2020

Notes to the Reader of Independent Auditor's Report:

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

The MOL Group

Mitsui O.S.K. Lines, Ltd. March 31, 2020

● Consolidated Subsidiaries ○ Affiliated Companies Accounted for by the Equity Method

	Registered Office	MOL's Voting Rights (%)*	Paid-in Capital (Thousands)	
Dry Bulk Business	● Mitsui O.S.K. Kinkai, Ltd.	Japan	¥660,000	
	● MOL Bridge Finance S.A.	Panama	US\$8	
	● MOL Cape (Singapore) Pte. Ltd.	Singapore	US\$62,752	
	● MOL Netherlands Bulkship B.V.	Netherlands	€ 18	
	● Shipowner / Chartering companies (73 companies) in Panama, Marshall Islands, Liberia, Hong Kong, Cayman Islands and Singapore			
	● Other (1 company)			
	○ Gearbulk Holding AG	Switzerland	US\$228,100	
	○ Shipowner company (1 company) in Panama			
Energy Transport Business	● Bamboo Mountain Power B.V.	Netherlands	US\$0	
	● Coconutland Maritime INC.	Panama	US\$38	
	● El Sol Shipping Ltd. S.A.	Panama	US\$10	
	● Green Methanol S.A.	Panama	US\$5	
	● Lakler S.A.	Uruguay	US\$109,901	
	● MCGC International Ltd.	Bahamas	US\$1	
	● MOG LNG Transport S.A.	Panama	¥200	
	● MOL Chemical Tankers Japan Co., Ltd.	Japan	¥100,000	
	● MOL Chemical Tankers Pte. Ltd.	Singapore	S\$262,370	
	● MOL Coastal Shipping, Ltd.	Japan	¥650,000	
	● MOL LNG Transport Co., Ltd.	Japan	¥40,000	
	● MOL NORDIC TANKERS TRADING A/S	Denmark	DKK600	
	● Phoenix Tankers Pte. Ltd.	Singapore	US\$379,311	
	● Pine Mountain Power B.V.	Netherlands	US\$0	
	● Samba Offshore S.A.	Panama	US\$10	
	● Shining Shipping S.A.	Panama	US\$10	
	● Unix Line Pte. Ltd.	Singapore	US\$344	
		● Shipowner / Chartering companies (122 companies) in Panama, Marshall Islands, Liberia, Hong Kong, Singapore, Indonesia and Malta		
		○ Aramo Shipping (Singapore) Pte. Ltd.	Singapore	US\$20,743
		○ Asahi Tanker Co., Ltd.	Japan	¥600,045
		○ Den Hartogh Holdings B.V.	Netherlands	€ 60
		○ LNG Fukurokuju Shipping Corp.	Bahamas	¥1,000
		○ LNG Jurojin Shipping Corp.	Bahamas	¥1,000
		○ Karmol Lng Company LTD.	Marta	US\$11,100
		○ Karmol Powership Company Ltd.	Marta	US\$145,000
		○ Trans Pacific Shipping 2 Ltd.	Bahamas	¥3,961,100
		○ Trans Pacific Shipping 5 Ltd.	Bahamas	¥2,672,400
		○ Trans Pacific Shipping 8 Ltd.	Bahamas	¥2,065,000
		○ Viken MOL AS	Norway	US\$55,500
		○ Viken Shuttle AS	Norway	US\$38,104
		○ Shipowner / Chartering companies (75 companies) in Panama, Marshall Islands, Liberia, Hong Kong, Cayman Islands, Singapore, Norway, Indonesia, Cyprus, Bahamas and Malta		
	Product Transport Business	● Asia Utoc Pte. Ltd.	Singapore	S\$900
		● Bangkok Container Service Co., Ltd.	Thailand	THB10,000
		● Bangpoo Intermodal Systems Co., Ltd.	Thailand	THB130,000
		● Blue Highway Express Kyushu Co., Ltd.	Japan	¥50,000
		● Blue Highway Service K.K.	Japan	¥30,000
		● Blue Sea Network Co., Ltd.	Japan	¥54,600
		● Chugoku Shipping Agencies Ltd.	Japan	¥10,000
		● Euro Marine Carrier B.V.	Netherlands	€ 91
		● Euro Marine Logistics N.V.	Belgium	€ 20,000
		● Ferry Sunflower Ltd.	Japan	¥100,000
		● International Container Transport Co., Ltd.	Japan	¥100,000
● International Transportation Inc.		USA	US\$104,562	
● Mitsui O.S.K. Lines (Thailand) Co., Ltd.		Thailand	THB20,000	
● MOL Consolidation Service Ltd.		Hong Kong	HK\$1,000	
● MOL Consolidation Service Ltd. (China)		China	RMB8,000	
● MOL Container Center (Thailand) Co., Ltd.		Thailand	THB10,000	
● MOL Ferry Co., Ltd.		Japan	¥1,577,400	
● MOL Hong Kong Ltd.		Hong Kong	HK\$40,000	
● MOL Logistics (Deutschland) GMBH		Germany	€ 537	
● MOL Logistics (Europe) B.V.		Netherlands	€ 414	
● MOL Logistics (H.K.) Ltd.		Hong Kong	HK\$14,100	
● MOL Logistics (Japan) Co., Ltd.		Japan	¥756,250	
● MOL Logistics (Netherlands) B.V.		Netherlands	€ 3,049	
● MOL Logistics (Singapore) Pte. Ltd.		Singapore	S\$700	
● MOL Logistics (Taiwan) Co., Ltd.		Taiwan	NT\$7,500	
● MOL Logistics (Thailand) Co., Ltd.		Thailand	THB20,000	
● MOL Logistics (UK) Ltd.		UK	£400	
● MOL Logistics (USA) Inc.		USA	US\$9,814	
● MOL Logistics Holding (Europe) B.V.		Netherlands	€ 19	
● MOL Worldwide Logistics, Ltd.		Hong Kong	HK\$58,600	
● Nissan Carrier Europe B.V.		Netherlands	€ 195	

FINANCIAL SECTION

	Registered Office	MOL's Voting Rights [%]*	Paid-in Capital (Thousands)		
Product Transport Business	● Nissan Motor Car Carrier Co., Ltd.	Japan	90.00	¥640,000	
	● Shanghai Huajia International Freight Forwarding Co., Ltd.	China	76.00	US\$1,720	
	● Shosen Koun Co., Ltd.	Japan	79.98	¥300,000	
	● Thai Intermodal Systems Co., Ltd.	Thailand	100.00	THB77,500	
	● TraPac Jacksonville, LLC.	USA	100.00	—	
	● TraPac, LLC.	USA	100.00	—	
	● Utoc Corp.	Japan	67.55	¥2,155,300	
	● Utoc Engineering Pte. Ltd.	Singapore	100.00	S\$2,000	
	● Utoc Logistics Corp.	Japan	100.00	¥50,000	
	● Utoc Ryutsu Service Corp.	Japan	100.00	¥10,000	
	● Utoc Stevedoring Corp.	Japan	100.00	¥50,000	
	● Utoc Transnet Corp.	Japan	100.00	¥90,000	
	● World Logistics Service [U.S.A.], Inc.	USA	100.00	US\$200	
	● Shipowner / Chartering companies (50 companies) in Panama, Marshall Islands, Liberia, Hong Kong, Cayman Islands, Singapore and Isle of Man				
	● Others (7 companies)				
	○ Meimon Taiyo Ferry Co., Ltd.	Japan	41.13	¥880,000	
	○ Nippon Concept Corp.	Japan	15.00	¥600,440	
	○ Ocean Network Express Holdings, Ltd.	Japan	31.00	¥50,000	
	○ Ocean Network Express Pte. Ltd.	Singapore	—	US\$3,000,000	
	○ PKT Logistics Group Sdn. Bhd.	Malaysia	35.13	MYR276,354	
	○ Rotterdam World Gateway B.V.	Netherlands	20.00	€ 14,018	
	○ Shanghai Kakyakusen Kaisha, Ltd.	Japan	31.98	¥100,000	
	○ Tan Cang-Cai Mep International Terminal Co. Ltd.	Vietnam	21.33	VND868,510,520	
	○ TIPS Co., Ltd.	Thailand	24.44	THB100,000	
	○ Other (1 company)				
	Associated Businesses	● Daibiru Australia Pty Ltd.	Australia	100.00	A\$140,000
		● Daibiru CSB Co., Ltd.	Vietnam	99.00	VND349,000,000
● Daibiru Corp.		Japan	51.07	¥12,227,847	
● Daibiru Facility Management Ltd.		Japan	100.00	¥17,000	
● Daibiru Saigon Tower Co., Ltd.		Vietnam	100.00	VND124,203,000	
● Green Kaiji Kaisha, Ltd.		Japan	100.00	¥95,400	
● Green Shipping, Ltd.		Japan	100.00	¥172,000	
● Hokuso Kohatsu K.K.		Japan	100.00	¥50,000	
● Ikuta & Marine Co., Ltd.		Japan	100.00	¥26,500	
● Japan Express Co., Ltd.		Japan	100.00	¥50,000	
● Japan Hydrographic Charts & Publications Co., Ltd.		Japan	95.25	¥32,000	
● Jentower Ltd.		British Virgin Islands	100.00	US\$0	
● Kitanihon Tug-boat Co., Ltd.		Japan	62.00	¥50,000	
● Kobe Towing Co., Ltd.		Japan	100.00	¥50,000	
● Kosan Kanri Service Co., Ltd.		Japan	100.00	¥20,000	
● Kosan Kanri Service-West Co., Ltd.		Japan	100.00	¥14,400	
● M.O. Tourist Co., Ltd.		Japan	100.00	¥250,000	
● Mitsui O.S.K. Kosan Co., Ltd.		Japan	100.00	¥300,000	
● Mitsui O.S.K. Passenger Line, Ltd.		Japan	100.00	¥100,000	
● MOL Business Support, Ltd.		Japan	100.00	¥100,000	
● MOL Kaiji Co., Ltd.		Japan	100.00	¥95,000	
● MOL Techno-Trade, Ltd.		Japan	100.00	¥490,000	
● Nihon Tug-Boat Co., Ltd.		Japan	87.26	¥134,203	
● Nishinohon Sogo Setsubi Co., Ltd.		Japan	100.00	¥10,000	
● Tanshin Building Service Co., Ltd.		Japan	100.00	¥20,000	
● Tokai Tugboat K.K.		Japan	70.00	¥10,000	
● Ube Port Service Co., Ltd.		Japan	99.39	¥14,950	
● White Lotus Properties Ltd.		British Virgin Islands	100.00	¥6,810,000	
● Chartering company (1 company) in Panama					
● Other (2 companies)					
○ Shinyo Kaiun Corp.		Japan	36.00	¥100,000	
○ South China Towing Co., Ltd.		Hong Kong	25.00	HK\$12,400	
○ Tan Cang-Cai Northern Maritime Joint Stock Co., Ltd.		Vietnam	36.00	VND 118,560,000	
○ Tan Cang-Cai Mep Towage Services Co., Ltd.		Vietnam	40.00	VND 112,717,115	
Others		● Euromol B.V.	Netherlands	100.00	€ 8,444
		● K&M Marine S.A.	PANAMA	100.00	¥500
		● Linkman Holdings Inc.	Liberia	100.00	US\$3
		● Mitsui O.S.K. Holdings (Benelux) B.V.	Netherlands	100.00	€ 17,245
		● MOL (Americas) LLC.	USA	100.00	—
		● MOL (Americas) Holdings, Inc.	USA	100.00	US\$200
		● MOL (Asia Oceania) Pte. Ltd.	Singapore	100.00	S\$2,350
		● MOL (Europe Africa) Ltd.	UK	100.00	US\$8,402
		● MOL Accounting Co., Ltd.	Japan	100.00	¥30,000
		● MOL Adjustment, Ltd.	Japan	100.00	¥10,000
		● MOL Engineering Co., Ltd.	Japan	100.00	¥20,000
		● MOL Information Systems, Ltd.	Japan	100.00	¥100,000
		● MOL Manning Service S.A.	Panama	100.00	US\$3,889
	● MOL Marine Co., Ltd.	Japan	100.00	¥100,000	
	● MOL Ocean Expert Co., Ltd.	Japan	100.00	¥100,000	
	● MOL Ship Management Co., Ltd.	Japan	100.00	¥50,000	
	● MOL Ship Tech Inc.	Japan	100.00	¥50,000	
	● MOL Treasury Management Pte. Ltd.	Singapore	100.00	US\$2,000	
	○ Other (1 company)				

* MOL's voting rights include voting rights of MOL and its subsidiaries

