

Mitsui O.S.K. Lines, Ltd.

Financial Highlights: Fiscal Year 2018 Ended March 31, 2019



1. Consolidated Financial Highlights (from April 1, 2018 to March 31, 2019)

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

(1) Operating Results

	(¥ Million)		(US\$ Thousand)
	FY2018	FY2017	FY2018
Revenues	1,234,077	1,652,393	11,118,813
Operating profit	37,718	22,684	339,832
Ordinary profit	38,574	31,473	347,545
Profit (loss) attributable to owners of parent	26,875	(47,380)	242,139
	(¥)		(US\$)
Net income (loss) per share	224.72	(396.16)	2.025
Diluted net income per share	217.09	—	1.956
Return to shareholders' equity	5.2%	(8.7%)	
Rate of ordinary income on assets	1.8%	1.4%	
Operating profit ratio	3.1%	1.4%	

*The Company consolidated its common shares on the basis of one (1) unit for every ten (10) shares effective October 1, 2017. Accordingly, net income per share and diluted net income per share are calculated on the assumption that the consolidation of shares was conducted at the beginning of the previous fiscal year ended March 31, 2018.

(2) Financial Position

	(¥ Million)		(US\$ Thousand)
	FY2018	FY2017	FY2018
Total assets	2,134,477	2,225,096	19,231,255
Total net assets	651,607	628,044	5,870,862
Shareholders' equity / Total assets	24.6%	23.0%	
	(¥)		(US\$)
Shareholders' equity per share	4,390.39	4,274.81	39.557

* Shareholders' Equity is defined as follows.

Shareholders' Equity = Total net assets - (Share subscription rights + Non-controlling interests)

2. Dividends

	(¥)					(¥ Million)		
	Dividend per share					Total dividends paid	Dividend pay-out ratio	Dividend ratio to shareholders' equity
	Q1	Q2	Q3	Year end	Total			
FY2017	—	1.00	—	10.00	—	2,392	—	0.4%
FY2018	—	20.00	—	25.00	45.00	5,381	20.0%	0.8%
FY2019 (Forecast)	—	30.00	—	35.00	65.00		19.4%	

* The year-end dividend per share for the fiscal year ended March 31, 2018 represents the amount with impacts from the consolidation of shares taken into consideration and the total annual dividend is indicated as "—."

The total annual dividend per share is ¥20.00 for the fiscal year ended March 31, 2018, which are calculated on the assumption that the consolidation of shares was conducted at the beginning of the previous fiscal year ended March 31, 2018.

3. Forecast for the Fiscal Year Ending March 31, 2020

	(¥ Million)		(US\$ Thousand)
	FY2019		FY2019
Revenues	1,194,000		10,854,545
Operating profit	26,000		236,364
Ordinary profit	50,000		454,545
Profit attributable to owners of parent	40,000		363,636
	(¥)		(US\$)
Net income per share	FY2019		FY2019
	334.47		3.041

* Underlying Assumption for FY2019 Forecast.

The above forecast is made assuming the exchange rate and the bunker price for FY2019 will be as follows.

Exchange Rate 1US\$=¥110.00

Bunker Price US\$ 435/MT

(Translation of foreign currencies)

The Japanese yen amounts for FY2018 have been translated into U.S. dollars using the prevailing exchange rate at March 31, 2019, which was ¥110.99 to U.S. \$1.00, solely for the convenience of readers.

(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.)

(Reference)**Non-Consolidated Financial Highlights (from April 1, 2018 to March 31, 2019)**

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

(1) Operational Results

	(¥ Million)		(US\$ Thousand)
	FY2018	FY2017	FY2018
Revenues	760,166	1,222,574	6,848,959
Operating profit (loss)	12,055	2,828	108,613
Ordinary profit	36,260	17,744	326,696
Net loss	36,946	(65,936)	332,877
	(¥)		(US\$)
Net loss per share	308.93	(551.30)	2.783
Diluted net income per share	298.44	—	2.689

(2) Financial Position

	(¥ Million)		(US\$ Thousand)
	FY2018	FY2017	FY2018
Total assets	1,031,335	1,062,651	9,292,143
Total net assets	199,606	172,673	1,798,414
Shareholders' equity / Total assets	19.2%	16.1%	
	(¥)		(US\$)
	FY2018	FY2017	FY2018
Shareholders' equity per share	1,653.92	1,426.85	14.902

(Translation of foreign currencies)

The Japanese yen amounts for FY2018 have been translated into U.S. dollars using the prevailing exchange rate at March 31, 2019, which was ¥110.99 to U.S. \$1.00, solely for the convenience of readers.

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4. Business Performance

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

[Financial Highlights]

(Billions of Yen)

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	Year-on-year comparison (variance)
Revenue	1,652.3	1,234.0	(418.3) / (25.3)%
Operating profit	22.6	37.7	15.0 / 66.3%
Ordinary profit	31.4	38.5	7.1 / 22.6%
Profit attributable to owners of parent	-47.3	26.8	74.2 / - %
Exchange rate	¥111.08/US\$	¥110.63/US\$	¥(0.45)/US\$
Bunker price	US\$354/MT	US\$456/MT	US\$102/MT

The average exchange rate of Japanese yen against the U.S. dollar during the fiscal year under review appreciated by ¥0.45 year on year to ¥110.63. The average bunker price during the same period rose by US\$102/MT year on year to US\$456/MT.

As a result of the above, we recorded revenue of ¥1,234.0 billion, operating profit of ¥37.7 billion, ordinary profit of ¥38.5 billion and profit attributable to owners of parent of ¥26.8 billion.

The following is a summary of business conditions including revenue and ordinary profit/loss per business segment.

Upper: Revenue, Lower: Segment Profit (Loss) (Ordinary Profit (Loss))

(Billions of Yen)

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	Year-on-year comparison (variance)
Dry Bulk Business	272.9	292.1	19.2 / 7.0%
	15.4	21.9	6.5 / 42.2%
Energy Transport Business	270.9	289.5	18.6 / 6.9%
	13.6	21.1	7.5 / 55.0%
Product Transport Business	1,013.0	547.6	(465.3) / (45.9)%
	(6.3)	(12.2)	(5.9) / -%
Containerships	751.6	278.4	(473.1) / (63.0)%
	(10.6)	(14.3)	(3.6) / -%
Associated Businesses	118.4	128.1	9.6 / 8.2%
	12.6	12.9	0.2 / 2.0%
Others	22.5	21.9	(0.6) / (2.7)%
	2.6	2.5	(0) / (0.8)%

Note: Revenue includes internal sales or transfers among segments

(A) Dry Bulk Business

In the Capesize bulker market, the market rate was strong during the first half of the fiscal year due to brisk iron ore shipments from Western Australia and Brazil. However, it fell sharply during the second half of the fiscal year due to concern over decreased shipments and deterioration in vessel supply-demand dynamics following the derailment of an iron-ore train in Australia in November 2018 and the collapse of a mining dam in Brazil at the end of January 2019.

The Panamax market generally held firm during the first half of the fiscal year, supported by steady volumes of mainstay cargoes such as coal and grain shipments from South America. However, at the beginning of the second half of the fiscal year, the rate fell temporarily along with lackluster grain shipments from North America amid trade friction between the U.S. and China, China's restriction of coals imports and the deterioration in the Capsize market rate, until the rate recovered due to increased volumes of thermal coal and U.S. grain shipments to China.

Overall, the dry bulk business posted a year-on-year increase in ordinary profit, with market rates generally exceeding year-ago levels despite weakening recently.

(B) Energy Transport Business

<Tankers>

The very large crude oil carrier (VLCC) market picked up from the first half of the fiscal year when the market was weak due to declining transportation demand as a result of seasonal factors, thanks to factors such as the arrival of the winter demand period and increased crude oil exports from West Africa and North America as alternative sources to crude oil from Iran in the second half. As a result, on a full-year basis, the market was stronger than a year ago.

The product tanker market was weak during the first half of the fiscal year due largely to a decrease in arbitrage transactions amid uncertainty surrounding the outlook for oil prices and excessive vessel supply. However, during the second half, the market was back on a recovery path thanks to the arrival of the winter oil demand period and tighter vessel supply-demand dynamics reflecting the allocation of some large product tankers to the transportation of other commodities such as crude oil and heavy oil. On a full-year basis, the market was stronger than a year ago.

Under these conditions, the tanker division posted a year-on-year increase in ordinary profit thanks to ceaseless efforts to improve operating efficiency through pool operations and cut costs mainly by reducing the number of loss-making vessels.

<LNG Carriers/Offshore business>

The LNG carrier division generated stable profit mainly through long-term charter contracts, including seven newly built vessels, and posted a year-on-year increase in ordinary profit. The offshore business division also recorded stable profit, reflecting the start of operation of a new FPSO vessel. The rate of operations in projects such as FPSO and subsea support vessel projects also exceeded expectations and the offshore business division posted a year-on-year increase in ordinary profit.

(C) Product Transport Business

<Containerships>

At Ocean Network Express Pte. Ltd. (ONE), the Company's equity-method affiliate, capacity utilization rates, which were weak in the first half, improved through the second half. During the second half, utilization rates for Asia-North America routes were higher than expected despite a weak recovery in volumes after Chinese New Year partly due to the absence of the last-minute rush in demand caused by trade friction between the U.S. and China experienced in the third quarter. Utilization rates for Asia-Europe routes were also higher than anticipated due to continued shipments at almost full capacity due to a reduction in service. Although ONE posted a loss in the second half again, the above factors combined with steady Asia-North America freight rates and enhancement of the collection of detention and demurrage helped make the loss smaller than expected.

<Car Carriers>

Volumes of shipments of completed cars fell year on year due to trade friction between the U.S. and China and the impact of new exhaust emissions and fuel economy standards in Europe. The Company endeavored to reduce the size of its fleet and further improve operating efficiency, but largely due to special factors such as the additional costs caused by quarantine problems on some routes in the first quarter and the decrease in volumes of shipments from Japan caused by torrential rain in Western Japan, the ordinary profit of the car carriers division worsened year on year.

<Ferries and Coastal RoRo Ships>

In the business of ferries and coastal RoRo ships, cargo volumes maintained a firm tone due to acceleration in the modal shift caused by truck driver shortages and aging, and workstyle reform in the land transportation industry. The number of passengers were also steady for all ferry routes (Hokkaido, Setonaikai and Minami-Kyushu), thanks to the introduction of new ferries into service and activities to promote the concept of casual cruises. However, mainly due to prolonged cancellations because of large typhoons or problems with the vessels themselves and higher fuel costs, the ferries and coastal RoRo ships division posted a year-on-year decrease in ordinary profit.

(D) Associated Businesses

In the real estate business, ordinary profit increased slightly year on year, reflecting a firm office leasing market centered on the Tokyo metropolitan area that offset negative factors such as changes in the major tenants of Daibiru Corporation, which is the core company in the Group's real estate business.

The cruise ship business posted a year-on-year decrease in ordinary profit due to the impact of the Nippon Maru accident in December 2018. However, the business results of other associated businesses such as the tugboat and trading businesses were generally strong, and the ordinary profit of the associated businesses segment as a whole increased year on year.

(E) Others

Other businesses, which are mainly cost centers, include ship operations, ship management, ship chartering and financing. Ordinary profit in this segment decreased year on year.

(2) Outlook for FY2019

(Billions of Yen)

	FY2018 (From April 1, 2018 to March 31, 2019)	Outlook for FY2019 (From April 1, 2019 to March 31, 2020)	Comparison (variance)
Revenue	1,234.0	1,194.0	(40.0) / (3.2)%
Operating profit	37.7	26.0	(11.7) / (31.1)%
Ordinary profit	38.5	50.0	11.4 / 29.6%
Profit attributable to owners of parent	26.8	40.0	13.1 / 48.8%
Exchange rate	¥110.63/US\$	¥110.00/US\$	¥(0.63)/US\$
Bunker price*	US\$456/MT	US\$435/MT	US\$(21)/MT
		(Assumption for full year)	

*HSFO (High Sulfur Fuel Oil)

Looking ahead at the dry bulker market in FY2019, we expect that on the Capesize bulker market, the rate will recover in the second half of the fiscal year despite continued concern over the impact of the mining dam collapse in Brazil. The rate for Panamax and smaller bulkers is also expected to remain firm at the FY2018 level because a certain degree of demand for coal and grain shipments is expected.

In the very large crude oil carrier (VLCC) market, overall seaborne crude movements are expected to increase, albeit slightly, because although the volume of oil shipments from the Middle East is expected to decrease slightly due to the extension of oil cuts by OPEC, increased exports of Atlantic oil including North American shale oil are expected to cover growth in demand for oil. Meanwhile, on the vessel supply side, although the number of new vessels is expected to remain at a high level as in FY2018, the scrapping of old vessels is also expected to increase ahead of the introduction of SOx emission regulations from 2020 and the restrictions on ballast water treatment systems, and rates are, therefore, expected to be comparatively steady.

We expect that the product tanker market will be stronger than in FY2018 because the upward trend in exports of oil products from countries such as India and China will continue and increased demand for oil products in emerging economies can be expected to fuel trade. Additionally, an increase in gas oil is anticipated as a result of the introduction of SOx emission regulations from 2020.

In the containership market, ONE's cargo volumes and utilization rate are expected to recover to a level comparable with the total of the three parent companies before integration. ONE aims to move into profit by focusing on initiatives such as cargo portfolio optimization, product rationalization, starting with a new North America West Coast-North Europe pendulum service, and reduction of fuel consumption and overhead costs.

In consideration of these prospects, for the full year, we project revenue of ¥1,194 billion, operating profit of ¥26.0 billion, ordinary profit of ¥50.0 billion and profit attributable to owners of parent of ¥40.0 billion.

5. Financial Position

Total assets as of March 31, 2019 decreased by ¥ 90.6 billion compared to the balance as of the end of the previous fiscal year, to ¥ 2,134.4 billion. This was primarily due to the decrease in Vessels.

Total liabilities as of March 31, 2019 decreased by ¥ 114.1 billion compared to the balance as of the end of the previous fiscal year, to ¥ 1,482.8 billion. This was primarily due to the increase in Trade payables.

Total net assets as of March 31, 2019 increased by ¥ 23.5 billion compared to the balance as of the end of the previous fiscal year, to ¥ 651.6 billion. This was primarily due to the increase in Retained earnings.

As a result, shareholders' equity ratio increased by 1.6% compared to the ratio as of the end of the previous Fiscal year, to 24.6%.

6. Cash Flow

Cash and cash equivalents (hereinafter called "cash") as of the end of FY2018 was ¥ 119.1 billion, a decrease of ¥ 70.4 billion compared to the balance as of the end of the previous fiscal year. Cash flows on each activity are as follows.

Net cash provided by operating activities during FY2018 was ¥ 55.2 billion (while net cash provided by FY2017 was ¥ 98.3 billion), mainly due to Income before income taxes and non-controlling interests (¥ 46.7 billion).

Net cash used in investing activities during FY2018 was ¥ 198.3 billion (while net cash used in FY2017 was ¥ 100.8 billion), mainly due to Purchase and proceeds from sale of vessels and other non-current assets.

Net cash provided by financing activities during FY2018 was ¥ 70.5 billion (while net cash provided by FY2017 was ¥ 9.2 billion), mainly due to Proceeds from long-term bank loans.

7. Basic policy on profit sharing and dividends

Our key management policies are to enhance corporate value with proactive capital investment and to directly return profits to shareholders through dividend. Utilizing our internal capital reserves, we work to reinforce corporate strength and strive to further raise our per-share corporate value. In the coming terms, with a 20% dividend payout ratio as a guideline, we will pay dividends linked with business performance, and we will address the need to increase the ratio as a medium- and long-term management issue.

As for the fiscal year under review, we will distribute dividends of surplus (a year-end dividend) at ¥25.00 per share for the fiscal year under review. We will pay an annual dividend of ¥45.00 per share including the interim dividend of ¥20.00 per share.

As for dividends of surplus for the next fiscal year, we plan to pay an annual dividend of ¥65.00 per share, comprising an interim dividend of ¥30.00 per share and a year-end dividend of ¥35.00 per share on the assumption that we secure the income described in our outlook for the next fiscal year.

8. Consolidated Financial Statements

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

(1) Consolidated Balance Sheets

(¥Million)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	192,797	124,505
Trade receivables	125,851	92,160
Marketable securities	500	500
Inventories	38,679	36,445
Deferred and prepaid expenses	61,918	63,413
Other current assets	59,357	70,688
Allowance for doubtful accounts	(401)	(253)
Total current assets	478,702	387,460
Fixed assets		
Tangible fixed assets		
Vessels	776,554	715,344
Buildings and structures	148,598	145,229
Equipment and others	31,581	29,345
Furniture and fixtures	4,137	4,523
Land	221,045	222,565
Construction in progress	106,128	73,718
Other tangible fixed assets	2,884	3,182
Total tangible fixed assets	1,290,929	1,193,910
Intangible fixed assets	30,163	28,695
Investments and other assets		
Investment securities	274,527	360,706
Long-term loans receivable	73,403	73,129
Long-term prepaid expenses	6,388	5,698
Net defined benefit asset	18,811	15,764
Deferred tax assets	4,007	3,048
Other investments and other assets	50,583	67,761
Allowance for doubtful accounts	(2,421)	(1,697)
Total investments and other assets	425,300	524,411
Total fixed assets	1,746,393	1,747,017
Total assets	2,225,096	2,134,477

(¥Million)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Trade payables	131,405	81,020
Short-term bonds	31,872	28,500
Short-term bank loans	180,539	187,419
Commercial papers	5,000	40,000
Accrued income taxes	6,395	5,494
Advances received	34,409	35,814
Allowance for bonuses	4,567	4,742
Other current liabilities	83,506	63,657
Total current liabilities	477,696	446,649
Fixed liabilities		
Bonds	175,748	168,198
Long-term bank loans	706,944	665,997
Lease obligations	15,977	14,224
Deferred tax liabilities	55,276	58,123
Net defined benefit liabilities	12,909	11,927
Directors' and corporate auditors' retirement benefits	1,487	1,499
Reserve for periodic drydocking	20,647	18,220
Other fixed liabilities	130,364	98,030
Total fixed liabilities	1,119,354	1,036,220
Total liabilities	1,597,051	1,482,870
Net assets		
Owners' equity		
Common stock	65,400	65,400
Capital surplus	45,385	45,385
Retained earnings	306,642	329,888
Treasury stock	(6,807)	(6,764)
Total owners' equity	410,620	433,909
Accumulated other comprehensive income		
Unrealized holding gains on available-for-sale securities, net of tax	33,400	26,840
Unrealized gains on hedging derivatives, net of tax	37,873	44,391
Foreign currency translation adjustments	23,442	16,197
Remeasurements of defined benefit plans, net of tax	5,905	3,725
Total accumulated other comprehensive income	100,621	91,154
Share subscription rights	2,026	1,803
Non-controlling interests	114,776	124,739
Total net assets	628,044	651,607
Total liabilities and net assets	2,225,096	2,134,477

(2) Consolidated Statements of Income

(¥Million)

	FY2017 (Apr.1,2017-Mar 31, 2018)	FY2018 (Apr.1,2018-Mar 31, 2019)
Shipping and other revenues	1,652,393	1,234,077
Shipping and other expenses	1,513,736	1,094,915
Gross operating income	138,656	139,161
Selling, general and administrative expenses	115,972	101,442
Operating profit	22,684	37,718
Non-operating income		
Interest income	7,976	7,832
Dividend income	6,661	5,982
Foreign exchange gains	16,834	15,850
Others	3,930	2,988
Total non-operating income	35,402	32,654
Non-operating expenses		
Interest expense	20,413	21,806
Equity in losses of affiliated companies	3,428	7,804
Others	2,771	2,187
Total non-operating expenses	26,613	31,798
Ordinary profit	31,473	38,574
Extraordinary income		
Gain on sale of fixed assets	16,979	4,654
Gain on sales of shares of subsidiaries and associates	186	5,453
Others	4,400	4,309
Total extraordinary income	21,566	14,418
Extraordinary losses		
Loss on sale of fixed assets	1,310	1,120
Loss related to business restructuring	73,476	—
Others	6,962	5,093
Total extraordinary losses	81,748	6,214
Income (loss) before income taxes and non-controlling interests	(28,709)	46,778
Income taxes - current	10,729	8,793
Income taxes - deferred	2,002	4,309
Total income taxes	12,731	13,103
Net income (loss)	(41,440)	33,674
Profit attributable to non-controlling interests	5,939	6,799
Profit (loss) attributable to owners of parent	(47,380)	26,875

(3) Consolidated Statements of Comprehensive Income

(¥Million)

	FY2017 (Apr.1,2017-Mar.31, 2018)	FY2018 (Apr.1,2018-Mar.31, 2019)
Net income (loss)	(41,440)	33,674
Other comprehensive income		
Unrealized holding gains on available-for-sale securities, net of tax	5,839	(6,783)
Unrealized gains (losses) on hedging derivatives, net of tax	(22,402)	2,146
Foreign currency translation adjustments	(773)	(9,011)
Remeasurements of defined benefit plans, net of tax	3,007	(2,180)
Share of other comprehensive income of associates accounted for using equity method	3,501	7,320
Total other comprehensive income	(10,828)	(8,508)
Comprehensive income	(52,268)	25,166
(Breakdown)		
Comprehensive income attributable to owners of parent	(59,516)	17,408
Comprehensive income attributable to non-controlling interests	7,247	7,757

(4) Consolidated Statement of Changes in Net assets

FY2018 (April 1, 2018 – March 31, 2019)

(¥ Million)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
Balance at Mar, 2018	65,400	45,385	306,642	(6,807)	410,620
Issuance of new shares - exercise of share acquisition rights				4	4
Dividends of surplus			(3,587)		(3,587)
Profit attributable to owners of parent			26,875		26,875
Change of scope of consolidation			(0)		(0)
Purchase of treasury shares				(31)	(31)
Disposal of treasury shares			(40)	69	28
Purchase of shares of consolidated subsidiaries		(0)			(0)
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	(0)	23,245	42	23,288
Balance at Mar, 2019	65,400	45,385	329,888	(6,764)	433,909

	Accumulated other comprehensive income					Share subscription rights	Non-controlling interests	Total net assets
	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	Total accumulated other comprehensive income			
Balance at Mar, 2018	33,400	37,873	23,442	5,905	100,621	2,026	114,776	628,044
Issuance of new shares - exercise of share acquisition rights						(4)		-
Dividends of surplus								(3,587)
Profit attributable to owners of parent								26,875
Change of scope of consolidation								(0)
Purchase of treasury shares								(31)
Disposal of treasury shares								28
Purchase of shares of consolidated subsidiaries								(0)
Net changes of items other than shareholders' equity	(6,559)	6,518	(7,244)	(2,180)	(9,466)	(218)	9,963	278
Total changes of items during period	(6,559)	6,518	(7,244)	(2,180)	(9,466)	(223)	9,963	23,562
Balance at Mar, 2019	26,840	44,391	16,197	3,725	91,154	1,803	124,739	651,607

(5) Consolidated Statements of Cash flows

(¥Million)

	FY2017 (Apr.1,2017-Mar 31, 2018)	FY2018 (Apr.1,2018-Mar 31, 2019)
Cash flows from operating activities		
Income (loss) before income taxes and non-controlling interests	(28,709)	46,778
Depreciation and amortization	86,629	90,138
Loss related to business restructuring	73,476	—
Equity in losses (earnings) of affiliated companies	3,428	7,804
Various provisions (reversals)	1,021	(21,683)
Interest and dividend income	(14,637)	(13,815)
Interest expense	20,413	21,806
Loss (gain) on sales and retirement of non-current assets	(13,471)	(3,143)
Loss (gain) on sales of shares of subsidiaries and associates	(186)	(5,453)
Foreign exchange loss (gain), net	(17,480)	(19,228)
Decrease (Increase) in trade receivables	4,690	33,490
Decrease (Increase) in inventories	(2,423)	2,333
Increase (Decrease) in trade payables	6,218	(50,151)
Others, net	(5,037)	(18,299)
Sub total	113,934	70,576
Interest and dividend income received	18,662	16,606
Interest expenses paid	(21,208)	(21,449)
Income taxes paid	(13,007)	(10,484)
Net cash provided by (used in) operating activities	98,380	55,248
Cash flows from investing activities		
Purchase of investment securities	(41,288)	(115,300)
Proceeds from sale and redemption of investment securities	2,029	10,117
Purchase of vessels and other non-current assets	(142,570)	(155,683)
Proceeds from sale of vessels and other non-current	89,446	69,423
Net decrease (increase) in short-term loans receivables	(28)	(1,752)
Disbursements for long-term loans receivables	(29,866)	(25,661)
Collection of long-term loans receivables	22,092	38,863
Others, net	(666)	(18,348)
Net cash provided by (used in) investing activities	(100,851)	(198,341)

(¥Million)

	FY2017 (Apr.1,2017-Mar 31, 2018)	FY2018 (Apr.1,2018-Mar 31, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	60,125	11,829
Net increase (decrease) in commercial paper	5,000	35,000
Proceeds from long-term bank loans	96,812	130,592
Repayments of long-term bank loans	(127,272)	(90,593)
Proceeds from issuance of bonds	—	20,000
Redemption of bonds	(20,000)	(31,734)
Cash dividends paid by the company	(1,214)	(3,599)
Cash dividends paid to non-controlling interests	(1,450)	(1,894)
Others, net	(2,757)	921
Net cash provided by (used in) financing activities	9,243	70,520
Effect of foreign exchange rate changes on cash and cash equivalents	(4,025)	2,137
Net increase (decrease) in cash and cash equivalents	2,746	(70,435)
Cash and cash equivalents at beginning of year	186,844	189,591
Cash and cash equivalents at end of period	189,591	119,155

[NOTE]

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc effective from the beginning of the first quarter of the fiscal year ending March 31, 2019. Accordingly, deferred tax assets were presented under "Investments and other assets" and deferred tax liabilities were presented under "Fixed liabilities."

(6) Segment Information

Business segment information:

(¥Million)

FY2017 (Apr.1,2017 - Mar.31, 2018)	Reportable Segment						Others *1	Total	Adjust- ment *2	Consoli- dated
	Dry Bulk Business	Energy Transport Business	Product Transport Business		Associated Businesses	Sub Total				
			Container ships	Car Carries, Ferries and Coastal RoRo ships						
Revenues										
1.Revenues from external customers	272,956	262,245	749,714	261,171	90,095	1,636,184	16,208	1,652,393	—	1,652,393
2.Inter-segment revenues	3	8,712	1,909	234	28,366	39,226	6,305	45,531	(45,531)	—
Total Revenues	272,960	270,957	751,624	261,406	118,462	1,675,410	22,514	1,697,925	(45,531)	1,652,393
Segment profit (loss)	15,414	13,633	(10,691)	4,363	12,657	35,378	2,601	37,980	(6,506)	31,473
Others										
Depreciation and amortization	11,749	37,105	11,525	15,758	9,143	85,282	361	85,644	985	86,629
Amortization of goodwill	—	22	0	—	159	182	—	182	—	182
Interest income	1,152	4,565	1,126	116	44	7,005	2,928	9,933	(1,957)	7,976
Interest expenses	2,863	13,190	1,581	1,221	1,331	20,189	1,951	22,141	(1,727)	20,413
Equity in earnings (losses) of affiliates	(4,507)	8,240	(6,808)	377	277	(2,421)	(1,007)	(3,428)	—	(3,428)
Loss related to business restructuring	—	—	73,476	—	—	73,476	—	73,476	—	73,476

* 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, the financing business and the shipbuilding business.

* 2.

(1) Adjustment in Segment income (loss) of ¥ -6,506 million include the following:

¥ -11,610 million of corporate profit which is not allocated to segments, ¥ 5,998 million of adjustment for management accounting and ¥ -895 million of inter-segment transaction elimination.

(2) Adjustment in Depreciation and amortization of ¥ 985 million include the following:

¥ 985 million of depreciation of assets which are not allocated to segments.

(3) Adjustment in Interest income of ¥ -1,957 million include the following:

¥ 3,263 million of interest income which is not allocated to segments and ¥ -5,221 million of inter-segment transaction elimination.

(4) Adjustment in Interest expenses of ¥ -1,727 million include the following:

¥ 7,270 million of interest expenses which are not allocated to segments, ¥ -3,773 million of adjustment for management accounting and ¥ -5,223 million of inter-segment transaction elimination.

* 3. Segment income (loss) corresponds to Ordinary profit in the consolidated statements of income.

(¥Million)

FY2018 (Apr.1,2018 - Mar.31, 2019)	Reportable Segment						Others *1	Total	Adjust- ment *2	Consoli- dated
	Dry Bulk Business	Energy Transport Business	Product Transport Business		Associated Businesses	Sub Total				
			Container ships	Car Carries, Ferries and Coastal RoRo ships						
Revenues										
1.Revenues from external 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	45,338	(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 profit (loss)	21,924	21,135	(14,378)	2,114	12,907	43,994	2,580	46,284	(7,709)	38,574
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	0	—	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 expenses	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 affiliate	(2,823)	13,817	(19,548)	436	313	(7,804)	—	(7,804)	—	(7,804)

* 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 ¥ -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 Depreciation and amortization of ¥ 1,083 million include the following:

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

(3) 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.

(4) 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.

* 3. Segment income (loss) corresponds to Ordinary profit in the consolidated statements of income.

[REFERENCE PURPOSE ONLY]

Please note that this document has been translated from the Japanese original for reference purposes only and the financial statements contained is unaudited.

In case of any discrepancy or inconsistency between this document and the Japanese original, the latter shall prevail.

[Supplement]

1. Review of Quarterly Results**<FY 2018>**

	Q1	Q2	Q3	Q4
	Apr-Jun, 2018	Jul-Sep, 2018	Oct-Dec, 2018	Jan-Mar, 2019
Revenues [¥ Millions]	304,434	315,461	322,331	291,851
Operating profit (loss)	3,691	11,070	14,918	8,039
Ordinary profit (loss)	251	10,026	14,400	13,897
Income (Loss) before income taxes	1,510	10,891	20,057	14,320
Profit (Loss) attributable to owners of parent	(1,682)	7,407	14,370	6,780
Net income (loss)* per share [¥]	(14.07)	61.95	120.15	56.69
Total Assets [¥ Millions]	2,206,323	2,262,672	2,171,741	2,134,477
Total Net Assets	619,337	653,536	661,690	651,607

*Profit (Loss) attributable to owners of parent

<FY 2017>

	Q1	Q2	Q3	Q4
	Apr-Jun, 2017	Jul-Sep, 2017	Oct-Dec, 2017	Jan-Mar, 2018
Revenues [¥ Millions]	403,284	415,617	420,760	412,732
Operating profit (loss)	1,147	9,999	13,218	(1,680)
Ordinary profit (loss)	5,885	11,462	17,217	(3,091)
Income (Loss) before income taxes	9,150	11,284	20,507	(69,650)
Profit (Loss) attributable to owners of parent	5,251	7,872	16,106	(76,609)
Net income (loss)* per share [¥]	43.91	65.81	134.68	(640.56)
Total Assets [¥ Millions]	2,198,561	2,188,391	2,251,848	2,225,096
Total Net Assets	679,362	687,223	714,061	628,044

*Profit (Loss) attributable to owners of parent

Note: The Company consolidated its common shares on the basis of one (1) unit for every ten (10) shares effective October 1, 2017. Accordingly, net income per share is calculated on the assumption that the consolidation of shares was conducted at the beginning of the previous fiscal year ended March 31, 2018.

2. Depreciation and Amortization

	(¥ Millions)		
	FY2017	FY2018	Increase / Decrease
Vessels	64,536	66,923	2,386
Others	22,093	23,214	1,121
Total	86,629	90,138	3,508

3. Interest-bearing Debt

	(¥ Millions)		
	As of Mar.31, 2018	As of Mar.31, 2019	Increase / Decrease
Bank loans	887,484	853,416	△ 34,067
Bonds	207,620	196,698	△ 10,922
Commercial paper	5,000	40,000	35,000
Others	17,985	15,759	△ 2,226
Total	1,118,089	1,105,873	△ 12,215

4. Fleet Capacity (MOL and consolidated subsidiaries)

	Dry bulkers		Tankers		LNG carriers		Car carriers		Containerships	
	No. of ships	1,000MT	No. of ships	1,000MT	No. of ships	1,000MT	No. of ships	1,000MT	No. of ships	1,000MT
Owned	53	5,292	83	10,865	32	2,556	51	857	14	1,107
Chartered	277	26,095	87	3,617	7	432	62	1,013	51	4,821
Others	-	-	-	-	2	145	-	-	-	-
As of Mar.31, 2019	330	31,387	170	14,483	41	3,133	113	1,870	65	5,929
As of Mar.31, 2018	337	30,420	163	14,273	38	2,873	119	2,004	91	7,474

	Ferries & Coastal RoRo Ships		Passenger ships		Others*		Total	
	No. of ships	1,000MT	No. of ships	1,000MT	No. of ships	1,000MT	No. of ships	1,000MT
Owned	12	66	1	5	7	39	253	20,787
Chartered	4	25	-	-	25	75	513	36,078
Others	-	-	-	-	1	1	3	146
As of Mar.31, 2019	16	91	1	5	33	114	769	57,011
As of Mar.31, 2018	14	79	1	5	32	109	795	57,235

*including coastal ships (excluding coastal RoRo ships)

5. Exchange Rates

	FY2017	FY2018	Change		
Average rates	¥111.08	¥110.63	¥0.45	[0.4%]	JPY Appreciated
Term-end rates	¥106.24	¥110.99	¥4.75	[4.5%]	JPY Depreciated

Remark: "Average rates" are average of monthly corporate rates in each term, while "term-end rates" are TTM rates on the last day of each term.

<Overseas subsidiaries>

	TTM on Dec.31, 2017	TTM on Dec.31, 2018	Change		
Term-end rates	¥113.00	¥111.00	¥2.00	[1.8%]	JPY Appreciated

6. Average Bunker Prices

	FY2017	FY2018	Increase / Decrease
Purchase Prices	US\$354/MT	US\$456/MT	US\$+102/MT

7. Market Information

(1) Dry Bulker Market (Baltic Dry Index)

(January 1985 = 1,000)

Source : Bloomberg



Monthly Average	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average
2017	907	759	1,141	1,222	973	860	906	1,142	1,364	1,484	1,454	1,619	1,153
2018	1,242	1,125	1,154	1,129	1,293	1,352	1,650	1,710	1,447	1,545	1,192	1,335	1,348
2019	1,063	629	680										791

(2) Tanker Market (Daily Earnings) : VLCC AG/Japan trade

(US\$ per day)

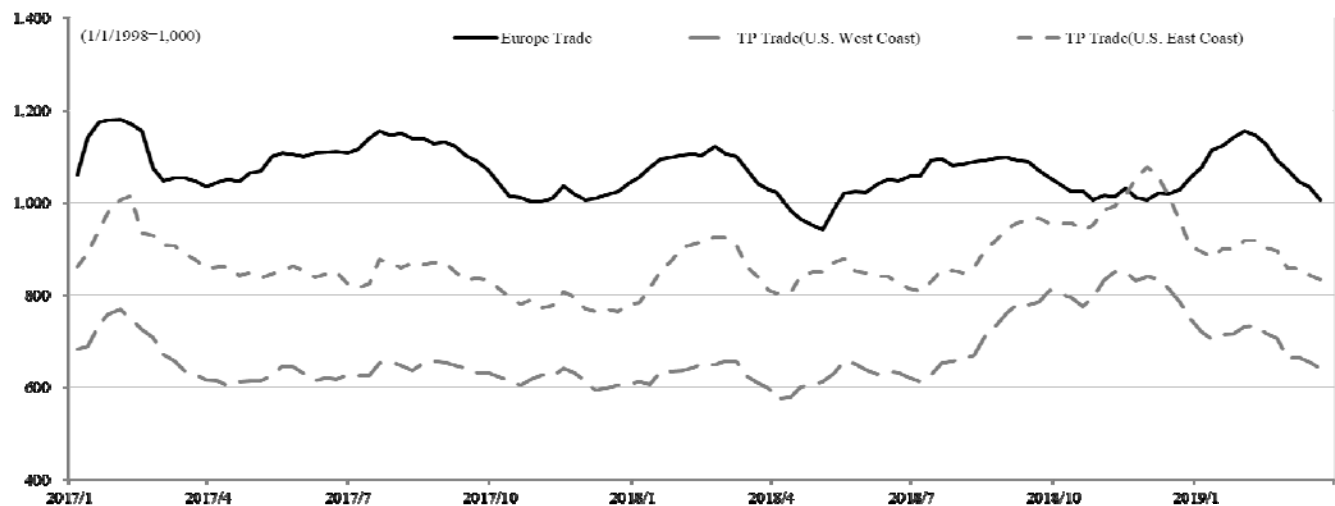
Source : Clarksons Research



Monthly Average	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average
2017	40,905	31,822	17,051	26,966	18,646	17,212	17,002	9,510	9,673	26,812	24,727	13,743	21,172
2018	11,148	7,357	8,739	6,800	7,116	12,896	12,282	15,869	16,183	41,604	52,657	48,552	20,100
2019	33,842	24,042	32,844										30,243

(3) Containership Market (China Containerized Freight Index)

Source : Shanghai Shipping Exchange



Note: CCFI reflects the freight rate trend for container exports from China only, which does not always match the overall trend for container exports from Asia.