

MOL REPORT 2019

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Mitsui O.S.K. Lines

Consolidated Balance Sheets

Mitsui O.S.K. Lines, Ltd. March 31, 2019 and 2018

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Current assets:			
Cash and cash equivalents (Note 3)	¥ 119,155	¥ 189,591	\$ 1,073,565
Trade receivables (Note 3)	92,160	125,851	830,345
Inventories (Note 5)	36,445	38,679	328,362
Deferred and prepaid expenses	63,413	61,918	571,339
Other current assets (Notes 3 and 6)	76,538	63,063	689,593
Allowance for doubtful accounts	[253]	[401]	[2,279]
Total current assets	387,460	478,702	3,490,945
Vessels, property and equipment, net of accumulated depreciation (Notes 7 and 12):			
Vessels	715,344	776,554	6,445,121
Buildings and structures	145,229	148,598	1,308,487
Machinery, equipment and vehicles	29,345	31,581	264,393
Furniture and fixtures	4,523	4,137	40,751
Land	222,565	221,045	2,005,270
Vessels and other property under construction	73,718	106,128	664,185
Others	3,182	2,884	28,669
Net vessels, property and equipment	1,193,910	1,290,929	10,756,915
Investments, intangibles and other assets:			
Intangible assets	28,695	30,163	258,536
Investment securities (Notes 3, 4 and 7)	360,706	274,527	3,249,896
Long-term loans receivable (Note 3)	73,129	73,403	658,879
Long-term prepaid expenses	5,698	6,388	51,337
Net defined benefit assets (Note 15)	15,764	18,811	142,030
Deferred tax assets (Note 14)	3,048	4,007	27,461
Other non-current assets (Note 6)	67,761	50,583	610,514
Allowance for doubtful accounts	[1,697]	[2,421]	[15,289]
Total investments, intangibles and other assets	553,107	455,464	4,983,394
Total assets	¥2,134,477	¥2,225,096	\$19,231,255

See accompanying notes.

FINANCIAL SECTION

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars [Note 1]
	2019	2018	2019
Current liabilities:			
Trade payables (Note 3)	¥ 81,020	¥ 131,405	\$ 729,975
Bonds due within one year (Notes 3 and 7)	28,500	31,872	256,779
Short-term bank loans (Notes 3 and 7)	187,419	180,539	1,688,611
Commercial paper (Notes 3 and 7)	40,000	5,000	360,392
Accrued income taxes (Note 14)	5,494	6,395	49,499
Advances received	35,814	34,409	322,677
Allowance for bonuses	4,742	4,567	42,724
Allowance for directors' bonuses	180	186	1,621
Provision for contract loss	17,198	15,879	154,950
Provision for loss related to business restructuring	304	7,068	2,738
Other current liabilities (Note 6)	45,975	60,372	414,226
Total current liabilities	446,649	477,696	4,024,227
Non-current liabilities:			
Bonds due after one year (Notes 3 and 7)	168,198	175,748	1,515,433
Long-term bank loans (Notes 3 and 7)	665,997	706,944	6,000,513
Lease obligations	14,224	15,977	128,155
Deferred tax liabilities (Note 14)	58,123	55,276	523,677
Net defined benefit liabilities (Note 15)	11,927	12,909	107,460
Directors' and corporate auditors' retirement benefits	1,499	1,487	13,505
Reserve for periodic drydocking	18,220	20,647	164,158
Provision for contract loss	36,624	50,933	329,975
Provision for environmental measures	620	620	5,586
Other non-current liabilities (Note 6)	60,785	78,810	547,661
Total non-current liabilities	1,036,220	1,119,354	9,336,156
Total liabilities	1,482,870	1,597,051	13,360,392
Commitments and contingent liabilities (Note 8)			
Net assets (Note 9):			
Owners' equity			
Common stock as of March 31, 2019:			
Authorized — 315,400,000 shares			
Issued — 120,628,611 shares	65,400	65,400	589,242
Capital surplus	45,385	45,385	408,910
Retained earnings	329,888	306,642	2,972,231
Treasury stock, at cost	(6,764)	(6,807)	(60,942)
Total owners' equity	433,909	410,620	3,909,442
Accumulated other comprehensive income			
Unrealized holding gains on available-for-sale securities, net of tax	26,840	33,400	241,823
Unrealized gains on hedging derivatives, net of tax	44,391	37,873	399,954
Foreign currency translation adjustments	16,197	23,442	145,932
Remeasurements of defined benefit plans, net of tax	3,725	5,905	33,561
Total accumulated other comprehensive income	91,154	100,621	821,281
Share subscription rights	1,803	2,026	16,244
Non-controlling interests	124,739	114,776	1,123,876
Total net assets	651,607	628,044	5,870,862
Total liabilities and net assets	¥2,134,477	¥2,225,096	\$19,231,255

Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
(Consolidated Statements of Operations)			
Shipping and other revenues (Note 13)	¥1,234,077	¥1,652,393	\$11,118,812
Shipping and other expenses	1,094,915	1,513,736	9,864,987
Gross operating income	139,161	138,656	1,253,815
Selling, general and administrative expenses	101,442	115,972	913,974
Operating income	37,718	22,684	339,832
Non-operating income:			
Interest income	7,832	7,976	70,564
Dividend income	5,982	6,661	53,896
Foreign exchange gain	15,850	16,834	142,805
Others	2,988	3,930	26,921
Total non-operating income	32,654	35,402	294,206
Non-operating expenses:			
Interest expense	21,806	20,413	196,468
Equity in losses of affiliated companies	7,804	3,428	70,312
Others	2,187	2,771	19,704
Total non-operating expenses	31,798	26,613	286,494
Ordinary income	38,574	31,473	347,544
Other gains:			
Gain on sales of vessels, property, equipment and others	4,654	16,979	41,931
Gain on sales of shares of subsidiaries and associates	5,453	186	49,130
Others	4,309	4,400	38,823
Total other gains	14,418	21,566	129,903
Other losses:			
Loss on sales and disposals of vessels, property, equipment and others	1,120	1,310	10,090
Loss related to business restructuring	-	73,476	-
Impairment loss (Note 10)	1,377	-	12,406
Others	3,716	6,962	33,480
Total other losses	6,214	81,748	55,987
Income (Loss) before income taxes	46,778	(28,709)	421,461
Income taxes (Note 14):			
Current	8,793	10,729	79,223
Deferred	4,309	2,002	38,823
Net income (loss)	33,674	(41,440)	303,396
Income attributable to non-controlling interests	6,799	5,939	61,257
Income (loss) attributable to owners of parent	¥ 26,875	¥ (47,380)	\$ 242,138

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
(Consolidated Statements of Comprehensive Income)			
Net income (loss)	¥33,674	¥(41,440)	\$303,396
Other comprehensive income (Note 17):			
Unrealized holding gains on available-for-sale securities, net of tax	(6,783)	5,839	(61,113)
Unrealized gains on hedging derivatives, net of tax	2,146	(22,402)	19,335
Foreign currency translation adjustments	(9,011)	(773)	(81,187)
Remeasurements of defined benefit plans, net of tax	(2,180)	3,007	(19,641)
Share of other comprehensive income (loss) of associates accounted for using equity method	7,320	3,501	65,951
	(8,508)	(10,828)	(76,655)
Comprehensive income	¥25,166	¥(52,268)	\$226,741
Comprehensive income			
Comprehensive income attributable to owners of parent	¥17,408	¥(59,516)	\$156,842
Comprehensive income attributable to non-controlling interests	7,757	7,247	69,889

	Yen		U.S. dollars (Note 1)
	2019	2018	2019
(Amounts per share of common stock)			
Net income (loss)	¥224.72	¥(396.16)	\$2.02
Diluted net income (Note 2)	217.09	-	1.95
Cash dividends applicable to the year	45.00	20.00	0.40

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2019 and 2018

	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, 2017	¥65,400	¥45,382	¥355,263	¥(6,820)	¥28,353	¥54,326	¥27,178	¥2,898	¥2,447	¥109,190	¥683,621
Issuance of new shares—exercise of subscription rights to shares	-	-	-	12	-	-	-	-	(12)	-	-
Dividends paid	-	-	(1,196)	-	-	-	-	-	-	-	(1,196)
Net income (loss) attributable to owners of parent	-	-	(47,380)	-	-	-	-	-	-	-	(47,380)
Due to change in consolidated subsidiaries	-	-	3	-	-	-	-	-	-	-	3
Purchases of treasury stock	-	-	-	(98)	-	-	-	-	-	-	(98)
Disposal of treasury stock	-	-	(47)	98	-	-	-	-	-	-	51
Purchases of shares of consolidated subsidiaries	-	2	-	-	-	-	-	-	-	-	2
Net changes of items other than owner's equity during the year	-	-	-	-	5,046	(16,453)	(3,735)	3,006	(408)	5,585	(6,959)
Balance at March 31 and 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
Issuance of new shares—exercise of subscription rights to shares	-	-	-	4	-	-	-	-	(4)	-	-
Dividends paid	-	-	(3,587)	-	-	-	-	-	-	-	(3,587)
Net income (loss) 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, 2019	¥65,400	¥45,385	¥329,888	¥(6,764)	¥26,840	¥44,391	¥16,197	¥3,725	¥1,803	¥124,739	¥651,607

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, 2018	\$589,242	\$408,910	\$2,762,789	\$(61,329)	\$300,928	\$341,228	\$211,208	\$53,202	\$18,253	\$1,034,111	\$5,658,563
Issuance of new shares—exercise of subscription rights to shares	-	-	-	36	-	-	-	-	(36)	-	-
Dividends paid	-	-	(32,318)	-	-	-	-	-	-	-	(32,318)
Net income (loss) attributable to owners of parent	-	-	242,138	-	-	-	-	-	-	-	242,138
Due to change in consolidated subsidiaries	-	-	(0)	-	-	-	-	-	-	-	(3)
Purchases of treasury stock	-	-	-	(279)	-	-	-	-	-	-	(279)
Disposal of treasury stock	-	-	(360)	621	-	-	-	-	-	-	252
Purchases of shares of consolidated subsidiaries	-	(0)	-	-	-	-	-	-	-	-	(1)
Net changes of items other than owner's equity during the year	-	-	-	-	(59,095)	58,725	(65,272)	(19,641)	(1,964)	89,764	2,504
Balance at March 31, 2019	\$589,242	\$408,910	\$2,972,231	\$(60,942)	\$241,823	\$399,954	\$145,932	\$33,561	\$16,244	\$1,123,876	\$5,870,862

See accompanying notes.

Consolidated Statements of Cash Flows

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Cash flows from operating activities:			
Income (loss) before income taxes	¥ 46,778	¥ (28,709)	\$ 421,461
Adjustments to reconcile income (loss) before income taxes to net cash provided by operating activities			
Depreciation and amortization	90,138	86,629	812,127
Loss related to business restructuring	-	73,476	-
Equity in losses (earnings) of affiliated companies, net	7,804	3,428	70,312
Various provisions (reversals)	(21,683)	1,021	(195,359)
Interest and dividend income	(13,815)	(14,637)	(124,470)
Interest expense	21,806	20,413	196,468
Loss (Gain) on sales and disposal of vessels, property and equipment and intangible assets, net	(3,143)	(13,471)	(28,317)
Gain on sales of shares of subsidiaries and associates, net	(5,453)	(186)	(49,130)
Foreign exchange loss (gain)	(19,228)	(17,480)	(173,240)
Changes in operating assets and liabilities:			
Trade receivables	33,490	4,690	301,738
Inventories	2,333	(2,423)	21,019
Trade payables	(50,151)	6,218	(451,851)
Others, net	(18,299)	(5,037)	(164,870)
Sub total	70,576	113,934	635,877
Interest and dividend income received	16,606	18,662	149,617
Interest expenses paid	(21,449)	(21,208)	(193,251)
Income taxes paid	(10,484)	(13,007)	(94,458)
Net cash provided by (used in) operating activities	55,248	98,380	497,774
Cash flows from investing activities:			
Purchase of investment securities	(115,300)	(41,288)	(1,038,832)
Proceeds from sales and redemption of investment securities	10,117	2,029	91,152
Purchase of vessels, property and equipment and intangible assets	(155,683)	(142,570)	(1,402,675)
Proceeds from sales of vessels, property and equipment and intangible assets	69,423	89,446	625,488
Net decrease (increase) in short-term loans receivables	(1,752)	(28)	(15,785)
Disbursements for long-term loans receivables	(25,661)	(29,866)	(231,201)
Collections of long-term loans receivables	38,863	22,092	350,148
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(7,437)	-	(67,006)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(3,284)	-	(29,588)
Others, net	(7,626)	(666)	(68,708)
Net cash provided by (used in) investing activities	(198,341)	(100,851)	(1,787,016)
Cash flows from financing activities:			
Net increase (decrease) in short-term bank loans	11,829	60,125	106,577
Net increase (decrease) in commercial paper	35,000	5,000	315,343
Proceeds from long-term bank loans	130,592	96,812	1,176,610
Repayments of long-term bank loans	(90,593)	(127,272)	(816,226)
Proceeds from issuance of bonds	20,000	-	180,196
Redemption of bonds	(31,734)	(20,000)	(285,917)
Cash dividends paid by the Company	(3,599)	(1,214)	(32,426)
Cash dividends paid to non-controlling interests	(1,894)	(1,450)	(17,064)
Others, net	921	(2,757)	8,298
Net cash provided by (used in) financing activities	70,520	9,243	635,372
Effect of foreign exchange rate changes on cash and cash equivalents	2,137	(4,025)	19,253
Net increase (decrease) in cash and cash equivalents	(70,435)	2,746	(634,606)
Cash and cash equivalents at beginning of year	189,591	186,844	1,708,180
Net cash increase (decrease) from new consolidation/de-consolidation of subsidiaries			-
Cash and cash equivalents at end of year	¥ 119,155	¥ 189,591	\$ 1,073,565

See accompanying notes.

Notes to Consolidated Financial Statements

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2019 and 2018

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.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2019, which was ¥110.99 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 371 subsidiaries for the year ended March 31, 2019 (369 subsidiaries for the year ended March 31, 2018). Since the fiscal year ended March 31, 2019, 17 companies, including Daibiru Holdings Australia Pty Ltd. have been newly included in the scope of consolidation due to new establishment, the increase in materiality and other reasons. 11 companies have been excluded from the scope of consolidation due to liquidation and other reasons, and 4 companies have been changed from consolidated subsidiaries to affiliated companies due to sales of 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 90 affiliated companies for the year ended March 31, 2019 (80 affiliated companies for the year ended March 31, 2018). Since the year ended March 31, 2019, 8 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. 2 companies have been excluded from the scope of companies accounted for using the equity method due to liquidation and investment in kind, and 4 companies have been changed from consolidated subsidiaries to affiliated companies due to sales of 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 operations.

(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

1. Containerships

Freight revenues and the related voyage expenses are recognized by the multiple transportation progress method.

2. Vessels other than containerships

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

FINANCIAL SECTION

(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 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 ¥1,401 million (\$12,622 thousand) for the year ended March 31, 2019.

(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 BONUSES

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

(12) ALLOWANCE FOR DIRECTORS' BONUSES

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) PROVISION FOR LOSS RELATED TO BUSINESS RESTRUCTURING

Provision for loss related to business restructuring is recorded for estimated losses arising from business restructurings to be carried out.

(15) 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.

(16) RESERVE FOR PERIODIC DRYDOCKING

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

(17) PROVISION FOR ENVIRONMENTAL MEASURES

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

(18) 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 operations 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.

(19) 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 operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

FINANCIAL SECTION

(20) 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. For the year ended March 31, 2018 fully diluted net income per share is not disclosed because of the Company's net loss position.

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.

(21) 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.

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.

(22) 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 30, 2018)

"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, March 30, 2018)

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.

(23) RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the 2019 presentation.

FINANCIAL SECTION

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. 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 dominated in foreign currencies). 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 (21) 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, 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 ^(*)	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 ^(**)	196,698	198,840	2,142
Long-term bank loans ^(**)	744,101	747,419	3,317
Total	¥1,171,135	¥1,176,595	¥ 5,460
Derivative financial instruments ^(***)	¥ 30,041	¥ 29,895	¥ [145]

FINANCIAL SECTION

	Thousands of U.S. dollars (Note 1)		
	Book Value	Fair Value	Difference
Assets			
Cash and cash equivalents	\$ 1,073,565	\$ 1,073,565	\$ -
Time deposits with a maturity of more than three months	52,698	52,698	-
Trade receivables	830,345	830,345	-
Short-term loans receivable	163,906	163,906	-
Investment securities			
Available-for-sale securities	872,880	872,880	-
Investments in unconsolidated subsidiaries and affiliated companies	27,137	18,100	(9,027)
Long-term loans receivable ^{(*)1}	703,063	727,497	24,425
Total	\$ 3,723,632	\$ 3,739,030	\$ 15,388
Liabilities			
Trade payables	\$ 729,975	\$ 729,975	\$ -
Short-term bank loans	984,899	984,899	-
Commercial paper	360,392	360,392	-
Bonds ^{(*)2}	1,772,213	1,791,512	19,299
Long-term bank loans ^{(*)3}	6,704,216	6,734,111	29,885
Total	\$ 10,551,716	\$ 10,600,909	\$ 49,193
Derivative financial instruments ^{(*)4}	\$ 270,664	\$ 269,348	\$ (1,306)

*1 The book value of long-term loans receivable includes current portion amounting to ¥4,904 million [\$44,184 thousand].

*2 The book value of bonds includes current portion amounting to ¥28,500 million [\$256,779 thousand].

*3 The book value of long-term bank loans includes current portion amounting to ¥78,104 million [\$703,703 thousand].

*4 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, 2018 were the following;

	Millions of yen		
	Book Value	Fair Value	Difference
Assets			
Cash and cash equivalents	¥ 189,591	¥ 189,591	¥ -
Time deposits with a maturity of more than three months	3,705	3,705	-
Trade receivables	125,851	125,851	-
Short-term loans receivable	16,735	16,735	-
Investment securities			
Available-for-sale securities	106,775	106,775	-
Investments in unconsolidated subsidiaries and affiliated companies	2,915	3,099	184
Long-term loans receivable ^{(*)1}	74,661	76,789	2,128
Total	¥ 520,236	¥ 522,549	¥ 2,313
Liabilities			
Trade payables	¥ 131,405	¥ 131,405	¥ -
Short-term bank loans	98,589	98,589	-
Commercial paper	5,000	5,000	-
Bonds ^{(*)2}	207,620	209,668	2,048
Long-term bank loans ^{(*)3}	788,895	801,041	12,146
Total	¥ 1,231,509	¥ 1,245,705	¥ 14,195
Derivative financial instruments ^{(*)4}	¥ 8,615	¥ 8,484	¥ (131)

*1 The book value of long-term loans receivable includes current portion amounting to ¥1,257 million.

*2 The book value of bonds includes current portion amounting to ¥31,872 million.

*3 The book value of long-term bank loans includes current portion amounting to ¥81,950 million.

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

FINANCIAL SECTION

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
	2019	2018	2019
Unlisted stocks	¥ 8,734	¥ 7,782	\$ 78,691
Investments in unconsolidated subsidiaries and affiliated companies	252,066	157,043	2,271,069
Others	10	9	90
Total	¥260,812	¥164,836	\$2,349,869

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.

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

FINANCIAL SECTION

	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	\$1,073,565	\$ -	\$ -	\$ -
Time deposits with a maturity of more than three months	52,698	-	-	-
Trade receivables	830,345	-	-	-
Short-term loans receivable	163,906	-	-	-
Marketable securities and investments securities				
Available-for-sale securities (Governmental/municipal bonds)	-	90	-	-
Available-for-sale securities (Corporate bonds)	-	1,847	-	-
Long-term loans receivable	44,184	99,945	116,839	442,084
Total	\$2,164,726	\$101,892	\$116,839	\$442,084

At March 31, 2018, 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	¥189,591	¥ -	¥ -	¥ -
Time deposits with a maturity of more than three months	3,705	-	-	-
Trade receivables	125,851	-	-	-
Short-term loans receivable	16,735	-	-	-
Marketable securities and investments securities				
Available-for-sale securities (Governmental/municipal bonds)	-	10	-	-
Available-for-sale securities (Corporate bonds)	-	200	-	-
Long-term loans receivable	1,257	2,787	11,048	59,568
Total	¥337,141	¥2,997	¥11,048	¥59,568

4. SECURITIES

A. The following tables summarize acquisition costs, book values and fair values of securities with available fair values at March 31, 2019 and 2018.

Available-for-sale securities:

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

Type	Thousands of U.S. dollars [Note 1]		
	Acquisition cost	Book value	Difference
Equity securities	\$343,229	\$747,860	\$404,622
Bonds			
Corporate bonds	1,801	1,847	45
Total	\$345,031	\$749,707	\$404,676

Securities with book values exceeding acquisition costs at March 31, 2018

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥43,384	¥96,449	¥53,065
Bonds			
Governmental/municipal bonds	10	10	0
Corporate bonds	200	208	8
Total	¥43,594	¥96,668	¥53,073

FINANCIAL SECTION

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)

Type	Thousands of U.S. dollars (Note 1)		
	Acquisition cost	Book value	Difference
Equity securities	\$146,301	\$123,074	\$(23,218)
Bonds			
Governmental/municipal bonds	90	90	(0)
Total	\$146,391	\$123,164	\$(23,218)

Securities with book values not exceeding acquisition costs at March 31, 2018

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥11,353	¥10,107	¥(1,245)
Total	¥11,353	¥10,107	¥(1,245)

B. Total sales of available-for-sale securities sold in the years ended March 31, 2019 and 2018 and the related gains and losses were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Proceeds from sales	¥1,362	¥1,145	\$12,271
Gross realized gains	681	687	6,135
Gross realized losses	20	3	180

C. Impairment losses of securities

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 (\$2,009 thousand).

For the year ended March 31, 2018, the Company reduced the book value on the securities and booked the reductions as impairment losses of ¥255 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, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Fuel and supplies	¥35,004	¥37,483	\$315,379
Others	1,441	1,196	12,983
Total	¥36,445	¥38,679	\$328,362

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.

FINANCIAL SECTION

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, 2019 and 2018, for which hedge accounting has not been applied.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
(1) Currency related:			
Forward currency exchange contracts			
Sell (U.S. dollar):			
Contracts outstanding	¥ 388	¥749	\$ 3,495
Fair values	(1)	3	(9)
Buy (U.S. dollar):			
Contracts outstanding	¥48,287	¥ 32	\$435,057
Fair values	(14)	(0)	(126)
Buy (Others):			
Contracts outstanding	¥ 5	¥ 23	\$ 45
Fair values	(0)	0	(3)
<hr/>			
	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
(2) Interest related			
Interest rate swaps			
Receive floating, pay fixed			
Contracts outstanding	¥17,584	¥19,721	\$158,428
Fair values	(1,076)	(993)	(9,694)
Receive fixed, pay floating			
Contracts outstanding	¥13,046	¥14,202	\$117,542
Fair values	(503)	(881)	(4,531)
<hr/>			
	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
(3) Others			
a. Freight futures			
Contracts outstanding	¥-	¥205	\$-
Fair values	-	28	-

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

FINANCIAL SECTION

II. HEDGE ACCOUNTING APPLIED

The following tables summarize the outstanding contract amounts and fair values of financial derivatives of the Group at March 31, 2019 and 2018, for which hedge accounting has been applied.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
(1) Deferral hedge accounting			
a. Forward currency exchange contracts to hedge the risk for the foreign currency transactions			
Sell (U.S. dollar):			
Contracts outstanding	¥110,469	¥ 48,752	\$ 995,305
Fair values	(89)	148	(801)
Buy (U.S. dollar):			
Contracts outstanding	¥ 55,464	¥ 32,175	\$ 499,720
Fair values	2,421	(398)	21,812
Buy (Euro):			
Contracts outstanding	¥ 708	¥ -	\$ 6,378
Fair values	(2)	-	(18)
b. Currency swaps contracts to hedge the risk for charterages			
Sell (U.S. dollar):			
Contracts outstanding	¥ 1,493	¥ 3,126	\$ 13,451
Fair values	(181)	(441)	(1,630)
Buy (U.S. dollar):			
Contracts outstanding	¥227,250	¥183,823	\$2,047,481
Fair values	36,832	25,498	331,849
c. Interest rate swaps to hedge the risk for the long-term bank loans and charterages			
Receive floating, pay fixed			
Contracts outstanding	¥182,072	¥247,064	\$1,640,436
Fair values	(7,338)	(15,025)	(66,114)
d. Interest rate caps to hedge the risk for the long-term bank loans			
Buy			
Contracts outstanding	¥ 22,869	¥ 20,567	\$ 206,045
Fair values	50	77	450
e. Fuel oil swaps to hedge the risk for the fuel oil			
Receive floating, pay fixed			
Contracts outstanding	¥ 4,074	¥ 2,935	\$ 36,706
Fair values	(54)	593	(486)
f. Freight futures to hedge the risk for the freight			
Contracts outstanding	¥ 1	¥ 37	\$ 9
Fair values	0	7	3
<div style="text-align: right;"> Millions of yen 2019 2018 Thousands of U.S. dollars (Note 1) 2019 </div>			
(2) Special treatment			
Interest rate swaps to hedge the risk for the long-term bank loans			
Receive floating, pay fixed			
Contracts outstanding	¥20,284	¥20,450	\$182,755
Fair values	-	-	-
<div style="text-align: right;"> Millions of yen 2019 2018 Thousands of U.S. dollars (Note 1) 2019 </div>			
(3) Allocation method			
Currency swaps to hedge the risk for the foreign bonds and long-term bank loans			
Contracts outstanding	¥1,714	¥1,943	\$15,442
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, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Short-term bank loans	¥109,314	¥ 98,589	\$ 984,899
Commercial paper	40,000	5,000	360,392
Total	¥149,314	¥103,589	\$1,345,292

Average interest rates on short-term bank loans at March 31, 2019 and 2018 were 1.10% and 1.49%, respectively.

Average interest rates on commercial paper at March at March 31, 2019 and 2018 were 0.00% and -0.02%, respectively.

(2) LONG-TERM DEBT

Long-term debt at March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Bonds:			
0.000% U.S. dollars bonds due April 24, 2018 ⁽¹⁾	¥ -	¥ 31,872	\$ -
1.999% yen bonds due May 27, 2019	18,500	18,500	166,681
1.673% yen bonds due September 13, 2019	10,000	10,000	90,098
0.000% U.S. dollars bonds due April 24, 2020 ⁽¹⁾	22,198	21,248	200,000
1.398% yen bonds due May 28, 2020	15,000	15,000	135,147
1.361% yen bonds due June 21, 2021	17,800	17,800	160,374
1.652% yen bonds due May 27, 2022	5,000	5,000	45,049
1.139% yen bonds due July 12, 2022	8,700	8,700	78,385
1.071% yen bonds due January 23, 2023	10,000	10,000	90,098
0.420% yen bonds due August 30, 2023	5,000	-	45,049
0.420% yen bonds due September 10, 2023	5,000	-	45,049
0.845% yen bonds due March 4, 2024	15,000	15,000	135,147
0.970% yen bonds due June 19, 2024	29,500	29,500	265,789
0.803% yen bonds due March 3, 2025	15,000	15,000	135,147
0.850% yen bonds due December 25, 2031	10,000	10,000	90,098
0.564% yen bonds due October 25, 2028	10,000	-	90,098
Long-term bank loans due within one year:			
Long-term bank loans due within one year at average interest rate of 1.48% and 1.50% at March 31, 2019 and 2018, respectively.	78,104	81,950	703,703
Long-term bank loans due after one year:			
Long-term bank loans due through 2076 at average interest rate of 1.52% and 2.00% at March 31, 2019 and 2018, respectively.	665,997	706,944	6,000,513
	940,799	996,514	8,476,430
Amount due within one year	106,604	113,822	960,482
	¥834,195	¥882,692	\$7,515,947

* Zero coupon convertible bonds, details are as follows.

	the 2018 Bonds	the 2020 Bonds
(1) Exercise period	From May 8, 2014 to April 10 2018	From May 8, 2014 to April 9, 2020
(2) Conversion price	U.S.\$53.10 per share	U.S.\$47.80 per share

At March 31, 2019, 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)
2020	¥106,604	\$ 960,482
2021	137,344	1,237,444
2022	121,993	1,099,135
2023	90,211	812,784
2024	94,249	849,166
2025 and thereafter	390,396	3,517,397
Total	¥940,799	\$8,476,430

FINANCIAL SECTION

(3) ASSETS PLEDGED AND SECURED DEBT

At March 31, 2019 and 2018, the following assets were pledged as collateral for short-term debt and long-term debt.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Assets pledged			
Vessels	¥175,975	¥240,140	\$1,585,503
Vessels and other property under construction	9,324	16,042	84,007
Investment securities	70,448	55,779	634,723
Total	¥255,748	¥311,962	\$2,304,243
Secured debt			
Long-term bank loans due within one year	¥ 12,180	¥ 14,288	\$ 109,739
Long-term bank loans due after one year	148,861	185,856	1,341,210
Total	¥161,042	¥200,144	\$1,450,959

8. COMMITMENTS AND CONTINGENT LIABILITIES**(A) COMMITMENT**

At March 31, 2019 and 2018, 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)
	2019	2018	2019
Total loan limits	¥16,093	¥15,404	\$144,995
Loan executions	16,093	15,404	144,995
The nonexercised portion of loan commitments	¥ -	¥ -	\$ -

(B) CONTINGENT LIABILITIES

At March 31, 2019 and 2018, 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 ¥123,075 million (\$1,108,883 thousand) and ¥132,844 million, respectively. U.S. dollars-denominated liabilities were included in the above amount, which were \$978,917 thousand and \$1,112,045 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, 2019 and 2018 were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
Balance at April 1, 2017	1,206,286	10,231
Increase during the year	-	72
Decrease during the year ^(*)	(1,085,657)	(9,269)
Balance at March 31 and April 1, 2018	120,628	1,034
Increase during the year	-	11
Decrease during the year	-	(11)
Balance at March 31, 2019	120,628	1,034

* The Company consolidated its common shares (ten shares into one shares), effective October 1, 2017.

FINANCIAL SECTION

(B) SHARE SUBSCRIPTION RIGHTS

Share subscription rights at March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Stock options	¥1,803	¥2,026	\$16,244
Total	¥1,803	¥2,026	\$16,244

(C) DIVIDENDS

(1) Dividends paid for the year ended March 31, 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Approved at the shareholders' meeting held on June 26, 2018	¥1,195		\$10,766
Approved at the board of directors held on October 31, 2018	¥2,391		\$21,542
Total	¥3,587		\$32,318

(2) Dividends included in the retained earnings at March 31, 2019 and to be paid in subsequent periods were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Approved at the shareholders' meeting held on June 25, 2019	¥2,989		\$26,930
Total	¥2,989		\$26,930

10. IMPAIRMENT LOSS

For the year ended March 31, 2019, the Group recorded an impairment loss on the following asset group.

Application	Type	Millions of yen	Thousands of U.S. dollars (Note 1)
Assets to be disposed of by sale	Vessels	¥1,377	\$12,406

The Group grouped operating assets based on management accounting categories, and also grouped assets to be disposed of by sale and idle assets by asset unit.

For the year ended March 31, 2019, with regard to the target price of assets related to Energy Transport Business segment to be disposed of by sale which fell below book value, the Group reduced the book value on these assets to recoverable amounts and booked the reductions as impairment loss.

The recoverable amount for these asset groups were evaluated based on the asset's net selling price. And the asset's net selling price was appraised based on the appraisal value reasonably calculated by a third party and the target price of assets to be disposed of by sale.

11. LEASES**AS LESSEE:**

Future Lease Payments Under Operating Leases for Only Non-Cancelable Contracts
At March 31, 2019 and 2018:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Amount due within one year	¥ 34,822	¥ 34,784	\$ 313,739
Amount due after one year	249,783	255,730	2,250,500
Total	¥284,605	¥290,515	\$2,564,240

AS LESSOR:

Future Lease Income under Operating Leases for Only Non-Cancelable Contracts at March 31, 2019 and 2018:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Amount due within one year	¥22,134	¥16,008	\$199,423
Amount due after one year	33,158	34,630	298,747
Total	¥55,293	¥50,639	\$498,180

FINANCIAL SECTION

12. 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)
	2019	2018	2019
Book value			
Balance at beginning of the year	¥299,603	¥304,566	\$2,699,369
Changes during the year	7,670	(4,963)	69,105
Balance at end of the year	307,274	299,603	2,768,483
Fair value at end of the year	508,562	471,023	4,582,052

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

2. Of changes during the year ended March 31, 2018, the primary decrease was mainly due to the depreciation of existing properties (¥6,834 million).

3. 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 [\$9,819 thousand]) and the new construction for provisionally named "Akihabara project" (¥1,359 million [\$12,244 thousand]), while the primary decrease was mainly due to the depreciation of existing properties (¥7,144 million [\$64,366 thousand]).

4. 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)
	2019	2018	2019
Rental revenue	¥30,621	¥30,869	\$275,889
Rental expense	18,024	17,815	162,393
Difference	¥12,597	¥13,054	\$113,496

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".

13. SEGMENT AND RELATED INFORMATION

(A) SEGMENT INFORMATION:

For the year ended March 31, 2019:	Millions of yen										
	Reportable segment									Adjustment and elimination	Consolidated
	Dry Bulk Business	Energy Transport Business	Container Ships	Car Carriers, Ferries and Coastal RoRo ships	Associated businesses	Sub Total	Others	Total			
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	

FINANCIAL SECTION

Thousands of U.S. dollars [Note 1]

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	\$2,623,119	\$2,531,507	\$2,495,666	\$2,416,253	\$ 911,118	\$10,977,673	\$ 141,138	\$11,118,812	\$ -	\$11,118,812
(2) Inter-segment revenues	9,271	77,412	13,028	9,667	243,292	352,698	56,230	408,937	(408,937)	-
Total revenues	\$2,632,390	\$2,608,928	\$2,508,703	\$2,425,930	\$1,154,410	\$11,330,372	\$ 197,369	\$11,527,750	\$ (408,937)	\$11,118,812
Segment income (loss)	\$ 197,531	\$ 190,422	\$ (129,543)	\$ 19,046	\$ 116,289	\$ 393,756	\$ 23,245	\$ 417,010	\$ (69,456)	\$ 347,544
Segment assets	\$2,969,564	\$7,677,826	\$3,162,104	\$2,261,311	\$3,960,987	\$20,031,813	\$2,581,845	\$22,613,667	\$(3,382,403)	\$19,231,255
2. Others										
Depreciation and amortization	\$ 106,108	\$ 349,599	\$ 104,712	\$ 153,275	\$ 85,494	\$ 799,198	\$ 3,162	\$ 802,360	\$ 9,757	\$ 812,127
Amortization of goodwill	-	198	0	-	1,081	1,279	-	1,279	-	1,279
Interest income	13,361	43,895	12,451	2,558	441	72,718	39,309	112,028	(41,454)	70,564
Interest expense	28,074	135,030	17,434	10,892	12,271	203,712	31,534	235,255	(38,778)	196,468
Equity in earnings (losses) of affiliated companies, net	(25,434)	124,488	(176,123)	3,928	2,820	(70,312)	0	(70,312)	-	(70,312)
Investment in affiliates	110,910	1,071,691	851,310	28,804	22,713	2,085,449	351	2,085,800	-	2,085,800
Increase in vessels, property and equipment and intangible assets	76,493	734,273	85,881	274,276	157,059	1,327,993	3,378	1,331,381	15,073	1,346,454

Millions of yen

For the year ended March 31, 2018:	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	¥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 income (loss)	¥ 15,414	¥ 13,633	¥ (10,691)	¥ 4,363	¥ 12,657	¥ 35,378	¥ 2,601	¥ 37,980	¥ (6,506)	¥ 31,473
Segment assets	¥341,637	¥866,404	¥384,449	¥263,862	¥421,803	¥2,278,157	¥347,310	¥2,625,468	¥(400,372)	¥2,225,096
2. 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	-	-	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 expense	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 affiliated companies, net	(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
Investment in affiliates	15,784	84,547	35,751	2,776	2,218	141,078	369	141,448	-	141,448
Increase in vessels, property and equipment and intangible assets	5,912	87,430	21,735	26,773	5,967	147,819	763	148,582	612	149,195

*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 (-\$69,456 thousand) include the following:
 -¥13,606 million (-\$122,587 thousand) of corporate profit which is not allocated to segments, ¥6,312 million (\$56,869 thousand) of adjustment for management accounting and -¥415 million (-\$3,739 thousand) of inter-segment transaction elimination.
 (2) Adjustment in Segment assets of -¥375,413 million (-\$3,382,403 thousand) include the following:
 ¥13,805 million (\$124,380 thousand) of assets which are not allocated to segments and -¥389,218 million (-\$3,506,784 thousand) of inter-segment transaction elimination.
 (3) Adjustment in Depreciation and amortization of ¥1,083 million (\$9,757 thousand) include the following:
 ¥1,083 million (\$9,757 thousand) of depreciation of assets which are not allocated to segments.
 (4) Adjustment in Interest income of -¥4,601 million (-\$41,454 thousand) include the following:
 ¥2,982 million (\$26,867 thousand) of interest income which is not allocated to segments and -¥7,583 million (-\$68,321 thousand) of inter-segment transaction elimination.
 (5) Adjustment in Interest expenses of -¥4,304 million (-\$38,778 thousand) include the following:
 ¥7,188 million (\$64,762 thousand) of interest expenses which are not allocated to segments, -¥3,906 million (-\$35,192 thousand) of adjustment for management accounting and -¥7,586 million (-\$68,348 thousand) of inter-segment transaction elimination.
 (6) Adjustment in Increase of tangible / intangible fixed assets of ¥1,673 million (\$15,073 thousand) is increase of tangible / intangible fixed assets which are not allocated to segments.

*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 -¥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 Segment assets of -¥400,372 million include the following:
 ¥12,378 million of assets which are not allocated to segments and -¥412,750 million of inter-segment transaction elimination.
 (3) Adjustment in Depreciation and amortization of ¥985 million include the following:
 ¥985 million of depreciation of assets which are not allocated to segments.
 (4) 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.
 (5) 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.
 (6) Adjustment in Increase of tangible / intangible fixed assets of ¥612 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.

For the year ended March 31, 2019:	Millions of yen					
	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

For the year ended March 31, 2019:	Thousands of U.S. dollars (Note 1)					
	Japan	North America	Europe	Asia	Others	Consolidated
Revenues	\$9,049,653	\$353,085	\$348,175	\$1,336,345	\$ 31,534	\$11,118,812
Vessels, property and equipment	\$8,818,154	\$407,550	\$125,768	\$ 964,348	\$441,075	\$10,756,915

For the year ended March 31, 2018:	Millions of yen					
	Japan	North America	Europe	Asia	Others	Consolidated
Revenues	¥1,442,585	¥31,806	¥39,369	¥136,530	¥ 2,101	¥1,652,393
Vessels, property and equipment	¥ 984,611	¥45,382	¥ 2,955	¥219,260	¥38,720	¥1,290,929

(2) Information about impairment loss by reportable segment:

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

For the year ended March 31, 2019:	Thousands of U.S. dollars (Note 1)									
	Reportable segment									
	Product Transport Business						Sub Total	Others	Total	Adjustment and elimination
Dry Bulk Business	Energy Transport Business	Container Ships	Car Carries, Ferries and Coastal RoRo ships	Associated businesses						
Impairment loss	\$-	\$12,406	\$-	\$-	\$-	\$12,406	\$-	\$12,406	\$-	\$12,406

Note: There was no material impairment loss for the year ended March 31, 2018.

(3) Information about goodwill by reportable segment:

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

For the year ended March 31, 2019:	Thousands of U.S. dollars (Note 1)									
	Reportable segment									
	Product Transport Business						Sub Total	Others	Total	Adjustment and elimination
Dry Bulk Business	Energy Transport Business	Container Ships	Car Carries, Ferries and Coastal RoRo ships	Associated businesses						
Goodwill at the end of current year	\$-	\$6,009	\$-	\$-	\$15,073	\$21,091	\$-	\$21,091	\$-	\$21,091

For the year ended March 31, 2018:	Millions of yen									
	Reportable segment									
	Product Transport Business						Sub Total	Others	Total	Adjustment and elimination
Dry Bulk Business	Energy Transport Business	Container Ships	Car Carries, Ferries and Coastal RoRo ships	Associated businesses						
Goodwill at the end of current year	¥-	¥44	¥-	¥-	¥1,845	¥1,890	¥-	¥1,105	¥-	¥1,890

FINANCIAL SECTION

14. 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 28.8% for the year ended March 31, 2019 and 28.5% for the year ended March 31, 2018.

(A) SIGNIFICANT COMPONENTS OF DEFERRED TAX ASSETS AND LIABILITIES AT MARCH 31, 2019 AND 2018 WERE AS FOLLOWS:

	Millions of yen		Thousands of U.S. dollars [Note 1]
	2019	2018	2019
Deferred tax assets:			
Operating loss carried forward ^{(*)2}	¥ 82,089	¥ 76,701	\$ 739,607
Write-down of securities and other investments	1,094	1,038	9,856
Reserve for bonuses expenses	1,375	1,414	12,388
Impairment loss	15,353	16,423	138,327
Excess bad debt expenses	500	784	4,504
Net defined benefit liabilities	3,901	4,327	35,147
Retirement allowances for directors	423	497	3,811
Unrealized gain on sale of fixed assets	1,220	1,397	10,991
Provision for contract loss	15,344	19,461	138,246
Provision for loss related to business restructuring	79	1,827	711
Unrealized gains on hedging derivatives	13,924	17,115	125,452
Transfer of charters from subsidiaries and affiliates	3,982	5,542	35,877
Deemed dividends	11,322	11,223	102,009
Others	9,142	8,876	82,367
Total deferred tax assets	159,754	166,632	1,439,354
Valuation allowance for carryforward tax loss ^{(*)2}	(82,032)	-	(739,093)
Valuation allowance for deductible temporary differences	(70,989)	-	(639,598)
Valuation allowance total ^{(*)1}	(153,021)	(158,808)	(1,378,691)
Net deferred tax assets	6,732	7,823	60,654
Deferred tax liabilities:			
Reserve deductible for tax purposes when appropriated for deferred gain on real properties	(2,454)	(2,523)	(22,110)
Reserve deductible for tax purposes when appropriated for special depreciation	(1,549)	(837)	(13,956)
Unrealized holding gains on available-for-sale securities	(15,027)	(17,828)	(135,390)
Gain on securities contributed to employee retirement benefit trust	(2,958)	(2,713)	(26,651)
Revaluation reserve	(18,756)	(16,991)	(168,988)
Retained earnings of consolidated subsidiaries	(6,658)	(6,910)	(59,987)
Unrealized gains on hedging derivatives	(11,560)	(8,493)	(104,153)
Others	(2,842)	(2,793)	(25,605)
Total deferred tax liabilities	(61,807)	(59,092)	(556,869)
Net deferred tax liabilities	¥ (55,074)	¥ (51,268)	\$ (496,206)

*1 Valuation allowance decreased by ¥ 5,786 million (\$52,130 thousand), mainly because valuation allowance of ¥ 3,798 million (\$34,219 thousand) for deductible temporary differences of the Company decreased in the fiscal year.

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

For the year ended March 31, 2019:	Millions of yen						
	2020	2021	2022	2023	2024	2025 and beyond	Total
Carryforward tax loss ^{(*)3}	¥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

For the year ended March 31, 2019:	Thousands of U.S. dollars						
	2020	2021	2022	2023	2024	2025 and beyond	Total
Carryforward tax loss ^{(*)3}	\$29,534	\$26,606	\$359,825	\$17,560	\$124,209	\$181,845	\$739,607
Valuation allowance	29,290	26,470	359,735	17,542	124,182	181,845	739,093
Net deferred tax assets	\$ 243	\$ 135	\$ 81	\$ 9	\$ 27	\$ -	\$ 513

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

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

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.

Reconciliation of the statutory tax rate to the effective tax rate for the year ended March 31, 2018, is not stated as the Group recorded loss before income taxes.

FINANCIAL SECTION

15. 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)
	2019	2018	2019
Balance at beginning of the year	¥46,361	¥46,752	\$417,704
Service cost	1,767	1,776	15,920
Interest cost	405	409	3,648
Actuarial loss (gain)	226	(520)	2,036
Benefits paid	(1,703)	(2,057)	(15,343)
Balance at end of the year	¥47,057	¥46,361	\$423,975

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Balance at beginning of the year	¥61,939	¥58,956	\$558,059
Expected return on plan assets	1,238	1,179	11,154
Actuarial loss (gain)	(2,405)	2,265	(21,668)
Contributions paid by the employer	493	1,294	4,441
Benefits paid	(1,490)	(1,757)	(13,424)
Balance at end of the year	¥59,775	¥61,939	\$538,562

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Balance at beginning of the year	¥ 9,676	¥9,259	\$ 87,179
Retirement benefit costs	1,622	1,574	14,613
Benefits paid	(1,761)	(482)	(15,866)
Contributions paid by the employer	(656)	(676)	(5,910)
Balance at end of the year	¥ 8,880	¥9,676	\$ 80,007

(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)
	2019	2018	2019
Funded retirement benefit obligations	¥ 54,740	¥ 54,642	\$ 493,197
Plan assets	(69,353)	(72,310)	(624,858)
	(14,613)	(17,668)	(131,660)
Unfunded retirement benefit obligations	10,775	11,766	97,080
Total net liability (asset) for retirement benefits at end of the year	(3,837)	(5,902)	(34,570)
Liability for retirement benefits	11,927	12,909	107,460
Asset for retirement benefits	(15,764)	(18,811)	(142,030)
Total net liability (asset) for retirement benefits at end of the year	¥ (3,837)	¥ (5,902)	\$ (34,570)

FINANCIAL SECTION

(5) Retirement Benefit Costs

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Service cost	¥ 1,767	¥ 1,776	\$ 15,920
Interest cost	405	409	3,648
Expected return on plan assets	(1,238)	(1,179)	(11,154)
Net actuarial loss amortization	(398)	1,420	(3,585)
Retirement benefit costs calculated by the simplified method	1,622	1,574	14,613
Other	(104)	(79)	(937)
Total retirement benefit costs for the fiscal year	¥ 2,053	¥ 3,922	\$ 18,497

(6) Remeasurements of Defined Benefit Plans

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Actuarial loss (gain)	¥(3,030)	¥4,206	\$(27,299)

(7) Accumulated Remeasurements of Defined Benefit Plans

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Unrecognized actuarial differences	¥5,245	¥8,276	\$47,256

(8) Plan Assets

1. Plan assets comprise:

	2019	2018
Equity securities	30%	33%
Bonds	24%	22%
Jointly invested assets	41%	38%
Cash and cash equivalents	4%	7%
Other	1%	0%
Total	100%	100%
Retirement benefit trust	27%	29%

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, 2019 and 2018.

The rates of expected return on plan assets were mainly 2.0% for the years ended March 31, 2019 and 2018.

The expected rate of salary increase were mainly 0.5%–5.7% for the years ended March 31, 2019 and 2018.

(C) DEFINED CONTRIBUTION PLANS

The amounts of contributions to defined contribution plans were ¥737 million (\$6,640 thousand) at March 31, 2019 and ¥689 million at March 31, 2018.

16. 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, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
General and administrative expenses	¥157	¥171	\$1,414

FINANCIAL SECTION

(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, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Other income	¥376	¥579	\$3,387

(C) TERMS AND CONDITIONS

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

	2008	2009	2010	2011	2012	2013
Number of grantees	Directors: 11 Executive officers: 20 Employees: 38 Presidents of the Company's domestic consolidated subsidiaries: 36	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
Number of stock options	Common stock 176,000	Common stock 165,000	Common stock 171,000	Common stock 173,000	Common stock 164,000	Common stock 160,000
Grant date	August 8, 2008	August 14, 2009	August 16, 2010	August 9, 2011	August 13, 2012	August 16, 2013
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 25, 2009 to June 24, 2018	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

	2014	2015	2016	2017	2018
Number of grantees	Directors: 9 Executive officers: 19 Employees: 33 Presidents of the Company's domestic consolidated subsidiaries: 32	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
Number of stock options	Common stock 148,000	Common stock 155,000	Common stock 158,000	Common stock 157,000	Common stock 164,000
Grant date	August 18, 2014	August 17, 2015	August 15, 2016	August 15, 2017	August 15, 2018
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 2, 2016 to June 23, 2024	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, 2018 to June 23, 2028

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Balance at March 31, 2018	-	-	-	-	-	-	-	-	-	157,000	-
Options granted during the year	-	-	-	-	-	-	-	-	-	-	-
Options expired during the year	-	-	-	-	-	-	-	-	-	1,000	164,000
Options vested during the year	-	-	-	-	-	-	-	-	-	-	-
Balance at March 31, 2019	-	-	-	-	-	-	-	-	-	156,000	164,000

Vested stock options	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Balance at March 31, 2018	171,000	163,000	170,000	171,000	116,800	156,800	142,000	154,200	158,000	-	-
Options vested during the year	-	-	-	-	-	-	-	-	-	-	-
Options exercised during the year	-	-	-	-	1,000	-	-	-	7,300	-	-
Options expired during the year	-	-	-	1,000	-	1,000	-	1,000	1,000	-	-
Balance at March 31, 2019	171,000	163,000	170,000	170,000	115,800	155,800	142,000	153,200	149,700	-	-

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Exercise price	¥15,690	¥6,390	¥6,420	¥4,680	¥2,770	¥4,470	¥4,120	¥4,270	¥2,420	¥3,780	¥2,943
Average market price of share at exercise	-	-	-	-	¥3,315	-	-	-	¥2,843	-	-
Fair value per stock option at grant date	¥ 2,170	¥1,360	¥2,030	¥ 870	¥ 670	¥1,720	¥1,320	¥ 940	¥ 560	¥1,090	¥ 963

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.

FINANCIAL SECTION

(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:

2018	
Stock price volatility	37.05%
Expected remaining term of the option	5 years and 11 months
Expected dividends	¥10 per share
Risk-free interest rate	[0.07]%

17. COMPREHENSIVE INCOME

For the years ended March 31, 2019 and 2018, 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)
	2019	2018	2019
Unrealized holding gains on available-for-sale securities, net of tax:			
Increase (Decrease) during the year	¥ (8,946)	¥ 9,035	\$ (80,601)
Reclassification adjustments	(400)	(690)	(3,603)
Sub-total, before tax	(9,347)	8,344	(84,214)
Tax effect	2,563	(2,505)	23,092
	(6,783)	5,839	(61,113)
Unrealized gains on hedging derivatives, net of tax:			
Increase (Decrease) during the year	20,453	(5,972)	184,277
Reclassification adjustments	(15,325)	(19,954)	(138,075)
Adjustments of acquisition cost	(515)	(201)	(4,640)
Sub-total, before tax	4,612	(26,128)	41,553
Tax effect	(2,466)	3,725	(22,218)
	2,146	(22,402)	19,335
Foreign currency translation adjustments:			
Increase (Decrease) during the year	(9,024)	(767)	(81,304)
Reclassification adjustments	12	(5)	108
	(9,011)	(773)	(81,187)
Remeasurements of defined benefit plans:			
Increase (Decrease) during the year	(2,632)	2,785	(23,713)
Reclassification adjustments	(398)	1,420	(3,585)
Sub-total, before tax	(3,030)	4,206	(27,299)
Tax effect	850	(1,199)	7,658
	(2,180)	3,007	(19,641)
Share of other comprehensive income (loss) of associates accounted for using equity method:			
Decrease during the year	6,172	(1,997)	55,608
Reclassification adjustments	1,147	5,499	10,334
	7,320	3,501	65,951
Total other comprehensive income (loss)	¥ (8,508)	¥(10,828)	\$ (76,655)

18. RELATED PARTY TRANSACTIONS**(A) RELATED PARTY TRANSACTIONS**

For the year ended March 31, 2019

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	Transacted amount	Balance at March 31, 2019	
Affiliated company	Ocean Network Express Pte. Ltd.	SINGAPORE	US\$3,000,000,000	Containerships	- [*2]	Interlocking directorate	Underwriting of capital increase Time-charter of vessels	¥72,141	-	\$649,977	-

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

[1] Transaction terms and the policy are decided based on the form of guarantees and other conditions.

[2] 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.

FINANCIAL SECTION

For the year ended March 31, 2018

Category	Name of company	Address	Paid-in capital	Business description	Ratio of the Group's voting rights	Relation with related party	Millions of yen			
							Transactions during the year ended March 31, 2018		Balance at March 31, 2018	
							Description of transaction (*1)	Transacted amount	Account	Amount
Affiliated company	TARTARUGA MV29 B.V.	NETHERLANDS	US\$110,000	Energy Transport Business	20.60%	Interlocking directorate Debt guarantee	Debt guarantee	¥35,170	-	-
Affiliated company	Ocean Network Express Pte. Ltd.	SINGAPORE	US\$800,000,000	Containerships	-(*)2	Interlocking directorate	Underwriting of capital increase	¥27,456	-	-

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

(1) Transaction terms and the policy are decided based on the form of guarantees and other conditions.

(2) 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.

Note: Transaction terms and the policy are decided based on the form of guarantees and other conditions.

(B) NOTE ABOUT SIGNIFICANT RELATED PARTIES

A significant affiliated company to be disclosed for the year ended March 31, 2019 and 2018 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)
	2019	2018	2019
Total current assets	¥ 375,656	¥ 53,642	\$ 3,384,593
Total non-current assets	35,865	25,924	323,137
Total current liabilities	167,288	12,668	1,507,234
Total non-current liabilities	5,320	5,231	47,932
Total net assets	238,913	61,666	2,152,563
Shipping and other revenues	1,264,533	26	11,393,215
Income (Loss) before income taxes	(67,601)	(23,325)	(609,072)
Net income (loss)	(71,024)	(23,325)	(639,913)

19. SUBSEQUENT EVENT

There is no applicable matter.

20. 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 the U.S. and other countries 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.:

We have audited the accompanying consolidated financial statements of Mitsui O.S.K. Lines, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statement of operations, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mitsui O.S.K. Lines, Ltd. and its consolidated subsidiaries as at March 31, 2019, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 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.

KPMG AZSA LLC

KPMG AZSA LLC

June 25, 2019

Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

