Mitsui O.S.K. Lines, Ltd.

MOL

Financial Highlights: Fiscal Year 2019 Ended March 31, 2020

1. Consolidated Financial Highlights (from April 1, 2019 to March 31, 2020)

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

(1) Operating Results

(¥Million)

	FY2019	FY2018
Revenues	1,155,404	1,234,077
Operating profit	23,779	37,718
Ordinary profit	55,090	38,574
Profit attributable to owners of parent	32,623	26,875

(¥)

Net income per share	272.79	224.72
Diluted net income per share	263.55	217.09
Return to shareholders' equity	6.3%	5.2%
Rate of ordinary income on assets	2.6%	1.8%
Operating profit ratio	2.1%	3.1%

(2) Financial Position

(¥Million)

	FY2019	FY2018
Total assets	2,098,717	2,134,477
Total net assets	641,235	651,607
Shareholders' equity / Total assets	24.5%	24.6%

(¥)

Shareholders' equity per share	4,292.31	4,390.39

* Shareholders' Equity is defined as follows.

Shareholders' Equity = Total Net Assets - (Share subscription rights + Non-controlling interests)

2. Dividends

	Dividend per share (¥)					Total dividends paid (¥Million)	Dividend pay-out ratio	Dividend ratio to shareholders' equity
	Q1	Q2	Q3	Year - end	Total			
FY2018	—	20.00	—	25.00	45.00	5,381	20.0%	0.8%
FY2019	—	30.00	—	35.00	65.00	7,773	23.8%	1.5%
FY2020 (Outlook)	—	—	—	—	—		—	

* Annual dividend for FY2020 has not yet been determined. Outlook will be announced without delay when it becomes available.

3. Forecast for the Fiscal Year Ending March 31, 2021

(¥Million)

	Q1/FY2020	Full-year/FY2020
Revenues	—	—
Operating profit	—	—
Ordinary profit(loss)	(7,000)	(10,000)~(40,000)
Profit attributable to owners of parent	—	—

(¥)

Net income per share	—	—

(Reference)
Non-Consolidated Financial Highlights (from April 1, 2019 to March 31, 2020)

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

(1) Operational Results

(¥Million)

	FY2019	FY2018
Revenues	700,120	760,166
Operating profit	12,689	12,055
Ordinary profit	32,443	36,260
Net income	15,793	36,946

(¥)

Net income per share	132.05	308.93
Diluted net income per share	127.58	298.44

(2) Financial Position

(¥Million)

	FY2019	FY2018
Total assets	1,008,170	1,031,335
Total net assets	198,234	199,606
Shareholders' equity / Total assets	19.5%	19.2%

(¥)

Shareholders' equity per share	1,643.76	1,653.92

4. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

[Financial Highlights] (¥Billion)

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	Year-on-year comparison / Variance
Revenue	1,234.0	1,155.4	(78.6) / (6.4%)
Operating profit	37.7	23.7	(13.9) / (37.0%)
Ordinary profit	38.5	55.0	16.5 / 42.8%
Profit attributable to owners of parent	26.8	32.6	5.7 / 21.4%
Exchange rate	¥110.63/US$	¥109.28/US$	¥(1.35)/US$
Bunker price*	US$456/MT	US$467/MT	US$11/MT

*Average price for all the major fuel grades

The average exchange rate of Japanese yen against the U.S. dollar during the fiscal year under review appreciated by ¥1.35 year on year to ¥109.28. The average bunker price during the same period rose US$11.19/MT year on year to US$467/MT.

As a result of the above, we recorded revenue of ¥1,155.4 billion, operating profit of ¥23.7 billion, ordinary profit of ¥55.0 billion and profit attributable to owners of parent of ¥32.6 billion

Although the global economic impact of the novel coronavirus (COVID-19) pandemic will affect the Group's profitability in the future, the impact on the Group's performance during the fiscal year under review was limited. Charter rates in the Dry Bulk Business fell from the beginning of 2020 in the face of falling transport demand and the market slowdown; however, the impact on profitability was slight because many of the spot contracts entered into during the fiscal year under review had already been finalized before the market slowdown. In the Tankers Business, oil prices fell significantly amid media reports of a breakdown in talks between oil producing nations to cut oil production, leading to an increase in tanker demand for floating storage and an improvement in market conditions. However, the impact of this upturn will primarily be reflected in profits for next fiscal year. In the Containerships Business, measures were taken to address falling shipments, such as the flexible reduction of services and, at the beginning of March, the situation in China improved and liftings recovered for a time. The Car Carriers segment was affected by a decline in shipments of completed cars and shipment delays caused by the COVID-19 outbreak from the latter part of the fourth quarter, however, the affected period was short and the impact on performance in the fiscal year under review was limited.

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

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

		FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	Year-on-year comparison / Variance
Dry Bulk Business		292.1	277.1	(15.0) / (5.1)%
		21.9	12.0	(9.8) / (45.1)%
Energy Transport Business		289.5	298.2	8.6 / 3.0%
		21.1	25.4	4.2 / 20.3%
Product Transport Business		547.6	476.8	(70.8) / (12.9)%
		(12.2)	6.7	18.9 / -%
	Containership Segment	278.4	227.6	(50.8) / (18.3)%
		(14.3)	4.1	18.4 / -%
Associated Businesses		128.1	122.0	(6.0) / (4.7)%
		12.9	12.3	(0.5) / (4.3)%
Others		21.9	22.7	0.8 / 4.0%
		2.5	3.4	0.8 / 34.0%

(A) Dry Bulk Business

In the Capesize bulker market during the first half of the fiscal year, the charter rate improved from the slump caused by the collapse of a mining dam in Brazil among other factors and was also pushed by tighter vessel availability due to an increase in the number of vessels going into dry dock for the installation of scrubbers. The rate then maintained a certain firmness due largely to steady crude steel production in China. However, the charter rate hit a peak in early September and then fell with factors such as a deceleration in shipments from Brazil from November onwards. Since the start of 2020 the rate has further weakened, reflecting a decline in spot vessel demand bound for China due to the COVID-19 outbreak, which coincided with the Chinese New Year holiday. The Panamax bulker market improved in the first half of the fiscal year, reflecting firm grain shipments from South America through the summer. Then, from September, the market remained in a downward trend despite occasional rallies, against the backdrop of continued uncertainty surrounding trade negotiations between the U.S. and China and Chinese restrictions on coal imports. Since the beginning of 2020, as in the Capesize bulker market, economic activity in China and shipments bound for China have declined due to the extended holiday because of COVID-19, and the market has deteriorated. Under such market conditions, the dry bulk business posted an ordinary profit albeit lower year on year, with our efforts to improve operating efficiency and other measures.

(B) Energy Transport Business

＜Tankers＞

The very large crude oil carrier (VLCC) market was generally weak during the first half of the fiscal year, reflecting a seasonal decrease in oil demand at the beginning of spring and regular maintenance of refineries in the Far East region. During the second half, the market firmed up due to a sudden increase caused by the situation in the Middle East and tighter tanker availability as a result of sanctions on Chinese shipping companies.

On the product tanker market, the charter rate struggled to rise during the first half due to the increase in newly built vessels and regular maintenance of refineries. However, in the second half, the market firmed up due to tighter tanker availability affected by the rise in crude oil tanker market and growing demand for the transportation of gas and diesel oil related to new SOx regulations.

In the wake of the COVID-19 outbreak, while a slump in oil demand was anticipated, media reports of a temporary breakdown in OPEC+ talks to cut production led to a sharp drop in oil prices. As a result, tanker demand for floating storage increased and the market appeared to improve for a time. However, the contribution which this made to segment profit is not expected to become apparent until FY2020.

Under these conditions, the tankers division as a whole reported a year-on-year increase in ordinary profit thanks to ceaseless efforts to improve operating efficiency through pool operations and cost cutting, in addition to the stable fulfillment of long-term contracts and steady implementation of contract extensions.

＜LNG Carriers/Offshore businesses＞

The LNG carrier division reported a year-on-year increase in ordinary profit, reflecting stable profit generated mainly through long-term charter contracts including eight newly built vessels. The offshore business division also recorded ordinary profit, brought about by steady operations of existing projects including FSRU, FPSO and subsea support vessel businesses.

(C) Product Transport Business

＜Containerships＞

Ocean Network Express Pte. Ltd. (ONE), the Company’s equity-method affiliate, recorded ordinary profit on a full-year basis, surpassing the year-ago level thanks to the stabilized services, an increase in liftings and greater-than-anticipated progress in cutting costs. While freight rates on Asia-North American routes lacked momentum in the summer peak season due to trade tensions between the U.S. and China, efforts were made to reduce operating costs through continuous reduction in services in response to falling demand. Freight rates for Asia-Europe routes were sluggish due to deterioration in the supply-demand balance, however, decline in the freight rate during the slack season was kept to a minimum. Since the COVID-19 outbreak, shipments have declined but measures have been taken to address the situation, such as flexibly reducing services accordingly.

＜Car Carriers＞

Transportation volume in the car carrier business decreased due to weak shipments bound for Australia and weak coastal Europe shipments, in addition to the impact of the trade tensions between the U.S. and China and tighter emission standards in China, which has been ongoing since the previous fiscal year. From the latter part of the fourth quarter, the car carrier business was affected by decline in shipments of completed cars and shipment delays caused by the COVID-19 outbreak. Yet profitability improved year on year, reflecting rationalization of the allocation of vessels, mainly on routes between countries other than Japan, that was initiated the previous fiscal year, and efforts to improve service efficiency.

＜Ferries and Coastal RoRo Ships＞

In the business of ferries and coastal RoRo ships, cargo volumes maintained a firm tone due to the modal shift caused by truck driver shortages and aging, and workstyle reform in the land transportation industry. However, cargo volumes weakened from early autumn onwards amid a deterioration in business conditions. The number of passengers was generally higher than the year-ago level due to promotion of the concept of casual cruises. However, from mid-February onwards, passenger footfall decreased as people were requested to refrain from going out due to COVID-19.

Despite these negative factors, the ferries and coastal RoRo ships division posted a year-on-year increase in ordinary profit.

(D) Associated Businesses

The real estate business posted stable ordinary profit because of an increase in the revenue of Daibiru Corporation, which is the core company in the Group’s real estate business, benefiting from a firm office leasing market centered on the Tokyo metropolitan area. The cruise ship business posted a year-on-year decrease in ordinary profit mainly due to higher fuel costs and refurbishment work from late February through early April in 2020. However, the results of other associated businesses such as the tugboat and trading businesses were generally strong, and the associated businesses segment as a whole posted an ordinary profit.

(E) Others

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

Regarding the SOx regulations which came into effect in January 2020, the Group had made preparations to obtain and switch to compliant fuel before introduction of the regulations and therefore managed to switch to compliant fuel without any major issue and maintain stable services.

(2) Outlook for FY2020

(¥Billion)

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 Outlook (From April 1, 2020 to March 31, 2021)	Comparison / Variance
Revenue	1,155.4	-	-
Operating profit	23.7	-	-
Ordinary profit	55.0	(10.0) ~ (40.0)	(65.0) ~ (95.0) / -
Profit attributable to owners of parent	32.6	-	-

Exchange rate	¥109.28/US$	¥105.00/US$	¥(4.28)/US$
Bunker price *	US$467/MT	US$385/MT	US$(82)/MT
		(Assumptions)	

*Average price for all the major fuel grades

➢ Operating Results (Actual revenue since emergence of the impact of COVID-19 and outlook, etc.)

・The impact of COVID-19 on shipments has shifted from a supply-side issue, i.e. decline in containership shipments from China due to an epidemic in China, to a demand-side issue resulting from a global pandemic with Europe and the United States as epicenters, and although the situation will vary from business segment to business segment, our businesses are likely to be impacted by stagnation and decline in shipments.

Looking ahead to FY2020 (From April 1, 2020 to March 31, 2021), due to the impossibility of foreseeing when the impact of COVID-19 will ease in Japan and other parts of the world, we estimated a range of possible results based on two scenarios: the scenario where the pandemic comes to an end in six months and the scenario where it lasts for a year. Given that international shipping companies manage income based on the difference between charter base (C/B) and hire base (H/B)* and that equity in earnings of affiliated companies accounts for a large proportion of the income of the Containerships, LNG Carriers and Offshore Businesses, we will announce our forecasts focusing on consolidated ordinary profit.
Since actual results for the first quarter are available for certain operations due to the application of the voyage completion method, we will disclose forecasts that take both these results and forecasts for the remaining period into consideration.

Our other forecasts have yet to be determined and we will announce them promptly as soon as these figures can be properly and reasonably calculated.

*Charter Base（C/B）
Revenue amount which is calculated by subtracting variable costs from freight revenue on a per day basis

Hire Base（H/B）
Costs per day required to keep a ship operable, i.e. crew wages, supply cost, maintenance cost, ship insurance, interest paid, depreciation cost, fixed asset tax for ships, etc., in the case of an owned vessel or charter-in costs in the case of a chartered vessel, as well as general and administrative expenses, etc.

Dry Bulk Business:
In the Capesize bulker market, shipments bound for China have been firm recently partly thanks to the Chinese government's investment strategies, but the impact on shipments of steel materials associated with reduced consumption of final products such as automobiles and building materials is anticipated. Most of our capesize bulkers are operating under medium-to-long-term contracts and can be expected to generate stable profit. However, vessels that operate under short-term contracts will be affected by market conditions and we plan to keep the impact on our business results to a minimum by taking measures such as reducing vessels and using forward freight agreements to hedge against fluctuations in shipments and market rates.

Meanwhile, in the small- and mid-sized bulker market, shipments of raw materials and other materials for general industries are likely to be affected, however, thanks to longstanding efforts to reduce market exposure, the impact on our business results will be very limited. However, in the case of specialized vessels such as open hatch bulk carriers and woodchip carriers (excluding those operating under medium- and long-term contracts), it will be difficult to adjust fleet size according to fluctuations in shipments and our business results are, therefore, expected to be affected.

Energy Transport Business:

The very large crude oil carrier (VLCC) market has soared recently largely due to temporary demand for floating storage amid falling oil prices. However, we expect shipments to fall and the market to weaken as a result of global economic slowdown and we plan to manage market exposure risk by reducing vessels and other means. Regarding product tankers and LPG tankers, we will maintain the strategy we have been implementing over the last few years of reducing market exposure and we will reinforce the structure that allows us to adapt to market fluctuations. Methanol tankers are expected to continue generating stable profit as they operate under long-term contracts.

LNG carriers operate under long-term contracts and generate stable profits, and fluctuations in shipments and production activity will have a very limited impact on our business. The offshore businesses have steadily generated more profit over the past few years, but given that this fiscal year marks the changeover period between the termination of a medium-term contract and the commencement of the next-long-term contract for one FSRU, we had been expecting income to drop sharply from the year-before level regardless of the impact of COVID-19. Similarly, in other offshore businesses, if oil prices remain very low for a long time, deterioration in the profitability of contracting parties may impact our business.

Product Transport Business

Among our business segments, the Product Transport Business is the segment which is closest to end consumers and the segment which saw shipments and handling volumes impacted immediately as a result of the spread of COVID-19.

On the containerships and terminals and logistics business, although conditions on the supply side are improving, especially in China, South Korea and other parts of East Asia and Southeast Asia, conditions on the demand side, especially in Europe and the United States, have not improved and recent shipments are down by about 10-20% depending on the route. ONE is working to minimize the impact on its performance, including considering the possibility of early redelivery of vessels under short-term time charters in addition to flexible reduction of service frequencies.

Regarding car carriers, a significant drop in shipments is expected, especially in April and May, as a result of drastic production cuts by all automakers and we have introduced measures to adjust shipping capacity including idling and redelivery of vessels to minimize the impact on our business results.

In the business of ferries and coastal RoRo ships, the impact on shipments is relatively small, however, the number of ferry passengers has decreased sharply and if COVID-19 has a prolonged impact in Japan, the impact on performance may be greater.

Others

The impact on the real estate business is expected to be limited. However, business results in other smaller scale businesses such as the cruise ship and travel businesses are likely to be affected depending on the duration of the COVID-19 pandemic.

➢ Financial Position (Current outlook for cash flows in the short term, measures to secure necessary funds (commitment line agreement), etc.)

・Although freight and other income are expected to fall as a result of decline in shipments, we will endeavor to generate funds through the lay-up or redelivery of vessels under short-term time charters, the freezing of new investments, in principle, and the disposal of assets in addition to the reduction of operating expenses starting with saving on fuel costs as a result of vessel slowdown. In the event of greater-than-anticipated demand for funds, we have commitment line agreements with remaining terms of about 3-4 years with leading commercial banks amounting to around 140 billion yen and we have in place a structure that will allow us to secure the necessary funds.

➢ Initiatives being implemented to ensure the health and safety of customers and employees from the viewpoint of preventing the spread of the virus and maintaining structures for business continuity

- Although we have been affected by the COVID-19 pandemic, with restrictions on embarking and disembarking for crew changes and delays in the completion of regular surveys and the deliveries of newly built vessels caused by shortages of shipyard workers, in order to maintain our stable transport of essential goods and resources, we are continuing to conduct business while aiming for safe ship operations as well as preventing the spread of infection.

- From the viewpoint of preventing the spread of COVID-19 and ensuring the safety of customers and business partners, we have been requesting head office and branch employees to work from home since March 9, 2020 and over 90% of employees are working from home. In relation to employees at sea who are working on vessels managed by us, we are working to reduce the risk of infection and prevent the spread of the virus by implementing measures recommended by WHO and by limiting outside access to vessels at ports to the minimum necessary.

➢ Impact on our Medium-to-long-term Plan/ Management Strategy and Measurements

- We recognize that the economic fallout from the COVID-19 pandemic and sharp fall in oil prices will significantly affect our medium- to long-term plan and management strategy and have established a Rolling Plan Special Committee to quickly implement necessary defensive measures, to understand and respond to the impact on businesses, and to comprehensively examine and implement strategies for turning things around and going on the offensive post COVID-19. We also aim to review the management plan (Rolling Plan) around the end of May so that it reflects strategies for shifting from the defensive to the offensive set forth by this special committee. Whilst keeping medium- to long-term growth in mind, in FY2020, we plan to shore up our defenses, in other words, review our investment plan and reduce our market exposure and review our business portfolio after objectively assessing the scope and scale of the impact.

5. Financial Position

Total assets as of March 31, 2020 decreased by ¥ 35.7 billion compared to the balance as of the end of the previous fiscal year, to ¥ 2,098.7 billion. This was primarily due to the decrease in Cash and deposits.

Total liabilities as of March 31, 2020 decreased by ¥ 25.3 billion compared to the balance as of the end of the previous fiscal year, to ¥ 1,457.4 billion. This was primarily due to the decrease in Commercial papers.

Total net assets as of March 31, 2020 decreased by ¥ 10.3 billion compared to the balance as of the end of the previous fiscal year, to ¥ 641.2 billion. This was primarily due to the decrease in Deferred gains or losses on hedges.

As a result, shareholders' equity ratio decreased by 0.1% compared to the ratio as of the end of the previous fiscal year, to 24.5%.

6. Cash Flow

Cash and cash equivalents (hereinafter called "cash") as of the end of FY2019 was ¥ 102.2 billion, a decrease of ¥ 16.8 billion compared to the balance as of the end of the previous fiscal year. Cash flows on each activity are as follows.

Net cash provided by operating activities during FY2019 was ¥ 100.7 billion (while net cash provided by FY2018 was ¥ 55.2 billion), mainly due to Income before income taxes and non-controlling interests (¥ 47.1 billion).

Net cash used in investing activities during FY2019 was ¥ 107.2 billion (while net cash used in FY2018 was ¥ 198.3 billion), mainly due to Purchase and proceeds from sale of vessels and other non-current assets.

Net cash used by financing activities during FY2019 was ¥ 0.7 billion (while net cash provided by FY2018 was ¥ 70.5 billion), mainly due to Proceeds from long-term bank loans.

7. Basic Policy on Profit Sharing and Dividends

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

As for the fiscal year under review, we will distribute dividends of surplus (a year-end dividend) at ¥35.00 per share for the fiscal year under review. We will pay an annual dividend of ¥65.00 per share including the interim dividend of ¥30.00 per share.

Annual dividend for fiscal year 2020 has not yet been determined at this time because of extreme uncertainty in the business environment and will be decided comprehensively in view of future progress of performance.

8. Consolidated Financial Statements

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

(1) Consolidated Balance Sheets

(¥Million)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	124,505	105,784
Trade receivables	92,160	81,362
Marketable securities	500	500
Inventories	36,445	33,520
Deferred and prepaid expenses	63,413	61,028
Other current assets	70,688	52,950
Allowance for doubtful accounts	(253)	(258)
Total current assets	387,460	334,887
Fixed assets		
Tangible fixed assets		
Vessels	715,344	711,498
Buildings and structures	145,229	146,582
Equipment and others	29,345	29,205
Furniture and fixtures	4,523	4,174
Land	222,565	241,162
Construction in progress	73,718	66,363
Other tangible fixed assets	3,182	2,713
Total tangible fixed assets	1,193,910	1,201,698
Intangible fixed assets	28,695	28,810
Investments and other assets		
Investment securities	360,706	346,890
Long-term loans receivable	73,129	85,261
Long-term prepaid expenses	5,698	8,490
Net defined benefit assets	15,764	16,121
Deferred tax assets	3,048	3,228
Other investments and other assets	67,761	85,911
Allowance for doubtful accounts	(1,697)	(12,584)
Total investments and other assets	524,411	533,320
Total fixed assets	1,747,017	1,763,829
Total assets	2,134,477	2,098,717

(¥Million)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Trade payables	81,020	69,189
Short-term bonds	28,500	36,766
Short-term bank loans	187,419	180,351
Commercial papers	40,000	25,000
Accrued income taxes	5,494	5,336
Advances received	35,814	34,348
Allowance for bonuses	4,742	4,706
Other current liabilities	63,657	66,466
Total current liabilities	446,649	422,164
Fixed liabilities		
Bonds	168,198	181,000
Long-term bank loans	665,997	655,117
Lease obligations	14,224	16,091
Deferred tax liabilities	58,123	58,480
Net defined benefit liabilities	11,927	9,524
Directors' and corporate auditors' retirement benefits	1,499	1,565
Reserve for periodic drydocking	18,220	18,441
Other fixed liabilities	98,030	95,096
Total fixed liabilities	1,036,220	1,035,316
Total liabilities	1,482,870	1,457,481
Net assets		
Owners' equity		
Common stock	65,400	65,400
Capital surplus	45,385	45,007
Retained earnings	329,888	351,636
Treasury stock	(6,764)	(6,722)
Total owners' equity	433,909	455,320
Accumulated other comprehensive income		
Unrealized holding gains on available-for-sale securities, net of tax	26,840	16,306
Unrealized gains on hedging derivatives, net of tax	44,391	28,170
Foreign currency translation adjustments	16,197	10,889
Remeasurements of defined benefit plans, net of tax	3,725	2,648
Total accumulated other comprehensive income	91,154	58,014
Share subscription rights	1,803	1,646
Non-controlling interests	124,739	126,253
Total net assets	651,607	641,235
Total liabilities and net assets	2,134,477	2,098,717

(2) Consolidated Statements of Income

(¥Million)

	FY2018 (Apr.1.2018 - Mar.31, 2019)	FY2019 (Apr.1.2019 – Mar.31, 2020)
Shipping and other revenues	1,234,077	1,155,404
Shipping and other expenses	1,094,915	1,035,771
Gross operating income	139,161	119,632
Selling, general and administrative expenses	101,442	95,852
Operating profit	37,718	23,779
Non-operating income		
Interest income	7,832	8,028
Dividend income	5,982	6,127
Equity in earnings of affiliated companies	—	15,949
Foreign exchange gains	15,850	17,058
Others	2,988	2,800
Total non-operating income	32,654	49,965
Non-operating expenses		
Interest expenses	21,806	16,549
Equity in losses of affiliated companies	7,804	—
Others	2,187	2,104
Total non-operating expenses	31,798	18,654
Ordinary profit	38,574	55,090
Extraordinary income		
Gain on sales of fixed assets	4,654	8,295
Others	9,763	7,808
Total extraordinary income	14,418	16,104
Extraordinary losses		
Loss on sale of fixed assets	1,120	449
Loss related to business restructuring	—	8,243
Provision of allowance for doubtful accounts	—	7,784
Others	5,093	7,587
Total extraordinary losses	6,214	24,064
Income before income taxes and non-controlling interests	46,778	47,130
Income taxes - current	8,793	8,970
Income taxes - deferred	4,309	(30)
Total income taxes	13,103	8,939
Net income	33,674	38,190
Profit attributable to non-controlling interests	6,799	5,566
Profit attributable to owners of parent	26,875	32,623

(3) Consolidated Statements of Comprehensive Income

(¥Million)

	FY2018 (Apr.1,2018 - Mar.31, 2019)	FY2019 (Apr.1,2019 - Mar.31, 2020)
Net income	33,674	38,190
Other comprehensive income		
Unrealized holding gains on available-for-sale securities, net of tax	(6,783)	(11,567)
Unrealized gains on hedging derivatives, net of tax	2,146	(5,535)
Foreign currency translation adjustments	(9,011)	(2,108)
Remeasurements of defined benefit plans, net of tax	(2,180)	(1,071)
Share of other comprehensive income (loss) of associates accounted for using equity method	7,320	(15,294)
Total other comprehensive income	(8,508)	(35,577)
Comprehensive income	25,166	2,612
(Breakdown)		
Comprehensive income attributable to owners of parent	17,408	(1,218)
Comprehensive income attributable to non-controlling interests	7,757	3,831

(4) Consolidated Statement of Changes in Net assets

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

(¥Million)

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

	Accumulated other comprehensive income					Share subscription rights	Non-controlling interests	Total net assets
	Unrealized holding gains on available-for-sale securities, net of tax	Unrealized gains on hedging derivatives, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax	Total accumulated other comprehensive income			
Balance at Mar, 2018	33,400	37,873	23,442	5,905	100,621	2,026	114,776	628,044
Cumulative effects of changes in accounting policies								-
Restated balance	33,400	37,873	23,442	5,905	100,621	2,026	114,776	628,044
Changes during period								
Issuance of new shares - exercise of share acquisition rights						(4)		-
Dividends of surplus								(3,587)
Profit attributable to owners of parent								26,875
Change of scope of consolidation								(0)
Purchase of treasury shares								(31)
Disposal of treasury shares								28
Purchase of shares of consolidated subsidiaries								(0)
Net changes of items other than shareholders' equity	(6,559)	6,518	(7,244)	(2,180)	(9,466)	(218)	9,963	278
Total changes of items during period	(6,559)	6,518	(7,244)	(2,180)	(9,466)	(223)	9,963	23,562
Balance at Mar, 2019	26,840	44,391	16,197	3,725	91,154	1,803	124,739	651,607

FY2019 (April 1, 2019 – March 31, 2020)

(¥Million)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
Balance at Mar, 2019	65,400	45,385	329,888	(6,764)	433,909
Cumulative effects of changes in accounting policies			(1,812)		(1,812)
Restated balance	65,400	45,385	328,075	(6,764)	432,096
Changes during period					
Issuance of new shares - exercise of share acquisition rights				5	5
Dividends of surplus			(6,577)		(6,577)
Profit attributable to owners of parent			32,623		32,623
Change of scope of consolidation			(2,446)		(2,446)
Purchase of treasury shares				(28)	(28)
Disposal of treasury shares			(38)	65	26
Purchase of shares of consolidated subsidiaries		(377)			(377)
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	(377)	23,560	41	23,224
Balance at Mar, 2020	65,400	45,007	351,636	(6,722)	455,320

	Accumulated other comprehensive income					Share subscription rights	Non-controlling interests	Total net assets
	Unrealized holding gains on available-for-sale securities, net of tax	Unrealized gains on hedging derivatives, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax	Total accumulated other comprehensive income			
Balance at Mar, 2019	26,840	44,391	16,197	3,725	91,154	1,803	124,739	651,607
Cumulative effects of changes in accounting policies								(1,812)
Restated balance	26,840	44,391	16,197	3,725	91,154	1,803	124,739	649,794
Changes during period								
Issuance of new shares - exercise of share acquisition rights						(5)		-
Dividends of surplus								(6,577)
Profit attributable to owners of parent								32,623
Change of scope of consolidation								(2,446)
Purchase of treasury shares								(28)
Disposal of treasury shares								26
Purchase of shares of consolidated subsidiaries								(377)
Net changes of items other than shareholders' equity	(10,533)	(16,221)	(5,308)	(1,076)	(33,140)	(151)	1,514	(31,777)
Total changes of items during period	(10,533)	(16,221)	(5,308)	(1,076)	(33,140)	(157)	1,514	(8,558)
Balance at Mar, 2020	16,306	28,170	10,889	2,648	58,014	1,646	126,253	641,235

(5) Consolidated Statements of Cash flows

(¥Million)

	FY2018 (Apr.1.2018 - Mar.31, 2019)	FY2019 (Apr.1.2019 – Mar.31, 2020)
Cash flows from operating activities		
Income before income taxes and non-controlling interests	46,778	47,130
Depreciation and amortization	90,138	87,765
Loss related to business restructuring	—	8,243
Equity in losses (earnings) of affiliated companies	7,804	(15,949)
Various provisions (reversals)	(21,683)	(6,241)
Interest and dividend income	(13,815)	(14,156)
Interest expense	21,806	16,549
Loss (gain) on sales and retirement of non-current assets	(3,143)	(7,546)
Foreign exchange loss (gain), net	(19,228)	(15,984)
Decrease (Increase) in trade receivables	33,490	10,292
Decrease (Increase) in inventories	2,333	2,835
Increase (Decrease) in trade payables	(50,151)	(11,261)
Others, net	(23,753)	2,185
Sub total	70,576	103,863
Interest and dividend income received	16,606	21,803
Interest expenses paid	(21,449)	(16,988)
Income taxes paid	(10,484)	(7,955)
Net cash provided by (used in) operating activities	55,248	100,723
Cash flows from investing activities		
Purchase of investment securities	(115,300)	(16,898)
Proceeds from sale and redemption of investment securities	10,117	13,446
Purchase of vessels and other non-current assets	(155,683)	(155,104)
Proceeds from sale of vessels and other non-current	69,423	44,642
Net decrease (increase) in short-term loans receivables	(1,752)	(2,351)
Disbursements for long-term loans receivables	(25,661)	(6,680)
Collection of long-term loans receivables	38,863	13,840
Others, net	(18,348)	1,854
Net cash provided by (used in) investing activities	(198,341)	(107,250)

(¥Million)

	FY2018 (Apr.1.2018 - Mar.31, 2019)	FY2019 (Apr.1.2019 – Mar.31, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	11,829	(9,102)
Net increase (decrease) in commercial paper	35,000	(15,000)
Proceeds from long-term bank loans	130,592	117,491
Repayments of long-term bank loans	(90,593)	(104,756)
Proceeds from issuance of bonds	20,000	50,000
Redemption of bonds	(31,734)	(28,500)
Cash dividends paid by the company	(3,599)	(6,570)
Cash dividends paid to non-controlling interests	(1,894)	(2,937)
Others, net	921	(1,352)
Net cash provided by (used in) financing activities	70,520	(728)
Effect of foreign exchange rate changes on cash and cash equivalents	2,137	(1,625)
Net increase (decrease) in cash and cash equivalents	(70,435)	(8,881)
Cash and cash equivalents at beginning of year	189,591	119,155
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	(7,991)
Cash and cash equivalents at end of period	119,155	102,283

[NOTE]

(Changes in Accounting Standards)

(Adoption of International Financial Reporting Standards (IFRS) 16 Leases)

The overseas consolidated subsidiaries and affiliates accounted for by the equity method that are subject to IFRS have adopted IFRS 16 Leases from the first Quarter of the fiscal year ending March 31, 2020. In applying IFRS16, the overseas consolidated subsidiaries and affiliates, as lessees, principally recognize all lease transactions on their balance sheets as assets and liabilities. The Company has adopted the approach for recognizing the cumulative effect of retroactive adjustments on the adoption date, which is recognized as a transitional measure.

The impact of the adoption of the standard on consolidated financial statements is minor.

(6) Segment Information

(￥Million)

FY2019 (Apr.1,2019 - Mar.31, 2020)	Reportable Segment						Others *1	Total	Adjust-ment *2	Consoli-dated
			Product Transport Business							
	Dry Bulk Business	Energy Transport Business	Container ships	Car Carries, Ferries and Coastal RoRo ships	Associated Businesses	Sub Total				
Revenues										
1.Revenues from external customers	277,151	289,375	226,420	249,043	96,556	1,138,548	16,855	1,155,404	―	1,155,404
2.Inter-segment revenues	0	8,864	1,202	211	25,501	35,780	5,924	41,704	(41,704)	―
Total Revenues	277,152	298,240	227,623	249,255	122,057	1,174,328	22,779	1,197,108	(41,704)	1,155,404
Segment profit	12,044	25,428	4,114	2,621	12,346	56,555	3,458	60,014	(4,923)	55,090
Others										
Depreciation and amortization	10,541	35,961	12,847	17,735	9,170	86,255	417	86,673	1,091	87,765
Amortization of goodwill	―	54	―	―	118	172	―	172	―	172
Interest income	1,392	5,668	1,320	73	91	8,546	4,359	12,906	(4,878)	8,028
Interest expenses	2,939	10,771	1,962	1,085	1,453	18,152	3,841	21,994	(5,444)	16,549
Equity in earnings (losses) of affiliates	(1,973)	13,098	4,071	518	235	15,949	―	15,949	―	15,949

* 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 of￥-4,923 million include the following:
  ￥-9,649 million of corporate profit which is not allocated to segments,￥6,575 million of adjustment for management accounting and￥-1,849 million of inter-segment transaction elimination.
  (2) Adjustment in Depreciation and amortization of￥1,091 million include the following:
  ￥1,091 million of depreciation of assets which are not allocated to segments.
  (3) Adjustment in Interest income of￥-4,878 million include the following:
  ￥2,210 million of interest income which is not allocated to segments and￥-7,088 million of inter-segment transaction elimination.
  (4) Adjustment in Interest expenses of￥-5,444 million include the following:
  ￥5,719 million of interest expenses which are not allocated to segments,￥-4,068 million of adjustment for management accounting and￥-7,095 million of inter-segment transaction elimination.
* 3. Segment income corresponds to Ordinary profit in the consolidated statements of income.

[REFERENCE PURPOSE ONLY]
Please note that this document has been translated from the Japanese original for reference purposes only and the financial statements contained is unaudited.
In case of any discrepancy or inconsistency between this document and the Japanese original, the latter shall prevail.

[Supplement]

1. Review of Quarterly Results

<FY2019>

	Q1 Apr-Jun, 2019	Q2 Jul-Sep, 2019	Q3 Oct-Dec, 2019	Q4 Jan-Mar, 2020
Revenues [¥ Millions]	283,147	291,203	292,919	288,135
Operating profit (loss)	6,854	5,191	12,258	(524)
Ordinary profit (loss)	14,007	14,147	21,127	5,809
Income (Loss) before income taxes	15,308	16,983	27,123	(12,284)
Profit (Loss) attributable to owners of parent	12,273	13,363	22,850	(15,863)
Net income (loss)* per share [¥]	102.63	111.74	191.06	(132.64)
Total Assets [¥ Millions]	2,082,641	2,069,083	2,078,425	2,098,717
Total Net Assets	639,824	633,474	654,706	641,235

*Profit (Loss) attributable to owners of parent

<FY2018>

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

*Profit (Loss) attributable to owners of parent

2. Depreciation and Amortization

(¥ Millions)

	FY2018	FY2019	Increase / Decrease
Vessels	66,923	62,203	4,720
Others	23,214	25,561	(2,347)
Total	90,138	87,765	2,373

3. Interest-bearing Debt

(¥ Millions)

	As of Mar.31, 2019	As of Mar.31, 2020	Increase / Decrease
Bank loans	853,416	835,468	(17,948)
Bonds	196,698	217,766	21,068
Commercial paper	40,000	25,000	(15,000)
Others	15,759	18,450	2,691
Total	1,105,873	1,096,685	(9,188)

4. Fleet Capacity (MOL and consolidated subsidiaries)

	Dry bulkers		Tankers		LNG carriers		Car carriers		Containerships	
	No.of ships	1,000MT	No.of ships	1,000MT	No.of ships	1,000MT	No.of ships	1,000MT	No.of ships	1,000MT
Owned	49	5,023	78	10,153	33	2,627	49	870	14	1,110
Chartered	262	24,254	89	3,972	10	687	58	940	50	4,790
Others	-	-	-	-	2	143	-	-	-	-
As of Mar.31, 2020	**311**	**29,277**	**167**	**14,125**	**45**	**3,457**	**107**	**1,810**	**64**	**5,900**
As of Mar.31, 2019	330	31,387	170	14,483	41	3,133	113	1,870	65	5,929

	Ferries & Coastal RoRo Ships		Passenger ships		Others*		Total	
	No.of ships	1,000MT	No.of ships	1,000MT	No.of ships	1,000MT	No.of ships	1,000MT
Owned	10	54	1	5	7	42	241	19,884
Chartered	5	31	-	-	24	71	498	34,744
Others	-	-	-	-	1	1	3	144
As of Mar.31, 2020	**15**	**85**	**1**	**5**	**32**	**114**	**742**	**54,772**
As of Mar.31, 2019	16	91	1	5	33	114	769	57,011

*including coastal ships (excluding coastal RoRo ships)

5. Exchange Rates

	FY2018	FY2019	Change
Average rates	¥110.63	¥109.28	¥1.35 [1.2%] JPY Appreciated
Term-end rates	¥110.99	¥108.83	¥2.16 [1.9%] JPY Appreciated

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

<Overseas subsidiaries>

	As of Dec.31, 2018	As of Dec. 31, 2019	Change
Term-end rates	¥111.00	¥109.56	¥1.44 [1.3%] JPY Appreciated

6. Average Bunker Prices

	FY2018	FY2019	Increase / Decrease
Bunker Prices (*)	US$456/MT	US$467/MT	US$＋11/MT

(*) Average price for all the major fuel grades

7. Market Information

(1) Dry Bulker Market (Baltic Dry Index) (January 1985 = 1,000)

Source : Bloomberg

Monthly Average	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average
2018	1,242	1,125	1,154	1,129	1,293	1,352	1,650	1,710	1,447	1,545	1,192	1,335	1,348
2019	1,063	629	680	773	1,036	1,174	1,870	1,982	2,255	1,826	1,419	1,381	1,341
2020	701	461	601										588

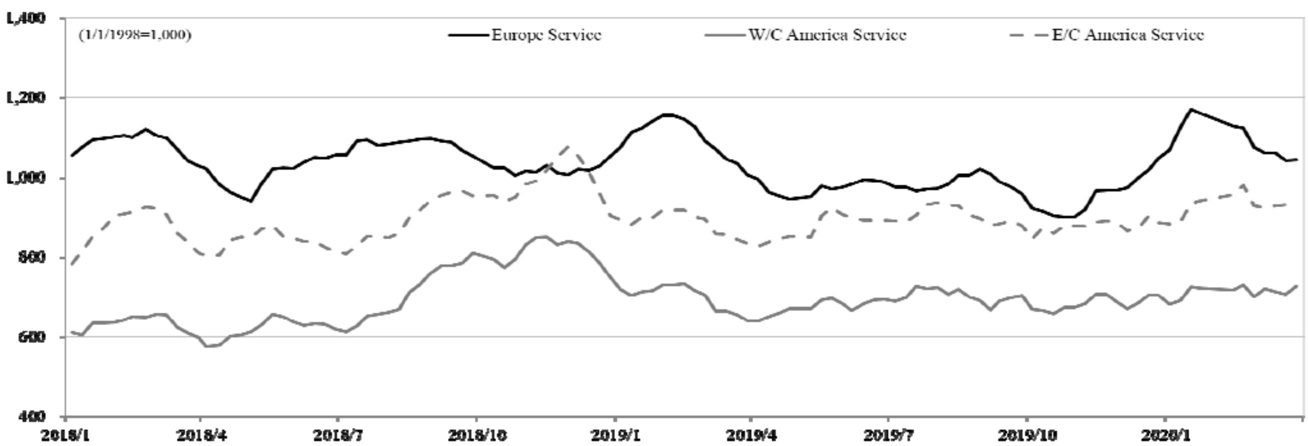
(2) Tanker Market (Daily Earnings) : VLCC AG/Japan trade

Source : Clarksons Research

Monthly Average	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average
2018	11,148	7,357	8,739	6,800	7,116	12,896	12,282	15,869	16,183	41,604	52,657	48,552	20,100
2019	33,842	24,042	32,844	12,797	11,651	20,240	17,660	34,248	38,243	149,802	80,012	101,423	46,400
2020	71,787	21,404	160,557										84,582

(3) Containership Market (China Containerized Freight Index)

Source : Shanghai Shipping Exchange



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