NOTICE OF CONVOCATION OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS

For the Fiscal Year 2019
(From April 1, 2019 to March 31, 2020)

Mitsui O.S.K. Lines, Ltd.

[Translation for Reference and Convenience Purposes Only]

To our shareholders and investors

I would like to express my heartfelt gratitude to all of you for your ongoing support.

With the issuance of the Business Report for the Fiscal Year 2019, I would like to extend my greetings.

In FY2019, in addition to the ongoing trade conflict between the U.S. and China since the previous fiscal year, the sense of a global economic slowdown became more pronounced from the second half, and the world faced the impact caused by the spread of COVID-19 at the fiscal year-end. As a result, growth in ocean cargo movements lost steam in FY2019. Despite such environment, the Dry Bulk Business and Energy Transport Business were able to generate earnings thanks to the steady accumulation of profits from medium- to long-term contracts and the relatively strong conditions from the oil tanker market. In the Product Transport Business, Ocean Network Express Pte. Ltd. (ONE), MOL's integrated containership business venture, had its second year of operations and was able to overcome the large deficit it posted in its first year, and turned profitable while also sufficiently preparing for and responding to SOx regulations pertaining to fuel. As a result, MOL posted ordinary profits in all of its business segments, with the company's overall ordinary profit and profit attributable to owners of parent increasing significantly over the previous fiscal year. Considering earnings for FY2019, as redistribution of profit to our shareholders we plan to pay an annual dividend of ¥65.00 per share, an increase of ¥20.00 yen per share from the previous fiscal year (interim dividend ¥30.00, year-end dividend ¥35.00).

In FY2020, the spread of COVID-19 and a significant drop in crude oil prices will likely have a major impact on our business performance. At the moment we expect an ordinary loss of ¥10.0 billion to ¥40.0 billion, and the dividend for the next fiscal year is yet to be determined.

Given the state of emergency, we have established the Rolling Plan Special Committee as an organization to give top priority to hammer out measures in defense of business continuity. We will also gain a comprehensive understanding of the virus's impact on our operations and respond accordingly. This committee will review investment plans and scale down market exposure as well as formulate strategies for steering our businesses back on a course for growth as soon as possible in preparation for the recovery in demand. Though we understand you would be concerned about the situation, please be assured that we will work in a concerted effort to minimize the negative impact on profits. We would much appreciate your continued support.

In the meantime, we have been committed to achieving the aims of our management plan "Rolling Plan," with stated aims to realize the 10-year vision to "Become a Group of Business Units with No. 1 Competitiveness in Respective Areas" and the three core strategies to realize this vision: (1) Concentrated investment of management resources in the business fields where MOL has strengths, which will mainly be offshore businesses (portfolio strategy); (2) Provision of "stress-free services," which MOL will offer from the customer's perspective (sales strategy); and (3) Promotion of environmental strategies and development of emission-free business into a core business (environment strategy). While the above mentioned basic management strategy remains unchanged in FY2020, we will ascertain post COVID-19 mega trends, and take initiatives to establish the strategies put forward for further growth from a medium- to long-term perspective.

Since its establishment, MOL has contributed to industries and enriched the lives of people around the world as a multi-modal transport group by anticipating the needs of its customers and future demand, and transforming itself through a range of challenges. The world is facing stormy seas due to the impacts of COVID-19 and other factors, and it is now time for us to demonstrate our true strengths to the world so that we can overcome these hardships together. By doing so, we will reaffirm our value to the stakeholders.

We look forward to your continued understanding and support.

Junichiro Ikeda

Representative Director
President, Chief Executive Officer

[Translation for Reference and Convenience Purposes Only]

Securities Code: 9104
June 4, 2020

To Shareholders with Voting Rights

Junichiro Ikeda
Representative Director
President, Chief Executive Officer
Mitsui O.S.K. Lines, Ltd.
1-1, Toranomon 2-chome,
Minato-ku, Tokyo, Japan

NOTICE OF CONVOCATION OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Ordinary General Meeting of Shareholders of Mitsui O.S.K. Lines, Ltd. ("MOL" or the "Company") will be held as set forth below.

Upon having carefully considered the matter of preventing further transmission of the novel coronavirus (COVID-19), we have decided to put appropriate infection control measures into effect with respect to holding our Ordinary General Meeting of Shareholders.

We accordingly ask our shareholders to consider refraining from attending the Ordinary General Meeting of Shareholders irrespective of their state of health. Instead, we urge shareholders to exercise their voting rights beforehand either in writing using postal mail, via the Internet, or through other such means.

Please review the Reference Documents for the General Meeting of Shareholders listed below, and exercise your voting rights by following the Guide to Exercising Your Voting Rights on page 4.

1. **Date and Time:** 10:00 a.m., Tuesday, June 23, 2020 (Reception from 9:00 a.m.)
2. **Place:** Shinagawa Intercity Hall,
   2-15-4, Konan, Minato-ku, Tokyo, Japan
3. **Agenda:**

   Matters to Be Reported:
   (1) The Business Report, the Consolidated Financial Statements, and Audit Reports of the Accounting Auditor and the Audit & Supervisory Board for the Consolidated Financial Statements for the Fiscal Year 2019 (From April 1, 2019 to March 31, 2020)
   (2) The Non-consolidated Financial Statements for the Fiscal Year 2019 (From April 1, 2019 to March 31, 2020)

   Proposals to Be Resolved:
   Proposal No. 1: Appropriation of Surplus
   Proposal No. 2: Election of Eight (8) Directors
   Proposal No. 3: Election of One (1) Substitute Audit & Supervisory Board Member
   Proposal No. 4: Issuance of Stock Acquisition Rights as Stock Options to Executive Officers, Employees Who Hold Senior Management Positions, and Presidents of the Company's Subsidiaries

[Translation for Reference and Convenience Purposes Only]

To prevent the spread of COVID-19

Please take the following precautions to prevent the spread of COVID-19. We ask for your cooperation and understanding in this regard.

<Request to shareholders regarding exercise of voting rights>
To avoid risk of infection, we recommend that you refrain from attending this year's Ordinary General Meeting of Shareholders on the scheduled date. Instead, we urge you to exercise your voting rights either in writing (by postal mail) or via the Internet. For further details on exercising voting rights via mail or via the Internet, please refer to page 4. We plan to publish a video of the meeting on our website later to provide shareholders not attending the meeting in person with the opportunity to view the meeting.

<Request to attending shareholders>
If you plan to attend the meeting, we kindly ask you to carefully evaluate your health status and act in a reasonable manner. We particularly ask shareholders who are elderly, with underlying medical conditions, expecting mothers, and with cold-like symptoms or otherwise showing signs of illness refrain from attending the meeting. We intend to take the following measures at this year's meeting with the aim of preventing further transmission of COVID-19.

- **Commemorative goods (complimentary gifts) will not be offered.**
- To keep sufficient space between chairs, the number of seats available will be significantly fewer than previous years. As a result, we may ask some shareholders not to attend the meeting.
- Our staff members might approach you and possibly ask you to leave the meeting venue if they suspect you are showing signs of illness.
- We have canceled providing beverages, exhibiting panel displays on the Company's business operations, and hosting a booth introducing our passenger ships and ferries at the meeting venue.
- We ask that everyone at the meeting venue wear a mask and use alcohol-based hand sanitizer.
- Our officers and staff members will wear masks.
- We are currently considering to shorten the time of the meeting compared to previous years.

We may update these measures subject to change in the situation. We also expect that the venue, the starting time and the running method of the meeting may be greatly modified depending on how the situation develops toward the meeting date. Please check the company website for the latest information in this regard.

WEBSITE
https://www.mol.co.jp/en/ir/stock/gms/index.html

[Translation for Reference and Convenience Purposes Only]

Guide to Exercising Your Voting Rights

There are three methods to exercise your voting rights as indicated below.

Exercising voting rights in writing (by mail)

Deadline for exercising voting rights: **No later than 5:00 P.M., Monday, June 22, 2020 (must arrive by this time)**

Please indicate your approval or disapproval of the proposals in the enclosed Voting Form and return it to the Company by mail so that it arrives before the deadline.

Guide to filling in the Voting Form

Proposal No. 1, No. 3 and No. 4

If you approve:	Mark a ○ in the box marked “賛”
If you disapprove:	Mark a ○ in the box marked “否”

Proposal No. 2

If you approve all candidates:	Mark a ○ in the box marked “賛”
If you disapprove all candidates:	Mark a ○ in the box marked “否”
If you selectively disapprove certain candidates:	Mark a ○ in the box marked “賛” and write the number of each candidate you choose to disapprove.

Exercising voting rights via the Internet, etc.

Deadline for exercising voting rights: **No later than 5:00 P.M., Monday, June 22, 2020**

Please access the Company’s voting website and indicate whether you approve or disapprove of the proposals by the deadline.

Voting Rights Exercise Website URL: https://www.web54.net (available in Japanese only)

* Depending on the Internet usage environment on your PC, smartphone or cell phone, you may not be able to access the website for exercising your voting rights.

Attending the General Meeting of Shareholders

Date and time of the General Meeting of Shareholders: 10:00 A.M., Tuesday, June 23, 2020
(Reception starts at 9:00 a.m.)

Please bring the enclosed Voting Form and submit it to the reception desk.

* If you exercise your voting rights by proxy, you must appoint as a proxy one of the shareholders holding voting rights at the meeting.
Please note that it is necessary to submit a document proving the authority of proxy.

Handling of your voting rights

- If a voting right is exercised both by returning a Voting Form and via the Internet, only voting via the Internet will be deemed valid.
- If you exercise your voting rights multiple times via the Internet, etc., by using devices such as PC, smartphone, or cell phone, the last vote shall be deemed valid.

Should any modification to the Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements and Non-consolidated Financial Statements occur, the matters after modification will be posted on the Internet website of the Company (listed below).

WEBSITE	https://www.mol.co.jp/en/ir/stock/gms/index.html

[Translation for Reference and Convenience Purposes Only]

REFERENCE DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS

Proposal No. 1: Appropriation of Surplus

The Company's key management policies are the enhancement of corporate value with proactive business investment and the direct return of profits to shareholders through dividend payments.
We are working to reinforce our corporate structure and further increase per-share corporate value by utilizing internal capital reserves. In the coming terms, we will pay dividends linked to business performance with a 20% dividend payout ratio as a guideline. Also, we will continue working on improving the ratio as a medium- and long-term management issue.
Despite fluctuations in market conditions, the Company maintained a surplus in profit attributable to owners of parent as a result of having steadily accumulated profits in its each segment and restored profit in the containership business. Taking this into consideration, we propose to pay a year-end dividend for the fiscal year of ¥35.00 per share, an increase of ¥10.00 per share from the previous fiscal year, in order to furthermore return profits to shareholders.
As we have already paid an interim dividend of ¥30.00 per share, for FY2019, the annual dividend of the Company will be ¥65.00 per share, an increase of ¥20.00 from the previous fiscal year.

Matters related to year-end dividend

(1) Type of dividend property
Cash
(2) Matter related to distribution of dividend property and total amount thereof
¥35.0 per common share of the Company Total amount: ¥ 4,185,896,015
(3) Effective date of distribution of surplus
June 24, 2020

[Translation for Reference and Convenience Purposes Only]

Proposal No. 2: Election of Eight (8) Directors

The terms of office of all eight (8) directors will expire at the conclusion of this meeting. Accordingly, election of the following eight (8) directors is proposed.

Candi-date Number		Name	Current Positions and Responsibilities in the Company	Attendance to the Board of Directors' meetings	Nomination Advisory Committee	Remuneration Advisory Committee
1	Reappointed	Junichiro Ikeda	Representative Director President, Chief Executive Officer	100% 10 of 10	○	○
2	Reappointed	Takeshi Hashimoto	Representative Director Executive Vice President, Executive Officer Assistant to President (mainly for business divisions), Supervisor for Human Resources Division, Responsible for: Europe and Africa Area	100% 10 of 10		
3	Reappointed	Akihiko Ono	Representative Director Executive Vice President, Executive Officer Assistant to President (mainly for corporate divisions), Chief Compliance Officer, Chief Information Officer, Deputy Director General, Safety Operations Headquarters, Deputy Director General, Technology Innovation Unit, Responsible for: Regional Strategy for Japan, the Americas Area, Refreshing Organization, Enhancing Group Management, Secretaries & General Affairs Division, MOL Information Systems, Ltd.	100% 10 of 10		
4	Reappointed	Takashi Maruyama	Representative Director Senior Managing Executive Officer Chief Financial Officer, Responsible for: Corporate Communication Division (IR), Finance Division, Accounting Division	100% 10 of 10		
5	Newly appointed	Toshiaki Tanaka	Managing Executive Officer Chief Environment and Sustainability Officer, Director General, Dry Bulk Business Unit, Responsible for: Dry Bulk Business Planning & Co-ordination Division, Secondarily Responsible for: Corporate Planning Division (mainly for Environment Strategy and Sustainability Promotion)	–% –		
6	Reappointed Outside Independent	Hideto Fujii	Director	100% 10 of 10	○	○
7	Reappointed Outside Independent	Etsuko Katsu	Director	100% 10 of 10	○	○
8	Reappointed Outside Independent	Masaru Onishi	Director	100% 8 of 8	○	○

Reappointed: Candidate for reappointment as Director

Newly appointed: Candidate for new appointment as Director

Outside: Candidate for Outside Director

Independent: Independent officer for submission to stock exchanges

[Translation for Reference and Convenience Purposes Only]

Selection policy and process
The selection of candidates for the Board of Directors is based on the report from the Nomination Advisory Committee. The basic policy of the Company is to have a board composed of inside directors and several outside directors. Directors appointed from within the company should be able to contribute to the enhancement of the Group's corporate value with extensive experience and knowledge, as well as being capable of making management decisions on a global basis with broad perspectives and foresight. Outside directors should be able to contribute to the enhancement of the Group's corporate value from an objective perspective based on extensive experience and knowledge in their area of expertise.

The candidates for directors are as follows:

Candidate number	Name		
1	Junichiro Ikeda	Reappointed Date of birth July 16, 1956	**Number of the Company's Shares Held** 23,200 shares **Attendance to the Board of Directors' meetings** 10 of 10 (Attendance rate: 100%) **Number of years as Director** 7 years *as of the conclusion of this meeting

Career Summary, and Positions and Responsibilities in the Company

Apr. 1979	Joined Mitsui O.S.K. Lines, Ltd.
Jun. 2004	General Manager of Human Resources Division
Jun. 2007	General Manager of Liner Division
Jun. 2008	Executive Officer
Jun. 2010	Managing Executive Officer
Jun. 2013	Director, Senior Managing Executive Officer
Jun. 2015	**Representative Director, President, Chief Executive Officer (to present)**

[Reason for nomination as candidate for director]

Junichiro Ikeda has been carrying out resolutions of the Board of Directors and leading management of the Group since being appointed as Representative Director, President, Chief Executive Officer in June 2015. With his strong leadership and decision-making ability based on his abundant experience and achievements, he has been working to enhance corporate value by embarking on a structural reform program, taking decisions on integration of container shipping businesses and actively investing in growing sectors. We deem that his extensive experience and knowledge are necessary in our efforts to develop Group management and strengthen corporate governance, and accordingly propose that he be reappointed.

Candidate number 2	Takeshi Hashimoto	Reappointed Date of birth October 14, 1957	**Number of the Company's Shares Held** 8,200 shares **Attendance to the Board of Directors' meetings** 10 of 10 (Attendance rate: 100%) **Number of years as Director** 5 years *as of the conclusion of this meeting

Career Summary, and Positions and Responsibilities in the Company

Apr. 1982	Joined Mitsui O.S.K. Lines, Ltd.
Jun. 2008	General Manager of LNG Carrier Division
Jun. 2009	Executive Officer, General Manager of LNG Carrier Division
Jun. 2011	Executive Officer
Jun. 2012	Managing Executive Officer
Jun. 2015	Director, Managing Executive Officer
Apr. 2016	Director, Senior Managing Executive Officer
Apr. 2019	**Representative Director, Executive Vice President, Executive Officer (to present)**

<Assignment>

Assistant to President (mainly for business divisions),
Supervisor for Human Resources Division,
Responsible for: Europe and Africa Area

[Reason for nomination as candidate for director]

Takeshi Hashimoto has been involved in the liquefied natural gas (LNG) carrier and offshore businesses over many years. Currently, he mainly oversees business divisions while also taking charge of overall management as Executive Vice President, Executive Officer. We deem that his extensive experience and knowledge are necessary in our efforts to increase the corporate value of the Group, and accordingly propose that he be reappointed.

Candidate number 3	Akihiko Ono	Reappointed Date of birth October 1, 1959	**Number of the Company's Shares Held** 6,900 shares **Attendance to the Board of Directors' meetings** 10 of 10 (Attendance rate: 100%) **Number of years as Director** 2 years *as of the conclusion of this meeting

Career Summary, and Positions and Responsibilities in the Company

Apr. 1983	Joined Mitsui O.S.K. Lines, Ltd.
Jun. 2010	General Manager of Corporate Planning Division
Jun. 2011	Executive Officer, General Manager of Corporate Planning Division
Jun. 2015	Managing Executive Officer
Apr. 2017	Senior Managing Executive Officer
Jun. 2018	Director, Senior Managing Executive Officer
Apr. 2020	**Representative Director, Executive Vice President, Executive Officer (to present)**

<Assignment>

Assistant to President (mainly for corporate divisions),
Chief Compliance Officer,
Chief Information Officer,
Deputy Director General, Safety Operations Headquarters,
Deputy Director General, Technology Innovation Unit,
Responsible for: Regional Strategy for Japan, the Americas Area, Refreshing Organization, Enhancing Group Management, Secretaries & General Affairs Division, MOL Information Systems, Ltd.

[Reason for nomination as candidate for director]

Akihiko Ono has been involved in corporate planning and the containership business over many years. Currently, he oversees ICT strategy as Chief Information Officer (CIO), and furthermore serves as Chief Compliance Officer (CCO) by utilizing his considerable insight regarding business management. He has mainly been overseeing corporate divisions while also handling overall management as Executive Vice President, Executive Officer since April 2020. We deem that his extensive experience and knowledge are necessary in our efforts to increase the corporate value of the Group, and accordingly propose that he be reappointed.

Candidate number 4	Takashi Maruyama	Reappointed Date of birth April 10, 1959	**Number of the Company's Shares Held** 4,509 shares **Attendance to the Board of Directors' meetings** 10 of 10 (Attendance rate: 100%) **Number of years as Director** 3 years *as of the conclusion of this meeting

Career Summary, and Positions and Responsibilities in the Company

Apr. 1983	Joined Mitsui O.S.K. Lines, Ltd.
Jun. 2010	General Manager of Finance Division
Jun. 2011	Executive Officer, General Manager of Finance Division
Jun. 2015	Managing Executive Officer
Jun. 2017	Director, Managing Executive Officer
Apr. 2018	Director, Senior Managing Executive Officer
Apr. 2020	**Representative Director, Senior Managing Executive Officer (to present)**

<Assignment>

Chief Financial Officer,
Responsible for: Corporate Communication Division (IR), Finance Division, Accounting Division

[Reason for nomination as candidate for director]

Takashi Maruyama has been involved in the Finance and Investor Relations Divisions over many years. Currently, he oversees financial strategy for the entire Group which expands its business operation globally, as Chief Financial Officer and Senior Managing Executive Officer. We deem that his extensive experience and knowledge are necessary in our efforts to increase the corporate value of the Group, and accordingly propose that he be reappointed.

Candidate number 5	Toshiaki Tanaka	Newly appointed Date of birth April 17, 1960	**Number of the Company's Shares Held** 3,800 shares **Attendance to the Board of Directors' meetings** – **Number of years as Director** – years *as of the conclusion of this meeting

Career Summary, and Positions and Responsibilities in the Company

Apr. 1984	Joined Mitsui O.S.K. Lines, Ltd.
Jun. 2011	General Manager of Iron Ore & Coal Carrier Division
Jun. 2014	Executive Officer, General Manager of Iron Ore & Coal Carrier Division
Jun. 2015	Executive Officer
Apr. 2017	**Managing Executive Officer (to present)**

<Assignment>

Chief Environment and Sustainability Officer,
Director General, Dry Bulk Business Unit,
Responsible for: Dry Bulk Business Planning & Co-ordination Division,
Secondarily Responsible for: Corporate Planning Division (mainly for Environment Strategy and Sustainability Promotion)

[Reason for nomination as candidate for director]

Toshiaki Tanaka has been involved in the dry bulk business entailing iron ore transport over many years. Currently, he oversees business operations as Director General, Dry Bulk Business Unit. Moreover, he has been involved in the Group's business management as a member of the Executive Committee. We deem that his extensive experience and knowledge are necessary in our efforts to increase the corporate value of the Group, and accordingly propose that he be appointed.

[Translation for Reference and Convenience Purposes Only]

Candidate number 6	Hideto Fujii	Reappointed Outside Independent Date of birth December 13, 1947	**Number of the Company's Shares Held** 1,400 shares **Attendance to the Board of Directors' meetings** 10 of 10 (Attendance rate: 100%) **Number of years as Outside Director** 4 years *as of the conclusion of this meeting

Career Summary, and Positions and Responsibilities in the Company

Apr. 1971	Joined Ministry of Finance
Jan. 2003	Deputy Vice Minister, Minister's Secretariat
Jul. 2004	Director-General, Budget Bureau
Jul. 2006	Administrative Vice Minister
Oct. 2007	Deputy Governor, Development Bank of Japan Inc.
Oct. 2008	Deputy President (Resigned in June 2015)
Jun. 2016	**Outside Director, Mitsui O.S.K. Lines, Ltd. (to present)**

<Significant concurrent positions outside the Company>

Adviser, Sumitomo Corporation

[Reason for nomination as candidate for outside director]

Hideto Fujii has many years of experience and expertise from his involvement in Japan's economic management and policy finance. Using such experience and insights, he proactively contributes to discussions at meetings of the Board of Directors from a position of independence and fairness, and appropriately fulfills his role as a supervisor of the Company's execution of operations.

Also, he has contributed to enhancing the transparency and objectivity of decision-making procedures in the Nomination Advisory Committee and the Remuneration Advisory Committee. In light of the above, we consider him to be qualified as a director who can enhance the Group's corporate value and propose that he be reappointed as outside director.

Candidate number 7	Etsuko Katsu	Reappointed Outside Independent Date of birth April 3, 1955	**Number of the Company's Shares Held** 1,400 shares **Attendance to the Board of Directors' meetings** 10 of 10 (Attendance rate: 100%) **Number of years as Outside Director** 4 years *as of the conclusion of this meeting

Career Summary, and Positions and Responsibilities in the Company

Apr. 1978	Joined The Bank of Tokyo, Ltd. (currently MUFG Bank, Ltd.) Research Division (Resigned in December 1992)
Dec. 1992	Senior Economist, The Japan Research Institute, Limited
Apr. 1995	Associate Professor of Finance and Economics, Ibaraki University
Apr. 1998	Associate Professor, School of Political Science and Economics, Meiji University
Apr. 2003	Professor, School of Political Science and Economics, Meiji University
Apr. 2008	Vice President International, Meiji University
Jun. 2016	**Outside Director, Mitsui O.S.K. Lines, Ltd. (to present)**

<Significant concurrent positions outside the Company>

Professor, School of Political Science and Economics, Meiji University

Outside Director (Audit and Supervisory Committee Member), Dentsu Group Inc.

Administrative Board Member, International Association of Universities (IAU)

Chairman of Fund Management Advisory Committee, The Japan Foundation

[Reason for nomination as candidate for outside director]

Etsuko Katsu proactively contributes to discussions at meetings of the Board of Directors from a standpoint independent from the executive team involved in our businesses, reflecting her extensive knowledge and insight as an expert in international economics and finance, experience in university management and experience and knowledge regarding global human resource development initiatives. As such, she appropriately fulfills her roles such as supervising the Company's business execution. Also, she has contributed to enhancing the transparency and objectivity of decision-making procedures in the Nomination Advisory Committee and the Remuneration Advisory Committee. Based on the above reasons, we propose that she be reappointed as outside director.

[Translation for Reference and Convenience Purposes Only]

Candidate number			
8	Masaru Onishi	Reappointed Outside Independent Date of birth May 19, 1955	**Number of the Company's Shares Held** 200 shares **Attendance to the Board of Directors' meetings** 8 of 8 (Attendance rate: 100%) **Number of years as Outside Director** 1 year *as of the conclusion of this meeting

Career Summary, and Positions and Responsibilities in the Company

Apr. 1978	Joined Japan Airlines Co., Ltd.
Apr. 2009	Executive Officer, Japan Airlines International Co., Ltd. (currently Japan Airlines Co., Ltd.)
Jun. 2009	Representative Director, President, Japan Air Commuter Co., Ltd.
Feb. 2010	Trustee Representative and President, Japan Airlines International Co., Ltd. (currently Japan Airlines Co., Ltd.)
Nov. 2010	Director, Japan Airlines International Co., Ltd.
Mar. 2011	Representative Director, President, (Safety General Manager), Japan Airlines International Co., Ltd.
Apr. 2011	Representative Director, President, (Safety General Manager), Japan Airlines Co., Ltd.
Feb. 2012	Representative Director, Chairman, General Manager, Corporate Safety & Security (Safety General Manager), Japan Airlines Co., Ltd.
Apr. 2013	Representative Director, Chairman (Safety General Manager), Japan Airlines Co., Ltd.
Apr. 2014	Director, Chairman, Japan Airlines Co., Ltd.
Apr. 2018	Director, Japan Airlines Co., Ltd.
Jul. 2018	Senior Representative, External Affairs, Japan Airlines Co., Ltd.
Jun. 2019	**Outside Director, Mitsui O.S.K. Lines, Ltd. (to present)**

<Significant concurrent positions outside the Company>

Senior Representative, External Affairs, Japan Airlines Co., Ltd.
Trustee, KEIZAI DOYUKAI (Japan Association of Corporate Executives)
Trustee, International University of Japan
Visiting Professor, Toyo University
Advisor, Mitsubishi Heavy Industries, Ltd.
Outside Director, TEIJIN LIMITED

[Reason for nomination as candidate for outside director]

Masaru Onishi has served as Representative Director, President and as Representative Director, Chairman of Japan Airlines Co., Ltd, and has considerable insight based on his high level of managerial experience. He proactively contributes to discussions at meetings of the Board of Directors from a practical and multifaceted perspective, and appropriately fulfills his roles such as supervising the Company's business execution. Also, he has contributed to enhancing the transparency and objectivity of decision-making procedures in the Nomination Advisory Committee and the Remuneration Advisory Committee. In light of the above, we consider him to be qualified as a director who can enhance the Group's corporate value and propose that he be reappointed as outside director.

Notes:

1. No special interests exist between any of the director candidates and the Company.
2. Among the above candidates, Hideto Fujii, Etsuko Katsu and Masaru Onishi are candidates for outside directors stipulated in Article 2, paragraph (3), item (7) of the Regulation for Enforcement of the Companies Act. Each candidate for outside director satisfies the requirements for independent officer stipulated under the regulations of the stock exchanges on which the Company's common share is listed, as well as the requirements for independence stipulated under the Company's "Independence Criteria for Outside Officers" (pages 13 and 14). The Company has appointed each candidate for outside director as independent officer stipulated under the regulations of the stock exchanges on which the Company's common share is listed, and has notified the exchanges. If their reelection as outside directors are approved, the Company intends to continue to appoint them as independent officers.
3. Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into liability limitation agreements with Hideto Fujii, Etsuko Katsu and Masaru Onishi which limit the amount of their liability under Article 423, paragraph (1) of the Companies Act to the aggregate of the amounts specified in items of Article 425, paragraph (1) of the Companies Act, if they perform their duties in good faith and without significant negligence. If their reelections as outside directors are approved, the Company intends to continue the liability limitation agreements with them.

Proposal No. 3: Election of One (1) Substitute Audit & Supervisory Board Member

Based on the provisions of Article 329, paragraph (3) of the Companies Act, election of one (1) substitute audit & supervisory board member is proposed in preparation for lacking a quorum of audit & supervisory board members.

The Audit & Supervisory Board has previously given its consent to this proposal.

The candidate for substitute audit & supervisory board member is as follows:

Atsuji Toda

Outside

Independent

Date of birth
January 19, 1955

Number of the Company's Shares Held
– shares

Career Summary

Oct. 1979	Joined Showa Audit Corporation
Oct. 1980	Joined Shinko Audit Corporation
Aug. 1984	Registered as a certified public accountant
Oct. 1984	Established Toda Accounting Office
Jun. 2000	Registered as a certified tax accountant
Jan. 2019	**Established TIS Tax Corporation (to present)**

<Significant concurrent positions outside the Company>

Director (certified public accountant), Toda Accounting Office

Certified tax accountant, TIS Tax Corporation

Representative Director, Your Brains Co., Ltd.

Outside Auditor, TAMURA CORPORATION

[Reason for nomination as candidate for substitute outside audit & supervisory board member]

Atsuji Toda has many years of experience as a certified public accountant and extensive knowledge related to accounting. If he is appointed as an audit & supervisory board member, he could use this experience and knowledge in the Company's auditing systems. We think he would carry out his duties as an outside audit & supervisory board member competently from a position of objectivity and fairness. We thus propose that he be appointed as a substitute outside audit & supervisory board member.

Notes:

1. No special interests exist between Atsuji Toda and the Company.
2. Atsuji Toda is a candidate for outside audit & supervisory board member stipulated in Article 2, paragraph (3), item (8) of the Regulation for Enforcement of the Companies Act. It is proposed that he be elected as a substitute outside audit & supervisory board member. He satisfies the requirements for independent officer stipulated under the regulations of the stock exchanges on which the Company's common share is listed, as well as the requirements for independence stipulated under the Company's "Independence Criteria for Outside Officers" (pages 13 and 14). If he assumes his office as an outside audit & supervisory board member, the Company will appoint him as an independent officer stipulated under the regulations of the stock exchanges on which the Company's common share is listed, and notify the matter to the exchanges.
3. On Atsuji Toda's assumption of office as an outside audit & supervisory board member, pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company intends to enter into an agreement with Atsuji Toda, which will limit his liability as set forth in Article 423, paragraph (1) of the Companies Act to the total of the amounts set forth in items of Article 425, paragraph (1) of the Companies Act, if he performs his duties in good faith and without significant negligence.

[Translation for Reference and Convenience Purposes Only]

Independence Criteria for Outside Officers

The Company has established the following criteria for the independence of outside directors and outside audit & supervisory board members (hereinafter referred collectively as "Outside Officer"). The Company deems an Outside Officer or a candidate for Outside Officer to have independence in the event that none of the following items is applicable upon the Company having investigated to the extent that is reasonable and practically possible.

(i) A person who is an executing person*[1] of the Company or its subsidiaries (hereinafter referred collectively as the "MOL Group") or has served as an executing person of the MOL Group during the past ten (10) years (in the case of a person who has served as non-executive director, audit & supervisory board member, or accounting advisor of the MOL Group at a certain point in time during the past ten (10) years, during the ten (10) years prior to their appointment).
*1: An executing person refers to an executive director, a corporate officer, an executive officer, other person with similar responsibilities, or an employee of a corporation or other organization.

(ii) A current major shareholder*[2] of the Company or an executing person thereof, or a person who has fallen under such category during the past three (3) years.
*2: A major shareholder means a shareholder who holds shares with 10% or more of voting rights in his or her own name or in another person's name at the end of the most recent fiscal year of the Company.

(iii) A party in which the MOL Group directly or indirectly holds 10% or more voting rights out of the total number of voting rights, or an executing person thereof, or a party which has fallen under such category during the past three (3) years.

(iv) An executing person of a company which has accepted a director (either full-time or part-time) from the MOL Group, or the parent company or a subsidiary thereof, or a person who was an executing person of such company during the past three (3) years.

(v) An executing person of a financial institution or other major creditor, or the parent company or a major subsidiary thereof, which is indispensable for the MOL Group's financing and on which the MOL Group depends to an irreplaceable extent.

(vi) A party with which the MOL Group is a major business partner*[3], or if such party is a company, then an executing person of such company, or the parent company or a major subsidiary thereof, or a party which has fallen under such category during the past three (3) years.
*3: A party with which the MOL Group is a major business partner means a party which, in its most recent fiscal year, received a payment of 2% or more of its consolidated total revenue from the MOL Group (excluding payment of remuneration for directors from the MOL Group if a party with which the MOL Group is a major business partner is an individual).

(vii) A party which is a major business partner of the MOL Group*[4], or if such party is a company, then an executing person of such company, or the parent company or a major subsidiary thereof, or a party which has fallen under such category during the past three (3) years.
*4: A major business partner of the MOL Group means a party which paid the MOL Group 2% or more of its gross sales in its most recent fiscal year.

(viii) A party which was an accounting auditor of the MOL Group, or an employee, etc. thereof, or a party which has fallen under such category during the past three (3) years.

(ix) A consultant, an accounting professional, or a legal professional receiving a significant amount of money or other assets*[5] other than director remuneration from the MOL Group (if a party receiving such assets is an organization such as a corporation or an association, then a person who belongs to such organization), or a party which has fallen under such category during the past three (3) years.
*5: A significant amount of money or other assets means ¥10 million or more of money or other property benefits received per year other than director remuneration in its most recent fiscal year (if a party receiving such assets is an organization such as a corporation or an association, a significant amount of money or other assets means the amount of money or other assets benefit which exceeds 2% of the gross revenue of the party in its most recent fiscal year).

(x) A party which received donations or grants exceeding a certain amount*6 from the MOL Group (if a party receiving such donations or grants is an organization such as a company or an association, then an executing person of such organization), or a party which has fallen under such category during the past three (3) years.
*6: Donations or grants exceeding a certain amount mean donations or grants exceeding the greater of ¥10 million per year on average during the past three (3) years or 2% of the gross revenue of a party in its most recent fiscal year.

(xi) A close relative*8 of a person who is applicable to the above-listed items (i) through (x) (limited to a person who is in an important position*7).
*7: A person who is in an important position means an employee who holds a senior management position, such as executive director, corporate officer, executive officer, or general manager or above; if a person belongs to an auditing firm or an accounting firm, then a certified public accountant; if a person belongs to a law firm, then a lawyer; if a person belongs to an incorporated foundation, an incorporated association, or an incorporated educational institution, then an officer such as councilor, board member, or an auditor-secretary; or other person who is objectively and reasonably considered to be of equivalent importance.
*8: A close relative means a spouse or a relative within the second-degree of kinship.

(xii) Other person who might have a conflict of interest with general shareholders and in circumstances which are reasonably considered to prevent the person from fulfilling duties as an independent Outside Officer.

[Translation for Reference and Convenience Purposes Only]

Proposal No. 4: Issuance of Stock Acquisition Rights as Stock Options to Executive Officers, Employees Who Hold Senior Management Positions, and Presidents of the Company's Subsidiaries

In fiscal year 2020, the Company will offer stock acquisition rights as stock options to Executive Officers who do not serve as Directors of the Company, employees who hold senior management positions, and Presidents of subsidiaries; and authorize the Board of Directors to issue stock acquisition rights and determine subscription requirements based on the provisions of Articles 236, 238 and 239 of the Companies Act, as outlined below.

1. Reason for the necessity of subscription for persons who underwrite the stock acquisition rights on particularly advantageous terms
   With the purpose of increasing the Company's business performance and shareholders' profit by increasing incentives for Executive Officers who do not serve as Directors of the Company, employees who hold senior management positions, or Presidents of subsidiaries, the Company will allocate stock acquisition rights to these persons, without a payment requirement.
2. Outline and maximum number of stock acquisition rights
   (1) Maximum number of stock acquisition rights
      Maximum shall be 1,500, determined as provided in item (3) below.
      The total number of shares issuable by exercising the stock acquisition rights, shall be up to 150,000 of the Company's common shares, and in the case that the number of granted shares related to the relevant stock acquisition rights is adjusted by (3) (b) below, it shall be that number equal to the number of granted shares related to the relevant stock acquisition rights after adjustment multiplied by the above-written maximum number of stock acquisition rights.
   (2) Payment shall not be required for granting of the stock acquisition rights.
   (3) Outline of stock acquisition rights
      (a) Persons to whom stock acquisition rights shall be allocated
         Persons from among the Executive Officers who do not serve as Directors of the Company, employees who hold senior management positions, and Presidents of subsidiaries, who received approval from the Board of Directors.
      (b) Class and number of shares for the purpose of stock acquisition rights
         Class of shares for the purpose of stock acquisition rights shall be common shares, and the number of shares subject to each stock acquisition right (hereinafter called "granted shares"), is to be limited to 100.
         However, in the event of share split of Company's common stock (including the gratis allotment of the stock) or share consolidation after the resolution by the General Meeting of Shareholders (hereinafter called "resolution date"), the number of granted shares related to the relevant stock acquisition rights shall be adjusted proportionally in accordance with the percentage of the share split or share consolidation.
         In addition, if, after the resolution date, circumstances arise that unavoidably require adjustment of the number of granted shares related to the relevant stock acquisition rights such as in a case where the Company merges with another company, carries out a company split or stock exchange, or decreases capital, the number of granted shares related to the relevant stock acquisition rights shall be adjusted within a rational range, by taking into consideration the conditions for capital reduction, etc.
         Fractions of less than one (1) share as a result of the above adjustment are to be rounded down.
      (c) Amount to be paid when stock acquisition rights are exercised
         Amount to be paid when stock acquisition rights are exercised shall be the paid amount per share that can be issued by exercising the stock acquisition rights (hereinafter called "exercise amount"), multiplied by the anticipated number of shares concerning the relevant stock acquisition rights.
         The exercise amount will be the average closing price of the Company's common stock (hereinafter called "closing price") on the Tokyo Stock Exchange during the month (excluding any date when the transaction was not concluded) prior to the month, to which the date when the stock acquisition rights are allocated (hereinafter called "allotment date") belongs, multiplied by 1.10. Fractions of less than ¥1 will be rounded up.
         However, in the case where the amount is lower than the closing price of the allotment date (or the closing price of the immediately preceding date in case no closing price is published on the allotment date), it will be the closing price on that date.
         After the allotment date, in the event of a share split (including the gratis allotment of the stock) or share consolidation, the exercise amount will be adjusted by the following formula, with fractions of less than ¥1 rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of share split or consolidation}}$$

In addition, after the allotment date, for the Company's common stock, in the case where the Company issues new shares or disposes of treasury stock at a price lower than market price [excluding sale of treasury stock based on provision of Article 194 of the Companies Act (demand for sale of less than minimum trading unit (*tan-gen*) of shares by a holder of shares less than minimum trading unit (*tan-gen*)) and conversion or exercise of securities that will be or can be converted into common stock of the Company or the stock acquisition rights (including the stock acquisition rights attached to corporate bonds with new stock acquisition rights) for which issuance of the Company's common stock can be requested], the exercise price shall be adjusted in accordance with the following formula, with fractions of less than ¥1 rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares outstanding} + \dfrac{\text{Number of shares to be issued} \times \text{Subscription price per share to be issued}}{\text{Market price per share}}}{\text{Number of shares outstanding} + \text{Number of shares to be issued}}$$

In the above formula, the "number of shares outstanding" is the number of the Company's outstanding common stock after deducting the number of shares of its treasury stock concerning common stock. In case of disposal of treasury stock, the "number of shares to be issued" shall be treated as the "number of shares to be disposed."

Furthermore, in the case where the Company merges with another company, carries out a company split or share exchange, or decreases capital after the allotment date and where adjustment of the exercise price is required, the exercise price shall be adjusted within a rational range, subject to a resolution of the Board of Directors.

(d) Period during which stock acquisition rights may be exercised
It will be determined by the Board of Directors, which will be during the period from June 24, 2022 to June 21, 2030.

(e) Capital and capital reserve increased in the case where the shares are issued by exercising the stock acquisition rights

i) The amount of capital increased in the case where the shares are issued by exercising the stock acquisition rights shall be half of the maximum amount of capital increase, which shall be calculated in accordance with Article 17, paragraph (1) of the Regulation on Corporate Accounting, with fractions of less than ¥1 rounded up.

ii) The amount of capital reserve increased in the case where the shares are issued upon the exercise of stock acquisition rights shall be the amount equal to the maximum amount of capital increase described in i) above after deducting the increased capital amount determined in i) above.

(f) Restrictions on acquisition of stock acquisition rights by transfer
Any acquisition of the stock acquisition rights by transfer shall require the prior approval of the Board of Directors.

(g) Provision on acquisition of stock acquisition rights
Provision on acquisition of stock acquisition rights shall not be prescribed.

(h) The Company, in the case of merger (limited only to cases in which the Company is dissolved by merger), absorption-type company split/incorporation-type company split, share exchange or share transfer (all hereinafter called "organizational restructure"), may issue the stock acquisition rights of the stock companies listed in Article 236, paragraph (1), item (8)-A to E of the Companies Act (hereinafter called "restructure target company") to each person holding stock acquisition rights (hereinafter called "remaining stock acquisition rights") that remain outstanding at the time when the effects of the organizational restructure arises, for each case thereof, based on the conditions set forth below. In such case, the remaining stock acquisition rights shall become null and void and the restructured target companies shall issue new stock acquisition rights. However, this will apply only to the case that a provision of issuance of the stock acquisition rights of the restructure target companies is provided in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type split agreement, incorporation-type split plan, share exchange agreement, or share transfer plan, in accordance with the conditions set forth below.

i) Number of stock acquisition rights of restructured target companies
The same number of stock acquisition rights shall be issued as the number of remaining stock acquisition rights held by the person with respect to the Company's stock.

ii) Class of shares of restructured target companies subject to the stock acquisition rights
It shall be the common stock of the restructured target companies.

iii) Number of shares of restructured target companies subject to the stock acquisition rights
It shall be determined in accordance with the above item (b), by taking into consideration the conditions, etc. for organizational restructure.

iv) Amount to be paid when stock acquisition rights are exercised
Amount to be paid when each stock acquisition right is exercised shall be the amount obtained by multiplying the payout amount after restructure adjusted after taking into consideration the conditions, etc. for the organizational restructure by the number of shares subject to the relevant stock acquisition rights determined in accordance with iii).

v) Exercise period of the stock acquisition rights
The stock acquisition rights determined in the above item (d) can be exercised from the later of the commencement date of the exercise period of the stock acquisition rights determined in the above item (d) or the effective date of the organizational restructure to the expiration date of the period.

vi) Capital and capital reserve increased in the case the shares are issued by exercising the stock acquisition rights
It shall be determined in accordance with item (e) above.

vii) Limits of acquisition of stock acquisition rights by assignment
Acquisition of stock acquisition rights by assignment shall require approval of the restructured target company.

viii) Acquisition conditions of stock acquisition rights
It shall be determined in accordance with item (g) above.

(i) In the case where fractions of less than one (1) share are included in the number of shares delivered to the persons who exercise the stock acquisition rights, the fractional portion shall be omitted.

(j) Exercise conditions of stock acquisition rights

i) A single stock acquisition right may not be split.

ii) Persons who receive the allotment may exercise the right, even in the case where they no longer hold the position of Executive Officer of the Company, employee who holds senior management position, or President of a subsidiary at the time when exercising the rights.
Note: The granted stock acquisition rights shall immediately be cancelled, in the case where he/she is sentenced to imprisonment or become subject to more severe penalty, is dismissed or discharged, or dies.

iii) Other conditions to exercise the rights shall be determined by the Board of Directors.

- END -

[Translation for Reference and Convenience Purposes Only]

[Reference] Approaches to Corporate Governance

Basic Concept of Corporate Governance

The Company strives actively and continually to bolster its corporate governance to ensure sustainable growth and maximize the value of the MOL Group over the mid- and long-term based on the group's corporate principles and long-term vision, as well as the management plan (Rolling Plan), by taking measures such as 1) appointing two or more outside directors (For this year's ordinary general meeting of shareholders, the Company has submitted a proposal to appoint three outside directors.); 2) establishing the Nomination Advisory Committee and Remuneration Advisory Committee, which are arbitrary organizations in which the majority of members are outside directors, as advisory bodies to the Board of Directors; and, 3) establishing the Company's own criteria for judging independence, in addition to the requirements for independent officers stipulated by the Tokyo Stock Exchange.

Due to the rapid changes in the ocean shipping business environment and in risk factors, we must adeptly set our course by accurately grasping the business environment, always confronting risks appropriately, and effectively utilizing our management resources by maintaining our offense-defense balance. We believe that the essentials of corporate governance are fostering sustainable growth and enhancing our corporate value by making decisions promptly and boldly, guided by appropriate risk management, while ensuring the transparency and fairness of management by carefully considering the viewpoints of our diverse stakeholders and other various social requests.

MOL Corporate Governance Organizational Structure

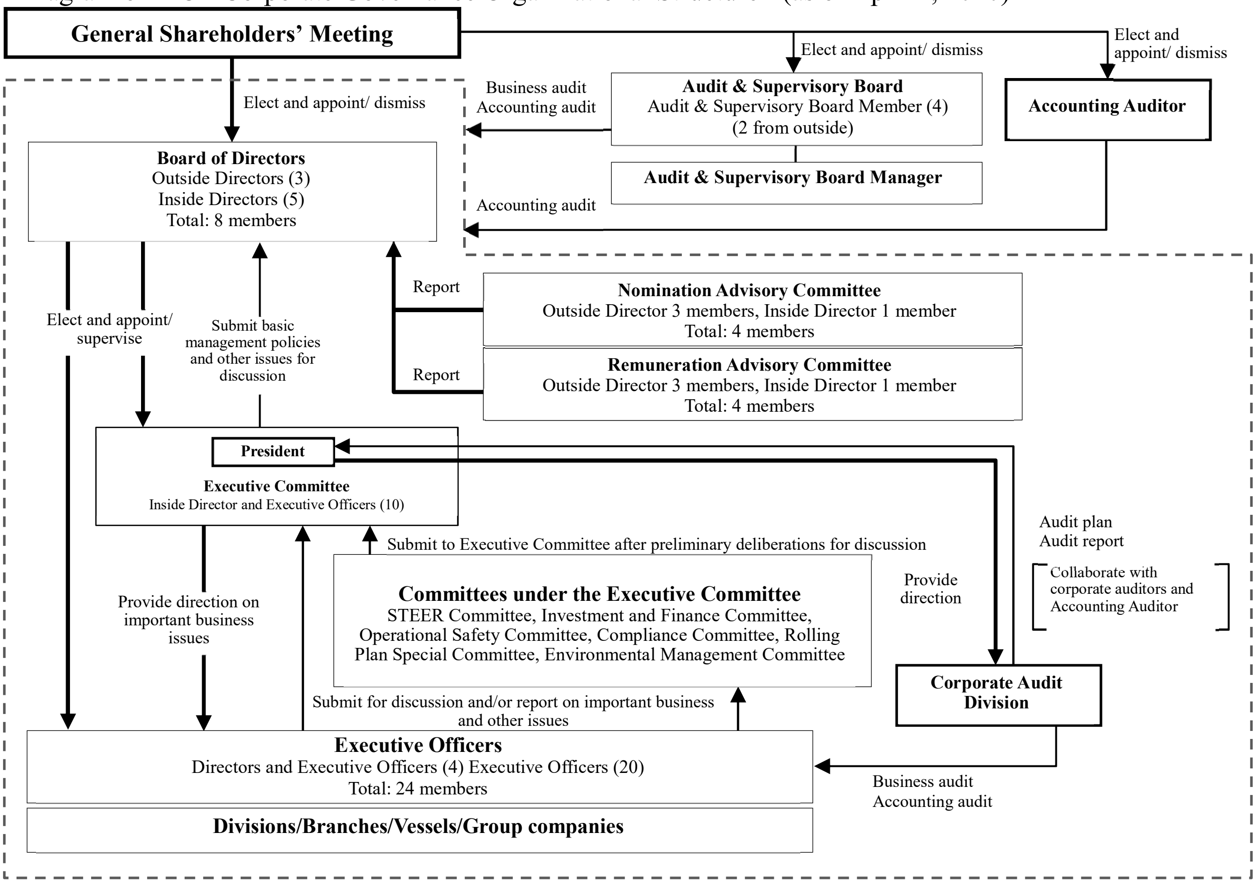
We believe that the appropriate form of governance should achieve legality, appropriateness, and efficiency of business operations by ensuring an effective supervisory framework for the Board of Directors. This is accomplished by having a mutual supervision and check mechanism between inside directors, who also serve as executive officers and execute operations, and by forming a Board of Directors that consists of inside directors who carry out business operations and outside directors who do not execute operations but specialize in supervisory functions. The structure also secures the audit function of the Audit & Supervisory Board, which is independent from the Board of Directors. Based on this view, MOL has become a company with an Audit & Supervisory Board as prescribed in the Companies Act.

The Board of Directors, by its resolution, has established a basic policy for developing a system to secure the properness of operations (internal control system). The MOL Group's officers and employees, under the president serving as the chief executive officer for management, carry out business operations in accordance with the management policy set by the Board of Directors and the above-mentioned basic policy, while being subject to supervision by the Board of Directors and audits by the Audit & Supervisory Board. (For details of the business execution system, please see the descriptions given in a later section.)

We also believe that the true worth of corporate governance will not be achieved by the existence of the framework and organization constructed as described above, but will be put to the test by whether such a framework actually works properly and efficiently as described below.

[Translation for Reference and Convenience Purposes Only]

<Diagram of MOL Corporate Governance Organizational Structure> (as of April 1, 2020)



Board of Directors

As the central decision-making body of the Company, the Board of Directors deliberates and make decisions on the basic policies and the most important matters for the management of MOL Group

The Board of Directors consists of five (5) inside directors and three (3) outside directors, who hold no interest in MOL. Outside directors play a major role in vitalizing the Board of Directors by checking the reasonability of management decisions and of the status of business execution based on their respective experience and knowledge from an independent standpoint without an interest in the Company and expressing useful opinions on overall management. We have developed a supporting system for outside directors whereby agenda items at the Board of Directors' meetings are explained in advance and the execution of important businesses is reported to them each time. In addition, the Board of Directors also conducts the Deliberation on Corporate Strategy and Vision, during which the directors exchange opinions freely with outside directors and outside Audit & Supervisory members on management strategies, the long-term vision and other subjects related to overall management.

FY2019 "Deliberation on Corporate Strategy and Vision": Main Agenda Items

	Agenda
July	Activity policy for LNG carrier business
September	ICT strategy
October	Direction of next management plan
December	Latent customer needs and digitalization
January	MOL's corporate philosophy
February	Overall summary of Rolling Plan 2020

In addition to the "Deliberation on Corporate Strategy and Vision," the "Board Member Discussion Sessions" is also held when necessary after the meetings of the Board of Directors to share and discuss a range of ongoing important issues other than the agenda items at the Board of Directors' meeting at an early stage.

Nomination Advisory Committee and Remuneration Advisory Committee

MOL has established the Nomination Advisory Committee and the Remuneration Advisory Committee as arbitrary organizations under the Board of Directors. For making the outside directors supervise the executive directors more effectively, both committees are chaired by outside directors and are composed of all three (3) outside directors and the President, so that the majority are outside directors.

The Nomination Advisory Committee deliberates matters related to the selection and dismissal of directors and executive officers. Also, the Committee reports to the Board of Directors upon deliberation on the proposal for the next President (including reappointment and dismissal of the current President) based on the succession planning for the next President with the aim of finding the right person to act as future President and CEO (hereinafter collectively called "President" in this section) in a timely and appropriate manner. The Remuneration Advisory Committee appropriately reviews the remuneration plan for directors and executive officers, and determines appropriate levels of remuneration for directors, including incentives for long-term enhancement of corporate value from an objective standpoint, while putting a high priority on the "stakeholders' perspective." In addition to the committee members, the outside audit & supervisory board members may also attend meetings of the respective committees in order to gain an understanding of the deliberation process and provide their opinions. The Board of Directors respects the contents of reports from both Advisory Committees and uses them to pass necessary resolutions.

Main Agenda Items for Review by the Advisory Committees (FY2019)

Nomination Advisory Committee (held six times in total)	Remuneration Advisory Committee (held five times in total)
・ President and CEO succession planning; ・ Outside audit & supervisory board member involvement in the Nomination Advisory Committee; ・ Election of officers (including outside officers) for FY2020; and other matters	・ Bonus for directors in FY2018 and Remuneration for directors in FY2019; ・ Outside audit & supervisory board member involvement in the Remuneration Advisory Committee; ・ The role of officer remuneration plans; and other matters

Succession Planning

The Company draws up President and CEO (hereinafter collectively called "President" in this section) succession plans consisting of the position's requirements, selection process, and plan for training successor candidates with the aim of selecting a President who is appropriate for the Company. The Nomination Advisory Committee reports to the Board of Directors after deliberating on the proposal for next President (including reappointment and dismissal of current President).

Effectiveness Evaluation

The Board of Directors, in accordance with the Corporate Governance Code, performs effectiveness evaluations and analyses each year through deliberations based on the results of self-questionnaires and questionnaires, and uses the results to improve the operation of the Board of Directors. In the effectiveness evaluations for FY2019, there were opinions on enhancing the quality of explanations pertaining to the matters deliberated by the Board of Directors, ensuring enough time for deliberation according to the difficulty level of the matter to be deliberated, and making improvements on "Deliberation on Corporate Strategy and Vision," such as increasing the number of times held and the number of topics set. These points were then identified as issues to be addressed and the improvements to the operation of the Board of Directors were implemented accordingly.

In order to make effectiveness evaluations more beneficial, the Company reviews the evaluation items every fiscal year to ensure an adequate evaluation, which may involve adding matters that are pertinent to the actual condition of that fiscal year.

Business Execution System

MOL introduced the executive officer system in 2000. Executive officers who are appointed by the Board of Directors and to whom authority is delegated by representative director work to increase the speed of management by operating business in accordance with the highest management policy determined by the Board of Directors. The Executive Committee (chaired by the President) functions as a deliberative organ to make decisions on basic management plans and important issues related to execution of business in accordance with the basic policy determined by the Board of Directors. MOL has established six (6) committees as subordinates under the Executive Committee. In addition to the members of each respective committee, officers and general managers related to each issue attend the committee meetings to examine and deliberate on various matters such as important matters submitted to the Executive Committee for discussion and matters pertinent to multiple divisions.

Auditing System

The Audit & Supervisory Board consists of two (2) full-time audit & supervisory board members and two (2) outside audit & supervisory board members who hold no interest in MOL. The audit & supervisory board members periodically hold Audit & Supervisory Board's meetings to draw up audit plans and report and share audit results, etc., and prepare audit reports at the end of fiscal years. Each audit & supervisory board member attends meetings of the Board of Directors and other important meetings to audit the deliberation and decision-making processes. They also audit the development and operational status of internal control systems by conducting interviews with directors, executive officers, and employees, as well as by making on-site visits to Group companies. KPMG AZSA LLC, the accounting auditor, conducts accounting audits. In addition to the above, the Corporate Audit Division, which receives directions from the President and is independent from any other management body, conducts internal audits including internal audits on Group companies. Three entities—namely, the Audit & Supervisory Board, the accounting auditor, and the Corporate Audit Division—take initiatives to improve the effectiveness of audits through close coordination with each other.

Outside Officers

All five (5) of MOL's outside officers (three (3) outside directors and two (2) outside audit & supervisory board members) fulfill MOL's unique "Independence Criteria for Outside Officers" (pages 13 and 14).

All three (3) outside directors fulfill their role to strengthen the function of Board of Directors regarding its management decisions and supervision by providing advice regarding MOL's overall management from an independent standpoint based on their extensive experience and knowledge in their respective areas of expertise. In addition to attending Board of Directors' meetings, outside directors deepen their understanding of the MOL Group's businesses through visiting ships operated by MOL Group, giving lectures and participating in discussions at internal trainings, and attending Group Executive Meetings, (which are held twice a year by convening representatives from domestic group companies and involve bilateral discussions with agenda items including matters related to management plans). The outside directors incorporate this understanding in their duties as outside directors.

The two (2) outside audit & supervisory board members have in-depth knowledge and insight as specialists in law and accounting and have a role in strengthening MOL's audit structure from an independent position. In addition to attending Board of Directors' meetings and Audit & Supervisory Board's meetings, the outside audit & supervisory board members interview inside directors and executive officers, exchange opinions with outside directors, give lectures and carry out discussions at liaison meetings of group audit & supervisory board members, and incorporate the knowledge gained from them in their duties as outside audit & supervisory board members.

Examples of Activities of Outside Officers (FY2019)

- Lectures and discussions at training session for officers, liaison meetings of the group audit & supervisory board members, etc.
- Attendance in long-service award ceremony and family day event for Filipino seafarers (the Philippines)
- On-site inspection of MOL-operated vessels as part of MOL's safe operation campaign
- Operational inspection of respective MOL Group companies

[Translation for Reference and Convenience Purposes Only]

Please note that the following is an unofficial English translation of the Japanese original text of the business report of Mitsui O.S.K. Lines, Ltd. The Company provides this translation for reference and convenience purposes only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy between this translation and the Japanese original, the Japanese version shall be the official version.

BUSINESS REPORT

(From April 1, 2019 to March 31, 2020)

I. Matters Concerning the Present State of the Corporate Group

1. Business Progress and Results

■ Business environment

During the fiscal year (FY) 2019 (April 1, 2019 to March 31, 2020), the global economy experienced dizzying changes. It has been tossed about by the U.S.-China trade friction continuing from the previous fiscal year. Although some positive prospects were seen due to progress in the negotiations between the two countries, the spread of the novel coronavirus. (COVID-19) caused worldwide economic crises. From around April 2019 through early 2020, the U.S. economy enjoyed a prolonged boom supported by robust employment and domestic demand, while the Chinese economy lacked momentum due to a decrease in exports caused by the trade friction and investment control measures adopted by the Chinese government. In Europe, growth remained sluggish with the ongoing issues surrounding Brexit. Japan saw negative growth from October to December 2019 due to a slowdown in foreign demand and shrinking domestic demand triggered by the consumption tax increase. Thereafter, the worldwide outbreak of COVID-19 caused significant restrictions on economic activity around the world, and its impact is still difficult to measure.

■ FY2019 Results

Under these circumstances, although the global economic impact of the COVID-19 pandemic will affect the Group's profitability in the future, the impact on the Group's performance during FY2019 was limited. Charter rates in the Dry Bulk Business fell from the beginning of 2020 due to the decrease in transport demand, but the impact on profitability was slight because many of the spot contracts entered into during FY2019 had already been finalized before the market slowdown. In the Tankers Business, oil prices fell significantly amid media reports on the 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 profit and loss for next fiscal year. In the Containerships Business, shipments decreased, but measures were taken to address falling shipments, such as flexible reduction of shipping services. The situation in China also improved and liftings temporarily recovered at the beginning of March 2020. 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, but the affected period was short and the impact on performance in FY2019 was limited.

The average exchange rate of Japanese yen against the U.S. dollar during FY2019 appreciated by ¥1.35 year on year to ¥109.28. The average bunker price during the same period rose by 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.

(¥ billion)

Category	FY2016	FY2017	FY2018	FY2019
Revenues	1,504.3	1,652.3	1,234.0	1,155.4
Operating profit	2.5	22.6	37.7	23.7
Ordinary profit	25.4	31.4	38.5	55.0
Profit (loss) attributable to owners of parent	5.2	(47.3)	26.8	32.6
ROE (Ratio of net income to shareholders' equity) (%)	0.9	(8.7)	5.2	6.3
ROA (Ratio of ordinary profit to total assets) (%)	1.1	1.4	1.8	2.6
Equity ratio (%)	25.8	23.0	24.6	24.5
Net gearing ratio* (%)	164	182	188	194

*(Interest-bearing debt - Cash and cash equivalents)/Shareholders' equity

[Translation for Reference and Convenience Purposes Only]

2. Business Overview by Segment

(¥ billion)

Segment	Revenues	Ordinary profit (loss)	Revenue composition ratio
Dry Bulk Business	277.1	12.0	23.99%
Energy Transport Business	289.3	25.4	25.04%
Product Transport Business	475.4	6.7	41.15%
Containerships only	226.4	4.1	19.60%
Associated Businesses	96.5	12.3	8.36%
Others	16.8	3.4	1.46%
Adjustment (Corporate and eliminations)	–	(4.9)	
Total	**1,155.4**	**55.0**	

(Note) Revenues represent those from external customers.

Dry Bulk Business		
Revenues*	¥277.1 billion	Revenue composition ratio 23.99%
Ordinary profit (loss)	¥12.0 billion	

* Revenues represent those from external customers.

[Major Business Lines]
Owning and operating specialized vessels for specific cargo types and bulk carriers for cargoes such as iron ore, coal, grains, wood, wood chips, cement, fertilizer, salt and steel products.

Overview of FY2019 Market and Business Conditions

- In the Capesize bulker market, during the first half of FY2019, the charter rate recovered from the slump caused by the collapse of a mining dam in Brazil, among other factors, and further improved by tighter vessel availability due to an increase in the number of vessels going into dry dock for the installation of scrubbers (exhaust gas purification systems). During the second half of FY2019, the charter rate fell due to factors such as deceleration in iron ore shipments from Brazil. Since the start of 2020, the rate has further weakened, reflecting a decline in cargo volume bound for China caused by the COVID-19 outbreak.
- The Panamax bulker market improved in the first half of FY2019, supported by steady volumes of grain shipments from South America. In the second half of FY2019, the market experienced a downward trend, against the backdrop of uncertainty surrounding trade negotiations between the U.S. and China and China's restrictions on coal imports, and further deteriorated due to the decline in shipments bound for China caused by COVID-19, as in the Capesize bulker market.
- Markets for Handymax and smaller-sized bulkers were generally firm in the first half of FY2019, but experienced a downward trend from the second half onwards, in tandem with larger-sized bulkers.
- Overall, the dry bulk business posted lower profit year on year, but posted a profit due to our efforts to improve operational efficiency.

Major Initiatives

● Iron Ore Carrier

- Acquired new contracts and succeeded in extending some contracts with domestic and overseas customers.
- Received delivery of two large-sized iron ore carriers.
- Took measures to comply with environmental regulations (SOx regulations) by promoting installation of scrubbers.
- Considered and proposed environmental solutions such as LNG-fueled capesize bulkers and the Wind Challenger Project (installation of a hard sail system).

● Bulk Carrier

- Acquired new contracts and succeeded in extending some contracts with domestic and overseas customers.
- Strengthened sales activities for expanding the customer base of biomass fuel transportation.

● Woodchip Carrier
- Acquired new long-term contracts and succeeded in extending some contracts with domestic customers.
- Concluded a transport contract for biomass fuel chips for power generation.
- Received delivery of a new vessel that complies with environmental regulations (SOx regulations) by installation of scrubbers.

Energy Transport Business		
Revenues*	¥289.3 billion	Revenue composition ratio 25.04%
Ordinary profit (loss)	¥25.4 billion	

* Revenues represent those from external customers.

[Major Business Lines]
- Owning and operating tankers such as crude oil tankers; product tankers that carry naphtha, gasoline and other refined petroleum products; and chemical tankers that carry liquid chemical products.
- Owning and operating LNG carriers that carry liquefied natural gas, and development of offshore businesses such as FPSO (floating production, storage and offloading system) and FSRU (floating storage and regasification unit).
- Owning and operating steaming coal carriers for the transport of coal for thermal power generation.

Overview of FY2019 Market and Business Conditions

● Tanker Business
- The very large crude oil carrier (VLCC) market was generally weak during the first half of FY2019 due to factors such as 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 price increase caused by the situation in the Middle East and tighter tanker availability as a result of sanctions on Chinese shipping companies regarding the transportation of Iranian crude oil.
- In the product tanker market, the charter rate struggled to rise during the first half of FY2019 due to the increase in newly built vessels and regular maintenance of refineries. 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 against the backdrop of environmental regulations (SOx regulations).
- The LPG carrier market was generally firm due to tighter tanker availability, even though market conditions temporarily softened.
- The tanker division overall reported a profit increase year on year.

● LNG Carrier/Offshore Business
- The LNG carrier division reported a year-on-year increase in profit, by earning steady profit generated mainly through long-term charter contracts including eight newly built vessels.
- The offshore business division recorded ordinary profit generated by steady operations of existing projects including FSRU, FPSO, and subsea support vessel businesses.

● Steaming Coal Carrier
- Secured steady profit as medium- to long-term contracts maintained high utilization due to steady cargo movement for coal for thermal power generation in Japan.

Major Initiatives

● Tanker Business
- Received delivery of one new VLCC and one LPG carrier, which are engaged in new contracts with domestic and overseas customers.
- Concluded a contract concerning the participation in the chemical tank terminal business in Ulsan, South Korea by MOL Chemical Tankers Pte. Ltd, which is our wholly owned subsidiary.
- Concluded a new contract with Total in the Cargo Transfer Vessel business, which contributes to more efficient transportation from deep-sea oil fields.

● LNG Carrier/Offshore Business

- Received delivery of eight new LNG carriers which are engaged in long-term contracts with domestic and overseas customers.
- Concluded a new contract with Total for the LNG bunkering vessel business in the Netherlands.
- Promoted the LNG-to-Powership business responding to power demand in developing countries under the KARMOL brand with Karpower International B.V., Turkey.
- Obtained "Approved in Principle (AIP)" for design of FSRU "cryo-powered regas" system.

● Steaming Coal Carrier

- Ordered two next-generation 'EeneX' coal carriers in pursuit of optimization in terms of environment and safety.
- Concluded a basic agreement on the world's first "LNG-fueled large coal carrier" for Kyushu Electric Power Co., Inc.
- Started to give full consideration to the installation of Wind Challenger (a hard sail system) on coal carriers with Tohoku Electric Power Co., Inc.

Product Transport Business		
Revenues*	¥475.4 billion	Revenue composition ratio 41.15%
Ordinary profit (loss)	¥6.7 billion	

Containerships share of Product Transport Business		
Revenues*	¥226.4 billion	Revenue composition ratio 19.60%
Ordinary profit (loss)	¥4.1 billion	

* Revenues represent those from external customers.

[Major Business Lines]

- Owning and operating containerships, operating container terminals
- Offering total logistics solutions through air and sea forwarding, land transport, warehousing services, services for the transport of heavy goods, etc.
- Owning and operating specialized car carriers for the transport of completed cars and construction machinery and development of comprehensive car transport services such as land transport and terminal operation.
- Transporting passengers and cargos by operating ferries and coastal RoRo ships in inshore Pacific and Seto Inland Sea.

Overview of FY2019 Market and Business Conditions

● Containerships (Ocean Network Express Pte. Ltd.)

- Ocean Network Express Pte. Ltd. (ONE), which is the Company's equity-method affiliate, stabilized its services and increased its liftings. It also made progress in cost-cutting, improving its profit and loss year on year, and recording ordinary profit on a full-year basis.
- While freight rates on Asia-North American routes lacked momentum in the summer peak season due to trade frictions between the U.S. and China, efforts were made to reduce operating costs in response to falling demand through intermittent reduction in services.
- Freight rates for Asia-Europe routes were sluggish due to deterioration in the supply-demand balance, but the decline in the freight rate during the slack season was kept to a minimum. Shipments have declined as a result of the COVID-19 outbreak, but measures have been taken to address the situation, such as flexibly reducing services accordingly.

● Car Carriers

- Transportation volume of the Company decreased year on year due to weak shipments bound for Australia and weak coastal Europe shipments, in addition to the impact of the trade friction between the U.S. and China and tighter emission standards in China.
- Profitability improved year on year, through efforts to optimize the size of fleet and rationalize the allocation of vessels mainly for routes between countries other than Japan.

● Ferries and Coastal RoRo Ships
- Cargo volumes were steady during the first half of FY2019 due to the modal shift caused by shortages and aging of truck drivers and workstyle reform in the land transportation industry. However, cargo volumes weakened from early autumn onwards amid the deterioration in economy.
- The number of passengers was higher than the previous fiscal year level overall due to increasing popularity of the concept of "casual cruises." However, from late February 2020, passenger numbers decreased as people were requested to refrain from going out as a measure against COVID-19.
- The ferries and coastal RoRo ships division overall posted a year-on-year increase in profit.

Major Initiatives

● Containerships (Ocean Network Express Pte. Ltd.)
- Launched a transportation service bound for Africa from India and the Middle East and an industry-first direct transportation service bound for Europe from East India.
- Decided that Hyundai Merchant Marine will join "THE Alliance" to which ONE belongs in April 2020. Together with Hapag-Lloyd AG and Yang Ming Marine Transport Corporation, THE Alliance will be operated by four companies.
- Decided to launch the second North Europe service from/to Asia with the highly cost-competitive 20,000 TEU containership in April 2020.

● Terminals and Logistics
- In the terminal business, a container terminal in the Port of Oakland in the U.S. was expanded to substantially increase the handling capacity.
- In the logistics business, an overseas subsidiary of MOL Logistics (Japan) Co., Ltd. opened new warehouses in Vietnam and Indonesia. In addition, a Thai subsidiary of MOL Logistics and the logistics business of MOL Thailand were integrated to strengthen the local logistics business.

● Car Carriers
- Made Euro Marine Logistics N.V., which is a European short sea shipping company, a wholly owned subsidiary to promote synergies with the Company's car carrier business.
- Started full operation of a new system that contributes to higher operating efficiency in response to the changes in trade patterns of completed cars. Completed the ACE Project, which we have been working on for four years since July 2015.

● Ferries and Coastal RoRo Ships
- Decided to build the first two LNG-fueled ferries in Japan in order to introduce them in the Osaka-Beppu route.
- Assigned "Suou," a new RoRo ship, for the Tokyo-Kanda service.
- Promoted marketing activities toward cruise customers by utilizing ICT in order to further promote popularity of "casual cruises."

Associated Businesses			
Revenues*	¥96.5 billion	Revenue composition ratio	8.36%
Ordinary profit (loss)	¥12.3 billion		

* Revenues represent those from external customers.

[Major Business Lines]
Real estate business, cruise ship business, tugboat business, trading business (fuel, vessel materials, sales of machinery, etc.), etc.

Overview of FY2019 Market and Business Conditions
- The real estate business posted a steady profit due to an increase in the revenue of Daibiru Corporation, which is the core company in the Group's real estate business, benefiting from a steady market trend in the office leasing market mainly in Tokyo metropolitan area.

- The cruise ship business posted a year-on-year decrease in profit due to higher fuel costs and downtime for refurbishment.
- The results of other associated businesses such as the tugboat and trading businesses were generally strong.
- The associated businesses segment overall posted a decrease year on year in profit.

Major Initiatives
- In the real estate business, Daibiru Corporation opened the first self-developed commercial building "BiTO AKIBA" in Akihabara, Tokyo and acquired three (3) properties including "PIVOT" in Sapporo, which is the first regional core city where Daibiru Corporation has expanded.
- In the tugboat business, "Ishin," which is an LNG-fueled tugboat operated by Nihon Tug-Boat Co., Ltd., cooperated in a demonstration test to supply LNG bunkering, which was the first of its kind in both Port of Kobe and Port of Nagoya.
- Mitsui O.S.K. Passenger Line, Ltd. refurbished the cruise ship "Nippon Maru" by upgrading equipment in the cabins and facilities of the ship.

<table>
<tr><th colspan="4">Others</th></tr>
<tr><td>Revenues*</td><td>¥16.8 billion</td><td rowspan="2">Revenue composition ratio</td><td rowspan="2">1.46%</td></tr>
<tr><td>Ordinary profit (loss)</td><td>¥3.4 billion</td></tr>
</table>

* Revenues represent revenues from external customers.

[Major Business Lines]
Ship management business, financing business, information service business, accounting service business, marine consulting business, etc.

Overview of FY2019 Market and Business Conditions
Ordinary profit in this segment, which is mainly the MOL Group's cost centers, increased year on year.

3. Management Strategies of MOL and Issues to be Addressed

MOL introduced the management plan called the "Rolling Plan" in FY2017. We have been aiming to become a group of business units with No. 1 competitiveness in respective areas, and have been working on implementing the Rolling Plan by setting specific focal points each fiscal year in order to achieve this goal. MOL endeavored to accumulate long term stable profits within this framework by prioritizing its use of management resources in businesses and projects where the MOL Group can make full use of its strengths, while maintaining a mindset of financial discipline.
Based on the understanding that the economic impact from the COVID-19 pandemic and sharp fall in oil prices will significantly affect MOL's management strategy, MOL established the Rolling Plan Special Committee in FY2020 in order to quickly understand the impact on businesses and implement necessary "defensive" measures, and also to explore business opportunities and draw a new growth trajectory by assessing the change in business trends after the COVID-19 pandemic settles down. In FY2020, MOL plans to solidify its "defenses," with the Rolling Plan Special Committee playing a leading role, by reducing its market exposure and reviewing its investment plan, while at the same time working on revision of its business portfolio to prepare for the post-COVID-19 world.

A. Implementation of necessary "defense" measures

In response to the COVID-19 pandemic risk, MOL established an Emergency Control Headquarters on February 3, 2020 and has since been working with the following three goals set as top-priority issues, aiming to fulfill its role as transportation infrastructure, which is MOL's social mission, by sustaining reliable transportation of goods:

(1) Securement of thoroughly safe and reliable operation of MOL Group operated vessels
(2) Assurance of safety and prevention of the spread of infection for customers, business associates, and MOL Group officers and employees
(3) Upgrade of the business continuity system by assuming prolonged risk of the spread of COVID-19 infection

MOL made a full-scale transition to work-from-home at its head office and branches from March 9, 2020 ahead of the declaration of state of emergency by the Japanese government, and has been maintaining this workstyle (as of May 20, 2020).

B. Ascertaining and responding to the impact on MOL's business

(1) Ascertaining the impact on MOL's business

Looking ahead to FY2020 (from April 1, 2020 to March 31, 2021), due to the difficulty in forecasting when the impact of COVID-19 will ease in Japan and other parts of the world, MOL announced the estimated impact on its businesses 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, and presented its earnings forecast under these scenarios.

	Ordinary profit (loss)
Forecast for FY2020 under the two scenarios (estimate)*	¥ (10.0) billion - ¥ (40.0) billion
Result for FY2019	¥55.0 billion

* As of April 30, 2020

The impact on each business segment is currently forecasted as follows:

Dry Bulk Business

In the capesize bulker market, although a large portion of MOL's chartered vessels operating under medium- and long-term contracts are not impacted, chartered vessels with short-term contracts could be affected by the decline in cargo movements for iron ore and coal caused by lower consumption of cars, building materials, etc.

In the small- and medium-sized bulker market, despite the fact that cargo movements of raw materials and materials for construction used by general industry are expected to fall, the impact on our performance will be limited since our fleet structure is adjustable to the market changes.

We forecast that the performance of specialized vessels for cargos such as wood chip and pulp will be affected by the decline in cargo movements because of the difficulties in adjusting the fleet capacity to align with the change in cargo movements.

Energy Transport Business

The market conditions are favorable for crude oil tankers, product tankers, chemical tankers and LPG tankers, underpinned by the increase in cargo movements due to the lower price of crude oil and by offshore stockpiling (as of May 20, 2020), but we forecast an eventual weakening of the market due to a decline in real demand caused by the global economic downturn.

The methanol tanker and LNG carrier/offshore businesses generate stable profits based on long-term contracts, and the impact on our business due to fluctuations in shipments and production activity will be very limited.

Product Transport Business

With respect to the containerships and logistics businesses, conditions on the supply side are improving especially in China, South Korea, and other parts of East Asia and Southeast Asia, but the businesses may be impacted by deterioration in the business environment on the demand side, particularly in Europe and the United States.

In regard to car carriers, shipments in April and May 2020 dropped significantly as a result of drastic production cuts by automakers, but transport demand for China appears to be on a recovery trend.

With regard to ferries and coastal RoRo ships, the impact on cargo movements has been relatively small, but the number of ferry passengers has decreased sharply.

In terms of finance, although freight and other income are expected to fall as a result of the decline in cargo movements, MOL will endeavor to generate funds through fleet capacity adjustments and revision of investment plans, in addition to the reduction of operating expenses starting with curtailment of fuel costs. Furthermore, in preparation for greater-than-anticipated capital needs, MOL has in place a structure to secure the necessary funds by having commitment-line agreements with remaining terms of about 2-4 years with leading commercial banks, amounting to around 140 billion yen.

(2) MOL’s response policy

(i) Reduction of market exposure

As market exposure reduction measures to minimize the impact on its earnings, MOL will make fleet capacity adjustments (idling vessels, redelivery of vessels under short-term time charters and disposal of MOL-owned vessels) as appropriate, and implement hedging measures such as forward freight agreements.

(ii) Revision of investment plan

MOL will flexibly revise the investment plan by taking into consideration the changes in the economic situation due to a worldwide drop in demand and by assessing the global economic trends after the COVID-19 pandemic settles down.

C. Management plan and growth strategy after the COVID-19 pandemic settles down

Although the vision of the Rolling Plan and the three core strategies to realize the vision are the foundation of our management plan and growth strategy, we will make necessary revisions to the FY2020 Rolling Plan to incorporate a defense strategy to deal with changes in the business environment caused by COVID-19 and a strategy that considers the assessment of global economic trends after the COVID-19 pandemic settles down.

There could be changes to our economic system that are much greater than expected after the COVID-19 pandemic settles down, such as changes in globalization trends, trends in global distribution channels for everything from energy to manufactured products, and the outcome of digitalization, which is expected to further accelerate. We will assess the impact of “Post COVID-19 Megatrends” on our businesses and revise our portfolio strategy as necessary. In order to accurately capture the timing of such changes and to implement the revised portfolio strategy, we will strive to make major changes to our business domains to put MOL’s businesses on a growth trajectory by building a structure that enables prompt and flexible business and investment decisions.

MOL recognizes that enhancement of productivity and organizational capabilities, among other things, will also become an important issue for achieving medium- and long-term growth. Under the direction of Executive Officer in Charge of Refreshing the Organization, which is a new position created on April 1, 2020, MOL will consolidate its organizational strength and further strengthen its competitive edge through measures such as revising its business processes, utilizing the knowledge and resources of Group companies, and building a project promotion structure that is not bound to the existing organization.

Vision and three core strategies to realize the vision

Vision	Three core strategies to realize the vision	
Become a Group of Business Units with No. 1 Competitiveness in Respective Areas	Portfolio strategy	Concentrated use of management resources in the business fields where MOL has strengths, which will mainly be offshore businesses → Considering revisions after assessing the post COVID-19 megatrends
	Sales strategy	Provision of "stress-free services," which MOL will offer from the customer's perspective
	Environmental strategy	Promotion of environmental strategy and development of emission-free business into a core business

[Translation for Reference and Convenience Purposes Only]

■ Addressing sustainability issues (Materiality)

We are promoting the following projects as examples of specific initiatives for the sustainability issues identified in FY2019*. We believe that the promotion of these projects not only contributes to marine and global environment conservation, but also shows our contribution to sustainable society because the eco-friendly service created through the promotion of these projects is one of the ways that MOL provides added value.

* Social issues that should be addressed with priority via business activities in order to increase the MOL's corporate value

MOL's Sustainability Activities

LNG fuel-related projects (steaming coal carriers, ferries, LNG bunkering)

We are constructing and operating ships fueled with LNG that emit 30% less carbon dioxide than conventional fuels and are striving to reduce the environmental impact. We are also proceeding with a project to own and operate ships that supply LNG fuel, which will increase the popularity of LNG as a fuel for ships.

Wind Challenger

We will endeavor to make ships more economical by reducing their environmental impact and reducing the use of shipping fuel by installing the world's first hard sail system, which converts wind energy to propulsive force, on steaming coal carriers.

Cryo-powered regas system using LNG to generate electricity for FSRUs

We will strive to reduce FSRU fuel consumption and carbon dioxide emissions by using the Organic Rankine Cycle(Note) in the FSRU regassification process, which will enable the LNG cryo-energy previously discharged into the ocean water to be used for generating electricity.

(Note) The theoretical cycle for a heat engine that converts difference in temperature into electricity through an organic compound-generated heat medium.

Sustainability Issues *

- Provision of value-added transportation services
- Marine and global environmental conservation
- Innovation for development in marine technology
- Community development and human resource cultivation
- Governance and compliance to support businesses

Maximizing our economic and social value through efforts to address these issues

Since 2012, MOL Group is under investigation of antitrust authorities in the U.S. and other countries on suspicion of violation of each country's competition laws in connection with ocean transport services of completed build-up vehicles. In connection therewith, class-action lawsuits were also filed in Canada and U.K. against MOL Group seeking damages and cease and desist order for MOL's conduct in question. The MOL Group takes this situation very seriously, and will continue to work to enhance compliance, including compliance with antitrust laws, and to prevent recurrence.

4. Financial Position and Results of Operations

(¥ million)

Category	FY2016	FY2017	FY2018	FY2019 (current fiscal year)
Revenues	1,504,373	1,652,393	1,234,077	1,155,404
Ordinary profit	25,426	31,473	38,574	55,090
Profit (loss) attributable to owners of parent	5,257	(47,380)	26,875	32,623
Net income (loss) per share (¥)	43.95	(396.16)	224.72	272.79
Total assets	2,217,528	2,225,096	2,134,477	2,098,717
Total net assets	683,621	628,044	651,607	641,235
ROE (Ratio of net income to shareholders' equity)	0.9%	(8.7)%	5.2%	6.3%
ROA (Ratio of ordinary profit to total assets)	1.1%	1.4%	1.8%	2.6%
Equity ratio	25.8%	23.0%	24.6%	24.5%
Net gearing ratio* *(Interest-bearing debt - Cash and cash equivalents)/Shareholders' equity	164%	182%	188%	194%

Notes:
1. Figures in revenues, ordinary profit, profit (loss) attributable to owners of parent, total assets and total net assets are rounded down to the nearest million.
2. On October 1, 2017, MOL consolidated every ten (10) common shares into one (1) share. Net income (loss) per share is calculated on the assumption that said consolidation of shares had been made at the beginning of FY2016.
3. The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), effective from FY2018. Accordingly, the amounts and financial indicators of FY2017 are presented based on the reclassified amounts.

5. Fund Raising

The Group's funds required in the fiscal year under review were financed with our own resources and borrowings from financial institutions.

6. Capital Investment

The Group's capital investment, mainly in ships, implemented in the fiscal year under review amounted to ¥160.6 billion.

(¥ million)

Name of Segment	Amount of Capital Investment
Dry Bulk Business	7,815
Energy Transport Business	101,288
Product Transport Business	22,085
Containerships only	10,207
Associated Businesses	26,105
Others	1,022
Adjustment	2,302
Total	160,618

Notes:
1. Figures less than one million yen are rounded down to the nearest million.
2. "Adjustment" includes assets which are not allocated to segments and reconciled transactions among segments.

Twenty-five vessels in Dry Bulk Business, Energy Transport Business, and Product Transport Business were sold and removed.

Sale of Vessels

Name of Segment		Number of Vessels	Deadweight Tons (in thousands)	Book Value (¥ million)
Dry Bulk Business		5	409	1,264
Energy Transport Business		10	1,199	13,382
Product Transport Business		10	239	17,372
	Containerships only	2	158	9,500
Total		25	1,848	32,019

Note: Figures less than one million yen are rounded down to the nearest million.

7. Major Creditors (As of March 31, 2020)

(¥ million)

Creditor	Loan Outstanding
Sumitomo Mitsui Banking Corporation	64,853
Development Bank of Japan Inc.	54,798
MUFG Bank, Ltd.	51,064
Shinkin Central Bank	26,977
THE YAMAGUCHI BANK, Ltd.	24,395

Note: Figures less than one million yen are rounded down to the nearest million.

8. Principal Business (As of March 31, 2020)

Marine transportation business, such as collection of freight, ship charter hire and operation handling charges by providing worldwide maritime cargo transport services including bulk carriers, various specialized vessels, tankers, LNG carriers and containerships; offshore business; warehousing business; real estate leasing business

9. Principal Business Offices (As of March 31, 2020)

■ The Company

	Location
Head and registered office	Tokyo Pref.
Branch offices	Nagoya (Aichi Pref.), Kansai (Osaka Pref.), Kyushu (Fukuoka Pref.), Hiroshima (Hiroshima Pref.)
Representative office	Beijing Representative Office (China)

■ Subsidiaries

- Principal domestic business offices
  Tokyo Pref, Kanagawa Pref., Osaka Pref., Hyogo Pref.
- Principal overseas business offices
  U.S.A., Canada, Mexico, Panama, Brazil, Chile, United Kingdom, Germany, the Netherlands, Belgium, Poland, Turkey, Ghana, South Africa, China, Taiwan, South Korea, the Philippines, Vietnam, Singapore, Malaysia, Indonesia, India, Thailand, Myanmar, Australia, New Zealand, UAE

[Translation for Reference and Convenience Purposes Only]

10. Shipping Tonnage of the Group (As of March 31, 2020)

Category	Dry Bulk Business		Energy Transport Business		Product Transport Business	
	Dry Bulkers		Tankers, LNG Carriers and Steaming Coal Carriers*			
	Number of Vessels	Deadweight Tons	Number of Vessels	Deadweight Tons	Number of Vessels	Deadweight Tons
		in thousands		in thousands		in thousands
Owned vessels	39	3,980	128	13,865	73	2,034
Chartered vessels	224	20,864	159	8,108	113	5,760
Others	0	0	3	144	0	0
Total	263	24,844	290	22,117	186	7,795

Category	Product Transport Business		Associated Businesses		Others		Total	
	Containerships only		Cruise Ship		Others			
	Number of Vessels	Deadweight Tons	Number of Vessels	Deadweight Tons	Number of Vessels	Deadweight Tons	Number of Vessels	Deadweight Tons
		in thousands		in thousands		in thousands		in thousands
Owned vessels	14	1,110	1	5	0	0	241	19,884
Chartered vessels	50	4,790	0	0	2	12	498	34,744
Others	0	0	0	0	0	0	3	144
Total	64	5,900	1	5	2	12	742	54,772

* Including coastal ships (excluding coastal RoRo ships).

11. Employees (As of March 31, 2020)

■ Employees of the Group

Name of Segment	Number of Employees	
Dry Bulk Business	276	(45)
Energy Transport Business	826	(71)
Product Transport Business	4,754	(478)
Containerships only	3,719	(340)
Associated Businesses	2,096	(1,653)
Others	651	(46)
Company-wide (common)	328	(84)
Total	8,931	(2,377)
As of March 31, 2019	8,941	(2,290)

Notes: 1. The number of employees includes the entire labor force, and the approximate average number of temporary employees is indicated in parentheses.
2. The employees indicated as Company-wide (common) belong to administrative departments, which cannot be classified in any specific segment.

■ Employees of the Company

Number of Employees		Year-on-year Increase (Decrease)	Average Age	Average Years of Service
	persons	persons	years old	years
Employees on land duty	761	50	39.0	15.0
Employees on sea duty	317	2	33.0	11.6
Total	1,078	52	37.2	14.0

Notes: 1. The number of employees on land duty does not include 354 employees dispatched outside the Company and 221 non-regular employees and others.
2. The number of employees on sea duty does not include 4 employees dispatched outside the Company and 43 non-regular employees and others.

[Translation for Reference and Convenience Purposes Only]

12. Principal Subsidiaries (As of March 31, 2020)

Company	Paid-in Capital (¥ million)	Percentage of Equity Participation (%)	Principal Business
Daibiru Corporation	12,227	*51.06	Real estate business
Utoc Corporation	2,155	*67.42	Harbor and transportation business
MOL Ferry Co., Ltd.	1,577	100.00	Marine transportation business
MOL Logistics (Japan) Co., Ltd.	756	75.06	Air Transport agents and other businesses
Mitsui O.S.K. Kinkai, Ltd.	660	100.00	Marine transportation business
Nissan Motor Car Carrier Co., Ltd.	640	90.00	Marine transportation business
MOL Techno-Trade, Ltd.	490	100.00	Sales of fuel oil/vessel materials/ machinery
Mitsui O.S.K. Passenger Line, Ltd.	100	100.00	Marine transportation business
Ferry Sunflower Ltd.	100	99.00	Marine transportation business
Phoenix Tankers Pte. Ltd.	379,311 USD Thousand	100.00	Marine transportation business
MOL Chemical Tankers Pte. Ltd.	262,369 SGD Thousand	100.00	Marine transportation business
TraPac, LLC.	–	*51.00	Harbor and transportation business

Notes:
1. Figures less than one million yen are rounded down to the nearest million. Figures less than one thousand USD and one thousand SGD are rounded down to the nearest thousand.
2. Percentage of Equity Participation is the total of percentage of direct equity participation by the Company and indirect equity participation through subsidiaries.
   Figures prefixed by * include a percentage of indirect equity participation by subsidiaries. Such figures reflect the percentage of equity participation of the holding subsidiary held by the Group.

13. Principal Equity Method Affiliates (As of March 31, 2020)

Company	Paid-in Capital	Percentage of Equity Participation (%)	Principal Business
Ocean Network Express Pte. Ltd.	3,000,000 USD Thousand	*31.00	Marine transportation business

Notes:
1. Figures less than one thousand USD are rounded down to the nearest thousand.
2. Percentage of Equity Participation is the total of percentage of direct equity participation by the Company and indirect equity participation through affiliates.
   Figures prefixed by * include a percentage of indirect equity participation by affiliates. Such figures reflect the percentage of equity participation of the holding affiliate held by the Group.

[Translation for Reference and Convenience Purposes Only]

II. Status of Shares (As of March 31, 2020)

1. **Total Number of Shares Authorized to Be Issued** 315,400,000 shares
2. **Number of Shares Issued** 120,628,611 shares
   (**including own shares** 1,031,582 shares)
3. **Number of Shareholders** 83,403 parties
4. **Major Shareholders**

Name of Shareholders	Investment in the Company by the Shareholders	
	Number of Shares (in thousands)	Investment ratio (%)
1. The Master Trust Bank of Japan, Ltd. (Trust Account)	10,517	8.79
2. Japan Trustee Services Bank, Ltd. (Trust Account)	7,800	6.52
3. BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	3,213	2.69
4. Mitsui Sumitomo Insurance Co., Ltd.	3,016	2.52
5. Sumitomo Mitsui Banking Corporation	3,000	2.51
6. Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,951	2.47
7. HSBC BANK PLC A/C CLIENTS 1	2,732	2.28
8. Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,438	2.04
9. JPMorgan Chase Bank 385151	1,958	1.64
10. Japan Trustee Services Bank, Ltd. (Trust Account 7)	1,840	1.54

Notes: 1. Shares less than 1,000 have been rounded down to the nearest 1,000 shares.
2. Shares of the above loan and trust companies include shares related to trust services.
3. The investment ratio is calculated excluding own shares (1,031,582 shares).

III. Matters Concerning Stock Acquisition Rights

1. Outline of Stock Acquisition Rights Held by the Company's Officers at the End of the Fiscal Year under Review, etc.

Issue date	August 16, 2010	August 9, 2011	August 13, 2012	August 16, 2013	August 18, 2014
Total number of holders (persons)	5	5	2	5	4
MOL Directors (excluding outside directors) (persons)	5	5	2	5	4
MOL Outside Directors (persons)	0	0	0	0	0
MOL Audit & Supervisory Board Members (persons)	None	None	None	None	None
Total number of stock acquisition rights (units)	90	120	50	108	100
Class and number of shares subject to the stock acquisition rights (shares)	(common stock) 9,000	(common stock) 12,000	(common stock) 5,000	(common stock) 10,800	(common stock) 10,000
Paid-in value at exercise of stock acquisition rights (yen)	without consideration	without consideration	without consideration	without consideration	without consideration
Exercise price (yen per share)	6,420	4,680	2,770	4,470	4,120
Exercise period of the stock acquisition rights	July 31, 2012 to June 21, 2020	July 26, 2013 to June 22, 2021	July 28, 2014 to June 21, 2022	August 2, 2015 to June 20, 2023	August 2, 2016 to June 23, 2024
Exercise conditions of the stock acquisition rights	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)

Issue date	August 17, 2015	August 15, 2016	August 15, 2017	August 15, 2018	August 15, 2019
Total number of holders (persons)	5	7	7	7	8
MOL Directors (excluding outside directors) (persons)	5	5	5	5	5
MOL Outside Directors (persons)	0	2	2	2	3
MOL Audit & Supervisory Board Members (persons)	None	None	None	None	None
Total number of stock acquisition rights (units)	222	183	290	310	340
Class and number of shares subject to the stock acquisition rights (shares)	(common stock) 22,200	(common stock) 18,300	(common stock) 29,000	(common stock) 31,000	(common stock) 34,000
Paid-in value at exercise of stock acquisition rights (yen)	without consideration	without consideration	without consideration	without consideration	without consideration
Exercise price (yen per share)	4,270	2,420	3,780	2,943	2,962
Exercise period of the stock acquisition rights	August 1, 2017 to June 20, 2025	August 1, 2018 to June 19, 2026	August 1, 2019 to June 25, 2027	August 1, 2020 to June 23, 2028	August 1, 2021 to June 22, 2029
Exercise conditions of the stock acquisition rights	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)

Notes: 1. 1) A stock acquisition right cannot be partially exercised.
2) Even if the grantee no longer holds a position as an officer of the Company, he/she may exercise stock acquisition rights. However, if the grantee is sentenced to imprisonment or heavier penalty, dismissed from office, or passes away, the granted stock acquisition rights shall become invalid immediately.
3) Other exercise conditions of stock acquisition rights are according to the decision of the Board of Directors.
2. The stock acquisition rights include rights granted prior to their appointments as MOL directors.

2. Outline of Stock Acquisition Rights Granted to MOL Employees, etc. during the Fiscal Year under Review, etc.

Issue date	August 15, 2019
Total number of employees granted (persons)	98
MOL executive officers (excluding ones concurrently serving as an MOL officer) (persons)	18
MOL employees (excluding one serving as an MOL officer/executive officer) (persons)	51
Officers and employees of MOL subsidiaries (excluding ones serving as an MOL officer/executive officer/employee) (persons)	29
Total number of stock acquisition rights (units)	1,250
Class and number of shares subject to the stock acquisition rights (shares)	(common stock) 125,000
Paid-in value at exercise of stock acquisition rights	without consideration
Exercise price (yen per share)	2,962
Exercise period of the stock acquisition rights	August 1, 2021 to June 22, 2029
Exercise conditions of the stock acquisition rights	(Note)

Notes:
1. A stock acquisition right cannot be partially exercised.
2. Even if the grantee no longer holds a position as an MOL employee, he/she may exercise stock acquisition rights. However, if the grantee is sentenced to imprisonment or heavier penalty, dismissed from office, or passes away, the granted stock acquisition rights shall become invalid immediately.
3. Other exercise conditions of stock acquisition rights are according to the decision of the Board of Directors.

3. Other Significant Matters Concerning Stock Acquisition Rights, etc.

The Company issued “Euro US dollar Zero Coupon Convertible Bond Due 2020,” and its details are as follows.

Issue date	April 24, 2014
Total number of stock acquisition rights (units)	2,000
Class and number of shares subject to the stock acquisition rights (shares)	(common stock) 4,184,100
Conversion price	US$47.80
Exercise period of the stock acquisition rights	May 8, 2014 to April 9, 2020
Exercise conditions of the stock acquisition rights	Partial exercise of each stock acquisition right is not allowed.
Balance of convertible bonds	US$200 million

[Translation for Reference and Convenience Purposes Only]

IV. Matters Concerning Officers

1. Directors and Audit & Supervisory Board Members (As of March 31, 2020)

Position	Name	Assignment	Significant Concurrent Positions Outside the Company
Representative Director, President, Chief Executive Officer	Junichiro Ikeda		
Representative Director, Executive Vice President, Executive Officer	Shizuo Takahashi	Assistant to President, Chief Compliance Officer, Chief Information Officer, Deputy Director General, Technology Innovation Unit, Responsible for: the Americas Area, Kansai Area (Japan), Corporate Audit Division, Secretaries & General Affairs Division, Corporate Marketing Division, MOL Information Systems, Ltd.	
Representative Director, Executive Vice President, Executive Officer	Takeshi Hashimoto	Assistant to President, Director General, Energy Transport Business Unit, Supervisor for Human Resources Division, Responsible for: Europe and Africa Area, Energy Business Strategy Division, Bunker Business Division	
Director, Senior Managing Executive Officer	Akihiko Ono	Deputy Director General, Safety Operations Headquarters, Deputy Director General, Product Transport Business Unit, Responsible for: Corporate Planning Division, Liner Business Management Division	
Director, Senior Managing Executive Officer	Takashi Maruyama	Chief Financial Officer, Responsible for: Corporate Communication Division (IR), Finance Division, Accounting Division	
Director	Hideto Fujii		Provided in 4. Matters Concerning Outside Officers below.
Director	Etsuko Katsu		Provided in 4. Matters Concerning Outside Officers below.
Director	Masaru Onishi		Provided in 4. Matters Concerning Outside Officers below.
Full-time Audit & Supervisory Board Member	Kenji Jitsu		Audit & Supervisory Board Member, Utoc Corporation
Full-time Audit & Supervisory Board Member	Toshiaki Takeda		
Audit & Supervisory Board Member	Hideki Yamashita		Provided in 4. Matters Concerning Outside Officers below.
Audit & Supervisory Board Member	Junko Imura		Provided in 4. Matters Concerning Outside Officers below.

Notes:
1. Directors Hideto Fujii, Etsuko Katsu, and Masaru Onishi are outside directors. They satisfy the requirements for independent officer stipulated under the regulations of the stock exchanges on which the Company's common share is listed, as well as the requirements for independence stipulated under the Company's "Independence Criteria for Outside Officers" (pages 13 and 14).
2. Kenji Jitsu, an audit & supervisory board member, has considerable knowledge about ESG and accounting from his many years of experience in Corporate Planning, Accounting and Investor Relations Divisions.
3. Audit & Supervisory Board Members Hideki Yamashita and Junko Imura are outside audit & supervisory board members. They satisfy the requirements for independent officer stipulated under the regulations of the stock exchanges on which the Company's common share is listed, as well as the requirements for independence stipulated under the Company's "Independence Criteria for Outside Officers" (pages 13 and 14).
4. Hideki Yamashita, an audit & supervisory board member, is familiar with corporate legal affairs as an attorney at law, and has considerable knowledge about finance and accounting.
5. Junko Imura, an audit & supervisory board member, has qualifications as a certified public accountant and considerable knowledge about finance and accounting.
6. At the conclusion of the Ordinary General Meeting of Shareholders held on June 25, 2019, Directors Koichi Muto and Masayuki Matsushima, and Audit & Supervisory Board Members Takashi Nakashima and Hiroyuki Itami, resigned from their office due to expiration of their term.
7. Executive officers as of March 31, 2020 are as follows (excluding ones concurrently serving as director).

Executive Officers (As of March 31, 2020)

Position	Name	Assignment
Senior Managing Executive Officer	Yoshikazu Kawagoe	Chief Technical Officer, Director General, Technology Innovation Unit, Responsible for: Technical Division, Smart Shipping Division, Secondarily Responsible for MOL Information Systems, Ltd.
Senior Managing Executive Officer	Koichi Yashima	Responsible for: Asia, Middle East and Oceania Area, Managing Director, MOL (Asia Oceania) Pte. Ltd.
Managing Executive Officer	Toshiaki Tanaka	Director General, Dry Bulk Business Unit, Responsible for: Dry Bulk Business Planning & Co-ordination Division, Bulk Carrier Division
Managing Executive Officer	Masanori Kato	Chief Safety Officer, Director General, Safety Operations Headquarters, Responsible for: Human Resources Division, Marine Safety Division, Secondarily Responsible for Smart Shipping Division
Managing Executive Officer	Kenta Matsuzaka	Deputy Director General, Energy Transport Business Unit, Responsible for: LNG Carrier Division, LNG Marine Technical & Ship Management Strategy Division
Managing Executive Officer	Masato Koike	Deputy Director General, Energy Transport Business Unit, Responsible for: Tanker Division (A), Tanker Division (B), Secondarily Responsible for Bunker Business Division
Managing Executive Officer	Yutaka Hinooka	Director General, Product Transport Business Unit, Responsible for Port Projects & Logistics Business Division

Executive Officer	Kayo Ichikawa	Chief Communication Officer, Responsible for: Work Efficiency Improvement, Sustainability Promotion, Corporate Communication Division, Secondarily Responsible for: Corporate Planning Division, Human Resources Division
Executive Officer	Toshinobu Shinoda	General Manager of Corporate Planning Division
Executive Officer	Hirofumi Kuwata	Deputy Director General, Dry Bulk Business Unit, Energy Transport Business Unit, Responsible for: Steaming Coal & Energy Project Division, New & Clean Energy Business Division
Executive Officer	Nobuo Shiotsu	Deputy Director General, Dry Bulk Business Unit, Responsible for Iron Ore and Coal Carrier Division
Executive Officer	Tsuneo Watanabe	Deputy Director General, Energy Transport Business Unit, Responsible for Tanker Division (B) (Chemical Tanker Business), Managing Director, MOL Chemical Tankers Pte. Ltd.
Executive Officer	Atsushi Igaki	Deputy Director General, Product Transport Business Unit, Responsible for Ferry Business Division, Chairman, Ferry Sunflower Ltd.
Executive Officer	Hiroyuki Nakano	Deputy Director General, Energy Transport Business Unit, Responsible for Offshore Project Division
Executive Officer	Hirotoshi Ushioku	Deputy Director General, Product Transport Business Unit, Responsible for Car Carrier Division
Executive Officer	Michael P.Y. Goh	Deputy Director General, Product Transport Business Unit, Responsible for Port Projects & Logistics Business Division (NVOCC Business), Secondarily Responsible for Asia, the Middle East and Oceania Area, Chief Executive Officer, MOL Consolidation Service Ltd.
Executive Officer	Kazuhiko Kikuchi	Deputy Director General, Dry Bulk Business Unit, Responsible for Wood Chip Carrier Division General Manager of Bulk Carrier Division
Executive Officer	Junko Moro	Responsible for: Diversity Promotion, Human Resources Division
Executive Officer	Mitsuru Endo	Deputy Director General, Safety Operations Headquarters, Responsible for: Marine Technical Management Division, LNG Marine Technical & Ship Management Strategy Division, Secondarily Responsible for: Marine Safety Division, Smart Shipping Division

2. Outline of the Limited Liability Contract

Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into contracts with outside officers that limit their liability as set forth in Article 423, paragraph (1) of the Companies Act to the total of the amounts set forth in items of Article 425, paragraph (1) of the Companies Act, if they perform their duties in good faith and without significant negligence.

3. Remunerations Paid to Directors and Audit & Supervisory Board Members

Basic Policy on Design of the Remuneration System

- Remuneration system shall give incentives for improving corporate value sustainably.
- Remuneration shall be at a sufficient level for securing human resources, referencing companies in the same industry or companies of the same size.
- System shall be linked with business performance giving incentives for reaching performance goals, and achievement rate on the Company's strategic items shall be evaluated qualitatively.
- Remuneration shall employ objective and transparent procedures, drawing on decisions made by the Board of Directors and enlisting the involvement of the Remuneration Advisory Committee, the majority of which consists of outside directors, chaired by an outside director.

Remuneration, etc. for the Company's Officers was resolved on at the General Meetings of Shareholders. The amount of monthly remuneration for Directors was resolved on June 28, 1990 to be not more than ¥46 million in total, the amount for audit & supervisory board members was resolved on June 23, 2005 to be not more than ¥9 million in total, bonuses for Directors were resolved on June 21, 2007 to be an annual amount of not more than ¥300 million (of which, not more than ¥20 million for outside directors), and stock option for Directors was resolved on June 21, 2007 to be an annual amount of not more than ¥400 million (of which, not more than ¥50 million for outside directors).

The Board of Directors and the Remuneration Advisory Committee were held three times in total for monthly remuneration and bonuses in a process for deciding the amount of remuneration for the Company's directors and audit & supervisory board members in the fiscal year under review.

In FY2019, the Company's performance merited payment of higher directors' bonuses than the previous fiscal year, as the Company achieved a significant year-on-year increase in ordinary profit and net income and plans to increase the annual dividend per share in order to return profits to shareholders. However, with the global economy entering a sharp downturn due to the spread of COVID-19, cargo volumes are showing signs of stalling and decreasing, and the Company recognizes that the future outlook is extremely uncertain. In light of this situation, the Company will pay directors 0.5 months' remuneration as a bonus for FY2019.

Remuneration for audit & supervisory board members is discussed and decided by audit & supervisory board members, within the limit amount resolved at the General Meetings of Shareholders, considering conditions such as separation of full-time and part-time, distribution of Audit services, details and levels of remuneration, etc. for Directors. Bonuses and stock option are not provided for audit & supervisory board members.

Composition of remuneration for Directors

The composition ratio is for a model case based on the assumption that the target of ¥80 to ¥100 billion in ordinary profit is achieved.

Item	Component	Composition Ratio*	Details
Fixed remuneration	Monthly remuneration	65%	- An amount of remuneration is determined for each Director and Audit & Supervisory Board Member in consideration of their responsibilities. - A fixed amount is paid monthly in cash.
Variable remuneration	Performance-based compensation (bonuses)	30%	- The level of performance of the entire company's business results is determined based on achievement of performance goals set forth in the management plan, in consideration of dividend payout ratios and qualitative achievement of goals. - An amount is determined based on the base level for each position according to the level of performance of the entire company's business results, plus compensation added for individuals achieving the performance results of a division in charge. - A cash amount is paid in June every year.
	Stock option	5%	- Aims to give incentives for sustainably improving corporate value and further sharing value with shareholders. - The exercise period is from the day marking 2 years past the issuance to the day marking 10 years past the issuance. - Provided in August every year based on the position of each Director.

Indicators for performance-based compensation (bonuses)

<Financial indicator>
- Consolidated ordinary profit/loss
- Profit (loss) attributable to owners of parent
- Dividend payout ratio

<Qualitative indicator>
Achievement of specific measures is considered for the following strategic items.
(1) Concentrated investment of management resources in the business fields where MOL has strengths, which will mainly be offshore businesses
(2) Provision of stress-free services which MOL will provide from the customer's perspective
(3) Promotion of environment strategy and commercialization of emission-free business as MOL's core business

<Performance indicator by division>
- Achievement of the ordinary profit in the initial budget
- Capital efficiency ratios

Category	Number of Persons Remunerated	Total Amount of Remunerations by Type (¥ million)			Total Amount of Remunerations Paid (¥ million)
		Monthly remuneration	Bonus	Stock option	
Directors (including outside directors)	10	292	13	16	322
Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members)	6	85	0	-	85
Total	16	378	13	16	407

Notes:
1. The above includes remuneration related to two (2) directors (one (1) of them is an outside director) and two (2) audit & supervisory board members (one (1) of them is an outside audit & supervisory board member) who resigned at the conclusion of the Ordinary General Meeting of Shareholders held on June 25, 2019.
2. The above includes payments of remunerations to seven (7) outside officers totaling ¥54 million.
3. Recorded figures less than one million are rounded down to the nearest million.

4. Matters Concerning Outside Officers

Major activities and significant concurrent positions outside the Company

[Outside Directors]

Name	Major Activities	Significant Concurrent Positions outside the Company
Hideto Fujii	Attended all ten (10) board meetings held in the fiscal year under review and made statements necessary for discussing proposals based on his deep insights into Japan's economic management and policy finance, from the objective viewpoint of an outside director.	Adviser, Sumitomo Corporation
Etsuko Katsu	Attended all ten (10) board meetings held in the fiscal year under review and made statements necessary for discussing proposals based on her deep insights as a specialist on international finance, from the objective viewpoint of an outside director.	Professor, School of Political Science and Economics, Meiji University Outside Director (Audit and Supervisory Committee Member), Dentsu Group Inc. Administrative Board Member, International Association of Universities (IAU) Chairman of Fund Management Advisory Committee, The Japan Foundation Director, Center for Entrance Examination Standardization
Masaru Onishi	Attended all eight (8) board meetings held in the fiscal year under review since his appointment on June 25, 2019, and made statements necessary for discussing proposals based on his deep insights gained as a corporate manager, from the objective viewpoint of an outside director.	Senior Representative, External Affairs, Japan Airlines Co., Ltd. Trustee, KEIZAI DOYUKAI (Japan Association of Corporate Executives) Trustee, International University of Japan Visiting Professor, Toyo University Advisor, Mitsubishi Heavy Industries, Ltd. Outside Director, Teijin Limited

[Outside Audit & Supervisory Board Members]

Name	Major Activities	Significant Concurrent Positions outside the Company
Hideki Yamashita	Attended all ten (10) board meetings and all ten (10) audit & supervisory board members' meetings held in the fiscal year under review and made statements necessary for discussion of proposals based on his deep insights as an attorney at law, from the objective viewpoint of an outside audit & supervisory board member.	Attorney at law, YAMASHITA & TOYAMA LAW OFFICE Outside Corporate Auditor, I-cell Networks Corp.
Junko Imura	Attended all eight (8) board meetings and all eight (8) audit & supervisory board members' meetings held in the fiscal year under review since her appointment on June 25, 2019, and made statements necessary for discussion of proposals based on her deep insights as a certified public accountant, from the objective viewpoint of an outside audit & supervisory board member.	Certified public accountant, Imura Accounting Office Outside Audit & Supervisory Board Member, T. HASEGAWA CO., LTD. Visiting Professor, Tama Graduate School of Business

Note: No special business relationships exist between the Company and the organizations for which the outside directors and outside audit & supervisory board members hold concurrent positions.

5. Status of the Accounting Auditor

(1) Name of Accounting Auditor KPMG AZSA LLC

(2) Compensations to the Accounting Auditor

(¥ million)

	Amount of Compensations Paid
Compensations paid for the fiscal year under review	79
Total of cash and other economic benefits payable by the Company and its subsidiaries to the Accounting Auditor	198

Notes:
1. Figures less than one million yen are rounded down to the nearest million.
2. The audit agreement entered into by MOL and the Accounting Auditor does not clearly distinguish the amount being derived from the audit under the Companies Act and that which is being derived from the audit under the Financial Instruments and Exchange Act and cannot practically distinguish between the two types, therefore, the amount of compensations paid to the Accounting Auditor for the fiscal year under review is the total of these amounts.
3. The Audit & Supervisory Board of the Company has given its consent to the compensations to the Accounting Auditor for the fiscal year under review as stipulated in Article 399, paragraph (1) of the Companies Act, after the Board reviewed the descriptions in the audit plan, the Accounting Auditor’s performance of its duties, the basis for calculating the estimated compensation, audit hours, and historical changes of compensations and other factors, and concluded that the compensations to the Accounting Auditor for the fiscal year under review are appropriate in view of efficiency of the audit and quality of audit delivered.

(3) Contents of Non-audit Services

The Company has entrusted to the Accounting Auditor with services related to “preparation of comfort letter” that are services (non-audit services) other than ones stipulated in Article 2, paragraph (1) of the Certified Public Accountants Act.

(4) Company Policy for Decisions on Dismissal or Non-reappointment of Accounting Auditor

In case the Accounting Auditor is considered to be within the circumstances stipulated in any of items of Article 340, paragraph (1) of the Companies Act, the Audit & Supervisory Board shall dismiss the Accounting Auditor by consent of all audit & supervisory board members.

In addition to the above, in the case when there is any event that undermines eligibility or credibility as the Accounting Auditor, when it is considered difficult for the Accounting Auditor to properly perform an accounting audit, when it is considered reasonable to change the Accounting Auditor in order to improve the appropriateness of the accounting audit, or when the Company concludes that it is appropriate to dismiss or not to reappoint the Accounting Auditor in comprehensive consideration of the Accounting Auditor’s performance of its duties and other various factors, the Audit & Supervisory Board decides details of an agenda concerning dismissal or non-reappointment of the Accounting Auditor and requests the Board of Directors to include that agenda in the agenda of the general meeting of shareholders.

The Board of Directors, upon request from the Audit & Supervisory Board, decides to include the said agenda in the agenda of the general meeting of shareholders.

[Translation for Reference and Convenience Purposes Only]

6. System to Ensure Appropriateness of Operations

(1) Outline of the system to ensure the appropriateness of operations

The following is a summary of details of the decision on the system to ensure that the execution of duties by directors complies with laws and regulations and the Articles of Incorporation, and the system to ensure appropriateness of other operations of the Company.

i) System to Ensure that the Execution of Duties by the Directors, Executive Officers and Employees Complies with Laws and Regulations and the Articles of Incorporation

<Compliance>

(a) The MOL Group has set “highly transparent management in accordance with corporate ethics and social norms” as one of its corporate principles, in addition to complying with laws, regulations and the articles of incorporation. The Company prescribes the Compliance Policy as the basis for achieving compliance and establishes the Compliance Committee, chaired by a Chief Compliance Officer (CCO) assigned by the Board of Directors, to develop and maintain the compliance system through regular monitoring.

(b) The Company sets the code of conduct in Article 5 of the Compliance Policy as the code of conduct for the officers and employees to ensure their compliance with these rules. In particular, the Company fully enforces the following: Observing the competition laws of countries, standing firm against antisocial forces, prohibiting insider trading, prohibiting the offer and acceptance of bribes, protecting confidential information such as customer and company information, and refusing to allow discrimination and harassment.

(c) The Company takes measures to prevent the violation of compliance and improve compliance by providing all the officers and employees with training by job rank and category and e-learning on a range of laws, rules, and regulations including the Antimonopoly Act, the Financial Instruments and Exchange Act and the Unfair Competition Prevention Act as well as the Company internal rules and regulations, and ensures that its officers and employees deepen and improve their awareness of compliance.

(d) The Company maintains and operates the reporting and consultation systems by establishing an internal helpdesk for reporting and consulting on the violation of compliance and the Compliance Advisory Service Desk with service provided by outside lawyers based on the Compliance Policy. The Company keeps reports and consultations on breaches of compliance by the officers and employees of the Group strictly confidential and guarantees that those who have made the reports and undertaken the consultations will not be treated unfavorably due to having done so.

<Corporate governance>

(e) The Board of Directors, which consists of inside directors and outside directors, ensures its appropriate operation based on the Rules of the Board of Directors and supervises the performance of duties by the directors. In addition, the directors are involved in decisions on the highest policy on overall company management through the Board of Directors and supervise and encourage the execution of business by executive officers as the members of the Board of Directors.

(f) The Board of Directors has established the Executive Committee, and the Executive Committee undertakes deliberations for the President, Chief Executive Officer to make decisions on the basic management plans and important issues regarding the execution of business based on the highest policy determined by the Board of Directors.

(g) The Board of Directors makes efforts to create an environment that enables audit & supervisory board members to audit the execution of duties by the directors and executive officers according to the audit policies specified by the Rules of the Audit & Supervisory Board and the standards of the audit & supervisory board members’ audit and fulfill their mission as provided for by other laws and regulations.

(h) The Company establishes the Corporate Audit Division, which is independent from any other positions, as an internal audit unit that receives directions from the President.

ii) System to Ensure Objectivity and Transparency of Personnel Affairs of Directors and Executive Officers and Decision-Making Process for Their Remuneration

(a) The Company has established the Nomination Advisory Committee and Remuneration Advisory Committee under the Board of Directors for the purpose of strengthening its accountability by increasing the objectivity and transparency of the procedures for the nomination and remuneration of directors and executive officers.

(b) The Nomination Advisory Committee and Remuneration Advisory Committee comprise the Chairman, the President, and all independent outside directors. The chairmen of the Committees are selected from the independent outside directors by a resolution of the Board of Directors.
(c) The Nomination Advisory Committee deliberates matters concerning appointment and dismissal of directors and executive officers in response to advice from consultations from the Board of Directors and submits a report to the Board of Directors.
(d) The Remuneration Advisory Committee deliberates matters concerning the remuneration and treatment of directors and executive officers in response to consultations from the Board of Directors and submits a report to the Board of Directors.
(e) The Board of Directors respects the reports submitted by Nomination Advisory Committee and Remuneration Advisory Committee.

iii) System Concerning the Preservation and Management of Information on Execution of Duties by Directors and Executive Officers
(a) Information on the execution of duties by directors and executive officers is appropriately preserved and managed for a prescribed period of time in writing or in the form of electronic information based on the Rules of Document Management and the Rules of Electronic Information Security.
(b) Directors and audit & supervisory board members may access these documents when necessary.

iv) Rules and Other Systems Concerning Management of Risk that May Cause Losses
The Company develops the following management systems to counteract major risks that may cause losses, and the Executive Committee functions as a body that comprehensively manages all risks, including other risks.
(a) Risks concerning maritime shipping market trends
In the marine transport field, which is the Company's principal business, global trends in the volume of cargo transported and the vessel supply have an impact on supply and demand for shipment, and the market conditions for freight rates and charter hire fluctuate. Accordingly, the Company establishes the Investment and Finance Committee as a preliminary deliberative body of the Executive Committee, and important issues such as an investment in vessels are submitted to the highest decision-making body after the Investment and Finance Committee has ascertained, analyzed and evaluated the risks.
(b) Safe operation of ships
The Company establishes the Operational Safety Committee chaired by the President, Chief Executive Officer as a subordinate organ of the Executive Committee. The Operational Safety Committee works to ensure and thoroughly implement the safe operation of MOL-operated vessels by reviewing and deliberating matters concerning their safe operation based on the Rules of Operational Safety Committee. In addition, should an unexpected accident occur, the Operational Safety Committee strives to prevent any damage from growing and protect the environment based on the rule of the Emergency Control Headquarters.
(c) Market risks
Market risks such as fluctuations of bunker prices, exchange rates and interest rates are reduced by managing them appropriately based on the Rules of Market Risk Management.

v) System to Ensure Efficient Execution of Duties by Directors and Executive Officers
(a) The Board of Directors holds meetings about 10 times a year at appropriate intervals and as required. Important matters to be submitted to the Board of Directors are, in principle, prescribed by the Rules of the Board of Directors and deliberated in advance by the Executive Committee.
(b) The Executive Committee consists of members nominated by the President, Chief Executive Officer and approved by the Board of Directors and holds meetings once a week, in principle, and as required based on the Rules of the Executive Committee. The Executive Committee will also establish a committee as a subordinate body as required to undertake consultations about necessary matters.
(c) Executive officers are appointed by the Board of Directors and execute business in accordance with the highest policy on overall company management determined by the Board of Directors based on the organizational division of duties and the official authority of the job position

prescribed in the Rules of Organization, with authority delegated by representative directors based on the Rules of Executive Officer.

vi) System to Ensure the Credibility of Financial Reporting

(a) To ensure proper accounting and increase the reliability of financial reporting, the Company establishes the Rules of Accounting and strives to improve the system of internal control over financial reporting and increase its effectiveness.

(b) The Corporate Audit Division evaluates the effectiveness of internal control over financial reporting. Divisions that have undergone evaluation will take measures if any correction or improvement is necessary.

vii) System to Ensure Appropriateness of Operations in the Group Consisting of the Company and Its Subsidiaries

(a) To ensure the appropriateness of operations within the Group companies, the Company establishes the Group corporate principles to apply to all Group companies, and each Group company establishes a range of regulations based on the Group corporate principles.

(b) With regard to the business management of the Group companies, the status of business operations within each company is managed based on the management plan and the annual budget of the entire Group. In addition, by assigning a division in charge of management according to the business content of each company, the general manager of the division in charge receives the necessary reports in a timely manner from the directors of the Group companies in accordance with the Rules of Group Company Management in order to properly understand their financial conditions and business risks. The general manager of the division in charge requires the Group companies to implement important management matters with the approval of the Company and allocates the necessary management resources to the Group companies in a timely and appropriate manner so that the directors of the Group companies can execute their duties efficiently. However, for Group companies that are regarded as quasi-internal organizations based on the Rules of Organization, an officer in charge will perform the procedures instead of the general manager in charge.

(c) To ensure compliance within Group companies, they establish a range of internal rules and regulations in accordance with the Compliance Policy, including the code of conduct of the Company. The Compliance Advisory Service Desk of the Company ensures the full enforcement of compliance throughout the entire Group by also undertaking consultations with the officers and employees of the Group companies. The Company keeps reports and consultations on breaches of compliance made by the officers and employees of the Group from the Group companies strictly confidential and requires the Group companies to guarantee that those who have made the reports and undertaken the consultations will not be treated unfavorably due to having done so.

(d) With respect to the audits of the Group companies, each company builds an internal control system appropriately, and the Corporate Audit Division of the Company conducts internal audits of the Group companies in Japan and overseas periodically and when necessary based on the Rules of Internal Audit.

viii) Dedicated Staff Member to Assist in the Audit & Supervisory Board Members' Duties and Staff Member's Independence

(a) In order to assist in the audit & supervisory board members' duties, an assistant to audit & supervisory board members is appointed from the Company's employees.

(b) Personnel evaluation of the assistant to audit & supervisory board members is conducted by the audit & supervisory board members, and the assignment of the assistant to audit & supervisory board members is decided upon obtaining approval of the Audit & Supervisory Board.

(c) An assistant to audit & supervisory board members generally cannot concurrently be in a position involved in execution of business.

ix) System Concerning Reports from Directors, Executive Officers and Employees to Audit & Supervisory Board Members Including a Reporting System and Other Systems Concerning Reports to Audit & Supervisory Board Members, and System to Ensure that Audits are Effectively Conducted by the Audit & Supervisory Board Members

(a) The Company establishes rules on matters that directors, executive officers and employees should report to the audit & supervisory board members; and directors, executive officers and employees report important matters that could have an impact on the Company's business or business performance to the audit & supervisory board members based on the rules. Directors, audit & supervisory board members, executive officers and employees of Group companies may report important matters that could have an impact on the business or business performance of the Company and the Group to the audit & supervisory board members of the Company.

(b) A system for reporting the violation of laws or regulations and other compliance issues appropriately to the audit & supervisory board members is ensured by maintaining the appropriate operation of the reporting and consultation systems based on the Compliance Policy. With regard to reports and consultations about breaches of compliance by the officers and employees of the Group to the audit & supervisory board members, information is kept strictly confidential, and it is guaranteed that those who have made the reports and undertaken the consultations will not be treated unfavorably due to having done so.

(c) Representative directors make efforts to have meetings periodically with the audit & supervisory board members.

(d) The Corporate Audit Division cooperates with the audit & supervisory board members in conducting audits effectively by communicating and coordinating with the audit & supervisory board members.

(e) When an audit & supervisory board member request advance payment of expenses for the duties they will perform based on Article 388 of the Companies Act, the expenses or debt will be paid except in cases where it is recognized that the expenses or debt relating to the request are not necessary.

(2) Overview of Operation Status of the System to Ensure Appropriateness of Operations

The Company is appropriately managing the system to ensure the appropriateness of operations of the Company as described above. There are no issues to report.

The following is an overview of the operation status of the system to ensure the appropriateness of operations.

i) Compliance

(a) MOL has internal rules and regulations including the code of conduct to be observed by officers and employees of the MOL Group Companies, the Compliance Policy, and other policies in line with laws and regulations, such as the Rules of Conduct Related to Antitrust Laws, Anti-Corruption Policy, Rules of Insider Trading Prevention and Rules of Personal Information Management. The Company also holds internal training, seminars, e-learning training and other learning activities for officers and employees of domestic and international MOL Group companies in order to provide a better understanding of such rules and regulations and to ensure and enhance their awareness of compliance.

(b) The Company clarifies the personnel accountable for compliance by appointing Compliance Officers, who are responsible for enforcing compliance regulations within divisions and branch offices, and the Chief Compliance Officer, who is accountable for developing and strengthening the compliance system, as well as supervising Compliance Officers. The Company has established the Compliance Committee as a subordinate organization of the Executive Committee. The Compliance Committee holds quarterly meetings, acts to enhance and thoroughly implement the compliance system across the Company, and decides on measures against compliance violations. The Board of Directors and the Executive Committee receive semi-annual reports on compliance activities and conduct discussions on ensuring and improving compliance.

(c) Upon discovering behavior suspected of violating compliance, officers and employees are expected to report to and consult with the compliance officer of their division or branch office or the Compliance Committee secretariat. However, for cases where such reporting and consultation are difficult, the Company has established an independent internal Compliance Advisory Service Desk and external Compliance Advisory Service Desk, which investigate reported and consulted matters under strict confidence and immediately take the necessary measures if violations are recognized. In addition, the Company designates one month each year as "Compliance Strengthening Month," during which it makes efforts to collect a wide range of information regarding compliance from officers and employees.

ii) Corporate Governance

(a) The Board of Directors, as the Company's primary decision-making body, discusses and decides on basic policy and the most important matters relating to MOL Group management, and supervises business operations. The Board of Directors held 10 meetings during FY2019.

(b) In order to make the supervision of executive directors by independent outside directors further effective, the Company has established the Nomination Advisory Committee and the Remuneration Advisory Committee. Both Committees comprise the President and all the independent outside directors. Independent outside directors form a majority of the members. These Committees discuss matters related to the selection and dismissal of directors and executive officers, as well as the succession plan for the President and CEO, remuneration and treatment, and report them to the Board of Directors. In FY2019, the Nomination Advisory Committee held 6 meetings and the Remuneration Advisory Committee held 5 meetings.

(c) The Board of Directors conducts evaluations and analyses of its effectiveness each year to help improve the operation of the Board of Directors.

(d) In order to enable the Board of Directors to focus on critical matters, important matters in basic business plans and execution of business operations based on the decision of the Board of Directors are discussed and determined by the Executive Committee, which generally meets on a weekly basis. The Company makes efforts to streamline and accelerate the execution of management by having executive officers, who are appointed by the Board of Directors and who are delegated with authority from representative director, execute operations based on the policies decided by the Executive Committee.

(e) The status of businesses of the Company and Group companies is regularly reported at important internal meetings including meetings of the Board of Directors and the Executive Committee. Also, timely instructions are provided to relevant divisions if any issues or problems requiring rectification occur.

iii) Risk Management

(Management of Risk that May Cause Losses)

(a) The Company has established the Investment and Finance Committee as a preliminary deliberative body of the Executive Committee. The Investment and Finance Committee generally holds a meeting every week, and understands, analyzes, and evaluates a wide range of risks, including risks concerning maritime shipping market trends, market risks, and operational risks. The results are incorporated into the decision-making of the Board of Directors and the Executive Committee.

(b) In addition, as a measure toward Total Risk Control, the value fluctuation risk for the assets of the Company and the Group companies is statistically analyzed and quantitatively analyzed results are reported to the Board of Directors regularly. After assessing and analyzing the amount of risks provided in the reports, the Board of Directors and other decision-making bodies make investment decisions and implement risk control for all businesses of the MOL Group.

(c) The Operational Safety Committee has been established in order to ensure and thoroughly conduct safe vessel operations. Moreover, in order to manage risks relating to vessel operations, the Company has the Safety Operation Supporting Center (SOSC) covering all vessels to support ship captains by monitoring a vessel's movements, weather and sea conditions, and ship navigation. In addition, MOL also engages in efforts that involve carrying out periodic safety inspections based on MOL's own safety standards, as well as hiring and training marine technical specialists who are in charge of safety matters. While enhancing the safety of operations of MOL Group's vessels through these initiatives, the Company has been conducting research and development, etc., in recent years to adopt cutting-edge technologies, including ICT, in order to supplement its human capacity and secure safe operations.

(d) As one of the environmental regulations on shipping, SOx (sulfur oxide) emission regulation was adopted from January 2020, requiring measures such as use of low sulfur fuel oil containing sulfur of 0.5% or less and installation of SOx scrubbers on vessels to remove sulfur from emission gas. In order to minimize risks during vessel operation relating to change of bunker type, etc., and the impact of increased cost on business performance, the Company has taken strict measures to smoothly respond to the new regulation by positioning these as important issues in FY2019, establishing the 2020 SOx Regulation Response Committee, and making efforts to reflect the cost of these measures in freight charges, having gained the understanding of customers.

(e) Unexpected disasters or disease outbreaks could have a negative impact on the Company's execution of business and business performance. In response to the spread of COVID-19, the Company swiftly established an Emergency Control Headquarters pursuant to the Rules of Emergency Control Headquarters for Disaster and Pandemic and is making efforts to ensure safe operation of and safe transportation by operating its vessels, ensure the safety of its customers, business partners, and the officers and employees of the Company, and rebuild the business continuity system taking into account a longer time frame for the risk of the spread of COVID-19.

(f) MOL confirms appropriate operation of its internal control systems by evaluating the effectiveness of its internal control pursuant to the provisions stipulated in the Japanese Financial Instruments and Exchange Act, in order to ensure the credibility of its financial reports.

iv) Management of MOL Group companies

(Ensuring appropriate execution of business operations of the corporate group)

(a) MOL appropriately manages the domestic and international MOL Group companies by maintaining regulations including the Rules of Group Company Management and Group Company Management Practical Guidelines. MOL takes initiatives to improve the corporate value of the entire MOL group by addressing any important business items of MOL Group companies as matters to be approved by MOL, as well as receiving reports on the progress of their business plans, etc., and providing guidance and advice appropriately. Furthermore, twice a year, MOL holds a Group Executive Meeting attended by its President, MOL management members, and representatives of MOL Group companies. In these meetings, the participants share and confirm management goals and make efforts to ensure compliance.

(b) MOL Group companies develop and operate their own compliance systems as independent entities in line with MOL's Compliance Policy while conforming to their size and area of business. In the event that MOL Group companies have any incidents regarded as compliance violations, the companies swiftly take remedial actions and recurrence prevention measures in accordance with their own internal rules and regulations, and MOL also takes necessary actions such as reporting to the Compliance Committee and improving internal control of the MOL Group.

v) Audit & Supervisory Board Members

(a) The Company has set out rules for ensuring the effectiveness of audits by audit & supervisory board members and maintains a standard for ensuring the effectiveness of audits by audit & supervisory board members, such as items to be reported to the audit & supervisory board members by officers and employees.

(b) In order to ensure the execution of audits of management discussions and decision-making processes, the Company ensures opportunities for full-time audit & supervisory board members to attend meetings of the Executive Committee, Investment and Finance Committee, and other committees, in addition to meetings of the Board of Directors. Since FY2019, opportunities have been ensured for one audit & supervisory board member to attend the meetings of the Nomination Advisory Committee and the Remuneration Advisory Committee. In addition, opportunities are ensured for audit & supervisory board members to hold regular interviews with directors, executive officers, and employees, visit and inspect Group companies, and coordinate with the Corporate Audit Division and the Accounting Auditor. Through these activities, they share a common understanding of management issues and risks and audit the development and operation status, etc., of the internal control system, in order to ensure appropriate business operations.

c) The Company appoints an Audit & Supervisory Board Manager to support the duties of the Audit & Supervisory Board and audit & supervisory board members and assigns one dedicated staff member to provide support.

vi) Internal Audits

The Corporate Audit Division, an internal audit department, draws up an audit plan at the beginning of every fiscal year and conducts audits of its headquarters organizations and domestic and international MOL Group companies based on the audit plan. The Corporate Audit Division proposes improvement measures to the relevant divisions on issues identified from the audit results and reports to the President.

[Translation for Reference and Convenience Purposes Only]

Consolidated Financial Statements

Consolidated Balance Sheets

(¥ million)

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

[Translation for Reference and Convenience Purposes Only]

(¥ million)

	As of March 31, 2020	As of March 31, 2019
	Amount	Amount
(Liabilities)		
Current liabilities	**422,164**	**446,649**
Trade payables	69,189	81,020
Short-term bonds	36,766	28,500
Short-term bank loans	180,351	187,419
Commercial papers	25,000	40,000
Accrued income taxes	5,336	5,494
Advances received	34,348	35,814
Allowance for bonuses	4,706	4,742
Allowance for directors' bonuses	179	180
Allowance for loss on contracts	17,644	17,198
Allowance for loss related to business restructuring	–	304
Allowance for environmental measures	622	–
Other current liabilities	48,020	45,975
Fixed liabilities	**1,035,316**	**1,036,220**
Bonds	181,000	168,198
Long-term bank loans	655,117	665,997
Lease obligations	16,091	14,224
Deferred tax liabilities	58,480	58,123
Net defined benefit liabilities	9,524	11,927
Directors' and audit & supervisory board members' retirement benefits	1,565	1,499
Reserve for periodic drydocking	18,441	18,220
Allowance for loss on contracts	26,639	36,624
Allowance for environmental measures	–	620
Other fixed liabilities	68,457	60,785
Total Liabilities	**1,457,481**	**1,482,870**
(Net Assets)		
Shareholders' equity	**455,320**	**433,909**
Common stock	65,400	65,400
Capital surplus	45,007	45,385
Retained earnings	351,636	329,888
Treasury stock	(6,722)	(6,764)
Accumulated other comprehensive income	**58,014**	**91,154**
Unrealized holding gains on available-for-sale securities, net of tax	16,306	26,840
Unrealized gains on hedging derivatives, net of tax	28,170	44,391
Foreign currency translation adjustments	10,889	16,197
Remeasurements of defined benefit plans, net of tax	2,648	3,725
Share subscription rights	**1,646**	**1,803**
Non-controlling interests	**126,253**	**124,739**
Total Net Assets	**641,235**	**651,607**
Total Liabilities and Net Assets	**2,098,717**	**2,134,477**

[Translation for Reference and Convenience Purposes Only]

Consolidated Statements of Income

(¥ million)

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2018 (From April 1, 2018 to March 31, 2019)
	Amount	Amount
Shipping and other revenues	**1,155,404**	**1,234,077**
Shipping and other expenses	1,035,771	1,094,915
Gross operating income	**119,632**	**139,161**
Selling, general and administrative expenses	95,852	101,442
Operating profit	**23,779**	**37,718**
Non-operating income		
Interest income	8,028	7,832
Dividend income	6,127	5,982
Equity in earnings of affiliated companies	15,949	–
Others	19,859	18,839
Total non-operating income	**49,965**	**32,654**
Non-operating expenses		
Interest expenses	16,549	21,806
Equity in losses of affiliated companies	–	7,804
Others	2,104	2,187
Total non-operating expenses	**18,654**	**31,798**
Ordinary profit	**55,090**	**38,574**
Extraordinary income		
Gain on sales of fixed assets	8,295	4,654
Others	7,808	9,763
Total extraordinary income	**16,104**	**14,418**
Extraordinary losses		
Loss on disposal of fixed assets	749	1,511
Loss related to business restructuring	8,243	–
Provision of allowance for doubtful accounts	7,784	–
Others	7,287	4,703
Total extraordinary losses	**24,064**	**6,214**
Income before income taxes and non-controlling interests	**47,130**	**46,778**
Income taxes - current	**8,970**	**8,793**
Income taxes - deferred	**(30)**	**4,309**
Net income	**38,190**	**33,674**
Profit attributable to non-controlling interests	**5,566**	**6,799**
Profit attributable to owners of parent	**32,623**	**26,875**

[Translation for Reference and Convenience Purposes Only]

Consolidated Statement of Changes in Net Assets

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

(¥ million)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 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 stock				(28)	(28)
Disposal of treasury stock			(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 March 31, 2020	65,400	45,007	351,636	(6,722)	455,320

[Translation for Reference and Convenience Purposes Only]

(¥ million)

	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 April 1, 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 stock								(28)
Disposal of treasury stock								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 March 31, 2020	16,306	28,170	10,889	2,648	58,014	1,646	126,253	641,235

[Translation for Reference and Convenience Purposes Only]

Notes to Consolidated Financial Statements

Significant Matters for Basis of Preparation of Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 368

(2) Names of principal consolidated subsidiaries are as stated in "1. Matters Concerning the Present State of the Corporate Group, (12) Principal Subsidiaries."

(3) Name of principal non-consolidated subsidiary: Asia Cargo Service Co., Ltd.

(4) Reason for exclusion from the scope of consolidation

Total assets, total operating revenues, net income (based on the Group's equity interest) and retained earnings (based on the Group's equity interest) of non-consolidated subsidiaries are not significant respectively, and do not have a material impact on the consolidated statutory reports.

2. Application of equity method accounting

(1) Number of equity method affiliates: 103

(2) Names of principal equity method affiliates are as stated in "1. Matters Concerning the Present State of the Corporate Group, (13) Principal Equity Method Affiliates."

(3) Name of principal non-consolidated subsidiary that is not accounted under the equity method:
Asia Cargo Service Co., Ltd.

(4) Name of principal affiliate that is not accounted under the equity method:
Sorami Container Center Co., Ltd.

(5) Reason for exclusion from the scope of applying the equity method accounting

Net income and retained earnings (based on the Group's equity interest) of non-consolidated subsidiaries and affiliates that are not accounted under the equity method are not significant.

3. Changes in scope of consolidation and application of equity method

(1) Scope of consolidation

25 companies have been newly included in the scope of consolidation from this fiscal year due to new establishment, the increase in materiality and other reasons. 27 companies have been excluded from the scope of consolidation due to the decrease in materiality, absorption-type mergers and liquidation, and 1 company has been changed from a consolidated subsidiary to an equity method affiliate due to sale of shares.

(2) Scope of applying the equity method accounting

12 companies have been newly included in the scope of equity method application from this fiscal year due to new acquisition, the increase in materiality and other reasons. 1 company has been changed from a consolidated subsidiary to an equity method affiliate due to sale of shares.

4. Significant accounting policies

(1) Bases and methods of valuation of assets

Securities

Trading securities	Market value method (Costs of securities sold are determined based on the moving-average method)
Held-to-maturity debt securities	Amortized cost method
Other securities	
Available-for-sale securities	
with market value	Market value method based on the market price as of the closing date (Unrealized gains/losses are recorded in equity. Costs of securities sold are determined mainly based on the moving-average method)
without market value	Stated at cost mainly based on the moving-average method
Derivative transactions	Market value method
Inventories (Fuel and supplies)	Stated at cost mainly based on the moving-average method (Amounts on the balance sheet are measured at the lower of cost or net realizable value)

(2) Depreciation methods for fixed assets

Tangible fixed assets (excluding leased assets)

Vessels	Mainly straight-line method (Declining-balance method for a part of vessels)
Buildings and structures	Mainly straight-line method
Other tangible fixed assets	Mainly declining-balance method

Intangible fixed assets (excluding leased assets) Straight-line method

Internal use software is amortized by the straight-line method, based on the estimated useful life of 5 years.

Amortization of goodwill is estimated individually for the period in which the effect is realized, and goodwill is equally amortized over the period.

Leased assets

Leased assets under finance leases that transfer ownership are depreciated consistently as fixed assets that the Group owns.

Leased assets under finance leases other than those that transfer ownership are depreciated using the straight-line method, based on lease terms and residual value of zero.

(3) Accounting treatment for deferred assets

Bond issue expenses	Expensed as incurred
Stock issue expenses	Expensed as incurred

(4) Accounting for allowances

Allowance for doubtful accounts

Allowance for general receivables is based on historical default rate.
Allowance for specific receivables, such as individual doubtful receivables, is based on the individual likelihood of default.

Allowance for bonuses

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

Allowance for directors' bonuses

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

Allowance for loss on contracts

Allowance for loss on contracts is based on the estimated amounts of loss on contracts with future higher probability of loss to be incurred due to a decision made over contracts, etc.

Allowance for directors' and audit & supervisory board members' retirement benefits

Several domestic consolidated subsidiaries record allowances for payments of retirement benefits to directors and audit & supervisory board members based on amounts to adequately cover payments at the end of the fiscal year, in accordance with internal regulations.

Allowance for periodic drydocking

Allowance for periodic drydocking is based on the estimated amount of repairs of vessels.

Allowance for environmental measures

Allowance for disbursement associated with polychlorinated biphenyl (PCB) waste is based on the estimated amounts of future obligations.

(5) Recognition of freight revenues and related expenses

Recognized mainly by the completed-voyage method.

(6) Hedge accounting

Hedge accounting

The Company mainly adopts deferral hedge accounting. The Company adopts special accounting rules for interest swaps that meet the requirements of special accounting rules.

Hedging instruments and hedged items

Hedging instruments	Hedged items
Loans payable in foreign currencies	Future transactions in foreign currencies
Forward foreign exchange contracts	Future transactions in foreign currencies
Currency option contracts	Future transactions in foreign currencies
Currency swap contracts	Charter fees and loans payable in foreign currencies
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

Hedging policy

The hedging derivative transactions are executed and managed by the Company mainly in accordance with established policies, "Rules of Market Risk Management" and "Guideline for Market Risk Management," clarifying hedged items by individual case, in order to hedge risks of currency exchange rate fluctuations, interest rate fluctuations, or changes in prices against relevant hedged items.

Method of evaluating the effectiveness of hedges

The Company evaluates hedge effectiveness mainly 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 during the period from commencement of hedging to the point of evaluating effectiveness, based on changes in both amounts and others. As for interest swap contracts meeting the requirement for special treatment, the evaluation of hedge effectiveness is omitted.

(7) Interest expenses are generally expensed as incurred. However, interest expenses for assets which are constructed over a long term and are significant in terms of investment, is included in acquisition cost.

(8) Other significant matters for the preparation of consolidated financial statements

Accounting for retirement benefits

Net defined benefit assets/liabilities are recorded based on estimates of retirement benefit obligations and pension assets as of the end of the fiscal year. Unrecognized actuarial gains/losses are amortized by the straight-line method over a period that does not exceed the employees' estimated remaining service period (generally 10 years) from the next fiscal year. Prior service costs are generally expensed as incurred.

Accounting for consumption taxes

Consumption tax and similar local taxes are excluded from income and expense.

Adoption of tax effect accounting regarding the transition to the Group Tax Sharing System from the Consolidated Taxation System.

The Company and several domestic consolidated subsidiaries do not apply provisions of Section 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) to a transition to the Group Tax Sharing System established by the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020) and items subject to revisions of the non-consolidated taxation system according to a transition to the Group Tax Sharing System pursuant to Section 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020) and accordingly, the amounts of deferred tax assets and deferred tax liabilities are based on provisions of the tax law before revision.

Notes to 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 fiscal year under review. In applying IFRS 16, 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.

Notes to Changes in Presentations

(Consolidated balance sheets)

"Investments in and advances to subsidiaries and affiliates" (¥271,182 million for the fiscal year under review), which were separately disclosed in the previous fiscal year are included in "Investment securities" in this fiscal year for ensuring consistency with presentation methods of consolidated financial statements in the annual securities report. "Investments in and advances to subsidiaries and affiliates" for the previous fiscal year was ¥255,079 million.

(Consolidated statements of income)

"Gain on sales of shares of subsidiaries and associates" (¥42 million for the fiscal year under review), which was separately disclosed in the previous fiscal year is included in "Others" in Extraordinary income in this fiscal year, due to the decrease in materiality. "Gain on sales of shares of subsidiaries and associates" for the previous fiscal year was ¥5,453 million.

Additional Information

(Accounting procedures regarding Application of Consolidated Taxation System)

During the fiscal year under review, the Company and certain consolidated subsidiaries applied for approval regarding the application of the consolidated taxation system, and approval was obtained for consolidated taxation system to be applied from the next fiscal year. Accordingly, for the fiscal year under review, related accounting procedures were carried out assuming application of the consolidated taxation system, based on the “Practical Solution on Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 1)” (ASBJ PITF No. 5 of January 16, 2015) and the “Practical Solution on Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 2)” (ASBJ PITF No. 7 of January 16, 2015).

[Translation for Reference and Convenience Purposes Only]

Notes to Consolidated Balance Sheets

1. Breakdown and amounts of inventories

Raw materials and supplies	¥32,217 million
Other	¥1,303 million

2. Assets pledged as collateral and secured obligations

(1) Assets pledged as collateral

Vessels	¥192,171 million
Construction in progress	¥130 million
Investment securities	¥83,522 million
Total	¥275,824 million

Pledged investment securities include the following:

a) ¥82,898 million is pledged as collateral to secure long-term loans of subsidiaries/affiliates and future payment of charter hire.

b) ¥624 million is pledged as collateral for long-term loans associated with Offshore Business and LNG carrier projects.

(2) Secured obligations

Short-term loans	¥11,960 million
Long-term loans	¥157,027 million
Total	¥168,987 million

3. Accumulated depreciation of tangible fixed assets ¥930,729 million

4. Contingent liabilities

Guarantee liabilities, etc.	¥186,208 million
(Guarantee liabilities in foreign currency included in above	¥169,161 million)

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

Notes to Consolidated Statements of Income

1. Loss related to business restructuring

Concerning losses related to charter contracts recorded in the fiscal year ended March 31, 2018 due to the integration of the container shipping businesses, an amount of ¥8,243 million was recorded, since additional losses are expected to incur as a result of the incorporation of fleet charter fees and the latest cost trends as preconditions for the estimate.

2. Provision of allowance for doubtful accounts

A provision of allowance for doubtful accounts has been recorded for subordinated long-term loans receivable to an equity method affiliate because its operating results are expected to significantly deteriorate due to the effect of COVID-19, etc. and a portion of those loans could potentially become unrecoverable.

Notes to Consolidated Statement of Changes in Net Assets

1. Class and total number of issued and outstanding shares as of the end of this fiscal year

Class: Common stock
Total number of shares: 120,628,611 shares

2. Class and number of shares of treasury stock as of the end of this fiscal year

Class: Common stock
Number of shares: 1,034,427 shares

3. Dividends distribution of surplus

(1) Dividends paid

Resolution	Class of stock	Total dividends (¥ million)	Dividends per share (¥)	Record date	Effective date
Ordinary General Meeting of Shareholders June 25, 2019	Common stock	2,989	25.0	March 31, 2019	June 26, 2019
Board of Directors' Meeting October 31, 2019	Common stock	3,587	30.0	September 30, 2019	November 28, 2019

(2) Dividends for which record date is in this fiscal year but the effective date for the dividends is in the following fiscal year

Resolution	Class of stock	Total dividends (¥ million)	Dividends per share (¥)	Record date	Effective date
Ordinary General Meeting of Shareholders June 23, 2020	Common stock	4,185	35.0	March 31, 2020	June 24, 2020

4. Class and number of shares subject to the share subscription rights at the end of the fiscal year

(Excluding share subscription rights yet to be effective)

Class: Common stock
Total number of shares: 1,196,100 shares

[Translation for Reference and Convenience Purposes Only]

Notes on Financial Instruments

1. Qualitative information on financial instruments

To acquire vessels and other fixed assets, the Group raises capital investment primarily by bank loans and bonds. In addition, the Group raises short-term working capital primarily by bank loans. Furthermore, the Group has commitment lines with Japanese banks to maintain sufficient sources of working capital and secure necessary liquidity in case of emergency situations.

Trade receivables are exposed to the credit risks of customers. The Group mitigates such risks by performing operations in accordance with internal regulations. In addition, trade receivables denominated in foreign currencies are exposed to the foreign currency exchange rate risks. The Group avoids this risk mainly by using exchange forward contracts to cover net trade receivables and payables denominated in foreign currencies. Investment securities are mainly stocks of companies which the Group has business relationships with. Fair value of listed stock is measured at market value on a quarterly basis.

Trade payables are due within a year. Short-term loans and commercial papers are primarily used to raise short-term working capital, while long-term loans and bonds are mainly used to raise necessary funds for capital investments. Although several items have variable interest rates and therefore are exposed to volatility risks, the Group uses derivative financial instruments (interest rate swaps and interest rate cap contracts) to fix certain portions of such variable interest rates. Long-term loans denominated in foreign currencies are exposed to foreign currency exchange rate risks; however, currency swaps are set for a portion of such loans to minimize the risks. Derivatives are used to hedge risks as discussed above and are executed to manage risks related to actual demand. In accordance with internal policies ("Rules of Market Risk Management" and "Guideline for Market Risk Management"), the Group's policy is not to use derivatives for speculative purposes.

2. Fair values of financial instruments

The book value, fair value, and differences between the two values of financial instruments at end of this fiscal year are as follows:

(¥ million)

	Book Value	Fair Value	Difference
(1) Cash and deposits	105,784	105,784	–
(2) Trade receivables	81,362	81,362	–
(3) Marketable securities			
Available-for-sale securities	500	500	–
(4) Short-term loans receivable	4,454	4,454	–
(5) Long-term loans receivable (*1)	86,208		
Allowance for doubtful accounts (*2)	(7,784)		
	78,424	82,086	3,661
(6) Investment securities			
Available-for-sale securities	67,344	67,344	–
Investments in and advances to subsidiaries and affiliates	3,078	2,841	(236)
(7) Trade payables	69,189	69,189	–
(8) Short-term loans	100,063	100,063	–
(9) Commercial papers	25,000	25,000	–
(10) Bonds (*3)	217,766	217,503	(262)
(11) Long-term loans (*4)	735,404	738,681	3,276
(12) Derivative financial instruments (*5)	41,437	41,324	(112)

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(*1) The book value of long-term loans receivable includes current portion of ¥946 million.
(*2) Allowance for doubtful accounts recorded separately is excluded.
(*3) The book value of bonds includes current portion of ¥36,766 million.
(*4) The book value of long-term loans includes current portion of ¥80,287 million.
(*5) Assets and liabilities from derivative financial instruments are net. Negative amounts are stated in ( ).

Notes: 1. Methods used to measure financial instruments at fair value, and issues regarding investment securities and derivative financial instruments are as follows:

(1) Cash and deposits, (2) Trade receivables, and (4) Short-term loans receivable

Fair value of above assets is evaluated at book value since they are settled within a short period and fair value is almost equivalent to book value.

(3) Marketable securities

Marketable securities are jointly managed designated money trusts, and considering the short settlement periods of such trusts, book value is used because fair value is almost equivalent to book value.

(5) Long-term loans receivable

Fair value of long-term loans receivable with variable interest rates is evaluated at book value since the interest rate reflects the market rate in a short term and fair value is almost equal to book value, unless the creditworthiness of the borrower has changed significantly since the loan was made. 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 borrowing were newly made.

(6) Investment securities

Fair value of investment securities is evaluated at market prices at the stock exchange as of the end of the fiscal year.

Fair value of bonds is evaluated at market prices at the stock exchange or at the value provided by financial institutions as of the end of the fiscal year.

(7) Trade payables, (8) Short-term loans, and (9) Commercial papers

Fair value of above liabilities is evaluated at book value, since they are settled within a short period and fair value is almost equivalent to book value.

(10) Bonds

Fair value of corporate bond is evaluated at market price.

(11) Long-term loans

Fair value of long-term bank loans with variable interest rates is evaluated at book value since fair value is almost equivalent to book value, the interest rate reflects the market rate in a short term and there has been no significant change in the creditworthiness of the Group before and after such bank loans were made. Long-term bank loans with fixed interest rates are classified by their duration, and based on their individual loan type, their fair value is evaluated by discounting the total amount of principal and interest using the rate which would apply if similar bank loans were to be newly made. Fair value of some foreign-currency denominated long-term loans is evaluated at fixed amounts based on the appropriated treatment of currency swap transactions.

(12) Derivative financial instruments

Fair value of derivatives, which are used for hedging purposes, is measured at the value of forward exchange rates as of the end of the fiscal year or offered prices by financial institutions. Since currency swaps, which deferral hedge accounting is applied, are accounted for together with the long-term bank loans being hedged, the fair value is included in the fair value of the relevant hedged item.

2. Financial instruments whose fair value is extremely difficult to determine are as follows:

(¥ million)

	Book Value
1) Unlisted stocks	8,688
2) Investments in and advances to subsidiaries and affiliates	267,767
3) Others	11
Total	276,468

The above items are not included in the amount presented under the line "(6) Investments securities" in the table summarizing fair value of financial instruments, because the fair value is extremely difficult to determine as they have no quoted market price and the future cash flow cannot be estimated.

[Translation for Reference and Convenience Purposes Only]

Notes on Rental Property

1. Qualitative information on rental property

The Company and certain of its consolidated subsidiaries own real estate for office lease (including land) in Tokyo, Osaka and other areas.

2. Fair value of rental property

(¥ million)

Book Value	Fair Value
327,585	549,820

Notes: 1. Book value is acquisition cost less accumulated depreciation.
2. Fair value of major properties is based on the valuation of independent real estate appraisers. For other properties, fair value of land is adjusted using an index that reflects market price properly. Fair value of depreciable assets such as buildings is the amount recorded on the consolidated balance sheets.

Per-share Information

1. Net assets per share ¥4,292.31
2. Net income per share ¥272.79

Major Subsequent Event

There are no significant events to be disclosed.

Other Notes

Figures less than one million yen are rounded down to the nearest million.

[Translation for Reference and Convenience Purposes Only]

Non-consolidated Financial Statements

Non-consolidated Balance Sheets

(¥ million)

	As of March 31, 2020	As of March 31, 2019
	Amount	Amount
(Assets)		
Current assets	**221,834**	**242,575**
Cash and deposits	27,295	36,475
Trade receivables	35,001	40,463
Short-term loans receivable	57,076	54,786
Advances	8,738	6,769
Marketable securities	500	500
Inventories	23,313	25,925
Deferred and prepaid expenses	42,699	46,127
Receivable from agencies	12,382	15,305
Other current assets	14,942	16,396
Allowance for doubtful accounts	(114)	(174)
Fixed assets	**786,336**	**788,760**
(Tangible fixed assets)	**138,772**	**131,809**
Vessels	105,975	90,421
Buildings	8,305	9,171
Structures and equipment	322	372
Vehicles and transportation equipment	0	0
Furniture and fixtures	756	669
Land	16,197	16,436
Construction in progress	5,361	12,958
Other tangible fixed assets	1,854	1,779
(Intangible fixed assets)	**10,853**	**9,683**
(Investments and other assets)	**636,710**	**647,266**
Investment securities	51,125	76,571
Investments in and advances to subsidiaries and affiliates	403,371	383,271
Long-term loans receivable	82,473	84,832
Long-term prepaid expenses	15,513	10,571
Long-term lease receivables	79,042	88,688
Other investments and other assets	11,698	12,787
Allowance for doubtful accounts	(6,514)	(9,455)
Total Assets	**1,008,170**	**1,031,335**

[Translation for Reference and Convenience Purposes Only]

(¥ million)

	As of March 31, 2020	As of March 31, 2019
	Amount	Amount
(Liabilities)		
Current liabilities	**325,001**	**349,435**
Trade payables	41,061	50,422
Short-term bonds	21,766	18,500
Short-term bank loans	177,709	166,199
Other payables	5,686	6,759
Advances received	24,377	27,294
Payable to agencies	509	914
Commercial papers	25,000	40,000
Allowance for bonuses	2,323	2,167
Allowance for directors' bonuses	60	48
Allowance for loss on contracts	17,576	21,755
Allowance for loss related to business restructuring	-	6,425
Other current liabilities	8,930	8,948
Fixed liabilities	**484,934**	**482,293**
Bonds	86,000	88,198
Long-term bank loans	322,271	312,262
Deferred tax liabilities	8,661	12,233
Allowance for employees' severance and retirement benefits	-	8
Allowance for loss on guarantees	23,473	13,357
Allowance for loss on contracts	26,639	36,555
Other fixed liabilities	17,889	19,677
Total Liabilities	**809,935**	**831,729**
(Net Assets)		
Shareholders' equity	**187,493**	**178,275**
Common stock	65,400	65,400
Capital surplus	44,371	44,371
Additional paid-in capital	44,371	44,371
Retained earnings	84,446	75,269
Legal earnings reserve	8,527	8,527
Other retained earnings	75,918	66,741
Reserve for special depreciation	1	2
Reserve for advanced depreciation	898	912
General reserve	46,630	30,630
Retained earnings (losses) brought forward	28,388	35,197
Treasury stock	(6,724)	(6,766)
Accumulated gains from valuation and translation adjustments	**9,094**	**19,527**
Unrealized holding gains on available-for-sale securities, net of tax	13,324	22,527
Unrealized gains (losses) on hedging derivatives, net of tax	(4,230)	(2,999)
Share subscription rights	**1,646**	**1,803**
Total Net Assets	**198,234**	**199,606**
Total Liabilities and Net Assets	**1,008,170**	**1,031,335**

Non-consolidated Statements of Income

(¥ million)

	FY2019 (From April 1, 2019 to March 31, 2020) Amount	FY2018 (From April 1, 2018 to March 31, 2019) Amount
Shipping and other revenues		
Shipping revenues		
Freight	457,693	493,987
Charter fees	193,029	208,949
Other shipping revenues	48,363	56,124
Total	**699,087**	**759,061**
Other operating revenue	1,033	1,104
Total shipping and other revenues	**700,120**	**760,166**
Shipping and other expenses		
Shipping expenses		
Voyage expenses	224,246	248,687
Vessels	14,577	14,374
Charter fees	357,070	380,863
Other shipping expenses	56,788	69,606
Total	**652,681**	**713,531**
Other operating expenses	744	694
Total shipping and other expenses	**653,426**	**714,225**
Gross operating income	**46,694**	**45,940**
Selling, general and administrative expenses	34,004	33,884
Operating profit	**12,689**	**12,055**
Non-operating income		
Interest and dividend income	26,515	34,850
Others	1,134	886
Total non-operating income	**27,649**	**35,737**
Non-operating expenses		
Interest expenses	6,463	7,434
Exchange losses	106	3,220
Others	1,326	877
Total non-operating expenses	**7,896**	**11,531**
Ordinary profit	**32,443**	**36,260**
Extraordinary income		
Gain on sales of fixed assets	3,686	827
Gain on sales of investment securities	2,755	599
Gain on sales of securities issued by subsidiaries and affiliates	36	4,916
Gain on liquidation of subsidiaries and affiliates	381	1,766
Gain on reversal of subscription rights to shares	230	376
Compensation income	1,031	-
Others	749	1,193
Total extraordinary income	**8,873**	**9,679**
Extraordinary losses		
Loss on disposal of fixed assets	88	64
Loss on valuation of securities issued by subsidiaries and affiliates	786	278
Loss on valuation of investment securities	2,746	168
Provision of allowance for loss on guarantees	7,759	348
Loss related to business restructuring	8,243	–
Early termination fee	4,198	6,148
Others	1,264	1,173
Total extraordinary losses	**25,086**	**8,181**
Income before income taxes	**16,229**	**37,758**
Income taxes - current	360	754
Income taxes - deferred	76	57
Net income	**15,793**	**36,946**

[Translation for Reference and Convenience Purposes Only]

Non-consolidated Statement of Changes in Net Assets

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

(¥ million)

	Shareholders' equity										
		Capital surplus		Retained earnings							
					Other retained earnings						
	Common stock	Additional paid-in capital	Total capital surplus	Legal earnings reserve	Reserve for special deprecia-tion	Reserve for advanced deprecia-tion	General reserve	Retained earnings (losses) brought forward	Total retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2019	**65,400**	**44,371**	**44,371**	**8,527**	**2**	**912**	**30,630**	**35,197**	**75,269**	**(6,766)**	**178,275**
Changes during period											
Issuance of new shares - exercise of share acquisition rights			-						-	5	5
Dividends of surplus			-					(6,577)	(6,577)		(6,577)
Net income			-					15,793	15,793		15,793
Reversal of reserve for special depreciation			-		(1)			1	-		-
Reversal of reserve for advanced depreciation			-			(13)		13	-		-
Provision of general reserve			-				16,000	(16,000)	-		-
Purchase of treasury stock			-						-	(28)	(28)
Disposal of treasury stock			-					(38)	(38)	65	26
Net changes of items other than shareholders' equity			-						-		-
Total changes of items during period	**-**	**-**	**-**	**-**	**(1)**	**(13)**	**16,000**	**(6,808)**	**9,176**	**41**	**9,218**
Balance at March 31, 2020	**65,400**	**44,371**	**44,371**	**8,527**	**1**	**898**	**46,630**	**28,388**	**84,446**	**(6,724)**	**187,493**

	Accumulated gains from valuation and translation adjustments			Share subscription rights	Total net assets
	Unrealized holding gains on available-for-sale securities, net of tax	Unrealized gains (losses) on hedging derivatives, net of tax	Total accumulated gains from valuation and translation adjustments		
Balance at April 1, 2019	**22,527**	**(2,999)**	**19,527**	**1,803**	**199,606**
Changes during period					
Issuance of new shares - exercise of share acquisition rights			-	(5)	-
Dividends of surplus			-		(6,577)
Net income			-		15,793
Reversal of reserve for special depreciation			-		-
Reversal of reserve for advanced depreciation			-		-
Provision of general reserve			-		-
Purchase of treasury stock			-		(28)
Disposal of treasury stock			-		26
Net changes of items other than shareholders' equity	(9,202)	(1,230)	(10,432)	(151)	(10,584)
Total changes of items during period	**(9,202)**	**(1,230)**	**(10,432)**	**(157)**	**(1,371)**
Balance at March 31, 2020	**13,324**	**(4,230)**	**9,094**	**1,646**	**198,234**

[Translation for Reference and Convenience Purposes Only]

Notes to Non-consolidated Financial Statements

Notes to Matters for Significant Accounting Policies

1. Bases and methods of valuation of assets

Securities

Trading securities	Market value method (Costs of securities sold are determined based on the moving-average method)
Held-to-maturity debt securities	Amortized cost method
Investments in and advances to subsidiaries and affiliates	Stated at cost using the moving-average method
Other securities	
Available-for-sale securities	
with market value	Market value method based on the market price as of the closing date (Unrealized gains/losses are recorded in equity. Costs of securities sold are determined based on the moving-average method)
without market value	Stated at cost based on the moving-average method
Derivative transactions	Market value method
Inventories	Stated at cost mainly based on the moving-average method (Amounts on the balance sheet are measured at the lower of cost or net realizable value)

2. Depreciation methods for fixed assets

Tangible fixed assets (excluding leased assets)

Vessels	Straight-line method
Buildings and structures	Straight-line method
Other tangible fixed assets	Mainly declining-balance method

Intangible fixed assets (excluding leased assets)	Straight-line method Internal use software is amortized by the straight-line method, based on the estimated useful life of 5 years.
Leased assets	Leased assets under finance leases that transfer ownership are depreciated consistently as fixed assets that the Company owns. Leased assets under finance leases other than those that transfer ownership are depreciated using the straight-line method, based on lease terms and residual value of zero.

3. Accounting treatment for deferred assets

Bond issue expenses

Expensed as incurred

Stock issue expenses

Expensed as incurred

4. Accounting for allowances

Allowance for doubtful accounts

Allowance for general receivables is based on historical default rate.

Allowance for specific receivables, such as individual doubtful receivables, is based on the individual likelihood of default.

Allowance for bonuses

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

Allowance for directors' bonuses

Allowance for bonuses to directors is based on the estimated amounts of future payments.

Allowance for loss on contracts

Allowance for loss on contracts is based on the estimated amounts of loss on contracts with future higher probability of loss to be incurred due to a decision made over contracts, etc.

Allowance for employees' severance and retirement benefits

Allowance for retirement benefits to employees is based on the estimated amounts of retirement benefit obligations and pension assets as of the end of the fiscal year.

In calculating retirement benefit obligations, the Company uses straight-line attribution as a method of attributing estimates of retirement benefit to a period up to the end of the fiscal year.

Actuarial differences are recognized using the straight-line method within the estimated remaining service period (generally 10 years) commencing with the following period. Prior service cost is accounted for as expenses in lump-sum at the time of occurrence.

Allowance for loss on guarantees

Provided for losses arising from fulfilling guarantee obligations, the Company appropriates a provision for the estimated losses in view of the financial conditions of guaranteed companies.

5. Recognition of freight revenues and related expenses

Recognized by the completed-voyage method.

6. Hedge accounting

Hedge accounting

The Company adopts deferral hedge accounting.

Special accounting rules are used for interest swaps that meet the requirements of special accounting rules.

Hedging instruments and hedged items

Hedging instruments	Hedged items
Loans payable in foreign currencies	Future transactions in foreign currencies
Forward foreign exchange contracts	Future transactions in foreign currencies
Currency option contracts	Future transactions in foreign currencies
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

Hedging policy

Hedging derivative transactions are executed in accordance with the Company's internal regulations, "Rules of Market Risk Management" and "Guideline for Market Risk Management," clarifying hedged items by individual case, in order to hedge risks of currency exchange rate fluctuations, interest rate fluctuations, or changes in prices against relevant hedged items.

Method of evaluating the effectiveness of hedges

In principle, the Company evaluates hedge effectiveness by comparing the cumulative changes in cash flows from or the changes in the fair value of hedged items, and the cumulative changes in cash flows from or the changes in fair value of hedging instruments during the period from commencement of hedging to the point of evaluating effectiveness, based on changes in both amounts and others. As for interest swap contracts meeting the requirement of special treatment, the evaluation of hedge effectiveness is omitted.

7. Interest expenses are generally expensed as incurred. However, interest expenses for assets which are constructed over a long term and are significant in terms of investment, is included in acquisition cost.

8. The accounting methods for unrecognized actuarial differences relating to retirement benefits are different from those accounting methods in the consolidated financial statements.

9. Consumption tax and similar local taxes are excluded from income and expense.

10. Adoption of tax effect accounting regarding the transition to the Group Tax Sharing System from the Consolidated Taxation System

The Company does not apply provisions of Section 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) to a transition to the Group Tax Sharing System established by the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020) and items subject to revisions of the non-consolidated taxation system according to a transition to the Group Tax Sharing System pursuant to Section 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020) and accordingly, the amounts of deferred tax assets and deferred tax liabilities are based on provisions of the tax law before revision.

Notes to Changes in Presentations

(Non-consolidated balance sheets)

"Long-term other payables" (¥6,059 million for the fiscal year under review), which were separately disclosed in the previous fiscal year are included in "Other fixed liabilities" in "Fixed liabilities" in this fiscal year, due to the decrease in materiality. "Long-term other payables" for the previous fiscal year were ¥10,254 million.

(Non-consolidated statements of income)

"Loss on valuation of investment securities" (¥2,746 million for the fiscal year under review), which was included in "Others" in Extraordinary losses in the previous fiscal year is separately disclosed in this fiscal year, due to the increase in materiality. "Loss on valuation of investment securities" for the previous fiscal year was ¥168 million.

Additional Information

(Accounting procedures regarding Application of Consolidated Taxation System)

During the fiscal year under review, the Company applied for approval regarding the application of the consolidated taxation system, and approval was obtained for consolidated taxation system to be applied from the next fiscal year. Accordingly, for the fiscal year under review, related accounting procedures were carried out assuming application of the consolidated taxation system, based on the "Practical Solution on Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 1)" (ASBJ PITF No. 5 of January 16, 2015) and the "Practical Solution on Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 2)" (ASBJ PITF No. 7 of January 16, 2015).

Notes to Non-consolidated Balance Sheets

1. To subsidiaries and affiliates

Short-term monetary lending	¥85,871 million
Long-term monetary lending	¥167,460 million
Short-term monetary debts	¥117,738 million
Long-term monetary debts	¥450 million

2. Accumulated depreciation on tangible fixed assets ¥223,467 million

3. Assets pledged as collateral and secured obligations

(1) Assets pledged as collateral

Vessels	¥13,976 million
Investment securities	¥624 million
Investments in and advances to subsidiaries and affiliates	¥56,752 million
Total	¥71,352 million

Pledged investment securities and investments in and advances to subsidiaries and affiliates include the following:

a) Investments in and advances to subsidiaries and affiliates of ¥56,752 million are pledged as collateral to secure long-term loans of subsidiaries/affiliates and future payment of charter hire.

b) Investment securities of ¥624 million are pledged as collateral for long-term loans associated with Offshore Business and LNG carrier projects.

(2) Secured obligations

Short-term loans	¥2,317 million
Long-term loans	¥30,277 million
Total	¥32,595 million

4. Contingent liabilities

Guarantee liabilities, etc.	¥584,609 million
(Guarantee liabilities in foreign currency included in above	¥370,100 million)

5. 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 said company. 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 as unjust, and intends to assert the propriety of the Company in addition to upholding the claims for damages under the lawsuit.

(2) Guarantees
In relation to early termination of a terminal agreement with consolidated subsidiary TraPac, LLC. as a result of integration of the container shipping businesses, the Company will furnish guarantees covering cargo volumes and unit pricing with respect TraPac, LLC. through March 2024. Meanwhile, the effect of causing performance of such guarantee on the financial results of the Company is uncertain as its financial impact is not estimable at this stage.

(3) Others
Since 2012, the Company is the subject of investigations by the antitrust authorities in the U.S. and other countries, on the suspicion of violations of each country's competition laws with respect to ocean transport services of completed build-up vehicles. In addition, a class-action lawsuit was filed in Canada and the U.K. against the Company, 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 Company is uncertain as its financial impact is not estimable at this stage.

Notes to Non-consolidated Statements of Income

1. Volume of transactions with subsidiaries and affiliates

Volume of operating transactions	
Revenues	¥152,340 million
Amount of purchase	¥271,191 million
Transactions other than operating transactions	¥40,578 million

2. Provision of allowance for loss on guarantees

A provision for allowance for loss on guarantees has been recorded mainly for the liabilities of consolidated subsidiaries to which the Company has provided joint guarantees.

3. Loss related to business restructuring

Concerning losses related to charter contracts recorded in the fiscal year ended March 31, 2018 due to the integration of the container shipping businesses, an amount of ¥8,243 million was recorded, since additional losses are expected to incur as a result of the incorporation of fleet charter fees and the latest cost trends as preconditions for the estimate.

4. Early termination fee

An amount of ¥4,198 million was recorded as the cost related to the early termination fee as a result of the integration of the container shipping businesses.

Notes to Non-consolidated Statement of Changes in Net Assets

Class and number of shares of treasury stock as of the end of this fiscal year

Common stock	1,031,582 shares

[Translation for Reference and Convenience Purposes Only]

Notes on Deferred Tax Accounting

Significant components of deferred tax assets and liabilities

	(¥ million)
Deferred tax assets	
Tax loss brought forward	48,910
Retained income of specific foreign subsidiaries	33,935
Loss on valuation of available-for-sale securities	1,021
Voluntary adjustment of loss on valuation of securities issued by subsidiaries and affiliates	60,438
Reserve for bonuses expenses	665
Impairment loss	530
Allowance for doubtful accounts	1,899
Allowance for loss on guarantees	6,725
Allowance for loss on contracts	12,667
Transfer of charters from subsidiaries and affiliates	2,350
Deemed dividends	11,433
Unrealized gains (losses) on hedging derivatives, net of tax	1,309
Foreign tax credit	2,888
Loss on guarantees	1,013
Others	6,243
Subtotal	192,033
Valuation allowance for tax loss brought forward	(48,910)
Valuation allowance for the total of future deductible temporary differences, etc.	(143,024)
Valuation allowance	(191,935)
Total deferred tax assets	97
Deferred tax liabilities	
Gain on securities contributed to employee retirement benefit trust	(2,727)
Unrealized gains on available-for-sale securities	(5,284)
Others	(746)
Total deferred tax liabilities	(8,759)
Net deferred tax liabilities	(8,661)

Notes on Transactions with Related Parties

(¥ million)

Attribution	Name of company	Ratio of MOL's voting rights	Nature of relationship	Nature of transaction (Note 1)	Transacted amount (Note 2)	Account	Term-end balance
Subsidiary	White Bear Maritime Ltd.	Directly 100%	Interlocking directorate Ship chartering Debt guarantee	Debt guarantee	44,567	-	-
	Lakler S.A.	Directly 100%	Interlocking directorate Debt guarantee	Debt guarantee	28,706	-	-
	MOG-X LNG Shipholding S.A.	Directly 100%	Interlocking directorate Debt guarantee	Debt guarantee	23,080	-	-
	MOL CAMERON (NO. 2) S.A. INC.	Directly 50%	Interlocking directorate Debt guarantee	Debt guarantee	20,541	-	-
	Samba Offshore S.A.	Directly 100%	Interlocking directorate Debt guarantee	Debt guarantee	17,964	-	-
	MOL Euro-orient Shipping S.A.	Directly 100%	Interlocking directorate Ship chartering Debt guarantee	Debt guarantee	16,459	-	-
	MOL Bridge Finance S.A.	Directly 100%	Interlocking directorate Debt guarantee	Debt guarantee	14,147	-	-
	Kilimanjaro Container Carriers S.A.	Directly 100%	Interlocking directorate Ship chartering Debt guarantee	Debt guarantee	12,430	-	-
	Cleopatra LNG Shipping Co., Ltd.	Directly 70%	Interlocking directorate Debt guarantee	Debt guarantee	11,639	-	-
	Nefertiti LNG Shipping Co., Ltd.	Directly 70%	Interlocking directorate Debt guarantee	Debt guarantee	10,567	-	-
	MOG-IX LNG Shipholding S.A.	Directly 100%	Interlocking directorate Ship chartering Debt guarantee	Debt guarantee	10,403	-	-
	Linkman Holdings Inc.	Directly 100%	Interlocking directorate Ship chartering Debt guarantee Funding loan Borrowing of funds	Funding loan Borrowing of funds Debt guarantee	28,805 62,214 16,119	Short-term loans receivable Short-term loans	31,080 25,084
	Utoc Corporation	Directly 66.89% Indirectly 0.66%	Interlocking directorate Borrowing of funds	Borrowing of funds	10,035	Short-term loans	10,625
	Canopus Maritime Inc.	Directly 100%	Interlocking directorate Ship chartering			Lease receivables (Note 3)	26,208
	Atlantis Shipping Navigation S.A.	Directly 100%	Interlocking directorate Ship chartering			Lease receivables (Note 3)	10,256
	TraPac, LLC.	Indirectly 100%	Early termination fee	Early termination fee	4,198	-	-
	DAIBIRU CORPORATION	Directly 51.06% Indirectly 0.00%	Interlocking directorate Sales of fixed assets	Sales of fixed assets	3,297	-	-
Affiliate	Sepia MV30 B.V.	Directly 20.6%	Interlocking directorate Debt guarantee	Debt guarantee	24,031	-	-
	Libra MV31 B.V.	Directly 20.6%	Interlocking directorate Debt guarantee	Debt guarantee	21,351	-	-
	Area1 Mexico MV34 B.V.	Directly 30%	Interlocking directorate Debt guarantee	Debt guarantee	18,203	-	-
	Arctic Purple LNG Shipping Ltd.	Directly 50%	Interlocking directorate Debt guarantee	Debt guarantee	13,641	-	-
	Arctic Green LNG Shipping Ltd.	Directly 50%	Interlocking directorate Debt guarantee	Debt guarantee	12,924	-	-
	Arctic Blue LNG Shipping Ltd.	Directly 50%	Interlocking directorate Debt guarantee	Debt guarantee	12,276	-	-
	LNG Rose Shipping Co., Ltd.	Directly 50%	Interlocking directorate Debt guarantee	Debt guarantee	11,047	-	-

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

(1) Debt guarantees are for borrowings from financial institutions, etc. Guarantee charges are determined upon taking into account the guarantee recipient, the form of guarantee, and other such conditions.

(2) As for funding loan, it is determined by market rates and conditions, and companies are not required to pay mortgages.

(3) As for borrowing of funds, it is determined by market rates and conditions.

(4) As for part of the funding loans, because they involve repeated transactions, the average for this fiscal year is shown for the transacted amount.

(5) As for part of the borrowing of funds, because they involve repeated transactions, the average for this fiscal year is shown for the transacted amount.

(6) As for early termination fee, ¥4,198 million was recorded as the cost related to the early termination as a result of the integration of the container shipping businesses.

(7) Provision of allowance for loss on guarantees amounting to ¥7,732 million was recorded for the fiscal year under review with respect to debt guarantee for MOL Bridge Finance S.A., and allowance for loss on guarantees was ¥7,732 million as of the end of the fiscal year.

(8) With respect to debt guarantee for Kilimanjaro Container Carriers S.A., allowance for loss on guarantees of ¥9,066 million was recorded.

(9) Sales of fixed assets were related to ownership interest in land and buildings in Minato-ku, Tokyo. In addition, sales prices are determined based on appraisal values furnished by external real estate appraisers, subsequent to consultation the relevant parties.

2. Consumption taxes are not included in transacted amount.

3. Lease receivables shown include lease receivables scheduled to be paid within one year.

Per-share Information

1. Net assets per share	¥1,643.76
2. Net income per share	¥132.05

Major Subsequent Event

There are no significant events to be disclosed.

Other Notes

Figures less than one million yen are rounded down to the nearest million.