

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, 2018 to March 31, 2019)

1. Matters Concerning the Present State of the Corporate Group

(1) Business Progress and Results

With respect to the global economy during the fiscal year (FY) 2018 (April 1, 2018 to March 31, 2019), although fluctuations in regional business sentiment and unstable scenes were sometimes seen, a trend of expansion seen in the previous fiscal year continued to prevail overall. In the U.S., growth was maintained due to expanded fiscal spending and tax reduction effects of the Trump administration, strong job growth, and other factors. In the European economy, although personal consumption remained firm, the growth rate slowed partially due to a slowdown in exports. In China, trade friction with the U.S. had a psychological impact and the government continued its relatively restrictive economic management, causing a slowdown in the economy. In Japan, a series of natural disasters had some adverse effects on the economy, but an economic expansion phase continued.

Looking at the maritime shipping market conditions, the dry bulker market remained strong at a higher level than in the previous fiscal year due to overall strong cargo movements of iron ore, coal, grains and other major cargoes despite having a downward phase largely caused by the derailment of iron-ore train in Australia and the mining dam collapse in Brazil toward the end of the fiscal year. The very large crude oil carrier (VLCC) market exceeded levels of the previous fiscal year overall despite having performed poorly on the whole in the first half of the fiscal year, given improvement in the balance between supply and demand in the second half due to factors such as the arrival of the winter demand period and an increase in crude oil exports from West Africa and North America as alternative sources to crude oil from Iran.

Under this business environment, Ocean Network Express Pte. Ltd., the containership joint-venture company, caused the Group to record a large deficit due to the impact of confusion at the start of operations and expenses in the transition period, etc. However, due to stable earnings centered on the dry bulk business and the energy transport business as well as a relatively strong shipping market, the Group posted higher profits year on year.

The average exchange rate of Japanese yen against the U.S. dollar during the fiscal year appreciated by ¥0.45 year on year to ¥110.63. The average bunker price during the same period rose by US\$102/MT year on year to US\$456/MT. As a result of the above, we recorded revenue of ¥1,234.0 billion, operating profit of ¥37.7 billion, ordinary profit of ¥38.5 billion and profit attributable to owners of parent of ¥26.8 billion.

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(2) Financial Position and Results of Operations

(¥ million)

Category	FY2015	FY2016	FY2017	FY2018 (current fiscal year)
Revenues	1,712,222	1,504,373	1,652,393	1,234,077
Ordinary profit	36,267	25,426	31,473	38,574
Profit (loss) attributable to owners of parent	(170,447)	5,257	(47,380)	26,875
Net income (loss) per share (¥)	(1,425.05)	43.95	(396.16)	224.72
Total assets	2,219,587	2,217,528	2,225,096	2,134,477
Total net assets	646,924	683,621	628,044	651,607
ROE (Return on Equity)	(25.8)%	0.9%	(8.7)%	5.2%
ROA (Return on Assets)	1.5%	1.1%	1.4%	1.8%
Equity ratio	24.4%	25.8%	23.0%	24.6%
Net gearing ratio*	164%	164%	182%	188%
*(Interest-bearing debt - Cash and cash equivalents)/Shareholders' equity				

- 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 FY2015.
 3. The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), effective from the current fiscal year. Accordingly, the amounts and financial indicators of the previous fiscal years are presented based on the reclassified amounts.

(3) Business Overview by Segment

Dry Bulk Business			
Revenues	¥292.1 billion	Revenue composition ratio	23.59%
Ordinary profit (loss)	¥21.9 billion		

[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 Market Conditions of FY2018

- The Capesize bulker market remained firm supported by increasing cargo volume of iron ore in the first half of the fiscal year. However, in the second half of the fiscal year, the market fell mainly due to a decline in shipments from Australia and Brazil.
- The Panamax market generally remained firm due to steady volumes of major cargoes (coal, grain, etc.) in the first half, but remained weak in the second half.
- Markets for Handymax and smaller-sized bulkers were generally firm in the first half, but remained weak in the second half in the same way as Panamax market.
- In the overall Dry Bulk Business, although market conditions softened in the second half, it remained at levels higher than in the previous fiscal year as a whole, and profits increased year on year.

Major Initiatives

- Acquired new medium- to long-term contracts and succeeded in extending some contracts for iron ore and woodchip carriers with domestic and overseas customers.
- Acquired biomass fuel transport contract for small- and medium sized bulkers.
- Continued joint research and consideration toward construction of LNG-fueled capesize bulkers.

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Energy Transport Business			
Revenues	¥289.5 billion	Revenue composition ratio	22.77%
Ordinary profit (loss)	¥21.1 billion		

[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 Market Conditions of FY2018

● Tanker Business

- In the very large crude oil carrier (VLCC) market, the market remained weak in the first half of the fiscal year but in the second half, market prices soared higher partly due to the increased demand of the winter season, and partly because of an increase in crude oil exports from North America and western Africa as a substitute for crude oil produced in Iran. For the full year, the market was stronger year on year.
- In the product tanker market, supply and demand tightened in the second half due to the impact of a surging VLCC market, and the market exceeded the previous fiscal year's level for the full year.
- The LPG carrier market was roughly the same level as the previous fiscal year.
- The overall tanker division posted a year-on-year increase in ordinary profit.

● LNG Carrier/Offshore Business

- The LNG carrier division generated stable profit through long-term charter contracts, including seven (7) newly built vessels, and posted a year-on-year increase in ordinary profit.
- The offshore business division generated stable profit, reflecting the start of operation of one (1) new FPSO vessel in addition to steady operations in existing projects such as FPSO and subsea support vessel projects.

● Steaming Coal Carrier

- Medium- to long-term contracts maintained high utilization due to steady cargo movement for coal for thermal power generation in Japan. Although spot market conditions softened in the second half, profits were similar to the previous fiscal year.

Major Initiatives

● Tanker Business

- Conclusion of new contracts for customers in Japan and overseas (newly built VLCCs, newly built methanol carriers, etc.).
- Established a pool operation company for product tankers, "Asahi MOL Tankers Ltd." with Asahi Tanker Co., Ltd. as a 50/50 joint venture.
- Expansion of business in the Atlantic region by our wholly owned subsidiary "MOL Chemical Tankers Pte. Ltd." and participation in the tank terminal business and the tank container business.

● LNG Carrier/Offshore Business

- As a first for the Yamal LNG project, an ice-breaking LNG carrier conducted LNG transportation via the Northern Sea Route to East Asia.
- Concluded a long-term charter contract for LNG bunkering vessels with Singapore state energy company.
- Built partnership in LNG powership business with Karpower International B.V., Turkey.
- Participated in FSRU projects in Hong Kong and Indonesia.
- Participated in two new projects for the Brazilian offshore FPSO.

● Steaming Coal Carrier

- Development and examination of new vessel types tasked with next-generation coal transportation in pursuit of environmental and safety considerations.

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Product Transport Business			
Revenues	¥547.6 billion*	Revenue composition ratio	44.18%
Ordinary profit (loss)	¥(12.2) billion		

Containerships share of Product Transport Business			
Revenues	¥278.4 billion*	Revenue composition ratio	22.45%
Ordinary profit (loss)	¥(14.3) billion		

* Sales related to the containership services in connection with the start of operations of the Company's equity-method affiliate Ocean Network Express Pte. Ltd. are not recorded as part of the Company's revenues from the fiscal year under review.

[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 Market Conditions of FY2018

- Containerships (Ocean Network Express Pte. Ltd.)
 - Beginning April 1, 2018, the Company's equity-method affiliate Ocean Network Express Pte. Ltd. (containership joint venture from three Japanese shipping companies) is providing containership services.
 - The freight market on the Asia-North America routes proceeded firmly overall amid ongoing increasing cargo volume against a backdrop of a strong personal consumption in the U.S. and a rush in demand caused by trade friction between the U.S. and China.
 - The freight market on the Asia-Europe routes rose higher than expected at the end of the fiscal year helped by efforts to reduce sailings and other measures, despite each company introducing ultra-large vessels and a slowdown in the European economy.
 - Substantial losses were recorded amid a situation where cargo volume liftings for the entire fiscal year fell below target levels, despite there having been improvement with respect to capacity utilization rates into the second half upon resolution in the first half of confusion involving customer service arising immediately after initiating services.

● Car Carriers

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

● Ferries and Coastal RoRo Ships

- The cargo volume was firm as a result of further accelerated modal shift, which reflects changes in the trucking labor situation such as shortage and aging of the workforce, and tighter labor controls.
- The number of passengers was steady for all ferry routes (Hokkaido, Setonaikai and Minami-Kyushu), owing to the introduction of new ferries into service and activities to promote the concept of casual cruises.
- The ferries and coastal RoRo ships division as a whole posted a year on year decrease in ordinary profit mainly due to prolonged cancellations because of large typhoons or problems with the vessel themselves.

Major Initiatives

- Containerships (Ocean Network Express Pte. Ltd.)
 - Expanded and kept enhancing its customer services by introducing five new 14000 TEU vessels into Asia-North America routes and Asia-Europe routes, and restructuring services within the Asian region.

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- Decided to establish a terminal operation joint venture with PSA Singapore Terminals Pte. Ltd. in Singapore.

● Terminals and Logistics

- In the terminal business, a new terminal opened at Lach Huyen Port (Vietnam).
- In the logistics business, in addition to acquiring additional shares of Malaysian logistics company PKT Logistics Group, established MOL Worldwide Logistics Ltd. in Hong Kong in order to strengthen the NVOCC* business.

* Non Vessel Operating Common Carrier (NVOCC) does not have own transport means (vessels), but carries cargoes between ports and to the final place of delivery in the destination country by using other shipping companies and transportation companies.

● Car Carriers

- Received the Good Design Award 2018 for the next-generation car carrier FLEXIE Series.
- Received delivery of two (2) new vessels of the FLEXIE Series.
- Introduced the new car carrier operations support system, PCC.NET.

● Ferries and Coastal RoRo Ships

- Launch of two (2) new ferries on the Minami-Kyushu route.
- With the deployment of one (1) new RoRo ship in the Tokyo-Kanda route, lead times are greatly shortened and daily operation has been achieved.
- With the aim of further advancing recognition of casual cruises, enhance marketing activities targeted at cruise customers by leveraging ICT.

Associated Businesses			
Revenues	¥128.1 billion	Revenue composition ratio	8.19%
Ordinary profit (loss)	¥12.9 billion		

[Major Business Lines]

Real estate business, cruise ship business, tugboat business, trading business (fuel, vessel materials, sales of machinery, etc.), etc.

Overview of Market Conditions of FY2018

- In the real estate business, ordinary profit increased slightly year on year, due to a firm office leasing market centered on the Tokyo metropolitan area, which offset negative factors such as changes in the major tenants of Daibiru Corporation, the core company in the Group's real estate business.
- The cruise ship business posted a year-on-year decrease in ordinary profit due to the impact of the Nippon Maru accident in December 2018, in which the ship collided with a facility of the port.
- The business results of other associated businesses such as the tugboat and trading businesses were generally strong.
- Ordinary profit of the associated businesses segment as a whole increased year on year.

Major Initiatives

- In the real estate business, Daibiru Corporation acquired an office building development project in central Sydney (expected to be completed in 2020). After Vietnam, it is the first project in Australia that said company has defined as a pillar of overseas business development.
- In the tugboat business, Western Japan's first LNG-fueled tugboat "Ishin" was delivered. Began operation by Nihon Tug-Boat Co., Ltd.

Others			
Revenues	¥21.9 billion	Revenue composition ratio	1.27%
Ordinary profit (loss)	¥2.5 billion		

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[Major Business Lines]

Ship management business, financing business, information service business, accounting service business, marine consulting business, etc.

Overview of Market Conditions of FY2018

Ordinary profit in this segment, which mainly comprises the MOL Group's cost centers, decreased year on year.

(4) Fund Raising

1) Fund Raising

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

2) Capital Investment

The Group's capital investment, mainly in ships, implemented in the fiscal year under review amounted to ¥149.4 billion.

(¥ million)

Name of Segment	Amount of Capital Investment
Dry Bulk Business	8,490
Energy Transport Business	81,497
Product Transport Business	39,974
Containerships only	9,532
Associated Businesses	17,432
Others	375
Adjustment	1,673
Total	149,443

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.

Seventeen 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	6	306	6,452
Energy Transport Business	6	680	27,082
Product Transport Business	5	54	7,800
Containerships only	-	-	-
Total	17	1,041	41,335

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

(5) Management Strategies and Issues to be Addressed

Management Plan "Rolling Plan 2019"

MOL formulated the "Rolling Plan 2017" management plan that started in FY2017. While upholding a mindset of disciplined financial management, MOL is giving priority on its investment of management resources in businesses and projects, in which the MOL Group has a competitive advantage, with the aim of accumulating stable profits in the future. In FY2018, MOL worked to further extend those measures under its "Rolling Plan 2018" management plan.

Those measures will continue in FY2019, and MOL has formulated "Rolling Plan 2019" management plan, under which MOL aims to become "collective business entity with No. 1 competitiveness in the

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respective business fields.” Based on its understanding of the current circumstances which are based on the changes in the external environment, MOL will work towards its vision which it aims to achieve 10 years from now by taking the measures set forth below by having the three core strategies (i.e., heavy investments of MOL’s management resources in the business fields where MOL has strengths, which will mainly be offshore business, provision of “stress-free services” which MOL will provide from the customer’s perspective, and promotion of environment strategy and commercialization of emission-free business as MOL’s core business) as pillars.

(1) Investment and business strategies based on core strategies

- In order to respond to the demands for transportation of resources and energy that are diversifying worldwide, MOL will designate as business fields, in which MOL will make heavy investments of its management resources, the businesses that MOL expects growth by using its knowledge and technology, which will mainly be offshore business and LNG carrier business (especially high value-added business fields), and will expand and strengthen these businesses. In other marine transport businesses, MOL will invest its management resources in the business fields where MOL expects to build its strengths while paying attention to their investment efficiency rates.
- By keeping the balance between investment and financial discipline in mind, MOL will narrow down the investment projects and promote cashing out businesses and assets to improve free cash flow.

(2) Priority areas requiring strengthening to support the core strategies

As in the previous year, MOL will promote specific measures such as research on building-block technologies for realizing autonomous sailing, review of LNG-fueled vessels and workplace reform for changing the culture of workplace and organization, while intricately linking the five matters, which are strengthening of maritime skills, utilization of ICT, technological development, environment and emission-free business, and promotion of workstyle reforms, as priority areas requiring strengthening in the medium term.

(3) Focus areas for FY2019

- MOL will revise the safety and quality management framework of entire MOL Group in order to regain customer trust, based on the lessons learned from the cruise ship accident that occurred late last year.
- MOL will work across the entire MOL Group to switch the fuels to safe and economical fuels and to take prevention measures to prevent technical problems, as means to take strategic actions in relation to sulfur oxide (SOx) emissions regulations which will begin in January 2020.

Rolling Plan 2019 Core Strategies

10-year Vision

Collective Business Entity with No.1 Competitiveness in the Respective Business Fields

Changes in external business environment

Shift to decarbonized society
 Changes in trade patterns due to expanding protectionism
 Pressure on supplying vessels due to high shipbuilding capabilities in China and South Korea
 Global economic slowdown

MOL's understanding of current status

Difficulty in achieving appropriate and stable returns through conventional ocean shipping business alone

Three Core strategies to realize the vision



- 1. Heavy investments of MOL's management resources in the business fields where MOL has strengths, which will mainly be offshore business
- 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

Heavy investment of MOL's management resources in fields where MOL has the strength in order to maintain competitive edge and to ensure solid returns

Taking actions based on "Priority Areas Requiring Strengthening" which is continuing from FY2018, and "Development of Group-wide Safety and Quality Management" and "Strategic Actions for Compliance with SOx Regulations" which are newly set for FY2019

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FY2019 Main Initiatives Supporting Core Strategies

Priority Areas Requiring Strengthening Continuing from FY2018	Enhance Maritime Skills <ul style="list-style-type: none"> Enhance safety management, for not only MOL-owned vessels, but also chartered vessels and vessels operated by group companies 	
	Utilize ICT <ul style="list-style-type: none"> Develop underlying technologies for autonomous sailing Promote the <u>FOCUS project</u> for the purpose of utilizing vessel operating data 	
	Technology Development <ul style="list-style-type: none"> Promote construction of LNG-fueled vessels 	FOCUS Project Aims to further enhance safe operation and reduce environmental impact through collection, advanced operation monitoring and analysis of voyage and engine data of approximately 150 operating vessels in the ocean.
	Environment and Emission-Free Business <ul style="list-style-type: none"> Promote the LNG fuel business as well as research and collaboration on alternative fuels Establish an organizational structure to promote environmental management (The Environmental Management Committee was established as a subordinate organization of the Executive Committee on April 1, 2019.) 	
	Promote Workstyle Reforms <ul style="list-style-type: none"> Promote <u>workplace reforms</u> 	Workplace Reforms In May 2019, a pilot office opened on the 5th floor of the Head Office building by remodeling the floor and feasibility study on such office began in order to achieve the workstyle which MOL wishes to achieve.
Focus Areas for FY2019	Development of Group-wide Safety and Quality Management <ul style="list-style-type: none"> Visualize the status of the group-wide safety and quality Improve group-wide safety awareness and take specific measures 	
	Strategic Actions for Compliance with SOx Regulations <ul style="list-style-type: none"> Take actions on a group-wide basis in order to enable MOL-operated vessels to switch fuels safely and economically Examine the effects of compliant oil on vessel performance in order to prevent any technical problems which may arise from compliant oil 	

Medium- to Long-Term Profit Levels and Key Financial Indicators and Shareholder Returns (Continuing from Rolling Plan 2018)

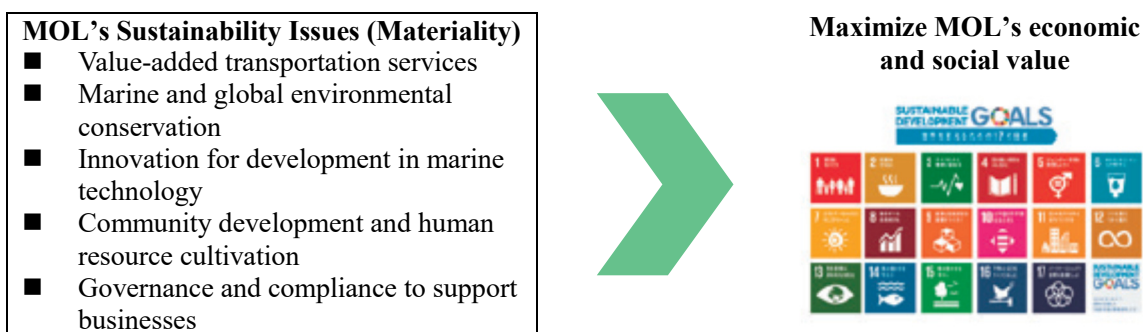
Medium- to Long-Term Profit Levels and Key Financial Indicators

	Projected medium-term levels	2027 Targets
Ordinary Profit	¥80.0-¥100.0 billion	¥150.0-¥200.0 billion
ROE	8-12%	-
Gearing Ratio	2.0 or less	1.0

Shareholder Returns

For the time being, the standard level will be 20% dividend payout ratio, while working to improve the ratio as a medium- and long-term task.

Initiatives on ESG/SDGs – Promoted together with Rolling Plan –



Examples

Establishment of the Environmental Management Committee
 The committee was established effective April 1, 2019, to serve as a control tower for MOL’s environmental strategies in response to evolving environmental measures, social and political trends, and customer needs.

Issuance of Green Bonds
 MOL has issued green bonds totaling ¥10.0 billion earmarked for MOL-developed green projects*, i.e. projects that will result in environmental improvements. Out of such ¥10 billion in green bonds, MOL sold ¥5.0 billion to individual investors and MOL is the first operational company in Japan to sell such green bonds to individual investors.

* (1) Ballast water treatment system, (2) SOx (sulfur oxide) scrubber, (3) LNG-fueled vessels, (4) LNG bunkering vessels, (5) Upgraded PBCF (Propeller Boss Cap Fins), and (6) Wind Challenger project

Issues to be Addressed

Ocean Network Express, a containership joint-venture company with Nippon Yusen Kabushiki Kaisha and Kawasaki Kisen Kaisha, Ltd., began its operations on April 1, 2018. The business performance of Ocean Network Express in its initial fiscal year was significantly worse than expected partially due to the confusion in its operations. As a shareholder of Ocean Network Express, MOL will support Ocean Network Express in establishing its business platform under appropriate governance, in order for Ocean Network Express to regain customer trust and to generate synergy from the business integration as soon as possible.

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 the U.S. and other countries against MOL Group seeking damages and cease and desist order for MOL’s conduct in question. MOL Group takes this situation very seriously, and will continue to work to enhance compliance, including compliance with antitrust laws, and to prevent recurrence.

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(6) Principal Business (As of March 31, 2019)

Worldwide maritime cargo transport services such as bulk carriers, various specialized vessels, tankers, LNG carriers and containerships; marine transportation business such as collection of freight, ship charter hire and handling charges in operations; offshore business; warehousing; real estate leasing business

(7) Principal Business Offices (As of March 31, 2019)

1) The Company

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

2) Subsidiaries

- Principal domestic business offices

Tokyo, 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

(8) Shipping Tonnage of the Group (As of March 31, 2019)

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		
Owned vessels	44	in thousands 4,389	131	in thousands 14,363	76	in thousands 2,013
Chartered vessels	239	22,692	155	7,514	118	5,876
Others	0	0	3	146	0	0
Total	283	27,081	289	22,024	194	7,889

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		
Owned vessels	14	in thousands 1,107	1	in thousands 5	0	0	252	in thousands 20,770
Chartered vessels	51	4,821	0	0	2	13	514	36,095
Others	0	0	0	0	0	0	3	146
Total	65	5,929	1	5	2	13	769	57,011

* Including coastal ships (excluding coastal RoRo ships).

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(9) Employees (As of March 31, 2019)

1) Employees of the Group

Name of Segment	Number of Employees	
Dry Bulk Business	274	(26)
Energy Transport Business	985	(84)
Product Transport Business	4,711	(483)
Containerships only	3,653	(349)
Associated Businesses	2,034	(1,565)
Others	618	(47)
Company-wide (common)	319	(85)
Total	8,941	(2,290)
As of March 31, 2018	10,828	(2,339)

- 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.
 3. The decrease of total number of employees of 1,887 from March 31, 2018 is mainly due to the integration of containership business.

2) Employees of the Company

	Number of Employees		Year-on-year Increase (Decrease)	Average Age	Average Years of Service
	persons	persons	persons	years old	years
Employees on land duty	711	48	39.0	15.3	
Employees on sea duty	315	3	32.5	11.1	
Total	1,026	51	37.0	14.0	

- Notes:
1. The number of employees on land duty does not include 368 employees dispatched outside the Company and 225 non-regular employees and others.
 2. The number of employees on sea duty does not include 5 employees dispatched outside the Company and 40 non-regular employees and others.

(10) Principal Subsidiaries (As of March 31, 2019)

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
Mitsui O.S.K. 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.

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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.

(11) Principal Equity Method Affiliates (As of March 31, 2019)

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.

(12) Major Creditors (As of March 31, 2019)

(¥ million)

Creditor	Loan Outstanding
Sumitomo Mitsui Banking Corporation	69,905
MUFG Bank, Ltd.	58,076
Development Bank of Japan Inc.	54,953
Mizuho Bank, Ltd.	30,000
Sumitomo Mitsui Trust Bank, Limited	28,098

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

[Translation for Reference and Convenience Purposes Only]

2. Status of Shares (As of March 31, 2019)

(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 1,031,867 shares)
(3) Number of Shareholders	85,217 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)	8,155	6.82
2. Japan Trustee Services Bank, Ltd. (Trust Account)	7,090	5.93
3. BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	4,868	4.07
4. Japan Trustee Services Bank, Ltd. (Trust Account 9)	3,490	2.92
5. Mitsui Sumitomo Insurance Co., Ltd.	3,016	2.52
6. Sumitomo Mitsui Banking Corporation	3,000	2.51
7. Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,210	1.85
8. HSBC BANK PLC A/C CLIENTS 1	2,129	1.78
9. STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS - UNITED KINGDOM	1,876	1.57
10. STATE STREET BANK WEST CLIENT - TREATY 505234	1,750	1.46

- 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 (1,031,867 shares).

[Translation for Reference and Convenience Purposes Only]

3. 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 14, 2009	August 16, 2010	August 9, 2011	August 13, 2012	August 16, 2013	August 18, 2014	August 17, 2015	August 15, 2016	August 15, 2017	August 15, 2018
Total number of holders (persons)	1	1	2	1	3	3	5	7	8	9
MOL Directors (excluding outside directors) (persons)	1	1	1	1	2	2	4	4	5	6
MOL Outside Directors (persons)	0	0	1	0	1	1	1	3	3	3
MOL Audit & Supervisory Board Members (persons)	None	None	None	None	None	None	None	None	None	None
Total number of stock acquisition rights (units)	40	100	120	20	128	150	282	307	370	430
Class and number of shares subject to the stock acquisition rights (shares)	(common stock) 4,000	(common stock) 10,000	(common stock) 12,000	(common stock) 2,000	(common stock) 12,800	(common stock) 15,000	(common stock) 28,200	(common stock) 30,700	(common stock) 37,000	(common stock) 43,000
Paid-in value at exercise of stock acquisition rights (yen)	without consideration	without consideration	without consideration	without consideration	without consideration	without consideration	without consideration	without consideration	without consideration	without consideration
Exercise price (yen per share)	6,390	6,420	4,680	2,770	4,470	4,120	4,270	2,420	3,780	2,943
Exercise period of the stock acquisition rights	July 31, 2011 to June 22, 2019	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	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
Exercise conditions of the stock acquisition rights	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(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.

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2. The stock acquisition rights granted to MOL directors are indicated.

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

Issue date	August 15, 2018
Total number of employees granted (persons)	93
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)	44
Officers and employees of MOL subsidiaries (excluding ones serving as an MOL officer/executive officer/employee) (persons)	31
Total number of stock acquisition rights (units)	1,210
Class and number of shares subject to the stock acquisition rights (shares)	(common stock) 121,000
Paid-in value at exercise of stock acquisition rights	without consideration
Exercise price (yen per share)	2,943
Exercise period of the stock acquisition rights	August 1, 2020 to June 23, 2028
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

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4. Matters Concerning Officers

(1) Directors and Audit & Supervisory Board Members (As of March 31, 2019)

Position	Name	Assignment	Significant Concurrent Positions Outside the Company
Representative Director, Chairman Executive Officer	Koichi Muto		President, The Japanese Shipowners' Association
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: Corporate Audit Division, Secretaries & General Affairs Division, Corporate Marketing Division, MOL Information Systems, Ltd.	
Director, Senior Managing Executive Officer	Takeshi Hashimoto	Director General, Energy Transport Business Unit, In charge of Steaming Coal Carrier Division, LNG Carrier Division, Responsible for: Energy Business Strategy Division, Bunker Business Division, Offshore 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	Masayuki Matsushima		Provided in (4) Matters Concerning Outside Officers below.
Director	Hideto Fujii		Provided in (4) Matters Concerning Outside Officers below.
Director	Etsuko Katsu		Provided in (4) Matters Concerning Outside Officers below.
Full-time Audit & Supervisory Board Member	Takashi Nakashima		Statutory Auditor, Utoc Corporation
Full-time Audit & Supervisory Board Member	Kenji Jitsu		
Audit & Supervisory Board Member	Hiroyuki Itami		Provided in (4) Matters Concerning Outside Officers below.
Audit & Supervisory Board Member	Hideki Yamashita		Provided in (4) Matters Concerning Outside Officers below.

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- Notes:
1. Directors Masayuki Matsushima, Hideto Fujii, and Etsuko Katsu 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" (on pages 18 and 19).
 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, Hiroyuki Itami and Hideki Yamashita 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" (on pages 18 and 19).
 4. Hiroyuki Itami, an audit & supervisory board member, is thoroughly versed in business management through practical research on business strategies as an expert in business science, and has considerable knowledge about finance and accounting.
 5. 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.
 6. At the conclusion of the Ordinary General Meeting of Shareholders held on June 26, 2018, Director Masahiro Tanabe resigned from his office due to expiration of his term.
 7. Executive officers as of March 31, 2019 are as follows (excluding ones concurrently serving as director).

Executive Officers (As of March 31, 2019)

Position	Name	Assignment
Senior Managing Executive Officer	Naotoshi Omoto	Director General, Product Transport Business Unit, Responsible for: Europe, Africa and the Americas Area, Car Carrier Division
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.
Managing Executive Officer	Koichi Yashima	Responsible for: Human Resources Division, New & Clean Energy Business Division, Kansai Area (Japan)
Managing Executive Officer	Mitsujiro Akasaka	Responsible for: Asia, Middle East and Oceania Area, Chief Executive Representative for Asia, Middle East and Oceania, 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, Dry Bulk Carrier Division (B), Dry Bulk Carrier Supervising Division
Managing Executive Officer	Masanori Kato	Director General, Safety Operations Headquarters, Responsible for: Human Resources Division, Marine Safety Division, Secondarily Responsible for Smart Shipping Division

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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), Tanker Safety Management Division, Secondarily Responsible for Bunker Business Division
Executive Officer	Masanori Kobayashi	Deputy Director General, Safety Operations Headquarters, Responsible for: Dry Bulk Carrier Supervising Division, Tanker Safety Management Division, LNG Marine Technical & Ship Management Strategy Division, Secondarily Responsible for: Marine Safety Division, Smart Shipping Division
Executive Officer	Yutaka Hinooka	Deputy 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, Diversity 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 Carrier Division, Secondarily Responsible for Dry Bulk Carrier Division (B)
Executive Officer	Nobuo Shiotsu	Deputy Director General, Dry Bulk Business Unit, Responsible for Dry Bulk Carrier Division (A)
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, President, Ferry Sunflower Ltd.
Executive Officer	Hiroyuki Nakano	Secondarily Responsible for Offshore Project Division
Executive Officer	Hiroto Ushioku	General Manager, Car Carrier Division

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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.
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(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

By reference to companies in the same industry and companies of the same size in other industries, the Company has developed a system of remunerations for Directors and Audit & Supervisory Board Members that is suited for securing human resources, having a link with the Company's business performance designed to motivate Directors and Audit & Supervisory Board Members to achieve performance goals, and also ensuring a link with a medium- to long-term corporate value.

In addition, the Company has established Remuneration Advisory Committee that consists of all three Outside Directors and Representative Director-Chairman Executive Officer and Representative Director-President, Chief Executive Officer who were appointed by a resolution of the Board of Directors as committee members, and is chaired by an outside director to deliberate a structure for remunerations and other compensation packages for directors (including outside directors), calculation method thereof, as well as remunerations and other compensation packages of each individual.

Based on the aforementioned, the remuneration for directors consists of monthly remuneration, bonus based on operating performance for a single fiscal year, and stock option linked to medium- and long-term corporate value. As monthly remuneration, the Company provides directors with a monthly fixed amount, which varies, depending on the level of a director's position. Bonus, which is paid in June every year, comprises a base amount by position levels, which is determined based on 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. Stock option, which is granted in August every year, is determined based on each director's position.

Audit & supervisory board members' remuneration is determined within the limit stipulated at a general meeting of shareholders, with consideration given to whether full time or part time, conditions for audit work assigned, and directors' remuneration levels and contents, and through discussions among audit & supervisory board members. Bonuses and stock option are not provided to audit & supervisory board members.

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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	333	46	41	421
Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members)	4	85	-	-	85
Total	14	419	46	41	507

- Notes:
1. The above includes remuneration related to one (1) inside director who resigned at the conclusion of the Ordinary General Meeting of Shareholders held on June 26, 2018.
 2. The above includes payments of remunerations to five (5) outside officers totaling ¥61 million.
 3. Recorded figures less than one million are rounded down to the nearest million.

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(4) Matters Concerning Outside Officers

1) Major activities and significant concurrent positions outside the Company

[Outside Directors]

Name	Major Activities	Significant Concurrent Positions outside the Company
Masayuki Matsushima	Attended all ten (10) board meetings held in the fiscal year under review and appropriately made statements necessary for discussing proposals on the basis of his many years of experience and knowledge in the financial sector, from the objective viewpoint of an outside director.	Senior Adviser, Integral Corporation Outside Director, JGC Corporation Member of Management Council, Grant Thornton Taiyo LLC Senior Adviser, Taniguchi Partners International Accounting & Tax Office
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 many years of experience and knowledge of 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 knowledge and insights as a specialist mainly 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 INC. Director, Center for Entrance Examination Standardization Administrative Board Member, International Association of Universities (IAU) Chairman of Fund Management Advisory Committee, The Japan Foundation

[Outside Audit & Supervisory Board Members]

Name	Major Activities	Significant Concurrent Positions outside the Company
Hiroyuki Itami	Attended all ten (10) board meetings and all ten (10) audit & supervisory board members' meetings held in the fiscal year under review and appropriately made statements necessary for discussion of proposals mainly from the professional viewpoint as a scholar of business administration.	President, International University of Japan
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 appropriately made statements necessary for discussion of proposals mainly from the professional viewpoint as an attorney at law.	Attorney at law, YAMASHITA & TOYAMA LAW OFFICE Outside Corporate Auditor, I-cell Networks Corp.

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

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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	88
Total of cash and other economic benefits payable by the Company and its subsidiaries to the Accounting Auditor	201

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.

6. System to Secure Properness of Operations

(1) Outline of the system to secure the properness 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 secure properness of other operations of the Company.

(Last revision: April 27, 2018)

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 Group not only complies with laws and regulations and the articles of incorporation but also advocates an "open and visible management style that is guided by the highest ethical and social standards" as one of its corporate principles. The Company formulates the Compliance Policy as a

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basis to realize compliance and establishes a Compliance Committee, which is headed by a Chief Compliance Officer (CCO) appointed by the Board of Directors to develop and maintain the compliance system through regular monitoring.

- (b) The Company ensures that officers and employees comply with the code of conduct stipulated in Article 5 of the Compliance Policy, with a focus on compliance with overseas competition laws, taking a stringent and resolute attitude toward antisocial forces, prohibition of insider trading, prohibition of bribery, preservation of confidential information on customers and companies, etc. and prohibition of discrimination and harassment.
- (c) The Company provides training by job rank and category and implements e-learning with respect to various laws and regulations and rules such as the Antimonopoly Act, the Financial Instruments and Exchange Act and the Unfair Competition Prevention Act as well as the Company regulations for all officers and employees to prevent compliance violations and take remedial actions while ensuring that officers and employees are fully aware of compliance and improving the level of such awareness.
- (d) Based on the Compliance Policy, the Company develops and operates a reporting and consultation system by establishing a service desk for reports and consultation on violation of compliance rules as well as a compliance advisory service desk provided by an outside attorney. The Company guarantees that reports and consultations concerning compliance violations by officers or employees are held in strict confidence and any individual initiating such report or consultation will not suffer any disadvantageous treatment for such report or consultation made.

<Corporate governance>

- (e) The Board of Directors consisting of inside directors and outside directors secures its proper operations with rules of the Board of Directors and supervises execution of duties by directors. Also, directors are involved in the highest level of policymaking regarding all aspects of corporate management through the Board of Directors, and, as members of the Board of Directors, they supervise and encourage executive officers to execute business.
 - (f) The Executive Committee set up by the Board of Directors deliberates to enable the President, Chief Executive Officer to decide important issues on basic management plans and execution of business, based on uppermost policies decided by the Board of Directors.
 - (g) The Board of Directors shall make efforts to create an environment which enables the audit & supervisory board members to audit the performance of duties by directors and executive officers in accordance with auditing policies stipulated in the rules of the Audit & Supervisory Board and the standards of audit by the audit & supervisory board members, and enables the audit & supervisory board members to fulfill policies stipulated in other laws and regulations.
 - (h) The Corporate Audit Division is established, and is directed only by the Executive Committee as an internal audit department and independent from any other positions.
- ii) System to Ensure Objectivity and Transparency of Personnel Affairs and the Process for Determining Remuneration for the Directors and Executive Officers
- (a) For the purpose of improving objectivity and transparency in procedures for nomination of directors and executive officers as well as determination of their remunerations, etc. and reinforcing accountability, the Company establishes Nomination Advisory Committee and Remuneration Advisory Committee under the Board of Directors.
 - (b) Nomination Advisory Committee and Remuneration Advisory Committee comprise a chairman, a president, and all independent outside directors respectively. The chairpersons of the committees shall be elected from independent outside directors by a resolution of the Board of Directors.
 - (c) Nomination Advisory Committee shall deliberate matters concerning appointment or removal of directors and executive officers in response to a consultation by the Board of Directors and make a recommendation to the Board of Directors.
 - (d) Remuneration Advisory Committee shall deliberate matters concerning remuneration for directors and executive officers and their treatment in response to a consultation by the Board of Directors and make a recommendation to the Board of Directors.
 - (e) The Board of Directors shall respect recommendations from 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 execution of duties by directors and executive officers is properly preserved and managed during a specified period in accordance with the rules of document management in the case of documents and the rules of electronic information security in the case of electronic information.

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- (b) Directors and audit & supervisory board members may access to these documents at any time.
- iv) Rules and Other Systems Concerning Management of Risk that May Cause Losses
 - In preparation for major risks that may cause losses, the Company establishes the following control systems, and the Executive Committee functions as a body to comprehensively manage all risks.
 - (a) Risks concerning maritime shipping market trends
 - In the marine transportation field, the Company's principal business, the shipping tonnage supply-demand is influenced by trends in the volume of global seaborne trades and supply of vessels, and freight rates and charter hire rates fluctuate. Hence, such material issues as investment in ships and others are brought to a decision-making body, after the Investment and Finance Committee set up as a primary deliberative organ of the Executive Committee understands, analyzes and evaluates risks.
 - (b) Safe operation of ships
 - The Operational Safety Committee, that has been set up as a subordinate organ of the Executive Committee and led by the President, Chief Executive Officer, reviews and deliberates issues concerning safe operation based on the rules of the Operational Safety Committee, in order to secure and thoroughly implement the safe operation of ships. Should an accident occur, it prevents damage from expanding and protects the environment in accordance with the rules of the Emergency Control Headquarters.
 - (c) Market risks
 - Market risks including fluctuations of bunker prices, exchange rates and interest rates are reduced with appropriate management based on the rules of market risk management.
- v) System to Secure Efficient Execution of Duties by Directors and Executive Officers
 - (a) The Board of Directors meets approximately 10 times per year with appropriate intervals between meetings, and as necessary. Material matters to be brought to the Board of Directors are, in general, deliberated in the Executive Committee in advance based on the rules of the Board of Directors.
 - (b) The Executive Committee consists of members appointed by the President, Chief Executive Officer and approved by the Board of Directors. The Executive Committee meets once a week in general, and as necessary, based on the rules of the Executive Committee. Furthermore, if required, the Executive Committee sets up a subcommittee to consult about necessary matters.
 - (c) Executive officers are appointed by the Board of Directors, take over authorities transferred by representative directors based on rules of executive officers, and perform their duties in accordance with the uppermost policies decided by the Board of Directors regarding all aspects of corporate management, based on the division of duties by organization and the administrative authority of each position stipulated in the organizational rules.
- vi) System to Secure the Reliability of Financial Reporting
 - (a) In attempt to secure appropriate accounting and enhance the reliability of financial reporting, the rules for accounting shall be prescribed while a system of internal control over financial reporting shall be established and steps shall be taken to enhance the effectiveness of the system.
 - (b) The Corporate Audit Division evaluates the effectiveness of internal control over financial reporting. The department receiving the evaluation implements measures for correction or improvement as necessary.
- vii) System to Secure the Propriety of Business Carried Out by the Group Consisting of the Company and its Subsidiaries
 - (a) In an attempt to secure the propriety of business carried out by the Group companies, the group corporate principles are advocated, and each Group company prescribes various rules based on it.
 - (b) With regard to the business management of the Group companies, the status of executing business operations at each company shall be supervised based on the management plan and annual budget of the entire Group. In addition, a division of the Company shall be established to be responsible for the business management of each Group company, depending on the nature of each company's business operation. Based on the rules of the Group companies' business management, a head of the division shall receive necessary reports in a timely manner from directors, etc. of the Group companies to properly understand the management status and business risks. In addition, the head of the division shall require the Group companies to carry out material matters about management of the Group companies with the Company's approval, and allocate necessary managerial resources in a timely and appropriate manner to ensure that directors, etc. of the Group companies will perform their duties efficiently. For the Group companies classified as quasi internal organizations in accordance with the

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organizational rules, however, a relevant officer shall perform the said procedures, instead of the head of the division.

- (c) To secure compliance among the Group companies, each Group company prescribes various rules conforming to the Company's Compliance Policy including the code of conduct. The Compliance Advisory Service Desk provides officers and employees of the Group companies with consultation service, about the compliance program as properly applicable to the entire Group. The Company requests the Group companies to guarantee that reports and consultations concerning compliance violation by officers or employees of the Group are held in strict confidence and any individual initiating such report or consultation will not suffer any disadvantageous treatment for such report or consultation made.
- (d) As for the audits of the Group companies, each Group company appropriately establishes an internal audit system, and the Corporate Audit Division of the Company conducts internal audits of domestic and international Group companies on a periodical basis and as necessary based on the internal audit rules.

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

- (a) To assist in the audit & supervisory board members' duties, assistants for audit & supervisory board members are appointed among the Company's employees.
- (b) Personnel evaluation of assistants for audit & supervisory board members is conducted by the audit & supervisory board members, and the transfer of assistants for audit & supervisory board members is decided with approval of the Audit & Supervisory Board.
- (c) In general, assistants for audit & supervisory board members shall not be concurrently involved in business execution.

ix) **System Concerning Reports to the Audit & Supervisory Board Members Including a Reporting System from Directors, Executive Officers, Employees and Others Concerning Reports to the Audit & Supervisory Board Members, and System to Ensure that the Audit is Effectively Conducted by the Audit & Supervisory Board Members**

- (a) Rules are prescribed on matters to be reported to the audit & supervisory board members by directors, executive officers and employees. Based on those rules, directors, executive officers and employees shall report to the audit & supervisory board members on material matters that may have an impact on the Company's businesses or performance. Directors, audit & supervisory board members, executive officers and employees of the Group companies may report to the audit & supervisory board members on material matters that may have an impact on businesses or performance of the Company or the Group.
- (b) By maintaining the appropriate operation of reporting and consultation service systems based on the Compliance Policy, the appropriate reporting system to the audit & supervisory board members on issues concerning compliance such as violation of laws is secured. The Company guarantees that reports to and consultations with any audit & supervisory board member concerning compliance violation by officers or employees of the Group are held in strict confidence and any individual initiating such report or consultation will not suffer any disadvantageous treatment for such report or consultation made.
- (c) Representative directors make efforts to have regular meetings with the audit & supervisory board members.
- (d) The Corporate Audit Division shall cooperate in the effective implementation of the audit by the audit & supervisory board members, while keeping in contact and coordinating with the audit & supervisory board members.
- (e) When an audit & supervisory board member requests an advance payment for expenses, etc. relating to execution of their duties in accordance with Article 388 of the Companies Act, such expense or liability requested to be paid shall be processed accordingly unless such expense or liability requested to be paid is deemed unnecessary for executing duties of the audit & supervisory board member.

(2) Overview of Status of Operating System to Secure Propriety of Operations

The Company has been appropriately managing the system to secure propriety of operations of the Company as described above. There are no issues to report.

The following is an overview of the status of the operating system to secure the appropriateness of operations.

[Translation for Reference and Convenience Purposes Only]

i) Compliance

- (a) MOL has internal regulations including the code of conduct for officers and employees of the Company and the Compliance Policy. The Company also holds internal training, seminars, e-learning training, and other learning activities for officers and employees to provide a better understanding of those rules and their awareness of compliance.
- (b) The Company has appointed Compliance Officers who are responsible for enforcing compliance regulations within divisions and branch offices and Chief Compliance Officer who is accountable for developing and strengthening the compliance structure, as well as supervising Compliance Officers, thereby clarifying the personnel accountable for compliance. In addition, the Company has established the Compliance Committee as a subordinate organization of the Executive Committee. The Compliance Committee holds regular meetings and acts to enhance and strengthen the compliance structure across the Company, as well as make decisions on measures for compliance violations.
- (c) The Company has established an internal Compliance Advisory Service Desk, which handles consultations and reports from officers and employees of the Company and the Group companies, as well as an external Compliance Advisory Service Desk. In the event compliance violations are reported or identified, the desks immediately take the necessary measures. In addition, they ensure that reports and consultations are held in strict confidence, and do not become the basis for any disadvantage treatment.

ii) Corporate Governance

- (a) The Board of Directors, as the Company's primary decision-making body, discusses and decides the most important matters connected with MOL Group management, as well as supervises business operations. The Board of Directors held 10 meetings during the fiscal year under review.
- (b) In order to ensure the further effectiveness of the supervision of executive directors by independent outside directors, the Company established the Nomination Advisory Committee and the Remuneration Advisory Committee, both comprising the Chairman, President and all the independent outside directors, of which independent outside directors form a majority of the members of both committees. These Committees discuss matters related to the selection and dismissal of directors and executive officers, remuneration and their treatment, and report to the Board of Directors.
- (c) In a bid to make the Board of Directors focus on critical matters, important matters in basic business plans and execution of business operations are discussed and determined by the Executive Committee, which generally meets weekly. Executive officers appointed by the Board of Directors and delegated authority from the Representative Director execute operations based on decisions made by the Executive Committee, thereby enhancing efficiency and accelerating business execution.
- (d) The Company and the Group companies regularly report the status of their businesses at important internal meetings including meetings of the Board of Directors and the Executive Committee, and provide timely instructions to relevant divisions on the occurrence of issues and problems requiring solutions.

iii) Risk Management

- (a) The Company set up the Investment and Finance Committee as a preliminary deliberative organ of the Executive Committee. The Committee holds a meeting every week, in principle, and understands, analyzes, and evaluates risks, reporting the results to the Board of Directors and the Executive Committee for their decision-making.
- (b) Assets of the Company and the Group companies are systematically analyzed in terms of risks of fluctuations of their value, and quantitatively analyzed results are reported to the Board of Directors regularly. After assessing and analyzing the quantitative value of risks provided by reports, the Board of Directors and other decision-making bodies make investment decisions, and control risks for all businesses of the MOL Group.
- (c) The Operational Safety Committee held two meetings during the fiscal year under review with the aim of ensuring and thoroughly establishing safe vessel operations. Moreover, with the aim of managing risks relating to vessel operations, the Safety Operation Supporting Center (SOSC) has a framework in place covering all vessels to support ship captains by monitoring information related to a ship's movements, as well as that related to weather and sea conditions, and ship navigation. In addition, MOL also engages in efforts that involve carrying out scheduled safety inspections based on MOL's own safety standards, as well as hiring and training marine technical specialists who take charge of safety matters. While enhancing the safety of operations of MOL Group's vessels through these initiatives, the Company performs research and development and other projects to adopt cutting-edge technologies, including ICT, to supplement its human capacity and secure safe operations.

[Translation for Reference and Convenience Purposes Only]

(d) Pursuant to the provision stipulated in the Japanese Financial Instruments and Exchange Act, MOL evaluates the effectiveness of its internal control operations to secure the credibility of its financial reports, and confirms appropriate operation of its internal control systems.

iv) Management of MOL Group companies

- (a) MOL has established regulations including Group Company Management Regulations and Group Company Management Practical Guidelines, aiming at appropriately managing MOL Group companies. In addition, MOL addresses any important business items of MOL Group companies, as matters to be approved by MOL, as well as receives reports on the progress of their business plans, etc., and provides guidance and advice appropriately, thereby improving the corporate value of the MOL entire group. Furthermore, twice a year, MOL holds a Group Executive Meeting attended by the MOL Chairman, MOL President, MOL management people, and representatives of MOL Group companies, and enhances the sharing and confirmation of management goals and thorough assurance of compliance regulations. With these initiatives, MOL oversees the business operations of MOL Group companies.
- (b) MOL Group companies have formulated their own compliance systems, in accordance with their corporate scales and industrial categories as independent corporations. In the event that MOL Group companies have any incidents regarded as violations of compliance, the companies follow their own internal regulations, immediately act to implement remedies, and take measures to prevent re-occurrence, while MOL takes the necessary actions for reporting to the MOL Compliance Committee, etc.

v) Audit & Supervisory Board Members

- (a) The Company has appointed Audit & Supervisory Board Manager to support the duties of the Audit & Supervisory Board and audit & supervisory board members, placing one dedicated staff member to engage in providing support. To ensure independence from directors and effectiveness of instructions of audit & supervisory board members, audit & supervisory board members concur with the said dedicated staff member's performance appraisal, and the Audit & Supervisory Board concurs with the said staff member's transfer.
- (b) The Company assures full-time audit & supervisory board members attend meetings of the Executive Committee, Investment and Finance Committee, and other committees, in addition to meetings of the Board of Directors, ensuring the execution of their audits of management discussions and decision-making processes. Furthermore, audit & supervisory board members have regular meetings with directors and executive officers to have a common understanding of management issues and risks, in order to ensure appropriate business operations.

vi) Internal Audit

At MOL, the Corporate Audit Division, which is an internal audit department, draws up an audit plan every fiscal year and conducts internal audits of its headquarters organizations and domestic and international MOL Group companies, and reports audit results to the Executive Committee. In case internal audit results identify issues and problems requiring remedies, MOL acts to achieve a resolution by giving instructions to relevant divisions appropriately.

[Translation for Reference and Convenience Purposes Only]

Consolidated Financial Statements

Consolidated Balance Sheets

(¥ million)

	As of March 31, 2019	As of March 31, 2018
	Amount	Amount
(Assets)		
Current assets	387,460	478,702
Cash and deposits	124,505	192,797
Trade receivables	92,160	125,851
Marketable securities	500	500
Inventories	36,445	38,679
Deferred and prepaid expenses	63,413	61,918
Other current assets	70,688	59,357
Allowance for doubtful accounts	(253)	(401)
Fixed assets	1,747,017	1,746,393
(Tangible fixed assets)	1,193,910	1,290,929
Vessels	715,344	776,554
Buildings and structures	145,229	148,598
Equipment and others	29,345	31,581
Furniture and fixtures	4,523	4,137
Land	222,565	221,045
Construction in progress	73,718	106,128
Other tangible fixed assets	3,182	2,884
(Intangible fixed assets)	28,695	30,163
(Investments and other assets)	524,411	425,300
Investment securities	105,627	114,568
Investments in and advances to subsidiaries and affiliates	255,079	159,958
Long-term loans receivable	73,129	73,403
Long-term prepaid expenses	5,698	6,388
Net defined benefit asset	15,764	18,811
Deferred tax assets	3,048	4,007
Other investments and other assets	67,761	50,583
Allowance for doubtful accounts	(1,697)	(2,421)
Total Assets	2,134,477	2,225,096

Note: The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) effective from the fiscal year ended March 31, 2019. Accordingly, the amounts of the previous fiscal year are stated based on the reclassified amounts.

[Translation for Reference and Convenience Purposes Only]

(¥ million)

	As of March 31, 2019	As of March 31, 2018
	Amount	Amount
(Liabilities)		
Current liabilities	446,649	477,696
Trade payables	81,020	131,405
Short-term bonds	28,500	31,872
Short-term bank loans	187,419	180,539
Commercial papers	40,000	5,000
Accrued income taxes	5,494	6,395
Advances received	35,814	34,409
Allowance for bonuses	4,742	4,567
Allowance for directors' bonuses	180	186
Allowance for loss on contracts	17,198	15,879
Allowance for loss related to business restructuring	304	7,068
Other current liabilities	45,975	60,372
Fixed liabilities	1,036,220	1,119,354
Bonds	168,198	175,748
Long-term bank loans	665,997	706,944
Lease obligations	14,224	15,977
Deferred tax liabilities	58,123	55,276
Net defined benefit liabilities	11,927	12,909
Directors' and audit & supervisory board members' retirement benefits	1,499	1,487
Reserve for periodic drydocking	18,220	20,647
Allowance for loss on contracts	36,624	50,933
Allowance for environmental measures	620	620
Other fixed liabilities	60,785	78,810
Total Liabilities	1,482,870	1,597,051
(Net Assets)		
Owners' equity	433,909	410,620
Common stock	65,400	65,400
Capital surplus	45,385	45,385
Retained earnings	329,888	306,642
Treasury stock	(6,764)	(6,807)
Accumulated other comprehensive income	91,154	100,621
Unrealized holding gains on available-for-sale securities, net of tax	26,840	33,400
Unrealized gains on hedging derivatives, net of tax	44,391	37,873
Foreign currency translation adjustments	16,197	23,442
Remeasurements of defined benefit plans, net of tax	3,725	5,905
Share subscription rights	1,803	2,026
Non-controlling interests	124,739	114,776
Total Net Assets	651,607	628,044
Total Liabilities and Total Net Assets	2,134,477	2,225,096

[Translation for Reference and Convenience Purposes Only]

Consolidated Statements of Income

(¥ million)

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2017 (From April 1, 2017 to March 31, 2018)
	Amount	Amount
Shipping and other revenues	1,234,077	1,652,393
Shipping and other expenses	1,094,915	1,513,736
Gross operating income	139,161	138,656
Selling, general and administrative expenses	101,442	115,972
Operating profit	37,718	22,684
Non-operating income		
Interest income	7,832	7,976
Dividend income	5,982	6,661
Others	18,839	20,765
Total non-operating income	32,654	35,402
Non-operating expenses		
Interest expense	21,806	20,413
Equity in losses of affiliated companies	7,804	3,428
Others	2,187	2,771
Total non-operating expenses	31,798	26,613
Ordinary profit	38,574	31,473
Extraordinary income		
Gain on sale of fixed assets	4,654	16,979
Gain on sales of shares of subsidiaries and associates	5,453	186
Others	4,309	4,400
Total extraordinary income	14,418	21,566
Extraordinary losses		
Loss on sales, disposal and retirement of fixed assets	1,511	3,507
Loss related to business restructuring	-	73,476
Others	4,703	4,764
Total extraordinary losses	6,214	81,748
Income (loss) before income taxes and non-controlling interests	46,778	(28,709)
Income taxes - current	8,793	10,729
Income taxes - deferred	4,309	2,002
Net income (loss)	33,674	(41,440)
Profit attributable to non-controlling interests	6,799	5,939
Profit (loss) attributable to owners of parent	26,875	(47,380)

[Translation for Reference and Convenience Purposes Only]

Consolidated Statement of Changes in Net Assets

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

(¥ million)

	Owners' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
Balance at April 1, 2018	65,400	45,385	306,642	(6,807)	410,620
Changes during the fiscal year					
Issuance of new shares - exercise of subscription rights to shares				4	4
Dividends of surplus			(3,587)		(3,587)
Profit attributable to owners of parent			26,875		26,875
Change of scope of consolidation			(0)		(0)
Purchase of treasury stock				(31)	(31)
Disposal of treasury stock			(40)	69	28
Purchase of shares of consolidated subsidiaries		(0)			(0)
Net changes of items other than owners' equity during the year					-
Total changes of items during the year	-	(0)	23,245	42	23,288
Balance at March 31, 2019	65,400	45,385	329,888	(6,764)	433,909

[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 (losses) on hedging derivatives, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax	Accumulated other comprehensive income			
Balance at April 1, 2018	33,400	37,873	23,442	5,905	100,621	2,026	114,776	628,044
Changes during the fiscal year								
Issuance of new shares - exercise of subscription rights to shares						(4)		-
Dividends of surplus								(3,587)
Profit attributable to owners of parent								26,875
Change of scope of consolidation								(0)
Purchase of treasury stock								(31)
Disposal of treasury stock								28
Purchase of shares of consolidated subsidiaries								(0)
Net changes of items other than owners' equity during the year	(6,559)	6,518	(7,244)	(2,180)	(9,466)	(218)	9,963	278
Total changes of items during the year	(6,559)	6,518	(7,244)	(2,180)	(9,466)	(223)	9,963	23,562
Balance at March 31, 2019	26,840	44,391	16,197	3,725	91,154	1,803	124,739	651,607

Notes to Consolidated Financial Statements

Significant Matters for Basis of Preparation of Consolidated Financial Statements

1. Scope of consolidation

- (1) Number of consolidated subsidiaries: 371
- (2) Names of principal consolidated subsidiaries are as stated in “1. Matters Concerning the Present State of the Corporate Group, (10) 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: 90
- (2) Names of principal equity method affiliates are as stated in “1. Matters Concerning the Present State of the Corporate Group, (11) 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
17 companies, including Daibiru Holdings Australia Pty Ltd. have been newly included in the scope of consolidation from this fiscal year due to the increase in materiality and other reasons. 11 companies have been excluded from the scope of consolidation due to liquidation and other reasons, and 4 companies have been changed from consolidated subsidiaries to equity method affiliates due to sale of shares.
- (2) Scope of applying the equity method accounting
8 companies have been newly included in the scope of equity method application from this fiscal year due to new establishment, the increase in materiality and other reasons. 2 companies have been excluded from the scope of equity method application due to liquidation and in-kind investment, and 4 companies have been changed from consolidated subsidiaries to equity method affiliates due to sale of shares.

[Translation for Reference and Convenience Purposes Only]

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 depreciated 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 own.

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

[Translation for Reference and Convenience Purposes Only]

(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 loss related to business restructuring

Allowance for loss related to business restructuring is based on the estimated amounts of loss related to business restructuring.

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

Containerships: Recognized by the multiple transportation progress method.

Vessels other than containerships: 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

Means for hedging

Loans payable in foreign currencies

Forward foreign exchange contracts

Currency option contracts

Currency swap contracts

Interest rate swap contracts

Interest rate cap contracts

Fuel oil swap contracts

Freight futures

Hedged items

Future transactions in foreign currencies

Future transactions in foreign currencies

Future transactions in foreign currencies

Charter fees and loans payable in foreign currencies

Interest on loans and bonds payable

Interest on loans

Fuel oil

Freight

Hedging policy

The hedging derivative transactions are executed and managed by the Company mainly in accordance with established policies, "Market Risk Management Policy" 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.

[Translation for Reference and Convenience Purposes Only]

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 expense is generally expensed as incurred. However, interest expense 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.

Notes to Changes in Presentations

(Consolidated statements of income)

“Gain on sales of shares of subsidiaries and associates,” which was included in “Others” in Extraordinary income in the previous fiscal year, is separately disclosed in this fiscal year, due to the increase in materiality.

“Gain on sales of shares of subsidiaries and associates” for the previous fiscal year was ¥186 million.

(Changes due to the application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) effective from the beginning of the fiscal year ended March 31, 2019 and changed the presentation to the method where deferred tax assets is presented under “Investments and other assets,” and deferred tax liabilities is presented under “Fixed liabilities.”

Notes to Consolidated Balance Sheets

1. Breakdown and amounts of inventories

Raw materials and supplies	¥35,004 million
Other	¥1,441 million

2. Assets pledged as collateral and secured obligations

(1) Assets pledged as collateral

Vessels	¥175,975 million
Construction in progress	¥9,324 million
Investment securities	¥634 million
Investments in and advances to subsidiaries and affiliates	¥69,813 million
<u>Total</u>	<u>¥255,748 million</u>

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

- Investments in and advances to subsidiaries and affiliates of ¥69,813 million are pledged as collateral to secure long-term loans of subsidiaries/affiliates and future payment of charter hire.
- Investment securities of ¥634 million are pledged as collateral for long-term loans associated with Offshore Business and LNG carrier projects.

[Translation for Reference and Convenience Purposes Only]

(2) Secured obligations	
Short-term loans	¥12,180 million
Long-term loans	¥148,861 million
Total	¥161,042 million

3. Accumulated depreciation of tangible fixed assets ¥923,152 million

4. Contingent liabilities

Guarantee liabilities, etc.	¥123,075 million
(Guarantee liabilities in foreign currency included in above)	¥108,665 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 the U.S. and other countries against the Group, for damage claims, a cease and desist order for the questioned conduct.

Meanwhile, the effect of these investigations and lawsuit on the financial results of the Group is uncertain as its financial impact is not estimable at this stage.

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:	1,034,487 shares

[Translation for Reference and Convenience Purposes Only]

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 26, 2018	Common stock	1,195	10.0	March 31, 2018	June 27, 2018
Board of Directors' Meeting October 31, 2018	Common stock	2,391	20.0	September 30, 2018	November 29, 2018

(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 25, 2019	Common stock	2,989	25.0	March 31, 2019	June 26, 2019

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: 1,219,500 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 (“Market Risk Management Policy” 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:

	Book Value	Fair Value	Difference
(1) Cash and deposits	124,505	124,505	—
(2) Trade receivables	92,160	92,160	—
(3) Marketable securities			
Available-for-sale securities	500	500	—
(4) Short-term loans receivable	18,192	18,192	—
(5) Long-term loans receivable (*1)	78,033	80,745	2,711
(6) Investment securities			
Available-for-sale securities	96,881	96,881	—
(7) Investments in and advances to subsidiaries and affiliates	3,012	2,009	(1,002)
(8) Trade payables	81,020	81,020	—
(9) Short-term loans	109,314	109,314	—
(10) Commercial papers	40,000	40,000	—
(11) Bonds (*2)	196,698	198,840	2,142
(12) Long-term loans (*3)	744,101	747,419	3,317
(13) Derivative financial instruments (*4)	30,041	29,895	(145)

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

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

(*3) The book value of long-term loans includes current portion of ¥78,104 million.

[Translation for Reference and Convenience Purposes Only]

(*4) 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 rate 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 and (7) Investments in and advances to subsidiaries and affiliates

Fair value of stocks 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.

(8) Trade payables, (9) Short-term loans, and (10) 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.

(11) Bonds

Fair value of corporate bond is evaluated at market price.

(12) 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.

(13) 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 which fair value are extremely difficult to determine are as follows:

(¥ million)

	Book Value
1) Unlisted stocks	8,734
2) Investments in and advances to subsidiaries and affiliates	252,066
3) Others	10
Total	260,812

The above items are not included in the amount presented under the lines “(6) Investment securities Available-for-sale securities” and “(7) Investments in and advances to subsidiaries and affiliates” 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
307,274	508,562

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	¥4,390.39
2. Net income per share	¥224.72

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, 2019	As of March 31, 2018
	Amount	Amount
(Assets)		
Current assets	242,575	358,725
Cash and deposits	36,475	115,014
Trade receivables	40,463	77,300
Short-term loans receivable	54,786	56,938
Advances	6,769	4,716
Marketable securities	500	500
Inventories	25,925	29,395
Deferred and prepaid expenses	46,127	44,792
Receivable from agencies	15,305	16,754
Other current assets	16,396	13,694
Allowance for doubtful accounts	(174)	(380)
Fixed assets	788,760	703,925
(Tangible fixed assets)	131,809	134,931
Vessels	90,421	79,989
Buildings	9,171	9,701
Structures and equipment	372	442
Vehicles and transportation equipment	0	0
Equipment, mainly containers	669	595
Land	16,436	16,436
Construction in progress	12,958	25,794
Other tangible fixed assets	1,779	1,970
(Intangible fixed assets)	9,683	10,527
(Investments and other assets)	647,266	558,466
Investment securities	76,571	83,977
Investments in and advances to subsidiaries and affiliates	383,271	260,206
Long-term loans receivable	84,832	125,739
Long-term prepaid expenses	10,571	10,823
Long-term lease receivables	88,688	77,876
Other investments and other assets	12,787	11,185
Allowance for doubtful accounts	(9,455)	(11,342)
Total Assets	1,031,335	1,062,651

[Translation for Reference and Convenience Purposes Only]

(¥ million)

	As of March 31, 2019	As of March 31, 2018
	Amount	Amount
(Liabilities)		
Current liabilities	349,435	402,385
Trade payables	50,422	104,129
Short-term bonds	18,500	31,872
Short-term bank loans	166,199	190,432
Other payables	6,759	12,936
Advances received	27,294	26,018
Payable to agencies	914	1,971
Commercial papers	40,000	-
Allowance for bonuses	2,167	1,874
Allowance for directors' bonuses	48	26
Allowance for loss on contracts	21,755	15,465
Allowance for loss related to business restructuring	6,425	6,414
Other current liabilities	8,948	11,243
Fixed liabilities	482,293	487,591
Bonds	88,198	95,748
Long-term bank loans	312,262	289,775
Long-term other payables	10,254	15,360
Deferred tax liabilities	12,233	14,462
Allowance for employees' severance and retirement benefits	8	8
Allowance for loss on guarantees	13,357	11,911
Allowance for loss on contracts	36,555	50,502
Other fixed liabilities	9,423	9,822
Total Liabilities	831,729	889,977
(Net Assets)		
Owners' equity	178,275	144,914
Common stock	65,400	65,400
Capital surplus	44,371	44,371
Additional paid-in capital	44,371	44,371
Retained earnings	75,269	41,951
Legal earnings reserve	8,527	8,527
Other retained earnings	66,741	33,423
Reserve for special depreciation	2	3
Reserve for advanced depreciation	912	926
General reserve	30,630	111,630
Retained earnings (losses) brought forward	35,197	(79,136)
Treasury stock	(6,766)	(6,809)
Accumulated gains from valuation and translation adjustments	19,527	25,732
Unrealized holding gains on available-for-sale securities, net of tax	22,527	28,485
Unrealized gains (losses) on hedging derivatives, net of tax	(2,999)	(2,752)
Share subscription rights	1,803	2,026
Total Net Assets	199,606	172,673
Total Liabilities and Total Net Assets	1,031,335	1,062,651

[Translation for Reference and Convenience Purposes Only]

Non-consolidated Statements of Income

(¥ million)

	FY2018	FY2017
	(From April 1, 2018 to March 31, 2019)	(From April 1, 2017 to March 31, 2018)
	Amount	Amount
Shipping and other operating revenues		
Shipping revenues		
Freight	493,987	928,479
Charter fees	208,949	253,165
Other shipping revenues	56,124	39,868
Total	759,061	1,221,514
Other operating revenue	1,104	1,060
Total shipping and other operating revenues	760,166	1,222,574
Shipping and other operating expenses		
Shipping expenses		
Voyage expenses	248,687	534,412
Vessels	14,374	14,843
Charter fees	380,863	503,311
Other shipping expenses	69,606	131,141
Total	713,531	1,183,709
Other operating expenses	694	718
Total shipping and other operating expenses	714,225	1,184,427
Gross operating income	45,940	38,146
Selling, general and administrative expenses	33,884	35,318
Operating profit	12,055	2,828
Non-operating income		
Interest and dividend income	34,850	24,877
Others	886	900
Total non-operating income	35,737	25,777
Non-operating expenses		
Interest expense	7,434	7,432
Exchange losses	3,220	1,954
Others	877	1,474
Total non-operating expenses	11,531	10,861
Ordinary profit	36,260	17,744
Extraordinary profits		
Gain on sales of fixed assets	827	476
Gain on sales of investment securities	599	535
Gain on sales of securities issued by subsidiaries and affiliates	4,916	89
Gain on liquidation of subsidiaries and affiliates	1,766	43
Cancellation fee for chartered vessels	-	32
Reversal of allowance for loss on contracts	-	671
Gain on reversal of subscription rights to shares	376	579
Others	1,193	823
Total extraordinary profits	9,679	3,251
Extraordinary losses		
Loss on disposal of fixed assets	64	2,236
Loss on valuation of securities issued by subsidiaries and affiliates	278	389
Provision of allowance for loss on guarantees	348	3,296
Provision of allowance for doubtful accounts	-	22
Loss related to business restructuring	-	72,821
Early termination fee	6,148	-
Others	1,341	3,301
Total extraordinary losses	8,181	82,068
Income (loss) before income taxes	37,758	(61,072)
Income taxes - current	754	728
Income taxes - deferred	57	4,135
Net income (loss)	36,946	(65,936)

[Translation for Reference and Convenience Purposes Only]

Non-consolidated Statement of Changes in Net Assets
FY2018 (April 1, 2018 – March 31, 2019)

(¥ million)

	Owners' equity										
	Common stock	Capital surplus		Legal earnings reserve	Retained earnings					Treasury stock	Total owners' equity
		Additional paid-in capital	Total capital surplus		Other retained earnings				Total retained earnings		
					Reserve for special depreciation	Reserve for advanced depreciation	General reserve	Retained earnings (losses) brought forward			
Balance at April 1, 2018	65,400	44,371	44,371	8,527	3	926	111,630	(79,136)	41,951	(6,809)	144,914
Changes during the fiscal year											
Issuance of new shares - exercise of subscription rights to shares			-						-	4	4
Dividends paid			-					(3,587)	(3,587)		(3,587)
Net income			-					36,946	36,946		36,946
Reversal of reserve for special depreciation			-		(1)			1	-		-
Reversal of reserve for advanced depreciation			-			(14)		14	-		-
Reversal of general reserve			-				(81,000)	81,000	-		-
Purchase of treasury stock			-						-	(31)	(31)
Disposal of treasury stock			-					(40)	(40)	69	28
Net changes of items other than owners' equity during the fiscal year			-						-		-
Total changes during the fiscal year	-	-	-	-	(1)	(14)	(81,000)	114,334	33,318	42	33,360
Balance at March 31, 2019	65,400	44,371	44,371	8,527	2	912	30,630	35,197	75,269	(6,766)	178,275

	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, 2018	28,485	(2,752)	25,732	2,026	172,673
Changes during the fiscal year					
Issuance of new shares - exercise of subscription rights to shares			-	(4)	-
Dividends paid			-		(3,587)
Net income			-		36,946
Reversal of reserve for special depreciation			-		-
Reversal of reserve for advanced depreciation			-		-
Reversal of general reserve			-		-
Purchase of treasury stock			-		(31)
Disposal of treasury stock			-		28
Net changes of items other than owners' equity during the fiscal year	(5,958)	(246)	(6,205)	(218)	(6,423)
Total changes during the fiscal year	(5,958)	(246)	(6,205)	(223)	26,932
Balance at March 31, 2019	22,527	(2,999)	19,527	1,803	199,606

[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 depreciated 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 own.

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.

[Translation for Reference and Convenience Purposes Only]

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 decision made over contracts, etc.

Allowance for loss related to business restructuring

Allowance for loss related to business restructuring is based on estimated amount of loss related to business restructuring.

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

Containerships:

Recognized by the multiple transportation progress method.

Vessels other than containerships:

Recognized by the completed-voyage method.

[Translation for Reference and Convenience Purposes Only]

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

Loans payable in foreign currencies

Forward foreign exchange contracts

Currency option contracts

Interest rate swap contracts

Interest rate cap contracts

Fuel oil swap contracts

Freight futures

Hedged items

Future transactions in foreign currencies

Future transactions in foreign currencies

Future transactions in foreign currencies

Interest on loans and bonds payable

Interest on loans

Fuel oil

Freight

Hedging policy

Hedging derivative transactions are executed in accordance with the Company's internal regulations, "Market Risk Management Policy" 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 expense is generally expensed as incurred. However, interest expense 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.

Notes to Non-consolidated Balance Sheets

1. To subsidiaries and affiliates

Short-term monetary lending	¥86,070 million
Long-term monetary lending	¥173,997 million
Short-term monetary debts	¥90,217 million
Long-term monetary debts	¥462 million

2. Accumulated depreciation on tangible fixed assets ¥213,914 million

[Translation for Reference and Convenience Purposes Only]

3. Assets pledged as collateral and secured obligations

(1) Assets pledged as collateral

Vessels	¥15,062 million
Investment securities	¥634 million
Investments in and advances to subsidiaries and affiliates	¥47,118 million
Total	¥62,815 million

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

- Investments in and advances to subsidiaries and affiliates of ¥47,118 million are pledged as collateral to secure long-term loans of subsidiaries/affiliates and future payment of charter hire.
- Investment securities of ¥634 million are pledged as collateral for long-term loans associated with Offshore Business and LNG carrier projects.

(2) Secured obligations

Short-term loans	¥2,189 million
Long-term loans	¥30,113 million
Total	¥32,303 million

4. Contingent liabilities

Guarantee liabilities, etc.	¥544,775 million
(Guarantee liabilities in foreign currency included in above)	¥331,183 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, MOL 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 the U.S. and other countries against the MOL, 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 MOL 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	¥168,530 million
Amount of purchase	¥297,762 million
Transactions other than operating transactions	¥49,882 million

2. Early termination fee

An amount of ¥6,148 million was recorded as the cost related to the early termination fee as a result of the integration of the container shipping businesses.

[Translation for Reference and Convenience Purposes Only]

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 1,031,867 shares

Notes on Deferred Tax Accounting

Significant components of deferred tax assets and liabilities

(¥ million)

Deferred tax assets	
Tax loss brought forward	47,034
Retained income of specific foreign subsidiaries	30,573
Voluntary adjustment of loss on valuation of securities issued by subsidiaries and affiliates	60,377
Reserve for bonuses expenses	623
Impairment loss	1,305
Allowance for doubtful accounts	2,768
Allowance for loss related to business restructuring	1,847
Allowance for loss on guarantees	3,840
Allowance for loss on contracts	16,764
Transfer of charters from subsidiaries and affiliates	3,982
Deemed dividends	11,322
Unrealized gains (losses) on hedging derivatives, net of tax	912
Foreign tax credit	5,557
Others	5,518
Total of deferred tax assets	192,427
Valuation allowance for tax loss brought forward	(47,034)
Valuation allowance for the total of future deductible temporary differences, etc.	(145,292)
Valuation allowance	(192,326)
Net deferred tax assets	101
Deferred tax liabilities	
Gain on securities contributed to employee retirement benefit trust	(2,737)
Unrealized gains on available-for-sale securities	(8,903)
Others	(693)
Total deferred tax liabilities	(12,334)
Net deferred tax liabilities	(12,233)

[Translation for Reference and Convenience Purposes Only]

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	48,598	-	-
	Lakler S.A.	Directly 100%	Interlocking directorate Debt guarantee	Debt guarantee	28,447	-	-
	Samba Offshore S.A.	Directly 100%	Interlocking directorate Debt guarantee	Debt guarantee	22,483	-	-
	MOG-X LNG Shipholding S.A.	Directly 100%	Interlocking directorate Debt guarantee	Debt guarantee	22,397	-	-
	MOL Euro-orient Shipping S.A.	Directly 100%	Interlocking directorate Ship chartering Debt guarantee	Debt guarantee	20,752	-	-
	MOL Bridge Finance S.A.	Directly 100%	Interlocking directorate Debt guarantee	Debt guarantee	14,983	-	-
	Cleopatra LNG Shipping Co., Ltd.	Directly 70%	Interlocking directorate Debt guarantee	Debt guarantee	12,063	-	-
	MOG-IX LNG Shipholding S.A.	Directly 100%	Interlocking directorate Ship chartering Debt guarantee	Debt guarantee	11,237	-	-
	Nefertiti LNG Shipping Co., Ltd.	Directly 70%	Interlocking directorate Debt guarantee	Debt guarantee	10,933	-	-
	Asiaship Maritime S.A.	Directly 100%	Interlocking directorate Ship chartering Debt guarantee	Debt guarantee	10,401	-	-
	Linkman Holdings Inc.	Directly 100%	Interlocking directorate Debt guarantee	Funding loan	25,215	Short-term loans receivable	26,530
				Borrowing of funds	47,272		
	Linkman Holdings Inc.	Directly 100%	Interlocking directorate Debt guarantee	Funding loan	16,106	Short-term loans payable	6,436
				Borrowing of funds			
Canopus Maritime Inc.	Directly 100%	Interlocking directorate Ship chartering			Lease receivables (Note 3)	28,918	
Atlantis Shipping Navigation S.A.	Directly 100%	Interlocking directorate Ship chartering			Lease receivables (Note 3)	10,809	
TraPac, LLC.	Indirectly 100%	Early termination fee	Early termination fee	6,148	Allowance for loss related to business restructuring	6,148	
Affiliate	Arctic Green LNG Shipping Ltd.	Directly 50%	Interlocking directorate Debt guarantee	Debt guarantee	13,827	-	-
	Arctic Blue LNG Shipping Ltd.	Directly 50%	Interlocking directorate Debt guarantee	Debt guarantee	13,183	-	-
	Sepia MV30 B.V.	Directly 20.6%	Interlocking directorate Debt guarantee	Debt guarantee	10,747	-	-
	LNG Rose Shipping Co., Ltd.	Directly 50%	Interlocking directorate Debt guarantee	Debt guarantee	10,504	-	-
	Ocean Network Express Pte. Ltd.	- (Note 4)	Interlocking directorate Ship chartering	Underwriting of capital increase	72,141	-	-
	GK Libra	Directly 49.9%	Transfer of credit	Transfer of credit	15,415	-	-

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

- (1) Debt guarantees are decided based on the form of guarantees and other 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 early termination fee, ¥6,148 million was recorded as the cost related to the early termination fee as a result of the integration of the container shipping businesses.
- (6) Underwriting of capital increase was carried out at US\$10,000 per share.
- (7) As for transfer of credit, the transfer was conducted at market value.

2. Consumption taxes are not included in transacted amount.

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

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

[Translation for Reference and Convenience Purposes Only]

Per-share Information

1. Net assets per share	¥1,653.92
2. Net income per share	¥308.93

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.