Mitsui O.S.K. Lines, Ltd.

Financial Highlights: The First Quarter Ended June 30, 2022

1. Consolidated Financial Highlights (from April 1, 2022 to June 30, 2022)

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

(1) Operating Results

(¥Million)

	Q1/FY2022	Q1/FY2021
Revenues	374,783	288,874
Operating profit	23,597	8,042
Ordinary profit	284,191	104,268
Profit attributable to owners of parent	285,779	104,147

(¥)

Net income per share	791.96	290.07
Diluted net income per share	788.68	289.28

* The Company split its common share on the basis of one (1) share into three (3) shares effective April 1, 2022.
Accordingly, net income per share and diluted net income per share is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year ended March 31, 2022.

(2) Financial Position

(¥Million)

	Q1/FY2022	FY2021
Total assets	3,134,568	2,686,701
Total net assets	1,465,448	1,334,866
Shareholders' equity / Total assets	46.1%	47.4%

* Shareholders' Equity is defined as follows.
Shareholders' Equity = Total Net Assets - (Share option + Non-controlling interests)

2. Dividends

(¥)

	Dividend per share				
	Q1	Q2	Q3	Year -end	Total
FY2021	—	300.00	—	900.00	1,200.00
FY2022	—	—	—	—	—
FY2022 (Forecast)	—	300.00	—	200.00	500.00

* The Company split its common share on the basis of one (1) share into three (3) shares effective April 1, 2022.
Accordingly, the dividends per share for the fiscal year ended March 31, 2022 represent the actual amount of dividends before the stock split.

3. Forecast for the Fiscal Year Ending March 31, 2023

(¥Million)

	1H/FY2022	FY2022
Revenues	770,000	1,470,000
Operating profit	47,000	70,000
Ordinary profit	500,000	710,000
Profit attributable to owners of parent	500,000	700,000

(¥)

	1H/FY2022	FY2022
Net income per share	1,385.42	1,939.37

* Net income per share for the fiscal year 2022 is calculated based on the number of shares after the issuance of new shares regarding the following three cases:

(i) Notice on issuance of new shares to directors/executive officers of subsidiaries of the company and employees of the company as fiscal

year 2022 non-performance-linked restricted stock compensation

The number of shares issued on the payment deadline of July 21st, 2022: 20,100 shares

The number of shares issued on the payment deadline of August 26th, 2022: 33,000 shares

(ii) Notice on issuance of new shares to non-executive directors of the company as fiscal year 2022 non-performance-linked restricted

stock compensation

The number of shares issued on the payment deadline of July 21st, 2022: 1,485 shares

(iii) Notice on issuance of new shares to executive directors and executive officers of the company as fiscal year 2021 performance-linked stock compensation

The number of shares issued on the payment deadline of July 21st, 2022: 70,482 shares

(The total number of new shares issued for (i)~(iii) is 125,067 shares)

4. Business Performance

(1) Analysis of Operating Results (¥ Billion)

	Three months		Year-on-year comparison / Variance	
	From April 1, 2021 to June 30, 2021	From April 1, 2022 to June 30, 2022		
Revenue	288.8	374.7	85.9 /	29.7%
Operating profit	8.0	23.5	15.5 /	193.4%
Ordinary profit	104.2	284.1	179.9 /	172.6%
Profit attributable to owners of parent	104.1	285.7	181.6 /	174.4%
Exchange rate	¥108.77/US$	¥125.29/US$		¥16.52/US$
Bunker price*	US$497/MT	US$914/MT		US$417/MT

*Average price for all the major fuel grades

We recorded revenue of ¥374.7 billion, an operating profit of ¥23.5 billion, an ordinary profit of ¥284.1 billion and profit attributable to owners of parent of ¥285.7 billion. We recorded ¥242.7 billion of equity in net earnings of affiliated companies in non-operating income, mainly due to a significant increase in earnings at OCEAN NETWORK EXPRESS PTE. LTD. (ONE), an equity method affiliate. The amount of equity in net earnings of affiliated companies we recorded which was attributable to ONE was ¥232.9 billion. In addition, the rapid depreciation of the yen during the fiscal year resulted in a significant increase in revenues in each segment, including freight rates and charter fees.

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

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

		Three months		Year-on-year comparison / Variance	
		From April 1, 2021 to June 30, 2021	From April 1, 2022 to June 30, 2022		
Dry Bulk Business		78.3	105.2	26.8 /	34.3%
		6.5	18.5	12.0 /	182.9%
Energy Business		68.8	85.6	16.7 /	24.3%
		4.3	9.5	5.1 /	117.6%
Product Transport Business		117.8	156.3	38.5 /	32.7%
		90.1	249.8	159.6 /	177.0%
	Containerships	14.4	13.0	(1.3) /	(9.6%)
		87.2	234.4	147.1 /	168.7%
Real Estate Business		9.6	9.8	0.1 /	1.9%
		3.2	2.5	(0.7) /	(21.5%)
Associated Businesses		10.0	13.6	3.6 /	36.3%
		(0.8)	(0.0)	0.7 /	-%
Others		4.0	4.0	(0.0) /	(1.0%)
		0.8	0.4	(0.3) /	(44.7%)

(A) Dry Bulk Business

The Capesize bulker market and Panamax bulker market started off at a low level, reflecting the delayed recovery of Brazilian iron ore shipments due to bad weather and the lockdown in Shanghai meant to reduce the spread of COVID-19 infections. In mid-May, surging transport demand for coal to India pushed the charter rate up to around US$30,000 per day for both Capesize bulkers and Panamax bulkers. However, after the slack in coal transport demand, which eased the tight vessel supply-demand balance, the charter rate was reduced to around $20,000 per day.

In addition to generally steady market conditions for Capesize bulker and Panamax bulker, an improved market in both outbound paper pulp transport and inbound general bulker cargoes for open hatch vessels contributed to profit. As a result, the dry bulk business posted a year-on-year increase in profit in the first three months of the fiscal year.

(B) Energy Business

<Tankers>

In the very large crude oil carrier (VLCC) market, conditions remained difficult. In line with the growth in oil demand as the global economy recovers, OPEC gradually began phasing out its coordinated output cuts and cargo movement was on a recovery path. However, the VLCC tanker remained oversupplied. Meanwhile, product tanker market remained buoyant due to an increase in ton miles driven by the procurement of alternatives to petroleum products from Russia. Under these market conditions, the tanker business as a whole posted a year-on-year rise in profit, thanks to its efforts for the stable fulfillment of long-term contracts and cost reduction.

<Offshore>

The FPSO business reported a year-on-year increase in profit by securing stable profit through existing long-term charter contracts, and also thanks to the contribution of a newly commencing project.

<Liquefied gas>

The LNG carrier division continued to generate stable profit through existing long-term charter contracts and reported profit mostly unchanged from the same period a year earlier. The FSRU business posted a year-on-year increase in profit as a result of additional operation brought by the conclusion of a new contract for an existing vessel.

(C) Product Transport Business

<Containerships>

At ONE, the Company’s equity-method affiliate, the containership business continues to be affected by the turmoil within global supply chains. Spot freight rates remained considerably higher than the year-ago level, despite the impact of the softening supply-demand balance caused mainly by the lockdown in Shanghai designed to reduce the spread of COVID-19 infections. Term contracts, reflecting the high freight rate levels so far, also pushed up profit. As a result of the above, the containerships business recorded a significant year-on-year increase in profit.

<Car Carriers>

Although supply chain disruptions such as global semiconductor supply shortages and automobile component supply shortages caused by the impact of lockdowns in Shanghai continued to impact the production and shipment of completed cars, transportation volume of completed cars was mostly unchanged year on year due to the effort of flexible and agile tonnage adjustments and route changes. As the supply-demand environment improved, we worked to pursue more efficient operations, resulting in a significant increasement in earnings compared with the same period of the previous fiscal year.

<Ferries and Coastal RoRo Ships>

As there was no declaration of a state of emergency nor quasi-state of emergency, passenger numbers showed considerable improvement, reflecting success at tapping into demand during long holidays, for example. The logistics business also remained on the recovery path and the ferries and coastal RoRo ships business overall posted considerable year-on-year growth in revenue and profit.

(D) Real Estate Business

The real estate business secured stable profit, despite a year-on-year drop in profits associated with the reconstruction of some buildings held by DAIBIRU CORPORATION, the core company in the Group’s real estate business.

(E) Associated Businesses

The cruise ship business achieved improved profitability year on year due to an increase in operations. The tugboat business posted a year-on-year decline in profit, largely because of the rising price of fuel, although conditions varied from company to company and from port to port.

(F) Others

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

(2) Outlook for FY2022

(For consolidated cumulative second quarter of the fiscal year 2022) (¥ Billion)

	Previous outlook (As announced on July 21, 2022)	Current outlook (As of announcement of Q1 financial results)	Year-on-year comparison / Variance
Revenue	770.0	770.0	- / -%
Operating profit	47.0	47.0	- / -%
Ordinary profit	500.0	500.0	- / -%
Profit attributable to owners of parent	500.0	500.0	- / -%

Exchange rate	¥125.00/US$	¥125.00/US$	-
Bunker price*1	-	US$580/MT	-
Compliant fuel price*2	-	US$1,030/MT	-
		(Assumptions for the 1st half)	

(For consolidated full fiscal year 2022) (¥ Billion)

	Previous outlook (As announced on July 21, 2022)	Current outlook (As of announcement of Q1 financial results)	Year-on-year comparison / Variance
Revenue	1,470.0	1,470.0	- / -%
Operating profit	70.0	70.0	- / -%
Ordinary profit	710.0	710.0	- / -%
Profit attributable to owners of parent	700.0	700.0	- / -%

Exchange rate	¥125.00/US$	¥125.00/US$	-
Bunker price*1	-	US$560/MT	-
Compliant fuel price*2	-	US$940/MT	-
		(Assumptions for the 2nd half)	

*1 HSFO (High Sulfur Fuel Oil) average price
*2 VLSFO (Very Low Sulfur Fuel Oil) average price

(A) Dry Bulk Business

Whilst the impact of global economic slowdown is a concern, the Capesize bulker market is expected to remain firm, with the usual growth in Brazilian iron ore shipments expected, in addition to solid shipments of iron ore from Australia. However, we believe that attention needs to be paid to developments in terms of the Chinese government's economic stimulus measures and port congestion due to adverse weather. The effects of the economic slowdown, especially the decline in demand for transportation to China is the concern for the Panamax bulker market but is expected to be supported to some extent by coal and grain shipments. If demand for alternative transportation to replace cargoes from Russia and Ukraine arise, this could be a positive factor to the market. However, in view of the fact that actual alternative transportation demand during the first three months under review was limited, we expect it to remain limited in the future as well.

(B) Energy Business

In the tanker business, the VLCC charter rate is expected to improve on the back of an increase in shipments associated with the end of coordinated output cuts by OPEC and improvement in the vessel supply-demand balance with the withdrawal of old vessels. Meanwhile, in the product tanker market, we expect the charter rate to remain at a high level as cargo movements increase supported by the firm demand for China and South America in addition to the demand to replace Russian petroleum products. On both the VLCC market and the product tanker market, if the global economy slows down because of interest rate hikes around the world, demand could fall, leading to decreased cargo movements and a weaker market.

The offshore business is expected to continue generating stable profit, with the delivery of another newly built FPSO vessel expected during FY2022.

In the liquefied gas business, the LNG carrier business will continue to maintain stable profit even though profitability is expected to decrease year on year as a result of the expiry of an existing long-term contract. Meanwhile, we expect the FSRU business to report higher profit as a result of the commencement of a new project and also the additional operation brought by the conclusion of a new contract for an existing vessel.

(C) Product Transport Business

In the containerships business, liftings and freight rate levels are assumed to soften given the ease in ports and inland transport chains, rising inventories of consumer goods in Europe and the United States, and as well as increasing inflation and global instability.

Regarding the car carrier business, we will continue flexible initiatives in line with cargo movements while monitoring the impact of semiconductor shortages, the Russia-Ukraine crisis and global inflation on sales and production of completed cars.

For terminal and logistic business, while supply chain disruptions are gradually returning to normal, the cargo movement outlook is difficult due to the recent rise in raw materials prices and inflation.

In the business of ferries and coastal RoRo ships, we anticipate a recovery of passenger demands in the passenger business on an assumption that restrictions on activities to reduce the spread of COVID-19 infections will be eased. We expect the logistics business to remain on a recovery path. However, in both the passenger business and the logistics business, the impact of further outbreaks of COVID-19 and the Russia-Ukraine crisis on transportation demand in Japan is a cause for concern.

(D) Real Estate Business

The real estate business is expected to report a decline in rental income as a result of the reconstruction of property owned but will continue to post solid profit mainly due to the rising occupancy rates of overseas properties.

(E) Associated Businesses

The cruise ship business is expected to see improvement in profitability as the COVID-19 pandemic gradually comes to an end.

5. Financial Position

Total assets as of June 30, 2022 increased by ¥ 447.8 billion compared to the balance as of the end of the previous fiscal year, to ¥ 3,134.5 billion. This was primarily due to the increase in Investment securities.

Total liabilities as of June 30, 2022 increased by ¥ 317.2 billion compared to the balance as of the end of the previous fiscal year, to ¥ 1,669.1 billion. This was primarily due to the increase in Short-term bank loans.

Total net assets as of June 30, 2022 increased by ¥ 130.5 billion compared to the balance as of the end of the previous fiscal year, to ¥ 1,465.4 billion. This was primarily due to the increase in Foreign currency translation adjustments.

As a result, shareholders’ equity ratio decreased by 1.3% compared to the ratio as of the end of the previous fiscal year, to 46.1%.

6. Consolidated Financial Statements

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

(1) Consolidated Balance Sheets

(¥Million)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	99,878	84,927
Trade receivables	109,891	138,625
Contract assets	15,601	11,493
Marketable securities	1,000	1,000
Inventories	46,085	63,274
Deferred and prepaid expenses	21,545	25,038
Other current assets	58,748	98,557
Allowance for doubtful accounts	(1,298)	(1,718)
Total current assets	351,452	421,197
Fixed assets		
Tangible fixed assets		
Vessels	632,105	645,600
Buildings and structures	127,954	126,535
Equipment and others	25,290	26,168
Furniture and fixtures	5,529	5,714
Land	254,594	254,087
Construction in progress	59,988	77,688
Other tangible fixed assets	5,688	6,671
Total tangible fixed assets	1,111,152	1,142,466
Intangible fixed assets	36,624	35,896
Investments and other assets		
Investment securities	978,848	1,216,713
Long-term loans receivable	110,104	119,236
Long-term prepaid expenses	8,562	8,664
Net defined benefit assets	18,957	19,036
Deferred tax assets	1,217	1,276
Other investments and other assets	93,343	195,340
Allowance for doubtful accounts	(23,562)	(25,261)
Total investments and other assets	1,187,472	1,535,007
Total fixed assets	2,335,249	2,713,370
Total assets	2,686,701	3,134,568

(¥Million)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Trade payables	96,034	125,898
Short-term bonds	23,700	18,700
Short-term bank loans	192,170	364,049
Commercial papers	8,000	54,000
Accrued income taxes	8,624	4,343
Advances received	2,188	2,237
Contract liabilities	23,125	28,366
Provision for bonuses	9,433	5,570
Other current liabilities	50,726	97,592
Total current liabilities	414,002	700,758
Fixed liabilities		
Bonds	189,500	189,500
Long-term bank loans	575,101	522,960
Lease liabilities	10,803	10,970
Deferred tax liabilities	74,516	80,287
Net defined benefit liabilities	9,355	9,518
Provision for directors' and corporate auditors' retirement benefits	1,485	1,069
Provision for periodic drydocking	15,836	17,470
Other fixed liabilities	61,233	136,583
Total fixed liabilities	937,832	968,361
Total liabilities	1,351,835	1,669,119
Net assets		
Owners' equity		
Common stock	65,400	65,400
Capital surplus	23,090	－
Retained earnings	1,091,250	1,169,814
Treasury stock	(2,267)	(2,175)
Total owners' equity	1,177,474	1,233,039
Accumulated other comprehensive income		
Unrealized holding gains on available-for-sale securities, net of tax	34,010	35,336
Unrealized gains on hedging derivatives, net of tax	27,161	58,319
Foreign currency translation adjustments	29,232	113,366
Remeasurements of defined benefit plans, net of tax	6,691	6,437
Total accumulated other comprehensive income	97,095	213,459
Share option	781	759
Non-controlling interests	59,514	18,190
Total net assets	1,334,866	1,465,448
Total liabilities and net assets	2,686,701	3,134,568

(2) Consolidated Statements of Income

(¥Million)

	FY2021 (Apr. 1, 2021 - June 30, 2021)	FY2022 (Apr. 1, 2022 - June 30, 2022)
Shipping and other revenues	288,874	374,783
Shipping and other expenses	259,355	318,296
Gross operating income	29,519	56,487
Selling, general and administrative expenses	21,476	32,889
Operating profit	8,042	23,597
Non-operating income		
Interest income	1,848	2,493
Dividend income	2,184	2,962
Equity in earnings of affiliated companies	91,295	242,741
Foreign exchange gains	4,980	12,581
Others	527	3,661
Total non-operating income	100,836	264,440
Non-operating expenses		
Interest expenses	3,004	2,746
Others	1,605	1,099
Total non-operating expenses	4,609	3,846
Ordinary profit	104,268	284,191
Extraordinary income		
Gain on sales of fixed assets	2,369	5,106
Others	1,936	1,109
Total extraordinary income	4,305	6,216
Extraordinary losses		
Loss on sale of fixed assets	601	26
Others	1,549	1,557
Total extraordinary losses	2,150	1,583
Income before income taxes and non-controlling interests	106,423	288,824
Income taxes	528	1,272
Net income	105,895	287,551
Profit attributable to non-controlling interests	1,747	1,772
Profit attributable to owners of parent	104,147	285,779

(3) Consolidated Statements of Comprehensive Income

(¥Million)

	FY2021 (Apr. 1, 2021 - June. 30, 2021)	FY2022 (Apr. 1, 2022 - June. 30, 2022)
Net income	105,895	287,551
Other comprehensive income		
Unrealized holding gains on available-for-sale securities, net of tax	(2,299)	1,351
Unrealized gains on hedging derivatives, net of tax	4,354	14,133
Foreign currency translation adjustments	16,709	8,143
Remeasurements of defined benefit plans, net of tax	(312)	(254)
Share of other comprehensive income of associates accounted for using equity method	20,315	95,018
Total other comprehensive income	38,766	118,391
Comprehensive income	144,661	405,943
(Breakdown)		
Comprehensive income attributable to owners of parent	141,483	402,142
Comprehensive income attributable to non-controlling interests	3,178	3,800

[NOTE]

(Notes in the Event of Significant Changes in Shareholders' Capital)

Since the balance of capital surplus turned negative at the end of the first Quarter of the fiscal year due to additional purchase of the shares of consolidated subsidiaries, capital surplus was reduced to nil whereby the negative balance was deducted from retained earnings in accordance with "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013.).

(Changes in Accounting Standards)

(Adoption of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has adopted "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021.) from the beginning of the first Quarter of the fiscal year, and in accordance with the transitional treatment prescribed in Paragraph 27-2 of "Implementation Guidance on Accounting Standard for Fair Value Measurement", the new accounting policy prescribed by "Implementation Guidance on Accounting Standard for Fair Value Measurement" will be adopted prospectively. There is no impact on the quarterly consolidated financial statements.

(Adoption of ACS 842, Lease Accounting)

Some of consolidated foreign subsidiaries of the Company adopting Generally Accepted Accounting Principles in the U.S. have adopted ASC 842, Lease Accounting, effective from the Quarter of the fiscal year ending March 31, 2023. In accordance with the adoption of the standard, the Company decided to record leasing transactions of the lessee of the subsidiaries, for all leases in principle, in Assets and Liabilities on the quarterly Balance Sheet. In adoption of the standard, the subsidiaries have adopted a method that recognizes the cumulative effect on the date of initial application, which is permitted as a transitional treatment.

As a result, "Other investments and other assets" in Investments and other assets increased by ¥ 82,761 million, "Other current liabilities" in Current liabilities increased by ¥ 6,987 million, and "Other fixed liabilities" in Fixed liabilities increased by ¥ 75,774 million at the beginning of the fiscal year. There is no impact on the quarterly consolidated statements of income in the first Quarter of the fiscal year ending March 31, 2023.

(Changes in Method of Evaluating Inventories)

The Company and some of its consolidated subsidiaries have adopted the cost method based on the moving average method for method of evaluating raw materials and supplies included in inventories. However, the Company changed the cost method to the first-in first-out method effective from the first Quarter of the fiscal year ending March 31, 2023.

This change in the evaluation method resulted from our judgment that by taking the opportunity to change the core system, the Company can more appropriately evaluate inventories and calculate periodic profit or loss with inventory valuation by using the first-in first-out method.

However, because it is impossible in practice to calculate inventories by the first-in first-out method due to the difference in the recording method of inventory recipient and payment data for past fiscal years from the new core system and difficult to calculate the cumulative effect in case it is adopted retrospectively, the Company has adopted the cost method based on the first-in first-out method effective from the beginning of the fiscal year to the future, recognizing book value at the end of the previous consolidated fiscal year as the beginning balance of the first Quarter of the fiscal year.

As a result, inventories for the first Quarter of the fiscal year increased by ¥ 3,455 million in comparison to the conventional method, and shipping and other expenses for the first Quarter of the fiscal year decreased by the same amount. Consequently, operating profit, ordinary profit, and income before income taxes and non-controlling interests for the Quarter of the fiscal year each increased by the same amount.

(4) Segment Information

Business segment information:

(￥Million)

Q1/ FY2021 (Apr.1 - Jun.30, 2021)	Reportable Segment							Others *1	Total	Adjust-ment *2	Consoli-dated *4
			Product Transport Business								
	Dry Bulk Business	Energy Business	Container ships	Car Carriers, Terminal and Logistics, Ferries and Coastal RoRo ships	Real Estate Business	Associated Businesses	Sub Total				
Revenues											
1.Revenues from external customers	78,397	68,855	14,447	103,450	9,665	10,008	284,825	4,049	288,874	—	288,874
2.Inter-segment revenues	0	2,259	69	947	867	4,958	9,102	2,242	11,345	(11,345)	—
Total Revenues	78,397	71,114	14,516	104,398	10,532	14,967	293,927	6,292	300,219	(11,345)	288,874
Segment profit (loss)	6,565	4,370	87,240	2,957	3,270	(874)	103,529	890	104,420	(151)	104,268

(￥Million)

Q1/ FY2022 (Apr.1 - Jun.30, 2022)	Reportable Segment							Others *1	Total	Adjust-ment *3	Consoli-dated *4
			Product Transport Business								
	Dry Bulk Business	Energy Business	Container ships	Car Carriers, Terminal and Logistics, Ferries and Coastal RoRo ships	Real Estate Business	Associated Businesses	Sub Total				
Revenues											
1.Revenues from external customers	105,266	85,618	13,064	143,333	9,848	13,643	370,775	4,007	374,783	—	374,783
2.Inter-segment revenues	34	2,481	67	938	751	5,510	9,784	3,408	13,193	(13,193)	—
Total Revenues	105,301	88,100	13,132	144,271	10,600	19,153	380,559	7,416	387,976	(13,193)	374,783
Segment profit (loss)	18,572	9,509	234,406	15,425	2,565	(91)	280,388	492	280,881	3,310	284,191

* 1. "Others" primarily consists of business segments that are not included in reportable segments, such as the ship operations business, the ship management business, the ship chartering business and the financing business.

* 2. Adjustment in Segment profit (loss) of ¥ -151 million include the following:
¥ -1,576 million of corporate profit which is not allocated to segments, ¥ 1,460 million of adjustment for management accounting and ¥ -35 million of inter-segment transaction elimination.

* 3. Adjustment in Segment profit (loss) of ¥ 3,310 million include the following:
¥ 617 million of corporate profit which is not allocated to segments, ¥ 918 million of adjustment for management accounting and ¥ 1,773 million of inter-segment transaction elimination.

* 4. Segment profit (loss) corresponds to ordinary profit in the consolidated statements of income.

* 5. Notes to changes in repotable segments etc:
(i)“The Terminal and Logistics Business,” which was conventionally presented in “the Containerships Business,” has been included in the conventional “Car Carriers, Ferries and Coastal RoRo Ships Businesses,” in order to clearly disclose the information related to “the Containerships Business,” which has a big impact on the Company Group’s operating results.
As a result, the name of the conventional segment “Car Carriers, Ferries and Coastal RoRo Ships Businesses,” was changed to the “Car Carriers, Terminal and Logistics, Ferries and Coastal RoRo Ships Businesses.”.
(ii)“The Real Estate Business,” which was conventionally presented in “Associated Businesses,” has been disclosed independently as a reportable segment, because the significance of “the Real Estate Business” increased as Daibiru Corporation became a wholly owned subsidiary of the Company.
(iii) The name of "Energy and Offshore Business" has been changed to "Energy Business". This change has no impact on segment information.
In addition, Revenues and Segment profit (loss) during the first Quarter of the previous fiscal year are reclassified or adjusted to conform to the presentation for the fiscal year.

* 6. As stated in (Changes in Method of Evaluating Inventories), the Company and some of its consolidated subsidiaries have adopted the cost method based on the moving average method for method of evaluating raw materials and supplies included in inventories.
However, the Company changed the cost method to the first-in first-out method effective from the first Quarter of the fiscal year ending March 31, 2023.
Since it is impossible in practice to calculate the cumulative effect in case it is adopted retrospectively, the Company has adopted the cost method based on the first-in first-out method effective from the beginning of the fiscal year to the future, recognizing book value at the end of the previous consolidated fiscal year as the beginning balance of the first Quarter of the fiscal year.
Due to the change, compared with the previous method, Segment profit (loss) for the first three months under review increased ¥ 2,040 million in the Dry Bulk Business, ¥ 498 million in the Energy Business, ¥ 0 million in the Container ships Business, ¥ 906 million in the Car Carriers, Terminal and Logistics, Ferries and Coastal RoRo Ships Business, and ¥ 9 million in Others.
There is no impact on Segment profit (loss) in Real Estate Business and Associated Businesses.

* 7. We have changed the allocation of general and administrative expenses to company-wide profit and loss to appropriately reflect expenses in each segment. This new method of allocating general and administrative expenses is used from the first quarter under review.
In comparison with the results based on the previous method, Segment profit (loss) for the first three months under review decreased ¥ 537 million in the Dry Bulk Business and ¥ 106 million in the Energy Business, increased ¥ 742 million in the Containerships Business, ¥ 386 million in the Car Carriers, Terminal and Logistics, Ferries and Coastal RoRo Ships Businesses, decreased ¥ 299 million in Real Estate Business, ¥ 272 million in Associated Businesses, and increased ¥ 22 million in Others, ¥ 64 million in Adjustment in Segment profit (loss).

[Supplement]

1. Review of Quarterly Results

<FY2022>

	Q1 Apr-Jun, 2022	Q2 Jul-Sep, 2022	Q3 Oct-Dec, 2022	Q4 Jan-Mar, 2023
Revenues [¥ Millions]	374,783			
Operating profit (loss)	23,597			
Ordinary profit (loss)	284,191			
Income (Loss) before income taxes	288,824			
Profit (Loss) attributable to owners of parent	285,779			
Net income (loss)* per share [¥]	791.96			
Total Assets [¥ Millions]	3,134,568			
Total Net Assets	1,465,448			

*Profit (Loss) attributable to owners of parent

<FY2021>

	Q1 Apr-Jun, 2021	Q2 Jul-Sep, 2021	Q3 Oct-Dec, 2021	Q4 Jan-Mar, 2022
Revenues [¥ Millions]	288,874	308,213	331,413	340,810
Operating profit (loss)	8,042	12,350	22,020	12,593
Ordinary profit (loss)	104,268	167,575	215,848	234,088
Income (Loss) before income taxes	106,423	173,650	219,919	233,001
Profit (Loss) attributable to owners of parent	104,147	170,701	212,339	221,632
Net income (loss)* per share [¥]	290.07	474.79	589.73	614.82
Total Assets [¥ Millions]	2,217,926	2,415,856	2,556,362	2,686,701
Total Net Assets	827,605	997,357	1,185,367	1,334,866

*Profit (Loss) attributable to owners of parent

Note: The Company split its common stock on the basis of three (3) shares per share effective April 1, 2022. Accordingly, net income per share is calculated on the assumption that the split of shares was conducted at the beginning of the previous fiscal year ended March 31, 2022.

2. Depreciation and Amortization

(￥ Millions)

	Three months ended Jun.30, 2021	Three months ended Jun.30, 2022	Increase / Decrease	FY2021
Vessels	15,568	16,436	867	62,902
Others	5,735	6,334	599	23,496
Total	21,303	22,770	1,466	86,399

3. Interest-bearing Debt

(￥ Millions)

	As of Mar.31, 2022	As of Jun.30, 2022	Increase / Decrease	As of Jun.30, 2021
Bank loans	767,271	887,010	119,738	779,625
Bonds	213,200	208,200	(5,000)	213,200
Commercial paper	8,000	54,000	46,000	30,000
Others	12,226	12,444	218	20,237
Total	1,000,697	1,161,655	160,957	1,043,063

4. Fleet Capacity (MOL and consolidated subsidiaries)

(No. of ships and deadweight ton)

	Dry bulkers		Tankers		LNG carriers*1		Car carriers		Containerships	
	No.of ships	1,000MT	No.of ships	1,000MT	No.of ships	1,000MT	No.of ships	1,000MT	No.of ships	1,000MT
Owned	44	4,780	65	8,631	22	1,440	48	856	16	1,290
Chartered	267	24,128	82	4,119	20	1,291	43	718	31	3,408
Others	-	-	1	35	-	-	-	-	-	-
As of Jun.30, 2022	**311**	**28,908**	**148**	**12,785**	**42**	**2,730**	**91**	**1,575**	**47**	**4,698**
As of Mar.31, 2022	319	28,800	162	13,413	29	2,106	93	1,614	47	4,698

	Ferries & Coastal RoRo ships		Passenger ships		Others*2		Total	
	No.of ships	1,000MT	No.of ships	1,000MT	No.of ships	1,000MT	No.of ships	1,000MT
Owned	10	54	1	4	7	47	213	17,102
Chartered	5	31	-	-	24	74	472	33,768
Others	-	-	-	-	1	1	2	36
As of Jun.30, 2022	**15**	**85**	**1**	**4**	**32**	**121**	**687**	**50,906**
As of Mar.31, 2022	15	85	1	4	32	121	698	50,842

*1 Including LPG/Ammonia ships in addition to LNGC, VLEC, LNG bunkering ships, FSRU from FY2022 1st quarter
*2 Including coastal ships (excluding coastal RoRo ships)

5. Exchange Rates

	Three months ended Jun.30, 2021	Three months ended Jun.30, 2022	Change	FY2021
Average rates	¥108.77	¥125.29	¥16.52 [15.2%] JPY Depreciated	¥111.52
Term-end rates	¥110.58	¥136.68	¥26.10 [23.6%] JPY Depreciated	¥122.39

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

<Overseas subsidiaries>

	As of Mar.31, 2021	As of Mar.31, 2022	Change	As of Dec.31, 2021
Term-end rates	¥110.71	¥122.39	¥11.68 [10.6%] JPY Depreciated	¥115.02

6. Average Bunker Prices

	Three months ended Jun.30, 2021	Three months ended Jun.30, 2022	Increase / Decrease
Purchase Prices	US$497/MT	US$914/MT	US$417/MT

7. Market Information

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

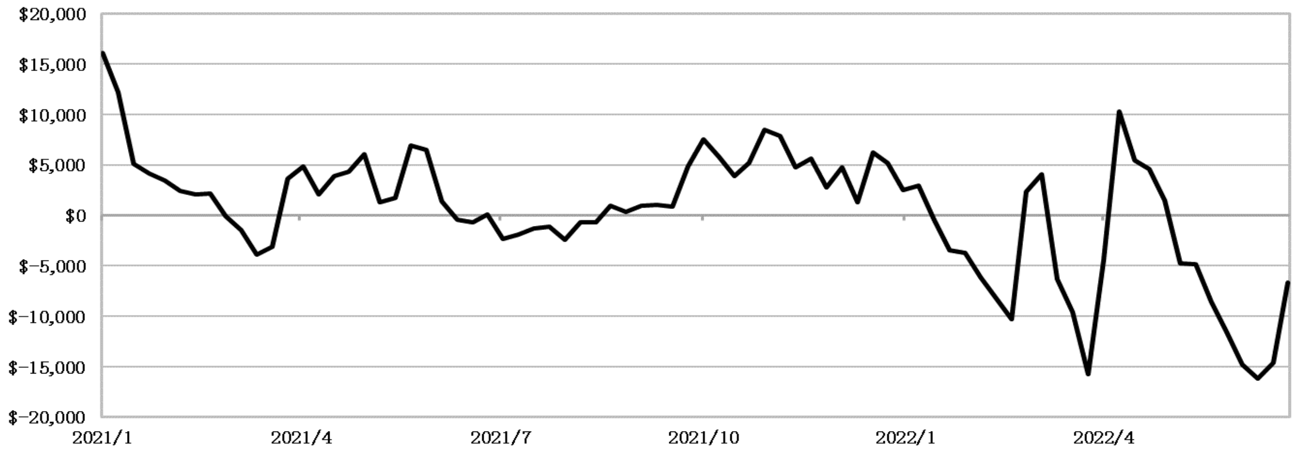
Source : Clarkson Research

Monthly Average	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average
2021	1,658	1,500	2,018	2,475	2,965	2,932	3,188	3,720	4,288	4,820	2,780	2,832	2,931
2022	1,761	1,835	2,464	2,220	2,943	2,389							2,269

Remark) The Graph and the table have different fluctuation ranges as the graph reflects daily figures while the table shows monthly averages.

(2) Tanker Market (Daily Earnings) : VLCC AG/Japan trade (US$Charter Rate/day)

Source : Clarkson Research

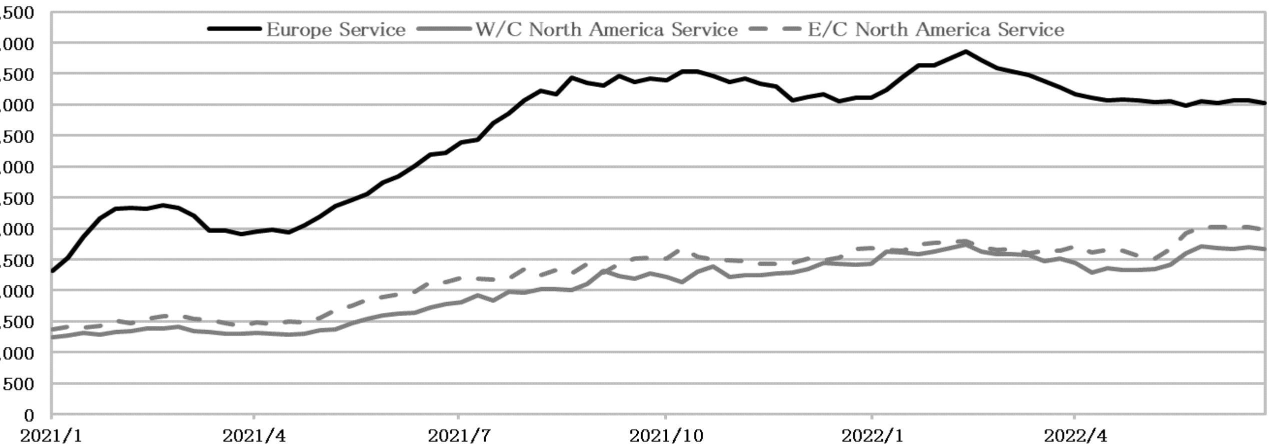


Monthly Average	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average
2021	8,221	1,639	-1,229	4,243	4,131	92	-1,800	-26	1,952	6,201	5,259	4,024	2,726
2022	-1,128	-5,587	-6,886	3,493	-7,435	-13,042							-5,098

Remark) The Graph and the table have different fluctuation ranges as the graph reflects weekly figures while the table shows monthly averages.

(3) Containership Market (China Containerized Freight Index) (Index: January 1st 1998 = 1,000)

Source : Clarkson Research



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