Consolidated Financial Results
for the Fiscal Year Ended March 31, 2017
[Japanese GAAP]

May 15, 2017

Company name: Meiji Shipping Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange
Code number: 9115
URL: http://www.meiji-shipping.com/
Representative: Kazuya Uchida, President, CEO
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Phone: +81-3-3792-0811
Scheduled date of Annual General Meeting of Shareholders: June 29, 2017
Scheduled date of commencing dividend payments: June 30, 2017
Scheduled date of filing annual securities report: June 29, 2017
Availability of supplementary briefing material on annual financial results: No
Schedule of annual financial results briefing session: No

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2017	37,404	5.5	5,865	32.1	4,551	7.4	1,159	9.0
March 31, 2016	35,469	11.0	4,438	59.0	4,237	(24.3)	1,063	(56.5)

(Note) Comprehensive income: Fiscal year ended March 31, 2017: ¥1,751 million [(44.0)%]
Fiscal year ended March 31, 2016: ¥3,128 million [(55.0)%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary income to total assets	Operating income to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2017	35.35	–	8.6	3.2	15.7
March 31, 2016	32.16	–	8.3	2.9	12.5

(Reference) Equity in earnings (losses) of affiliates: Fiscal year ended March 31, 2017: ¥351 million
Fiscal year ended March 31, 2016: ¥934 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2017	141,413	32,985	9.8	425.04
As of March 31, 2016	147,112	32,084	8.8	393.55

(Reference) Equity: As of March 31, 2017: ¥13,914 million
As of March 31, 2016: ¥12,976 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2017	12,098	(2,000)	(8,904)	14,452
March 31, 2016	12,533	(11,941)	2,479	13,297

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2016	–	–	–	5.00	5.00	179	15.5	1.3
March 31, 2017	–	–	–	5.00	5.00	179	14.1	1.2
Fiscal year ending March 31, 2018 (Forecast)	–	–	–	–	–		–	

(Note) Dividend forecast for fiscal year ending March 31, 2018 is not available at this point.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	19,000	9.2	1,700	(41.0)	400	(77.2)	100	(71.5)	3.05
Full year	41,000	9.6	4,200	(28.4)	2,100	(53.9)	800	(31.0)	24.44

*** Notes:**

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 1) Changes in accounting policies due to the revision of accounting standards: Yes
 2) Changes in accounting policies other than 1) above: No
 3) Changes in accounting estimates: No
 4) Retrospective restatement: No

(3) Total number of issued shares (common shares)
 1) Total number of issued shares at the end of the period (including treasury shares):
  March 31, 2017: 36,000,000 shares
  March 31, 2016: 36,000,000 shares

 2) Total number of treasury shares at the end of the period:
  March 31, 2017: 3,263,245 shares
  March 31, 2016: 3,027,609 shares

 3) Average number of shares during the period:
  Fiscal Year ended March 31, 2017: 32,788,884 shares
  Fiscal Year ended March 31, 2016: 33,087,044 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2017	8,132	0.3	503	24.2	775	28.7	522	27.5
March 31, 2016	8,108	(2.5)	405	7.6	602	(31.8)	409	(31.1)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2017	14.51	–
March 31, 2016	11.38	–

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2017	23,188	5,781	24.9	160.65
As of March 31, 2016	23,884	5,154	21.6	143.23

(Reference) Equity: As of March 31, 2017: ¥5,781 million
As of March 31, 2016: ¥5,154 million

* These consolidated financial results are outside the scope of audit

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on the information available at the time of preparation of this report and certain assumptions believed to be reasonable, and the Company does not assure the achievement of any of these. Actual results may differ significantly from the forecast due to a wide range of factors. Please refer to “(4) Future Outlook” on page 4 of the attached supplementary materials for information regarding the underlying assumptions for financial results forecast, as well as explanatory and other notes regarding the use of financial results forecast.

Supplementary Materials: Table of Contents

1. Overview of Business Results, etc.

(1) Overview of Business Results for the Fiscal Year under Review

<Business environment>

During the fiscal year under review, the global economy slowed in the first half of the year owing mainly to stagnation of the U.S. economy and turmoil in financial markets caused by the U.K.'s decision to leave the European Union (Brexit), but in the second half of the year, the U.S. economy recovered in expectations for policies presented by President Trump's new administration, including large-scale tax reduction and investments in infrastructure, and the global economy saw moderate recovery helped by the rapid response of central banks of major nations to Brexit. Over full fiscal year under review, however, the economic growth rate remained at the low 2% range, which is below the rate in 2015.

The Chinese economy bottomed out at a growth rate of the high 6% range, which is the lowest level since the financial crisis caused by the bankruptcy of Lehman Brothers. The economic recession continued in resource countries such as Russia and Brazil, but the situation improved with a moderate recovery in resource prices, showing signs of recovery.

Meanwhile, the Japanese economy continued to recover moderately due to improvement in employment and income environments. However, the recovery has not sufficiently been expanded to corporate capital expenditure and personnel consumption; therefore, the economy has remained unable to exit its plateau.

<International shipping business>

Under these circumstances, the foreign exchange rate was at around ¥110 to the U.S. dollar at the beginning of the year, but subsequently trended toward yen appreciation, which progressed to around ¥100 by the middle of the year. After the U.S. presidential election, there was a trend toward yen depreciation, and the foreign exchange rate moved at around ¥115 toward the end of the year. However, the yen rate against the US dollar trended back to ¥110 in March 2017. In addition, bunker prices increased from US$170.00 per metric ton to US$320.00 by the end of the year in line with the increase in crude oil prices.

In the large tanker market, charter hire rate was around US$50,000 at the beginning of the year, but fell in the summer, and recovered again from fall onward, similar to the trend in the previous year. Despite some pressure from an influx of newly built ships, cargo volumes were firm as a result of an ongoing increase in production of crude oil in Middle Eastern countries until OPEC agreed to reduce production in December.

In the bulk carrier market, charter hire recorded historically low levels for all types of vessels in February 2016, and the Baltic Dry Index (BDI) recorded its lowest level in thirty years since July 1986. Although the oversupply of shipping capacity still remains, cargo volume gradually increased from spring onward, and more old vessels were scrapped, resulting in moderate improvement in market conditions. The market has not yet regained its soundness, but it is moving toward a favorable trend due to the increased pace of recovery since March 2017.

In the car carrier market, automotive sales to resource countries such as those in the Middle East, South America and Africa stalled, and shipments from Japan entered a declining trend with sluggish cargo volume owing to the impact of low resource prices and economic slowdown in emerging countries. In South Korea, cargo volumes shipped from South Korea fell significantly owing to the impact of labor strikes, and it also affected cargo volumes from Europe and North America to East Asia as part of the global impact. As a result, demand for existing medium-sized vessels loading the 4,000 to 5,000 vehicle range declined, and standby vessels reached 20 vessels at the peak periods, causing an oversupply of vessels.

Under these conditions, net sales in the international shipping business for the fiscal year under review were ¥24,048 million (an increase of 7.2% year on year). This is attributable to the new operation of one bulk carrier and one car carrier in addition to two container ships where the Company newly entered the market despite the average foreign exchange rate being ¥8.5 stronger to the U.S. dollar compared with the previous year. Segment profit in the international shipping business was ¥4,043 million (an increase of 40.7% year on year) due partly to a decline in costs on vessels. In addition, the Company reported a total of ¥1,564 million in extraordinary losses including impairment loss owing to a decline in the profitability of certain vessels, in addition to impairment loss accompanying the sale of vessels that occurred in the third quarter of the fiscal year under review.

<Hotel-related business>

In the hotel-related business, tourists in and out of Japan have yet to decline, and each hotel recorded firm performance in the accommodation division. In the banquet division, there were signs of recovery from the end of the previous fiscal year, and the Company recorded strong growth in regard to both weddings and general banquets. As a result, net sales in the hotel-related business were ¥12,835 million (an increase of 2.2% year on year), and segment profit in the hotel-related business was ¥1,510 million (an increase of 17.4% year on year).

<Real estate leasing business>

Net sales in the real estate leasing business were ¥519 million (an increase of 9.8% year on year), and segment profit in the real estate leasing business was ¥311 million (an increase of 12.2% year on year).

As a result, for the fiscal year under review, net sales were ¥37,404 million (an increase of 5.5% year on year), operating income was ¥5,865 million (an increase of 32.1% year on year), and ordinary income was ¥4,551 million (an increase of 7.4% year on year). Furthermore, the aforementioned impairment loss of ¥1,564 million was recorded in extraordinary losses, and profit attributable to owners of parent amounted to ¥1,159 million (an increase of 9.0% year on year).

(2) Overview of Financial Position for the Fiscal Year under Review

Assets as of the end of the fiscal year under review decreased by ¥5,698 million from the end of previous fiscal year to ¥141,413 million. This is mainly attributable to the depreciation of vessels.

Liabilities decreased by ¥6,599 million from end of previous fiscal year to ¥108,427 million. This is mainly attributable to the repayments of loans payable and the redemption of bonds. Furthermore, net assets increased by ¥901 million from the end of previous fiscal year to ¥32,985 million. This is mainly attributable to increases in retained earnings, etc.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents as of the end of the fiscal year under review increased by ¥1,155 million from the end of previous fiscal year to ¥14,452 million. The conditions of each cash flow as of the end of the fiscal year under review are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities as of the end of the fiscal year under review decreased by ¥434 million from the previous fiscal year to ¥12,098 million. This is mainly attributable to ¥2,986 million of profit before income taxes which was adjusted with ¥9,199 million of depreciation and amortization, etc.

(Cash flows from investing activities)

Net cash used in investing activities as of the end of the fiscal year under review decreased by ¥9,941 million from the previous fiscal year to ¥2,000 million. This is mainly attributable to the payment of ¥1,403 million of expenses for new shipbuilding, etc.

(Cash flows from financing activities)

Net cash used in financing activities as of the end of the fiscal year under review increased by ¥11,383 million from the previous fiscal year to ¥8,904 million. This is mainly attributable to the difference of ¥7,616 million between the sum of proceeds from long-term loans payable and the issuance of bonds of ¥7,603 million, and repayments of long-term loans payable and redemption of bonds of ¥15,220 million.

(Reference) Changes in cash flows related indicators

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Equity ratio (%)	8.7	8.8	9.8
Equity ratio based on fair value (%)	8.6	8.1	10.8
Ratio of cash flow to interest-bearing debt (years)	10.1	8.3	8.1
Interest coverage ratio	5.5	7.7	7.2

(Notes) Equity ratio: Shareholders’ equity/Total assets
Equity ratio based on fair value: Total market value of shares/Total assets
Ratio of cash flow to interest-bearing liabilities: Interest-bearing liabilities/Operating cash flow
Interest coverage ratio: Operating cash flow/Interest paid

* The indicators were calculated using consolidated financial figures.

* The total market value of shares was calculated by multiplying the closing price of the closing date by the total number of issued shares (after excluding treasury shares) on the day.

* Operating cash flow is the figure of net cash from operating activities recorded in the Consolidated Statements of Cash Flows. Interest-bearing liabilities include all liabilities recorded on the Consolidated Balance Sheets for which interest is paid. Interest paid is the interest expenses paid in the Consolidated Statements of Cash Flows.

(4) Future Outlook

Looking ahead to the future global economy, although the recovery is expected to continue in 2017, growth is expected to be moderate. The U.S. economy is expected to perform steadily mainly backed by personal consumption if there is support from such factors as a steady increase in employment and wages and tax reductions presented by the new administration. However, it depends on President Trump’s commitment to his protectionist measures. In Europe, there is a possibility of an economic slowdown due to possible political turmoil relating to negotiations on the U.K.’s exit from the European Union and a spate of general elections in major countries amid emerging populism. The Chinese economy is expected to slow moderately as it remains difficult to adjust over-capacity. The financial environment in emerging and developing countries remains unstable, and uncertainty is increasing for the global economy.

The Japanese economy is expected to see moderate expansion although there may be an impact from rises in share prices and interest rates in the U.S. Personal consumption is expected to recover moderately backed by steady employment and income conditions. In addition, continued vigilance is increasingly required with future uncertainty over the global economy and the rapid yen appreciation trend.

In these economic conditions, there shall be no change to the Group’s management policy, and the Company will endeavor to further enhance its management foundations based on safety, security and stability.

In the international shipping business, net sales are expected to be ¥27,700 million, an increase from the fiscal year under review, as five new vessels begin operating in addition to the full operation of vessels launched in the current fiscal year. Meanwhile, segment profit in the international shipping business is expected to be ¥2,700 million due mainly to an increase in docking expenses compared with the current fiscal year. From the next period onward, the Company plans to continue controlling budgets for shipping expenses thoroughly, focusing on docking expenses as a countermeasure against yen appreciation, and endeavor to ensure a stable profit structure based on time charter party over the medium- to long-term.

In the hotel-related business, net sales are expected to be ¥12,800 million, unchanged from the current fiscal year, and segment profit in the business is expected to be ¥1,200 million in expectation of increases in facility renewal investments and repairs, etc. In the accommodation division, although performance will be unchanged from the current fiscal year, there are also signs of stagnation in growth. In future, the Company aims to improve efficiency in sales activities by outsourcing some online sales in the accommodation division, and increase profit by developing new products and strengthening sales promotion in the restaurant and banquet divisions in addition to streamlining expenses more effectively than before in an effort to stabilize the business.

In the real estate leasing business, the Company will aim to secure stable earnings in future by maintaining and enhancing the quality of the Company’s real estate properties. Net sales in the real estate leasing business is expected to be ¥500 million while segment profit in the business is expected to be ¥300 million.

As a result of the above, the Company expects full-year consolidated net sales of ¥41,000 million (an increase of 9.6% compared with the current fiscal year), consolidated operating income of ¥4,200 million (a decrease of 28.4% compared with the current fiscal year), consolidated ordinary income of ¥2,100 million (a decrease of 53.9% compared with the current fiscal year), and profit attributable to owners of parent of ¥800 million (a decrease of 31.0% compared with the current fiscal year). Furthermore, the Company projects an average foreign exchange rate for next year of ¥108 per U.S. dollar.

(5) Dividend Policy and Payments for This Period and Next Period

The Group’s basic policy is to pay a stable dividend that corresponds to business performance on an ongoing basis while strengthening the management structure in order to enhance corporate value and withstand changes in the management environment and shipping market conditions, and build appropriate internal reserves in preparation for future business development.

Taking into consideration such factors as business performance for the fiscal year under review, the year-end cash dividend for the fiscal year ended March 31, 2017 was ¥5.0 per share.

Furthermore, the year-end cash dividend for the fiscal year ending March 31, 2018 is not determined at the present time owing to the uncertainty of forecasts regarding the future business environment.

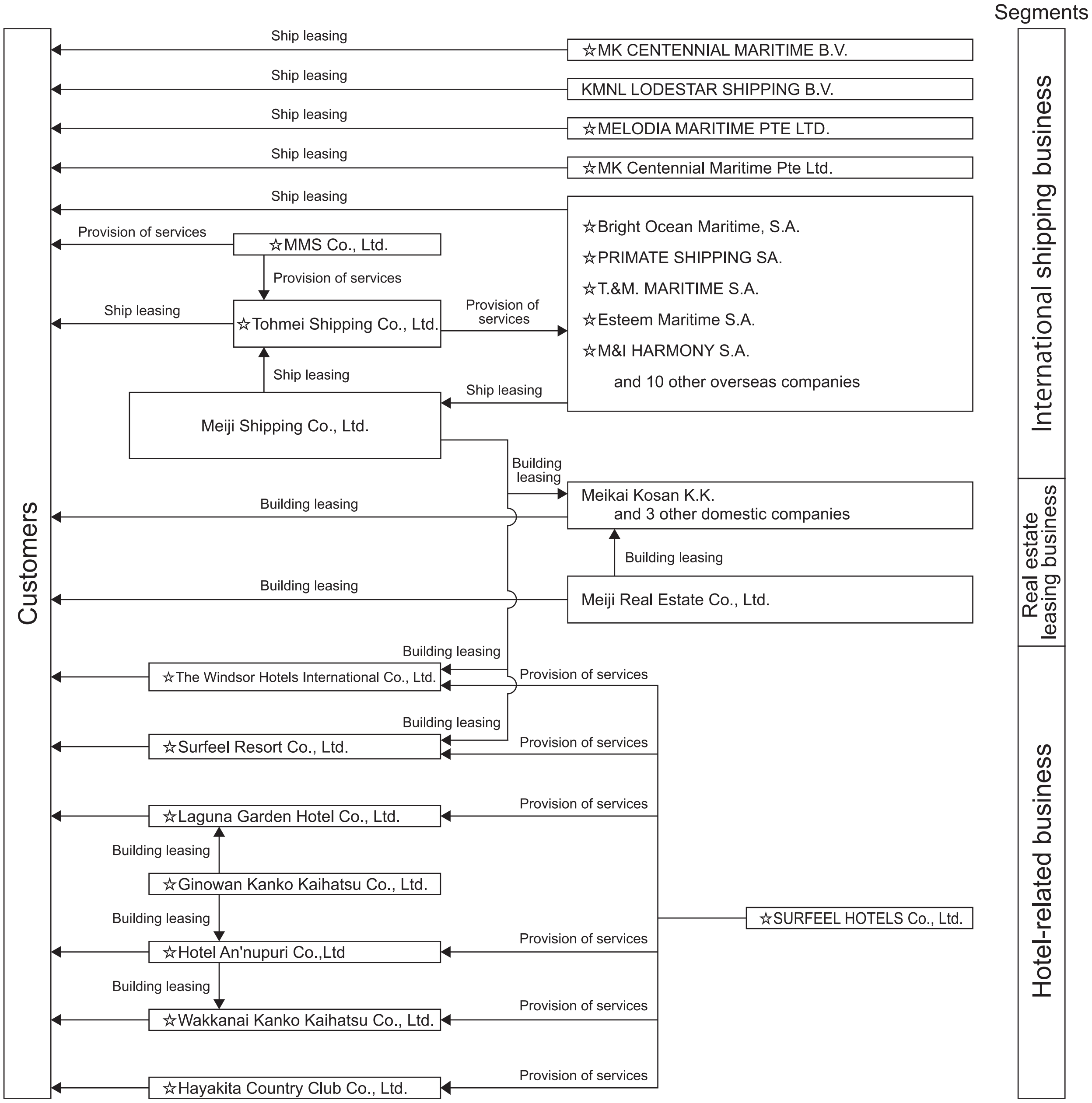
2. Overview of the Corporate Group

The Group is comprised of the Company (Meiji Shipping Co., Ltd.), its 18 consolidated subsidiaries and 16 affiliates, and operates businesses centered on the shipping business.

The business of the Group, the positions of the Company as well as each subsidiary and affiliate company within the relevant business are as follows.

(1) International shipping business	The Group has overseas ship-owning companies that hold bulk shipping such as tankers, car carriers and bulk carriers, and operates a shipping business centered on leasing vessels in which ship leasing income is collected. In this business, there are 21 companies under the scope of consolidation, including companies that lease ships as intermediaries without holding vessels and companies that manage the operation of vessels.
(2) Hotel-related business	At present, the Company holds hotels and golf courses at various locations in Japan, and offers services related to these facilities. In this business, there are eight companies under the scope of consolidation, including companies that conduct sales operations.
(3) Real estate leasing business	The Company provides real estate intermediary and agency services and comprehensive building operation and management, centered on the rental space leasing business that leases tenants the Company's buildings as office properties. There are five companies under the scope of consolidation.

Business chart



* The content of the businesses above is the same as the classifications in “Segment information.”

* Companies above marked with ☆ are consolidated subsidiaries.

* Companies above with no marks are affiliates accounted for using the equity method.

* Meiji Real Estate Co., Ltd. is an affiliate accounted for using the equity method, and is also included in “other affiliated companies.”

3. Basic Stance Concerning Choice of Accounting Standards

Taking into consideration the comparability of consolidated financial statements across periods and among companies, the Group’s policy is to prepare its consolidated financial statements using Japanese GAAP for the time being. With regard to application of International Financial Reporting Standards (IFRS), the Group’s policy is to respond appropriately based on consideration of the situation in Japan and overseas.

4. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	13,638,566	14,493,937
Accounts receivable - trade	776,657	883,433
Securities	5,715	–
Merchandise and finished goods	23,309	26,359
Raw materials and supplies	716,485	750,397
Deferred tax assets	135,308	59,053
Other	2,126,213	2,330,723
Total current assets	17,422,256	18,543,904
Noncurrent assets		
Property, plant and equipment		
Vessels, net	92,615,414	83,973,213
Buildings and structures, net	13,408,700	12,964,810
Land	8,409,345	8,407,970
Construction in progress	3,166,325	4,178,752
Other, net	609,084	646,863
Total property, plant and equipment	118,208,869	110,171,611
Intangible assets		
Other	114,235	106,410
Total intangible assets	114,235	106,410
Investments and other assets		
Investment securities	9,652,556	9,996,847
Long-term loans receivable	700	629,746
Deferred tax assets	1,076,051	897,119
Other	637,373	1,067,870
Total investments and other assets	11,366,682	12,591,583
Total noncurrent assets	129,689,787	122,869,605
Total assets	147,112,044	141,413,509

(Thousand yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Accounts payable - shipping	1,169,890	1,122,565
Current portion of bonds	1,170,000	1,151,000
Short-term loans payable	17,487,321	19,627,932
Lease obligations	1,983	187,242
Accounts payable - other	1,270,422	1,531,793
Income taxes payable	382,832	338,611
Provision for bonuses	43,114	39,683
Other	3,484,079	2,946,699
Total current liabilities	25,009,642	26,945,528
Noncurrent liabilities		
Bonds payable	3,864,500	3,757,500
Long-term loans payable	79,678,369	68,149,816
Lease obligations	6,548	2,829,116
Deferred tax liabilities	443,923	512,279
Deferred tax liabilities for land revaluation	1,060,479	1,043,086
Provision		
Provision for directors' retirement benefits	284,466	271,141
Provision for periodic dry docking of vessels	646,083	1,066,082
Total provisions	930,549	1,337,223
Net defined benefit liability	269,606	307,010
Liabilities from application of equity method	957,460	965,991
Other	2,806,444	2,580,036
Total noncurrent liabilities	90,017,882	81,482,061
Total liabilities	115,027,524	108,427,590
Net assets		
Shareholders' equity		
Capital stock	1,800,000	1,800,000
Capital surplus	21,128	21,128
Retained earnings	8,055,392	9,106,279
Treasury shares	(587,044)	(675,520)
Total shareholders' equity	9,289,477	10,251,887
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	387,617	595,362
Deferred gains or losses on hedges	(432,063)	(315,500)
Revaluation reserve for land	1,899,893	1,906,276
Foreign currency translation adjustment	1,831,352	1,476,328
Total accumulated other comprehensive income	3,686,799	3,662,467
Non-controlling interests	19,108,243	19,071,564
Total net assets	32,084,520	32,985,919
Total liabilities and net assets	147,112,044	141,413,509

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Net sales	35,469,283	37,404,264
Cost of sales	27,564,344	27,880,069
Gross profit	7,904,939	9,524,195
Selling, general and administrative expenses	3,466,731	3,659,182
Operating income	4,438,207	5,865,012
Non-operating income		
Interest income	22,476	41,357
Dividend income	59,257	57,958
Equity in earnings of affiliates	934,825	351,401
Other	796,866	278,047
Total non-operating income	1,813,425	728,764
Non-operating expenses		
Interest expenses	1,540,444	1,580,078
Foreign exchange losses	196,171	56,279
Other	277,101	405,671
Total non-operating expenses	2,013,717	2,042,030
Ordinary income	4,237,916	4,551,747
Extraordinary income		
Gain on sales of vessel	873,103	–
Total extraordinary income	873,103	–
Extraordinary loss		
Impairment loss	3,753,445	1,564,966
Total extraordinary losses	3,753,445	1,564,966
Profit before income taxes	1,357,574	2,986,780
Income taxes - current	553,417	560,715
Income taxes - deferred	(2,887,286)	361,509
Total income taxes	(2,333,869)	922,224
Profit	3,691,443	2,064,556
Profit attributable to non-controlling interests	2,627,508	905,395
Profit attributable to owners of parent	1,063,935	1,159,160

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Profit	3,691,443	2,064,556
Other comprehensive income		
Valuation difference on available-for-sale securities	(232,640)	232,869
Deferred gains or losses on hedges	(246,956)	57,114
Revaluation reserve for land	75,079	17,392
Foreign currency translation adjustment	(3,518)	(490,101)
Share of other comprehensive income of entities accounted for using equity method	(155,101)	(130,602)
Total other comprehensive income	(563,138)	(313,326)
Comprehensive income	3,128,305	1,751,229
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	665,335	1,134,828
Comprehensive income attributable to non-controlling interests	2,462,969	616,400

(3) Consolidated Statements of Changes in Net Assets
For the fiscal year ended March 31, 2016

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,800,000	21,128	7,171,398	(538,708)	8,453,818
Cumulative effects of changes in accounting policies					–
Restated balance	1,800,000	21,128	7,171,398	(538,708)	8,453,818
Changes of items during period					
Dividends of surplus			(179,941)		(179,941)
Profit attributable to owners of parent			1,063,935		1,063,935
Purchase of treasury shares				(48,335)	(48,335)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	883,994	(48,335)	835,658
Balance at end of current period	1,800,000	21,128	8,055,392	(587,044)	9,289,477

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	628,310	(226,738)	1,847,594	1,836,233	4,085,399	17,452,901	29,992,120
Cumulative effects of changes in accounting policies					–	–	–
Restated balance	628,310	(226,738)	1,847,594	1,836,233	4,085,399	17,452,901	29,992,120
Changes of items during period							
Dividends of surplus							(179,941)
Profit attributable to owners of parent							1,063,935
Purchase of treasury shares							(48,335)
Net changes of items other than shareholders' equity	(240,692)	(205,324)	52,298	(4,880)	(398,599)	1,655,341	1,256,741
Total changes of items during period	(240,692)	(205,324)	52,298	(4,880)	(398,599)	1,655,341	2,092,400
Balance at end of current period	387,617	(432,063)	1,899,893	1,831,352	3,686,799	19,108,243	32,084,520

For the fiscal year ended March 31, 2017

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,800,000	21,128	8,055,392	(587,044)	9,289,477
Cumulative effects of changes in accounting policies			71,666		71,666
Restated balance	1,800,000	21,128	8,127,059	(587,044)	9,361,144
Changes of items during period					
Dividends of surplus			(179,941)		(179,941)
Profit attributable to owners of parent			1,159,160		1,159,160
Purchase of treasury shares				(88,476)	(88,476)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	979,219	(88,476)	890,743
Balance at end of current period	1,800,000	21,128	9,106,279	(675,520)	10,251,887

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	387,617	(432,063)	1,899,893	1,831,352	3,686,799	19,108,243	32,084,520
Cumulative effects of changes in accounting policies					–	–	71,666
Restated balance	387,617	(432,063)	1,899,893	1,831,352	3,686,799	19,108,243	32,156,187
Changes of items during period							
Dividends of surplus							(179,941)
Profit attributable to owners of parent							1,159,160
Purchase of treasury shares							(88,476)
Net changes of items other than shareholders' equity	207,745	116,563	6,383	(355,023)	(24,332)	(36,679)	(61,011)
Total changes of items during period	207,745	116,563	6,383	(355,023)	(24,332)	(36,679)	829,732
Balance at end of current period	595,362	(315,500)	1,906,276	1,476,328	3,662,467	19,071,564	32,985,919

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	1,357,574	2,986,780
Depreciation and amortization	9,330,865	9,199,955
Impairment loss	3,753,445	1,564,966
Loss (gain) on sales of investment securities	–	(19,445)
Loss (gain) on valuation of investment securities	1,509	5,085
Interest and dividend income	(81,734)	(99,316)
Loss (gain) on sales and retirement of property, plant and equipment	(873,496)	1,310
Interest expenses	1,540,444	1,580,078
Foreign exchange losses (gains)	236,470	25,990
Loss (gain) on investments in silent partnership	(271,035)	(13,634)
Loss (gain) on valuation of derivatives	(155,719)	162,817
Equity in earnings losses of affiliates	(934,825)	(351,401)
Increase (decrease) in provision for directors' retirement benefits	(13,630)	(13,325)
Increase (decrease) in net defined benefit liability	19,369	37,403
Increase (decrease) in provision for periodic dry docking of vessels	(237,675)	419,999
Increase (decrease) in advances received	294,323	(122,461)
Decrease (increase) in inventories	(21,066)	(36,962)
Decrease (increase) in consumption taxes refund receivable	10,104	(37,081)
Increase (decrease) in accounts payable - shipping	80,896	(47,324)
Decrease (increase) in other current assets	395,620	(411,235)
Other	(399,410)	(679,690)
Subtotal	14,032,033	14,152,509
Interest and dividend income received	454,544	255,624
Interest expenses paid	(1,633,114)	(1,677,777)
Income taxes paid	(320,284)	(632,126)
Net cash provided by (used in) operating activities	12,533,179	12,098,229
Cash flows from investing activities		
Net decrease (increase) in short-term investment securities	(2)	5,715
Purchase of property, plant and equipment	(15,475,194)	(1,403,381)
Proceeds from sales of property, plant and equipment	3,070,542	–
Payments into time deposits	(341,000)	(41,000)
Proceeds from withdrawal of time deposits	341,000	341,000
Purchase of investment securities	(24,878)	(195,801)
Proceeds from sales and redemption of investment securities	319,988	188,942
Payments of loans receivable	(36,636)	(560,694)
Collection of loans receivable	277,279	36,636
Other	(72,733)	(371,553)
Net cash provided by (used in) investing activities	(11,941,635)	(2,000,136)

(Thousand yen)

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(380,000)	(756,490)
Proceeds from long-term loans payable	17,917,828	6,535,267
Repayments of long-term loans payable	(14,975,557)	(13,994,363)
Proceeds from issuance of bonds	1,260,503	1,068,518
Redemption of bonds	(1,377,000)	(1,226,000)
Cash dividends paid	(179,995)	(179,122)
Dividends paid to non-controlling interests	(807,628)	(5,080)
Purchase of treasury shares	–	(22)
Repayments of lease obligations	(1,622)	(79,158)
Other	1,023,271	(267,735)
Net cash provided by (used in) financing activities	2,479,799	(8,904,186)
Effect of exchange rate change on cash and cash equivalents	(185,875)	(38,535)
Net increase (decrease) in cash and cash equivalents	2,885,467	1,155,371
Cash and cash equivalents at beginning of period	10,412,098	13,297,566
Cash and cash equivalents at end of period	13,297,566	14,452,937

(5) Notes to the Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

(Significant Matters for Basis of Preparation of Consolidated Financial Statements)

1. Scope of Consolidation

   Consolidated subsidiaries of the Company are composed of Tohmei Shipping Co., Ltd. and 17 other companies. (18 companies in total in the previous fiscal year)

   There are no major non-consolidated subsidiaries to report.

   Furthermore, the total assets, net sales, profit, and retained earnings, etc. of non-consolidated subsidiaries, are all small in scale, and as there is no material impact on consolidated financial statements as a whole, they have been excluded from the scope of consolidation.

2. Application of the Equity Method

   (1) There are no non-consolidated subsidiaries accounted for under the equity method.

   (2) Number of affiliates accounted for under the equity method: 16

   Names of principal affiliates accounted for under the equity method: Meiji Real Estate Co., Ltd., etc.

   (3) Changes in the scope of application of the equity method

   TOTO ACRUX NAVIGATION S.A. and TOTO ATACAMA NAVIGATION S.A. are included in the scope of application of the equity method from the fiscal year under review as these two companies were newly established.

   (4) Names of principal non-consolidated subsidiaries or affiliates not accounted for under the equity method

   There are no major non-consolidated subsidiaries or affiliates to report. Furthermore, the equity corresponding to profit and retained earnings, etc. of non-consolidated subsidiaries or affiliates not accounted for under the equity method is small in scale, and as there is no material impact on consolidated financial statements as a whole, they have been excluded from the application of the equity method.

3. Closing Dates of Consolidated Subsidiaries

   The closing date of Tohmei Shipping Co., Ltd. and other 17 other companies, which are consolidated subsidiaries of the Company, is December 31. Accordingly, financial statements as of the closing date are used to prepare consolidated financial statements.

   The Company makes the necessary adjustments for consolidation with respect to significant transactions occurring between said closing date and the reporting date for consolidation.

4. Accounting Policies

   (1) Valuation standards and methods for important assets

   (Available-for-sale securities)

   1) Fair values available

   Stated at fair value based on the market value, etc. of the closing date

   (Unrealized gains and losses are reported as a separate component of net assets, and cost of sales is computed by the moving-average method.)

   2) Fair values not available

   Stated at cost using the moving-average method

   (Derivatives)

   Stated at fair value

   (Inventories)

   Inventories held for sale in the ordinary course of business

   Valuation is based on the cost method (the balance sheet value is calculated using the inventory write-down method based on decreased profitability).

Merchandise:	Stated at cost using the last-purchase-price method
Supplies:	Lubricating oil is stated at cost based on the first-in-first-out method Other supplies are stated at cost using the moving-average method

(2) Depreciation methods for important depreciable assets

(Property, plant and equipment — excluding leased assets)

Vessels:	Primarily depreciated under the straight-line method
Buildings and structures:	Primarily depreciated under the straight-line method
Other:	Primarily depreciated under the declining-balance method
Major ranges of useful lives:	13 to 20 years for vessels

(Intangible assets — excluding leased assets)

Software for internal use is depreciated under the straight-line method based on their estimated useful lives (5 years).

(Leased assets)

Leased assets relating to finance leases with ownership transfers to the lessee

The same depreciation method is adopted as that applied to noncurrent assets held by the Company.

(3) Accounting treatment for deferred assets

Bond issuance costs are reported as expenses in their entirety at the time they are incurred.

(4) Accounting standards for significant reserves

1) Provision for bonuses

To provide for payment of bonuses to employees, provision for bonuses is provided for based on the payments expected.

2) Provision for directors' retirement benefits

To prepare for payment of retirement benefits to directors, provision for directors' retirement benefits is provided at the amount required as of the balance sheet date based on the internal rules of directors' retirement benefits. Furthermore, at the conclusion of the Annual General Meeting of Shareholders held on June 27, 2014, the Company abolished the directors' retirement benefits system, and shall pay retirement benefits corresponding to directors' terms of office up to that date. As a result, the Company has not made provisions for directors' retirement benefits subsequent to that date.

3) Provision for periodic dry docking of vessels

In order to prepare for the payment of expenses necessary for special survey for ships, provision for periodic dry docking of vessels is provided for based on the expected amount of future repairs.

(5) Accounting treatment for retirement benefits

In order to prepare for the payment of employees' retirement benefits, the amount required as of the balance sheet date is recorded, based on the simplified method of the Accounting Standard for Retirement Benefits.

(6) Significant hedge accounting

1) Hedge accounting

Deferred hedging is applied in principle.

Special accounting procedures are applied to interest rate swap contracts that satisfy the relevant requirements.

2) Hedging instruments and hedged items

Hedging instruments..........Interest rate swap contracts and forward foreign exchange contracts

Hedged items..................Interest on loans payable and future anticipated transactions denominated in foreign currency

3) Hedging policy

Interest rate and foreign exchange fluctuation risks relating to hedged items are hedged within a certain range based on the Company's internal regulations, "Market Risk Management Policy" and "Guideline for Market Risk Management," etc.

4) Evaluation of hedge effectiveness

Hedge effectiveness is primarily evaluated based on the amount of fluctuations, etc. calculated by a comparison of the cumulative fluctuations in the market or cash flows of the hedged item, and the fluctuations in the market or cash flows for the hedging instrument, during the period from the commencement of hedging to the evaluation of effectiveness. However, evaluation of effectiveness is omitted for interest rate swap contracts, etc. that satisfy the requirements for application of special accounting procedures.

(7) Capital covered by Consolidated Statements of Cash Flows

Capital (cash and cash equivalents) comprises cash on hand, on-demand deposits, and short-term investments due for redemption within three months from the date of acquisition, which are easily cashable and are subject to minimal risk of fluctuation in value.

(8) Other significant matters on preparing Consolidated Financial Statements

Accounting for consumption taxes

Consumption taxes are accounted for by the tax exclusion method.

(Changes in Accounting Policies)

1. Application of the Revised Implementation Guidance on Recoverability of Deferred Tax Assets

   The Company applied the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016, hereinafter the “Implementation Guidance”) from the beginning of the fiscal year under review, and revised part of the accounting for the recoverability of deferred tax assets accordingly.

   The Implementation Guidance was applied following the transitional treatment provided in Paragraph 49(4) of the same Guidance. Accordingly, the difference between (a) the amounts of deferred tax assets and liabilities at the beginning of the fiscal year under review assuming the application of the provisions under Paragraph 49(3), (i) to (iii) of the Implementation Guidance, and (b) the amounts of deferred tax assets and liabilities at the end of the previous fiscal year, was added to retained earnings at the beginning of the fiscal year under review.

   As a result, deferred tax assets (investments and other assets) and retained earnings increased by ¥71,666 thousand respectively at the beginning of the fiscal year under review.

2. Application of the Practical Solution on a change in depreciation method due to Tax Reform 2016

   In line with the revisions to the Corporation Tax Act of Japan, the Company applied the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the fiscal year under review. Accordingly, the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.

   The effects of these changes on operating income, ordinary income, and profit before income taxes for the fiscal year under review were immaterial.

(Segment Information)

1. Description of reportable segments

   Reportable segments of the Company are determined as segments whose separate financial information is accessible from among the constituent units of the Company and are regularly examined by the Board of Directors to determine the allocation of management resources and to evaluate achievements.

   The reportable segments of the Company are composed of three segments, which are international shipping business, hotel-related business, and real estate leasing business, and the Group companies of the Company conduct business activities in each of these segments.

   In the international shipping business, the Company operates businesses relating to shipping, centered on a vessel leasing business, in addition to ship management operations. In the hotel-related business, the Company presently holds hotels and golf courses at various locations, and offers services related to these facilities. In the real estate leasing business, the Company conducts a rental space leasing business, centered on office buildings held by the Group.

2. Method of measurement for the amounts of net sales, profit (loss), assets, liabilities and other items for each reportable segment

   The accounting method used for reporting business segments is generally the same as stated in “Significant Matters for Basis of Preparation of Consolidated Financial Statements.”

3. Information on net sales, profit (loss), assets, liabilities and other items by reportable segment

For the fiscal year ended March 31, 2016 (Thousand yen)

	Reportable segment				Adjustment	Total
	International shipping business	Hotel-related business	Real estate leasing business	Total		
Net sales						
Net sales to outside customers	22,438,707	12,556,997	473,578	35,469,283	—	35,469,283
Inter-segment net sales or transfers	—	—	—	—	—	—
Total	22,438,707	12,556,997	473,578	35,469,283	—	35,469,283
Segment profit	2,874,792	1,285,811	277,604	4,438,207	—	4,438,207
Segment assets	120,430,019	19,668,800	7,013,224	147,112,044	—	147,112,044
Segment liabilities	95,682,513	15,896,079	3,448,931	115,027,524	—	115,027,524
Other items						
Depreciation and amortization	8,332,798	900,117	97,949	9,330,865	—	9,330,865
Increase in property, plant and equipment and intangible fixed assets	14,473,295	499,092	41,235	15,013,622	—	15,013,622

(Note) Segment profit is equivalent to operating income in the Consolidated Statements of Income.

For the fiscal year ended March 31, 2017 (Thousand yen)

	Reportable segment				Adjustment	Total
	International shipping business	Hotel-related business	Real estate leasing business	Total		
Net sales						
Net sales to outside customers	24,048,776	12,835,584	519,904	37,404,264	—	37,404,264
Inter-segment net sales or transfers	—	—	—	—	—	—
Total	24,048,776	12,835,584	519,904	37,404,264	—	37,404,264
Segment profit	4,043,413	1,510,097	311,502	5,865,012	—	5,865,012
Segment assets	114,397,870	19,981,750	7,033,889	141,413,509	—	141,413,509
Segment liabilities	87,999,430	15,525,245	4,902,914	108,427,590	—	108,427,590
Other items						
Depreciation and amortization	8,246,397	855,413	98,143	9,199,955	—	9,199,955
Increase in property, plant and equipment and intangible fixed assets	3,848,937	523,858	17,292	4,390,087	—	4,390,087

(Note) Segment profit is equivalent to operating income in the Consolidated Statements of Income.

4. Differences between amounts recognized in reporting segments and the corresponding amounts reported in the consolidated financial statements, and the primary items contributing to the difference

There is no relevant information.

(Information concerning impairment loss on noncurrent assets by reportable segment)

For the fiscal year ended March 31, 2016 (Thousand yen)

	Reportable segment			Corporate and elimination	Total
	International shipping business	Hotel-related business	Real estate leasing business		
Impairment loss	3,753,445	—	—	—	3,753,445

For the fiscal year ended March 31, 2017 (Thousand yen)

	Reportable segment			Corporate and elimination	Total
	International shipping business	Hotel-related business	Real estate leasing business		
Impairment loss	1,564,966	—	—	—	1,564,966

(Per Share Information)

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Net assets per share	¥393.55	¥425.04
Basic earnings per share	¥32.16	¥35.35

(Notes) 1. Diluted earnings per share is not disclosed since there are no potentially dilutive shares.

2. The basis for the calculation of basic earnings per share is as follows.

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Basic earnings per share		
Profit attributable to owners of parent (Thousand yen)	1,063,935	1,159,160
Amount not attributable to common shareholders (Thousand yen)	—	—
Profit attributable to owners of parent relating to common shares (Thousand yen)	1,063,935	1,159,160
Average number of shares of common shares outstanding during each fiscal year (Thousand shares)	33,087	32,788

3. The basis for the calculation of net assets per share is as follows.

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Total net assets (Thousand yen)	32,084,520	32,985,919
Deductible amount from total net assets (Thousand yen)	19,108,243	19,071,564
[Non-controlling interests (Thousand yen)]	[19,108,243]	[19,071,564]
Net assets relating to common shares at end of year (Thousand yen)	12,976,277	13,914,355
Number of common shares for calculation of net assets per share at end of year (Thousand shares)	32,972	32,736

(Significant Subsequent Events)

There is no relevant information.