COMPANY RESEARCH AND ANALYSIS REPORT

IINO KAIUN KAISHA, LTD.

9119

Tokyo Stock Exchange First Section/ Fukuoka Stock Exchange

17-Jul.-2018

FISCO Ltd. Analyst
Masanobu Mizuta

FISCO Ltd.
http://www.fisco.co.jp

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Summary

Aiming for sustainable, stable growth from the twin axes of the shipping businesses and the real estate business

1. As a shipping company with a history of around 120 years, its twin business axes are the shipping businesses and the real estate business

IINO Kaiun Kaisha, Ltd. <9119> (hereafter, also "the Company") is a shipping company with a history of around 120 years since it was founded in 1899 (Iino Shokai, Maizuru, Kyoto). Currently, it is aiming for sustainable, stable growth by developing its business on the twin axes of the shipping businesses (the oceangoing transport shipping business and the coastal and regional transport shipping business), which mainly involve the transportation of resources and energy, and the real estate business for the rental of office buildings, mainly the head office of the IINO Building. It will celebrate the 120th anniversary of its foundation in July 2019.

It has three business segments; the oceangoing transport shipping business, the coastal and regional transport shipping business, and the real estate business. Earnings from the shipping businesses (the oceangoing transport shipping business and the coastal and regional transport shipping business) tend to fluctuate as they are influenced by elements including FOREX rates, shipping market conditions, and the price of fuel oil. But the Company is aiming to maximize earnings through combining its fleet, which include its chemical tankers, for which it has the largest fleet in the industry, mainly on contracts of affreightment, and oil tankers and gas carriers, which are mainly on medium- to long-term contracts. In the real estate business, revenue and operating profit declined temporarily in FY3/18, primarily due to the demolition of an owned building alongside its participation in a redevelopment project. But there has been no change to the fact that this business is a stable source of earnings.

2. In FY3/18, operating and recurring profit decreased but final profit increased, and revenue and profits also exceeded their forecasts

In the FY3/18 consolidated results, revenue decreased 2.4% year on year (YoY) to ¥81,334mn, operating profit declined 14.3% to ¥5,651mn, recurring profit fell 9.3% to ¥4,631mn, and profit attributable to owners of parent increased 9.2% to ¥4,243mn. In the coastal and regional transport shipping business, profits increased considerably due to factors include the renewals of time charter contracts on favorable terms and that the market recovered more than expected. But in the oceangoing transport shipping business, profits declined from the mainstay chemical tankers, including due to the impact of the weakening of market conditions, and profits were also down in the real estate business from the effects of the sale of the Sasazuka Center Building and the demolition of the Tokyo Sakurada Building in conjunction with a redevelopment project. Therefore overall, profits decreased, but both revenue and profits exceeded their initial forecasts.

The forecasts for the FY3/19 consolidated results are for revenue to increase 3.3% YoY to ¥84,000mn, operating profit to rise 9.7% to ¥6,200mn, recurring profit to grow 8.0% to ¥5,000mn, and profit attributable to owners of parent to increase 55.5% to ¥6,600mn. The forecasts are for higher revenue and profits because, in addition to an increase in the number of operating chemical tankers, the market conditions for chemical tankers, dry bulk carriers, and small gas carriers are expected to improve. As extraordinary income, of a gain on the sale of aging ships, is expected to be recorded (scheduled to be recorded in the 1H), profit attributable to owners of parent is forecast to increase significantly.

3. The target in the Mid-term Management Plan is net income of ¥7,400mn in FY3/20

Toward the 125th anniversary of its foundation (in 2024), the Company has set the following targets in the Mid-term Management Plan for FY3/20, which is the Plan's final fiscal year; operating profit of ¥9,000mn, recurring profit of ¥7,800mn, profit attributable to owners of parent of ¥7,400mn, net assets of ¥82,500mn, and ROE of approximately 9%. There has been no change to its policy of realizing a growth scenario from the twin axes of the shipping businesses and the real estate business, and the priority strengthening measures are Pursuing Greater Business Differentiation, Solidifying Stable Earnings, and Challenges of Next-Generation Business. Overall, it is making steady progress toward the targets in the Mid-term Management Plan and earnings growth is expected in the medium term. Within its Goals for 2024, which will be the 125th anniversary of its foundation, it is aiming for net assets of more than ¥100,000mn.

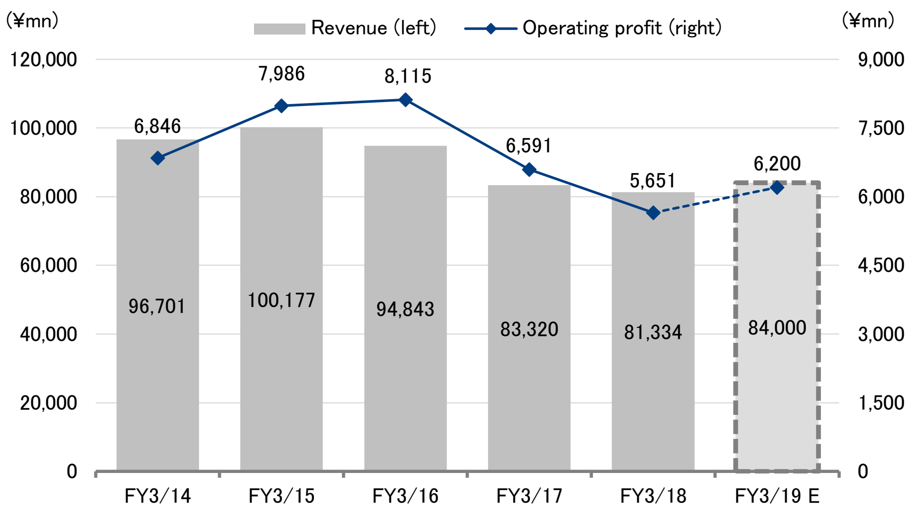
4. Aims for stable profit distribution of a dividend of ¥8 to ¥12

As the results in the shipping businesses are influenced by trends in market conditions and FOREX rates, the Company's basic policy for the distribution of profits is to continuously pay a dividend while also strengthening its financial structure and supplementing the internal reserves it will need, while giving full consideration to the prospects for the business environment in the future. The FY3/18 dividend per share was an annual dividend of ¥10 (interim dividend of ¥5 and period-end dividend of ¥5), which is the same as in the previous fiscal year. The FY3/19 dividend forecast is once again for an annual dividend of ¥10 (interim dividend of ¥5 and period-end dividend of ¥5). In the Mid-term Management Plan, the Company sets the target of stably paying an annual dividend of ¥8 to ¥12 to return profits to shareholders.

Key Points

- Aiming for sustainable, stable growth on the twin wheels of the shipping businesses and the real estate business
- In the shipping businesses, the main businesses are chemical tankers, for which it has the largest fleet in the industry, and oil tankers and gas carriers, which are mainly on medium- to long-term contracts
- The real estate business chiefly involves the rental of office buildings in prime districts of Metropolitan Tokyo, such as the IINO Building

Results trends



Source: Prepared by FISCO from the Company's financial results

Company profile

A shipping company with a history of around 120 years on the twin axes of the shipping businesses and the real estate business

1. Company profile

The Company is a shipping company with a history of around 120 years since it was founded in 1899 (Iino Shokai, Maizuru, Kyoto). Currently, it is aiming for sustainable, stable growth by developing its business on the twin axes of the shipping businesses (the oceangoing transport shipping business and the coastal and regional transport shipping business), which mainly involves the transportation of resources and energy, and the real estate business for the rental of office buildings, primarily the head office of the IINO Building.

At the end of FY3/18, capital was ¥13,092mn, the equity ratio was 32.9%, net assets per share was ¥653.29, and the number of outstanding shares was 111,075,980 shares (of which, 5,267,927 were treasury shares). On February 1, 2018, the Company acquired 5,160,000 treasury shares on the Tokyo Stock Exchange Trading NeTwork-3 (ToSTNeT-3).

2. History

In 1899, the founder Torakichi Iino, established Iino Shokai in Maizuru, Kyoto, and began a harbor loading and coal transportation business. In 1931, it built Fujisan Maru as Japan's first ever full-scale oceangoing transport tanker, and then in 1944, the Company changed its name to its current name, of IINO Kaiun Kaisha, Ltd.
In 1949, it listed on the Tokyo Stock Exchange; in 1951, it fully entered-into the liner business; and in 1964, it separated and transferred its liner department on the consolidation of the shipping industry (after that, it focused on the management of tanker and cargo trampers).
In 1991, it participated in an Indonesian-produced LNG project and began an LNG transportation business; in 1993, it participated in a Qatar-produced LNG project; and in 1999, it celebrated the 100th anniversary of its foundation.
In 2001, it participated in the world's largest methanol production project in Saudi Arabia.
In 2003, it built the self-operating LNG tanker SK SUNRISE.
In 2004, it simultaneously obtained the ISO9001 and ISO14001 certification in the marine transportation industry.
In 2005, it simultaneously obtained the ISO9001 and ISO14001 certification in the building rental industry.
In 2009, it started transportation of bio-ETBE (ethyl tertiary butyl ether) by chemical tanker.
In 2011, it completed phase 1 of the IINO Building rebuilding construction work and the building started operations. The head office became the first in Japan to acquire the LEED Platinum Certification.
In 2014, it completed phase 2 of the IINO Building construction work and held the grand opening
In 2017, it created the new Mid-term Management Plan toward the 125th anniversary of its foundation (2024)
In 2018, the Shimbashi Tamura-cho District Urban Redevelopment Project, which includes the former Tokyo Sakurada Building, made a fully-fledged start.
It is approaching the 120th anniversary of its foundation, in July 2019.

Company history

Year	Major event
1899	Torakichi Iino, established Iino Shokai in Maizuru, Kyoto, and began a harbor loading and coal transportation business.
1918	Established Iino Shoji Kaisha, Ltd., which succeeded all of the businesses of Iino Shokai.
1922	Established Iino Kisen Kaisha Ltd, and it inherited the separated Iino Shoji outsourcing maritime transportation business.
1931	Fujisan Maru, Japan's first full-scale oceangoing transport tanker was built.
1941	Changed the name of Iino Shoji to Iino Kaiun Sangyo Kaisha, Ltd., and it was merged with Iino Kisen.
1944	Changed the name of Iino Kaiun Sangyo to IINO Kaiun Kaisha, Ltd, the current company name.
1949	The company's stock was listed on the Tokyo Stock Exchange.
1950	Built Ryuho Maru, Japan's first post-war large-scale tanker.
1951	Entered fully into the liner business.
1953	Established Iino Fudosan Kaisha, Ltd.
1960	Completed building of the former IINO Building, transferred the head office to this building, and started the IINO Hall business
1963	Built Toyosu Maru, the Company's first oceangoing LPG tanker.
1964	Separated and transferred the liner business department on the consolidation of the marine transportation industry. Since then, it has focused on the management of tankers and cargo trampers.
1967	Completed Tokyo Sakurada Building.
1970	Built Zenkoren Maru No.5, the Company's first Panamax- dry bulk carrier.
1974	Established Iino Marine Service Co., Ltd., to conduct ship management operations.
1983	Completed Tokyo Fujimi Building.
1988	Completed Iino Takehaya Building.
1991	Participated in an Indonesia LNG project and began an LNG transportation business.
1993	Participated in a Qatar LNG project.
1995	Completed Sasazuka Center Building.
1997	Merged with Iino Fudosan Kaisha, Ltd. Established Iino Media Pro Co, Ltd., a company managing photo studios and conducting design and advertising production.
1999	100th anniversary of its foundation Completed building of the Ryuho Maru, the Company's first double-hull tanker.
2000	Completed building of BLUE ISLAND, the Company's first cape size-type dry bulk carrier.
2001	Participated in the world's largest methanol production project in Saudi Arabia (started operations in 2004).
2002	Established IINO SINGAPORE PTE. LTD., as a local subsidiary in Singapore
2003	Built SK SUNRISE, the Company's first self-operating LNG tanker. Opened the Dubai Representative Office.
2004	Acquired integrated certification for ISO9001 and ISO14001 in the marine transportation industry. Established IINO UK LTD., as a local subsidiary in London.
2005	Established a joint venture with Mitsui & Co., Ltd., and QATAR SHIPPING COMPANY Acquired integrated certification for ISO9001and ISO14001for office-leasing business. Completed buildingof NORTH PIONEER, the Company's first and Japan's second regional shipping LNG tanker.
2006	Completed Shiodome Shiba-Rikyu Building. Started ship operations at IINO SINGAPORE.
2007	Integrated the Small Gas Tanker Division into IINO Gas Transport, Ltd.
2009	Started the IINO Building construction (rebuilding) work. Started transportation of bio-ETBE (ethyl tertiary butyl ether) by chemical tanker.
2011	Completed phase 1 of the IINO Building construction project. The building opened in October. The head office (the IINO Building) is the first office space in Japan to receive the LEED Platinum Certification
2012	Opened the Dalian Representative Office.
2014	Expanded facilities at the North America base and established the Houston office. Completed phase 2 of the IINO Building construction project and held the grand opening.
2016	The IINO Building was certified as being a workplace excelling in specified global warming countermeasures (top-level workplace) in the Tokyo Metropolitan Government Environmental Protection Ordinance. The IINO Building was awarded the 1st ABINC Special Award.
2017	Created the new Mid-term Management Plan toward the 125th anniversary of its foundation (2024).
2018	Concluded a time charter contract for a newly constructed methanol ship equipped with a dual-fuel engine, the Company's first. The IINO Building acquired the Tokyo Fire Department's Fire Safety Building Certification (common name: Excellence Mark). The IINO Building was registered by the Tokyo Metropolitan Government Bureau of Environment as an Edo no Midori Registered Green Area (Excellent Green Area). Fully fledged start of the Shimbashi Tamura-cho District Urban Redevelopment Project, which includes the site of the former Tokyo Sakurada Building.

Source: Prepared by FISCO from the Company's materials

3. Business description

The Company has three business segments; the oceangoing transport shipping business, the coastal and regional transport shipping business, and the real estate business. In the percentages of total revenue in FY3/18, the oceangoing transport shipping business contributed 76.0%, the coastal and regional transport shipping business 11.0%, and the real estate business 13.0%. In the percentages of total operating profit, the oceangoing transport shipping business contributed 30.3%, the coastal and regional transport shipping business 12.4%, and the real estate business 57.3%. So a feature of the Company is that its earnings are from the twin axes of the shipping businesses (the oceangoing transport shipping business and the coastal and regional transport shipping business) and the real estate business.

In the shipping businesses (the oceangoing transport shipping business and coastal and the regional transport shipping business), earnings tend to fluctuate as they are influenced by factors including FOREX rates, shipping market conditions, and the price of fuel oil, but these businesses still secured around 40% of Company-wide profits in FY17. Revenue and operating profit temporarily declined in the real estate business in FY3/17 and FY3/18, including due to the demolition of an owned building in conjunction with the participation in a redevelopment project, but there has been no change to the fact that it is a stable source of earnings.

Consolidated results

(¥mn)

	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
Revenue	96,701	100,177	94,843	83,320	81,334
Operating profit	6,846	7,986	8,115	6,591	5,651
Recurring profit	5,953	7,194	7,655	5,105	4,631
Profit attributable to owners of parent	4,920	5,213	3,659	3,885	4,243
EPS (¥)	45.77	46.98	32.97	35.01	38.53
Dividend per share (¥)	8.00	10.00	10.00	10.00	10.00
BPS (¥)	525.39	593.72	587.51	619.18	653.29

Source: Prepared by FISCO from the Company's financial results

Trends in revenue and operating profit and percentages of the totals by segment (before adjustment for consolidation)

Revenue and percentages of total revenue by segment

(¥mn)

	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
Consolidated revenue	96,701	100,177	94,843	83,320	81,334
Oceangoing transport shipping business	76,182	78,912	72,364	62,572	61,865
Coastal and regional transport shipping business	9,121	9,695	9,424	8,514	9,012
Real estate business	11,497	11,653	13,138	12,314	10,545
Total	96,799	100,260	94,925	83,399	81,422
Adjustment	-99	-83	-82	-80	-88
%					
Oceangoing transport shipping business	78.7	78.7	76.2	75.0	76.0
Coastal and regional transport shipping business	9.4	9.7	9.9	10.2	11.0
Real estate business	11.9	11.6	13.8	14.8	13.0

Source: Prepared by FISCO from the Company's financial results

Operating profit and percentages of total operating profit by segment

(¥mn)

	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
Consolidated operating profit	6,846	7,986	8,115	6,591	5,651
Oceangoing transport shipping business	1,823	3,285	3,767	2,626	1,713
Coastal and regional transport shipping business	805	650	364	180	700
Real estate business	4,218	4,051	3,984	3,786	3,238
Total	6,846	7,986	8,115	6,591	5,651
%					
Oceangoing transport shipping business	26.6	41.1	46.4	39.8	30.3
Coastal and regional transport shipping business	11.8	8.1	4.5	2.7	12.4
Real estate business	61.6	50.7	49.1	57.4	57.3

Source: Prepared by FISCO from the Company's financial results

Within the shipping businesses, oceangoing transport shipping business carries out the marine transportation, over the marine areas of the entire world, of cargo including crude oil, petroleum products, petrochemical products, LNG (liquefied natural gas), LPG (liquefied petroleum gas), power-generation coal, fertilizer, and wood chip. The coastal and regional transport shipping business carries out the marine transportation, mainly in Japan's coastal and regional waters, of cargo such as LNG, LPG, and petrochemical gas. With the main operations being the transportation of resources and energy-related cargo by chemical tankers and large and small gas carriers (LNG and LPG carriers), a feature of these businesses are that they provide marine transportation services over a wide expanse of marine areas, from open oceans to regional waters. They also involve other operations, including a ship management business and sales of maritime equipment.

The real estate business carries out the rental, management, and maintenance of office buildings within Metropolitan Tokyo, and also a real estate-related business, mainly the management of photo studios. With the main operations being the rental of the IINO Building (including the IINO Hall & Conference Center), which is the head office building, a feature of this business is that the Company owns several rental office buildings in the center of Metropolitan Tokyo.

4. Group companies

At the end of FY3/18, the Group consisted of 73 companies, of the Company and 72 Group companies (58 consolidated subsidiaries, 4 equity-method affiliates, and 10 affiliates outside the scope of consolidation). Overseas, it has 8 bases, including local subsidiaries and representative offices (in Singapore, Houston, London, Connecticut, Dubai, Dalian, Busan, and Manila).

The main Group companies

Oceangoing Shipping Business	
Ship Operation	IINO Singapore Pte. Ltd. / IINO Shipping Asia Pte. Ltd.
Ship Management	IINO Marine Service Co., Ltd.
Ship Brokerage, Ship Equipment Sales	IINO Enterprise Co., Ltd.
Ship Equipment Sales	Godo Senpaku Kogyo Co., Ltd.
Regional Shipping Business	
Ship Operation, Leasing, and Management	IINO Gas Transport Co., Ltd.
Real Estate Business	
Building Management	IINO Building Technology Co., Ltd.
Warehousing	Taiho Marine Co., Ltd.
Photography Studios and Photo Retouching Services	IINO Mediapro Co., Ltd.
Hall and Conference Center Management	IINO Hall Co., Ltd.
Other Businesses	
Accounting Service Commissioned Business	IINO Management Data Processing Co., Ltd.
IT-related Business	IINO System Co., Ltd.
Insurance Agency, Support for General Affairs and Human Resources-related Operations	IINO Business Service Co., Ltd.

Source: reprinted from the 2017 Business Report

Business overview, features, and strengths

The shipping businesses are focused on chemical tankers and gas carriers

1. A feature and strength is that it has the world's largest fleet of chemical tankers

Within the shipping businesses, the oceangoing transport shipping business involves the transportation of cargo across marine areas throughout the world by oil tankers, which transport crude oil petroleum products; chemical tankers, which transport petrochemical products; large gas carriers, which transport LNG (liquefied natural gas) and LPG (liquefied petroleum gas); dedicated-carrier ships, which transport coal and wood chip; and small- and medium-sized dry bulk carriers (bulk freighters), which transport cereals, steel materials, and fertilizer. The coastal and regional transport shipping business involves the transportation of cargo mainly in Japan's coastal and regional marine areas, including by small gas carriers that transport LNG, LPG, and petrochemical gas. These businesses also include other operations, such as a ship management business and sales of maritime equipment.

With the main operations being resources- and energy-related transportation by chemical tankers, gas carriers, and other ships, these businesses utilize the Company's global network to provide efficient marine transportation services over a wide range of marine areas, from open oceans to regional waters. The Company also leads the industry in terms of shares of the domestic markets for the transportation of LPG and petrochemical gas. Moreover, it is one of the very few companies in Japan operating regional shipping LNG carriers.

At the end of FY3/18, the Group's number of operating ships (including shared equity interests) was a total of 106 ships. Breaking this down, in the oceangoing transport shipping business, it had 78 ships (3 oil tankers, 41 chemical tankers, 18 large gas carriers, and 16 dry bulk carriers), while in the coastal and regional transport shipping business, it had 28 ships, mainly small gas carriers. Its fleet of chemical tankers is the largest in the industry.

The Company's main business partners include Astomos Energy Corporation (an LPG trading company from the integration of the LGP departments of the Idemitsu Kosan <5019> Group and the Mitsubishi Corporation <8058> Group), Idemitsu Kosan<5019>, Oji Holdings Corp.<3861>, JXTG Nippon Oil & Energy Corporation <5020>, the National Federation of Agricultural Cooperative Associations (ZEN-NOH), J-POWER<9513>, Tosoh Corporation <4042>, Zeon Corporation <4205>, Hokkaido Gas Co., Ltd. <9534>, and SABIC (Saudi Arabia Basic Industries Corporation).

In October 2017, the Company concluded a time charter contract for the transportation of methanol with Methanol Holdings (Trinidad) Ltd., of Trinidad and Tobago, which is one of the world's leading methanol manufacturing companies. Through this contract, the Company will deploy one 37,000 DWT-type chemical tanker. In the Mid-term Management Plan, the global deployment of the chemical tanker business, and in particular, acquiring more shale-derived cargoes on regular US-bound routes, was set as a priority strengthening measure, and this contract will provide the foothold for this. Also, in February 2018, it concluded a time charter contract for a newly built methanol-fueled vessel with Waterfront Shipping Company Ltd, which is a wholly-owned subsidiary of Methanex Corp., the world's largest producer of methanol. This vessel is equipped with a dual-fuel engine, meaning in addition to the usual heavy oil, it can also use methanol as fuel, and the Company is working toward the commercialization of next-generation fuel vessels in order to reduce the burden on the environment. Moreover, in April 2018, it concluded a dedicated vessel transportation contract with Tohoku Electric Power <9506> for PEGASUS ISLAND, which is an 88,000 DWT-type coal vessel whose construction was completed in February 2018. It will play a role in Tohoku Electric Power stably procuring coal.

The Company has the largest fleet of chemical tankers in the industry, and in particular, it has the leading share for the transport volume of petrochemical products loaded in the Middle East.

A feature and strength of the Company is that many of the chemical tankers that it operates are stainless-steel tankers. Compared to normal iron tankers, stainless-steel tankers have strong corrosion resistance, so they have the advantage of being able to transport cargo such as sulfate. It is also working to realize efficient operations for the transportation in its chemical tankers not only of petrochemical products, but also of cargo such as palm oil.

In addition to stainless-steel tankers, the Company possesses advanced ship management expertise that is required for the transportation of petrochemical products, such as for tanker cleaning, and moreover expertise in transporting cargo efficiently, which leads to it having a competitive advantage.

2. Oil tankers and gas carriers, which tend to be influenced by FOREX rates, market conditions, and the price of fuel oil, are mainly on medium- to long-term contracts

Earnings in the shipping businesses, particularly in the oceangoing transport shipping business, are influenced by FOREX rates, shipping market conditions, and the price of fuel oil. Moreover, for the mainstay chemical tankers, the effects of fluctuating market conditions on spot freight cannot be avoided. However, for chemical tankers, the Company aims to maximize profits by combining multiple, approximately one year COA (contract of affreightment), which constitute about 70% of the total, and spot freight. Also, oil tankers and gas carriers are mainly on medium- to long-term contracts, and together with the real estate business, this business is a stable source of earnings.

The real estate business involves the rental of office buildings in the center of Metropolitan Tokyo

3. The real estate business mainly involves the rental of office buildings in the center of Metropolitan Tokyo, including the IINO Building

The real estate business mainly involves the rental of office buildings. A feature of this business is that the Company owns rental office buildings in the center of Metropolitan Tokyo, such as the IINO Building (including the IINO Hall & Conference Center), which is the head office building. It is also deploying a rental photo studio business (Hiroo studio and Minami Aoyama studio).

In addition to the Tokyo Fujimi Building (Metropolitan Tokyo, Chiyoda Ward) completed in 1983, the IINO Takehaya Building (Metropolitan Tokyo, Bunkyo Ward) completed in 1988, and the Shiodome Shiba-Rikyu Building (Metropolitan Tokyo, Minato Ward) completed in 2006, in 2009 the Company began work to rebuild the IINO Building (Metropolitan Tokyo, Chiyoda Ward), and it completed phase 1 of the IINO Building construction project in October 2011 and the building opened for business, and then in November 2014, it completed phase 2 of this project and held the grand opening. In December 2017, it acquired partial equity interest to the NS Toranomon Building, which was completed in 2016.

In March 2017, the Company sold the Sasazuka Center Building following a review of its real estate business target area strategy and owned-buildings portfolio, which it had set out it STEP FORWARD 2020, its previous Mid-term Management Plan. Also, to participate in the Shimbashi Tamura-cho District Urban Redevelopment Project (construction began in April 2018 and is scheduled to be completed in March 2021), in FY3/18 it demolished the Tokyo Sakurada Building. As it acquired partial equity interest in the NS Toranomon Building, as of the end of FY3/18, it owned five rental buildings (IINO Building, Tokyo Fujimi Building, IINO Takehaya Building, Shiodome Shiba-Rikyu Building, and NS Toranomon Building).

4. The IINO Building is pursuing advanced environmental performance

The IINO Building, which opened in 2010 (grand opening in 2014), has become an earnings pillar based on the concept of being a “building that will still be loved 100 years in the future), and it is equipped with hall and conference functions. The building also pursues advanced environmental performance. For example, on the outside of the usual outer wall (the inner skin) has been built one more outer wall, and the adoption of this “double-skin exterior” reduces the thermal load by creating an air-heat insulating layer.

It was the first building in Japan to acquire the Platinum Certification, which is the highest certification for LEED-CI (environmental compliance evaluation system by the United States. Green Building Council). Also, in 2015 it acquired the Certification of Site Symbiosis with Ikimono (living things) (Association for Business Innovation in harmony with Nature and Community (ABINC) certification), which evaluates the efforts of office buildings and commercial facilities to protect biodiversity. In 2016, within the sites that had acquired ABINC certification, this building was awarded the 1st ABINC Special Award as a facility that is contributing greatly to the spread in the awareness of ABINC and to the mainstream acceptance of biodiversity. Also, in 2016 it was certified as being a workplace excelling in specified global warming countermeasures (top-level workplace) in the 2015 Tokyo Metropolitan Government Environmental Protection Ordinance.

Moreover, in February 2018, it acquired the Fire Safety Building Certification (common name: Excellence Mark), based on the Tokyo Fire Department's system to show which buildings had been certified as being excellent for fire safety. Then in March 2018, it was registered as an Edo no Midori Registered Green Area (Excellent Green Area) by the Tokyo Metropolitan Government Bureau of Environment in its native plants registration system.

5. Based on the target-area strategy, is advancing the replacement of owned assets and participating in redevelopment

In the real estate business, earnings tend to be influenced by factors including the real estate market conditions, vacancy rates, and rent, but all of the rental buildings that the Company owns are located in the center of Metropolitan Tokyo. In terms of the conditions of the office building rental market in the center of Metropolitan Tokyo (the five wards of Chiyoda, Chuo, Minato, Shinjuku, and Shibuya), the trends of a declining vacancy rate and rising average rent are continuing. Also, the tenants of the office part of the IINO building, which is an earnings pillar, include major blue-chip companies such as Japan Post Bank Co., Ltd. <7182>, Japan Post Insurance Co., Ltd. <7181>, Sojitz Corporation <2768>, and Kawasaki Kisen Kaisha, Ltd. <9107>, and it has been full since it started operations in 2011.

Moreover, based on its target-area strategy, the Company is advancing the replacement of owned assets and participating in redevelopment projects. It is likely that the Company Group's performance will continue to trend based on this stable-earnings foundation.

Business performance

In FY3/18, revenue and operating and recurring profit decreased, but they exceeded their forecasts
Net income increased on the improvement to extraordinary income/loss

1. Overview of FY3/18 consolidated results

In the FY3/18 consolidated results, revenue decreased 2.4% YoY to ¥81,334mn, operating profit declined 14.3% to ¥5,651mn, recurring profit fell 9.3% to ¥4,631mn, and profit attributable to owners of parent increased 9.2% to ¥4,243mn. Compared to FY3/17, revenue and operating and recurring profit decreased, but revenue and every profit item exceeded their initial forecasts.

Overview of FY3/18 consolidated results

(¥mn)

	FY3/17 results	FY3/18 forecast	FY3/18 results	YoY (%)	vs. forecast (%)
Revenue	83,320	80,000	81,334	-2.4	1.7
Operating profit	6,591	5,000	5,651	-14.3	13.0
Recurring profit	5,105	4,000	4,631	-9.3	15.8
Profit attributable to owners of parent	3,885	3,700	4,243	9.2	14.7
EPS (¥)	35.01	33.34	38.53	-	-
Dividend per share (¥)	10.00	10.00	10.00	-	-
BPS (¥)	619.18	-	653.29	-	-

Source: Prepared by FISCO from the Company's results briefing materials

Looking at the comparison with FY3/17, in terms of revenue, in the coastal and regional transport shipping business, revenue increased due to the strong transport volume and the recovery of market conditions. But in the oceangoing transport shipping business, it declined slightly due to the weakening of conditions in the chemical tanker market. In the real estate business, revenue fell due to the effects of the sale of the Sasazuka Center Building and the demolition of the Tokyo Sakurada Building in conjunction with a redevelopment project. Therefore, overall revenue declined.

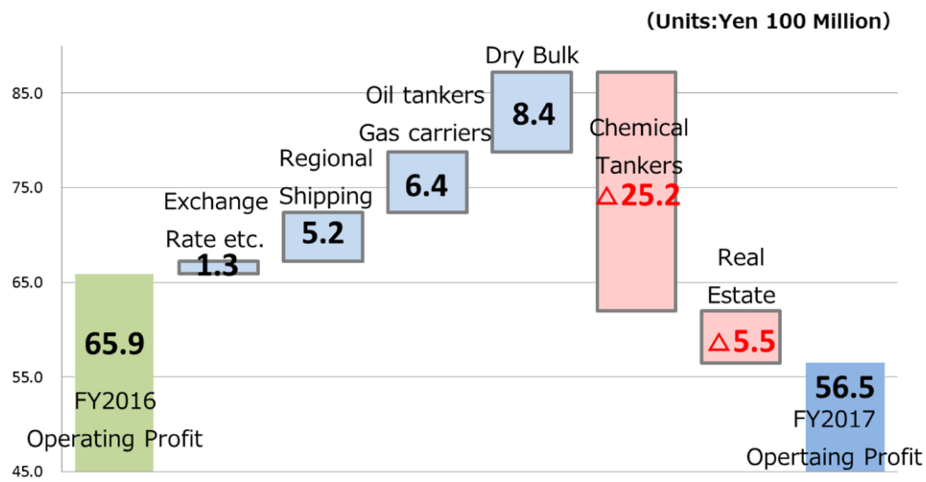
Operating profit declined, overall. This was because while on the one hand in the coastal and regional transport shipping business, profits increased greatly due to the renewal of existing contracts on favorable terms and that conditions in the coastal shipping market recovered more than expected, on the other hand, in the oceangoing transport shipping business, profits declined due to the weakening of conditions in the mainstay chemical tanker market and revenue also fell in the real estate business. On a Company-wide basis, gross profit declined 6.9% and the gross profit margin fell 0.7 to 15.4%. The increase in SG&A expenses was kept down to only 0.3%, and the SG&A expenses ratio rose 0.2 to 8.4%.

Recurring profit also declined, but in non-operating income, the increase in dividend income (up ¥571mn), and in non-operating expenses, the decline in interest payments (down ¥314mn) both contributed, and therefore the extent of its decline was smaller than that of operating profit.

Profit attributable to owners of parent increased. This was because of a decrease in the extraordinary loss that was recorded in FY3/17, which included an impairment loss, a loss on the sale of non-current assets, chartered vessel cancellation fees, and a provision for contract losses. Therefore, the extraordinary income/loss improved.

An analysis of the factors causing operating profit to increase and decrease on a Company-wide basis (a decrease of ¥940mn) shows that the increase factors were FOREX rates of ¥130mn, coastal and regional transport of ¥520mn, oil and gas carriers of ¥640mn, and dry bulk carriers of ¥840mn, while the decrease factors were chemical tankers of ¥2.52bn and real estate of ¥550mn.

Analysis of the factors causing operating profit to increase/decrease, FY17 vs. FY16



Source: The Company's results briefing materials

2. Overview by segment

The overview by segment (before adjustment for consolidation) is as follows.

Revenue and operating profit by segment

(¥mn)

	FY3/17	FY3/18	YoY (%)
Consolidated revenue	83,320	81,334	-2.4
Oceangoing transport shipping business	62,572	61,865	-1.1
Coastal and regional transport shipping business	8,514	9,012	5.8
Real estate business	12,314	10,545	-14.4
Total	83,399	81,422	-2.4
Adjustment	-80	-88	-
Consolidated revenue	6,591	5,651	-14.3
Oceangoing transport shipping business	2,626	1,713	-34.8
Coastal and regional transport shipping business	180	700	288.9
Real estate business	3,786	3,238	-14.5
Total	6,591	5,651	-14.3

Source: Prepared by FISCO from the Company's results briefing materials

In the oceangoing transport shipping business, revenue decreased 1.1% YoY to ¥61,865mn and operating profit declined 34.8% to ¥1,713mn. The average exchange rate was 1 U.S. dollar to ¥111.19 and the average price of fuel oil was 337 U.S. dollar/MT (in the previous fiscal year, the average exchange rate was 1 U.S. dollar to ¥108.93, and the average price of fuel oil was 257 U.S. dollar/MT). The Japanese yen weakened slightly, which was a factor causing profits to increase, but the rise in the price of fuel oil was a factor causing them to decrease.

Conditions in the oil tanker market trended at a low level due to the decrease in the transportation volume of crude oil due to the continued reduction in production by OPEC (the Organization of the Petroleum Exporting Countries) and that due to the inflow of newly built ships, the excess supply of ships was not eliminated. Conditions in the chemical tanker market temporarily improved and rose from around the fall of 2017, but then weakened toward the end of the fiscal period due to the slump in transport demand. The conditions in the large LPG carrier market continued to slump due to the excess supply of ships from the inflow of newly built ships. LNG carrier market conditions temporarily recovered in the winter, which is the demand period. Conditions in the dry bulk carriers market also trended firmly as a whole, as the supply of new ships was limited and demand for the transportation of cereals and iron ore was strong.

In this sort of business environment, the Company implemented various measures toward securing stable earnings: for oil tankers, it continued to introduce medium- to long-term contracts for control vessels; for chemical tankers, it acquired new contracts of affreightment for routes to the Middle East and to Europe and renewed existing contracts of affreightment at a joint venture company with a U.S. operator; for large gas carriers, it continued to introduce existing medium- to long-term contracts for control vessels; and for dry bulk carriers, it is realizing the efficient deployment of the fleet and operations after ascertaining the timing of the improvement to market conditions. For dry bulk carriers, at the end of February 2018, it completed construction of one 88,000 DWT-type newly built ship, which has excellent operating efficiency, and at the end of March 2018, it completed construction of one Handy-type newly built ship.

As a result, the Company secured stable earnings and improved profitability for oil tankers, gas carriers, and dry bulk carriers. But revenue declined for the mainstay chemical tankers due to the weakening of market conditions and the increase in docking. Profits declined greatly, including because of the rises in the price of fuel oil and new ship building costs. For COA, alongside the general fluctuation in the price of fuel oil, it attached bunker adjustment factor (BAF) price-change clauses, but in the case of chemical tankers in FY3/18, the price of fuel oil rose from the second half of 2017, but it then fluctuated within the previously set BAF in a neutral price range. Therefore, the increase in earnings from transferring the rise in the price of fuel oil to the price of freight operations did not keep pace with the increase in costs due to the rise in the price of fuel oil. Earnings also deteriorated at the joint-venture company with a U.S. operator due to the weakening of market conditions and other reasons.

In the coastal and regional transport shipping business, revenue increased 5.8% YoY to ¥9,012mn, and operating profit rose 289.3% to ¥700mn.

In regional shipping gas transport, transport volume was solid against the backdrop of the stable demand for petrochemical gas. In coastal gas transport, market conditions have recovered significantly since the fall of 2017 against the backdrop of the decline in the pressure from the inflow of newly built ships and the solid transport demand in the South East Asia region.

In this sort of business environment, in regional shipping gas transport the Company advanced various measures, including realizing the efficient deployment of the fleet and renewing time charter contracts on favorable terms, and profitability was maintained. It also acquired long-term time charter contracts through newly built replacement ships. For coastal gas transport, it conducted a number of measures, for example improving the efficiency of the fleet by returning unprofitable ships and renewing contracts on favorable terms, and profitability improved.

In the real estate business, revenue decreased 14.4% YoY to ¥10,545mn and operating profit declined 14.5% to ¥3,238mn. Revenue and profits declined due to the effects of the sale of the Sasazuka Center Building at the end of FY3/17 and the effects of the start of the Shimbashi Tamura-cho District Urban Redevelopment Project (construction work started in 2018 and is scheduled to finish in March 2021) and the demolition of the Tokyo Sakurada Building, and also due to the effects of the end of income that was recorded in FY3/17 in relation to the construction work to restore the Shiodome Shiba-Rikyu Building to its original condition.

However, operations trended steadily from the mainstay IINO Building and the other owned rental buildings. The IINO Hall & Conference Center and the studio-related business also performed strongly, and there has been no change to this business being a stable source of earnings.

Net assets are steadily accumulating toward realizing the medium-term target

3. Financial overview

For profitability, in FY3/18, the operating profit margin was 6.9%, down 1.0 percentage point on the previous fiscal year. The recurring profit margin also fell 0.4 to 5.7%, but due to the improvement in non-operating income, the extent of its decline was less than that of the operating profit margin. Profit attributable to owners of parent increased from the contribution of extraordinary income. As a result, the net income margin rose 0.5 to 5.2% and ROE (return on equity) increased 0.4 to 6.2%.

Financially, at the end of FY3/18 total assets were up ¥6,269mn on the end of the previous fiscal year, including due to increases in ships, land, and construction in progress, while the equity ratio fell 0.8 to 32.9%. Net assets increased ¥463mn to ¥69,237m and they are steadily accumulating toward achieving the Company's medium-term target of more than ¥100bn. Based on its strengths of the twin axes of the shipping businesses and the real estate business, there would seem to be no problems in terms of the Company's financial soundness.

Key management indicators

(¥mn)

Item	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
Revenue	96,701	100,177	94,843	83,320	81,334
Cost of sales	83,621	85,799	79,974	69,880	68,816
Gross profit	13,079	14,378	14,869	13,440	12,518
Gross margin (%)	13.5	14.4	15.7	16.1	15.4
SG&A expenses	6,234	6,392	6,754	6,848	6,867
SG&A expenses ratio	6.4	6.4	7.1	8.2	8.4
Operating profit	6,846	7,986	8,115	6,591	5,651
Operating margin (%)	7.1	8.0	8.6	7.9	6.9
Non-operating income	1,923	1,844	2,643	742	1,153
Non-operating expenses	2,815	2,636	3,103	2,229	2,173
Recurring profit	5,953	7,194	7,655	5,105	4,631
Recurring margin (%)	6.2	7.2	8.1	6.1	5.7
Extraordinary income	1,148	1,657	633	3,776	3,577
Extraordinary losses	1,836	3,548	4,022	5,027	3,599
Profit before income taxes	5,265	5,302	4,267	3,854	4,609
Total income taxes	273	94	602	-19	344
Profit attributable to owners of parent	4,920	5,213	3,659	3,885	4,243
Net income margin (%)	5.1	5.2	3.9	4.7	5.2
Comprehensive income	6,051	8,446	497	4,607	4,780
Total assets	225,312	228,693	230,278	203,969	210,238
(Current assets)	36,496	31,455	29,125	25,145	24,758
(Non-current assets)	188,816	197,238	201,153	178,824	185,480
Total liabilities	166,744	162,785	164,993	135,195	141,001
(Current liabilities)	46,306	36,416	35,342	38,039	41,709
(Non-current liabilities)	120,439	126,369	129,651	97,156	99,291
Net assets	58,568	65,907	65,285	68,774	69,237
(Shareholders' equity)	54,664	58,767	61,322	64,098	64,036
(Capital stock)	13,092	13,092	13,092	13,092	13,092
No. of shares outstanding at the end of the fiscal period, including treasury shares	111,075,980	111,075,980	111,075,980	111,075,980	111,075,980
No. of treasury shares at the end of the fiscal period	103,642	105,119	106,024	106,737	5,267,927
EPS (¥)	45.77	46.98	32.97	35.01	38.53
BPS (¥)	525.39	593.72	587.51	619.18	653.29
Dividend per share (¥)	8.00	10.00	10.00	10.00	10.00
Equity ratio (%)	25.9	28.8	28.3	33.7	32.9
ROE (return on equity) (%)	9.4	8.4	5.6	5.8	6.2
Cash flows from operating activities	13,785	16,107	18,804	11,075	12,117
Cash flows from investing activities	-2,224	-13,022	-18,551	12,788	-15,399
Cash flows from financing activities	-3,862	-8,594	2,475	-27,242	3,350
Cash and cash equivalents at end of period	16,906	11,965	14,326	10,719	10,536
Ratio of cash flow to interest-bearing debt (years)	9.4	7.8	6.9	9.7	9.5
Interest coverage ratio (times)	4.9	6.2	7.9	5.4	7.1
Number of employees	601	617	619	626	622

Source: Prepared by FISCO from the Company's financial results

Outlook

Forecasts are for higher revenue and profits in FY3/19 Expectations for the improvement in market conditions are conservative, so there is room for results to exceed the forecasts

1. Overview of consolidated results outlook for FY3/19

The forecasts for the FY3/19 consolidated results are for revenue to increase 3.3% YoY to ¥84,000mn, operating profit to rise 9.7% to ¥6,200mn, recurring profit to grow 8.0% to ¥5,000mn, and profit attributable to owners of parent to climb 55.5% to ¥6,600mn. The assumed exchange rate is 1 U.S. dollar to ¥110, and the assumed price of fuel oil is 410 U.S. dollar/MT (the FY3/18 results were an average exchange rate of 1 U.S. dollar to ¥111.19 and average price of fuel oil of 337 U.S. dollar/MT).

Overview of consolidated forecast for FY3/19

(¥mn)

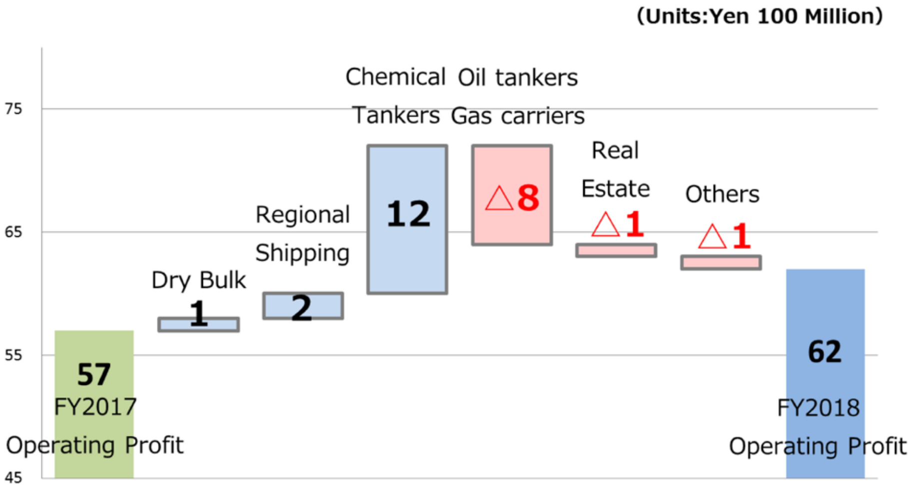
	FY3/18 results	FY3/19 forecast	YoY (%)
Revenue	81,334	84,000	3.3
Operating profit	5,651	6,200	9.7
(Shipping businesses)	2,413	3,100	28.5
(Real estate business)	3,238	3,100	-4.3
Recurring profit	4,631	5,000	8.0
Profit attributable to owners of parent	4,243	6,600	55.6
EPS (¥)	38.53	62.38	-
Dividend per share (¥)	10.00	10.00	-
BPS (¥)	653.29	-	-

Source: Prepared by FISCO from the Company's financial results

The reasons for the forecasts of higher revenue and profits are that, in addition to the increase in the number of operating chemical tankers, conditions in the markets for chemical tankers, dry bulk carriers, and small gas carriers are expected to improve. In non-operating income, because dividend income is forecast to decline, the rate of increase in recurring profit is expected to be slightly less than the rate of increase in operating profit. Also, in extraordinary income, a gain on the sale of aging ships is set to be recorded (scheduled to be recorded in the 1H), so profit attributable to owners of parent is forecast to increase greatly.

On analyzing the factors causing operating profit to increase and decrease on a Company-wide basis (an increase of ¥549mn), the increase factors will be dry bulk carriers of ¥100mn, coastal and regional transport of ¥200mn, and chemical tankers of ¥1.2bn, while the decrease factors will be oil and gas carriers of ¥800mn, real estate of ¥100mn, and others of ¥100mn. For oil and gas carriers, the LPG marine transport volume will increase, but as the supply of newly built very large gas carriers (VLGC) will continue up to 2019, the recovery of market conditions is expected to be delayed. On the other hand, on considering factors such as the recovery of conditions in the dry bulk carriers and chemical tankers markets, and the transfer onto prices of the rise in the price of fuel oil, then there would seem to be room for results to exceed the forecasts.

Analysis of the increase and decrease factors for operating profit, FY18 vs. FY17



Source: The Company's results briefing materials

The forecasts for the 1H consolidated results are for revenue to increase 3.9% YoY to ¥42,000mn, operating profit to decrease 13.1% to ¥2,900mn, recurring profit to decline 25.3% to ¥2,300mn, and profit attributable to owners of parent to rise 21.9% to ¥4,200mn. The plan is for the effects of the improvements to market conditions to contribute to results from the 2H. Profit attributable to owners of parent is forecast to increase significantly from the contribution of extraordinary income, which is scheduled to be recorded in the 1H.

2. The external environment by business and the status of the Company's measures

The external environment by business and the status of the Company's measures are as follows.

Profits declined for chemical tankers in FY3/18 due to the slump in market conditions, but for petrochemical products, there has been no change to the upward trend in marine transport volume, while the supply of newly built shipped has settled down. Therefore, in FY3/19, market conditions are expected to improve, and the efficient deployment of the fleet will also contribute, so the forecast is for an increase in profits. Also, the key points toward achieving growth are the acqusition in FY3/18 of COA for the main route, of from the Middle East to Europe, and the acquisition of a time charter contract to transport methanol with Methanol Holdings (Trinidad) Ltd., of Trinidad and Tobago, which is a world leading methanol manufacturing company.

For oil tankers, in FY3/18 the Company secured stable earnings from the medium- to long-term contracts. For FY3/19 also, it expects to again secure stable earnings from the medium- to long-term contracts. The key point toward achieving growth is the establishment in FY3/18 of newly built VLCC (very large crude carriers) for oil companies.

In gas carriers, conditions in the coastal shipping market improved in FY3/18 and are expected to remain favorable in FY3/19 also. The key points toward achieving growth are that in FY3/18, four time charter contracts were renewed on favorable terms and one newly built ship was deployed. On the other hand, with regards to VLGC, the LPG marine transport volume is trending upward, but the supply of newly built ships will continue until 2019, so market conditions are expected to continue to slump.

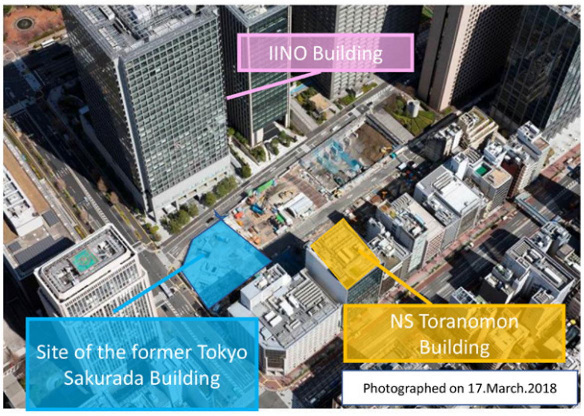
In dry bulk carriers, on the one hand, marine transport volume will stably increase, while on the other hand the supply of newly built ships has slowed down, so market conditions for medium-sized ships (Panamax-type) and tramp ships (Handy-type) are recovering. The key points toward achieving growth are that in FY3/18, the Company acquired three medium- to long-term contracts for medium-sized vessels from Tohoku Electric Power, including a dedicated vessel contract, and that for tramp ships, it has practically completed the replacement of the 28-type with the 37- and 38-types and realized efficient deployment of the fleet. In FY3/19 for medium-sized ships, it will accumulate medium- to long-term contracts and efficiently deploy its fleet of tramp ships.

In the real estate business, profits are expected to decrease on the fully fledged start of the Shimbashi Tamura-cho District Urban Redevelopment Project (construction work started in April 2018 and is scheduled to be completed in March 2021), which means that operating buildings are decreasing, and also due to the effects of other factors in FY3/19, such as the increase in maintenance costs. However, existing buildings are operating steadily. Also, in the Nishi Shimbashi and Toranomon district, the new station on the Hibiya subway line (scheduled to start operations in 2020) and the repairs to the Ginza Line Toranomon Station are expected to result in a further increase in its value as an office district. Earning are expected to rise from FY3/22 onwards on the completion of the Shimbashi Tamura-cho District Urban Redevelopment Project and the start of operations.

Progress made in the Shimbashi Tamura-cho District Urban Redevelopment Project

Drove forward Shimbashi Tamura-cho District Urban Redevelopment Project

➢ Redevelopment schedule
(1) Start of construction: April-end 2018 (2) Date of completion (scheduled): March-end 2021



(Notes : All figures are approximate)

Source: The Company's results briefing materials

Medium- to long-term growth strategy

Advancing balanced management and taking on the challenge of having a spirit of innovation

1. Mid-term Management Plan, Be Unique and Innovative. –Towards our 125th anniversary (in 2024)–

Toward the 125th anniversary of its foundation (2024), the Company announced (in April 2017) its Mid-term Management Plan for April 2017 to March 2020. There has been no change to its policy of realizing a growth scenario from the twin axes of the shipping businesses and the real estate business, while it set the theme of the Plan as “Advancing balanced management and taking on the challenge of having a spirit of innovation” (achieving a balance between the twin axes of the shipping businesses and the real estate business, stable earnings and next-generation businesses, and growth numerical targets with a good balance). Toward this, it has set the priority strengthening measures as Pursuing Greater Business Differentiation, Solidifying Stable Earnings, and Challenges of Next-Generation Business.

Toward Pursuing Greater Business Differentiation, in the shipping businesses the Company is responding to diversifying needs and accelerating its global business development, while in the real estate business, it is further deepening its target-area strategy. In order to deal with the uncertainty of conditions in the shipping market, in terms of Solidifying Stable Earnings, in the real estate business it is advancing the stable operations of existing buildings and the concentration of assets within the target areas, while in the shipping businesses, it is stabilizing earnings through medium- to long-term contracts. Also, for the Challenges of Next-Generation Business, the Company is researching a new energy-related business, entering-into promising niche markets, and researching next-generation office buildings.

In terms of the specific measures, in the chemical tanker business, it is acquiring more shale-derived cargoes on regular U.S. bound routes, providing high quality services throughout the world, maintaining and expanding market share in the Middle East, and continuously improving its fleet. In the oil tankers and gas carriers businesses, it is focusing on acquiring new contracts including for oceangoing transport and regional shipping LNG, responding to logistical changes due to the shale revolution, responding to diversifying gas cargo transport, continuing high quality ship management and securing competitive advantages. In the dry bulk carriers business, it is aiming to utilize medium- to short-term carriers to build an optimized fleet, accumulate stable earnings through dedicated-carriers for cargo including power-generating coal and wood chip, expand Middle East-related cargo, and diversify the routes for fleet deployment. In the real estate business, the Company’s policy is to continue measures for the target-area strategy based on a long-term viewpoint, provide high quality building management, strengthen the leasing structure, and implement thorough cost management for the Shimbashi Tamura-cho District Urban Redevelopment Project.

2. Targeting net income of ¥7,400mn in FY3/20

The targets in the Mid-term Management Plan for its final fiscal year of FY3/20 include operating profit of ¥9,000mn, recurring profit of ¥7,800mn, profit attributable to owners of parent of ¥7,400mn, net assets of ¥82,500mn, and ROE of approximately 9%. The assumptions for the shipping businesses are an exchange rate of 1 U.S. dollar to ¥110 and a price of fuel oil of 370 U.S. dollar/MT.

The Company is aiming to realize growth while maintaining a balance between profitability (increasing operating profit and cash from operating activities, and realizing sustainable growth), efficiency (improving the efficiency of owned assets, diversifying fund-raising methods, and replacing assets) and financial soundness (accumulating own capital and prioritizing an investment balance). Within the Goals for 2024, which is the 125th anniversary of its foundation, the Company is aiming for net assets of more than ¥100,000mn.

3. Overall, is making steady progress toward achieving the numerical targets

In the consolidated results for FY3/18, which is the first fiscal year of the Mid-term Management Plan, revenue, operating profit, and recurring profit decreased compared to FY3/17, but each of the results, of revenue of ¥81,334mn, operating profit of ¥5,651mn, recurring profit of ¥4,631mn, and profit attributable to owners of parent of ¥4,243mn, exceeded the numerical targets in the Mid-term Management Plan (revenue of ¥80,000mn, operating profit of ¥5,000mn, recurring profit of ¥4,000mn, and profit attributable to owners of parent of ¥3,700mn). Conditions in the chemical tanker market were worse than expected, but there were contributions from factors including that the price of fuel oil (the average for the full fiscal year) was less than expected; that market conditions for the dry bulk carriers, chemical, and coastal departments were better than expected and recovered; that ship repair costs were less than expected; and that the effects began to appear of the cost structural reforms.

For FY3/19, which is the second period of the Mid-term Management Plan, the consolidated results forecasts are for revenue of ¥84,000mn, operating profit of ¥6,200mn, recurring profit of ¥5,000mn, and profit attributable to owners of parent of ¥6,600mn, which means that operating profit and recurring profit will not achieve their numerical targets in the Mid-term Management Plan (revenue of ¥84,000mn, operating profit of ¥7,000mn, recurring profit of ¥6,100mn, and profit attributable to owners of parent of ¥5,800mn). The main factors will be the delay in the recovery of conditions in the chemical tanker market, the slump in the conditions in the large gas carriers market, and also the greater-than-expected rise in the price of fuel oil and the increase in maintenance costs in the real estate business. However, when considering that the expectations for the recovery of conditions in the dry bulk carriers and chemical tankers markets are conservative, and that there is room for the rise in the price of fuel oil to be transferred onto prices, then it can be said that overall, the Company is making steady progress toward achieving the Plan's targets

Trends in key financial indicators

(Units:Yen 100 million)

	FY2017			FY2018		FY2019
	Plan	Result	Difference	Plan	Forecast	Plan
Revenue	800	813	+13	840	840	890
Operating Profit	50	57	+7	70	62	90
Shipping	17	24	+7	35	31	50
Real Estate	33	33	0	35	31	40
Recurring Profit	40	46	+6	61	50	78
Net Income	37	42	+5	58	66	74
Net Assets	718	691	▲ 27	763	746	825
ROE	abt.5%	6.2%	+1.2%	abt.8%	9.3%	abt.9%
D/E Ratio*1	1.6-2.0	1.67	Achieve	1.6-2.0	1.62	1.5-2.0
[Assumptions]						
Exchange Rate(Yen/$)	110	111	+1	110	110	110
Bunker Price($/MT)	370	337	▲ 33	370	410	370
Panamax($/day)*2	6,000	10,047	+4,047	7,000	9,500	9,000
Smallhandy($/day)*2	5,250	7,543	+2,293	5,500	8,500	6,000
EBITDA	140	146	+6	170	153	190
EBITDA/Total Assets	6% Level	7.1%	Achieve	7% Level	7.1%	8%Level

*1 Interest Bearing Debt / Own Capital
*2 FY17 Pacific Round Result (Source:Tramp Date Service)

Source: The Company's results briefing materials

4. Also making steady progress for the priority strengthening measures

The Company would also seem to be making steady progress in the priority strengthening measures it sets out in the Mid-term Management Plan (Pursuing Greater Business Differentiation, Solidifying Stable Earnings, and Challenges of Next-Generation Business).

With regards to Pursuing Greater Business Differentiation, in the shipping business for chemical tankers, it has acquired two new time charter contracts and three new COA. In October 2017, it concluded a time charter contract to transport methanol for Methanol Holdings (Trinidad) Ltd., a Trinidad and Tobago company that is one of the world's leading methanol manufacturing companies. In coastal and regional transport, it deployed one newly built regional shipping LPG carrier for a major Japanese chemical products manufacturer. In the real estate business, the Shimbashi Tamura-cho District Urban Redevelopment Project made a fully-fledged start, and the construction work is scheduled to be completed in March 2021.

For Solidifying Stable Earnings, for oil tankers in the shipping business, the Company deployed 1 newly built VLCC for an oil company. In coastal and regional transport, it renewed four time charter contracts on favorable terms, and it deployed one newly built ship for a petrochemical manufacturer. In dry bulk carriers, it acquired three medium- to long-term contracts, including a dedicated vessel contract with Tohoku Electric Power.

For the Challenges of Next-Generation Business, it has concluded a time charter contract for a newly built methanol-fueled vessel for Waterfront Shipping Company Ltd., which is a shipping company that is wholly owned by Methanex Corp, the world's largest methanol producer. The vessel is to be constructed (scheduled for completion in FY3/20) equipped with a dual-fuel engine as the primary engine (heavy oil and methanol), which will be the Company's first. Also, for its regional shipping LNG vessels, it has started demand surveys for LNG fuel ships and an LNG bunkering ships.

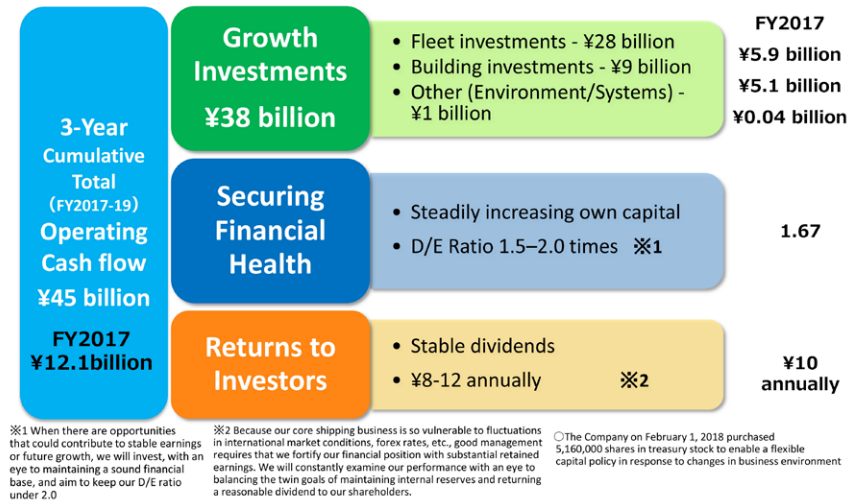
5. Total three-year investment in growth of ¥38,000mn

In the Mid-term Management Plan, the Company sets out the total three-year investment in growth of ¥38,000mn. Breaking this down, it will invest ¥28,000mn in ships, ¥9,000mn in buildings and ¥1,000mn in other items (including the environment and systems).

In FY3/18, it invested ¥5,900mn in ships, ¥5,100mn in buildings (to acquire partial equity interest in the NS Toranomon Building), and ¥400mn in other items.

On February 1, 2018, the Company acquired 5,160,000 treasury shares on the Tokyo Stock Exchange Trading NeTwork-3 (ToSTNeT-3). The acquisition amount was approximately ¥3,200mn.

Cash flow plan and returning profits to shareholders



Source: The Company's results briefing materials

Investment plans

OWNED

Figure in red represents medium- to long-term contract that has already been obtained

	FY2017	FY2018	FY2019
Large Gas Carrier		82,200M³ ×1	
Chemical Tanker	35,000DWT ×1	35,000DWT ×2	
Oil Tanker			310,000DWT ×1
Regional Shipping			1,820M³ ×1
Real Estate	Acquirement of NS Toranomon Building		

CHARTERED

	FY2017	FY2018	FY2019
Chimical Tanker	35,000DWT ×1 22,000DWT ×1	38,000DWT ×2 35,000DWT ×1 21,000DWT ×2	49,000DWT ×1 19,950DWT ×1
Dry Bulk Carrier	88,000DWT ×1 37,000DWT ×1		

※After FY2020, oil tankers, dry bulk carriers and regional ships will be built.
At the end of March 2021, The building will be built in Shimbashi Tamura-cho District Urban Redevelopment Project.

Source: The Company's results briefing materials

6. No change to its policy of realizing a growth scenario on the twin axes of the shipping businesses and the real estate business, and earnings are expected to grow in the medium term

There has been change to the Company's policy of aiming to realize sustainable, stable growth on the twin axes of the shipping businesses and the real estate business. In the shipping businesses, it is aiming to expand its share of the chemical tanker market, while from FY3/19 onwards, in addition to the growth of the global economy, the market conditions are expected to benefit from the fact that shale-derived cargo originating from the United States will become fully fledged. Also, while there are concerns about the effects of the intensification of trade friction between the United States and China, the Company's mainstay business is chemical tankers originating from the Middle East, and therefore it is considered that the direct effects of this will be small. In the real estate business, it will accelerate the area-target strategy, and earnings are expected to grow in the medium term.

Shareholder return policy

Aims for a stable annual dividend of ¥8 to ¥12

As the results in the shipping businesses are greatly influenced by trends in market conditions and FOREX rates, the Company's basic policy for the distribution of profits is to continuously pay a dividend while also strengthening its financial structure and supplementing the internal reserves it will need, while giving full consideration to the prospects for the business environment in the future. Also, it intends to supplement the funds for internal reserves in order to invest in strategic fields in the shipping businesses and excellent properties in the real estate business, to maintain and improve the fleet and buildings, and to enter-into promising businesses.

Based on this basic policy, the FY3/18 dividend per share was an annual dividend of ¥10 (interim dividend of ¥5 and period-end dividend of ¥5), which is the same as in the previous fiscal year. The consolidated dividend payout ratio was 26.0%. The FY3/19 dividend forecast is once again for an annual dividend of ¥10 (interim dividend of ¥5 and period-end dividend of ¥5). The consolidated dividend payout ratio forecast is 16.0%.

In the Mid-term Management Plan, the Company sets the target of a three-year cumulative operating cash flow of ¥45,000mn, investment in growth of ¥38,000mn, and a D/E Ratio (Debt Equity Ratio) of 1.5-2.0 times. It is also aiming to stably paying an annual dividend of ¥8 to ¥12 to return profits to shareholders.

Information security

Continuous measures from the formulation and review of regulations

In a situation in which large-scale cyber attacks against companies are increasing and interest in companies' information security measures is rising, the Company is aware that conducting informaton security and appropriately protecting its information assets are one of its most important management issues. Therefore, it has formulated an information security policy and information security-related regulations.

Also, together with IINO Systems Co., Ltd., a subsidiary that is responsible for systems development, maintenance, and management for the Group, in addition to restricting Web access, the Group as a whole is implementing various information security measures, including conducting risk managment response checks and regularly reporting to the Risk Management Committee. Moreover, the Company plans to review and revise the various regulations within the Group, taking into account the most recent conditions.

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