

**MOL**

Mitsui O.S.K. Lines



# Onward

The Next 130 Years

Annual Report 2015

Year ended March 31, 2015

# Onward

## The Next 130 Years

In fiscal 2014, MOL marked its 130th anniversary and initiated its midterm management plan "STEER FOR 2020," under which the Company is making great strides toward the next 130 years by innovating its business portfolio, business model and business domain.

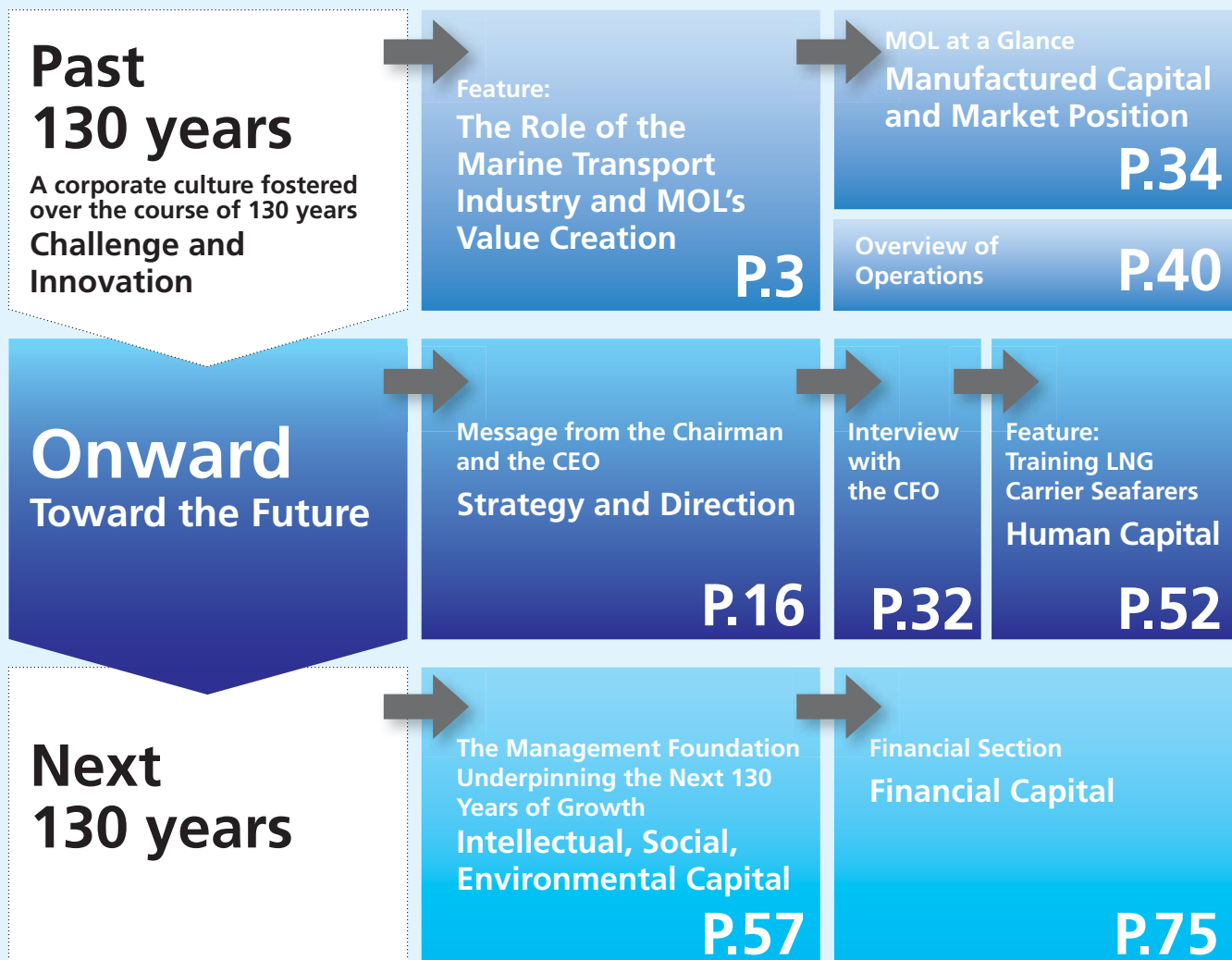
### MOL GROUP CORPORATE PRINCIPLES

As a multi-modal transport group, we will actively seize opportunities that contribute to global economic growth and development by meeting and responding to our customers' needs and to this new era.

We will strive to maximize corporate value by always being creative, continually pursuing higher operating efficiency and promoting an open and visible management style that is guided by the highest ethical and social standards.

We will promote and protect our environment by maintaining strict, safe operation and navigation standards.

### Layout and Contents of Annual Report 2015



## Contents

### Value Creation

<b>Feature: The Role of the Marine Transport Industry and MOL's Value Creation .....</b>	<b>3</b>
--	----------

### Management Strategy

<b>Message from the Chairman.....</b>	<b>16</b>
<b>Message from the CEO .....</b>	<b>22</b>
Financial Highlights .....	28
Key Indicators .....	30
<b>Interview with the CFO .....</b>	<b>32</b>

### Manufactured Capital

<b>MOL at a Glance .....</b>	<b>34</b>
<b>Market Position in the Industry ....</b>	<b>38</b>
<b>Overview of Operations.....</b>	<b>40</b>

### Human Capital

<b>Feature: Training LNG Carrier Seafarers.....</b>	<b>52</b>
Safe Operation .....	55

### Intellectual, Social, Environmental Capital

<b>The Management Foundation Underpinning MOL .....</b>	<b>57</b>
Board of Directors, Corporate Auditors and Executive Officers .....	58
Outside Director and Corporate Auditor Roundtable Discussion .....	60
Corporate Governance.....	64
Risk Management .....	68
Corporate Social Responsibility (CSR) .....	70
<b>Glossary .....</b>	<b>74</b>

### Financial Capital

<b>Financial Section .....</b>	<b>75</b>
The MOL Group.....	112
Worldwide Offices .....	114
Shareholder Information.....	115

### Editorial Policy

In this annual report, we have included a main feature explaining the characteristics and social significance of the marine transport industry as well as how MOL aims to create value. We have also included an additional feature about training LNG carrier seafarers, one of the issues related to successfully implementing the midterm management plan "STEER FOR 2020." In addition, we strove to ensure readers fully understand MOL's strategies as the Company sails ahead toward the next 130 years, using the international integrated reporting framework as a reference to explain long-term value creation.

### MOL's Communication Tools

MOL produces the following publications as a means of promoting communication with stakeholders: The latest versions of all reports can be found on our website.

▶ <http://www.mol.co.jp/ir-e/> Annual Report  
Investor Guidebook  
Market Data

▶ <http://www.mol.co.jp/csr-e/> Safety, Environmental and Social Report

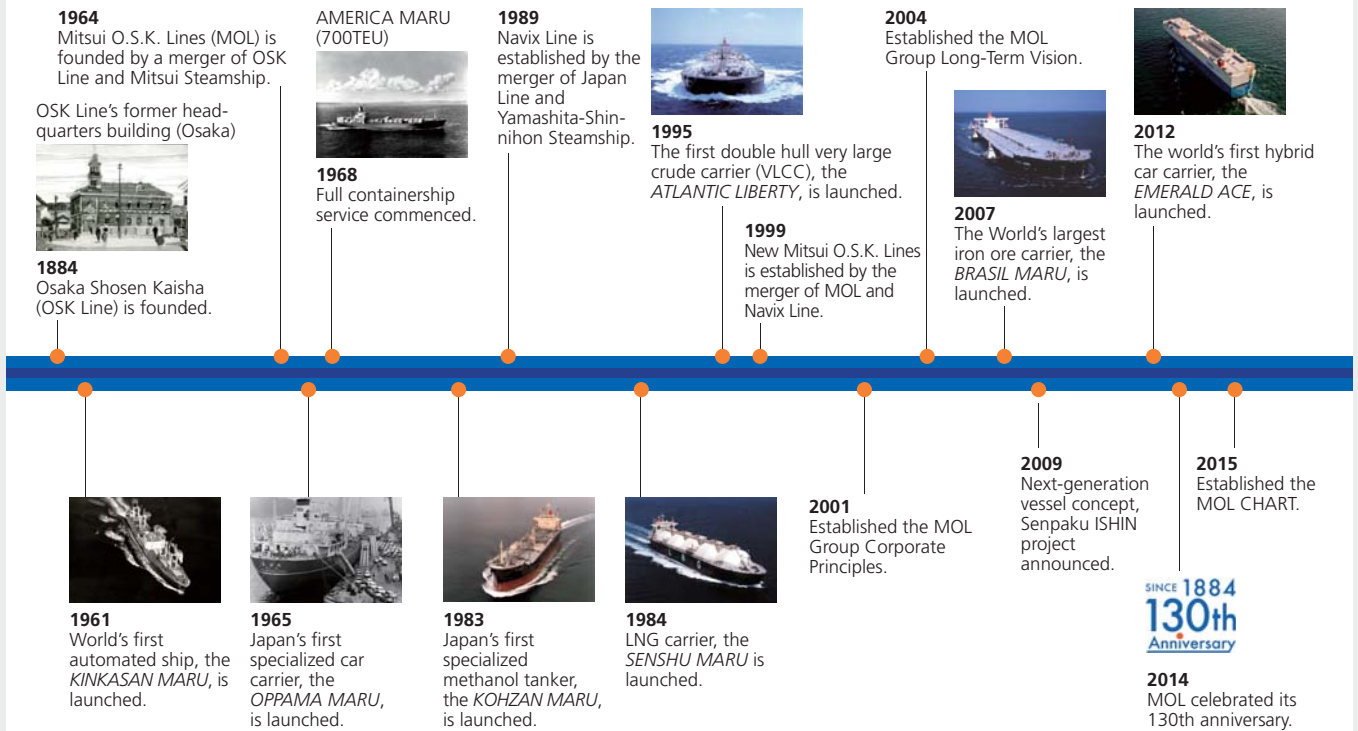
### Forward-Looking Statements

This annual report contains forward-looking statements concerning MOL's future plans, strategies and performance. These statements represent assumptions and beliefs based on information currently<sup>(\*)</sup> available and are not historical facts. Furthermore, forward-looking statements are subject to a number of risks and uncertainties that include, but are not limited to, economic conditions, worldwide competition in the shipping industry, customer demand, foreign currency exchange rates, price of bunker, tax laws and other regulations. MOL therefore cautions readers that actual results may differ materially from these predictions.

(\*)As of June 23, 2015 unless otherwise specified.



## MOL's 130 years: Challenge and Innovation



MOL has been navigating the oceans for over 130 years. During this time, MOL has grown into the world's largest full-line marine transport group by anticipating the needs of its customers and the demands of the future, while overcoming various challenges along the way. What has supported us has been our "spirit of challenge and innovation." What we have gained is the trust of our customers and other stakeholders. Making use of these irreplaceable assets, we will achieve "solid growth through innovative changes" as outlined in the midterm management plan and maintain course into the next 130 years.

### Long-Term Vision

**To make the MOL Group an excellent and resilient organization that leads the world shipping industry**

#### What is MOL CHART?

MOL CHART represents the values that are to be shared by all members of the MOL Group worldwide. These values shall be common guidelines to pursue the best course of action for the highest quality of output for our stakeholders and to achieve MOL's corporate goal and long term vision.



## Challenge

Innovate through insight

## Honesty

Do the right thing

## Accountability

Commit to acting with a sense of ownership

## Reliability

Gain the trust of customers

## Teamwork

Build a strong team





What you should  
know about

# Shipping & MOL

**Feature: The Role of the Marine Transport Industry  
and MOL's Value Creation**

This year's special feature is dedicated to explaining the marine transport industry. Globally, seaborne trade exceeded 1.4 tons per person in 2013. Despite the indispensable role it plays in everyday life, many people don't understand marine shipping that well. We hope the five questions and answers in this section will prove helpful, providing shareholders, investors and all our other stakeholders with a deeper understanding of the significance of the marine transport industry in society and how MOL creates value.

- Q1. What is marine transport?**
- Q2. What are the important types of ships?**
- Q3. Is marine transport a cyclical industry?**
- Q4. Is bigger always better?**
- Q5. Besides overall market conditions, what other risks confront the industry?**

Question

# What is marine transport ?



## The social significance of the marine transport industry and MOL

### Answer 1

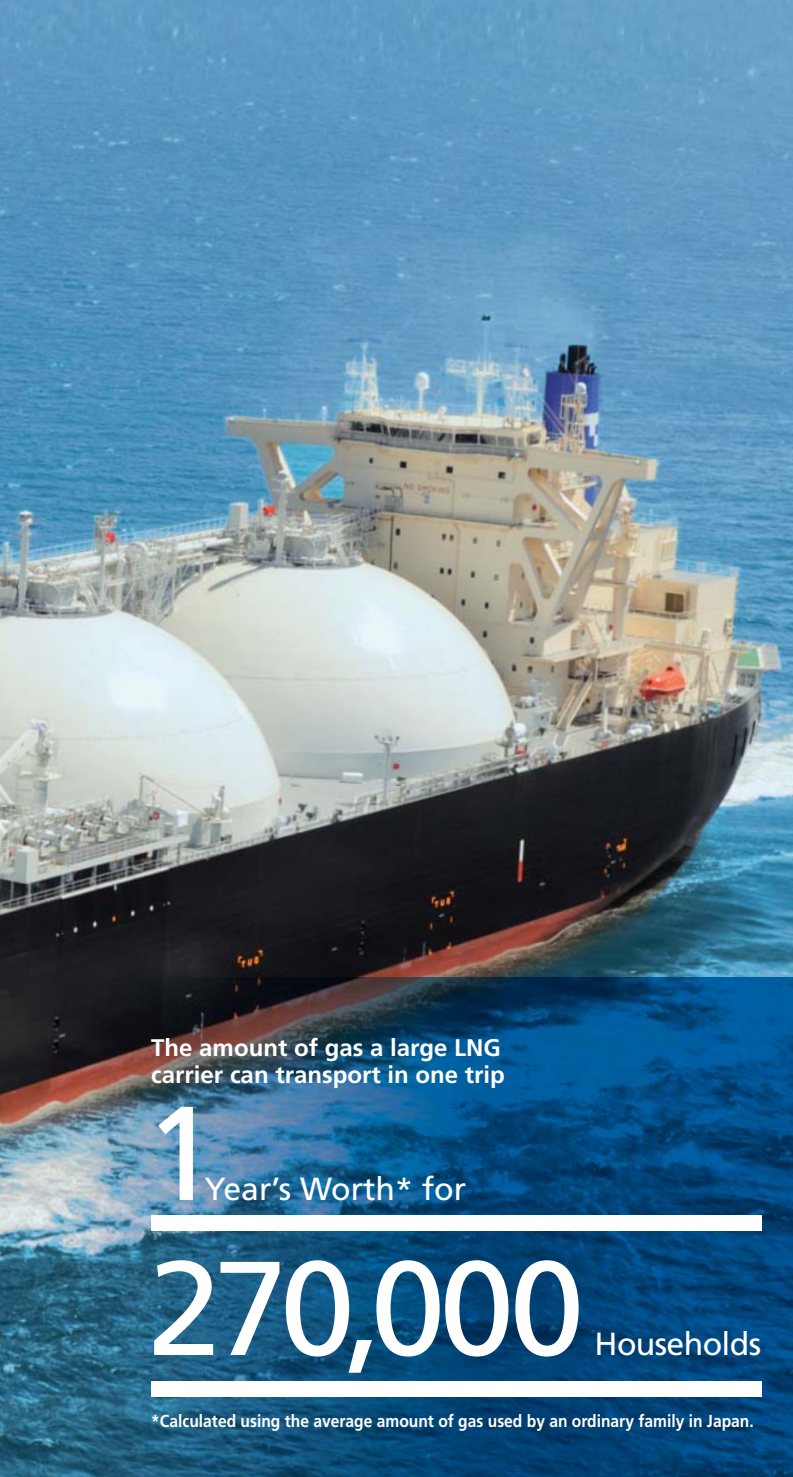
Look around. A surprising amount of what you see—from the food and clothes inside the store where you're standing to the cars outside in the parking lot, the oil that fuels them, and the coal and natural gas that provide the electricity to keep the lights on overhead—was transported by ship. Marine transport has long been recognized as essential to bulk transport over great distances. Compared with the alternatives, shipping is especially cost effective for bulk, long-distance cargo. Indeed, most natural resources and energy sources are transported by ship as producers need to transport items like petroleum, coal, LPG, iron ore

and wood chips in bulk volumes at low cost.

Modern container shipping was introduced in the 1950s to facilitate the trade of food, electric appliances and other consumer goods. Loading cargo into standardized metal boxes for shipping proved revolutionary. Container shipping mechanized the loading and unloading of cargo, which had previously relied heavily on manual labor, and enabled a streamlined transport system spanning sea and land. As a result, shipping was able to reliably connect production sites with consumers separated by vast distances at lower cost. Beginning in 1970, container shipping began expanding at a rate greatly in excess of global economic growth, accelerating the development of global supply chains.

Though largely invisible—ships don't need tracks or roads—marine transport serves as indispensable



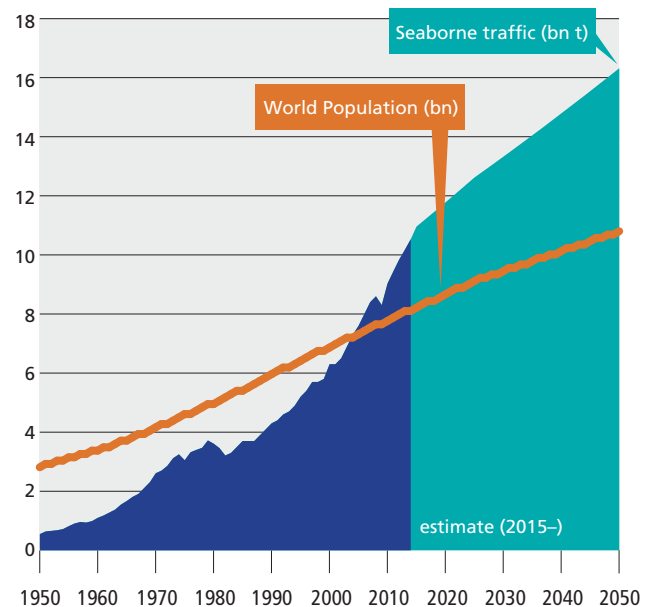


The amount of gas a large LNG carrier can transport in one trip

1 Year's Worth\* for  
**270,000** Households

\*Calculated using the average amount of gas used by an ordinary family in Japan.

### World Population & Global Seaborne Traffic



Source: World population=UN, Seaborne traffic=Fearnley/ Clarkson (-2014), MOL estimation based on assumption that the trend of traffic per capita in the past continues in the future (2015-)

infrastructure supporting the global economy. The world's manufacturing base has shifted from the United States and Japan, to Southeast Asia, China and Latin America. This is expanding and diversifying the trade flows of materials, components and finished products. More and more countries, and the people living in them, have begun participating in the rich bounty of global trade. Fifty years ago in 1965, the global population was 3.3 billion and global seaborne trade was 1.7 billion tons, which means there was around half a ton of cargo per person. Seaborne trade has since outpaced population growth. In 2000, the population increased to 6.1 billion, but seaborne trade grew even faster to 6.3 billion tons, surpassing one ton per person. In 2013, seaborne trade exceeded 1.4 tons per person, and the gap is only continuing to widen.

MOL's more than 130 years of history is the history of modern marine transport. We transport cargo in step with expanding seaborne trade to contribute to the development of the global economy and support people's lives. While advancing by adapting our businesses to the changing business environment, MOL fulfills the social responsibility of marine transport. As we continue to do this, we will further enhance the tangible and intangible assets MOL has accumulated, including our diverse fleet of vessels, the human resources supporting safe operations, our ability to anticipate transport demand and customer needs, the trust placed in us by stakeholders, our solid financial foundation and earnings power. This is MOL's value creation model. We will continue to create new value by continuing to transport cargo globally for the next 130 years.



## Types of commercial vessels and MOL's portfolio

### Answer 2

Ships have evolved to transport a wide variety of cargo efficiently. Through innovation, conventional designs for multipurpose cargo ships have been adapted with structures optimized to transport specific types of cargo. Adaptation has resulted in crude oil tankers; bulk carriers for iron ore, coal, wood chips and other dry bulk cargoes; container ships to transport clothes, household goods, appliances and other manufactured goods; and car carriers for completed vehicles. LNG carriers, which transport natural gas that has been cooled to minus 162 degrees Celsius to liquefy it, are a relatively recent arrival. Of

course, there are also ships that transport passengers and MOL's fleet includes ferries that can simultaneously transport automobiles and trucks, as well as a cruise ship featuring an array of facilities, from a pool to a movie theater, to make voyages more enjoyable.

As a full-line marine transport group, MOL currently operates a wide range of ships. This is an upshot of the strong link between our business and the growth of the Japanese economy. Shipping was vital for resource-poor Japan to become a major trading country, importing resources from overseas and manufacturing value added products for export. MOL drew upon the growth of the Japanese economy and grew in tandem by supporting imports and exports. For example, we readied dry bulkers to

### Question

What are the important types of ships?



import iron ore and coal, and expanded our tanker fleet to transport crude oil in the economic boom period following WWII. When the Japanese auto industry expanded exports, we readied car carriers and supported the industry's bulk transport.

Since then, with the overseas shift of our client companies and the rise of emerging countries, the global level of trade to and from Japan has been in relative decline. Simultaneously, we have allocated more vessels to countries and regions outside of Japan. The knowhow and fleet composition attained through trade with Japanese companies over many years is also perfectly suited to the transport demands of emerging countries. At present, as trade structures diversify, we provide a broad spectrum of services to meet marine transport needs around the

world. In addition, as a full-line marine transport group active around the globe, MOL is able to diversify its risk. Should the trade volume of one type of cargo temporarily drop due to economic conditions or global events, we are better able to mitigate the impact on the Company's overall earnings and financial strength.

MOL has a diverse portfolio comprising 411 dry bulkers, the world's largest dry bulk fleet; 176 tankers to transport crude oil and petroleum products; 67 LNG carriers; 127 car carriers; 118 container-ships; and 48 other vessels, such as ferries, domestic transport vessels and a cruise ship. This constitutes the world's largest fleet for a full-line marine transport group.

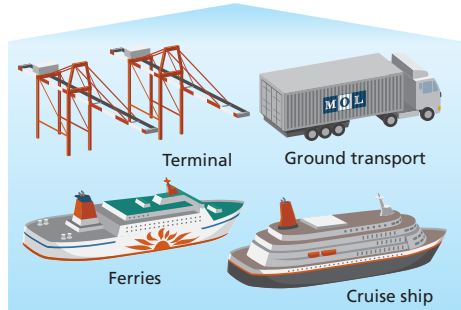
MOL's fleet

**947** Vessels

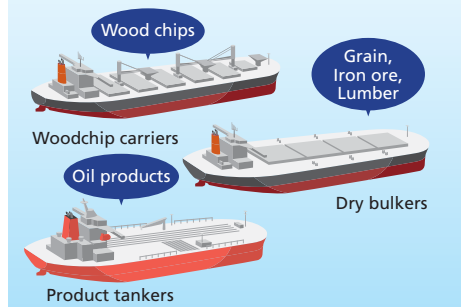
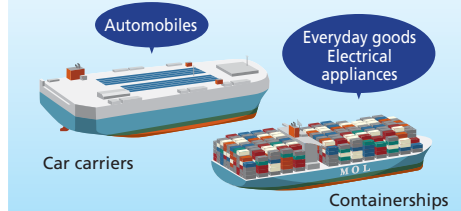
As of March 31, 2015

## MOL's Fleet Portfolio

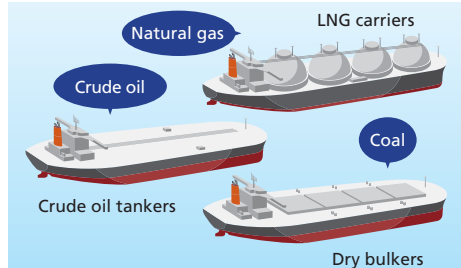
### Products/ passengers



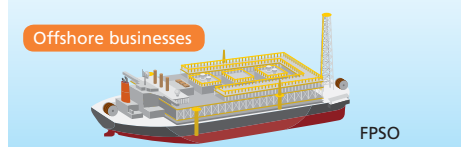
### Raw materials



### Energy



### Offshore businesses







## Question

# Is marine transport a cyclical industry ?

### Characteristics of the marine transport industry and MOL's business model

## Answer 3

One noteworthy characteristic of the international marine transport industry is that it conducts business on a single global market. Unlike real estate or other fixed assets, vessels can move freely across oceans. They're globally mobile and fairly liquid. In addition, due to the principle of freedom of the seas, there are virtually no barriers to entry in terms of national regulations. Accordingly, the industry is market driven toward reestablishing equilibrium. When global cargo flows outpace the supply of ves-

sels, freight and charter rates soar; but when cargo flows decline or fail to keep pace with vessel supply, freight and charter rates fall. This is why the marine transport industry is considered a cyclical industry. It is governed by economic principles and strongly influenced by the various factors that cause the global economy to fluctuate. To generate profits in this kind of industry, companies need to possess the foresight to procure vessels one step ahead of market surges as well as the ability to improve profitability under the complete range of market conditions. MOL makes full use of the business intelligence base it cultivates as a full-line marine transport group, optimizes the duration of vessel procurement and service, and has the knowhow to realize efficient operations.



Highly Stable Profits

# ¥55 Billion\*

\*Outlook for Fiscal 2015 (as of April 30, 2015)  
 Outlook for Ordinary Income in Fiscal 2015: ¥60 billion  
 (Highly Stable Profits of ¥55 billion + Other Income of ¥5 billion)



On the other hand, it is because marine transport is a cyclical industry that both customers and marine transport companies want to limit the risks from market volatility associated with freight and charter rates. Customers want to conclude long-term transport contracts at steady prices with reliable marine transport companies. Marine transport companies can expect, with certainty, to recover their expensive asset investments in vessels by concluding contracts that generate stable profits over the long-term. Connecting both these aims, MOL's strength lies in its ability to offer services and optimally sized vessels aligned with customer needs, its solid financial standing, and its track record of safe operations. Globally, it is actually rare for a marine transport company to have as many long-term contracts as MOL has secured.

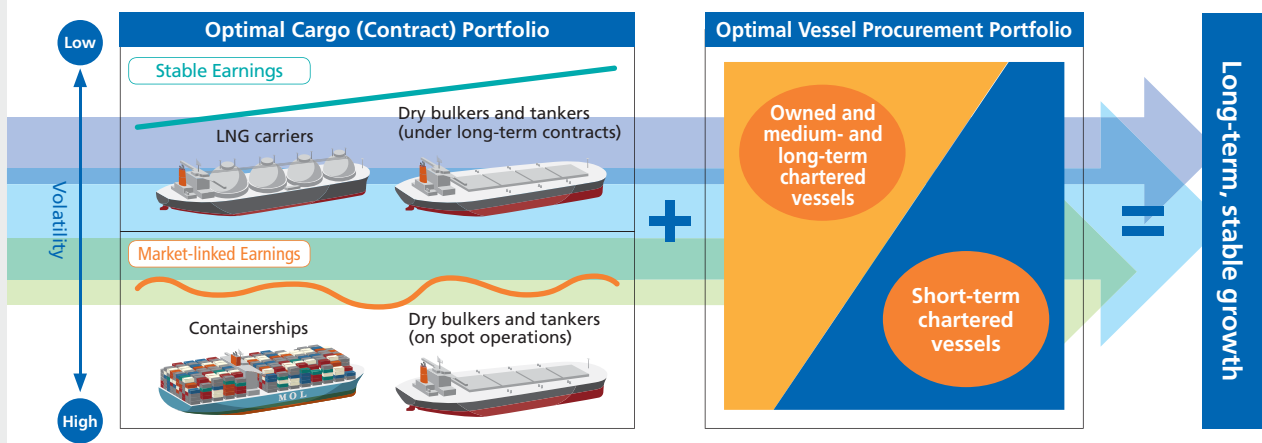
In the mid 2000s, thanks to the vessels it had ordered in advance, MOL was able to take advantage of bullish market conditions as China rapidly expanded its imports of natural resources. Subsequently, however, a sudden turn in the supply-demand environment left us exposed to spot market conditions and restrained by an oversupply of vessels in operation. We are currently correcting this by further shifting investments to accumulate stable profits through medium- to long-term contracts and reducing MOL's market exposure.

Over its more-than-130-year history, MOL has frequently experienced the undulations of the market. In marine transport, which is both a cyclical industry and a growth industry, we continue to aim for sustainable growth while mitigating the impact of market fluctuations by securing an appropriate contract portfolio.



Underlined words are explained in the Glossary on page 74.

## A portfolio to achieve long-term, stable growth





## Question

# Is bigger always better?



### The pursuit of economies of scale in bulk transport and MOL's strategy

## Answer 4

The history of marine transport is also the history of bigger and bigger ships. This is understandable. The lower operating costs per weight unit and distance unit achieved by large-volume shipping are beneficial for both marine transport companies and their customers. In terms of economic efficiency, bigger ships are better in many respects. Marine transport is the most economical and environmentally friendly mode of transport, considering CO<sub>2</sub> emissions and fuel consumption in terms of weight of cargo transported and distance traveled. Larger ships further enhance this advantage. Nearly every type of cargo ship has gotten larger over time. Ships traveling through transport

routes like the Panama and Suez canals, which restrict the maximum length and draft of a ship, have increased to the very limit in size. Most other ships have gotten even larger.

MOL has decided to launch six of the world's largest containerships, which are each capable of carrying 20,000 containers of twenty-foot equivalent units (TEU), on the Asia-Europe route in 2017. Our aim is clear: to lower transport costs per container by increasing the size of the ship. Although many ultra-large containerships of 18,000 TEU or more have recently been launched on the same route, MOL's new containerships will be highly competitive with expanded carrying capacity and more efficient engines. As for further increasing the size of containerships, it seems that we have reached the upper limit with these vessels due to the transit restrictions of the Suez Canal.

On the other hand, larger vessels are not always

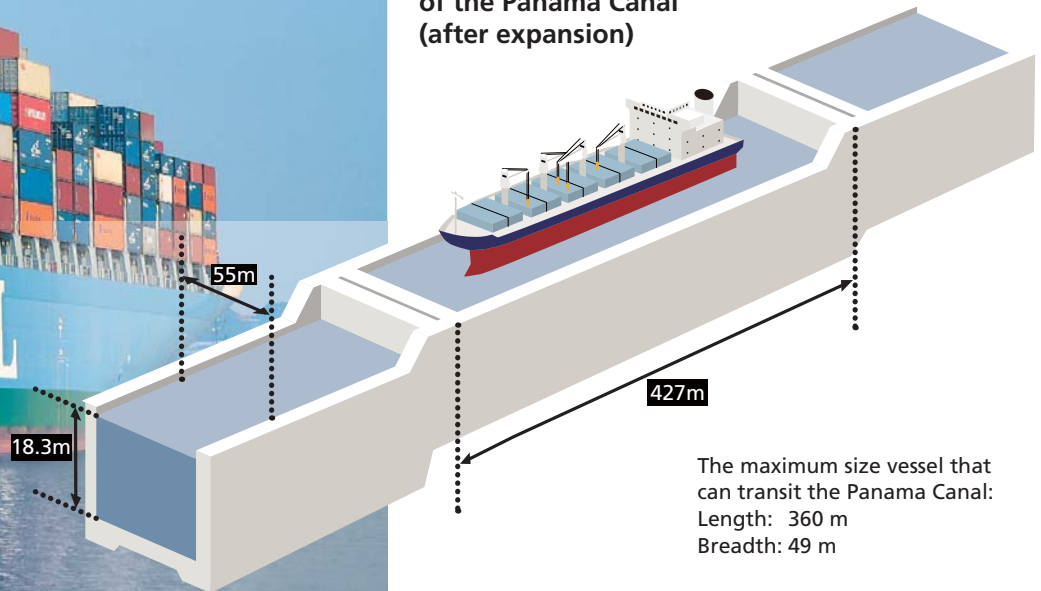
# 20,000 Containers\*

# 120 km\*\*

\*Capacity of the world's largest containerships, which MOL is currently building, in twenty-foot equivalent unit (TEU) containers.  
\*\*The total length of a ship's containers when aligned in a row



### The transit restriction of the Panama Canal (after expansion)



the most logical choice. Crude oil tankers were at the forefront of the trend toward larger vessels and some decades ago saw the appearance of what were known as ultra-large crude carriers (ULCCs) capable of transporting 400,000 to 500,000 deadweight tons (DWT). However, ULCCs have since faded away. Currently the largest vessel size is the 300,000-DWT class very large crude carrier (VLCC). The reason lies in versatility. Companies need to decide on vessel size by carefully weighing the benefits afforded by larger size against greater compatibility in various sea lanes and ports across the globe. The size of potential ports and the ability to transit straits must always be taken into account, something which applies to other vessel types as well.

There are also other considerations. In car carriers, the overall trend in increasing size is continuing with the planned expansion of the Panama Canal in 2016.

Yet, we decided to construct new vessels with roughly the same external dimensions as our existing standard size vessels that hold 6,400 vehicles, though we found ways to increase actual capacity to 6,800 vehicles on the new vessels. In light of how automakers are trying to optimally site production around the world, we prioritized the flexibility provided by a standard-size fleet.

Customer convenience can also be a factor in the decision not to choose larger vessels. We develop iron ore carriers customized for each customer's port, with the intention of providing optimal solutions that balance carrying capacity and convenience.

The MOL Group Corporate Principles reflect this need to optimize flexibility, convenience and the economic efficiency of larger vessels as the Company strives to meet and respond to customers' needs and to this new era.





## Question

Besides overall market conditions, what other risks confront the industry ?

### Other risks and MOL's safe operation system

#### Answer 5

Other market risks facing the marine transport industry include fluctuations in exchange rates, interest rates and bunker prices. These market risks directly impact profitability, but other risks related to vessel operations can affect not only profitability but also the trust gained from customers and society. Ocean-faring vessels must always be on guard against the risk of a marine incident, which might lead to ocean pollution, arising from adverse weather or other unforeseen circumstances. Ships may also be exposed to geopolitical risks, such as encountering war zones, terrorists, and pirates among other threats.

For example, it takes roughly three weeks to

transport crude oil in a VLCC from the Middle East to Japan or another Asian country. Depending on the loading port, the VLCC departs from the Persian Gulf and transits the Strait of Hormuz, or departs from the Red Sea and passes through the Gulf of Aden. After traversing the Indian Ocean, she then must transit the Strait of Malacca between the Malay Peninsula and the island of Sumatra. The Middle East is fraught with political instability, and the Gulf of Aden, Indian Ocean and Strait of Malacca are treacherous areas plagued with pirates. Moreover, there are also encounters with adverse weather, super typhoons and other abnormal weather phenomena that seem to be increasing in intensity each year. Amid this challenging environment, to safely transport cargo and live up to the trust placed in us by customers and the rest of society, we need to be more vigilant than ever.





The number of tropical storm alerts sent out to ships (Results in 2014)

**17,349** Alerts

View a video introducing MOL's measures to enhance safe operation.



## FOUR ZEROES

This is MOL's unwavering goal of achieving the world's safest operations.

# 4 ZEROES

Forge ahead to become "the world leader in safe operation"

zero  
fatal  
accidents

zero  
serious  
marine  
incidents

zero  
oil  
pollution

zero  
cargo  
damage

MOL

MOL is committed to ensuring thoroughly safe operations through various initiatives, beginning with the recruitment and training of excellent seafarers. (See the special feature on p. 52.) But what makes MOL stand out in its response to the hazards of marine transport, including the aforementioned risks, is its Safety Operation Supporting Center (SOSC). The center monitors the position and movement of MOL-operated vessels as well as weather and ocean conditions in real time, supplying invaluable information to relevant personnel onboard and on land. The SOSC is staffed at all times by two marine technical specialists, including an experienced MOL captain, and supports the safe navigation of about 900 MOL Group-affiliated vessels around the clock 365 days a year. They provide assistance from the captain's perspective, supplying information gathered on weather and

ocean conditions (including abnormal weather and tsunamis) and security threats (including piracy and terrorism) to the relevant personnel. As onboard equipment becomes increasingly sophisticated, engineers may during operations encounter situations not described in the manuals. Captains and navigators may encounter unexpected weather phenomena. In these instances, the knowledge and judgment of an experienced MOL captain is invaluable. Recently, as political instability, abnormal weather conditions and other uncertainties intensify, transport technology continues to increase in sophistication, with LNG carriers being the most representative example. The slogan of the SOSC is: "The captain must never feel alone" The center provides robust support for seafarers working on the open ocean and underpins the safe operations of MOL-operated vessels day and night.





# Strategy and



Contents

- 16** Message from the Chairman
- 22** Message from the CEO
- 28** Financial Highlights
- 30** Key Indicators
- 32** Interview with the CFO



# Direction



# *Maintain course, Full speed ahead*

“We have concluded the first year of the midterm management plan ‘STEER FOR 2020,’ which was crafted with the intention of adjusting the Company’s rudder to head for our desired course in 2020. I’ve been at the helm of MOL for the past five years as president but have now decided to hand over management duties to the new president, Junichiro Ikeda. In my new role as Chairman of the Board of Directors, I am in a position where I can strengthen governance and support management. I will support President Ikeda’s leadership as he continues uniting the Company’s comprehensive strengths to solve the issues that face us and to reinforce sustainable growth.”



## Progress Made in the First Year of the Midterm Management Plan and Subsequent Evaluation of Results



**Fiscal 2014 was the first year of “STEER FOR 2020,” which centered on solid growth through innovative changes. Please tell us about the progress of the overall strategies and your evaluation of the results.**

### **Although we did not achieve the targets for our financial results, I’d say we got off to a good start in line with the general direction of the strategies.**

Solid growth through innovative change, the main theme of “STEER FOR 2020,” refers to moving away from business dependent on strong markets and instead accumulating long-term and stable profits to contribute to solid growth. To achieve these aims, our main strategies are the Three Innovations: Innovation of Business Portfolio, Innovation of Business Model and Innovation of Business Domain.

The core of these strategies is Innovation of Business Portfolio. The aim of this strategy is to allocate management resources to fields where we expect to secure strong growth and long-term, stable profits, especially to LNG carriers and offshore businesses. In fiscal 2014, we made great strides toward achieving our goals, especially in LNG carriers, where we secured new long-term contracts for 10 vessels. Under the plan, we aimed to increase the size of MOL’s LNG carrier fleet from 67 vessels at the end of fiscal 2013 to 120 by the end of fiscal 2019. Including those under construction, our fleet has grown to 92 vessels as of the end of fiscal 2014. Another major accomplishment was securing a long-term contract for six very large ethane carriers, a new field.

With the second strategy—Innovation of Business Model—we aim to rein in effects from market volatility and build a corporate structure that can record solid profits regardless of market conditions. To do this, we are reducing market exposure in dry

bulkers and tankers as we transform our fleet for higher market tolerability and competitiveness while also continuing to focus efforts on transport fields, where we provide added value in response to customer needs. Market exposure is being reduced mostly according to the plan. With small and medium-sized dry bulkers, we are beginning to establish a business model where we don’t own a large number of ships and try to slot in cargo, but instead first secure cargo and then ready the necessary vessels, including short-term chartered ships. We are also making solid progress in strengthening our cost competitiveness, including the disposal of unprofitable vessels.

Turning to Innovation of Business Domain, in which we outlined expanding our business domain to both the upstream and downstream of marine transport, we secured a long-term contract for one FPSO and entered the shuttle tanker business by establishing a joint venture with Viken Shipping. And as for the container terminal business, the automated terminal at the Port of Los Angeles began operations in November 2014. Another accomplishment was launching a joint venture with the Synergy Group in India to begin external sales of our ship management knowhow.

Although we were able to rack up solid accomplishments in line with the general direction of the overall strategies in this way, we unfortunately fell 27% short of our originally planned target of ¥70.0 billion in consolidated ordinary income for fiscal 2014, instead recording ¥51.3 billion.



Underlined words are explained in the Glossary on page 74.



## What were the factors that kept the Company from attaining the financial targets?

### **The biggest factor was the inability of containerships to turn a profit**

In bulkships, while the dry bulk market stagnated, tankers saw a lot of activity beginning in autumn last year due to the low price of oil. Supported by hefty, stable profits, the segment as a whole posted profits at about the level originally forecast. The primary reason we did not meet the target despite strong tailwinds from the weak yen and lower bunker prices was containerships. Containerships not only failed to turn a profit, it actually widened its losses from the previous fiscal year and even performed more poorly than some other containership companies.

Port congestion on the U.S. West Coast and within Asia hurt revenues across the industry, but the following detrimental factors were unique to MOL. As Brazil's economy stalled due to lower natural resource prices, cargo flows stagnated on the Asia-South America route, in which MOL had been leveraging its historically superior presence. This pushed down freight revenues from the route. The commencement of operations of the automated terminal at the Port of Los Angeles was delayed about half a year from schedule. In addition, we incurred wide losses on bunker price hedges placed at the beginning of the fiscal year.

## Effects from the Changing Business Environment and the Falling Prices of Crude Oil and Natural Resources



## Considering the assumptions about the business environment at the time “STEER FOR 2020” was formulated, do you think revisions are necessary due to subsequent changes in the business environment?

### **I believe that, regardless of the short-term market conditions, we must respond by calmly assessing the situation without losing sight of the big picture.**

Our understanding of the business environment provided the basis for the formulation of the midterm management plan. These assumptions can be divided into the short-term environment and the medium- to long-term environment. The short-term business environment (essentially foreign exchange rates, bunker prices, and marine transport markets for each vessel type) did not progress quite as expected. However, the medium- to long-term environment, which formed the basis for focusing on solid growth through innovative changes, proceeded just as we expected. There was a surplus of ship-building facilities, and demand rose for transporting new energy sources. I think we need to calmly observe major trends and respond with resolute

direction, without losing sight of the big picture due to short-term changes in the environment.

The drop in crude oil prices led to lower fuel prices and simultaneously lifted the tanker market due to increased trade, including demand for reserves, of crude oil and refined petroleum products. The additional trade provided strong tailwinds for the Company's operating results. Despite concerns over slowing projects in the LNG carrier business, the projects MOL incorporated into its plan have been largely unaffected and are proceeding mostly as expected. On the other hand, lower natural resource prices contributed to economic stagnation in natural resource exporting countries, especially Brazil, and this did in fact have a negative impact on containerships. So while there were pluses and minuses, it appears that on the whole the positive effects outweighed the negative ones.



Underlined words are explained in the Glossary on page 74.



# STEER FOR 2020

Main theme: Solid growth through innovative changes

## Overall Strategies

### Three Innovations

I	II	III
Innovation of Business Portfolio	Innovation of Business Model	Innovation of Business Domain
Allocate management resources earlier and significantly to businesses where we expect high growth and stable long-term profits	Transform our fleet for higher market tolerability and more competitiveness Focus on businesses that offer added value and meet customer needs	Create value chains by expanding business domain to both upstream and downstream of ocean shipping transport

## Profit Targets/Financial Targets (Billions of yen)

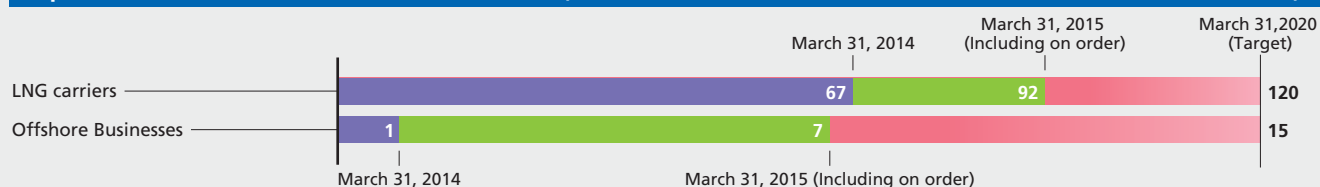
	FY2013	FY2014	FY2015 (Forecast) <sup>*3</sup>	FY2016 (Plan)	FY2019 (Target)
Revenue	1,729.4	1,817	1,820	1,900	2,100
Ordinary income	54.9	51.3	60	100	140
(Highly stable profits)			(55)	(55)	(75)
Net income	57.3	42.3	43	80	110
ROA <sup>*1</sup>	2.4%	2.1%	2.3%	4-5%	
ROE <sup>*2</sup>	9.5%	5.8%	5.4%	above 10%	
Equity ratio	29%	30%	31%	(around FY2019)	35-40%
Net gearing ratio	135%	135%	127%	(around FY2019)	100%
Exchange rate JPY/US\$	99.79	108.34	118.00	100	100
Bunker price US\$/MT	610	529	380	620	620

\*1 ROA = Ordinary income / Average total assets at the beginning and the end of the fiscal year

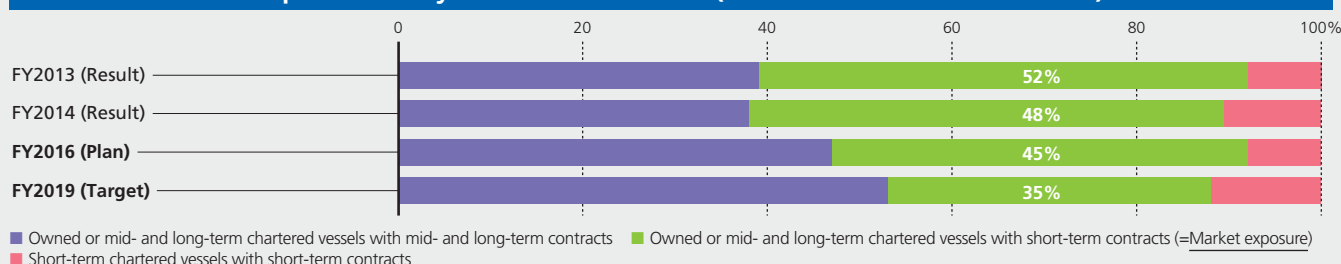
\*2 ROE = Net income / Average shareholders' equity at the beginning and the end of the fiscal year

\*3 As of April 30, 2015

## Expansion of LNG carrier and Offshore business (Innovation of Business Portfolio / Innovation of Business Domain)



## Downsize Market Exposure in Dry Bulkers and Tankers (Innovation of Business Model)



## Unfinished Business



**With the first year of “STEER FOR 2020” wrapped up, what business remains to be finished?**

**The first thing is rebuilding the containership business.**

Of course we must continue to steadily implement concrete measures related to the Three Innovations, but the most pressing priority for MOL is rebuilding the containership business. Previously mentioned temporary factors like port congestion, delayed start of automated operations at the Port of Los Angeles or losses on bunker hedges in fiscal 2014, will mostly disappear by fiscal 2015, but we need to address the structural factors. As part of these efforts, we have already decided to launch new joint service

with Maersk and MSC for the Asia-South America East Coast route in July. We can expect sizable rationalization effects by reshuffling the ports of call and decreasing the number of vessels deployed while maintaining capacity. Along with this rationalization of unprofitable routes, we are accelerating disposal of relatively expensive small and medium-sized vessels. In addition, we recently ordered six large 20,000 TEU containerships as we look to the future. We plan to launch these ships on the Asia-Europe route in 2017, and expect improved fuel efficiency and decreased unit costs.



**Interest-bearing debt is increasing, so what are your thoughts on strengthening the financial foundation?**

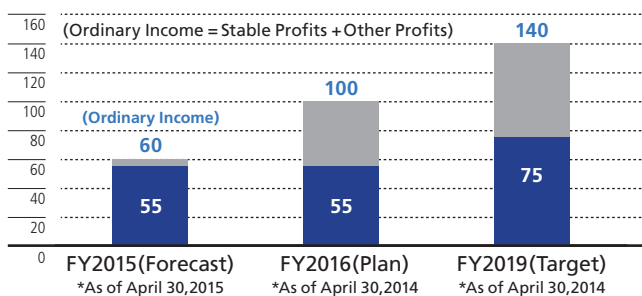
**Behind the increase in interest-bearing debt are businesses that generate long-term and stable profits.**

Because of large initial investments centering on LNG carriers and offshore businesses in line with “STEER FOR 2020,” interest-bearing debt will be hard to suppress until fiscal 2016. What I’d like to emphasize here, though, is that these investments are being made in order to generate long-term and stable profits in the future. Although strengthening the financial foundation is important, it isn’t necessarily management’s overriding goal. When there is

an investment opportunity that can assuredly contribute to stable profit—the foundation of future growth—management should pursue it without hesitation. Behind the temporary increase in interest-bearing debt are remarkably stable businesses, which will certainly help strengthen MOL’s financial foundation in the long-term.

Meanwhile, we have been continuing to move assets off the balance sheet. By accumulating solid profits, we plan to improve the net gearing ratio to 100% and the equity ratio to 35–40% by around fiscal 2019.

**Building up Highly Stable Profits** (Billions of yen)



**Highly Stable Profits**

- 1) Profits that are fixed, or expected to be fixed during this midterm management plan, from contracts of two years or more.
  - 2) Projected profits from highly stable businesses.
- (The included segments: Drybulk, Tankers, LNG Carriers, Offshore businesses, Associated businesses and Others)

■ Stable profits ■ Other profits



## Initiatives as Chairman



**Following your appointment as chairman, what do you plan to pursue going forward?**

**As Chairman of the Board of Directors, I will do all I can to make corporate governance more transparent.**

Working with the president, I'd like to improve corporate value, especially by improving corporate governance and supervising Group companies. As for corporate governance, I'm proud of the fact that MOL led Japan in carrying out management reforms from the shareholders' perspective, including having had external directors since 2000, but I think we now need to consider further improvements to corporate

governance in response to the needs of the times.

I'm currently advancing discussion on pertinent topics at the Board of Directors' meetings, such as what kind of system is needed to amply fulfill the oversight function expected of the board and how we can ensure the level of transparency that needs to be achieved for our shareholders and other external stakeholders. With Japan's Corporate Governance Code, which has now come into effect, I will continue working hard as the Chairman of the Board of Directors to reinforce our management foundation.

## Summation of Five Years as President



**What are your thoughts as you reflect on the turbulent time during your term as president?**

**I did what had to be boldly done for MOL's future.**

Some people say the five years since I became president in June 2010 have been turbulent. In MOL's history of over 130-years, however, I believe there were harsher times. I think I can safely say that I consistently kept the long-term in mind, focusing on what needed to be done for the future and decisively carrying it out. Of course, I feel genuine regret for our shareholders that we posted the largest loss in the Company's history in fiscal 2012. However, this was also due to our focus on the future, having executed the Business Structural Reforms for dry bulkers.

We seized business opportunities that generate long-term, stable profits (such as those presented by the shale revolution) and accumulated contracts. In my five years as president, I approved investments for 120 new vessels. Over 70% of these are for LNG carriers, offshore businesses, dry bulkers, tankers and other vessels that will generate stable profits for about 20 years. The remaining 30% or so were for

investments to raise the cost-competitiveness of containerships, car carriers, chemical tankers, ferries and other vessels. There were almost no orders for free vessels with speculation on strong market conditions. If stable profits could be expected, I approved the investment, even for projects that presented a high degree of technical difficulty, including the Russian Yamal project to transport LNG across the Northern Sea route by ice class vessels.

I concentrated MOL's business intelligence, thought about what needed to be done at that particular point in time while looking ahead to the next ten to twenty years, and implemented those initiatives. That direction is clearly reflected in "STEER FOR 2020." Essentially, I issued a rudder command to effect a great corporate change in direction. Although there is still unfinished business, including securing and training seafarers and rebuilding the containership business, I'd like the new president Junichiro Ikeda to maintain course, accelerate and proceed full steam ahead.



Underlined words are explained in the Glossary on page 74.



# *What we are doing now for 2020 and beyond*

**“I, Junichiro Ikeda, assumed the position of president on June 23rd. As president, my main duty is to safeguard the strategies of the midterm management plan “STEER FOR 2020,” launched under the direction of the previous president Koichi Muto, ensuring the strategies are carried out effectively and elevating MOL as a truly global corporation.”**



## Issues and Resolutions for the Second Year of “STEER FOR 2020”



Please tell us about the issues and strategies heading into the second year of “STEER FOR 2020.”

**A major medium- to long-term issue is the advancement of globalization. An immediate, pressing issue is rebuilding the containership business.**

As for “STEER FOR 2020,” solid progress was made in the first year of the plan under the leadership of the previous president Koichi Muto. We’ve already attained substantial accomplishments in Innovation of Business Portfolio and Innovation of Business Model, and I will continue to steer this course. In Innovation of Business Domain, however, we need to further ramp up our efforts, and I’d like to fulfill my role as president by motivating or, when necessary, even directing the sales division.

I believe the globalization of MOL is the key to further support the Three Innovations. You might find it surprising that the Company, which has a network of trade routes spanning the globe, would aim for globalization, but there are various facets of globalization. In what might be called a first phase, globalization of our customer base has already progressed considerably and it’s probably safe to say that each department has finished establishing overseas bases to facilitate this.

What we need to strengthen going forward, however, is the second phase: recruiting globally competitive personnel. For example, in such energy-related fields as LNG carriers and offshore business-

es, which aim to expand overseas going forward, we need to recruit experts like those that have worked for global resource majors in Europe or the United States. While we are already conducting this type of hiring in some fields, we need to reinforce our efforts. Related human resource measures will be another major issue. For example, how should we compensate and motivate our hires based on their experience and accomplishments?

Simultaneously we will devote attention to elevating MOL’s brand around the world as the third phase of globalization. Even if each business receives high praise from customers, that doesn’t necessarily mean MOL receives global recognition for being the world’s largest full-line marine transport group, which operates a wide array of vessels and is able to meet comprehensive transport needs. By raising MOL’s profile as a full-line marine transport group, it’s my aim to have our clients around the world think first and foremost of consulting MOL for their transport needs.

As for pressing issues, it goes without saying that we need to rebuild the containership business. We are already taking measures to resolve MOL’s unique structural problems, including measures to rationalize North-South trade. I will give my all to see this is implemented without fail and that the business becomes profitable.



## Please tell us about the medium- to long-term strategies for containerships.

### I aim to get the Company in the top one-third in terms of cost competitiveness and seek synergies with the container terminal business.

The key to rebuilding the containership business is strengthening cost competitiveness and securing efficient revenue streams. If we can enter the top tertile of major containership companies in terms of cost competitiveness, we could weather the ups and downs of the market. We've already been working towards this goal. Although we slipped in ranking between fiscal 2013 and fiscal 2014, we maintained a similar position before then, so we have both latent abilities and executable abilities. We will swiftly recover our leading position in the top third by successfully implementing measures to resolve structural problems once we have quickly eliminated temporary negative factors.

Let's examine the trade routes separately. On East-West routes, operating through the G6 Alliance and lowering unit costs by launching large vessels remain effective strategies. Currently, we have chartered 14,000 TEU vessels from another company to tide us over. But using this time, we determined the optimal vessel size and were able to order 20,000 TEU vessels, which are the largest ships able to transit the Suez Canal, at a competitive price. On the other hand, medium-sized vessels continue to cascade from East-West routes to North-South routes

and Inter-Asian routes, where the market environment is expected to remain unstable. On these routes, we need to streamline our core fleet and switch over to a trade route operation structure that takes advantage of short-term chartered vessels. In this respect, MOL has been slow to dispose of small and medium-sized vessels but is now accelerating these efforts.

As for securing efficient revenue streams, we are working to pursue comprehensive yield management and strengthen our sales capabilities.

These measures will maintain MOL's presence in container shipping, but our target business model is combining this business with the container terminal business—a part of Innovation of Business Domain. The container terminal business is expected to generate relatively stable profit and, typical of the capital-intensive industry, profit margins rise rapidly after exceeding certain volume thresholds. We are able to secure a high level of stable income by operating highly competitive terminals like the automated one at the Port of Los Angeles and attracting vessels operated by alliances of which MOL is a member. Aiming to expand this business model beyond North America, we are currently pursuing new investment opportunities with Brookfield, a major Canadian fund with which we agreed to a strategic alliance in January 2014.





## Profit Opportunities and Risk Controls



**The marine transport market for dry bulkers and containerships was worse than expected under “STEER FOR 2020.” How do you plan to control the impact of this kind of market volatility?**

### **We will continue to strengthen total risk control.**

The foundation of management at a marine transport company lies in working to correctly perceive the balance of supply and demand and the market conditions while keeping the big picture in mind. But what is more important is recognizing as a company the total volume of risk, namely the size of the impact that would be incurred if you misread the business environment. Based on this, you should take only risks that the company is capable of taking

and that are worth taking. MOL calls this total risk control. “STEER FOR 2020” is based on this idea, and we are continuing to reduce market exposure. However, the risk positions are, once taken, not easily lifted. In formulating “STEER FOR 2020,” there were indications from outside officers that the Company’s quantitative risk analysis was insufficient. In light of such reflections, we are currently working to reinforce total risk control.



**In LNG carriers and offshore businesses, some are voicing concerns about the impact of the decrease in crude oil prices and geopolitical risks. What do you think the impact will be on MOL?**

### **We devote considerable effort to evaluating opportunities and risks. While there may be some delays in new projects, I don’t think there will be a large impact on achieving the plan’s goals.**

The drop in crude oil prices is certainly worsening the profitability of some shale gas fields, and I think some of the new developments are being put on hold at the moment. However, MOL is not participating in any upstream shale gas projects. We placed orders with a shipyard after concluding a contract with a highly reliable customer to charter LNG carriers over the long term, only for projects that had received final investment decisions. In this way, we are strategically selecting the risks we take as a marine transport company. The same goes for other projects in LNG carriers and offshore businesses. Conversely, when we determine that we can con-

trol for related risk by making use of the Company’s insight and technical capabilities as a marine transport company, we will pursue even challenging initiatives and earnings opportunities. The Russian Yamal project mentioned by the chairman is an example of this. While some people are also concerned about the geopolitical risks associated with the project, we can effectively control them through the contract.

Projects aiming to secure future contracts are mostly competitive ones incorporated into the plan. Some of those are even government projects. Accordingly, I believe these projects will proceed steadily even if they are somewhat delayed.



Underlined words are explained in the Glossary on page 74.

## The Social Significance of the Marine Transport Industry and How MOL Creates Value



**What do you think is the significance of the marine transport industry in society?**

**It is the duty of a marine transport company to move things across the ocean to enrich the lives of people around the world.**

I believe the social significance of the marine transport industry, especially the international marine transport industry, is to make people happy by transporting things. Of course there is spiritual enrichment, but I think the physical sense of fulfillment and economic improvement makes it easier to really feel happy. This means supporting economic growth by transporting oil and iron from resource rich countries to resource poor ones, or delivering a region's special delicacy to people all over the world.

Enriching the lives of people all around the world by moving things across the ocean is the duty of a marine transport company.

What's more, per unit CO<sub>2</sub> emissions from transport are smallest in the marine transport industry, and we can reinforce this advantage by increasing the size of vessels or developing even more energy-efficient technology. That is why we can say the marine transport industry provides a mode of transport that enriches people all over the world while also being gentle on the environment. It is an indispensable industry for society. In their work, I'd also like our employees to be proud of this important role.



**Q. What strengths and competitive elements underpin the sustainable growth of MOL?**

**Definitely credibility. MOL has been backed by credibility for over 130 years.**

Beginning with MOL, Japan's marine transport companies have mirrored the progress of Japan's economy. MOL has also grown by developing ships and services to meet customer needs across the archipelago of Japan, which developed by importing resources and exporting products. I think you can say that MOL's strength lies in its credibility, which has been cultivated over the years as we worked to gain the trust of Japan's customers, who have high standards, including seeking improvements in transport efficiency and thoroughly safe transport. Although credibility cannot be seen with the eyes, it attracts customers and business partners. Credibility could be the ability to uncover customer needs and offer appropriate solutions, the approach of the Company to work hard with an indomitable fighting spirit to make that solution a reality, the track record of safe transport, or the technical capabilities underpinning everything. All of these comprise the Company's credibility. Through all those things we gain new transport opportunities, further polishing

our credibility and creating a virtuous cycle. Thanks to this, MOL has amassed the intangible asset of credibility, in addition to its more tangible asset: the world's largest fleet with a wide range of vessel types. Our credibility has long since been accepted by customers outside Japan as well and is even today helping us secure overseas projects.

For example, in January 2015, we safely delivered the first LNG carrier made in a shipyard in China by a non-Chinese shipping company. I think one of the reasons we were chosen as a shipping company partner for this challenging project was, without a doubt, our credibility. Thanks to our participation in this project, we gained the trust of China Shipping, who co-owns the vessels, and secured a separate opportunity to participate in a project for China.

Capitalizing on our strengths comprising both tangible and intangible assets accumulated over our more than 130 years of history, we continue to fulfill the social duty of marine transport. This then helps us accumulate more tangible and intangible assets and, through this process, we improve corporate value in a broad sense.



## Improving Shareholder Value



Please describe your thoughts on improving shareholder value and providing shareholder returns.

### I will continue to improve medium- to long-term shareholder value and strengthen shareholder returns by seizing prime business opportunities and accumulating stable profits.

To improve medium- to long-term shareholder value, I will continue to decide on investments aimed at accumulating stable profits and strengthening cost competitiveness in line with “STEER FOR 2020.”

There is no change in MOL's policy on shareholder returns to maintain a dividend payout ratio of 20% and raise this to around 30% as our financial standing improves over the medium to long term. By first carrying out investment aimed at securing future stable profits, MOL expects to achieve its financial targets, equity ratio of 35% to 40% and net gearing ratio of 100%, no earlier than around fiscal 2019. However, we have determined that now is the best time to seize business opportunities and actively invest in sources of stable profits. Sound financial standing is also important for securing long-term contracts. Business opportunities will not wait for us. Prioritizing capital investment and improvement in financial standing will, I believe, lead to improved shareholder value over the medium- to long-term. This is the time frame, and I would like to request the understanding of our shareholders.

Of course, when deciding on investments, we use ROI and other standards to facilitate the selection. Aiming to improve our ability to generate cash, we are encouraging all business divisions to strive to strengthen cost competitiveness and improve operating efficiency. Through this, ROA will be lifted to between 4% and 5% within the term of “STEER FOR 2020,” and ROE should reach 10% early on in the plan, a level we seek to maintain or improve. I intend to increase ROE by consistently raising profits. Looking at our present capital requirements and

financial standing, it would be illogical to raise ROE in the short term by such a measure as stock buy-back. On the other hand, the funding necessary for capital investment is mostly backed by long-term contracts, and if cash flows from operating activities prove insufficient, we could easily cover the rest with bank loans. There is neither need nor plan to cover capital investment by raising capital.

I think it's helpful to realize that there is a baton in management that is carried by one person and handed off to the next. Just like a long-distance relay race, each person gives their all to get closer to the goal. It goes without saying that each year's operating results are important. But if you only focus on that amid changing business environments, you lose sight of the goal you should be aiming for, namely meeting shareholders' expectations by improving medium- to long-term corporate value.

I have been entrusted with the baton from the previous president Koichi Muto. Over its more than 130 years of history, there have been times when MOL has encountered great swells, but I think our forebears succeeded in opening many navigable channels through their ingenuity and drive. When I reflect on this, I am once again moved deeply by the meaning of “excellent and resilient” in the Company's long-term vision “To make the MOL Group an excellent and resilient organization that leads the world shipping industry.” To ensure that I carry the baton forward in a way that contributes to the next 130 years, I, too, will boldly face change and advance full steam ahead.

	2005/3	2006/3	2007/3	2008/3
<b>For the year:</b>				
Shipping and other revenues	¥1,173,332	¥1,366,725	¥1,568,435	¥1,945,697
Shipping and other expenses	917,149	1,101,459	1,300,038	1,544,109
Selling, general and administrative expenses	84,388	92,273	100,324	110,303
Operating income (loss)	171,795	172,993	168,073	291,285
Ordinary income (loss)	174,979	176,502	182,488	302,219
Income (loss) before income taxes and minority interests	155,057	188,290	197,854	318,202
Net income (loss)	98,261	113,732	120,940	190,321
Free cash flows [(a) + (b)]	80,230	8,838	20,369	23,291
Cash flows from operating activities (a)	167,897	163,914	156,418	283,359
Cash flows from investing activities (b)	(87,667)	(155,076)	(136,049)	(260,068)
Depreciation and amortization	52,969	65,700	68,581	74,481

**At year-end:**

Total assets	1,232,252	1,470,824	1,639,940	1,900,551
Net vessels, property and equipment	665,320	769,902	847,660	1,047,825
Interest-bearing debt	514,131	571,429	569,417	601,174
Net assets	298,258	424,461	620,989	751,652
Shareholders' equity	298,258	424,461	550,764	679,315

**Amounts per share of common stock:**

Net income (loss)	¥81.99	¥94.98	¥101.20	¥159.14
Net assets	248.40	354.01	459.55	567.74
Cash dividends applicable to the year	16.00	18.00	20.00	31.00

**Management indicators:**

Gearing ratio (%)	173	135	104	88
Net gearing ratio (%)	157	120	94	79
Equity ratio (%)	24.2	28.9	33.6	35.8
ROA (%) <sup>(*)</sup>	15.7	13.1	11.7	17.1
ROE (%)	37.8	31.5	24.8	30.9
Dividend payout ratio (%)	19.5	19.0	19.8	19.5

Number of MOL Group employees: (the parent company and consolidated subsidiaries)	7,385	8,351	8,621	9,626
--	-------	-------	-------	-------

<sup>(\*)</sup> Ordinary income (loss) / Average total assets at the beginning and the end of the fiscal year.



STEER FOR  
2020

RISE 2013

GEAR UP! MOL

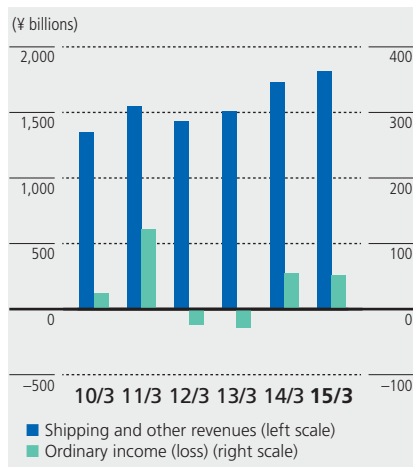
MOL ADVANCE

Millions of yen

2009/3	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3
¥1,865,802	¥1,347,965	¥1,543,661	¥1,435,221	¥1,509,194	¥1,729,452	<b>¥1,817,070</b>
1,564,486	1,228,479	1,328,960	1,368,795	1,432,014	1,587,902	<b>1,683,795</b>
104,105	98,547	91,300	90,886	92,946	100,458	<b>116,025</b>
197,211	20,939	123,401	(24,460)	(15,766)	41,092	<b>17,250</b>
204,511	24,235	121,622	(24,320)	(28,568)	54,986	<b>51,330</b>
197,732	27,776	95,367	(33,516)	(137,939)	71,710	<b>58,332</b>
126,988	12,722	58,277	(26,009)	(178,847)	57,394	<b>42,356</b>
(71,038)	(40,055)	46,970	(129,298)	(25,285)	(25,615)	<b>(66,656)</b>
118,984	93,428	181,755	5,014	78,956	94,256	<b>92,495</b>
(190,022)	(133,484)	(134,785)	(134,313)	(104,241)	(119,871)	<b>(159,151)</b>
78,156	88,366	77,446	85,624	94,685	83,984	<b>87,804</b>
1,807,080	1,861,312	1,868,741	1,946,162	2,164,611	2,364,695	<b>2,624,050</b>
1,106,746	1,209,176	1,257,823	1,293,803	1,303,967	1,379,245	<b>1,498,028</b>
702,617	775,114	724,259	869,619	1,046,865	1,094,081	<b>1,183,401</b>
695,022	735,702	740,247	717,909	619,493	783,549	<b>892,435</b>
623,714	659,507	660,795	637,422	535,423	679,160	<b>782,557</b>
						Yen
¥106.13	¥10.63	¥48.75	(¥21.76)	(¥149.57)	¥47.99	<b>¥ 35.42</b>
521.23	551.70	552.83	533.27	447.76	567.90	<b>654.26</b>
31.00	3.00	10.00	5.00	–	5.00	<b>7.00</b>
113	118	110	136	196	161	<b>151</b>
99	105	100	123	158	135	<b>135</b>
34.5	35.4	35.4	32.8	24.7	28.7	<b>29.8</b>
11.0	1.3	6.5	(1.3)	(1.4)	2.4	<b>2.1</b>
19.5	2.0	8.8	(4.0)	(30.5)	9.5	<b>5.8</b>
29.2	28.2	20.5	–	–	10.4	<b>19.8</b>
10,012	9,707	9,438	9,431	9,465	10,289	<b>10,508</b>

# Key Indicators

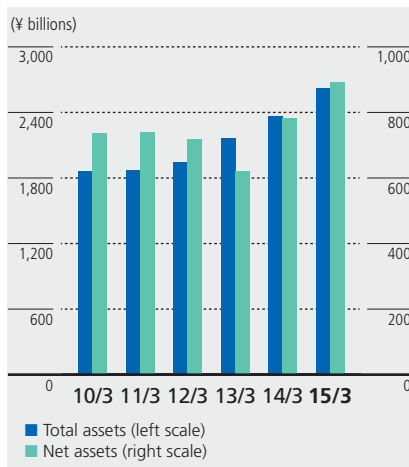
## Shipping and Other Revenues/ Ordinary Income (Loss)



**FY2014**  
Shipping and Other Revenues **¥1,817.0 billion**  
Ordinary Income **¥51.3 billion**

Ordinary income decreased ¥3.6 billion year on year due mainly to a drop in freight rates for container-ships, offshoring in car carriers and stagnant market conditions for dry bulkers despite tailwinds from the weaker yen, lower bunker prices and improving market conditions for tankers.

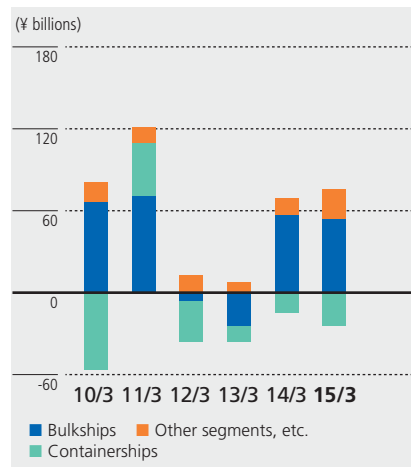
## Total Assets/Net Assets



**FY2014**  
Total Assets **¥2,624.0 billion**  
Net Assets **¥892.4 billion**

Total assets as of March 31, 2015 were ¥259.3 billion higher than at March 31, 2014 due to increases in vessels and long-term loans receivable attributable to investment for fleet enhancement. Net assets increased ¥108.8 billion year on year due mainly to increases in retained earnings and unrealized gains on hedging derivatives.

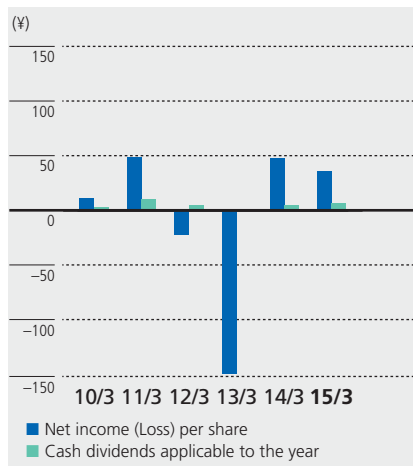
## Ordinary Income (Loss) by Consolidated Segment



**FY2014**  
Bulkships **¥54.1 billion**  
Containerships **¥(24.1) billion**  
Other segments, etc. **¥21.3 billion**

In the bulkships segment, while the tanker division greatly increased profits, dry bulkers, car carriers and other divisions recorded lower profits. The containerships segment posted a larger ordinary loss than fiscal 2013 due mainly to a decrease in freight rates and lower utilization rates.

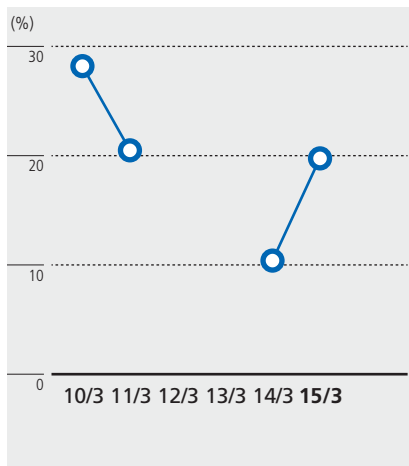
## Net Income (Loss) per Share/Cash Dividends Applicable to the Year



**FY2014**  
Net Income per Share **¥35.42**  
Cash Dividends Applicable to the Year **¥7**

In contrast with the previous year, which had large extraordinary gains due mainly to sales of affiliates' stocks, net income declined ¥15.0 billion. MOL paid ¥7 per share in dividends for the fiscal year, including a ¥3 interim dividend, a year-on-year increase of ¥2 per share.

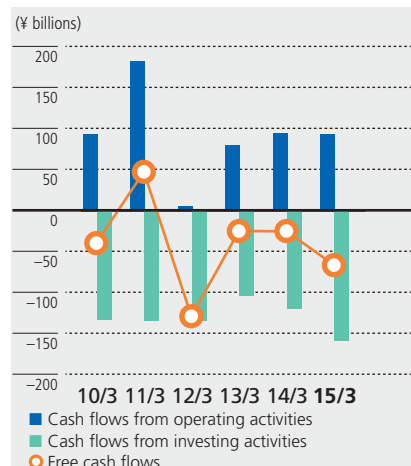
## Dividend Payout Ratio



**FY2014**  
Dividend Payout Ratio **19.8%**

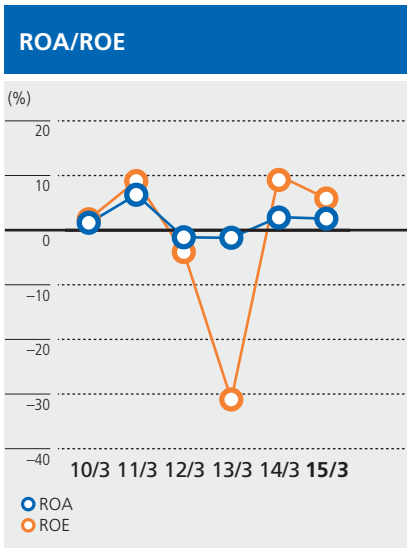
Due to the ¥2 increase in the dividends paid for the year, the dividend payout ratio increased from 10% in the previous fiscal year to 20%, reaching our present guideline. We aim to raise this to 30% as a medium-term to long-term issue.

## Cash Flows



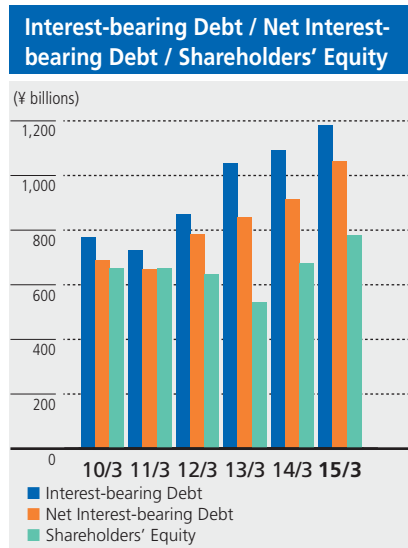
**FY2014**  
Cash Flows from Operating Activities **¥92.4 billion**  
Cash Flows from Investing Activities **¥(159.1) billion**

Operating activities provided net cash of ¥92.4 billion, down ¥1.7 billion year on year. Investing activities used net cash of ¥159.1 billion, ¥39.2 billion more than a year prior, due to continued active capital investments. This resulted in continuous negative free cash flows.



**FY2014**  
**ROA** **2.1%**  
**ROE** **5.8%**

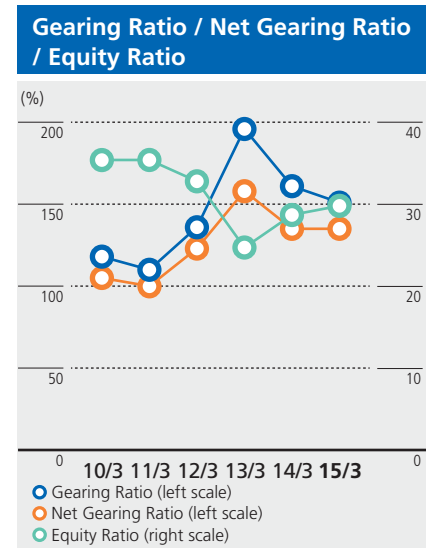
ROA and ROE were both lower as ordinary income and net income both fell due to the lower market-linked profits and a decrease in extraordinary gains, while total assets increased due to prior investments for future stable profits.



**FY2014**  
**Interest-bearing Debt** **¥1,183.4 billion**  
**Net Interest-bearing Debt \*** **¥1,054.6 billion**  
**Shareholders' Equity \*\*** **¥782.5 billion**

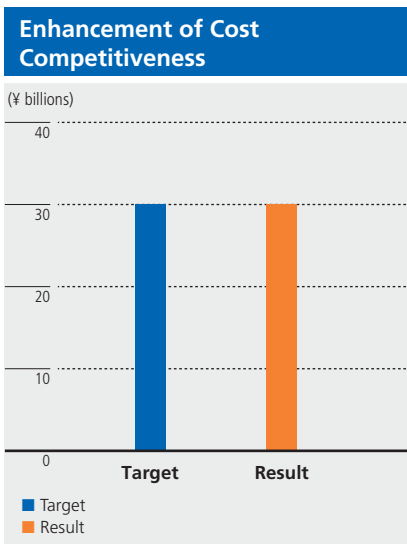
\* Interest-bearing debt – cash & cash equivalents  
 \*\* "Shareholders' equity" in this section comprises the total of owners' equity and accumulated other comprehensive income (loss).

Interest-bearing debt increased ¥89.3 billion to ¥1,183.4 billion, as the Company procured funds by bank loans to cover negative free cash flows.



**FY2014**  
**Gearing Ratio** **151%**  
**Net Gearing Ratio** **135%**  
**Equity Ratio** **29.8%**

The gearing ratio improved 10 points and the equity ratio improved 1 point, reflecting the ¥103.3 billion increase in shareholders' equity, the ¥89.3 billion rise in interest-bearing debt, and the ¥259.3 billion increase in total assets.



**FY2014**  
**Target** **¥30.0 billion**  
**Result** **¥30.0 billion**

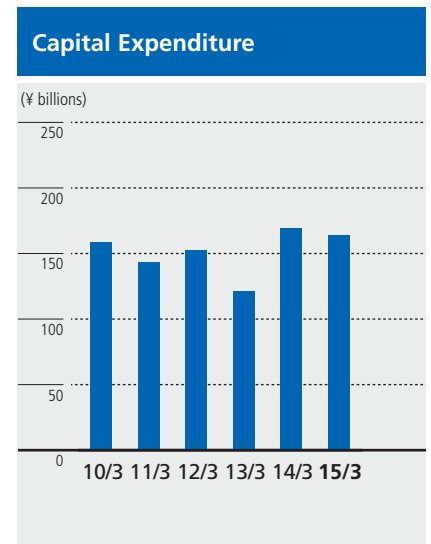
In fiscal 2014, MOL achieved its target of ¥30.0 billion total cost reductions. This was accomplished by further reducing bunker expenses through fuller implementation of slow steaming, improving vessel allocation efficiency, delivering large containerships and taking other actions.

### Credit Ratings (As of June 2015)

	Type of Rating	Rating
JCR	Short-term debt rating (CP)	J-1
	Long-term preferred debt (issuer) rating	A
	Long-term debt rating	A
R&I	Issuer rating	BBB+
	Short-term debt rating (CP)	a-2
	Long-term individual debt rating	A-
Moody's	Corporate family rating	Ba1

**JCR** **A**  
**R&I** **BBB+**  
**Moody's** **Ba1**

MOL provides explanations to the credit rating agencies about how its increased capital investments promise to generate future cash flows and are backed by solid, long-term contracts, and seeks to improve its credit ratings.



**FY2014**  
**Capital Expenditure** **¥164.2 billion**

Capital expenditure represented here is the net amount calculated by deducting proceeds from the sale of vessels when delivered from "Tangible/intangible fixed assets increased" contained in the annual securities report.





**Masahiro Tanabe**  
Senior Managing Executive Officer

### Q.1 What is your assessment of the fiscal 2014 financial results?

Especially in the second half of the year, bunker prices continued to fall, and while it did provide a significant tailwind, we could not fully take advantage of the lower prices for the full year, resulting in a 7% year-on-year decrease in consolidated ordinary income to ¥51.3 billion.

In bulkships, the market remained weak due to stagnation of Brazilian iron exports and a decrease in the volume of coal imported into China. The market for tankers, however, was weak until autumn but then remained at a firm level due in part to falling bunker prices and the subsequent demand for oil reserves on top of winter demand. Underpinned by stable profits from medium- to long-term contracts for dry bulkers, tankers and LNG carriers, we secured ¥54.1 billion in ordinary income overall in this segment, a bit of a decrease from the previous fiscal year.

Containerships aimed to regain profitability, but ended up performing below original expectations, posting an ordinary loss of ¥24.1 billion, which was even worse than the results of many competitors. This was due to both temporary and structural factors. The temporary factors are rapidly disappearing, and we are simultaneously implementing measures to eliminate the structural factors.

### Q.2 Due to prior investments in LNG carriers and offshore businesses, interest-bearing debt is increasing...

In line with Innovation of Business Portfolio, one of the Three Innovations outlined in "STEER FOR 2020," we are actively investing in new shipbuilding in fields that will generate long-

term stable profits, especially LNG carriers and offshore businesses. While we place orders for the vessels after securing long-term transport contracts, there is a gap of around three years between order and delivery, when the vessels begin contributing to profits. Therefore, it will be 2017, before cash flows from operating activities increase considerably as a return on the investment. Accordingly, total cash flows used in investing activities between the period between fiscal 2014 and 2016 are expected to exceed total cash flows provided by operating activities for the same period. Interest-bearing debt, which had been ¥1,094.0 billion at the end of fiscal 2013, increased ¥89.3 billion to ¥1,183.4 billion at the end of fiscal 2014.

Fiscal 2015 is a transition year for payments to shipyards during the construction of vessels, so cash flows from operation will cover the cash used for investment. However, we will continue with additional investments mainly in LNG carriers and offshore businesses. To suppress the increase in interest-bearing debt, we intend to utilize off-balance sheet structures, such as chartering (instead of owning vessels) and inviting partners on suitable projects. However, as mentioned before, these are upfront investments to secure future stable profits and will lead to improvements in shareholder value in the medium- to long-term, so we ask for your understanding.

### Q.3 What are your thoughts about credit ratings?

We are exchanging information more closely with the credit rating agencies, which have raised concerns over the increase in interest-bearing debt. I think we first need to show we are on course to implement our growth strategies and the accompany-

ing improvement in financial standing by firmly achieving the profit targets. But I'd also like to emphasize that behind this increase in interest-bearing debt are sound long-term transport contracts with highly credible customers. We are carefully explaining that these investments promise to generate future cash flows and greatly differ in essence from investments in spot operations, which are exposed to the waves of the market.

## Q.4 What kind of policy do you have towards procuring funds?

For the time being, investments exceed cash flows provided by operating activities, but this can easily be covered by funding, mainly by bank loans. The funding will be used for investments in LNG carriers and offshore businesses, a field backed by long-term contracts. The Company will also utilize project finance according to each contract's characteristics. Through these and other measures, MOL is also focusing on maintaining its corporate credibility.

## Q.5 What is the impact of exchange rate and bunker price fluctuations on financial results?

As for exchange rates, our financial results are primarily impacted by the Japanese yen-U.S. dollar exchange rate. This is because freight revenues are primarily denominated in U.S. dollars while a certain portion of costs are in yen. In fiscal 2015, we project that each ¥1-per-dollar change against the assumed ¥118-to-U.S. dollar yearly average exchange rate will have an impact of approximately ¥1.8 billion in ordinary profit. (If the yen weakens, it will improve profitability.)

Turning to bunker prices, the yearly average price was assumed to be US\$380 per metric ton, and we calculated at the beginning of the fiscal year that every dollar deviation would have an impact of ¥190 million. (If the price falls, it will improve profitability.) But this impact could be smaller due to the status of bunker price hedges. Some hedges were placed at the beginning of fiscal 2014, and bunker prices fell significantly afterward, resulting in a hedge loss of ¥13.0 billion. A large portion of these hedges were related to the containership business, and this was one of the factors that caused the business to fare worse than other containership companies. Although the bunker price hedges produced a loss in fiscal 2014, we will continue to strategically utilize hedging in order to control the effect of fluctuating bunker prices going forward. With the progress made in placing hedges, the degree of impact from fluctuating bunker prices will become smaller.

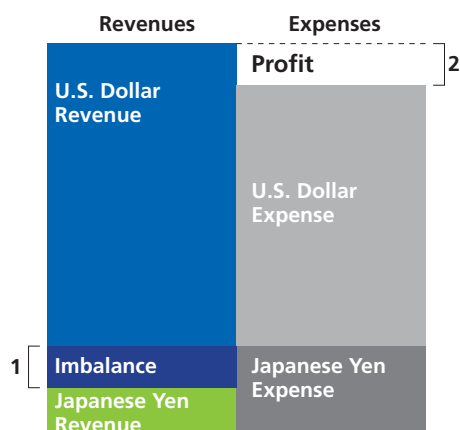
## Q.6 What is the outlook for operating results in fiscal 2015?

We are expecting consolidated ordinary income to increase 17% year on year to ¥60.0 billion and net income to rise 2% to ¥43.0 billion, on the assumption that the exchange rate will be ¥118 to the U.S. dollar and bunker prices will be US\$380, as mentioned previously.

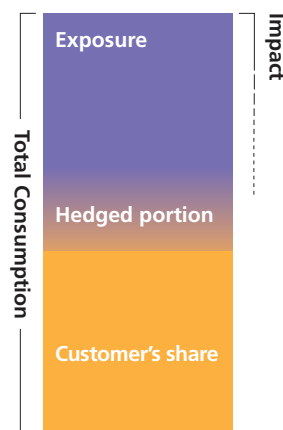
In bulkships, the stagnant market for dry bulkers will contribute to a decline in profit from the previous fiscal year. In containerships, however, we aim for a return to profitability with a year-on-year improvement of ¥29.1 billion. The temporary factors in fiscal 2014, including bunker price hedge losses, will be gone, and by effectively implementing measures to resolve the structural factors unique to MOL, we believe this is an achievable target.

### Impact of Exchange Rate Fluctuations (Model)

Impact=1+2



### Impact of Bunker Prices Fluctuations (Model)



### Consolidated Ordinary Income (Loss) by Segment

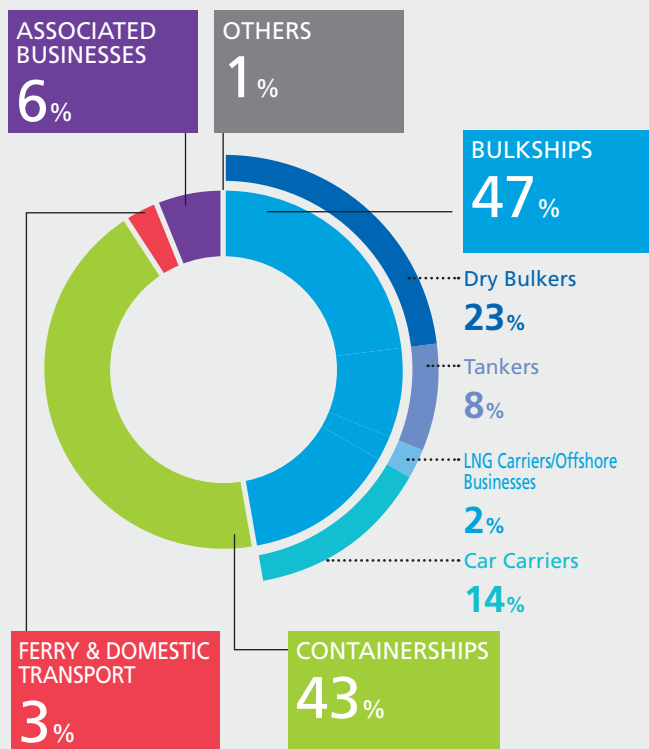
(Billions of yen)

	FY2014 Result	FY2015 Outlook*
Bulk ships	54.1	38.0
Containerships	(24.1)	5.0
Ferry/Domestic transport	4.4	6.0
Associated business	10.9	10.0
Other	4.1	3.0
Corporate/Eliminate	1.8	(2.0)
<b>Total</b>	<b>51.3</b>	<b>60.0</b>
Exchange rate	¥108.34/\$	¥118.00/\$
Bunker price	\$529/MT	\$380/MT

\*As of April 30, 2015

# MOL at a Glance

## Revenues Breakdown by Segment (Fiscal 2014 results)



### Fleet Table

	As of March 31, 2015		As of March 31, 2014	
	Number of vessels	Thousand dwt	Number of vessels	Thousand dwt
Dry Bulkers	411	36,217	403	35,760
Tankers	176	16,644	180	16,874
LNG Carriers	67	5,233	67	5,182
Offshore Businesses (FPSO)	2	-	1	-
Car Carriers	127	2,105	125	2,033
Containerships	118	7,401	119	7,091
Ferry & Domestic Transport	43	171	40	160
Cruise Ships	1	5	1	5
Others	2	13	2	13
<b>Total</b>	<b>947</b>	<b>67,789</b>	<b>938</b>	<b>67,117</b>

(Note) Including spot-chartered ships and those owned by joint ventures

Underlined words are explained in the Glossary on page 74.

## Business Activities

### Bulkships (Dry Bulkers, Tankers, LNG Carriers/Offshore Businesses and Car Carriers)

**Dry Bulkers** With the world's largest fleet, MOL reliably transports such dry bulk cargo as iron ore, coal, grains, wood, wood chips, cement, fertilizer and salt. Our fleet includes highly versatile bulk carriers and specialized vessels for specific cargo types.

**Tankers** With the world's largest fleet, MOL is expanding activities globally. Our fleet includes crude oil tankers; product tankers that carry naphtha, gasoline and other refined petroleum products; chemical tankers that carry liquid chemical products; and LPG tankers that carry liquefied petroleum gas.

**LNG Carriers/Offshore Businesses** With the world's largest LNG carrier fleet, MOL safely transports liquefied natural gas (LNG), which is experiencing growing global demand. In addition, we are active in offshore businesses, including FSPOs and FSRUs, which are poised for continued growth.

**Car Carriers** MOL is stably expanding transport services to meet the changing needs of automakers as they move production to optimal sites around the world. We operate globally with specialized car carriers that can effectively transport any type of vehicle from passenger cars to construction machinery.

### Containerships

Through MOL's global network of sea routes, we transport containers loaded with electric products, automotive parts, clothes, furniture, food products and many other products to deliver them around the world.

We are expanding our network with wider port coverage and increased service frequency, not only on our self-operated routes but also in joint operations with partners, e.g. by forming the G6 Alliance with five other major shipping companies.

In addition, we are actively developing the terminal business—part of the container shipping value chain—for use as a tool to differentiate ourselves from peers.

### Ferry & Domestic Transport

MOL develops the ferry business, which transports both passengers and vehicles (automobiles, trucks, etc.) and simultaneously raises our profile as the leader of an eco-friendly modal shift in domestic logistics. We also promote the domestic transport business, connecting important domestic sites and transporting large amounts of raw materials and energy for industry.

### Associated Businesses

Leveraging the knowhow accumulated over more than 130 years in the marine transport business, we are promoting various businesses in related activities including real estate, tugboats, cruise ships (the *NIPPON MARU*), and trading.



## Strengths and Strategies

### Dry Bulkers



[Dry Bulker] Capesize Bulker: MIDNIGHT DREAM



[Dry Bulker] Wood Chip Carrier: DALIA

### Tankers



[Tanker]VLCC: AZUMASAN



[Tanker] Product tanker: OPAL EXPRESS

### LNG Carriers/Offshore Businesses



[LNG Carrier] ENERGY NAVIGATOR

### Car Carriers



[Car Carrier] EMERALD ACE

### Dry Bulkers

**Strengths:** A diverse fleet suited to customer needs and a rich transport track record

**Strategies:** Expanding stable profits from large vessels and specialized vessels, while reducing market exposure in small and medium-sized vessels.

### Tankers

**Strengths:** A long track record of safe operations and customer trust

**Strategies:** Strengthening our presence mainly by setting up pools with other operators in various fields, including crude oil tankers, petroleum product tankers and chemical tankers.

### LNG Carriers/Offshore Businesses

**Strengths:** An outstanding track record, knowhow related to safe operations and a global customer base

**Strategies:** We take on technologically challenging projects by encompassing technology, ship management and specialized business divisions.

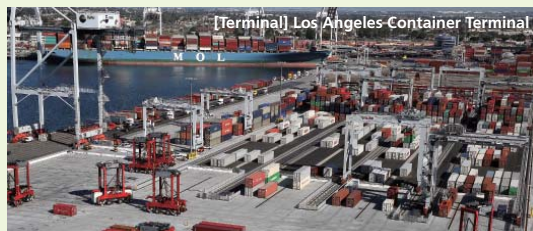
### Car Carriers

**Strengths:** Worldwide service to meet and surpass the high transport quality standards of our customers

**Strategies:** Flexibly responding to diversifying cargo flows with our highly versatile fleet that features a uniform vessel size.



[Containership] MOL MAJESTY



[Terminal] Los Angeles Container Terminal

**Strengths:** A global network of sea lanes and high quality service, beginning with high on-time performance percentages

**Strategies:** Raising our cost competitiveness while maintaining an expansive network of sea routes through the leading G6 Alliance, launching large vessels and ceaselessly rationalizing costs. We also built up a foundation for stable profits by expanding terminal and other businesses.



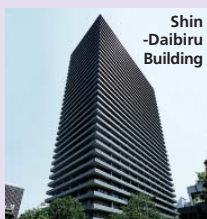
[Ferry] SUNFLOWER SAPPORO

**Strengths:** The largest ferry network in Japan and the MOL Group's solid customer base

**Strategies:** Capturing domestic transport demand, which is expanding thanks to the rebounding Japanese economy and the modal shift, while raising the competitiveness of our fleet.



[Cruise ship] NIPPON MARU



Shin-Daibiru Building

**Strengths:** A customer base and business knowhow cultivated in the marine transport industry

**Strategies:** Leveraging the MOL Group's network to expand business globally, beginning in Southeast Asia, where demand is growing.

Year in Review

Performance (¥ billions)

Bulkships

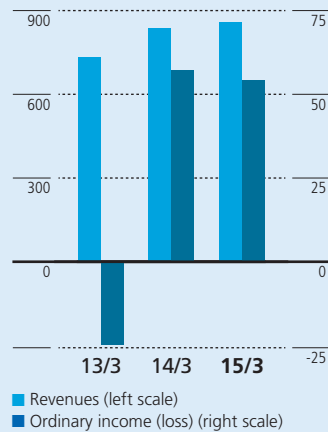
(Dry Bulkers, Tankers, LNG Carriers/  
Offshore Businesses and Car Carriers)

**Dry Bulkers** This division maintained a high level of earnings by securing stable profits from long-term contracts for iron ore, steaming coal, and wood chip carriers. However, the market stagnated due to sluggish Brazilian exports of iron ore and a lower volume of coal imports to China. As a result, profits declined year on year.

**Tankers** Market conditions remained firm overall for crude oil tankers, product tankers and LPG tankers. The division sustained efforts to improve operational efficiency by setting up pools. As a result, the division greatly improved profitability from the previous fiscal year and succeeded in turning a profit.

**LNG Carriers/Offshore Businesses** Although the division accumulated profits from long-term contracts, profits declined year on year due to a worsening in the operating rates from scheduled dry-dockings and the incurrence of seafarer training and other expenses. In offshore businesses, the 2nd FPSOs commenced operations.

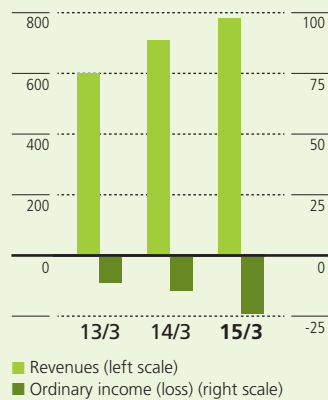
**Car Carriers** Despite the yen remaining weak, there was no major change in the trend of automakers moving production overseas, and exports of vehicles from Japan declined. Although the division strengthened the volume of cross trades and import cargo by launching new services, profits declined year on year.



**FY2014**  
**Revenues**  
**¥857.2 billion**  
 2% Increase YoY  
**Ordinary income**  
**¥54.1 billion**  
 5% Decrease YoY

Containerships

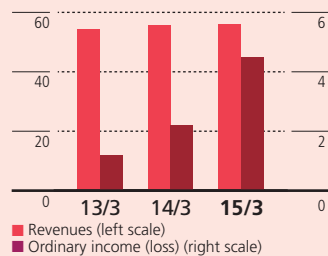
The rate increase on Asia to Europe /East Coast of South America did not take root, and the Company was unable to fully enjoy a rate increase for North America bound cargo due to a high proportion of year-long freight rate contracts already in effect. In addition, cargo volume from Europe/ North America to Asia stalled, and our lifting in Intra-Asia trade also declined due to port congestion. MOL strove to bolster its cost competitiveness mainly through the expansion of the G6 Alliance, the delivery of large vessels, the disposal of medium-sized vessels, and the rationalization in some North-South trades. However, due in part to losses on bunker price hedges, the loss widened year on year.



**FY2014**  
**Revenues**  
**¥787.0 billion**  
 10% Increase YoY  
**Ordinary loss**  
**¥(24.1) billion**

Ferry & Domestic  
Transport

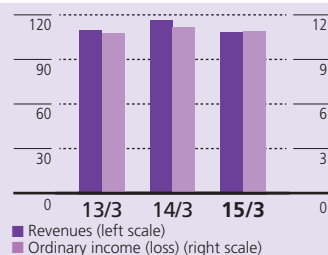
As the modal shift accelerated, primarily driven by the shortage of truck drivers, cargo movements increased. The segment also enhanced its fleet amid steady volumes of mainstay cargo such as steel. As a result, profits expanded year on year.



**FY2014**  
**Revenues**  
**¥56.0 billion**  
 1% Increase YoY  
**Ordinary income**  
**¥4.4 billion**  
 100% Increase YoY

Associated  
Businesses

Daibiru Corporation, which is the core of the real estate business, sustained stable profits. Operating results also remained firm for cruise ships, tugboats and trading. The segment recorded stable profits roughly level with the previous fiscal year.

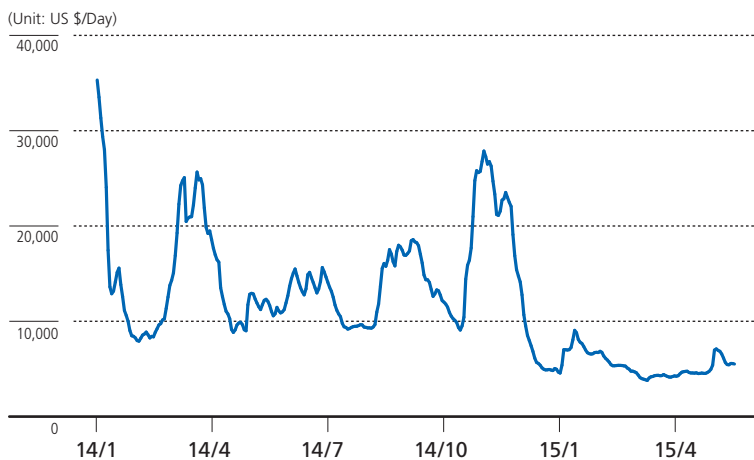


**FY2014**  
**Revenues**  
**¥108.3 billion**  
 7% Decrease YoY  
**Ordinary income**  
**¥10.9 billion**  
 2% Decrease YoY

## Business Environment

## Highlights of the Year

## Dry Bulker Market (Spot Charter Rate/Capesize, TC Average)



Source: MOL internal calculation based on TDS and others

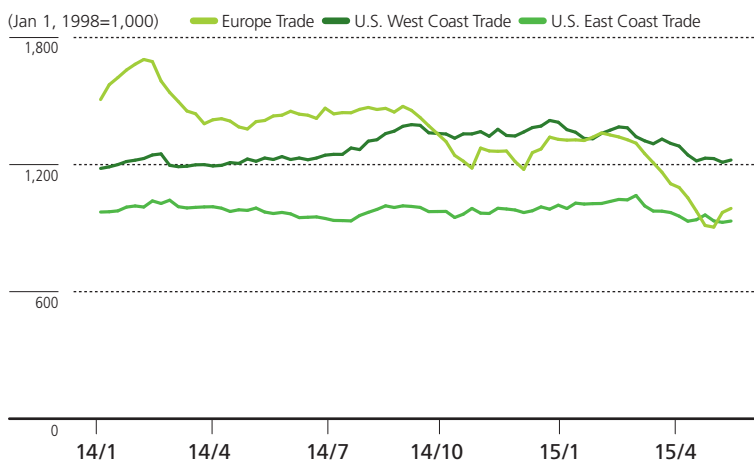
## VLCC Market (World Scale) (AG - Japan)



WS for 2014 has been translated by the Flat Rate of 2015.

Source: Researched by MOL

## Containership Market (CCFI)



Source: SSE

## Dry Bulkers

- Delivered three coal carriers with long-term contracts for domestic electric companies

## Tankers

- Established a joint venture with Viken Shipping (Norway) and embarked on a shuttle tanker business
- Launched ship management and seafarer training business in partnership with Synergy Group (India)
- Started pool operation in MR product tankers and large LPG tankers

## LNG Carriers/Offshore Businesses

- Signed new long-term contracts for 10 LNG carriers and one FPSO.
- Delivered the first vessel from the LNG carrier construction project in China
- Concluded a long-term contract for shipping liquefied ethane to India using six very large ethane carriers—the first of their kind in the world

## Car Carriers

- Began transport service from Mexico to other NAFTA regions

- Expanded service for the G6 Alliance, Asia-North America West Coast and Transatlantic routes

- Began operations of the automated terminal on the North America West Coast

- Ordered six 20,000 TEU containerships

- MOL Ferry Co., Ltd. decided to launch two energy efficient, high-speed ferries on the Hokkaido route
- Delivered three new domestic transport vessels

- Daibiru acquired an office building in Hanoi, its second in Vietnam
- Orders for Propeller Boss Cap Fins (PBCFs), which are devices to improve energy efficiency, reached 3,000 vessels

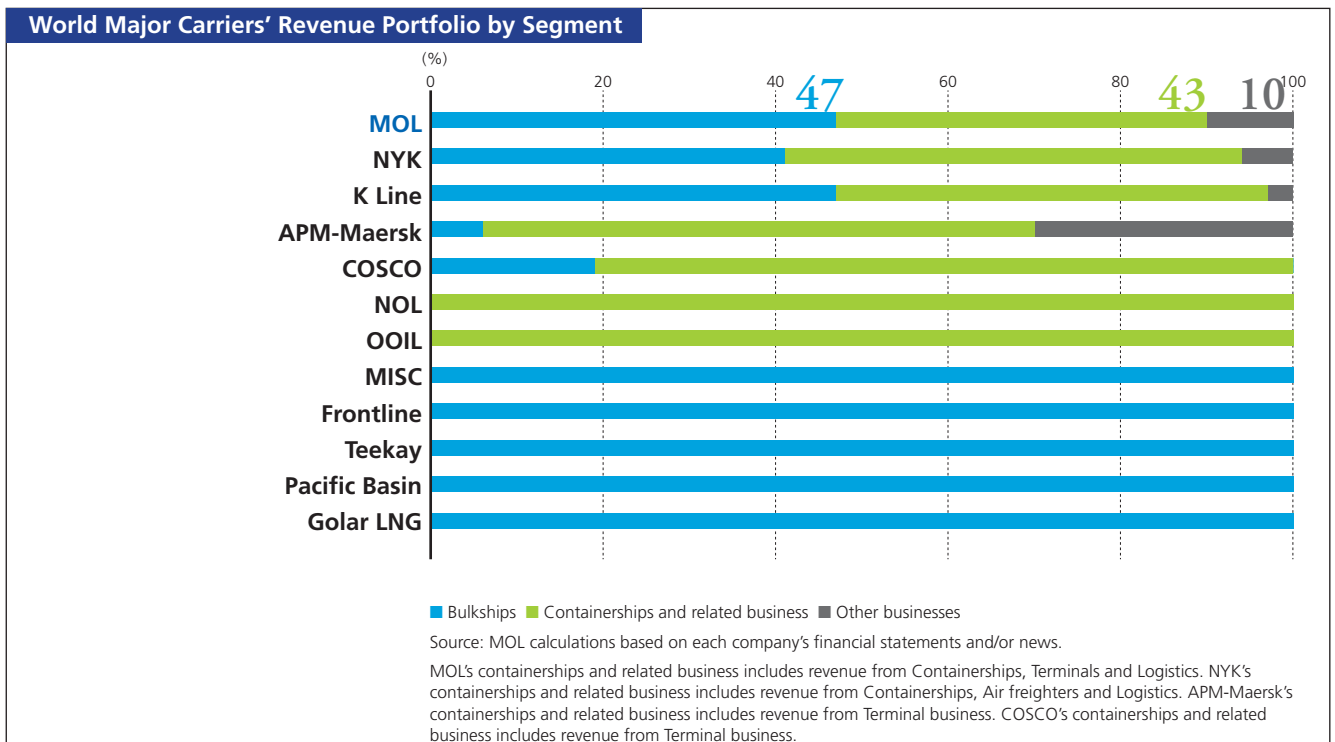
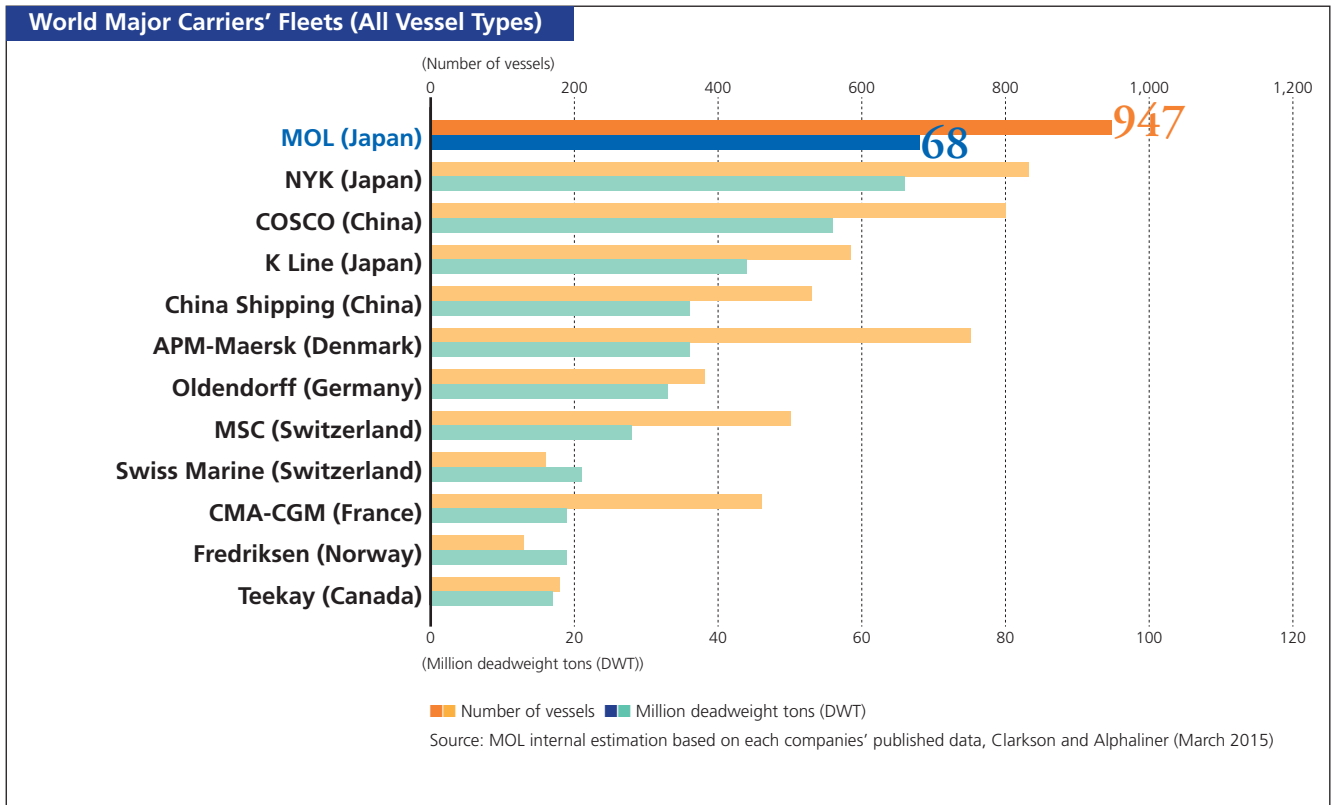


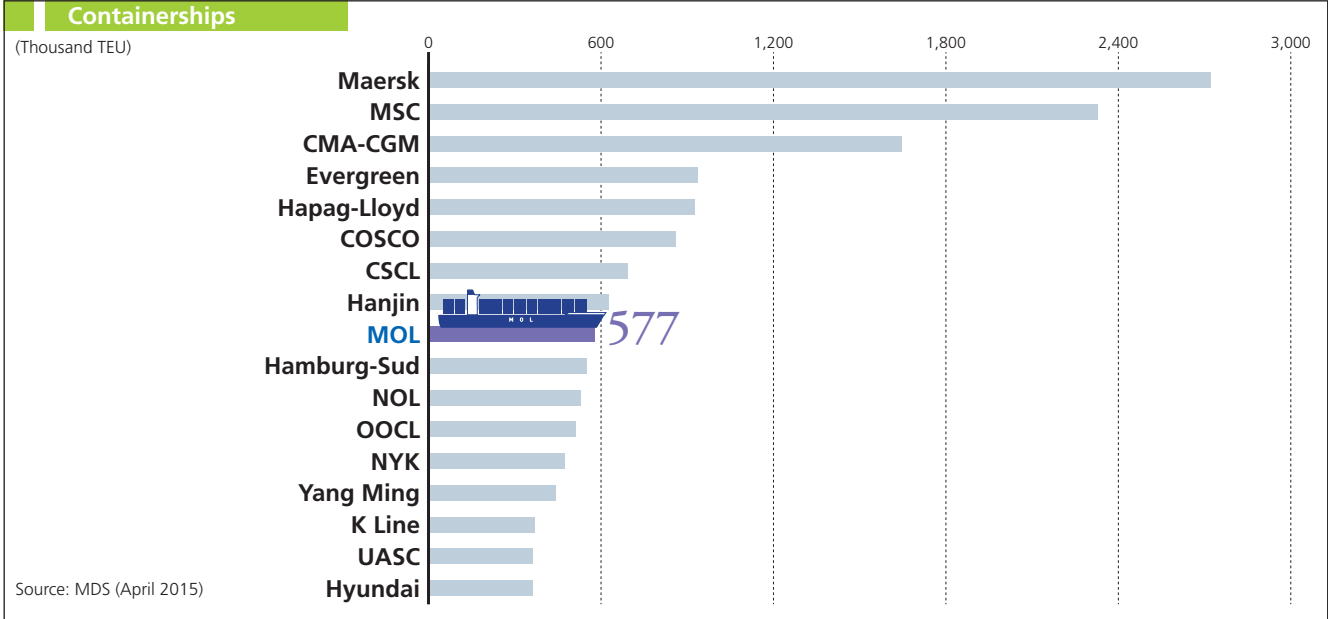
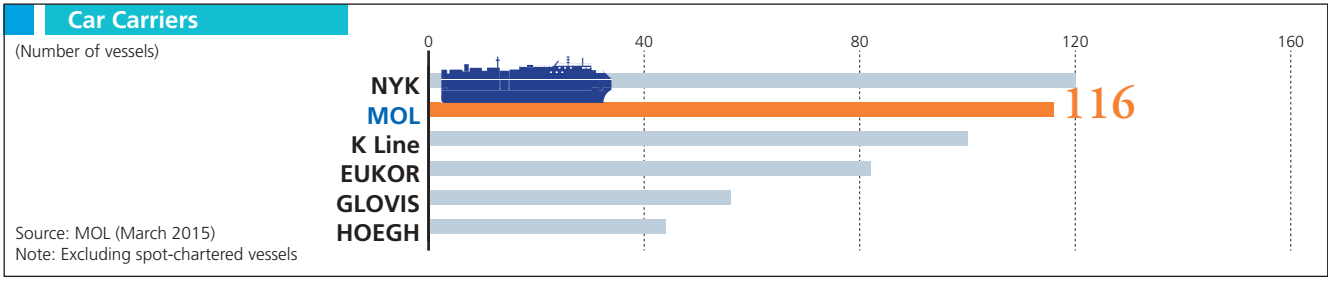
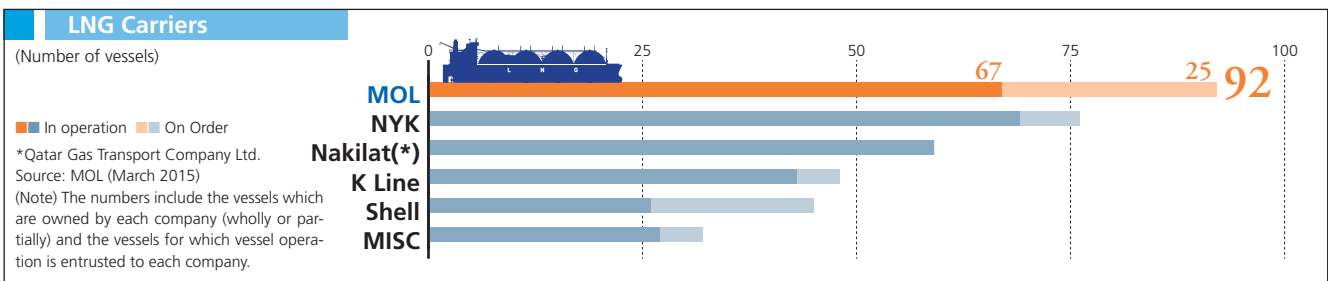
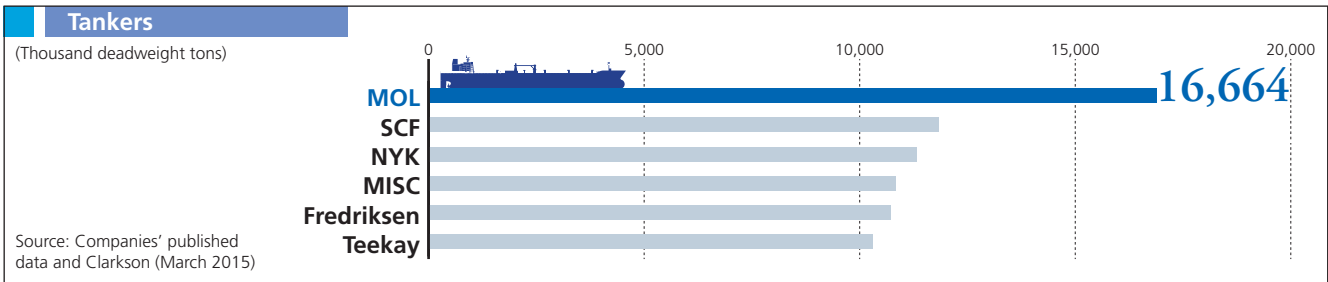
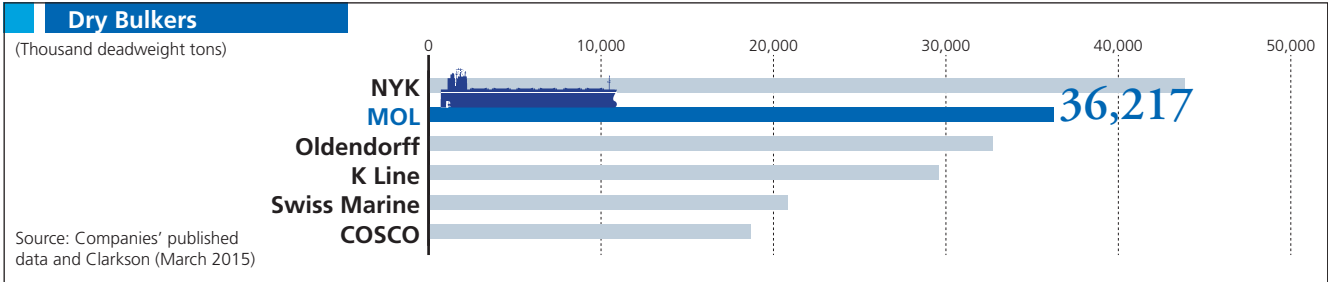
Underlined words are explained in the Glossary on page 74.



## Market Position in the Industry

MOL operates a large and balanced oceangoing fleet. In terms of its total fleet size and presence in individual market categories, MOL ranks among the world's largest shipping companies.





# Overview of Operations



**Kenichi Nagata**, Executive Vice President

## Fiscal 2014 in Review— The First Year of “STEER FOR 2020”

The division experienced a year-on-year decline in profits due to stagnation in the dry bulk market. Looking at the bigger picture, however, even amid this difficult business environment we were able to sustain margins, which were underpinned by long-term, stable profits. As for large iron ore and coking coal carriers, profits exceeded those of the previous fiscal year owing to a weaker yen, lower bunker prices and such operating techniques as slow steaming, all of which offset a deterioration in profitability due to the weak market. Steaming coal and wood chip carriers maintained consistent profitability on the back of medium- to

long-term contracts. On the other hand, small and medium-sized vessels of Panamax size or under, which have a relatively low percentage of medium- to long-term contracts, posted a loss stemming from the stagnant market. Even for MOL’s highly cost-competitive fleet, which resulted from the Business Structural Reforms carried out in fiscal 2012, the effects of the dormant market were formidable.

As fiscal 2014 began, the general consensus was that the dry bulk market would improve during the year as vessel supply tightened. The initial results were good, but shortly thereafter the market took a sharp dive. Even the boost at the beginning of autumn was short-lived. Chinese imports of iron ore remained firm and its Australian exports reached a record high, but there were also negative factors such as sluggish Brazilian iron ore exports, which involve long transport distances, and decreased coal imports to China. In addition, freight derivatives, which currently have a large impact on the physical market, weighed on the market, amplifying the pessimistic sentiment in contrast with early expectations of a market recovery.

## Outlook for Fiscal 2015 and Beyond

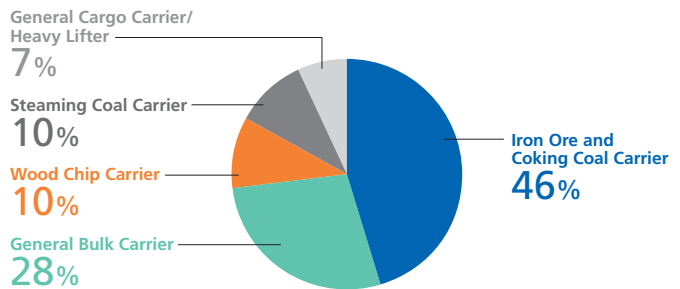
The Baltic Dry Index recorded an all-time low in February 2015 and remains at historic lows. Even with a certain degree of market recovery expected as more vessels are scrapped, profits in fiscal 2015 will be under more pressure than in fiscal 2014. Despite this, the division as a whole is expected to remain in the black,

# Bulkships Dry Bulkers



[Steaming Coal Carrier] HAKUTAKA

## Consolidated Revenues Breakdown (FY2014)



## Dry Bulk Fleet Table (Number of vessels)

Vessel Type	Standard DWT	At the end of Mar.2014	At the end of Mar.2015	Use
Capesize	180,000	107	104	Steel raw materials (iron ore, coking coal)
Panamax	72,000	38	37	Iron ore, coking coal, steaming coal, grains, etc.
Handymax	55,000	67	72	Steaming coal, grains, salt, cement, steel products, etc.
Small handy	28,000	56	56	Steel products, cement, grains, ores, etc.
Steaming coal carriers	93,000	40	44	Steaming coal
Wood chip carriers	50,000	42	43	Wood chips, soybean meal, etc.
Others (Heavy lifter, General cargo carriers)	12,000	53	55	Steel products, plants, etc.
<b>Total</b>		<b>403</b>	<b>411</b>	



buoyed by stable profits.

Beyond fiscal 2015, we will continue to expand long-term and stable profits and reduce market exposure as outlined in "STEER FOR 2020."

To achieve an expansion in long-term and stable profits amidst a harshly competitive environment, we will need to serve an indispensable role in our customers' supply chain. The first key is maintaining an organizational structure that guarantees safe and dependable transportation. The second key is accurately perceiving customer needs to make the best proposal. While some shipping companies are outsourcing vessel operations and marine technical specialists, MOL's organizational system provides fully integrated services encompassing sales and customer service, vessel operation, ship management and technical divisions. Our scale as a full-line marine transport group makes such an organization possible, and the finance division, which procures funding for shipbuilding, provides yet another competitive advantage.

MOL's integrated organization also enables new buildings of vessels perfectly sized to match customer needs and proposals to make loading and unloading more efficient. For example, we recently developed a vessel size capable of efficiently transporting iron ore to shallow unloading ports, securing a long-term contract. In addition, a growing number of customers now consider low environmental burden an integral aspect of transport service quality. In response, we are developing newer, more

advanced vessels that surpass current environmental regulations, spurring demand for new and replacement vessels.

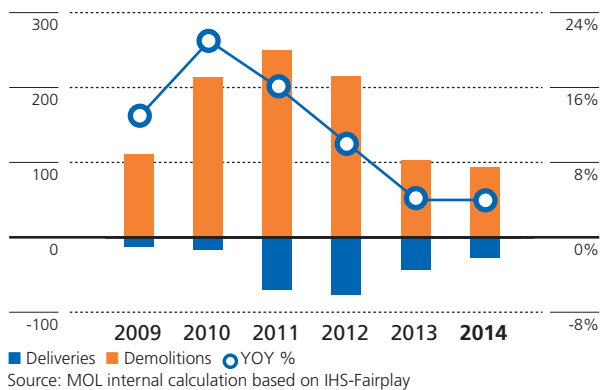
We are also working to reduce market exposure. We will accelerate the reduction of vessels without medium- to long-term contracts, especially those of small and medium-sized vessels of Panamax size or under. Small and medium-sized dry bulk carrier transport is a very fluid business field catering to a wide range of cargo where it is easy to charter vessels on the spot market. We strive to improve profitability by combining various types of cargo and optimizing operations, while carefully matching terms of procurement and freight contracts so that stable profits are not negatively impacted under any market environment. If MOL leverages the operational knowhow cultivated over its 130-year history, this will be possible.

At their heart, ships are just tools. Our goal should not be to simply increase the number of ships, but rather to ensure we have the right number and types of ships to meet the needs of our customers. We will balance flexible transport via small and medium-sized vessels with long-term stable transport centering mainly on large vessels that play an integral role in the supply chain. We will do this while ratcheting up operational efficiency, including the use of slow steaming. In these ways, the dry bulker division will continue to make a sustainable contribution to the results of the entire MOL Group.

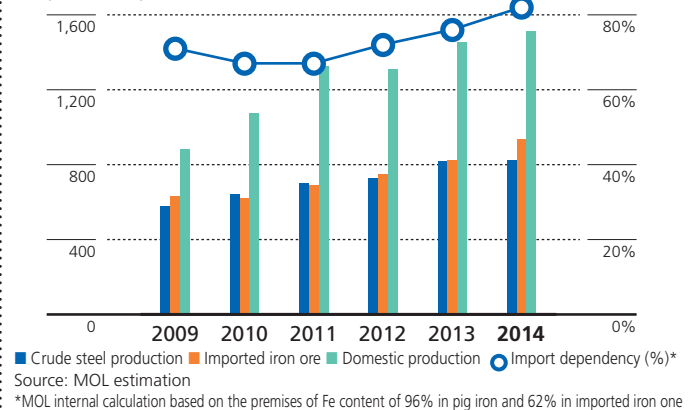


Underlined words are explained in the Glossary on page 74.

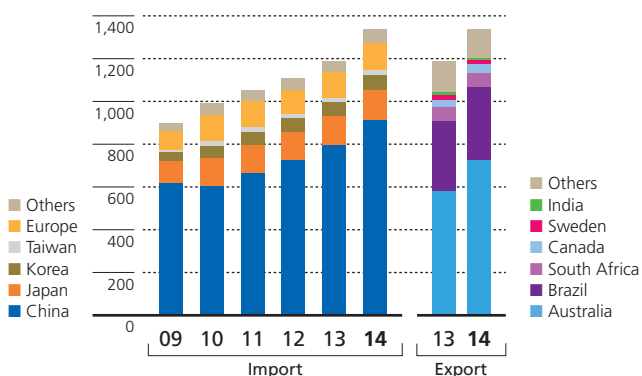
### Vessels Supply (Capesize) (Number of vessels)



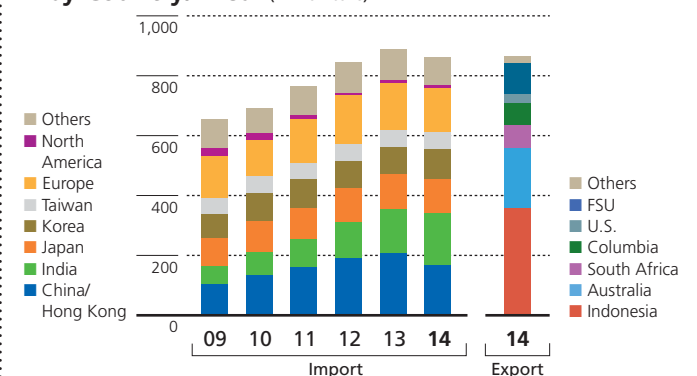
### China: Dependence on Imported Iron Ore (Million tons)



### Iron Ore: Global Seaborne Trade by Country/Area (Million tons)



### Steaming Coal: Global Seaborne Trade by Country/Area (Million tons)





Akio Mitsuta, Managing Executive Officer

**Fiscal 2014 in Review—  
The First Year of “STEER FOR 2020”**

Profitability improved greatly year on year. Not only did the tanker division successfully secure ordinary income for the first time in six years, results surpassed targets for the first year of “STEER FOR 2020.” We operate a wide variety of vessel types: crude oil tankers, product tankers, LPG tankers, methanol tankers and chemical tankers. We have endeavored to improve our operating efficiency by setting up pools with other operators and worked to reduce bunker costs by slow steaming. With market conditions remaining favorable overall, those efforts paid off.

The market for very large crude carriers (VLCCs) and product tankers improved despite only a gradual increase in worldwide petroleum demand. This is because long-distance Indian and Chinese imports of West African crude oil grew faster than U.S. imports fell due to the shale revolution, as well as an underlying trend of improving supply and demand balance. As the price of crude fell, rising demand for oil reserves and increased operating rates at refineries also supported the market. In the LPG tanker market as well, favorable market conditions persisted as U.S. exports of LPG, a by-product of shale gas, increased throughout the year. The market for chemical tankers also remained firm. Amid this upswing in the external environment, we are still aggressively pursuing initiatives to improve efficiency, including through the Clean Products Tankers Alliance, a new medium range (MR) product tanker pool arrangement established in fiscal 2014.

The division’s dual mission outlined in “STEER FOR 2020” is to reduce market exposure and accumulate long-term stable profits. We made solid achievements toward both targets in fiscal 2014. As for reducing market exposure, we carried out such strategic initiatives as taking advantage of favorable market conditions to firm up earnings, in addition to selling and redelivering vessels to reduce the size of our fleet. As a result, we reduced MOL’s market exposure beyond the targets set at the beginning of the year.

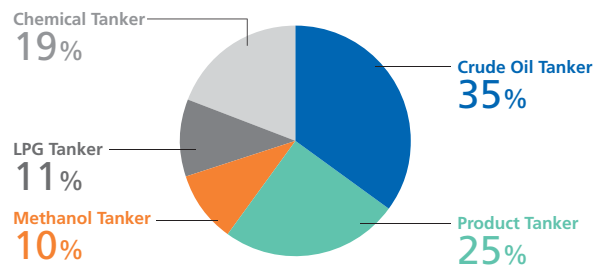
We also made progress in terms of accumulating long-term stable profits. The most notable example is our entry into the

# Bulkships Tankers



[Tanker] VLCC: MITAKE

**Consolidated Revenues Breakdown** (FY2014)



**Tanker Fleet Table** (Number of vessels)

	At the end of Mar.2014	At the end of Mar.2015	Vessel type under pool management (at the end of March 2015)
Crude oil tankers	38	42	
Product tankers <sup>*1</sup>	59	50	LR1 (70,000 DWT) MR (50,000 DWT)
Chemical tankers <sup>*2</sup> Including Methanol tankers	72	75	Chemical tanker
LPG tankers	11	9	VLGC (very large gas carrier, 80,000m <sup>3</sup> )
<b>Total</b>	<b>180</b>	<b>176</b>	

\*1 Petroleum products: gasoline, naphtha, kerosene, jet fuel and gas oil, etc.  
\*2 Chemical products: xylene, benzene, methanol and plant oil, etc.

shuttle tanker business by establishing a joint venture to operate five vessels with Norway-based Viken Shipping. This joint venture recorded a profit from the very first year. This is one of the expansions of our offshore businesses, which is integral to realizing the “innovation of our business domain” outlined in the medium-term management plan. Taking advantage of this opportunity, we aim to accumulate stable profits by deepening alliances with Viken in other businesses.

### Outlook for Fiscal 2015 and Beyond

In fiscal 2015, we expect to record a similar level of profit as the previous year. Although we forecast market conditions will remain firm overall, we formulated our financial outlook based on relatively conservative assumptions regarding market conditions.

The volume of crude oil transported by sea is not expected to increase greatly going forward, but ton-miles are likely to rise in tandem with the growing transport volume of West African and South American crude oil to China and India. In the medium and long term, demand for product tankers will likely remain firm due to higher operational rates at refineries in oil-producing nations. We also expect rising demand for LPG and chemical tankers owing to the shale revolution. On the supply side, we foresee increased supply of new vessels in certain types of ships, which will in some ways increase downward pressure on market conditions over the medium term.

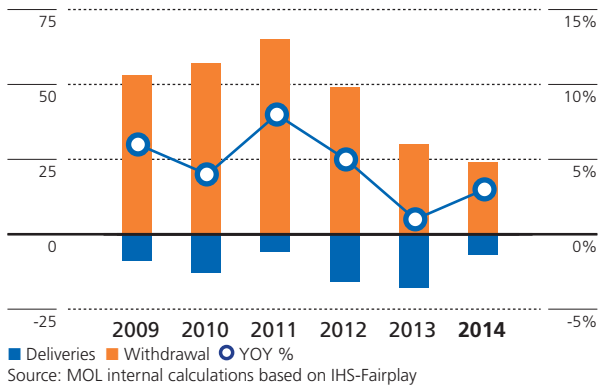
Amid this environment, there is no change in our policy of aiming to reduce market exposure and accumulate long-term stable profits. We aim to accumulate medium- to long-term contracts while reducing market exposure at appropriate times. We will simultaneously expand the pool arrangement to various types of vessels. As for large LPG tankers, we began pool arrangements in March 2015, preparing ourselves for a market correction due to an increase in the number of new ships to be supplied in the second half. While we continue to reduce our fleet, we make use of those pool arrangements to maintain our broad market presence and expand benefits for our customers. As pool managers, we dispatch personnel and take responsibility for chartering and operations, further deepening our relationships with our customers.

Leveraging the knowhow cultivated through our safe operation initiatives, which is our core competence, we entered a new business field in October 2014 by establishing a joint-venture with Synergy Group in India that provides ship management and seafarer training. We decided to commercialize ship management and seafarer training, an area where we really differentiate ourselves from other companies, amid growing requirements for safe operations and better responses to environmental regulations. By providing our customers with value-added services, we will contribute to the sustainable growth of the Company.

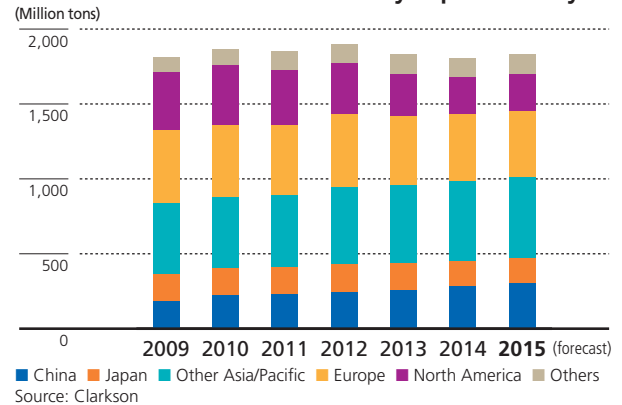


Underlined words are explained in the Glossary on page 74.

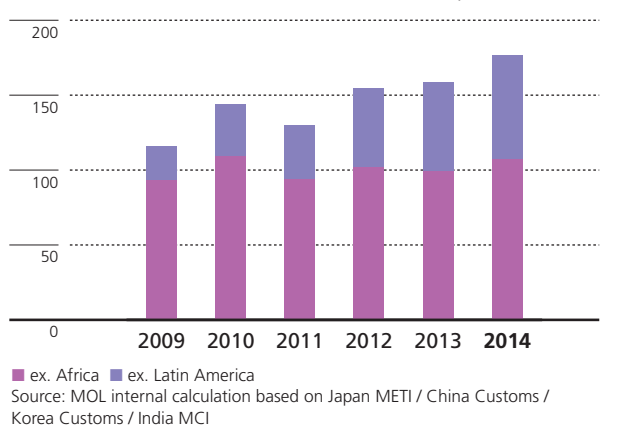
### Vessels Supply (VLCC) (Number of vessels)



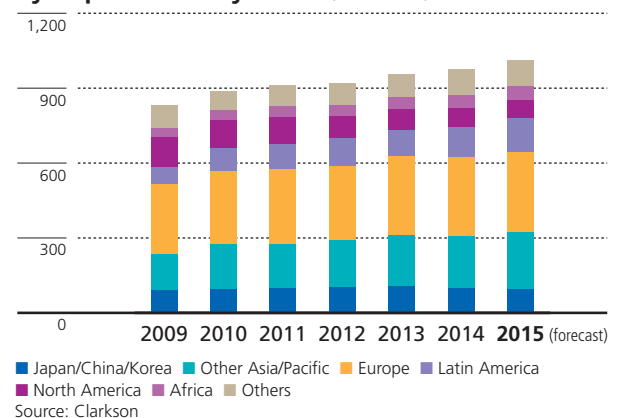
### Crude Oil: Global Seaborne Trade by Import Country/Area



### Global Seaborne Trade from Africa/Latin America to Asia(\*)



### Petroleum Products: Global Seaborne Trade by Import Country/Area







Takeshi Hashimoto, Managing Executive Officer

### Fiscal 2014 in Review— The First Year of “STEER FOR 2020”

We made dynamic, forward-looking investments despite lower profits year on year due to increased seafarer training expenses and scheduled dry-dockings, which led to reduced vessels’ operating rates. In this sense, I think it’s safe to say this year was highly productive. Even seafarer training expenses can be regarded as a prior investment which is indispensable for future fleet expansion.

In more concrete terms, we signed new long-term contracts

for 10 LNG carriers. This increased the size of our fleet to more than 90 ships when including outstanding orders. Including contracts under negotiation, expansion of the fleet to 100 ships is now in sight. We made significant progress this year toward reaching a 120 LNG carrier fleet, the target set out in “STEER FOR 2020.” Another major accomplishment was the signing of a long-term contract with India’s Reliance Industries Limited to operate and manage six very large ethane carriers—the first vessels of their kind in the world.

In offshore businesses, our second FPSO commenced operations, and we secured a new contract for another FPSO. The offshore businesses, which we embarked on in fiscal 2010, turned a profit in fiscal 2014, and stand poised to contribute solid profits going forward.

### Outlook for Fiscal 2015 and Beyond

We believe profits will rise in fiscal 2015 based on the rollback of temporary expenses incurred in fiscal 2014 and the accumulation of highly stable profits with the delivery of new LNG carriers and FPSO.

Our mission in “STEER FOR 2020” is to accumulate long-term and stable profits. While we do need to slightly reprioritize projects in light of the recent drop in oil prices, there is no significant change in the targeted fleet scale. Amid the considerations, the

## Bulkships LNG Carriers/Offshore Businesses



[LNG Carrier] GDF SUEZ POINT FORTIN



[Offshore Business] FPSO: Cidade de Angra dos Reis MV22 (photo: MODEC, INC.)



[Offshore Business] FPSRU (CG image) (photo: ENGIE)

previously mentioned contract for very large ethane carriers is pivotal. Beyond contributing to long-term and stable profits, this contract positions us to capture new flows of cargo arising from the shale revolution as the United States increases its exports of ethane. We secured the ethane project by keeping our finger on the pulse of customer needs through our global business network, while optimizing tangible and intangible assets to give shape to solutions. When it comes to transporting ethane, the properties of ethane resemble those of LNG, but it's also necessary to have a thorough understanding of how to transport LPG. Our wealth of experience in both fields and our renowned service quality were deciding factors in securing the deal. Going forward, we will leverage our first-mover advantage to secure future contracts capturing this great cargo growth potential.

The negative impact of falling oil prices on the offshore businesses is a concern that has been raised. While FPSO projects currently underway will proceed largely according to plan, we expect to delay or revise some new projects. On the other hand, as the price of energy drops, demand for projects may accelerate in countries reliant on energy imports. So we could see an increase in FSRU and similar projects that facilitate LNG import into emerging economies. Here, too, we should be able to leverage our competitive advantage of having intimate knowledge of both the FPSO and FSRU fields.

I feel it's especially noteworthy that in January 2015 the first of the LNG carriers we are building in China was delivered. This is MOL's first project to build LNG carriers in China. We organized a shipbuilding supervision team to the shipyard. At its height, the team expanded to nearly 50 people. As a result, the first carrier was delivered without a hitch, solidifying the trust placed in us by oil majors and our Chinese partner companies. The trust earned through this project, along with the knowledge and customers gained, will surely play a significant role in future projects to transport LNG to the burgeoning market in China.

We have the fighting spirit to boldly take on challenging projects and the technical capabilities to see them through successfully, as evidenced by the Uruguayan FSRU project, and the Russian Yamal project to operate ice class LNG carriers in the Northern Sea Route. As the division responsible for accumulating long-term and stable profits—the core of "STEER FOR 2020"—we will achieve firm growth going forward. We will accomplish this by offering our customers comprehensive full line service encompassing technical, ship management and business divisions.



Underlined words are explained in the Glossary on page 74.

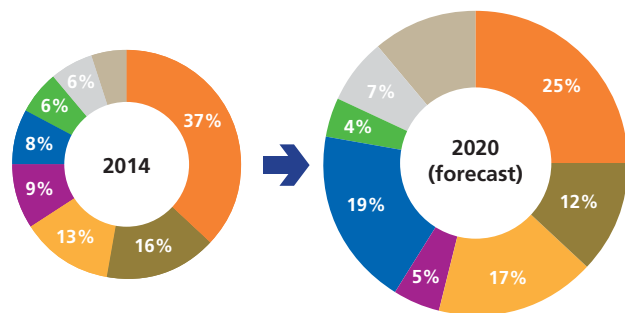
## FY2014: Signed Long-Term Contracts

LNG Carriers				
Tokyo Gas	ex.USA	To Japan	2 vessels	To start in FY 2017
Mitsui & Co.	ex.USA	To Japan	3 vessels	To start in FY 2017
Yamal	ex.Russia	To China	3 vessels	To start in FY 2017
E.ON	ex.USA	To Europe and others	2 vessels	To start in FY 2018

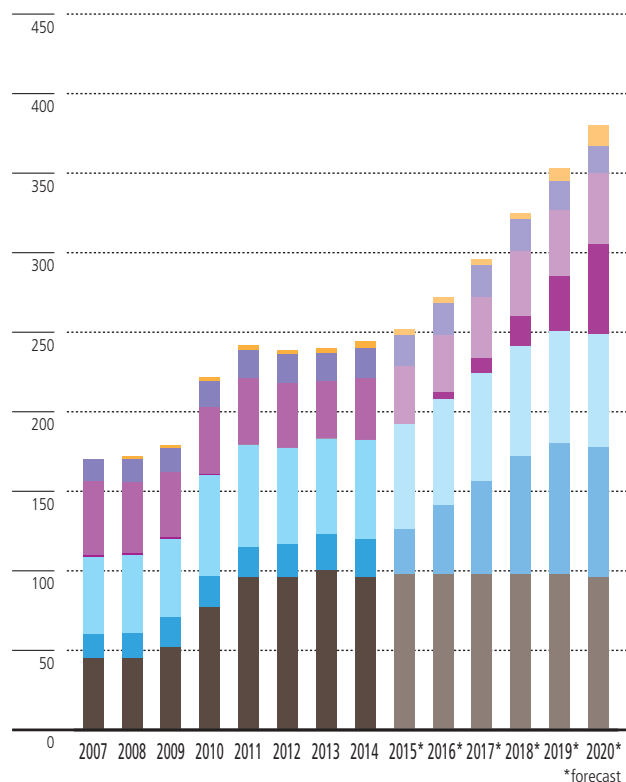
Offshore Businesses			
Petrobras	Brazil	FPSO	To start in FY 2017

## LNG: Demand Forecast by Area



Source: MOL internal calculation based on Wood Mackenzie

## LNG: Seaborne Trade (Million tons)



Source: MOL internal calculation based on Wood Mackenzie





**Naotoshi Omoto**, Managing Executive Officer

**Fiscal 2014 in Review—  
The First Year of “STEER FOR 2020”**

Global auto sales reached 87 million units in 2014, a record high for the fourth straight year. The number of vehicles transported by sea worldwide, however, dipped below 15 million units. Despite a weakening yen, the number of vehicles exported from Japan declined from 4.2 million to 4.0 million as Japanese automakers continued to shift manufacturing toward end markets, accelerating local production for local consumption. We flexibly responded to these offshoring trends while strengthening bonds with customers and increased the volume of cargo transported

outside of Japan. However, due mainly to higher than expected costs associated with setting up new routes (cross trades involving Mexico), income fell from the previous fiscal year.

Nevertheless, the new routes from Mexico got on track in the second half of the year. In addition, we kept up efforts to minimize ballast voyages by pursuing an appropriate mix of cargo amid diversifying trade patterns. As a result, operating results were better than originally forecast at the beginning of the year. I believe we put up a good fight for the first year of “STEER FOR 2020.”

Mexico has grown remarkably in recent years as an export hub for global automakers with many Japanese, American and European automakers building and enlarging plants in the country. MOL is ahead of the game in Mexican vehicle exports, establishing the industry’s first direct route to Europe in the second half of the fiscal year. We will further strengthen our sales bases in each such region for cross trades and create a flexible service network able to meet customer needs.

**Outlook for Fiscal 2015 and Beyond**

In fiscal 2015, we predict a similar level of earnings as the previous year, even though the number of vehicles exported from Japan is expected to decline. We will maintain earnings by bolstering the volume of cross trades and imported cargo, including inter-Asian trade, Transatlantic trade, China-bound cargo from

**Bulkships Car Carriers**



[Car Carrier] NEPTUNE ACE

**Next-generation Car Carriers “FLEXIE” (Depiction)**





Europe, and cargo from Mexico.

Global auto sales are forecast to exceed 90 million units in 2015, led by sales in emerging countries. The number of vehicles transported by sea worldwide is expected rise along with global sales. Simultaneously, the diversification of trade patterns will likely be accelerated, most notably in cross trades.

To capitalize on these developments, MOL is expanding business under the keyword flexibility. As part of this effort, in April we ordered four next-generation car carriers, each with capacity for 6,800 vehicles. The vessels are scheduled to be delivered beginning in 2017. The structure of the hold has been greatly redesigned. The number of liftable decks with adjustable height has increased from two to six, providing the advantage of being able to flexibly respond to various vehicle heights. Another advantage of these vessels is that while the carrying capacity has increased to 6,800 vehicles, the size of the vessel is nearly the same as the standard vessel size of the 6,400 vehicle car carrier, ensuring high usability in various sea lanes and ports across the globe.

Eyeing the expansion of the Panama Canal, some car carrier operators have placed orders for vessels with carrying capacity for 7,500 to 8,000 vehicles. MOL has seen beyond this trend and has instead been focusing on 6,400 vehicle capacity vessels to enhance its fleet. We reached this decision after considering the shipping patterns of our customers and physical port restrictions,

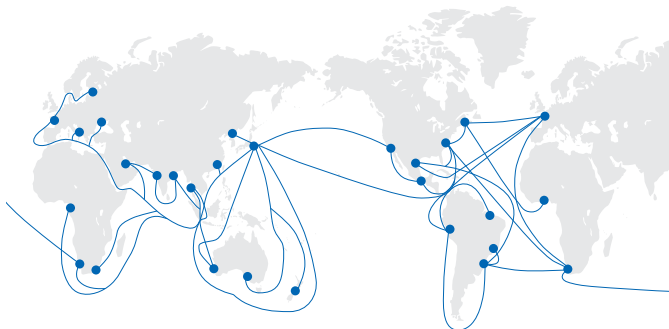
determining that we could flexibly meet customer needs by having a uniform size vessel fleet compatible with various sea lanes and ports around the world. This is another strength of MOL's car carrier fleet, and the new orders were placed based on this policy. MOL has named the new ships the FLEXIE series after the word flexibility. This represents the flexibility of the ships to use space effectively and load various types of vehicles with their six liftable decks as well as the business style of the Company to flexibly respond to diversifying customer needs.

We will continue working to improve profitability by minimizing ballast voyages in response to changes in trade and pursuing synergies with the Group company Nissan Motor Car Carrier Co., Ltd. In July 2015, we united the MOL car carrier network under the new brand MOL AUTO CARRIER EXPRESS (MOL ACE) to strengthen our business on a global scale. Overseas bases are making better use of local talent and strengthening sales for export cargo. Under the new brand MOL ACE, we will leverage our flexibility to respond to the changing business environment while continuing to improve profitability and customer satisfaction.

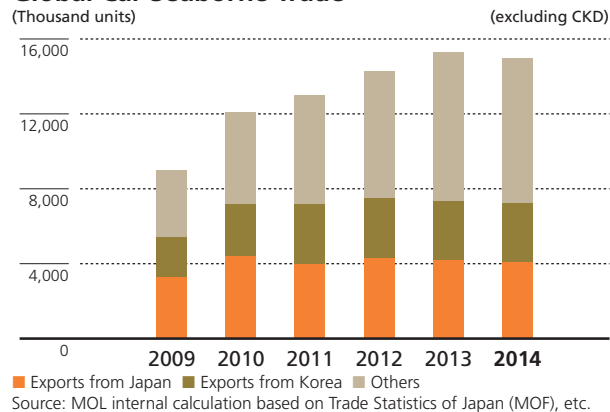


Underlined words are explained in the Glossary on page 74.

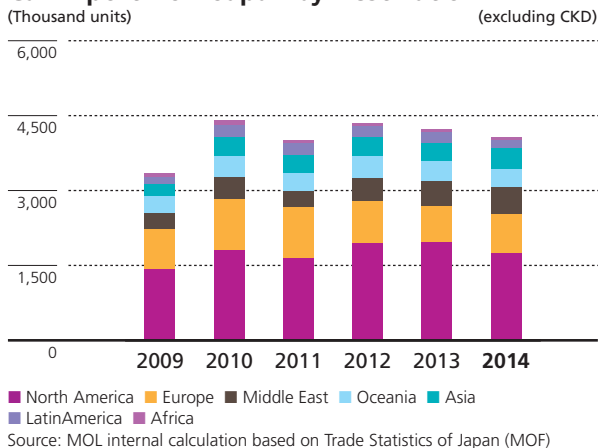
## Main Routes



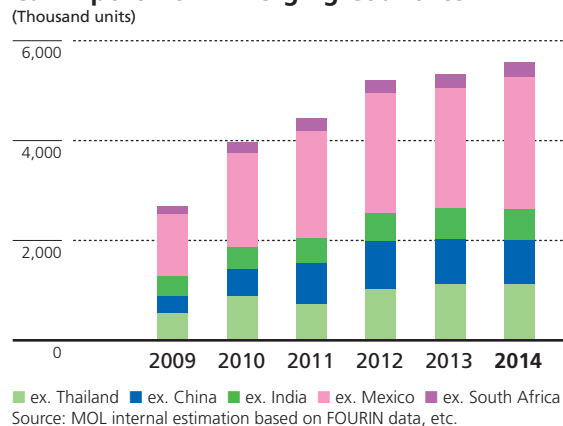
## Global Car Seaborne Trade



## Car Export from Japan by Destination



## Car Export from Emerging Countries





**Akihiko Ono**, Managing Executive Officer

**Fiscal 2014 in Review—  
The First Year of “STEER FOR 2020”**

At the beginning of fiscal 2014, the containership business sought to reverse the ¥14.5 billion loss of fiscal 2013 by posting a profit of ¥2.0 billion. Unfortunately, the loss widened to ¥24.1 billion despite successfully carrying out many of the measures to improve profitability outlined at the beginning of the year. For example, the delivery of large vessels, disposal of small and medium-sized vessels, the expansion of the G6 Alliance, and slow steaming went largely according to plan. On the other hand, the automation of our container terminal in Los Angeles was delayed from July to November.

What really knocked us off course was a downswing in gross margins due to falling freight rates and rising costs. With ongoing deliveries of large containerships for Asia-Europe and other East-West routes, we assumed at the beginning of the year there would be a decline in our average freight rates, but the actual decline was worse than predicted. Freight rate increases could not gain traction, especially for Asia-Europe trade and Asia-South America East Coast trade, the latter having suffered stagnant cargo volumes. Meanwhile the volume of inbound cargo to Asia from North America and Europe could not keep pace with the increase in outbound cargo from Asia, which weakened the market. The stagnant inbound cargo volumes also put pressure on profitability by lowering average slot utilization rates and increasing costs due to the return of empty containers. This was exacerbated by port congestion amid strained labor negotiations at U.S. West Coast ports. These factors, along with the congestion in Manila and other Asian ports, lowered slot utilization rates and raised costs.

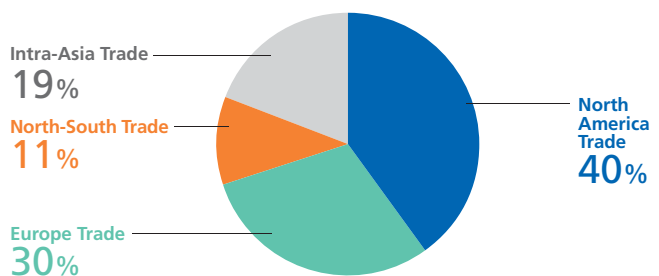
Nevertheless, amid this harsh environment, some containership companies improved their profitability and achieved profits as bunker prices plunged with lower crude oil prices from the beginning of autumn. MOL, however, incurred a significant loss on bunker price hedges placed at the beginning of the year and could not fully benefit from the lower prices. Had it not been for this loss, we would have turned a profit in the fourth quarter of fiscal 2014. Compared with other companies, we were also neg-

# Containerships

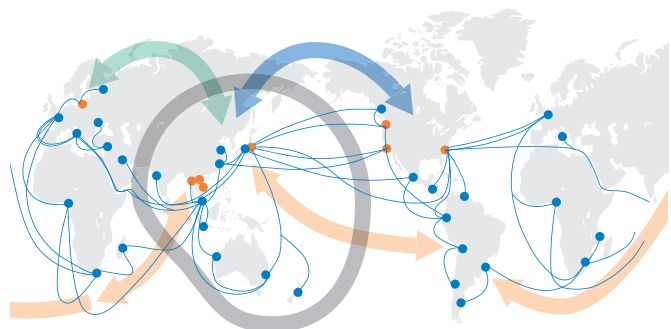


[Containership] MOL BRAVO

**Revenue Breakdown by Trade (FY2014)**



**Main Routes**



● Container Terminal Business  
 ■ North America Trade ■ Europe Trade ■ North-South Trade ■ Intra-Asia Trade

actively impacted by our large share of trade from Asia to South America, especially Brazil, which stagnated due in part to falling natural resource prices. Another factor was our fleet's relatively high number of small and medium-sized vessels, which are rather expensive at current charter market rates.

### Outlook for Fiscal 2015 and Beyond

The factors that prevented our anticipated return to profitability can be broadly categorized into temporary factors and structural factors. Together, these knocked us off course, both compared to our plan and our competitors. The conclusion of the temporary factors and the abatement of the structural factors (especially those unique to MOL), will allow positive momentum, enabling our return to profitability. This will be underpinned by the accumulation of other positive factors.

The loss on bunker hedges is one such temporary factor destined to end. Coupled with the positive effects of lower average bunker prices throughout the year, we should be able to improve our performance by around ¥40.0 billion compared with the previous year. In addition, the congestion at U.S. West Coast ports disappeared at the end of May.

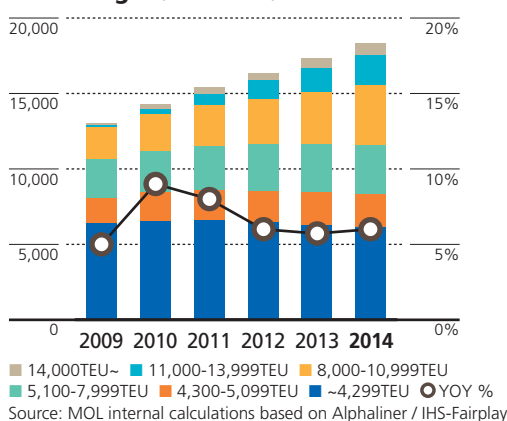
As for freight rates, we foresee a year-on-year decline for the average of all routes as it will likely take more time for the structural supply-demand balance of vessels to improve. To counteract this, we need to successfully carry out our unique cost cutting measures, including initiatives aimed at allaying negative struc-

tural factors. First we will rationalize unprofitable routes, beginning by launching new joint service with Maersk and MSC for the Asia-South America East Coast route in July. Second we will ramp up the disposal of small and medium-sized vessels. This includes the redelivery of vessels to their shipowners before the expiry of charter contracts. In addition to the improvement in the profitability of vessel operations, the automated terminal in Los Angeles started full operations at the end of the previous year after a temporary delay, and is now expected to contribute to profitability. All things considered, we are on course to achieve a profit of ¥5.0 billion in fiscal 2015.

To further improve profitability going forward, we ordered six containerships of 20,000 TEU in March 2015. These vessels will succeed the 14,000 TEU vessels that were chartered to buy us time until we could determine the optimum vessel size for replacements. Considering the limits of the Suez Canal, the 20,000 TEU vessel is the largest and most efficient possible with current shipbuilding technology. With delivery of the vessels slated for 2017, we expect a large improvement in profitability.

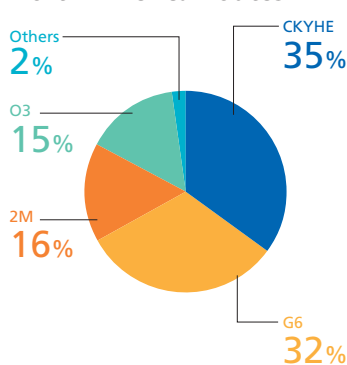
Even in the container terminal business, we will accumulate stable profits by expanding the automated area of our terminal in the U.S. and beginning the operation of new terminals in Rotterdam Port and Vietnam's Hai Phong Port. We are determined to transform the containerships business into one that can generate sustainable profits.

### Global Containership Capacity by TEU Size Range (Thousand TEU)

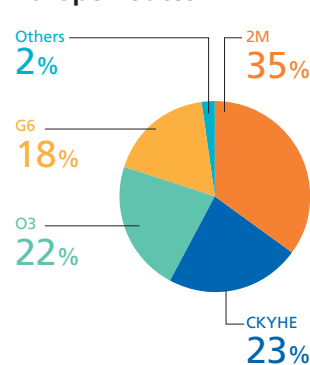


### Share by Major Carrier Alliance

#### North America Routes

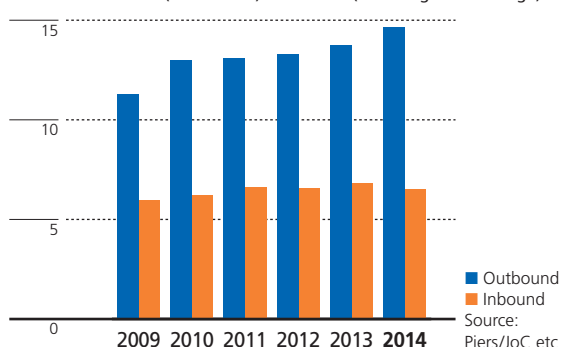


#### Europe Routes

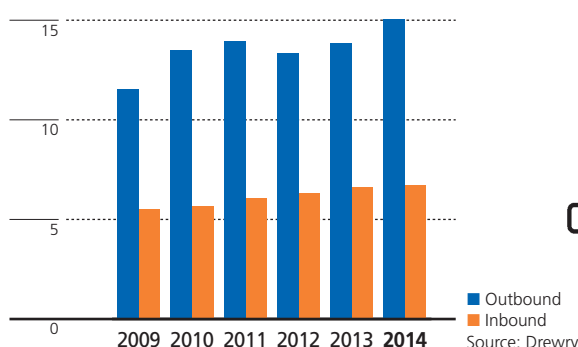


Source: MDS

### Asia-North America Container Trade Cargo Movements (Million TEU) (Excluding Canada cargo)



### Asia-Europe Container Trade Cargo Movements (Million TEU) (Including Mediterranean cargo)



View a video introducing the automated terminal in L.A.





# Ferry & Domestic Transport



**Hirokazu Hatta**, Managing Executive Officer

## Fiscal 2014 in Review— The First Year of “STEER FOR 2020”

The ferry & domestic transport segment comprises the ferry business, which transports passengers, automobiles and trucks, and the domestic transport business, which transports cement, heavy oil, steel, coal, salt and other cargoes. In fiscal 2014, we recorded ¥4.4 billion in ordinary income, double that of the previous year.

In the ferry business, a shortage of truck drivers helped accelerate a modal shift in long distance transport from inland transport to ferries. Amid this shift, we have worked hard to meet the

increase in transport demand. We also strove to unearth new demand in passenger transport. To this end, we worked to raise brand awareness by bolstering advertising efforts while offering products designed around the fun of marine travel such as a project, recognized with an award from the Japan Tourism Agency, to promote voyages among young people.

In the domestic transport business, while cargo flows remain steady for steel products and other mainstay cargo, we seized the opportune time to launch three new vessels, increasing our loading volume. With declining bunker prices providing a tailwind, our sales efforts and continual cost reductions bore fruit.

## Outlook for Fiscal 2015 and Beyond

In fiscal 2015, ordinary income is projected to rise to ¥6.0 billion as cargo transport volumes increase and bunker prices decline.

Looking toward the Tokyo 2020 Olympic and Paralympic Games, demand for domestic transport, including the shipment of materials for renovating infrastructure, is likely to experience firm growth. Amid an aging pool of truck drivers and enforcement of legitimate labor management, the shortage of truck drivers will only worsen. Considering this, we do not expect a reversal of the modal shift to ferries, which are superior in terms of cost, safety and environmental impact.

To seize this opportunity, we decided to launch two new vessels in the ferry business on the Eastern Japan route. The vessels are scheduled to be delivered in 2017. Both vessels are energy-efficient ships with improved fuel efficiency, and are optimized to raise operational speed to provide more convenient schedules for customers. The passenger rooms are also being upgraded. We are trying to capture stable demand for manned truck transport, which can collect and deliver the small-lot cargoes of couriers and convenience stores, demand for which is expected to grow in the future. We are also working to shore up passenger demand by strengthening tie-ups with rail and bus companies.

In the domestic transport business, we are pursuing synergistic effects with our overseas shipping business. In fiscal 2014, we launched two bulk carriers much larger in size than our other domestic bulk carriers. One major aim is to expand business by leveraging the total power of the MOL Group, namely its relationships of trust with customers fostered in the overseas shipping business. We aim to secure long-term contracts in the future and will help expand stable profits.



[Ferry] SUNFLOWER GOLD

# Associated Businesses

**Hirokazu Hatta**, Managing Executive Officer

## Fiscal 2014 in Review— The First Year of “STEER FOR 2020”

This segment comprises MOL's real estate, tugboat, cruise ship, trading and other businesses. Real estate, especially Daibiru Corporation, accounts for a large portion of profits and is a main pillar supporting MOL's stable profits.

Ordinary income for fiscal 2014 was ¥10.9 billion, staying at roughly the same level as the previous year. Daibiru has been expanding the office leasing business, particularly in central Tokyo and Osaka. The office rental market in the Tokyo area is showing signs of improvement, and Daibiru strove to differentiate itself from its peers through strong customer relations, which is a core competence. As a result, Daibiru sustained steady revenues.

The cruise ship business narrowed its loss thanks to higher numbers of passengers amid an active domestic market stimulated by increased calls to Japanese ports by foreign luxury cruise ships. The trading business broke the sales record for Propeller Boss Cap Fins (PBCFs), a device to improve energy-efficiency. The tugboat business remained firm.



ConerStone Building (Vietnam)

## Outlook for Fiscal 2015 and Beyond

In fiscal 2015, ordinary income is expected to decline to ¥10.0 billion primarily because of increased depreciation expenses in the real estate business for newly constructed buildings. Nevertheless, we will aim to improve our bottom line by further reducing costs.

Daibiru oversaw the completion of the Shin-Daibiru Building in Osaka in March 2015, and the number of tenant contracts has surpassed initial expectations. Also in March, Daibiru acquired the property neighboring the Akihabara Daibiru Building in front of Akihabara Station. This is projected to further enhance the value of Daibiru's portfolio over the long term. Overseas, Daibiru acquired its second building in Vietnam in December 2014—the CornerStone Building in Hanoi—following its entry into Ho Chi Minh City. Daibiru embarked on a new medium-term management plan entitled “Design 100” Project Phase-I in April 2013. This five-year plan, which continues through the end of fiscal 2017, aims to expand profits by approximately 20%, thus allowing the company to continue making steady contributions to MOL Group's stable profits.

In the cruise ship business, large foreign cruise ships have been making inroads into the Japanese market, but they have also been raising awareness of cruises in Japan. Seizing this opportunity, we have worked to increase the number of passengers for the NIPPON MARU by differentiating our business through meticulous, high-class service with the aim of improving our profitability. The tugboat business, serving at the very front of shipping, will continue to support the reinforcement of the Group's safe operating structure as outlined in the medium-term management plan. The tugboat business continues to leverage the MOL Group's comprehensive strengths to capture growing demand not only in Japan but also Southeast Asia. It is also uncovering growth opportunities in related fields of offshore business in line with the medium-term management plan's strategy of realizing innovation throughout our business domain.

The trading business is relentlessly pursuing research to further enhance the performance of PBCFs. Going forward, the trading business will expand profits mainly by selling equipment to raise vessels' environmental and safety performance. As a technology trading company, this business will also wield its product development capabilities to expand sales channels to include overseas shipping and ship-management companies.



## Feature II: Training LNG Carrier Seafarers

### Global Demand Expands for Natural Gas amid Shortage of LNG Carrier Seafarers

Demand is rapidly expanding for natural gas as an important green energy source to support our 21st century lives. Development projects are currently underway all around the world. Natural gas can be transported inland by pipelines or offshore by specialized vessels in the form of liquefied natural gas (LNG), the transport method for 30% of traded natural gas. By 2020, transport demand for LNG is expected to increase by 50% from current levels. To

support this demand, it is calculated that the number of LNG carriers worldwide will need to increase from less than 400 vessels at present to around 550. Although this is a major business opportunity for marine transport companies, there are concerns about a severe shortage of LNG carrier seafarers in the near future for the marine transport industry as a whole given the rapid rise in transport demand.

LNG is transported at a constant minus 162 degrees Celsius with a portion of it continuously vaporizing. Seafarers need to possess a high degree



# Investing in Human Capital

to Implement “STEER FOR 2020”



of technical skill to maintain the correct temperature and pressure inside the tanks of LNG carriers. To safely operate these LNG carriers, it is crucial to secure and train seafarers who possess specialized knowledge and experience.

An essential part of the stable energy supply chain depends on LNG carriers and the seafarers who operate them. With the world's largest fleet of LNG carriers, MOL is the company best positioned to fulfill this social duty and respond to rising demand. Under "STEER FOR 2020," the midterm management

plan currently being carried out, MOL is devoting attention to the LNG carrier business as a pillar of future growth strategies and is promoting concrete initiatives to train high-quality seafarers.

### **MOL's Initiatives Focus on LNG Carriers and Training Seafarers**

In line with the strategies outlined in "STEER FOR 2020," MOL is actively investing in building new LNG carriers while stably acquiring long-term LNG transport contracts. Of the less than 400 LNG carriers currently in operation around the world, 67 are fully or partially owned or operated by MOL. Including ships under construction, MOL boasts 92 LNG carriers as of March 31, 2015. This fleet is already the world's largest and will expand to 120 vessels by March 31, 2020. Our plan is to solidify our dominant rank as a leading company. The recruitment and training of LNG carrier seafarers are indispensable to implementing this plan. Succeeding in this effort is the key for MOL to seize solving social challenges as an opportunity to grow.

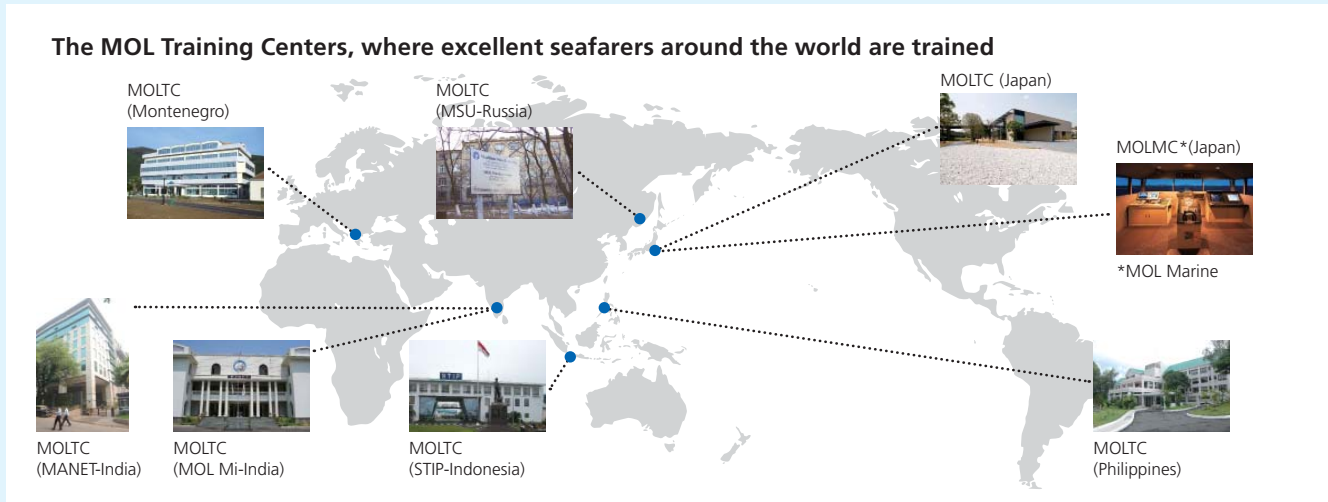
MOL has therefore been actively training LNG seafarers. We operate eight training centers in six countries worldwide. We also implement the Cadet Actual Deployment for Education with Tutorial (CADET) Training, wherein hands-on training is conducted aboard operated vessels. In addition to seafarers from Europe, a traditional source of LNG carrier seafarers, there are already 12 Indonesians aboard our LNG carriers as captains and chief engineers. MOL has a deep, long-lasting bond with Indonesia, which was the loading country when the Company entered the LNG carrier business in 1983.

Another method of securing LNG carrier seafarers is to provide specialized training to seafarers who already possess a wealth of experience on tankers or other vessel types, remaking them into LNG carrier seafarers. This is a strategy that the MOL Group is specially placed to carry out, owing to its many skilled seafarers and the world's largest diversified fleet.

Long-term practical training aboard LNG carriers is indispensable in both cases. In order to deploy trainees to existing LNG carriers, MOL is investing around ¥2.0 billion each year on LNG carrier seafarer training expenses for the duration of "STEER FOR 2020." We believe this is a necessary forward-looking investment to ensure the sustainable growth of MOL.



MOL operates MOL Training centers in eight locations spanning six countries and conducts a wide variety of training from lectures for learning theories to practical training using simulators and on operated vessels.



**Vessel Operation Simulator**

MOL employs an advanced onshore simulator, which perfectly recreates the bridge of a large vessel in operation. The highly functional vessel operation simulator is a cylinder 11 meters in diameter and provides a panoramic view of the ocean. The steering stand, control panel and radar used on the bridge are genuine articles. This system is run by about 50 high-speed computers, whose rapid processing power is capable of recreating any marine environment, and the 15 projectors on the ceiling generate life-like video. The captain and numerous seafarers, including deck officers, participate in training, polishing their technical skills and improving teamwork. In addition, this simulator is not only used for seafarer training, it is also used in our consulting business with municipal governments and port authorities mainly to design ports. In planning ports, we evaluate the safety of operating vessels by adjusting

the conditions in the port, including currents, waves and water depth. Before large bridges or other construction projects begin, we analyze the planned structure's profile and the blind spots or hazards that might result. This simulator features concentrated real-life experiences of seafarers. Not only does this smart simulator improve the skills of Group employees, it accumulates data while providing a wide range of services, turning the skills and knowhow cultivated into effective intellectual assets.



Training

Simulator

**MESSAGE**



Captain Andy Dwi Putranto

**Message for the Captain**

I decided to become a seafarer when I was in Elementary school. We call Indonesia "JAMRUD KATULISTIWA" ("Equatorial Emerald") because the islands lie like a necklace near the equator. I thought it would be beautiful to connect all the islands with a very long bridge, but my teacher said

that reaching other islands depended on using a "seaplane" or airplane. Since it could accommodate so many things and passengers in one trip, I thought the seaplane was more effective. I asked my teacher whether the seaplane could be "driven" by me. She smiled and said, "Of course, you can, but you have to study hard & enter Maritime School."

I was promoted to Captain in 2012, and my childhood dream came true. It was an amazing coincidence that the vessel's name was "Dwiputra," same as my name.

We have a good Training Center in STIP Jakarta, namely the MOL Training Center (MTC). We're proud of this because MOL is

one of only a few shipping companies which have a Training Center in Indonesia.

MOL's education and training programs are very useful because they always provide good materials such as training videos, books and magazines relating to ship safety, personal safety, the marine environment and crew orientation.

Since being promoted to Captain, I have been focusing on the safe behavior, health, knowledge and prosperity of my crew. A skilled crew is a big investment/asset of a shipping company. If the crew are happy and comfortable working on board, I believe that they will perform well, which is important for not only the safety of the ship but also the Company. Safe ship operations and the long life of the ship can only be maintained by a good crew. For LNG vessels, expert and skillful seafarers are absolutely needed considering the nature of the cargo.

Safe behavior on board is not only mandatory, it is our culture during life at sea. If safety on board is not implemented properly, it will negatively impact ship operation. On the other hand, fatal accidents, property loss, and environmental pollution can be avoided if safety is carved into the heart of every seafarer.

# Safe Operation

Safe operation is of the utmost importance and lies at the heart of MOL's management. In the midterm management plan "STEER FOR 2020," we set the reconstruction of our safe operating system as an integral initiative to strengthen our management foundation, which supports the successful execution of the plan. We will continue to restrengthen our safe operating system to ensure the thorough implementation of measures to prevent serious marine incidents as we strive to become the world leader in safe operation.

## Safe Operation Management

### Safe Operation Management Structure

MOL reorganized the division responsible for safe operation in February 2015. This move was aimed at integrating and horizontally disseminating information among different types of vessels while maintaining a structure that focuses on the front-line operation of every vessel type, reinforcing company-wide operational safety measures, and developing an organizational structure that focuses all the authority necessary to be responsible for the entire Group's safe vessel operations into the Marine Safety Division. Under the new structure, all land-based and ocean-going personnel are united to strive to maximize operating safety, with the goal of becoming the world leader in safe operation.

#### Organizational Structure Supporting Safe Operation



#### Safety Operations Headquarters

- Marine Safety Division
  - Ship management coordinating divisions
  - Marine technical teams supporting vessel operations for business divisions
  - In-house ship management companies leading working-level ship management \*

\*MOL Ship Management Co., Ltd., and MOL LNG Transport Co., Ltd.

### Emergency Response System

MOL continues to strengthen its systems so that it can provide an accurate response in the unlikely event of an emergency.

### Safety Operation Supporting Center (SOSC)

The SOSC is staffed at all times by two marine technical specialists, including an experienced MOL captain, and supports the safe navigation of MOL-operated vessels around the clock 365 days a year.



Safety Operation Supporting Center (SOSC)

The center monitors the position and movement of more than 900 MOL Group-affiliated vessels in real time, providing assistance from the captain's perspective by supplying information on abnormal weather and tsunamis and on piracy and terrorism incidents to relevant personnel on the ship and land. At the same time as serving as an information portal supporting the safe

operation of MOL ships, the center also functions as a help desk for urgent inquiries from ships regarding safe operation. Since its establishment, the center has helped to steadily reduce the number of incidents involving adverse weather or emergency entry\*1.

For detailed SOSC information, see the Safety, Environmental and Social Report.



### Accident Response Drills

MOL regularly conducts accident response drills on vessels while at sea. These drills simulate various situations such as an on-board fire or water immersion, or act of piracy or terrorism, so that seafarers can respond swiftly and appropriately in an emergency.



Evacuation drill on board

Head Office conducts serious marine incident emergency response drills twice a year with the cooperation of the Regional Coast Guard Headquarters. The drills involve MOL's President, other corporate officers, representatives of relevant departments and ship management companies, and vessels. In October 2014, we conducted an emergency response drill based on the premise of a collision of our product tanker while underway in Galveston Bay. In May 2015, we conducted an emergency response drill based on the premise of our cruise ship colliding with a containership while under way on the Kanmon passage. Furthermore, MOL Group companies that operate ferries and cruise ships conduct emergency response drills, including evacuation guidance, on a regular basis, as they put the highest priority on ensuring customer safety in an emergency.

### Safe Operation Measures

Efforts to ensure safe operation will never end. Coupled with the revision and continuation of policies already in place to strengthen safe operation, MOL will thoroughly implement policies to prevent a recurrence of recent serious marine incidents.

### Making Processes for Realizing Safe Operation Visible

MOL has introduced objective numerical indicators for measuring safety levels, and also set the following numerical targets, including the Four Zeroes.

1. Four Zeroes (an unblemished record in terms of serious marine incidents, oil pollution, fatal accidents and cargo damage)
  2. LTIF \*2 (Lost Time Injury Frequency): 0.25 or below
  3. Operational stoppage time \*3: 24 hours/ship or below
  4. Operational stoppage accident rate \*4: 1.0/ship or below
- In fiscal 2014, MOL worked on three important targets:
- (1) eradicate work-related accidents causing death, and reduce work-related accidents causing injury,



- (2) eradicate collisions and groundings, and
- (3) eradicate machinery trouble resulting in a dead ship condition (a ship being unable to move under its own power).

**Preventing New or a Recurrence of Serious Incidents**

MOL is constantly, repeatedly implementing and raising awareness of fundamental matters while striving to thoroughly keep fresh the memory of serious incidents we have experienced and prevent a recurrence of serious incidents while giving due consideration to improving teamwork, safety awareness, awareness of relevant parties and vessel management quality. We will continue to adapt our accident prevention system by making improvements related to both seafarer training and ship facilities to break the chain of errors in which minor factors combine and ultimately lead to major maritime accidents.

In terms of seafarer training, we are thoroughly implementing drills prior to boarding and supervising the instruction of less experienced seafarers. We are also enhancing land-based education and training curriculum and programs such as "Hazard experience" training sessions and BRM drills\*5. These measures are geared towards enhancing the ability of seafarers to perceive danger and promoting teamwork. In addition, we are working to raise safety awareness among seafarers by collecting information from each vessel in operation on examples of incidents and problems as well as close calls\*6 and by using videos, photos and illustrations to appeal to the visual sense of seafarers. In terms of ship facilities, we are working to equip ships with error-resistant equipment and promoting the adoption of information technology. This involves promoting the fail-safe design concept by providing shipyards and equipment manufacturers with feedback from vessels in operation on areas of non-conformance and areas in need of improvement.

It is the MOL Group's ultimate goal to eradicate work-related accidents causing death. MOL analyzes the factors and causes behind accidents from various angles and uses the results to make improvements in ship facilities. It also asks employees on land and at sea to discuss and propose preventive measures for examples of serious incidents and problems as if they were each wholly responsible as part of efforts to prevent accidents.

**Cooperation for Safe Operation**

The MOL Group works together with vessels, shipowners, and

ship management companies to work toward achieving the world's highest level of safe operation of all owned and chartered vessels by sharing safety-related information. The Company regularly broadcasts "Safety Alerts"—information pertaining to safe operation, including work-related incidents involving casualties—to every vessel. MOL conducts "Safety Operation Meetings" and "Safety Campaigns" involving vessels, shipowners, ship management companies and even the sales division to deepen understanding of its safety standards and to discuss safety improvements. MOL also inspects vessels to check whether its safety standards are understood well and put into effect. If there is a need to make improvements, MOL will take corrective actions, communicating with the vessel, shipowner and ship management company in the process.

For detailed safe operation, see the Safety, Environmental and Social Report.



**Third party evaluations**

**Safe Operation, Including Evaluations of Seafarer Educational Programs**

**LNG Carrier Standard Training Course acquired certification from DNV\*\***

The LNG Carrier Standard Training Course implemented globally by MOL was certified by Norway's Det Norske Veritas AS (DNV)\*\* in 2007 for compliance with the LNG carrier crew ability standards advocated by SIGTTO.\*\*\*

\*\* Now DNV GL AS

\*\*\* Society of International Gas Tanker & Terminal Operators Ltd.

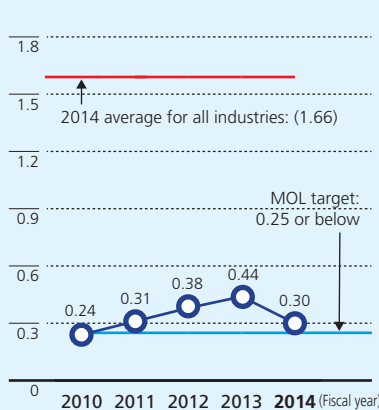


**Management program for seafarer education and training acquired certification from DNV\*\***

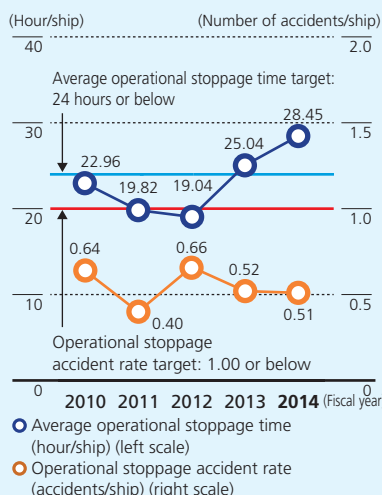
MOL's management program for seafarer education and training was recognized to be effective and certified in its tanker and LNG carrier operations by DNV\*\* in 2012 for compliance with the Competence Management System (CMS).



**Lost Time Injury Frequency (LTIF)**



**Operational Stoppage Accidents Average Time and Frequency**



**Glossary**

- \*1 **Emergency entry:** Entering foreign territory due to severe weather on the sea, serious hull or engine distress, or the injury of a crew member.
- \*2 **LTIF (Lost time injury frequency):** Number of work-related accidents per one million hours worked that resulted in time lost from work of one day or more. Average for all industries (2014) was 1.66; for shipping industry, 1.33; for transportation equipment manufacturing industry, 0.51. (Source: 2014 Survey on Industrial Accidents issued by the Ministry of Health, Labour and Welfare)
- \*3 **Operational stoppage time:** Expresses the amount of ship operational stoppage time due to an accident per ship per year.
- \*4 **Operational stoppage accident rate:** Expresses the number of accidents that result in ship operational stoppage per ship per year.
- \*5 **Bridge resource management drill:** Simulating an incident on a vessel operation simulator to enable seafarers to acquire response techniques. It includes MOL's original programs.
- \*6 **Close calls:** Risky incidents that came very close to causing a more serious accident.

# Management Foundation Underpinning MOL:

Corporate Governance and Corporate Social Responsibility

## Contents

- 58 Board Of Directors, Corporate Auditors and Executive Officers
- 60 Outside Director and Corporate Auditor Roundtable Discussion
- 64 Corporate Governance
- 68 Risk Management
- 70 Corporate Social Responsibility (CSR)

# Board of Directors, Corporate Auditors and Executive Officers

(As of June 23, 2015)

## Board of Directors



**Koichi Muto**

Representative Director Born 1953

Apr. 1976 Joined Mitsui O.S.K. Lines, Ltd.  
 Jun. 2002 General Manager of Bulk Carrier Division  
 Jan. 2003 General Manager of Corporate Planning Division  
 Jun. 2004 Executive Officer, General Manager of Corporate Planning Division  
 Jun. 2006 Managing Executive Officer  
 Jun. 2007 Director, Managing Executive Officer  
 Jun. 2008 Director, Senior Managing Executive Officer  
 Jun. 2010 Representative Director, President Executive Officer  
 Jun. 2015 Representative Director, Chairman of the Board, Chairman Executive Officer (current)



**Junichiro Ikeda**

Representative Director Born 1956

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



**Kenichi Nagata**

Representative Director Born 1956

Apr. 1979 Joined Mitsui O.S.K. Lines, Ltd.  
 Jun. 2005 General Manager of Coal and Iron Ore Carrier Division  
 Jun. 2007 Executive Officer, General Manager of Coal and Iron Ore Carrier Division  
 Jun. 2009 Managing Executive Officer  
 Jun. 2013 Senior Managing Executive Officer  
 Jun. 2015 Representative Director, Executive Vice President Executive Officer (current)



**Masahiro Tanabe**

Director Born 1957

Apr. 1979 Joined Mitsui O.S.K. Lines, Ltd.  
 Jun. 2003 General Manager of Logistics Business Division  
 Jun. 2008 Executive Officer, Managing Director of MOL Europe B.V.  
 Jun. 2011 Managing Executive Officer  
 Jun. 2013 Director, Managing Executive Officer  
 Jun. 2015 Director, Senior Managing Executive Officer (current)



**Shizuo Takahashi**

Director Born 1959

Apr. 1981 Joined Mitsui O.S.K. Lines, Ltd.  
 Jun. 2006 General Manager of Corporate Planning Division  
 Jun. 2008 Executive Officer, General Manager of Corporate Planning Division  
 Jun. 2010 Executive Officer  
 Jun. 2011 Managing Executive Officer  
 Jun. 2014 Director, Managing Executive Officer  
 Jun. 2015 Director, Senior Managing Executive Officer (current)



**Takeshi Hashimoto**

Director Born 1957

Apr. 1982 Joined Mitsui O.S.K. Lines, Ltd.  
 Jun. 2008 General Manager of LNG Carrier Division  
 Jun. 2009 Executive Officer, General Manager of LNG Carrier Division  
 Jun. 2011 Executive Officer  
 Jun. 2012 Managing Executive Officer  
 Jun. 2015 Director, Managing Executive Officer (current)

## Independent Officers



**Takeshi Komura**

Outside Director Born 1939

Jun. 2008 Director of Mitsui O.S.K. Lines, Ltd. (current)  
 Jan. 2014 President of Capital Market Promotion Foundation (current)



**Masayuki Matsushima**

Outside Director Born 1945

Jun. 2011 Director of Mitsui O.S.K. Lines, Ltd. (current)  
 Nov. 2012 Chairman of NWIC Co., Ltd. (current)  
 Sept. 2014 Senior Advisor of Integral Corporation (current)



**Atsutoshi Nishida**

Outside Director Born 1943

Jun. 2014 Director of Mitsui O.S.K. Lines, Ltd. (current)  
 Jun. 2014 Advisor to the Board of Toshiba Corporation (current)



## Corporate Auditors

**Takehiko Ota***Corporate Auditor* Born 1960

- Apr. 1984 Joined Mitsui O.S.K. Lines, Ltd.
- Jun. 2008 General Manager of Investor Relations Office
- Jun. 2013 Corporate Auditor of Mitsui O.S.K. Lines, Ltd. (current)

**Takashi Nakashima***Corporate Auditor* Born 1959

- Apr. 1982 Joined Mitsui O.S.K. Lines, Ltd.
- Jun. 2009 General Manager of Research Office
- Jun. 2011 General Manager of General Affairs Division
- Jun. 2015 Corporate Auditor of Mitsui O.S.K. Lines, Ltd. (current)

**Independent Officers****Hideki Yamashita***Outside Corporate Auditor* Born 1954

- Apr. 1982 Attorney-at-Law (current)
- Apr. 1985 Established YAMASHITA & TOYAMA LAW AND PATENT OFFICE
- Mar. 1993 Patent Attorney (current)
- Jun. 2014 Corporate Auditor of Mitsui O.S.K. Lines, Ltd. (current)

**Hiroyuki Itami***Outside Corporate Auditor* Born 1945

- Apr. 2008 Professor of Tokyo University of Science, Graduate School of Innovation Studies (current)
- Jun. 2011 Corporate Auditor of Mitsui O.S.K. Lines, Ltd. (current)

## Executive Officers

**Koichi Muto**

Chairman

**Junichiro Ikeda**

President, Chief Executive Officer

**Kenichi Nagata**

Executive Vice President (Assistant to President, Bulk Carrier Office)

**Masaaki Nemoto**

Senior Managing Executive Officer (Dry Bulk Carrier Supervising Office, Tanker Safety Management Office, LNG Safety Management Office, Human Resources Division, Marine Safety Division, Safe Operation)

**Masahiro Tanabe**

Senior Managing Executive Officer (Finance Division, Accounting Division, Investor Relations Office, Liner Division, Port Projects &amp; Logistics Business Division, Research Office)

**Shizuo Takahashi**

Senior Managing Executive Officer (Internal Audit Office, Secretaries Office, Corporate Planning Division, Public Relations Office, MOL Information Systems, Ltd., Compliance)

**Hirokazu Hatta**

Managing Executive Officer (General Affairs Division, Group Business Division, Kansai Area)

**Takeshi Hashimoto**

Managing Executive Officer (LNG Carrier Division, Offshore and LNG Project Division, LNG Safety Management Office)

**Tetsuro Nishio**

Managing Executive Officer (Dedicated Bulk Carrier Division)

**Toshiya Konishi**

Managing Executive Officer (Port Projects &amp; Logistics Business Division, Chief Executive Representative in Americas)

**Takaaki Inoue**

Managing Executive Officer (Tanker Safety Management Office, LNG Safety Management Office, Marine Safety Division)

**Takashi Maruyama**

Managing Executive Officer (Finance Division, Investor Relations Office)

**Akihiko Ono**

Managing Executive Officer (Liner Division)

**Akio Mitsuta**

Managing Executive Officer (Tanker Division, Tanker Safety Management Office)

**Naotoshi Omoto**

Managing Executive Officer (Car Carrier Division)

**Toshiyuki Sonobe**

Executive Officer (Managing Director of Mitsui O.S.K. Bulk Shipping (Asia Oceania) Pte. Ltd., Chief Executive Representative in Asia, Middle East &amp; Oceania)

**Yoshikazu Kawagoe**

Executive Officer (Technical Division)

**Hideo Horiguchi**

Executive Officer (Accounting Division)

**Koichi Yashima**

Executive Officer (Human Resources Division)

**Mitsujiro Akasaka**

Executive Officer (Managing Director of MOL (ASIA) LIMITED, Deputy Chief Executive Representative in Asia, Middle East &amp; Oceania)

**Toshikazu Inaoka**

Executive Officer (Dry Bulk Carrier Supervising Office, Marine Safety Division, General Manager of Dry Bulk Carrier Supervising Office)

**Toshiaki Tanaka**

Executive Officer (Coal and Iron Ore Carrier Division)

**Nobuo Ishihara**

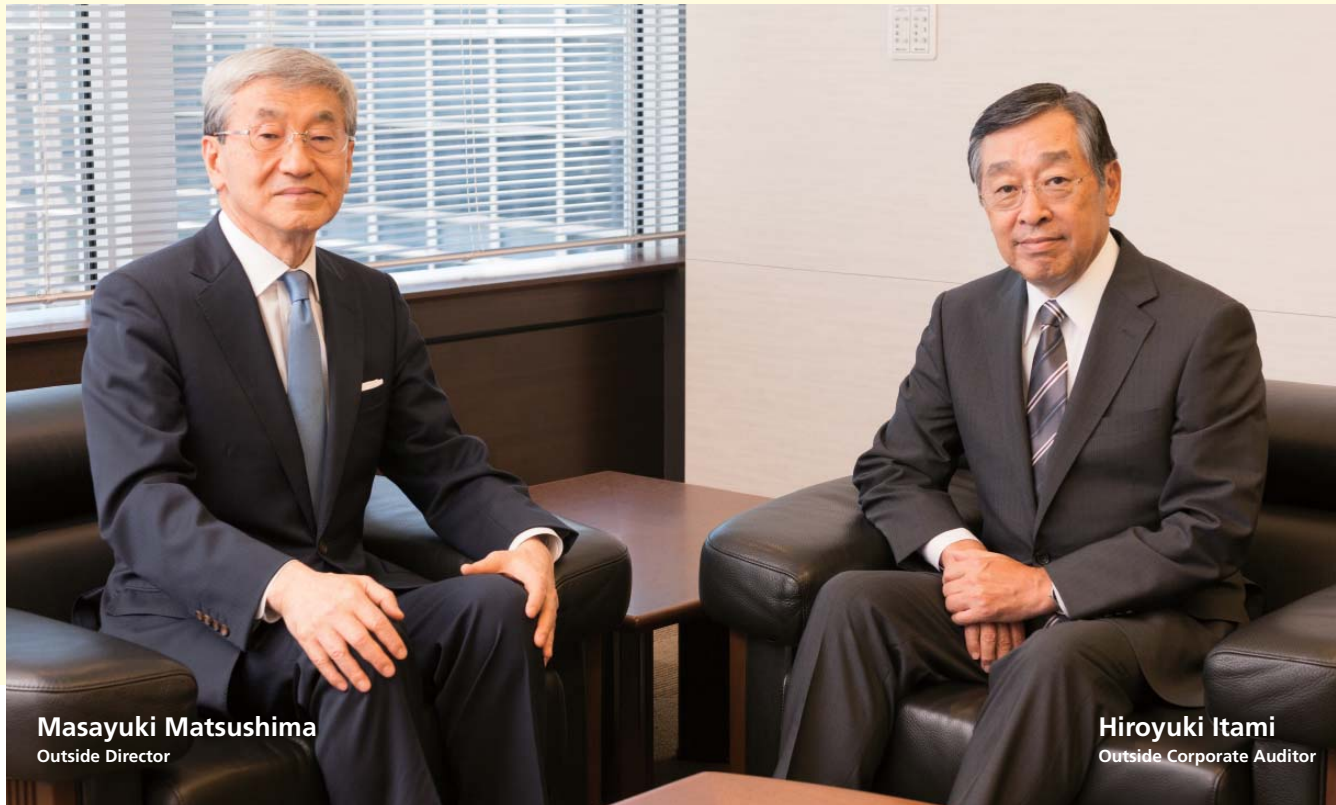
Executive Officer (Managing Director of Mitsui O.S.K. Bulk Shipping (Europe) Ltd., Chief Executive Representative in Europe &amp; Africa)

**Kenta Matsuzaka**

Executive Officer (General Manager of LNG Carrier Division)

## Outside Director and Corporate Auditor Roundtable Discussion

We interview two outside officers (one director and one corporate auditor) on a range of topics from the insight they provide the Board of Directors to their impression of MOL's governance.



**Masayuki Matsushima**  
Outside Director

**Hiroyuki Itami**  
Outside Corporate Auditor

“ To help the Company establish a sustainable growth model as a truly global corporation, I'd like to fulfill my role as an outside officer and trusted advisor. ”

—Matsushima

“ I believe outside officers can make the most of their position and contribute to effective management by taking the initiative to say the things people inside the Company are afraid to say. ”

—Itami

### What are your thoughts on your respective roles as an outside director and an outside corporate auditor?

**Matsushima:** I'd like to first start off by saying that outside officers are not all powerful or all knowing. When it comes to business operations, officers from inside an organization can be more knowledgeable. So if you think about what kind of expectations outside officers can fulfill, the answer is clear: things that internal officers are unable to do, namely providing outside perspective. From the outside, it's possible to view the Company's management more objectively. Opinions rejected internally as nonsensical could be the very

ideas that lead to new creation. I think being able to provide an original point of view is one of the things expected of outside directors.

**Itami:** While I wholly agree with what Mr. Matsushima just said, I'd like to add that outside officers can talk straight about things that are known within the Company but talked about in hushed tones. Since outside officers don't have conflicts of interest with the Company or its management, they're in a good position to speak truth to management. I believe outside officers can make the most of their position and contribute to effective management by taking the initiative to say the things people inside the Company are afraid to say.

## What about the difference between a director and a corporate auditor?



**M:** In terms of actual function, there does seem to be a lot of overlap. When something comes up, if it's something the corporate auditor's responsible for, that doesn't

mean we as directors can avoid our responsibility.

**I:** Speaking from the position of an outside corporate auditor, there are functions set by law as specifically the responsibility of corporate auditors, like accounting audits and internal controls, and these must of course be fulfilled. However, on top of that, the auditor is in the position to attend Board of Directors' meetings and speak about management decisions. How should the auditor take on this involvement? The reaction could be completely different depending on the corporate auditor's own mindset or the corporate culture at the company. There are actually companies where corporate auditors attend board meetings but hardly ever say anything. Corporate auditors, myself included, don't have voting rights, but given our participation in board meetings, I feel we should voice our opinions about business management frankly. Corporate auditors have an obligation to audit management. Midterm management plans and management strategies are subject to auditing. And that's why while there is a difference in what is required of directors and corporate auditors by law, there is very little difference when it comes to participating in deliberations during board meetings.

## What would you commend about MOL's governance and what do you think should be improved?

**I:** I admire the system MOL has set up to reserve time for the Deliberation on Corporate Strategy and Vision<sup>\*</sup>, and encourage thorough discourse when outside directors and outside corporate auditors are in attendance. This is really good. As for what should be improved, there are times when the agenda is not implemented in a way that takes advantage of that system. Meaning: sometimes there are a large number of agenda items, explanations are too long, and insufficient time is left for discussion, albeit the company provides ample time for board meetings. Basically, I think the way the meetings are conducted needs to be improved.

**M:** I don't believe there are problems with the Company's governance overall. The board rarely simply approves the agenda items. The Board of Directors is highly open, debating the issues from various angles, setting aside issues for further debate, and offering support for items but with provisions attached. What I'm concerned about, though, is that while, in terms of corporate culture, everyone has superb communication skills and good character, nobody volunteers to play devil's advocate or say something unconventional when something happens. Considering MOL has in the past posted wide losses and once violated Japan's Antimonopoly Act, during trying times such as these, it would be much better if someone is brave enough to voice a contrary viewpoint.

**I:** That could also be because there's not enough time for that during the meeting.

**M:** Yeah, that's true. It would be even better if they could use technology or something during meetings to shorten speakers' explanations and set aside time to explain how the item relates to the strategies of the Company as a whole and how it connects with the corporate vision.

## Do you feel there are times when outside directors and corporate auditors should take on a leading role for the management team? What kind of situation do you think would merit such action at MOL?

**I:** I think taking on a leading role for the management team means speaking frankly with them. In general terms, the greatest responsibility of an outside officer is reining in management when they begin to get out of control. How you design a system or a control for that purpose is important. To be clear, I'm not implying or aware that any members of MOL's management team are out of control at present. But, as someone who thinks a lot about governance, it's important to have a system that can function during emergencies. Governance systems are like air: normally it's better not to be aware of its presence. But, if you fall to the bottom of a hole and begin running out of oxygen, that's when you first realize how much you need it. So I feel it's a really sound idea to ensure it is ready before something urgent happens.

**M:** Moreover, in terms of organizational change, people outside the company may be more likely to provide insight since



<sup>\*</sup>Deliberation on Corporate Strategy and Vision—

A major feature of MOL's Board of Directors. At each meeting, the board focuses on a particular topic concerning management strategies, MOL's long-term vision or other subjects involving management. These discussions provide an opportunity for lively debates that include the outside directors and corporate auditors.



internal officers and employees are prone to following in the same old tracks. This includes reforming the organization and cutting losses. I think there are times when outside officers assess the situation from a long-term perspective and give management a bit of a push when they are hesitant to cut losses. In addition, speaking from my experience, I feel that outside directors can especially contribute to pointing out and preventing compliance issues.

**As an outside director and outside corporate auditor, looking back on major proposals and agendas for past board meetings and the Deliberation on Corporate Strategy and Vision, was there anything that left a particularly strong impression?**

**I:** As for the matters in which people outside the Company played an important role, what most sticks in my memory are those times when a wide range of opinions arose, such as the time when we discussed moving part of the dry bulkers division to Singapore. This move would lead to an extraordinary loss over ¥100.0 billion but improve the Company's standing. Another debate that stands out is when we discussed what to do about a struggling affiliate requesting financial support. I feel those were times I could really fulfill my function.

**M:** I recall one quite heated debate. Many opinions conflicted, causing the decision to be postponed to the next meeting. Ultimately an agreement was reached, but with provisions attached. I felt I was really able to contribute to the discussion as an outside director. And what impressed me when holding the Deliberations on Corporate Strategy and Vision at the Board of Directors meetings was the frequent discussion of the containership business. The debates

become quite lively and things begin to pick up steam. I have a positive impression of that.

**“STEER FOR 2020” was, in a sense, crafted in response to the result of a previous investment that led to excessive market exposure. Could you tell me what kind of opinions you gave as an outside director and outside corporate auditor?**

**M:** I stressed three points. The first was that, for management to really do its job, it would have to consider better insulating the Company from market forces, since shipping market conditions, exchange rates, bunker prices and other such factors are directly connected to corporate profits. I said that structural reform seemed necessary. Since it is the marine transport industry, I do think that it's impossible to be completely free from market forces and it's necessary to learn to live with them, but I added that I believe the Company should get out of the situation where it's easily shaken by the markets. The second point was truly global management. Until now, Japan has been the Company's major location. But with the changing demographics and geopolitics, Japan's proportion of global production and consumption are declining over the long term. To respond to these changes, I said the Company needs to pivot from its current business model to become a truly global corporation and establish a model for sustainable growth. This could be done by employing new technology or reorganizing trade routes from a global perspective while making use of alliances and local subsidiaries. Actually, I think management is aware of this as localization progresses at bases in Singapore and Hong Kong. The third was controlling risks for the Company as a whole. This also includes responses to environmental changes, not just market conditions. I told them that they should have a better



**“ I do think that it's... necessary to learn to live with market forces, but I added that I believe the Company should get out of the situation where it's easily shaken by the markets. ”**

**–Matsushima**

“ I asked if they’d done proper scientific calculations on how much risk the fleet portfolio was harboring. ”

–Itami



sense of how much risk they are operating under.

**I:** “STEER FOR 2020” was supposed to be formulated based on reflections of the past, and that’s just what happened. At that time, I asked if they’d done proper scientific calculations on how much risk the fleet portfolio was harboring.

**M:** You said that at a board meeting, right? That left a lasting impression.

**I:** If you measure the total risk exposure of the fleet portfolio, you could say, “this is too much risk to bear” or “in that case, let’s try decreasing this or increasing that,” and at least have somewhere to start a discussion about reorganizing the portfolio. But if you have no idea about the amount of risk, even if you’re told that there are risks, you won’t know if they’re big risks or small risks, right? Actually, when we began trying to quantify the risks, albeit imperfectly, the ratio of free vessels became a subject of debate. So I think it was meaningful that someone outside the Company said something should be done because it should be possible to express the risks quantitatively. In the meantime, while I do think it’s wonderful that the Company has recently been focusing on securing stable profits under “STEER FOR 2020,” there is the danger that the Company may go too far to minimize risks in divisions naturally exposed to market conditions, such as containerships and tankers. They really have to train people who can confront risks, but if the employees get immersed into “risk-free” tasks, the number of people who can grapple with risks will decrease. I asked them to consider that as well.

### Please tell us what your expectations are for MOL going forward, or share any last thoughts on your role.

**M:** As I said before, I’d like the Company to establish a sustainable growth model as a truly global corporation. And, to help accomplish that, I’d like to fulfill my role as an outside officer and trusted advisor.

**I:** I’d like MOL, as a world-leading shipping company with the world’s largest fleet, to continue to grow going forward. To

do that, the Company needs to pour money and human resources into the expanding areas of their portfolio. Training personnel is especially important. I’d like to see the Company soundly carry out its plans for securing and training the seafarers and captains it will need as the focus begins shifting to LNG carriers. Because companies are people. What I can do to help achieve this is, I think, to just speak frankly with management.

### Deliberation on corporate strategy and vision: Agenda Topics

FY2012	Agenda
May	Strategies for securing and training seafarers
Oct.	Policy on formulating management plan
Dec.	Structural reforms
Feb.	The shale revolution and energy transport

FY2013	Agenda
May	Prospects for offshore businesses and MOL’s initiatives
Oct.	Apprehending the business environment prior to formulation of the next midterm plan
Nov.	Technological revolution in marine transport
Feb.	Outline of the next midterm management plan

FY2014 –	Agenda
Aug.	Benchmarking against the competition in container shipping
Sep.	“STEER FOR 2020” management issues of the Containership Business
Nov.	Introduction of investment risk control indicators
Dec.	Impact of hydrogen-based society on the marine transport industry
Apr.	Corporate governance

# Corporate Governance

## Governance at a Glance

System of governance	Company with a board of corporate auditors
Total directors	9
Outside directors (ratio)	3 (1/3)
Total corporate auditors	4
Outside corporate auditors (ratio)	2 (1/2)
Independent officers (directors and corporate auditors)	5
Board of Directors' meetings held in fiscal 2014	11
Term of directors	1 year
Stock option system	Yes
Retirement benefit system	No
Anti-takeover measures	No
Compliance rules	Yes
External compliance advisory service desk	Yes

## History

### 1997

Outside auditors increased from one to two out of a total of four auditors

### 1998

George Hayashi (former APL chairman) invited to join the Board of Directors (became Director and Vice President in 1999, following revision of the Shipping Act)

### 2000

Management organization reform

1. Introduced a system of executive officers
  2. Abolished the Managing Directors Committee and established an Executive Committee (reduced the membership from 21 to 10)
  3. Reformed the Board of Directors (redefined its duties as the highest-ranking decision-making body and the supervision of business activities) and reduced membership from 28 to 12
  4. Elected two outside directors
  5. Established the Corporate Visionary Meeting
- Established the IR Office  
Started holding the Annual General Shareholders' Meeting on a day relatively free of other shareholders' meetings

### 2001

Established the MOL Group Corporate Principles  
Added one more outside director, increasing the number of outside directors to three  
Established Compliance Policy and a Compliance Committee

### 2002

Second stage of management reforms

Reforms reinforced roles of the Board of Directors concerning determination of basic strategies and monitoring risk management while providing for faster decision-making at the business execution level

1. Board of Directors was reorganized to carry out three important functions: (1) deliberation on issues requiring approval by the directors; (2) receipt of reports on business operations; and (3) deliberation on corporate strategy and vision
2. Reviewed and consolidated issues submitted to the Board of Directors
3. Expanded jurisdiction of the Executive Committee regarding execution of business activities

### 2006

Decided basic policy on the establishment of internal control systems in response to enforcement of the new Japanese Companies Act  
In response to the enforcement of the Financial Instruments and Exchange Act, the Internal Control Planning Office was established in the Corporate Planning Division

### 2011

Revised the MOL's Compliance Policy and Rules of Conduct

### 2014

Revised the Compliance Policy, establishing a chief compliance officer (COO)

## Corporate Governance that Supports Growth Dynamics

Effective corporate governance has two sides. The defensive side focuses on eliminating risks and ensuring business is conducted in line with social norms and corporate ethics. The other side is offensive, striving to maximize corporate value by accurately evaluating latent risks in the process of pursuing business opportunities, then actively taking those risks deemed reasonable. A company needs both wheels of governance. One brings order, the other provides growth dynamics. With both wheels firmly in place, a company can gain the trust of its customers, stockholders, business partners, employees, local communities and other stakeholders to sustainably conduct business.

MOL greatly shored up its management structure between 1997 and 2002. Taking a lead position among Japanese companies, MOL established an advanced, highly transparent corporate governance structure by, for example, inviting outside directors and introducing an executive officer system. We are reaping the benefits of those efforts, yet MOL has only arrived at its current position through a process of continuous improvement and evolution. We work hard to enhance corporate value.

## Corporate Governance Organization

MOL has established a corporate governance system that maximizes shareholder profits through the most appropriate allocation of management resources, with higher transparency of corporate management as shown in the chart on the next page. The Board of Directors (with the participation of independent outside directors, who are indispensable to corporate governance) supervises and encourages business operations, which are carried out by the President as chief executive officer. In addition, as a company with a board of corporate auditors, four corporate auditors, including two outside auditors, conduct business and accounting audits.

At MOL, we believe that the essence of corporate governance lies not in its structure or organization, but in whether or not it functions effectively. The framework described in the preceding paragraph is operated in the manner outlined in the following sections.

### The Board of Directors

The Board of Directors, as the Company's highest-ranking decision-making body, discusses and decides on basic policy and the most important matters connected with MOL Group management. It consists of nine directors, including three outside directors. In principle, the Board of Directors convenes around 10 times a year, and as necessary.

Major investment projects, such as the construction of new vessels, are submitted to the Board of Directors at the basic policy formulation stage. The directors thoroughly evaluate and discuss the pros and cons of the projects and make decisions on their feasibility from many perspectives. Transferring the authority to implement projects within the scope of the basic policy to executive officers supervised by the President speeds decision-making on individual projects.

And the Board of Directors holds Deliberation on Corporate Strategy and Vision. At each meeting, the board focuses on a particular topic concerning management strategies, MOL's long-term vision or other subjects involving management. These discussions provide an opportunity for lively debates that include the outside directors and corporate auditors, thus helping to



ensure that the perspective of shareholders is reflected in how MOL is managed. The fruit of this comprehensive deliberation was reflected in "STEER FOR 2020."

### Executive Committee and Committees

MOL established the Executive Committee in 2000 as part of reforms to its management organization. As the second step of those reforms, in 2002 the Company expanded the jurisdiction of the Executive Committee regarding execution of business activities, and also transferred the authority to implement projects within the scope of the basic policy approved by the Board of Directors to executive officers supervised by the President to speed up decision-making on individual projects.

MOL has also established the following committees to study and discuss important matters that will be submitted to the Executive Committee for discussion and projects straddling divisions, as sub-committees of the Executive Committee. (See the chart below)

### Functions of Outside Directors and Reasons for Appointment

Although the revised Companies Act came into effect in May 2015, as part of efforts to strengthen corporate governance, MOL has been appointing outside directors since 2000, with the aim of bolstering oversight of the execution of business operations by bringing an outside perspective to management.

MOL has appointed three outside directors whose experience encompasses macroeconomic management, finance, and businesses in Japan. MOL has adjudged that all three individuals are independent and have neutral positions with no conflicts of interest with the Company. The outside directors draw on their individual experience and insight to check the appropriateness of management and the status of execution of business operations from the shareholders' standpoint. At the same time, they

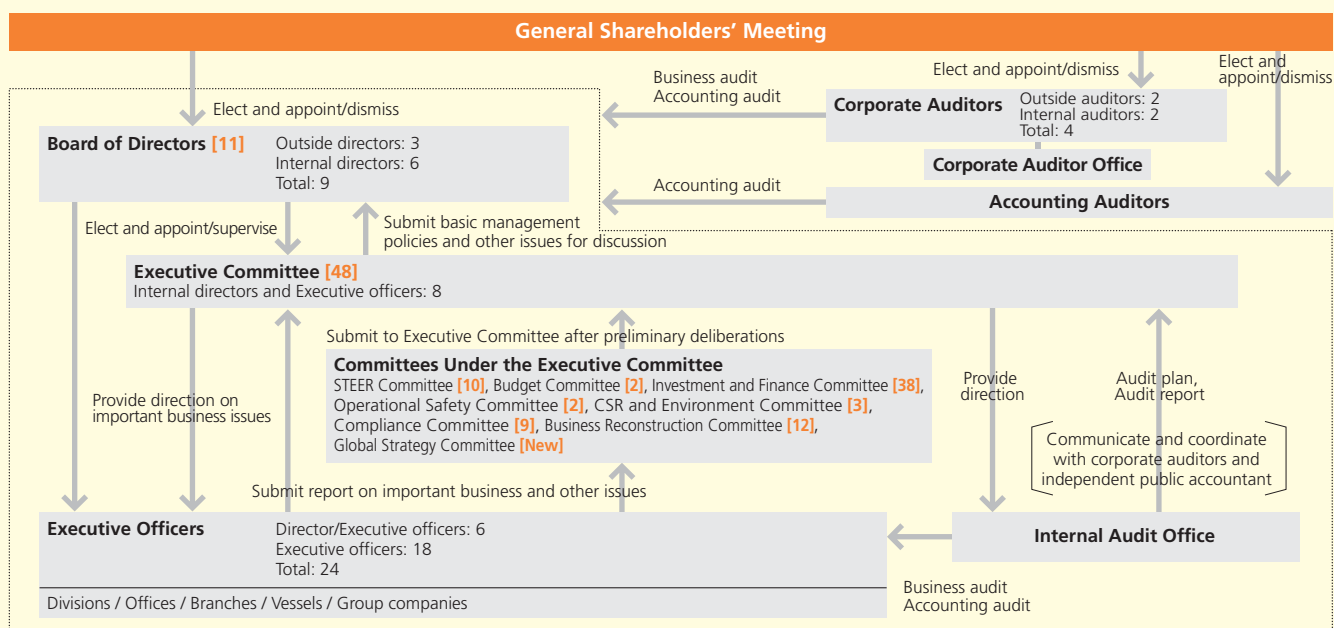
express valuable opinions about management as a whole. In these ways, the outside directors play a major role in enhancing the operation of the Board of Directors.

### Reasons for Appointment of Outside Directors

Name	Position	Reason for Appointment
Takeshi Komura	President of Capital Market Promotion Foundation	MOL adjudged that he has a neutral position with no conflicts of interest with the company, and that he has wide-ranging experience and knowledge for checking the appropriateness of management decisions and supervising the execution of business operations from the shareholders' perspective based on his longtime experience in and knowledge of economic management and policy finance of Japan.
Masayuki Matsushima	Chairman of NWIC Co., Ltd. Senior Advisor of Integral Corporation	MOL adjudged that he has a neutral position with no conflicts of interest with the company, and that he has wide-ranging experience and knowledge for checking the appropriateness of management decisions and supervising the execution of business operations from the shareholders' perspective based on his long-time experience in and knowledge of the financial sector.
Atsutoshi Nishida	Advisor to the Board of Toshiba Corporation	MOL adjudged that he can offer advice from the shareholders' perspective, with an objective view independent from that of internal executive management, based on his abundant experience and extensive knowledge as a corporate executive.

(As of June 23, 2015)

### Corporate Governance Organization (as of June 23, 2015)



Numbers in brackets show the number of meetings of the Board of Directors, Executive Committee and their sub-committees during fiscal 2014. The number of meetings of the compliance committee includes review committee of recurrence prevention measures for anti competitive practices. (6 meetings)

## Functions of Outside Corporate Auditors and Reasons for Appointment

MOL has appointed four corporate auditors, who are responsible for performing statutory auditing functions, including two outside corporate auditors who are completely independent and have no conflicts of interest with MOL. At a time when the auditing systems of corporations are taking on added importance, it goes without saying that the independence of auditors from management and policy execution is assured. Our corporate auditors work closely with the Internal Audit Office and independent public accountants to assure effective corporate governance. They also work on strengthening corporate governance and compliance throughout the group.

### Reasons for Appointment of Outside Corporate Auditors

Name	Position	Reason for Appointment
Hiroyuki Itami	Professor of Tokyo University of Science, Graduate School of Innovation Studies	MOL adjudged that he has a neutral position with no conflicts of interest with the company, and that he has wide-ranging experience and knowledge for checking the appropriateness of management decisions and supervising the execution of business operations from the shareholders' perspective based on his specialist knowledge as a scholar of business administration.
Hideki Yamashita	Attorney-at-Law & Patent Attorney, YAMASHITA & TOYAMA LAW AND PATENT OFFICE	MOL adjudged that he has a neutral position with no conflicts of interest with the Company, and that he has wide-ranging experience and knowledge for checking the appropriateness of management decisions and supervising the execution of business operations from the shareholders' perspective based on his specialist knowledge as an attorney at law.

(As of June 23, 2015)

## Compensation for Directors, Corporate Auditors and Independent Public Accountants

The Board of Directors, including the outside directors, determines compensation for the directors and corporate auditors. Compensation paid to directors and corporate auditors in fiscal 2014 is shown in the following table.

The Company has granted stock options to all directors, executive officers, general managers of divisions and branch offices and managers in similar positions, as well as to presidents of consolidated subsidiaries, to motivate them to carry out operations for the benefit of shareholders.

### Compensation for Directors and Corporate Auditors

	No. of people remunerated	Total remuneration (¥ millions)	(Thousands of U.S.\$)
Directors (Excluding outside directors)	7	¥306	\$3,001
Corporate auditors (Excluding outside corporate auditors)	2	66	550
Outside directors and outside corporate auditors	7	57	479

### Compensation for Independent Public Accountants

	Compensation for audit operations (¥ millions)	Compensation for non-audit operations (¥ millions)	Total (¥ millions)	(Thousands of U.S.\$)
Parent company	¥109	¥17	¥127	\$1,060
Consolidated subsidiaries	111	1	113	944
Total	¥221	¥19	¥240	\$2,005

## Independent Officers

Due to partial amendments to the Securities Listing Regulations that came into force in December 2009, publicly listed companies are required to secure independent officer(s) from the standpoint of protecting general investors. An independent officer means an outside director or outside corporate auditor who is unlikely to have a conflict of interest with general investors. Independent officers are expected to act to protect the interests of general investors. For instance, they are expected to state necessary opinions to ensure the interests of general shareholders are taken into consideration in a situation where a decision is made concerning business operations in the Board of Directors or other decision-making body of a publicly listed company.

MOL has designated its three outside directors and two outside corporate auditors as independent officers, respectively, because there is no concern about a conflict of interest with general investors in conformity with the criteria for independent officers of listed securities exchanges. Each of these individuals plays a major role in corporate governance by checking the appropriateness of management decisions and supervising the execution of business operations from the shareholders' perspective based on their experience and insight.

## Internal Control System

Since the fiscal year ended March 2009, the Financial Instruments and Exchange Act has obligated publicly listed companies to prepare a report evaluating their internal controls over financial reporting by management (Internal Control Reporting System) and to have this evaluation audited by auditors outside the Company. This internal control reporting system involves management themselves confirming the effectiveness of the framework for disclosing information such as appropriate and proper financial reporting through methods that visualize and evaluate operations, and an audit by auditors from outside the Company.

Using the occasion of this system reform, MOL went beyond the scope required of it by law, and is promoting activities to further enhance MOL Group management effectiveness, efficiency and transparency, namely ensuring the appropriateness of business operations and the trustworthiness of financial reporting.

In fiscal 2014, MOL again assessed the status of the internal controls over financial reporting and the operation thereof, confirming that there were no major flaws in the MOL Group's internal controls over financial reporting. Going forward, the MOL Group will continue working to enhance its internal control system.

## Compliance

The Company is aware of the crucial role that compliance plays in living up to its broad corporate social responsibilities, and that compliance with the letter of the law is at the core of this role.

We have established a Compliance Committee, which is headed by the Chief Compliance Officer, and formulated the Compliance Policy to assure strict adherence to rules and regulations. General managers of divisions and offices are appointed as Compliance Officers. They are responsible for enforcing compliance regulations and are also required to report to the Compliance Committee in the event of a compliance breach. The Internal Audit Office, a body that operates independently of the Company's divisions and offices, provides a counseling service. The Internal Audit Office undertakes investigations of breaches and reports the results to the Compliance Committee. In addition to the existing counseling service, we established an external compliance advisory service desk, which we entrusted an outside attorney to run. The desk provides anonymous counseling services.

### Measures Ensuring Compliance with the Antimonopoly Act

On March 18, 2014, the Japan Fair Trade Commission (JFTC) found MOL had violated Article 3 of the Antimonopoly Act regarding certain car carrier shipping trades. Considering this legal violation to be a very serious matter, we established the Review Committee of Recurrence Prevention Measures for Anti-competitive Practices, which is headed by the President, in April 2014. The committee has examined and executed various concrete policies to prevent a recurrence of cartel activities, including revising the compliance system and reforming the corporate culture. The measures resolved by the Review Committee of Recurrence Prevention Measures for Anti-competitive Practices have been taken up by the Compliance Committee since October 2014.

For more detailed compliance information, see the Safety, Environmental and Social Report.



### Annual General Shareholders' Meeting

MOL aims to hold open General Shareholders' Meetings. In addition to sending the notice of the general meeting of shareholders out about three weeks before the meeting, MOL avoids dates when many Japanese companies hold their annual meetings so that as many shareholders as possible can attend.

MOL has also enabled shareholders to exercise their voting rights by mobile phone and the Internet since the June 2006 annual meeting, in addition to postal voting, so that shareholders who cannot attend the annual meeting can vote on proposals. Furthermore, since the June 2006 annual meeting, MOL has used the electronic voting platform for institutional investors so that proxy voting rights holders can exercise voting rights. Moreover, a summary of questions received about matters reported and proposed at the annual meeting is posted on MOL's website after the conclusion of the meeting in the interest of fair disclosure.

### Accountability

MOL believes that timely, full and fair disclosure of corporate and financial information is an important aspect of corporate governance. In addition to being accountable to shareholders and investors by providing information, the Company makes every effort possible to reflect their opinions in management.

The distinguishing feature of our investor relations activities is that the President takes the lead in their implementation. In fiscal 2014, the President participated in the Company's presentations of quarterly results and attended meetings with domestic and foreign

investors. The Company is also aware of the need for full and fair disclosure to all investors, whether in Japan or overseas. At the same time its quarterly financial results in Japanese are released over the Tokyo Stock Exchange's TDnet, the Company posts them to its website with an accompanying English translation. The Japanese and English drafts of presentation materials are also posted on the website. This information is e-mailed on the same day to foreign investors registered with the Company. MOL actively disseminates information about management strategy, investment plans, market conditions and other information through its website.

Japan's Stewardship Code was enacted in February 2014 and the Corporate Governance Code entered into force in June 2015. MOL has already been proactively holding constructive dialogues with institutional investors and there will be no change to that policy. Feedback is regularly provided to management with regard to the content of discussions held with investors and analysts. Going forward, MOL will further bolster the quality and quantity of communication while being mindfully aware of fair disclosure.

The responsibility to provide information is not limited to management and financial issues. MOL's basic stance is to quickly disclose information, even if it is negative such as information on accidents, to all stakeholders. Furthermore, we hold regular drills for responding to the media in emergencies and are working to strengthen our ability to be able to quickly and properly disclose information.

MOL will continue working to raise confidence in its business policies and management through close communication with various stakeholders.

### IR Activities in Fiscal 2014 (April 2014–March 2015)

Activity	Frequency	Details	
For securities analysts and institutional investors	Business performance presentations	4 times	Quarterly results/forecasts
	President's small meetings	2 times	Held for analysts in Japan
	Operations presentations	1 time	LNG carriers and offshore businesses
For overseas institutional investors	Overseas investor road shows	4 times	Once in North America, twice in Europe, once in Asia (Hong Kong and Singapore)
	Conferences held by securities companies	6 times	Attended conferences in Japan and held individual meetings
For individual investors	Corporate presentations for individual investors	3 times	Attended seminars for individual investors in Tokyo, Osaka and Nagoya: once in each city.

### IR Materials (available on MOL's website)

Material	Japanese	English
Financial reports	Yes	Yes
Stock exchange filings (financial highlights, etc.)	Yes	Yes
Business performance presentation materials (including summaries of Q&A sessions)	Yes	Yes
Annual reports	Yes	Yes
Securities reports	Yes	No
Quarterly reports	Yes	No
Business reports for shareholders	Yes	Yes
Safety, Environmental and Social reports	Yes	Yes
Investor guidebooks	Yes	Yes
Market data	Yes	Yes



# Risk Management

The Company identifies the risks surrounding the MOL Group, such as fluctuations of freight rates, with the aim of managing and reducing these risks. In the midterm management plan “STEER FOR 2020,” MOL has designated the reinforcement of total risk control as one measure to strengthen its management foundation and support the successful execution of the plan. To fully exercise sustainable risk management, the Company transparently quantifies its comprehensive risk.

## Fluctuations of Cargo Volume, Fleet Supply and Freight Rates

The global shipping business, like many other industries, is greatly affected by trends in the global economic cycle, and is thus subject to both macroeconomic risk, as well as business risk associated with trends in specific industries. There are a multitude of factors that are subject to change, such as fluctuations in the economies of individual countries, changes in trade structures, vessel supply-demand balance, market conditions and cargo volumes. Achieving the best performance hinges on objectively analyzing information so as to continually increase the probability of generating higher earnings. With this in mind, MOL has adopted a strategy of “diversifying operations to reduce risk” and “raising highly stable profits” by aligning its fleet to match international marine transport demand in the transport of both raw materials and finished goods. In this way, we strive to maximize returns

and sustain profit growth. In accordance with our internal market risk management regulations, we appropriately reduce risks related to fluctuation, especially those arising from freight rates, bunker prices, exchange rates, and interest rates. The Investment and Finance Committee also identifies, analyzes and evaluates risks related to such material issues as investment in ships.

## Diversifying Operations to Reduce Risk

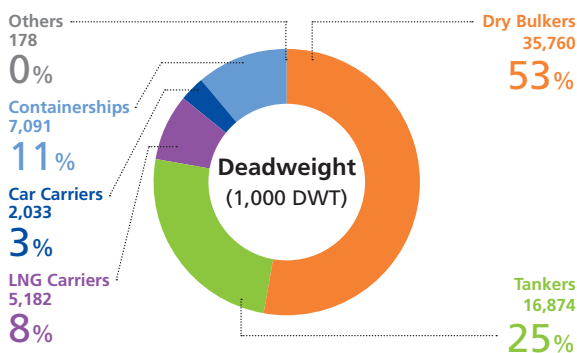
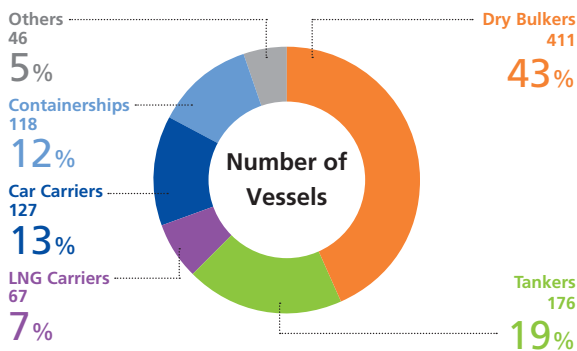
MOL operates a “full-line marine transport group.” As of the end of March 2015, we operated around 950 vessels, ranging from dry bulkers, tankers, and LNG carriers to car carriers and containerships, capable of transporting a diverse range of raw materials and finished goods. Each type of ship and each type of cargo have particular supply and demand trends, and create particular markets. While some of these markets are highly correlated with each other, others are negatively correlated depending mainly on the economic environment, so the impact in one sector offsets the impact in another. By assessing the suitability of a particular vessel type for medium- to long-term contracts and market exposure the Company expects, MOL constructs an optimum business portfolio, which allows the Company to pursue higher profits while mitigating risks.

## Building up Highly Stable Profits Through the Use of Medium- and Long-Term Contracts and Other Means

The Company pursues medium- and long-term contracts won based on long-standing relationships of trust with customers. These contracts ensure a stable future cash flow that will help reduce the risk that market fluctuations could have on its results.

International marine transportation is expanding, but considering the ongoing glut of shipbuilding capacity, more time will likely need to elapse before a structural turnaround is realized in the market environment. The Company aims to conclude contracts that are not largely affected by changes in the external business environment and constitute a stable source of profit. By expanding these contracts from a long-term perspective, MOL will create an even steadier earnings structure. To achieve this objective, one of the options we will look closely at as a matter of priority is M&A deals in growing sectors which enjoy a relatively stable cash flow.

**Fleet Composition** (As of March 31, 2015)



## Exchange Rate Fluctuations

Although MOL has concluded transport contracts on a yen-denominated basis with some Japanese clients, most transactions in the international marine transport business are concluded on a U.S. dollar-denominated basis. Despite our best efforts to incur expenses in U.S. dollars, U.S. dollar-denominated revenue currently exceeds U.S. dollar-denominated expenses, so when the yen strengthens against the U.S. dollar this can have a negative impact on Group earnings. In fiscal 2015, we project that each ¥1-per-dollar change in the yen-U.S. dollar exchange rate will have an impact of approximately ¥1.8 billion on consolidated ordinary income.

Underlined words are explained in the Glossary on page 74.

## Interest Rate Fluctuations

MOL depends mainly on the issuance of corporate bonds and funds borrowed from banks and other financial institutions to meet working capital and capital expenditure requirements. Loans are denominated in either yen or U.S. dollars, with funds procured at variable interest rates affected by interest rate fluctuations. As of March 31, 2015, interest-bearing debt totaled ¥1,183.4 billion, and around 60% of that loan principal is locked in at a fixed interest rate. As a result, an increase of 1 percentage point in market interest rates on both yen-denominated and U.S. dollar-denominated interest-bearing liabilities would impact annual consolidated ordinary income by no larger than approximately ¥4.0 billion. Although MOL has benefited from ultra-low interest rates in the aftermath of the financial crisis, the Company is taking steps to mitigate the risk of a future interest rate rise. It plans to flexibly adjust the ratio of variable-rate and fixed-rate loans through interest rate swaps and other means according to changes in financial conditions, taking into consideration the balance between variable- and fixed-rate interest.

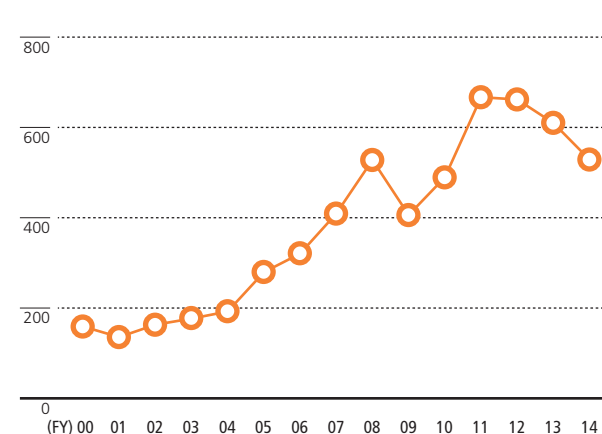
## Bunker Price Fluctuations

The market price of bunker is generally linked to the price of crude oil, and any increase in bunker prices has a negative impact on earnings for the MOL Group. The Group operates a fleet of approximately 950 vessels, whose annual fuel consumption amounts to around 6 million tons of bunker. The Company is able to pass on about 40% of the risk to customers. Therefore, an increase of US\$1 per metric ton in the average annual price of bunker would lower earnings by approximately ¥0.19 billion (net of hedging) at the maximum.

### Sensitivity of Earnings to Exchange Rate/Interest Rate/ Bunker Price Fluctuations

Exchange Rate (¥/US\$)	A ¥1 appreciation reduces ordinary income by approximately ¥1.8 billion
Interest Rate (%)	A 1 point rise in both yen- and U.S. dollar-denominated interest-bearing debt reduces ordinary income by approximately ¥4.0 billion
Bunker Price (US\$/MT)	A US\$1/MT increase reduces ordinary income by approximately ¥0.19 billion

### Average Bunker Price (US\$/MT)



Stricter restrictions to reduce sulfur oxide emissions generated by ships could be introduced as soon as 2020. These restrictions would require the use of low-sulfur fuel oil containing less than 0.5% sulfur across all ocean regions, which could have an impact on fuel costs. In the event fuel costs rise, the Company intends to pass on these higher costs by raising freight rates and other fees.

## Vessel Operations

MOL operates a fleet of approximately 950 vessels and it is therefore impossible to ignore the risks related to various incidents that may occur on the high seas. In order to prevent accidents, the Company has introduced a variety of measures such as safety standards, a safety management system, comprehensive crew education and training, and establishment of organizations to support safe operations.

Furthermore, MOL has arranged sufficient insurance coverage so that its financial results will not be materially impacted, should the Company or a third party suffer damages in the unlikely event of an MOL-operated vessel being involved in a collision, sinking, fire or other marine incident.

## Group Company Operational Management

The MOL Group Corporate Principles serve as the basis for setting regulations at MOL Group companies. Each Group company submits required reports to MOL in a timely manner in accordance with Group Company Management Regulations. After properly ascertaining the financial conditions and business risks, the Company, as a shareholder, requests Group companies obtain permission prior to executing important management matters.

## Natural Disaster or Similar Event

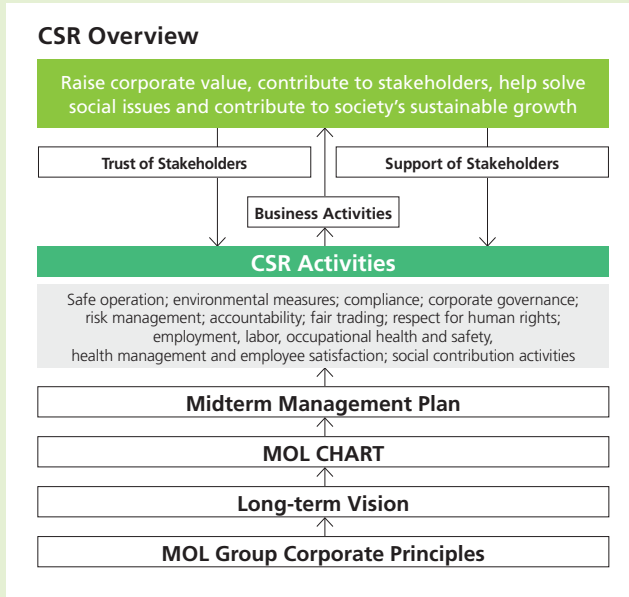
An earthquake, other natural disaster or an outbreak of an infectious disease (hereinafter "disaster or similar event") could affect MOL-operated vessels, offices and facilities, as well as employees, hampering business operations.

MOL puts the highest priority on ensuring the safety of its vessels and personnel in the event of a disaster or similar event. The Company has formulated a business continuity plan documenting procedures to enable it to continue providing core ocean transport services and quickly restore operations in the unlikely event that they are suspended. This business continuity plan establishes organizations and delegates authority for duties relating to maintaining the safe operation of vessels, execution of transportation contracts and charter agreements, financial preparation, securing required personnel, and other matters. Furthermore, for some years MOL has been conducting regular disaster-preparedness drills on and off premise at Head Office, aboard ships and throughout the Group's other facilities, as well as taking other measures to ensure preparedness. By addressing issues arising from these drills, MOL believes that it maintains a high state of readiness. Nevertheless, in the event of a disaster or similar event in which MOL cannot completely avoid damage, the Company's business performance may be affected.

# Corporate Social Responsibility (CSR)

## MOL's Approach to CSR

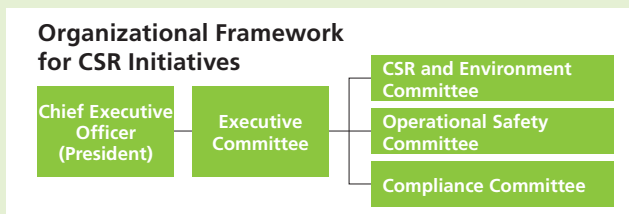
In our view, CSR means conducting business management that adequately takes into account laws and regulations, social norms, safety and environmental issues, human rights and other considerations, and developing together with society sustainably and harmoniously while earning the support and trust of stakeholders, including shareholders, customers, business partners, employees and local communities.



In order to fulfill these responsibilities, MOL deliberates on CSR-related policies and measures, primarily through the three committees under the Executive Committee.

The MOL Group's initiatives and policies regarding overall CSR are deliberated on by the CSR and Environment Committee, which then sets single-year, medium- and long-term targets and conducts regular reviews.

The Operational Safety Committee discusses basic policies and measures for ensuring safe operation of MOL Group-operated vessels through rigorous attention to every detail. The Compliance Committee discusses basic policies and measures for enhancing the compliance system, dealing with compliance violations, and establishing a structure for protecting and managing personal information.



## Participating in the UN Global Compact

CSR activities are broad and, from time to time, the strength and priority of those activities change depending on the operating environment, global circumstances and region where business is being developed. With business activities spread across the globe, MOL believes that building good relationships with various stakeholders worldwide and contributing to the realization of sustainable growth of society are vital as it seeks to realize the ideas set

forth in the MOL Group Corporate Principles. In order to contribute to an international framework for realizing these goals, MOL became the first Japanese shipping company to participate in the United Nations (UN) Global Compact in 2005. Since then, MOL has worked to support and practice the 10 principles in 4 areas of the UN Global Compact, which shares the same values as MOL's Rules of Conduct, which were established as a set of guidelines for executives and employees.

## 10 Principles of the Global Compact

### Human Rights

- Principle 1. Business should support and respect the protection of internationally proclaimed human rights; and
- Principle 2. Make sure that they are not complicit in human rights abuses.

### Labour

- Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4. The elimination of all forms of forced and compulsory labour;
- Principle 5. The effective abolition of child labour; and
- Principle 6. The elimination of discrimination in respect of employment and occupation.

### Environment

- Principle 7. Businesses should support a precautionary approach to environmental challenges;
- Principle 8. Undertake initiatives to promote greater environmental responsibility; and
- Principle 9. Encourage the development and diffusion of environmentally friendly technologies.

### Anti-Corruption

- Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.

## The MOL Group Basic Procurement Policy

We formulated the MOL Group Basic Procurement Policy in 2012. This clearly documents our CSR activity policy regarding the Group's procurement activities. To embed this policy in the MOL Group, we work throughout our supply chain to observe laws and regulations and social norms, incorporate consideration for environmental protection in our activities, pursue safety, engage in fair trading and build trust, with the understanding and cooperation of business partners. In this way, we aim to contribute towards the realization of sustainable societies together.

## The MOL Group Basic Procurement Policy

The MOL Group procures goods and/or services in accordance with the following basic policy:

1. We comply with applicable laws, regulations and social norms, and pay due consideration to the protection of the environment.
2. We procure goods and/or services, including the delivery or execution of such goods and/or services, that meet high safety standards.
3. We conduct fair trade, and endeavor to establish trusting relationships with contractors.

We work to make sure that our contractors understand our Basic Procurement Policy, with the aim of contributing towards the realization of sustainable societies together.

## CSR Objective of Midterm Management Plan

1. Thoroughly implement safe operation and provide safe, secure, stable, high-quality services.
2. Deepen initiatives to ensure thorough compliance.



3. Strengthen initiatives on corporate governance.
4. Promote personnel training and diversity to strengthen comprehensive Group capabilities.
5. Make further progress on solving social issues and promoting environment initiatives as an environmentally advanced company.
6. Actively disclose sustainability data.
7. Promote social contribution activities related to MOL's businesses.

For more detailed CSR information, see the Safety, Environmental and Social Report.



For more detailed diversity information, see the Safety, Environmental and Social Report.



## Initiatives on the Environment

### Key Environmental Issues

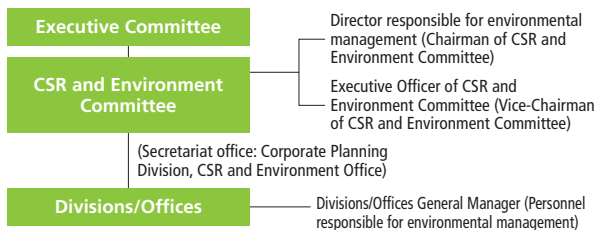
In March 2014, we identified the highest-priority environmental issues and set about addressing those issues in a proactive manner. To identify these priorities, we analyzed issues from international conditions regarding environmental issues; the opinions of stakeholders including customers, investors, and so on; as well as our own internal viewpoints. Finally, through discussions in the CSR and Environment Committee, we identified the following five issues.

- 1 Comply with environmental regulations
- 2 Utilize technologies to reduce environmental impact
- 3 Disclose environmental data
- 4 Ensure safe operation
- 5 Contribute to conservation of biodiversity

### Organizational Structure for Environmental Initiatives

To effectively promote environmental initiatives based on the MOL Environmental Policy, the CSR and Environment Committee, a sub-committee of the Executive Committee, oversees planning and promotion of environment-related measures under the direction of the president. The CSR and Environment Committee assesses environment-related risks and opportunities involving MOL, identifies the highest-priority issues in the group's environmental management, and sets environmental targets, striving to achieve environment-friendly business activities. In March 2014, we set new environmental targets in the midterm management plan "STEER FOR 2020" for three years starting from FY2014.

#### Organizational Structure to Promote the Environmental



### Environmental Management System

To precisely grasp and manage the environmental risks and opportunities in our businesses, we established the environmental management system MOL EMS21 in April 2001, and since then we have made ongoing efforts to improve it. Every year, the CSR and Environment Office conducts an internal audit based on MOL EMS21. The chairman, who is responsible for environmental management, receives the results of the internal audit and confirms whether the system is functioning effectively.

We also have a third-party audit by DNV GL Business Assurance Japan KK every year, and a renewal audit every three years, and have earned ISO14001 certification for our environmental management system. The results of our FY2014 audit showed no non-conformity.

### The MOL Group Environmental Target System

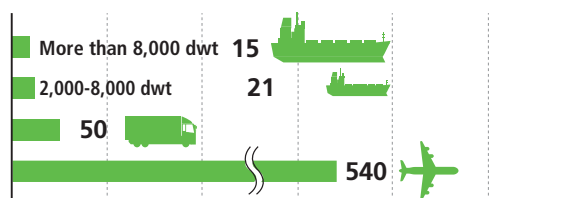
We have implemented the Group Environmental Target System, targeting major group companies in Japan and overseas. Every year, each company sets environmental targets to reduce the environmental impact of our business activities based on specific guidelines that are in line with midterm management plan, and establishes action plans to achieve those targets. Along with those targets, we collect each company's data on its own environmental impact (fuel consumption, electric power consumption, paper usage, waste, and so on).

### Ocean Shipping's Impact on the Environment

Compared to other modes of transport, ocean shipping can transport larger volumes of cargo at once and is an environmentally friendly mode, with lower emissions per ton-mile of CO<sub>2</sub> and other air pollutants.

However, with growth of the world economy spurred by the development of emerging markets, overall ocean cargo traffic continues to increase. Seaborne trade has exceeded 10 billion tons, and we anticipate further increases. As seaborne trade increases, CO<sub>2</sub> emissions will rise in step with growing energy consumption. This can exacerbate pressing environmental issues. CO<sub>2</sub> emissions from merchant vessels account for about 2% of global emissions, and the shipping industry must do more to protect the environment.

### Comparison of CO<sub>2</sub> Emissions from Aircraft, Trucks, and Ocean Vessels (Unit: grams/ton-km)



Source: ICS & NTM, Sweden

For more detailed environmental initiatives information, see the Safety, Environmental and Social Report.



Schedule of Environmental Regulations by IMO, etc

Regulations			2014	2015	2016	2017	2018	2019	2020	2025	
Tackling Global Warming	GHG emissions	EEDI* <sup>1</sup>	Phase 0	Phase 1				Phase 2	Phase 3		
		SEEMP* <sup>2</sup>	Mandatory								
			*Introduction of MRV (Monitoring, Reporting and Verification of actual fuel consumption) and MBM (Market-Based Measures) is under study toward further reduction of GHG emissions.								
Preventing Air Pollution	NoX emissions* <sup>3</sup>	General Sea Areas	Tier II								
		ECA* <sup>4</sup>	Tier II				Tier III				
	SoX emissions* <sup>5</sup>	General Sea Areas	Sulfur limit 3.5%						Sulfur limit 0.5%* <sup>6</sup>		
		ECA	Sulfur limit 1.0%		Sulfur limit 0.1%						
Marine Environment Protection	Ballast Water Management Convention* <sup>7</sup>	General Sea Areas	(Adopted in 2004: not ratified)		Expected to be mandatory						
		Regulation by USGC * <sup>8</sup>	(Enforced in 2012)		Mandatory						
	Minimizing the transfer of invasive aquatic species by shipping* <sup>9</sup>		(Guideline adopted in 2011)								
	Ship Recycling Convention* <sup>10</sup>		(Adopted in 2009: not ratified)								

- (\*1) EEDI (Energy Efficiency Design Index) is a measure of ships energy efficiency (g/ton-mile). The required EEDI of each Phase is as follows:Phase 0=0%, Phase 1=10%, Phase 2=20% (Applied to new ships)
- (\*2) SEEMP (Ship Energy Efficiency Management Plan) is required to be drawn up to show optimal measures of operation that should be adjusted to the characteristics of individual ships, and to be kept on board a ship. (Applied to both new and existing ships)
- (\*3) The regulation for reduction of NOx in exhaust gases: Tier I is applied to ships laid down in 2000-2010, Tier II to ships laid down in/after 2011, and Tier III to ships laid down in/after 2016.
- (\*4) The existing ECAs (Emission Control Areas) are: 1.Within 200 miles off the coast of USA and Canada (NOx/SOx) 2.The USA Caribbean Sea area (NOx/SOx) 3.The Baltic Sea and the North Sea areas (SOx)
- (\*5) The regulations for reduction of SOx contained in fuel oil (Applied to both new and existing ships)
- (\*6) A review in 2018 on the availability of the required fuel oil may conclude to postpone the application to 2025.
- (\*7) The convention shall enter in force 12 months after the following conditions are met, and it is increasingly likely that it enters into force in 2016. (Applied to both

- new ships and, after certain grace periods, to existing ships)  
Conditions: Ratification by not less than 30 countries representing a combined total G/T of more than 35% of the world's merchant fleet. (As of March 2015, 44 countries representing a combined total G/T of 32.86% have ratified.)
- (\*8) Regional regulation by U.S. Coast Guard.
- (\*9) The guideline aimed at minimizing transfer of invasive aquatic species attaching to the bottom of ships, recommending installation of the systems on vessels to keep the bottom clean without marine organisms and other measures. (It remains as a voluntary guideline during the review period.)
- (\*10) The convention prohibits and restricts the fitting and use of treaty-specified hazardous materials, and requires vessels to prepare, record and update inventory lists showing the quantity and location of hazardous materials on ships over a ship's lifetime. The convention shall enter into force 24 months after the following conditions are met:  
Conditions: Ratification by not less than 15 countries representing a combined total G/T of more than 40% of the world's merchant fleet and an annual ship recycling volume not less than 3% of the combined tonnage of the ratifying countries. (As of March 2015, 3 countries have ratified.)

Environmental Investments and CO<sub>2</sub> Reductions

Environmental Investments

	Fiscal 2014	Plan for FY2014-2016
Environment-related R&D activities	¥0.7	
Utilization and expansion of existing environmental technologies	2.1	
Responses to environmental regulations	0.5	
Initiatives to save bunker fuel	0.9	
Initiatives of Group companies	0.2	
<b>Total</b>	<b>¥4.3</b>	<b>¥20.0</b>

(Billions of yen)

CO<sub>2</sub> and Cost Reductions from Environmental Measures

(FY)	2012	2013	2014
CO <sub>2</sub> emissions reductions (1,000t)	302	279	348
Cost Reductions (¥ billions)	¥5.3	¥5.5	¥5.5

Third-Party Evaluations

Environment Related

■ ISO 14001 Certification

MOL has used its own environmental management system MOL EMS21 since April 2001, and also holds ISO 14001 certification, an international standard for environmental management. (Since 2003)



■ ISO 50001 Certification

MOL acquired ISO 50001 certification for its energy management system and ISO 14001 certification for its environmental management system. (2014)  
Certified companies: MOL Ship Management Co., Ltd. (2014),

MOL Ship Management (Singapore) Pte. Ltd. (2014), MOL Ship Management (Hong Kong) Company Ltd. (2014) and Magsaysay MOL Ship Management, Inc. (2015)

■ Recognized by CDP as Leader in Climate Change Transparency and in Corporate Action on Climate Change

MOL was recognized as a leader for the depth and quality of the climate change data it has disclosed for independent assessment through CDP, an international non-profit organization. At the same time, MOL earned a spot on the CDP Climate Performance Leadership Index (CPLI) for its actions to reduce carbon emissions and mitigate the business risks of climate change. (2014)



## Social Contribution Activities

MOL aims to be a company that grows sustainably and harmoniously with society. We therefore carefully consider social issues to tackle, and work to help solve them based on three principles. Guided by these principles, we proactively undertake social contribution activities that only a shipping company with a global network can.

## Three Principles of MOL's Social Contribution Activities

I. Contribute to the UN Millennium Development Goals\*

II. Contribute to protecting biodiversity and preserving nature.

III. Contribute to local communities

\* One of the common frameworks that integrates the Millennium Declaration adopted at the United Nations Millennium Summit held in September 2000, and the International Development Goals that were adopted at major international conference and summits in the 1990's. The Millennium Development Goals consist of specific numerical targets to be achieved by 2015 in eight fields, including "achieve universal primary education" and "reduce child mortality."

## Global Social Contribution Activities



## Third-Party Evaluations

### Overall CSR, including evaluation of socially responsible investment (SRI)

#### ■ CSR Rating by the Dow Jones Sustainability Indices (DJSI)

Since 2003, MOL has been included in the DJSI Asia Pacific, a designation reserved for companies capable of sustaining growth over the long term while maintaining excellence in environmental, social, and investor relations programs.



#### ■ CSR Rating by the FTSE4Good Global Index

FTSE is a global index company owned by the London Stock Exchange. Since 2003, FTSE has included MOL in one of its major indices, the FTSE4Good Global Index, which is a socially responsible investment index.



#### ■ The Morningstar Socially Responsible Investment Index (MS-SRI)

Since 2003, MOL has been selected by Morningstar Japan K.K. for superior social responsibility and included in the MS-SRI.



#### ■ The Global 100 Top Sustainable Companies

In 2011, MOL was selected for inclusion in the Global 100 Index published every year by the Canadian company Corporate Knights Inc.

#### ■ SMBC Sustainability Assessment Loan

In 2013, MOL became the first company to receive an SMBC Sustainability Assessment Loan from Sumitomo Mitsui Banking Corporation (SMBC), winning specific praise for timely and accurate disclosure of environmental, social, and governance (ESG) issues and for its initiatives on sustainability.





## Glossary (In alphabetical order)

### ■ Ballast voyage

Sailing to the next port of call without any cargo loaded.

### ■ Baltic Dry Index

Baltic Dry Index (BDI) is calculated by The Baltic Exchange as an arithmetic average of the drybulker markets of the four different vessel types.  $(1/4/1985=1,000)$

### ■ FPSO (Floating Production, Storage and Offloading system)

A floating facility for producing oil offshore. The oil is stored in tanks in the facility and directly offloaded to tankers for direct transport to the destination.

### ■ FSRU (Floating Storage and Re-gasification Unit)

A floating facility for storing and regasification of LNG offshore, which is then pressurized and piped ashore. Plans to introduce FSRUs in regions around the world are making steady progress as they can be set up in less time and less cost than conventional onshore receiving terminals.

### ■ Ice class LNG carrier

The world's first LNG carrier capable of breaking through sea ice. Normally on the Northern Sea Route, an escort ship breaks up the ice to open a channel. But the ice class LNG carriers to be deployed for the Yamal LNG Project will possess the same ice-breaking capabilities as the Antarctic research vessel Shirase, enabling it to break through sea ice of up to 2.1 meters thick on its own.

### ■ Market exposure

Vessels operating under contracts of less than two years, which are owned or mid-and long-term chartered vessels. (Includes vessels that combine multiple customers' cargoes.)

### ■ Pool arrangement

Ship operators and owners pool certain ships to conduct joint operations.

### ■ Shuttle tanker

A specialized tanker that shuttles from offshore oil plants to onshore terminals to transport crude oil, which has been extracted from offshore oil wells.

### ■ Ton-mile

Transporting one ton of cargo one mile. Expressing the volume of cargo calculated by multiplying transported weight and transported mile together. As opposed to just reporting cargo weight without reference to distance, ton-mile provides a complete picture of total transport activity, reflecting the demand fulfilled by vessels or other transport modes.

### ■ Unit cost

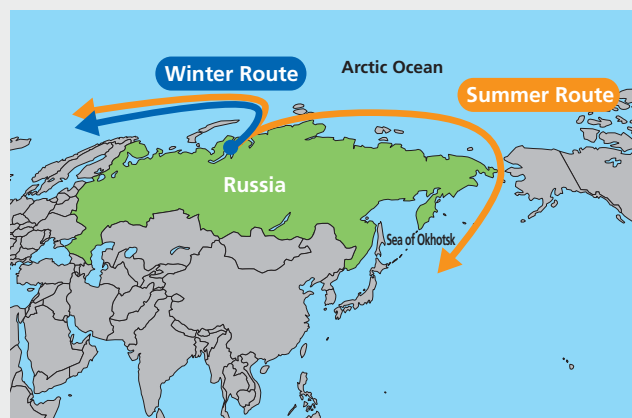
The fixed cost of transporting one TEU on a containership. Fixed costs include vessel costs (depreciation and interest, or charter rates) and ship operation expenses (bunker costs, port costs and so on).

### ■ Yamal LNG Project

This project will use the world's first ice class LNG carriers to transport LNG from the Yamal LNG Terminal located in the Arctic Circle on the Yamal Peninsula of Russia. The plan is to export 16.5 million tons of LNG every year—the highest volume of LNG exports from Russia. Operations are slated to begin in 2018. It is forecasted that about 15 ice class LNG carriers will be necessary, three of which are contracted with MOL.

The Kara Sea, which adjoins the Yamal LNG Terminal, completely freezes over in winter as the average temperature drops to around minus 30 degrees Celsius. This has proved a challenge for transporting LNG and long prevented development of the area. With this project, however, the introduction of ice class LNG carriers has resolved the persistent transportation issues, allowing development to finally begin.

View a video introducing  
"Yamal LNG Project"



### ■ Yield management

In the containership business, this refers to a management technique to maximize profitability for the round-trip voyage of each container. Freight rates are set and sales activities conducted to maximize net proceeds (gross profits calculated by deducting direct costs from freight revenues) rather than freight rates themselves. Direct costs include loading and unloading costs, feeder costs, and the costs of returning empty containers (calculated to reflect the aspect of surplus and shortage of containers at each point).

# Financial Section

## Contents

- 76** Consolidated Balance Sheets
- 78** Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
- 79** Consolidated Statements of Changes in Net Assets
- 80** Consolidated Statements of Cash Flows
- 81** Notes to Consolidated Financial Statements
- 111** Independent Auditor's Report

## Consolidated Balance Sheets

Mitsui O.S.K. Lines, Ltd. March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents (Note 3) . . . . .	¥128,802	¥180,126	\$1,071,832
Trade receivables (Note 3) . . . . .	178,845	146,787	1,488,267
Allowance for doubtful accounts . . . . .	(1,538)	(697)	(12,799)
Inventories (Note 5) . . . . .	49,026	59,349	407,972
Deferred and prepaid expenses . . . . .	75,937	73,285	631,913
Deferred tax assets (Note 15) . . . . .	2,107	1,629	17,533
Other current assets . . . . .	78,617	73,161	654,215
Total current assets . . . . .	511,796	533,640	4,258,933
<b>Vessels, property and equipment (Notes 7 and 13):</b>			
Vessels . . . . .	1,527,590	1,434,505	12,711,908
Buildings and structures . . . . .	319,171	281,720	2,655,996
Equipment and others . . . . .	94,157	76,228	783,532
Land . . . . .	221,993	215,610	1,847,324
Vessels and other property under construction . . . . .	173,279	148,972	1,441,949
	2,336,190	2,157,035	19,440,709
Accumulated depreciation . . . . .	(838,162)	(777,790)	(6,974,802)
Net vessels, property and equipment . . . . .	1,498,028	1,379,245	12,465,907
<b>Investments and other assets:</b>			
Investment securities (Notes 3, 4 and 7) . . . . .	128,416	111,061	1,068,619
Investments in and advances to unconsolidated subsidiaries and affiliated companies . . . . .	141,304	124,303	1,175,868
Long-term loans receivable (Note 3) . . . . .	74,959	37,519	623,775
Intangible fixed assets . . . . .	37,068	29,385	308,463
Deferred tax assets (Note 15) . . . . .	3,954	3,769	32,903
Net defined benefit assets (Note 16) . . . . .	24,063	21,200	200,241
Derivative financial assets (Notes 3 and 6) . . . . .	182,523	89,641	1,518,873
Other assets . . . . .	21,939	34,932	182,567
Total investments and other assets . . . . .	614,226	451,810	5,111,309
Total assets . . . . .	¥2,624,050	¥2,364,695	\$21,836,149

See accompanying notes.



LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Current liabilities:</b>			
Short-term loans	¥74,203	¥14,697	\$617,484
Commercial paper	5,500	—	45,768
Total short-term debt (Notes 3 and 7)	79,703	14,697	663,252
Long-term bank loans due within one year	105,186	90,492	875,310
Bonds due within one year	15,000	45,000	124,823
Total long-term debt due within one year (Notes 3 and 7)	120,186	135,492	1,000,133
Trade payables (Note 3)	167,002	143,196	1,389,715
Advances received	36,280	37,696	301,906
Accrued income taxes	7,639	6,909	63,568
Deferred tax liabilities (Note 15)	593	1,716	4,935
Other current liabilities	93,944	90,339	781,759
Total current liabilities	505,347	430,045	4,205,268
<b>Non-current liabilities:</b>			
Long-term bank loans due after one year	688,332	740,038	5,727,985
Bonds due after one year	270,185	180,500	2,248,357
Total long-term debt due after one year (Notes 3 and 7)	958,517	920,538	7,976,342
Directors' and corporate auditors' retirement benefits	1,803	1,852	15,004
Reserve for periodic drydocking	15,803	14,191	131,505
Deferred tax liabilities (Note 15)	109,043	81,130	907,406
Net defined benefit liabilities (Note 16)	13,660	12,936	113,672
Other non-current liabilities	127,442	120,454	1,060,514
Total non-current liabilities	1,226,268	1,151,101	10,204,443
Total liabilities	1,731,615	1,581,146	14,409,711
<b>Commitments and contingent liabilities</b> (Note 8)			
<b>Net assets</b> (Note 9):			
<b>Owners' equity</b>			
Common stock;			
Authorized — 3,154,000,000 shares			
Issued — 1,206,286,115 shares	65,400	65,400	544,229
Capital surplus	44,469	44,517	370,051
Retained earnings	533,485	502,833	4,439,419
Treasury stock, at cost	(6,823)	(6,982)	(56,778)
Total owners' equity	636,531	605,768	5,296,921
<b>Accumulated other comprehensive income</b>			
Unrealized holding gains on available-for-sale securities, net of tax	44,261	32,810	368,320
Unrealized gains on hedging derivatives, net of tax	68,770	39,711	572,273
Foreign currency translation adjustments	27,673	(315)	230,282
Remeasurements of defined benefit plans, net of tax	5,322	1,186	44,287
Total accumulated other comprehensive income	146,026	73,392	1,215,162
<b>Share subscription rights</b>	2,553	2,391	21,245
<b>Minority interests</b>	107,325	101,998	893,110
Total net assets	892,435	783,549	7,426,438
Total liabilities and net assets	¥2,624,050	¥2,364,695	\$21,836,149

# Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2015 and 2014

## (Consolidated Statements of Income)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Shipping and other revenues</b> (Note 14) . . . . .	<b>¥1,817,070</b>	¥1,729,452	<b>\$15,120,829</b>
<b>Shipping and other expenses</b> . . . . .	<b>1,683,795</b>	1,587,902	<b>14,011,775</b>
<b>Gross operating income</b> . . . . .	<b>133,275</b>	141,550	<b>1,109,054</b>
<b>Selling, general and administrative expenses</b> . . . . .	<b>116,025</b>	100,458	<b>965,507</b>
<b>Operating income</b> . . . . .	<b>17,250</b>	41,092	<b>143,547</b>
Other income (expenses):			
Interest and dividend income . . . . .	9,625	9,341	80,095
Interest expense . . . . .	(12,556)	(12,583)	(104,485)
Equity in earnings (losses) of affiliated companies, net . . . . .	4,930	(1,234)	41,025
Others, net (Notes 10 and 11) . . . . .	39,083	35,094	325,230
	<b>41,082</b>	30,618	<b>341,865</b>
<b>Income before income taxes and minority interests</b> . . . . .	<b>58,332</b>	71,710	<b>485,412</b>
Income taxes (Note 15):			
Current . . . . .	(12,440)	(13,796)	(103,520)
Deferred . . . . .	2,577	4,526	21,445
<b>Income before minority interests</b> . . . . .	<b>48,469</b>	62,440	<b>403,337</b>
Minority interests . . . . .	(6,113)	(5,046)	(50,870)
<b>Net income</b> . . . . .	<b>¥ 42,356</b>	¥ 57,394	<b>\$ 352,467</b>

## (Consolidated Statements of Comprehensive Income)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Income before minority interests</b> . . . . .	<b>¥ 48,469</b>	¥ 62,440	<b>\$ 403,337</b>
<b>Other comprehensive income</b> (Note 18):			
Unrealized holding gains on available-for-sale securities, net of tax . . . . .	12,892	8,847	107,281
Unrealized gains on hedging derivatives, net of tax . . . . .	46,674	32,725	388,400
Foreign currency translation adjustments . . . . .	20,802	31,158	173,105
Remeasurements of defined benefit plans, net of tax . . . . .	4,134	—	34,401
Share of other comprehensive income (loss) of associates accounted for using equity method . . . . .	(9,981)	19,285	(83,057)
	<b>74,521</b>	92,015	<b>620,130</b>
<b>Comprehensive income</b> . . . . .	<b>¥122,990</b>	¥154,455	<b>\$1,023,467</b>
<b>Comprehensive income</b>			
Comprehensive income attributable to owners of the parent . . . . .	<b>¥114,990</b>	¥144,892	<b>\$ 956,894</b>
Comprehensive income attributable to minority interests . . . . .	<b>8,000</b>	9,563	<b>66,573</b>

## (Amounts per share of common stock)

	Yen	U.S. dollars (Note 1)
Net income . . . . .	<b>¥35.42</b>	¥47.99
Diluted net income (Note 2) . . . . .	<b>32.98</b>	47.97
Cash dividends applicable to the year . . . . .	<b>7.00</b>	5.00

See accompanying notes.

# Consolidated Statements of Changes in Net Assets

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2015 and 2014

	Millions of yen										
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gains on available-for-sale securities, net of tax	Unrealized gains (losses) on hedging derivatives, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax	Share subscription rights	Minority interests	Total net assets
<b>Balance at April 1, 2013</b> . . . . .	¥65,400	¥44,483	¥447,830	¥(6,998)	¥24,753	¥ (196)	¥(39,849)	¥ —	¥2,115	¥ 81,955	¥619,493
Due to change in consolidated subsidiaries . . . . .	—	—	1	—	—	—	—	—	—	—	1
Net income . . . . .	—	—	57,394	—	—	—	—	—	—	—	57,394
Purchases of treasury stock . . . . .	—	—	—	(62)	—	—	—	—	—	—	(62)
Disposal of treasury stock . . . . .	—	34	—	78	—	—	—	—	—	—	112
Dividends paid . . . . .	—	—	(2,392)	—	—	—	—	—	—	—	(2,392)
Net changes of items other than owner's equity during the year . . . . .	—	—	—	—	8,057	39,907	39,534	1,186	276	20,043	109,003
<b>Balance at March 31 and April 1, 2014</b> . . . . .	¥65,400	¥44,517	¥502,833	¥(6,982)	¥32,810	¥39,711	¥ (315)	¥1,186	¥2,391	¥101,998	¥783,549
Cumulative effects of changes in accounting policies . . . . .	—	—	(4,567)	—	—	—	—	—	—	—	(4,567)
<b>Restated balance</b> . . . . .	<b>¥65,400</b>	<b>¥44,517</b>	<b>¥498,266</b>	<b>¥(6,982)</b>	<b>¥32,810</b>	<b>¥39,711</b>	<b>¥(315)</b>	<b>¥1,186</b>	<b>¥2,391</b>	<b>¥101,998</b>	<b>¥778,982</b>
Issuance of new shares - exercise of subscription rights to shares . . . . .	—	—	—	19	—	—	—	—	(19)	—	—
Due to change in consolidated subsidiaries . . . . .	—	—	205	—	—	—	—	—	—	—	205
Due to change in affiliated companies accounted for by the equity method . . . . .	—	—	(121)	—	—	—	—	—	—	—	(121)
Net income . . . . .	—	—	42,356	—	—	—	—	—	—	—	42,356
Purchases of treasury stock . . . . .	—	—	—	(56)	—	—	—	—	—	—	(56)
Disposal of treasury stock . . . . .	—	(48)	(49)	196	—	—	—	—	—	—	99
Dividends paid . . . . .	—	—	(7,172)	—	—	—	—	—	—	—	(7,172)
Net changes of items other than owner's equity during the year . . . . .	—	—	—	—	11,451	29,059	27,988	4,136	181	5,327	78,142
<b>Balance at March 31, 2015</b> . . . . .	<b>¥65,400</b>	<b>¥44,469</b>	<b>¥533,485</b>	<b>¥(6,823)</b>	<b>¥44,261</b>	<b>¥68,770</b>	<b>¥27,673</b>	<b>¥5,322</b>	<b>¥2,553</b>	<b>¥107,325</b>	<b>¥892,435</b>

	Thousands of U.S. dollars (Note 1)										
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gains on available-for-sale securities, net of tax	Unrealized gains (losses) on hedging derivatives, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax	Share subscription rights	Minority interests	Total net assets
<b>Balance at April 1, 2014</b> . . . . .	\$544,229	\$370,450	\$4,184,347	\$(58,101)	\$273,030	\$330,457	\$(2,621)	\$9,869	\$19,897	\$848,781	\$6,520,338
Cumulative effects of changes in accounting policies . . . . .	—	—	(38,004)	—	—	—	—	—	—	—	(38,004)
<b>Restated balance</b> . . . . .	<b>\$544,229</b>	<b>\$370,450</b>	<b>\$4,146,343</b>	<b>\$(58,101)</b>	<b>\$273,030</b>	<b>\$330,457</b>	<b>\$(2,621)</b>	<b>\$9,869</b>	<b>\$19,897</b>	<b>\$848,781</b>	<b>\$6,482,334</b>
Issuance of new shares - exercise of subscription rights to shares . . . . .	—	—	—	158	—	—	—	—	(158)	—	—
Due to change in consolidated subsidiaries . . . . .	—	—	1,706	—	—	—	—	—	—	—	1,706
Due to change in affiliated companies accounted for by the equity method . . . . .	—	—	(1,007)	—	—	—	—	—	—	—	(1,007)
Net income . . . . .	—	—	352,467	—	—	—	—	—	—	—	352,467
Purchases of treasury stock . . . . .	—	—	—	(466)	—	—	—	—	—	—	(466)
Disposal of treasury stock . . . . .	—	(399)	(408)	1,631	—	—	—	—	—	—	824
Dividends paid . . . . .	—	—	(59,682)	—	—	—	—	—	—	—	(59,682)
Net changes of items other than owner's equity during the year . . . . .	—	—	—	—	95,290	241,816	232,903	34,418	1,506	44,329	650,262
<b>Balance at March 31, 2015</b> . . . . .	<b>\$544,229</b>	<b>\$370,051</b>	<b>\$4,439,419</b>	<b>\$(56,778)</b>	<b>\$368,320</b>	<b>\$572,273</b>	<b>\$230,282</b>	<b>\$44,287</b>	<b>\$21,245</b>	<b>\$893,110</b>	<b>\$7,426,438</b>

See accompanying notes.

Value Creation

Management Strategy

Manufactured Capital

Human Capital

Intellectual, Social, Environmental Capital

Financial Capital



## Consolidated Statements of Cash Flows

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests . . . . .	¥ 58,332	¥ 71,710	\$ 485,412
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities			
Depreciation and amortization . . . . .	87,804	83,984	730,665
Impairment loss . . . . .	10,198	6,448	84,863
Equity in losses (earnings) of affiliated companies, net . . . . .	(4,930)	1,234	(41,025)
Various provisions (reversals) . . . . .	2,356	(13,899)	19,606
Decrease (Increase) in net defined benefit assets . . . . .	(1,560)	(19,536)	(12,982)
Increase (Decrease) in net defined benefit liabilities . . . . .	377	13,035	3,137
Interest and dividend income . . . . .	(9,625)	(9,341)	(80,095)
Interest expense . . . . .	12,556	12,583	104,485
Gain on sale and disposal of vessels, property and equipment . . . . .	(13,380)	(391)	(111,342)
Exchange loss (gain), net . . . . .	(24,801)	(15,671)	(206,383)
Changes in operating assets and liabilities:			
Trade receivables . . . . .	(28,223)	5,042	(234,859)
Inventories . . . . .	11,750	1,046	97,778
Trade payables . . . . .	19,756	(3,875)	164,400
Others, net . . . . .	(11,878)	(27,584)	(98,842)
Sub total . . . . .	108,732	104,785	904,818
Cash received for interest and dividends . . . . .	12,411	13,346	103,279
Cash paid for interest . . . . .	(13,107)	(13,167)	(109,071)
Cash paid for corporate income tax, resident tax and enterprise tax . . . . .	(15,541)	(10,708)	(129,325)
Net cash provided by operating activities . . . . .	92,495	94,256	769,701
<b>Cash flows from investing activities:</b>			
Purchase of investment securities . . . . .	(14,594)	(22,888)	(121,445)
Proceeds from sale of investment securities . . . . .	1,770	7,318	14,729
Payments for purchase of vessels and other tangible and intangible fixed assets . . . . .	(186,317)	(183,888)	(1,550,445)
Proceeds from sale of vessels and other tangible and intangible fixed assets . . . . .	74,184	78,267	617,325
Proceeds from sale of investments in subsidiaries . . . . .	8,706	9,676	72,447
Net decrease (increase) in short-term loans receivables . . . . .	(4,526)	359	(37,663)
Disbursements for long-term loans receivables . . . . .	(59,942)	(13,939)	(498,810)
Collections of long-term loans receivables . . . . .	27,957	4,585	232,645
Purchase of shares of subsidiaries resulting in change in scope of consolidation . . . . .	(6,258)	-	(52,076)
Others, net . . . . .	(131)	639	(1,089)
Net cash used in investing activities . . . . .	(159,151)	(119,871)	(1,324,382)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term loans . . . . .	59,030	(31,725)	491,221
Net increase (decrease) in commercial paper . . . . .	5,500	(2,000)	45,768
Proceeds from long-term bank loans . . . . .	107,951	159,602	898,319
Repayments of long-term bank loans . . . . .	(203,117)	(117,237)	(1,690,247)
Proceeds from issuance of bonds . . . . .	95,280	15,000	792,877
Redemption of bonds . . . . .	(45,000)	(25,000)	(374,470)
Purchase of treasury stock . . . . .	(57)	(62)	(474)
Sale of treasury stock . . . . .	68	13	566
Cash dividends paid by the Company . . . . .	(7,177)	(2,408)	(59,724)
Cash dividends paid to minority interests . . . . .	(3,959)	(1,321)	(32,945)
Others, net . . . . .	(2,008)	(1,956)	(16,709)
Net cash provided by (used in) financing activities . . . . .	6,511	(7,094)	54,182
<b>Effect of exchange rate changes on cash and equivalents . . . . .</b>	<b>8,006</b>	<b>10,582</b>	<b>66,622</b>
<b>Net increase (decrease) in cash and cash equivalents . . . . .</b>	<b>(52,139)</b>	<b>(22,127)</b>	<b>(433,877)</b>
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<b>180,126</b>	<b>200,636</b>	<b>1,498,927</b>
<b>Net cash increase from new consolidation/de-consolidation of subsidiaries . . . . .</b>	<b>815</b>	<b>1,617</b>	<b>6,782</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>¥ 128,802</b>	<b>¥ 180,126</b>	<b>\$ 1,071,832</b>

See accompanying notes.

## 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (together "Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are adjusted according to ASBJ PITF No. 18. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of Mitsui O.S.K. Lines, Ltd. (the "Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2015, which was ¥120.17 to U.S. \$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (1) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and 371 subsidiaries for the year ended March 31, 2015 (357 subsidiaries for the year ended March 31, 2014). All significant inter-company balances, transactions and all material unrealized profit within the consolidated group have been eliminated in consolidation.

Investments in unconsolidated subsidiaries and affiliated companies are accounted for by the equity method. Companies accounted for using the equity method include 70 affiliated companies for the year ended March 31, 2015, and 73 affiliated companies for the year ended March 31, 2014. Investments in other subsidiaries and affiliated companies were stated at cost since total revenues, total assets, the Company's equity in net income and retained earnings and others in such companies were not material.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

The difference between acquisition cost and net assets acquired is treated as goodwill and negative goodwill and is amortized principally over 5 years on a straight-line basis.

Net amortized amount is included in "Selling, general and administrative expenses" or "Other income" of the consolidated statements of income.

Meanwhile, the negative goodwill incurred after April 1, 2010 is recognized as "Other income" at the time of occurrence in accordance with the revised Japanese GAAP.

### (2) TRANSLATION OF FOREIGN CURRENCY

Revenues earned and expenses incurred in currencies other than Japanese yen of the Company and its subsidiaries keeping their books in Japanese yen are translated into Japanese yen either at a monthly exchange rate or at the rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in currencies other than Japanese yen are translated into yen at the exchange rate prevailing at the balance sheet date.

Subsidiaries keeping their books in a currency other than Japanese yen translate the revenues and expenses and assets and liabilities in foreign currencies into the currency used for financial reporting in accordance with accounting principles generally accepted in their respective countries.

All the items in financial statements of subsidiaries, which are stated in currencies other than Japanese yen, were translated into Japanese yen at the year-end exchange rate, except for owners' equity which is translated at historical rates. Translation differences arising from the application of more than one exchange rate are presented as foreign currency translation adjustments in the net assets section of the consolidated balance sheets.

### (3) CASH AND CASH EQUIVALENTS

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

#### **(4) FREIGHT REVENUES AND RELATED EXPENSES**

##### **1. Containerships**

Freight revenues and the related voyage expenses are recognized by the multiple transportation progress method.

##### **2. Vessels other than containerships**

Freight revenues and the related voyage expenses are recognized mainly by the completed-voyage method.

#### **(5) SECURITIES**

Securities are classified into (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, or (d) for all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

Trading securities are stated at fair market value. Unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. Held-to-maturity debt securities are stated at amortized cost, net of the amount considered not collectible. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with fair market values are stated at fair market values, and the corresponding unrealized holding gains or losses, net of applicable income taxes, are reported as separate component of net assets. Other securities with no available fair market value are stated at moving-average cost.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method, and available-for-sale securities, declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method, and available-for-sale securities is not readily available, such securities should be written down to net assets value with a corresponding charge in the statements of income in the event net assets value declines significantly. In these cases, such fair market value or the net assets value will be the carrying amount of the securities at the beginning of the next year.

#### **(6) INVENTORIES**

Inventories are stated principally at cost determined by the moving-average method (with regard to the book value of inventories on the balance sheet, by writing the inventories down based on their decrease in profitability of assets).

#### **(7) DEPRECIATION AND AMORTIZATION**

Depreciation of vessels and buildings is computed mainly by the straight-line method. Depreciation of other property and equipment is computed mainly by the declining-balance method. Amortization of intangible assets is computed by the straight-line method. Computer software is amortized by the straight-line method based principally on the length of period it can be used internally (five years).

Depreciation of finance lease that transfer ownership to lessees is computed mainly by the identical to depreciation method applied to self-owned non-current assets. Depreciation of finance lease that do not transfer ownership to lessees is computed mainly by straight-line method on the assumption that the lease term is the useful life and an estimated residual is zero. With regard to finance lease that do not transfer ownership for which the starting date for the lease transaction is prior to March 31, 2008, they are continuously accounted for by a method corresponding to that used for ordinary operating lease contracts.

#### **(8) AMORTIZATION OF BOND ISSUE EXPENSE AND STOCK ISSUE EXPENSE**

Bond issue expense and stock issue expense are charged to income as incurred.

#### **(9) INTEREST CAPITALIZATION**

In cases where a vessel's construction period is long and the amount of interest accruing during this period is significant, such interest expenses are capitalized as a part of the acquisition cost which amounted to ¥5,139 million (\$42,764 thousand) for the year ended March 31, 2015 and ¥2,802 million for the year ended March 31, 2014.

#### **(10) ALLOWANCE FOR DOUBTFUL ACCOUNTS**

Allowance for doubtful accounts is provided in an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual percentage of the Company's collection losses.

#### **(11) DIRECTORS' AND CORPORATE AUDITORS' RETIREMENT BENEFITS**

The domestic subsidiaries of the company recognize liabilities for retirement benefits for directors and corporate auditors at an amount required in accordance with the internal regulations.



**(12) EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS**

The Company and its consolidated subsidiaries (the "Group") recognized net defined benefit assets and net defined benefit liabilities for employees' severance and retirement benefits and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at end of the year. Projected benefit obligations are attributed to each period by the straight-line method.

Actuarial gains and losses are recognized in the statements of income using the straight-line method over the average of the estimated remaining service lives of mainly 10 years commencing with the following period. Past service costs are chiefly accounted for as expenses in lump-sum at the time of occurrence.

**(13) RESERVE FOR PERIODIC DRYDOCKING**

Reserve for periodic drydocking is based on the estimated amount of expenditures for periodic drydocking in the future.

**(14) INCOME TAXES**

The Group recognizes tax effects of temporary differences between the financial statement basis and the tax basis of assets and liabilities. The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

**(15) AMOUNTS PER SHARE OF COMMON STOCK**

Net income per share of common stock is computed based upon the weighted-average number of shares outstanding during the year.

Fully diluted net income per share of common stock assumes exercise of the outstanding stock options at the beginning of the year or at the date of issuance.

Cash dividends per share have been presented on an accrual basis and include dividends to be approved after the balance sheet date, but applicable to the year then ended.

**(16) DERIVATIVES AND HEDGE ACCOUNTING**

Companies are required to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedging instruments and meet certain hedging criteria, the Group defers recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

If interest rate swap contracts are used as hedging instruments and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed ("special treatment").

If foreign exchange forward contracts are used as hedging instruments and meet certain hedging criteria, hedged foreign currency assets and liabilities are translated at the rate of these contracts ("allocation method").

The following summarizes hedging derivative financial instruments used by the Group and items hedged:

Hedging instruments:	Hedged items:
Loans payable in foreign currencies	Foreign currency future transactions
Forward foreign exchange contracts	Foreign currency future transactions
Currency option contracts	Foreign currency future transactions
Currency swap contracts	Foreign currency loans payable
Interest rate swap contracts	Interest on loans and bonds payable
Crude oil swap contracts	Fuel oil
Commodities futures	Fuel oil
Freight futures	Freight

The derivative transactions are executed and managed by the Company in accordance with the established policies in order to hedge the Group's exposure to interest rate increases, fuel oil increases, freight decreases, and foreign currency exchange rate risk.

The Company evaluates hedge effectiveness by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the cumulative changes in cash flows from or the changes in fair value of hedging instruments.

## **(17) RECLASSIFICATIONS**

Certain prior year amounts have been reclassified to conform to the 2015 presentation.

## **(18) CHANGES IN ACCOUNTING POLICIES**

### **Application of accounting standards for retirement benefits**

The Group adopted article 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No.26, May 17, 2012 (“Statement No.26”) and article 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25, March 26, 2015 (“Guidance No.25”) from the year ended March 31, 2015, and have changed the determination of retirement benefit obligations and current service costs.

In accordance with article 37 of Statement No.26, the effect of changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the year. As a result of the application, net defined benefit assets decreased by ¥4,570 million (\$38,029 thousand), net defined benefit liabilities decreased by ¥5 million (\$42 thousand), and retained earnings decreased by ¥4,567 million (\$38,004 thousand) at the beginning of the year ended March 31, 2015.

The effect of this change on the consolidated statement of income is immaterial.

## **(19) ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED**

Revised Accounting Standard for Business Combinations (ASBJ Statement No.21, September 13, 2013), Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22, September 13, 2013), Revised Accounting Standard for Business Divestitures (ASBJ Statement No.7, September 13, 2013), Revised Accounting Standard for Earnings Per Share (ASBJ Statement No.2, September 13, 2013), Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, September 13, 2013) and Revised Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No.4, September 13, 2013).

### 1. Summary

The above standards and guidance have been revised primarily to account for:

- I. How the changes of the shares in subsidiaries, over which the Company continues to maintain control, should be treated by the Company when additional stock of a subsidiary is acquired.
- II. Treatment of acquisition related costs.
- III. Presentation of current net income and the change of shareholder's equity from minority interests to non-controlling interests.
- IV. Provisional application of accounting treatments.

### 2. Effective dates

These standards will be effective from the beginning of the year ending March 31, 2016. Provisional application of the accounting standards is scheduled to begin for business combinations effective after the beginning of the fiscal year ending March 31, 2016.

### 3. Effect of application of the standard

The Group is currently assessing the effects of these new standards on the consolidated financial statements.

### 3. FINANCIAL INSTRUMENTS

#### (1) Qualitative information on financial instruments

##### I. Policies for using financial instruments

We raise capital investment funds to acquire vessels and other fixed assets primarily through bank loans and corporate bonds. In addition, we secure short-term operating funds primarily through bank loans. Furthermore, we have established commitment line with Japanese banks to maintain a sufficient amount of working capital and prepare supplementary liquidity for emergency situations. Derivatives are utilized to hedge risks as discussed below and are executed within the scope of real requirements. Our policy is not to use derivatives for speculative purposes.

##### II. Details of financial instruments / Risk and its management

Trade receivables are exposed to the credit risks of customers. We strive to mitigate such risks in accordance with internal regulations. Besides, trade receivables denominated in foreign currencies are exposed to the foreign currency exchange rate risk. We avoid the risk mainly by, in principle, utilizing forward exchange contracts which cover the net position (The difference between trade receivables and trade payables dominated in foreign currencies). Investment securities are mainly stocks of companies with which we have business relationships. These investment securities are exposed to the price fluctuation risk. We identify the market value of listed stocks on a quarterly basis.

Trade payables are due within a year.

Short-term loans and commercial papers are primarily used for raising short-term operating funds, while long-term bank loans and bonds are mainly for capital investments. Although several items with variable interest rates are exposed to the interest rate risk, a certain portion of such variable interest rates is fixed with the use of interest rate swaps.

Long-term bank loans and bonds denominated in foreign currencies are exposed to the foreign currency exchange rate risk, a part of which is avoided by using currency swaps.

Our major derivative transactions and hedged risks are as follows.

\* Forward foreign exchange contracts / Currency swap contracts:

To cover exchange volatility of foreign-currency-denominated trade receivables, trade payables, long-term loans, and corporate bonds.

\* Interest rate swap contracts:

To avoid interest rate risk arising out of interest payment of long-term loans and corporate bonds.

\* Crude oil swap contracts / Commodities futures:

To hedge fluctuation of fuel oil price.

With regard to the detail of hedge accounting (hedging instruments, hedged items, the way of evaluating hedge effectiveness), see Note 2 (16) to the consolidated financial statements.

Derivative transactions are executed and managed in accordance with our internal regulations and dealt only with highly rated financial institutions to mitigate credit risks.

On the other hand, as trade payables, loan payables, bonds, and commercial papers are exposed to the risk of financing for repayment, we manage the risk by planning cash management program monthly, having established commitment lines with several financial institutions, and adjusting the funding period (balancing short-term/long-term combination), in consideration of market circumstances.

##### III. Supplemental information on fair value

Fair value of financial instruments that are actively traded in organized financial markets is determined by market value.

For those where there are no active markets, it is determined by reasonable estimation. Reasonably estimated value might vary depending on condition of calculation as several variation factors are included in the calculation. On the other hand, derivative transactions mentioned in following (2) do not indicate the market risk of such derivatives.



## (2) Fair Values of financial instruments

Book values and fair values of the financial instruments on the consolidated balance sheet at March 31, 2015 were the following;

	Millions of yen		
	Book Value	Fair Value	Difference
<b>Assets</b>			
Cash and cash equivalents . . . . .	¥ 128,802	¥ 128,802	¥ —
Time deposits with a maturity of more than three months . . . . .	2,821	2,821	—
Trade receivables . . . . .	178,845	178,845	—
Short-term loans receivable . . . . .	5,556	5,556	—
Investment securities			
Available-for-sale securities . . . . .	120,583	120,583	—
Long-term loans receivable <sup>(*)1</sup> . . . . .	76,265	82,282	6,017
<b>Total</b> . . . . .	<b>¥ 512,872</b>	<b>¥ 518,889</b>	<b>¥ 6,017</b>
<b>Liabilities</b>			
Trade payables . . . . .	¥ 167,002	¥ 167,002	¥ —
Short-term loans . . . . .	74,203	74,203	—
Commercial paper . . . . .	5,500	5,500	—
Bonds <sup>(*)2</sup> . . . . .	285,185	288,298	3,113
Long-term bank loans <sup>(*)3</sup> . . . . .	793,518	807,099	13,581
<b>Total</b> . . . . .	<b>¥1,325,408</b>	<b>¥1,342,102</b>	<b>¥16,694</b>
Derivative financial instruments <sup>(*)4</sup> . . . . .	¥ 153,519	¥ 153,082	¥ (437)

	Thousands of U.S. dollars (Note 1)		
	Book Value	Fair Value	Difference
<b>Assets</b>			
Cash and cash equivalents . . . . .	\$ 1,071,832	\$ 1,071,832	\$ —
Time deposits with a maturity of more than three months . . . . .	23,475	23,475	—
Trade receivables . . . . .	1,488,267	1,488,267	—
Short-term loans receivable . . . . .	46,235	46,235	—
Investment securities			
Available-for-sale securities . . . . .	1,003,437	1,003,437	—
Long-term loans receivable <sup>(*)1</sup> . . . . .	634,643	684,713	50,070
<b>Total</b> . . . . .	<b>\$ 4,267,889</b>	<b>\$ 4,317,959</b>	<b>\$ 50,070</b>
<b>Liabilities</b>			
Trade payables . . . . .	\$ 1,389,715	\$ 1,389,715	\$ —
Short-term loans . . . . .	617,484	617,484	—
Commercial paper . . . . .	45,768	45,768	—
Bonds <sup>(*)2</sup> . . . . .	2,373,180	2,399,085	25,905
Long-term bank loans <sup>(*)3</sup> . . . . .	6,603,295	6,716,310	113,015
<b>Total</b> . . . . .	<b>\$11,029,442</b>	<b>\$11,168,362</b>	<b>\$138,920</b>
Derivative financial instruments <sup>(*)4</sup> . . . . .	\$ 1,277,515	\$ 1,273,879	\$ (3,636)

\*1 The book value of long-term loans receivable includes current portion amounting to ¥1,306 million (\$10,868 thousand).

\*2 The book value of bonds includes current portion amounting to ¥15,000 million (\$124,823 thousand).

\*3 The book value of long-term bank loans includes current portion amounting to ¥105,186 million (\$875,310 thousand).

\*4 Amounts of derivative financial instruments are net of asset and liability. Negative amount stated with ( ) means that the net amount is liability.

Book values and fair values of the financial instruments on the consolidated balance sheet at March 31, 2014 were the following;

	Millions of yen		
	Book Value	Fair Value	Difference
<b>Assets</b>			
Cash and cash equivalents . . . . .	¥ 180,126	¥ 180,126	¥ —
Time deposits with a maturity of more than three months . . . . .	1,023	1,023	—
Trade receivables . . . . .	146,787	146,787	—
Short-term loans receivable . . . . .	1,445	1,445	—
Investment securities			
Available-for-sale securities . . . . .	103,417	103,417	—
Long-term loans receivable <sup>(*)1</sup> . . . . .	41,015	46,748	5,733
<b>Total</b> . . . . .	<b>¥ 473,813</b>	<b>¥ 479,546</b>	<b>¥5,733</b>
<b>Liabilities</b>			
Trade payables . . . . .	¥ 143,196	¥ 143,196	¥ —
Short-term loans . . . . .	14,697	14,697	—
Bonds <sup>(*)2</sup> . . . . .	225,500	230,953	5,453
Long-term bank loans <sup>(*)3</sup> . . . . .	830,530	833,094	2,564
<b>Total</b> . . . . .	<b>¥1,213,923</b>	<b>¥1,221,940</b>	<b>¥8,017</b>
Derivative financial instruments <sup>(*)4</sup> . . . . .	¥ 83,295	¥ 82,895	¥ (400)

\*1 The book value of long-term loans receivable includes current portion amounting to ¥3,496 million.

\*2 The book value of bonds includes current portion amounting to ¥45,000 million.

\*3 The book value of long-term bank loans includes current portion amounting to ¥90,492 million.

\*4 Amounts of derivative financial instruments are net of asset and liability. Negative amount stated with ( ) means that the net amount is liability.

The following is a description of the valuation methodologies used for the assets and liabilities measured at the fair value.

#### Cash and cash equivalents, Time deposits with a maturity of more than three months, Trade receivables and Short-term loans receivable

Since these assets are settled in a short term and their fair value is almost equal to the book value, the fair value is evaluated at the book value.

#### Investment securities

The fair value of stocks is evaluated at market prices at stock exchange as of the end of the year and the fair value of bonds is evaluated at market prices at stock exchange or provided by financial institutions as of the end of the years.

#### Long-term loans receivable

The fair value of long-term loans receivable with variable interests rate is evaluated at book value because the interest rate reflects the market rate in the short term and their fair value is almost equal to the book value, unless the creditworthiness of the borrower has changed significantly since the loan origination. The fair value of long-term loans receivable with fixed interest rates, for each category of loans based on types of loans and maturity length, is evaluated by discounting the total amount of principal and interest using the rate which would apply if similar loans were newly made.

#### Trade payables, Short-term loans and Commercial paper

Since these liabilities are settled in a short term and their fair value is almost equal to the book value, the fair value is evaluated at the book value.

#### Bonds

The fair value of corporate bonds with market price is evaluated based on their market price. The fair value of variable interest rate corporate bonds without market price is evaluated at the book value because the interest rate reflects the market rate in the short term and there has been no significant change in the Company's creditworthiness before and after the issue.

### Long-term bank loans

The fair value of long-term bank loans with variable interest rates is evaluated at book value because the interest rate reflects the market rate in the short term and there has been no significant change in the Company's creditworthiness before and after such bank loans were made. The fair value of long-term bank loans with fixed interest rates, for each category of bank loans based on types of bank loans and maturity length, is evaluated by discounting the total amount of principal and interest using the rate which would apply if similar bank loans were newly made. The fair value of long-term bank loans qualifying for allocation method of currency swap is evaluated at the book value because such bank loans were deemed as the variable interest rate bank loans and the interest rate reflects the market rate in the short term.

### Derivative financial instruments

Please refer to Note 6 to the consolidated financial statements.

The following table summarizes financial instruments whose fair value is extremely difficult to estimate.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Book Value	Book Value	Book Value
	2015	2014	2015
Unlisted stocks . . . . .	<b>¥7,821</b>	¥7,627	<b>\$65,083</b>
Others . . . . .	<b>11</b>	17	<b>92</b>
<b>Total</b> . . . . .	<b>¥7,832</b>	¥7,644	<b>\$65,175</b>

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

At March 31, 2015, the aggregate annual maturity of monetary claims and securities was as follows;

	Millions of yen			
	Within a year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents . . . . .	<b>¥128,802</b>	¥ —	¥ —	¥ —
Time deposits with a maturity of more than three months . . .	<b>2,821</b>	—	—	—
Trade receivables . . . . .	<b>178,845</b>	—	—	—
Short-term loans receivable . . . . .	<b>5,556</b>	—	—	—
Marketable securities and investments securities				
Available-for-sale securities (Governmental/municipal bonds) . . . . .	—	<b>10</b>	—	—
Available-for-sale securities (Corporate bonds) . . . . .	—	<b>200</b>	—	—
Long-term loans receivable . . . . .	<b>1,306</b>	<b>44,390</b>	<b>2,805</b>	<b>27,764</b>
<b>Total</b> . . . . .	<b>¥317,330</b>	<b>¥44,600</b>	<b>¥2,805</b>	<b>¥27,764</b>

	Thousands of U.S. dollars (Note 1)			
	Within a year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents . . . . .	<b>\$1,071,832</b>	\$ —	\$ —	\$ —
Time deposits with a maturity of more than three months . . .	<b>23,475</b>	—	—	—
Trade receivables . . . . .	<b>1,488,267</b>	—	—	—
Short-term loans receivable . . . . .	<b>46,235</b>	—	—	—
Marketable securities and investments securities				
Available-for-sale securities (Governmental/municipal bonds) . . . . .	—	<b>83</b>	—	—
Available-for-sale securities (Corporate bonds) . . . . .	—	<b>1,664</b>	—	—
Long-term loans receivable . . . . .	<b>10,868</b>	<b>369,393</b>	<b>23,342</b>	<b>231,040</b>
<b>Total</b> . . . . .	<b>\$2,640,677</b>	<b>\$371,140</b>	<b>\$23,342</b>	<b>\$231,040</b>



At March 31, 2014, the aggregate annual maturity of monetary claims and securities was as follows;

	Millions of yen			
	Within a year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents . . . . .	¥180,126	¥ —	¥ —	¥ —
Time deposits with a maturity of more than three months . . .	1,023	—	—	—
Trade receivables . . . . .	146,787	—	—	—
Short-term loans receivable . . . . .	1,445	—	—	—
Marketable securities and investments securities				
Available-for-sale securities (Governmental/municipal bonds) . . . . .	10	—	—	—
Available-for-sale securities (Corporate bonds) . . . . .	—	—	200	—
Long-term loans receivable . . . . .	3,496	23,134	6,745	7,640
<b>Total . . . . .</b>	<b>¥332,887</b>	<b>¥23,134</b>	<b>¥6,945</b>	<b>¥7,640</b>

#### 4. SECURITIES

A. The following tables summarize acquisition costs, book values and fair values of securities with available fair values at March 31, 2015 and 2014.

Available-for-sale securities:

Securities with book values exceeding acquisition costs at March 31, 2015

Type	Millions of yen		
	Acquisition cost	Book Value	Difference
Equity securities . . . . .	<b>¥48,766</b>	<b>¥115,824</b>	<b>¥67,058</b>
Bonds . . . . .	<b>200</b>	<b>215</b>	<b>15</b>
<b>Total . . . . .</b>	<b>¥48,966</b>	<b>¥116,039</b>	<b>¥67,073</b>

Type	Thousands of U.S. dollars (Note 1)		
	Acquisition cost	Book Value	Difference
Equity securities . . . . .	<b>\$405,809</b>	<b>\$963,835</b>	<b>\$558,026</b>
Bonds . . . . .	<b>1,664</b>	<b>1,789</b>	<b>125</b>
<b>Total . . . . .</b>	<b>\$407,473</b>	<b>\$965,624</b>	<b>\$558,151</b>

Securities with book values exceeding acquisition costs at March 31, 2014

Type	Millions of yen		
	Acquisition cost	Book Value	Difference
Equity securities . . . . .	¥41,698	¥93,782	¥52,084
Bonds . . . . .	210	226	16
<b>Total . . . . .</b>	<b>¥41,908</b>	<b>¥94,008</b>	<b>¥52,100</b>

Securities with book values not exceeding acquisition costs at March 31, 2015

Type	Millions of yen		
	Acquisition cost	Book Value	Difference
Equity securities . . . . .	<b>¥5,456</b>	<b>¥4,534</b>	<b>¥(922)</b>
Bonds . . . . .	<b>10</b>	<b>10</b>	<b>0</b>
<b>Total</b> . . . . .	<b>¥5,466</b>	<b>¥4,544</b>	<b>¥(922)</b>

Type	Thousands of U.S. dollars (Note 1)		
	Acquisition cost	Book Value	Difference
Equity securities . . . . .	<b>\$45,402</b>	<b>\$37,730</b>	<b>\$(7,672)</b>
Bonds . . . . .	<b>83</b>	<b>83</b>	<b>0</b>
<b>Total</b> . . . . .	<b>\$45,485</b>	<b>\$37,813</b>	<b>\$(7,672)</b>

Securities with book values not exceeding acquisition costs at March 31, 2014

Type	Millions of yen		
	Acquisition cost	Book Value	Difference
Equity securities . . . . .	¥11,545	¥9,409	¥(2,136)
Bonds . . . . .	—	—	—
<b>Total</b> . . . . .	<b>¥11,545</b>	<b>¥9,409</b>	<b>¥(2,136)</b>

B. Total sales of available-for-sale securities sold in the years ended March 31, 2015 and 2014 and the related gains and losses were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Proceeds from sales . . . . .	<b>¥290</b>	¥3,880	<b>\$2,413</b>
Gross realized gains . . . . .	<b>134</b>	1,200	<b>1,115</b>
Gross realized losses . . . . .	—	214	—

C. Impairment losses of securities

No impairment loss on the securities was recognized for the year ended March 31, 2015.

For the year ended March 31, 2014, the Company reduced the book value on the securities and booked the reductions as impairment losses of ¥106 million.

With regard to the impairment losses, the Company principally reduces the book value on the securities to the amount which is considered the recoverability etc. in the event the fair market value declines more than 50% in comparison with the acquisition cost.

## 5. INVENTORIES

Inventories as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Fuel and supplies . . . . .	<b>¥48,030</b>	¥58,211	<b>\$399,684</b>
Others . . . . .	<b>996</b>	1,138	<b>8,288</b>
<b>Total</b> . . . . .	<b>¥49,026</b>	<b>¥59,349</b>	<b>\$407,972</b>

## 6. DERIVATIVE TRANSACTIONS

The Group enters into derivative transactions to hedge the Group's exposure to interest rate increases, fuel oil increases, freight decreases, and currency exchange fluctuations, in accordance with the guidance determined by the management of the Company.

### I. Hedge accounting not applied

The following tables summarize the outstanding contract amounts and fair values of financial derivatives of the Group at March 31, 2015 and 2014, for which hedge accounting has not been applied.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>(1) Currency related:</b>			
Forward currency exchange contracts			
Sell (U.S. dollar):			
Contracts outstanding	¥ —	¥15,438	\$ —
Fair values	—	(1)	—
Buy (U.S. dollar):			
Contracts outstanding	¥467	¥ 25	\$3,886
Fair values	1	0	8
Buy (Others):			
Contracts outstanding	¥ 24	¥ 22	\$ 200
Fair values	0	1	0
<b>(2) Interest related</b>			
Interest rate swaps			
Receive floating, pay fixed			
Contracts outstanding	¥40,183	¥39,046	\$334,385
Fair values	(1,213)	(1,966)	(10,094)

Note: Fair values are measured based on forward exchange rates prevailing at the end of the year and information provided by financial institutions, etc.



## II. Hedge accounting applied

The following tables summarize the outstanding contract amounts and fair values of financial derivatives of the Group at March 31, 2015 and 2014, for which hedge accounting has been applied.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>(1) Deferral hedge accounting</b>			
a. Forward currency exchange contracts to hedge the risk for the foreign currency transactions			
Sell (U.S. dollar):			
Contracts outstanding	¥ —	¥ 16,386	\$ —
Fair values	—	(415)	—
Buy (U.S. dollar):			
Contracts outstanding	¥ —	¥ 18,661	\$ —
Fair values	—	4,460	—
b. Currency swaps contracts to hedge the risk for charterages			
Sell (U.S. dollar):			
Contracts outstanding	¥ 7,669	¥ 8,022	\$ 63,818
Fair values	(1,664)	(435)	(13,847)
Buy (U.S. dollar):			
Contracts outstanding	¥453,024	¥507,607	\$3,769,859
Fair values	182,171	88,264	1,515,944
c. Interest rate swaps to hedge the risk for the long-term bank loans and charterages			
Receive floating, pay fixed			
Contracts outstanding	¥290,387	¥228,282	\$2,416,468
Fair values	(21,451)	(7,133)	(178,505)
Receive fixed, pay floating			
Contracts outstanding	¥ —	¥ 5,810	\$ —
Fair values	—	136	—
d. Commodities futures to hedge the risk for the fuel oil			
Contracts outstanding	¥ 11,907	¥ 23,486	\$ 99,085
Fair values	(4,324)	461	(35,982)
e. Freight futures to hedge the risk for the freight			
Contracts outstanding	¥ —	¥ 649	\$ —
Fair values	—	(77)	—

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>(2) Special treatment</b>			
Interest rate swaps to hedge the risk for the long-term bank loans			
Receive floating, pay fixed			
Contracts outstanding	¥20,550	¥18,687	\$171,008
Fair values	(437)	(400)	(3,637)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>(3) Allocation method</b>			
Currency swaps to hedge the risk for the foreign bonds and long-term bank loans			
Contracts outstanding	¥31,781	¥31,788	\$264,467
Fair values	—	—	—

Notes: 1. Fair values are measured based on forward exchange rates prevailing at the end of the year and information provided by financial institutions, etc.

2. Currency swaps which allocation method are applied to are recorded as the combined amount of such currency swaps and their hedge items. Therefore, their fair values are included in fair values of such hedge items.

## 7. SHORT-TERM DEBT AND LONG-TERM DEBT

### (1) SHORT-TERM DEBT

Short-term debt amounting to ¥79,703 million (\$663,252 thousand) and ¥14,697 million at March 31, 2015 and 2014, respectively, were principally unsecured. The average interest rates on short-term debt were 0.52% and 0.56%, respectively.

### (2) LONG-TERM DEBT

Long-term debt at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Bonds:</b>			
1.278% yen bonds due 2014	¥ —	¥ 30,000	\$ —
1.590% yen bonds due 2015	—	15,000	—
0.296% yen bonds due 2015	15,000	15,000	124,823
0.573% yen bonds due 2016	10,000	10,000	83,215
2.070% yen bonds due 2016	15,000	15,000	124,823
1.106% yen bonds due 2016	20,000	20,000	166,431
0.461% yen bonds due 2017	20,000	20,000	166,431
0.000% U.S. dollars bonds due 2018*	36,051	—	300,000
1.999% yen bonds due 2019	18,500	18,500	153,949
1.670% yen bonds due 2019	10,000	10,000	83,215
1.400% yen bonds due 2020	15,000	15,000	124,823
0.000% U.S. dollars bonds due 2020*	24,034	—	200,000
1.361% yen bonds due 2021	17,800	17,800	148,124
1.650% yen bonds due 2022	5,000	5,000	41,608
1.139% yen bonds due 2022	9,200	9,200	76,558
1.070% yen bonds due 2023	10,000	10,000	83,215
0.850% yen bonds due 2024	15,000	15,000	124,823
0.970% yen bonds due 2024	29,600	—	246,319
0.803% yen bonds due 2025	15,000	—	124,823
<b>Long-term bank loans due within one year:</b>			
Long-term bank loans due within one year at average interest rate of 0.64% and 0.70% at March 31, 2015 and 2014, respectively	105,186	90,492	875,310
<b>Long-term bank loans due after one year:</b>			
Long-term bank loans due through 2034 at average interest rate of 1.20% and 0.98% at March 31, 2015 and 2014, respectively	688,332	740,038	5,727,985
	<b>1,078,703</b>	<b>1,056,030</b>	<b>8,976,475</b>
Amount due within one year	120,186	135,492	1,000,133
	<b>¥ 958,517</b>	<b>¥ 920,538</b>	<b>\$7,976,342</b>

\*Zero coupon convertible bonds, details are as follows.

	The 2018 Bonds	The 2020 Bonds
(1) Exercise period	From May 8, 2014 to April 10, 2018	From May 8, 2014 to April 9, 2020
(2) Conversion price	U.S.\$ 5.34 per share	U.S.\$ 4.80 per share

At March 31, 2015, the aggregate annual maturity of long-term debt was as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars (Note 1)
2016	¥ 120,186	\$1,000,133
2017	136,850	1,138,803
2018	115,864	964,167
2019	148,095	1,232,379
2020	80,220	667,555
2021 and thereafter	477,488	3,973,438
	<b>¥1,078,703</b>	<b>\$8,976,475</b>

### (3) ASSETS PLEDGED AND SECURED DEBT

At March 31, 2015, the following assets were pledged as collateral for short-term debt and long-term debt.

Assets pledged	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Vessels . . . . .	¥202,454	¥177,092	\$1,684,729
Buildings and structures . . . . .	—	136	—
Vessels and other property under construction . . . . .	90,908	72,953	756,495
Investment securities . . . . .	73,811	60,148	614,222
	¥367,173	¥310,329	\$3,055,446

Secured debt	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Short-term debt . . . . .	¥ 10	¥ 50	\$ 83
Long-term debt due within one year . . . . .	13,759	11,906	114,496
Long-term debt due after one year . . . . .	156,237	132,540	1,300,133
	¥170,006	¥144,496	\$1,414,712

## 8. COMMITMENTS AND CONTINGENT LIABILITIES

### (A) COMMITMENT

At March 31, 2015 and 2014, the Company had loan commitment agreements with certain affiliated companies. The nonexercised portion of loan commitments was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Total loan limits . . . . .	¥15,622	¥14,409	\$130,000
Loan executions . . . . .	—	—	—
The nonexercised portion of loan commitments . . . . .	¥15,622	¥14,409	\$130,000

### (B) CONTINGENT LIABILITIES

At March 31, 2015 and 2014, the Company and its consolidated subsidiaries were contingently liable mainly as guarantors or co-guarantors of indebtedness of related and other companies in the aggregate amount of ¥112,360 million (\$935,009 thousand) and ¥78,169 million, respectively.

## 9. NET ASSETS

Net assets comprises four sections, which are the owners' equity, accumulated other comprehensive income, share subscription rights and minority interests.

Under the Japanese Companies Act ("the Act") and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the board of directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in-capital, which is included in capital surplus.

Under the Act, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Act, appropriations (legal earnings reserve and additional paid-in-capital could be used to eliminate or reduce a deficit or could be capitalized) generally require a resolution of the shareholders' meeting.

### (A) SHARES ISSUED AND OUTSTANDING

Changes in number of shares issued and outstanding during the years ended March 31, 2015 and 2014 were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
Balance at April 1, 2013. . . . .	1,206,286	10,502
Increase during the year . . . . .	—	145
Decrease during the year . . . . .	—	(274)
Balance at March 31 and April 1, 2014 . . . . .	1,206,286	10,373
Increase during the year . . . . .	—	150
Decrease during the year . . . . .	—	(337)
Balance at March 31, 2015 . . . . .	<b>1,206,286</b>	<b>10,186</b>

### (B) SHARE SUBSCRIPTION RIGHTS

Share subscription rights at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Stock options. . . . .	<b>¥2,553</b>	¥2,391	<b>\$21,245</b>
Total . . . . .	<b>¥2,553</b>	¥2,391	<b>\$21,245</b>

### (C) DIVIDENDS

(1) Dividends paid for the year ended March 31, 2015 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Approved at the shareholders' meeting held on June 24, 2014 . . . . .	<b>¥3,588</b>	<b>\$29,858</b>
Approved at the board of directors held on October 31, 2014 . . . . .	<b>¥3,588</b>	<b>\$29,858</b>
Total . . . . .	<b>¥7,176</b>	<b>\$59,716</b>

(2) Dividends included in the retained earnings at March 31, 2015 and to be paid in subsequent periods were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Approved at the shareholders' meeting held on June 23, 2015 . . . . .	<b>¥4,784</b>	<b>\$39,810</b>
Total . . . . .	<b>¥4,784</b>	<b>\$39,810</b>



## 10. IMPAIRMENT LOSS

For the year ended March 31, 2015, the Group recorded an impairment loss on the following asset group.

Application	Type	Millions of yen	Thousands of U.S. dollars (Note 1)
Assets to be disposed of by sale	Vessels and Other	<b>¥10,198</b>	<b>\$84,863</b>

For the year ended March 31, 2014, the Group recorded an impairment loss on the following asset group.

Application	Type	Millions of yen
Assets to be disposed of by sale	Vessels and Other	¥ 498
Assets for operations	Vessels	5,950

The Group grouped operating assets based on management accounting categories, and also grouped assets to be disposed of by sale and idle assets by structure.

For the years ended March 31, 2015 and 2014, with regard to the target price of assets to be disposed of by sale which fell below book value, the Group reduced the book value on these assets to recoverable amounts and booked the reductions as impairment losses.

The recoverable amount for this asset group is evaluated based on the asset's net selling price. And the asset's net selling price is appraised based on the target price of assets to be disposed of by sale.

For the year ended March 31, 2014, since profitability of the overseas consolidated subsidiary's assets for operations significantly deteriorated, the Group reduced the book value on these assets to recoverable amounts and booked the reductions as impairment losses.

The recoverable amount for this asset group is evaluated based on the value in use. The value in use is calculated from the projected future cash flows discounted at a rate of 7%.

## 11. OTHER INCOME (EXPENSES): OTHERS, NET—BREAKDOWN

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Others, net:</b>			
Exchange gain, net . . . . .	<b>¥ 25,523</b>	¥11,392	<b>\$212,391</b>
Gain on sale of vessels, property, equipment and others. . . . .	<b>16,225</b>	7,095	<b>135,017</b>
Loss on sale and disposal of vessels, property, equipment and others . . . . .	<b>(2,853)</b>	(6,702)	<b>(23,741)</b>
Loss arising from marine accident . . . . .	—	(2,397)	—
Impairment loss . . . . .	<b>(10,198)</b>	(6,448)	<b>(84,863)</b>
Gain on change in equity. . . . .	<b>3,867</b>	164	<b>32,179</b>
Sundries, net . . . . .	<b>6,519</b>	31,990	<b>54,247</b>
<b>Total . . . . .</b>	<b>¥ 39,083</b>	¥35,094	<b>\$325,230</b>

## 12. LEASES

### AS LESSEE:

#### (A) INFORMATION ON FINANCE LEASES ACCOUNTED FOR AS OPERATING LEASES:

(1) A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value at March 31, 2015 of finance leases that do not transfer ownership to the lessee was as follows:

	Millions of yen		
	Equipment, mainly containers	Others	Total
Acquisition cost . . . . .	¥2,425	¥190	¥2,615
Accumulated depreciation . . . . .	2,401	162	2,563
Net book value . . . . .	¥ 24	¥ 28	¥ 52

	Thousands of U.S. dollars (Note 1)		
	Equipment, mainly containers	Others	Total
Acquisition cost . . . . .	\$20,180	\$1,581	\$21,761
Accumulated depreciation . . . . .	19,980	1,348	21,328
Net book value . . . . .	\$ 200	\$ 233	\$ 433

A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value at March 31, 2014 of finance leases that do not transfer ownership to the lessee was as follows:

	Millions of yen		
	Equipment, mainly containers	Others	Total
Acquisition cost . . . . .	¥16,243	¥190	¥16,433
Accumulated depreciation . . . . .	15,855	144	15,999
Net book value . . . . .	¥ 388	¥ 46	¥ 434

(2) Future lease payments at March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Amount due within one year . . . . .	¥123	¥1,221	\$1,024
Amount due after one year . . . . .	13	122	108
Total . . . . .	¥136	¥1,343	\$1,132

(3) Lease payments, depreciation equivalent and interest equivalent

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Lease payments . . . . .	¥1,340	¥2,234	\$11,151
Depreciation equivalent . . . . .	385	796	3,204
Interest equivalent . . . . .	41	49	341

(4) Calculation of depreciation equivalent

Assumed depreciation amounts are computed using the declining-balance method or the straight-line method over the lease terms assuming no residual value.

(5) Calculation of interest equivalent

The excess of total lease payments over acquisition cost equivalents is regarded as amounts representing interest payable equivalents and is allocated to each period using the interest method.

(6) Impairment loss

There was no impairment loss on finance lease accounted for as operating leases.

**(B) FUTURE LEASE PAYMENTS UNDER OPERATING LEASES FOR ONLY NON-CANCELABLE CONTRACTS AT MARCH 31, 2015 AND 2014:**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Amount due within one year . . . . .	¥ 54,586	¥ 48,825	\$ 454,240
Amount due after one year . . . . .	264,331	256,912	2,199,642
Total . . . . .	¥318,917	¥305,737	\$2,653,882

**AS LESSOR:****(A) FUTURE LEASE INCOME UNDER OPERATING LEASES FOR ONLY NON-CANCELABLE CONTRACTS AT MARCH 31, 2015 AND 2014:**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Amount due within one year	<b>¥13,212</b>	¥13,021	<b>\$109,944</b>
Amount due after one year	<b>46,912</b>	40,325	<b>390,381</b>
<b>Total</b>	<b>¥60,124</b>	¥53,346	<b>\$500,325</b>

**13. RENTAL PROPERTIES**

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

Information about the book value and the fair value of such rental properties was as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Book value</b>			
Balance at beginning of the year	<b>¥280,120</b>	¥279,130	<b>\$2,331,031</b>
Changes during the year	<b>36,898</b>	990	<b>307,048</b>
Balance at end of the year	<b>317,018</b>	280,120	<b>2,638,079</b>
<b>Fair value at end of the year</b>	<b>432,440</b>	381,024	<b>3,598,569</b>

Notes: 1. Book value is calculated as the amount equivalent to the cost for acquisition deducting accumulated depreciation.

2. Fair value is mainly based on the amount appraised by outside independent real estate appraisers.

3. Of changes during the year ended March 31, 2015, the primary increase was mainly due to completion of the Shin-Daibiru Building (¥20,822 million (\$173,271 thousand)), acquisition of the CornerStone Building (¥11,135 million (\$92,660 thousand)), and the acquisition of land near Akihabara Station from the Tokyo Metropolitan Government (¥7,151 million (\$59,507 thousand)), while the primary decrease was mainly due to the depreciation of existing properties (¥6,176 million (\$51,394 thousand)).

In addition, information for rental revenue and expense from rental properties was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Rental revenue	<b>¥27,058</b>	¥26,992	<b>\$225,164</b>
Rental expense	<b>16,041</b>	15,447	<b>133,486</b>
<b>Difference</b>	<b>¥11,017</b>	¥11,545	<b>\$ 91,678</b>

Note: Rental revenue is mainly recorded as "shipping and other revenues" and rental expense (depreciation expense, repairs and maintenance fee, utilities, personnel cost, tax and public charge, etc.) is mainly recorded as "shipping and other expenses".



## 14. SEGMENT AND RELATED INFORMATION

### (A) SEGMENT INFORMATION:

Millions of yen

For the year ended March 31, 2015:	Reportable segment					Others	Total	Adjustment	Consolidated
	Bulkships	Container-ships	Ferry & Domestic transport	Associated business	Sub Total				
<b>1. Revenues:</b>									
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies . . . . .	¥ 857,290	¥787,068	¥56,032	¥108,389	¥1,808,779	¥ 8,291	¥1,817,070	¥ —	¥1,817,070
(2) Inter-segment revenues . . . . .	526	2,063	272	39,775	42,636	5,920	48,556	(48,556)	—
Total revenues . . . . .	¥ 857,816	¥789,131	¥56,304	¥148,164	¥1,851,415	¥ 14,211	¥1,865,626	¥ (48,556)	¥1,817,070
Segment income (loss) . . . . .	¥ 54,105	¥ (24,147)	¥ 4,462	¥ 10,925	¥ 45,345	¥ 4,183	¥ 49,528	¥ 1,802	¥ 51,330
Segment assets . . . . .	¥1,719,714	¥496,487	¥40,535	¥426,130	¥2,682,866	¥346,183	¥3,029,049	¥(404,999)	¥2,624,050
<b>2. Others</b>									
(1) Depreciation and amortization . . . . .	¥ 59,234	¥ 16,109	¥ 2,279	¥ 8,511	¥ 86,133	¥ 283	¥ 86,416	¥ 1,388	¥ 87,804
(2) Amortization of goodwill, net . . . . .	(307)	17	45	130	(115)	(9)	(124)	—	(124)
(3) Interest income . . . . .	2,019	261	3	62	2,345	1,390	3,735	(1,030)	2,705
(4) Interest expenses . . . . .	10,632	2,314	170	1,780	14,896	723	15,619	(3,063)	12,556
(5) Equity in earnings of affiliated companies, net . . . . .	3,286	1,096	225	269	4,876	54	4,930	—	4,930
(6) Investment in affiliates . . . . .	110,452	4,873	1,694	1,971	118,990	1,967	120,957	—	120,957
(7) Tangible/intangible fixed assets increased . . . . .	138,059	21,783	3,193	32,341	195,376	182	195,558	587	196,145

Thousands of U.S. dollars (Note 1)

For the year ended March 31, 2015:	Reportable segment					Others	Total	Adjustment	Consolidated
	Bulkships	Container-ships	Ferry & Domestic transport	Associated business	Sub Total				
<b>1. Revenues:</b>									
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies . . . . .	\$ 7,133,977	\$6,549,621	\$466,273	\$ 901,964	\$15,051,835	\$ 68,994	\$15,120,829	\$ —	\$15,120,829
(2) Inter-segment revenues . . . . .	4,377	17,167	2,264	330,989	354,797	49,264	404,061	(404,061)	—
Total revenues . . . . .	\$ 7,138,354	\$6,566,788	\$468,537	\$1,232,953	\$15,406,632	\$ 118,258	\$15,524,890	\$ (404,061)	\$15,120,829
Segment income (loss) . . . . .	\$ 450,237	\$ (200,940)	\$ 37,130	\$ 90,913	\$ 377,340	\$ 34,809	\$ 412,149	\$ 14,996	\$ 427,145
Segment assets . . . . .	\$14,310,676	\$4,131,539	\$337,314	\$3,546,060	\$22,325,589	\$2,880,777	\$25,206,366	\$(3,370,217)	\$21,836,149
<b>2. Others</b>									
(1) Depreciation and amortization . . . . .	\$ 492,918	\$ 134,052	\$ 18,965	\$ 70,825	\$ 716,760	\$ 2,355	\$ 719,115	\$ 11,550	\$ 730,665
(2) Amortization of goodwill, net . . . . .	(2,554)	141	374	1,082	(957)	(75)	(1,032)	—	(1,032)
(3) Interest income . . . . .	16,801	2,172	25	516	19,514	11,567	31,081	(8,571)	22,510
(4) Interest expenses . . . . .	88,475	19,256	1,415	14,812	123,958	6,016	129,974	(25,489)	104,485
(5) Equity in earnings of affiliated companies, net . . . . .	27,345	9,120	1,872	2,239	40,576	449	41,025	—	41,025
(6) Investment in affiliates . . . . .	919,131	40,551	14,097	16,402	990,181	16,368	1,006,549	—	1,006,549
(7) Tangible/intangible fixed assets increased . . . . .	1,148,864	181,268	26,571	269,127	1,625,830	1,515	1,627,345	4,884	1,632,229

For the year ended March 31, 2014:	Reportable segment								Consolidated
	Bulkships	Container-ships	Ferry & Domestic transport	Associated business	Sub Total	Others	Total	Adjustment	
1. Revenues:									
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies . . . . .	¥ 836,409	¥713,503	¥55,603	¥116,599	¥1,722,114	¥ 7,338	¥1,729,452	¥ —	¥1,729,452
(2) Inter-segment revenues . . . . .	588	1,887	202	20,608	23,285	7,246	30,531	(30,531)	—
Total revenues . . . . .	¥ 836,997	¥715,390	¥55,805	¥137,207	¥1,745,399	¥ 14,584	¥1,759,983	¥ (30,531)	¥1,729,452
Segment income (loss) . . . . .	¥ 57,122	¥ (14,554)	¥ 2,236	¥ 11,146	¥ 55,950	¥ 4,577	¥ 60,527	¥ (5,541)	¥ 54,986
Segment assets . . . . .	¥1,501,313	¥449,725	¥35,089	¥386,852	¥2,372,979	¥325,937	¥2,698,916	¥(334,221)	¥2,364,695
2. Others									
(1) Depreciation and amortization . . . . .	¥ 55,546	¥ 15,014	¥ 3,303	¥ 8,623	¥ 82,486	¥ 326	¥ 82,812	¥ 1,172	¥ 83,984
(2) Amortization of goodwill, net . . . . .	(619)	18	305	105	(191)	1	(190)	—	(190)
(3) Interest income . . . . .	1,565	172	6	75	1,818	1,191	3,009	(690)	2,319
(4) Interest expenses . . . . .	9,837	2,454	204	1,935	14,430	743	15,173	(2,590)	12,583
(5) Equity in earnings (losses) of affiliated companies, net . . . . .	(3,009)	1,404	179	193	(1,233)	(1)	(1,234)	—	(1,234)
(6) Investment in affiliates . . . . .	97,802	3,385	1,777	1,506	104,470	2,308	106,778	—	106,778
(7) Tangible/intangible fixed assets increased . . . . .	140,189	28,511	1,424	10,484	180,608	146	180,754	5,395	186,149

(Segment income (loss))

Segment income (loss) is calculated by adjusting operating income for gains on management of surplus funds (interest income, etc.) and the cost of raising funds (interest expense, etc.)

## (B) RELATED INFORMATION:

### (1) Information about geographic areas:

Our service areas are not necessarily consistent with our customer's location in our core ocean transport business.

That's why the revenues of geographic areas are revenues, wherever they may be earned, of companies registered in countries in the geographic areas.

For the year ended March 31, 2015:	Millions of yen					
	Japan	North America	Europe	Asia	Others	Consolidated
Revenues . . . . .	<b>¥1,538,042</b>	<b>¥25,044</b>	<b>¥37,939</b>	<b>¥215,453</b>	<b>¥ 592</b>	<b>¥1,817,070</b>
Tangible fixed assets . . . . .	<b>¥1,229,237</b>	<b>¥42,750</b>	<b>¥ 4,055</b>	<b>¥197,392</b>	<b>¥24,594</b>	<b>¥1,498,028</b>

For the year ended March 31, 2015:	Thousands of U.S. dollars (Note 1)					
	Japan	North America	Europe	Asia	Others	Consolidated
Revenues . . . . .	<b>\$12,798,885</b>	<b>\$208,405</b>	<b>\$315,711</b>	<b>\$1,792,902</b>	<b>\$ 4,926</b>	<b>\$15,120,829</b>
Tangible fixed assets . . . . .	<b>\$10,229,151</b>	<b>\$355,746</b>	<b>\$ 33,744</b>	<b>\$1,642,606</b>	<b>\$204,660</b>	<b>\$12,465,907</b>

For the year ended March 31, 2014:	Millions of yen					
	Japan	North America	Europe	Asia	Others	Consolidated
Revenues . . . . .	¥1,496,846	¥19,559	¥43,094	¥169,890	¥ 63	¥1,729,452
Tangible fixed assets . . . . .	¥1,220,942	¥33,589	¥ 3,940	¥113,904	¥6,870	¥1,379,245

### (2) Information about impairment loss by reportable segment:

For the year ended March 31, 2015:	Reportable segment								Consolidated
	Bulkships	Container-ships	Ferry & Domestic transport	Associated business	Sub Total	Others	Adjustment and elimination		
Impairment loss . . . . .	<b>¥10,049</b>	<b>¥ —</b>	<b>¥50</b>	<b>¥ —</b>	<b>¥10,099</b>	<b>¥ —</b>	<b>¥99</b>	<b>¥10,198</b>	

Thousands of U.S. dollars (Note 1)

	Reportable segment							Consolidated
	Bulkships	Container-ships	Ferry & Domestic transport	Associated business	Sub Total	Others	Adjustment and elimination	
For the year ended March 31, 2015:								
Impairment loss . . . . .	\$83,623	\$ —	\$416	\$ —	\$84,039	\$ —	\$824	\$84,863

Millions of yen

	Reportable segment							Consolidated
	Bulkships	Container-ships	Ferry & Domestic transport	Associated business	Sub Total	Others	Adjustment and elimination	
For the year ended March 31, 2014:								
Impairment loss . . . . .	¥6,368	¥ —	¥80	¥ —	¥6,448	¥ —	¥ —	¥6,448

**(3) Information about goodwill (negative goodwill) by reportable segment:**

Millions of yen

	Reportable segment							Consolidated
	Bulkships	Container-ships	Ferry & Domestic transport	Associated business	Sub Total	Others	Adjustment and elimination	
For the year ended March 31, 2015:								
Goodwill (Negative goodwill) at the end of current year . . . . .	¥128	¥364	¥ —	¥2,508	¥3,000	¥1	¥ —	¥3,001

Thousands of U.S. dollars (Note 1)

	Reportable segment							Consolidated
	Bulkships	Container-ships	Ferry & Domestic transport	Associated business	Sub Total	Others	Adjustment and elimination	
For the year ended March 31, 2015:								
Goodwill (Negative goodwill) at the end of current year . . . . .	\$1,065	\$3,029	\$ —	\$20,871	\$24,965	\$8	\$ —	\$24,973

Millions of yen

	Reportable segment							Consolidated
	Bulkships	Container-ships	Ferry & Domestic transport	Associated business	Sub Total	Others	Adjustment and elimination	
For the year ended March 31, 2014:								
Goodwill (Negative goodwill) at the end of current year . . . . .	¥(379)	¥(1)	¥398	¥1,554	¥1,572	¥1	¥ —	¥1,573

## 15. INCOME TAXES

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate statutory rates in Japan of approximately 31.75% for the year ended March 31, 2015 and 34.25% for the year ended March 31, 2014.

(A) Significant components of deferred tax assets and liabilities at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Deferred tax assets:</b>			
Excess bad debt expenses . . . . .	¥ 1,011	¥ 787	\$ 8,413
Reserve for bonuses expenses . . . . .	1,546	1,590	12,865
Net defined benefit liabilities . . . . .	2,386	2,726	19,855
Retirement allowances for directors . . . . .	526	655	4,377
Write-down of securities and other investments . . . . .	1,861	1,791	15,486
Accrued business tax . . . . .	450	410	3,745
Operating loss carried forward . . . . .	53,557	54,982	445,677
Unrealized gain on sale of fixed assets . . . . .	1,548	1,675	12,882
Impairment loss . . . . .	661	1,351	5,501
Others . . . . .	4,300	5,003	35,783
Total deferred tax assets . . . . .	67,846	70,970	564,584
Valuation allowance . . . . .	(61,414)	(64,817)	(511,060)
Net deferred tax assets . . . . .	6,432	6,153	53,524
<b>Deferred tax liabilities:</b>			
Reserve deductible for tax purposes when appropriated for deferred gain on real properties . . . . .	(1,897)	(1,920)	(15,786)
Reserve deductible for tax purposes when appropriated for special depreciation . . . . .	(555)	(760)	(4,618)
Unrealized holding gains on available-for-sale securities . . . . .	(22,760)	(19,391)	(189,398)
Gain on securities contributed to employee retirement benefit trust . . . . .	(2,809)	(3,667)	(23,375)
Revaluation reserve . . . . .	(15,436)	(14,566)	(128,451)
Retained earnings of consolidated subsidiaries . . . . .	(10,073)	(11,591)	(83,823)
Unrealized gains on hedging derivatives . . . . .	(53,880)	(31,373)	(448,366)
Others . . . . .	(2,597)	(333)	(21,612)
Total deferred tax liabilities . . . . .	(110,007)	(83,601)	(915,429)
Net deferred tax liabilities . . . . .	¥(103,575)	¥(77,448)	\$(861,905)

On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2015 to March 31, 2016 and on or after April 1, 2016 are changed from 31.75% for the year ended March 31, 2015 to 29.75% and 29.50%, respectively, as of March 31, 2015.

Due to these changes in statutory income tax rates, net deferred tax liabilities (after deducting the deferred tax assets) decreased by ¥7,269 million (\$60,489 thousand) as of March 31, 2015, deferred income tax expense recognized for the fiscal year ended March 31, 2015 decreased by ¥1,155 million (\$9,611 thousand), unrealized holding gains on available-for-sale securities increased by ¥1,819 million (\$15,137 thousand), unrealized gains on hedging derivatives increased by ¥4,164 million (\$34,651 thousand) and remeasurements of defined benefit plans increased by ¥132 million (\$1,098 thousand).



**(B) Reconciliation of the statutory tax rate to the effective tax rate for the years ended March 31, 2014 and 2015, were as follows:**

	2015		2014
Statutory tax rate . . . . .	31.8%	Statutory tax rate . . . . .	34.3 %
Non-deductible expenses . . . . .	0.5%	Non-deductible expenses . . . . .	0.5 %
Tax exempt revenues . . . . .	(7.8)%	Tax exempt revenues . . . . .	(4.3)%
Effect on tonnage tax system . . . . .	(12.2)%	Effect on tonnage tax system . . . . .	(6.6)%
Effect on elimination of dividend income . . .	22.9%	Effect on net loss carried forward . . . . .	(18.3)%
Equity in earnings of unconsolidated subsidiaries and affiliated companies . . . . .	(2.3)%	Effect on elimination of dividend income . . .	10.6 %
Effect on elimination of loss on valuation of stocks of subsidiaries and affiliates . . . . .	(5.0)%	Effect on elimination of loss on valuation of stocks of subsidiaries and affiliates . . . . .	(2.6)%
Effect on difference of effective tax rate for consolidated subsidiaries . . . . .	(10.3)%	Others . . . . .	(0.7)%
Others . . . . .	(0.7)%	Effective tax rate . . . . .	12.9 %
Effective tax rate . . . . .	16.9%		

## 16. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

### (A) OUTLINE OF EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The Group have funded and un-funded defined benefit pension plans and defined contribution pension plans.

The defined benefit corporate pension plans provide for a lump-sum payment or annuity payment determined by reference to the current rate of pay and the length of service.

The Company has a retirement benefit trust.

The retirement lump-sum plans provide for a lump-sum payment, as employee retirement benefits, determined by reference to the current rate of pay and the length of service.

Certain consolidated subsidiaries calculate liabilities for retirement benefit and retirement benefit expenses, for the defined benefit corporate pension plans and the retirement lump-sum plans based on the amount which would be payable at the year end if all eligible employees terminated their services voluntarily (a "simplified method").

### (B) DEFINED BENEFIT PLANS

#### (1) MOVEMENTS IN RETIREMENT BENEFIT OBLIGATIONS EXCEPT PLAN APPLIED SIMPLIFIED METHOD

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Balance at beginning of the year . . . . .	¥41,743	¥42,258	\$347,366
Cumulative effect of changes in accounting policies . . . . .	4,565	—	37,988
Service cost . . . . .	1,723	1,484	14,338
Interest cost . . . . .	497	837	4,136
Actuarial loss (gain) . . . . .	(733)	(326)	(6,100)
Benefits paid . . . . .	(2,294)	(2,510)	(19,090)
Balance at end of the year . . . . .	¥45,612	¥41,743	\$379,562

#### (2) MOVEMENTS IN PLAN ASSETS EXCEPT PLAN APPLIED SIMPLIFIED METHOD

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Balance at beginning of the year . . . . .	¥59,906	¥56,636	\$498,510
Expected return on plan assets . . . . .	1,198	1,133	9,969
Actuarial loss (gain) . . . . .	5,845	3,191	48,639
Contributions paid by the employer . . . . .	1,293	1,189	10,760
Benefits paid . . . . .	(2,073)	(2,243)	(17,250)
Balance at end of the year . . . . .	¥66,169	¥59,906	\$550,628

**(3) MOVEMENTS IN NET LIABILITY FOR RETIREMENT BENEFITS BASED ON THE SIMPLIFIED METHOD**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Balance at beginning of the year	¥ 9,899	¥10,918	\$82,375
Retirement benefit costs	1,824	1,237	15,178
Benefits paid	(267)	(1,473)	(2,222)
Contributions paid by the employer	(1,192)	(783)	(9,919)
Balance at end of the year	¥10,264	¥ 9,899	\$85,412

**(4) RECONCILIATION FROM RETIREMENT BENEFIT OBLIGATIONS AND PLAN ASSETS TO LIABILITY (ASSET) FOR RETIREMENT BENEFITS INCLUDING PLAN APPLIED SIMPLIFIED METHOD**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Funded retirement benefit obligations	¥ 53,665	¥ 49,534	\$ 446,576
Plan assets	(75,930)	(68,750)	(631,855)
	(22,265)	(19,216)	(185,279)
Unfunded retirement benefit obligations	11,862	10,952	98,710
Total net liability (asset) for retirement benefits at end of the year	(10,403)	(8,264)	(86,569)
Asset for retirement benefits	13,660	12,936	113,672
Liability for retirement benefits	(24,063)	(21,200)	(200,241)
Total net liability (asset) for retirement benefits at end of the year	¥ (10,403)	¥ (8,264)	\$ (86,569)

**(5) RETIREMENT BENEFIT COSTS**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Service cost	¥ 1,723	¥ 1,484	\$14,338
Interest cost	497	837	4,136
Expected return on plan assets	(1,198)	(1,133)	(9,969)
Net actuarial loss amortization	(715)	(1,111)	(5,950)
Retirement benefit costs calculated by the simplified method	1,476	1,237	12,283
Others	157	287	1,306
Total retirement benefit costs for the fiscal year	¥ 1,940	¥ 1,601	\$16,144

**(6) REMEASUREMENTS OF DEFINED BENEFIT PLANS**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Actuarial loss (gain)	¥(5,863)	¥—	\$ (48,789)

**(7) ACCUMULATED REMEASUREMENTS OF DEFINED BENEFIT PLANS**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Unrecognized actuarial differences	¥(7,626)	¥(1,763)	\$ (63,460)

**(8) PLAN ASSETS**

## 1. Plan assets comprise

	2015	2014
Equity securities . . . . .	47%	54%
Bonds . . . . .	22%	22%
Jointly invested assets . . . . .	18%	17%
Cash and cash equivalents . . . . .	13%	6%
Other . . . . .	0%	1%
<b>Total . . . . .</b>	<b>100%</b>	<b>100%</b>
Retirement benefit trust . . . . .	37%	36%

## 2. Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

**(9) ACTUARIAL ASSUMPTIONS**

The discount rates were mainly 0.6%~1.2% for the year ended March 31, 2015 and 2.0% for the year ended March 31, 2014. Also, the rates of expected return on plan assets were mainly 2.0% for the years ended March 31, 2015 and 2014.

**(C) DEFINED CONTRIBUTION PLANS**

The estimated amounts of contributions to defined contribution plans were ¥747 million (\$6,216 thousand) at March 31, 2015 and ¥855 million at March 31, 2014.

## 17. STOCK OPTIONS

### (A) EXPENSED AMOUNT

Expensed amounts on stock options for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Selling, general and administrative expenses . . . . .	¥195	¥275	\$1,623
Total . . . . .	¥195	¥275	\$1,623

### (B) TERMS AND CONDITIONS

The following table summarizes terms and conditions of stock options for the years when they were granted:

	2004	2005	2006	2007
Number of grantees	Directors: 11 Executive officers: 16 Employees: 32 Presidents of the Company's domestic consolidated subsidiaries: 34	Directors: 11 Executive officers: 17 Employees: 38 Presidents of the Company's domestic consolidated subsidiaries: 34	Directors: 11 Executive officers: 17 Employees: 34 Presidents of the Company's domestic consolidated subsidiaries: 37	Directors: 11 Executive officers: 20 Employees: 33 Presidents of the Company's domestic consolidated subsidiaries: 36
Number of stock options	Common stock 1,570,000	Common stock 1,650,000	Common stock 1,670,000	Common stock 1,710,000
Grant date	August 5, 2004	August 5, 2005	August 11, 2006	August 10, 2007
Vesting conditions	No provisions	No provisions	No provisions	No provisions
Service period	No provisions	No provisions	No provisions	No provisions
Exercise period	From June 20, 2005 to June 24, 2014	From June 20, 2006 to June 23, 2015	From June 20, 2007 to June 22, 2016	From June 20, 2008 to June 21, 2017
	2008	2009	2010	2011
Number of grantees	Directors: 11 Executive officers: 20 Employees: 38 Presidents of the Company's domestic consolidated subsidiaries: 36	Directors: 11 Executive officers: 20 Employees: 33 Presidents of the Company's domestic consolidated subsidiaries: 35	Directors: 10 Executive officers: 21 Employees: 36 Presidents of the Company's domestic consolidated subsidiaries: 33	Directors: 10 Executive officers: 22 Employees: 34 Presidents of the Company's domestic consolidated subsidiaries: 33
Number of stock options	Common stock 1,760,000	Common stock 1,640,000	Common stock 1,710,000	Common stock 1,720,000
Grant date	August 8, 2008	August 14, 2009	August 16, 2010	August 9, 2011
Vesting conditions	No provisions	No provisions	No provisions	No provisions
Service period	No provisions	No provisions	No provisions	No provisions
Exercise period	From July 25, 2009 to June 24, 2018	From July 31, 2011 to June 22, 2019	From July 31, 2012 to June 21, 2020	From July 26, 2013 to June 22, 2021
	2012	2013	2014	
Number of grantees	Directors: 9 Executive officers: 22 Employees: 33 Presidents of the Company's domestic consolidated subsidiaries: 30	Directors: 9 Executive officers: 18 Employees: 38 Presidents of the Company's domestic consolidated subsidiaries: 33	Directors: 9 Executive officers: 19 Employees: 33 Presidents of the Company's domestic consolidated subsidiaries: 32	
Number of stock options	Common stock 1,640,000	Common stock 1,600,000	Common stock 1,480,000	
Grant date	August 13, 2012	August 16, 2013	August 18, 2014	
Vesting conditions	No provisions	No provisions	No provisions	
Service period	No provisions	No provisions	No provisions	
Exercise period	From July 28, 2014 to June 21, 2022	From August 2, 2015 to June 20, 2023	From August 2, 2016 to June 23, 2024	



**(C) CHANGES IN NUMBER AND UNIT PRICES**

The following tables summarize changes in number and unit prices of stock options for the years when they were granted:

**(1) Changes in number of stock options**

Non-vested stock options	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Balance at March 31, 2014 . . . . .	—	—	—	—	—	—	—	—	1,640,000	1,600,000	—
Options granted during the year . . . . .	—	—	—	—	—	—	—	—	—	—	1,480,000
Options expired during the year . . . . .	—	—	—	—	—	—	—	—	—	—	—
Options vested during the year . . . . .	—	—	—	—	—	—	—	—	1,640,000	—	—
Balance at March 31, 2015 . . . . .	—	—	—	—	—	—	—	—	—	1,600,000	1,480,000

Vested stock options	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Balance at March 31, 2014 . . . . .	286,000	878,000	1,443,000	1,680,000	1,750,000	1,630,000	1,710,000	1,720,000	—	—	—
Options vested during the year . . . . .	—	—	—	—	—	—	—	—	1,640,000	—	—
Options exercised during the year . . . . .	—	—	—	—	—	—	—	—	283,000	—	—
Options expired during the year . . . . .	286,000	—	10,000	20,000	20,000	—	—	—	—	—	—
Balance at March 31, 2015 . . . . .	—	878,000	1,433,000	1,660,000	1,730,000	1,630,000	1,710,000	1,720,000	1,357,000	—	—

**(2) Unit prices of stock options exercised during the year**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Exercise price	¥644	¥762	¥841	¥1,962	¥1,569	¥639	¥642	¥468	¥277	¥447	¥412
Average market price of share at exercise . . . . .	—	—	—	—	—	—	—	—	¥390	—	—
Fair value per stock option at grant date . . . . .	—	—	¥219	¥ 352	¥ 217	¥136	¥208	¥ 87	¥ 67	¥172	¥132

**(D) KEY FIGURES FOR FAIR VALUE PER STOCK OPTION**

The Company utilized the Black Scholes Model for calculating fair value per stock option. Key figures of the calculation were as follows:

	2014
Stock price volatility . . . . .	46.3%
Expected remaining term of the option . . . . .	5 years and 11 months
Expected dividends . . . . .	¥5 per share
Risk-free interest rate . . . . .	0.19%

## 18. COMPREHENSIVE INCOME

For the years ended March 31, 2015 and 2014, the amounts reclassified to net income (loss) that were recognized in other comprehensive income and tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Unrealized holding gains on available-for-sale securities, net of tax:</b>			
Increase during the year . . . . .	¥ 16,331	¥13,764	\$ 135,899
Reclassification adjustments . . . . .	(57)	(780)	(474)
Sub-total, before tax . . . . .	16,274	12,984	135,425
Tax expense . . . . .	(3,382)	(4,137)	(28,144)
	12,892	8,847	107,281
<b>Unrealized gains on hedging derivatives, net of tax:</b>			
Increase during the year . . . . .	97,875	48,719	814,471
Reclassification adjustments . . . . .	(18,834)	(9,896)	(156,728)
Adjustments of acquisition cost . . . . .	(9,136)	3,425	(76,025)
Sub-total, before tax . . . . .	69,905	42,248	581,718
Tax expense . . . . .	(23,231)	(9,523)	(193,318)
	46,674	32,725	388,400
<b>Foreign currency translation adjustments:</b>			
Increase during the year . . . . .	20,635	31,158	171,715
Reclassification adjustments . . . . .	167	—	1,390
	20,802	31,158	173,105
<b>Remeasurements of defined benefit plans:</b>			
Increase during the year . . . . .	6,578	—	54,739
Reclassification adjustments . . . . .	(715)	—	(5,950)
Sub-total, before tax . . . . .	5,863	—	48,789
Tax expense . . . . .	(1,729)	—	(14,388)
	4,134	—	34,401
*Remeasurements of defined benefit plans is disclosed from the current term.			
<b>Share of other comprehensive income of associates accounted for using equity method:</b>			
Increase (Decrease) during the year . . . . .	(12,827)	14,039	(106,740)
Reclassification adjustments . . . . .	3,680	5,654	30,623
Adjustments of acquisition cost . . . . .	(834)	(408)	(6,940)
	(9,981)	19,285	(83,057)
<b>Total other comprehensive income</b> . . . . .	¥ 74,521	¥92,015	\$ 620,130

## 19. RELATED PARTY TRANSACTIONS

For the year ended March 31, 2015

There are no applicable matters to report.

For the year ended March 31, 2014

Category	Name of company	Address	Millions of yen Paid-in capital	Business description	Ratio of the Group's voting rights	Relation with related party	Millions of yen			
							Description of transaction	Transactions during the year ended March 31, 2014 Transacted amount	Balance at March 31, 2014 Account Amount	
Affiliated company	Daiichi Chuo Kisen Kaisha	Chuo-ku, Tokyo	¥28,958	Marine transportation	Directly 26.96%	Interlocking directorate Ship chartering	Underwriting of capital increase	¥15,000	—	—

Notes: 1. With regard to underwriting of capital increase, the Company underwrote capital increase through a third-party allotment of new shares of Daiichi Chuo Kisen Kaisha at ¥1,000 per share.

2. Consumption taxes are not included in transacted amount.

## 20. SUBSEQUENT EVENT

There is no applicable matter.

## 21. OTHERS

The Group is subject to investigations by overseas competition law authorities including those of the U.S. and Europe for violation of competition laws of those countries regarding price control negotiations for ocean transport services of completely built-up vehicles. In addition, a class-action lawsuit was filed in the U.S. and other countries against the Group for damage claims and for a cease and desist order for the questioned conduct. Meanwhile, the effect of these investigations and lawsuit on the financial results of the Group is uncertain as its financial impact is not estimable at this stage.



あずさ監査法人

### Independent Auditor's Report

To the Board of Directors of Mitsui O.S.K. Lines, Ltd.:

We have audited the accompanying consolidated financial statements of Mitsui O.S.K. Lines, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statement of income, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mitsui O.S.K. Lines, Ltd. and its consolidated subsidiaries as at March 31, 2015, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

#### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

*KPMG AZSA LLC*  
 KPMG AZSA LLC  
 June 23, 2015  
 Tokyo, Japan



■ Consolidated Subsidiaries

▲ Affiliated Companies Accounted for by the Equity Method

	Registered Office	MOL's Voting Rights (%)*	Paid-in Capital (Thousands)		
<b>Bulkships</b>	■ BGT Ltd.	Liberia	100.00	US\$5	
	■ BLNG Inc.	U.S.A.	75.00	US\$1	
	■ Chugoku Shipping Agencies Ltd.	Japan	100.00	¥10,000	
	■ El Sol Shipping Ltd. S.A.	Panama	100.00	US\$10	
	■ Euro Marine Carrier B.V.	Netherlands	75.50	€91	
	■ Euro Marine Logistics N.V.	Belgium	50.00	€900	
	■ Lakler S.A.	Uruguay	100.00	US\$91,401	
	■ MCGC International Ltd.	Bahamas	80.10	US\$1	
	■ Mitsui O.S.K. Bulk Shipping (Asia Oceania) Pte. Ltd.	Singapore	100.00	S\$2,350	
	■ Mitsui O.S.K. Bulk Shipping (Europe) Ltd.	U.K.	100.00	US\$8,402	
	■ Mitsui O.S.K. Bulk Shipping (USA), LLC	U.S.A.	100.00	—	
	■ Mitsui O.S.K. Kinkai, Ltd.	Japan	100.00	¥660,000	
	■ MOG LNG Transport S.A.	Panama	100.00	¥0	
	■ MOL Bridge Finance S.A.	Panama	100.00	US\$8	
	■ MOL Bulk Carriers Pte. Ltd.	Singapore	100.00	US\$3,500	
	■ MOL Cape (Singapore) Pte. Ltd.	Singapore	100.00	US\$51,752	
	■ MOL LNG Transport Co., Ltd.	Japan	100.00	¥40,000	
	■ MOL Netherlands Bulkship B.V.	Netherlands	100.00	€18	
	■ MOL-NIC Transport Ltd.	Liberia	75.00	US\$13,061	
	■ Nissan Carrier Europe B.V.	Netherlands	100.00	€195	
	■ Nissan Motor Car Carrier Co., Ltd.	Japan	70.01	¥640,000	
	■ Phoenix Tankers Pte. Ltd.	Singapore	100.00	US\$379,311	
	■ Samba Offshore S.A.	Panama	100.00	US\$10	
	■ Shining Shipping S.A.	Panama	100.00	US\$10	
	■ Tokyo Marine Asia Pte Ltd	Singapore	100.00	S\$138,018	
	■ Tokyo Marine Co., Ltd.	Japan	100.00	¥100,000	
	■ Unix Line Pte Ltd.	Singapore	100.00	US\$344	
	■ World Logistics Service (U.S.A.), Inc.	U.S.A.	100.00	US\$200	
	■ Shipowner/Chartering companies (205 companies) in Panama, Marshall Islands, Liberia, Hong Kong, Cayman Islands, Singapore, Indonesia, Isle of Man and Malta				
	■ Others (2 companies)				
	▲ Aramo Shipping (Singapore) Pte Ltd.	Singapore	50.00	US\$20,743	
	▲ Asahi Tanker Co., Ltd.	Japan	24.75	¥600,045	
	▲ Carioca MV27 B.V.	Netherlands	20.60	€100	
	▲ Cernambi Norte MV26 B.V.	Netherlands	20.60	€100	
	▲ Cernambi Sul MV24 B.V.	Netherlands	20.60	€162,160	
	▲ Daiichi Chuo Kisen Kaisha	Japan	16.99	¥28,958,411	
	▲ Gearbulk Holding Ltd.	Bermuda	49.00	US\$61,225	
	▲ LNG Fukurokuju Shipping Corporation	Bahamas	30.00	¥1,000	
	▲ LNG Jurojin Shipping Corporation	Bahamas	30.00	¥1,000	
	▲ M.S.Tanker Shipping Ltd.	Hong Kong	50.00	HK\$2,000	
	▲ T.E.N. Ghana MV25 B.V.	Netherlands	20.00	€100	
	▲ Trans Pacific Shipping 2 Ltd.	Bahamas	20.00	¥3,961,100	
	▲ Viken MOL AS	Norway	50.00	US\$18	
	▲ Viken Shuttle AS	Norway	50.00	US\$338	
	▲ Shipowner/Chartering companies (47 companies) in Panama, Marshall Islands, Hong Kong, Liberia, Cayman Islands, Bahamas, Malta, Cyprus and Singapore				
	<b>Containerships</b>	■ Asia Utoc Pte. Ltd.	Singapore	100.00	S\$200
		■ Bangkok Container Service Co., Ltd.	Thailand	100.00	THB10,000
■ Bangpoo Intermodal Systems Co., Ltd.		Thailand	74.62	THB130,000	
■ Chiba Utoc Corporation		Japan	100.00	¥90,000	
■ Hong Kong Logistics Co., Ltd.		Hong Kong	100.00	HK\$58,600	
■ International Container Transport Co., Ltd.		Japan	51.00	¥100,000	
■ International Transportation Inc.		U.S.A.	51.00	US\$0	
■ Mitsui O.S.K. Lines (Australia) Pty. Ltd.		Australia	100.00	A\$1,000	
■ Mitsui O.S.K. Lines (Japan) Ltd.		Japan	100.00	¥100,000	
■ Mitsui O.S.K. Lines (Nigeria) Ltd.		Nigeria	100.00	NGN25,000	
■ Mitsui O.S.K. Lines (SEA) Pte Ltd.		Singapore	100.00	S\$200	
■ Mitsui O.S.K. Lines (Thailand) Co., Ltd.		Thailand	47.00	THB20,000	
■ MOL (America) Inc.		U.S.A.	100.00	US\$6	
■ MOL (Brasil) Ltda.		Brazil	100.00	BRL2,403	
■ MOL (China) Co., Ltd.		China	100.00	US\$1,960	
■ MOL (Europe) B.V.		Netherlands	100.00	€456	
■ MOL (Europe) Central Support Unit SP. Zoo		Poland	100.00	PLN2,000	
■ MOL (Europe) Ltd.		U.K.	100.00	£1,500	
■ MOL (Ghana) Ltd.		Ghana	100.00	US\$50	
■ MOL (Singapore) Pte. Ltd.		Singapore	100.00	S\$5,000	
■ MOL Consolidation Service Ltd.		Hong Kong	100.00	HK\$1,000	
■ MOL Consolidation Service Ltd. (China)		China	100.00	RMB8,000	
■ MOL Container Center (Thailand) Co., Ltd.		Thailand	99.60	THB10,000	
■ MOL Cote D'ivoire S.A.		Ivory Coast	100.00	XOF5,000	
■ MOL Egypt for Maritime Services Ltd.		Egypt	49.00	EGP750	
■ MOL Liner, Ltd.		Hong Kong	100.00	HK\$40,000	
■ MOL Logistics (Deutschland) Gmbh		Germany	100.00	€537	
■ MOL Logistics (Europe) B.V.		Netherlands	100.00	€414	
■ MOL Logistics (H.K.) Ltd.		Hong Kong	100.00	HK\$3,676	
■ MOL Logistics (Japan) Co., Ltd.		Japan	75.06	¥756,250	
■ MOL Logistics (Netherlands) B.V.		Netherlands	100.00	€3,049	
■ MOL Logistics (Singapore) Pte. Ltd.		Singapore	100.00	S\$700	
■ MOL Logistics (Taiwan) Co., Ltd.		Taiwan	100.00	NT\$7,500	
■ MOL Logistics (Thailand) Co., Ltd.		Thailand	98.00	THB20,000	
■ MOL Logistics (UK) Ltd.		U.K.	100.00	£400	
■ MOL Logistics (USA) Inc.		U.S.A.	100.00	US\$9,814	
■ MOL Logistics Holding (Europe) B.V.		Netherlands	100.00	€19	
■ MOL South Africa (Pty) Ltd.		South Africa	100.00	ZAR3,000	

		Registered Office	MOL's Voting Rights (%)*	Paid-in Capital (Thousands)
	■ Shanghai Huajia International Freight Forwarding Co., Ltd.	China	76.00	US\$1,720
	■ Shosen Koun Co., Ltd.	Japan	79.98	¥300,000
	■ Thai Intermodal Systems Co., Ltd.	Thailand	100.00	THB77,500
	■ Trapac, LLC.	U.S.A.	100.00	—
	■ Trapac Jacksonville, LLC	U.S.A.	100.00	—
	■ Utoc Corporation	Japan	67.55	¥2,155,300
	■ Utoc Engineering Pte Ltd.	Singapore	100.00	US\$2,000
	■ Utoc Logistics Corporation	Japan	100.00	¥50,000
	■ Utoc Stevedoring Corporation	Japan	100.00	¥50,000
	■ Shipowner companies (15 companies) in Panama, Marshall Islands, Hong Kong and Liberia			
	■ Others (8 companies)			
	▲ Shanghai Kakyakusen Kaisha, Ltd.	Japan	31.98	¥100,000
	▲ Shanghai Longfei International Logistics Co., Ltd.	China	22.05	US\$1,240
	▲ Other (1 company)			
<b>Ferry &amp; Domestic Transport</b>	■ Blue Highway Express Kyushu Co., Ltd	Japan	100.00	¥50,000
	■ Blue Highway Service K.K.	Japan	100.00	¥30,000
	■ Blue Sea Network Co., Ltd.	Japan	100.00	¥54,600
	■ Ferry Sunflower Ltd.	Japan	99.00	¥100,000
	■ MOL Coastal Shipping, Ltd.	Japan	100.00	¥650,000
	■ MOL Ferry Co., Ltd.	Japan	100.00	¥1,577,400
	■ Shipowner companies (2 companies) in Panama			
	■ Others (7 companies)			
	▲ Meimon Taiyo Ferry Co., Ltd.	Japan	38.73	¥880,000
	▲ Other (1 company)			
<b>Associated Business</b>	■ Daibiru Corporation	Japan	51.07	¥12,227,847
	■ Daibiru Facility Management Ltd.	Japan	100.00	¥17,000
	■ Green Kaiji Kaisha, Ltd.	Japan	100.00	¥95,400
	■ Green Shipping, Ltd.	Japan	100.00	¥172,000
	■ Hokuso Kohatsu K.K.	Japan	100.00	¥50,000
	■ Ikuta & Marine Co., Ltd.	Japan	100.00	¥26,500
	■ Japan Express Co., Ltd. (Kobe)	Japan	86.27	¥99,960
	■ Japan Express Co., Ltd. (Yokohama)	Japan	100.00	¥236,000
	■ Japan Express Packing & Transport Co., Ltd.	Japan	100.00	¥60,000
	■ Japan Hydrographic Charts & Publications Co., Ltd.	Japan	95.25	¥32,000
	■ Jentower Ltd.	British Virgin Islands	100.00	US\$0
	■ Kitanihon Tug-boat Co., Ltd.	Japan	62.00	¥50,000
	■ Kobe Towing Co., Ltd.	Japan	100.00	¥50,000
	■ Kosan Kanri Service Co., Ltd.	Japan	100.00	¥20,000
	■ Kosan Kanri Service West Co., Ltd.	Japan	100.00	¥14,400
	■ Kusakabe Maritime Engineering Co., Ltd.	Japan	100.00	¥200,000
	■ M.O. Tourist Co., Ltd.	Japan	100.00	¥250,000
	■ Mitsui O.S.K. Kosan Co., Ltd.	Japan	100.00	¥300,000
	■ Mitsui O.S.K. Passenger Line, Ltd.	Japan	100.00	¥100,000
	■ MOL Career Support, Ltd.	Japan	100.00	¥100,000
	■ MOL Kaiji Co., Ltd.	Japan	100.00	¥95,000
	■ MOL Techno-Trade, Ltd.	Japan	100.00	¥490,000
	■ Nihon Tug-Boat Co., Ltd.	Japan	87.26	¥134,203
	■ Saigon Tower Co., Ltd.	Vietnam	100.00	VND48,166,000
	■ Tanshin Building Service Co., Ltd.	Japan	100.00	¥20,000
	■ Ube Port Service Co., Ltd.	Japan	99.39	¥14,950
	■ Vibank-Ngt Co. Ltd.	Vietnam	99.00	VND349,000,000
	■ White Lotus Properties Ltd.	British Virgin Islands	100.00	¥6,910,000
	■ Chartering company (1 company) in Panama			
	▲ Shinyo Kaiun Corporation	Japan	36.00	¥100,000
	▲ South China Towing Co., Ltd.	Hong Kong	25.00	HK\$12,400
	▲ Tan Cang-Cai Mep Towage Services Co., Ltd.	Vietnam	40.00	US\$4,500
<b>Others</b>	■ Euromol B.V.	Netherlands	100.00	€8,444
	■ Linkman Holdings Inc.	Liberia	100.00	US\$3
	■ Mitsui Kinkai Kisen Co., Ltd.	Japan	80.42	¥350,000
	■ Mitsui O.S.K. Holdings (Benelux) B.V.	Netherlands	100.00	€17,245
	■ MM Holdings (Americas), Inc	U.S.A.	100.00	US\$200
	■ MOL Accounting Co., Ltd.	Japan	100.00	¥30,000
	■ MOL Adjustment, Ltd.	Japan	100.00	¥10,000
	■ MOL Engineering Co., Ltd.	Japan	100.00	¥20,000
	■ MOL FG, Inc.	U.S.A.	100.00	US\$20
	■ MOL Information Systems, Ltd.	Japan	100.00	¥100,000
	■ MOL Manning Service S.A.	Panama	100.00	US\$135
	■ MOL Marine Co., Ltd.	Japan	100.00	¥100,000
	■ MOL Ocean Expert Co., Ltd.	Japan	100.00	¥100,000
	■ MOL Ship Management Co., Ltd.	Japan	100.00	¥50,000
	■ MOL Ship Tech Inc.	Japan	100.00	¥50,000
	■ MOL SI, Inc.	U.S.A.	100.00	US\$100
	■ MOL Treasury Management Pte. Ltd.	Singapore	100.00	US\$2,000
	■ Shipowner/Chartering companies (4 companies) in Panama			
	▲ Minaminippon Shipbuilding Co., Ltd.	Japan	24.00	¥200,000

\*MOL includes MOL and its subsidiaries

# Worldwide Offices

## Japan

### Mitsui O.S.K. Lines, Ltd.

Head Office (Tokyo): Tel: 81-3-3587-6224 Fax: 81-3-3587-7734  
 Nagoya Branch: Tel: 81-52-564-7020 Fax: 81-52-564-7047  
 Kansai Branch: Tel: 81-6-6446-6522 Fax: 81-6-6446-6513  
 Hiroshima Branch: Tel: 81-82-252-6020 Fax: 81-82-254-0876  
 Kyushu Branch: Tel: 81-92-262-0701 Fax: 81-92-262-0720

### Mitsui O.S.K. Lines (Japan), Ltd.

Head Office (Tokyo): Tel: 81-3-3587-7684 Fax: 81-3-3587-7730  
 Yokohama: Tel: 81-45-212-7710 Fax: 81-45-212-7735  
 Nagoya: Tel: 81-52-564-7000 Fax: 81-52-564-7047  
 Osaka: Tel: 81-6-6446-6501 Fax: 81-6-6446-6513  
 Kyushu: Tel: 81-92-262-0701 Fax: 81-92-262-0720

## North America

### MOL (America) Inc.

Head Office (Chicago): Tel: 1-630-812-3700 Fax: 1-630-812-3703  
 Atlanta: Tel: 1-678-855-7700 Fax: 1-678-855-7747  
 Long Beach: Tel: 1-562-983-6200 Fax: 1-562-983-6292  
 New Jersey: Tel: 1-732-512-5200 Fax: 1-732-512-5300  
 San Francisco: Tel: 1-925-603-7200 Fax: 1-925-603-7229  
 Seattle: Tel: 1-206-444-6905 Fax: 1-206-444-6909

### MOL (Canada) Inc.

Head office (Toronto): Tel: 1-905-629-5925 FAX: 1-905-629-5914

### Mitsui O.S.K. Bulk Shipping (USA) LLC.

Head Office (New Jersey): Tel: 1-201-395-5800 Fax: 1-201-395-5820  
 Houston: Tel: 1-832-615-6470 Fax: 1-832-615-6480  
 Long Beach: Tel: 1-562-528-7500 Fax: 1-562-528-7515  
 Miami: Tel: 1-954-861-1034

### MOL Logistics (USA) Inc.

Head Office (New York): Tel: 1-516-403-2100 Fax: 1-516-626-6092  
 Los Angeles: Tel: 1-310-787-8351 Fax: 1-310-787-8168

## Central and South America

### MOL (Brasil) Ltda.

Head Office (Sao Paulo): Tel: 55-11-3145-3980 Fax: 55-11-3145-3946

### MOL (Chile) Ltda.

Head Office (Santiago): Tel: 56-2-2630-1950 Fax: 56-2-2231-5622

### MOL (Panama) Inc.

Head Office (Panama): Tel: 11-507-300-3200 Fax: 11-507-300-3212

### MOL (PERU) S.A.C.

Head Office (Lima): Tel: 51-1-611-9400 Fax: 51-1-611-9429

### Corporativo MOL de Mexico S.A. de C.V.

Head Office (Mexico City): Tel: 52-55-5010-5200 Fax: 52-55-5010-5220

### Mitsui O.S.K. Bulk Shipping (USA) LLC.

Mexico City: Tel: 52-55-5550-1612 Fax: 52-55-5089-2280  
 Sao Paulo: Tel: 55-11-3145-3980 Fax: 55-11-3145-3946

### MOL Logistics (Mexico) S. de R. L. de C.V.

Head Office (Monterrey): Tel: 52-81-8134-2400 Fax: 52-81-8134-2200

## Europe

### MOL (Europe) B.V.

Head Office (Rotterdam): Tel: 31-10-201-3200 Fax: 31-10-201-3158  
 Genoa: Tel: 39-10-2901711 Fax: 39-10-5960450  
 Hamburg: Tel: 49-40-356110 Fax: 49-40-352506  
 Le Havre: Tel: 33-2-32-74-24-00 Fax: 33-2-32-74-24-39  
 Vienna: Tel: 43-1-877-6971 Fax: 43-1-876-4725  
 Basel: Tel: 41-61-716-8001 Fax: 41-61-716-8070

### MOL (Europe) Ltd.

Head Office (Southampton): Tel: 44-2380-714500 Fax: 44-2380-714519

### Mitsui O.S.K. Bulk Shipping (Europe) Ltd.

Head Office (London): Tel: 44-20-3764-8000 Fax: 44-20-3764-8393  
 Hamburg: Tel: 49-40-3609-7410 Fax: 49-40-8430-6105  
 Moscow: Tel: 7-495-369-90-58

### MOL Logistics (Deutschland) GmbH

Head Office (Dusseldorf): Tel: 49-211-418830 Fax: 49-211-4188340

### MOL Logistics (Netherlands) B.V.

Head Office (Tilburg): Tel: 31-13-537-33-73 Fax: 31-13-5373-575

### MOL Logistics (U.K.) Ltd.

Head Office (London): Tel: 44-1895-459700 Fax: 44-1895-449600

## Africa

### MOL South Africa (Pty) Ltd.

Head Office (Cape Town): Tel: 27-21-441-2200 Fax: 27-21-419-1040

### Mitsui O.S.K. Lines (Nigeria) Ltd.

Head Office (Lagos): Tel: 234-1-2806556 Fax: 234-1-2806559

### MOL (Ghana) Ltd.

Head Office (Tema): Tel: 233-22-212084 Fax: 233-22-210807

## Middle East

### Mitsui O.S.K. Lines Ltd. Middle East Headquarters

Dubai: Tel: 971-4-3573566 Fax: 971-4-3573066

### MOL (UAE) L.L.C.

Head Office (Dubai): Tel: 971-4-3573566 Fax: 971-4-3573066

### Mitsui O.S.K. Bulk Shipping (Asia, Oceania) Pte. Ltd.

Doha: Tel: 974-4-836541 Fax: 974-4-836563  
 Muscat: Tel: 968-2440-0950 Fax: 968-2440-0953

### MOL Egypt for Shipping Agencies S.A.E.

Head Office (Cairo): Tel: 20-22-456-8900 Fax: 20-22-259-5857

## Oceania

### Mitsui O.S.K. Lines (Australia) Pty. Ltd.

Head Office (Sydney): Tel: 61-2-9320-1600 Fax: 61-2-9320-1601

### Mitsui O.S.K. Lines (New Zealand) Ltd.

Head Office (Auckland): Tel: 64-9-300-5820 Fax: 64-9-309-1439

### Mitsui O.S.K. Bulk Shipping (Asia, Oceania) Pte. Ltd.

Melbourne: Tel: 61-3-9691-3224 Fax: 61-3-9691-3223  
 Perth: Tel: 61-8-9278-2499 Fax: 61-8-9278-2727  
 Sydney: Tel: 61-2-9320-1629 Fax: 61-2-9320-1601

## Asia

### MOL Liner Ltd.

Head Office (Hong Kong): Tel: 852-2823-6800 Fax: 852-2865-0906

### Mitsui O.S.K. Lines (India) Private Limited

Head Office (Mumbai): Tel: 91-22-4054-6300 Fax: 91-22-4054-6301

### Mitsui O.S.K. Lines Lanka (Private) Ltd.

Head Office (Colombo): Tel: 94-11-2304721 Fax: 94-11-2304730

### MOL (Singapore) Pte. Ltd.

Head Office (Singapore): Tel: 65-6225-2811 Fax: 65-6225-6096

### Mitsui O.S.K. Lines (Malaysia) Sdn. Bhd.

Head Office (Kuala Lumpur): Tel: 60-3-5623-9666 Fax: 60-3-5623-9600

### MOL Myanmar Limited

Head Office (Yangon): Tel: 95-9-7318-9815 Fax: 95-9-5137-7174

### P.T. Mitsui O.S.K. Lines Indonesia

Head Office (Jakarta): Tel: 62-21-5288-0008 Fax: 62-21-5292-0920

### Mitsui O.S.K. Lines (Thailand) Co., Ltd.

Head Office (Bangkok): Tel: 66-2-234-6252 Fax: 66-2-237-9021

### MOL Philippines, Inc.

Head Office (Manila): Tel: 632-888-6531 Fax: 632-884-1766

### Mitsui O.S.K. Lines (Vietnam) Ltd.

Head Office (Ho Chi Minh): Tel: 84-83-8219219 Fax: 84-83-8219317

### Mitsui O.S.K. Lines (Cambodia) Co., Ltd.

Head Office (Phnom Penh): Tel: 855-23-223-036 Fax: 855-23-223-040

### Mitsui O.S.K. Lines Pakistan (Pvt.) Ltd.

Head Office (Karachi): Tel: 92-21-35205397 Fax: 92-21-35202559

### MOL (China) Co., Ltd.

Head Office (Shanghai): Tel: 86-21-2320-6000 Fax: 86-21-2320-6331  
 Beijing: Tel: 86-10-8529-9121 Fax: 86-10-8529-9126  
 Tianjin: Tel: 86-22-8331-1331 Fax: 86-22-8331-1318  
 Shenzhen: Tel: 86-755-8400-7900 Fax: 86-755-8400-7901

### MOL (Taiwan) Co., Ltd.

Head Office (Taipei): Tel: 886-2-2537-8000 Fax: 886-2-2537-8098

### Mitsui O.S.K. Bulk Shipping (Asia, Oceania) Pte. Ltd.

Head Office (Singapore): Tel: 65-6323-1303 Fax: 65-6323-1305  
 Bangkok: Tel: 66-2-634-0807 Fax: 66-2-634-0806  
 Kuala Lumpur: Tel: 60-3-5623-9772 Fax: 60-3-5623-3107  
 Seoul: Tel: 82-2-567-2718 Fax: 82-2-567-2719  
 Mumbai: Tel: 91-22-4071-4560 Fax: 91-22-4071-4557  
 Chennai: Tel: 91-44-4208-1020 Fax: 91-44-4208-1020

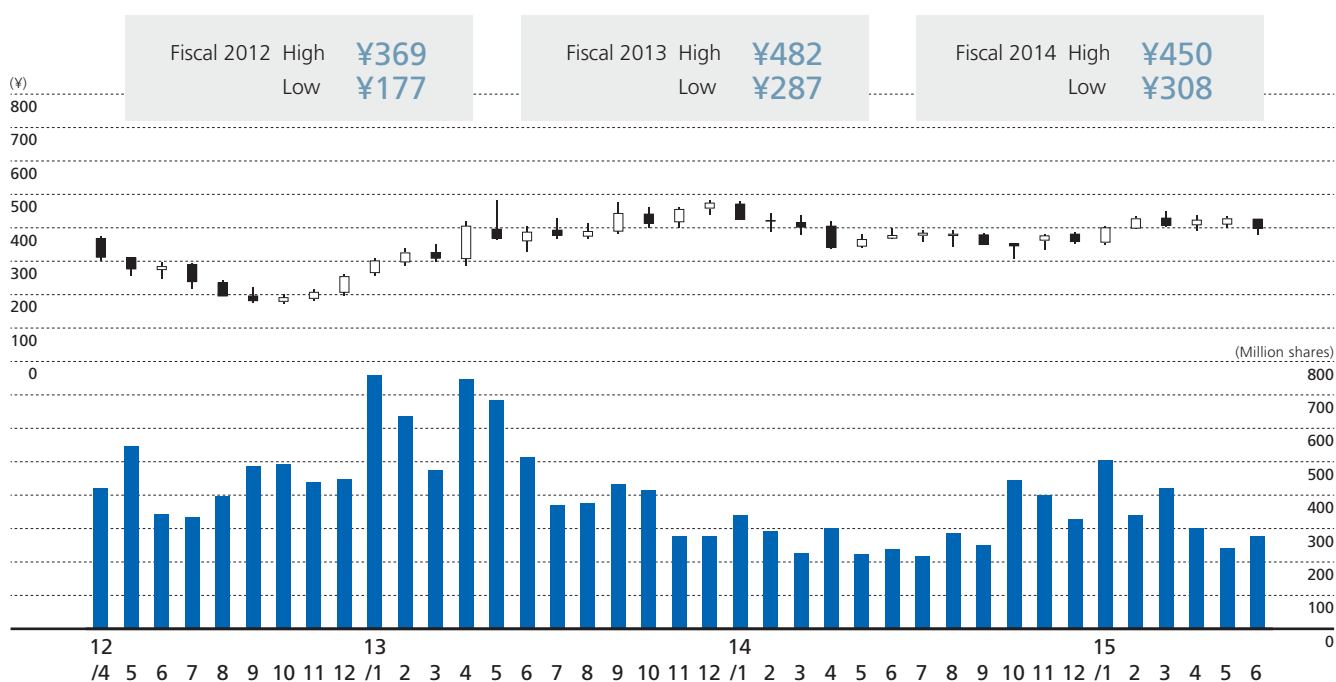
# Shareholder Information

<b>Capital:</b>	¥65,400,351,028
<b>Head office:</b>	1-1, Toranomon 2-chome, Minato-ku, Tokyo 105-8688, Japan
<b>Number of MOL employees:</b>	890
<b>Number of MOL Group employees:</b> (The parent company and consolidated subsidiaries)	10,508
<b>Total number of shares authorized:</b>	3,154,000,000
<b>Number of shares issued:</b>	1,206,286,115
<b>Number of shareholders:</b>	104,192
<b>Shares listed in:</b>	Tokyo, Nagoya
<b>Share transfer agent:</b> <b>(Contact information)</b>	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Business Planning Department 8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063, Japan
<b>Communications materials:</b>	Annual Report (English/Japanese) Investor Guidebook (English/Japanese) Market Data (English/Japanese) News Releases (English/Japanese) Website (English/Japanese) Safety, Environmental and Social Report (English/Japanese)



(As of March 31, 2015)

## Stock Price Range (Tokyo Stock Exchange) and Volume of Stock Trade





# **M O L** Mitsui O.S.K. Lines

For further information, please contact:

Investor Relations Office  
Mitsui O.S.K. Lines, Ltd.  
1-1, Toranomom 2-Chome, Minato-ku,  
Tokyo 105-8688, Japan  
Telephone: +81-3-3587-6224  
Facsimile: +81-3-3587-7734  
E-mail: [iromo@molgroup.com](mailto:iromo@molgroup.com)  
URL: <http://www.mol.co.jp/en/>

