Interview with the CFO

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 accompanying 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.

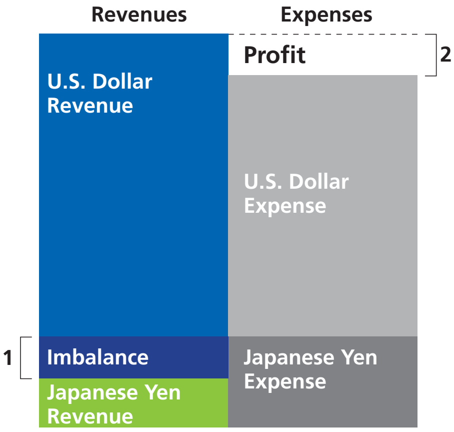
Q.6 What is the outlook for operating results in fiscal 2015?

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.

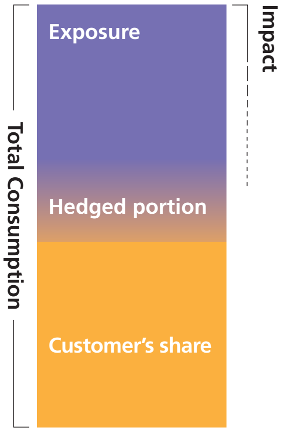
In bulkships, the stagnant market for dry bulkers will contribute to a decline in profit from the previous fiscal year. In containerships, however, we aim for a return to profitability with a year-on-year improvement of ¥29.1 billion. The temporary factors in fiscal 2014, including bunker price hedge 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)
Total	51.3	60.0
Exchange rate	¥108.34/$	¥118.00/$
Bunker price	$529/MT	$380/MT

*As of April 30, 2015