

## 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

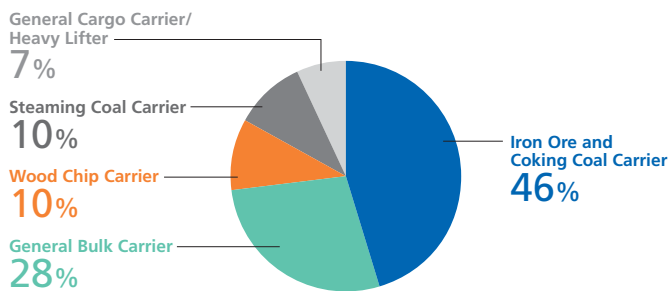
The Baltic Dry Index recorded an all-time low in February 2015 and remains at historic lows. Even with a certain degree of market recovery expected as more vessels are scrapped, profits in fiscal 2015 will be under more pressure than in fiscal 2014. Despite this, the division as a whole is expected to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

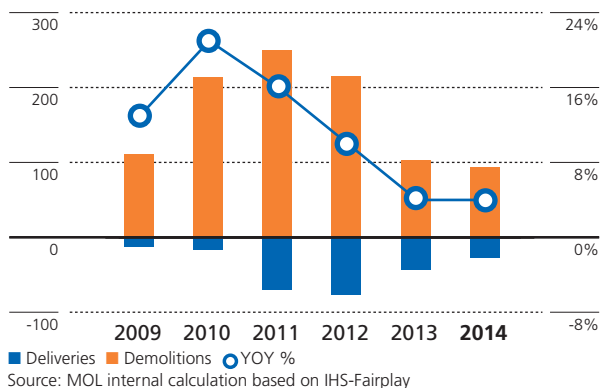
We are also working to reduce market exposure. We will accelerate the reduction of vessels without medium- to long-term contracts, especially those of small and medium-sized vessels of Panamax size or under. Small and medium-sized dry bulk carrier transport is a very fluid business field catering to 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.

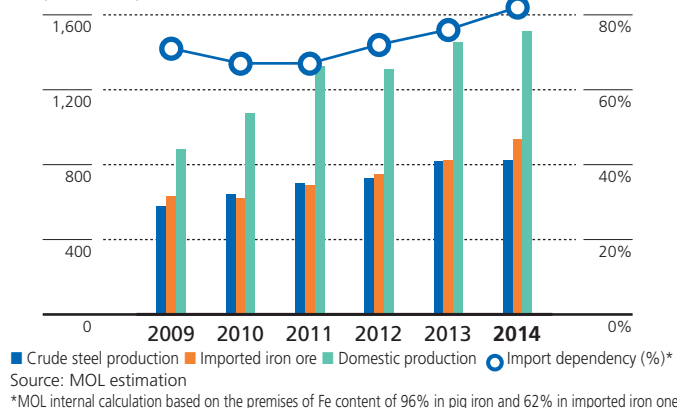


Underlined words are explained in the Glossary on page 74.

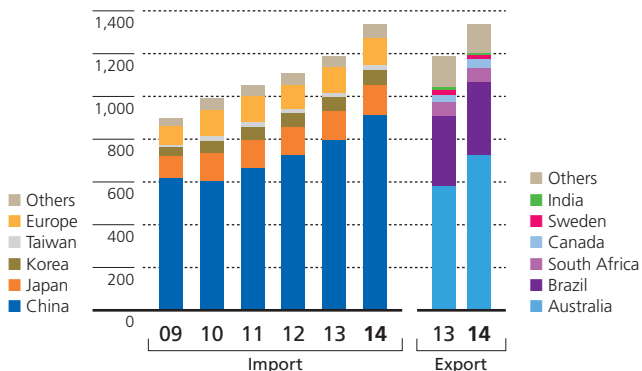
### Vessels Supply (Capesize) (Number of vessels)



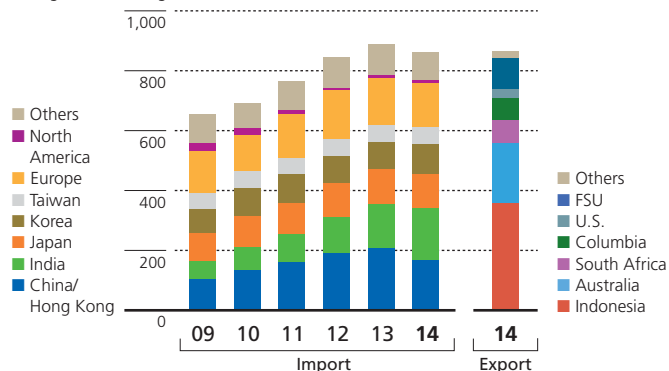
### China: Dependence on Imported Iron Ore (Million tons)



### 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.

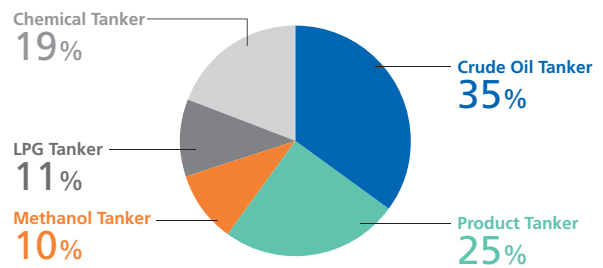
We also made progress in terms of accumulating long-term stable profits. The most notable example is our entry into the

# 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.

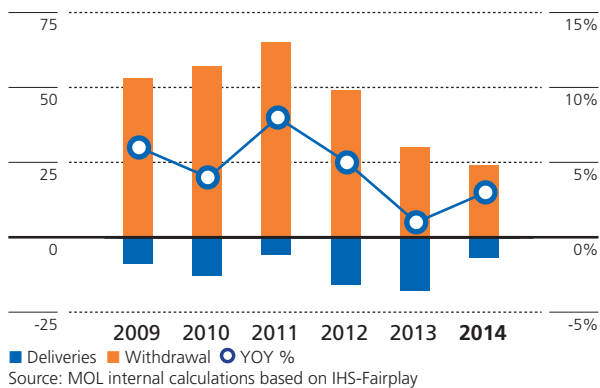
Amid this environment, there is no change in our policy of aiming to reduce market exposure and accumulate long-term stable profits. We aim to accumulate medium- to long-term contracts while reducing market exposure at appropriate times. We will simultaneously expand the pool arrangement to various types 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.

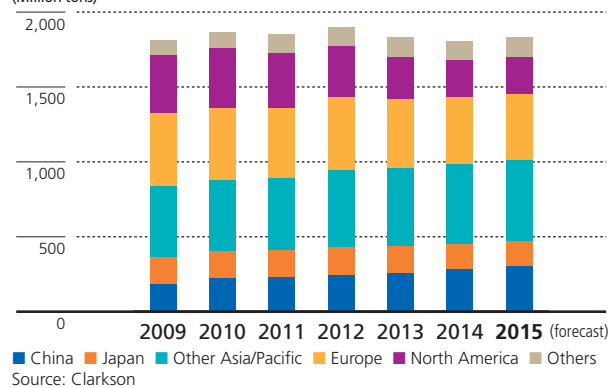


Underlined words are explained in the Glossary on page 74.

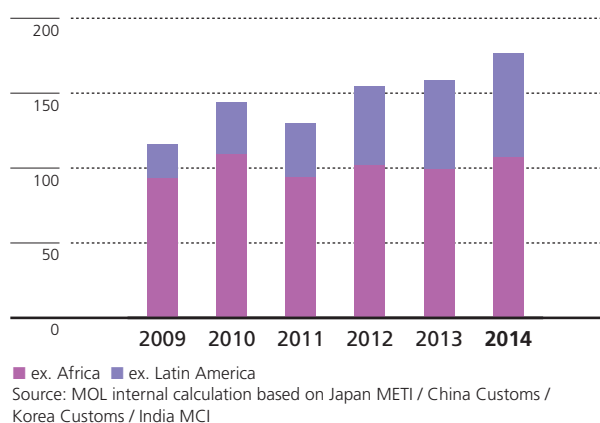
### Vessels Supply (VLCC) (Number of vessels)



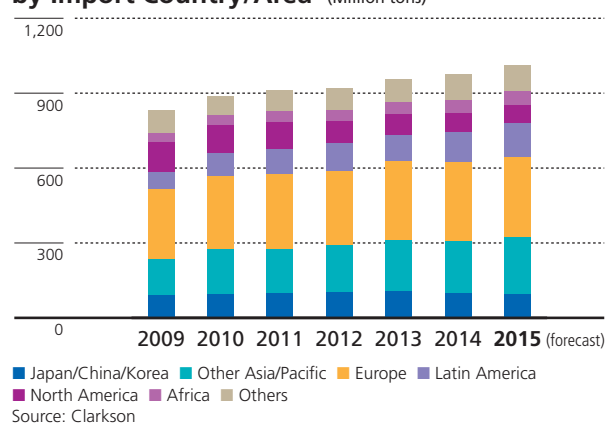
### Crude Oil: Global Seaborne Trade by Import Country/Area (Million tons)



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



### Petroleum Products: Global Seaborne Trade by Import Country/Area (Million tons)





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] FSRU (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.

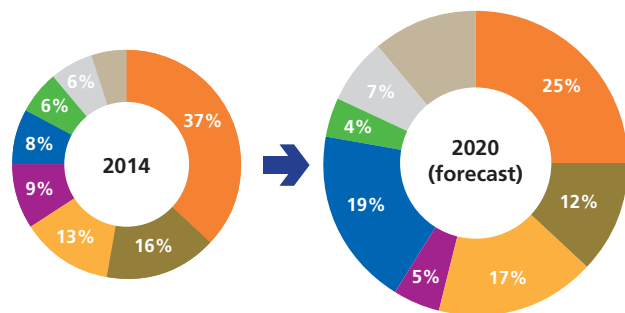
## FY2014: Signed Long-Term Contracts

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

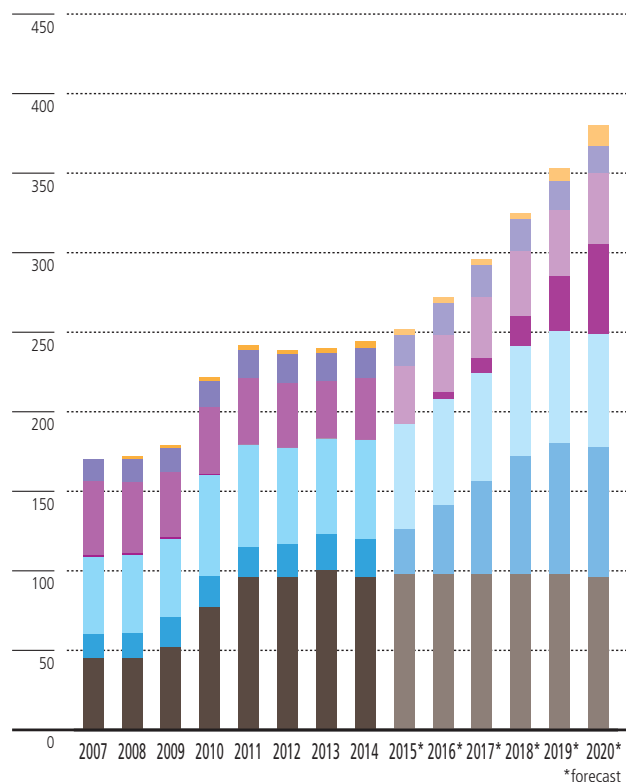
## LNG: Demand Forecast by Area



Japan Korea Europe America China  
India Taiwan Others

Source: MOL internal calculation based on Wood Mackenzie

## LNG: Seaborne Trade (Million tons)



Middle East Australia Other A/P North America Africa  
South America Europe

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**

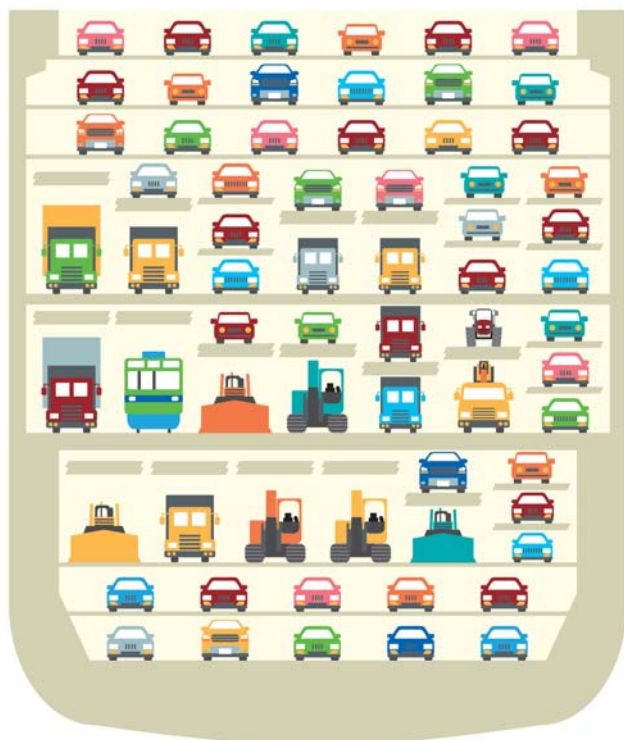
In fiscal 2015, we predict a similar level of earnings as the previous year, even though the number of vehicles exported from Japan is expected to decline. We will maintain earnings by bolstering the volume of cross trades and imported cargo, including inter-Asian trade, Transatlantic trade, China-bound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

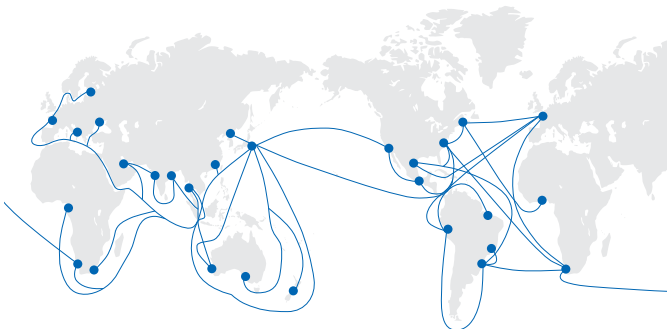
determining that we could flexibly meet customer needs by having a uniform size vessel fleet compatible with various sea lanes and ports around the world. This is another strength of MOL's car carrier fleet, and the new orders were placed based on this policy. MOL has named the new ships the FLEXIE series 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.

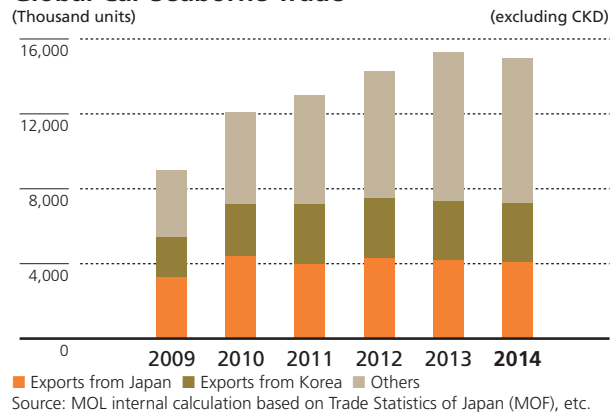


Underlined words are explained in the Glossary on page 74.

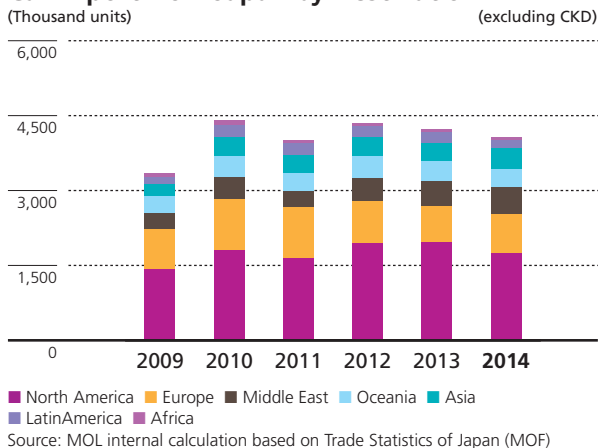
## Main Routes



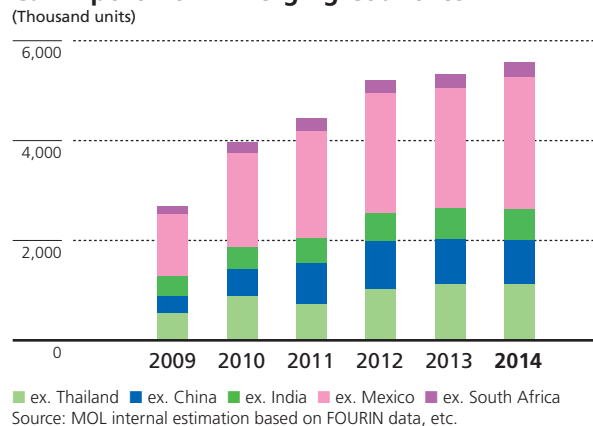
## Global Car Seaborne Trade



## 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.

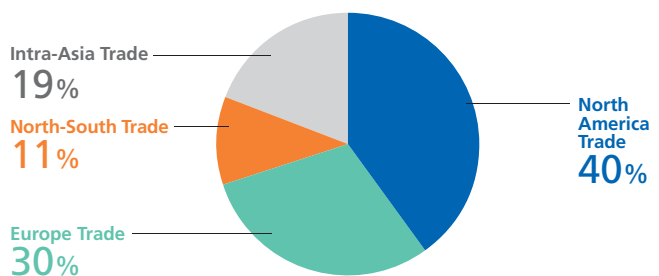
Nevertheless, amid this harsh environment, some containership companies improved their profitability and achieved profits as bunker prices plunged with lower crude oil prices from the beginning of autumn. MOL, however, incurred a significant loss on bunker price hedges placed at the beginning of the 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

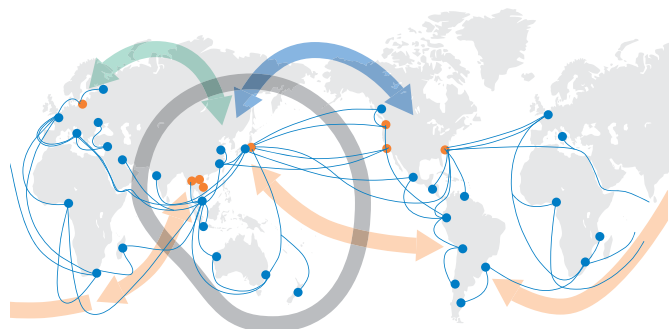


[Containership] MOL BRAVO

**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.

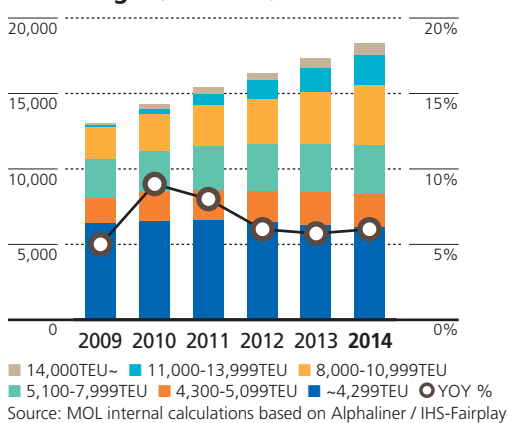
As for freight rates, we foresee a year-on-year decline for the average of all routes as it will likely take more time for the structural supply-demand balance of vessels to improve. To counteract this, we need to successfully carry out our unique cost cutting measures, including initiatives aimed at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

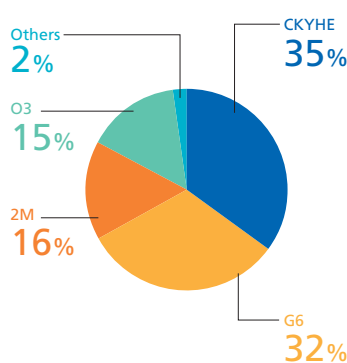
Even in the container terminal business, we will accumulate stable profits by expanding the automated area of our terminal in the U.S. and beginning the operation of new terminals in Rotterdam Port and Vietnam's Hai Phong Port. We are determined to transform the containerships business into one that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

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

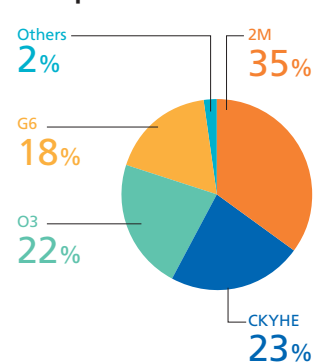


### Share by Major Carrier Alliance

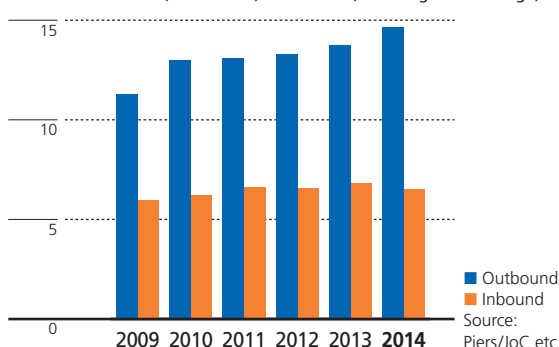
#### North America Routes



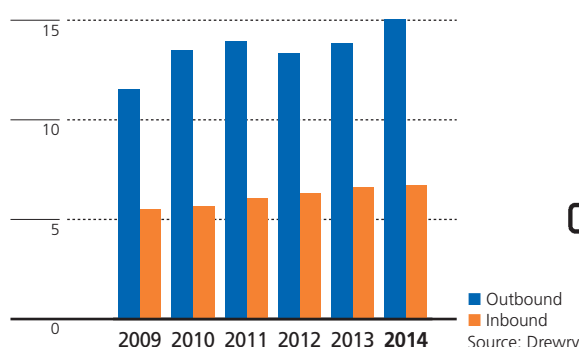
#### Europe Routes



### 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.



# 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.

## 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.



CornerStone Building (Vietnam)