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- **Business Structural Reforms**
 - **Single-year Management Plan**
 - **Business Portfolio**
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MOL implemented a new round of Business Structural Reforms for dry bulkers and containerships in fiscal 2015, recording ¥179.3 billion in related expenses. We simultaneously formulated a single-year management plan for fiscal 2016 that includes the successful completion of the Business Structural Reforms and are currently focusing all our energies on this. Over the next few pages, we will detail the Business Structural Reforms and the single-year management plan while also explaining MOL's business portfolio, which is designed to achieve sustainable growth amid protracted severe market conditions.

Question **1**

Answer **1**

Can you tell us about the content of the Business Structural Reforms and the background behind them?

Fiscal 2015 Business Structural Reform Expenses:

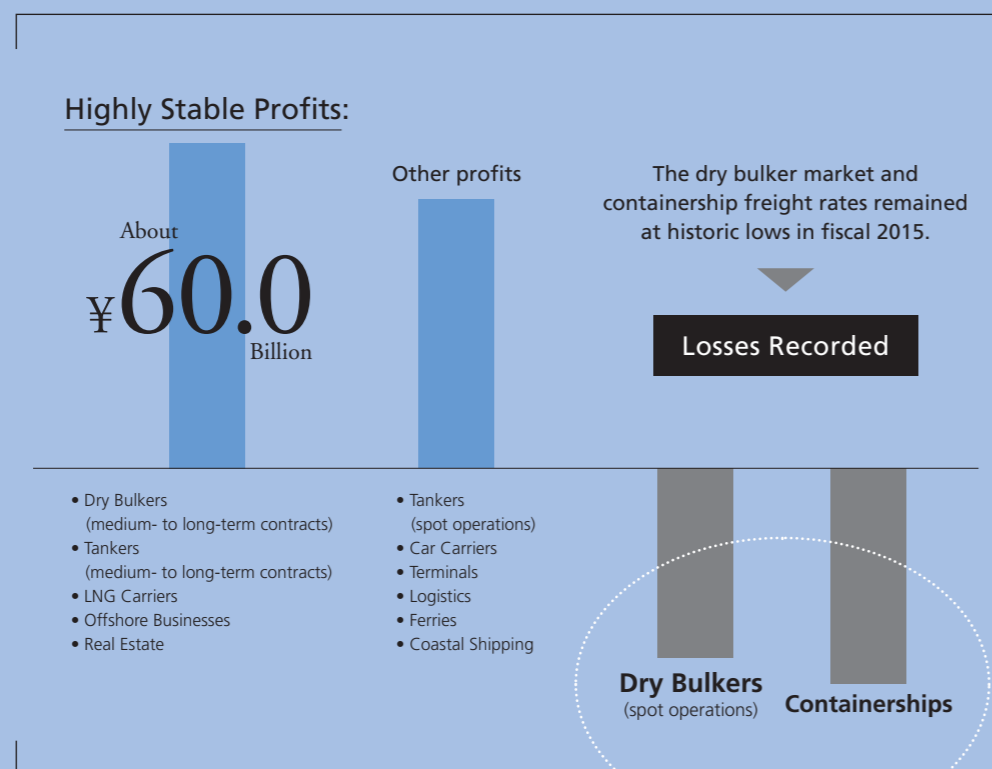
— ¥ **179.3** Billion

In fiscal 2015, MOL recorded steady profits from many divisions, including car carriers, ferries, and tankers (which benefitted from a strong market), in addition to about ¥60.0 billion in profits from long-term contracts and highly stable businesses (highly stable profits). Nevertheless, there were businesses that sharply cut into these profits. Basically, the market and freight rates for dry bulkers (spot operations) and containerships remained at unprecedented lows. We decided to reform these two divisions despite incurring large expenses, and with the current Business Structural Reforms, we aim to return to a growth trajectory.

MOL's Earnings Structure and the Necessity of the Business Structural Reforms

Fiscal 2015 Ordinary Profit:

¥36.2 Billion



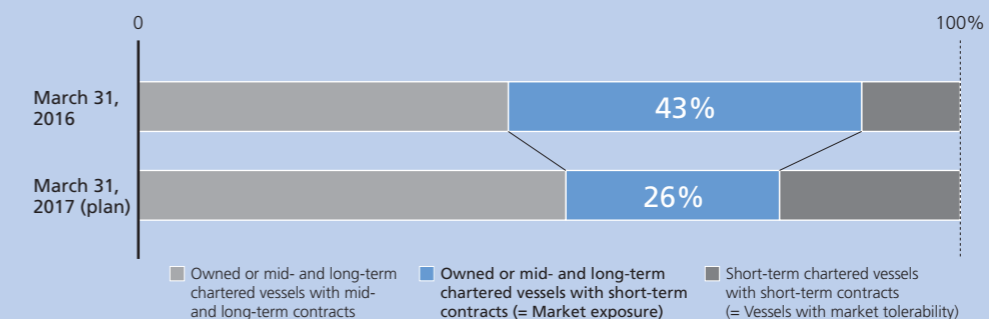
- In addition to highly stable profits mainly from long-term contracts, there were other business, such as car carriers and ferries, that posted profits, but the losses from dry bulkers (the spot operation portion) and containerships sharply cut into them.
- We do not currently foresee a full recovery for either the dry bulker market or containership freight rates. Implementing sweeping measures for these businesses is one of our top priorities.

Content of the Business Structural Reforms

Dry Bulkers (Business Structural Reform Expenses ¥117.4 Billion)

- ▶ Greatly downsize market exposure (redeliver chartered vessels and sell owned vessels)
- ▶ Reduce vessel costs on our remaining core fleet of small and medium-sized vessels down to a level in line with the current market

Market Exposure



Return to profitability in fiscal 2016 due to the Business Structural Reforms

Containerships (Business Structural Reform Expenses ¥61.9 Billion)

- ▶ Conduct impairment loss on vessels owned by MOL
- ▶ Dispose of surplus vessels after rationalization of routes

Due to the further worsening of containership freight rates, the division is unlikely to improve its profitability in fiscal 2016, but MOL will greatly eliminate its structural inferiority.

Question **2**

Answer **2**

Can you go over the single-year management plan for us?

Onward

While we will continue to promote the Three Innovations outlined in our midterm management plan “STEER FOR 2020,” which has fiscal 2016 as its last year, we expect to miss our profit and financial targets by wide margins. We have formulated a single-year management plan to prioritize the successful completion of the Business Structural Reforms in fiscal 2016 and are currently carrying it out.

Progress Made in the Midterm Management Plan "STEER FOR 2020"

- ▶ Steady progress made in Innovation of Business Portfolio
- ▶ Significant progress in Innovation of Business Model by implementing the Business Structural Reforms
- ▶ Going forward, we will accelerate Innovation of Business Domain

Implementation of the Single-Year Management Plan

Successfully complete Business Structural Reforms

Strengthen sales capabilities

Accelerate Innovation of Business Domain

Three Innovations

Business Portfolio

Concentrate investment in businesses with long-term highly stable profits, such as LNG carriers and offshore businesses

Business Model

Evolve to a fleet composition with high market tolerability and competitiveness

Business Domain

Create a value chain by expanding marine transport business domain to both upstream and downstream

Implement Business Structural Reforms

Dry Bulkers

- 1 Optimize fleet size
- 2 Reduce vessel costs
- 3 Focus on cargo transport based on long-term, stable relationships with customers

Containerships (bring down vessel costs)

- 1 Rationalize routes and optimize fleet size
- 2 Enhance yield management

Accelerate Innovation of Business Domain

Distribute management resources to ferries and other domestic transport businesses as well as logistics, terminals and real estate businesses in key strategic areas

Strengthen Sales Structure to Meet Customer Needs

- Establish the Energy Transport Business Unit
Unify sales policies for energy-related customers
- Strengthen interdivisional and global cooperation
Leverage chief executive representatives and chief country representatives

On to the Next Midterm Management Plan

1. Miss profits and financial targets by a wide margin due to weakness in dry bulkers and containerships
2. Prioritize the completion of Business Structural Reforms in fiscal 2016

Continue to promote the Three Innovations,
but formulate and execute a single-year management plan instead of a midterm management plan

Question 3

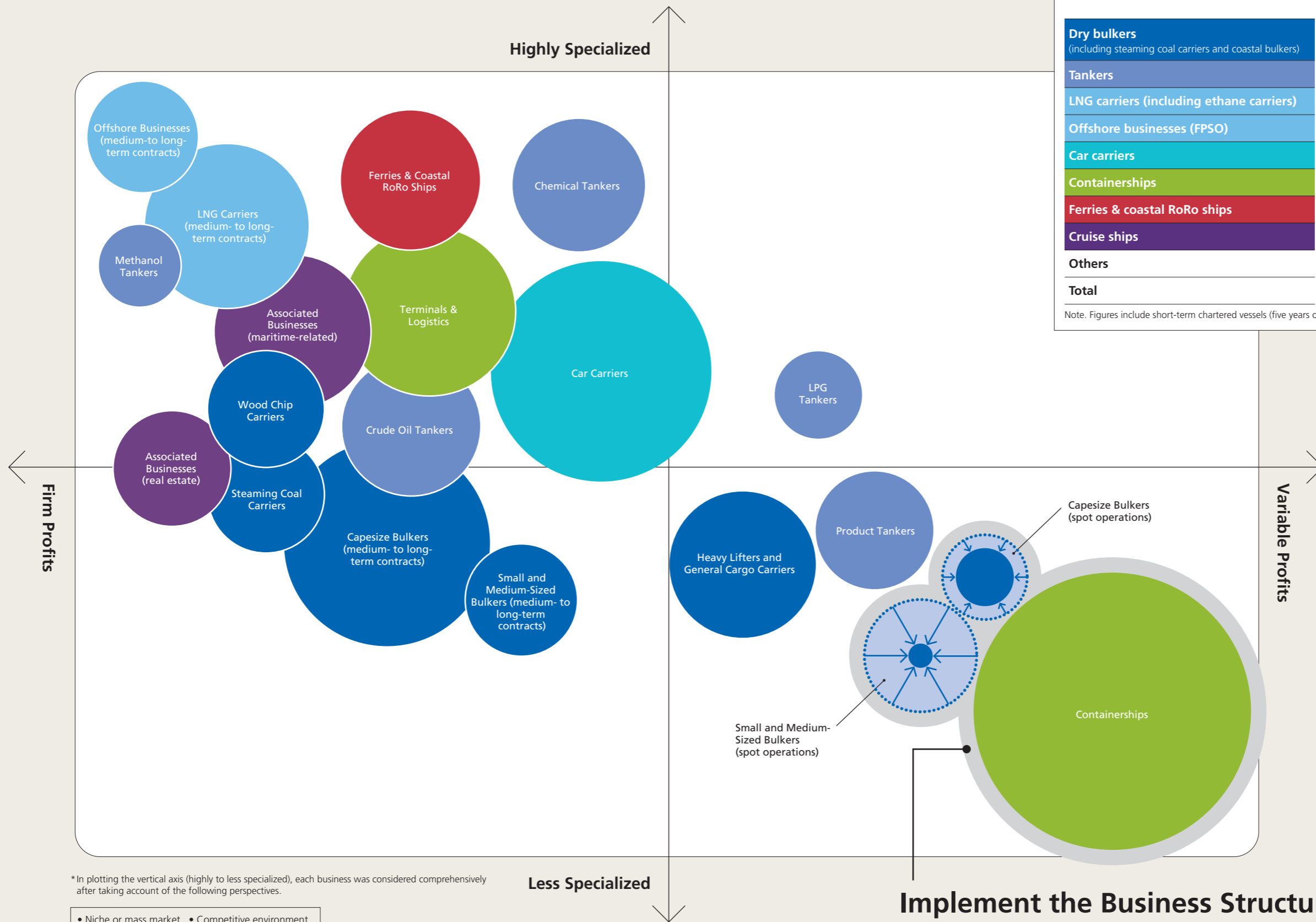
Although you predict the dry bulker market and containership freight rates will remain troubled for the time being, do you forecast sustainable growth for MOL?

Answer 3

In regard to dry bulkers and containerships, which needed the Business Structural Reforms, we currently expect it will take some time for the markets to make a full recovery. However, MOL still currently has a business portfolio that serves as a sufficient base for stable growth. Through the Business Structural Reforms and the single-year management plan, we will work to further optimize our business portfolio and return to a sustainable growth trajectory.

Realigned,
Resilient,
Reliable MOL

The MOL Group's Business Portfolio



Our Fleet	As of March 31, 2016	As of March 31, 2017 (Forecast)
	Number of vessels	Number of vessels
Dry bulkers (including steaming coal carriers and coastal bulkers)	403	351
Tankers	175	168
LNG carriers (including ethane carriers)	69	81
Offshore businesses (FPSO)	3	5
Car carriers	120	118
Containerships	95	87
Ferries & coastal RoRo ships	15	
Cruise ships	1	17
Others	2	
Total	883	827

Note. Figures include short-term chartered vessels (five years or less) and vessels owned by joint ventures.

*In plotting the vertical axis (highly to less specialized), each business was considered comprehensively after taking account of the following perspectives.

- Niche or mass market
- Competitive environment
- MOL's relative superiority
- Versatility of vessel type

Implement the Business Structural Reforms

Small and Medium-Sized Bulkers (spot operations)	Basically withdraw from spot operations with no specified cargo
Capesize Bulkers (spot operations)	Downsize the number of vessels on spot operations
Containerships	<ul style="list-style-type: none"> • Greatly reduce owned vessel costs • Dispose of surplus vessels from rationalization of routes • Aim to stabilize profits by enhancing the synergies with the terminal and logistics businesses