Overview of Operations

Dry Bulk Business Unit >

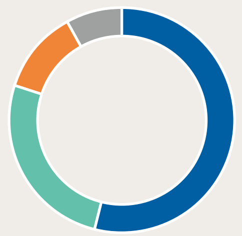
Hirofumi Kuwata
Executive Officer
Deputy Director General

Toshiaki Tanaka
Managing Executive Officer
Director General of Dry Bulk Business Unit

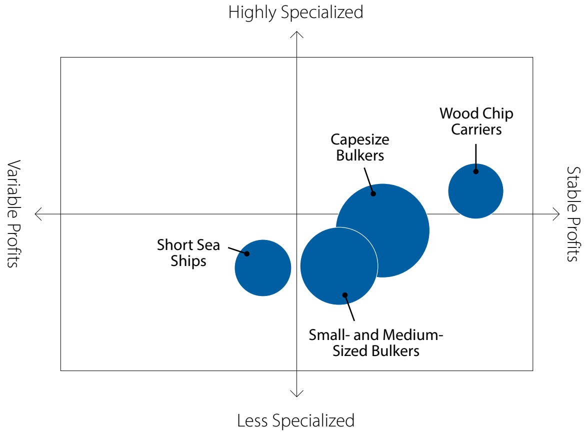
Nobuo Shiotsu
Executive Officer
Deputy Director General

Dry Bulkers

Consolidated Revenues Breakdown (FY2017)



Portfolio



Dry Bulker Fleet Table (Number of vessels)

Vessel type	Standard DWT	At the end of Mar. 2018	At the end of Mar. 2017	Use
Capesize	180,000	88	90	Steel raw materials (iron ore, coking coal)
Panamax	80,000	26	24	Iron ore, coking coal, steaming coal, grains, etc.
Handymax	55,000	54	57	Steaming coal, grains, salt, cement, steel products, etc.
Small handy	33,000	28	31	Steel products, cement, grains, ores, etc.
Wood chip carriers	54,000	39	39	Wood chips, soybean meal, etc.
Short sea ships	12,000	61	55	Steel products, plants, etc.
Total		296	296	

Fiscal 2017 in Review

In fiscal 2017, the business environment was relatively good as the dry bulker market changed course to a recovery track from the record slump in the previous fiscal year. By vessel type, Capesize bulkers and wood chip carriers, for which the ratio of medium- and long-term contracts is high, kept contributing to the posting of stable profits. Further, in general bulk carriers, chiefly small- and medium-sized bulkers for which the ratio of spot contracts is high, we reinvented via the Business Structural Reforms and were able to record a certain level of profit by effectively operating a lean, highly competitive fleet with outstanding resilience to market fluctuations. Thanks to highly stable profits from medium- and long-term contracts, along with tailwinds from a recovery in market conditions, the Dry Bulk Business Unit posted ordinary profit of ¥15.4 billion.

Fiscal 2018 Initiatives

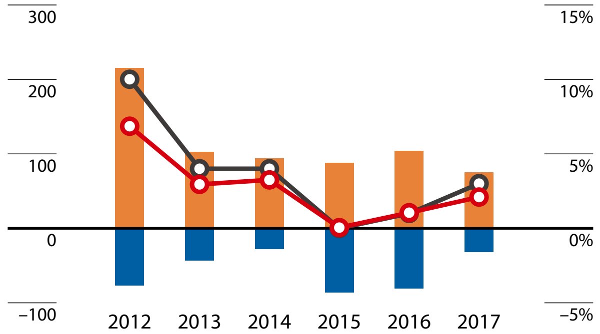
In fiscal 2018, we envision a relatively favorable business climate on the whole as in fiscal 2017. Although the market is expected to see some short-term fluctuations due to seasonal factors and the international situation, the fundamentals are on a modest recovery trajectory, as the gap between fleet supply and demand gradually subsides.

As for Capesize bulkers and wood chip carriers, we will further foster our relationships with customers built on trust over the years through our safe operations, meticulous service and competitive freight rates, and continue to build up medium- to long-term transport contracts. We also reinforce the MOL brand by proactively addressing environmental regulations, as well as responding to customers' needs, including their environmental response. To be specific, we are working to offer LNG-fueled vessels with a low environmental burden, and scrubbers for removing sulfur with an eye to the new regulations limiting the amount of sulfur in vessel fuel oil from 2020.

Also in general bulk carriers, there are growing opportunities to acquire medium- and long-term contracts. For instance, biomass power generation, one method of renewable energy production, requires a stable supply of wood fuel over the long term, which makes medium- to long-term transport contracts a good fit. We aim to leverage the expertise we have gained in Capesize bulkers and wood chip carriers to win contracts in such domains.

As a comprehensive Dry Bulk Business Unit providing environmentally conscious, safe and secure "stress-free services" to customers, we will continue to work going forward to build a robust brand so that customers are confident and satisfied in choosing MOL for dry bulk.

Vessels Supply (Capesize) (Number of vessels)



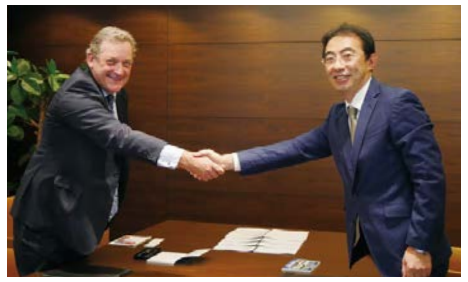
Deliveries (left scale) Demolitions (left scale)
Net Increase (left scale) YoY Change (right scale)
Source: MOL internal calculation based on IHS-Fairplay

FOCUS

Contract with Alufer Mining Limited for Transporting Bauxite by Capesize Bulkers

In December 2017, MOL entered into a five-year contract with Alufer Mining Limited (Alufer), for transporting bauxite by Capesize bulkers.

Although MOL has a long track record of transporting bauxite by small- and medium-sized bulkers, this project transporting bauxite by Capesize bulkers counts as a new expansion of MOL dry bulk business. The transport of mineral resources is expected to grow in West Africa, and we will actively engage in transport in this business area.



Left: CEO Bernard Pryor of Alufer Mining Limited
Right: Director General Toshiaki Tanaka of the Dry Bulk Business Unit

Underlined words are explained in the Glossary on page 5.

Energy Transport Business Unit >

Masato Koike
Managing Executive Officer
Deputy Director General
(Tankers)

Tsuneo Watanabe
Executive Officer
Deputy Director General
(Tankers)

Takeshi Hashimoto
Senior Managing Executive Officer
Director General of Energy Transport Business Unit
(Management and Offshore Businesses)

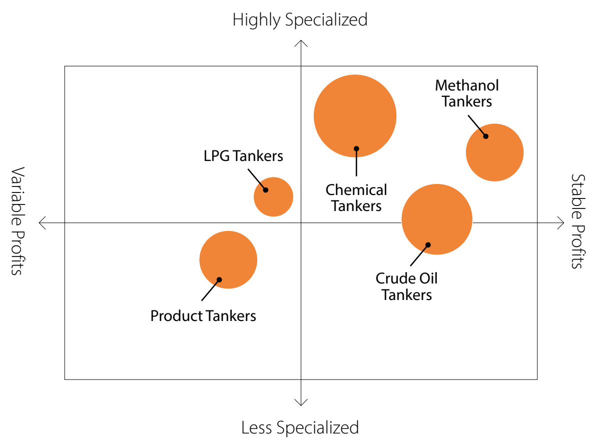
Kenta Matsuzaka
Managing Executive Officer
Deputy Director General
(LNG Carriers)

Hirofumi Kuwata
Executive Officer
Deputy Director General
(Steaming Coal Carriers)

Overall global demand for energy has been growing steadily, while the energy mix has become increasingly diverse in markets ranging from developed nations to emerging countries. Against this backdrop, the MOL Group provides the transport of crude oil and oil products, coal, LNG, ethane, methanol, and LPG. In addition, the Group has taken its first steps into renewable energy-related business fields such as wind power. Going forward, the entire MOL Group will continue working as one to serve its customers as their best partner in energy transport.

Tankers

Portfolio



Fiscal 2017 in Review

In fiscal 2017, as part of our initial plan, we assumed that market conditions would be sluggish due to an increase in supply arising from new vessel deliveries, and the impact of OPEC production cuts. We responded appropriately for each vessel type in accordance with such an assumption. While the spot market for crude oil tankers, product tankers, and LPG tankers deteriorated further than we had anticipated, VLCCs and methanol tankers deployed on medium- and long-term contracts helped us to secure highly stable profits. As for product tankers, of which a substantial portion are deployed on spot contracts, we made steady strides toward scaling down the fleet to minimize the negative impact on business results. Meanwhile, chemical tankers secured solid profits, while we steadily scaled up the fleet, including the addition of new building vessels, in expectation of a large increase in demand based mainly on progress with the construction of new petrochemical plants in the Middle East. As a result of those measures addressing the business situation of each vessel type, the division as a whole managed to post a certain level of profit, although declining substantially from fiscal 2016.

Fiscal 2018 Initiatives

In fiscal 2018, we expect the tanker market to continue facing adverse conditions due to increased supply and continuing production cuts by OPEC. Meanwhile, demolitions centered on VLCCs are proceeding at a faster pace than the previous year. We expect that this will be positive for a turnaround in market conditions.

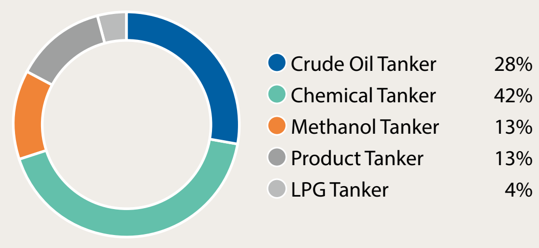
In crude oil tankers, we will steadily address replacement demand for the medium- and long-term contracts we have accumulated based on long-term relationships with Japanese and South Korean customers over the years. In addition, we will focus on capturing demand from overseas customers in India and other countries. Notably, India has begun to purchase increasingly more crude oil mainly from Central and South America and the Caribbean region, instead of the Middle East. In view of the longer transport distances than before, MOL's crude oil tanker fleet has a competitive edge in terms of cost effectiveness when we seek new business opportunities in India. At the same time, India's economic development is also expected to drive growth in demand for LPG. To capture this demand, MOL will proactively undertake sales activities for LPG tankers. As for product tankers, considering its business nature where there are few opportunities to secure medium- and long-term contracts, we will continue working to scale down our fleet in response to the sluggish market conditions. Meanwhile, we will strive to enhance operating efficiency by making use of pool arrangements with other companies to jointly retain a certain size of fleet, as well as maintaining MOL's presence in the market.

In methanol tankers, new projects that had been temporarily suspended are now expected to be restarted as a result of the rise in crude oil prices. We will work to win new contracts in an effort to build up our existing base of highly stable profits.

In chemical tankers, one of our strategic business fields, we are working to develop new routes from the Gulf of Mexico to Europe. As a new initiative, we are also studying an entry into the tank terminal business with an aim to integrate and streamline the cargo handling process, which is currently undertaken in small lots at several different ports. We also expect to capture synergies with the tank container business that we entered through a capital alliance in the previous fiscal year.

Demand for energy is projected to continue growing firmly in emerging countries, including India, as discussed earlier. In response, MOL will execute intensive investments in strategic fields, such as methanol tankers and chemical tankers, to steadily accumulate profits. Leveraging the wide range of vessel types in MOL's tanker division, we will conduct sales activities with the aim of becoming the chosen partner of our customers under the MOL brand.

Consolidated Revenues Breakdown (FY2017)



Tanker Fleet Table (Number of vessels)

Vessel type	At the end of Mar. 2018	At the end of Mar. 2017	Vessel type under pool management (at the end of Mar. 2018)
Crude oil tankers	39	40	
Chemical tankers*1	61	51	
Methanol tankers	26	27	
Product tankers*2	39	43	LR1 (70,000 DWT) MR (50,000 DWT)
LPG tankers	8	8	VLGC (Very Large Gas Carrier, 80,000 m³)
Total	173	169	

*1 Main cargoes: xylene, benzene and vegetable oil, etc.
*2 Main cargoes: gasoline, naphtha, kerosene, jet fuel and gas oil, etc.

FOCUS

Delivery of the KIRISHIMA, the Cutting-Edge, Eco-Friendly VLCC

In November 2017, MOL launched the newly built VLCC KIRISHIMA, its first newly built vessel in this class in about five years. With the largest capacity of 310,000 DWT, this vessel is a cutting-edge, eco-friendly VLCC offering enhanced energy-efficient performance through the use of modified bow and stern hull forms, electronically controlled main engines, and high-efficiency propellers. It is also equipped with a fuel tank for low-sulfur fuel oil to address stricter sulfur oxide (SOx) emissions regulations. Going forward, MOL plans to successively update its fleet by deploying new VLCCs from 2018 to 2019, with a view to addressing demand for oil transport around the world.

VLCC KIRISHIMA

Underlined words are explained in the Glossary on page 5.

LNG Carriers/Offshore Businesses

Fiscal 2017 in Review

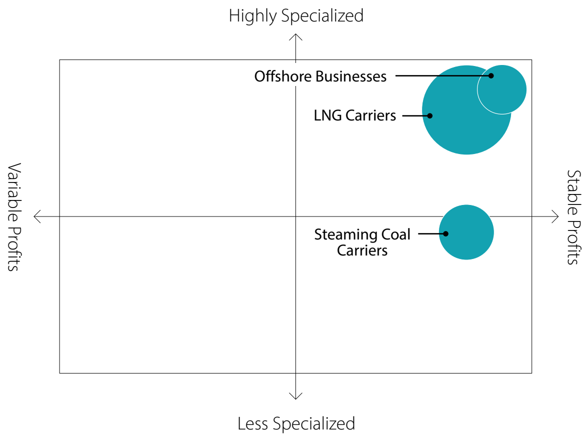
In fiscal 2017, the LNG Carriers/Offshore Project division continued to report stable profits as in fiscal 2016. In the past few years, we have seen sluggish energy prices, along with generally stagnant energy cargo movements. However, our LNG carriers are basically operated under long-term contracts and generate stable cash flow regardless of market fluctuations. Moreover, we successively secured new LNG transport contracts for various projects during the period from fiscal 2014 to 2016. New LNG carriers for those projects have been launched and are in the phase of contributing to profits. Among those vessels is an ice-breaking LNG carrier ordered in fiscal 2014 for use in the Yamal LNG project in Russia (see the FOCUS section). In offshore businesses similarly based on long-term contracts, we enlarged our base of highly stable profits following the delivery of a new FSRU, the first for a non-European shipping company, in addition to the existing FPSO units. Our four FPSO units off the coast of Brazil, along with one FPSO unit off the coast of Ghana are operating steadily. In addition to the new FSRU deployed in a project in Turkey, we also laid the groundwork for future profit growth. In India, we signed an agreement for the long-term operation and maintenance of one FSRU and an agreement for the provision and long-term operation and maintenance of one FSU, both of which are scheduled to start operation in early 2020.

Fiscal 2018 Initiatives

From fiscal 2018, we expect business performance to continue to grow steadily as the long-term contracts signed over the past few years begin contributing to profits in earnest. Looking at the business environment, global demand for LNG as a cleaner source of energy than conventional fossil fuels is expected to increase rapidly for the next 10 years or more. Currently, roughly half of LNG transported by MOL is destined for Japan and the remaining half for overseas. However, demand for LNG is showing tremendous growth primarily in China as well as India and Southeast Asia, and our plan is to seize this opportunity by expanding our business overseas.

LNG is transported at –162°C, and its transportation requires a wide range of advanced technological capabilities from the construction of vessels to cargo handling during navigation. In addition, the ordering and construction of LNG carriers requires considerable financial strength as they cost more than ¥20.0 billion per carrier. In these respects, the LNG transport business has high barriers to entry. There are several specialized LNG shipping companies in Europe that compete with MOL. However, MOL, as a full-line marine transport company, has a competitive edge over these specialized shipping companies in terms of the size and breadth of its financing capabilities and human resources. To address the growing demand for LNG transportation, we aim to drive further growth by making a Group-wide effort to intensively allocate resources to this business.

Portfolio

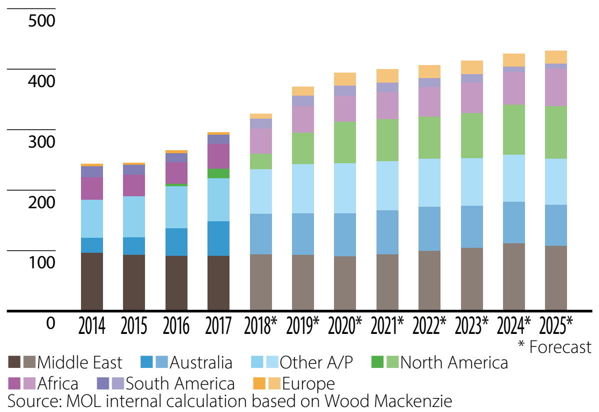


New Projects Starting Operation in FY2018–2020

LNG Carriers			
Osaka Gas	ex. USA	To Japan	1 vessel
JERA	ex. USA	To Japan	2 vessels
Tokyo Gas	ex. USA	To Japan	3 vessels
Mitsui	ex. USA	To Japan	3 vessels
SINOPEC (China)	ex. Australia	To China	1 vessel
Yamal (Russia)	ex. Russia	To China	3 vessels

Offshore Businesses			
Petrobras	Brazil	FPSO	1 unit
Swan Energy	India	FSRU	1 vessel
Swan Energy	India	FSU	1 vessel

LNG: Seaborne Trade (Million tons)



Source: MOL internal calculation based on Wood Mackenzie

The offshore businesses are also difficult to enter given the strong emphasis put on the track record of companies, in addition to requiring advanced expertise and financing capabilities. MOL has secured a competitive edge in this field as it has already entered the FPSO and FSRU sectors. Notably, FSRUs have rapidly penetrated the market, with more than 60% of the countries that have begun importing LNG in the past decade choosing to adopt FSRUs. With continued growth in demand for LNG in South Asia, Southeast Asia, the Middle East and certain other regions, FSRUs offer strong prospects for the future because they can be installed quicker and less expensively than building onshore LNG terminals. We believe that FSRUs will contribute further to MOL's base of highly stable profits. That said, there is no guarantee that all of the FSRU projects will be implemented effectively with no issues. In response, we will cautiously execute investments by assessing risks of projects based on the discernment that we have honed to date.

In offshore businesses, MOL embarked upon the self-elevating platform vessel business for the installation of offshore wind power generation systems in fiscal 2017, as a part of the environment and emission-free businesses. In recent years, offshore wind power generation has been growing primarily in Europe as a source of energy with a low environmental impact. More recently, offshore wind power generation systems have also started to be introduced in East Asia. MOL is well positioned to apply the technologies and expertise it has developed to fields such as the installation, operation and maintenance of offshore wind power generation systems, as well as finance leases for those systems. Therefore, we plan to step up MOL's level of engagement in these fields.

FOCUS

Launch of MOL's Initial Vessel for the World's First Ice-Breaking LNG Carrier Project

Scan here to see a video

At the end of March 2018, MOL launched the first of three ice-breaking LNG carriers for use in the Yamal LNG project in Russia. This LNG carrier, which was jointly ordered by MOL and China COSCO Shipping Corporation Limited, has the ability to operate in ice-covered waters by breaking up ice up to 2.1 meters thick under its own power. In the summer, the LNG carrier will sail to East Asia from the Yamal LNG base in Russia via the Northern Sea Route. This will shorten transit time to East Asia to only 20 days, compared with 55 days via the conventional route through the Suez Canal. The creation of this new transport route is expected to enhance transport efficiency and reduce CO_2 emissions.

Ice-breaking LNG carrier VLADIMIR RUSANOV

Steaming Coal Carriers

MOL's steaming coal carriers are contributing to stable profits as most of these vessels are operated under medium- to long-term contracts with customers in Japan. In addition to these profit contributions, the profitability of spot contracts improved in fiscal 2017 owing to a recovery in dry bulker market conditions. As a result, the division achieved a year-on-year increase in profits. The main factors behind the recovery in market conditions were firm cargo volume and progress on the scrapping of aged vessels that could not bear the additional costs of complying with stricter environment regulations, such as the ballast water treatment systems required by international regulations. Another factor was that new shipbuilding orders for coal carriers have been suppressed globally in the prolonged market slump.

Since the adoption of the Paris Agreement on climate change, we have seen progress on efforts to move away from fossil fuels and coal-fired thermal power generation and to promote the shift to renewable energy, primarily in Europe. However, the supply of renewable energy in Japan is projected to be inadequate over the medium term, and there have been delays in restarting the operation of nuclear power plants. Therefore, we believe that coal-fired power generation will continue to play a significant role in the base power mix. In fiscal 2018 and beyond, we will continue working to maintain and, where possible, expand our share of steaming coal carriers operated under stable transportation contracts. At the same time, demand for steaming coal is likely to grow in emerging countries such as Southeast Asian countries and India, where high-efficiency coal-fired power plants are being introduced. Targeting this demand, the steaming coal carrier division will enhance overseas sales activities in collaboration with the tanker division and the LNG carriers/offshore businesses division as the Energy Transport Business Unit, with the aim of winning new contracts.

Underlined words are explained in the Glossary on page 5.

Product Transport Business Unit

Michael P.Y. Goh
Executive Officer
Deputy Director General
(Logistics)

Naotoshi Omoto
Senior Managing Executive Officer
Director General of Product Transport Business Unit
(Management and Car Carriers)

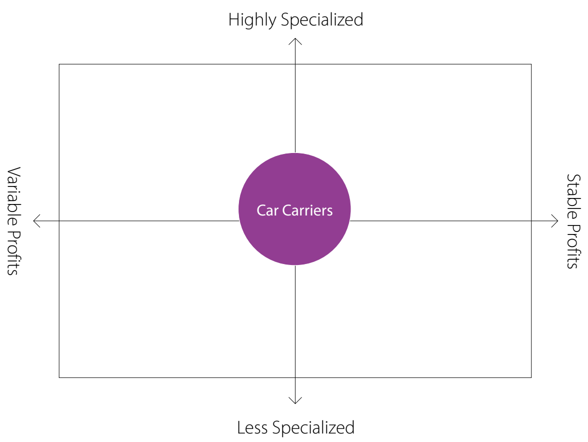
Atsushi Igaki
Executive Officer
Deputy Director General
(Ferries & Coastal RoRo Ships)

Akihiko Ono
Senior Managing Executive Officer
Deputy Director General
(Containerships)

Yutaka Hinooka
Executive Officer
Deputy Director General
(Terminals & Logistics)

Car Carriers

Portfolio



Fiscal 2017 in Review

In fiscal 2017, the division faced a tough business environment as in fiscal 2016. Cargo volumes from Japan and other major loading ports in East Asia to North America, Europe, and Oceania were strong, while those to Central and South America and to Southeast Asia recovered somewhat from sluggish levels in fiscal 2016. On the other hand, cargo volumes remained lackluster from Asia and the Atlantic Ocean region to oil-producing regions such as the Middle East and Africa. The situation continued where changes in trade patterns led to a decline in operation efficiency. Given this business backdrop, the car carrier division worked to streamline the core fleet, mainly through the retirement of aging vessels, as in fiscal 2016. At the same time, we diligently strove to improve operation efficiency by increasing cargo loading per vessel, and succeeded in raising the overall number of cars transported despite the reduction in the number of vessels in operation.

As a result, our efforts to reduce the fleet size and improve operation efficiency steadily paid off, countering cost increases from a rise in fuel oil prices in the second half of the fiscal year, such that profit levels in fiscal 2017 were higher than in the previous fiscal year, albeit low.

Fiscal 2018 Initiatives

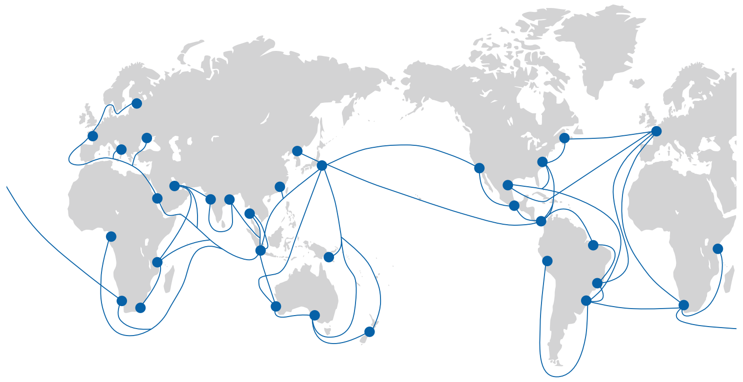
In fiscal 2018, we expect global auto sales to stay strong and auto cargo volumes and trade patterns to be similar to fiscal 2017. On the other hand, there are concerns about a shortage of transporting capacity from fiscal 2018 onward, due to a decline in new vessel deliveries. In response, MOL will not further shrink its fleet for the time being, while we plan to keep actively endeavoring to raise profitability by improving operation efficiency.

In fiscal 2018, we are taking deliveries of the remaining three of four FLEXIE series next-generation car carriers (see the FOCUS section), which should contribute to earnings by carrying vehicles much more efficiently than conventional car carriers. Though for the time being we plan to keep our core fleet size of car carriers unchanged from fiscal 2017 at about 100 vessels, we will also study new LNG-fueled car carriers capable of reducing CO_2 emissions looking to the future.

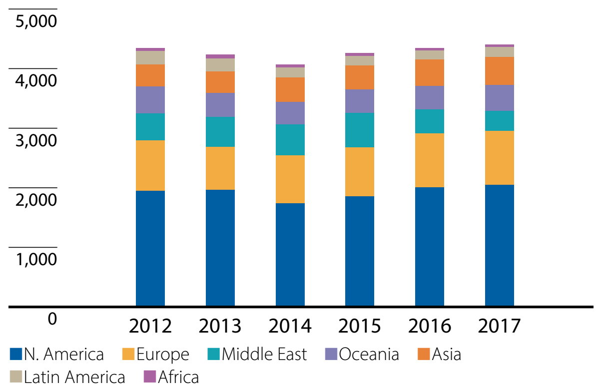
The car carrier division previously operated overseas networks and a portion of business systems jointly with the containership business. However, the division rebuilt a network of overseas sales and operating bases to maintain as organizational revision progressed in light of the integration of containership businesses by three Japanese shipping companies. Also, regarding business systems, in summer 2018, we will start operating the new system we have been developing. In addition to enhancing the efficiency of daily operations, we expect the new system to encourage the use of data in making decisions since it will enable easier access of amassed information.

As our initiatives to boost earnings are steadily beginning to produce results, the division will continue to work persistently to bolster the business base and grow earnings moving forward.

Main Routes



Car Export from Japan by Destination (Thousand units)



FOCUS

Delivery of BELUGA ACE, First Next-Generation FLEXIE Series Car Carrier

The BELUGA ACE delivered in March 2018 is more advanced than conventional car carriers with six rather than two liftable decks allowing for height adjustment, enabling effective transport of a wide array of vehicles, including large-sized construction equipment. As such, it is expected to contribute to enhancing earnings capacity. In addition, the BELUGA ACE uses a rounded bow shape developed in collaboration with Akishima Laboratories (Mitsui Zosen) Inc. and the MOL Group. This reduces wind resistance and is expected to lower CO_2 emissions by about 2% compared with conventional car carriers.

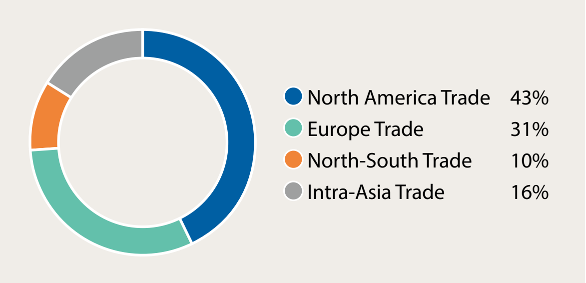
Scan here for a video introduction to the FLEXIE Series

Next-gen car carrier BELUGA ACE

Containerships

Portfolio

Consolidated Revenues Breakdown (FY2017)



Fiscal 2017 in Review

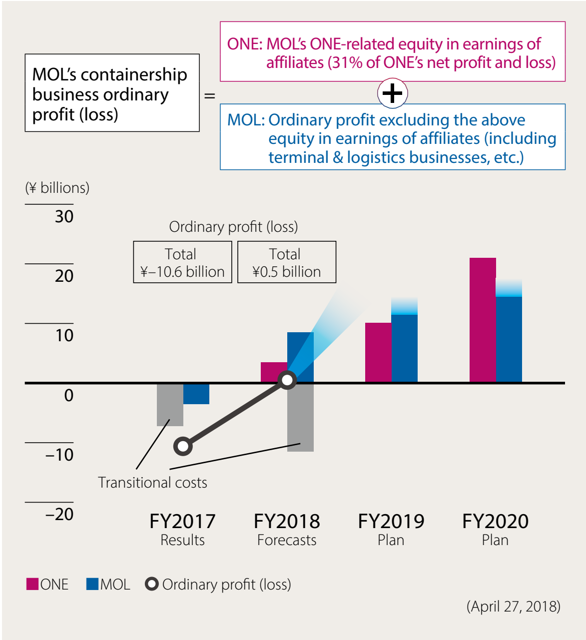
The containership business continued to post a loss in fiscal 2017. However, the result improved significantly compared to fiscal 2016, when the business environment came under pressure as freight rates sank to a historical low. In fiscal 2017, the Asia-Europe route and Asia-North America route both saw firm cargo movements. In this environment, MOL enhanced its cost competitiveness by launching six new ultra-large containerships. In parallel, we solidly captured surging demand for containership services and steadily accumulated revenues. Moreover, results were achieved through continuing measures to reduce various costs, such as enhancement of yield management to reduce the cost of returning empty containers. In the second half of the year, the supply of new containerships into the market negatively affected the supply and demand situation. Nonetheless, MOL's initiatives to improve revenues and earnings proved effective. In fiscal 2017, even though one-time costs were recorded due to the establishment of Ocean Network Express (ONE), an integrated containership business company, we still managed to drastically reduce losses in the containership business from the previous fiscal year.

Fiscal 2017 was also highly significant for MOL because operations at the integrated containership business company formed by Japan's three major shipping companies were scheduled to begin in fiscal 2018. It was no easy feat to maintain the same level of service quality in MOL's own containership business amid personnel constraints, while advancing preparations for integrating the containership business into ONE. Every staff member rose to the occasion with a high level of motivation and selflessly fulfilled their respective roles. As a result, we successfully completed both of those priorities.

Fiscal 2018 Initiatives

ONE commenced services on April 1, 2018 as planned. In conjunction with the integration, certain tasks related to business withdrawal will remain at MOL. We expect to complete almost all of those tasks within fiscal 2018. MOL is a shareholder in ONE with an equity interest of 31%. As such, MOL will assist management by sending directors to sit on the ONE board. At the same time, a large number of managers and staff members from MOL will work together with their new colleagues at ONE. They will strive to evolve the meticulous services that have earned a strong reputation from customers and improve revenues and earnings by capturing integration synergies. In addition to the personnel contribution, MOL has contributed significant assets to ONE for use as business resources by chartering out vessels, containers, and other operating assets to the company. The containership services that MOL has continuously provided over many years will be reinvented as the ONE brand. However, there has been no change in the importance of the containership business within MOL's business portfolio. We are confident that ONE, having the competitiveness to prevail in the containership industry, will achieve steady growth in the years to come.

Plan to Improve Profitability in MOL's Containership Business



Terminals & Logistics

Fiscal 2017 in Review

In fiscal 2017, the Terminals and Logistics business secured firm profits in sequence from fiscal 2016. In the overseas terminals business, automated container terminal operations fared well both at Los Angeles and Rotterdam. At TraPac terminal in Los Angeles, we achieved cost reductions by enhancing operational efficiency along with the completion of work pertaining to automation and an on-dock rail directly connecting to the inland railway network. At our terminal in Rotterdam, one of the most advanced terminals in the world, capacity utilization was higher than in fiscal 2016 and maintained stable operations throughout the year.

In the logistics business, we are also making steady progress. We continued on a course of expanding the regional logistics field through M&A and so forth, concluding a capital and business tie-up with Nippon Concept Corporation (see the FOCUS section) following our investment in a major logistics company in Malaysia in fiscal 2016.

Fiscal 2018 Initiatives

As the overseas terminals business is scheduled to be transferred to Ocean Network Express (ONE), a new liner company jointly formed by three major Japanese carriers, we will seek a new growth strategy focusing on the logistics business going forward.

In fiscal 2018, MOL will strengthen ties between the core companies of its NVOCC* business, MOL Logistics (Japan) Co., Ltd. (MLG) and MOL Consolidation Service Ltd. (MCS) in Hong Kong. We will integrate both companies' NVOCC businesses under a new company to be established in Hong Kong, and develop the business under the unified brand "MOL Worldwide Logistics."

At the new company, we look to reduce purchasing costs by leveraging economies of scale in negotiating ocean freight rates with shipping companies. At the same time, we will consolidate marketing and other functions and aim to generate synergies capitalizing on the customer bases of MCS, which has strong support from customers engaging in trade between Asia and the United States, and MLG, which has a robust Japanese customer base. As MOL's containership business has been spun-off, we plan to expand the NVOCC business further and make it an earnings pillar, also as a means of maintaining MOL's brand power, sales networks, and relationships with customers forged over many years.

* NVOCC (Non-Vessel Operating Common Carrier)

FOCUS

Embarking on the Tank Container Business via Capital and Business Alliance with Nippon Concept Corporation

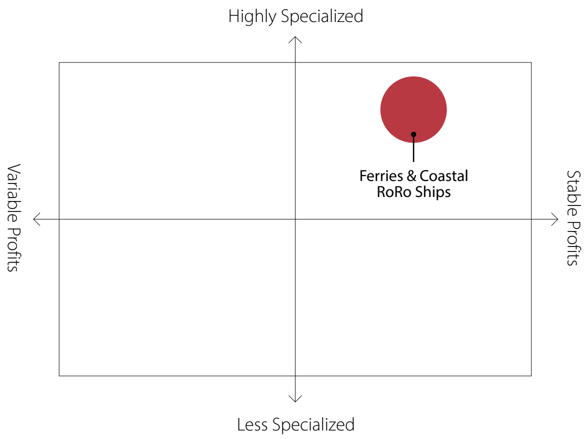
In February 2018, MOL entered into a capital and business alliance agreement with Nippon Concept Corporation, an international logistics company specializing in the transportation of various gases and chemicals using tank containers. Developing a comprehensive two-way strategic partnership will provide us with opportunities to expand business in the highly specialized domain of transporting liquid chemical products where there is potential for generating stable profits. In addition, we aim to cultivate new customer needs through synergies with the chemical tanker business, a field where we are strategically allocating resources.

Photo: Nippon Concept Corporation

Underlined words are explained in the Glossary on page 5.

Ferries & Coastal RoRo Ships

Portfolio



Fiscal 2017 in Review

In fiscal 2017, passenger transportation and cargo transportation services both remained strong, as in fiscal 2016. In passenger transportation services, an increase in repeat customers pushed up the overall number of passengers. We made steadfast efforts to increase our visibility in the market, including the acquisition of the naming rights for a terminal at Osaka Nanko Port and naming the terminal Sunflower Terminal (Osaka), in addition to selling the concept of "casual cruises" that allow people to enjoy a laid-back getaway in the form of a sea voyage. We believe that these efforts are producing strong results. In cargo transportation services, there remains a strong modal shift from long-distance transport by trucks to ocean transport by ferries driven by the need to reduce environmental impact and a shortage of truck drivers. As a result, cargo volume continued to trend at high levels as in the previous fiscal year. In fiscal 2017, we took delivery of two new ferries and launched them on the Hokkaido route. However, the new SUNFLOWER SAPPORO, one of the two new ferries, suffered engine trouble and operations had to be suspended for about four months. In addition, persistently high bunker fuel prices weighed heavily on performance. As a result, although the division firmly secured profits, the level of profit decreased year on year in fiscal 2017.

Fiscal 2018 Initiatives

In fiscal 2018, demand for passenger and cargo transportation is projected to remain firm. Following on from the launch of new ferries on the Hokkaido route in fiscal 2017, we will launch two new ferries on the Kyushu route to increase the truck-carrying capacity of our ferries. In doing so, we aim to fulfill increased demand resulting from the modal shift. In passenger transportation services, ferry occupancy rates usually decline in certain seasons, compared with the peak seasons when the ferries operate at mostly full occupancy. Conversely, this means that the ferry business has more potential for growth. To realize this potential and increase demand, we have added a variety of innovative upgrades to our new ferries so that passengers can fully enjoy our "casual cruise" experience (see the FOCUS section). In terms of services, we plan to enhance marketing by utilizing our database of ferry passengers. We will strive to capture demand from inbound tourists, as well as seniors centered on baby boomers and female customers as we conduct proactive marketing activities. In doing so, we aim to stimulate unmet demand for passenger transportation services.

Previously, the Ferries & Coastal RoRo Ships business was managed by each of the MOL Group ferry companies with a strong focus on their respective regions. Going forward, we will foster closer collaboration within the MOL Group by, for example, sharing best practices across Group companies, as we work to enhance the quality of the entire business. The division is responsible for passenger and cargo transportation services between major urban areas and Hokkaido and Kyushu. As such, the division's businesses have been playing an increasingly pivotal role in the development of regional economies year by year. We will continue working as a group to strengthen transportation capabilities and enhance transportation quality, as we seek to contribute even further to the economic vitality of Hokkaido and Kyushu as well as the surrounding regions.

Scan here for the introductory website for "casual cruises"

FOCUS

Launch of the New SUNFLOWER SATSUMA

In May 2018, the new ferry SUNFLOWER SATSUMA was launched on the Osaka-South Kyushu route. The new SUNFLOWER KIRISHIMA is planned for launch in September. We seek to make ferries more than just a mode of transportation by providing passengers with a "sea voyage" experience. To do so, we have upgraded and expanded the facilities onboard the ferries to allow passengers to fully enjoy a getaway far removed from their daily routines. We have sharply increased the number of private cabins with showers, vanity spaces and toilets. We have also installed a large and open entrance lobby featuring a three-floor atrium, along with a spacious restaurant and scenic public baths, as well as suite rooms. Through the launch of these ferries, we seek to provide "casual cruises" that offer the excitement and anticipation of a first-time experience to customers spanning a broad range of age groups.

Entrance lobby

Launch of the new SUNFLOWER SATSUMA

Associated Businesses

Portfolio

Fiscal 2017 in Review

This segment comprises MOL's real estate, cruise ship, tugboat, trading and other businesses. In the office leasing business, vacancy rates remained low in the Tokyo and Osaka areas and rent levels gradually increased. Under these conditions, Daibiru Corporation, the core company of this business, posted a year-on-year increase in profits, achieving high occupancy as a result of efforts to provide tenant services, including promoting initiatives to enhance the quality of building management. Meanwhile, in the cruise ship business, profits decreased year on year, mainly due to the impact of the cancellation of cruises because of typhoons and the rise in bunker fuel prices. In the tugboat business, we have taken steps to lay the groundwork for the future, including our decision to build an LNG-fueled tugboat that we plan to launch in Osaka Bay in April 2019. The trading and other businesses also delivered solid results as a whole. Overall, the associated businesses recorded an increase in profits year on year.

Fiscal 2018 Initiatives

In fiscal 2018, we expect to continue managing each business steadily, with results forecast to be mostly unchanged from the previous fiscal year. In April 2018, Daibiru formulated its new medium-term management plan, "Design 100 Project Phase-II." Under this plan, Daibiru expects to achieve steady growth by investing in prime urban assets and enhancing the competitiveness of existing buildings by investing in renovations, and continuously pushing ahead with overseas businesses in markets such as Vietnam. In the cruise ship business, we will strive to attract more guests and improve profitability by further evolving the high-class services that have proven popular on the NIPPON MARU. In the tugboat and trading businesses, we will continue working to enter fields peripheral to offshore businesses and new fields where we can leverage MOL's expertise, such as specialty tugboats that assist in installing wind power generation facilities and after-installation maintenance operations. Moreover, the division will act as an engine to develop the environment and emission-free businesses that MOL will strengthen going forward into one of its future core businesses by leveraging and refining the MOL Group's management resources.

Corner Stone Building (Vietnam)

Underlined words are explained in the Glossary on page 5.