Mitsui O.S.K. Lines

# Reinvent

## Annual Report 2016

Year ended March 31, 2016

# Reinvent MOL

## MOL GROUP CORPORATE PRINCIPLES

**As a multi-modal transport group, we will:**

- actively contribute to global economic growth and development, anticipating the needs of our customers and the challenges of this new era
- strive to maximize corporate value through creativity, operating efficiency and promotion of ethical and transparent management
- nurture and protect the natural environment by maintaining the highest standards of operational safety and navigation


[Dry Bulker] Capesize Bulker: VEGA DREAM


[Tanker] VLCC: OMEGA TRADER


[LNG Carrier] GRAND MEREYA

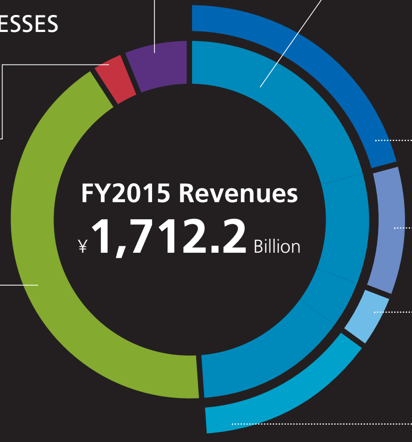

[Car Carrier] VALIANT ACE

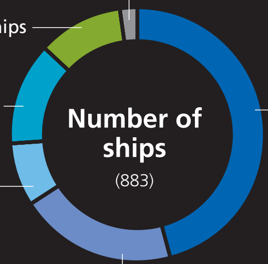

[Containership] MOL MODERN

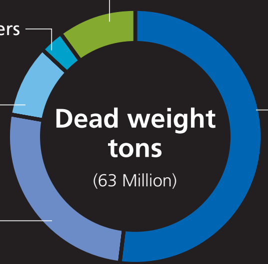

[Terminal] Los Angeles Container Terminal


[Ferry] SUNFLOWER SAPPORO


[Cruise ship] NIPPON MARU



| Business Activities | Year in Review | Performance (¥ billions) |
|---|---|---|

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

### Dry Bulkers

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

### Tankers

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

### LNG Carriers/ Offshore Businesses

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

### Car Carriers

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


[Dry Bulker] Capesize Bulker: VEGA DREAM


[Tanker] VLCC: OMEGA TRADER


[LNG Carrier] GRAND MEREYA


[Car Carrier] VALIANT ACE

**Dry Bulkers**

We worked to secure profits from long-term fixed-rate freight contracts for carriers of iron ore, woodchips, steaming coal and others. Efforts continued to improve operation efficiency and cut costs. Nevertheless, performance in the dry bulker division significantly deteriorated due to the stagnant spot market and factors such as decreased Chinese imports of coal, resulting in an ordinary loss for the fiscal year.

**Tankers**

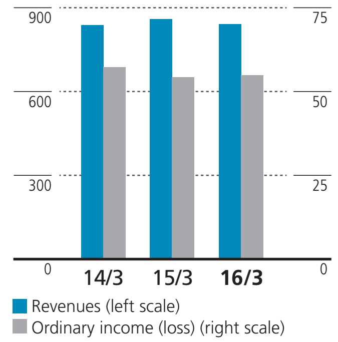
Crude oil tanker and product tanker markets were strong overall, with demand remaining high. Ocean transport benefitted from growth in actual demand and increases of China's strategic reserves. Ordinary income rose considerably also underpinned by efforts to cut costs and improve operation efficiency by setting up pools with other operators.

**LNG Carriers/Offshore Businesses**

The LNG carrier division continued to secure firm profits through long-term transport contracts, leading to a year-on-year improvement in ordinary income.

**Car Carriers**

Transport of completed cars to the U.S., where economic conditions remained strong, was firm. Meanwhile, transport weakened to emerging countries and resource-producing countries as falling crude oil prices slowed these economies. As a result, ordinary income in the car carrier division decreased despite efforts to improve operation efficiency in response to changing trade patterns.




## Containerships

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

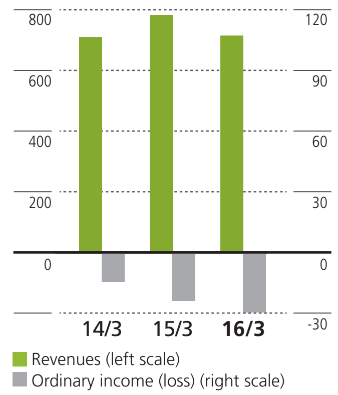
We are expanding our network with wider port coverage and increased service frequency, not only on our self-operated routes but also in joint operations with partners, e.g. by forming the G6 Alliance with five other major shipping companies.

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


[Containership] MOL MODERN


[Terminal] Los Angeles Container Terminal

On Trans-Pacific routes, although cargo volumes from Asia were firm overall, the supply-demand balance weakened due to the increase in vessels, and the freight market significantly fell on routes to both the west and east coasts of North America. Cargo volumes from Asia to Europe weakened significantly and despite efforts to reduce capacity with fewer sailings, the gap between supply and demand could not be closed and the freight market maintained record-lows throughout the fiscal year. The freight markets on Intra-Asia routes also slumped on weak cargo volumes. Under this business environment, despite our efforts to implement various rationalization measures for each route and cut operation costs, the division's loss increased year on year.

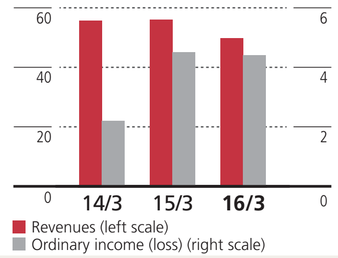



## Ferry & Domestic Transport

MOL develops the ferry business, which transports both passengers and vehicles (automobiles, trucks, etc.) and simultaneously raises our profile as the leader of an eco-friendly modal shift in domestic logistics. We also promote the coastal shipping business, connecting important domestic sites and transporting large amounts of raw materials and energy for industry. The coastal bulker business was transferred under the bulkship business in fiscal 2016, and the name of the segment was subsequently changed to Ferries & Coastal RoRo Ships. (RoRo: Roll-on/Roll-off)


[Ferry] SUNFLOWER SAPPORO

Volumes of passengers and cargo decreased on the Eastern Japan route after a vessel was removed from service for repairs following a vehicle deck fire in July 2015. However, volumes on other routes were firm for both passengers and cargo. Cargo volume for steel materials remained weak reflecting inventory adjustments. As a result, although revenue from the ferry and domestic transport businesses decreased overall, a fall in the bunker price and other factors made it possible to secure profits at almost the same level as the previous fiscal year.

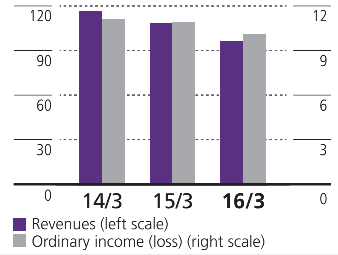



## Associated Businesses

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


[Cruise ship] NIPPON MARU

Daibiru Corporation, the core of the real estate business, maintained stable sales, but ordinary income decreased year on year due mainly to an increase in temporary costs associated with Shin-Daibiru which was completed in March 2015. Sales from the trading businesses fell and profitability deteriorated in some parts of the construction business. On the other hand, the tugboat business showed firm performance, though ordinary income for the segment decreased year-on-year.




Underlined words are explained in the Glossary on page 18.

| Performance (¥ billions) | | Business Environment |
|---|---|---|

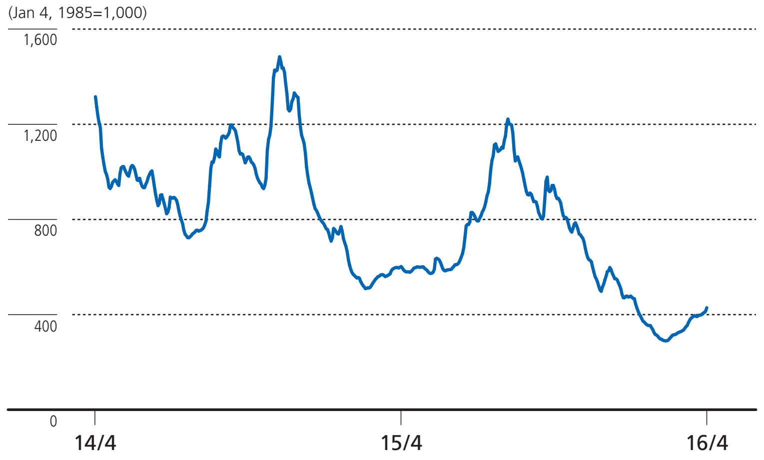
## Bulkships
(Dry Bulkers, Tankers, LNG Carriers/ Offshore Businesses and Car Carriers)

FY2015

Revenues
**¥838.8** billion
2% Increase YoY

Ordinary income
**¥54.8** billion
1% Increase YoY

### Dry Bulker Market (BDI*1)




Source: MOL internal calculation based on TDS and others
*1 Baltic Dry Index

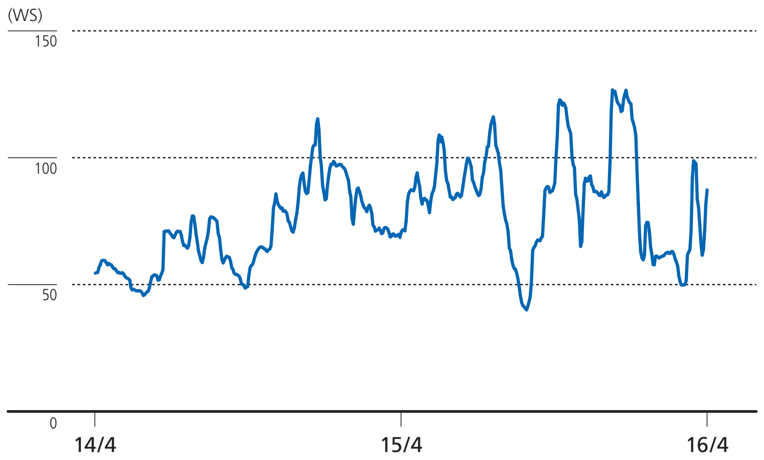
## Containerships

FY2015

Revenues
**¥719.1** billion
9% Decrease YoY

Ordinary loss
**¥(29.8)** billion
—

### VLCC*2 Market (World Scale*3) (AG - Japan)




WS for 2014/2015 has been translated by the Flat Rate of 2016.
Source: Researched by MOL
*2 Very large crude carrier (300,000-DWT class)
*3 The most-widely used freight index for tankers

## Ferry & Domestic Transport

FY2015

Revenues
**¥49.6** billion
11% Decrease YoY

Ordinary income
**¥4.4** billion
Constant YoY

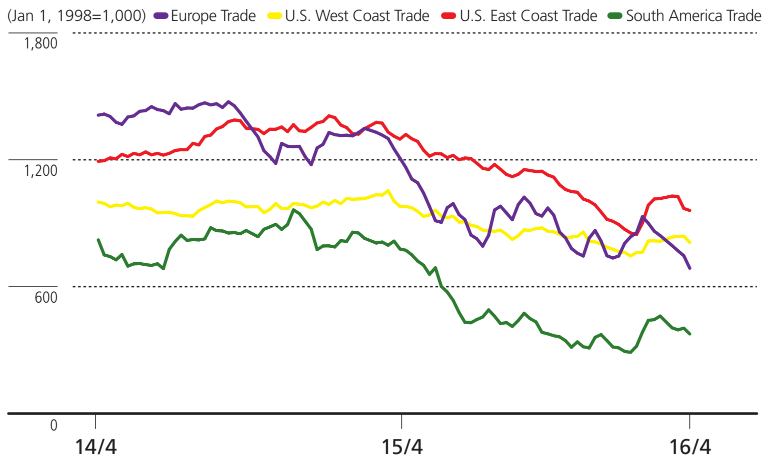
## Associated Businesses

FY2015

Revenues
**¥96.6** billion
11% Decrease YoY

Ordinary income
**¥10.1** billion
7% Decrease YoY

### Containership Market (CCFI*4)




Source: SSE
*4 China Containerized Freight Index

## Long-Term Vision

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

### What is MOL CHART?

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

MOL CHART
Our Values

**C**hallenge
Innovate through insight

**H**onesty
Do the right thing

**A**ccountability
Commit to acting with a sense of ownership

**R**eliability
Gain the trust of customers

**T**eamwork
Build a strong team

## FY2015 Performance

| | |
|---|---|
| Shipping and other revenues | ¥1,712.2 billion |
| Ordinary income | ¥36.2 billion |
| Total assets | ¥2,219.5 billion |
| Net assets | ¥646.9 billion |
| Equity ratio | 24.4% |
| Net gearing ratio | 164% |
| MOL's fleet (number of vessels) | 883 |

- **Business Structural Reforms**
- **Single-year Management Plan**
- **Business Portfolio**

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:

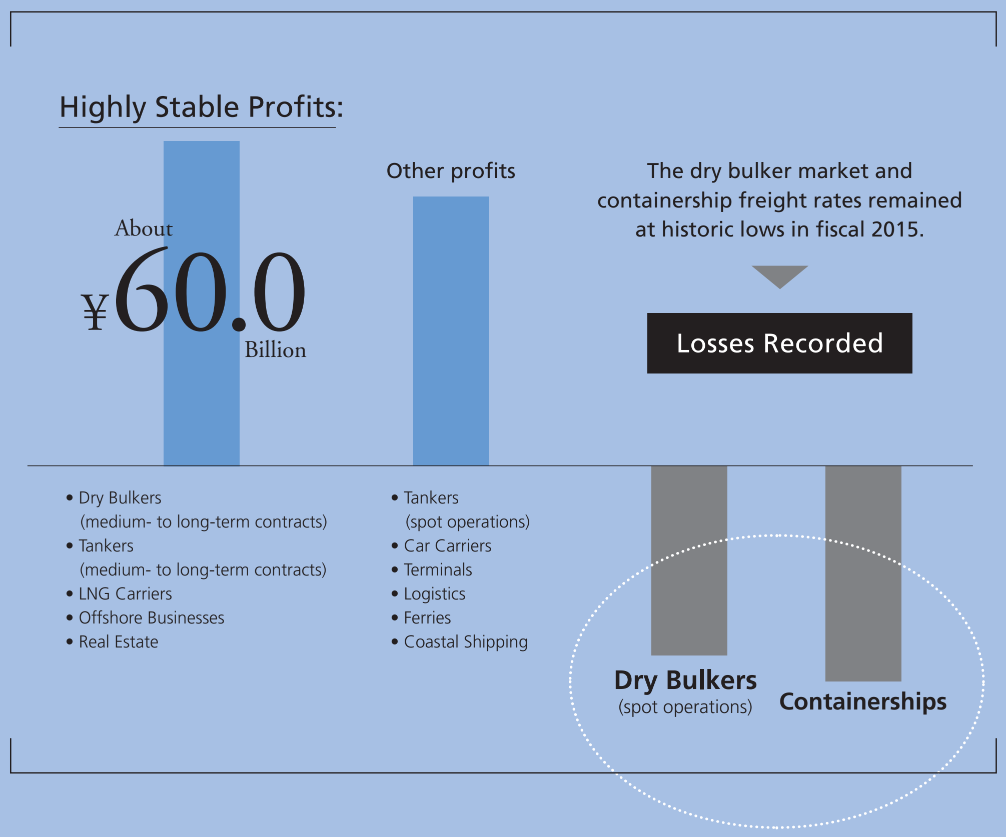
**–¥179.3 Billion**

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.

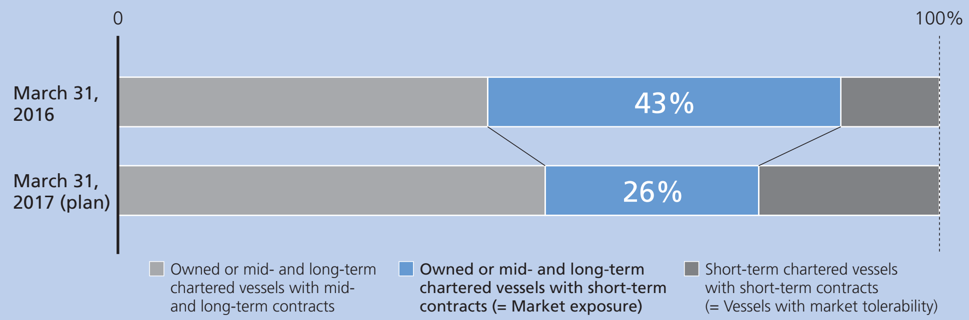
## Content of the Business Structural Reforms

### 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.



Underlined words are explained in the Glossary on page 18.

Question 2

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

Answer 2

# 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

### 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

**Implement Business Structural Reforms**

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

**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**

## Implementation of the Single-Year Management Plan

- Successfully complete Business Structural Reforms
- Strengthen sales capabilities
- Accelerate Innovation of Business Domain

### 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



Underlined words are explained in the Glossary on page 18.

## Question 3

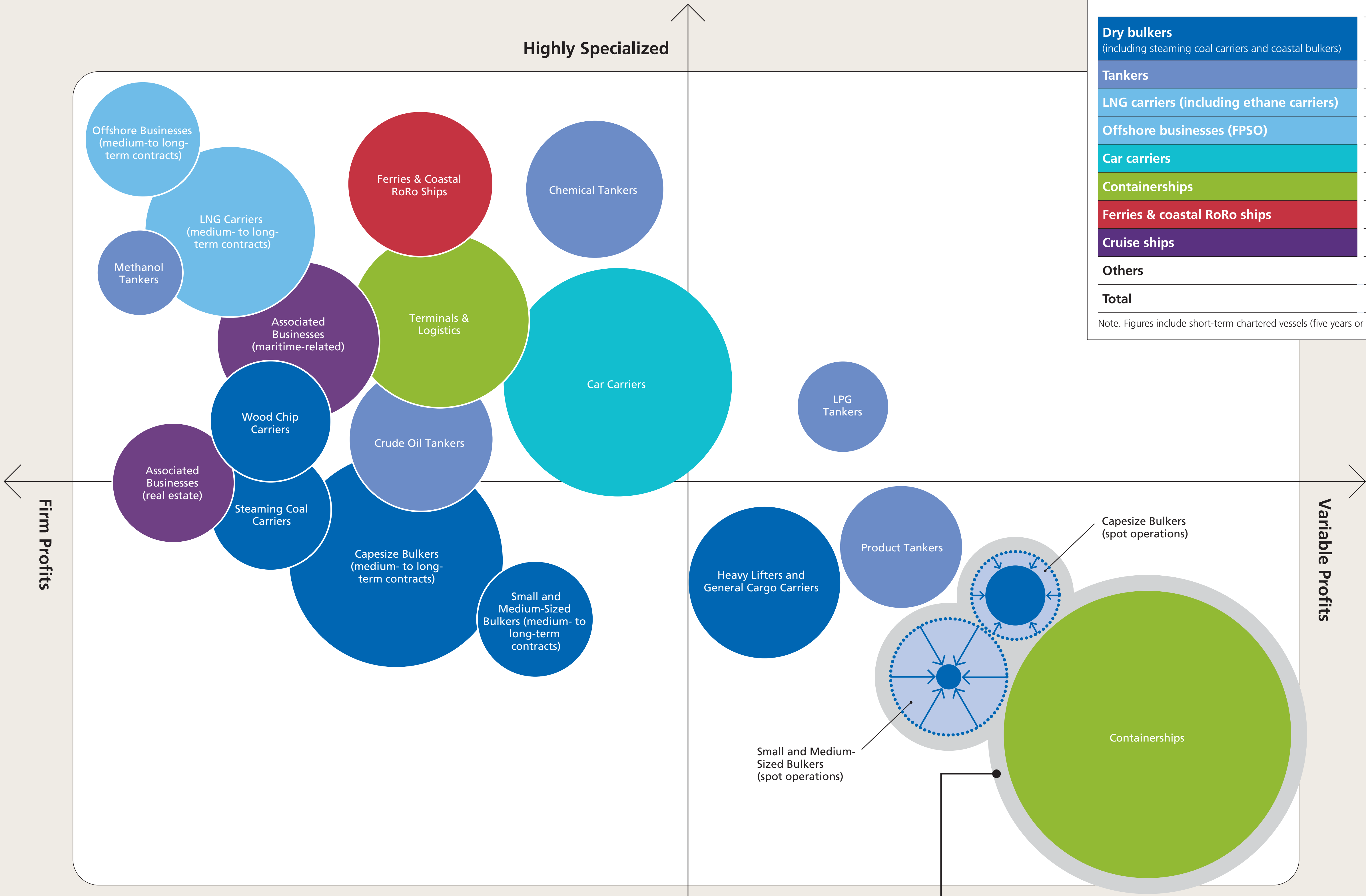
Although you predict the dry bulker market and containership freight rates will remain troubled for the time being, do you forecast sustainable growth for MOL?

## 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




*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

### Our Fleet

| | As of March 31, 2016<br>Number of vessels | As of March 31, 2017 (Forecast)<br>Number of vessels |
|---|---|---|
| **Dry bulkers**<br>(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** | 17 |
| **Cruise ships** | **1** | |
| **Others** | **2** | |
| **Total** | **883** | 827 |

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

## 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 | • Greatly reduce owned vessel costs<br>• Dispose of surplus vessels from rationalization of routes<br>• Aim to stabilize profits by enhancing the synergies with the terminal and logistics businesses |

# Glossary (In alphabetical order)

**Ballast Voyage**
Sailing to the next loading port without any cargo loaded.

**Ballast Water**
Ocean water that is taken in by the vessel to maintain ideal buoyancy and control the vessel when not fully loaded with cargo. Usually, ballast water is taken on when cargo is unloaded, and is discharged when cargo is loaded.

**Ethane Carriers**
Ethane is the second most abundant component of natural gas after methane. Depending on the field, ethane can comprise 5–20% of natural gas. Ethane has a heating value about 1.75 times higher per volume than methane and is a gas at standard temperature and pressure. At present, it is used mainly as a raw material for refining the important basic chemical ethylene. Ethane carriers are specialized for transporting liquefied ethane, which has been cooled to around minus 92 degrees Celsius, and equipped with reliquefaction system. LNG carriers transport cargo at minus 162 degrees, and LPG tankers transport cargo at minus 42 degrees, so ethane carriers fall somewhere between the two.

**FPSO (Floating Production, Storage and Offloading system)**
A floating facility for producing oil offshore. The oil is stored in tanks in the facility and directly offloaded to tankers for direct transport to the destination.

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

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

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

**Highly Stable Profits**
Profits that are fixed, from contracts of two years or more, and projected profits from highly stable business. Highly stable profits are currently provided by the following segments: Dry bulkers, Tankers, and LNG carriers/Offshore businesses under mid- and long-term contracts (two years or more), Associated businesses and Others.

**Market Exposure**
Vessels operating under contracts of less than two years, which are owned or mid-and long-term chartered vessels. These vessels are subject to spot markets fluctuations.

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

**Roll-on Roll-off (RoRo) Ships**
Featuring a ramp, these ships have a vehicle deck to hold trucks, trailers and other vehicles. Cranes and other loading equipment are not used in loading; instead vehicles are driven onto the ship. In general, while ferries transport passengers and personal-use automobiles in addition to freight vehicles, RoRo ships mainly transport freight vehicles.

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

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



## Contents



### Editorial Policy

In this annual report, we have included a main feature to help readers understand the Business Structural Reforms that MOL implemented in the fourth quarter of fiscal 2015 and the single-year management plan to be implemented in 2016. We have also included an additional feature about our focus on business development in Asia. With the smooth, steady implementation of these measures, we will accelerate back toward a growth trajectory.

### MOL's Communication Tools

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

| | |
|---|---|
| **http://www.mol.co.jp/ir-e/** | Annual Report<br>Investor Guidebook<br>Market Data |
| **http://www.mol.co.jp/csr-e/** | Safety, Environmental and Social Report |

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

(*)As of June 21, 2016 unless otherwise specified.

Junichiro Ikeda *President & CEO*

# We aim to successfully carry out Business Structural Reforms through our single-year management plan and swiftly return to a growth trajectory.

## Progress Made in the First Two Years of the Midterm Management Plan

The three-year medium-term management plan “STEER FOR 2020” began in April 2014 and outlined “three innovations” MOL needs to advance: Innovation of Business Portfolio, Innovation of Business Model, and Innovation of Business Domain. Two years have since passed. In regard to the first two innovations, we were able to achieve major accomplishments as evidenced by the securing of long-term contracts in LNG carriers and offshore businesses. We have also made steady progress with Innovation of Business Domain, where we began various initiatives, including strengthening the logistics and terminal businesses. However, with significant shifts in trade and the global economy, it is essential that we accelerate these initiatives. Despite these shifts, our overall strategy remains sound and centers on successfully carrying out the three innovations outlined in “STEER FOR 2020.” This alone, however, is no longer sufficient.

Historically low market conditions for dry bulkers and containerships have forced us to make large revisions to the profit and financial targets of the medium-term management plan. We are still headed in the right direction over the medium- to long-term, but short-term earnings for the period have diverged greatly from the plan’s targets, making it virtually impossible to achieve the plan’s final targets. This is the assessment we reached looking back on the first three quarters of fiscal 2015. Then in the fourth quarter of fiscal 2015, with the aim of improving earnings from fiscal 2016 onwards, we pressed ahead with the Business Structural Reforms, recording a total extraordinary loss of ¥179.3 billion: ¥117.4 billion related to dry bulkers and ¥61.9 billion related to containerships.

## Business Structural Reforms in light of Global Shift from Resource-Driven Economies

The gap between vessel supply and vessel demand has given rise to the historic market stagnation facing dry bulkers and containerships. Behind this gap, however, lies a more profound shift from resource-driven economies. This can be seen in the deceleration of emerging economies due to falling crude oil, iron ore and other resource prices, as well as slowing growth in China. Realizing that these structural changes were not temporary, but actually marked an inflection point in the global economy, we knew the weakening business environment would not end in just one or two years. This was a major reason we carried out the Business Structural Reforms.

The end of resource-driven economies does not mean that needs for resources will disappear. It means that we can no longer expect the same dramatic growth as when China, a mega consumer and producer, was integrated into the global economy between the 1990s and the mid-2010s. Fleets expanded in the marine transport industry to meet that exponential growth. But now, with China largely integrated into the global economy, we cannot expect the same kind of extraordinary growth that marked most of the last two decades. Without another country to replace China as the dynamo of the global economy, we have determined it is necessary to adjust the management of marine transport operations in line with the prevailing stable or low growth environment.

In the current round of Business Structural Reforms, which is based on the abovementioned assumptions, we will significantly reduce our dry bulker fleet engaged in spot cargo transport by selling vessels or terminating charter-in contracts to withdraw from free vessel operations in markets unsupported by cargo demand. We are going to shrink our fleet in line with the number of cargo contracts we have been able to stably secure. And as for our remaining core fleet, we will lower vessel costs to a level in line with the current market. As for containerships, due mainly to the historic stagnant market conditions and the high number of outstanding orders for new deliveries, we cannot foresee a full-scale recovery for the time being. Because of this, we have recorded an impairment loss on fixed assets, mainly mid-size containerships, while selling and redelivering ships made unnecessary by the rationalization of unprofitable routes. We launched a single-year management plan to provide the time to fully implement the Business Structural Reforms and to prudently assess the business environment after completing these top priority reforms.

## Launch of the Single-Year Management Plan

Foremost, what we aim for in this single-year plan is the successful implementation of the Business Structural Reforms. In regard to quickly redelivering surplus vessels, we will continue to negotiate and reach agreements with chartered vessel owners and other relevant parties. In the dry bulker business, we will greatly reduce the number of vessels vulnerable to the market exposure of free vessel operations while focusing management resources on business with long-term, stable customers and bringing about a shift toward sustainable businesses. In containerships, we will steadily reduce surplus vessels and further promote rationalization of unprofitable routes. In addition, we will revitalize the sales capabilities lost from past excessive cost reductions and fully reassess MOL's yield management, which controls the container imbalance in round-trip voyages.

In addition, to establish a platform promoting stronger Companywide sales capabilities, we implemented organizational reforms. At our head office, we moved dry bulkers, tankers, LNG carriers and offshore businesses, which are all included in bulkships, to a business unit system. The newly established Dry Bulk Business Unit is to optimize the dry bulker fleet portfolio, which includes a range of sizes from Capesize to Small Handy, and to promote more efficient use of management resources. Aiming to unify MOL's sales policy toward energy-related customers, we also established the Energy Transport Business Unit to precisely meet customer needs for procurement amid diversifying energy sources, including crude oil, LNG and steaming coal.

In terms of global organizational reforms, to strengthen partnerships in each region and unleash the Group's collective capabilities, from the latter half of 2015, we established a chief executive representative at three locations around the world and, under these general representatives, we established country representatives for select countries in Asia, the Middle East and Oceania. With this representative system, we concentrate the best of each sales department, in other words the competitive strengths that differentiate us, to precisely meet customer needs with just one contact point. In the end, when someone thinks logistics, we want MOL to be the first company that comes to mind.

In response to the environmental changes I've already touched on, we will accelerate Innovation of Business Domain while maintaining the marine transport industry as the core of our business.

Underlined words are explained in the Glossary on page 18.

## Path Back to a Growth Trajectory

The world economy will undoubtedly continue to grow as will seaborne trade. However, we have to realize that this growth will be gradual. Looking at it in a positive light, you could say that it is stable. More pessimistically, however, this means there will be persistent low growth. In addition, we have to admit that it is currently difficult to predict which marine fields can expect strong growth. Under these conditions, I think it's important that MOL effectively manage its business portfolio.

Looking at global marine transport companies, it's safe to say that there are only a very small number of full-line marine transport groups like MOL. Looking back at the severe business environment of fiscal 2015, it's clear that managing our business portfolio as a full-line marine transport group dampened the negative impact.

Simply stated, the tanker business, which had been struggling for the past five or six years, was able to post results this fiscal year that offset the poor performance of dry bulkers and underpinned the profits of the whole Group. LNG carriers and offshore businesses produced firm profits, and we predict earnings for these businesses will really boom in the next two or three years. And while car carriers saw profit decline this fiscal year, they were still able to secure firm profits. MOL's diverse business fields, including Group companies MOL Ferry and Daibiru, contribute to consolidated earnings in various ways. In fiscal 2015, we recorded a net loss due to Business Structural Reforms but were in the black for operating income and ordinary income. This was also attributable to having a range of departments firmly augment the weaker ones by managing a range of businesses in our business portfolio. Of course, this does not mean that we should just operate all kinds of different businesses and wait for a growth field to spontaneously appear. In each business field, we need to clearly define the factors that differentiate us, reinforce our sales capabilities and then prepare for a new order going forward.

**I think it's important that MOL effectively manage its business portfolio.**

In the 2000s, our Capesize bulker fleet posted large profits and was perceived as MOL's star business. And in more recent years LNG carriers, for which it could be said MOL has relative superiority, were able to conclude many long-term contracts. While this shows that we had star businesses in each era, it could also suggest that we merely benefitted from the special circumstances arising from exceptional events, such as China's commodity import boom and the U.S. shale revolution. Reaching the end of resource-driven economies, it's now difficult to expect the emergence of another massive star business segment.

On the other hand, customers certainly do have various transport needs, and there are fields where stable growth is expected. For example, we can identify several promising niche business fields, including methanol and chemical tankers. MOL boasts high competitiveness in these fields, holding the No. 1 and No. 3 positions. I believe we still have potential for greater growth in these areas.

In addition, as for our domestic ferry business, the modal shift is fully underway due to the shortage of truck drivers and heightened environmental awareness of customers, and we expect this business to remain stable going forward.

Furthermore, we have been focusing on expanding the container terminal business, which we also expect to maintain comparatively firm earnings. We have actively expanded this business, including a strategic alliance with Brookfield Asset Management, a global asset manager with a remarkable track record in the infrastructure business; an automated terminal at the Port of Los Angeles; the start of operations of a large-scale automated terminal at Rotterdam Port; and the establishment of our independent terminal at Cai Mep Port, Vietnam. In fiscal 2018, another container terminal in Vietnam is slated to begin operations at Lach Huyen Port, steadily advancing the Innovation of Business Domain.

Opportunities abound. In fields expected to grow, MOL continues to invest resources to stimulate businesses where MOL is highly competitive. If we hold steady, I firmly believe we will be able to effectively adapt to the new global structure. For that reason, we need to carefully analyze a wide range of information while polishing our business intelligence.

Implementing the Business Structural Reforms has strengthened our foundation. Although the containership business needs more time to return to the black, we are discovering ways to ensure our highly stable profits. Going forward, I hope to further strengthen the long-term relationships of trust we have established over many years by accurately responding to our increasingly globalized customers and their increasingly complex and varied transport needs. We have already started to build the necessary framework for this under the single-year management plan and will continue to work to steadily enhance this framework.

## In Closing

Our greatest duty in fiscal 2016 is to successfully implement the Business Structural Reforms through the single-year management plan and rebuild the foundation needed to outperform our global competition. Through its efforts and ingenuity, MOL has overcome many large undulations in the past. To this day, we have managed to keep growing. Going forward, each of us, executives and employees alike, will continue to work to swiftly return to a growth trajectory. And we will aim to fully meet the expectations of our stakeholders.

The CEO and Analyst Dialogue

# MOL's Transformation:

## What will MOL look like after the Business Structural Reforms?

**Junichiro Ikeda**
Presidesnt & CEO

**Masato Sakaguchi**
Analyst, Asset Management Division
Mitsubishi UFJ Trust and Banking Corporation

**Hajime Hitotsuyanagi**
Senior Analyst, Equity Research Dept.
Daiwa Securities Co. Ltd.

## Question 1 What rationale lies behind launching this new round of Business Structural Reforms so closely on the heels of the fiscal 2012 reforms?

**Hitotsuyanagi: First, I would like to ask about the reason and background behind launching the current round of Business Structural Reforms not even five years after the Business Structural Reforms conducted in fiscal 2012.**

**Ikeda:** MOL conducted Business Structural Reforms for the dry bulker division in fiscal 2012 and recorded a large loss. Afterward, in this short time frame, we again had to implement the current round of Business Structural Reforms and record another loss. For this, I would like to sincerely apologize to our shareholders.

The main point of the previous set of Business Structural Reforms was to reshape our business model by moving our base for spot operations of dry bulkers to the main hub of Singapore and securing cargo contracts to reduce market exposure. In that sense, the current round of Business Structural Reforms aims to accelerate that move to thoroughly minimize market exposure.

This time, however, the outlook for the market is strikingly different. During the previous round of reforms we thought the dry bulker market would recover in two to three years. However as seen in fiscal 2015, we faced a steep market downturn that defied our initial predictions. Ultimately, I believe the cause of this downturn is the broader, structural problem posed by the end of resource driven economies. We realized that the dramatic growth in transport demand that had been supporting the dry bulker market—that is to say the demand growth coinciding with the integration of China into the global economy—is over and that there will now instead be persistently low growth. We determined that it will be extremely difficult for the market to fully recover for the time being.

Since structural factors were at the root of the market stagnation, we absolutely needed to reform our business structure once again. We couldn't rely on the same business model as five years ago when we maintained fleet size in anticipation of a certain degree of market recovery. That is why this time we decided to be more thorough and vastly shrink our fleet size. We will again transform our business model, focusing on the core area where we have

Underlined words are explained in the Glossary on page 18.

expertise and maintain stable business based on long-term relationships with customers. This is how we arrived at this round of Business Structural Reforms.

**H: I see. So you've considerably revised the fleet portfolio. When this current fiscal year is over, to what extent will MOL resemble the company you envision?**

**I:** How rapidly we can reduce the size of our fleet depends on talks concerning redelivering the vessels with the ship owners of chartered vessels. Right now, we are committed to achieving our goals in the current fiscal year and are in the midst of earnest negotiations. If we can reach an agreement on redelivering vessels, the market exposure of our dry bulkers will be reduced. In addition, the vessel costs associated with MOL's remaining core fleet will be reduced to current market levels, so even if current market conditions persist, the core fleet will not generate a loss.

On the other hand, some issues remain in the composition of our containership fleet. In the current round of Business Structural Reforms, we disposed of surplus containerships, recording impairment losses mainly related to owned vessels. Unlike dry bulkers, however, we were unable to completely transform the fleet. But I do feel that we have now come significantly closer to the industry average in terms of cost competitiveness. Unfortunately, we are not yet at a level where we can outperform all of our competitors so I cannot say that we have attained our ideal position. Going forward, we will continue to comprehensively restructure the containership business, focusing especially on strengthening our sales capabilities.

## Question 2 What is the basic strategy for the containership business after the Business Structural Reforms?

**Sakaguchi: Can I take this to mean that even after the Business Structural Reforms have been carried out, there will be no change in the basic strategy for containerships.**

**I:** The basic strategy remains largely unchanged. There is no change in our goal of ranking in the top third of the industry in terms of cost competitiveness, and we are working hard to reach that goal. However, one issue in terms of earnings is our sales capabilities. In fiscal 2012, we felt that our sales capabilities simply couldn't be beat by our competitors. Entering fiscal 2015, it became apparent that our performance, even among the three largest shipping companies in Japan, was inferior. We came to the conclusion that one of the causes behind this was our sales capabilities. For example, our slot utilization rates have continued to slide in comparison with our competitors, and this situation has become more pronounced. During the previous year, we seriously analyzed this. Based on what we learned, we are currently about midway in our efforts to reinforce our sales capabilities.

**S: Looking at containerships from a medium-term perspective, if we assume that the external environment remains unchanged, how long do you think it will take for MOL to return to the black through its own efforts?**

**I:** The current market conditions are such that the entire industry is bleeding red ink. At this rate, the industry itself may be at an unsustainable level, so I think this trend will reverse in some way. However, MOL is not just anticipating a market recovery; it is also still advancing initiatives to enhance its cost competitiveness. Fully leveraging the 20,000 TEU vessels slated for delivery from 2017 onwards will also play a part.

In addition, we can also expect the terminal and logistics businesses in the containerships segment to provide greater contributions to earnings. Automation is proceeding smoothly at our container terminal in Los Angeles, which is expected to begin lowering costs in full from the latter half of 2016 and to enhance profitability by winning over new customers. Moreover, we can expect our terminal in Cai Mep, Vietnam and other locations to also accumulate profits. Add to this the steadily growing logistics business, and we expect to return to the black in around two to three years if we forecast a moderate market recovery.

## Question 3 How do debates with outside directors improve outcomes?

**S: MOL is seen as one of the pioneering companies in Japan for corporate governance, due in part to its introduction of an outside director system in 2000. Nevertheless, the Company was again forced to implement Business Structural Reforms resulting in a large loss in fiscal 2015 Can you tell me what kind of discussions took place with outside directors at the Board of Directors meetings leading to the implementation of Business Structural Reforms this time?**

**I:** As you point out, we introduced outside directors at a relatively early stage. I feel we have also been leaders in fostering an open atmosphere conducive to earnest discussion. At Board of Directors meetings, we welcome frank comments and questions from outside directors based on their backgrounds and experiences. These include questions spanning a range of previously unconsidered angles, often addressing the basics of whether a business decision was indeed fundamentally sound. They have a broad, comprehensive view of the global economy, trade structures, and the future investment climate. When we decide on an investment, we have received truly eye-opening remarks from outside directors in areas previously overlooked despite incisive deliberation, such as the outlook for crude oil and energy demand going forward or how environmental issues will pan out.

MOL's Board of Directors typically meets for three hours, with one hour of each meeting set aside for the Deliberation on Corporate Strategy and Vision. This is not a deliberation on individual agenda items but rather a free-form discussion with a set theme about our business strategies going forward. Here, too, the outside director's remarks serve as an invaluable resource. Specifically, when we discussed the expansion of offshore businesses, we received a comment that went to the core of the issue, asking how we felt about the fact that this is a large investment and would mean making a bold entry into a very different field from our existing marine transport business model. This comment made a lasting impression.

And in regard to containerships, we have also received comments about whether this segment can even survive as a business. There was a consistently harsh exchange when we were coming up with ideas about how to improve the situation in relation to the Business Structural Reforms. The outside directors would always talk about relative inferiority. They'd ask where the problem is, if we had done a careful analysis and, if not, insist one be done. The matter that was the most difficult to perceive was the problem surrounding our sales capabilities. Admitting to ourselves that we were lacking in our sales capabilities was a tall mental hurdle to overcome. To a large degree, I think it was an outside director's strict admonition in fiscal 2015 that brought us to the point where we could make this realization. In determining the current round of Business Structural Reforms, we have also benefited from the counsel of the outside directors.

Underlined words are explained in the Glossary on page 18.

**S: In last year's annual report, you said, "we are currently working to reinforce total risk control." If everything turns out as hoped, I believe MOL will be able to minimize losses even if the market experiences a downswing again in the near future. Please tell us about whether MOL has established a system capable of dealing with future market troubles and the status of these efforts.**

**I:** Total risk control involves comparing the largest possible loss we could incur against our risk-free assets. There are both market risks and asset risks. We periodically assess whether we have an appropriate level of market exposure, looking at market risks in terms of how the market has historically evolved over the long term past and asset risks in terms of how asset prices of vessels have fluctuated. While monitoring our present position, we decide whether we can or cannot take on more risk. On the other hand, timing is also an important factor in making investments. We can't just say shy away from all investment in a particular year because we don't want to assume any additional risk at all. These competing demands are weighed and decided by the Board of Directors through vigorous debate. In the past, there were situations where we had to make investments intuitively based on experience as we did not have any kind of formal system in place. Now, however, we make extensive use of quantitative analysis and I feel the process has become more transparent.

## Question 4 Are there benefits to being a full-line marine transport group?

**H: Based on our talk so far, I really want to ask about how the board members feel about MOL being a full-line marine transport group. Do they feel MOL should stay this course? Can you tell me about the debate regarding the issue?**

**I:** Quite frankly, the debate did not begin with the assumption that MOL should remain a full-line marine transport group. Nobody thinks MOL has to be a full-line marine transport group so therefore it must retain the containership business. We have always tried to ascertain how meaningful a contribution each business will make to the Group. By doing this, we were in the end, able to accumulate enough businesses to constitute a full-line marine transport group. However, I do think that our portfolio management has been a clear strength in the current market, enabling us to hedge our risks.

Anyway, there was no assumption that MOL must remain a full-line marine transport group. Instead, debate obviously focused on whether or not we saw a path forward in the containership business. I feel that there undoubtedly is enduring value in the business and industry, as well as growth potential. Even now, though, we continue to regularly debate MOL's current strengths, namely whether it can achieve solid returns on its business assets and competitive strengths.

## Question 5 What will MOL look like in a few years time?

**S: What do you think will be different about MOL in three or five years from now?**

**I:** Looking beyond the next three or five years, MOL's unchanging challenge is laid out in the Company's long-term vision "To make the MOL Group an excellent and resilient organization that leads the world shipping industry."

I'd like to explain the specific changes of our business metaphorically, borrowing from baseball. As MOL entered the 2000s, the Capesize bulker business was a homerun slugger. Capesize bulkers consistently hit the ball out of the park, driving up our score.

Though the glory days of Capesize bulkers have passed, they continue to hold the key place in our batting order due to their long-term contracts. But you probably want to know who our up and coming new players are. They are the LNG carriers and offshore businesses, which are growing and after two or three years, will be solid batters in our central lineup.

However, these solid batters are not homerun sluggers or power hitters at the height of their glory days like Capesize bulkers, but rather reliable batters with stable batting averages. In the long term, we would like to find another star batter to replace Capesize bulkers, but I think it will be a while before this new star enters the lineup. Basically, I think we should assume that the business environment will not be like it had been before.

On the other hand, MOL already has many businesses that are hitting respectably, in the range of average hitters. Several fields that we had relegated somewhat to the periphery—such as terminals, logistics, ferries, domestic transport and real estate—have already grown to the point of each pulling in several billion yen annually. In addition, several niche businesses have also started making steady contributions to earnings. One example is specialized methanol tankers, for which MOL has the No. 1 market share globally. We should continue to invest resources in these businesses and work to add polish to their competitive strengths. Then we might achieve a strong baseball team unified through great teamwork and reliable batting.

Moreover, we have opportunities in new fields, while planting a pivot foot in the marine transport industry. Our options include M&A when we see an opportunity to utilize our core competence and break into new fields. Furthermore, in regard to environmental regulations, which control the fate of the marine transport industry, I believe we must showcase our strengths to our customers and adopt a proactive stance toward environmental measures. In the IT field, we will continue to invest human resources as we need to achieve breakthroughs in these fields using AI and other technologies. I think this basically covers our game plan for the next three or five years.

**S: Since becoming President, I'm sure you've met with many shareholders and investors. What stands out most from these conversations?**

**I:** That would have to be the advice to be brutally honest, to provide the unembellished truth. Given a certain topic, how can you speak most objectively about it? You need to earn trust and show how you're responsive. When asked during a conversation, most people cannot help but to try to emphasize the positive. At this point, I think it is necessary to provide information to shareholders and investors while being very careful about not misleading them. I have been asked very pointed questions, but these turned out to be great opportunities to discipline myself for which I am very grateful.

**H & S: We are also glad to hear that. Thank you for your time today.**

**I:** Thank you.

Underlined words are explained in the Glossary on page 18.

## MOL's History: Spirit of Challenge and Innovation

# 1884

### The Birth of Osaka Shosen Kaisha (OSK Line)

The founding of MOL can be traced back to Osaka Shosen Kaisha (OSK Line), which was established in 1884 by 55 ship owners of Seto Inland Sea area in Western Japan and their in-kind contributions of 93 vessels.


Osaka Shosen Kaisha (OSK Line)

# 1973～1985

### Competitiveness of Japanese Flagged Vessels Challenged by the Yen's Sharp Appreciation Following the Plaza Accord and Floating Exchange Rates

In 1973, Japan switched from a fixed exchange rate system where one U.S. dollar equaled ¥360 to a floating exchange rate system. With the signing of the Plaza Accord in 1985, the yen appreciated sharply from around ¥240 per U.S. dollar to about ¥120. This caused the competitiveness of Japanese flagged vessels to nosedive. MOL began promoting mixed crews of Japanese and foreign national seafarers, and reduced a large number of Japanese seafarers as part of its restructuring process.

**1942**
Mitsui & Co., Ltd. spins off its shipping department to create Mitsui Steamship Co., Ltd.

**1961**
World's first automated ship, the KINKASAN MARU, is launched.

**1964**
Mitsui O.S.K. Lines (MOL) is founded by a merger of OSK Line and Mitsui Steamship.

**1965**
Japan's first specialized car carrier, the OPPAMA MARU, is launched.

AMERICA MARU (700TEU)

**1968**
Full containership service commenced.

# 1945～1970

### The Devastation and Recovery of Japan's Merchant Fleets from World War II

Japan's private merchant shipping fleets were conscripted into military transport, losing a total of around 2,400 vessels and over 30,000 seafarers. While recovering from its defeat in the war, Japan becomes a major trading country that imports iron ore, petroleum and other resources while exporting automobiles, electrical appliances and other products. Growing in tandem with the rebounding Japanese economy, MOL provides much needed marine transport, promoting diversification and specialization of its businesses to ultimately develop into a full-line marine transport group boasting a wide range of vessel types.

# The History of Our "Spirit of Challenge and Innovation"

Throughout its more than 130 years of history, MOL has grown into one of the world's largest full-line marine transport groups by anticipating the needs of its customers and the demands of the future, while overcoming various challenges along the way. What has supported us has been our "spirit of challenge and innovation". Going forward, we will nurture this spirit and maintain course into the next 130 years.

**1983**
Japan's first specialized methanol tanker, the KOHZAN MARU is launched.

# 1984

### Launched the SENSHU MARU, an LNG Carrier

Demand, mainly from electric power companies, increased for imports of liquefied natural gas (LNG), an energy source with a low environmental burden. Requiring transport at minus 162 degrees Celsius, LNG is technically challenging to transport. MOL rose to the challenge, entering the LNG transport field in 1983. Since then, MOL's fleet of LNG carriers has expanded to a world-leading 92 (including outstanding orders) as of March 31, 2016.

**1989**
Navix Line is established by the merger of Japan Line and Yamashita-Shinnihon Steamship.

# 1995

### Commenced First Alliance in Containership Services (The Global Alliance)

In containerships, massive investments are required for vessel construction, operating a number of sea routes and other aspects of the business. MOL commenced the industry's first global alliance with container shipping companies based in the United States, Europe and Hong Kong, to augment each other's network of trade routes. The allied companies also worked to enhance customer service by sharing space on containerships and increasing the ports of call and the frequency of stops.

**1996**
MOL acquires a share in chemical tanker operator Tokyo Marine

**1999**
New Mitsui O.S.K. Lines is established by the merger of MOL and Navix Line.

**2004**
Daibiru Corporation becomes a consolidated subsidiary of MOL.

**2010**
The first participation in FPSO

**2012**
The world's first hybrid car carrier, the EMERALD ACE, is launched.

**2013**
Japan's first participation in FSRU project

# Early 2000s

### Aggressive Investment in Resource and Energy Transport

After the 1999 merger with Navix Lines, which was particularly strong in transporting natural resources and energy, MOL aggressively invested in these fields, predicting China's economic development and increased demand for resources. We continued to scale up our fleet of LNG carriers, crude oil tankers, and dry bulkers which transport iron ore, coal, etc.

**2007**
The World's largest iron ore carrier, the BRASIL MARU, is launched.

# Mid 2000s～2015

### China's Commodity Import Boom Surges and Wanes

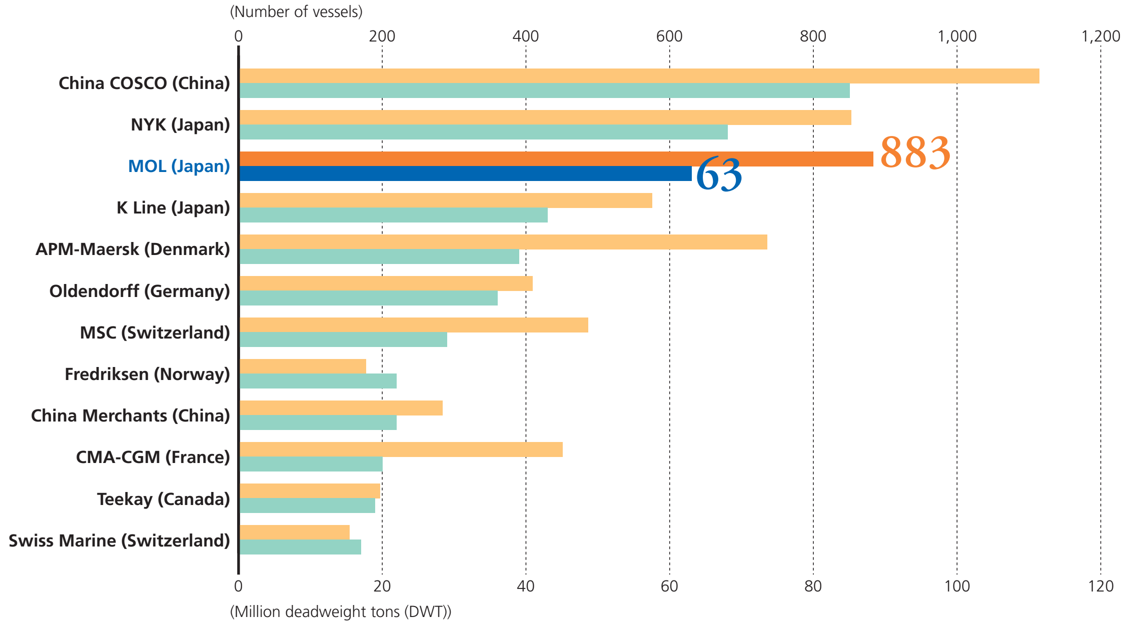
MOL's aggressive investment in the field of natural resource and energy transport was successful. With the unprecedented marine transport boom brought about by China's commodity import boom, we recorded historic profits in fiscal 2007. However, amid slowing economic growth worldwide and the oversupply of vessels following the economic crisis in 2008, the marine transport market stumbled and has continued to struggle with ongoing stagnation. To respond to this vastly different business environment, MOL implemented two major reforms: one in fiscal 2012 and one in fiscal 2015. In fiscal 2016, we will steadily implement the single-year management plan and sail past these rough seas.

Underlined words are explained in the Glossary on page 18.

# Market Position in the Industry

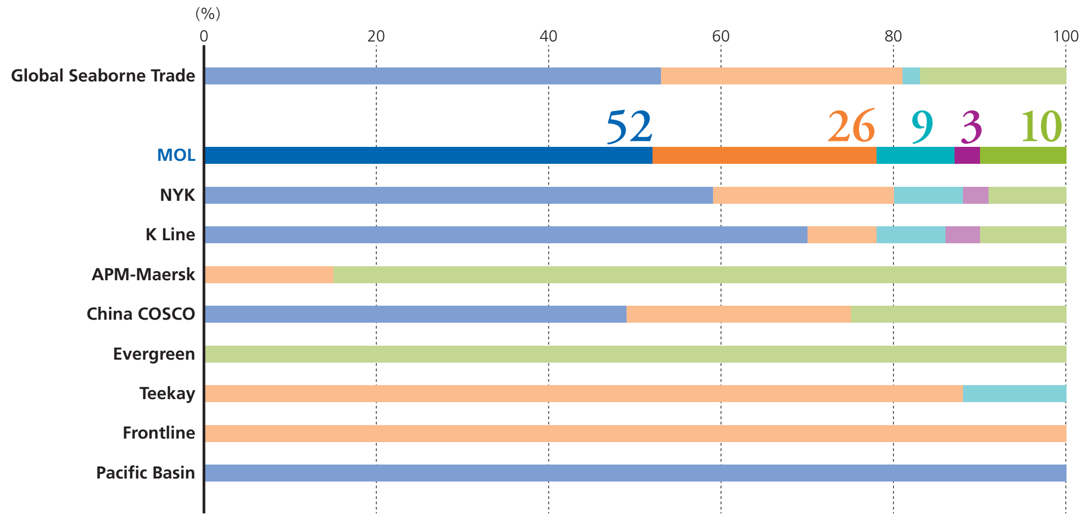
MOL operates a balanced oceangoing fleet. In terms of its total fleet size and presence in individual market categories, MOL ranks among the world's top class shipping companies.

## World Major Carriers' Fleets (All Vessel Types)




Source: MOL internal estimation based on each companies' published data, Clarkson and Alphaliner (March 2016)

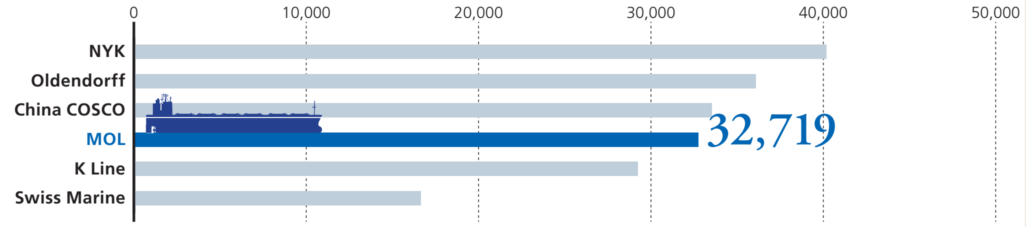
## Global Major Carriers' Fleet Composition (by DWT)




Source: World seaborne trade = MOL estimates based on Clarkson data and others Fleet composition = MOL estimated based on each company's published data and Clarkson/MDS (Excluding passenger ships, ferries and tugs)

## Dry Bulkers

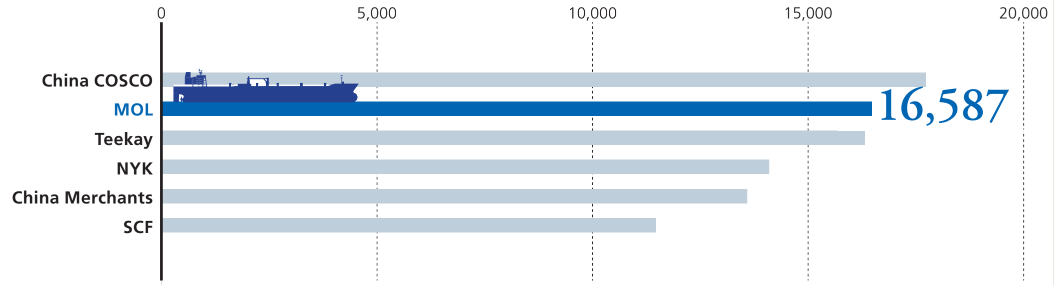
(Thousand deadweight tons)




Source: Companies' published data and Clarkson (March 2016)

## Tankers

(Thousand deadweight tons)



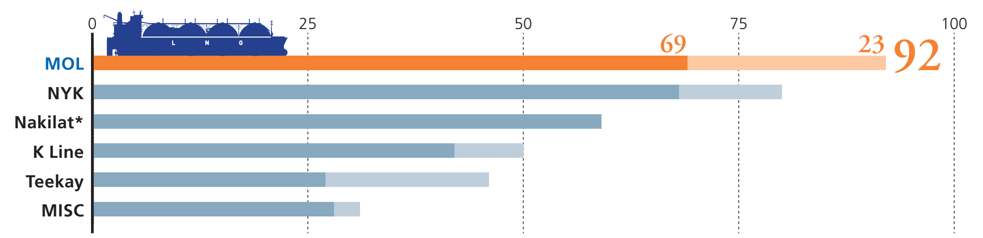

Source: Companies' published data and Clarkson (March 2016)

## LNG Carriers

(Number of vessels)

In operation On Order

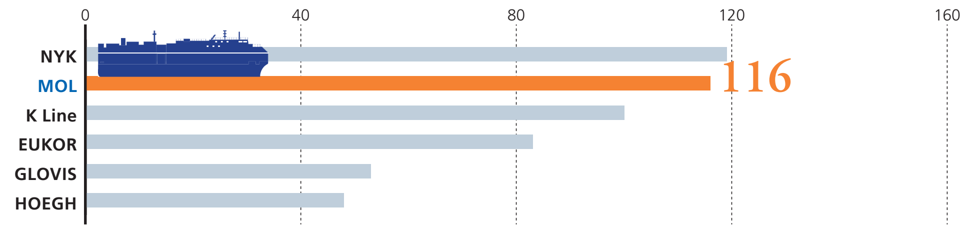
*Qatar Gas Transport Company Ltd.
Source: MOL (March 2016)
Note: The numbers include the vessels which are owned by each company (wholly or partially) and the vessels for which vessel operation is entrusted to each company.




## Car Carriers

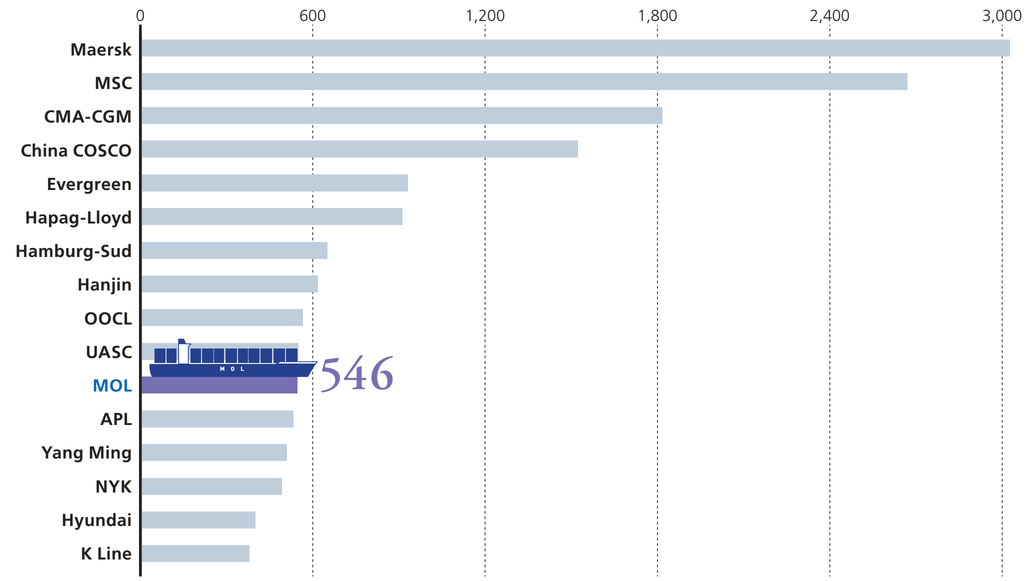
(Number of vessels)

Source: MOL (March 2016)
Note: Excluding spot-chartered vessels




## Containerships

(Thousand TEU)



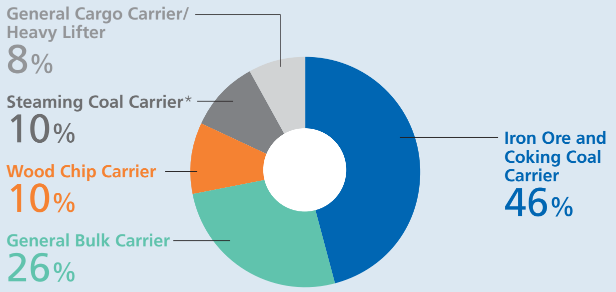

Source: Alphaliner (April 2016)

Bulkships

# Dry Bulkers

**Kenichi Nagata** Executive Vice President, Director General of Dry Bulk Business Unit

## Consolidated Revenues Breakdown (FY2015)

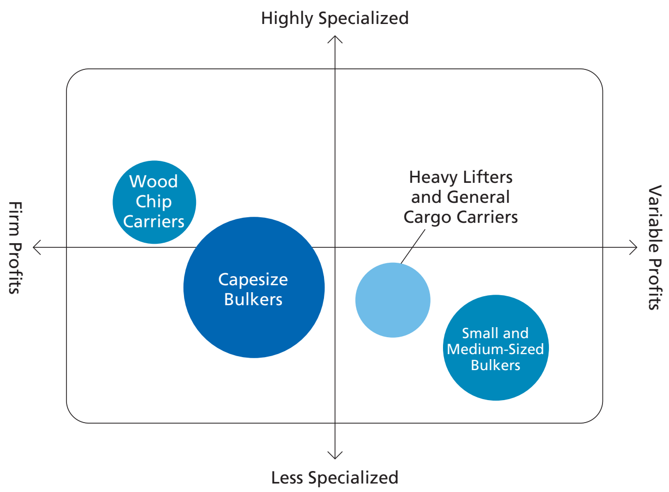



* From FY 2016, Steaming Coal Carrier business is included in the Energy Transport Business Unit.

## Dry Bulker Fleet Table (Number of vessels)

| Vessel Type | Standard DWT | At the end of Mar.2016 | At the end of Mar.2015 | Use |
|---|---|---|---|---|
| Capesize | 180,000 | 92 | 104 | Steel raw materials (iron ore, coking coal) |
| Panamax | 80,000 | 31 | 37 | Iron ore, coking coal, steaming coal, grains, etc. |
| Handymax | 55,000 | 60 | 72 | Steaming coal, grains, salt, cement, steel products, etc. |
| Small handy | 33,000 | 52 | 56 | Steel products, cement, grains, ores, etc. |
| Wood chip carriers | 54,000 | 41 | 43 | Wood chips, soybean meal, etc. |
| Others (Heavy lifter, General cargo carriers) | 12,000 | 54 | 55 | Steel products, plants, etc. |
| Total | | 330 | 367 | |

## Portfolio




## Fiscal 2015 in Review

The dry bulker market in fiscal 2015 remained at historic lows even into the new year. Autumn did not bring the expected seasonal boost in demand.

As for Capesize bulkers, on the supply side, there was a slight overall increase in the number of vessels as deliveries declined and more vessels were demolished due to persistently weak market conditions. On the demand side, however, crude steel production fell in China, where the economy continues to slow, causing iron ore imports to stagnate. Sentiment soured amid weakness in forward freight agreements (FFAs) and iron ore and other commodity markets. In addition, full-scale operations of 400,000-ton very large iron-ore Valemax carriers commenced, further reducing activity in the spot market. All these factors seem to have contributed to the sluggish market conditions. The number of scrapped Panamax bulkers did, however, increase greatly and deliveries of new vessels slowed. In contrast, new deliveries of small-sized vessels greatly eclipsed demolitions. With Chinese coal imports declining due to environmental concerns, the market remained weak for small- and medium-sized dry bulkers as overcapacity persisted.

We made diligent efforts to secure highly stable profits with long-term transport contracts, improve operational efficiency and cut costs. Reflecting the severe market conditions, however, profitability significantly worsened year on year and, for the first time since fiscal 2012, this resulted in a loss.

## Fiscal 2016 Initiatives

We implemented a new round of Business Structural Reforms in the fourth quarter of fiscal 2015 and recorded an extraordinary loss, which included ¥117.4 billion for such related expenses as redelivering chartered-in vessels before maturity of charter contracts and selling owned vessels.

We conducted the first set of Business Structural Reforms back in fiscal 2012. The central achievement of those reforms was shifting sales and operations of free vessels to the shipping hub Singapore, simultaneously raising the competitiveness of the fleet by lowering vessel costs to then current market prices. At the same time, we focused on raising the ratio of our fleet that is covered by cargo transport contracts. This was eventually raised from 40% to over 60% during the course of the three years that followed.

Since then, however, market conditions have worsened much more than we predicted, including the Baltic Dry Index hitting record lows as cargo flows stagnated with the slowdown in China's growth. Considering the external environment, it is unlikely for the time being that market conditions will recover to the point we had predicted in fiscal 2012. Determining the need to react swiftly to this new reality, we again implemented a round of reforms.

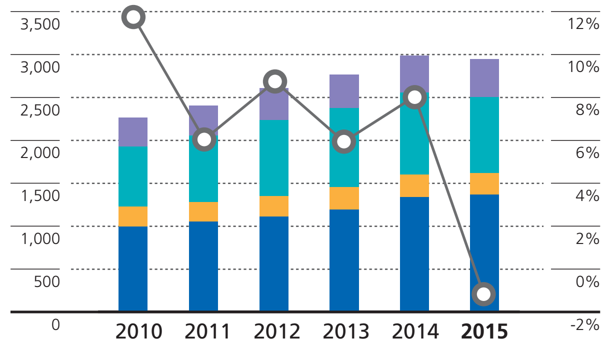
In this round, as for small- and medium-sized dry bulkers, we will essentially withdraw from operating free vessels on the spot market that are not backed by cargo demand. In other words, we will considerably streamline our fleet to a level in line with the number of cargo contracts we have accumulated. Our main aim is to concentrate on definitively meeting the cargo transport needs of our customers. At the same time, we are further enhancing our competitiveness by lowering the vessel costs of our remaining core fleet to match the current market. In addition, we will reduce free vessels for Capesize bulkers as well.

In fiscal 2016, we will steadily carry out the single-year management plan with the goal of completing the current set of Business Structural Reforms. We will continue to tirelessly focus our efforts on returning to profitability, recognizing the need to swiftly return to a growth trajectory by eliminating the factors that had negatively impacted the highly stable profits that our long-term transport contracts generate.

Underlined words are explained in the Glossary on page 18.

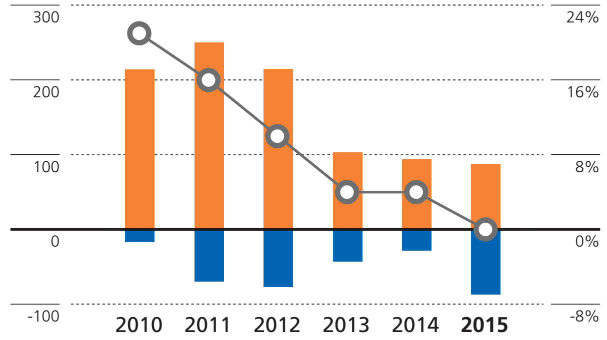
## Global Seaborne Trade of Major Dry Bulk Cargoes

(Millions tons)




Source: Clarkson

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

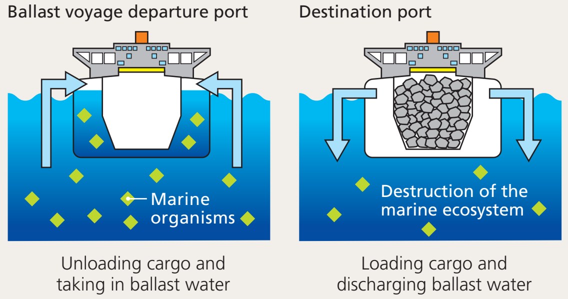


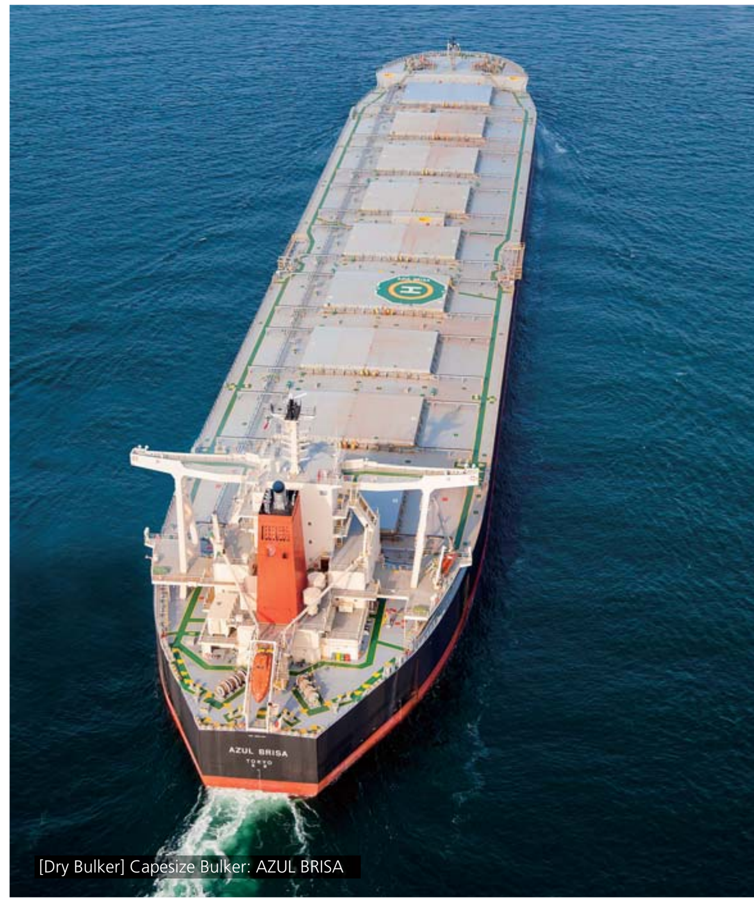

Source: MOL internal calculation based on IHS-Fairplay

## Sustainability Highlights

### Installing Ballast Water Treatment Systems in Advance of new Environmental Regulations

Ballast water, which is discharged while loading cargo, can transport marine organisms around the world, negatively impacting marine ecosystems and biodiversity. Accordingly, the International Maritime Organization (IMO) adopted the Ballast Water Management Convention in February 2004, and its ratification is under way. MOL developed a Ballast Water treatment system in collaboration with manufacturers and, in fiscal 2014, set a policy of installing the system on the Company's vessels before the convention takes effect. With a vigilant eye on the ratification of the convention, we have been installing the system and, in fiscal 2015, completed installation on 30 vessels including dry bulkers.



[Dry Bulker] Capesize Bulker: AZUL BRISA

# Energy Transport Business Unit

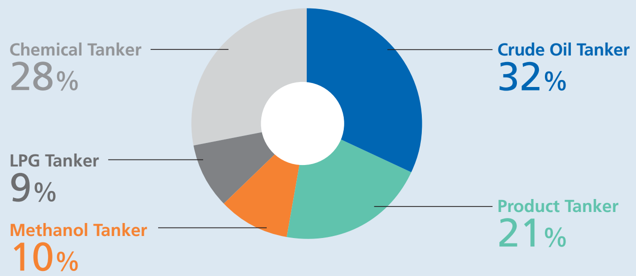

### Establishment of the "Energy Transport Business Unit"

Energy needs are diversifying. This includes the need to respond to deregulation sweeping the electric power industry. The Group established the "Energy Transport Business Unit" to comprehensively meet the complex needs of major customers, both in Japan and overseas, for petroleum, coal, LNG, ethane, methanol, LPG and other forms of energy. We reorganized the Sales Division to optimally place personnel and strengthen cooperation between sections. To ensure we propose and provide transport services most appropriate for customer needs, we will continue to enhance our sales capabilities and cost competitiveness.

Bulkships

## Tankers

### Consolidated Revenues Breakdown (FY2015)




### Tanker Fleet Table (Number of vessels)

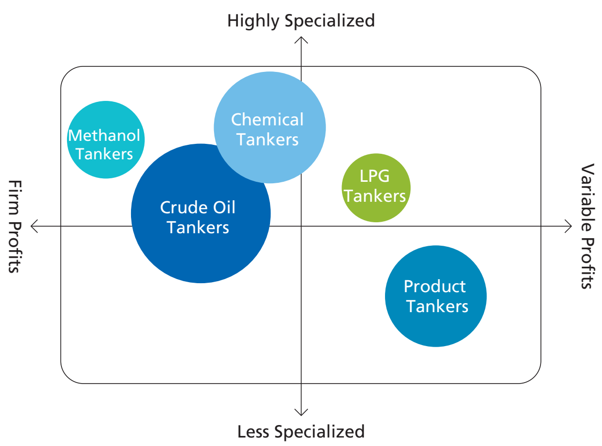
| | At the end of Mar. 2016 | At the end of Mar. 2015 | Vessel type under pool management (at the end of March 2016) |
|---|---|---|---|
| Crude oil tankers | 42 | 42 | |
| Product tankers*1 | 45 | 50 | LR1 (70,000 DWT) MR (50,000 DWT) |
| Chemical tankers*2 Including Methanol tankers | 79 | 75 | Chemical tanker |
| LPG tankers | 9 | 9 | VLGC (very large gas carrier, 80,000m$^3$) |
| Total | 175 | 176 | |

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

### Fiscal 2015 in Review

In fiscal 2015, the tanker division achieved a huge increase in profit due to favorable market conditions across all vessel types. Thanks to an increase in real, non-speculative, oil demand and a buildup in China's strategic reserves amid falling crude prices, crude oil transport demand also increased. Due to the shale revolution, West African light crude, which had been exported to the United States, is now being exported to India and China, leading to an increase in ton-miles. All of these factors have helped to greatly improve market conditions for crude oil tankers. We have worked hard to seize these favorable conditions and amass medium- to long-term contracts. In product tankers, operating rates at refineries have remained high globally and cargo flows for petroleum products have taken off, leading to solid business performance. This solid performance is also thanks to firm profits from chemical tankers operated by subsidiary Tokyo Marine Asia Pte Ltd and methanol tankers on long-term contracts.

### Portfolio




The LPG tanker business remained healthy in fiscal 2015. A major Chinese client became, as both a cargo owner and a ship-owner, a member of the pool of very large LPG carriers (VLGCs) jointly operated by MOL's subsidiary Phoenix Tankers Pte Ltd. This increased the fleet size to a world-leading 29 vessels and secured new cargo on the United-States/China route.

### Fiscal 2016 Initiatives

Although China is expected to continue stockpiling strategic reserves of crude oil in fiscal 2016 and beyond, we foresee the number of new VLCC deliveries increasing year on year and the market softening. The division's policy is to continue reducing market exposure and prioritize the accumulation of long-term, highly stable profits. We will continue seizing favorable market conditions and promoting the shift toward medium- and long-term transport contracts.

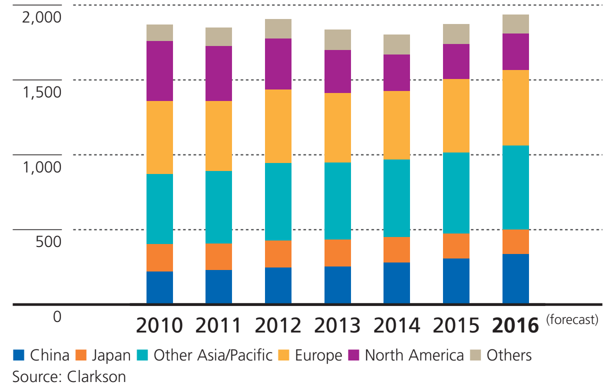
The parcel chemical transport business operated by Tokyo Marine Asia Pte Ltd. can be cited as a field expected to accumulate firm profits going forward. This business entails transporting small lots of various chemical products on ships fitted with segregated stainless steel tanks. This is a business that highly favors experience and knowhow related to the safe transport of chemical products and a proven track record in vessel management and seafarer training. Moreover, this is a very difficult field to enter as it is necessary to have a fleet of the right size to ensure effective deployment of vessels. Going forward, in this business, we will strive to stabilize and improve profitability by consolidating small lots of high value-added cargo while using contracts of affreightment (COA) as a central pillar. We also plan to expand the scale of our fleet by replacing existing vessels and securing up to 13 new vessels while enhancing cost competitiveness by using larger vessels.

The methanol tanker business, which MOL spearheaded globally in 1982, is stable with operations under long-term contracts, and we are building up our fleet. Upon delivery of those still under construction, our fleet will expand to 19 vessels. Since the shale revolution, expansions of North American methanol plants, which use inexpensive shale gas, have been planned. If those expansions are successfully achieved around 2020, we predict transport demand for methanol will expand even more greatly. We believe this business can continue to steadily contribute to profits as a pillar of highly stable profits.

The tanker division's fleet is currently one of the world's largest and we will continue our strenuous efforts to maintain and improve our competitiveness while building brand power as a tanker shipping company by investing in fields expected to provide stable growth.

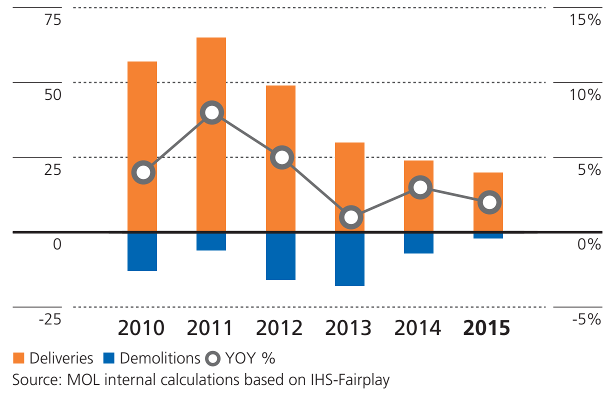
Underlined words are explained in the Glossary on page 18.

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




Source: Clarkson

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




Source: MOL internal calculations based on IHS-Fairplay

## Sustainability Highlights

### World's First Methanol-Powered Carriers on Order

MOL has ordered three methanol carriers equipped with dual-fuel low-speed diesel engines that use methanol as a propellant—a world's first—with delivery scheduled during fiscal 2016. The main diesel engine emits less $CO_2$ and $NO_x$ than normal engines that use heavy fuel oil. And because methanol does not contain $SO_x$, its low environmental load makes this fuel a preferable alternative to heavy oil.

The first ship equipped with a duel-fuel diesel engine—the TARANAKI SUN—was delivered in April 2016.

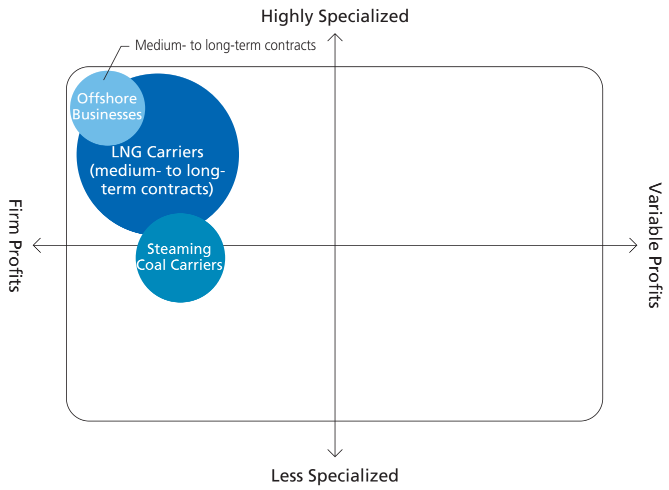
Bulkships

# LNG Carriers/ Offshore Businesses Steaming Coal Carriers

## New Projects Starting Operation in FY2016

| LNG Carriers | | | |
|---|---|---|---|
| Osaka Gas | ex.Australia | To Japan | 1 vessel |
| Kansai Electric Power | ex.Australia | To Japan | 1 vessel |
| Exxon Mobil | ex.Papua New Guinea | To China | 1 vessel |
| SINOPEC (China) | ex.Australia | To China | 2 vessels |
| Petronet (India) | ex.Australia | To India | 1 vessel |
| **Offshore Businesses** | | | |
| Petrobras | Brazil | FPSO | 1 |
| Tullow Ghana | Ghana | FPSO | 1 |
| **Ethane Carriers** | | | |
| Reliance (India) | ex.USA | To India | 6 vessels |

## Portfolio




## Fiscal 2015 in Review

We recorded large increases in revenue and income in fiscal 2015 due to the delivery of four new LNG vessels and one FPSO (our third), which were all built based on secured long-term contracts, and the shedding of the previous year's temporary expenses, including scheduled dry-dockings. Although we have been recording stable earnings based on long-term contracts, the investments made over the last few years have clearly had an impact on this year's performance as well.

On the other hand, falling crude oil, gas and other energy prices put an end to the long-running global resource boom. With the slowdown in new development projects, we were unable to achieve remarkable progress in securing new long-term contracts in the LNG carriers and offshore businesses during fiscal 2015.

We expect energy prices and investments in new large-scale projects to begin recovering from the latter half of fiscal 2016 into fiscal 2017 and onwards. It may take some time before we secure contracts for new projects.

## Fiscal 2016 Initiatives

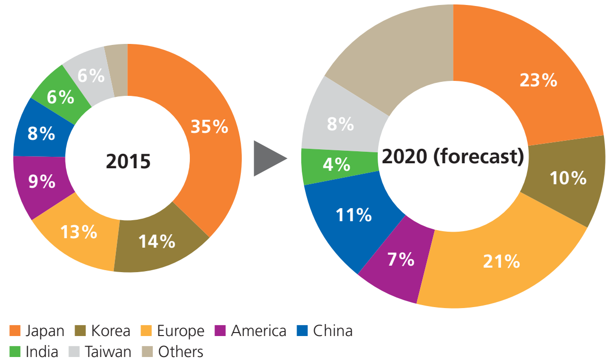
MOL has around 30 outstanding orders for LNG and ethane carriers, all being built based on long-term contracts. Revenue and income will likely continue to increase in fiscal 2016 as 14 new projects, including six for ethane carriers, are scheduled to launch. Fiscal 2016 is shaping up to be a year in which we can continue to steadily push ahead with our goal of accumulating long-term, highly stable profits. Hiring and training efforts are also advancing on course as we seek to secure enough seafarers to match the vessels scheduled for delivery. Every related division including Marine Safety and Technical is doing their best to ensure the smooth launch of all forthcoming projects.

Expanding overseas will be central to our fiscal 2016 strategy. Specifically, we are actively targeting China, India and Southeast Asian countries, where there is growth potential for energy as their populations expand, and targeting Europe, which is promoting measures to lower their dependence on Russian energy. Through these endeavors, we will extend our global customer base nurtured through far-ranging projects over many years, and continue to accelerate business expansion with renewed focus on securing and accumulating highly stable profits.

The LNG carrier division is distinguished by its long track record of safe transportation and the long-standing trust of its customers. Moreover, we know how to succeed through collaboration. Our business model includes joint ventures and vessel sharing with companies in Japan and overseas. We are widely recognized for our flexible response capabilities, adapting to the unique requirements of each country and region, as well as our management capabilities to coordinate with partners, align long-term projects and manage them successfully. We are steadily elevating MOL's LNG carrier brand.

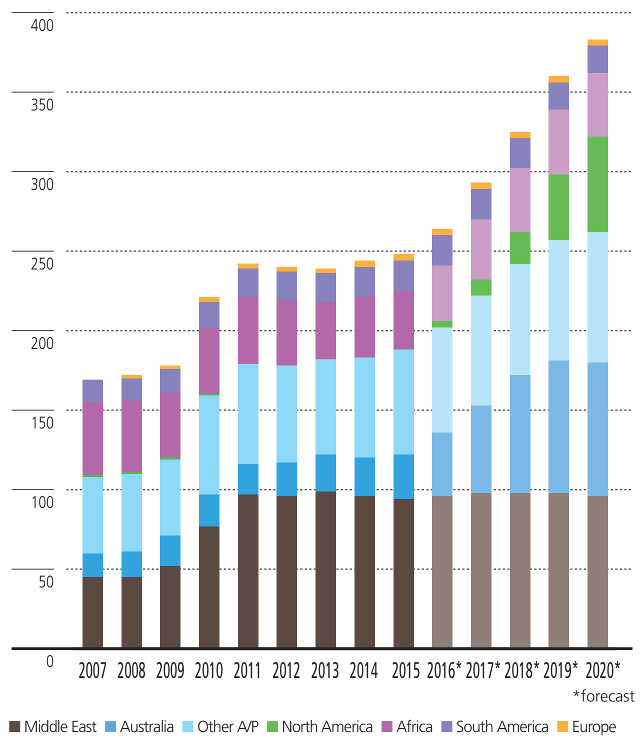
In addition, offshore businesses are a relatively new area for MOL. Since the Offshore and LNG Project Division was established in June 2014, we have built solid relationships with partner companies and are currently engaged in six FPSO projects and one FSRU project; three facilities are already in operation with the other four under construction. We will see these projects through to fruition while maintaining our tight-knit relationships with partners, leveraging all our knowhow and strength. At the same time, we aim to expand the scale of the offshore business and will continue to steadily grow these businesses over a long-term span of five to ten years.

### LNG: Demand Forecast by Area




Source: MOL internal calculation based on Wood Mackenzie

### LNG: Seaborne Trade (Million tons)




Source: MOL internal calculation based on Wood Mackenzie

## Sustainability Highlights

### New Seafarer Training Program for Ethane Carriers Created to Suit the Increasing Sophistication of Liquid Gas Transport

Our seafarer training program for ethane carriers was the first in the world to attain the Society of International Gas Tanker & Terminal Operators Ltd. (SIGTTO*) standard certification. MOL has for a long time carried out the LNG Carrier Standard Training Course based on SIGTTO standards. With this certification, MOL became the first shipping company in the world able to offer SIGTTO accredited standard training courses for all liquefied gas transport, including liquefied ethane gas (LEG) and LPG, at its own training centers.

## Coal Carrier Division Foresees Demand in Emerging Economies, in Addition to Long-term Stable Business with Domestic Customers

The steaming coal carrier division, which is expanding its business mainly in mid- to long-term contracts with electric power companies in Japan, had been included in the dry bulker division but is now one of the divisions under the Energy Transport Business Unit following the most recent restructuring of our sales organization. This division will continue to meet diversifying customer needs along with MOL Coastal Shipping, Ltd., which operates coastal bulkers.

With the deregulation of the Japan's electric power industry in 2016, the cheapest electric power fuel—coal—is getting another look. Many new plans for coal-fired electric power plants are being unveiled in Japan. While some proposals may be difficult to implement due to newly established $CO_2$ emission reduction targets, we will continue to actively expand our sales activities so we do not miss any business opportunities. In addition, to address the serious lack of electric power, there are many plans for the construction of coal-fired electric power plants in emerging economies like Southeast Asian countries and India. We can expect a large increase in overseas demand for coal transport going forward.

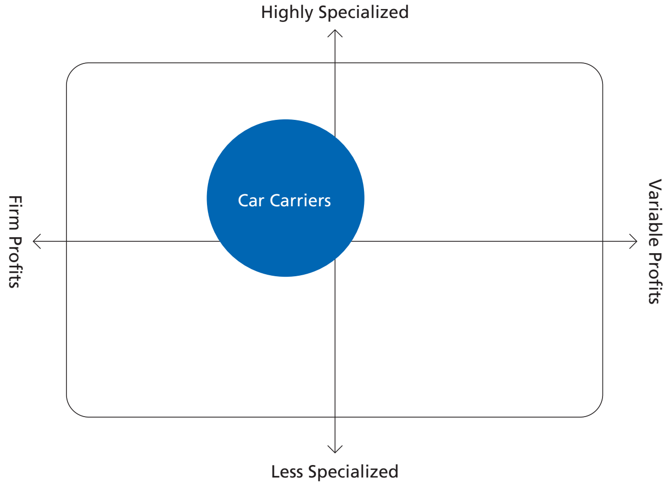
Looking ahead, the coal carrier division will continue to foster cooperation between the tanker division and LNG carrier/offshore businesses division as we work to strengthen the MOL brand in the energy transport field.

Underlined words are explained in the Glossary on page 18.


[Steaming Coal Carrier] SOMA MARU

Bulkships
# Car Carriers

## Portfolio




**Naotoshi Omoto** Managing Executive Officer

On the other hand, due mainly to unstable local rail conditions, we haven't yet been able to achieve the earnings originally projected for the Mexican vehicle export service launched in April 2014. However, global automakers prize Mexico as a production base for U.S. auto imports and major automakers will continue to ramp up operations in the country going forward, leading to stable earnings in the medium- to long-term. MOL will continue raising transport quality and steadily implementing measures to improve profits while working with customers to consider total logistic solutions, including lowering costs for rail, truck and other forms of inland transportation.

### Fiscal 2015 in Review

Global auto sales exceeded 89 million units in calendar 2015, a record high. This increase was headed by China, where measures were introduced to lower taxes on small-sized vehicles, and the United States, where sales remained firm throughout the year. On the other hand, the number of vehicles transported by sea worldwide stayed level at around 15 million units. The number of vehicles exported from Japan, however, surpassed the originally projected 4 million units on increased U.S. demand for imports as Japanese automakers favored domestic production due to a weaker yen. Shipments to emerging and oil-producing nations flagged as slumping crude oil prices placed downward pressure on their economies. Ultimately, the car carrier division saw income fall from the previous fiscal year despite efforts to minimize ballast voyages and to reduce operating costs.

The Company has long been active in shipping cargo between points outside of Japan as well as shipping imports to Japan. Volumes in cross trades and imports achieved major progress. One example is a contract with a major European automaker to export vehicles from a Mediterranean port. Previously, vehicles produced in southern and central Europe were transported by rail to northern European ports and then exported to Asia. Our new service allows the automakers to use maritime transport from this Mediterranean port, which is closer to production bases, thereby lowering their inland shipping costs. We also acquired a multi-year contract to transport vehicles for a major U.S. automaker that is ramping up production in India. We achieved an impressive record for these kind of cross trades and inbound trades in fiscal 2015.

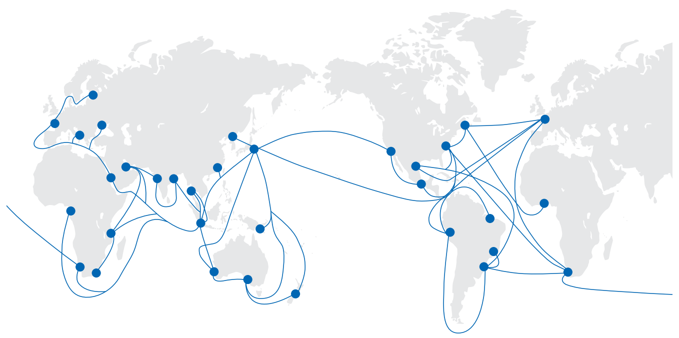
### Fiscal 2016 Initiatives

In recent years, trade patterns for vehicles have been growing more complex as Japanese automakers launched overseas manufacturing bases and then expanded production to cover solid demand from neighboring regions. We have unified our car carrier fleet—one of the largest in the world—around a standard vessel size with high usability in various sea lanes and ports across the globe. This has enabled us to respond flexibly to diversifying customer needs and trade patterns. MOL is bucking the industry trend toward larger vessels following expansion of the Panama Canal and is instead pursing its own strategy. In non-marine vehicle transport, we are advancing in areas such as logistics. We have already racked up accomplishments in the vehicle terminal business in India, the United Kingdom and the Netherlands, as well as the inland transport business in Thailand, Indonesia and China. Going forward, we are considering making an entry into such regions as Mexico and Turkey where the production and import of vehicles is expected to expand.

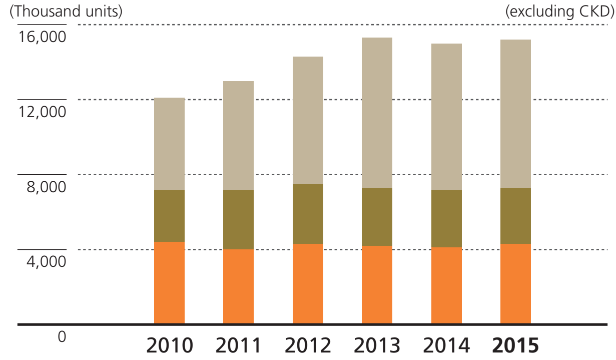
Long-distance vehicle transport bound from Japan for North America and Europe appears to have peaked. We are entering a period of transition toward cross-trade transport. Always mindful of automakers' strategies, MOL is optimizing the car carrier fleet for more efficiency. We are striving to improve customer satisfaction by enhancing our sales capabilities across our global network.

Underlined words are explained in the Glossary on page 18.

## Main Routes

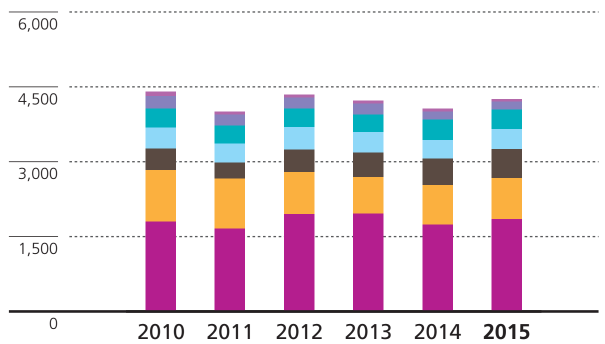


## Global Car Seaborne Trade



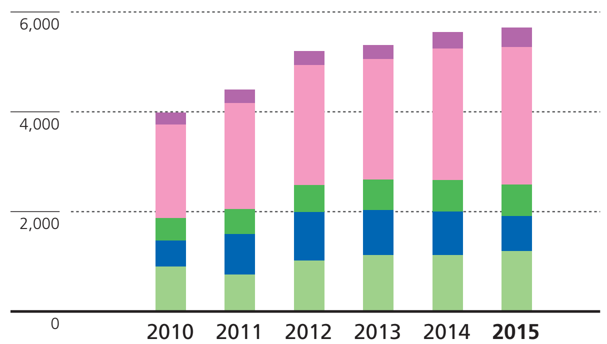

Source: MOL internal calculation based on Trade Statistics of Japan (MOF), etc.

## Car Export from Japan by Destination




Source: MOL internal calculation based on Trade Statistics of Japan (MOF)

## Car Export from Emerging Countries




Source: MOL internal estimation based on FOURIN data, etc.

## Sustainability Highlights

### Bow Design for Next-Gen Car Carrier FLEXIE Expected to Lower $CO_2$ Emissions About 2%

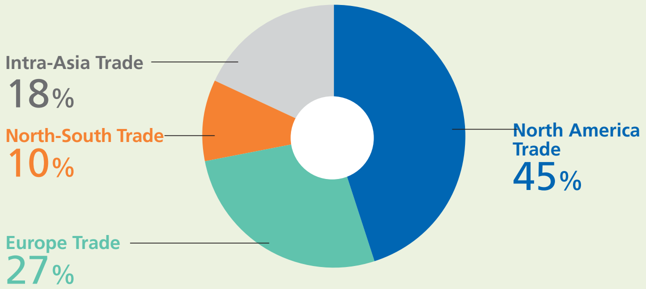
The next-generation car carrier FLEXIE is scheduled to be delivered in 2017. Wind resistance is reduced by making the bow round, cutting $CO_2$ emissions about 2% compared with current car carriers. The new bow shape is the result of joint research among MOL, MOL Techno-Trade, Ltd. and Akishima Laboratories (Mitsui Zosen) Inc.

Next-gen car carrier FLEXIE

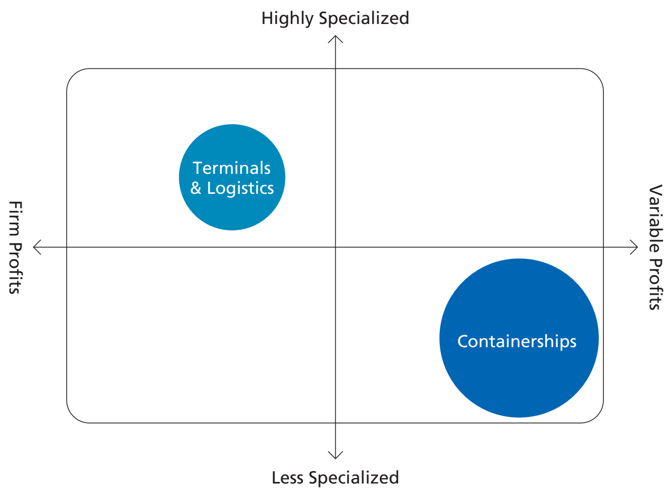

[Car Carrier] EUPHONY ACE

# Containerships

## Revenue Breakdown by Trade (FY2015)




## Portfolio




### Fiscal 2015 in Review

The containership business posted a loss of ¥29.8 billion in fiscal 2015 as the market stagnated at unprecedented lows for Asia-Europe trade and Asia-South America East Coast trade, causing the loss to expand year over year. On the Asia-Europe route, the gap between supply and demand widened with shipping companies delivering new Ultra Large Container Ships (ULCSs) in brisk succession even as cargo shipments bound for Europe declined. On the Asia-South America East Coast route, there was a steep drop in cargo bound for Brazil due to a rapid downturn in the economy sparked by falling natural resource prices.

On the Asia-South America East Coast route in particular, MOL has comparatively large capacity and was severely impacted by the decline in trade. To meet the challenge posed by this decline, we began joint operations with Maersk and MSC from July 2015 and pursued such rationalization efforts as reducing the number of ports of call and replacing vessels to improve operating efficiency.

## Containerships

Liner Division
**Akihiko Ono** Managing Executive Officer

Nevertheless, these efforts were unable to make up for the worsening market conditions.

We implemented Business Structural Reforms in the fourth quarter fiscal 2015, recording ¥61.9 billion in related expenses as an extraordinary loss. These expenses mainly comprise of an impairment loss on relatively costly mid-size containerships. To improve profitability on the Asia-South America East Coast route, we carried out even greater rationalization of our service in February 2016, halving capacity, and are disposing of surplus vessels. As a result of the reforms, we expect to essentially eliminate the structural disadvantage MOL had relative to other companies.

### Fiscal 2016 Initiatives

In addition to improving our profitability through the previously mentioned Business Structural Reforms, we are working to improve the quality of business and enhance yield management in fiscal 2016. As a result of prioritizing cost cuts and the deep integration of sales functions over the last few years, our approach became overly standardized, making it difficult for MOL to differentiate our brand from our competitors. We are now in the process of reinforcing our worldwide sales and customer service organization in order to improve our capability to provide the high level of service our customers require.

Since the beginning of 2016, the entire Liner division has adopted shared targets and focused efforts on the initiatives outlined under the vision of "C.A.R.E.": Care for our customers, Assure quality, Reinforce sales and Enhance customer service. Additionally, in regards to yield management, which aims to maximize round trip profitability, we will strengthen our forecasting accuracy in order to more precisely predict and communicate container flows in a manner which will allow us to reduce equipment repositioning expense. The newly established Shipment Management Center (SMC), located in the United States, serves as a good example of our progress towards improving customer service and enhancing yield management. The SMC functions as a high-level customer response unit offering the capability to quickly generate revenue paying cargo for surplus equipment.

Furthermore, we began development of a new enterprise system last year. Regarding the functions that contribute to improved customer service and enhanced yield management, development is progressing ahead of schedule. First, we are uniting our global customer information on a single system and creating a customer relations management (CRM) system for use across the entire organization. We are working to enhance customer service by improving system functions that automatically notify customers of their cargo status, as well as enhancements for searching bookings and contracts. In addition, from the perspective of improving yield management, we are using the latest tools to promote the analysis and sharing of data in order to improve turnover of our overall container fleet.

## Terminals & Logistics

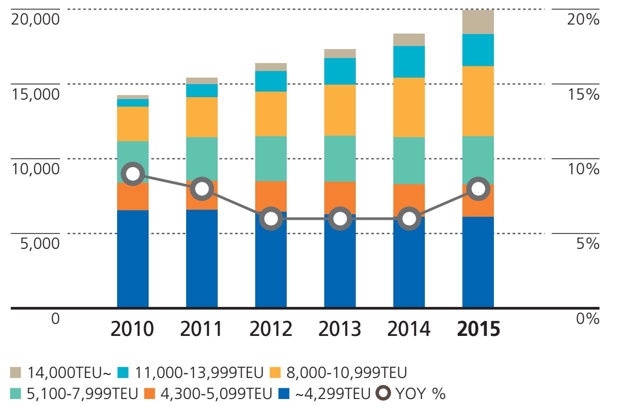
Port Projects & Logistics Business Division
**Toshiya Konishi** Managing Executive Officer

The Port Projects & Logistics Business Division, which is expected to grow and secure relatively firm profits, separated from the Liner Division at the end of April 2015 to enable expanded business activities. In the terminal (port projects) business, we are continuing to raise operating efficiency at major ports by actively introducing the latest technology. These efforts include expanding automated operation at our terminal at the Port of Los Angeles and jointly funding a leading-edge fully-automated terminal at Rotterdam Port, which opened in September 2015. In addition, we began work on expanding the terminal we operate at the Port of Kobe in July 2016 and will continue to actively promote new terminal businesses in Vietnam, Thailand and other Southeast Asian countries.

In the logistics business, MOL Logistics established a local subsidiary in Myanmar in May 2016. The company is also enhancing its services and actively working to expand its locations in growth regions, primarily in other Southeast Asian countries. In heavy cargo transport, we are expanding our business by providing optimal transport and one-stop services encompassing containerships, multipurpose cargo ships and RoRo ships under the unified brand "MOL Project & Heavy Cargo," which launched in March 2015.

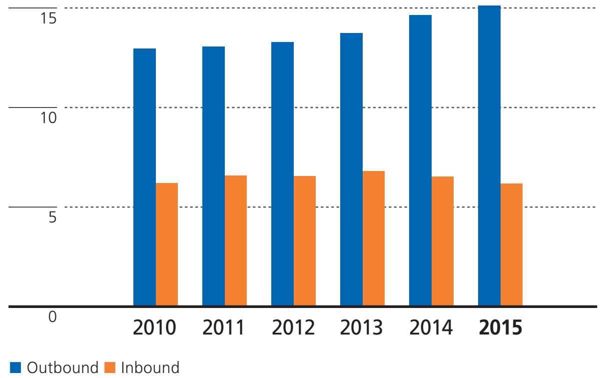
TraPac Container Terminal in Los Angeles

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



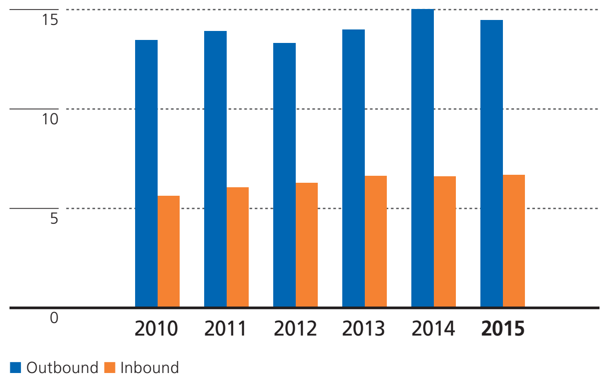

Source: MOL internal calculations based on Alphaliner / IHS-Fairplay

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




Source: Piers/JoC etc

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



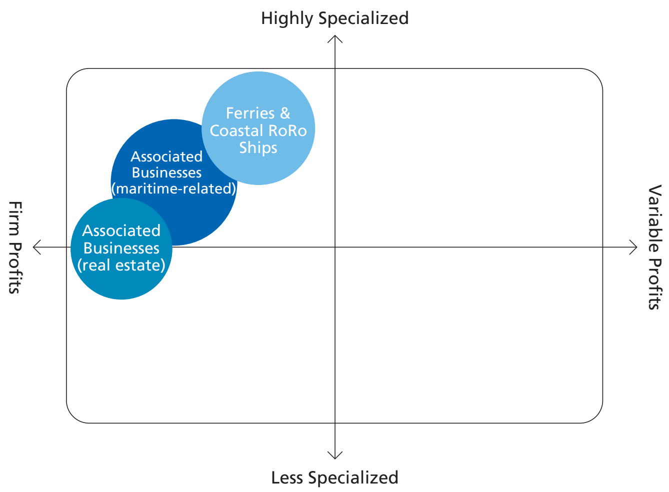

Source: Drewry

Underlined words are explained in the Glossary on page 18.

# Ferries & Coastal RoRo Ships

**Toshiyuki Sonobe** Managing Executive Officer

### Portfolio




## Fiscal 2015 in Review

For the half year beginning August 2015, our ferry services on the Eastern Japan route connecting a port northeast of Tokyo with Hokkaido were forced into irregular operations with one fewer vessel due to the fire that occurred on the SUNFLOWER DAISETSU. This lowered capacity, reducing the number of automobiles and trucks transported as well as the number of passengers. Although lower fuel prices contributed to lower costs, revenue fell from the previous year, and ordinary income held steady at ¥4.4 billion.

A shortage of truck drivers, a graying population and enforcement of legitimate labor management in the trucking sector have all helped accelerate a modal shift in long distance transport from inland transport to ferries. As the Japanese economy recovers, cargo volumes are expected to continue to rise.

Amid this environment, we decided in fiscal 2015 to replace the existing two ferries which operate the Western Japan route with new, upgraded vessels in fiscal 2018. This is not our only effort to capture demand for ferry transportation and actively expand business. Two new vessels, ordered in the previous fiscal year, are expected to launch in fiscal 2017.

## Fiscal 2016 Initiatives

Profit for the division is projected to rise year on year in fiscal 2016. After enhancing onboard firefighting equipment, the SUNFLOWER DAISETSU returned to service in February 2016, returning the Eastern Japan service to normal four-vessel operations. To prevent another fire from occurring, we cooperated with the relevant committees to further strengthen the safe operating structure. This entailed conducting a comprehensive review of safety measures, including seafarer drill plans, and conducting a follow-up review.

In addition, we are creating more attractive services for passenger transportation. We are working to enhance facilities, including renovating several guest cabins and greatly expanding the number of individual rooms. We are also strengthening packages and promotions to uncover new demand and raise brand awareness through advertising efforts.

The strength of MOL's ferries and Coastal RoRo ships business lies in offering Japan's most extensive maritime network. We connect each area of the country, from Tomakomai, Hokkaido in the north to Shibushi, Kagoshima in the south. Transporting over a million passengers annually, we serve as an artery for domestic distribution and support Japan's economy. We are working to expand services to meet customer needs while reinforcing safe operations and transportation quality. We will continue to strive to reinforce MOL's brand as the leader of an eco-friendly modal shift in domestic logistics.

### Sustainability Highlights

#### Ferry Sunflower Offers Pleasant Voyages while Reducing Environmental Load

To offer more comfortable and relaxing voyages, our new vessels scheduled for delivery in 2018 will each have 94 rooms, 20% more than our current vessels, and each room will have a toilet, shower, refrigerator and sink. The vessels will also provide 150% more public space, including a spacious, open entry way on the third floor that lets the breeze through. To play a greater role in the eco-friendly modal shift in Japan, the new ferries will have 16% more space for loading trucks. We are also working to lower their environmental load by adopting a new propulsion system.

[Ferry] SUNFLOWER SATSUMA



# Associated Businesses

**Toshiyuki Sonobe** Managing Executive Officer

## Fiscal 2015 in Review

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

Daibiru sustained steady revenues as the office leasing market continued to improve, especially in Tokyo, its main market. However, revenue and income fell for associated businesses overall in fiscal 2015 due mainly to depreciation expenses incurred from the Shin-Daibiru Building, which was completed in Osaka in March 2015. Revenues decreased to ¥96.6 billion, and ordinary income slid to ¥10.1 billion.

The cruise ship business improved its profitability thanks to higher numbers of passengers amid rising interest in cruises and an active domestic market stimulated by increased calls to Japanese ports by foreign luxury cruise ships. In the trading business, sales fell for Propeller Boss Cap Fins (PBCFs), a device to improve energy-efficiency, as investments in energy-saving technology were scaled back due to lower crude prices. Meanwhile, the tugboat business continued to sustain solid figures.

## Fiscal 2016 Initiatives

In fiscal 2016, ordinary income is expected to improve markedly to ¥12.0 billion primarily because there will be no more initial expenses associated with the completion of the Shin-Daibiru Building in Osaka. The occupancy rate is already at 95%, and we anticipate steady contributions to earnings from fiscal 2016 onwards.

Daibiru embarked on a new medium-term management plan entitled "Design 100" Project in April 2013. This five-year plan, which continues through the end of fiscal 2017, aims to expand profits by approximately 20% compared to fiscal 2012 through investments totaling ¥100.0 billion. In the three years since the plan launched, we've invested ¥50.0 billion, including overseas projects, and plan to allot 20–30% of total investment to overseas projects going forward. We aim to increase the share of overseas sales to 5–10% overall.

Vietnam is an excellent example of Daibiru's overseas projects. MOL established a liner route with Vietnam in 1915 so we have had deep, long-lasting relations with this country, and more recently we became the only Japanese shipping company authorized by the government to set up an independent Vietnamese sales agency, wholly owned by MOL. Leveraging MOL's network and local brand power, Daibiru successfully entered the Vietnamese market with its first overseas project in 2012. We are currently considering further expanding business in Vietnam and elsewhere in our strategic focus area of Southeast Asia.

Shin-Daibiru Building

### Sustainability Highlights

#### The Shin-Daibiru Building Received an AAA Rating from the Japan Habitat Evaluation and Certification Program (JHEP)

The Shin-Daibiru Building, which was completed in March 2015, received an AAA rating from the Japan Habitat Evaluation and Certification Program (JHEP). This program, which is run by the Ecosystem Conservation Society—Japan, quantifiably evaluates and certifies initiatives that contribute to the preservation and recovery of biodiversity. The Shin-Daibiru Building uses local grasses and trees for about half of the landscaping on its premises. Zelkova, Camellia, Maple and other trees over 50 years old that were grown in the long adored roof arboretum of the former Shin-Daibiru Building were transplanted to a green space of over 3,000 square meters, which now provides a relaxing sanctuary amidst the many office buildings.

In the cruise ship business, we will continue working to increase the number of passengers by differentiating our business through meticulous, high-class service with the aim of increasing recognition of the MOL brand and improving our profitability. In the tugboat business, we will continue to consider entering fields related to offshore businesses, such as specialty tugboats that assist in building wind power facilities. In addition, the trading business will continue pursuing research to further enhance the performance of PBCFs.

Underlined words are explained in the Glossary on page 18.

# Strengthening Our presence in Vietnam


**As Vietnam's economy grows, we will capture demand for resources, energy and infrastructure.**

## Early Entry into Steadily Growing Vietnam

Many Asian countries are growing, but Vietnam's growth is particularly robust. In addition, demand for marine transport is expected to grow exceptionally. For MOL, this is a strategically important region.

In Vietnam, demand for energy and electricity is rapidly expanding. MOL has current opportunities to enter these markets, including imports of steaming coal for coal-fired power plant projects. Moreover, we are expecting demand for LNG imports to increase in the future. In addition, while Vietnam currently exports crude oil, new refining facilities are now under construction. If the refining industry takes off, product tankers could be needed to export refined oil products and there may even be cases when they import crude oil. There is also plenty of room for the automotive market to grow, and vehicle imports will continue to grow steadily going forward. In Vietnam, MOL already has an established presence in containership services, terminals and tug boats as well as imports of vehicles on car carriers and exports of paper-making raw materials on wood chip carriers. Mitsui O.S.K. Kinkai, Ltd. handles transport of steel products. As Vietnam's economy continues to develop, we are eager to expand our business by leveraging the total power of the MOL Group.

**Yasushi Furukawa**
Chief Country Representative of MOL Group

The relationship between MOL and Vietnam goes back 120 years to 1896, when we shipped rice from Saigon to Japan. In 2006, we became the only Japanese shipping company authorized by the government to set up an independent Vietnamese sales agency, wholly owned by MOL. And by joining with powerful partners, we are making progress in the terminal and tug boat businesses. From an early stage, we have developed peripheral businesses to complement marine transport through these and other efforts.

## Our Terminal Business Leverages Synergies with the Marine Transport Business

Container Terminal in Cai Mep

At Cai Mep Port in southern Vietnam, we operate a container terminal with a local partner. Large vessels can berth at this efficient terminal, which is a great boon to our customers. We also have a well-established service where we transport loaded containers to Cai Mep from Cambodia using a river barge. Going forward, we also expect to use this terminal as a transshipment port, further increasing the number of calls by our containership service and enhancing synergistic effects with the marine transport business.

A tugboat assists a containership in the port

In addition, we are working to develop a container terminal at Lach Huyen Port aiming to open it in 2018. It will be the only port in the northern region of the country where large vessels can berth. Japanese manufacturing companies are lining up to make entry into the northern region, and we expect the importance of this region as an export base to increase going forward.

## Logistics and Real Estate Businesses Lift Our Presence in Vietnam

MOL Logistics (Vietnam) Inc. is focusing on enhancing and expanding its transport services within Vietnam. Headquartered in Ho Chi Minh City, the company develops a wide range of services, including marine and air transport, inland domestic transport, warehousing, and import customs clearance. It now has eight locations after adding locations in Hanoi and Haiphong. In 2013, the MOL Logistics established a local subsidiary in neighboring Cambodia and is working to meet cross-border logistics needs, further raising the profile of MOL in Southeast Asia.

Saigon Tower

In addition, our real estate business, Daibiru, acquired Saigon Tower in Ho Chi Minh City in 2012 and the CornerStone Building in Hanoi in 2014. With a comprehensive business model that handles everything from ownership to management, this business supports the MOL Group's firm profits.

Going forward, we will continue to bolster cooperation, leveraging the total power of the MOL Group to continue contributing to Vietnam's economic growth.

# Financial and Non-Financial Highlights

MOL STEP | MOL ADVANCE | GEAR UP! MOL | RISE 2013 | STEER FOR 2020

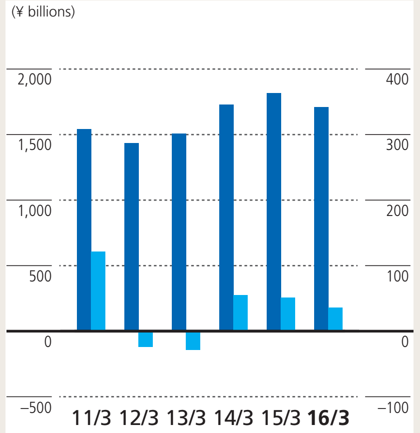
Millions of yen

| | 2006/3 | 2007/3 | 2008/3 | 2009/3 | 2010/3 | 2011/3 | 2012/3 | 2013/3 | 2014/3 | 2015/3 | **2016/3** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **For the year:** | | | | | | | | | | | |
| Shipping and other revenues | ¥1,366,725 | ¥1,568,435 | ¥1,945,697 | ¥1,865,802 | ¥1,347,965 | ¥1,543,661 | ¥1,435,221 | ¥1,509,194 | ¥1,729,452 | ¥1,817,070 | **¥1,712,223** |
| Shipping and other expenses | 1,101,459 | 1,300,038 | 1,544,109 | 1,564,486 | 1,228,479 | 1,328,960 | 1,368,795 | 1,432,014 | 1,587,902 | 1,683,795 | **1,594,569** |
| Selling, general and administrative expenses | 92,273 | 100,324 | 110,303 | 104,105 | 98,547 | 91,300 | 90,886 | 92,946 | 100,458 | 116,025 | **115,330** |
| Operating income (loss) | 172,993 | 168,073 | 291,285 | 197,211 | 20,939 | 123,401 | (24,460) | (15,766) | 41,092 | 17,250 | **2,324** |
| Ordinary income (loss) | 176,502 | 182,488 | 302,219 | 204,511 | 24,235 | 121,622 | (24,320) | (28,568) | 54,986 | 51,330 | **36,269** |
| Income (loss) before income taxes and minority interests | 188,290 | 197,854 | 318,202 | 197,732 | 27,776 | 95,367 | (33,516) | (137,939) | 71,710 | 58,332 | **(154,385)** |
| Profit (loss) attributable to owners of parent | 113,732 | 120,940 | 190,321 | 126,988 | 12,722 | 58,277 | (26,009) | (178,847) | 57,394 | 42,356 | **(170,448)** |
| Free cash flows [(a) + (b)] | 8,838 | 20,369 | 23,291 | (71,038) | (40,055) | 46,970 | (129,298) | (25,285) | (25,615) | (66,656) | **182,509** |
| Cash flows from operating activities (a) | 163,914 | 156,418 | 283,359 | 118,984 | 93,428 | 181,755 | 5,014 | 78,956 | 94,256 | 92,495 | **209,190** |
| Cash flows from investing activities (b) | (155,076) | (136,049) | (260,068) | (190,022) | (133,484) | (134,785) | (134,313) | (104,241) | (119,871) | (159,151) | **(26,681)** |
| Depreciation and amortization | 65,700 | 68,581 | 74,481 | 78,156 | 88,366 | 77,446 | 85,624 | 94,685 | 83,984 | 87,804 | **92,772** |
| **At year-end:** | | | | | | | | | | | |
| Total assets | 1,470,824 | 1,639,940 | 1,900,551 | 1,807,080 | 1,861,312 | 1,868,741 | 1,946,162 | 2,164,611 | 2,364,695 | 2,624,050 | **2,219,587** |
| Net vessels, property and equipment | 769,902 | 847,660 | 1,047,825 | 1,106,746 | 1,209,176 | 1,257,823 | 1,293,803 | 1,303,967 | 1,379,245 | 1,498,028 | **1,376,432** |
| Interest-bearing debt | 571,429 | 569,417 | 601,174 | 702,617 | 775,114 | 724,259 | 869,619 | 1,046,865 | 1,094,081 | 1,183,401 | **1,044,980** |
| Net assets | 424,461 | 620,989 | 751,652 | 695,022 | 735,702 | 740,247 | 717,909 | 619,493 | 783,549 | 892,435 | **646,925** |
| Shareholders' equity | 424,461 | 550,764 | 679,315 | 623,714 | 659,507 | 660,795 | 637,422 | 535,423 | 679,160 | 782,557 | **540,951** |
| **Amounts per share of common stock:** | | | | | | | | | | | Yen |
| Profit (loss) attributable to owners of parent | ¥94.98 | ¥101.20 | ¥159.14 | ¥106.13 | ¥10.63 | ¥48.75 | (¥21.76) | (¥149.57) | ¥47.99 | ¥ 35.42 | **¥ (142.50)** |
| Net assets | 354.01 | 459.55 | 567.74 | 521.23 | 551.70 | 552.83 | 533.27 | 447.76 | 567.90 | 654.26 | **452.28** |
| Cash dividends applicable to the year | 18.00 | 20.00 | 31.00 | 31.00 | 3.00 | 10.00 | 5.00 | – | 5.00 | 7.00 | **5.00** |
| **Management indicators:** | | | | | | | | | | | |
| Gearing ratio (%) | 135 | 104 | 88 | 113 | 118 | 110 | 136 | 196 | 161 | 151 | **193** |
| Net gearing ratio (%) | 120 | 94 | 79 | 99 | 105 | 100 | 123 | 158 | 135 | 135 | **164** |
| Equity ratio (%) | 28.9 | 33.6 | 35.8 | 34.5 | 35.4 | 35.4 | 32.8 | 24.7 | 28.7 | 29.8 | **24.4** |
| ROA (%)(*) | 13.1 | 11.7 | 17.1 | 11.0 | 1.3 | 6.5 | (1.3) | (1.4) | 2.4 | 2.1 | **1.5** |
| ROE (%) | 31.5 | 24.8 | 30.9 | 19.5 | 2.0 | 8.8 | (4.0) | (30.5) | 9.5 | 5.8 | **(25.8)** |
| Dividend payout ratio (%) | 19.0 | 19.8 | 19.5 | 29.2 | 28.2 | 20.5 | – | – | 10.4 | 19.8 | **–** |
| $CO_2$ Emissions of MOL Fleet (Thousand tons) | 17,457 | 18,392 | 20,065 | 20,374 | 18,684 | 20,053 | 19,435 | 19,053 | 18,860 | 18,803 | **18,676** |
| Number of MOL Group employees: (the parent company and consolidated subsidiaries) | 8,351 | 8,621 | 9,626 | 10,012 | 9,707 | 9,438 | 9,431 | 9,465 | 10,289 | 10,508 | **10,500** |

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

# Key Indicators

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

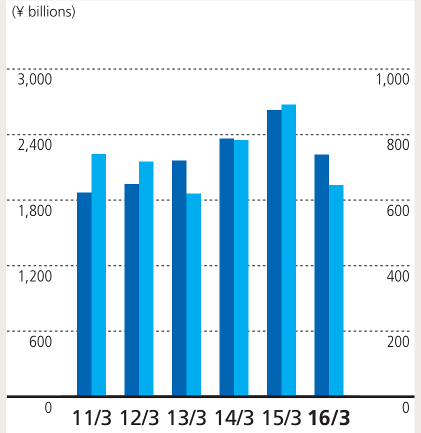



■ Shipping and other revenues (left scale)
■ Ordinary income (loss) (right scale)

| | | |
|---|---|---|
| FY2015 Shipping and Other Revenues | ¥1,712.2 billion |
| Ordinary Income | ¥36.2 billion |

Shipping and other revenues decreased ¥104.8 billion year on year and ordinary income decreased ¥15.0 billion due to unprecedented stagnation in the dry bulker market and in containership freight rates despite tailwinds from the weaker yen, lower bunker prices and strong market conditions for tankers.

## Total Assets/Net Assets

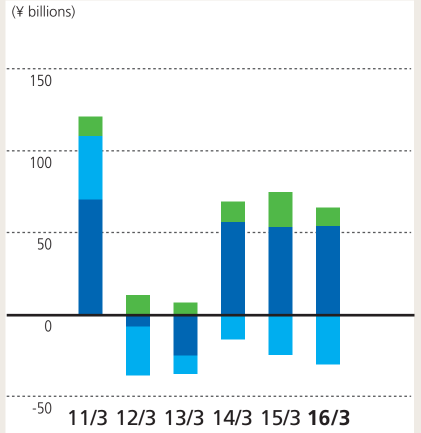



■ Total assets (left scale)
■ Net assets (right scale)

| | |
|---|---|
| FY2015 Total Assets | ¥2,219.5 billion |
| Net Assets | ¥646.9 billion |

Total assets as of March 31, 2016 were ¥404.4 billion lower than at March 31, 2015 due to decreases in vessels and investment securities. Net assets decreased ¥245.5 billion year on year due mainly to decreases in retained earnings.

## Ordinary Income (Loss) by Segment

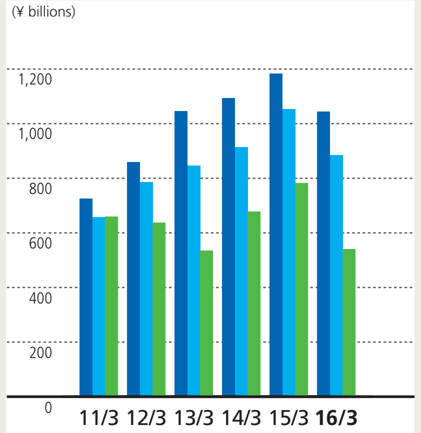



■ Bulkships ■ Other segments, etc.
■ Containerships

| | |
|---|---|
| FY2015 Bulkships | ¥54.8 billion |
| Containerships | ¥(29.8) billion |
| Other segments, etc. | ¥11.2 billion |

In the bulkships segment, the higher profits of the tankers and the LNG carriers/offshore businesses offset the lower profits of dry bulkers and car carriers. The containerships segment posted a larger ordinary loss than fiscal 2014.

## Interest-bearing Debt / Net Interest-bearing Debt / Shareholders' Equity



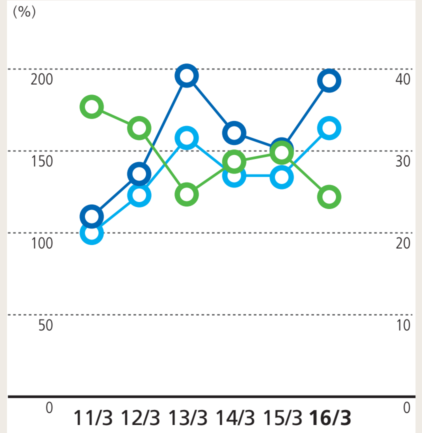

■ Interest-bearing Debt ■ Shareholders' Equity
■ Net Interest-bearing Debt

| | |
|---|---|
| FY2015 Interest-bearing Debt | ¥1,044.9 billion |
| Net Interest-bearing Debt* | ¥885.5 billion |
| Shareholders' Equity** | ¥540.9 billion |

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

Interest-bearing debt decreased ¥138.4 billion to ¥1,044.9 billion due to a decrease in short-term borrowings and corporate bonds. Shareholders' equity decreased ¥241.6 billion to ¥540.9 billion due to lower retained earnings following the Business Structural Reforms.

## Gearing Ratio / Net Gearing Ratio / Equity Ratio




○ Gearing Ratio (left scale)
○ Net Gearing Ratio (left scale)
○ Equity Ratio (right scale)

| | |
|---|---|
| FY2015 Gearing Ratio | 193% |
| Net Gearing Ratio | 164% |
| Equity Ratio | 24% |

The net gearing ratio worsened 29 points and the equity ratio worsened 5 points, reflecting the ¥241.6 billion decrease in shareholders' equity, the ¥138.4 billion fall in interest-bearing debt, and the ¥404.4 billion decrease in total assets.

## Credit Ratings (As of June 2016)

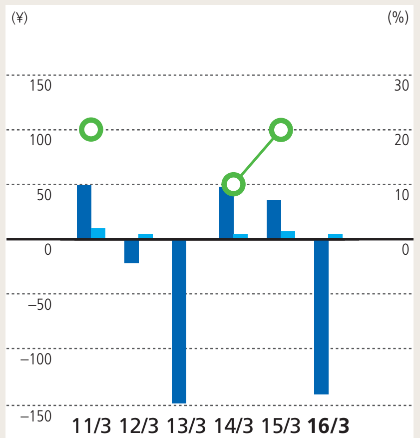
| | Type of Rating | Rating |
|---|---|---|
| JCR | Short-term debt rating (CP) | J-1* |
| | Long-term preferred debt (issuer) rating | A–* |
| | Long-term debt rating | A–* |
| R&I | Issuer rating | BBB |
| | Short-term debt rating (CP) | a-2 |
| | Long-term individual debt rating | BBB |
| Moody's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

| | |
|---|---|
| JCR | A–* |
| R&I | BBB |
| Moody's | Ba1* |

MOL's credit ratings are currently under downward pressure due mainly to the financial burden of the Business Structural Reforms and the protracted stagnation of the marine transport market. Going forward, MOL will continue to provide explanations to the credit rating agencies about its growth strategies and path to improved financial standing with the continued aim of improving its credit ratings.

(*)Credit monitor rating

## Net Income (Loss)* per Share/Cash Dividends Applicable to the Year/ Dividend Payout Ratio



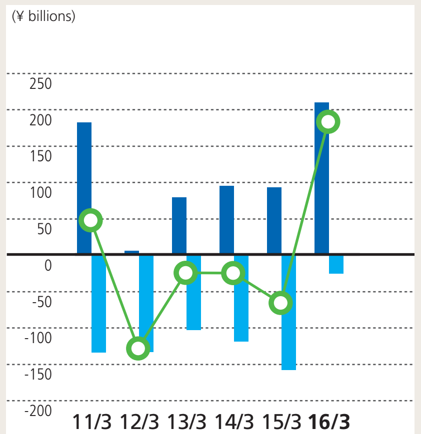

■ Net income (Loss)* per share (left scale)
■ Cash Dividends Applicable to the Year (left scale)
○ Dividend Payout Ratio (right scale)

| | |
|---|---|
| FY2015 Net Income (Loss)* per Share | ¥(142.50) |
| Cash Dividends Applicable to the Year | ¥5 |

Due mainly to recording expenses related to the Business Structural Reforms, net income* declined ¥212.8 billion. MOL paid ¥5 per share in dividends for the fiscal year, including a ¥3.5 interim dividend, a year-on-year decrease of ¥2 per share.

*Profit (loss) attributable to owners of the parent

## Cash Flows

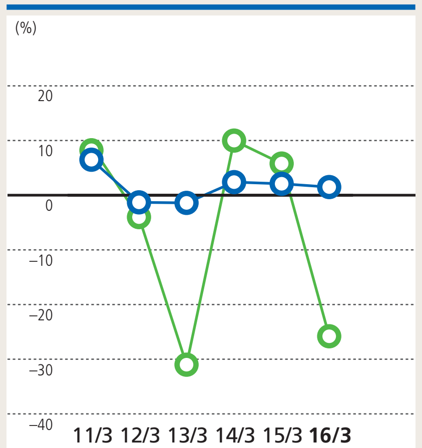



■ Cash flows from operating activities
■ Cash flows from investing activities
○ Free cash flows

| | |
|---|---|
| FY2015 Cash Flows from Operating Activities | ¥209.1 billion |
| Cash Flows from Investing Activities | ¥(26.6) billion |

Net cash provided by operating activities was up ¥116.6 billion year on year, while cash used in investing activities narrowed by ¥132.4 billion, to ¥26.6 billion; resulting in positive free cash flows.

## ROA/ROE

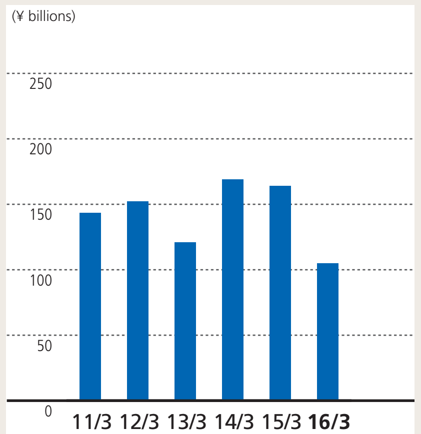



○ ROA
○ ROE

| | |
|---|---|
| FY2015 ROA | 1.5% |
| ROE | (25.8)% |

ROA and ROE were both lower as ordinary income and net income both fell due mainly to the lower market and the recording of an extraordinary loss following the Business Structural Reforms.

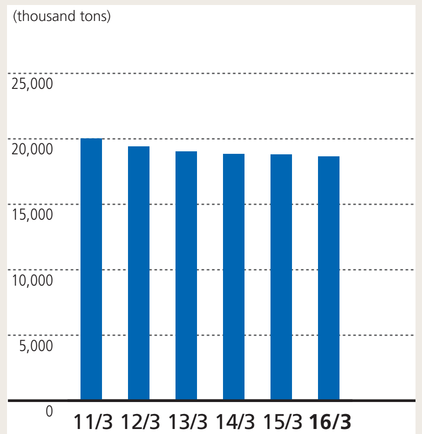
## Capital Expenditure




| | |
|---|---|
| FY2015 Capital Expenditure | ¥104.8 billion |

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

## $CO_2$ Emissions of MOL Fleet




| | |
|---|---|
| FY2015 $CO_2$ Emissions of MOL Fleet | 18,676 thousand tons |

The listed $CO_2$ emissions were mainly from bunker A and C used as fuel for vessels operated by the MOL Group.

# Message from the CFO

Masahiro Tanabe
Senior Managing Executive Officer

## Assessment of the Fiscal 2015 Financial Results

Fiscal 2015 brought a welcome tailwind with the continued fall in bunker prices and the persistently weak yen, in addition to significant earnings contributions from the strong tanker market. Yet, especially in the latter half of the year, we faced fierce headwinds with rates stagnating at historic lows in the dry bulker and container freight markets. As a result, consolidated ordinary income fell 29% year on year to ¥36.2 billion.

In bulkships, although the spot market for dry bulkers remained weak due to a slump in Brazilian iron ore exports and decreased coal imports into China, the spot market for tankers remained firm due in part to falling crude oil prices and the subsequent increase in actual demand for petroleum, as well as demand for strategic reserves in China. In addition, MOL benefitted from the highly stable profits of dry bulkers, tankers and LNG carriers on medium- to long-term contracts that are resilient to market fluctuations. As a result, this segment secured ¥54.8 billion in ordinary income, roughly the same as in the previous fiscal year.

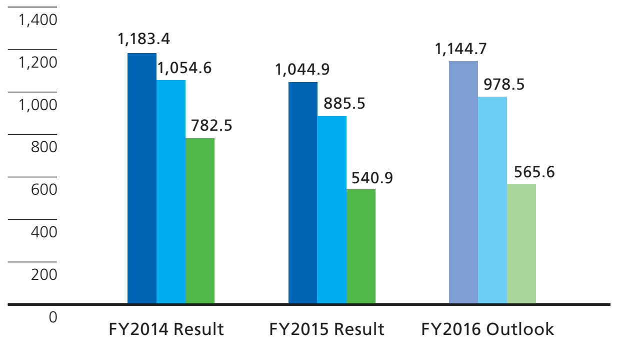
Containerships recorded an ordinary loss of ¥29.8 billion, widening the loss from the previous fiscal year. Despite the far-reaching rationalization of unprofitable routes undertaken throughout the year, in addition to falling bunker prices that helped improve profitability, the stagnant freight rates plagued almost every route, worsening profitability more than we assumed.

## Financial Foundation Following the Business Structural Reforms

At the end of fiscal 2015, interest-bearing debt declined ¥138.4 billion from ¥1,183.4 billion at the end of the previous fiscal year to ¥1,044.9 billion. Following the Business Structural Reforms, the other financial indicators worsened, including a decline in the equity ratio to 24% and an increase in the net gearing ratio to 164%.

From fiscal 2016 onwards, we will continue working to recover and enhance shareholders' equity through the accumulation of profits. On the other hand, we will continue investing in businesses that will generate future long-term, highly stable profits, especially LNG carriers and offshore businesses. Those areas where we have made aggressive investments in the past few years will reap the reward from fiscal 2017 and begin to expand earnings. We believe these two businesses will contribute to improved financial soundness.

### Shareholders' Equity (¥ billions)




■ Interest-bearing Debt ■ Net Interest-bearing Debt*1 ■ Shareholders' Equity
*1 Interest-bearing debt – cash & cash equivalents

## Status of Cash Flows

In fiscal 2015, we recorded ¥179.3 billion in expenses related to Business Structural Reforms, mainly for impairment loss, fees for canceling chartered vessel contracts, and loss on sales of vessels. The impairment loss did not affect cash flows. In addition, the actual payment of fees for canceling chartered vessels are being made in the next fiscal year. As a result, free cash flows for the year increased significantly also helped by recovering funds through the utilization of off-balance sheet structures and project finance for already invested projects.

On the other hand, in fiscal 2016, we expect negative free cash flows. Cash flows from operating activities will decline sharply due in part to making payments to cancel chartered vessel contracts. In addition, cash flows from investing activities will increase, especially in LNG carriers and offshore businesses. Business Structural Reforms will affect cash flows over the course of fiscal 2015 and 2016, but looking at the total of the two years, we expect free cash flows to remain positive.

## Impact of Exchange Rates and Bunker Prices on Financial Results

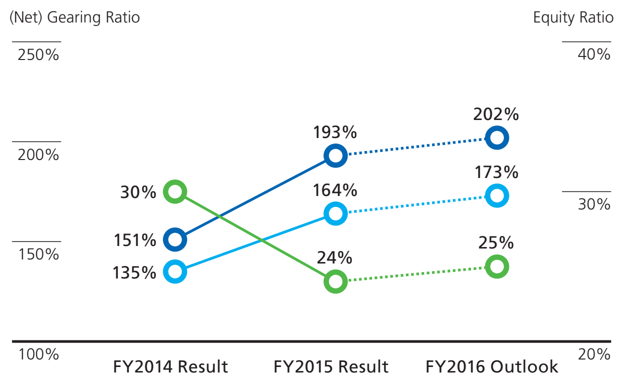
As for exchange rates, our financial results are primarily impacted by the Japanese yen-U.S. dollar exchange rate. This is because freight revenues are primarily denominated in U.S. dollars while a certain portion of costs are in yen. In fiscal 2016, we project that each ¥1-per-dollar change against the assumed ¥108-to-U.S. dollar yearly average exchange rate will have an impact of approximately ¥1.0 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$230 per metric ton, and we calculated at the beginning of the fiscal year that every dollar deviation would have an impact of ¥170 million. (If the price falls, it will improve profitability.) 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.

## Outlook for Operating Results in Fiscal 2016

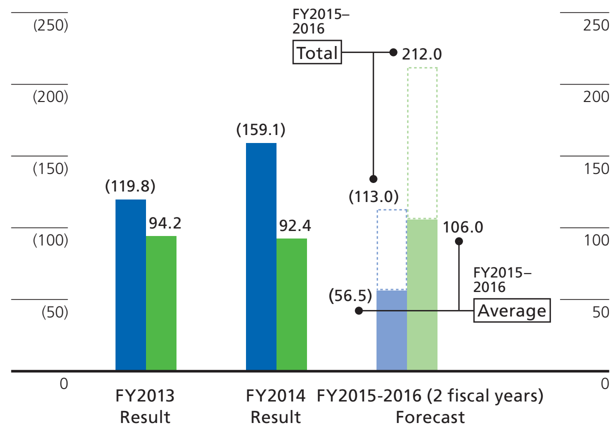
We are expecting consolidated ordinary income to decrease 45% year on year to ¥20.0 billion and profit attributable to owners of parent to amount to ¥20.0 billion in comparison to a loss of ¥170.4 billion in the previous fiscal year, on the

### Gearing Ratio / Equity Ratio




Gearing Ratio*2 Net Gearing Ratio*3 Equity Ratio
*2 Interest - bearing debt / Shareholder's equity
*3 (Interest – bearing debt –cash & cash equivalents) /Shareholders' equity

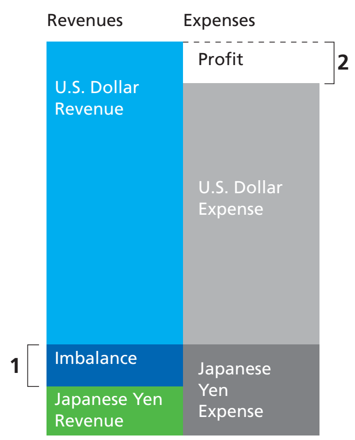
### Cash Flows (¥ billions)



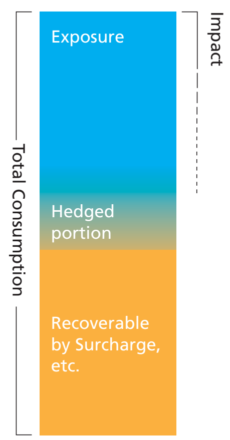

■ CFs from Investing Activities (left axis) ■ CFs from Operating Activities (right axis)

### Impact of Exchange Rate Fluctuations (Model)

Impact=1+2




### Impact of Bunker Prices Fluctuations (Model)




Underlined words are explained in the Glossary on page 18.

assumption that the exchange rate will be ¥108 to the U.S. dollar and bunker prices will be US$230, as mentioned previously.

In bulkships, dry bulkers are expected to return to profitability as the positive effects steadily appear following the Business Structural Reforms. To an extent, however, we expect these positive effects to be cancelled out due in part to worsening spot market conditions, a strong yen and the conclusion of a few highly profitable long-term contracts. In addition, taking into consideration the softening tanker market and reduced car exports to resource exporting countries, we forecast profit will decline ¥19.8 billion year on year in bulkships overall.

In containerships, we expect several factors to improve profitability, including the positive impacts of the Business Structural Reforms, the rationalization of unprofitable routes conducted in the previous fiscal year, and falling bunker prices. However, this will likely be cancelled out by a steep decline in freight rates, especially on the Asia-North America route, and we forecast that overall segment loss will widen ¥2.1 billion year on year in containerships. However, as we expect ferries, real estate, and other divisions to improve their performance, we forecast ordinary income of ¥20.0 billion for the Company overall, a worsening of ¥16.2 billion year on year.

### Consolidated Ordinary Income (Loss) by Segment

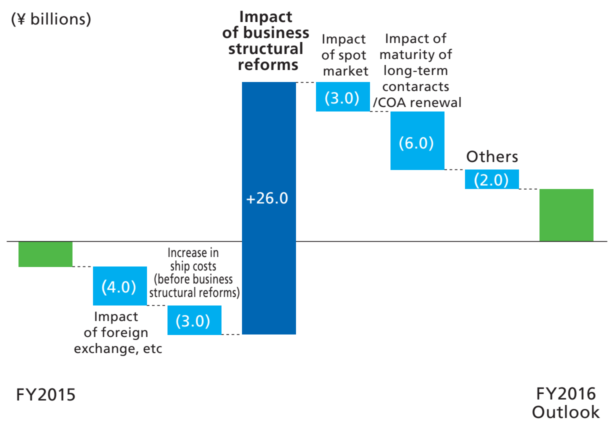
(Billions of yen)

| | FY2015 Result | FY2016 Outlook* |
|---|---|---|
| Bulkships | **54.8** | 35.0 |
| Containerships | **(29.8)** | (32.0) |
| Ferry/Coastal RoRo Ships | **4.4** | 5.5 |
| Associated business | **10.1** | 12.0 |
| Other | **3.5** | 1.5 |
| Corporate/Eliminate | **(6.9)** | (2.0) |
| Total | **36.2** | 20.0 |
| Exchange rate | ¥120.62/$ | ¥108.00/$ |
| Bunker price | $265/MT | $230/MT |

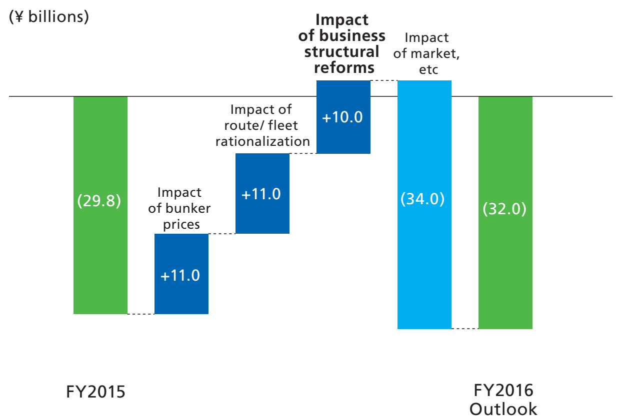
*As of April 28, 2016

### FY2015 → FY2016 Variable Factors (Outlook)

#### Dry bulkers




#### Containerships




## Status of Credit Ratings

MOL's credit ratings are currently under downward pressure due mainly to the financial burden of the Business Structural Reforms and the protracted severe business environment. We are exchanging information more closely with the credit rating agencies. With the aim of recovering our credit ratings going forward, I think we need to firmly achieve the profit targets. We need to carefully explain our timeline and course to implement our growth strategies, and we need to be sure to provide updates on the accompanying improvement in our financial standing.

MOL currently is promoting investment focused on LNG carriers and offshore businesses, which are based on sound long-term transport contracts with highly credible customers. These investments have received a certain level of positive feedback from credit agencies as a possible source of future growth that will contribute to the accumulation of long-term, highly stable profits. In regard to the financial burden associated with the lag time before new projects begin contributing to earnings, we will continue to work on measures to firmly reduce the financial burden while maintaining necessary investment. We will work to moderate cash flow used in investing activities and control interest-bearing debt mainly by utilizing off-balance sheet structures. Moreover, we have many options for fund procurement, a wealth of knowhow and strong relationships with financial institutions. We will choose the best method to procure funds, such as utilizing project finance.

Underlined words are explained in the Glossary on page 18.



# Management Foundation Underpinning MOL:

**Corporate Governance and Corporate Social Responsibility**

# Board of Directors, Audit & Supervisory Board Members and Executive Officers

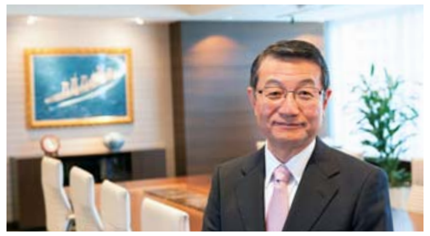
(At the end of June, 2016)

## Board of Directors

### Koichi Muto

*Representative Director* Born 1953

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



### Junichiro Ikeda

*Representative Director* Born 1956

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

### Kenichi Nagata

*Representative Director* Born 1956

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

### Masahiro Tanabe

*Director* Born 1957

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

### Shizuo Takahashi

*Director* Born 1959

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

### Takeshi Hashimoto

*Director* Born 1957

Apr. 1982 Joined Mitsui O.S.K. Lines, Ltd
Jun. 2008 General Manager of LNG Carrier Division
Jun. 2009 Executive Officer, General Manager of LNG Carrier Division
Jun. 2011 Executive Officer
Jun. 2012 Managing Executive Officer
Jun. 2015 Director, Managing Executive Officer
Apr. 2016 Senior Managing Executive Officer
Jun. 2016 Director, Senior Managing Executive Officer (current)

### Independent Officers

### Masayuki Matsushima

*Outside Director*

Jun. 2011 Director of Mitsui O.S.K. Lines, Ltd. (current)
Jun. 2011 Outside Director of Mitsui Fudosan Co., Ltd (current)
Nov. 2012 Chairman of NWIC Co., Ltd. (current)
Sept. 2014 Senior Advisor of Integral Corporation (current)
Jun. 2016 Outside Director of JGC Corporation (current)

### Hideto Fujii

*Outside Director*

Jun. 2015 Adviser of Sumitomo Corporation (current)
Jun. 2016 Director of Mitsui O.S.K. Lines, Ltd. (current)

### Etsuko Katsu

*Outside Director*

Apr. 2003 Professor of School of Political Science and Economics, Meiji University (current)
Jan. 2013 Board Member of Japan-United States Educational Commission (current)
Mar. 2015 Vice President of Center for Entrance Examination Standardization (current)
Jun. 2016 Director of Mitsui O.S.K. Lines, Ltd. (current)

## Audit & Supervisory Board Members

### Takashi Nakashima

Born 1959

*Audit & Supervisory Board Member*

Apr. 1982 Joined Mitsui O.S.K. Lines, Ltd.
Jun. 2009 General Manager of Research Office
Jun. 2011 General Manager of General Affairs Division
Jun. 2015 Audit & Supervisory Board Member of Mitsui O.S.K. Lines, Ltd. (current)

### Takehiko Ota

Born 1960

*Audit & Supervisory Board Member*

Apr. 1984 Joined Mitsui O.S.K. Lines, Ltd.
Jun. 2008 General Manager of Investor Relations Office
Jun. 2013 Audit & Supervisory Board Member of Mitsui O.S.K. Lines, Ltd. (current)

### Independent Officers

### Hiroyuki Itami

*Outside Audit & Supervisory Board Member*

Apr. 2008 Professor of Tokyo University of Science, Graduate School of Innovation Studies (current)
Jun. 2010 Outside Corporate Auditor of JFE Holdings, Inc. (Current)
Jun. 2011 Audit & Supervisory Board Member of Mitsui O.S.K. Lines, Ltd. (current)

### Hideki Yamashita

*Outside Audit & Supervisory Board Member*

Apr. 1982 Attorney-at-Law (current)
Apr. 1985 Established YAMASHITA & TOYAMA LAW AND PATENT OFFICE
Mar. 1993 Patent Attorney (current)
Mar. 2012 Outside Corporate Auditor of I-cell Networks Corporation (Current)
Jun. 2014 Audit & Supervisory Board Member of Mitsui O.S.K. Lines, Ltd. (current)

## Executive Officers

**Koichi Muto**
Chairman

**Junichiro Ikeda**
President, Chief Executive Officer

**Kenichi Nagata**
Executive Vice President
(Assistant to President, Dry Bulk Business Unit, Dry Bulk Business Planning & Co-ordination Office, Dry Bulk Carrier Division (B))

**Masaaki Nemoto**
Senior Managing Executive Officer
(Safety Operations Headquarters, Human Resources Division, Marine Safety Division, Dry Bulk Carrier Supervising Office, Tanker Safety Management Office, LNG Safety Management Office)

**Masahiro Tanabe**
Senior Managing Executive Officer
(Finance Division, Accounting Division Investor Relations Office, Liner Division, Port Projects & Logistics Business Division, Group Business Division, Research Office)

**Shizuo Takahashi**
Senior Managing Executive Officer
(Chief Compliance Officer, Chief Information Officer, Safety Operations Headquarters, Internal Audit Office, Secretaries Office, Corporate Planning Division, Public Relations Office, MOL Information Systems, Ltd.)

**Takeshi Hashimoto**
Senior Managing Executive Officer
(Energy Transport Business Unit, Energy Business Strategy Office, Steaming Coal Carrier Division, LNG Carrier Division, Offshore and LNG Project Division, LNG Safety Management Office)

**Toshiya Konishi**
Managing Executive Officer
(Port Projects & Logistics Business Division, Chief Executive Representative in Americas)

**Takashi Maruyama**
Managing Executive Officer
(Finance Division, Investor Relations Office)

**Akihiko Ono**
Managing Executive Officer
(Liner Division)

**Akio Mitsuta**
Managing Executive Officer
(Energy Transport Business Unit, Tanker Division, Tanker Safety Management Office)

**Naotoshi Omoto**
Managing Executive Officer
(Car Carrier Division)

**Toshiyuki Sonobe**
Managing Executive Officer
(Group Business Division, Kansai Area, Japan Logistics Business Promotion)

**Yoshikazu Kawagoe**
Managing Executive Officer
(Technical Division)

**Koichi Yashima**
Managing Executive Officer
(Human Resources Division, General Affairs Division)

**Hideo Horiguchi**
Executive Officer
(Accounting Division)

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

**Toshiaki Tanaka**
Executive Officer
(Dry Bulk Business Unit, Dry Bulk Carrier Division (A), Dry Bulk Carrier Supervising Office)

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

**Kenta Matsuzaka**
Executive Officer
(Offshore and LNG Project Division, General Manager of LNG Carrier Division)

**Masanori Kobayashi**
Executive Officer
(Safety Operations Headquarters, Tanker Safety Management Office, LNG Safety Management Office, Marine Safety Division)

**Yutaka Hinooka**
Executive Officer
(General Manager of Liner Division)

**Masato Koike**
Executive Officer
(General Manager of Tanker Division)

**Masanori Kato**
Executive Officer
(Safety Operations Headquarters, Human Resources Division, Marine Safety Division, Dry Bulk Carrier Supervising Office)

## As an outside director, I'd like to frankly express my opinion to help implement the Business Structural Reforms and improve corporate value.

**Masayuki Matsushima** Outside Director

### Regarding Fiscal 2015 Business Structural Reforms

In fiscal 2012, my second year as one of MOL's outside directors, the Company carried out the first Business Structural Reforms, shifting operations of free vessels in dry bulkers to Singapore and recording around ¥100.0 billion in business structural reform costs. At the time, we believed that if we booked this loss, the Company's operational structure would improve, and we would eventually be able to make a remarkable recovery. However, market conditions worsened more severely than expected and, as a result, the Company was again forced to implement Business Structural Reforms, which led to the loss of around ¥180.0 billion. In regard to this, I truly regret my actions as an outside director.

At this point, I believe that we must ensure the success of the fiscal 2015 Business Structural Reforms and that this is truly the last round of reforms. Implementing these will be painful, but each employee and each executive must share this sense of crisis as we come together to face this challenge head on with indomitable determination. We say that corporations are, at their hearts, people. Well, MOL has excellent human resources. I firmly believe that if everyone focuses their efforts toward one objective, we will see clear results.

### Participating in the Deliberation on Corporate Strategy and Vision

While we have discussed various themes at the Deliberation on Corporate Strategy and Vision, we have also had repeated discussions on containerships, and these are connected to the current round of Business Structural Reforms. The containerships business is in the red even if you sum up the results throughout the past decade. We have repeatedly discussed ways to fundamentally strengthen the earnings structure for containerships, as opposed to merely tweaking existing measures to improve profitability. With each round of discussion, we delved further into the details, going from an objective analysis of circumstances to proposals of specific strategies. At the deliberations, I asked how big the containership fleet should be and if the current portfolio of routes was sufficient. It took some time, but after some debate at the Deliberation on Corporate Strategy and Vision, the resulting ideas were incorporated into the Business Structural Reforms. I'm now eagerly awaiting the results of these ideas.

### Customer-centric Perspective, Global Perspective: These I Expect of MOL

I have been saying that I would like business activities to be conducted from both a customer-centric perspective and a global perspective. Recently, I strongly feel that MOL has moved to a position where customer perspectives are valued. MOL has broken away from the past where the soaring marine transport market allowed less focus on customers. Take, for example, an electric power company. As a customer they might want to import coal or they might want to import LNG. In April 2016, MOL established the Energy Transport Business Unit, which bridges various segments, including tankers, LNG carriers and steaming coal carriers. I believe this was the result of the kind of debate I mentioned earlier. Moreover, I hope MOL becomes a company with high levels of customer satisfaction, a company that provides finely turned solutions by leveraging the latest, highly innovative technology, including artificial intelligence.

Global perspectives refer to leveraging MOL's expansive global network and enhancing partnerships between regions or within countries to more effectively capture cargo demand or otherwise leverage MOL's collective strengths. This also reflects our debates, and in June 2015, MOL established chief executive representatives for the three major regions of the Americas; Europe and Africa; and Asia, the Middle East and Oceania. Moreover, in April 2016, MOL established country representatives for key countries under the chief executive representatives. Each representative can broadly conduct sales activities throughout their region or country, as well as across business fields. In addition, there are more opportunities to meet global customer needs through cooperation between representatives. Because we have established the necessary framework, going forward I would like MOL to really invigorate this and actually rack up some accomplishments.

### Regarding My Role as Outside Director and the Establishment of the Nomination Advisory Committee and the Remuneration Advisory Committee

Outside directors are not omnipotent. While I do think that having outside directors is a good idea and increases transparency, it is delusional to expect them to be a magic wand that makes everything go smoothly.

The issue is not about how many outside directors you have got. Rather, it's about how the Board of Directors is functioning as a whole, including outside directors. I believe that the duty of outside directors is to do what inside officers cannot do—in other words, using their outside perspective to provide frank, objective comments.

On the other hand, looking at MOL, I would assess the functioning of the Board of Directors as exceeding expectations. Sufficient documents and data are provided before meetings, allowing both the inside and outside directors to engage in earnest discussion. This increases management transparency, activating checks and balances. Moreover, in September 2015, MOL established the Nomination Advisory Committee and the Remuneration Advisory Committee, enabling even deeper communication. I think both these committees are major assets for the Company. Going forward, I would like to continue frankly expressing my opinions with the aim of supporting the successful implementation of the Business Structural Reforms and improving corporate value.

#### MOL's Deliberation on Corporate Strategy and Vision

At MOL, three hours are set aside for every board meeting, with one of the hours allotted to Deliberation on Corporate Strategy and Vision. At the Deliberation on Corporate Strategy and Vision, a theme is selected related to our management strategy, long-term vision or management in general. A free exchange of opinions ensues at these deliberations which include outside directors and outside Audit & Supervisory Board members.

**FY2015 Deliberation on Corporate Strategy and Vision: Agenda Topics**

| FY2015 | Agenda |
|---|---|
| April, May, July | MOL's corporate governance |
| September, October | The advancement of global personnel |
| December | Portfolio of the tanker business and business policy going forward |
| January, February | The future of containership business |
| March | Business strategy for LNG carriers and offshore businesses |

# Corporate Governance

### Governance at a Glance

| | |
|---|---|
| System of governance | Company with an audit & supervisory board |
| Total directors | 9 |
| Outside directors (ratio) | 3 (1/3) |
| Total audit & supervisory board members | 4 |
| Outside audit & supervisory board members (ratio) | 2 (1/2) |
| Independent officers (directors and audit & supervisory board members) | 5 |
| Meetings of the Board of Directors held in fiscal 2015 | 10 |
| Term of directors | 1 year |
| Stock option system | Yes |
| Retirement benefit system | No |
| Anti-takeover measures | No |
| Compliance rules | Yes |
| External compliance advisory service desk | Yes |

### History

**2000**
Management organization reform
1. Introduced a system of executive officers
2. Established an Executive Committee
3. Reformed the Board of Directors (redefined its duties as the highest-ranking decision-making body and the supervision of business activities) and reduced membership from 28 to 12
4. Elected two outside directors
5. Established the Corporate Visionary Meeting
   Established the IR Office
   Started holding the Annual General Shareholders' Meeting on a day relatively free of other shareholders' meetings

**2001**
Established Compliance Policy and a Compliance Committee

**2011**
Revised MOL's Compliance Policy and Rules of Conduct

**2014**
Revised the Compliance Policy, establishing a chief compliance officer (CCO)

**2015**
Established the Nomination Advisory Committee and Remuneration Advisory Committee

### Corporate Governance—Enabling Sustainable Growth and Raising Corporate Value

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

MOL greatly shored up its management structure in the years surrounding 2000. Taking a lead position among Japanese companies, MOL established an advanced, highly transparent corporate governance structure by, for example, inviting outside directors and introducing an executive officer system. We are reaping the benefits of those efforts, yet MOL has only arrived at its current position through a process of continuous improvement and evolution. We work hard to enhance corporate value.

### Corporate Governance Organization

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

In 2015, we established the Nomination Advisory Committee and Remuneration Advisory Committee, further strengthening corporate governance. Operating under the Board of Directors, these committees are chaired by outside directors and take an objective viewpoint emphasizing the perspectives of stakeholders in performing their respective roles. The Nomination Advisory Committee considers the selection of directors and executive officers, while the Remuneration Advisory Committee deliberates on compensation for directors, including incentives to increase corporate value over the long term.

To make even better use of the Board of Directors, we are working to carefully select and revise issues taken up by the board so that it can dedicate more of its meeting time to the MOL Group Long-Term Vision, strategy direction and management oversight. Accordingly, we have expanded the scope of authority transferred to the Executive Committee to accelerate decision-making related to business operations.

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

### The Board of Directors

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

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

And the Board of Directors holds Deliberation on Corporate Strategy and Vision. At each meeting, the board focuses on a particular topic concerning management strategies, MOL's long-term vision or other subjects involving management. These discussions provide an opportunity for lively debates that include the outside directors and audit & supervisory board members, thus helping to ensure that the perspective of shareholders is reflected in how MOL is managed.

### Executive Committee and Committees

Within the scope of the basic policy approved by the Board of Directors, MOL transfers significant authority to implement projects to the Executive Committee. This helps to speed up decision-making on individual projects by the executive officers supervised by the President.

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

### Functions of Outside Directors and Reasons for Appointment

As part of efforts to strengthen corporate governance, MOL has been appointing outside directors since 2000, with the aim of bolstering oversight of the execution of business operations by bringing an outside perspective to management.

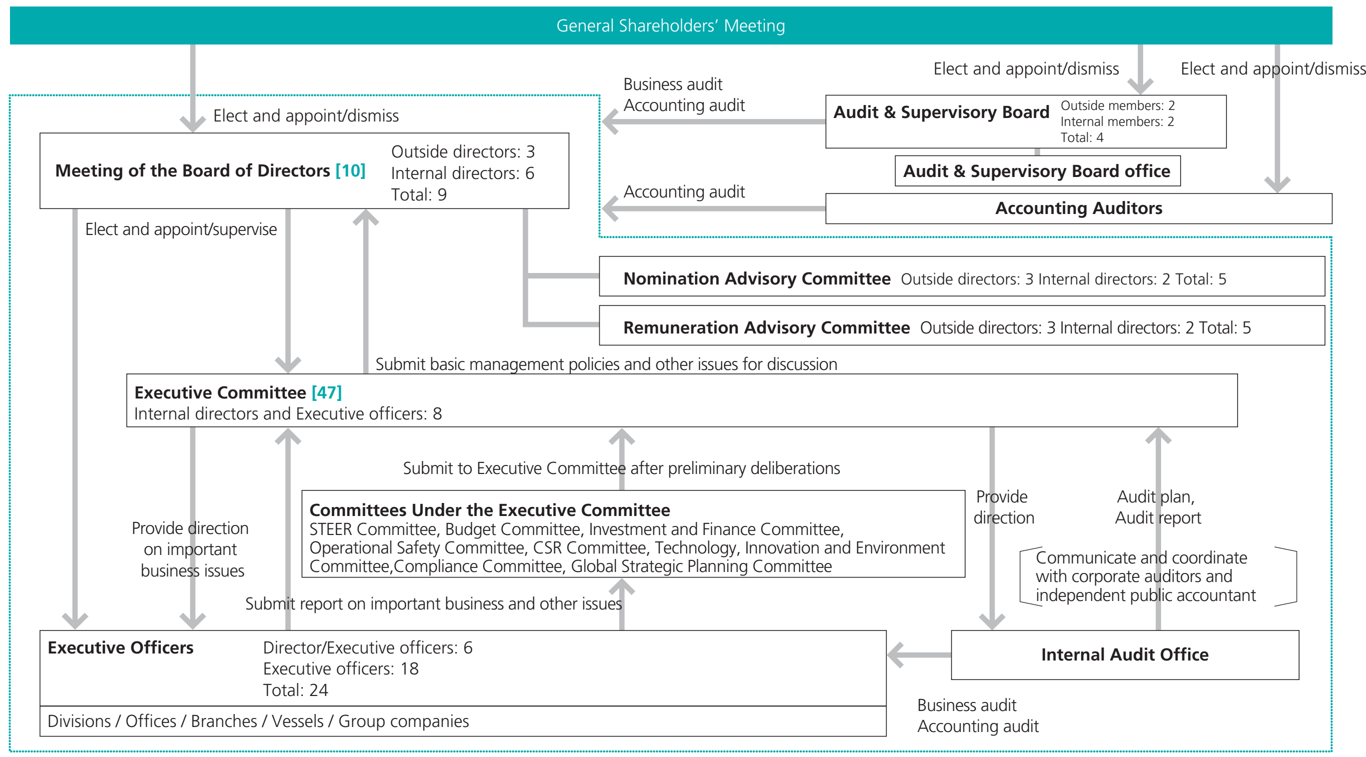
MOL has appointed three outside directors whose experience encompasses the realms of finance, business, and academia in Japan. MOL has adjudged that all three individuals are independent and have neutral positions with no conflicts of interest with the Company. The outside directors draw on their individual experience and insight to check the appropriateness of management and the status of execution of business operations from the shareholders' standpoint. At the same time, they express valuable opinions about management as a whole. In these ways, the outside directors play a major role in enhancing the operation of the Board of Directors.

### Reasons for Appointment of Outside Directors

| Name | Position | Reason for Appointment |
|---|---|---|
| Masayuki Matsushima | Outside Director of Mitsui Fudosan Co., Ltd.<br>Chairman of NWIC Co., Ltd.<br>Senior Advisor of Integral Corporation<br>Outside Director of JGC Corporation | MOL adjudged that he has a neutral position with no conflicts of interest with the Company as well as extensive, wide-ranging experience in and knowledge of finance and other sectors. He will thus be able to bring a global perspective to the Company's management and appropriately supervise business execution. |
| Hideto Fujii | Adviser of Sumitomo Corporation | MOL adjudged that he has a neutral position with no conflicts of interest with the Company as well as extensive, wide-ranging experience in and knowledge of the management of Japan's economy and monetary policy. He will thus be able to help maintain and strengthen the Company's corporate governance from an independent and fair perspective. |
| Etsuko Katsu | Professor of School of Political Science and Economics, Meiji University<br>Vice President of Center for Entrance Examination Standardization<br>Board Member of Japan-United States Educational Commission | MOL adjudged that she has a neutral position with no conflicts of interest with the Company as well as experience and insight in university management and global human resource development. She is also an expert in international finance. She will thus be able to offer advice on the Company's management and business execution from an independent perspective and contribute to the maintenance and reinforcement of corporate governance. |

(As of June 30, 2016)

### Corporate Governance Organization (as of June 21, 2016)




Numbers in brackets show the number of meetings of the Board of Directors, Executive Committee during fiscal 2015.

## Functions of Outside Audit & Supervisory Board Members and Reasons for Appointment

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

### Reasons for Appointment of Outside Audit & Supervisory Board Members

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

(As of June 30, 2016)

## Compensation for Directors, Audit & Supervisory Board Members and Independent Public Accountants

The Board of Directors, including the outside directors, determines compensation for the directors and audit & supervisory board members. Compensation paid to directors and audit & supervisory board members in fiscal 2015 is shown in the following table.

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

### Compensation for Directors and Audit & Supervisory Board Members

| | No. of people remunerated | Total remuneration (¥ millions) | (Thousands of U.S.$) |
|---|---|---|---|
| Directors (Excluding outside directors) | 8 | ¥328 | $2,918 |
| Audit & Supervisory Board Members (Excluding outside members) | 3 | 64 | 573 |
| Outside directors and outside members | 5 | 45 | 402 |

### Compensation for Independent Public Accountants

| | Compensation for audit operations (¥ millions) | Compensation for non-audit operations (¥ millions) | Total (¥ millions) | (Thousands of U.S.$) |
|---|---|---|---|---|
| Parent company | ¥108 | ¥4 | ¥113 | $1,006 |
| Consolidated subsidiaries | 103 | 2 | 106 | 990 |
| Total | ¥212 | ¥7 | ¥219 | $1,947 |

## Independent Officers

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

## Internal Control System

MOL has established a basic policy on the establishment of internal control systems* and goes beyond the scope required by law to promote activities to further enhance MOL Group management effectiveness, efficiency and transparency, namely ensuring the appropriateness of business operations and the trustworthiness of financial reporting. We have chosen two extracts from the policy and introduce them below: 1. Compliance and 2. Role of the audit & supervisory board members.

*Established by resolution of the Board of Directors in 2006, partially amended in 2015

### 1. Compliance

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

### 2. Role of the Audit & Supervisory Board Members

The MOL Group has established rules for reporting to its audit & supervisory board members, creating a system in which directors, executive officers and employees report to the audit & supervisory board members on the Company's operations and important matters that may impact business performance. These rules also safeguard appropriate frameworks for reporting legal violations and other compliance issues to audit & supervisory board members. Furthermore, the representative directors strive to regularly meet with audit & supervisory board members, and the Internal Audit Office works in coordination with the audit & supervisory board members to provide assistance. In these ways, the Company actively cooperates with the audit & supervisory board members to facilitate effective auditing.

#### Measures Ensuring Compliance with the Antimonopoly Act

In 2014, the Japan Fair Trade Commission (JFTC) found MOL had violated Article 3 of the Antimonopoly Act. Considering this violation to be a very serious matter, we established the Review Committee of Recurrence Prevention Measures for Anti-competitive Practices, headed by the President. The committee has examined and executed various concrete policies to prevent a recurrence of cartel activities, including revising the compliance system and reforming the corporate culture. The measures resolved by the Review Committee of Recurrence Prevention Measures for Anti-competitive Practices are now being carried on by the Compliance Committee.

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

## Annual General Shareholders' Meeting

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

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

## Accountability

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

The distinguishing feature of our investor relations activities is that the President takes the lead in their implementation. In fiscal 2015, the President participated in the Company's presentations of quarterly results and attended meetings with domestic and foreign investors. The Company is also aware of the need for full and fair disclosure to all investors, whether in Japan or overseas. At the same time its quarterly financial results in Japanese are released over the Tokyo Stock Exchange's TDnet, the Company posts them to its website with an accompanying English translation. The Japanese and English drafts of presentation materials are also posted on the website. This information is e-mailed on the same day to foreign investors registered with the Company. MOL actively disseminates information about management strategy, investment plans, market conditions and other information through its website.

As recommended by the Corporate Governance Code, MOL proactively holds constructive dialogues with institutional investors and there will be no change to this policy. Feedback is regularly provided to management with regard to the content of discussions held with investors and analysts. Going forward, MOL will further bolster the quality and quantity of communication while being mindfully aware of fair disclosure.

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

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

### IR Activities in Fiscal 2015 (April 2015–March 2016)

| Activity | | Frequency | Details |
|---|---|---|---|
| For securities analysts and institutional investors | Business performance presentations | 4 times | Quarterly results/forecasts |
| | President's small meetings | 2 times | Held for analysts in Japan |
| For overseas institutional investors | Overseas investor road shows | 5 times | Once in North America, twice in Europe, twice in Asia (Hong Kong and Singapore) |
| | Conferences held by securities companies | 5 times | Attended conferences in Japan and held individual Meetings |
| For individual investors | Corporate presentations for individual investors | 3 times | Attended seminars for individual investors in Tokyo, Osaka and Nagoya: once in each city. |

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

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

# Safe Operation

Safe operation is of the utmost importance and lies at the heart of MOL's management. Unfortunately, while at sea, a fire occurred on MOL Ferry's SUNFLOWER DAISETSU in July 2015, and one seafarer lost his life. In light of this tragedy, we will redouble our efforts going forward to fortify our safe operating system and ensure the thorough implementation of measures to prevent serious marine incidents as we strive to become the world leader in safe operation.

## Safe Operation Management

### Safe Operation Management Structure

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

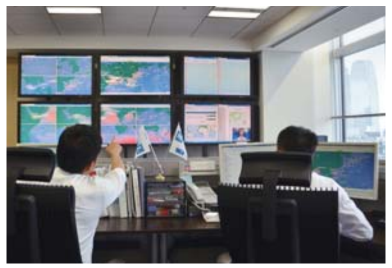
**Organizational Structure Supporting Safe Operation**


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

## Emergency Response System

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

### ■ Safety Operation Supporting Center (SOSC)



Safety Operation Supporting Center (SOSC)

The SOSC is staffed at all times by two marine technical specialists, including an experienced MOL captain. They use the FMS. Safety system, which was developed in cooperation with Weathernews Inc., to monitor weather and related developments where our vessels are operating. FMS.Safety is used to check on the weather, sea, and other conditions surrounding the around 880 vessels operated by MOL Group companies 24 hours a day 365 days a year. There is always someone ready and at hand if a ship captain needs assistance. The system collects information on weather, international media reports, and other factors that might affect vessels under way so that the SOSC stands ready to offer timely information and advice and help prevent serious accidents before they happen.

### ■ Accident Response Drills

Evacuation drill on board

MOL regularly conducts accident response drills on vessels while at sea. These drills simulate various situations such as an onboard fire or water immersion, or act of piracy or terrorism, so that seafarers can respond swiftly and appropriately in an emergency. Head Office conducts serious marine incident emergency response drills twice a year with the cooperation of the Regional Coast Guard Headquarters. The drills involve MOL's President, other corporate officers, representatives of relevant departments and ship management companies, and vessels. In November 2015, we conducted an emergency response drill based on the premise of our LNG carrier colliding with a containership while underway in Tokyo Bay. In May 2016, we conducted an emergency response drill based on the premise of our VLCC colliding with a containership while underway offshore the eastern coast of Himeshima in Oita Prefecture. We will continue to conduct drills on a regular basis and further strengthen our emergency response system.

## Safe Operation Measures

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

### Making Processes for Realizing Safe Operation Visible

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

1. Four Zeroes (an unblemished record in terms of serious marine incidents, oil pollution, fatal accidents and cargo damage)
2. LTIF*1 (Lost Time Injury Frequency): 0.25 or below
3. Operational stoppage time*2: 24 hours/ship or below
4. Operational stoppage accident rate*3: 1.0/ship or below

In fiscal 2015, MOL worked on three important targets:

(1) Eradicate work-related accidents causing death, and reduce work-related accidents causing injury,
(2) Eradicate collisions and groundings, and
(3) Eradicate machinery trouble resulting in a dead ship condition (a ship being unable to move under its own power).

However, we were regrettably unable to achieve the Four Zeroes due to the previously mentioned fire that occurred aboard the ferry. We will nevertheless continue to work toward achieving these targets.

### Preventing New or a Recurrence of Serious Incidents

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

In terms of seafarer training, we are thoroughly implementing drills prior to boarding and supervising the instruction of less experienced seafarers. We are also enhancing land-based education and training curriculum and programs such as "hazard experience" training sessions and BRM drills.*4 These measures are geared towards enhancing the ability of seafarers to perceive danger and promoting teamwork. In addition, we are working to raise safety awareness among seafarers by collecting information from each vessel in operation on examples of incidents and problems as well as close calls*5 and by using videos, photos and illustrations to appeal to the visual sense of seafarers. In terms of ship facilities, we are working to equip ships with error-resistant equipment and promoting the adoption of information technology. This involves promoting the fail-safe design concept by providing shipyards and equipment manufacturers with feedback from vessels in operation on areas of non-conformance and areas in need of improvement.

It is the MOL Group's ultimate goal to eradicate work-related accidents causing death. MOL analyzes the factors and causes behind accidents from various angles and uses the results to make improvements in ship facilities. It also asks employees on land and at sea to discuss and propose preventive measures for examples of serious incidents and problems as if they were each wholly responsible as part of efforts to prevent accidents. In light of the fact that one seafarer lost his life in a ferry fire, we are committed to redoubling our efforts to prevent accidents.

### Cooperation for Safe Operation

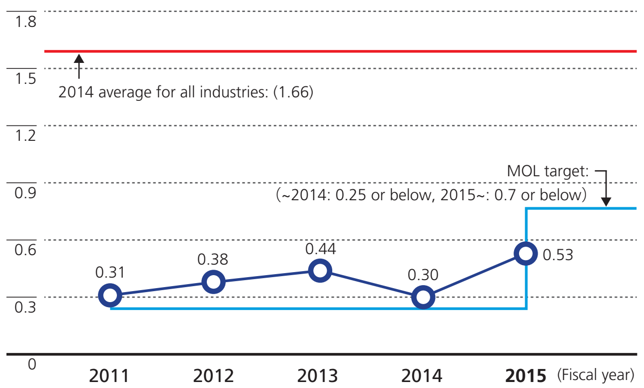
The MOL Group works together with vessels, shipowners, and ship management companies to work toward achieving the world's highest level of safe operation of all owned and chartered vessels by sharing safety-related information. The Company regularly broadcasts "Safety Alerts"—information pertaining to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

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

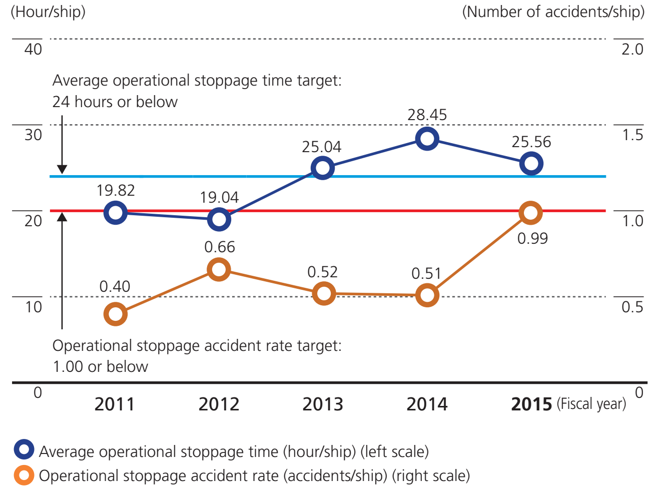
### ESG-based IR Meetings

In March 2016, many institutional investors attended a meeting we held entitled "Achieving the World's Safest Operations." We explained our safety measures in regard to both our facilities and

**Lost Time Injury Frequency (LTIF)**




**Operational Stoppage Accidents Average Time and Frequency**



our personnel, as well as how we have learned from previous marine incidents to strengthen our safety initiatives. They were also given a tour of our SOSC during the meeting. This was also a valuable opportunity for us to explain how MOL creates long-term value.

### Establishing a Self-Operated University of Merchant Marines in the Philippines

Filipino seafarers form the core of the crews on MOL's operated vessels. As operation technology grows increasingly sophisticated, we expect to see more activity for these seafarers. As the culmination of MOL's initiatives aimed at safe operations, we will establish the largest self-operated university of merchant marines in the Asia-Pacific region as we plan to reinforce efforts to secure and train excellent seafarers and achieve the world's safest operations.

For detailed new Maritime Academy in Philippines, see the Safety, Environmental and Social Report.

### Third party evaluations

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

**■ Standard Training Courses for liquefied gas transportation certified by DNV GL AS**

The LNG Carrier Standard Training Course and the LEG/LPG Carrier Standard Training Course implemented globally by MOL were certified by Norway's Det Norske Veritas (DNV) GL AS in 2007 for compliance with the LNG carrier crew ability standards and in 2016 for compliance with the LEG/LPG advocated by SIGTTO.**

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

**■ Management program for seafarer education and training acquired certification from DNV GL AS**

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

**Glossary**

*1 LTIF (Lost time injury frequency): Number of work-related accidents per one million hours worked that resulted in time lost from work of one day or more. In the scope of calculations, we originally included only workplace illnesses and injuries requiring disembarkation from the ship. The LTIF criteria was strengthened from fiscal 2015, and now includes any workplace illness or injury that prevents a worker from resuming even a reduced workload on that day, regardless of whether the illness or injury requires disembarkation. Average for all industries (2014) was 1.66; for shipping industry, 1.33; for transportation equipment manufacturing industry, 0.51. (Source: 2014 Survey on Industrial Accidents issued by the Ministry of Health, Labour and Welfare)

*2 Operational stoppage time: Expresses the amount of ship operational stoppage time due to an accident per ship per year.

*3 Operational stoppage accident rate: Expresses the number of accidents that result in ship operational stoppage per ship per year.

*4 Bridge resource management drill: Simulating an incident on a vessel operation simulator to enable seafarers to acquire response techniques. It includes MOL's original programs.

*5 Close calls: Risky incidents that came very close to causing a more serious accident.



# Risk Management

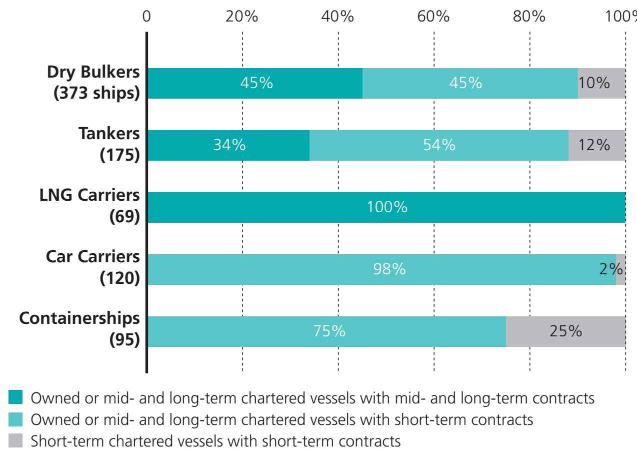
The Company identifies the risks surrounding the MOL Group, such as fluctuations of freight rates, with the aim of managing and reducing these risks. MOL has designated the reinforcement of total risk control as one measure to strengthen its management foundation and support the successful execution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

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

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

**Variation of Procurement and Contract terms**

(as of March 2016)




**Market Exposure % by Vessel type**

(as of March 2016)

| | Total number of Fleet | Market Exposure |
|---|---|---|
| Capsize | 92 | 26% |
| Mid-and small-size bulkers | 143 | 52% |
| VLCC | 33 | 18% |
| Product Tanker | 45 | 78% |
| LPG Tanker | 9 | 33% |

related to fluctuation, especially those arising from freight rates, bunker prices, exchange rates, and interest rates. The Investment and Finance Committee also identifies, analyzes and evaluates risks related to such material issues as investment in ships.

### Diversifying Operations to Reduce Risk

MOL operates a "full-line marine transport group." As of the end of March 2016, we operated around 880 vessels, ranging from dry bulkers, tankers, and LNG carriers to car carriers and containerships, capable of transporting a diverse range of raw materials and finished goods. Each type of ship and each type of cargo have particular supply and demand trends, and create particular markets. While some of these markets are highly correlated with each other, others are negatively correlated depending mainly on the economic environment, so the impact in one sector offsets the impact in another. By assessing the suitability of a particular vessel type for medium- to long-term contracts and market exposure the Company expects, MOL constructs an optimum business portfolio, which allows the Company to pursue higher profits while mitigating risks.

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

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

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

### Exchange Rate Fluctuations

Although MOL has concluded transport contracts on a yen-denominated basis with some Japanese clients, most transactions in the international marine transport business are concluded on a U.S. dollar-denominated basis. Despite our best efforts to incur expenses in U.S. dollars, U.S. dollar-denominated revenue currently exceeds U.S. dollar-denominated expenses, so when the yen strengthens against the U.S. dollar this can have a negative impact on Group earnings. In fiscal 2016, we project that each ¥1-per-dollar change in the yen-U.S. dollar exchange rate will have an impact of approximately ¥1.0 billion on consolidated ordinary income.

Underlined words are explained in the Glossary on page 18.

# Corporate Social Responsibility (CSR)

## Interest Rate Fluctuations

MOL depends mainly on the issuance of corporate bonds and funds borrowed from banks and other financial institutions to meet working capital and capital expenditure requirements. Loans are denominated in either yen or U.S. dollars, with funds procured at variable interest rates affected by interest rate fluctuations. As of March 31, 2016, interest-bearing debt totaled ¥1,045.0 billion, and around 60% of that loan principal is locked in at a fixed interest rate. As a result, an increase of 1 percentage point in market interest rates on both yen-denominated and U.S. dollar-denominated interest-bearing liabilities would impact annual consolidated ordinary income by no larger than approximately ¥3.0 billion. Although MOL has benefited from ultra-low interest rates in the aftermath of the financial crisis, the Company is taking steps to mitigate the risk of a future interest rate rise. It plans to flexibly adjust the ratio of variable-rate and fixed-rate loans through interest rate swaps and other means according to changes in financial conditions, taking into consideration the balance between variable- and fixed-rate interest.

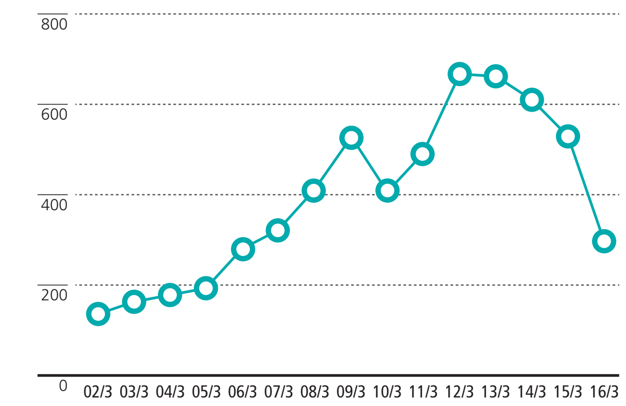
## Bunker Price Fluctuations

The market price of bunker is generally linked to the price of crude oil, and any increase in bunker prices has a negative impact on earnings for the MOL Group. The Group operates a fleet of approximately 880 vessels, whose annual fuel consumption amounts to around 5.5 million tons of bunker. The Company is able to pass on about 60% of the risk to customers. Therefore, an increase of US$1 per metric ton in the average annual price of bunker would lower earnings by approximately ¥0.17 billion (net of hedging) at the maximum.

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

| | |
|---|---|
| Exchange Rate (¥/US$) | A ¥1 appreciation reduces ordinary income by approximately ¥1.0 billion |
| Interest Rate (%) | A 1 percent rise in both yen- and U.S. dollar-denominated interest-bearing debt reduces ordinary income by approximately ¥3.0 billion |
| Bunker Price (US$/MT) | A US$1/MT increase reduces ordinary income by approximately ¥0.17 billion |

### Average Bunker Price (Consumption price) (US$/MT)




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

## Vessel Operations

MOL operates a fleet of approximately 880 vessels and it is therefore impossible to ignore the risks related to various incidents that may occur on the high seas. In order to prevent accidents, the Company has introduced a variety of measures such as safety standards, a safety management system, comprehensive crew education and training, and establishment of organizations to support safe operations.

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

## Group Company Operational Management

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

## Natural Disaster or Similar Event

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

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

## MOL's Approach to CSR

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

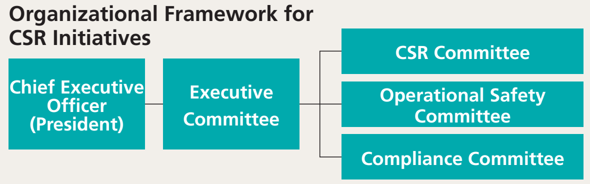
In order to fulfill these responsibilities, MOL deliberates on CSR-related policies and measures, primarily through the three committees under the Executive Committee.

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

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

For more information on MOL CHART, see the left side of the four page spread on the inside cover under the title, "Long-Term Vision: To make the MOL Group an excellent and resilient organization that leads the world shipping industry."

### Organizational Framework for CSR Initiatives




## Participating in the UN Global Compact

CSR activities are broad and, from time to time, the strength and priority of those activities change depending on the operating environment, global circumstances and region where business is being developed. With business activities spread across the globe, MOL believes that building good relationships with various stakeholders worldwide and contributing to the realization of sustainable growth of society are vital as it seeks to realize the ideas set forth in the MOL Group Corporate Principles. In order to contribute to an international framework for realizing these goals, MOL became the first Japanese shipping company to participate in the United Nations (UN) Global Compact in 2005. Since then, MOL has worked to support and practice the 10 principles in 4 areas of the UN Global Compact, which shares the same values as MOL's Rules of Conduct, which were established as a set of guidelines for executives and employees.

### 10 Principles of the Global Compact

| | | |
|---|---|---|
| Human Rights | Principle 1. | Business should support and respect the protection of internationally proclaimed human rights; and |
| | Principle 2. | Make sure that they are not complicit in human rights abuses. |
| Labour | Principle 3. | Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; |
| | Principle 4. | The elimination of all forms of forced and compulsory labour; |
| | Principle 5. | The effective abolition of child labour; and |
| | Principle 6. | The elimination of discrimination in respect of employment and occupation. |
| Environment | Principle 7. | Businesses should support a precautionary approach to environmental challenges; |
| | Principle 8. | Undertake initiatives to promote greater environmental responsibility; and |
| | Principle 9. | Encourage the development and diffusion of environmentally friendly technologies. |
| Anti-Corruption | Principle 10. | Businesses should work against corruption in all its forms, including extortion and bribery. |

## The MOL Group Basic Procurement Policy

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

### The MOL Group Basic Procurement Policy

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

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

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

## Medium-Term CSR Objectives

1. Thoroughly implement safe operation and provide safe, secure, stable, high-quality services.
2. Deepen initiatives to ensure thorough compliance.
3. Strengthen initiatives on corporate governance.
4. Promote personnel training and diversity to strengthen comprehensive Group capabilities.
5. Make further progress on solving social issues and promoting environment initiatives as an environmentally advanced company.
6. Actively disclose sustainability data.
7. Promote social contribution activities related to MOL's businesses.

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

## Diversity

The MOL Group operates globally, employing approximately 20,000 employees and seafarers of many diverse nationalities.

We are working to create and improve inclusive work environments that allow diverse human resources—including women and individuals of all nationalities—to realize their full potential and excel. By thus promoting diversity and inclusion, we aim to heighten the comprehensive strength of the Group.

## Initiatives on the Environment

### Key Environmental Issues

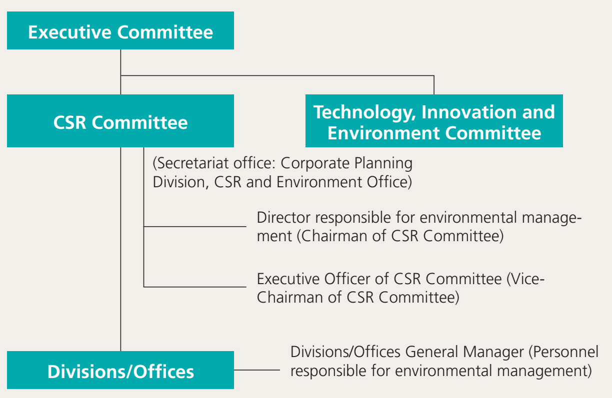
In March 2014, we identified the highest-priority environmental issues and set about addressing those issues in a proactive manner. To identify these priorities, we analyzed issues from international conditions regarding environmental issues; the opinions of stakeholders including customers, investors,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

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

### Organizational Structure for Environmental Initiatives

To effectively promote environmental initiatives based on the MOL Environmental Policy, the CSR Committee, a sub-committee of the Executive Committee, oversees planning and promotion of environment-related measures under the direction of the president. The CSR Committee assesses environment-related risks and opportunities involving MOL, identifies the highest-priority issues in the Group's environmental management, and sets environmental targets, striving to achieve environment-friendly business activities.

**Organizational Structure to Promote the Environmental**




### Environmental Management System

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

Since 2003, we have had a third-party audit by DNV GL Business Assurance Japan KK every year, and a renewal audit every three years, and have earned ISO 14001 certification for our environmental management system. The results of our fiscal 2015 audit showed no non-conformity.

### The MOL Group Environmental Target System

We have implemented the Group Environmental Target System, targeting major Group companies in Japan (52) and overseas (20). Every year, each company sets environmental targets to reduce the environmental impact of our business activities based on specific guidelines that are in line with the midterm management plan, and establishes action plans to achieve those targets. Along with those targets, we collect each company's data on its own environmental impact (fuel consumption, electric power consumption, paper usage, waste, and so on).

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

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

## Environmental Regulations

### Schedule of Environmental Regulations by IMO, etc

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

*1 EEDI (Energy Efficiency Design Index) is a measure of ships energy efficiency (g/ton-mile The required EEDI of each Phase is as follows: Phase 0=0%, Phase 1=10%, Phase 2=20% (Applied to new ships)

*2 SEEMP (Ship Energy Effi ciency Management Plan) is required to be drawn up to show optimal measures of operation that should be adjusted to the characteristics of individual ships, and to be kept on board a ship. (Applied to both new and existing ships)

*3 The regulation for reduction of NOx in exhaust gases: Tier I is applied to ships laid down in 2000-2010, Tier II to ships laid down in/after 2011, and Tier III to ships laid down in/after 2016.

*4 The existing ECAs (Emission Control Areas) are: 1.Within 200 miles off the coast of USA and Canada (NOx/SOx) 2.The USA Caribbean Sea area (NOx/SOx) 3.The Baltic Sea and the North Sea areas. (SOx)

*5 The regulations for reduction of SOx contained in fuel oil. (Applied to both new and existing ships)

*6 A review in 2018 on the availability of the required fuel oil may conclude to postpone the application to 2025.

*7 The convention shall enter in force 12 months after the following conditions are met, and it is increasingly likely that it enters into force in 2017. (Applied to both new ships and, after certain grace periods, to existing ships)
Conditions: Ratification by not less than 30 countries representing a combined total G/T of more than 35% of the world's merchant fleet. (As of May 2016, 50 countries representing a combined total G/T of 34.81% have ratified.)

*8 Regional regulation by U.S. Coast Guard.

*9 The guideline aimed at minimizing transfer of invasive aquatic species attaching to the bottom of ships, recommending installation of the systems on vessels to keep the bottom clean without marine organisms and other measures. (It remains as a voluntary guideline during the review period.)

*10 The convention prohibits and restricts the fitting and use of treaty-specified hazardous materials, and requires vessels to prepare, record and update inventory lists showing the quantity and location of hazardous materials on ships over a ship's lifetime. The convention shall enter into force 24 months after the following conditions are met:
Conditions: Ratification by not less than 15 countries representing a combined total G/T of more than 40% of the world's merchant fleet and an annual ship recycling volume not less than 3% of the combined tonnage of the ratifying countries .(As of March 2016, 3 countries have ratified.)

## Environmental Investments and $CO_2$ Reductions

### Environmental Investments

(Billions of yen)

| | Fiscal 2014 | Fiscal 2015 |
|---|---|---|
| Environment-related R&D activities | ¥0.7 | ¥0.3 |
| Utilization and expansion of existing environmental technologies | 2.1 | 0.9 |
| Responses to environmental regulations | 0.5 | 2.2 |
| Initiatives to save bunker fuel | 0.9 | 1.0 |
| Initiatives of Group companies | 0.2 | 0.3 |
| Total | ¥4.3 | ¥4.6 |

### $CO_2$ and Cost Reductions from Environmental Measures

| (FY) | 2013 | 2014 | 2015 |
|---|---|---|---|
| $CO_2$ emissions reductions (1,000t) | 279 | 348 | 303 |
| Cost Reductions (¥ billions) | ¥5.5 | ¥5.5 | ¥3.1 |

Underlined words are explained in the Glossary on page 18.

## Third-Party Evaluations

### Environment Related

**■ ISO 14001 Certification**

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

**■ ISO 50001 Certification**

MOL acquired ISO 50001 certification for its energy management system and ISO 14001 certification for its environmental management system. (2014) Certified companies: MOL Ship Management Co., Ltd. (2014), MOL Ship Management (Singapore) Pte. Ltd. (2014), MOL Ship Management (Hong Kong) Company Ltd. (2014) and Magsaysay MOL Ship Management, Inc. (2015)

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

MOL was recognized as a leader for the depth and quality of the climate change data it has disclosed for independent assessment through CDP, an international non-profit organization. This marks the third time and second consecutive year MOL has received this distinction.

## Social Contribution Activities

MOL aims to be a company that grows sustainably and harmoniously with society. We proactively undertake social contribution activities that only a shipping company with a global network can. We are also focusing our efforts on activities in which our employees themselves participate. Examples include the following:

- Transporting used children's shoes and donating used containers to Zambia
- Hosting a discussion between the mayor of Miyako City, Iwate Prefecture and young people aboard the NIPPON MARU cruise ship
- Hosting a charity event in the employee cafeteria to address global food challenges

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

## Third-Party Evaluations

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

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

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

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

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

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

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

**■ SMBC Sustainability Assessment Loan**

In 2016, MOL received the highest rating for SMBC Sustainability Assessment Loans from Sumitomo Mitsui Banking Corporation (SMBC), winning specific praise for timely and accurate disclosure of environmental, social, and governance (ESG) issues and for its initiatives on sustainability.

**■ SMBC Nadeshiko Assessment Loan**

MOL became the first company in the marine transport industry to be approved for an SMBC Nadeshiko Loan by Sumitomo Mitsui Banking Corporation (SMBC), receiving praise for being a growth company where women can be expected to play an active role thanks to our initiatives aiming to create a workplace where women can play a more active role.



# Financial Section

Contents

# Consolidated Balance Sheets

Mitsui O.S.K. Lines, Ltd. March 31, 2016 and 2015

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| **ASSETS** | **2016** | 2015 | **2016** |
| **Current assets:** | | | |
| Cash and cash equivalents (Note 3) | **¥ 159,450** | ¥ 128,802 | **$ 1,415,069** |
| Trade receivables (Note 3) | **130,293** | 178,845 | **1,156,310** |
| Inventories (Note 5) | **27,860** | 49,026 | **247,249** |
| Deferred and prepaid expenses | **66,101** | 75,937 | **586,626** |
| Deferred tax assets (Note 15) | **1,449** | 2,107 | **12,859** |
| Other current assets | **72,297** | 78,617 | **641,614** |
| Allowance for doubtful accounts | **(975)** | (1,538) | **(8,653)** |
| Total current assets | **456,475** | 511,796 | **4,051,074** |
| **Vessels, property and equipment, net of accumulated depreciation** (Notes 7 and 13): | | | |
| Vessels | **822,270** | 906,984 | **7,297,391** |
| Buildings and structures | **159,483** | 165,930 | **1,415,362** |
| Machinery, equipment and vehicles | **22,828** | 21,387 | **202,591** |
| Furniture and fixtures | **4,482** | 5,928 | **39,776** |
| Land | **221,614** | 221,993 | **1,966,755** |
| Vessels and other property under construction | **143,342** | 173,279 | **1,272,116** |
| Others | **2,413** | 2,527 | **21,415** |
| Net vessels, property and equipment | **1,376,432** | 1,498,028 | **12,215,406** |
| **Investments, intangibles and other assets:** | | | |
| Intangible assets | **33,483** | 37,068 | **297,151** |
| Investment securities (Notes 3, 4 and 7) | **215,056** | 268,811 | **1,908,555** |
| Long-term loans receivable (Note 3) | **49,015** | 74,959 | **434,993** |
| Long-term prepaid expenses | **3,565** | 3,692 | **31,638** |
| Net defined benefit assets (Note 16) | **13,292** | 24,063 | **117,962** |
| Deferred tax assets (Note 15) | **4,422** | 3,954 | **39,244** |
| Other non-current assets | **69,908** | 203,184 | **620,413** |
| Allowance for doubtful accounts | **(2,061)** | (1,505) | **(18,291)** |
| Total investments, intangibles and other assets | **386,680** | 614,226 | **3,431,665** |
| Total assets | **¥2,219,587** | ¥2,624,050 | **$19,698,145** |

See accompanying notes.

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| **LIABILITIES AND NET ASSETS** | **2016** | 2015 | **2016** |
| **Current liabilities:** | | | |
| Trade payables (Note 3) | **¥ 127,172** | ¥ 167,002 | **$ 1,128,612** |
| Bonds due within one year (Notes 3 and 7) | **45,000** | 15,000 | **399,361** |
| Short-term loans (Notes 3 and 7) | **107,976** | 179,389 | **958,253** |
| Accrued income taxes (Note 15) | **4,872** | 7,639 | **43,237** |
| Advances received | **29,327** | 36,280 | **260,268** |
| Deferred tax liabilities (Note 15) | **712** | 593 | **6,319** |
| Allowance for bonuses | **4,485** | 4,764 | **39,803** |
| Allowance for directors' bonuses | **130** | 242 | **1,154** |
| Provision for loss on business liquidation | **71,008** | — | **630,174** |
| Provision for contract loss | **8,604** | — | **76,358** |
| Commercial paper (Notes 3 and 7) | **—** | 5,500 | **—** |
| Other current liabilities | **64,508** | 88,938 | **572,489** |
| Total current liabilities | **463,794** | 505,347 | **4,116,028** |
| **Non-current liabilities:** | | | |
| Bonds due after one year (Notes 3 and 7) | **220,840** | 270,185 | **1,959,886** |
| Long-term bank loans (Notes 3 and 7) | **648,117** | 688,332 | **5,751,837** |
| Lease obligations | **20,948** | 22,928 | **185,907** |
| Deferred tax liabilities (Note 15) | **81,553** | 109,043 | **723,758** |
| Directors' and corporate auditors' retirement benefits | **1,659** | 1,803 | **14,723** |
| Reserve for periodic drydocking | **14,854** | 15,803 | **131,825** |
| Net defined benefit liabilities (Note 16) | **13,442** | 13,660 | **119,294** |
| Other non-current liabilities | **107,445** | 104,514 | **953,629** |
| Total non-current liabilities | **1,108,868** | 1,226,268 | **9,840,859** |
| Total liabilities | **1,572,662** | 1,731,615 | **13,956,887** |
| **Commitments and contingent liabilities** (Note 8) | | | |
| **Net assets** (Note 9): | | | |
| **Owners' equity** | | | |
| Common stock; | | | |
| Authorized — 3,154,000,000 shares | | | |
| Issued — 1,206,286,115 shares | **65,400** | 65,400 | **580,405** |
| Capital surplus | **45,389** | 44,469 | **402,813** |
| Retained earnings | **354,180** | 533,485 | **3,143,237** |
| Treasury stock, at cost | **(6,848)** | (6,823) | **(60,774)** |
| Total owners' equity | **458,121** | 636,531 | **4,065,681** |
| **Accumulated other comprehensive income** | | | |
| Unrealized holding gains on available-for-sale securities, net of tax | **20,950** | 44,261 | **185,925** |
| Unrealized gains on hedging derivatives, net of tax | **35,034** | 68,770 | **310,916** |
| Foreign currency translation adjustments | **26,886** | 27,673 | **238,605** |
| Remeasurements of defined benefit plans, net of tax | **(40)** | 5,322 | **(355)** |
| Total accumulated other comprehensive income | **82,830** | 146,026 | **735,091** |
| **Share subscription rights** | **2,682** | 2,553 | **23,802** |
| **Non-controlling interests** | **103,292** | 107,325 | **916,684** |
| Total net assets | **646,925** | 892,435 | **5,741,258** |
| Total liabilities and net assets | **¥2,219,587** | ¥2,624,050 | **$19,698,145** |

## Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2016 and 2015

**(Consolidated Statements of Operations)**

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2016 | 2015 | 2016 |
| Shipping and other revenues (Note 14) | ¥1,712,223 | ¥1,817,070 | $15,195,447 |
| Shipping and other expenses | 1,594,569 | 1,683,795 | 14,151,304 |
| Gross operating income | 117,654 | 133,275 | 1,044,143 |
| Selling, general and administrative expenses | 115,330 | 116,025 | 1,023,518 |
| Operating income | 2,324 | 17,250 | 20,625 |
| Non-operating income: | | | |
| Interest income | 4,079 | 2,705 | 36,200 |
| Dividend income | 6,131 | 6,920 | 54,411 |
| Equity in earnings of affiliated companies | 9,178 | 4,930 | 81,452 |
| Foreign exchange gain | 23,908 | 25,523 | 212,176 |
| Others | 7,452 | 8,688 | 66,134 |
| Total non-operating income | 50,748 | 48,766 | 450,373 |
| Non-operating expenses: | | | |
| Interest expense | 14,576 | 12,556 | 129,357 |
| Others | 2,227 | 2,130 | 19,765 |
| Total non-operating expenses | 16,803 | 14,686 | 149,122 |
| Ordinary income | 36,269 | 51,330 | 321,876 |
| Other gains: | | | |
| Gain on sales of vessels, property, equipment and others | 9,431 | 16,225 | 83,697 |
| Gain on sales of marketable securities | 12,934 | 135 | 114,785 |
| Gain on cancellation fee for chartered ships | 4,060 | 2,229 | 36,031 |
| Others | 3,587 | 7,563 | 31,834 |
| Total other gains | 30,012 | 26,152 | 266,347 |
| Other losses: | | | |
| Loss on sales and disposals of vessels, property, equipment and others | 629 | 897 | 5,582 |
| Loss on valuation of shares of subsidiaries and associates | 26,228 | — | 232,765 |
| Impairment loss (Note 10) | — | 10,198 | — |
| Costs of business structural reforms (Note 11) | 179,291 | — | 1,591,152 |
| Others | 14,518 | 8,055 | 128,843 |
| Total other losses | 220,666 | 19,150 | 1,958,342 |
| Income (Loss) before income taxes | (154,385) | 58,332 | (1,370,119) |
| Income taxes (Note 15): | | | |
| Current | 11,134 | 12,440 | 98,811 |
| Deferred | 261 | (2,577) | 2,316 |
| Net income (loss) | (165,780) | 48,469 | (1,471,246) |
| Net income attributable to non-controlling interests | 4,668 | 6,113 | 41,427 |
| Net income (loss) attributable to owners of parent | ¥ (170,448) | ¥ 42,356 | $ (1,512,673) |

**(Consolidated Statements of Comprehensive Income)**

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2016 | 2015 | 2016 |
| Net income (loss) | ¥(165,780) | ¥ 48,469 | $(1,471,246) |
| Other comprehensive income (Note 18): | | | |
| Unrealized holding gains (losses) on available-for-sale securities, net of tax | (24,187) | 12,892 | (214,652) |
| Unrealized gains (losses) on hedging derivatives, net of tax | (31,368) | 46,674 | (278,381) |
| Foreign currency translation adjustments | (1,520) | 20,802 | (13,490) |
| Remeasurements of defined benefit plans, net of tax | (5,369) | 4,134 | (47,648) |
| Share of other comprehensive loss of associates accounted for using equity method | (3,475) | (9,981) | (30,840) |
| | (65,919) | 74,521 | (585,011) |
| Comprehensive income (loss) | ¥(231,699) | ¥122,990 | $(2,056,257) |
| | | | |
| Comprehensive income (loss) | | | |
| Comprehensive income (loss) attributable to owners of parent | ¥(233,644) | ¥114,990 | $(2,073,518) |
| Comprehensive income attributable to non-controlling interests | 1,945 | 8,000 | 17,261 |

| (Amounts per share of common stock) | Yen | | U.S. dollars (Note 1) |
|---|---|---|---|
| Net income (loss) | ¥(142.50) | ¥35.42 | $(1.26) |
| Diluted net income (Note 2) | — | 32.98 | — |
| Cash dividends applicable to the year | 5.00 | 7.00 | 0.04 |

See accompanying notes.



## Consolidated Statements of Changes in Net Assets

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2016 and 2015

| | Millions of yen | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Unrealized holding gains on available-for-sale securities, net of tax | Unrealized gains on hedging derivatives, net of tax | Foreign currency translation adjustments | Remeasurements of defined benefit plans, net of tax | Share subscription rights | Non-controlling interests | Total net assets |
| Balance at April 1, 2014 | ¥65,400 | ¥44,517 | ¥502,833 | ¥(6,982) | ¥ 32,810 | ¥ 39,711 | ¥ (315) | ¥1,186 | ¥2,391 | ¥101,998 | ¥783,549 |
| Cumulative effects of changes in accounting policies | — | — | (4,567) | — | — | — | — | — | — | — | (4,567) |
| Restated balance | ¥65,400 | ¥44,517 | ¥498,266 | ¥(6,982) | ¥ 32,810 | ¥ 39,711 | ¥ (315) | ¥1,186 | ¥2,391 | ¥101,998 | ¥778,982 |
| Issuance of new shares—exercise of subscription rights to shares | — | — | — | 19 | — | — | — | — | (19) | — | — |
| Dividends paid | — | — | (7,172) | — | — | — | — | — | — | — | (7,172) |
| Net income (loss) attributable to owners of parent | — | — | 42,356 | — | — | — | — | — | — | — | 42,356 |
| Due to change in consolidated subsidiaries | — | — | 205 | — | — | — | — | — | — | — | 205 |
| Due to change in affiliated companies accounted for by the equity method | — | — | (121) | — | — | — | — | — | — | — | (121) |
| Purchases of treasury stock | — | — | — | (56) | — | — | — | — | — | — | (56) |
| Disposal of treasury stock | — | (48) | (49) | 196 | — | — | — | — | — | — | 99 |
| Purchases of shares of consolidated subsidiaries | — | — | — | — | — | — | — | — | — | — | — |
| Net changes of items other than owner's equity during the year | — | — | — | — | 11,451 | 29,059 | 27,988 | 4,136 | 181 | 5,327 | 78,142 |
| Balance at March 31 and April 1, 2015 | ¥65,400 | ¥44,469 | ¥533,485 | ¥(6,823) | ¥ 44,261 | ¥ 68,770 | ¥27,673 | ¥5,322 | ¥2,553 | ¥107,325 | ¥892,435 |
| Cumulative effects of changes in accounting policies | — | — | — | — | — | — | — | — | — | — | — |
| Restated balance | ¥65,400 | ¥44,469 | ¥533,485 | ¥(6,823) | ¥ 44,261 | ¥ 68,770 | ¥27,673 | ¥5,322 | ¥2,553 | ¥107,325 | ¥892,435 |
| Issuance of new shares—exercise of subscription rights to shares | — | — | — | 7 | — | — | — | — | (7) | — | — |
| Dividends paid | — | — | (8,971) | — | — | — | — | — | — | — | (8,971) |
| Net income (loss) attributable to owners of parent | — | — | (170,448) | — | — | — | — | — | — | — | (170,448) |
| Due to change in consolidated subsidiaries | — | — | — | — | — | — | — | — | — | — | — |
| Due to change in affiliated companies accounted for by the equity method | — | — | 141 | — | — | — | — | — | — | — | 141 |
| Purchases of treasury stock | — | — | — | (47) | — | — | — | — | — | — | (47) |
| Disposal of treasury stock | — | — | (27) | 15 | — | — | — | — | — | — | (12) |
| Purchases of shares of consolidated subsidiaries | — | 920 | — | — | — | — | — | — | — | — | 920 |
| Net changes of items other than owner's equity during the year | — | — | — | — | (23,311) | (33,736) | (787) | (5,362) | 136 | (4,033) | (67,093) |
| Balance at March 31, 2016 | ¥65,400 | ¥45,389 | ¥354,180 | ¥(6,848) | ¥ 20,950 | ¥ 35,034 | ¥26,886 | ¥ (40) | ¥2,682 | ¥103,292 | ¥646,925 |

| | Thousands of U.S. dollars (Note 1) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Unrealized holding gains on available-for-sale securities, net of tax | Unrealized gains on hedging derivatives, net of tax | Foreign currency translation adjustments | Remeasurements of defined benefit plans, net of tax | Share subscription rights | Non-controlling interests | Total net assets |
| Balance at April 1, 2015 | $580,405 | $394,648 | $4,734,514 | $(60,552) | $ 392,803 | $ 610,312 | $245,589 | $47,231 | $22,657 | $952,476 | $7,920,083 |
| Cumulative effects of changes in accounting policies | — | — | — | — | — | — | — | — | — | — | — |
| Restated balance | $580,405 | $394,648 | $4,734,514 | $(60,552) | $ 392,803 | $ 610,312 | $245,589 | $47,231 | $22,657 | $952,476 | $7,920,083 |
| Issuance of new shares—exercise of subscription rights to shares | — | — | — | 62 | — | — | — | — | (62) | — | — |
| Dividends paid | — | — | (79,615) | — | — | — | — | — | — | — | (79,615) |
| Net income (loss) attributable to owners of parent | — | — | (1,512,673) | — | — | — | — | — | — | — | (1,512,673) |
| Due to change in consolidated subsidiaries | — | — | — | — | — | — | — | — | — | — | — |
| Due to change in affiliated companies accounted for by the equity method | — | — | 1,251 | — | — | — | — | — | — | — | 1,251 |
| Purchases of treasury stock | — | — | — | (417) | — | — | — | — | — | — | (417) |
| Disposal of treasury stock | — | — | (240) | 133 | — | — | — | — | — | — | (107) |
| Purchases of shares of consolidated subsidiaries | — | 8,165 | — | — | — | — | — | — | — | — | 8,165 |
| Net changes of items other than owner's equity during the year | — | — | — | — | (206,878) | (299,396) | (6,984) | (47,586) | 1,207 | (35,792) | (595,429) |
| Balance at March 31, 2016 | $580,405 | $402,813 | $3,143,237 | $(60,774) | $ 185,925 | $ 310,916 | $238,605 | $ (355) | $23,802 | $916,684 | $5,741,258 |

See accompanying notes.

## Consolidated Statements of Cash Flows

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2016 and 2015

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2016 | 2015 | 2016 |
| **Cash flows from operating activities:** | | | |
| Income (loss) before income taxes | ¥(154,385) | ¥ 58,332 | $(1,370,119) |
| Adjustments to reconcile income (loss) before income taxes to net cash provided by operating activities | | | |
| Depreciation and amortization | 92,772 | 87,804 | 823,323 |
| Impairment loss | — | 10,198 | — |
| Costs of business structural reforms | 179,291 | — | 1,591,152 |
| Equity in losses (earnings) of affiliated companies, net | (9,178) | (4,930) | (81,452) |
| Various provisions (reversals) | (1,096) | 2,356 | (9,727) |
| Decrease (Increase) in net defined benefit assets | (454) | (1,560) | (4,029) |
| Increase (Decrease) in net defined benefit liabilities | (233) | 377 | (2,068) |
| Interest and dividend income | (10,210) | (9,625) | (90,611) |
| Interest expense | 14,576 | 12,556 | 129,357 |
| Loss (Gain) on sales of investment securities | (12,915) | (134) | (114,617) |
| Loss (Gain) on sales and disposal of vessels, property and equipment | (8,643) | (13,380) | (76,704) |
| Loss on valuation of shares of subsidiaries and associates | 26,228 | — | 232,765 |
| Foreign exchange loss (gain) | (25,084) | (24,801) | (222,613) |
| Changes in operating assets and liabilities: | | | |
| Trade receivables | 47,462 | (28,223) | 421,211 |
| Inventories | 21,185 | 11,750 | 188,010 |
| Trade payables | (38,943) | 19,756 | (345,607) |
| Changes in other non-current assets | 91,997 | 13,417 | 816,445 |
| Others, net | 12,627 | (25,161) | 112,062 |
| Sub total | 224,997 | 108,732 | 1,996,778 |
| Interest and dividend income received | 14,099 | 12,411 | 125,124 |
| Interest expenses paid | (14,306) | (13,107) | (126,961) |
| Income taxes paid | (15,600) | (15,541) | (138,445) |
| Net cash provided by operating activities | 209,190 | 92,495 | 1,856,496 |
| **Cash flows from investing activities:** | | | |
| Purchase of investment securities | (7,919) | (14,594) | (70,279) |
| Proceeds from sales and redemption of investment securities | 16,371 | 1,770 | 145,288 |
| Purchase of vessels, property and equipment and intangible assets | (123,840) | (186,317) | (1,099,042) |
| Proceeds from sales of vessels, property and equipment and intangible assets | 69,202 | 74,184 | 614,146 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | — | (6,258) | — |
| Proceeds from sales of shares of subsidiaries | 11,137 | 8,706 | 98,837 |
| Net decrease (increase) in short-term loans receivables | (5,459) | (4,526) | (48,447) |
| Disbursements for long-term loans receivables | (32,984) | (59,942) | (292,723) |
| Collections of long-term loans receivables | 49,311 | 27,957 | 437,620 |
| Others, net | (2,500) | (131) | (22,186) |
| Net cash used in investing activities | (26,681) | (159,151) | (236,786) |
| **Cash flows from financing activities:** | | | |
| Net increase (decrease) in short-term bank loans | (40,010) | 59,030 | (355,076) |
| Net increase (decrease) in commercial paper | (5,500) | 5,500 | (48,811) |
| Proceeds from long-term bank loans | 80,885 | 107,951 | 717,829 |
| Repayments of long-term bank loans | (152,552) | (203,117) | (1,353,852) |
| Proceeds from issuance of bonds | — | 95,280 | — |
| Redemption of bonds | (15,600) | (45,000) | (138,445) |
| Purchase of treasury stock | (47) | (57) | (417) |
| Sales of treasury stock | 29 | 68 | 257 |
| Cash dividends paid by the Company | (8,928) | (7,177) | (79,233) |
| Cash dividends paid to non-controlling interests | (1,116) | (3,959) | (9,904) |
| Others, net | (5,896) | (2,008) | (52,325) |
| Net cash provided by (used in) financing activities | (148,735) | 6,511 | (1,319,977) |
| **Effect of foreign exchange rate changes on cash and cash equivalents** | (3,126) | 8,006 | (27,742) |
| **Net increase (decrease) in cash and cash equivalents** | 30,648 | (52,139) | 271,991 |
| **Cash and cash equivalents at beginning of year** | 128,802 | 180,126 | 1,143,078 |
| **Net cash increase from new consolidation/de-consolidation of subsidiaries** | — | 815 | — |
| **Cash and cash equivalents at end of year** | ¥ 159,450 | ¥ 128,802 | $ 1,415,069 |

See accompanying notes.

## Notes to Consolidated Financial Statements

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2016 and 2015

### 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

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

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2016, which was ¥112.68 to U.S. $1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**(1) PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements include the accounts of the Company and 362 subsidiaries for the year ended March 31, 2016 (371 subsidiaries for the year ended March 31, 2015). All significant inter-company balances, transactions and all material unrealized profit within the consolidated group have been eliminated in consolidation.

Investments in unconsolidated subsidiaries and affiliated companies are accounted for by the equity method. Companies accounted for using the equity method include 76 affiliated companies for the year ended March 31, 2016, and 70 affiliated companies for the year ended March 31, 2015. Investments in other subsidiaries and affiliated companies were stated at cost since total revenues, total assets, the Company's equity in net income and retained earnings and others in such companies were not material.

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

Amortized amount is included in "Selling, general and administrative expenses" of the consolidated statements of operations.

**(2) TRANSLATION OF FOREIGN CURRENCY**

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

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

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

**(3) CASH AND CASH EQUIVALENTS**

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

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

**1. Containerships**

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

**2. Vessels other than containerships**

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

**(5) SECURITIES**

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

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

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

**(6) INVENTORIES**

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

**(7) DEPRECIATION AND AMORTIZATION**

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

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

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

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

**(9) INTEREST CAPITALIZATION**

In cases where a vessel's construction period is long and the amount of interest accruing during this period is significant, such interest expenses are capitalized as a part of the acquisition cost which amounted to ¥2,847 million ($25,266 thousand) for the year ended March 31, 2016 and ¥5,139 million for the year ended March 31, 2015.

**(10) ALLOWANCE FOR DOUBTFUL ACCOUNTS**

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

**(11) ALLOWANCE FOR BONUSES**

Allowance for bonuses to employees is based on the estimated amount of future payments attributed to the fiscal year.

**(12) ALLOWANCE FOR DIRECTORS' BONUSES**

The Company and several domestic consolidated subsidiaries record allowance for bonuses to directors based on the estimated amount of future payments.

**(13) PROVISION FOR LOSS ON BUSINESS LIQUIDATION**

Provision for loss on business liquidation is recorded for estimated losses arising from the business liquidations to be carried out by certain consolidated subsidiaries of the Company.

**(14) PROVISION FOR CONTRACT LOSS**

The Company recognizes provision for contract loss to cover potential losses with higher probability for the future performance of contract due to a decision made over contract, etc.

**(15) DIRECTORS' AND CORPORATE AUDITORS' RETIREMENT BENEFITS**

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

**(16) RESERVE FOR PERIODIC DRYDOCKING**

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

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

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

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

**(18) INCOME TAXES**

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

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

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

Fully diluted net income per share of common stock assumes exercise of the outstanding stock options at the beginning of the year or at the date of issuance. For the year ended March 31, 2016 fully diluted net income per share is not disclosed because of the Company's net loss position.

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

**(20) DERIVATIVES AND HEDGE ACCOUNTING**

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

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

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

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

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

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

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

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

**(21) RECLASSIFICATIONS**

Certain prior year amounts have been reclassified to conform to the 2016 presentation.

**(22) CHANGES IN ACCOUNTING POLICIES**

**(Application of Accounting Standards for Business Combinations)**

The Group adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013 (hereinafter, "Statement No.21")), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013 (hereinafter, "Statement No.22")) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013 (hereinafter, "Statement No.7")) (together, the "Business Combination Accounting Standards"), from the year ended March 31, 2016. As a result, the Company changed its accounting policies to recognize in capital surplus the differences arising from the changes in the Company's ownership interest of subsidiaries over which the Company continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Company changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. The Company also changed the presentation of net income and the term "non-controlling interests" is used instead of "minority interests". Certain amounts in the prior year comparative information were reclassified to conform to such changes in the current year presentation.

In the consolidated statement of cash flows, cash flows from acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from financing activities" and cash flows from acquisition related costs for shares of subsidiaries with changes in the scope of consolidation or costs related to acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from operating activities".

With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in article 58-2 (4) of Statement No.21, article 44-5 (4) of Statement No.22 and article 57-4 (4) of Statement No.7 with application from the beginning of the current fiscal year prospectively.

The effect of these changes on the consolidated financial statement is immaterial.

**(23) ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED**

Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No.26, March 28 , 2016).

1. Overview

Following the framework in Auditing Committee Report No. 66 "Audit Treatment regarding the Judgment of Recoverability of Deferred Tax Assets", which prescribes estimation of deferred tax assets according to the classification of the entity by one of five types, the following treatments were changed as necessary:

1. Treatment for an entity that does not meet any of the criteria in types 1 to 5;
2. Criteria for types 2 and 3;
3. Treatment for deductible temporary differences which an entity classified as type 2 is unable to schedule;
4. Treatment for the period which an entity classified as type 3 is able to reasonably estimate with respect to future taxable income before consideration of taxable or deductible temporary differences that exist at the end of the current fiscal year; and
5. Treatment when an entity classified as type 4 also meets the criteria for types 2 or 3.

2. Effective dates

This standard will be effective from the beginning of the year ending March 31, 2017.

3. Effect of application of the standard

The Group is currently under assessment of the effect of this new standard on the consolidated financial statements.

## 3. FINANCIAL INSTRUMENTS

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

**I. Policies for using financial instruments**

We raise capital investment funds to acquire vessels and other fixed assets primarily through bank loans and corporate bonds. In addition, we secure short-term operating funds primarily through bank loans. Furthermore, we have established commitment line with Japanese banks to maintain a sufficient amount of working capital and prepare supplementary liquidity for emergency situations.

Derivatives are utilized to hedge risks as discussed below and are executed within the scope of real requirements. Our policy is not to use derivatives for speculative purposes.

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

Trade receivables are exposed to the credit risks of customers. We strive to mitigate such risks in accordance with internal regulations. Besides, trade receivables denominated in foreign currencies are exposed to the foreign currency exchange rate risk. We avoid the risk mainly by, in principle, utilizing forward exchange contracts which cover the net position (The difference between trade receivables and trade payables dominated in foreign currencies).

Investment securities are mainly stocks of companies with which we have business relationships. These investment securities are exposed to the price fluctuation risk. We identify the market value of listed stocks on a quarterly basis.

Trade payables are due within a year.

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

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

Our major derivative transactions and hedged risks are as follows.

* Forward foreign exchange contracts / Currency swap contracts:
  To cover exchange volatility of foreign-currency-denominated trade receivables, trade payables, long-term loans, and corporate bonds.
* Interest rate swap contracts:
  To avoid interest rate risk arising out of interest payment of long-term bank loans and corporate bonds.
* Crude oil swap contracts / Commodities futures:
  To hedge fluctuation of fuel oil price.

With regard to the detail of hedge accounting (hedging instruments, hedged items, the way of evaluating hedge effectiveness), see Note 2 (20) to the consolidated financial statements.

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

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

**III. Supplemental information on fair value**

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

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

### (2) Fair Values of financial instruments

Book values and fair values of the financial instruments on the consolidated balance sheet at March 31, 2016 were the following;

| | Millions of yen | | |
|---|---|---|---|
| | Book Value | Fair Value | Difference |
| Assets | | | |
| Cash and cash equivalents | **¥ 159,450** | **¥ 159,450** | **¥ —** |
| Time deposits with a maturity of more than three months | **6,810** | **6,810** | **—** |
| Trade receivables | **130,293** | **130,293** | **—** |
| Short-term loans receivable | **10,988** | **10,988** | **—** |
| Investment securities | | | |
| Available-for-sale securities | **87,319** | **87,319** | **—** |
| Long-term loans receivable(*1) | **59,132** | **64,561** | **5,429** |
| Total | **¥ 453,992** | **¥ 459,421** | **¥ 5,429** |
| Liabilities | | | |
| Trade payables | **¥ 127,172** | **¥ 127,172** | **¥ —** |
| Short-term loans | **30,275** | **30,275** | **—** |
| Bonds(*2) | **265,840** | **261,864** | **(3,976)** |
| Long-term bank loans(*3) | **725,818** | **746,600** | **20,782** |
| Total | **¥1,149,105** | **¥1,165,911** | **¥16,806** |
| Derivative financial instruments(*4) | **¥ 16,405** | **¥ 16,187** | **¥ (218)** |

| | Thousands of U.S. dollars (Note 1) | | |
|---|---|---|---|
| | Book Value | Fair Value | Difference |
| Assets | | | |
| Cash and cash equivalents | **$ 1,415,069** | **$ 1,415,069** | **$ —** |
| Time deposits with a maturity of more than three months | **60,437** | **60,437** | **—** |
| Trade receivables | **1,156,310** | **1,156,310** | **—** |
| Short-term loans receivable | **97,515** | **97,515** | **—** |
| Investment securities | | | |
| Available-for-sale securities | **774,929** | **774,929** | **—** |
| Long-term loans receivable(*1) | **524,778** | **572,959** | **48,181** |
| Total | **$ 4,029,038** | **$ 4,077,219** | **$ 48,181** |
| Liabilities | | | |
| Trade payables | **$ 1,128,612** | **$ 1,128,612** | **$ —** |
| Short-term loans | **268,681** | **268,681** | **—** |
| Bonds(*2) | **2,359,247** | **2,323,962** | **(35,285)** |
| Long-term bank loans(*3) | **6,441,409** | **6,625,843** | **184,434** |
| Total | **$10,197,949** | **$10,347,098** | **$149,149** |
| Derivative financial instruments(*4) | **$ 145,589** | **$ 143,655** | **$ (1,934)** |

*1 The book value of long-term loans receivable includes current portion amounting to ¥10,117 million ($89,785 thousand).
*2 The book value of bonds includes current portion amounting to ¥45,000 million ($399,361 thousand).
*3 The book value of long-term bank loans includes current portion amounting to ¥77,701 million ($689,572 thousand).
*4 Amounts of derivative financial instruments are net of asset and liability. Negative amount stated with ( ) means that the net amount is liability.

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

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

*1 The book value of long-term loans receivable includes current portion amounting to ¥1,306 million.
*2 The book value of bonds includes current portion amounting to ¥15,000 million.
*3 The book value of long-term bank loans includes current portion amounting to ¥105,186 million.
*4 Amounts of derivative financial instruments are net of asset and liability. Negative amount stated with ( ) means that the net amount is liability.

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

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

The fair value of above assets is evaluated at the book value because they are settled within a short term period and the fair value is almost equal to book value.

Investment securities

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

Long-term loans receivable

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

Trade payables, Short-term loans and Commercial paper

The fair value of above liabilities is evaluated at the book value, because they are settled within a short term period and the fair value is almost equal to the book value.

Bonds

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

Long-term bank loans

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

Derivative financial instruments
Please refer to Note 6 to the consolidated financial statements.

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

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | Book Value | Book Value | Book Value |
| | **2016** | 2015 | **2016** |
| Unlisted stocks | **¥ 7,063** | ¥ 7,821 | **$ 62,682** |
| Investments in unconsolidated subsidiaries and affiliated companies | **120,668** | 140,395 | **1,070,891** |
| Others | **6** | 12 | **53** |
| Total | **¥127,737** | ¥148,228 | **$1,133,626** |

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

At March 31, 2016, the aggregate annual maturity of monetary claims and securities was as follows;

| | Millions of yen | | | |
|---|---|---|---|---|
| | Within a year | After one year through five years | After five years through ten years | After ten years |
| Cash and cash equivalents | **¥159,450** | **¥ —** | **¥ —** | **¥ —** |
| Time deposits with a maturity of more than three months | **6,810** | **—** | **—** | **—** |
| Trade receivables | **130,293** | **—** | **—** | **—** |
| Short-term loans receivable | **10,988** | **—** | **—** | **—** |
| Marketable securities and investments securities | | | | |
| Available-for-sale securities (Governmental/municipal bonds) | **—** | **10** | **—** | **—** |
| Available-for-sale securities (Corporate bonds) | **—** | **200** | **—** | **—** |
| Long-term loans receivable | **10,117** | **9,572** | **4,283** | **35,160** |
| Total | **¥317,658** | **¥9,782** | **¥4,283** | **¥35,160** |

| | Thousands of U.S. dollars (Note 1) | | | |
|---|---|---|---|---|
| | Within a year | After one year through five years | After five years through ten years | After ten years |
| Cash and cash equivalents | **$1,415,069** | **$ —** | **$ —** | **$ —** |
| Time deposits with a maturity of more than three months | **60,437** | **—** | **—** | **—** |
| Trade receivables | **1,156,310** | **—** | **—** | **—** |
| Short-term loans receivable | **97,515** | **—** | **—** | **—** |
| Marketable securities and investments securities | | | | |
| Available-for-sale securities (Governmental/municipal bonds) | **—** | **89** | **—** | **—** |
| Available-for-sale securities (Corporate bonds) | **—** | **1,775** | **—** | **—** |
| Long-term loans receivable | **89,785** | **84,949** | **38,010** | **312,034** |
| Total | **$2,819,116** | **$86,813** | **$38,010** | **$312,034** |

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

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

## 4. SECURITIES

A. The following tables summarize acquisition costs, book values and fair values of securities with available fair values at March 31, 2016 and 2015.

Available-for-sale securities:
Securities with book values exceeding acquisition costs at March 31, 2016

| | Millions of yen | | |
|---|---|---|---|
| Type | Acquisition cost | Book Value | Difference |
| Equity securities | **¥33,086** | **¥66,378** | **¥33,292** |
| Bonds | **210** | **225** | **15** |
| Total | **¥33,296** | **¥66,603** | **¥33,307** |

| | Thousands of U.S. dollars (Note 1) | | |
|---|---|---|---|
| Type | Acquisition cost | Book Value | Difference |
| Equity securities | **$293,628** | **$589,084** | **$295,456** |
| Bonds | **1,864** | **1,997** | **133** |
| Total | **$295,492** | **$591,081** | **$295,589** |

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

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

Securities with book values not exceeding acquisition costs at March 31, 2016

| | Millions of yen | | |
|---|---|---|---|
| Type | Acquisition cost | Book Value | Difference |
| Equity securities | **¥23,494** | **¥20,716** | **¥(2,778)** |
| Total | **¥23,494** | **¥20,716** | **¥(2,778)** |

| | Thousands of U.S. dollars (Note 1) | | |
|---|---|---|---|
| Type | Acquisition cost | Book Value | Difference |
| Equity securities | **$208,502** | **$183,848** | **$(24,654)** |
| Total | **$208,502** | **$183,848** | **$(24,654)** |

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

| | Millions of yen | | |
|---|---|---|---|
| Type | Acquisition cost | Book Value | Difference |
| Equity securities | ¥5,456 | ¥4,534 | ¥(922) |
| Bonds | 10 | 10 | 0 |
| Total | ¥5,466 | ¥4,544 | ¥(922) |

B. Total sales of available-for-sale securities sold in the years ended March 31, 2016 and 2015 and the related gains and losses were as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Proceeds from sales | **¥15,279** | ¥290 | **$135,596** |
| Gross realized gains | **12,934** | 135 | **114,785** |
| Gross realized losses | **2** | — | **18** |

C. Impairment losses of securities

For the year ended March 31, 2016, the Company reduced the book value on the securities and booked the reductions as impairment losses of ¥26,285 million ($233,271 thousand).

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

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

## 5. INVENTORIES

Inventories as of March 31, 2016 and 2015 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Fuel and supplies | **¥26,603** | ¥48,030 | **$236,093** |
| Others | **1,257** | 996 | **11,156** |
| Total | **¥27,860** | ¥49,026 | **$247,249** |

## 6. DERIVATIVE TRANSACTIONS

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

### I. Hedge accounting not applied

The following tables summarize the outstanding contract amounts and fair values of financial derivatives of the Group at March 31, 2016 and 2015, for which hedge accounting has not been applied.

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| **(1) Currency related:** | | | |
| Forward currency exchange contracts | | | |
| Sell (U.S. dollar): | | | |
| Contracts outstanding | **¥ 1** | ¥ — | **$ 9** |
| Fair values | **0** | — | **0** |
| Buy (U.S. dollar): | | | |
| Contracts outstanding | **¥260** | ¥467 | **$2,307** |
| Fair values | **(9)** | 1 | **(80)** |
| Buy (Others): | | | |
| Contracts outstanding | **¥ 24** | ¥ 24 | **$ 213** |
| Fair values | **1** | 0 | **9** |

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| **(2) Interest related** | | | |
| Interest rate swaps | | | |
| Receive floating, pay fixed | | | |
| Contracts outstanding | **¥25,435** | ¥40,183 | **$225,728** |
| Fair values | **(2,090)** | (1,213) | **(18,548)** |
| Receive fixed, pay floating | | | |
| Contracts outstanding | **¥ 9,034** | ¥ — | **$ 80,174** |
| Fair values | **200** | — | **1,775** |

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

**II. Hedge accounting applied**

The following tables summarize the outstanding contract amounts and fair values of financial derivatives of the Group at March 31, 2016 and 2015, for which hedge accounting has been applied.

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2016 | 2015 | 2016 |
| **(1) Deferral hedge accounting** | | | |
| a. Forward currency exchange contracts to hedge the risk for the foreign currency transactions | | | |
| Sell (U.S. dollar): | | | |
| Contracts outstanding | ¥ 49,932 | ¥ — | $ 443,131 |
| Fair values | (854) | — | (7,579) |
| Buy (U.S. dollar): | | | |
| Contracts outstanding | ¥ 55,421 | ¥ — | $ 491,844 |
| Fair values | (2,323) | — | (20,616) |
| b. Currency swaps contracts to hedge the risk for charterages | | | |
| Sell (U.S. dollar): | | | |
| Contracts outstanding | ¥ 6,458 | ¥ 7,669 | $ 57,313 |
| Fair values | (1,397) | (1,664) | (12,398) |
| Buy (U.S. dollar): | | | |
| Contracts outstanding | ¥185,023 | ¥453,024 | $1,642,022 |
| Fair values | 49,596 | 182,171 | 440,149 |
| c. Interest rate swaps to hedge the risk for the long-term bank loans and charterages | | | |
| Receive floating, pay fixed | | | |
| Contracts outstanding | ¥307,776 | ¥290,387 | $2,731,416 |
| Fair values | (25,858) | (21,451) | (229,482) |
| d. Crude oil swaps to hedge the risk for the fuel oil | | | |
| Receive floating, pay fixed | | | |
| Contracts outstanding | ¥ 1,365 | ¥ — | $ 12,114 |
| Fair values | (779) | — | (6,913) |
| e. Commodities futures to hedge the risk for the fuel oil | | | |
| Contracts outstanding | ¥ 1,305 | ¥ 11,907 | $ 11,581 |
| Fair values | (83) | (4,324) | (737) |

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2016 | 2015 | 2016 |
| **(2) Special treatment** | | | |
| Interest rate swaps to hedge the risk for the long-term bank loans | | | |
| Receive floating, pay fixed | | | |
| Contracts outstanding | ¥20,758 | ¥20,550 | $184,221 |
| Fair values | (218) | (437) | (1,935) |

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2016 | 2015 | 2016 |
| **(3) Allocation method** | | | |
| Currency swaps to hedge the risk for the foreign bonds and long-term bank loans | | | |
| Contracts outstanding | ¥13,700 | ¥31,781 | $121,583 |
| Fair values | — | — | — |

Notes: 1. Fair values are measured based on forward exchange rates prevailing at the end of the year and information provided by financial institutions, etc.
2. Currency swaps which allocation method are applied to are recorded as the combined amount of such currency swaps and their hedge items. Therefore, their fair values are included in fair values of such hedge items.

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

**(1) SHORT-TERM DEBT**

Short-term debt at March 31, 2016 and 2015 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2016 | 2015 | 2016 |
| Short-term bank loans | ¥30,275 | ¥74,203 | $268,681 |
| Commercial paper | — | 5,500 | — |
| Total | ¥30,275 | ¥79,703 | $268,681 |

Average interest rates on short-term bank loans at March 31, 2016 and 2015 were 0.46% and 0.55%, respectively. Average interest rate on commercial paper at March 31, 2015 was 0.09%.

**(2) LONG-TERM DEBT**

Long-term debt at March 31, 2016 and 2015 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2016 | 2015 | 2016 |
| **Bonds:** | | | |
| 0.296% yen bonds due July 10, 2015 | ¥ — | ¥ 15,000 | $ — |
| 0.573% yen bonds due June 21, 2016 | 10,000 | 10,000 | 88,747 |
| 2.070% yen bonds due September 30, 2016 | 15,000 | 15,000 | 133,120 |
| 1.106% yen bonds due December 17, 2016 | 20,000 | 20,000 | 177,494 |
| 0.461% yen bonds due July 12, 2017 | 20,000 | 20,000 | 177,494 |
| 0.000% U.S. dollars bonds due April 24, 2018* | 33,804 | 36,051 | 300,000 |
| 1.999% yen bonds due May 27, 2019 | 18,500 | 18,500 | 164,182 |
| 1.673% yen bonds due September 13, 2019 | 10,000 | 10,000 | 88,747 |
| 1.398% yen bonds due May 28, 2020 | 15,000 | 15,000 | 133,120 |
| 0.000% U.S. dollars bonds due April 24, 2020* | 22,536 | 24,034 | 200,000 |
| 1.361% yen bonds due June 21, 2021 | 17,800 | 17,800 | 157,969 |
| 1.652% yen bonds due May 27, 2022 | 5,000 | 5,000 | 44,373 |
| 1.139% yen bonds due July 12, 2022 | 8,700 | 9,200 | 77,210 |
| 1.071% yen bonds due January 23, 2023 | 10,000 | 10,000 | 88,747 |
| 0.845% yen bonds due March 4, 2024 | 15,000 | 15,000 | 133,120 |
| 0.970% yen bonds due June 19, 2024 | 29,500 | 29,600 | 261,804 |
| 0.803% yen bonds due March 3, 2025 | 15,000 | 15,000 | 133,120 |
| **Long-term bank loans due within one year:** | | | |
| Long-term bank loans due within one year at average interest rate of 0.87% and 0.64% at March 31, 2016 and 2015, respectively. | 77,701 | 105,186 | 689,572 |
| **Long-term bank loans due after one year:** | | | |
| Long-term bank loans due through 2034 at average interest rate of 1.50% and 1.20% at March 31, 2016 and 2015, respectively. | 648,117 | 688,332 | 5,751,837 |
| | 991,658 | 1,078,703 | 8,800,656 |
| Amount due within one year | 122,701 | 120,186 | 1,088,933 |
| | ¥868,957 | ¥ 958,517 | $7,711,723 |

*Zero coupon convertible bonds, details are as follows.

| | The 2018 Bonds | The 2020 Bonds |
|---|---|---|
| (1) Exercise period | From May 8, 2014 to April 10, 2018 | From May 8, 2014 to April 9, 2020 |
| (2) Conversion price | U.S.$ 5.31 per share | U.S.$ 4.78 per share |

At March 31, 2016, the aggregate annual maturity of long-term debt was as follows:

| Year ending March 31 | Millions of yen | Thousands of U.S. dollars (Note 1) |
|---|---|---|
| 2017 | ¥122,701 | $1,088,933 |
| 2018 | 115,405 | 1,024,184 |
| 2019 | 142,326 | 1,263,099 |
| 2020 | 82,406 | 731,328 |
| 2021 | 115,366 | 1,023,837 |
| 2022 and thereafter | 413,454 | 3,669,275 |
| Total | ¥991,658 | $8,800,656 |

**(3) ASSETS PLEDGED AND SECURED DEBT**

At March 31, 2016 and 2015, the following assets were pledged as collateral for short-term debt and long-term debt.

| Assets pledged | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2016 | 2015 | 2016 |
| Vessels | ¥245,710 | ¥202,454 | $2,180,600 |
| Vessels and other property under construction | 26,108 | 90,908 | 231,700 |
| Investment securities | 76,623 | 73,811 | 680,006 |
| Total | ¥348,441 | ¥367,173 | $3,092,306 |

| Secured debt | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2016 | 2015 | 2016 |
| Short-term bank debt | ¥ — | ¥ 10 | $ — |
| Long-term bank debt due within one year | 14,500 | 13,759 | 128,683 |
| Long-term bank debt due after one year | 158,772 | 156,237 | 1,409,052 |
| Total | ¥173,272 | ¥170,006 | $1,537,735 |

## 8. COMMITMENTS AND CONTINGENT LIABILITIES

**(A) COMMITMENT**

At March 31, 2016 and 2015, the Company had loan commitment agreements with certain affiliated companies. The nonexercised portion of loan commitments was as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2016 | 2015 | 2016 |
| Total loan limits | ¥13,522 | ¥15,622 | $120,000 |
| Loan executions | 9,578 | — | 85,000 |
| The nonexercised portion of loan commitments | ¥ 3,944 | ¥15,622 | $ 35,000 |

**(B) CONTINGENT LIABILITIES**

At March 31, 2016 and 2015, the Company and its consolidated subsidiaries were contingently liable mainly as guarantors or co-guarantors of indebtedness of related and other companies in the aggregate amount of ¥148,653 million ($1,319,249 thousand) and ¥112,360 million, respectively.

## 9. NET ASSETS

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

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

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

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

**(A) SHARES ISSUED AND OUTSTANDING**

Changes in number of shares issued and outstanding during the years ended March 31, 2016 and 2015 were as follows:

| | Shares of common stock (Thousands) | Shares of treasury stock (Thousands) |
|---|---|---|
| Balance at April 1, 2014 | 1,206,286 | 10,373 |
| Increase during the year | — | 150 |
| Decrease during the year | — | (337) |
| Balance at March 31 and April 1, 2015 | 1,206,286 | 10,186 |
| Increase during the year | — | 140 |
| Decrease during the year | — | (104) |
| Balance at March 31, 2016 | 1,206,286 | 10,222 |

**(B) SHARE SUBSCRIPTION RIGHTS**

Share subscription rights at March 31, 2016 and 2015 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2016 | 2015 | 2016 |
| Stock options | ¥2,682 | ¥2,553 | $23,802 |
| Total | ¥2,682 | ¥2,553 | $23,802 |

**(C) DIVIDENDS**

(1) Dividends paid for the year ended March 31, 2016 were as follows:

| | Millions of yen | Thousands of U.S. dollars (Note 1) |
|---|---|---|
| Approved at the shareholders' meeting held on June 23, 2015 | ¥4,785 | $42,465 |
| Approved at the board of directors held on October 30, 2015 | ¥4,186 | $37,150 |
| Total | ¥8,971 | $79,615 |

(2) Dividends included in the retained earnings at March 31, 2016 and to be paid in subsequent periods were as follows:

| | Millions of yen | Thousands of U.S. dollars (Note 1) |
|---|---|---|
| Approved at the shareholders' meeting held on June 21, 2016 | ¥1,794 | $15,921 |
| Total | ¥1,794 | $15,921 |

## 10. IMPAIRMENT LOSS

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

| Application | Type | Millions of yen |
|---|---|---|
| Assets to be disposed of by sale | Vessels and Other | ¥10,198 |

The Group grouped operating assets based on management accounting categories, and also grouped assets to be disposed of by sale and idle assets by structure.

For the year ended March 31, 2015, with regard to the target price of assets to be disposed of by sale which fell below book value, the Group reduced the book value on these assets to recoverable amounts and booked the reductions as impairment losses.

The recoverable amount for this asset group was evaluated based on the asset's net selling price. And the asset's net selling price was appraised based on the target price of assets to be disposed of by sale.

## 11. BREAKDOWN OF COSTS OF BUSINESS STRUCTURAL REFORMS

The Company recognized costs of business structural reforms arising from the business structural reforms for bulk carriers and containerships which mainly consist of impairment loss and provision for loss on business liquidation.

A breakdown of the costs was as follows:

| | Millions of yen | Thousands of U.S. dollars (Note 1) |
|---|---|---|
| Impairment loss | ¥ 90,308 | $ 801,455 |
| Provision for loss on business liquidation | 71,008 | 630,174 |
| Loss on cancellation fee for chartered vessels | 9,459 | 83,946 |
| Others | 8,516 | 75,577 |
| Total | ¥179,291 | $1,591,152 |

**(IMPAIRMENT LOSS)**

For the year ended March 31, 2016, the Group recorded an impairment loss on the following asset group.

| Application | Type | Millions of yen | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| Assets for operations | Vessels and Other | ¥56,449 | $500,967 |
| Assets to be disposed of by sale | Vessels and Other | 33,859 | 300,488 |

The Group grouped operating assets based on management accounting categories, and also grouped assets to be disposed of by sale and idle assets by structure.

For the year ended March 31, 2016, since profitability of the assets related to Containerships segment for operations significantly deteriorated, the Group reduced the book value on these assets to recoverable amounts and booked the reductions as costs of business structural reforms.

For the year ended March 31, 2016, with regard to the target price of assets related to Bulkships segment to be disposed of by sale which fell below book value, the Group reduced the book value on these assets to recoverable amounts and booked the reductions as costs of business structural reforms.

The recoverable amount for this asset group was evaluated based on the asset's net selling price. And the asset's net selling price was appraised based on the appraisal value reasonably calculated by a third party and the target price of assets to be disposed of by sale.

## 12. LEASES

**AS LESSEE:**

**(A) INFORMATION ON FINANCE LEASES ACCOUNTED FOR AS OPERATING LEASES:**

(1) A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value at March 31, 2016 of finance leases that do not transfer ownership to the lessee was as follows:

| | Millions of yen | | |
|---|---|---|---|
| | Furniture and fixtures | Machinery, equipment and vehicles | Total |
| Acquisition cost | ¥— | ¥190 | ¥190 |
| Accumulated depreciation | — | 179 | 179 |
| Net book value | ¥— | ¥ 11 | ¥ 11 |

| | Thousands of U.S. dollars (Note 1) | | |
|---|---|---|---|
| | Furniture and fixtures | Machinery, equipment and vehicles | Total |
| Acquisition cost | $— | $1,686 | $1,686 |
| Accumulated depreciation | — | 1,588 | 1,588 |
| Net book value | $— | $ 98 | $ 98 |

A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value at March 31, 2015 of finance leases that do not transfer ownership to the lessee was as follows:

| | Millions of yen | | |
|---|---|---|---|
| | Furniture and fixtures | Machinery, equipment and vehicles | Total |
| Acquisition cost | ¥2,425 | ¥190 | ¥2,615 |
| Accumulated depreciation | 2,401 | 162 | 2,563 |
| Net book value | ¥ 24 | ¥ 28 | ¥ 52 |

(2) Future lease payments at March 31, 2016 and 2015

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2016 | 2015 | 2016 |
| Amount due within one year | ¥13 | ¥123 | $115 |
| Amount due after one year | — | 13 | — |
| Total | ¥13 | ¥136 | $115 |

(3) Lease payments, depreciation equivalent and interest equivalent

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2016 | 2015 | 2016 |
| Lease payments | ¥126 | ¥1,340 | $1,118 |
| Depreciation equivalent | 41 | 385 | 364 |
| Interest equivalent | 2 | 41 | 18 |

(4) Calculation of depreciation equivalent

Assumed depreciation amounts are computed using the declining-balance method or the straight-line method over the lease terms assuming no residual value.

(5) Calculation of interest equivalent

The excess of total lease payments over acquisition cost equivalents is regarded as amounts representing interest payable equivalents and is allocated to each period using the interest method.

(6) Impairment loss

There was no impairment loss on finance lease accounted for as operating leases.

**(B) FUTURE LEASE PAYMENTS UNDER OPERATING LEASES FOR ONLY NON-CANCELABLE CONTRACTS AT MARCH 31, 2016 AND 2015:**

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Amount due within one year | **¥ 51,195** | ¥ 54,586 | **$ 454,339** |
| Amount due after one year | **286,547** | 264,331 | **2,543,016** |
| Total | **¥337,742** | ¥318,917 | **$2,997,355** |

**AS LESSOR:**

**(A) FUTURE LEASE INCOME UNDER OPERATING LEASES FOR ONLY NON-CANCELABLE CONTRACTS AT MARCH 31, 2016 AND 2015:**

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Amount due within one year | **¥14,146** | ¥13,212 | **$125,542** |
| Amount due after one year | **42,867** | 46,912 | **380,431** |
| Total | **¥57,013** | ¥60,124 | **$505,973** |

## 13. RENTAL PROPERTIES

The Company and some of its consolidated subsidiaries own real estate for office lease (including lands) in Tokyo, Osaka and other areas.

Information about the book value and the fair value of such rental properties was as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| For the year ended March 31 | **2016** | 2015 | **2016** |
| Book value | | | |
| Balance at beginning of the year | **¥317,018** | ¥280,120 | **$2,813,436** |
| Changes during the year | **(5,926)** | 36,898 | **(52,591)** |
| Balance at end of the year | **311,092** | 317,018 | **2,760,845** |
| Fair value at end of the year | **444,844** | 432,440 | **3,947,852** |

Notes: 1. Book value is the acquisition cost, net of accumulated depreciation.
2. Fair value is mainly based on the amount appraised by outside independent real estate appraisers.
3. Of changes during the year ended March 31, 2015, the primary increase was mainly due to completion of the Shin-Daibiru Building (¥20,822 million), acquisition of the Corner Stone Building (¥11,135 million), and the acquisition of land near Akihabara Station from the Tokyo Metropolitan Government (¥7,151 million), while the primary decrease was mainly due to the depreciation of existing properties (¥6,176 million).
4. Of changes during the year ended March 31, 2016, the primary increase was mainly due to the renewal construction of office buildings (¥1,367 million ($12,132 thousand)), and the additional acquisition of land near Akihabara Station (¥724 million ($6,425 thousand)), while the primary decrease was mainly due to the depreciation of existing properties (¥7,782 million ($69,063 thousand)).

In addition, information for rental revenue and expense from rental properties was as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Rental revenue | **¥28,492** | ¥27,058 | **$252,858** |
| Rental expense | **17,917** | 16,041 | **159,008** |
| Difference | **¥10,575** | ¥11,017 | **$ 93,850** |

Note: Rental revenue is mainly recorded as “shipping and other revenues” and rental expense (depreciation expense, repairs and maintenance fee, utilities, personnel cost, tax and public charge, etc.) is mainly recorded as “shipping and other expenses”.

## 14. SEGMENT AND RELATED INFORMATION

### (A) SEGMENT INFORMATION:

| | Millions of yen | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Reportable segment | | | | | | | | |
| For the year ended March 31, 2016: | Bulkships | Container-ships | Ferry & Domestic transport | Associated business | Sub Total | Others | Total | Adjustment | Consolidated |
| **1. Revenues:** | | | | | | | | | |
| (1) Revenues from customers, unconsolidated subsidiaries and affiliated companies | ¥ 838,893 | ¥719,109 | ¥49,618 | ¥ 96,606 | ¥1,704,226 | ¥ 7,997 | ¥1,712,223 | ¥ — | ¥1,712,223 |
| (2) Inter-segment revenues | 251 | 2,026 | 188 | 30,373 | 32,838 | 5,312 | 38,150 | (38,150) | — |
| Total revenues | ¥ 839,144 | ¥721,135 | ¥49,806 | ¥126,979 | ¥1,737,064 | ¥ 13,309 | ¥1,750,373 | ¥ (38,150) | ¥1,712,223 |
| Segment income (loss) | ¥ 54,857 | ¥ (29,831) | ¥ 4,424 | ¥ 10,172 | ¥ 39,622 | ¥ 3,550 | ¥ 43,172 | ¥ (6,903) | ¥ 36,269 |
| Segment assets | ¥1,526,583 | ¥397,081 | ¥44,097 | ¥416,454 | ¥2,384,215 | ¥162,725 | ¥2,546,940 | ¥(327,353) | ¥2,219,587 |
| **2. Others** | | | | | | | | | |
| (1) Depreciation and amortization | ¥ 62,112 | ¥ 16,907 | ¥ 2,022 | ¥ 10,091 | ¥ 91,132 | ¥ 273 | ¥ 91,405 | ¥ 1,367 | ¥ 92,772 |
| (2) Amortization of goodwill | 12 | 63 | — | 132 | 207 | 1 | 208 | — | 208 |
| (3) Interest income | 2,761 | 665 | 21 | 74 | 3,521 | 1,785 | 5,306 | (1,227) | 4,079 |
| (4) Interest expense | 12,934 | 2,022 | 143 | 1,738 | 16,837 | 1,034 | 17,871 | (3,295) | 14,576 |
| (5) Equity in earnings (losses) of affiliated companies, net | 7,813 | 706 | 453 | 255 | 9,227 | (49) | 9,178 | — | 9,178 |
| (6) Costs of business structural reforms | 117,411 | 61,880 | — | — | 179,291 | — | 179,291 | — | 179,291 |
| (7) Investment in affiliates | 91,287 | 14,131 | 2,094 | 2,083 | 109,595 | 1,896 | 111,491 | — | 111,491 |
| (8) Increase in vessels, property and equipment and intangible assets | 87,116 | 15,526 | 5,866 | 5,177 | 113,685 | 124 | 113,809 | 1,903 | 115,712 |

| | Thousands of U.S. dollars (Note 1) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Reportable segment | | | | | | | | |
| For the year ended March 31, 2016: | Bulkships | Container-ships | Ferry & Domestic transport | Associated business | Sub Total | Others | Total | Adjustment | Consolidated |
| **1. Revenues:** | | | | | | | | | |
| (1) Revenues from customers, unconsolidated subsidiaries and affiliated companies | $ 7,444,915 | $6,381,869 | $440,344 | $ 857,348 | $15,124,476 | $ 70,971 | $15,195,447 | $ — | $15,195,447 |
| (2) Inter-segment revenues | 2,227 | 17,980 | 1,669 | 269,551 | 291,427 | 47,143 | 338,570 | (338,570) | — |
| Total revenues | $ 7,447,142 | $6,399,849 | $442,013 | $1,126,899 | $15,415,903 | $ 118,114 | $15,534,017 | $ (338,570) | $15,195,447 |
| Segment income (loss) | $ 486,839 | $ (264,741) | $ 39,262 | $ 90,273 | $ 351,633 | $ 31,505 | $ 383,138 | $ (61,262) | $ 321,876 |
| Segment assets | $13,547,950 | $3,523,971 | $391,347 | $3,695,900 | $21,159,168 | $1,444,133 | $22,603,301 | $(2,905,156) | $19,698,145 |
| **2. Others** | | | | | | | | | |
| (1) Depreciation and amortization | $ 551,225 | $ 150,044 | $ 17,945 | $ 89,554 | $ 808,768 | $ 2,423 | $ 811,191 | $ 12,132 | $ 823,323 |
| (2) Amortization of goodwill | 107 | 559 | — | 1,171 | 1,837 | 9 | 1,846 | — | 1,846 |
| (3) Interest income | 24,503 | 5,902 | 186 | 657 | 31,248 | 15,841 | 47,089 | (10,889) | 36,200 |
| (4) Interest expense | 114,785 | 17,945 | 1,269 | 15,424 | 149,423 | 9,177 | 158,600 | (29,243) | 129,357 |
| (5) Equity in earnings (losses) of affiliated companies, net | 69,338 | 6,266 | 4,020 | 2,263 | 81,887 | (435) | 81,452 | — | 81,452 |
| (6) Costs of business structural reforms | 1,041,986 | 549,166 | — | — | 1,591,152 | — | 1,591,152 | — | 1,591,152 |
| (7) Investment in affiliates | 810,144 | 125,408 | 18,584 | 18,486 | 972,622 | 16,826 | 989,448 | — | 989,448 |
| (8) Increase in vessels, property and equipment and intangible assets | 773,127 | 137,788 | 52,059 | 45,945 | 1,008,919 | 1,101 | 1,010,020 | 16,888 | 1,026,908 |

| | Millions of yen | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Reportable segment | | | | | | | | |
| For the year ended March 31, 2015: | Bulkships | Container-ships | Ferry & Domestic transport | Associated business | Sub Total | Others | Total | Adjustment | Consolidated |
| 1. Revenues: | | | | | | | | | |
| (1) Revenues from customers, unconsolidated subsidiaries and affiliated companies | ¥ 857,290 | ¥787,068 | ¥56,032 | ¥108,389 | ¥1,808,779 | ¥ 8,291 | ¥1,817,070 | ¥ — | ¥1,817,070 |
| (2) Inter-segment revenues | 526 | 2,063 | 272 | 39,775 | 42,636 | 5,920 | 48,556 | (48,556) | — |
| Total revenues | ¥ 857,816 | ¥789,131 | ¥56,304 | ¥148,164 | ¥1,851,415 | ¥ 14,211 | ¥1,865,626 | ¥ (48,556) | ¥1,817,070 |
| Segment income (loss) | ¥ 54,105 | ¥ (24,147) | ¥ 4,462 | ¥ 10,925 | ¥ 45,345 | ¥ 4,183 | ¥ 49,528 | ¥ 1,802 | ¥ 51,330 |
| Segment assets | ¥1,719,714 | ¥496,487 | ¥40,535 | ¥426,130 | ¥2,682,866 | ¥346,183 | ¥3,029,049 | ¥(404,999) | ¥2,624,050 |
| 2. Others | | | | | | | | | |
| (1) Depreciation and amortization | ¥ 59,234 | ¥ 16,109 | ¥ 2,279 | ¥ 8,511 | ¥ 86,133 | ¥ 283 | ¥ 86,416 | ¥ 1,388 | ¥ 87,804 |
| (2) Amortization of goodwill, net | (307) | 17 | 45 | 130 | (115) | (9) | (124) | — | (124) |
| (3) Interest income | 2,019 | 261 | 3 | 62 | 2,345 | 1,390 | 3,735 | (1,030) | 2,705 |
| (4) Interest expense | 10,632 | 2,314 | 170 | 1,780 | 14,896 | 723 | 15,619 | (3,063) | 12,556 |
| (5) Equity in earnings (losses) of affiliated companies, net | 3,286 | 1,096 | 225 | 269 | 4,876 | 54 | 4,930 | — | 4,930 |
| (6) Investment in affiliates | 110,452 | 4,873 | 1,694 | 1,971 | 118,990 | 1,967 | 120,957 | — | 120,957 |
| (7) Increase in vessels, property and equipment and intangible assets | 138,059 | 21,783 | 3,193 | 32,341 | 195,376 | 182 | 195,558 | 587 | 196,145 |

(Segment income (loss))
Segment income (loss) is calculated by adjusting ordinary income (loss).

### (B) RELATED INFORMATION:

#### (1) Information about geographic areas:

Our service areas are not necessarily consistent with our customer's location in our core ocean transport business.

That's why the revenues of geographic areas are revenues, wherever they may be earned, of companies registered in countries in the geographic areas.

| | Millions of yen | | | | | |
|---|---|---|---|---|---|---|
| For the year ended March 31, 2016: | Japan | North America | Europe | Asia | Others | Consolidated |
| Revenues | ¥1,432,969 | ¥28,185 | ¥35,759 | ¥214,875 | ¥ 435 | ¥1,712,223 |
| Vessels, property and equipment | ¥1,082,305 | ¥41,748 | ¥ 3,455 | ¥214,263 | ¥34,661 | ¥1,376,432 |

| | Thousands of U.S. dollars (Note 1) | | | | | |
|---|---|---|---|---|---|---|
| For the year ended March 31, 2016: | Japan | North America | Europe | Asia | Others | Consolidated |
| Revenues | $12,717,155 | $250,133 | $317,350 | $1,906,949 | $ 3,860 | $15,195,447 |
| Vessels, property and equipment | $ 9,605,121 | $370,501 | $ 30,662 | $1,901,517 | $307,605 | $12,215,406 |

| | Millions of yen | | | | | |
|---|---|---|---|---|---|---|
| For the year ended March 31, 2015: | Japan | North America | Europe | Asia | Others | Consolidated |
| Revenues | ¥1,538,042 | ¥25,044 | ¥37,939 | ¥215,453 | ¥ 592 | ¥1,817,070 |
| Vessels, property and equipment | ¥1,229,237 | ¥42,750 | ¥ 4,055 | ¥197,392 | ¥24,594 | ¥1,498,028 |

#### (2) Information about impairment loss by reportable segment:

| | Millions of yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Reportable segment | | | | | | | |
| For the year ended March 31, 2016: | Bulkships | Container-ships | Ferry & Domestic transport | Associated business | Sub Total | Others | Adjustment and elimination | Consolidated |
| Impairment loss | ¥33,859 | ¥56,449 | ¥— | ¥— | ¥90,308 | ¥— | ¥— | ¥90,308 |

| For the year ended March 31, 2016: | Reportable segment: Bulkships | Container-ships | Ferry & Domestic transport | Associated business | Sub Total | Others | Adjustment and elimination | Consolidated |
|---|---|---|---|---|---|---|---|---|
| | Thousands of U.S. dollars (Note 1) | | | | | | | |
| Impairment loss | **$300,488** | **$500,967** | **$—** | **$—** | **$801,455** | **$—** | **$—** | **$801,455** |

Note: Above Impairment loss for the year ended March 31, 2016 was included in Costs of business structural reforms (other losses) in consolidated statements of operations.

| For the year ended March 31, 2015: | Reportable segment: Bulkships | Container-ships | Ferry & Domestic transport | Associated business | Sub Total | Others | Adjustment and elimination | Consolidated |
|---|---|---|---|---|---|---|---|---|
| | Millions of yen | | | | | | | |
| Impairment loss | ¥10,049 | ¥ — | ¥50 | ¥ — | ¥10,099 | ¥ — | ¥99 | ¥10,198 |

**(3) Information about goodwill by reportable segment:**

| For the year ended March 31, 2016: | Reportable segment: Bulkships | Container-ships | Ferry & Domestic transport | Associated business | Sub Total | Others | Adjustment and elimination | Consolidated |
|---|---|---|---|---|---|---|---|---|
| | Millions of yen | | | | | | | |
| Goodwill at the end of current year | **¥89** | **¥14** | **¥—** | **¥2,317** | **¥2,420** | **¥0** | **¥—** | **¥2,420** |

| For the year ended March 31, 2016: | Reportable segment: Bulkships | Container-ships | Ferry & Domestic transport | Associated business | Sub Total | Others | Adjustment and elimination | Consolidated |
|---|---|---|---|---|---|---|---|---|
| | Thousands of U.S. dollars (Note 1) | | | | | | | |
| Goodwill at the end of current year | **$790** | **$124** | **$—** | **$20,563** | **$21,477** | **$0** | **$—** | **$21,477** |

| For the year ended March 31, 2015: | Reportable segment: Bulkships | Container-ships | Ferry & Domestic transport | Associated business | Sub Total | Others | Adjustment and elimination | Consolidated |
|---|---|---|---|---|---|---|---|---|
| | Millions of yen | | | | | | | |
| Goodwill at the end of current year | ¥128 | ¥364 | ¥ — | ¥2,508 | ¥3,000 | ¥1 | ¥ — | ¥3,001 |

## 15. INCOME TAXES

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate statutory rates in Japan of approximately 29.8% for the year ended March 31, 2016 and 31.8% for the year ended March 31, 2015.

**(A) Significant components of deferred tax assets and liabilities at March 31, 2016 and 2015 were as follows:**

| | Millions of yen 2016 | Millions of yen 2015 | Thousands of U.S. dollars (Note 1) 2016 |
|---|---|---|---|
| **Deferred tax assets:** | | | |
| Operating loss carried forward | **¥ 53,931** | ¥ 53,557 | **$ 478,621** |
| Write-down of securities and other investments | **1,519** | 1,861 | **13,481** |
| Reserve for bonuses expenses | **1,412** | 1,546 | **12,531** |
| Impairment loss | **26,346** | 661 | **233,813** |
| Excess bad debt expenses | **892** | 1,011 | **7,916** |
| Net defined benefit liabilities | **4,651** | 2,386 | **41,276** |
| Retirement allowances for directors | **559** | 526 | **4,961** |
| Unrealized gain on sale of fixed assets | **1,435** | 1,548 | **12,735** |
| Provision for loss on business liquidation | **20,237** | — | **179,597** |
| Provision for contract loss | **1,204** | — | **10,685** |
| Others | **5,911** | 4,750 | **52,458** |
| Total deferred tax assets | **118,097** | 67,846 | **1,048,074** |
| Valuation allowance | **(110,911)** | (61,414) | **(984,300)** |
| Net deferred tax assets | **7,186** | 6,432 | **63,774** |
| **Deferred tax liabilities:** | | | |
| Reserve deductible for tax purposes when appropriated for deferred gain on real properties | **(1,749)** | (1,897) | **(15,522)** |
| Reserve deductible for tax purposes when appropriated for special depreciation | **(604)** | (555) | **(5,360)** |
| Unrealized holding gains on available-for-sale securities | **(11,806)** | (22,760) | **(104,775)** |
| Gain on securities contributed to employee retirement benefit trust | **(2,714)** | (2,809) | **(24,086)** |
| Revaluation reserve | **(17,179)** | (15,436) | **(152,458)** |
| Retained earnings of consolidated subsidiaries | **(8,496)** | (10,073) | **(75,399)** |
| Unrealized gains on hedging derivatives | **(39,531)** | (53,880) | **(350,826)** |
| Others | **(1,501)** | (2,597) | **(13,322)** |
| Total deferred tax liabilities | **(83,580)** | (110,007) | **(741,748)** |
| Net deferred tax liabilities | **¥(76,394)** | ¥(103,575) | **$ (677,974)** |

On March 29, 2016, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2016 to March 31, 2018 and on or after April 1, 2018 are changed from 29.5% for the year ended March 31, 2016 to 28.8% and 28.5%, respectively, as of March 31, 2016.

Due to these changes in statutory income tax rates, net deferred tax liabilities (after deducting the deferred tax assets) decreased by ¥1,520 million ($13,490 thousand) as of March 31, 2016, deferred income tax expense recognized for the fiscal year ended March 31, 2016 decreased by ¥521 million ($4,624 thousand), unrealized holding gains on available-for-sale securities increased by ¥464 million ($4,118 thousand) , unrealized gains on hedging derivatives increased by ¥531 million ($4,712 thousand) and remeasurements of defined benefit plans increased by ¥3 million ($27 thousand).

**(B) Reconciliation of the statutory tax rate to the effective tax rate for the year ended March 31, 2015, was as follow:**

| | 2015 |
|---|---|
| Statutory tax rate | 31.8% |
| Non-deductible expenses | 0.5% |
| Tax exempt revenues | (7.8)% |
| Effect on tonnage tax system | (12.2)% |
| Effect on elimination of dividend income | 22.9% |
| Equity in earnings of unconsolidated subsidiaries and affiliated companies | (2.3)% |
| Effect on elimination of loss on valuation of stocks of subsidiaries and affiliates | (5.0)% |
| Effect on difference of effective tax rate for consolidated subsidiaries | (10.3)% |
| Others | (0.7)% |
| Effective tax rate | 16.9% |

*Reconciliation of the statutory tax rate to the effective tax rate for the year ended March 31, 2016, is not stated as the Company recorded loss before income taxes.

## 16. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

### (A) OUTLINE OF EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The Group has funded and un-funded defined benefit pension plans and defined contribution pension plans.

The defined benefit corporate pension plans provide for a lump-sum payment or annuity payment determined by reference to the current rate of pay and the length of service.

The Company has a retirement benefit trust.

The retirement lump-sum plans provide for a lump-sum payment, as employee retirement benefits, determined by reference to the current rate of pay and the length of service.

Certain consolidated subsidiaries calculate liabilities for retirement benefit and retirement benefit expenses, for the defined benefit corporate pension plans and the retirement lump-sum plans based on the amount which would be payable at the year end if all eligible employees terminated their services voluntarily (the "simplified method").

### (B) DEFINED BENEFIT PLANS

#### (1) MOVEMENTS IN RETIREMENT BENEFIT OBLIGATIONS EXCEPT PLAN APPLIED SIMPLIFIED METHOD

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Balance at beginning of the year | **¥45,500** | ¥41,743 | **$403,798** |
| Cumulative effect of changes in accounting policies | **—** | 4,565 | **—** |
| Service cost | **1,694** | 1,723 | **15,034** |
| Interest cost | **485** | 496 | **4,304** |
| Actuarial loss (gain) | **4,934** | (733) | **43,788** |
| Benefits paid | **(5,844)** | (2,294) | **(51,864)** |
| Balance at end of the year | **¥46,769** | ¥45,500 | **$415,060** |

#### (2) MOVEMENTS IN PLAN ASSETS EXCEPT PLAN APPLIED SIMPLIFIED METHOD

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Balance at beginning of the year | **¥66,169** | ¥59,906 | **$587,229** |
| Expected return on plan assets | **1,323** | 1,198 | **11,741** |
| Actuarial loss (gain) | **(1,550)** | 5,845 | **(13,756)** |
| Contributions paid by the employer | **—** | 1,293 | **—** |
| Benefits paid | **(5,584)** | (2,073) | **(49,556)** |
| Return of assets of retirement benefit trust | **(3,581)** | — | **(31,780)** |
| Balance at end of the year | **¥56,777** | ¥66,169 | **$503,878** |

#### (3) MOVEMENTS IN NET LIABILITY FOR RETIREMENT BENEFITS BASED ON THE SIMPLIFIED METHOD

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Balance at beginning of the year | **¥10,264** | ¥ 9,899 | **$91,090** |
| Retirement benefit costs | **2,158** | 1,824 | **19,152** |
| Benefits paid | **(1,510)** | (267) | **(13,401)** |
| Contributions paid by the employer | **(753)** | (1,192) | **(6,683)** |
| Balance at end of the year | **¥10,159** | ¥10,264 | **$90,158** |

#### (4) RECONCILIATION FROM RETIREMENT BENEFIT OBLIGATIONS AND PLAN ASSETS TO LIABILITY (ASSET) FOR RETIREMENT BENEFITS INCLUDING PLAN APPLIED SIMPLIFIED METHOD

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Funded retirement benefit obligations | **¥ 55,188** | ¥ 53,665 | **$489,776** |
| Plan assets | **(66,745)** | (75,930) | **(592,341)** |
| | **(11,557)** | (22,265) | **(102,565)** |
| Unfunded retirement benefit obligations | **11,707** | 11,862 | **103,897** |
| Total net liability (asset) for retirement benefits at end of the year | **150** | (10,403) | **1,332** |
| Liability for retirement benefits | **13,442** | 13,660 | **119,294** |
| Asset for retirement benefits | **(13,292)** | (24,063) | **(117,962)** |
| Total net liability (asset) for retirement benefits at end of the year | **¥ 150** | ¥ (10,403) | **$ 1,332** |

#### (5) RETIREMENT BENEFIT COSTS

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Service cost | **¥ 1,694** | ¥ 1,723 | **$ 15,034** |
| Interest cost | **485** | 497 | **4,304** |
| Expected return on plan assets | **(1,323)** | (1,198) | **(11,741)** |
| Net actuarial loss amortization | **(1,192)** | (715) | **(10,579)** |
| Retirement benefit costs calculated by the simplified method | **2,158** | 1,476 | **19,152** |
| Other | **221** | 157 | **1,961** |
| Total retirement benefit costs for the fiscal year | **¥ 2,043** | ¥ 1,940 | **$ 18,131** |

#### (6) REMEASUREMENTS OF DEFINED BENEFIT PLANS

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Actuarial loss (gain) | **¥7,675** | ¥(5,863) | **$68,113** |

#### (7) ACCUMULATED REMEASUREMENTS OF DEFINED BENEFIT PLANS

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Unrecognized actuarial differences | **¥49** | ¥(7,626) | **$435** |

**(8) PLAN ASSETS**

1. Plan assets comprise

| | 2016 | 2015 |
|---|---|---|
| Equity securities | 34% | 47% |
| Bonds | 23% | 22% |
| Jointly invested assets | 36% | 18% |
| Cash and cash equivalents | 7% | 13% |
| Other | 0% | 0% |
| Total | 100% | 100% |
| Retirement benefit trust | 27% | 37% |

2. Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

**(9) ACTUARIAL ASSUMPTIONS**

The discount rates were mainly 0.5%–1.1% for the year ended March 31, 2016 and 0.6%–1.2% for the year ended March 31, 2015. Also, the rates of expected return on plan assets were mainly 2.0% for the year ended March 31, 2016 and 2015.

**(C) DEFINED CONTRIBUTION PLANS**

The estimated amounts of contributions to defined contribution plans were ¥816 million ($7,242 thousand) at March 31, 2016 and ¥747 million at March 31, 2015.

## 17. STOCK OPTIONS

**(A) EXPENSED AMOUNT**

Expensed amounts on stock options for the years ended March 31, 2016 and 2015 were as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2016 | 2015 | 2016 |
| Selling, general and administrative expenses | ¥146 | ¥195 | $1,296 |
| Total | ¥146 | ¥195 | $1,296 |

**(B) TERMS AND CONDITIONS**

The following table summarizes terms and conditions of stock options for the years when they were granted:

| | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|
| Number of grantees | Directors: 11<br>Executive officers: 17<br>Employees: 38<br>Presidents of the Company's domestic consolidated subsidiaries: 34 | Directors: 11<br>Executive officers: 17<br>Employees: 37<br>Presidents of the Company's domestic consolidated subsidiaries: 37 | Directors: 11<br>Executive officers: 20<br>Employees: 33<br>Presidents of the Company's domestic consolidated subsidiaries: 36 | Directors: 11<br>Executive officers: 20<br>Employees: 38<br>Presidents of the Company's domestic consolidated ssubsidiaries: 36 |
| Number of stock options | Common stock 1,650,000 | Common stock 1,700,000 | Common stock 1,710,000 | Common stock 1,760,000 |
| Grant date | August 5, 2005 | August 11, 2006 | August 10, 2007 | August 8, 2008 |
| Vesting conditions | No provisions | No provisions | No provisions | No provisions |
| Service period | No provisions | No provisions | No provisions | No provisions |
| Exercise period | From June 20, 2006 to June 23, 2015 | From June 20, 2007 to June 22, 2016 | From June 20, 2008 to June 21, 2017 | From July 25, 2009 to June 24, 2018 |

| | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|
| Number of grantees | Directors: 11<br>Executive officers: 20<br>Employees: 34<br>Presidents of the Company's domestic consolidated subsidiaries: 35 | Directors: 10<br>Executive officers: 21<br>Employees: 36<br>Presidents of the Company's domestic consolidated subsidiaries: 33 | Directors: 10<br>Executive officers: 22<br>Employees: 35<br>Presidents of the Company's domestic consolidated subsidiaries: 33 | Directors: 9<br>Executive officers: 22<br>Employees: 33<br>Presidents of the Company's domestic consolidated subsidiaries: 30 |
| Number of stock options | Common stock 1,650,000 | Common stock 1,710,000 | Common stock 1,730,000 | Common stock 1,640,000 |
| Grant date | August 14, 2009 | August 16, 2010 | August 9, 2011 | August 13, 2012 |
| Vesting conditions | No provisions | No provisions | No provisions | No provisions |
| Service period | No provisions | No provisions | No provisions | No provisions |
| Exercise period | From July 31, 2011 to June 22, 2019 | From July 31, 2012 to June 21, 2020 | From July 26, 2013 to June 22, 2021 | From July 28, 2014 to June 21, 2022 |

| | 2013 | 2014 | 2015 |
|---|---|---|---|
| Number of grantees | Directors: 9<br>Executive officers: 18<br>Employees: 38<br>Presidents of the Company's domestic consolidated subsidiaries: 33 | Directors: 9<br>Executive officers: 19<br>Employees: 33<br>Presidents of the Company's domestic consolidated subsidiaries: 32 | Directors: 8<br>Executive officers: 18<br>Employees: 37<br>Presidents of the Company's domestic consolidated subsidiaries: 32 |
| Number of stock options | Common stock 1,600,000 | Common stock 1,480,000 | Common stock 1,550,000 |
| Grant date | August 16, 2013 | August 18, 2014 | August 17, 2015 |
| Vesting conditions | No provisions | No provisions | No provisions |
| Service period | No provisions | No provisions | No provisions |
| Exercise period | From August 2, 2015 to June 20, 2023 | From August 2, 2016 to June 23, 2024 | From August 1, 2017 to June 20, 2025 |

### (C) CHANGES IN NUMBER AND UNIT PRICES

The following tables summarize changes in number and unit prices of stock options for the years when they were granted:

(1) Changes in number of stock options

| Non-vested stock options | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance at March 31, 2015 | — | — | — | — | — | — | — | — | 1,600,000 | 1,480,000 | — |
| Options granted during the year | — | — | — | — | — | — | — | — | — | — | 1,550,000 |
| Options expired during the year | — | — | — | — | — | — | — | — | — | — | — |
| Options vested during the year | — | — | — | — | — | — | — | — | 1,600,000 | — | — |
| Balance at March 31, 2016 | — | — | — | — | — | — | — | — | — | 1,480,000 | 1,550,000 |

| Vested stock options | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance at March 31, 2015 | 878,000 | 1,443,000 | 1,660,000 | 1,730,000 | 1,630,000 | 1,710,000 | 1,720,000 | 1,357,000 | — | — | — |
| Options vested during the year | — | — | — | — | — | — | — | — | 1,600,000 | — | — |
| Options exercised during the year | — | — | — | — | — | — | — | 28,000 | 32,000 | — | — |
| Options expired during the year | 878,000 | 10,000 | 10,000 | 10,000 | — | 10,000 | 10,000 | — | — | — | — |
| Balance at March 31, 2016 | — | 1,423,000 | 1,650,000 | 1,720,000 | 1,630,000 | 1,700,000 | 1,710,000 | 1,329,000 | 1,568,000 | — | — |

(2) Unit prices of stock options exercised during the year

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Exercise price | ¥762 | ¥841 | ¥1,962 | ¥1,569 | ¥639 | ¥642 | ¥468 | ¥277 | ¥447 | ¥412 | ¥427 |
| Average market price of share at exercise | — | — | — | — | — | — | — | ¥369 | ¥309 | — | — |
| Fair value per stock option at grant date | — | ¥219 | ¥ 352 | ¥ 217 | ¥136 | ¥203 | ¥ 87 | ¥ 67 | ¥172 | ¥132 | ¥94 |

### (D) KEY FIGURES FOR FAIR VALUE PER STOCK OPTION

The Company utilized the Black Scholes Model for calculating fair value per stock option. Key figures of the calculation were as follows:

| | 2015 |
|---|---|
| Stock price volatility | 37.29% |
| Expected remaining term of the option | 5 years and 11 months |
| Expected dividends | ¥7 per share |
| Risk-free interest rate | 0.15% |

## 18. COMPREHENSIVE INCOME

For the years ended March 31, 2016 and 2015, the amounts reclassified to net income (loss) that were recognized in other comprehensive income and tax effects for each component of other comprehensive income were as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| **Unrealized holding gains (losses) on available-for-sale securities, net of tax:** | | | |
| Increase (Decrease) during the year | **¥(22,226)** | ¥ 16,331 | **$(197,249)** |
| Reclassification adjustments | **(12,791)** | (57) | **(113,516)** |
| Sub-total, before tax | **(35,017)** | 16,274 | **(310,765)** |
| Tax effect | **10,830** | (3,382) | **96,113** |
| | **(24,187)** | 12,892 | **(214,652)** |
| **Unrealized gains (losses) on hedging derivatives, net of tax:** | | | |
| Increase (Decrease) during the year | **(31,038)** | 97,875 | **(275,453)** |
| Reclassification adjustments | **(13,985)** | (18,834) | **(124,112)** |
| Adjustments of acquisition cost | **0** | (9,136) | **0** |
| Sub-total, before tax | **(45,023)** | 69,905 | **(399,565)** |
| Tax effect | **13,655** | (23,231) | **121,184** |
| | **(31,368)** | 46,674 | **(278,381)** |
| **Foreign currency translation adjustments:** | | | |
| Increase (Decrease) during the year | **(5,247)** | 20,635 | **(46,565)** |
| Reclassification adjustments | **3,727** | 167 | **33,075** |
| | **(1,520)** | 20,802 | **(13,490)** |
| **Remeasurements of defined benefit plans:** | | | |
| Increase (Decrease) during the year | **(6,483)** | 6,578 | **(57,534)** |
| Reclassification adjustments | **(1,192)** | (715) | **(10,579)** |
| Sub-total, before tax | **(7,675)** | 5,863 | **(68,113)** |
| Tax effect | **2,306** | (1,729) | **20,465** |
| | **(5,369)** | 4,134 | **(47,648)** |
| **Share of other comprehensive loss of associates accounted for using equity method:** | | | |
| Decrease during the year | **(8,186)** | (12,827) | **(72,648)** |
| Reclassification adjustments | **3,091** | 3,680 | **27,431** |
| Adjustments of acquisition cost | **1,620** | (834) | **14,377** |
| | **(3,475)** | (9,981) | **(30,840)** |
| **Total other comprehensive income (loss)** | **¥(65,919)** | ¥ 74,521 | **$(585,011)** |

## 19. RELATED PARTY TRANSACTIONS

For the years ended March 31, 2016 and 2015, there are no applicable matters to report.

## 20. SUBSEQUENT EVENT

There is no applicable matter.

## 21. OTHERS

The Group is subject to investigations by overseas competition law authorities including those of the U.S. and Europe for violation of competition laws of those countries regarding price control negotiations for ocean transport services of completely built-up vehicles. In addition, a class-action lawsuit was filed in the U.S. and other countries against the Group for damage claims and for a cease and desist order for the questioned conduct. Meanwhile, the effect of these investigations and lawsuit on the financial results of the Group is uncertain as its financial impact is not estimable at this stage.



KPMG

**Independent Auditor's Report**

To the Board of Directors of Mitsui O.S.K. Lines, Ltd.:

We have audited the accompanying consolidated financial statements of Mitsui O.S.K. Lines, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statement of operations, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mitsui O.S.K. Lines, Ltd. and its consolidated subsidiaries as at March 31, 2016, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

**Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

*KPMG AZSA LLC*
June 21, 2016

# The MOL Group

Mitsui O.S.K. Lines, Ltd. March 31, 2016

■ Consolidated Subsidiaries
▲ Affiliated Companies Accounted for by the Equity Method

## Bulkships

| | Company | Registered Office | MOL's Voting Rights (%)* | Paid-in Capital (Thousands) |
|---|---|---|---|---|
| ■ | Chugoku Shipping Agencies Ltd. | Japan | 100.00 | ¥10,000 |
| ■ | El Sol Shipping Ltd. S.A. | Panama | 100.00 | US$10 |
| ■ | Euro Marine Carrier B.V. | Netherlands | 75.50 | €91 |
| ■ | Euro Marine Logistics N.V. | Belgium | 50.00 | €900 |
| ■ | Lakler S.A. | Uruguay | 100.00 | US$91,401 |
| ■ | MCGC International Ltd. | Bahamas | 80.10 | US$1 |
| ■ | Mitsui O.S.K. Bulk Shipping (Asia Oceania) Pte. Ltd. | Singapore | 100.00 | S$2,350 |
| ■ | Mitsui O.S.K. Bulk Shipping (Europe) Ltd. | U.K. | 100.00 | US$8,402 |
| ■ | Mitsui O.S.K. Bulk Shipping (USA), LLC | U.S.A. | 100.00 | — |
| ■ | Mitsui O.S.K. Kinkai, Ltd. | Japan | 100.00 | ¥660,000 |
| ■ | MOG LNG Transport S.A. | Panama | 100.00 | ¥0 |
| ■ | MOL Bridge Finance S.A. | Panama | 100.00 | US$8 |
| ■ | MOL Bulk Carriers Pte. Ltd. | Singapore | 100.00 | US$3,500,000 |
| ■ | MOL Cape (Singapore) Pte. Ltd. | Singapore | 100.00 | US$57,752 |
| ■ | MOL LNG Transport Co., Ltd. | Japan | 100.00 | ¥40,000 |
| ■ | MOL Netherlands Bulkship B.V. | Netherlands | 100.00 | €18 |
| ■ | Nissan Carrier Europe B.V. | Netherlands | 100.00 | €195 |
| ■ | Nissan Motor Car Carrier Co., Ltd. | Japan | 90.00 | ¥640,000 |
| ■ | Phoenix Tankers Pte. Ltd. | Singapore | 100.00 | US$379,311 |
| ■ | Samba Offshore S.A. | Panama | 100.00 | US$10 |
| ■ | Shining Shipping S.A. | Panama | 100.00 | US$10 |
| ■ | Tokyo Marine Asia Pte. Ltd | Singapore | 100.00 | S$138,018 |
| ■ | Tokyo Marine Co., Ltd. | Japan | 100.00 | ¥100,000 |
| ■ | Unix Line Pte. Ltd. | Singapore | 100.00 | US$344 |
| ■ | World Logistics Service (U.S.A.), Inc. | U.S.A. | 100.00 | US$200 |
| ■ | Shipowner/Chartering companies (202 companies) in Panama, Marshall Islands, Liberia, Hong Kong, Cayman Islands, Singapore, Indonesia, Isle of Man and Malta | | | |
| ■ | Others (2 companies) | | | |
| ▲ | Aramo Shipping (Singapore) Pte. Ltd. | Singapore | 50.00 | US$20,743 |
| ▲ | Asahi Tanker Co., Ltd. | Japan | 24.75 | ¥600,045 |
| ▲ | Carioca MV27 B.V. | Netherlands | 20.60 | €100 |
| ▲ | Cernambi Norte MV26 B.V. | Netherlands | 20.60 | €17,503 |
| ▲ | Cernambi Sul MV24 B.V. | Netherlands | 20.60 | €162,160 |
| ▲ | Gearbulk Holding AG | Switzerland | 49.00 | US$228,100 |
| ▲ | LNG Fukurokuju Shipping Corp. | Bahamas | 30.00 | ¥1,000 |
| ▲ | LNG Jurojin Shipping Corp. | Bahamas | 30.00 | ¥1,000 |
| ▲ | M.S.Tanker Shipping Ltd. | Hong Kong | 50.00 | HK$2,000 |
| ▲ | T.E.N. Ghana MV25 B.V. | Netherlands | 20.00 | €100 |
| ▲ | Tartaruga MV29 B.V. | Netherlands | 20.60 | US$110 |
| ▲ | Trans Pacific Shipping 2 Ltd. | Bahamas | 20.00 | ¥3,961,100 |
| ▲ | Trans Pacific Shipping 5 Ltd. | Bahamas | 50.00 | ¥36,400 |
| ▲ | Trans Pacific Shipping 8 Ltd. | Bahamas | 50.00 | ¥35,000 |
| ▲ | Viken MOL AS | Norway | 50.00 | US$18 |
| ▲ | Viken Shuttle AS | Norway | 50.00 | US$338 |
| ▲ | Shipowner/Chartering companies (48 companies) in Panama, Marshall Islands, Hong Kong, Liberia, Cayman Islands, Bahamas, Malta, Cyprus and Singapore | | | |

## Containerships

| | Company | Registered Office | MOL's Voting Rights (%)* | Paid-in Capital (Thousands) |
|---|---|---|---|---|
| ■ | Asia Utoc Pte. Ltd. | Singapore | 100.00 | S$900 |
| ■ | Bangkok Container Service Co., Ltd. | Thailand | 100.00 | THB10,000 |
| ■ | Bangpoo Intermodal Systems Co., Ltd. | Thailand | 74.62 | THB130,000 |
| ■ | Chiba Utoc Corp. | Japan | 100.00 | ¥90,000 |
| ■ | Hong Kong Logistics Co., Ltd. | Hong Kong | 100.00 | HK$58,600 |
| ■ | International Container Transport Co., Ltd. | Japan | 51.00 | ¥100,000 |
| ■ | International Transportation Inc. | U.S.A. | 51.00 | US$0 |
| ■ | Mitsui O.S.K. Lines (Australia) Pty. Ltd. | Australia | 100.00 | A$1,000 |
| ■ | Mitsui O.S.K. Lines (Japan) Ltd. | Japan | 100.00 | ¥100,000 |
| ■ | Mitsui O.S.K. Lines (Nigeria) Ltd. | Nigeria | 100.00 | NGN25,000 |
| ■ | Mitsui O.S.K. Lines (SEA) Pte. Ltd. | Singapore | 100.00 | S$200 |
| ■ | Mitsui O.S.K. Lines (Thailand) Co., Ltd. | Thailand | 47.00 | THB20,000 |
| ■ | MOL (America) Inc. | U.S.A. | 100.00 | US$6 |
| ■ | MOL (Brasil) Ltda. | Brazil | 100.00 | BRL3,603 |
| ■ | MOL (China) Co., Ltd. | China | 100.00 | US$1,960 |
| ■ | MOL (Europe) B.V. | Netherlands | 100.00 | €456 |
| ■ | MOL (Europe) Central Support Unit SP. Zoo | Poland | 100.00 | PLN5 |
| ■ | MOL (Europe) Ltd. | U.K. | 100.00 | £1,500 |
| ■ | MOL (Ghana) Ltd. | Ghana | 100.00 | US$50 |
| ■ | MOL (Singapore) Pte. Ltd. | Singapore | 100.00 | S$5,000 |
| ■ | MOL Consolidation Service Ltd. | Hong Kong | 100.00 | HK$1,000 |
| ■ | MOL Consolidation Service Ltd. (China) | China | 100.00 | RMB8,000 |
| ■ | MOL Container Center (Thailand) Co., Ltd. | Thailand | 99.60 | THB10,000 |
| ■ | MOL Cote D'ivoire S.A. | Ivory Coast | 100.00 | XOF50,000 |
| ■ | MOL Egypt for Maritime Services Ltd. | Egypt | 49.00 | EGP750 |
| ■ | MOL Liner, Ltd. | Hong Kong | 100.00 | HK$40,000 |
| ■ | MOL Logistics (Deutschland) GMBH | Germany | 100.00 | €537 |
| ■ | MOL Logistics (Europe) B.V. | Netherlands | 100.00 | €414 |
| ■ | MOL Logistics (H.K.) Ltd. | Hong Kong | 100.00 | HK$14,100 |
| ■ | MOL Logistics (Japan) Co., Ltd. | Japan | 75.06 | ¥756,250 |
| ■ | MOL Logistics (Netherlands) B.V. | Netherlands | 100.00 | €3,049 |
| ■ | MOL Logistics (Singapore) Pte. Ltd. | Singapore | 100.00 | S$700 |
| ■ | MOL Logistics (Taiwan) Co., Ltd. | Taiwan | 100.00 | NT$7,500 |
| ■ | MOL Logistics (Thailand) Co., Ltd. | Thailand | 99.00 | THB20,000 |
| ■ | MOL Logistics (UK) Ltd. | U.K. | 100.00 | £400 |
| ■ | MOL Logistics (USA) Inc. | U.S.A. | 100.00 | US$9,814 |
| ■ | MOL Logistics Holding (Europe) B.V. | Netherlands | 100.00 | €19 |
| ■ | MOL South Africa (Pty.) Ltd. | South Africa | 100.00 | ZAR3,000 |
| ■ | Shanghai Huajia International Freight Forwarding Co., Ltd. | China | 76.00 | US$1,720 |
| ■ | Shosen Koun Co., Ltd. | Japan | 79.98 | ¥300,000 |
| ■ | Thai Intermodal Systems Co., Ltd. | Thailand | 100.00 | THB77,500 |
| ■ | TraPac, LLC. | U.S.A. | 100.00 | — |
| ■ | TraPac Jacksonville, LLC. | U.S.A. | 100.00 | — |
| ■ | Utoc Corp. | Japan | 67.55 | ¥2,155,300 |
| ■ | Utoc Engineering Pte. Ltd. | Singapore | 100.00 | S$2,000 |
| ■ | Utoc Logistics Corp. | Japan | 100.00 | ¥50,000 |
| ■ | Utoc Stevedoring Corp. | Japan | 100.00 | ¥50,000 |
| ■ | Shipowner companies (17 companies) in Panama, Marshall Islands, Hong Kong and Liberia | | | |
| ■ | Others (7 companies) | | | |
| ▲ | Rotterdam World Gateway B.V. | Netherlands | 20.00 | €368,773 |
| ▲ | Shanghai Kakyakusen Kaisha, Ltd. | Japan | 31.98 | ¥100,000 |
| ▲ | Shanghai Longfei International Logistics Co., Ltd. | China | 22.05 | US$1,240 |
| ▲ | Tan Cang-Cai Mep International Terminal Co. Ltd. | Vietnam | 21.33 | VND732,966,020 |
| ▲ | TIPS Co., Ltd. | Thailand | 24.44 | THB100,000 |
| ▲ | Other (1 company) | | | |

## Ferry & Domestic Transport

| | Company | Registered Office | MOL's Voting Rights (%)* | Paid-in Capital (Thousands) |
|---|---|---|---|---|
| ■ | Blue Highway Express Kyushu Co., Ltd | Japan | 100.00 | ¥50,000 |
| ■ | Blue Highway Service K.K. | Japan | 100.00 | ¥30,000 |
| ■ | Blue Sea Network Co., Ltd. | Japan | 100.00 | ¥54,600 |
| ■ | Ferry Sunflower Ltd. | Japan | 99.00 | ¥100,000 |
| ■ | MOL Coastal Shipping, Ltd. | Japan | 100.00 | ¥650,000 |
| ■ | MOL Ferry Co., Ltd. | Japan | 100.00 | ¥1,577,400 |
| ■ | Shipowner company (1 company) in Panama | | | |
| ■ | Others (5 companies) | | | |
| ▲ | Meimon Taiyo Ferry Co., Ltd. | Japan | 38.73 | ¥880,000 |
| ▲ | Other (1 company) | | | |

## Associated Business

| | Company | Registered Office | MOL's Voting Rights (%)* | Paid-in Capital (Thousands) |
|---|---|---|---|---|
| ■ | Daibiru Corp. | Japan | 51.07 | ¥12,227,847 |
| ■ | Daibiru Facility Management Ltd. | Japan | 100.00 | ¥17,000 |
| ■ | Green Kaiji Kaisha, Ltd. | Japan | 100.00 | ¥95,400 |
| ■ | Green Shipping, Ltd. | Japan | 100.00 | ¥172,000 |
| ■ | Hokuso Kohatsu K.K. | Japan | 100.00 | ¥50,000 |
| ■ | Ikuta & Marine Co., Ltd. | Japan | 100.00 | ¥26,500 |
| ■ | Japan Express Co., Ltd. (Kobe) | Japan | 86.27 | ¥99,960 |
| ■ | Japan Hydrographic Charts & Publications Co., Ltd. | Japan | 95.25 | ¥32,000 |
| ■ | Jentower Ltd. | British Virgin Islands | 100.00 | US$0 |
| ■ | Kitanihon Tug-boat Co., Ltd. | Japan | 62.00 | ¥50,000 |
| ■ | Kobe Towing Co., Ltd. | Japan | 100.00 | ¥50,000 |
| ■ | Kosan Kanri Service Co., Ltd. | Japan | 100.00 | ¥20,000 |
| ■ | Kosan Kanri Service-West Co., Ltd. | Japan | 100.00 | ¥14,400 |
| ■ | M.O. Tourist Co., Ltd. | Japan | 100.00 | ¥250,000 |
| ■ | Mitsui O.S.K. Kosan Co., Ltd. | Japan | 100.00 | ¥300,000 |
| ■ | Mitsui O.S.K. Passenger Line, Ltd. | Japan | 100.00 | ¥100,000 |
| ■ | MOL Career Support, Ltd. | Japan | 100.00 | ¥100,000 |
| ■ | MOL Kaiji Co., Ltd. | Japan | 100.00 | ¥95,000 |
| ■ | MOL Techno-Trade, Ltd. | Japan | 100.00 | ¥490,000 |
| ■ | Nihon Tug-Boat Co., Ltd. | Japan | 87.26 | ¥134,203 |
| ■ | Saigon Tower Co., Ltd. | Vietnam | 100.00 | VND124,203,000 |
| ■ | Tanshin Building Service Co., Ltd. | Japan | 100.00 | ¥20,000 |
| ■ | Tokai Tugboat K.K. | Japan | 70.00 | ¥10,000 |
| ■ | Ube Port Service Co., Ltd. | Japan | 99.39 | ¥14,950 |
| ■ | Vibank-Ngt Co. Ltd. | Vietnam | 99.00 | VND349,000,000 |
| ■ | White Lotus Properties Ltd. | British Virgin Islands | 100.00 | ¥6,910,000 |
| ■ | Chartering company (1 company) in Panama | | | |
| ■ | Others (3 companies) | | | |
| ▲ | Shinyo Kaiun Corp. | Japan | 36.00 | ¥100,000 |
| ▲ | South China Towing Co., Ltd. | Hong Kong | 25.00 | HK$12,400 |
| ▲ | Tan Cang-Cai Mep Towage Services Co., Ltd. | Vietnam | 40.00 | US$4,500 |

## Others

| | Company | Registered Office | MOL's Voting Rights (%)* | Paid-in Capital (Thousands) |
|---|---|---|---|---|
| ■ | Euromol B.V. | Netherlands | 100.00 | €8,444 |
| ■ | Linkman Holdings Inc. | Liberia | 100.00 | US$3 |
| ■ | Mitsui Kinkai Kisen Co., Ltd. | Japan | 80.42 | ¥350,000 |
| ■ | Mitsui O.S.K. Holdings (Benelux) B.V. | Netherlands | 100.00 | €17,245 |
| ■ | MM Holdings (Americas), Inc | U.S.A. | 100.00 | US$200 |
| ■ | MOL Accounting Co., Ltd. | Japan | 100.00 | ¥30,000 |
| ■ | MOL Adjustment, Ltd. | Japan | 100.00 | ¥10,000 |
| ■ | MOL Engineering Co., Ltd. | Japan | 100.00 | ¥20,000 |
| ■ | MOL FG, Inc. | U.S.A. | 100.00 | US$20 |
| ■ | MOL Information Systems, Ltd. | Japan | 100.00 | ¥100,000 |
| ■ | MOL Manning Service S.A. | Panama | 100.00 | US$525 |
| ■ | MOL Marine Co., Ltd. | Japan | 100.00 | ¥100,000 |
| ■ | MOL Ocean Expert Co., Ltd. | Japan | 100.00 | ¥100,000 |
| ■ | MOL Ship Management Co., Ltd. | Japan | 100.00 | ¥50,000 |
| ■ | MOL Ship Tech Inc. | Japan | 100.00 | ¥50,000 |
| ■ | MOL SI, Inc. | U.S.A. | 100.00 | US$100 |
| ■ | MOL Treasury Management Pte. Ltd. | Singapore | 100.00 | US$2,000 |
| ■ | Shipowner/Chartering companies (4 companies) in Panama | | | |
| ▲ | Minaminippon Shipbuilding Co., Ltd. | Japan | 24.00 | ¥200,000 |

*MOL's voting rights include voting rights of MOL and its subsidiaries

# Worldwide Offices

## Japan

**Mitsui O.S.K. Lines, Ltd.**

| | | |
|---|---|---|
| Head Office (Tokyo): | Tel: 81-3-3587-6224 | Fax: 81-3-3587-7734 |
| Nagoya Branch: | Tel: 81-52-564-7020 | Fax: 81-52-564-7047 |
| Kansai Branch: | Tel: 81-6-6446-6522 | Fax: 81-6-6446-6513 |
| Hiroshima Branch: | Tel: 81-82-252-6020 | Fax: 81-82-254-0876 |
| Kyushu Branch: | Tel: 81-92-262-0701 | Fax: 81-92-262-0720 |

**Mitsui O.S.K. Lines (Japan), Ltd.**

| | | |
|---|---|---|
| Head Office (Tokyo): | Tel: 81-3-3587-7684 | Fax: 81-3-3587-7730 |
| Yokohama: | Tel: 81-45-212-7710 | Fax: 81-45-212-7735 |
| Nagoya: | Tel: 81-52-564-7000 | Fax: 81-52-564-7047 |
| Osaka: | Tel: 81-6-6446-6501 | Fax: 81-6-6446-6513 |
| Kyushu: | Tel: 81-92-262-0701 | Fax: 81-92-262-0720 |

## North America

**MOL (America) Inc.**

| | | |
|---|---|---|
| Head Office (Chicago): | Tel: 1-630-812-3700 | Fax: 1-630-812-3703 |
| Atlanta: | Tel: 1-678-855-7700 | Fax: 1-678-855-7747 |
| Long Beach: | Tel: 1-562-983-6200 | Fax: 1-562-983-6292 |
| New Jersey: | Tel: 1-732-512-5200 | Fax: 1-732-512-5300 |
| San Francisco: | Tel: 1-925-603-7200 | Fax: 1-925-603-7229 |
| Seattle: | Tel: 1-206-444-6905 | Fax: 1-206-444-6909 |

**MOL (Canada) Inc.**

| | | |
|---|---|---|
| Head Office (Toronto): | Tel:1-905-629-5925 | Fax: 1-905-629-5914 |

**Mitsui O.S.K. Bulk Shipping (USA) LLC.**

| | | |
|---|---|---|
| Head Office (New Jersey): | Tel: 1-201-395-5800 | Fax: 1-201-395-5820 |
| Houston: | Tel: 1-832-615-6470 | Fax: 1-832-615-6480 |
| Long Beach: | Tel: 1-562-528-7500 | Fax: 1-562-528-7515 |

## Central and South America

**MOL (Brasil) Ltda.**

| | | |
|---|---|---|
| Head Office (Sao Paulo): | Tel: 55-11-3145-3980 | Fax: 55-11-3145-3946 |

**MOL (Chile) Ltda.**

| | | |
|---|---|---|
| Head Office (Santiago): | Tel: 56-2-2630-1950 | Fax: 56-2-2231-5622 |

**MOL (Panama) Inc.**

| | | |
|---|---|---|
| Head Office (Panama): | Tel: 11-507-300-3200 | Fax: 11-507-300-3212 |

**MOL (PERU) S.A.C.**

| | | |
|---|---|---|
| Head Office (Lima): | Tel: 51-1-611-9400 | Fax: 51-1-611-9429 |

**Corporativo MOL de Mexico S.A. de C.V.**

| | | |
|---|---|---|
| Head Office (Mexico City): | Tel: 52-55-5010-5200 | Fax: 52-55-5010-5220 |

**Mitsui O.S.K. Bulk Shipping (USA) LLC.**

| | | |
|---|---|---|
| Mexico City: | Tel: 52-55-5550-1612 | Fax: 52-55-5089-2280 |
| Sao Paulo: | Tel: 55-11-3145-3980 | Fax: 55-11-3145-3946 |

## Europe

**MOL (Europe) B.V.**

| | | |
|---|---|---|
| Head Office (Rotterdam): | Tel: 31-10-201-3200 | Fax: 31-10-201-3158 |
| Genoa: | Tel: 39-10-2901711 | Fax: 39-10-5960450 |
| Hamburg: | Tel: 49-40-356110 | Fax: 49-40-352506 |
| Le Havre: | Tel: 33-2-32-74-24-00 | Fax: 33-2-32-74-24-39 |
| Vienna: | Tel: 43-1-877-6971 | Fax: 43-1-876-4725 |
| Basel: | Tel: 41-61-716-8001 | Fax: 41-61-716-8070 |

**MOL (Europe) Ltd.**

| | | |
|---|---|---|
| Head Office (Southampton): | Tel: 44-2380-714500 | Fax: 44-2380-714519 |

**Mitsui O.S.K. Bulk Shipping (Europe) Ltd.**

| | | |
|---|---|---|
| Head Office (London): | Tel: 44-20-3764-8000 | Fax: 44-20-3764-8393 |
| Hamburg: | Tel: 49-40-3609-7410 | Fax: 49-40-8430-6105 |

## Africa

**MOL South Africa (Pty) Ltd.**

| | | |
|---|---|---|
| Head Office (Cape Town): | Tel: 27-21-441-2200 | Fax: 27-21-419-1040 |

**Mitsui O.S.K. Lines (Nigeria) Ltd.**

| | | |
|---|---|---|
| Head Office (Lagos): | Tel: 234-1-2806556 | Fax: 234-1-2806559 |

**MOL (Ghana) Ltd.**

| | | |
|---|---|---|
| Head Office (Tema): | Tel: 233-22-212084 | Fax: 233-22-210807 |

**MOL Cote d'Ivoire**

| | | |
|---|---|---|
| Head Office (Abidjan): | Tel: 225-21756920 | |

## Middle East

**MOL (UAE) L.L.C.**

| | | |
|---|---|---|
| Head Office (Dubai): | Tel: 971-4-3573566 | Fax: 971-4-3573066 |

**Mitsui O.S.K. Bulk Shipping (Asia, Oceania) Pte. Ltd.**

| | | |
|---|---|---|
| Doha: | Tel: 974-4-836541 | Fax: 974-4-836563 |
| Muscat: | Tel: 968-2440-0950 | Fax: 968-2440-0953 |

**MOL Egypt for Shipping Agencies S.A.E.**

| | | |
|---|---|---|
| Cairo: | Tel: 20-22-456-8900 | Fax: 20-22-259-5857 |

## Oceania

**Mitsui O.S.K. Lines (Australia) Pty. Ltd.**

| | | |
|---|---|---|
| Head Office (Sydney): | Tel: 61-2-9320-1600 | Fax: 61-2-9320-1601 |

**Mitsui O.S.K. Lines (New Zealand) Ltd.**

| | | |
|---|---|---|
| Head Office (Auckland): | Tel: 64-9-300-5820 | Fax: 64-9-309-1439 |

**Mitsui O.S.K. Bulk Shipping (Asia, Oceania) Pte. Ltd.**

| | | |
|---|---|---|
| Melbourne: | Tel: 61-3-9691-3224 | Fax: 61-3-9691-3223 |
| Perth: | Tel: 61-8-9278-2499 | Fax: 61-8-9278-2727 |
| Sydney: | Tel: 61-2-9320-1629 | Fax: 61-2-9320-1601 |

## Asia

**MOL Liner Ltd.**

| | | |
|---|---|---|
| Head Office (Hong Kong): | Tel: 852-2823-6800 | Fax: 852-2865-0906 |

**MOL (Asia) Limited**

| | | |
|---|---|---|
| Head Office (Hong Kong): | Tel: 852-2823-6800 | Fax: 852-2865-0906 |

**Mitsui O.S.K. Lines (India) Private Limited**

| | | |
|---|---|---|
| Head Office (Mumbai): | Tel: 91-22-4054-6300 | Fax: 91-22-4054-6301 |

**Mitsui O.S.K. Lines Lanka (Private) Ltd.**

| | | |
|---|---|---|
| Head Office (Colombo): | Tel: 94-11-2304721 | Fax: 94-11-2304730 |

**MOL (Singapore) Pte. Ltd.**

| | | |
|---|---|---|
| Head Office (Singapore): | Tel: 65-6225-2811 | Fax: 65-6225-6096 |

**Mitsui O.S.K. Lines (Malaysia) Sdn. Bhd.**

| | | |
|---|---|---|
| Head Office (Kuala Lumpur): | Tel: 60-3-5623-9666 | Fax: 60-3-5623-9600 |

**MOL Myanmar Limited**

| | | |
|---|---|---|
| Head Office (Yangon): | Tel: 95-9-7318-9815 | Fax: 95-9-5137-7174 |

**P.T. Mitsui O.S.K. Lines Indonesia**

| | | |
|---|---|---|
| Head Office (Jakarta): | Tel: 62-21-5288-0008 | Fax: 62-21-5292-0920 |

**Mitsui O.S.K. Lines (Thailand) Co., Ltd.**

| | | |
|---|---|---|
| Head Office (Bangkok): | Tel: 66-2-234-6252 | Fax: 66-2-237-9021 |

**MOL Philippines, Inc.**

| | | |
|---|---|---|
| Head Office (Manila): | Tel: 632-888-6531 | Fax: 632-884-1766 |

**Mitsui O.S.K. Lines (Vietnam) Ltd.**

| | | |
|---|---|---|
| Head Office (Ho Chi Minh): | Tel: 84-83-8219219 | Fax: 84-83-8219317 |

**Mitsui O.S.K. Lines (Cambodia) Co., Ltd.**

| | | |
|---|---|---|
| Head Office (Phnom Penh): | Tel: 855-23-223-036 | Fax: 855-23-223-040 |

**Mitsui O.S.K. Lines Pakistan (Pvt.) Ltd.**

| | | |
|---|---|---|
| Head Office (Karachi): | Tel: 92-21-35205397 | Fax: 92-21-35202559 |

**MOL (China) Co., Ltd.**

| | | |
|---|---|---|
| Head Office (Shanghai): | Tel: 86-21-2320-6000 | Fax: 86-21-2320-6331 |
| Beijing: | Tel: 86-10-8529-9121 | Fax: 86-10-8529-9126 |
| Tianjin: | Tel: 86-22-8331-1331 | Fax: 86-22-8331-1318 |
| Shenzhen: | Tel: 86-755-8400-7900 | Fax: 86-755-8400-7901 |

**MOL (Taiwan) Co., Ltd.**

| | | |
|---|---|---|
| Head Office (Taipei): | Tel: 886-2-2537-8000 | Fax: 886-2-2537-8098 |

**MOL (HK) Agency Ltd.**

| | | |
|---|---|---|
| Head Office (Hong Kong): | Tel: 852-2823-6800 | Fax: 852-2529-9989 |

**MOL (Korea) Co., Ltd.**

| | | |
|---|---|---|
| Head Office (Seoul): | Tel: 82-2-559-3001 | Fax: 82-2-561-9490 |

**Mitsui O.S.K. Bulk Shipping (Asia, Oceania) Pte. Ltd.**

| | | |
|---|---|---|
| Head Office (Singapore): | Tel: 65-6323-1303 | Fax: 65-6323-1305 |
| Bangkok: | Tel: 66-2-634-0807 | Fax: 66-2-634-0806 |
| Kuala Lumpur: | Tel: 60-3-5623-9772 | Fax: 60-3-5623-3107 |
| Chennai: | Tel: 91-44-4208-1020 | Fax: 91-44-4208-1020 |

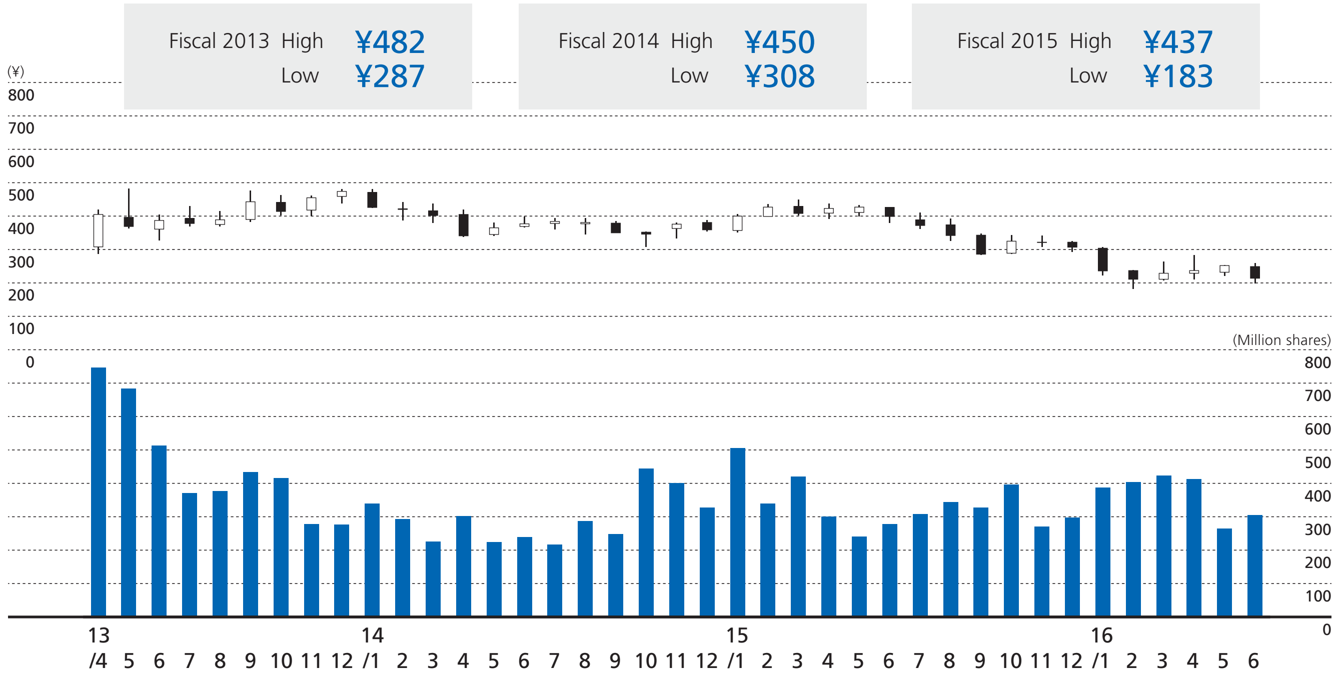


# Shareholder Information

| | |
|---|---|
| **Capital:** | ¥65,400,351,028 |
| **Head office:** | 1-1, Toranomon 2-chome, Minato-ku,<br>Tokyo 105-8688, Japan |
| **Number of MOL employees:** | 925 |
| **Number of MOL Group employees:**<br>(The parent company and consolidated subsidiaries) | 10,500 |
| **Total number of shares authorized:** | 3,154,000,000 |
| **Number of shares issued:** | 1,206,286,115 |
| **Number of shareholders:** | 104,202 |
| **Shares listed in:** | Tokyo, Nagoya |
| **Share transfer agent:**<br>**(Contact information)** | Sumitomo Mitsui Trust Bank, Limited<br>Stock Transfer Agency Business Planning Department<br>8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063, Japan |
| **Communications materials:** | Annual Report (English/Japanese)<br>Investor Guidebook (English/Japanese)<br>Market Data (English/Japanese)<br>News Releases (English/Japanese)<br>Website (English/Japanese)<br>Safety, Environmental and Social Report (English/Japanese) |

(As of March 31, 2016)

### Stock Price Range (Tokyo Stock Exchange) and Volume of Stock Trade



For further information, please contact:

Investor Relations Office
Mitsui O.S.K. Lines, Ltd.
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Tokyo 105-8688, Japan
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