Business Performance in FY2017 and Outlook for FY2018

Mitsui O.S.K. Lines, Ltd.

April 27, 2018

HP

Contents

Note 1: Fiscal Year = from April 1 to March 31
Q1 = April to June
Q2 = July to September
Q3 = October to December
Q4 = January to March
Note 2: Amounts are rounded down to the nearest 100 million yen.
Note 3: Net income/loss = Profit/loss attributable to owners of parent

1. FY2017 Full-year Results [Consolidated]

*as of January 31, 2018

	FY2017 Result					FY2016 Result			FY2017 Previous forecast*	
(billion yen)	**Q1**	**Q2**	**Q3**	**Q4**	**Full-year**	Full-year	YoY		Full-year	Variance
Revenue	**403.2**	**415.6**	**420.7**	**412.7**	**1,652.3**	1,504.3	+148.0	+10%	1,630	+22.3
Operating profit/loss	**1.1**	**9.9**	**13.2**	**- 1.6**	**22.6**	2.5	+20.1	+787%	25	- 2.3
Ordinary profit/loss	**5.8**	**11.4**	**17.2**	**- 3.0**	**31.4**	25.4	+6.0	+24%	25	+6.4
Net income/loss	**5.2**	**7.8**	**16.1**	**- 76.6**	**- 47.3**	5.2	- 52.6	-	10	- 57.3
Average exchange rate	**¥110.79/$**	**¥110.86/$**	**¥112.44/$**	**¥110.22/$**	**¥111.08/$**	¥108.57/$	+¥2.51/$		¥111.02/$	+¥0.06/$
Average bunker price*	**$319/MT**	**$325/MT**	**$376/MT**	**$396/MT**	**$354/MT**	$284/MT	+$70/MT		$351/MT	+$3/MT

*Purchase Prices

【Ordinary profit/loss】YoY Comparison (Major factors)

(￥ billion)

Fluctuation of Foreign Exchange	**+0.2**	YoY **¥2.51/$ ￥ Weaker**
Fluctuation of Bunker Price	**-11.9**	YoY **$70/MT Higher**
Fluctuation of Cargo Volume/Freight Rates, Others.	**+17.7**	
(Total)	**+6.0**	

1. FY2017 Full-year Results [By segment]

Upper	Revenue
Lower	Ordinary income/loss

*as of January 31, 2018

(¥ billion)	FY2017 Result Q1	Q2	Q3	Q4	Full-year	FY2016 Result Full-year	YoY		FY2017 Previous forecast* Full-year	Variance
Dry Bulk Business	**69.3**	**64.2**	**66.7**	**72.6**	**272.9**	267.8	+5.0	+2%	260.0	+12.9
(excluding; Steaming Coal Carriers)	**4.8**	**3.1**	**3.2**	**4.1**	**15.4**	11.9	+3.4	+29%	14.0	+1.4
Energy Transport Business	**64.5**	**63.5**	**67.8**	**66.3**	**262.2**	257.8	+4.4	+2%	260.0	+2.2
(Tankers,Steaming Coal Carriers,LNG Carriers, Offshore business)	**3.4**	**1.5**	**4.3**	**4.2**	**13.6**	26.4	-12.8	-49%	11.0	+2.6
Product Transport Business	**242.3**	**261.2**	**259.2**	**247.9**	**1,010.8**	871.3	+139.5	+16%	1,005.0	+5.8
(PCC,Containerships,Ferries & Coastal RoRo Ships)	**-4.9**	**5.2**	**4.6**	**-11.2**	**-6.3**	-28.0	+21.6	-	-8.5	+2.1
Containerships only	**179.7**	**193.5**	**192.7**	**183.6**	**749.7**	620.7	+129.0	+21%	750.0	- 0.2
	-6.2	**2.1**	**3.7**	**-10.3**	**-10.6**	-32.8	+22.1	-	-13.5	+2.8
Associated businesses	**22.8**	**22.3**	**22.5**	**22.3**	**90.0**	90.0	0	+0%	90.0	0
(Real estate, Cruise ship, Tug boats, Trading, etc.)	**3.7**	**2.9**	**3.5**	**2.3**	**12.6**	12.3	+0.3	+3%	12.5	+0.1
Others	**4.1**	**4.2**	**4.4**	**3.4**	**16.2**	17.2	-1.0	-6%	15.0	+1.2
	1.1	**0.0**	**1.0**	**0.2**	**2.6**	2.0	+0.5	+27%	2.0	+0.6
Adjustment	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
	-2.4	**-1.4**	**0.2**	**-2.9**	**-6.5**	0.5	-7.0	-	-6.0	- 0.5
Consolidated	**403.2**	**415.6**	**420.7**	**412.7**	**1,652.3**	1,504.3	+148.0	+10%	1,630.0	+22.3
	5.8	**11.4**	**17.2**	**-3.0**	**31.4**	25.4	+6.0	+24%	25.0	+6.4

Note 1: Revenues from customers, unconsolidated subsidiaries and affiliated companies.
Note 2: The figures for FY2016 are reclassified in line with the new disclosure segment, with adjustment of inter-segment transaction

2. Outline of FY2017 Results (I) [Consolidated]

[Overall]

- ◆ Ordinary profits increased by 24% from the previous fiscal year.
  - ← Significant improvement despite integration-related costs incurred in the containership business at the ordinary profit stage (→P.11), while the tanker market was stagnant.
  - ← Upturn in all four business segments from the previous outlook (January 31).
- ◆ Net loss due to booking ¥73.4 billion extraordinary loss related to integration of containership business.

[By Segment] [Ordinary profits/loss for FY2017(year-on-year comparison)]

Dry Bulk Business [¥15.4 billion (+¥3.4 billion)]

- ➢ Vessels on spot contracts: Capesize market has remained firm since summer, and rose even more up toward winter due to major cargo owners' positive fleet arrangements, hitting a new 4-year high last December. After that it showed a downward blip upon entering the slow season, but significantly surpassed the level of the previous fiscal year. The market of mid- and small-size vessels remained brisk overall since July, although the impact of those types of vessels on business performance was small due to the significant scale-down of market exposure.
- ➢ Vessels on mid- and long-term contracts: Continued to secure stable profits for the transport of iron ore, coal, and wood chips etc.

⇒ An increase from the previous fiscal year. Ordinary profit ended above the previous outlook.

Energy Transport Business [¥13.6 billion (-¥12.8 billion)]

■ Tankers

- ➢ Crude oil tankers: The market slowed due to increased supply of newbuilding vessels and OPEC production cutbacks. Secured a certain level of profits based on mid- and long-term contracts.
- ➢ Product tankers: Stagnant overall due to faltering trade and increased supply pressure from newbuilding vessels.
- ➢ Other: Methanol tankers and shuttle tankers continued to post stable profits.

⇒ Ordinary profit declined significantly from the previous fiscal year. Steadily decreased the number of product tankers.

2. Outline of FY2017 Results (II) [Consolidated]

■ LNG carriers/Offshore businesses

Recorded stable profits from mid- and long-term contracts. Ordinary profit increased from the previous fiscal year.

Product Transport Business [-¥6.3 billion (+¥21.6 billion)]

■ Containerships [-¥10.6 billion (+¥22.1 billion)]

◆ Cargo volume: The Asia-North America/Europe trade remained firm overall. The cargo movements for both trades recorded a historic high level in the calendar year 2017.

◆ Freight rates: Improved from the previous fiscal year, and overall remained stable, despite the rise prevented partly due to supply pressure by major companies' launches of large-scale vessels.

◆ Other: ONE's results before commencement of its service was recorded as equity in losses of ¥7.2 billion (→ P.11).
On the other hand, unit cost reduction was in progress due to the launching of large-size vessels and improvement of yield management.

⇒ Ordinary profit increased significantly from the previous fiscal year despite the above equity in losses.

■ Car Carriers

Profitability was low due to a slowdown in trade for resource-producing countries (currently showing signs of hitting bottom).
Efforts continued from the previous fiscal year to reduce the number of vessels in response to changing trade patterns.
Surpassed the previous year's ordinary profit, albeit at a low level.

■ Ferries and Coastal RoRo Ships

The business environment was firm due to strong trade by advancement of the Modal Shift and promotion of casual cruises, but ordinary profit decreased from the previous fiscal year due to increase of bunker price and delays of newbuilding ferries.

[Dividend] The dividend payment plan is unchanged from the previous announcement: already paid an interim dividend of ¥1.0 per share (based on the number of shares before consolidation of shares), and plan to pay year-end dividend of ¥10 per share (based on the number of shares after consolidation of shares).

3. FY2018 Full-year Forecast [Consolidated]

(billion yen)	FY2018 Forecast H1	FY2018 Forecast H2	FY2018 Forecast Full-year	FY2017 Result H1	FY2017 Result H2	FY2017 Result Full-year	YoY (Full-year)	
Revenue	**576.0**	**554.0**	**1,130.0**	818.9	833.4	1,652.3	- 522.3	-32%
Operating profit/loss	**8.0**	**15.0**	**23.0**	11.1	11.5	22.6	+0.3	+1%
Ordinary profit/loss	**14.0**	**26.0**	**40.0**	17.3	14.1	31.4	+8.5	+27%
Net income/loss	**10.0**	**20.0**	**30.0**	13.1	-60.5	-47.3	+77.3	—
Average exchange rate	**¥105.00/$**	**¥105.00/$**	**¥105.00/$**	¥110.82/$	¥111.33/$	¥111.08/$	-¥6.08/$	
Average bunker price*	**$400/MT**	**$400/MT**	**$400/MT**	$322/MT	$386/MT	$354/MT	+$46/MT	

*purchase prices

(cf)Sensitivity against Ordinary profit

FY2018 (Full-year/Max)

FX Rate : **±¥ 0.8 bn/¥1/$**

Bunker Price : **±¥ 0.18 bn/$1/MT**

3. FY2018 Full-year Forecast [By segment]

Upper	Revenue
Lower	Ordinary income/loss

(¥ billion)	FY2018 Forecast H1	FY2018 Forecast H2	FY2018 Forecast Full-year	FY2017 Result H1	FY2017 Result H2	FY2017 Result Full-year	YoY (Full-year)	
Dry Bulk Business	130.0	125.0	255.0	133.5	139.3	272.9	- 17.9	-7%
(excluding; Steaming Coal Carriers)	7.5	6.5	14.0	7.9	7.4	15.4	- 1.4	-9%
Energy Transport Business	130.0	130.0	260.0	128.1	134.1	262.2	- 2.2	-1%
(Tankers,Steaming Coal Carriers,LNG Carriers, Offshore business)	8.0	8.0	16.0	4.9	8.6	13.6	+2.3	+17%
Product Transport Business	264.0	246.0	510.0	503.6	507.2	1,010.8	- 500.8	-50%
(PCC,Containerships,Ferries & Coastal RoRo Ships)	-4.5	9.5	5.0	0.2	-6.6	-6.3	+11.3	-
Containerships only	134.0	118.5	252.5	373.2	376.4	749.7	- 497.2	-66%
	-6.0	6.5	0.5	-4.1	-6.5	-10.6	+11.1	-
Associated businesses	45.0	45.0	90.0	45.2	44.8	90.0	0	0%
(Real estate, Cruise ship, Tug boats, Trading, etc.)	6.0	5.0	11.0	6.7	5.9	12.6	- 1.6	-13%
Others	7.0	8.0	15.0	8.3	7.8	16.2	- 1.2	-7%
	0.5	0.5	1.0	1.2	1.3	2.6	- 1.6	-62%
Adjustment	-	-	-	-	-	-	-	-
	-3.5	-3.5	-7.0	-3.8	-2.6	-6.5	- 0.4	-
Consolidated	576.0	554.0	1,130.0	818.9	833.4	1,652.3	- 522.3	-32%
	14.0	26.0	40.0	17.3	14.1	31.4	+8.5	+27%

Note 1: Revenues from customers, unconsolidated subsidiaries and affiliated companies.

4. Key Points of FY2018 Forecast (I) [Consolidated]

[Overall]

◆ Revenue: Significant decrease due to transfer of containership business to ONE (equity-method company).

◆ Ordinary profit: Increase by 27% from the previous fiscal year. Includes ¥11.5 billion as general administrative expenses of the containership business, which will remain in FY2018, the withdrawal period for MOL's own container services. (→ P.11)

◆ Market:

Dry bulkers: Anticipate almost the same level as the previous fiscal year

Tankers: Expect the market to recover slightly from the previous fiscal year, but anticipate continuing corrections.

◆ Stable profit: ¥56.0 billion (@¥105/$) (long-term contracts for dry bulkers, tankers, LNG carriers, and offshore businesses, in addition to associated businesses) (→ P. 23)

[By Segment] [FY2018 forecast for ordinary profit (increase/decrease from the previous year)

Dry Bulk Business [¥14.0 billion (-¥1.4 billion)]

The current Capesize market is weak due partly to the ongoing effects of the closure of ports in Australia because of cyclones, stagnation of shipments due to failures at Brazilian mining facilities, and other factors, but future freight rates indicate a favorable trend, with mild increase expected on the back of firm demand. However, the full-year average is assumed almost the same level of profit as the previous fiscal year. Strong interest in short- to-mid-term time charters by charterers of mid- and small-size vessels, indicating the likelihood solid performance (again, the impact of spot market fluctuations is small for MOL because of downscale of market exposure).

⇒ Long-term contracts will continue to secure stable profits, anticipating almost the same level of profit as the previous fiscal year.

4. Key Points of FY2018 Forecast (II) [Consolidated]

Energy Transport Business [¥16.0 billion (+¥2.3 billion)]

■ Tankers

➢ Crude oil tankers: Expect a small margin increase in ocean trade of crude oil due to an increase in shale oil exports from North America despite the extension of OPEC's production cut. The number of scrapped vessels will increase due to stable scrapping prices, while newbuilding vessels will continue to affect the supply side.

➢ Product tankers: Forecast that the market will meet with continued upside resistance. Will make efforts to improve ship allocation efficiency through decreasing the number of vessels and pool operation.

⇒ The spot market will remain in a period of correction, but expect to secure the same level of profit as the previous fiscal year due to the contributions of mid- and long-term contracts.

■ LNG Carriers/Offshore Businesses

Ordinary profit will increase steadily as existing projects begin operation.

Product Transport Businesses [¥5.0 billion (+¥11.3 billion)]

■ Containerships [¥0.5 billion (+¥11.1 billion)]

General administrative expenses of ¥11.5 billion remaining for MOL service in this fiscal year, the withdrawal period, are included (P.11, P.25). On the other hand, anticipate that 60% of the total synergy by ONE of about ¥110.0 billion will be generated, and its equity in profits of ¥3.5 billion is assumed. On target to restore profitability in this segment including terminal and logistics businesses, for the first time since FY2010.

■ Car Carriers

Expect that trade from Far East to North America will be at the same level as the previous fiscal year, and trade for the Middle East and Africa will hit bottom; anticipate that profit will improve from the previous fiscal year, albeit at low level.

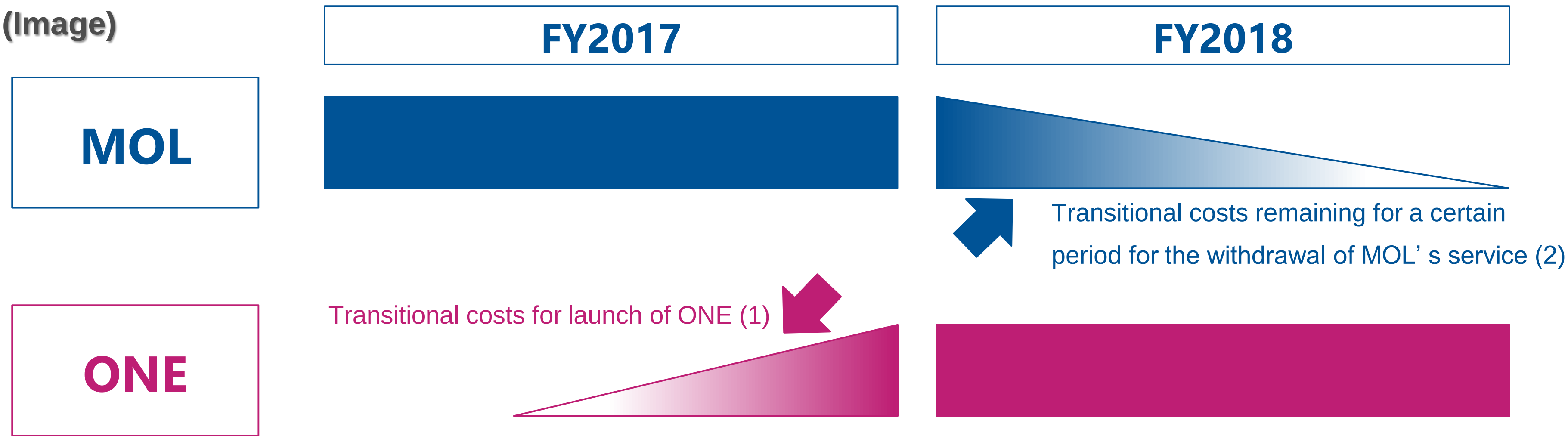
■ Ferries and Coastal RoRo Ships

Ordinary profit will decrease due to the higher bunker prices and the impact of canceled sailings.

[Dividend] Plan to pay ¥50 per share for the full-year (interim ¥20 + year-end ¥30). (Dividend payout: 20%)

5. Transitional Costs Related to Integration of Containership Business (at the Ordinary Profit Level)

(Image)



(1) Transitional costs for launch of ONE (FY2017)

- ➢ **ONE equity in losses (= mainly ONE personnel costs, office expenses, etc.)**

¥7.2 billion (results)

(2) Transitional costs remaining for a certain period for the withdrawal of MOL's own service (FY2018)

- ➢ **General administrative expenses during the MOL containership business withdrawal period**

¥11.5 billion (forecast)

Intentionally Blank

Dry Bulker Market (Spot Charter Rate) [Supplement #1]

1. FY2017 (Result)

(US$/day)

Size	FY2017						
	1st Half			2nd Half			Full-year
Market for vessels operated by MOL	Apr-Sep, 2017			Oct, 2017 - Mar, 2018			Average
	Apr-Jun	Jul-Sep		Oct-Dec	Jan-Mar		
Capesize	**12,000**	**14,700**	**13,300**	**23,000**	**13,000**	**18,000**	**15,700**
Panamax	**8,800**	**10,100**	**9,500**	**11,900**	**11,500**	**11,700**	**10,600**
Handymax	**8,800**	**9,500**	**9,200**	**11,000**	**10,700**	**10,900**	**10,000**
Small handy	**7,300**	**7,400**	**7,300**	**9,400**	**8,500**	**8,900**	**8,100**

Market for vessels operated by overseas subsidiaries of MOL	7-9月			1-3月			Average
	Jan-Mar	Apr-Jun		Jul-Sep	Oct-Dec		
Capesize	**11,200**	**12,000**	**11,600**	**14,700**	**23,000**	**18,800**	**15,200**

2. FY2018 (Result/Forecast)

(US$/day)

Size	FY2018		
	1st Half	2nd Half	Full-year
Market for vessels operated by MOL	Apr-Sep, 2018	Oct, 2018 - Mar, 2019	Average
Capesize	**15,000**	**17,000**	**16,000**
Panamax	**10,000**	**10,000**	**10,000**
Handymax	**9,500**	**9,500**	**9,500**
Small handy	**7,500**	**7,500**	**7,500**

Market for vessels operated by overseas subsidiaries of MOL	Jan-Jun, 2018			Jul-Dec, 2018	Average
	Jan-Mar	Apr-Jun			
Capesize	**13,000**	**13,000**	**13,000**	**19,000**	**16,000**

Notes:
1) The general market results are shown in black.
2) The forecasts are shown in blue. These are referential charter rates for estimating P/L of free vessels that operates on spot contracts (contract period of less than two years).
In case rates have already been agreed, however, such agreed rates are reflected on P/L estimation of the relevant voyages.
3) Market for vessels operated by our overseas subsidiaries is shown on Calendar year basis (Jan-Dec), because their fiscal year ends in Dec. and thus their P/L are consolidated three months
4) Market for Capesize=5TC Average(changed on and after FY2014 financial announcement), Panamax= 4TC Average, Handymax= 5TC Average, Small handy= 6TC Average.

Tanker Market (Spot Earning)

[Supplement #2]

1．FY2017 (Result)

(US$/day)

Vessel Type	Trade	FY2017 H1			FY2017 H2			FY2017 Full-year
Market for vessels operated by MOL		Apr-Sep, 2017			Oct, 2017 - Mar, 2018			Average
		Apr-Jun	Jul-Sep		Oct-Dec	Jan-Mar		
Crude Oil Tanker (VLCC)	Arabian Gulf - Far East	**20,500**	**9,700**	**15,100**	**19,700**	**8,400**	**14,000**	**14,600**
	(ref : WS)	(47)	(39)	(43)	(53)	(36)	(44)	(44)
Product Tanker (MR)	Main 5 Trades	**9,100**	**10,300**	**9,700**	**11,300**	**10,400**	**10,900**	**10,300**
Market for vessels operated by overseas subsidiaries of MOL		Jan-Jun, 2017			Jul-Dec, 2017			Average
		Jan-Mar	Apr-Jun		Jul-Sep	Oct-Dec		
LPG Tanker (VLGC)	Arabian Gulf - Japan	**17,400**	**17,500**	**17,400**	**9,100**	**16,000**	**12,500**	**15,000**

(Source)Product Tanker and LPG Tanker: Clarkson Research Services Limited

2．FY2018 (Result/Forecast)

(US$/day)

Vessel Type	Trade	FY2018 H1			FY2018 H2	FY2018 Full-year
Market for vessels operated by MOL		Apr-Sep, 2018			Oct, 2018 - Mar, 2019	Average
Crude Oil Tanker (VLCC)	Arabian Gulf - Far East	[redacted]				
	(ref : WS)	(49)			(59)	(54)
Product Tanker (MR)	Main 5 Trades	[redacted]				
Market for vessels operated by overseas subsidiaries of MOL		Jan-Jun, 2018			Jul-Dec, 2018	Average
		Jan-Mar	Apr-Jun			
LPG Tanker (VLGC)	Arabian Gulf - Japan	**14,900**	[redacted]			

(Source)Product Tanker and LPG Tanker: Clarkson Research Services Limited

Note 1: The general market results are shown in black.
Note 2: The forecasts are shown in blue. These are referential WS for estimating P/L of free vessels that operates on spot contracts (contract period of less than two years). In case rates have already been agreed, however, such agreed rates are reflected on P/L estimation of the relevant voyages.
Note 3: WS of VLCC for 2017 has been translated by the Flat Rate of 2018.
Note 4: VLCC Market is for Arabian Gulf - China trade.
Note 5: Product Tanker market is simple average of main 5 trades: Europe - US, US - Europe, Singapore - Australia, South Korea - Singapore, and India - Japan.
Note 6: LPG Tankers are operated by our overseas subsidiaries and the market is shown on Calendar year basis (Jan-Dec), because their fiscal year ends in Dec. and thus their P/L are consolidated three months later.

Car Carrier Loading Volume

1. FY2017 (Result)

(1,000 units)

(Completed-voyage basis / including voyage charter)	FY2017						
			1st Half			2nd Half	Total
	Q1	Q2		Q3	Q4		
Total	1,034	1,137	2,172	1,095	1,130	2,225	4,397

2. FY2018 (Forecast)

(1,000 units)

(Completed-voyage basis / including voyage charter)	FY2018		
	1st Half	2nd Half	Total
Total	2,242	2,247	4,489

*The forecasts are shown in blue.

Containership Major Trades Utilization/Freight Rate [Supplement #4]

1. Utilization

(1,000TEU)

Transpacific		FY2016					FY2017				
		Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Outbound (E/B)	Capacity	214	235	233	229	910	249	254	253	246	1,002
	Lifting	186	206	214	210	816	233	246	234	208	922
	Utilization	87%	88%	92%	92%	90%	94%	97%	93%	85%	92%
Inbound (W/B)	Capacity	200	235	235	226	895	239	252	263	246	1,001
	Lifting	119	117	132	141	509	149	125	140	124	537
	Utilization	60%	50%	56%	62%	57%	62%	50%	53%	50%	54%

Asia-Europe		FY2016					FY2017				
		Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Outbound (W/B)	Capacity	113	115	104	125	457	180	181	186	184	731
	Lifting	106	103	101	124	434	176	173	169	166	684
	Utilization	93%	90%	98%	100%	95%	98%	96%	91%	90%	94%
Inbound (E/B)	Capacity	107	110	107	108	432	147	182	181	178	689
	Lifting	80	77	86	85	328	104	118	120	108	450
	Utilization	75%	69%	81%	78%	76%	70%	65%	66%	60%	65%

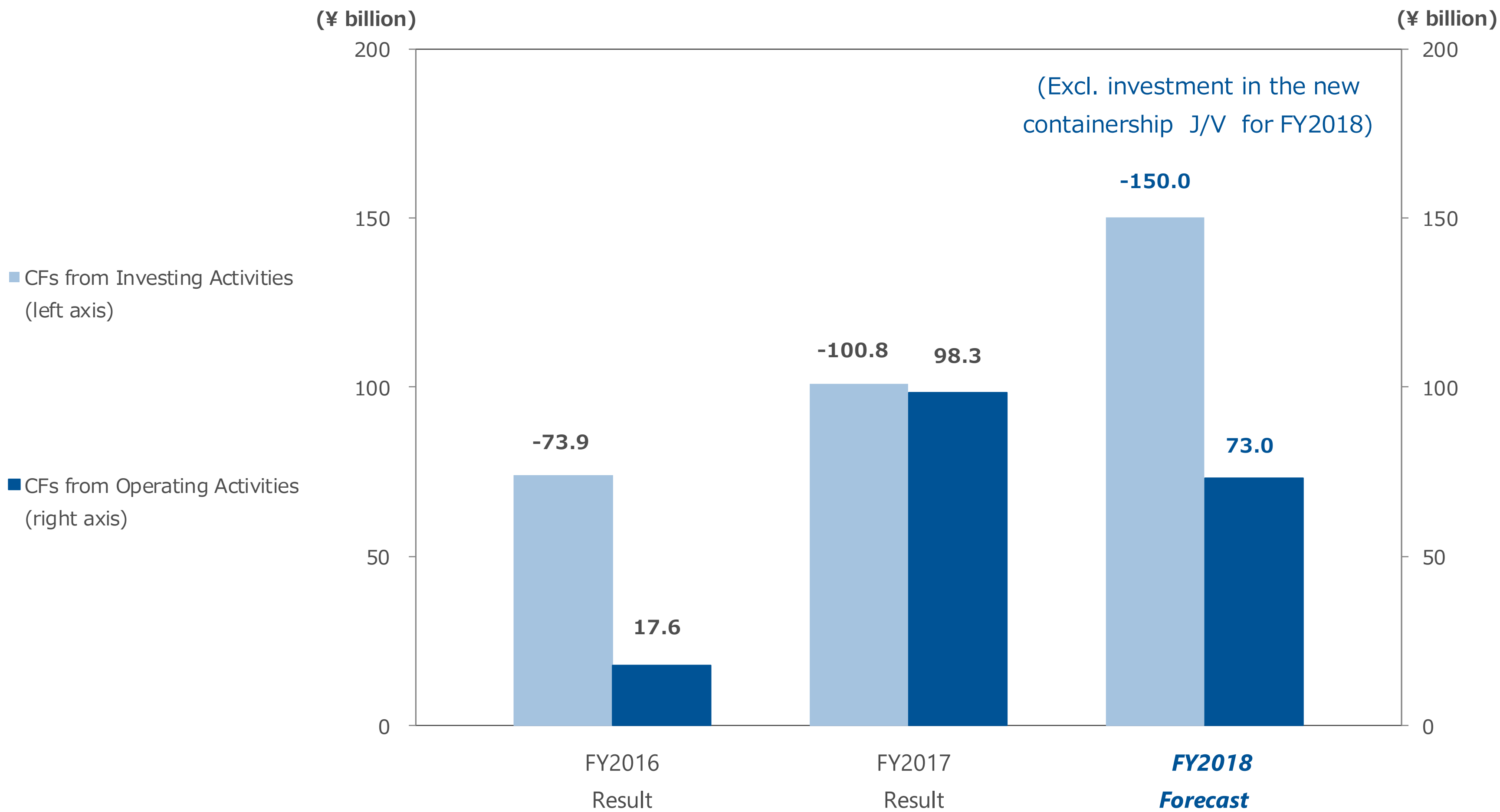
All Trades	FY2016					FY2017				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Capacity	1,361	1,435	1,404	1,394	5,594	1,511	1,590	1,599	1,571	6,271
Lifting	1,031	1,047	1,093	1,118	4,289	1,227	1,242	1,245	1,104	4,818
Utilization	76%	73%	78%	80%	77%	81%	78%	78%	70%	77%

2. Average Freight Rates (Index: Q1-FY2008=100)

All Trades	FY2016					FY2017				
	Q1	Q2	Q3	Q4	Full-year	Q1	Q2	Q3	Q4	Full-year
Freight rate index	60	61	59	61	60	62	64	60	64	62
(Ref.) Bunker price(/MT)	$226	$257	$305	$339	$284	$319	$325	$376	$396	$354

Cash Flows

[Supplement #5]



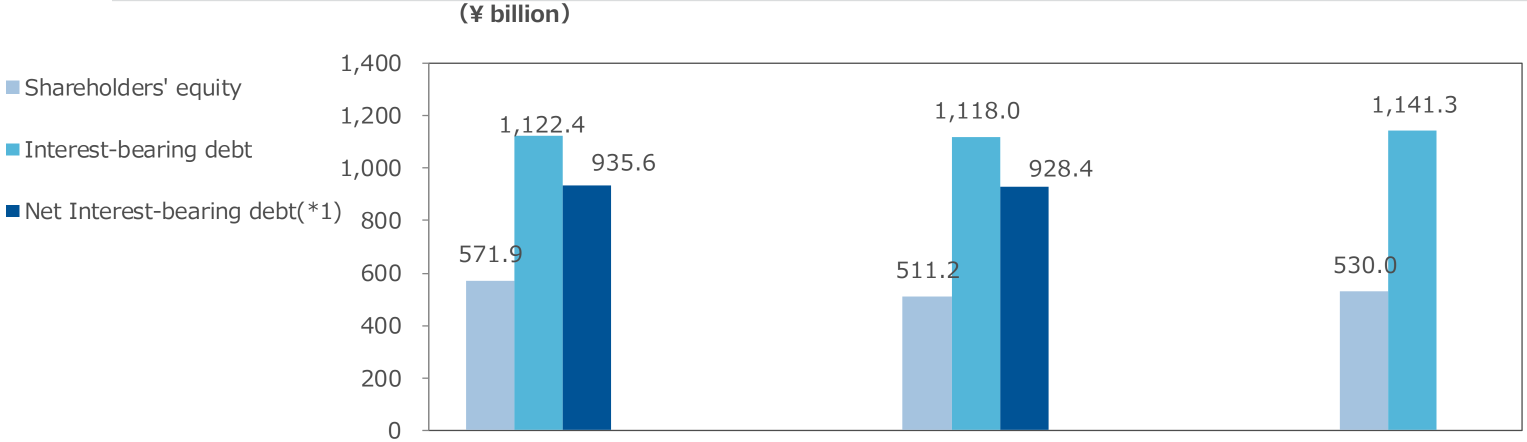
	FY2016 Result	FY2017 Result	***FY2018 Forecast***
Ordinary Profit/Loss(￥bn)	25.4	31.4	***40.0***
Profit/Loss Attributable to Owners of Parent(￥ bn)	5.2	-47.3	***30.0***
Ave. Exchange Rate	¥108.57/$	¥111.08/$	***¥105.00/$***

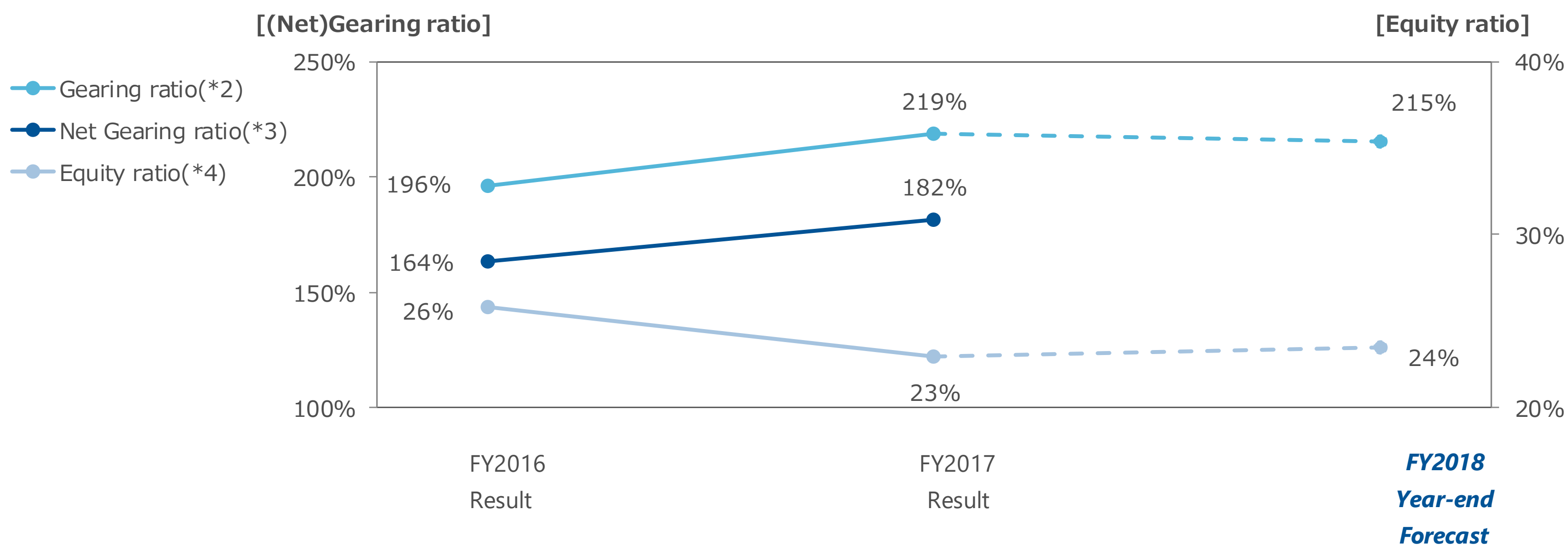
Note1: Free Cash Flows (FCFs) = CFs from Operating Activities – CFs from Investing Activities

Note2: CFs from Investing Activities are “net” figures. (Gross Investments – Sales of Assets, etc)

Financial Plan

[Supplement #6]





(Term-end Exchange Rate)	FY2016 Result	FY2017 Result	***FY2018 Year-end Forecast***
MOL	¥112.19/$	¥106.24/$	***¥105.00/$***
Overseas Subsidiaries	¥116.49/$	¥113.00/$	***¥105.00/$***

(*1) Interest-bearing debt – Cash & cash equivalents

(*2) Interest-bearing debt / Shareholders's equity

(*3) Net interest-bearing debt / Shareholders's equity

(*4) Shareholders's equity / Total assets

Fleet Composition (incl. Offshore business)

[Supplement #7]

			31-Mar, 2017	31-Mar, 2018	31-Mar, 2018 (1,000dwt)	31-Mar, 2019 (Forecast)
Dry Bulk Business	Capesize		90	88	17,298	
	Small and medium-sized bulkers	Panamax	24	26	2,130	
		Handymax	57	54	2,966	
		Small Handy	31	28	996	
		(Sub total)	112	108	6,092	
	Wood chip carriers		39	39	2,159	
	Short sea ships		55	61	1,093	
	(Sub total)		296	296	26,641	286
		(Market Exposure)	**(79)**	**(71)**	**-**	**(70)**
Energy Transport Business	Tankers	Crude oil tankers	40	39	10,394	
		Product tankers	43	39	2,307	
		Chemical tankers (incl. Methanol tankers)	78	87	2,690	
		LPG tankers	8	8	447	
		(Sub total)	169	173	15,839	
	Steaming coal carriers		41	41	3,778	
	(Sub total)		210	214	19,618	208
		(Market Exposure)	**(106)**	**(84)**	**-**	**(78)**
	LNG carriers (incl. Ethane carriers)		80	83	6,590	91
	Offshore	FPSO	4	5	-	6
		FSRU	0	1	152	1
		Subsea support vessels	1	1	5	1
	Coastal ships (excl. Coastal RoRo ships)		29	30	96	30
Product Transport Business	Car carriers		120	119	2,004	121
	Ferries & Coastal RoRo ships		14	14	79	14
Associated Businesses and Others	Cruise ships		1	1	5	1
	Others		2	2	13	2
Sub total			757	766	55,202	761
Product Transport Business	Containerships		91	91	7,474	66
Total			848	857	62,676	827

Note 1: Including spot-chartered ships and those owned by joint ventures

Note 2: "Market Exposure"=Vessels operating under contracts less than two years, which are owned or mid-and long-term chartered vessels.

Note 3: Containerships are operated by ONE after Apr, 2018.

LNG Carriers and Offshore businesses: Signed Contracts [Supplement #8]

LNG Carriers

Timeline: 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020～ (FY)

1	Osaka Gas	ex.Australia	To JAPAN
2	Osaka Gas	ex.Australia	To JAPAN
3	Osaka Gas/Kyushu Electric Power	ex.Australia	To JAPAN
4	Osaka Gas	ex.USA	To JAPAN
5	JERA	ex.Australia	To JAPAN
6	JERA	ex.USA	To JAPAN
7	JERA	ex.USA	To JAPAN
8	Kansai Electric Power	ex.Australia	To JAPAN
9	Kansai Electric Power	ex.Australia	To JAPAN
10	Tokyo Gas	ex.USA	To JAPAN
11	Tokyo Gas	ex.USA	To JAPAN
12	Tokyo Gas	ex.USA	To JAPAN
13	Mitsui	ex.USA	To JAPAN
14	Mitsui	ex.USA	To JAPAN
15	Mitsui	ex.USA	To JAPAN
16	ExxonMobil	ex.Australia	To CHINA
17	ExxonMobil	ex.Australia	To CHINA
18	ExxonMobil	ex.PNG	To CHINA
19	ExxonMobil	ex.PNG	To CHINA
20	SINOPEC	ex.Australia	To CHINA
21	SINOPEC	ex.Australia	To CHINA
22	SINOPEC	ex.Australia	To CHINA
23	SINOPEC	ex.Australia	To CHINA
24	SINOPEC	ex.Australia	To CHINA
25	SINOPEC	ex.Australia	To CHINA
26	Yamal(Ice Class)	ex.Russia	To CHINA
27	Yamal(Ice Class)	ex.Russia	To CHINA
28	Yamal(Ice Class)	ex.Russia	To CHINA
29	Yamal	ex.Europe	To CHINA
30	Yamal	ex.Europe	To CHINA
31	Yamal	ex.Europe	To CHINA
32	Yamal	ex.Europe	To CHINA
33	Petronet	ex.Australia	To INDIA
34	E.ON	ex.USA	To Europe and others

※Underline is under operation

Offshore Businesses

Timeline: 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020～ (FY)

1	Petrobras	Brazil	FPSO
2	Petrobras	Brazil	FPSO
3	Petrobras	Brazil	FPSO
4	Petrobras	Brazil	FPSO
5	Tullow Ghana	Ghana	FPSO
6	MOL FSRU Challenger	Turkey	FSRU
7	SWAN LNG	India	FSRU
8	SWAN LNG	India	FSU

Ethane Carriers

Timeline: 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020～ (FY)

1	Reliance	ex.USA	To INDIA
2	Reliance	ex.USA	To INDIA
3	Reliance	ex.USA	To INDIA
4	Reliance	ex.USA	To INDIA
5	Reliance	ex.USA	To INDIA
6	Reliance	ex.USA	To INDIA

Management Plan
“Rolling Plan 2018”

Vision for the MOL Group Ten Years from Now

- The MOL Group will provide stress-free services that are truly convenient for customers worldwide, with the aim of serving customers as a solid and reliable partner at all times.
- The Group will develop the environment and emission-free businesses into one of its future core operations.
- The Group will strategically allocate resources to carefully selected businesses that have a clear competitive edge. The goal is to make the MOL Group a collection of businesses boasting the highest competitiveness in their respective fields.

Medium- and Long-term Profit Levels, etc. (Continued from RP2017)

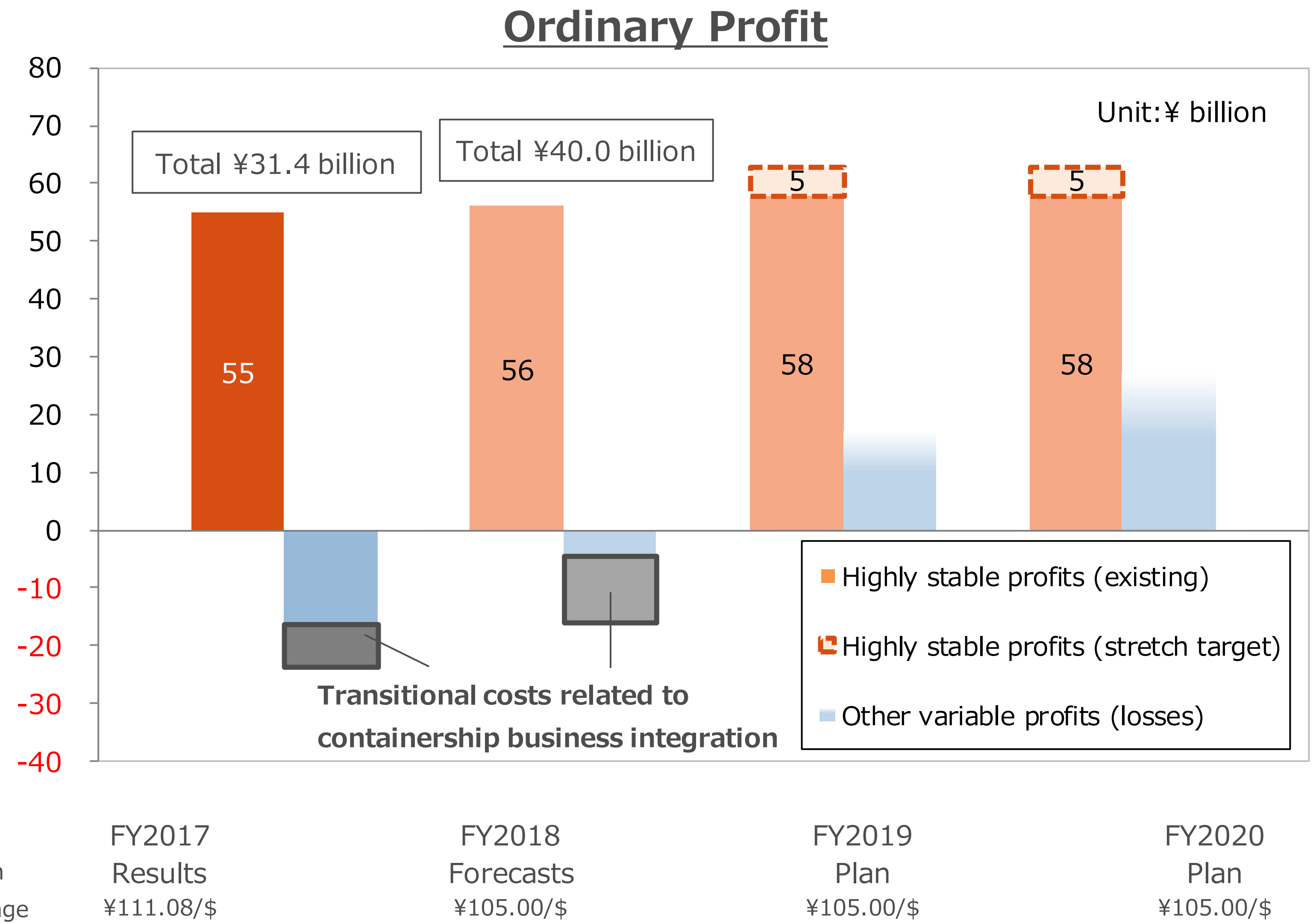
Medium- and Long-term Profits Level and Financial Indicators

	Projected Medium-term Levels	2027 Targets
Ordinary Profit	¥80.0-100.0 billion	¥150.0-200.0 billion
ROE	8-12%	—
Gearing Ratio	2.0 or less	1.0

Shareholder Returns

In the near term, pay dividends with a 20% dividend payout ratio as a guideline, while working to improve the ratio as a medium- and long-term priority

Roadmap to Improving Profit (I) (Updated of RP2017)



Foreign Exchange	FY2017 Results	FY2018 Forecasts	FY2019 Plan	FY2020 Plan
	¥111.08/$	¥105.00/$	¥105.00/$	¥105.00/$

Highly Stable Profits + Other Variable Profits (Losses) = Ordinary Profit

Highly stable profits: Dry bulkers/Tankers (medium- to long-term contracts), LNG carriers/Offshore businesses, and Associated Businesses

Other variable profits (losses): Dry bulkers/Tankers (spot operations), Car carriers, Containerships, Terminals & Logistics, and Ferries/Coastal RORO ships

Roadmap to Improving Profit (II) (Continued from FY2017)

1.

Improving other variable profits (losses)

Improve/restore profitability in the containership business

⇒**P.25, P.26**

2.

Accumulating highly stable profits

Start operations of existing projects (LNG carriers/offshore business)/ Acquire new mid- and long-term contracts (dry bulkers, tankers, offshore business)

3.

Improving other variable profits

Expand and enhance businesses in which MOL has competitive advantages (chemical tankers, ferries, etc.)

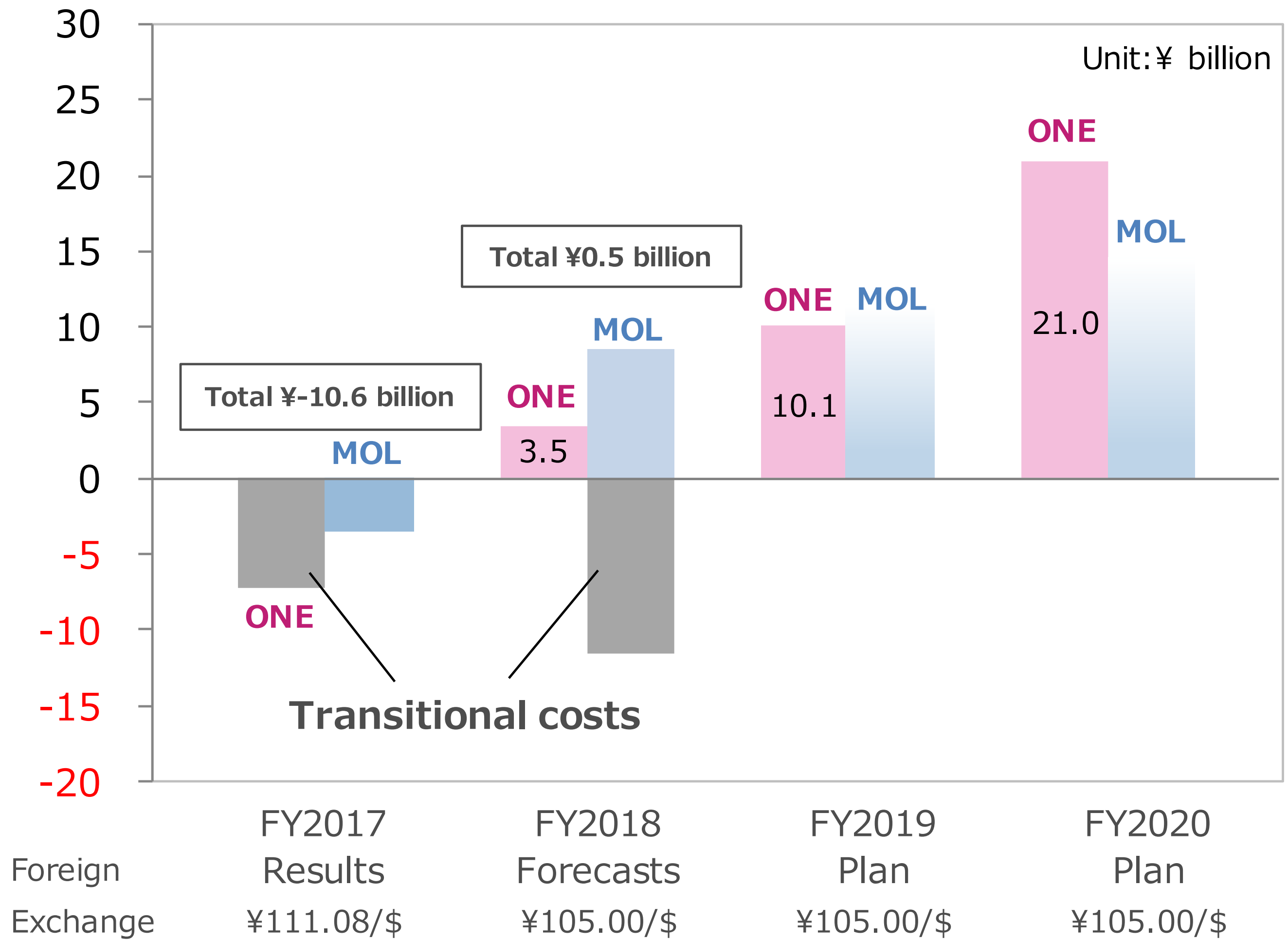
In the medium term,

Improving other variable profits

Expect recovery of dry bulker and tanker markets to some extent

Improve/Restore Profitability in the Containership Business

MOL Containership Business ordinary profit = ONE: MOL's ONE-related equity in earnings of affiliates (31% of ONE's net profit and loss) + MOL: Ordinary profit excluding the above equity in earnings of affiliates (including terminal & logistics businesses, etc.)



Integration of Containership Business

MOL

Contribution ratio 31%

ONE Holding Company

Establish governance through the holding company

ONE
OCEAN NETWORK EXPRESS

Operational Efficiency × Economy of Scale = Competitiveness (profitability)

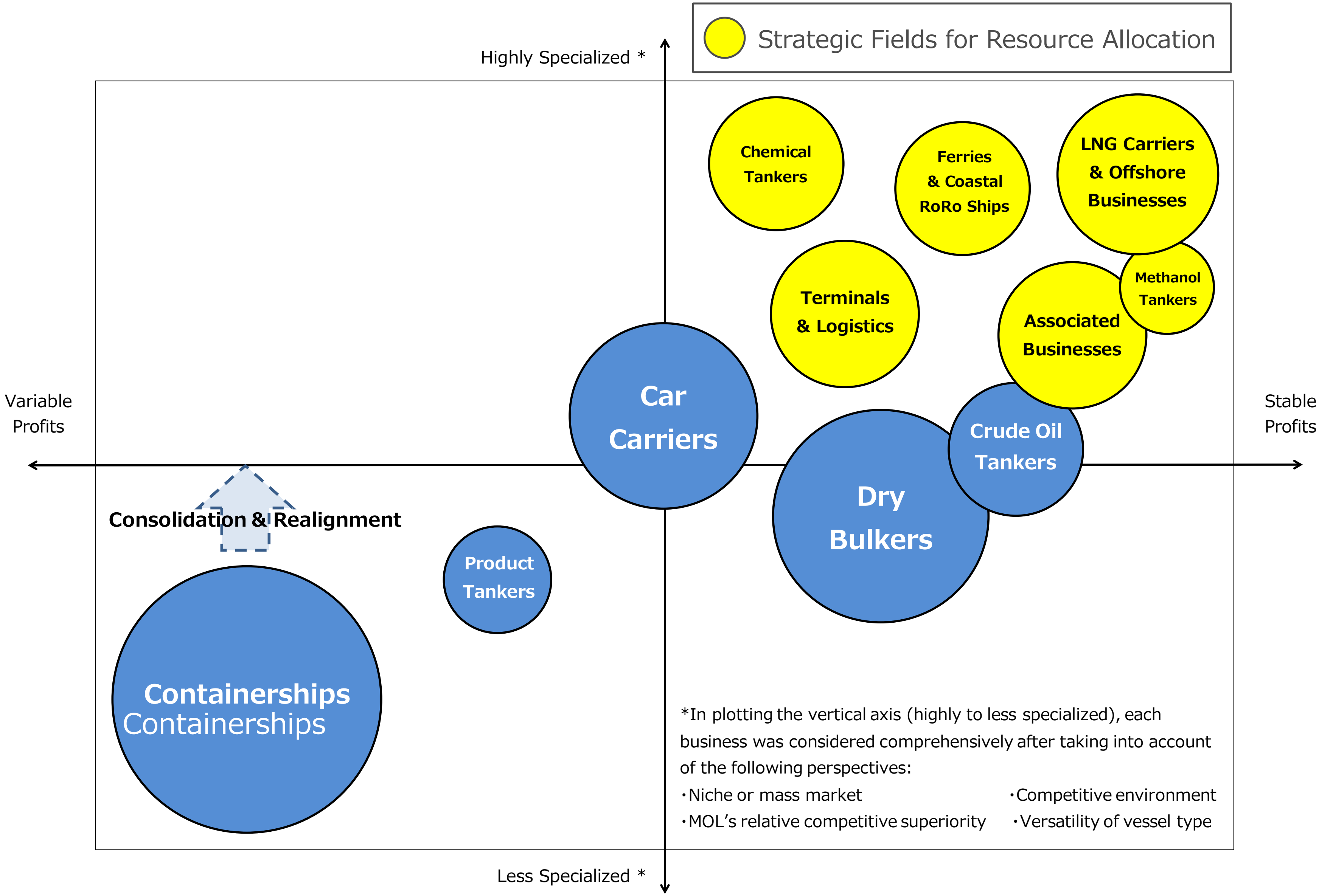
3 companies' best practices
Create synergistic effects by adopting the best practices of the three companies, and improve business efficiency

3 companies' integration scale
Realize merits of scale by combining the business capabilities of the three companies

Synergy of about ¥110 billion in annual
Realize integration effect of approximately ¥110.0 billion annually and seek swift stabilization of financial performance

- **Operate a global fleet of 240 vessels and establish a liner network service portfolio covering over 90 countries around the world**
- **Deploy the latest IT systems and an innovative terminal ownership portfolio that enhances customer convenience**
- **ONE positions itself as being "large enough to survive, and but still small enough to care"**
- **The core values of ONE include Quality, Reliability, Innovation, and Customer Satisfaction, built around an organization that prides itself on teamwork and best practices**

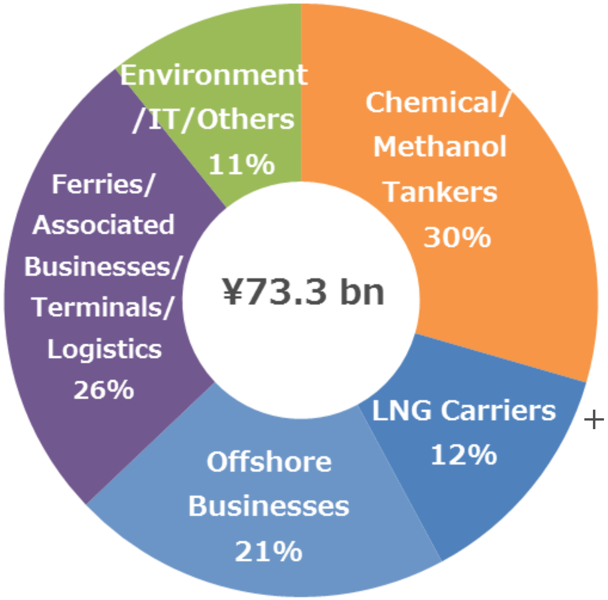
Business Portfolio and Strategic Fields for Resource Allocation (Continued from RP2017)



Strategically allocate resources (human resources and investments) to businesses that will generate highly stable profits and MOL has a competitive edge

Investment Cash Flows (Update from RP2017)

1. FY2017 Results

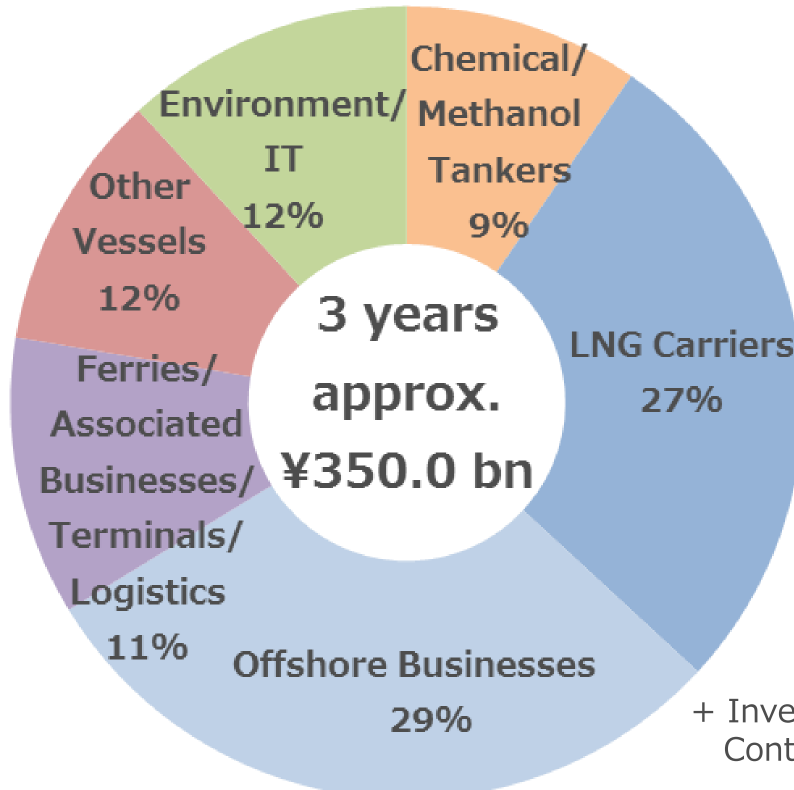


+ Invest in Containership JV

Incl. Growth investment: approx. ¥55.0 billion
New business investment: approx. ¥10.0 billion

2. FY2018-2020 Outlook (total for existing/new projects)

*** Projects will be rigorously evaluated**



+ Invest in Containership JV

Incl. Growth investment: approx. ¥190.0 billion
New business investment: approx. ¥70.0 billion

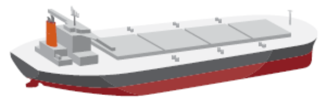
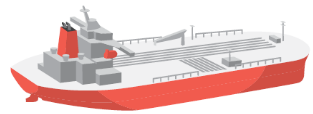
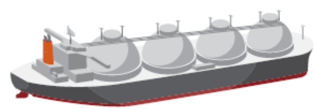
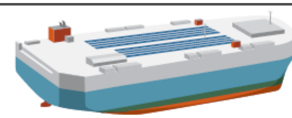
- Projects will be rigorously evaluated in step with executing investments to reshape the business portfolio. On the other hand, carry forward asset sales (incl. cross-shareholdings)
- Free cash flows will become positive in fiscal 2019

Business Strategies (Continued from RP2017)

Business	Strategies	Major Specific Achievements
Dry Bulkers	<Large bulkers> Ensure the renewal of long-term contracts with domestic and overseas steelmakers <Small- and medium-sized bulkers> Continuously shift to a business model that steadily generates profits exceeding the market by 20%. Increase contracts for biomass fuel transport, which are expected to generate mid- and long-term revenue	Signed deal for bauxite transport from Guinea
Tankers	Strengthen chemical/methanol tankers, while downsizing the product tanker fleet Consider entering the tank terminal	Entering the tank container business through capital and business alliance with Nippon Concept
LNG Carriers	Continue to accumulate stable profits through long-term contracts Pursue vertically integrated businesses that are not limited to transportation in the LNG business	Signed long-term charter contracts for four LNG carriers (conventional type) serving Yamal LNG project in Russia
Offshore Businesses	Focus on FPSOs, FSRUs and subsea support vessels Consider entering emission-free businesses, beginning with offshore wind power-related businesses	Acquired stable fee business through the participation in SWAN project and signed long term charter contract for LNG bunkering vessel Launched FSRU project in Turkey
Car Carriers	Scale down the core fleet Procure eco-friendly vessels (incl. LNG-fueled vessels)	Steadily reduced the core fleet
Containerships/ Terminals	Concentrate on ensuring a smooth transition in the containership business and sharpen cost competitiveness	ONE was established in July; integration showing steady progress
Logistics/ Ferries	<Logistics> Expand regionally focused logistics through M&A, etc. (with a focus on Southeast Asia and the Americas) <Ferries> Strengthen network and passenger sales capability	Invested in the PKT Logistics Group, a leader in Malaysia's total logistics field. Launched two newbuilding ferries
Associated Businesses	<Real estate> Expand business development in Asia <Environment and emission-free businesses> Gradually increase and diversify investments, primarily overseas, and transform them into core businesses through domestic business development	

(Long-term measures are shown in blue)

Fleet Scale

		at the end of Mar.2017 (Result)	at the end of Mar.2021 (Plan)
Dry Bulkers (incl. Steaming Coal Carriers)		337	322
Tankers (incl. Chemical Tankers)		173	176
LNG Carriers/Offshore Businesses (incl. Ethane Carriers)		90	112
Car Carriers		119	113
Others		47	49
Subtotal		766	772
Containerships		91	(*)
Total		857	—

Note: Including spot-chartered ships and those owned by joint ventures

(*) ONE operates from April 2018

Establishment of Technology Innovation Unit

The company established the "Technology Innovation Unit," which integrated the Technical Division, Smart Shipping Division, and MOL Information Systems, Ltd.

→ The new unit's strategies focus on the following three fields

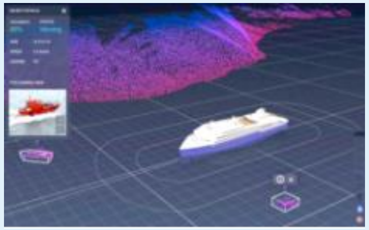
Promotion of LNG-fueled vessels

- Objectives:
  - ① Take steps to respond to stricter NOx/SOx regulations
  - ② Prevent global warming by promoting the adoption of LNG fuel
- Studying newbuilding of LNG-fueled vessels such as dry bulkers, car carriers, and ferries
- Set a goal of taking delivery of an LNG-fueled ferry in 2021

Promotion of Wind Challenger Project

- Wind Challenger = The next-generation sailing vessel with solid wing sails that assist the main propulsion system
- In 2018, select a vessel to be equipped with sails, and setting delivery of the equipment in 2020 following completion of a detailed design

Promotion of Autonomous Sailing



- Objectives:
  - ① Prevent human error
  - ② Respond to a shortage of seafarers in the future
  - ③ Improve service quality by visualizing cargo status and sharing timely operational information
  - ④ Reduce environmental impact by selecting optimal routes
- Set a goal of achieving autonomous sailing by 2025-2030

Workstyle Reforms

Promote workstyle reforms centering on 4 focus fields, and energize the entire company

Workstyle Reforms

Personnel System Reforms

<Measures for reform>

- Improve driving force of middle management
- Deepen communication through segmentation of organizations
- Draw upon skills and experience of senior employees

Corporate Culture Reforms

Corporate Culture Reforms

- Energize organization by promoting communication between younger generation and middle management

Workplace/ Workstyle Reforms

<Measures for reform>

- Energize organization by introducing flexible workstyles/workplaces, improve planning capability

Operational Reforms

<Measures for reform>

- Promote operational efficiency and streamline operations by standardizing information by developing a fleet database, etc.
- Simplify basic tasks by introducing Robotic Process Automation (RPA)
  Create time for new initiatives