Business Performance in FY2018
And Outlook for FY2019

Mitsui O.S.K. Lines, Ltd.
April 26, 2019

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. FY2018 Full-year Results [Consolidated]

*as of January 31, 2019

(billion yen)	FY2018 Result					FY2017 Result			FY2018 Previous forecast*	
	Q1	Q2	Q3	Q4	Full-year	Full-year	YoY		Full-year	Variance
Revenue	**304.4**	**315.4**	**322.3**	**291.8**	**1,234.0**	1,652.3	- 418.3	-25%	1,210	+24.0
Operating profit/loss	**3.6**	**11.0**	**14.9**	**8.0**	**37.7**	22.6	+15.0	+66%	35	+2.7
Ordinary profit/loss	**0.2**	**10.0**	**14.4**	**13.8**	**38.5**	31.4	+7.1	+23%	28	+10.5
Net income/loss	**- 1.6**	**7.4**	**14.3**	**6.7**	**26.8**	-47.3	+74.2	-	21	+5.8
Average exchange rate	**¥107.95/$**	**¥110.99/$**	**¥112.53/$**	**¥110.05/$**	**¥110.63/$**	¥111.08/$	-¥0.45/$		¥110.37/$	+¥0.26/$
Average bunker price*	**$438/MT**	**$479/MT**	**$478/MT**	**$432/MT**	**$456/MT**	$354/MT	+$102/MT		$454/MT	+$2/MT

*Purchase Prices

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

Fluctuation of Foreign Exchange	**-0.4**	YoY **¥0.45/$ ¥ Stronger**
Fluctuation of Bunker Price	**-18.4**	YoY **$102/MT Higher**
Fluctuation of Cargo Volume/Freight Rates, Others.	**+25.8**	
(Total)	**+7.1**	

1. FY2018 Full-year Results [By segment]

Upper	Revenue
Lower	Ordinary income/loss

*as of January 31, 2019

(¥ billion)	FY2018 Result					FY2017 Result			FY2018 Previous forecast*	
	Q1	Q2	Q3	Q4	Full-year	Full-year	YoY		Full-year	Variance
Dry Bulk Business	**66.0**	**76.6**	**78.1**	**70.3**	**291.1**	272.9	+18.1	+7%	290.0	+1.1
(excluding; Steaming Coal Carriers)	**3.8**	**4.8**	**8.5**	**4.6**	**21.9**	15.4	+6.5	+42%	21.0	+0.9
Energy Transport Business	**64.7**	**70.7**	**78.2**	**67.1**	**280.9**	262.2	+18.7	+7%	275.0	+5.9
(Tankers,Steaming Coal Carriers,LNG Carriers, Offshore business)	**3.1**	**4.8**	**5.7**	**7.3**	**21.1**	13.6	+7.5	+55%	17.0	+4.1
Product Transport Business	**145.0**	**138.5**	**135.5**	**126.0**	**545.1**	1,010.8	-465.7	-46%	530.0	+15.1
(PCC,Containerships,Ferries & Coastal RoRo Ships)	**-5.6**	**-2.9**	**-3.4**	**-0.2**	**-12.2**	-6.3	-5.9	-	-16.0	+3.7
Containerships only	**82.4**	**64.5**	**67.7**	**62.2**	**276.9**	749.7	-472.7	-63%	265.0	+11.9
	-4.7	**-5.3**	**-4.2**	**-0.1**	**-14.3**	-10.6	-3.6	-	-18.0	+3.6
Associated businesses	**24.9**	**25.3**	**25.8**	**25.0**	**101.1**	90.0	+11.0	+12%	100.0	+1.1
(Real estate, Cruise ship, Tug boats, Trading, etc.)	**3.3**	**2.7**	**3.9**	**2.8**	**12.9**	12.6	+0.2	+2%	12.0	+0.9
Others	**3.7**	**4.1**	**4.5**	**3.1**	**15.6**	16.2	-0.5	-3%	15.0	+0.6
	0.6	**0.4**	**0.6**	**0.7**	**2.5**	2.6	0	-1%	2.0	+0.5
Adjustment	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
	-5.1	**0.0**	**-1.0**	**-1.5**	**-7.7**	-6.5	-1.2	-	-8.0	+0.2
Consolidated	**304.4**	**315.4**	**322.3**	**291.8**	**1,234.0**	1,652.3	-418.3	-25%	1,210.0	+24.0
	0.2	**10.0**	**14.4**	**13.8**	**38.5**	31.4	+7.1	+23%	28.0	+10.5

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

2. Outline of FY2018 Results (I) [Consolidated]

[Overall]

◆ Ordinary profit increased from the previous year (+¥7.1 billion)

← Profit increased due to a relatively firm market in addition to stable profits, mainly by the Dry Bulk and Energy Transport Businesses, despite a significant deficit in the Containerships Segment stemming from operational teething problems of ONE, the containership business JV and the transitional costs.

◆ Ended with an upturn from the previous outlook (January 31).

← Profit improved due to improved equity in earnings of affiliates, an increase in the number of operating rate, and improved operating profit of the Containerships Segment.

[By Segment] [Ordinary profit for FY2018 (year-on-year comparison)]

Dry Bulk Business [¥21.9 billion (+¥6.5 billion)]

- Vessel on spot contracts: The Capesize market remained firm in H1, but softened due to a decline in shipments and concerns over deteriorating markets caused by the derailment of an iron ore train in Australia in November and the collapse of mining dam in Brazil in January. The market for mid- and small-size vessels also remained firm in H1, but softened in H2, although our market exposure is small and the impact of the spot market is limited. Overall, the Dry Bulker market remained firmer than in the previous year.
- Vessels on mid- and long-term contracts: Continued to secure stable profits for the transport of iron ore, wood chips, etc.

⇒ Ordinary profit increased from the previous year, backed by relatively firm markets. Ended with a upturn from the previous outlook due in part to a temporary adjustment.

Energy Transport Business [¥21.1 billion (+¥7.5 billion)]

■ Tankers

- Crude oil tankers: The market turned from a low note in H1, to rising steeply overall in H2, due to an increase in exports of West African and U.S. crude oil as an alternative to Iranian oil (the effect of longer-distance transports), in addition to seasonal factors.
- Product tankers: The market, which was sluggish in H1, improved in H2 due in part to the impact of a rising crude oil tanker market in addition to stronger seasonal demand in winter. The number of vessels in our fleet continues to decrease.
- Other: Methanol tankers and shuttle tankers continued to post stable profits. Profits turned up from the previous announcement because of improved equity in earnings of affiliates resulting from a re-evaluation of tax effect accounting.

2. Outline of FY2018 Results (II) [Consolidated]

■ LNG Carriers/Offshore Businesses

Seven LNG carriers and one FPSO were delivered and started operations, contributing to increase stable profits from mid- and long-term contracts. Ordinary profit improved from the previous year due to a higher-than-anticipated operating rate for FPSO and subsea support vessel projects.

⇒ Ordinary profit in both the Tanker and LNG Carriers/Offshore Businesses increased, resulting in a significant overall increase in the Energy Transport Business from the previous year.

Product Transport Business [-¥12.2 billion (-¥5.9 billion)]

■ Containerships [-¥14.3 billion (-¥3.6 billion)]

The synergistic effects of ONE (an equity-method affiliate) were higher than the assumption, but business performance resulted in a significant deficit despite improved liftings and utilization in H2, which were sluggish at the initial stage after the commencement of services due to operational teething problem (→ P.21~). The Terminals and Logistics businesses contributed to profits.

⇒ Ordinary profit decreased from the previous year, but improved from the previous outlook due to an increased collection of surcharge for the cargoes accepted before the business integration and the reduction in the transitional cost.

■ Car Carriers

Import and cross trades decreased due in part to the impact of China-U.S. trade friction and the new Worldwide harmonized Light vehicles Test Procedure (WLTP) in Europe. Ordinary profit deteriorated from the previous year, due to specific factors such as additional costs stemming from quarantine issues on some routes (Q1) and a decrease in trade caused by torrential rains in Western Japan, despite efforts to decrease the number of vessels and improve operational efficiency.

■ Ferries and Coastal RoRo Ships

Ordinary profit decreased slightly from the previous year, due to typhoons, long-term docking associated with defects on some ferries, and higher bunker prices, despite firm cargo traffic resulting from the advancement of Japan's Modal Shift and favorable business environment by launching newbuilding vessels and sales promotion of Casual Cruise offerings.

[Dividend]

The year-end dividend payment plan was revised to ¥25 per share (the previous outlook was ¥20 per share). Already paid the interim dividend of ¥20 per share.

3. FY2019 Full-year Forecast [Consolidated]

(billion yen)	FY2019 Forecast H1	FY2019 Forecast H2	FY2019 Forecast Full-year	FY2018 Result H1	FY2018 Result H2	FY2018 Result Full-year	YoY (Full-year)	YoY Variance
Revenue	**595.0**	**599.0**	**1,194.0**	619.8	614.1	1,234.0	- 40.0	-3%
Operating profit/loss	**13.0**	**13.0**	**26.0**	14.7	22.9	37.7	- 11.7	-31%
Ordinary profit/loss	**28.0**	**22.0**	**50.0**	10.2	28.2	38.5	+11.4	+30%
Net income/loss	**25.0**	**15.0**	**40.0**	5.7	21.1	26.8	+13.1	+49%
Average exchange rate	**¥110.00/$**	**¥110.00/$**	**¥110.00/$**	¥109.47/$	¥111.79/$	¥110.63/$	-¥0.63/$	
Average bunker price*	**$450/MT**	**$420/MT**	**$435/MT**	$457/MT	$455/MT	$456/MT	-$21/MT	

*purchase prices

(cf)Sensitivity against Ordinary profit

FY2019 (Full-year/Max)

FX Rate : **±¥ 0.9 bn/¥1/$**

Bunker Price : **±¥ 0.19 bn/$1/MT**

3. FY2019 Full-year Forecast [By segment]

Upper	Revenue
Lower	Ordinary income/loss

(¥ billion)	FY2019 Forecast H1	FY2019 Forecast H2	FY2019 Forecast Full-year	FY2018 Result H1	FY2018 Result H2	FY2018 Result Full-year	YoY (Full-year)	
Dry Bulk Business	**140.0**	**148.0**	**288.0**	142.6	148.5	291.1	- 3.1	-1%
(excluding; Steaming Coal Carriers)	**5.5**	**5.0**	**10.5**	8.7	13.1	21.9	- 11.4	-52%
Energy Transport Business	**147.0**	**145.0**	**292.0**	135.5	145.4	280.9	+11.0	+4%
(Tankers,Steaming Coal Carriers,LNG Carriers, Offshore business)	**9.5**	**10.0**	**19.5**	8.0	13.1	21.1	- 1.6	-8%
Product Transport Business	**250.0**	**244.0**	**494.0**	283.6	261.5	545.1	- 51.1	-9%
(PCC,Containerships,Ferries & Coastal RoRo Ships)	**8.0**	**2.0**	**10.0**	-8.6	-3.6	-12.2	+22.2	-182%
Containerships only	**121.0**	**108.0**	**229.0**	146.9	130.0	276.9	- 47.9	-17%
	5.0	**0.0**	**5.0**	-10.0	-4.3	-14.3	+19.3	-135%
Associated businesses	**50.0**	**53.0**	**103.0**	50.2	50.9	101.1	2	2%
(Real estate, Cruise ship, Tug boats, Trading, etc.)	**6.0**	**6.0**	**12.0**	6.1	6.8	12.9	- 0.9	-7%
Others	**8.0**	**9.0**	**17.0**	7.8	7.7	15.6	+1.3	9%
	1.0	**1.0**	**2.0**	1.1	1.4	2.5	- 0.5	-22%
Adjustment	**-**	**-**	**-**	-	-	-	-	-
	-2.0	**-2.0**	**-4.0**	-5.0	-2.6	-7.7	+3.7	-48%
Consolidated	**595.0**	**599.0**	**1,194.0**	619.8	614.1	1,234.0	- 40.0	-3%
	28.0	**22.0**	**50.0**	10.2	28.2	38.5	+11.4	+30%

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

4. Key Points of FY2019 Forecast (I) [Consolidated]

[Overall]

◆ Ordinary profit: Improved by ¥11.4 billion from the previous year (+30%). This reflects a range of factors including a softening of markets mainly for dry bulkers in comparison with the previous year as well as expectations for a significant improvement of the Containership Business.

◆ Markets

Dry Bulk Business: The current weak Capesize market is reflected in our forecast, however, it is expected to recover in H2. Markets for mid- and small-size -vessels are anticipated at the same level as the previous year.

Tankers: The crude oil tanker market is anticipated to remain firm in H2, although it will continue to face the adjustment phase in H1. The Product Tanker market is expected to remain firm.

◆ Stable Profit: ¥55.5 billion (@¥110/$) (Long-term contracts for dry bulkers, VLCCs, LNG carriers, and offshore business, associated businesses)

[By segment] [FY2019 forecast for ordinary profit (increase/decrease from the previous year)]

Dry Bulk Business [¥10.5 billion (-¥11.4 billion)]

Although the current Capesize market is weak due to the impact of the collapse of a mining dam in Brazil, it is expected to recover thanks to trade from alternative sources, backed by firm cargo demand and possible shortage of vessels due to installation of scrubbers. The mid- and small-size vessel markets are also expected to maintain in the same level as the previous year, reflecting steady demand for coal and grain.

⇒ Profit is expected to deteriorate from the previous year because of a decrease in freight rates due to renewal of long-term contracts and the current weak tone of the market, in addition to the negation of some positive factors in the previous fiscal year such as a temporary adjustment.

Energy Transport Business [¥19.5 billion (-¥1.6 billion)]

■ LNG Carriers/Offshore Businesses

Ordinary profit will increase steadily as existing projects begin operations.

4. Key Points of FY2019 Forecast (II) [Consolidated]

■ Tankers

➢ Crude oil tankers: On the supply side, the market assumes an increase in scrapping in response to stricter environmental regulations although newbuilding vessels will continue to come into service. From the demand aspect, trade from the U.S. to Asia will be firm. Overall, the fleet demand and supply balance shows a trend toward improvement, and the market is expected to remain relatively firm.

➢ Product tankers: The market is forecasted to meet some upside resistance in H1. An upturn is anticipated as a result of an increase in transportation demand of gas oil due to SOx regulations.

⇒ The Energy Transport Business as a whole is forecasted to show a decrease in profit from the previous year due to specific declining factors for H1, despite accumulated stable profits and a firm market.

Product Transport Business [¥10.0 billion (-¥22.2 billion)]

■ Containerships [¥5.0 billion (+¥19.3 billion)]

ONE targets profitability of $85 million in anticipation that the profit will improve such by optimization of cargo portfolio and services, in addition to the synergistic effects of the integration. (→ P.21~) The Terminals and Logistics business will make steady contributions to profit.

■ Car Carriers

Trade for the Middle East and Africa, backhaul, and cross trades are forecasted to decrease from the previous year, although trade for North America will remain firm. Profit level shows a trend toward improvement due to the recovery of freight rates and increased operational efficiency.

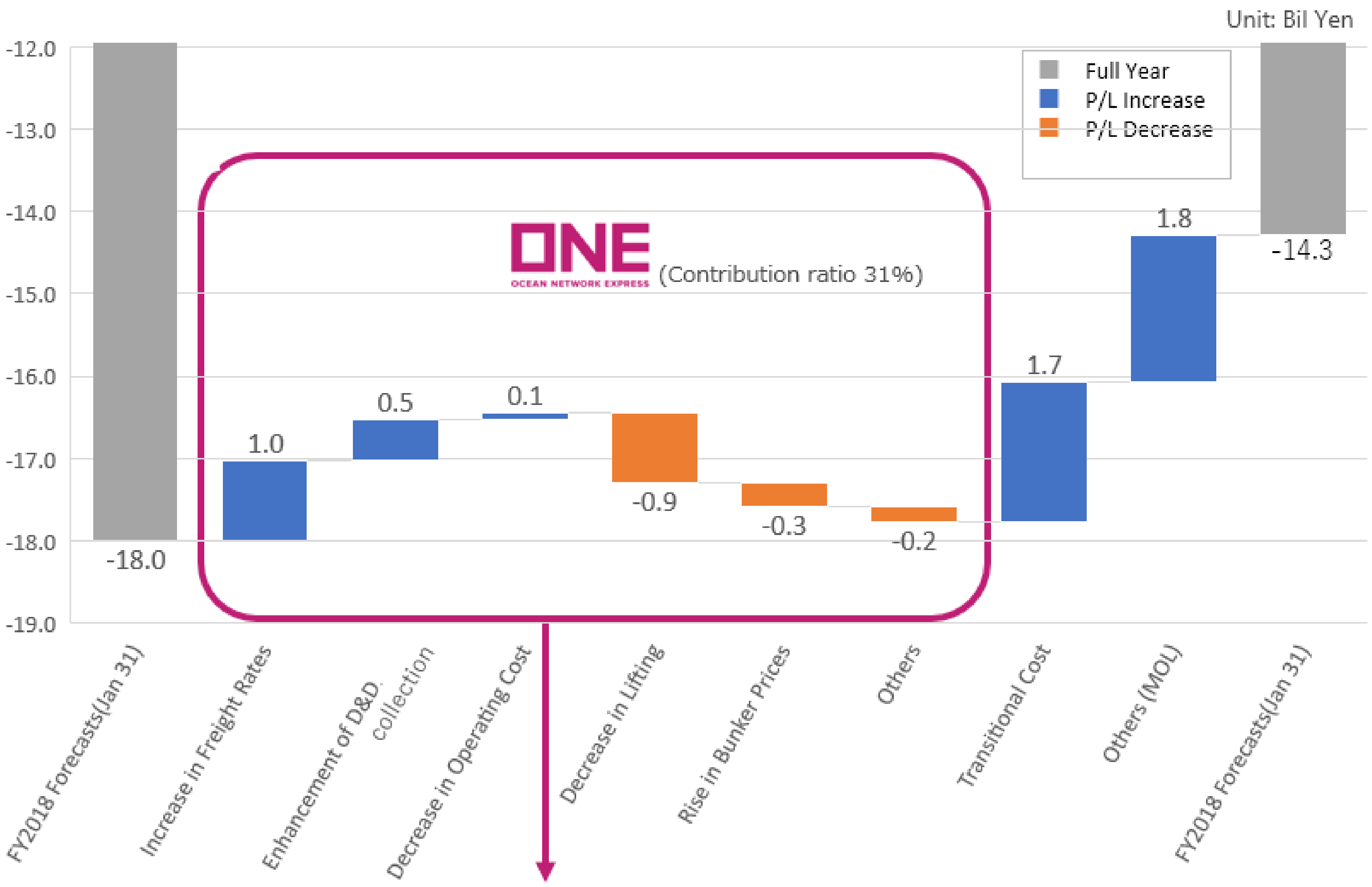
■ Ferries and Coastal RoRo Ships

Ordinary profit is expected to increase from the previous year due to the negation of temporary factors in FY2018 (defects in ferries, natural disasters, etc.) and a favorable business environment.

[Dividend]

Planning to pay a full-year dividend of ¥65 per share (interim dividend of ¥30 + year-end dividend of ¥35). (Dividend payout ratio 20%)

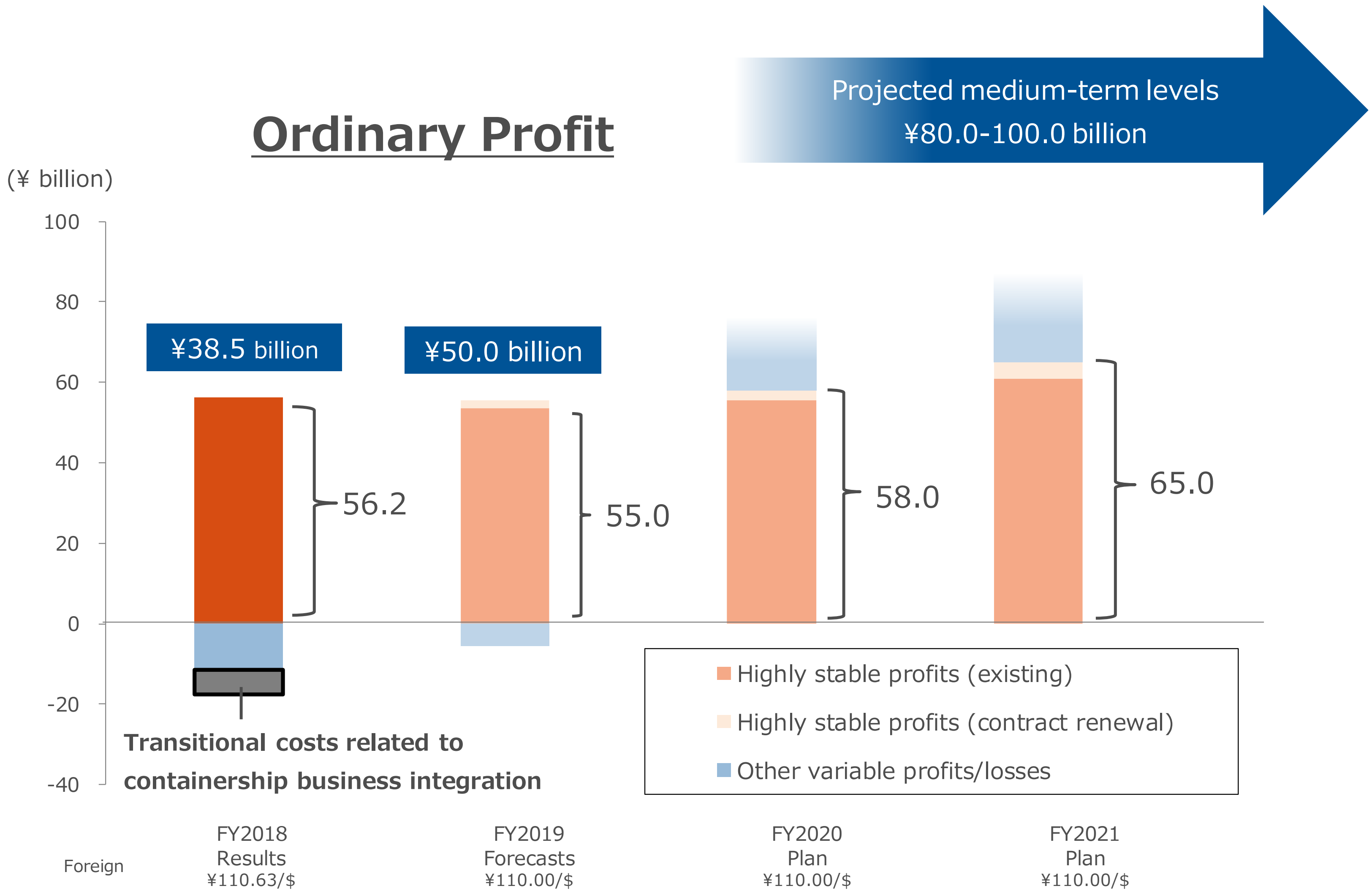
5. Containership Business Segment
– FY2018 Results (comparison with the previous forecast)



For details ⇒ ONE disclosure materials on P.21

6. Roadmap to Profit Improvement

Rolling Plan 2019



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

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

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

1. FY2018 (Result)

(US$/day)

Size	FY2018						
	1st Half			2nd Half			Full-year
Market for vessels operated by MOL	Apr-Sep, 2018			Oct, 2018 - Mar, 2019			Average
	Apr-Jun	Jul-Sep		Oct-Dec	Jan-Mar		
Capesize	15,000	22,200	18,600	15,800	8,700	12,300	15,400
Panamax	10,500	12,100	11,300	12,400	7,000	9,700	10,500
Handymax	11,500	11,900	11,700	11,900	7,900	9,900	10,800
Small handy	8,800	8,300	8,500	9,300	6,000	7,700	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	13,000	15,000	14,000	22,200	15,800	19,000	16,500

2. FY2019 (Result/Forecast)

(US$/day)

Size	FY2019				
	1st Half			2nd Half	Full-year
Market for vessels operated by MOL	Apr-Sep, 2019			Oct, 2019 - Mar, 2020	Average
Capesize	12,000			16,000	14,000
Panamax	11,000			11,000	11,000
Handymax	10,000			10,000	10,000
Small handy	9,000			9,000	9,000
Market for vessels operated by overseas subsidiaries of MOL	Jan-Jun, 2019			Jul-Dec, 2019	Average
	Jan-Mar	Apr-Jun			
Capesize	8,700	11,000	9,900	16,000	12,900

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. FY2018 (Result)

(US$/day)

Vessel Type	Trade	FY2018						
		H1			H2			Full-year
Market for vessels operated by MOL		Apr-Sep, 2018			Oct, 20178- Mar, 2019			Average
		Apr-Jun	Jul-Sep		Oct-Dec	Jan-Mar		
Crude Oil Tanker	Arabian Gulf - Far East	**9,400**	**14,100**	**11,800**	**46,600**	**29,800**	**38,200**	**25,000**
Product Tanker (MR)	Main 5 Trades	**8,200**	**6,300**	**7,200**	**12,000**	**14,300**	**13,200**	**10,200**
Market for vessels operated by overseas		Jan-Jun, 2018			Jul-Dec, 2018			Average
		Jan-Mar	Apr-Jun		Jul-Sep	Oct-Dec		
LPG Tanker (VLGC)	Arabian Gulf - Japan	**14,900**	**9,100**	**12,000**	**23,300**	**26,100**	**24,700**	**18,300**

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

2. FY2019 (Result/Forecast)

(US$/day)

Vessel Type	Trade	FY2019				
		H1			H2	Full-year
Market for vessels operated by MOL		Apr-Sep, 2019			Oct, 2019 - Mar, 2020	Average
Crude Oil Tanker	Arabian Gulf - Far East	**17,900**			**45,000**	**31,400**
Product Tanker (MR)	Main 5 Trades					
Market for vessels operated by overseas		Jan-Jun, 2019			Jul-Dec, 2019	Average
		Jan-Mar	Apr-Jun			
LPG Tanker (VLGC)	Arabian Gulf - Japan	**13,900**				

(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.

Containerized Freight Index (CCFI*)

[Supplement #3]

1. FY2017 (Result)

(Jan 1, 1998=1,000)

Trade	FY2017						
	1st Half Apr-Sep, 2017			2nd Half Oct, 2017 - Mar, 2018			Full-year Average
	Apr-Jun	Jul-Sep		Oct-Dec	Jan-Mar		
U.S. West Coast	622	643	632	615	631	623	628
U.S. East Coast	848	851	850	780	870	825	837
Europe	1,086	1,124	1,105	1,016	1,084	1,050	1,078
South America	750	851	800	757	749	753	777

2. FY2018 (Result)

(Jan 1, 1998=1,000)

Trade	FY2018						
	1st Half Apr-Sep, 2018			2nd Half Oct, 2018 - Mar, 2019			Full-year Average
	Apr-Jun	Jul-Sep		Oct-Dec	Jan-Mar		
U.S. West Coast	620	711	665	812	697	755	710
U.S. East Coast	840	896	868	991	883	937	903
Europe	1,008	1,083	1,045	1,021	1,094	1,057	1,051
South America	546	642	594	576	573	574	584

***China Containarized Freight Index**

Car Carrier Loading Volume

[Supplement #4]

1. FY2018 (Result)

(1,000 units)

(Completed-voyage basis / including voyage charter)	FY2018						
			1st Half			2nd Half	Total
	Q1	Q2		Q3	Q4		
Total	1,098	1,130	2,229	975	1,033	2,008	4,237

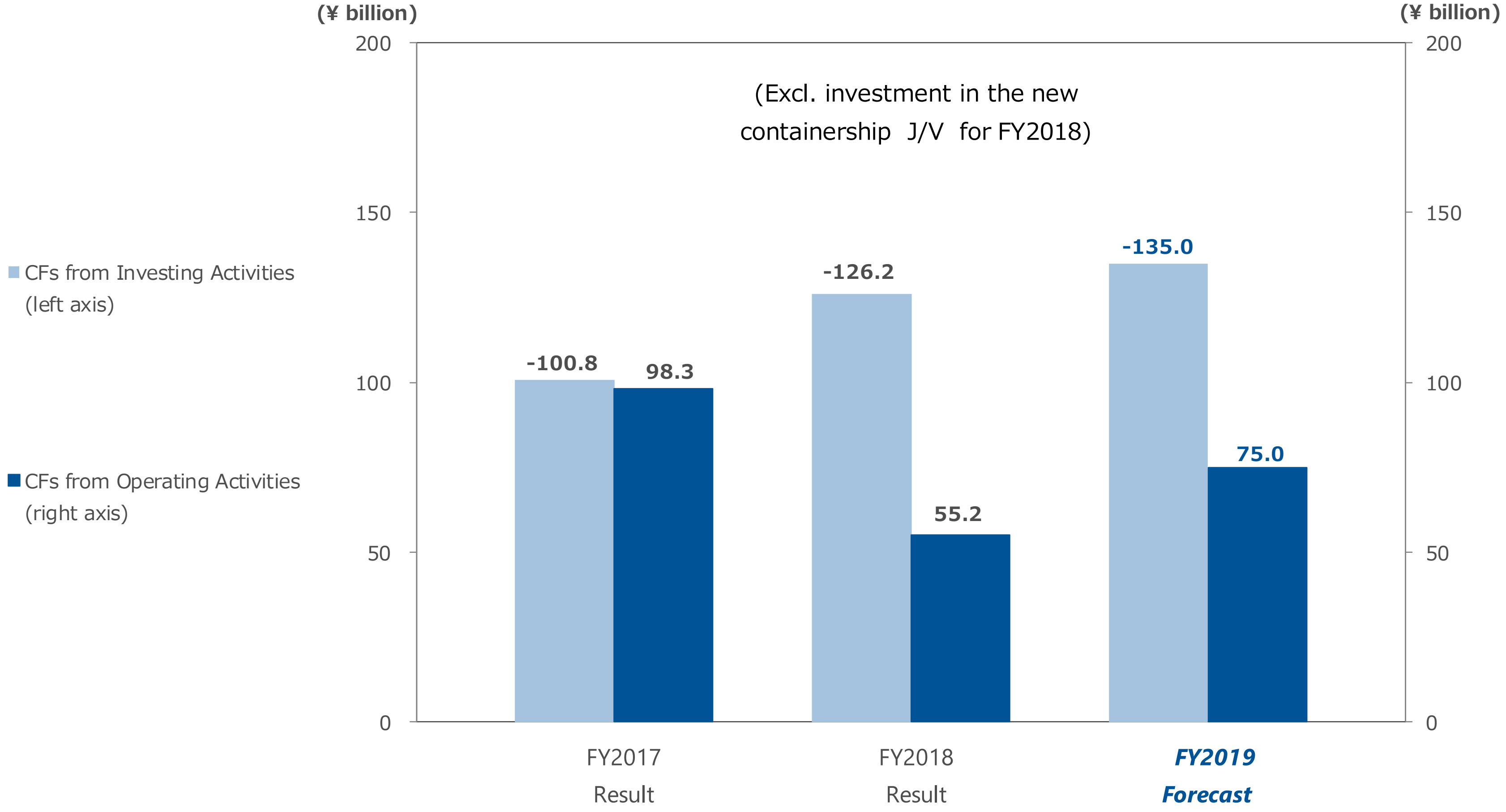
2. FY2019 (Forecast)

(1,000 units)

(Completed-voyage basis / including voyage charter)	FY2019		
	1st Half	2nd Half	Total
Total	2,021	2,014	4,035

*The forecasts are shown in blue.

Cash Flows

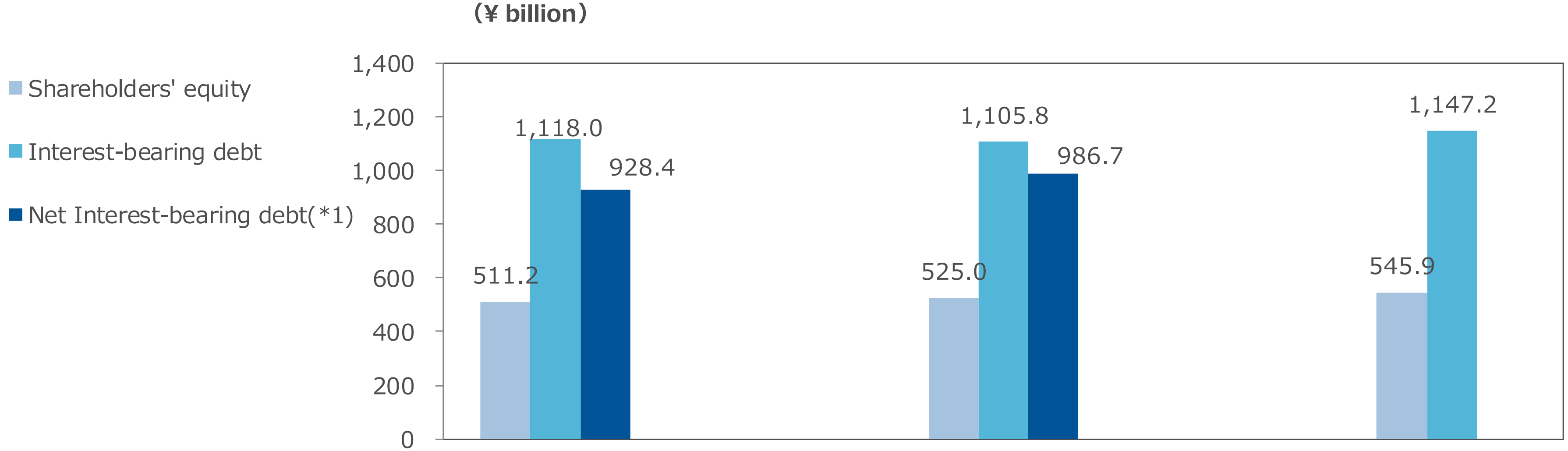


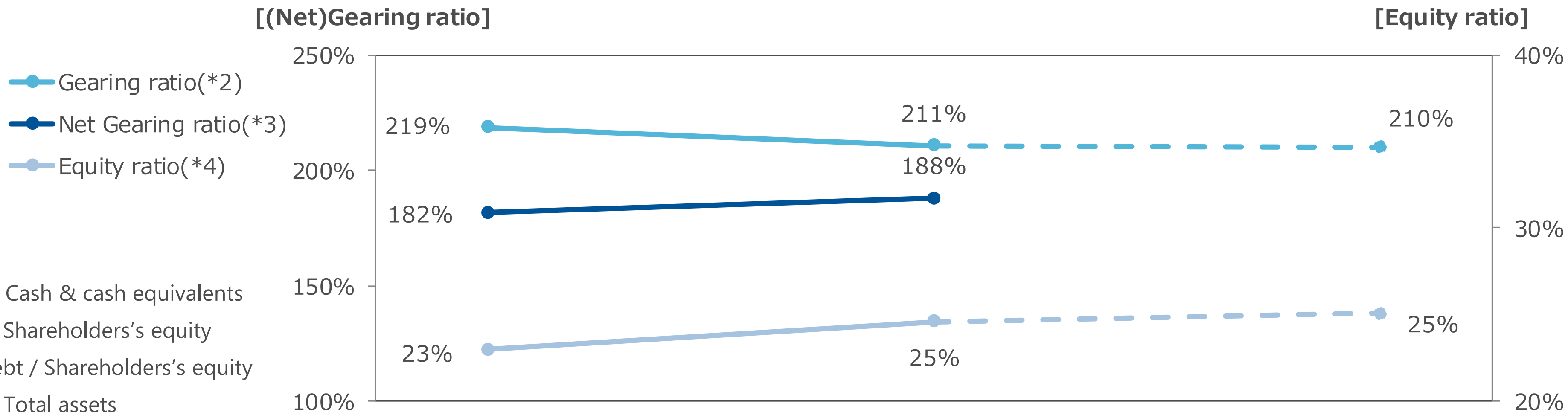
	FY2017 Result	FY2018 Result	***FY2019 Forecast***
Ordinary Profit/Loss(￥bn)	31.4	38.5	***50.0***
Profit/Loss Attributable to Owners of Parent(￥ bn)	-47.3	26.8	***40.0***
Ave. Exchange Rate	¥111.08/$	¥110.63/$	***¥110.00/$***

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





(*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

	FY2017 Result	FY2018 Result	***FY2019 Year-end Forecast***
(Term-end Exchange Rate)			
MOL	¥106.24/$	¥110.99/$	***¥110.00/$***
Overseas Subsidiaries	¥113.00/$	¥111.00/$	***¥110.00/$***

Fleet Composition (incl. Offshore business) [Supplement #7]

			31-Mar, 2018	31-Mar, 2019		31-Mar, 2020
					1,000dwt	(Forecast)
Dry Bulk Business	Capesize		88	94	18,439	[redacted]
	Small and medium-sized bulkers	Panamax	26	21	1,719	
		Handymax	54	50	2,768	
		Small Handy	28	32	1,126	
		(Sub total)	108	103	5,612	
	Wood chip carriers		39	39	2,160	
	Short sea ships		61	47	869	
	(Sub total)		296	283	27,081	278
		(Market Exposure)	**(71)**	**(62)**	-	**(58)**
Energy Transport Business	Tankers	Crude oil tankers	39	42	11,334	[redacted]
		Product tankers	39	21	1,412	
		Chemical tankers (incl. Methanol tankers)	87	110	3,166	
		LPG tankers	8	8	447	
		(Sub total)	173	181	16,359	
	Steaming coal carriers		41	47	4,306	
	(Sub total)		214	228	20,665	221
		(Market Exposure)	**(84)**	**(97)**	-	**(97)**
	LNG carriers (incl. Ethane carriers and LNG-bunkering vesse		83	87	6,962	96
	Offshore	FPSO	5	6	1,689	6
		FSRU	1	4	386	5
		Subsea support vessels	1	3	27	3
	Coastal ships (excl. Coastal RoRo ships)		30	31	102	30
Product Transport Business	Car carriers		119	113	1,870	109
	Ferries & Coastal RoRo ships		14	16	91	15
Associated Businesses and Others	Cruise ships		1	1	5	1
	Others		2	2	13	2
Sub total			766	774	58,889	766
Product Transport Business	Containerships		91	65	5,929	64
Total			857	839	64,818	830

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

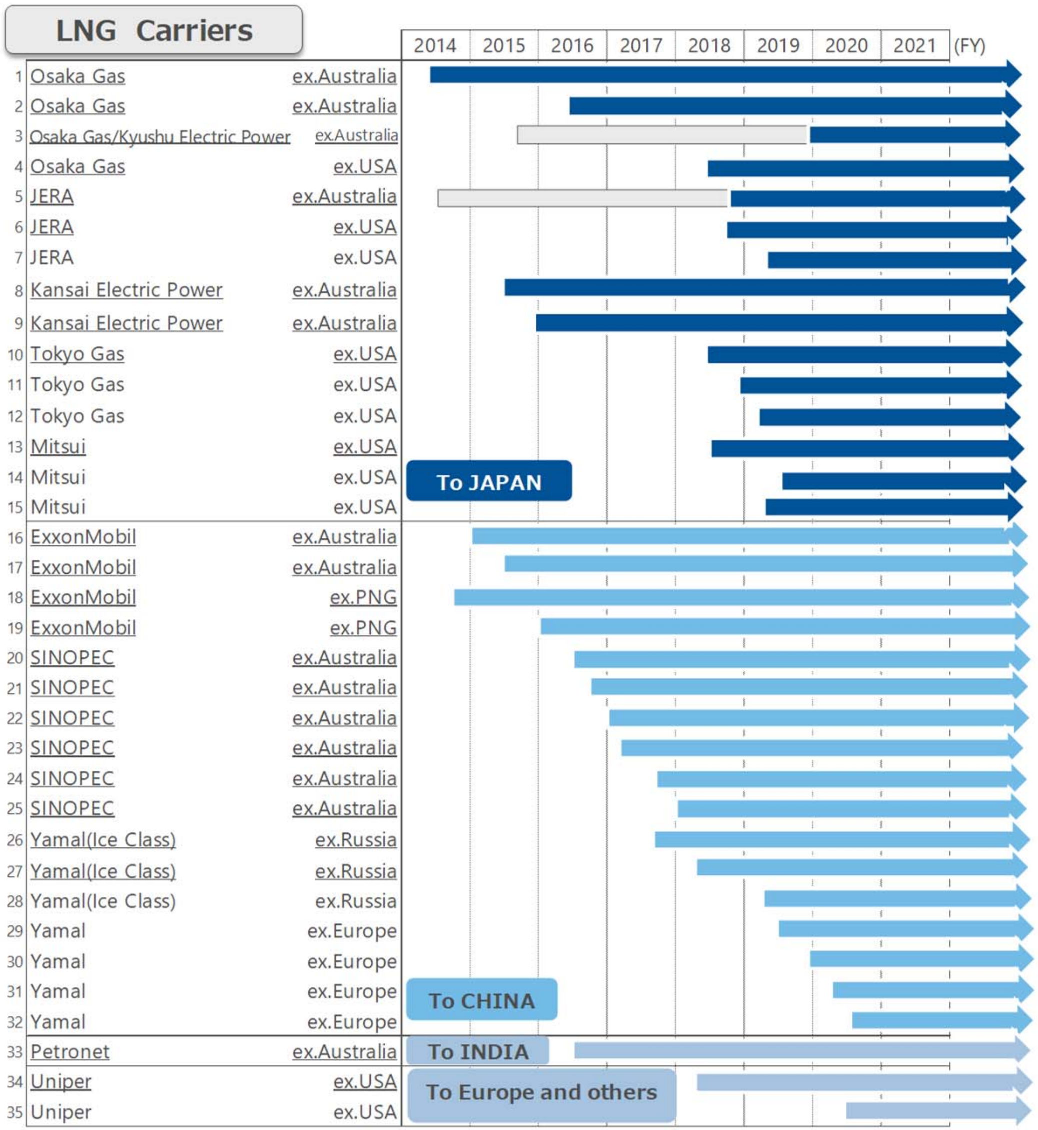
Note 2: "Market Exposure"=Vessels operating under contracts less than two years, which are owned or mid-and long-term chartered vessels.

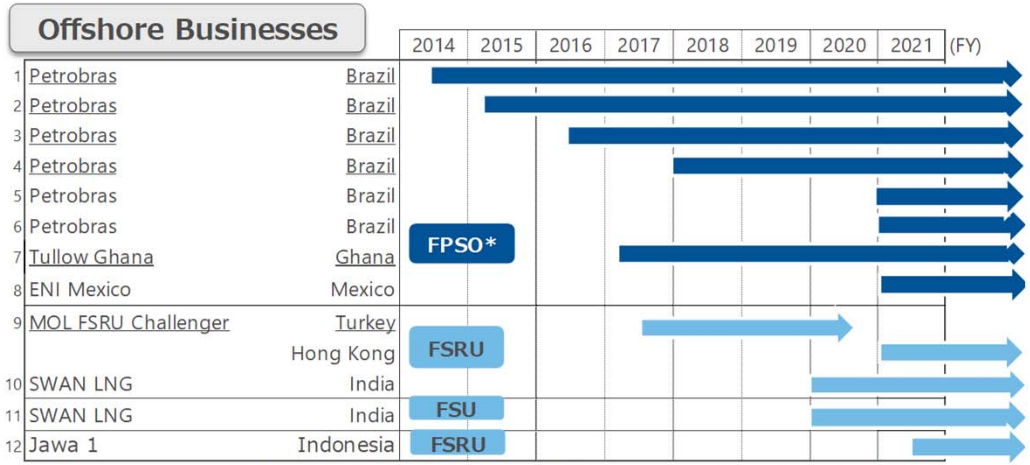
Note 3: Containerships are operated by ONE after Apr, 2018.

Note 4: Three vessels that were included in LNG carriers previously are now included in FSRU.

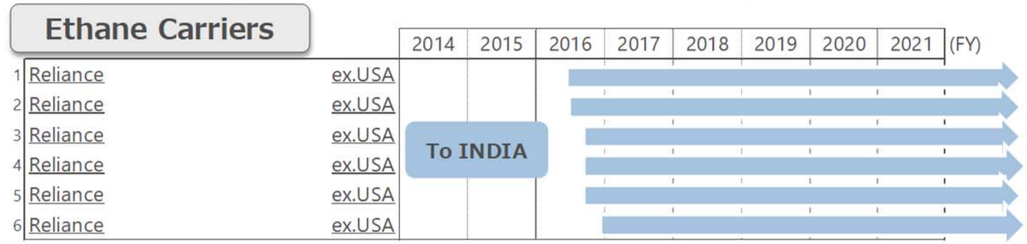
LNG Carriers and Offshore businesses: Signed Contracts

[Supplement #8]





(*)FPSO : Total 8units, including one which commenced operation since FY2010



※**Underline is under operation**

ONE

OCEAN NETWORK EXPRESS

Financial Results for FY2018 Full-year

APR.26,2019

Ocean Network Express

FY2018 Full-year Financial Results

ONE OCEAN NETWORK EXPRESS

FY2018 4Q/Full-year Results and Comparison with Previous Forecasts

(Unit: Million US$) *As of Jan 2019

	FY2018(Previous Forecasts*)					FY2018(Results)					Full Year	
	1H Results	3Q Results	4Q Forecasts	2H Forecasts	Full Year Forecast	1H Results	3Q Results	4Q Results	2H Results	Full Year Results	Change	Change (%)
Revenue	5,030	3,025	2,830	5,855	10,885	5,030	3,025	2,826	5,851	10,880	-5	-0.0%
Profit/loss for the year	-311	-179	-104	-283	-594	-311	-179	-96	-275	-586	8	1.3%
Bunker Price (US$/MT)	$434	$487	$413	$451	$443	$434	$487	$420	$454	$444	$1	

Liftings/Utilization/Freight Index

(Unit: 1,000TEU)

Liftings / Utilization by Trades		FY2018 1H Results	FY2018 3Q Results	FY2018 4Q Results	FY2018 2H Results	FY2018 Full Year Results
Asia - North America Eastbound	Lifting	1,291	746	627	1,374	2,664
	Utilization	82%	95%	88%	92%	87%
Asia - Europe Westbound	Lifting	790	442	455	897	1,687
	Utilization	82%	92%	92%	92%	88%

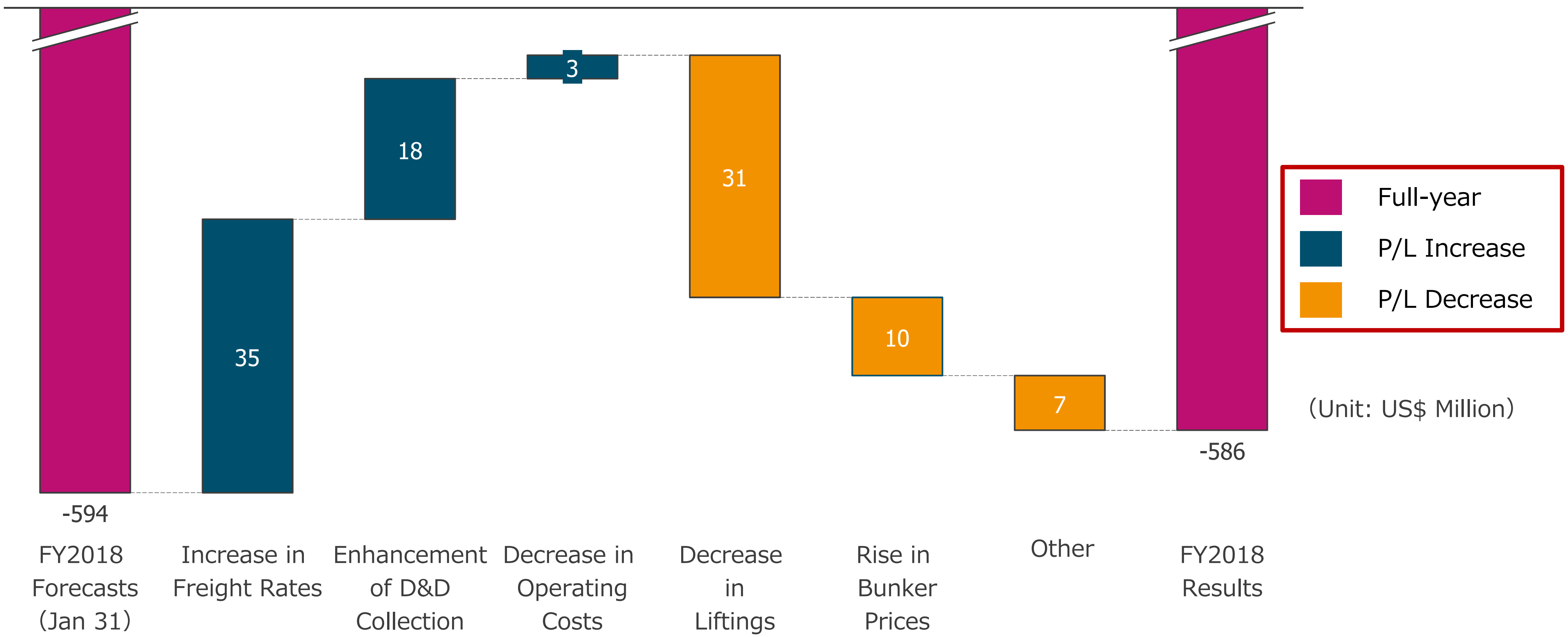
(Indices when gross average freight rate on each route for FY2018 1Q is set at 100.)

Freight Index by Trades	FY2018 1H Results	FY2018 3Q Results	FY2018 4Q Results	FY2018 2H Results	FY2018 Full Year Results
Asia - North America Eastbound	101	108	105	107	104
Asia - Europe Westbound	104	100	107	104	104

Overview by Route for Q4

- Asia-North America Eastbound: As trade after the Chinese New Year was relatively weak due in part to a backlash downturn from the earlier rush demand ahead of additional U.S. tariffs on China, additionally reduced frequencies of our service even in March. Freight rates slightly declined from Q3 due to a decrease in demand.
- Asia-Europe Westbound: Though freight rates for long-term contracts improved upon renewal in January, and the spot rate held steadily toward Chinese New Year. Liftings declined in the off season after the Chinese New Year as in past years, and from then on, the spot freight rate market declined towards the end of Q4.
- Asia-North America Westbound/Asia-Europe Eastbound: Utilization on Asia-North America Westbound routes continued to show a trend toward improvement. The level of utilization on Asia-Europe Eastbound, which significantly recovered in Q3, remained steady during Q4.

FY2018 Annual P/L Analysis (vs. Previous Forecasts)



Freight rates remained slightly higher than the assumption on Asia-North America and South America routes. Measures to enhance collection of Detention and Demurrage achieved higher-than-anticipated results. Operating costs were reduced by additionally decreasing the number of sailings in response to dropping demand after the Chinese New Year. Liftings on some routes such as Asia-North America service did not reach the target due to lower-than-anticipated cargo demand. Bunker prices rose higher than the assumption.

FY2019 Full-year Forecasts

FY2019 Full-year Forecasts and comparison with previous fiscal year

(Unit: US$ million)

	FY2018			FY2019			Full Year	
	H1 Results	H2 Results	Full Year Results	H1 Forecasts	H2 Forecasts	Full Year Forecasts	Change	Change (%)
Revenue	5,030	5,851	10,880	6,417	6,306	12,723	1,843	16.9%
Profit/Loss	-311	-275	-586	123	-38	85	671	-

Bunker Price（US$/MT）	$434	$454	$444	$445	$533	$488	$44

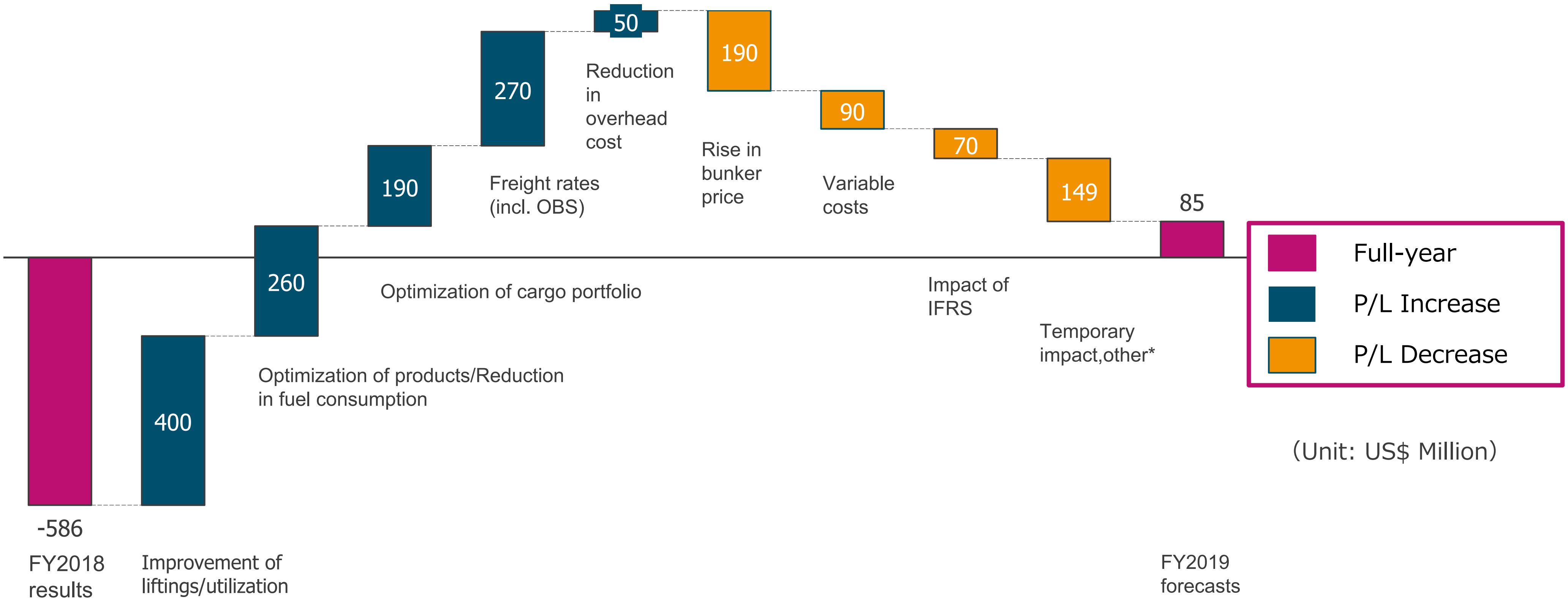
- **Sensitivity on Profit/Loss :**
  <u>±US$ 7Million</u> per US$10/MT per Quarter

※Bunker cost increase by MARPOL2020 implementation shall be recovered by OBS (ONE Bunker Surcharge)

Overview

Targeting a return to profitability of US$85 million for full-year FY2019, from minus US$586 million for full-year FY2018 results. Projecting a 4% increase globally in both supply and demand. Profit is expected to gradually recover throughout H1, with the improved lifting, which will recover to the pre-integration level throughout FY2019. The progress of product rationalization completing end May and renewal of North American contracts up to May are reflected. Targeting an early transfer of overseas terminal business from each of the parent companies in FY2019.

FY2019 Annual P/L Analysis (vs. FY2018 Results)



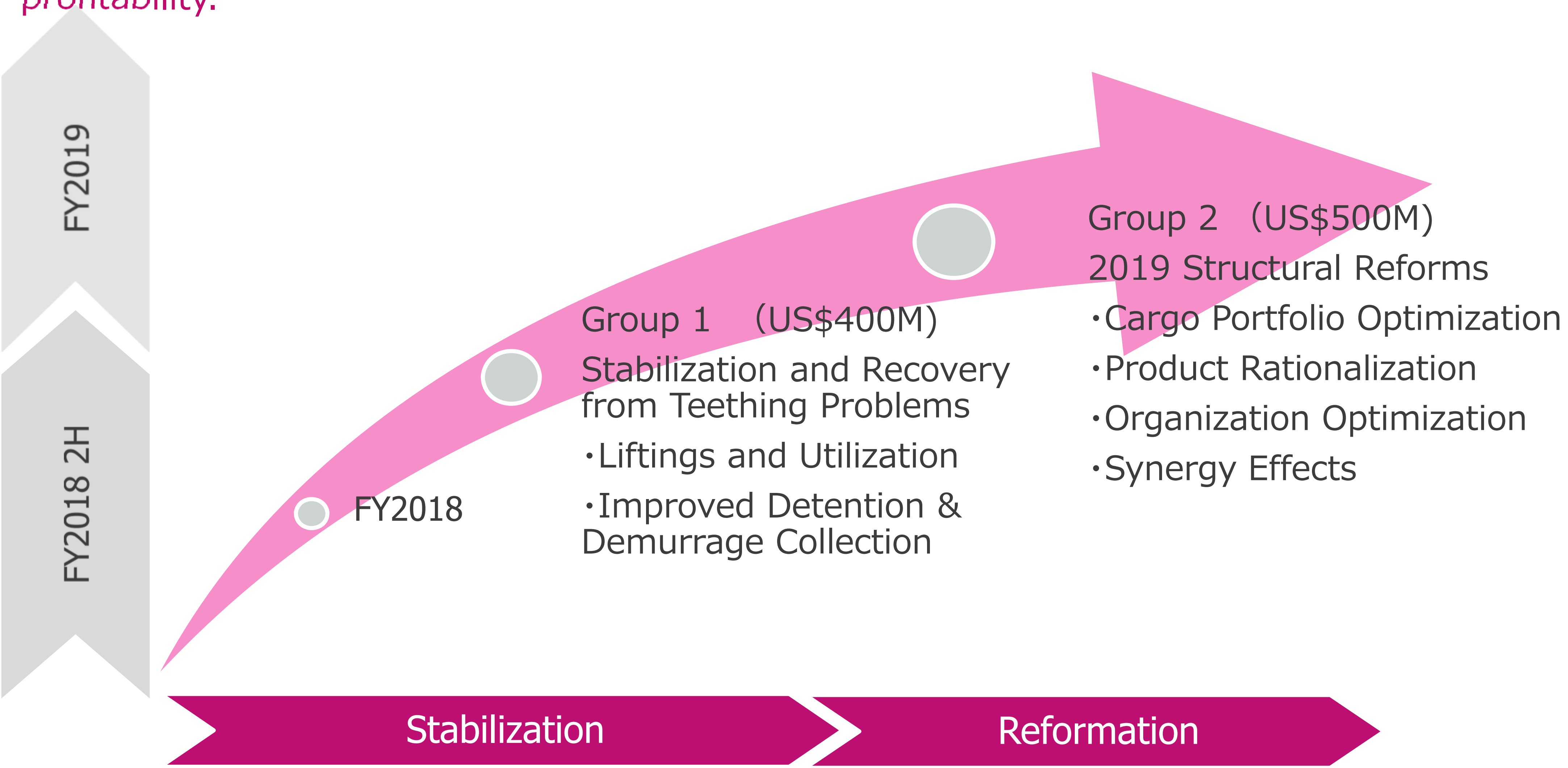
(Unit: US$ Million)

Liftings that dropped due to teething problem at commencement of services in FY2018 have been restored. Operating costs will be reduced by optimizing products. Measures will be taken to improve revenue and reduce expenditures such as improving the cargo portfolio, reducing fuel oil costs, and cutting overhead costs. The negotiations for long-term contracts are reflected in the assumption for freight rates. It is anticipated that an increase in bunker prices due to MARPOL 2020 regulations will be offset by the ONE Bunker Surcharge (OBS). In addition, variable costs are expected to rise in line with anticipated inflation. The impact of the new lease accounting standard IFRS, which will be adopted starting in FY2019, is taken into account.

* Temporary impact such as deferment of variable costs to other periods due to commencement of services

Action Plans for Profit Improvement - 1/2

Establish an organization that can tolerate market volatility by stabilizing initial setup challenges and accomplishing significant structural reformation. Targeting to return into profitability.



Action Plans for Profit Improvement - 2/2

Stabilization and Recovery from Teething Problems

Group 1	Recovery of Liftings and Utilization	Utilization almost reached pre-integration levels as a result of flexibly reducing service frequencies. Liftings, which dropped at commencement of services in FY2018, recovered throughout H2, and the level that can be achieved in FY2019, is reflected in the forecasts.
	Enhancement of Detention & Demurrage Collection	Collection of Detention & Demurrage remained higher than the target.

Action Plans in FY2019

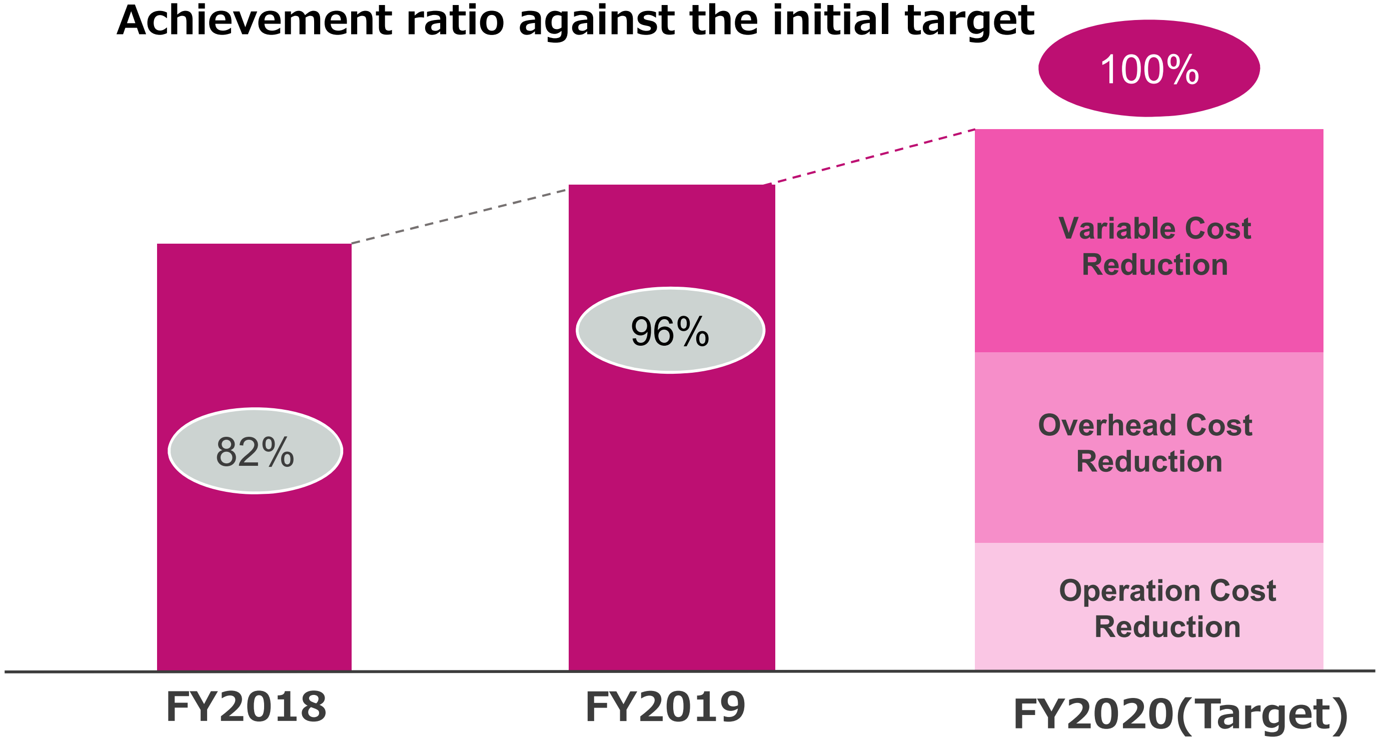
Group 2	Cargo Portfolio Optimization	Improve profit by optimizing the combination of fronthaul and backhaul cargoes. Efforts to restructure the cargo portfolio are in progress. The effects of U.S. contract renewals are reflected in the forecasts from May.
	Product Rationalization	Shifting to the product system for FY2019, such as Europe-Transpacific(TP) Pendulum (Upsize and optimization effect for overlapping sector), TP East Cost or Asian services rationalization, launch of own feeder services in Asia and Europe and so on will be almost completed by the end of May. Its improvement effect is reflected in the forecasts. Continue initiatives on reduction of fuel consumption as a major project from the viewpoint of reducing our environmental impact in addition to cost reduction.
	Organization Optimization	Further optimize organization and systems toward the establishment of a more efficient, more competitive structure, by reviewing the overall organization. Study measures to save labor in operations by strengthening e-commerce and introducing robotics and other technologies.
	Synergistic Effects	82% of the synergistic effects emerged in FY2018, the first year after the integration. The targets — achieving 96% in FY2019, the second year, and100% in FY2020, the third year after the integration—are unchanged.

Integration Synergy Update

From the initial integration synergy forecast of US$1,050 million, 82% of the synergistic effects emerged in the first fiscal year. The effects are expected to increase by 14% to reach 96% in FY2019. The target for FY2020 is unchanged.

- Break-down of the synergistic effect US$1,050 million is as follows :
  - Variable Cost Reduction ・・・US$430M : Rail, Truck Feeder, Terminal Equipment, etc.
  - Overhead Cost Reduction ・・・US$370M : IT cost, Rationalization of Organization, Outsourcing, etc.
  - Operation Cost Reduction ・・・US$250M : Bunker Consumption, Product Rationalization, etc.

Achievement ratio against the initial target



Fleet Structure

ONE
OCEAN NETWORK EXPRESS

as of end of 4Q

Size		1)FY2018 Prospect as of begining of FY2018	2)FY2018 Result	3)FY2019 Prospect	3)-2)
>= 20,500 TEU	Capacity(TEU)	120,600	120,600	120,600	0
	Vessels	6	6	6	0
10,500 - 20,500 TEU	Capacity(TEU)	321,000	335,220	349,000	13,780
	Vessels	23	24	25	1
9,800 - 10,500 TEU	Capacity(TEU)	100,100	100,100	160,100	60,000
	Vessels	10	10	16	6
7,800 - 9,800 TEU	Capacity(TEU)	347,598	331,036	348,874	17,838
	Vessels	39	37	39	2
6,000 - 7,800 TEU	Capacity(TEU)	252,168	254,900	221,476	▲ 33,424
	Vessels	39	39	34	▲ 5
5,200 - 6,000 TEU	Capacity(TEU)	89,670	89,998	84,170	▲ 5,828
	Vessels	16	16	15	▲ 1
4,600 - 5,200 TEU	Capacity(TEU)	118,260	132,488	117,933	▲ 14,555
	Vessels	24	27	24	▲ 3
4,300 - 4,600 TEU	Capacity(TEU)	71,816	71,816	71,816	0
	Vessels	16	16	16	0
3,500 - 4,300 TEU	Capacity(TEU)	46,562	29,690	16,912	▲ 12,778
	Vessels	11	7	4	▲ 3
2,400 - 3,500 TEU	Capacity(TEU)	52,992	60,952	53,337	▲ 7,615
	Vessels	20	23	20	▲ 3
1,300 - 2,400 TEU	Capacity(TEU)	18,711	16,993	15,275	▲ 1,718
	Vessels	11	10	9	▲ 1
1,000 - 1,300 TEU	Capacity(TEU)	1,200	6,449	6,449	0
	Vessels	1	6	6	0
< 1,000 TEU	Capacity(TEU)	6,000	2,106	2,810	704
	Vessels	8	3	4	1
Total	Capacity(TEU)	1,546,677	1,552,348	1,568,752	16,404
	Vessels	224	224	218	▲ 6