Business Performance in FY2018-2nd Quarter

Mitsui O.S.K. Lines, Ltd.
October 31, 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. FY2018 2nd Quarter Results [Consolidated]

*as of July 31,2018

(¥ billion)	FY2018 Result Q1	FY2018 Result Q2	FY2018 Result H1	FY2017 H1 Result	YoY	Previous forecast* FY2018 H1	Variance
Revenue	**304.4**	**315.4**	**619.8**	818.9	-199.0	584.0	+35.8
Operating profit/loss	**3.6**	**11.0**	**14.7**	11.1	+3.6	9.0	+5.7
Ordinary profit/loss	**0.2**	**10.0**	**10.2**	17.3	-7.0	12.0	-1.7
Net income/loss	**-1.6**	**7.4**	**5.7**	13.1	-7.3	8.0	-2.2
Average exchange rate	**¥107.95/$**	**¥110.99/$**	**¥109.47/$**	¥110.82/$	-¥1.35/$	¥106.47/$	+¥3.00/$
Average bunker price*	**$438/MT**	**$479/MT**	**$457/MT**	$322/MT	+$135/MT	$444/MT	+$13/MT

***Purchase Prices**

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

Fluctuation of Foreign Exchange	**-0.7**	YoY **-¥1.35/$** **Stronger**
Fluctuation of Bunker Price	**-12.2**	YoY **+$135/MT** **Higher**
Fluctuation of Cargo Volume/Freight Rates, Others.	**+5.9**	
(Balance)	**-7.0**	

1. FY2018 2nd Quarter Results [By segment]

Upper	Revenue
Lower	Ordinary profit/loss

*as of July 31,2018

(¥ billion)	FY2018 Result Q1	FY2018 Result Q2	FY2018 Result H1	FY2017 H1 Result	YoY	Previous forecast* FY2018 H1	Variance
Dry Bulk Business	**66.0**	**76.6**	**142.6**	133.5	+9.0	137.0	+5.6
(excluding; Steaming Coal Carriers)	**3.8**	**4.8**	**8.7**	7.9	+0.7	8.0	+0.7
Energy Transport Business	**64.7**	**70.7**	**135.5**	128.1	+7.4	130.0	+5.5
(Tankers,Steaming Coal Carriers,LNG Carriers, Offshore business)	**3.1**	**4.8**	**8.0**	4.9	+3.0	6.0	+2.0
Product Transport Business	**145.0**	**138.5**	**283.6**	503.6	-220.0	265.0	+18.6
(PCC,Containerships,Ferries & Coastal RoRo Ships)	**-5.6**	**-2.9**	**-8.6**	0.2	-8.9	-1.0	-7.6
Containerships only	**82.4**	**64.5**	**146.9**	373.2	-226.2	135.0	+11.9
	-4.7	**-5.3**	**-10.0**	-4.1	-5.8	-2.0	-8.0
Associated businesses	**24.9**	**25.3**	**50.2**	45.2	+4.9	45.0	+5.2
(Real estate, Cruise ship, Tug boats, Trading, etc.)	**3.3**	**2.7**	**6.1**	6.7	-0.6	5.5	+0.6
Others	**3.7**	**4.1**	**7.8**	8.3	-0.4	7.0	+0.8
	0.6	**0.4**	**1.1**	1.2	-0.1	0.5	+0.6
Adjustment	-	-	-	-	-	-	-
	-5.1	**0.0**	**-5.0**	-3.8	-1.2	-7.0	+1.9
Consolidated	**304.4**	**315.4**	**619.8**	818.9	-199.0	584.0	+35.8
	0.2	**10.0**	**10.2**	17.3	-7.0	12.0	-1.7

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

2. Outline of FY2018 Q2 Results (I) [Consolidated]

[Overall]

◆ Ordinary profit ended with a downturn from the previous outlook (July 31) (Operating profit ended with an upturn.)

← Benefitted from strength in the Capesize market and depreciation of the yen, while ONE's business performance (non-operating profit, equity in earnings of affiliates) deteriorated. A factor in the upturn from the previous outlook of the energy transport business was the recording of profits in Q2 that were previously expected in H2.

◆ ONE's business performance deteriorated significantly from the previous outlook.

← The impact of operational teething problems immediately after the commencement of the services remained, resulting in lower liftings and utilization than the outlook, and costs of returning empty containers increased.

◆ Revenue decreased by about ¥200 billion in a year-on-year comparison due to the combination of a decrease resulting from the transfer of the containership business to ONE and increases in other business divisions.

[By segment] [Ordinary profits for FY2018 H1 (year-on-year comparison)]

Dry Bulk Business [¥8.7 billion (+¥0.7 billion)]

➢ Vessels on spot contracts: For Capesize vessels, shipments of iron ore from Brazil recovered and the market moved upwards to the $24,000 level in July-August. Overall, it remained firm. The markets for mid- and small-size vessels remained brisk overall, although the impact of the spot market 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, wood chips, etc.

⇒ Ordinary profit increased in a year-on-year comparison. Ended with a slight upturn from the previous internal outlook.

Energy Transport Business [¥8.0 billion (+¥3.0 billion)]

■ Tankers

➢ Crude oil tankers: The market slowed as it entered the summer slack-demand season. Stable profits from the mid- and long-term contracts underpinned the business performance.

➢ Product tankers: The market entered the slack-demand season, and slowed due to a subdued tone in arbitrage trading.

➢ Other: Methanol tankers and shuttle tankers continued to post stable profits.

⇒ Ordinary profit deteriorated in a year-on-year comparison. A slight upturn from the previous outlook resulted from the impact of profits recorded in Q2, which were previously expected in H2.

2. Outline of FY2018 Q2 Results (II) [Consolidated]

■ LNG carriers/Offshore businesses

Recorded stable profits from mid- and long-term contracts. Ordinary profit increased in a year-on-year comparison. Profit significantly increased from the same period of the previous year when a loss resulting from the disposal of vessels owned by an equity-method affiliated company was recorded. A slight upturn from the previous outlook resulted from the impact of profits recorded in Q2, which were previously expected in H2.

Product Transport Business [-¥8.6 billion (-¥8.9 billion)]

■ Containerships [-¥10.0 billion (-¥5.8 billion)]

◆ "ONE": Profitability deteriorated significantly from the previous outlook, due to an increase in costs of returning empty containers because of a stagnation of liftings (lower liftings on the return route and expanded round-trip imbalance), in addition to delay in recovery of liftings and utilization, which were depressed due to operational teething problems immediately after the commencement of the services, though the synergy of the integration has been appearing in a higher pace than the initial outlook.

◆ Other (besides ONE): Transitional costs related to the integration of the containership business further decreased from the previous outlook.

⇒ Ordinary loss became larger in a year-on-year comparison also affected by transitional costs recorded, and significantly deteriorated from the previous outlook.

■ Car Carriers

Ordinary profit decreased in a year-on-year comparison due to a decrease in shipments following heavy rainfall in Western Japan (Q2), in addition to additional costs related to quarantine issues on some routes (Q1)

■ Ferries and Coastal RoRo Ships

Ordinary profit decreased in a year-on-year comparison, due to long-term docking associated with defects on some ferries and higher bunker prices, despite strong cargo traffic resulting from the advancement of Japan's modal shift and a firm business environment, along with effective sales promotion of the Casual Cruise offerings.

3. FY2018 Full-year Forecast [Consolidated]

*as of July 31,2018

(¥ billion)	1st Half			2nd Half			Full-year		
	Result	Previous Forecast*	Variance	Forecast	Previous Forecast*	Variance	Forecast	Previous Forecast*	Variance
Revenue	**619.8**	584.0	+35.8	**580.1**	556.0	+24.1	**1,200.0**	1,140.0	+60.0
Operating profit/loss	**14.7**	9.0	+5.7	**15.2**	16.0	-0.7	**30.0**	25.0	+5.0
Ordinary profit/loss	**10.2**	12.0	-1.7	**11.7**	28.0	-16.2	**22.0**	40.0	-18.0
Net income/loss	**5.7**	8.0	-2.2	**11.2**	22.0	-10.7	**17.0**	30.0	-13.0
Average exchange rate	**¥109.47/$**	¥106.47/$	+¥3.00/$	**¥110.00/$**	¥105.00/$	+¥5.00/$	**¥109.73/$**	¥105.74/$	+¥3.99/$
Average bunker price*	**$457/MT**	$444/MT	+$13/MT	**$480/MT**	$450/MT	+$30/MT	**$469/MT**	$447/MT	+$22/MT

*Purchase Prices

(cf) FY2017 Result	1st Half	2nd Half	Full-year
Revenue	818.9	833.4	1,652.3
Operating profit/loss	11.1	11.5	22.6
Ordinary profit/loss	17.3	14.1	31.4
Net income/loss	13.1	-60.5	-47.3
Average exchange rate	¥110.82/$	¥111.33/$	¥111.08/$
Average bunker price	$322/MT	$386/MT	$354/MT

(cf)Sensitivity against Ordinary profit

FY2018 (for 6 months/Max)

FX Rate : **±¥ 0.30 bn/¥1/$**

Bunker Price : **±¥ 0.08 bn/$1/MT**

3. FY2018 Full-year Forecast [By segment]

Upper	Revenue
Lower	Ordinary profit/loss

*as of July 31,2018

(¥billion)	1st Half Result	1st Half Previous Forecast*	1st Half Variance	2nd Half Forecast	2nd Half Previous Forecast*	2nd Half Variance	Full-year Forecast	Full-year Previous Forecast*	Full-year Variance
Dry Bulk Business	**142.6**	137.0	+5.6	**142.3**	123.0	+19.3	**285.0**	260.0	+25.0
(excluding; Steaming Coal Carriers)	**8.7**	8.0	+0.7	**10.2**	8.0	+2.2	**19.0**	16.0	+3.0
Energy Transport Business	**135.5**	130.0	+5.5	**134.4**	130.0	+4.4	**270.0**	260.0	+10.0
(Tankers,Steaming Coal Carriers,LNG Carriers, Offshore business)	**8.0**	6.0	+2.0	**6.9**	9.0	-2.0	**15.0**	15.0	0
Product Transport Business	**283.6**	265.0	+18.6	**246.3**	250.0	-3.6	**530.0**	515.0	+15.0
(PCC,Containerships,Ferries & Coastal RoRo Ships)	**-8.6**	-1.0	-7.6	**-9.3**	8.0	-17.3	**-18.0**	7.0	-25.0
Containerships only	**146.9**	135.0	+11.9	**118.0**	120.0	-1.9	**265.0**	255.0	+10.0
	-10.0	-2.0	-8.0	**-9.9**	6.0	-15.9	**-20.0**	4.0	-24.0
Associated businesses	**50.2**	45.0	+5.2	**49.7**	45.0	+4.7	**100.0**	90.0	+10.0
(Real estate, Cruise ship, Tug boats, Trading, etc.)	**6.1**	5.5	+0.6	**5.8**	5.5	+0.3	**12.0**	11.0	+1.0
Others	**7.8**	7.0	+0.8	**7.1**	8.0	-0.8	**15.0**	15.0	0
	1.1	0.5	+0.6	**0.8**	0.5	+0.3	**2.0**	1.0	+1.0
Adjustment	**-**	-	-	**-**	-	-	**-**	-	-
	-5.0	-7.0	+1.9	**-2.9**	-3.0	0.0	**-8.0**	-10.0	+2.0
Consolidated	**619.8**	584.0	+35.8	**580.1**	556.0	+24.1	**1,200.0**	1,140.0	+60.0
	10.2	12.0	-1.7	**11.7**	28.0	-16.2	**22.0**	40.0	-18.0

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

(cf)FY2017 Result	1st Half	2nd Half	Full-year
Dry Bulk Business	133.5	139.3	272.9
(excluding; Steaming Coal Carriers)	7.9	7.4	15.4
Energy Transport Business	128.1	134.1	262.2
(Tankers,Steaming Coal Carriers,LNG Carriers, Offshore business)	4.9	8.6	13.6
Product Transport Business	503.6	507.2	1,010.8
(PCC,Containerships,Ferries & Coastal RoRo Ships)	0.2	-6.6	-6.3
Containerships	373.2	376.4	749.7
	-4.1	-6.5	-10.6
Associated businesses	45.2	44.8	90.0
(Real estate, Cruise ship, Tug boats, Trading, etc.)	6.7	5.9	12.6
Others	8.3	7.8	16.2
	1.2	1.3	2.6
Adjustment	-	-	-
	-3.8	-2.6	-6.5
Consolidated	818.9	833.4	1,652.3
	17.3	14.1	31.4

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

[Overall]

◆ Ordinary profit: Positive factors such as the dry bulker market, the scale-down of containership transitional costs, and depreciation of the yen will offset a significant deterioration of ONE's business performance from the previous outlook (July 31).

◆ Revenue: Will decrease by about ¥450 billion (-27%) from the previous year due to the combination of a decrease resulting from the transfer of the containership business to ONE and increases in other business divisions.

◆ Summary of revision from the previous outlook

	Previous (July 31, 2018) H1/H2/Full-year ordinary profits		Revised (October 31, 2017) H1/H2/Full-year ordinary profits
Dry Bulk Business	¥ 8.0 / 8.0 / 16.0 billion	⇒	¥ 8.7 / 10.2 / 19.0 billion
Energy Transport Business	¥ 6.0 / 9.0 / 15.0 billion	⇒	¥ 8.0 / 6.9 / 15.0 billion
Product Transport Business	¥ -1.0 / -8.0 / 7.0 billion	⇒	¥ -8.6 / -9.3 / -18.0 billion
Total*	¥ 12.0 / 28.0 / 40.0 billion	⇒	¥ 10.2 / 11.7 / 22.0 billion

* Total including other segments and "Adjustments"

[By segment] [FY2018 forecast for ordinary profit (increase/decrease from the announcement on July 31)]

Dry Bulk Business [¥19.0 billion (+¥30 billion)]

The Capesize market is forecasted to become firm in October-December due to seasonal factors, and then soften slightly. The current trade is firm, but there is a concern that the U.S.-China trade friction may have an impact on market sentiment. The market assumption for the second half of the year is maintained at the level of the previous outlook. As for the mid- and small-size vessels, MOL's market exposure is small.

⇒ An upward revision from the previous outlook, expecting an increase in profit from the previous year.

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

Energy Transport Business [¥15.0 billion (±0)]

- Tankers
  - ➢ Crude oil tankers: Market forecast anticipates a strengthening due to increasing shipments from West Africa as an alternative to Iranian oil, in addition to entering the winter demand season
  - ➢ Product tankers: A downward revision of the previous outlook, despite a slight recovery due in part to demand for heating oil in winter.
  - ⇒ Profit will decrease from the previous year although the division strives to secure a certain level of profits supported by the contribution of mid- and long-term contracts. Same level as the previous outlook.
- LNG Carriers/Offshore Businesses

  Ordinary profit will increase steadily as exiting projects begin operation. Project an increase from the previous year.

Product Transport Businesses [-¥18.0 billion (-¥25.0 billion)]

- Containerships [-¥20.0 billion (-¥24.0 billion)]

  A significant downward revision due to a shortfall in the additional cost reduction plan (mainly cost cuts on bunker fuel), which was included in the previous outlook, in addition to ONE’s liftings and utilization, which are still on the way to recovery. Expect further reduction in MOL’s own transitional costs from the previous outlook.
- Car Carriers

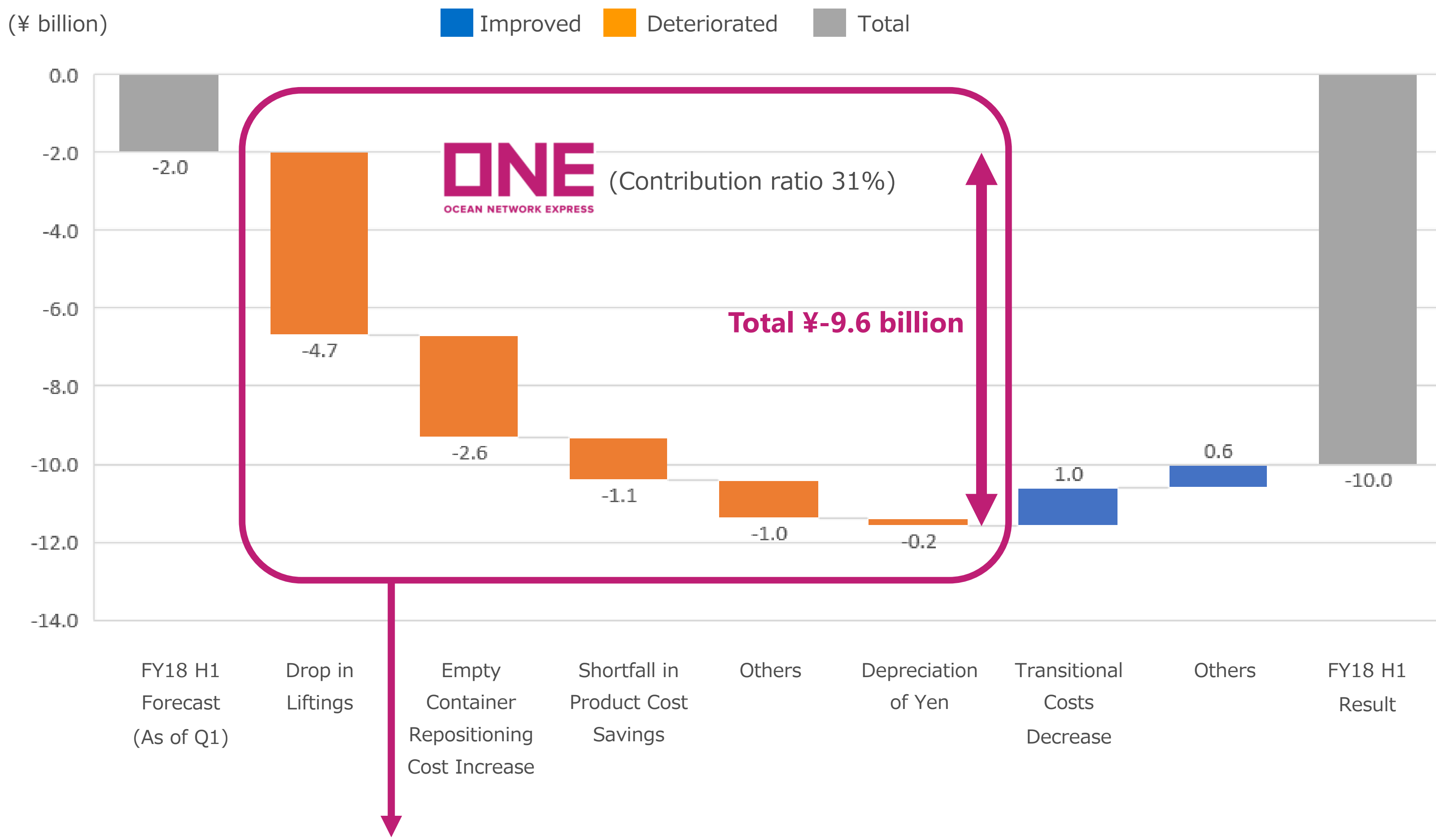
  There are concerns about trade weakness due to a sense of uncertainty regarding trade friction and the situation in the Middle East, in addition to decreasing shipments by European and U.S. automobile makers. Profit is projected to deteriorate from the previous year, and show a downturn from the previous outlook, too, despite efforts to improve profitability by enhancing the efficiency of ship arrangement
- Ferries and Coastal RoRo Ships

  Ordinary profit will decrease from the previous fiscal year due to higher bunker prices and the impact of long-term sailing cancellations for some ferries.

[Dividend]

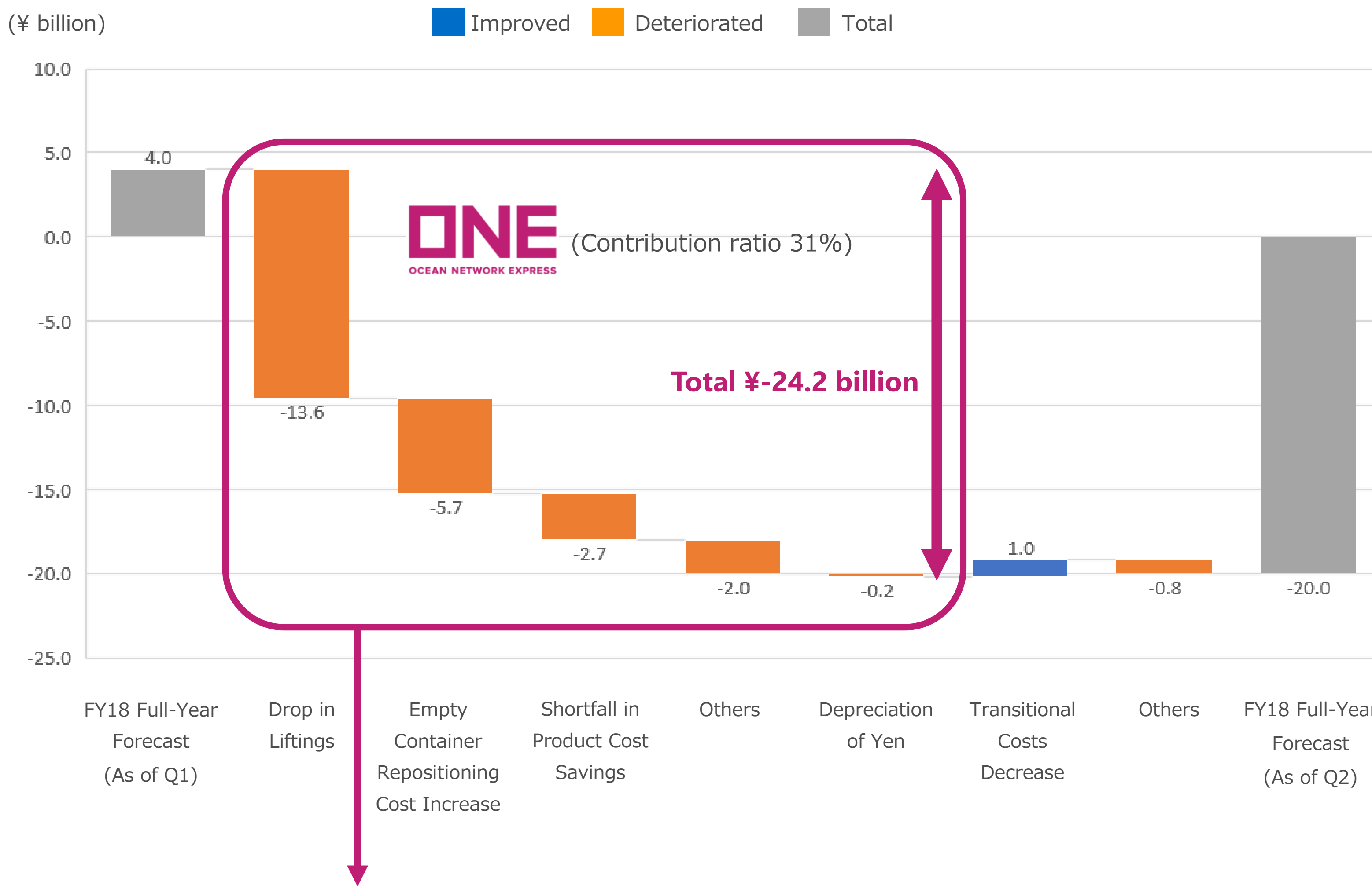
Will pay ¥20 interim dividend per share as in the initial plan. The year-end dividend payment will be decreased to ¥20 from the ¥30 in initial plan due to the downward revision of the forecast. Full year dividend of ¥40 per share (Initial plan before revision: interim ¥20 + year-end ¥30 = full-year ¥50).

5. Differences between Containership Business Segment Forecast and result(1st Half)



For details ⇒ ONE disclosure materials on P.27

5. Differences in Containership Business Segment Forecast (Full-year)



For details ⇒ ONE disclosure materials on P.28

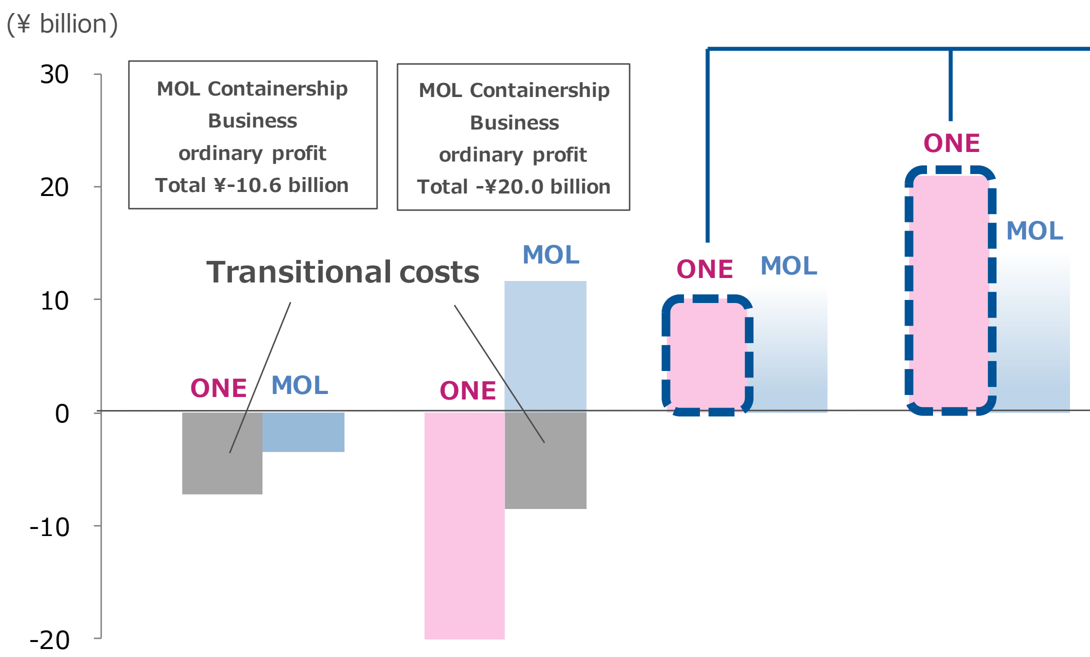
6. Plan to Improve Profitability in the Containership Business

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.)



MOL's ONE-related equities in earnings affiliates for FY2019 & 2020 are to be re-examined basis ONE's review for their business plan.

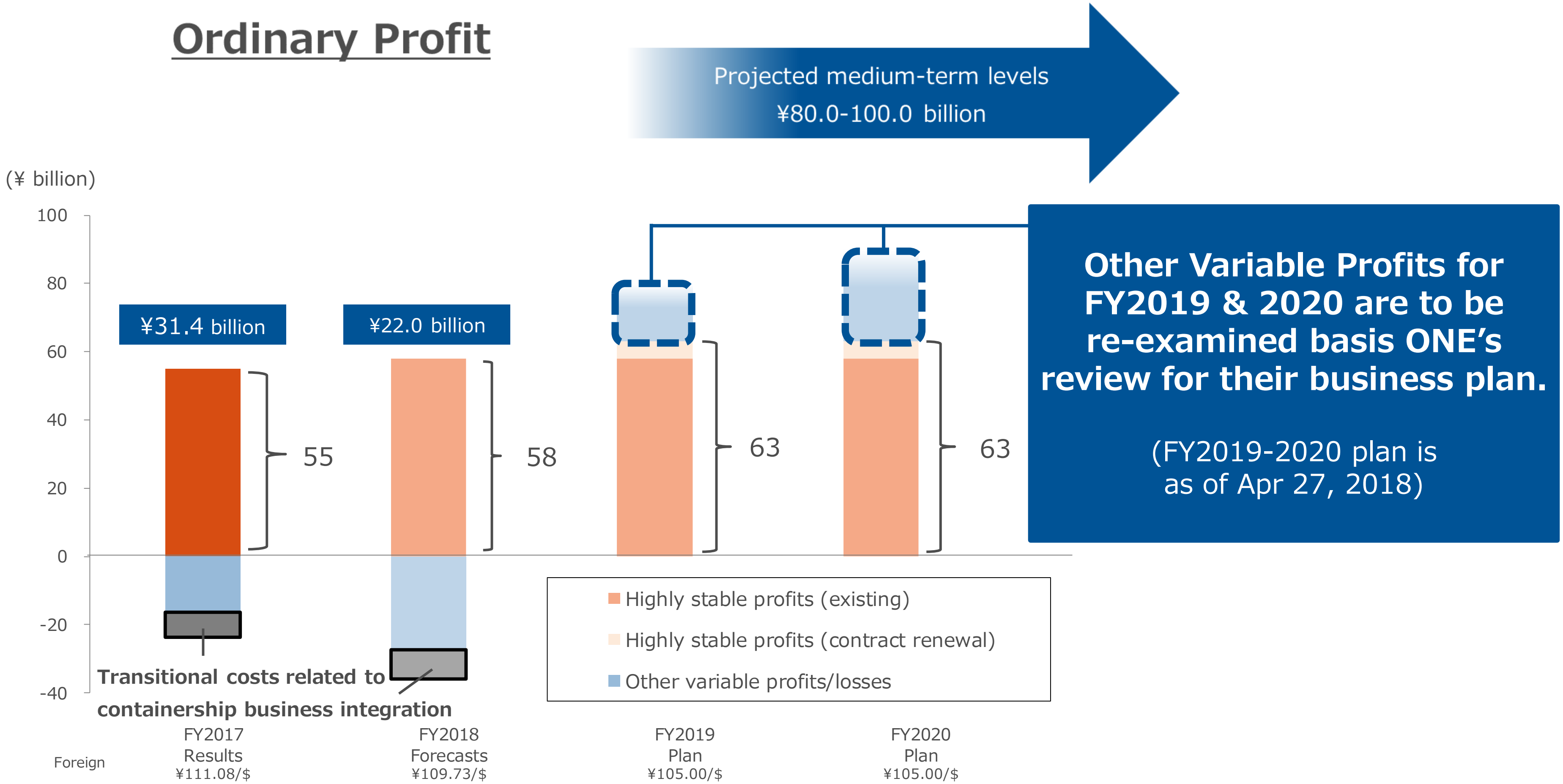
(FY2019-2020 plan is as of Apr 27, 2018)

	FY2017 Results	FY2018 Forecasts	FY2019 Plan	FY2020 Plan
Foreign Exchange	¥111.08/$	¥109.73/$	¥105.00/$	¥105.00/$

7. Roadmap to Profit Improvement

Rolling Plan 2018

Ordinary Profit



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)

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	Jan-Jun, 2017			Jul-Dec, 2017			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
	Apr-Jun	Jul-Sep		Oct-Dec	Jan-Mar		
Capesize	**15,000**	**22,200**	**18,600**	**21,000**	**13,000**	**17,000**	**17,800**
Panamax	**10,500**	**12,100**	**11,300**	**10,000**	**10,000**	**10,000**	**10,700**
Handymax	**11,500**	**11,900**	**11,700**	**11,000**	**11,000**	**11,000**	**11,300**
Small handy	**8,800**	**8,300**	**8,500**	**8,500**	**8,500**	**8,500**	**8,500**
Market for vessels operated by overseas subsidiaries of MOL	Jan-Jun, 2018			Jul-Dec, 2018			Average
	Jan-Mar	Apr-Jun		Jul-Sep	Oct-Dec		
Capesize	**13,000**	**15,000**	**14,000**	**22,200**	**21,000**	**21,600**	**17,800**

Note 1: The general market results are shown in black.

Note 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.

Note 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 later.

Note 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			H2			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	Arabian Gulf - Far East	20,500	9,700	15,100	19,700	8,400	14,000	14,600
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			H2			Full-year
Market for vessels operated by MOL		Apr-Sep, 2018			Oct, 2018 - Mar, 2019			Average
		Apr-Jun	Jul-Sep		Oct-Dec	Jan-Mar		
Crude Oil Tanker	Arabian Gulf - Far East	9,400	14,100	11,800	39,000	29,000	34,000	22,900
Product Tanker (MR)	Main 5 Trades	8,200	6,300	7,200				
Market for vessels operated by overseas subsidiaries of MOL		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			

(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: VLCC Market is for Arabian Gulf - China trade.

Note 4: Product Tanker market is simple average of main 5 trades: Europe - US, US - Europe, Singapore - Australia, South Korea - Singapore, and India - Japan.

Note 5: 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				
U.S. East Coast	840	896	868				
Europe	1,008	1,083	1,045				
South America	546	642	594				

*China Containarized Freight Index

Car Carrier Loading Volume

[Supplement #4]

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 (Result/Forecast)

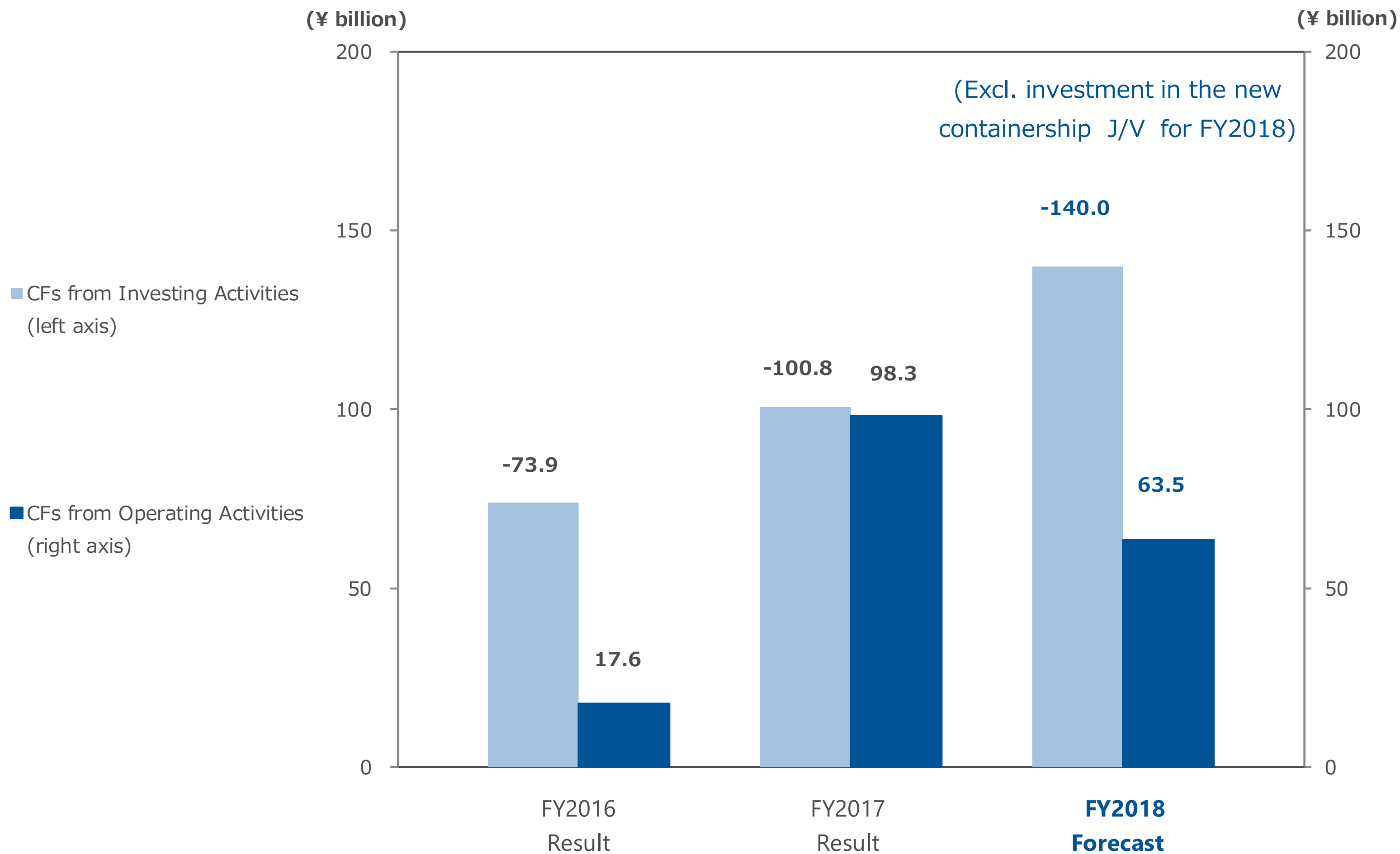
(1,000 units)

(Completed-voyage basis / including voyage charter)	FY2018				
			1st Half	2nd Half	Total
	Q1	Q2			
Total	1,098	1,130	2,229	2,074	4,303

*The forecasts are shown in blue.

Cash Flows

[Supplement #5]



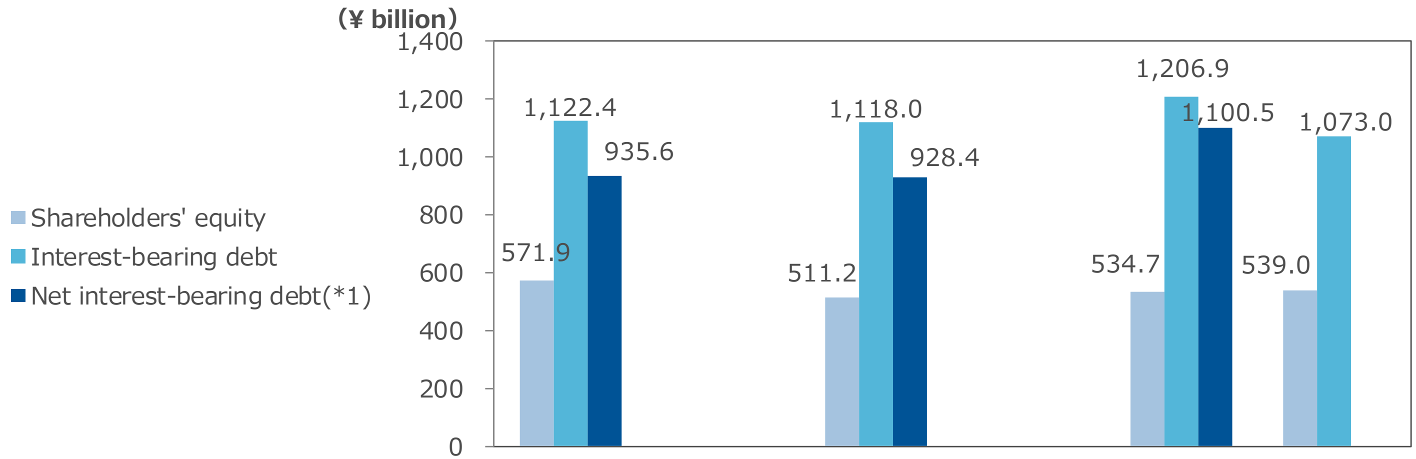
	FY2016 Result	FY2017 Result	**FY2018 Forecast**
Ordinary Profit/Loss(￥bn)	25.4	31.4	**22.0**
Profit/Loss Attributable to Owners of Parent(￥ bn)	5.2	-47.3	**17.0**
Ave. Exchange Rate	¥108.57/$	¥111.08/$	**¥109.73/$**

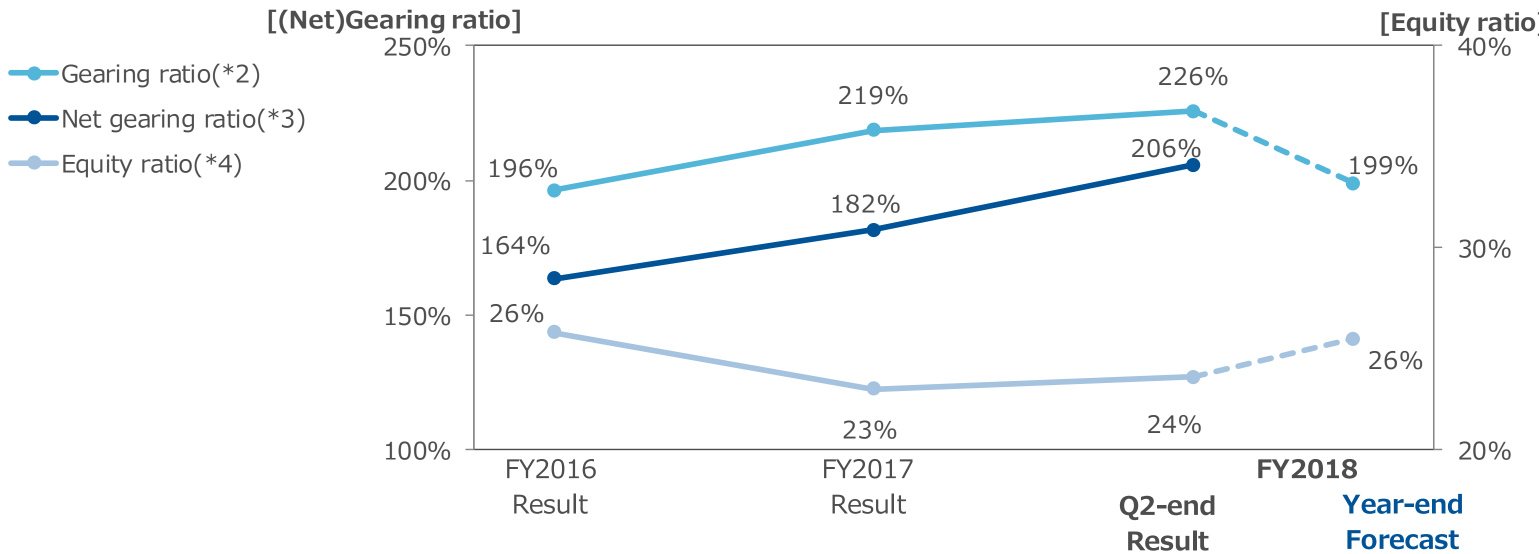
Note1: Free Cash Flows (FCFs) = CFs from Operating Activities – CFs from Investing Activities

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 Q2-end Result	FY2018 Year-end Forecast
MOL	¥112.19/$	¥106.24/$	**¥113.57/$**	**¥110.00/$**
Overseas Subsidiaries	¥116.49/$	¥113.00/$	**¥110.54/$**	**¥110.00/$**

(*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, 2018	30-Sep, 2018	1,000dwt	31-Mar, 2019 (Forecast)
Dry Bulk Business	Capesize		88	87	17,081	[redacted]
	Small and medium-sized bulkers	Panamax	26	27	2,212	
		Handymax	54	52	2,865	
		Small Handy	28	33	1,174	
		(Sub total)	108	112	6,252	
	Wood chip carriers		39	39	2,160	
	Short sea ships		61	58	1,098	
	(Sub total)		296	296	26,591	285
	(Market Exposure)		**(71)**	**(76)**	-	**(74)**
Energy Transport Business	Tankers	Crude oil tankers	39	38	10,093	[redacted]
		Product tankers	39	34	2,046	
		Chemical tankers (incl. Methanol tankers)	87	92	2,830	
		LPG tankers	8	8	447	
		(Sub total)	173	172	15,416	
	Steaming coal carriers		41	48	4,363	
	(Sub total)		214	220	19,779	216
	(Market Exposure)		**(84)**	**(81)**	-	**(80)**
	LNG carriers (incl. Ethane carriers)		83	85	6,759	90
	Offshore	FPSO	5	6	-	6
		FSRU	1	1	152	1
		Subsea support vessels	1	1	5	1
	Coastal ships (excl. Coastal RoRo ships)		30	31	101	31
Product Transport Business	Car carriers		119	119	2,032	120
	Ferries & Coastal RoRo ships		14	15	84	15
Associated Businesses and Others	Cruise ships		1	1	5	1
	Others		2	2	13	2
Sub total			766	777	55,522	768
Product Transport Business	Containerships		91	72	6,280	66
Total			857	849	61,802	834

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

2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 (FY)

No.	Customer	Origin	Destination
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	Uniper	ex.USA	To Europe and others

Offshore Businesses

2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 (FY)

No.	Customer	Location	Type
1	Petrobras	Brazil	FPSO*
2	Petrobras	Brazil	FPSO*
3	Petrobras	Brazil	FPSO*
4	Petrobras	Brazil	FPSO*
5	Petrobras	Brazil	FPSO*
6	Petrobras	Brazil	FPSO*
7	Tullow Ghana	Ghana	FPSO*
8	MOL FSRU Challenger	Turkey	FSRU
		Hong Kong	FSRU
9	SWAN LNG	India	FSRU
10	SWAN LNG	India	FSU

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

Ethane Carriers

2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 (FY)

No.	Customer	Origin	Destination
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

※**Underline** is under operation

ONE

OCEAN NETWORK EXPRESS

Financial Results for FY2018 1st Half

Oct. 31, 2018

FY2018 1st Half and Full Year Overview

OCEAN NETWORK EXPRESS

Profit/Loss Summary

FY2018 1st Half Summary: The 1st half net result after tax is a −US$311 million loss. We are recovering from the initial negative impact of reduced liftings and a drop in the loading factor in Q1 due to teething problems during the start-up period. However, liftings were lower than our target level. In addition, we experience higher costs for returning empty containers to Asia as the result of a larger impact due to a slower recovery on the non-dominant leg.

FY2018 Full Year Overview: Customer service issues were fully resolved in Q1, and all of our sales staff have been actively engaging customers to regain support. We are in the process of making a full recovery of lifting volume. The cost-saving effect in bunker and others are however less than our expectations. As a result, we expect a −US$600 million net loss, −US$710 million from previous forecast of US$110 million profit.

Progress of Synergy from integration

Annual integration synergy of US$1,050 million are steadily emerging. As of FY2018, it will reach 75% against originally budgeted 60%, which is 5% less than the forecast of 80% as of Q1 closing as a result of a drop in liftings.

FY2018 1st Half Results and Full-year Forecast

(Unit: Million US$) *As of Jul 2018

	FY2018 Previous Forecasts*					FY2018 Latest Forecasts					Full Year	
	Q1 Results	Q2 Forecast	H1 Forecast	H2 Forecast	Full Year Forecast	Q1 Results	Q2 Results	H1 Results	H2 Forecast	Full Year Forecast	Change	Change (%)
Revenue	2,066	3,376	5,442	6,812	12,254	2,066	2,963	5,030	5,970	11,000	-1,254	-10.2%
Profit/Loss	-120	82	-38	147	110	-120	-192	-311	-289	-600	-710	-

Bunker Price (US$/MT)	$407.00	$468.00	$440.00	$468.00	$454.00	$407.00	$457.00	$434.00	$466.00	$451.00	-$3.00

- **Sensitivity on Profit/Loss :**
  Bunker Price ± US$ 16 Million, per US$10/MT (for 6 months/Max)

- **The timing to transfer terminal businesses from each of three parent companies to ONE remains unchanged (planned in Q4)**

Lifting/Utilization/Freight Index

Liftings/Utilization by Trade

(Unit: 1,000TEU)

Liftings/Utilization by Trade		FY2018 Q1 Results	FY2018 Q2 Results	FY2018 H1 Results
Asia - North America Eastbound	Liftings	530	761	1,291
	Utilization	73%	90%	82%
Asia – Europe Westbound	Liftings	312	478	790
	Utilization	73%	90%	82%
Asia - North America Westbound	Liftings	218	285	502
	Utilization	33%	33%	33%
Asia – Europe Eastbound	Liftings	194	263	457
	Utilization	46%	47%	47%

Freight Index

(Unit：100＝FY2018 Q1 freight average)

Freight Index by Trade	FY2018 Q1 Results	FY2018 Q2 Results	FY2018 H1 Results
Asia - North America Eastbound	100	101	101
Asia – Europe Westbound	100	106	104

Outlook

Asia-North America Eastbound:

Both lifting and utilization in Q2 recovered from initial negative impact caused by teething problems during the start-up period in Q1. We are maintaining the utilization by reducing frequencies as necessary during the lower demand periods in H2. Freight has being maintained on the high side after the summer season as a result of rush demand towards the calendar year end.

Asia – Europe Westbound

Lifting and Utilization are recovering in Q2, as well as Asia-North America trade, with the same level of utilization expected in H2. Freight recovered in Q2, however showed the downward trend after peak in August. Flexible planning of blank sailing based on the demand trend is now underway.

Asia - North America Westbound/Asia - Europe Eastbound

Lifting and utilization are steadily recovering. Although utilization results in Q2 are at the same level as Q1, lifting is overall improving as result of sales enhancement. Freight level is expected to be steady.

FY18 Q2 P/L Analysis

Q2 results deteriorated by US$274 million from the previous forecast of US$82 million in black ink to US$192 million in the red as a result of the initial volume shortfall, empty container repositioning cost increases and a shortfall in original product cost saving expectations.

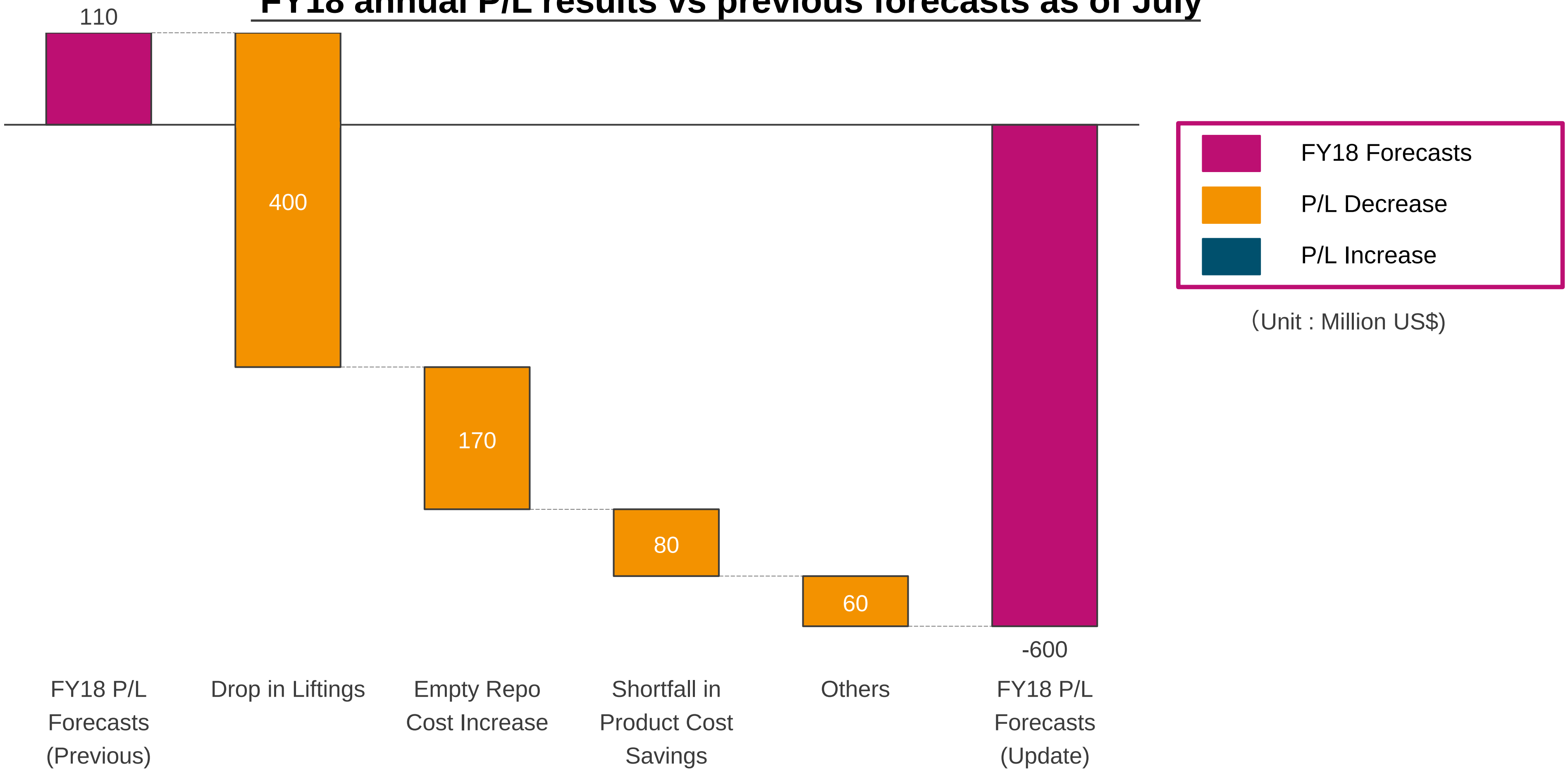
FY18 Q2 P/L result vs Previous forecast as of Jul

（Unit：Million US$）

FY18 Annual P/L Analysis

Annual results deteriorated by US$710 million from the previous forecasts of US$110 million positive to US$600 million negative as a result of the original volume shortfall, empty repositioning cost increases, and less product cost savings than originally envisaged.

FY18 annual P/L results vs previous forecasts as of July



（Unit : Million US$)

FY18 Annual P/L Variance Analysis

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Variance Factor Analysis

Drop in Liftings	Although the teething issues in Q1 now are fully resolved, lifting volume could not finally catch-up to original target. The utilization of major trades, North America and Europe, remained between 80% to 85% in H1. Current utilization recovery to the 90% level is backed by strong demand. The liftings on the non-dominant leg could not catch up to lifting increment on the dominant leg, which caused an increased imbalance, but the overall situation is now improving.
Empty Repositioning Cost Increase	Lower liftings and utilization on the non-dominant leg caused more imbalance compared to our original expectation in the cost of repositioning empty containers from inland North America and Europe to Asia.
Shortfall in Product Cost Savings	The product cost saving target of US$240 Million was announced in Q1 closing, subsequently revised to US$160 million, in consideration of higher-than-expected bunker consumption due to port congestion in China and unexpected higher incidence of adverse seasonal weather conditions.
Others	Feeder related costs, slot cost settlement with partners, and outsourcing costs additionally incurred above original expectations.

(Intentionally Blank)

Ocean Network Express

Action Plans for Profit Improvement

Establish an organization that can tolerate market volatility by stabilizing initial setup challenges and accomplishing significant structural reformation.

※Planning to review the business plan of subsequent fiscal year after careful validation and consideration the appropriate time.

FY2019

FY2018 2H

FY2018

Group 1

Stabilization and Recovery from Teething Problems

- Liftings and Utilization
- Improved Detention & Demurrage Collection

Group 2

2019 Structural Reforms

- Cargo Portfolio Optimization
- Product Rationalization
- Organization Optimization
- Synergy Effects

Stabilization

Reformation

Action Plans for Improvement-2

Stabilization and Recovery from Teething Problems

Group 1	Recovery of Liftings	After recovery from initial teething problems, customers are now receiving full service quality. We continuously enhance our customer service and sales capabilities by utilizing eCommerce and all other capabilities, to regain reliability for our customers and push up lifting volume.
Group 1	Enhancement of Detention & Demurrage Collection	Enhance detention & demurrage collection by increasing visibility and process improvements including detailed collection status monitoring.

Action Plans toward Restructuring in FY2019

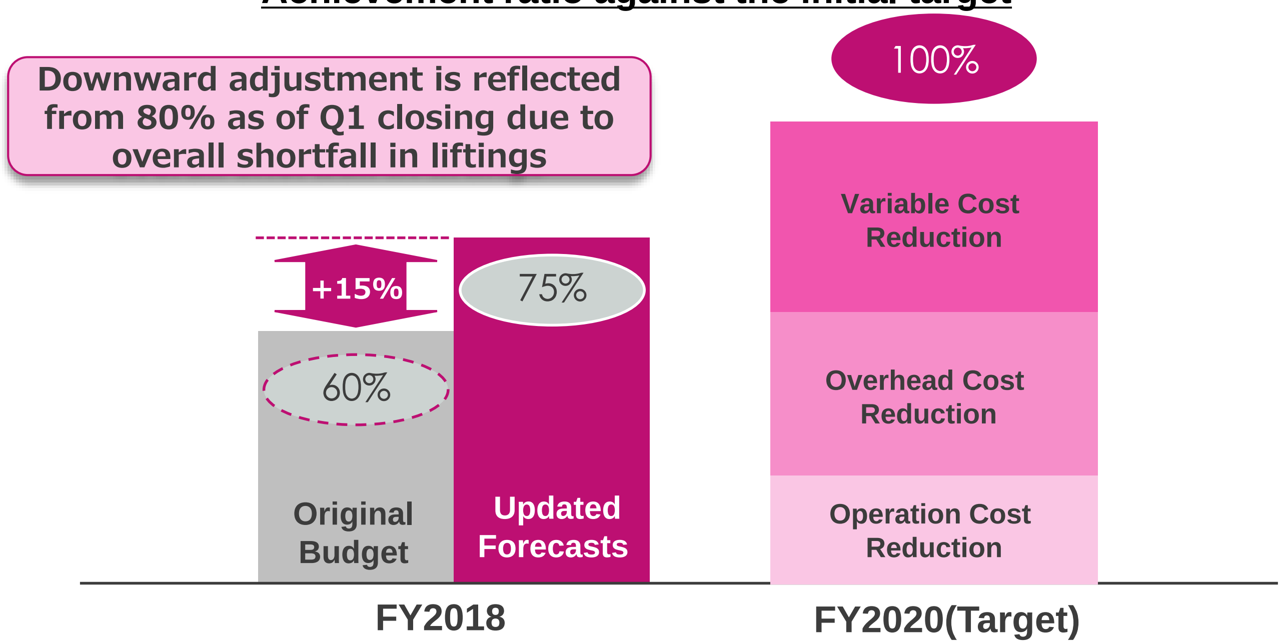
Group 2	Cargo Portfolio Optimization	Improve profit by optimizing match back cargo plans. Optimize cargo portfolio through tender negotiations for next season.
Group 2	Product Rationalization	Further enhance network product to improve, overall service coverage and unit cost competitiveness. Especially on advancing the bunker saving project, which was launched since the ONE setup, in terms of not only cost saving but also to reduce environmental burdens.
Group 2	Organization Optimization	The inflated general and administration cost such as outsourcing costs due to teething problems have been resolved. Both organization and system structure are optimized for increased efficiency and competitiveness by overall structural enhancements.
Group 2	Synergistic Effects	With lifting volume recovery, the synergy effect will emerge 80% in the FY2019, the second year after integration, as per the original announcement. The synergy effect in FY2020, the third year after integration, is also expected to be at 100% as per the original plan.

Integration Synergy Update

From Initial integration synergy forecast of US$1,050 million, 75% of the synergistic effects is expected to emerge for the 1st year (originally budgeted 60% and was expected to be 80% as of Q1 closing).

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

Achievement ratio against the initial target



Fleet Structure

As of end of Q2	Size		Combined
	>= 20,500 TEU	Capacity (TEU)	120,600
		Vessels	6
	10,500 - 20,500 TEU	Capacity (TEU)	293,000
		Vessels	21
	9,800 - 10,500 TEU	Capacity (TEU)	100,100
		Vessels	10
	7,800 - 9,800 TEU	Capacity (TEU)	348,380
		Vessels	39
	6,000 - 7,800 TEU	Capacity (TEU)	254,393
		Vessels	39
	5,200 - 6,000 TEU	Capacity (TEU)	107,822
		Vessels	19
	4,600 - 5,200 TEU	Capacity (TEU)	127,952
		Vessels	26
	4,300 - 4,600 TEU	Capacity (TEU)	76,214
		Vessels	17
	3,500 - 4,300 TEU	Capacity (TEU)	33,928
		Vessels	8
	2,400 - 3,500 TEU	Capacity (TEU)	61,573
		Vessels	23
	1,300 - 2,400 TEU	Capacity (TEU)	16,993
		Vessels	10
	1,000 - 1,300 TEU	Capacity (TEU)	6,516
		Vessels	6
	< 1,000 TEU	Capacity (TEU)	2,812
		Vessels	4
	Total	**Capacity(TEU)**	**1,550,283**
		Vessels	**228**