

# Business Performance in FY2018-1<sup>st</sup> Quarter

Mitsui O.S.K. Lines, Ltd.  
July 31, 2018



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**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 1<sup>st</sup> Quarter Results [Consolidated]

(¥ billion)	FY2018 Q1 Result	FY2017 Q1 Result	YoY	FY2017 Q4 Result
<b>Revenue</b>	<b>304.4</b>	<b>403.2</b>	<b>− 98.8</b>	<b>412.7</b>
<b>Operating profit/loss</b>	<b>3.6</b>	<b>1.1</b>	<b>+2.5</b>	<b>− 1.6</b>
<b>Ordinary profit/loss</b>	<b>0.2</b>	<b>5.8</b>	<b>− 5.6</b>	<b>− 3.0</b>
<b>Net income/loss</b>	<b>− 1.6</b>	<b>5.2</b>	<b>− 6.9</b>	<b>− 76.6</b>

Average exchange rate      **¥107.95/\$**      ¥110.79/\$      −¥2.84/\$      ¥110.22/\$

Average bunker price\*      **\$438/MT**      \$319/MT      +\$119/MT      \$396/MT

\* Purchase Prices

## 【Ordinary income/loss】YoY Comparison (Major factors)

(¥ billion)

Fluctuation of Foreign Exchange	−¥0.7	YoY	−¥2.84/\$	¥ Stronger
Fluctuation of Bunker Price	−¥3.5	YoY	+\$119/MT	Higher
Fluctuation of cargo volume/freight rates, etc.	−¥1.4			
(Balance)	−¥5.6			

# 1. FY2018 1<sup>st</sup> Quarter Results [By segment]

	Upper	Revenue	
	Lower	Ordinary profit/loss	
(¥ billion)	FY2018 Q1 Result	FY2017 Q1 Result	YoY
<b>Dry Bulk Business</b>	66.0	69.3	-3.3
(excluding; Steaming Coal Carriers)	3.8	4.8	-0.9
<b>Energy Transport Business</b>	64.7	64.5	+0.1
(Tankers, Steaming Coal Carriers, LNG Carriers, Offshore business)	3.1	3.4	-0.3
<b>Product Transport Business</b>	145.0	242.3	-97.3
(PCC, Containerships, Ferries & Coastal RoRo Ships)	-5.6	-4.9	-0.7
Containerships only	82.4	179.7	-97.2
	-4.7	-6.2	+1.5
<b>Associated businesses</b>	24.9	22.8	+2.0
(Real estate, Cruise ship, Tug boats, Trading, etc.)	3.3	3.7	-0.4
<b>Others</b>	3.7	4.1	-0.3
	0.6	1.1	-0.5
<b>Adjustment</b>	-	-	-
	-5.1	-2.4	-2.6
<b>Consolidated</b>	304.4	403.2	-98.8
	0.2	5.8	-5.6

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

# 2. Outline of FY2018 Q1 Results (I) [Consolidated]

[Overall]

- ◆ Ordinary profits ended almost the same as the internal initial outlook.
  - ← A downturn in the Car Carriers and non-consolidated foreign exchange loss offset slight upturns in Dry Bulk and Containership businesses.
- ◆ Profits decreased in a year-on-year comparison.
  - ← In addition to higher bunker price, non-consolidated foreign exchange loss and ordinary profit in the Car Carriers deteriorated despite reduced deficits in the Containership Business.
- ◆ The Containership Business was transferred to Ocean Network Express (ONE), an equity-method affiliate, resulting in a decrease of about ¥100 billion in revenue.

[By segment] [Ordinary profits for FY2018 Q1 (year-on-year comparison)]

**Dry Bulk Business** [¥3.8 billion (-¥0.9 billion)]

- Vessels on spot contracts: For Capesize vessels, shipments of iron ore from West Australia and Brazil recovered and the market rebounded to the \$20,000 level in mid-May, followed by a temporary downward phase, but 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, and wood chips, etc.
- ⇒ Ordinary profit reached almost the same level as the previous year, ending the quarter with a slight upturn from the internal initial outlook.

**Energy Transport Business** [¥3.1 billion (-¥0.3 billion)]

■ Tankers

- Crude oil tankers: The market slowed because of the slack-demand season, resulting from periodic maintenance at oil refineries in the Far East, which was offset to some extent by stable profits from the mid- and long-term contracts.
  - 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. Steadily scaled down the product tanker fleet.

## 2. Outline of FY2018 Q1 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.

### **Product Transport Business** [-¥5.6 billion (-¥0.7 billion)]

#### ■ Containerships [-¥4.7 billion (+¥1.5 billion)]

◆ “ONE”: Ordinary profit came in below the initial outlook due to higher bunker prices in addition to lifting volume that missed the outlook due to service-related problems during the launch of operations. On the other hand, looking at the synergy generated by the integration, progress in reducing variable expenses was much swifter than the outlook, underpinning ordinary profits.

◆ Other (besides ONE): Ordinary profit outperformed the outlook due to increased revenue and reduced expenses related to MOL’s containership business in FY2017, a larger-than-forecast reduction in transitional costs related to the integration, and so on.

⇒ Ordinary profit improved in a year-on-year comparison. Ended higher than the initial internal outlook, too.

#### ■ Car Carriers

Ordinary profit decreased in a year-on-year comparison due to additional costs related to quarantine issues on some routes (temporary factors), though trade for Europe and North America remained firm and that for the Middle East was on a trend toward recovery.

#### ■ Ferries and Coastal RoRo Ships

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

### **Adjustment**

Non-consolidated foreign exchange loss deteriorated by about ¥3.0 billion in a year-on-year comparison.

# 3. FY2018 Full-year Forecast [Consolidated]

\*as of April 28, 2018

(¥ billion)	1st Half					2nd Half			Full-year		
	Q1 Result	Q2 Forecast	Forecast	Previous Forecast*	Variance	Forecast	Previous Forecast*	Variance	Forecast	Previous Forecast*	Variance
	<b>Revenue</b>	304.4	279.5	584.0	576.0	+8.0	556.0	554.0	+2.0	1,140.0	1,130.0
<b>Operating profit/loss</b>	3.6	5.3	9.0	8.0	+1.0	16.0	15.0	+1.0	25.0	23.0	+2.0
<b>Ordinary profit/loss</b>	0.2	11.7	12.0	14.0	-2.0	28.0	26.0	+2.0	40.0	40.0	0
<b>Net income/loss</b>	-1.6	9.6	8.0	10.0	-2.0	22.0	20.0	+2.0	30.0	30.0	0

Average exchange rate ¥107.95/\$ ¥105.00/\$ ¥106.47/\$ ¥105.00/\$ +¥1.47/\$ ¥105.00/\$ ¥105.00/\$ ¥0.00/\$ ¥105.74/\$ ¥105.00/\$ +¥0.74/\$

Average bunker price\* \$438/MT \$450/MT \$444/MT \$400/MT +\$44/MT \$450/MT \$400/MT +\$50/MT \$447/MT \$400/MT +\$47/MT

\* Purchase Prices

(cf) FY2017 Result			1st Half	2nd Half	Full-year
	Q1	Q2			
Revenue	403.2	415.6	818.9	833.4	1,652.3
Operating profit/loss	1.1	9.9	11.1	11.5	22.6
Ordinary profit/loss	5.8	11.4	17.3	14.1	31.4
Net income/loss	5.2	7.8	13.1	-60.5	-47.3

Average exchange rate ¥110.79/\$ ¥110.86/\$ ¥110.82/\$ ¥111.33/\$ ¥111.08/\$

Average bunker price\* \$319/MT \$325/MT \$322/MT \$386/MT \$354/MT

## (cf) Sensitivity against Ordinary income

FY2018 (9months/Max)

FX Rate: ±¥ 0.7 bn/¥1/\$

Bunker Price: ±¥ 0.12 bn/\$1/MT

# 3. FY2018 Full-year Forecast [By segment]

as of April 28, 2018

	Upper		Revenue								
	Lower		Ordinary profit/loss								
	H1			H2			Full-year				
(¥ billion)	Q1	Q2	Forecast	Previous Forecast*	Variance	Forecast	Previous Forecast*	Variance	Forecast	Previous Forecast*	Variance
<b>Dry Bulk Business</b>	66	70.9	137.0	130.0	+7.0	123.0	125.0	-2.0	260.0	255.0	+5.0
(excluding; Steaming Coal Carriers)	3.8	4.1	8.0	7.5	+0.5	8.0	6.5	+1.5	16.0	14.0	+2.0
<b>Energy Transport Business</b>	64.7	65.2	130.0	130.0	0	130.0	130.0	0	260.0	260.0	0
(Tankers, Steaming Coal Carriers, LNG Carriers, Offshore business)	3.1	2.8	6.0	8.0	-2.0	9.0	8.0	+1.0	15.0	16.0	-1.0
<b>Product Transport Business</b>	145	119.9	265.0	264.0	+1.0	250.0	246.0	+4.0	515.0	510.0	+5.0
(PCC, Containerships, Ferries & Coastal RoRo Ships)	-5.6	4.6	-1.0	-4.5	+3.5	8.0	9.5	-1.5	7.0	5.0	+2.0
Containerships only	82.4	52.5	135.0	134.0	+1.0	120.0	118.5	+1.5	255.0	252.5	+2.5
	-4.7	2.7	-2.0	-6.0	+4.0	6.0	6.5	-0.5	4.0	0.5	+3.5
<b>Associated businesses</b>	24.9	20	45.0	45.0	0	45.0	45.0	0	90.0	90.0	0
(Real estate, Cruise ship, Tug boats, Trading, etc.)	3.3	2.1	5.5	6.0	-0.5	5.5	5.0	+0.5	11.0	11.0	0
<b>Others</b>	3.7	3.2	7.0	7.0	0	8.0	8.0	0	15.0	15.0	0
	0.6	-0.1	0.5	0.5	0	0.5	0.5	0	1.0	1.0	0
<b>Adjustment</b>	-	-	-	-	-	-	-	-	-	-	-
	-5.1	-1.8	-7.0	-3.5	-3.5	-3.0	-3.5	+0.5	-10.0	-7.0	-3.0
<b>Consolidated</b>	304.4	279.5	584.0	576.0	+8.0	556.0	554.0	+2.0	1140.0	1130.0	+10.0
	0.2	11.7	12.0	14.0	-2.0	28.0	26.0	+2.0	40.0	40.0	0

Note1: Revenues are from customers, unconsolidated subsidiaries and affiliated companies.

(cf) FY2017 Results	Q1		Q2		H1	H2	Full-year
	Q1	Q2	Q1	Q2			
<b>Dry Bulk Business</b>	69.3	64.2	133.5	139.3	272.9		
(excluding; Steaming Coal Carriers)	4.8	3.1	7.9	7.4	15.4		
<b>Energy Transport Business</b>	64.5	63.5	128.1	134.1	262.2		
(Tankers, Steaming Coal Carriers, LNG Carriers, Offshore business)	3.4	1.5	4.9	8.6	13.6		
<b>Product Transport Business</b>	242.3	261.2	503.6	507.2	1,010.8		
(PCC, Containerships, Ferries & Coastal RoRo Ships)	-4.9	5.2	0.2	-6.6	-6.3		
Containerships only	179.7	193.5	373.2	376.4	749.7		
	-6.2	2.1	-4.1	-6.5	-10.6		
<b>Associated businesses</b>	22.8	22.3	45.2	44.8	90.0		
(Real estate, Cruise ship, Tug boats, Trading, etc.)	3.7	2.9	6.7	5.9	12.6		
<b>Others</b>	4.1	4.2	8.3	7.8	16.2		
	1.1	0.0	1.2	1.3	2.6		
<b>Adjustment</b>	-	-	-	-	-		
	-2.4	-1.4	-3.8	-2.6	-6.5		
<b>Consolidated</b>	403.2	415.6	818.9	833.4	1,652.3		
	5.8	11.4	17.3	14.1	31.4		



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

## [Overall]

- ◆ Ordinary profit/Net income: Unchanged from the previous announcement (April 27). Ordinary profit increases by 27% from the previous fiscal year.
- ◆ Revenue: Decreased significantly (by ¥512.3 billion, or 31%) from the previous fiscal year due to the transfer of the containership business to ONE (an equity-method affiliate).
- ◆ Market:
  - Dry bulkers: Maintain the same market assumption as the previous outlook (nearly the same level as the previous fiscal year).
  - Tankers: Downward revision from the previous outlook, though the market is expected to recover slightly in the second half of the fiscal year.
- ◆ Containerships
  - ONE maintains the same outlook for profits (reflected into MOL's non-operating profit and loss).
  - Slight upward revision due to factors such as a reduction in transitional expenses at MOL.

## [By Segment] [FY2018 forecast for ordinary profit (increase/decrease from the announcement on April 27)]

### Dry Bulk Business [¥16.0 billion (+¥2.0 billion)]

The Capesize spot market is forecasted to enter an adjustment phase, due in part to the current slight overheating, but the demand and supply balance shows a recovery trend, and is expected to remain firm overall. MOL's market exposure in the mid- and small-size vessels is small, though there is a concern about the impact of grain trade from the U.S.-China trade conflict.

⇒ Slight upward revision from the previous outlook, expecting for almost the same level as the previous year.

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

## Energy Transport Business [¥15.0 billion (-¥1.0 billion)]

### ■ Tankers

➤ Crude oil tankers: Adjustment phase will continue, but the number of scrapped vessels is increasing, so a strengthening phase is also forecasted.

➤ Product tankers: The market will meet upside resistance during the first half.

Will take measures to improve the efficiency of vessel allocation through a reduction of the number of vessels and pool operation.

⇒ Ordinary profit will decrease from the previous year, securing a certain level of profitability underpinned by mid- and long-term contracts.

Downward revision from 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 [¥7.0 billion (+¥2.0 billion)]

### ■ Containerships [¥4.0 billion (+¥3.5 billion)]

Ordinary profit from ONE will maintain the level of the initial outlook as negative factors such as increasing bunker prices and deteriorating utilization rates in Q1 are expected to be offset by positive factors which include increasing effects of synergy, decreasing product costs, and so on. On the other hand, we made an upward revision for the Containership Business segment from the previous outlook in anticipation of a decrease in MOL's own initially expected transitional expenses. ⇒ P.11~12

### ■ Car Carriers

Trade from the Far East to North America will remain at the same level as the previous fiscal year, and trade for the Middle East and Africa will hit bottom. Anticipate a certain level of profitability, despite the negative impact of quarantine issues that arose on some routes in Q1.

Downward revision from the previous outlook.

### ■ 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 canceled sailings of some ferries.

## [Dividend]

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

# 5. Differences in Containership Business Segment Forecast (Initial vs. at Q1)



**For details ⇒ ONE disclosure materials on P.27**

# 6. Plan to Improve Profitability in the Containership Business

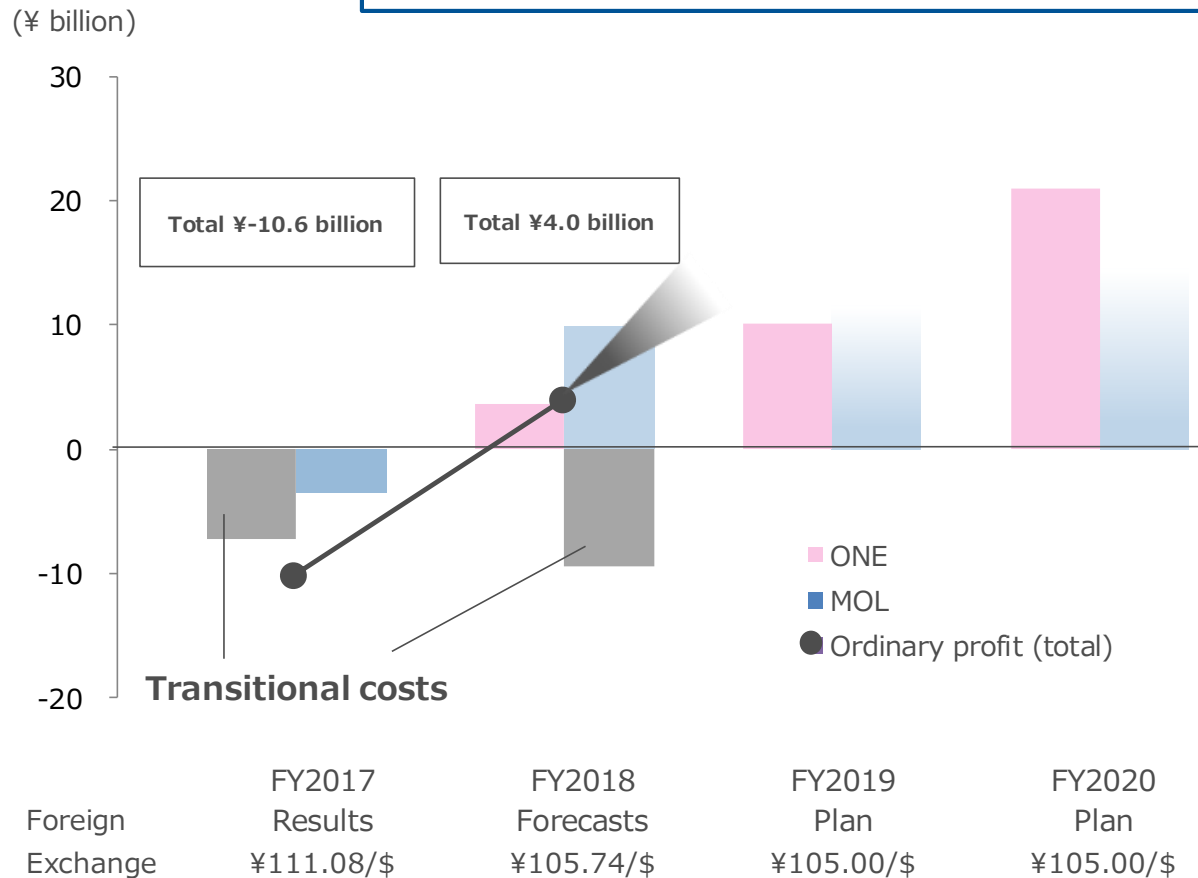
**MOL Containership  
Business ordinary profit**

=

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.)

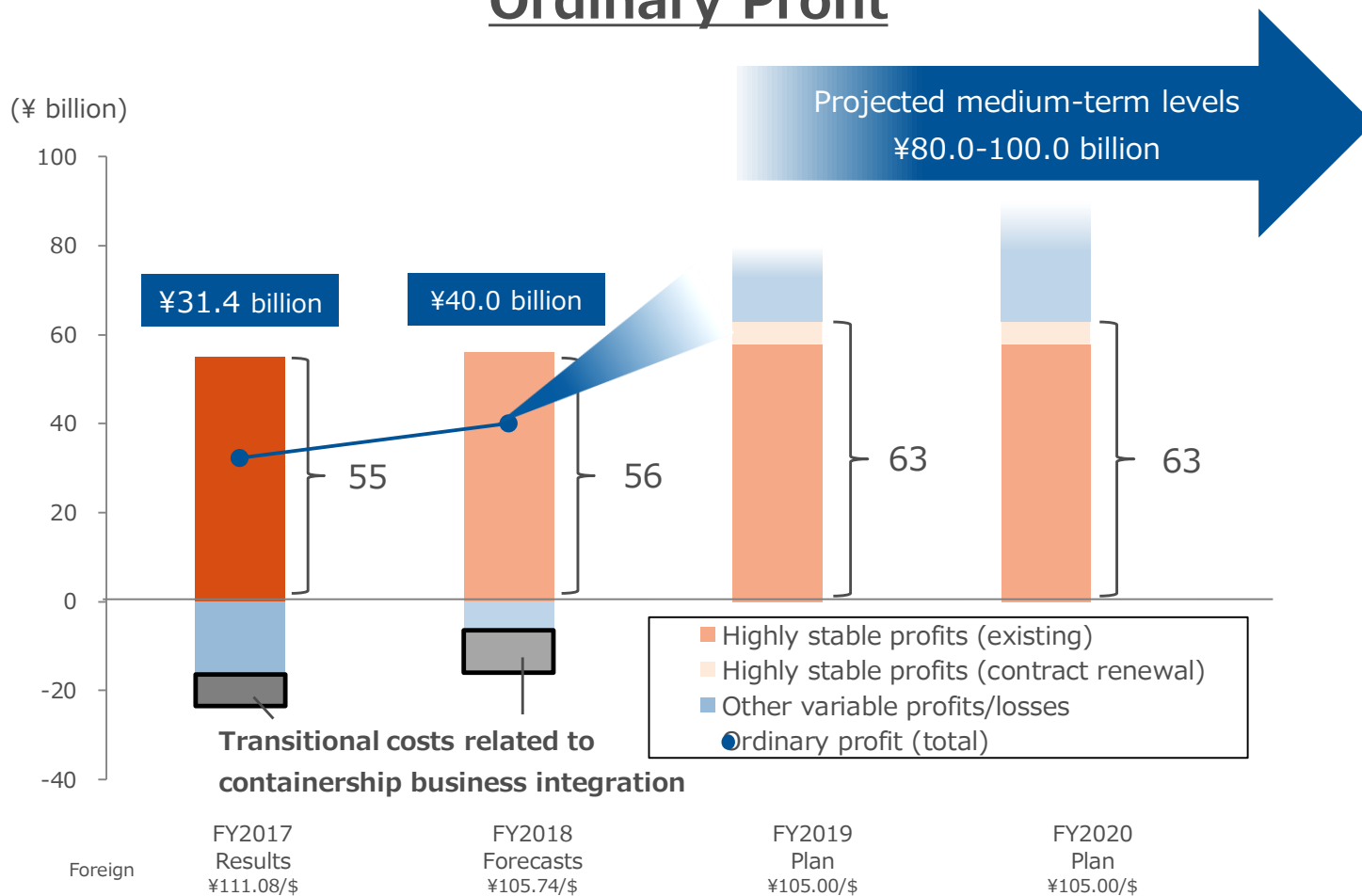


Note: FY2019-2020 plan is as of Apr 27, 2018

# 7. Roadmap to Profit Improvement (I)

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 Ferris / Coastal RoRo ships

## 8. Roadmap to Profit Improvement (II)

Rolling Plan 2018

### Improving other variable profits (losses)

1. Improve/restore profitability in the containership business  
⇒P.11, P.12

### Accumulating highly stable profits

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

### Improving other variable profits

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

### Improving other variable profits

Expect recovery of dry bulker and tanker markets to some extent

In the medium term,

# Dry Bulker Market (Spot Charter Rate)

[Supplement #1]

## 1. FY2017 (Result)

(US\$/day)

Size	FY2017						Full-year
	1st Half			2nd Half			
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						Full-year
	1st Half			2nd Half			
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	17,000	16,000	21,000	13,000	17,000	16,500
Panamax	10,500	10,000	10,300	10,000	10,000	10,000	10,100
Handymax	11,500	9,500	10,500	9,500	9,500	9,500	10,000
Small handy	8,800	7,500	8,100	7,500	7,500	7,500	7,800
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	17,000	21,000	19,000	16,500

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 later.

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						Full-year
		H1			H2			
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						Full-year
		H1			H2			
Market for vessels operated by MOL		Apr-Sep, 2018			Oct, 2018 - Mar, 2019			Average
		Apr-Jun	Jul-Sep					
Crude Oil Tanker	Arabian Gulf - Far East	9,400	13,000	11,200	23,500			17,400
Product Tanker (MR)	Main 5 Trades	8,200						
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	9,100	12,000				

(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						Full-year Average
	1st Half Apr-Sep, 2017			2nd Half Oct, 2017 - Mar, 2018			
	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						Full-year Average
	1st Half Apr-Sep, 2018			2nd Half Oct, 2018 - Mar, 2019			
	Apr-Jun	Jul-Sep		Oct-Dec	Jan-Mar		
U.S. West Coast	620						
U.S. East Coast	840						
Europe	1,008						
South America	546						

\*China Containerized Freight Index

# Car Carrier Loading Volume

[Supplement #3]

## 1. FY2017 (Result)

(1,000 units)

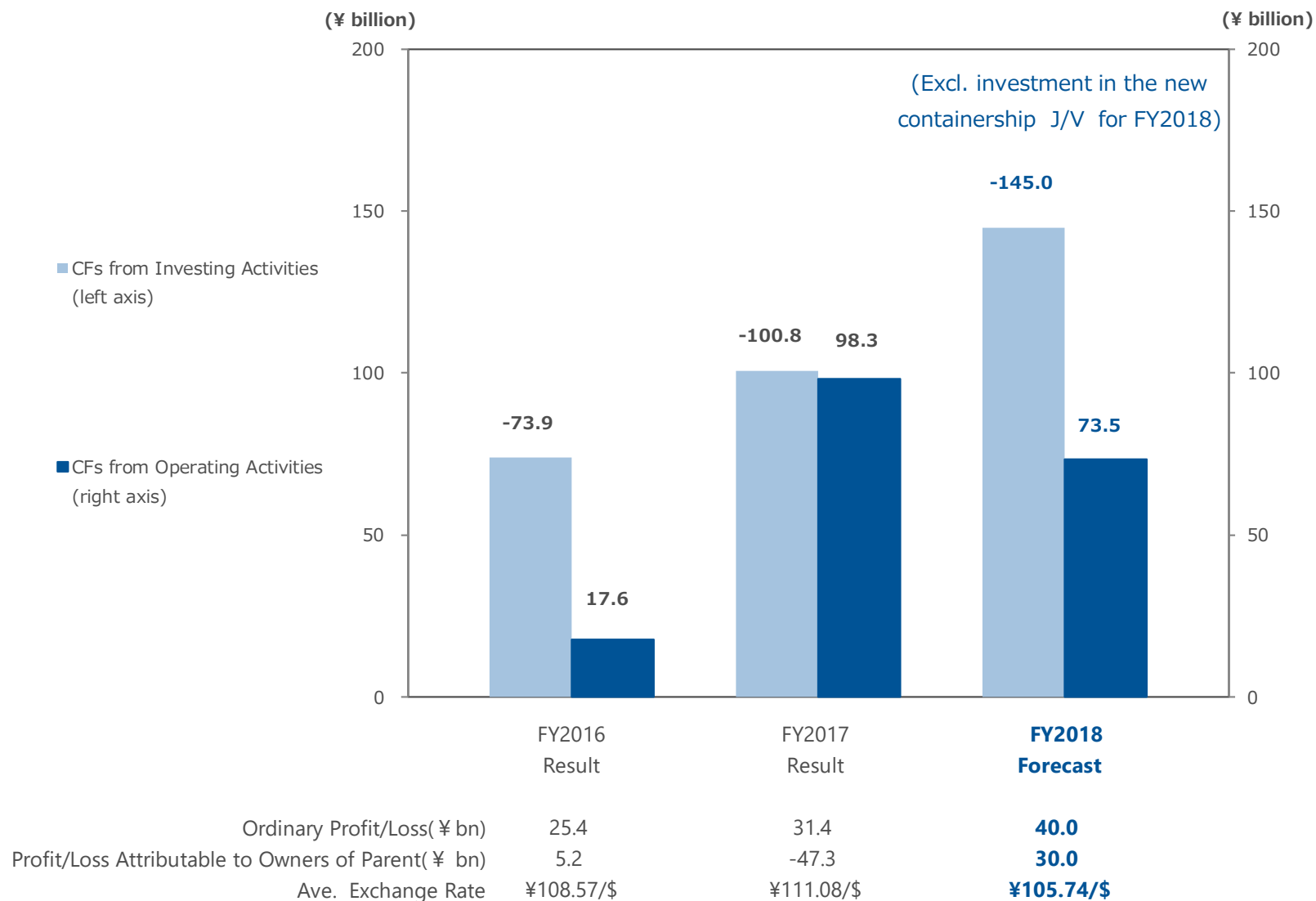
(Completed-voyage basis / including voyage charter)	FY2017						
	1st Half			2nd Half		Total	
	Q1	Q2	Q3	Q4			
<b>Total</b>	1,034	1,137	2,172	1,095	1,130	2,225	4,397

## 2. FY2018 (Result/Forecast)

(1,000 units)

(Completed-voyage basis / including voyage charter)	FY2018				
	1st Half		2nd Half		Total
	Q1	Q2			
<b>Total</b>	1,098	1,141	2,240	2,247	4,487

\*The forecasts are shown in blue.

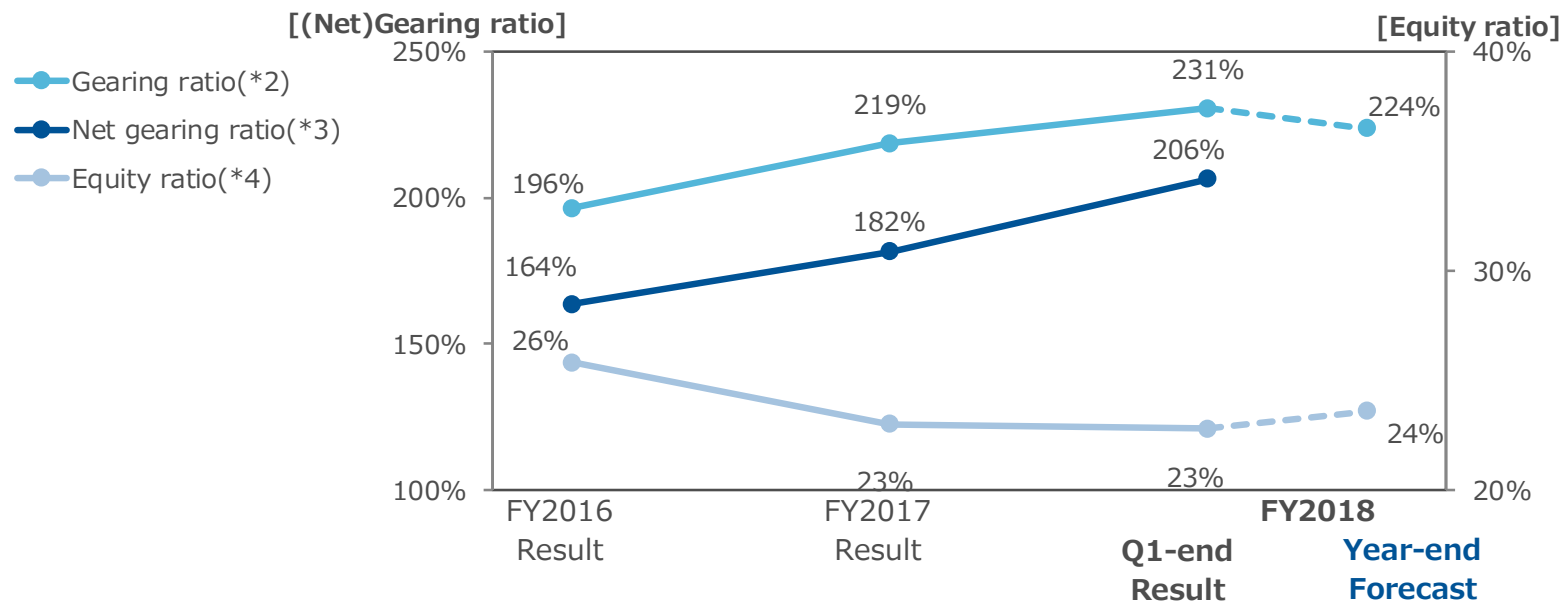
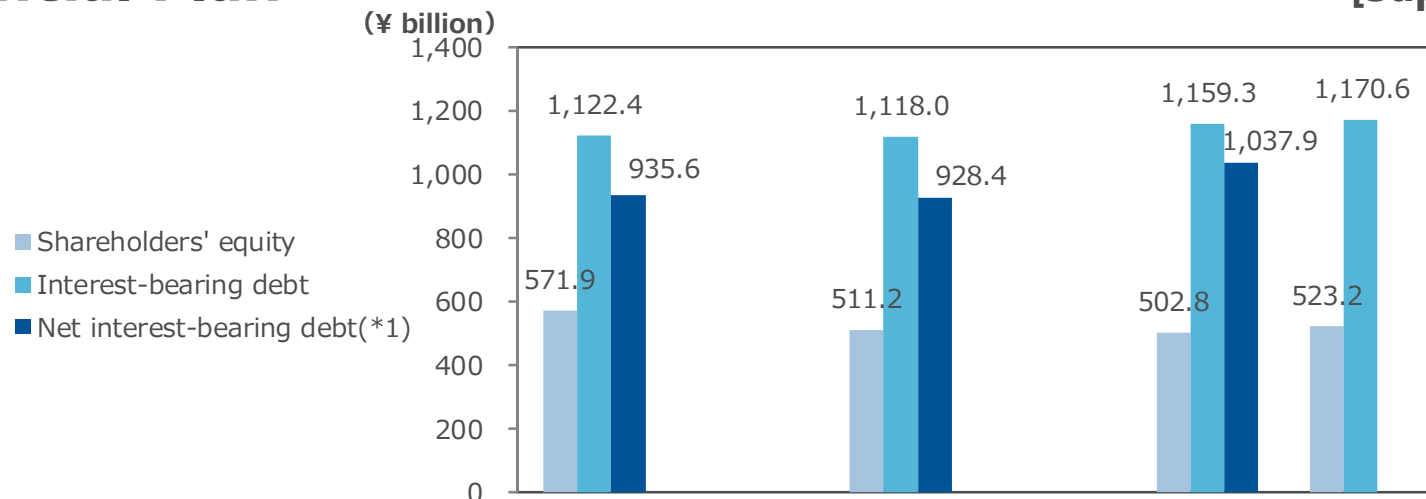


Note1: Free Cash Flows (FCFs) = CFs from Operating Activities – CFs from Investing Activities

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

# Financial Plan

[Supplement #6]



(Term-end Exchange Rate)

MOL	¥112.19/\$	¥106.24/\$	<b>¥110.54/\$</b>	<b>¥105.00/\$</b>
Overseas Subsidiaries	¥116.49/\$	¥113.00/\$	<b>¥106.24/\$</b>	<b>¥105.00/\$</b>

(\*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-Jun, 2018		31-Mar, 2019	
			1,000dwt		(Forecast)	
<b>Dry Bulk Business</b>	Capesize	88	91	17,791		
	Small and medium-sized bulkers	Panamax	26	29	2,360	
		Handymax	54	52	2,859	
		Small Handy	28	30	1,071	
		(Sub total)	108	111	6,291	
	Wood chip carriers	39	39	2,159		
	Short sea ships	61	55	1,064		
	(Sub total)	296	296	27,305	285	
	<b>(Market Exposure)</b>	<b>(71)</b>	<b>-</b>	<b>-</b>	<b>(70)</b>	
<b>Energy Transport Business</b>	Tankers	Crude oil tankers	39	38	10,094	
		Product tankers	39	35	2,093	
		Chemical tankers (incl. Methanol tankers)	87	86	2,686	
		LPG tankers	8	8	447	
		(Sub total)	173	167	15,320	
	Steaming coal carriers	41	45	4,129		
	(Sub total)	214	212	19,449	213	
		<b>(Market Exposure)</b>	<b>(84)</b>	<b>-</b>	<b>-</b>	<b>(78)</b>
	LNG carriers (incl. Ethane carriers)	83	84	6,674	91	
	Offshore	FPSO	5	5	-	6
FSRU		1	1	152	1	
Subsea support vessels		1	1	5	1	
Coastal ships (excl. Coastal RoRo ships)	30	31	101	31		
<b>Product Transport Business</b>	Car carriers	119	119	2,010	121	
	Ferries & Coastal RoRo ships	14	15	85	15	
<b>Associated Businesses and Others</b>	Cruise ships	1	1	5	1	
	Others	2	2	13	2	
<b>Sub total</b>		766	767	55,799	767	
<b>Product Transport Business</b>	Containerships	91	74	6,354	65	
<b>Total</b>		857	841	62,153	832	

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

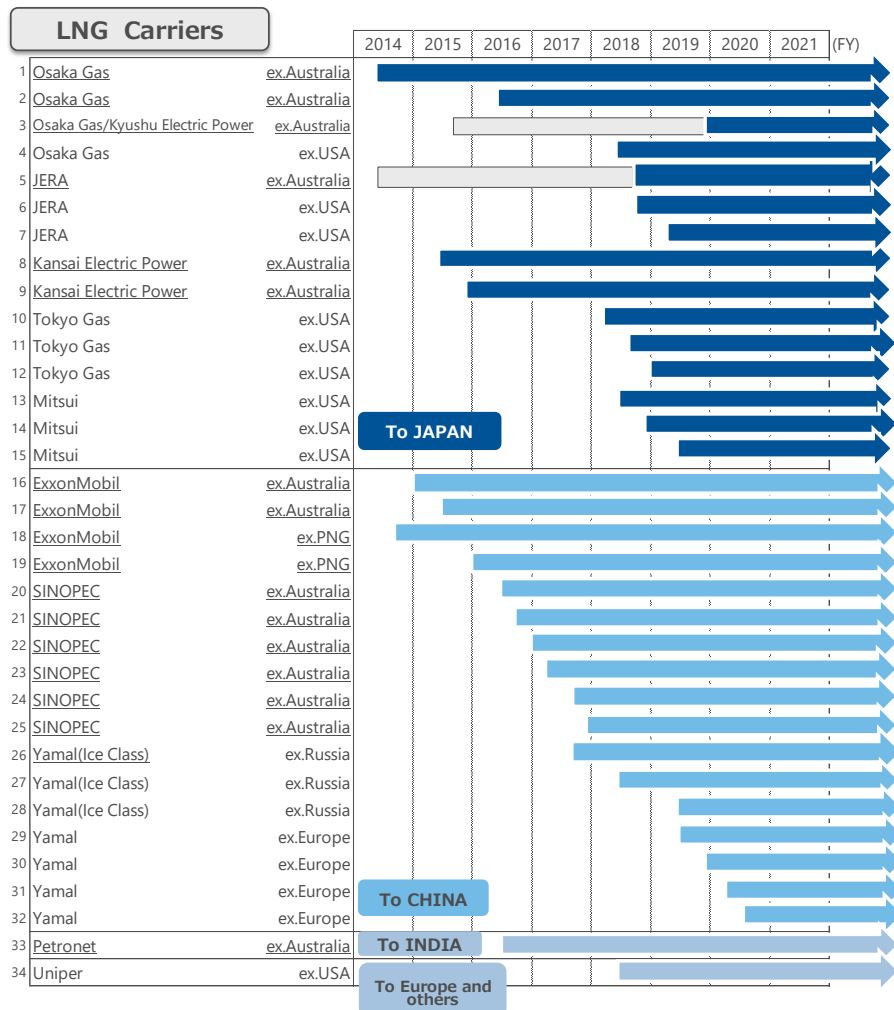
Note 2: "Market Exposure"=Vessels operating under contracts less than two years, which are owned or mid-and long-term chartered vessels.

Note 3: Estimated "Market Exposure" of 31-Mar,2019 is as of 27-Apr,2018.

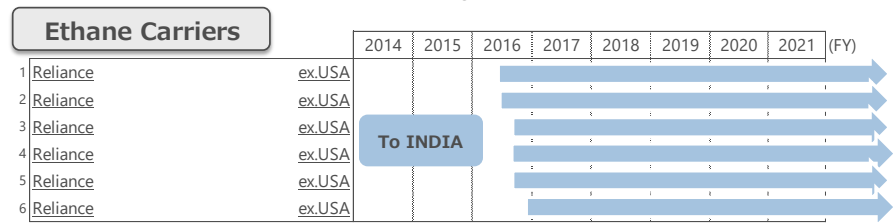
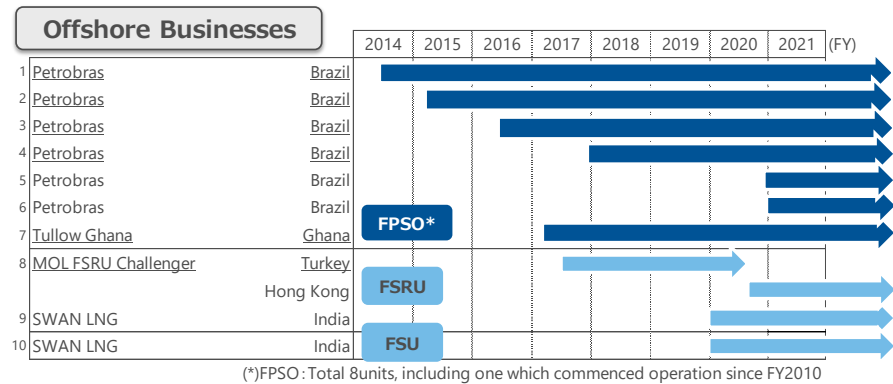
Note 4: Containerships are operated by ONE after Apr, 2018.

# LNG Carriers and Offshore businesses: Signed Contracts

[Supplement #8]



※ Underline is under operation



# ONE

**OCEAN NETWORK EXPRESS**

Financial Results for FY2018 1<sup>st</sup> Quarter  
and Forecast for FY2018

JUL 31<sup>ST</sup> 2018

## ▣ Profit/Loss Summary

FY2018 1<sup>st</sup> Quarter Results :

The 1Q Net Profit/Loss after tax is ▲US\$120Million loss due mainly to lower lifting caused by operational teething problems that affected service quality during the operation start-up period, and higher bunker price than originally forecasted.

Net Profit/Loss of 1<sup>st</sup> Half (1Q+2Q) is expected to be lowered by US\$40Million than the previous announcement.

FY2018 Full Year Forecast :

Considering that service quality has already stabilized, overall business is expected to be back to normal situation from the 2Q onwards. FY2018 full year forecast for Net profit/Loss after tax remains unchanged as US\$110 Million, underpinned by steady realization of integration synergy ahead of schedule as well as the change in accounting for lease contracts while higher bunker price will have a negative impact.

The profit from overseas terminal business will only be included from the 4<sup>th</sup> Quarter due to delay in business transfer.

## ▣ Progress of Integration Synergies

Integration synergies of US\$1,050 Million(Yen 112.4 Billion)/year are steadily emerging. For the 1<sup>st</sup> year (FY2018), the synergies are expected to emerge to 80% against the original forecast of 60%.



## 1Q Results and FY2018 Full Year Forecast

(Unit: Million US\$)

	FY2018				
	Q1 Result	Q2 Forecast	H1 Forecast	H2 Forecast	Full Year Forecast
Revenue	2,066	3,376	5,442	6,812	12,254
Profit/Loss	-120	82	-38	147	110

Bunker Price (US\$/MT)	\$407.00	\$468.00	\$440.00	\$468.00	\$454.00
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☐ Sensitivity on Profit/Loss :  
Bunker Price  $\pm$  26 million, per US\$10/MT (for 9 months/Max)

## Comparison with Previous Forecast

(Unit: Million US\$)

\*as of Apr 2018

	FY2018 Previous Forecast*		
	H1 Forecast*	H2 Forecast	Full Year Forecast
Revenue	6,269	6,891	13,160
Profit/Loss	3	107	110

FY2018				
Q1 Result	Q2 Forecast	H1 Forecast	H2 Forecast	Full Year Forecast
2,066	3,376	5,442	6,812	12,254
-120	82	-38	147	110

Full Year	
Change (Mil US\$)	Change (%)
-906	-6.9%
0	0.0%

Bunker Price (US\$/MT)	\$383.00	\$383.00	\$383.00
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\$407.00	\$468.00	\$440.00	\$468.00	\$454.00
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\$71.00
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## ▣ Lifting / Utilization by Trades

(Unit: 1,000TEU)

Lifting / Utilization by Trades		FY2018
		Q1 Result
Asia - North America Eastbound	Lifting	530
	Utilization	73%
Asia - Europe Westbound	Lifting	312
	Utilization	73%

Outlook from the Q2 onwards

Asia-North America Eastbound :

Both demand and supply are expected to grow by around 6% on a year-on-year basis. Major alliances have already announced their service rationalization plan, and it is expected that demand and supply situation will be stabilized. Utilization in July is expected to improve as 90%, and we forecast utilization will recover back to the level of the original outlook from the Q2 onwards.

Asia-Europe Westbound :

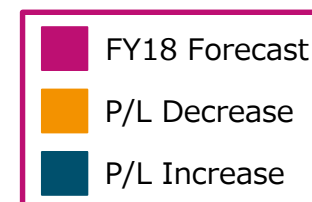
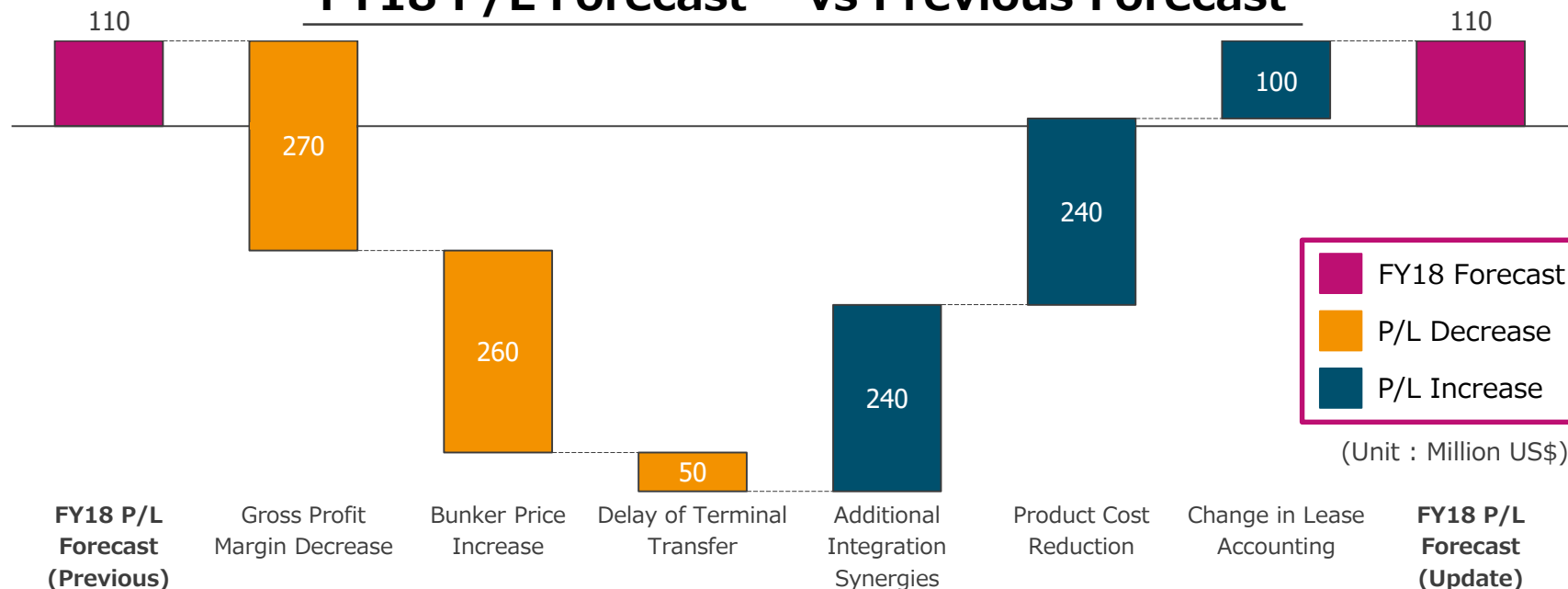
Supply has grown by 5% on a year-on-year basis. The demand growth has not matched the supply growth so far, but a steady cargo growth is expected towards the cargo peak season. Utilization in July is expected to improve as 92%, and we forecast utilization will recover back to the level of the original outlook from the Q2 onwards.

Indices for actual freight for the above mentioned routes will be disclosed from the Q2.

# FY18 P/L Forecast Update

Full year forecast for Net profit/Loss remains unchanged as US\$110 Million, as negative impacts such as decrease of gross profit margin and increase of bunker price are offset by accelerated integration synergies, additional cost reduction, and change in lease accounting.

## FY18 P/L Forecast – vs Previous Forecast



(Unit : Million US\$)

Analysis vs Previous Forecast	Gross Profit Margin Decrease	<ul style="list-style-type: none"> <li>Mainly by lower utilization</li> </ul>
	Bunker Price Increase	<ul style="list-style-type: none"> <li>Previous forecast \$383/MT → Updated forecast \$454/MT</li> </ul>
	Delay of Terminal Transfer	<ul style="list-style-type: none"> <li>Previous forecast expected to start operation in 2Q → Updated forecast in 4Q</li> </ul>
	Additional Integration Synergies	<ul style="list-style-type: none"> <li>Mainly by more variable costs reduction such as feeder/inland and terminal costs</li> </ul>
	Product Cost Reduction	<ul style="list-style-type: none"> <li>Bunker consumption decrease, Product cost reduction by withdrawal of one Transpacific service loop from August, etc.</li> </ul>
	Change in Lease Accounting	<ul style="list-style-type: none"> <li>P/L improvement by change in lease accounting methodology (Previously assumed finance lease for vessel charter contract changed into operating lease for this year)</li> </ul>

# Integration Synergy Update

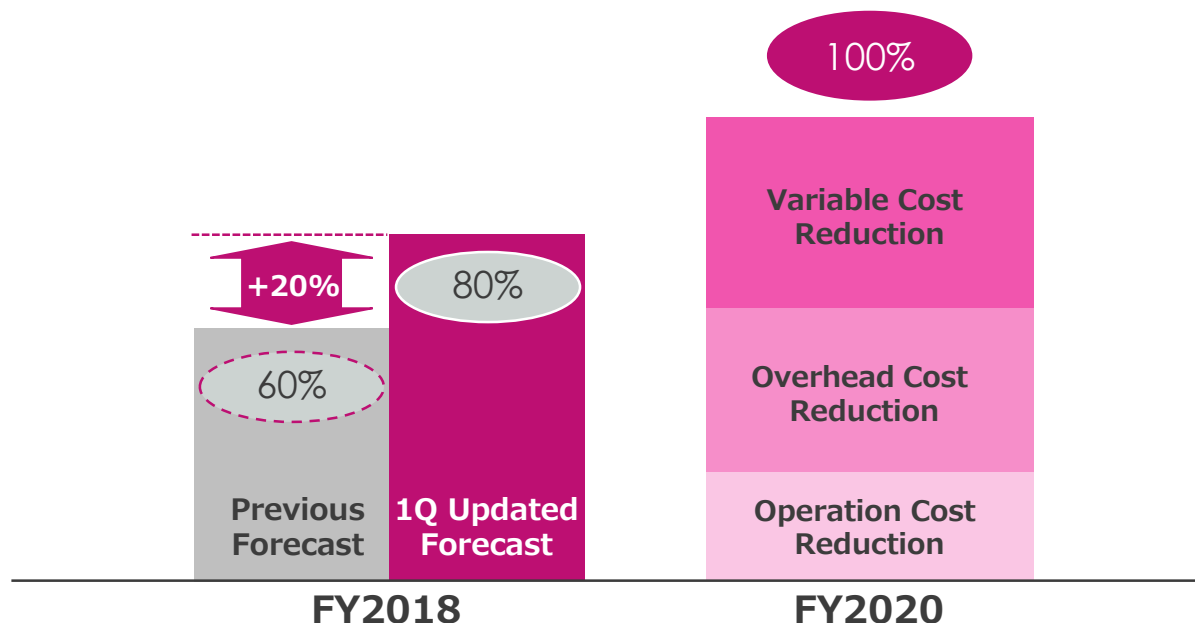
In original integration synergy forecast of US\$1,050 million (Yen 112.4 Billion), 80% of the synergy effect is expected to emerge for the 1<sup>st</sup> year (20% more than previous forecast of 60%).

( Exchange rate : 1 US\$=JPY107)

▪ **Break-down of the synergy effect US\$1,050 Million is as follows.**

- **Variable Cost Reduction** ...US\$430Mil : Rail, Truck, Feeder, Terminal, Equipment etc.
- **Overhead Cost Reduction** ...US\$370Mil : IT cost, Rationalization of organization, Outsourcing etc.
- **Operation Cost Reduction** ...US\$250Mil : Bunker consumption, product rationalization etc.

**Achievement ratio against the initial target**



# Fleet Structure

as of end of 1Q	Size		Combined
	>= 20,500 TEU	Capacity (TEU) Vessels	120,600 6
	10,500 - 20,500 TEU	Capacity (TEU) Vessels	265,100 19
	9,800 - 10,500 TEU	Capacity (TEU) Vessels	100,100 10
	7,800 - 9,800 TEU	Capacity (TEU) Vessels	357,194 40
	6,000 - 7,800 TEU	Capacity (TEU) Vessels	300,933 46
	5,200 - 6,000 TEU	Capacity (TEU) Vessels	101,898 18
	4,600 - 5,200 TEU	Capacity (TEU) Vessels	123,286 25
	4,300 - 4,600 TEU	Capacity (TEU) Vessels	71,816 16
	3,500 - 4,300 TEU	Capacity (TEU) Vessels	42,403 10
	2,400 - 3,500 TEU	Capacity (TEU) Vessels	50,898 19
	1,300 - 2,400 TEU	Capacity (TEU) Vessels	18,711 11
	1,000 - 1,300 TEU	Capacity (TEU) Vessels	5,398 5
< 1,000 TEU	Capacity (TEU) Vessels	3,562 5	
<b>Total</b>	<b>Capacity (TEU) Vessels</b>	<b>1,561,899 230</b>	