



**MOL Mitsui O.S.K. Lines**

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# Forging Ahead

Annual Report 2017

Year ended March 31, 2017



# Glossary (In alphabetical order)

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## Ballast Voyage

Sailing to the next loading port without any cargo loaded.

## Ballast Water

Ocean water that is taken in by the vessel to maintain ideal buoyancy and control the vessel when not fully loaded with cargo. Usually, ballast water is taken on when cargo is unloaded, and is discharged when cargo is loaded. Ballast water transports marine organisms across the ocean, which may have a negative impact on the preservation of marine ecosystems and biodiversity. After the Ballast Water Management Convention enters into force in September 2017, ballast water treatment systems must be installed in all ocean-going vessels within a certain period of time.

## Chemical Tankers

Tankers fitted with multiple tanks to transport many different types of liquid chemical cargo at the same time. These tankers have complex design specifications, as they are equipped with independent pipelines, cargo pumps and temperature regulating functions for each tank, in addition to dedicated facilities for cleaning and other features.

## Ethane Carriers

Ethane carriers are specialized for transporting liquefied ethane, which has been cooled to around  $-92^{\circ}\text{C}$ , and equipped with a reliquefaction system. LNG carriers transport cargo at  $-162^{\circ}\text{C}$ , and LPG tankers transport cargo at  $-42^{\circ}\text{C}$ , so ethane carriers fall somewhere between the two.

## FPSO (Floating Production, Storage and Offloading System)

A floating facility for producing crude oil offshore. The crude oil is stored in tanks in the facility and directly offloaded to shuttle tankers for direct transport to the destination.

## FSRU (Floating Storage and Regasification Unit)

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

## Highly Stable Profits

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

## Market Exposure

If vessels procured for the mid and long term (owned or mid- and long-term chartered vessels) operate only under short-term cargo transport contracts, these vessels are exposed to market rate fluctuations as a result of the mismatch between the vessel procurement and operating periods. MOL defines the number of mid- and long-term procured vessels operating under cargo contracts of less than two years as "market exposure," and monitors the ratio of its market exposure with the aim of controlling the risk of market fluctuation.

## Pool Arrangement

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

## RoRo (Roll-on/Roll-off) Ships

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

## Shuttle Tankers

Tankers that transport crude oil from offshore oil rigs, such as FPSOs, to onshore refineries as an alternative means of pipelines. Shuttle tankers are fitted with a unique system that enables cargo to be loaded from the bow of the vessel, rather than from the side like ordinary tankers, while maintaining a certain distance from the offshore platform.

## Small- and Medium-sized Bulkers

In this report, small- and medium-sized bulkers consist of Panamax, Handymax and Small Handy dry bulkers that transport general bulk cargo, such as coal, grain, salt, cement and steel products.

## SOx

The term "SOx" collectively refers to sulfur oxide emissions, including sulfur dioxide ( $\text{SO}_2$ ), which are air pollutants emitted during the combustion of fossil fuels containing sulfur, such as oil and coal. In the marine transport industry, regulations requiring a drastic reduction in the sulfur content of fuel will come into effect in 2020, in order to curtail the amount of SOx in vessel emissions.

## Subsea Support Vessels

Vessels designed for arrangement and technical support work during exploitation of offshore oil and gas fields.

## "Visualization of Marine Operations"

Measures to provide visualization of the conditions of vessels and cargo at sea using ICT, thereby achieving optimal vessel operations, in conjunction with providing value-added services to customers. For example, big data on weather and sea conditions is analyzed and effectively utilized to achieve safer vessel operations and optimal routing. In addition, measures will be taken to improve the safety of vessel operations and ship management efficiency, including remotely monitoring the operational status of engines and other machinery and making maintenance arrangements in advance.

## Yield Management

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



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# Forging Ahead



## Our New Voyage Has Begun

#### ■ MOL's Communication Tools

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

<http://www.mol.co.jp/en/ir/>

Annual Report  
Investor Guidebook  
Market Data

<http://www.mol.co.jp/en/csr/>

Safety, Environmental and Social Report

#### ■ Forward-Looking Statements

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

\* As of June 30, 2017 unless otherwise specified



For over 130 years since its foundation, the MOL Group has grown into a world-class full-line marine transport company with a diversified business portfolio by anticipating the demands of the times and responding to customers' needs.

In formulating our new management plan amid a dramatically changing management environment, we started with our "Vision for the MOL Group Ten Years from Now." Based on this, we will focus on our allocation of resources, aiming to achieve sustainable growth by improving our financial position and innovating our business portfolio.

Looking ahead, we will leverage the combined capabilities of the MOL Group as a solid, reliable partner striving to achieve our long-term vision and to uphold the trust of our stakeholders.

## Junichiro Ikeda

President & CEO



### MOL GROUP CORPORATE PRINCIPLES

As a multi-modal transport group, we will:

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

### Long-Term Vision

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

### What is MOL CHART?

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

#### Challenge

Innovate through insight

#### Honesty

Do the right thing

#### Accountability

Commit to acting with a sense of ownership

#### Reliability

Gain the trust of customers

#### Teamwork

Build a strong team



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

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

## 1884

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

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



## 1973~1985

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

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

## 1945~1970

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

Japan's private merchant shipping fleets were conscripted into military transport, losing a total of around 2,400 vessels and over 30,000 seafarers. While recovering from its defeat in the war, Japan becomes a major trading country that imports iron ore, petroleum and other resources while exporting automobiles, electrical appliances and other products.

Growing in tandem with the rebounding Japanese economy, MOL provides much needed marine transport, promoting diversification and specialization of its businesses to ultimately develop into a full-line marine transport group boasting a wide range of vessel types.

### 1942

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

### 1961

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



### 1964

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

### 1968

Full containership service commenced.



AMERICA MARU (700TEU)

### 1965

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



### 1983

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

## 1984

### Launched the SENSU MARU, an LNG Carrier

Demand, mainly from electric power companies, increased for imports of liquefied natural gas (LNG), an energy source with a low environmental burden. Requiring transport at minus 162 degrees Celsius, LNG is technically challenging to transport. MOL rose to the challenge, entering the LNG transport field in 1983. Since then, MOL's fleet of LNG carriers has expanded to a world-leading 92 (including outstanding orders) as of March 31, 2017.



### 2016

World's first large ethane carrier ETHANE CRYSTAL completed

### 2012

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

### 2013

Japan's first participation in FSRU project

Photo: MODEC, Inc.



### 2010

The first participation in FPSO

### 1989

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

### 2004

Daibiru Corporation becomes a consolidated subsidiary of MOL.

### 1999

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

### 1996

MOL acquires a share in chemical tanker operator Tokyo Marine (Current: MOL Chemical Tankers Pte. Ltd.)

## 1995

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

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

## Mid 2000s~2015

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

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

## 2016

### Three Japanese Shipping Companies Announce Integration of Containership Operations

(related information on P. 7 and 17)

To enhance the competitive edge of our global network, we decided to integrate our containership business with those of Nippon Yusen Kabushiki Kaisha and Kawasaki Kisen Kaisha, Ltd. The combined vessel fleet after integration will be approximately 1.43 million TEUs—sixth largest in the world with a 7% global share. We have made steady progress in preparing for the integration, aiming to start operations in April 2018 under the name "Ocean Network Express."



20,000TEU-class containership MOL TRIUMPH—one of the largest containerships in the world

## Early 2000s

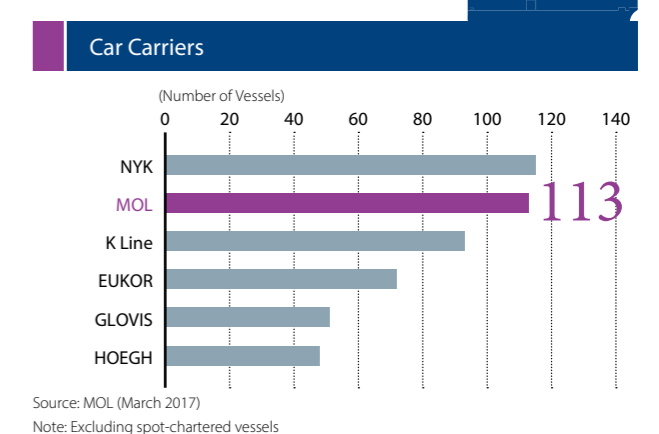
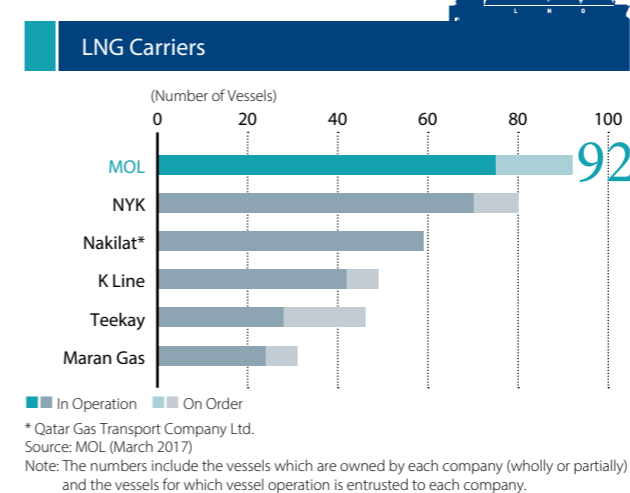
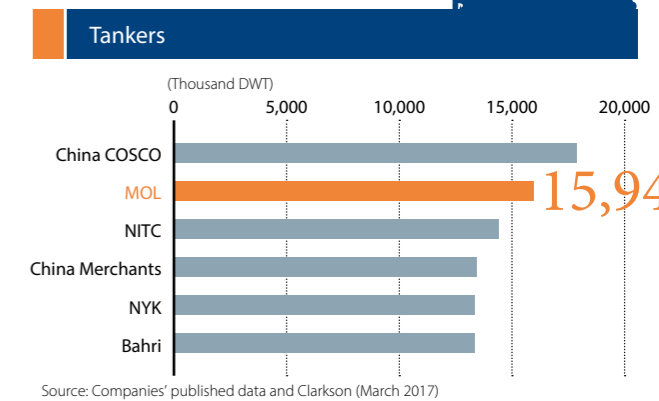
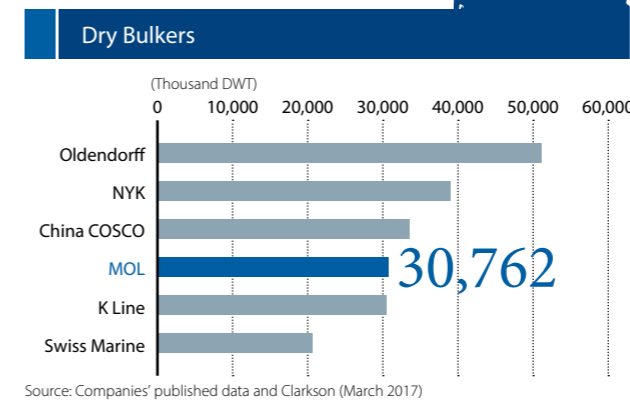
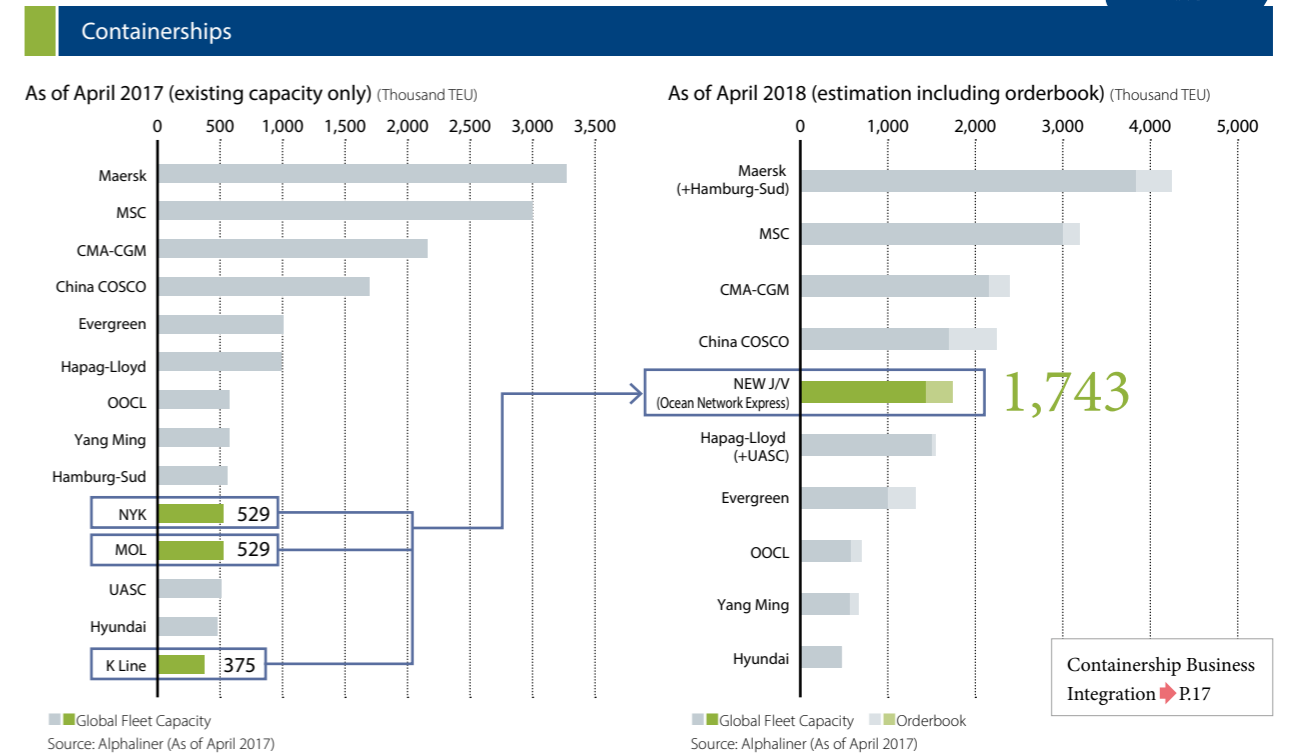
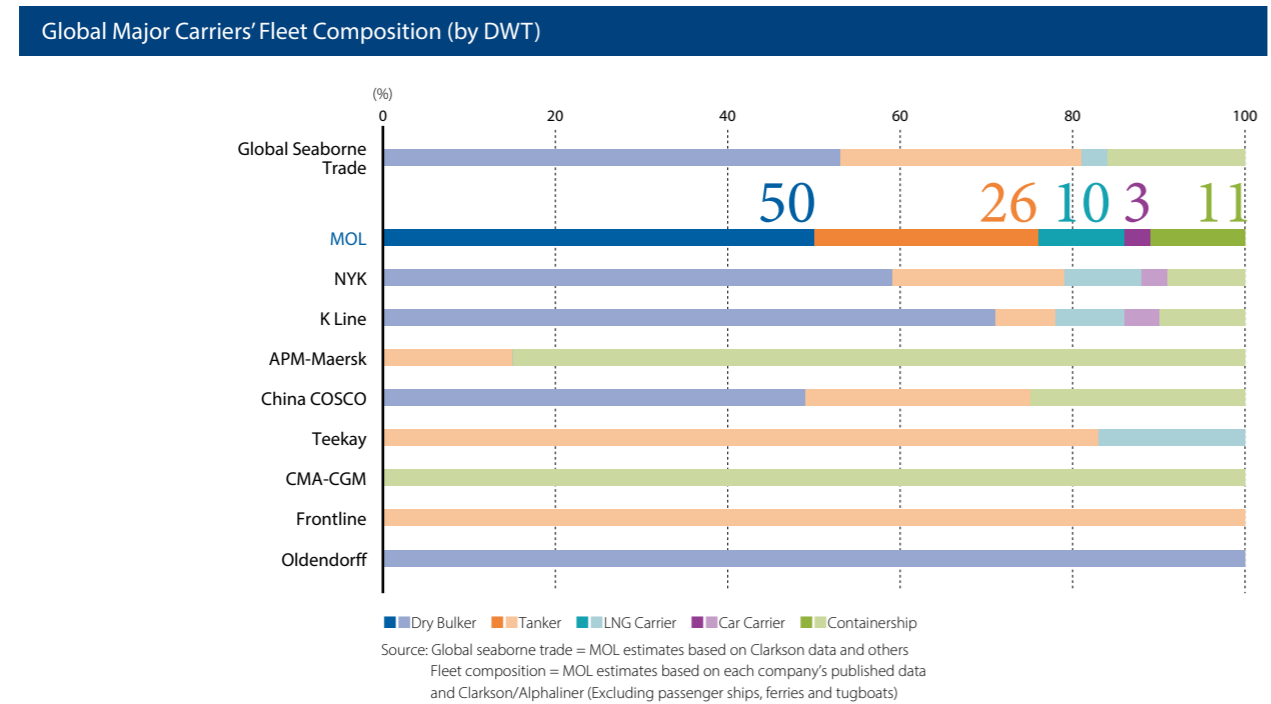
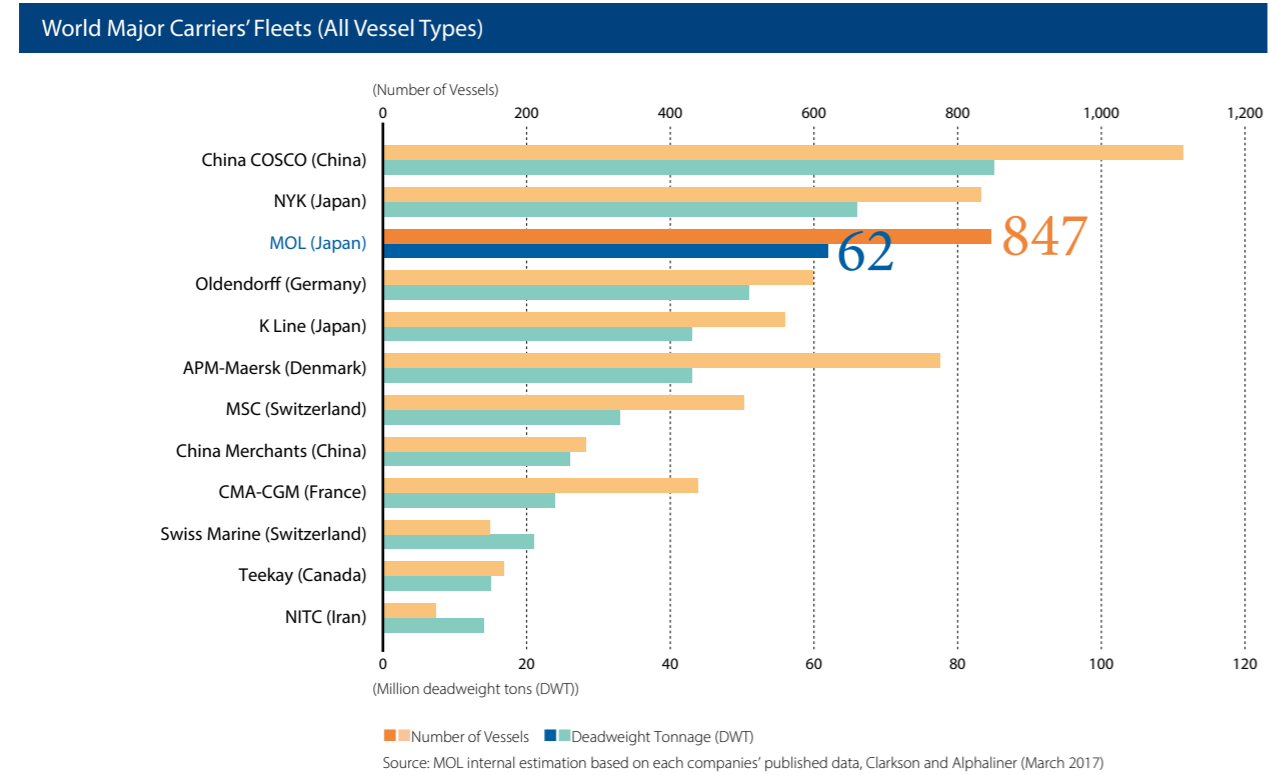
### Aggressive Investment in Resource and Energy Transport

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

Underlined words are explained in the Glossary on the Contents page.

# Market Position in the Industry

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





[Methanol Carrier]  
CAJUN SUN



[FPSO]  
Cidade de Caraguatatuba MV27  
Photo: MODEC, Inc.



[Car Carrier]  
SWIFT ACE

[Ferry]  
SUNFLOWER IVORY



[VLCC]  
AZUMASAN

[LNG Carrier]  
LNG FUKUROKUJU



# Our Fleet

[Chemical Tanker]  
GINGA OCELOT



[Tugboat]  
ATSUMI MARU

[Heavy Lifter]  
VENUS TRIUMPH



[FSRU]  
GNL DEL PLATA

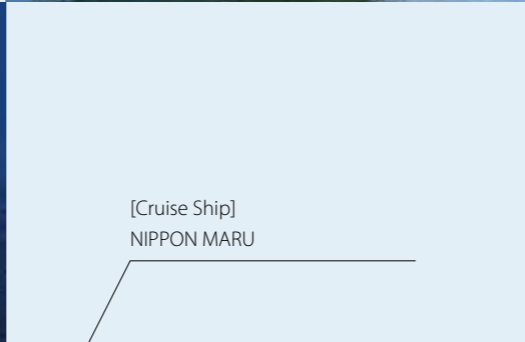


[Shuttle Tanker]  
Madre De Deus

[Containership]  
MOL TRIUMPH



[Cruise Ship]  
NIPPON MARU



[Steaming Coal Carrier]  
SHIN YAHAGI MARU




[Very Large Ethane Carrier]  
ETHANE CRYSTAL



[Subsea Support Vessel]  
Skandi Santos



 Underlined words are explained in the Glossary on the Contents page.



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At a Glance

# Charting a Course for Further Growth





# MOL's Three Compass Points

In the previous medium-term management plan “STEER FOR 2020,” which started in fiscal 2014, we steadily produced results by implementing our “Three Innovations” in the areas of our Business Portfolio, Business Model, and Business Domain.

In April 2017, we launched the newly formulated management plan “Rolling Plan 2017,” under which we will further develop the “Three Innovations” as compass points for our growth towards realizing our “Vision for the MOL Group Ten Years from Now.” In this feature, we will describe our accomplishments so far, and our innovations for forging ahead.

## 1 Innovation of Business Portfolio (▶ P.14)

We will aim to build a business portfolio that enables sustainable growth by strategically allocating management resources in businesses where we expect high growth and stable long-term profits.

## 2 Innovation of Business Model (▶ P.16)

Evolve to a fleet composition with high market tolerability and competitiveness, and transform to a business model that can deliver profits regardless of market fluctuations.

## 3 Innovation of Business Domain (▶ P.18)

Create a value chain by expanding the marine transport business domain vertically both upstream and downstream.

# Accomplishments

Previous medium-term management plan “STEER FOR 2020”

# Forging Ahead

New management plan “Rolling Plan 2017”

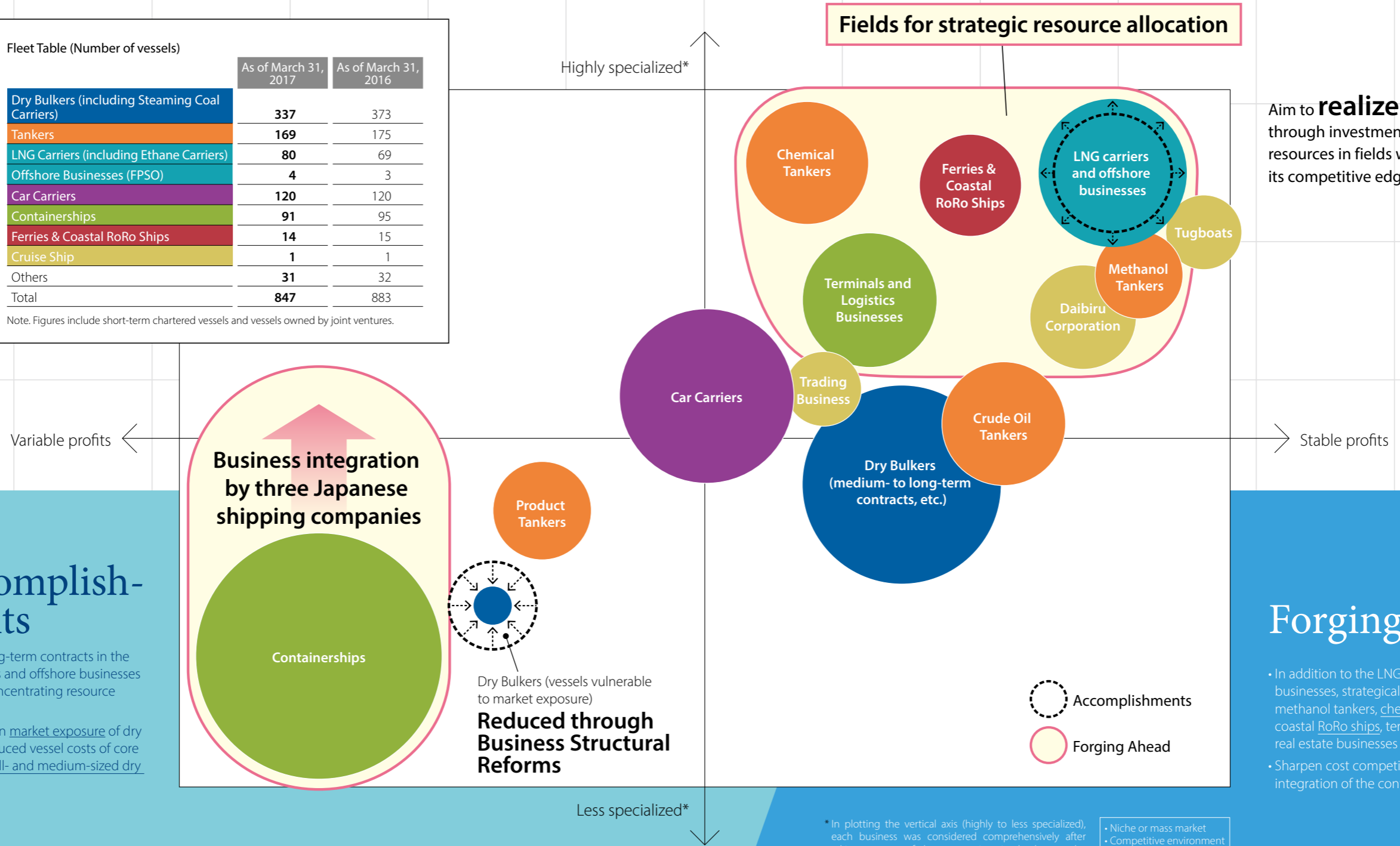


## Innovation of Business Portfolio

# Strategically allocate management resources between expanding and defensive businesses

Fleet Table (Number of vessels)		
	As of March 31, 2017	As of March 31, 2016
Dry Bulkers (including Steaming Coal Carriers)	337	373
Tankers	169	175
LNG Carriers (including Ethane Carriers)	80	69
Offshore Businesses (FPSO)	4	3
Car Carriers	120	120
Containerships	91	95
Ferries & Coastal RoRo Ships	14	15
Cruise Ship	1	1
Others	31	32
Total	847	883

Note. Figures include short-term chartered vessels and vessels owned by joint ventures.



Aim to **realize stable growth** through investment of management resources in fields where MOL can leverage its competitive edge

## Accomplishments

- Built up long-term contracts in the LNG carriers and offshore businesses through concentrating resource investment
- Scaled down market exposure of dry bulkers, reduced vessel costs of core fleet of small- and medium-sized dry bulkers

## Forging Ahead

- In addition to the LNG carriers and offshore businesses, strategically allocate resources to methanol tankers, chemical tankers, ferries & coastal RoRo ships, terminals, logistics, and real estate businesses
- Sharpen cost competitiveness through the integration of the containership business

\* In plotting the vertical axis (highly to less specialized), each business was considered comprehensively after taking account of the perspectives in the box to the immediate right.

- Niche or mass market
- Competitive environment
- MOL's relative superiority
- Versatility of vessel type





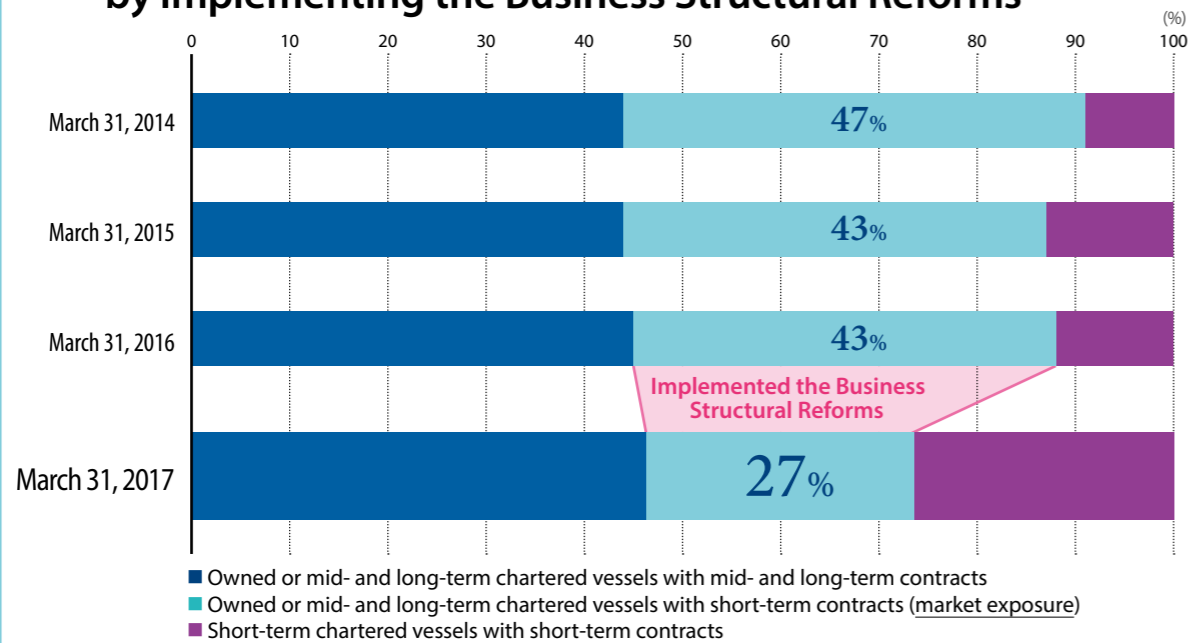
## Innovation of Business Model

# Evolve into a fleet composition with high market tolerability and competitiveness

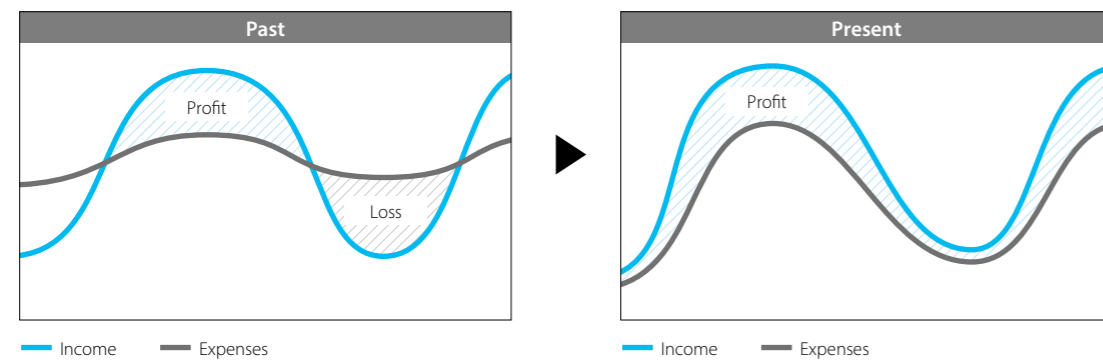
### Accomplishments

#### Innovation of the Dry Bulker Business

##### Dramatically reduced market exposure by implementing the Business Structural Reforms



##### Small- and medium-sized bulkers: Shift to a business model that is resilient to market fluctuations



### Forging Ahead

#### Integration of the Containership Business

##### Scale Expansion (P.7)

The integration of the three Company's containership businesses will expand the scale of the business to rank as a major global player in the industry. The newly formed company "Ocean Network Express" will have higher net sales than the entire MOL Group, and the sixth largest fleet in the world.

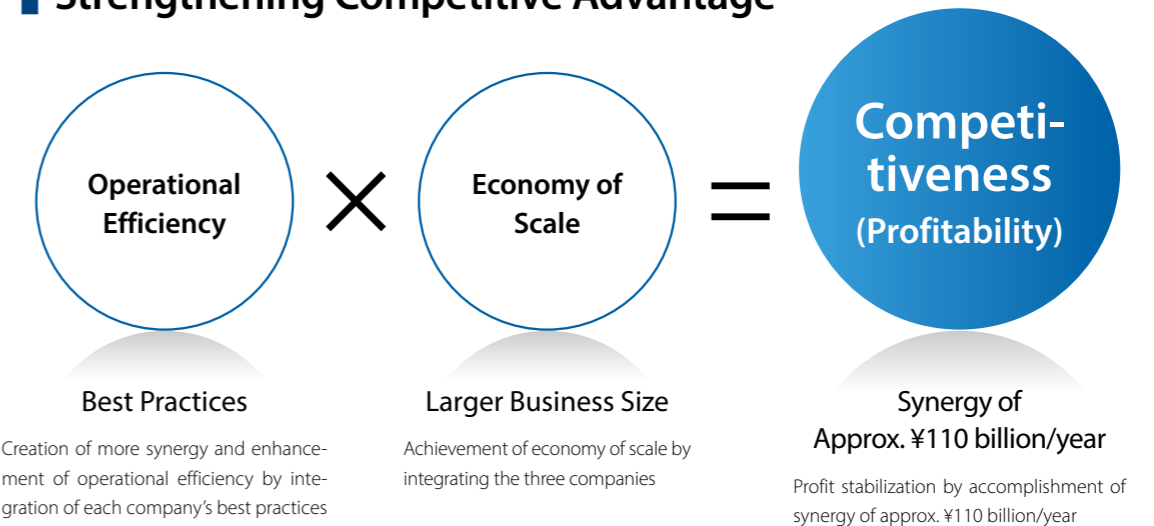
FY2016	MOL	NYK	K Line
Consolidated net sales	¥1.5 trillion	¥1.9 trillion	¥1.0 trillion
Containership business sales*	¥0.6 trillion	¥0.6 trillion	¥0.5 trillion

↓ ↓ ↓  
Integrated company "Ocean Network Express"

Net sales Approx. **¥1.7 trillion** (simple sum)

\* For the containership business sales for the three companies, we used the disclosed segment sales of each company for convenience. The figure therefore includes sales of domestic terminal businesses (all three companies) and the logistics businesses (MOL, K Line), which are not included in the integration.

##### Strengthening Competitive Advantage





### Innovation of **Business Domain**

# Expand business domain in response to customer needs and lead initiatives on the environment



Participated in shuttle tanker business



Participated in subsea support vessel business

Commercialization of ship management and crew training services

Participated in FSRU project

Participated in coastal LNG shuttle transportation project in Indonesia

## Create Value Chain

Operation of very large ethane carriers

## Accomplishments

## Respond to Customer Needs

Launched methanol-fueled tankers

Launched a joint study of LNG-fueled capesize bulkers

## Develop Environmental Strategy

LNG-fueled tugboat construction decided

Participated in project for installation of offshore wind power generation systems



Explore the possibility of entering the tanker terminal and tank container businesses

Pursue vertically integrated business centered on LNG transportation

## Forging Ahead

Nurture the environment and emission-free businesses

Look at entry into the LNG fuel supply ship business

Consider commercialization of floating LNG power plants



# Aiming to be the Customer's Preferred Choice by Providing “Stress-Free Services”



Junichiro Ikeda  
President & CEO

## Progress and Evaluation of Medium-Term Management Plan “STEER FOR 2020”

The overall strategy behind MOL's last medium-term management plan, entitled “STEER FOR 2020,” was to implement “three innovations”—Innovation of Business Portfolio, Innovation of Business Model, and Innovation of Business Domain. I think that we have made genuine and creditworthy strides towards achieving each of those objectives. In Innovation of Business Portfolio, we made intensive investments of our resources in LNG carriers and offshore businesses, leading to the accumulation of a portfolio of long-term contracts that will generate highly stable profits over the long term. Due to a prolonged slump in the price of energy resources, work on new LNG development projects was suspended, and this prevented the Company from meeting the numerical targets originally laid out in the management plan. Nevertheless, we have achieved significant progress in the implementation of our overall strategy. In Innovation of Business Model, meanwhile, we reduced our market exposure, particularly in the dry bulker business. Through the Business Structural Reforms, we have reinvented our business model in this division with the aim of establishing a structure that can generate stable income even in the current stagnant market. Innovation of Business Domain includes advances into new areas of

business. Having made inroads into shuttle tanker and subsea support vessel operations, we are now establishing a foundation to expand our business further in those fields. Although these measures have significantly moved the Company toward its strategic objectives, market rates for dry bulkers and container ship freights remain at historically low levels. Consequently, it was necessary to book extraordinary losses in order to implement the Business Structural Reforms, which swiftly addressed the situation. This forced us to abandon the financial targets that were originally set for the final year of the medium-term management plan.

In fiscal 2016, which was the final year of our previous medium-term management plan, the Company decided to introduce a single-year management plan prioritizing measures to deal with the situation in our dry bulker and containership businesses. During that fiscal year, the containership business faced even more difficult conditions and our reform measures were not enough to achieve a rebound in ordinary profit. In the dry bulker business, however, our efforts to make the fleet more competitive and more resilient in the face of market conditions were successful, and operations returned to the black.



## Containership Business Integration

Since I was appointed as president in June 2015, I have made it my top priority to rebuild the Company's containership business.

Containerships play an essential role as the "conveyor belt" that keeps global trade flowing. Although the pace of growth may not be as great as it was in the past, the business itself is expected to continue growing in the future. Nevertheless, it is also a business subject to fierce competition. We consider it essential to rank within the top one third of the most competitive operators in order to survive in this business. We have had some success in efforts to reduce costs, such as strengthening control of yield management and further promoting rationalization of unprofitable routes. However, there have been dramatic changes in the cost structure of this business in recent years, and it has become essential to enhance economies of scale. In the past, fuel and vessel costs accounted for a predominant share of the unit cost of shipping each container. However, this situation has changed as fuel prices have declined, ships have increased in size and scale, and vessel charter-in rates have fallen. As a result, the costs of loading and unloading activities at port terminals and inland transportation costs have come to account for a

larger share of the overall costs than in the past. Inland transportation costs in this case refer to costs to move containers to their final destination by means such as rail or trucks. This has greatly increased the importance of cost competitiveness and negotiation capabilities that are possible for large-scale container shipping companies. Convinced of the future potential for growth of the containership business, we sought to respond to changes in the business climate by further expanding the scale of our global operations. Therefore, the Company decided to merge its containership business with those of two other Japanese container shipping companies whose corporate cultures and values are most similar to those of MOL. (The new company is due to commence operations in April 2018).

This integration of the containership business represents a further step in our efforts to innovate the Company's business portfolio and business model, and lays the groundwork for even greater advances. The synergy achieved through this merger is expected to produce a ¥110 billion reduction on annual costs. We will strive to realize this synergy as quickly as possible to return operations to the black and stabilize our income going forward.



## New Management Plan "Rolling Plan 2017"

In formulating our next medium-term management plan, we have decided to abandon the three-year planning cycle used in the past, and to try to envision the management objectives we hope to achieve ten years from now. Given the rapid changes that affect our industry nowadays, strategies based on a medium-term management plan fixed in three-year periods may prevent the management from responding flexibly to changes in the business environment. Instead, it is more effective to adopt a broad philosophy or "vision" for the business and consider what the Company should look like 10 years into the future. This long-term objective can then be used to make plans related to our overall business strategy. The investments we make in our businesses, including building vessels, need to be decided under careful consideration of the next 10- and 15-year scenarios. Unfortunately, we often tend to let the current market conditions and supply and demand trends dominate our thinking, when instead, our plans should be based on how we want to be 10 years in the future. I believe that the new planning process is effective in helping employees to develop the right priorities, and focus on longer-term objectives.

As a result of our planning discussions, we have formulated the "Vision for the MOL Group Ten Years from Now" (see accompanying diagram).

To achieve this vision, we must take further steps to innovate in three areas: our Business Portfolio, our Business Model and our Business Domains. We will continue to allocate resources with the goal of selecting and focusing on areas of core competence, while enhancing financial strength and also reinventing the business portfolio, in order to maintain sustainable growth.

The Group-wide priorities under this plan are comprised of five specific themes: marine technical skills, ICT, technology development, the environment, and workstyle reforms. We will strive to achieve our goals in each of these areas.

### 1. Vision for the MOL Group Ten Years from Now (2027)

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

### 2. Strategies for Realizing the Vision

- Carefully select opportunities for new investments and pursue business models focused on cash flow
- Prioritize resources to develop and defend business fields
- Group-wide priorities for strengthening the MOL Group

<b>Marine technical skills</b>	Provide services that fully harness the MOL Group's marine technical skills
<b>ICT</b>	Provide "visualization of marine operations" (safe and optimal vessel operation) and added value to customers
<b>Technology development</b>	Push ahead with the "ISHIN NEXT—MOL SMART SHIP PROJECT—" (advanced support technologies for safer vessel operation and technologies for reducing environmental impact)
<b>Environment</b>	Develop and promote environment and emission-free businesses as innovative, future core businesses by staying on top of changes in the external environment
<b>Workstyle reforms</b>	Enhance human resources competitiveness and achieve innovation through an organizational culture that encourages employees to work vibrantly and productively

### 3. Medium- to Long-Term Profit Levels and Key Financial Indicators

	Projected medium-term levels	2027 Targets
<b>Ordinary profit</b>	¥80.0–¥100.0 billion	¥150.0–¥200.0 billion
<b>ROE</b>	8–12%	—
<b>Gearing ratio</b>	2.0 or less	1.0



### Providing “Stress-Free Services” and Strengthening the Group in Five Target Areas

Among the objectives we have set for the Group in our “Vision for the MOL Group Ten Years from Now,” the one that I personally am most invested in is the goal of offering “stress-free services” to customers. This of course includes the safety and reliability that is provided by our marine transport services. However, when considering the customer’s overall value chain, marine transport services are just one part of a larger whole. We need to understand in far greater detail the sort of support and service that they really want from a logistics partner with the customers’ entire value chain in mind.

The five Group-wide priorities mentioned above for strengthening the MOL Group are essentially measures for realizing “stress-free service.” The priority of “marine technical skills” encompasses nearly all of the capabilities that underlie Group operations. Improvement in this area is signified not only by ensuring the safe operation of vessels, it also includes utilizing know-how and expertise in marine operations. This is in order to provide the widest possible range of services to clients, such as optimization of port operations to make loading and unloading more efficient. In “ICT,” we not only need to analyze big data on weather and ocean conditions to support safe operations and to select the best routes, but we will also pursue “visualization of marine operations,” such as real-time monitoring of data on ship engines and identification of specific conditions. This will ensure that maintenance and replacement of parts can be conducted before any problems arise. “Technology development” includes not only essential acceleration of measures to reduce CO<sub>2</sub> and SO<sub>x</sub> emissions, but also mechanization and automation of vessel operations in order to improve safety levels and reduce the burden on crews. These issues will be improved further in the future. The “environment” field encompasses the development of environment and emission-free businesses as one of the Group’s core businesses in the future. Examples include the installation and maintenance of offshore wind power generation facilities, the operation of LNG-fueled vessels and LNG fuel supply operations. Utilizing the Group’s technological skills, we hope to contribute to reductions in CO<sub>2</sub> emissions, and develop a synergy with our existing businesses to steadily expand the scope of operations.

Finally, “workstyle reforms” will be applied to all of the activities already mentioned. Every one of us in the Group needs to make every possible effort to explore new, creative and flexible ideas or solutions. I believe this means we must make reforms to change our mindsets and our organizational culture. Our ultimate goal is to create a business culture in which new ideas can develop.

### Cultivating a Cadre of Highly Competitive Businesses

In the volatile business environment that prevails today, we need to improve capital efficiency and elevate corporate value. To do this, it is essential that we grow the most competitive operations in our business portfolio that most effectively leverage the Company’s competitive edge. We aim to focus management resources, including human resources, in these core business sectors from now on. In previous years, the LNG carrier and offshore businesses and the methanol tanker business have been contributing to highly stable profits and accumulating long-term contracts. We will continue to prioritize these businesses in our future investments. We think that the prospects for our chemical tanker business are also very strong. Earnings in this sector are comparatively stable, and it is a specialized business with significant barriers to market entry, so we will be able to expand our operation scale while maintaining our leading position in the sector. We are also exploring possible related activities, such as entry into tanker terminal operations, where we may be able to open up new businesses and further enhance MOL’s strength as a full-line marine transport group.

One segment of MOL’s business portfolio that is rather unique is the ferry business. We also plan to make this an area of focus. In the past, we were inclined to view domestic ferry services as a sideline operation. However, these services are becoming increasingly important as a way to reduce the environmental impact of large-scale cargo transport activities. Furthermore, Japan faces a severe shortage of truck drivers, making it even harder for domestic transport companies to manage smooth logistical operations around the country. Increasingly, a modal shift from road transport to coastal ocean transport is becoming noticeable. This has greatly expanded the role that ferry services can play in domestic logistics. MOL currently accounts for over 40% of domestic passenger traffic by ferry, and over 40% of ferry-based cargo truck transport as well. The Group plans to establish itself as the clear market leader and accelerate growth in this segment.

### Improving Capital Efficiency

Our business model is to invest in vessels, which we operate under long-term transport contracts, as much as possible in order to generate stable earnings. Under today’s prevailing market conditions—which could be characterized as “slow trade”—the business portfolio and model that the Company has maintained in the past will not be enough for MOL to generate returns that significantly surpass the market average. This means that the Company needs to allocate resources and select business priorities based on a very strict set of investment criteria. In particular, the earnings outlook for the next three years dictates that we must limit the burden on cash flow by investing only in top-priority projects and business opportunities that offer high and stable returns. Business models using chartered-in and second-hand vessels will also be an effective option to limit cash outflows. Although we expect to generate a negative free cash flow over the next two fiscal years, we expect these measures to turn it around to a positive cash flow in fiscal 2019.

### In Closing

As I have noted above, it appears that MOL will continue to face a harsh business environment. New vessel deliveries in the industry will remain at a high level, and the excess of supply over demand is likely to persist to at least 2018. It will be some time before we can expect a real recovery in the supply and demand balance. On the other hand, we expect that global marine transport volumes will continue to grow steadily, albeit not as fast as seen before the global financial crisis. As a full-line marine transport company, MOL’s business portfolio includes global leaders in various segments of the industry, including many that hold the number one position in their segments. This enables the Group to generate stable earnings. Over its more than 130-year history, MOL has built a reputation for reliability and a brand strength that will be enhanced further as we pursue environmental protection and ICT activities. By offering “stress-free services” to customers globally, the Company will continue to earn the trust and loyalty of customers not only in Japan, but around the world. Looking ahead, I believe that we can further demonstrate the superior quality of our services and make the MOL Group the first choice of customers in all of our markets and businesses. I would like to thank all stakeholders for their continued understanding and support in these endeavors.



# CEO and Investor Dialogue

With the launch of a new management plan, which lays out our “Vision for the MOL Group Ten Years from Now,” MOL has embarked on a series of large-scale innovations. In this section, President & CEO Ikeda discusses with a global investor about the measures MOL is taking in order to create corporate value over the long term.

## Junichiro Ikeda

President & CEO



## Akitsugu Era

Director, Head of Investment Stewardship,  
BlackRock Japan Co., Ltd.



### ■ New Management Plan

“In response to the rapidly changing business environment, we have laid out our ‘Vision for the MOL Group Ten Years from Now’”

**Era** When MOL unveiled its new management plan “Rolling Plan 2017,” I was particularly intrigued by the decision to base plans on a vision of the Company in 10 years. I understand that the rolling plan will be revised each year. What was behind the decision to change from the previous approach to planning?

**Ikeda** There were two basic considerations we had. First of all, since the 1990s, MOL had been formulating medium-term management plans, each covering three-year periods. It worked as a way of giving shareholders an idea of our profit projections for each respective period. However for MOL, the three year plan was more of an investment plan. The problem with this approach was that vessels, the main target of our investments, have an average operating life of 20 years. As such, our plans need to consider what conditions will look like 10 or 15 years in the future. This disparity in the length of our planning cycle and that of our fundamental business model was one concern. The other was the upheaval in the marine transport business. There was an idea that when formulating management plans we should assume that such major changes in the business environment will continue. What’s more, the environment doesn’t wait three years to change—it is ever-changing. Management plans need to be adjusted and reevaluated every year

to quickly respond to such changes. This is why we have adopted a “Rolling Plan” system.

**Era** So the point was to set a vision for 10 years from now and then backcast from the target to determine shorter-term plans, identifying the gaps between the current situation and the 10-year goals. I also heard that younger employees and managers who are expected to assume leadership roles within the Company in 10 years’ time have played an important part in drafting “Rolling Plan 2017.”

**Ikeda** That’s right. After all, the investments that we make today will have an impact on profits 10 years from now. Therefore, we must envisage the situations and agendas that those who steer MOL in the future will face. Our management plans need to reflect the thinking and objectives of young staff members and managers.

**Era** I always believe that management plans need to be more than just ideas on paper, and that they should shape the character of the organization from its deepest levels. From what I have heard so far, it sounds like the new plan has garnered the commitment and understanding of the internal stakeholders.

### ■ Innovation of Business Portfolio

“We aim to further enhance our competitive edge in the full-line marine transport business model”

**Era** Most of the global firms in the marine transport industry operate businesses by specializing in a particular segment, such as containerships or dry bulkers. MOL, on the other hand, describes its business model as “full-line marine transport operation.” My understanding is that this business model is a reflection of the long history of how the Company has evolved; I would further like to know how this business portfolio will change going forward.

**Ikeda** Yes, MOL is somewhat unique in terms of the wide range of businesses and vessel types it possesses in its business portfolio. This is a reflection of the Company’s historical role in supporting Japan’s emergence as an economic power. We served a multitude of client industries, transporting raw materials from overseas to domestic manufacturers and then exporting all sorts of manufactured products. As a result, the Company’s operations became quite diverse. Car carriers are a case in point. Automobiles were initially exported on conventional cargo ships, with a few dozen cars loaded alongside all sorts of other cargo. But as Japanese exports expanded, it became necessary to develop specially designed car carriers. Naturally, our portfolio has changed in response to global economic changes—not only Japan. In

recent years, there has been a particularly sharp change in energy-related businesses, and LNG has really entered the spotlight. Not surprisingly, LNG carrier operations now make up an increasing share of MOL’s business portfolio.

The containership business has served as the backbone for global commerce over many years, not only in Japan but worldwide, and containerships still account for a large share of the Company’s operations. However, it has become more difficult to maintain a competitive advantage, and the profitability of these operations is waning. This is the key issue we must now address. We have given careful thought to the role that this business plays, and should play, in our overall portfolio, and concluded that the best solution is to integrate MOL’s containership business with those of two other leading Japanese marine transport companies.

Some of the businesses in the Company’s portfolio are subject to fluctuations in profitability driven by market cycles. However, as a medium-term strategy, we have decided to focus a larger share of management resources on businesses that are comparatively resilient to market fluctuations, such as LNG carriers, as these businesses will generate long-term stable earnings.



**“Our management plans need to reflect the thinking and objectives of the young employees and managers who will guide the Company in the future.”**



**“I was particularly intrigued by the decision to base planning of the MOL Group on a vision of itself 10 years ahead.”**



■ **Decision-Making by the Board of Directors**

**Change was decided after thorough discussion in the “Deliberation on Corporate Strategy and Vision”**

**Era** At a time when the global economy is changing rapidly, I assume that there are also times when management perspectives need to pivot, or the needs of MOL’s clients to change. In response to the changing business environment, how did the Board of Directors discuss and reach a conclusion on the key decision to change the business portfolio, such as reducing market exposure or integrating the containership business?

meetings thoroughly examine issues that affect medium- and long-term strategies, as well as any important management issues that arise. In addition to the conventional perspectives of people within the Company, we actively solicit the input of outside directors, who have a broader perspective and expert insight. We seek to reflect these in our management decisions by encouraging everyone to freely express their views. This is exactly how we approached the issue of integrating our containership business.

**Ikeda** The question of how to manage the impact on earnings caused by market fluctuations has always been a challenge for MOL’s management. In considering the interests of investors, Company employees, and other stakeholders, we need to do everything possible right now to limit the impact of market volatility and stabilize earnings trends. These considerations were the basis for our Business Structure Reforms in fiscal 2015 through 2016 as well as the decision to integrate our containership business. The process for these decisions naturally included vigorous discussion by the board, including the outside directors.

**Era** From an investor’s perspective, there are sometimes cases in which board meetings appear to be turning into a place mainly for explaining matters to outside directors and do not seem to be functioning effectively.

**Era** So, the matters were discussed thoroughly at the “Deliberation on Corporate Strategy and Vision,” which is one of the key features of MOL’s corporate governance system?

**Ikeda** MOL was ahead of the curve with outside directors, appointing outsiders to the board as early as 2000, and from my perspective at least, the outside directors seem to feel free to express opinions. They have also made this comment themselves. I cannot say that there is never a sense that we are “explaining things” to the outside directors, but we aim to use their input in an effective way, particularly when dealing with concrete issues such as in the “Deliberation on Corporate Strategy and Vision.”

**Ikeda** Yes, we hold regular scheduled meetings of the “Deliberation on Corporate Strategy and Vision.” These

(Details regarding “Deliberation on Corporate Strategy and Vision” ▶ P.58-59)

■ **Environmental and Safety-Related Issues**

**“We will make use of ICT and technological development to promote ‘visualization of marine operations,’ and develop the environment and emission-free businesses with a view to the future”**

**Era** One persistent trend in the marine transport industry is the tightening of environmental regulations, such as ballast water management and SOx emission reduction. And I believe significant investments must be made to comply with these new environmental rules—what would be the strategy to ensure returns on these additional investments?

additional costs in order to support the basic cost for maintaining shipping as a mode of transport.

**Ikeda** The environmental strategy is high on the agenda in our current management plan. In fact, we actively try to differentiate MOL from rivals in this area. Nevertheless, we obviously have to find a way to make the Company profitable even after environment-related investments. At some point, we will have to approach customers to share

**Era** Could you provide more details regarding how MOL plans to differentiate itself from other competitors?

**Ikeda** I think this is actually a valuable opportunity for the Company. Customers have a great deal of latent concern for environmental issues, some of them are already indicating a desire for tighter environmental standards. By taking an aggressive approach to environmental issues, I believe that customers will naturally be inclined to select MOL as their preferred marine transport partner. To show some examples

of MOL’s achievement in this context, we completed the Company’s first methanol-fueled tanker last year, and we have launched a project in collaboration with existing clients to develop LNG-fueled capesize bulkers.

On another subject, ICT is also an important focus for the Company. What are the views regarding the new developments, such as artificial intelligence (AI) and the Internet of Things (IoT) and how will they affect marine transport in the future?

**Era** So, over the long term, these projects are expected to ultimately lead to developments in the environment and emission-free businesses or, at a higher level, are expected to lead to “strengthening marine technical skills,” as set forth in the new management plan.

**Ikeda** We see ICT as a tool for reducing the workload of crews, and thereby improving safe vessel operations. For example, in the case of engine maintenance, up to now we have relied in some measure on the experience and expertise of our engineers. However, if we also have ICT systems monitoring the condition of engines in real time on shore and performing big data analysis, we will be able to identify potential problems before they happen, replace worn components, and perform necessary maintenance. At MOL, we refer to this as the “visualization of marine operations.”

**Ikeda** By taking our environmental response a step further and viewing it as an environmental business, I think we have made an even deeper commitment with the new management plan. Actually, the idea of environment and emission-free businesses initially came from some of our younger staff. Their ambition to move the Company forward with a longer-term view came across to the management. I think our young staff members started to act in a more proactive manner, thinking about the Company’s future and clearly voicing their opinions. There is certainly this kind of atmosphere in the Company. I believe the establishment of such a corporate culture forms the true basis for effective management planning.

**Era** I see. And what impact will this have over the medium and long term?

**Era** I agree that placing corporate values and culture at the center of workstyle reforms is essential for leading real reforms in underlying attitudes and organization.

**Ikeda** Well, it is going to take some time, but ultimately we intend to automate shipping as completely as possible, leading to the use of “unmanned ships.” Compared to land-based operations, ships still rely heavily on manual activities for soft operational aspects. However, if we set high goals, I expect that technological advances will be made much sooner.

■ **Relationship with Investors**

**“I think investors help us to notice current issues”**

**Era** This will be my last question. In my role as an investor, I always aim to offer corporate managers different “perspectives” in the hope of helping them notice something during meetings. Do you have any specific expectations towards investors in supporting the growth of the business?



**Ikeda** In a general sense, I think investors provide us with a kind of tension and discipline. In the process of meeting and talking to investors, we listen to their candid comments about issues that concern them, while expressing our strategy and way of thinking straightforwardly. Through these discussions, we can gain a clear sense of what issues we have when seen from the outside. Obviously, we feel tension as we are required to deliver results in terms of the Company’s share price and related performance figures, but it can also serve as a good source of motivation as well. Therefore, I look forward to having constructive discussions with investors, and I hope they will continue to make their opinions and concerns clear.

Underlined words are explained in the Glossary on the Contents page.

# Sustainability Highlights

In addition to advancing the Three Innovations, the MOL Group is taking various initiatives to build a stronger management foundation as a marine transport company. Through these initiatives, the MOL Group aims to become a solid and reliable enterprise that achieves sustainable growth into the future.

## Emission-Free Business

### MOL Invests in Self-Elevating Platform Vessel Operator for Installation of Offshore Wind Power Generation Systems

Moving into the Offshore Business Following FPSO, FSRU, Shuttle Tankers, and Subsea Support Vessels

MOL has acquired a 5% share in Seajacks International Limited (Seajacks) Group, which owns and operates self-elevating platform vessels for the installation of offshore wind power generation systems. There has been significant expansion in offshore wind power generation systems, led by Europe, with Asia offering strong growth prospects for the future. For MOL, this investment will expand the horizons of its offshore business, along with marking its first step into the renewable energy business field.



One of the world's largest self-elevating platform vessels owned and operated by Seajacks


## Environmental Initiatives

### MOL Launches a Joint Study of LNG-fueled Capesize Bulker Initiative on Environmental Protection Ahead of International Rules

In January 2017, MOL reached an agreement to launch "Green Corridor," a joint study of an LNG-fueled capesize bulker with five other companies—resource and energy majors Rio Tinto, BHP Billiton, and Woodside Energy, as well as DNV GL, an international classification society based in Norway and Germany, and Shanghai Merchant Ship Design & Research Institute, a member of the China State Shipbuilding Corporation Group. Thereafter, Australian resources major Fortescue Metals Group and Taiwanese shipping company U-Ming Marine Transport Corporation joined the study. The joint study is now conducting research into the technological and economic feasibility of an LNG-fueled capesize bulker, in advance of international treaties calling for stricter NOx and SOx emissions standards.



At the signing ceremony

 Underlined words are explained in the Glossary on the Contents page.

## Human Resources Development

### MOL Decided to Establish a Maritime Academy in the Philippines

Continuously Training Top-Quality Seafarers for Global Top-Class Safety in Vessel Operations

In June 2018, MOL will inaugurate MOL Magsaysay Maritime Academy Inc., a maritime academy, in Dasmariñas, Cavite in the Philippines. With its local partner Magsaysay Maritime Corporation, the MOL Group plans to recruit about 300 graduates every year, providing continuous training programs to develop top-quality seafarers who will be able to hit the ground running through a four-year curriculum that encompasses basic education and specialized coursework.



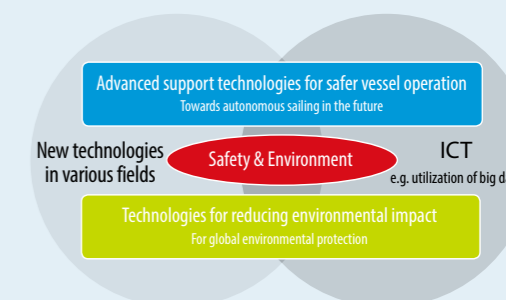
Conceptual image of the completed maritime academy campus (provisional)

## Technological Development

### MOL Launches the "ISHIN NEXT—MOL SMART SHIP PROJECT—"

Enhancing Business Strengths and Increasing Corporate Value

In November 2016, MOL launched the "ISHIN NEXT—MOL SMART SHIP PROJECT—," a new technological development project that builds on the success of the Senpaku ISHIN Project, which was announced in 2009. Through the project, MOL will share its technological development policies with customers and other stakeholders, thereby capturing diversified needs and collecting various seeds of technologies. By matching those needs with technologies, MOL intends to develop technologies for safer vessel operation and for reducing environmental impact, which will help to enhance its business strengths and increase its corporate value.



## Safe Operation

### "Project for Establishing a System to Visualize Onboard Environments Utilizing ICT"

Proactive ICT Utilization for Safer Vessel Operation

As part of the abovementioned "ISHIN NEXT—MOL SMART SHIP PROJECT—," MOL will conduct the "Project for Establishing a System to Visualize Onboard Environments Utilizing ICT." The aims of this project are to reduce workplace accidents onboard, reduce the workload of seafarers, and enhance crew operation and technical skills. MOL will enhance safer operation, improving the safety awareness and skills of crew

members, by developing:

- (1) The health and safety management of crew through the use of wearable devices; and
- (2) The education of crew and skill transfer using head-mount displays, virtual reality (VR) / augmented reality (AR) technologies, and remote support systems for use during maintenance and repairs.



# At a Glance

## FY2016 Performance (Consolidated)

Shipping and other revenues  
**¥1,504.3 billion**

Ordinary profit  
**¥25.4 billion**

Total assets  
**¥2,217.5 billion**

Net assets  
**¥683.6 billion**

Equity ratio  
**25.8%**

Gearing ratio  
**1.96**

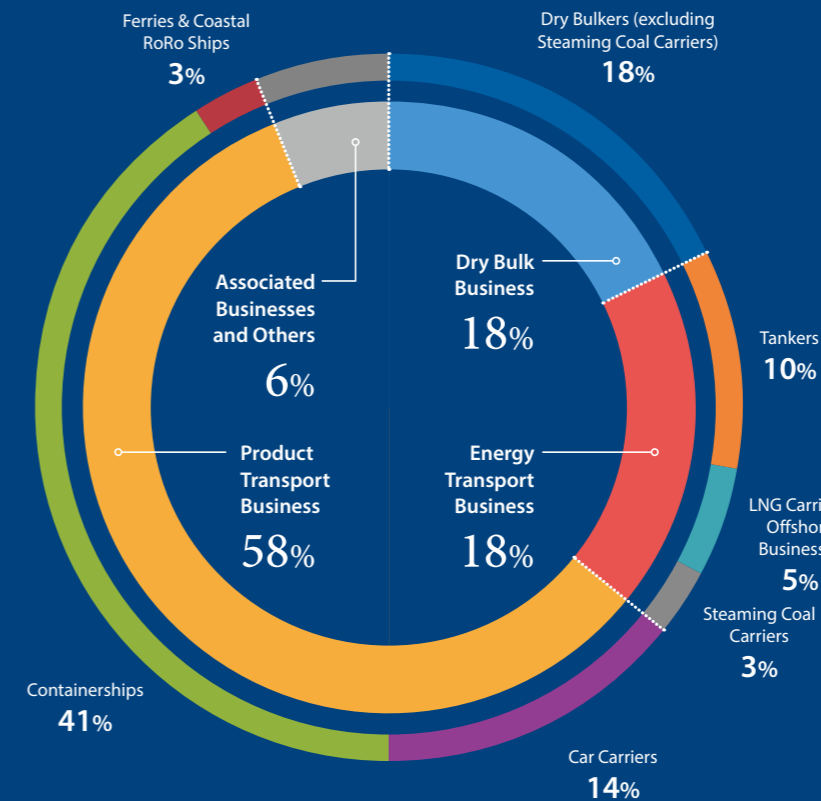
Net gearing ratio  
**1.64**

MOL's fleet (number of vessels)  
**847**

## Revenues/Ordinary Profit by Segment

Figures are provided for reference by simply restating according to new segmentation applied from fiscal 2017 without adjusting inter-segment transactions

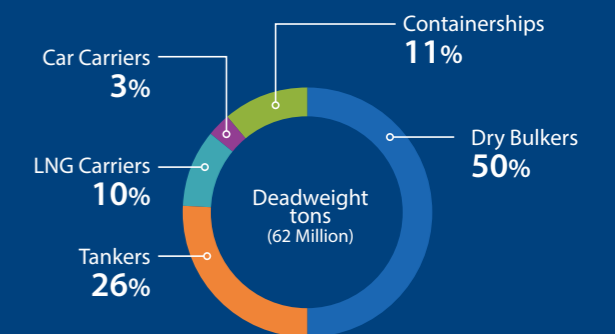
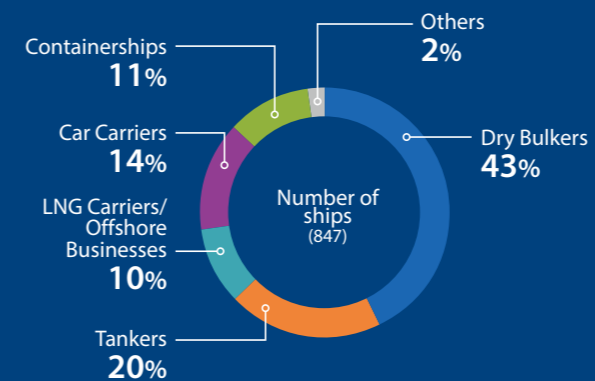
### Revenues by Segment



### Ordinary Profit by Segment (¥ billions)

	FY2016 performance
Dry Bulk Business	11.9
Energy Transport Business	26.7
Product Transport Business	(27.9)
Containerships only	(32.8)
Associated Businesses	12.3
Others	1.8
Corporate/Eliminate	0.5
Total	25.4

## Fleet Composition



MOL established the Dry Bulk Business Unit and the Energy Transport Business Unit in April 2016, and the Product Transport Business Unit in April 2017. Accordingly, MOL has reclassified its previous disclosure segments, namely Bulkships, Containerships, and Ferries & Coastal RoRo Ships, as the Dry Bulk Business, Energy Transport Business and Product Transport Business from fiscal 2017. In this section, disclosure is provided in accordance with the new disclosure segments.

Business Activities

Dry Bulk Business

**Dry Bulk  
Carriers  
(excluding  
Steaming Coal  
Carriers)**

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



Market conditions are still in the process of recovering. However, thanks to the Business Structural Reforms, we have implemented in small- and medium-sized bulkers in addition to reducing the numbers of capesize bulkers operated on the spot market, profitability improved significantly from the previous fiscal year, turning a certain level of profit in fiscal 2016.

Energy Transport Business

**Tankers**

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



The tanker division focused on reducing market exposure and soundly executing long-term contracts, in conjunction with working to secure new contracts for crude oil and other tankers from overseas customers. In addition, we continued to work to improve operation efficiency and reduce costs. As a result, although profit levels decreased significantly year on year, we posted a certain profit in fiscal 2016.

**LNG Carriers/Off-shore  
Businesses**

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



The LNG carrier division continued to secure stable profits from long-term contracts while increasing its profit year on year, partly through incremental income from newly delivered vessels, including the world's first large ethane carriers. In addition, the offshore project division posted higher profit year on year due to steady FPSO operations, including a new FPSO unit.

**Steaming Coal  
Carriers**

MOL transports coal for thermal power generation, mainly on medium- to long-term transport contracts with electric power companies in Japan. Looking ahead, we also plan to engage aggressively in coal transport for emerging countries, where growth is expected. As a division within the Energy Transport Business Unit, the steaming coal carriers division will coordinate with other divisions to meet diversifying customer needs.



Cargo volumes of completed cars to the U.S. and Europe were firm, while imports by emerging countries and resource-producing countries continued lackluster as their economies slowed down as a result of falling resource prices and other factors. Against this backdrop, we worked to reduce the fleet size and improve operation efficiency in response to changes in trade patterns. Despite these efforts, ordinary profit declined sharply year on year.

Product Transport Business

**Car Carriers**

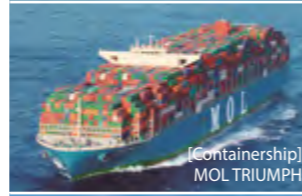
MOL is stably expanding transport services to meet the changing needs of automakers as they move production to optimal sites around the world. We operate globally with specialized car carriers that can effectively transport any type of vehicle from passenger cars to construction machinery.



In addition to improving our slot utilization rates by strengthening our sales capabilities, we continued working to reduce costs, such as the cost of repositioning empty containers, by bolstering yield management. These efforts produced a certain measure of results. However, the division's loss increased slightly, mainly due to the downturn in annual contracted freight rates after historically low freight levels in January-March 2016.

**Containerships**

Through MOL's global network of sea routes, we transport containers loaded with electric products, automotive parts, clothes, furniture, food products and many other products to deliver them around the world. We are expanding our network with wider port coverage and increased service frequency, not only on our self-operated routes but also in joint operations with partners.



Cargo volumes trended firmly as the trend toward a modal shift in transportation—i.e., a switch from long-distance land transport by trucks to ferry transport—accelerated further. In terms of the number of passengers, although certain routes were negatively impacted by the Kumamoto Earthquakes, we secured the same level of overall profit as in the previous fiscal year, supported in part by a decline in fuel prices.

**Ferries & Coastal  
RoRo Ships**

MOL develops the ferry business, which transports both passengers and vehicles (automobiles, trucks, etc.), and the coastal RoRo ships business which specializes in the transport of freight vehicles. We are raising our profile as the leader of an eco-friendly modal shift in domestic logistics.



Associated Businesses

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



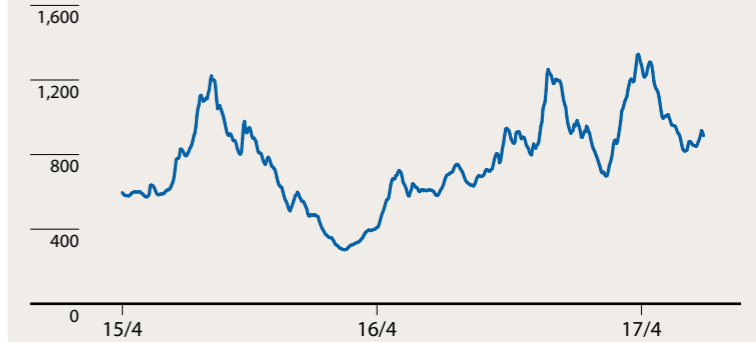
In the cruise ship business, ordinary profit increased year on year due to healthy sales for the cruise ship NIPPON MARU. Ordinary profit in the real estate business increased as well, underpinned by a robust office leasing market. In other areas, the tugboats, trading and certain other businesses showed a generally firm performance trend. Consequently, the segment's overall ordinary profit increased year on year.

Year in Review

Business Environment

Dry Bulk Market (BDI\*1)

(Jan 4, 1985=1,000)

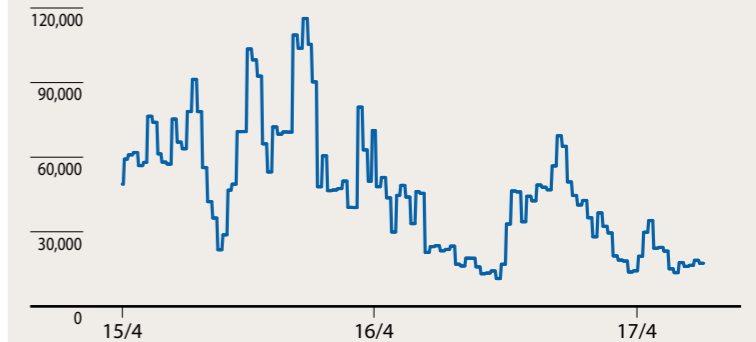


Source: MOL internal calculation based on TDS and others

\*1 Baltic Dry Index

VLCC\*2 Market (AG - Japan)

(US\$/day)

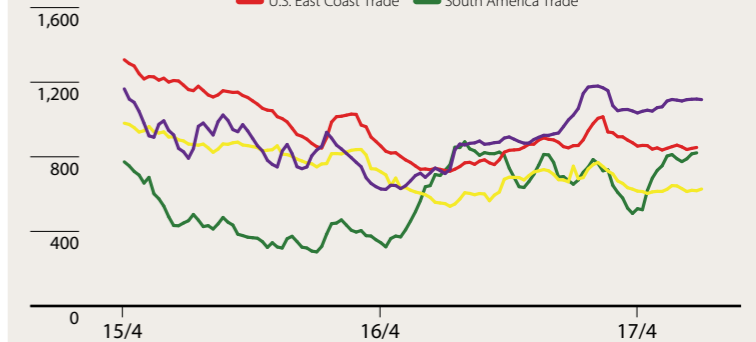


Source: MOL internal calculation based on Clarkson

\*2 Very large crude carrier (300,000-DWT class)

Containership Market (CCFI\*3)

(Jan 1, 1998=1,000)



Source: SSE

\*3 China Containerized Freight Index

Underlined words are explained in the Glossary on the Contents page.



# Overview of Operations

## Dry Bulk Business Unit



**Toshiaki Tanaka**  
Managing Executive Officer  
Director General of Dry Bulk  
Business Unit

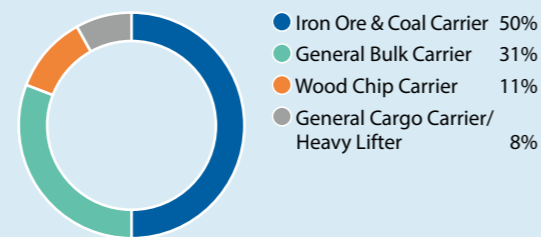
**Hirofumi Kuwata**  
Executive Officer  
Deputy Director General

### Dry Bulkers

#### Fiscal 2016 in Review

In fiscal 2016, the business unit continued to experience an adverse business environment; however, we secured a profit due after significantly reducing market exposure through the Business Structural Reforms that have been underway since fiscal 2015 while posting stable profits from long-term contracts. In the Business Structural Reforms, we steadily proceeded to sell off some of our capesize bulkers and optimized the size of our fleet. In small- and medium-sized dry bulkers, we redelivered chartered-in vessels before their charter contracts reached maturity, and lowered vessel costs for the remaining core fleet to a level in line with the then-prevailing market. These measures transformed our fleet, making it highly competitive and streamlining it to align with the number of cargo contracts we have accumulated. The dry bulker market itself has broken out of the record slump it had entered prior to spring 2016 and is now showing a gradual recovery trend driven by firm shipments of Brazilian iron ore and an increase in Chinese coal imports. Our vessels operating under medium- and long-term cargo contracts for iron ore and coking coal, wood chips, and so forth continued to secure stable profits. Although losses were recorded by certain affiliates, overall results surpassed the plan at the start of the fiscal year.

Consolidated Revenues Breakdown (FY2016)



Dry Bulker Fleet Table (Number of vessels)

Vessel type	Standard DWT	At the end of Mar. 2017	At the end of Mar. 2016	Use
Capesize	180,000	90	92	Steel raw materials (iron ore, coking coal)
Panamax	80,000	24	31	Iron ore, coking coal, steaming coal, grains, etc.
Handymax	55,000	57	60	Steaming coal, grains, salt, cement, steel products, etc.
Small handy	33,000	31	52	Steel products, cement, grains, ores, etc.
Wood chip carriers	54,000	39	41	Wood chips, soybean meal, etc.
Short sea ships	12,000	55	54	Steel products, plants, etc.
<b>Total</b>		<b>296</b>	<b>330</b>	

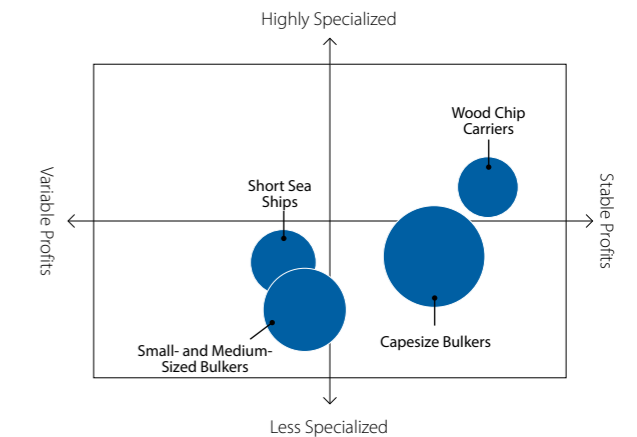
#### Fiscal 2017 Initiatives

As a result of the Business Structural Reforms, we have achieved an appropriate fleet structure. Now we will aim for growth while balancing risk. Having streamlined the fleet to an appropriate scale, our strategy now is to place even higher priority on acquiring medium- to long-term transportation contracts with our main customers. The important points in executing this strategy will be to leverage the advantages of the trust and brand strength that we have built up with our customers over many years. Customers seeking medium- to long-term contracts put a high priority on quality of transport services and financial stability in choosing partners. MOL is one of a limited pool of carriers that qualify. For example, we are seeing an expansion of demand for biomass fuel transportation, a relatively new field in the small- and medium-sized bulker sector. Our long track record and stance on safe operations has helped to increase the evaluation of the MOL brand and contributed to our gaining new contracts in this new business field. We are creating a virtuous cycle where building a record of achievements leads to positive evaluation, and this in-turn helps to strengthen our brand.

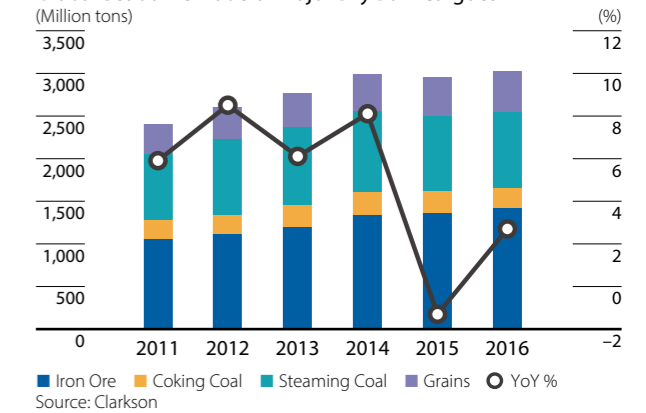
On the other hand, the ratio of long-term contracts for some types of cargo is set to decline going forward, and our business model could change. In response to this trend, the business unit system that we launched in fiscal 2016 will have an important role to play. The divisions within the Dry Bulk Business Unit will share information to keep track of what kinds of transport demand are occurring, and we expect this will help us to acquire new contracts and deploy vessels effectively. We also expect it to enable flexible personnel deployment in response to changes in the business environment.

Another key aspect of our strategy is environmental response. Naturally, we are responding to the Ballast Water Management Convention and tightening of regulations on the sulfur oxide content in fuel oil (SOx regulations). A large number of dry bulkers were ordered during the shipping boom in the first decade of the 2000s, but a significant number of these vessels are believed not to meet the quality standards. It is possible that these vessels could be withdrawn from the market going forward as they may fail to comply with the new environmental regulations. Customers' awareness of environmental issues is also increasing rapidly. MOL joined forces with major iron ore suppliers and several other companies to start the joint research project "Green Corridor" on LNG-fueled bulkers. Through these and other initiatives, we are working to reduce our environmental burden as a responsible marine transport company, and we will continue to provide even better quality in our transport services going forward.

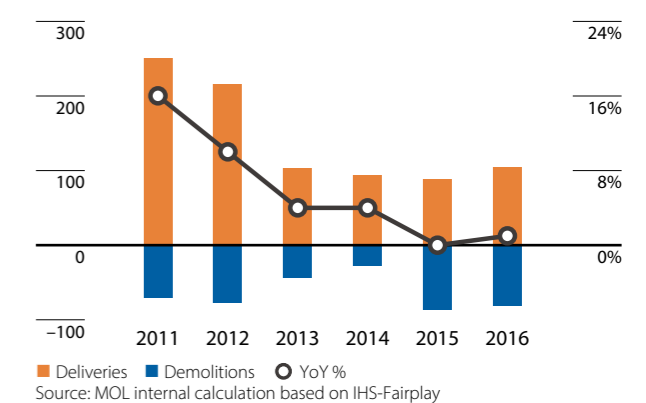
#### Portfolio



Global Seaborne Trade of Major Dry Bulk Cargoes



Vessels Supply (Capesize) (Number of vessels)



# Energy Transport Business Unit



**Kenta Matsuzaka**  
Executive Officer  
Deputy Director General  
(LNG Carriers)

**Takeshi Hashimoto**  
Senior Managing Executive Officer  
Director General of Energy Transport  
Business Unit  
(Management and Offshore Businesses)

**Hirofumi Kuwata**  
Executive Officer  
Deputy Director General  
(Steaming Coal Carriers)

**Akio Mitsuta**  
Senior Managing Executive Officer  
Deputy Director General  
(Tankers)

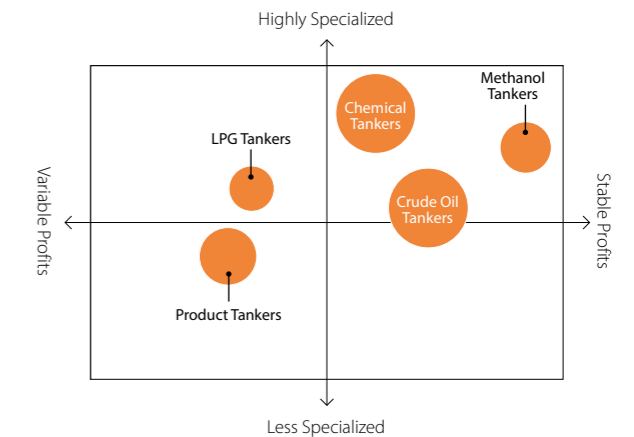
## Fiscal 2017 Initiatives

In fiscal 2017, we expect supply to increase due to new vessel deliveries, and the tanker market to continue facing adverse overall conditions. In response to this environment, we will conduct business management by clearly selecting and concentrating our resources. In crude oil tankers, we will focus on maintaining and renewing the medium- and long-term contracts we have built up with oil companies in Japan and overseas. In product tankers, where there is no apparent demand for medium- and long-term contracts, we will continue to scale down our fleet. Meanwhile, we will scale up our fleet in the chemical tanker field, which has high entry barriers, as we can leverage our advantages there. In methanol tankers, we intend to use our cost competitive fleet to help capture more medium- and long-term contracts.

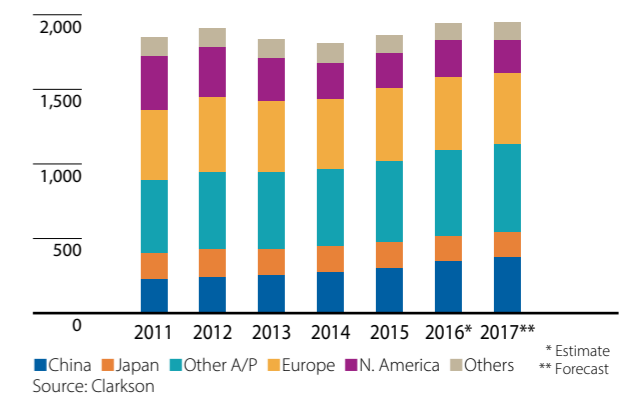
In addition to these vessel type-specific strategies, we will also take steps to strengthen the MOL brand. In one instance of making use of the MOL brand in this division to gain contracts, we expanded our medium- and long-term contract for VLCCs with Reliance Industries Limited of India to five vessels. We have already been supplying ethane carrier services to Reliance in the LNG carrier division, and their high evaluation of our transport quality, including ship management, appears to have led to the conclusion of this latest VLCC contract expansion. This is clearly a successful result of synergies arising from initiatives undertaken by the Energy Transport Business Unit. We will continue to accumulate such achievements going forward, further strengthening the relationships of trust with our customers.

The Company's tanker division is one of the largest in the world in terms of overall scale, and has a distinctively diverse portfolio of various vessel types for different cargo, even within the class of tankers. In product and LPG tankers, which are not prominent in terms of independent vessel numbers, we have entered pool arrangements with overseas partners to form pools with world-class global scale overall. We will continue to utilize scale benefits of our fleets, including these pool arrangements, while enhancing our cost competitiveness and service quality, as well as steadily executing safe vessel operations. In doing so, we will aim to earn a reputation among customers as the "go-to Company for tanker services."

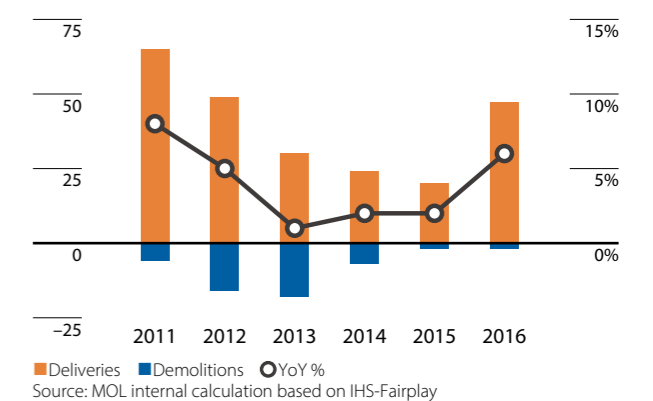
## Portfolio



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



Vessels Supply (VLCC) (Number of vessels)

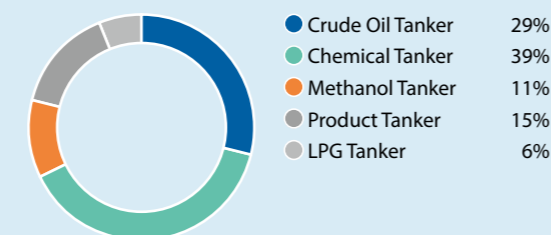


## Tankers

### Fiscal 2016 in Review

In the previous fiscal year (2015), the tanker division achieved a huge increase in profit due to favorable market conditions. However, from the start of fiscal 2016, we operated under the assumption that the market would soften due to an increase in supply arising from new vessel deliveries. In fact, the market deterioration exceeded our expectations. Under these circumstances, we effectively minimized the negative impact on earnings by responding appropriately for each vessel type. In crude oil tankers, product tankers, and LPG tankers, the spot market grew sluggish due to ongoing easing of the supply and demand balance. However, we steadily recorded highly stable profits from VLCCs deployed on long-term contracts with oil companies in Japan and overseas, as well as methanol tankers, where we replaced five vessels with newly built vessels during fiscal 2016, including three methanol-fueled vessels equipped with dual-fuel diesel engines. In chemical tankers, although the spot market softened, we managed to reduce the negative impact by fixing approximately 70% of cargoes with one- to three-year contracts of affreightment (COAs) under our business policy. As a result, profits declined substantially from fiscal 2015, when market conditions had been extremely favorable; but we managed to post a certain level of profit.

Consolidated Revenues Breakdown (FY2016)



Tanker Fleet Table (Number of vessels)

Vessel type	At the end of Mar. 2017	At the end of Mar. 2016	Vessel type under pool management (at the end of Mar. 2017)
Crude oil tankers	40	42	
Chemical tankers*1	51	54	
Methanol tankers	27	25	
Product tankers*2	43	45	LR1 (70,000 DWT) MR (50,000 DWT)
LPG tankers	8	9	VLGC (Very Large Gas Carrier, 80,000 m <sup>3</sup> )
<b>Total</b>	<b>169</b>	<b>175</b>	

\*1 Main cargoes: xylene, benzene and vegetable oil, etc.

\*2 Main cargoes: gasoline, naphtha, kerosene, jet fuel and gas oil, etc.



## LNG Carriers/Offshore Businesses

### Fiscal 2016 in Review

Our vessels in this division are basically operated under long-term contracts with customers, so the division reported stable profits as always in fiscal 2016. In particular, fiscal 2016 saw the completion of construction of six LNG carriers, one FPSO unit, and five very large ethane carriers, which have now started contributing to profits. On the other hand, we were unable to achieve remarkable progress in securing new long-term contracts. The LNG carriers/offshore businesses division uses a business model of incorporating transport demand generated from new resource development projects; however, the development of such new projects has almost ground to a complete halt due to the ongoing slump in energy prices such as oil and gas since 2015. In this situation, we spent the year focusing on bringing the investments of the past few years to fruition. Even amid a general slump in the marine transport market, the division performed its role as expected by steadily posting long-term, highly stable profits.

### Fiscal 2017 Initiatives

The start of execution of the long-term contracts that we have already built up will contribute to the expansion of our fleet and ensure the expansion of highly stable profits over the next few years. In our efforts to acquire new long-term contracts, we expect to see adverse conditions continue in fiscal 2017; however, oil prices have been stable since the previous year-end, and oil majors are starting to invest in energy resource development projects again. We will follow these movements very closely to obtain new contracts.

By its nature, the global shipping business itself is a cyclical industry. However, a special feature of this division is the ability to achieve stable cash flow through long-term contracts. Looking ahead, we plan to use this to contribute to stable earnings for the Company overall by expanding investments that can secure highly stable profits. As energy consumption in Japan declines over the medium to long term, we will need to approach regions where consumption is set to grow in the future, such as India, China, Southeast Asia, and Central and South America. In such countries and regions, alliances with local partners will become important for smoothly rolling out business operations. As this division's strongpoint, it has built firm relationships with local partners in every country through its achievements to date. Even now MOL has established a strong position in the LNG carrier field. When all of the LNG carriers that we currently have under construction are delivered, our fleet of over 90 vessels will be the largest in the world, with an unrivalled scale. Based on the benefits of scale, we will strengthen our customer relationships even further and expand our other energy transport businesses such as tankers and steaming coal carriers in India, China and other growth regions. By establishing the

#### New Projects Starting Operation in FY2017

LNG Carriers			
Tokyo Gas	ex. USA	To Japan	1 vessel
SINOPEC (China)	ex. Australia	To China	3 vessels
Yamal (Russia)	ex. Russia	To China	1 vessel

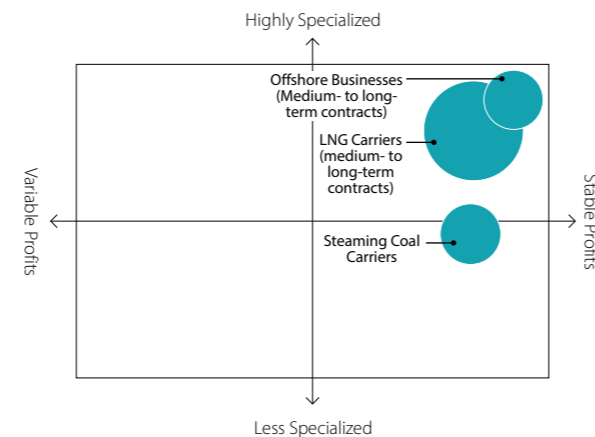
  

Offshore Businesses			
Petrobras	Brazil	FPSO	1 unit
Tullow Ghana	Ghana	FPSO	1 unit

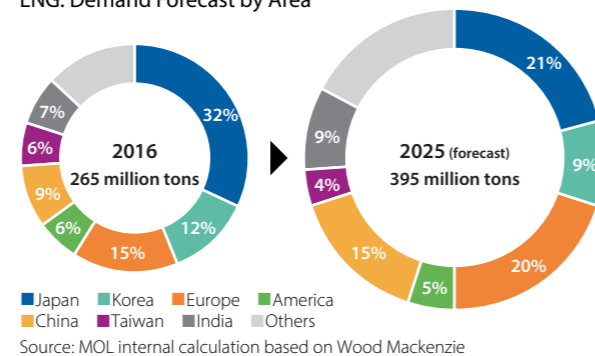
  

Ethane Carriers			
Reliance (India)	ex. USA	To India	1 vessel

#### Portfolio



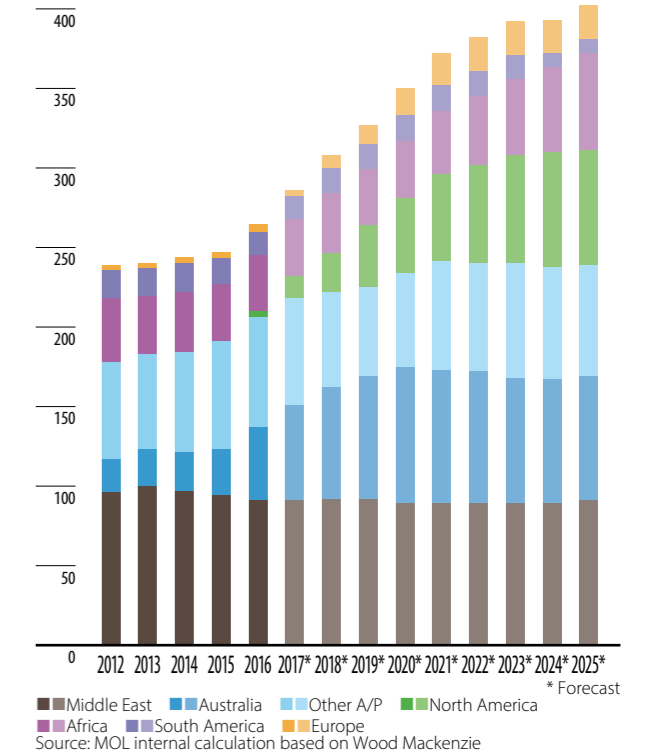
#### LNG: Demand Forecast by Area



Energy Transport Business Unit structure and chief country representatives, we have created a framework for providing customers with optimal solutions from an energy transport perspective. We will continue working to leverage synergies between the divisions and strengthen our sales capabilities.

In offshore businesses, we expect to see an increase in demand for FSRUs for emerging countries, and we will actively work to address this need. As upstream investment resumes, we will aim to capture new FPSO projects, mainly those off the coast of Brazil and West Africa. In February 2017, MOL entered the self-elevating platform vessel business, providing offshore wind power generation installation services. Offshore wind power generation is already being rolled out in large scale in Europe, and is expected to expand in Japan, Taiwan, and other Asian countries going forward. We therefore plan to proceed steadily in this field.

LNG: Seaborne Trade (Million tons)



## Steaming Coal Carriers

The steaming coal carrier division, which is developing its business mainly in medium- to long-term contracts with electric power companies in Japan, encountered a generally adverse environment in fiscal 2016, due to the impacts of the slump in dry bulk market conditions and shortening trend of transportation contracts in association with the deregulation of Japan's electric power industry. However, rigorous implementation of efficient vessel operations and cost reductions enabled the division to secure a profit.

In Japan, there is a growing movement to reorganize the electric power industry and revise the composition of electric power sources through the separation of power generation and transmission, which will take place in 2020. Despite these uncertainties, we believe that there is solid demand for coal-fired power plants as a stable source of power. We will therefore work to expand our market share through our

strengths in taking a hands-on approach and proposal-based sales. Meanwhile, demand for steaming coal is soaring in emerging countries such as Southeast Asian countries and India. The division is actively engaged in sales activities targeting this new demand. These have produced concrete results such as the acquisition in June 2017 of a coal transport contract for Thermal Powertech Corporation India Limited, an Indian independent power producer.

Looking ahead, the steaming coal carrier division will utilize its accumulated expertise in safe, reliable transportation of coal to Japan and firmly capture anticipated growth in demand for energy transport to emerging countries, fostering cooperation with the tanker division and LNG carrier/offshore businesses division within the Energy Transport Business Unit.

# Product Transport Business Unit



**Toshiya Konishi** Managing Executive Officer Deputy Director General (Terminals & Logistics)  
**Naotoshi Omoto** Managing Executive Officer Deputy Director General (Car Carriers)  
**Masahiro Tanabe** Executive Vice President Director General of Product Transport Business Unit  
**Koichi Yashima** Managing Executive Officer Deputy Director General (Ferries & Coastal RoRo Ships)  
**Akihiko Ono** Senior Managing Executive Officer Deputy Director General (Containerships)

these efforts however, profits deteriorated significantly from the previous fiscal year, also affected by the impact of the yen's appreciation in foreign exchange rates.

### Fiscal 2017 Initiatives

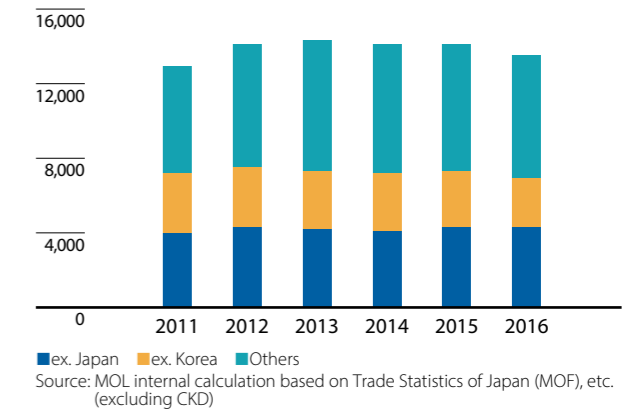
In fiscal 2017, global auto sales volumes are expected to increase steadily, albeit with regional differences. On the assumption that the trade pattern in marine transport will not change significantly from the previous fiscal year, we aim to enhance the efficiency of our operational fleet by continuing to reduce fleet size from the current 120 car carriers to achieve an appropriate scale, mainly through the retirement of aging vessels. Moreover, in fiscal 2017 and fiscal 2018, we plan to launch four new vessels capable of efficiently carrying diverse vehicles such as construction machinery by using multiple internal decks with adjustable heights. These will gradually begin to enhance our earning capability.

In recent years, trade patterns for vehicles have been growing more complex as Japanese automakers expanded their overseas manufacturing bases and then engaged in locally optimized mass production to cover demand from the regions around these bases. The car carrier division will respond flexibly to diversifying customer needs and trends by using our network, which is one of the largest in the world. At the same time, we will examine business development in Asia and other regions with potential for major expansion in vehicle production and imports going forward.

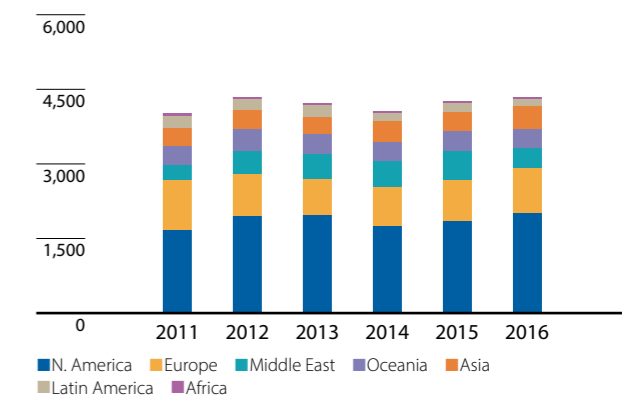
One of the major issues we face is response to environmental issues. Customers are also rapidly becoming more aware of the environment. We are currently examining development of new vessels with LNG-fueled engines, which can reduce CO<sub>2</sub> emissions by as much as 25% compared to conventional diesel engines.

From fiscal 2017, we established the Product Transport Business Unit, and the car carrier division became one of the divisions in this business unit, alongside containerships, terminals and logistics, and ferries and RoRo ships. Previously, the division shared information with the containerships sales teams to respond to customer needs. Now we are looking to extend this further to cooperate with the Port Projects & Logistics Business Division on the expanding onshore automobile logistics business. Looking ahead, we will continue working to provide optimal solutions to customers as "One MOL" by leveraging synergies between business divisions to capture new growth opportunities.

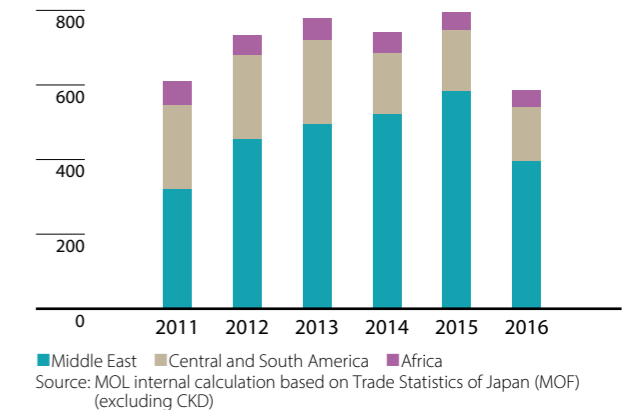
Global Car Seaborne Trade (Thousand units)



Car Export from Japan by Destination (Thousand units)



Of which, Car Export for the Middle East, Central and South America, and Africa (Thousand units)

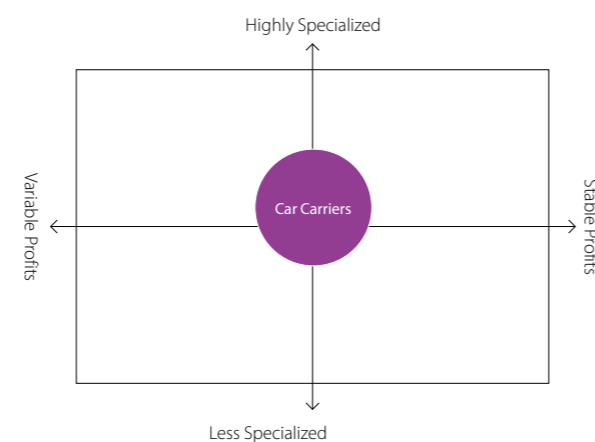


## Car Carriers

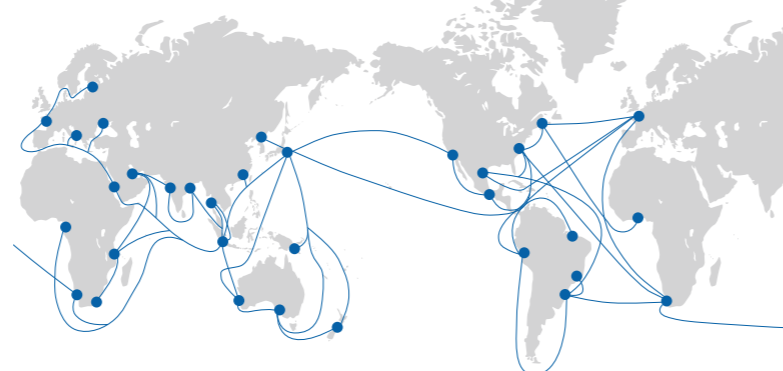
### Fiscal 2016 in Review

In fiscal 2016, the division faced an extremely difficult operating environment compared with the past few years. Global auto sales volumes and marine transport volumes were little changed from the previous year; however, the business environment was substantially changed by the emergence of regional differences. Cargo volumes from Japan increased, reflecting firm auto sales in North America and Europe, which have a powerful influence over marine transport route organization. On the other hand, cargo volumes declined sharply to emerging and oil-producing regions such as the Middle East, Africa, South America, and Southeast Asia, reflecting an economic downturn due to slumping crude oil prices. The drop in cargo volumes has affected cargoes from Europe and the United States, as well as East Asia. Previously, we were able to achieve efficient vessel deployment and reduce ballast voyages by transporting cargoes from Europe and the United States to the Middle East and Africa on the return voyage after carrying cargoes from East Asia to Europe and the United States. However, the decline in return-voyage cargoes has caused voyage profitability to deteriorate rapidly. In addition, a decline of more than 10% in overseas exports from South Korea saw an easing of the overall vessel supply and demand balance, prompting a fall in the level of freight rates and causing fiercer competition. In response to these changes, the car carrier division has taken steps to improve operation efficiency, such as reducing the number of vessels deployed and coping with the increase in cargo volumes to Europe and the United States by chartering space on other companies' vessels for one way of the voyage only. Despite

Portfolio



Main Routes





# Containerships

## Fiscal 2016 in Review

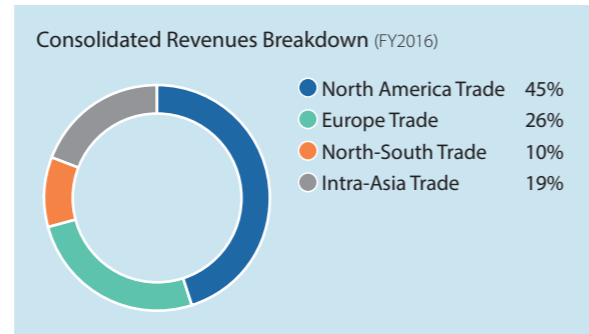
The containership business posted a loss of ¥32.8 billion in fiscal 2016. Regrettably, we were unable to improve the loss from the previous fiscal year. With freight rates sinking to a historical low during January to March 2016, our business operated amid particularly adverse conditions for the first half of the fiscal year. In the second half, signs of a recovery trend emerged. Around the start of autumn, the collapse of a major overseas container shipping company resulted in an increase in idle containerships and a decrease in capacity supplied. Due to that incident, customers have been showing an increasing preference for shipping companies with financial soundness. We also saw stronger growth than usual in cargo movements before the Chinese New Year at the end of January 2017.

By route, the Asia-North America route saw firm cargo movements, but earnings were weighed down throughout the fiscal year by a sharp decline in annual contract freight rates, renewals of which coincided with a marked slump in spot freight rates. On the Asia-Europe route, the declining trend in cargo movements due to inventory adjustments and other factors in Europe was halted, and activity began to resume gradually. However, the upticks in freight rates were short-lived and the market generally remained at a low level. On the other hand, the Asia-East Coast of South America route, which posted a significant loss in fiscal 2015, saw a firm freight rate market resulting from improvements in the supply and demand situation.

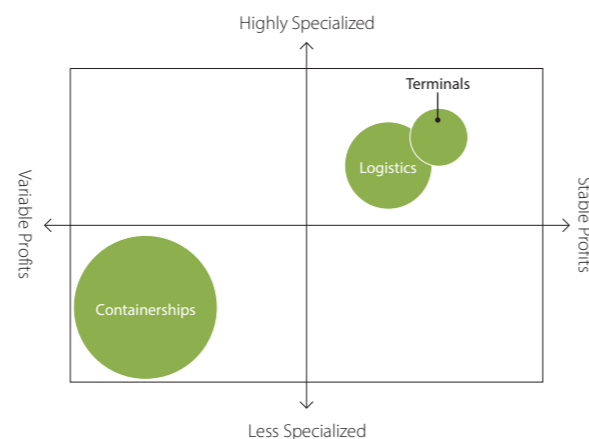
To improve our earnings, we reduced vessel costs through the Business Structural Reforms. We also took every measure possible to increase the yield per container and enhance cost competitiveness, improved the slot utilization rate by bolstering sales capabilities, and continuously strengthened yield management to reduce the cost of returning empty containers. These efforts have produced some results, but these were outweighed by the impact of lower revenues due to the decline in freight rates, causing the loss to expand from fiscal 2015.

## Fiscal 2017 Initiatives

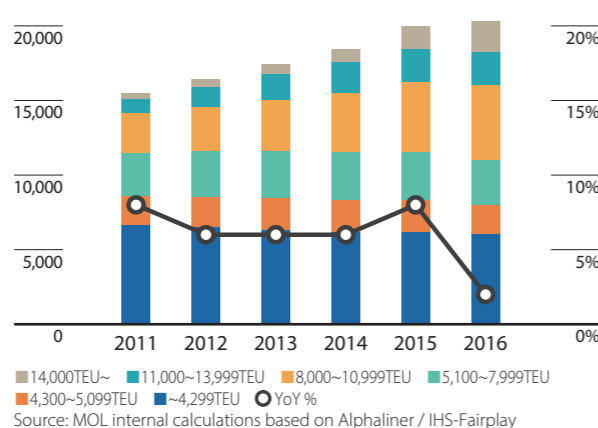
In fiscal 2017 and beyond, the issue of excessive vessel supply is expected to continue due to deliveries of new Ultra-Large Containerships (ULCSs). However, we expect that the increase in supply may be slower than initially predicted as some deliveries appear to have been pushed back. Meanwhile, an expanding trend has emerged in cargo movements. Movements of outbound cargoes from Asia to North America and Europe are expected to remain firm, and cargoes on the backhaul from North America and Europe to Asia have also been growing. This will increase revenue while simultaneously working directly to reduce the cost of returning empty containers by reducing the imbalance between outbound and inbound cargoes. In addition, North-South



## Portfolio



## Global Containership Capacity (Thousand TEU)



routes, including the Asia-East Coast of South America route which returned to profitability in fiscal 2016, are expected to see firm cargo movements overall.

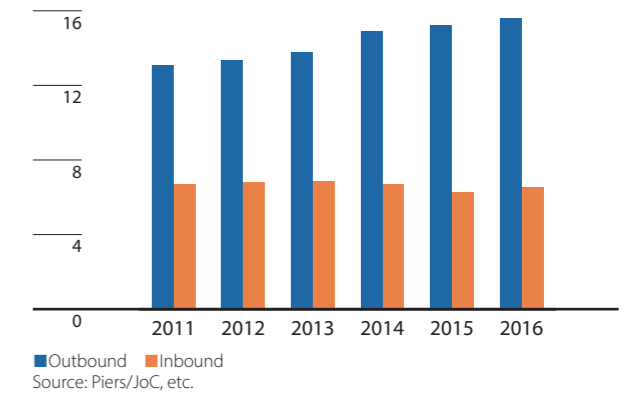
Under these conditions, MOL started services under a new alliance called "THE Alliance" in April 2017. THE Alliance has

adopted a "best ship" approach in which the optimal vessels are deployed for each route among the vessels supplied by the alliance partners. Furthermore, each partner is scheduled to launch a series of state-of-the-art ULCSs, by which the alliance plans to form an extensive network and enhance direct services to provide competitive, high-frequency services. Moreover, in addition to strengthening the hard aspects of the business, we will also take steps to differentiate our services and improve earnings through the implementation of various soft aspects such as ongoing efforts to bolster our sales capabilities and to further deepen our yield management.

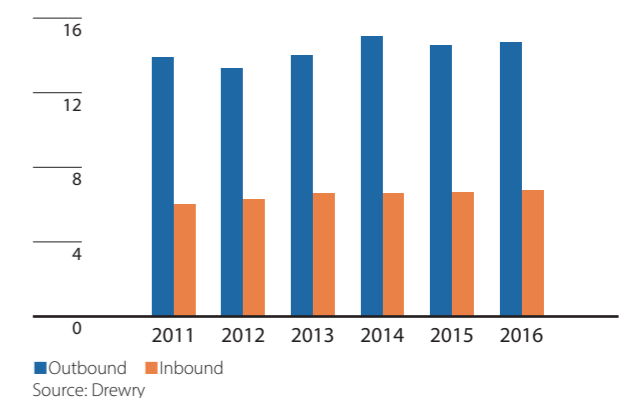
The glut in the vessel supply is expected to take some time to clear. However, orders for new deliveries are already on hold, while recent growth in cargo movements is already leading to tighter demand in some routes. We believe that signs of improvement are beginning to appear for the containership industry overall.

In October 2016, MOL announced the integration of its containership business with two other Japanese shipping companies. A holding company is to be established in Tokyo with an operating company established in Singapore, and the integration is proceeding steadily ahead of the planned start of operations in April 2018, under the trade name "Ocean Network Express." In fiscal 2017, the Company will strengthen the competitiveness of its own containership business and strive to hand it over to the new company with the best possible improvement to earnings.

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



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



## Terminals & Logistics

In the Terminals & Logistics business, which is expected to grow and secure relatively stable earnings, our earnings for fiscal 2016 continued to be in line with expectations. Domestic terminals saw a significant increase in the number of containers handled, mainly at the Kobe Port terminal, which is now one of the largest in Japan after having had its berths extended. In overseas terminals, our key strengths are leading-edge automated container handling terminals at each of the largest North American and European ports in terms of container volume. At our TraPac terminal at the Port of Los Angeles, an on-dock rail service started operation, connecting the inside of the terminal with the inland railway network for even greater efficiency. The form of the Company's terminal business operations is set to change with the transfer of the overseas terminal business to the new joint company for integrating container shipping businesses; however, we will seek further growth opportunities by examining entry into new business domains, such as terminals that handle cargo other than containers.

Following the integration of the containership business, the MOL brand service in the transport of individual products will be assumed by the logistics business. We will aggressively invest management resources to strengthen our existing businesses while aiming to expand through M&As and so forth in the field of locally tailored logistics services, mainly in Southeast Asia and the Americas. In March 2017, we expanded our network in Asia by investing in a major logistics company in Malaysia, where stable growth is anticipated. In the logistics business, we have been working to expand our cargoes handled in one-stop services encompassing containerships, multipurpose cargo ships and RoRo ships under the unified brand "MOL Project & Heavy Cargo." In addition to this project, we will work to maintain and expand our presence in transport of individual products by further developing our collaboration between divisions, including new alliances with existing local partners in various countries. To this end, we make use of the newly established Product Transport Business Unit and a system of chief country/regional representatives.

# Associated Businesses

## Ferries & Coastal RoRo Ships

### Fiscal 2016 in Review

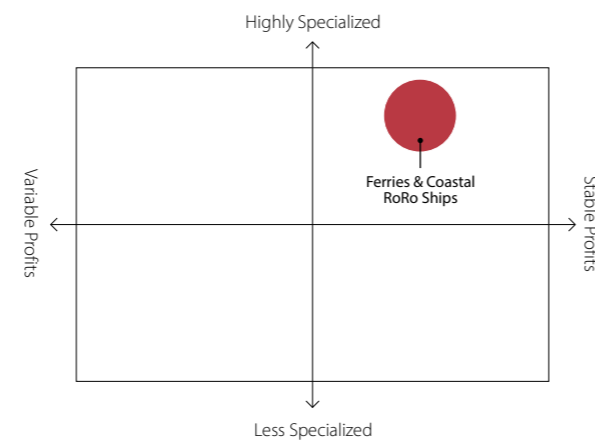
The division continued to post stable profits in fiscal 2016. Cargo volumes were firm, as a modal shift from long-distance land transport by trucks to ocean transport by ferries was accelerated by a shortage and aging of truck drivers and enforcement of legitimate labor management in addition to efforts to reduce environmental load. For the overall business of the division, we secured the same level of profit as the previous fiscal year due to the above factors and support from the fall in bunker fuel prices, despite the impact on passenger services of the Kumamoto Earthquakes and sailing cancellations due to typhoons, primarily in Hokkaido. In this division, we responded to a vehicle deck fire that occurred on the SUNFLOWER DAISETSU in 2015 by taking steps to prevent a recurrence. We conducted a comprehensive review of soft aspects such as formulation of a firefighting plan and seafarer drill plan for the vehicle deck, and made further enhancements to our safe operation systems. We are also looking at hard aspects for strengthening safety management even further such as installing the latest firefighting equipment on newly built vessels going forward.

### Fiscal 2017 Initiatives

In fiscal 2017, our plan is to continue capturing firm demand and steadily accumulating stable profits. We are also planning to launch two new ferries on the Eastern Japan route this fiscal year. We already launched the new SUNFLOWER FURANO in May, and plan to launch the new SUNFLOWER SAPPORO this autumn. The new vessels use contra-rotating propellers and a hybrid propulsion system to enhance sailing performance, shortening voyage times and dramatically increasing customer convenience. At the same time, the ferries are designed from the passenger's perspective. Passenger comfort has been greatly improved through measures such as increasing the ratio of individual cabins to around 50% (from around 30% in current vessels) to provide comfortable private spaces, while barrier-free features have also been increased. In 2018, we plan to launch two more new ferries on the Western Japan route, and we will engage in digital marketing based on big data while further promoting the division's core strategy of acquiring passengers.

The strength of MOL's ferries and coastal RoRo ships business lies in offering Japan's most extensive maritime network. We connect each area of the country, from Hokkaido in the north to Kagoshima in the south. With a 40-50% share of the domestic long-distance ferry market in both passengers and trucks, we serve as an artery for domestic distribution supporting Japan's regional economies. We will continue working to expand our diverse services to meet customer needs while reinforcing safe operations and transportation quality, thereby strengthening MOL's brand.

Portfolio



Increased the ratio of individual cabins (SUNFLOWER FURANO has 20 "Premium" class cabins)



The new SUNFLOWER FURANO



Koichi Yashima  
Managing Executive Officer

### Fiscal 2016 in Review

This segment comprises MOL's real estate, cruise ship, tugboat, trading and other businesses. In fiscal 2016, the mainstay real estate business saw a year-on-year increase in profits at Daibiru Corporation, the core company of the business, supported by a firm office leasing market, mainly in Tokyo. Daibiru currently owns and operates 12 office buildings in Tokyo, 12 in Osaka, and 2 overseas in Vietnam. In fiscal 2015, initial expenses relating to the completion of the Shin-Daibiru Building in Osaka were posted; however in fiscal 2016, the building contributed to profits with an occupancy ratio of nearly 100%. Meanwhile, in the cruise ship business, NIPPON MARU performed well in attracting guests, increasing its profits year on year, while other businesses such as the tugboat and trading businesses also performed solidly overall. As a result, the associated businesses overall recorded an increase in profits.

### Fiscal 2017 Initiatives

In fiscal 2017, we expect to continue steadily accumulating highly stable profits through solid business development, with results on par with the previous fiscal year. At the two office buildings in Vietnam, Daibiru has been developing tenant services that suit the preferences of Japanese companies expanding locally, using knowledge and expertise cultivated over years from its domestic operations, and we expect steady growth in the future. Daibiru is accumulating profits in line with the targets of its current medium-term management plan, "Design 100" Project, which is making steady progress. Daibiru is also planning to invest in projects overseas going forward. In the cruise ship business, we will continue making efforts to attract more guests. The diligent efforts to offer high-class service and customer-oriented hospitality by the crew on the NIPPON MARU are bearing fruit, and in addition to ordinary cruises, we will enhance our charter cruise business offerings, where we charter-out an

entire vessel. Moreover, in the tugboat and trading businesses, we will continue entering new fields, mainly those peripheral to offshore businesses and environmental businesses, such as specialty tugboats that assist in installing wind power generation facilities and after-installation maintenance operations. Through these measures, we plan to expand the segment's contribution to profits.

Portfolio



Shin-Daibiru Building



# Financial and Non-Financial Highlights

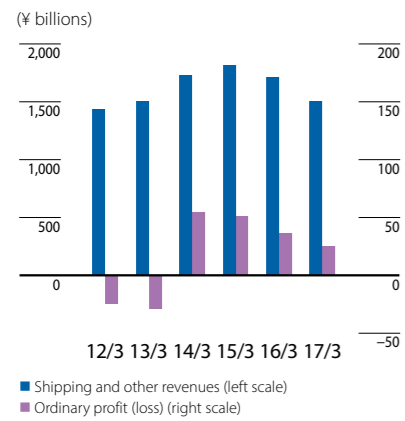
	MOL STEP				MOL ADVANCE				GEAR UP! MOL			RISE 2013	STEER FOR 2020	
	2007/3	2008/3	2009/3	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3			
												Millions of yen		
<b>For the year:</b>														
Shipping and other revenues	¥1,568,435	¥1,945,697	¥1,865,802	¥1,347,965	¥1,543,661	¥1,435,221	¥1,509,194	¥1,729,452	¥1,817,070	¥1,712,223	¥1,504,374			
Shipping and other expenses	1,300,038	1,544,109	1,564,486	1,228,479	1,328,960	1,368,795	1,432,014	1,587,902	1,683,795	1,594,569	1,388,265			
Selling, general and administrative expenses	100,324	110,303	104,105	98,547	91,300	90,886	92,946	100,458	116,025	115,330	113,551			
Operating profit (loss)	168,073	291,285	197,211	20,939	123,401	(24,460)	(15,766)	41,092	17,250	2,324	2,558			
Ordinary profit (loss)	182,488	302,219	204,511	24,235	121,622	(24,320)	(28,568)	54,986	51,330	36,269	25,426			
Income (loss) before income taxes and minority interests	197,854	318,202	197,732	27,776	95,367	(33,516)	(137,939)	71,710	58,332	(154,385)	23,303			
Profit (loss) attributable to owners of parent	120,940	190,321	126,988	12,722	58,277	(26,009)	(178,847)	57,394	42,356	(170,448)	5,257			
Free cash flow [(a) + (b)]	20,369	23,291	(71,038)	(40,055)	46,970	(129,298)	(25,285)	(25,615)	(66,656)	182,509	(56,318)			
Cash flows from operating activities (a)	156,418	283,359	118,984	93,428	181,755	5,014	78,956	94,256	92,495	209,190	17,624			
Cash flows from investing activities (b)	(136,049)	(260,068)	(190,022)	(133,484)	(134,785)	(134,313)	(104,241)	(119,871)	(159,151)	(26,681)	(73,942)			
Depreciation and amortization	68,581	74,481	78,156	88,366	77,446	85,624	94,685	83,984	87,804	92,772	87,191			
<b>At year-end:</b>														
Total assets	1,639,940	1,900,551	1,807,080	1,861,312	1,868,741	1,946,162	2,164,611	2,364,695	2,624,050	2,219,587	2,217,529			
Net vessels, property and equipment	847,660	1,047,825	1,106,746	1,209,176	1,257,823	1,293,803	1,303,967	1,379,245	1,498,028	1,376,432	1,323,665			
Interest-bearing debt	569,417	601,174	702,617	775,114	724,259	869,619	1,046,865	1,094,081	1,183,401	1,044,980	1,122,400			
Net assets	620,989	751,652	695,022	735,702	740,247	717,909	619,493	783,549	892,435	646,925	683,621			
Shareholders' equity	550,764	679,315	623,714	659,507	660,795	637,422	535,423	679,160	782,557	540,951	571,983			
<b>Amounts per share of common stock:</b>												Yen		
Profit (loss) attributable to owners of parent	¥101.20	¥159.14	¥106.13	¥ 10.63	¥ 48.75	¥ (21.76)	¥(149.57)	¥ 47.99	¥ 35.42	¥(142.50)	¥ 4.40			
Net assets	459.55	567.74	521.23	551.70	552.83	533.27	447.76	567.90	654.26	452.28	478.23			
Cash dividends applicable to the year	20.00	31.00	31.00	3.00	10.00	5.00	—	5.00	7.00	5.00	2.00			
<b>Management indicators:</b>														
Gearing ratio	1.04	0.88	1.13	1.18	1.10	1.36	1.96	1.61	1.51	1.93	1.96			
Net gearing ratio	0.94	0.79	0.99	1.05	1.00	1.23	1.58	1.35	1.35	1.64	1.64			
Equity ratio (%)	33.6	35.8	34.5	35.4	35.4	32.8	24.7	28.7	29.8	24.4	25.8			
ROA (%)*	11.7	17.1	11.0	1.3	6.5	(1.3)	(1.4)	2.4	2.1	1.5	1.1			
ROE (%)	24.8	30.9	19.5	2.0	8.8	(4.0)	(30.5)	9.5	5.8	(25.8)	0.9			
Dividend payout ratio (%)	19.8	19.5	29.2	28.2	20.5	—	—	10.4	19.8	—	45.5			
CO <sub>2</sub> emissions of MOL fleet (Thousand tons)	18,392	20,065	20,374	18,684	20,053	19,435	19,053	18,860	18,803	18,676	18,204			
Number of MOL Group employees (the parent company and consolidated subsidiaries)	8,621	9,626	10,012	9,707	9,438	9,431	9,465	10,289	10,508	10,500	10,794			

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

# Key Indicators

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

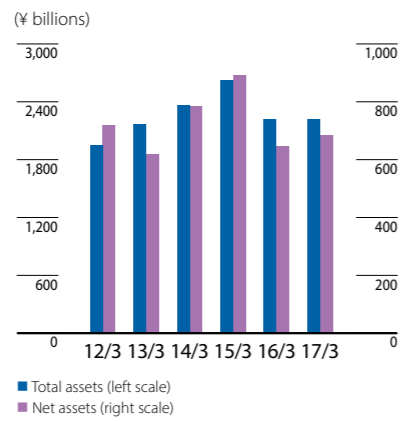
FY2016  
**Shipping and Other Revenues** ¥1,504.3 billion  
**Ordinary Profit** ¥25.4 billion



Ordinary profit decreased ¥10.8 billion, mainly due to a sharp downturn in the tanker market, as well as the yen's appreciation and high fuel prices, plus worsening profitability in the car carrier business due to changes in trade patterns. However, dry bulkers achieved a return to profitability due to the positive effects of the Business Structural Reforms.

## Total Assets/Net Assets

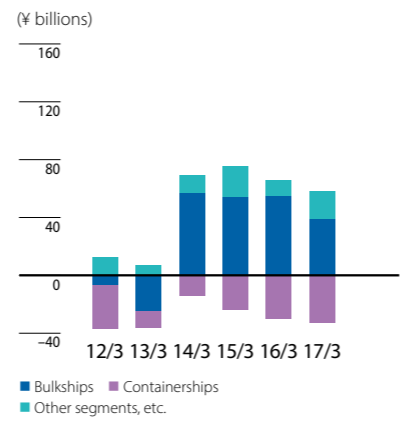
FY2016  
**Total Assets** ¥2,217.5 billion  
**Net Assets** ¥683.6 billion



Total assets as of March 31, 2017 were mostly unchanged from a year earlier, as an increase in cash and cash equivalents was largely offset by a decrease in vessels. Net assets increased ¥36.6 billion from a year earlier, primarily due to an increase in unrealized gains on hedging derivatives, net of tax.

## Ordinary Profit (Loss) by Segment

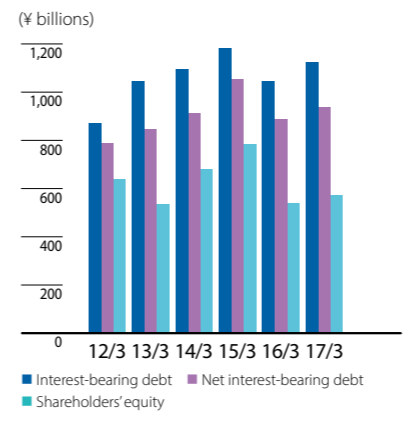
FY2016  
**Bulkships** ¥39.0 billion  
**Containerships** ¥(32.8) billion  
**Other Segments, etc.** ¥19.2 billion



In the bulkships segment, ordinary profit decreased year on year as the decrease in profits in the tanker division and car carriers significantly exceeded the improvement in profits in the dry bulker division. The containerships segment posted a larger ordinary loss. In other segments, etc., ordinary profit increased due to profit growth in the strong-performing real estate business.

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

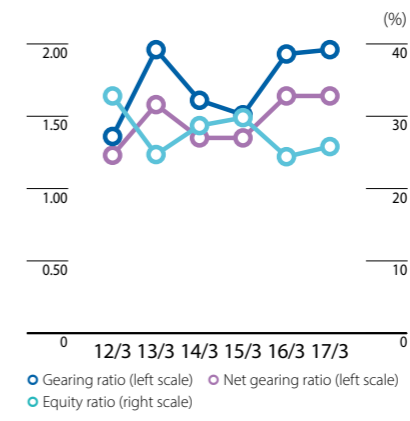
FY2016  
**Interest-Bearing Debt** ¥1,122.4 billion  
**Net Interest-Bearing Debt\*** ¥935.5 billion  
**Shareholders' Equity\*\*** ¥571.9 billion



\* Interest-bearing debt – cash & cash equivalents  
 \*\* Shareholders' equity\* in this section comprises the total of owners' equity and accumulated other comprehensive income (loss).  
 Interest-bearing debt increased ¥77.4 billion to ¥1,122.4 billion due to increases in short- and long-term bank loans. Meanwhile, shareholders' equity increased ¥31.0 billion to ¥571.9 billion due to an increase in unrealized gains on hedging derivatives, net of tax.

## Gearing Ratio / Net Gearing Ratio / Equity Ratio

FY2016  
**Gearing Ratio** 1.96  
**Net Gearing Ratio** 1.64  
**Equity Ratio** 25.8%



The gearing ratio worsened 0.03 of a point and the equity ratio improved 1.4 points, reflecting the ¥77.4 billion increase in interest-bearing debt, the ¥2.0 billion decrease in total assets, and the ¥31.0 billion increase in shareholders' equity.

## Credit Ratings (As of June 2017)

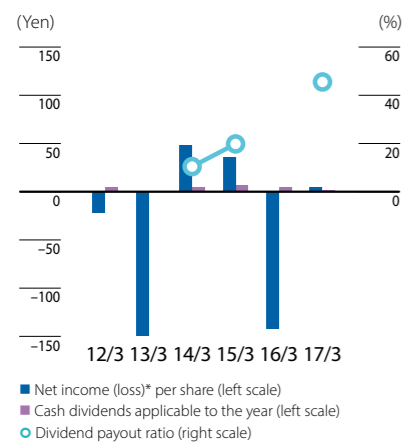
	Type of rating	Rating
JCR	Short-term debt rating (CP)	J-1
	Long-term senior debt (issuer) rating	A-
	Long-term debt rating	A-
R&I	Issuer rating	BBB
	Short-term debt rating (CP)	a-2
	Long-term debt rating	BBB
Moody's	Corporate family rating	Ba1

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

MOL has maintained its current ratings, reflecting steady, albeit gradual, improvement in the overall marine transport market and in MOL's business performance. Going forward, MOL will continue working to bolster its profitability and improve its financial standing, in an effort to enhance its ratings.

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

FY2016  
**Net Income (Loss)\* per Share** ¥4.40  
**Cash Dividends Applicable to the Year** ¥2.00  
**Dividend Payout Ratio** 45.5%

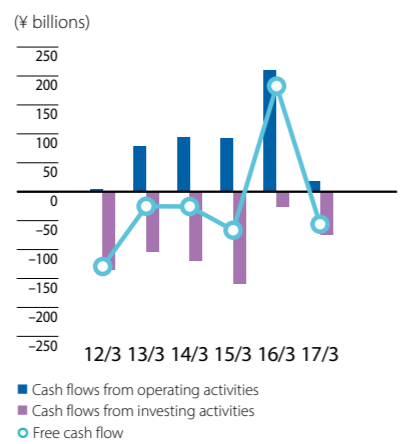


MOL restored net income\*, achieving a year-on-year improvement of ¥175.7 billion from the net loss posted in the previous fiscal year, when expenses related to the Business Structural Reforms were recorded. MOL paid dividends for the fiscal year of ¥2 per share, a year-on-year decrease of ¥3 per share. (The year-end dividends were forgone.)

\* Profit (loss) attributable to owners of parent

## Cash Flows

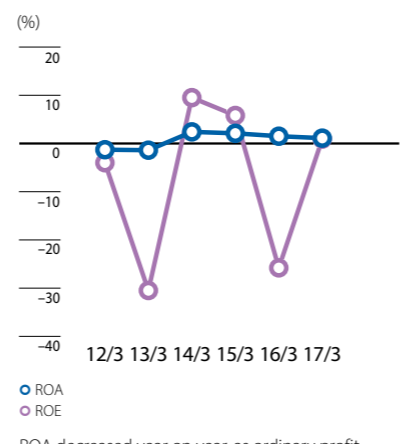
FY2016  
**Cash Flows from Operating Activities** ¥17.6 billion  
**Cash Flows from Investing Activities** ¥(73.9) billion



Net cash provided by operating activities was down ¥191.5 billion year on year, while net cash used in investing activities was up ¥47.2 billion, resulting in negative free cash flow.

## ROA (based on Ordinary Profit)/ROE

FY2016  
**ROA** 1.1 %  
**ROE** 0.9 %

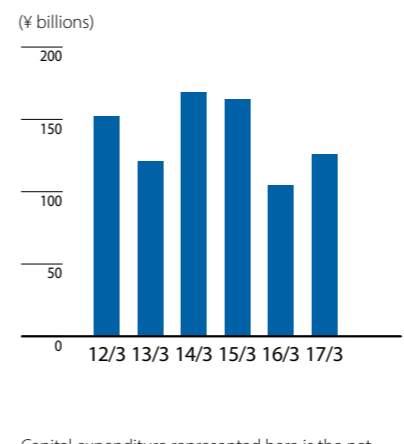


ROA decreased year on year, as ordinary profit declined while total assets remained flat. ROE improved dramatically year on year as MOL restored net income\* in the absence of an extraordinary loss recorded in the previous fiscal year in connection with the Business Structural Reforms.

\* Profit (loss) attributable to owners of parent

## Capital Expenditure

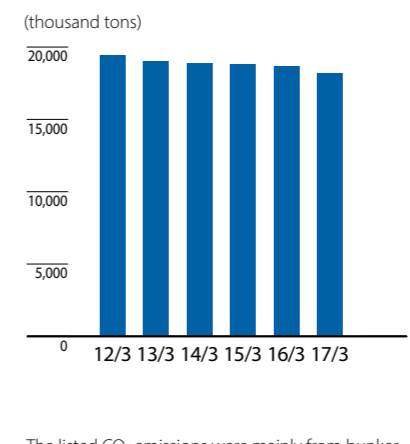
FY2016  
**Capital Expenditure** ¥126.0 billion



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

## CO2 Emissions of MOL Fleet

FY2016  
**CO2 Emissions of MOL Fleet** 18,204 thousand tons



The listed CO2 emissions were mainly from bunker A and C used as fuel for vessels operated by the MOL Group.



# Message from the Officer in Charge of Finance



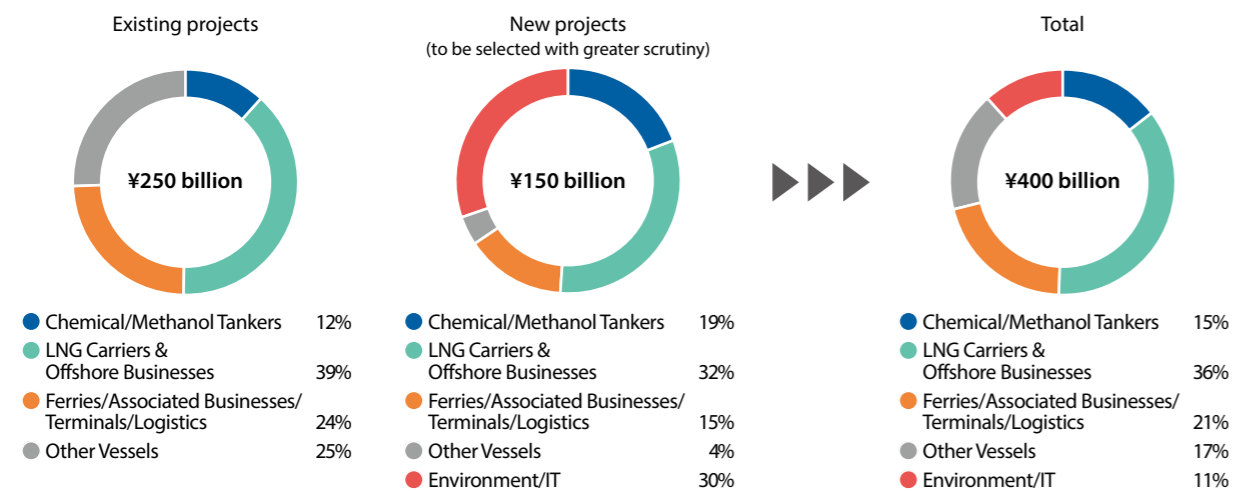
Takashi Maruyama  
Managing Executive Officer

## Investment Plans and Outlook for Cash Flows

Under our new management plan, we are projecting total cash flow from investing activities to reach a net outflow of around ¥400 billion over the next three years (excluding investment in the containership business integration). Of this, ¥250 billion is planned for existing projects and ¥150 billion for new projects. The new projects will be further selected with greater scrutiny, giving consideration to the status of operating cash flow. In our medium-term management plans of the past, the investment plan amount was based on the investment that would be *decided* in the three years covered by the plan. However, the figures in the new plan are based

on the amounts actually to be *paid* and reflected in the cash flow statements for the period. This concept was adopted in line with “pursue business models focused on cash flow” as stated in the new plan. To achieve Innovation of the Business Portfolio, we will concentrate investment in businesses that can generate relatively stable profits and where the Company can leverage its strengths. Those businesses include chemical tankers, methanol tankers, terminals, logistics, and ferries and coastal RoRo ships, in addition to LNG carriers and offshore businesses, which have also been main investment targets in the past few years.

FY2017–2019 Investment Cash Flows (Three-Year Total) Excluding invest in the containership joint venture



Meanwhile, net cash provided by operating activities for fiscal 2017 and 2018 is not expected to cover cash flows from investing activities, resulting in negative free cash flow over these two years. This is a tough situation, but we believe that we need to invest around ¥100 billion each year to maintain our business scale and achieve further growth. We also need to achieve positive free cash flow from fiscal 2019 onward by lifting our profit levels through the current strategies while at the same time rigorously selecting investments necessary for ensuring stable profits in the future. An internal hurdle rate for investments has been set with profit margins that will enable an envisaged medium-term ROE of 8 to 12%. We will also focus on cash flow generation capability when making investment decisions.

## Fund Procurement

We don't anticipate any issues with procuring funds for capital investment through borrowings from financial institutions. We have established good relationships with financial institutions and our investments over the next three years will be mainly in blue chip projects that are backed by stable revenues over the long term.

In addition, in October 2016, we undertook a large-scale fund procurement in the form of hybrid loan\*. The hybrid loan by its nature has helped to shore up MOL's financial strength, which had been influenced by implementing the Business Structural Reforms. The loan can also be effectively utilized to fund meticulously selected investments. As we prepare to take bold steps under the new management plan to return to a growth trajectory, we have succeeded in conducting a large-scale fund procurement with favorable conditions.

\* Long-term bank loans that are treated as borrowings in accounting terms, but a portion of which are treated as capital surplus by financial institutions and ratings agencies assessing the Company's debt.

## Financial Foundation

Due to the slump in profit levels in the recent few years, the Company's equity ratio deteriorated to around 26% and its gearing ratio to nearly 2.0 at the end of fiscal 2016. As we are expecting negative free cash flow for the next two years, the gearing ratio is unlikely to improve; however, we will strive to prevent it from deteriorating further by pursuing a business model that can mitigate cash outflows, such as utilizing chartered-in and second-hand vessels.

As the synergy effect of the containership business integration emerges and our highly stable profits expand, we believe that our ordinary profit, ROE, and gearing ratio targets, which are projected in medium-term levels, will be well within reach. As we accumulate profits, we will restore our equity.

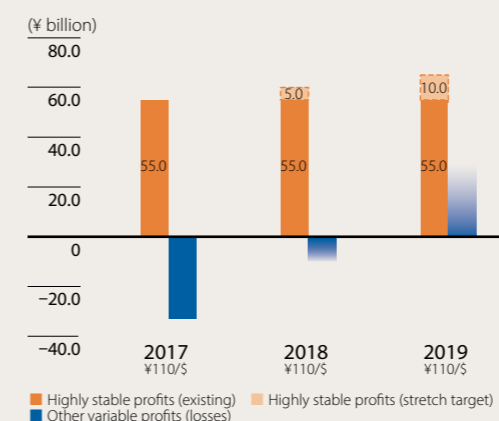
Medium-Term Profit Levels and Key Financial Indicators

	Projected medium-term levels
Ordinary profit	¥80.0–100.0 billion
ROE	8–12%
Gearing ratio	2.0 or less

## Highly Stable Profits and Other Variable Profits (Losses)

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

Highly stable profits: Dry bulkers/Tankers (medium- to long-term contracts), LNG carriers/Offshore businesses, and Associated businesses  
Other variable profits (losses): Dry bulkers/Tankers (spot operations), Car carriers, Containerships, Terminals & Logistics, and Ferries/Coastal RoRo ships



### Roadmap to Improving Other Variable Profits (Losses)

#### FY2017: Losses will continue

Containership profitability has yet to improve significantly. Assume a sluggish recovery in the dry bulker market.

#### FY2018: Get closer to the breakeven point

Synergies from the integration of the containership business will be partly realized. Expand the scale of operation in the chemical tanker and logistics businesses.

#### FY2019: Restore profitability of several tens of billions of yen

Significantly improve profitability in the containership business. Increase profits in the chemical tanker, logistics and ferry businesses. The dry bulker market will likely recover to some extent.

Underlined words are explained in the Glossary on the Contents page.

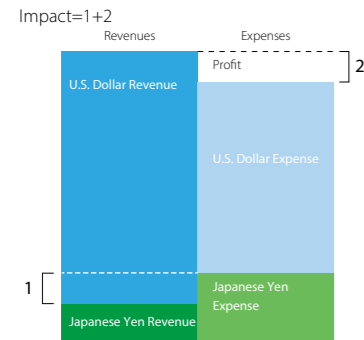


### Impact of Exchange Rates and Bunker Prices on Financial Results

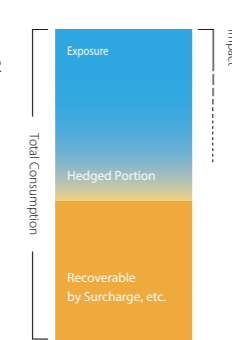
As for exchange rates, our financial results are primarily impacted by the Japanese yen-U.S. dollar exchange rate. This is because freight revenues are primarily denominated in U.S. dollars while a certain portion of costs are in yen. In fiscal 2017, we project that each ¥1-per-dollar change against the assumed ¥110-to-U.S. dollar yearly average exchange rate will have an impact of approximately ¥700 million in ordinary profit. (If the yen weakens, it will improve profitability.)

Turning to bunker prices, the yearly average price was assumed to be US\$350 per metric ton, and we calculated at the beginning of the fiscal year that every dollar deviation would have an impact of ¥170 million. (If the price falls, it will improve profitability.) However, MOL will continue to strategically utilize hedging in order to control the effect of fluctuating bunker prices going forward. With the progress made in placing hedges, the degree of impact from fluctuating bunker prices will become smaller.

Impact of Exchange Rate Fluctuations (Model)



Impact of Bunker Price Fluctuations (Model)



### Status of Credit Ratings

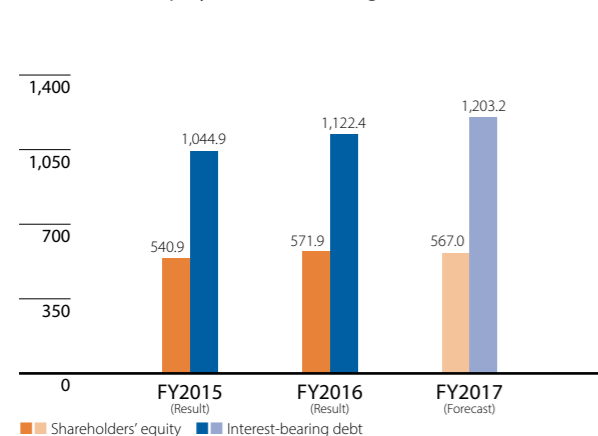
MOL's credit ratings are still under downward pressure, reflecting the impact on its financial standing due to the Business Structural Reforms and the protracted severe business environment. We are exchanging information more closely with the credit rating agencies. With the aim of recovering our credit ratings going forward, I think we need to steadily carry out the new management plan and improve our profit level. We also need to precisely explain our timeline and course to implement our growth strategies and improve our financial standing.

Under the new management plan, we are concentrating our investment on businesses that can generate stable profits based on sound long-term transport contracts with highly credible customers, and on businesses where we can leverage the Company's strengths. The ratings agencies have evaluated these investments as contributing to further growth and the accumulation of long-term highly stable profits.

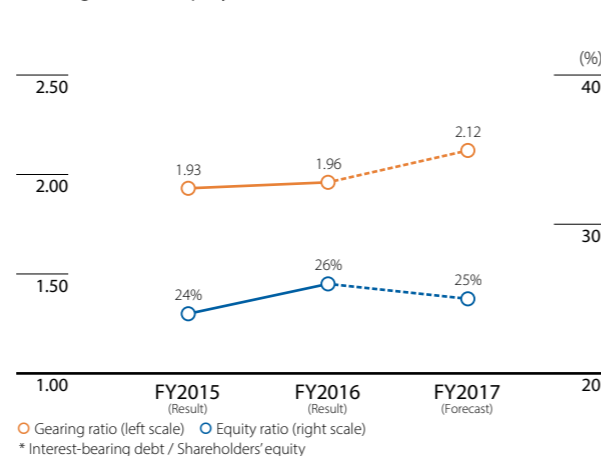
### Change in Reporting Segments

From fiscal 2017, we have changed our reporting segments. This change is in line with a newly established structure comprising three business units through the establishment of the Product Transport Business Unit in fiscal 2017, adding to the Dry Bulk Business Unit and Energy Transport Business Unit established in fiscal 2016. The change was also intended to help shareholders and investors acquire a deeper and more accurate understanding of the Company's management structure. As the officer responsible for finance, accounting and IR, I will work to engage in constructive dialogue with shareholders and investors through accurate, fair, and prompt disclosure.

Shareholders' Equity / Interest-Bearing Debt (¥ billion)



Gearing Ratio\* / Equity Ratio



Underlined words are explained in the Glossary on the Contents page.



# Management Foundation Providing MOL's Forward Thrust

- 56 Board of Directors, Audit & Supervisory Board Members and Executive Officers
- 58 Dialogue between Outside Directors
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- 67 Risk Management
- 69 Corporate Social Responsibility



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

(At the end of June 2017)

## Board of Directors



**Koichi Muto** Born 1953  
Representative Director

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



**Junichiro Ikeda** Born 1956  
Representative Director

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



**Masahiro Tanabe** Born 1957  
Representative Director

Apr. 1979 Joined Mitsui O.S.K. Lines, Ltd.  
Jun. 2003 General Manager of Logistics Business Division  
Jun. 2008 Executive Officer, Managing Director of MOL (Europe) B.V.  
Jun. 2011 Managing Executive Officer  
Jun. 2013 Director, Managing Executive Officer  
Jun. 2015 Director, Senior Managing Executive Officer  
Apr. 2017 Representative Director, Executive Vice President, Executive Officer (current)



**Shizuo Takahashi** Born 1959  
Director

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



**Takeshi Hashimoto** Born 1957  
Director

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



**Takashi Maruyama** Born 1959  
Director

Apr. 1983 Joined Mitsui O.S.K. Lines, Ltd.  
Jun. 2010 General Manager of Finance Division  
Jun. 2011 Executive Officer, General Manager of Finance Division  
Jun. 2015 Managing Executive Officer  
Jun. 2017 Director, Managing Executive Officer (current)

## Independent Officers



**Masayuki Matsushima**  
Outside Director

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



**Hideto Fujii**  
Outside Director

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



**Etsuko Katsu**  
Outside Director

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

## Audit & Supervisory Board Members



**Takashi Nakashima** Born 1959  
Audit & Supervisory Board Member

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

**Kenji Jitsu** Born 1960  
Audit & Supervisory Board Member

Apr. 1984 Joined Mitsui O.S.K. Lines, Ltd.  
Jun. 2009 General Manager of CSR and Environment Office, Corporate Planning Division  
Jun. 2013 General Manager of Investor Relations Office  
Jun. 2015 General Manager of Accounting Division  
Jun. 2017 Audit & Supervisory Board Member of Mitsui O.S.K. Lines, Ltd. (current)

## Independent Officers

**Hiroyuki Itami**  
Outside Audit & Supervisory Board Member

Jun. 2010 Outside Corporate Auditor of JFE Holdings, Inc. (current)  
Jun. 2011 Audit & Supervisory Board Member of Mitsui O.S.K. Lines, Ltd. (current)

**Hideki Yamashita**  
Outside Audit & Supervisory Board Member

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

## Executive Officers

**Koichi Muto**  
Chairman, Executive Officer

**Junichiro Ikeda**  
President, Chief Executive Officer

**Masahiro Tanabe**  
Executive Vice President, Executive Officer (Assistant to President, Chief Compliance Officer, Product Transport Business Unit, Liner Division, Port Projects & Logistics Business Division, New Business Creation and Group Business Division, Internal Audit Office, General Affairs Division)

**Shizuo Takahashi**  
Senior Managing Executive Officer (Chief Information Officer, Safety Operations Headquarters, Secretaries Office, Corporate Planning Division, Smart Shipping Office, MOL Information Systems, Ltd.)

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

**Akihiko Ono**  
Senior Managing Executive Officer (Product Transport Business Unit, Liner Division)

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

**Toshiya Konishi**  
Managing Executive Officer (Product Transport Business Unit, Europe, Africa and the Americas Area, Port Projects & Logistics Business Division, Chief Executive Representative for Americas)

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

**Naotoshi Omoto**  
Managing Executive Officer (Product Transport Business Unit, Car Carrier Division)

**Yoshikazu Kawagoe**  
Managing Executive Officer (Technical Division, Smart Shipping Office)

**Koichi Yashima**  
Managing Executive Officer (Product Transport Business Unit, Kansai Area, Human Resources Division, New Business Creation and Group Business Division)

**Mitsujiro Akasaka**  
Managing Executive Officer (Asia, Middle East and Oceania Area, Chief Executive Representative for Asia, Middle East and Oceania, Managing Director of MOL (Asia Oceania) Pte. Ltd.)

**Toshiaki Tanaka**  
Managing Executive Officer (Dry Bulk Business Unit, Dry Bulk Business Planning & Co-ordination Office, Dry Bulk Carrier Division (A), Dry Bulk Carrier Division (B), Dry Bulk Carrier Supervising Office)

**Masanori Kato**  
Managing Executive Officer (Safety Operations Headquarters, Human Resources Division, Marine Safety Division, Smart Shipping Office)

**Kenta Matsuzaka**  
Executive Officer (Energy Transport Business Unit, LNG Carrier Division, LNG Safety Management Office, Offshore Project Division)

**Masanori Kobayashi**  
Executive Officer (Safety Operations Headquarters, Dry Bulk Carrier Supervising Office, Tanker Safety Management Office, LNG Safety Management Office, Marine Safety Division, Smart Shipping Office)

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

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

**Kayo Ichikawa**  
Executive Officer (Corporate Communication, Diversity Promotion, Work Efficiency Improvement, Public Relations Office, Corporate Planning Division, Human Resources Division, Investor Relations Office)

**Hikaru Isegawa**  
Executive Officer (New Business Creation and Group Business Division)

**Toshinobu Shinoda**  
Executive Officer (Finance Division)

**Hirofumi Kuwata**  
Executive Officer (Dry Bulk Business Unit, Energy Transport Business Unit, Steaming Coal Carrier Division, Dry Bulk Carrier Division (B))

**Nobuo Shiotsu**  
Executive Officer (Dry Bulk Carrier Division (A))



# Dialogue between Outside Directors



**Hideto Fujii**  
Outside Director

**Etsuko Katsu**  
Outside Director

## “We made our active and open exchange of opinions in the ‘Deliberation on Corporate Strategy and Vision’”

Theme: Impressions of MOL and evaluation of the “Deliberation on Corporate Strategy and Vision” initiative

**Fujii** The impression I have of MOL’s Executive Committee and its discussions is that people seem to feel free to speak their mind. I also feel that MOL maintains great transparency in explaining matters to stakeholders. Furthermore, the Company seems to have been working sincerely on its corporate citizenship activities.

**Katsu** My initial impression of MOL was that there are many upstanding individuals in the Company. As a global marine transport organization, their corporate culture is forward-thinking, open, and proactive. I also was impressed by their very flexible approach to strategic issues.

**Fujii** When I took part in MOL’s unique “Deliberation on Corporate Strategy and Vision” initiative, I felt that the greater the uncertainty in the business environment going forward, the more important it is for the Company to focus on its comprehensive strategies for each business. It is necessary for the Company to hold thorough discussions on fundamental issues such as which businesses to prioritize when it strives to differentiate itself from rivals, and what strategies should be adopted in divisions such as dry bulkers or tankers. I think the frank and open discussions that take place in the “Deliberation on Corporate Strategy and Vision” are ideal for this purpose.

**Katsu** I hold the new management plan, which adopts a rolling plan format, in very high regard. At a time of such global economic and political uncertainty, a company should not cling to plans which have been decided simply but should be flexible enough to respond as appropriate in its management plan. I think MOL’s creation of this kind of structure is highly commendable. In particular, after the critical decision to integrate its containership business with those of two other companies, it is now more important to decide which business to designate as the cornerstone of MOL operations in the medium to long term. By discussing these questions in the “Deliberation on Corporate Strategy and Vision,” all directors can share their vision on which businesses are most important.

## “By offering a critical, third-party perspective, I focus on the process by which MOL maximizes its corporate value.”

Theme: Outside directors’ perspectives on the important issues deliberated during fiscal 2016

**Fujii** For me, the most important management issue was the adoption of a new format for management planning—the selection of a ten-year time axis on which to base long-term plans. Now the question is how to earn the trust of all stakeholders, and help them to understand that these plans are appropriate. It is also essential that MOL follow through and implement the plans

successfully, and deliver results. I expressed my opinion on this issue in the discussions, and I think the other directors shared my views. The new management plan has a clear overall vision and includes strategies that need to be implemented.



**Katsu** Several important decisions were discussed in fiscal 2016, including not just the new management plan but also the integration of the containership business and large-scale investment decisions. As outside directors, I believe that our role is to critique such issues from an unbiased perspective. Of course, it is important to ensure that our corporate value is maximized in a way that is acceptable to shareholders, but we also focused on the Company’s process of creating corporate value in terms of environmental and social responsibilities. Outside directors also have to play an important supervisory role to ensure that the management process addresses issues of compliance, risk management and enhancement of its financial ground.

## “We need swift decision-making in response to the changing situation.” “It is essential that human resource development and employee commitments be brought into line with global standards.”

Theme: What we expect for MOL in the execution of its new management plan

**Fujii** In a time of global economic and political uncertainty, it is essential that MOL constantly collect and analyze information, not only to monitor its own position, but to respond flexibly and make adjustments whenever necessary. In order to achieve its overarching goal of boosting corporate value, I think the most important point is to adopt flexible means of decision-making to allow swift reaction to changes in conditions or methods.



**Katsu** For MOL to grow further in the future, I think that human resource development will be very important. MOL is planning to open a maritime academy in the Philippines, and while this kind of global personnel training is important for enhancing corporate value, it is also essential to bring employee commitments and human resource systems into line with global standards. In addition, the Company needs to enhance its financial ground and accumulate the capacity necessary to assume business risks going forward. MOL should continue to focus carefully on the allocation of resources, taking aggressive or defensive stances as conditions dictate, while maintaining an adequate capacity to take advantage of investment opportunities as they arise. This will become increasingly important going forward.

### MOL’s “Deliberation on Corporate Strategy and Vision”

At MOL, three hours are set aside for board meetings, with one of the hours allotted to “Deliberation on Corporate Strategy and Vision.” At the “Deliberation on Corporate Strategy and Vision,” a theme is selected related to our

management strategy, long-term vision or management in general. A free exchange of opinions ensues at these deliberations which include outside directors and outside Audit & Supervisory Board members.

#### List of Agenda Items for “Deliberation on Corporate Strategy and Vision”

##### Fiscal 2015

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

##### Fiscal 2016

	Agenda
April	Strategy for the car carrier division
September	Discussion on formulation of the next medium-term management plan
January	Outline proposal for the next medium-term management plan
February	Outline proposal for the next medium-term management plan (continued)

# Corporate Governance

System of governance Company with an audit & supervisory board	Total directors 9 Outside directors (ratio) 3 (1/3)	Total Audit & Supervisory Board Members 4 Outside Audit & Supervisory Board Members (ratio) 2 (1/2)
Independent officers (directors and Audit & Supervisory Board Members) 5	Number of Board Meetings held in fiscal 2016 11	Attendance rate of outside directors for Board Meetings in fiscal 2016 100%
Term of directors 1 year	Stock option system Yes	Retirement benefit system No
Anti-takeover measures No	Compliance rules Yes	External compliance advisory service desk Yes

HISTORY	
<b>2000</b> Management organization reform: 1. Introduced a system of executive officers 2. Established an Executive Committee 3. Reformed the Board of Directors (redefined its duties as the highest-ranking decision-making body and the supervision of business activities) and reduced membership from 28 to 12 4. Elected two outside directors 5. Established the Corporate Visionary Meeting Established the IR Office Started holding the Annual General Shareholders' Meeting on a day relatively free of other shareholders' meetings	<b>2011</b> Revised MOL's Compliance Policy and Rules of Conduct  <b>2014</b> Revised the Compliance Policy and established a chief compliance officer (CCO)  <b>2015</b> Established the Nomination Advisory Committee and Remuneration Advisory Committee (chaired by outside directors)
<b>2001</b> Established the Compliance Policy and Compliance Committee	<b>2017</b> Established independence determination standards for outside directors and Audit & Supervisory Board Members

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

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

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

## Corporate Governance Organization

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

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

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

## The Board of Directors

The Board of Directors, as the Company's highest-ranking decision-making body, discusses and decides on basic policies and the most important matters connected with MOL Group management.

The Board of Directors consists of six (6) inside directors and three (3) outside directors who have no stake in the Company. Outside directors confirm the appropriateness of management decisions and check the management of business operations from an independent position based on their individual experience and knowledge, while playing a major role in revitalizing the Board of Directors by expressing helpful insights regarding overall management. We also provide a system to support outside directors in such ways as providing them with preliminary explanations of proposals before Board of Directors meetings and reports on important matters related to business operations on a case-by-case basis. In addition, we also hold the "Deliberation on Corporate Strategy and Vision", in which opinions are freely exchanged about management strategies, our long-term vision, and overall management, with both outside directors and outside Audit & Supervisory Board members.

## Nomination Advisory Committee and Remuneration Advisory Committee

MOL established the Nomination Advisory Committee and the Remuneration Advisory Committee as discretionary organizations under the Board of Directors. Both committees are chaired by an outside director, consist of three outside directors and two internal directors, and aim to enhance outside directors' supervision of directors responsible for business execution. The committees conduct investigations from an objective standpoint emphasizing the perspective of shareholders, the Nomination Advisory Committee regarding the selection of directors and executive officers and the Remuneration Advisory Committee regarding the status of remuneration of directors, including incentives for long-term improvement of corporate value. The Board of Directors respects the content of reports from both committees, and uses it in formulating necessary resolutions.

## Executive Committee and Committees

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

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

## Functions of Outside Directors and Reasons for Appointment

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

MOL has appointed three outside directors whose experience encompasses the realms of finance, business, and academia in

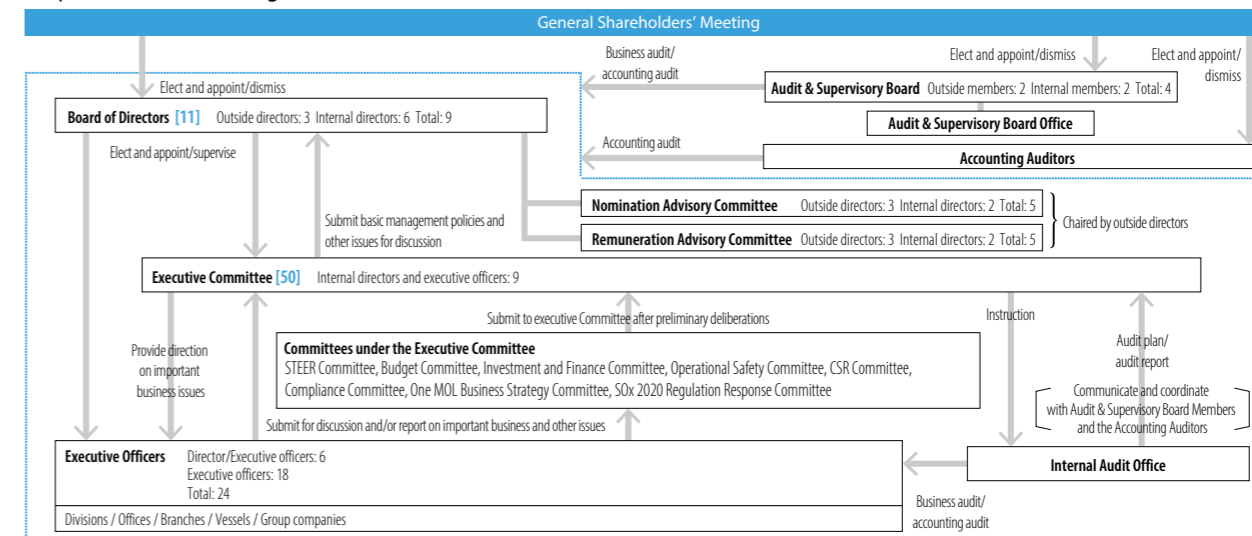
Japan. MOL has adjudged that all three individuals are independent and have neutral positions with no conflicts of interest with the Company. The outside directors draw on their individual experience and insight to check the appropriateness of management and the status of execution of business operations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

## Reasons for Appointment of Outside Directors

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

(As of June 30, 2017)

## Corporate Governance Organization (as of June 27, 2017)



Numbers in brackets show the number of meetings of the Board of Directors and Executive Committee during fiscal 2016.



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

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

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

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

(As of June 30, 2017)

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

The Board of Directors, including the outside directors, determines compensation for the directors and Audit & Supervisory Board members. Compensation paid to directors and Audit & Supervisory Board members in fiscal 2016 is shown in the following table.

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

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

	No. of people remunerated	Total remuneration (¥ millions)	(Thousands of U.S.\$)
Directors (excluding outside directors)	6	¥256	\$2,281
Audit & Supervisory Board Members (excluding outside members)	2	55	490
Outside directors and outside members	6	48	427

### Compensation for the Accounting Auditors

	Compensation for audit operations (¥ millions)	Compensation for non-audit operations (¥ millions)	Total (¥ millions)	(Thousands of U.S.\$)
Parent company	¥116	¥87	¥203	\$1,809
Consolidated subsidiaries	106	2	108	963
Total	¥223	¥89	¥312	\$2,781

### Independent Officers

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

### Internal Control System

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

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

#### 1. Compliance

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

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

The MOL Group has established rules for reporting to its Audit & Supervisory Board members, creating a system in which directors, executive officers and employees report to the Audit & Supervisory Board members on the Company's operations and important matters that may impact business performance. These rules also safeguard appropriate frameworks for reporting legal violations and other compliance issues to Audit & Supervisory

Board members. Furthermore, the representative directors strive to regularly meet with Audit & Supervisory Board members, and the Internal Audit Office works in coordination with the Audit & Supervisory Board members to provide assistance. In these ways, the Company actively cooperates with the Audit & Supervisory Board members to facilitate effective auditing.

### Measures Ensuring Compliance with the Antimonopoly Act

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

### Annual General Shareholders' Meeting

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

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

### Accountability

MOL believes that timely, full and fair disclosure of corporate and financial information is an important aspect of corporate governance. In addition to being accountable to shareholders and investors by providing information, the Company makes every effort possible to reflect their opinions in management. The distinguishing feature of our investor relations activities is that the president takes the lead in their implementation. In fiscal 2016, the president participated in the Company's presentations of quarterly results and attended meetings with domestic and foreign investors. The Company is also aware of the need for full and fair disclosure to all investors, whether in Japan or overseas. In releasing its quarterly financial results, the Company releases the financial results in Japanese and English on the Tokyo Stock Exchange's TDnet, while simultaneously posting the Japanese and English drafts of presentation materials on its website. This information is e-mailed on the same day to foreign investors registered with the Company. MOL actively disseminates

information about management strategy, investment plans, market conditions and other information through its website.

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

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

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

### IR Activities in Fiscal 2016 (April 2016–March 2017)

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

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

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



# Safe Operation

## Safe Operation Management

### Safe Operation Management Structure

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

### Organizational Structure Supporting Safe Operation



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

### Emergency Response System

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

### ■ Safety Operation Supporting Center (SOSC)

The SOSC is staffed at all times by two marine technical specialists, including an experienced MOL captain. They use the FMS. Safety system, which was developed in cooperation with Weathernews Inc., to monitor weather and related developments where our vessels are operating. FMS.Safety is used to check on the weather, sea, and other conditions surrounding the approximately 850 vessels operated by MOL Group companies 24 hours a day 365 days a year. There is always someone ready and at hand if a ship captain needs assistance. The system collects information on weather, international media reports, and other factors that might affect vessels under way so that the SOSC stands ready to offer timely information and advice and help prevent serious accidents before they happen.



Safety Operation Supporting Center (SOSC)

### ■ Accident Response Drills

MOL regularly conducts accident response drills on vessels while at sea. These drills simulate various situations such as an onboard fire or water immersion, or acts of piracy or terrorism, so that seafarers can respond swiftly and appropriately in an emergency. The Head Office conducts serious marine incident emergency response drills once a year with the cooperation of the Regional Coast Guard Headquarters. The drills involve MOL's president, other corporate officers, representatives of relevant departments and ship management companies, and vessels. In November 2016, we conducted an emergency response drill based on the premise of an iron ore carrier colliding with a breakwater and becoming stranded offshore from Kashima Port.

We will continue to conduct drills on a regular basis and further strengthen our emergency response system.



Evacuation drill on board

## Safe Operation Measures

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

### Making Processes for Realizing Safe Operation Visible

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

1. Four Zeroes (an unblemished record in terms of serious marine incidents, oil pollution, fatal accidents and cargo damage)
2. LTIF\*1 (Lost Time Injury Frequency): 0.7 or below
3. Operational stoppage time\*\*2: 24 hours/ship or below
4. Operational stoppage accident rate\*\*3: 1.0/ship or below

In fiscal 2016, 2–4 above were achieved, but we did not achieve 1 as unfortunately two fatal workplace accidents occurred. We will nevertheless continue to work toward achieving these targets.

### Preventing New or a Recurrence of Serious Incidents

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

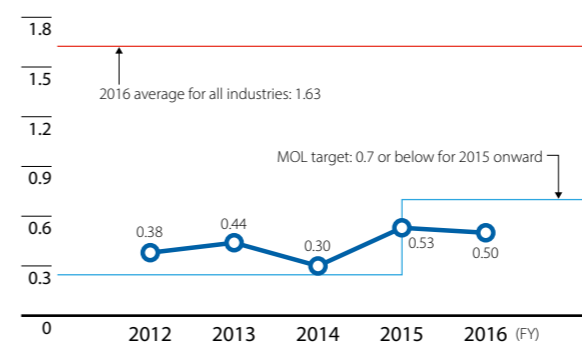
In terms of seafarer training, we are thoroughly implementing drills prior to boarding and supervising the instruction of less

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

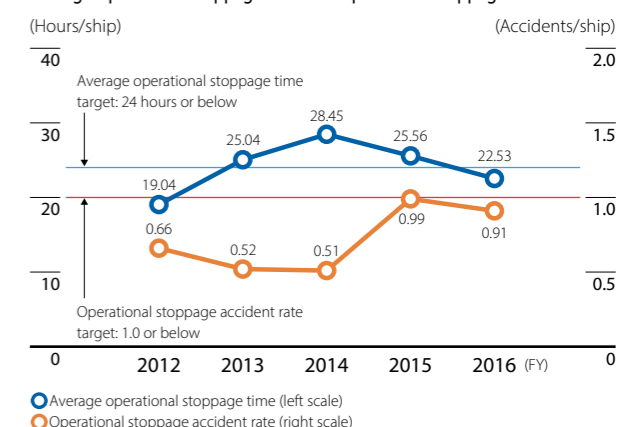
### Cooperation for Safe Operation

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

### Lost Time Injury Frequency (LTIF)



### Average Operational Stoppage Time and Operational Stoppage Accident Rate



**ESG-Based IR Meetings**

In March 2015, many institutional investors attended a meeting we held entitled "Achieving the World's Safest Operations." We explained our safety measures in regard to both our facilities and our personnel, as well as how we have learned from previous marine incidents to strengthen our safety initiatives. They were also given a tour of our SOSOC during the meeting. This was also a valuable opportunity for us to explain how MOL creates long-term value.

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

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

**Third-Party Evaluations**

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

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

The LNG Carrier Standard Training Course and the LEG/LPG Carrier Standard Training Course implemented globally by MOL were certified by Norway's Det Norske Veritas (DNV) GL AS in 2007 for compliance with the LNG carrier crew ability standards and in 2016 for compliance with the LEG/LPG advocated by SIGTTO.\*6



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

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



**Glossary**

- \*1 LTIF (Lost time injury frequency): Number of work-related accidents per one million hours worked that resulted in time lost from work of one day or more. In the scope of calculations, we originally included only workplace illnesses and injuries requiring disembarkation from the ship. The LTIF criteria was strengthened from fiscal 2015, and now includes any workplace illness or injury that prevents a worker from resuming even a reduced workload on that day, regardless of whether the illness or injury requires disembarkation.  
Average for all industries (2016) was 1.63; for shipping industry, 1.51; for transportation equipment manufacturing industry, 0.39. (Source: 2016 Survey on Industrial Accidents issued by the Ministry of Health, Labour and Welfare)
- \*2 Operational stoppage time: Expresses the amount of ship operational stoppage time due to an accident per ship per year.
- \*3 Operational stoppage accident rate: Expresses the number of accidents that result in ship operational stoppage per ship per year.
- \*4 Bridge resource management drill: Simulating an incident on a vessel operation simulator to enable seafarers to acquire response techniques. It includes MOL's original programs.
- \*5 Close calls: Risky incidents that came very close to causing a more serious accident.
- \*6 Society of International Gas Tanker and Terminal Operators Ltd.

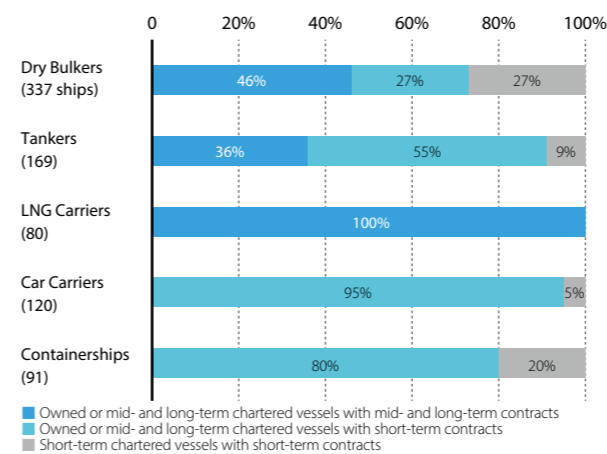
**Risk Management**

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

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

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

**Variation of Procurement and Contract Terms (as of March 2017)**



**Market Exposure by Vessel type (as of March 2017)**

Vessel Type	Total number of fleet	Market exposure
Capsized	90	17%
Small- and medium-sized bulkers	112	9%
VLCCs	31	16%
Product tankers	43	84%
LPG tankers	8	50%

**Diversifying Operations to Reduce Risk**

MOL operates a "full-line marine transport group." As of the end of March 2017, we operated around 850 vessels, ranging from dry bulkers, tankers, and LNG carriers to car carriers and containerships, capable of transporting a diverse range of raw materials and finished goods. Each type of ship and each type of cargo have particular supply and demand trends, and create particular markets. While some of these markets are highly correlated with each other, others are negatively correlated depending mainly on the economic environment, so the impact in one sector offsets the impact in another. By assessing the suitability of a particular vessel type for medium- to long-term contracts and market exposure the Company expects, MOL constructs an optimum business portfolio, which allows the Company to pursue higher profits while mitigating risks.

**Building Up Highly Stable Profits through the Use of Medium- and Long-Term Contracts and Other Means**

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

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

**Exchange Rate Fluctuations**

Although MOL has concluded transport contracts on a yen-denominated basis with some Japanese clients, most transactions in the international marine transport business are concluded on a U.S. dollar-denominated basis. Despite our best efforts to incur expenses in U.S. dollars, U.S. dollar-denominated revenue currently exceeds U.S. dollar-denominated expenses, so when the yen strengthens against the U.S. dollar this can have a negative impact on Group earnings. In fiscal 2017, we project that each ¥1-per-dollar change in the yen-U.S. dollar exchange rate will have an impact of approximately ¥0.7 billion on consolidated ordinary profit.

**Interest Rate Fluctuations**

MOL depends mainly on the issuance of corporate bonds and funds borrowed from banks and other financial institutions to meet working capital and capital expenditure requirements. Loans are denominated in either yen or U.S. dollars, with funds procured at variable interest rates affected by interest rate fluctuations. As of March 31, 2017, interest-bearing debt totaled ¥1,122.4 billion, and around 30% of that loan principal is locked in at a fixed interest rate. As a result, an increase of 1 percentage point in market interest rates on both yen-denominated and U.S. dollar-denominated interest-bearing liabilities would impact

Underlined words are explained in the Glossary on the Contents page.

annual consolidated ordinary profit by no larger than approximately ¥4.0 billion. Although MOL has benefited from ultra-low interest rates in the aftermath of the financial crisis, the Company is taking steps to mitigate the risk of a future interest rate rise. It plans to flexibly adjust the ratio of variable- and fixed-rate loans through interest rate swaps and other means according to changes in financial conditions, taking into consideration the balance between variable- and fixed-rate interest.

**Bunker Price Fluctuations**

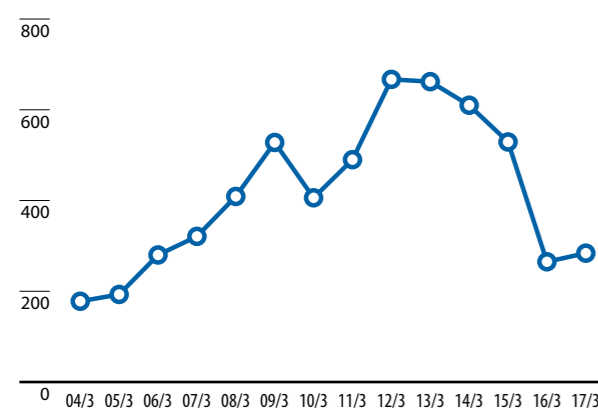
The market price of bunker is generally linked to the price of crude oil, and any increase in bunker prices has a negative impact on earnings for the MOL Group. The Group operates a fleet of approximately 850 vessels, whose annual fuel consumption amounts to around 5.7 million tons of bunker. The Company is able to pass on about 60% of the risk to customers. Therefore, an increase of US\$1 per metric ton in the average annual price of bunker would lower earnings by approximately ¥0.17 billion (net of hedging) at the maximum.

Stricter regulation to reduce SOx emissions generated by ships will be introduced in 2020. This regulation would require the use of low-sulfur fuel oil containing less than 0.5% sulfur, the installation of SOx scrubbers on vessels to remove sulfur, or the use of alternative fuels such as LNG, LPG, and methanol, which could have an impact on fuel costs or capital costs. In this case, the Company plans to recover these additional costs by raising freight rates and other fees.

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

Exchange rate (¥/US\$)	A ¥1 appreciation reduces ordinary profit by approximately ¥0.7 billion
Interest rate (%)	A 1 percentage point rise in both yen- and U.S. dollar-denominated interest-bearing debt reduces ordinary profit by approximately ¥4.0 billion
Bunker price (US\$/MT)	A US\$1/MT increase reduces ordinary profit by approximately ¥0.17 billion

Average Bunker Price (US\$/MT)



**Vessel Operations**

MOL operates a fleet of approximately 850 vessels and it is therefore impossible to ignore the risks related to various incidents that may occur on the high seas. In order to prevent accidents, the Company has introduced a variety of measures such as safety standards, a safety management system, comprehensive crew education and training, and establishment of organizations to support safe operations.

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

**Group Company Operational Management**

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

**Natural Disaster or Similar Event**

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

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

**Corporate Social Responsibility (CSR)**

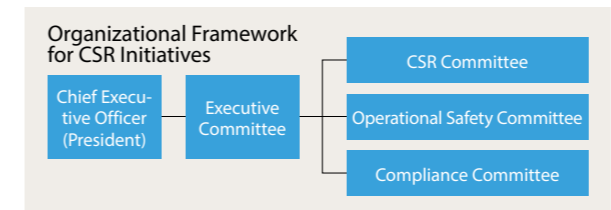
**MOL's Approach to CSR**

In our view, CSR means conducting business management that adequately takes into account laws and regulations, social norms, safety and environmental issues, human rights and other considerations, and developing together with society sustainably and harmoniously while earning the support and trust of stakeholders, including shareholders, customers, business partners, employees and local communities. In order to fulfill these responsibilities, MOL deliberates on CSR-related policies and measures, primarily through the three committees under the Executive Committee.

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

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

To further ensure sustainable growth, MOL CHART was established in 2015 as a set of values to be passed down between MOL Group employees indefinitely. For more information on MOL CHART, see page 3.



**Participating in the UN Global Compact**

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

**10 Principles of the UN Global Compact**

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

**The MOL Group Basic Procurement Policy**

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

**The MOL Group Basic Procurement Policy**

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

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

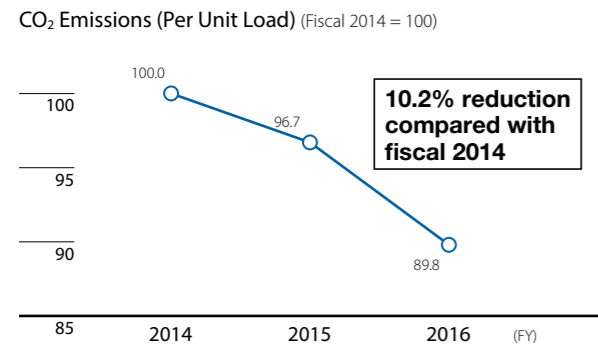
We work to make sure that our contractors understand our Basic Procurement Policy, with the aim of contributing towards the realization of sustainable societies together.



**Initiatives on the Environment**

In April 2017, we formulated MOL Group Environmental Vision 2030 to present our cutting-edge initiatives for environmental preservation.

**MOL Group Environmental Vision 2030**  
Shipping companies are responsible for undertaking the marine transportation vital to the infrastructure underpinning people's daily lives worldwide.  
Meanwhile, the effectuation of the Paris Agreement on climate control has unified efforts by the international community to mitigate global warming. With this in mind, the MOL Group believes that it has a social obligation to take innovative steps to help solve environmental issues such as greenhouse gas emissions, air pollution and biodiversity impediments. The MOL Group will grasp the environmental needs of customers and other stakeholders and provide solutions, in tandem with developing its environment and emission-free businesses into future core operations, with the aim of contributing to global environmental preservation.  
The MOL Group targets reduction of greenhouse gas emissions per unit load by 25% by 2030 and by 50% by 2050 compared to fiscal 2014.



**Key Environmental Issues**

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

1. Promote use and innovation of technologies for reducing environmental impact and advanced support technologies for safer vessel operation through the "ISHIN NEXT—MOL SMART SHIP PROJECT—"
2. Participate in projects to build vessels that run on alternative fuels such as LNG and supply alternative fuels.
3. Reduce greenhouse gas emissions by using ICT to optimize sailing even further.
4. Utilize renewable energy such as wind and solar power for vessel propulsion and at Group-related facilities in Japan and overseas.
5. Create environment and emission-free businesses.
6. Investigate emissions trading as a way to achieve greenhouse gas reduction targets.
7. Respond appropriately and proactively to air pollution prevention and the Ballast Water Management Convention.
8. Promote modal shift in transportation by enhancing the ferry and coastal shipping business in Japan.

**Environmental Investments** (Billions of yen)

	Fiscal 2014	Fiscal 2015	Fiscal 2016
Environment-related R&D activities	0.7	0.3	0.4
Utilization and expansion of existing environmental technologies	2.1	0.9	0.5
Responses to environmental regulations	0.5	2.2	3.1
Initiatives to save bunker fuel	0.9	1.0	1.1
Initiatives of Group companies	0.2	0.3	0.3
<b>Total</b>	<b>4.3</b>	<b>4.6</b>	<b>5.4</b>

**Organizational Structure for Environmental Initiatives**

To effectively promote environmental initiatives based on the MOL Environmental Policy, the CSR Committee, a sub-committee of the Executive Committee, oversees planning and promotion of environment-related measures under the direction of the president. The CSR Committee assesses environment-related risks and opportunities involving MOL, identifies the highest-priority issues in the Group's environmental management, and sets environmental targets. As an environmentally advanced company, MOL will actively strive to grasp stakeholders' environmental needs.

In February 2016, MOL established the Technology, Innovation and Environment Committee, which is tasked with promoting technology innovation and proposal of strategies for environmental measures, followed by the Ballast Water Treatment System Installation Committee, which is responsible for responding properly to the Ballast Water Management Convention. Furthermore, in November 2016, the Company established the SO<sub>x</sub> 2020 Regulation Compliance Committee, which is to respond to stricter regulation on sulfur content in fuel oil scheduled for 2020.



**Environmental Regulations**

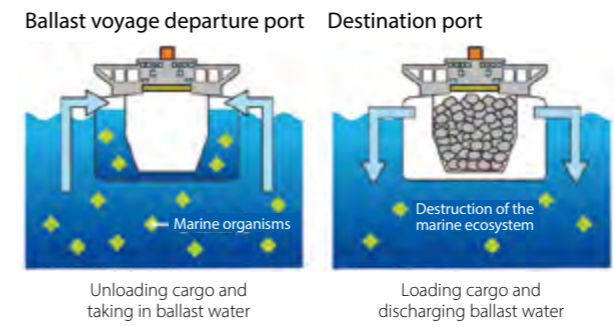
**Schedule of Environmental Regulations by IMO, etc**

**Ballast Water Management Convention**

2016	2017	2018	2019	2020	2021
(Adopted in 2004)	Mandatory (For existing vessels: within seven years from September 2017 For new vessels: completed from September 2017 onward)				

A convention to prevent cross-border transfer of foreign marine organisms through vessel ballast water was adopted in 2004 and will be in effect from September 2017.

Vessels are mandated to install ballast water treatment systems, which cost US\$1-2 million, by the first special survey (Dry Dock) which will come within seven years after it takes effect (as of July 2017).



**MOL's Initiatives**

- In fiscal 2014, MOL set a Company-wide policy to install ballast water management systems on our vessels before the convention took effect.
- We have already completed installation on more than 87 owned vessels (as of June 2017).

**Others**

Regulations	2016	2017	2018	2019	2020	2025	
<b>Tackling global warming</b>	GHG emissions	EEDI* <sup>1</sup>	Phase 1			Phase 2	Phase 3
		SEEMP* <sup>2</sup>	Mandatory				
<b>Preventing air pollution</b>	NO <sub>x</sub> emissions* <sup>3</sup>	General Sea Areas	Tier II				
		ECA* <sup>4</sup>	Tier II	Tier III			
<b>Marine environment protection</b>	Minimizing the transfer of invasive aquatic species by shipping* <sup>5</sup>		(Guideline adopted in 2011)				
	Ship Recycling Convention* <sup>6</sup>		(Adopted in 2009: not ratified)				

\*1 EEDI (Energy Efficiency Design Index) is a measure of a ship's energy efficiency (g/ton-mile). The required EEDI of each Phase is as follows: Phase 0=0%, Phase 1=10%, Phase 2=20% (Applied to new ships)  
\*2 SEEMP (Ship Energy Efficiency Management Plan) is required to be drawn up to show optimal measures of operation that should be adjusted to the characteristics of individual ships, and to be kept onboard a ship. (Applied to both new and existing ships)  
\*3 The regulation for reduction of NO<sub>x</sub> in exhaust gases: Tier I is applied to ships laid down in 2000-2010, Tier II to ships laid down in/after 2011, and Tier III to ships laid down in/after 2016.  
\*4 The existing ECAs (Emission Control Areas) are: 1. Within 200 miles off the coast of the USA and Canada (NO<sub>x</sub>/SO<sub>x</sub>) 2. The USA Caribbean Sea area (NO<sub>x</sub>/SO<sub>x</sub>) 3. The Baltic Sea and the North Sea areas (currently only SO<sub>x</sub>). (From 2021 onward, new shipbuilding will be subject to third-generation NO<sub>x</sub> regulations.)

**SO<sub>x</sub> Regulation**

2016	2017	2018	2019	2020	2021
Sulfur limit: 3.5%				Sulfur limit: 0.5%	

Regulate the sulfur content in fuel oil to control SO<sub>x</sub> volume in exhaust emissions. The sulfur limit will be tightened from 3.5% or less to 0.5% or less from 2020. Ship owners/operators have to choose a method from the following menu:

Method	Advantages	Disadvantages/Issues
Low-sulfur fuel oil	No initial costs	• High fuel cost • Supply availability in question
SO <sub>x</sub> scrubber	Lower fuel costs	• High initial cost • Large space required
Alternative fuel (LNG, etc.)	Effective for other environmental regulations	• High equipment cost • Insufficient supply system • Difficult modifications

**MOL's Initiatives**

- MOL has been studying low-sulfur fuel oil and SO<sub>x</sub> scrubbers as both are subject to future fuel prices.
- MOL teamed up with BHP Billiton, Rio Tinto, etc., on a joint research project for an LNG-fueled capesize bulker.
- MOL took delivery of three methanol tankers equipped with dual-fuel, low-speed diesel engines that can run on methanol (a world first).
- In 2019, MOL will take delivery of a tugboat with a dual-fuel (bunker A/LNG) engine.



**Third-Party Evaluations (Environment-Related)**

■ **ISO 14001 Certification**

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

■ **ISO 50001 Certification**

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

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

MOL was recognized as a leader for the depth and quality of the climate change data it has disclosed for independent assessment through CDP, an international non-profit organization. This marks the third time MOL has received this distinction (2015).



**External Recognition (Overall, CSR-Related)**



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

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



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

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



■ **FTSE Blossom Japan**

MOL has been included in the FTSE Blossom Japan Index. The index was developed in 2017 by FTSE and targets Japanese companies making a superior response to environment, social, and governance (ESG) issues.



■ **MSCI ESG Leaders Indexes**

MOL has been included in the MSCI ESG Leaders Indexes for its superior efforts on measures taken for risks and opportunities related to ESG. (Since 2010; index name changed in 2017)



■ **MSCI Japan ESG Select Leaders Index**

MOL has been included in the Japan ESG Select Leaders Index, which was newly developed in 2017 and targets companies with a superior ESG evaluation relatively speaking for each industry.



■ **MSCI Japan Empowering Women Index (WIN)**

MOL has been included in the MSCI Japan Empowering Women Index (WIN), which was newly developed in 2017 and targets companies in all industries with superior performance in promoting gender diversity.

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■ **SMBC Sustainability Assessment Loan**

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

■ **SMBC Nadeshiko Assessment Loan**

MOL continued to be approved for an SMBC Nadeshiko Assessment Loan by Sumitomo Mitsui Banking Corporation (SMBC), receiving praise for being a leading company where women play an active role thanks to its initiatives for creating a workplace where women can play a more active role (2017).

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## Consolidated Balance Sheets

Mitsui O.S.K. Lines, Ltd. March 31, 2017 and 2016

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>Current assets:</b>			
Cash and cash equivalents (Note 3)	¥ 186,844	¥ 159,450	\$ 1,665,425
Trade receivables (Note 3)	130,420	130,293	1,162,492
Inventories (Note 5)	36,358	27,860	324,075
Deferred and prepaid expenses	60,889	66,101	542,731
Deferred tax assets (Note 15)	1,274	1,449	11,356
Other current assets (Notes 3 and 6)	66,122	72,297	589,375
Allowance for doubtful accounts	(429)	(975)	(3,824)
Total current assets	481,478	456,475	4,291,630
<b>Vessels, property and equipment, net of accumulated depreciation</b> (Notes 7 and 13):			
Vessels	756,930	822,270	6,746,858
Buildings and structures	153,768	159,483	1,370,603
Machinery, equipment and vehicles	26,630	22,828	237,365
Furniture and fixtures	5,366	4,482	47,830
Land	221,343	221,614	1,972,930
Vessels and other property under construction	156,935	143,342	1,398,832
Others	2,693	2,413	24,004
Net vessels, property and equipment	1,323,665	1,376,432	11,798,422
<b>Investments, intangibles and other assets:</b>			
Intangible assets	31,288	33,483	278,884
Investment securities (Notes 3, 4 and 7)	231,978	215,056	2,067,724
Long-term loans receivable (Note 3)	62,797	49,015	559,738
Long-term prepaid expenses	6,825	3,565	60,834
Net defined benefit assets (Note 16)	15,390	13,292	137,178
Deferred tax assets (Note 15)	3,536	4,422	31,518
Other non-current assets (Note 6)	62,661	69,908	558,527
Allowance for doubtful accounts	(2,089)	(2,061)	(18,620)
Total investments, intangibles and other assets	412,386	386,680	3,675,783
Total assets	¥2,217,529	¥2,219,587	\$19,765,835

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>Current liabilities:</b>			
Trade payables (Note 3)	¥ 125,119	¥ 127,172	\$ 1,115,242
Bonds due within one year (Notes 3 and 7)	20,000	45,000	178,269
Short-term bank loans (Notes 3 and 7)	133,155	107,976	1,186,870
Accrued income taxes (Note 15)	6,642	4,872	59,203
Advances received	32,259	29,327	287,539
Deferred tax liabilities (Note 15)	1,188	712	10,589
Allowance for bonuses	4,403	4,485	39,246
Allowance for directors' bonuses	154	130	1,373
Provision for loss on business liquidation	2,753	71,008	24,539
Provision for contract loss	1,239	8,604	11,044
Other current liabilities (Note 6)	56,545	64,508	504,011
Total current liabilities	383,457	463,794	3,417,925
<b>Non-current liabilities:</b>			
Bonds due after one year (Notes 3 and 7)	210,595	220,840	1,877,128
Long-term bank loans (Notes 3 and 7)	738,163	648,117	6,579,579
Lease obligations	18,372	20,948	163,758
Deferred tax liabilities (Note 15)	56,678	81,553	505,197
Net defined benefit liabilities (Note 16)	12,446	13,442	110,937
Directors' and corporate auditors' retirement benefits	1,459	1,659	13,005
Reserve for periodic drydocking	18,566	14,854	165,487
Provision for contract loss	226	—	2,014
Provision for environmental measures	620	—	5,526
Other non-current liabilities (Note 6)	93,326	107,455	831,857
Total non-current liabilities	1,150,451	1,108,868	10,254,488
Total liabilities	1,533,908	1,572,662	13,672,413
<b>Commitments and contingent liabilities</b> (Note 8)			
<b>Net assets</b> (Note 9):			
<b>Owners' equity:</b>			
Common stock:			
Authorized —3,154,000,000 shares			
Issued —1,206,286,115 shares	65,400	65,400	582,940
Capital surplus	45,382	45,389	404,510
Retained earnings	355,263	354,180	3,166,619
Treasury stock, at cost	(6,820)	(6,848)	(60,790)
Total owners' equity	459,225	458,121	4,093,279
<b>Accumulated other comprehensive income</b>			
Unrealized holding gains on available-for-sale securities, net of tax	28,354	20,950	252,732
Unrealized gains on hedging derivatives, net of tax	54,327	35,034	484,241
Foreign currency translation adjustments	27,178	26,886	242,250
Remeasurements of defined benefit plans, net of tax	2,899	(40)	25,840
Total accumulated other comprehensive income	112,758	82,830	1,005,063
<b>Share subscription rights</b>	2,447	2,682	21,811
<b>Non-controlling interests</b>	109,191	103,292	973,269
Total net assets	683,621	646,925	6,093,422
Total liabilities and net assets	¥2,217,529	¥2,219,587	\$19,765,835



# Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2017 and 2016

## (CONSOLIDATED STATEMENTS OF OPERATIONS)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Shipping and other revenues (Note 14)	¥1,504,374	¥1,712,223	\$13,409,163
Shipping and other expenses	1,388,265	1,594,569	12,374,231
Gross operating income	116,109	117,654	1,034,932
Selling, general and administrative expenses	113,551	115,330	1,012,131
Operating income	2,558	2,324	22,801
Non-operating income:			
Interest income	5,918	4,079	52,750
Dividend income	6,022	6,131	53,677
Equity in earnings of affiliated companies	5,544	9,178	49,416
Foreign exchange gain	24,180	23,908	215,527
Others	3,875	7,452	34,540
Total non-operating income	45,539	50,748	405,910
Non-operating expenses:			
Interest expense	19,037	14,576	169,685
Others	3,634	2,227	32,392
Total non-operating expenses	22,671	16,803	202,077
Ordinary income	25,426	36,269	226,634
Other gains:			
Gain on sales of vessels, property, equipment and others	6,125	9,431	54,595
Gain on sales of shares of subsidiaries and associates	20,008	817	178,340
Others	9,073	19,764	80,871
Total other gains	35,206	30,012	313,806
Other losses:			
Loss on sales and disposals of vessels, property, equipment and others	1,260	629	11,231
Impairment loss (Note 10)	22,274	—	198,538
Costs of business structural reforms (Note 11)	6,490	179,291	57,848
Others	7,305	40,746	65,113
Total other losses	37,329	220,666	332,730
Income (Loss) before income taxes	23,303	(154,385)	207,710
Income taxes (Note 15):			
Current	13,324	11,134	118,763
Deferred	(626)	261	(5,580)
Net income (loss)	10,605	(165,780)	94,527
Net income attributable to non-controlling interests	5,348	4,668	47,669
Net income (loss) attributable to owners of parent	¥ 5,257	¥ (170,448)	\$ 46,858

## (CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Net income (loss)	¥10,605	¥(165,780)	\$ 94,527
Other comprehensive income (Note 18):			
Unrealized holding gains on available-for-sale securities, net of tax	8,768	(24,187)	78,153
Unrealized gains on hedging derivatives, net of tax	13,072	(31,368)	116,517
Foreign currency translation adjustments	2,463	(1,520)	21,954
Remeasurements of defined benefit plans, net of tax	2,944	(5,369)	26,241
Share of other comprehensive income (loss) of associates accounted for using equity method	4,101	(3,475)	36,554
	31,348	(65,919)	279,419
Comprehensive income	¥41,953	¥(231,699)	\$373,946
Comprehensive income attributable to owners of parent	¥35,184	¥(233,644)	\$313,611
Comprehensive income attributable to non-controlling interests	6,769	1,945	60,335

## (AMOUNTS PER SHARE OF COMMON STOCK)

	Yen		U.S. dollars (Note 1)
	2017	2016	2017
Net income (loss)	¥4.40	¥(142.50)	\$0.04
Diluted net income (Note 2)	4.06	—	0.04
Cash dividends applicable to the year	2.00	5.00	0.02

See accompanying notes.

# Consolidated Statements of Changes in Net Assets

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2017 and 2016

	Millions of yen										
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gains on available-for-sale securities, net of tax	Unrealized gains on hedging derivatives, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax	Share subscription rights	Non-controlling interests	Total net assets
Balance at April 1, 2015	¥65,400	¥44,469	¥ 533,485	¥(6,823)	¥ 44,261	¥ 68,770	¥27,673	¥ 5,322	¥2,553	¥107,325	¥ 892,435
Issuance of new shares—exercise of subscription rights to shares	—	—	—	7	—	—	—	—	(7)	—	—
Dividends paid	—	—	(8,971)	—	—	—	—	—	—	—	(8,971)
Net income (loss) attributable to owners of parent	—	—	(170,448)	—	—	—	—	—	—	—	(170,448)
Due to change in affiliated companies accounted for by the equity method	—	—	141	—	—	—	—	—	—	—	141
Purchases of treasury stock	—	—	—	(47)	—	—	—	—	—	—	(47)
Disposal of treasury stock	—	—	(27)	15	—	—	—	—	—	—	(12)
Purchases of shares of consolidated subsidiaries	—	920	—	—	—	—	—	—	—	—	920
Net changes of items other than owner's equity during the year	—	—	—	—	(23,311)	(33,736)	(787)	(5,362)	136	(4,033)	(67,093)
Balance at March 31 and April 1, 2016	¥65,400	¥45,389	¥ 354,180	¥(6,848)	¥ 20,950	¥ 35,034	¥26,886	¥ (40)	¥2,682	¥103,292	¥ 646,925
Issuance of new shares—exercise of subscription rights to shares	—	—	—	5	—	—	—	—	(5)	—	—
Dividends paid	—	—	(4,186)	—	—	—	—	—	—	—	(4,186)
Net income (loss) attributable to owners of parent	—	—	5,257	—	—	—	—	—	—	—	5,257
Due to change in consolidated subsidiaries	—	—	36	—	—	—	—	—	—	—	36
Purchases of treasury stock	—	—	—	(23)	—	—	—	—	—	—	(23)
Disposal of treasury stock	—	—	(24)	46	—	—	—	—	—	—	22
Purchases of shares of consolidated subsidiaries	—	(7)	—	—	—	—	—	—	—	—	(7)
Net changes of items other than owner's equity during the year	—	—	—	—	7,404	19,293	292	2,939	(230)	5,899	35,597
Balance at March 31, 2017	¥65,400	¥45,382	¥ 355,263	¥(6,820)	¥ 28,354	¥ 54,327	¥27,178	¥ 2,899	¥2,447	¥109,191	¥ 683,621

	Thousands of U.S. dollars (Note 1)										
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gains on available-for-sale securities, net of tax	Unrealized gains on hedging derivatives, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax	Share subscription rights	Non-controlling interests	Total net assets
Balance at April 1, 2016	\$582,940	\$404,573	\$3,156,966	\$(61,040)	\$186,737	\$312,274	\$239,647	\$ (357)	\$23,906	\$920,688	\$5,766,334
Issuance of new shares—exercise of subscription rights to shares	—	—	—	45	—	—	—	—	(45)	—	—
Dividends paid	—	—	(37,312)	—	—	—	—	—	—	—	(37,312)
Net income (loss) attributable to owners of parent	—	—	46,858	—	—	—	—	—	—	—	46,858
Due to change in consolidated subsidiaries	—	—	321	—	—	—	—	—	—	—	321
Purchases of treasury stock	—	—	—	(205)	—	—	—	—	—	—	(205)
Disposal of treasury stock	—	—	(214)	410	—	—	—	—	—	—	196
Purchases of shares of consolidated subsidiaries	—	(63)	—	—	—	—	—	—	—	—	(63)
Net changes of items other than owner's equity during the year	—	—	—	—	65,995	171,967	2,603	26,197	(2,050)	52,581	317,293
Balance at March 31, 2017	\$582,940	\$404,510	\$3,166,619	\$(60,790)	\$252,732	\$484,241	\$242,250	\$25,840	\$21,811	\$973,269	\$6,093,422

See accompanying notes.

## Consolidated Statements of Cash Flows

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>Cash flows from operating activities:</b>			
Income (loss) before income taxes	¥ 23,303	¥(154,385)	\$ 207,710
Adjustments to reconcile income (loss) before income taxes to net cash provided by operating activities			
Depreciation and amortization	87,191	92,772	777,173
Impairment loss	22,274	—	198,538
Costs of business structural reforms	6,490	179,291	57,848
Equity in losses (earnings) of affiliated companies, net	(5,544)	(9,178)	(49,416)
Various provisions (reversals)	(20,054)	(1,096)	(178,750)
Decrease (Increase) in net defined benefit assets	1,996	(454)	17,791
Increase (Decrease) in net defined benefit liabilities	(756)	(233)	(6,739)
Interest and dividend income	(11,940)	(10,210)	(106,427)
Interest expense	19,037	14,576	169,685
Loss (Gain) on sales and disposal of vessels, property and equipment, net	(4,516)	(8,643)	(40,253)
Gain on sales of shares of subsidiaries and associates, net	(19,946)	(817)	(177,788)
Foreign exchange loss (gain)	(25,818)	(25,084)	(230,127)
Changes in operating assets and liabilities:			
Trade receivables	(1,683)	47,462	(15,001)
Inventories	(8,691)	21,185	(77,467)
Trade payables	(574)	(38,943)	(5,116)
Others, net	(31,167)	118,754	(277,805)
Sub total	29,602	224,997	263,856
Interest and dividend income received	15,352	14,099	136,840
Interest expenses paid	(18,778)	(14,306)	(167,377)
Income taxes paid	(8,552)	(15,600)	(76,228)
Net cash provided by operating activities	17,624	209,190	157,091
<b>Cash flows from investing activities:</b>			
Purchase of investment securities	(14,534)	(7,919)	(129,548)
Proceeds from sales and redemption of investment securities	27,738	16,371	247,241
Purchase of vessels, property and equipment and intangible assets	(143,178)	(123,840)	(1,276,210)
Proceeds from sales of vessels, property and equipment and intangible assets	71,351	69,202	635,984
Net decrease (increase) in short-term loans receivables	(6,653)	(5,459)	(59,301)
Disbursements for long-term loans receivables	(21,375)	(32,984)	(190,525)
Collections of long-term loans receivables	9,832	49,311	87,637
Others, net	2,877	8,637	25,644
Net cash used in investing activities	(73,942)	(26,681)	(659,078)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term bank loans	9,907	(40,010)	88,306
Net increase (decrease) in commercial paper	—	(5,500)	—
Proceeds from long-term bank loans	239,075	80,885	2,130,983
Repayments of long-term bank loans	(119,253)	(152,552)	(1,062,956)
Proceeds from issuance of bonds	10,000	—	89,135
Redemption of bonds	(45,000)	(15,600)	(401,105)
Cash dividends paid by the Company	(4,258)	(8,928)	(37,953)
Cash dividends paid to non-controlling interests	(1,018)	(1,116)	(9,074)
Others, net	(2,323)	(5,914)	(20,707)
Net cash provided by (used in) financing activities	87,130	(148,735)	776,629
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>	(3,454)	(3,126)	(30,788)
<b>Net increase (decrease) in cash and cash equivalents</b>	27,358	30,648	243,854
<b>Cash and cash equivalents at beginning of year</b>	159,450	128,802	1,421,250
<b>Net cash increase from new consolidation/de-consolidation of subsidiaries</b>	36	—	321
<b>Cash and cash equivalents at end of year</b>	¥ 186,844	¥ 159,450	\$ 1,665,425

See accompanying notes.

## Notes to Consolidated Financial Statements

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2017 and 2016

## 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (together "Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The accounts of overseas subsidiaries are made revisions according to ASBJ PITF No. 18.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of Mitsui O.S.K. Lines, Ltd. (the "Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2017, which was ¥112.19 to U.S.\$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## (1) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and 368 subsidiaries for the year ended March 31, 2017 (362 subsidiaries for the year ended March 31, 2016). All significant inter-company balances, transactions and all material unrealized profit within the consolidated group have been eliminated in consolidation.

Investments in unconsolidated subsidiaries and affiliated companies are accounted for by the equity method. Companies accounted for using the equity method include 76 affiliated companies for the year ended March 31, 2017 and 2016. Investments in other subsidiaries and affiliated companies were stated at cost since total revenues, total assets, the Company's equity in net income and retained earnings and others in such companies were not material.

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

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

## (2) TRANSLATION OF FOREIGN CURRENCY

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

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

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

## (3) CASH AND CASH EQUIVALENTS

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

## (4) FREIGHT REVENUES AND RELATED EXPENSES

## 1. Containerships

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

## 2. Vessels other than containerships

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

## (5) SECURITIES

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



Trading securities are stated at fair market value. Unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. Held-to-maturity debt securities are stated at amortized cost, net of the amount considered not collectible. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with fair market values are stated at fair market values, and the corresponding unrealized holding gains or losses, net of applicable income taxes, are reported as separate component of net assets. Available-for-sale securities of which fair value is not readily determinable are stated at moving-average cost.

**(6) INVENTORIES**

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

**(7) DEPRECIATION AND AMORTIZATION**

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

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

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

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

**(9) INTEREST CAPITALIZATION**

In cases where a vessel's construction period is long and the amount of interest accruing during this period is significant, such interest expenses are capitalized as a part of the acquisition cost which amounted to ¥1,408 million (\$12,550 thousand) for the year ended March 31, 2017.

**(10) ALLOWANCE FOR DOUBTFUL ACCOUNTS**

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

**(11) ALLOWANCE FOR BONUSES**

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

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

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

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

Provision for loss on business liquidation is recorded for estimated losses arising from business liquidations to be carried out.

**(14) PROVISION FOR CONTRACT LOSS**

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

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

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

**(16) RESERVE FOR PERIODIC DRYDOCKING**

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

**(17) PROVISION FOR ENVIRONMENTAL MEASURES**

Provision for environmental measures is based on the estimated amounts of future obligations associated with polychlorinated biphenyl (PCB) waste.

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

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

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

**(19) INCOME TAXES**

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

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

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

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

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

**(21) DERIVATIVES AND HEDGE ACCOUNTING**

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

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

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

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

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

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

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

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

**(22) RECLASSIFICATIONS**

Certain prior year amounts have been reclassified to conform to the 2017 presentation.

### (23) CHANGES IN ACCOUNTING POLICIES

#### (Adoption of Practical Solution on a change in depreciation method due to Tax Reform 2016)

Due to amendments to the Japanese Corporation Tax Act, the Company and its domestic subsidiaries adopted "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Practice Issue Task Force No. 32, June 17, 2016) from the current fiscal year and changed the depreciation method for buildings, facilities attached to buildings and structures, which were acquired since April 1, 2016, from the declining-balance method to the straight-line method.

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

### (24) ADDITIONAL INFORMATION

#### (Adoption of the Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company and its domestic subsidiaries adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) from the current fiscal year.

#### (Conclusion of Agreements on the Integration of Container Shipping Businesses)

Following a resolution passed at a meeting of the Board of Directors on October 31, 2016, the Company concluded a business integration contract and a shareholder agreement with Nippon Yusen Kabushiki Kaisha and Kawasaki Kisen Kaisha, Ltd., subject to regulatory approval from the authorities, on establishing a joint-venture company to integrate container shipping businesses (hereinafter the "Integration"). An overview of the Integration is as follows.

#### I. Overview of Integration

Although growing modestly, the container shipping industry has struggled in recent years due to a decline in container growth rate and a rapid influx of newly built vessels. These two factors have contributed to an imbalance of supply and demand, which has destabilized the industry and has created an environment that is adverse to container line profitability. To combat these factors, industry participants have sought to gain economies of scale through mergers and acquisitions and, consequently, the structure of the industry is changing significantly. Under these circumstances, the Company has decided on a business integration to secure stable and sustainable operations of the container shipping businesses.

#### II. Overview of the joint-venture company (planned)

- |                                     |   |     |
|-------------------------------------|---|-----|
| i) Shareholders/Contribution Ratio: | Mitsui O.S.K. Lines, Ltd.   | 31% |
|                                     | Kawasaki Kisen Kaisha, Ltd.   | 31% |
|                                     | Nippon Yusen Kabushiki Kaisha   | 38% |
| ii) Amount of contribution          | Approximately ¥300 billion (including fleets, share of terminals as investment in kind) |     |
| iii) Business domain                | Container shipping business (including terminal operating business excluding Japan)     |     |
| iv) Fleet size                      | Approx. 1.4 million TEU <sup>(1)</sup>  |     |

Note: Figures are total fleet size of three companies as of October 2016 (excluding undelivered orders).  
(\*TEU: Twenty-foot Equivalent Unit)

#### III. Schedule

- |   |                         |
|---|-------------------------|
| i) Agreement date:                                  | October 31, 2016        |
| ii) Establishment of the new-joint venture company: | July 1, 2017 (planned)  |
| iii) Business commencement:                         | April 1, 2018 (planned) |

## 3. FINANCIAL INSTRUMENTS

### (1) Qualitative information on financial instruments

#### I. Policies for using financial instruments

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

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

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

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

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

Trade payables are due within a year.

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

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

Our major derivative transactions and hedged risks are as follows.

\* Forward foreign exchange contracts / Currency swap contracts:

To cover exchange volatility of foreign-currency-denominated trade receivables, trade payables, long-term bank loans, and corporate bonds.

\* Interest rate swap contracts/Interest rate cap contracts:

To avoid interest rate risk arising out of interest payment of long-term bank loans and corporate bonds.

\* Fuel oil swap contracts:

To hedge fluctuation of fuel oil price.

With regard to the detail of hedge accounting (hedging instruments, hedged items, the way of evaluating hedge effectiveness), see Note 2 (21) to the consolidated financial statements.

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

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

### III. Supplemental information on fair value

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

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

### (2) Fair values of financial instruments

Book values and fair values of the financial instruments on the consolidated balance sheet at March 31, 2017 were the following;

	Millions of yen		
	Book value	Fair value	Difference
Assets			
Cash and cash equivalents	¥ 186,844	¥ 186,844	¥ —
Time deposits with a maturity of more than three months	3,102	3,102	—
Trade receivables	130,420	130,420	—
Short-term loans receivable	17,263	17,263	—
Investment securities			
Available-for-sale securities	98,675	98,675	—
Long-term loans receivable <sup>(1)</sup>	70,799	74,695	3,896
Total	¥ 507,103	¥ 510,999	¥ 3,896
Liabilities			
Trade payables	¥ 125,119	¥ 125,119	¥ —
Short-term bank loans	39,164	39,164	—
Bonds <sup>(2)</sup>	230,595	231,950	1,355
Long-term bank loans <sup>(3)</sup>	832,154	849,862	17,708
Total	¥1,227,032	¥1,246,095	¥19,063
Derivative financial instruments <sup>(4)</sup>	¥ 18,746	¥ 18,593	¥ (153)



	Thousands of U.S. dollars (Note 1)		
	Book value	Fair value	Difference
<b>Assets</b>			
Cash and cash equivalents	\$ 1,665,425	\$ 1,665,425	\$ —
Time deposits with a maturity of more than three months	27,650	27,650	—
Trade receivables	1,162,492	1,162,492	—
Short-term loans receivable	153,873	153,873	—
Investment securities			
Available-for-sale securities	879,535	879,535	—
Long-term loans receivable <sup>(*)1</sup>	631,063	665,790	34,727
<b>Total</b>	<b>\$ 4,520,038</b>	<b>\$ 4,554,765</b>	<b>\$ 34,727</b>
<b>Liabilities</b>			
Trade payables	\$ 1,115,242	\$ 1,115,242	\$ —
Short-term bank loans	349,086	349,086	—
Bonds <sup>(*)2</sup>	2,055,397	2,067,475	12,078
Long-term bank loans <sup>(*)3</sup>	7,417,363	7,575,203	157,840
<b>Total</b>	<b>\$10,937,088</b>	<b>\$11,107,006</b>	<b>\$169,918</b>
Derivative financial instruments <sup>(*)4</sup>	\$ 167,092	\$ 165,728	\$ (1,364)

\*1 The book value of long-term loans receivable includes current portion amounting to ¥8,002 million (\$71,325 thousand).

\*2 The book value of bonds includes current portion amounting to ¥20,000 million (\$178,269 thousand).

\*3 The book value of long-term bank loans includes current portion amounting to ¥93,991 million (\$837,784 thousand).

\*4 Amounts of derivative financial instruments are net of asset and liability. Negative amount stated with ( ) means that the net amount is liability.

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

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

\*1 The book value of long-term loans receivable includes current portion amounting to ¥10,117 million.

\*2 The book value of bonds includes current portion amounting to ¥45,000 million.

\*3 The book value of long-term bank loans includes current portion amounting to ¥77,701 million.

\*4 Amounts of derivative financial instruments are net of asset and liability. Negative amount stated with ( ) means that the net amount is liability.

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

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

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

#### Investment securities

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

#### Long-term loans receivable

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

#### Trade payables and short-term bank loans

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

#### Bonds

The fair value of corporate bonds is evaluated on their market price.

#### Long-term bank loans

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

#### Derivative financial instruments

Please refer to Note 6 to the consolidated financial statements.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Book value	Book value	Book value
	<b>2017</b>	2016	<b>2017</b>
Unlisted stocks	¥ 7,663	¥ 7,063	\$ 68,304
Investments in unconsolidated subsidiaries and affiliated companies	125,628	120,668	1,119,779
Others	12	6	106
<b>Total</b>	<b>¥133,303</b>	<b>¥127,737</b>	<b>\$1,188,189</b>

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

At March 31, 2017, the aggregate annual maturity of monetary claims and securities was as follows;

	Millions of yen			
	Within a year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	¥186,844	¥ —	¥ —	¥ —
Time deposits with a maturity of more than three months	3,102	—	—	—
Trade receivables	130,420	—	—	—
Short-term loans receivable	17,263	—	—	—
Marketable securities and investments securities				
Available-for-sale securities (Governmental/municipal bonds)	—	10	—	—
Available-for-sale securities (Corporate bonds)	—	200	—	—
Long-term loans receivable	8,002	3,853	5,785	53,159
<b>Total</b>	<b>¥345,631</b>	<b>¥4,063</b>	<b>¥5,785</b>	<b>¥53,159</b>

	Thousands of U.S. dollars (Note 1)			
	Within a year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	\$1,665,425	\$ —	\$ —	\$ —
Time deposits with a maturity of more than three months	27,650	—	—	—
Trade receivables	1,162,492	—	—	—
Short-term loans receivable	153,873	—	—	—
Marketable securities and investments securities				
Available-for-sale securities (Governmental/municipal bonds)	—	89	—	—
Available-for-sale securities (Corporate bonds)	—	1,783	—	—
Long-term loans receivable	71,325	34,344	51,564	473,830
<b>Total</b>	<b>\$3,080,765</b>	<b>\$36,216</b>	<b>\$51,564</b>	<b>\$473,830</b>

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

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

#### 4. SECURITIES

A. The following tables summarize acquisition costs, book values and fair values of securities with available fair values at March 31, 2017 and 2016.

Available-for-sale securities:

Securities with book values exceeding acquisition costs at March 31, 2017

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥43,975	¥89,266	¥45,291
Bonds	210	222	12
<b>Total</b>	<b>¥44,185</b>	<b>¥89,488</b>	<b>¥45,303</b>

Type	Thousands of U.S. dollars (Note 1)		
	Acquisition cost	Book value	Difference
Equity securities	\$391,969	\$795,668	\$403,699
Bonds	1,872	1,979	107
<b>Total</b>	<b>\$393,841</b>	<b>\$797,647</b>	<b>\$403,806</b>

Securities with book values exceeding acquisition costs at March 31, 2016

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥33,086	¥66,378	¥33,292
Bonds	210	225	15
<b>Total</b>	<b>¥33,296</b>	<b>¥66,603</b>	<b>¥33,307</b>

Securities with book values not exceeding acquisition costs at March 31, 2017

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥11,066	¥9,187	¥(1,879)
<b>Total</b>	<b>¥11,066</b>	<b>¥9,187</b>	<b>¥(1,879)</b>

Type	Thousands of U.S. dollars (Note 1)		
	Acquisition cost	Book value	Difference
Equity securities	\$98,636	\$81,888	\$(16,748)
<b>Total</b>	<b>\$98,636</b>	<b>\$81,888</b>	<b>\$(16,748)</b>

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

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥23,494	¥20,716	¥(2,778)
<b>Total</b>	<b>¥23,494</b>	<b>¥20,716</b>	<b>¥(2,778)</b>

B. Total sales of available-for-sale securities sold in the years ended March 31, 2017 and 2016 and the related gains and losses were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Proceeds from sales	¥3,346	¥15,279	\$29,824
Gross realized gains	2,250	12,934	20,055
Gross realized losses	406	2	3,619



C. Impairment losses of securities

For the year ended March 31, 2017, the Company reduced the book value on the securities and booked the reductions as impairment losses of ¥13 million (\$116 thousand).

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

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

## 5. INVENTORIES

Inventories at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Fuel and supplies	¥34,685	¥26,603	\$309,163
Others	1,673	1,257	14,912
Total	¥36,358	¥27,860	\$324,075

## 6. DERIVATIVE TRANSACTIONS

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

### I. Hedge accounting not applied

The following tables summarize the outstanding contract amounts and fair values of financial derivatives of the Group at March 31, 2017 and 2016, for which hedge accounting has not been applied.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>(1) Currency related:</b>			
Forward currency exchange contracts			
Sell (U.S. dollar):			
Contracts outstanding	¥1,563	¥ 1	\$13,932
Fair values	5	0	45
Buy (U.S. dollar):			
Contracts outstanding	¥ 41	¥260	\$ 365
Fair values	0	(9)	0
Buy (Others):			
Contracts outstanding	¥ 25	¥ 24	\$ 223
Fair values	(0)	1	(1)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>(2) Interest related</b>			
Interest rate swaps			
Receive floating, pay fixed			
Contracts outstanding	¥22,826	¥25,435	\$203,458
Fair values	(1,684)	(2,090)	(15,010)
Receive fixed, pay floating			
Contracts outstanding	¥15,590	¥9,034	\$138,961
Fair values	(616)	200	(5,491)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>(3) Others</b>			
a. Fuel oil swaps			
Receive floating, pay fixed			
Contracts outstanding	¥ 375	¥—	\$ 3,343
Fair values	(168)	—	(1,497)
b. Freight futures			
Contracts outstanding			
	¥ 240	¥—	\$ 2,139
Fair values	(8)	—	(71)

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

### II. Hedge accounting applied

The following tables summarize the outstanding contract amounts and fair values of financial derivatives of the Group at March 31, 2017 and 2016, for which hedge accounting has been applied.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>(1) Deferred hedge accounting</b>			
a. Forward currency exchange contracts to hedge the risk for the foreign currency transactions			
Sell (U.S. dollar):			
Contracts outstanding	¥ 67,676	¥ 49,932	\$ 603,227
Fair values	136	(854)	1,212
Buy (U.S. dollar):			
Contracts outstanding	¥ 62,955	¥ 55,421	\$ 561,146
Fair values	(990)	(2,323)	(8,824)
b. Currency swaps contracts to hedge the risk for charterages			
Sell (U.S. dollar):			
Contracts outstanding	¥ 5,078	¥ 6,458	\$ 45,263
Fair values	(905)	(1,397)	(8,067)
Buy (U.S. dollar):			
Contracts outstanding	¥164,417	¥185,023	\$1,465,523
Fair values	40,852	49,596	364,132
c. Interest rate swaps to hedge the risk for the long-term bank loans and charterages			
Receive floating, pay fixed			
Contracts outstanding	¥282,033	¥307,776	\$2,513,887
Fair values	(18,206)	(25,858)	(162,277)
d. Interest rate caps to hedge the risk for the long-term bank loans			
Buy			
Contracts outstanding	¥ 23,892	¥ —	\$ 212,960
Fair values	(48)	—	(428)
e. Fuel oil swaps to hedge the risk for the fuel oil			
Receive floating, pay fixed			
Contracts outstanding	¥ 5,918	¥ 2,669	\$ 52,750
Fair values	378	(861)	3,369

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>(2) Special treatment</b>			
Interest rate swaps to hedge the risk for the long-term bank loans			
Receive floating, pay fixed			
Contracts outstanding	¥20,618	¥20,758	\$183,778
Fair values	(153)	(218)	(1,364)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>(3) Allocation method</b>			
Currency swaps to hedge the risk for the foreign bonds and long-term bank loans			
Contracts outstanding	¥6,285	¥13,700	\$56,021
Fair values	—	—	—

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

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

### (1) SHORT-TERM DEBT

Short-term debt at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Short-term bank loans	¥39,164	¥30,275	\$349,086
Total	¥39,164	¥30,275	\$349,086

Average interest rates on short-term bank loans at March 31, 2017 and 2016 were 0.88% and 0.46%, respectively.

### (2) LONG-TERM DEBT

Long-term debt at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>Bonds:</b>			
0.573% yen bonds due June 21, 2016	¥ —	¥ 10,000	\$ —
2.070% yen bonds due September 30, 2016	—	15,000	—
1.106% yen bonds due December 17, 2016	—	20,000	—
0.461% yen bonds due July 12, 2017	20,000	20,000	178,269
0.000% U.S. dollars bonds due April 24, 2018*	33,657	33,804	300,000
1.999% yen bonds due May 27, 2019	18,500	18,500	164,899
1.673% yen bonds due September 13, 2019	10,000	10,000	89,134
0.000% U.S. dollars bonds due April 24, 2020*	22,438	22,536	200,000
1.398% yen bonds due May 28, 2020	15,000	15,000	133,702
1.361% yen bonds due June 21, 2021	17,800	17,800	158,660
1.652% yen bonds due May 27, 2022	5,000	5,000	44,567
1.139% yen bonds due July 12, 2022	8,700	8,700	77,547
1.071% yen bonds due January 23, 2023	10,000	10,000	89,134
0.845% yen bonds due March 4, 2024	15,000	15,000	133,702
0.970% yen bonds due June 19, 2024	29,500	29,500	262,947
0.803% yen bonds due March 3, 2025	15,000	15,000	133,702
0.850% yen bonds due December 15, 2031	10,000	—	89,134
<b>Long-term bank loans due within one year:</b>			
Long-term bank loans due within one year at average interest rate of 1.22% and 0.87% at March 31, 2017 and 2016, respectively	93,991	77,701	837,784
<b>Long-term bank loans due after one year:</b>			
Long-term bank loans due through 2076 at average interest rate of 1.73% and 1.50% at March 31, 2017 and 2016, respectively	738,163	648,117	6,579,579
	1,062,749	991,658	9,472,760
Amount due within one year	113,991	122,701	1,016,053
	¥ 948,758	¥868,957	\$8,456,707

\* Zero coupon convertible bonds, details are as follows.

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

At March 31, 2017, the aggregate annual maturity of long-term debt was as follows:

Year ending March 31	Thousands of U.S. dollars (Note 1)	
	Millions of yen	Thousands of U.S. dollars (Note 1)
2018	¥ 113,991	\$1,016,053
2019	145,722	1,298,886
2020	97,728	871,094
2021	127,773	1,138,898
2022	98,218	875,461
2023 and thereafter	479,317	4,272,368
Total	¥1,062,749	\$9,472,760

### (3) ASSETS PLEDGED AND SECURED DEBT

At March 31, 2017 and 2016, the following assets were pledged as collateral for short-term debt and long-term debt.

Assets pledged	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Vessels	¥216,193	¥245,710	\$1,927,025
Vessels and other property under construction	—	26,108	—
Investment securities	83,030	76,623	740,084
Total	¥299,223	¥348,441	\$2,667,109

Secured debt	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Long-term bank loans due within one year	¥ 12,175	¥ 14,500	\$ 108,521
Long-term bank loans due after one year	160,119	158,772	1,427,213
Total	¥172,294	¥173,272	\$1,535,734

## 8. COMMITMENTS AND CONTINGENT LIABILITIES

### (A) COMMITMENT

At March 31, 2017 and 2016, certain subsidiaries had loan commitment agreements. The nonexercised portion of loan commitments was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Total loan limits	¥16,268	¥13,522	\$145,000
Loan executions	16,268	9,578	145,000
The nonexercised portion of loan commitments	¥ —	¥ 3,944	\$ —

### (B) CONTINGENT LIABILITIES

At March 31, 2017 and 2016, the Company and its consolidated subsidiaries were contingently liable mainly as guarantors or co-guarantors of indebtedness of related and other companies in the aggregate amount of ¥159,430 million (\$1,421,071 thousand) and ¥148,653 million, respectively.

## 9. NET ASSETS

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

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

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

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

### (A) SHARES ISSUED AND OUTSTANDING

Changes in number of shares issued and outstanding during the years ended March 31, 2017 and 2016 were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
	Balance at April 1, 2015	1,206,286
Increase during the year	—	140
Decrease during the year	—	(104)
Balance at March 31 and April 1, 2016	1,206,286	10,222
Increase during the year	—	86
Decrease during the year	—	(76)
Balance at March 31, 2017	1,206,286	10,232

### (B) SHARE SUBSCRIPTION RIGHTS

Share subscription rights at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Stock options	¥2,447	¥2,682	\$21,811
Total	¥2,447	¥2,682	\$21,811

### (C) DIVIDENDS

(1) Dividends paid for the year ended March 31, 2017 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	Approved at the shareholders' meeting held on June 21, 2016	¥1,794
Approved at the board of directors held on October 31, 2016	¥2,392	\$21,321
Total	¥4,186	\$37,312

There were no dividends included in the retained earnings at March 31, 2017 and to be paid in subsequent periods.

## 10. IMPAIRMENT LOSS

For the year ended March 31, 2017, the Group recorded an impairment loss on the following asset group.

Application	Type	Millions of yen	Thousands of U.S. dollars (Note 1)
Assets for operations	Vessels and Other	¥21,007	\$187,245
Assets to be disposed of by sale	Vessels	1,267	11,293
Total		¥22,274	\$198,538

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

For the year ended March 31, 2017, since profitability of the assets related to Containerships segment for operations significantly deteriorated, the Group reduced the book value on these assets to recoverable amounts and booked the reductions as impairment loss.

For the year ended March 31, 2017, with regard to the target price of assets related to Bulkships segment to be disposed of by sale which fell below book value, the Group reduced the book value on these assets to recoverable amounts and booked the reductions as impairment loss.

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



## 11. BREAKDOWN OF COSTS OF BUSINESS STRUCTURAL REFORMS

Mainly for the year ended March 31, 2016, the Company recognized costs of business structural reforms arising from the business structural reforms for bulk carriers and containerships which mainly consist of impairment loss and provision for loss on business liquidation.

A breakdown of the costs was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Impairment loss (*)	¥ —	¥ 90,308	\$ —
Provision for loss on business liquidation	—	71,008	—
Loss on cancellation fee for chartered vessels	—	9,459	—
Adjustment due to foreign exchange rate fluctuations	6,490	—	57,848
Others	—	8,516	—
Total	¥6,490	¥179,291	\$57,848

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

Application	Type	Millions of yen
Assets for operations	Vessels and Other	¥56,449
Assets to be disposed of by sale	Vessels and Other	33,859

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

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

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

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

## 12. LEASES

### AS LESSEE:

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

(1) Lease payments, depreciation equivalent and interest equivalent

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Lease payments	¥13	¥126	\$116
Depreciation equivalent	10	41	89
Interest equivalent	0	2	0

(2) Calculation of depreciation equivalent

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

(3) Calculation of interest equivalent

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

### (B) FUTURE LEASE PAYMENTS UNDER OPERATING LEASES FOR ONLY NON-CANCELABLE CONTRACTS AT MARCH 31, 2017 AND 2016:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Amount due within one year	¥ 45,022	¥ 51,195	\$ 401,301
Amount due after one year	284,385	286,547	2,534,852
Total	¥329,407	¥337,742	\$2,936,153

### AS LESSOR:

#### (A) FUTURE LEASE INCOME UNDER OPERATING LEASES FOR ONLY NON-CANCELABLE CONTRACTS AT MARCH 31, 2017 AND 2016:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Amount due within one year	¥17,717	¥14,146	\$157,920
Amount due after one year	34,958	42,867	311,596
Total	¥52,675	¥57,013	\$469,516

## 13. RENTAL PROPERTIES

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

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

For the year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Book value			
Balance at beginning of the year	¥311,092	¥317,018	\$2,772,903
Changes during the year	(6,525)	(5,926)	(58,160)
Balance at end of the year	304,567	311,092	2,714,743
Fair value at end of the year	458,711	444,844	4,088,698

Notes: 1. Book value is the acquisition cost, net of accumulated depreciation.

2. Fair value is mainly based on the amount appraised by outside independent real estate appraisers.

3. Of changes during the year ended March 31, 2016, the primary increase was mainly due to the renewal construction of office buildings (¥1,367 million), and the additional acquisition of land near Akihabara Station (¥724 million), while the primary decrease was mainly due to the depreciation of existing properties (¥7,782 million).

4. Of changes during the year ended March 31, 2017, the primary decrease was mainly due to the depreciation of existing properties (¥7,292 million (\$64,997 thousand)).

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Rental revenue	¥30,246	¥28,492	\$269,596
Rental expense	17,845	17,917	159,060
Difference	¥12,401	¥10,575	\$110,536

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

## 14. SEGMENT AND RELATED INFORMATION

### (A) SEGMENT INFORMATION:

For the year ended March 31, 2017:	Millions of yen								Consolidated
	Reportable segment							Adjustment*2	
	Bulkships	Container-ships	Ferries & Coastal RoRo Ships	Associated Businesses	Sub Total	Others*1	Total		
<b>1. Revenues:</b>									
(1) Revenues from customers	¥ 744,288	¥620,714	¥42,036	¥ 90,025	¥1,497,063	¥ 7,311	¥1,504,374	¥ —	¥1,504,374
(2) Inter-segment revenues	168	1,817	108	27,518	29,611	5,916	35,527	(35,527)	—
Total revenues	¥ 744,456	¥622,531	¥42,144	¥117,543	¥1,526,674	¥ 13,227	¥1,539,901	¥ (35,527)	¥1,504,374
Segment income (loss)	¥ 39,051	¥ (32,865)	¥ 4,507	¥ 12,337	¥ 23,030	¥ 1,811	¥ 24,841	¥ 585	¥ 25,426
Segment assets	¥1,441,138	¥388,029	¥54,418	¥415,399	¥2,298,984	¥359,526	¥2,658,510	¥(440,981)	¥2,217,529
<b>2. Others</b>									
Depreciation and amortization	¥ 62,246	¥ 12,131	¥ 1,905	¥ 9,396	¥ 85,678	¥ 320	¥ 85,998	¥ 1,193	¥ 87,191
Amortization of goodwill	22	0	—	164	186	0	186	—	186
Interest income	4,172	895	14	44	5,125	2,118	7,243	(1,325)	5,918
Interest expense	15,910	1,728	124	1,437	19,199	1,082	20,281	(1,244)	19,037
Equity in earnings (losses) of affiliated companies, net	5,792	(5)	360	227	6,374	(830)	5,544	—	5,544
Investment in affiliates	94,528	12,635	2,449	2,139	111,751	1,049	112,800	—	112,800
Increase in vessels, property and equipment and intangible assets	87,183	28,308	20,230	4,937	140,658	180	140,838	956	141,794

For the year ended March 31, 2017:	Thousands of U.S. dollars (Note 1)								Consolidated
	Reportable segment							Adjustment*2	
	Bulkships	Container-ships	Ferries & Coastal RoRo Ships	Associated Businesses	Sub Total	Others*1	Total		
<b>1. Revenues:</b>									
(1) Revenues from customers	\$ 6,634,175	\$5,532,703	\$374,686	\$ 802,433	\$13,343,997	\$ 65,166	\$13,409,163	\$ —	\$13,409,163
(2) Inter-segment revenues	1,497	16,196	962	245,281	263,936	52,732	316,668	(316,668)	—
Total revenues	\$ 6,635,672	\$5,548,899	\$375,648	\$1,047,714	\$13,607,933	\$ 117,898	\$13,725,831	\$ (316,668)	\$13,409,163
Segment income (loss)	\$ 348,079	\$ (292,940)	\$ 40,173	\$ 109,965	\$ 205,277	\$ 16,142	\$ 221,419	\$ 5,215	\$ 226,634
Segment assets	\$12,845,512	\$3,458,677	\$485,052	\$3,702,639	\$20,491,880	\$3,204,617	\$23,696,497	\$ (3,930,662)	\$19,765,835
<b>2. Others</b>									
Depreciation and amortization	\$ 554,827	\$ 108,129	\$ 16,980	\$ 83,751	\$ 763,687	\$ 2,852	\$ 766,539	\$ 10,634	\$ 777,173
Amortization of goodwill	196	0	—	1,462	1,658	0	1,658	—	1,658
Interest income	37,187	7,977	125	392	45,681	18,879	64,560	(11,810)	52,750
Interest expense	141,813	15,402	1,105	12,809	171,129	9,645	180,774	(11,089)	169,685
Equity in earnings (losses) of affiliated companies, net	51,627	(45)	3,209	2,023	56,814	(7,398)	49,416	—	49,416
Investment in affiliates	842,571	112,621	21,829	19,066	996,087	9,350	1,005,437	—	1,005,437
Increase in vessels, property and equipment and intangible assets	777,101	252,322	180,319	44,006	1,253,748	1,605	1,255,353	8,521	1,263,874

For the year ended March 31, 2016:	Millions of yen								Consolidated
	Reportable segment							Adjustment*5	
	Bulkships	Container-ships	Ferries & Coastal RoRo Ships	Associated Businesses	Sub Total	Others*1	Total		
<b>1. Revenues:</b>									
(1) Revenues from customers	¥ 845,356	¥719,109	¥43,155	¥ 96,606	¥1,704,226	¥ 7,997	¥1,712,223	¥ —	¥1,712,223
(2) Inter-segment revenues	251	2,026	188	30,373	32,838	5,312	38,150	(38,150)	—
Total revenues	¥ 845,607	¥721,135	¥43,343	¥126,979	¥1,737,064	¥ 13,309	¥1,750,373	¥ (38,150)	¥1,712,223
Segment income (loss)	¥ 54,899	¥ (29,831)	¥ 4,382	¥ 10,172	¥ 39,622	¥ 3,550	¥ 43,172	¥ (6,903)	¥ 36,269
Segment assets	¥1,531,278	¥397,081	¥39,402	¥416,454	¥2,384,215	¥162,725	¥2,546,940	¥(327,353)	¥2,219,587
<b>2. Others</b>									
Depreciation and amortization	¥ 62,228	¥ 16,907	¥ 1,906	¥ 10,091	¥ 91,132	¥ 273	¥ 91,405	¥ 1,367	¥ 92,772
Amortization of goodwill, net	12	63	—	132	207	1	208	—	208
Interest income	2,761	665	21	74	3,521	1,785	5,306	(1,227)	4,079
Interest expense	12,934	2,022	143	1,738	16,837	1,034	17,871	(3,295)	14,576
Equity in earnings (losses) of affiliated companies, net	7,813	706	453	255	9,227	(49)	9,178	—	9,178
Costs of business structural reforms	117,411	61,880	—	—	179,291	—	179,291	—	179,291
Investment in affiliates	91,287	14,131	2,094	2,083	109,595	1,896	111,491	—	111,491
Increase in tangible / intangible fixed assets	88,254	15,526	4,728	5,177	113,685	124	113,809	1,903	115,712

- \*1. "Others" primarily consists of business segments that are not included in reportable segments, such as the ship operations business, the ship management business, the ship chartering business, the financing business and the shipbuilding business.
2. (1) Adjustment in Segment income (loss) of ¥585 million (\$5,215 thousand) include the following: -¥4,579 million (-\$40,815 thousand) of corporate profit which is not allocated to segments, ¥6,312 million (\$56,262 thousand) of adjustment for management accounting and -¥1,148 million (-\$10,232 thousand) of inter-segment transaction elimination.
- (2) Adjustment in Segment assets of -¥440,981 million (-\$3,930,662 thousand) include the following: ¥14,715 million (\$131,161 thousand) of assets which are not allocated to segments and -¥455,696 million (-\$4,061,823 thousand) of inter-segment transaction elimination.
- (3) Adjustment in Depreciation and amortization of ¥1,193 million (\$10,634 thousand) include the following: ¥1,193 million (\$10,634 thousand) of depreciation of assets which are not allocated to segments.
- (4) Adjustment in Interest income of -¥1,325 million (-\$11,810 thousand) include the following: ¥2,522 million (\$22,480 thousand) of interest income which is not allocated to segments and -¥3,847 million (-\$34,290 thousand) of inter-segment transaction elimination.
- (5) Adjustment in Interest expenses of -¥1,244 million (-\$11,089 thousand) include the following: ¥5,604 million (\$49,951 thousand) of interest expenses which are not allocated to segments, -¥2,999 million (-\$26,731 thousand) of adjustment for management accounting and -¥3,849 million (-\$34,309 thousand) of inter-segment transaction elimination.
- (6) Adjustment in Increase of tangible/intangible fixed assets of ¥956 million (\$8,521 thousand) is increase of tangible/intangible fixed assets which are not allocated to segments.
3. Management has decided not to allocate liabilities to segments. Therefore segment information regarding liabilities is not disclosed.
4. Segment income (loss) corresponds to Ordinary profit in the consolidated statements of operations.
5. (1) Adjustment in Segment income (loss) of ¥6,903 million include the following: -¥12,610 million of corporate profit which is not allocated to segments, ¥6,949 million of adjustment for management accounting and -¥1,242 million of inter-segment transaction elimination.
- (2) Adjustment in Segment assets of -¥327,353 million include the following: ¥18,087 million of assets which are not allocated to segments and -¥345,440 million of inter-segment transaction elimination.
- (3) Adjustment in Depreciation and amortization of ¥1,367 million include the following: ¥1,376 million of depreciation of assets which are not allocated to segments and -¥9 million of inter-segment transaction elimination.
- (4) Adjustment in Interest income of -¥1,227 million include the following: ¥1,796 million of interest income which is not allocated to segments and -¥3,023 million of inter-segment transaction elimination.
- (5) Adjustment in Interest expenses of -¥3,295 million include the following: ¥3,039 million of interest expenses which are not allocated to segments, -¥3,309 million of adjustment for management accounting and -¥3,025 million of inter-segment transaction elimination.
- (6) Adjustment in Increase of tangible/intangible fixed assets of ¥1,903 million is increase of tangible/intangible fixed assets which are not allocated to segments.
6. The Group has realigned its business segments from the fiscal year ended March 31, 2017 to reflect certain modifications in its organizational structure. The former "Ferry & Domestic Transport" segment has been changed to the "Ferries & Coastal RoRo Ships" segment. In connection with this alignment, figures of the "Bulkships" segment and the "Ferry & Domestic Transport" segment for the fiscal year ended March 31, 2016 have been reclassified to conform to the presentation of the fiscal year ended March 31, 2017.

(Segment income (loss))

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

**(B) RELATED INFORMATION:**

(1) Information about geographic areas:

In our core marine transportation business, the areas which services are provided are not necessarily consistent with the location of our customers.

Therefore, revenues by geographic areas are revenues by geographic areas of each company's registration.

Millions of yen						
For the year ended March 31, 2017:	Japan	North America	Europe	Asia	Others	Consolidated
Revenues	¥1,264,122	¥27,571	¥32,196	¥180,063	¥ 422	¥1,504,374
Vessels, property and equipment	¥1,020,254	¥43,966	¥ 2,975	¥220,888	¥35,582	¥1,323,665

Thousands of U.S. dollars (Note 1)						
For the year ended March 31, 2017:	Japan	North America	Europe	Asia	Others	Consolidated
Revenues	\$11,267,689	\$245,753	\$286,977	\$1,604,983	\$ 3,761	\$13,409,163
Vessels, property and equipment	\$ 9,093,983	\$391,889	\$ 26,518	\$1,968,874	\$317,158	\$11,798,422

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

(2) Information about impairment loss by reportable segment:

Millions of yen								
For the year ended March 31, 2017:	Reportable segment					Others	Adjustment and elimination	Consolidated
	Bulkships	Container-ships	Ferries & Coastal RoRo Ships	Associated Businesses	Sub Total			
Impairment loss	¥1,267	¥21,007	¥—	¥—	¥22,274	¥—	¥—	¥22,274

Thousands of U.S. dollars (Note 1)								
For the year ended March 31, 2017:	Reportable segment					Others	Adjustment and elimination	Consolidated
	Bulkships	Container-ships	Ferries & Coastal RoRo Ships	Associated Businesses	Sub Total			
Impairment loss	\$11,293	\$187,245	\$—	\$—	\$198,538	\$—	\$—	\$198,538

Millions of yen								
For the year ended March 31, 2016:	Reportable segment					Others	Adjustment and elimination	Consolidated
	Bulkships	Container-ships	Ferries & Coastal RoRo Ships	Associated Businesses	Sub Total			
Impairment loss	¥33,859	¥56,449	¥—	¥—	¥90,308	¥—	¥—	¥90,308

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

(3) Information about goodwill by reportable segment:

Millions of yen								
For the year ended March 31, 2017:	Reportable segment					Others	Adjustment and elimination	Consolidated
	Bulkships	Container-ships	Ferries & Coastal RoRo Ships	Associated Businesses	Sub Total			
Goodwill at the end of current year	¥67	¥0	¥—	¥2,074	¥2,141	¥—	¥—	¥2,141

For the year ended March 31, 2017:	Thousands of U.S. dollars (Note 1)						Adjustment and elimination	Consolidated
	Reportable segment					Others		
	Bulkships	Container-ships	Ferries & Coastal RoRo Ships	Associated Businesses	Sub Total	Others		
Goodwill at the end of current year	\$597	\$0	\$—	\$18,487	\$19,084	\$—	\$—	\$19,084

For the year ended March 31, 2016:	Millions of yen						Adjustment and elimination	Consolidated
	Reportable segment					Others		
	Bulkships	Container-ships	Ferries & Coastal RoRo Ships	Associated Businesses	Sub Total	Others		
Goodwill at the end of current year	¥89	¥14	¥—	¥2,317	¥2,420	¥0	¥—	¥2,420

**15. INCOME TAXES**

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate statutory rates in Japan of approximately 28.8% for the year ended March 31, 2017 and 29.8% for the year ended March 31, 2016.

(A) Significant components of deferred tax assets and liabilities at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>Deferred tax assets:</b>			
Operating loss carried forward	¥ 70,899	¥ 53,931	\$ 631,955
Write-down of securities and other investments	757	1,519	6,747
Reserve for bonuses expenses	1,338	1,412	11,926
Impairment loss	20,873	26,346	186,050
Excess bad debt expenses	585	892	5,214
Net defined benefit liabilities	4,696	4,651	41,858
Retirement allowances for directors	487	559	4,341
Unrealized gain on sale of fixed assets	1,303	1,435	11,614
Provision for loss on business liquidation	785	20,237	6,997
Provision for contract loss	391	1,204	3,485
Unrealized gains on hedging derivatives	20,208	—	180,123
Transfer of charters from subsidiaries and affiliates	8,694	—	77,494
Deemed dividends	11,224	1,855	100,045
Others	7,163	4,056	63,847
Total deferred tax assets	149,403	118,097	1,331,696
Valuation allowance	(141,743)	(110,911)	(1,263,419)
Net deferred tax assets	7,660	7,186	68,277
<b>Deferred tax liabilities:</b>			
Reserve deductible for tax purposes when appropriated for deferred gain on real properties	(2,564)	(1,749)	(22,854)
Reserve deductible for tax purposes when appropriated for special depreciation	(722)	(604)	(6,436)
Unrealized holding gains on available-for-sale securities	(15,332)	(11,806)	(136,661)
Gain on securities contributed to employee retirement benefit trust	(2,714)	(2,714)	(24,191)
Revaluation reserve	(17,060)	(17,179)	(152,063)
Retained earnings of consolidated subsidiaries	(7,707)	(8,496)	(68,696)
Unrealized gains on hedging derivatives	(11,969)	(39,531)	(106,685)
Others	(2,648)	(1,501)	(23,603)
Total deferred tax liabilities	(60,716)	(83,580)	(541,189)
Net deferred tax liabilities	¥ (53,056)	¥ (76,394)	\$ (472,912)



**(B) Reconciliation of the statutory tax rate to the effective tax rate for the year ended March 31, 2017, was as follows:**

	2017
Statutory tax rate	28.8 %
Non-deductible expenses	1.5
Tax exempt revenues	(9.0)
Effect on tonnage tax system	(11.5)
Changes in valuation allowance	63.1
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(6.8)
Effect on difference of effective tax rate for consolidated subsidiaries	(10.0)
Others	(1.6)
Effective tax rate	54.5 %

\*1 Changes in valuation allowance of effect on net loss carried forward for foreign subsidiaries are included in Effect on difference of effective tax rate for consolidated subsidiaries.

\*2 Reconciliation of the statutory tax rate to the effective tax rate for the year ended March 31, 2016, is not stated as the Company recorded loss before income taxes.

**16. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS**

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

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

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

The Company has a retirement benefit trust.

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

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

**(B) DEFINED BENEFIT PLANS**

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Balance at beginning of the year	¥46,769	¥45,500	\$416,873
Service cost	1,768	1,694	15,759
Interest cost	407	485	3,628
Actuarial loss (gain)	(193)	4,934	(1,720)
Benefits paid	(1,999)	(5,844)	(17,818)
Balance at end of the year	¥46,752	¥46,769	\$416,722

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Balance at beginning of the year	¥56,777	¥66,169	\$506,079
Expected return on plan assets	1,136	1,323	10,126
Actuarial loss (gain)	2,774	(1,550)	24,726
Contributions paid by the employer	28	—	250
Benefits paid	(1,758)	(5,584)	(15,671)
Return of assets of retirement benefit trust	—	(3,581)	—
Balance at end of the year	¥58,957	¥56,777	\$525,510

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Balance at beginning of the year	¥10,159	¥10,264	\$ 90,552
Retirement benefit costs	1,751	2,158	15,607
Benefits paid	(1,979)	(1,510)	(17,640)
Contributions paid by the employer	(683)	(753)	(6,088)
Increase in retirement benefit obligations from change of scope of consolidation	12	—	107
Balance at end of the year	¥ 9,260	¥10,159	\$ 82,538

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Funded retirement benefit obligations	¥ 54,258	¥ 55,188	\$ 483,626
Plan assets	(68,911)	(66,745)	(614,235)
	(14,653)	(11,557)	(130,609)
Unfunded retirement benefit obligations	11,709	11,707	104,368
Total net liability (asset) for retirement benefits at end of the year	(2,944)	150	(26,241)
Liability for retirement benefits	12,446	13,442	110,937
Asset for retirement benefits	(15,390)	(13,292)	(137,178)
Total net liability (asset) for retirement benefits at end of the year	¥ (2,944)	¥ 150	\$ (26,241)

**(5) RETIREMENT BENEFIT COSTS**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Service cost	¥ 1,768	¥ 1,694	\$ 15,759
Interest cost	407	485	3,628
Expected return on plan assets	(1,136)	(1,323)	(10,126)
Net actuarial loss amortization	1,153	(1,192)	10,277
Retirement benefit costs calculated by the simplified method	1,751	2,158	15,607
Other	(23)	221	(205)
Total retirement benefit costs for the fiscal year	¥3,920	¥ 2,043	\$ 34,940

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Actuarial loss (gain)	¥4,119	¥(7,675)	\$36,715

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Unrecognized actuarial differences	¥4,070	¥(49)	\$36,278

(8) PLAN ASSETS

1. Plan assets comprise:

	2017	2016
Equity securities	31%	34%
Bonds	26	23
Jointly invested assets	35	36
Cash and cash equivalents	8	7
Other	0	0
Total	100%	100%
Retirement benefit trust	27%	27%

2. Long-term expected rate of return

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

(9) ACTUARIAL ASSUMPTIONS

The discount rates were mainly 0.5%–1.1% for the year ended March 31, 2017 and 2016.

The rates of expected return on plan assets were mainly 2.0% for the years ended March 31, 2017 and 2016.

The expected rate of salary increase were mainly 0.51% ~5.7% for the years ended March 31, 2017 and 2016.

(C) DEFINED CONTRIBUTION PLANS

The estimated amounts of contributions to defined contribution plans were ¥650 million (\$5,794 thousand) at March 31, 2017 and ¥816 million at March 31, 2016.

17. STOCK OPTIONS

(A) EXPENSED AMOUNT

Expensed amounts on stock options for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Selling, general and administrative expenses	¥88	¥146	\$784
Total	¥88	¥146	\$784

(B) TERMS AND CONDITIONS

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

	2006	2007	2008	2009
Number of grantees	Directors: 11 Executive officers: 17 Employees: 37 Presidents of the Company's domestic consolidated subsidiaries: 37	Directors: 11 Executive officers: 20 Employees: 33 Presidents of the Company's domestic consolidated subsidiaries: 36	Directors: 11 Executive officers: 20 Employees: 38 Presidents of the Company's domestic consolidated subsidiaries: 36	Directors: 11 Executive officers: 20 Employees: 34 Presidents of the Company's domestic consolidated subsidiaries: 35
Number of stock options	Common stock 1,700,000	Common stock 1,710,000	Common stock 1,760,000	Common stock 1,650,000
Grant date	August 11, 2006	August 10, 2007	August 8, 2008	August 14, 2009
Vesting conditions	No provisions	No provisions	No provisions	No provisions
Service period	No provisions	No provisions	No provisions	No provisions
Exercise period	From June 20, 2007 to June 22, 2016	From June 20, 2008 to June 21, 2017	From July 25, 2009 to June 24, 2018	From July 31, 2011 to June 22, 2019
	2010	2011	2012	2013
Number of grantees	Directors: 10 Executive officers: 21 Employees: 36 Presidents of the Company's domestic consolidated subsidiaries: 33	Directors: 10 Executive officers: 22 Employees: 35 Presidents of the Company's domestic consolidated subsidiaries: 33	Directors: 9 Executive officers: 22 Employees: 33 Presidents of the Company's domestic consolidated subsidiaries: 30	Directors: 9 Executive officers: 18 Employees: 38 Presidents of the Company's domestic consolidated subsidiaries: 33
Number of stock options	Common stock 1,710,000	Common stock 1,730,000	Common stock 1,640,000	Common stock 1,600,000
Grant date	August 16, 2010	August 9, 2011	August 13, 2012	August 16, 2013
Vesting conditions	No provisions	No provisions	No provisions	No provisions
Service period	No provisions	No provisions	No provisions	No provisions
Exercise period	From July 31, 2012 to June 21, 2020	From July 26, 2013 to June 22, 2021	From July 28, 2014 to June 21, 2022	From August 2, 2015 to June 20, 2023
	2014	2015	2016	
Number of grantees	Directors: 9 Executive officers: 19 Employees: 33 Presidents of the Company's domestic consolidated subsidiaries: 32	Directors: 8 Executive officers: 18 Employees: 37 Presidents of the Company's domestic consolidated subsidiaries: 32	Directors: 9 Executive officers: 18 Employees: 32 Presidents of the Company's domestic consolidated subsidiaries: 37	
Number of stock options	Common stock 1,480,000	Common stock 1,550,000	Common stock 1,580,000	
Grant date	August 18, 2014	August 17, 2015	August 15, 2016	
Vesting conditions	No provisions	No provisions	No provisions	
Service period	No provisions	No provisions	No provisions	
Exercise period	From August 2, 2016 to June 23, 2024	From August 1, 2017 to June 20, 2025	From August 1, 2018 to June 19, 2026	

(C) CHANGES IN NUMBER AND UNIT PRICES

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

(1) Changes in number of stock options

Non-vested stock options	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Balance at March 31, 2016	—	—	—	—	—	—	—	—	1,480,000	1,550,000	—
Options granted during the year	—	—	—	—	—	—	—	—	—	—	1,580,000
Options expired during the year	—	—	—	—	—	—	—	—	—	—	—
Options vested during the year	—	—	—	—	—	—	—	—	1,480,000	—	—
Balance at March 31, 2017	—	—	—	—	—	—	—	—	—	1,550,000	1,580,000

Vested stock options	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Balance at March 31, 2016	1,423,000	1,650,000	1,720,000	1,630,000	1,700,000	1,710,000	1,329,000	1,568,000	—	—	—
Options vested during the year	—	—	—	—	—	—	—	—	1,480,000	—	—
Options exercised during the year	—	—	—	—	—	—	31,000	—	20,000	—	—
Options expired during the year	1,423,000	10,000	10,000	—	—	—	—	—	—	—	—
Balance at March 31, 2017	—	1,640,000	1,710,000	1,630,000	1,700,000	1,710,000	1,298,000	1,568,000	1,460,000	—	—

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Exercise price	¥841	¥1,962	¥1,569	¥639	¥642	¥468	¥277	¥447	¥412	¥427	¥242
Average market price of share at exercise	—	—	—	—	—	—	¥355	—	¥380	—	—
Fair value per stock option at grant date	¥219	¥ 352	¥ 217	¥136	¥203	¥ 87	¥ 67	¥172	¥132	¥ 94	¥ 56

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

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

	2016
Stock price volatility	39.53%
Expected remaining term of the option	5 years and 11 months
Expected dividends	¥5 per share
Risk-free interest rate	(0.26)%

**18. COMPREHENSIVE INCOME**

For the years ended March 31, 2017 and 2016, the amounts reclassified to net income (loss) that were recognized in other comprehensive income and tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>Unrealized holding gains on available-for-sale securities, net of tax:</b>			
Increase (Decrease) during the year	¥ 13,932	¥(22,226)	\$ 124,182
Reclassification adjustments	(1,414)	(12,791)	(12,603)
Sub-total, before tax	12,518	(35,017)	111,579
Tax effect	(3,750)	10,830	(33,426)
	8,768	(24,187)	78,153
<b>Unrealized gains on hedging derivatives, net of tax:</b>			
Increase (Decrease) during the year	30,282	(31,038)	269,917
Reclassification adjustments	(19,502)	(13,985)	(173,830)
Adjustments of acquisition cost	166	0	1,480
Sub-total, before tax	10,946	(45,023)	97,567
Tax effect	2,126	13,655	18,950
	13,072	(31,368)	116,517
<b>Foreign currency translation adjustments:</b>			
Increase (Decrease) during the year	3,148	(5,247)	28,060
Reclassification adjustments	(685)	3,727	(6,106)
	2,463	(1,520)	21,954
<b>Remeasurements of defined benefit plans:</b>			
Increase (Decrease) during the year	2,966	(6,483)	26,438
Reclassification adjustments	1,153	(1,192)	10,277
Sub-total, before tax	4,119	(7,675)	36,715
Tax effect	(1,175)	2,306	(10,474)
	2,944	(5,369)	26,241
<b>Share of other comprehensive income (loss) of associates accounted for using equity method:</b>			
Decrease during the year	(1,521)	(8,186)	(13,557)
Reclassification adjustments	5,570	3,091	49,648
Adjustments of acquisition cost	52	1,620	463
	4,101	(3,475)	36,554
<b>Total other comprehensive income (loss)</b>	<b>¥ 31,348</b>	<b>¥(65,919)</b>	<b>\$ 279,419</b>



## 19. RELATED PARTY TRANSACTIONS

For the year ended March 31, 2017

Category	Name of company	Address	Paid-in capital	Business description	Ratio of the Group's voting rights	Relation with related party	Millions of yen			Thousands of U.S. dollars (Note 1)		
							Description of transaction	Transactions during the year ended March 31, 2017		Transactions during the year ended March 31, 2017	Balance at March 31, 2017	
								Transacted amount	Account			Amount
Affiliated company	TARTARUGA MV29 B.V.	NETHERLANDS	US\$110,000	Bulkships	20.60%	Interlocking directorate Debt guarantee	Debt guarantee	¥29,235	—	—	\$260,585	—
Affiliated company	T.E.N. GHANA MV25 B.V.	NETHERLANDS	€100,000	Bulkships	20.00%	Interlocking directorate Debt guarantee	Debt guarantee	28,741	—	—	256,181	—
Affiliated company	CARIOCA MV27 B.V.	NETHERLANDS	€100,000	Bulkships	20.60%	Interlocking directorate Debt guarantee	Debt guarantee	28,706	—	—	255,870	—

Note: Transaction terms and the policy are decided based on the form of guarantees and other conditions.

For the year ended March 31, 2016

Category	Name of company	Address	Paid-in capital	Business description	Ratio of the Group's voting rights	Relation with related party	Millions of yen			
							Description of transaction	Transactions during the year ended March 31, 2016		
								Transacted amount	Account	Amount
Affiliated company	T.E.N. GHANA MV25 B.V.	NETHERLANDS	€100,000	Bulkships	20.00%	Interlocking directorate Debt guarantee	Debt guarantee	¥26,123	—	—
Affiliated company	CARIOCA MV27 B.V.	NETHERLANDS	€100,000	Bulkships	20.60%	Interlocking directorate Debt guarantee	Debt guarantee	25,456	—	—

Note: Transaction terms and the policy are decided based on the form of guarantees and other conditions.

## 20. SUBSEQUENT EVENT

### (Changes in Number of Shares Constituting One Unit, Consolidation of Shares, and Partial Amendment to Articles of Incorporation)

At the Board of Directors meeting held on April 28, 2017, the Company resolved to propose a change in the number of shares constituting one unit, consolidation of shares, and a partial amendment to its Articles of Incorporation at the Annual General Meeting of Shareholders scheduled to be held on June 27, 2017.

#### 1. Objectives of consolidation

Following the guidelines issued by Japanese Stock Exchanges in their "Action Plan for Consolidating Trading Units" with the aim of unifying the trading units of common shares at 100 shares, the Company decided to change the number of shares constituting one unit of shares, which will be the Company's share trading unit, from 1,000 shares to 100 shares, effective October 1, 2017. In conjunction with the change, the Company will consolidate its shares (ten shares into one share) with the purpose of minimizing the impact on the rights of shareholders following the change in the number of shares constituting one unit.

#### 2. Particulars of consolidation

(1) Class of shares to be consolidated

Common shares

(2) Consolidation ratio

On October 1, 2017, every 10 shares held by shareholders listed or recorded on the final register of shareholders of September 30, 2017, will be consolidated into one share.

(3) Number of shares to be consolidated

	Shares	
Number of outstanding shares before consolidation (as of March 31, 2017)	Common shares	1,206,286,115
Number of shares reduced through consolidation (Note)	Common shares	1,085,657,504
Number of outstanding shares after consolidation (Note)	Common shares	120,628,611

Note: "Number of shares reduced through consolidation" and "Number of outstanding shares after consolidation" are theoretical values calculated based on the "Number of outstanding shares before consolidation" and the consolidation ratio.

#### 3. Treatment of cases of a fraction constituting less than one share

In case a fraction constituting less than one share arises as a result of share consolidation, the Company will liquidate all such fractional shares in a lump based on the provisions in Articles 235 of the Companies Act, and the proceeds from the sale will be distributed to shareholders who hold fractional shares, in accordance with the percentages of said fractions.

#### 4. Impact on per share information

Per share information for this fiscal year, calculated as though the said consolidation of shares was conducted at the beginning of this fiscal year, is presented as follows.

(1) Net assets per share ¥4,782.25 (\$42.63)

(2) Net income per share ¥ 43.95 (\$ 0.39)

#### (Change in Business Segment Classification)

Effective April 1, 2017 the Group restructured corporate organizations. Our chief aims are to optimize our fleet portfolio and to pursue further efficiency in managerial resources. In addition, the Group has established an "One-MOL" cross-sectional sales promotion platform to offer the best transportation service that meets our customers' needs.

In the fiscal year ended March 31, 2017, the Group's business domains were namely Bulkships, Containerships, Ferries & Coastal RoRo Ships and Associated Businesses. Reflecting the aforementioned restructure, from the beginning of fiscal year ending March 31, 2018, the Group's business domains will be namely Dry Bulk Business, Energy Transport Business, Product Transport Business and Associated Businesses. Within the Product Transport Business, Containerships and Car Carriers, Ferries & Coastal RoRo Ships are further identified as reportable segments.

Revenues and Segment income (loss) of the Group for the fiscal year ended March 31, 2017 under the new segment classification are as follows:

For the year ended March 31, 2017

	Millions of yen									
	Reportable Segments					Sub Total	Others*1	Total	Adjustments*2	Consolidated
	Dry Bulk Business	Energy Transport Business	Container-ships	Car Carriers, Ferries & Coastal RoRo Ships	Associated Businesses					
Revenues										
Revenues from customers	¥267,864	¥267,809	¥620,714	¥250,651	¥ 90,025	¥1,497,063	¥ 7,311	¥1,504,374	¥ —	¥1,504,374
Inter-segment revenues	15	430	1,817	194	27,518	29,974	5,916	35,890	(35,890)	—
Total Revenues	¥267,879	¥268,239	¥622,531	¥250,845	¥117,543	¥1,527,037	¥13,227	¥1,540,264	¥(35,890)	¥1,504,374
Segment income (loss)	¥ 11,978	¥ 26,702	¥(32,865)	¥ 4,878	¥ 12,337	¥ 23,030	¥ 1,811	¥ 24,841	¥ 585	¥ 25,426

# Independent Auditor's Report



## Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Mitsui O.S.K. Lines, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated statement of operations, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mitsui O.S.K. Lines, Ltd. and its consolidated subsidiaries as at March 31, 2017, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 (24) "ADDITIONAL INFORMATION" to the consolidated financial statements, which states that the Company concluded a business integration contract and a shareholder agreement with Nippon Yusen Kabushiki Kaisha and Kawasaki Kisen Kaisha, Ltd., subject to regulatory approval from the authorities, on establishing a joint-venture company to integrate container shipping businesses.

### Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

*KPMG AZSA LLC*

KPMG AZSA LLC  
June 27, 2017  
Tokyo, Japan

Thousands of U.S. dollars (Note 1)

	Reportable Segments									Adjustments*2	Consolidated
	Product Transport Business					Sub Total	Others*1	Total			
	Dry Bulk Business	Energy Transport Business	Container-ships	Car Carriers, Ferries & Coastal RoRo Ships	Associated Business						
Revenues											
Revenues from customers	\$2,387,593	\$2,387,102	\$5,532,703	\$2,234,166	\$ 802,433	\$13,343,997	\$ 65,166	\$13,409,163	\$ —	\$13,409,163	
Inter-segment revenues	133	3,833	16,196	1,729	245,281	267,172	52,732	319,904	(319,904)	—	
Total Revenues	\$2,387,726	\$2,390,935	\$5,548,899	\$2,235,895	\$1,047,714	\$13,611,169	\$117,898	\$13,729,067	\$(319,904)	\$13,409,163	
Segment income (loss)	\$ 106,765	\$ 238,007	\$(292,940)	\$ 43,480	\$ 109,965	\$ 205,277	\$ 16,142	\$ 221,419	\$ 5,215	\$ 226,634	

\*1 "Others" primarily consists of business segments that are not included in reportable segments, such as the ship operations business, the ship management business, the ship chartering business, the financing business and the shipbuilding business.

\*2 Adjustment in Segment income (loss) of ¥585 million (\$5,215 thousand) include the following:

–¥4,579 million (–\$40,815 thousand) of corporate profit which is not allocated to segments, ¥6,312 million (\$56,262 thousand) of adjustment for management accounting and –¥1,148 million yen (–\$10,232 thousand) of inter-segment transaction elimination.

\*3 Segment income (loss) corresponds to Ordinary profit in the consolidated statements of operations.

## 21. OTHERS

### (1) Litigation

On January 10, 2014, the Company filed a lawsuit against Mitsubishi Heavy Industries, Ltd. (hereinafter "MHI") at Tokyo District Court seeking compensation for damages in association with a maritime accident caused by a vessel constructed by MHI. In response, MHI filed a countersuit at Tokyo District Court seeking payment for reinforcement of the strength of the ship's hull of the same type of ship, and the legal dispute is continuing.

The Company recognizes the claims of the countersuit by MHI has no legitimate basis, and intends to assert the propriety of the Company in addition to upholding the claims for damages under the lawsuit.

### (2) Others

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

# The MOL Group

Mitsui O.S.K. Lines, Ltd. March 31, 2017

■ Consolidated Subsidiaries

▲ Affiliated Companies Accounted for by the Equity Method

	Registered Office	MOL's Voting Rights (%)*	Paid-In Capital (Thousands)
<b>Dry Bulk Business</b>			
■ Mitsui O.S.K. Kinkai, Ltd.	Japan	100.00	¥660,000
■ MOL Bridge Finance S.A.	Panama	100.00	US\$8
■ MOL Cape (Singapore) Pte. Ltd.	Singapore	100.00	US\$62,752
■ Shipowner/Chartering companies (61 companies) in Panama, Marshall Islands, Liberia, Hong Kong, Cayman Islands, and Singapore			
■ Other (1 company)			
▲ Gearbulk Holding AG	Switzerland	49.00	US\$228,100
▲ Shipowner company (1 company) in Panama			
<b>Energy Transport Business</b>			
■ El Sol Shipping Ltd. S.A.	Panama	100.00	US\$10
■ Lakler S.A.	Uruguay	100.00	US\$91,401
■ MCGC International Ltd.	Bahamas	80.10	US\$1
■ Mitsui O.S.K. Bulk Shipping (Europe) Ltd.	U.K.	100.00	US\$8,402
■ MNN Holdings Inc.	Liberia	75.00	US\$22,100
■ MOG LNG Transport S.A.	Panama	100.00	¥200
■ MOL (Asia Oceania) Pte. Ltd.	Singapore	100.00	US\$2,350
■ MOL Coastal Shipping, Ltd.	Japan	100.00	¥650,000
■ MOL LNG Transport Co., Ltd.	Japan	100.00	¥40,000
■ MOL Chemical Tankers Japan Co., Ltd.	Japan	100.00	¥100,000
■ MOL Chemical Tankers Pte. Ltd.	Singapore	100.00	US\$138,018
■ MOL Netherlands Bulkship B.V.	Netherlands	100.00	€18
■ Pacific LNG Transport Ltd.	Bahamas	100.00	US\$1
■ Phoenix Tankers Pte. Ltd.	Singapore	100.00	US\$379,311
■ Samba Offshore S.A.	Panama	100.00	US\$10
■ Shining Shipping S.A.	Panama	100.00	US\$10
■ Unix Line Pte. Ltd.	Singapore	100.00	US\$344
■ Shipowner/Chartering companies (116 companies) in Panama, Marshall Islands, Liberia, Hong Kong, Singapore, Indonesia and Malta			
▲ Aramo Shipping (Singapore) Pte. Ltd.	Singapore	50.00	US\$20,743
▲ Asahi Tanker Co., Ltd.	Japan	25.96	¥600,045
▲ Avium Subsea AS	Norway	25.00	US\$27,600
▲ Carioca MV27 B.V.	Netherlands	20.60	€100
▲ Cernambi Norte MV26 B.V.	Netherlands	20.60	€175,026
▲ Cernambi Sul MV24 B.V.	Netherlands	20.60	€162,160
▲ LNG Fukurokuji Shipping Corp.	Bahamas	30.00	¥1,000
▲ LNG Jurojin Shipping Corp.	Bahamas	30.00	¥1,000
▲ T.E.N. Ghana MV25 B.V.	Netherlands	20.00	€100
▲ Tartaruga MV29 B.V.	Netherlands	20.60	US\$110
▲ Trans Pacific Shipping 2 Ltd.	Bahamas	20.00	¥3,961,100
▲ Trans Pacific Shipping 5 Ltd.	Bahamas	50.00	¥36,400
▲ Trans Pacific Shipping 8 Ltd.	Bahamas	50.00	¥35,000
▲ Viken MOL AS	Norway	50.00	US\$18
▲ Viken Shuttle AS	Norway	50.00	US\$338
▲ Shipowner/Chartering companies (47 companies) in Panama, Marshall Islands, Liberia, Hong Kong, Cayman Islands, Singapore, Indonesia, Cyprus, Bahamas and Malta			
<b>Product Transport Business</b>			
■ Asia Utoc Pte. Ltd.	Singapore	100.00	S\$900
■ Bangkok Container Service Co., Ltd.	Thailand	100.00	THB10,000
■ Bangpoo Intermodal Systems Co., Ltd.	Thailand	74.62	THB130,000
■ Blue Highway Express Kyushu Co., Ltd.	Japan	100.00	¥50,000
■ Blue Highway Service K.K.	Japan	100.00	¥30,000
■ Blue Sea Network Co., Ltd.	Japan	100.00	¥54,600
■ Chiba Utoc Corp.	Japan	100.00	¥90,000
■ Chugoku Shipping Agencies Ltd.	Japan	100.00	¥10,000
■ Euro Marine Carrier B.V.	Netherlands	75.50	€91
■ Euro Marine Logistics N.V.	Belgium	50.00	€1,950
■ Ferry Sunflower Ltd.	Japan	99.00	¥100,000
■ Hong Kong Logistics Co., Ltd.	Hong Kong	100.00	HK\$58,600
■ International Container Transport Co., Ltd.	Japan	51.00	¥100,000
■ International Transportation Inc.	U.S.A.	51.00	US\$0
■ Mitsui O.S.K. Bulk Shipping (USA), LLC	U.S.A.	100.00	—
■ Mitsui O.S.K. Lines (Australia) Pty. Ltd.	Australia	100.00	A\$1,000
■ Mitsui O.S.K. Lines (Japan) Ltd.	Japan	100.00	¥100,000
■ Mitsui O.S.K. Lines (Nigeria) Ltd.	Nigeria	100.00	NGN2,636
■ Mitsui O.S.K. Lines (SEA) Pte. Ltd.	Singapore	100.00	S\$200
■ Mitsui O.S.K. Lines (Thailand) Co., Ltd.	Thailand	47.00	THB20,000
■ MOL (America) Inc.	U.S.A.	100.00	US\$6
■ MOL (Brasil) Ltda.	Brazil	100.00	BRL3,603
■ MOL (China) Co., Ltd.	China	100.00	US\$2,200
■ MOL (Europe) B.V.	Netherlands	100.00	€456
■ MOL (Europe) Central Support Unit SP. Zoo	Poland	100.00	PLN5
■ MOL (Europe) Ltd.	U.K.	100.00	£1,500
■ MOL (Ghana) Ltd.	Ghana	100.00	GHS92
■ MOL (Singapore) Pte. Ltd.	Singapore	100.00	S\$5,000
■ MOL Consolidation Service Ltd.	Hong Kong	100.00	HK\$1,000
■ MOL Consolidation Service Ltd. (China)	China	100.00	RMB8,000
■ MOL Container Center (Thailand) Co., Ltd.	Thailand	99.60	THB10,000
■ MOL Cote d'Ivoire S.A.	Ivory Coast	100.00	XOF50,000
■ MOL Egypt for Maritime Services Ltd.	Egypt	49.00	EGP750
■ MOL Ferry Co., Ltd.	Japan	100.00	¥1,577,400
■ MOL Liner, Ltd.	Hong Kong	100.00	HK\$40,000
■ MOL Logistics (Deutschland) GMBH	Germany	100.00	€537
■ MOL Logistics (Europe) B.V.	Netherlands	100.00	€414
■ MOL Logistics (H.K.) Ltd.	Hong Kong	100.00	HK\$14,100

	Registered Office	MOL's Voting Rights (%)*	Paid-In Capital (Thousands)
■ MOL Logistics (Japan) Co., Ltd.	Japan	75.06	¥756,250
■ MOL Logistics (Netherlands) B.V.	Netherlands	100.00	€3,049
■ MOL Logistics (Singapore) Pte. Ltd.	Singapore	100.00	S\$700
■ MOL Logistics (Taiwan) Co., Ltd.	Taiwan	100.00	NT\$7,500
■ MOL Logistics (Thailand) Co., Ltd.	Thailand	99.00	THB20,000
■ MOL Logistics (UK) Ltd.	U.K.	100.00	£400
■ MOL Logistics (USA) Inc.	U.S.A.	100.00	US\$9,814
■ MOL Logistics Holding (Europe) B.V.	Netherlands	100.00	€19
■ MOL South Africa (Pty.) Ltd.	South Africa	100.00	ZAR3,000
■ Nissan Carrier Europe B.V.	Netherlands	100.00	€195
■ Nissan Motor Car Carrier Co., Ltd.	Japan	90.00	¥640,000
■ Shanghai Huajia International Freight Forwarding Co., Ltd.	China	76.00	US\$1,720
■ Shosen Koun Co., Ltd.	Japan	79.98	¥300,000
■ Thai Intermodal Systems Co., Ltd.	Thailand	100.00	THB77,500
■ TraPac, LLC.	U.S.A.	100.00	—
■ TraPac Jacksonville, LLC.	U.S.A.	100.00	—
■ Utoc Corp.	Japan	67.55	¥2,155,300
■ Utoc Engineering Pte. Ltd.	Singapore	100.00	S\$2,000
■ Utoc Logistics Corp.	Japan	100.00	¥50,000
■ Utoc Ryutsu Service Corp.	Japan	100.00	¥10,000
■ Utoc Stevedoring Corp.	Japan	100.00	¥50,000
■ World Logistics Service (U.S.A.), Inc.	U.S.A.	100.00	US\$200
■ Shipowner/Chartering companies (50 companies) in Panama, Marshall Islands, Liberia, Hong Kong, Cayman Islands, Singapore and Isle of Man			
■ Others (10 companies)			
▲ Meimon Taiyo Ferry Co., Ltd.	Japan	40.33	¥880,000
▲ PKT Logistics Group Sdn. Bhd.	Malaysia	20.86	MYR254,685
▲ Rotterdam World Gateway B.V.	Netherlands	20.00	€14,000
▲ Shanghai Kakyakusen Kaisha, Ltd.	Japan	31.98	¥100,000
▲ Shanghai Longfei International Logistics Co., Ltd.	China	22.05	US\$1,240
▲ Tan Cang-Cai Mep International Terminal Co. Ltd.	Vietnam	21.33	VND732,966,020
▲ TIPS Co., Ltd.	Thailand	24.44	THB100,000
▲ Other (1 company)			
<b>Associated Businesses</b>			
■ Daibiru Corp.	Japan	51.07	¥12,227,847
■ Daibiru Facility Management Ltd.	Japan	100.00	¥17,000
■ Daibiru Saigon Tower Co., Ltd.	Vietnam	100.00	VND124,203,000
■ Green Kaiji Kaisha, Ltd.	Japan	100.00	¥95,400
■ Green Shipping, Ltd.	Japan	100.00	¥172,000
■ Hokuso Kohatsu K.K.	Japan	100.00	¥50,000
■ Ikuta & Marine Co., Ltd.	Japan	100.00	¥26,500
■ Japan Express Co., Ltd.	Japan	86.27	¥99,960
■ Japan Hydrographic Charts & Publications Co., Ltd.	Japan	95.25	¥32,000
■ Jentower Ltd.	British Virgin Islands	100.00	US\$0
■ Kitanihon Tug-boat Co., Ltd.	Japan	62.00	¥50,000
■ Kobe Towing Co., Ltd.	Japan	100.00	¥50,000
■ Kosan Kanri Service Co., Ltd.	Japan	100.00	¥20,000
■ Kosan Kanri Service-West Co., Ltd.	Japan	100.00	¥14,400
■ M.O. Tourist Co., Ltd.	Japan	100.00	¥250,000
■ Mitsui O.S.K. Kosan Co., Ltd.	Japan	100.00	¥300,000
■ Mitsui O.S.K. Passenger Line, Ltd.	Japan	100.00	¥100,000
■ MOL Career Support, Ltd.	Japan	100.00	¥100,000
■ MOL Kaiji Co., Ltd.	Japan	100.00	¥95,000
■ MOL Techno-Trade, Ltd.	Japan	100.00	¥490,000
■ Nihon Tug-Boat Co., Ltd.	Japan	87.26	¥134,203
■ Nishinohon Sogo Setsubi Co., Ltd.	Japan	100.00	¥10,000
■ Tanshin Building Service Co., Ltd.	Japan	100.00	¥20,000
■ Tokai Tugboat K.K.	Japan	70.00	¥10,000
■ Ube Port Service Co., Ltd.	Japan	99.39	¥14,950
■ Vibank-Ngt Co. Ltd.	Vietnam	100.00	VND349,000,000
■ White Lotus Properties Ltd.	British Virgin Islands	100.00	¥6,810,000
■ Chartering company (1 company) in Panama			
■ Others (2 companies)			
▲ Shinyo Kaiun Corp.	Japan	36.00	¥100,000
▲ South China Towing Co., Ltd.	Hong Kong	25.00	HK\$12,400
▲ Tan Cang-Cai Mep Towage Services Co., Ltd.	Vietnam	40.00	US\$4,500
<b>Others</b>			
■ Euromol B.V.	Netherlands	100.00	€8,444
■ Linkman Holdings Inc.	Liberia	100.00	US\$3
■ Mitsui Kinkai Kisen Co., Ltd.	Japan	100.00	¥350,000
■ Mitsui O.S.K. Holdings (Benelux) B.V.	Netherlands	100.00	€17,245
■ MOL (Americas) Holdings, Inc.	U.S.A.	100.00	US\$200
■ MOL Accounting Co., Ltd.	Japan	100.00	¥30,000
■ MOL Adjustment, Ltd.	Japan	100.00	¥10,000
■ MOL Engineering Co., Ltd.	Japan	100.00	¥20,000
■ MOL FG, Inc.	U.S.A.	100.00	US\$20
■ MOL Information Systems, Ltd.	Japan	100.00	¥100,000
■ MOL Manning Service S.A.	Panama	100.00	US\$525
■ MOL Marine Co., Ltd.	Japan	100.00	¥100,000
■ MOL Ocean Expert Co., Ltd.	Japan	100.00	¥100,000
■ MOL Ship Management Co., Ltd.	Japan	100.00	¥50,000
■ MOL Ship Tech Inc.	Japan	100.00	¥50,000
■ MOL SI, Inc.	U.S.A.	100.00	US\$100
■ MOL Treasury Management Pte. Ltd.	Singapore	100.00	US\$2,000
■ Shipowner/Chartering companies (3 companies) in Panama			
▲ Minaminippon Shipbuilding Co., Ltd.	Japan	24.00	¥200,000

\* MOL's voting rights include voting rights of MOL and its subsidiaries



## Worldwide Offices

### JAPAN

<b>Mitsui O.S.K. Lines, Ltd.</b>		
Head Office (Tokyo):	Tel: 81-3-3587-6224	Fax: 81-3-3587-7734
Nagoya Branch:	Tel: 81-52-564-7020	Fax: 81-52-564-7047
Kansai Branch:	Tel: 81-6-6446-6522	Fax: 81-6-6446-6513
Hiroshima Branch:	Tel: 81-82-252-6020	Fax: 81-82-254-0876
Kyushu Branch:	Tel: 81-92-262-0701	Fax: 81-92-262-0720
<b>Mitsui O.S.K. Lines (Japan), Ltd.</b>		
Head Office (Tokyo):	Tel: 81-3-3587-7684	Fax: 81-3-3587-7730
Yokohama:	Tel: 81-45-212-7710	Fax: 81-45-212-7735
Nagoya:	Tel: 81-52-564-7000	Fax: 81-52-564-7047
Osaka:	Tel: 81-6-6446-6501	Fax: 81-6-6446-6513
Kyushu:	Tel: 81-92-262-0701	Fax: 81-92-262-0720

### NORTH AMERICA

<b>MOL (America) Inc.</b>		
Head Office (Chicago):	Tel: 1-630-812-3700	Fax: 1-630-812-3703
Atlanta:	Tel: 1-678-855-7700	Fax: 1-678-855-7747
Long Beach:	Tel: 1-562-983-6200	Fax: 1-562-983-6292
New Jersey:	Tel: 1-732-512-5200	Fax: 1-732-512-5300
San Francisco:	Tel: 1-925-603-7200	Fax: 1-925-603-7229
Seattle:	Tel: 1-206-444-6905	Fax: 1-206-444-6909
<b>MOL (Canada) Inc.</b>		
Head Office (Toronto):	Tel: 1-905-629-5925	Fax: 1-905-629-5914
<b>Mitsui O.S.K. Bulk Shipping (USA) LLC.</b>		
Head Office (New Jersey):	Tel: 1-201-395-5800	Fax: 1-201-395-5820
Houston:	Tel: 1-832-615-6470	Fax: 1-832-615-6480
Long Beach:	Tel: 1-562-528-7500	Fax: 1-562-528-7515

### CENTRAL AND SOUTH AMERICA

<b>MOL (Brasil) Ltda.</b>		
Head Office (Sao Paulo):	Tel: 55-11-3145-3980	Fax: 55-11-3145-3946
<b>MOL (Chile) Ltda.</b>		
Head Office (Santiago):	Tel: 56-2-2630-1950	Fax: 56-2-2231-5622
<b>MOL (Panama) Inc.</b>		
Head Office (Panama):	Tel: 11-507-300-3200	Fax: 11-507-300-3212
<b>MOL (PERU) S.A.C.</b>		
Head Office (Lima):	Tel: 51-1-611-9400	Fax: 51-1-611-9429
<b>Corporativo MOL de Mexico S.A. de C.V.</b>		
Head Office (Mexico City):	Tel: 52-55-5010-5200	Fax: 52-55-5010-5220
<b>Mitsui O.S.K. Bulk Shipping (USA) LLC.</b>		
Mexico City:	Tel: 52-55-5550-1612	Fax: 52-55-5089-2280
Sao Paulo:	Tel: 55-11-3145-3980	Fax: 55-11-3145-3946

### EUROPE

<b>MOL (Europe) B.V.</b>		
Head Office (Rotterdam):	Tel: 31-10-201-3200	Fax: 31-10-201-3158
Genoa:	Tel: 39-10-2901711	Fax: 39-10-5960450
Hamburg:	Tel: 49-40-356110	Fax: 49-40-352506
Le Havre:	Tel: 33-2-32-74-24-00	Fax: 33-2-32-74-24-39
Vienna:	Tel: 43-1-877-6971	Fax: 43-1-876-4725
Basel:	Tel: 41-61-716-8001	Fax: 41-61-716-8070
<b>MOL (Europe) Ltd.</b>		
Head Office (Southampton):	Tel: 44-2380-714500	Fax: 44-2380-714519
<b>MOL (Europe Africa) Ltd.</b>		
Head Office (London):	Tel: 44-20-3764-8000	Fax: 44-20-3764-8393
Hamburg:	Tel: 49-40-3609-7410	Fax: 49-40-8430-6105

### AFRICA

<b>MOL South Africa (Pty) Ltd.</b>		
Head Office (Cape Town):	Tel: 27-21-441-2200	Fax: 27-21-419-1040
<b>Mitsui O.S.K. Lines (Nigeria) Ltd.</b>		
Head Office (Lagos):	Tel: 234-1-2806556	Fax: 234-1-2806559
<b>MOL (Ghana) Ltd.</b>		
Head Office (Tema):	Tel: 233-22-212084	Fax: 233-22-210807
<b>MOL Cote d'Ivoire</b>		
Head Office (Abidjan):	Tel: 225-21756920	

### MIDDLE EAST

<b>MOL (UAE) L.L.C.</b>		
Head Office (Dubai):	Tel: 971-4-3573566	Fax: 971-4-3573066
<b>MOL (Asia Oceania) Pte. Ltd.</b>		
Doha:	Tel: 974-4-836541	Fax: 974-4-836563
Muscat:	Tel: 968-2440-0950	Fax: 968-2440-0953
<b>MOL Egypt for Shipping Agencies S.A.E.</b>		
Cairo:	Tel: 20-22-456-8900	Fax: 20-22-259-5857

### OCEANIA

<b>Mitsui O.S.K. Lines (Australia) Pty. Ltd.</b>		
Head Office (Sydney):	Tel: 61-2-9320-1600	Fax: 61-2-9320-1601
<b>Mitsui O.S.K. Lines (New Zealand) Ltd.</b>		
Head Office (Auckland):	Tel: 64-9-300-5820	Fax: 64-9-309-1439
<b>MOL (Asia Oceania) Pte. Ltd.</b>		
Melbourne:	Tel: 61-3-9691-3224	Fax: 61-3-9691-3223
Perth:	Tel: 61-8-9278-2499	Fax: 61-8-9278-2727
Sydney:	Tel: 61-2-9320-1629	Fax: 61-2-9320-1601

### ASIA

<b>MOL Liner Ltd.</b>		
Head Office (Hong Kong):	Tel: 852-2823-6800	Fax: 852-2865-0906
<b>MOL (Asia) Limited</b>		
Head Office (Hong Kong):	Tel: 852-2823-6800	Fax: 852-2865-0906
<b>Mitsui O.S.K. Lines (India) Private Limited</b>		
Head Office (Mumbai):	Tel: 91-22-4054-6300	Fax: 91-22-4054-6301
<b>Mitsui O.S.K. Lines Lanka (Private) Ltd.</b>		
Head Office (Colombo):	Tel: 94-11-2304721	Fax: 94-11-2304730
<b>MOL (Singapore) Pte. Ltd.</b>		
Head Office (Singapore):	Tel: 65-6225-2811	Fax: 65-6225-6096
<b>Mitsui O.S.K. Lines (Malaysia) Sdn. Bhd.</b>		
Head Office (Kuala Lumpur):	Tel: 60-3-5623-9666	Fax: 60-3-5623-9600
<b>MOL Myanmar Limited</b>		
Head Office (Yangon):	Tel: 95-9-7318-9815	Fax: 95-9-5137-7174
<b>P.T. Mitsui O.S.K. Lines Indonesia</b>		
Head Office (Jakarta):	Tel: 62-21-5288-0008	Fax: 62-21-5292-0920
<b>Mitsui O.S.K. Lines (Thailand) Co., Ltd.</b>		
Head Office (Bangkok):	Tel: 66-2-234-6252	Fax: 66-2-237-9021
<b>MOL Philippines, Inc.</b>		
Head Office (Manila):	Tel: 632-888-6531	Fax: 632-884-1766
<b>Mitsui O.S.K. Lines (Vietnam) Ltd.</b>		
Head Office (Ho Chi Minh):	Tel: 84-83-8219219	Fax: 84-83-8219317
<b>Mitsui O.S.K. Lines (Cambodia) Co., Ltd.</b>		
Head Office (Phnom Penh):	Tel: 855-23-223-036	Fax: 855-23-223-040
<b>Mitsui O.S.K. Lines Pakistan (Pvt.) Ltd.</b>		
Head Office (Karachi):	Tel: 92-21-35205397	Fax: 92-21-35202559
<b>MOL (China) Co., Ltd.</b>		
Head Office (Shanghai):	Tel: 86-21-2320-6000	Fax: 86-21-2320-6331
Beijing:	Tel: 86-10-8529-9121	Fax: 86-10-8529-9126
Tianjin:	Tel: 86-22-8331-1331	Fax: 86-22-8331-1318
Shenzhen:	Tel: 86-755-8400-7900	Fax: 86-755-8400-7901
<b>MOL (Taiwan) Co., Ltd.</b>		
Head Office (Taipei):	Tel: 886-2-2537-8000	Fax: 886-2-2537-8098
<b>MOL (HK) Agency Ltd.</b>		
Head Office (Hong Kong):	Tel: 852-2823-6800	Fax: 852-2529-9989
<b>MOL (Korea) Co., Ltd.</b>		
Head Office (Seoul):	Tel: 82-2-559-3001	Fax: 82-2-561-9490
<b>MOL (Asia Oceania) Pte. Ltd.</b>		
Head Office (Singapore):	Tel: 65-6323-1303	Fax: 65-6323-1305
Bangkok:	Tel: 66-2-634-0807	Fax: 66-2-634-0806
Kuala Lumpur:	Tel: 60-3-5623-9772	Fax: 60-3-5623-3107
Chennai:	Tel: 91-44-4208-1020	Fax: 91-44-4208-1020

## Shareholder Information

Capital	¥65,400,351,028
Head office	1-1, Toranomom 2-chome, Minato-ku, Tokyo 105-8688, Japan
Number of MOL employees	966
Number of MOL Group employees (The parent company and consolidated subsidiaries)	10,794
Total number of shares authorized	3,154,000,000
Number of shares issued	1,206,286,115
Number of shareholders	96,892
Shares listed in	Tokyo*
Share transfer agent (Contact information)	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Business Planning Department 8-4, Izumi 2-chome, Sugunami-ku, Tokyo 168-0063, Japan
Communications materials	Annual Report (English/Japanese) Investor Guidebook (English/Japanese) Market Data (English/Japanese) News Releases (English/Japanese) Website (English/Japanese) Safety, Environmental and Social Report (English/Japanese)



\* Delisting of common stock on the Nagoya Stock Exchange was made on May 18, 2017.

(As of March 31, 2017)

### Stock Price Range (Tokyo Stock Exchange) and Volume of Stock Trade

