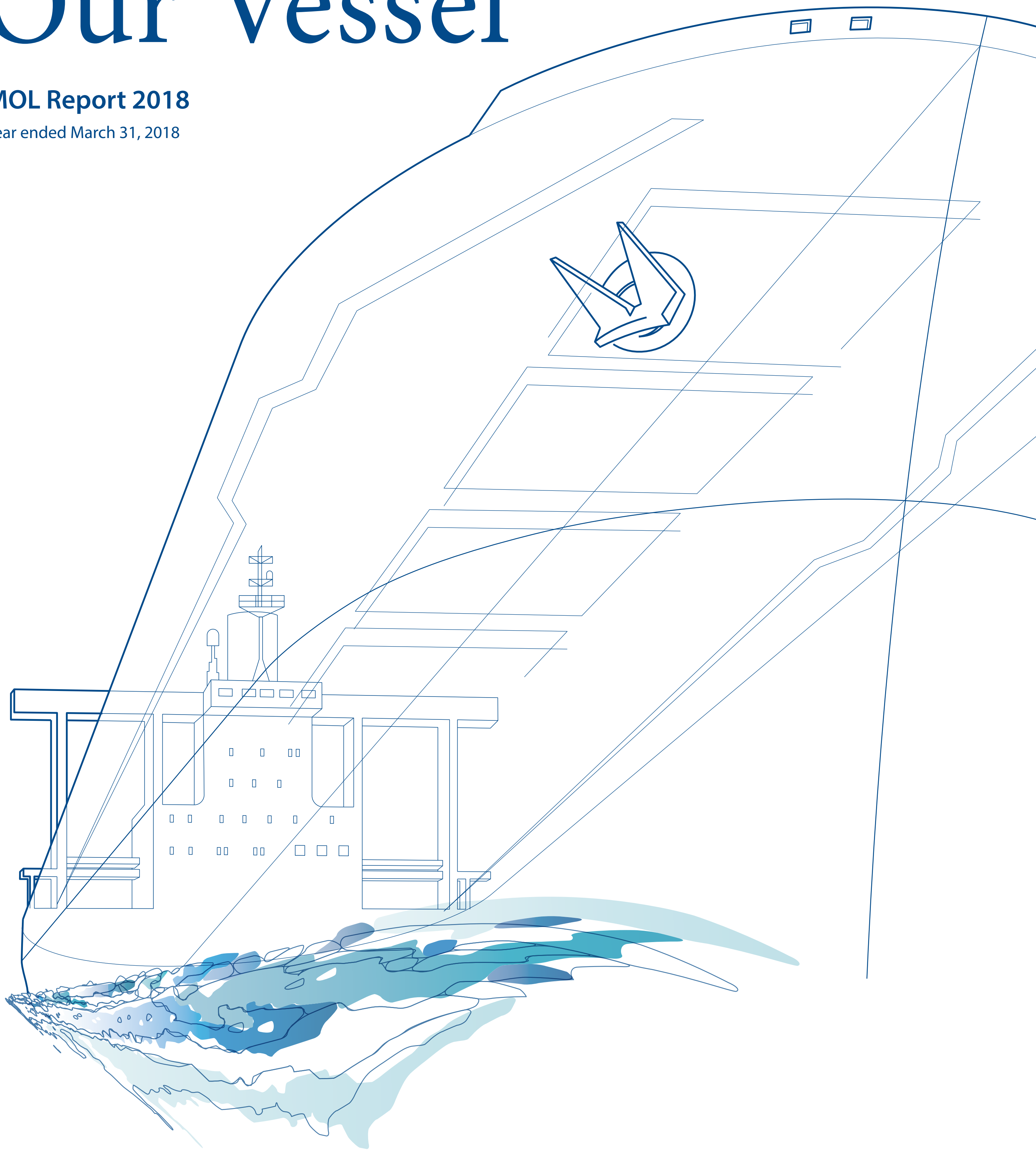
Mitsui O.S.K. Lines

Our Vision is Our Vessel

MOL Report 2018

Year ended March 31, 2018



Life and Our Vessel

As a full-line marine transport company, the MOL Group contributes to providing better lives for people around the world by engaging in the transport of goods indispensable for everyday life, ranging from daily necessities such as food, clothing, household furniture and electronic appliances to energy resources such as oil and natural gas.

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

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.

MOL CHART

Our Values

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

Vision

Long-Term Vision

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

Outline

Vision

Operation

Management Foundation

Data Section

Our Vision is Our Vessel

■ 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/

- MOL Report
- Investor Guidebook
- Market Data

■ Forward-Looking Statements

This 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, 2018 unless otherwise specified

Glossary (In alphabetical order)

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 −92°C, and equipped with a reliquefaction system. LNG carriers transport cargo at −162°C, and LPG tankers transport cargo at −42°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)
FSU (Floating Storage Unit)
An FSU is a floating facility for storing LNG offshore. An FSRU has the same structure as an FSU with an additional function for regasification of LNG onboard, with which it can send out vaporized natural gas to land through a pipeline. Now, FSRUs and FSUs are being adopted for a growing number of projects to establish LNG receiving terminals all over the world because of their advantages, including a shorter lead time and lower costs compared to conventional onshore receiving terminals.

Highly Stable Profits
Profits that are stably generated by 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 (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).

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

History

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 shipowners of Seto Inland Sea area in Western Japan and their in-kind contributions of 93 vessels.

1942
Mitsui & Co., Ltd. spins off its shipping department to create Mitsui Steamship Co., Ltd.

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.

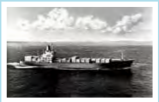
Growing in tandem with the rebounding Japanese economy, MOL provides much needed marine transport, promoting diversification and specialization of its businesses to ultimately develop into a full-line marine transport group boasting a wide range of vessel types.

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.

1965
Japan's first specialized car carrier, the OPPAMA MARU, is launched.

1968
Full containership service commenced.



AMERICA MARU (700TEU)

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.

1983
Japan's first specialized methanol tanker, the KOHZAN MARU is launched.

1984

Launched the SENSHU 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 –162ºC, 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 94 (including outstanding orders) as of March 31, 2018.

1989
Navix Line is established by the merger of Japan Line and Yamashita-Shinnihon Steamship.

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.

1996
MOL acquires a share in chemical tanker operator Tokyo Marine (Current: MOL Chemical Tankers Pte. Ltd.)

1999
New Mitsui O.S.K. Lines is established by the merger of MOL and Navix Line.

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.

2004
Daibiru Corporation becomes a consolidated subsidiary of MOL.

Mid 2000s～

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 shipping market stumbled and has continued to struggle with ongoing stagnation. To respond to this vastly different business environment, MOL implemented the Business Structural Reforms in the dry bulker business and decided on integrating the containership businesses of three Japanese shipping companies.

2010
The first participation in FPSO

2012
The world's first hybrid car carrier, the EMERALD ACE, is launched.

2016
World's first large ethane carrier ETHANE CRYSTAL completed

2017
Delivery of the MOL FSRU Challenger, the first FSRU owned and operated by an Asian company

2018 March
World's first ice-breaking LNG carrier project
Delivery of MOL's first ice-breaking carrier, VLADIMIR RUSANOV

2018 April

Operations began at Ocean Network Express, a company formed through the integration of three Japanese shipping companies' containership businesses

(related information on P. 11 and 14)

MOL, Nippon Yusen Kabushiki Kaisha and Kawasaki Kisen Kaisha, Ltd. decided in 2016 to merge their containership businesses to strengthen their global network and competitiveness. Ocean Network Express, the integrated company established in 2017, started operations in April 2018 and the combined vessel fleet after integration is approximately 1.49 million TEUs—fifth largest in the world with a 7% global share.

Underlined words are explained in the Glossary on page 5.

[Steaming Coal Carrier]
NAGARA MARU

[Chemical Tanker]
M/T NAEBA GALAXY

[LNG Carrier]
LNG SATURN

[Car Carrier]
BELUGA ACE

[VLCC]
KIRISHIMA

[Methanol Carrier]
CAJUN SUN

[FPSO]
Cidade de Caraguatatuba
MV27

Photo: MODEC, Inc.

[FSRU]
MOL FSRU Challenger

Our Fleet

[Ferry]
SUNFLOWER SATSUMA

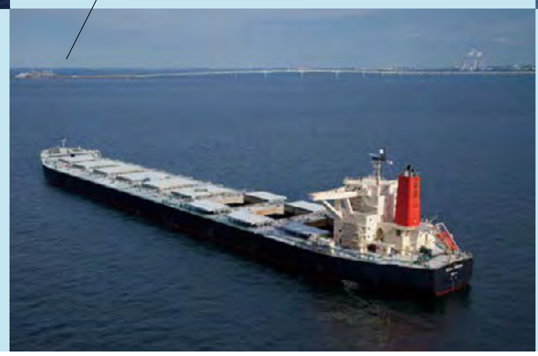
[Containership]
ONE COMMITMENT

[Dry Bulker
Capesize Bulker]
VEGA DREAM

[Ice-Breaking LNG Carrier]
VLADIMIR RUSANOV

[Cruise Ship]
NIPPON MARU

[Subsea Support Vessel]
Skandi Santos



[Shuttle Tanker]
Madre De Deus

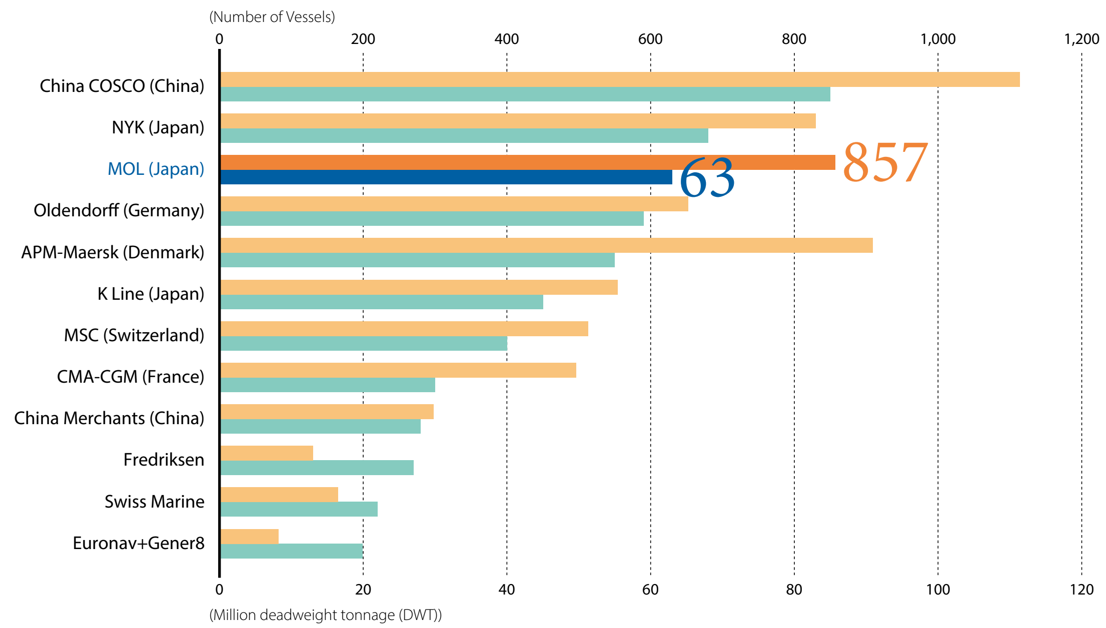
[Tugboat]
ATSUMI MARU

Underlined words are explained in the Glossary on page 5.

Market Position in the Industry

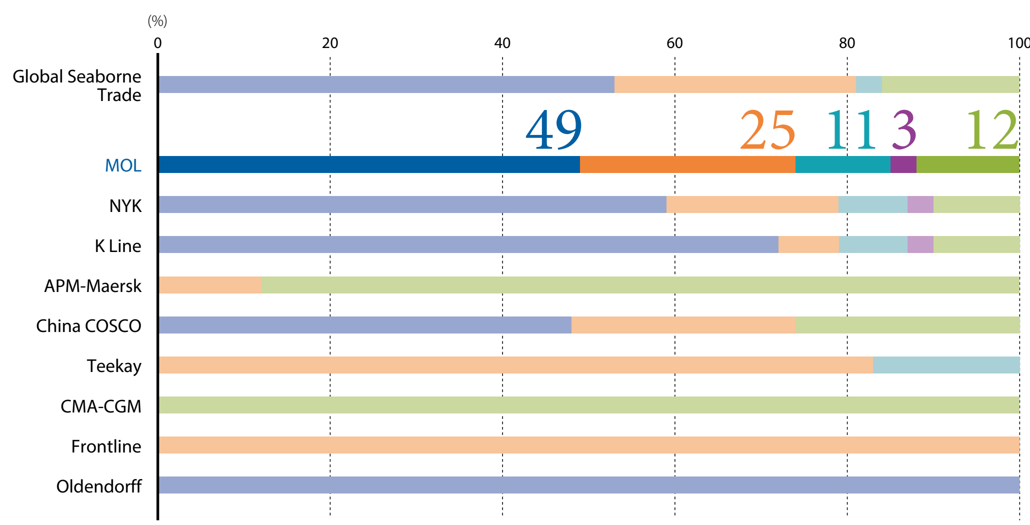
MOL operates a balanced oceangoing fleet. In terms of its total fleet size and presence in individual market categories, MOL ranks among the world's top class shipping companies.

World Major Carriers' Fleets (All Vessel Types)



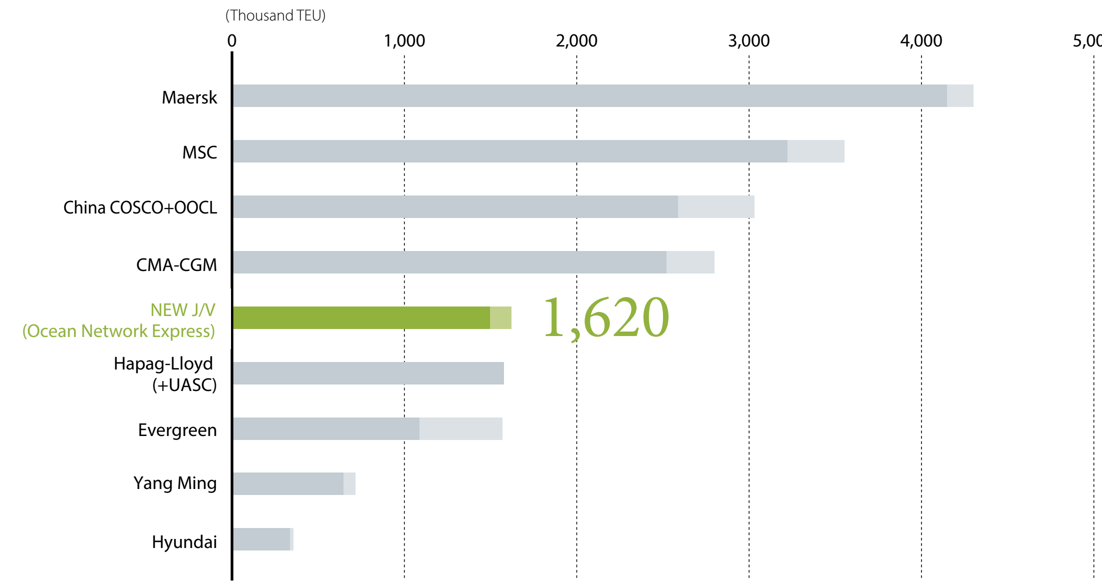
Number of vessels Deadweight tonnage (DWT)
Source: MOL internal estimation based on each companies' published data, Clarkson and Alphaliner (March 2018)

Global Major Carriers' Fleet Composition (by DWT)



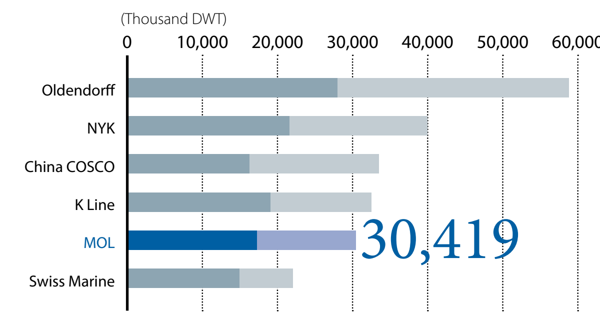
Dry bulker Tanker LNG carrier Car carrier Containership
Source: Global seaborne trade = MOL estimates based on Clarkson data and others
Fleet composition = MOL estimates based on each company's published data and Clarkson/Alphaliner
(Excluding passenger ships, ferries and tugboats)

Containerships



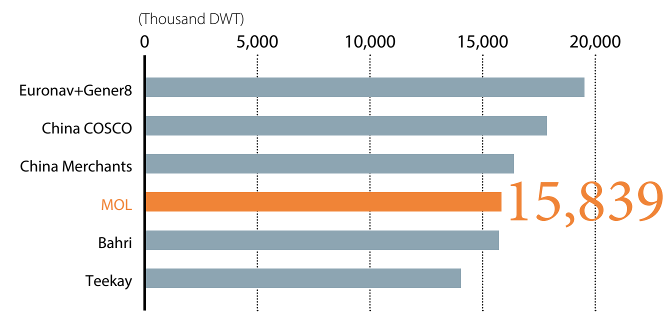
Global fleet capacity Orderbook
Source: Alphaliner (As of April 2018)

Dry Bulkers



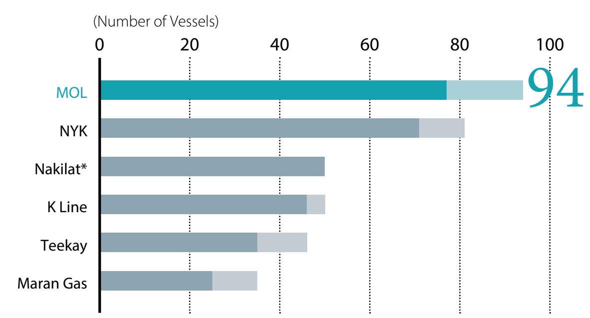
Large bulkers Small- and medium-sized bulkers
Source: Companies' published data and Clarkson (March 2018)

Tankers



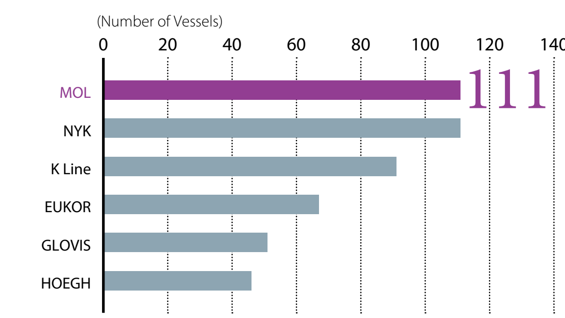
Source: Companies' published data and Clarkson (March 2018)

LNG Carriers



In operation On order
* Qatar Gas Transport Company Ltd.
Source: MOL (March 2018)
Note: The numbers include the vessels which are owned by each company (wholly or partially) and the vessels for which vessel operation is entrusted to each company.

Car Carriers



Source: MOL (March 2018)
Note: Excluding spot-chartered vessels

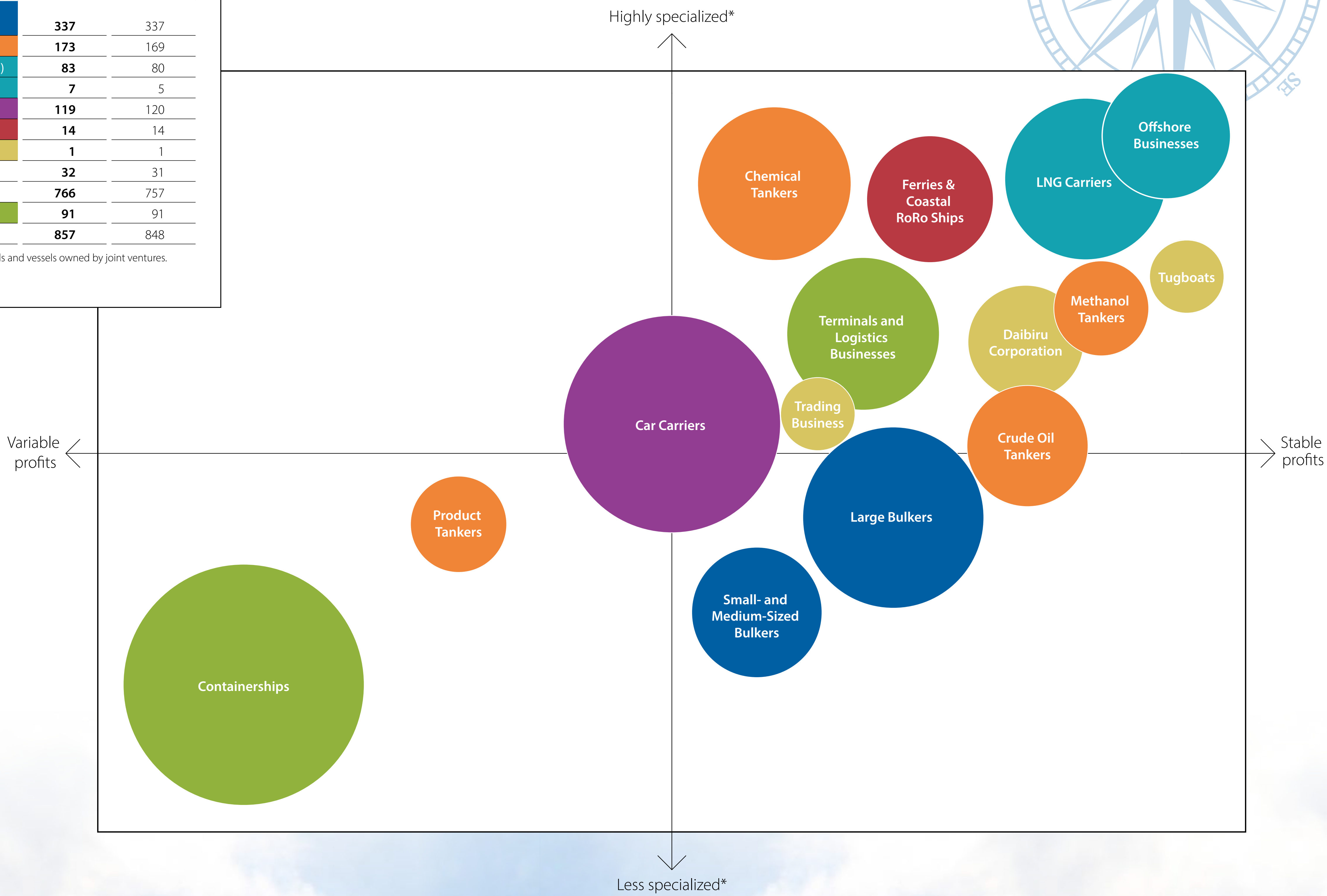
Current Business Portfolio

PORTFOLIO

Fleet Table (Number of vessels)

	As of March 31, 2018	As of March 31, 2017
Dry Bulkers (including Steaming Coal Carriers)	**337**	337
Tankers (including Chemical Tankers)	**173**	169
LNG Carriers (including Ethane Carriers)	**83**	80
Offshore Businesses*1	**7**	5
Car Carriers	**119**	120
Ferries & Coastal RoRo Ships	**14**	14
Cruise Ship	**1**	1
Others	**32**	31
Subtotal	**766**	757
Containerships*2	**91**	91
Total	**857**	848

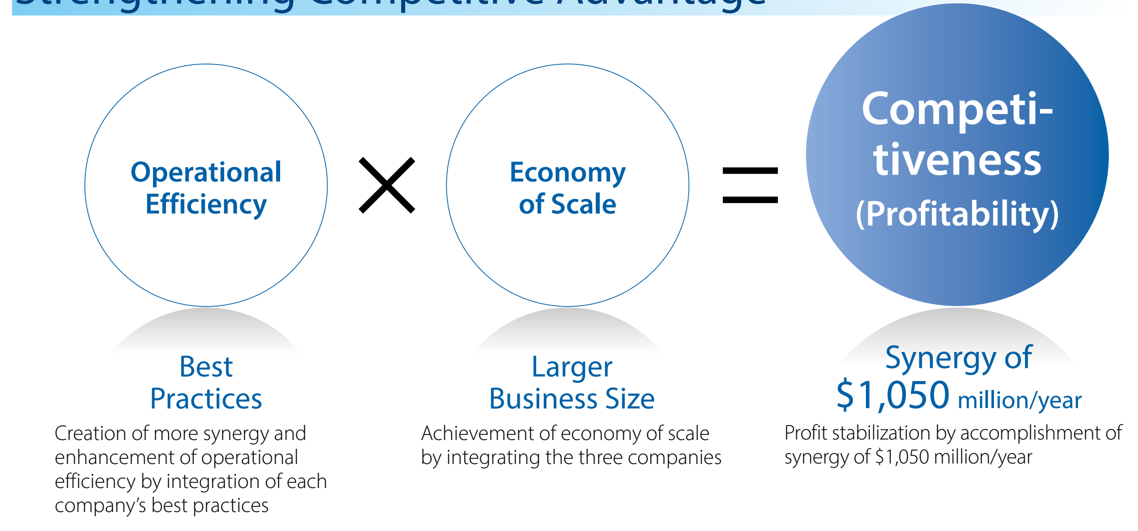
Note: Figures include short-term chartered vessels and vessels owned by joint ventures.
*1 FPSO, FSRU and Subsea Support Vessel
*2 ONE operates from April 2018.



Business Strategies (Containerships)

Operations started in April 2018 at Ocean Network Express (ONE), an integrated containership business company formed by three Japanese shipping companies

Strengthening Competitive Advantage

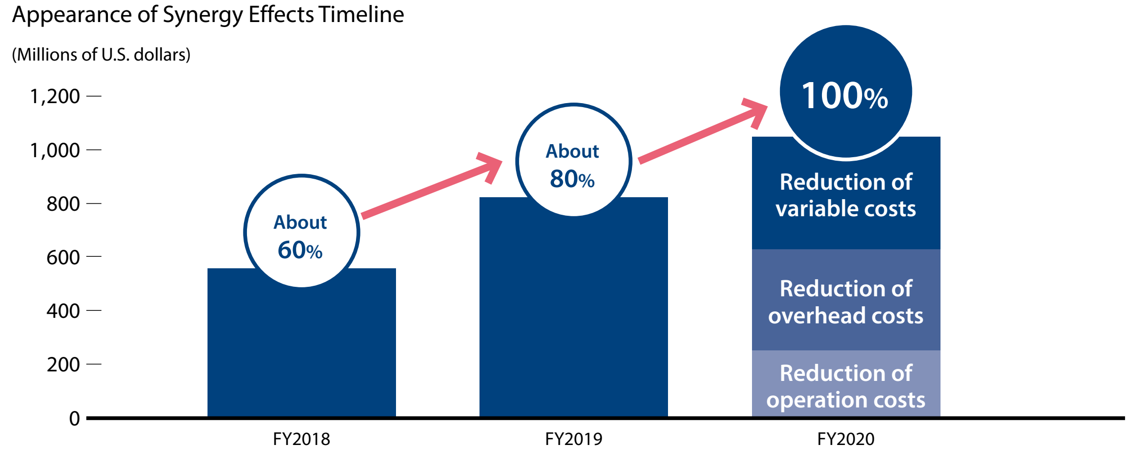


Appearance of Synergy Effects

Breakdown of the $1,050 million/year synergy effect:

Reduction of variable costs	**$430 million:** Reduction in costs for railroads, trucks, feeders, terminals, containers, etc.
Reduction of overhead costs	**$370 million:** IT integration and organizational rationalization, promotion of outsourcing, etc.
Reduction of operation costs	**$250 million:** Reduction in fuel consumption, rationalization of routes, etc.

Appearance of Synergy Effects Timeline



As a result of the $1,050 million synergy effect that ONE generates yearly, MOL will see improvement in profitability of approx. ¥34 billion* in line with its 31% share of the company

* Based on an assumed exchange rate of ¥105/$1 (as of April 27, 2018)

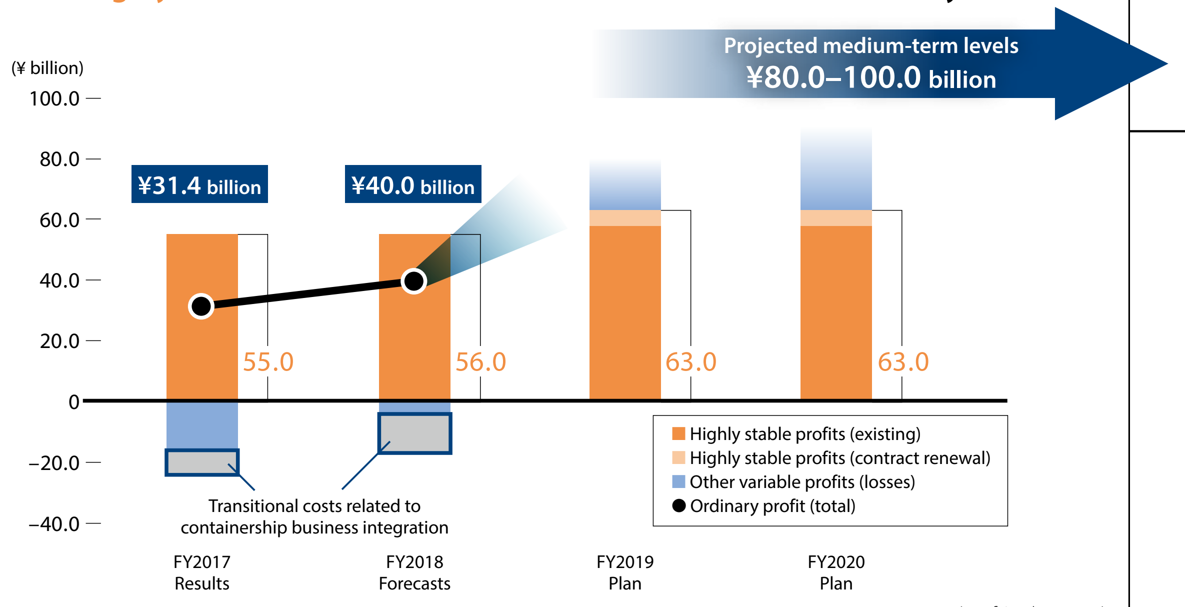
Reinvention of MOL's Business Portfolio

by Strategically Allocating Resources

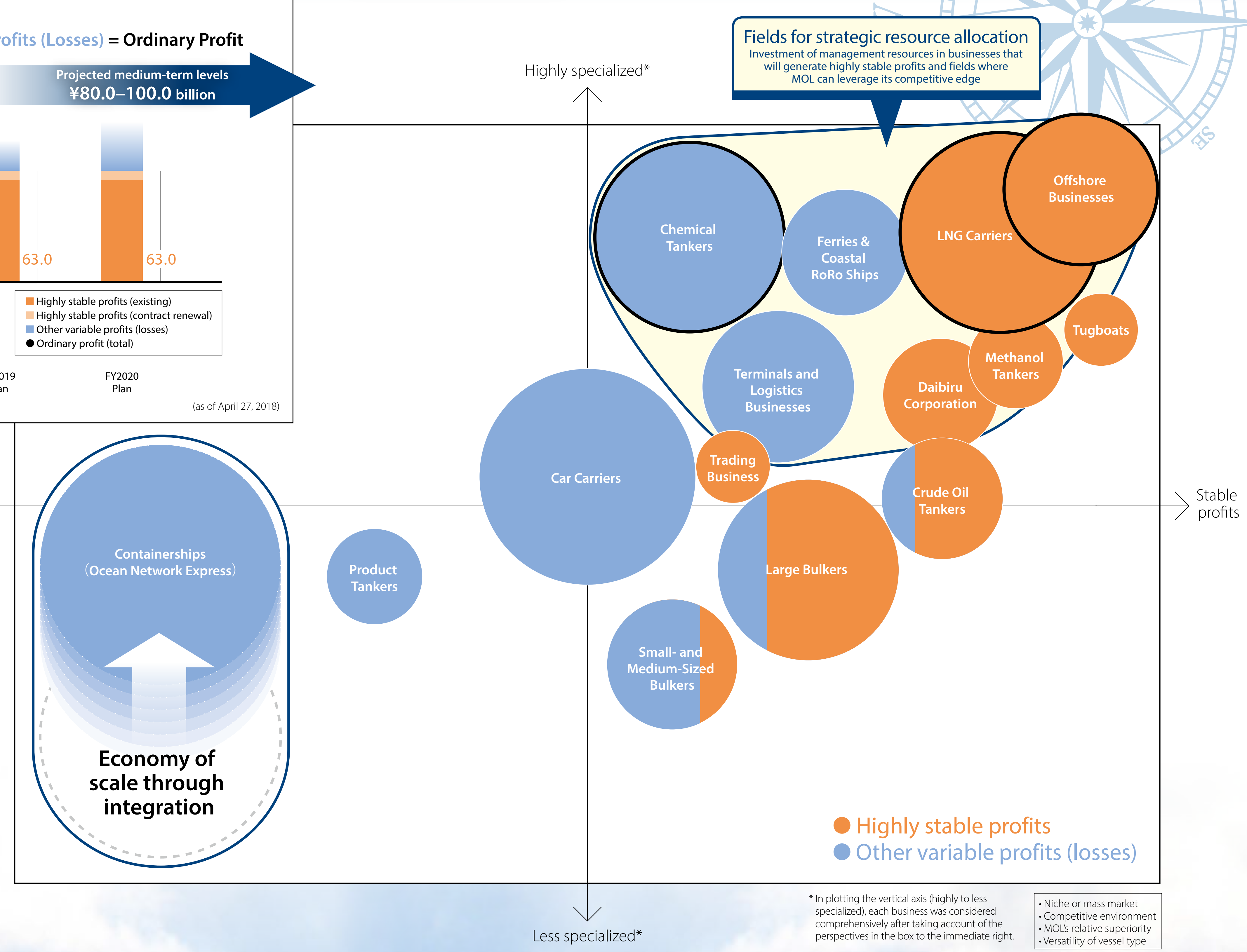
PORTFOLIO

Roadmap to Profit Improvement (Ordinary Profit)

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



(as of April 27, 2018)



* 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

Business Strategies (Other than Containerships)

▶: Major Specific Achievements

Dry Bulkers	<Large bulkers> Ensure the renewal of long-term contracts with domestic and overseas steelmakers <Small- and medium-sized bulkers> Shift to a business model that steadily generates profits securing an additional margin over the market Increase contracts for biomass fuel transport, which are expected to generate mid- and long-term revenue **▶ Signed deal for bauxite transport from Guinea**
Tankers	Strengthen chemical tankers and methanol tankers, while downsizing the product tanker fleet Consider entering the tank terminal business **▶ Entered the tank container business through capital and business alliance with Nippon Concept Corporation**
LNG Carriers	Continue to accumulate highly stable profits through long-term contracts Pursue vertically integrated businesses with LNG transportation as a core **▶ Signed long-term charter contracts for four LNG carriers (conventional type) serving Yamal LNG project in Russia**
Offshore Businesses	Expand FPSOs, FSRUs and subsea support vessels Consider entering emission-free businesses, beginning with offshore wind power-related businesses **▶ Launched MOL FSRU Challenger in a new FSRU project in Turkey** **▶ Participated in the SWAN project in India** **▶ Signed long-term charter contract for LNG bunkering vessel**
Car Carriers	Procure eco-friendly vessels (incl. LNG-fueled vessels) **▶ Reduced core fleet to respond to changing trade patterns**
Terminals & Logistics	Expand regionally focused logistics through M&A, etc. (with a focus on Southeast Asia and the Americas) Rollout business under the unified brand MOL Worldwide Logistics in the NVOCC business **▶ Invested in the PKT Logistics Group, a leader in Malaysia's total logistics field**
Ferries & Coastal RoRo Ships	Strengthen the network of integrated sea and land transportation services combining trucks and ferries Create a casual cruise market by leveraging ICT **▶ Launched two new building ferries (increased truck-carrying capacity, upgraded onboard facilities for passenger use)**
Associated Businesses	<Real estate> Expand business development in Asia <Environment and emission-free businesses> Gradually increase and diversify investments, primarily overseas, and transform them into core businesses through domestic business development

Underlined words are explained in the Glossary on page 5.

Junichiro Ikeda
President & CEO

I strongly believe that the development of "stress-free services" is key in strengthening trust and being the first choice for customers.

Progress and Evaluation of Management Plan "Rolling Plan 2017"

Last year, the Company formulated a new management plan which revises our past practice of adopting fixed-term strategies every three years. Under this new approach, we first devised a vision for the MOL Group to be pursued in the coming ten years. Next, we clarified what measures are to be taken to fulfill this vision. In today's turbulent business environment, it is becoming increasingly necessary to adjust to new realities and be flexible in our endeavors. Plans need to be revised, or at least adjusted every year, hence, the title of last year's plan, "Rolling Plan 2017." The plan seeks to achieve our ten-year vision by reinventing the business portfolio in tandem with the enhancement of our financial strength. This is to be achieved through the strategic allocation of resources to carefully selected business fields which will serve to generate highly stable profits and leverage the Company's strengths. Looking at the progress in terms of financial performance in fiscal 2017, MOL posted a substantial extraordinary loss accompanying the integration of the containership businesses, which pushed net profit into the red. This prevented MOL from achieving its goals for a stronger financial structure. However, we are pleased with the progress made towards the reformation of our business portfolio.

LNG carriers and offshore businesses are positioned as the core of the strategic business fields for resource allocation. In the LNG carriers division, MOL acquired long-term charter contracts for four conventional LNG carriers to be deployed in the Yamal LNG project, following the securement of long-term contracts for ice-breaking LNG carriers for use in the same project. In the area of offshore businesses, the Company established a foothold in the market for Floating Storage and Regasification Units (FSRUs) by becoming the owner and operator of a project in Turkey and deploying MOL FSRU Challenger. This is the first time an Asian shipping company has ventured into the FSRU business. In addition, MOL further strengthened the business through the SWAN project in India, providing operations and maintenance know-how without entering into ownership. This has allowed us to generate steady revenues on a fee basis with minimal risk. In the area of dry bulkers and tankers, MOL has worked to solidify its mutual trust with existing customers and has been successful in renewing and moving forward with many contracts. By securing steady sources of profits on the basis of long-term contracts, the Company was able to establish highly stable profits for the future.

MOL has also made good progress in leveraging its existing strengths in the business fields where it holds an edge over competitors. For example, in the area of chemical tankers, which requires extensive expertise and know-how, MOL is enhancing its competitiveness by developing new large-scale tankers. As for ferries and coastal RoRo ships, newly built ferries are being introduced to improve fuel efficiency and expand cargo space. An intensifying shortage of truck drivers combined with rising environmental concerns is propelling a modal shift from land transport to shipping, which MOL has firmly leveraged. Meanwhile, the Company is taking steps to cultivate tourism demand, by providing expanded and more luxurious private spaces for passengers and more actively marketing ferry travel. In the logistics business, the Company is consolidating services under the unified brand of MOL Logistics Worldwide, and providing various high-end services to meet demand for the integrated transportation of individual items. MOL also invested in one of Malaysia's leading logistics companies. In addition to efforts to enter new regional markets and provide tailor-made services to customers, the Company has established a capital and business alliance with Nippon Concept Corp., to gain a foothold in the tank container transport business.

Underlined words are explained in the Glossary on page 5.

Toward "Rolling Plan 2018"

Continue Reinvention of MOL's Business Portfolio by Strategically Allocating Resources

There have been no major changes to the fundamental strategy behind "Rolling Plan 2018." MOL continues to focus its resources in strategic business fields such as the LNG carriers, offshore businesses, chemical tankers, methanol tankers and logistics businesses. Through this, the Company strives to accumulate further medium- and long-term contracts to ensure the retainment of a stable cash flow in the future, as well as to expand businesses where it holds a competitive edge.

Differentiating MOL from Competitors by Deploying "Stress-Free Services"

As the Company steadily moves forward in its efforts to concentrate resources in the key strategic business fields, the focus of the rolling plan, now in its second year, has shifted slightly. It now adopts a more concrete roadmap to achieve MOL's goals for the next decade.

As CEO, a particular objective I wish to pursue is to provide "stress-free services that are truly convenient for customers." In today's marine transport industry, it would seem difficult for any company to differentiate itself from others based on concrete factors. MOL strongly believes developing "stress-free services" is a vital way in which it can earn the trust of customers and become a truly reliable partner, which should lead to the achievement of sustainable growth in the longer term. Advances in digital innovation, among other factors, have led to a diversification and intensification of customer needs. Indeed, the market has progressed so rapidly that many customers have latent needs that they themselves have difficulty recognizing or specifying. MOL is looking for ways to cultivate this latent demand by proposing comprehensive solutions, and adopting an approach to sales that differs from conventional methods.

To take the lead in these new initiatives, MOL newly established the Corporate Marketing Division. This new division is responsible for business intelligence—analyzing client companies and entire industries to identify needs that have not been met by conventional marketing activities and planning new methods of approaching each market and each individual customer. The Company also created the Technology Innovation Unit to merge the functions formerly handled by the Technology Department (which addressed issues relating to ships, machinery and other technical resources) and the IT Department (which oversaw all issues relating to digitalization and information technology). MOL works in an integrated manner to provide customers with optimal solutions.

Refining Company Strengths to Support Sustainable Growth

Naturally, it is not possible to provide truly "stress-free services" just by changing the approach or the structure of our operations. MOL needs to constantly monitor and respond to changing customer needs, while cultivating its responsiveness and the ability to propose solutions. To this end, the Company defined clearer priorities in five specific themes, identified last year as Group-wide priorities for strengthening the MOL Group, and continues to develop its strengths in these prioritized items.

In terms of the ICT strategy, in addition to offering solutions that employ digital technology, the Company is developing a next-generation type of ship management support system that aims for the "visualization of marine operations." With the technology development and the environment, the Technology Innovation Unit is making progress in three particular areas. Firstly, it is moving to implement the further use of LNG-fueled vessels in response to both tighter environmental regulations and the need to combat global climate change. Secondly, it is taking initiative in the development of the Wind Challenger, a new type of vessel that will be partially powered by sails. In doing so, we aim to improve fuel efficiency and reduce environmental impact. Thirdly, to ease the workload for crews onboard and improve safety, it is working on the development of autonomous sailing technologies. Furthermore, in the environment and emissions-free businesses which we consider the pillars for future generations, MOL is actively entering new business segments such as LNG fuel bunkering vessels and businesses related to offshore wind-powered generators.

For the environment, in the future, marine transport businesses will be required to meet tighter environmental regulations. Specifically, in 2020, new regulations are due to be adopted covering SOx (sulfur oxide emissions) from ship engines, which is expected to greatly increase the cost of bunker fuel. It will be necessary to spread awareness and ensure that customers understand the reasons for the increase in the cost of our services, as this will be a burden that everyone must bear in the interest of protecting our environment. (For details regarding environmental regulations, ➡ P. 72.)

Regarding the marine technical skills, which are fundamental in ensuring the safety and consistency of its shipping operations, the Company is working to further enhance safety awareness in both its personnel and the organization as a whole. At the same time, MOL constantly works to improve its abilities as a group of marine transport professionals capable of proposing solutions that meet customer needs, such as improving transport efficiency and reducing environmental impact.

For the workstyle reforms, every employee in the Company will need to improve their performance, work habits and thought patterns. To this end, it is important to introduce workstyle reforms that promote greater creativity and flexibility to build a vibrant organization where new ideas and approaches are continuously generated. MOL will be revising the structure of its personnel system to hone the skills of middle managers so that their leadership and initiatives can motivate employees in day-to-day operations. As chairman of the Improvement of Work Efficiency Committee, I will commit to exploring new working styles, more flexible office conditions, and any other changes that can promote a more energetic and productive corporate structure.

In addition to pursuing Group-wide priorities for the strengthening of the MOL Group, MOL intends to study ways to further improve safety and cost competitiveness—the two criteria that customers consider most important when selecting a transport company. One of the main topics newly added to "Rolling Plan 2018" is the improvement of cost competitiveness. MOL is trying to strengthen the competitiveness of its fleet through cost-cutting measures and enhanced utilization of vessels. The Company is also adopting RPA (Robotic Process Automation) to increase the efficiency of administrative work. We shall keep no stone unturned and seriously take on this project.

1. Vision for the MOL Group Ten Years from Now

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

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

Marine technical skills	Provide services that fully harness the MOL Group's marine technical skills
ICT	Provide visualization of maritime operations (safe and optimal vessel operation) and added value for customers
Technology development	Push ahead with the "ISHIN NEXT—MOL SMART SHIP PROJECT—"(advanced support technologies for safer vessel operation and technologies for reducing environmental impact)
Environment	Develop and promote environment and emission-free businesses as innovative, future core businesses by staying on top of changes in the external environment
Workstyle reforms	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
Ordinary profit	¥80.0–100.0 billion	¥150.0–200.0 billion
ROE	8–12%	—
Gearing ratio	2.0 or less	1.0

Underlined words are explained in the Glossary on page 5.

Improving Cash Flow and Capital Efficiency

In recent years, free cash flow has remained continuously in negative territory, elevating the gearing ratio to over 2.0. This is an important management issue we wish to improve upon. The Company aims to restore a positive free cash flow as quickly as possible through the consolidation of its containership business to revive profitability and other measures to expand businesses generating highly stable profits from long-term contracts to improve cash flows from operating activities. However, MOL continues to invest in projects such as LNG carriers and offshore businesses, which are expected to be the main source of future expanded profits.

Accordingly, cash flows from investing activities are likely to be a net outflow of ¥350 billion in the three-year period from fiscal 2018 through 2020. Considering shareholders' equity, MOL has introduced new standards for future investment decisions, which place a heavy emphasis on capital efficiency and cash flow. Therefore, the Company will be far more selective in approving new investments in the future. MOL will exercise greater control over its cash flows from investing activities by also considering selling off assets, particularly stocks held for cross-shareholding purposes.

To Our Shareholders and Investors

When I took over as CEO, the Company's most important management priority was to deal with the containership business. Now that the three Japanese shipping companies have integrated their containership businesses, we appear to be on a clearer path to an earnings recovery. After an 18-month preparatory period, the integrated containership firm, Ocean Network Express (ONE), commenced services as originally planned in April 2018. The integration makes it the fifth-largest containership business operator in the world. Synergies from fusing the best practices of all three former parent companies and economies of scale should allow it to generate a steady profit, and ensure good prospects for future growth. Even under the management control of ONE, we expect our containership business to continue to be a central contributor to MOL's earnings in the future. ONE will operate under the firm governance of a holding company, and as one of the shareholders, MOL can offer support whenever necessary.

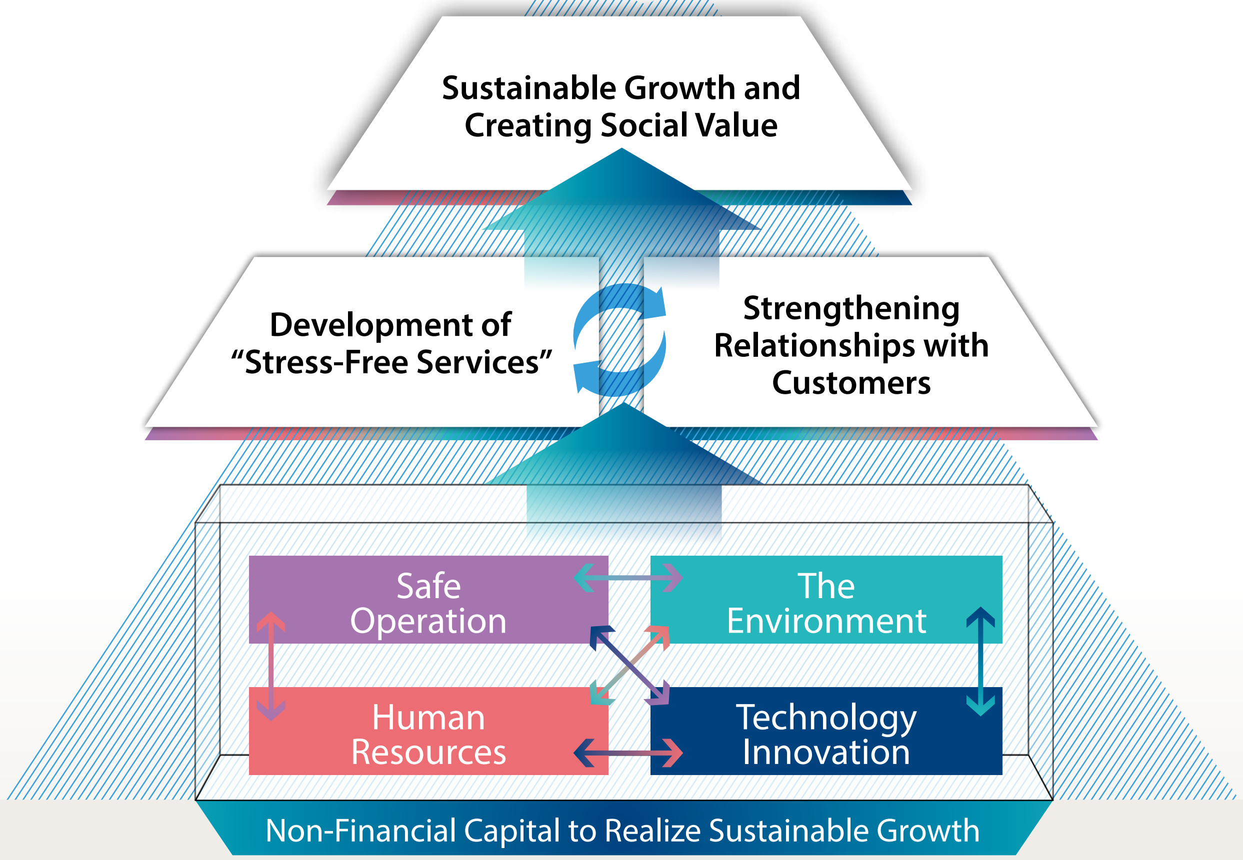
By spinning off the containership business, which accounted for a very large share of our revenues, we must now consider what the identity of the MOL Group entails. The Company is unique in the marine transport industry, as a full-line marine transport operator that holds the top competitive position in many business sectors. The broad scope of the Group's operations allow it to offer comprehensive solutions for customers with diverse cargo transportation needs. By striving to introduce "stress-free services," MOL is building on a solid foundation of reliability and brand strength accumulated over 130 years of operations. I wish to thank shareholders for their support and understanding as we continue to work to be our customer's first choice for marine transport services.

Underlined words are explained in the Glossary on page 5.

Feature

Our Vessel & Value Creation

Process of Increasing Corporate Value



Implementing Four Initiatives to Achieve Sustainable Growth

MOL pursues the increase of its economic corporate value as well as the creation of social value, based on the four initiatives of safe operation, human resources, the environment, and technology innovation, in order to achieve stable growth through strengthening relationships with customers by providing the "stress-free services" as described in our management plan, and to realize sustainable growth that considers a wide range of stakeholders, such as employees and local communities, together with the global environment itself.

Contributing to Sustainable Development Goals (SDGs)

The MOL Group, as one of the world's largest full-line marine transport groups, will contribute to realizing the Sustainable Development Goals (SDGs) in the resolution adopted by the UN General Assembly in September 2015, through the aforementioned four initiatives.

VLCC

SHIZUKISAN

& Safe Operation

· Undertaking various initiatives to forge ahead to become the world leader in safe operation
· Innovation in safe operations by applying ICT

Capture long-term contracts to create stable profits by earning customers' trust

Contributing to SDGs

SHIZUKISAN

The SHIZUKISAN was built in 2009 and is a Very Large Crude Carrier (VLCC) capable of delivering over 300,000 tons of crude oil in a single shipment (equivalent to about half of a single day's consumption in Japan). Since its delivery, the vessel has been operated under a long-term transport contract with a domestic customer, mainly contributing to the stable delivery of crude oil from the Middle East to Japan. As this is one of the largest of the many types of vessels, it takes longer to change navigating speed or course. Furthermore, operation of VLCCs requires an extremely high standard of safety as it carries vast quantities of crude oil, a hazardous substance, and must pass through the Strait of Malacca, one of the world's most congested seas.

Raise Individual Awareness of Safe Operation and Foster a Culture of Safety

SHIZUKISAN
Captain Goichi Umezaki

Safe operations are crucial for any type of vessel, but VLCCs demand a higher level of tension because they handle and transport huge quantities of crude oil, a hazardous substance, meaning the risk of explosions, fire or environmental destruction from oil spills is constant.

MOL is engaged in various initiatives for safe operations from both hard and soft aspects. From a hard aspect, under our original MOL Safety Standard Specifications, we carry out numerous initiatives from the shipbuilding stage to respond to risks, such as installing security cameras in the engine room, which enable constant monitoring for fire from the bridge.

From a soft aspect, the annual MOL Safety Conference involves various types of rank-based training programs aimed at improving skills with seafarers on shore leave taking part and participants exchanging opinions on actual accidents to prevent their recurrence. Among the activities, simulations reflecting operations on seas of varying conditions in the BRM drill* have proven to be an effective training method for VLCCs, of which maneuverability is markedly restricted compared to other vessel types.

The Safety Operation Supporting Center (SOSC) sends in a timely manner extremely useful information, such as data on weather and ocean conditions, piracy and political instability, to aid captains in determining ideal speeds and safer routes. In addition, when arriving in a discharging port in Japan, a marine superintendent and a technical supervisor are dispatched to confirm the unloading operation is conducted safely and that the entire ship is properly maintained. Detailed support provided by each supervisor collaborating closely with captains on the front lines goes a long way in building a relationship of trust with oil companies.

Those various initiatives are crucial for the Company, but, of course, the most important thing of all is for each and every seafarer on board to have the necessary expertise and to carry out their duties responsibly to ensure safe operations. I maintain my motivation by expressing gratitude to my crew for supporting safe operations on a daily basis, and striving to foster a culture of safety.

* 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.

Safety Operation Supporting Center (SOSC)

- Established in 2007 with the motto "Never let the captain get isolated."
- Staffed at all times by two marine technical specialists including an experienced MOL captain.
- Monitoring and supporting approximately 860 vessels operated by MOL and affiliated companies, 24 hours a day, 365 days a year.
- Collecting information on weather and ocean conditions (including abnormal weather and tsunamis) and security threats (including piracy and terrorism), and reporting in a timely manner to the relevant personnel.

"Visualization of Marine Operations"

- Provide visualization of the conditions of vessels and cargo at sea using ICT.
  → Offer value-added services to customers including sharing operation information of vessels.
- Analyze big data on weather and ocean conditions gathered from MOL-operated vessels.
  → Utilize for safe operations and reducing fuel consumption based on optimal routing.
- Make multidimensional analysis between actual operational stoppage accidents and causal correlations of data from multiple sources.
  → Develop more effective measures to prevent accidents.
- Remotely monitor the operational status of engines and other machinery on board.
  → Make necessary replacement of parts and maintenance arrangements well in advance.

Collecting data from MOL-operated vessels

Promotion of Autonomous Sailing

- Aiming to prevent human error and respond to a shortage of seafarers in the future.
- Set a goal of achieving autonomous sailing by 2025–2030.
- In December 2017, MOL signed a deal with Rolls-Royce Marine on the joint research of an advisory-type Intelligent Awareness System (IAS), which detects obstacles near vessels with new sensors and provides ship operational support information to officers onboard immediately.
  → Install the IAS on a ferry in service operated by Ferry Sunflower Limited in the Seto Inland Sea.
- In December 2017, MOL agreed with Furuno Electric Co., Ltd. and MOL Techno-Trade to jointly develop a system that supports ship operation during voyages using augmented reality (AR) technology.

Image of IAS in use

For details of the safe operation ➡ PP. 66–68.

Underlined words are explained in the Glossary on page 5.

Car Carrier

VALIANT ACE

& Human Resources

· Training top-quality seafarers through operation of training facilities
· Create environments where people want to work

Achieve safe and reliable transportation through top-quality seafarers and strengthen the MOL brand

Contributing to SDGs

VALIANT ACE

Car carriers are vessels used exclusively for carrying motor vehicle cargo such as automobiles and construction machinery. Compared to other vessels, car carriers are more susceptible to strong winds as they have something like an enormous multistory parking lot structured inside the box-like hulls. Therefore, navigation of these vessels requires significant experience and knowledge, such as how to adjust ballast water to control balance and plot courses to avoid bad weather. The VALIANT ACE is a car carrier built in 2012 and has a 6,400-vehicle capacity. The vessel operates in a wide area including not only Asia, North America and Europe, but also South America, Africa and Oceania, reflecting diversifying automobile trades.

Continuing to Be a Proud Member of MOL

VALIANT ACE
First Officer (Philippine nationality) Louie John Q. Tuvillo

I was born and grew up in Antique in the Philippines. I had my first experience onboard a passenger ship at age 10 and can remember seeing the crew members to this day. They were tall and proud, in pristine white uniforms with shoulder boards. I saw how people looked at them with admiration and respect. I told myself that someday I would become one of them. I had friends with brothers or fathers who were seaman, and seeing their abundant lifestyles strengthened my resolve. In addition to my childhood dream, I decided to aim for a seafaring career as it would help me support my parents, siblings and my own future family.

After secondary school, I entered maritime college where I was fortunately privileged to be a Magsaysay-MOL scholar upon being selected after stiff competition. Following graduation from maritime college, I advanced to the Officer Candidate Course at MIS*, an MOL training facility. We not only gained knowledge and skill sets here, but also worked on physical conditioning, which gave me a sense of ease about my long-term onboard cadet training. During training, senior Filipino seafarers made quite an impression by mentoring newcomers with their knowledge and experience. I got a glimpse of how MOL maintains and improves its seafarers' marine technical skills.

I decided to enter MOL because I had been chosen for a scholarship. Once I started actually working for MOL, I saw that there is no compromise regarding the safety of lives, ships and cargo, as well as outstanding crew members' achievements and accomplishments do not go disregarded and after seeing these things in MOL, my motivation to continue as a member of the MOL family became even greater.

My current aim is to become a captain, with the trust of my peers to command a ship. My childhood memory of the seafarers remains as powerful as ever, and encourages me daily as I go about my work. I am proud to be a seafarer for MOL, one of the world's most prestigious shipping companies, and by becoming a seafarer with sufficient skills and expertise, I hope to contribute to further improving MOL's overall value and competitiveness.

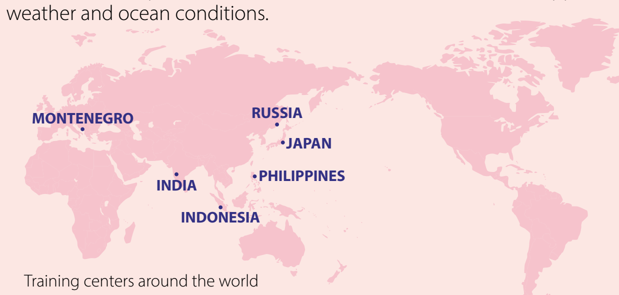
* Magsaysay Institute of Shipping
MIS was jointly established by MOL and Magsaysay Maritime Corporation in 1993. The institute provides various types of practical and theoretical training to prepare students for careers at sea.

Nationality Ratio of Seafarers
(MOL-owned vessels as of March 2018)

Philippines 68% India 14% Europe 6% Japan 3% Indonesia 2% Russia 5% Others 2%

Training Highly Competent Seafarers on a Global Scale

- Since 2011, MOL has been providing education and training to Filipino cadets at an MOL training facility in the Philippines.
- In August 2018, MOL will open MOL Magsaysay Maritime Academy Inc. jointly with a local partner to take over from the abovementioned facility. The maximum number of students is 300 per year.
- MOL conducts a wide variety of training from lectures to learn theories to practical training using simulators at training centers in six countries including the Philippines.
- At each training center, MOL employs an advanced onshore simulator that perfectly recreates the bridge of a large vessel in operation. This simulator features concentrated real-life experiences of seafarers and enables an iterative approach under all weather and ocean conditions.



Training centers around the world

A new maritime academy training facility

Simulator

Maintaining Motivation to Continue as an MOL Group Seafarer

- MOL has held the MOL Presidential Awards to Officers and Engineers ceremony annually since 2008.
- MOL has also held annual long-service award ceremonies for Filipino seafarers who belong to Magsaysay MOL Marine, Inc., an MOL Group seafarer dispatch company, as well as hosted family day events for seafarers' families every year.

Recipients from the 2017 MOL Presidential Awards to Officers and Engineers

Family day scene

Underlined words are explained in the Glossary on page 5.

Floating Storage and Regasification Unit

MOL FSRU Challenger & The Environment

- World's largest fleet of LNG carriers
- Solid relationships with partners worldwide

Expanding business domains to capture growing demand for LNG, a fuel with a lower environmental burden

7 AFFORDABLE AND CLEAN ENERGY · 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE · 13 CLIMATE ACTION · 15 LIFE ON LAND · 17 PARTNERSHIPS FOR THE GOALS

Contributing to SDGs

Meeting Customer and Environmental Needs in the LNG Value Chain

Energy Business Strategy Division
General Manager, Strategy Division Yusuke Hongo

Natural gas is a major primary energy source alongside petroleum and coal. It is produced primarily in the Middle East, the U.S., Australia and certain other regions, and exported to consumption regions such as Asia and Europe through onshore pipelines and via marine transport by LNG carriers after the gas is cooled and liquefied. It is the cleanest fossil fuel as its CO_2 emissions are lower than those of coal or oil. Demand for natural gas is thus expected to grow significantly in the years to come.

LNG requires advanced transport expertise because it has to be transported at –162ºC. MOL has been involved in the marine transport of LNG since the 1980s, and currently has the world's largest fleet of LNG carriers, at 94 vessels (including outstanding orders) as of March 31, 2018. Through involvement in various projects over the years, we have been building up a solid base of expertise in the transport of LNG, as well as forming firm relationships with many local partners worldwide.

Previously, LNG receiving terminals had to be built onshore in order to receive LNG transported by LNG carriers. However, since the world's first FSRU entered service in 2005, FSRUs have been rapidly adopted globally as they can be set up in less time and with less cost than conventional onshore receiving terminals and also they provide a means of addressing demand for smaller amounts of LNG imports. In fact, in the past 10 years, FSRUs have been adopted by around 60% of the countries introducing LNG for the first time. With the launch of MOL FSRU Challenger, MOL has taken a major first step into the FSRU field.

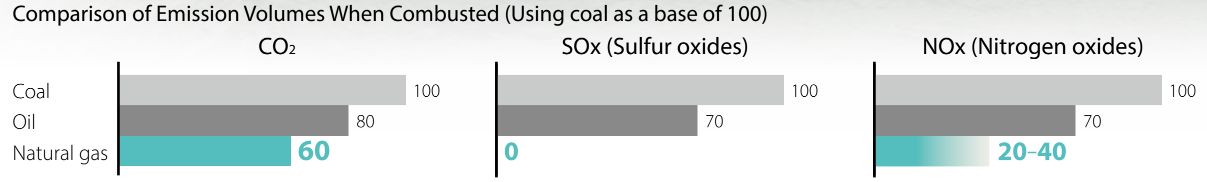
Going forward, environmental regulations will be tightened in order to curtail the amounts of SOx (sulfur oxides) and CO_2 in vessel emissions. In response, a growing number of shipping companies are introducing LNG as an alternative bunker fuel to conventional heavy oil. Against this backdrop, MOL is currently building an LNG-fueled tugboat that is scheduled for launch in 2019. We will further consider introducing LNG-fueled vessels for use in other vessel types as well. In addition, MOL has entered the LNG bunker fuel supply business. Notably, in February 2018, MOL signed a long-term charter contract with Total Marine Fuels Global Solutions for a large LNG bunker vessel to supply LNG fuel to mega containerships.

As environmental awareness rises around the world, MOL will expand its business domains from the conventional marine transport of LNG to its storage, regasification, and the use and supply of LNG as bunker fuel. By doing so, MOL aspires to fulfill both customer and environmental needs.

MOL FSRU Challenger

An FSRU (Floating Storage and Regasification Unit) is a ship-based offshore LNG receiving terminal. Its main roles are to store LNG received from LNG carriers in tanks and to regasify and send it out to onshore pipelines according to demand. FSRUs can be set up in less time and with less cost than onshore LNG receiving terminals. For this reason, plans to launch FSRUs have been progressing in various regions around the world, particularly in emerging countries. The MOL FSRU Challenger is the first FSRU to be independently built, owned and operated by an Asian shipping company. Following its delivery in October 2017, the vessel has been deployed to a project in Turkey. The MOL FSRU Challenger has the world's largest LNG storage capacity of 263,000 m³, and the ability to reship LNG in its original state, in addition to gas transfer capabilities, which enable the reexport of LNG to neighboring regions or supply of LNG as fuel for other vessels.

Comparison of Emission Volumes When Combusted (Using coal as a base of 100)

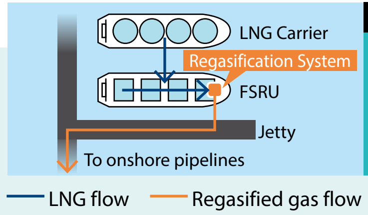


Expanding Business Domains through the LNG Value Chain

LNG Carriers — Marine Transport

- MOL has been involved in the marine transport of LNG since the 1980s.
- Expanded up to current fleet of 94 vessels including outstanding orders as of March 31, 2018.
- The first of three ice-breaking LNG carriers was launched for use in the Yamal LNG project in Russia. (March 2018)

FSRUs — Storage & Regasification



- MOL FSRU Challenger was delivered, and is the first FSRU independently built, owned and operated by an Asian shipping company. (October 2017)
- MOL participated in an FSRU & FSU project developed by Swan Energy Limited in India. (September 2017)

LNG Bunker Vessels — LNG Fuel Supply

- MOL signed a long-term charter contract with French oil major Total for a large LNG bunker vessel in February 2018.
- The above large LNG bunker vessel will be delivered and start bunkering operations in northern Europe in 2020.

LNG-Fueled Vessels — Use as Fuel

- MOL made a decision to build an LNG-fueled tugboat in May 2017, and this will launch in Osaka Bay in April 2019.
- MOL, Tohoku Electric Power Co., Inc. and Namura Shipbuilding Co., Ltd. started joint development of an LNG-fueled coal carrier, and earned an Approval in Principle for design in December 2017.
- MOL teamed up with Rio Tinto, BHP Billiton and other partners including a shipbuilding company, on a joint research project for an LNG-fueled capesize bulker in January 2017. (Photo below)

For details of the environment ➡ PP. 71–72.

Underlined words are explained in the Glossary on page 5.

Future Vessels & Technology Innovation

- Marine technical skills and sales capabilities cultivated over many years in the shipping industry
- Technological capabilities utilizing renewable energy and ICT

Identify and resolve issues related to social infrastructure and customers

7 AFFORDABLE AND CLEAN ENERGY · 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE · 12 RESPONSIBLE CONSUMPTION AND PRODUCTION · 13 CLIMATE ACTION · 14 LIFE BELOW WATER · 15 LIFE ON LAND · 17 PARTNERSHIPS FOR THE GOALS

Contributing to SDGs

The Ultimate Goal Is to Bring About a Logistics Revolution

Senior Managing Executive Officer
Director General, Technology Innovation Unit Yoshikazu Kawagoe

The Technology Innovation Unit was established in April 2018. The mission of the unit is to anticipate the needs of customers and the new era and bring about exciting logistics innovations. The three divisions, namely, the Technical Division handling the physical side of the vessels, the Smart Shipping Division handling maritime ICT, and MOL Information Systems, Ltd. taking responsibility for overall ICT will coordinate to promote the development of technology services while using ICT to strengthen MOL's competitiveness. In order to provide "stress-free services" under the Company's management plan, we aim to identify and resolve customers' issues by enhancing marine technical skills and sales skills which we have acquired and technologies in relation to natural energy.

In 2016, MOL launched the "ISHIN NEXT—MOL SMART SHIP PROJECT—," aiming to increase corporate value by developing two fields of technologies such as safer vessel operation and reduction of environmental impact. MOL will accelerate towards the realization of these existing initiatives through further deepening creative collaboration across industries. In the safe operation field, MOL is focusing intensely on promotion of autonomous vessels and is working with multiple partners to verify automatic technologies, such as image recognition, giving way to other vessels at sea, as well as berthing and unberthing. The Company is aiming to achieve a practical demonstration around 2020. In the environment field, MOL is promoting the Wind Challenger Project (see P. 31) for next-generation sailing vessels, aiming to operate a first vessel in 2020, following selection of a vessel to be equipped and completion of a design during 2018.

The prime goal of the unit, as well as of MOL, is the aforementioned "provision of stress-free services." The Company will actively aim to start a logistics revolution to rival that of the home delivery services sector. This means not only promoting technological development, but service development collaborating closely with sales divisions.

Technology Innovation Unit Organization Chart

- Technology Innovation Unit
  - Technical Division — Technology Research Center
  - Smart Shipping Division
  - MOL Information Systems (Quasi in-house organization)

Wind Challenger

MOL promotes the Wind Challenger Project, joint industry-academia research that began in 2009. This project aims to significantly reduce the amount of fuel consumed by large vessels currently dependent on oil fuels by maximizing the use of wind power for propulsion by attaching massive sail panels on vessels.

Scan here to see a video on the Wind Challenger Project

Three Areas of Focus

Wind Challenger

- The Wind Challenger Project research and practical demonstration phase finished in September 2017 and has now entered the application and commercialization phase conducted jointly with Oshima Shipbuilding Co., Ltd.
- Currently, with the aim of realizing a single sail, we are working on detailed design and selecting the vessel to be equipped with it.
- The aim is to select a vessel to be equipped with the sail in fiscal 2018, and start operations in 2020.

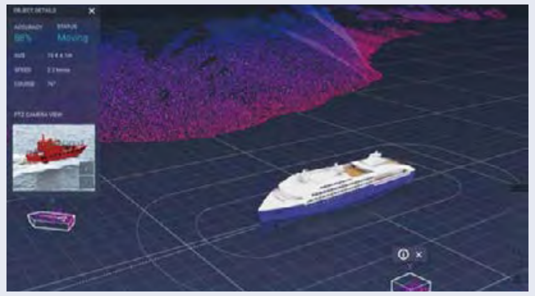
Conceptual image of the vessel equipped with a single sail while in full sail at sea

Sail demonstration unit

Roadmap So Far

- Completed — 2009–September 2017: Research and practical demonstration phase
- Now — October 2017 onward: Application and commercialization phase
- 2020: Aim to start operations with vessel equipped with a single sail

Autonomous vessels P. 25



LNG-fueled vessels P. 29

Non-Financial Indicators

Safe Operation

As MOL strives to achieve a global top-class level of operational safety, the Company has introduced targets for operational safety which we refer to as the Four Zeroes. The objective is to maintain a continuous record of safety, with zero serious marine incidents, zero oil pollution, zero fatal accidents and zero cargo damage. Data on the number of days that the Company has maintained this unblemished record is circulated among human resources, ensuring that every employee maintains a keen awareness of safety issues in all of their daily work activities.

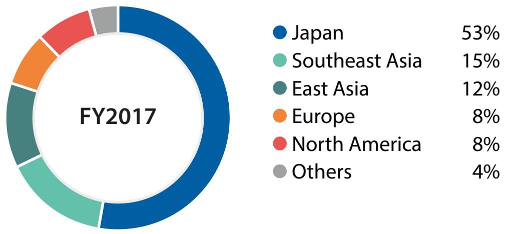
Number of days that MOL has maintained its Four Zeroes record for safety (as of June 30, 2018)		
	Zero fatal accidents 230 days	Zero serious marine incidents 1,839 days
	Zero oil pollution 1,839 days	Zero cargo damage 1,839 days

For details of the safe operation ⇒ PP. 66–68.

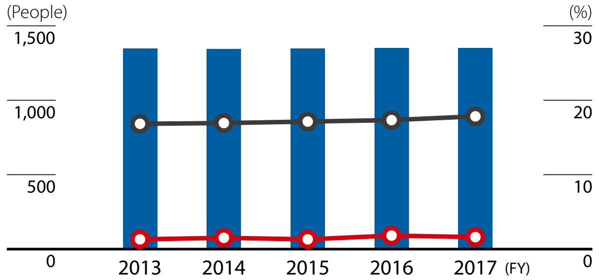
Human Resources

MOL aims to cultivate a vibrant, energetic and diverse workforce, based on human resources from a multitude of countries, genders, cultures and backgrounds, who share the values of the MOL Group as expressed in MOL CHART (see page 2).

Breakdown of Group Employees by Region (Consolidated)



Number of Employees / Ratio of Females / Ratio of Females in Managerial Positions*

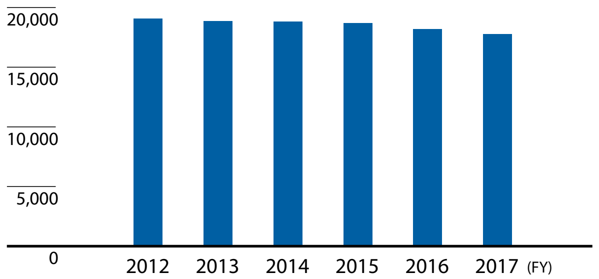


■ Number of Employees (left scale) ○ Ratio of Females (right scale)
○ Ratio of Females in Managerial Positions* (right scale)
* Unconsolidated basis excluding loaned employees, contract employees, part-timers, etc., but including expatriate employees

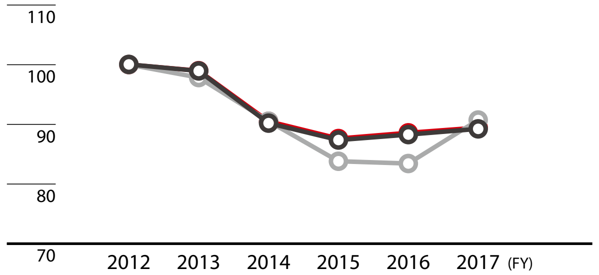
Environment

Compared with other modes of transportation, shipping is the soundest method for transporting a large quantity of cargoes between two points, generating less CO_2 emissions and pollutants per cargo unit carried than any other form of transportation, but the impact of the environment from the absolute amount emitted cannot be ignored. As an ecologically conscious company, MOL is constantly seeking ways to reduce CO_2 emissions even more, to further reduce the impact of our operations on the planet.

CO_2 Emissions of MOL Fleet (Thousand tons)



MOL Group Emissions of CO_2, SOx and NOx (per unit load) (%)

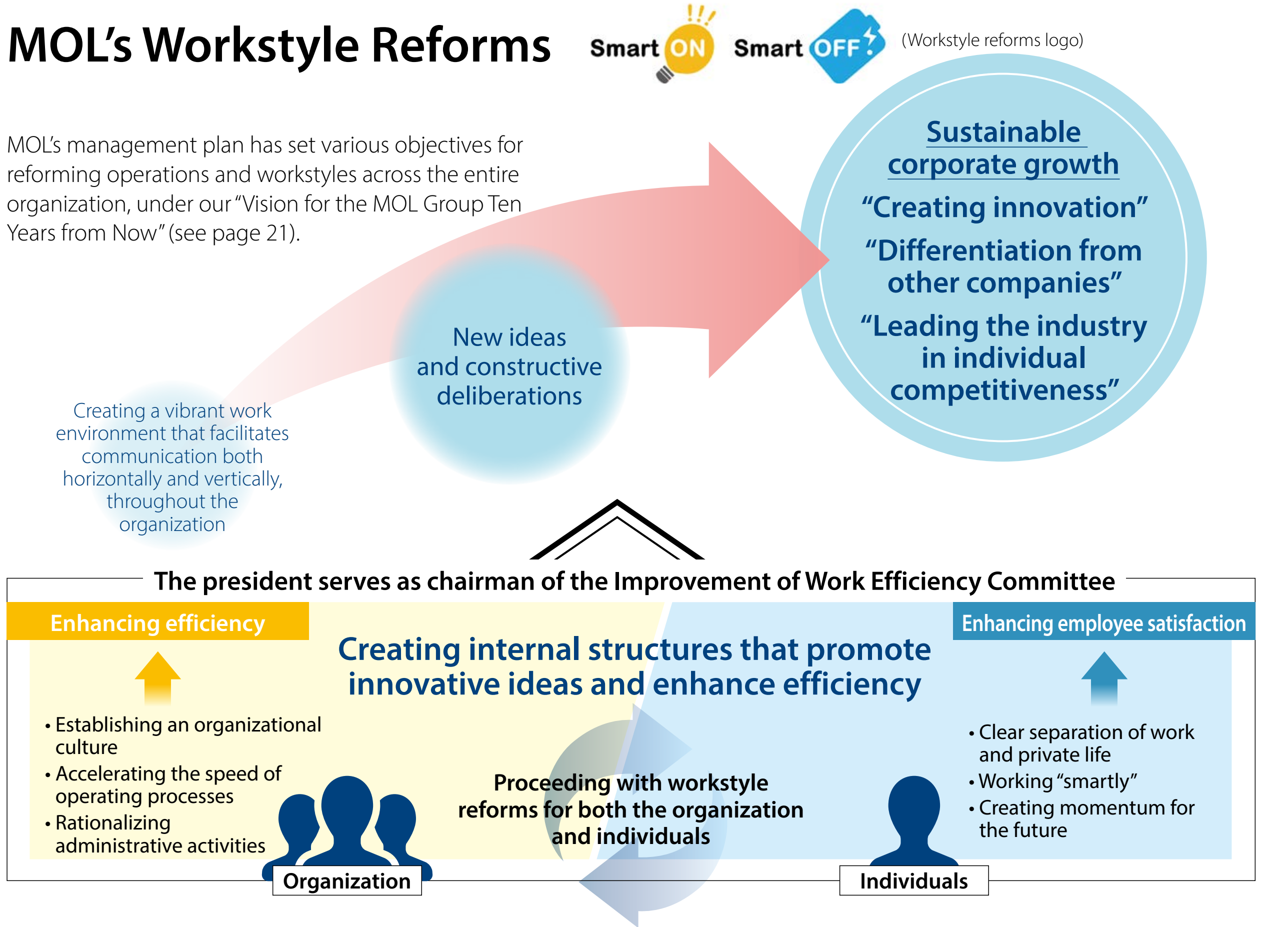


○ CO_2 emissions* ○ SOx emissions* ○ NOx emissions*
* Emissions per unit (ton-mile) compared to fiscal 2012

For details of the environment ⇒ PP. 71–72.

MOL's Workstyle Reforms

MOL's management plan has set various objectives for reforming operations and workstyles across the entire organization, under our "Vision for the MOL Group Ten Years from Now" (see page 21).



Four areas of focus for reforming workstyles

Personnel structure reforms

Introducing a new structure for the personnel system in fiscal 2018 based on the following principles:
- A structure that supports the process of early identification and cultivation of leaders who will increase organizational accountability and initiative
- Hiring and training specialists, and diversifying the range of career paths to give employees greater scope and opportunity for accomplishment

Organizational culture reforms

- Conduct HOT Dialogue to enhance communication between the CEO and each division as well as general managers and staffs in divisions
- Provide company support for employee gatherings and activities across divisions
- Stimulate and organize discussions involving all human resources, via in-house social networks
- Introduce Smart OFF! Day on Wednesdays, where all human resources are recommended to leave the office by 6 p.m.
- Launch the healthy breakfast campaign by serving breakfast in the Company cafeteria during the summer to promote health and improve work performance


HOT Dialogue

Workplace reforms

- Introduced a remote work from home program (in August 2017)
- Space created by reducing paper documents was used to establish an employee lounge area
- Redesign the basic office layout based on Company-wide discussions about workstyles and offices


Set up conference rooms that can be used freely for non-conference matters

Administrative reforms

- Provide facilitator training to teach employees the skills needed to manage meetings
- Introduce large touchscreen displays (Surface Hub) to improve meeting productivity
- Implement the Paper OFF! Project to promote the use of electronic (paperless) documents
- Promote the use of Robotic Process Automation


Conduct meetings using Surface Hub

Underlined words are explained in the Glossary on page 5.

At a Glance

FY2017 Performance (Consolidated)

Shipping and other revenues

¥1,652.3 billion

Equity ratio

23.0%

Ordinary profit

¥31.4 billion

Gearing ratio*1

2.19

Total assets

¥2,225.6 billion

Net gearing ratio*2

1.82

Net assets

¥628.0 billion

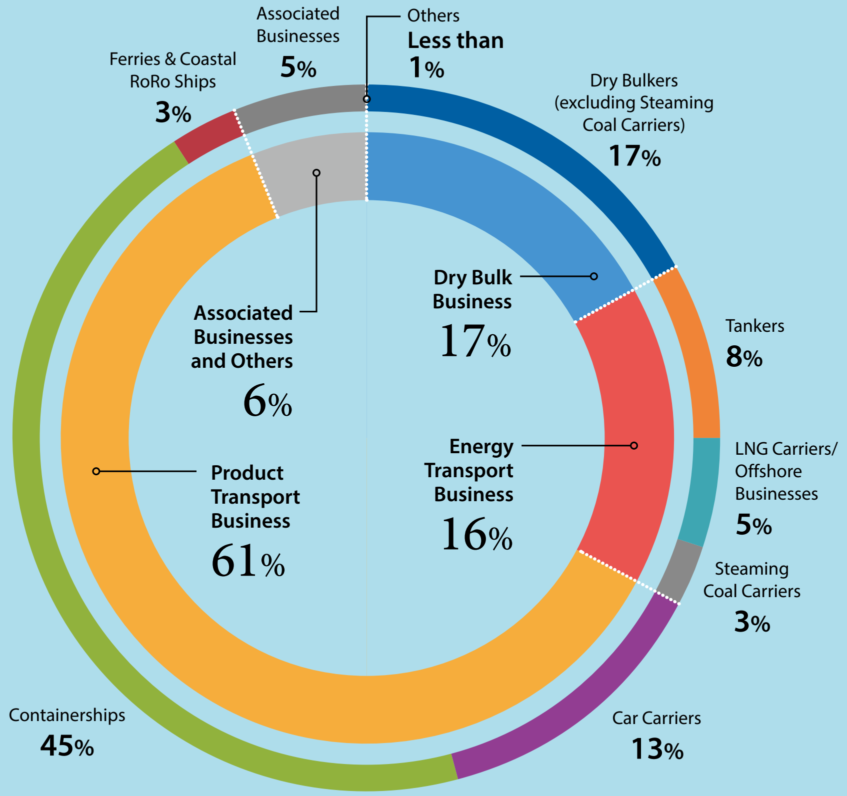
MOL's fleet (number of vessels)

857

*1 Interest-bearing debt / Shareholders' equity
*2 (Interest-bearing debt – Cash and cash equivalents) / Shareholders' equity

Revenues/Ordinary Profit by Segment

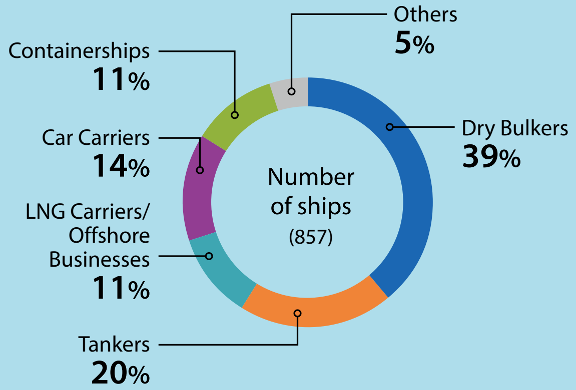
Revenues by Segment

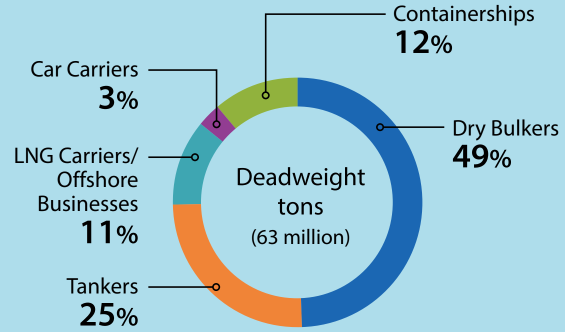


Ordinary Profit by Segment (¥ billions)

	FY2017 performance
Dry Bulk Business	15.4
Energy Transport Business	13.6
Product Transport Business	(6.3)
Containerships only	(10.6)
Associated Businesses	12.6
Others	2.6
Corporate/Eliminate	(6.5)
Total	31.4

Fleet Composition





At a Glance

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.

Business Activities | Year in Review | Business Environment

Dry Bulk Business

Dry Bulkers (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.


[Iron Ore Carrier]
Shinzan Maru

Year in Review: Profitability improved from the previous fiscal year backed by market conditions moving toward gradual recovery with the support of steady cargo volumes, in addition to the assured effects of the Business Structural Reforms that fundamentally reviewed the business model for small- and medium-sized bulkers as well as reduced the number of Capesize bulkers operated on spot contracts.

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; methanol tankers that exclusively carry methanol; and LPG tankers that carry liquefied petroleum gas.


[Tanker]
HAKUSAN

Year in Review: The tanker division focused on reducing market exposure, mainly with product tankers, and on soundly executing long-term contracts, centered on VLCCs and methanol tankers, in conjunction with continuing to work to improve operation efficiency and reduce costs. As a result, we recorded a profit for fiscal 2017, despite a year-on-year decrease due to a supply glut of new vessels that made supply outstrip demand.

LNG Carriers/ Offshore Businesses

With the world's largest LNG carrier fleet, 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. MOL has also moved into the renewable energy field by investing in a self-elevating platform vessel operator that installs offshore wind power generation facilities.


[LNG Carrier]
LNG FUKUROKUJU

Year in Review: The LNG carriers/Offshore businesses division continued to secure stable profits from long-term contracts while steadily contributing to earnings through new projects that started operations, though there was a slight decrease in ordinary profit compared to the previous fiscal year accompanying an extraordinary loss resulting from the disposal of vessels owned by an equity-method affiliated company.

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.


[Steaming Coal Carrier]
ENERGY PROMETHEUS

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.


[Car Carrier]
BELUGA ACE

Year in Review: Cargo volumes of completed cars to the U.S. and Europe were firm, while imports by emerging countries and resource-producing countries continued to be 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. As a result, ordinary profit increased year on year, albeit from a low level.

Containerships

Through a global network of sea routes provided by Ocean Network Express, a company formed by the integration of the containership businesses at three Japanese shipping companies, 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.


[Containership]
ONE COMMITMENT

Year in Review: In addition to increasing liftings by launching ultra-large containerships on Asia-Europe routes, we continued working to reduce costs, such as the cost of repositioning empty containers, by bolstering yield management. As a result, there was a significant reduction in ordinary loss compared to the previous fiscal year in spite of having recorded transitional costs associated with the launch of the integrated company.

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 increasing our profile as the leader of an eco-friendly modal shift in domestic logistics.


[Ferry]
SUNFLOWER FURANO

Year in Review: A sound business environment continued due to factors including advances in the trend toward a modal shift in transportation—i.e., a switch from long-distance land transport by trucks to ferry transport—and a shortage of truck drivers, but there was a decrease in ordinary profit year on year due to delays in new vessel deliveries and rising bunker fuel prices.

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, a cruise ship (the NIPPON MARU), and trading.

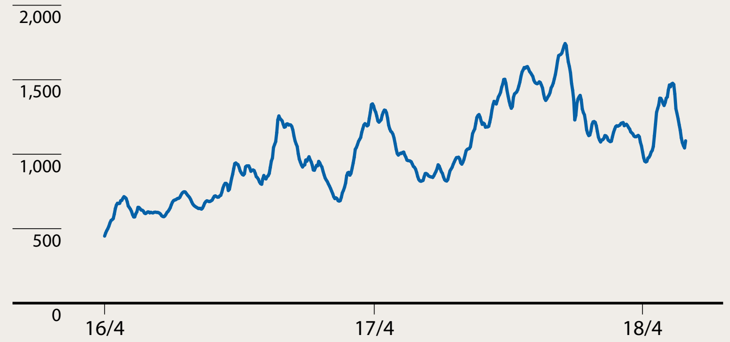

[Cruise Ship]
NIPPON MARU

Year in Review: In the cruise ship business, ordinary profit decreased year on year due to the factors including the cancellation of cruises because of typhoons. Ordinary profit in the real estate business increased, 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.

Business Environment

Dry Bulker Market (BDI*1)

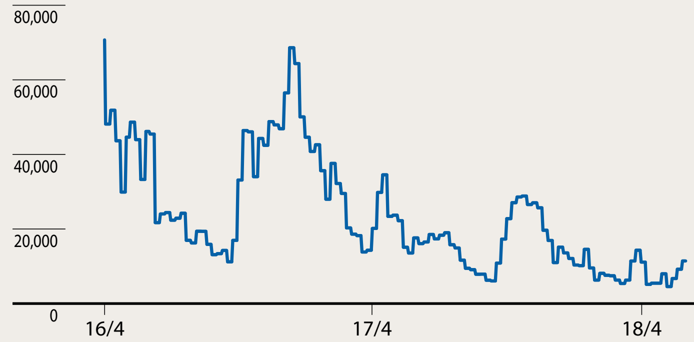
(Jan 4, 1985=1,000)



Source: MOL internal calculation based on TDS and others
*1 Baltic Dry Index

VLCC*2 Market (AG → Japan)

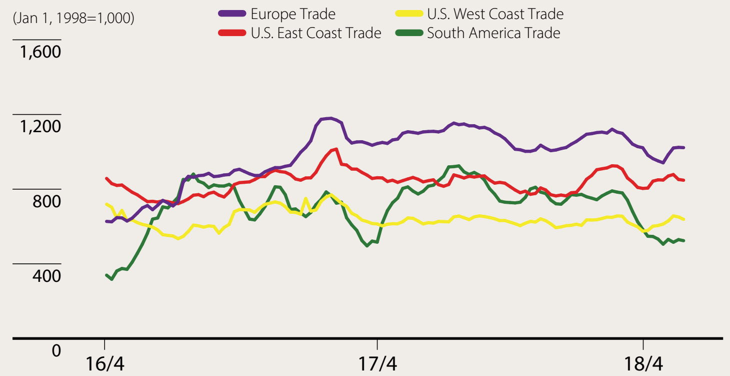
(US$/day)



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 page 5.

Overview of Operations

Dry Bulk Business Unit

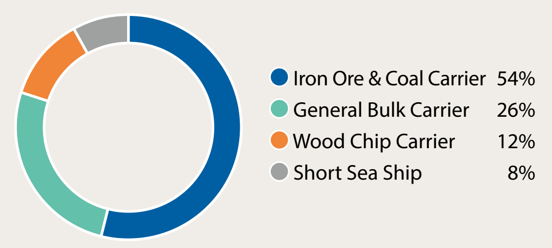
Hirofumi Kuwata
Executive Officer
Deputy Director General

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

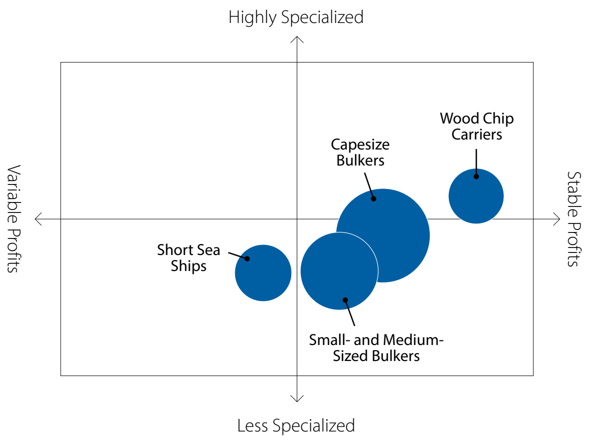
Nobuo Shiotsu
Executive Officer
Deputy Director General

Dry Bulkers

Consolidated Revenues Breakdown (FY2017)



Portfolio



Dry Bulker Fleet Table (Number of vessels)

Vessel type	Standard DWT	At the end of Mar. 2018	At the end of Mar. 2017	Use
Capesize	180,000	88	90	Steel raw materials (iron ore, coking coal)
Panamax	80,000	26	24	Iron ore, coking coal, steaming coal, grains, etc.
Handymax	55,000	54	57	Steaming coal, grains, salt, cement, steel products, etc.
Small handy	33,000	28	31	Steel products, cement, grains, ores, etc.
Wood chip carriers	54,000	39	39	Wood chips, soybean meal, etc.
Short sea ships	12,000	61	55	Steel products, plants, etc.
Total		296	296	

Fiscal 2017 in Review

In fiscal 2017, the business environment was relatively good as the dry bulker market changed course to a recovery track from the record slump in the previous fiscal year. By vessel type, Capesize bulkers and wood chip carriers, for which the ratio of medium- and long-term contracts is high, kept contributing to the posting of stable profits. Further, in general bulk carriers, chiefly small- and medium-sized bulkers for which the ratio of spot contracts is high, we reinvented via the Business Structural Reforms and were able to record a certain level of profit by effectively operating a lean, highly competitive fleet with outstanding resilience to market fluctuations. Thanks to highly stable profits from medium- and long-term contracts, along with tailwinds from a recovery in market conditions, the Dry Bulk Business Unit posted ordinary profit of ¥15.4 billion.

Fiscal 2018 Initiatives

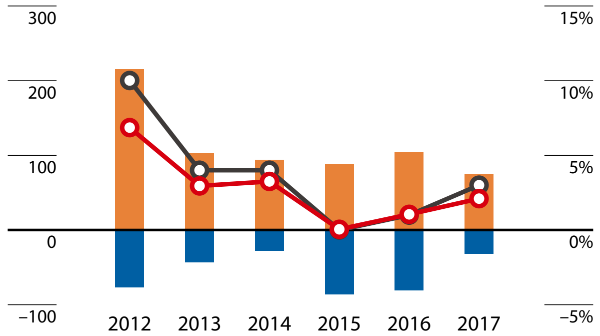
In fiscal 2018, we envision a relatively favorable business climate on the whole as in fiscal 2017. Although the market is expected to see some short-term fluctuations due to seasonal factors and the international situation, the fundamentals are on a modest recovery trajectory, as the gap between fleet supply and demand gradually subsides.

As for Capesize bulkers and wood chip carriers, we will further foster our relationships with customers built on trust over the years through our safe operations, meticulous service and competitive freight rates, and continue to build up medium- to long-term transport contracts. We also reinforce the MOL brand by proactively addressing environmental regulations, as well as responding to customers' needs, including their environmental response. To be specific, we are working to offer LNG-fueled vessels with a low environmental burden, and scrubbers for removing sulfur with an eye to the new regulations limiting the amount of sulfur in vessel fuel oil from 2020.

Also in general bulk carriers, there are growing opportunities to acquire medium- and long-term contracts. For instance, biomass power generation, one method of renewable energy production, requires a stable supply of wood fuel over the long term, which makes medium- to long-term transport contracts a good fit. We aim to leverage the expertise we have gained in Capesize bulkers and wood chip carriers to win contracts in such domains.

As a comprehensive Dry Bulk Business Unit providing environmentally conscious, safe and secure "stress-free services" to customers, we will continue to work going forward to build a robust brand so that customers are confident and satisfied in choosing MOL for dry bulk.

Vessels Supply (Capesize) (Number of vessels)



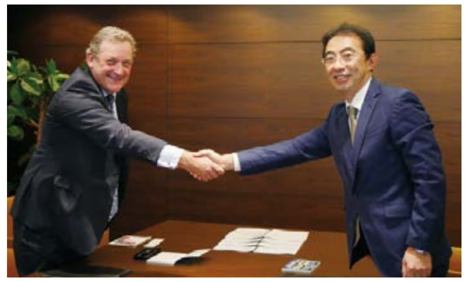
Source: MOL internal calculation based on IHS-Fairplay

FOCUS

Contract with Alufer Mining Limited for Transporting Bauxite by Capesize Bulkers

In December 2017, MOL entered into a five-year contract with Alufer Mining Limited (Alufer), for transporting bauxite by Capesize bulkers.

Although MOL has a long track record of transporting bauxite by small- and medium-sized bulkers, this project transporting bauxite by Capesize bulkers counts as a new expansion of MOL dry bulk business. The transport of mineral resources is expected to grow in West Africa, and we will actively engage in transport in this business area.



Left: CEO Bernard Pryor of Alufer Mining Limited
Right: Director General Toshiaki Tanaka of the Dry Bulk Business Unit

Underlined words are explained in the Glossary on page 5.

Energy Transport Business Unit >

Masato Koike
Managing Executive Officer
Deputy Director General
(Tankers)

Tsuneo Watanabe
Executive Officer
Deputy Director General
(Tankers)

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

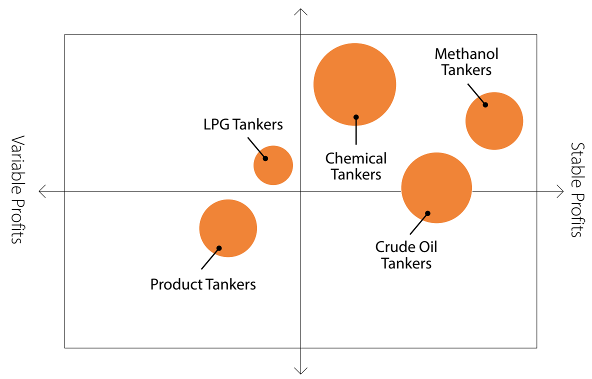
Kenta Matsuzaka
Managing Executive Officer
Deputy Director General
(LNG Carriers)

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

Overall global demand for energy has been growing steadily, while the energy mix has become increasingly diverse in markets ranging from developed nations to emerging countries. Against this backdrop, the MOL Group provides the transport of crude oil and oil products, coal, LNG, ethane, methanol, and LPG. In addition, the Group has taken its first steps into renewable energy-related business fields such as wind power. Going forward, the entire MOL Group will continue working as one to serve its customers as their best partner in energy transport.

Tankers

Portfolio



Fiscal 2017 in Review

In fiscal 2017, as part of our initial plan, we assumed that market conditions would be sluggish due to an increase in supply arising from new vessel deliveries, and the impact of OPEC production cuts. We responded appropriately for each vessel type in accordance with such an assumption. While the spot market for crude oil tankers, product tankers, and LPG tankers deteriorated further than we had anticipated, VLCCs and methanol tankers deployed on medium- and long-term contracts helped us to secure highly stable profits. As for product tankers, of which a substantial portion are deployed on spot contracts, we made steady strides toward scaling down the fleet to minimize the negative impact on business results. Meanwhile, chemical tankers secured solid profits, while we steadily scaled up the fleet, including the addition of new building vessels, in expectation of a large increase in demand based mainly on progress with the construction of new petrochemical plants in the Middle East. As a result of those measures addressing the business situation of each vessel type, the division as a whole managed to post a certain level of profit, although declining substantially from fiscal 2016.

Fiscal 2018 Initiatives

In fiscal 2018, we expect the tanker market to continue facing adverse conditions due to increased supply and continuing production cuts by OPEC. Meanwhile, demolitions centered on VLCCs are proceeding at a faster pace than the previous year. We expect that this will be positive for a turnaround in market conditions.

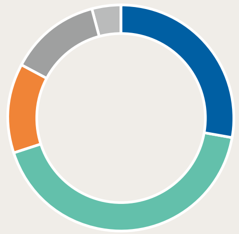
In crude oil tankers, we will steadily address replacement demand for the medium- and long-term contracts we have accumulated based on long-term relationships with Japanese and South Korean customers over the years. In addition, we will focus on capturing demand from overseas customers in India and other countries. Notably, India has begun to purchase increasingly more crude oil mainly from Central and South America and the Caribbean region, instead of the Middle East. In view of the longer transport distances than before, MOL's crude oil tanker fleet has a competitive edge in terms of cost effectiveness when we seek new business opportunities in India. At the same time, India's economic development is also expected to drive growth in demand for LPG. To capture this demand, MOL will proactively undertake sales activities for LPG tankers. As for product tankers, considering its business nature where there are few opportunities to secure medium- and long-term contracts, we will continue working to scale down our fleet in response to the sluggish market conditions. Meanwhile, we will strive to enhance operating efficiency by making use of pool arrangements with other companies to jointly retain a certain size of fleet, as well as maintaining MOL's presence in the market.

In methanol tankers, new projects that had been temporarily suspended are now expected to be restarted as a result of the rise in crude oil prices. We will work to win new contracts in an effort to build up our existing base of highly stable profits.

In chemical tankers, one of our strategic business fields, we are working to develop new routes from the Gulf of Mexico to Europe. As a new initiative, we are also studying an entry into the tank terminal business with an aim to integrate and streamline the cargo handling process, which is currently undertaken in small lots at several different ports. We also expect to capture synergies with the tank container business that we entered through a capital alliance in the previous fiscal year.

Demand for energy is projected to continue growing firmly in emerging countries, including India, as discussed earlier. In response, MOL will execute intensive investments in strategic fields, such as methanol tankers and chemical tankers, to steadily accumulate profits. Leveraging the wide range of vessel types in MOL's tanker division, we will conduct sales activities with the aim of becoming the chosen partner of our customers under the MOL brand.

Consolidated Revenues Breakdown (FY2017)



Tanker Fleet Table (Number of vessels)

Vessel type	At the end of Mar. 2018	At the end of Mar. 2017	Vessel type under pool management (at the end of Mar. 2018)
Crude oil tankers	39	40	
Chemical tankers*1	61	51	
Methanol tankers	26	27	
Product tankers*2	39	43	LR1 (70,000 DWT) MR (50,000 DWT)
LPG tankers	8	8	VLGC (Very Large Gas Carrier, 80,000 m^3)
Total	173	169	

*1 Main cargoes: xylene, benzene and vegetable oil, etc.
*2 Main cargoes: gasoline, naphtha, kerosene, jet fuel and gas oil, etc.

FOCUS

Delivery of the KIRISHIMA, the Cutting-Edge, Eco-Friendly VLCC

In November 2017, MOL launched the newly built VLCC KIRISHIMA, its first newly built vessel in this class in about five years. With the largest capacity of 310,000 DWT, this vessel is a cutting-edge, eco-friendly VLCC offering enhanced energy-efficient performance through the use of modified bow and stern hull forms, electronically controlled main engines, and high-efficiency propellers. It is also equipped with a fuel tank for low-sulfur fuel oil to address stricter sulfur oxide (SOx) emissions regulations. Going forward, MOL plans to successively update its fleet by deploying new VLCCs from 2018 to 2019, with a view to addressing demand for oil transport around the world.

VLCC KIRISHIMA

Underlined words are explained in the Glossary on page 5.

LNG Carriers/Offshore Businesses

Fiscal 2017 in Review

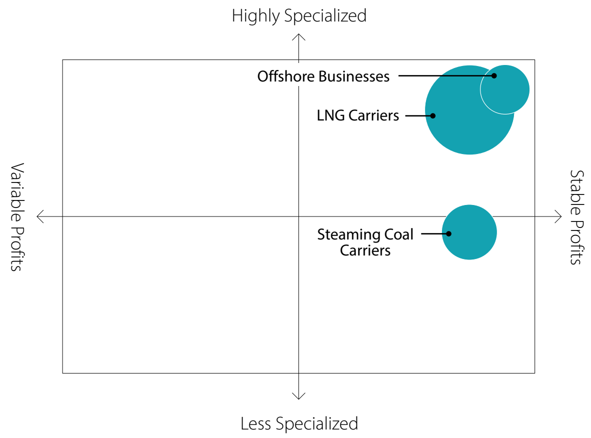
In fiscal 2017, the LNG Carriers/Offshore Project division continued to report stable profits as in fiscal 2016. In the past few years, we have seen sluggish energy prices, along with generally stagnant energy cargo movements. However, our LNG carriers are basically operated under long-term contracts and generate stable cash flow regardless of market fluctuations. Moreover, we successively secured new LNG transport contracts for various projects during the period from fiscal 2014 to 2016. New LNG carriers for those projects have been launched and are in the phase of contributing to profits. Among those vessels is an ice-breaking LNG carrier ordered in fiscal 2014 for use in the Yamal LNG project in Russia (see the FOCUS section). In offshore businesses similarly based on long-term contracts, we enlarged our base of highly stable profits following the delivery of a new FSRU, the first for a non-European shipping company, in addition to the existing FPSO units. Our four FPSO units off the coast of Brazil, along with one FPSO unit off the coast of Ghana are operating steadily. In addition to the new FSRU deployed in a project in Turkey, we also laid the groundwork for future profit growth. In India, we signed an agreement for the long-term operation and maintenance of one FSRU and an agreement for the provision and long-term operation and maintenance of one FSU, both of which are scheduled to start operation in early 2020.

Fiscal 2018 Initiatives

From fiscal 2018, we expect business performance to continue to grow steadily as the long-term contracts signed over the past few years begin contributing to profits in earnest. Looking at the business environment, global demand for LNG as a cleaner source of energy than conventional fossil fuels is expected to increase rapidly for the next 10 years or more. Currently, roughly half of LNG transported by MOL is destined for Japan and the remaining half for overseas. However, demand for LNG is showing tremendous growth primarily in China as well as India and Southeast Asia, and our plan is to seize this opportunity by expanding our business overseas.

LNG is transported at –162°C, and its transportation requires a wide range of advanced technological capabilities from the construction of vessels to cargo handling during navigation. In addition, the ordering and construction of LNG carriers requires considerable financial strength as they cost more than ¥20.0 billion per carrier. In these respects, the LNG transport business has high barriers to entry. There are several specialized LNG shipping companies in Europe that compete with MOL. However, MOL, as a full-line marine transport company, has a competitive edge over these specialized shipping companies in terms of the size and breadth of its financing capabilities and human resources. To address the growing demand for LNG transportation, we aim to drive further growth by making a Group-wide effort to intensively allocate resources to this business.

Portfolio

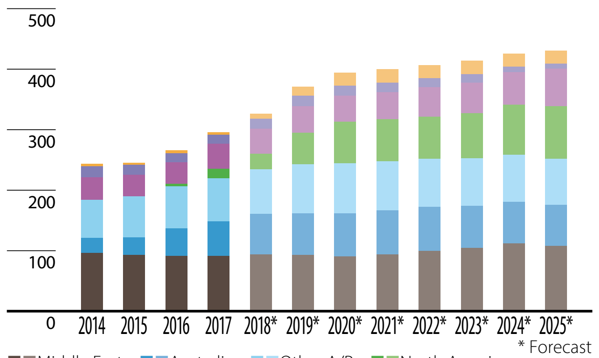


New Projects Starting Operation in FY2018–2020

LNG Carriers			
Osaka Gas	ex. USA	To Japan	1 vessel
JERA	ex. USA	To Japan	2 vessels
Tokyo Gas	ex. USA	To Japan	3 vessels
Mitsui	ex. USA	To Japan	3 vessels
SINOPEC (China)	ex. Australia	To China	1 vessel
Yamal (Russia)	ex. Russia	To China	3 vessels

Offshore Businesses			
Petrobras	Brazil	FPSO	1 unit
Swan Energy	India	FSRU	1 vessel
Swan Energy	India	FSU	1 vessel

LNG: Seaborne Trade (Million tons)



Source: MOL internal calculation based on Wood Mackenzie

The offshore businesses are also difficult to enter given the strong emphasis put on the track record of companies, in addition to requiring advanced expertise and financing capabilities. MOL has secured a competitive edge in this field as it has already entered the FPSO and FSRU sectors. Notably, FSRUs have rapidly penetrated the market, with more than 60% of the countries that have begun importing LNG in the past decade choosing to adopt FSRUs. With continued growth in demand for LNG in South Asia, Southeast Asia, the Middle East and certain other regions, FSRUs offer strong prospects for the future because they can be installed quicker and less expensively than building onshore LNG terminals. We believe that FSRUs will contribute further to MOL's base of highly stable profits. That said, there is no guarantee that all of the FSRU projects will be implemented effectively with no issues. In response, we will cautiously execute investments by assessing risks of projects based on the discernment that we have honed to date.

In offshore businesses, MOL embarked upon the self-elevating platform vessel business for the installation of offshore wind power generation systems in fiscal 2017, as a part of the environment and emission-free businesses. In recent years, offshore wind power generation has been growing primarily in Europe as a source of energy with a low environmental impact. More recently, offshore wind power generation systems have also started to be introduced in East Asia. MOL is well positioned to apply the technologies and expertise it has developed to fields such as the installation, operation and maintenance of offshore wind power generation systems, as well as finance leases for those systems. Therefore, we plan to step up MOL's level of engagement in these fields.

FOCUS

Launch of MOL's Initial Vessel for the World's First Ice-Breaking LNG Carrier Project

At the end of March 2018, MOL launched the first of three ice-breaking LNG carriers for use in the Yamal LNG project in Russia. This LNG carrier, which was jointly ordered by MOL and China COSCO Shipping Corporation Limited, has the ability to operate in ice-covered waters by breaking up ice up to 2.1 meters thick under its own power. In the summer, the LNG carrier will sail to East Asia from the Yamal LNG base in Russia via the Northern Sea Route. This will shorten transit time to East Asia to only 20 days, compared with 55 days via the conventional route through the Suez Canal. The creation of this new transport route is expected to enhance transport efficiency and reduce CO_2 emissions.

Scan here to see a video

Ice-breaking LNG carrier VLADIMIR RUSANOV

Steaming Coal Carriers

MOL's steaming coal carriers are contributing to stable profits as most of these vessels are operated under medium- to long-term contracts with customers in Japan. In addition to these profit contributions, the profitability of spot contracts improved in fiscal 2017 owing to a recovery in dry bulker market conditions. As a result, the division achieved a year-on-year increase in profits. The main factors behind the recovery in market conditions were firm cargo volume and progress on the scrapping of aged vessels that could not bear the additional costs of complying with stricter environment regulations, such as the ballast water treatment systems required by international regulations. Another factor was that new shipbuilding orders for coal carriers have been suppressed globally in the prolonged market slump.

Since the adoption of the Paris Agreement on climate change, we have seen progress on efforts to move away from fossil fuels and coal-fired thermal power generation and to promote the shift to renewable energy, primarily in Europe. However, the supply of renewable energy in Japan is projected to be inadequate over the medium term, and there have been delays in restarting the operation of nuclear power plants. Therefore, we believe that coal-fired power generation will continue to play a significant role in the base power mix. In fiscal 2018 and beyond, we will continue working to maintain and, where possible, expand our share of steaming coal carriers operated under stable transportation contracts. At the same time, demand for steaming coal is likely to grow in emerging countries such as Southeast Asian countries and India, where high-efficiency coal-fired power plants are being introduced. Targeting this demand, the steaming coal carrier division will enhance overseas sales activities in collaboration with the tanker division and the LNG carriers/offshore businesses division as the Energy Transport Business Unit, with the aim of winning new contracts.

Underlined words are explained in the Glossary on page 5.

Product Transport Business Unit >

Michael P.Y. Goh
Executive Officer
Deputy Director General
(Logistics)

Naotoshi Omoto
Senior Managing Executive Officer
Director General of Product Transport Business Unit
(Management and Car Carriers)

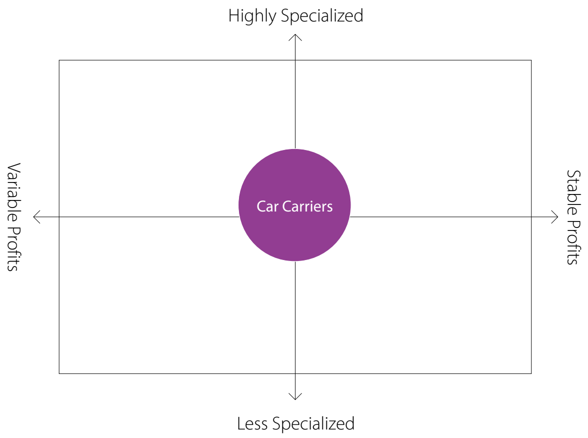
Atsushi Igaki
Executive Officer
Deputy Director General
(Ferries & Coastal RoRo Ships)

Akihiko Ono
Senior Managing Executive Officer
Deputy Director General
(Containerships)

Yutaka Hinooka
Executive Officer
Deputy Director General
(Terminals & Logistics)

Car Carriers

Portfolio



Fiscal 2017 in Review

In fiscal 2017, the division faced a tough business environment as in fiscal 2016. Cargo volumes from Japan and other major loading ports in East Asia to North America, Europe, and Oceania were strong, while those to Central and South America and to Southeast Asia recovered somewhat from sluggish levels in fiscal 2016. On the other hand, cargo volumes remained lackluster from Asia and the Atlantic Ocean region to oil-producing regions such as the Middle East and Africa. The situation continued where changes in trade patterns led to a decline in operation efficiency. Given this business backdrop, the car carrier division worked to streamline the core fleet, mainly through the retirement of aging vessels, as in fiscal 2016. At the same time, we diligently strove to improve operation efficiency by increasing cargo loading per vessel, and succeeded in raising the overall number of cars transported despite the reduction in the number of vessels in operation.

As a result, our efforts to reduce the fleet size and improve operation efficiency steadily paid off, countering cost increases from a rise in fuel oil prices in the second half of the fiscal year, such that profit levels in fiscal 2017 were higher than in the previous fiscal year, albeit low.

Fiscal 2018 Initiatives

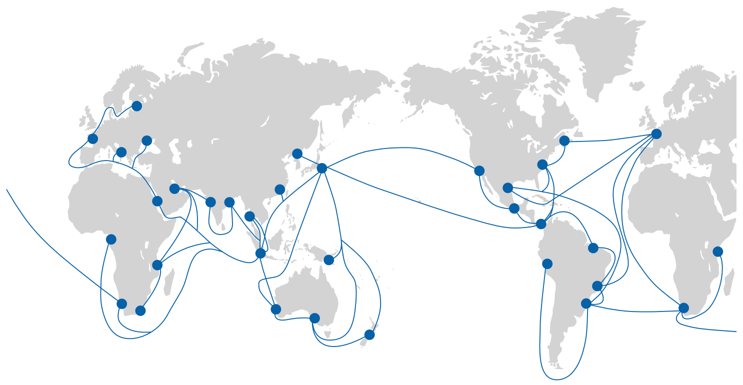
In fiscal 2018, we expect global auto sales to stay strong and auto cargo volumes and trade patterns to be similar to fiscal 2017. On the other hand, there are concerns about a shortage of transporting capacity from fiscal 2018 onward, due to a decline in new vessel deliveries. In response, MOL will not further shrink its fleet for the time being, while we plan to keep actively endeavoring to raise profitability by improving operation efficiency.

In fiscal 2018, we are taking deliveries of the remaining three of four FLEXIE series next-generation car carriers (see the FOCUS section), which should contribute to earnings by carrying vehicles much more efficiently than conventional car carriers. Though for the time being we plan to keep our core fleet size of car carriers unchanged from fiscal 2017 at about 100 vessels, we will also study new LNG-fueled car carriers capable of reducing CO_2 emissions looking to the future.

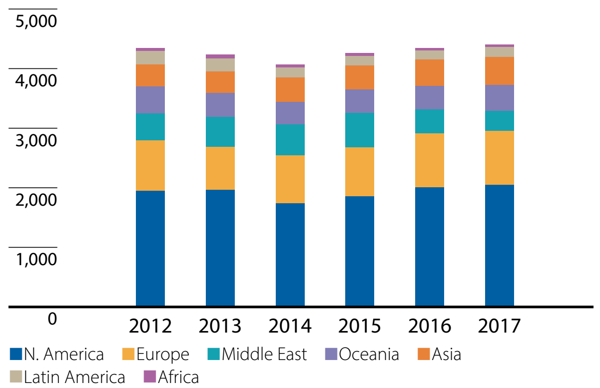
The car carrier division previously operated overseas networks and a portion of business systems jointly with the containership business. However, the division rebuilt a network of overseas sales and operating bases to maintain as organizational revision progressed in light of the integration of containership businesses by three Japanese shipping companies. Also, regarding business systems, in summer 2018, we will start operating the new system we have been developing. In addition to enhancing the efficiency of daily operations, we expect the new system to encourage the use of data in making decisions since it will enable easier access of amassed information.

As our initiatives to boost earnings are steadily beginning to produce results, the division will continue to work persistently to bolster the business base and grow earnings moving forward.

Main Routes



Car Export from Japan by Destination (Thousand units)



FOCUS

Delivery of BELUGA ACE, First Next-Generation FLEXIE Series Car Carrier

The BELUGA ACE delivered in March 2018 is more advanced than conventional car carriers with six rather than two liftable decks allowing for height adjustment, enabling effective transport of a wide array of vehicles, including large-sized construction equipment. As such, it is expected to contribute to enhancing earnings capacity. In addition, the BELUGA ACE uses a rounded bow shape developed in collaboration with Akishima Laboratories (Mitsui Zosen) Inc. and the MOL Group. This reduces wind resistance and is expected to lower CO_2 emissions by about 2% compared with conventional car carriers.

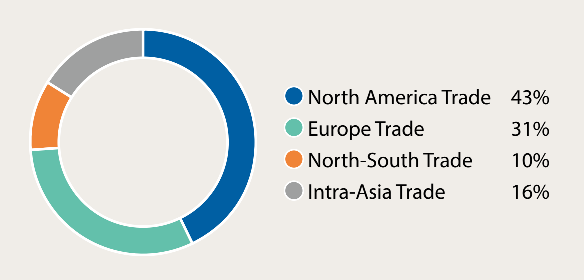
Scan here for a video introduction to the FLEXIE Series

Next-gen car carrier BELUGA ACE

Containerships

Portfolio

Consolidated Revenues Breakdown (FY2017)



Fiscal 2017 in Review

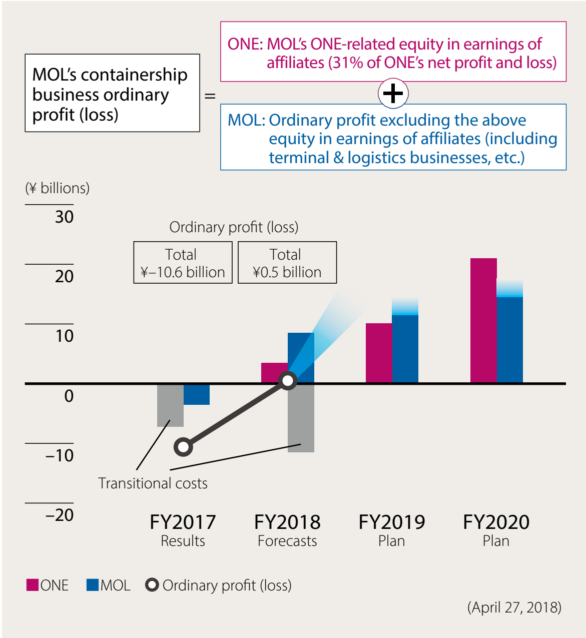
The containership business continued to post a loss in fiscal 2017. However, the result improved significantly compared to fiscal 2016, when the business environment came under pressure as freight rates sank to a historical low. In fiscal 2017, the Asia-Europe route and Asia-North America route both saw firm cargo movements. In this environment, MOL enhanced its cost competitiveness by launching six new ultra-large containerships. In parallel, we solidly captured surging demand for containership services and steadily accumulated revenues. Moreover, results were achieved through continuing measures to reduce various costs, such as enhancement of yield management to reduce the cost of returning empty containers. In the second half of the year, the supply of new containerships into the market negatively affected the supply and demand situation. Nonetheless, MOL's initiatives to improve revenues and earnings proved effective. In fiscal 2017, even though one-time costs were recorded due to the establishment of Ocean Network Express (ONE), an integrated containership business company, we still managed to drastically reduce losses in the containership business from the previous fiscal year.

Fiscal 2017 was also highly significant for MOL because operations at the integrated containership business company formed by Japan's three major shipping companies were scheduled to begin in fiscal 2018. It was no easy feat to maintain the same level of service quality in MOL's own containership business amid personnel constraints, while advancing preparations for integrating the containership business into ONE. Every staff member rose to the occasion with a high level of motivation and selflessly fulfilled their respective roles. As a result, we successfully completed both of those priorities.

Fiscal 2018 Initiatives

ONE commenced services on April 1, 2018 as planned. In conjunction with the integration, certain tasks related to business withdrawal will remain at MOL. We expect to complete almost all of those tasks within fiscal 2018. MOL is a shareholder in ONE with an equity interest of 31%. As such, MOL will assist management by sending directors to sit on the ONE board. At the same time, a large number of managers and staff members from MOL will work together with their new colleagues at ONE. They will strive to evolve the meticulous services that have earned a strong reputation from customers and improve revenues and earnings by capturing integration synergies. In addition to the personnel contribution, MOL has contributed significant assets to ONE for use as business resources by chartering out vessels, containers, and other operating assets to the company. The containership services that MOL has continuously provided over many years will be reinvented as the ONE brand. However, there has been no change in the importance of the containership business within MOL's business portfolio. We are confident that ONE, having the competitiveness to prevail in the containership industry, will achieve steady growth in the years to come.

Plan to Improve Profitability in MOL's Containership Business



Terminals & Logistics

Fiscal 2017 in Review

In fiscal 2017, the Terminals and Logistics business secured firm profits in sequence from fiscal 2016. In the overseas terminals business, automated container terminal operations fared well both at Los Angeles and Rotterdam. At TraPac terminal in Los Angeles, we achieved cost reductions by enhancing operational efficiency along with the completion of work pertaining to automation and an on-dock rail directly connecting to the inland railway network. At our terminal in Rotterdam, one of the most advanced terminals in the world, capacity utilization was higher than in fiscal 2016 and maintained stable operations throughout the year.

In the logistics business, we are also making steady progress. We continued on a course of expanding the regional logistics field through M&A and so forth, concluding a capital and business tie-up with Nippon Concept Corporation (see the FOCUS section) following our investment in a major logistics company in Malaysia in fiscal 2016.

Fiscal 2018 Initiatives

As the overseas terminals business is scheduled to be transferred to Ocean Network Express (ONE), a new liner company jointly formed by three major Japanese carriers, we will seek a new growth strategy focusing on the logistics business going forward.

In fiscal 2018, MOL will strengthen ties between the core companies of its NVOCC* business, MOL Logistics (Japan) Co., Ltd. (MLG) and MOL Consolidation Service Ltd. (MCS) in Hong Kong. We will integrate both companies' NVOCC businesses under a new company to be established in Hong Kong, and develop the business under the unified brand "MOL Worldwide Logistics."

At the new company, we look to reduce purchasing costs by leveraging economies of scale in negotiating ocean freight rates with shipping companies. At the same time, we will consolidate marketing and other functions and aim to generate synergies capitalizing on the customer bases of MCS, which has strong support from customers engaging in trade between Asia and the United States, and MLG, which has a robust Japanese customer base. As MOL's containership business has been spun-off, we plan to expand the NVOCC business further and make it an earnings pillar, also as a means of maintaining MOL's brand power, sales networks, and relationships with customers forged over many years.

* NVOCC (Non-Vessel Operating Common Carrier)

FOCUS

Embarking on the Tank Container Business via Capital and Business Alliance with Nippon Concept Corporation

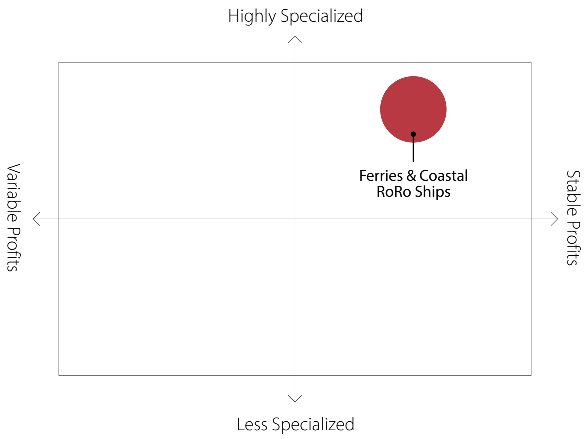
In February 2018, MOL entered into a capital and business alliance agreement with Nippon Concept Corporation, an international logistics company specializing in the transportation of various gases and chemicals using tank containers. Developing a comprehensive two-way strategic partnership will provide us with opportunities to expand business in the highly specialized domain of transporting liquid chemical products where there is potential for generating stable profits. In addition, we aim to cultivate new customer needs through synergies with the chemical tanker business, a field where we are strategically allocating resources.


Photo: Nippon Concept Corporation

Underlined words are explained in the Glossary on page 5.

Ferries & Coastal RoRo Ships

Portfolio



Fiscal 2017 in Review

In fiscal 2017, passenger transportation and cargo transportation services both remained strong, as in fiscal 2016. In passenger transportation services, an increase in repeat customers pushed up the overall number of passengers. We made steadfast efforts to increase our visibility in the market, including the acquisition of the naming rights for a terminal at Osaka Nanko Port and naming the terminal Sunflower Terminal (Osaka), in addition to selling the concept of "casual cruises" that allow people to enjoy a laid-back getaway in the form of a sea voyage. We believe that these efforts are producing strong results. In cargo transportation services, there remains a strong modal shift from long-distance transport by trucks to ocean transport by ferries driven by the need to reduce environmental impact and a shortage of truck drivers. As a result, cargo volume continued to trend at high levels as in the previous fiscal year. In fiscal 2017, we took delivery of two new ferries and launched them on the Hokkaido route. However, the new SUNFLOWER SAPPORO, one of the two new ferries, suffered engine trouble and operations had to be suspended for about four months. In addition, persistently high bunker fuel prices weighed heavily on performance. As a result, although the division firmly secured profits, the level of profit decreased year on year in fiscal 2017.

Fiscal 2018 Initiatives

In fiscal 2018, demand for passenger and cargo transportation is projected to remain firm. Following on from the launch of new ferries on the Hokkaido route in fiscal 2017, we will launch two new ferries on the Kyushu route to increase the truck-carrying capacity of our ferries. In doing so, we aim to fulfill increased demand resulting from the modal shift. In passenger transportation services, ferry occupancy rates usually decline in certain seasons, compared with the peak seasons when the ferries operate at mostly full occupancy. Conversely, this means that the ferry business has more potential for growth. To realize this potential and increase demand, we have added a variety of innovative upgrades to our new ferries so that passengers can fully enjoy our "casual cruise" experience (see the FOCUS section). In terms of services, we plan to enhance marketing by utilizing our database of ferry passengers. We will strive to capture demand from inbound tourists, as well as seniors centered on baby boomers and female customers as we conduct proactive marketing activities. In doing so, we aim to stimulate unmet demand for passenger transportation services.

Previously, the Ferries & Coastal RoRo Ships business was managed by each of the MOL Group ferry companies with a strong focus on their respective regions. Going forward, we will foster closer collaboration within the MOL Group by, for example, sharing best practices across Group companies, as we work to enhance the quality of the entire business. The division is responsible for passenger and cargo transportation services between major urban areas and Hokkaido and Kyushu. As such, the division's businesses have been playing an increasingly pivotal role in the development of regional economies year by year. We will continue working as a group to strengthen transportation capabilities and enhance transportation quality, as we seek to contribute even further to the economic vitality of Hokkaido and Kyushu as well as the surrounding regions.

Scan here for the introductory website for "casual cruises"

FOCUS

Launch of the New SUNFLOWER SATSUMA

In May 2018, the new ferry SUNFLOWER SATSUMA was launched on the Osaka-South Kyushu route. The new SUNFLOWER KIRISHIMA is planned for launch in September. We seek to make ferries more than just a mode of transportation by providing passengers with a "sea voyage" experience. To do so, we have upgraded and expanded the facilities onboard the ferries to allow passengers to fully enjoy a getaway far removed from their daily routines. We have sharply increased the number of private cabins with showers, vanity spaces and toilets. We have also installed a large and open entrance lobby featuring a three-floor atrium, along with a spacious restaurant and scenic public baths, as well as suite rooms. Through the launch of these ferries, we seek to provide "casual cruises" that offer the excitement and anticipation of a first-time experience to customers spanning a broad range of age groups.


Entrance lobby


Launch of the new SUNFLOWER SATSUMA

Associated Businesses

Portfolio

Fiscal 2017 in Review

This segment comprises MOL's real estate, cruise ship, tugboat, trading and other businesses. In the office leasing business, vacancy rates remained low in the Tokyo and Osaka areas and rent levels gradually increased. Under these conditions, Daibiru Corporation, the core company of this business, posted a year-on-year increase in profits, achieving high occupancy as a result of efforts to provide tenant services, including promoting initiatives to enhance the quality of building management. Meanwhile, in the cruise ship business, profits decreased year on year, mainly due to the impact of the cancellation of cruises because of typhoons and the rise in bunker fuel prices. In the tugboat business, we have taken steps to lay the groundwork for the future, including our decision to build an LNG-fueled tugboat that we plan to launch in Osaka Bay in April 2019. The trading and other businesses also delivered solid results as a whole. Overall, the associated businesses recorded an increase in profits year on year.

Fiscal 2018 Initiatives

In fiscal 2018, we expect to continue managing each business steadily, with results forecast to be mostly unchanged from the previous fiscal year. In April 2018, Daibiru formulated its new medium-term management plan, "Design 100 Project Phase-II." Under this plan, Daibiru expects to achieve steady growth by investing in prime urban assets and enhancing the competitiveness of existing buildings by investing in renovations, and continuously pushing ahead with overseas businesses in markets such as Vietnam. In the cruise ship business, we will strive to attract more guests and improve profitability by further evolving the high-class services that have proven popular on the NIPPON MARU. In the tugboat and trading businesses, we will continue working to enter fields peripheral to offshore businesses and new fields where we can leverage MOL's expertise, such as specialty tugboats that assist in installing wind power generation facilities and after-installation maintenance operations. Moreover, the division will act as an engine to develop the environment and emission-free businesses that MOL will strengthen going forward into one of its future core businesses by leveraging and refining the MOL Group's management resources.


Corner Stone Building (Vietnam)

Underlined words are explained in the Glossary on page 5.

Financial and Non-Financial Highlights

Millions of yen

	MOL ADVANCE			GEAR UP! MOL			RISE 2013	STEER FOR 2020			ROLLING PLAN
	2008/3	2009/3	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	**2018/3**
For the year:											
Shipping and other revenues	¥1,945,696	¥1,865,802	¥1,347,964	¥1,543,660	¥1,435,220	¥1,509,194	¥1,729,452	¥1,817,069	¥1,712,222	¥1,504,373	**¥1,652,393**
Shipping and other expenses	1,544,109	1,564,485	1,228,478	1,328,959	1,368,794	1,432,014	1,587,902	1,683,795	1,594,568	1,388,264	**1,513,736**
Selling, general and administrative expenses	110,302	104,104	98,546	91,300	90,885	92,946	100,458	116,024	115,330	113,551	**115,972**
Operating profit (loss)	291,284	197,211	20,939	123,400	(24,459)	(15,766)	41,092	17,249	2,323	2,558	**22,684**
Ordinary profit (loss)	302,219	204,510	24,234	121,621	(24,320)	(28,568)	54,985	51,330	36,267	25,426	**31,473**
Income (loss) before income taxes and minority interests	318,202	197,732	27,776	95,366	(33,516)	(137,938)	71,710	58,332	(154,385)	23,303	**(28,709)**
Profit (loss) attributable to owners of parent	190,321	126,987	12,722	58,277	(26,009)	(178,846)	57,393	42,356	(170,447)	5,257	**(47,380)**
Free cash flow [(a) + (b)]	23,291	(71,038)	(40,055)	46,970	(129,298)	(25,285)	(25,615)	(66,656)	182,508	(56,318)	**(2,471)**
Cash flows from operating activities (a)	283,359	118,984	93,428	181,755	5,014	78,955	94,255	92,494	209,189	17,623	**98,380**
Cash flows from investing activities (b)	(260,068)	(190,022)	(133,483)	(134,785)	(134,312)	(104,240)	(119,870)	(159,150)	(26,681)	(73,941)	**(100,851)**
Depreciation and amortization	74,480	78,155	88,366	77,445	85,624	94,685	83,983	87,803	92,771	87,190	**86,629**
At year-end:											
Total assets	1,900,551	1,807,079	1,861,312	1,868,740	1,946,161	2,164,611	2,364,695	2,624,049	2,219,587	2,217,528	**2,225,636**
Net vessels, property and equipment	1,047,824	1,106,746	1,209,175	1,257,823	1,293,802	1,303,967	1,379,244	1,498,028	1,376,431	1,323,665	**1,290,929**
Interest-bearing debt	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	**1,118,089**
Net assets	751,652	695,021	735,702	740,247	717,909	619,492	783,549	892,435	646,924	683,621	**628,044**
Shareholders' equity	679,315	623,715	659,508	660,795	637,422	535,422	679,160	782,556	540,951	571,983	**511,242**
Amounts per share of common stock:*1											
Profit (loss) attributable to owners of parent (Yen)	¥1,591.40	¥1,061.30	¥ 106.30	¥ 487.50	¥ (217.60)	¥(1,495.70)	¥ 479.90	¥ 354.20	¥(1,425.00)	¥ 43.95	**¥ (396.16)**
Net assets (Yen)	5,677.39	5,212.26	5,517.01	5,528.30	5,332.70	4,477.60	5,679.00	6,542.60	4,522.80	4,782.25	**4,274.81**
Cash dividends applicable to the year (Yen)	310	310	30	100	50	0	50	70	50	20	**20**
Management indicators:											
Gearing ratio (Times)	0.88	1.13	1.18	1.10	1.36	1.96	1.61	1.51	1.93	1.96	**2.19**
Net gearing ratio (Times)	0.79	0.99	1.05	1.00	1.23	1.58	1.35	1.35	1.64	1.64	**1.82**
Equity ratio (%)	35.7	34.5	35.4	35.4	32.8	24.7	28.7	29.8	24.4	25.8	**23.0**
ROA (%)*2	17.1	11.0	1.3	6.5	(1.3)	(1.4)	2.4	2.1	1.5	1.1	**1.4**
ROE (%)	30.9	19.5	2.0	8.8	(4.0)	(30.5)	9.5	5.8	(25.8)	0.9	**(8.7)**
Dividend payout ratio (%)	19.5	29.2	28.2	20.5	—	—	10.4	19.8	—	45.5	**—**
CO_2 emissions of MOL fleet (Thousand tons)	20,065	20,374	18,684	20,053	19,435	19,053	18,860	18,803	18,676	18,204	**17,774**
Number of MOL Group employees (the parent company and consolidated subsidiaries)	9,626	10,012	9,707	9,438	9,431	9,465	10,289	10,508	10,500	10,794	**10,828**

* Rounded down to the nearest ¥1 million
*1 The Company consolidated every 10 shares into 1 share effective October 1, 2017. Accordingly, figures have been calculated as if the consolidation of shares had been conducted at the beginning of the fiscal year ended March 31, 2008.
*2 Ordinary profit (loss) / Average total assets at the beginning and the end of the fiscal year

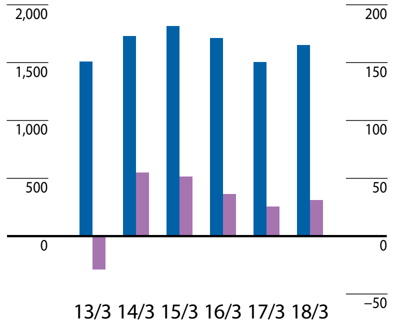
Key Indicators

Shipping and Other Revenues/ Ordinary Profit (Loss)

FY2017

Shipping and Other Revenues ¥1,652.3 billion

Ordinary Profit (Loss) ¥31.4 billion



■ Shipping and other revenues (left scale)
■ Ordinary profit (loss) (right scale)

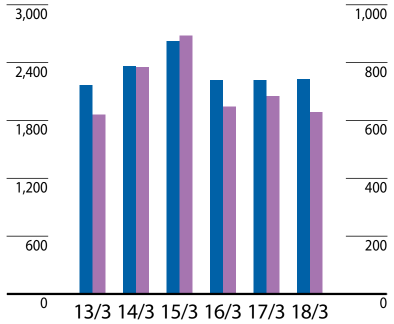
Ordinary profit increased ¥6.0 billion, due to a drastic decrease in losses in the containership business, despite headwinds such as a deterioration in the tanker market and a rise in bunker prices.

Total Assets / Net Assets

FY2017

Total Assets ¥2,225.6 billion

Net Assets ¥628.0 billion



■ Total assets (left scale)
■ Net assets (right scale)

Total assets as of March 31, 2018 were mostly unchanged from a year earlier, despite slight increases in vessels and investment securities. Net assets decreased ¥55.5 billion, primarily due to a decline in retained earnings.

Ordinary Profit (Loss) by Segment

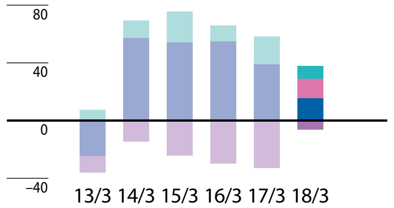
FY2017

Dry Bulk Business ¥15.4 billion

Energy Transport Business ¥13.6 billion

Product Transport Business ¥(6.3) billion

Associated Businesses/ Others/Adjustments ¥8.7 billion



■ Dry Bulk Business
■ Energy Transport Business
■ Product Transport Business
■ Associated Businesses/Others/Adjustments

■ Bulkships
■ Containerships
■ Other segments, etc.

From fiscal 2017, we have changed our disclosure segments. In the Energy Transport Business, ordinary profit decreased year on year due to worsening profitability in the tanker division. However, ordinary profit in the Dry Bulk Business increased slightly due to improving market conditions. In the Product Transport Business, the ordinary loss was reduced sharply owing to the positive effects of deploying ultra-large containerships and other factors. Overall, ordinary profit increased year on year.

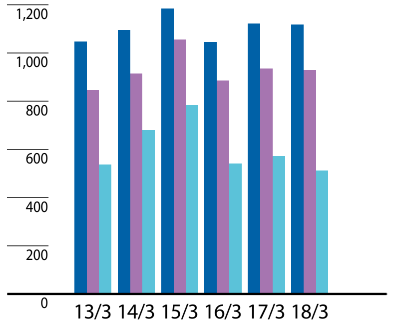
Interest-Bearing Debt / Net Interest-Bearing Debt / Shareholders' Equity

FY2017

Interest-Bearing Debt ¥1,118.0 billion

Net Interest-Bearing Debt* ¥928.4 billion

Shareholders' Equity** ¥511.2 billion



■ Interest-bearing debt ■ Net interest-bearing debt
■ Shareholders' equity

* 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 decreased ¥4.3 billion to ¥1,118.0 billion due to the redemption of bonds, despite an increase in short-term bank loans. Shareholders' equity decreased ¥60.7 billion to ¥511.2 billion due to a decline in retained earnings reflecting the recording of an extraordinary loss.

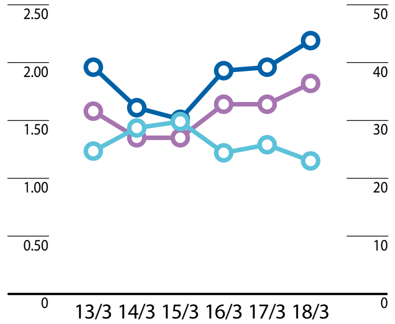
Gearing Ratio / Net Gearing Ratio / Equity Ratio

FY2017

Gearing Ratio 2.19

Net Gearing Ratio 1.82

Equity Ratio 23.0%



○ Gearing ratio (left scale) ○ Net gearing ratio (left scale)
○ Equity ratio (right scale)

The gearing ratio worsened 23 points and the equity ratio decreased 2.8 points, reflecting the ¥4.3 billion decrease in interest-bearing debt, the ¥8.1 billion increase in total assets, and the ¥60.7 billion decrease in shareholders' equity.

Credit Ratings (As of June 2018)

	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.

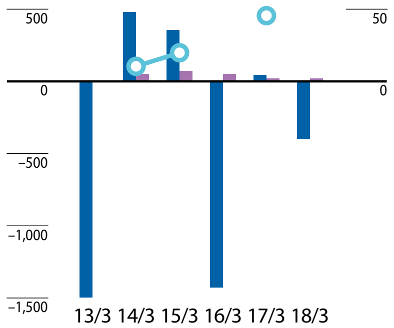
Net Income (Loss)* per Share/Cash Dividends Applicable to the Year/Dividend Payout Ratio

FY2017

Net Income (Loss)* per Share ¥(396.16)

Cash Dividends Applicable to the Year ¥20.00

Dividend Payout Ratio —%



■ Net income (loss)* per share (left scale)
■ Cash dividends applicable to the year (left scale)
○ Dividend payout ratio (right scale)

MOL posted a net loss* after a year-on-year deterioration of ¥52.6 billion from the previous fiscal year, reflecting the recording of an extraordinary loss of ¥73.4 billion in connection with the integration of the containership businesses. MOL paid an interim dividend of ¥1 per share (before the consolidation of shares) and a year-end dividend of ¥10 per share (after the consolidation of shares).

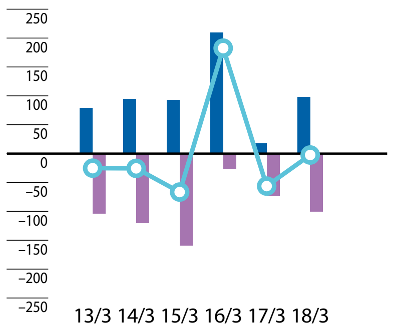
* Profit (loss) attributable to owners of parent

Cash Flows

FY2017

Cash Flows from Operating Activities ¥98.3 billion

Cash Flows from Investing Activities ¥(100.8) billion



■ Cash flows from operating activities
■ Cash flows from investing activities
○ Free cash flow

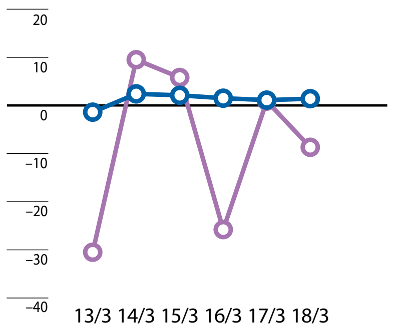
Free cash flow was slightly negative as a result of an increase of ¥26.9 billion in net cash used in investing activities, despite an increase of ¥80.7 billion in net cash provided by operating activities.

ROA (based on Ordinary Profit)/ROE

FY2017

ROA 1.4 %

ROE (8.7)%



○ ROA
○ ROE

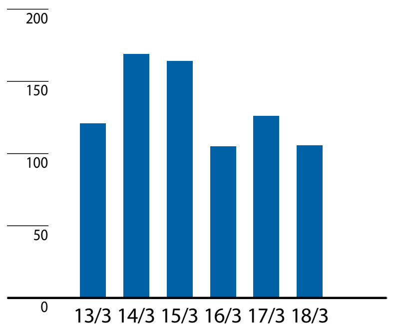
ROA improved year on year, as ordinary profit increased while total assets remained largely unchanged from the previous fiscal year-end. ROE decreased sharply due to the net loss* reflecting the recording of an extraordinary loss in connection with the integration of the containership businesses.

* Profit (loss) attributable to owners of parent

Capital Expenditure

FY2017

Capital Expenditure ¥105.6 billion



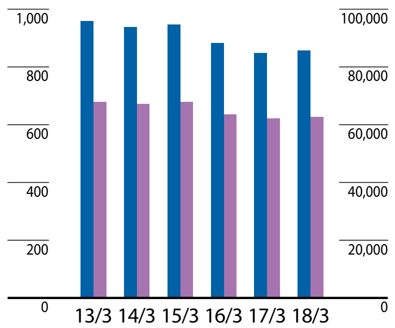
Capital expenditure represented here is the net amount calculated by deducting proceeds from the sale of vessels when delivered from "Tangible/intangible fixed assets increased" contained in the annual securities report.

Fleet Size (All Types of Vessels)*

FY2017

Number of Vessels 857 vessels

Deadweight 62,676 thousand tons



■ Number of vessels (left scale)
■ Deadweight (right scale)

As a result of implementation of the Business Structural Reforms in fiscal 2015, the fleet size was scaled down, mainly of small- and medium-sized bulkers.

* Including spot-chartered ships and those owned by joint ventures

Note: The Company consolidated its common shares on the basis of one (1) unit for every ten (10) shares effective October 1, 2017. Accordingly, each figure was calculated as if the consolidation of shares had been conducted at the beginning of the fiscal year ended March 31, 2013.

Underlined words are explained in the Glossary on page 5.

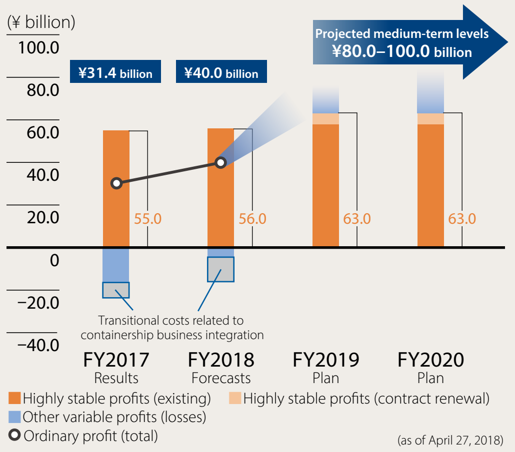
Message from the CFO

Takashi Maruyama
Senior Managing
Executive Officer

Roadmap to Improving Profit (Ordinary Profit)

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



1.	**Improving other variable profits (losses)** Improve/restore profitability in the containership business
2.	**Accumulating highly stable profits** Start operations of existing projects (LNG carriers/Offshore businesses)/Acquire new mid- and long-term contracts (Dry bulkers, Tankers, Offshore businesses)
3.	**Improving other variable profits** Expand and enhance businesses in which MOL has competitive advantages (chemical tankers, ferries, etc.)
In the medium term	**Improving other variable profits** Expect recovery of dry bulker and tanker markets to some extent

Review of Fiscal 2017 and Recording of Loss Related to Business Restructuring

In fiscal 2017, MOL achieved consolidated ordinary profit of ¥31.4 billion, up ¥6.0 billion year on year and ¥6.4 billion higher than the initial forecast. The increase reflects steady recording of highly stable profits from mid- and long-term contracts, in addition to which, expenses associated with the establishment of the integrated containership business venture were lower than expected, and the dry bulker market performed stronger than we had anticipated. On the other hand, as we recorded an extraordinary loss (loss related to business restructuring) of ¥73.4 billion associated with the integration of the containership business, we recorded a loss attributable to owners of parent of ¥47.3 billion.

Over 80% of the loss related to business restructuring was incurred by chartering out containerships to the integrated containership business venture Ocean Network Express (ONE), which started service in April 2018. Specifically, we recorded provisions in a lump sum for the losses reasonably expected in the future from the negative difference between charter rates to be paid by the Company for vessels procured in the past (which under current market conditions unfortunately means a comparatively high level) and the charter-out rates to be received from ONE reflecting prevailing market conditions. After several discussions with our independent auditor, the management decided to purge the negative legacy of the containership business, seizing this timing when the integrated venture started its operations. At the same time, the course toward improved business performance from fiscal 2018 onwards is now much clearer, and we have therefore paid a year-end dividend of ¥10 per share as originally intended.

Roadmap to Improved Business Performance

By recording the extraordinary loss, we have finally resolved the structural issues in the dry bulker and containership businesses, two major segments that had caused the Company's performance to worsen significantly since fiscal 2012, and we believe this has increased the certainty of improved profitability going forward. Namely, in dry bulkers, we completed our business model transformation by means of Business Structural Reforms executed in fiscal 2015, and the business has been reinvented with a structure that can stably deliver profits without being too heavily influenced by market fluctuations. In the containership business, we purged unrealized losses and adopted a structure that directly incorporates the profits ONE is expected to produce going forward through integration synergies.

In addition, the initiative is also expected to greatly improve "other variable profits (losses)," which had been a hindrance to earnings in the recent years, by expanding and strengthening the strategic priority business fields, such as chemical tanker and ferry business where MOL has its competitive edge. Furthermore, in fiscal 2019, we will fully deploy LNG vessels and offshore units under long-term charter contracts that have been acquired over the past few years. The start of operations for these vessels and units had been delayed a little from the original schedule, but now their expected contribution to profits is another reason to feel confident of improved business performance from fiscal 2018 onwards.

Financial Foundation and Cash Flows

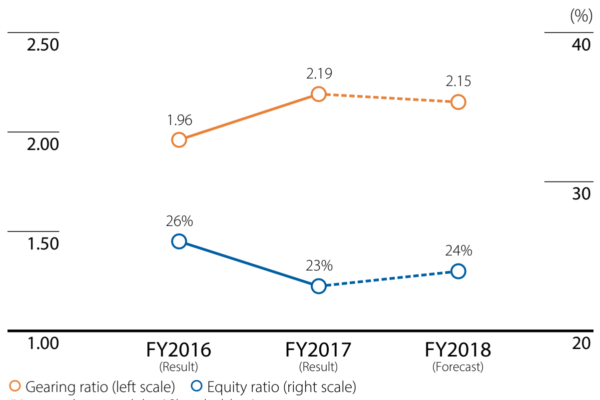
Although the roadmap to improved business performance is clearer going forward, as mentioned above, in fiscal 2017, the Company ultimately recorded a loss, causing the equity ratio to worsen to 23% and the gearing ratio to 2.19 times at the fiscal year-end.

However, with the improvement in "other variable profits (losses)," ordinary profit of ¥80–100 billion and ROE of 8–12% envisaged for the medium term seem well within reach. If these are achieved, then the accumulation of profits will restore shareholders' equity in due course. With regard to the gearing ratio, a rapid improvement seems likely to take time, with forecasts for negative free cash flow in fiscal 2018 also due mainly to the cost of withdrawal from MOL's own containership services. However, we will strive for improvement by continuing to pursue a business model of controlling

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

Gearing Ratio* / Equity Ratio



* Interest-bearing debt / Shareholders' equity

Underlined words are explained in the Glossary on page 5.

cash outflows, for example by utilizing charter-in and second-hand vessels, in addition to selling off assets, including cross-shareholdings.

We initially projected free cash flow as significantly negative for fiscal 2017. However, strict selection of investments and proceeds from sales of overseas real estate could minimize the negative amount almost to zero.

Over the three years starting from fiscal 2018 to fiscal 2020, we are expecting cash flows from investing activities totaling net outflow of ¥350 billion (excluding investments in ONE). We plan to capture new contracts in the offshore businesses and LNG carriers stipulated for strategic resource allocation under the management plan, scale up the fleet of chemical tankers and methanol tankers and concentrate investments on such areas as M&A in the logistics business. In particular, we plan to strengthen investment in the offshore businesses, which we expect to differentiate us from other shipping companies and to provide a higher return, for example as the first Asian shipping company to own and operate Floating Storage and Regasification Units (FSRUs).

Although we are still in adverse conditions, to this end, we will invest in rigorously selected projects whose future cash flow creation is assured, and we aim for positive free cash flow from fiscal 2019 onwards from improved operating cash flows.

Fund Procurement

We don't anticipate any issues with borrowings from financial institutions. We have established good relationships with financial institutions and our investments over the next three years will be mainly in projects where we invest in accumulation of highly stable profits through mid- to long-term contracts with customers who have excellent credit ratings. Moreover, we plan to invest in responding to environmental regulations and in the environment and emission-free businesses, which are expected to become a core business in the future. For this, we have the promising option of procuring funds through Green Bonds, which are intended for funding such investments.

Status of Credit Ratings

The Company has maintained a rating of "Stable" from Japanese ratings agencies, with downward pressure relaxing temporarily. The posting of a loss related to business restructuring for fiscal 2017 has also been understood by the agencies. We will continue as before to carefully explain to ratings agencies about the Company's path to recovering its business performance. At the same time, we will also strive to increase our rating by improving our profitability.

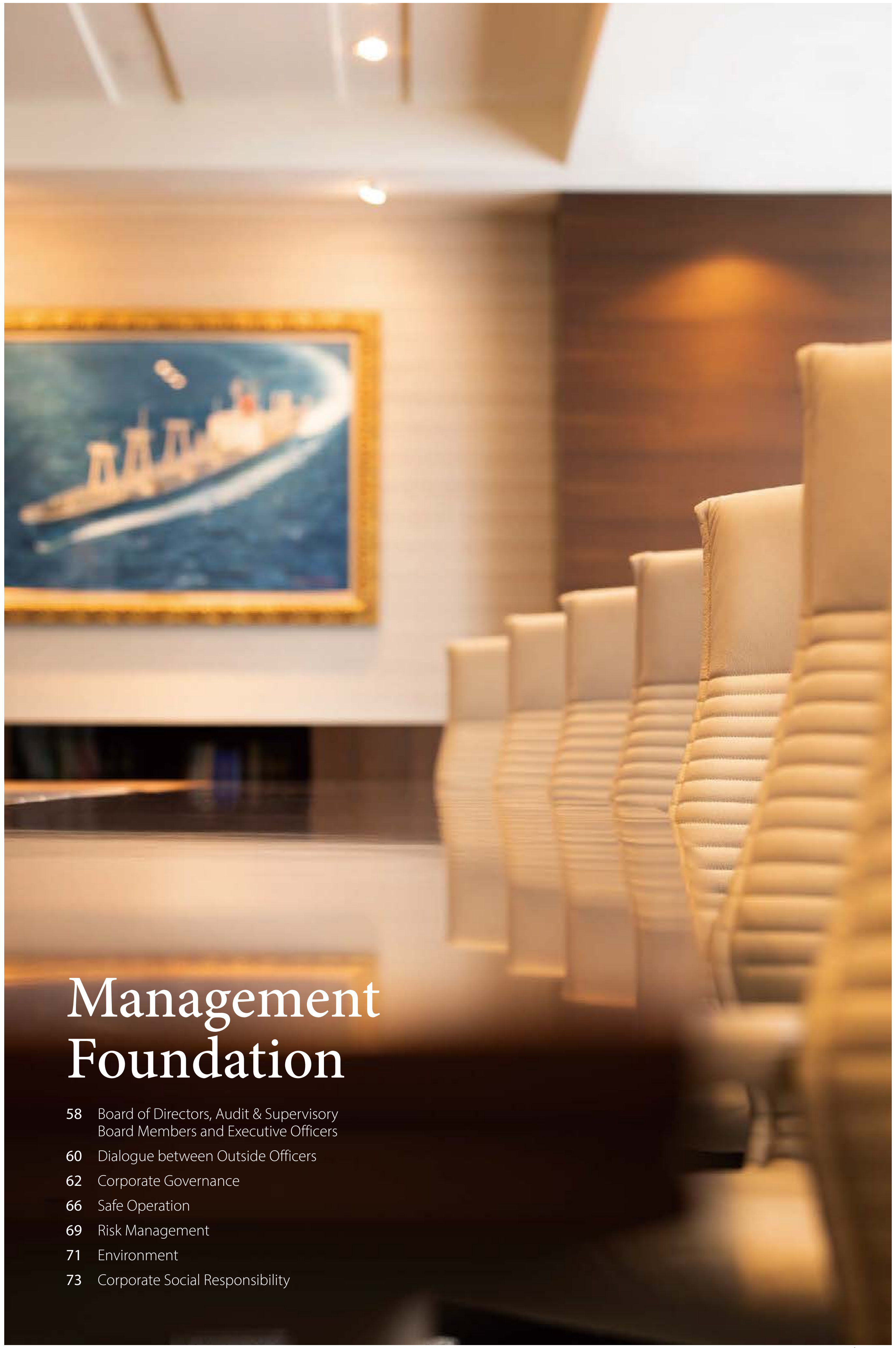
FY2018–2020 Investment Cash Flows Forecast (Three-Year Total)

Excluding invest in the containership joint venture

Fiscal 2017	
LNG Carriers	12%
Offshore Businesses	21%
Chemical/Methanol Tankers	30%
Ferries/Associated Businesses/ Terminals/Logistics	26%
Environment/IT/Others	11%

Total	
LNG Carriers	27%
Offshore Businesses	29%
Chemical/Methanol Tankers	9%
Ferries/Associated Businesses/ Terminals/Logistics	11%
Other Vessels	12%
Environment/IT	12%

Environment/IT/Others includes Other Vessels only in fiscal 2017



Management Foundation

Underlined words are explained in the Glossary on page 5.

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

(At the end of June 2018)

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 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)

Shizuo Takahashi
Born 1959

Representative 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
- Apr. 2018 Representative Director, Executive Vice President, 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)

Akihiko Ono
Born 1959

Director

- Apr. 1983 Joined Mitsui O.S.K. Lines, Ltd.
- Jun. 2010 General Manager of Corporate Planning Division
- Jun. 2011 Executive Officer, General Manager of Corporate Planning Division
- Jun. 2015 Managing Executive Officer
- Apr. 2017 Senior Managing Executive Officer
- Jun. 2018 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
- Apr. 2018 Director, Senior Managing Executive Officer (current)

Independent Officers

Masayuki Matsushima
Outside Director

- Jun. 2011 Director of Mitsui O.S.K. Lines, Ltd. (current)
- Jan. 2013 Senior Advisor, Taniguchi Partners International Accounting & Tax Office (current)
- Sept. 2014 Senior Advisor of Integral Corporation (current)
- Jun. 2016 Outside Director of JGC Corporation (current)
- Jul. 2017 Member of Management Council, Grant Thornton Taiyo LLC (current)

Hideto Fujii
Outside Director

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

Etsuko Katsu
Outside Director

- Apr. 2003 Professor, School of Political Science and Economics, Meiji University (current)
- Mar. 2015 Director, Center for Entrance Examination Standardization (current)
- Jun. 2016 Director of Mitsui O.S.K. Lines, Ltd. (current)
- Nov. 2016 Administrative Board Member, International Association of Universities (current)
- Apr. 2018 Chairman of Fund Management Advisory Committee, The Japan Foundation (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. 2011 Audit & Supervisory Board Member of Mitsui O.S.K. Lines, Ltd. (current)
- Sept. 2017 President, International University of Japan (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

Shizuo Takahashi
Executive Vice President, Executive Officer (Assistant to President, Chief Compliance Officer, Chief Information Officer, Deputy Director General of Technology Innovation Unit, Responsible for: Corporate Audit Division, Secretaries & General Affairs Division, Corporate Marketing Division, MOL Information Systems, Ltd.)

Takeshi Hashimoto
Senior Managing Executive Officer (Director General of Energy Transport Business Unit, Supervisor for: Steaming Coal Carrier Division, LNG Carrier Division, Responsible for: Energy Business Strategy Division, Bunker Business Division, Offshore Project Division)

Akihiko Ono
Senior Managing Executive Officer (Deputy Director General of Safety Operations Headquarters, Deputy Director General of Product Transport Business Unit, Responsible for: Corporate Planning Division, Liner Business Management Division)

Takashi Maruyama
Senior Managing Executive Officer (Chief Financial Officer, Responsible for: Corporate Communication Division (IR), Finance Division, Accounting Division)

Naotoshi Omoto
Senior Managing Executive Officer (Director General of Product Transport Business Unit, Responsible for: Europe, Africa and the Americas Area, Car Carrier Division)

Yoshikazu Kawagoe
Senior Managing Executive Officer (Chief Technical Officer, Director General of Technology Innovation Unit, Responsible for: Technical Division, Smart Shipping Division, Secondarily Responsible for MOL Information Systems, Ltd.)

Koichi Yashima
Managing Executive Officer (Responsible for: Human Resources Division, New & Clean Energy Business Division, Kansai Area)

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

Toshiaki Tanaka
Managing Executive Officer (Director General of Dry Bulk Business Unit, Responsible for: Dry Bulk Business Planning & Co-ordianation Division, Dry Bulk Carrier Division (B), Dry Bulk Carrier Supervising Division)

Masanori Kato
Managing Executive Officer (Director General of Safety Operations Headquarters, Responsible for: Human Resources Division, Marine Safety Division, Secondarily Responsible for Smart Shipping Division)

Kenta Matsuzaka
Managing Executive Officer (Deputy Director General of Energy Transport Business Unit, Responsible for: LNG Carrier Division, LNG Safety Management Division)

Masato Koike
Managing Executive Officer (Deputy Director General of Energy Transport Business Unit, Responsible for: Tanker Division (A), Tanker Division (B), Tanker Safety Management Division, Secondarily Responsible for Bunker Business Division)

Masanori Kobayashi
Executive Officer (Deputy Director General of Safety Operations Headquarters, Responsible for: Dry Bulk Carrier Supervising Division, Tanker Safety Management Division, LNG Safety Management Division, Secondarily Responsible for: Marine Safety Division, Smart Shipping Division)

Yutaka Hinooka
Executive Officer (Deputy Director General of Product Transport Business Unit, Responsible for Port Projects & Logistics Business Division)

Kayo Ichikawa
Executive Officer (Chief Communication Officer, Responsible for: Work Efficiency Improvement, Diversity Promotion, Corporate Communication Division, Secondarily Responsible for: Corporate Planning Division, Human Resources Division)

Toshinobu Shinoda
Executive Officer (General Manager of Corporate Planning Division)

Hirofumi Kuwata
Executive Officer (Deputy Director General of Dry Bulk Business Unit, Deputy Director General of Energy Transport Business Unit, Responsible for Steaming Coal Carrier Division, Secondarily Responsible for Dry Bulk Carrier Division (B))

Nobuo Shiotsu
Executive Officer (Deputy Director General of Dry Bulk Business Unit, Responsible for Dry Bulk Carrier Division (A))

Tsuneo Watanabe
Executive Officer (Deputy Director General of Energy Transport Business Unit, Responsible for Tanker Division (B) (Chemical Tanker Business), Managing Director of MOL Chemical Tankers Pte. Ltd.)

Atsushi Igaki
Executive Officer (Deputy Director General of Product Transport Business Unit, Responsible for Ferry Business Division, President of Ferry Sunflower Ltd.)

Hiroyuki Nakano
Executive Officer (Secondarily Responsible for Offshore Project Division)

Hirotoshi Ushioku
Executive Officer (General Manager of Car Carrier Division)

Michael P.Y. Goh
Executive Officer (Deputy Director General of Product Transport Business Unit, Responsible for Port Projects & Logistics Business Division (NVOCC Business), Secondarily Responsible for Asia, the Middle East and Oceania Area, Chief Executive Officer of MOL Consolidation Service Ltd.)

Dialogue between Outside Officers

Masayuki Matsushima
Outside Director

Hideki Yamashita
Outside Member of the Audit & Supervisory Board

Free exchange of opinions supports effective corporate governance

Theme: Evaluation of MOL's corporate governance, Board of Directors activities and the Company's own "Deliberation on Corporate Strategy and Vision"

Matsushima When evaluating the role of corporate governance, the most important issue is that it actually performs a useful function rather than that it is simply a formality. From this perspective, I have a high opinion of MOL's corporate culture, where Board members discuss issues freely and openly. This contributes to a more effective governance function.

Yamashita Yes, I agree that MOL's Board meeting has a culture that encourages people to openly speak their mind. For example, when an Audit & Supervisory Board (ASB) member comments about policies, the Board of Directors are quite open to the input even when the comments are proactive rather than a typically governance-focused protective stance as a role generally required for an ASB. The Board also evaluates the effectiveness of its meetings so that directors and ASB members offer honest opinions on the issues being discussed, and the meetings tend to be more productive.

Matsushima I think the "Deliberation on Corporate Strategy and Vision," which is held in conjunction with the Board of Directors meeting, is particularly useful. It enables outside directors and ASB members to contribute their opinions before any important company decisions are made. My only concern is that discussion usually tends to be limited to strategies only for each specific division. I think the discussions could be even more productive if we also deliberated broader issues such as risk management and capital utilization policy over the whole company.

Yamashita You're right. Some discussions have been limited to vision for specific divisions. Perhaps if outside directors and ASB members propose specific themes for discussion, it might encourage the Board to address broader issues in a timelier manner. On the other hand, we can see the benefits of the "Deliberation on Corporate Strategy and Vision" in the way that MOL addressed restructuring of its containership business. Because the Company had analyzed various scenarios for improvement in the past, the entire Board, including outside directors and ASB members shared common awareness of the need for drastic action, which then led to the significant decision to merge the containership businesses. As you pointed out, corporate governance should not just be a formality. Its true value lies in how effectively it can deal with truly critical management issues.

"Rolling Plan" seeks to identify issues for discussion and steps that need to be taken based on a vision of what the Company aims to become ten years from now. The key is for management to address concrete plans and actions, rather than simply vague ideas about corporate direction

Theme: Evaluation on "Rolling Plan"

Yamashita The underlying concept of "Rolling Plan" is to envision what the Company should be ten years in the future, compare that vision with MOL's current situation, and identify steps that must be taken to bridge the gap between current reality and future goals. The only problem is that a decade is a very long time, so the objectives that MOL sets are bound to be somewhat idealistic. The important thing, in my opinion, is to make sure the plans that management adopts are specific, and grounded in reality.

Matsushima As one of the people who strongly advocated the use of this Rolling Plan approach, I know that "Rolling Plan 2018" is based on a great deal of analysis and discussion of the business sectors that are likely to experience growth in the future, and the ways that MOL can enhance its competitiveness. When you adopt a long-term vision and aim at distant objectives, it allows you to see a much broader range of potential paths that could be taken to reach that objective, and a larger number of alternatives to consider as possible ways to achieve growth. Although the "Rolling Plan" model for management planning was adopted just two years ago, I think the impact is already visible.

The key to better compliance is to make sure that every single employee in the Company is aware of its importance

Theme: Evaluation of the Company's approach to compliance

Yamashita The need for stronger compliance is a very important issue that companies continuously must grapple with. Scandals happen all the time, even with stronger compliance. I believe that this has to do with employee awareness. It isn't enough to just give lip service to compliance, posting rules and regulations like office wallpaper, or announcing initiatives while everyone nods in assent without really listening. Top management needs to seize any occasion to emphasize the importance of compliance, as the essential prerequisite to all company operations. I believe that MOL recognizes this fact. However, as business becomes more global, the issue of how to reinforce compliance becomes progressively more difficult. As an outside member of the ASB, I recognize my own vital role in promoting compliance on a continuous basis.

Matsushima The Company's involvement in violating the Antimonopoly Act regarding the car carrier business occurred after I was appointed as an outside director. MOL addressed the issue in a comprehensive way, with everyone in the Company from the CEO on down discussing key questions: "what specifically went wrong?" and "what must be done to set things right?" I believe that this process elevated awareness of compliance considerably, throughout the Company. Unfortunately, the human being is a forgetful creature. It is vital that the Company continue to discuss the issue, to maintain a constant awareness of compliance issues. It isn't enough to just write down the rules in some manual and ask employees to memorize the text. Compliance is something that people need to really take to heart, not only learning a lot of rules, but understanding the underlying purpose of those rules, and the reasons why they need to be followed. MOL should strive to keep compliance awareness fresh in the minds of everyone in the Company.

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 ASB members.

"Deliberation on Corporate Strategy and Vision" Agenda FY2016

	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)

FY2017

	Agenda
May	Strategy in capital markets
July	Strategy for Port Projects & Logistics Business Division
September	Strategy for New Business Creation and Group Business Division
October	Review on governance organizational structure and evaluation of Audit & Supervisory Committee
December	Discussion on personnel system reform
January	Outline proposal for the next management plan "Rolling Plan 2018"
February	Outline proposal for the next management plan "Rolling Plan 2018" (continued)

Corporate Governance

Governance Summary

System of governance	Total directors	Total Audit & Supervisory Board members
Company with an audit & supervisory board	9 Outside directors (ratio) 3 (1/3)	4 Outside Audit & Supervisory Board members (ratio) 2 (1/2)
Independent officers (directors and Audit & Supervisory Board members)	Number of board meetings held in fiscal 2017	Attendance rate of outside directors for board meetings in fiscal 2017
5	10	93%
Term of directors	Stock option system	Retirement benefit system
1 year	Yes	No
Anti-takeover measures	Compliance rules	External compliance advisory service desk
No	Yes	Yes

HISTORY

2000

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

2001

Established the Compliance Policy and Compliance Committee

2011

Revised MOL's Compliance Policy and Rules of Conduct

2014

Revised the Compliance Policy and established a chief compliance officer (CCO)

2015

Established the Nomination Advisory Committee and Remuneration Advisory Committee (chaired by outside directors)

2017

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 pursing 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 preliminarily 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.

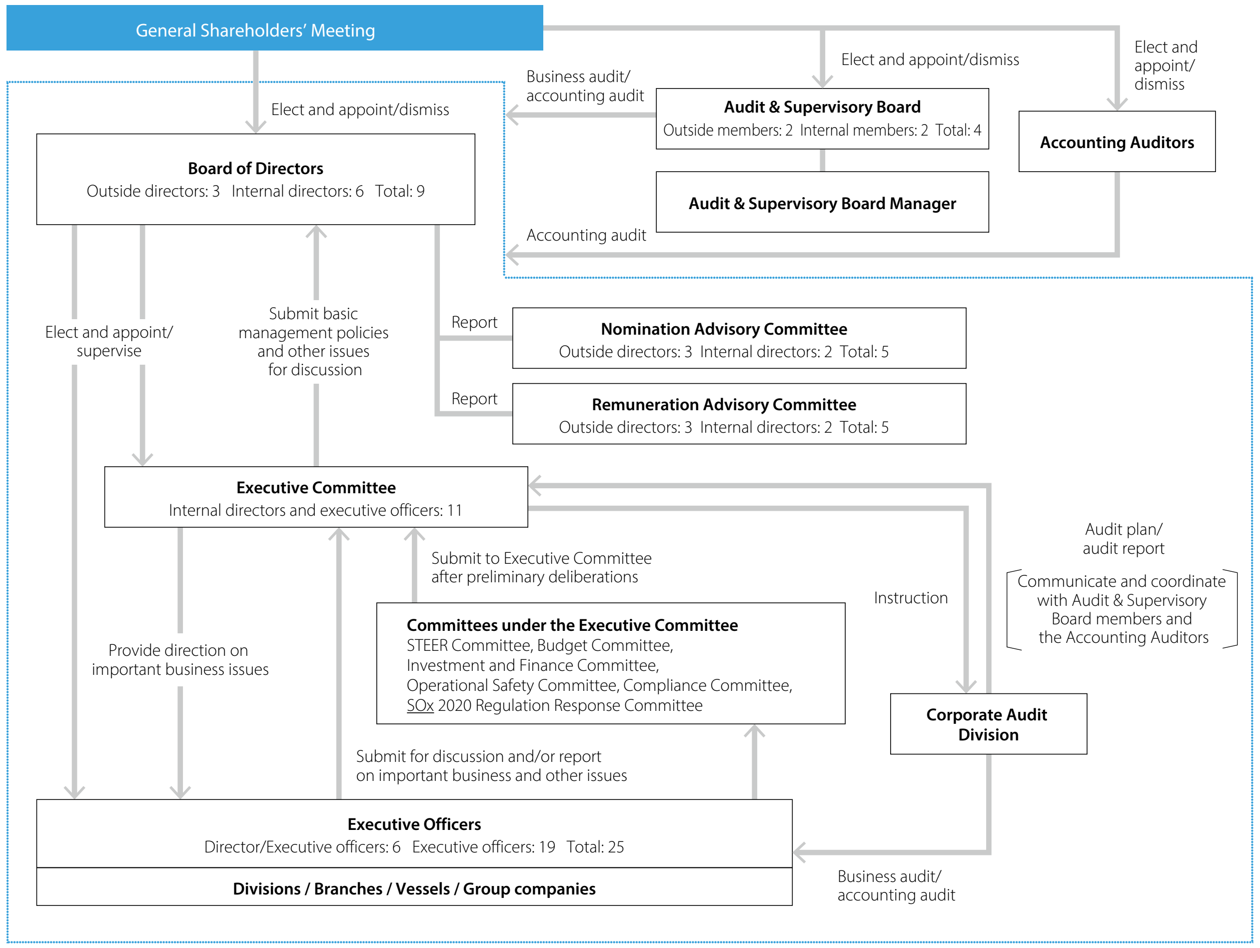
MOL has also established the following sub-committees of the Executive Committee to study and discuss especially important matters and projects straddling divisions that will be submitted to the Executive Committee for discussion (see the chart below).

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

Corporate Governance Organization (as of June 26, 2018)



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	Senior Advisor of Integral Corporation Outside Director of JGC Corporation Senior Advisor, Taniguchi Partners International Accounting & Tax Office Member of Management Council, Grant Thornton Taiyo LLC	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.
Hideto Fujii	Adviser of Sumitomo Corporation	MOL adjudged that he has a neutral position with no conflicts of interest with the Company and that he has extensive, wide-ranging experience in and knowledge of the management from his involvement in Japan's finance and financial policy as an administrative vice minister of finance. He will thus be able to help maintain and strengthen the Company's corporate governance from an independent and fair perspective.
Etsuko Katsu	Professor, School of Political Science and Economics, Meiji University Chairman of Fund Management Advisory Committee, The Japan Foundation Director, Center for Entrance Examination Standardization Administrative Board Member, 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, 2018)

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 Corporate Audit Division 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	President, International University of Japan	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, 2018)

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 2017 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)	7	¥330	$3,106
Audit & Supervisory Board members (excluding outside members)	3	63	592
Outside directors and outside members	5	56	527

Compensation for the Accounting Auditors

	Compensation for audit operations (¥ millions)	Compensation for non-audit operations (¥ millions)	Total (¥ millions)	(Thousands of U.S.$)
Parent company	¥108	—	¥108	$1,017
Consolidated subsidiaries	122	1	123	1,158
Total	231	1	232	2,184

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 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. General managers of divisions are appointed as Compliance Officers, take a thorough approach to compliance as the person responsible, and are also required to report to the Compliance Committee in the event of a compliance breach. The Corporate Audit Division, a body that operates independently of the Company's divisions, provides a counseling service. The division also 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 Corporate Audit Division 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.

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 2017, the president participated in the Company's presentations of interim and full-year 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 rules enacted in April 2018.

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 2017 (April 2017–March 2018)

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	3 times	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	4 times	Attended seminars for individual investors in Tokyo, Osaka, Nagoya and Kanazawa, 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
Integrated Report	Yes	Yes
Securities reports	Yes	No
Quarterly reports	Yes	No
Business reports for shareholders	Yes	No
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

Executive Committee

- Operational Safety Committee
  - Chairman: President & CEO
  - Vice-Chairman: Director General, Safety Operations Headquarters
- Safety Operations Headquarters
  - Marine Safety Division
  - Ship management coordinating divisions
  - Marine technical teams supporting vessel operations for business divisions
  - In-house ship management companies leading working-level ship management*

* 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 October 2017, we conducted an emergency response drill based on the premise of a fire breaking out in the engine room of a car carrier that is leaking fuel and taking on seawater after striking into a reef.

We will continue to conduct drill 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 (Since fiscal 2015)
3. Operational stoppage time*2: 24 hours/ship or below
4. Operational stoppage accident rate*3: 1.0/ship or below

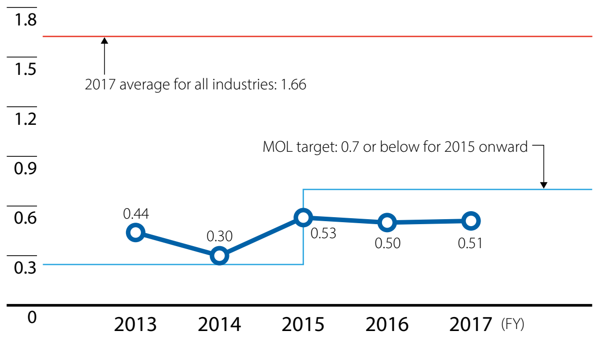
In fiscal 2017, we did not achieve 1 above as unfortunately two fatal workplace accidents occurred on MOL Group-operated vessels and we also did not achieve 3 as shown in the below graph.

*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 (2017) was 1.66, shipping industry 1.14, and transportation equipment manufacturing industry 0.43. (Source: 2017 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.

Lost Time Injury Frequency (LTIF)



Preventing New or a Recurrence of Serious Incidents

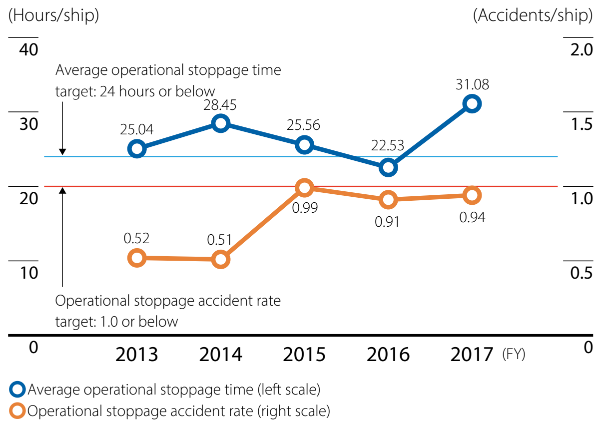
MOL is constantly and repeatedly implementing and raising awareness of fundamental matters while striving to thoroughly keep fresh the memory of serious incidents we have experienced and prevent a recurrence of serious incidents while giving due consideration to improving teamwork, safety awareness, 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.

*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.

Average Operational Stoppage Time and Operational Stoppage Accident Rate



Risk Management

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.

Opening a Self-Operated Maritime Academy in the Philippines in August 2018

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, in August 2018, MOL will open the Maritime Academy in the Philippines. The academy facility, which has been already constructed, imitates its layout of the practice facilities as realistically as possible. The academy will provide students with training that makes them work-ready as soon as they complete their studies. Through operation of the academy, we will reinforce efforts to secure and train excellent seafarers and achieve the world's safest operations.

A bridge training facility at the academy

A main engine training facility at the academy

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.**

** Society of International Gas Tanker and Terminal Operators Ltd.

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

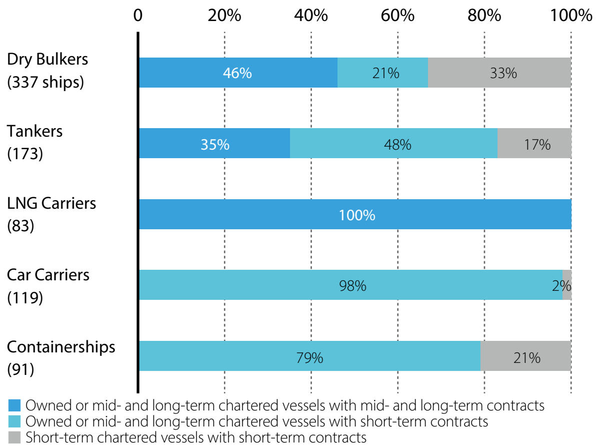
MOL's management program for seafarer education and training was recognized to be effective and certified in its tanker and LNG carrier operations by DNV GL AS in 2012 for compliance with the Competence Management System (CMS).

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 2018)



Market Exposure by Vessel type
(as of March 2018)

	Total number of fleet	Market exposure
Capsize	88	24%
Small- and medium-sized bulkers	108	6%
VLCCs	31	16%
Product tankers	39	74%
LPG tankers	8	50%

Diversifying Operations to Reduce Risk

MOL operates a "full-line marine transport group." As of the end of March 2018, we operated around 860 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 source of highly stable profits. 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 2018, we project that each ¥1-per-dollar change in the yen-U.S. dollar exchange rate will have an impact of approximately ¥0.8 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, 2018, interest-bearing debt totaled ¥1,118.0 billion, and around 30% of that loan principal is locked in at a fixed interest rate. As a result, an increase of 1 percentage

Underlined words are explained in the Glossary on page 5.

point in market interest rates on both yen-denominated and U.S. dollar-denominated interest-bearing liabilities would impact 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

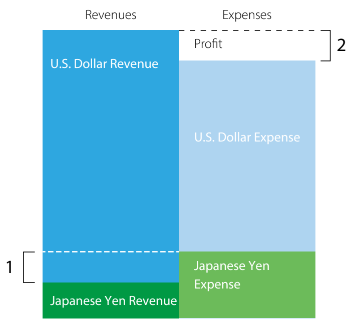
The market price of bunker is generally linked to the price of crude oil, and any increase in bunker prices has a negative impact on earnings for the MOL Group. In fiscal 2018, MOL projects buying 3.9 million tons of fuel on a standalone and consolidated subsidiary basis, of which the Company is able to pass on about 80% of the risk to customers. In addition, an increase of US$1 per metric ton in the average annual price of bunker would lower earnings, including from equity-method affiliates, by approximately ¥0.18 billion (net of hedging) at the maximum.

A stricter regulatory rule 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 intends to put in effort to gain the understanding of customers and reflect these additional costs in freight rates and other fees.

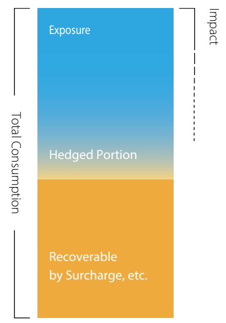
Sensitivity of Earnings to Exchange Rate/Interest Rate/ Bunker Price Fluctuations

Exchange rate (¥/US$)	A ¥1 appreciation reduces ordinary profit by approximately ¥0.8 billion
Interest rate (%)	A 1 percentage point rise in both yen- and U.S. dollar-denominated interest-bearing debt reduces ordinary profit by approximately ¥4.0 billion
Bunker price (US$/MT)	A US$1/MT increase reduces ordinary profit by approximately ¥0.18 billion

Impact of Exchange Rate Fluctuations (Model)
Impact=1+2



Impact of Bunker Price Fluctuations (Model)



Vessel Operations

MOL operates a fleet of approximately 860 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.

Environment

Initiatives on the Environment

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

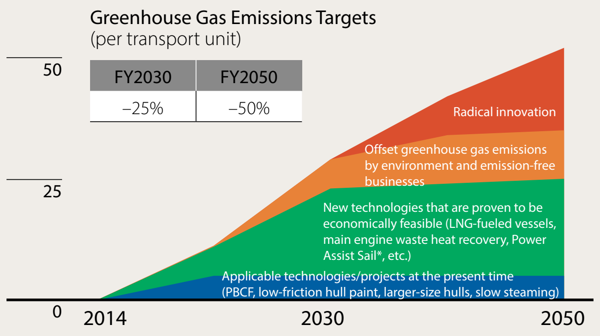
MOL Group Environmental Vision 2030

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.

Roadmap to Reduce Greenhouse Gas Emissions
(%)



* Power Assist Sail: Sailing rigs that provide supplementary propulsion force for the vessel by using the lift force of crosswinds, similar to the wings of an airplane, and drag from tailwind

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; and our own internal viewpoints. Finally, 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 2015	Fiscal 2016	Fiscal 2017
Environment-related R&D activities	0.3	0.4	0.5
Utilization and expansion of existing environmental technologies	0.9	0.5	0.8
Responses to environmental regulations	2.2	3.1	3.1
Initiatives to save bunker fuel	1.0	1.1	0.8
Initiatives of Group companies	0.3	0.3	0.5
Total	**4.6**	**5.4**	**5.7**

Organizational Structure for Environmental Initiatives

Organizational reforms implemented on April 1, 2018 created a framework where the New & Clean Energy Business Division will take the lead in promoting new and clean energy business going forward. The division will conduct feasibility studies and actively promote the environment and emission-free businesses that should become a core business for MOL in the future. In addition, the division will also set the Company's environmental targets and review the status of achievement of these targets in order to steadily advance initiatives.

Moreover, ahead of stricter regulation on sulfur content in fuel oil scheduled for 2020, the SOx 2020 Regulation Compliance Committee established in November 2016 will collect information and work in collaboration with sales divisions to promote Company-wide initiatives taking into account customers' needs.

Underlined words are explained in the Glossary on page 5.

Corporate Social Responsibility (CSR)

Environmental Regulations

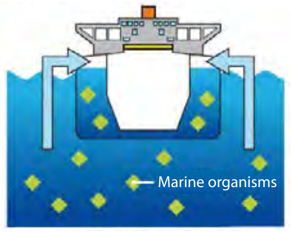
Schedule of Environmental Regulations by IMO, etc.

Ballast Water Management Convention

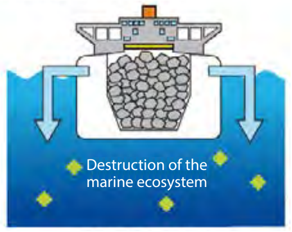
2016	2017	2018	2019	2020	2021
(Adopted in 2004)	Mandatory (For existing vessels: within five years from September 2019 For new vessels: completed from September 2017 onward)				

A convention to prevent cross-border transfer of foreign marine organisms through vessel ballast water was adopted by the IMO in 2004 and has been in effect since September 2017. Under the convention, vessels, including existing vessels, are mandated to install ballast water treatment systems, by September 2024.

Ballast voyage departure port　Destination port



Unloading cargo and taking in ballast water



Loading cargo and discharging ballast water

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 114 owned vessels (as of April 2018).

SOx Regulation

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

Regulate the sulfur content in fuel oil to control SOx volume in exhaust emissions. The sulfur limit will be tightened from 3.5% or less to 0.5% or less from 2020. Shipowners/operators have to choose a method from the following menu:

Method	Advantages	Disadvantages/Issues
Complied oil	No initial costs	• High fuel cost • Supply availability in question
SOx 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 complied oil and SOx scrubbers as both are subject to future fuel prices.
- MOL teamed up with BHP Billion, 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.

Others

Regulations			2016	2017	2018	2019	2020	2025
Tackling global warming	GHG emissions	EEDI*1	Phase 1				Phase 2	Phase 3
		SEEMP*2	Mandatory					
		* Reference: Greenhouse gas reduction targets in international shipping were decided at the IMO's 72nd session of the Marine Environment Protection Committee held in April 2018. Using 2008 as a base, the targets were to improve fuel efficiency in all shipping operations by at least 40% by 2030, and strive to improve by 70% or more by 2050. The meeting also decided to cut greenhouse gas emissions from all shipping by at least 50% by 2050, and ultimately endeavor to eliminate greenhouse gas emissions as soon as possible within this century.						
Preventing air pollution	NOx emissions*3	General Sea Areas	Tier II					
		ECA*4	Tier III					
Marine environment protection	Minimizing the transfer of invasive aquatic species by shipping*5		(Guideline adopted in 2011)					
	Ship Recycling Convention*6		(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 NOx 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 (NOx/SOx) 2. The USA Caribbean Sea area (NOx/SOx) 3. The Baltic Sea and the North Sea areas (currently only SOx). (From 2021 onward, new shipbuilding will be subject to third-generation NOx regulations.)

*5 The guideline aimed at minimizing transfer of invasive aquatic species attaching to the bottom of ships, recommending installation of the systems on vessels to keep the bottom clean of marine organisms and other measures. (It remains as a voluntary guideline during the review period.)

*6 The convention prohibits and restricts the fitting and use of treaty-specified hazardous materials, and requires vessels to prepare, record and update inventory lists showing the quantity and location of hazardous materials on ships over a ship's lifetime. The convention shall enter into force 24 months after the following conditions are met:
Conditions: Ratification by not less than 15 countries representing a combined total G/T of more than 40% of the world's merchant fleet and an annual ship recycling volume not less than 3% of the combined tonnage of the ratifying countries. (As of May 2018, 6 countries have ratified.)

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.

Based on this belief, MOL sees CSR being directly linked to management principles and policies and it is clearly stipulated as item which should be discussed directly in the Executive Committee. Moreover, the Corporate Planning Division will administrate overall CSR policy, propose targets and manage progress, while the divisions named in the chart below will take charge of the individual areas of Compliance, Safety Operations, the Environment, and Human Resources Development/Social Contribution Activities. This creates a framework capable of dealing soundly with each field.

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 2.

Organizational Framework for CSR Initiatives

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

	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.

Underlined words are explained in the Glossary on page 5.

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.

External Recognition (Overall, CSR-Related)

FTSE4Good

■ CSR Rating by the FTSE4Good Developed Index Series

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

FTSE Blossom Japan

■ FTSE Blossom Japan

Since 2017, 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 2018 Constituent MSCI ESG Leaders Indexes

■ 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 2018 Constituent MSCI Japan ESG Select Leaders Index

■ MSCI Japan ESG Select Leaders Index

Since 2017, 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 2018 Constituent MSCI Japan Empowering Women Index (WIN)

■ 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 identifies companies in all industries with superior performance in promoting gender diversity.

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■ SMBC Work Style Reform Finance

MOL was rated for its initiatives adopted in the past (see page 33), and Sumitomo Mitsui Banking Corporation approved MOL for an SMBC Work Style Reform Finance as a growth enterprise that can be expected to encourage workstyle reform in the future (2018).

Data Section

Consolidated Balance Sheets

Mitsui O.S.K. Lines, Ltd. March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2018**	2017	**2018**
Current assets:			
Cash and cash equivalents (Note 3)	¥ 189,591	¥ 186,844	$ 1,784,553
Trade receivables (Note 3)	125,851	130,420	1,184,591
Inventories (Note 5)	38,679	36,358	364,071
Deferred and prepaid expenses	61,918	60,888	582,812
Deferred tax assets (Note 14)	1,334	1,273	12,556
Other current assets (Notes 3 and 6)	63,063	66,121	593,589
Allowance for doubtful accounts	(401)	(428)	(3,774)
Total current assets	480,036	481,477	4,518,411
Vessels, property and equipment, net of accumulated depreciation (Notes 7 and 12)**:**			
Vessels	776,554	756,930	7,309,431
Buildings and structures	148,598	153,767	1,398,701
Machinery, equipment and vehicles	31,581	26,630	297,260
Furniture and fixtures	4,137	5,366	38,940
Land	221,045	221,342	2,080,619
Vessels and other property under construction	106,128	156,935	998,945
Others	2,884	2,693	27,146
Net vessels, property and equipment	1,290,929	1,323,665	12,151,063
Investments, intangibles and other assets:			
Intangible assets	30,163	31,287	283,913
Investment securities (Notes 3, 4 and 7)	274,527	231,978	2,584,026
Long-term loans receivable (Note 3)	73,403	62,796	690,916
Long-term prepaid expenses	6,388	6,824	60,128
Net defined benefit assets (Note 15)	18,811	15,390	177,061
Deferred tax assets (Note 14)	3,212	3,535	30,233
Other non-current assets (Note 6)	50,583	62,661	476,120
Allowance for doubtful accounts	(2,421)	(2,089)	(22,788)
Total investments, intangibles and other assets	454,669	412,385	4,279,640
Total assets	¥2,225,636	¥2,217,528	$20,949,134

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
LIABILITIES AND NET ASSETS	**2018**	2017	**2018**
Current liabilities:			
Trade payables (Note 3)	¥ 131,405	¥ 125,118	$ 1,236,869
Bonds due within one year (Notes 3 and 7)	31,872	20,000	300,000
Short-term bank loans (Notes 3 and 7)	180,539	133,155	1,699,350
Commercial paper (Notes 3 and 7)	5,000	—	47,063
Accrued income taxes (Note 14)	6,395	6,642	60,193
Advances received	34,409	32,258	323,879
Deferred tax liabilities (Note 14)	590	1,188	5,553
Allowance for bonuses	4,567	4,402	42,987
Allowance for directors' bonuses	186	153	1,750
Provision for loss on business liquidation	—	2,753	—
Provision for contract loss	15,879	1,239	149,463
Provision for loss related to business restructuring	7,068	—	66,528
Other current liabilities (Note 6)	60,372	56,544	568,260
Total current liabilities	478,287	383,456	4,501,948
Non-current liabilities:			
Bonds due after one year (Notes 3 and 7)	175,748	210,595	1,654,254
Long-term bank loans (Notes 3 and 7)	706,944	738,163	6,654,216
Lease obligations	15,977	18,371	150,385
Deferred tax liabilities (Note 14)	55,225	56,678	519,813
Net defined benefit liabilities (Note 15)	12,909	12,445	121,507
Directors' and corporate auditors' retirement benefits	1,487	1,459	13,996
Reserve for periodic drydocking	20,647	18,566	194,342
Provision for contract loss	50,933	226	479,414
Provision for environmental measures	620	620	5,835
Other non-current liabilities (Note 6)	78,810	93,325	741,810
Total non-current liabilities	1,119,304	1,150,450	10,535,617
Total liabilities	1,597,591	1,533,907	15,037,565
Commitments and contingent liabilities (Note 8)			
Net assets (Note 9)**:**			
Owners' equity:			
Common stock as of March 31, 2018:			
Authorized —315,400,000 shares			
Issued —120,628,611 shares	65,400	65,400	615,587
Capital surplus	45,385	45,382	427,193
Retained earnings	306,642	355,263	2,886,314
Treasury stock, at cost	(6,807)	(6,820)	(64,071)
Total owners' equity	410,620	459,226	3,865,022
Accumulated other comprehensive income			
Unrealized holding gains on available-for-sale securities, net of tax	33,400	28,353	314,382
Unrealized gains on hedging derivatives, net of tax	37,873	54,326	356,485
Foreign currency translation adjustments	23,442	27,178	220,651
Remeasurements of defined benefit plans, net of tax	5,905	2,898	55,581
Total accumulated other comprehensive income	100,621	112,757	947,110
Share subscription rights	2,026	2,447	19,070
Non-controlling interests	114,776	109,190	1,080,346
Total net assets	628,044	683,621	5,911,558
Total liabilities and net assets	¥2,225,636	¥2,217,528	$20,949,134

Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2018 and 2017

(CONSOLIDATED STATEMENTS OF OPERATIONS)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Shipping and other revenues (Note 13)	¥1,652,393	¥1,504,373	$15,553,397
Shipping and other expenses	1,513,736	1,388,264	14,248,268
Gross operating income	138,656	116,109	1,305,120
Selling, general and administrative expenses	115,972	113,551	1,091,603
Operating income	22,684	2,558	213,516
Non-operating income:			
Interest income	7,976	5,918	75,075
Dividend income	6,661	6,021	62,697
Equity in earnings of affiliated companies	—	5,543	—
Foreign exchange gain	16,834	24,179	158,452
Others	3,930	3,875	36,991
Total non-operating income	35,402	45,538	333,226
Non-operating expenses:			
Interest expense	20,413	19,037	192,140
Equity in losses of affiliated companies	3,428	—	32,266
Others	2,771	3,633	26,082
Total non-operating expenses	26,613	22,670	250,498
Ordinary income	31,473	25,426	296,244
Other gains:			
Gain on sales of vessels, property, equipment and others	16,979	6,125	159,817
Others	4,587	29,080	43,175
Total other gains	21,566	35,206	202,993
Other losses:			
Loss on sales and disposals of vessels, property, equipment and others	1,310	1,259	12,330
Loss related to business restructuring (Note 10)	73,476	—	691,603
Impairment loss	—	22,273	—
Costs of business structural reforms	—	6,490	—
Others	6,962	7,304	65,530
Total other losses	81,748	37,328	769,465
Income (Loss) before income taxes	(28,709)	23,303	(270,227)
Income taxes (Note 14)**:**			
Current	10,729	13,323	100,988
Deferred	2,002	(625)	18,844
Net income (loss)	(41,440)	10,605	(390,060)
Income attributable to non-controlling interests	5,939	5,348	55,901
Income (loss) attributable to owners of parent	¥ (47,380)	¥ 5,257	$ (445,971)

(CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Net income (loss)	¥(41,440)	¥10,605	$(390,060)
Other comprehensive income (Note 17)**:**			
Unrealized holding gains on available-for-sale securities, net of tax	5,839	8,768	54,960
Unrealized gains on hedging derivatives, net of tax	(22,402)	13,070	(210,862)
Foreign currency translation adjustments	(773)	2,463	(7,275)
Remeasurements of defined benefit plans, net of tax	3,007	2,944	28,303
Share of other comprehensive income (loss) of associates accounted for using equity method	3,501	4,100	32,953
	(10,828)	31,347	(101,920)
Comprehensive income	¥(52,268)	¥41,952	$(491,980)
Comprehensive income			
Comprehensive income attributable to owners of parent	¥(59,516)	¥35,183	$(560,203)
Comprehensive income attributable to non-controlling interests	7,247	6,769	68,213

(AMOUNTS PER SHARE OF COMMON STOCK)(*1)

	Yen		U.S. dollars (Note 1)
	2018	2017	2018
Net income (loss)	¥(396.16)	¥43.95	$(3.72)
Diluted net income (Note 2)	—	40.61	—
Cash dividends applicable to the year	20.00	20.00	0.18

See accompanying notes.

*1 The Company consolidated its common shares (ten shares into one shares), effective October 1, 2017.
Accordingly, net income, diluted net income and cash dividends applicable to the year per share have been recalculated on the assumption that the share consolidation took place at the beginning of the year ended March 31, 2017.

Consolidated Statements of Changes in Net Assets

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2018 and 2017

	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	Remeasure-ments of defined benefit plans, net of tax	Share subscription rights	Non-controlling interests	Total net assets
Balance at April 1, 2016	¥65,400	¥45,388	¥354,179	¥(6,847)	¥20,950	¥ 35,033	¥26,885	¥ (39)	¥2,681	¥103,292	¥646,924
Issuance of new shares—exercise of subscription rights to shares	—	—	—	4	—	—	—	—	(4)	—	—
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	—	—	(23)	45	—	—	—	—	—	—	22
Purchases of shares of consolidated subsidiaries	—	(6)	—	—	—	—	—	—	—	—	(6)
Net changes of items other than owner's equity during the year	—	—	—	—	7,403	19,292	292	2,938	(228)	5,898	35,596
Balance at March 31 and April 1, 2017	¥65,400	¥45,382	¥355,263	¥(6,820)	¥28,353	¥ 54,326	¥27,178	¥2,898	¥2,447	¥109,190	¥683,621
Issuance of new shares—exercise of subscription rights to shares	—	—	—	12	—	—	—	—	(12)	—	—
Dividends paid	—	—	(1,196)	—	—	—	—	—	—	—	(1,196)
Net income (loss) attributable to owners of parent	—	—	(47,380)	—	—	—	—	—	—	—	(47,380)
Due to change in consolidated subsidiaries	—	—	3	—	—	—	—	—	—	—	3
Purchases of treasury stock	—	—	—	(98)	—	—	—	—	—	—	(98)
Disposal of treasury stock	—	—	(47)	98	—	—	—	—	—	—	51
Purchases of shares of consolidated subsidiaries	—	2	—	—	—	—	—	—	—	—	2
Net changes of items other than owner's equity during the year	—	—	—	—	5,046	(16,453)	(3,735)	3,006	(408)	5,585	(6,959)
Balance at March 31, 2018	¥65,400	¥45,385	¥306,642	¥(6,807)	¥33,400	¥ 37,873	¥23,442	¥5,905	¥2,026	¥114,776	¥628,044

	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	Remeasure-ments of defined benefit plans, net of tax	Share subscription rights	Non-controlling interests	Total net assets
Balance at April 1, 2017	$615,587	$427,164	$3,343,966	$(64,194)	$266,876	$ 511,351	$255,817	$27,277	$23,032	$1,027,767	$6,434,685
Issuance of new shares—exercise of subscription rights to shares	—	—	—	112	—	—	—	—	(112)	—	—
Dividends paid	—	—	(11,257)	—	—	—	—	—	—	—	(11,257)
Net income (loss) attributable to owners of parent	—	—	(445,971)	—	—	—	—	—	—	—	(445,971)
Due to change in consolidated subsidiaries	—	—	28	—	—	—	—	—	—	—	28
Purchases of treasury stock	—	—	—	(922)	—	—	—	—	—	—	(922)
Disposal of treasury stock	—	—	(442)	922	—	—	—	—	—	—	480
Purchases of shares of consolidated subsidiaries	—	18	—	—	—	—	—	—	—	—	18
Net changes of items other than owner's equity during the year	—	—	—	—	47,496	(154,866)	(35,156)	28,294	(3,840)	52,569	(65,502)
Balance at March 31, 2018	$615,587	$427,193	$2,886,314	$(64,071)	$314,382	$ 356,485	$220,651	$55,581	$19,070	$1,080,346	$5,911,558

See accompanying notes.

Consolidated Statements of Cash Flows

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Cash flows from operating activities:			
Income (loss) before income taxes	¥ (28,709)	¥ 23,303	$ (270,227)
Adjustments to reconcile income (loss) before income taxes to net cash provided by operating activities			
Depreciation and amortization	86,629	87,190	815,408
Impairment loss	—	22,273	—
Costs of business structural reforms	—	6,490	—
Loss related to business restructuring	73,476	—	691,603
Equity in losses (earnings) of affiliated companies, net	3,428	(5,543)	32,266
Various provisions (reversals)	1,021	(20,053)	9,610
Decrease (Increase) in net defined benefit assets	785	1,996	7,388
Increase (Decrease) in net defined benefit liabilities	539	(755)	5,073
Interest and dividend income	(14,637)	(11,939)	(137,772)
Interest expense	20,413	19,037	192,140
Loss (Gain) on sales and disposal of vessels, property and equipment and intangible assets, net	(13,471)	(3,938)	(126,797)
Foreign exchange loss (gain)	(17,480)	(25,818)	(164,533)
Changes in operating assets and liabilities:			
Trade receivables	4,690	(1,683)	44,145
Inventories	(2,423)	(8,691)	(22,806)
Trade payables	6,218	(573)	58,527
Others, net	(6,549)	(51,690)	(61,643)
Sub total	113,934	29,602	1,072,420
Interest and dividend income received	18,662	15,351	175,658
Interest expenses paid	(21,208)	(18,778)	(199,623)
Income taxes paid	(13,007)	(8,551)	(122,430)
Net cash provided by (used in) operating activities	98,380	17,623	926,016
Cash flows from investing activities:			
Purchase of investment securities	(41,288)	(14,533)	(388,629)
Proceeds from sales and redemption of investment securities	2,029	27,738	19,098
Purchase of vessels, property and equipment and intangible assets	(142,570)	(143,177)	(1,341,961)
Proceeds from sales of vessels, property and equipment and intangible assets	89,446	71,350	841,923
Net decrease (increase) in short-term loans receivables	(28)	(6,652)	(263)
Disbursements for long-term loans receivables	(29,866)	(21,374)	(281,118)
Collections of long-term loans receivables	22,092	9,832	207,944
Others, net	(666)	2,876	(6,268)
Net cash provided by (used in) investing activities	(100,851)	(73,941)	(949,275)
Cash flows from financing activities:			
Net increase (decrease) in short-term bank loans	60,125	9,907	565,935
Net increase (decrease) in commercial paper	5,000	—	47,063
Proceeds from long-term bank loans	96,812	239,075	911,257
Repayments of long-term bank loans	(127,272)	(119,252)	(1,197,966)
Proceeds from issuance of bonds	—	10,000	—
Redemption of bonds	(20,000)	(45,000)	(188,253)
Cash dividends paid by the Company	(1,214)	(4,258)	(11,426)
Cash dividends paid to non-controlling interests	(1,450)	(1,018)	(13,648)
Others, net	(2,757)	(2,323)	(25,950)
Net cash provided by (used in) financing activities	9,243	87,129	87,001
Effect of foreign exchange rate changes on cash and cash equivalents	(4,025)	(3,454)	(37,885)
Net increase (decrease) in cash and cash equivalents	2,746	27,357	25,847
Cash and cash equivalents at beginning of year	186,844	159,449	1,758,697
Net cash increase (decrease) from new consolidation/de-consolidation of subsidiaries	—	37	—
Cash and cash equivalents at end of year	¥ 189,591	¥ 186,844	$ 1,784,553

See accompanying notes.

Notes to Consolidated Financial Statements

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2018 and 2017

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, 2018, which was ¥106.24 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.

Yen figures less than a million yen are rounded down to the nearest million yen, except for per share data. U.S. dollar figures less than a thousand dollars are rounded down to the nearest thousand dollars, except for per share data. And, therefore, the totals shown in tables do not necessarily agree with the sums of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and 369 subsidiaries for the year ended March 31, 2018 (368 subsidiaries for the year ended March 31, 2017). 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 80 affiliated companies for the year ended March 31, 2018 (76 affiliated companies for the year ended March 31, 2017). 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.

(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 ¥1,462 million ($13,761 thousand) for the year ended March 31, 2018.

(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 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.

(14) PROVISION FOR LOSS RELATED TO BUSINESS RESTRUCTURING

Provision for loss related to business restructuring is recorded for estimated losses arising from business restructurings to be carried out.

(15) DIRECTORS' AND CORPORATE AUDITORS' RETIREMENT BENEFITS

Some 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, 2018 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) STANDARDS AND GUIDANCE NOT YET ADOPTED
The following standards and guidance were issued but not yet adopted.

(Revenue Recognition)
"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018)
"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

I. Overview
The above standard and guidance provide comprehensive principles for revenue recognition. As a basic policy in developing the above standard, ASBJ adopted the basic principle of IFRS 15 from the viewpoint of comparability between financial statements, which is one of the benefits of convergence with IFRS 15.

II. Effective date
The Company will apply this standard and guidance from the beginning of the fiscal year ending March 31, 2022.

III. Effects of the application of the standards
The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

(Tax Effect Accounting)
"Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018 (hereinafter, "Guidance No. 28"))
"Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26 (revised 2018), February 16, 2018 (hereinafter, "Guidance No. 26"))

I. Overview
The above guidance was revised in regard to the treatments for taxable temporary differences for investments in subsidiaries within the context of non-consolidated financial statements, and to clarify the treatments in determining recoverability of deferred tax assets in a company which was categorized as 'Type1' according to the guidance.

II. Effective date
The Company will apply this standard and guidance from the beginning of the fiscal year ending March 31, 2019.

III. Effects of the application of the standards
The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

(23) RECLASSIFICATIONS
Certain prior year amounts have been reclassified to conform to the 2018 presentation.

(24) ADDITIONAL INFORMATION
(Establishment of Holding Company and Operating Company for New Integrated Container Shipping Business)
The Company, Kawasaki Kisen Kaisha, Ltd., and Nippon Yusen Kabushiki Kaisha established the below holding company and operating company, based on the business integration contract and the shareholders agreement on October 31, 2016 to integrate the container shipping businesses (including worldwide terminal operation businesses outside Japan) of all three companies.
These two companies started their services on April 1, 2018.

Overview of New Companies
I. Holding Company

Company name	Ocean Network Express Holdings, Ltd.	
Amount of Capital	¥50 million ($470 thousand)	
Shareholders/Contribution Ratio	Kawasaki Kisen Kaisha, Ltd.	31%
	Nippon Yusen Kabushiki Kaisha	38%
	The Company	31%
Location	Tokyo, Japan	
Date of Establishment	July 7, 2017	

II. Operating Company

Company name	Ocean Network Express Pte. Ltd.	
Amount of Capital	US$800 million	
Shareholders/Contribution Ratio	Kawasaki Kisen Kaisha, Ltd.	31%
	Nippon Yusen Kabushiki Kaisha	38%
	The Company (including indirect investment)	31%
Location	Singapore	
Date of Establishment	July 7, 2017	

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 bank 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, 2018 were the following;

	Millions of yen		
	Book value	Fair value	Difference
Assets			
Cash and cash equivalents	¥ 189,591	¥ 189,591	¥ —
Time deposits with a maturity of more than three months	3,705	3,705	—
Trade receivables	125,851	125,851	—
Short-term loans receivable	16,735	16,735	—
Investment securities			
Available-for-sale securities	106,775	106,775	—
Investments in unconsolidated subsidiaries and affiliated companies	2,915	3,099	184
Long-term loans receivable (*1)	74,661	76,789	2,128
Total	¥ 520,236	¥ 522,549	¥ 2,313
Liabilities			
Trade payables	¥ 131,405	¥ 131,405	¥ —
Short-term bank loans	98,589	98,589	—
Commercial paper	5,000	5,000	—
Bonds (*2)	207,620	209,668	2,048
Long-term bank loans (*3)	788,895	801,041	12,146
Total	¥1,231,509	¥1,245,705	¥14,195
Derivative financial instruments (*4)	¥ 8,615	¥ 8,484	¥ (131)

	Thousands of U.S. dollars (Note 1)		
	Book value	Fair value	Difference
Assets			
Cash and cash equivalents	$ 1,784,553	$ 1,784,553	$ —
Time deposits with a maturity of more than three months	34,873	34,873	—
Trade receivables	1,184,591	1,184,591	—
Short-term loans receivable	157,520	157,520	—
Investment securities			
Available-for-sale securities	1,005,035	1,005,035	—
Investments in unconsolidated subsidiaries and affiliated companies	27,437	29,169	1,731
Long-term loans receivable (*1)	702,757	722,788	20,030
Total	$ 4,896,799	$ 4,918,571	$ 21,771
Liabilities			
Trade payables	$ 1,236,869	$ 1,236,869	$ —
Short-term bank loans	927,983	927,983	—
Commercial paper	47,063	47,063	—
Bonds (*2)	1,954,254	1,973,531	19,277
Long-term bank loans (*3)	7,425,592	7,539,919	114,326
Total	$11,591,763	$11,725,385	$133,612
Derivative financial instruments (*4)	$ 81,089	$ 79,856	$ (1,233)

*1 The book value of long-term loans receivable includes current portion amounting to ¥1,257 million ($11,831 thousand).
*2 The book value of bonds includes current portion amounting to ¥31,872 million ($300,000 thousand).
*3 The book value of long-term bank loans includes current portion amounting to ¥81,950 million ($771,366 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, 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	3,101	3,101	—
Trade receivables	130,420	130,420	—
Short-term loans receivable	17,262	17,262	—
Investment securities			
Available-for-sale securities	98,675	98,675	—
Long-term loans receivable (*1)	70,799	74,695	3,896
Total	¥ 507,103	¥ 510,999	¥ 3,896
Liabilities			
Trade payables	¥ 125,118	¥ 125,118	¥ —
Short-term bank loans	39,163	39,163	—
Bonds (*2)	230,595	231,949	1,354
Long-term bank loans (*3)	832,154	849,862	17,708
Total	¥1,227,031	¥1,246,094	¥19,063
Derivative financial instruments (*4)	¥ 18,745	¥ 18,592	¥ (153)

*1 The book value of long-term loans receivable includes current portion amounting to ¥8,002 million.
*2 The book value of bonds includes current portion amounting to ¥20,000 million.
*3 The book value of long-term bank loans includes current portion amounting to ¥93,991 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 as 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 interest 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
	2018	2017	2018
Unlisted stocks	¥ 7,782	¥ 7,662	$ 73,249
Investments in unconsolidated subsidiaries and affiliated companies	157,043	125,628	1,478,190
Others	9	11	84
Total	¥164,836	¥133,302	$1,551,543

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, 2018, 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	¥189,591	¥ —	¥ —	¥ —
Time deposits with a maturity of more than three months	3,705	—	—	—
Trade receivables	125,851	—	—	—
Short-term loans receivable	16,735	—	—	—
Marketable securities and investments securities				
Available-for-sale securities (Governmental/municipal bonds)	—	10	—	—
Available-for-sale securities (Corporate bonds)	—	200	—	—
Long-term loans receivable	1,257	2,787	11,048	59,568
Total	¥337,141	¥2,997	¥11,048	¥59,568

	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	$1,784,553	$ —	$ —	$ —
Time deposits with a maturity of more than three months	34,873	—	—	—
Trade receivables	1,184,591	—	—	—
Short-term loans receivable	157,520	—	—	—
Marketable securities and investments securities				
Available-for-sale securities (Governmental/municipal bonds)	—	94	—	—
Available-for-sale securities (Corporate bonds)	—	1,882	—	—
Long-term loans receivable	11,831	26,233	103,990	560,692
Total	$3,173,390	$28,209	$103,990	$560,692

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	3,101	—	—	—
Trade receivables	130,420	—	—	—
Short-term loans receivable	17,262	—	—	—
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	53,158
Total	¥345,631	¥4,063	¥5,785	¥53,158

4. SECURITIES

A. The following tables summarize acquisition costs, book values and fair values of securities with available fair values at March 31, 2018 and 2017.

Available-for-sale securities:

Securities with book values exceeding acquisition costs at March 31, 2018

	Millions of yen		
Type	Acquisition cost	Book value	Difference
Equity securities	¥43,384	¥96,449	¥53,065
Bonds			
Governmental/municipal bonds	10	10	0
Corporate bonds	200	208	8
Total	¥43,594	¥96,668	¥53,073

	Thousands of U.S. dollars (Note 1)		
Type	Acquisition cost	Book value	Difference
Equity securities	$408,358	$907,840	$499,482
Bonds			
Governmental/municipal bonds	94	94	0
Corporate bonds	1,882	1,957	75
Total	$410,335	$909,902	$499,557

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

	Millions of yen		
Type	Acquisition cost	Book value	Difference
Equity securities	¥43,974	¥89,266	¥45,291
Bonds			
Governmental/municipal bonds	10	10	0
Corporate bonds	200	211	11
Total	¥44,184	¥89,488	¥45,303

Securities with book values not exceeding acquisition costs at March 31, 2018

	Millions of yen		
Type	Acquisition cost	Book value	Difference
Equity securities	¥11,353	¥10,107	¥(1,245)
Total	¥11,353	¥10,107	¥(1,245)

	Thousands of U.S. dollars (Note 1)		
Type	Acquisition cost	Book value	Difference
Equity securities	$106,861	$95,133	$(11,718)
Total	$106,861	$95,133	$(11,718)

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

	Millions of yen		
Type	Acquisition cost	Book value	Difference
Equity securities	¥11,065	¥9,186	¥(1,878)
Total	¥11,065	¥9,186	¥(1,878)

B. Total sales of available-for-sale securities sold in the years ended March 31, 2018 and 2017 and the related gains and losses were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Proceeds from sales	¥1,145	¥3,346	$10,777
Gross realized gains	687	2,249	6,466
Gross realized losses	3	406	28

C. Impairment losses of securities

For the year ended March 31, 2018, the Company reduced the book value on the securities and booked the reductions as impairment losses of ¥255 million ($2,400 thousand).

For the year ended March 31, 2017, the Company reduced the book value on the securities and booked the reductions as impairment losses of ¥12 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 as at March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Fuel and supplies	¥37,483	¥34,684	$352,814
Others	1,196	1,674	11,257
Total	¥38,679	¥36,358	$364,071

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, 2018 and 2017, for which hedge accounting has not been applied.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
(1) Currency related:			
Forward currency exchange contracts			
Sell (U.S. dollar):			
Contracts outstanding	¥749	¥1,563	$7,050
Fair values	3	5	28
Buy (U.S. dollar):			
Contracts outstanding	¥ 32	¥ 41	$ 301
Fair values	(0)	0	0
Buy (Others):			
Contracts outstanding	¥ 23	¥ 24	$ 216
Fair values	0	(0)	0

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
(2) Interest related			
Interest rate swaps			
Receive floating, pay fixed			
Contracts outstanding	¥19,721	¥22,825	$185,626
Fair values	(993)	(1,684)	(9,346)
Receive fixed, pay floating			
Contracts outstanding	¥14,202	¥15,590	$133,678
Fair values	(881)	(615)	(8,292)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
(3) Others			
a. Fuel oil swaps			
Receive floating, pay fixed			
Contracts outstanding	¥ —	¥ 375	$ —
Fair values	—	(167)	—
b. Freight futures			
Contracts outstanding	¥205	¥ 239	$1,929
Fair values	28	(7)	263

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, 2018 and 2017, for which hedge accounting has been applied.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
(1) Deferred hedge accounting			
a. Forward currency exchange contracts to hedge the risk for the foreign currency transactions			
Sell (U.S. dollar):			
Contracts outstanding	¥ 48,752	¥ 67,676	$ 458,885
Fair values	148	136	1,393
Buy (U.S. dollar):			
Contracts outstanding	¥ 32,175	¥ 62,955	$ 302,852
Fair values	(398)	(989)	(3,746)
b. Currency swaps contracts to hedge the risk for charterages			
Sell (U.S. dollar):			
Contracts outstanding	¥ 3,126	¥ 5,078	$ 29,423
Fair values	(441)	(906)	(4,150)
Buy (U.S. dollar):			
Contracts outstanding	¥183,823	¥164,416	$1,730,261
Fair values	25,498	40,852	240,003
c. Interest rate swaps to hedge the risk for the long-term bank loans and charterages			
Receive floating, pay fixed			
Contracts outstanding	¥247,064	¥282,032	$2,325,527
Fair values	(15,025)	(18,207)	(141,425)
d. Interest rate caps to hedge the risk for the long-term bank loans			
Buy			
Contracts outstanding	¥ 20,567	¥ 23,892	$ 193,589
Fair values	77	(47)	724
e. Fuel oil swaps to hedge the risk for the fuel oil			
Receive floating, pay fixed			
Contracts outstanding	¥ 2,935	¥ 5,917	$ 27,626
Fair values	593	378	5,581
f. Freight futures to hedge the risk for the freight			
Contracts outstanding	¥ 37	¥ —	$ 348
Fair values	7	—	65

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
(2) Special treatment			
Interest rate swaps to hedge the risk for the long-term bank loans			
Receive floating, pay fixed			
Contracts outstanding	¥20,450	¥20,617	$192,488
Fair values	—	—	—

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
(3) Allocation method			
Currency swaps to hedge the risk for the foreign bonds and long-term bank loans			
Contracts outstanding	¥1,943	¥6,285	$18,288
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. Interest rate swaps which special treatment are applied to are recorded as the combined amount of such interest rate swaps and their hedge items. Therefore, their fair values are included in fair values of such hedge items.
3. 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, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Short-term bank loans	¥ 98,589	¥39,163	$927,984
Commercial paper	5,000	—	47,063
Total	¥103,589	¥39,163	$975,047

Average interest rates on short-term bank loans at March 31, 2018 and 2017 were 1.49% and 0.88%, respectively.
Average interest rates on commercial paper at March 31, 2018 were –0.02%.

(2) LONG-TERM DEBT

Long-term debt at March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Bonds:			
0.461% yen bonds due July 12, 2017	¥ —	¥ 20,000	$ —
0.000% U.S. dollars bonds due April 24, 2018(*)	31,872	33,657	300,000
1.999% yen bonds due May 27, 2019	18,500	18,500	174,134
1.673% yen bonds due September 13, 2019	10,000	10,000	94,126
0.000% U.S. dollars bonds due April 24, 2020(*)	21,248	22,438	200,000
1.398% yen bonds due May 28, 2020	15,000	15,000	141,189
1.361% yen bonds due June 21, 2021	17,800	17,800	167,545
1.652% yen bonds due May 27, 2022	5,000	5,000	47,063
1.139% yen bonds due July 12, 2022	8,700	8,700	81,890
1.071% yen bonds due January 23, 2023	10,000	10,000	94,126
0.845% yen bonds due March 4, 2024	15,000	15,000	141,189
0.970% yen bonds due June 19, 2024	29,500	29,500	277,673
0.803% yen bonds due March 3, 2025	15,000	15,000	141,189
0.850% yen bonds due December 15, 2031	10,000	10,000	94,126
Long-term bank loans due within one year:			
Long-term bank loans due within one year at average interest rate of 1.50% and 1.22% at March 31, 2018 and 2017, respectively	81,950	93,991	771,367
Long-term bank loans due after one year:			
Long-term bank loans due through 2076 at average interest rate of 2.00% and 1.73% at March 31, 2018 and 2017, respectively	706,944	738,163	6,654,217
	996,514	1,062,749	9,379,838
Amount due within one year	113,822	113,991	1,071,367
	¥882,692	¥ 948,758	$8,308,471

* 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.$53.10 per share	U.S.$47.80 per share

At March 31, 2018, the aggregate annual maturity of long-term debt was as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars (Note 1)
2019	¥113,822	$1,071,366
2020	120,299	1,132,332
2021	113,124	1,064,796
2022	111,673	1,051,138
2023	78,228	736,332
2024 and thereafter	459,365	4,323,842
Total	¥996,514	$9,379,838

(3) ASSETS PLEDGED AND SECURED DEBT

At March 31, 2018 and 2017, the following assets were pledged as collateral for short-term debt and long-term debt.

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets pledged	2018	2017	2018
Vessels	¥240,140	¥216,193	$2,260,353
Vessels and other property under construction	16,042	—	150,997
Investment securities	55,779	83,029	525,028
Total	¥311,962	¥299,222	$2,936,389

	Millions of yen		Thousands of U.S. dollars (Note 1)
Secured debt	2018	2017	2018
Long-term bank loans due within one year	¥ 14,288	¥ 12,175	$ 134,487
Long-term bank loans due after one year	185,856	160,119	1,749,397
Total	¥200,144	¥172,294	$1,883,885

8. COMMITMENTS AND CONTINGENT LIABILITIES

(A) COMMITMENT

At March 31, 2018 and 2017, 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)
	2018	2017	2018
Total loan limits	¥15,404	¥16,267	$144,992
Loan executions	15,404	16,267	144,992
The nonexercised portion of loan commitments	¥ —	¥ —	$ —

(B) CONTINGENT LIABILITIES

At March 31, 2018 and 2017, 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 ¥132,844 million ($1,250,414 thousand) and ¥159,430 million, respectively.

U.S. dollars-denominated liabilities were included in the above amount, which were $1,112,045 thousand and $1,260,875 thousand 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, 2018 and 2017 were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
Balance at April 1, 2016	1,206,286	10,222
Increase during the year	—	84
Decrease during the year	—	(75)
Balance at March 31 and April 1, 2017	1,206,286	10,231
Increase during the year	—	72
Decrease during the year(*)	(1,085,657)	(9,269)
Balance at March 31, 2018	120,628	1,034

* The Company consolidated its common shares (ten shares into one shares), effective October 1, 2017.

(B) SHARE SUBSCRIPTION RIGHTS

Share subscription rights at March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Stock options	¥2,026	¥2,447	$19,070
Total	¥2,026	¥2,447	$19,070

(C) DIVIDENDS

(1) Dividends paid for the year ended March 31, 2018 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Approved at the board of directors held on October 31, 2017	¥1,196	$11,257
Total	¥1,196	$11,257

(2) Dividends included in the retained earnings at March 31, 2018 and to be paid in subsequent periods were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Approved at the shareholders' meeting held on June 26, 2018	¥1,195	$11,248
Total	¥1,195	$11,248

10. BREAKDOWN OF LOSS RELATED TO BUSINESS RESTRUCTURING

For the year ended March 31, 2018, in relation to the integration of the container shipping businesses, the Company recognized loss related to business restructuring, which was consisted of ¥4,412 million ($41,528 thousand) for temporary cost relating to the liquidation of the Company's agencies, ¥64,280 million ($605,045 thousand) for losses related to charter contracts, and ¥4,783 million ($45,020 thousand) for other losses.

11. LEASES

AS LESSEE:

FUTURE LEASE PAYMENTS UNDER OPERATING LEASES FOR ONLY NON-CANCELABLE CONTRACTS AT MARCH 31, 2018 AND 2017:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Amount due within one year	¥ 34,784	¥ 45,021	$ 327,409
Amount due after one year	255,730	284,385	2,407,097
Total	¥290,515	¥329,407	$2,734,516

AS LESSOR:

FUTURE LEASE INCOME UNDER OPERATING LEASES FOR ONLY NON-CANCELABLE CONTRACTS AT MARCH 31, 2018 AND 2017:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Amount due within one year	¥16,008	¥17,716	$150,677
Amount due after one year	34,630	34,958	325,960
Total	¥50,639	¥52,674	$476,647

12. 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:

	Millions of yen		Thousands of U.S. dollars (Note 1)
For the year ended March 31	2018	2017	2018
Book value			
Balance at beginning of the year	¥304,566	¥311,092	$2,866,773
Changes during the year	(4,963)	(6,525)	(46,714)
Balance at end of the year	299,603	304,566	2,820,058
Fair value at end of the year	471,023	458,710	4,433,574

Notes: 1. Book value is the acquisition cost, net of accumulated depreciation.
2. Of changes during the year ended March 31, 2017, the primary decrease was mainly due to the depreciation of existing properties (¥7,292 million).
3. Of changes during the year ended March 31, 2018, the primary increase was mainly due to the additional acquisition of land for provisionally named "Akihabara project" (¥546 million ($5,139 thousand)), while the primary decrease was mainly due to the depreciation of existing properties (¥6,834 million ($64,326 thousand)).
4. Fair value is mainly based on the amount appraised by outside independent real estate appraisers.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Rental revenue	¥30,869	¥30,245	$290,559
Rental expense	17,815	17,844	167,686
Difference	¥13,054	¥12,400	$122,872

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."

13. SEGMENT AND RELATED INFORMATION

(A) SEGMENT INFORMATION:

	Millions of yen									
	Reportable segment									
			Product Transport Business							
For the year ended March 31, 2018:	Dry Bulk Business	Energy Transport Business	Container Ships	Car Carries, Ferries and Coastal RoRo Ships	Associated businesses	Sub Total	Others	Total	Adjustment and elimination	Consolidated
1. Revenues:										
(1) Revenues from customers	¥272,956	¥262,245	¥749,714	¥261,171	¥ 90,095	¥1,636,184	¥ 16,208	¥1,652,393	¥ —	¥1,652,393
(2) Inter-segment revenues	3	8,712	1,909	234	28,366	39,226	6,305	45,531	(45,531)	—
Total revenues	¥272,960	¥270,957	¥751,624	¥261,406	¥118,462	¥1,675,410	¥ 22,514	¥1,697,925	¥ (45,531)	¥1,652,393
Segment income (loss)	¥ 15,414	¥ 13,633	¥ (10,691)	¥ 4,363	¥ 12,657	¥ 35,378	¥ 2,601	¥ 37,980	¥ (6,506)	¥ 31,473
Segment assets	¥341,638	¥866,429	¥384,612	¥263,983	¥422,008	¥2,278,672	¥347,336	¥2,626,008	¥(400,372)	¥2,225,636
2. Others										
Depreciation and amortization	¥ 11,749	¥ 37,105	¥ 11,525	¥ 15,758	¥ 9,143	¥ 85,282	¥ 361	¥ 85,644	¥ 985	¥ 86,629
Amortization of goodwill	—	22	0	—	159	182	—	182	—	182
Interest income	1,152	4,565	1,126	116	44	7,005	2,928	9,933	(1,957)	7,976
Interest expense	2,863	13,190	1,581	1,221	1,331	20,189	1,951	22,141	(1,727)	20,413
Equity in earnings (losses) of affiliated companies, net	(4,507)	8,240	(6,808)	377	277	(2,421)	(1,007)	(3,428)	—	(3,428)
Loss related to business restructuring	—	—	73,476	—	—	73,476	—	73,476	—	73,476
Investment in affiliates	15,784	84,547	35,751	2,776	2,218	141,078	369	141,448	—	141,448
Increase in vessels, property and equipment and intangible assets	5,912	87,430	21,735	26,773	5,967	147,819	763	148,582	612	149,195

	Thousands of U.S. dollars (Note 1)									
	Reportable segment									
			Product Transport Business							
For the year ended March 31, 2018:	Dry Bulk Business	Energy Transport Business	Container Ships	Car Carries, Ferries and Coastal RoRo Ships	Associated businesses	Sub Total	Others	Total	Adjustment and elimination	Consolidated
1. Revenues:										
(1) Revenues from customers	$2,569,239	$2,468,420	$7,056,795	$2,458,311	$ 848,032	$15,400,828	$ 152,560	$15,553,397	$ —	$15,553,397
(2) Inter-segment revenues	28	82,003	17,968	2,202	266,999	369,220	59,346	428,567	(428,567)	—
Total revenues	$2,569,277	$2,550,423	$7,074,774	$2,460,523	$1,115,041	$15,770,048	$ 211,916	$15,981,974	$ (428,567)	$15,553,397
Segment income (loss)	$ 145,086	$ 128,322	$ (100,630)	$ 41,067	$ 119,135	$ 333,000	$ 24,482	$ 357,492	$ (61,238)	$ 296,244
Segment assets	$3,215,719	$8,155,393	$3,620,218	$2,484,779	$3,972,213	$21,448,343	$3,269,352	$24,717,695	$(3,768,561)	$20,949,134
2. Others										
Depreciation and amortization	$ 110,589	$ 349,256	$ 108,480	$ 148,324	$ 86,059	$ 802,729	$ 3,397	$ 806,137	$ 9,271	$ 815,408
Amortization of goodwill	—	207	0	—	1,496	1,713	—	1,713	—	1,713
Interest income	10,843	42,968	10,598	1,091	414	65,935	27,560	93,495	(18,420)	75,075
Interest expense	26,948	124,152	14,881	11,492	12,528	190,032	18,364	208,405	(16,255)	192,140
Equity in earnings (losses) of affiliated companies, net	(42,422)	77,560	(64,081)	3,548	2,607	(22,788)	(9,478)	(32,266)	—	(32,266)
Loss related to business restructuring	—	—	691,603	—	—	691,603	—	691,603	—	691,603
Investment in affiliates	148,569	795,811	336,511	26,129	20,877	1,327,917	3,473	1,331,400	—	1,331,400
Increase in vessels, property and equipment and intangible assets	55,647	822,948	204,583	252,004	56,165	1,391,368	7,181	1,398,550	5,760	1,404,320

	Millions of yen									
	Reportable segment									
			Product Transport Business							
For the year ended March 31, 2017:	Dry Bulk Business	Energy Transport Business	Container Ships	Car Carries, Ferries and Coastal RoRo Ships	Associated businesses	Sub Total	Others	Total	Adjustment and elimination	Consolidated
1. Revenues:										
(1) Revenues from customers	¥267,864	¥257,834	¥620,714	¥250,648	¥ 90,025	¥1,487,087	¥ 17,286	¥1,504,373	¥ —	¥1,504,373
(2) Inter-segment revenues	14	8,378	1,816	181	27,518	37,909	6,658	44,568	(44,568)	—
Total revenues	¥267,879	¥266,212	¥622,531	¥250,830	¥117,543	¥1,524,997	¥ 23,944	¥1,548,941	¥ (44,568)	¥1,504,373
Segment income (loss)	¥ 11,977	¥ 26,499	¥ (32,864)	¥ 4,839	¥ 12,337	¥ 22,789	¥ 2,051	¥ 24,840	¥ 585	¥ 25,426
Segment assets	¥371,411	¥845,984	¥388,029	¥265,906	¥415,399	¥2,286,731	¥371,328	¥2,658,060	¥(440,531)	¥2,217,528
2. Others										
Depreciation and amortization	¥ 12,944	¥ 36,958	¥ 12,130	¥ 14,134	¥ 9,395	¥ 85,564	¥ 433	¥ 85,997	¥ 1,192	¥ 87,190
Amortization of goodwill	—	21	0	—	164	185	0	186	—	186
Interest income	846	3,295	895	36	43	5,117	2,119	7,236	(1,318)	5,918
Interest expense	3,163	11,589	1,728	1,279	1,436	19,197	1,076	20,274	(1,237)	19,037
Equity in earnings (losses) of affiliated companies, net	(4,550)	10,341	(4)	360	226	6,373	(829)	5,543	—	5,543
Investment in affiliates	19,053	75,474	12,635	2,448	2,139	111,750	1,049	112,799	—	112,799
Increase in vessels, property and equipment and intangible assets	13,709	63,617	28,307	30,011	4,937	140,584	253	140,838	955	141,793

*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 –¥6,506 million ($61,238 thousand) include the following: –¥11,610 million (–$109,280 thousand) of corporate profit which is not allocated to segments, ¥5,998 million ($56,457 thousand) of adjustment for management accounting and –¥895 million (–$8,424 thousand) of inter-segment transaction elimination.
(2) Adjustment in Segment assets of –¥400,372 million (–$3,768,561 thousand) include the following: ¥12,378 million ($116,509 thousand) of assets which are not allocated to segments and –¥412,750 million (–$3,885,071 thousand) of inter-segment transaction elimination.
(3) Adjustment in Depreciation and amortization of ¥985 million ($9,271 thousand) include the following: ¥985 million ($9,271 thousand) of depreciation of assets which are not allocated to segments.
(4) Adjustment in Interest income of –¥1,957 million (-$18,420 thousand) include the following: ¥3,263 million ($30,713 thousand) of interest income which is not allocated to segments and –¥5,221 million (–$49,143 thousand) of inter-segment transaction elimination.
(5) Adjustment in Interest expenses of –¥1,727 million (–$16,255 thousand) include the following: ¥7,270 million ($68,429 thousand) of interest expenses which are not allocated to segments, –¥3,773 million (–$35,513 thousand) of adjustment for management accounting and –¥5,223 million (–$49,162 thousand) of inter-segment transaction elimination.
(6) Adjustment in Increase of tangible / intangible fixed assets of ¥612 million ($5,760 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 income in the consolidated statements of operations.

*5. (1) Adjustment in Segment income (loss) of ¥585 million include the following: –¥4,578 million of corporate profit which is not allocated to segments, ¥6,312 million of adjustment for management accounting and –¥1,148 million of inter-segment transaction elimination.
(2) Adjustment in Segment assets of –¥440,531 million include the following: ¥14,715 million of assets which are not allocated to segments and –¥455,246 million of inter-segment transaction elimination.
(3) Adjustment in Depreciation and amortization of ¥1,192 million include the following: ¥1,192 million of depreciation of assets which are not allocated to segments.
(4) Adjustment in Interest income of –¥1,318 million include the following: ¥2,522 million of interest income which is not allocated to segments and –¥3,840 million of inter-segment transaction elimination.
(5) Adjustment in Interest expenses of –¥1,237 million include the following: ¥5,604 million of interest expenses which are not allocated to segments, –¥2,999 million of adjustment for management accounting and –¥3,842 million of inter-segment transaction elimination.
(6) Adjustment in Increase of tangible/intangible fixed assets of ¥955 million is increase of tangible/intangible fixed assets which are not allocated to segments.

*6. As a result of the reorganization implemented on April 1, 2017, we changed the business domains from "Bulkships," "Containerships," "Ferries and Coastal RoRo Ships" and "Associated Businesses" to "Dry Bulk Business," "Energy Transport Business," "Product Transport Business" and "Associated Businesses." The following figures for the fiscal year ended March 31,2017 are restated by performing reclassification to conform to the business domains in the fiscal year ended March 31, 2018.

(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, 2018:	Japan	North America	Europe	Asia	Others	Consolidated
Revenues	¥1,442,585	¥31,806	¥39,369	¥136,530	¥ 2,101	¥1,652,393
Vessels, property and equipment	¥ 984,611	¥45,382	¥ 2,955	¥219,260	¥38,720	¥1,290,929

	Thousands of U.S. dollars (Note 1)					
For the year ended March 31, 2018:	Japan	North America	Europe	Asia	Others	Consolidated
Revenues	$13,578,548	$299,378	$370,566	$1,285,109	$ 19,775	$15,553,397
Vessels, property and equipment	$ 9,267,799	$427,164	$ 27,814	$2,063,817	$364,457	$12,151,063

	Millions of yen					
For the year ended March 31, 2017:	Japan	North America	Europe	Asia	Others	Consolidated
Revenues	¥1,264,121	¥27,570	¥32,195	¥180,063	¥ 422	¥1,504,373
Vessels, property and equipment	¥1,020,253	¥43,966	¥ 2,975	¥220,888	¥35,581	¥1,323,665

(2) Information about impairment loss by reportable segment:

	Millions of yen								
	Reportable segment								
			Product Transport Business						
For the year ended March 31, 2017:	Dry Bulk Business	Energy Transport Business	Container Ships	Car Carries, Ferries and Coastal RoRo Ships	Associated Businesses	Sub total	Others	Adjustment and elimination	Consolidated
Impairment loss	¥896	¥370	¥21,007	¥—	¥—	¥22,273	¥—	¥—	¥22,273

Note: There was no material impairment loss for the year ended March 31, 2018.

(3) Information about goodwill by reportable segment:

	Millions of yen								
	Reportable segment								
			Product Transport Business						
For the year ended March 31, 2018:	Dry Bulk Business	Energy Transport Business	Container Ships	Car Carries, Ferries and Coastal RoRo Ships	Associated Businesses	Sub total	Others	Adjustment and elimination	Consolidated
Goodwill at the end of current year	¥—	¥44	¥—	¥—	¥1,845	¥1,890	¥—	¥—	¥1,890

	Thousands of U.S. dollars (Note 1)								
	Reportable segment								
			Product Transport Business						
For the year ended March 31, 2018:	Dry Bulk Business	Energy Transport Business	Container Ships	Car Carries, Ferries and Coastal RoRo Ships	Associated Businesses	Sub total	Others	Adjustment and elimination	Consolidated
Goodwill at the end of current year	$—	$414	$—	$—	$17,366	$17,789	$—	$—	$17,789

For the year ended March 31, 2017:	Millions of yen: Reportable segment: Dry Bulk Business	Product Transport Business: Energy Transport Business	Container Ships	Car Carries, Ferries and Coastal RoRo Ships	Associated Businesses	Sub total	Others	Adjustment and elimination	Consolidated
Goodwill at the end of current year	¥—	¥66	¥0	¥—	¥2,073	¥2,140	¥—	¥—	¥2,140

14. 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 years ended March 31, 2017 and 2018.

(A) Significant components of deferred tax assets and liabilities at March 31, 2018 and 2017 were as follows:

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2018
Deferred tax assets:			
Operating loss carried forward	¥ 76,701	¥ 70,898	$ 721,959
Write-down of securities and other investments	1,038	757	9,770
Reserve for bonuses expenses	1,414	1,338	13,309
Impairment loss	16,423	20,873	154,583
Excess bad debt expenses	784	585	7,379
Net defined benefit liabilities	4,327	4,696	40,728
Retirement allowances for directors	497	486	4,678
Unrealized gain on sale of fixed assets	1,397	1,302	13,149
Provision for loss on business liquidation	—	784	—
Provision for contract loss	19,461	390	183,179
Provision for loss related to business restructuring	1,827	—	17,196
Unrealized gains on hedging derivatives	17,115	20,207	161,097
Transfer of charters from subsidiaries and affiliates	5,542	8,694	52,164
Deemed dividends	11,223	11,223	105,638
Others	8,876	7,162	83,546
Total deferred tax assets	166,632	149,402	1,568,448
Valuation allowance	(158,808)	(141,743)	(1,494,804)
Net deferred tax assets	7,823	7,659	73,635
Deferred tax liabilities:			
Reserve deductible for tax purposes when appropriated for deferred gain on real properties	(2,523)	(2,564)	(23,748)
Reserve deductible for tax purposes when appropriated for special depreciation	(837)	(722)	(7,878)
Unrealized holding gains on available-for-sale securities	(17,828)	(15,332)	(167,808)
Gain on securities contributed to employee retirement benefit trust	(2,713)	(2,713)	(25,536)
Revaluation reserve	(16,991)	(17,059)	(159,930)
Retained earnings of consolidated subsidiaries	(6,910)	(7,706)	(65,041)
Unrealized gains on hedging derivatives	(8,493)	(11,968)	(79,941)
Others	(2,793)	(2,648)	(26,289)
Total deferred tax liabilities	(59,092)	(60,716)	(556,212)
Net deferred tax liabilities	¥ (51,268)	¥ (53,056)	$ (482,567)

(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 31,2018, is not stated as the Company recorded loss before income taxes.

15. 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 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2018
Balance at beginning of the year	¥46,752	¥46,769	$440,060
Service cost	1,776	1,768	16,716
Interest cost	409	407	3,849
Actuarial loss (gain)	(520)	(193)	(4,894)
Benefits paid	(2,057)	(1,998)	(19,361)
Balance at end of the year	¥46,361	¥46,752	$436,379

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Balance at beginning of the year	¥58,956	¥56,777	$554,932
Expected return on plan assets	1,179	1,135	11,097
Actuarial loss (gain)	2,265	2,773	21,319
Contributions paid by the employer	1,294	28	12,179
Benefits paid	(1,757)	(1,757)	(16,538)
Balance at end of the year	¥61,939	¥58,956	$583,010

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Balance at beginning of the year	¥9,259	¥10,158	$87,151
Retirement benefit costs	1,574	1,750	14,815
Benefits paid	(482)	(1,979)	(4,536)
Contributions paid by the employer	(676)	(682)	(6,362)
Increase in retirement benefit obligations from change of scope of consolidation	—	12	—
Balance at end of the year	¥9,676	¥ 9,259	$91,076

(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)
	2018	2017	2018
Funded retirement benefit obligations	¥ 54,642	¥ 54,257	$ 514,326
Plan assets	(72,310)	(68,910)	(680,628)
	(17,668)	(14,652)	(166,302)
Unfunded retirement benefit obligations	11,766	11,707	110,749
Total net liability (asset) for retirement benefits at end of the year	(5,902)	(2,944)	(55,553)
Liability for retirement benefits	12,909	12,445	121,507
Asset for retirement benefits	(18,811)	(15,390)	(177,061)
Total net liability (asset) for retirement benefits at end of the year	¥ (5,902)	¥ (2,944)	$ (55,553)

(5) RETIREMENT BENEFIT COSTS

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Service cost	¥ 1,776	¥ 1,768	$ 16,716
Interest cost	409	407	3,849
Expected return on plan assets	(1,179)	(1,135)	(11,097)
Net actuarial loss amortization	1,420	1,153	13,365
Retirement benefit costs calculated by the simplified method	1,574	1,750	14,815
Other	(79)	(23)	(743)
Total retirement benefit costs for the fiscal year	¥ 3,922	¥ 3,919	$ 36,916

(6) REMEASUREMENTS OF DEFINED BENEFIT PLANS

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Actuarial loss (gain)	¥4,206	¥4,118	$39,589

(7) ACCUMULATED REMEASUREMENTS OF DEFINED BENEFIT PLANS

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Unrecognized actuarial differences	¥8,276	¥4,070	$77,899

(8) PLAN ASSETS

1. Plan assets comprise:

	2018	2017
Equity securities	33%	31%
Bonds	22	26
Jointly invested assets	38	35
Cash and cash equivalents	7	8
Other	0	0
Total	100%	100%
Retirement benefit trust	29%	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, 2018 and 2017.

The rates of expected return on plan assets were mainly 2.0% for the years ended March 31, 2018 and 2017.

The expected rate of salary increase were mainly 0.5%–5.7% for the years ended March 31, 2018 and 2017.

(C) DEFINED CONTRIBUTION PLANS

The amounts of contributions to defined contribution plans were ¥689 million ($6,489 thousand) at March 31, 2018 and ¥649 million at March 31, 2017.

16. STOCK OPTIONS

(A) EXPENSED AMOUNT

Expensed amounts on stock options for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Selling, general and administrative expenses	¥171	¥88	$1,609
Total	¥171	¥88	$1,609

(B) TERMS AND CONDITIONS

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

	2007	2008	2009	2010
Number of grantees	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	Directors: 10 Executive officers: 21 Employees: 36 Presidents of the Company's domestic consolidated subsidiaries: 33
Number of stock options	Common stock 171,000	Common stock 176,000	Common stock 165,000	Common stock 171,000
Grant date	August 10, 2007	August 8, 2008	August 14, 2009	August 16, 2010
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, 2008 to June 21, 2017	From July 25, 2009 to June 24, 2018	From July 31, 2011 to June 22, 2019	From July 31, 2012 to June 21, 2020

	2011	2012	2013	2014
Number of grantees	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	Directors: 9 Executive officers: 19 Employees: 33 Presidents of the Company's domestic consolidated subsidiaries: 32
Number of stock options	Common stock 173,000	Common stock 164,000	Common stock 160,000	Common stock 148,000
Grant date	August 9, 2011	August 13, 2012	August 16, 2013	August 18, 2014
Vesting conditions	No provisions	No provisions	No provisions	No provisions
Service period	No provisions	No provisions	No provisions	No provisions
Exercise period	From July 26, 2013 to June 22, 2021	From July 28, 2014 to June 21, 2022	From August 2, 2015 to June 20, 2023	From August 2, 2016 to June 23, 2024

	2015	2016	2017
Number of grantees	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	Directors: 9 Executive officers: 18 Employees: 33 Presidents of the Company's domestic consolidated subsidiaries: 35
Number of stock options	Common stock 155,000	Common stock 158,000	Common stock 15,700
Grant date	August 17, 2015	August 15, 2016	August 15, 2017
Vesting conditions	No provisions	No provisions	No provisions
Service period	No provisions	No provisions	No provisions
Exercise period	From August 1, 2017 to June 20, 2025	From August 1, 2018 to June 19, 2026	From August 1, 2019 to June 25, 2027

Note: The Company consolidated its common shares (ten shares into one shares), effective October 1, 2017. The figures have been converted to the number after the consolidation.

(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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Balance at March 31, 2017	—	—	—	—	—	—	—	—	155,000	158,000	—
Options granted during the year	—	—	—	—	—	—	—	—	—	—	157,000
Options expired during the year	—	—	—	—	—	—	—	—	—	—	—
Options vested during the year	—	—	—	—	—	—	—	—	155,000	—	—
Balance at March 31, 2018	—	—	—	—	—	—	—	—	—	158,000	157,000

Vested stock options	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Balance at March 31, 2017	164,000	171,000	163,000	170,000	171,000	129,800	156,800	146,000	—	—	—
Options vested during the year	—	—	—	—	—	—	—	—	155,000	—	—
Options exercised during the year	—	—	—	—	—	13,000	—	2,000	800	—	—
Options expired during the year	164,000	—	—	—	—	—	—	2,000	—	—	—
Balance at March 31, 2018	—	171,000	163,000	170,000	171,000	116,800	156,800	142,000	154,200	—	—

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Exercise price	¥19,620	¥15,690	¥6,390	¥6,420	¥4,680	¥2,770	¥4,470	¥4,120	¥4,270	¥2,420	¥3,780
Average market price of share at exercise	—	—	—	—	—	¥3,642	—	¥3,100	¥3,100	—	—
Fair value per stock option at grant date	¥ 3,520	¥ 2,170	¥1,360	¥2,030	¥ 870	¥ 670	¥1,720	¥1,320	¥ 940	¥ 560	¥1,090

Note: The Company consolidated its common shares (ten shares into one shares), effective October 1, 2017. The figures have been converted to the number after the consolidation.

(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:

	2017
Stock price volatility	40.39%
Expected remaining term of the option	5 years and 11 months
Expected dividends	¥2 per share
Risk-free interest rate	(0.05)%

17. COMPREHENSIVE INCOME

For the years ended March 31, 2018 and 2017, 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)
	2018	2017	2018
Unrealized holding gains on available-for-sale securities, net of tax:			
Increase (Decrease) during the year	¥ 9,035	¥ 13,932	$ 85,043
Reclassification adjustments	(690)	(1,413)	(6,494)
Sub-total, before tax	8,344	12,518	78,539
Tax effect	(2,505)	(3,750)	(23,578)
	5,839	8,768	54,960
Unrealized gains on hedging derivatives, net of tax:			
Increase (Decrease) during the year	(5,972)	30,282	(56,212)
Reclassification adjustments	(19,954)	(19,502)	(187,820)
Adjustments of acquisition cost	(201)	166	(1,891)
Sub-total, before tax	(26,128)	10,945	(245,933)
Tax effect	3,725	2,124	35,062
	(22,402)	13,070	(210,862)
Foreign currency translation adjustments:			
Increase (Decrease) during the year	(767)	3,148	(7,219)
Reclassification adjustments	(5)	(684)	(47)
	(773)	2,463	(7,275)
Remeasurements of defined benefit plans:			
Increase (Decrease) during the year	2,785	2,965	26,214
Reclassification adjustments	1,420	1,153	13,365
Sub-total, before tax	4,206	4,118	39,589
Tax effect	(1,199)	(1,174)	(11,285)
	3,007	2,944	28,303
Share of other comprehensive income (loss) of associates accounted for using equity method:			
Decrease during the year	(1,997)	(1,521)	(18,797)
Reclassification adjustments	5,499	5,569	51,760
Adjustments of acquisition cost	—	52	—
	3,501	4,100	32,953
Total other comprehensive income (loss)	¥(10,828)	¥ 31,347	$(101,920)

18. RELATED PARTY TRANSACTIONS

For the year ended March 31, 2018

							Millions of yen				Thousands of U.S. dollars (Note 1)	
							Transactions during the year ended March 31, 2018		Balance at March 31, 2018		Transactions during the year ended March 31, 2018	Balance at March 31, 2018
Category	Name of company	Address	Paid-in capital	Business description	Ratio of the Group's voting rights	Relation with related party	Description of transaction(*1)	Transacted amount	Account	Amount	Transacted amount	Amount
Affiliated company	TARTARUGA MV29 B.V.	NETHERLANDS	US$110,000	Energy Transport Business	20.60%	Interlocking directorate Debt guarantee	Debt guarantee	¥35,170	—	—	$331,042	—
Affiliated company	Ocean Network Express Pte. Ltd	SINGAPORE	US$800,000,000	Container-ships	—(*2)	Interlocking directorate	Underwriting of capital increase	27,456	—	—	258,433	—

*1 Transaction conditions and policies to decide transaction conditions, etc.
(1) Transaction terms and the policy are decided based on the form of guarantees and other conditions.
(2) Underwriting of capital increase was carried out at US$10,000 per share.
*2 The Company owns 31% of the voting rights of Ocean Network Express Holdings, Ltd. and the said company is a holding company that owns 100% of the common shares of Ocean Network Express Pte. Ltd.

For the year ended March 31, 2017

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

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

Note about significant related parties

A significant affiliated company to be disclosed for the year ended March 31, 2018 was Ocean Network Express Pte. Ltd. and the summary of its financial statements was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017(*1)	2018
Total current assets	¥ 53,642	—	$ 504,913
Total non-current assets	25,924	—	244,013
Total current liabilities	12,668	—	119,239
Total non-current liabilities	5,231	—	49,237
Total net assets	61,666	—	580,440
Shipping and other revenues	26	—	244
Income (Loss) before income taxes	(23,325)	—	(219,550)
Net income (loss)	(23,325)	—	(219,550)

*1 Ocean Network Express Pte. Ltd. was a newly established company. Therefore the Company recognized Ocean Network Express Pte. Ltd. as a significant affiliated company from the year ended March 31, 2018.

19. SUBSEQUENT EVENT

(Additional investments in an equity-method affiliate of the Company)

As initially planned, the Company made an additional investment in its equity-method affiliate, Ocean Network Express Pte. Ltd. on April 2, 2018.

1. Overview of the equity-method affiliate of the Company

(1) Company name:	Ocean Network Express Pte. Ltd.
(2) Amount of Capital:	(before additional investments) US$800 million (after additional investments) US$3,000 million
(3) Shareholders/Contribution Ratio:	Kawasaki Kisen Kaisha, Ltd. 31% Nippon Yusen Kabushiki Kaisha 38% The Company 31% (including indirect investment) There has been no change in contribution ratios between before and after the additional contribution of capital.
(4) Location:	Singapore
(5) Date of Establishment:	July 7, 2017

2. Details of additional investments

(1) Amount of additional investments	US$2,200 million
(2) Amount of Capital after additional investments	US$3,000 million
(3) Execution date of additional investments	April 2, 2018

20. 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

Since 2012, the Group has been the subject of investigations by the antitrust authorities in the U.S. and other countries, on the suspicion of violations of each country's competition laws with respect to ocean transport services of completed build-up vehicles. In addition, a class-action lawsuit was filed in the U.S. and other countries against the Group, for damage claims, 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.

Independent Auditor's Report

KPMG

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, 2018, 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, 2018, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 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 26, 2018
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

The MOL Group

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

■ Consolidated Subsidiaries
▲ Affiliated Companies Accounted for by the Equity Method

			Registered Office	MOL's Voting Rights (%)*	Paid-In Capital (Thousands)
Dry Bulk Business	■	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 (66 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			
Energy Transport Business	■	Coconutland Maritime Inc.	Panama	100.00	US$5
	■	El Sol Shipping Ltd. S.A.	Panama	100.00	US$10
	■	Lakler S.A.	Uruguay	100.00	US$101,401
	■	MCGC International Ltd.	Bahamas	80.10	US$1
	■	MNN Holdings Inc.	Liberia	75.00	US$22,100
	■	MOG LNG Transport S.A.	Panama	100.00	¥200
	■	MOL Chemical Tankers Japan Co., Ltd.	Japan	100.00	¥100,000
	■	MOL Chemical Tankers Pte. Ltd.	Singapore	100.00	S$138,018
	■	MOL Coastal Shipping, Ltd.	Japan	100.00	¥650,000
	■	MOL LNG Transport Co., Ltd.	Japan	100.00	¥40,000
	■	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 (115 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	26.73	¥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 Fukurokuju Shipping Corp.	Bahamas	30.00	¥1,000
	▲	LNG Jurojin Shipping Corp.	Bahamas	30.00	¥1,000
	▲	Sepia MV30 B.V.	Netherlands	20.60	US$100
	▲	T.E.N. Ghana MV25 B.V.	Netherlands	20.00	€149,650
	▲	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	¥92,400
	▲	Trans Pacific Shipping 8 Ltd.	Bahamas	50.00	¥35,000
	▲	Viken MOL AS	Norway	50.00	US$18
	▲	Viken Shuttle AS	Norway	—	US$338
	▲	Shipowner/Chartering companies (48 companies) in Panama, Marshall Islands, Liberia, Hong Kong, Cayman Islands, Singapore, Indonesia, Cyprus, Bahamas and Malta			
Product Transport Business	■	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
	■	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. 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 (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 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
	■	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 Jacksonville, LLC.	U.S.A.	100.00	—
	■	TraPac, 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
	■	Utoc Transnet Corp.	Japan	100.00	¥90,000
	■	World Logistics Service (U.S.A.), Inc.	U.S.A.	100.00	US$200
	■	Shipowner/Chartering companies (52 companies) in Panama, Marshall Islands, Liberia, Hong Kong, Cayman Islands, Singapore and Isle of Man			
	■	Others (11 companies)			
	▲	Meimon Taiyo Ferry Co., Ltd.	Japan	40.33	¥880,000
	▲	Nippon Concept Corp.	Japan	15.00	¥600,440
	▲	Ocean Network Express Holdings, Ltd.	Japan	31.00	¥50,000
	▲	Ocean Network Express Pte. Ltd.	Singapore	—	US$800,000
	▲	PKT Logistics Group Sdn. Bhd.	Malaysia	20.86	MYR276,354
	▲	Rotterdam World Gateway B.V.	Netherlands	20.00	€14,018
	▲	Shanghai Kakyakusen Kaisha, Ltd.	Japan	31.98	¥100,000
	▲	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)			
Associated Businesses	■	Daibiru Corp.	Japan	51.07	¥12,227,847
	■	Daibiru CSB Co., Ltd.	Vietnam	99.00	VND349,000,000
	■	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	100.00	¥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
	■	Nishinihon 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
	■	White Lotus Properties Ltd.	British Virgin Islands	100.00	¥6,810,000
	■	Chartering company (1 company) in Panama			
	■	Other (1 company)			
	▲	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
Others	■	Euromol B.V.	Netherlands	100.00	€8,444
	■	Linkman Holdings Inc.	Liberia	100.00	US$3
	■	Mitsui O.S.K. Bulk Shipping (USA), LLC	U.S.A.	100.00	—
	■	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 (Asia Oceania) Pte. Ltd.	Singapore	100.00	S$2,350
	■	MOL (Europe Africa) Ltd.	U.K.	100.00	US$8,402
	■	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 Information Systems, Ltd.	Japan	100.00	¥100,000
	■	MOL Manning Service S.A.	Panama	100.00	US$3,889
	■	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 Treasury Management Pte. Ltd.	Singapore	100.00	US$2,000
	■	Shipowner/Chartering companies (2 companies) in Panama			
	▲	Other (1 company)			

* MOL's voting rights include voting rights of MOL and its subsidiaries

Worldwide Offices

JAPAN

Mitsui O.S.K. Lines, Ltd.

Head Office (Tokyo):	Tel: 81-3-3587-6224	Fax: 81-3-3587-7734
Nagoya Branch:	Tel: 81-52-564-7000	Fax: 81-52-569-1719
Kansai Branch:	Tel: 81-6-6446-6500	Fax: 81-6-6446-5503
Hiroshima Branch:	Tel: 81-82-252-6020	Fax: 81-82-254-0876
Kyushu Branch:	Tel: 81-92-262-0701	Fax: 81-92-262-0720

NORTH AMERICA

MOL (America) Inc.

Head Office (New Jersey):	Tel: 1-732-512-5200	Fax: 1-732-512-5300
Chicago:	Tel: 1-630-812-3700	Fax: 1-630-812-3703
Atlanta:	Tel: 1-678-855-7700	Fax: 1-678-855-7747

MOL (Canada) Inc.

Head Office (Toronto):	Tel: 1-905-629-5925	Fax: 1-905-629-5914

Mitsui O.S.K. Bulk Shipping (USA) LLC

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

MOL (Brasil) Ltda.

Head Office (Sao Paulo):	Tel: 55-11-3145-3980	Fax: 55-11-3145-3946

MOL (Chile) Ltda.

Head Office (Santiago):	Tel: 56-2-2630-1950	Fax: 56-2-2231-5622

MOL (Panama) Inc.

Head Office (Panama City):	Tel: 11-507-300-3200	Fax: 11-507-300-3212

MOL (PERU) S.A.C.

Head Office (Lima):	Tel: 51-1-611-9400	Fax: 51-1-611-9429

Mitsui O.S.K. Bulk Shipping (USA) LLC

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

MOL (Europe Africa) Ltd.

Head Office (London):	Tel: 44-20-3764-8000	Fax: 44-20-3764-8393
Brussels:	Tel: 32-2880-9856	
Hamburg:	Tel: 49-40-3609-7410	Fax: 49-40-8430-6105
Istanbul:	Tel: 90-2122514665/1501	Fax: 90-2128754666
Moscow:	Tel: 7-495-369-90-58	

AFRICA

MOL Ace South Africa (Pty) Ltd.

Head Office (Durban):	Tel: 27-31-580-2200	Fax: 27-86-660-3280

MIDDLE EAST

MOL Middle East FZE

Head Office (Dubai):	Tel: 971-4-8855488	Fax: 971-4-3292268

MOL (Asia Oceania) Pte. Ltd.

Doha:	Tel: 974-4-836541	Fax: 974-4-836563
Muscat:	Tel: 968-2440-0950	Fax: 968-2440-0953

OCEANIA

Mitsui O.S.K. Lines (Australia) Pty. Ltd.

Head Office (Sydney):	Tel: 61-2-9320-1600	Fax: 61-2-9320-1601

Mitsui O.S.K. Lines (New Zealand) Ltd.

Head Office (Auckland):	Tel: 64-9-300-5820	Fax: 64-9-309-1439

ASIA

MOL (Asia Oceania) Pte. Ltd.

Head Office (Singapore):	Tel: 65-6323-1303	Fax: 65-6323-1305
Kuala Lumpur:	Tel: 60-3-5623-9772	Fax: 60-3-5623-3107

Beijing Representative Office

	Tel: 86-10-85299121	Fax: 86-10-85299126

MOL (China) Co., Ltd.

Head Office (Shanghai):	Tel: 86-21-2320-6000	Fax: 86-21-2320-6331
Guangzhou:	Tel: 86-20-8348-6948	Fax: 86-20-8348-6246

MOL Hong Kong Ltd.

Head Office (Hong Kong):	Tel: 852-2823-6800	Fax: 852-2865-0906

MOL (Taiwan) Co., Ltd.

Head Office (Taipei):	Tel: 886-2-2537-8000	Fax: 886-2-2537-8098

MOL (Korea) Co., Ltd.

Head Office (Seoul):	Tel: 82-2-559-3001	Fax: 82-2-561-9490

P.T. Mitsui O.S.K. Lines Indonesia

Head Office (Jakarta):	Tel: 62-21-5288-0008	Fax: 62-21-5292-0920

Mitsui O.S.K. Lines (Thailand) Co., Ltd.

Head Office (Bangkok):	Tel: 66-2-234-6252	Fax: 66-2-237-9021

Mitsui O.S.K. Lines (Vietnam) Ltd.

Head Office (Ho Chi Minh):	Tel: 84-83-8219219	Fax: 84-83-8219317

MOL Bulk Shipping (India) Pvt. Ltd.

Head Office (Chennai):	Tel: 91-44-4861-5757	Fax: 91-44-4861-5757
Mumbai:	Tel: 91-22-4071-4500	Fax: 91-22-4071-4501

MOL Bulk Shipping (Philippines)

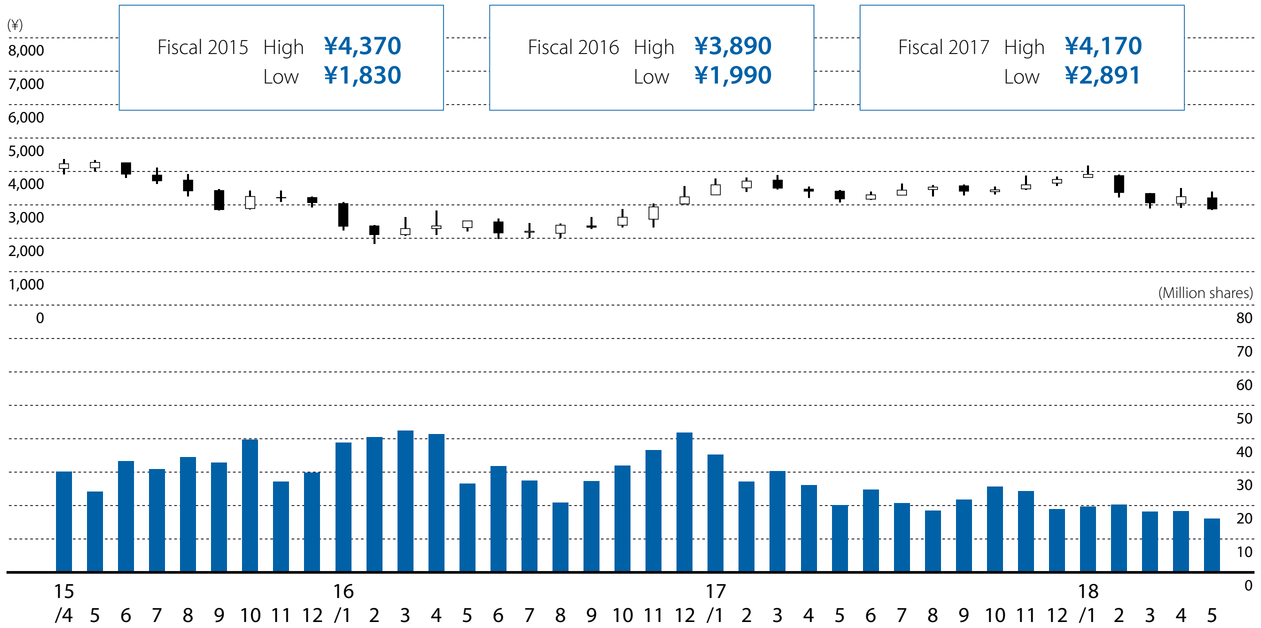
Manila:	Tel: 63-2-717-8621	Fax: 63-2-524-8132

Shareholder Information

Capital	¥65,400,351,028
Head office	1-1, Toranomon 2-chome, Minato-ku, Tokyo 105-8688, Japan
Number of MOL employees	975
Number of MOL Group employees (The parent company and consolidated subsidiaries)	10,828
Total number of shares authorized	315,400,000
Number of shares issued	120,628,611
Number of shareholders	86,927
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, Suginami-ku, Tokyo 168-0063, Japan
Communication materials	MOL Report (English/Japanese) Investor Guidebook (English/Japanese) Market Data (English/Japanese) News Releases (English/Japanese) Website (English/Japanese)

(As of March 31, 2018)

Stock Price Range (Tokyo Stock Exchange) and Volume of Stock Trade*



* The Company consolidated its common shares on the basis of one (1) unit for every ten (10) shares effective October 1, 2017. Figures of FY2015/FY2016 are calculated on the assumption that the consolidation of shares was conducted at the beginning of FY2015/FY2016.

For further information, please contact:

Investor Relations Team
Corporate Communication Division
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Printed in Japan