(Unaudited translation of ‘Kessan Tanshin’, provided for reference only)

July 31, 2017

Mitsui O.S.K. Lines,Ltd.

MOL

Financial Highlights: The First Quarter Ended June 30, 2017

1. Consolidated Financial Highlights (from April 1, 2017 to June 30, 2017)

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

(1) Operating Results

	Q1/FY2017 (¥Million)	Q1/FY2016 (¥Million)	Q1/FY2017 (US$ Thousand)
Revenues	403,284	360,079	3,600,750
Operating profit (loss)	1,147	(3,573)	10,241
Ordinary profit	5,885	733	52,545
Profit attributable to owners of parent	5,251	1,401	46,884
	(¥)	(¥)	(US$)
Net income per share	4.39	1.17	0.039
Diluted net income per share	4.06	1.08	0.036

(2) Financial Position

	Q1/FY2017 (¥Million)	FY2016 (¥Million)	Q1/FY2017 (US$ Thousand)
Total Assets	2,198,561	2,217,528	19,630,009
Total Net Assets	679,362	683,621	6,065,732
Shareholders' Equity / Total assets	25.8%	25.8%	
	(¥)	(¥)	(US$)
Shareholders' Equity per share	474.56	478.23	4.237

* Shareholders' Equity is defined as follows.
Shareholders' Equity = Total Net Assets - (Share subscription rights + Non-controlling interests)

2. Dividends

(¥)

	Dividend per share				
	Q1	Q2	Q3	Year end	Total
FY2016	—	2.00	—	0.00	2.00
FY2017	—				
FY2017 (Forecast)		1.00	—	10.00	—

* As the Company plans to implement consolidation of shares by consolidating common shares on the basis of one (1) unit for every ten (10) shares effective October 1, 2017, the forecasted year-end dividend per share for the fiscal year ending March 31, 2018 represents the amount with impacts from the consolidation of shares taken into consideration and the total annual dividend is indicated as “－.” The forecasted year-end dividend per share for the fiscal year ending March 31, 2018 in the case the consolidation of shares is not taken into consideration is ¥1.00, and the annual dividend per share is ¥2.00. For more details, please see “Statement on the Appropriate Use of Financial Forecasts and Other Special Remarks.”

3. Forecast for the Fiscal Year Ending March 31, 2018

	1H/FY2017 (¥Million)	FY2017 (¥Million)	FY2017 (US$ Thousand)
Revenues	820,000	1,615,000	14,655,172
Operating profit	10,000	18,000	163,339
Ordinary profit	16,000	25,000	226,860
Profit attributable to owners of parent	13,000	12,000	108,893
	(¥)	(¥)	(US$)
	1H/FY2017	FY2017	FY2017
Net income per share	108.69	100.33	0.910

* Net income (loss) per share in the forecast for the fiscal year ending March 31, 2018 reflects impacts from the consolidation of shares. For more details, please see “Statement on the Appropriate Use of Financial Forecasts and Other Special Remarks.”

* Underlying Assumption for FY2017 Forecast.
The above forecast is made assuming the exchange rate and the bunker price for FY2017 will be as follows.

Q2/FY2017
Exchange Rate 1US$=￥110.00 Bunker Price US$ 330/MT

2H/FY2017
Exchange Rate 1US$=￥110.00 Bunker Price US$ 330/MT

(Translation of foreign currencies)
The Japanese yen amounts for Q1/FY2017 have been translated into U.S. dollars using the prevailing exchange rate at June 30, 2017, which was ￥112.00 to U.S. $1.00, solely for the convenience of readers.
(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.)

(Statement on the Appropriate Use of Financial Forecasts and Other Special Remarks)

(Dividends and Consolidated Financial Forecasts after Consolidation of Shares)
The consolidation of shares was approved at the Ordinary General Meeting of Shareholders on June 27, 2017, and the Company plans to implement consolidation of shares by consolidating common shares on the basis of one (1) unit for every ten (10) shares effective October 1, 2017. The dividend and consolidated financial forecasts for the fiscal year ending March 31, 2018 without consolidation of shares taken into consideration are as follows:

1. Dividend Forecast for the Fiscal Year Ending March 31, 2018
   Dividend per share: second quarter-end: ¥1.00 (Note 1); fiscal year-end: ¥1.00 (Note 2)
2. Forecast for the Fiscal Year Ending March 31, 2018
   Net income (loss) per share: ¥10.87 for the six months and ¥10.03 for the full year

(Note 1) The dividend for the second quarter-end will be paid for the number of shares before the consolidation of shares.
(Note 2) The amount represents the dividend without the consolidation of shares taken into consideration.
(Note 3) The annual dividend for the fiscal year ending March 31, 2018 (without the consolidation of shares taken into consideration) is ¥2.00.

4. Business Performance

(Billions of Yen)

	Three months		Year-on-year comparison (variance)
	From Apr. 1, 2016 to Jun. 30, 2016	From Apr. 1, 2017 to Jun. 30, 2017	
Revenue	360.0	403.2	43.2 / 12.0 %
Operating profit (loss)	(3.5)	1.1	4.7 / – %
Ordinary profit (loss)	0.7	5.8	5.1 / 702.6 %
Profit/(loss) attributable to owners of parent	1.4	5.2	3.8 / 274.7 %
Exchange rate (three-month average)	¥110.31/US$	¥110.79/US$	¥0.48/US$
Bunker price (three-month average)	US$226/MT	US$319/MT	US$93/MT

In the global economy during the first three months of the fiscal year (FY) 2017 (April 1, 2017 to June 30, 2017), personal consumption in the U.S. continued to show a trend of recovery reflecting improvement in corporate earnings thanks to a pickup in domestic and overseas demand, and firmness in the employment and income environments. In the European economy, a firm recovery continued as uncertainties surrounding the business outlook subsided and gradual but stable growth was maintained, underpinned by steadily firm personal consumption. In China, although the slowdown in housing investment continued and adjustment of surplus facilities went into full swing, fiscal measures by the government such as infrastructural investment underpinned that country’s gradually slowing growth. In Japan, meanwhile, consumer sentiment is showing a trend of improvement, and while personal consumption is picking up, business activity continued on the track of moderate recovery.

Looking at the maritime shipping market conditions, in the dry bulker market, despite the prolonged impact of a cyclone in eastern Australia and downturn of cargo volume from Brazil, the market proceeded firmly, underpinned by robust demand for coal, and grain shipments from the east coast of South America. With respect to the very large crude oil carrier (VLCC) market, although an increase in cargo volume from western Africa requiring long-distance voyages contributed toward a temporary tightening of the balance between vessel supply and demand, the market has been proceeding at a weak level against a backdrop of the low-demand period from spring and the effect of the OPEC countries’ decision to reduce production spreading through the market. In the containership freight market, on the Asia-North America routes, we recorded the highest ever cargo volumes from Asia due to the robust U.S. economy, and on the Asia-Europe routes cargo volumes from Asia also proceeded steadily. Boosted by the strong demand, the spot freight rate market improved considerably year on year and annual contract freight rates showed an overall rise upon renewal.

The average exchange rate of Japanese yen against the U.S. dollar during the first three months depreciated by ¥0.48 year on year to ¥110.79. The average bunker price during the first three months rose by US$93/MT year on year to US$319/MT.

As a result of the above, we recorded revenue of ¥403.2 billion, operating profit of ¥1.1 billion, ordinary profit of ¥5.8 billion and profit attributable to owners of parent of ¥5.2 billion.

The following is a summary of business conditions including revenue and ordinary profit/loss per business segment.

Upper: Revenue, Lower: Segment Profit (Loss) (Ordinary Profit (Loss)) (Billions of Yen)

		Three months		Year-on-year comparison (variance)
		From Apr. 1, 2016 to Jun. 30, 2016	From Apr. 1, 2017 to Jun. 30, 2017	
Dry Bulk Business		63.0	69.3	6.3 / 10.0%
		1.5	4.8	3.3 / 219.7%
Energy Transport Business		64.5	66.7	2.1 / 3.3%
		7.0	3.4	(3.5) /(50.6)%
Product Transport Business	Containerships	147.2	180.2	33.0/ 22.4%
		(11.6)	(6.2)	5.3 / – %
	Car Carriers, Ferries and Coastal RoRo Ships	61.0	62.6	1.6 / 2.6 %
		0.7	1.3	0.5 / 71.4%
Associated Businesses		29.8	29.7	(0.1)/ (0.6)%
		3.1	3.7	0.6 / 21.8%
Others		6.2	5.7	(0.4)/ (7.6)%
		0.7	1.1	0.4 / 53.6%

Note: Revenue includes internal sales or transfers among segments.

(A) Dry Bulk Business

In the Capesize bulker market, although the market rate temporarily reached US$20,000 per day at the end of March, it thereafter continued to fall to US$7,000 level per day in June due partly to the prolonged impact of a cyclone in eastern Australia and the downturn of spot market for cargo from Brazil, resulting in an average market rate at the level of US$12,000 per day. The markets for Panamax or smaller dry bulkers proceeded firmly overall with stable grain shipments from the east coast of South America and the port congestions at loading and discharging ports due to poor weather, which tightened the vessel supply. The market rate for Panamax rose to US$12,000 level per day in mid-April, and despite temporary weakening during the period from May to mid-June due to vessel oversupply, the market rates proceeded in the upper range of US$8,000 per day on average from the period from mid-June onward, underpinned by increased coal demand and active grain cargo movements from the east coast of South America. Facing such market conditions, profit/loss improved in the mid- and small-sized bulkers business as a result of the Business Structural Reforms, and the dry bulker division increased its ordinary profit year on year.

(B) Energy Transport Business

<Tankers>

With respect to the very large crude oil carrier (VLCC) market, although the ton-mile growth through increased shipments from western Africa temporarily tightened the vessel supply and demand balance, market rates fell against a backdrop of the low-demand period from the beginning of spring and the effect of the OPEC countries' decision to reduce production spreading through the market. The product tanker market proceeded weakly due to a slowdown in arbitrage trading between East and West, regular maintenance of refineries, and pressures of the new supply of vessels. In the LPG carrier market, although arbitrage-trading from U.S. to Asia continued and cargo volumes from the Middle East to India were robust, the market remained at a low level due to significant vessel supply pressure. Facing these conditions, the tanker division achieved stable fulfilment of long-term contracts, and made ceaseless efforts to improve operating efficiency and reduce costs through pool operations but nevertheless experienced an ordinary profit decrease year on year.

<LNG Carriers/Offshore business>

The LNG carrier spot market itself was unable to overcome an oversupply of vessels, and proceeded weakly overall. Nevertheless, the LNG carrier division continued to secure stable profits through long-term contracts, including contracts for two new vessels launched during the period, leading to improvement in ordinary profit year on year. The offshore project division also achieved an increase in ordinary profit year on year owing to stable operations of FPSO, etc.

(C) Product Transport Business

<Containerships>

On Asia-North America routes, cargo trades from Asia were at record-high volumes due to the robust U.S. economy. On Asia-Europe routes also, cargo volume from Asia was steady and backhaul cargo volume from Europe to Asia increased. While the growing size of containerships has been increasing capacity supply, the spot freight market proceeded at a significantly improved level compared with the same period of the previous year. On the Asia-East Coast of South America routes, the trend of recovery in cargo volume from Asia tightened the vessel supply and demand balance, and the spot freight rates jumped a level to proceed in a high-price range. Due to strong demand in cargo movements, annual contract freight rates showed an overall rise upon renewal. Under this business environment, the ordinary loss in the containership business was reduced year on year, also thanks to efforts through cutting operation costs by reducing the expenses of repositioning empty containers through improved yield management.

<Car Carriers>

Transportation volume of completed cars was firm to the U.S. but continued to be weak to resource-producing countries and emerging countries owing to those countries continuing to experience economic slowdown amid low resource prices, etc. As a result of efforts to profitability through improving operation efficiency, the car carrier division improved profit/loss on a year-on-year basis and recorded an ordinary profit.

<Ferries and Coastal RoRo Ships>

In the business of ferries and coastal RoRo ships, cargo volumes were firm reflecting the continuation of demand for ocean transportation against the backdrop of a shortage of truck drivers. Passenger transport also proceeded firmly, mainly as a result of launching a new vessel to the Oarai-Tomakomai route in May in 2017. As a result, revenue rose year on year, and amid a rise in fuel costs and an increase in temporary costs associated with the delivery of the new vessel, ordinary profit ended on par year on year.

(D) Associated Businesses

The cruise ship business recorded a year-on-year decrease in ordinary profit despite the healthy sales for the Nippon Maru. In the real estate business, ordinary profit increased year on year owing mainly to Daibiru Corporation, the core company in the MOL Group’s real estate business, increasing its sales on the back of the firm office leasing market, centered on the Tokyo metropolitan area. Other associated businesses, such as the tugboat and trading businesses, showed firm performances overall. Consequently, ordinary profit of the associated businesses segment increased on a year-on-year basis.

(E) Others

Other businesses, which are mainly cost centers, include ship operations, ship management, ship chartering, financing, and shipbuilding. Ordinary profit in this segment increased year on year.

5. Financial Position

Total assets as of June 30, 2017 decreased by ¥18.9 billion compared to the balance as of the end of the previous fiscal year, to ¥2,198.5 billion. This was primarily due to the decrease in Vessels.

Total liabilities as of June 30, 2017 decreased by ¥14.7 billion compared to the balance as of the end of the previous fiscal year, to ¥1,519.1 billion. This was primarily due to the decrease in Long-term bank loans.

Total net assets as of June 30, 2017 decreased by ¥4.2 billion compared to the balance as of the end of the previous fiscal year, to ¥679.3 billion. This was primarily due to the decrease in Foreign currency translation adjustments.

As a result, shareholders’ equity ratio became 25.8%.

6. Outlook for FY2017

[For the first half of FY2017] (Billions of Yen)

	Initial outlook (When announced on April 28, 2017)	Latest outlook (When announced Q1)	comparison (variance)
Revenue	805.0	820.0	15.0 / 1.9%
Operating profit (loss)	4.0	10.0	6.0 / 150.0%
Ordinary profit (loss)	11.0	16.0	5.0 / 45.5%
Profit (loss) attributable to owners of parent	7.0	13.0	6.0 / 85.7%

Exchange rate	¥110.00/US$	¥110.00/US$	–¥/US$
Bunker price	US$350/MT	US$330/MT	US$(20)/MT
	(Assumption for the first half of FY2017)	(Assumption for Q2)	

[For FY2017] (Billions of Yen)

	Initial outlook (When announced on April 28, 2017)	Latest outlook (When announced Q1)	comparison (variance)
Revenue	1610.0	1615.0	5.0 / 0.3%
Operating profit (loss)	9.0	18.0	9.0 / 100.0%
Ordinary profit (loss)	22.0	25.0	3.0 / 13.6%
Profit (loss) attributable to owners of parent	10.0	12.0	2.0 / 20.0%

Exchange rate	¥110.00/US$	¥110.00/US$	–¥/US$
Bunker price	US$350/MT	US$330/MT	US$(20)/MT
	(Assumption for FY2017)	(Assumption for the second half of FY2017)	

Looking ahead at the second quarter and beyond, we assume that the world economy will continue a smooth recovery. While we assume the economies of developed countries such as the U.S. and Europe to continue to recover robustly, we assume economic slowdown in China to be limited to a gradual pace. However, recognizing such risks as the tightening of fiscal policy and interest rates rising in the United States, China's economy slowing more than expected, and the general uncertainty surrounding the difficult negotiations ahead for the United Kingdom's exit from the EU, we foresee a continuation of the current unpredictability of the situation.

In the dry bulker market, although demand is vulnerable to changes in Chinese government policy, we don't anticipate any loss of the current sentiment expecting future rises, and considering the present robustness of cargo volumes, we assume the market will slowly improve. With respect to the very large crude oil carrier (VLCC) market, although the low demand period of summer will continue, we assume the increased production in the U.S., Libya and other countries will provide underpinning support and that the market will begin recovering as time draws closer to the winter demand period. With respect to the product tanker market, although the market may rise due to factors such as demand for gasoline and jet fuel over summer and demand for heating oil over winter, it is difficult to expect significant improvement. As for containerships, the July-September period marks the busy season for many routes, particularly the mainstay routes of Asia-North America and Asia-Europe, due to the expanded demand for cargo volumes from Asia for the Christmas trading season, etc. Consequently, we assume the spot freight market will rise a certain degree over summer. Currently, cargo volume demand is proceeding robustly on all fronts. However, we will need to continue to pay close attention to the global economy and cargo volume trends.

In consideration of these prospects, for the first six months of FY2017, we project revenue of ¥820.0 billion, operating profit of ¥10.0 billion, ordinary profit of ¥16.0 billion and profit attributable to owners of parent of ¥13.0 billion.
For the full year, we project revenue of ¥1,615.0 billion, operating profit of ¥18.0 billion, ordinary profit of ¥25.0 billion and profit attributable to owners of parent of ¥12.0 billion.
Concerning annual dividends based on the calculation before taking into consideration the share consolidation, at present, we plan to pay an annual dividend of ¥2 per share (including an interim dividend of ¥1 per share) for FY2017. As indicated above, changes have been made to the outlook released on April 28, 2017. Please refer to the announcement “Revision of FY2017 Outlook” released today (July 31, 2017).

July 31, 2017

7. Consolidated Financial Statements

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

(1) Consolidated Balance Sheets

(¥Million)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	177,145	174,544
Trade receivables	130,420	131,889
Marketable securities	12,800	12,800
Inventories	36,358	34,861
Deferred and prepaid expenses	60,888	58,337
Deferred tax assets	1,273	1,066
Other current assets	63,020	65,164
Allowance for doubtful accounts	(428)	(489)
Total current assets	481,477	478,173
Fixed assets		
Tangible fixed assets		
Vessels	756,930	745,137
Buildings and structures	153,767	150,873
Equipment and others	26,630	25,806
Furniture and fixtures	5,366	5,074
Land	221,342	221,796
Construction in progress	156,935	152,392
Other tangible fixed assets	2,693	2,654
Total tangible fixed assets	1,323,665	1,303,735
Intangible fixed assets	31,287	30,696
Investments and other assets		
Investment securities	231,978	231,775
Long-term loans receivable	62,796	66,039
Long-term prepaid expenses	6,824	6,506
Net defined benefit asset	15,390	15,791
Deferred tax assets	3,535	3,632
Other investments and other assets	62,661	64,305
Allowance for doubtful accounts	(2,089)	(2,095)
Total investments and other assets	381,097	385,955
Total fixed assets	1,736,051	1,720,387
Total assets	2,217,528	2,198,561

(¥Million)

	As of March 31, 2017	As of June 30, 2017
Liabilities		
Current liabilities		
Trade payables	125,118	134,932
Short-term bonds	20,000	53,600
Short-term bank loans	133,155	154,425
Accrued income taxes	6,642	3,727
Advances received	32,258	33,379
Deferred tax liabilities	1,188	1,106
Allowance for bonuses	4,402	3,146
Allowance for directors' bonuses	153	25
Other current liabilities	60,537	60,670
Total current liabilities	383,456	445,014
Fixed liabilities		
Bonds	210,595	176,900
Long-term bank loans	738,163	699,772
Lease obligations	18,371	17,700
Deferred tax liabilities	56,678	57,238
Net defined benefit liabilities	12,445	12,240
Directors' and corporate auditors' retirement benefits	1,459	1,342
Reserve for periodic drydocking	18,566	20,157
Other fixed liabilities	94,171	88,833
Total fixed liabilities	1,150,450	1,074,184
Total liabilities	1,533,907	1,519,199
Net assets		
Owners' equity		
Common stock	65,400	65,400
Capital surplus	45,382	45,382
Retained earnings	355,263	360,520
Treasury stock	(6,820)	(6,827)
Total owners' equity	459,226	464,476
Accumulated other comprehensive income		
Unrealized holding gains on available-for-sale securities, net of tax	28,353	29,154
Unrealized gains on hedging derivatives, net of tax	54,326	54,515
Foreign currency translation adjustments	27,178	16,285
Remeasurements of defined benefit plans, net of tax	2,898	3,153
Total accumulated other comprehensive income	112,757	103,109
Share subscription rights	2,447	1,870
Non-controlling interests	109,190	109,906
Total net assets	683,621	679,362
Total liabilities and net assets	2,217,528	2,198,561

(2) Consolidated Statements of Income

(¥Million)

	FY2016 (Apr.1,2016 - June.30, 2016)	FY2017 (Apr.1.2017 - June.30, 2017)
Shipping and other revenues	360,079	403,284
Shipping and other expenses	335,929	373,910
Gross operating income	24,150	29,373
Selling, general and administrative expenses	27,723	28,226
Operating profit (loss)	(3,573)	1,147
Non-operating income		
Interest income	1,133	1,772
Dividend income	1,901	1,980
Equity in earnings of affiliated companies	435	1,530
Foreign exchange gains	5,072	3,920
Others	645	952
Total non-operating income	9,188	10,156
Non-operating expenses		
Interest expense	4,327	4,947
Others	554	471
Total non-operating expenses	4,882	5,418
Ordinary profit	733	5,885
Extraordinary income		
Gain on sale of fixed assets	1,829	2,637
Others	4,250	1,151
Total extraordinary income	6,080	3,788
Extraordinary losses		
Loss on sale of fixed assets	118	71
Others	1,534	452
Total extraordinary losses	1,653	523
Income before income taxes and non-controlling interests	5,160	9,150
Income taxes	2,601	2,401
Net income	2,559	6,748
Profit attributable to non-controlling interests	1,157	1,497
Profit attributable to owners of parent	1,401	5,251

(3) Consolidated Statements of Comprehensive Income

(¥Million)

	FY2016 (Apr.1,2016 - June.30, 2016)	FY2017 (Apr.1,2017 - June.30, 2017)
Net income	2,559	6,748
Other comprehensive income		
Unrealized holding gains on available-for-sale securities, net of tax	(7,331)	1,211
Unrealized gains on hedging derivatives, net of tax	(1,140)	(2,048)
Foreign currency translation adjustments	(8,399)	(7,745)
Remeasurements of defined benefit plans, net of tax	205	254
Share of other comprehensive income (loss) of associates accounted for using equity method	(11,927)	(1,482)
Total other comprehensive income	(28,593)	(9,810)
Comprehensive income	(26,033)	(3,061)
(Breakdown)		
Comprehensive income attributable to owners of parent	(24,312)	(4,396)
Comprehensive income attributable to non-controlling interests	(1,721)	1,334

(4) Consolidated Statements of Cash flows

(¥Million)

	FY2016 (Apr.1,2016 - June.30, 2016)	FY2017 (Apr.1,2017 - June.30, 2017)
Cash flows from operating activities		
Income before income taxes and non-controlling interests	5,160	9,150
Depreciation and amortization	21,163	20,964
Equity in losses (earnings) of affiliated companies	(435)	(1,530)
Various provisions (reversals)	(7,014)	(713)
Increase (Decrease) in net defined benefit assets	536	(41)
Increase (Decrease) in net defined benefit liabilities	(233)	(97)
Interest and dividend income	(3,035)	(3,753)
Interest expense	4,327	4,947
Loss (gain) on sales and retirement of non-current assets	(1,704)	(2,538)
Foreign exchange loss (gain), net	(5,591)	(5,654)
Decrease (Increase) in trade receivables	11,000	(2,574)
Decrease (Increase) in inventories	1,053	1,367
Increase (Decrease) in trade payables	(9,066)	10,682
Others, net	(8,596)	3,795
Sub total	7,565	34,001
Interest and dividend income received	4,751	5,228
Interest expenses paid	(4,994)	(5,152)
Income taxes paid	(2,990)	(6,303)
Net cash provided by (used in) operating activities	4,331	27,774
Cash flows from investing activities		
Purchase of investment securities	(1,181)	(580)
Proceeds from sale and redemption of investment securities	1,535	646
Purchase of vessels and other tangible and intangible fixed assets	(27,025)	(38,821)
Proceeds from sale of vessels and other tangible and intangible fixed assets	7,628	21,702
Net decrease (increase) in short-term loans receivables	329	(70)
Disbursements for long-term loans receivables	(3,523)	(4,473)
Collection of long-term loans receivables	7,450	728
Others, net	(61)	861
Net cash provided by (used in) investing activities	(14,846)	(20,005)

(¥Million)

	FY2016 (Apr.1,2016 - June.30, 2016)	FY2017 (Apr.1,2017 - June.30, 2017)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	81,892	(2,653)
Proceeds from long-term bank loans	50,555	19,528
Repayments of long-term bank loans	(28,539)	(24,263)
Redemption of bonds	(10,000)	―
Cash dividends paid by the company	(1,755)	(1)
Cash dividends paid to non-controlling interests	(554)	(615)
Others, net	(416)	(421)
Net cash provided by (used in) financing activities	91,181	(8,426)
Effect of foreign exchange rate changes on cash and cash equivalents	(9,823)	(1,330)
Net increase (decrease) in cash and cash equivalents	70,842	(1,988)
Cash and cash equivalents at beginning of year	159,449	186,844
Cash and cash equivalents at end of quarter	230,292	184,855

July 31, 2017

Notice of Establishment of Holding Company and Operating Company for New Integrated Container Shipping Business

Mitsui O.S.K. Lines, Ltd., Kawasaki Kisen Kaisha, Ltd., and Nippon Yusen Kabushiki Kaisha have announced the establishment of 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.
The new operating company is planned to start operations from April 1, 2018.

Overview of New Companies

(1) Holding Company

Company name	Ocean Network Express Holdings, Ltd.
Amount of Capital	50 Million JPY
Shareholders/ Contribution Ratio	Kawasaki Kisen Kaisha, Ltd. 31% Nippon Yusen Kabushiki Kaisha 38% Mitsui O.S.K. Lines, Ltd. 31%
Location	Tokyo
Date of Establishment	July 7, 2017

(2) Operating Company

Company name	Ocean Network Express Pte. Ltd.
Amount of Capital	200 Million USD
Shareholders/ Contribution Ratio	Kawasaki Kisen Kaisha, Ltd. 31% (including indirect investment) Nippon Yusen Kabushiki Kaisha 38% (including indirect investment) Mitsui O.S.K. Lines, Ltd. 31% (including indirect investment)
Location	Singapore
Date of Establishment	July 7, 2017

(5) Segment Information

Business segment information:

(￥Million)

Q1 / FY2016 (Apr.1 - Jun.30, 2016)	Reportable Segment						Others *1	Total	Adjust-ment *2	Consoli-dated *4
			Product Transport Business							
	Dry Bulk Business	Energy Transport Business	Container ships	Car Carries, Ferries and Coastal RoRo Ships	Associated Businesses	Sub Total				
Revenues										
1.Revenues from external customers	63,009	62,557	146,732	60,986	22,472	355,758	4,321	360,079	―	360,079
2.Inter-segment revenues	0	2,000	489	60	7,403	9,955	1,889	11,845	(11,845)	―
Total Revenues	63,009	64,558	147,221	61,047	29,876	365,713	6,211	371,925	(11,845)	360,079
Segment profit (loss)	1,515	7,053	(11,652)	760	3,108	785	764	1,550	(816)	733

(￥Million)

Q1 / FY2017 (Apr.1 - Jun.30, 2017)	Reportable Segment						Others *1	Total	Adjust-ment *3	Consoli-dated *4
			Product Transport Business							
	Dry Bulk Business	Energy Transport Business	Container ships	Car Carries, Ferries and Coastal RoRo Ships	Associated Businesses	Sub Total				
Revenues										
1.Revenues from external customers	69,325	64,596	179,758	62,601	22,899	399,180	4,103	403,284	―	403,284
2.Inter-segment revenues	1	2,108	486	55	6,808	9,461	1,636	11,097	(11,097)	―
Total Revenues	69,327	66,704	180,245	62,656	29,708	408,641	5,739	414,381	(11,097)	403,284
Segment profit (loss)	4,845	3,483	(6,256)	1,302	3,785	7,161	1,173	8,335	(2,449)	5,885

* 1. "Others" primarily consists of business segments that are not included in reportable segments, such as the ship operations business, the ship management business, the ship chartering business, the financing business and the shipbuilding business.

* 2. Adjustment in Segment profit (loss) of -816 million yen include the following:
-1,572 million yen of corporate profit which is not allocated to segments, 1,668 million yen of adjustment for management accounting and -912 million yen of inter-segment transaction elimination.

* 3. Adjustment in Segment profit (loss) of -2,449 million yen include the following:
-3,204 million yen of corporate profit which is not allocated to segments, 1,433 million yen of adjustment for management accounting and -677 million yen of inter-segment transaction elimination.

* 4. Segment profit (loss) corresponds to ordinary profit in the consolidated statements of income.

* 5. Notes to changes in reportable segments etc.
(Changes in segment classification)
The MOL Group implemented reorganization on April 1, 2017, with the aim of optimizing the fleet portfolio, improving efficiency of the management resources, and proposing as well as providing optimal transportation services meeting the customers’ needs more than before by establishing a cross-divisional structure for sales promotion as “One MOL.”
As a result, 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.” We have also classified “Product Transport Business” into “Containerships” and “Car Carriers, Ferries and Coastal RoRo Ships” as its reportable segments.
In addition, Revenues and Segment profit (loss) during the first quarter of the previous fiscal year are reclassified or adjusted to conform to the presentation for the fiscal year.

[Supplement]

1. Review of Quarterly Results

<FY 2017>

	Q1 Apr-Jun, 2017	Q2 Jul-Sep, 2017	Q3 Oct-Dec, 2017	Q4 Jan-Mar, 2018
Revenues [¥ Millions]	403,284			
Operating profit (loss)	1,147			
Ordinary profit (loss)	5,885			
Income (Loss) before income taxes	9,150			
Profit (Loss) attributable to owners of parent	5,251			
Net income (loss)* per share [¥]	4.39			
Total Assets [¥ Millions]	2,198,561			
Total Net Assets	679,362			

*Profit (Loss) attributable to owners of parent

<FY 2016>

	Q1 Apr-Jun, 2016	Q2 Jul-Sep, 2016	Q3 Oct-Dec, 2016	Q4 Jan-Mar, 2017
Revenues [¥ Millions]	360,079	353,481	367,880	422,933
Operating profit (loss)	(3,573)	1,553	(58)	4,636
Ordinary profit (loss)	733	4,765	8,313	11,615
Income (Loss) before income taxes	5,160	24,493	5,639	2,036
Profit (Loss) attributable to owners of parent	1,401	14,657	2,968	(13,769)
Net income (loss)* per share [¥]	1.17	12.26	2.48	(11.51)
Total Assets [¥ Millions]	2,183,555	2,103,167	2,191,309	2,217,528
Total Net Assets	619,006	603,685	629,444	683,621

*Profit (Loss) attributable to owners of parent

2. Depreciation and Amortization

(¥ Millions)

	Three months ended Jun.30, 2016	Three months ended Jun.30, 2017	Increase / Decrease	FY2016
Vessels	16,032	15,723	(309)	65,894
Others	5,131	5,241	110	21,296
Total	21,163	20,964	(199)	87,190

3. Interest-bearing Debt

(¥ Millions)

	As of Mar.31, 2017	As of Jun.30, 2017	Increase / Decrease	As of Jun.30, 2016
Bank loans	871,318	854,197	(17,121)	830,687
Bonds	230,595	230,500	(95)	250,955
Others	20,487	20,006	(480)	21,165
Total	1,122,400	1,104,704	(17,696)	1,102,807

4. Fleet Capacity (MOL and consolidated subsidiaries)

	Dry bulkers		Tankers		LNG carriers		Car carriers		Containerships	
	No.of ships	1,000MT	No.of ships	1,000MT	No.of ships	1,000MT	No.of ships	1,000MT	No.of ships	1,000MT
Owned	59	5,627	75	10,401	29	2,217	50	823	13	1,034
Chartered	269	24,530	79	3,694	7	429	66	1,148	80	6,075
Others	-	-	3	138	2	143	-	-	-	-
As of Jun.30, 2017	**328**	**30,156**	**157**	**14,233**	**38**	**2,789**	**116**	**1,972**	**93**	**7,108**
As of Mar.31, 2017	337	30,669	159	14,375	37	2,730	120	2,042	91	6,947

	Ferries & Coastal RoRo Ships		Passenger ships		Others*		Total	
	No.of ships	1,000MT	No.of ships	1,000MT	No.of ships	1,000MT	No.of ships	1,000MT
Owned	11	60	1	5	6	33	244	20,199
Chartered	3	19	-	-	24	72	528	35,967
Others	-	-	-	-	1	1	6	282
As of Jun.30, 2017	**14**	**78**	**1**	**5**	**31**	**106**	**778**	**56,448**
As of Mar.31, 2017	14	78	1	5	31	106	790	56,952

*including coastal ships (excluding coastal RoRo ships)

5. Exchange Rates

	Three months ended Jun.30, 2016	Three months ended Jun.30, 2017	Change			FY2016
Average rates	¥110.31	¥110.79	¥0.48	[0.4%]	JPY Depreciated	¥108.57
Term-end rates	¥102.91	¥112.00	¥9.09	[8.8%]	JPY Depreciated	¥112.19

Remark: "Average rates" are average of monthly corporate rates in each term, while "term-end rates" are TTM rates on the last day of each term.

<Overseas subsidiaries>

	TTM on Mar/31/2016	TTM on Mar/31/2017	Change			TTM on Dec/31/2016
Term-end rates	¥112.68	¥112.19	¥0.49	[0.4%]	JPY Appreciated	¥116.49

6. Average Bunker Prices

	Three months ended Jun.30, 2016	Three months ended Jun.30, 2017	Increase / Decrease
Purchase Prices	US$226/MT	US$319/MT	US$＋93/MT

7. Market Information

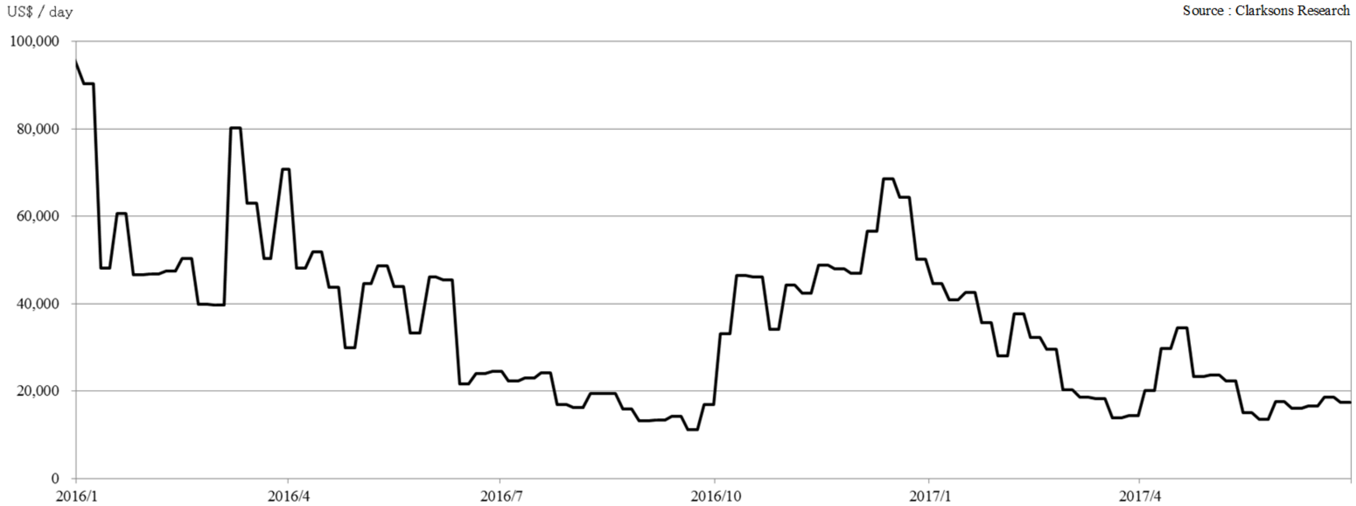
(1) Dry Bulker Market (Baltic Dry Index) (January 1985 = 1,000)

Source : Bloomberg

Monthly Average	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average
2016	386	307	383	607	620	608	707	673	828	868	1,072	1,050	676
2017	907	759	1,141	1,222	973	860							977

(2) Tanker Market (Daily Earnings) : VLCC AG/Japan trade

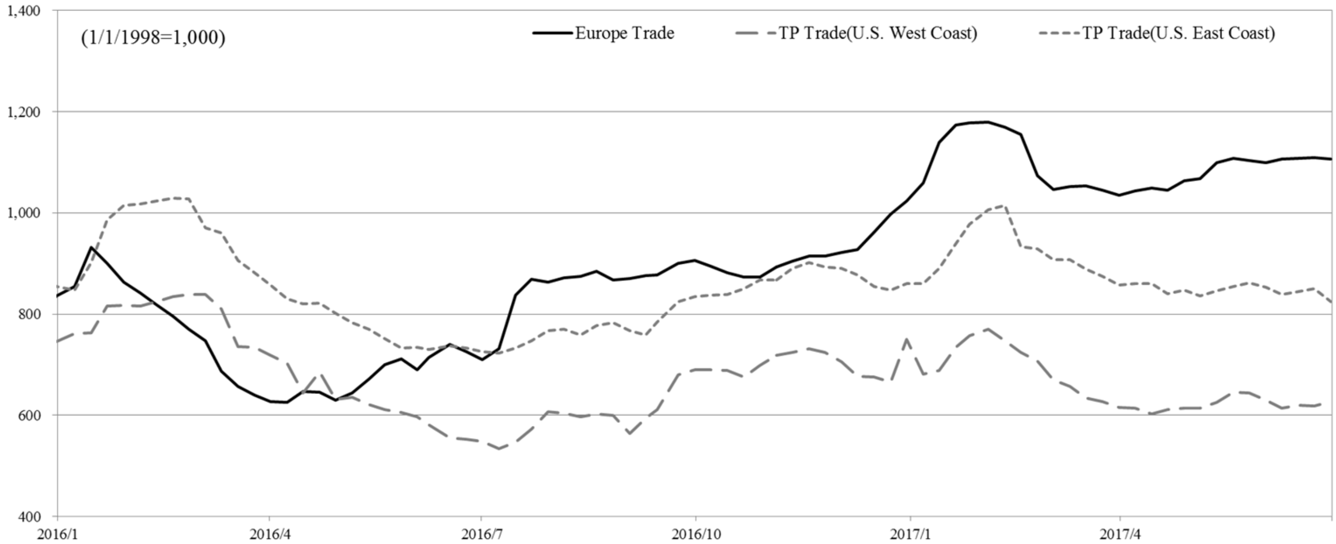
Source : Clarksons Research



Monthly Average	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average
2016	69,483	46,099	58,287	48,850	42,633	34,337	22,167	17,719	13,777	39,902	45,857	57,280	41,366
2017	40,905	31,822	17,051	26,966	18,646	17,212							25,434

(3) Containership Market (China Containerized Freight Index)

Source : Shanghai Shipping Exchange



Note: CCFI reflects the freight rate trend for container exports from China only, which does not always match the overall trend for container exports from Asia.