## Overview of Operations

# Dry Bulk Business Unit

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

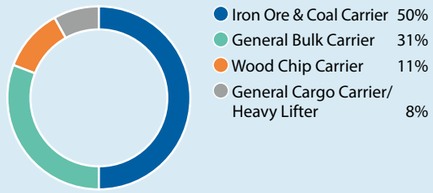
**Hirofumi Kuwata**
Executive Officer
Deputy Director General

## Dry Bulkers

### Fiscal 2016 in Review

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

**Consolidated Revenues Breakdown** (FY2016)




**Dry Bulker Fleet Table** (Number of vessels)

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

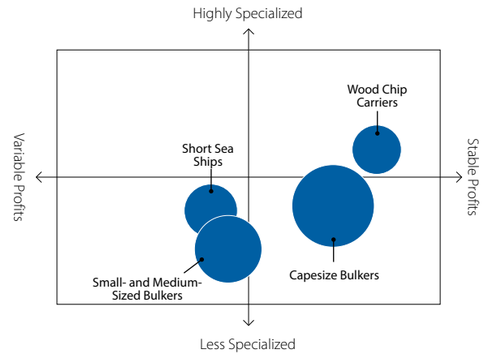
### Fiscal 2017 Initiatives

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

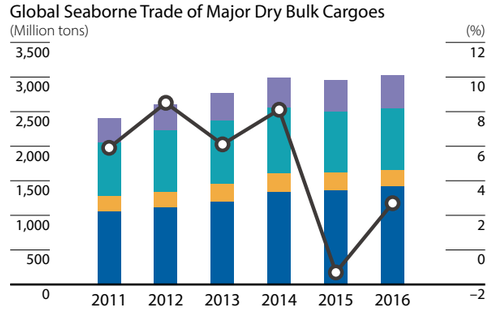
On the other hand, the ratio of long-term contracts for some types of cargo is set to decline going forward, and our business model could change. In response to this trend, the business unit system that we launched in fiscal 2016 will have an important role to play. The divisions within the Dry Bulk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

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

**Portfolio**

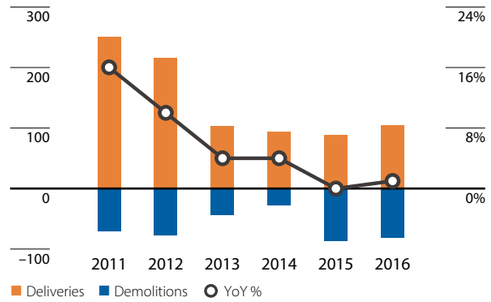



**Global Seaborne Trade of Major Dry Bulk Cargoes**




Source: Clarkson

**Vessels Supply (Capesize)** (Number of vessels)




Source: MOL internal calculation based on IHS-Fairplay

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

# Energy Transport Business Unit

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

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

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

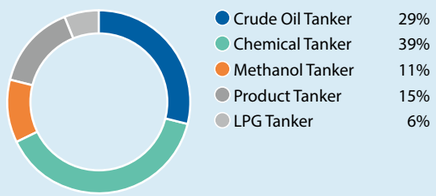
**Akio Mitsuta**
Senior Managing Executive Officer
Deputy Director General
(Tankers)

## Tankers

### Fiscal 2016 in Review

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

**Consolidated Revenues Breakdown** (FY2016)




**Tanker Fleet Table** (Number of vessels)

| Vessel type | At the end of Mar. 2017 | At the end of Mar. 2016 | Vessel type under pool management (at the end of Mar. 2017) |
|---|---|---|---|
| Crude oil tankers | 40 | 42 | |
| Chemical tankers*1 | 51 | 54 | |
| Methanol tankers | 27 | 25 | |
| Product tankers*2 | 43 | 45 | LR1 (70,000 DWT) MR (50,000 DWT) |
| LPG tankers | 8 | 9 | VLGC (Very Large Gas Carrier, 80,000 m³) |
| Total | 169 | 175 | |

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

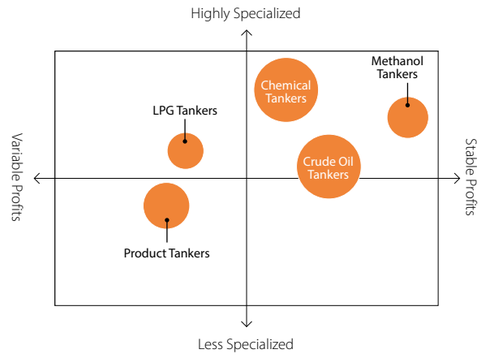
### Fiscal 2017 Initiatives

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

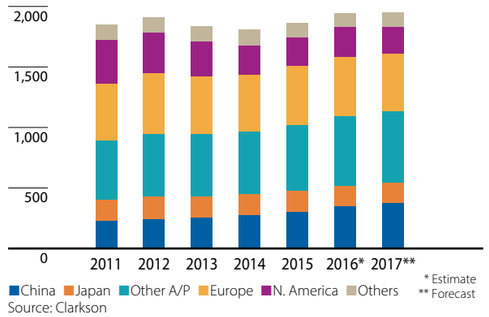
In addition to these vessel type-specific strategies, we will also take steps to strengthen the MOL brand. In one instance of making use of the MOL brand in this division to gain contracts, we expanded our medium- and long-term contract for VLCCs with Reliance Industries Limited of India to five vessels.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

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

**Portfolio**

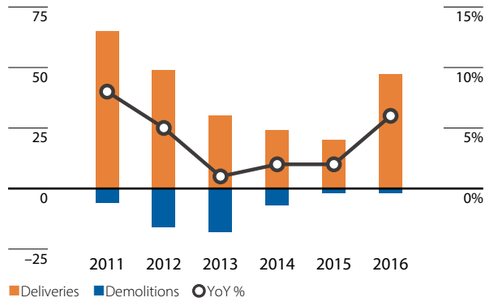



**Crude Oil: Global Seaborne Trade by Import Country/Area** (Million tons)




Source: Clarkson

**Vessels Supply (VLCC)** (Number of vessels)




Source: MOL internal calculation based on IHS-Fairplay

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

# LNG Carriers/Offshore Businesses

## Fiscal 2016 in Review

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

## Fiscal 2017 Initiatives

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

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

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

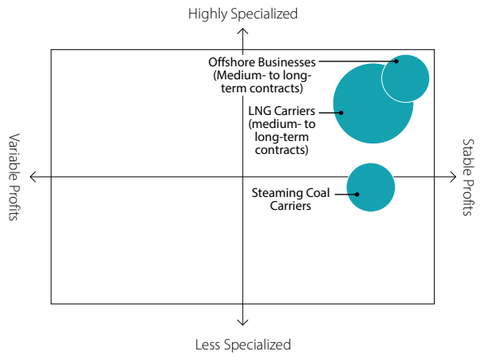
New Projects Starting Operation in FY2017

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

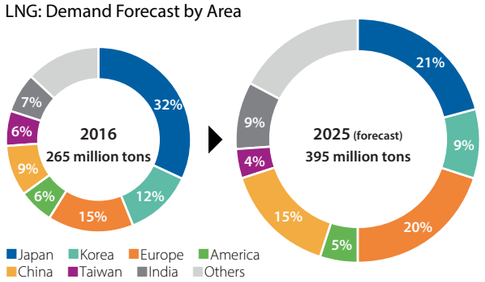
| Offshore Businesses | | | |
|---|---|---|---|
| Petrobras | Brazil | FPSO | 1 unit |
| Tullow Ghana | Ghana | FPSO | 1 unit |

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

Portfolio

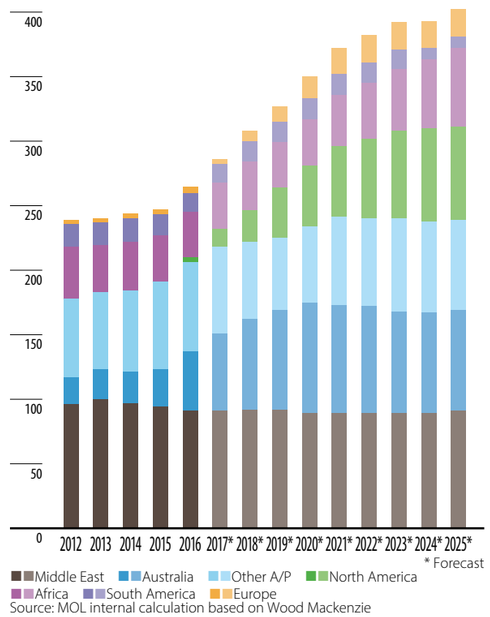



LNG: Demand Forecast by Area




Source: MOL internal calculation based on Wood Mackenzie

LNG: Seaborne Trade (Million tons)




Source: MOL internal calculation based on Wood Mackenzie

# Steaming Coal Carriers

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

In Japan, there is a growing movement to reorganize the electric power industry and revise the composition of electric power sources through the separation of power generation and transmission, which will take place in 2020. Despite these uncertainties, we believe that there is solid demand for coal-fired power plants as a stable source of power. We will therefore work to expand our market share through our strengths in taking a hands-on approach and proposal-based sales. Meanwhile, demand for steaming coal is soaring in emerging countries such as Southeast Asian countries and India. The division is actively engaged in sales activities targeting this new demand. These have produced concrete results such as the acquisition in June 2017 of a coal transport contract for Thermal Powertech Corporation India Limited, an Indian independent power producer.

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

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

# Product Transport Business Unit

**Toshiya Konishi**
Managing Executive Officer
Deputy Director General
(Terminals & Logistics)

**Naotoshi Omoto**
Managing Executive Officer
Deputy Director General
(Car Carriers)

**Masahiro Tanabe**
Executive Vice President
Director General of Product Transport Business Unit

**Koichi Yashima**
Managing Executive Officer
Deputy Director General
(Ferries & Coastal RoRo Ships)

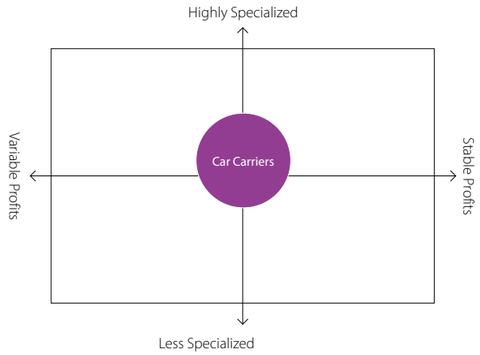
**Akihiko Ono**
Senior Managing Executive Officer
Deputy Director General
(Containerships)

## Car Carriers

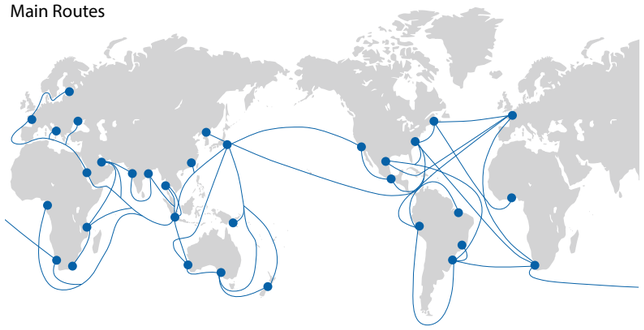
### Fiscal 2016 in Review

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

Portfolio




Main Routes



### Fiscal 2017 Initiatives

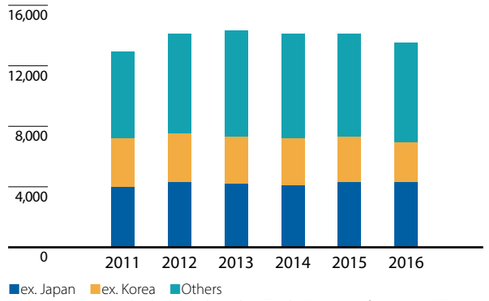
In fiscal 2017, global auto sales volumes are expected to increase steadily, albeit with regional differences. On the assumption that the trade pattern in marine transport will not change significantly from the previous fiscal year, we aim to enhance the efficiency of our operational fleet by continuing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

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

One of the major issues we face is response to environmental issues. Customers are also rapidly becoming more aware of the environment. We are currently examining development of new vessels with LNG-fueled engines, which can reduce $CO_2$ emissions by as much as 25% compared to conventional diesel engines.

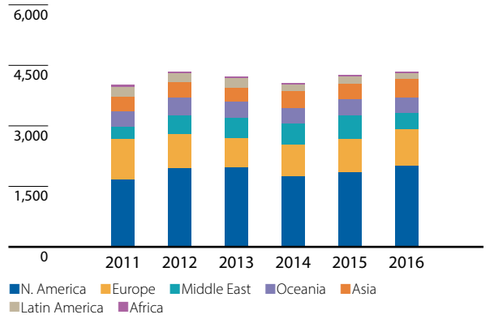
From fiscal 2017, we established the Product Transport Business Unit, and the car carrier division became one of the divisions in this business unit, alongside containerships, terminals and logistics, and ferries and RoRo ships. Previously, the division shared information with the containerships sales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

Global Car Seaborne Trade (Thousand units)

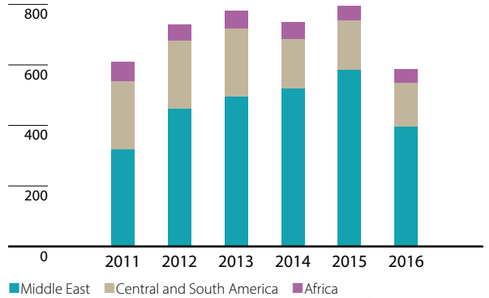



Source: MOL internal calculation based on Trade Statistics of Japan (MOF), etc. (excluding CKD)

Car Export from Japan by Destination (Thousand units)




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




Source: MOL internal calculation based on Trade Statistics of Japan (MOF) (excluding CKD)

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# Containerships

## Fiscal 2016 in Review

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

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

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

## Fiscal 2017 Initiatives

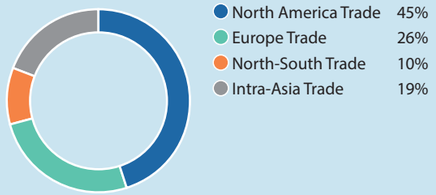
In fiscal 2017 and beyond, the issue of excessive vessel supply is expected to continue due to deliveries of new Ultra-Large Containerships (ULCSs). However, we expect that the increase in supply may be slower than initially predicted as some deliveries appear to have been pushed back. Meanwhile, an expanding trend has emerged in cargo movements. Movements of outbound cargoes from Asia to North America and Europe are expected to remain firm, and cargoes on the backhaul from North America and Europe to Asia have also been growing. This will increase revenue while simultaneously working directly to reduce the cost of returning empty containers by reducing the imbalance between outbound and inbound cargoes. In addition, North-South routes, including the Asia-East Coast of South America route which returned to profitability in fiscal 2016, are expected to see firm cargo movements overall.

Under these conditions, MOL started services under a new alliance called "THE Alliance" in April 2017. THE Alliance has adopted a "best ship" approach in which the optimal vessels are deployed for each route among the vessels supplied by the alliance partners. Furthermore, each partner is scheduled to launch a series of state-of-the-art ULCSs, by which the alliance plans to form an extensive network and enhance direct services to provide competitive, high-frequency services. Moreover, in addition to strengthening the hard aspects of the business, we will also take steps to differentiate our services and improve earnings through the implementation of various soft aspects such as ongoing efforts to bolster our sales capabilities and to further deepen our yield management.

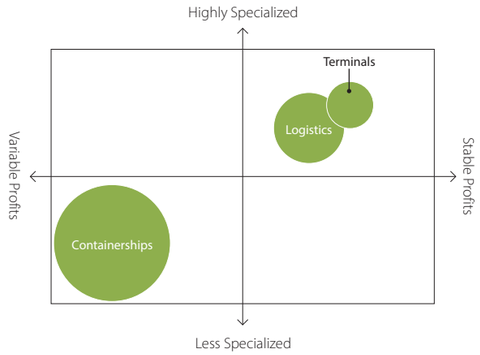
The glut in the vessel supply is expected to take some time to clear. However, orders for new deliveries are already on hold, while recent growth in cargo movements is already leading to tighter demand in some routes. We believe that signs of improvement are beginning to appear for the containership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

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

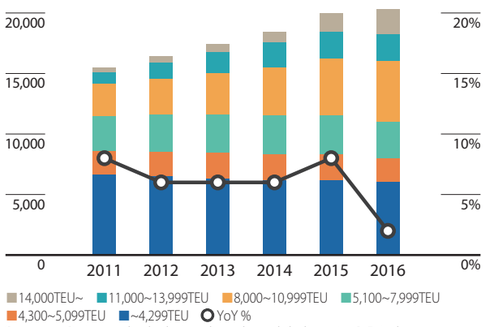
Consolidated Revenues Breakdown (FY2016)




Portfolio

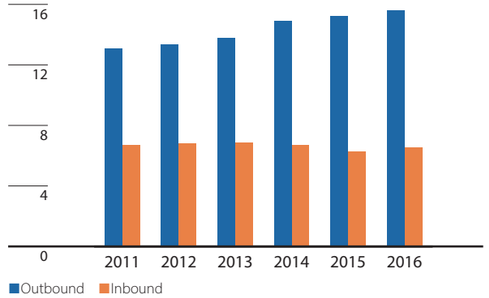



Global Containership Capacity (Thousand TEU)



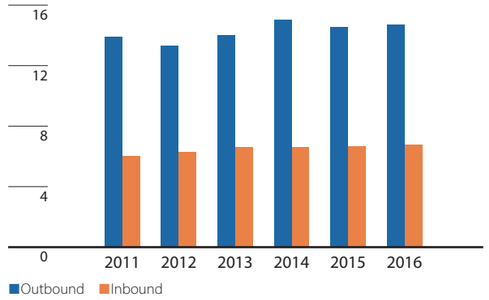

Source: MOL internal calculations based on Alphaliner / IHS-Fairplay

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




Source: Piers/JoC, etc.

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




Source: Drewry

# Terminals & Logistics

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

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

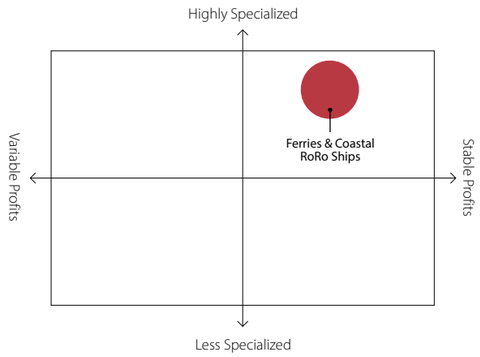
Underlined words are explained in the Glossary on the Contents page.

## Ferries & Coastal RoRo Ships

### Fiscal 2016 in Review

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

Portfolio




### Fiscal 2017 Initiatives

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

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

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

The new SUNFLOWER FURANO

# Associated Businesses

### Fiscal 2016 in Review

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

### Fiscal 2017 Initiatives

In fiscal 2017, we expect to continue steadily accumulating highly stable profits through solid business development, with results on par with the previous fiscal year. At the two office buildings in Vietnam, Daibiru has been developing tenant services that suit the preferences of Japanese companies expanding locally, using knowledge and expertise cultivated over years from its domestic operations, and we expect steady growth in the future. Daibiru is accumulating profits in line with the targets of its current medium-term management plan, "Design 100" Project, which is making steady progress. Daibiru is also planning to invest in projects overseas going forward. In the cruise ship business, we will continue making efforts to attract more guests. The diligent efforts to offer high-class service and customer-oriented hospitality by the crew on the NIPPON MARU are bearing fruit, and in addition to ordinary cruises, we will enhance our charter cruise business offerings, where we charter-out an entire vessel. Moreover, in the tugboat and trading businesses, we will continue entering new fields, mainly those peripheral to offshore businesses and environmental businesses, such as specialty tugboats that assist in installing wind power generation facilities and after-installation maintenance operations. Through these measures, we plan to expand the segment's contribution to profits.

Portfolio

Shin-Daibiru Building

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