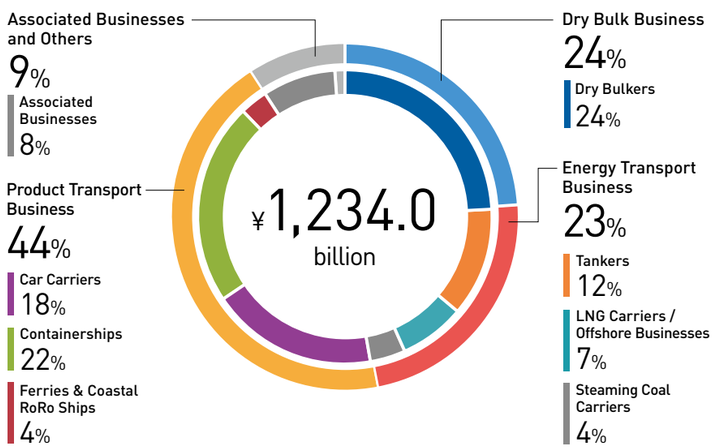
At a Glance

FY2018 Performance (Consolidated)

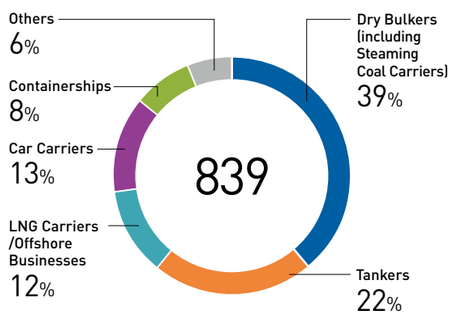
Revenues by Segment



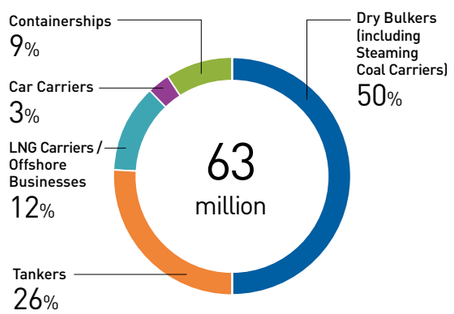
Ordinary Profit (Loss) by Segment (¥ billion)

Dry Bulk Business	21.9
Energy Transport Business	21.1
Product Transport Business	(12.2)
Containership Segment	(14.3)
Associated Businesses	12.9
Others	2.5
Adjustments	(7.7)
Total	38.5

Fleet Composition (Number of ships)



Fleet Composition (Deadweight tons)



Total Assets

¥2,134.4 billion

ROE

5.2 %

Equity Ratio

24.6 %

Gearing Ratio

2.11 times

Business Activities

Dry Bulk Business

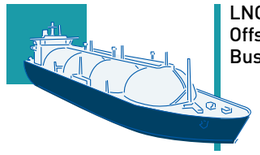
Dry Bulkers (excluding Steaming Coal Carriers)

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

Energy Transport Business

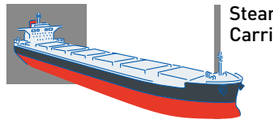
Tankers

With a tanker fleet that boasts one of the largest sizes in the world, MOL is developing businesses 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.



LNG Carriers / Offshore Businesses

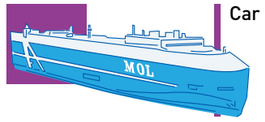
With the world's largest LNG carrier fleet, MOL safely transports LNG, which is experiencing growing global demand. In addition, we are active in offshore businesses, including FPSOs and FSRUs, which are poised for continued growth. Moving forward, MOL will vertically expand its scope of services to include the operation of LNG to Powerships and LNG receiving terminals, among others.



Steaming Coal Carriers

MOL transports coal for thermal power generation, mainly on medium- to long-term transport contracts with electric power companies in Japan. Considering the expected growth, we also engage aggressively in coal transport for emerging countries. As a member of the Energy Transport Business Unit, the Steaming Coal & Energy Project Division coordinates with other divisions in the Unit to meet diversifying customer needs.

Product Transport Business



Car Carriers

MOL stably provides transport services to meet the changing needs of automakers moving 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 equipment.

Containerships

Through a global network provided by Ocean Network Express (ONE), 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 numerous other products to deliver them around the world. In addition to our self-operated routes, we expand our network through joint operations with partners, leading to wider port coverage and increased service frequency.

Also, we operate container terminals and logistics businesses in Japan and overseas.

Ferries & Coastal RoRo Ships

MOL operates the ferry business, which transports passengers, passenger cars and freight cars (trucks, trailers, etc.), and the coastal RoRo ships business, specializing in the transport of freight vehicles. We are increasing our presence as the leader of an eco-friendly modal shift in domestic logistics.

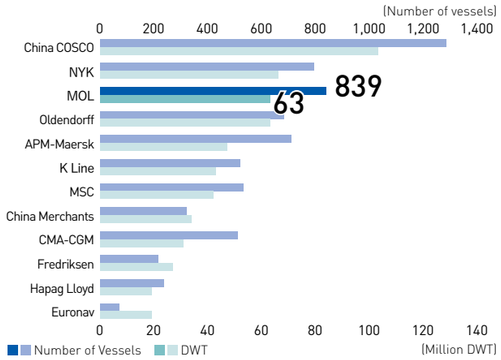
Associated Businesses

Leveraging the know-how accumulated over more than 130 years mainly 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.

Market Position (Fleet Size)

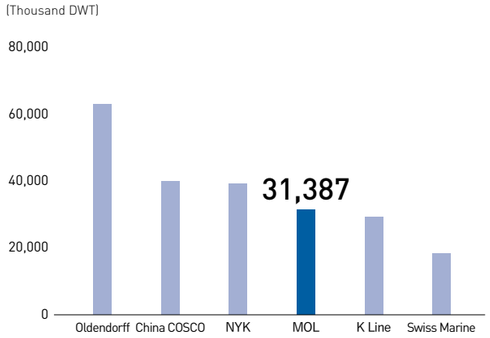
(March 2019)

All Vessel Types



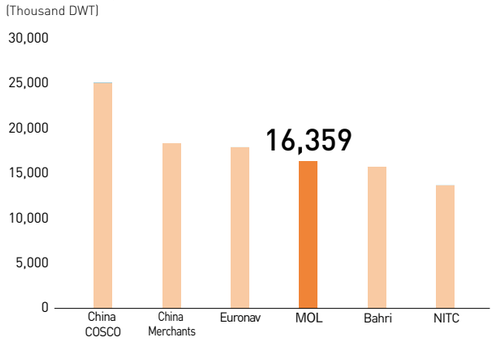
Source: MOL internal estimation based on each company's published data, Clarksons and Alphaliner

Dry Bulkers (including Steaming Coal Carriers)



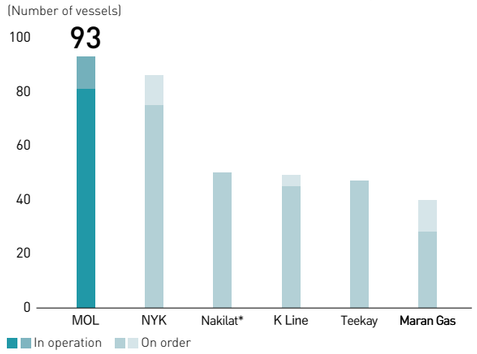
Source: Companies' published data and Clarksons

Tankers



Source: Companies' published data and Clarksons

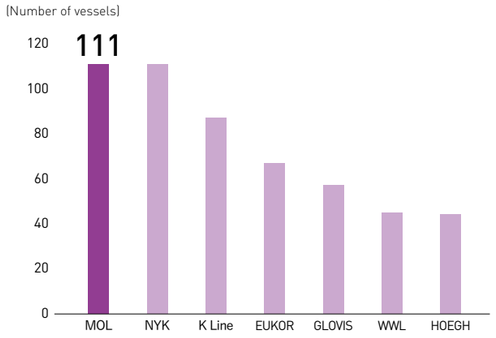
LNG Carriers (including on order)



* Qatar Gas Transport Company Ltd. Source: MOL internal estimation

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.

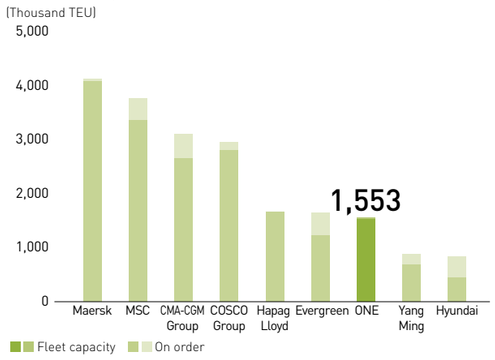
Car Carriers



Source: MOL internal estimation

Note: Excluding spot-chartered vessels

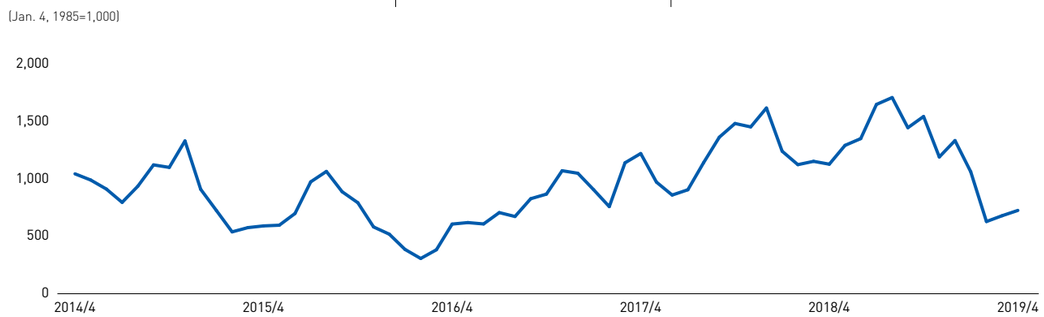
Containerships



Source: Alphaliner

Market Data

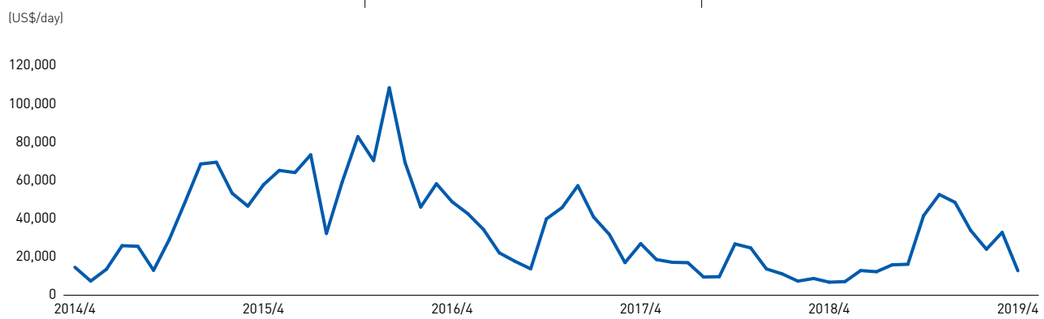
Dry Bulker Market (BDI*1)



Source: MOL internal calculation based on Tramp Data Service and others

*1 Baltic Dry Index

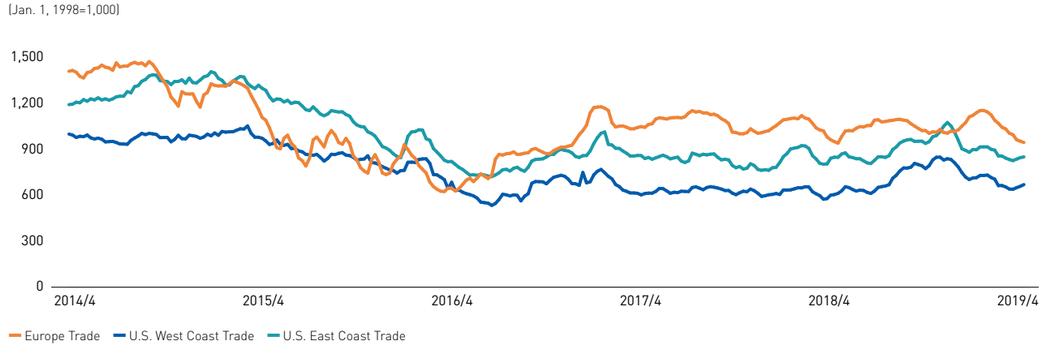
VLCC*2 Market (Arabian Gulf→Japan)



Source: MOL internal calculation based on Clarksons

*2 Very Large Crude Carrier (300,000 DWT class)

Containership Market (CCFI*3)



Source: Shanghai Shipping Exchange

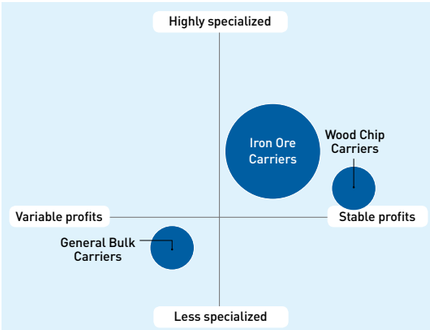
*3 China Containerized Freight Index

Overview of Operations by Segment

(From left)	(Responsible business area)
Nobuo Shiotsu Executive Officer	Deputy Director General (Iron Ore & Coal Carriers)
Toshiaki Tanaka Managing Executive Officer	Director General (Bulk Carriers)
Hirofumi Kuwata Executive Officer	Deputy Director General
Kazuhiko Kikuchi Executive Officer	Deputy Director General (Wood Chip Carriers)

Dry Bulk Business Unit

Portfolio



Dry Bulker Fleet Table (Number of vessels)

		Standard DWT	At the end of Mar. 2019	At the end of Mar. 2018	Main cargo
Capesize		180,000	94	88	Steel raw materials (iron ore, coking coal)
Small- and medium-sized bulkers	Panamax	80,000	21	26	Iron ore, coking coal, steaming coal, grains, etc.
	Handymax	55,000	50	54	Steaming coal, grains, salt, cement, steel products, etc.
	Small handy	33,000	32	28	Steel products, cement, grains, ores, etc.
	Subtotal		103	108	
Wood chip carriers		54,000	39	39	Wood chips, soybean meal, etc.
Short sea ships		12,000	47	61	Steel products, plant equipment, etc.
Total			**283**	**296**	

Dry Bulkers

Opportunities

- Expanding business chances in overseas markets
- Growth in cargo movements (grains, cement for infrastructure, chemical materials) due to increasing populations
- Increasing demand for biomass fuel transport

Risks

- Change in the global economy stemming from the rise of protectionism
- Increase in vessel operation costs due to the tightening of SOx regulations

Segment Strengths

- Trust-based relationships with customers
- Extensive overseas network
- Ability to make proposals that flexibly meet diverse customer needs
- Frontline capabilities at loading ports, discharging ports, and vessels including marine technical skills
- Vessels designed suitably for the port facilities of customers
- A lean fleet with resilience to market fluctuations that has been reinvented via the Business Structural Reforms (Small- and medium-sized bulkers)

Market Environment and Business Opportunities

The dry bulker market had continued to experience an oversupply of vessels following the economic crisis in 2008 and reached a record low in 2016. Since then, however, the gap between fleet supply and demand has been gradually subsiding. While there have been short-term fluctuations due to seasonal factors and issues in exporting regions, the market has been on an overall trend of gradual recovery. In addition, fleet supply is expected to temporarily decrease as scrubber installation reaches its peak during the second half of 2019 before the tightening of SOx regulations. This will likely have a positive impact on dry bulker market conditions.

Turning to transport demand, demand for iron ore, coal, and wood chips is expected to remain solid for the time being. Additionally, in overseas markets such as China and India, the competitive edge we have gained through the high quality of our transport services will likely provide us with growth opportunities. Also, the demand for biomass fuel transport has been increasing recently, becoming a rare source for long-term contracts in the market for small- and medium-sized bulkers, where short-term contracts are mainstream. Accordingly, we view biomass fuel as a potential profit foundation for the future.

Business Strategies

- **Steadily capture contract renewal demand from domestic customers**
- **Actively expand into overseas markets**
- **Provide high-quality, comprehensive transport services that leverage our marine technical skills and frontline capabilities**
- **Flexibly develop and utilize good-quality and a competitive fleet**

Progress and Outlook of Business

Fiscal 2018 in Review

Iron Ore & Coal Carrier Division

We won medium- and long-term contracts by actively making proposals that ascertained customer needs. In addition, we started new businesses such as the transport of bauxite from Africa via Capesize bulkers. In terms of profit, we worked on efficient vessel operation and optimal fleet allocation, thereby realizing a year-on-year increase. Furthermore, as part of our efforts to pursue environmental and emission-free projects, since fiscal 2017 we have continued to promote the Green Corridor Project, which involves the joint production of LNG-fueled Capesize bulkers with our customers.

Bulk Carrier Division

For small- and medium-sized bulkers, we have been narrowing down market exposure to establish a fleet that is resistant to market fluctuations. This, combined with efficient vessel allocation, has allowed us to earn profits. In addition, we secured a long-term contract for the transport of biofuel. Such long-term contracts are rare in the field of small- and medium-sized bulk carriers.

Wood Chip Carrier Division

Pulp prices soared in fiscal 2018, which led to heightened demand for the transport of wood chips, a raw material for pulp. Accordingly, we realized an increase in profit. In addition, we secured stable profits through such means as acquiring new contracts and extending existing contracts.

Direction in Fiscal 2019

Iron Ore & Coal Carrier Division

We will strive to further enhance the quality of our transport services by refining the on-site skills and marine technical skills that we have cultivated over the years. In addition, we will respond to the needs of customers through initiatives toward eco-friendly transportation. By leveraging our expansive network and information-collecting ability, we will continue to take on challenges in new fields such as diverse cargo transport that we have yet to be involved with to date.

Bulk Carrier Division

In regard to small- and medium-sized bulkers, we will aim for continuous growth while maintaining a balance between cargo and fleet capacity. By forming diverse and competitive charter contracts, we will enhance our fleet's resilience to changes in market conditions and further promote efficient vessel allocation, thereby maximizing profit.

Wood Chip Carrier Division

Demand for wood chip transport is expected to remain solid during fiscal 2019. We will work to win medium- and long-term contracts in response to this demand. We will also leverage our marine technical skills and network to flexibly make proposals and enact a swift response in accordance with the individual needs of customers in Japan and overseas. In this way, we will further strengthen the trust-based relationships we have with customers.

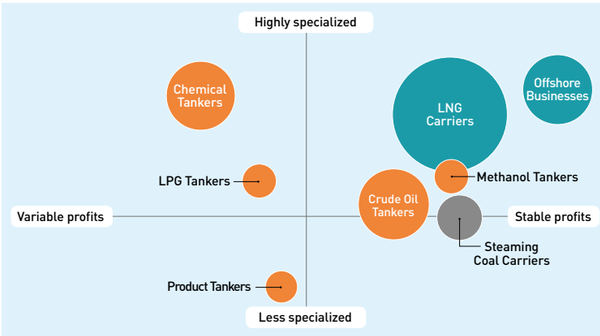
Business Strategy & Review

Overview of Operations by Segment

(From left)	(Responsible business area)
Tsuneo Watanabe Executive Officer	Deputy Director General (Chemical Tankers)
Masato Koike Managing Executive Officer	Deputy Director General (Tankers)
Takeshi Hashimoto Executive Vice President Executive Officer	Director General
Kenta Matsuzaka Managing Executive Officer	Deputy Director General (LNG Carriers)
Hirofumi Kuwata Executive Officer	Deputy Director General (Steaming Coal Carriers)
Hiroyuki Nakano Executive Officer	Deputy Director General (Offshore Businesses)

Energy Transport Business Unit

Portfolio



Fleet Table (Number of vessels)

		At the end of Mar. 2019	At the end of Mar. 2018
Tankers	Crude oil tankers	42	39
	Product tankers	21	39
	Chemical tankers	110	87
	(Methanol tankers)	(27)	(26)
	(MOLCT*)	(83)	(61)
	LPG tankers	8	8
	Subtotal	181	173
LNG carriers (including ethane carriers)		87	83
Offshore businesses	FPSOs	6	5
	FSU / FSRUs	4	1
	Subsea support vessels	3	1
Steaming coal carriers		47	41

* Chemical tankers operated by MOL Chemical Tankers

Tankers

Opportunities

- Expanding demand for offshore crude oil transport
- Increasing demand for gas oil following the tightening of SOx regulations
- Growing demand in emerging countries
- Increasing demand for chemical transport due to establishment of new plants for chemical derived from shale gas

Risks

- Vessel supply pressure
- Declining oil demand in Japan and integration of Japanese oil companies
- Economic sanctions on Iran and Venezuela, oil production cuts by OPEC, and other political risks such as trade conflicts

Segment Strengths

- Diverse tanker lineup
- Safe and high-quality fleet, vessel management capabilities, and marine technical skills
- Social reliability and trust in business continuity capabilities supported by the above
- Global business partnerships, including pool partners
- Long-cultivated customer relationships

Market Environment and Business Opportunities

For crude oil tankers, the trend of fleet capacity surplus has been continuing for several years. In addition, over the medium to long term, oil demand in Japan is expected to decline, possibly inducing further integration of oil companies. Optimization of vessel allocation resulting from such integration could lead to a decrease in transport demand. However, it is anticipated that demand in India and other emerging countries will continue to rise, and demand for offshore crude oil transport will also expand.

For methanol and chemical tankers, transport demand will likely be created through the construction of new plants in North America triggered by the shale revolution combined with increasing chemical demand in emerging countries. Similarly, in terms of LPG tankers, with the startup of the export terminals in North America, demand is expected to increase going forward, as long-distance trade to Southeast Asia and India—where demand continues to rise—increases. For product tankers, a rise in demand for gas oil transport is anticipated due to the impact of SOx regulations, which will tighten in January 2020.

Business Strategies

- **(Crude oil tankers and methanol tankers) Maintain long-term contracts with top-class customers and capture new demand**
- **(Product tankers) Reduce market exposure by streamlining fleet and transition to a business model based on entrusted vessel operation services through management of pools to maintain service networks**
- **(LPG tankers) Continue to maintain market presence by managing LPG tanker pool jointly with a partner**
- **(Chemical tankers) Become a comprehensive chemical logistics services provider through vertical expansion of business domains**

Progress and Outlook of Business

Fiscal 2018 in Review

In terms of crude oil tankers, we steadily maintained medium- and long-term contracts thanks largely to the trust-based relationships we have cultivated with our Japanese and South Korean customers over many years. In addition, we acquired new contracts with other overseas charterers, thereby accumulating stable profits. We also realized long-term contract renewals for methanol tankers, which in turn helped us secure stable profits. For product tankers, we reduced the size of our fleet in fiscal 2018, from 36 vessels to 21 vessels, in response to stagnant market conditions. Meantime, we established and commenced operations of a pool company, Asahi MOL Tankers Ltd., together with Asahi Tanker Co., Ltd., with the aim of maintaining our service network and knowledge, and transitioning to a business model based on entrusted vessel operation services. In chemical tankers, one of our strategic business fields, our wholly owned subsidiary MOL Chemical Tankers Pte. Ltd. established a joint venture with SEA-Tank Terminal Antwerp NV, with a view toward constructing and operating chemical tank storage terminals in the Port of Antwerp. In addition, MOL Chemical Tankers acquired the Denmark-based chemical company, Nordic Tankers A/S, which has an operational foundation in the Atlantic Ocean region. The company also established a strategic alliance with the Dutch tank container company, Den Hartogh Logistics. As such, MOL Chemical Tankers has been taking steps toward transitioning to a comprehensive chemical logistics company.

As a result of the steady strategies we have undertaken with each type of vessel, the Tankers segment has recorded a profit for the fifth consecutive year.

Direction in Fiscal 2019

For crude oil tankers, we will continue to deepen the trust-based relationships we have accumulated with our Japanese and South Korean customers as we steadily address their renewal demand for medium- and long-term contracts as well as their diverse transport demand. At the same time, in light of the decline in domestic demand going forward, we will work to capture transport demand from overseas customers such as those in India, and also seek opportunities for new businesses, including offshore crude oil handling. For methanol tankers, we will not only work on maintaining and expanding long-term contracts with existing customers but also leverage our solid track record to capture new transport demand in North America and other regions. In regard to product tankers, while maintaining our current fleet size for the time being, we will strive to sustain our presence in the market and enhance our fleet operational efficiency through the new pool that commenced operations at the start of 2019. Turning to chemical tankers, we will maintain the progress we have been making in the tank terminal and tank container businesses to act upon the investment decisions made during fiscal 2018.

Business Strategy & Review

Overview of Operations by Segment


Photo courtesy of MODEC,Inc.

LNG Carriers / Offshore Businesses

Opportunities

- Growing marine transport volume of LNG
- Rising need for FSRUs and LNG-powerships due to the increase in LNG importing countries centered on emerging countries
- Steady demand for the development of deep-sea oil fields, primarily in Brazil
- Increasing demand for offshore wind power

Risks

- Trend of shorter charter period for LNG carriers

Segment Strengths

- World's largest scale LNG fleet and a solid track record of safe operation
- Highly sophisticated marine technical skills that enable the development of new business domains, such as the operation of ice-breaking LNG carriers
- Collaborative relationships with prominent overseas partners
- High levels of creditability that allow for the stable fulfillment of super long-term contracts (15–25 years)

Market Environment and Growth Opportunities

Vertical Expansion in the LNG Value Chain

LNG marine transport volume exceeded 300 million tons in 2018, driven by demand in China and India. By 2025, this amount is expected to increase to roughly 430 million tons. To respond to this increase in demand, new gas field projects are being promoted in countries such as Mozambique and Russia and a large-scale expansion of existing projects in Qatar is underway. Meanwhile, more and more emerging countries are commencing LNG import, which has led to new business opportunities that go beyond the frameworks of conventional LNG transport, such as utilizing FSRUs and LNG-powerships as a powerful solution that can establish a base to receive LNG at low costs and in short time periods.

Crude Oil-Related Offshore Businesses

Even after demand for crude oil reaches its peak, it is likely that there will still be needs for developing new oil fields to compensate for existing oil fields that are becoming depleted. We therefore anticipate that demand for offshore oil field production will continue for a while. Accordingly, we expect to see sustained demand for oil-producing infrastructure such as FPSOs and subsea support vessels, particularly in Brazil.

Offshore Wind Power

Demand for wind power is increasing, centered on Europe, as a form of energy with low environmental burden. Recently, wind power has started to be introduced in East Asia as well. In light of this, we expect to see business opportunities in fields such as the installation of wind power peripheral equipment as well as wind power operation and maintenance.

Business Strategies

- **Leverage our industry-leading track record and expertise in the field of LNG carriers and pursue business expansion in high-value-added fields**
- **Secure stable profits through long-term contracts**
- **Vertically expand our scope of services to include not only FSRUs but also LNG-powerships and LNG terminals in order to offer "stress-free services"**
- **Capture business opportunities through collaboration with local partners who have significant influence in their respective regions**

Progress and Outlook of Business

Fiscal 2018 in Review

LNG Carriers

We operate a fleet of approximately 90 LNG carriers, which is the largest in the world. Essentially all of these carriers are under long-term charter contracts, which helped us record profits steadily in fiscal 2018. During the year, two ice-breaking LNG carriers for the Yamal LNG project (see "Special Feature" on page 20) were delivered and the first vessel successfully completed LNG transport to East Asia from the Arctic Ocean region going eastbound, which was a world-first achievement. In addition, we concluded a new charter contract for an LNG carrier with Uniper SE, the largest gas and electricity company in Europe, which is slated to begin in 2020.

Offshore Businesses

Our offshore businesses also operate under long-term contracts. In fiscal 2018, a new FPSO commenced the charter, which contributed to accumulating stable profits. Additionally, we entered into a long-term contract for an FPSO off the coast of Brazil. We also agreed to participate in the construction, ownership, and operation of an FSRU in Indonesia. Capitalizing on opportunities in these ways, we have expanded our business.

Direction in Fiscal 2019

LNG Carriers

In fiscal 2019, we expect stable business performance as more new LNG carriers will be delivered to be dedicated to long-term contracts and begin to contribute to profits. In a period of transition toward a carbon-free society, we believe that LNG transport is a promising growth field that stands out within the energy domain. Amid rising demand, the needs within the LNG value chain are diversifying. To address this, we are working to expand the scope of our services vertically to include not only LNG transport but also FSRU and LNG-to-Powership business. Furthermore, by accumulating a track record in LNG transport projects with high levels of difficulty, including voyages on the Northern Sea Route, we will strive to take part in new projects as a high-value-added service provider.

Offshore Businesses

Although no new units are scheduled to commence operations in fiscal 2019, we still expect to record stable profits from existing projects that started in and before fiscal 2018. Offshore businesses represent an area of strength in which we can leverage the expertise and technical skills that we have long cultivated through the transport of LNG and other forms of energy. Accordingly, we are prioritizing the investment of management resources in this area. Going forward, we aim to lead the way for offshore businesses in the context of the commercial distribution of resources and energy, by collaborating with business partners from the development stage of each project, differentiating ourselves in terms of quality of operation and maintenance services, and expanding our business domains to include power generation.

Time Charter Contracts That Commence between 2019–2021

LNG Carriers			Vessels
Tokyo Gas	ex. USA	To Japan	2
JERA	ex. USA	To Japan	1
Yamal (ice-breaking LNG carriers)	ex. Russia	To China	1
Yamal (conventional-type LNG carriers)	ex. Russia	To China	4
Mitsui	ex. USA	To Japan	2
Osaka Gas / Kyushu Gas	ex. Australia	To Japan	1
Uniper	ex. USA	To Europe	1

Offshore Businesses			Vessels / Units
Petrobras	Brazil	FPSO	2
ENI Mexico	Mexico	FPSO	1
Hong Kong LNG Terminal	Hong Kong	FSRU	1
PT Jawa Satu Power	Indonesia	FSRU	1
Swan Energy	India	FSRU	1
Swan Energy	India	FSU	1

Steaming Coal Carriers

Business Strategies

- **Construct and introduce next-generation steaming coal carriers that suit customer interests (in terms of safety, efficiency, eco-friendliness, etc.)**
- **Accelerate promotion of LNG-fueled steaming coal carriers**

Progress and Outlook of Business

The majority of our steaming coal carriers are operating under medium- and long-term contracts with our Japanese customers, and this allowed us to realize stable profits in fiscal 2018. Against the backdrop of a heightened environmental awareness, some old power stations have suspended operations or been abolished. There also have been changes and suspension of plans for new power stations. Due in part to such movements, domestic demand for coal used for power generation has been on a gradual downward trend. Nevertheless, with delays to the restart of operations of nuclear power plants, we believe there continues to be demand for coal-fired power generation as a base-load energy source that is both stable and cost effective. We will work to expand our market share in coal transport for domestic use through our differentiation strategy, including promoting the introduction of next-generation steaming coal carriers that offer enhanced safety through double-hull cargo holds as well as LNG-fueled vessels. For overseas, we anticipate a continuous increase in demand for steaming coal in India and Southeast Asia, where energy demand has been rising following economic development. We aim to enhance our presence in these regions by leveraging our proposal capabilities, marine technical skills, and the brand power that we have cultivated through coal transport for domestic use, in addition to the comprehensive strengths of the entire MOL Group. In addition, not constraining ourselves to coal transport, we will seek opportunities in the transport of alternative fuel that meets the needs of customers and in the commercialization of technologies that promote the reduction of CO_2 emissions.

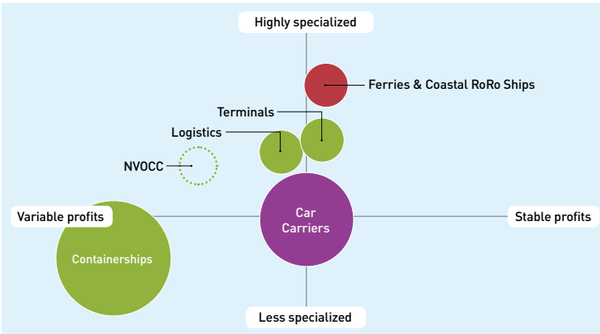
Business Strategy & Review

Overview of Operations by Segment

(From left)	(Responsible business area)
Hirotoshi Ushioku Executive Officer	Deputy Director General (Car Carriers)
Akihiko Ono Senior Managing Executive Officer	Deputy Director General (Containerships)
Yutaka Hinooka Managing Executive Officer	Director General (Terminals & Logistics)
Atsushi Igaki Executive Officer	Deputy Director General (Ferries & Coastal RoRo Ships)
Michael P.Y. Goh Executive Officer	Deputy Director General (NVOCC)

Product Transport Business Unit

Portfolio



Fleet Table (Number of vessels)

	At the end of Mar. 2019	At the end of Mar. 2018
Car carriers	113	119
Containerships*	65	91
Ferries & coastal RoRo ships	16	14
Total	**194**	**224**

* Operated by Ocean Network Express (ONE) since April 2018

Car Carriers

Opportunities

- Changes to the production and export structure of car manufacturers following the widespread use of electric vehicles (EVs)
- Improvement in vessel supply and demand balance following slowdown in new vessel orders

Risks

- Decline in marine transport demand stemming from the rise of trade protectionism
- Increase in vessel operation costs following the tightening SOx regulations

Segment Strengths

- High-quality, highly cost-effective fleet
- Extensive global trade routes and sales networks
- Diverse customer base that enables optimal cargo combination for each shipment

Market Environment and Growth Opportunities

In the automotive industry, there have been strong social demands for reduction of environmental impact and the evolution of mobility. In conjunction with this, technological innovation in automobile manufacturing and information transmission has been progressing simultaneously at an accelerating rate, and it is anticipated that the needs related to the marine transport of automobiles will become more and more complex. In addition, there are potential risks regarding fluctuations in the demand for automobiles due to such factors as economic slowdowns and the rise of protective trade, which can change the trade dynamics. With that said, we expect that both the number of car sales worldwide and cargo movements via marine transport are still gradually going to increase. While transport ton-miles are on a downward trend due to the progressing shift toward local production, we believe we will see new business opportunities, such as an increase in exports from China following the widespread use of EVs.

Business Strategies

- **Optimize fleet scale to match our cargo portfolio**
- **Reorganize services including withdrawal from unprofitable routes**
- **Strengthen solution-proposing sales activities to customers by making use of our cost effectiveness and ICT**
- **Reinforce environmental and emission-free businesses in such ways as an intensive study of LNG-fueled car carriers**

Progress and Outlook of Business

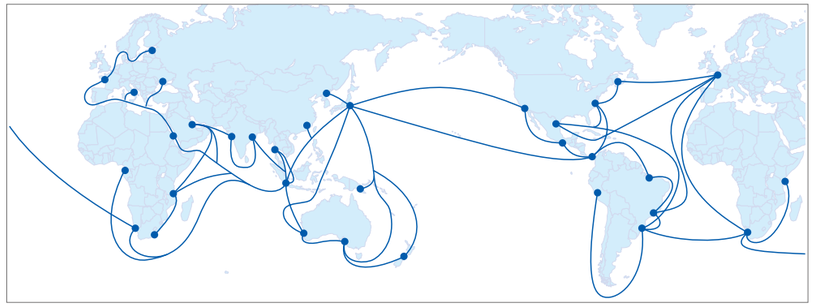
Fiscal 2018 in Review

On certain trade routes, there have been quarantine issues and impacts from natural disasters such as the earthquake in Hokkaido and the heavy rains in western Japan. In addition, there have been changes in the business environment, including the trade conflict between the United States and China and the new regulations for exhaust emissions and fuel economy standards in Europe. These factors led to overall stagnation in the transportation needs of automobiles. Although we made efforts to enhance vessel operation efficiency by reorganizing trade routes and streamlined our fleet scale, profit declined year on year. As achievements during fiscal 2018, all four FLEXIE series next-generation car carriers, which won the Good Design Award 2018, were delivered, thereby reinforcing the quality of our core fleet. Furthermore, we took steps to strengthen our IT infrastructure by introducing a new operational support system called PCC.NET worldwide and reformed our operational process and data foundation.

Direction in Fiscal 2019

Viewing the next several years as a period of dramatic change in the overall car transport industry, we will strive to update our services (trade routes) and fleet by enhancing the quality of our profitability analysis and improving freight rate levels. Also, with the aim of providing long-term, stable transport services to our customers, we will promote the aforementioned efforts while leveraging ICT technologies based on the new operational support system PCC.NET. In doing so, we will reinforce our solution-based sales capabilities to customers. For example, we will undertake initiatives to boost operational efficiency and enhance customer satisfaction by developing cargo tracking websites and reorganizing vehicle loading systems. As a preparation for future investments in a new fleet, we will examine LNG-fueled vessels, which is in line with efforts to strengthen our environmental and emission-free businesses. Through these efforts, we will transition to a robust organization capable of realizing significant profit.

Main Routes



Business Strategy & Review

Overview of Operations by Segment

Containerships

Ocean Network Express Pte. Ltd. (ONE)

Opportunities

- Increasing volume of worldwide cargo movement
- Diversifying cargo sources
- Advancement of IT technologies that can be used to improve customer services

Risks

- Downturn in the global economy and declining cargo volume due to the further progression of trade protectionism
- Increase in vessel operation costs following the tightening of SOx regulations

Segment Strengths

- Solid customer base rooted in the big three Japanese shipping companies and THE Alliance*
- Dense service network on Transpacific and Asia–Europe trade routes leveraging the presence in the market as well as extensive services that cover the Asian region and North / South trade routes
- High level of competitiveness reinforced through the synergies from the integration of three companies (reduction of variable costs and overhead costs, etc.), which have steadily been realized since ONE's initial fiscal year
- High-quality customer service

* Containership service alliance among ONE, Hapag-Lloyd AG, and Yang Ming Marine Transport Corporation. Hyundai Merchant Marine is scheduled to join in April 2020.

Market Environment and Growth Opportunities

After the financial crisis in 2008, the growth rate of transport demand slowed while the vessel supply increased due to the deliveries of new vessels that were ordered before the crisis. This worsened the supply and demand balance for containerships, causing long-term market stagnation. In an attempt to enhance competitiveness in such harsh market conditions, many players in the industry pursued scale expansion through means such as M&As, resulting in significant reorganization of the industry. At the beginning of the 2000s, there were 19 major containership companies. Today, that number has been reduced to just nine. In the midst of this trend, MOL, Nippon Yusen Kaisha, and Kawasaki Kisen Kaisha decided to spin out and merge their containership businesses, thereby establishing the integrated company ONE in 2017. ONE commenced its service in April 2018, operating a combined fleet of approximately 1.55 million TEUs including on order, which is equivalent to a 6% global share.

Business Strategies

- **Improve profit by optimizing cargo portfolio and flexibly reorganizing trade routes**
- **Provide highly competitive services enhanced by the generation of synergies (scale merit)**

Progress and Outlook of Business

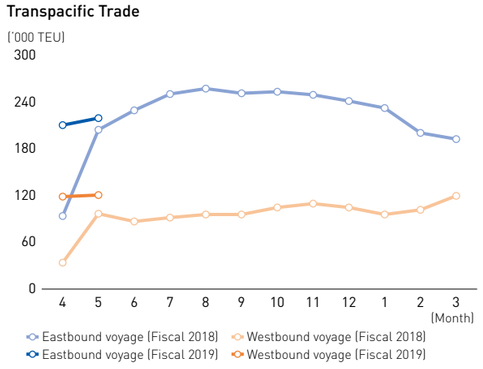
Fiscal 2018 in Review

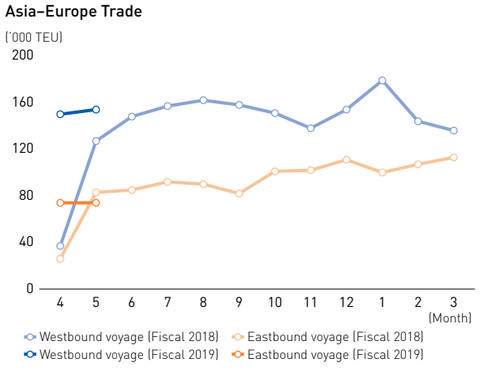
Freight rates in Transpacific trade, which is ONE's major route, were steady overall as cargo movements remained lively against the backdrop of rather robust personal consumption in the United States and a rush-in demand related to the trade conflict between the United States and China. For Asia–Europe trade, which is the next major route for ONE following Transpacific, while the supply and demand situation worsened due to the oversupply of vessels, cargo movements themselves were still relatively solid. However, due to staff members' unfamiliarity with the IT systems and insufficiencies in terms of the number of staff after the integration, ONE experienced tough operational conditions at the start, which not only inconvenienced customers but also led to a considerably lower number of liftings than initial expectations. Although capacity utilization rate improved in the second half as a result of extensive efforts to normalize the service, ONE recorded a significant loss in fiscal 2018. On the other hand, the synergistic effects that were envisioned at the time of integration have steadily emerged since ONE's initial fiscal year through such achievements as the reduction of variable costs and overhead costs.

Direction in Fiscal 2019

The operational difficulties ONE experienced in its initial fiscal year of operation have already been overcome, and liftings are expected to recover to a level that is on a par with that of the three companies before the integration was implemented. Furthermore, ONE has been working on cargo portfolio optimization, which aims to combine inbound and outbound cargo collection in a way they can achieve higher profitability, as well as on upsizing vessels and trade route reorganization. By promoting these measures to improve earnings, ONE intends to move into the black in fiscal 2019. In January 2020, SOx regulations that limit the percentage of sulfur content in vessel fuel oil will tighten, and this is expected to cause a hike in fuel oil prices. ONE will strive to conserve fuel oil consumption as an important mission to not only cut costs but also reduce environmental impact. Meanwhile, ONE is working to gain customer understanding to implement a fuel surcharge in order to compensate for the rise in fuel oil prices.

Liftings at ONE (Fiscal 2018 / 2019 Results)





Terminals & Logistics

Business Strategies

- **(Terminals) Further strengthen the competitiveness of container terminals in Japan**
- **(Logistics) Bolster the NVOCC business and expand the customer-oriented logistics business globally through collaboration with overseas local partners**

Progress and Outlook of Business

Among our container terminal businesses, overseas assets are scheduled to be transferred to ONE, and discussions are currently being held among related parties for executing this transfer. In the domestic container terminal business, we expect demand to be solid in locations such as Tokyo Bay.

In the logistics business, we established MOL Worldwide Logistics Ltd. in July 2018, which is expected to lead the MOL Group's NVOCC* business. MOL Worldwide Logistics will aggregate resources related to the NVOCC businesses of the two group companies, MOL Logistics (Japan) Co., Ltd. and MOL Consolidation Service Ltd., and strengthen these businesses through centralized marketing, network operations, and global customer support. Additionally, for our overseas operations, we are working toward the enhancement of logistics businesses deeply rooted in local economies. In line with this, we acquired additional shares in PKT Logistics Group Sdn. Bhd., a comprehensive logistics company in Malaysia, in August 2018. Going forward, we will further expand our overseas operations through means such as collaboration with local partners.

* Non-Vessel Operating Common Carrier. Without having their own transport means (vessels), NVOCCs transport cargoes by leasing space from other shipping companies to transport cargoes between ports and to the final inland points of delivery.

Business Strategy & Review

Overview of Operations by Segment

Ferries & Coastal RoRo Ships

Business Strategies

- Improve the convenience of services for customers through upsizing vessels and enhancing intermodal transport services
- Develop the "Casual Cruise" market by launching brand-new, attractive vessels and by further promoting the "Sunflower" brand

Progress and Outlook of Business

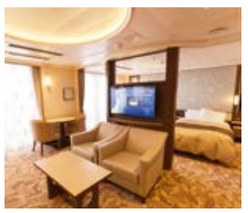
Fiscal 2018 in Review

In fiscal 2018, cargo volumes were firm due to acceleration in the modal shift. This acceleration comes from aging and a shortage of truck drivers and the promotion of workstyle reforms, to improve their labor conditions by reducing driving hours. The number of passengers was also steady for all Hokkaido, Setouchi, South Kyushu routes, partly due to our efforts such as the deployment of two new ferries on the South Kyushu route and promotion of the concept of "Casual Cruise." While overall profit declined on a year-on-year basis due to the impact of ferry cancellations caused by large-scale typhoons and prolonged mechanical troubles with vessels, we were still able to secure a profit in a stable manner.

In order to share the best practices between our consolidated subsidiaries MOL Ferry Co., Ltd. and Ferry Sunflower Limited, we established the Ferry Virtual Company (FVC). As a result, mutual exchange of information on aspects of activities that the two companies have in common, including cargo and passenger sales activities, marketing know-how, vessel management, and administrative business procedures is promoted. This is leading to improvements in business activities in both companies.

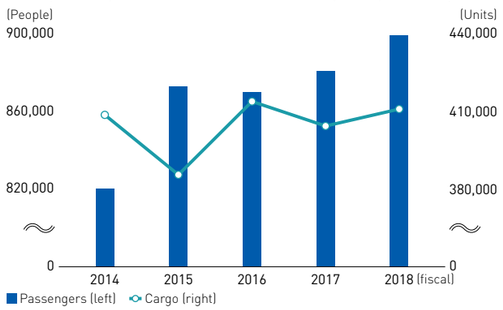
Direction in Fiscal 2019

Although no major growth is anticipated in the overall market for domestic transport due to the declining population, there are regions, such as Kyushu, where a modal shift is expected to accelerate. We believe there will still be increasing demand for transport by ferries and coastal RoRo ships in this area. To that end, we have introduced two new RoRo ships in the Tokyo–Kanda (North Kyushu) route and commenced new services operating on an everyday basis (excluding Sundays). In addition, by utilizing the many trailers we possess, we are able to provide highly convenient transportation methods to customers. These include not only port-to-port transport services using RoRo ships but also services that respond to diverse intermodal demand, such as inland transport from points of collection to points of delivery. For passenger transport, in addition to trains and airplanes, ferries are now starting to be considered as a means of transportation. Moreover, the ways people enjoy travel are diversifying, including cruises that make the experience of riding on a ship itself entertaining. Against the backdrop of these types of changes, we forecast an expansion in the markets where our concept of "Casual Cruise" can appeal. Going forward, we will keep working to enhance the quality of the fleet by replacing vessels and increase the value of the "Sunflower" brand through appropriate marketing activities with the aim of leading the new market expansion. Additionally, we will improve our services by further promoting initiatives by FVC, which was established in the previous fiscal year. We also intend to leverage the strengths of the Group to enhance safe vessel operation and address the issue of crew member shortages.



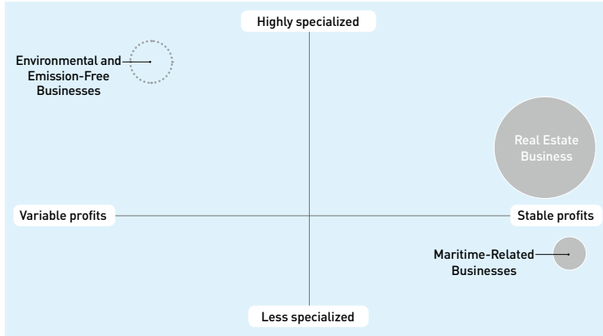
Adoption of luxurious interior design on new vessels to meet "Casual Cruise" needs

Transport Results of Three MOL Group Companies*



* MOL Ferry Co., Ltd., Ferry Sunflower Limited, and Meimon Taiyo Ferry Co., Ltd. (converted as MOL's share)

Associated Businesses



Shin-Daibiru Building (Osaka)
Receiving the Osaka Mayor Award at the 37th Osaka Machinami Awards

Business Strategies

- (Real estate) Target properties in major cities, etc., that hardly decline in value regardless of market conditions
- (Tugboat) Horizontally share the best practices of each tugboat company within the Group and participate in overseas projects using secondhand vessels
- (Cruise ship) Thoroughly reinforce safe operation and capture steady cruise demand
- (Maritime-related, trading, and new businesses) Expand the scale and the domains of the business

Progress and Outlook of Business

Fiscal 2018 in Review

This segment comprises MOL's real estate, cruise ship, tugboat, trading, and other businesses. In the real estate business, although the lease office market performed favorably centered on the metropolitan areas, profit edged down slightly year-on-year due to the impact of large-lot tenant replacement. Meanwhile, we acquired properties in both domestic and overseas markets that can be expected to contribute to stable profit in the future.

In terms of the tugboat business, the first LNG-fueled tugboat ISHIN was delivered in Osaka Bay in February 2019. Additionally, a new business in Viet Nam was launched.

Cruise ship, trading, and other businesses achieved relatively solid results, and the overall performance of associated businesses was on a par with that of the previous fiscal year.

Direction in Fiscal 2019

In fiscal 2019, we will continue to operate each business in a stable manner, and expect to achieve a result similar to that of fiscal 2018. In the real estate business, although the favorable market conditions are expected to continue until around 2020, there is the possibility that rent levels will drop after that in some areas and for certain properties. Therefore, we will continue our efforts to maintain and expand our portfolio of properties in major urban areas that will not be impacted by market conditions to keep accumulating stable profit. For tugboats, we will examine ways to reinforce our overseas businesses, including in Viet Nam. In the cruise ship business, we will thoroughly foster and instill safety awareness while at the same time working to capture steady cruise demand. In other business fields, we will aim to enter into offshore peripheral businesses and new business domains in which we can leverage our long-cultivated expertise, including environmental and emission-free businesses such as wind power businesses as well as transportation vessels for offshore wind power sites and other associated businesses.