Business Performance in FY2018-1st Quarter

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

HP

Contents

Note 1: Fiscal Year = from April 1 to March 31
Q1 = April to June
Q2 = July to September
Q3 = October to December
Q4 = January to March
Note 2: Amounts are rounded down to the nearest 100 million yen.
Note 3: Net income/loss = Profit/loss attributable to owners of parent

1. FY2018 1st Quarter Results [Consolidated]

(￥billion)	FY2018 Q1 Result	FY2017 Q1 Result	YoY	FY2017 Q4 Result
Revenue	**304.4**	**403.2**	**— 98.8**	**412.7**
Operating profit/loss	**3.6**	**1.1**	**+2.5**	**— 1.6**
Ordinary profit/loss	**0.2**	**5.8**	**— 5.6**	**— 3.0**
Net income/loss	**— 1.6**	**5.2**	**— 6.9**	**— 76.6**
Average exchange rate	**¥107.95/$**	¥110.79/$	—¥2.84/$	¥110.22/$
Average bunker price*	**$438/MT**	$319/MT	+$119/MT	$396/MT

* Purchase Prices

【Ordinary income/loss】YoY Comparison (Major factors) (￥billion)

Fluctuation of Foreign Exchange	—¥0.7	YoY	—¥2.84/$	￥	Stronger
Fluctuation of Bunker Price	—¥3.5	YoY	+$119/MT		Higher
Fluctuation of cargo volume/freight rates, etc.	—¥1.4				
(Balance)	—¥5.6				

1. FY2018 1st Quarter Results [By segment]

Upper	Revenue
Lower	Ordinary profit/loss

(￥billion)	FY2018 Q1 Result	FY2017 Q1 Result	YoY
Dry Bulk Business	66.0	69.3	-3.3
(excluding; Steaming Coal Carriers)	3.8	4.8	-0.9
Energy Transport Business	64.7	64.5	+0.1
(Tankers,Steaming Coal Carriers,LNG Carriers, Offshore business)	3.1	3.4	-0.3
Product Transport Business	145.0	242.3	-97.3
(PCC,Containerships,Ferries & Coastal RoRo Ships)	-5.6	-4.9	-0.7
Containerships only	82.4	179.7	-97.2
	-4.7	-6.2	+1.5
Associated businesses	24.9	22.8	+2.0
(Real estate, Cruise ship, Tug boats, Trading, etc.)	3.3	3.7	-0.4
Others	3.7	4.1	-0.3
	0.6	1.1	-0.5
Adjustment	-	-	-
	-5.1	-2.4	-2.6
Consolidated	304.4	403.2	-98.8
	0.2	5.8	-5.6

Note 1: Revenues from customers, unconsolidated subsidiaries and affiliated companies.

2. Outline of FY2018 Q1 Results (I) [Consolidated]

[Overall]

◆ Ordinary profits ended almost the same as the internal initial outlook.

← A downturn in the Car Carriers and non-consolidated foreign exchange loss offset slight upturns in Dry Bulk and Containership businesses.

◆ Profits decreased in a year-on-year comparison.

← In addition to higher bunker price, non-consolidated foreign exchange loss and ordinary profit in the Car Carriers deteriorated despite reduced deficits in the Containership Business.

◆ The Containership Business was transferred to Ocean Network Express (ONE), an equity-method affiliate, resulting in a decrease of about ¥100 billion in revenue.

[By segment] [Ordinary profits for FY2018 Q1 (year-on-year comparison)]

Dry Bulk Business [¥3.8 billion (-¥0.9 billion)]

➢ Vessels on spot contracts: For Capesize vessels, shipments of iron ore from West Australia and Brazil recovered and the market rebounded to the $20,000 level in mid-May, followed by a temporary downward phase, but overall it remained firm. The markets for mid- and small-size vessels remained brisk overall, although the impact of the spot market was small due to the significant scale-down of market exposure.

➢ Vessels on mid- and long-term contracts: Continued to secure stable profits for the transport of iron ore, coal, and wood chips, etc.

⇒ Ordinary profit reached almost the same level as the previous year, ending the quarter with a slight upturn from the internal initial outlook.

Energy Transport Business [¥3.1 billion (-¥0.3 billion)]

■ Tankers

➢ Crude oil tankers: The market slowed because of the slack-demand season, resulting from periodic maintenance at oil refineries in the Far East, which was offset to some extent by stable profits from the mid- and long-term contracts.

➢ Product tankers: The market entered the slack-demand season, and slowed due to a subdued tone in arbitrage trading.

➢ Other: Methanol tankers and shuttle tankers continued to post stable profits.

⇒ Ordinary profit deteriorated in a year-on-year comparison. Steadily scaled down the product tanker fleet.

2. Outline of FY2018 Q1 Results (II) [Consolidated]

■ LNG carriers/Offshore businesses

Recorded stable profits from mid- and long-term contracts. Ordinary profit increased in a year-on-year comparison.

Product Transport Business [-¥5.6 billion (-¥0.7 billion)]

■ Containerships [-¥4.7 billion (+¥1.5 billion)]

◆ "ONE": Ordinary profit came in below the initial outlook due to higher bunker prices in addition to lifting volume that missed the outlook due to service-related problems during the launch of operations. On the other hand, looking at the synergy generated by the integration, progress in reducing variable expenses was much swifter than the outlook, underpinning ordinary profits.

◆ Other (besides ONE): Ordinary profit outperformed the outlook due to increased revenue and reduced expenses related to MOL's containership business in FY2017, a larger-than-forecast reduction in transitional costs related to the integration, and so on.

⇒ Ordinary profit improved in a year-on-year comparison. Ended higher than the initial internal outlook, too.

■ Car Carriers

Ordinary profit decreased in a year-on-year comparison due to additional costs related to quarantine issues on some routes (temporary factors), though trade for Europe and North America remained firm and that for the Middle East was on a trend toward recovery.

■ Ferries and Coastal RoRo Ships

Ordinary profit decreased from the previous year due to long-term docking associated with defects on some ferries and higher bunker prices, despite strong cargo traffic from the advancement of Japan's modal shift and a firm business environment, with effective sales promotion of the Casual Cruise offerings.

Adjustment

Non-consolidated foreign exchange loss deteriorated by about ¥3.0 billion in a year-on-year comparison.

3. FY2018 Full-year Forecast [Consolidated]

*as of April 28, 2018

(¥ billion)	1st Half					2nd Half			Full-year		
	Q1 Result	Q2 Forecast	Forecast	Previous Forecast*	Variance	Forecast	Previous Forecast*	Variance	Forecast	Previous Forecast*	Variance
Revenue	**304.4**	**279.5**	**584.0**	**576.0**	**+8.0**	**556.0**	**554.0**	**+2.0**	**1,140.0**	**1,130.0**	**+10.0**
Operating profit/loss	**3.6**	**5.3**	**9.0**	**8.0**	**+1.0**	**16.0**	**15.0**	**+1.0**	**25.0**	**23.0**	**+2.0**
Ordinary profit/loss	**0.2**	**11.7**	**12.0**	**14.0**	**−2.0**	**28.0**	**26.0**	**+2.0**	**40.0**	**40.0**	**0**
Net income/loss	**- 1.6**	**9.6**	**8.0**	**10.0**	**−2.0**	**22.0**	**20.0**	**+2.0**	**30.0**	**30.0**	**0**
Average exchange rate	¥107.95/$	¥105.00/$	¥106.47/$	¥105.00/$	+¥1.47/$	¥105.00/$	¥105.00/$	¥0.00/$	¥105.74/$	¥105.00/$	+¥0.74/$
Average bunker price*	$438/MT	$450/MT	$444/MT	$400/MT	+$44/MT	$450/MT	$400/MT	+$50/MT	$447/MT	$400/MT	+$47/MT

* Purchase Prices

(cf) FY2017 Result	Q1	Q2	1st Half	2nd Half	Full-year
Revenue	403.2	415.6	818.9	833.4	1,652.3
Operating profit/loss	1.1	9.9	11.1	11.5	22.6
Ordinary profit/loss	5.8	11.4	17.3	14.1	31.4
Net income/loss	5.2	7.8	13.1	− 60.5	− 47.3
Average exchange rate	¥110.79/$	¥110.86/$	¥110.82/$	¥111.33/$	¥111.08/$
Average bunker price*	$319/MT	$325/MT	$322/MT	$386/MT	$354/MT

(cf)Sensitivity against Ordinary income	
FY2018	(9months/Max)
FX Rate :	**±¥ 0.7 bn/¥1/$**
Bunker Price :	**±¥ 0.12 bn/$1/MT**

3. FY2018 Full-year Forecast [By segment]

Upper	Revenue
Lower	Ordinary profit/loss

as of April 28, 2018

(¥billion)	H1					H2			Full-year		
	Q1	Q2	Forecast	Previous Forecast*	Variance	Forecast	Previous Forecast*	Variance	Forecast	Previous Forecast*	Variance
Dry Bulk Business	66	70.9	137.0	130.0	+7.0	123.0	125.0	-2.0	260.0	255.0	+5.0
(excluding; Steaming Coal Carriers)	3.8	4.1	8.0	7.5	+0.5	8.0	6.5	+1.5	16.0	14.0	+2.0
Energy Transport Business	64.7	65.2	130.0	130.0	0	130.0	130.0	0	260.0	260.0	0
(Tankers,Steaming Coal Carriers,LNG Carriers, Offshore business)	3.1	2.8	6.0	8.0	-2.0	9.0	8.0	+1.0	15.0	16.0	-1.0
Product Transport Business	145	119.9	265.0	264.0	+1.0	250.0	246.0	+4.0	515.0	510.0	+5.0
(PCC,Containerships,Ferries & Coastal RoRo Ships)	-5.6	4.6	-1.0	-4.5	+3.5	8.0	9.5	-1.5	7.0	5.0	+2.0
Containerships only	82.4	52.5	135.0	134.0	+1.0	120.0	118.5	+1.5	255.0	252.5	+2.5
	-4.7	2.7	-2.0	-6.0	+4.0	6.0	6.5	-0.5	4.0	0.5	+3.5
Associated businesses	24.9	20	45.0	45.0	0	45.0	45.0	0	90.0	90.0	0
(Real estate, Cruise ship, Tug boats, Trading, etc.)	3.3	2.1	5.5	6.0	-0.5	5.5	5.0	+0.5	11.0	11.0	0
Others	3.7	3.2	7.0	7.0	0	8.0	8.0	0	15.0	15.0	0
	0.6	-0.1	0.5	0.5	0	0.5	0.5	0	1.0	1.0	0
Adjustment	-	-	-	-	-	-	-	-	-	-	-
	-5.1	-1.8	-7.0	-3.5	-3.5	-3.0	-3.5	+0.5	-10.0	-7.0	-3.0
Consolidated	304.4	279.5	584.0	576.0	+8.0	556.0	554.0	+2.0	1140.0	1130.0	+10.0
	0.2	11.7	12.0	14.0	-2.0	28.0	26.0	+2.0	40.0	40.0	0

Note1: Revenues are from customers, unconsolidated subsidiaries and affiliated companies.

(cf) FY2017 Results	Q1	Q2	H1	H2	Full-year
Dry Bulk Business	69.3	64.2	133.5	139.3	272.9
(excluding; Steaming Coal Carriers)	4.8	3.1	7.9	7.4	15.4
Energy Transport Business	64.5	63.5	128.1	134.1	262.2
(Tankers,Steaming Coal Carriers,LNG Carriers, Offshore business)	3.4	1.5	4.9	8.6	13.6
Product Transport Business	242.3	261.2	503.6	507.2	1,010.8
(PCC,Containerships,Ferries & Coastal RoRo Ships)	-4.9	5.2	0.2	-6.6	-6.3
Containerships only	179.7	193.5	373.2	376.4	749.7
	-6.2	2.1	-4.1	-6.5	-10.6
Associated businesses	22.8	22.3	45.2	44.8	90.0
(Real estate, Cruise ship, Tug boats, Trading, etc.)	3.7	2.9	6.7	5.9	12.6
Others	4.1	4.2	8.3	7.8	16.2
	1.1	0.0	1.2	1.3	2.6
Adjustment	-	-	-	-	-
	-2.4	-1.4	-3.8	-2.6	-6.5
Consolidated	403.2	415.6	818.9	833.4	1,652.3
	5.8	11.4	17.3	14.1	31.4

4. Key Points of FY2018 Forecast (I) [Consolidated]

[Overall]

- Ordinary profit/Net income: Unchanged from the previous announcement (April 27). Ordinary profit increases by 27% from the previous fiscal year.
- Revenue: Decreased significantly (by ¥512.3 billion, or 31%) from the previous fiscal year due to the transfer of the containership business to ONE (an equity-method affiliate).
- Market:

  Dry bulkers: Maintain the same market assumption as the previous outlook (nearly the same level as the previous fiscal year).

  Tankers: Downward revision from the previous outlook, though the market is expected to recover slightly in the second half of the fiscal year.
- Containerships

  ONE maintains the same outlook for profits (reflected into MOL's non-operating profit and loss).

  Slight upward revision due to factors such as a reduction in transitional expenses at MOL.

[By Segment] [FY2018 forecast for ordinary profit (increase/decrease from the announcement on April 27)]

Dry Bulk Business [¥16.0 billion (+¥2.0 billion)]

The Capesize spot market is forecasted to enter an adjustment phase, due in part to the current slight overheating, but the demand and supply balance shows a recovery trend, and is expected to remain firm overall. MOL's market exposure in the mid- and small-size vessels is small, though there is a concern about the impact of grain trade from the U.S.-China trade conflict.

⇒ Slight upward revision from the previous outlook, expecting for almost the same level as the previous year.

4. Key Points of FY2018 Forecast (II) [Consolidated]

Energy Transport Business [¥15.0 billion (-¥1.0 billion)]

■ Tankers

➢ Crude oil tankers: Adjustment phase will continue, but the number of scrapped vessels is increasing, so a strengthening phase is also forecasted.

➢ Product tankers: The market will meet upside resistance during the first half.
Will take measures to improve the efficiency of vessel allocation through a reduction of the number of vessels and pool operation.

⇒ Ordinary profit will decrease from the previous year, securing a certain level of profitability underpinned by mid- and long-term contracts. Downward revision from the previous outlook.

■ LNG Carriers/Offshore Businesses

Ordinary profit will increase steadily as exiting projects begin operation. Project an increase from the previous year.

Product Transport Businesses [¥7.0 billion (+¥2.0 billion)]

■ Containerships [¥4.0 billion (+¥3.5 billion)]

Ordinary profit from ONE will maintain the level of the initial outlook as negative factors such as increasing bunker prices and deteriorating utilization rates in Q1 are expected to be offset by positive factors which include increasing effects of synergy, decreasing product costs, and so on. On the other hand, we made an upward revision for the Containership Business segment from the previous outlook in anticipation of a decrease in MOL's own initially expected transitional expenses. ⇒ P.11~12

■ Car Carriers

Trade from the Far East to North America will remain at the same level as the previous fiscal year, and trade for the Middle East and Africa will hit bottom. Anticipatie a certain level of profitability, despite the negative impact of quarantine issues that arose on some routes in Q1. Downward revision from the previous outlook.

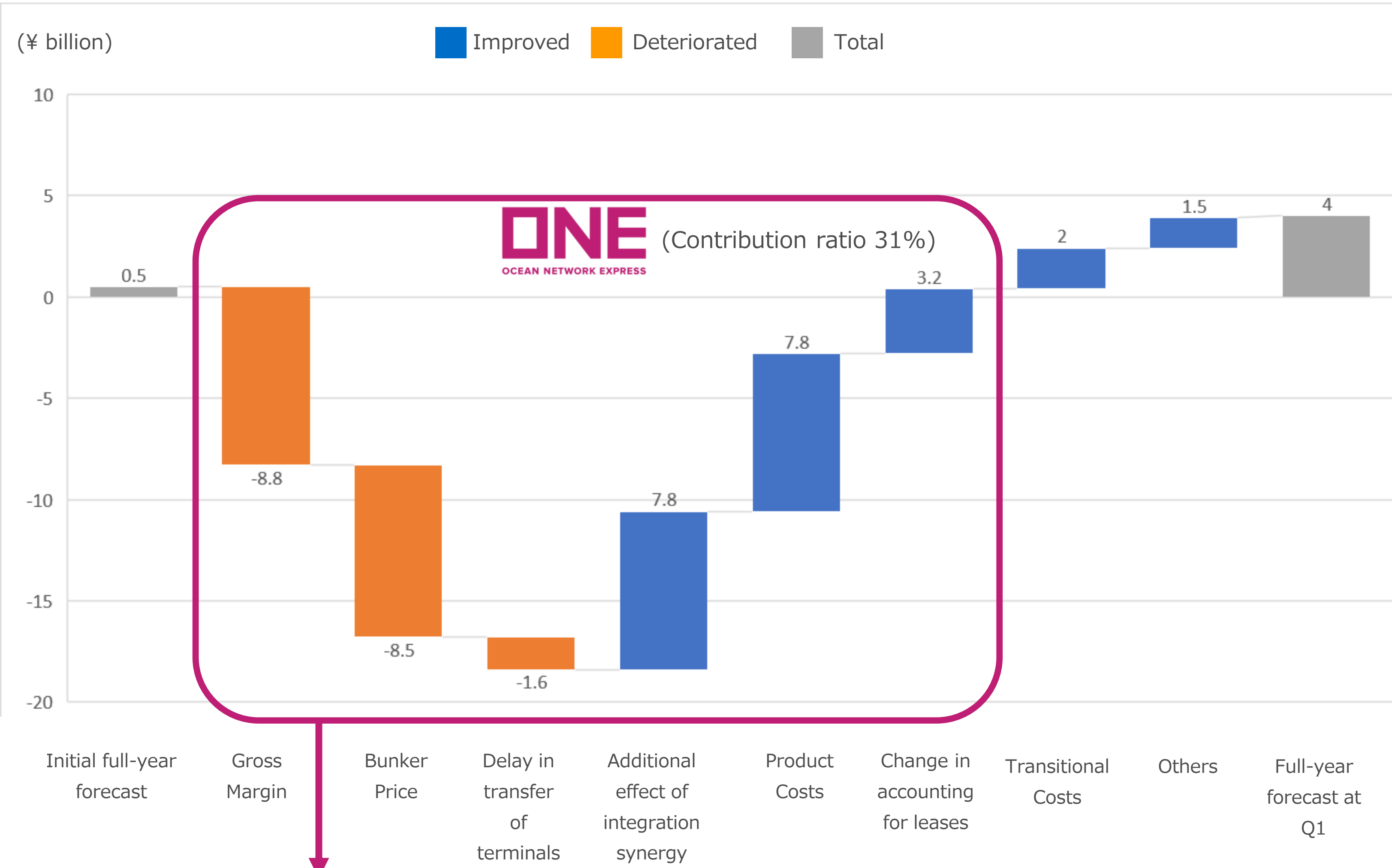
■ Ferries and Coastal RoRo Ships

Ordinary profit will decrease from the previous fiscal year due to higher bunker prices and the impact of long-term canceled sailings of some ferries.

[Dividend]

Unchanged from the previous announcement. Plan to pay ¥50 per share for the full year (interim ¥20 + year-end ¥30). (Dividend payout: 20%)

5. Differences in Containership Business Segment Forecast (Initial vs. at Q1)



For details ⇒ ONE disclosure materials on P.27

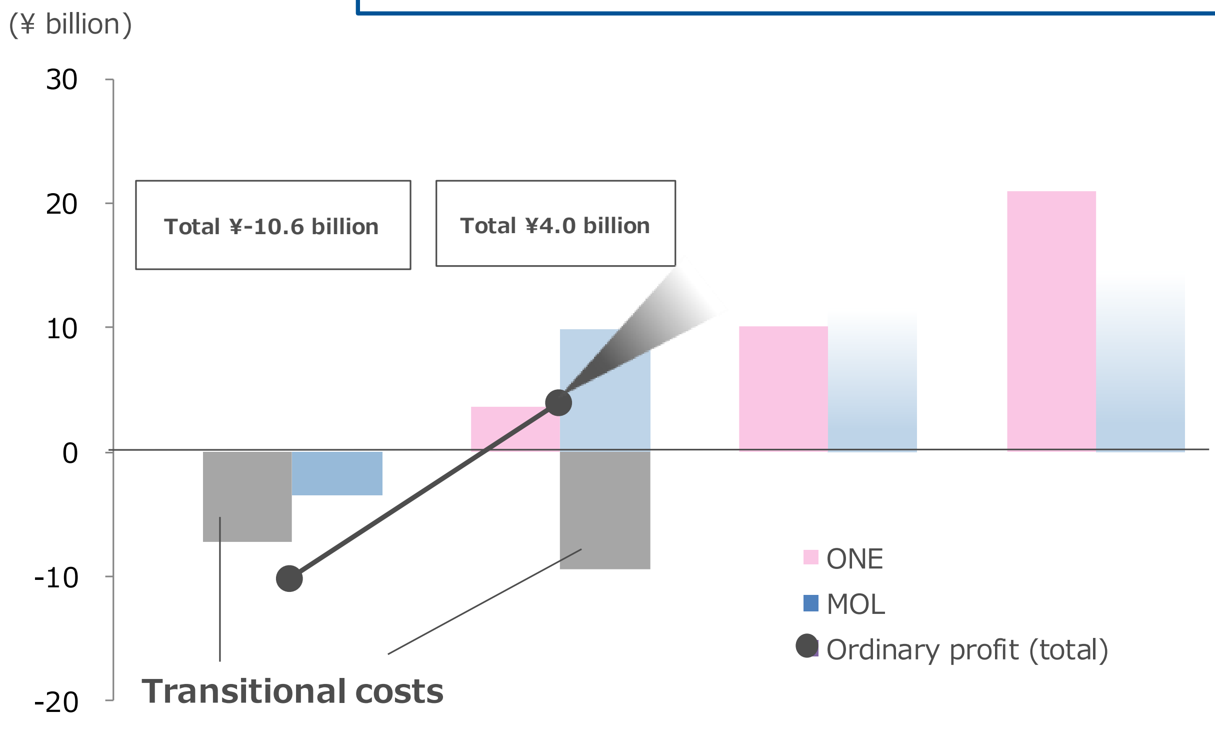
6. Plan to Improve Profitability in the Containership Business

MOL Containership Business ordinary profit =

ONE: MOL's ONE-related equity in earnings of affiliates (31% of ONE's net profit and loss)

+

MOL: Ordinary profit excluding the above equity in earnings of affiliates (including terminal & logistics businesses, etc.)



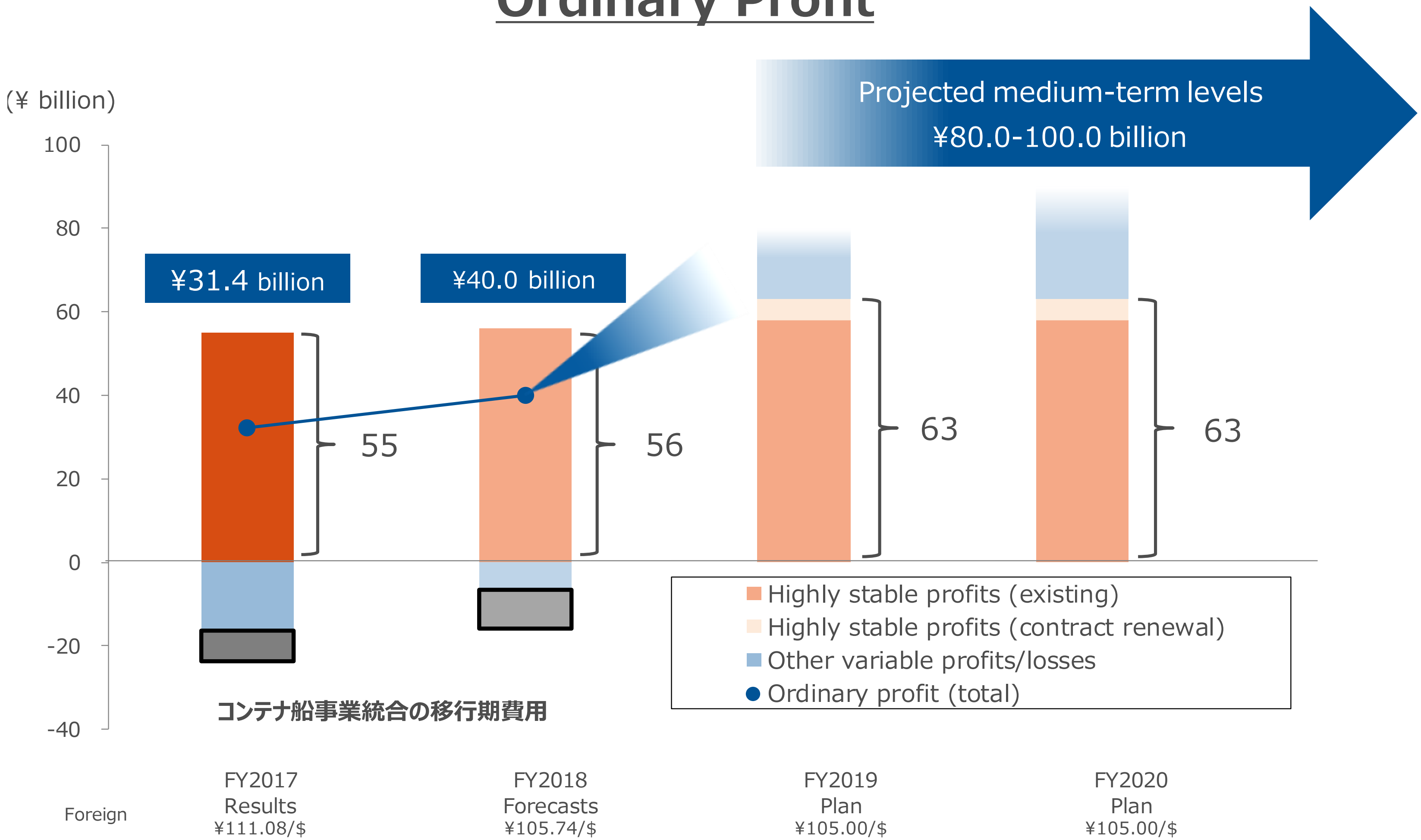
Foreign Exchange	FY2017 Results	FY2018 Forecasts	FY2019 Plan	FY2020 Plan
	¥111.08/$	¥105.74/$	¥105.00/$	¥105.00/$

Note: FY2019-2020 plan is as of Apr 27, 2018

7. Roadmap to Profit Improvement (I)

Rolling Plan 2018

Ordinary Profit



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

Highly stable Profits: Dry bulkers/Tankers (medium- to long-term contracts), LNG carriers/Offshore businesses, and Associated Businesses

Other variable profits (losses): Dry bulkers/Tankers (spot operations), Car carriers, Containerships, Terminals & Logistics, and Ferris / Coastal RoRo ships

Note: FY2019-2020 plan is as of Apr 27, 2018

8. Roadmap to Profit Improvement (II)

Rolling Plan 2018

1. **Improving other variable profits (losses)**

   Improve/restore profitability in the containership business

   ⇒**P.11, P.12**

2. **Accumulating highly stable profits**

   Start operations of existing projects (LNG carriers/offshore business)/ Acquire new mid- and long-term contracts (dry bulkers, tankers, offshore business)

3. **Improving other variable profits**

   Expand and enhance businesses in which MOL has competitive advantages (chemical tankers, ferries, etc.)

In the medium term,

Improving other variable profits

Expect recovery of dry bulker and tanker markets to some extent

Dry Bulker Market (Spot Charter Rate)

1. FY2017 (Result)

(US$/day)

Size	FY2017						
	1st Half			2nd Half			Full-year
Market for vessels operated by MOL	Apr-Sep, 2017			Oct, 2017 - Mar, 2018			Average
	Apr-Jun	Jul-Sep		Oct-Dec	Jan-Mar		
Capesize	**12,000**	**14,700**	**13,300**	**23,000**	**13,000**	**18,000**	**15,700**
Panamax	**8,800**	**10,100**	**9,500**	**11,900**	**11,500**	**11,700**	**10,600**
Handymax	**8,800**	**9,500**	**9,200**	**11,000**	**10,700**	**10,900**	**10,000**
Small handy	**7,300**	**7,400**	**7,300**	**9,400**	**8,500**	**8,900**	**8,100**

Market for vessels operated by overseas subsidiaries of MOL	Jan-Jun, 2017			Jul-Dec, 2017			Average
	Jan-Mar	Apr-Jun		Jul-Sep	Oct-Dec		
Capesize	**11,200**	**12,000**	**11,600**	**14,700**	**23,000**	**18,800**	**15,200**

2. FY2018 (Result/Forecast)

(US$/day)

Size	FY2018						
	1st Half			2nd Half			Full-year
Market for vessels operated by MOL	Apr-Sep, 2018			Oct, 2018 - Mar, 2019			Average
	Apr-Jun	Jul-Sep		Oct-Dec	Jan-Mar		
Capesize	**15,000**	**17,000**	**16,000**	**21,000**	**13,000**	**17,000**	**16,500**
Panamax	**10,500**	**10,000**	**10,300**	**10,000**	**10,000**	**10,000**	**10,100**
Handymax	**11,500**	**9,500**	**10,500**	**9,500**	**9,500**	**9,500**	**10,000**
Small handy	**8,800**	**7,500**	**8,100**	**7,500**	**7,500**	**7,500**	**7,800**

Market for vessels operated by overseas subsidiaries of MOL	Jan-Jun, 2018			Jul-Dec, 2018			Average
	Jan-Mar	Apr-Jun		Jul-Sep	Oct-Dec		
Capesize	**13,000**	**15,000**	**14,000**	**17,000**	**21,000**	**19,000**	**16,500**

Notes:
1) The general market results are shown in black.
2) The forecasts are shown in blue. These are referential charter rates for estimating P/L of free vessels that operates on spot contracts (contract period of less than two years).
In case rates have already been agreed, however, such agreed rates are reflected on P/L estimation of the relevant voyages.
3) Market for vessels operated by our overseas subsidiaries is shown on Calendar year basis (Jan-Dec), because their fiscal year ends in Dec. and thus their P/L are consolidated three months later.
4) Market for Capesize=5TC Average(changed on and after FY2014 financial announcement), Panamax= 4TC Average, Handymax= 5TC Average, Small handy= 6TC Average.

Tanker Market (Spot Earning)

1．FY2017 (Result)

(US$/day)

Vessel Type	Trade	FY2017						
		H1			H2			Full-year
Market for vessels operated by MOL		Apr-Sep, 2017			Oct, 2017 - Mar, 2018			Average
		Apr-Jun	Jul-Sep		Oct-Dec	Jan-Mar		
Crude Oil Tanker	Arabian Gulf - Far East	20,500	9,700	15,100	19,700	8,400	14,000	14,600
Product Tanker (MR)	Main 5 Trades	9,100	10,300	9,700	11,300	10,400	10,900	10,300
Market for vessels operated by overseas subsidiaries of MOL		Jan-Jun, 2017			Jul-Dec, 2017			Average
		Jan-Mar	Apr-Jun		Jul-Sep	Oct-Dec		
LPG Tanker (VLGC)	Arabian Gulf - Japan	17,400	17,500	17,400	9,100	16,000	12,500	15,000

(Source)Product Tanker and LPG Tanker: Clarkson Research Services Limited

2．FY2018 (Result/Forecast)

(US$/day)

Vessel Type	Trade	FY2018				
		H1			H2	Full-year
Market for vessels operated by MOL		Apr-Sep, 2018			Oct, 2018 - Mar, 2019	Average
		Apr-Jun	Jul-Sep			
Crude Oil Tanker	Arabian Gulf - Far East	9,400	13,000	11,200	23,500	17,400
Product Tanker (MR)	Main 5 Trades	8,200				
Market for vessels operated by overseas subsidiaries of MOL		Jan-Jun, 2018			Jul-Dec, 2018	Average
		Jan-Mar	Apr-Jun			
LPG Tanker (VLGC)	Arabian Gulf - Japan	14,900	9,100	12,000		

(Source)Product Tanker and LPG Tanker: Clarkson Research Services Limited

Note 1: The general market results are shown in black.

Note 2: The forecasts are shown in blue. These are referential WS for estimating P/L of free vessels that operates on spot contracts (contract period of less than two years). In case rates have already been agreed, however, such agreed rates are reflected on P/L estimation of the relevant voyages.

Note 3: VLCC Market is for Arabian Gulf - China trade.

Note 4: Product Tanker market is simple average of main 5 trades: Europe - US, US - Europe, Singapore - Australia, South Korea - Singapore, and India - Japan.

Note 5: LPG Tankers are operated by our overseas subsidiaries and the market is shown on Calendar year basis (Jan-Dec), because their fiscal year ends in Dec. and thus their P/L are consolidated three months later.

Containerized Freight Index (CCFI*)

[Supplement #3]

1. FY2017 (Result)

(Jan 1, 1998=1,000)

Trade	FY2017						
	1st Half Apr-Sep, 2017			2nd Half Oct, 2017 - Mar, 2018			Full-year Average
	Apr-Jun	Jul-Sep		Oct-Dec	Jan-Mar		
U.S. West Coast	622	643	632	615	631	623	628
U.S. East Coast	848	851	850	780	870	825	837
Europe	1,086	1,124	1,105	1,016	1,084	1,050	1,078
South America	750	851	800	757	749	753	777

2. FY2018 (Result)

(Jan 1, 1998=1,000)

Trade	FY2018						
	1st Half Apr-Sep, 2018			2nd Half Oct, 2018 - Mar, 2019			Full-year Average
	Apr-Jun	Jul-Sep		Oct-Dec	Jan-Mar		
U.S. West Coast	620						
U.S. East Coast	840						
Europe	1,008						
South America	546						

***China Containarized Freight Index**

Car Carrier Loading Volume

1. FY2017 (Result)

(1,000 units)

(Completed-voyage basis / including voyage charter)	FY2017						
			1st Half			2nd Half	Total
	Q1	Q2		Q3	Q4		
Total	1,034	1,137	2,172	1,095	1,130	2,225	4,397

2. FY2018 (Result/Forecast)

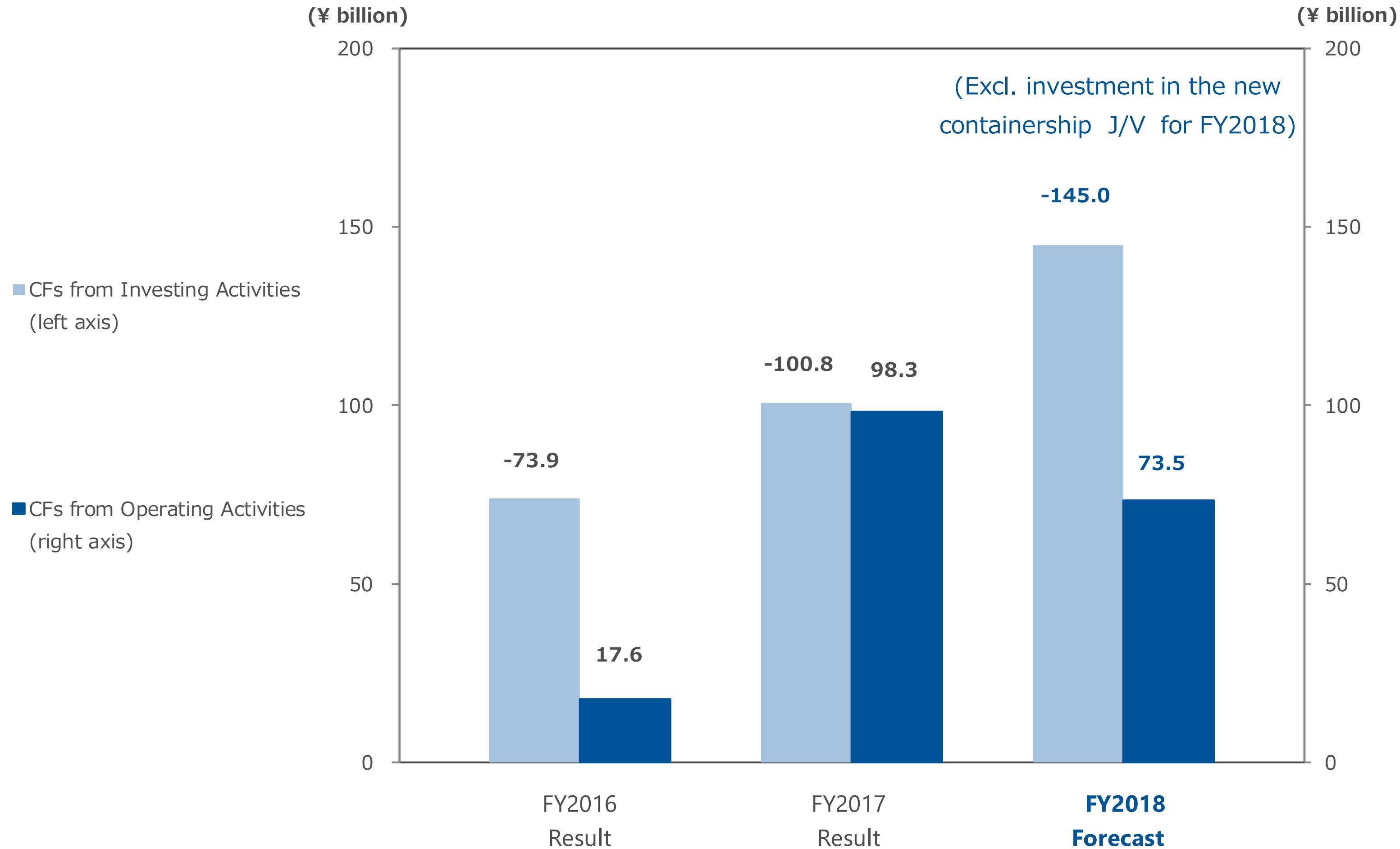
(1,000 units)

(Completed-voyage basis / including voyage charter)	FY2018				
			1st Half	2nd Half	Total
	Q1	Q2			
Total	1,098	1,141	2,240	2,247	4,487

*The forecasts are shown in blue.

Cash Flows

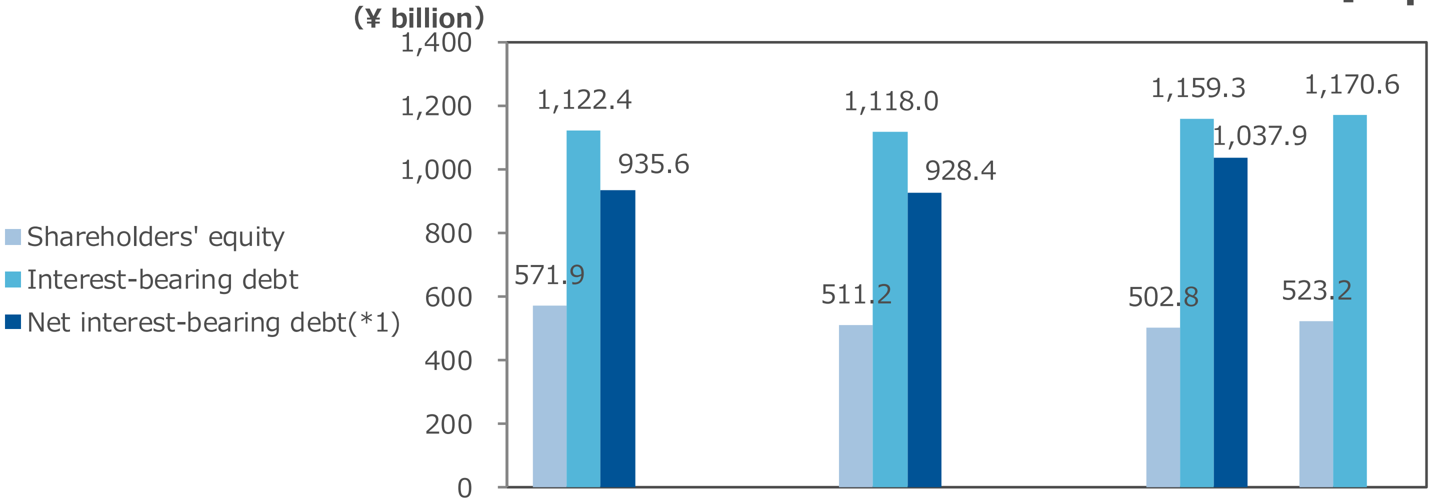
[Supplement #5]

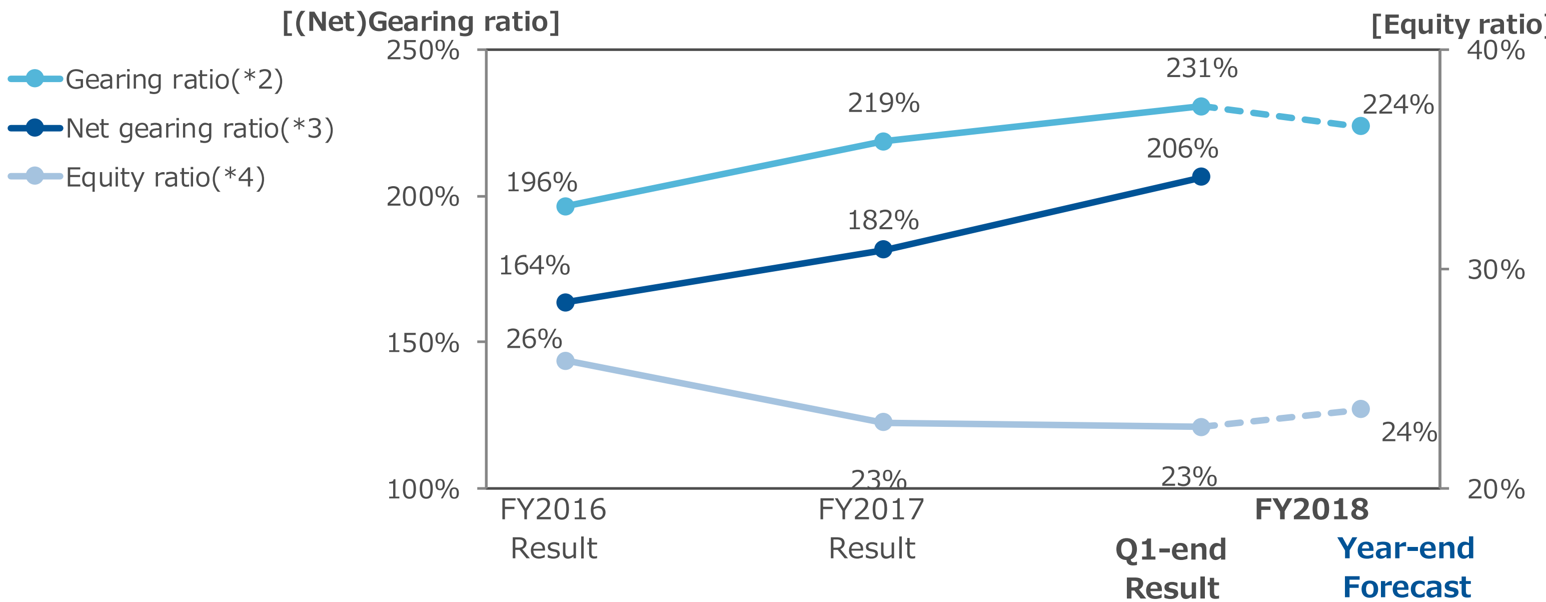


	FY2016 Result	FY2017 Result	**FY2018 Forecast**
Ordinary Profit/Loss(￥bn)	25.4	31.4	**40.0**
Profit/Loss Attributable to Owners of Parent(￥ bn)	5.2	-47.3	**30.0**
Ave. Exchange Rate	¥108.57/$	¥111.08/$	**¥105.74/$**

Note1: Free Cash Flows (FCFs) = CFs from Operating Activities – CFs from Investing Activities
Note2: CFs from Investing Activities are “net” figures. (Gross Investments – Sales of Assets, etc)

Financial Plan





(Term-end Exchange Rate)

MOL	¥112.19/$	¥106.24/$	**¥110.54/$**	**¥105.00/$**
Overseas Subsidiaries	¥116.49/$	¥113.00/$	**¥106.24/$**	**¥105.00/$**

(*1) Interest-bearing debt – Cash & cash equivalents (*2) Interest-bearing debt / Shareholders's equity
(*3) Net interest-bearing debt / Shareholders's equity (*4) Shareholders's equity / Total assets

Fleet Composition (incl. Offshore business)

[Supplement #7]

			31-Mar, 2018	30-Jun, 2018	30-Jun, 2018 (1,000dwt)	31-Mar, 2019 (Forecast)
Dry Bulk Business	Capesize		88	91	17,791	
	Small and medium-sized bulkers	Panamax	26	29	2,360	
		Handymax	54	52	2,859	
		Small Handy	28	30	1,071	
		(Sub total)	108	111	6,291	
	Wood chip carriers		39	39	2,159	
	Short sea ships		61	55	1,064	
	(Sub total)		296	296	27,305	285
		(Market Exposure)	**(71)**	**-**	**-**	**(70)**
Energy Transport Business	Tankers	Crude oil tankers	39	38	10,094	
		Product tankers	39	35	2,093	
		Chemical tankers (incl. Methanol tankers)	87	86	2,686	
		LPG tankers	8	8	447	
		(Sub total)	173	167	15,320	
	Steaming coal carriers		41	45	4,129	
	(Sub total)		214	212	19,449	213
		(Market Exposure)	**(83)**	**-**	**-**	**(77)**
	LNG carriers (incl. Ethane carriers)		83	84	6,674	91
	Offshore	FPSO	5	5	-	6
		FSRU	1	1	152	1
		Subsea support vessels	1	1	5	1
	Coastal ships (excl. Coastal RoRo ships)		30	31	101	31
Product Transport Business	Car carriers		119	119	2,010	121
	Ferries & Coastal RoRo ships		14	15	85	15
Associated Businesses and Others	Cruise ships		1	1	5	1
	Others		2	2	13	2
Sub total			766	767	55,799	767
Product Transport Business	Containerships		91	74	6,354	65
Total			857	841	62,153	832

Note 1: Including spot-chartered ships and those owned by joint ventures

Note 2: "Market Exposure"=Vessels operating under contracts less than two years, which are owned or mid-and long-term chartered vessels.

Note 3: Estimated "Market Exposure" of 31-Mar,2019 is as of 27-Apr,2018.

Note 4: Containerships are operated by ONE after Apr, 2018.

LNG Carriers and Offshore businesses: Signed Contracts [Supplement #8]

LNG Carriers

Timeline: 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 (FY)

No.	Customer	Project	Destination
1	<u>Osaka Gas</u>	<u>ex.Australia</u>	To JAPAN
2	<u>Osaka Gas</u>	<u>ex.Australia</u>	To JAPAN
3	<u>Osaka Gas/Kyushu Electric Power</u>	<u>ex.Australia</u>	To JAPAN
4	Osaka Gas	ex.USA	To JAPAN
5	<u>JERA</u>	<u>ex.Australia</u>	To JAPAN
6	JERA	ex.USA	To JAPAN
7	JERA	ex.USA	To JAPAN
8	<u>Kansai Electric Power</u>	<u>ex.Australia</u>	To JAPAN
9	<u>Kansai Electric Power</u>	<u>ex.Australia</u>	To JAPAN
10	Tokyo Gas	ex.USA	To JAPAN
11	Tokyo Gas	ex.USA	To JAPAN
12	Tokyo Gas	ex.USA	To JAPAN
13	Mitsui	ex.USA	To JAPAN
14	Mitsui	ex.USA	To JAPAN
15	Mitsui	ex.USA	To JAPAN
16	<u>ExxonMobil</u>	<u>ex.Australia</u>	To CHINA
17	<u>ExxonMobil</u>	<u>ex.Australia</u>	To CHINA
18	<u>ExxonMobil</u>	<u>ex.PNG</u>	To CHINA
19	<u>ExxonMobil</u>	<u>ex.PNG</u>	To CHINA
20	<u>SINOPEC</u>	<u>ex.Australia</u>	To CHINA
21	<u>SINOPEC</u>	<u>ex.Australia</u>	To CHINA
22	<u>SINOPEC</u>	<u>ex.Australia</u>	To CHINA
23	<u>SINOPEC</u>	<u>ex.Australia</u>	To CHINA
24	<u>SINOPEC</u>	<u>ex.Australia</u>	To CHINA
25	<u>SINOPEC</u>	<u>ex.Australia</u>	To CHINA
26	<u>Yamal(Ice Class)</u>	ex.Russia	To CHINA
27	Yamal(Ice Class)	ex.Russia	To CHINA
28	Yamal(Ice Class)	ex.Russia	To CHINA
29	Yamal	ex.Europe	To CHINA
30	Yamal	ex.Europe	To CHINA
31	Yamal	ex.Europe	To CHINA
32	Yamal	ex.Europe	To CHINA
33	<u>Petronet</u>	<u>ex.Australia</u>	To INDIA
34	Uniper	ex.USA	To Europe and others

※**<u>Underline</u> is under operation**

Offshore Businesses

Timeline: 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 (FY)

No.	Customer	Location	Type
1	<u>Petrobras</u>	<u>Brazil</u>	FPSO*
2	<u>Petrobras</u>	<u>Brazil</u>	FPSO*
3	<u>Petrobras</u>	<u>Brazil</u>	FPSO*
4	<u>Petrobras</u>	<u>Brazil</u>	FPSO*
5	Petrobras	Brazil	FPSO*
6	Petrobras	Brazil	FPSO*
7	<u>Tullow Ghana</u>	<u>Ghana</u>	FPSO*
8	<u>MOL FSRU Challenger</u>	<u>Turkey</u>	FSRU
		Hong Kong	FSRU
9	SWAN LNG	India	FSRU
10	SWAN LNG	India	FSU

(*)FPSO : Total 8units, including one which commenced operation since FY2010

Ethane Carriers

Timeline: 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 (FY)

No.	Customer	Project	Destination
1	<u>Reliance</u>	<u>ex.USA</u>	To INDIA
2	<u>Reliance</u>	<u>ex.USA</u>	To INDIA
3	<u>Reliance</u>	<u>ex.USA</u>	To INDIA
4	<u>Reliance</u>	<u>ex.USA</u>	To INDIA
5	<u>Reliance</u>	<u>ex.USA</u>	To INDIA
6	<u>Reliance</u>	<u>ex.USA</u>	To INDIA

OCEAN NETWORK EXPRESS

Financial Results for FY2018 1st Quarter and Forecast for FY2018

JUL 31ST 2018

FY2018 1st Quarter and The Full Year Overview

OCEAN NETWORK EXPRESS

Profit/Loss Summary

FY2018 1st Quarter Results :

The 1Q Net Profit/Loss after tax is ▲US$120Million loss due mainly to lower lifting caused by operational teething problems that affected service quality during the operation start-up period, and higher bunker price than originally forecasted.
Net Profit/Loss of 1st Half (1Q+2Q) is expected to be lowered by US$40Million than the previous announcement.

FY2018 Full Year Forecast :

Considering that service quality has already stabilized, overall business is expected to be back to normal situation from the 2Q onwards. FY2018 full year forecast for Net profit/Loss after tax remains unchanged as US$110 Million, underpinned by steady realization of integration synergy ahead of schedule as well as the change in accounting for lease contracts while higher bunker price will have a negative impact.
The profit from overseas terminal business will only be included from the 4th Quarter due to delay in business transfer.

Progress of Integration Synergies

Integration synergies of US$1,050 Million(Yen 112.4 Billion)/year are steadily emerging. For the 1st year (FY2018), the synergies are expected to emerge to 80% against the original forecast of 60%.

FY2018 1st Quarter Results

1Q Results and FY2018 Full Year Forecast

(Unit: Million US$)

	FY2018				
	Q1 Result	Q2 Forecast	H1 Forecast	H2 Forecast	Full Year Forecast
Revenue	2,066	3,376	5,442	6,812	12,254
Profit/Loss	-120	82	-38	147	110

Bunker Price (US$/MT)	$407.00	$468.00	$440.00	$468.00	$454.00

- **Sensitivity on Profit/Loss :**
  Bunker Price ± 26 million, per US$10/MT (for 9 months/Max)

Comparison with Previous Forecast

(Unit: Million US$) *as of Apr 2018

	FY2018 Previous Forecast*			FY2018					Full Year	
	H1 Forecast*	H2 Forecast	Full Year Forecast	Q1 Result	Q2 Forecast	H1 Forecast	H2 Forecast	Full Year Forecast	Change (Mil US$)	Change (%)
Revenue	6,269	6,891	13,160	2,066	3,376	5,442	6,812	12,254	-906	-6.9%
Profit/Loss	3	107	110	-120	82	-38	147	110	0	0.0%
Bunker Price (US$/MT)	$383.00	$383.00	$383.00	$407.00	$468.00	$440.00	$468.00	$454.00	$71.00	

Lifting / Utilization / Freight Index

Lifting / Utilization by Trades

(Unit: 1,000TEU)

Lifting / Utilization by Trrades		FY2018 Q1 Result
Asia - North America Eastbound	Lifting	530
	Utilization	73%
Asia - Europe Westbound	Lifting	312
	Utilization	73%

Outlook from the Q2 onwards
Asia-North America Eastbound :
Both demand and supply are expected to grow by around 6% on a year-on-year basis. Major alliances have already announced their service rationalization plan, and it is expected that demand and supply situation will be stabilized. Utilization in July is expected to improve as 90%, and we forecast utilization will recover back to the level of the original outlook from the Q2 onwards.

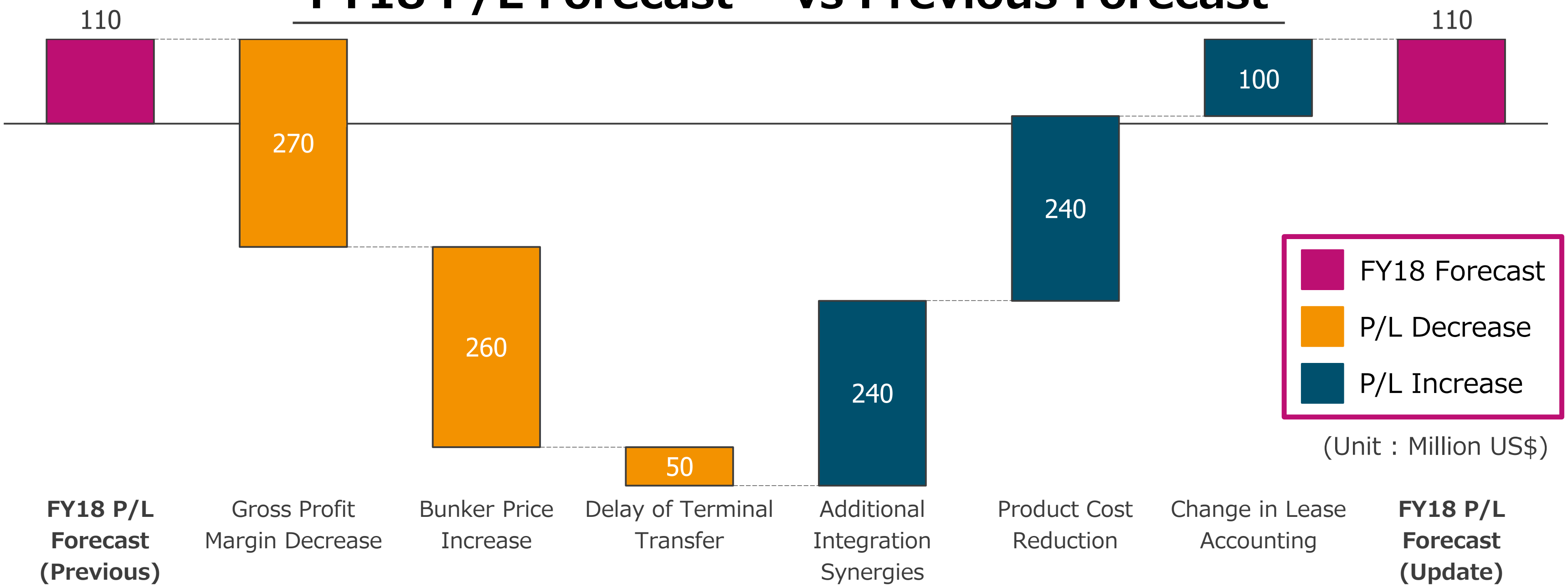
Asia-Europe Westbound :
Supply has grown by 5% on a year-on-year basis. The demand growth has not matched the supply growth so far, but a steady cargo growth is expected towards the cargo peak season. Utilization in July is expected to improve as 92%, and we forecast utilization will recover back to the level of the original outlook from the Q2 onwards.

Indices for actual freight for the above mentioned routes will be disclosed from the Q2.

FY18 P/L Forecast Update

Full year forecast for Net profit/Loss remains unchanged as US$110 Million, as negative impacts such as decrease of gross profit margin and increase of bunker price are offset by accelerated integration synergies, additional cost reduction, and change in lease accounting.

FY18 P/L Forecast – vs Previous Forecast



Analysis vs Previous Forecast		
	Gross Profit Margin Decrease	• Mainly by lower utilization
	Bunker Price Increase	• Previous forecast \$383/MT → Updated forecast \$454/MT
	Delay of Terminal Transfer	• Previous forecast expected to start operation in 2Q → Updated forecast in 4Q
	Additional Integration Synergies	• Mainly by more variable costs reduction such as feeder/inland and terminal costs
	Product Cost Reduction	• Bunker consumption decrease, Product cost reduction by withdrawal of one Transpacific service loop from August, etc.
	Change in Lease Accounting	• P/L improvement by change in lease accounting methodology (Previously assumed finance lease for vessel charter contract changed into operating lease for this year)

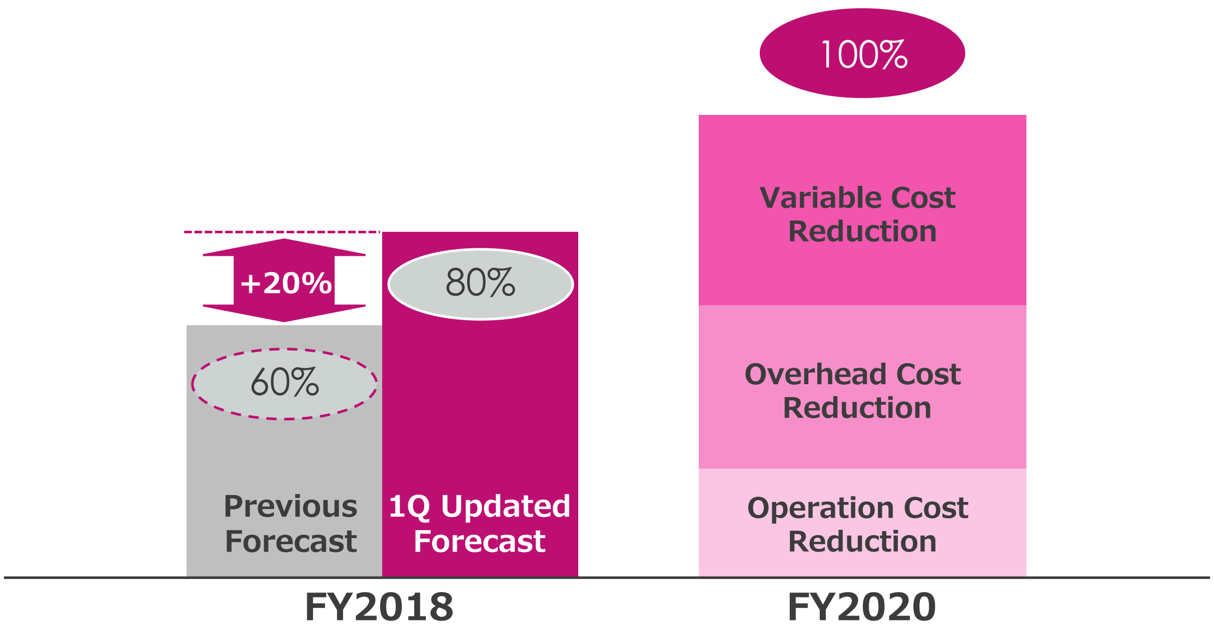
Integration Synergy Update

In original integration synergy forecast of US$1,050 million (Yen 112.4 Billion), 80% of the synergy effect is expected to emerge for the 1st year (20% more than previous forecast of 60%).

（Exchange rate : 1 US$=JPY107）

- **Break-down of the synergy effect US$1,050 Million is as follows.**
  - Variable Cost Reduction ･･･US$430Mil : Rail, Truck, Feeder, Terminal, Equipment etc.
  - Overhead Cost Reduction ･･･US$370Mil : IT cost, Rationalization of organization, Outsourcing etc.
  - Operation Cost Reduction ･･･US$250Mil : Bunker consumption, product rationalization etc.

Achievement ratio against the initial target



Fleet Structure

as of end of 1Q

Size		Combined
>= 20,500 TEU	Capacity (TEU)	120,600
	Vessels	6
10,500 - 20,500 TEU	Capacity (TEU)	265,100
	Vessels	19
9,800 - 10,500 TEU	Capacity (TEU)	100,100
	Vessels	10
7,800 - 9,800 TEU	Capacity (TEU)	357,194
	Vessels	40
6,000 - 7,800 TEU	Capacity (TEU)	300,933
	Vessels	46
5,200 - 6,000 TEU	Capacity (TEU)	101,898
	Vessels	18
4,600 - 5,200 TEU	Capacity (TEU)	123,286
	Vessels	25
4,300 - 4,600 TEU	Capacity (TEU)	71,816
	Vessels	16
3,500 - 4,300 TEU	Capacity (TEU)	42,403
	Vessels	10
2,400 - 3,500 TEU	Capacity (TEU)	50,898
	Vessels	19
1,300 - 2,400 TEU	Capacity (TEU)	18,711
	Vessels	11
1,000 - 1,300 TEU	Capacity (TEU)	5,398
	Vessels	5
< 1,000 TEU	Capacity (TEU)	3,562
	Vessels	5
Total	**Capacity (TEU)**	**1,561,899**
	Vessels	**230**