MOL
Mitsui O.S.K. Lines

One Direction

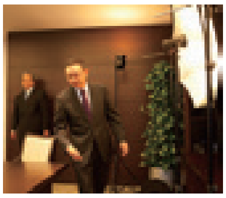
Our New Growth Scenario

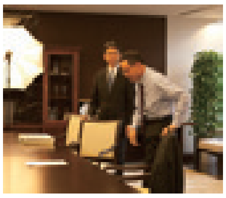
ANNUAL REPORT 2013
Year ended March 31, 2013

ANNUAL REPORT 2013 One Direction

MOL suffered from a difficult business environment and recorded consecutive losses in fiscal 2011 and 2012. But things have started to change after MOL executed Business Structural Reforms (BSR), which are designed to steer MOL in one direction toward renewed growth. In the feature section of this report, MOL's president is interviewed about the company's focus on one direction. The feature comprises three parts in which the president discusses his recognition of the company's circumstances (Why) and the measures taken to address them (How): (1) a review of fiscal 2012 and the BSR executed in the fourth quarter; (2) "RISE 2013," MOL's fiscal 2013 business plan for restoring the company to profitability; and (3) MOL's scenario for renewed growth based on this foundation from fiscal 2014 onward. Later in the report, in "Overview of Operations," the heads of each business division discuss divisional strategy in the same three-part format. And under "Key Systems Underpinning MOL," we explain in detail our corporate governance and safe operation initiatives, which underpin our growth.








MOL GROUP CORPORATE PRINCIPLES

1 **As a multi-modal transport group, we will actively seize opportunities that contribute to global economic growth and development by meeting and responding to our customers' needs and to this new era.**

2 **We will strive to maximize corporate value by always being creative, continually pursuing higher operating efficiency and promoting an open and visible management style that is guided by the highest ethical and social standards.**

3 **We will promote and protect our environment by maintaining strict, safe operation and navigation standards.**

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One Direction
Our New Growth Scenario

In fiscal 2012, we implemented Business Structural Reforms (BSR) to make MOL more resilient to the risk of changes in market prices, particularly in dry bulkers. In fiscal 2013, we are now drawing on all our strengths to execute "RISE 2013," a single-year management plan that is designed to return MOL to profitability. Among other initiatives, this plan seeks to enhance the measures set forth in the BSR, to expand highly stable profits and to strengthen the cost competitiveness of our containership business. Beyond that, we are working in one direction—to put MOL on a new growth trajectory.

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MOL'S IR WEBSITE

http://www.mol.co.jp/ir-e/index.html

MOL'S COMMUNICATION TOOLS

MOL produces the following publications as a means of promoting communication with stakeholders:

*The latest versions of all reports can be found on our website.

http://www.mol.co.jp/menu-e.html

ANNUAL REPORT*

A detailed explanation of investor relations information such as a message from top management, management strategy, business environment, operating results and financial data. Primarily for shareholders and other investors.

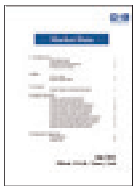
ENVIRONMENTAL AND SOCIAL REPORT*

This report introduces the company's approach to corporate social responsibility (CSR) and the environment, and our latest initiatives, to all stakeholders. The report uses illustrations, tables and graphs and reflects the voices of our forefront staff where possible.

MOL INVESTOR GUIDEBOOK*

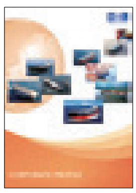
Easy-to-understand analysis using tables, charts and graphs of the MOL Group's management plans, key financial indicators, business activities, market position and operating environment in each business. Primarily for shareholders and other investors.

MARKET DATA*



This report uses graphs and tables to introduce the latest marine transport-related information, such as freight rates for dry bulkers and tankers, and containership trade volume. Primarily for shareholders and other investors.

CORPORATE PROFILE



Easy-to-understand discussion of the company's business activities. Mainly for customers, business partners, local communities, and job-hunting university students and professionals, as well as the general public.

FINANCIAL HIGHLIGHTS

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

	Millions of yen						Thousands of U.S. dollars
	2013	2012	2011	2010	2009	2008	2013
For the year:							
Shipping and other revenues	**¥1,509,194**	¥1,435,221	¥1,543,661	¥1,347,965	¥1,865,802	¥1,945,697	**$16,046,720**
Shipping and other expenses	**1,432,014**	1,368,795	1,328,960	1,228,479	1,564,486	1,544,109	**15,226,093**
Selling, general and administrative expenses	**92,946**	90,886	91,300	98,547	104,105	110,303	**988,261**
Operating income (loss)	**(15,766)**	(24,460)	123,401	20,939	197,211	291,285	**(167,634)**
Ordinary income (loss)	**(28,568)**	(24,320)	121,622	24,235	204,511	302,219	**(303,753)**
Income (loss) before income taxes and minority interests	**(137,939)**	(33,516)	95,367	27,776	197,732	318,202	**(1,466,656)**
Net income (loss)	**(178,847)**	(26,009)	58,277	12,722	126,988	190,321	**(1,901,616)**
Free cash flows [(a) + (b)]	**(25,285)**	(129,298)	46,970	(40,055)	(71,038)	23,291	**(268,846)**
Cash flows from operating activities (a)	**78,956**	5,014	181,755	93,428	118,984	283,359	**839,511**
Cash flows from investing activities (b)	**(104,241)**	(134,313)	(134,785)	(133,484)	(190,022)	(260,068)	**(1,108,357)**
Tangible/intangible fixed assets increased	**164,890**	175,726	220,443	204,190	223,208	303,573	**1,753,216**
At year-end:							
Total assets	**2,164,611**	1,946,162	1,868,741	1,861,312	1,807,080	1,900,551	**23,015,534**
Net vessels, property and equipment	**1,303,967**	1,293,803	1,257,823	1,209,176	1,106,746	1,047,825	**13,864,615**
Interest-bearing debt	**1,046,865**	869,619	724,259	775,114	702,617	601,174	**11,130,941**
Net assets/Shareholders' equity	**619,493**	717,909	740,247	735,702	695,022	751,652	**6,586,847**

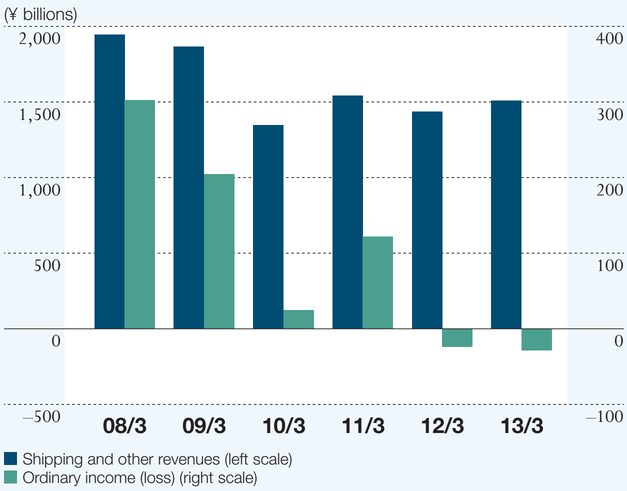
Amounts per share of common stock:	Yen						U.S. dollars
Net income (loss)	**¥(149.57)**	¥(21.76)	¥48.75	¥10.63	¥106.13	¥159.14	**$(1.590)**
Cash dividends applicable to the year	**–**	5.00	10.00	3.00	31.00	31.00	**–**

Management indicators:						
Gearing ratio (%)	**196**	136	110	118	113	88
Equity ratio (%)	**24.7**	32.8	35.4	35.4	34.5	35.8
ROA (%)	**(8.7)**	(1.4)	3.2	0.7	6.9	10.8
ROE (%)	**(30.5)**	(4.0)	8.8	2.0	19.5	30.9
Dividend payout ratio (%)	**–**	–	20.5	28.2	29.2	19.5
Number of MOL Group employees: (the parent company and consolidated subsidiaries)	**9,465**	9,431	9,438	9,707	10,012	9,626

Please refer to the notes on p. 72, for "Translation of foreign currencies" and "Presentation of net assets in the balance sheet."

KEY INDICATORS

SHIPPING AND OTHER REVENUES/ ORDINARY INCOME (LOSS)

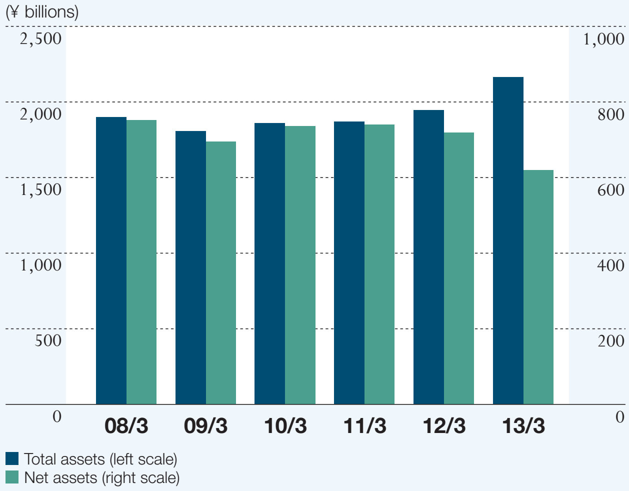


FY2012
Shipping and other revenues ¥1,509.1 billion

FY2012
Ordinary income (loss) ¥(28.5) billion

Although revenues increased ¥73.9 billion year on year, MOL recorded an ordinary loss that was ¥4.2 billion larger than fiscal 2011. This result reflected soft spot market rates due to a deterioration in the supply-demand balance of vessels, and the loss arising as a result negated highly stable profits derived from medium- and long-term contracts.

TOTAL ASSETS/NET ASSETS

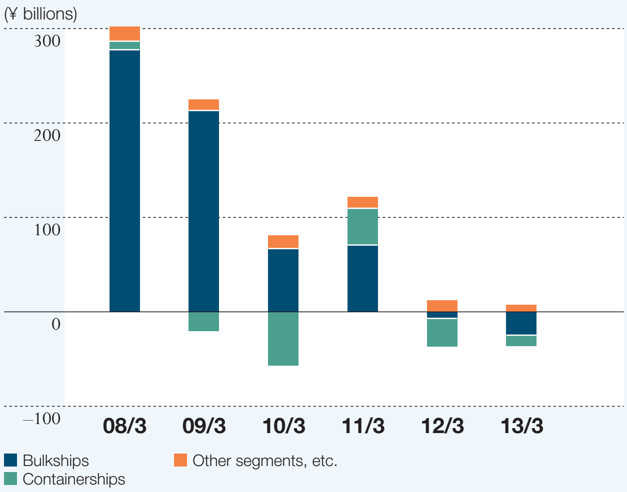


FY2012
Total assets ¥2,164.6 billion

FY2012
Net assets ¥619.4 billion

Total assets as of March 31, 2013 were ¥218.4 billion higher than at March 31, 2012 due to increases in cash and deposits, and other long-term assets, the latter because of the yen's depreciation. Net assets decreased ¥98.4 billion year on year due mainly to a decrease in retained earnings.

ORDINARY INCOME (LOSS) BY CONSOLIDATED SEGMENT



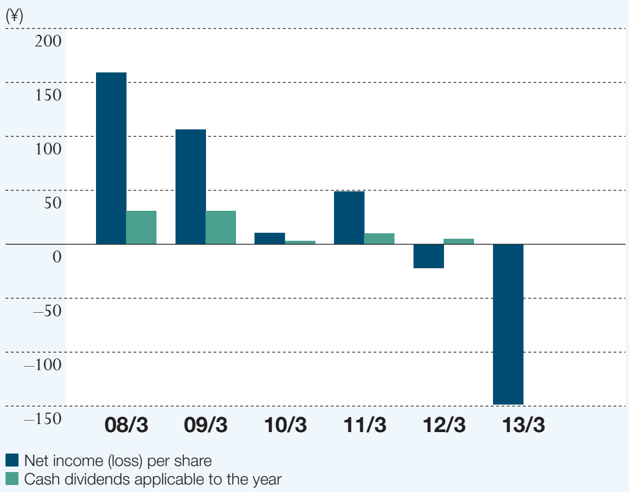
FY2012
Bulkships ¥(24.7) billion

FY2012
Containerships ¥(11.2) billion

FY2012
Other segments, etc. ¥7.4 billion

Bulkships posted a larger ordinary loss than fiscal 2011 due primarily to lower spot rates in dry bulker markets. Containerships, meanwhile, recorded a smaller ordinary loss despite no substantial improvement in the vessel supply-demand balance. This was the result of efforts to reduce costs and operate more efficiently.

NET INCOME (LOSS) PER SHARE/ CASH DIVIDENDS APPLICABLE TO THE YEAR

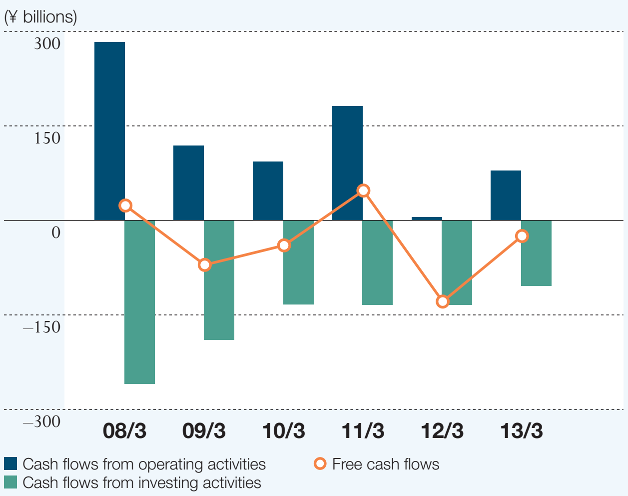


FY2012
Net income (loss) per share ¥(149.57)

FY2012
Cash dividends applicable to the year ¥—

MOL posted a net loss of ¥178.8 billion, partly reflecting the fourth-quarter cost of Business Structural Reforms and reversal of deferred tax assets. MOL took the decision not to pay a dividend throughout the fiscal year.

CASH FLOWS



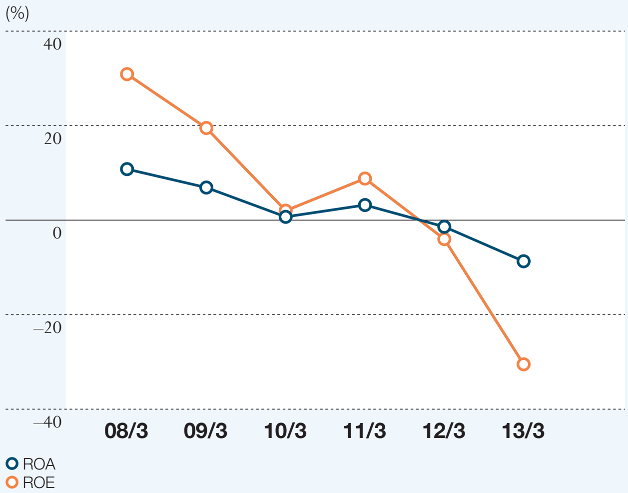
FY2012
Cash flows from operating activities ¥78.9 billion

FY2012
Cash flows from investing activities ¥(104.2) billion

FY2012
Free cash flows ¥(25.2) billion

Operating activities provided net cash of ¥78.9 billion, up ¥73.9 billion year on year. On the other hand, investing activities used net cash of ¥104.2 billion, ¥30.0 billion less year on year. The net result was negative free cash flows for the second straight year.

ROA/ROE

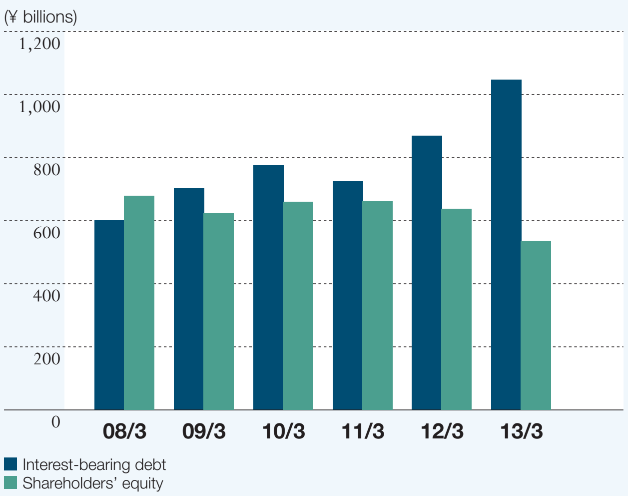


FY2012
ROA (8.7)%

FY2012
ROE (30.5)%

ROA and ROE both deteriorated sharply because the net loss widened by ¥152.8 billion year-on-year.

INTEREST-BEARING DEBT/SHAREHOLDERS' EQUITY



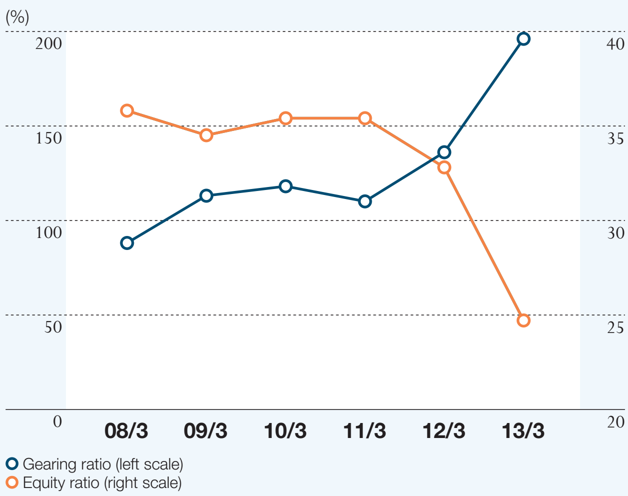
FY2012
Interest-bearing debt ¥1,046.8 billion

FY2012
Shareholders' equity ¥535.4 billion

* "Shareholders' equity" in this section comprises the total of owners' equity and accumulated other comprehensive income (loss).

Interest-bearing debt increased ¥177.2 billion to ¥1,046.8 billion, as the company procured funds by bank loans, corporate bonds and other means to cover negative free cash flows.

GEARING RATIO/EQUITY RATIO

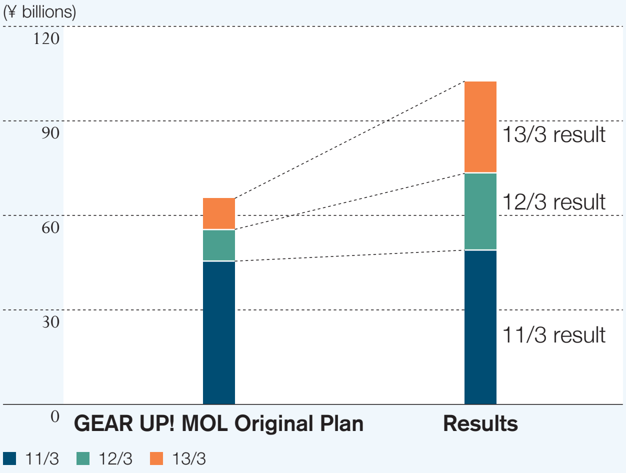


FY2012
Gearing ratio 196%

FY2012
Equity ratio 24.7%

The gearing ratio increased 60 points, reflecting the ¥177.2 billion rise in interest-bearing debt and the ¥102.0 billion decrease in shareholders' equity. The equity ratio fell 8.1 points due to the ¥218.4 billion increase in total assets.

COST REDUCTIONS



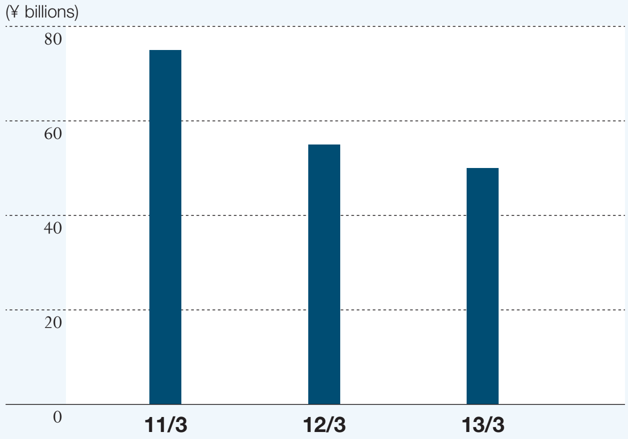
FY2010 Result ¥49.0 billion

FY2011 Result ¥24.5 billion

FY2012 Result ¥29.0 billion

In fiscal 2012, MOL achieved total cost reductions of ¥29.0 billion, exceeding its ¥28.0 billion target. This was achieved by reducing bunker expenses through slow steaming, improving vessel allocation efficiency and taking other actions. The fiscal 2012 figure exceeded its target, as was the case with the fiscal 2011 figure of ¥24.5 billion.

HIGHLY STABLE PROFITS



FY2012 Highly stable profits ¥50.0 billion

Highly stable profits are firm profits based on medium- to long-term contracts exceeding one year, and profits from highly stable businesses. MOL generated highly stable profits of ¥50.0 billion in fiscal 2012.

CREDIT RATINGS (As of July 2013)

	Type of Rating	Rating
JCR	Short-term debt rating (CP)	J–1
	Long-term preferred debt (issuer) rating	A
	Long-term debt rating	A
R&I	Issuer rating	A–
	Short-term debt rating (CP)	a–1
	Long-term individual debt rating	A–
Moody's	Issuer rating	Baa3

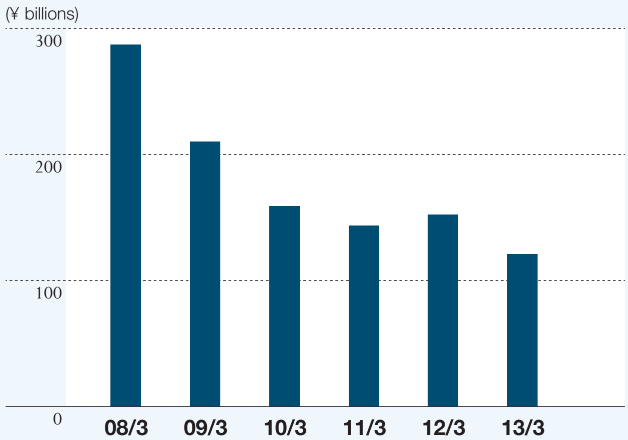
JCR A

R&I A–

Moody's Baa3

MOL's financial indicators deteriorated due to the company's lackluster performance, and MOL's credit ratings were downgraded by credit rating agencies, losing its position in fiscal 2011 of having the highest rating of any company in the global marine transport industry.

CAPITAL EXPENDITURE



FY2012 Capital expenditure ¥120.8 billion

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


AKIMITSU ASHIDA
Chairman
KOICHI MUTO
President

Loss for the Second Straight Year in Fiscal 2012

The MOL Group completed the "GEAR UP! MOL" midterm management plan at the end of March 2013. Despite making a bright start in the first year of this three-year plan, the subsequent two years saw us exposed to an extremely harsh external operating environment. We had to contend with a number of negative factors all at once, including the European financial crisis, slowing growth in China and other emerging markets, the Great East Japan Earthquake and other natural disasters, the yen's appreciation, and soaring bunker fuel prices. Coupled with these and other negative factors, there was a supply glut of vessels caused by continued deliveries of large numbers of vessels. We worked hard to overcome these difficulties that could be described as once-in-decades conditions. However, in fiscal 2011 we posted an ordinary loss of ¥24.3 billion as our containership, dry bulker and tanker divisions were all unable to stave off market declines caused by the supply of vessels outstripping demand. In fiscal 2012, we recorded a second straight ordinary loss of ¥28.5 billion. While the loss in containerships was dramatically reduced thanks to cost cutting and improved operational efficiency, an unprecedented slump in the dry bulker market negated our work to turn around results.

Fourth-Quarter Business Structural Reforms

Given this situation, and with no immediate prospects for a full-fledged recovery of the shipping market in fiscal 2013 because the vessel supply-demand equation will take some time to correct, we decided to implement Business Structural Reforms in the fourth quarter of fiscal 2012. We decided it was vital to implement full-scale reforms to improve our performance without waiting for the external operating environment to pick up. One action we took was to shift sales and operations of free vessels in dry bulkers to Singapore. This action was prompted by the need to turn around free vessel earnings, as these vessels had largely undermined highly stable profits from medium- to long-term contracts. We also decided to strengthen our ability to withstand the risk of market changes by reducing the number of free vessels in our dry bulker and tanker operations. As a result of these actions, we regrettably took large restructuring charges in fiscal 2012. However, we believe that our actions have secured us the competitiveness to move back onto a growth trajectory from fiscal 2013.

Fiscal 2013 Single-Year Management Plan "RISE 2013"

Since April 2013, MOL has been working company-wide on a single-year management plan, "RISE 2013," the goal of which is to ensure that we return to profitability in fiscal 2013. This year would ordinarily have seen us announce our next midterm management plan. However, we decided instead to launch a single-year plan designed to instill a crisis mentality in all corporate officers and employees and to lay a solid foundation for sustainable growth by restoring profitability and building up cash flows.

Business model reform is the cornerstone of "RISE 2013." We are returning to the essence of the MOL Group Corporate Principles, and strengthening sales to respond to customer needs and increasing the number of cargo shipping contracts to build up highly stable profits. In tandem with this, we are scaling down our market exposure to a more appropriate level. In addition, so that we can always surpass market expectations by creating added value in any market, we will demonstrate creativity and ingenuity in terms of cargo collection and operations, as well as execute more strategies to achieve deeper cost cutting. As part of these initiatives, we will reinforce business in Singapore, which is becoming a hub for international shipping, and other overseas bases.

Working Toward Sustainable Growth

Through "RISE 2013," MOL aims to equip itself with the ability to capture cargo volume, which is expected to be continually created in step with world economic growth, as well as rebuild a solid foundation to that end. We intend to work hard to put MOL back onto a growth trajectory after that and further grow the company's corporate value. We would like to ask for the continued understanding and support of shareholders as we work to achieve these goals.

August 2013

A. Ashida

AKIMITSU ASHIDA
Chairman

KOICHI MUTO
President

KOICHI MUTO
President

One Direction

Our New Growth Scenario

In fiscal 2012, we implemented Business Structural Reforms (BSR) to make MOL more resilient to the risk of changes in market prices, particularly in dry bulkers. In fiscal 2013, we are now drawing on all our strengths to execute “RISE 2013,” a single-year management plan that is designed to return MOL to profitability. Among other initiatives, this plan seeks to enhance the measures set forth in the BSR, to expand highly stable profits and to strengthen the cost competitiveness of our containership business. Beyond that, we are working in one direction—to put MOL on a new growth trajectory.

Special Charge for Spot Vessels

−¥101 Billion

Why

Fiscal 2012 was the final year of our three-year midterm management plan "GEAR UP! MOL," which began in fiscal 2010. For fiscal 2012, we set the initial target of achieving ordinary income of ¥10.0 billion. However, we ended up posting an ordinary loss of ¥28.5 billion, which was even bigger than the ¥24.3 billion ordinary loss recorded a year earlier, as a result of continued volatility in market conditions in the marine transport industry and strong supply pressures created by new ships. Looking more closely, our fiscal 2012 performance differed to fiscal 2011 in certain respects. On the one hand, we saw a major improvement in the containership business. On the other hand, however, dry bulker market conditions remained as soft as they have ever been, and this negated the profit improvement in the containership business.

The containership business posted an ordinary loss, but held it to ¥11.2 billion. This was an ¥18.6 billion improvement on the ¥29.9 billion ordinary loss it recorded in fiscal 2011. This marked improvement owed much to the restoration of freight rates by adjusting space supplied, and to strengthening the competitiveness of the service network by expanding and enhancing alliances. In stark contrast, the bulkships business, which includes the dry bulker business, saw the ordinary loss worsen by ¥17.8 billion from ¥6.9 billion in fiscal 2011 to ¥24.7 billion in fiscal 2012. This business was severely impacted even more than the previous year by depressed dry bulker market conditions as the number of new ship deliveries remained at a historically high level.

In this way, the deterioration in our fiscal 2012 performance was mainly due to lackluster market conditions for our free vessels*1 in dry bulkers. As the forecast for fiscal 2013 was looking challenging again, we took some forthright actions in the fourth quarter of fiscal 2012. With market conditions not expected to recover until mid-2013 at the earliest based on market participants building a consensus that vessel oversupply had peaked out, we decided not to wait for a recovery in market conditions to turn our performance around. Considering also the expected number of deliveries of tankers and containerships, we implemented Business Structural Reforms (BSR) designed to dramatically raise our information gathering capabilities to enable us to generate earnings even amid soft market conditions. These reforms caused us to take one-time charges of ¥101.5 billion as extraordinary losses (cost of BSR), breaking into retained earnings in fiscal 2012. But we saw this as an opportunity to take the first step toward putting MOL back on a growth trajectory.

The focus of our recent BSR was shifting sales and operations of free vessels in dry bulkers to Singapore, a central point for shipping in Asia and for customers and information. Many MOL customers and brokers already have bases in Singapore, meaning that differences have arisen in the volume of information obtainable from traditional Tokyo-centered sales. Even though advances in information technologies have enhanced communication, there is still no substitute for face-to-face communication in daily business. Tokyo is no longer the ideal location as a sales base in a global market. This is what led us to decide to centralize the free vessels of dry bulkers in Singapore.

Regarding the transfer of operations, mainly time charter agreements were assigned to MOL's wholly owned local subsidiaries in Singapore at market price, resulting in large losses*2 on assignment as extraordinary losses. This accounted for the lion's share of the ¥101.5 billion in cost of BSR. The large net loss of ¥178.8 billion for fiscal 2012 reflected the addition of these extraordinary expenses to the ordinary loss of ¥28.5 billion as well as the impact of reversing deferred tax assets. Importantly, however, the BSR have lowered the cost of MOL's free vessels of dry bulkers now in Singapore to the market rate. We expect this to yield a ¥40.0 billion earnings improvement in fiscal 2013, followed by projected improvements of ¥30.0 billion and ¥20.0 billion in fiscal 2014 and fiscal 2015*3. In other words, we believe that MOL now has one of the world's most competitive fleets of free vessels in Singapore.

*1: **Free Vessel:** So-called free vessels comprise ships contracted at spot rates or on contracts of less than one year. As a result, these vessels are exposed to changing market conditions.

*2: **Large losses:** The assignment losses represent the difference between the original charter rate and the prevailing market rate.

*3: The projected earnings improvement is in comparison with fiscal 2012. Total benefits, which are expected to continue flowing through fiscal 2016 and beyond, match the ¥101.5 billion. While the extent of the benefits will decline year by year, this should not negatively affect earnings, because the number of free vessels will also decline at the same time, reducing the source of costs.

How

There were three main aspects to our BSR. First was accelerating expansion to Singapore, as I mentioned earlier. Second was scaling down market exposure of dry bulkers and tankers. Third was cost reductions at different stages.

(1) Expansion in Singapore accelerated

In the past, MOL has taken steps to develop business operations in Singapore, including transferring sales and operations bases for free vessels in the tanker business. With sales and operations of free vessels in dry bulkers now centered on Singapore, MOL will improve its sales and information gathering capabilities.

(2) Scaling down market exposure of dry bulkers and tankers

Free vessels of dry bulkers and tankers have exerted considerable pressure on MOL's earnings, because they were forced to operate at a loss due to soft market prices. As of September 30, 2012, MOL had 170 dry bulkers and 80 tankers operating as free vessels. By March 31, 2014, MOL plans to reduce these numbers to 120 and 60, respectively. Through a combination of redelivering vessels after expiry of charter contracts, selling vessels owned by MOL, and increasing the number of vessels operating on medium- to long-term contracts, MOL plans to scale back its exposure to market rates. Therefore, MOL does not expect to incur any new extraordinary losses.

(3) Cost reductions at different stages

Along with reforms in both dry bulkers and tankers, MOL is pursuing deeper cost-cutting on a company-wide scale. In addition to past cost-cutting measures such as reducing fuel expenses through slow steaming, MOL will pursue all manner of means to return the company to profitability. It has also cut directors' compensation further and reduced the remuneration of managerial personnel, as well as closed some welfare facilities.

We were able to execute the BSR while leaving sufficient corporate strength amid expectations of a continued difficult business environment with no marked improvement in the vessel supply-demand gap. We were able to do so partly because our comprehensive risk management functioned on a company-wide level. In other words, our total risk management functioned. I have managed the company thus far by constantly looking at the extent to which we can take on challenges or risk based on the volatility of each business segment and our shareholders' equity. We have lessons to learn for sure: the abnormal market conditions are the worst-case scenario and our dependence on free vessels in dry bulkers was a little too high. But we have been able to embark on a new journey to put MOL back on a growth trajectory again because our total risk exposure had not reached the danger zone.

Fiscal 2013 Ordinary Income

+¥60 Billion

Why

The main theme of the single-year management plan RISE 2013 is to "Achieve profitability in fiscal 2013 to make it the first year of MOL's growth stage." Under this plan, in fiscal 2013 we are projecting ordinary income of ¥60.0 billion, which would represent a large improvement of close to ¥90.0 billion from fiscal 2012. Breaking this down, we expect ¥40.0 billion in benefits from BSR, ¥10.0 billion in benefits from extending the depreciation period*1, ¥25.0 billion in benefits from a weaker yen and bunker price fluctuations (lower prices), and a ¥15.0 billion contribution from cost-cutting. However, if the first two benefits are taken out—they are accounting benefits that do not affect cash—that leaves only ¥10.0 billion in ordinary income. As our business environment remains as difficult as ever, I am urging all corporate officers and employees to see ¥60.0 billion in ordinary income as the minimum target we should achieve and calling on them to work to build up cash flow as an even more important imperative.

*1: The depreciation period for most of the bulkship fleet has been extended to 20 years from fiscal 2013. (The depreciation period for LNG carriers was extended to 20 years in fiscal 2010.)

Normally, fiscal 2013 would have seen us launch a new three-year medium-term management plan. Instead we opted for a one-year plan. The reasons warrant an explanation. Given the unprecedentedly difficult business environment, with freight rates softening or remaining low for an extended period of time in all main ship types, including dry bulkers, tankers and containerships because of the continued delivery of numerous new vessels, MOL's urgent task is to create an earnings structure that isn't reliant on market conditions and, based on this policy, to scale back our risk exposure to the market (i.e., the size of our free vessel fleet). At the same time, we will do our utmost to build up highly stable profits from medium- to long-term contracts, leveraging our safe operations and high-quality services. We believe, however, that ensuring we return to profitability in fiscal 2013 is imperative for creating the platform to grow. That is why we decided on a one-year plan.

As above, it is difficult to see market conditions improving substantially in fiscal 2013. But if we can achieve ordinary income of ¥60.0 billion under these conditions, this would represent a start toward transforming our earnings structure and provide proof that we had begun to make progress. RISE 2013 encapsulates that sort of meaning.

That brings me to the positioning of free vessels in our plan. The BSR we executed utilizing shareholders' equity has equipped our free dry bulkers with world-leading cost competitiveness. The spot market is a place where a marine transport company can show its strengths in terms of how well it can utilize its free vessels to both satisfy customers and generate profits. Going forward, MOL plans to continue doing business in the spot market albeit with a smaller fleet and procure vessels with stronger market resilience. I wish to point out that a free vessel itself as a business model is not the problem, but a free vessel with a high cost is. Therefore, there will be no change to MOL's portfolio management approach of pursuing maximum returns while controlling risk through the optimal combination of different types of vessels and cargo transport contract periods.

FACTORS BEHIND PROJECTED CHANGE IN ORDINARY INCOME IN FY2013

(¥ billions)

How

Our ¥60.0 billion ordinary income forecast for fiscal 2013 is based on various premises. Starting with the business environment, there have been signs of an upturn in the macroeconomic environment, highlighted by the U.S. economic recovery and yen depreciation. The yen's value against the U.S. dollar naturally has an impact on our earnings, because freight rates are generally denominated in U.S. dollars in the international ocean shipping business. Given that approximately 80% of our revenues are in U.S. dollars, a 1-yen depreciation in the yen can bolster our ordinary income by ¥2.0 billion. For fiscal 2013, we are assuming a sharp depreciation in the yen with an average exchange rate of ¥95, from the average of ¥82.31 in fiscal 2012. While yen depreciation and euro appreciation will have a slight negative effect, we are projecting a positive effect on earnings of approximately ¥25.0 billion. This includes the positive effect on earnings of lower bunker prices, where we are assuming an average price of US$650 for fiscal 2013, compared with the actual average price of US$662 in fiscal 2012.

On the other hand, our fiscal 2013 earnings forecast does not assume a major recovery in market prices, because the gap between supply and demand for vessels is still expected to take some time to close. Put another way, our ¥60.0 billion ordinary income forecast assumes that market rates will be close to the lowest level. This could probably be seen as the lower limit for estimating our earnings going forward.

In terms of fiscal 2013 divisional forecasts, we are projecting ordinary income in bulkships of ¥40.0 billion. This would equate to a ¥64.7 billion turnaround from the fiscal 2012 ordinary loss of ¥24.7 billion. As we lowered the cost of our 130-strong fleet of free vessels to prevailing market rates due to the BSR, we expect a ¥40.0 earnings boost as a result and dry bulkers to act as a key driving force for the earnings turnaround. Looking at market rates by vessel size, Capesize bulkers are expected to see improved market rates from summer toward the second half of fiscal 2013 in step with the return to normal levels of shipments of iron ore from Brazil, which had stagnated since the start of the year due to heavy rain and scheduled port facility maintenance. A projected reduction in the number of new ships delivered and progress with scrapping are also reasons for the improved outlook for market rates. Contrastingly, small- and medium-sized dry bulkers are expected to see any increase in market rates capped, as more time is needed to eliminate the vessel supply glut. Meanwhile, tankers have suffered from abnormally low market rates, generating an operating loss. But, due to reduced market risk exposure resulting from the BSR and backed by the benefits of unrelenting cost-cutting, a return to profitability of the tanker segment is now in sight. LNG carriers

FY2013 SINGLE-YEAR MANAGEMENT PLAN “RISE 2013”

MAIN THEME:

“Achieve profitability in FY2013 to make it the first year of MOL’s new growth stage.”

OUTLINE OF “RISE 2013”

Transform business model

(1) Enforce our sales structure to meet customer needs and add stable profits through expansion of business in overseas markets.
(2) Scale down market risk exposure (free tonnage)
Realize an appropriate fleet scale through skillful combination of increasing cargo contracts and decreasing fleet by sale or redelivery.
(3) Pursue business opportunities by capitalizing on safe operation know-how and sophisticated services.

Achieve a higher level of business intelligence

(1) Track supply capacity of major shipbuilding countries accurately and increase capabilities in fleet supply and demand analysis.
(2) Pursue business opportunities arising from the shale gas revolution, next-generation fuels, etc.

Reduce costs on an entirely different stage than before

are expected to see higher earnings from the continued generation of highly stable profits, mainly from long-term contracts. With car carriers, we don't expect to see much of a change from the trend among Japanese carmakers of producing vehicles in the region where they are sold. Our forecasts factor in higher earnings from car carriers based on growth in freight in terms of cross trade and inbound trade by capturing growth in emerging markets such as India, Mexico and ASEAN countries as the central focus of our strategy.

Turning to containerships, this business was unable to turn a profit in fiscal 2012, recording an ordinary loss of ¥11.2 billion. This loss was attributable to factors specific to fiscal 2012: delays in securing sufficient cargo in the Asia-to-North America East Coast trade (via the Suez Canal) that was restructured last year, and a drop in freight rates on the East Coast of South America route, where MOL has a major share. However, route profits have improved sharply, with new services for the East Coast of North America route growing in recognition among customers. Coupled with ¥10.0 billion in cost cutting, including reduction of system costs due to the delivery of large vessels, a ¥7.0 billion profit contribution from the yen's depreciation and bunker price decline, and a ¥10.0 billion contribution from freight rate recovery (mainly pushed up by higher reefer container freight rates) and an increase in lifting volume, we are projecting ordinary income in containerships of ¥10.0 billion for fiscal 2013. This would represent a ¥21.2 billion improvement from fiscal 2012. Amid continuing vessel supply pressures, almost all participants in this business will be forced to operate at a loss on freight rates like fiscal 2012, so we expect to see companies move in earnest to restore freight rates themselves, and to limit the cargo capacity by reducing service frequencies and using slow steaming.

The ferry & domestic transport business posted its first profit in five years in fiscal 2012, and associated businesses delivered stable earnings. We therefore expect both businesses to continue making a contribution to earnings in fiscal 2013.

The risk of not achieving the projected earnings is probably in containerships. The number of new ships to be supplied in 2013 is set to increase by 7% from 2012, while demand is forecast to rise by only 3% to 4%, leaving a gap of around 3 percentage points between growth in supply and demand. Most of the large new vessels will ply Europe routes, where demand is rather weak, meaning that if the supply of cargo capacity isn't accurately adjusted, the supply-demand balance could collapse. MOL will of course take steps according to demand such as adjusting the supply of cargo slots, but the potential instability of the supply-demand balance is a risk that must be watched vigilantly.

In a market environment that must be watched at all times, we will manage our businesses with an extreme sense of urgency, setting the goal of achieving profitability with a minimum of ¥60.0 billion in ordinary income in fiscal 2013.

RISE 2013: FLEET SCALE TRANSITION (AS OF APRIL 2013)

(No. of vessels)

			September 30, 2012	4Q FY12	March 31, 2013	RISE 2013 March 31, 2014
Bulkships		Fleet Scale	814		794	729
	Dry bulkers	Fleet Scale	414		404	365
		Free tonnage	170	Execution of Business Structural Reforms		120
	Tankers	Fleet Scale	201		194	177
		Free tonnage	80			60
	LNG carriers	Fleet Scale	68		69	68
	Car carriers	Fleet Scale	131		127	119
Containerships		Fleet Scale	116		115	117
Other		Fleet Scale	51		49	44
Total		Fleet Scale	981		958	890

Note: "Fleet Scale" shows the total number of owned vessels (including those owned by joint ventures) and chartered vessels (long, short-term), at each date.

and More

Our New Growth Scenario

Why

The sound platform created by the execution of BSR and the achievement of ordinary income in fiscal 2013 of ¥60.0 billion will be the first step toward new growth for MOL. Sustainable growth is required of the company to realize its corporate principles of increasing corporate value and contributing to global economic growth and development. To this end, we must transform our business model so that we can deliver something more, every quarter and every fiscal year.

As we execute our RISE 2013 single-year management plan in fiscal 2013, we aim to restore ordinary income to a level where we are profitable based on built-up cash flows without relying on the profit contribution on an accounting basis of BSR.

In the spring of 2014, we plan to announce a new three-year medium-term management plan. This plan will see us aim to strengthen our financial position to the extent that we restore our equity ratio to its former level of at least around 35%, and if possible 40%, after it fell to 25% at the end of fiscal 2012. Trust in the company underpinned by a strong balance sheet is an essential and important prerequisite for securing medium- and long-term contracts, which contribute to highly stable profits, the source of sustainable growth. In fiscal 2013, we first intend to build some momentum by generating net income of ¥50.0 billion and strengthen our ability to generate cash flows by pushing ahead with business model reforms. Thus, we do not envisage repairing our shareholders' equity by increasing capital. In terms of shareholder returns, we aim to maintain the consolidated dividend payout ratio at 20% and will look at raising it to around 30% over the medium- and long-term. We have not decided on dividends for fiscal 2013 at this stage, because we would like to see what RISE 2013 delivers.

How

A key factor in promoting the business model transformation for enabling sustainable growth will be how well we can develop the free vessel business, particularly dry bulkers. In the mid-2000s, when dry bulker market rates were very high, we generated earnings by owning and chartering out free vessels to other shipping companies. However, the situation is different these days because the world has more than enough shipbuilding capacity. Today, it is difficult to envisage a future where market rates soar to unprecedented levels, pushed by the sort of demand we saw in the past, because many ships of the type wanted can be built quickly at low cost. Accordingly, we have abandoned our business model of the mid-2000s of owning and chartering free vessels with the expectation that market rates will continue to rise. Instead, we have returned to our origins as a shipping company. In other words, we will revert to a business model that seeks to build up highly stable profits by offering value-added service, that is, safe operation.

Safe operation is the social mission for MOL as a marine transport company, as outlined in our corporate principles. It is also the most important element for being chosen by customers. That's why MOL has worked to make our safety performance visible to everyone by introducing objective numerical indicators and implementing various measures for reinforcing safe navigation, such as establishing and operating the Safety Operation Supporting Center. Notwithstanding, I must report that in June 2013, the MOL-operated containership *MOL COMFORT* suffered a crack amidships and sank while under way in the Indian Ocean. MOL is yet to pinpoint the cause of this serious marine incident, but I deeply regret the troubles this caused customers and other stakeholders, and the loss of cargo. Together with the shipyard that built this vessel and the classification society, we are working hard to identify the cause of the incident. Meanwhile, in order to eliminate any possibility of recurrence of a similar incident, MOL decided to immediately implement preventive safe operation measures such as reinforcing the hulls of six sister vessels to a level above that of international standards.

We see LNG transport and offshore businesses as becoming core business models that can generate highly stable profits. MOL is currently involved with 85 LNG carriers in the MOL Group (including 16 vessels under construction). This is approximately 18% of the 475 LNG carriers in the world, making MOL the world's largest LNG carrier operator. With market

observers suggesting that another 100 or so vessels will be required by 2020, MOL's track record and presence in LNG transportation will position it well to capture major business opportunities. That's why we see it as a major driving force for our growth strategy. MOL's track record of safe operation has been lauded when securing contracts, so we are determined to maintain and raise the quality of safe operation going forward. When shale gas projects are developed in earnest in North America, it is expected that the number of seafarers required will also increase sharply. It is necessary to plan and prepare for this different stage. We will pursue seafarer expansion in line with business expansion while ensuring the safe operation quality. And, we will secure as many LNG transportation contracts as we can, as the leading player in LNG transportation.

As I said earlier, we are also actively participating in offshore businesses which are connected with seafloor oil and gas field development. MOL isn't directly involved in development itself, but since the development takes place offshore, facilities are needed offshore to produce, store and offload the extracted crude oil and gas and for regasification in the case of LNG. MOL is already participating in three projects providing FPSOs (Floating Production, Storage and Offloading Systems) to Petrobras. And we want to leverage our know-how in LNG carrier transportation to make further inroads into the field of FSRUs (Floating Storage and Regasification Units), which is an area where we can use LNG carriers that come off long-term contracts.

Another field we hope to grow further is Capesize bulkers, the largest type of dry bulkers. We already operate 70 of these ships on medium- to long-term contracts, and aim to increase that number. The dry bulker business is facing extremely difficult market conditions, as evidenced by companies going bankrupt because of low market prices. If viewed another way, however, this presents us with more opportunities to win contracts as the Carrier of Choice, given our financial base, safe operating system and other management resources.

To secure medium- to long-term contracts, I think it is necessary to maintain a certain number of free vessels. High-cost free vessels pressure operations when market rates are low, but free vessels that are resilient to market rates can increase a company's competitiveness and increase the chances of securing medium- to long-term contracts by offering a proposal in combination with such free vessels. That said, as I explained before, we have eschewed our former business model of procuring free vessels and relying on rising market rates.

MOL boasts one of the world's largest tanker fleets. It also has a well-balanced fleet, comprising crude oil tankers, product tankers, chemical tankers and LPG tankers. The nature of the cargo carried means that the operational level required is as strict as that for LNG carriers, and large customers like oil majors are becoming even more demanding in respect of safe operation. There is also a procession of companies exiting this market because they cannot live with these demands. Any company that can meet these demands has an opportunity to grow as a market survivor. In fact, MOL's relative competitiveness is increasing due to its ability to meet these demands, including in terms of its financial strength. On another front, the shale oil and shale gas revolution has everyone talking in the energy transportation sector. Using our business intelligence, we will capture transport demand steadily by spotting changes in trends.

Another growth vehicle is Daibiru Corporation, the fulcrum of our real estate business. Daibiru generates stable earnings from the ownership of many prime properties in Japan. This company is searching for more growth overseas and in 2011 successfully advanced into Ho Chi Minh City, Vietnam. I expect Daibiru to accumulate stable earnings by developing overseas and overseas tenants.

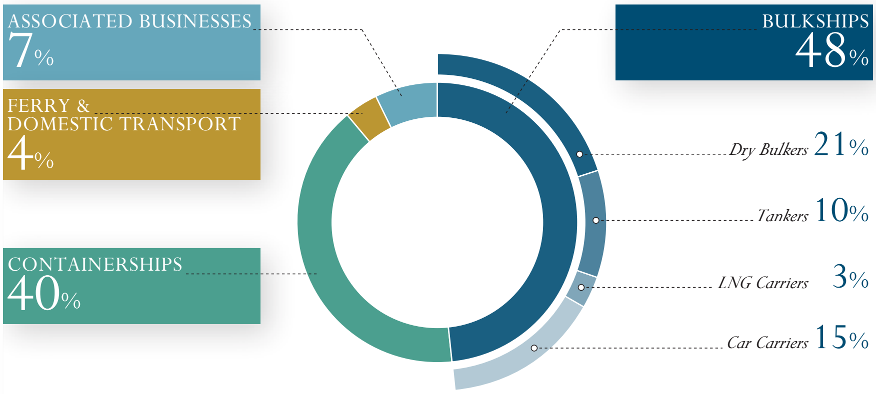
To my regret, MOL recorded losses for two consecutive years in fiscal 2011 and fiscal 2012, causing considerable concern to shareholders and other investors. But we are determined to move back into the black and transform our business structure so that it is impervious to market rates in fiscal 2013 under our RISE 2013 single-year management plan after having executed the BSR in the 4th quarter of fiscal 2012. We will also continue to focus our efforts to the utmost on strengthening safe operations so that we can achieve sustainable growth while contributing to global economic development, and thereby strive faithfully for higher shareholder value.

MOL AT A GLANCE

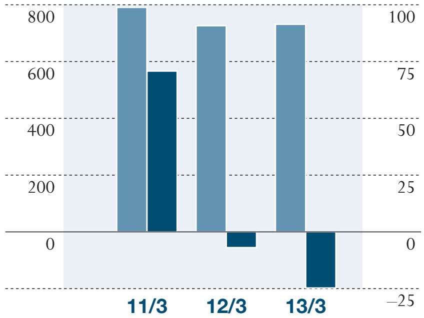
BULKSHIPS
(Dry Bulkers, Tankers, LNG Carriers and Car Carriers)

Please refer to pages 26–41 for details.

SALES BREAKDOWN BY SEGMENT (Fiscal 2012 results)



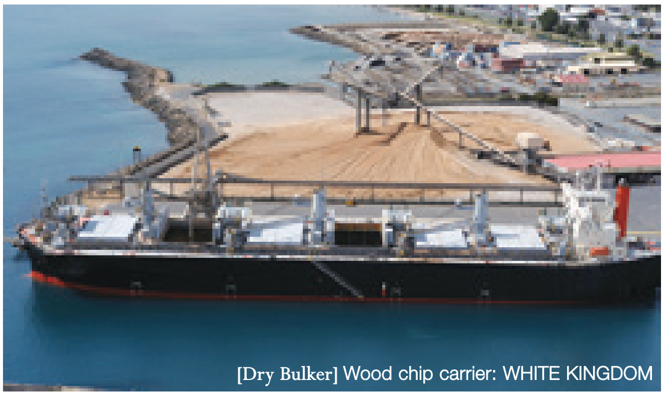
PERFORMANCE



BULKSHIPS *(Dry Bulkers, Tankers, LNG Carriers and Car Carriers)*


[Dry Bulker] Bulk carrier: LAMBERT MARU


[Tanker] Crude oil tanker: MITAKE


[Dry Bulker] Wood chip carrier: WHITE KINGDOM


[Tanker] Product tanker: IRIS VICTORIA


[Dry Bulker] Heavy lifter: ATHENA TRIUMPH

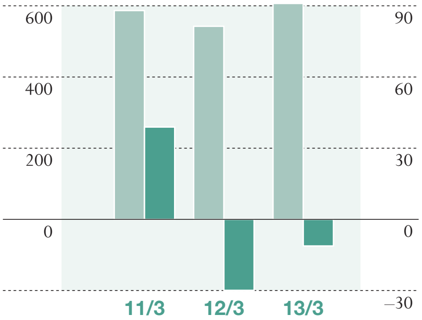

[Tanker] LPG tanker: GAS ORIENTAL

CONTAINERSHIPS

Please refer to pages 42–45 for details.

PERFORMANCE

(¥ billions)



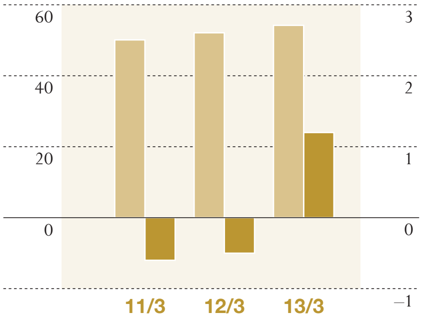
Revenues (left scale) Ordinary income (loss) (right scale)

FERRY & DOMESTIC TRANSPORT

Please refer to pages 46–47 for details.

PERFORMANCE

(¥ billions)



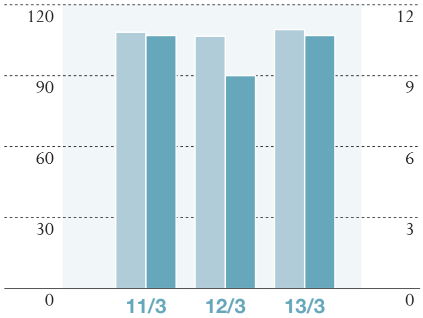
Revenues (left scale) Ordinary income (loss) (right scale)

ASSOCIATED BUSINESSES

Please refer to page 48 for details.

PERFORMANCE

(¥ billions)



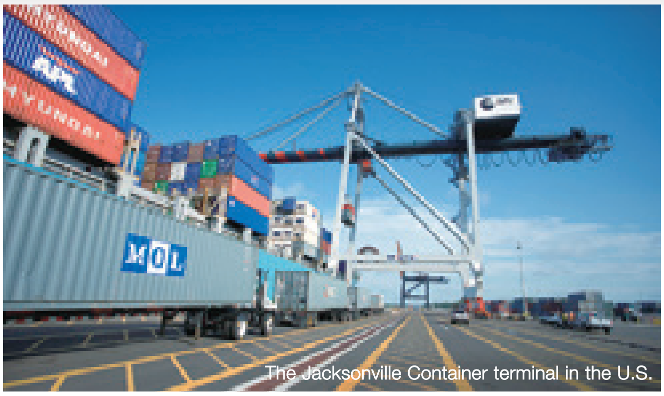
Revenues (left scale) Ordinary income (loss) (right scale)

[LNG Carrier] GDF SUEZ POINT FORTIN

[Car Carrier] EMERALD ACE

CONTAINERSHIPS

[Containership] MOL MODERN



The Jacksonville Container terminal in the U.S.

FERRY & DOMESTIC TRANSPORT

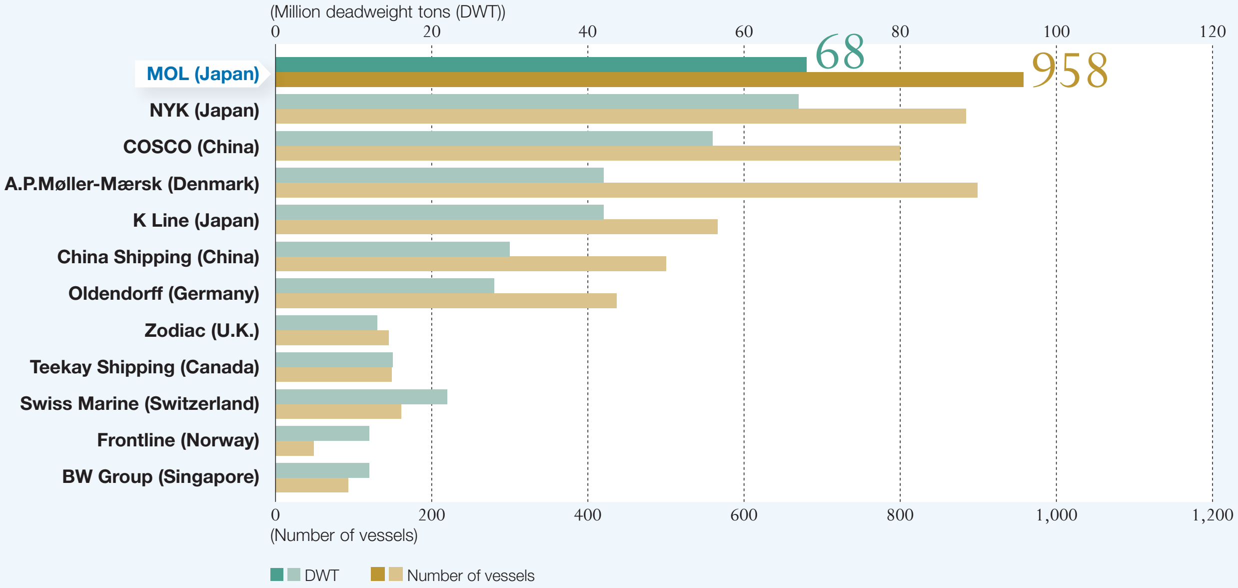
[Ferry] SUNFLOWER GOLD

ASSOCIATED BUSINESSES

[Cruise Ship] NIPPON MARU

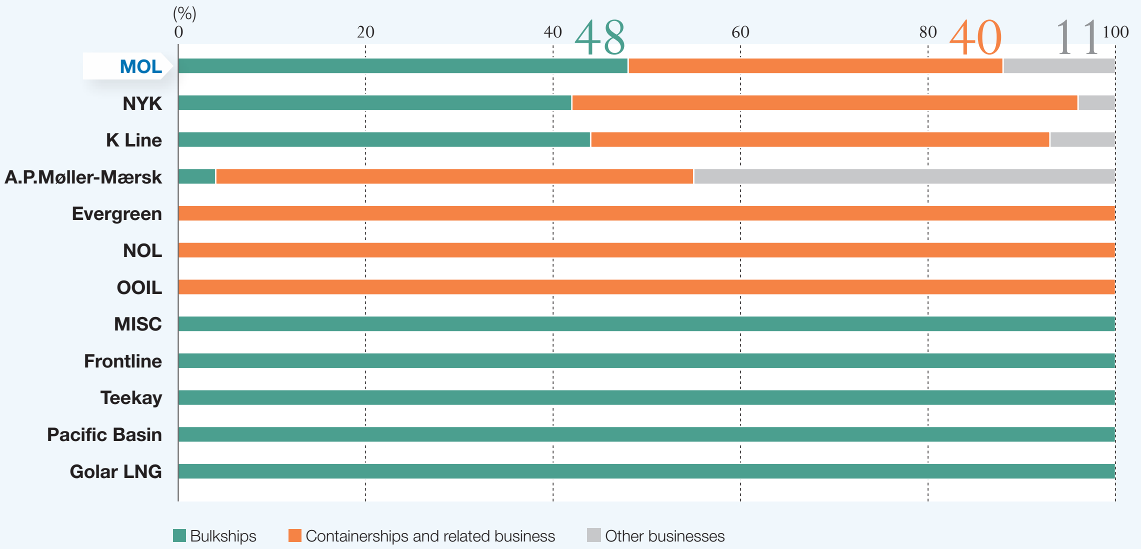
MOL operates a large and balanced oceangoing fleet.
In terms of its total fleet size and presence in individual market categories, MOL ranks among the world's largest shipping companies.

WORLD MAJOR CARRIERS' FLEETS (ALL VESSEL TYPES)



Source: MOL internal calculation based on each company's published data and others.
As of March 2013

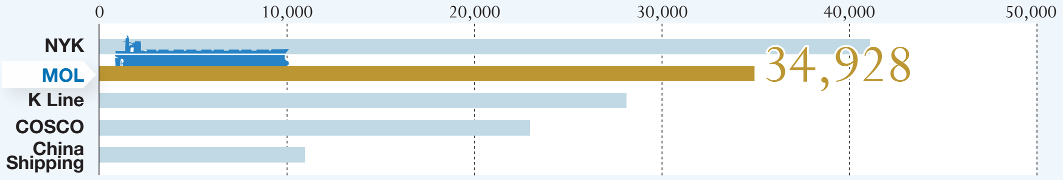
WORLD MAJOR CARRIERS' REVENUE PORTFOLIO BY SEGMENTS



Source: MOL calculations based on each company's financial statements and/or website.
MOL's containerships and related business includes revenue from Containerships, Terminal and Logistics.
NYK's containerships and related business includes revenue from Containerships, Air freighters and Logistics.

DRY BULKERS

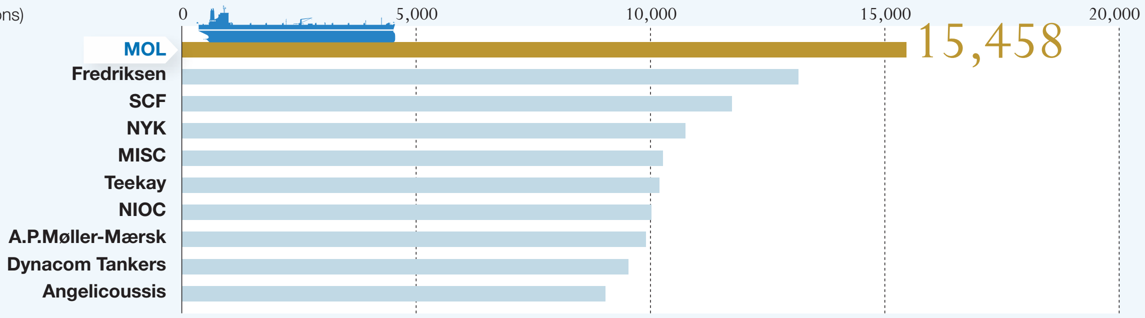
(Thousand deadweight tons)



Source: Companies' published data and Clarkson Research Services Limited 2013
As of March 2013

TANKERS

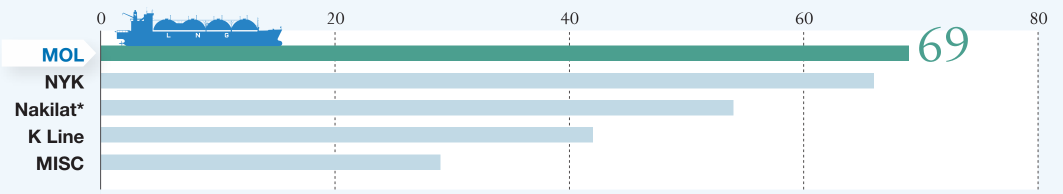
(Thousand deadweight tons)



Source: Clarkson Research Services Limited 2013
As of March 2013

LNG CARRIERS

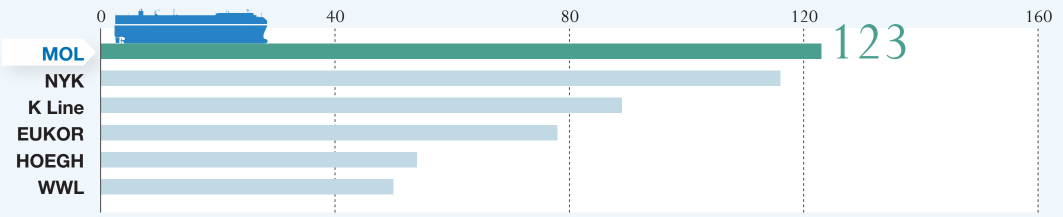
(Number of vessels)



*Qatar Gas Transport Company Ltd.
Source: MOL internal calculations
As of March 2013

CAR CARRIERS

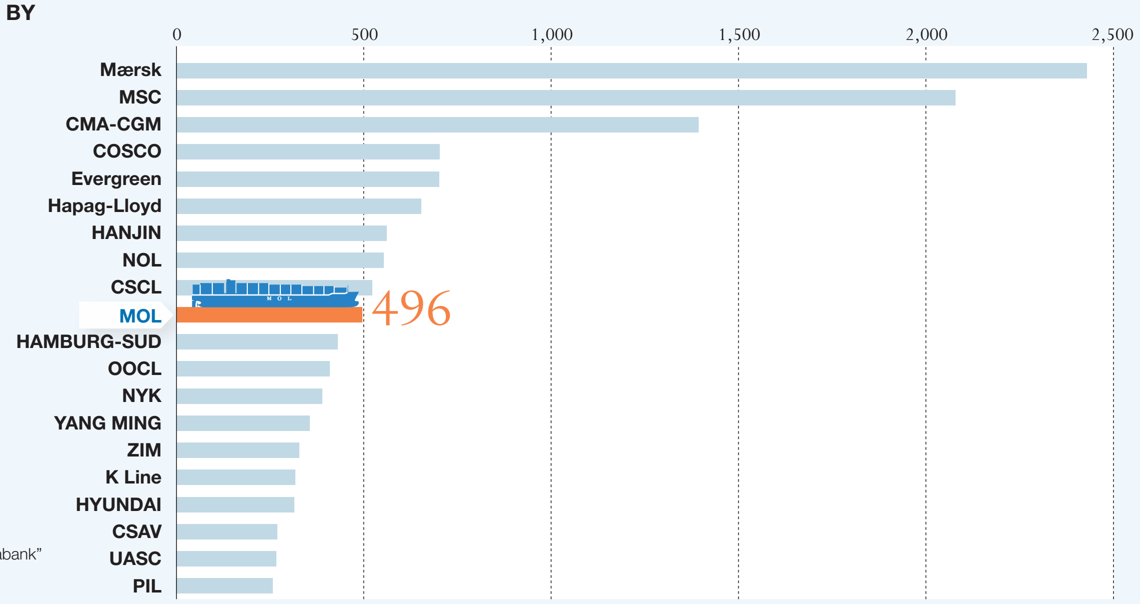
(Number of vessels)



Source: MOL internal calculations
As of March 2013

CONTAINERSHIPS BY TEU CAPACITY

(Thousand TEU)



Source: MDS Transmodal "Containership Databank" Feb 2013
As of February 2013

BULKSHIPS
Dry Bulkers

KENICHI NAGATA
Senior Managing Executive Officer

Vessels

12/3 392 → 13/3 **404**

Thousand deadweight tons

12/3 34,911 → 13/3 **34,928**

Note: Figures include spot-chartered ships and those owned by joint ventures.

Fiscal 2012 in Review

The market for dry bulk shipping, especially the largest class of ships—Capesize bulkers—has been negatively affected by the recent delivery of many newly built vessels, which has caused an oversupply in the market[*1]. During the 2012 calendar year, the average daily charter rate fell below US$10,000 and drifted at the lowest level recorded since the Baltic Exchange first began publishing market rates. The supply of new vessels has also affected market conditions for Panamax and smaller vessels. This vessel supply pressure[*1], combined with the impact on demand of an economic slowdown in China and drought in North America during the summer, generally kept average daily charter rates for those sizes of vessels below US$10,000. Steaming coal carriers enjoyed somewhat stronger demand and maintained high operating rates, as coal-fired thermal power plants which had been damaged by the Great East Japan Earthquake came back on line and revived coal shipment volume. Wood chip carriers experienced sluggish conditions due to the impact of softer markets for small and medium-sized dry bulkers with which they compete in some cargoes.

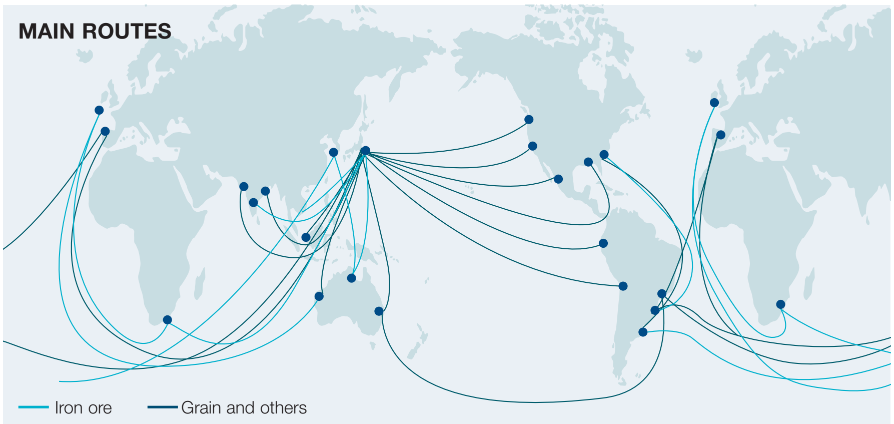
MOL's dry bulkers business worked to maintain highly stable profits by securing long-term contracts to transport iron ore and coking coal mainly by Capesize bulkers, and for wood chip carriers, steaming coal carriers and other vessels. The company also improved operational efficiency, with these actions leading to higher earnings and lower costs. Meanwhile, we are aggressively scrapping older Capesize bulkers and wood chip carriers to lower the average age of the fleet and boost ship quality, thus allowing MOL to offer high-quality transport services to customers. Nevertheless, depressed market conditions for Capesize bulkers prevented the company from covering losses on free vessels[*2] exposed to the market with highly stable profits from medium- to long-term contracts. Furthermore, in Panamax and smaller vessels, the higher ratio of free vessels created an unprecedented unprofitable business environment. As a result, losses in this segment were substantially larger than in fiscal 2011.

To address these harsh market conditions, MOL initiated steps to revive competitiveness and return to profitability as quickly as possible. Sales and operations for free vessels has been transferred from Tokyo to Singapore as part of Business Structural Reforms (BSR), which was executed in the fourth quarter (Jan-Mar 2013). Charter contracts of about 130 free vessels, mostly small and medium-sized vessels, were assigned to wholly owned Singapore subsidiaries[*3], one by one, at present market value at that time. The disparity between original charter rates and the current market rates was booked as an extraordinary loss, which was the main factor of the total charges related to the BSR of ¥101.5 billion.

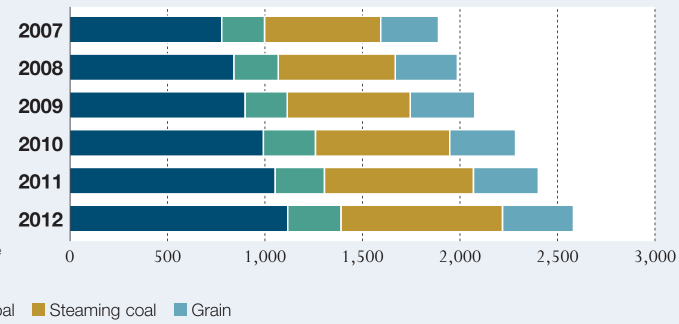
Fiscal 2013 Profit Recovery Scenario

In fiscal 2013, we aim to restore earnings from the record ordinary loss we posted in fiscal 2012 to a profit. For now, this is the one target that we believe must be achieved. The majority of the ¥101.5 billion in restructuring charges taken in fiscal 2012 was generated by the dry bulker segment. This includes the assignment of the approximately 130 free vessels, allowing them to operate at costs that are much closer to market level. For example, the cost of small and medium-sized dry bulkers operated by MOL Bulk Carriers Pte. Ltd. has fallen to less than US$10,000/day. At this level, the segment will be able to take a big step towards recovering its competitive vigor. We estimate that these business restructuring

MAIN ROUTES



GLOBAL SEABORNE TRADE OF MAJOR DRY BULK CARGO
(Million tons)



Source: MOL internal calculations based on data for each cargo type measures will reduce fleet costs by ¥40.0 billion in fiscal 2013. The weaker yen will also benefit the company, and it plans to lower costs by reducing navigating speeds and through other means. This should make it possible for the segment to return to profitability.

The outlook for the dry bulker market in fiscal 2013 is likely to be influenced by the decreasing number of deliveries for new Capesize bulkers and the scrapping of vessels. This process is likely to ease some of the pressure on the supply-demand gap. Looking at the demand side, shipments of iron ore from Brazil, which were delayed due to heavy rain at the beginning of the year, as well as the regularly scheduled maintenance of port facilities conducted during the rainy season, should return to normal. This is likely to revive demand and improve market conditions over the summer and the remainder of the year. Panamax bulkers may continue to experience problems due to the continuous delivery of new ships, which is preventing the market from achieving a substantial improvement. However, MOL is assuming the market will improve slightly as demand is not likely to be as weak as it was in fiscal 2012 when there were unusual factors such as the drought in the U.S.

Looking Ahead

Prior to the Lehman Shock, MOL and its competitors raced to build new ships amid soaring rates in the dry bulker markets. To some extent, it seems that companies took their eyes off the most basic, underlying purpose of the shipping industry—"to transport cargoes for customers." Many of the newly built vessels were ordered without actual contracts from direct clients and were thus exposed to fluctuations in the spot charter markets. As a result, MOL found itself with too many free vessels and unable to fully manage market risks.

Traditionally, the mission of the shipping business has been to build a fleet that closely matches and responds to the various needs of customers, provide the best possible service, and perform a central function in the customer's supply chain. It is also important to have an appropriate balance of ships for long-term, medium-term and short-term contracts in line with customers' needs. In this sense, it is necessary to have some free vessels in a company's fleet. What is important is that vessels generating stable profits should be increased in parallel with any increase in the number of free vessels. In other words, exposure to the spot market should be limited to a level which can be covered by the highly stable profits from long-term contracts. In fiscal 2013 and beyond, MOL intends to intensify its focus on total risk management, seeking to increase the number of vessels generating highly stable profits and limit exposure to the spot market for free vessels.

In terms of generating highly stable profits centered on large vessels operating on medium- to long-term contracts, an operator cannot attract contracts merely by procuring the cheapest ship available. Shipping customers can choose from among a large number of providers, which makes earning the trust of cargo owners key. This trust includes the level of technical support for cargo shipments, a track record of making deliveries on schedule and safe ship operation, as well as a solid financial base. In addition to these fundamental qualities, a shipping company must maintain close communication with clients, and provide them with a sense of security. By focusing on these factors, MOL aims to enhance the competitiveness of its dry bulker operations and thereby increase highly stable profits.

Regarding free vessels, by relocating the hub of this business to Singapore, MOL hopes to enhance sales and operations as Singapore is located at a crossroad of global shipping lanes. Many ocean transport companies are based in the country and information on the business is thus concentrated there. By taking advantage of centering its activities in Singapore, MOL expects to increase the

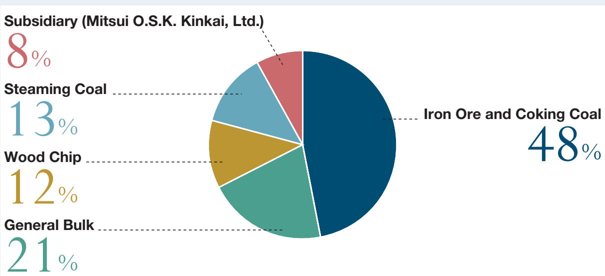
DRY BULKER FLEET TABLE

(As of March 31, 2013)

Vessel Type	Standard DWT	No. of Vessels	Use
Capesize	170,000	103	Steel raw materials (iron ore, coking coal)
Panamax	72,000	38	Iron ore, coking coal, steaming coal, grains, etc.
Handymax	55,000	68	Steaming coal, grains, salt, cement, steel products, etc.
Small Handy-size	28,000	52	Steel products, cement, grains, ores, etc.
Steaming coal carriers	93,000	41	Steaming coal
Wood chip carriers	50,000	44	Wood chips, soybean meal, etc.
Other (Heavy lifters, coastal vessels)	12,000	58	–
Total		404	

CONSOLIDATED REVENUES BREAKDOWN

(Results of FY2012)



Glossary

*1 During calendar 2012, a total of 215 new Capesize bulkers were completed and delivered worldwide. Deducting the 75 older vessels that were scrapped during the year, there was a net increase of 140 vessels. At the end of December 2012, there were 1,510 such vessels in operation, an increase of 10% from the previous year. This followed a 16% increase in 2011. This increase in shipping capacity severely weakened the structural supply-demand balance in the bulker markets, and represents the main reason for the historically low level of charter rates. While there are expected to be half as many new Capesize bulker deliveries in 2013 as in 2012, there is still an obvious sentiment of over-capacity. The number of new Panamax vessels to be delivered in 2013 is also expected to remain high. Thus, the market outlook for 2013 is still challenging.

*2 **Free vessel:** Vessels that operate on spot contracts (contract period of less than one year) and are thus exposed to changing market conditions.

*3 **Singapore subsidiaries:** MOL Cape (Singapore) Pte. Ltd. and MOL Bulk Carriers Pte. Ltd. Charter contracts of Capesize bulkers were assigned to MOL Cape (Singapore) Pte. Ltd., while those of Panamax and smaller vessels were assigned to MOL Bulk Carriers Pte. Ltd. Both are wholly owned subsidiaries of MOL based in Singapore.

*4 **COA (Contract of Affreightment)** is a type of contract to transport cargo based on weight or volume. They are usually concluded on a long-term basis to transport large bulk cargoes of iron ore, coal or crude oil. The contracts are based on the volume of cargo transported and the delivery period, so vessels are not specified and the method of transporting the cargo is left to the discretion of the shipping company.

number of COA[*4] and other actual shipping contracts to transport cargo. This may allow us to reduce the number of free vessels exposed to market fluctuations. In addition, MOL intends to redouble efforts to develop business in Southeast Asia, India and Australia through Singapore subsidiaries[*3], allowing ships to combine cargoes on routes within the region and thereby reduce the number of ships travelling on non-income-generating ballast voyages. In this way, MOL aims to generate higher profitability than the market average.

Although MOL's aim is to develop a business structure that is not reliant on market conditions, we also believe that the market reached its bottom in fiscal 2012, and that it will gradually begin to recover from here on. The number of new Capesize bulkers to be delivered in 2013 is expected to be half the number of vessels delivered in 2012[*1]. In the latter half of the year, therefore, market sentiment should begin to improve and we anticipate a certain rebound in rates. In the market for Panamax and smaller vessels, many loading ports are placing stricter regulations on the age of ships, and rapid advances in fuel performance are increasing the obsolescence of old ships. With global environmental restrictions being tightened as well, it is becoming too expensive to repair or upgrade many older vessels. Owners are scrapping ships instead. As more of these older ships are taken out of service, market conditions are likely to improve gradually. Nevertheless, it is unrealistic to expect the dry bulker segment to return to the lucrative conditions it experienced in the mid-2000s. It will probably remain difficult to make large profits on the operation of free vessels.

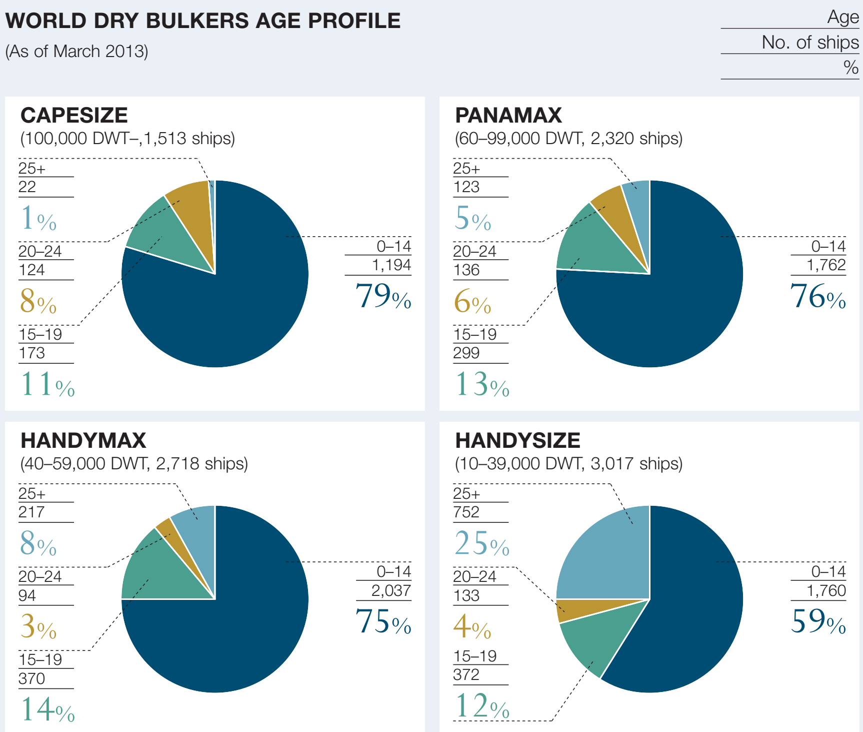
Some ship owners and shipping companies, particularly outside Japan, have responded to falling ship prices by continuing to invest in new construction. However, most expect the dry bulker markets to remain weak for the time being, which conversely may give MOL the option of chartering some vessels at low rates. As noted above, the primary consideration for the company at present is to stabilize and improve earnings. On the other hand, MOL will maintain a flexible and alert stance on ways to obtain shipping capacity and respond to market trends. In this way, while maintaining some degree of free vessel capacity, the company intends to build a cost structure that can generate profits even without a large rise in market rates.

As outlined above, the company aims to return operations to the black in fiscal 2013 by minimizing exposure to market conditions. At the same time, we will place top priority on the basics of transporting cargo for customers safely and efficiently.

MOL will work to improve sales capabilities to respond to customers' various needs, while making full use of the cost-competitive fleet built up through the BSR. In this way, MOL intends to put the dry bulker business back on a trajectory of sustainable growth.

WORLD DRY BULKERS AGE PROFILE

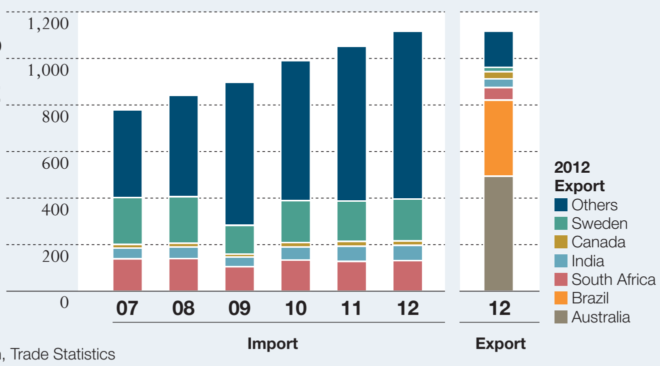
(As of March 2013)



Source: Clarkson March 2013

IMPORT/EXPORT AREAWISE WORLD IRON ORE SEABORNE TRADE

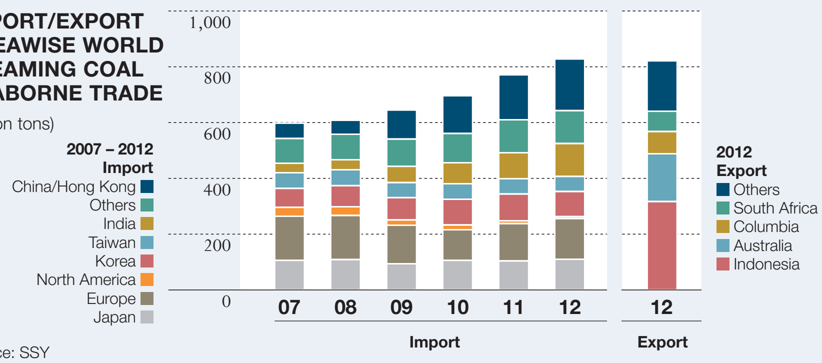
(Million tons)



Source: Tex Report, Clarkson, Trade Statistics

IMPORT/EXPORT AREAWISE WORLD STEAMING COAL SEABORNE TRADE

(Million tons)



Source: SSY

BULKSHIPS *Dry Bulkers*

The Capesize bulker
ORE SAO LUIS
(Tubarao, Brazil)

ORE SAO LUIS is a Capesize bulker that transports iron ore between Brazil and China under a long-term contract with Brazilian resource company Vale. MOL strives to provide safe, reliable ocean transport services, taking advantage of its advanced safe operation management system and fleet scale to meet continually growing demand for iron ore transport.

BULKSHIPS
Tankers

TSUNEO WATANABE
Senior Managing Executive Officer

Vessels

12/3 200 → 13/3 194

Thousand deadweight tons

12/3 18,756 → 13/3 19,037

Note: Figures include spot-chartered ships and those owned by joint ventures.

Fiscal 2012 in Review

Demand for oil dropped off following the Lehman Shock in 2008, and this coincided with the delivery of many new vessels, creating a wider gap between supply and demand for shipping capacity. For the past four years, that gap has remained a critical factor in depressing the market for tanker transportation. While there are signs of recovery for some types of tanker vessels, the tanker business as a whole has posted losses for the past four consecutive fiscal years.

As of the start of 2012, there were 588 Very Large Crude Oil Carriers (VLCCs)—the largest ships used to transport crude oil—in operation worldwide. During 2012, 49 more VLCCs were delivered, while 21 were scrapped. Thus, the number of ships in operation increased approximately 5% during the year, to 616. China, among other leading oil consumers, expanded oil imports from distant countries in South America and West Africa. This produced a slight, albeit temporary, improvement in the VLCC market, but an economic slowdown in China caused crude oil inventories to swell. Coupled with traditionally low demand during the summer, market conditions deteriorated. Though a slight pick-up during the high-demand winter months eased the sense of vessel overcapacity, it was not enough of an improvement to close the supply-demand gap. The market as a whole therefore remained depressed.

The product tanker market remained range-bound during the first half of the fiscal year, but in the latter half there was an improvement due to several factors. Strong naphtha demand in East Asia and overall demand for fuel oil during the winter boosted shipping volume. On top of that, the closure of refineries in Australia caused an increase in trade volume, improving market conditions in the Pacific region. With the additional boost from demand in Africa and South America, the market recovered all around the globe.

The chemical tanker market remained harsh in 2012 due to soft economic growth in China, the largest source of demand, and the fiscal crisis in Europe. Since the start of 2013, however, the chemical tanker market has shown signs of recovery as a whole, as demand for transporting vegetable oils and others increased while the market of product tankers, which can also transport them, upturned.

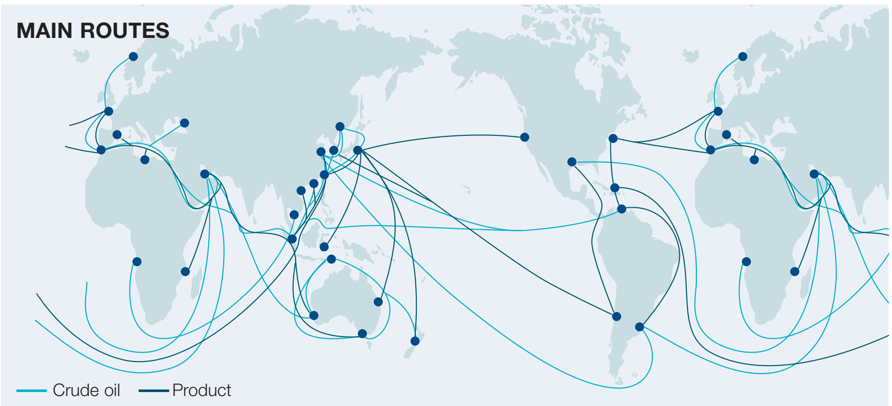
LPG tanker rates rose in the first half of 2012 with an increase in LPG export volume from the Middle East. However, economic sanctions placed on Iran by the EU disrupted LPG shipments from that country. This crippled the balance of supply and demand for Very Large Gas Carriers (VLGC) and caused market conditions to weaken in the second half of the fiscal year.

MOL operates 17 methanol tankers on long-term charter contracts, meaning that it has a 40% share of the market. The steady contribution from these tankers supports the earnings of the tanker business.

The company introduced Business Structural Reforms in fiscal 2012, which included the sale of five crude oil tankers. This helped reduce MOL's exposure to market risk. As of September 30, 2012, we operated 80 free vessels in this segment; but this number had been reduced to 74 by March 31, 2013.

Recovery Scenario Toward Profitability in Fiscal 2013

During 2013, the number of new VLCC deliveries is expected to drop to just 35—fewer than in 2012. Furthermore, tighter safe operation standards are increasing maintenance costs for older ships, and driving up costs related to vessel inspections. It is likely that many older vessels will be scrapped as a result of becoming less profitable. And the oil majors are now avoiding the use of VLCCs that are over 15 years old; there are about 70 VLCCs which have been in service for more than 15 years in the world. It is



TANKER FLEET TABLE
(No. of vessels)

	11/3	12/3	13/3	Pool Management
Crude oil tanker	48	46	47	VLCC
Product tanker	60	62	61	LR1
Chemical tanker	85	79	75	Plan to start in autumn 2013
LPG tanker	13	13	11	VLGC
Total	206	200	194	

therefore likely that the owners of these older ships will choose to scrap the vessels in the near term. As this process continues, the market should gradually return to more normal conditions.

Although the business environment has been very harsh of late, the success of the Business Structural Reforms and progress on the current “RISE 2013” management plan are helping to reduce the market exposure risk in fiscal 2013. Not only are conditions for product tankers improving, but U.S. exports of LPG are beginning to improve the VLGC market as well. Diligent efforts to reduce costs are also helping to improve earnings conditions, and a return to profitability is in sight.

Looking Ahead

In order to meet global demand for energy, the absolute volume of oil consumption is expected to continue rising. According to the U.S. Energy Information Administration (EIA), total energy demand worldwide is likely to increase by around 50% between 2010 and 2035, and demand for oil is expected to increase by 30–35%. This will create a steady increase in shipping volume of crude oil and petroleum products.

Oil tankers play a vital role in supporting the global economy, but operating profit, the net result of freight revenues minus operational expenses, has fallen close to zero. It is abnormal for such conditions to last so long. In order to alter these conditions, it is necessary to address structural changes in trade patterns and prevailing business transactions of oil in a manner of a commodity deal.

In recent years, as the market price of crude oil has fluctuated dramatically, it has come to be traded like any other commodity. The same is very true of petroleum products and petrochemicals. The linkage among oil and these products is intensifying, and the entire petroleum sector has been transformed into a single market. In the past, it was typical for crude oil transportation contracts to be concluded on a 10-year basis or longer. However, the contract period is tending to be shortened. Since oil prices are so volatile, oil shippers cannot maintain their competitiveness if they do not change to match market conditions. In the product tanker market, the cargoes are already commoditized, and the same thing is happening in the LPG tanker and chemical tanker business fields.

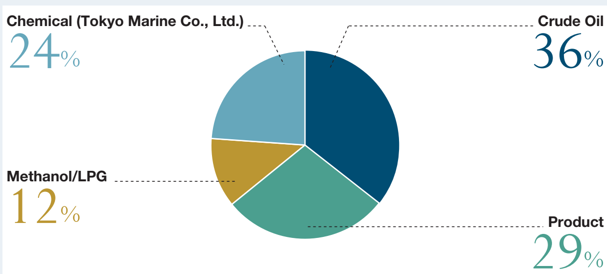
There has also been a structural shift in the nature of the petroleum product trade. The development of shale oil reserves in the U.S. has reduced the shipping oil volume to the U.S., one of typical long-distance trades. On the other hand, oil refineries in leading industrialized countries outside North America are being closed down, while shipments from facilities in the Middle East, India and the U.S. are increasing. Furthermore, demand is shifting from the leading industrialized countries to places such as the Middle East, Africa and South America. As a result, Singapore has become an important player for these trades, and the main theme of MOL’s business structural reforms was to accelerate expansion in Singapore. Having stepped up efforts to make Singapore the center of sales and ship operations early, we are starting to see the benefits of this.

Meanwhile, as the petroleum market becomes increasingly interlinked and commoditized, MOL is striving to develop businesses that more fully meet the needs of customers. The key, in our view, is to establish a reputation as a leading player in all sectors of the transport market, from crude oil to petroleum products and petrochemicals. By itself, MOL cannot change the current market conditions. However, we believe a pool system is the best business platform to make ourselves regarded as the No. 1 player.

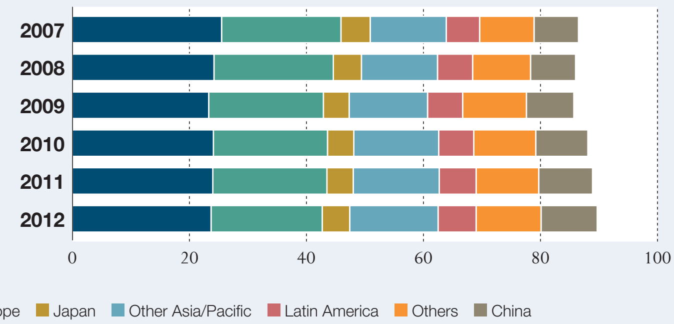
In 2011, we jointly established Straits Tankers Pte. Ltd., a ship pool management company for LR1 product tankers (approx. 75,000 DWT). This company operates 30 LR1 vessels at present. In VLGCs, we are operating VLGCs in a pool through a Singaporean subsidiary. This subsidiary operates 12 vessels at present. In another move, in 2012 we established Nova Tankers A/S as a VLCC pool management company together with four other companies. All of MOL’s spot operations have been transferred to this company, which presently operates 44 vessels. As with other pools, it is leveraging economies of scale to provide high-quality services in all sea areas to garner more support from customers. At the same time, it is improving profitability by raising efficiency in vessel allocation through reductions in ballast voyages and so forth. In the fall of 2013, chemical tanker operations will be turned over to another pool management company created in cooperation with a European shipowner, under the name Milestone Chemical Tankers Pte Ltd. In this way, MOL hopes to achieve unprecedented efficient operations in this sector as well.

Due to the current abnormal market conditions, it is still too soon to identify any confirmed impact from these measures. However, when business players offering high-quality services survive and the market returns to normal, our entire tanker business, including the spot trades, will be able to make a major contribution to MOL’s sustainable growth.

CONSOLIDATED REVENUES BREAKDOWN
(Results of FY2012)



GLOBAL OIL DEMAND
(Million b/d)



Source: IEA’s “Oil Market Report”

BULKSHIPS *Tankers*

The VLCC

SELENE TRADER

(Keiyo Sea Berth, Chiba)

Singapore-based Nova Tankers A/S, a VLCC pool management company MOL established together with four other companies, currently owns 44 vessels. Young vessels, sophisticated vessel management capabilities and the sound financial bases of the partner companies are the source of this VLCC pool's competitiveness. It is leveraging economies of scale to provide high-quality services in all sea areas that have garnered the support of customers.

BULKSHIPS
LNG Carriers

TAKESHI HASHIMOTO
Managing Executive Officer

Vessels

12/3 69 → 13/3 **69**

Thousand deadweight tons

12/3 5,306 → 13/3 **5,310**

Note: Figures include spot-chartered ships and those owned by joint ventures.

Fiscal 2012 in Review

As a result of the unprecedented deterioration in market conditions for the shipping industry, MOL as a whole posted a loss for the second consecutive fiscal year. On the other hand, earnings from LNG carriers, which were mainly derived from long-term contracts, roughly matched levels in the previous fiscal year, lending continued support to the company's highly stable profits; nearly all of MOL's 69 LNG carriers are operated under long-term contracts. Furthermore, the volume of global trade of LNG remained strong. Although economic stagnation in Europe has depressed demand in that region, this has been offset by increased demand from Japan's electric power companies. Consequently, the spot charter rate remained as firm in fiscal 2012 as in the previous fiscal year.

During fiscal 2012, there was a growing disparity in spot charter rates; the rates for aging vessels diverged from those for newer, more advanced vessels. This reflects the fact that older vessels are less efficient to operate, consuming more fuel while offering less cargo tank capacity. This trend has not been a tailwind for MOL, since the company has been in the LNG carrier business for a long time and has many older vessels in its fleet. However, MOL has been able to keep the negative impact to a minimum, because of its fairly strong profit structure. As above, most of the company's earnings from LNG carriers come from vessels operating under long-term contracts.

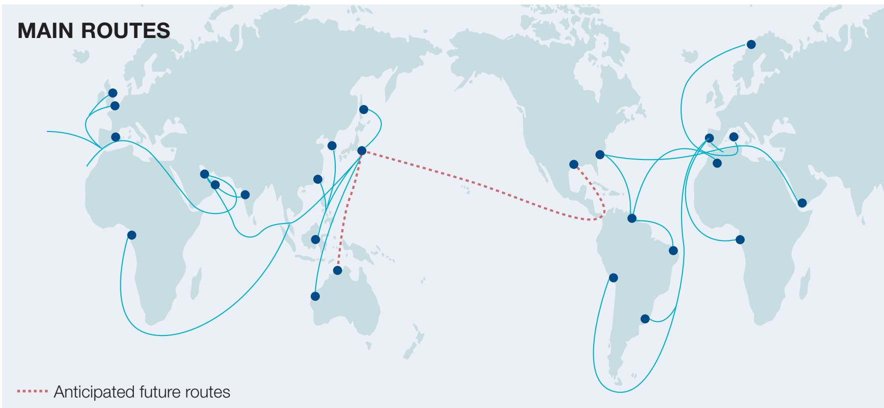
In fiscal 2012, the company succeeded in attracting orders which placed three new LNG carriers under long-term contracts to deliver LNG to Japan. One of these is a Moss-type[*1] LNG carrier of the largest class that is able to transit the expanded Panama Canal. The other two are Moss-type LNG carriers with four spherical tanks covered by a continuous cover. This peapod-shaped continuous cover is integrated with the ship's hull, achieving weight reduction while maintaining overall hull rigidity. All three vessels will adopt a new steam turbine engine that reuses steam for heating. This will also reduce fuel consumption. And they feature an advanced heat insulation system that offers the lowest LNG vaporization rate—0.08%/day—of any LNG carrier in the world. Its environment-friendly and economically advanced design also effectively controls surplus boil-off gas[*2].

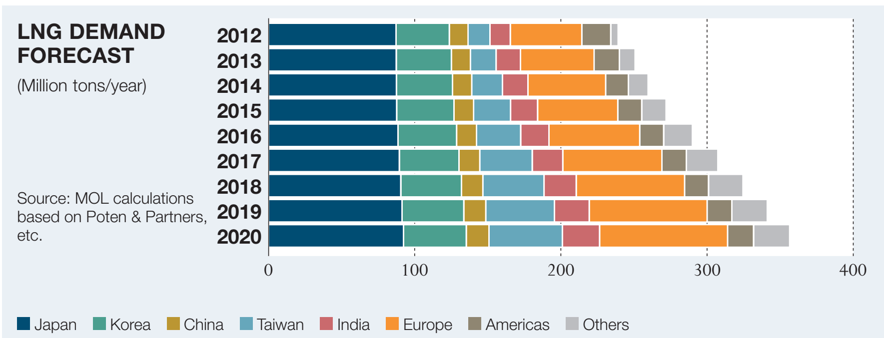
With the three vessels described above, MOL has procured long-term contracts for nine ships in total since 2010—five transport cargo to Japan and four travel delivery routes to China. These vessels are due to be delivered one by one from 2014, thus contributing to highly stable profits.

MOL is also continuing aggressive development of its offshore businesses. For example, in the FPSO[*3] business, the company has already taken part in two projects for Brazil's national oil company, Petrobras, and in fiscal 2012 MOL was chosen to participate in a third project, which is due to commence operations in 2015.

Fiscal 2013 Earnings Growth Scenario

In fiscal 2013, earnings are expected to increase in response to cost reduction and the impact of a weaker yen, among other factors. The company's single-year management plan—"RISE 2013"—aims to restore the company to profitability overall. The LNG carrier business can continue to contribute greatly to this goal since it provides highly stable profits that are not excessively affected by short-term market fluctuations. The company will also work aggressively to lay the groundwork for new long-term contracts, as part of the ongoing effort to expand highly stable profits.





Source: MOL calculations based on Poten & Partners, etc.

Looking Ahead

Since the start of fiscal 2013, the company has concluded contracts for two additional projects, one in Japan and one overseas.

In May 2013, MOL secured a long-term contract (for one ship) to transport LNG from the Ichthys LNG Project in Australia to Japan. This contract marks the first time that an LNG carrier wholly owned by a Japanese shipping company will serve on joint transport for an electric power company and a gas company in Japan.

In the other project, MOL will take part in a project to supply LNG to China Petroleum & Chemical Corporation, known as "SINOPEC," which will obtain its LNG from Australia Pacific LNG Pty Limited. It will be a massive LNG transport project, involving the use of six newly built LNG carriers. All six of the vessels are being built by Hudong-Zhonghua Shipbuilding (Group) Co., Ltd. (Hudong) in China. This is our second big milestone in the burgeoning business of LNG transportation to China, after our participation in the ExxonMobil China project[*4], which was announced in March 2010. MOL has 30 years of experience and expertise in the LNG transport business, and has earned a very positive reputation for safe and stable operations. This reputation and the experience gained through the ExxonMobil China project has allowed MOL to develop a relationship of trust with Chinese partners, and contributed to the company's selection to take part in this project. Engagement in this project will enhance MOL's presence in the business of transporting LNG to China, and strengthen its close relationships with Chinese partners for further cooperation and opportunities. All of the LNG carriers for the above project and the ExxonMobil China project are due to be completed and delivered by 2017. This will give MOL a fleet of 10 LNG tankers delivering LNG to China.

Global demand for LNG stood at around 240 million tons in 2012. Demand is expected to increase further in the future. This is because LNG is attracting attention as a clean energy resource amid surging demand for energy in emerging countries. LNG is also in higher demand in Japan after the Great East Japan Earthquake and in Europe where there are moves away from nuclear power generation. By 2020, global demand for LNG could rise to as high as 400 million tons. In order to meet this rising demand, it is estimated that around 100 additional LNG carriers will be required, in addition to ships that have already been ordered.

While the expectation of rising demand has pushed up spot charter rates for LNG carriers, it has also contributed to speculative orders for new LNG carriers. Between 2013 and 2017, over 100 new carriers are due to be delivered. Considering that there are already approximately 370 LNG carriers operating worldwide, the number of these ships in operation is expected to reach approximately 480 by 2017. Expectations of a supply glut could contribute to a weakening in spot market conditions from the latter half of 2013. On the other hand, a number of new LNG projects currently under development in Australia and elsewhere are due to start full-scale operations from around 2015. When these projects begin supplying LNG, their output is likely to take up all of the additional capacity created by the new vessels. For that reason, we believe that the market will once again start to face a shortage of LNG vessels from around 2016.

Since demand for LNG carriers is expected to increase dramatically over the next few years, we plan to expand our fleet of LNG carriers to around 110 vessels by 2020, and intend to further enhance our industry-leading position in the LNG transport business. It will be important for us to utilize our skills and know-how as the world leader in safe operations in order to accomplish this goal. Ingenuity is also required to meet a broad range of customer needs, as are networks to put solutions into effect.

Another critical prerequisite to building a larger fleet of LNG carriers is the training and retention of skilled crews on board LNG carriers. MOL has launched its own seafarer education and training program and is building education and training infrastructure. This training program complies with SIGTTO[*5] and TOTS[*6] requirements, and also recently received certification from Norway's Det Norske Veritas AS (headquarters in Oslo) for compliance with the Competence Management System (CMS)[*7]. Operation of this CMS enhances MOL's existing training program by identifying the skills required of seafarers and the current situation and pinpointing issues in this regard so as to continuously improve the program. By continuing to develop and conduct this seafarer training program to expand the LNG fleet, making revisions whenever necessary, MOL is striving to develop the skill of seafarers who will help it maintain its status as the world leader in safe operations.

Glossary

*1 **Moss-type tankers (developed by Norway's Moss Rosenberg)** are LNG carriers which have independent spherical cargo tanks.

*2 **Boil-off gas:** This refers to the gas released from LNG during transport, due to vaporization caused by external heat.

*3 **FPSO (Floating Production, Storage and Offloading System):** A facility for producing oil and gas offshore. The oil is stored in tanks in the facility and directly offloaded to tankers for direct transport to the destination.

*4 **ExxonMobil China Procject:** This project is a joint venture between MOL and Chinese partners, to transport LNG from Papua New Guinea and Australia to China under long-term contracts. MOL has ordered four new LNG carriers from Hudong to be used in this project, and the first completed vessel is to be delivered in early 2015.

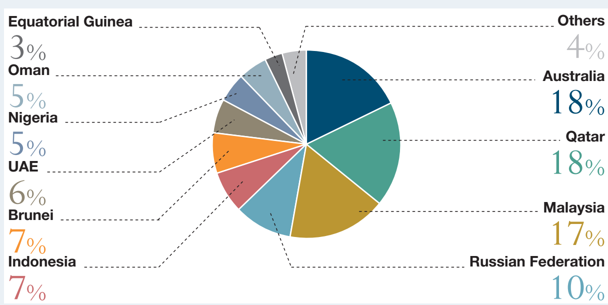
*5 **SIGTTO:** The Society of International Gas Tanker & Terminal Operators Ltd. This organization is responsible for setting standards for safe operations in the LNG industry, covering everything from LNG production to the transport and consumption of natural gas. These include the "SIGTTO Standards" for the training of LNG carrier crews.

*6 **TOTS:** Tanker Officer Training Standard. This is a standard set by the International Association of Independent Tanker Owners (INTERTANKO) for the training of personnel working on tanker vessels, either on board ship or at ports of call. It is designed to raise the skill level of these workers.

*7 **Competence Management System (CMS)** is a management system which assesses the skills of crew members and identifies any disparities between these skills and the standards required to achieve the corporate goals of a shipping company. The system is designed to continuously improve the quality of crew training programs.

JAPAN'S LNG IMPORTS BY COUNTRY

(%)



Source: BP Statistical Review of World Energy 2013

BULKSHIPS *LNG Carriers*

The Moss-type LNG Carrier
ENERGY PROGRESS
(Tokyo Bay)

There are approximately 370 LNG carriers operating worldwide at present. MOL operates 69 vessels, including 45 managed vessels, making the company's fleet of LNG carriers the largest in the world. MOL has outstanding orders for 16 vessels, all of which will be managed by MOL. With demand for LNG carriers expected to surge over the next few years, MOL plans to increase the size of its LNG carrier fleet to around 110 vessels by 2020.

BULKSHIPS
Car Carriers

TAKASHI KURAUCHI
Senior Managing Executive Officer

Vessels

12/3 128 → 13/3 **127**

Thousand deadweight tons

12/3 2,055 → 13/3 **2,063**

Note: Figures include spot-chartered ships and those owned by joint ventures.

Fiscal 2012 in Review

There were initial expectations that exports of completed Japanese cars would grow on the back of a shift towards vehicle production for export following the termination of government subsidies for purchases of eco-friendly cars. Nevertheless, growth in exports of completed cars from Japan remained elusive, mainly due to increasingly prolonged market stagnation in Europe. Furthermore, Japanese carmakers increasingly produced cars in the markets where they were to be sold as part of moves to step up local production for local consumption. Under this environment, we increased business in such areas as exporting cargo from Asian countries other than Japan as well as handling cross trade and inbound cargo, and worked to secure new business opportunities. As a result of these measures, this segment recorded much higher profits than those of fiscal 2011, when the Great East Japan Earthquake hit the Japanese economy.

Global auto sales reached 81 million units in 2012, a new record high for the second straight year. The number of vehicles transported by sea worldwide also reached a new record high of approximately 14 million units, exceeding the 13 million unit figure set in 2007. MOL transported 3.9 million units, a record for the company.

One of the defining features of the ocean transport of automobiles in recent years has been the ongoing diversification of trade patterns. In the past, the main routes were from Japan to Europe and the U.S. Today, however, we are seeing more countries producing and consuming automobiles. Vehicle exports are increasing not only from BRICs nations, but also Thailand, Mexico, Indonesia, Turkey, Morocco, South Africa and other countries. In this changing business environment, it is vital to respond flexibly to information concerning loading and discharging locations, which changes by the day. As a result, we are seeing an increase in the number of vehicles we transport on cross trades and inbound trades.

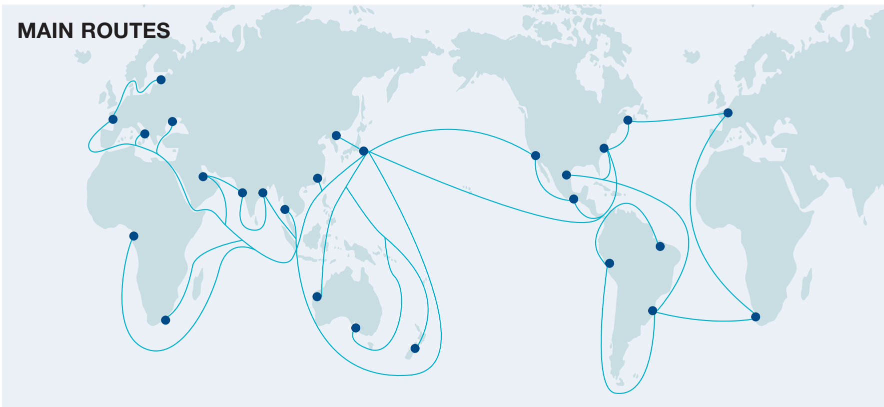
Fiscal 2013 Earnings Growth Scenario

Looking at prospects for 2013, we expect exports of completed vehicles from Japan to stay at roughly the same level, or perhaps decline year on year. Shipments to Europe should stay stagnant due to the ongoing euro fiscal crisis. Meanwhile, Japanese automakers are likely to continue their policy of manufacturing vehicles in the region where they are sold, even if the yen softens. They are also expected to increase auto production in the U.S., Mexico, Russia and elsewhere. In the U.S., where auto sales remain brisk, sales are shifting towards larger cars, which are the forte of the "Big Three" U.S. automakers. Even though we anticipate these factors going forward, we expect our earnings to increase, considering the weaker yen.

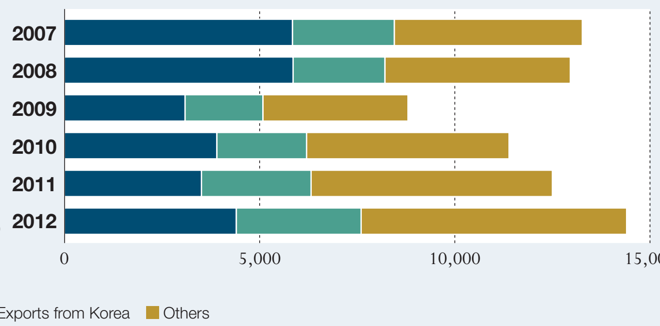
Since the start of 2013, the yen has weakened considerably. If it should reach levels of more than ¥100 to the U.S. dollar, some models of vehicles manufactured in Japan might still be competitive in overseas markets. Consequently, if the yen should remain at current levels for a few years, it is possible that there might be a revival of auto production in Japan, and a recovery in exports of completed vehicles from Japan. Nevertheless, based on the current strong trend towards production of vehicles in the region where they are sold, MOL has not reflected such a comeback scenario in its earnings forecasts for fiscal 2013.

Looking Ahead

Global auto sales are currently being driven by growth in the markets of India, Brazil, Russia and China. Unit sales are expected to reach 84 million in 2013, 90 million in 2015 and as high as 100 million in 2020. Although sales in Europe are not likely to rebound as long as the eurozone countries face fiscal problems, rising demand in the U.S. for large-model SUVs and



GLOBAL CAR SEABORNE TRADE
(Thousand units)



Source: MOL internal calculations, excluding CKD pickup trucks is likely to boost sales to around 15 million units a year. While there will be regional variations in the strength or weakness of the auto market, the trend in demand worldwide is likely to support a steady increase in unit sales. The ocean transport of automobiles is also likely to increase, though the overall pace of growth is expected to weaken, due to the trend towards local-based production.

Transportation patterns will become ever more complex than in the past. For example, Thailand and South Africa have become major auto exporters, and India is also emerging as a major auto exporting country. There are a number of other countries that have become key production bases, such as Mexico, Brazil, Turkey and Morocco, and cars built in these countries are sold over a wide area, creating many new trade routes. This reflects the fact that automakers are always considering a range of factors, including exchange rate-related risks, when selecting the most appropriate base for production.

In order to avoid exchange rate-related risks, automakers not only seek to increase local production, but often produce the same model in several countries. By doing so, they can adjust their operations flexibly in response to exchange rate fluctuations, seeking the most profitable combination of production site and site of final sale. To do this, they need to establish the necessary production and transport network. For example, vehicles manufactured in Mexico are not only sold in the U.S.; increasingly, they are being shipped to Europe and Asia for sale. Manufacturers need to set up an export structure to handle these shipments. In this way, many new seaborne trades are developing. In response, MOL must try to deal adroitly with the complexity of customers' shipping needs. It must also take steps to compete successfully against railroads and other forms of cargo transportation.

In order to turn this competitive opportunity into a new source of income, MOL needs to intensify its efforts to achieve efficient distribution and operation of its vessels, while offering services that help customers reduce their logistics costs. To this end, the company has continued to align its fleet, placing priority on the standardization of vessel size by designating 6400 RT-type car carriers as the company's "basic standard." These car carriers are the largest vessels at present, with high usability in various sea lanes and ports across the globe, and account for over 60% of the vessels in MOL's car carrier fleet. In recent years, some companies have placed orders for even larger, 7000 RT and 8000 RT-type car carriers. However, MOL recognizes that size alone is not what matters. Based on a comprehensive evaluation of factors such as fuel efficiency and vessel cost, as well as the physical restrictions of various ports around the world and the average loads and shipment volumes needed on the world's main shipping routes, MOL has determined that the 6400 RT-type vessels currently are the best solution to respond to and match our customers' needs. By maintaining a large fleet of similarly sized vessels, it is easier for MOL to respond to problems such as bad weather or port congestion that hinders shipping schedules. In case these problems emerge, the company can respond flexibly to the situation and dispatch a replacement vessel of the same size, thereby ensuring that customers receive reliable service.

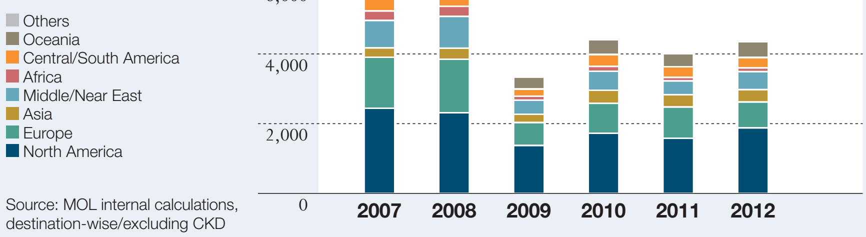
The MOL Group's fleet of car carriers is currently the largest in the world in terms of the total number of ships in operation. However, the key to the company's competitive strategy is not simply to assemble the largest fleet. In the future, it will become increasingly important to anticipate the needs of customers and respond flexibly by providing finely tuned services that meet these needs. This is the foundation of MOL's strategy for increasing earnings. For example, in the past it has been relatively difficult to respond to the trade in short-range cargo transport, such as shipments between ports in Southeast Asia, or cargo transport within the North American and South American continents. MOL will respond with efforts to establish a shipping network that serves these short-distance shipping needs, and will pursue new cargo movements from Asia other than Japan while minimizing the operation of empty vessels.

In newly emerging economies, the development of inland transport infrastructure has an impact on the shipping business in terms of the number of vehicles exported. MOL has responded with measures such as developing terminal operations at the Ennore Port in India and inland transport businesses in the country. In addition to operations in India, MOL has launched terminal operation businesses in Australia and Turkey. In each of these cases, it is essential for us to generate synergies with our mainstay ocean transport business, while working to strengthen ties with customers who are expanding into each region.

In June 2012, MOL began operating the world's first hybrid car carrier, the *EMERALD ACE*. The ship is equipped with lithium-ion batteries that are charged by solar power generation systems while at sea. The *EMERALD ACE*. then uses this power while at berth, which allows the diesel power generators to be completely shut off. As a result, the *EMERALD ACE*. can achieve "zero emissions while at berth." Having actually operated this vessel, MOL has confirmed a reduction in the environmental burden.

CAR EXPORT FROM JAPAN

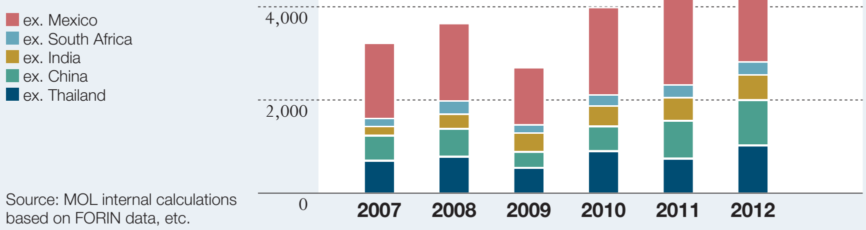
(Thousand units)



Source: MOL internal calculations, destination-wise/excluding CKD

CAR EXPORT FROM EMERGING COUNTRIES

(Thousand units)



Source: MOL internal calculations based on FORIN data, etc.

BULKSHIPS *Car Carriers*

The Car Carrier
ELEGANT ACE
(Durban, South Africa)

The *ELEGANT ACE*, a 6400 RT-type car carrier departing from the South African port of Durban. The “4 Continents Express Service” does an anti-clockwise loop around the Atlantic Ocean calling in at ports on four continents (Africa, Europe, North America and South America), starting from Durban. Since its launch in 2001, this service has won high marks from customers for providing stable, regular services with dedicated vessels. At present, MOL’s share of the transport of finished vehicles from South Africa exceeds 50%.

CONTAINERSHIPS

JUNICHIRO IKEDA
Senior Managing Executive Officer

Vessels

12/3 115 → 13/3 **115**

Thousand deadweight tons

12/3 6,205 → 13/3 **6,370**

Note: Figures include spot-chartered ships and those owned by joint ventures.

Fiscal 2012 in Review

In fiscal 2011, almost all containership companies were forced to operate in the red, particularly on East-West routes, due to overheated freight rate competition. Critical reflection on this state of affairs led to changes in the overall market in fiscal 2012 as companies independently made adjustments to the supply of vessels and moved to restore freight rates. This improved rate levels to a certain extent. MOL also aggressively promoted operational efficiency improvements and cost reductions by strengthening the competitiveness of its service network, through alliances called TNWA[*1] and G6[*2], and by more fully implementing slow steaming and other measures. As a result, we improved earnings by ¥18.6 billion compared to the previous fiscal year, although fiscal 2012 ended with an ordinary loss of ¥11.2 billion.

Worldwide containership trade volume in 2012 increased by 4.1%, but vessel supply also rose by 6.1% as supply growth outstripped demand growth, as was the case in the previous fiscal year[*3]. A significant number of ultra-large containerships with capacity exceeding 10,000 TEU were delivered and this was the main cause of the increase in supply. There was concern about the negative impact on supply and demand because these ships would operate mainly on European routes, but containership companies dealt with the problem by reining in supply through such measures as laying up vessels, reducing service frequencies, and slow steaming, which helped restore freight rates toward the beginning of spring to a considerable extent. Freight rates gradually softened from the summer onward, however, due to prolonged sluggishness in cargo movement to Europe. That said, the operating results of European routes on a full-year basis improved substantially over the previous year.

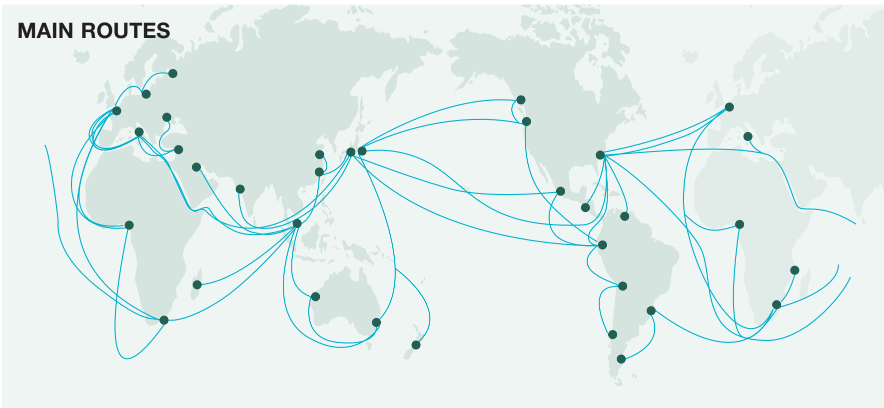
Regarding cargo movement on other routes, trade was firmly rooted along Asia–North American routes, while in Inter-Asia trade increased. This reflected the return to normal levels after trade was impacted last fiscal year by the flooding in Thailand. The increase was also the result of companies shifting production to ASEAN countries and away from excessive clustering in China. North-South routes were affected by import restrictions in Argentina, but cargo movement was maintained.

Consequently, on Asia–Europe routes, freight rate levels improved year on year despite cargo movement slowing, and on Asia–North American and other routes, we were able to significantly increase lifting numbers. In addition to these developments, yen depreciation (¥78.85/US$ in fiscal 2011 to ¥82.31/US$ in fiscal 2012) and a slightly lower bunker price (US$667/MT in fiscal 2011 down to US$662/MT in fiscal 2012) played a part as well, and we were able to significantly improve earnings on all routes. However, the containership division overall was not able to return to the black, despite stable income from the terminal business and the logistics business.

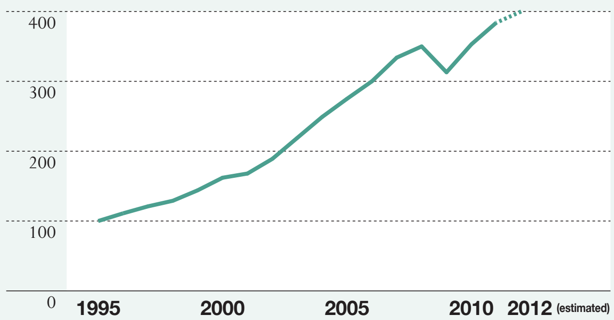
Fiscal 2013 Profit Recovery Scenario

In fiscal 2012, we were only able to reduce the division's margin of loss, but in fiscal 2013 we are targeting positive ordinary income of ¥5.0 billion (as of the July 31, 2013 announcement). This would represent an improvement of approximately ¥15 billion compared to fiscal 2012. This forecast is premised on an improvement in external conditions, specifically, substantial yen depreciation (¥82.31/US$ for fiscal 2012 versus an assumption of ¥99.20/US$ for fiscal 2013) and a lower bunker price. The forecast also reflects the Europe-originated

MAIN ROUTES



CONTAINERSHIP SEABORNE TRADE
(1995 = 100)



Source: MOL internal calculations based on Clarkson Research Service Shipping Review Database Spring 2013

G6 Alliance expanding to the North American East Coast, reduced slot costs and increased lifting volume derived from large vessels being added to the fleet, as well as additional progress in restoring freight rates, including reefer containers. Additionally, in order to improve our earnings regardless of market conditions, we intend to aggressively promote cost cutting and other self-reliant efforts under the division's three-year plan, "Operation CORE" (Count On Reliability and Excellence), which runs from fiscal 2012 to fiscal 2014.

For Asia–North America routes specifically, with the G6 Alliance expanding its range to include the North American East Coast, we will promote even more efficient vessel allocation and cost reductions and work to increase lifting numbers while accommodating North American-bound cargo, which is expected to remain firm. In addition, through GRI[*4], PSS[*5] and other measures, we will continue to restore freight rates. On Asia-Europe routes, we will actively work to increase stable contracts with cargo owners known as BCOs[*6] that do not go through NVOCCs[*7] and increase lifting numbers by utilizing space on new large vessels that will be delivered during fiscal 2013. Also on Asia–Europe routes, although it is expected that market conditions for freight rates will potentially soften given economic conditions in Europe, we will continue to restore freight rates through GRI, PSS and other measures while tightening vessel supply by such means as laying up vessels, reducing voyages, and implementing slow steaming. We also plan to increase lifting numbers by accommodating increased cargo movement along Inter-Asia and North-South routes.

In the terminal business and the logistics business, which support containership routes, we will generate steady profits. Capital investment is currently being made in the terminal business, primarily overseas. At the Port of Los Angeles, we are investing in automation using IT, conversion to on-dock rail and other projects. At Cai Mep Port in Vietnam, terminal business operations have been stable since commencing in January 2011. At Rotterdam Port, we are making investments with a view to commencing operations in 2014. From fiscal 2014 onward, when all of these overseas terminals are operating, the terminal business will contribute in a major way to enhancing its presence as a stable business in the containership division. The logistics business also continues to generate steady profits. Leveraging the respective strengths of MOL Logistics (Japan) Co. Ltd., Utoc Corporation, MOL Consolidation Service Limited, Mitsui O.S.K. Lines (Thailand) Co., Ltd. and other group companies involved in logistics, the MOL Group as a whole is actively working to raise service quality while promoting development of business in emerging countries. We intend to accelerate these activities and translate achievements into profit growth.

Looking Ahead

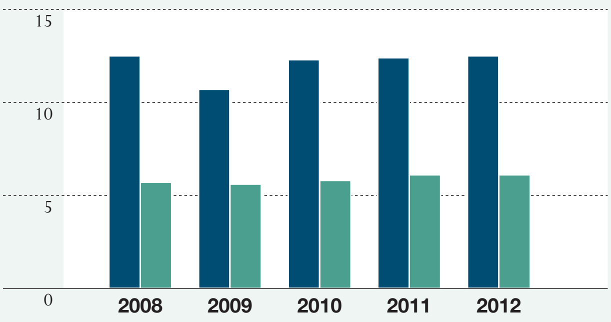
With growing uncertainty in the global economy, management of the containership business has become increasingly difficult. However, we will work to provide high-quality marine transport services while bolstering cost competitiveness. To accomplish this, we moved headquarters' functions of MOL's Liner Division to Hong Kong in July 2012 due to the location's long history as a base for the shipping business, its proximity to growth regions, and its strong established infrastructure.

As was said before, the division is currently executing its own three-year plan, Operation CORE, which covers from fiscal 2012 to fiscal 2014. The ordinary loss in the containership division was ¥29.9 billion in fiscal 2011 when the plan was conceived, and even if market conditions have not improved since that time, the plan is targeting improvement in profits of ¥40 billion to ¥50 billion over the 3 years of the plan so that ordinary income in the range of

ASIA-NORTH AMERICA CONTAINER TRADE CARGO MOVEMENTS

(Million TEU)

■ Outbound voyage
■ Inbound voyage

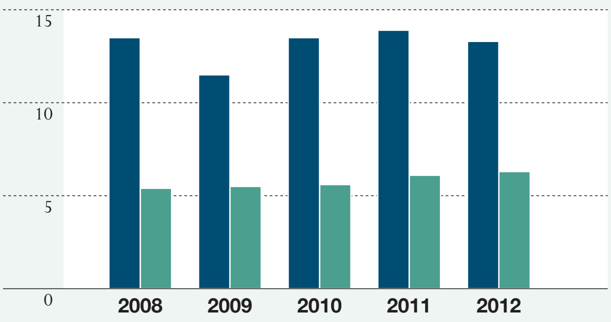


Source: Piers/JoC etc., excluding Canada cargo

ASIA-EUROPE CONTAINER TRADE CARGO MOVEMENTS

(Million TEU)

■ Outbound voyage
■ Inbound voyage



Source: Drewry, including Mediterranean cargo

Glossary

1. **The New World Alliance (TNWA)** is an alliance of three companies, MOL, APL (Singapore) and Hyundai Merchant Marine (South Korea). It has conducted joint operations on Asia–North America and Asia–Europe routes since the 1990s.
2. **The G6 Alliance** is an alliance of six companies and represents the integration of TNWA and the Grand Alliance (Nippon Yusen Kaisha (Japan), Hapag-Lloyd AG (Germany) and Orient Overseas Container Line (Hong Kong)). The alliance began operating jointly in Asia–Europe (Northern Europe and Mediterranean) routes in March 2012 and expanded its framework to include North American East Coast routes in May 2013.

*3 2012 calendar basis. Source: Drewry

*4 **GRI (General Rate Increase):** Increasing prices across the board to boost rates that have fallen.

*5 **PSS (Peak Season Surcharge):** Charging premium rates during peak seasons when cargo movement increases.

*6 **BCO (Beneficial Cargo Owner):** A cargo owner that contracts directly with containership companies without going through an NVOCC or other intermediary. Cargo control is handled internally by the cargo owner's logistics divisions. Most BCOs are multinational corporations that regularly import and export certain amounts of cargo.

*7 **NVOCC (Non-Vessel Operating Common Carrier):** Also called Freight Forwarders. These companies handle freight transport operations using existing shipping companies but do not possess their own modes of transport.

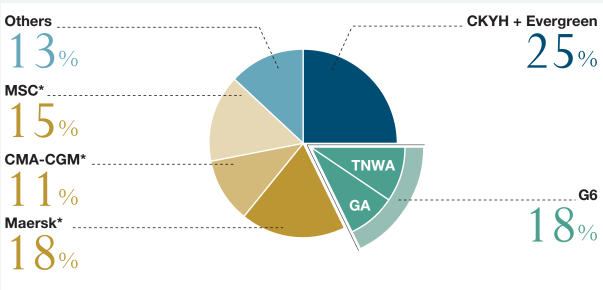
¥10 billion to ¥20 billion can be earned continuously. To meet these targets we intend to improve cost competitiveness by reducing slot costs and lowering organizational costs per unit by putting large vessels into operation, and acquiring volume discounts from terminals, railways and other companies against a backdrop of increasing cargo volume.

In addition, under the slogan “Count on MOL,” we will continue disclosing key performance indicators for transport quality (on-time performance percentages), environmental protection (reduction ratios for CO_2, NOx and SOx emissions from containerships) and safe operations (the number of long-time operational stoppages per year for 3 or more consecutive days) to promote MOL’s safety and service quality and continue working to differentiate ourselves from competitors.

Global economic development is currently supported by an international division of labor, so economic growth in different regions is connected and causes transport to increase between them. Maritime shipping is the key mode of inter-region transport, and the containership business in particular helps spread prosperity brought about by international specialization to more countries, industries and people in that it handles cargo for innumerable customers. In this growth market, we have continually provided stable, sophisticated transport quality to earn widespread trust. We intend to continue working to achieve sustainable growth and establish containerships as a truly CORE business of MOL.

SHARE BY MAJOR CARRIER ALLIANCE OF THE EUROPE ROUTES

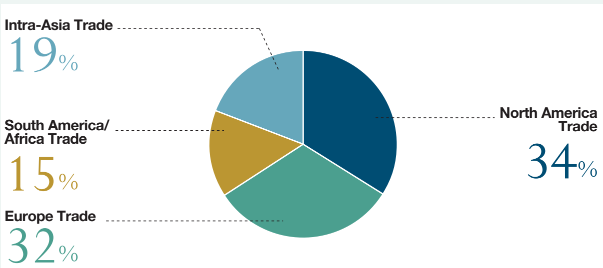
(As of March 2012)



*The “P3 Network,” a new alliance, is scheduled to be launced in April–June 2014.
Source: MDS

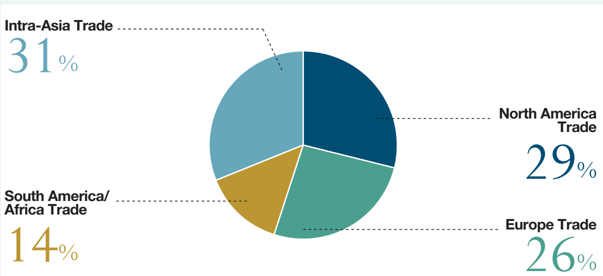
REVENUE BREAKDOWN BY TRADE

(Results of FY2012)



CAPACITY BREAKDOWN BY TRADE

(Results of FY2012)



CONTAINERSHIPS
The Containership
MOL MISSION
(San Francisco, U.S.)

MOL's containership division is working to protect the environment as part of the "Count on MOL" initiative. Besides its low fuel consumption and outstanding capacity, *MOL MISSION* has pre-empted new regulations regarding safety and the environment. This containership boasts double-hull fuel tanks to reduce the risk of fuel oil leaks. In addition, it is equipped with low sulfur fuel tanks, electronically controlled main engines and an onshore power supply system, among other features that give consideration for the environment.

FERRY & DOMESTIC TRANSPORT

HIROKAZU HATTA
Managing Executive Officer

Vessels

12/3 45 → 13/3 **44**

Thousand deadweight tons

12/3 158 → 13/3 **159**

Note: Figures include spot-chartered ships and those owned by joint ventures.

Fiscal 2012 in Review

In fiscal 2012, we returned to profitability for the first time in 5 years on an ordinary income basis, generating growth in revenues and contributing ¥1.2 billion to ordinary income. We have been pursuing this immediate goal ever since this business slipped into the red in fiscal 2008, steadily pursuing profitability with cumulative efforts to cut costs and rationalize operations. However, the Great East Japan Earthquake in 2011 had a major impact on the Eastern Japan ferry route. The mother port for vessels running the Kita-Kanto–Hokkaido route, Oarai Port, was completely out of service for around three months. Ships had to be diverted to the Port of Tokyo, and the effort to rebuild operations and profitability was extremely difficult.

In fiscal 2012, the effects of the earthquake began to decline, with total cargo volume and revenues returning to pre-disaster levels. The ferry business also felt the beneficial impact of a business integration, conducted in fiscal 2011, to rationalize ferry operations in Western Japan*1. This contributed directly to the earnings recovery, as did the restart of thermal power generation facilities operated by the electric power companies, which increased demand for fuel oil and coal transported by MOL's domestic coastal shipping business. As a result, this business division returned to the black.

Fiscal 2013 Earnings Growth Scenario

We expect to see benefits from streamlining and further cost reductions in this business division during fiscal 2013. This should offset an anticipated modest decline in revenues caused by route rationalization and other factors, and allow the division to achieve profit growth.

Looking Ahead

Although it is difficult to imagine the domestic marine transport business fading in the foreseeable future, it is no longer a business segment which offers the prospect of steady or dramatic earnings growth. Over the past 20 years, this industry has gradually consolidated and the number of ferry operators in Japan has declined significantly. Domestic marine transport has become a mature industry in Japan, but conversely, it is also difficult for new players to enter the business. While existing companies formerly were able to achieve growth through consolidation and rationalization, the industry has now entered an era in which knowledge and ingenuity must be used to create opportunities for growth.

One example of a potential growth opportunity in the ferry business is the development of ships that function as a sort of "moving hotel," such as the popular "Dangan Ferry*2." By developing other ways to make services both time- and cost-effective for tourists, we are striving to attract tourism-related demand. In addition, the introduction of tighter regulations on domestic, long-distance trucking services opens up business opportunities for night-time ferry services, which can be more cost-effective and safer while reducing environmental impact. Many truck operators are becoming increasingly aware of these advantages and shifting from road to ferry transport. This has the potential to drive growth in ferry operations.

Glossary

*1 The two ferry companies serving the Osaka/Kobe–Kyushu route—The Diamond Ferry Co., Ltd. and Kansai Kisen Kaisha—were integrated to form Ferry Sunflower Ltd.

*2 **"Dangan Ferry"** is an overnight round-trip service which arrives at the destination port in the morning and departs there the same evening. Travelers spend two nights aboard ship, and thus do not require lodging on land.

FERRY & DOMESTIC TRANSPORT

The Ferry
SUNFLOWER FURANO
(Oarai District, Ibaraki Port, Ibaraki)

Tractors haul trailers into ferries. Once inside, the tractor is detached from the trailer and only the person-less trailer is transported to the destination port. Ferries help ease the burden on truck drivers and reduce the risk of traffic accidents. They are also an environmentally friendly mode of transport.

ASSOCIATED BUSINESSES

HIROKAZU HATTA
Managing Executive Officer

Fiscal 2012 in Review

This division comprises MOL's real estate, tugboat, cruise ship and other businesses. More than half of the profits in this division are accounted for by the real estate business, particularly Daibiru Corporation. In this company's main operating regions—the business districts of Tokyo and Osaka—office building vacancy rates remain at high levels, and this continues to constrain rent income. However, Daibiru's properties are located in excellent locations and provide a high level of service, which has allowed the company to maintain high occupancy rates relative to the overall market average, supporting solid results. Losses in the cruise ship business were reduced, while tugboat and other associated businesses remained generally solid. As a result, ordinary income in the division increased compared with fiscal 2011, to ¥10.7 billion.

Fiscal 2013 Earnings Growth Scenario

In fiscal 2013, we expect ordinary income to remain essentially unchanged, at ¥10.5 billion. Daibiru continues to generate a stable flow of income, and we expect profit contributions from the tugboat business to roughly match fiscal 2012's levels. Although the cruise ship business will remain in the red, we will pursue deeper reforms in line with the single-year management plan "RISE 2013," so that it can make a contribution to profit growth of this division.

Looking Ahead

Due to depressed conditions in the marine transport industry, MOL posted a consolidated ordinary loss in fiscal 2012 of ¥28.5 billion. However, associated businesses contributed ordinary income of ¥10.7 billion, thus greatly moderating the scale of the overall loss. In fiscal 2013, as MOL is taking steps to reform the cruise ship business, it is more likely that all business segments and all group companies will return to profitability. In the real estate business, Daibiru completed construction of the Daibiru Honkan in March 2013, and expects to finish construction of another building (provisional name: New Shin Daibiru) in March 2015. In fiscal 2013, Daibiru embarked on a new medium-term management plan entitled "Design 100" Project Phase-I. This 5-year plan, which continues through the end of fiscal 2017, aims to expand revenues and profits by approximately 20%, thus allowing the company to continue making steady contributions to MOL group earnings.

In the tugboat business, we will use high-performance "Japan Brand" tugboats and try to appeal to customers based on sophisticated skill at maneuvering vessels. As our entry to the Vietnamese market in 2010 demonstrates, the tugboat business will leverage new port development in the Asian region to capture new demand. Under this strategy, we have ordered additional tugboats, focusing mainly on high-powered tugboats, as we reshape the tugboat fleet, which was composed of 39 boats in Japan and 16 boats overseas (as of the end of fiscal 2012).

The cruise ship business, along with ferry operations, is a rare example of a business in which MOL has direct access to individual consumers. Although the company operates a fleet of over 900 vessels, the only people who might know one of these vessels by name are the cargo owners who contract them. On the other hand, the name of our leading cruise ship, the *NIPPON MARU*, is known by a large number of people. It contributes disproportionately to public recognition of MOL and helps the company draw attention from the market. As the cruise ship business has an influential role to play in this way, we will strive to attract more passengers and increase earnings in an effort to stabilize this business.

ASSOCIATED BUSINESSES
The Tugboat *KAMIYA* (Cai Mep Port, Vietnam)

Vessels in the Asian region are becoming larger, reflecting buoyant marine transport in the region. To accommodate these larger vessels, new ports are being opened and existing ports are expanding in Asian countries. The opening of these new ports will create new demand for tugboats. MOL plans to expand its overseas tugboat operations with high-quality tugboats and the expertise it has built up in Japan.

Key Systems Underpinning MOL:

Corporate Governance and Corporate Social Responsibility

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BOARD OF DIRECTORS, CORPORATE AUDITORS AND EXECUTIVE OFFICERS

(As of June 21, 2013)

AKIMITSU ASHIDA
Representative Director
Chairman of the Board Born 1943

Apr. 1967 Joined Mitsui O.S.K. Lines, Ltd.
Apr. 1995 General Manager of Liner Division
Jun. 1996 Director, General Manager of Planning Division
Jun. 1998 Managing Director
Jun. 2000 Senior Managing Director, Senior Managing Executive Officer
Jun. 2003 Representative Director, Executive Vice President, Executive Officer
Jun. 2004 Representative Director, President Executive Officer
Jun. 2010 Representative Director, Chairman of the Board, Chairman Executive Officer (current)

KOICHI MUTO
Representative Director Born 1953

Apr. 1976 Joined Mitsui O.S.K. Lines, Ltd.
Jun. 2002 General Manager of Bulk Carrier Division
Jan. 2003 General Manager of Corporate Planning Division
Jun. 2004 Executive Officer, General Manager of Corporate Planning Division
Jun. 2006 Managing Executive Officer
Jun. 2007 Director, Managing Executive Officer
Jun. 2008 Director, Senior Managing Executive Officer
Jun. 2010 Representative Director, President Executive Officer (current)

KAZUHIRO SATO
Representative Director Born 1953

Apr. 1975 Joined Mitsui O.S.K. Lines, Ltd.
Jun. 2001 General Manager of LNG Carrier Division (A)
Jun. 2004 General Manager of LNG Carrier Division
Jun. 2005 Executive Officer
General Manager of LNG Carrier Division
Jun. 2008 Managing Executive Officer
Jun. 2010 Senior Managing Executive Officer
Jun. 2013 Representative Director, Executive Vice President
Executive Officer (current)

TSUNEO WATANABE
Director Born 1955

Apr. 1978 Joined Mitsui O.S.K. Lines, Ltd.
Jun. 2004 General Manager of Tanker Division
Jun. 2006 Executive Officer
Jun. 2008 Managing Executive Officer
Jun. 2010 Director, Managing Executive Officer
Jun. 2011 Director, Senior Managing Executive Officer (current)

JUNICHIRO IKEDA
Director Born 1956

Apr. 1979 Joined Mitsui O.S.K. Lines, Ltd.
Jun. 2004 General Manager of Human Resources Division
Jun. 2007 General Manager of Liner Division
Jun. 2008 Executive Officer
Jun. 2010 Managing Executive Officer
Jun. 2013 Director, Senior Managing Executive Officer (current)

MASAHIRO TANABE
Director Born 1957

Apr. 1979 Joined Mitsui O.S.K. Lines, Ltd.
Jun. 2003 General Manager of Logistics Business Division
Jun. 2008 Executive Officer, MOL Europe B.V. Managing Director
Jun. 2011 Managing Executive Officer
Jun. 2013 Director, Managing Executive Officer (current)

TAKESHI KOMURA
Director Born 1939

Apr. 2008 President of The Salt Science Research Foundation (current)
Jun. 2008 Director of Mitsui O.S.K. Lines, Ltd. (current)

SADAYUKI SAKAKIBARA
Director Born 1943

Jun. 2010 Chairman of the Board and Representative Member of the Board of Toray Industries, Inc. (current), Director of Mitsui O.S.K. Lines, Ltd. (current)

MASAYUKI MATSUSHIMA
Director Born 1945

May 2011 Senior Advisor of The Boston Consulting Group K.K. (current)
Jun. 2011 Director of Mitsui O.S.K. Lines, Ltd. (current)

Corporate Auditors

MASAAKI TSUDA Born 1959
Corporate Auditor

Apr. 1981 Joined Mitsui O.S.K. Lines, Ltd.
Jun. 2006 General Manager of General Affairs Division
Jun. 2011 Corporate Auditor of Mitsui O.S.K. Lines, Ltd. (current)

SUMIO IIJIMA Born 1941
Corporate Auditor

Apr. 1966 Attorney at law, Tokyo Toranomon Law office (current)
Jun. 2006 Corporate Auditor of Mitsui O.S.K. Lines, Ltd. (current)

TAKEHIKO OTA Born 1960
Corporate Auditor

Apr. 1984 Joined Mitsui O.S.K. Lines, Ltd.
Jun. 2008 General Manager of Investor Relations Office
Jun. 2013 Corporate Auditor of Mitsui O.S.K. Lines, Ltd. (current)

HIROYUKI ITAMI Born 1945
Corporate Auditor

Oct. 2008 Professor and Dean of Tokyo University of Science, Graduate School of Innovation Studies (current)
Jun. 2011 Corporate Auditor of Mitsui O.S.K. Lines, Ltd. (current)

12 9 8 7 3 1 2 4 5 6 10 11

23 21 19 17 15 13 14 16 18 20 22 24

Executive Officers

1 AKIMITSU ASHIDA
Chairman

2 KOICHI MUTO
President

3 KAZUHIRO SATO
Executive Vice President Executive Officer
(Assistant to President)

4 TSUNEO WATANABE
Senior Managing Executive Officer
(Tanker Division, Tanker Safety Management Office)

5 TAKASHI KURAUCHI
Senior Managing Executive Officer
(Car Carrier Division)

6 KENICHI NAGATA
Senior Managing Executive Officer
(Coal and Iron Ore Carrier Division, Bulk Carrier Office, Dry Bulk Carrier Supervising Office)

7 JUNICHIRO IKEDA
Senior Managing Executive Officer
(Liner Division, Human Resources Division, Research Office)

8 MASAHIRO TANABE
Managing Executive Officer
(Finance Division, Accounting Division, Investor Relations Office)

9 SHIZUO TAKAHASHI
Managing Executive Officer
(Internal Audit Office, Secretaries Office, Corporate Planning Division, Public Relations Office, MOL Information Systems, Ltd.)

10 KIYOTAKA YOSHIDA
Managing Executive Officer
(Technical Division)

11 HIROKAZU HATTA
Managing Executive Officer
(General Affairs Division, Group Business Division, Kansai Area)

12 TAKESHI HASHIMOTO
Managing Executive Officer
(LNG Carrier Division, MOL LNG Transport Co., Ltd., Offshore Business)

13 TETSURO NISHIO
Managing Executive Officer
(Dedicated Bulk Carrier Division)

14 MASAAKI NEMOTO
Managing Executive Officer
(Human Resources Division, Marine Safety Division, Tanker Safety Management Office, MOL Ship Management Co., Ltd., MOL LNG Transport Co., Ltd., Safe Operation)

15 TOSHIYA KONISHI
Managing Executive Officer
(Liner Division)

16 TSUYOSHI YOSHIDA
Executive Officer
(President/Chief Executive Officer of MOL (America) Inc.)

17 TAKASHI MARUYAMA
Executive Officer
(General Manager of Finance Division)

18 AKIHIKO ONO
Executive Officer
(General Manager of Corporate Planning Division)

19 TAKAAKI INOUE
Executive Officer
(Marine Safety Division, Tanker Safety Management Office, MOL Ship Management Co., Ltd., MOL LNG Transport Co., Ltd.)

20 TOSHIYUKI SONOBE
Executive Officer
(Managing Director of Mitsui O.S.K. Bulk Shipping (Asia Oceania) Pte. Ltd., Southeast Asia)

21 YOSHIKAZU KAWAGOE
Executive Officer
(General Manager of Technical Division)

22 HIDEO HORIGUCHI
Executive Officer
(General Manager of Accounting Division)

23 AKIO MITSUTA
Executive Officer
(General Manager of Tanker Division)

24 KOICHI YASHIMA
Executive Officer
(Human Resources Division)

MASAYUKI MATSUSHIMA
External Director

Two years have now elapsed since I assumed the position of external director for MOL. Before my appointment, I had the image of MOL as "an organization that leads the world shipping industry." This image has not changed. Indeed, in many respects my expectations have been surpassed, in terms of strong leadership under successive management teams, daring action geared toward providing best-fit solutions to customers, an extremely open corporate culture, and employees' earnest approach to their work.

In the midst of the worst shipping recession in recent years, MOL now finds itself enduring a very rough passage. When freight rates for dry bulkers, tankers, and containerships all slump at once, the situation is akin to a violent hurricane and a tornado striking simultaneously. Even from my standpoint as an external director, I am struck by the uphill battle faced by those on the front line, in the face of this protracted industry downturn. As a leader within the marine transport industry, however, MOL has boldly changed tack and is forging ahead.

While it is critical, of course, that MOL determine how best to operate in the current market, I believe this is also an ideal opportunity for shipping companies to reassess how they should proceed going forward. They have endured hard times in the past, such as the oil shock of the 1970s, and the yen's sharp appreciation after the Plaza Accord of 1985. Every time it faced these challenges, MOL made serious efforts to survive by adopting a broad range of policies from various cost-cutting measures and adjusting its fleet to large-scale restructuring, including two rounds of industry consolidation. The future will remain challenging and undoubtedly present every kind of risk. In this highly volatile business climate, I believe MOL must learn and think about how to identify and contain ever-present risks. Without the benefit of accumulated wisdom, MOL could not remain afloat in conditions that are worse than expected. It is no exaggeration to say that the heart of company management lies in its ability to prepare for potential risks.

To me, management does not mean avoiding the winds of risk, but rather facing into those winds and seeing them as your allies.

Currently, MOL is planning to reduce its free vessels. Some might think it sufficient only to reduce the number of free vessels and increase the ratio of medium- and long-term contracts, but I don't think so. It is far more important for MOL to establish a long-lasting business model that strikes the right balance between stable revenue and opportunity cost. In the process of building this model, the first job is to identify the risk profiles of vessel types and correlations of risk variables. And then MOL must explore the best mix of vessel type in its portfolio with reference to the global supply-demand outlook, taking into account the risk tolerance of the company.

Hedging against every possible risk to eliminate the influence of all risk is not what I would call management. To me, management does not mean avoiding the winds of risk, but rather facing into those winds and seeing them as your allies. In the shipping industry, the winds can fluctuate greatly. It is very important that employees across the entire company accept this reality, and maintain a sharp sense of the line between earnings optimization and risk tolerance, in both good times and bad.

MOL has bled huge red ink. I believe the company must retain the lessons learned this time about how to deal with market risk and incorporate it into management.

After MOL returns to profitability following its Business Structural Reforms, I would like to see it become a true global company in terms of both quality and quantity. I believe the company has made good progress in expanding its overseas operations, but still see scope for further globalization. In particular, I think MOL must take advantage of Asia's rapid growth. MOL already uses Hong Kong as the base of its containership business and Singapore as the hub for most tankers. With this latest round of reforms, the company has continued this shift to Asia by transferring the operation of dry bulker free vessels to Singapore as well. MOL employs people from many countries, and not just in sales activities on land; many seafarers, for example, hail from the Philippines. Going forward, I would like to see the company focusing not so much on setting up and expanding individual operating bases, but rather on building a united and organic trading sphere across Asia. To this end, MOL would do well to explore every possible means, including a stepped-up alliance strategy, personnel exchanges, enhanced sales partnerships among organizations around the world, and even video conferencing for exchanging and sharing information.

I would like to see it become a true global company in terms of both quality and quantity.

While it is only natural that the pursuit of profit is a major objective for companies, I believe that profit is not everything. It is also extremely important to find the optimal balance between the interests of various stakeholders, and to maintain accurate disclosure. Also, companies need to envision the roles and responsibilities expected of them by society, 5 and even 10 years down the track. Based on these considerations above, I would like to contribute to MOL's ongoing evolution.

MOL's Philosophy and Past Management Reforms

The MOL Group established the MOL Group Corporate Principles in March 2001. One of the pledges in our Corporate Principles states, "We will strive to maximize corporate value by always being creative, continually pursuing higher operating efficiency and promoting an open and visible management style that is guided by the highest ethical and social standards."

In order to realize the ideals set forth in the principles, MOL reformed its corporate governance structure, instituting management reforms that brought outside directors onto the board, separated management and executive functions, and set standards for accountability, risk management and compliance. These reforms were implemented as follows:

1997	Outside auditors increased from one to two out of a total of four auditors
1998	George Hayashi (former APL chairman) invited to join the Board of Directors (became Director and Vice President in 1999, following revision of the Shipping Act)
2000	Management organization reform 1. Introduced a system of executive officers 2. Abolished the Managing Directors Committee and established an Executive Committee (reduced the membership from 21 to 10) 3. Reformed the Board of Directors (redefined its duties as the highest-ranking decision-making body and the supervision of business activities) and reduced membership from 28 to 12 4. Elected two outside directors 5. Established the Corporate Visionary Meeting Established the IR Office Started holding the Annual General Shareholders' Meeting on a day relatively free of other shareholders' meetings
2001	Established the MOL Group Corporate Principles Added one more outside director, increasing the number of outside directors to three Established Compliance Policy and a Compliance Committee
2002	Second stage of management reforms Reforms reinforced roles of the Board of Directors concerning determination of basic strategies and monitoring risk management while providing for faster decision-making at the business execution level 1. Board of Directors was reorganized to carry out three important functions: (1) deliberation on issues requiring approval by the directors; (2) receipt of reports on business operations; and (3) deliberation on corporate strategy and vision 2. Review and consolidation of issues submitted to the Board of Directors 3. Expanded jurisdiction of the Executive Committee regarding execution of business activities
2006	Decided basic policy on the establishment of internal control systems in response to enforcement of the new Japanese Companies Act In response to the enforcement of the Financial Instruments and Exchange Act, the Internal Control Planning Office was established in the Corporate Planning Division.
2007	The Internal Control Planning Office enhanced internal control systems for the purpose of ensuring the accuracy of financial reporting, in accordance with the Financial Instruments and Exchange Act.
2008	We have been using management evaluations of internal controls relating to financial reporting required by the Financial Instruments and Exchange Law since fiscal 2008, audits by the Internal Audit Office and advice based on the results of those audits, to improve internal controls throughout the Group.
2009	We submitted an internal control report to the Kanto Local Finance Bureau in Japan containing an assessment by management that internal controls over financial reporting at MOL were effective.
2011	Revised the Mitsui O.S.K. Lines' Compliance Policy and Rules of Conduct

Corporate Governance Organization

The chart on the next page shows the structure of our corporate governance organization.

At MOL, we believe that the essence of corporate governance lies not in its structure or organization, but in whether or not it functions effectively. We have put in place frameworks and organizations for this.

■ The Board of Directors

The Board of Directors, as the company's highest-ranking decision-making body, discusses and decides on basic policy and the most important matters connected with MOL Group management. It consists of nine directors, including three outside directors. In principle, the Board of Directors convenes around 10 times a year, and as necessary.

Major investment projects, such as the construction of new vessels, are submitted to the Board of Directors at the basic policy formulation stage. The directors thoroughly evaluate and discuss the pros and cons of the projects and make decisions on their feasibility from many perspectives. Transferring the authority to implement projects within the scope of the basic policy to executive officers supervised by the president speeds decision-making on individual projects.

■ Deliberation on Corporate Strategy and Vision

A major feature of the Board of Directors is deliberation on corporate strategy and vision. At each meeting, the board focuses on a particular topic concerning management strategies, MOL's long-term vision or other subjects involving management. These discussions provide an opportunity for lively debates that include the outside directors and corporate auditors, thus helping to ensure that the perspective of shareholders is reflected in how MOL is managed.

THEMES DISCUSSED IN CORPORATE STRATEGY AND VISION DELIBERATIONS HELD IN FISCAL 2012 (4 TIMES)

May	2012	Strategies for recruiting and training seafarers
October	2012	Management plan formulation policy
December	2012	Structural reforms
February	2013	Shale revolution and energy transportation

■ Executive Committee and Committees

MOL established the Executive Committee in 2000 as part of reforms to its management organization. As the second step of those reforms, in 2002 the company expanded the jurisdiction of the Executive Committee regarding execution of business activities, and also transferred the authority to implement projects within the scope of the basic policy approved by the Board of Directors to executive officers supervised by the president to speed up decision-making on individual projects.

MOL has also established the following committees to study and discuss important matters that will be submitted to the Executive Committee for discussion and projects straddling divisions, as sub-committees of the Executive Committee.

RISE Committee

Executes and follows up on management plans for MOL and the MOL Group, and examines and discusses matters related to the MOL Group's management strategy.

Budget Committee

Formulates basic policy on budget preparation for MOL and the MOL Group and sets targets; ascertains the status of implementation at MOL and in the MOL Group of the overall budget; and studies and discusses results evaluation and other matters.

Investment and Finance Committee

Studies and discusses items that will be submitted to the Executive Committee such as matters related to investment and finance and guarantees of obligations, the fleet control plan for individual vessels, and important matters relating to Group company management.

Operational Safety Committee

Chaired by the President, this committee studies and discusses basic policies and measures for ensuring safe operation of MOL Group-operated vessels through rigorous attention to every detail.

As subordinate organizations of this committee, there are the Safety Assurance Committee, which monitors efforts to strengthen the safe operation system, confirms progress and achievements thereof, and discusses advice for making necessary revisions to measures; and the Ship Standard Specification Committee, which discusses standard specifications for MOL vessels and MOL Ship Management Standards.

CSR and Environment Committee

Studies and discusses corporate social responsibility (CSR), and matters related to company systems for reducing global environmental impact.

Compliance Committee

Studies and discusses the enhancement of the compliance system and actions for dealing with compliance violations, and matters related to establishing a structure for protecting and managing personal information, among other topics.

Business Reconstruction Committee

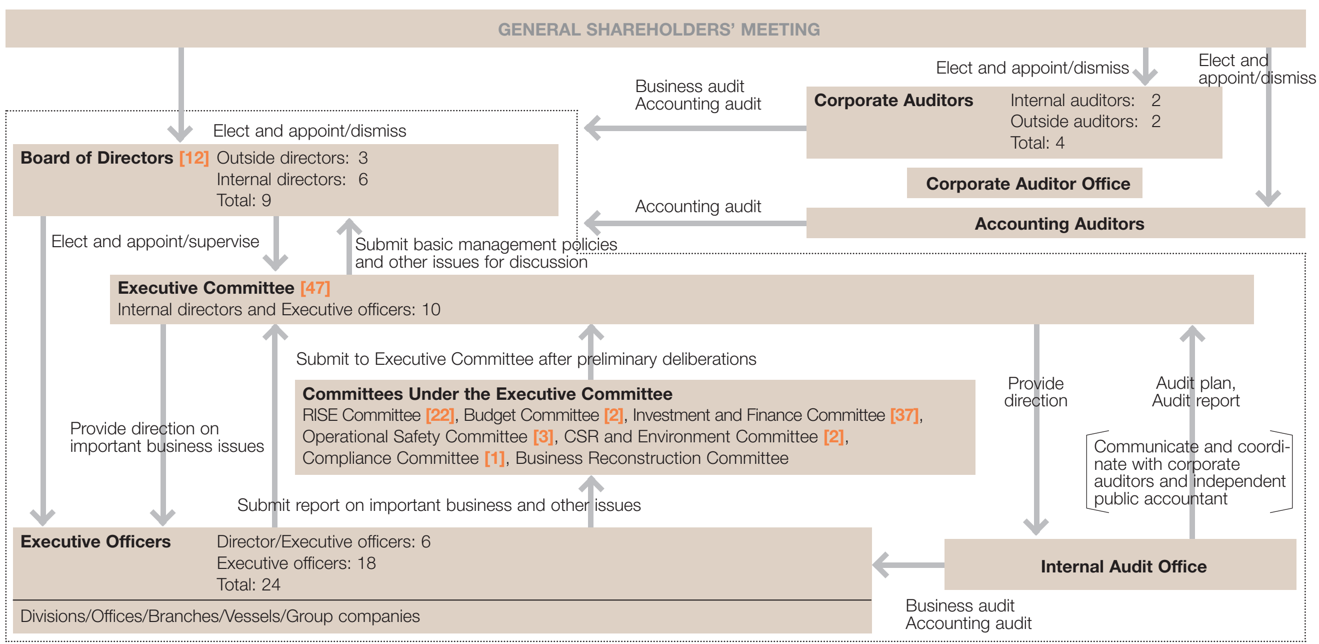
Studies and discusses matters relating to rehabilitation plans for depressed businesses.

■ Functions of Outside Directors and Reasons for Appointment

As part of efforts to strengthen corporate governance, MOL appoints outside directors, with the aim of bolstering oversight of the execution of business operations by bringing in an outside perspective to management.

MOL has appointed three outside directors: Takeshi Komura, who is President of The Salt Science Research Foundation; Sadayuki Sakakibara, who is Chairman of the Board and Representative Member of the Board of Toray Industries, Inc.; and Masayuki Matsushima, Senior Advisor of The Boston Consulting Group K.K. MOL has adjudged that all three individuals are independent and have neutral positions with no conflicts of interest with the company. The outside directors draw on their individual experience and insight to check the appropriateness of management and the status of execution of business operations from the shareholders' standpoint. At the same time, they express valuable opinions about management as a whole. In these ways, the outside directors play a major role in enhancing the operation of the Board of Directors.

CORPORATE GOVERNANCE ORGANIZATION (AS OF JUNE 21, 2013)



Numbers in brackets show the number of meetings of the Board of Directors, Executive Committee and their sub-committees during fiscal 2012.
The RISE Committee, an organization under the Executive Committee, was called the GEAR UP Committee in fiscal 2012 and met 22 times.

Name	Position	Reason for Appointment
Takeshi Komura	President of The Salt Science Research Foundation	MOL adjudged that he has a neutral position with no conflicts of interest with the company, and that he has wide-ranging experience and knowledge for checking the appropriateness of management decisions and supervising the execution of business operations from the shareholders' perspective based on his longtime experience in and knowledge of economic management and policy finance of Japan.
Sadayuki Sakakibara	Chairman and Representative Member of the Board of Toray Industries, Inc.	MOL adjudged that he has a neutral position with no conflicts of interest with the company, and that he has wide-ranging experience and knowledge for checking the appropriateness of management decisions and supervising the execution of business operations from the shareholders' perspective, with an objective view independent from that of internal executive management, based on his abundant experience and extensive knowledge as a corporate executive.
Masayuki Matsushima	Senior Advisor of The Boston Consulting Group K.K.	MOL adjudged that he has a neutral position with no conflicts of interest with the company, and that he has wide-ranging experience and knowledge for checking the appropriateness of management decisions and supervising the execution of business operations from the shareholders' perspective based on his long-time experience in and knowledge of the financial sector.

(As of June 21, 2013)

Functions of Outside Corporate Auditors and Reasons for Appointment

The Board of Directors has nine members, including three outside directors who are completely independent and have no conflicts of interest with MOL. Likewise, there are four corporate auditors, who are responsible for performing statutory auditing functions, including two outside corporate auditors who are completely independent and have no conflicts of interest with MOL. At a time when the auditing systems of corporations are taking on added importance, it goes without saying that the independence of auditors from management and policy execution is assured. Our corporate auditors work closely with the Internal Audit Office and independent public accountants to assure effective corporate governance. They also work on strengthening corporate governance and compliance throughout the group.

Name	Position	Reason for Appointment
Sumio Iijima	Attorney at law, Tokyo Toranomon Law office	MOL adjudged that he has a neutral position with no conflicts of interest with the company, and that he has wide-ranging experience and knowledge for checking the appropriateness of management decisions and supervising the execution of business operations from the shareholders' perspective based on his specialist knowledge as an attorney at law.
Hiroyuki Itami	Professor and Dean of Tokyo University of Science, Graduate School of Innovation Studies	MOL adjudged that he has a neutral position with no conflicts of interest with the company, and that he has wide-ranging experience and knowledge for checking the appropriateness of management decisions and supervising the execution of business operations from the shareholders' perspective based on his specialist knowledge as a scholar of business administration.

(As of June 21, 2013)

Director and Corporate Auditor Compensation

The Board of Directors, including the outside directors, determines compensation for the directors and corporate auditors. Compensation paid to directors and corporate auditors in fiscal 2012 is shown in the following table.

The company has granted stock options to all directors, executive officers, general managers of divisions and branch offices and managers in similar positions, as well as to presidents of consolidated subsidiaries, to motivate them to carry out operations for the benefit of shareholders.

Compensation for Directors and Corporate Auditors

	No. of people remunerated	Total remuneration (¥ millions)	(Thousands of U.S.$)
Directors (Excluding outside directors)	7	¥350	$3,721
Corporate auditors (Excluding outside corporate auditors)	2	68	723
Outside directors and outside corporate auditors	5	51	542

Compensation for Independent Public Accountants

	(¥ millions)	(Thousands of U.S.$)
Compensation for auditing services	¥106	$1,127
Compensation for auditing-related services	16	170
Total	¥122	$1,297

Compliance

The company is aware of the crucial role that compliance plays in living up to its broad corporate social responsibilities, and that compliance with the letter of the law is at the core of this role.

We have established a Compliance Committee, which is headed by a corporate officer appointed by the Executive Committee, and formulated the Compliance Policy to assure strict adherence to rules and regulations. General managers of divisions and offices are appointed as Compliance Officers. They are responsible for enforcing compliance regulations and are also required to report to the Compliance Committee Secretariat Office in the event of a compliance breach. The Internal Audit Office, a body that operates independently of the company's divisions and offices, provides a counseling service. The Internal Audit Office undertakes investigations of breaches and reports the results to the Compliance Committee. In addition to the existing counseling service, in fiscal 2011 we established an external compliance advisory service desk, which we entrusted an attorney to run.

The company works to assure a proper relationship with its independent public accountants. Compensation paid to independent public accountants in fiscal 2012 is shown in the table above.

Internal Control System

Since the fiscal year ended March 2009, the Financial Instruments and Exchange Act has obligated publicly listed companies to prepare a report evaluating their internal controls over financial reporting by management (Internal Control Reporting System) and to have this evaluation audited by auditors outside the company. This internal control reporting system involves management themselves confirming the effectiveness of the framework for disclosing information such as appropriate and proper financial reporting through methods that visualize and evaluate operations, and an audit by auditors from outside the company.

Using the occasion of this system reform, MOL went beyond the scope required of it by law, and is promoting activities to further enhance MOL Group management effectiveness, efficiency and transparency, namely ensuring the appropriateness of business operations and the trustworthiness of financial reporting.

In fiscal 2012, MOL again assessed the status of the internal controls over financial reporting and the operation thereof, confirming that there were no major flaws in the MOL Group's internal controls over financial reporting. Going forward, the MOL Group will continue working to enhance its internal control system.

Independent Directors/ Corporate Auditors

Due to partial amendments to the Securities Listing Regulations that came into force in December 2009, publicly listed companies are required to secure independent director(s)/corporate auditor(s) from the standpoint of protecting general investors (Rule 436-2 of the Securities Listing Regulations). An independent director/corporate auditor means an outside director or outside corporate auditor who is unlikely to have a conflict of interest with general investors. Independent directors/corporate auditors are expected to act to protect the interests of general investors. For instance, they are expected to state necessary opinions to ensure the interests of general shareholders are taken into consideration in a situation where a decision is made concerning business operations in the Board of Directors or other decision-making body of a publicly listed company.

MOL has designated its three outside directors and two outside corporate auditors as independent directors/corporate auditors, respectively, because there is no concern about a conflict of interest with general investors in conformity with the criteria for independent directors/corporate auditors of listed securities exchanges. Each of these individuals plays a major role in corporate governance by checking the appropriateness of management decisions and supervising the execution of business operations from the shareholders' perspective based on their experience and insight.

Annual General Shareholders' Meeting

MOL aims to hold open General Shareholders' Meetings. In addition to sending the notice of the general meeting of shareholders out about three weeks before the meeting, MOL avoids dates when many Japanese companies hold their annual meetings so that as many shareholders as possible can attend.

MOL has also enabled shareholders to exercise their voting rights by mobile phone and the Internet since the June 2006 annual meeting, in addition to postal voting, so that shareholders who cannot attend the annual meeting can vote on proposals. Furthermore, since the June 2006 annual meeting, MOL has used the electronic voting platform for institutional investors so that proxy voting rights holders can exercise voting rights. Moreover, a summary of questions received about matters reported and proposed at the annual meeting is posted on MOL's website after the conclusion of the meeting in the interest of fair disclosure.

Accountability

MOL believes that timely, full and fair disclosure of corporate and financial information is an important aspect of corporate governance. In addition to being accountable to shareholders and investors by providing information, the company makes every effort possible to reflect their opinions in management.

The distinguishing feature of our investor relations activities is that the president takes the lead in their implementation. In fiscal 2012, the president participated in the company's presentations of quarterly results and attended meetings with domestic and foreign investors. This reflects his conviction that it is the chief executive officer's responsibility to explain future corporate strategies to investors. The company is also aware of the need for full and fair disclosure to all investors, whether in Japan or overseas. At the same time its quarterly financial results in Japanese are released over the Tokyo Stock Exchange's TDnet, the company posts them to its website with an accompanying English translation. The Japanese and English drafts of presentation materials are also posted on the website. This information is e-mailed on the same day to foreign investors registered with the company.

MOL actively disseminates information about management strategy, investment plans, market conditions and other information through its website. In fiscal 2012, MOL revamped its website to enhance accessibility to necessary information. The company received the 2012 Internet IR Commendation Award from Daiwa Investor Relations Co., Ltd.

The responsibility to provide information is not limited to management and financial issues. MOL's basic stance is to quickly disclose information, even if it is negative such as information on accidents, to all stakeholders. Furthermore, we hold regular drills for responding to the media in emergencies and are working to strengthen our ability to be able to quickly and properly disclose information.

MOL will continue working to raise confidence in its business policies and management through close communication with various stakeholders.

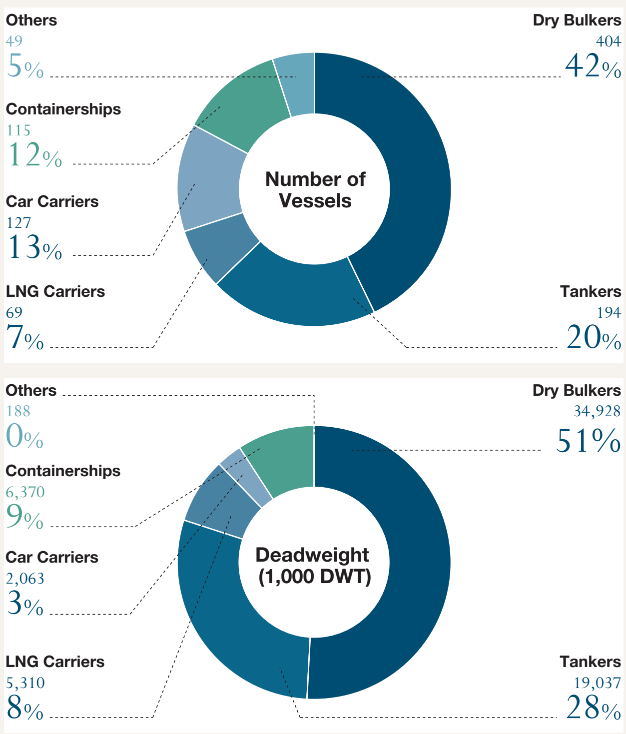
Fluctuations of Cargo Volume, Fleet Supply and Freight Rates

The global shipping business, like many other industries, is greatly affected by trends in the global economic cycle, and is thus subject to both macroeconomic risk, as well as business risk associated with trends in specific industries. There are a multitude of factors that are subject to change, such as fluctuations in the economies of individual countries, changes in the trade structure, demand for freight space, market conditions, and cargo volumes. Achieving the best performance hinges on coolly analyzing information so as to continually increase the probability, even if only low, of generating even higher earnings. With this in mind, MOL has adopted a strategy of "diversifying operations to reduce risk" and "raising highly stable profits" by aligning its fleet to match international marine transport demand in the transport of both raw materials and finished goods. In this way, we strive to maximize returns and sustain profit growth.

■ Diversifying Operations to Reduce Risk

MOL operates a "full-line marine transport group." As of the end of March 2013, our fleet consisted of 958 vessels ranging from dry bulkers and tankers to car carriers and containerships, capable of transporting a diverse range of raw materials and finished goods. Supply and demand trends fluctuate for each type of ship and each type of cargo. While there are some factors that are closely related and affect all of these segments in the same way, there are also many factors which affect demand in each sector differently, so the impact in one sector offsets the impact in another in many cases. By maintaining a diverse, well-balanced assortment of ships, MOL can take advantage of this relationship to minimize risk and maximize return.

FLEET COMPOSITION (AS OF MARCH 31, 2013)



■ Raising Highly Stable Profits Through the Use of Medium- and Long-Term Contracts and Other Means

The company pursues medium- and long-term contracts won based on long-standing relationships of trust with customers. These contracts ensure a stable future cash flow that will help reduce the risk that market fluctuations could have on its results.

International marine transportation is increasing even amid lower exports from emerging markets to industrialized nations because of European economic sluggishness. The company aims to conclude contracts that are not largely affected by changes in the external business environment and constitute a stable source of profit. By expanding these contracts from a long-term perspective, MOL will create an even steadier earnings structure. To achieve this objective, one of the options we will look closely at as a matter of priority is M&As in growing sectors which enjoy a relatively stable cash flow.

Exchange Rate Fluctuations

Apart from some Japanese clients, with whom MOL has concluded transport contracts on a yen-denominated basis, most transactions in the international marine transport business are concluded on a U.S. dollar-denominated basis. Since U.S. dollar-denominated revenue exceeds U.S. dollar-denominated expenses, when the yen strengthens against the U.S. dollar this can have a negative impact on Group earnings. In fiscal 2013, we project that each ¥1-per-dollar change in the yen-U.S. dollar exchange rate will have an impact of approximately ¥2.0 billion on consolidated ordinary income.

As for changes in the value of the euro, MOL's euro-denominated income and expenditures are roughly equivalent, as are euro-denominated receivables and payables. Therefore, changes in the euro-yen exchange rate have a limited impact on consolidated earnings.

Interest Rate Fluctuations

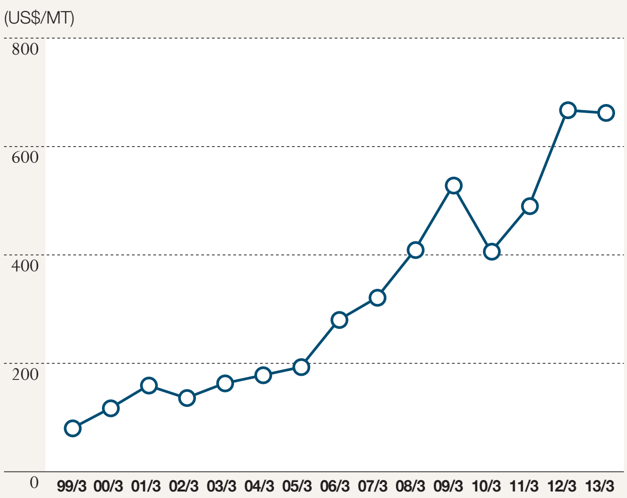
MOL depends mainly on the issuance of corporate bonds and funds borrowed from banks and other financial institutions to meet working capital and capital expenditure requirements. Loans are denominated in either yen or U.S. dollars, with funds procured at variable interest rates affected by interest rate fluctuations. As of March 31, 2013, interest-bearing debt totaled ¥1,046.8 billion, and between 50% and 60% of that loan principal is locked in at a fixed interest rate. As a result, an increase of 1 percentage point in interest rates on both yen-denominated and U.S. dollar-denominated interest-bearing liabilities would impact annual consolidated ordinary income by approximately ¥4.5 billion. Although MOL has benefited from ultra-low interest rates in the aftermath of the Lehman Brothers collapse, the company is taking steps to mitigate the risk of a future interest rate rise. It plans to flexibly adjust the ratio of variable-rate and fixed-rate loans through interest swaps and other means according to changes in financial conditions, taking into consideration the balance between variable- and fixed-rate interest.

Bunker Price Fluctuations

The market price of bunker is generally linked to the price of crude oil, and any increase in bunker prices has a negative impact on earnings for the MOL Group. The Group operates a fleet of approximately 960 vessels, whose annual fuel consumption amounts to around 6 million tons of bunker. The company is able to pass on about 50% of the risk to customers. Therefore, an increase of US$1 per metric ton in the average annual price of bunker would lower earnings by approximately ¥0.18 billion (net of hedging).

The International Maritime Organization (IMO) has been considering possible measures to address the problem of sulfur oxide and nitrogen oxide emissions generated by ships. The IMO has already introduced restrictions up to Phase 2 mainly on the sulfur content of bunker used by ships, and the type of electrical generators and shipboard engines that vessels use, in order to reduce nitrogen oxide emissions. It is presently discussing the details of Phase 3 regulations. The introduction of Phase 3 restrictions could have an impact on fuel costs and ship costs. The company intends to take steps over time to pass on these higher costs via freight rate increases and higher charter fees, while watching developments with discussions at the IMO.

AVERAGE BUNKER PRICE



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

Exchange Rate (¥/US$)	A ¥1 appreciation reduces ordinary income by approximately ¥2.0 billion
Interest Rate (%)	A 1 point rise in both yen- and U.S. dollar-denominated interest-bearing debt reduces ordinary income by approximately ¥4.5 billion
Bunker Price (US$/MT)	A US$1/MT increase reduces ordinary income by approximately ¥0.18 billion

Vessel Operations

MOL operates a fleet of approximately 960 vessels and it is therefore impossible to ignore the risks related to various incidents that may occur on the high seas. In order to prevent accidents, the company has introduced a variety of measures such as safety standards, a safety management system, comprehensive crew education and training, and new organizations to support safe operations.

Furthermore, MOL has arranged sufficient insurance coverage so that its financial results will not be materially impacted, should the company or a third party suffer damages in the unlikely event of an MOL-operated vessel being involved in a collision, sinking, fire or other marine incident.

Natural Disaster Risk

An earthquake or other natural disaster, or an outbreak of an infectious disease (hereinafter “disaster or such like”) could affect MOL-operated vessels, offices and facilities, as well as employees, hampering business operations.

MOL puts the highest priority on an ensuring the safety of its vessels and company personnel in the event of a disaster or such like. The company has formulated a business continuity plan documenting procedures to enable it to continue providing its core ocean transport services and quickly restore operations in the unlikely event that they are suspended. This business continuity plan establishes organizations and delegates authority for duties relating to maintaining the safe operation of vessels, execution of transportation contracts and charter agreements, financial preparation, securing required personnel and other matters. Furthermore, for some years MOL has been conducting regular disaster-preparedness drills at Head Office and outside of the company and other measures. By addressing issues arising from these drills, MOL believes that it has a high state of readiness. Nevertheless, in the event of a disaster or such like in which MOL cannot completely avoid damage, the company’s business performance may be affected.

Please allow MOL to offer its sincere apologies to customers and other parties concerned for the inconvenience and anxiety caused by the marine incident involving the MOL-operated containership *MOL COMFORT* in June 2013.

MOL has been aiming to become the world leader in safe operation and has until now implemented various measures for reinforcing safe operation in terms of ship facilities, seafarers, ship management and our safety culture. Rigorously ensuring safe operation is of the utmost importance for MOL. Aware that this is the starting point for earning the trust and patronage of stakeholders, MOL is working cohesively as a group on safe operation as a primary management imperative.

Safe Operation Management

Safe Operation Management Structure

MOL has an Operational Safety Committee, which is chaired by the president of MOL. Under this committee are the Safety Assurance Committee and the Ship Standard Specification Committee. The Operational Safety Committee discusses and determines basic policies and measures for ensuring safe operation of vessels through rigorous attention to every detail. The Safety Operations Headquarters, which consists of marine technical and ship management divisions, is responsible for implementing specific measures, with progress overseen by the Safety Assurance Committee. The Ship Standard Specification Committee discusses and determines MOL Safety Standards and owned ship maintenance standards from a fail-safe[*1] perspective.

ORGANIZATIONAL STRUCTURE SUPPORTING SAFE OPERATION

Executive Committee

Operational Safety Committee

Safety Assurance Committee | **Ship Standard Specification Committee**

Safety Operations Headquarters

- Marine Safety Division
- MOL Ship Management Co., Ltd.
- Tanker Safety Management Office
- MOL LNG Transport Co., Ltd.
- Dry Bulk Carrier Supervising Office
- Car Carrier Division, Marine Technical Group
- MOL Liner Ltd., Liner Fleet Supervising and Marine Operation

Emergency Response System

MOL continues to strengthen its systems so that it can provide an accurate response in the unlikely event of an emergency.

Safety Operation Supporting Center (SOSC)

The SOSC is staffed at all times by two marine technical specialists, including an experienced MOL captain, and supports the safe navigation of MOL-operated vessels around the clock 365 days a year. The center monitors the position and movement of more than 900 MOL Group-affiliated vessels, providing assistance from the captain's perspective by supplying information on abnormal weather and tsunamis and on piracy and terrorism incidents to relevant personnel on the ship and land. At the same time as serving as an information portal supporting the safe operation of MOL ships, the center also functions as a help desk for urgent inquiries from ships regarding safe operation. Since its establishment, the center has helped to steadily reduce the number of incidents involving adverse weather or emergency entry.


Safety Operation Supporting Center (SOSC)

Accident Response Drills

MOL regularly conducts accident response drills that simulate various situations such as an on-board fire or water immersion, or act of piracy or terrorism, so that seafarers can respond swiftly and appropriately in an emergency. Head Office conducts accident response drills twice a year with the cooperation of the Regional Coast Guard Headquarters. The drills involve MOL's president, other corporate officers, representatives of relevant departments and ship management companies, and vessels. Furthermore, MOL Group companies that operate ferries and cruise ships conduct emergency response drills, including evacuation guidance, on a regular basis, as they put the highest priority on ensuring customer safety in an emergency. In July 2013, MOL Ferry Co., Ltd. held an evacuation drill on-board a ferry berthed at Oarai Port. This marked the first time in Japan that ordinary customers participated in an evacuation drill.


Evacuation drill

Safe Operation Measures

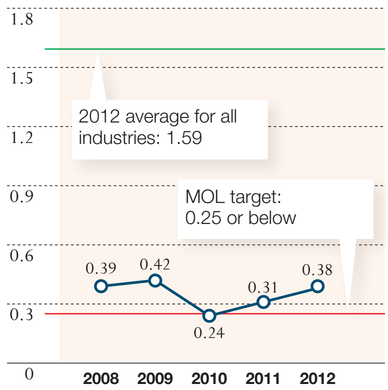
Efforts to ensure safe operation will never end. True to this statement, MOL continues to implement measures in fiscal 2013.

Making Processes for Realizing Safe Operation Visible

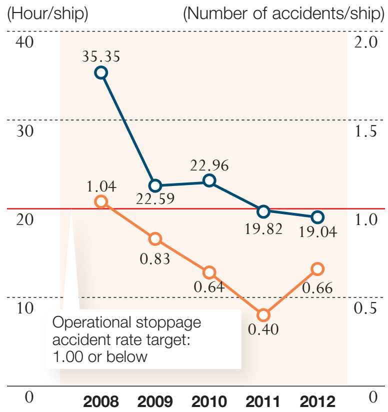
MOL has introduced objective numerical indicators for measuring safety levels, and also set the following numerical targets, including the Four Zeroes.

1. Four Zeroes (an unblemished record in terms of serious marine incidents, oil pollution, fatal accidents and cargo damage)
2. LTIF[*2] (Lost Time Injury Frequency): 0.25 or below
3. Operational stoppage time[*3]: 24 hours/ship or below
4. Operational stoppage accident rate[*4]: 1.0/ship or below

LOST TIME INJURY FREQUENCY (LTIF)



OPERATIONAL STOPPAGE ACCIDENTS AVERAGE TIME AND FREQUENCY



Average operational stoppage time (hour/ship) (left scale)

Operational stoppage accident rate (accidents/ship) (right scale)

In fiscal 2013, MOL will work on three important targets: (1) eradicate work-related accidents causing injury or death, (2) eradicate collisions and groundings, and (3) eradicate machinery trouble resulting in a dead ship condition (a ship being unable to move under its own power).

■ Breaking the Chain of Errors

We continue to make improvements related to both seafarer training and ship facilities to break the chain of errors in which minor factors combine and ultimately lead to major maritime accidents.

In terms of seafarer training, we are reinforcing our OJT Instructor System[*5] on-board ships, and enhancing land-based education and training curriculums and programs such as "Hazard experience" training sessions. These measures are geared towards enhancing the ability of seafarers to perceive danger. In addition, we are working to raise safety awareness among seafarers by collecting information from each vessel in operation on examples of incidents and problems as well as close calls[*6] and by using videos, photos and illustrations to appeal to the visual sense of seafarers. In terms of ship facilities, we are working to equip ships with error-resistant equipment. This involves promoting the fail-safe design concept by providing shipyards and equipment manufacturers with feedback from vessels in operation on areas of non-conformance and areas in need of improvement.

On-the-job Training (OJT) Instructor System

From the standpoint of protecting seafarers, it is the MOL Group's ultimate goal to eradicate work-related accidents causing death. MOL analyzes the factors and causes behind accidents from various angles and uses the results to make improvements in ship facilities. It also asks employees on land and at sea to discuss examples of serious incidents and problems "as if they are their problem" and to propose preventive measures as part of efforts to prevent accidents.

■ Cooperation for Safe Operation

The MOL Group works together with vessels, shipowners, and ship management companies to ensure the safe operation of all owned and chartered vessels by sharing safety-related information. MOL conducts "Safety Operation Meetings" and "Safety Campaigns" involving vessels, shipowners and ship management companies to deepen understanding of its safety standards and to discuss safety improvements. MOL also inspects vessels to check whether its safety standards are understood well and put into effect. If there is a need to make improvements, MOL will take corrective actions, communicating with the vessel, shipowner and ship management company in the process.

Glossary

*1 **Fail-safe:** Equipment and systems are designed to operate safely at all times, even when trouble occurs due to operator error or malfunction.

*2 **LTIF:** Number of work-related accidents per one million hours worked that resulted in time lost from work of one day or more. Average for all industries (2012) was 1.59; for shipping industry, 1.39; for shipbuilding and repair, 0.77. (Source: 2012 Survey on Industrial Accidents issued by the Ministry of Health, Labour and Welfare)

*3 **Operational stoppage time:** Expresses the amount of ship operational stoppage time due to an accident per ship per year.

*4 **Operational stoppage accident rate:** Expresses the number of accidents that result in ship operational stoppage per ship per year.

*5 **OJT instructor system:** This system involves experienced captains and chief engineers who understand MOL standards of safe operations travelling onboard ships to identify unsafe practices and latent risks only discoverable on the ships in service and order immediate improvements.

*6 **Close calls:** Risky incidents that came very close to causing a more serious accident.

MOL COMFORT Marine Incident

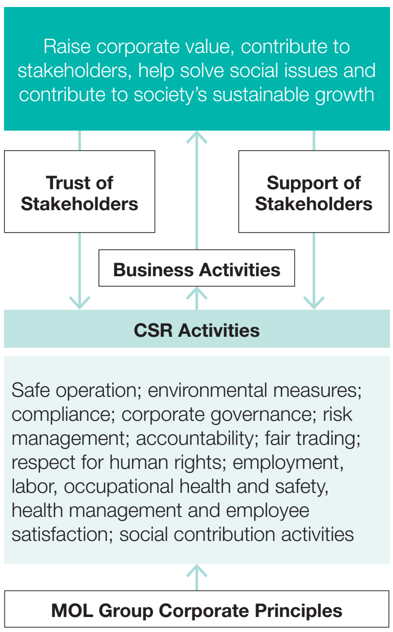
On June 17, 2013, *MOL COMFORT* (an 8000-TEU type containership built in 2008) suffered a crack amidships during inclement weather while under way from Singapore to Jeddah, Saudi Arabia, in the Indian Ocean. This made it impossible for the vessel to continue on under its own power. Subsequently, the vessel fractured into two parts and MOL organized to tow the vessel to rescue the cargo and hull. On June 27, however, the aft part of the containership sank. On July 6, a fire broke out on the fore part while being towed and this section later sank on July 11 with firefighting efforts hampered by adverse weather. As of the end of July 2013, no large-volume leakage of fuel oil and other oil due to this incident had been confirmed. All crew members were safely rescued.

Since directly after the incident, MOL has been continuing a thorough investigation to find the cause with the cooperation of the shipbuilder, the classification society and other parties. Because it may take some time to identify the cause of the incident, the company decided to take extra preventive measures for six sister vessels operated by MOL, including strengthening hull structures.

MOL's Approach to CSR

In our view, CSR means conducting business management that adequately takes into account laws and regulations, social norms, safety and environmental issues, human rights and other considerations, and developing together with society sustainably and harmoniously while earning the support and trust of stakeholders, including shareholders, customers, business partners, employees and local communities.

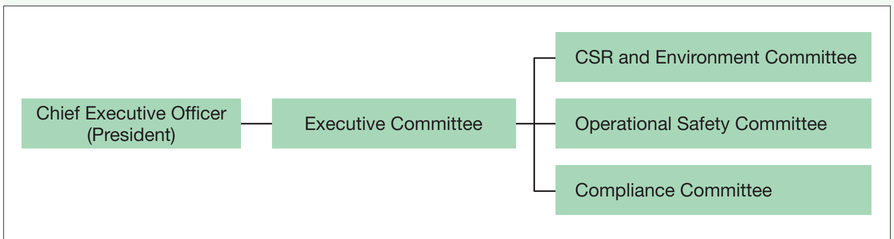
CSR OVERVIEW



In order to fulfill these responsibilities, MOL deliberates on CSR-related policies and measures, primarily through the three committees under the Executive Committee.

The CSR and Environment Committee was established in June 2004 by reorganizing the former Environment Committee. This committee works to promote CSR throughout the MOL Group by setting and reviewing annual targets for initiatives related to compliance, corporate governance, accountability, risk management, safe operation, human rights, care for employees and seafarers, social contributions and the environment.

ORGANIZATIONAL FRAMEWORK FOR CSR INITIATIVES



The MOL Group Basic Procurement Policy

As a company that handles part of the supply chain of customers and in order to fulfill the social responsibility of the MOL Group itself, we formulated the MOL Group Basic Procurement Policy in 2012. This clearly documents our CSR activity policy regarding the Group's procurement activities. To embed this policy in the MOL Group, we work to observe laws and regulations in supply chains and social norms, incorporate consideration for environmental protection in our activities, pursue safety, engage in fair trading and build trust, with the understanding and cooperation of business partners. In this way, we aim to contribute towards the realization of sustainable societies together.

THE MOL GROUP BASIC PROCUREMENT POLICY

The MOL Group procures goods and/or services in accordance with the following basic policy:

1. We comply with applicable laws, regulations and social norms, and pay due consideration to the protection of the environment.
2. We procure goods and/or services, including the delivery or execution of such goods and/or services, that meet high safety standards.
3. We conduct fair trade, and endeavor to establish trusting relationships with contractors.

We work to make sure that our contractors understand our Basic Procurement Policy, with the aim of contributing towards the realization of sustainable societies together.

Participating in the UN Global Compact

CSR activities are broad and, from time to time, the strength and priority of those activities change depending on the operating environment, global circumstances and region where business is being developed. With business activities spread across the globe, MOL believes that building good relationships with various stakeholders worldwide and contributing to the realization of sustainable growth of society are vital as it seeks to realize the ideas set forth in the MOL Group Corporate Principles. In order to contribute to an international framework for realizing these goals, MOL became the first Japanese shipping company to participate in the United Nations (UN) Global Compact in 2005. Since then, MOL has worked to support and practice the 10 principles in 4 areas of the UN Global Compact, which shares the same values as MOL's Rules of Conduct, which were established as a set of guidelines for executives and employees.

■ 10 Principles of the Global Compact

Human Rights

PRINCIPLE 1. Businesses should support and respect the protection of internationally proclaimed human rights; and

PRINCIPLE 2. Make sure that they are not complicit in human rights abuses.

Labour

PRINCIPLE 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

PRINCIPLE 4. The elimination of all forms of forced and compulsory labour;

PRINCIPLE 5. The effective abolition of child labour; and

PRINCIPLE 6. The elimination of discrimination in respect of employment and occupation.

Environment

PRINCIPLE 7. Businesses should support a precautionary approach to environmental challenges;

PRINCIPLE 8. Undertake initiatives to promote greater environmental responsibility; and

PRINCIPLE 9. Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

PRINCIPLE 10. Businesses should work against corruption in all its forms, including extortion and bribery.

Human Rights

MOL aims to be an organization that respects human rights and is rich in diversity. To this end, MOL sees human rights education as a core and important activity. While there are many issues surrounding the subject of human rights, MOL aims to foster a workplace environment where all corporate officers and employees share an understanding of the need for mutual respect and can carry out their work with a positive frame of mind. These efforts are designed to eliminate human rights breaches or discrimination caused by mistaken beliefs founded on baseless biases or delusions.

■ Basic Stance

MOL works to raise and entrench human rights awareness throughout the whole Group by ensuring awareness of the principles of important international human rights regulations such as the International Covenants on Human Rights. As one effort, MOL is participating in the UN Global Compact and is supporting and practicing universal principles regarding human rights and labor. Furthermore, MOL's Rules of Conduct state that the company will respect human rights and will not engage in discrimination and harassment.

■ Educational Activities

Every year, MOL conducts training based on various human rights themes by position, including new employees. In addition, the company disseminates information about human rights through its intranet to increase employee familiarity with the subject.

MOL is also an active member of a human rights awareness group. Insights obtained about human rights are reflected in internal training, and MOL collects "Human Rights Slogans" from MOL and MOL Group employees and their families and gives internal awards to the best entries.

Environmental Protection

■ Environmental Management Systems and Certifications

MOL has two unique environmental management systems—MOL EMS21 and the MOL Group Environmental Target System. Through these systems we have taken steps to reduce our environmental burden.

MOL EMS21: We introduced our environmental management system—MOL EMS21—in April 2001. In January 2003, we expanded its scope to all our operated vessels (except charter vessels on contracts of one year or less), and acquired internationally recognized ISO 14001 certification.

Certificate of ISO 14001, an international standard for environmental management (Certified by DET NORSKE VERITAS (DNV))

MOL Group Environmental Target System: This system applies to MOL's 53 main Group companies in Japan and 17 overseas affiliates and subsidiaries. It serves as a framework for Group-wide environmental protection activities. MOL Group companies in Japan are working hard on complying with the "green management" environmental certification system promoted by the Japanese Ministry of Land, Infrastructure, Transport and Tourism. A total of 14 MOL Group companies have earned this certification.

■ Prevention of Global Warming and Air Pollution

Although shipping is a more energy efficient mode than other modes of transport, vessels burn fossil fuels and inevitably emit carbon dioxide (CO_2), which is a cause of global warming, as well as nitrogen oxide (NOx), sulfur oxide (SOx), soot and other emissions, which are linked to acid rain and atmospheric pollution. The MOL Group is fully aware of the effects on air quality associated with its business activities and thus proactively works to reduce the impact on an ongoing basis.

Environmental Technologies: MOL is engaged in various research, development and innovation of technologies for ships. (Please refer to our website at the following URL: http://www.mol.co.jp/ishin/en/)

Increasing Transportation Efficiency with Larger Ships and Improved Propulsion: MOL believes that the introduction of larger vessels and improvement of propulsion are effective measures to fulfill the social responsibility of the shipping industry to meet burgeoning international demand for ocean shipping and, at the same time, to prevent global warming. With this in mind, MOL is conducting research and applying those results to vessels.

The iron ore carrier *BRASIL MARU*

ECO SAILING Thoroughly Adopted: MOL practices an approach we call ECO SAILING to save fuel and reduce environmental impact. We rigorously apply the principles of ECO SAILING whenever we operate vessels. Specifically, we 1) decelerate to the most economical navigation speeds, 2) take advantage of weather and sea condition forecasts, 3) take the optimum trim, 4) select optimum routes, 5) reduce vessels' wetted surfaces, 6) optimize operation and maintenance of main engines, auxiliary equipment and other machinery, 7) develop energy efficient ship designs, and 8) equip vessels with Propeller Boss Cap Fins (PBCF*).

* PBCF: PBCF efficiently recovers energy loss from the hub vortex generated behind a ship's propeller. This is an MOL proprietary technology that uses the same number of fins attached to the rear end of the propeller shaft.

Reducing NOx/SOx/Soot/Smoke and Dust: MOL controls NOx emissions through the installation of electronically controlled engines. Regarding SOx, MOL has set a standard of using bunker oil with a maximum sulfur content below the current 3.5% for general sea areas in the MARPOL Convention. In respect of soot contained in ship exhaust gases, MOL teamed up with Akasaka Diesels Limited to develop a diesel particulate filter (DPF). This DPF has been trialed aboard an MOL Group-operated coastal ferry, where it was shown to remove more than 80% of particulate matter from diesel emissions.

Modal Shift: Approximately 20% of Japan's CO_2 emissions are accounted for by the transportation sector. In order to reduce these emissions, the Japanese Ministry of Land, Infrastructure, Transport and Tourism and other concerned agencies have set up programs to establish a transportation system with a low environmental burden and have promoted the so-called "modal shift" of using rail transport, shipping and other low-impact modes of transport. The MOL Group stands ready to do its utmost to facilitate this modal shift by providing Japan's largest lineup of ferry and coastal shipping services.

Eco Terminal: MOL and MOL Group company Utoc Corporation installed one of the largest solar power generation systems in Tokyo at the Tokyo International Container Terminal. The system generates 200 kW of power. In 2007, 1,200 solar panels were installed on the roofs of the gate building, where trailer trucks enter and exit the terminal, and the vehicle wash building.

Tokyo International Container Terminal

In fiscal 2012, this system generated approximately 236,000 kWh of power, which covered about 37% of the power needs for the control building. In addition, Utoc Corporation and Shosen Koun Co., Ltd. have also introduced hybrid transfer cranes at their container terminals in Tokyo and Kobe, respectively. These cranes consume approximately 40% less fuel than conventional ones.

■ Approaches to Marine Environmental and Biodiversity Protection

By rigorously ensuring safe operation, MOL is working to prevent marine pollution caused by marine accidents. At the same time, MOL is taking into consideration biodiversity and actively pushing ahead with measures to protect the seas and oceans, which are not only our place of business, but also the shared heritage of everyone on Earth.

Double-hull Tankers: We have been adopting double-hull vessels in our tanker fleet to prevent spills of crude oil, petroleum products and chemicals caused by a grounding or collision of vessels. As a result, our fleet of tankers is 100% double-hulled.

Double-hull structure

Caring for the Environment When Scrapping Vessels: Aging vessels must often be scrapped in the interest of safe operation and protection of the marine environment. However, measures for workers' safety and the environment have been insufficient when scrapping ships in some Asian countries. MOL is working to create inventory lists of hazardous materials on ships, ahead of the enforcement of the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships which was adopted in May 2009. Efforts are led by a task force made up of related divisions in the company that was established in 2010. At the same time, when selling a ship on the assumption that it will be scrapped, we check that the scrapping yard has acquired ISO 14001 certification (or the environmental management equivalent), and uses scrapping methods and procedures that are sufficiently safe for the environment and personnel.

Responding to Ballast Water Management Convention: Ballast water is discharged when cargo is loaded. It may have an impact on local ecosystems by introducing foreign marine organisms from another location as well as the preservation and sustainable use of biodiversity. This potential cross-border transportation of foreign marine organisms in ballast water has been highlighted as an international issue since the late 1980s. As a result, the Ballast Water Management Convention was adopted by the IMO in 2004, and work is proceeding on ratification ahead of enforcement. We have developed a ballast water purification system and conducted on-board demonstrations in cooperation with manufacturers and other concerned parties.

In addition, care is exercised to reduce the impact of normal operation of our vessels on the oceans. MOL strictly adheres to all marine pollution treaties, including the International Convention for the Prevention of Pollution from Ships (MARPOL Convention), as well as applicable laws and regulations around the world. The company has stringent internal rules to prevent oil discharges and to ensure the proper disposal of lubricating oil and bilge water (which includes oil and other pollutants) to protect the marine environment. Regarding anti-fouling ship bottom paints, MOL has switched to tin-free paints. These are just part of our efforts to help protect biodiversity.

Social Contribution Activities

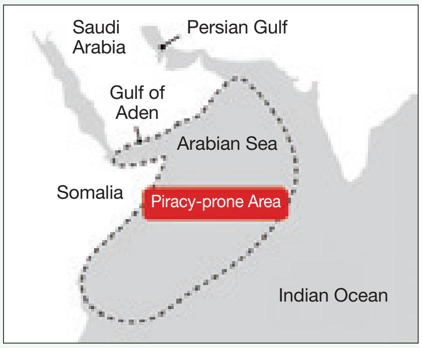
MOL aims to be a company that grows sustainably and harmoniously with society. We therefore carefully consider social issues to tackle, and work to help solve them based on the following three principles. Guided by these principles, we proactively undertake social contribution activities that only a shipping company with a global network can.

I. Contribute to the UN Millennium Development Goals* as a company growing in step with the global economy and social development.
II. Contribute to protecting biodiversity and preserving nature as a company that impacts the environment to an extent and as a company that does business on the ocean, a rich repository of living organisms.
III. Contribute to local communities as a good corporate citizen.

* The Millennium Development Goals consist of specific numerical targets to be achieved by 2015 in eight fields, including “achieve universal primary education” and “reduce child mortality.”

■ Somalia Support Project

Frequent incidents of piracy in the Indian Ocean off Somalia pose a serious threat to global shipping. MOL and six other companies* reached an agreement to jointly address the need to stabilize Somalia. They announced plans to provide US$1 million in funding to the Somalia Support Project, run by the United Nations Development Programme (UNDP).



This industry contribution will support long-term job creation and skill development for the younger generation in Somalia. By creating opportunities for stable employment, the program will contribute to safe operation in the seas off Somalia.

* Shell, BP, Maersk, Stena, Nippon Yusen Kabushiki Kaisha (NYK), Kawasaki Kisen Kaisha, Ltd. (K Line) and MOL

■ Daycare Center Opened in the Philippines

In November 2012, MOL opened a daycare center in Navotas in the Philippines.

This facility will provide education for pre-school children, health checkups, meals for underprivileged people, and other services. This program was launched based on a proposal from Philippines-based company Magsaysay MOL Marine, Inc., following the collection of “Social Contribution Activity Proposals” from MOL Group companies in fiscal 2010. More than half of MOL's seafarers come from the Philippines, and we believe that this daycare center will deepen ties with the country.

Third-Party Evaluations

■ MOL Selected for Continuing Inclusion in Dow Jones Sustainability Indexes (DJSI)

Since 2003, MOL has been included in the DJSI, a designation reserved for companies capable of sustaining growth over the long term while maintaining excellence in environmental, social, and investor relations programs. In September 2012, MOL was selected for continuing inclusion in the DJSI.

■ MOL Selected for Continuing Inclusion in the FTSE4Good Global Index

FTSE is a global index company owned by the London Stock Exchange. Since 2003, FTSE has included MOL in one of its major indices, the FTSE4Good Global Index, which is a socially responsible investment index. In April 2013, MOL was selected for continuing inclusion in the index.

■ MOL Selected for Continuing Inclusion in the Morningstar Socially Responsible Investment Index (MS-SRI)

The MS-SRI, Japan's first socially responsible investment index, is based on the stock prices of 150 of Japan's listed companies that have been selected by Morningstar Japan K.K. for superior social responsibility. MOL has been included in the MS-SRI since 2003. In January 2013, MOL was selected for continuing inclusion in the index.

Environmental and Social Report

MOL's approach to CSR and environmental issues is discussed in detail in our Environmental and Social Report.

URL: http://www.mol.co.jp/csr-e/

MOL's Environmental Technologies
Senpaku ISHIN

With business activities spread across the globe, protecting the global environment is included as one of MOL's top priorities, alongside safe operation, in the MOL Group Corporate Principles. The *Senpaku ISHIN* project, our concept for next-generation vessels launched in September 2009, is a ground-breaking initiative that helps protect the environment in a substantive way by reducing carbon dioxide emissions using feasible technologies. Previously, MOL announced concepts for *ISHIN-I*, *ISHIN-II* and *ISHIN-III* as a series of next-generation vessels.

In June 2012, MOL took delivery of the *EMERALD ACE*, a new car carrier equipped with a hybrid electric power supply system, taking a major step toward realizing the company's *ISHIN-I* image of future car carriers. MOL will continue to work actively to develop technologies for reducing the environmental burden of ships and operations.

ISHIN-I

Hybrid Car Carrier *EMERALD ACE* was Delivered

Other Next-Generation Vessels

ISHIN-II

Ferry that Uses LNG as Fuel

Features

- Use of LNG as fuel: By using liquefied natural gas (LNG) as fuel, the vessel has cleaner exhaust gases and greatly reduces CO_2 emissions.
- Use of shore power supply system: While in port and at berth, the ship uses electricity supplied from shore and rechargeable batteries to achieve zero emissions
- Emphasis on comfort
- CO_2 reduction: 50%

ISHIN-III

Very Large Ore Carrier With High-efficiency Waste Heat Energy Recovery System

Features

- Waste heat energy recovery to assist propulsion
- Employs technologies to reduce CO_2 emissions even at low speeds, as well as during normal operation
- CO_2 reduction: 30%

Details of the component technologies can be found on the *Senpaku ISHIN* section of MOL's website http://www.mol.co.jp/ishin/en/

Financial Section

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MASAHIRO TANABE
Managing Executive Officer

Continuing to Invest in Promising Projects While Strengthening Our Financial Base in a Difficult Business Environment

In fiscal 2011, MOL had to contend with a drop in cargo demand caused by the Great East Japan Earthquake, the flooding in Thailand and other factors. In fiscal 2012, the operating environment remained just as difficult as ever for the maritime transport industry but for different reasons. While there were no acts of nature that severely impacted cargo demand in fiscal 2012, the industry faced macroeconomic headwinds in the form of the persistent European sovereign debt problem, and the strong yen, which hit ¥75 to the U.S. dollar at one point. In addition, a supply glut of vessels depressed market conditions further.

Compared to other Japanese marine transport companies, MOL has a high free vessel*1 ratio in its dry bulker and tanker fleets. As a result, MOL was hit hard by the slump in market conditions in fiscal 2012, posting a consolidated ordinary loss of ¥28.5 billion, even larger than the ¥24.3 billion loss in fiscal 2011, which had been the largest ever loss since the company's founding.

Under these circumstances, MOL moved to overhaul the dry bulkers business, one of the main reasons for the loss. MOL executed Business Structural Reforms (BSR) that entailed moving the sales and operations bases of free vessels to Singapore, a hub for the dry bulker business and for cargo owners and marine transport-related companies. This caused MOL to record ¥101.5 billion in extraordinary losses, mainly for losses on the assignment of charter contracts to Singapore subsidiaries. As a result of reversing deferred tax assets simultaneously, MOL recorded a large consolidated net loss of ¥178.8 billion for fiscal 2012.

To our regret, MOL recorded huge losses in fiscal 2011 and 2012, causing considerable concern to shareholders. However, free dry bulker vessels, which were the main cause of these losses and for which we executed the BSR, were also a main driving force for the company's rapid growth in the past, contributing handsomely to the build-up of shareholders' equity, the robust financial base which made the reforms possible.

Even amid the difficult operating environment, MOL chalked up some noteworthy achievements, which will contribute steadily to highly stable profits going forward. For instance, MOL secured new long-term contracts regarding six LNG carriers for China Petroleum & Chemical Corporation, known as "SINOPEC" following the fixture of four LNG carriers for the Papua New Guinea/Australia–China LNG Project (PNG/Australia LNG Project)*2 led by ExxonMobil. And MOL successively secured long-term contracts for five vessels with Japanese electricity and gas utilities, including for two vessels signed in fiscal 2013. Another highlight concerns FPSO*3 in offshore businesses, which MOL entered for the first time in 2010; MOL was chosen to take part in its third FPSO project in fiscal 2012. Importantly, MOL has clear prospects on fundraising for these projects, using project finance*4 or corporate finance*5 depending on the nature of the project.

Although correction of the yen's excessive appreciation has brightened the operating environment for the Japanese marine transport industry, MOL expects the recent challenging conditions to linger in fiscal 2013, with the supply glut of vessels looking set to weigh on the industry for the time being. Even under such circumstances, we expect the dry bulker fleet, which has now regained its cost competitiveness thanks to the BSR, to contribute to our earnings. With these and other earnings, MOL is determined to work to improve its financial position, which was hurt in fiscal 2011 and fiscal 2012, while surmounting the difficult conditions without neglecting to make investments for the future.

*1 **Free Vessel:** So-called free vessels comprise ships contracted at spot rates or on contracts of less than one year. As a result, these vessels are exposed to changing market conditions.

*2 **PNG/Australia LNG Project:** This project is a joint venture between MOL and Chinese partners, to transport LNG from Papua New Guinea and Australia to China under long-term contracts. MOL has ordered four new LNG carriers from Hudong to be used in this project, and the first completed vessel is due to be delivered in early 2015.

*3 **FPSO:** Floating Production, Storage and Offloading System

*4 **Project finance:** A method of raising funds, based on projected cash flows from a project, and using a ship as collateral, without the necessity for MOL as a shareholder to guarantee the obligation. This type of financial arrangement does not affect the company's fundraising capability.

*5 **Corporate finance:** A method of raising funds where the funds for repaying borrowings are based on the business profits of MOL as a shareholder, and MOL guarantees the obligation.

Cash Flows and Financial Indicators

MOL generated only ¥5.0 billion in operating cash flows in fiscal 2011, but these recovered to ¥78.9 billion in fiscal 2012, partly reflecting a decrease in income tax payments. On the other hand, investing activities used net cash of ¥104.2 billion, ¥30.0 billion less than in fiscal 2011. This meant that free cash flows*6 in fiscal 2012 were negative ¥25.2 billion. During fiscal 2012, MOL actively raised funds, including issuing domestic straight bonds totaling ¥55.0 billion*7, in order to intentionally build up cash on hand to be prepared for any unexpected difficulties in the market for raising funds due to the protracted slump in shipping market conditions and the drawn-out European sovereign debt problem. As a result, as of March 31, 2013, interest-bearing debt totaled ¥1,046.8 billion, ¥177.2 billion more than at March 31, 2012.

On the other hand, shareholders' equity dropped sharply because of the ¥178.8 billion net loss, which dragged the equity ratio, once an indicator where MOL surpassed other Japanese shipping companies, down to 25%. Additionally, the gearing ratio*8 worsened to 196%. As was mentioned earlier, this partly reflected MOL's intentional raising of more funds than needed in fiscal 2012. Net interest-bearing debt, interest-bearing debt less cash and cash equivalents, rose by ¥59.4 billion to ¥846.2 billion, meaning the net gearing ratio*9 only increased to 158%.

In terms of investing cash flows in fiscal 2013, MOL expects investments in traditional types of vessels, such as dry bulkers, tankers, car carriers, and containerships, to be limited to around half the amount invested at the peak. However, MOL still projects that investing activities in fiscal 2013 will use net cash of ¥165.0 billion, ¥60.0 billion more than in fiscal 2012, due to the demand for funds while FPSO and LNG carriers to be delivered from fiscal 2015 are built, as well as due to instantaneous investments not seen in normal years, namely, investments by our subsidiary Daibiru in the construction of new buildings, and investments in overseas container terminals. The funds for these investments will be raised through off-balance sheet techniques where possible, as MOL works to prevent an unnecessary increase in interest-bearing debt.

*6 **Free cash flows:** Operating cash flows – Investing cash flows

*7 **Domestic straight bonds totaling ¥55.0 billion:** MOL ¥45.0 billion and Daibiru Corporation ¥10.0 billion

*8 **Gearing ratio:** Interest-bearing debt / Shareholders' equity

*9 **Net gearing ratio:** (Interest-bearing debt – cash and cash equivalents) / Shareholders' equity

Cash Management, Financial Ratings and Fund-Raising

MOL's financial indicators, namely the gearing ratio and equity ratio, worsened as a result of the company's lackluster performance and it was downgraded by credit rating agencies, losing its much-prized status as having the highest ratings within the marine transport industry.

CREDIT RATINGS (As of July 2013)

	Credit Ratings
JCR	A
R&I	A–
Moody's	Baa3

MOL has for many years exchanged information with credit rating agencies. In order to prevent further ratings downgrades, in addition to using off-balance sheet financing and project finance, MOL intends to divest some idle assets and investment securities, something it has not actively done in the past, considering the ongoing recovery in real estate and stock markets, while also focusing on improving its financial position by building up earnings. That said, MOL is also determined to conduct financial management so there are no restrictions in terms of its financial position on making investments that are necessary for expanding highly stable profits derived from medium- to long-term contracts. These investments will not be limited to the offshore businesses and the LNG carrier business. Because MOL holds much more cash and cash equivalents than it would have in a typical year, in fiscal 2013, the company plans to use this cash on hand in combination with normal borrowing and bond issuance to cover funding needs, rather than use capital fund-raising, as long as there is no large demand for funds for large-scale M&As or investments in new fields.

MOL will also continue enhancing its cash management system in Japan and overseas in fiscal 2013. MOL is striving for even greater capital efficiency so that surplus funds do not accumulate at local subsidiaries, including in Singapore where MOL transferred the bulk carrier business, and the Netherlands where finance subsidiaries are headquartered.

MOL STRAIGHT BOND ISSUANCE (As of the end of March 2013)

	Date of Issue	Years	Interest Rate	Total Amount of Issue	Outstanding
Straight bonds No. 10	2008.12.19	5	1.43%	¥15.0 billion	¥15.0 billion
Straight bonds No. 11	2009.5.27	5	1.28%	¥30.0 billion	¥30.0 billion
Straight bonds No. 12	2009.5.27	10	2.00%	¥20.0 billion	¥18.5 billion
Straight bonds No. 13	2009.12.17	7	1.11%	¥20.0 billion	¥20.0 billion
Straight bonds No. 14	2011.6.21	5	0.57%	¥10.0 billion	¥10.0 billion
Straight bonds No. 15	2011.6.21	10	1.36%	¥20.0 billion	¥20.0 billion
Straight bonds No. 16	2012.7.12	3	0.30%	¥15.0 billion	¥15.0 billion
Straight bonds No. 17	2012.7.12	5	0.46%	¥20.0 billion	¥20.0 billion
Straight bonds No. 18	2012.7.12	10	1.14%	¥10.0 billion	¥10.0 billion

Pension Management Policy and Response to New Pension Accounting

In fiscal 2010, MOL shifted to a defined benefit corporate pension plan and lowered the assumed rate of interest to 2.0%. Along with this move, MOL changed its policy from investing in four traditional asset classes to investing mainly in bonds which pay comparatively stable returns.

Regarding pension accounting changes, from fiscal 2013, MOL will be required to immediately recognize on the balance sheet unrecognized actuarial differences *10 that have been off the balance sheet until now, due to revisions to accounting standards for retirement benefits. The MOL Group's unrecognized actuarial differences at the end of fiscal 2012 were ¥0.7 billion on a consolidated basis, so this would have had only a negligible impact on shareholders' equity. Furthermore, the ratio of plan assets to pension liabilities on a consolidated basis at the end of fiscal 2012 saw a ¥3.4 billion excess, meaning MOL has a sound position.

*10 **Unrecognized actuarial differences:** The difference between the expected return on plan assets and the actual return, and the difference arising from divergence between actuarial assumptions and actual results when calculating retirement benefit obligations, are defined as actuarial differences. These differences are amortized over a certain number of years and recognized as expenses (or income). The portion still to be recognized as an expense (or income) of these actuarial differences is what is called unrecognized actuarial differences. Until now, these have not been recognized on the balance sheet.

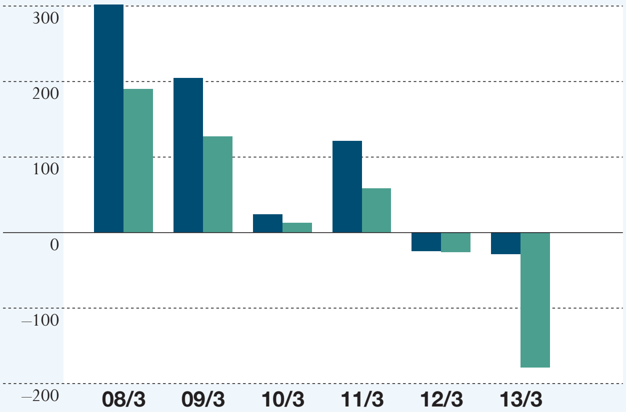
Tonnage Tax System

The "tonnage tax" system is a standardized tax system that is utilized in the global marine transport industry. Japanese companies were able to apply the system from fiscal 2009, which MOL has duly done. However, because the system applies only to Japanese-flagged vessels, meaning there are restrictions, MOL and other Japanese shipping companies have urged the government through the Japanese Shipowners' Association to create a more flexible system similar to foreign countries. As a result, from fiscal 2013, the system will be extended to include some foreign-flagged vessels. MOL has obtained certification for applying this new system and will do so from fiscal 2013. As of March 31, 2013, MOL had 36 ships to which the system applied and plans to progressively increase the number of eligible vessels going forward.

MOL will work to improve cash flows by applying this tax system and at the same time continue to urge the government on a number of fronts to make the system even more flexible.

ORDINARY INCOME (LOSS)/NET INCOME (LOSS)

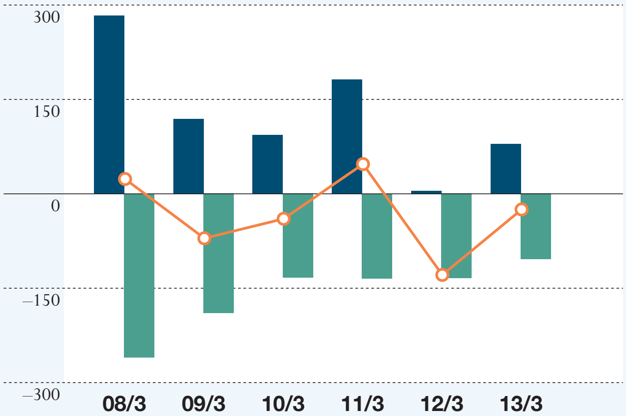
(¥ billions)



Ordinary Income (Loss)
Net Income (Loss)

CASH FLOWS

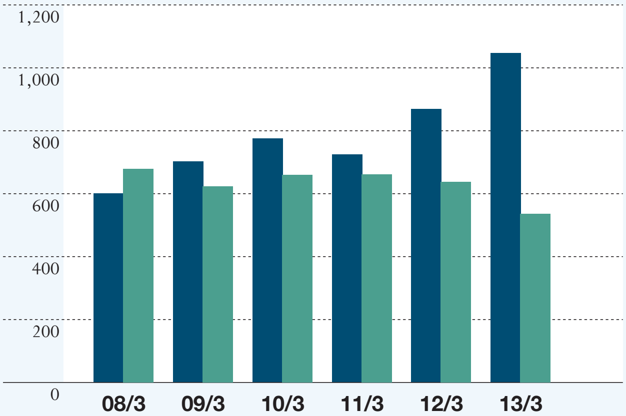
(¥ billions)



Cash flows from operating activities
Cash flows from investing activities
Free cash flows

INTEREST-BEARING DEBT/SHAREHOLDERS' EQUITY

(¥ billions)

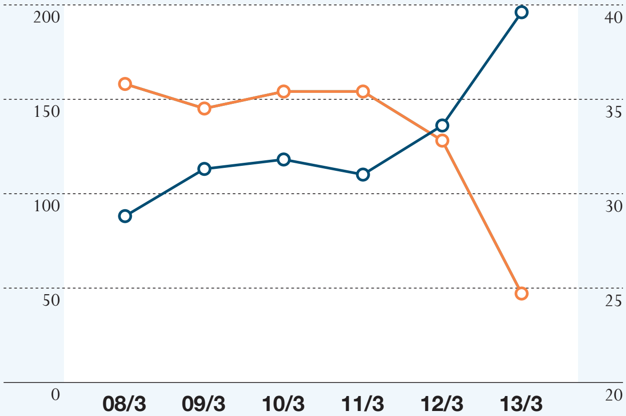


Interest-bearing Debt
Shareholders' Equity*

* "Shareholders' equity" in this section comprises the total of owners' equity and accumulated other comprehensive income (loss).

GEARING RATIO/EQUITY RATIO

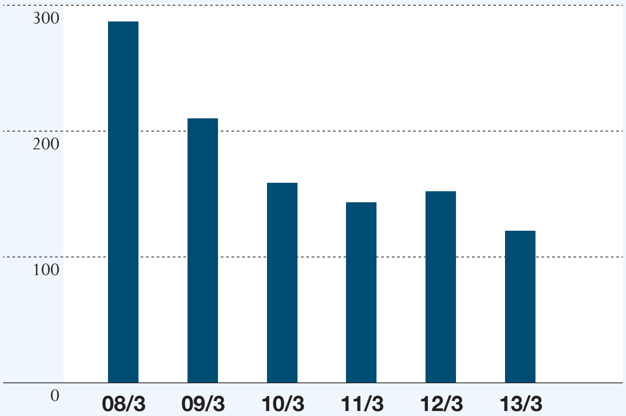
(%)



Gearing ratio (left scale)
Equity ratio (right scale)

CAPITAL EXPENDITURE*

(¥ billions)



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

11-YEAR SUMMARY

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

	2013	2012	2011	2010
For the year:				
Shipping and other revenues	**¥1,509,194**	¥1,435,221	¥1,543,661	¥1,347,965
Shipping and other expenses	**1,432,014**	1,368,795	1,328,960	1,228,479
Selling, general and administrative expenses	**92,946**	90,886	91,300	98,547
Operating income (loss)	**(15,766)**	(24,460)	123,401	20,939
Equity in earnings (losses) of unconsolidated subsidiaries and affiliated companies, net	**(4,936)**	3,300	8,174	5,363
Ordinary income (loss)	**(28,568)**	(24,320)	121,622	24,235
Income (Loss) before income taxes and minority interests	**(137,939)**	(33,516)	95,367	27,776
Income taxes, current	**(11,325)**	(9,546)	(36,431)	(8,078)
Income taxes, deferred	**(24,799)**	20,814	2,797	(3,764)
Minority interests	**(4,784)**	(3,761)	(3,456)	(3,212)
Net income (loss)	**(178,847)**	(26,009)	58,277	12,722
At year-end:				
Current assets	**514,246**	386,936	344,444	352,030
Current liabilities	**425,725**	322,851	374,269	355,185
Net vessels, property and equipment	**1,303,967**	1,293,803	1,257,823	1,209,176
Total assets	**2,164,611**	1,946,162	1,868,741	1,861,312
Long-term debt due after one year	**861,728**	739,188	559,541	594,711
Net assets/Shareholders' equity	**619,493**	717,909	740,247	735,702
Retained earnings	**447,830**	629,667	664,645	616,736

Amounts per share of common stock:

	2013	2012	2011	2010
Net income (loss)	**¥(149.57)**	¥ (21.76)	¥ 48.75	¥ 10.63
Net assets/Shareholders' equity	**447.76**	533.27	552.83	551.70
Cash dividends applicable to the year	**–**	5.00	10.00	3.00

(Translation of foreign currencies)
The Japanese yen amounts for 2013 have been translated into U.S. dollars using the prevailing exchange rate at March 31, 2013, which was ¥94.05 to U.S. $1.00, solely for the convenience of readers. (The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.)

(Presentation of net assets in the balance sheet)
Effective from the year ended March 31, 2007, the Company adopted the new accounting standard for presentation of net assets in the balance sheet and related guidance (ASBJ Statement No. 5, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" issued by the Accounting Standards Board of Japan on December 9, 2005) and Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005). Net assets are comprised of shareholders' equity as defined up to the year ended March 31, 2006, minority interests, share subscription rights and unrealized gains (losses) on hedging derivatives, net of tax.

(Ordinary income (loss))
Ordinary income (loss) is calculated by adjusting operating income for gains on management of surplus funds (interest income, etc.) and the cost of raising funds (interest expense, etc.).

Millions of yen							Thousands of U.S. dollars
2009	2008	2007	2006	2005	2004	2003	**2013**
¥1,865,802	¥1,945,697	¥1,568,435	¥1,366,725	¥1,173,332	¥ 997,260	¥ 910,288	**$16,046,720**
1,564,486	1,544,109	1,300,038	1,101,459	917,149	824,902	787,540	**15,226,093**
104,105	110,303	100,324	92,273	84,388	80,232	77,392	**988,261**
197,211	291,285	168,073	172,993	171,795	92,126	45,356	**(167,634)**
16,000	18,199	16,171	16,817	11,764	6,613	3,387	**(52,483)**
204,511	302,219	182,488	176,503	174,979	90,556	33,405	**(303,753)**
197,732	318,202	197,854	188,290	155,057	89,776	25,114	**(1,466,656)**
(65,074)	(115,183)	(63,042)	(61,200)	(52,587)	(35,346)	(10,872)	**(120,415)**
(638)	(5,694)	(7,468)	(7,570)	(1,205)	2,152	1,435	**(263,679)**
(5,032)	(7,004)	(6,404)	(5,788)	(3,004)	(1,191)	(967)	**(50,866)**
126,988	190,321	120,940	113,732	98,261	55,391	14,710	**(1,901,616)**

428,598	506,078	405,474	340,355	299,835	299,544	289,645	**5,467,793**
440,910	528,390	482,810	433,023	429,695	398,091	423,838	**4,526,582**
1,106,746	1,047,825	847,660	769,902	665,320	477,621	569,234	**13,864,615**
1,807,080	1,900,551	1,639,940	1,470,824	1,232,252	1,000,206	1,046,612	**23,015,534**
499,193	459,280	398,534	399,617	340,598	311,021	395,589	**9,162,446**
695,022	751,652	620,989	424,461	298,258	221,535	164,790	**6,586,847**
623,626	536,096	375,443	275,689	182,143	101,991	56,469	**4,761,616**

Yen							U.S. dollars
¥106.13	¥159.14	¥101.20	¥ 94.98	¥ 81.99	¥ 46.14	¥ 12.16	**$(1.590)**
521.23	567.74	459.55	354.01	248.40	185.06	137.44	**4.761**
31.00	31.00	20.00	18.00	16.00	11.00	5.00	**–**

CONSOLIDATED BALANCE SHEETS

Mitsui O.S.K. Lines, Ltd. March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2013**	2012	**2013**
Current assets:			
Cash and cash equivalents (Note 3)	**¥ 200,636**	¥ 82,837	**$ 2,133,291**
Marketable securities (Notes 3 and 4)	**2,938**	23	**31,239**
Trade receivables (Note 3)	**145,408**	130,922	**1,546,071**
Allowance for doubtful accounts	**(590)**	(401)	**(6,273)**
Inventories (Note 5)	**59,437**	54,336	**631,972**
Deferred and prepaid expenses	**56,274**	53,744	**598,341**
Deferred tax assets (Note 15)	**1,908**	4,595	**20,287**
Other current assets	**48,235**	60,880	**512,865**
Total current assets	**514,246**	386,936	**5,467,793**
Vessels, property and equipment (Notes 7 and 13)**:**			
Vessels	**1,386,355**	1,354,315	**14,740,617**
Buildings and structures	**273,946**	252,043	**2,912,770**
Equipment, mainly containers	**65,544**	61,315	**696,905**
Land	**214,615**	215,959	**2,281,925**
Vessels and other property under construction	**109,917**	116,724	**1,168,708**
	2,050,377	2,000,356	**21,800,925**
Accumulated depreciation	**(746,410)**	(706,553)	**(7,936,310)**
Net vessels, property and equipment	**1,303,967**	1,293,803	**13,864,615**
Investments and other assets:			
Investment securities (Notes 3, 4 and 7)	**103,756**	93,806	**1,103,200**
Investments in and advances to unconsolidated subsidiaries and affiliated companies	**91,093**	79,877	**968,559**
Long-term loans receivable (Note 3)	**23,117**	19,166	**245,795**
Intangible fixed assets	**22,929**	16,194	**243,796**
Deferred tax assets (Note 15)	**4,034**	11,692	**42,892**
Other assets	**101,469**	44,688	**1,078,884**
Total investments and other assets	**346,398**	265,423	**3,683,126**
Total assets	**¥2,164,611**	¥1,946,162	**$23,015,534**

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2013	2012	Thousands of U.S. dollars (Note 1) 2013
Current liabilities:			
Short-term loans	¥ 49,250	¥ 38,751	$ 523,658
Commercial paper	2,000	5,000	21,265
Total short-term debt (Notes 3 and 7)	51,250	43,751	544,923
Long-term bank loans due within one year	88,296	62,261	938,820
Bonds due within one year	25,000	4,191	265,816
Total long-term debt due within one year (Notes 3 and 7)	113,296	66,452	1,204,636
Trade payables (Note 3)	142,585	133,600	1,516,055
Advances received	26,661	19,809	283,477
Accrued income taxes	7,048	6,112	74,939
Deferred tax liabilities (Note 15)	1,118	902	11,887
Other current liabilities	83,767	52,225	890,665
Total current liabilities	425,725	322,851	4,526,582
Non-current liabilities:			
Long-term bank loans due after one year	648,228	552,157	6,892,377
Bonds due after one year	213,500	187,031	2,270,069
Total long-term debt due after one year (Notes 3 and 7)	861,728	739,188	9,162,446
Employees' severance and retirement benefits (Note 16)	13,472	13,766	143,243
Directors' and corporate auditors' retirement benefits	2,028	2,160	21,563
Reserve for periodic drydocking	14,758	14,058	156,917
Deferred tax liabilities (Note 15)	71,132	18,733	756,321
Other non-current liabilities	156,275	117,497	1,661,615
Total non-current liabilities	1,119,393	905,402	11,902,105
Total liabilities	1,545,118	1,228,253	16,428,687
Commitments and contingent liabilities (Note 8)			
Net assets (Note 9)**:**			
Owners' equity			
Common stock;			
Authorized —3,154,000,000 shares			
Issued —1,206,286,115 shares	65,400	65,400	695,375
Capital surplus	44,483	44,487	472,972
Retained earnings	447,830	629,667	4,761,616
Treasury stock, at cost	(6,998)	(7,152)	(74,407)
Total owners' equity	550,715	732,402	5,855,556
Accumulated other comprehensive loss			
Unrealized holding gains on available-for-sale securities, net of tax	24,753	16,888	263,190
Unrealized losses on hedging derivatives, net of tax	(196)	(54,936)	(2,084)
Foreign currency translation adjustments	(39,849)	(56,932)	(423,700)
Total accumulated other comprehensive loss	(15,292)	(94,980)	(162,594)
Share subscription rights	2,115	2,006	22,488
Minority interests	81,955	78,481	871,397
Total net assets	619,493	717,909	6,586,847
Total liabilities and net assets	¥2,164,611	¥1,946,162	$23,015,534

CONSOLIDATED STATEMENTS OF OPERATIONS AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2013 and 2012

(Consolidated Statements of Operations)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Shipping and other revenues (Note 14)	**¥1,509,194**	¥1,435,221	**$16,046,720**
Shipping and other expenses	**1,432,014**	1,368,795	**15,226,093**
Gross operating income	**77,180**	66,426	**820,627**
Selling, general and administrative expenses	**92,946**	90,886	**988,261**
Operating loss	**(15,766)**	(24,460)	**(167,634)**
Other income (expenses):			
Interest and dividend income	**5,166**	7,959	**54,928**
Interest expense	**(13,021)**	(11,511)	**(138,447)**
Equity in earnings (losses) of affiliated companies, net	**(4,936)**	3,300	**(52,483)**
Others, net (Notes 10 and 11)	**(109,382)**	(8,804)	**(1,163,020)**
	(122,173)	(9,056)	**(1,299,022)**
Loss before income taxes and minority interests	**(137,939)**	(33,516)	**(1,466,656)**
Income taxes (Note 15):			
Current	**(11,325)**	(9,546)	**(120,415)**
Deferred	**(24,799)**	20,814	**(263,679)**
Loss before minority interests	**(174,063)**	(22,248)	**(1,850,750)**
Minority interests	**(4,784)**	(3,761)	**(50,866)**
Net loss	**¥ (178,847)**	¥ (26,009)	**$ (1,901,616)**

(Consolidated Statements of Comprehensive Income)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Loss before minority interests	**¥(174,063)**	¥(22,248)	**$(1,850,750)**
Other comprehensive income (Note 20)**:**			
Unrealized holding gains on available-for-sale securities, net of tax	**9,093**	2,504	**96,683**
Unrealized gains on hedging derivatives, net of tax	**56,413**	18,731	**599,820**
Foreign currency translation adjustments	**14,909**	(1,303)	**158,522**
Share of other comprehensive income (loss) of associates accounted for using equity method	**1,104**	(10,051)	**11,738**
	81,519	9,881	**866,763**
Comprehensive loss	**¥ (92,544)**	¥(12,367)	**$ (983,987)**
Comprehensive income (loss)			
Comprehensive loss attributable to owners of the parent	**¥ (99,159)**	¥(14,404)	**$(1,054,321)**
Comprehensive income attributable to minority interests	**6,615**	2,037	**70,334**

(Amounts per share of common stock)

	Yen		U.S. dollars (Note 1)
Net loss	**¥(149.57)**	¥(21.76)	**$(1.590)**
Diluted net income (Note 2)	**–**	–	**–**
Cash dividends applicable to the year	**–**	5.00	**–**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2013 and 2012

	Millions of yen									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gains on available-for-sale securities, net of tax	Unrealized losses on hedging derivatives, net of tax	Foreign currency translation adjustments	Share subscription rights	Minority interests	Total net assets
Balance at April 1, 2011	¥65,400	¥44,516	¥ 664,645	¥(7,181)	¥14,489	¥(68,355)	¥(52,719)	¥1,871	¥77,581	¥ 740,247
Due to change in consolidated subsidiaries	–	–	12	–	–	–	–	–	–	12
Due to change in affiliated companies accounted for by the equity method	–	–	159	–	–	–	–	–	–	159
Due to change in accounting period of consolidated subsidiaries	–	–	(170)	–	–	–	–	–	–	(170)
Net loss	–	–	(26,009)	–	–	–	–	–	–	(26,009)
Purchases of treasury stock	–	–	–	(28)	–	–	–	–	–	(28)
Disposal of treasury stock	–	(29)	–	57	–	–	–	–	–	28
Dividends paid	–	–	(8,970)	–	–	–	–	–	–	(8,970)
Net changes during the year	–	–	–	–	2,399	13,419	(4,213)	135	900	12,640
Balance at March 31 and April 1, 2012	¥65,400	¥44,487	¥ 629,667	¥(7,152)	¥16,888	¥(54,936)	¥(56,932)	¥2,006	¥78,481	¥ 717,909
Due to change in consolidated subsidiaries	–	–	(0)	–	–	–	–	–	–	(0)
Net loss	–	–	(178,847)	–	–	–	–	–	–	(178,847)
Purchases of treasury stock	–	–	–	(21)	–	–	–	–	–	(21)
Disposal of treasury stock	–	(4)	–	175	–	–	–	–	–	171
Dividends paid	–	–	(2,990)	–	–	–	–	–	–	(2,990)
Net changes during the year	–	–	–	–	7,865	54,740	17,083	109	3,474	83,271
Balance at March 31, 2013	¥65,400	¥44,483	¥ 447,830	¥(6,998)	¥24,753	¥ (196)	¥(39,849)	¥2,115	¥81,955	¥ 619,493

	Thousands of U.S. dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gains on available-for-sale securities, net of tax	Unrealized losses on hedging derivatives, net of tax	Foreign currency translation adjustments	Share subscription rights	Minority interests	Total net assets
Balance at April 1, 2012	$695,375	$473,014	$ 6,695,024	$(76,045)	$179,564	$(584,115)	$(605,338)	$21,329	$834,460	$ 7,633,268
Due to change in consolidated subsidiaries	–	–	(0)	–	–	–	–	–	–	(0)
Net loss	–	–	(1,901,616)	–	–	–	–	–	–	(1,901,616)
Purchases of treasury stock	–	–	–	(223)	–	–	–	–	–	(223)
Disposal of treasury stock	–	(42)	–	1,861	–	–	–	–	–	1,819
Dividends paid	–	–	(31,792)	–	–	–	–	–	–	(31,792)
Net changes during the year	–	–	–	–	83,626	582,031	181,638	1,159	36,937	885,391
Balance at March 31, 2013	$695,375	$472,972	$ 4,761,616	$(74,407)	$263,190	$ (2,084)	$(423,700)	$22,488	$871,397	$ 6,586,847

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Cash flows from operating activities:			
Loss before income taxes and minority interests	**¥(137,939)**	¥ (33,516)	**$(1,466,656)**
Adjustments to reconcile loss before income taxes and minority interests to net cash provided by operating activities			
Depreciation and amortization	**94,685**	85,624	**1,006,751**
Impairment loss	**10,978**	5,468	**116,725**
Cost of business structural reforms	**101,463**	–	**1,078,820**
Equity in earnings (losses) of affiliated companies, net	**4,936**	(3,300)	**52,483**
Loss on write-down of investment securities	**2,653**	9,163	**28,208**
Various provisions (reversals)	**529**	(4,004)	**5,625**
Interest and dividend income	**(5,166)**	(7,959)	**(54,928)**
Interest expense	**13,021**	11,511	**138,447**
Loss (Gain) on sale of investment securities	**99**	(224)	**1,053**
Gain on sale and disposal of vessels, property and equipment	**(8,375)**	(9,729)	**(89,048)**
Exchange loss, net	**2,842**	4,172	**30,218**
Changes in operating assets and liabilities:			
Trade receivables	**(11,661)**	(3,971)	**(123,987)**
Inventories	**(5,001)**	(7,932)	**(53,174)**
Trade payables	**6,878**	3,805	**73,131**
Others, net	**11,719**	(6,843)	**124,604**
Sub total	**81,661**	42,265	**868,272**
Cash received for interest and dividend	**9,233**	17,368	**98,171**
Cash paid for interest	**(12,695)**	(10,478)	**(134,981)**
Cash refunded (paid) for corporate income tax, resident tax and enterprise tax	**757**	(44,141)	**8,049**
Net cash provided by operating activities	**78,956**	5,014	**839,511**
Cash flows from investing activities:			
Purchase of investment securities	**(16,853)**	(1,158)	**(179,192)**
Proceeds from sale of investment securities	**1,126**	699	**11,972**
Payments for purchase of vessels and other tangible and intangible fixed assets	**(165,544)**	(175,036)	**(1,760,170)**
Proceeds from sale of vessels and other tangible and intangible fixed assets	**80,198**	44,879	**852,717**
Net decrease (increase) in short-term loans receivables	**(197)**	127	**(2,095)**
Disbursements for long-term loans receivables	**(5,152)**	(4,528)	**(54,779)**
Collections of long-term loans receivables	**2,863**	8,384	**30,441**
Others, net	**(682)**	(7,680)	**(7,251)**
Net cash used in investing activities	**(104,241)**	(134,313)	**(1,108,357)**
Cash flows from financing activities:			
Net increase (decrease) in short-term bonds	**–**	56	**–**
Net increase (decrease) in short-term loans	**9,661**	(2,958)	**102,722**
Net increase (decrease) in commercial paper	**(3,000)**	(16,500)	**(31,898)**
Proceeds from long-term bank loans	**216,407**	270,357	**2,300,979**
Repayments of long-term bank loans	**(117,417)**	(115,662)	**(1,248,453)**
Proceeds from issuance of bonds	**55,000**	30,000	**584,795**
Redemption of bonds	**(7,337)**	(7,890)	**(78,012)**
Purchase of treasury stock	**(21)**	(28)	**(223)**
Sale of treasury stock	**25**	28	**266**
Cash dividends paid by the Company	**(3,047)**	(9,041)	**(32,398)**
Cash dividends paid to minority interests	**(2,999)**	(1,306)	**(31,887)**
Others, net	**(8,504)**	1,217	**(90,421)**
Net cash provided by financing activities	**138,768**	148,273	**1,475,470**
Effect of exchange rate changes on cash and cash equivalents	**4,316**	(1,940)	**45,891**
Net increase in cash and cash equivalents	**117,799**	17,034	**1,252,515**
Cash and cash equivalents at beginning of year	**82,837**	65,477	**880,776**
Net cash increase from new consolidation/ de-consolidation of subsidiaries	**–**	115	**–**
Increase in cash and cash equivalents due to change in accounting periods for consolidated subsidiaries	**–**	211	**–**
Cash and cash equivalents at end of year	**¥ 200,636**	¥ 82,837	**$ 2,133,291**

See accompanying notes.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (together "Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are made revisions according to ASBJ PITF No. 18. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of Mitsui O.S.K. Lines, Ltd. (the "Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2013, which was ¥94.05 to U.S. $1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) PRINCIPLES OF CONSOLIDATION

All companies are required to consolidate all significant investees which are controlled through substantial ownership of majority voting rights or existence of certain conditions.

The consolidated financial statements include the accounts of the Company and 349 subsidiaries for the year ended March 31, 2013 (335 subsidiaries for the year ended March 31, 2012). All significant inter-company balances, transactions and all material unrealized profit within the consolidated group have been eliminated in consolidation.

Investments in unconsolidated subsidiaries and affiliated companies (20% to 50% owned and certain others 15% to 20% owned) are accounted for by the equity method. Companies accounted for using the equity method include 65 affiliated companies for the year ended March 31, 2013, and 63 affiliated companies for the year ended March 31, 2012. Investments in other subsidiaries (107 for the year ended March 31, 2013 and 113 for the year ended March 31, 2012) and affiliated companies (68 and 71 for the respective years) were stated at cost since total revenues, total assets, the Company's equity in net income and retained earnings and others in such companies were not material.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

The difference between acquisition cost and net assets acquired is treated as goodwill and negative goodwill and is amortized principally over 5 years on a straight-line basis.

Net amortized amount is included in "Selling, general and administrative expenses" or "Other income" of the consolidated statements of operations.

Meanwhile, the negative goodwill incurred after April 1, 2010 is recognized as "Other income" at the time of occurrence in accordance with the revised Japanese GAAP.

(2) TRANSLATION OF FOREIGN CURRENCY

Revenues earned and expenses incurred in currencies other than Japanese yen of the Company and its subsidiaries keeping their books in Japanese yen are translated into Japanese yen either at a monthly exchange rate or at the rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in currencies other than Japanese yen are translated into yen at the exchange rate prevailing at the balance sheet date.

Subsidiaries keeping their books in a currency other than Japanese yen translate the revenues and expenses and assets and liabilities in foreign currencies into the currency used for financial reporting in accordance with accounting principles generally accepted in their respective countries.

All the items in financial statements of subsidiaries, which are stated in currencies other than Japanese yen, were translated into Japanese yen at the year-end exchange rate, except for owners' equity which is translated at historical rates. Translation differences arising from the application of more than one exchange rate are presented as foreign currency translation adjustments in the net assets section of the consolidated balance sheets.

(3) CASH AND CASH EQUIVALENTS

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(4) FREIGHT REVENUES AND RELATED EXPENSES

1. Containerships

Freight revenues and the related voyage expenses are recognized by the multiple transportation progress method.

2. Vessels other than containerships

Freight revenues and the related voyage expenses are recognized mainly by the completed-voyage method.

(5) SECURITIES

Securities are classified into (a) securities held for trading purposes (hereafter, “trading securities”), (b) debt securities intended to be held to maturity (hereafter, “held-to-maturity debt securities”), (c) equity securities issued by subsidiaries and affiliated companies, or (d) for all other securities that are not classified in any of the above categories (hereafter, “available-for-sale securities”).

Trading securities are stated at fair market value. Unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. Held-to-maturity debt securities are stated at amortized cost, net of the amount considered not collectible. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with fair market values are stated at fair market values, and the corresponding unrealized holding gains or losses, net of applicable income taxes, are reported as separate component of net assets. Other securities with no available fair market value are stated at moving-average cost.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method, and available-for-sale securities, declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method, and available-for-sale securities is not readily available, such securities should be written down to net assets value with a corresponding charge in the statements of operations in the event net assets value declines significantly. In these cases, such fair market value or the net assets value will be the carrying amount of the securities at the beginning of the next year.

(6) INVENTORIES

Inventories are stated principally at cost determined by the moving-average method (with regard to the book value of inventories on the balance sheet, by writing the inventories down based on their decrease in profitability of assets).

(7) DEPRECIATION OF VESSELS, PROPERTY AND EQUIPMENT

Depreciation of vessels and buildings is computed mainly by the straight-line method. Depreciation of other property and equipment is computed mainly by the declining-balance method.

Depreciation of finance lease that transfer ownership to lessees is computed mainly by the identical to depreciation method applied to self-owned noncurrent assets. Depreciation of finance lease that do not transfer ownership to lessees is computed mainly by straight-line method on the assumption that the lease term is the useful life and an estimated residual is zero. With regard to finance lease that do not transfer ownership for which the starting date for the lease transaction is prior to March 31, 2008, they will continue to be accounted for by a method corresponding to that used for ordinary operating lease contracts.

(8) AMORTIZATION OF BOND ISSUE EXPENSE AND STOCK ISSUE EXPENSE

Bond issue expense and stock issue expense are charged to income as incurred.

(9) INTEREST CAPITALIZATION

In cases where a vessel’s construction period is long and the amount of interest accruing during this period is significant, such interest expenses are capitalized as a part of the acquisition cost which amounted to ¥1,228 million ($13,057 thousand) for the year ended March 31, 2013 and ¥1,156 million for the year ended March 31, 2012.

(10) ALLOWANCE FOR DOUBTFUL ACCOUNTS

Allowance for doubtful accounts is provided in an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual percentage of the Company’s collection losses.

(11) EMPLOYEES’ SEVERANCE AND RETIREMENT BENEFITS

The Company has the defined benefit pension plans for employees engaged in shore and sea services. Employees engaged in sea service who retire prior to a certain age are also entitled to a lump-sum payment. Some subsidiaries have the defined benefit pension plans which cover all or a part of the retirement benefits and some other subsidiaries have established reserves for a lump-sum payment for retirement benefits. The Company has a retirement benefit trust scheme.

Under the accounting standards for employees’ severance and retirement benefits, liabilities and expenses for employees’ severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Company and its consolidated subsidiaries (the “Group”) provided allowance for employees’ severance and retirement benefits at March 31, 2013 and 2012 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at those dates.

Actuarial gains and losses are recognized in the statements of operations using the straight-line method over the average of the estimated remaining service lives of mainly 10 years commencing with the following period. Past service liability is chiefly accounted for as expenses in lump-sum at the time of occurrence.

(12) DIRECTORS' AND CORPORATE AUDITORS' RETIREMENT BENEFITS

The Company and its domestic subsidiaries recognize liabilities for retirement benefits for directors and corporate auditors at an amount required in accordance with the internal regulations.

Effective from the shareholders' meeting of the Company, held on June 23, 2005, the Company abolished the retirement benefits plan for directors and corporate auditors. Accordingly, the Company recognizes liabilities for retirement benefit for directors and corporate auditors till the completion of the shareholders' meeting on June 23, 2005, which will be paid upon their retirement.

(13) INCOME TAXES

The Group recognizes tax effects of temporary differences between the financial statement basis and the tax basis of assets and liabilities. The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(14) AMOUNTS PER SHARE OF COMMON STOCK

Net loss per share of common stock is computed based upon the weighted-average number of shares outstanding during the year.

Fully diluted net income per share of common stock assumes exercise of the outstanding stock options at the beginning of the year or at the date of issuance. For the years ended March 31, 2013 and 2012 fully diluted net income per share is not disclosed because of the Company's net loss position.

Cash dividends per share have been presented on an accrual basis and include dividends to be approved after the balance sheet date, but applicable to the year then ended.

(15) DERIVATIVES AND HEDGE ACCOUNTING

Companies are required to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedging instruments and meet certain hedging criteria, the Group defers recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

If interest rate swap contracts are used as hedging instruments and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed ("special treatment").

If foreign exchange forward contracts are used as hedging instruments and meet certain hedging criteria, hedged foreign currency assets and liabilities are translated at the rate of these contracts ("allocation method").

The following summarizes hedging derivative financial instruments used by the Group and items hedged:

Hedging instruments:	Hedged items:
Loans payable in foreign currencies	Foreign currency future transactions
Forward foreign exchange contracts	Foreign currency future transactions
Currency option contracts	Foreign currency future transactions
Currency swap contracts	Foreign currency loans payable
Interest rate swap contracts	Interest on loans and bonds payable
Crude oil swap contracts	Fuel oil
Commodities futures	Fuel oil
Freight futures	Freight

The derivative transactions are executed and managed by the Company in accordance with the established policies in order to hedge the Group's exposure to interest rate increases, fuel oil increases, freight decreases, and foreign currency exchange rate risk.

The Company evaluates hedge effectiveness semi-annually by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the cumulative changes in cash flows from or the changes in fair value of hedging instruments.

(16) RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the 2013 presentation. These changes had no impact on previously reported results of operations or cash flows or net assets.

(17) ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

1. Summary

Under the amended rule, actuarial gains and losses and past service costs would be recognized within the net asset section, after adjusting for tax effects, and the deficit or surplus would be recognized as a liability or asset without any adjustments. For determining method of attributing expected benefit to periods, the Standard now allows to choose benefit formula basis, as well as straight-line basis. Method for determination of discount rate has also been amended.

2. Effective dates

Effective for the end of annual periods ending on or after March 31, 2014. Amendments relating to determination of retirement benefit obligations and current service costs are effective from the beginning of annual periods ending on or after March 31, 2015.

3. Effect of application of the standard

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

(18) CHANGE IN ACCOUNTING POLICIES WITH AMENDMENT OF RESPECTIVE LAW OR REGULATION THAT ARE NOT DISTINGUISHABLE FROM CHANGE IN ACCOUNTING ESTIMATES

(Change in depreciation method)

From the year ended March 31, 2013, in accordance with the amendment in corporate tax law, the Company and its domestic subsidiaries have changed its depreciation method for property and equipment. Assets acquired on or after April 1, 2012 are depreciated using the method prescribed in amended corporate tax law. The effect on the consolidated financial statements of the change is not material.

(19) ADDITIONAL INFORMATION

1. Application of accounting standards for accounting changes and error corrections

For accounting changes and corrections of past errors which are implemented from the year beginning on April 1, 2011, the Company adopts the Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24, December 4, 2009) and Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24, December 4, 2009).

2. Underwriting of capital increase of shares of an affiliated company accounted for by the equity method

The Company resolved at its meeting of the Board of Directors on March 29, 2013 to underwrite capital increase through a third-party allotment of new shares of Daiichi Chuo Kisen Kaisha, an affiliated company accounted for by the equity method. The details and subscription amount of the capital increase through third-party allotment are as follows:

(1) Profile of the affiliated company accounted for by the equity method

(i) Name	Daiichi Chuo Kisen Kaisha
(ii) Date of establishment	October 1, 1960
(iii) Main Business	Marine transportation
(iv) Capital	¥20,758 million ($220,712 thousand)
	(Capital after capital increase ¥28,958 million ($307,900 thousand))
(v) Number of issued shares	
Common stock	263,549,171 shares
Class A stock	15,000,000 shares
(Number of issued shares after capital increase	
Common stock	263,549,171 shares
Class A stock	31,400,000 shares)

(2) Outline of subscription

(i) Total amount of subscription	¥15,000 million ($159,490 thousand)
(ii) Subscription price	¥1,000 per share ($10.63 per share)
(iii) Number of shares to be subscribed Class A stock	15,000,000 shares
(iv) Purpose of subscription	Stabilization of the financial base

(3) Shareholding before and after subscription

Number of shares held before capital increase	
Common stock	68,774,960 shares
Class A stock	15,000,000 shares
Number of shares held after capital increase	
Common stock	68,774,960 shares
Class A stock	30,000,000 shares

(4) Schedule

March 29, 2013	Resolution at the meeting of the Board of Directors
June 27, 2013 (scheduled)	Annual shareholders' meeting of Daiichi Chuo Kisen Kaisha, class shareholders' meeting by common shareholders and class shareholders' meeting by class A shareholders.
June 28, 2013 (scheduled)	Application and payment date

3. FINANCIAL INSTRUMENTS

(1) QUALITATIVE INFORMATION ON FINANCIAL INSTRUMENTS

I. Policies for using financial instruments

We raise capital investment funds to acquire vessels and other fixed assets primarily through bank loans and corporate bonds. In addition, we secure short-term operating funds through commercial papers and bank loans. Furthermore, we have established commitment line with Japanese banks in preparation for supplementing liquidity in emergency situations. Derivatives are utilized to hedge risks as discussed below and are executed within the scope of real requirements. Our policy is not to use derivatives for speculative purposes.

II. Details of financial instruments/Risk and its management

Trade receivables are exposed to the credit risks of customers. We strive to mitigate such risks in accordance with internal regulations. Besides, trade receivables denominated in foreign currencies are exposed to the foreign currency exchange rate risk. We avoid the risk mainly by, in principle, utilizing forward exchange contracts which cover the net position (The difference between trade receivables and trade payables dominated in foreign currencies). Investment securities are mainly stocks of companies with which we have business relationships. These investment securities are exposed to the price fluctuation risk. We identify the market value of listed stocks on a quarterly basis.

Trade payables are due within a year.

Short-term loans and commercial papers are primarily used for raising short-term operating funds, while long-term loans and bonds are mainly for capital investments. Although several items with variable interest rates are exposed to the interest rate risk, a certain portion of such variable interest rates is fixed with the use of interest rate swaps.

Long-term loans and bonds denominated in foreign currencies are exposed to the foreign currency exchange rate risk, a part of which is avoided by using currency swaps.

Our major derivative transactions and hedged risks are as follows.

* Forward foreign exchange contracts/Currency swap contracts
: To cover exchange volatility of foreign-currency-denominated trade receivables, trade payables, long-term loans, and corporate bonds.
* Interest rate swap contracts
: To avoid interest rate risk arising out of interest payment of long-term loans and corporate bonds.
* Crude oil swap contracts/Commodities futures
: To hedge fluctuation of fuel oil price.

With regard to the detail of hedge accounting (hedging instruments, hedged items, the way of evaluating hedge effectiveness), see Note 2 (15) to the consolidated financial statements.

Derivative transactions are executed and managed in accordance with our internal regulations and dealt only with highly rated financial institutions to mitigate credit risks.

On the other hand, as trade payables, loan payables, bonds, and commercial papers are exposed to the risk of financing for repayment, we manage the risk by planning cash management program monthly, having established commitment line with several financial institutions, and adjusting funding period (balancing short-term/long-term combination), in consideration of market circumstances.

III. Supplemental information on fair value

Fair value of financial instruments that are actively traded in organized financial markets is determined by market value.

For those where there are no active markets, it is determined by reasonable estimation. Reasonably estimated value might vary depending on condition of calculation as several variation factors are included in the calculation. On the other hand, derivative transactions mentioned in following (2) do not indicate the market risk of such derivatives.

(2) FAIR VALUES OF FINANCIAL INSTRUMENTS

Book values and fair values of the financial instruments on the consolidated balance sheet at March 31, 2013 are the following;

	Millions of yen		
	Book Value	Fair Value	Difference
Assets			
Cash and cash equivalents	¥ 200,636	¥ 200,636	¥ –
Time deposits with a maturity of more than three months	1,139	1,139	–
Trade receivables	145,408	145,408	–
Marketable securities			
Available-for-sale securities	2,938	2,938	–
Short-term loans receivable	1,188	1,188	–
Investment securities			
Available-for-sale securities	92,785	92,785	–
Long-term loans receivable (*1)	24,759	30,955	6,196
Total	¥ 468,853	¥ 475,049	¥6,196
Liabilities			
Trade payables	¥ 142,585	¥ 142,585	¥ –
Short-term loans	49,250	49,250	–
Commercial paper	2,000	2,000	–
Bonds (*2)	238,500	242,650	4,150
Long-term bank loans (*3)	736,524	739,244	2,720
Total	¥1,168,859	¥1,175,729	¥6,870
Derivative financial instruments (*4)	¥ 36,966	¥ 36,518	¥ (448)

	Thousands of U.S. dollars (Note 1)		
	Book Value	Fair Value	Difference
Assets			
Cash and cash equivalents	$ 2,133,291	$ 2,133,291	$ –
Time deposits with a maturity of more than three months	12,110	12,110	–
Trade receivables	1,546,071	1,546,071	–
Marketable securities			
Available-for-sale securities	31,239	31,239	–
Short-term loans receivable	12,631	12,631	–
Investment securities			
Available-for-sale securities	986,550	986,550	–
Long-term loans receivable (*1)	263,254	329,134	65,880
Total	$ 4,985,146	$ 5,051,026	$65,880
Liabilities			
Trade payables	$ 1,516,055	$ 1,516,055	$ –
Short-term loans	523,658	523,658	–
Commercial paper	21,265	21,265	–
Bonds (*2)	2,535,885	2,580,011	44,126
Long-term bank loans (*3)	7,831,197	7,860,117	28,920
Total	$12,428,060	$12,501,106	$73,046
Derivative financial instruments (*4)	$ 393,046	$ 388,283	$ (4,763)

*1 The book value of long-term loans receivable includes current portion amounting to ¥1,642 million ($17,459 thousand).
*2 The book value of bonds includes current portion amounting to ¥25,000 million ($265,816 thousand).
*3 The book value of long-term bank loans includes current portion amounting to ¥88,296 million ($938,820 thousand).
*4 Amounts of derivative financial instruments are net of asset and liability. Negative amount stated with ( ) means that the net amount is liability.

Book values and fair values of the financial instruments on the consolidated balance sheet at March 31, 2012 are the following;

	Millions of yen		
	Book Value	Fair Value	Difference
Assets			
Cash and cash equivalents	¥ 82,837	¥ 82,837	¥ –
Time deposits with a maturity of more than three months	1,005	1,005	–
Trade receivables	130,922	130,922	–
Marketable securities			
Available-for-sale securities	23	23	–
Short-term loans receivable	1,534	1,534	–
Investment securities			
Available-for-sale securities	82,897	82,897	–
Long-term loans receivable (*1)	19,598		
Allowance for doubtful accounts (*2)	(185)		
	19,413	26,031	6,618
Total	¥318,631	¥325,249	¥ 6,618
Liabilities			
Trade payables	¥133,600	¥133,600	¥ –
Short-term loans	38,751	38,751	–
Commercial paper	5,000	5,000	–
Bonds (*3)	191,222	197,269	6,047
Long-term bank loans (*4)	614,418	616,014	1,596
Total	¥982,991	¥990,634	¥ 7,643
Derivative financial instruments (*5)	¥ (52,523)	¥ (54,374)	¥(1,851)

*1 The book value of long-term loans receivable includes current portion amounting to ¥432 million.
*2 Allowance identified for long-term loans receivable is deducted.
*3 The book value of bonds includes current portion amounting to ¥4,191 million.
*4 The book value of long-term bank loans includes current portion amounting to ¥62,261 million.
*5 Amounts of derivative financial instruments are net of asset and liability. Negative amount stated with ( ) means that the net amount is liability.

The following is a description of the valuation methodologies used for the assets and liabilities measured at the fair value.

Cash and cash equivalents, Time deposits with a maturity of more than three months, Trade receivables and Short-term loans receivable

Since these assets are settled in a short term and their fair value is almost equal to the book value, the fair value is evaluated at the book value.

Marketable securities and Investment securities

The fair value of stocks is evaluated at market prices at stock exchange as of the end of the year and the fair value of bonds is evaluated at market prices at stock exchange or provided by financial institutions as of the end of the years.

Long-term loans receivable

The fair value of long-term loans receivable with variable interests rate is evaluated at the book value because the interest rate reflects the market rate in a short term and their fair value is almost equal to the book value, unless the creditworthiness of the borrower has changed significantly since the loan origination. The fair value of long-term loans receivable with fixed interest rates, for each category of loans based on types of loans, and maturity length, is evaluated by discounting the total amount of principal and interest using the rate which would apply if similar loans were newly made.

Trade payables, Short-term loans and Commercial paper

Since these liabilities are settled in a short term and their fair value is almost equal to the book value, the fair value is evaluated at the book value.

Bonds

The fair value of corporate bonds with market price is evaluated based on their market price. The fair value of variable interest rates corporate bonds without market price is evaluated at the book value because the interest rate reflects the market rate in a short term and there has been no significant change in the creditworthiness of us before and after the issue.

Long-term bank loans

The fair value of long-term bank loans with variable interest rates is evaluated at the book value because the interest rate reflects the market rate in a short term and there has been no significant change in the creditworthiness of us before and after such bank loans were made. The fair value of long-term bank loans with fixed interest rates, for each category of bank loans based on types of bank loans, and maturity length, is evaluated by discounting the total amount of principal and interest using the rate which would apply if similar bank loans were newly made. The fair value of long-term bank loans qualifying for allocation method of interest and currency swap is evaluated at the book value because such bank loans were deemed as the variable interest rates bank loans and the interest rate reflects the market rate in a short term.

Derivative financial instruments

Please refer to Note 6 to the consolidated financial statements.

The following table summarizes financial instruments whose fair value is extremely difficult to estimate.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Book Value	Book Value	Book Value
	2013	2012	**2013**
Unlisted stocks	**¥ 7,764**	¥ 7,667	**$ 82,552**
Unlisted foreign securities	**3,200**	3,200	**34,024**
Others	**7**	42	**74**
Total	**¥10,971**	¥10,909	**$116,650**

The above items are not included in the amount presented under the line “Investments securities” in the table summarizing fair value of financial instruments, because the fair value is extremely difficult to estimates as they have no quoted market price and the future cash flow cannot be estimated.

At March 31, 2013, the aggregate annual maturity of monetary claims and securities was as follows;

	Millions of yen			
	Within a year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	**¥200,636**	**¥ –**	**¥ –**	**¥ –**
Time deposits with a maturity of more than three months	**1,139**	**–**	**–**	**–**
Trade receivables	**145,408**	**–**	**–**	**–**
Short-term loans receivable	**1,188**	**–**	**–**	**–**
Marketable securities and investments securities				
Held-to-maturity debt securities (Other)	**–**	**–**	**–**	**3,200**
Available-for-sale securities (Governmental/municipal bonds)	**–**	**10**	**–**	**–**
Available-for-sale securities (Corporate bonds)	**3,000**	**200**	**–**	**–**
Long-term loans receivable	**1,642**	**16,099**	**2,321**	**4,697**
Total	**¥353,013**	**¥16,309**	**¥2,321**	**¥7,897**

	Thousands of U.S. dollars (Note 1)			
	Within a year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	**$2,133,291**	**$ –**	**$ –**	**$ –**
Time deposits with a maturity of more than three months	**12,110**	**–**	**–**	**–**
Trade receivables	**1,546,071**	**–**	**–**	**–**
Short-term loans receivable	**12,631**	**–**	**–**	**–**
Marketable securities and investments securities				
Held-to-maturity debt securities (Other)	**–**	**–**	**–**	**34,024**
Available-for-sale securities (Governmental/municipal bonds)	**–**	**106**	**–**	**–**
Available-for-sale securities (Corporate bonds)	**31,898**	**2,127**	**–**	**–**
Long-term loans receivable	**17,459**	**171,175**	**24,678**	**49,942**
Total	**$3,753,460**	**$173,408**	**$24,678**	**$83,966**

At March 31, 2012, the aggregate annual maturity of monetary claims and securities was as follows;

	Millions of yen			
	Within a year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	¥ 82,837	¥ –	¥ –	¥ –
Time deposits with a maturity of more than three months	1,005	–	–	–
Trade receivables	130,922	–	–	–
Short-term loans receivable	1,534	–	–	–
Marketable securities and investments securities				
Held-to-maturity debt securities (Other)	–	–	–	3,200
Available-for-sale securities (Governmental bonds/Corporate bonds)	–	10	–	–
Long-term loans receivable	432	12,420	2,768	3,978
Total	¥216,730	¥12,430	¥2,768	¥7,178

4. SECURITIES

A. The following tables summarize acquisition costs, book values and fair values of securities with available fair values at March 31, 2013 and 2012.

Available-for-sale securities:

Securities with book values exceeding acquisition costs at March 31, 2013

	Millions of yen		
Type	Acquisition cost	Book value	Difference
Equity securities	**¥33,088**	**¥73,550**	**¥40,462**
Bonds	**3,060**	**3,166**	**106**
Others	**–**	**–**	**–**
Total	**¥36,148**	**¥76,716**	**¥40,568**

	Thousands of U.S. dollars (Note 1)		
Type	Acquisition cost	Book value	Difference
Equity securities	**$351,813**	**$782,031**	**$430,218**
Bonds	**32,536**	**33,663**	**1,127**
Others	**–**	**–**	**–**
Total	**$384,349**	**$815,694**	**$431,345**

Securities with book values exceeding acquisition costs at March 31, 2012

	Millions of yen		
Type	Acquisition cost	Book value	Difference
Equity securities	¥24,930	¥56,798	¥31,868
Bonds	210	224	14
Others	–	–	–
Total	¥25,140	¥57,022	¥31,882

Securities with book values not exceeding acquisition costs at March 31, 2013

	Millions of yen		
Type	Acquisition cost	Book value	Difference
Equity securities	**¥22,581**	**¥19,007**	**¥(3,574)**
Bonds	**–**	**–**	**–**
Others	**–**	**–**	**–**
Total	**¥22,581**	**¥19,007**	**¥(3,574)**

	Thousands of U.S. dollars (Note 1)		
Type	Acquisition cost	Book value	Difference
Equity securities	**$240,096**	**$202,095**	**$(38,001)**
Bonds	**–**	**–**	**–**
Others	**–**	**–**	**–**
Total	**$240,096**	**$202,095**	**$(38,001)**

Securities with book values not exceeding acquisition costs at March 31, 2012

	Millions of yen		
Type	Acquisition cost	Book value	Difference
Equity securities	¥34,171	¥25,875	¥(8,296)
Bonds	–	–	–
Others	23	23	–
Total	¥34,194	¥25,898	¥(8,296)

B. Total sales of available-for-sale securities sold in the years ended March 31, 2013 and 2012 and the related gains and losses were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Proceeds from sales	**¥932**	¥522	**$9,910**
Gross realized gains	**309**	225	**3,285**
Gross realized losses	**369**	1	**3,923**

C. Impairment losses of securities

For the years ended March 31, 2013 and 2012, the Company reduced the book value on the securities and booked the reductions as impairment losses of ¥2,892 million ($30,750 thousand) and ¥9,163 million, respectively.

With regard to the impairment losses, the Company principally reduces the book value on the securities to the amount which is considered the recoverability etc. in the event the fair market value declines more than 50% in comparison with the acquisition cost.

5. INVENTORIES

Inventories as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Fuel and supplies	**¥58,326**	¥52,848	**$620,159**
Others	**1,111**	1,488	**11,813**
Total	**¥59,437**	¥54,336	**$631,972**

6. DERIVATIVE TRANSACTIONS

The Group enters into derivative transactions to hedge the Group's exposure to interest rate increases, fuel oil increases, freight decreases, and currency exchange fluctuations, in accordance with the guidance determined by the management of the Company.

I. HEDGE ACCOUNTING NOT APPLIED

The following tables summarize the outstanding contract amounts and fair values of financial derivatives of the Group at March 31, 2013 and 2012, for which hedge accounting has not been applied.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
(1) Currency related:			
Forward currency exchange contracts			
Sell (U.S. dollar):			
Contracts outstanding	**¥11,286**	¥ 468	**$120,000**
Fair values	**(2,046)**	(9)	**(21,754)**
Buy (U.S. dollar):			
Contracts outstanding	**¥ 13**	¥ 29	**$ 138**
Fair values	**0**	(0)	**0**
Buy (Others):			
Contracts outstanding	**¥ 2**	¥ 5	**$ 21**
Fair values	**0**	0	**0**
Currency swaps contracts			
Buy (U.S. dollar):			
Contracts outstanding	**¥ 5,102**	¥ 7,882	**$ 54,248**
Fair values	**(651)**	(1,777)	**(6,922)**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
(2) Interest related			
Interest rate swaps			
Receive floating, pay fixed			
Contracts outstanding	**¥46,899**	¥51,276	**$498,660**
Fair values	**(2,769)**	(2,966)	**(29,442)**
Receive fixed, pay floating			
Contracts outstanding	**¥ 291**	¥ –	**$ 3,094**
Fair values	**2**	–	**21**

Note: Fair values are measured based on forward exchange rates prevailing at the end of the year and information provided by financial institutions, etc.

II. HEDGE ACCOUNTING APPLIED

The following tables summarize the outstanding contract amounts and fair values of financial derivatives of the Group at March 31, 2013 and 2012, for which hedge accounting has been applied.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
(1) Deferral hedge accounting			
a. Forward currency exchange contracts to hedge the risk for the foreign currency transactions			
Sell (U.S. dollar):			
Contracts outstanding	¥ 26,969	¥ 25,479	$ 286,752
Fair values	(1,947)	(1,333)	(20,702)
Buy (U.S. dollar):			
Contracts outstanding	¥ 62,906	¥ 98,802	$ 668,857
Fair values	9,189	(6,360)	97,703
b. Currency swaps contracts to hedge the risk for charterages			
Sell (U.S. dollar):			
Contracts outstanding	¥ 1,686	¥ 1,863	$ 17,927
Fair values	(162)	131	(1,722)
Buy (U.S. dollar):			
Contracts outstanding	¥491,628	¥609,265	$5,227,305
Fair values	50,309	(29,780)	534,918
c. Interest rate swaps to hedge the risk for the long-term bank loans and charterages			
Receive floating, pay fixed			
Contracts outstanding	¥197,060	¥174,262	$2,095,268
Fair values	(16,246)	(13,955)	(172,738)
Receive fixed, pay floating			
Contracts outstanding	¥ 10,698	¥ 14,336	$ 113,748
Fair values	289	452	3,073
d. Commodities futures to hedge the risk for the fuel oil			
Contracts outstanding	¥ 40,680	¥ 25,371	$ 432,536
Fair values	997	3,074	10,601

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
(2) Special treatment			
Interest rate swaps to hedge the risk for the long-term bank loans			
Receive floating, pay fixed			
Contracts outstanding	¥3,719	¥15,090	$39,543
Fair values	(447)	(1,851)	(4,753)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
(3) Allocation method			
Currency swaps to hedge the risk for the foreign bonds and long-term bank loans			
Contracts outstanding	¥27,827	¥30,354	$295,875
Fair values	–	–	–

Notes: 1. Fair values are measured based on forward exchange rates prevailing at the end of the year and information provided by financial institutions, etc.
2. Currency swaps which allocation method are applied to are recorded as the combined amount of such currency swaps and their hedge items. Therefore, their fair values are included in fair values of such hedge items.

7. SHORT-TERM DEBT AND LONG-TERM DEBT

(1) SHORT-TERM DEBT

Short-term debt amounting to ¥51,250 million ($544,923 thousand) and ¥43,751 million at March 31, 2013 and 2012, respectively, were principally unsecured. The interest rates on short-term debt were mainly set on a floating rate basis.

(2) LONG-TERM DEBT

Long-term debt at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Bonds:			
Floating/fixed rate Euro medium term notes due 2012–2013	**¥ –**	¥ 6,222	**$ –**
1.428% yen bonds due 2013	**15,000**	15,000	**159,490**
1.760% yen bonds due 2014	**10,000**	10,000	**106,326**
1.278% yen bonds due 2014	**30,000**	30,000	**318,979**
1.590% yen bonds due 2015	**15,000**	15,000	**159,490**
0.296% yen bonds due 2015	**15,000**	–	**159,490**
0.573% yen bonds due 2016	**10,000**	10,000	**106,326**
2.070% yen bonds due 2016	**15,000**	15,000	**159,490**
1.106% yen bonds due 2016	**20,000**	20,000	**212,653**
0.461% yen bonds due 2017	**20,000**	–	**212,653**
1.999% yen bonds due 2019	**18,500**	20,000	**196,704**
1.670% yen bonds due 2019	**10,000**	10,000	**106,326**
1.400% yen bonds due 2020	**15,000**	15,000	**159,490**
1.361% yen bonds due 2021	**20,000**	20,000	**212,653**
1.650% yen bonds due 2022	**5,000**	5,000	**53,163**
1.139% yen bonds due 2022	**10,000**	–	**106,326**
1.070% yen bonds due 2023	**10,000**	–	**106,326**
Secured loans from:			
Japan Development Bank due through 2027 at interest rates of 0.21% to 4.70%	**59,453**	66,084	**632,143**
Other financial institutions due through 2031 at interest rates of 0.39% to 6.70%	**55,649**	14,581	**591,696**
Unsecured loans from:			
Other financial institutions due through 2031 at interest rates of 0.16% to 4.63%	**621,422**	533,753	**6,607,358**
	975,024	805,640	**10,367,082**
Amount due within one year	**113,296**	66,452	**1,204,636**
	¥861,728	¥739,188	**$ 9,162,446**

At March 31, 2013, the aggregate annual maturity of long-term debt was as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars (Note 1)
2014	**¥113,296**	**$ 1,204,636**
2015	**119,000**	**1,265,284**
2016	**100,493**	**1,068,506**
2017	**109,966**	**1,169,229**
2018	**80,671**	**857,746**
2019 and thereafter	**451,598**	**4,801,681**
	¥975,024	**$10,367,082**

(3) ASSETS PLEDGED AND SECURED DEBT

At March 31, 2013, the following assets were pledged as collateral for short-term debt and long-term debt.

Assets pledged	Millions of yen	Thousands of U.S. dollars (Note 1)
Vessels	¥195,173	$2,075,205
Buildings and structures	139	1,478
Vessels and other property under construction	32,012	340,372
Investment securities	75,344	801,106
	¥302,668	$3,218,161

Secured debt	Millions of yen	Thousands of U.S. dollars (Note 1)
Short-term debt	¥ 520	$ 5,529
Long-term debt due within one year	14,630	155,556
Long-term debt due after one year	100,472	1,068,283
	¥115,622	$1,229,368

8. COMMITMENTS AND CONTINGENT LIABILITIES

(A) COMMITMENT

At March 31, 2013, the Company had loan commitment agreements with certain affiliated companies. The nonexercised portion of loan commitments was as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Total loan limits	¥14,107	$149,995
Loan executions	–	–
The nonexercised portion of loan commitments	¥14,107	$149,995

(B) CONTINGENT LIABILITIES

At March 31, 2013, the Company and its consolidated subsidiaries were contingently liable mainly as guarantors or co-guarantors of indebtedness of related and other companies in the aggregate amount of ¥80,458 million ($855,481 thousand).

9. NET ASSETS

Net assets comprises four sections, which are the owners' equity, accumulated other comprehensive income, share subscription rights and minority interests.

Under the Japanese Companies Act ("the Act") and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the board of directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in-capital, which is included in capital surplus.

Under the Act, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Act, appropriations (legal earnings reserve and additional paid-in-capital could be used to eliminate or reduce a deficit or could be capitalized) generally require a resolution of the shareholders' meeting.

(A) SHARES ISSUED AND OUTSTANDING

Changes in number of shares issued and outstanding during the years ended March 31, 2013 and 2012 were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
Balance at April 1, 2011	1,206,286	10,984
Increase during the year	–	76
Decrease during the year	–	(85)
Balance at March 31 and April 1, 2012	1,206,286	10,975
Increase during the year	**–**	**82**
Decrease during the year	**–**	**(555)**
Balance at March 31, 2013	**1,206,286**	**10,502**

(B) SHARE SUBSCRIPTION RIGHTS

Share subscription rights at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Stock options	**¥2,115**	¥2,006	**$22,488**
Total	**¥2,115**	¥2,006	**$22,488**

(C) DIVIDENDS

Dividends paid for the year ended March 31, 2013 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Approved at the shareholders' meeting held on June 22, 2012	**¥2,990**	**$31,792**
Total	**¥2,990**	**$31,792**

There were no dividends included in the retained earnings at March 31, 2013 and to be paid in subsequent periods.

10. IMPAIRMENT LOSS

For the year ended March 31, 2013, the Group recorded an impairment loss on the following asset group.

Application	Type	Millions of yen	Thousands of U.S. dollars (Note 1)
Assets to be disposed of by sale	Vessels and Other	**¥10,978**	**$116,725**

For the year ended March 31, 2012, the Group recorded an impairment loss on the following asset group.

Application	Type	Millions of yen
Assets to be disposed of by sale	Vessels and Other	¥5,468

The Group group operating assets based on management accounting categories, and also group assets to be disposed of by sale and idle assets by structure. For the years ended March 31, 2013 and 2012, with regard to the target price of assets to be disposed of by sale which fell below book value, the Group reduced the book value on these assets to recoverable amounts and booked the reductions as impairment losses.

The recoverable amount for this asset group is evaluated based on the asset's net selling price. And the asset's net selling price is appraised based on the target price of assets to be disposed of by sale.

11. OTHER INCOME (EXPENSES): OTHERS, NET—BREAKDOWN

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Others, net:			
Exchange loss, net	¥ (3,297)	¥ (4,440)	$ (35,056)
Amortization of goodwill, net	220	288	2,339
Gain on sale of vessels, investment securities and others	12,521	11,784	133,131
Loss on sale and disposal of vessels, investment securities and others	(4,187)	(1,831)	(44,519)
Loss arising from dissolution of subsidiaries and affiliated companies	(152)	(286)	(1,616)
Loss on write-down of investment securities and others	(2,892)	(9,163)	(30,750)
Provision for doubtful accounts	(90)	(28)	(957)
Special retirement	(79)	(361)	(840)
Cancellation fee for chartered ships, net	1,744	(199)	18,543
Impairment loss	(10,978)	(5,468)	(116,725)
Cost of business structural reforms	(101,463)	–	(1,078,820)
Sundries, net	(729)	900	(7,750)
Total	¥(109,382)	¥ (8,804)	$(1,163,020)

NOTE: BREAKDOWN OF COST OF BUSINESS STRUCTURAL REFORMS

Profits and losses associated with the business structural reforms in the dry bulker and tanker businesses such as loss on transfer of time charter contracts, impairment loss, loss on sale of vessels and gain/loss on cancellation of derivatives were collectively recorded as cost of business structural reforms. Breakdown of the cost was as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Loss on transfer of time charter contracts	¥103,422	$1,099,649
Impairment loss	7,279	77,395
Loss on sale of vessels	1,341	14,258
Gain on cancellation of derivatives	(10,346)	(110,005)
Others	(233)	(2,477)
Total	¥101,463	$1,078,820

(IMPAIRMENT LOSS)

For the year ended March 31, 2013, the Group recorded an impairment loss on the following asset group:

Application	Type	Millions of yen	Thousands of U.S. dollars (Note 1)
Assets to be disposed of by sale	Vessels	¥7,279	$77,395

The Group group operating assets based on management accounting categories, and also group assets to be disposed of by sale and idle assets by structure. For the year ended March 31, 2013, with regard to the target price of assets to be disposed of by sale which fell below book value, the Group reduced the book value on these assets to recoverable amounts and booked the reductions as cost of business structural reforms.

The recoverable amount for this asset group is evaluated based on the asset's net selling price. And the asset's net selling price is appraised based on the target price of assets to be disposed of by sale.

12. LEASES

AS LESSEE:

(A) INFORMATION ON FINANCE LEASES ACCOUNTED FOR AS OPERATING LEASES:

(1) A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value at March 31, 2013 of finance leases that do not transfer ownership to the lessee was as follows:

	Millions of yen	
	Equipment, mainly containers	Total
Acquisition cost	**¥26,337**	**¥26,337**
Accumulated depreciation	**25,171**	**25,171**
Net book value	**¥ 1,166**	**¥ 1,166**

	Thousands of U.S. dollars (Note 1)	
	Equipment, mainly containers	Total
Acquisition cost	**$280,032**	**$280,032**
Accumulated depreciation	**267,634**	**267,634**
Net book value	**$ 12,398**	**$ 12,398**

A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value at March 31, 2012 of finance leases that do not transfer ownership to the lessee was as follows:

	Millions of yen		
	Equipment, mainly containers	Others	Total
Acquisition cost	¥34,800	¥89	¥34,889
Accumulated depreciation	32,316	85	32,401
Net book value	¥ 2,484	¥ 4	¥ 2,488

(2) Future lease payments at March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Amount due within one year	**¥2,041**	¥2,631	**$21,701**
Amount due after one year	**1,177**	2,814	**12,515**
Total	**¥3,218**	¥5,445	**$34,216**

(3) Lease payments, depreciation equivalent and interest equivalent

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Lease payments	**¥2,713**	¥3,167	**$28,846**
Depreciation equivalent	**1,322**	1,898	**14,056**
Interest equivalent	**79**	125	**840**

(4) Calculation of depreciation equivalent

Assumed depreciation amounts are computed using the declining-balance method or the straight-line method over the lease terms assuming no residual value.

(5) Calculation of interest equivalent

The excess of total lease payments over acquisition cost equivalents is regarded as amounts representing interest payable equivalents and is allocated to each period using the interest method.

(6) Impairment loss

There was no impairment loss on finance lease accounted for as operating leases.

(B) FUTURE LEASE PAYMENTS UNDER OPERATING LEASES FOR ONLY NON-CANCELABLE CONTRACTS AT MARCH 31, 2013 AND 2012:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Amount due within one year	**¥ 43,810**	¥ 38,589	**$ 465,816**
Amount due after one year	**252,281**	240,143	**2,682,414**
Total	**¥296,091**	¥278,732	**$3,148,230**

AS LESSOR:

(A) FUTURE LEASE INCOME UNDER OPERATING LEASES FOR ONLY NON-CANCELABLE CONTRACTS AT MARCH 31, 2013 AND 2012:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Amount due within one year	**¥13,571**	¥13,125	**$144,295**
Amount due after one year	**47,167**	42,020	**501,510**
Total	**¥60,738**	¥55,145	**$645,805**

13. RENTAL PROPERTIES

The Company and some of its consolidated subsidiaries own real estate for office lease (including lands) in Tokyo, Osaka and other areas.

Information about the book value and the fair value of such rental properties was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Book value	**¥279,130**	¥267,295	**$2,967,889**
Fair value	**368,128**	356,497	**3,914,173**

Notes: 1. Book value was calculated as the amount equivalent to the cost for acquisition deducting accumulated depreciation and impairment loss.
2. Fair value is mainly based upon the amount appraised by outside independent real estate appraisers.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Rental revenue	**¥26,193**	¥26,223	**$278,501**
Rental expense	**14,776**	14,431	**157,108**
Difference	**¥11,417**	¥11,792	**$121,393**

Note: Rental revenue is mainly recorded as “shipping and other revenues” and rental expense (depreciation expense, repairs and maintenance fee, utilities, personnel cost, tax and public charge, etc.) is mainly recorded as “shipping and other expenses.”

14. SEGMENT AND RELATED INFORMATION

(A) SEGMENT INFORMATION:

For the year ended March 31, 2013:	Reportable segment: Bulkships	Reportable segment: Container-ships	Reportable segment: Ferry & Domestic transport	Reportable segment: Associated business	Sub Total	Others	Total	Adjustment	Consolidated
	Millions of yen								
1. Revenues:									
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	¥ 731,269	¥606,589	¥54,285	¥109,650	¥1,501,793	¥ 7,401	¥1,509,194	¥ –	¥1,509,194
(2) Inter-segment revenues	735	1,678	193	18,377	20,983	7,061	28,044	(28,044)	–
Total revenues	¥ 732,004	¥608,267	¥54,478	¥128,027	¥1,522,776	¥ 14,462	¥1,537,238	¥ (28,044)	¥1,509,194
Segment income (loss)	¥ (24,800)	¥ (11,291)	¥ 1,283	¥ 10,746	¥ (24,062)	¥ 2,449	¥ (21,613)	¥ (6,955)	¥ (28,568)
Segment assets	¥1,298,682	¥403,167	¥36,420	¥379,969	¥2,118,238	¥303,650	¥2,421,888	¥(257,277)	¥2,164,611
2. Others									
(1) Depreciation and amortization	¥ 66,689	¥ 14,901	¥ 3,530	¥ 7,964	¥ 93,084	¥ 410	¥ 93,494	¥ 1,191	¥ 94,685
(2) Amortization of goodwill, net	(573)	34	273	63	(203)	(17)	(220)	–	(220)
(3) Interest income	1,144	178	37	97	1,456	1,252	2,708	(1,034)	1,674
(4) Interest expenses	10,785	2,501	331	1,957	15,574	858	16,432	(3,411)	13,021
(5) Equity in earnings (losses) of affiliated companies, net	(6,551)	1,258	153	140	(5,000)	64	(4,936)	–	(4,936)
(6) Cost of business structural reforms	101,463	–	–	–	101,463	–	101,463	–	101,463
(7) Investment in affiliates	66,624	6,031	1,625	1,190	75,470	2,282	77,752	–	77,752
(8) Tangible/intangible fixed assets increased	128,440	11,463	1,102	20,339	161,344	622	161,966	2,924	164,890

For the year ended March 31, 2013:	Reportable segment: Bulkships	Reportable segment: Container-ships	Reportable segment: Ferry & Domestic transport	Reportable segment: Associated business	Sub Total	Others	Total	Adjustment	Consolidated
	Thousands of U.S. dollars (Note 1)								
1. Revenues:									
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	$ 7,775,322	$6,449,644	$577,193	$1,165,869	$15,968,028	$ 78,692	$16,046,720	$ –	$16,046,720
(2) Inter-segment revenues	7,815	17,842	2,052	195,396	223,105	75,077	298,182	(298,182)	–
Total revenues	$ 7,783,137	$6,467,486	$579,245	$1,361,265	$16,191,133	$ 153,769	$16,344,902	$ (298,182)	$16,046,720
Segment income (loss)	$ (263,690)	$ (120,053)	$ 13,642	$ 114,258	$ (255,843)	$ 26,040	$ (229,803)	$ (73,950)	$ (303,753)
Segment assets	$13,808,421	$4,286,730	$387,241	$4,040,075	$22,522,467	$3,228,602	$25,751,069	$(2,735,535)	$23,015,534
2. Others									
(1) Depreciation and amortization	$ 709,080	$ 158,437	$ 37,533	$ 84,679	$ 989,729	$ 4,359	$ 994,088	$ 12,663	$ 1,006,751
(2) Amortization of goodwill, net	(6,093)	362	2,903	670	(2,158)	(181)	(2,339)	–	(2,339)
(3) Interest income	12,164	1,893	393	1,031	15,481	13,312	28,793	(10,994)	17,799
(4) Interest expenses	114,673	26,592	3,519	20,809	165,593	9,123	174,716	(36,269)	138,447
(5) Equity in earnings (losses) of affiliated companies, net	(69,654)	13,376	1,627	1,488	(53,163)	680	(52,483)	–	(52,483)
(6) Cost of business structural reforms	1,078,820	–	–	–	1,078,820	–	1,078,820	–	1,078,820
(7) Investment in affiliates	708,389	64,125	17,278	12,654	802,446	24,263	826,709	–	826,709
(8) Tangible/intangible fixed assets increased	1,365,657	121,882	11,717	216,257	1,715,513	6,614	1,722,127	31,089	1,753,216

Effective from the year ended March 31, 2013, the Company has changed the method of allocating general and administrative expenses to reflect global expansion of our business locations on segment information appropriately. In case of calculating segment information for the year ended March 31, 2012 in accordance with the new method, segment loss would be decreased by ¥2,260 million ($24,030 thousand) in “Bulkships,” ¥541 million ($5,752 thousand) in “Containerships” and ¥51 million ($542 thousand) in “Ferry & Domestic Transport” respectively and increased by ¥2,891 million ($30,739 thousand) in “Adjustment.” And segment income would be increased by ¥71 million ($755 thousand) in “Associated Business” and decreased by ¥33 million ($351 thousand) in “Others.”

	Millions of yen								
	Reportable segment								
For the year ended March 31, 2012:	Bulkships	Container-ships	Ferry & Domestic transport	Associated business	Sub Total	Others	Total	Adjustment	Consolidated
1. Revenues:									
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	¥ 726,011	¥542,426	¥52,134	¥106,710	¥1,427,281	¥ 7,940	¥1,435,221	¥ –	¥1,435,221
(2) Inter-segment revenues.	978	1,700	206	17,729	20,613	7,206	27,819	(27,819)	–
Total revenues.	¥ 726,989	¥544,126	¥52,340	¥124,439	¥1,447,894	¥ 15,146	¥1,463,040	¥ (27,819)	¥1,435,221
Segment income (loss)	¥ (6,922)	¥ (29,910)	¥ (534)	¥ 9,099	¥ (28,267)	¥ 4,304	¥ (23,963)	¥ (357)	¥ (24,320)
Segment assets	¥1,194,814	¥365,975	¥36,089	¥355,342	¥1,952,220	¥278,061	¥2,230,281	¥(284,119)	¥1,946,162
2. Others									
(1) Depreciation and amortization. . .	¥ 58,371	¥ 13,433	¥ 3,867	¥ 8,254	¥ 83,925	¥ 1,446	¥ 85,371	¥ 253	¥ 85,624
(2) Amortization of goodwill, net	(558)	35	241	(12)	(294)	6	(288)	–	(288)
(3) Interest income	798	170	70	42	1,080	1,256	2,336	(1,163)	1,173
(4) Interest expenses	9,818	2,457	406	1,980	14,661	1,056	15,717	(4,206)	11,511
(5) Equity in earnings of affiliated companies, net	1,883	984	93	124	3,084	216	3,300	–	3,300
(6) Investment in affiliates	59,381	5,082	1,096	1,370	66,929	2,228	69,157	–	69,157
(7) Tangible/intangible fixed assets increased	158,188	8,210	829	5,442	172,669	2,768	175,437	289	175,726

(Segment income (loss))
Segment income (loss) is calculated by adjusting operating income for gains on management of surplus funds (interest income, etc.) and the cost of raising funds (interest expense, etc.)

(B) RELATED INFORMATION:

(1) Information about geographic areas:

Our service areas are not necessarily consistent with our customer's location in our core ocean transport business.

That's why the revenues of geographic areas are revenues, wherever they may be earned, of companies registered in countries in the geographic areas.

	Millions of yen					
For the year ended March 31, 2013:	Japan	North America	Europe	Asia	Others	Consolidated
Revenues	**¥1,400,961**	**¥17,422**	**¥35,220**	**¥55,591**	**¥ –**	**¥1,509,194**
Tangible fixed assets	**¥1,211,948**	**¥23,456**	**¥ 3,651**	**¥64,844**	**¥68**	**¥1,303,967**

	Thousands of U.S. dollars (Note 1)					
For the year ended March 31, 2013:	Japan	North America	Europe	Asia	Others	Consolidated
Revenues	**$14,895,917**	**$185,242**	**$374,482**	**$591,079**	**$ –**	**$16,046,720**
Tangible fixed assets	**$12,886,209**	**$249,399**	**$ 38,820**	**$689,463**	**$724**	**$13,864,615**

	Millions of yen					
For the year ended March 31, 2012:	Japan	North America	Europe	Asia	Others	Consolidated
Revenues	¥1,355,877	¥19,150	¥25,008	¥34,657	¥529	¥1,435,221
Tangible fixed assets	¥1,226,211	¥25,194	¥ 4,013	¥38,299	¥ 86	¥1,293,803

(2) Information about impairment loss by reportable segment:

For the year ended March 31, 2013:	Millions of yen							
	Reportable segment							
	Bulkships	Container-ships	Ferry & Domestic transport	Associated business	Sub Total	Others	Adjustment and elimination	Consolidated
Impairment loss	**¥8,407**	**¥–**	**¥368**	**¥–**	**¥8,775**	**¥278**	**¥1,925**	**¥10,978**

For the year ended March 31, 2013:	Thousands of U.S. dollars (Note 1)							
	Reportable segment							
	Bulkships	Container-ships	Ferry & Domestic transport	Associated business	Sub Total	Others	Adjustment and elimination	Consolidated
Impairment loss	**$89,389**	**$–**	**$3,912**	**$–**	**$93,301**	**$2,956**	**$20,468**	**$116,725**

Note: Other than the amounts written above, impairment loss associated with bulkships segment (¥7,279 million ($77,395 thousand)) were included in cost of business structural reforms.

For the year ended March 31, 2012:	Millions of yen							
	Reportable segment							
	Bulkships	Container-ships	Ferry & Domestic transport	Associated business	Sub Total	Others	Adjustment and elimination	Consolidated
Impairment loss	¥5,468	¥–	¥–	¥–	¥5,468	¥–	¥–	¥5,468

(3) Information about goodwill (negative goodwill) by reportable segment:

For the year ended March 31, 2013:	Millions of yen							
	Reportable segment							
	Bulkships	Container-ships	Ferry & Domestic transport	Associated business	Sub Total	Others	Adjustment and elimination	Consolidated
Goodwill (Negative goodwill) at the end of current year	**¥(1,014)**	**¥16**	**¥704**	**¥1,397**	**¥1,103**	**¥2**	**¥–**	**¥1,105**

For the year ended March 31, 2013:	Thousands of U.S. dollars (Note 1)							
	Reportable segment							
	Bulkships	Container-ships	Ferry & Domestic transport	Associated business	Sub Total	Others	Adjustment and elimination	Consolidated
Goodwill (Negative goodwill) at the end of current year	**$(10,782)**	**$170**	**$7,485**	**$14,855**	**$11,728**	**$21**	**$–**	**$11,749**

For the year ended March 31, 2012:	Millions of yen							
	Reportable segment							
	Bulkships	Container-ships	Ferry & Domestic transport	Associated business	Sub Total	Others	Adjustment and elimination	Consolidated
Goodwill (Negative goodwill) at the end of current year	¥(1,362)	¥62	¥977	¥1,155	¥832	¥14	¥–	¥846

15. INCOME TAXES

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate statutory rates in Japan of approximately 34.25% for the year ended March 31, 2013 and 37.25% for the year ended March 31, 2012.

(A) Significant components of deferred tax assets and liabilities at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Deferred tax assets:			
Excess bad debt expenses	**¥ 1,772**	¥ 673	**$ 18,841**
Reserve for bonuses expenses	**1,463**	1,495	**15,556**
Retirement benefits expenses	**4,287**	4,198	**45,582**
Retirement allowances for directors	**728**	702	**7,741**
Write-down of securities and other investments	**1,576**	2,404	**16,757**
Accrued business tax	**423**	392	**4,498**
Operating loss carried forward	**69,292**	25,491	**736,757**
Unrealized gain on sale of fixed assets	**1,699**	2,052	**18,065**
Impairment loss	**1,212**	613	**12,887**
Unrealized losses on hedging derivatives	**–**	13,150	**–**
Others	**3,287**	3,787	**34,948**
Total deferred tax assets	**85,739**	54,957	**911,632**
Valuation allowance	**(77,693)**	(11,269)	**(826,082)**
Net deferred tax assets	**8,046**	43,688	**85,550**
Deferred tax liabilities:			
Reserve deductible for tax purposes when appropriated for deferred gain on real properties	**(1,815)**	(1,849)	**(19,298)**
Reserve deductible for tax purposes when appropriated for special depreciation	**(889)**	(1,173)	**(9,452)**
Unrealized holding gains on available-for-sale securities	**(15,200)**	(10,931)	**(161,616)**
Gain on securities contributed to employee retirement benefit trust	**(3,698)**	(3,698)	**(39,320)**
Revaluation reserve	**(14,811)**	(14,787)	**(157,480)**
Retained earnings of consolidated subsidiaries	**(16,489)**	(14,228)	**(175,322)**
Unrealized gains on hedging derivatives	**(21,127)**	–	**(224,636)**
Others	**(325)**	(370)	**(3,455)**
Total deferred tax liabilities	**(74,354)**	(47,036)	**(790,579)**
Net deferred tax liabilities	**¥(66,308)**	¥ (3,348)	**$(705,029)**

Following the promulgation on December 2, 2011 of the “Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures” (Act No. 114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No. 117 of 2011), Japanese corporation tax rates will be reduced and the special reconstruction corporation tax, a surtax for reconstruction funding after the Great East Japan Earthquake, will be imposed for the fiscal years beginning on or after April 1, 2012. In line with these revisions, the Company changed the statutory tax rate to calculate deferred tax assets and liabilities from 37.25% to 34.25% for temporary differences which are expected to reverse during the period from the fiscal year beginning on April 1, 2012 to the fiscal year beginning on April 1, 2014. Similarly, the Company changed the statutory tax rate to calculate deferred tax assets and liabilities from 37.25% to 31.75% for temporary differences which are expected to reverse from the fiscal years beginning on or after April 1, 2015.

As a result of this change, net deferred tax assets (after netting deferred tax liabilities) decreased by ¥527 million, and income taxes—deferred, unrealized holding gains on available-for-sale securities, net of tax increased by ¥556 million, ¥1,782 million, respectively and unrealized losses on hedging derivatives, net of tax decreased by ¥1,752 million.

(B) Significant difference between the statutory tax rate and the effective tax rate for the financial statement purpose for the years ended March 31, 2013 and 2012 are not stated as the Company recorded loss before income taxes and minority interests.

16. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

Employees' severance and retirement benefits included in the liability section of the consolidated balance sheets at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Projected benefit obligation	**¥ 61,280**	¥ 61,317	**$ 651,568**
Unrecognized actuarial differences	**(712)**	(3,887)	**(7,570)**
Prepaid pension expenses	**17,576**	17,566	**186,879**
Less fair value of pension assets	**(64,672)**	(61,230)	**(687,634)**
Employees' severance and retirement benefits	**¥ 13,472**	¥ 13,766	**$ 143,243**

Included in the consolidated statements of operations for the years ended March 31, 2013 and 2012 were severance and retirement benefit expenses, which comprised the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Service costs—benefits earned during the year	**¥ 3,054**	¥ 3,965	**$ 32,472**
Interest cost on projected benefit obligation	**873**	874	**9,282**
Expected return on plan assets	**(1,087)**	(1,085)	**(11,558)**
Amortization of actuarial differences	**239**	685	**2,541**
Others*	**1,102**	459	**11,718**
Employees' severance and retirement benefits expenses	**¥ 4,181**	¥ 4,898	**$ 44,455**

* "Others" represents special retirement and expenses related to the defined contribution pension plan of the Group.

The discount rate for the years ended March 31, 2013 and 2012 used by the Company is mainly 2.0%. Also, the rate of expected return on plan assets for the years ended March 31, 2013 and 2012 is mainly 2.0%.

The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years.

17. STOCK OPTIONS

(A) EXPENSED AMOUNT

Expensed amounts on stock options for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Selling, general and administrative expenses	**¥110**	¥150	**$1,170**
Total	**¥110**	¥150	**$1,170**

(B) TERMS AND CONDITIONS

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

	2002	2003	2004	2005
Number of grantees	Directors: 13 Executive officers: 19 Employees: 52	Directors: 11 Executive officers: 16 Employees: 37 Presidents of the Company's domestic consolidated subsidiaries: 34	Directors: 11 Executive officers: 16 Employees: 32 Presidents of the Company's domestic consolidated subsidiaries: 34	Directors: 11 Executive officers: 17 Employees: 38 Presidents of the Company's domestic consolidated subsidiaries: 34
Number of stock options	Common stock 1,560,000	Common stock 1,590,000	Common stock 1,570,000	Common stock 1,650,000
Grant date	September 11, 2002	August 8, 2003	August 5, 2004	August 5, 2005
Vesting conditions	No provisions	No provisions	No provisions	No provisions
Service period	No provisions	No provisions	No provisions	No provisions
Exercise period	From June 26, 2004 to June 25, 2012	From June 20, 2004 to June 25, 2013	From June 20, 2005 to June 24, 2014	From June 20, 2006 to June 23, 2015

	2006	2007	2008	2009
Number of grantees	Directors: 11 Executive officers: 17 Employees: 34 Presidents of the Company's domestic consolidated subsidiaries: 37	Directors: 11 Executive officers: 20 Employees: 33 Presidents of the Company's domestic consolidated subsidiaries: 36	Directors: 11 Executive officers: 20 Employees: 38 Presidents of the Company's domestic consolidated subsidiaries: 36	Directors: 11 Executive officers: 20 Employees: 33 Presidents of the Company's domestic consolidated subsidiaries: 35
Number of stock options	Common stock 1,670,000	Common stock 1,710,000	Common stock 1,760,000	Common stock 1,640,000
Grant date	August 11, 2006	August 10, 2007	August 8, 2008	August 14, 2009
Vesting conditions	No provisions	No provisions	No provisions	No provisions
Service period	No provisions	No provisions	No provisions	No provisions
Exercise period	From June 20, 2007 to June 22, 2016	From June 20, 2008 to June 21, 2017	From July 25, 2009 to June 24, 2018	From July 31, 2011 to June 22, 2019

	2010	2011	2012
Number of grantees	Directors: 10 Executive officers: 21 Employees: 36 Presidents of the Company's domestic consolidated subsidiaries: 33	Directors: 10 Executive officers: 22 Employees: 34 Presidents of the Company's domestic consolidated subsidiaries: 33	Directors: 9 Executive officers: 22 Employees: 33 Presidents of the Company's domestic consolidated subsidiaries: 30
Number of stock options	Common stock 1,710,000	Common stock 1,720,000	Common stock 1,640,000
Grant date	August 16, 2010	August 9, 2011	August 13, 2012
Vesting conditions	No provisions	No provisions	No provisions
Service period	No provisions	No provisions	No provisions
Exercise period	From July 31, 2012 to June 21, 2020	From July 26, 2013 to June 22, 2021	From July 28, 2014 to June 21, 2022

(C) CHANGES IN NUMBER AND UNIT PRICES

The following tables summarize changes in number and unit prices of stock options for the years when they were granted:

(1) Changes in number of stock options

Non-vested stock options	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Balance at March 31, 2012	–	–	–	–	–	–	–	–	1,710,000	1,720,000	–
Options granted during the year	–	–	–	–	–	–	–	–	–	–	1,640,000
Options expired during the year	–	–	–	–	–	–	–	–	–	–	–
Options vested during the year	–	–	–	–	–	–	–	–	1,710,000	–	–
Balance at March 31, 2013	–	–	–	–	–	–	–	–	–	1,720,000	1,640,000

Vested stock options	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Balance at March 31, 2012	20,000	14,000	286,000	878,000	1,443,000	1,680,000	1,750,000	1,630,000	–	–	–
Options vested during the year	–	–	–	–	–	–	–	–	1,710,000	–	–
Options exercised during the year	20,000	–	–	–	–	–	–	–	–	–	–
Options expired during the year	–	–	–	–	–	–	–	–	–	–	–
Balance at March 31, 2013	–	14,000	286,000	878,000	1,443,000	1,680,000	1,750,000	1,630,000	1,710,000	–	–

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Exercise price	¥264	¥377	¥644	¥762	¥841	¥1,962	¥1,569	¥639	¥642	¥468	¥277
Average market price of share at exercise	¥276	–	–	–	–	–	–	–	–	–	–
Fair value per stock option at grant date	–	–	–	–	¥219	¥ 352	¥ 217	¥136	¥208	¥ 87	¥ 67

(D) KEY FIGURES FOR FAIR VALUE PER STOCK OPTION

The Company utilized the Black Scholes Model for calculating fair value per stock option. Key figures of the calculation were as follows:

	2012
Stock price volatility	47.0%
Expected remaining term of the option	5 years and 11 months
Expected dividends	¥5 per share
Risk-free interest rate	0.29%

18. MATERIAL NON-CASH TRANSACTIONS

Amounts of lease assets and lease obligations recognized for the years ended March 31, 2013 and 2012 were ¥495 million ($5,263 thousand) and ¥3,817 million, respectively.

19. BUSINESS COMBINATIONS

(1) Name and business description of companies subject to business combination

Surviving company: Utoc Corporation (business: harbor and transport business and other activities)

Absorbed company: International Container Terminal Co., Ltd. (business: harbor and transport business and other activities)

(2) Date of business combination (effective date)

April 1, 2011

(3) Legal form of business combination

Merger in which Utoc Corporation is the surviving company

(4) Name of company after business combination

Utoc Corporation

(5) Outline of transaction including its purpose

The merger was conducted between Utoc Corporation, which is engaged in a wide range of business activities including plant construction, warehousing and logistics in addition to harbor and transport business, and International Container Terminal Co., Ltd., which has made achievements as a high-quality container terminal operator. This merger thus promotes effective use of management resources and expanded service menus in pursuing aggressive business activities not only in the harbor and transport business but also in the logistics and plant businesses. By so doing, the Company will work to enhance the service quality that is well recognized by customers in various sectors in an aim to grow, expand and maximize corporate value.

The transaction underlying the business combination entails allotment of 1.04 shares of common stock of Utoc Corporation for every 1 share of common stock of International Container Terminal Co., Ltd.

(6) Overview of accounting treatment of transaction

The transfer was accounted for as a transaction under common control as per Accounting Standard for Business Combinations (ASBJ Statement No. 21, December 26, 2008) and the Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, December 26, 2008).

20. COMPREHENSIVE INCOME

For the years ended March 31, 2013 and 2012, the amounts reclassified to net loss that were recognized in other comprehensive income and tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Unrealized holding gains on available-for-sale securities, net of tax:			
Increase (Decrease) during the year	**¥ 10,770**	¥ (7,682)	**$ 114,514**
Reclassification adjustments	**2,801**	8,891	**29,782**
Sub-total, before tax	**13,571**	1,209	**144,296**
Tax benefit (expense)	**(4,478)**	1,295	**(47,613)**
	9,093	2,504	**96,683**
Unrealized gains on hedging derivatives, net of tax:			
Increase during the year	**70,181**	19,784	**746,209**
Reclassification adjustments	**17,796**	9,894	**189,219**
Adjustments of acquisition cost	**2,712**	6,316	**28,836**
Sub-total, before tax	**90,689**	35,994	**964,264**
Tax expense	**(34,276)**	(17,263)	**(364,444)**
	56,413	18,731	**599,820**
Foreign currency translation adjustments:			
Increase (Decrease) during the year	**14,902**	(2,569)	**158,448**
Reclassification adjustments	**7**	1,266	**74**
	14,909	(1,303)	**158,522**
Share of other comprehensive income (loss) of associates accounted for using equity method:			
Decrease during the year	**(3,560)**	(15,672)	**(37,852)**
Reclassification adjustments	**4,664**	5,621	**49,590**
	1,104	(10,051)	**11,738**
Total other comprehensive income	**¥ 81,519**	¥ 9,881	**$ 866,763**

21. RELATED PARTY TRANSACTIONS

			Millions of yen				Millions of yen: Transactions during the year ended March 31, 2013		Millions of yen: Balance at March 31, 2013		Thousands of U.S. dollars (Note 1): Transactions during the year ended March 31, 2013	Thousands of U.S. dollars (Note 1): Balance at March 31, 2013
Category	Name of company	Address	Paid-in capital	Business description	Ratio of the Group's voting rights	Relation with related party	Description of transaction	Transacted amount	Account	Amount	Transacted amount	Amount
Affiliated company	Daiichi Chuo Kisen Kaisha	Chuo-ku, Tokyo	¥20,758	Marine transportation	Directly 26.96%	Interlocking directorate Ship chartering Loans of capital	Underwriting of capital increase	¥15,000	–	–	$159,490	–
							Loans of capital	38,400			408,293	

Notes: 1. (1) With regard to underwriting of capital increase, the Company underwrote capital increase through a third-party allotment of new shares of Daiichi Chuo Kisen Kaisha at ¥1,000 per share.

(2) With regard to loans of capital, interest rates on loans were decided after considering market interest rates. Furthermore, collateral was not accepted.

2. Consumption taxes are not included in transacted amount.

22. SUBSEQUENT EVENT

There are no applicable matters to report.

KPMG あずさ監査法人

Independent Auditor's Report

To the Board of Directors of Mitsui O.S.K. Lines, Ltd.:

We have audited the accompanying consolidated financial statements of Mitsui O.S.K. Lines, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2013 and 2012, and the consolidated statements of operations, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mitsui O.S.K. Lines, Ltd. and its consolidated subsidiaries as at March 31, 2013 and 2012, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 21, 2013
Tokyo, Japan

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

			Registered Office	MOL's Voting Rights (%)*	Paid-in Capital (Thousands)
Bulkships	■	BGT Ltd.	Liberia	100.00	US$5
	■	BLNG Inc.	U.S.A.	75.00	US$1
	■	Chugoku Shipping Agencies Ltd.	Japan	100.00	¥10,000
	■	El Sol Shipping Ltd. S.A.	Panama	100.00	US$10
	■	Euro Marine Carrier B.V.	Netherlands	75.50	€91
	■	Euro Marine Logistics N.V.	Belgium	50.00	€900
	■	LNG Fukurokuju Shipping Corporation	Bahamas	100.00	¥1,000
	■	LNG Jurojin Shipping Corporation	Bahamas	100.00	¥1,000
	■	MOL LNG Transport Co., Ltd.	Japan	100.00	¥40,000
	■	MCGC International Ltd.	Bahamas	80.10	US$1
	■	Mitsui O.S.K. Bulk Shipping (Asia Oceania) Pte. Ltd.	Singapore	100.00	S$2,350
	■	Mitsui O.S.K. Bulk Shipping (Europe) Ltd.	U.K.	100.00	US$402
	■	Mitsui O.S.K. Bulk Shipping (USA), Inc.	U.S.A.	100.00	US$200
	■	Mitsui O.S.K. Kinkai, Ltd.	Japan	100.00	¥660,000
	■	MOG LNG Transport S.A.	Panama	100.00	¥0
	■	MOL Bridge Finance S.A.	Panama	100.00	US$8
	■	MOL Bulk Carriers Pte. Ltd.	Singapore	100.00	US$3,500
	■	MOL-NIC Transport Ltd.	Liberia	75.00	US$13,061
	■	MOL Cape (Singapore) Pte. Ltd.	Singapore	100.00	US$14,752
	■	MOL Netherlands Bulkship B.V.	Netherlands	100.00	€18
	■	Nissan Carrier Europe B.V.	Netherlands	100.00	€195
	■	Nissan Motor Car Carrier Co., Ltd.	Japan	70.01	¥640,000
	■	Phoenix Tankers Pte. Ltd.	Singapore	100.00	US$328,811
	■	Samba Offshore S.A.	Panama	100.00	US$10
	■	Shining Shipping S.A.	Panama	100.00	US$10
	■	Shipowner/Chartering companies (197 companies) in Panama, Cayman Islands, Liberia, Singapore, Hong Kong, Cyprus, Malta, Isle of Man, Marshall Islands and the U.K.			
	■	Tokyo Marine Asia Pte Ltd	Singapore	100.00	S$138,018
	■	Tokyo Marine Co., Ltd.	Japan	100.00	¥2,000,000
	■	Unix Line Pte Ltd.	Singapore	100.00	US$344
	■	World Logistics Service (U.S.A.), Inc.	U.S.A.	100.00	US$200
	■	Others (3 companies)			
	▲	Act Maritime Co., Ltd.	Japan	49.00	¥90,000
	▲	Aramo Shipping (Singapore) Pte Ltd.	Singapore	50.00	US$20,743
	▲	Asahi Tanker Co., Ltd.	Japan	24.75	¥600,045
	▲	Cernambi Norte MV26 B.V.	Netherlands	20.60	€100
	▲	Cernambi Sul MV24 B.V.	Netherlands	20.60	€100
	▲	Daiichi Chuo Kisen Kaisha	Japan	26.96	¥20,758,410
	▲	Gearbulk Holding Limited	Bermuda	49.00	US$61,225
	▲	M.S.Tanker Shipping Limited	Hong Kong	50.00	HK$2,000
	▲	Trans Pacific Shipping 2 Ltd.	Bahamas	50.00	¥1,200,000
	▲	Shipowner/Chartering companies (43 companies) in Liberia, Panama, Bahamas, Malta, Netherlands, Indonesia, Marshall Islands and Cayman Islands			
Containerships	■	Chiba Utoc Corporation	Japan	100.00	¥90,000
	■	Hong Kong Logistics Co., Ltd.	Hong Kong	100.00	HK$58,600
	■	International Container Transport Co., Ltd.	Japan	51.00	¥100,000
	■	M.O. Air International (Taiwan) Co., Ltd.	Taiwan	100.00	NT$7,500
	■	Mitsui O.S.K. Lines (Australia) Pty. Ltd.	Australia	100.00	A$1,000
	■	Mitsui O.S.K. Lines (Japan) Ltd.	Japan	100.00	¥100,000
	■	Mitsui O.S.K. Lines (SEA) Pte Ltd.	Singapore	100.00	S$200
	■	MOL (America) Inc.	U.S.A.	100.00	US$6
	■	MOL (Brasil) Ltda.	Brazil	100.00	R$2,403
	■	MOL (China) Co., Ltd.	China	100.00	US$1,960
	■	MOL (Europe) B.V.	Netherlands	100.00	€456
	■	MOL (Europe) Ltd.	U.K.	100.00	£1,500
	■	MOL (Singapore) Pte. Ltd.	Singapore	100.00	S$5,000
	■	MOL Consolidation Service Limited	Hong Kong	100.00	HK$1,000
	■	MOL Consolidation Service Ltd. (China)	China	100.00	RMB8,000
	■	MOL Liner, Limited	Hong Kong	100.00	HK$40,000
	■	MOL Logistics (Deutschland) GmbH	Germany	100.00	€537
	■	MOL Logistics (Europe) B.V.	Netherlands	100.00	€414
	■	MOL Logistics (H.K.) Ltd.	Hong Kong	100.00	HK$3,676
	■	MOL Logistics (Japan) Co., Ltd.	Japan	75.06	¥756,250
	■	MOL Logistics (Netherlands) B.V.	Netherlands	100.00	€3,049
	■	MOL Logistics (Singapore) Pte. Ltd.	Singapore	100.00	S$700
	■	MOL Logistics (Thailand) Co., Ltd.	Thailand	49.00	BT20,000
	■	MOL Logistics (UK) Ltd.	U.K.	100.00	£400
	■	MOL Logistics (USA) Inc.	U.S.A.	100.00	US$9,814
	■	MOL Logistics Holding (Europe) B.V.	Netherlands	100.00	€19
	■	MOL South Africa (Proprietary) Limited	South Africa	100.00	R3,000
	■	Shanghai Huajia International Freight Forwarding Co., Ltd.	China	76.00	US$1,720
	■	Shipowner companies (15 companies) in Panama, Marshall Islands, Liberia and Hong Kong			
	■	Shosen Koun Co., Ltd.	Japan	79.98	¥300,000
	■	TraPac, Inc.	U.S.A.	100.00	US$3,000
	■	Utoc Corporation	Japan	67.55	¥2,155,300
	■	Utoc Engineering Pte Ltd.	Singapore	100.00	S$2,000
	■	Utoc Logistics Corporation	Japan	100.00	¥50,000
	■	Utoc Stevedoring Corporation	Japan	100.00	¥50,000
	■	Others (9 companies)			

		Registered Office	MOL's Voting Rights (%)*	Paid-in Capital (Thousands)
Containerships	▲ Mitsui O.S.K. Lines (Thailand) Co., Ltd.	Thailand	47.00	BT20,000
	▲ Shanghai Kakyakusen Kaisha, Ltd.	Japan	31.98	¥100,000
	▲ Shanghai Longfei International Logistics Co., Ltd.	China	22.05	US$1,240
	▲ Other company (1 company)			
Ferry & Domestic Transport	■ Blue Sea Network Co., Ltd.	Japan	100.00	¥54,600
	■ Blue Highway Express Kyushu Co., Ltd	Japan	100.00	¥50,000
	■ Blue Highway Service K.K.	Japan	100.00	¥30,000
	■ Ferry Sunflower Limited.	Japan	100.00	¥100,000
	■ MOL Naikou, Ltd.	Japan	100.00	¥650,000
	■ Shipowner company (1 company) in Panama			
	■ MOL Ferry Co., Ltd.	Japan	100.00	¥1,577,400
	■ Others (7 companies)			
	▲ Meimon Taiyo Ferry Co., Ltd.	Japan	38.73	¥880,000
	▲ Others (2 companies)			
Associated Business	■ Daibiru Corporation	Japan	51.07	¥12,227,847
	■ Daibiru Facility Management Ltd.	Japan	100.00	¥17,000
	■ Green Kaiji Kaisha, Ltd.	Japan	100.00	¥95,400
	■ Green Shipping, Ltd.	Japan	100.00	¥172,000
	■ Hokuso Kohatsu K.K.	Japan	100.00	¥50,000
	■ Ikuta & Marine Co., Ltd.	Japan	100.00	¥26,500
	■ Japan Express Co., Ltd. (Kobe)	Japan	86.27	¥99,960
	■ Japan Express Co., Ltd. (Yokohama)	Japan	100.00	¥236,000
	■ Japan Express Packing & Transport Co., Ltd.	Japan	100.00	¥60,000
	■ Japan Hydrographic Charts & Publications Co., Ltd.	Japan	95.25	¥32,000
	■ Jentower Limited	Hong Kong	100.00	US$0
	■ Kosan Kanri Service Co., Ltd.	Japan	100.00	¥20,000
	■ Kosan Kanri Service · West Co.,Ltd.	Japan	100.00	¥14,400
	■ Kitanihon Tug-boat Co., Ltd.	Japan	62.00	¥50,000
	■ Kobe Towing Co., Ltd.	Japan	100.00	¥50,000
	■ Kusakabe Maritime Engineering Co., Ltd.	Japan	100.00	¥200,000
	■ MOL Career Support, Ltd.	Japan	100.00	¥100,000
	■ Mitsui O.S.K. Kosan Co., Ltd.	Japan	100.00	¥300,000
	■ Mitsui O.S.K. Passenger Line, Ltd.	Japan	100.00	¥100,000
	■ MOL Kaiji Co., Ltd.	Japan	100.00	¥95,000
	■ MOL Techno-Trade, Ltd.	Japan	100.00	¥490,000
	■ M.O. Tourist Co., Ltd.	Japan	100.00	¥250,000
	■ Nihon Tug-Boat Co., Ltd.	Japan	87.26	¥134,203
	■ Chartering company (1 company) in Panama			
	■ Saigon Tower Co., Ltd.	Vietnam	100.00	VND48,166,000
	■ Tanshin Building Service Co., Ltd.	Japan	100.00	¥20,000
	■ Ube Port Service Co., Ltd.	Japan	99.39	¥14,950
	▲ Nippon Charter Cruise, Ltd.	Japan	50.00	¥290,000
	▲ Shinyo Kaiun Corporation	Japan	36.00	¥100,000
	▲ South China Towing Co., Ltd.	Hong Kong	25.00	HK$12,400
	▲ Tan Cang-Cai Mep Towage Services Co., Ltd.	Vietnam	40.00	US$4,500
Others	■ Euromol B.V.	Netherlands	100.00	€8,444
	■ MOL Ocean Expert Co., Ltd.	Japan	100.00	¥100,000
	■ International Transportation Inc.	U.S.A.	100.00	US$0
	■ Linkman Holdings Inc.	Liberia	100.00	US$3
	■ MOL Cableship Ltd.	Japan	100.00	¥10,000
	■ MOL Marine Consulting, Ltd.	Japan	100.00	¥100,000
	■ MOL Ship Tech Inc.	Japan	100.00	¥50,000
	■ Mitsui Kinkai Kisen Co., Ltd.	Japan	80.42	¥350,000
	■ Mitsui O.S.K. Holdings (Benelux) B.V.	Netherlands	100.00	€17,245
	■ MOL Accounting Co., Ltd.	Japan	100.00	¥30,000
	■ MOL Adjustment, Ltd.	Japan	100.00	¥10,000
	■ MOL Engineering Co., Ltd.	Japan	100.00	¥20,000
	■ MOL FG, Inc.	U.S.A.	100.00	US$20
	■ MOL Information Systems, Ltd.	Japan	100.00	¥100,000
	■ MOL Manning Service S.A.	Panama	100.00	US$135
	■ MOL Ship Management Co., Ltd.	Japan	100.00	¥50,000
	■ MOL SI, Inc.	U.S.A.	100.00	US$100
	■ Shipowner/Chartering companies (4 companies) in Panama			
	▲ Minaminippon Shipbuilding Co., Ltd.	Japan	24.00	¥200,000
	▲ Osaka Shipping Co., Ltd.	Japan	30.12	¥498,000

*MOL includes MOL and its subsidiaries

WORLDWIDE OFFICES

Head Office

1-1, Toranomon 2-chome, Minato-ku,
Tokyo 105-8688, Japan
P.O. Box 5, Shiba, Tokyo
Tel: 81-3-3587-6224 Fax: 81-3-3587-7734
Branch Offices
Nagoya, Kansai, Hiroshima, Kyushu

Japan

Mitsui O.S.K. Lines (Japan), Ltd.		
Head Office (Tokyo):	Tel: 81-3-3587-7684	Fax: 81-3-3587-7730
Yokohama:	Tel: 81-45-212-7710	Fax: 81-45-212-7735
Nagoya:	Tel: 81-52-564-7000	Fax: 81-52-564-7047
Osaka:	Tel: 81-6-6446-6501	Fax: 81-6-6446-6513
Kyushu:	Tel: 81-92-262-0701	Fax: 81-92-262-0720

North America

MOL (America) Inc.		
Head Office (Chicago):	Tel: 1-630-812-3700	Fax: 1-630-812-3703
Main Branch Offices		
Atlanta:	Tel: 1-678-855-7700	Fax: 1-678-855-7747
Long Beach:	Tel: 1-562-983-6200	Fax: 1-562-983-6292
New Jersey:	Tel: 1-732-512-5200	Fax: 1-732-512-5300
San Francisco:	Tel: 1-925-603-7200	Fax: 1-925-603-7229
Seattle:	Tel: 1-206-444-6900	Fax: 1-206-444-6903
Mitsui O.S.K. Bulk Shipping (USA) Inc.		
Head Office (New Jersey):	Tel: 1-201-395-5800	Fax: 1-201-395-5820
Houston:	Tel: 1-832-615-6470	Fax: 1-832-615-6480
Long Beach:	Tel: 1-562-528-7500	Fax: 1-562-528-7515
MOL Logistics (USA) Inc.		
Head Office (New York):	Tel: 1-516-403-2100	Fax: 1-516-626-6092
Los Angeles:	Tel: 1-310-787-8351	Fax: 1-310-787-8168

Central and South America

MOL (Brasil) Ltda.		
Head Office (Sao Paulo):	Tel: 55-11-3145-3972	Fax: 55-11-3145-3945
MOL (Chile) Ltda.		
Head Office (Santiago):	Tel: 56-2-630-1950	Fax: 56-2-231-5622
Corporativo MOL de Mexico S.A. de C.V.		
Head Office (Mexico City):	Tel: 52-55-5010-5200	Fax: 52-55-5010-5220
MOL (Panama) Inc.		
Head Office (Panama):	Tel: 11-507-300-3200	Fax: 11-507-300-3212
Mitsui O.S.K. Bulk Shipping (USA) Inc.		
Sao Paulo:	Tel: 55-11-3145-3980	Fax: 55-11-3145-3946
MOL (Peru) S.A.C.		
Lima:	Tel: 51-1-6119400	Fax: 51-1-6119429

Europe

MOL (Europe) B.V.		
Head Office (Rotterdam):	Tel: 31-10-201-3200	Fax: 31-10-201-3186
Antwerp:	Tel: 32-3-2024860	Fax: 32-3-2024870
Genoa:	Tel: 39-010-2901711	Fax: 39-010-5960450
Hamburg:	Tel: 49-40-356110	Fax: 49-40-352506
Le Havre:	Tel: 33-2-32-74-24-00	Fax: 33-2-32-74-24-39
Vienna:	Tel: 43-1-877-6971	Fax: 43-1-876-4725
MOL (Europe) Ltd.		
Head Office (Southampton):	Tel: 44-2380-714500	Fax: 44-2380-714519
Mitsui O.S.K. Bulk Shipping (Europe) Ltd.		
Head Office (London):	Tel: 44-20-7265-7676	Fax: 44-20-7265-7699
Brussels:	Tel: 32-2-305-4240	Fax: 32-2-305-4241
Hamburg:	Tel: 49-40-3609-7410	Fax: 49-40-3609-7450
MOL Logistics (Deutschland) GmbH		
Head Office (Dusseldorf):	Tel: 49-211-41883-0	Fax: 49-211-4183310
MOL Logistics (Netherlands) B.V.		
Head Office (Tilburg):	Tel: 31-13-537-33-73	Fax: 31-13-537-35-75
MOL Logistics (U.K.) Ltd.		
Head Office (London):	Tel: 44-1895-459700	Fax: 44-1895-449600

Africa

MOL South Africa (Pty) Ltd.		
Head Office (Cape Town):	Tel: 27-21-441-2200	Fax: 27-21-419-1040
Mitsui O.S.K. Lines (Nigeria) Ltd.		
Lagos:	Tel: 234-1-2806556	Fax: 234-1-2806559
MOL (Ghana) Ltd.		
Tema:	Tel: 233-30-3212084	Fax: 233-30-3210807

Middle East

Mitsui O.S.K. Lines Ltd. Middle East Headquarters		
Dubai:	Tel: 971-4-3573566	Fax: 971-4-3573066
MOL (UAE) L.L.C.		
Head Office (Dubai):	Tel: 971-4-3573566	Fax: 971-4-3573066
Mitsui O.S.K. Bulk Shipping (Asia, Oceania) Pte. Ltd.		
Doha:	Tel: 974-4-836541	Fax: 974-4-836563
Muscat:	Tel: 968-2440-0950	Fax: 968-2440-0953
MOL (Europe) Ltd.		
Beirut:	Tel: 961-3-809812	Fax: 961-4-530492

Oceania

Mitsui O.S.K. Lines (Australia) Pty. Ltd.		
Head Office (Sydney):	Tel: 61-2-9320-1600	Fax: 61-2-9320-1601
Mitsui O.S.K. Lines (New Zealand) Ltd.		
Auckland:	Tel: 64-9-3005820	Fax: 64-9-3091439
Mitsui O.S.K. Bulk Shipping (Asia, Oceania) Pte. Ltd.		
Melbourne:	Tel: 61-3-9691-3224	Fax: 61-3-9691-3223
Perth:	Tel: 61-8-9278-2499	Fax: 61-8-9278-2727
Brisbane:	Tel: 61-7-3007-2115	Fax: 61-7-3007-2116
MOL Logistics (Australia) Pty. Ltd.		
Head Office (Melbourne):	Tel: 61-3-9335-8555	Fax: 61-3-9335-8599

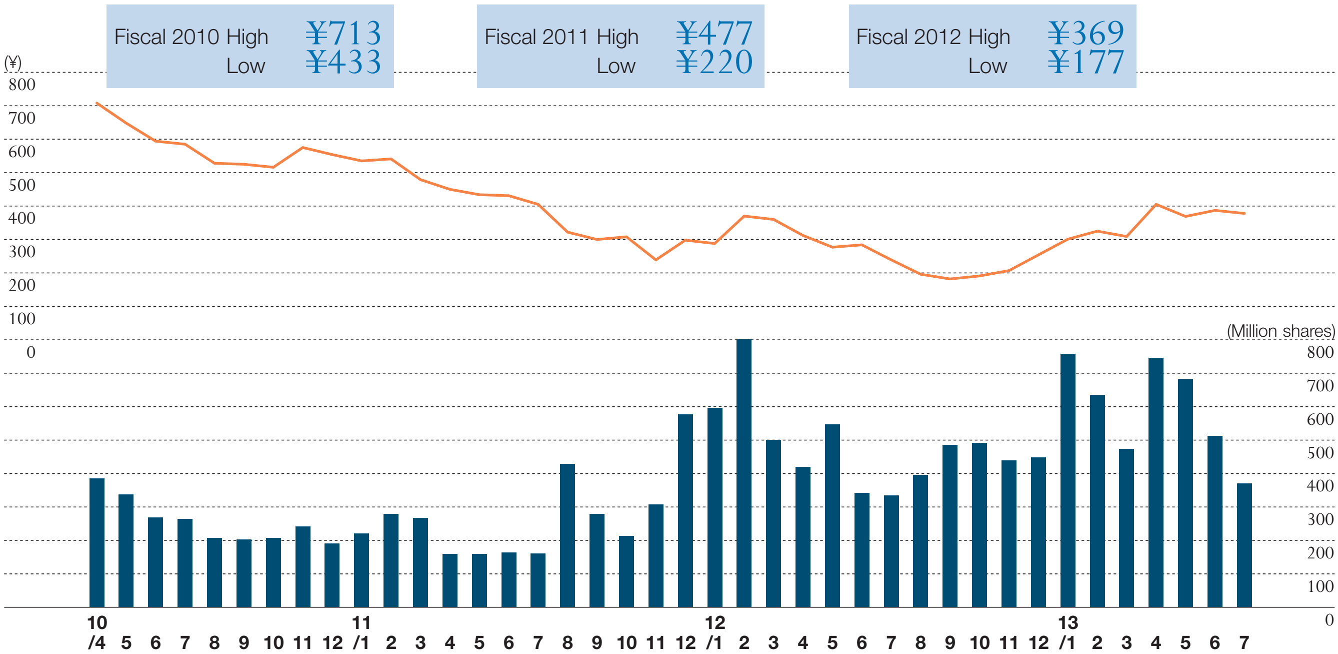
Asia

MOL Liner Ltd.		
Head Office (Hong Kong):	Tel: 852-2823-6800	Fax: 852-2865-0906
Mitsui O.S.K. Lines (India) Private Limited		
Head Office (Mumbai):	Tel: 91-22-4054-6300	Fax: 91-22-4054-6301
Mitsui O.S.K. Lines Lanka (Private) Ltd.		
Head Office (Colombo):	Tel: 94-11-2304721	Fax: 94-11-2304730
MOL (Singapore) Pte. Ltd.		
Head Office (Singapore):	Tel: 65-6225-2811	Fax: 65-6225-6096
Mitsui O.S.K. Lines (Malaysia) Sdn. Bhd.		
Head Office (Kuala Lumpur):	Tel: 60-3-5623-9666	Fax: 60-3-5623-9600
P.T. Mitsui O.S.K. Lines Indonesia		
Head Office (Jakarta):	Tel: 62-21-521-1740	Fax: 62-21-521-1741
Mitsui O.S.K. Lines (Thailand) Co., Ltd.		
Head Office (Bangkok):	Tel: 66-2-234-6252	Fax: 66-2-237-9021
MOL Philippines, Inc.		
Head Office (Manila):	Tel: 632-888-6531	Fax: 632-884-1766
Mitsui O.S.K. Lines (Vietnam) Ltd.		
Head Office (Ho Chi Minh):	Tel: 84-83-8219219	Fax: 84-83-8219317
Mitsui O.S.K. Lines (Cambodia) Co., Ltd.		
Head Office (Phnom Penh):	Tel: 855-23-223-036	Fax: 855-23-223-040
Mitsui O.S.K. Lines Pakistan (Pvt.) Ltd.		
Head Office (Karachi):	Tel: 9221-5205397	Fax: 9221-5202559
MOL (China) Co., Ltd.		
Head Office (Shanghai):	Tel: 86-21-2320-6000	Fax: 86-21-2320-6402
Beijing:	Tel: 86-10-8529-9121	Fax: 86-10-8529-9126
Tianjin:	Tel: 86-22-8331-1331	Fax: 86-22-8331-1318
Shenzhen:	Tel: 86-755-2598-2200	Fax: 86-755-2598-2210
MOL (Taiwan) Co., Ltd.		
Head Office (Taipei):	Tel: 886-2-2537-8000	Fax: 886-2-2537-8098
Mitsui O.S.K. Bulk Shipping (Asia, Oceania) Pte. Ltd.		
Head Office (Singapore):	Tel: 65-323-1303	Fax: 65-323-1305
Bangkok:	Tel: 66-2-634-0807	Fax: 66-2-634-0806
Kuala Lumpur:	Tel: 60-3-5623-9772	Fax: 60-3-5623-9666
Seoul:	Tel: 82-2-5672718	Fax: 82-2-5672719
Mumbai:	Tel: 91-22-4071-4500	Fax: 91-22-4071-4557
Chennai:	Tel: 91-44-4208-1020	Fax: 91-44-4208-1020

Capital:	¥65,400,351,028
Head office:	1-1, Toranomon 2-chome, Minato-ku, Tokyo 105-8688, Japan
Number of MOL employees:	926
Number of MOL Group employees: (The parent company and consolidated subsidiaries)	9,465
Total number of shares authorized:	3,154,000,000
Number of shares issued:	1,206,286,115
Number of shareholders:	120,874
Shares listed in:	Tokyo, Osaka, Nagoya
Share transfer agent:	Mitsubishi UFJ Trust and Banking Corporation 10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081, Japan
Communications materials:	Annual Report (English/Japanese) Investor Guidebook (English/Japanese) Market Data (English/Japanese) News Releases (English/Japanese) Website (English/Japanese) Quarterly Newsletter *Open Sea* (English/Website) Monthly Newsletter *Unabara* (Japanese) Environmental and Social Report (English/Japanese)

(As of March 31, 2013)

STOCK PRICE RANGE (TOKYO STOCK EXCHANGE) AND VOLUME OF STOCK TRADE



Mitsui O.S.K. Lines

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