SINCE 1884
130th
Anniversary

Mitsui O.S.K. Lines

Sea Change
to build sustained momentum

Annual Report 2014

Year ended March 31, 2014

Sea Change

to build sustained momentum

MOL returned to profitability in fiscal 2013 and regained solid footing for a growth trajectory through successful execution of Business Structural Reforms and the single-year management plan “RISE2013.”

Fiscal 2014 marks MOL’s 130th anniversary. Under the newly initiated midterm management plan “STEER FOR 2020,” the Company will build momentum toward solid growth by innovating its business portfolio, business model and business areas while continuing to enhance its core competence as a marine transport company.

MOL GROUP CORPORATE PRINCIPLES

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

Forward-Looking Statements

This annual report contains forward-looking statements concerning MOL’s future plans, strategies and performance. These statements represent assumptions and beliefs based on information currently(*) available and are not historical facts. Furthermore, forward-looking statements are subject to a number of risks and uncertainties that include, but are not limited to, economic conditions, worldwide competition in the shipping industry, customer demand, foreign currency exchange rates, price of bunker, tax laws and other regulations. MOL therefore cautions readers that actual results may differ materially from these predictions.

(*) As of June 24, 2014 unless otherwise specified.




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/ir-e/	Annual Report MOL Investor Guidebook Market Data
http://www.mol.co.jp/csr-e/	Environmental and Social Report

Contents





Shipping:

Making the world smaller and economy bigger.

Nearly 50 years ago in 1965, the global population was 3.3 billion and global seaborne trade was 1.7 billion tons, which means there was around half a ton of cargo per person. Seaborne trade has since outpaced population growth. In 2002, the population increased to 6.3 billion, but seaborne trade grew even faster to 6.4 billion tons, surpassing one ton per person. In 2011, seaborne trade exceeded 1.3 tons per person, and the gap is only continuing to widen. There's a reason why. More and more countries, and the people living in them, have begun participating in the rich bounty of global trade.

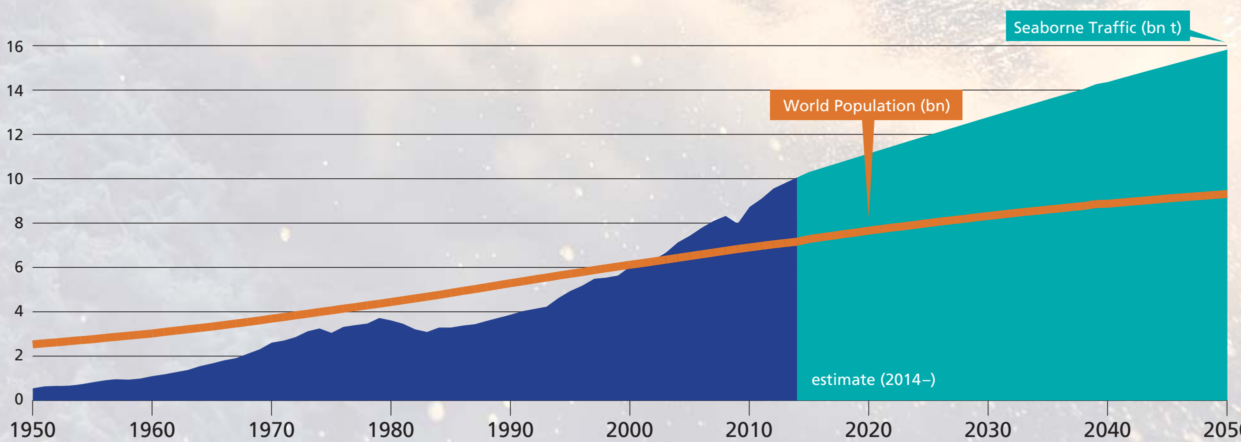
Even in this day and age, when offshoring is said to have peaked out, the frontier still exists in global trade and marine shipping. For example, countries with newly developed resources often seek consumers in faraway lands and burgeoning populations often seek inexpensive, bulk foodstuffs from fertile agricultural regions, however distant. In addition, emerging nations build up their infrastructure, and the people living there often drive up imports as they seek to improve their own quality of life. And as the influence of IT spreads, global interdependence is deepening, spawning an increasing web of cargo flows within and between regions for wide-ranging products and components. The majority of that movement is conveyed through marine shipping.

As long as the world economy grows, or rather, as long as marine shipping continues to support the growth-oriented global economy, seaborne trade will continue to expand. The marine shipping industry is intrinsically a growth industry.

The marine shipping industry creates value by transporting things across the ocean, all sorts of things. Nowadays, most of what we use in our daily lives—from food and clothes to appliances, automobiles and even energy—is produced somewhere else in the world and only reaches us after a long journey through the global supply chain.

Value is created by delivering what people need where they need it, enriching the lives of both the senders and the receivers. This was first made possible by marine shipping, which is an inexpensive means of large-volume shipping. Marine shipping has made the world smaller and the economy bigger.

World Population & Global Seaborne Traffic



Source : World population= UN, Seaborne traffic = Feamley/Clarksons (~2013), MOL estimation based on assumption that the trend of traffic per capita in the past continues in the future (2014–)

130 years & MOL is still changing!

The history of MOL, which has grown in response to expanding seaborne trade, is also a history of innovation. In 1961, we launched the world's first automated ship. In 1965, we launched Japan's first specialized car carrier. In 1968, we commenced service of full containerships. In the 1980s, we were quick to enter the shipping business for methanol, LNG and petroleum products. Moreover, we developed specialized vessels of optimal size to meet customer needs for shipping iron ore, coal, wood chips, crude oil and other products. In 2007, MOL took delivery of the world's largest iron ore carrier, opening a route for shuttle transport of iron ore from Brazil to Japan. It bears the same name—the Brasil Maru—as the ship that served as a bridge for emigrants from Japan to Brazil in the old days. Recently we have been working on the Senpaku ISHIN project, a next-generation vessel concept to reduce environmental load, and in 2012, we launched the world's first hybrid car carrier.

In the midst of making this history, OSK Lines and Mitsui Steamship merged in 1964 to form Mitsui O.S.K. Lines, Ltd. (MOL), which went on to merge with Navix Line in 1999 to form the present Mitsui O.S.K. Lines. Through these mergers, we constructed a business portfolio fit to meet global demand for seaborne trade and strengthened our management foundation.

In 2014, MOL launched "STEER FOR 2020," its mid-term management plan based on analysis of the changing business environment, with the aim of achieving solid growth through innovation.

In April 2014, MOL celebrated its 130th anniversary.

Marine shipping is a growth industry and yet, over the 150-year history of modern marine shipping, more than a few shipping companies have collapsed. Why has MOL continued to grow amid what can admittedly be a hostile environment? MOL has advanced by adapting its businesses to the changing business environment ever since Osaka Shosen Kaisha (OSK Lines), its corporate predecessor, was established in 1884. During the intervening years, MOL has been invigorated with the addition of distinct corporate cultures through two major mergers, creating the robust spirit of innovation and resilience unique to hybrids. And now, once again, the flow of cargo is on the verge of a major sea change. With its eye on 2020, MOL is already adjusting its course to prepare for major changes six years down the line.

MOL's 130 years: Challenge and Innovation

OSK Line's former headquarters building (Osaka)

1884
Osaka Shosen Kaisha (OSK Line) is founded.

1961
World's first automated ship, the *KINKASAN MARU*, is launched.

1964
Mitsui O.S.K. Lines (MOL) was founded by a merger of OSK Line and Mitsui Steamship

1965
Japan's first specialized car carrier, the *OPPAMA MARU*, is launched.

AMERICA MARU (700TEU)

1968
Full containership service commenced

1983
Japan's first specialized methanol tanker, the *KOHZAN MARU*, is launched.

1984
LNG carrier, the *SENSHU MARU* is launched.

1989
Navix Line is established by the merger of Japan Line and Yamashita-Shinnihon Steamship

1995
The first double hull very large crude carrier (VLCC), the *ATLANTIC LIBERTY*, is launched.

1999
New Mitsui O.S.K. Lines is established by the merger of MOL and Navix Line.

2007
The World's largest iron ore carrier, the *BRASIL MARU*, is launched.

2009
Next-generation vessel concept Senpaku ISHIN project announced.

2012
The world's first hybrid car carrier, the *EMERALD ACE*, is launched.

SINCE 1884 130th Anniversary

2014
MOL celebrated its 130th anniversary.

Big opportunities come with challenges.

There is a revolution underway that is changing global trade. The shale revolution occurring in the United States is transforming the global geopolitics of energy and bringing about a major shift in seaborne trade.

In the flows of product trade, the trend toward diversification is ongoing. In some cases, producing regions are moving closer to consuming regions. MOL not only must remain alert to demand movements, but also sensitive to prevailing conditions in global shipyards, which impact the supply-demand balance of vessels. This shifting business environment will bring opportunities to those who can anticipate the changes and meet the new challenges and risks to those who underestimate them.

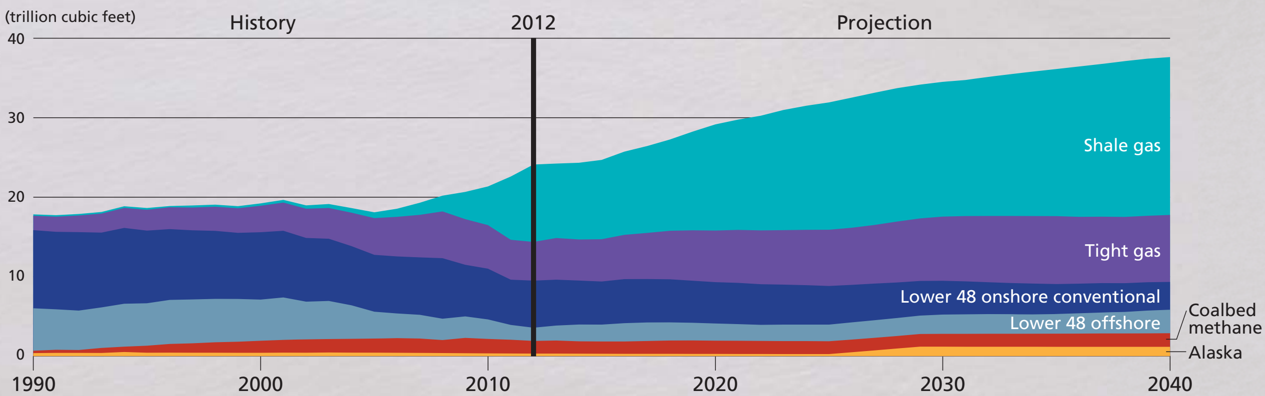
The shale revolution will affect many aspects of seaborne trade. In natural gas, the United States will go from being a net importer to a net exporter, which is certain to rapidly boost demand for long-distance transport of LNG. In crude oil, while the decline in U.S. imports caused the crude oil tanker market to stagnate, it also shifted West African light crude, once destined for the U.S., to Asia, increasing ton-miles. LPG, a byproduct of shale gas, is exported to Asia, generating great demand for marine shipping. With the advantageous price of domestically produced crude oil, the U.S. has already become a net exporter of petroleum products, and production is expected to return stateside in the chemical industry, with forecasts of rising exports. Nevertheless, as these forecasts could change due to fluctuations in energy prices and other factors, we must diligently monitor the situation.

The trend continues toward optimizing manufacturing by moving production to ideal sites worldwide. To name just one instance, the diversification of completed vehicle cargo flows is necessitating changes to established business models. Being able to anticipate these changes and launch services ahead of demand will lead to business opportunities.

Today, we face unprecedented opportunities to capture new flows of cargo, as well as the marine shipping market risks linked with the ongoing glut of shipbuilding capacity. Having seriously assessed both of these factors, you may wonder how MOL plans to achieve sustainable growth over the medium- to long-term. The midterm management plan "STEER FOR 2020" charts a clear course.

Shale gas provides the largest source of growth in U.S. natural gas supply

U.S. natural gas production by source



Source: U.S. Energy Information Administration | Annual Energy Outlook 2014

Financial Highlights

	MOL next		MOL STEP		
	2004/3	2005/3	2006/3	2007/3	2008/3
For the year:					
Shipping and other revenues	¥997,260	¥1,173,332	¥1,366,725	¥1,568,435	¥1,945,697
Shipping and other expenses	824,902	917,149	1,101,459	1,300,038	1,544,109
Selling, general and administrative expenses	80,232	84,388	92,273	100,324	110,303
Operating income (loss)	92,126	171,795	172,993	168,073	291,285
Ordinary income (loss)	90,556	174,979	176,502	182,488	302,219
Income (loss) before income taxes and minority interests	89,776	155,057	188,290	197,854	318,202
Net income (loss)	55,391	98,261	113,732	120,940	190,321
Free cash flows [(a) + (b)]	114,945	80,230	8,838	20,369	23,291
Cash flows from operating activities (a)	114,591	167,897	163,914	156,418	283,359
Cash flows from investing activities (b)	354	(87,667)	(155,076)	(136,049)	(260,068)
Tangible/intangible fixed assets increased	50,548	111,905	177,226	153,876	303,573
At year-end:					
Total assets	1,000,206	1,232,252	1,470,824	1,639,940	1,900,551
Net vessels, property and equipment	477,621	665,320	769,902	847,660	1,047,825
Interest-bearing debt	491,693	514,131	571,429	569,417	601,174
Net assets/Shareholders' equity	221,535	298,258	424,461	620,989	751,652
Amounts per share of common stock:					
Net income (loss)	¥46.14	¥81.99	¥94.98	¥101.20	¥159.14
Cash dividends applicable to the year	11.00	16.00	18.00	20.00	31.00
Management indicators:					
Gearing ratio (%)	222	173	135	104	88
Net gearing ratio (%)	202	157	120	94	79
Equity ratio (%)	22.1	24.2	28.9	33.6	35.8
ROA (%)(*)	5.4	8.8	8.4	7.8	10.8
ROE (%)	28.7	37.8	31.5	24.8	30.9
Dividend payout ratio (%)	23.8	19.5	19.0	19.8	19.5
Number of MOL Group employees: (the parent company and consolidated subsidiaries)	7,033	7,385	8,351	8,621	9,626

(*)Net income (loss) /Average total assets at the beginning and the end of the fiscal year.
Please refer to the notes on P. 74, for "Presentation of net assets in the balance sheet."

MOL ADVANCE | GEAR UP! MOL | RISE 2013

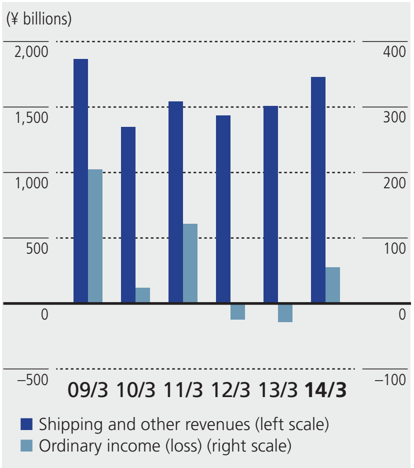
STEER FOR 2020

Millions of yen

2009/3	2010/3	2011/3	2012/3	2013/3	**2014/3**
¥1,865,802	¥1,347,965	¥1,543,661	¥1,435,221	¥1,509,194	**¥1,729,452**
1,564,486	1,228,479	1,328,960	1,368,795	1,432,014	**1,587,902**
104,105	98,547	91,300	90,886	92,946	**100,458**
197,211	20,939	123,401	(24,460)	(15,766)	**41,092**
204,511	24,235	121,622	(24,320)	(28,568)	**54,986**
197,732	27,776	95,367	(33,516)	(137,939)	**71,710**
126,988	12,722	58,277	(26,009)	(178,847)	**57,394**
(71,038)	(40,055)	46,970	(129,298)	(25,285)	**(25,615)**
118,984	93,428	181,755	5,014	78,956	**94,256**
(190,022)	(133,484)	(134,785)	(134,313)	(104,241)	**(119,871)**
223,208	204,190	220,443	175,726	164,890	**186,149**
1,807,080	1,861,312	1,868,741	1,946,162	2,164,611	**2,364,695**
1,106,746	1,209,176	1,257,823	1,293,803	1,303,967	**1,379,245**
702,617	775,114	724,259	869,619	1,046,865	**1,094,081**
695,022	735,702	740,247	717,909	619,493	**783,549**
					Yen
¥106.13	¥10.63	¥48.75	¥(21.76)	¥(149.57)	**¥47.99**
31.00	3.00	10.00	5.00	–	**5.00**
113	118	110	136	196	**161**
99	105	100	123	158	**135**
34.5	35.4	35.4	32.8	24.7	**28.7**
6.9	0.7	3.2	(1.4)	(8.7)	**2.5**
19.5	2.0	8.8	(4.0)	(30.5)	**9.5**
29.2	28.2	20.5	–	–	**10.4**
10,012	9,707	9,438	9,431	9,465	**10,289**

Key Indicators

Shipping and Other Revenues/ Ordinary Income (Loss)

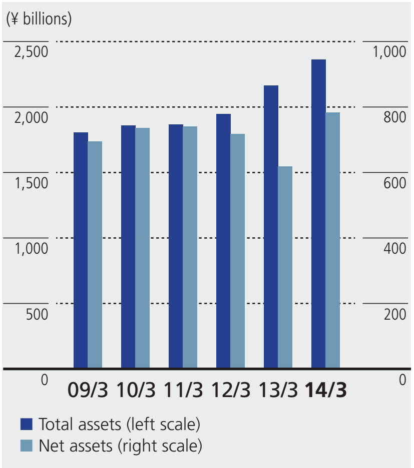


FY2013 Shipping and Other Revenues ¥1,729.4 billion

FY2013 Ordinary Income ¥54.9 billion

Revenues increased ¥220.2 billion year on year and ordinary income achieved a ¥83.5 billion turnaround. This result reflected a strengthening of fleet cost competitiveness through the Business Structural Reforms and cost reductions that rose to an entirely different stage. Other positive effects included the weaker yen and the lower bunker prices.

Total Assets/Net Assets

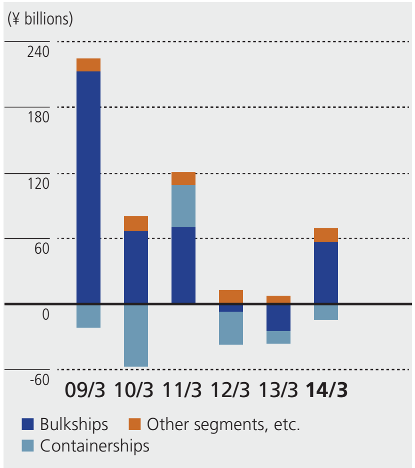


FY2013 Total Assets ¥2,364.6 billion

FY2013 Net Assets ¥783.5 billion

Total assets as of March 31, 2014 were ¥200.0 billion higher than at March 31, 2013 due to increases in vessels and construction in progress attributable to investment for fleet enhancement and increases in investment securities. Net assets increased ¥164.0 billion year on year due mainly to increases in retained earnings and unrealized gains on hedging derivatives.

Ordinary Income (Loss) by Consolidated Segment



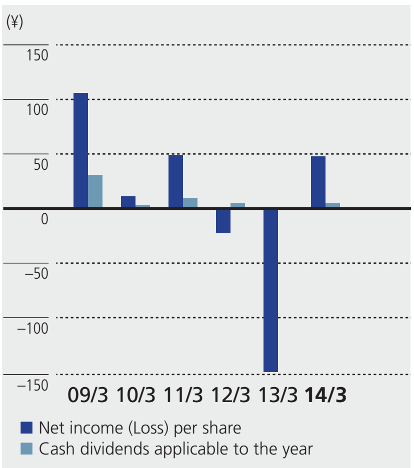
FY2013 Bulkships ¥57.1 billion

FY2013 Containerships ¥(14.5) billion

FY2013 Other segments, etc. ¥12.4 billion

Bulkships improved significantly year on year and returned to profitability mainly through the Business Structural Reforms in the dry bulker segment. Containerships, meanwhile, posted a larger ordinary loss than fiscal 2012 as freight rates fell due to the worsened vessel supply-demand balance accompanying deliveries of large ships.

Net Income (Loss) per Share/Cash Dividends Applicable to the Year

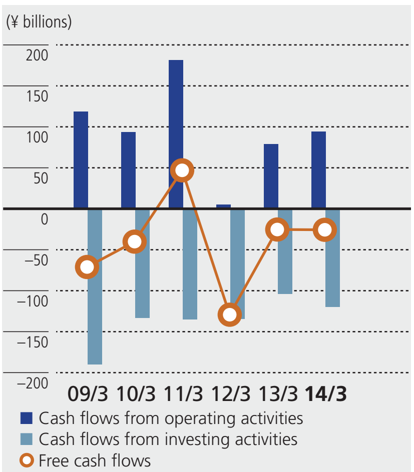


FY2013 Net Income per Share ¥47.99

FY2013 Cash Dividends Applicable to the Year ¥5

MOL's ¥236.2 billion turnaround in net income contrasted sharply with the prior year loss when costs were incurred for Business Structural Reforms. MOL resumed dividends and paid ¥5 per share for the fiscal year, including a ¥2 interim dividend.

Cash Flows

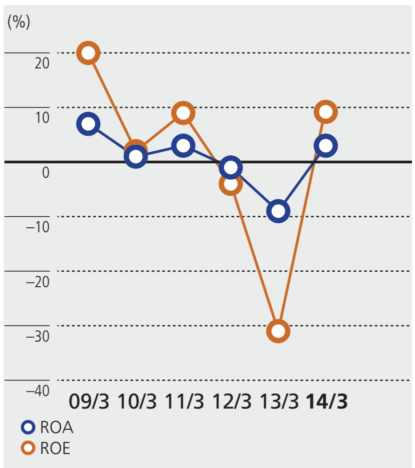


FY2013 Cash Flows from Operating Activities ¥94.2 billion

FY2013 Cash Flows from Investing Activities ¥(119.8) billion

Operating activities provided net cash of ¥94.2 billion, up ¥15.2 billion year on year. Investing activities used net cash of ¥119.8 billion, ¥15.6 billion more than a year prior. For the third straight year, this resulted in negative free cash flows.

ROA/ROE

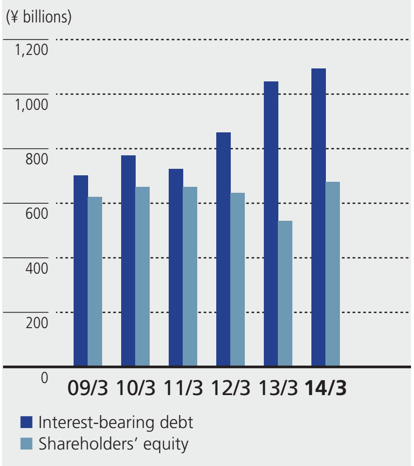


FY2013 ROA 2.5%

FY2013 ROE 9.5%

ROA and ROE both improved significantly because of the year-on-year ¥236.2 billion turnaround in net income.

Interest-bearing Debt/ Shareholders' Equity



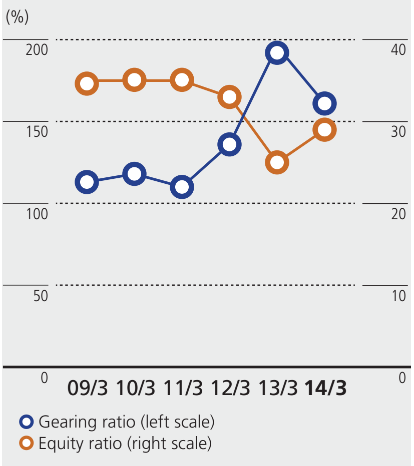
FY2013 Interest-bearing Debt **¥1,094.0** billion

FY2013 Shareholders' Equity **¥679.1** billion

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

Interest-bearing debt increased ¥47.2 billion to ¥1,094.0 billion, as the Company procured funds by bank loans to cover negative free cash flows.

Gearing Ratio/Equity Ratio

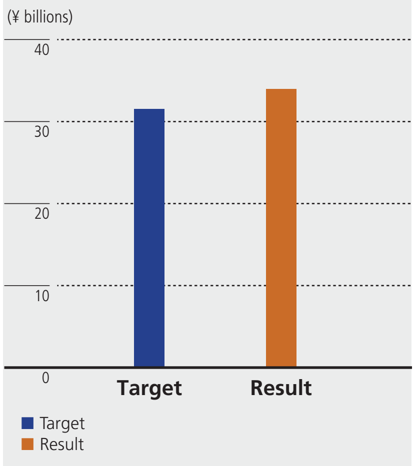


FY2013 Gearing Ratio **161%**

FY2013 Equity Ratio **28.7%**

The gearing ratio improved 35 points and the equity ratio improved 4 points, reflecting the ¥143.7 billion increase in shareholders' equity, the ¥47.2 billion rise in interest-bearing debt, and the ¥200.0 billion increase in total assets.

Cost Reductions

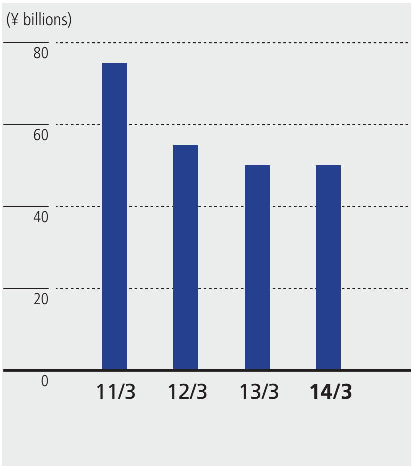


FY2013 Target **¥31.5** billion

FY2013 Result **¥34.0** billion

In fiscal 2013, MOL achieved total cost reductions of ¥34.0 billion, exceeding its ¥31.5 billion target. This was accomplished by reducing bunker expenses through slow steaming, improving vessel allocation efficiency and taking other actions.

Highly Stable Profits



FY2013 Highly Stable Profits **¥50.0** billion

Highly stable profits are firm profits based on medium- to long-term contracts, and profits from highly stable businesses. MOL generated highly stable profits of ¥50.0 billion in fiscal 2013.

Credit Ratings (As of July 2014)

	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

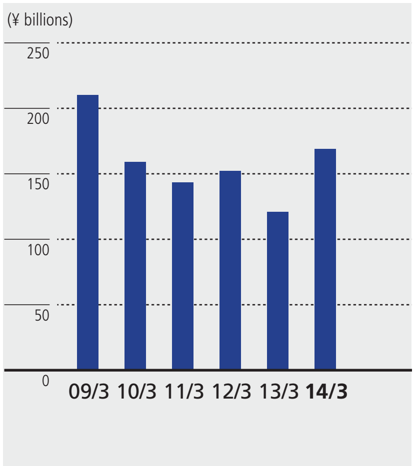
JCR **A**

R&I **A-**

Moody's **Baa3**

MOL exchanged information more closely with the credit rating agencies and explained that capital investments were expected to increase, but would be limited to investments that would generate future stable profits. The credit rating agencies were, to an extent, able to understand this explanation and maintained our current level of credit ratings.

Capital Expenditure



FY2013 Capital Expenditure **¥169.0** billion

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

To Our Shareholders

Koichi Muto
President

The future harbors both uncertainty and opportunities for growth. To ensure a rewarding future for MOL, the key will be successfully picking up on early indicators of change and making swift adjustments to fine tune our heading. International marine shipping demand is consistently growing in step with the global economy. But the speed of that growth and the type, trade and volume of cargo is highly sensitive to current economic developments in many countries, changing trade structures and political events.

Looking back at the past decade or so, I can see we firmly grasped early indicators during the first half and took decisive action. Amidst rapid emerging market growth, this allowed us to expand the scale of our business to an unprecedented level. But we also accumulated significant market exposure risks during the boom market, and during the latter half this oversight became a huge burden on business performance.

I assumed the role of president in June 2010. Business performance was favorable in fiscal 2010, but then, during fiscal 2011 and 2012, a flood of negative factors appeared at once. These included the European financial crisis, natural disasters, an overvalued yen, and surging bunker prices. Above all, however, MOL's market-linked profits worsened due to the oversupply caused by large-scale deliveries of new vessels. It obliterated MOL's stable profits from medium- to long-term contracts, resulting in two consecutive losses. We decided to forgo paying dividends in fiscal 2012, betraying our shareholders' expectations.

This is why MOL decided it was necessary to implement fundamental reforms enabling robust performance that didn't rely on a turnaround in the external environment. In the fourth quarter of fiscal 2012, we carried out Business Structural Reforms, striving to improve market-linked profits, especially in dry bulkers. Then, we poured our energy into successfully carrying out the single-year management plan "RISE2013", with the aim of ensuring a return to profitability and regaining a growth trajectory. To you, our valued shareholders, I would like to announce that we have secured ordinary income of ¥54.9 billion and net income of ¥57.3 billion, and have resumed dividend payments of ¥5 per share.

Since assuming office and based on past experience, I have endeavored to strengthen business intelligence. We gather wide-ranging data from all possible sources, including customers and research institutes, and share this data throughout the organization. We then work to comprehend the complete picture and form a sound assessment from a broad perspective to pinpoint promising markets, risks and early indicators of change in the business environment.

In fiscal 2014, we are moving forward. We have already begun implementing "STEER FOR 2020," which was formulated based on the aggregate business intelligence of each MOL Group director and employee. Of course there is no such thing as data that's 100% reliable or opportunity devoid of risk. It is, however, 100% crucial that, after very carefully examining the very best data available, we make decisions, enact necessary measures and take swift action. Doing this, will enable MOL to overcome intense competition and raise corporate value while fulfilling a MOL Group Principle. "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."

For the midterm management plan "STEER FOR 2020," we have issued a rudder command. Our course stands in direct contrast to a business model that relies on rising markets to lift marine shipping. Instead it is set toward long-term, stable profit growth as we endeavor to capture new opportunities in cargo flows, meet customers' needs and maintain their trust, and differentiate ourselves through safe operations and technical capabilities. As we selectively concentrate the investment of management resources, we will build up a sound financial foundation by 2020. Upon this stable foundation, we will confidently be able to continue readjusting our heading, or even issue a new rudder command, toward growth spurred by evolving strategies ten years down the line from 2020. Our new heading will be discussed and decided in tandem with the execution of the current plan and steadfastly based on robust business intelligence.

MOL will strive to ensure sustainable growth and improve long-term corporate value while meeting growing seaborne shipping demand. We would like to ask for the continued understanding and support of shareholders as we work to achieve these goals.

June 24, 2014

Koichi Muto
President

STEER FOR 2020

Main theme: **Solid growth through innovative changes**

Overall Strategies

Three Innovations

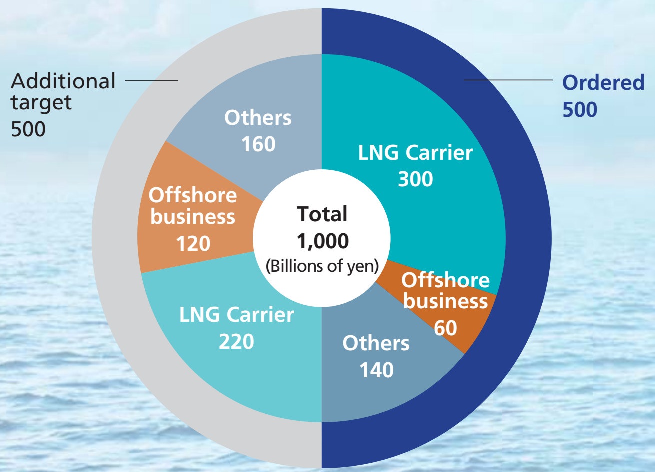
I	II	III
Innovation of Business Portfolio	**Innovation of Business Model**	**Innovation of Business Domain**
Allocate management resources earlier and significantly to businesses where we expect high growth and stable long-term profits	Transform our fleet for higher market tolerability and more competitiveness Focus on businesses that offer added values and meet customer needs	Create value chains by expanding business domain to both upstream and downstream of ocean shipping transport

The foundation to support achievement of our goals

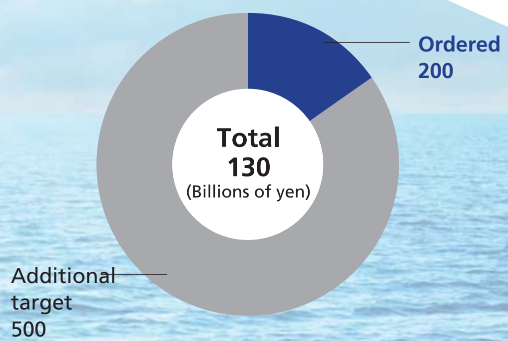
- Reinforce compliance
- Reconstruct our safe operation structure
- Strengthen total risk control
- Concentrate business intelligence

Investments (from FY2014 to FY2019)

For Building up Highly Stable Profits



For Enhancing Cost Competitiveness



Profit Targets/Financial Targets (Billions of yen)

	FY2013 (Result)	FY2014 (Forecast)*	Y2016 (Plan)	FY2019 (Target)
Revenue	1,729.4	1,800	1,900	2,100
Ordinary income	54.9	70	100	140
(Highly stable profits)	(50)	(50)	(55)	(75)
Net income	57.3	60	80	110
ROA *1	2.4%	3%	4-5%	
ROE *2	9.5%	8%	above 10%	

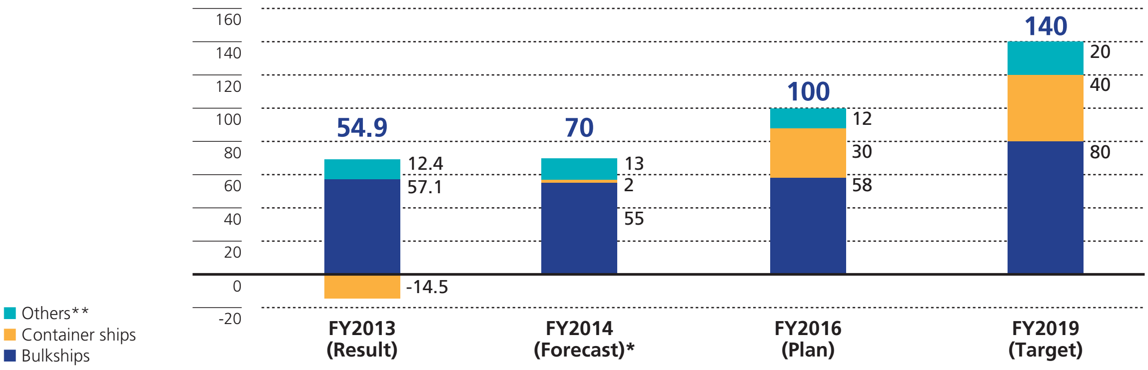
*1) ROA =Ordinary income/ Average total assets at the beginning and the end of the fiscal year
*2) ROE =Net income/ Average shareholders' equity at the beginning and the end of the fiscal year

Equity ratio *3	29%	29%	(around FY2019)	35-40%
Net gearing ratio *4	135%	141%	(around FY2019)	100%

*3) Equity ratio = Shareholders' equity / Total assets
*4) Net gearing ratio =(Interest bearing debt-cash and cash equivalents)/ Shareholders' equity

Exchange rate JPY/US$	99.79	100	100	100
Bunker price US$/MT	610	620	620	620
Market level	Assuming not so much improvements in and after FY2014			

Revenue, Ordinary Income, Net Income (consolidated) (Billions of yen)



Others**=Ferry& domestic transport, Associated businesses, Others and Adjustment

Fleet Scale

	March 31, 2014 (Result)	March 31, 2015 (Forecast)*	March 31, 2017 (Plan)	March 31, 2020 (Target)
Bulkships	776	743	730	780
Dry bulkers	403	390	365	365
Tankers	180	167	160	160
LNG carriers	67	67	75	120
FPSO/FSRU	1	2	10	15
Car carriers	125	117	120	120
Containerships	119	108	105	105
Others	43	43	45	45
Total	938	894	880	930

*As of April 30, 2014

Question 1:

How would you evaluate the results of the fiscal 2013 management-plan "RISE2013"?

Achieving Profit Recovery and Returning to a Growth Trajectory

It was a good year, exceptional in many respects. RISE2013 was itself an exception, with a timeframe of just one year. We typically launch midterm management plans with a horizon of three years, but this single-year management plan was designed with a very immediate purpose. In both fiscal 2011 and fiscal 2012, MOL posted losses. RISE2013 was designed to bring the Group back to profitability in fiscal 2013, placing us on solid footing for future growth. We carried out Business Structural Reforms in fiscal 2012 and other measures that we expected would help to regain profitability on an accounting basis. On top of that we aimed to build up cash flow and achieve a V-shape recovery in profit, thereby strengthening our financial position and returning the Group to a growth trajectory.

On the whole, I believe we achieved our targets. Ordinary income of ¥54.9 billion fell short of our ¥60.0 billion mark, but net income surpassed our ¥50.0 billion target, reaching ¥57.3 billion. We also exceeded our targets for the equity ratio, which improved to 29% (we had targeted 26%), and net gearing ratio improved to 135% (we had targeted 154%).

Looking closer, bulkships were on a clear upswing, but containerships went the other way, ending the year in a loss. We were helped by a better than expected correction in the overvalued yen and lower bunker prices. On the other hand, through the outlined initiatives to transform our business model, we achieved more efficient deployment of ships in dry bulkers, tankers and car carriers. Benefitting from the intensity of focus brought by the single year time frame, we were able to reduce costs on an entirely different stage, achieving ¥34.0 billion in reductions, surpassing our target of ¥31.5 billion. Without these initiatives, we would not have been able to improve cash flows and reverse fiscal 2012's ordinary loss of ¥28.5 billion with ordinary income of ¥54.9 billion in fiscal 2013. More than that, by also attaining a higher level of business intelligence aimed at in RISE2013, the path for the next midterm management plan is now visible. Not only did we find our footing, we were able to build a springboard for MOL's future.

(¥ billions)

	FY2012 (Result)	FY2013 Plan	FY2013 Result
Revenue	1,509.1	**1,700.0**	**1,729.4**
Ordinary income/loss	-28.5	**60.0**	**54.9**
Bulkships	-24.7	**40.0**	**57.1**
Containerships	-11.2	**10.0**	**-14.5**
Others*	7.5	**10.0**	**12.4**
Net income/loss	-178.8	**50.0**	**57.3**
Shareholders' equity	535.4	**590.0**	**679.1**
Equity ratio	25%	**26%**	**29%**
Net gearing ratio	158%	**154%**	**135%**
Cost reduction	29.0	**31.5**	**34.0**

Others*=Ferry & domestic transport, Associated businesses, Others and Adjustment

Business Structural Reforms

Solid Accomplishments in Bulkships

It helps to look at the details by segment and business division.

The dry bulker division, which posted a large loss in fiscal 2012, was really the key to improving business performance in fiscal 2013. As a pillar of the Business Structural Reforms implemented in the fourth quarter of fiscal 2012, we transferred sales and operations of free vessels to our subsidiaries in Singapore. Although this led to large extraordinary losses, we made our fleet more cost-competitive in fiscal 2013. We also gained advantageous cargo contracts in Singapore, a hub for both customers and information, and achieved efficient deployment of vessels. Delivery of new vessels has come off its peak and the market has pulled out of its slump. This helped vastly improve earnings and, coupled with stable profits from long-term contracts, we were able to rebuild a structure that contributes solid profit to MOL's business performance.

Although the tanker division regrettably did not turn a profit, it was able to greatly reduce its loss and is, I believe, poised to turn a profit in the next fiscal year. In crude oil tankers, we reduced losses by shrinking free tonnage and we wrote off some of our ships at the end of the fiscal year. After transferring sales and operations to Singapore, chemical tankers, which were able to secure profitable cargo and efficiently deploy vessels, and LPG tankers, which were supported by favorable market conditions, both turned a profit.

The LNG carrier and offshore businesses division secured stable profits on par with the previous fiscal year thanks to long-term contracts, while accumulating new contracts for future growth thanks to tenacious activities to win orders. A particularly notable milestone was MOL's success in Uruguay, where we became the first Japanese shipping company to participate in an FSRU project anywhere in the world. This definitely showcased MOL's underlying strength.

Despite declining exports of automobiles from Japan, the car carrier division increased profits by efficiently taking on inbound voyages and cross trades outside of Japan.

Assembling the results of these four divisions, Bulkships churned out ¥57.1 billion in ordinary income. This was a sharp turnaround of ¥81.9 billion yen, from the ¥24.7 billion loss in the previous fiscal year. It also surpassed the RISE2013 plan of ¥40.0 billion in ordinary income by ¥17.1 billion. With the dry bulker market pulling out of the slump as expected, this was a really solid year.

Containerships and Unfinished Business

The segment that fell short of forecasts was containerships. The original target called for ordinary income of ¥10.0 billion yen, but the fiscal year ended in a loss of ¥14.5 billion. One after the other, very large vessels were delivered, pushing smaller vessels out of some routes and causing them to cascade to other routes. Despite broad efforts from shipping companies to facilitate recovery, this in turn destabilized freight rates, causing average rates to fall significantly year on year. In effect, this erased all of the gains from cost cutting, the weaker yen and lower bunker prices. And with the dockworker strike in Hong Kong and the incident involving the containership in the Indian Ocean, segment loss worsened ¥3.2 billion from the previous fiscal year.

The other segments performed well. With the Japanese economy recovering, the ferry & domestic transport segment increased profits beyond plans and the associated business segment secured stable profits, especially in real estate.

MOL secured ¥50.0 billion in stable earnings in fiscal 2013, virtually unchanged from the previous fiscal year. What differed considerably, however, was that other earnings than stable profits did not deteriorate into a loss and offset stable profits. This clearly shows the success of the Business Structural Reforms and the initiatives of RISE2013

Despite the overall success of RISE2013, there remains some unfinished business. More than anything, we need to return containerships to profitability. For some reasons including stagnant freight rates on North-South routes, where we have a presence, our business performance lags other companies we benchmark. We need to evaluate the business environment and bolster measures to recover profitability.

We also need to remain sensitive to market developments. As the market improved for dry bulkers and tankers, speculative orders were again made for some vessel types in the latter half of fiscal 2013, which is worrying.

The new midterm management plan "STEER FOR 2020" was formulated in parallel with the execution of RISE2013 in light of the accomplishments and unfinished business of the one-year plan.

Question 2:

What kind of strategy does the midterm management plan's title, "STEER FOR 2020," represent for Mitsui O.S.K. Lines?

Making a Sharp Turn toward 2020—Solid Growth through Innovative Changes

The word *steer* refers to adjusting the rudder of a boat to change direction toward the desired route. How do we plan to adjust the rudder and direct the ship? Hard to starboard. We named this midterm management plan "STEER FOR 2020" to reflect the major shift in direction we take toward the fiscal year ended March 31, 2020.

To formulate the new plan, we first thoroughly analyzed the business environment.

Marine shipping demand is expected to at least keep pace with the world economy, which according to the IMF is poised to grow by about 4%. It is supply, however, that will be the primary issue. Shipbuilding facilities far surpass the scale needed in the world today. And, as mentioned earlier, we saw speculative orders in the latter half of fiscal 2013. We will likely need to wait a while longer before we witness a structural turnaround in the supply and demand environment.

We therefore formulated the midterm management plan with the assumption that freight rates would not rise. This stands in stark contrast to a plan where companies bet on a future bull market in marine shipping and order ships in anticipation. We then thought about how to expand profits under those conditions. Naturally, the answer was to focus on building up stable profits.

When we looked at it that way and went on to analyze the business environment, we realized the shale revolution was delivering a one-in-a-million business opportunities with the rapid expansion of long-distance shipping demand for LNG. Accompanying this, demand for FSRUs will naturally grow as will demand for other offshore businesses, particularly for offshore energy-related facilities. These are areas where MOL can leverage its global presence and know-how gained from being the world's largest energy shipping company while generating stable profits from long-term contracts.

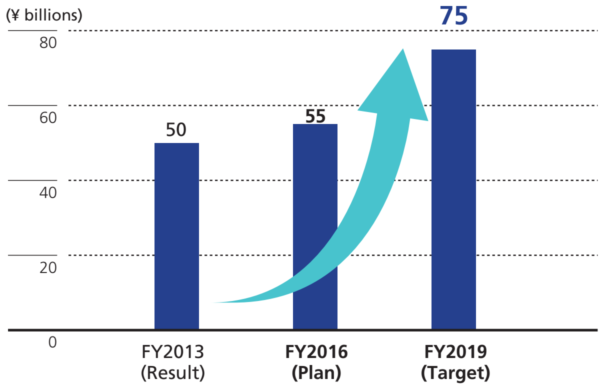
One must concentrate business where there is opportunity. Staff, funds and other management resources are, however, not infinite. We formulated plans to optimally allocate limited resources to maximize return on investment. As a result, we have a plan with clear directives to selectively concentrate our investment in businesses that generate long-term stable profits, centered especially on LNG carriers and offshore businesses.

This is one of the reasons "STEER FOR 2020" is so named. We are adjusting the rudder with new confidence as we navigate toward stable profits. The name also embodies the main theme of the midterm management plan—solid growth through innovative changes. Through the successful enactment of this strategy, we forecast stable profits will increase from ¥50.0 billion in fiscal 2013 to ¥75.0 billion in fiscal 2019.

Innovation of Business Portfolio

The first overall strategy outlined in "STEER FOR 2020" is business portfolio innovation, which

Building up Highly Stable Profits



Highly Stable Profits

- Profits that are fixed, or expected to be fixed during this midterm management plan, from contracts of two years or more.
- Projected profits from highly stable businesses

(The segments and divisions included in "Highly Stable Profits" are Dry bulker, Tanker, LNG carrier, Offshore business, Associated business and Others) refers to the swift, strong allocation of management resources in fields likely to ensure significant growth and long-term stable profits, particularly in LNG carriers and offshore businesses.

This capital investment will only be carried out if a long-term contract is signed and subsequent future cash flow is ensured. Under this premise, if we are able to realize the full increase in fleet size, total capital expenditure between fiscal 2014 and 2019 for LNG carriers and offshore businesses would reach ¥700.0 billion. We expect the profile of LNG carriers and offshore businesses to rise considerably in the MOL Group; nearly tripling to account for 26% of assets at the end of fiscal 2019, up from 9% at the end of September 2013. This would be an unprecedented portfolio transformation.

Securing top-notch seafarers is key to successfully implementing these strategies. Safely operating LNG carriers requires a high degree of knowledge and experience. MOL has training facilities and hiring desks in Croatia, Russia, India, the Philippines and other major recruitment centers. We've also cultivated Indonesian captains through our existing LNG carrier projects. As we expand the scope of our recruitment in many countries, we first deploy new recruits to MOL LNG carriers for training in preparation of new ships being delivered or beginning operations.

Some companies operating LNG carriers are restricting investment due to bottlenecks in recruiting seafarers. However, when exceptional demand is anticipated, MOL believes it preferable to prepare in advance after carefully analyzing cost performance. We are also able to transfer experienced seafarers from tankers and other types of vessels. Innovation of business portfolio is not simply limited to capital investment, it also naturally extends to the optimal distribution of human resources.

LNG carriers and offshore businesses also require highly specialized knowledge, and the demands are likely to grow in the future. We are aiming to earn the trust of customers through our unified manufacturing and sales operations, with the sales division and the technical/marine safety/ship management divisions united as a team.

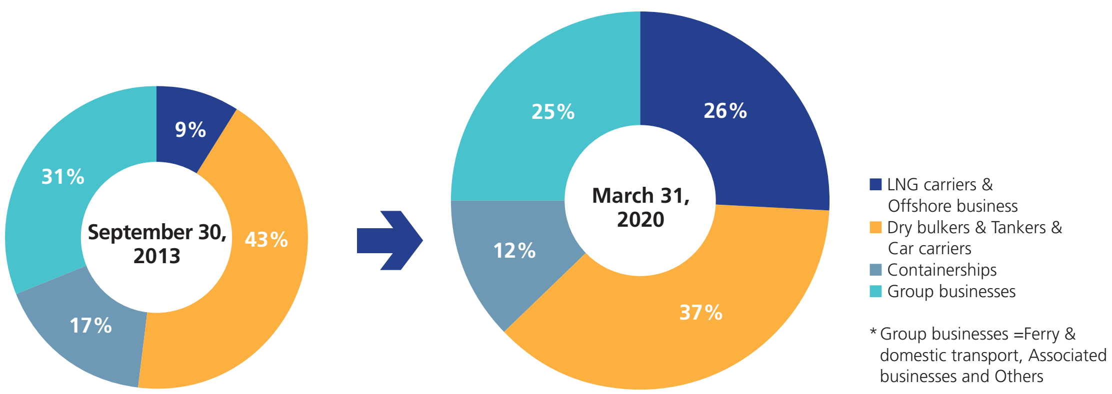
Innovation of Business Domain

Investing in offshore businesses is also a critical link in the third overall strategy, Innovation of Business Domain. Although MOL has horizontally expanded the presence of its marine shipping business across the globe, the Company is now also looking to expand its business domains vertically to capture both upstream and downstream marine shipping businesses.

In this direction, we have already started work outside the offshore businesses by strengthening the container terminal business. In fiscal 2013, we built alliances with a prominent partner, establishing a base for future business expansion.

The vessel operation and management technologies MOL has accumulated will support Innovation in Business Domains, but we will also actively assemble newly needed management resources from outside the Company with the aim of expanding businesses that will be the future pillars of the MOL Group and contribute to stable profit growth.

Innovation in Asset Portfolio by Segment



* Group businesses =Ferry & domestic transport, Associated businesses and Others

Question 3:

How does MOL aim for sustainable profit growth?

Innovation of Business Model

In the last answer, I explained that under "STEER FOR 2020," we will concentrate capital investment on businesses that generate long-term stable profits. However, no matter how much stable profit is accumulated, we cannot achieve solid growth unless we also have a strategy for businesses that face changing markets every day.

The answer to this is our second overall strategy, Innovation of Business Model. While we initiated this strategy under RISE2013, we will further strengthen it under "STEER FOR 2020," with the aim of constructing a structure that can mitigate the impact of market volatility and provide robust profits regardless of market conditions.

First, we will raise our resilience to market volatility by increasing the ratio of medium- to long-term contracts with customers and increasing the ratio of short-term charted ships, especially in dry bulkers and tankers. Although we focused our efforts on reducing the number of free vessels linked to short-term contracts with customers under RISE2013, it is the ships with a gap between contract terms and procurement periods that are actually affected by market volatility. We call this market exposure risk under "STEER FOR 2020" and by targeting a lower ratio, we aim to create a fleet of appropriate scale that also boasts greater market tolerability.

Second, to firmly reap profits with this kind of fleet composition, it is crucial that we optimally combine trades to reduce ballast voyages as much as possible and focus efforts on transport areas where we can provide added value in response to customer needs. In dry bulkers and tankers, we will accomplish this by leveraging the business bases developed in Singapore and other optimal locations around the world, as well as our diverse vessel types and shipping know-how. Our aim is "market plus alpha profits." Although the fleet composition is different for car carriers, which face changing trade patterns as automakers relocate manufacturing nearer end markets, the same strategy will be effective.

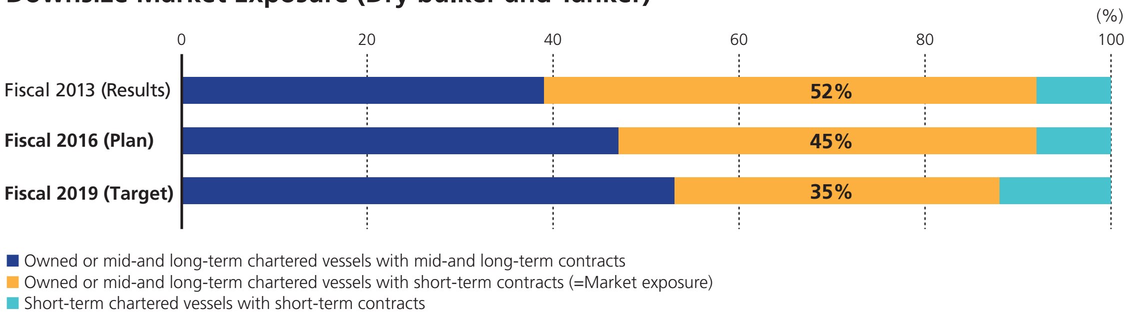
Third is strengthening our cost competitiveness. We will implement measures that effectively cut costs by ¥70.0 billion over three years from fiscal 2014, with roughly half the savings generated by containerships.

Turning a Profit in the Containership Business

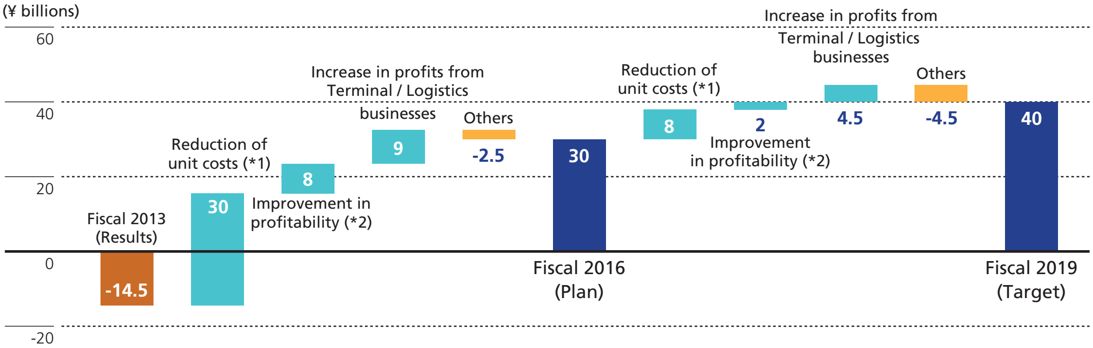
Improving profitability in the containership business will be indispensible to achieving the profit targets of "STEER FOR 2020."

MOL plans to accomplish this by strengthening cost competitiveness, especially by lowering the unit cost associated with launching large vessels. Even while containership companies continued to order ultra-large vessels, MOL strategically delayed following suit. This was because we believed that the first generation of ultra-large vessels would not be particularly fuel efficient. Although some companies that added new vessels appeared to see improved earnings to some extent, by waiting to place orders for new vessels, MOL has been able to add more fuel-efficient vessels to its fleet at lower prices given prevailing conditions in the shipbuilding market. Deliveries of five 14,000 TEU ships began in fiscal 2013 and were completed in April 2014. Between fiscal 2014 and 2016, we will receive deliveries of

Downsize Market Exposure (Dry bulker and Tanker)



Scenario for Earnings Recovery in Containership Business



(*1) Effects from replacement of vessels, expansion of alliance, reduction of fuel cost and so on
(*2) Higher utilization, increase in revenue of non-ocean freight

ten 10,000 TEU ships in series. The new vessels will reduce operational expenses per unit, as will expanding collaboration through the G6 Alliance and reduced fuel consumption, due mainly to fuller implementation of slow steaming. All in all, we expect unit cost savings will reach ¥30.0 billion over three years. We will procure these large vessels through charters.

Reductions in unit cost are quantifiable measures with visible effects. Regardless of how strenuously costs are reduced, however, there will be little improvement in earnings if most of the savings are lost to falling freight rates. Since large vessel deliveries will continue over the following two to three years, we have already incorporated gradually falling freight rates into our plans. We believe, however, the risk of freight rates falling much further is small. In fiscal 2013, most companies posted losses and a few found themselves in financially dire straits. These companies cannot bear larger declines in freight rates and will likely eschew further orders of large vessels. In addition to the limited number of players, the alliances on the East-West routes are increasingly integrating. Previously each individual player thought it logical to order large vessels, but this unintentionally worsened the overall supply and demand balance, bringing about a fallacy of composition. The increasingly integrating alliances, however, make this kind of large volume ordering unlikely to occur again.

Reducing unit cost is dependent upon securing cargo in line with the increasingly larger vessels. Fortunately, everything went as planned for shipping contracts renewed in fiscal 2014, especially with the major customers we have been doing business with for many years. I believe this is the payoff of MOL's intensely focused efforts to differentiate ourselves in this competitive industry.

In the North-South routes, which stifled our attempts to improve containership earnings relative to our competitors, I want to lay out key measures now that we have reorganized the West Africa route. Naturally, we will also consider pulling out from routes that are not forecast to improve.

Complementing improved earnings in route operations, our calculations show increased earnings in the container terminal business, especially our U.S. west coast terminal, where construction to boost automation recently concluded. With the increased earnings in the logistics business, the containership segment on the whole should turn a profit in fiscal 2014 and achieve ordinary income of ¥30.0 billion in fiscal 2016. I will provide close supervision while carefully monitoring the progress of each initiative.

Sustainable, Consistent Profit Growth

By successfully executing the overall strategies explained in my answers to Question 2 and 3, MOL plans to post ¥100.0 billion in ordinary income and ¥80.0 billion yen in net income in fiscal 2016. Looking three years further down the line, MOL aims to post ordinary income of ¥140.0 billion and net income of ¥110.0 billion in fiscal 2019.

Although we will be building up long-term contracts over the next three years in LNG carriers and offshore businesses, actual contributions to profits will mostly happen after fiscal 2016 following the delivery of new ships. Therefore, we will focus on lifting profit levels through fiscal 2016 by increasing profits in divisions that are already rebounding, including dry bulkers and chemical tankers, as well as fully implementing plans to strengthen cost competitiveness, especially in containerships. Achieving reinforcement of market tolerability at the same time, we will bridge now to the period after fiscal 2016, when stable profits start to build up in full swing. In this way we will seek sustainable and consistent growth of profits.

Question 4:

How does MOL plan to improve shareholder value?

Improving Shareholder Value through Active Investment in Long-Term Stable Profits

Under "STEER FOR 2020," we plan to invest a total of ¥1,130 billion in our vessels and businesses: ¥1,000 billion for stable profit growth and ¥130 billion mainly for strengthening cost competitiveness. Considering such factors as the timing of payments and the sale of assets, that would mean net cash used in investing activities between fiscal 2014 and 2019 would approximate ¥600 billion in the first three years and ¥400 billion in the latter three years. On the other hand, net cash provided by operating activities will increase over time due in part to stable profit growth. Cash flows for the first three years will be negative, then turn positive over the latter three years, more than making up for the previous shortfall.

MOL's policy on shareholder returns is to maintain a dividend payout ratio of 20% and raise this to around 30% as our financial standing improves over the medium- to long-term. By first carrying out investment, MOL expects to achieve its financial targets, equity ratio of 35% to 40% and net gearing ratio of 100%, no earlier than around fiscal 2019. However, based on our long-term planning for the next 10 to 20 years, we have determined that now is the best time to actively invest in sources of stable profits. Sound financial standing is also important for securing long-term contracts. Prioritizing capital investment for stable profit growth and improvement in financial standing will, I believe, lead to improved shareholder value over the medium- to long-term. This is the time frame, and I would like to ask for the understanding of our shareholders. We do not envisage restoring shareholders' equity by increasing capital and, as for equity financing as a whole, the Company remains extremely cautious in view of its negative impact on our current shareholders.

When we make an investment, we will pay careful attention to ensure the return on investment.

As for LNG carriers and offshore businesses, the barriers to entry are high and there are relatively few competitors. Because entering into long-term contracts spanning 20 to 30 years also presents risks to customers, it is difficult for shipping companies that do not have comprehensive credibility, including a track record of safe operations and financial soundness, to enter this business. I believe it is therefore certainly possible for MOL to achieve its target number of vessels by securing projects that exceed its internal hurdle rate of ROI and other indicators. ROI levels of course are not like free vessels during surging markets, but I would like to once again emphasize that in contrast with free vessels, LNG carriers will provide long-term stable income for 20 or more years. What is more, because our policy is generally to cover 80% of the total investment from loans and financial institutions are willing to finance this substantial portion, return on equity is further enhanced. Over time profits will increase gradually as loans are paid back and so the interest burden lightens. Our plan is to increase stable profits by ¥25.0 billion from fiscal 2013 to fiscal 2019, but this is only the beginning. The contribution to profits from the long-term contracts secured during this period will continue to grow in fiscal 2020 and beyond.

Through this accumulation of stable profits and strengthening of cost competitiveness, ROA will be steadily lifted to between 4% and 5% during "STEER FOR 2020," and ROE should reach 10% early on in the plan and we would like to maintain it at or above that level.

Strengthening the Management Foundation for Sustainable Growth

In "STEER FOR 2020," we will also work hard to reinforce our management foundation. In this way, we can avoid risks that absolutely must not be taken and exploit opportunities where proper evaluation shows the risk to be reasonable. This will support MOL's sustainable growth and the successful execution of the plans outlined in "STEER FOR 2020."

First, we will reinforce compliance. Compliance is essential to continuing as a going concern. Despite our 130 years of history, illegal behavior could instantly jeopardize our very existence. It must be stamped out and I deeply regret the conduct connected with automobile transport that the Japan Fair Trade Commission found violated the Antimonopoly Act. I offer my sincerest apologies to

customers and society for this. We have already launched a new committee, which I chair, and we will do our very best to reinforce systems and measures to ensure that everyone in the MOL Group, no matter where in the world they work, obeys every law, regulation and social norm.

Second, we will reinforce our safe operation systems. To fulfill our responsibility as a shipping company and to be the company of choice, achieving the world's highest level of safe operations is MOL's essential mission. Considering that customers are calling for higher standards of safety in LNG carriers and offshore businesses, areas where we plan to expand, we will strive to reinforce our systems.

Third, we will strengthen total risk control. We will work to make the volume of comprehensive risk transparent and fully implement sustainable risk management by assuming worst-case scenarios. While no business is free of risks, we will objectively assess whether the risks are worth taking and carefully choose which ones to take.

Fourth, we will strive to concentrate our business intelligence. Since I assumed the role of president, our business intelligence has been strengthened and this forms the foundation upon which the new midterm management plan was formulated. Stand-alone data is of limited value on its own. We will generate value and illuminate trends by combining various sources of data. We will strengthen the systems to quickly share and assemble data from various sources, including our personnel on the front lines.

Intangible Assets Accumulated over 130 Years of History

On April 1, 2014, MOL celebrated its 130th anniversary. MOL is the shipping company with the world's largest fleet, and I really feel that what enabled the Company to grow to its current position is the support of our customers. Until the 1990s, Japan had been the largest trading country and home to an abundance of clients for shipping companies. To transport the cargo entrusted to us by our clients in Japan comprising iron ore, coal, crude oil, LNG, automobiles and various export products, we developed new vessels and further refined our comprehensive services. We then later used those capabilities to acquire clients around the world, beginning with China, and we are still continuing to grow.

One of MOL's dearest intangible assets is the trust we have steadily accumulated with our customers. Our ability to uncover customer needs then offer appropriate solutions, which was acquired through our efforts to repay their trust, is, without a doubt, another.

I would consider the Company's own DNA to be yet another of MOL's intangible assets. By this, I mean MOL's indomitable fighting spirit and the fine balance between that indomitable fighting spirit and total risk control. MOL is a hybrid company that was created through the merger of many companies: Osaka Shosen Kaisha (OSK Lines) and Mitsui Steamship, Navix Line, and Navix Line's previous incarnations of Yamashita-Shinnihon Steamship and Japan Line. This is the source of our DNA and it is because of the very fact that MOL is a hybrid that we are resilient amidst changes in the operating environment. With the merger of these companies, we all worked together to enhance our capabilities, cultivating this indomitable fighting spirit.

While leveraging these intangible assets to the fullest extent possible, MOL is committed to improving shareholder value sustainably by successfully implementing the midterm management plan "STEER FOR 2020," which was formulated in light of the current environment of the marine shipping industry, and achieving solid growth through innovative changes.

MOL at a Glance

Revenues Breakdown by Segment

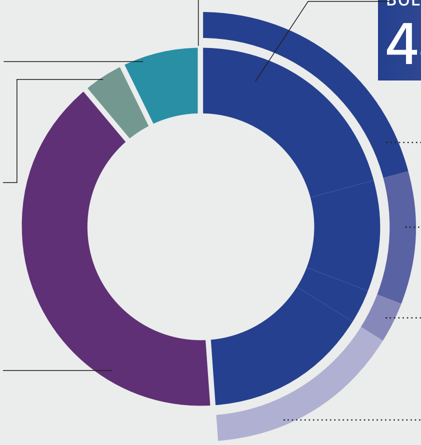
(Fiscal 2013 results)

OTHERS 1%

ASSOCIATED BUSINESSES 7%

FERRY & DOMESTIC TRANSPORT 3%

CONTAINERSHIPS 41%



BULKSHIPS 48%

Dry Bulkers 21%

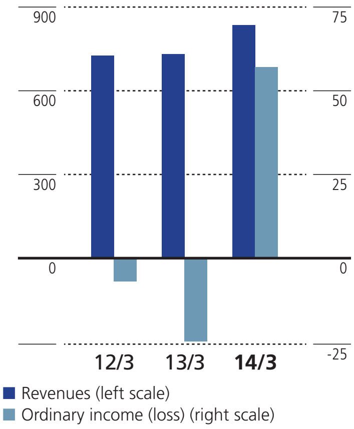
Tankers 10%

LNG Carriers/ Offshore Businesses 3%

Car Carriers 15%

Performance (¥ billions)

BULKSHIPS
(Dry Bulkers, Tankers, LNG Carriers/ Offshore Businesses and Car Carriers)



Fleet Table

	As of March 31, 2014		As of March 31, 2013	
	Number of vessels	Thousand dwt	Number of vessels	Thousand dwt
Dry Bulkers	**403**	**35,760**	404	34,928
Tankers	**180**	**16,874**	194	19,037
LNG Carriers	**67**	**5,182**	69	5,310
Offshore Businesses (FPSO)	**1**	**–**	1	–
Car Carriers	**125**	**2,033**	127	2,063
Containerships	**119**	**7,091**	115	6,370
Ferry & Domestic Transport	**40**	**160**	44	159
Cruise Ships	**1**	**5**	2	10
Others	**2**	**13**	3	19
Total	**938**	**67,117**	959	67,895

(Note) Including spot-chartered ships and those owned by joint ventures

BULKSHIPS (Dry Bulkers, Tankers, LNG Carriers/Offshore Businesses and Car Carriers)

[Dry Bulker] Bulk carrier: AWOBASAN MARU

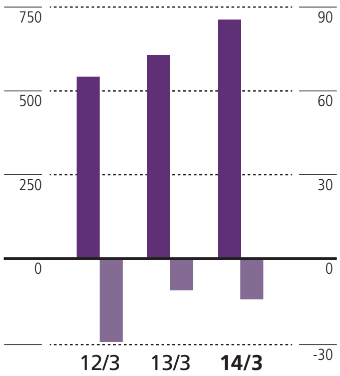
[LNG Carrier] GRAND MEREYA

CONTAINERSHIPS

[Containership] MOL COMMITMENT

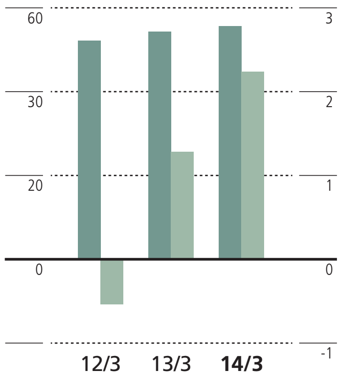
TraPac Jacksonville Container Terminal

CONTAINERSHIPS



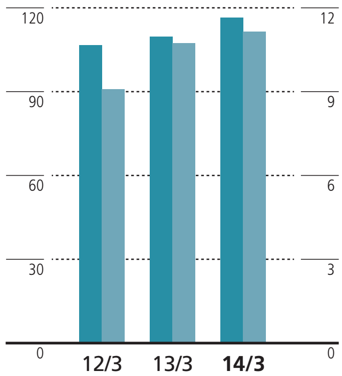
■ Revenues (left scale)
■ Ordinary income (loss) (right scale)

FERRY & DOMESTIC TRANSPORT



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

ASSOCIATED BUSINESSES



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

[Tanker] Crude oil tanker: HORAISAN

[Tanker] Product tanker: GARNET EXPRESS

[Offshore Business] FPSO Cidade de Angra dos Reis MV22 (photo: MODEC, INC.)

[Car Carrier] ONYX ACE

FERRY & DOMESTIC TRANSPORT

[Ferry] SUNFLOWER IVORY

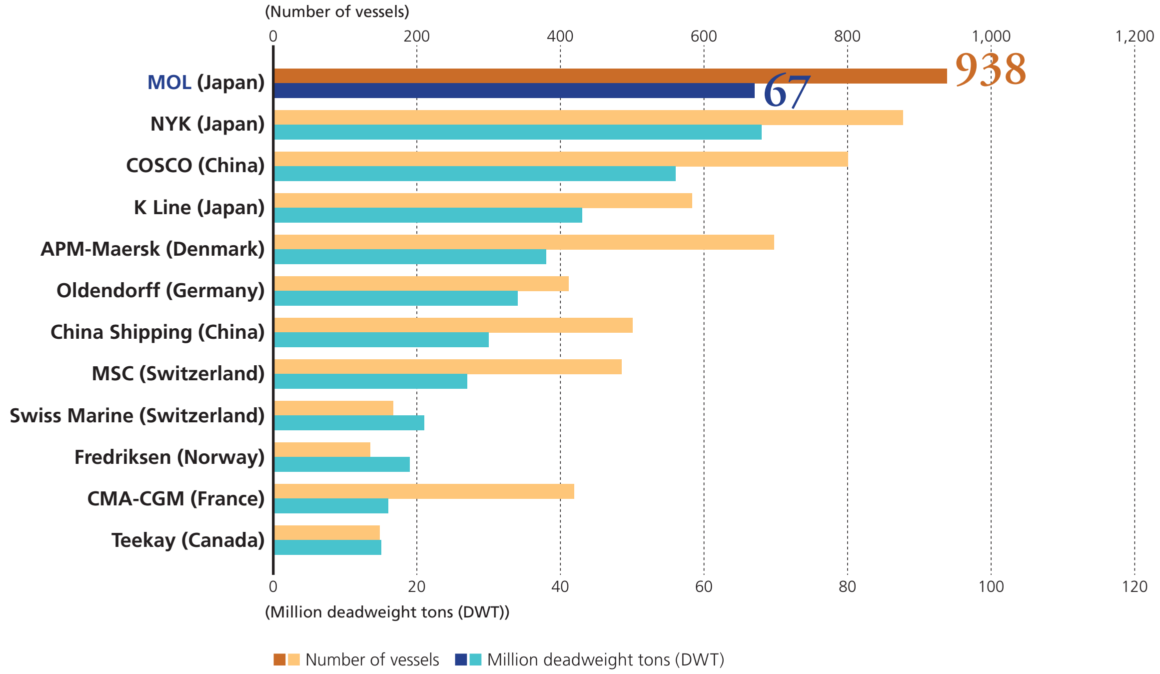
ASSOCIATED BUSINESSES

[Cruise Ship] NIPPON MARU

Market Position in the Industry

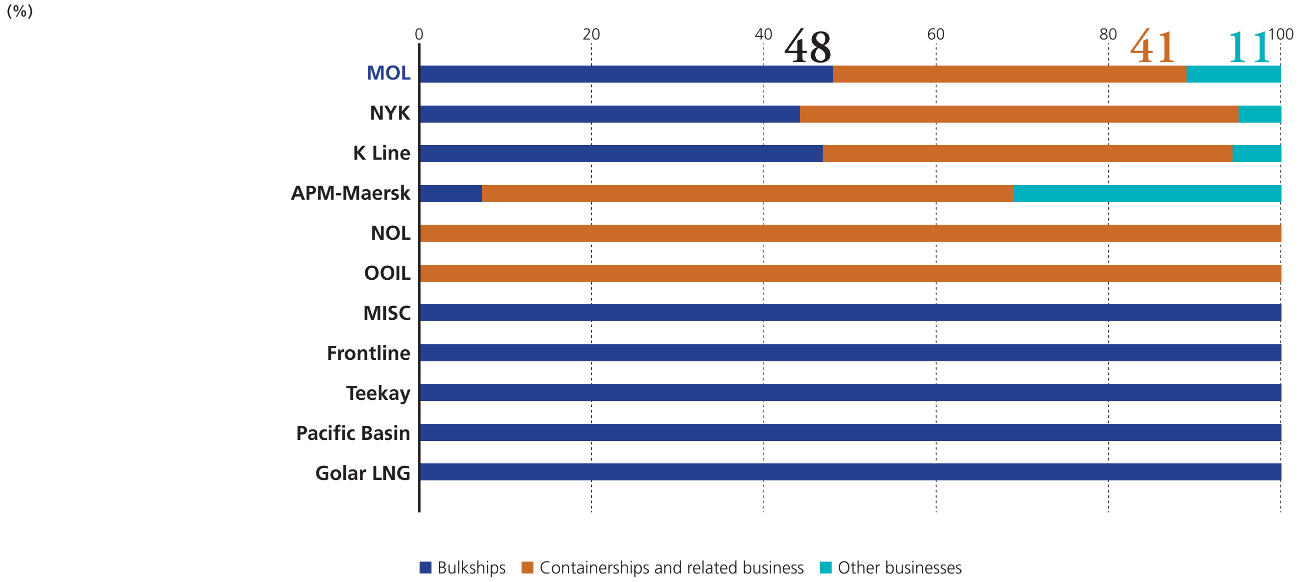
MOL operates a large and balanced oceangoing fleet.
In terms of its total fleet size and presence in individual market categories, MOL ranks among the world's largest shipping companies.

World Major Carriers' Fleets (All Vessel Types)



Source: MOL internal estimation based on each companies' published data, Clarkson and Alphaliner (April 2014)

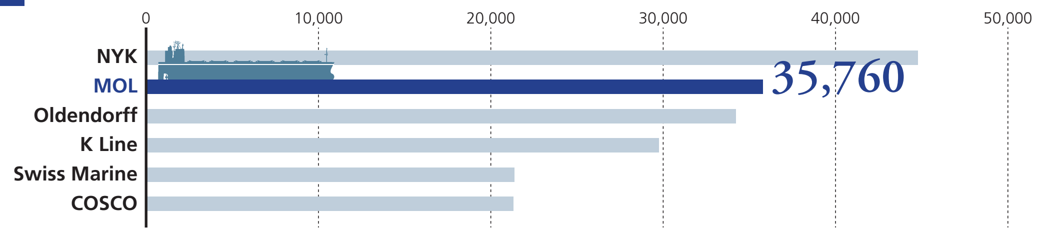
World Major Carriers' Revenue Portfolio by Segment



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

Dry Bulkers

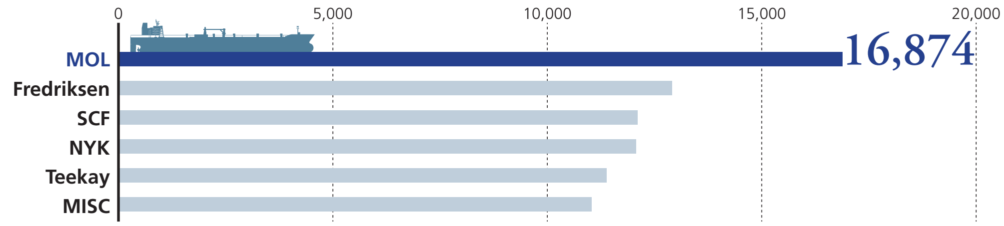
(Thousand deadweight tons)



Source: Companies' published data and Clarkson (March 2014)

Tankers

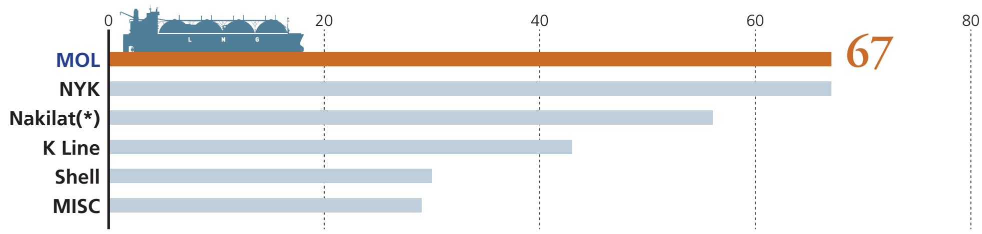
(Thousand deadweight tons)



Source: Companies' published data and Clarkson (March 2014)

LNG Carriers

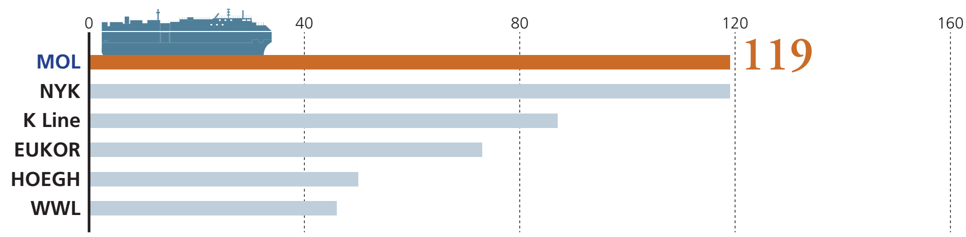
(Number of vessels)



*Qatar Gas Transport Company Ltd.
Source: MOL (March 2014)

Car Carriers

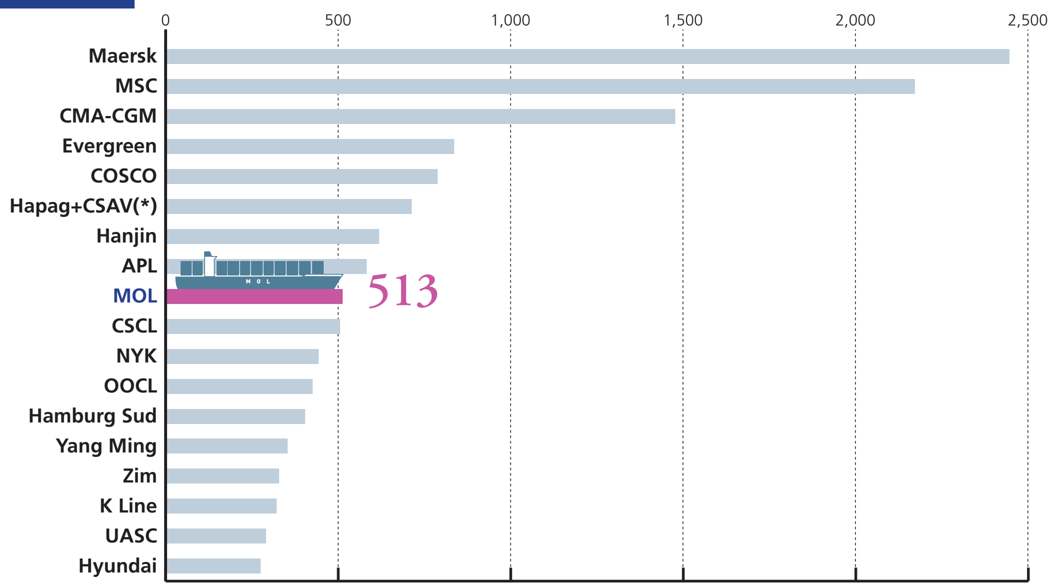
(Number of vessels)



Source: MOL (March 2014)

Containerships

(Thousand TEU)



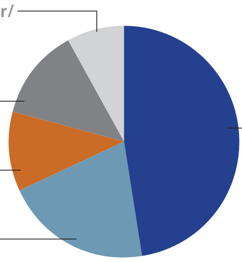
(*) simple summation of each company
Source: MDS (February 2014)

Bulkships
Dry Bulkers

Kenichi Nagata
Senior Managing Executive Officer

We will solidly and sustainably contribute to the overall performance of the Company by providing services that meet customer needs, securing stable profits and strengthening market tolerability.

Consolidated Revenues Breakdown (FY2013)



Dry Bulker Fleet Table

Vessel Type	Standard DWT	At the end of Mar.2013	At the end of Mar.2014	Use
Capesize	170,000	103	107	Steel raw materials (iron ore, coking coal)
Panamax	72,000	38	38	Iron ore, coking coal, steaming coal, grains, etc.
Handymax	55,000	68	67	Steaming coal, grains, salt, cement, steel products, etc.
Small handy	28,000	52	56	Steel products, cement, grains, ores, etc.
Steaming coal carrier	93,000	41	40	Steaming coal
Wood chip carrier	50,000	44	42	Wood chips, soybean meal, etc.
Other (Heavy lifter, General cargo carrier)	12,000	58	53	Steel products, plants, etc.
Total		404	403	

Fiscal 2013 in Review—Looking back on "RISE2013"

MOL transferred sales and operations of dry bulker free vessels*1 from Tokyo to Singapore in the fourth quarter of fiscal 2012 as the centerpiece of its Business Structural Reforms. The charter contracts of about 130 free vessels were transferred at prevailing market rates to our Singaporean subsidiaries,*2 with the difference between the original charter rates and then current market rates recorded as extraordinary loss. As the result, the MOL Group now features one of the world's leading cost-competitive free vessel fleets and it is based in Singapore, which has become the current hub of seaborne transport in Asia.

By firmly establishing this business base in Singapore and endeavoring to secure profitable cargo throughout fiscal 2013, the fleet turned a profit amid market conditions, which were on average, below the general breakeven point over the fiscal year. Also backed by firm, consistent profits from long-term contracts, including those for iron ore and coking coal carriers, steaming coal carriers and wood chip carriers, the entire dry bulk division was able to achieve its target of returning to profitability.

Although the market for dry bulkers remained stagnate in the first half of 2013, the second half brought significant improvement, especially for the largest vessel class (Capesize bulkers). Oversupply prevailed during the three years from 2010 to 2012, with more than 200 new Capesize bulkers completed each year. In 2013, however, the number of newly delivered vessels dropped by half and, supported by robust Chinese imports of iron ore and coal, growth of demand outstripped that of supply. This brought about a much anticipated, genuine market recovery. While we have not seen improvement of the supply-demand situation for small and medium-sized vessels (Panamax size or under), the pace of newly completed vessels has begun to decelerate and the market did perform better on the whole than the previous year.

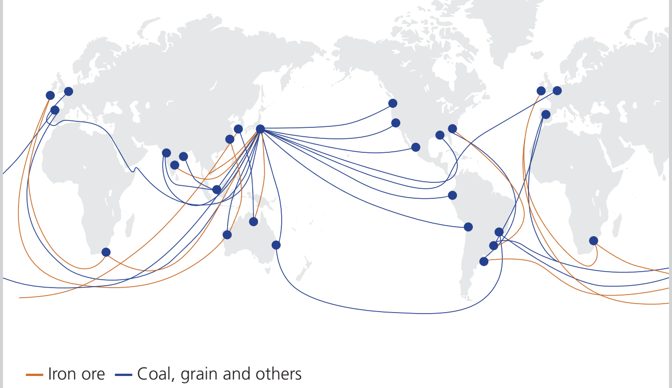
Steaming coal carriers also performed quite well thanks to an increase in the volume of coal imports amid growing use of coal-fired electric power plants to meet base load power requirements in Japan. A recovery in demand for paper in tandem with the rebounding Japanese economy boosted profits in wood chip carriers, which also benefited from new contracts of transport to China and India.

With such an improved operating environment, the dry bulker division did not only turn a profit, it was able to exceed the forecast (announced on April 30, 2013) by 70%.

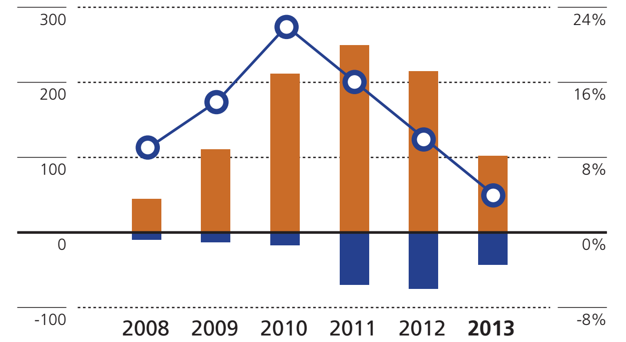
I'd now like to touch upon two accomplishments in fiscal 2013, which contributed to the improvement in profits.

The first is the increased level of slow steaming. Slow steaming is done to keep fuel costs down, but the reduced speed can cause a multitude of issues, including incomplete combustion. With a firm understanding of these, we discovered solutions in terms of both hardware and

Main Routes



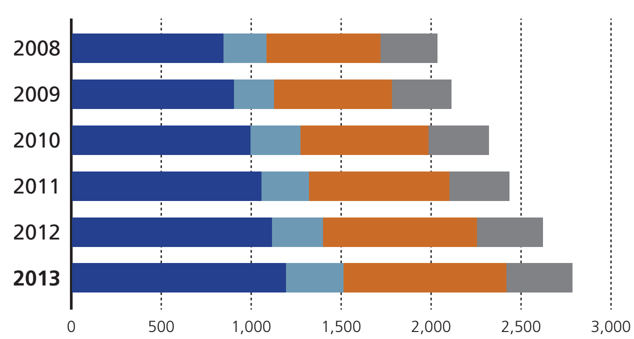
Vessels Supply (Capesize) (Number of vessels)



■ Deliveries ■ Demolitions ○YOY %
Source: MOL internal calculation based on IHS-Fairplay

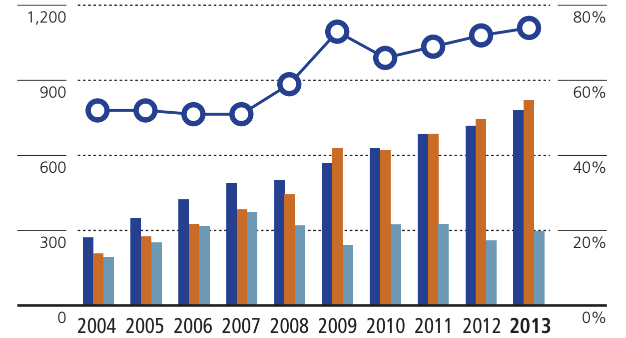
Global Seaborne Trade of Major Dry Bulk Cargo

(Million tons)



■ Iron ore ■ Coking coal ■ Steaming coal ■ Grain
Source: MOL internal calculations based on various sources

China: Dependence on Imported Iron Ore (Million tons)



■ Crude steel production ■ Imported iron ore(*1) ■ Domestic production(*2) ○ Import dependency (%)
Source: MOL estimation (*1) on the premise of 62.5% Fe content (*2) 62.5% Fe content equivalent based on MOL estimate of run-of-mine Fe content

software and, in the case of chartered vessels, promoted ship owners' understanding about these issues.

The second is tangentially related to the first accomplishment. We became very aware of precisely where maritime transport fits into our customers' entire supply chain. Reducing speed under some circumstances can cause trouble for our customers, but if we are aware of our clients' manufacturing processes and stock levels, reducing speed can actually help control inventory and ease port congestion. MOL has gained the trust of its customers by developing and operating vessels of the optimum size to meet the requirements of their loading and discharging ports, as well as providing proposals and services, such as cargo supervision during unloading at destination ports. By keeping in mind exactly where we fit into their supply chain, the entire dry bulker division has come to realize that there are numerous win-win initiatives that will improve service for our customers and improve earnings for the Company.

I call this kind of capacity our "shipping proficiency." It may seem obvious, but as someone who has been involved in this division for quite some time, I can tell you that I really notice the positive impact and I have watched this proficiency grow. By going back and reflecting on the basics of transporting our valued customers' cargo, as was discussed in last year's annual report, we have achieved it. Moving ahead, our shipping proficiency will also support the business model we are striving for under "STEER FOR 2020."

"STEER FOR 2020" and the Outlook for the First Fiscal Year

The market for dry bulkers over the duration of "STEER FOR 2020" is expected to escape stagnation and to remain steadily above general vessel costs. Chinese iron ore imports, a source of frequent concern due to China's economic adjustments, look set to increase as prices of iron ore exported by major natural resource companies are declining. Chinese domestic iron ore will gradually be overtaken by overseas iron ore, which also serves to prevent air pollution in the country. Orders for building dry bulkers, on the other hand, appear to be on a gradual decline heading into 2016, and this should help correct the supply-demand imbalance and improve market conditions.

In light of these factors, especially the improved market conditions, fiscal 2014 profits for the dry bulker division are forecast to surpass the level achieved in fiscal 2013.

However, taking into account the current surplus of shipbuilding facilities around the world, we need to be aware of the risk of an upswing in the number of completed vessels after 2016.

With this awareness, we will begin to shift focus under "STEER FOR 2020." In accordance with its overall strategy, we will work to secure stable profits, provide services to better meet customer needs and increase our market tolerability. Our division has already adopted this route, which essentially means returning to the basics of first securing customers' cargo, then operating vessels to transport it. Or, to put it another way, we are making a clean break from the business model where we would first secure vessels, then operate them or contract them out, which was possible during times of tight supply and high demand for shipbuilding. Operating vessels is considerably more demanding of human power than the business of simply contracting them. Functioning as a guideline for total risk control, however, it will be able to help us suppress the rapid, excessive growth of fleets.

As previously mentioned, we have built a business and operations base in Singapore for free dry bulkers. Singapore is a hub of information regarding global seaborne transport. Many of our key customers, including the three largest natural resource companies, are based in Singapore and charged with making shipping decisions for their businesses. We are putting a lot of effort into being their business partner and shipping company of choice, by earning their trust through technical support, our track-record in shipping and our local presence for face-to-face communication. With our sights on a wide range of markets, including Australia, Southeast Asia, India and China, we will secure and combine diverse cargo, achieve more efficient operations with fewer ballast voyages and generate profits that exceed the market average.

For both our Japanese and Singaporean fleets, we continue aiming to secure and renew long-term contracts for dedicated and large vessels mainly with iron and steel mills, electric power companies and major natural resource companies. In addition to the current shipping points, which include Australia and Brazil, they are looking into new shipping routes from Mozambique and other African countries as well as the Middle East, which exports semi-processed ores. For small and medium-sized vessels, we are planning to secure as many medium-term COAs*3 as possible when the timing is right.

We will maintain the current scale of the dry bulker fleet as a basic policy. Having said so, we still plan to scrap vessels that have been rendered obsolete by recent improvements in fuel efficiency and those that do not meet environmental regulations, as we continue to gradually switch over to energy efficient vessels with low environmental loads. Replacement in advance of the regulations is also an option. Improving the quality of our vessels has recently been a key to securing long-term contracts. While medium- to long-term charted vessels at the expiry of their contracts are being redelivered, we are responding to transport demands by increasing our flexibility in terms of scale and cost by leveraging short-term chartered ships. So while the scale of the entire fleet will not change, looking into the details, we see that medium- to long-term contracts are increasing and our resilience to market conditions is strengthening as we continue the switch over to a higher quality fleet.

Likewise, our primary goal for profitability during "STEER FOR 2020" is to maintain the division's profits at this high level after a rebound in fiscal 2013. However, with ongoing changes to the composition of our fleet we will transform our profit structure to make it even more stable and less susceptible to supply-demand fluctuations. To ensure stable profits, we will secure as many contracts as possible to owned vessels and long-term chartered vessels. On the other hand, there may be times it is costly to utilize short-term chartered vessels, which however can be thought of as insurance that we pay to manage market risk. If we utilize our "shipping proficiency," we can secure a certain profit through slow steaming, efficient operations and optimum cargo combination even if we use these vessels.

I believe the greatest strength of the dry bulker division is the know-how cultivated over the 130 years of MOL's vessel operations. We will meet and respond to the various needs of our customers and make a tidy and steady contribution to the results of the entire MOL Group.

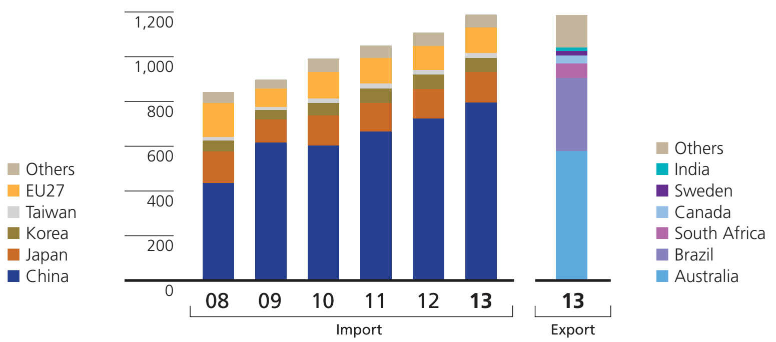
Glossary

*1 **Free vessels:** Vessels that don't operate on contracts of more than 2 years and are thus exposed to changing market conditions.

*2 **Singaporean subsidiaries:** MOL Cape (Singapore) Pte. Ltd. and MOL Bulk Carriers Pte. Ltd. Both are wholly owned subsidiaries of MOL based in Singapore.

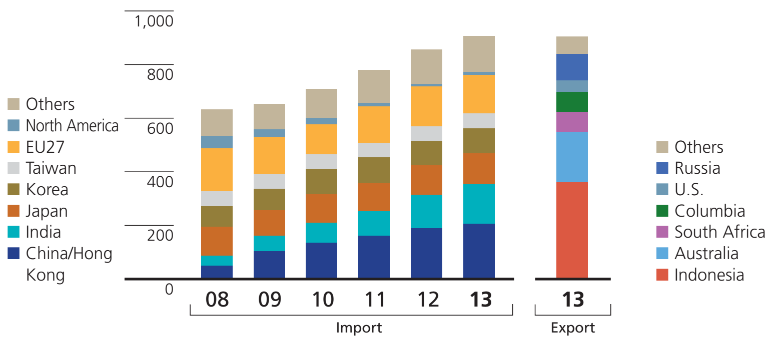
*3 **COA (Contracts of Affreightment):** A type of contract to transport cargo based on weight or volume. They are usually concluded on a long-term basis to transport large bulk cargoes of iron ore, coal or crude oil. The contracts are based on the volume of cargo transported and the delivery period,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

Iron Ore: Global Seaborne Trade by Country/Area (Million tons)



Source: MOL internal calculation based on Tex Report, Clarkson, Trade Statistics

Steaming Coal: Global Seaborne Trade by Country/Area (Million tons)



Source: SSY

Bulkships: Dry Bulkers
The Capesize Bulker *LAMBERT MARU*

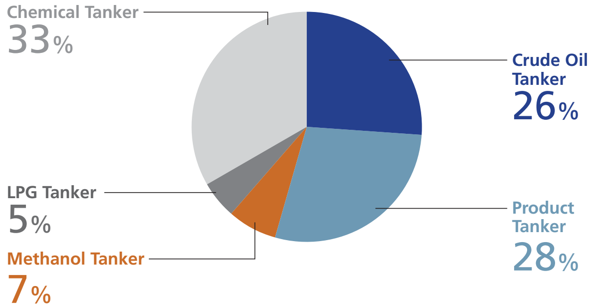
Bulkships

Tankers

Tsuneo Watanabe
Senior Managing Executive Officer

We will capture new cargo flows and build up a competitive fleet with market tolerability, by leveraging intelligence gained as a comprehensive player in tankers for strong competitive advantage.

Consolidated Revenues Breakdown (FY2013)



Tanker Fleet Table (Number of vessels)

	at the end of March 2013	at the end of March 2014	Vessel type under pool management (at the end of March 2014)
Crude oil tankers	47	38	VLCC (very large crude carrier, 300,000 DWT)
Product tankers*1	61	59	LR1 (75,000 DWT)
Chemical tankers*2 Including methanol tankers	75	72	Chemical tanker
LPG tankers	11	11	VLGC (very large gas carrier, 80,000m^3)
Total	**194**	**180**	

*1 Petrochemicals: gasoline, naphtha, kerosene, jet fuel and gas oil, etc.
*2 Chemical products: xylene, benzene, methanol and plant oil, etc.

Fiscal 2013 in Review—Looking back on "RISE2013"

The tanker division operates five types of vessels: crude oil tankers, product tankers, LPG tankers, methanol tankers and chemical tankers. Under RISE2013, the single-year management plan that aimed for a turnaround in profit for the MOL Group as a whole, this division endeavored to improve its operating efficiency by setting up pools with other operators and worked to reduce its fuel costs by slow steaming. In addition, we continued to reduce the number of costly vessels operated for spot trading. Also backed by the favorable market conditions, we could greatly narrow our loss. Nevertheless, I hereby regret to report that the tanker business did not turn a profit and instead posted a loss for the fifth consecutive fiscal year.

This is not, however, the whole story. After a long struggle, chemical tankers and LPG tankers did manage to turn a profit. Methanol tankers expanded their profit. And crude oil tankers turned a profit for the second half of the fiscal year. From this perspective, we can safely say that we have prepared a foundation from which the division can become profitable in fiscal 2014.

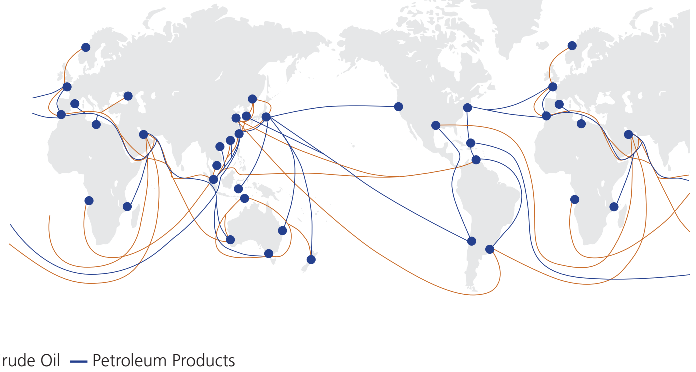
In 2013, supply pressures were limited for very large crude carriers (VLCCs)—the largest ships used to transport crude oil—with 30 new vessels delivered and 20 withdrawn worldwide, resulting in a net increase of only 10 new carriers. Moreover, global oil demand grew by 1.2% and, although the volume transported by sea was virtually unchanged from 2012, ton-miles increased in tandem with rising demand for long distance shipping, resulting in a modest improvement in supply and demand. Despite stagnant market conditions during the summer, when demand is typically low, trade surged after November as China and other Asian countries began stockpiling crude oil. Trade slid again following Chinese New Year, which began on January 31, but I perceived genuine market shift as it moved beyond the break-even-point for some time even during this sluggish period.

Despite a strong start in the beginning of the fiscal year, the product tanker market remained basically range-bound after June. The weak market restrained our ability to narrow the full year loss.

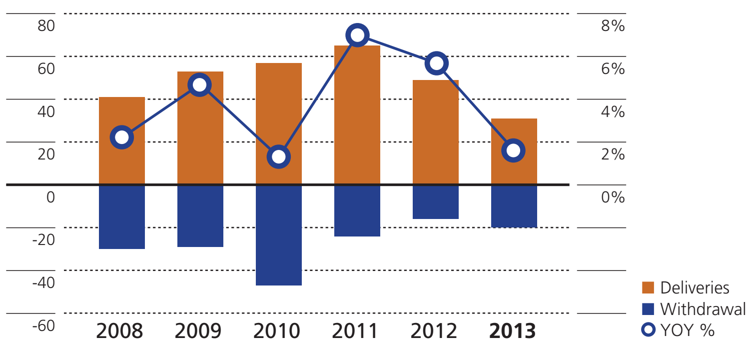
The market that changed most in fiscal 2013 was LPG tankers. The shale revolution helped spur U.S. LPG exports. Until then, the Middle East had been the center, but U.S. exports effectively split the LPG tanker market for very large gas carriers (VLGCs). U.S. exports were bound not only for Central and South America and Europe, but also Asia via the Cape of Good Hope. This brought about an increase in ton-miles, which easily absorbed 12 new VLGCs: a relatively large supply pressure given the global total of about 150 VLGCs. As a result, even during periods of lower demand, market conditions hardly deteriorated and LPG tankers turned a profit.

Methanol tankers are a specialized ves-

Main Routes



Vessels Supply (VLCC) (Number of vessels)



Source: MOL internal calculations based on Clarkson (Note: Double hull only)

sel type first developed by MOL, and we operate all of our methanol tankers on long-term contracts of 10- to 15-years. In addition to achieving increased profit in fiscal 2013 by cutting costs, methanol tankers secured four long-term time-charter agreements for a total of 10 vessels, ensuring stable profits into the future.

In chemical tankers, Contracts of Affreightment (COA)(*) account for 80% of business with spot contracts accounting for the remaining 20%. New vessel deliveries, which remained sizable until 2012, are expected to slow down and help tighten the supply-demand balance of vessels. In COA negotiations, we received more requests for multiple year contracts and freight rates also improved. Moreover, after successfully transferring the center of sales and ship operations to Singapore in October 2012, we improved operational efficiency by transporting Southeast Asian vegetable oil exports to India as spot cargo on the return trip from transporting Middle Eastern exports of chemical products to Asia. This helped chemical tankers move into the black.

"STEER FOR 2020" and the Outlook for the First Year

In 2014, approximately 25 new VLCC deliveries are expected in a market that includes about 50 ships older than 15 years. Maintenance costs for older ships rise due to tighter safe operation standards, and a rising number of oil majors are avoiding these vessels. This should shorten the time before the vessels withdraw. If these aging ships are withdrawn steadily, we can expect a net increase of just about 10 VLCCs. In addition, demand for oil is expected to increase by 1.3%. Although seaborne shipping volume of crude oil is expected to remain stable, ton-miles are expected to increase by 2% to 3%. This will likely improve supply and demand balance.

Because most U.S. shale oil is light crude, the revolution greatly reduced light crude oil trade from West Africa to the United States. On the other hand, trade in heavy crude oil from the Middle East did not decrease as much. Moreover, China and India expanded imports of crude oil from West Africa and South America in addition to the Middle East, increasing ton-miles.

In product tankers, exports from the Middle East and India are expected to increase as refineries in developed nations are shuttered. Using inexpensive shale oil as feedstock, the U.S. is producing cost competitive petroleum products and is likely to enter Africa and other new markets in addition to Europe and South America. U.S. exports of LPG, a by-product of shale gas, are also expected to steadily expand.

There are still concerns, however, about the supply trend. In fiscal 2013, we saw speculative orders for types of tankers likely to experience demand growth. LPG tankers maintained good market conditions into 2014, but fairly large numbers of new vessel deliveries, relative to the size of the market, are expected between 2015 and 2016. The actual number of new vessel deliveries for product tankers in 2013 was around 70% of orders, so if the ratio of vessel deliveries to orders increases after 2014, attention will need to be paid to changes in the supply and demand balance.

Based on this understanding of the operating environment, the tanker business, following the overall strategies laid out in "STEER FOR 2020," will continue to take various measures to adapt its fleet to a composition that has high market tolerability. As a result, our plan is to reduce the size of the fleet from 180 vessels at the end of fiscal 2013 to 160 vessels at the end of fiscal 2016. I believe this will help control downswings in earnings and bring the entire tanker division to profitability in fiscal 2014, the first year of "STEER FOR 2020." That way, the division will be able to solidly contribute to increasing profit for the entire MOL Group throughout the duration of the plan.

In VLCCs, we will continue focusing on mainly long-term contracts and we will reduce vessels operated for spot trading while maintaining our ability to adequately respond to our customers' short-term contract needs. In product tankers, we will reduce market exposure by relying more on market-linked charted vessels. Even in LPG tankers, which are thriving in current market conditions, we are aiming to secure profits by concluding well-timed medium- to long-term contracts for a portion of vessels.

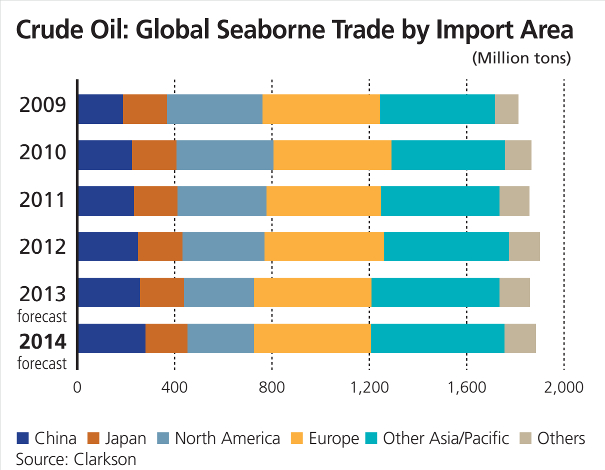
Methanol tankers continue to generate stable profits through their long-term contracts. Moreover, with the increase in petrochemicals being produced with shale oil as a feedstock, there may be another product suited for transport in specialized ships, just as methanol is. By conceiving of and developing such specialized ships, we seek to expand businesses that result in secure, stable profits. Chemical tankers, which transport a wide variety of chemical products simultaneously, also provide a fertile field of differentiation thanks to the requirement for extensive shipping know-how and we expect continued steady increases in profits. Going forward, we believe deep sea routes will be a growth area and are already reducing the number of coastal vessels. We aim to raise our profit levels by increasing cargo volume and strengthening our competitiveness through investments in large vessels.

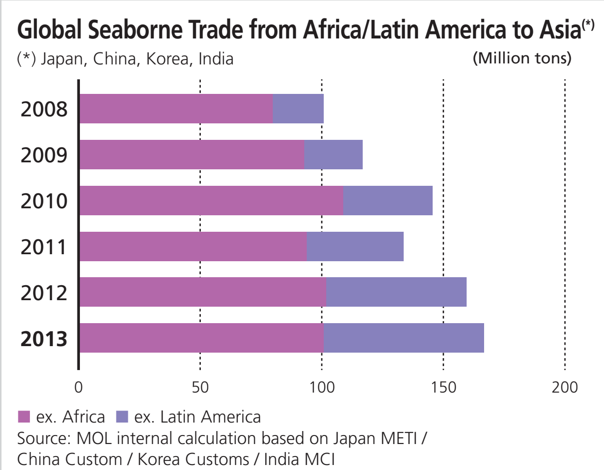
Although the shale revolution has greatly changed flows of cargoes, forecasts and predictions remain difficult given the possibility the outlook could change dramatically due to such key factors as future crude oil prices or U.S. environmental regulations. For MOL to grow while meeting our customers' needs, it is necessary to maintain a presence as a key global player in each transportation field of crude oil, petroleum products and chemicals in order to succeed in the face of this variability. If our presence is diminished, we could miss out on information and lose opportunities for the new flow of cargoes. As I mentioned previously, our plan is to reduce the number of vessels to decrease our market exposure risk for the duration of "STEER FOR 2020." To maintain our presence, simultaneously, we will use a pool management system for various types of vessels. So as not to lose touch with our customers, we are committed to a policy of handling sales and operations of the pool by playing a role as pool manager.

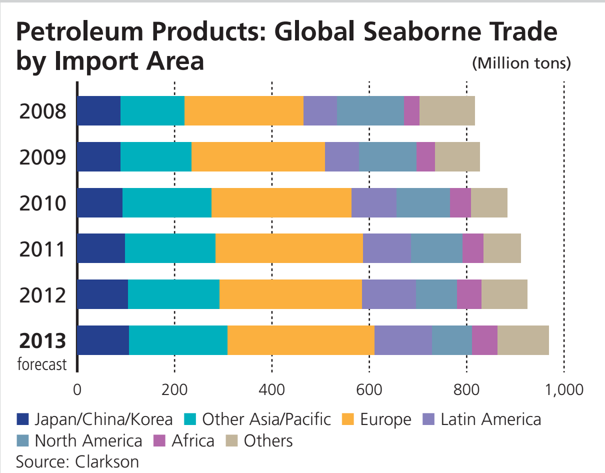
In this way, for the duration of "STEER FOR 2020" and with the trust of our customers, which we cultivated with our long track record of safe operations, the division will maintain a competitive fleet and secure new growth opportunities through active intelligence gathering.

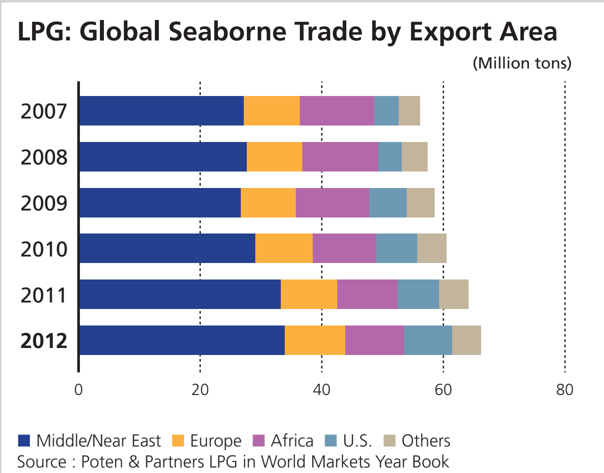
Glossary

(*) **COA (Contract of Affreightment) :**Please refer to p30 (*3)









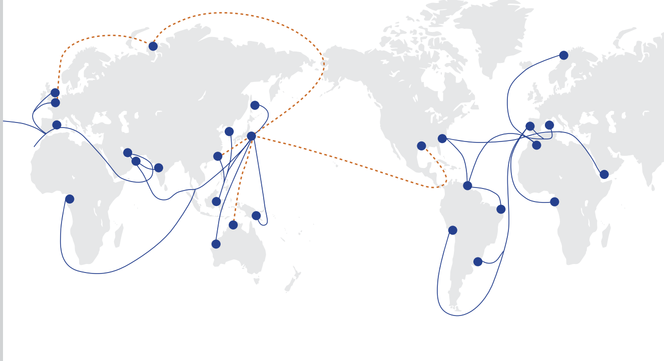
Bulkships: Tankers
The VLCC *CHOKAISAN*

Bulkships
LNG Carriers/Offshore Businesses

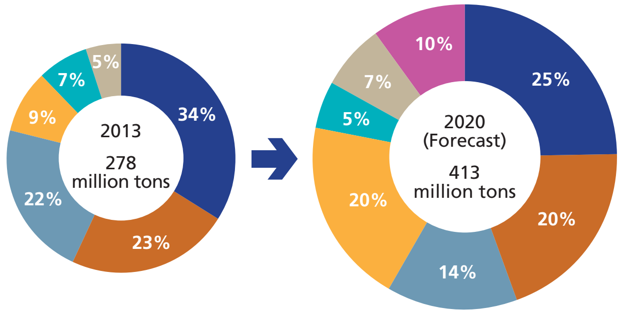
Takeshi Hashimoto
Managing Executive Officer

As we accumulate long-term and stable profits by capturing the rapidly increasing seaborne trade of LNG, we will also actively expand offshore businesses, which have significant growth potential, to build a new pillar of profit.

Main Routes



LNG: Supply Forecast by Area



Source: MOL internal calculation based on Poten & Partners

Fiscal 2013 in Review—Looking back on “RISE2013”

Thanks to stable profits from long-term contracts, the LNG Carrier Division posted fiscal 2013 profit in line with the previous year. The single-year management plan “RISE2013” united all of the MOL Group in the common goal of regaining profitability. Under it, we were able to fulfill the Group’s expectations as a bearer of stable profits unaffected by market conditions.

Global seaborne trade of LNG stood at roughly 240 million tons during 2013, unchanged from the previous year. However, in detail, global volumes grew in terms of ton-miles as increased demand in Asia offset decreased demand in Europe caused by lingering economic malaise, and LNG transport from the Atlantic region to Asia expanded.

The LNG carrier business is characterized by long lead times, often several years, between the time an order for a project is received and the time the new ship is delivered and contributing to profits. In fact, all of the projects that contributed to profits in fiscal 2013 were secured in and before 2010. In fiscal 2013, we secured four contracts for nine vessels (see the below table) that will lead to stable profits in the future, beginning with an LNG ship for the Ichthys LNG Project in Australia, an order placed in May by Osaka Gas and Kyushu Electric Power. At earliest, these projects will begin contributing to earnings in 2016, but we achieved a great accomplishment in winning multiple contracts that will generate long-term stable profits, sailing past our competitors in terms of outstanding orders.

I believe the reason MOL was selected for these contracts lies in our planning capabilities. We’re able to

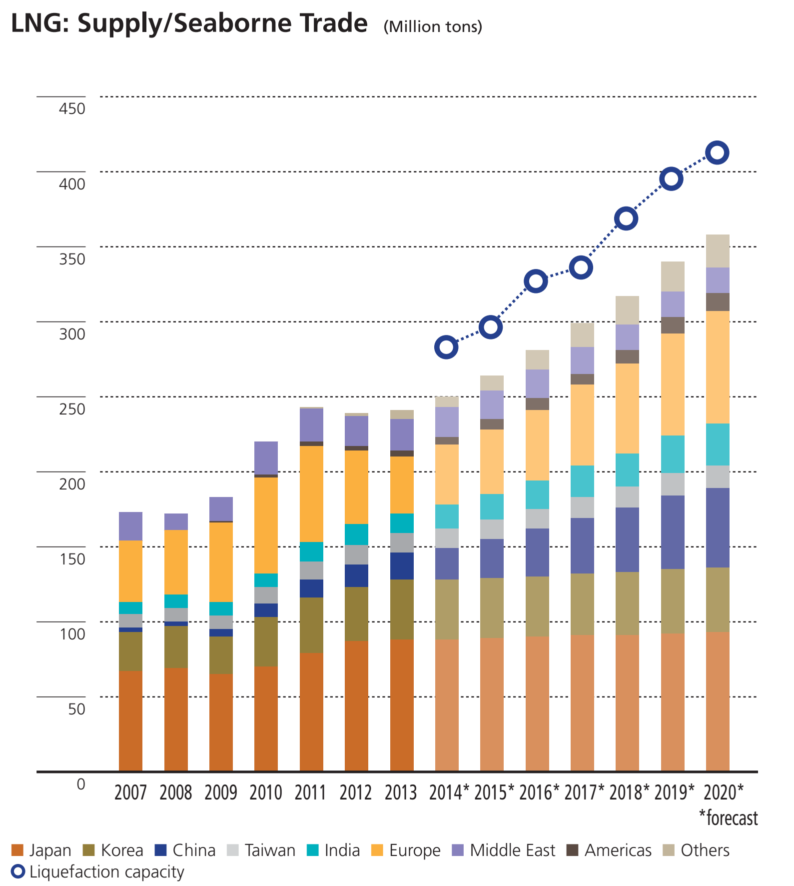
FY2013: Signed Long-Term Contracts

LNG Carriers

Tokyo Gas	ex.USA	To Japan	1 vessel	To start in FY 2017
Osaka Gas /Kyushu Electric Power	ex.Australia	To Japan	1 vessel	To start in FY 2019
SINOPEC	ex.Australia	To China	4 vessels	To start in FY 2016
SINOPEC	ex.Australia	To China	2 vessels	To start in FY 2017
Peteronet	ex.Australia	To India	1 vessel	To start in FY 2016

Offshore Businesses

Petrobras	Brazil	FPSO	To start in FY 2016
Tullow Ghana	Ghana	FPSO	To start in FY 2016
GDF Suez	Uruguay	FSRU	To start in FY 2016



Source: MOL internal calculation based on Poten & Partners

accurately assess our customers' needs and leverage our resources to provide a comprehensive proposal that our customers can appreciate. The keys to providing optimum solutions are data collection capabilities that capture the details of seaborne transport demand, acumen for discerning individual customer needs, and then, above all else, our richest in-house resources: the world's largest fleet and talents gained supporting that fleet such as vessel management know-how, shipbuilding technology and financing, and our extensive global network. Take, for example, a project that requires a new vessel to be built. We would assess whether customers can use one of our current vessels in the time before the new one is delivered. We would also grope for an optimal solution by coordinating one project with others. By being creative in our approach to raising added value for our customers, we have differentiated ourselves from the competition. I believe that fiscal 2013 was the year in which these expansive capabilities came to fruition.

In the offshore businesses, MOL was also able to secure three long-term contracts in fiscal 2013. Most remarkable of all was securing the FSRU*1 project in Uruguay. Previously European companies dominated the FSRU field. We are the first Japanese shipping company to independently enter this field. At 263,000 cubic meters of LNG storage capacity, the FSRU will be the world's largest, proving MOL's true capabilities in the offshore business field. Since 2006, MOL has gained experience with FSRUs through a joint venture with a European shipping company. In addition, we have succeeded in ship-to-ship*2 operations, which require technical skills common to FSRU operations, in Tomakomai, Hokkaido Prefecture. As we build up this kind of experience, we're very proud that our track record and technical capabilities, which we've cultivated over many years in the LNG carrier business, are being recognized by the customers of the FSRU project above. Fiscal 2013 marked a major turning point for the offshore business, as we were able to successfully enter the FSRU business at long last.

"STEER FOR 2020" and the Outlook for the First Fiscal Year

By 2020, global demand for ocean transporting of LNG is expected to grow to over 400 million tons per year, up from 240 million tons. The shale revolution has become a reality in North America, but large reserves of shale gas have been confirmed not only in North America but also throughout the world. In addition, conventional large-scale natural gas fields have been discovered in eastern Africa and other regions. As the need for gas to supply base load electric power grows due to nuclear power issues in Japan and air pollution issues in China and India, future demand for natural gas seems likely to outpace the growth rate in overall energy demand.

Accompanying this trend, demand for LNG carriers is expected to increase from the current 370 vessels to around 550 vessels. Considering the geographical relationships between new natural gas sources and Asia, where demand will rise, ton-miles will rise beyond present levels. There are currently about 100 outstanding orders in the world, but if you include demand for replacing older ships, which is around 50 to 100 ships, it would likely mean that an additional 120 ships would be built going forward.

Considering the expected growth, MOL is confident the LNG carrier and offshore businesses can secure long-term stable profits. So, we set these two businesses at the core of "STEER FOR 2020", which holds the innovation of MOL's business portfolio as one of its pillars. Targets call for the two businesses to expand and comprise 26% of our assets at the end of fiscal 2019, three times as much as at the end of fiscal 2013. This is why MOL plans to invest ¥700 billion of ¥1,130 billion total investment in the LNG carrier and offshore businesses during the term of "STEER FOR 2020." By expanding the LNG carrier fleet to 120 vessels by the end of fiscal 2019, we will reinforce MOL's dominant position.

For that reason, MOL is not only going after conventional LNG contracts, for which there is a comparatively high level of competition, but also more challenging contracts. Prime examples would be projects to build LNG carriers at Chinese shipyards or the Russian Yamal LNG project which will develop the Northern Sea Route. For contracts that present a high level of technical difficulty, the technical, ship management and business divisions will unite to work with the aim of ensuring a higher level of profitability. We are optimizing the portfolio of the LNG carrier business by combining conventional LNG contracts with these more challenging ones.

In parallel, it is absolutely critical that we recruit and train capable seafarers for our LNG carriers to keep pace with our expanding fleet. LNG is transported at minus 162 degrees Celsius with a portion of it continuously vaporizing. MOL needs seafarers who possess a high degree of knowledge and skill in terms of maintaining the correct temperature and pressure inside the tanks of LNG carrier. There are about 20 seafarers aboard each LNG carrier, but including reserves, we would need to recruit about 40 seafarers per carrier. This means we would need over 2,000 seafarers to increase the size of our fleet to over 50 carriers. To say that the recruitment and training of seafarers will be the key to success for “STEER FOR 2020” is no overstatement.

Fortunately, the MOL Group boasts the world’s largest fleet and many experienced seafarers. We can draw capable seafarers from across the Group, those who have worked on tankers and other types of vessels, and train them to be professional LNG carrier seafarers by giving them experience, judgment and skills to safely manage ship operations through training at our practice facilities around the world or hands-on training aboard existing LNG carriers. Obviously this kind of training cannot be done overnight, so we have already begun training in preparation for the 2016–17 period when a large number of new ships will be delivered. Manning our existing ships with trainees will temporarily inflate seafarer training expenses and will suppress profits from fiscal 2014. But we regard them as upfront investments to seize a “one-in-a-million” opportunity. They will contribute to long-term stable profits beginning in fiscal 2016, when those trainees will start to stand confidently on their own two feet and new LNG carriers will be delivered.

Like the LNG carrier business, the offshore businesses collectively constitute another major source of long-term stable profits. At the start of “STEER FOR 2020,” the Offshore Business Office, which had been one of the groups in the LNG Carrier Division, was upgraded to the Offshore and LNG Project Division, launching a new system to strengthen company-wide initiatives. At present, MOL has five contracts for FPSOs*3, one of which is in operation, and one contract for an FSRU. While aiming to accumulate additional investments in FPSOs and FSRUs, we will also explore entering the FLNG*4 business in the medium- to long-term to establish a third major business field following FPSOs and FSRUs. There are a wide range of fields within offshore businesses, but MOL will focus its investments in fields where MOL can leverage its know-how cultivated as a shipping company and can secure long-term contracts that promise stable profits.

Because FSRUs can be set up at lower cost and in shorter time than onshore LNG receiving terminals, demand is rapidly expanding, especially in emerging markets. Due to the difficulty of transporting natural gas compared to coal or petroleum, it typically used to be consumed relatively close to the production site or exported to Japan and other developed nations capable of shouldering the large costs associated with building LNG terminals. With the introduction of FSRUs, however, new trade patterns for LNG are emerging and demand for seaborne transport is expected to take off. Consequently, FSRUs are expected to have synergy with the LNG carrier business, and leveraging MOL’s core competency of safety management expertise in LNG carriers will provide MOL with clear competitive advantage. So, going forward, we will actively expand this business.

For the growth of MOL in the medium- to long-term, offshore businesses may prove capable of serving as the back bone of the entire Group. The already signed contracts will begin to contribute to profits in a big way in 2016 when these projects will be in operation. I would like to develop this business as a strong second to the LNG carrier business, so both can deliver long-term stable profits.

Glossary

*1 **FSRU (floating storage and regasification unit):** A facility for storing LNG offshore, where LNG returns to its gaseous form for distribution by pipeline to land.

*2 **Ship-to-ship:** Operation to transfer cargo between seagoing ships, such as LNG carriers or tankers, positioned alongside each other. When a port’s facilities are too small for large vessels, the loads are transferred offshore to or from small- and medium-sized vessels compatible with the port’s facilities.

*3 **FPSO (floating production, storage and offloading system):** A facility for producing oil offshore. The oil is stored in tanks in the facility and directly offloaded to tankers for direct transport to the destination.

*4 **FLNG (floating LNG):** Also called LNG FPSO. A facility for producing natural gas offshore. The natural gas is liquefied at minus 162 degrees Celsius, stored in tanks in the facility and directly offloaded to LNG carriers for direct transport to the destination.

Bulkships: LNG Carriers and Offshore Businesses

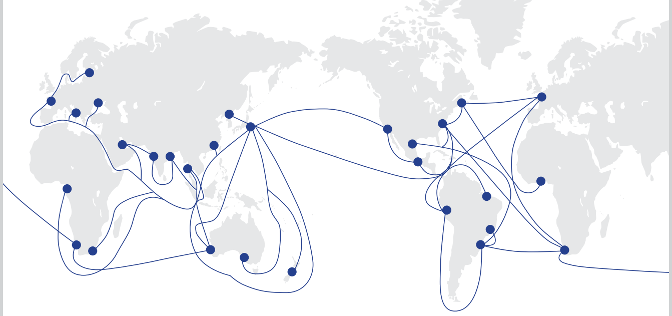
The LNG Carrier *LNG PIONEER*

Bulkships
Car Carriers

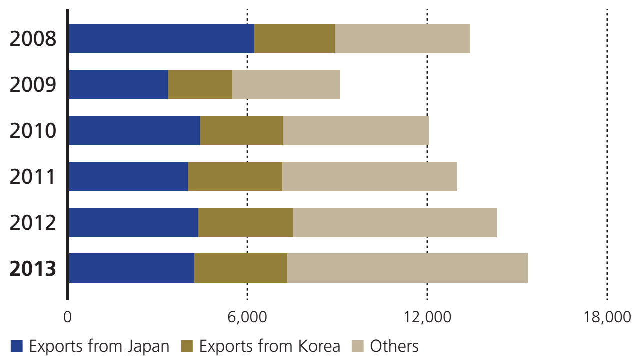
Junichiro Ikeda
Senior Managing Executive Officer

As we have a nimble fleet deployed globally, the trend toward local production and local consumption poses not only as a challenge, but also as an opportunity to capture increasingly diverse trade flows.

Main Routes



Global Car Seaborne Trade (Thousand units)
(excluding CKD)



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

Fiscal 2013 in Review — Looking back on "RISE2013"

Global auto sales reached 84 million units in 2013, a new record high for the third straight year. The number of vehicles transported by sea worldwide also reached a new record high of over 15 million units. Despite a weakening yen, however, the number of vehicles exported from Japan declined as Japanese automakers continued shifting manufacturing toward end markets, stepping up local production for local consumption. Under these circumstances, we increased business in such areas as cross trade from countries other than Japan as well as inbound cargo, such as that exported from Europe to China, and worked to secure new business opportunities. As a result, we experienced a significant year-on-year improvement in our business performance.

In the ongoing diversification of trade patterns, our efforts to minimize ballast voyages have come to fruition by combining cargo from various loading and unloading ports together.

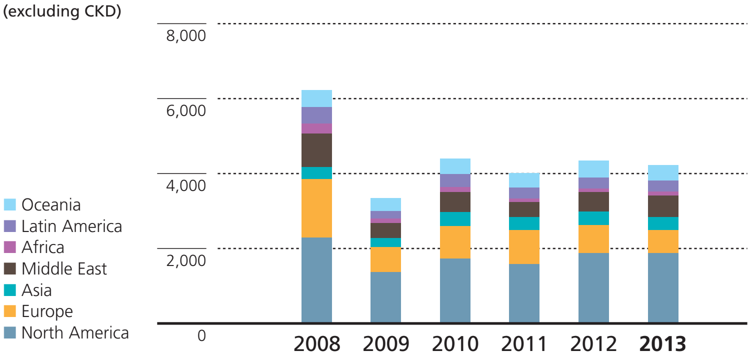
In the past, the main routes for seaborne transport of automobiles were from Japan to Europe and the U.S. Today, however, more countries are producing and consuming automobiles, forming a rich web of trade. Export countries now span Thailand, Mexico, China, India, Indonesia, Turkey, Morocco, South Africa and beyond. In addition, ships unloading import vehicles in Europe depart after loading large volumes of vehicles bound for Asia and other markets. In this changing business environment, it is vital to respond flexibly to information concerning loading and discharging locations, which changes by the day. The increasing number of vehicles we transport on cross trades and inbound trades demonstrates our ability for it.

In March 2014, MOL commenced ocean transport services for vehicles being exported from Mexico. In recent years, many automakers have been rushing to build and enlarge plants in Mexico, and automobile production is estimated to increase by more than 10% per year for the next several years. Around three million vehicles were produced in Mexico in 2013, with about 80% of them exported. As this trend appears robust, MOL launched services to the United States, the largest destination for Mexican made vehicles, creating a system to meet these increased customers' needs.

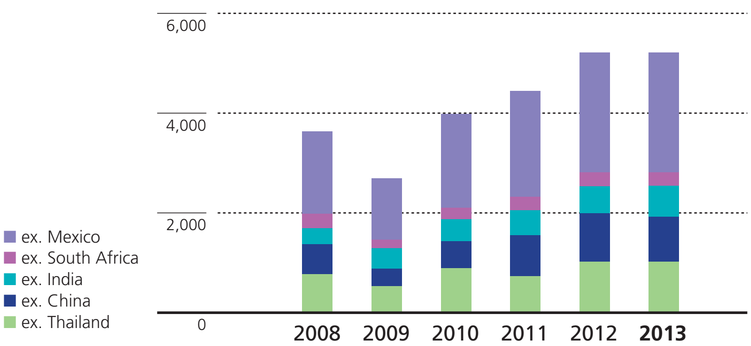
"STEER FOR 2020" and the Outlook for the First Fiscal Year

Looking ahead, global auto sales are likely to grow to 86.5 million units in 2014. Growth in China and the United States is projected to remain firm, while a sales recovery for the European market is expected in tandem with an upturn in the economy.

Looking even further, global auto sales, especially in emerging nations, are



Source: Trade Statistics of Japan (MOF)



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

expected to remain on a solid upward trajectory with sales of 90 million units in 2015. Sales could conceivably hit the 100 million mark in 2019, the last fiscal year of "STEER FOR 2020." Naturally, the seaborne transport of automobiles would rise in tandem, but production geared to local markets is likely to continue expanding while Japanese exports are expected to fall, leading to shorter transport distances. Amid these circumstances, in fiscal 2014, costs will rise due to the launch of new services from Mexico to North America and in South America. As a result, we forecast an appreciable decrease in profits compared to the previous year.

We cannot rule out the possibility that Japanese automakers will bring production back to Japan and again increase exports if they are sure that the yen will remain weak for several years. However, the trend toward local production is quite strong and unlikely to let up in the next two to three years. This trend not only affects Japan; it is also becoming stronger among European automakers as well. The shift in flow of cargo is a risk and, at the same time, an opportunity in this sense.

In light of this operating environment, MOL's car carriers business will push ahead with existing strategies under the "STEER FOR 2020" plan. Our customers not only seek to increase local production, but increasingly to produce the same model in several countries. By doing so, they can respond flexibly to exchange rate fluctuations, seeking the most profitable combination of production sites to sales destinations. To do this, they are establishing the necessary manufacturing network. Thus, we must try to change our shipping routes pliably in responding to customers' needs. At the same time, we must offer services that help customers reduce their logistics costs in case they have other routing alternatives such as railroads and other forms of cargo transportation. While providing services that completely meet these changing transport needs, MOL continues its tireless efforts to thoroughly reduce ballast voyages by finding the best combination of freight among these diverse trade patterns.

Success in this endeavor will fully leverage the strengths of our car carrier fleet. The company has continued to align its fleet by making car carriers capable of transporting 6,400 small passenger cars MOL's standard. These car carriers have high usability in various sea lanes and ports across the globe, and now account for over 60% of the vessels in our car carrier fleet. This makes it easier for us to dispatch a replacement vessel of the same size in response to problems that hinder shipping schedules such as bad weather or port congestion. Customers can safely entrust us with their shipping needs.

Another one of our strengths lies in our global network of sales and marketing bases spanning Asia, Australia, South Africa, Europe, South America and North America. Being able to share the latest information across this network allows us to offer our services to customers anywhere in the world. Through its more efficient operations, MOL is also maximizing synergy with its consolidated subsidiary Nissan Motor Car Carrier Co., Ltd.

MOL's swift decision-making is also one of its strengths. Beginning cross-trade transport in the 1990s signified our strength as a pioneer as well, and this was underpinned by swift decision-making.

When it comes to increasing cargo volume through cross trade, we don't get caught up in short-term profitability. Instead, we assess the potential of mid- to long-term developments. Upfront investment is often essential. Sometimes you need to initiate service to discover the full potential. As a result, MOL has managed to uncover opportunities for shipments that would have gone unnoticed if we had not rapidly decided to launch service. For example, after increasing the frequency of service in inter-South East Asia routes, we realized that besides the cargo we had been contracted to transport, there was a lot of additional cargo moving around, such as used construction machinery and trailers. And with our new previously mentioned service out of Mexico, we quickly uncovered various unmet transport needs that we had not been able to grasp before beginning the service. In addition, even when a single cross-trade shipment does not break even, it can still be a catalyst to create sustainable services when linked with other cargo trends. We are able to achieve first-mover advantage and create services that other competitors cannot match by identifying new emerging needs as well as the future growth potential of shipping routes, swiftly making decisions, and rapidly building our shipping track record.

The development of inland infrastructure in emerging markets helps increase our loading volumes there. MOL will adhere to its existing policies for development and implement them as necessary. In India, we relatively recently got into the inland transport business as well as the automobile terminal business at Ennore Port. Also, we are engaged in operating terminals in Australia and Turkey. However, we believe it is imperative that each endeavor maximizes synergies with our main business of maritime transport or strengthens relationships with customers expanding into those areas.

"STEER FOR 2020" will continue MOL's aim for improving both profitability and customer satisfaction. We will continue to meet the challenge of increasingly complex and diverse seaborne trade. We will dare not to plant the conventional pivot foot, but rather create a resilient system that adapts adroitly to our customers' needs by changing our shipping routes flexibly as we pursue ever more efficient vessel allocation and operation.

Bulkships: Car Carriers

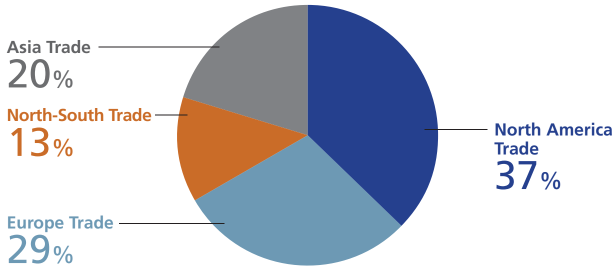
The Car Carrier *CRYSTAL ACE*

Containerships

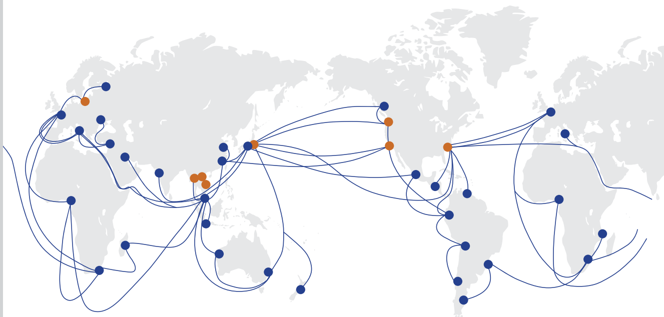
Toshiya Konishi
Managing Executive Officer

Working to secure cost competitiveness and a source of stable profits, we will transform our containership business into the one that can sustainably generate profits.

Revenue Breakdown by Trade (Results of FY2013)



Main Routes



Fiscal 2013 in Review—Looking back on "RISE2013"

In fiscal 2013, the containership business reduced costs by about ¥20.0 billion thanks mainly to fuller implementation of slow steaming and other measures to reduce fuel expenses, the G6 Alliance's expansion to the Asia-North America East Coast route in May 2013 to improve operating efficiency, and reductions in container handling and on-carriage expenses. A weaker yen and lower bunker prices also played a role, but all of these factors were negated by falling freight rates. And with the loss caused from the incident of the containership MOL Comfort in June 2013, we recorded an ordinary loss of ¥14.5 billion. This division must still work toward the goal of recovering profitability as set forth in "RISE2013."

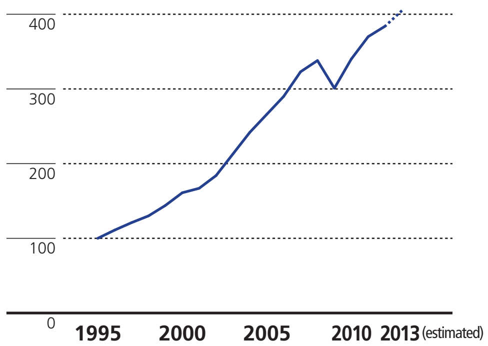
I would like to take this opportunity to once again express my most sincere apologies to all of our customers and everyone affected by the MOL Comfort incident.

Global seaborne trade remained firm overall. In 2013, Asian exports to North America grew 3.4%, supported by a stable U.S. economy. After the European economy bottomed out, exports to Europe recovered in the second half of the year, climbing 4.8% for the full year. Despite economic uncertainty and political unease in some countries, Inter-Asia trade and North-South trade both expanded, helping raise global containership trade 3.9% during 2013.

On the other hand, global vessel supply rose 5.5% as significant numbers of ultra-large containerships with capacity exceeding 10,000 TEU were delivered for the third year in a row. This further delayed an improvement in the supply-demand balance and also had a destabilizing effect on freight rate levels. Freight rates greatly declined, especially in the first half of the year, in both Asia-Europe routes, which had persistent deliveries of large containerships, and Asia-South America East Coast routes, to which the replaced vessels cascaded over. Although we did our best to maintain stable revenue by securing more long term freight contracts and by adjusting our capacity to reduced demand during slack seasons, average freight rates across all routes in fiscal 2013 tumbled 8% year on year. As I said before, this essentially erased our gains from cost-cutting and other factors, and was a major reason our loss expanded by ¥3.2 billion.

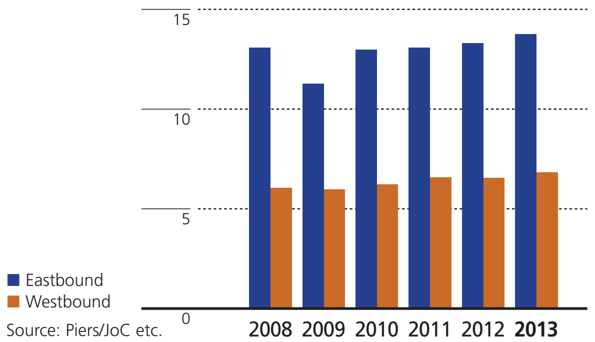
Many other containership companies around the world also fell into the red amid this harsh environment. Of the 15 major shipping companies that disclose their earnings, only three were able to post a profit in fiscal 2013. The less competitive companies have reached the point where they cannot bear any further decreases in freight rates. Even though the containership division posted a loss, our ranking by profit margin is improving thanks to the cost-cutting measures set out in the division's own medium-term plan "Operation CORE,"

Containership Seaborne Trade



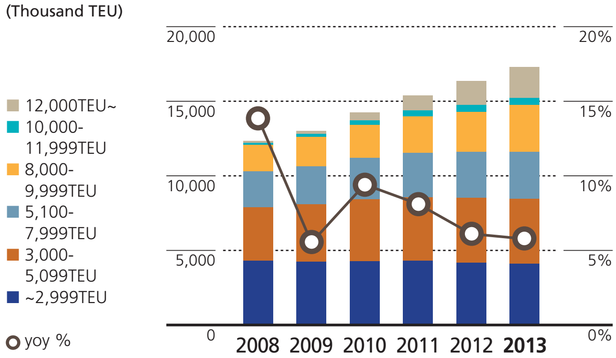
Source: MOL internal calculations based on the Clarkson Shipping Review & Outlook Spring 2014

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



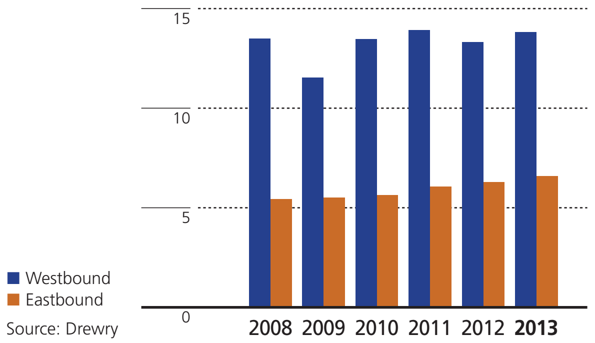
Source: Piers/JoC etc.

Global Containership Capacity by TEU Size Range



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

Asia-Europe Container Trade Cargo Movements



Source: Drewry

launched in 2012. I believe the key to improving profitability for the division is in pursuing the goals set out in "Operation CORE," including reinforcement of our brand value by disclosing and improving key performance indicators, such as on-time performance percentages.

"STEER FOR 2020" and the Outlook for the First Year

Through "STEER FOR 2020" the containership business will more fully implement the strategies already laid out in "Operation CORE." In short, we aim to improve profitability by reducing unit cost, the cost to transport one container, as we formulate plans based on the assumption that freight rates will continue to decline gradually in the medium- to long-term.

The centerpiece of the unit cost reduction measures is launching larger vessels to reduce the vessel cost and fuel expenses per unit. Together with higher fuel and operating efficiency through slow-steaming, comprehensive operation management and the G6 Alliance's expansion to Asia-North America West Coast routes and Transatlantic routes in May 2014, this will reinforce our cost-competitiveness by a total of ¥30.0 billion over the three-year period from fiscal 2014 to 2016.

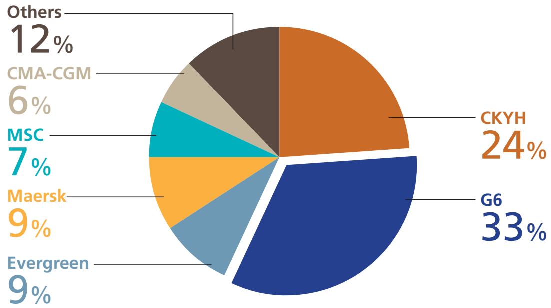
We already added four of the latest model 14,000-TEU capacity containerships to our fleet in fiscal 2013 and one in April 2014, all of which already began operating on Asia-Europe routes. From July 2014 to fiscal 2016, we will successively roll out ten 10,000-TEU capacity containerships to operate Asia-Europe and Asia-North America West Coast routes. And by reducing the number of less fuel-efficient small and medium-sized vessels, we will further improve the whole fleet's cost competitiveness.

In addition, we plan to improve profitability ¥8.0 billion by increasing revenue from non-ocean-freight charges and raising our slot utilization rates over three years under "STEER FOR 2020." During that same time, we also plan to increase stable income by ¥9.0 billion from the container terminal and logistics businesses. Putting all these together, we plan to achieve ¥30.0 billion in ordinary income in the containership business in fiscal 2016.

In fiscal 2014, the first year of the plan, we forecast a return to profit with ¥2.0 billion in ordinary income. To ensure we succeed, we are streamlining operations in North-South routes, where inefficiencies prevented us from improving profits as much as competitors in fiscal 2013. These efforts include the switch over in June 2014 to the direct Asia-West Africa route around the Cape of Good Hope instead of transhipment via the Mediterranean.

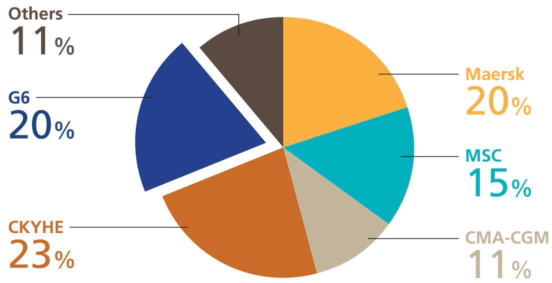
The major contributor to increasing stable earnings in the container terminal business is our U.S. subsidiary TraPac, Inc., which carried out construction at

Share by Major Carrier Alliance of the North America Routes



Source: Alphaliner Monthly Monitor June 2014

Share by Major Carrier Alliance of the Europe Routes



Source: Alphaliner Monthly Monitor June 2014

the Port of Los Angeles in fiscal 2013 to increase automation using IT technology. This increasing cost-competitiveness will boost profits in fiscal 2014. In addition, the container terminal at Rotterdam Port, 20% of which is owned by MOL, will begin operations in October 2014. Furthermore, with the aim of expanding our overseas terminal business in the long-term, we transferred a portion of shares of TraPac, Inc.'s holding company to the major Canadian fund Brookfield Asset Management Inc. in January 2014 to form a strategic alliance. By leveraging both the MOL Group's high-quality, high-efficiency terminal operation know-how and Brookfield's practical knowledge gained from solid accomplishments in the infrastructure business in emerging markets, we plan on expanding our business into ports across Central and South America and beyond.

To understand the profitability of the containership business in the medium- to long-term, it is important to consider how the trend of further introduction of larger vessels will proceed. Looking back on the trend toward larger vessels, it took around 20 years to go from 800 TEU to 4,000 TEU capacity ships, about 10 years to go from 4,000 TEU to 8,000 TEU capacity ships but just four years to go from 8,000 TEU to 14,000 TEU capacity ships. Higher fuel efficiency is the major driver of the switch to larger vessels and this trend has greatly accelerated since the sharp rise in crude oil prices. With each shipping company chasing larger vessels, this trend has led to a so-called fallacy of composition. This has resulted in an overabundance of vessels and falling freight rates, forcing many shipping companies to languish in unprofitability.

We, however, expect this trend toward larger vessels to hit the brakes soon. First, we have reached the limit of cost reductions enabled by larger vessels. Cost reductions are biggest when the routes are long and the ports are few, so while large vessels are used on European routes, they are still restricted by the physical limitations of the Suez Canal. The largest containerships at present have a capacity of 18,000 TEU, but it is our view that it would not be economical to build vessels larger than this given the amount of steel necessary to ensure a vessel's integrity, in addition to the technical and structural difficulties. And second, it is unlikely that the number of large vessels will continue to rise. Since benefiting from the economies of scale by using large vessels depends on maximizing an efficient slot utilization rate, it clearly would not be economical to have ultra-large vessels deployed on every loop in East-West routes.

We can expect improvement in business environment and profitability for containerships after 2016 and 2017, when the large vessels ordered to date will be delivered. The containership business will transform into a business that can sustainably generate profits as we earn more trust from customers by continuously improving the quality of our transportation and as we strive to secure stable sources of income and cost-competitiveness through "STEER FOR 2020."

Glossary

(*) **The G6 alliance:** An alliance of six companies and represents the integration of TNWA [MOL (Japan), APL (Singapore) and Hyundai (Korea)] and the Grand Alliance [NYK (Japan), Hapag-Lloyd (Germany) and OOCL (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 and North America West Coast routes and Atlantic routes in May 2014.

Containerships
TraPac Los Angeles Container Terminal

Ferry & Domestic Transport

Hirokazu Hatta
Managing Executive Officer

Pouring our efforts into enhancing our services to better meet customer needs while reinforcing our operational safety and transportation quality, we will strive to capture burgeoning domestic transport demand.

Fiscal 2013 in Review—Looking back on “RISE2013”

The ferry & domestic transport segment comprises the ferry business, which transports passengers, automobiles and trucks along Japan’s largest network, and the domestic transport business, which transports cement, heavy oil, steel, coal, salt and other cargoes. In fiscal 2013, we recorded ¥2.2 billion in ordinary income. This ¥0.9 billion increase from the previous year resulted in part because Abenomics thankfully helped the Japanese economy recover and the ferry business completed a series of route rationalizations in April 2013. The results exceeded start-of-fiscal-year expectations by ¥0.8 billion and we were able to contribute to the MOL Group’s target of achieving profit recovery as outlined in “RISE2013.”

The ferry division saw a year-on-year increase of 4% in passengers, 3% in automobiles and 4% in trucks transported. In addition to a strong performance for cargo transport, we were able to successfully shore up significant passenger demand by boosting TV commercials, improving internal ship services such as adding local specialties to our menus, and strengthening product tie-ups with bus companies and airlines.

Turning to domestic transport via general cargo ships, the transport of steel boomed due to the rebounding economy in addition to demand arising from recovery efforts for the Great East Japan Earthquake. An obvious shortage of vessels emerged, but the MOL Group was able to actively capture this demand by more efficiently deploying ships.

“STEER FOR 2020” and the Outlook for the First Fiscal Year

I believe the ferry & domestic transport segment will continue to strongly expand in 2014 and beyond, helped by firm trade arising from Japan’s recovering economy and full-scale reconstruction work.

Amid a shortage of truck drivers and an increase of labor practices aimed at reducing overtime, there is growing awareness by truck operators that using night-time ferry operations is superior in terms of cost, safety and environmental impact. This will accelerate the shift from inland transport to ferries, providing us with another major opportunity. As for passengers, we will continue our efforts to raise brand awareness through advertisements and promote attractive travel packages, aiming to create new demand. Going forward, we will align our fleet with the goal of switching over to more energy efficient vessels while working to promote our environmental performance and lower costs.

As for domestic transport, we aim to expand the scope of our business operations supported by the solid partnerships we have formed with ship owners in Japan, even though the shortage of vessels and crew members appears likely to continue due to expanding demand.

This segment will continue to contribute to profit growth for the MOL Group throughout the entire period of “STEER FOR 2020.” We will pour our efforts into enhancing our services to better meet customer needs while also reinforcing our safe operations and transportation quality. We foresee ordinary income of ¥3.0 billion for fiscal 2014.

Ferry & Domestic Transport

The Ferry *SUNFLOWER FURANO*

Associated Businesses

Hirokazu Hatta
Managing Executive Officer

While meeting market needs and growing demand in Japan and other Asian countries, we will serve as a bearer of stable profit to underpin the Group's profit growth.

Fiscal 2013 in Review—Looking back on "RISE2013"

This segment comprises MOL's real estate, tugboat, cruise ship, trading and other businesses. Real estate, especially Daibiru Corporation, accounts for a large portion of profits and is a main pillar supporting the segment's stable profits.

In Daibiru Corporation's main operating areas of Tokyo and Osaka, signs of a market rebound accompanying the broader economic rebound did appear, but failed to lead rent levels higher during fiscal 2013. Nevertheless, Daibiru sustained solid business performance with well above average occupancy at its office buildings.

Cruise ship passengers increased from summer 2013 onward, thanks in part to the rebounding economy. This narrowed losses, but did not result in a turnaround. Business performance for tugboats and trading companies remained firm.

Overall, the associated businesses recorded ordinary income of ¥11.1 billion, achieving increased revenues and earnings.

"STEER FOR 2020" and the Outlook for the First Fiscal Year

The associated business shall underpin the entire MOL Group's profit growth with real estate and tugboats remaining major sources of stable profits. We are committed to further improving earnings across all fields.

Daibiru embarked on a new medium-term management plan entitled "Design 100" Project Phase-I in April 2013. This five-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's stable earnings. The Daibiru-Honkan Building, which was completed in Osaka in February 2013, has exceeded original targets and is performing strongly. Daibiru will concentrate efforts on securing even more tenants and improving occupancy levels. The company is currently engrossed in negotiations with prospective tenants for the Shin Daibiru Building, which is slated for completion in March 2015. Turning overseas, Daibiru expanded into Ho Chi Minh City, Vietnam in January 2012 with the purchase of a high-grade building and maintained high occupancy. The company is now moving forward to acquire another property in the country.

The tugboat business, serving at the very frontline of shipping, will continue to take the lead in reinforcing the Group's safe operating structure as outlined in "STEER FOR 2020." It will expand its business in domestic ports and also strive to capture new demand in ports throughout economically booming Southeast Asia by leveraging the MOL Group's track record and wealth of experience. In addition, we will continue to seek growth opportunities in related fields of offshore businesses and realize innovation throughout our business domain in accordance with "STEER FOR 2020."

The cruise ship business has been struggling financially, but its loss has been narrowing. We acknowledge foreign competitors have been making inroads, but they have also been raising awareness of cruises and done a lot to expand the cruise ship market in Japan. Mitsui O.S.K. Passenger Line, Ltd. will continue to differentiate itself through personalized, top-notch service. The cruise ship business is one of the few B-to-C businesses within the MOL Group. The cruise business can significantly raise the visibility of the Group and increase the Group's ability to communicate with its stakeholders. I am eager to increase earnings and stabilize this unique business by significantly increasing the number of passengers experiencing our cruises.

Our trading business will expand profits mainly by selling equipment to raise vessels' environmental and safety performance. They have developed an improved Propeller Boss Cap Fin (PBCF)(*), which is a device to improve energy-efficiency that has been equipped on over 2,500 ships worldwide as of fiscal 2013.

The division forecasts ordinary income for fiscal 2014 to be ¥10.5 billion.

Glossary

(*) **PBCF:** A device to improve propeller efficiency developed by the corporate group centered in MOL. It reduces fuel consumption by 4-5% operating at the same speed.

Associated Businesses
Daibiru-Honkon Building

Management Foundation Underpinning MOL:

Corporate Governance and Corporate Social Responsibility

Contents

Board Of Directors, Corporate Auditors And Executive Officers

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, Managing Director of MOL Europe B.V.
Jun. 2011	Managing Executive Officer
Jun. 2013	Director, Managing Executive Officer (current)

Shizuo Takahashi
Director Born 1959

Apr. 1981	Joined Mitsui O.S.K. Lines, Ltd.
Jun. 2006	General Manager of Corporate Planning Division
Jun. 2008	Executive Officer
Jun. 2011	Managing Executive Officer
Jun. 2014	Director, Managing Executive Officer (current)

Takeshi Komura
Director Born 1939

Jun. 2008	Director of Mitsui O.S.K. Lines, Ltd. (current)
Jan. 2014	President of Capital Market Promotion Foundation (current)

Masayuki Matsushima
Director Born 1945

Jun. 2011	Director of Mitsui O.S.K. Lines, Ltd. (current)
Nov. 2012	Chairman of NWIC Co., Ltd. (current)

Atsutoshi Nishida
Director Born 1943

Jun. 2014	Director of Mitsui O.S.K. Lines, Ltd. (current)
Jun. 2014	Advisor to the Board of Toshiba Corporation (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)

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)

Hideki Yamashita Born 1941
Corporate Auditor

Apr. 1982 Attorney-At –Law (current)
Apr. 1985 Established YAMASHITA & TOYAMA LAW AND PATENT OFFICE
Mar. 1993 Patent Attorney (current)
Jun. 2011 Corporate Auditor of Mitsui O.S.K. Lines, Ltd. (current)

Executive Officers

Koichi Muto
President

Kazuhiro Sato
Executive Vice President Executive Officer
(Assistant to President)

Tsuneo Watanabe
Senior Managing Executive Officer
(Tanker Division, Tanker Safety Management Office)

Kenichi Nagata
Senior Managing Executive Officer
(Research Office,Coal and Iron Ore Carrier Division, Bulk Carrier Office, Dry Bulk Carrier Supervising Office)

Junichiro Ikeda
Senior Managing Executive Officer
(Human Resources Division, Liner Division, Car Carrier Division)

Masaaki Nemoto
Senior Managing Executive Officer
(Dry Bulk Carrier Supervising Office, Tanker Safety Management Office, MOL Ship Management Co., Ltd., MOL LNG Transport Co., Ltd.,Human Resources Division, Marine Safety Division, Tanker Safety Management Office)

Masahiro Tanabe
Managing Executive Officer
(Finance Division, Accounting Division, Investor Relations Office)

Shizuo Takahashi
Managing Executive Officer
(Internal Audit Office, Secretaries Office, Corporate Planning Division, Public Relations Office, MOL Information Systems, Ltd., Compliance)

Kiyotaka Yoshida
Managing Executive Officer
(Technical Division)

Hirokazu Hatta
Managing Executive Officer
(General Affairs Division, Group Business Division, Kansai Area)

Takeshi Hashimoto
Managing Executive Officer
(LNG Carrier Division, Offshore and LNG Project Division,MOL LNG Transport Co., Ltd.)

Tetsuro Nishio
Managing Executive Officer
(Dedicated Bulk Carrier Division)

Toshiya Konishi
Managing Executive Officer
(Liner Division)

Takaaki Inoue
Managing Executive Officer
(Tanker Safety Management Office, MOL LNG Transport Co., Ltd., Marine Safety Division)

Takashi Maruyama
Executive Officer
(General Manager of Finance Division)

Akihiko Ono
Executive Officer
(General Manager of Corporate Planning Division)

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

Yoshikazu Kawagoe
Executive Officer
(General Manager of Technical Division)

Hideo Horiguchi
Executive Officer
(General Manager of Accounting Division)

Akio Mitsuta
Executive Officer
(Tanker Division)

Koichi Yashima
Executive Officer
(Human Resources Division)

Mitsujiro Akasaka
Executive Officer
Managing Director of MOL (Asia) Ltd.

Toshikazu Inaoka
Executive Officer
(Dry Bulk Carrier Supervising Office,MOL Ship Management Co., Ltd.,
Marine Safety Division, General Manager of Dry Bulk Carrier Supervising Office)

Naotoshi Omoto
Executive Officer
(General Manager of Car Carrier Division)

Toshiaki Tanaka
Executive Officer
(General Manager of Coal and Iron Ore Carrier Division)

We will continue to build a highly transparent management foundation that brings both order and growth dynamics.

Shizuo Takahashi
Managing Executive Officer

Corporate Governance that Supports Growth Dynamics

MOL believes there are two sides to effective corporate governance. The first is defensive, focused on eliminating risks and ensuring business is conducted in line with social norms and corporate ethics. The other side is offensive, striving to maximize corporate value by accurately evaluating latent risks in the process of pursing business opportunities, then actively taking those risks deemed reasonable. In short, a company needs both wheels of governance. One brings order, the other provides growth dynamics. Only after both wheels are firmly in place, can a company gain the trust of its customers, stockholders, business partners, employees, local communities and wide-ranging stakeholders to sustainably conduct business operations.

MOL greatly shored up its management structure in the five years leading up to 2002. Taking a lead position among Japanese companies, MOL established an advanced, highly transparent corporate governance structure by, for example, inviting external directors and introducing an executive officer system. While you could say we are now reaping the benefits of those efforts, MOL has only arrived at its current position through a process of continuous improvement and evolution. We have worked hard to enhance corporate value.

The fruit of these efforts can be found in the growth we achieved through the successful implementation of a series of mid-term management plans. We were also able to overcome the oppressive business environment from around 2011 to 2012 and return to a growth trajectory through the Business Structural Reforms of 2012. This can be attributed to the proper functioning of corporate governance.

However, we must deeply reflect on the fact that during the boom period, before the onset of the financial crisis, we compounded significant market exposure risks, as well as the fact that car carriers became involved in cartel-related violations. Under the new midterm management plan, "STEER FOR 2020," the strengthening of total risk control and compliance is regarded as a priority issue around which the entire MOL Group is coming together to carry out.

Safe Operation as the Wellspring of Competitiveness

A major premise for our business activities lies in the following MOL Group Corporate Principle: "We will promote and protect our environment by maintaining strict, safe operation and navigation standards." Everyone at the Group knows that there is no completion date on maintaining strict, safe operation and navigation standards. We need to endlessly focus our efforts on making continuous improvements. This is why we established the Operational Safety Committee chaired by the president of MOL. This is also the reason top management is proactively taking the lead in evaluating and determining important matters related to safe operation.

Maintaining strict, safe operation is also directly connected to the quality of service we provide our customers. For this reason, MOL has set achieving the Four Zeroes (an unblemished record in terms of serious marine incidents, oil pollution, fatal accidents and cargo damage) as a permanent target. We are striving for transparency by monitoring standard quantitative key performance indicators (KPIs), such as the number of work-related accidents, operational stoppage time and operational stoppage accident rate. And by proactively disclosing MOL's shipping quality to stakeholders, MOL is doing its utmost to be the carrier of choice.

As we place more focus on LNG carrier shipping and offshore businesses going forward under "STEER FOR 2020," customers and society at large will demand an even higher level of safe operation. MOL's ability to deliver this will, through marketing, likely become a powerful point of differentiation, setting us apart from other companies. MOL will not become complacent with the track record it has cultivated thus far. We will always place safe operation as our ultimate core competence. And in securing human resources as we expand the LNG carrier business, we will continue to actively promote the employing and training of superior marine and inland personnel. We aim to be the company of choice.

Tightening Global Environmental Regulations as a Business Chance

In the world of international seaborne trade, the 21st century is said to be the era of environmental regulation. New regulations are steadily being introduced to prevent global warming, conserve biodiversity, and protect the sea and the air. In responding concretely, MOL views these evolving regulations as a business opportunity. MOL will leverage its practical environmental technologies and know-how to attain a competitive advantage and advance toward further growth. To this effect, we have launched the Senpaku ISHIN project, have set targets for introducing environmental technologies and we are making firm strides toward achieving our goals. For example, the hybrid car carrier Emerald Ace, delivered in 2012, earned plaudits from automakers striving to lower environmental load over the entire product lifecycle.

Social Contribution Activities Centered on MOL's Main Businesses and Sharing Global Values

In terms of social contribution, MOL especially promotes activities that synergize with our areas of business. For example, over half of the seafarers aboard our vessels are Filipinos. Their homeland lies in the frequent path of typhoons so, unfortunately, the Philippines is often visited by calamity. When this happens, we swiftly conduct on-site disaster relief operations and support reconstruction by providing relief supplies and funds to help people return to their normal lives. On a different continent altogether, MOL participates in a support project by the U.N. Development Programme to combat the pirate problem in the waters around Somalia. We are working hard to enable the young people of Somalia to find employment in proper lines of work by solving underlying problems through the establishment of inland social infrastructure. The nations of Africa are expected to grow and we will continue to leverage the unique strengths of maritime shipping to promote stability, for example, by transporting desks and chairs to be used in schools for free and cooperating in shipments of mobile libraries. Taking the long view, these initiatives will serve as the cornerstone of our sustainable growth and through them, our Group employees from all around the world can really feel that our business activities are contributing to the betterment of people's lives through marine shipping.

Furthermore, as a company expanding globally, we share universal values. It is important to show that MOL acts in accordance with those values. MOL was quick to participate in the United Nations Global Compact in 2005 and has endeavored to support and carry out the Global Compact's 10 principles, which span the four fields of human rights, labour, environment and anti-corruption.

MOL's Fighting Spirit is in Its DNA

MOL's views as explained above regarding governance, safe operation, CSR and the environment are based on a corporate culture fostered throughout a 130-year history. Above all, I believe that MOL's unique DNA is essentially its indomitable fighting spirit. Unyieldingly taking on new challenges is what I believe enables MOL's sustainable corporate activities. To remain sustainable, it is necessary to set high targets and tirelessly pursue them. Reasonable risks must also be taken to be sustainable.

Under "STEER FOR 2020," we will greatly reduce our market exposure risks as we set course to pursue long-term stable profits, especially in LNG carriers and offshore businesses. The decision to shift its investment focus to LNG carriers and offshore businesses with a significant ¥700 billion investment is a remarkably bold decision.

This kind of decision, however, is made based on the results of business intelligence, which the Company considers vital to governance. I want to stress that "STEER FOR 2020" is the result of a thorough decision-making process. Management, including outside directors, comprehensively examined the arguments analyzing relevant data from many angles, starting with front-line data collected by MOL's employees. They only arrived at their decision after thoroughgoing debate and completing a careful governance process that included quantitative and qualitative risk assessment.

This year, MOL celebrates its 130th anniversary. From its forebears, open communication has been steadfastly handed down over all these years. Open communication remains a value the Company prides itself on, and a virtue essential to new endeavors. Valuing such endeavors, I would like to create a highly transparent management foundation that brings both order and growth dynamics. Rather than governance that merely constrains everyone to a predetermined mold, this two-sided form of corporate governance will enable us to anticipate long-term trends and customer needs to achieve the continued creation of corporate value.

Corporate Governance

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 shown in the timeline below.

Corporate Governance Organization

MOL has established a corporate governance system that maximizes shareholder profits through the most appropriate allocation of management resources, with higher transparency of corporate management as shown in the chart on the next page. The Board of Directors (with the participation of independent outside directors, who are indispensible to corporate governance) supervises and encourages business operations, which are carried out by the President as chief executive officer. In addition, as a company with a board of corporate auditors, four corporate auditors, including two outside auditors, conduct business and accounting audits.

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. The framework described in the preceding paragraph is operated in the manner outlined in the following sections.

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.

With regard to the midterm management plan, the Board began deliberations centered on the theme of "shale revolution and energy transportation" in February 2013 and continued with the deliberations as outlined below. The prudent deliberations extended to an analysis of the business environment and open discussions on the direction of the plan based on opinions and information about new business opportunities. The fruit of this comprehensive deliberation is reflected in "STEER FOR 2020."

Themes discussed in corporate strategy and vision deliberations held in fiscal 2013 (4 times)

May 2013	Prospects for offshore businesses and MOL's initiatives
October 2013	Business environment analysis for formulating the next midterm management plan
November 2013	Technical innovation in marine shipping
February 2014	Outline of next midterm management plan

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.

History

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

■ **STEER Committee**
Executes and follows up on midterm 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.

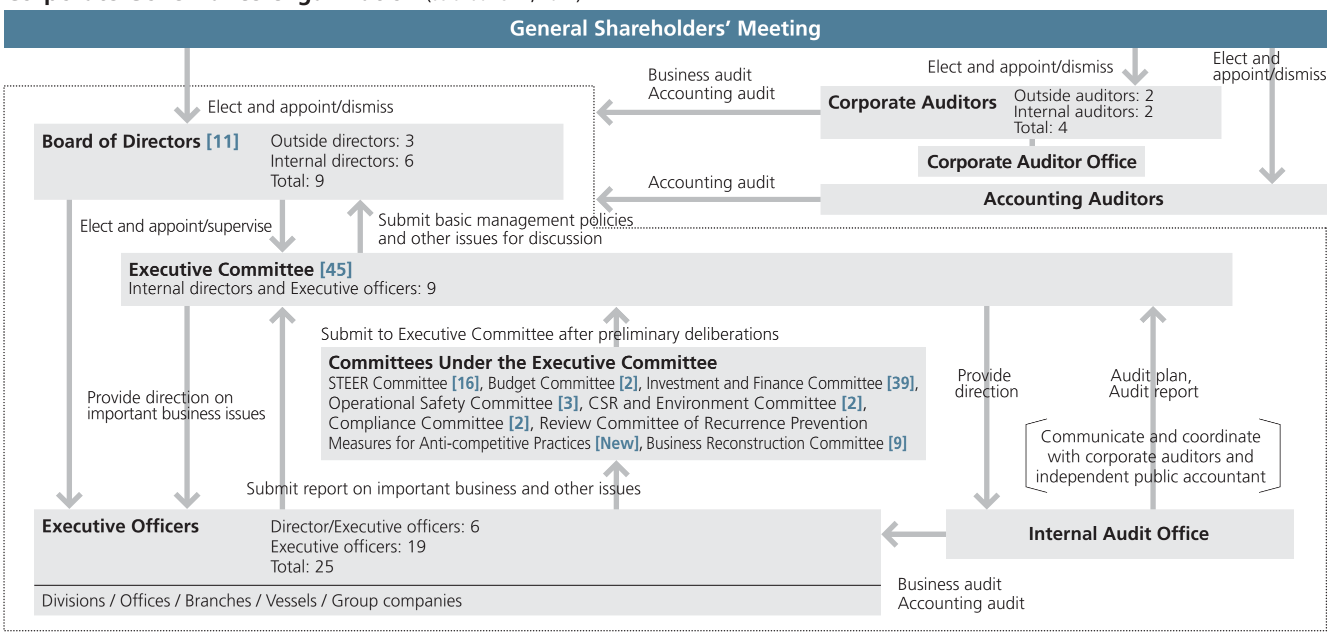
■ **CSR and Environment Committee**
Studies and discusses corporate social responsibility (CSR), and matters related to company systems for reducing global environmental impact.

■ **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.

■ **Review Committee of Recurrence Prevention Measures for Anti-competitive Practices**
Studies and formulates policies to prevent a recurrence of cartel activity as well as to ensure the strict execution of the policies.

■ **Business Reconstruction Committee**
Studies and discusses matters relating to rehabilitation plans for depressed businesses.

Corporate Governance Organization (as of June 24, 2014)



Numbers in brackets show the number of meetings of the Board of Directors, Executive Committee and their sub-committees during fiscal 2013.
The STEER Committee, an organization under the Executive Committee, was called the RISE Committee in fiscal 2013 and met 16 times.

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. Reviewed and consolidated 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 MOL's Compliance Policy and Rules of Conduct

2014

Revised the Compliance Policy, establishing a chief compliance officer (COO)

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 an outside perspective to management.

MOL has appointed three outside directors whose experience encompasses macroeconomic management, finance, and businesses in Japan. 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.

Outside Director Newly Elected in 2014

Name	Position	Reason for Appointment
Atsutoshi Nishida	Advisor to the Board of TOSHIBA CORPORATION	MOL adjudged that he can offer advice 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.

(As of June 25, 2014)

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.

Outside Corporate Auditor Newly Elected in 2014

Name	Position	Reason for Appointment
Hideki Yamashita	Attorney-at-Law & Patent Attorney, YAMASHITA & TOYAMA LAW AND PATENT 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.

(As of June 24, 2014)

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 2013 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)	9	¥331	$3,224
Corporate auditors (Excluding outside corporate auditors)	3	62	610
Outside directors and outside corporate auditors	5	57	563

Compensation for Independent Public Accountants

	(¥ millions)	(Thousands of U.S.$)
Compensation for auditing services	¥105	$1,020
Compensation for auditing-related services	3	35
Total	¥108	$1,056

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 2013 is shown in the table above.

Regarding the Japan Fair Trade Commission's Announcement

According to the announcement made by the Japan Fair Trade Commission (JFTC) on March 18, 2014, MOL was found to have violated Article 3 of the Antimonopoly Act (Unreasonable Restraint of Trade). The Company, however, was exempted from Cease and Desist Orders and Surcharge Payment Orders because it had already ceased the questioned conduct before the on-site investigation and the JFTC granted MOL's application under the JFTC's leniency program. Nevertheless, we still consider this legal violation to be a very serious matter and have cut executive compensation of the Chairman, the President, and the Senior Managing Executive Officer responsible. In addition, we are working to reinforce compliance through new measures, including those described below, as each and every executive and employee should conduct their activities each day with the deeply ingrained understanding that compliance is a major requisite for corporate activities.

- Established the Review Committee of Recurrence Prevention Measures for Anti-competitive Practices, which is headed by the President, to examine and execute concrete policies to prevent a recurrence
- Established a chief compliance officer
- Revised company rules and reinforced education and training

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 2013, 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 2013, 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.

Japan's Stewardship Code was enacted in February 2014. MOL has already been proactively holding constructive dialogues with institutional investors and there will be no change to that policy. Feedback is regularly provided to management with regard to the content of discussions held with investors and analysts. Going forward, MOL will further bolster the quality and quantity of communication while being mindfully aware of fair disclosure.

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.

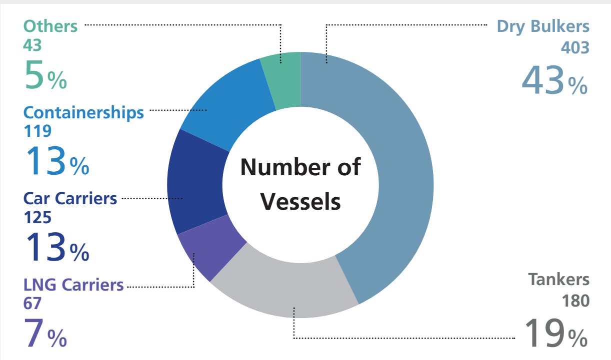
MOL will continue working to raise confidence in its business policies and management through close communication with various stakeholders.

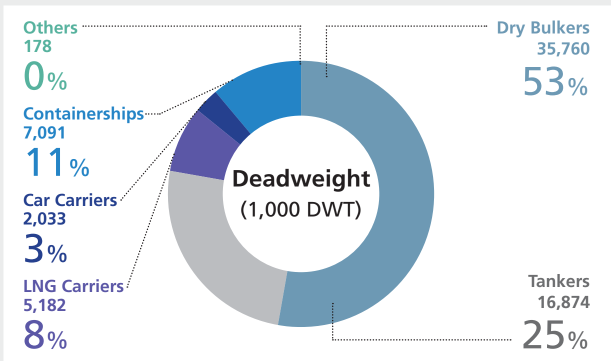
The Company identifies the risks surrounding the MOL Group, such as fluctuations of freight rates, with the aim of managing and reducing these risks. In the midterm management plan "STEER FOR 2020," MOL has designated the reinforcement of total risk control as one measure to strengthen its management foundation and support the successful execution of the plan. To fully exercise sustainable risk management, the Company transparently quantifies its comprehensive risk.

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 trade structures, vessel supply-demand balance, market conditions and cargo volumes. Achieving the best performance hinges on objectively analyzing information so as to continually increase the probability of generating 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. In accordance with our internal market risk management regulations, we appropriately reduce risks related to fluctuation, especially those arising from freight rates, bunker prices, exchange rates, and interest rates. The Investment and Finance Committee also identifies, analyzes and evaluates risks related to such material issues as investment in ships.

Fleet Composition (As of March 31, 2014)





Diversifying Operations to Reduce Risk

MOL operates a "full-line marine transport group." As of the end of March 2014, we operated around 940 vessels, ranging from dry bulkers, tankers, and LNG carriers to car carriers and containerships, capable of transporting a diverse range of raw materials and finished goods. Each type of ship and each type of cargo have particular supply and demand trends, and create particular markets. While some of these markets are highly correlated with each other, others are negatively correlated depending mainly on the economic environment, so the impact in one sector offsets the impact in another. By assessing the suitability of a particular vessel type for medium- to long-term contracts and market exposure the Company expects, MOL constructs an optimum business portfolio, which allows the Company to pursue higher profits while mitigating risks.

Building up 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 expanding, but considering the ongoing glut of shipbuilding capacity, more time will likely need to elapse before a structural turnaround is realized in the market environment. 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&A deals in growing sectors which enjoy a relatively stable cash flow.

Exchange Rate Fluctuations

Although MOL has concluded transport contracts on a yen-denominated basis with some Japanese clients, most transactions in the international marine transport business are concluded on a U.S. dollar-denominated basis. Despite our best efforts to incur expenses in U.S. dollars, U.S. dollar-denominated revenue currently exceeds U.S. dollar-denominated expenses, so when the yen strengthens against the U.S. dollar this can have a negative impact on Group earnings. In fiscal 2014, we project that each ¥1-per-dollar change in the yen-U.S. dollar exchange rate will have an impact of approximately ¥2.1 billion on consolidated ordinary income.

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, 2014, interest-bearing debt totaled ¥1,094.0 billion, and around 50% of that loan principal is locked in at a fixed interest rate. As a result, an increase of 1 percentage point in market interest rates on both yen-denominated and U.S. dollar-denominated interest-bearing liabilities would impact annual consolidated ordinary income by no larger than approximately ¥5.0 billion. Although MOL has benefited from ultra-low interest rates in the aftermath of the financial crisis, 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 rate swaps and other means according to changes in financial conditions, taking into consideration the balance between variable- and fixed-rate interest.

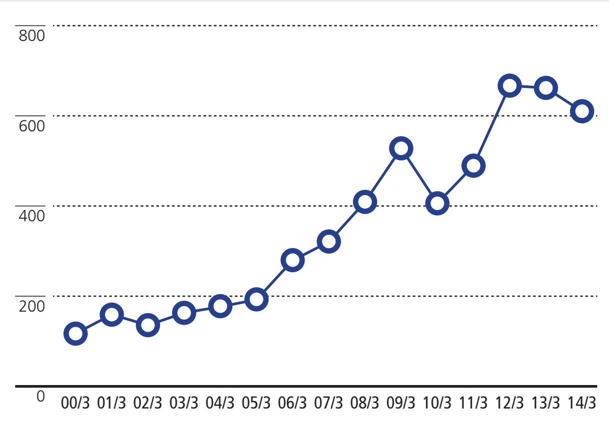
Bunker Price Fluctuations

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 940 vessels, whose annual fuel consumption amounts to around 6 million tons of bunker. The Company is able to pass on about 60% 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 ¥0.24 billion (net of hedging) at the maximum.

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

Exchange Rate (¥/US$)	A ¥1 appreciation reduces ordinary income by approximately ¥2.1 billion
Interest Rate (%)	A 1 point rise in both yen- and U.S. dollar-denominated interest-bearing debt reduces ordinary income by approximately ¥5.0 billion
Bunker Price (US$/MT)	A US$1/MT increase reduces ordinary income by approximately ¥0.24 billion

Average Bunker Price (US$/MT)



Stricter restrictions to reduce sulfur oxide emissions generated by ships could be introduced as soon as 2020. These restrictions would require the use of low-sulfur fuel oil containing less than 0.5% sulfur across all ocean regions, which could have an impact on fuel costs. In the event fuel costs rise, the Company intends to pass on these higher costs by raising freight rates and other fees.

Vessel Operations

MOL operates a fleet of approximately 940 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 establishment of 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.

Group Company Operational Management

The MOL Group Corporate Principles serve as the basis for setting regulations at MOL Group companies. Each Group company submits required reports to MOL in a timely manner in accordance with Group Company Management Regulations. After properly ascertaining the financial conditions and business risks, the Company, as a shareholder, requests Group companies obtain permission prior to executing important management matters.

Natural Disaster or Similar Event

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

MOL puts the highest priority on ensuring the safety of its vessels and personnel in the event of a disaster or similar event. The Company has formulated a business continuity plan documenting procedures to enable it to continue providing 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 on and off premise at Head Office, aboard ships and throughout the Group's other facilities, as well as taking other measures to ensure preparedness. By addressing issues arising from these drills, MOL believes that it maintains a high state of readiness. Nevertheless, in the event of a disaster or similar event in which MOL cannot completely avoid damage, the Company's business performance may be affected.

Safe Operation

Safe operation is of the utmost importance and lies at the heart of MOL's management. In the new midterm management plan "STEER FOR 2020," we set the reconstruction of our safe operating system as an integral initiative to strengthen our management foundation, which supports the successful execution of the plan. We will continue to restrengthen our safe operating system to ensure the thorough implementation of measures to prevent serious marine incidents as we strive to become the world leader in safe operation.

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

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 in real time, 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*[2].

Safety Operation Supporting Center (SOSC)

■ Accident Response Drills

MOL regularly conducts accident response drills on vessels while at sea. These drills 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 serious marine incident emergency 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. In November 2013, we conducted an emergency response drill with the premise of a pirate attack on a car carrier in the seas off Somalia. In May 2014, we conducted an emergency response drill with the premise of a bulk carrier running aground in the Seto Inland Sea with a fire in the engine room. 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.

Evacuation drill on board

Safe Operation Measures

Efforts to ensure safe operation will never end. Coupled with the revision and continuation of policies already in place to strengthen safe operation, MOL will thoroughly implement policies to prevent a recurrence of recent serious marine incidents.

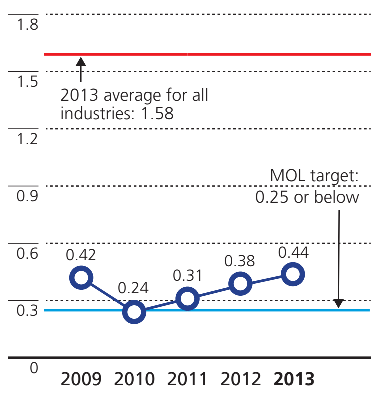
Making Processes for Realizing Safe Operation Visible

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 *[3] (Lost Time Injury Frequency): 0.25 or below
3. Operational stoppage time *[4]: 24 hours/ship or below

4. Operational stoppage accident rate *5: 1.0/ship or below

Lost Time Injury Frequency (LTIF)



Operational Stoppage Accidents Average Time and Frequency

In fiscal 2014, MOL will work on three important targets: (1) eradicate work-related accidents causing death, and reduce work-related accidents causing injury, (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).

Preventing New or a Recurrence of Serious Incidents

MOL is constantly, repeatedly implementing and raising awareness of fundamental matters while striving to thoroughly keep fresh the memory of serious incidents we have experienced and prevent a recurrence of serious incidents while giving due consideration to improving teamwork, safety awareness, awareness of relevant parties and vessel management quality. We will continue to adapt our accident prevention system by making 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 thoroughly implementing drills prior to boarding and supervising the instruction of less experienced seafarers. We are also enhancing land-based education and training curriculum and programs such as "Hazard experience" training sessions and BRM drills*6. These measures are geared towards enhancing the ability of seafarers to perceive danger and promoting teamwork. 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*7 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 and promoting the adoption of information technology. 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.

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 and propose preventive measures for examples of serious incidents and problems as if they were each wholly responsible as part of efforts to prevent accidents.

Glossary

*1 **Fail-safe:** Equipment and systems designed to operate safely at all times, even when trouble occurs due to operator error or malfunction.
*2 **Emergency entry:** Entering foreign territory due to severe weather on the sea, serious hull or engine distress, or the injury of a crew member.
*3 **LTIF (Lost time injury frequency):** 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 (2013) was 1.58; for shipping industry, 1.54; for transportation equipment manufacturing industry, 0.47. (Source: 2013 Survey on Industrial Accidents issued by the Ministry of Health, Labour and Welfare)
*4 **Operational stoppage time:** Expresses the amount of ship operational stoppage time due to an accident per ship per year.
*5 **Operational stoppage accident rate:** Expresses the number of accidents that result in ship operational stoppage per ship per year.
*6 **Bridge resource management drill:** Simulating an incident on a vessel operation simulator to enable seafarers to acquire response techniques. It includes MOL's original programs.
*7 **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 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 the aft part of the containership sank on June 27 and the fore part later sank on July 11.

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 in addition to implementing various safety measures. The Company strengthened the hull structures of seven sister vessels operated by MOL. MOL decided to take extra preventive measures to achieve roughly twice the strength of Class NK hull strength standard in compliance with the Rules of the International Association of Classification Societies Ltd. (IACS). The Company is also continuing operational precautions to reduce the stress on the hull. MOL has examined the outer bottom shell plates of all the large containerships it operates and confirmed there were no safety issues. We, with industry professionals and experts, are also fully cooperating with the study by the Committee on Large Container Ship Safety initiated by the Japanese Ministry of Land, Infrastructure, Transport, and Tourism acting as secretariat. Although the committee has not reached a conclusion about the definite cause, MOL has already implemented the recommended safety measures outlined in the interim report released in December 2013. We will continue to cooperate with the parties concerned to ensure safe operation.

Cooperation for Safe Operation

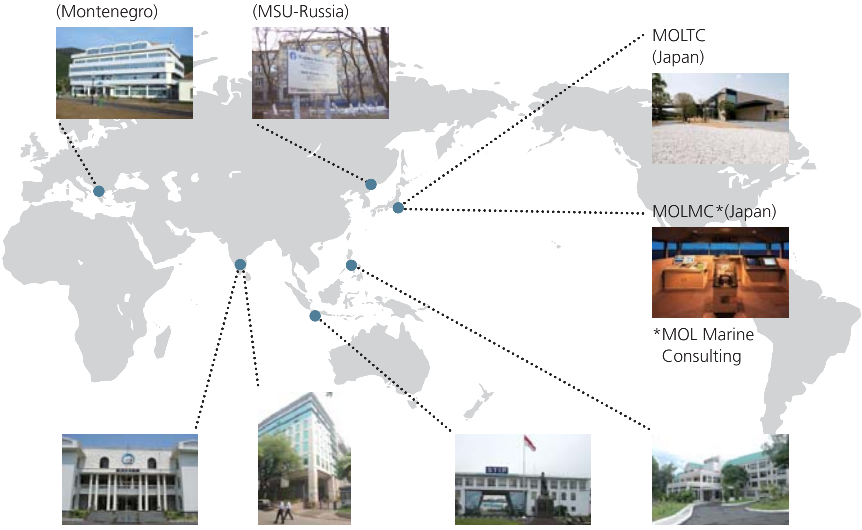
The MOL Group works together with vessels, shipowners, and ship management companies to work toward achieving the world's highest level of safe operation of all owned and chartered vessels by sharing safety-related information. The Company regularly broadcasts "Safety Alerts"— information pertaining to safe operation, including work-related incidents involving casualties—to every vessel. MOL conducts "Safety Operation Meetings" and "Safety Campaigns" involving vessels, shipowners, ship management companies and even the sales division 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.

Recruiting and Training Excellent Personnel to Support Safe Operation

To ensure safe operation, it is crucial we regularly employ and train excellent seafarers who meet the Company's technical standards. We secure excellent human resources from around the world and mold these recruits into seafarers possessing the high morale and vastly superior technical skills and knowledge MOL demands by tailoring their compensation and working environment on and off the ship, in addition to conducting top-notch training and education. We have introduced a scholarship and other programs to support students aspiring to be seafarers. In addition, the Company operates MOL Training Centers in eight locations spanning six countries. We conduct a wide variety of training from lectures for learning theories to practical training using various simulators.

The Company has introduced unique programs and is carrying out initiatives to foster MOL seamanship. These programs include the Cadet Actual Deployment for Education with Tutorial (CADET) Training, which is a cadet training program whereby practical training is conducted on operated vessels. There is also the OJT Instructor Program where highly experienced captains and chief engineers board the ship while at sea and give advice and technical guidance right there on the spot.

The MOL Training Centers, where excellent seafarers around the world are trained



Third-Party Evaluations

Safe Operation, Including Evaluations of Seafarer Educational Programs

■ LNG Carrier Standard Training Course acquired certification from DNV*

The LNG Carrier Standard Training Course implemented globally by MOL was certified by Norway's Det Norske Veritas AS (DNV)* in 2007 for compliance with the LNG carrier crew ability standards advocated by SIGTTO.**

* Now DNV GL
**Society of International Gas Tanker & Terminal Operators Ltd .

■ Management program for seafarer education and training acquired certification from DNV*

MOL's management program for seafarer education and training was recognized to be effective and certified in its tanker and LNG carrier operations by DNV* in 2012 for compliance with the Competence Management System (CMS).

Corporate Social Responsibility (CSR)

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 MOL Group's initiatives and policies regarding overall CSR are deliberated on by the CSR and Environment Committee, which then sets single-year, medium- and long-term targets and conducts regular reviews.

The Operational Safety Committee discusses basic policies and measures for ensuring safe operation of MOL Group-operated vessels through rigorous attention to every detail. The Compliance Committee discusses basic policies and measures for enhancing the compliance system, dealing with compliance violations, and establishing a structure for protecting and managing personal information.

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.	Business 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.

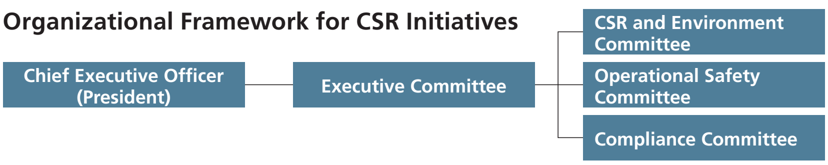
Environment

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.

Organizational Framework for CSR Initiatives



The MOL Group Basic Procurement Policy

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 throughout our supply chain to observe laws and regulations 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.

CSR Objective of Midterm Management Plan

1. Thoroughly implement safe operation and provide safe, secure, stable, high-quality services.
2. Deepen initiatives to ensure thorough compliance.
3. Promote personnel training and diversity to strengthen comprehensive Group capabilities.
4. Make further progress on solving social issues and promoting environment initiatives as an environmentally advanced company.
5. Actively disclose sustainability data.
6. Promote social contribution activities related to MOL's businesses.

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.

MOL Group Environmental Target System: This system applies to MOL's 53 main Group companies in Japan and 29 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.

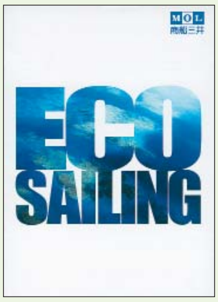
Prevention of Global Warming and Air Pollution

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 page 67 and our website at the following URL: http://www.mol.co.jp/csr-e/environment/ishin/)

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.

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 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.

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.

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% mandate for general sea areas in the International Convention for the Prevention of Pollution from Ships (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.

Approaches to Marine Environmental and Biodiversity Protection

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 International Maritime Organization (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 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.

The Senpaku ISHIN project, our concept for next-generation vessels

- The Senpaku ISHIN project, our concept for next-generation vessels, is a ground-breaking initiative that helps protect the environment in a substantive way by reducing carbon dioxide emissions using feasible technologies.
- MOL announced concepts for ISHIN-I, ISHIN-II and ISHIN-III as a series of next-generation vessels.
- MOL took delivery of the vessels marking major steps toward realizing the Company's concepts of ISHIN-I and ISHIN-III.

ISHIN- I

A hybrid car carrier which uses renewable energy

In June 2012, MOL took delivery of the EMERALD ACE, a new car carrier equipped with a hybrid electric power supply system, taking a step toward realizing the Company's ISHIN-I image of future car carriers.

ISHIN- II

An LNG-powered ferry

Features
- Using LNG as fuel means the vessel has cleaner exhaust gases and greatly reduces CO_2 emissions.
- 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

A very large ore carrier with high-efficiency waste heat recovery system

In June 2014, MOL took delivery of the AZUL BRISA, a new bulk carrier with high-efficiency waste heat recovery system, taking a step toward realizing the Company's ISHIN-III image of future very large ore carriers.

Journey to ISHIN—Development Roadmap

Diverse technologies are employed for ISHIN-I/II/III. We created the roadmap for the research, development and field trials of all of the component technology and routinely monitor progress with the aim of rapidly launching the completed vessels.

Component Technology	H2 FY2013	H1 FY2014	H2 FY2014
Optimum Trim Operation	• Complete tank tests of ship model of each type of vessels • Running trial of the actual vessels operated by MOL	• Complete tests on the actual vessels • Integrate test results, and tune up the individual trim chart of each type of vessel	• Prepare to introduce Optimum Trim Operation into actual vessels (developing interface with loading computer, etc.)
Waste Heat Recovery (WHR) from the main engine	• Examine performance of each WHR device	• Examine actual performance of WHR system on sea trial, and delivery	• Evaluate working condition of WHR and effect of bunker saving under operation
Power Assist Sail	• Evaluation of energy efficiency improvement and confirmation of proper operation through the onshore demonstration test	• Consideration of appropriate ship types where sails can be installed and have significant effect in bunker saving	• Study of details on energy efficiency improvement
Diesel Particulate Filter (DPF) system development to reduce PMs in the exhaust gases	• Develop fine-tuned DPF • Verify the performance of DPF installed in the test engine at MOL Technology Research Center (TRC)	• Replace DPF installed on actual vessel with fine-tuned one • Continue the performance test at TRC and verify PM measuring methods	• Continue test for examination of durability of fine-tuned DPF installed on actual vessels (one year) • Continue the performance test at TRC and verify PM measuring methods

■ Implemented ■ Implementation scheduled

Third-Party Evaluations

Environment

■ DBJ Environmental Rating

In 2011, MOL became the first company in the ocean shipping industry to acquire the "DBJ Environmental Ratings" from the Development Bank of Japan Inc. (DBJ). MOL received the highest rating from DBJ, which cited MOL's "particularly forward-looking approaches to environmental consciousness."

■ Carbon Disclosure Leadership Index (CDLI) Commendation

In 2012, MOL was praised for the content of the information it revealed in the survey conducted by the NPO Carbon Disclosure Project (CDP) regarding the disclosure of greenhouse gas emissions and climate change strategies. MOL was selected for inclusion in CDLI.

■ SMBC Environmental Assessment Loan

In 2012, MOL acquired the top rating for Sumitomo Mitsui Banking Corporation (SMBC) Environmental Assessment Loan because of the remarkable environmental friendliness in its corporate management.

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.

Three Principles of MOL's Social Contribution Activities

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.

* One of the common frameworks that integrates the Millennium Declaration adopted at the United Nations Millennium Summit held in September 2000, and the International Development Goals that were adopted at major international conference and summits in the 1990's. 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."

Global Social Contribution Activities

Burkina Faso
Transport of desks and chairs by sea

Cambodia
Transport of medical vehicles by sea

Opening of new market facility

Somalia
MOL and six other companies* provided US$1 million in funding to the Somalia Support Project, run by the United Nations Development Programme (UNDP).

* Shell, BP, Maersk, Stena, NYK, K Line and MOL

Japan
- Contributions to Reconstruction Efforts from the Great East Japan Earthquake
  1. Transport of SDF vehicles and personnel by ferry
  2. Free emergency support of rescue supplies
  3. Transport of international rescue supplies
  4. Support voyages by the cruise ship Fuji Maru
  5. Donation of refrigerated container
- Helping clean up beaches
- Helping plant trees and thin forests

Contributions to Biodiversity and Nature Conservation
Thailand and Malaysia: Planted mangrove forests
Hong Kong: Cleaned up the seashore
India: Participated in the "Say NO to Plastic Bags" campaign and afforestation activities
The United States: Implemented afforestation and conservation activities

Tanzania
Transport of children's clothes by sea

The Philippines
Helping construct a day care center

Kenya
Zambia
Transport of children's shoes by sea

South Africa
Transport of mobile libraries by sea

Vietnam
Transport of wheelchairs by sea

Paraguay
- Transport of fire engines by sea
- Transport of children's wheelchairs by sea

Third-Party Evaluations

Overall CSR, including evaluation of socially responsible investment (SRI)

■ CSR Rating by the Dow Jones Sustainability Indices (DJSI)

Since 2003, MOL has been included in the DJSI Asia Pacific, a designation reserved for companies capable of sustaining growth over the long term while maintaining excellence in environmental, social, and investor relations programs.

■ CSR Rating by 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.

■ The Morningstar Socially Responsible Investment Index (MS-SRI)

Since 2003, MOL has been selected by Morningstar Japan K.K. for superior social responsibility and included in the MS-SRI.

■ The Global 100 Top Sustainable Companies

In 2011, MOL was selected for inclusion in the Global 100 Index published every year by the Canadian company Corporate Knights Inc.

■ SMBC Sustainability Assessment Loan

In 2013, MOL became the first company to receive an SMBC Sustainability Assessment Loan from Sumitomo Mitsui Banking Corporation (SMBC), winning specific praise for timely and accurate disclosure of environmental, social, and governance (ESG) issues and for its initiatives on sustainability.

Financial Section

Contents

We will actively implement strategic investments, while remaining vigilant of the financial stability and investment efficiency targeted in "STEER FOR 2020".

Masahiro Tanabe
Managing Executive Officer

Fiscal 2013 Business Performance

The global economy in fiscal 2013 remained firm overall as economies in developed nations continue to bounce back despite some uncertainty surrounding a few emerging markets. Helped by the economy, seaborne trade also expanded steadily on the whole, though cargo flows diversified in line with changes of global trade structures. The market for dry bulkers, especially large ships, improved compared with the previous fiscal year due mainly to a drop in completion of new vessels and robust transport demand for iron ore. The tanker market also saw year-on-year improvement thanks in part to a winter surge in the VLCC market. However, the supply-demand situation stopped short of a full-fledged improvement except for certain vessel types. In containerships, while trade volume recovered, pressure remained strong from the delivery of large new vessels and freight rate levels fell from the last fiscal year.

The overvalued yen continued its correction and MOL's average exchange rate rose ¥17.48 to ¥99.70 to the U.S. dollar. Bunker prices fell US$52 to US$610 per metric ton. Amid these circumstances and in line with "RISE2013," we implemented measures to reduce costs up to ¥34.0 billion, reduce free tonnage and dispose of costly ships. When coupled with the effects of the Business Structural Reforms executed at the end of fiscal 2012, this resulted in improved business performance in fiscal 2013. Ordinary income rose to ¥54.9 billion, a reversal of the ¥28.5 billion loss in the previous fiscal year. Net income achieved an even sharper turnaround, rising to ¥57.3 billion from the year earlier loss of ¥178.8 billion. With this marked improvement, we achieved the V-shaped recovery aimed for in the management plan.

Even in the difficult business environment, MOL has continued investing in future growth. In fiscal 2013, contracts were concluded for nine new LNG carriers for Japanese utilities and overseas customers. Long-term contracts were also signed for four dry bulkers and ten methanol tankers. Moreover, in the offshore businesses, we decided to participate in two contracts for the FPSO business (one planned off the coast of Ghana and the other off the coast of Brazil), and also inked a contract for an FSRU business in Uruguay.

Cash Flows and Financial Indicators

In fiscal 2013, cash flows provided by operating activities totaled ¥94.2 billion and cash flows used in investing activities amounted to ¥119.8 billion, mainly for LNG carriers and offshore businesses. As a result, free cash flows in fiscal 2013 were negative ¥25.6 billion. Since fiscal 2012, we intentionally built up cash on hand to be prepared for any unexpected difficulties in the market for raising funds. In addition, due to the weakening of the yen, there was an increase in the yen value of liabilities denominated in foreign currencies. As a result, interest-bearing debt at the end of fiscal 2013 stood at ¥1,094.0, or ¥47.2 billion higher than the end of the previous fiscal year. Cash flows used in investing activities in fiscal 2013 were originally forecast to be ¥165.0 billion, but thanks to taking such active measures as utilizing off-balance sheet financing, that amount was reduced to ¥119.8 billion.

Thanks to the return to profit in fiscal 2013, the equity ratio, which had fallen to 25% at the end of the previous fiscal year due to an extraordinary loss for the Business Structural Reforms, improved to 29%. The gearing ratio, which had risen to 196% in fiscal 2012, improved to 161% (135% for the net gearing ratio) at March 31, 2014.

In fiscal 2014, cash flows used in investing activities are expected to total ¥220.0 billion, exceeding the ¥110.0 billion projected for cash flows provided by operating activities. Of that ¥220.0 billion, ¥115.0 billion is firm, linked to construction in progress, such as expenses for already ordered LNG carriers. The remaining ¥105.0 billion of forecast investment consists of expenses related to additional long-term contracts MOL is aiming to secure in LNG carriers and offshore businesses. This additional investment will only be paid out when contracts are concluded. This plan stands in contrast to the former front-loaded investment pattern of first ordering ships when prices were low, then waiting for the market to improve.

Credit Ratings and Strategic Investments

In fiscal 2012, MOL's financial figures worsened and it was downgraded by the credit rating agencies. In fiscal 2013, we sought to prevent a further downgrade and exchanged information more closely with the credit rating agencies. We explained that cash flows used in investing were expected to remain at high levels, but would be limited to investments that would generate future stable profits. The credit rating agencies were, to an extent, able to understand this explanation and maintained our current level of credit ratings.

CREDIT RATINGS (As of June 2014)

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

Returning to and maintaining financial soundness is a high priority for MOL. In fiscal 2013, we strove to improve our financial soundness by reducing net cash used in investing by actively utilizing off-balance sheet techniques. We will continue this in fiscal 2014. However, business portfolio transformation is also essential for MOL's future growth, as outlined in the new mid-term management plan "STEER FOR 2020." To achieve this transformation, we will concentrate investment and management resources into businesses that expect growth, such as LNG carriers and offshore businesses, where we can secure long-term stable profits. The development of offshore resources, LNG as a source of alternative energy and the shale revolution in the United States are all now gaining a lot of attention. We recognize that the next two to three years will bring once-in-a-million business opportunities.

Because it takes over three years to go from initial investment to the start of operation, interest-bearing debt temporarily swells before earnings are generated. If MOL were unable to secure a targeted contract, that portion of investment would not be undertaken so the forecast additional investment of ¥105.0 billion for fiscal 2014 might not be incurred. Looking narrowly at our financial position, reduced investment means MOL would be able to more rapidly achieve an equity ratio of 35% to 40% and a gearing ratio of one or below, both set as fiscal 2019 targets of "STEER FOR 2020." However, without future growth or progress in building up stable profits, we cannot expect an increase in shareholder value. MOL plans to actively execute these additional strategic investments to take advantage of opportune timing, while remaining vigilant of the capital efficiency targeted in "STEER FOR 2020."

Fund Raising, Financial Soundness and Shareholder Returns

MOL is committed to strengthening its financial soundness by achieving an equity ratio of 35%. One way to attain this important target is by striving to thoroughly move things off the balance sheet, including by switching from owned vessels to chartered vessels. In regards to LNG carriers and offshore businesses we continue to work on, the Company will also introduce project financing according to each contract's characteristics. Through these and other measurers, MOL is also focusing on maintaining its corporate credibility.

In dry bulkers and tankers, we are working under a policy of reducing current market exposure risks. Going forward, we will balance cargo contracts with vessels and use short- and medium-term chartered vessels when it is necessary to procure vessels.

In terms of shareholder returns, our dividend policy remains unchanged. We will link our dividend payments to our business performance, while considering such factors as cash flows for the fiscal year, using 20% as a guideline for the consolidated dividend payout ratio. After recovering financial soundness as fast as possible, however, we will strive to increase the payout ratio as one of our medium- to long-term management goals.

U.S. Dollar-Denominated Convertible Bonds

MOL resolved at the meeting of the Board of Directors held on April 8, 2014 to issue US$300 million Zero Coupon Convertible Bonds due 2018 and US$200 million Zero Coupon Convertible Bonds due 2020, for a total of US$500 million. These bonds were issued on April 24, 2014. This was the first time for a Japanese company to issue two sets of convertible bonds denominated in U.S. dollars, and the US$500 million was also the largest amount of convertible bonds ever to be issued by a Japanese company.

Upon the issuance of the convertible bonds, MOL introduced two mechanisms (explained below) to mitigate the dilution of the earnings per share, in consideration of our shareholders.

1. Contingent Conversion: Bonds can only be converted into shares before the three-month period prior to the redemption date, if the share price exceeds 130% of the conversion price.
2. Net Share Settlement: During the three-month period prior to the redemption date, the issuer can decide to redeem the face value of the bond in cash and issue new shares equivalent only to the excess value (market price less the face value) even

when a bondholder requests conversion of the full value into shares.

A scenario illustrates the benefits of the net share settlement
If all of the investors of the four-year US$300 million bonds request conversion when the share price is US$8.01 (assumes the share price rose to 150% of the US$5.34 conversion price), the Company would issue:

Without net share settlement feature:
56.2 million shares (equivalent to US$300 million), resulting in dilution of 4.49%

With net share settlement feature:
18.7 million shares (equivalent to US$150 million) with the remaining US$300 million paid in cash, resulting in dilution of 1.54%.

Assuming the net share settlement feature will be applied, these bonds were issued in four and six year maturities to avoid overlap with other ordinary bonds during the redemption period.

We plan to allocate the proceeds from the convertible bonds to support an early portion of capital investment for offshore businesses and vessels, including LNG carriers for which contracts have already been concluded. Because projects for LNG carriers and offshore businesses are primarily long-term contracts, we are routinely able to receive loans from banks and other financial institutions at later stages of the projects using the cash that will be generated from the long-term contracts. These convertible bonds were issued for the limited purposes of funding expenses before the projects begin and fulfilling the need for U.S. dollar funds to finance a portion of equity in the projects, and because these bonds were advantageous since they could be procured without a coupon while suppressing the risk of dilution. There has been no change in MOL's long-standing, extremely cautious stance toward equity finance.

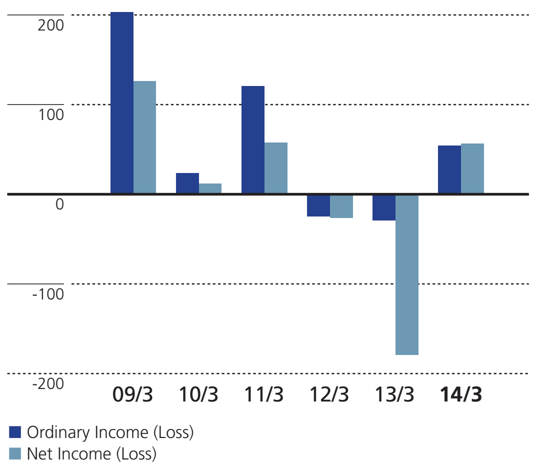
Response to Revised Accounting for Retirement Benefit and Pension Management Policy

From the end of fiscal 2013, MOL began recognizing unrecognized actuarial differences that had previously been off the balance sheet, due to revisions to accounting standards for retirement benefits. Under net assets on the consolidated balance sheet, ¥1.2 billion was recorded as remeasurements of defined benefit plans. At the end of fiscal 2013, there was a ¥8.3 billion surplus of net defined benefit assets to net defined benefit liabilities on a consolidated basis.

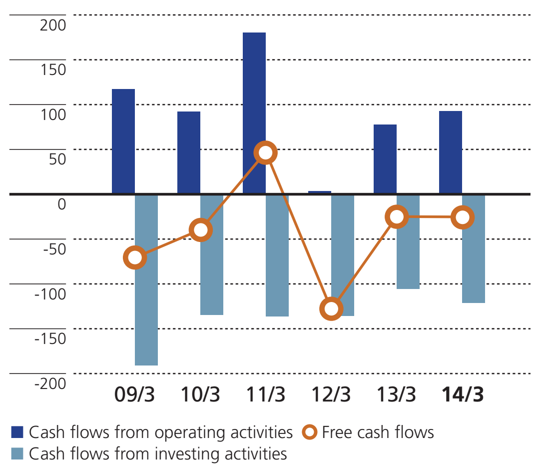
MOL BOND ISSUANCE (As of July 1, 2014)

	Date of Redemption	Date of Issue	Years	Interest Rate	Total Amount of Issue	Outstanding
Straight bonds No. 16	2015.7.10	2012.7.12	3	0.296%	¥15.0 billion	¥15.0 billion
Straight bonds No. 14	2016.6.21	2011.6.21	5	0.573%	¥10.0 billion	¥10.0 billion
Straight bonds No. 13	2016.12.16	2009.12.17	7	1.106%	¥20.0 billion	¥20.0 billion
Straight bonds No. 17	2017.7.12	2012.7.12	5	0.461%	¥20.0 billion	¥20.0 billion
Euro US$ Zero Coupon Convertible bonds	2018.4.24	2014.4.24	4	Zero coupon	US$300 million	US$300 million
Straight bonds No. 12	2019.5.27	2009.5.27	10	1.999%	¥20.0 billion	¥18.5 billion
Euro US$ Zero Coupon Convertible bonds	2020.4.24	2014.4.24	6	Zero coupon	US$200 million	US$200 million
Straight bonds No. 15	2021.6.21	2011.6.21	10	1.361%	¥20.0 billion	¥17.8 billion
Straight bonds No. 18	2022.7.12	2012.7.12	10	1.139%	¥10.0 billion	¥9.2 billion
Straight bonds No. 19	2024.6.19	2014.6.19	10	0.970%	¥29.6 billion	¥29.6 billion

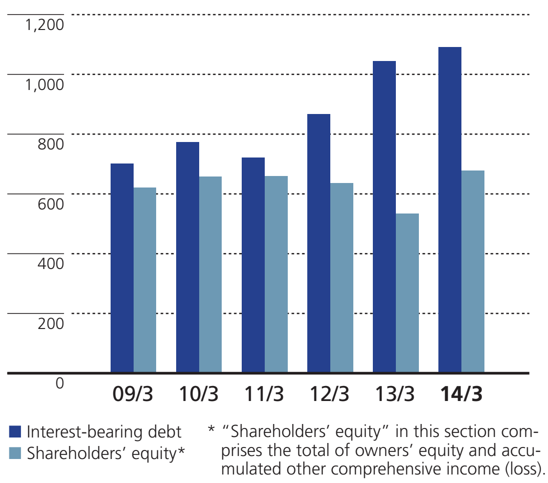
Ordinary Income (Loss)/Net Income (Loss) (¥ billions)



Cash Flows (¥ billions)

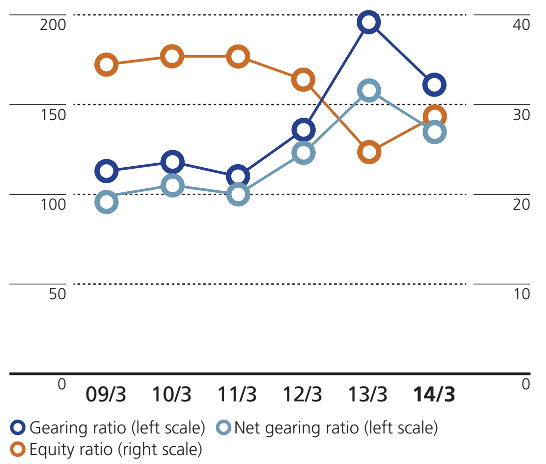


Interest-bearing Debt/Shareholders' Equity (¥ billions)

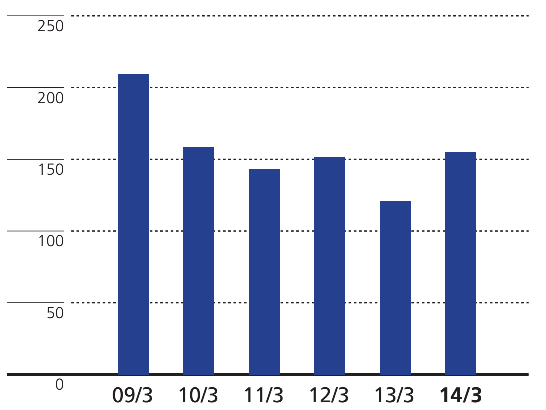


* "Shareholders' equity" in this section comprises the total of owners' equity and accumulated other comprehensive income (loss).

Gearing Ratio/Equity Ratio (%)



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

	2014	2013	2012	2011
For the year:				
Shipping and other revenues	**¥1,729,452**	¥1,509,194	¥1,435,221	¥1,543,661
Shipping and other expenses	**1,587,902**	1,432,014	1,368,795	1,328,960
Selling, general and administrative expenses	**100,458**	92,946	90,886	91,300
Operating income (loss)	**41,092**	(15,766)	(24,460)	123,401
Equity in earnings (losses) of unconsolidated subsidiaries and affiliated companies, net	**(1,234)**	(4,936)	3,300	8,174
Ordinary income (loss)	**54,986**	(28,568)	(24,320)	121,622
Income (Loss) before income taxes and minority interests	**71,710**	(137,939)	(33,516)	95,367
Income taxes, current	**(13,796)**	(11,325)	(9,546)	(36,431)
Income taxes, deferred	**4,526**	(24,799)	20,814	2,797
Minority interests	**(5,046)**	(4,784)	(3,761)	(3,456)
Net income (loss)	**57,394**	(178,847)	(26,009)	58,277
At year-end:				
Current assets	**533,640**	514,246	386,936	344,444
Current liabilities	**430,045**	425,725	322,851	374,269
Net vessels, property and equipment	**1,379,245**	1,303,967	1,293,803	1,257,823
Total assets	**2,364,695**	2,164,611	1,946,162	1,868,741
Long-term debt due after one year	**920,538**	861,728	739,188	559,541
Net assets/Shareholders' equity	**783,549**	619,493	717,909	740,247
Retained earnings	**502,833**	447,830	629,667	664,645

Amounts per share of common stock:				
Net income (loss)	**¥ 47.99**	¥(149.57)	¥(21.76)	¥48.75
Net assets/Shareholders' equity	**567.90**	447.76	533.27	552.83
Cash dividends applicable to the year	**5.00**	–	5.00	10.00

(Translation of foreign currencies)
The Japanese yen amounts for 2014 have been translated into U.S. dollars using the prevailing exchange rate at March 31, 2014, which was ¥102.92 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
2010	2009	2008	2007	2006	2005	2004	**2014**
¥1,347,965	¥1,865,802	¥1,945,697	¥1,568,435	¥1,366,725	¥1,173,332	¥ 997,260	**$16,803,848**
1,228,479	1,564,486	1,544,109	1,300,038	1,101,459	917,149	824,902	**15,428,508**
98,547	104,105	110,303	100,324	92,273	84,388	80,232	**976,078**
20,939	197,211	291,285	168,073	172,993	171,795	92,126	**399,262**
5,363	16,000	18,199	16,171	16,817	11,764	6,613	**(11,990)**
24,235	204,511	302,219	182,488	176,503	174,979	90,556	**534,260**
27,776	197,732	318,202	197,854	188,290	155,057	89,776	**696,755**
(8,078)	(65,074)	(115,183)	(63,042)	(61,200)	(52,587)	(35,346)	**(134,046)**
(3,764)	(638)	(5,694)	(7,468)	(7,570)	(1,205)	2,152	**43,976**
(3,212)	(5,032)	(7,004)	(6,404)	(5,788)	(3,004)	(1,191)	**(49,029)**
12,722	126,988	190,321	120,940	113,732	98,261	55,391	**557,656**
352,030	428,598	506,078	405,474	340,355	299,835	299,544	**5,184,998**
355,185	440,910	528,390	482,810	433,023	429,695	398,091	**4,178,439**
1,209,176	1,106,746	1,047,825	847,660	769,902	665,320	477,621	**13,401,137**
1,861,312	1,807,080	1,900,551	1,639,940	1,470,824	1,232,252	1,000,206	**22,976,049**
594,711	499,193	459,280	398,534	399,617	340,598	311,021	**8,944,209**
735,702	695,022	751,652	620,989	424,461	298,258	221,535	**7,613,185**
616,736	623,626	536,096	375,443	275,689	182,143	101,991	**4,885,668**

Yen							U.S.dollars
¥10.63	¥106.13	¥159.14	¥101.20	¥94.98	¥81.99	¥46.14	**$0.466**
551.70	521.23	567.74	459.55	354.01	248.40	185.06	**5.518**
3.00	31.00	31.00	20.00	18.00	16.00	11.00	**0.049**

Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2014**	2013	**2014**
Current assets:			
Cash and cash equivalents (Note 3)	**¥ 180,126**	¥ 200,636	**$ 1,750,155**
Marketable securities (Notes 3 and 4)	**–**	2,938	**–**
Trade receivables (Note 3)	**146,787**	145,408	**1,426,224**
Allowance for doubtful accounts	**(697)**	(590)	**(6,772)**
Inventories (Note 5)	**59,349**	59,437	**576,652**
Deferred and prepaid expenses	**73,285**	56,274	**712,058**
Deferred tax assets (Note 15)	**1,629**	1,908	**15,828**
Other current assets	**73,161**	48,235	**710,853**
Total current assets	**533,640**	514,246	**5,184,998**
Vessels, property and equipment (Notes 7 and 13):			
Vessels	**1,434,505**	1,386,355	**13,938,059**
Buildings and structures	**281,720**	273,946	**2,737,272**
Equipment, mainly containers	**76,228**	65,544	**740,653**
Land	**215,610**	214,615	**2,094,928**
Vessels and other property under construction	**148,972**	109,917	**1,447,454**
	2,157,035	2,050,377	**20,958,366**
Accumulated depreciation	**(777,790)**	(746,410)	**(7,557,229)**
Net vessels, property and equipment	**1,379,245**	1,303,967	**13,401,137**
Investments and other assets:			
Investment securities (Notes 3, 4 and 7)	**111,061**	103,756	**1,079,100**
Investments in and advances to unconsolidated subsidiaries and affiliated companies	**124,303**	91,093	**1,207,763**
Long-term loans receivable (Note 3)	**37,519**	23,117	**364,545**
Intangible fixed assets	**29,385**	22,929	**285,513**
Deferred tax assets (Note 15)	**3,769**	4,034	**36,621**
Net defined benefit assets (Note 16)	**21,200**	–	**205,985**
Other assets	**124,573**	101,469	**1,210,387**
Total investments and other assets	**451,810**	346,398	**4,389,914**
Total assets	**¥2,364,695**	¥2,164,611	**$22,976,049**

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 1) 2014
Current liabilities:			
Short-term loans	¥ 14,697	¥ 49,250	$ 142,800
Commercial paper	–	2,000	–
Total short-term debt (Notes 3 and 7)	14,697	51,250	142,800
Long-term bank loans due within one year	90,492	88,296	879,246
Bonds due within one year	45,000	25,000	437,233
Total long-term debt due within one year (Notes 3 and 7)	135,492	113,296	1,316,479
Trade payables (Note 3)	143,196	142,585	1,391,333
Advances received	37,696	26,661	366,265
Accrued income taxes	6,909	7,048	67,130
Deferred tax liabilities (Note 15)	1,716	1,118	16,673
Other current liabilities	90,339	83,767	877,759
Total current liabilities	430,045	425,725	4,178,439
Non-current liabilities:			
Long-term bank loans due after one year	740,038	648,228	7,190,420
Bonds due after one year	180,500	213,500	1,753,789
Total long-term debt due after one year (Notes 3 and 7)	920,538	861,728	8,944,209
Employees' severance and retirement benefits (Note 16)	–	13,472	–
Directors' and corporate auditors' retirement benefits	1,852	2,028	17,995
Reserve for periodic drydocking	14,191	14,758	137,884
Deferred tax liabilities (Note 15)	81,130	71,132	788,282
Net defined benefit liabilities (Note 16)	12,936	–	125,690
Other non-current liabilities	120,454	156,275	1,170,365
Total non-current liabilities	1,151,101	1,119,393	11,184,425
Total liabilities	1,581,146	1,545,118	15,362,864
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	635,445
Capital surplus	44,517	44,483	432,540
Retained earnings	502,833	447,830	4,885,668
Treasury stock, at cost	(6,982)	(6,998)	(67,839)
Total owners' equity	605,768	550,715	5,885,814
Accumulated other comprehensive income (loss)			
Unrealized holding gains on available-for-sale securities, net of tax	32,810	24,753	318,792
Unrealized gains (losses) on hedging derivatives, net of tax	39,711	(196)	385,843
Foreign currency translation adjustments	(315)	(39,849)	(3,061)
Remeasurements of defined benefit plans, net of tax	1,186	–	11,524
Total accumulated other comprehensive income (loss)	73,392	(15,292)	713,098
Share subscription rights	2,391	2,115	23,232
Minority interests	101,998	81,955	991,041
Total net assets	783,549	619,493	7,613,185
Total liabilities and net assets	¥2,364,695	¥2,164,611	$22,976,049

Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2014 and 2013

(Consolidated Statements of Operations)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Shipping and other revenues (Note 14)	**¥1,729,452**	¥1,509,194	**$16,803,848**
Shipping and other expenses	**1,587,902**	1,432,014	**15,428,508**
Gross operating income	**141,550**	77,180	**1,375,340**
Selling, general and administrative expenses	**100,458**	92,946	**976,078**
Operating income (loss)	**41,092**	(15,766)	**399,262**
Other income (expenses):			
Interest and dividend income	**9,341**	5,166	**90,760**
Interest expense	**(12,583)**	(13,021)	**(122,260)**
Equity in losses of affiliated companies, net	**(1,234)**	(4,936)	**(11,990)**
Others, net (Notes 10 and 11)	**35,094**	(109,382)	**340,983**
	30,618	(122,173)	**297,493**
Income (Loss) before income taxes and minority interests	**71,710**	(137,939)	**696,755**
Income taxes (Note 15):			
Current	**(13,796)**	(11,325)	**(134,046)**
Deferred	**4,526**	(24,799)	**43,976**
Income (Loss) before minority interests	**62,440**	(174,063)	**606,685**
Minority interests	**(5,046)**	(4,784)	**(49,029)**
Net income (loss)	**¥ 57,394**	¥ (178,847)	**$ 557,656**

(Consolidated Statements of Comprehensive Income)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Income (Loss) before minority interests	**¥ 62,440**	¥(174,063)	**$ 606,685**
Other comprehensive income (Note 19):			
Unrealized holding gains on available-for-sale securities, net of tax	**8,847**	9,093	**85,960**
Unrealized gains on hedging derivatives, net of tax	**32,725**	56,413	**317,965**
Foreign currency translation adjustments	**31,158**	14,909	**302,740**
Share of other comprehensive income (loss) of associates accounted for using equity method	**19,285**	1,104	**187,379**
	92,015	81,519	**894,044**
Comprehensive income (loss)	**¥154,455**	¥ (92,544)	**$1,500,729**
Comprehensive income (loss)			
Comprehensive income (loss) attributable to owners of the parent	**¥144,892**	¥ (99,159)	**$1,407,811**
Comprehensive income attributable to minority interests	**9,563**	6,615	**92,918**

(Amounts per share of common stock)	Yen		U.S. dollars (Note 1)
Net income (loss)	**¥47.99**	¥(149.57)	**$0.466**
Diluted net income (Note 2)	**47.97**	–	**0.466**
Cash dividends applicable to the year	**5.00**	–	**0.049**

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2014 and 2013

	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 (gains) losses on hedging derivatives, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax	Share subscription rights	Minority interests	Total net assets
Balance at 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 of items other than owner's equity during the year	–	–	–	–	7,865	54,740	17,083	–	109	3,474	83,271
Balance at March 31 and April 1, 2013	¥65,400	¥44,483	¥447,830	¥(6,998)	¥24,753	¥ (196)	¥(39,849)	¥ –	¥2,115	¥ 81,955	¥619,493
Due to change in consolidated subsidiaries	**–**	**–**	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1**
Net income	**–**	**–**	**57,394**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**57,394**
Purchases of treasury stock	**–**	**–**	**–**	**(62)**	**–**	**–**	**–**	**–**	**–**	**–**	**(62)**
Disposal of treasury stock	**–**	**34**	**–**	**78**	**–**	**–**	**–**	**–**	**–**	**–**	**112**
Dividends paid	**–**	**–**	**(2,392)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,392)**
Net changes of items other than owner's equity during the year	**–**	**–**	**–**	**–**	**8,057**	**39,907**	**39,534**	**1,186**	**276**	**20,043**	**109,003**
Balance at March 31, 2014	**¥65,400**	**¥44,517**	**¥502,833**	**¥(6,982)**	**¥32,810**	**¥39,711**	**¥ (315)**	**¥1,186**	**¥2,391**	**¥101,998**	**¥783,549**

	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 (gains) losses on hedging derivatives, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax	Share subscription rights	Minority interests	Total net assets
Balance at April 1, 2013	$635,445	$432,209	$4,351,244	$(67,995)	$240,507	$ (1,904)	$(387,184)	$ –	$20,550	$796,298	$6,019,170
Due to change in consolidated subsidiaries	**–**	**–**	**9**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**9**
Net income	**–**	**–**	**557,656**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**557,656**
Purchases of treasury stock	**–**	**–**	**–**	**(602)**	**–**	**–**	**–**	**–**	**–**	**–**	**(602)**
Disposal of treasury stock	**–**	**331**	**–**	**758**	**–**	**–**	**–**	**–**	**–**	**–**	**1,089**
Dividends paid	**–**	**–**	**(23,241)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(23,241)**
Net changes of items other than owner's equity during the year	**–**	**–**	**–**	**–**	**78,285**	**387,747**	**384,123**	**11,524**	**2,682**	**194,743**	**1,059,104**
Balance at March 31, 2014	**$635,445**	**$432,540**	**$4,885,668**	**$(67,839)**	**$318,792**	**$385,843**	**$ (3,061)**	**$11,524**	**$23,232**	**$991,041**	**$7,613,185**

See accompanying notes.

Consolidated Statements of Cash Flows

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Cash flows from operating activities:			
Income (Loss) before income taxes and minority interests	**¥ 71,710**	¥(137,939)	**$ 696,755**
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities			
Depreciation and amortization	**83,984**	94,685	**816,012**
Impairment loss	**6,448**	10,978	**62,651**
Cost of business structural reforms	**–**	101,463	**–**
Equity in losses of affiliated companies, net	**1,234**	4,936	**11,990**
Various provisions (reversals)	**(13,899)**	529	**(135,047)**
Decrease (Increase) in net defined benefit assets	**(19,536)**	–	**(189,817)**
Increase (Decrease) in net defined benefit liabilities	**13,035**	–	**126,652**
Interest and dividend income	**(9,341)**	(5,166)	**(90,760)**
Interest expense	**12,583**	13,021	**122,260**
Loss (Gain) on sale of investment securities	**(986)**	99	**(9,580)**
Gain on sale of securities issued by subsidiaries and affiliated companies	**(21,732)**	(62)	**(211,154)**
Gain on sale and disposal of vessels, property and equipment	**(391)**	(8,375)	**(3,799)**
Exchange loss (gain), net	**(15,671)**	2,842	**(152,264)**
Changes in operating assets and liabilities:			
Trade receivables	**5,042**	(11,661)	**48,990**
Inventories	**1,046**	(5,001)	**10,163**
Trade payables	**(3,875)**	6,878	**(37,651)**
Others, net	**(4,866)**	14,434	**(47,280)**
Sub total	**104,785**	81,661	**1,018,121**
Cash received for interest and dividend	**13,346**	9,233	**129,673**
Cash paid for interest	**(13,167)**	(12,695)	**(127,934)**
Cash refunded (paid) for corporate income tax, resident tax and enterprise tax	**(10,708)**	757	**(104,042)**
Net cash provided by operating activities	**94,256**	78,956	**915,818**
Cash flows from investing activities:			
Purchase of investment securities	**(22,888)**	(16,853)	**(222,386)**
Proceeds from sale of investment securities	**7,318**	1,126	**71,104**
Payments for purchase of vessels and other tangible and intangible fixed assets	**(183,888)**	(165,544)	**(1,786,708)**
Proceeds from sale of vessels and other tangible and intangible fixed assets	**78,267**	80,198	**760,464**
Proceeds from sales of investments in subsidiaries	**9,676**	–	**94,015**
Net decrease (increase) in short-term loans receivables	**359**	(197)	**3,488**
Disbursements for long-term loans receivables	**(13,939)**	(5,152)	**(135,435)**
Collections of long-term loans receivables	**4,585**	2,863	**44,549**
Others, net	**639**	(682)	**6,208**
Net cash used in investing activities	**(119,871)**	(104,241)	**(1,164,701)**
Cash flows from financing activities:			
Net increase (decrease) in short-term loans	**(31,725)**	9,661	**(308,249)**
Net increase (decrease) in commercial paper	**(2,000)**	(3,000)	**(19,433)**
Proceeds from long-term bank loans	**159,602**	216,407	**1,550,738**
Repayments of long-term bank loans	**(117,237)**	(117,417)	**(1,139,108)**
Proceeds from issuance of bonds	**15,000**	55,000	**145,744**
Redemption of bonds	**(25,000)**	(7,337)	**(242,907)**
Purchase of treasury stock	**(62)**	(21)	**(602)**
Sale of treasury stock	**13**	25	**126**
Cash dividends paid by the Company	**(2,408)**	(3,047)	**(23,397)**
Cash dividends paid to minority interests	**(1,321)**	(2,999)	**(12,835)**
Others, net	**(1,956)**	(8,504)	**(19,004)**
Net cash provided by (used in) financing activities	**(7,094)**	138,768	**(68,927)**
Effect of exchange rate changes on cash and equivalents	**10,582**	4,316	**102,818**
Net increase (decrease) in cash and cash equivalents	**(22,127)**	117,799	**(214,992)**
Cash and cash equivalents at beginning of year	**200,636**	82,837	**1,949,436**
Net cash increase from new consolidation/de-consolidation of subsidiaries	**1,617**	–	**15,711**
Cash and cash equivalents at end of year	**¥ 180,126**	¥ 200,636	**$ 1,750,155**

See accompanying notes.

Notes to Consolidated Financial Statements

Mitsui O.S.K. Lines, Ltd. March 31, 2014 and 2013

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, 2014, which was ¥102.92 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 357 subsidiaries for the year ended March 31, 2014 (349 subsidiaries for the year ended March 31, 2013). 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 73 affiliated companies for the year ended March 31, 2014, and 65 affiliated companies for the year ended March 31, 2013. Investments in other subsidiaries (114 for the year ended March 31, 2014 and 107 for the year ended March 31, 2013) and affiliated companies (69 and 68 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 non-current 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 are continuously 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 ¥2,802 million ($27,225 thousand) for the year ended March 31, 2014 and ¥1,228 million for the year ended March 31, 2013.

(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) 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.

(12) 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") recognized net defined benefit assets and net defined benefit liabilities for employees' severance and retirement benefits at March 31, 2014 and 2013 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 costs are chiefly accounted for as expenses in lump-sum at the time of occurrence.

(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 income (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 year ended March 31, 2013, 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 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 2014 presentation.

(17) CHANGES IN ACCOUNTING POLICIES

(Application of accounting standards for retirement benefits)

The Group has applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012), except for the provisions of the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits, effective from the year ended March 31, 2014. Accordingly, the Group has changed its accounting policy to one that recognizes the difference between retirement benefit obligations and plan assets as net defined benefit liabilities or net defined benefit assets and recorded unrecognized actuarial gains and losses and unrecognized prior service costs under net defined benefit liabilities or net defined benefit assets.

Application of the Accounting Standard for Retirement Benefits and Guidance on Accounting Standard for Retirement Benefits is in line with the transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits. In accordance with such measures, the effect of the change has been added to or deducted from remeasurements of defined benefit plans under accumulated other comprehensive income (loss) as of March 31, 2014.

As a result of the change, as of March 31, 2014, net defined benefit liabilities of 12,936 million yen ($125,690 thousand) and net defined benefit assets of 21,200 million yen ($205,985 thousand) were recognized. Also, accumulated other comprehensive income (loss) was increased by 1,186 million yen ($11,524 thousand).

(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) 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

Methods for recognizing unrealized actuarial gains and losses and past service costs, methods for calculating retirement benefit obligations and current service costs and expansion of disclosures have been amended.

2. Effective dates

Amendments relating to assessment of retirement benefit obligations and current service costs are effective from the year ending on or after March 31, 2015. As transitional treatments are provided in these new standards, they were not applied retrospectively to consolidated financial statements in prior years.

3. Effect of application of the standard

The Group is currently under assessment of the effects of these new standards on the consolidated financial statements.

(20) CHANGES IN ACCOUNTING ESTIMATES

(Change of estimated useful life)

As a part of the Business Structural Reforms executed in the previous year, the Group reviewed the policy on use of vessels based on actual operating experience. Then, the Group found that vessels can be used longer than their conventional estimated useful lives. Therefore, starting from the year ended March 31, 2014, the period of useful lives of dry bulkers and car carriers were changed from 15 years to 20 years, and tankers from 13-18 years to 20-25 years, respectively.

As a result, operating income and income before income taxes and minority interests for the year was increased by ¥10,684 million ($103,809 thousand), respectively.

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, 2014 are the following;

	Millions of yen		
	Book Value	Fair Value	Difference
Assets			
Cash and cash equivalents	¥ 180,126	¥ 180,126	¥ –
Time deposits with a maturity of more than three months	1,023	1,023	–
Trade receivables	146,787	146,787	–
Short-term loans receivable	1,445	1,445	–
Investment securities			
Available-for-sale securities	103,417	103,417	–
Long-term loans receivable(*1)	41,015	46,748	5,733
Total	¥ 473,813	¥ 479,546	¥5,733
Liabilities			
Trade payables	¥ 143,196	¥ 143,196	¥ –
Short-term loans	14,697	14,697	–
Bonds(*2)	225,500	230,953	5,453
Long-term bank loans(*3)	830,530	833,094	2,564
Total	¥1,213,923	¥1,221,940	¥8,017
Derivative financial instruments(*4)	¥ 83,295	¥ 82,895	¥ (400)

	Thousands of U.S. dollars (Note 1)		
	Book Value	Fair Value	Difference
Assets			
Cash and cash equivalents	**$ 1,750,155**	**$ 1,750,155**	**$ –**
Time deposits with a maturity of more than three months	**9,940**	**9,940**	**–**
Trade receivables	**1,426,224**	**1,426,224**	**–**
Short-term loans receivable	**14,040**	**14,040**	**–**
Investment securities			
Available-for-sale securities	**1,004,829**	**1,004,829**	**–**
Long-term loans receivable(*1)	**398,513**	**454,217**	**55,704**
Total	**$ 4,603,701**	**$ 4,659,405**	**$55,704**
Liabilities			
Trade payables	**$ 1,391,333**	**$ 1,391,333**	**$ –**
Short-term loans	**142,800**	**142,800**	**–**
Bonds(*2)	**2,191,022**	**2,244,005**	**52,983**
Long-term bank loans(*3)	**8,069,666**	**8,094,578**	**24,912**
Total	**$11,794,821**	**$11,872,716**	**$77,895**
Derivative financial instruments(*4)	**$ 809,318**	**$ 805,431**	**$ (3,887)**

*1 The book value of long-term loans receivable includes current portion amounting to ¥3,496 million ($33,968 thousand).
*2 The book value of bonds includes current portion amounting to ¥45,000 million ($437,233 thousand).
*3 The book value of long-term bank loans includes current portion amounting to¥90,492 million ($879,246 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, 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)

*1 The book value of long-term loans receivable includes current portion amounting to ¥1,642 million.
*2 The book value of bonds includes current portion amounting to ¥25,000 million.
*3 The book value of long-term bank loans includes current portion amounting to ¥88,296 million.
*4 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
	2014	2013	**2014**
Unlisted stocks	**¥7,627**	¥ 7,764	**$74,106**
Unlisted foreign bonds	**–**	3,200	**–**
Others	**17**	7	**165**
Total	**¥7,644**	¥10,971	**$74,271**

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 estimate as they have no quoted market price and the future cash flow cannot be estimated.

At March 31, 2014, 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	**¥180,126**	**¥ –**	**¥ –**	**¥ –**
Time deposits with a maturity of more than three months	**1,023**	**–**	**–**	**–**
Trade receivables	**146,787**	**–**	**–**	**–**
Short-term loans receivable	**1,445**	**–**	**–**	**–**
Marketable securities and investments securities				
Available-for-sale securities (Governmental/municipal bonds)	**10**	**–**	**–**	**–**
Available-for-sale securities (Corporate bonds)	**–**	**–**	**200**	**–**
Long-term loans receivable	**3,496**	**23,134**	**6,745**	**7,640**
Total	**¥332,887**	**¥23,134**	**¥6,945**	**¥7,640**

	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	**$1,750,155**	**$ –**	**$ –**	**$ –**
Time deposits with a maturity of more than three months	**9,940**	**–**	**–**	**–**
Trade receivables	**1,426,224**	**–**	**–**	**–**
Short-term loans receivable	**14,040**	**–**	**–**	**–**
Marketable securities and investments securities				
Available-for-sale securities (Governmental/municipal bonds)	**97**	**–**	**–**	**–**
Available-for-sale securities (Corporate bonds)	**–**	**–**	**1,943**	**–**
Long-term loans receivable	**33,968**	**224,777**	**65,536**	**74,232**
Total	**$3,234,424**	**$224,777**	**$67,479**	**$74,232**

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	¥16,109	¥2,521	¥7,897

4. SECURITIES

A. The following tables summarize acquisition costs, book values and fair values of securities with available fair values at March 31, 2014 and 2013.

Available-for-sale securities:

Securities with book values exceeding acquisition costs at March 31, 2014

	Millions of yen		
Type	Acquisition cost	Book Value	Difference
Equity securities	**¥41,698**	**¥93,782**	**¥52,084**
Bonds	**210**	**226**	**16**
Others	**–**	**–**	**–**
Total	**¥41,908**	**¥94,008**	**¥52,100**

	Thousands of U.S. dollars (Note 1)		
Type	Acquisition cost	Book Value	Difference
Equity securities	**$405,150**	**$911,212**	**$506,062**
Bonds	**2,040**	**2,196**	**156**
Others	**–**	**–**	**–**
Total	**$407,190**	**$913,408**	**$506,218**

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

Securities with book values not exceeding acquisition costs at March 31, 2014

	Millions of yen		
Type	Acquisition cost	Book Value	Difference
Equity securities	**¥11,545**	**¥9,409**	**¥(2,136)**
Bonds	**–**	**–**	**–**
Others	**–**	**–**	**–**
Total	**¥11,545**	**¥9,409**	**¥(2,136)**

	Thousands of U.S. dollars (Note 1)		
Type	Acquisition cost	Book Value	Difference
Equity securities	**$112,175**	**$91,421**	**$(20,754)**
Bonds	**–**	**–**	**–**
Others	**–**	**–**	**–**
Total	**$112,175**	**$91,421**	**$(20,754)**

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)

B. Total sales of available-for-sale securities sold in the years ended March 31, 2014 and 2013 and the related gains and losses were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Proceeds from sales	**¥3,880**	¥932	**$37,699**
Gross realized gains	**1,200**	309	**11,660**
Gross realized losses	**214**	369	**2,079**

C. Impairment losses of securities

For the years ended March 31, 2014 and 2013, the Company reduced the book value on the securities and booked the reductions as impairment losses of ¥106 million ($1,030 thousand) and ¥2,892 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, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Fuel and supplies	**¥58,211**	¥58,326	**$565,595**
Others	**1,138**	1,111	**11,057**
Total	**¥59,349**	¥59,437	**$576,652**

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, 2014 and 2013, for which hedge accounting has not been applied.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
(1) Currency related:			
Forward currency exchange contracts			
Sell (U.S. dollar):			
Contracts outstanding	**¥15,438**	¥11,286	**$150,000**
Fair values	**(1)**	(2,046)	**(10)**
Buy (U.S. dollar):			
Contracts outstanding	**¥ 25**	¥ 13	**$ 243**
Fair values	**0**	0	**0**
Buy (Others):			
Contracts outstanding	**¥ 22**	¥ 2	**$ 214**
Fair values	**1**	0	**10**
Currency swaps contracts			
Buy (U.S. dollar):			
Contracts outstanding	**¥ –**	¥ 5,102	**$ –**
Fair values	**–**	(651)	**–**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
(2) Interest related			
Interest rate swaps			
Receive floating, pay fixed			
Contracts outstanding	**¥39,046**	¥46,899	**$379,382**
Fair values	**(1,966)**	(2,769)	**(19,102)**
Receive fixed, pay floating			
Contracts outstanding	**¥ –**	¥ 291	**$ –**
Fair values	**–**	2	**–**

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, 2014 and 2013, for which hedge accounting has been applied.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
(1) Deferral hedge accounting			
a. Forward currency exchange contracts to hedge the risk for the foreign currency transactions			
Sell (U.S. dollar):			
Contracts outstanding	¥ 16,386	¥ 26,969	$ 159,211
Fair values	(415)	(1,947)	(4,032)
Buy (U.S. dollar):			
Contracts outstanding	¥ 18,661	¥ 62,906	$ 181,316
Fair values	4,460	9,189	43,335
b. Currency swaps contracts to hedge the risk for charterages			
Sell (U.S. dollar):			
Contracts outstanding	¥ 8,022	¥ 1,686	$ 77,944
Fair values	(435)	(162)	(4,227)
Buy (U.S. dollar):			
Contracts outstanding	¥507,607	¥491,628	$4,932,054
Fair values	88,264	50,309	857,598
c. Interest rate swaps to hedge the risk for the long-term bank loans and charterages			
Receive floating, pay fixed			
Contracts outstanding	¥228,282	¥197,060	$2,218,053
Fair values	(7,133)	(16,246)	(69,306)
Receive fixed, pay floating			
Contracts outstanding	¥ 5,810	¥ 10,698	$ 56,452
Fair values	136	289	1,321
d. Commodities futures to hedge the risk for the fuel oil			
Contracts outstanding	¥ 23,486	¥ 40,680	$ 228,197
Fair values	461	997	4,479
e. Freight futures to hedge the risk for the freight			
Contracts outstanding	¥ 649	¥ –	$ 6,306
Fair values	(77)	–	(748)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
(2) Special treatment			
Interest rate swaps to hedge the risk for the long-term bank loans			
Receive floating, pay fixed			
Contracts outstanding	¥18,687	¥3,719	$181,568
Fair values	(400)	(447)	(3,887)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
(3) Allocation method			
Currency swaps to hedge the risk for the foreign bonds and long-term bank loans			
Contracts outstanding	¥31,788	¥27,827	$308,861
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 ¥14,697 million ($142,800 thousand) and ¥51,250 million at March 31, 2014 and 2013, 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, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Bonds:			
1.428% yen bonds due 2013	**¥ –**	¥ 15,000	**$ –**
1.760% yen bonds due 2014	**–**	10,000	**–**
1.278% yen bonds due 2014	**30,000**	30,000	**291,489**
1.590% yen bonds due 2015	**15,000**	15,000	**145,744**
0.296% yen bonds due 2015	**15,000**	15,000	**145,744**
0.573% yen bonds due 2016	**10,000**	10,000	**97,163**
2.070% yen bonds due 2016	**15,000**	15,000	**145,744**
1.106% yen bonds due 2016	**20,000**	20,000	**194,326**
0.461% yen bonds due 2017	**20,000**	20,000	**194,326**
1.999% yen bonds due 2019	**18,500**	18,500	**179,751**
1.670% yen bonds due 2019	**10,000**	10,000	**97,163**
1.400% yen bonds due 2020	**15,000**	15,000	**145,744**
1.361% yen bonds due 2021	**17,800**	20,000	**172,950**
1.650% yen bonds due 2022	**5,000**	5,000	**48,581**
1.139% yen bonds due 2022	**9,200**	10,000	**89,390**
1.070% yen bonds due 2023	**10,000**	10,000	**97,163**
0.850% yen bonds due 2024	**15,000**	–	**145,744**
Secured loans from:			
Japan Development Bank due through 2027 at interest rates of 0.19% to 4.20%	**62,177**	59,453	**604,129**
Other financial institutions due through 2031 at interest rates of 0.35% to 6.70%	**82,319**	55,649	**799,835**
Unsecured loans from:			
Other financial institutions due through 2031 at interest rates of 0.08% to 5.20%	**686,034**	621,422	**6,665,702**
	1,056,030	975,024	**10,260,688**
Amount due within one year	**135,492**	113,296	**1,316,479**
	¥ 920,538	¥861,728	**$ 8,944,209**

At March 31, 2014, 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)
2015	**¥ 135,492**	**$ 1,316,479**
2016	**149,855**	**1,456,034**
2017	**138,823**	**1,348,844**
2018	**101,985**	**990,915**
2019	**110,493**	**1,073,581**
2020 and thereafter	**419,382**	**4,074,835**
	¥1,056,030	**$10,260,688**

(3) ASSETS PLEDGED AND SECURED DEBT

At March 31, 2014, 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	¥177,092	$1,720,676
Buildings and structures	136	1,322
Vessels and other property under construction	72,953	708,832
Investment securities	60,148	584,415
	¥310,329	$3,015,245

Secured debt	Millions of yen	Thousands of U.S. dollars (Note 1)
Short-term debt	¥ 50	$ 486
Long-term debt due within one year	11,906	115,682
Long-term debt due after one year	132,540	1,287,796
	¥144,496	$1,403,964

8. COMMITMENTS AND CONTINGENT LIABILITIES

(A) COMMITMENT

At March 31, 2014 and 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)
	2014	2013	2014
Total loan limits	¥14,409	¥14,107	$140,002
Loan executions	–	–	–
The nonexercised portion of loan commitments	¥14,409	¥14,107	$140,002

(B) CONTINGENT LIABILITIES

At March 31, 2014 and 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 ¥78,169 million ($759,512 thousand) and ¥80,458 million, respectively.

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, 2014 and 2013 were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
Balance at April 1, 2012	1,206,286	10,975
Increase during the year	–	82
Decrease during the year	–	(555)
Balance at March 31 and April 1, 2013	1,206,286	10,502
Increase during the year	**–**	**145**
Decrease during the year	**–**	**(274)**
Balance at March 31, 2014	**1,206,286**	**10,373**

(B) SHARE SUBSCRIPTION RIGHTS

Share subscription rights at March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Stock options	**¥2,391**	¥2,115	**$23,232**
Total	**¥2,391**	¥2,115	**$23,232**

(C) DIVIDENDS

(1) Dividends paid for the year ended March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Approved at the board of directors held on October 31, 2013	**¥2,392**	**$23,241**
Total	**¥2,392**	**$23,241**

(2) Dividends included in the retained earnings at March 31, 2014 and to be paid in subsequent periods were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Approved at the shareholders' meeting held on June 24, 2014	**¥3,587**	**$34,852**
Total	**¥3,587**	**$34,852**

10. IMPAIRMENT LOSS

For the year ended March 31, 2014, 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	**¥ 498**	**$ 4,839**
Assets for operations	Vessels	**5,950**	**57,812**

For the year ended March 31, 2013, 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	¥10,978

The Group grouped operating assets based on management accounting categories, and also grouped assets to be disposed of by sale and idle assets by structure.

For the year ended March 31, 2014 and 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 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.

For the year ended March 31, 2014, since profitability of the overseas consolidated subsidiary's assets for operations significantly deteriorated, 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 value in use. The value in use is calculated from the projected future cash flows discounted at a rate of 7%.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Others, net:			
Exchange gain (loss), net	**¥11,392**	¥ (3,297)	**$110,688**
Amortization of goodwill, net	**190**	220	**1,846**
Gain on sale of vessels, investment securities and others	**8,295**	12,459	**80,597**
Gain on sale of securities issued by subsidiaries and affiliated companies	**21,857**	62	**212,369**
Loss on sale and disposal of vessels, investment securities and others	**(7,041)**	(4,187)	**(68,412)**
Loss arising from dissolution of subsidiaries and affiliated companies	**(1)**	(152)	**(10)**
Loss on write-down of investment securities and others	**(106)**	(2,892)	**(1,030)**
Provision for doubtful accounts	**(218)**	(90)	**(2,118)**
Special retirement	**(76)**	(79)	**(738)**
Loss arising from marine accident	**(2,397)**	–	**(23,290)**
Cancellation fee for chartered ships, net	**572**	1,744	**5,558**
Impairment loss	**(6,448)**	(10,978)	**(62,651)**
Cost of business structural reforms	**–**	(101,463)	**–**
Sundries, net	**9,075**	(729)	**88,174**
Total	**¥35,094**	¥(109,382)	**$340,983**

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
	2013
Loss on transfer of time charter contracts	¥103,422
Impairment loss	7,279
Loss on sale of vessels	1,341
Gain on cancellation of derivatives	(10,346)
Others	(233)
Total	¥101,463

(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
Assets to be disposed of by sale	Vessels	¥7,279

The Group grouped operating assets based on management accounting categories, and also grouped 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, 2014 of finance leases that do not transfer ownership to the lessee was as follows:

	Millions of yen		
	Equipment, mainly containers	Others	Total
Acquisition cost	**¥16,243**	**¥190**	**¥16,433**
Accumulated depreciation	**15,855**	**144**	**15,999**
Net book value	**¥ 388**	**¥ 46**	**¥ 434**

	Thousands of U.S. dollars (Note 1)		
	Equipment, mainly containers	Others	Total
Acquisition cost	**$157,822**	**$1,846**	**$159,668**
Accumulated depreciation	**154,052**	**1,399**	**155,451**
Net book value	**$ 3,770**	**$ 447**	**$ 4,217**

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

(2) Future lease payments at March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Amount due within one year	**¥1,221**	¥2,041	**¥11,864**
Amount due after one year	**122**	1,177	**1,185**
Total	**¥1,343**	¥3,218	**¥13,049**

(3) Lease payments, depreciation equivalent and interest equivalent

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Lease payments	**¥2,234**	¥2,713	**$21,706**
Depreciation equivalent	**796**	1,322	**7,734**
Interest equivalent	**49**	79	**476**

(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, 2014 AND 2013:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Amount due within one year	**¥ 48,825**	¥ 43,810	**$ 474,398**
Amount due after one year	**256,912**	252,281	**2,496,230**
Total	**¥305,737**	¥296,091	**$2,970,628**

AS LESSOR:

(A) FUTURE LEASE INCOME UNDER OPERATING LEASES FOR ONLY NON-CANCELABLE CONTRACTS AT MARCH 31, 2014 AND 2013:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Amount due within one year	**¥13,021**	¥13,571	**$126,516**
Amount due after one year	**40,325**	47,167	**391,809**
Total	**¥53,346**	¥60,738	**$518,325**

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)
	2014	2013	**2014**
Book value	**¥280,121**	¥279,130	**$2,721,735**
Fair value	**381,024**	368,128	**3,702,138**

Notes: 1. Book value was calculated as the amount equivalent to the cost for acquisition deducting accumulated depreciation.
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)
	2014	2013	**2014**
Rental revenue	**¥26,992**	¥26,193	**$262,262**
Rental expense	**15,447**	14,776	**150,087**
Difference	**¥11,545**	¥11,417	**$112,175**

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:

	Millions of yen								
	Reportable segment								
For the year ended March 31, 2014:	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	¥ 836,409	¥713,503	¥55,603	¥116,599	¥1,722,114	¥ 7,338	¥1,729,452	¥ –	¥1,729,452
(2) Inter-segment revenues	588	1,887	202	20,608	23,285	7,246	30,531	(30,531)	–
Total revenues	¥ 836,997	¥715,390	¥55,805	¥137,207	¥1,745,399	¥ 14,584	¥1,759,983	¥ (30,531)	¥1,729,452
Segment income (loss)	¥ 57,122	¥ (14,554)	¥ 2,236	¥ 11,146	¥ 55,950	¥ 4,577	¥ 60,527	¥ (5,541)	¥ 54,986
Segment assets	¥1,501,313	¥449,725	¥35,089	¥386,852	¥2,372,979	¥325,937	¥2,698,916	¥(334,221)	¥2,364,695
2. Others									
(1) Depreciation and amortization	¥ 55,546	¥ 15,014	¥ 3,303	¥ 8,623	¥ 82,486	¥ 326	¥ 82,812	¥ 1,172	¥ 83,984
(2) Amortization of goodwill, net	(619)	18	305	105	(191)	1	(190)	–	(190)
(3) Interest income	1,565	172	6	75	1,818	1,191	3,009	(690)	2,319
(4) Interest expenses	9,837	2,454	204	1,935	14,430	743	15,173	(2,590)	12,583
(5) Equity in earnings (losses) of affiliated companies, net	(3,009)	1,404	179	193	(1,233)	(1)	(1,234)	–	(1,234)
(6) Investment in affiliates	97,802	3,385	1,777	1,506	104,470	2,308	106,778	–	106,778
(7) Tangible/intangible fixed assets increased	140,189	28,511	1,424	10,484	180,608	146	180,754	5,395	186,149

	Thousands of U.S. dollars (Note 1)								
	Reportable segment								
For the year ended March 31, 2014:	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	$ 8,126,788	$6,932,598	$540,255	$1,132,909	$16,732,550	$ 71,298	$16,803,848	$ –	$16,803,848
(2) Inter-segment revenues	5,713	18,335	1,963	200,233	226,244	70,404	296,648	(296,648)	–
Total revenues	$ 8,132,501	$6,950,933	$542,218	$1,333,142	$16,958,794	$ 141,702	$17,100,496	$ (296,648)	$16,803,848
Segment income (loss)	$ 555,013	$ (141,411)	$ 21,726	$ 108,298	$ 543,626	$ 44,472	$ 588,098	$ (53,838)	$ 534,260
Segment assets	$14,587,184	$4,369,656	$340,935	$3,758,764	$23,056,539	$3,166,897	$26,223,436	$(3,247,387)	$22,976,049
2. Others									
(1) Depreciation and amortization	$ 539,700	$ 145,880	$ 32,093	$ 83,784	$ 801,457	$ 3,168	$ 804,625	$ 11,387	$ 816,012
(2) Amortization of goodwill, net	(6,014)	175	2,963	1,020	(1,856)	10	(1,846)	–	(1,846)
(3) Interest income	15,206	1,671	58	729	17,664	11,572	29,236	(6,704)	22,532
(4) Interest expenses	95,579	23,844	1,982	18,801	140,206	7,219	147,425	(25,165)	122,260
(5) Equity in earnings (losses) of affiliated companies, net	(29,236)	13,642	1,739	1,875	(11,980)	(10)	(11,990)	–	(11,990)
(6) Investment in affiliates	950,271	32,890	17,266	14,633	1,015,060	22,425	1,037,485	–	1,037,485
(7) Tangible/intangible fixed assets increased	1,362,116	277,021	13,836	101,866	1,754,839	1,418	1,756,257	52,420	1,808,677

As noted in Note 2 (20) "Changes in accounting estimates", in the year ended March 31, 2014, the period of estimated useful lives of dry bulkers and car carriers were changed from 15 years to 20 years, and tankers from 13-18 years to 20-25 years, respectively.

As a result, operating income, segment income, and income before income taxes and minority interests for the year ended March 31, 2014 was increased by ¥10,684 million ($103,809 thousand).

For the year ended March 31, 2013:	Millions of yen								
	Reportable segment								
	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	¥ 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

(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.

For the year ended March 31, 2014:	Millions of yen					
	Japan	North America	Europe	Asia	Others	Consolidated
Revenues	**¥1,496,846**	**¥19,559**	**¥43,094**	**¥169,890**	**¥ 63**	**¥1,729,452**
Tangible fixed assets.	**¥1,220,942**	**¥33,589**	**¥ 3,940**	**¥113,904**	**¥6,870**	**¥1,379,245**

For the year ended March 31, 2014:	Thousands of U.S. dollars (Note 1)					
	Japan	North America	Europe	Asia	Others	Consolidated
Revenues	**$14,543,781**	**$190,041**	**$418,714**	**$1,650,700**	**$ 612**	**$16,803,848**
Tangible fixed assets.	**$11,863,020**	**$326,360**	**$ 38,282**	**$1,106,724**	**$66,751**	**$13,401,137**

For the year ended March 31, 2013:	Millions of yen					
	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

(2) Information about impairment loss by reportable segment:

	Millions of yen							
	Reportable segment							
For the year ended March 31, 2014:	Bulkships	Container-ships	Ferry & Domestic transport	Associated business	Sub Total	Others	Adjustment and elimination	Consolidated
Impairment loss	**¥6,368**	**¥ –**	**¥80**	**¥ –**	**¥6,448**	**¥ –**	**¥ –**	**¥6,448**

	Thousands of U.S. dollars (Note 1)							
	Reportable segment							
For the year ended March 31, 2014:	Bulkships	Container-ships	Ferry & Domestic transport	Associated business	Sub Total	Others	Adjustment and elimination	Consolidated
Impairment loss	**$61,874**	**$ –**	**$777**	**$ –**	**$62,651**	**$ –**	**$ –**	**$62,651**

	Millions of yen							
	Reportable segment							
For the year ended March 31, 2013:	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

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

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

	Millions of yen							
	Reportable segment							
For the year ended March 31, 2014:	Bulkships	Container-ships	Ferry & Domestic transport	Associated business	Sub Total	Others	Adjustment and elimination	Consolidated
Goodwill (Negative goodwill) at the end of current year	**¥(379)**	**¥(1)**	**¥398**	**¥1,554**	**¥1,572**	**¥1**	**¥ –**	**¥1,573**

	Thousands of U.S. dollars (Note 1)							
	Reportable segment							
For the year ended March 31, 2014:	Bulkships	Container-ships	Ferry & Domestic transport	Associated business	Sub Total	Others	Adjustment and elimination	Consolidated
Goodwill (Negative goodwill) at the end of current year	**$(3,682)**	**$(10)**	**$3,867**	**$15,099**	**$15,274**	**$10**	**$ –**	**$15,284**

	Millions of yen							
	Reportable segment							
For the year ended March 31, 2013:	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

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 years ended March 31, 2014 and 2013.

(A) Significant components of deferred tax assets and liabilities at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Deferred tax assets:			
Excess bad debt expenses	**¥ 787**	¥ 1,772	**$ 7,647**
Reserve for bonuses expenses	**1,590**	1,463	**15,449**
Retirement benefits expenses	**–**	4,287	**–**
Net defined benefit liabilities	**2,726**	–	**26,487**
Retirement allowances for directors	**655**	728	**6,364**
Write-down of securities and other investments	**1,791**	1,576	**17,402**
Accrued business tax	**410**	423	**3,984**
Operating loss carried forward	**54,982**	69,292	**534,221**
Unrealized gain on sale of fixed assets	**1,675**	1,699	**16,275**
Impairment loss	**1,351**	1,212	**13,127**
Others	**5,003**	3,287	**48,610**
Total deferred tax assets	**70,970**	85,739	**689,566**
Valuation allowance	**(64,817)**	(77,693)	**(629,781)**
Net deferred tax assets	**6,153**	8,046	**59,785**
Deferred tax liabilities::			
Reserve deductible for tax purposes when appropriated for deferred gain on real properties	**(1,920)**	(1,815)	**(18,655)**
Reserve deductible for tax purposes when appropriated for special depreciation	**(760)**	(889)	**(7,384)**
Unrealized holding gains on available-for-sale securities	**(19,391)**	(15,200)	**(188,408)**
Gain on securities contributed to employee retirement benefit trust	**(3,667)**	(3,698)	**(35,630)**
Revaluation reserve	**(14,566)**	(14,811)	**(141,527)**
Retained earnings of consolidated subsidiaries	**(11,591)**	(16,489)	**(112,621)**
Unrealized gains on hedging derivatives	**(31,373)**	(21,127)	**(304,829)**
Others	**(333)**	(325)	**(3,237)**
Total deferred tax liabilities	**(83,601)**	(74,354)	**(812,291)**
Net deferred tax liabilities	**¥(77,448)**	¥ (66,308)	**$(752,506)**

Following the promulgation on March 31, 2014 of the "Act for Partial Revision of the Income Tax Act" (Act No. 10 of 2014), the special reconstruction corporation tax, a surtax for reconstruction funding after the Great East Japan Earthquake will not be imposed for the fiscal years beginning on or after April 1, 2014. In line with these revisions, the Company changed the statutory tax rate to calculate deferred tax assets and liabilities from 34.25% to 31.75% for temporary differences which are expected to reverse from the fiscal years beginning on or after April 1, 2014.

The effect on the consolidated financial statements of the change is not material.

(B) Significant difference between the statutory tax rate and the effective tax rate for the financial statement purpose for the year ended March 31, 2014 was as follows:

	2014
Statutory tax rate	34.3 %
Non-deductible expenses	0.5 %
Tax exempt revenues	(4.3)%
Effect on tonnage tax system	(6.6)%
Effect on net loss carried forward	(18.3)%
Effect on elimination of dividend income	10.6 %
Effect on elimination of loss on valuation of stocks of subsidiaries and affiliates	(2.6)%
Others	(0.7)%
Effective tax rate	12.9 %

*For the year ended March 31, 2013, the difference between the statutory tax rate and the effective tax rate is not stated as the Company recorded loss before income taxes and minority interests.

16. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

(A) DEFINED BENEFIT PLANS

(1) MOVEMENTS IN RETIREMENT BENEFIT OBLIGATIONS EXCEPT PLAN APPLIED SIMPLIFIED METHOD

	Millions of yen	Thousands of U.S. dollars (Note 1)
Balance at April 1, 2013	**¥42,258**	**$410,591**
Service cost	**1,484**	**14,419**
Interest cost	**837**	**8,133**
Actuarial loss (gain)	**(326)**	**(3,168)**
Benefits paid	**(2,510)**	**(24,388)**
Past service costs	**–**	**–**
Balance at March 31, 2014	**¥41,743**	**$405,587**

(2) MOVEMENTS IN PLAN ASSETS EXCEPT PLAN APPLIED SIMPLIFIED METHOD

	Millions of yen	Thousands of U.S. dollars (Note 1)
Balance at April 1, 2013	**¥56,636**	**$550,291**
Expected return on plan assets	**1,133**	**11,009**
Actuarial loss (gain)	**3,191**	**31,005**
Contributions paid by the employer	**1,189**	**11,553**
Benefits paid	**(2,243)**	**(21,794)**
Balance at March 31, 2014	**¥59,906**	**$582,064**

(3) MOVEMENTS IN NET LIABILITY FOR RETIREMENT BENEFITS BASED ON THE SIMPLIFIED METHOD

	Millions of yen	Thousands of U.S. dollars (Note 1)
Balance at April 1, 2013	**¥10,918**	**$106,082**
Retirement benefit costs	**1,237**	**12,019**
Benefits paid	**(1,473)**	**(14,312)**
Contributions paid by the employer	**(783)**	**(7,608)**
Balance at March 31, 2014	**¥ 9,899**	**$ 96,181**

(4) RECONCILIATION FROM RETIREMENT BENEFIT OBLIGATIONS AND PLAN ASSETS TO LIABILITY (ASSET) FOR RETIREMENT BENEFITS INCLUDING PLAN APPLIED SIMPLIFIED METHOD

	Millions of yen	Thousands of U.S. dollars (Note 1)
Funded retirement benefit obligations	**¥ 49,534**	**$ 481,286**
Plan assets	**(68,750)**	**(667,994)**
	(19,216)	**(186,708)**
Unfunded retirement benefit obligations	**10,952**	**106,413**
Total net liability (asset) for retirement benefits at March 31, 2014	**(8,264)**	**(80,295)**
Asset for retirement benefits	**12,936**	**125,690**
Liability for retirement benefits	**(21,200)**	**(205,985)**
Total net liability (asset) for retirement benefits at March 31, 2014	**¥ (8,264)**	**$ (80,295)**

(5) RETIREMENT BENEFIT COSTS

	Millions of yen	Thousands of U.S. dollars (Note 1)
Service cost	**¥ 1,484**	**$ 14,419**
Interest cost	**837**	**8,133**
Expected return on plan assets	**(1,133)**	**(11,009)**
Net actuarial loss amortization	**(1,111)**	**(10,795)**
Past service costs amortization	**–**	**–**
Retirement benefit costs calculated by the simplified method	**1,237**	**12,019**
Other	**287**	**2,789**
Total retirement benefit costs for the year ended March 31, 2014	**¥ 1,601**	**$ 15,556**

(6) BREAKDOWN OF ITEMS RECOGNIZED IN ACCUMULATED OTHER COMPREHENSIVE INCOME

	Millions of yen	Thousands of U.S. dollars (Note 1)
Unrealized past service cost	**¥ –**	**$ –**
Unrecognized actuarial differences	**(1,763)**	**(17,130)**
Total	**¥(1,763)**	**$(17,130)**

(7) PLAN ASSETS

1. Plan assets comprise:

Equity securities	54%
Bonds	22%
Jointly invested assets	17%
Cash and cash equivalents	6%
Other	1%
Total	100%
Retirement benefit trust	36%

2. Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(8) ACTUARIAL ASSUMPTIONS

The discount rate for the year ended March 31, 2014 used by the Company is mainly 2.0%. Also, the rate of expected return on plan assets for the year ended March 31, 2014 is mainly 2.0%.

(B) DEFINED CONTRIBUTION PLANS

The estimated amount of contributions to defined contribution plans at March 31, 2014 was ¥855 million ($8,307 thousand).

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

	Millions of yen
	2013
Projected benefit obligation	¥ 61,280
Unrecognized actuarial differences	(712)
Prepaid pension expenses	17,576
Less fair value of pension assets	(64,672)
Employees' severance and retirement benefits	¥ 13,472

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

	Millions of yen
	2013
Service costs — benefits earned during the year	¥ 3,054
Interest cost on projected benefit obligation	873
Expected return on plan assets	(1,087)
Amortization of actuarial differences	239
Others*	1,102
Employees' severance and retirement benefits expenses	¥ 4,181

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

The discount rate for the year ended March 31, 2013 used by the Company is mainly 2.0%. Also, the rate of expected return on plan assets for the year ended March 31, 2013 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, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Selling, general and administrative expenses	**¥275**	¥110	**$2,672**
Total	**¥275**	¥110	**$2,672**

(B) TERMS AND CONDITIONS

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

	2003	2004	2005	2006
Number of grantees	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	Directors: 11 Executive officers: 17 Employees: 34 Presidents of the Company's domestic consolidated subsidiaries: 37
Number of stock options	Common stock 1,590,000	Common stock 1,570,000	Common stock 1,650,000	Common stock 1,670,000
Grant date	August 8, 2003	August 5, 2004	August 5, 2005	August 11, 2006
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, 2004 to June 25, 2013	From June 20, 2005 to June 24, 2014	From June 20, 2006 to June 23, 2015	From June 20, 2007 to June 22, 2016

	2007	2008	2009	2010
Number of grantees	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	Directors: 10 Executive officers: 21 Employees: 36 Presidents of the Company's domestic consolidated subsidiaries: 33
Number of stock options	Common stock 1,710,000	Common stock 1,760,000	Common stock 1,640,000	Common stock 1,710,000
Grant date	August 10, 2007	August 8, 2008	August 14, 2009	August 16, 2010
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, 2008 to June 21, 2017	From July 25, 2009 to June 24, 2018	From July 31, 2011 to June 22, 2019	From July 31, 2012 to June 21, 2020

	2011	2012	2013
Number of grantees	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	Directors: 9 Executive officers: 18 Employees: 38 Presidents of the Company's domestic consolidated subsidiaries: 33
Number of stock options	Common stock 1,720,000	Common stock 1,640,000	Common stock 1,600,000
Grant date	August 9, 2011	August 13, 2012	August 16, 2013
Vesting conditions	No provisions	No provisions	No provisions
Service period	No provisions	No provisions	No provisions
Exercise period	From July 26, 2013 to June 22, 2021	From July 28, 2014 to June 21, 2022	From August 2, 2015 to June 20, 2023

(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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Balance at March 31, 2013	–	–	–	–	–	–	–	–	1,720,000	1,640,000	–
Options granted during the year	–	–	–	–	–	–	–	–	–	–	1,600,000
Options expired during the year	–	–	–	–	–	–	–	–	–	–	–
Options vested during the year	–	–	–	–	–	–	–	–	1,720,000	–	–
Balance at March 31, 2014	–	–	–	–	–	–	–	–	–	1,640,000	1,600,000

Vested stock options	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	–	–	–
Options vested during the year	–	–	–	–	–	–	–	–	1,720,000	–	–
Options exercised during the year	10,000	–	–	–	–	–	–	–	–	–	–
Options expired during the year	4,000	–	–	–	–	–	–	–	–	–	–
Balance at March 31, 2014	–	286,000	878,000	1,443,000	1,680,000	1,750,000	1,630,000	1,710,000	1,720,000	–	–

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Exercise price	¥377	¥644	¥762	¥841	¥1,962	¥1,569	¥639	¥642	¥468	¥277	¥447
Average market price of share at exercise	¥410	–	–	–	–	–	–	–	–	–	–
Fair value per stock option at grant date	–	–	–	¥219	¥ 352	¥ 217	¥136	¥208	¥ 87	¥ 67	¥172

(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:

	2013
Stock price volatility	49.0%
Expected remaining term of the option	5 years and 11 months
Expected dividends	¥0 per share
Risk-free interest rate	0.36%

18. MATERIAL NON-CASH TRANSACTIONS

Amounts of lease assets and lease obligations recognized for the years ended March 31, 2014 and 2013 were ¥355 million ($3,449 thousand) and ¥495 million, respectively.

19. COMPREHENSIVE INCOME

For the years ended March 31, 2014 and 2013, the amounts reclassified to net income (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)
	2014	2013	**2014**
Unrealized holding gains on available-for-sale securities, net of tax:			
Increase during the year	**¥13,764**	¥10,770	**$133,735**
Reclassification adjustments	**(780)**	2,801	**(7,579)**
Sub-total, before tax	**12,984**	13,571	**126,156**
Tax expense	**(4,137)**	(4,478)	**(40,196)**
	8,847	9,093	**85,960**
Unrealized gains on hedging derivatives, net of tax:			
Increase during the year	**48,719**	70,181	**473,368**
Reclassification adjustments	**(9,896)**	17,796	**(96,152)**
Adjustments of acquisition cost	**3,425**	2,712	**33,278**
Sub-total, before tax	**42,248**	90,689	**410,494**
Tax expense	**(9,523)**	(34,276)	**(92,529)**
	32,725	56,413	**317,965**
Foreign currency translation adjustments:			
Increase during the year	**31,158**	14,902	**302,740**
Reclassification adjustments	**–**	7	**–**
	31,158	14,909	**302,740**
Share of other comprehensive income of associates accounted for using equity method:			
Increase (Decrease) during the year	**14,039**	(3,560)	**136,407**
Reclassification adjustments	**5,654**	4,664	**54,936**
Adjustments of acquisition cost	**(408)**	–	**(3,964)**
	19,285	1,104	**187,379**
Total other comprehensive income	**¥92,015**	¥81,519	**$894,044**

20. RELATED PARTY TRANSACTIONS

For the year ended March 31, 2014

			Millions of yen				Millions of yen				Thousands of U.S. dollars (Note 1)	
							Transactions during the year ended March 31, 2014		Balance at March 31, 2014		Transactions during the year ended March 31, 2014	Balance at March 31, 2014
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	¥28,958	Marine transportation	Directly 26.96%	Interlocking directorate Ship chartering	Underwriting of capital increase	¥15,000	–	–	$145,744	–

Notes: 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. Consumption taxes are not included in transacted amount.

For the year ended March 31, 2013

			Millions of yen				Millions of yen			
							Transactions during the year ended March 31, 2013		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
Affiliated company	Daiichi Chuo Kisen Kaisha	Chuo-ku, Tokyo	¥20,758	Marine transportation	Directly 26.96%	Interlocking directorate Ship chartering Loans of capita	Underwriting of capital increase Loans of capital	¥15,000 38,400	—	—

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.

21. SUBSEQUENT EVENT

The Company, by a resolution of a Board of Directors' meeting held on April 8, 2014, issued Euro US dollar Zero Coupon Convertible Bond due 2018 and Euro US dollar Zero Coupon Convertible Bond due 2020. All payments were made on April 24, 2014. An outline of these bonds is as follows.

(1) Securities offered	Euro US dollar Zero Coupon Convertible Bond due 2018	Euro US dollar Zero Coupon Convertible Bond due 2020
(2) Total issue amount	US$300,000,000	US$200,000,000
(3) Issue prices	100.0% of principal amount	Same as to the left
(4) Offer prices	102.5% of principal amount	Same as to the left
(5) Coupon	Zero	Same as to the left
(6) Closing and issue date	April 24, 2014	Same as to the left
(7) Redemption prices	100% of principal amount	Same as to the left
(8) Redemption at maturity Early redemption and cancellation by acquisition	April 24, 2018 Early redemption and cancellation by acquisition by the bonds under certain circumstances was provided in the Information Memorandum.	April 24, 2020 Same as to the left
(9) Particulars of stock acquisition rights		
i. Class of share to be issued upon exercise of the stock acquisition rights	Common stock of the Company	Same as to the left
ii. Total number of stock acquisition rights	3,000 units	2,000 units
iii. Conversion price	US$5.34	US$4.80
iv. Exercise period	From May 8, 2014 to April 10, 2018	From May 8, 2014 to April 9, 2020
Supplementary provisions	*Before three months prior to redemption date, the said stock acquisition rights shall not be exercised unless the stock price exceeds 130% of the conversion price for a certain period.	Same as to the left
	*After three months prior to redemption date, the Company will have a right to acquire the bonds in exchange for 100% of principal amount in cash and common stock for value exceeded principal amount.	Same as to the left
v. Amount to be paid upon exercise of the stock acquisition rights	The bonds in respect of the relevant stock acquisition rights shall be contributed upon exercising of each stock acquisition right, and the price of the bonds shall be equal to the principal amount of the bonds.	
vi. Capital and capital reserve increased in the case stocks are issued by exercising stock acquisition rights	The amount of capital increased in case the stocks are issued by exercising stock acquisition rights shall be half of the maximum increase of capital, etc., calculated in accordance with Article 17 of the "Company Calculation Ordinance," and any amount less than one yen arising from such calculation shall be rounded up. The increase in capital reserve shall be obtained by subtracting the capital increased from the maximum increase of capital, etc.	
(10) Security or guarantee	None	
(11) Use of proceeds	Proceeds from issuance of the bonds will be used as capital investment for ships, including LNG carriers, which are expected to be built and completed from now, and the offshore business.	

22. OTHERS

The Group is subject to investigations by overseas competition law authorities including those of the U.S. and Europe for violation of competition laws of those countries regarding price control negotiations for ocean transport services of completely built-up vehicles. In addition, a class-action lawsuit was filed in the U.S. and other countries against the Group for damage claims and for a cease and desist order for the questioned conduct. Meanwhile, the effect of these investigations and lawsuit on the financial results of Group is uncertain as its financial impact is not estimable at this stage.

In Japan, the Company had been under investigation by the Japan Fair Trade Commission (the "JFTC") since September 2012 for violation of the Japanese Antimonopoly Act regarding certain car carrier shipping trades. However, the Company was exempted from all of the Cease and Desist Orders and Surcharge Payment Orders issued by the JFTC in March 2014 because the JFTC accepted an application made by the Company under the JFTC's leniency program. Meanwhile, Nissan Motor Car Carrier Co., Ltd., which is a consolidated subsidiary of the Company, also made an application under the JFTC's leniency program and secured a reduction of its surcharge, but was not exempted from the Cease and Desist Order and Surcharge Payment Order.

Independent Auditor's Report

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, 2014 and 2013, 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, 2014 and 2013, 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, 2014 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

KPMG AZSA LLC
June 24, 2014
Tokyo, Japan

The MOL Group

Mitsui O.S.K. Lines, Ltd. March 31, 2014

■ 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
	■ Lakler S.A.	Uruguay	100.00	US$20
	■ 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$8,402
	■ Mitsui O.S.K. Bulk Shipping (USA), LLC	U.S.A.	100.00	-
	■ Mitsui O.S.K. Kinkai, Ltd.	Japan	100.00	¥660,000
	■ MOG LNG Transport S.A.	Panama	100.00	¥200
	■ 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$379,311
	■ Samba Offshore S.A.	Panama	100.00	US$10
	■ Shining Shipping S.A.	Panama	100.00	US$10
	■ Shipowner/Chartering companies (199 companies) in Panama, Cayman Islands, Liberia, Singapore, Hong Kong, Cyprus, Malta, Isle of Man, Marshall Islands and the UK			
	■ Tokyo Marine Asia Pte Ltd	Singapore	100.00	S$138,018
	■ Tokyo Marine Co., Ltd.	Japan	100.00	¥100,000
	■ 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
	▲ Carioca MV27 B.V.	Netherlands	20.60	€100
	▲ 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	¥28,958,410
	▲ Gearbulk Holding Limited	Bermuda	49.00	US$61,225
	▲ LNG Fukurokuju Shipping Corporation	Bahamas	30.00	¥1,000
	▲ LNG Jurojin Shipping Corporation	Bahamas	30.00	¥1,000
	▲ M.S.Tanker Shipping Limited	Hong Kong	50.00	HK$2,000
	▲ T.E.N. Ghana MV25 B.V.	Netherlands	20.00	€100
	▲ Trans Pacific Shipping 2 Ltd.	Bahamas	50.00	¥2,023,820
	▲ Shipowner/Chartering companies (49 companies) in Liberia, Panama, Bahamas, Malta, Netherlands, Indonesia, Marshall Islands and Cayman Islands			
Containerships	■ Asia Utoc Pte. Ltd.	Singapore	67.43	S$200
	■ Bangpoo Intermodal Systems Co., Ltd.	Thailand	74.62	BT130,000
	■ 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
	■ International Transportation Inc.	U.S.A.	100.00	US$0
	■ MOL Logistics (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
	■ Mitsui O.S.K. Lines (Thailand) Co., Ltd.	Thailand	47.00	BT20,000
	■ 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 Container Center (Thailand) Co., Ltd.	Thailand	100.00	BT10,000
	■ 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	98.00	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 (14 companies) in Panama, Marshall Islands, Liberia and Hong Kong			

		Registered Office	MOL's Voting Rights (%)*	Paid-in Capital (Thousands)
	■ Shosen Koun Co., Ltd.	Japan	79.98	¥300,000
	■ Thai Intermodal Systems Co., Ltd.	Thailand	100.00	BT77,500
	■ TraPac, LLC	U.S.A.	100.00	US$3,000
	■ TraPac Jacksonville, LLC	U.S.A.	100.00	-
	■ 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)			
	▲ 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
	■ 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
	■ MM Holdings (Americas), Inc	U.S.A.	100.00	US$200
	■ 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
	■ MOL Treasury Management Pte. Ltd.	Singapore	100.00	US$2,000
	■ Shipowner/Chartering companies (4 companies) in Panama			
	▲ Minaminippon Shipbuilding Co., Ltd.	Japan	24.00	¥200,000

*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
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: 1-206-444-6905	Fax: 1-206-444-6909

MOL (Canada) Inc.

Head office (Toronto):	Tel:1-905-629-5925	FAX: 1-905-629-5914

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.

Head Office (Lima):	Tel: 51-1-611-9400	Fax: 51-1-611-9429

Europe

MOL (Europe) B.V.

Head Office (Rotterdam):	Tel: 31-10-201-3200	Fax: 31-10-201-3158
Antwerp:	Tel: 32-3-2024860	Fax: 32-3-2024870
Genoa:	Tel: 39-10-2901711	Fax: 39-10-5960450
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
Hamburg:	Tel: 49-40-3609-7410	Fax: 49-40-3609-7450

MOL Logistics (Deutschland) GmbH

Head Office (Dusseldorf):	Tel: 49-211-418830	Fax: 49-211-4183340

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.

Head Office (Lagos):	Tel: 234-1-2806556	Fax: 234-1-2806559

MOL (Ghana) Ltd.

Head Office (Tema):	Tel: 233-22-212084	Fax: 233-22-210807

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	

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.

Head Office (Auckland):	Tel: 64-9-300-5820	Fax: 64-9-309-1439

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: 61-7-3007-2101

MOL Logistics (Australia) Pty. Ltd.

Head Office (Melbourne):	Tel: 61-3-9335-8555	Fax: 61-3-9335-8598

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: 92-21-35205397	Fax: 9221-35202559

MOL (China) Co., Ltd.

Head Office (Shanghai):	Tel: 86-21-2320-6000	Fax: 86-21-2320-6331
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.

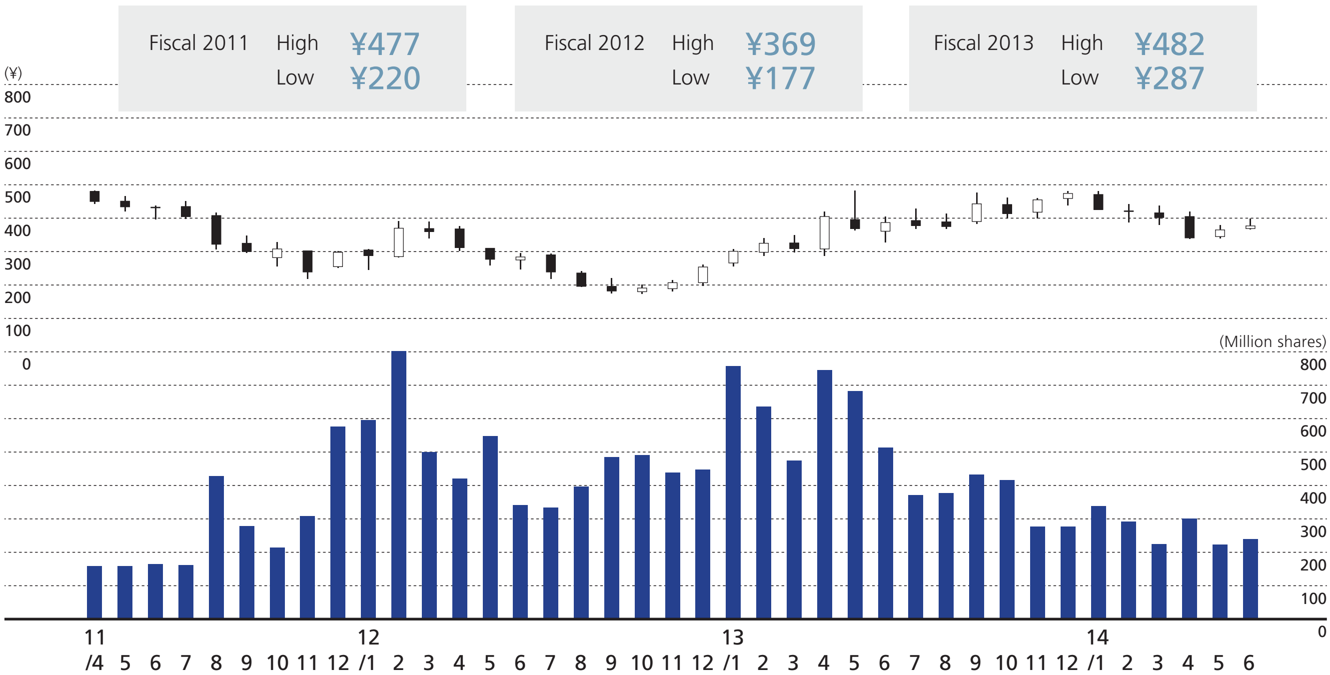
Head Office (Singapore):	Tel: 65-323-1303	Fax: 65-323-1305
Bangkok:	Tel: 66-2-634-0807	Fax: 66-2-634-0806
Kuala Lumpur:	Tel: 60-3-5623-9772	Fax: 60-3-5623-3107
Seoul:	Tel: 82-2-5672718	Fax: 82-2-5672719
Mumbai:	Tel: 91-22-4071-4500	Fax: 91-22-4071-4557
Chennai:	Tel: 91-44-4208-1020	Fax: 91-44-4208-1020

Shareholder Information

Capital:	¥65,400,351,028
Head office:	1-1, Toranomon 2-chome, Minato-ku, Tokyo 105-8688, Japan
Number of MOL employees:	882
Number of MOL Group employees: (The parent company and consolidated subsidiaries)	10,289
Total number of shares authorized:	3,154,000,000
Number of shares issued:	1,206,286,115
Number of shareholders:	109,304
Shares listed in:	Tokyo, Nagoya
Share transfer agent:	Sumitomo Mitsui Trust Bank, Limited 8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063, 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, 2014)

Stock Price Range (Tokyo Stock Exchange) and Volume of Stock Trade



For further information, please contact:

Investor Relations Office
Mitsui O.S.K. Lines, Ltd.
1-1, Toranomon 2-chome, Minato-ku,
Tokyo 105-8688, Japan
Telephone: +81-3-3587-6224
Facsimile: +81-3-3587-7734
E-mail: iromo@molgroup.com
URL: http://www.mol.co.jp/en/

This annual report is printed on Forest Stewardship Council™ (FSC)-certified paper made of wood from responsibly managed forests.
It was also printed using vegetable oil inks.

Printed in Japan