Financial Section

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MASAHIRO TANABE
Managing Executive Officer

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

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

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

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

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

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

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

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

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

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

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

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

Cash Flows and Financial Indicators

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

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

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

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

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

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

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

Cash Management, Financial Ratings and Fund-Raising

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

CREDIT RATINGS (As of July 2013)

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

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

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

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

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

Pension Management Policy and Response to New Pension Accounting

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

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

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

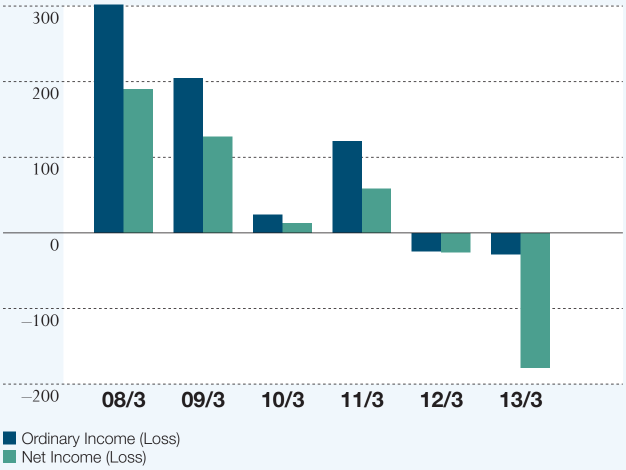
Tonnage Tax System

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

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

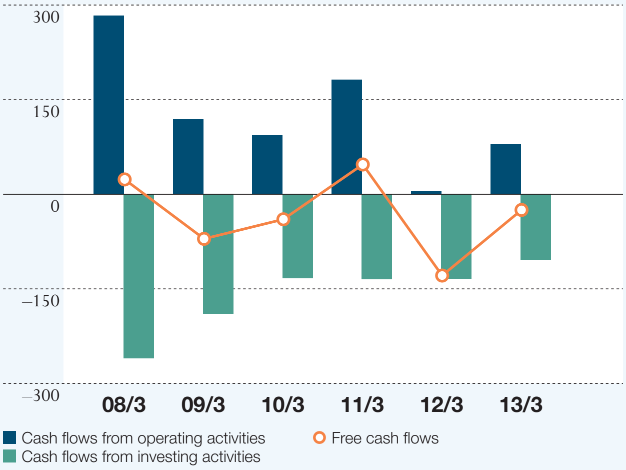
ORDINARY INCOME (LOSS)/NET INCOME (LOSS)

(¥ billions)



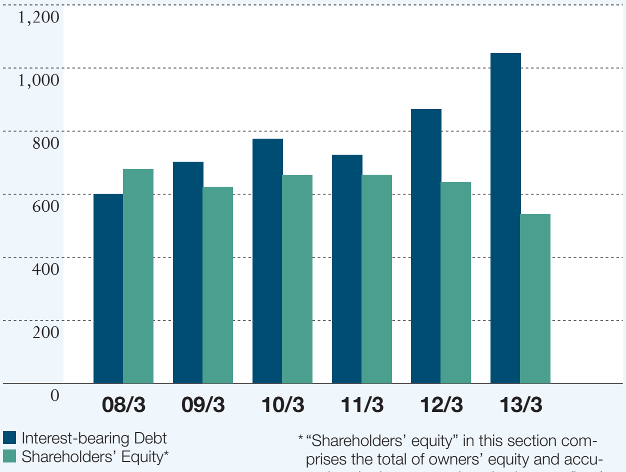
CASH FLOWS

(¥ billions)



INTEREST-BEARING DEBT/SHAREHOLDERS' EQUITY

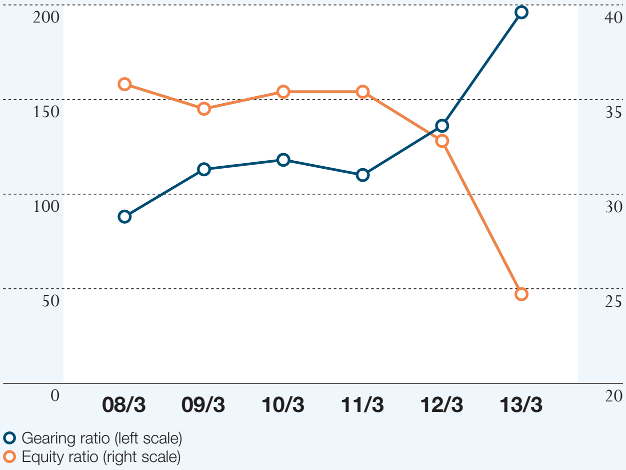
(¥ billions)



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

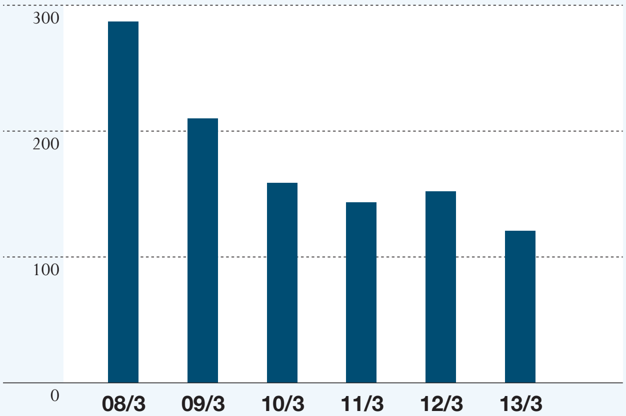
GEARING RATIO/EQUITY RATIO

(%)



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

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

Amounts per share of common stock:

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

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

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

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

Millions of yen							Thousands of U.S. dollars
2009	2008	2007	2006	2005	2004	2003	**2013**
¥1,865,802	¥1,945,697	¥1,568,435	¥1,366,725	¥1,173,332	¥ 997,260	¥ 910,288	**$16,046,720**
1,564,486	1,544,109	1,300,038	1,101,459	917,149	824,902	787,540	**15,226,093**
104,105	110,303	100,324	92,273	84,388	80,232	77,392	**988,261**
197,211	291,285	168,073	172,993	171,795	92,126	45,356	**(167,634)**
16,000	18,199	16,171	16,817	11,764	6,613	3,387	**(52,483)**
204,511	302,219	182,488	176,503	174,979	90,556	33,405	**(303,753)**
197,732	318,202	197,854	188,290	155,057	89,776	25,114	**(1,466,656)**
(65,074)	(115,183)	(63,042)	(61,200)	(52,587)	(35,346)	(10,872)	**(120,415)**
(638)	(5,694)	(7,468)	(7,570)	(1,205)	2,152	1,435	**(263,679)**
(5,032)	(7,004)	(6,404)	(5,788)	(3,004)	(1,191)	(967)	**(50,866)**
126,988	190,321	120,940	113,732	98,261	55,391	14,710	**(1,901,616)**
428,598	506,078	405,474	340,355	299,835	299,544	289,645	**5,467,793**
440,910	528,390	482,810	433,023	429,695	398,091	423,838	**4,526,582**
1,106,746	1,047,825	847,660	769,902	665,320	477,621	569,234	**13,864,615**
1,807,080	1,900,551	1,639,940	1,470,824	1,232,252	1,000,206	1,046,612	**23,015,534**
499,193	459,280	398,534	399,617	340,598	311,021	395,589	**9,162,446**
695,022	751,652	620,989	424,461	298,258	221,535	164,790	**6,586,847**
623,626	536,096	375,443	275,689	182,143	101,991	56,469	**4,761,616**

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

CONSOLIDATED BALANCE SHEETS

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

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

See accompanying notes.

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

CONSOLIDATED STATEMENTS OF OPERATIONS AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Consolidated Statements of Operations)

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

(Consolidated Statements of Comprehensive Income)

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

(Amounts per share of common stock)

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

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

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

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

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

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

See accompanying notes.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) PRINCIPLES OF CONSOLIDATION

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

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

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

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

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

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

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

(2) TRANSLATION OF FOREIGN CURRENCY

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

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

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

(3) CASH AND CASH EQUIVALENTS

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

(4) FREIGHT REVENUES AND RELATED EXPENSES

1. Containerships

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

2. Vessels other than containerships

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

(5) SECURITIES

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

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

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

(6) INVENTORIES

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

(7) DEPRECIATION OF VESSELS, PROPERTY AND EQUIPMENT

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

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

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

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

(9) INTEREST CAPITALIZATION

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

(10) ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

(11) EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

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

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

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

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

(12) DIRECTORS' AND CORPORATE AUDITORS' RETIREMENT BENEFITS

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

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

(13) INCOME TAXES

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

(14) AMOUNTS PER SHARE OF COMMON STOCK

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

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

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

(15) DERIVATIVES AND HEDGE ACCOUNTING

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

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

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

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

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

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

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

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

(16) RECLASSIFICATIONS

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

(17) ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

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

1. Summary

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

2. Effective dates

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

3. Effect of application of the standard

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

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

(Change in depreciation method)

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

(19) ADDITIONAL INFORMATION

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

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

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

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

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

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

(2) Outline of subscription

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

(3) Shareholding before and after subscription

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

(4) Schedule

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

3. FINANCIAL INSTRUMENTS

(1) QUALITATIVE INFORMATION ON FINANCIAL INSTRUMENTS

I. Policies for using financial instruments

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

II. Details of financial instruments/Risk and its management

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

Trade payables are due within a year.

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

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

Our major derivative transactions and hedged risks are as follows.

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

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

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

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

III. Supplemental information on fair value

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

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

(2) FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

Marketable securities and Investment securities

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

Long-term loans receivable

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

Trade payables, Short-term loans and Commercial paper

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

Bonds

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

Long-term bank loans

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

Derivative financial instruments

Please refer to Note 6 to the consolidated financial statements.

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

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

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

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

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

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

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

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

4. SECURITIES

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

Available-for-sale securities:

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

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

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

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

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

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

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

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

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

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

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

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

C. Impairment losses of securities

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

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

5. INVENTORIES

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

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

6. DERIVATIVE TRANSACTIONS

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

I. HEDGE ACCOUNTING NOT APPLIED

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

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

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

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

II. HEDGE ACCOUNTING APPLIED

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

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

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

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

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

7. SHORT-TERM DEBT AND LONG-TERM DEBT

(1) SHORT-TERM DEBT

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

(2) LONG-TERM DEBT

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

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

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

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

(3) ASSETS PLEDGED AND SECURED DEBT

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

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

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

8. COMMITMENTS AND CONTINGENT LIABILITIES

(A) COMMITMENT

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

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

(B) CONTINGENT LIABILITIES

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

9. NET ASSETS

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

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

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

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

(A) SHARES ISSUED AND OUTSTANDING

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

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

(B) SHARE SUBSCRIPTION RIGHTS

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

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

(C) DIVIDENDS

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

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

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

10. IMPAIRMENT LOSS

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

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

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

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

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

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

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

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

NOTE: BREAKDOWN OF COST OF BUSINESS STRUCTURAL REFORMS

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

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

(IMPAIRMENT LOSS)

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

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

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

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

12. LEASES

AS LESSEE:

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

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

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

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

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

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

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

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

(3) Lease payments, depreciation equivalent and interest equivalent

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

(4) Calculation of depreciation equivalent

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

(5) Calculation of interest equivalent

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

(6) Impairment loss

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

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

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

AS LESSOR:

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

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

13. RENTAL PROPERTIES

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

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

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

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

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

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

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

14. SEGMENT AND RELATED INFORMATION

(A) SEGMENT INFORMATION:

Millions of yen

For the year ended March 31, 2013:	Reportable segment: Bulkships	Reportable segment: Container-ships	Reportable segment: Ferry & Domestic transport	Reportable segment: Associated business	Reportable segment: 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

Thousands of U.S. dollars (Note 1)

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

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

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

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

(B) RELATED INFORMATION:

(1) Information about geographic areas:

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

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

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**

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

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

(2) Information about impairment loss by reportable segment:

	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**

	Thousands of U.S. dollars (Note 1)							
	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	**$89,389**	**$–**	**$3,912**	**$–**	**$93,301**	**$2,956**	**$20,468**	**$116,725**

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

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

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

	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**

	Thousands of U.S. dollars (Note 1)							
	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	**$(10,782)**	**$170**	**$7,485**	**$14,855**	**$11,728**	**$21**	**$–**	**$11,749**

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

15. INCOME TAXES

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

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

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

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

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

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

16. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

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

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

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

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

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

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

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

17. STOCK OPTIONS

(A) EXPENSED AMOUNT

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

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

(B) TERMS AND CONDITIONS

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

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

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

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

(C) CHANGES IN NUMBER AND UNIT PRICES

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

(1) Changes in number of stock options

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

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

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

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

(D) KEY FIGURES FOR FAIR VALUE PER STOCK OPTION

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

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

18. MATERIAL NON-CASH TRANSACTIONS

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

19. BUSINESS COMBINATIONS

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

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

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

(2) Date of business combination (effective date)

April 1, 2011

(3) Legal form of business combination

Merger in which Utoc Corporation is the surviving company

(4) Name of company after business combination

Utoc Corporation

(5) Outline of transaction including its purpose

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

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

(6) Overview of accounting treatment of transaction

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

20. COMPREHENSIVE INCOME

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

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

21. RELATED PARTY TRANSACTIONS

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

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

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

2. Consumption taxes are not included in transacted amount.

22. SUBSEQUENT EVENT

There are no applicable matters to report.

KPMG あずさ監査法人

Independent Auditor's Report

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

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

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

KPMG AZSA LLC

June 21, 2013
Tokyo, Japan