MOL
Mitsui O.S.K. Lines

RISING ABOVE ADVERSITY

Annual Report 2012

Year ended March 31, 2012

GEAR UP! MOL

MOL Group Corporate Principles

1

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

2

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

3

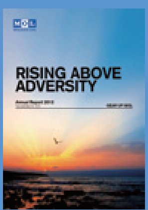
We will promote and protect our environment by maintaining strict, safe operation and navigation standards.

MOL's Communication Tools

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

Annual Report*

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

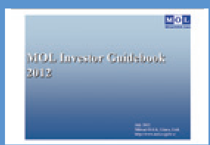


Environmental and Social Report*

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

MOL Investor Guidebook*

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

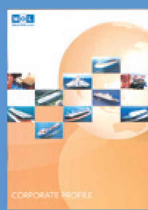


Market Information*

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

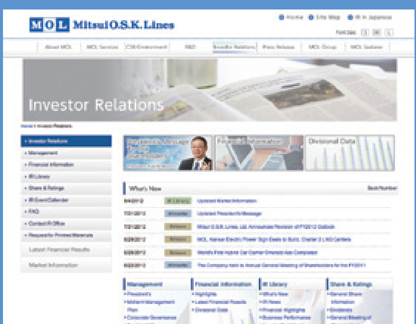
Corporate Profile

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



*The latest versions of all reports can be found on our website. → http://www.mol.co.jp/menu-e.html

MOL's IR Website



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

Forward-Looking Statements

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

Contents

Financial Highlights

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

	Millions of yen						Thousands of U.S. dollars
	2012	2011	2010	2009	2008	2007	2012
For the year:							
Shipping and other revenues	**¥1,435,221**	¥1,543,661	¥1,347,965	¥1,865,802	¥1,945,697	¥1,568,435	**$17,462,234**
Shipping and other expenses	**1,368,795**	1,328,960	1,228,479	1,564,486	1,544,109	1,300,038	**16,654,033**
Selling, general and administrative expenses	**90,886**	91,300	98,547	104,105	110,303	100,324	**1,105,804**
Operating income (loss)	**(24,460)**	123,401	20,939	197,211	291,285	168,073	**(297,603)**
Ordinary income (loss)	**(24,320)**	121,622	24,235	204,511	302,219	182,488	**(295,900)**
Income (loss) before income taxes and minority interests	**(33,516)**	95,367	27,776	197,732	318,202	197,854	**(407,787)**
Net income (loss)	**(26,009)**	58,277	12,722	126,988	190,321	120,940	**(316,450)**
Free cash flows [(a) + (b)]	**(129,298)**	46,970	(40,055)	(71,038)	23,291	20,369	**(1,573,172)**
Cash flows from operating activities (a)	**5,014**	181,755	93,428	118,984	283,359	156,418	**61,005**
Cash flows from investing activities (b)	**(134,313)**	(134,785)	(133,484)	(190,022)	(260,068)	(136,049)	**(1,634,177)**
Tangible/intangible fixed assets increased	**175,726**	220,443	204,190	223,208	303,573	153,876	**2,138,046**
At year-end:							
Total assets	**1,946,162**	1,868,741	1,861,312	1,807,080	1,900,551	1,639,940	**23,678,817**
Net vessels, property and equipment	**1,293,803**	1,257,823	1,209,176	1,106,746	1,047,825	847,660	**15,741,611**
Interest-bearing debt	**869,619**	724,259	775,114	702,617	601,174	569,417	**10,580,594**
Net assets/Shareholders' equity	**717,909**	740,247	735,702	695,022	751,652	620,989	**8,734,749**

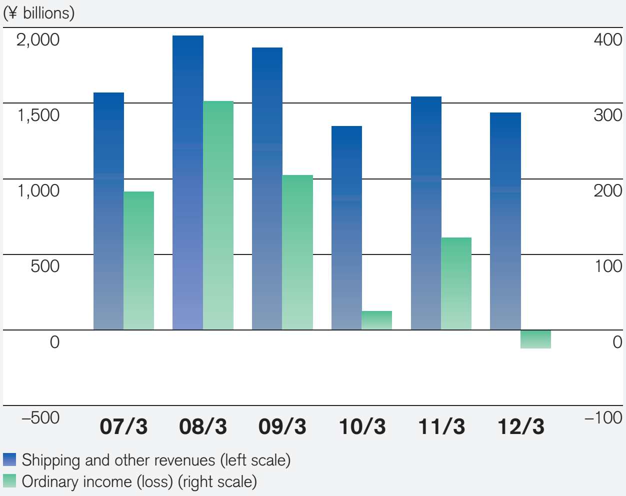
Amounts per share of common stock:	Yen						U.S. dollars
Net income (loss)	**¥(21.76)**	¥48.75	¥10.63	¥106.13	¥159.14	¥101.20	**$(0.265)**
Cash dividends applicable to the year	**5.00**	10.00	3.00	31.00	31.00	20.00	**0.061**

Management indicators:						
Gearing ratio (%)	**136 %**	110%	118%	113%	88%	104%
Equity ratio (%)	**32.8 %**	35.4%	35.4%	34.5%	35.8%	33.6%
ROA (%)	**(1.4)%**	3.2%	0.7%	6.9%	10.8%	7.8%
ROE (%)	**(4.0)%**	8.8%	2.0%	19.5%	30.9%	24.8%
Dividend payout ratio (%)	**– %**	20.5%	28.2%	29.2%	19.5%	19.8%
Number of MOL Group employees: (The parent company and consolidated subsidiaries)	**9,431**	9,438	9,707	10,012	9,626	8,621

Please refer to the notes on p. 74, for "Translation of foreign currencies" and "Presentation of net assets in the balance sheet."

Key Indicators

Shipping and Other Revenues/Ordinary Income (Loss)

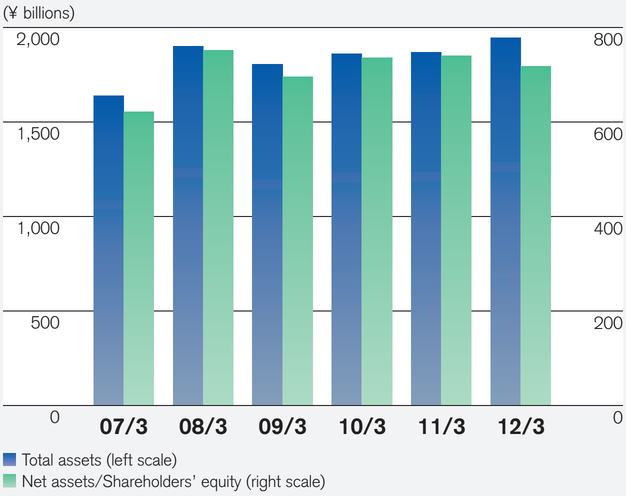


FY2011
Shipping and other revenues **¥1,435.2 billion**

FY2011
Ordinary income (loss) **¥(24.3) billion**

Revenues declined ¥108.4 billion and ordinary income declined ¥145.9 billion year on year, due to soft market rates because of a massive supply of vessels, as well as the impact of the yen's appreciation, high bunker prices, the Great East Japan Earthquake, and the flooding in Thailand.

Total Assets and Net Assets/Shareholders' Equity

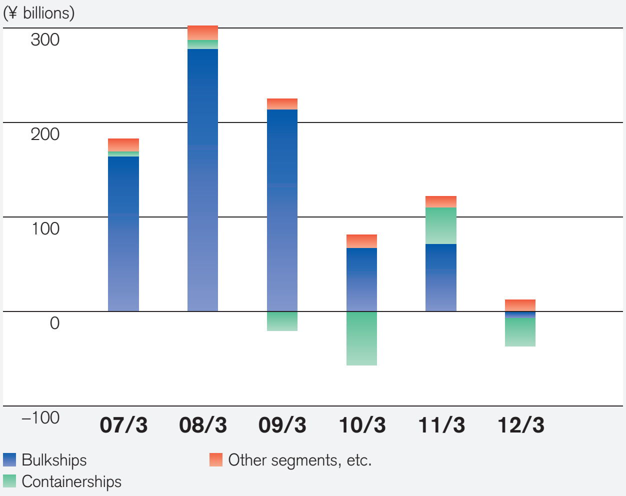


FY2011
Total assets **¥1,946.1 billion**

FY2011
Net assets **¥717.9 billion**

Total assets at March 31, 2012 were ¥77.4 billion higher than at March 31, 2011 due to an increase in vessel deliveries, although investment securities declined on account of lower market prices. Net assets decreased ¥22.3 billion year on year, mainly reflecting a decline in retained earnings.

Ordinary Income (Loss) by Consolidated Segment



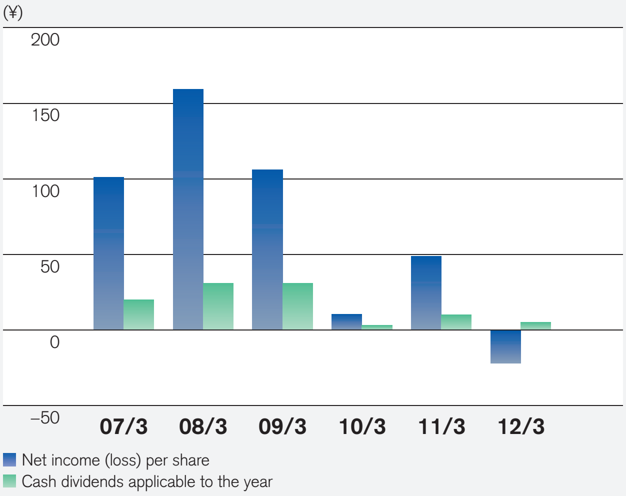
FY2011
Bulkships **¥(6.9) billion**

FY2011
Containerships **¥(29.9) billion**

FY2011
Other segments, etc. **¥12.5 billion**

Bulkships posted much lower earnings due to the impact of low spot rates and the Great East Japan Earthquake, despite generating highly stable profits from long-term contracts. Containerships recorded a large ordinary loss, reflecting lower freight rates due to a massive supply of vessels and lower demand.

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

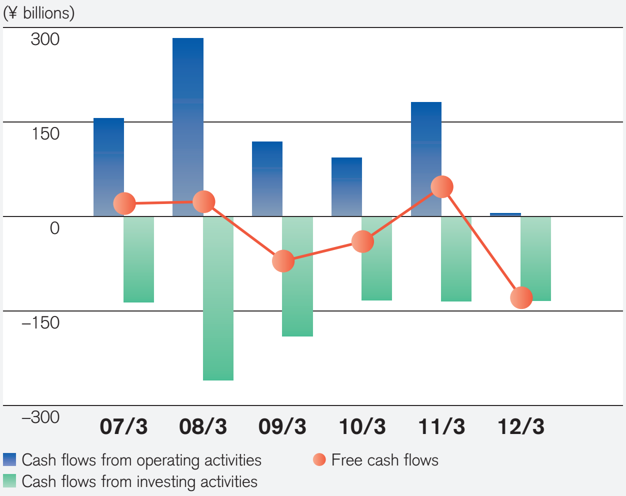


FY2011
Net income (loss) per share **¥(21.76)**

FY2011
Cash dividends applicable to the year **¥5.0**

Although MOL posted a net loss, the company paid a cash dividend of ¥5 per share, including a ¥2.5 interim dividend, as initially planned, after taking comprehensively into consideration factors such as an expected recovery in results from the fiscal 2011 net loss.

Cash Flows



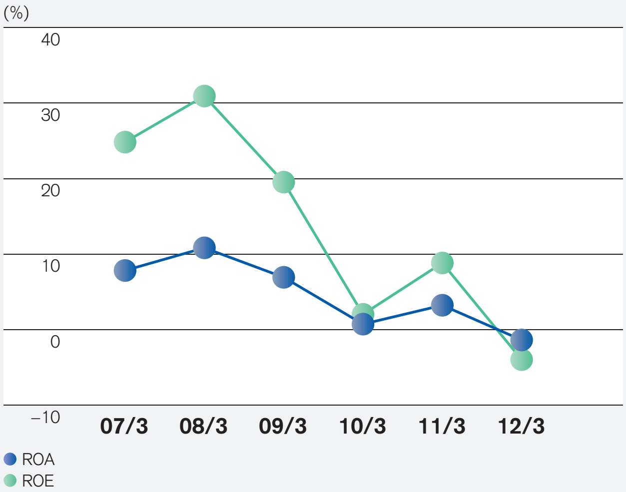
FY2011
Cash flows from operating activities **¥5.0 billion**

FY2011
Cash flows from investing activities **¥(134.3) billion**

FY2011
Free cash flows **¥(129.2) billion**

Operating activities provided net cash of ¥5.0 billion, down ¥176.7 billion year on year. Investing activities used net cash of ¥134.3 billion, ¥0.4 billion less year on year. The net result was negative free cash flows.

ROA/ROE

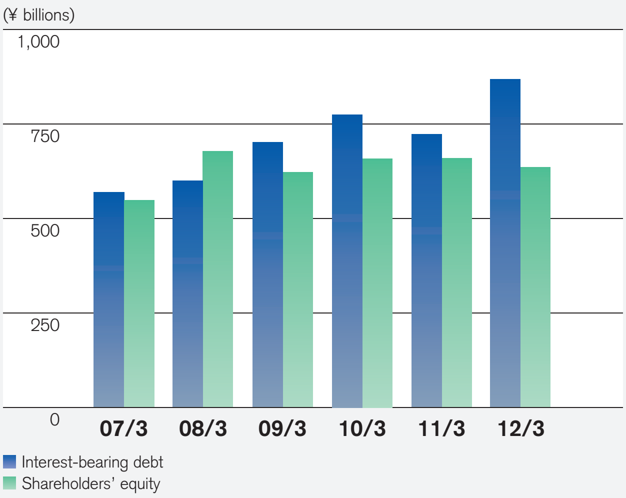


FY2011
ROA **(1.4)%**

FY2011
ROE **(4.0)%**

ROA and ROE were both negative due to the ¥26.0 billion net loss.

Interest-bearing Debt/Shareholders' Equity



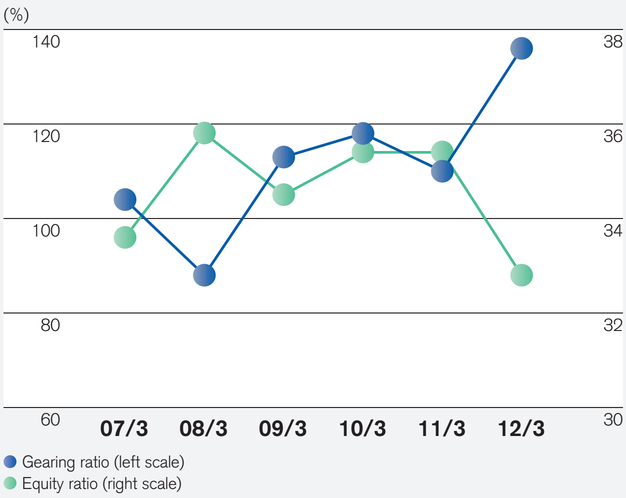
FY2011
Interest-bearing debt **¥869.6 billion**

FY2011
Shareholders' equity **¥637.4 billion**

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

While free cash flows was negative, interest-bearing debt increased ¥145.3 billion to ¥869.6 billion, as the company procured funds by bank loans, corporate bonds and other means.

Gearing Ratio/Equity Ratio

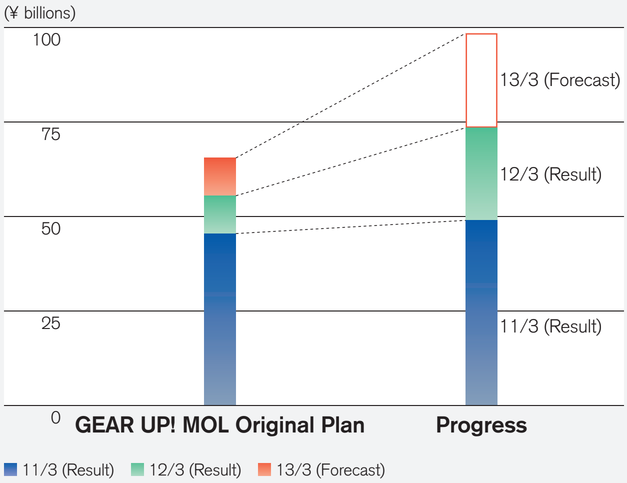


FY2011
Gearing ratio **136%**

FY2011
Equity ratio **32.8%**

The gearing ratio increased 26 points, reflecting the ¥145.3 billion rise in interest-bearing debt and a ¥23.3 billion decline in shareholders' equity year on year. The equity ratio fell 2.6 points due to a ¥77.4 billion increase in total assets including the above factors.

Cost Reductions



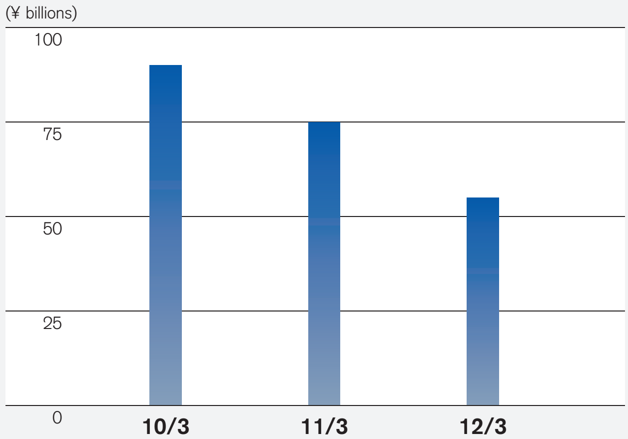
FY2010 Result ¥49.0 billion

FY2011 Result ¥24.5 billion

FY2012 Forecast ¥25.0 billion

In fiscal 2011, MOL achieved total cost reductions of ¥24.5 billion, exceeding its ¥22.5 billion target, by bunker fuel expense reductions from slow steaming, improved vessel allocation efficiency and other actions. As with the ¥49.0 billion reductions in fiscal 2010, the fiscal 2011 figure was above plan.

Highly Stable Profits



FY2011 Highly stable profits ¥55.0 billion

Highly stable profits are firm profits based on medium- to long-term contracts exceeding one year, and profits from highly stable businesses. MOL generated highly stable profits of ¥55.0 billion in fiscal 2011.

Credit Ratings

As of July 2012

	TYPE OF RATING	RATING
JCR	Long-term preferred debt (issuer) rating	A+
	Long-term debt rating	A+
R&I	Issuer rating	A
	Short-term debt rating (CP)	a–1
	Long-term individual debt rating	A
Moody’s	Issuer rating	Baa1

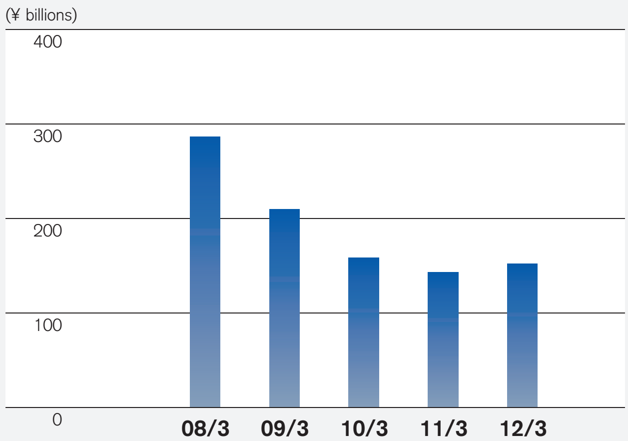
FY2011 JCR A+

FY2011 R&I A

FY2011 Moody’s Baa1

As of July 2012, MOL maintained the highest ratings among ocean transport companies in the world.

Capital Expenditure



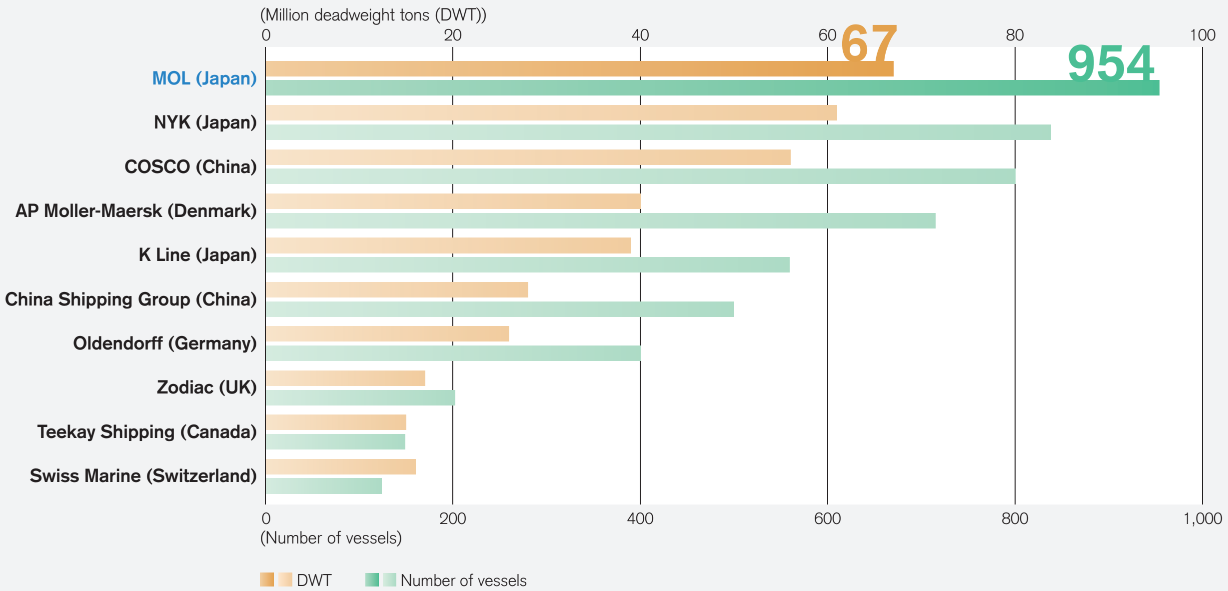
FY2011 Capital expenditure ¥152.1 billion

Capital expenditure is the actual amount, calculated by deducting proceeds from the sale of vessels when delivered from “tangible/intangible fixed assets increased” contained in the annual business report.

Market Position in the Industry

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

World Major Carriers' Fleets (All Vessel Types)



Source: MOL internal calculation based on each company's published data and other information.
As of March 2012

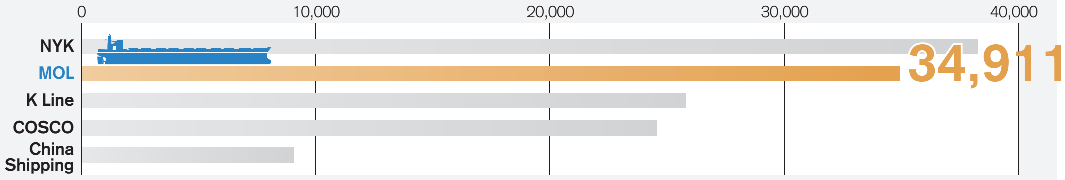
World Major Carriers' Revenue Portfolio by Segments

Source: MOL calculations based on each company's financial statement (FY2011).
MOL's containerships and related business includes revenues from Containerships/Terminal/Logistics, etc.
NYK's containerships and related business includes revenues from Containerships/Terminal/Air freighters/Logistics.

Dry Bulkers

(Thousand deadweight tons)

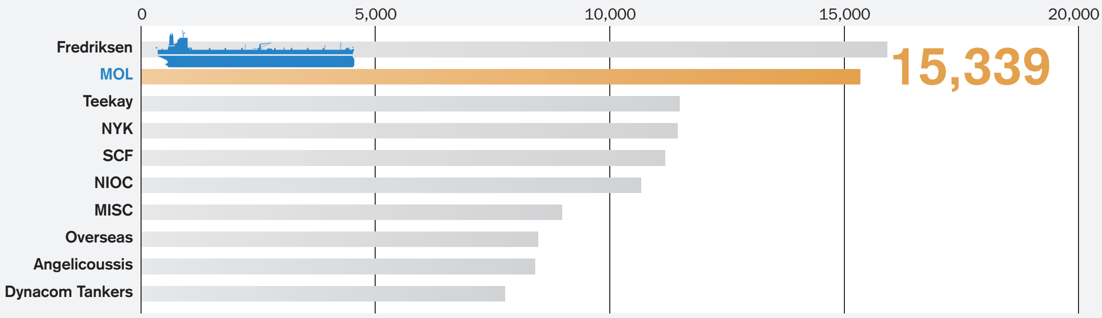
Source: Companies published data, Clarkson SIN
As of March 2012



Tankers

(Thousand deadweight tons)

Source: Clarkson The Tanker Register 2012
As of March 2012

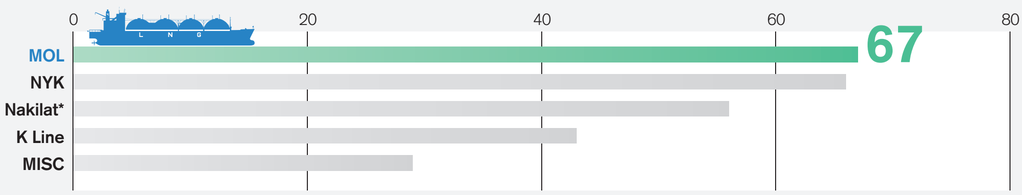


LNG Carriers

(Number of vessels)

The numbers to the right show the LNG fleet under each company's ownership (including partial ownership)
Source: MOL internal calculation
As of March 2012

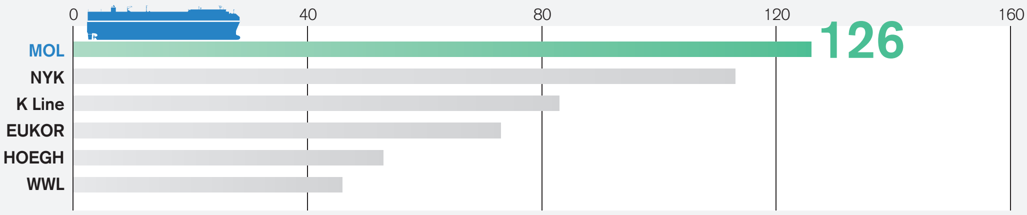
* Qatar Gas Transport Company Ltd.



Car Carriers

(Number of vessels)

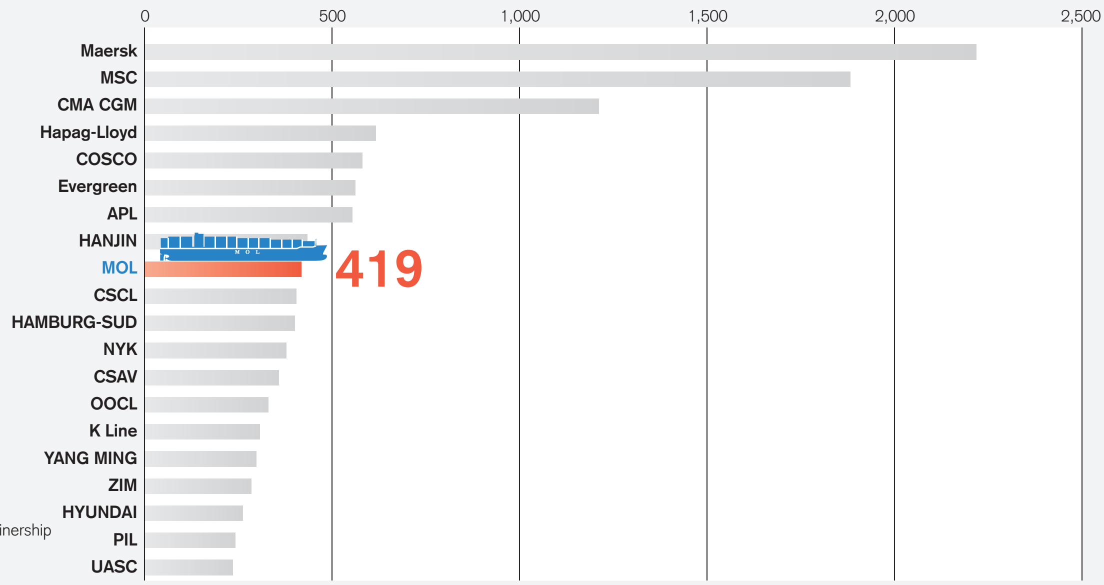
Source: MOL internal calculation
As of March 2012



Containerships by TEU Capacity

(Thousand TEU)

Source: MDS Transmodal "Containership Databank" Feb 2012
As of February 2012



To Our Shareholders

Largest Loss in Fiscal 2011 Since Our Founding

The MOL Group made a positive start to its current three-year midterm management plan "GEAR UP! MOL" in fiscal 2010 by posting consolidated ordinary income of ¥121.6 billion. This came after we had endured the global economic downturn brought on by the Lehman Shock of 2008 in fiscal 2009 to post a profit.

Unfortunately, fiscal 2011 was a different story. The marine transport industry witnessed an unprecedented coalescence of many negative factors in fiscal 2011 that weighed on our performance. The yen's appreciation, much higher bunker prices and economic slowdowns in industrialized nations were some of the factors. Another was that our containership, dry bulker and tanker divisions saw freight rates fall and stay low due to a vessel supply glut, reflecting an accelerated increase in vessel deliveries in 2010. Moreover, seaborne transport of automobiles was hit hard by the Great East Japan Earthquake that occurred in March 2011. Ultimately, we recorded a consolidated ordinary loss of ¥24.3 billion, the biggest loss since our founding. Even our highly stable profits and Group-wide cost-reduction efforts were unable to prevent us falling into a loss.

Rising Above Adversity

In April 2012, we sent a message with the above title to all MOL Group executives and employees encouraging them to confront the current adversity. With our operating environment expected to remain challenging in 2012 because a large number of vessels are scheduled for delivery again, we must work to quickly restore profitability. We have already taken steps to confront market conditions and control business volatility. We have expanded an alliance in containerships, begun operating Very Large Crude Oil Carriers (VLCCs) in a pool, and reduced our fleets of dry bulkers and tankers, as well as reduced the number of these vessels operating on spot contracts. We will also continue to cut costs, and hone our strengths in terms of safe operation and our balance sheet to further ensure we win the trust and confidence of customers.

Another focus is reshaping our business portfolio to increase highly stable profits. Due to a fixation on the vessel supply glut, there is a tendency to overlook the steady increase in global seaborne trade, which makes ocean transport by its nature a growth industry. We harbor growth expectations especially for fields such as LNG transport and the offshore business. There are also fields where we can give full play to our strengths. By channeling business resources into these fields, we will endeavor to build up highly stable profits and return to a growth trajectory.

As a leader in the marine transport industry, the MOL Group will strive to rise above adversity to support global distribution. We hope that you share our confidence in the future of MOL, and will continue to lend your guidance and support.

July 2012

Message from the President

RISING ABOVE ADVERSITY

PAST PRESENT FUTURE

In fiscal 2011, we experienced our largest loss since our foundation. Today, we continue to manage the company to rise above adversity. In this section, President Muto explains MOL's situation in detail in terms of the PAST, PRESENT and FUTURE. He looks at the reasons for the PAST loss in fiscal 2011, the initiatives the company is implementing at PRESENT to improve earnings, and the direction MOL is headed in the FUTURE.

PAST PRESENT

Looking Back at Fiscal 2011

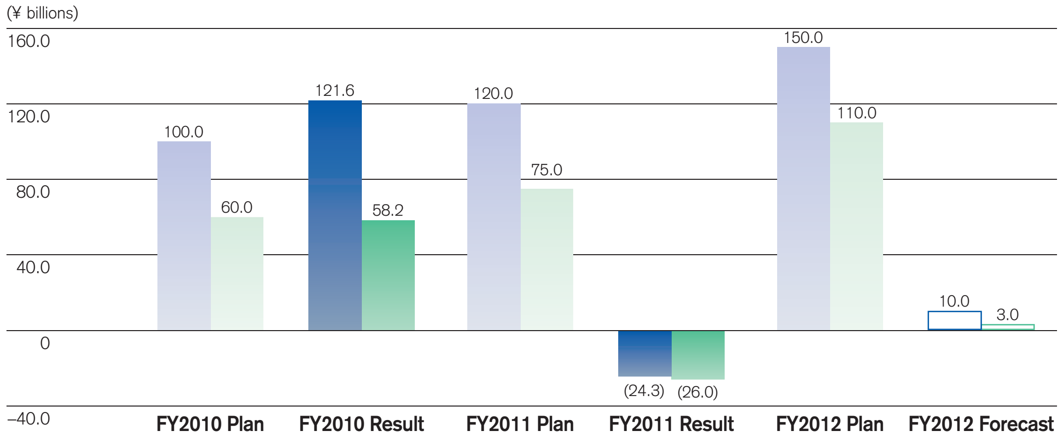
Largest Loss Since Our Founding

Fiscal 2011 was the second year of our current "GEAR UP! MOL" three-year midterm management plan. We encountered rougher "seas" than expected in our operating environment, which led us to post an ordinary loss of ¥24.3 billion and a net loss of ¥26.0 billion. This was our largest loss since MOL was founded.

In fiscal 2010, the first year of our plan, we largely achieved our targets by posting ¥121.6 billion in ordinary income and ¥58.2 billion in net income. However, we saw the yen appreciate and the bunker price rise throughout the year. Furthermore, from 2010 the vessel supply-demand balance worsened due to a jump in deliveries of Capesize and other dry bulkers and large containerships, while tankers had already faced the same situation. The Great East Japan Earthquake that occurred in March 2011 exacerbated the downturn in our operating environment. Supply chain disruptions caused a precipitous decline in vehicle exports from Japan, affecting our car carrier division.

Our forecasts for fiscal 2011 naturally took into account these negative developments. In April 2011, we initially forecast ordinary income of ¥60.0 billion, half our ¥120.0 billion target in our midterm management plan. But the operating environment was far more difficult than we assumed, forcing us to lower our forecasts three times during the same fiscal year. I'd like to use this occasion to provide detailed analysis of the conditions we experienced in fiscal 2011.

GEAR UP! MOL Overall Profit Plan



	FY2010 Plan	FY2010 Result	FY2011 Plan	FY2011 Result	FY2012 Plan	FY2012 Forecast
Av. Exchange Rate (¥/US$)	¥90.00/$	¥86.48/$	¥90.00/$	¥78.85/$	¥90.00/$	¥82.00/$
Av. Bunker Price (US$/MT)	$500/MT	$490/MT	$500/MT	$667/MT	$500/MT	$710/MT

Ordinary income (loss)　Net income (loss)

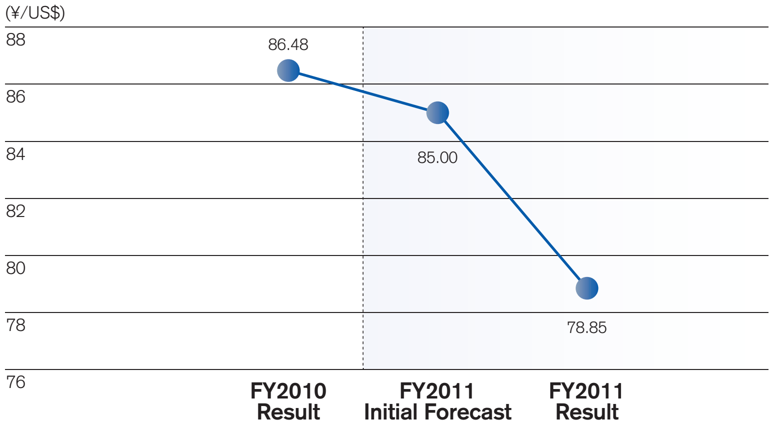
FUTURE

(1) Yen Appreciation and Higher Bunker Prices

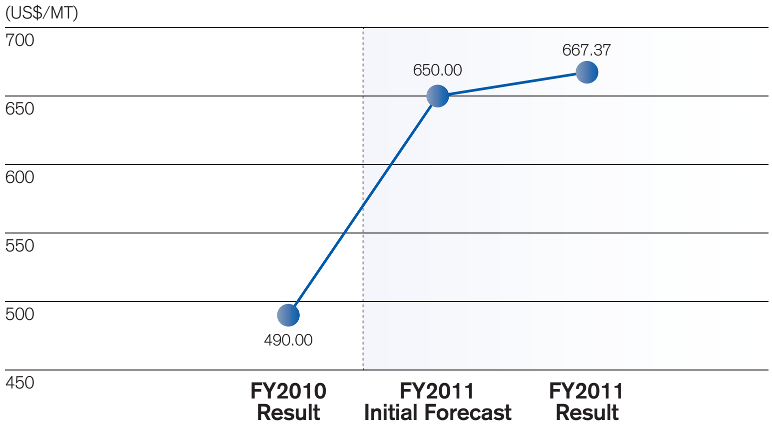
Generally speaking, in the international ocean shipping business, freight rates are denominated in U.S. dollars. This is important because approximately 80% of MOL's sales are denominated in U.S. dollars. For this reason, a ¥1 appreciation against the U.S. dollar negatively affects our ordinary income by ¥2.0 billion. For fiscal 2011, the average yen-U.S. dollar exchange rate was ¥78.85, versus our initial ¥85 forecast. This marked yen appreciation pressured our earnings in fiscal 2011. The run-up in the bunker price did the same. A US$1 rise in the price of heavy fuel oil per metric ton lowers our ordinary income by ¥0.2 billion. We initially assumed an average annual bunker price of US$650, so the actual price of US$667 hit us hard. Together, the yen appreciation and higher bunker price dragged down our earnings by around ¥15.0 billion*.

* The impact of these exchange rate and bunker price fluctuations is reflected in earnings fluctuations of our business segments.

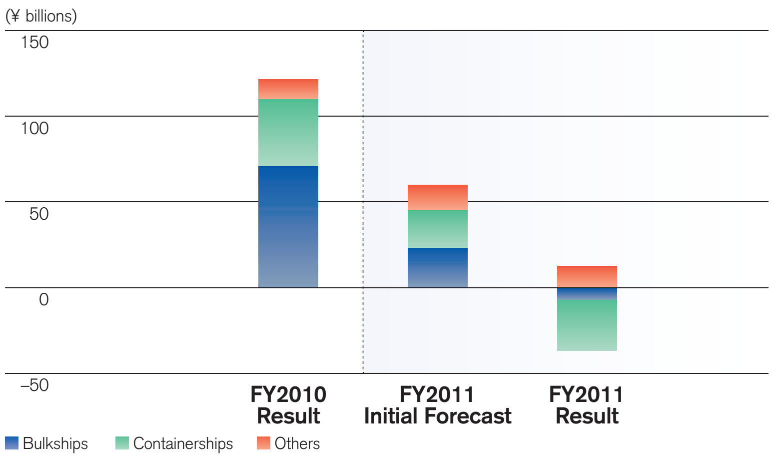
Average Exchange Rate



Average Bunker Price



Consolidated Ordinary Income (Loss) by Segment



(2) War of Attrition in the Containership Business

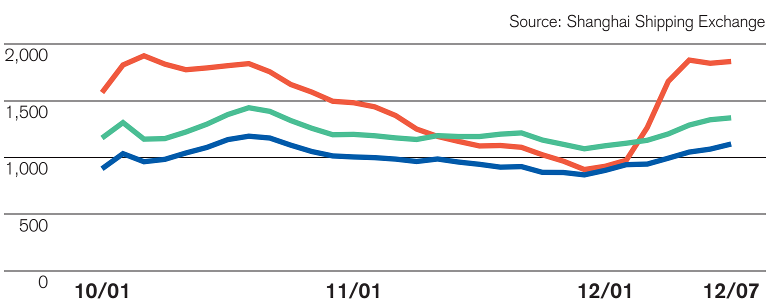
In 2009, the year after the Lehman Shock, containership companies fell heavily into the red due to a rapid downturn in trade volume. In response to this sharply lower demand, containership companies in 2010 reduced loading capacity by scrapping and laying up ships and through slow steaming. But as they did this, trade volume rebounded and containership companies posted strong results, having braced themselves for the worst. The year 2011 thus began with containership companies feeling bullish again.

At the same time, the run-up in the bunker price over the past few years accelerated competition to build larger vessels to attain further reduction of the transportation cost per container. Since around 2010, a large number of ultra-large containerships with capacity exceeding 10,000 TEU have been delivered. These ultra-large containerships were mainly introduced on Europe routes because only certain ports are equipped to handle them. Consequently, around midway through 2010 there were signs that supply was exceeding demand on Europe routes.

In 2011, containership companies, especially European companies, began operating formerly laid-up vessels again, expecting a trade volume increase similar to 2010. Furthermore, deliveries of ultra-large containerships began in earnest, with these vessels successively introduced on Europe routes. However, trade volume to Europe and the U.S. turned out to be much lower than projected as the European sovereign debt crisis cast a shadow over the world economy. This worsened the supply-demand balance. Even so, companies competed to increase lifting numbers and to expand market share, resulting in a sharp fall in freight rates close to a trigger point for laying up a vessel, most notably on Europe routes.

Increasing the size of vessels was probably seen by each company as a rational decision. However, it would only lead to a glut of vessels if all companies acted in unison, ignoring demand trends. And that's what happened. The containership industry in 2011 was the classic example of a herd-like mentality. The freight rate drop came on top of higher bunker prices and yen appreciation, causing our containership business in fiscal 2011 to post an ordinary loss of ¥29.9 billion, when ¥22.0 billion in ordinary income was initially expected.

China Containerized Freight Index (CCFI)



■ CCFI W/C America Service ■ CCFI E/C America Service ■ CCFI Europe Service

* CCFI reflects the freight rate trend for container exports from China only, which does not always match the overall trend for container exports from Asia. Therefore, this information is provided only for reference purposes.

(3) Soft Spot Rates for Dry Bulkers and Tankers

MOL's bulkships business is made up of four divisions: dry bulkers, tankers, LNG carriers, and car carriers. For fiscal 2011, we initially forecast ordinary income of ¥23.0 billion. However, we ended up recording a ¥6.9 billion ordinary loss. Among the four divisions, the results of LNG carriers and car carriers were largely in line with initial estimates. That means the ¥29.9 billion difference between the forecast and actual ordinary income for our bulkships business was due to dry bulkers and tankers. As I mentioned earlier, car carriers in fiscal 2011 was hit hard by the

Great East Japan Earthquake, but that impact had been factored into our initial forecast.

The downturn in dry bulker and tanker performances reflected sluggish spot vessel rates. On the other hand, we managed to secure highly stable profits as we had expected since approximately 70% of our dry bulkers and approximately 50% of our tankers operated on medium- to long-term transportation contracts.

In dry bulkers, Capesize bulkers, the largest vessels in this division, saw the sharpest drop in freight rates. The drop was precipitated by the peaking out of iron ore and coking coal cargo volumes from the outset of 2011 due to bad weather in the loading ports of Brazil and Australia. Another underlying factor was a large net increase in vessel supply, which was more than double the growth in demand. This happened despite the scrapping of vessels and use of slow steaming to counter the delivery of some 250 vessels during 2011.

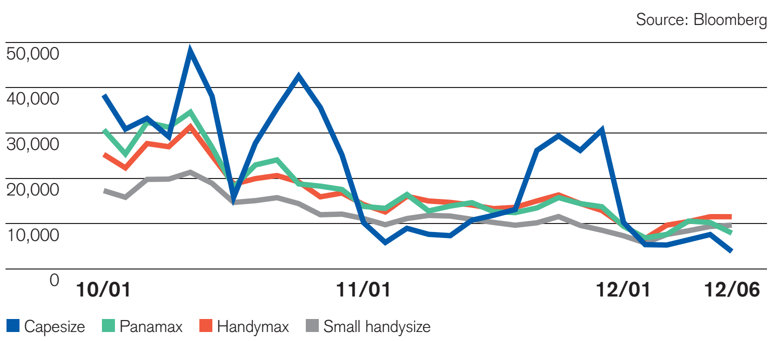
In tankers, a total of 63 Very Large Crude Oil Carriers (VLCCs) were delivered in 2011. Considering the effect of scrapping and slow steaming, the net increase in vessels was not that severe. Nevertheless, VLCC rates dropped more than expected. My feeling is that there were psychological factors at work, with the market assuming that the shale gas revolution would cause oil transport to the U.S. to peak out. In fiscal 2011, China instead of the U.S. drove transportation demand by importing crude oil from distant locations such as West Africa. But with transportation to China there are many special schemes that bypass the market, so this demand did not boost freight rates in any meaningful way.

MOL's performance is susceptible to foreign exchange rates, bunker prices, transportation volume, freight rates and other factors. In addition, freight rates are affected by various conditions, such as vessel supply, trade volume, and the economies of countries that support trade.

These factors ordinarily make our business one where it is extremely difficult to forecast earnings one year out at the beginning of a period. That said, freight rates (and charter rates) in fiscal 2011 for containerships, dry bulkers and tankers were far off our forecasts. I deeply regret the concern this may have caused our stakeholders. Naturally, we have to endeavor to improve the accuracy of our forecasts. But fiscal 2011 was a year we were given a painful reminder of the necessity to also increase the stability of businesses by controlling volatility in fields where fluctuations in market rates can pose a high risk for earnings on the downside.

Dry Bulker Market

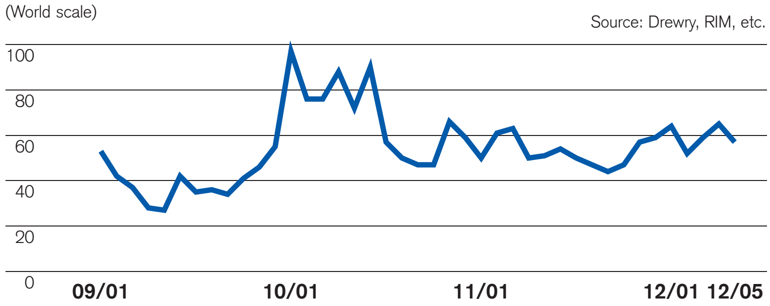
(Charterage US$/day)



VLCC Spot Rate

Spot Rate for Middle East/Far East

(World scale)



PAST **PRESENT**

Surmounting Challenges in Fiscal 2012

Ordinary Income Forecast at ¥10.0 Billion

In our 2011 annual report, I stated that we had not given up on achieving our ¥150.0 billion target for ordinary income for fiscal 2012, the final year of GEAR UP! MOL. However, given our substandard performance in fiscal 2011, the yen's nagging strength, and the continued deliveries of large numbers of new vessels, we have sharply revised down our ordinary income forecast for fiscal 2012 to ¥10.0 billion.

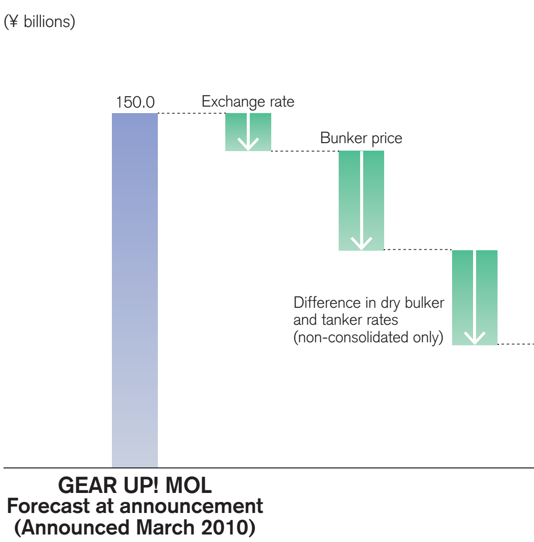
I am disappointed that we had to substantially lower our target by ¥140.0 billion. The fact is, however, that our operating environment has undergone remarkable change from three years ago when we formulated our plan. Back then, we assumed a yen-U.S. dollar exchange rate of ¥90. Our assumption for fiscal 2012 is ¥82. With bunker prices, we have changed our assumption from US$500 per MT in our original plan to US$710 per MT. Changing these two variables alone lowers our earnings by close to ¥60.0 billion. The remaining ¥80.0 billion of the downward revision is accounted for by reduced freight rate expectations for the majority of spot operated vessels, differences in fleet size and cargo volume, and changes in earnings from consolidated subsidiaries, among other factors.

In fiscal 2012, our biggest theme is first to make sure we achieve our ¥10.0 billion ordinary income target and thus return to profitability. To this end, we must skillfully control volatility caused by the market downturn. In this "PRESENT" section, let me discuss our forecasts for our three main divisions and measures we have planned for the year.

(1) Containerships

The 2011 war of attrition plunged containership companies around the world back into the red. Having experienced large losses twice since the Lehman Shock, all companies at last realized that trade volume itself will not increase even if rates are lowered and futile rate-based competition will

Analysis of Difference with FY2012 Ordinary Income Forecast



Revised Assumptions for FY2012 Ordinary Income Forecast

	As of March 2010	As of April 2012
Exchange Rate (¥/US$)	90	82
Bunker Price (US$/MT)	500	710
Capesize Charterage (Spot Rate per Day)	US$35,000	US$17,000

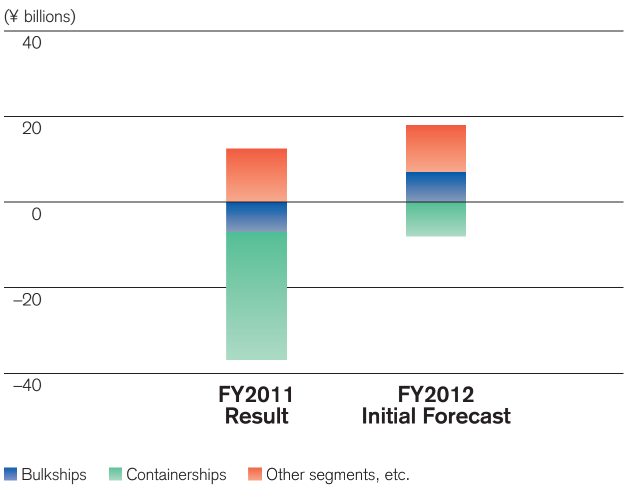
FUTURE

only leave beaten-up companies behind in the market. Since the beginning of 2012, we have seen mainly major European shipping companies review their priority on market share and switch to strategies that prioritize freight rate restoration and profitability. While trade volume is by no means strong due to the protracted European debt crisis, some gains have been made in restoring freight rates, mainly on Europe routes. They are slowly seeing evidence that business volatility can be overcome to a certain degree if they make level-headed judgments, exercise self-control and possess a strong will.

The formation of groups of industry players since 2011 through 2012 has brought some stability to the containership industry. For its part, MOL joined the newly formed The G6 Alliance in March 2012 on Europe routes. Previously, MOL provided services on Europe routes as part of a three-company alliance. The expansion into a six-company alliance has enhanced our market presence and increased customer convenience, at the same time as mitigating the risk exposure of a single company.

The delivery of ultra-large containerships with capacity of more than 10,000 TEU is expected to continue through around 2014, meaning the containership industry will still experience some supply-side pressures. Under these conditions, we must not aim to achieve high utilization by blindly lowering freight rates. Rather, while maintaining rates that support business continuity, we should conduct marketing that regards a target of 70–80% utilization as sufficient and reasonable if trade volume is not sufficient. This year companies seem to be adjusting supply. However, we must watch carefully whether freight rates can be maintained after the fall when trade volume typically starts to drop due to seasonal factors. The result will be the litmus test that will likely determine the direction of the containership industry over the next few years.

Ordinary Income (Loss) by Consolidated Segment



(2) Dry Bulkers

Dry bulker deliveries will peak in 2012, resulting in some easing of supply-side pressures from 2013 onward. On the demand side, dry bulker transport demand is expected to remain firm for iron ore, coal, grains and other cargo, particularly from emerging markets. As the light at the end of the tunnel grows brighter after a period of vessel oversupply, the sentiment of market participants should improve. This should lead to a recovery in market conditions in the latter half of 2013.

Our urgent task is, therefore, to get through this year. That is why we recently announced that we would be reducing our more than 100-strong fleet of Capesize bulkers by 10 to 20 vessels through scrapping or cold lay-ups. All of the targeted vessels operate on the spot market, which enables us to control volatility by reducing the proportion of spot vessels in our portfolio. As a major player among dry bulker operators, I believe we have demonstrated leadership by acting to improve the supply-demand balance.

(3) Tankers

VLCC deliveries will peak before the end of 2012. We expect market conditions to improve from 2012 based on the expected withdrawal of VLCCs aged 15 years or older as charterers show a preference for high-quality vessels, and on an increase in ton miles as supply sources diversify due to instability in the Middle East. Meanwhile, with product tankers, since there will only be a slight increase in supply from this year, if economic conditions improve a little more, we could see a resumption in international arbitrage and an upturn in rates.

As one action to combat volatility in the tanker division, through March 2012 we became the first company in the world to scrap double-hulled VLCCs, amounting to four in total. This action, taken before the aforementioned Capesize bulkers' reduction, showed our uncompromising commitment to confront market conditions as the largest VLCC fleet operator. In another measure, in a bid to improve earnings of VLCCs operating on the spot market, we established Nova Tankers A/S as a VLCC pool management company together with four other companies, including Maersk Tankers. This company began operations in February 2012. By the end of December 2012, the company aims to manage approximately 50 VLCCs on the spot market, including about 10 VLCCs that MOL contributed to the pool, raising convenience for customers and profitability for the partners through greater operational efficiency. Through these measures we will ride through the period until the VLCC market recovers.

The measures I have outlined in these three divisions cannot be taken by just any company. Not just any company can form alliances and pools of vessels. Indeed, the safe operation levels and financial soundness of the participating companies must be of a certain level to win the support of customers. This is particularly true in VLCCs because the oil majors are the customers and they have very strict safe operation requirements. A sound financial position is also essential for fleet reduction because scrapping vessels purchased at high prices will result in losses. You must have surplus shareholders' equity to enable you to absorb losses without it heavily impacting financial ratios. We were able to take the above actions without problems because we are one of the most reliable and trusted companies in the industry in terms of safe operation, financial soundness and customer base.

Besides the three divisions above, we expect that fiscal 2012 will see a major recovery in car carriers, where earnings dropped in fiscal 2011 due to the impact of the Great East Japan Earthquake, and highly stable profits in LNG carriers centered on long-term contracts. Another area we expect benefits is cost cutting, which is an annual theme these days. In fiscal 2012, we plan to cut costs by ¥25.0 billion, with actions centered on the expanded and extended use of slow steaming. This will bolster our profits further.

Progress with GEAR UP! MOL

While our second- and final-year results and forecast of GEAR UP! MOL are far below the original plan, we have made steady progress in qualitative terms.

(1) Accelerated Development in Growth Markets

One of the most important themes for our current midterm management plan is to capture trade to and from emerging markets, where growth is expected to be the highest among all the world's ocean transport markets. Since last year through this year, we have relocated our sales and operations bases to Singapore for LR1 product tankers, large LPG tankers (VLGCs), and free VLCCs*. Similarly, we have decided to transfer the main team of Tokyo Marine Co., Ltd., which runs our chemical tanker operations, to Singapore in the fall of 2012. What's more, we have changed the jurisdiction of operation for some free Capesize bulkers to Singapore.

The containership division has gradually moved its sales and operating bases offshore over the past decade or so. As a culmination of this, in the summer of 2012 most of the staff left in Tokyo were moved to our Hong Kong base, creating a system where the General Manager of the Liner Division stationed in Hong Kong leads the entire division.

We think that it will afford us an advantage in winning business to be close to customers in hub cities in the fast-growing Asian region, such as Singapore and Hong Kong.

* Free VLCCs have been allocated to the Nova Tankers pool.

(2) Safe Operation

For an ocean transport company, safe operation is the most basic of requirements for obtaining customers' trust. In our current midterm management plan, we made becoming "the world leader in safe operations" a key theme. To this end, we are promoting efforts to make our safety processes more visible, as well as promoting the "4 zeroes" for preventing serious marine incidents, oil pollution, fatal accidents, and cargo damage.

Worsening profitability due to lower freight rates has seen some ocean transport companies drop their transportation standards. We have chosen to work hard toward our safe operation targets without being influenced by our business results. These efforts and our commitment have been highly recognized by customers. More and more customers want a shipping company they can place their full confidence in. I believe we are in the most advantageous position of all ocean transport companies when doing business with resource majors, power and gas companies, oil companies and others because they are sensitive to safe operation levels. MOL's level and systems in terms of vessel management, safe operation, and personnel recruitment, education and training in LNG carriers and VLCCs is recognized as top-class. This reputation has helped win business contracts, and more will come.

Our efforts in respect of safe operation will never end. We recognize there are still many issues to address. We are never satisfied with the status quo, always believing that we must never stop in our efforts to raise safety even if only by a small fraction. In the future, I want to create an unshakable position as the industry No. 1 in the transport of LNG and other energy supplies in particular by refining the "Safe Operation of MOL Brand." In this drive, we will also give consideration to vertical integration through M&As of vessel management companies.

PAST PRESENT

Creating the Next 5 or 10 Years

Ocean Transport Management in an Age of Low Ship Prices

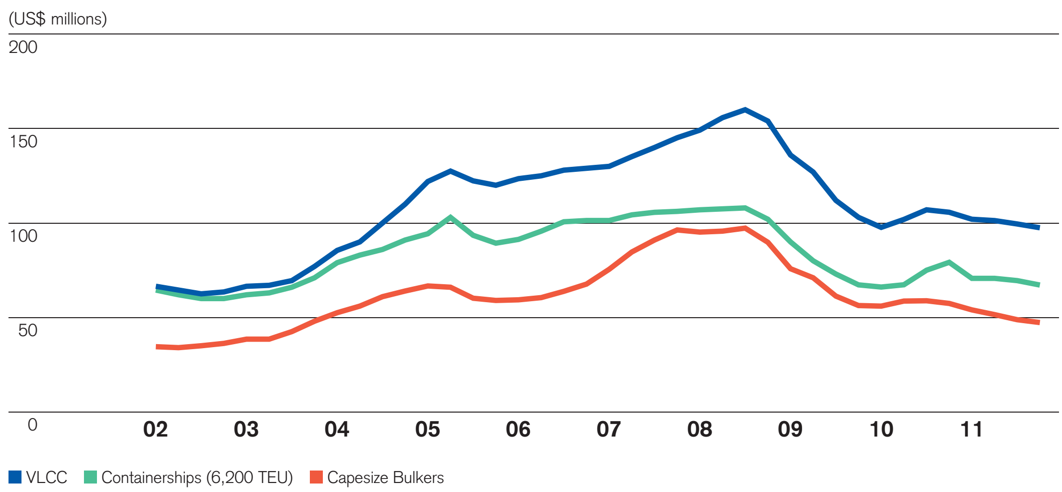
I believe the world ocean transport industry has entered an age of low ship prices due to dramatic expansion in shipbuilding capacity. Until now, ocean transport companies have pursued a business model whereby they ordered the types of vessels they expected to have a promising future, enjoying the benefits from the tailwind of higher freight rates. But, this model cannot be expected to deliver gains going forward. At present there is more than enough shipbuilding capacity, meaning that many new vessels of promising types can soon be built at low prices. As a consequence, there will be very few cases where freight rates rise sharply because of tight supplies.

That said, I don't believe an era of low ship prices is simply a headwind proposition for management of ocean transport companies. Regrettably, MOL's fleet includes high-cost vessels ordered before the Lehman Shock. By good luck, their number is limited, so we are able to use some of our shareholders' equity to deal with them. Once we have dealt with high-cost vessels, we can do many things, even in an era of low ship prices. By operating various types of vessels, we can raise customer convenience. We can match contract conditions and periods in terms of both cargo transport contracts and vessel procurement (ownership and chartering) to control risks. Then, I think it's possible for us to secure a certain level of stable profits. To understand this assertion with ease, I think it's best to imagine what a new shipping company would do if it were established today. In MOL's case, we will operate our dry bulker and tanker spot business in line with this way of thinking.

Growing Highly Stable Profits

We cannot be satisfied with industry-average earnings if we are to meet the higher expectations of our shareholders, investors and other stakeholders. In the 2000s, we generated large earnings on the spot market for dry bulkers and tankers. But we must now change our strategy to stay in step with the times. What we must focus on going forward is expanding highly stable profits.

Transition of Ship Prices



FUTURE

We define highly stable profits as profits derived from medium- and long-term transportation contracts in the ocean transport field and profits generated from real estate and other businesses with a highly stable nature. Our profit maximization strategy has been to secure these highly stable profits, and at the same time accumulate earnings from operating vessels on the spot market. While there will be no fundamental change in this approach, we will promote management with a greater emphasis on the expansion of highly stable profits, because we cannot expect large profits from spot contracts in an era of low ship prices.

This following is how I plan to develop our operations in each field.

(1) Capitalizing Fully on Our Strength as the Leading LNG Carrier Company

I have the highest expectations for the LNG carrier division in terms of delivering more highly stable profits. MOL is the world's largest operator of LNG carriers, with approximately 70 vessels at present. Our transport quality and stable services, which are underpinned by safe operation that aims to become the world leader, have been recognized in Japan and overseas. Shipping companies with sound financial positions have won increasing support amid the industry downturn. Our safe operations and sound balance sheet have increased our presence among customers as the shipping company of choice.

LNG demand will most likely increase going forward, in part due to an accelerated global move away from nuclear power generation after last year's Great East Japan Earthquake. At present, Japanese electricity and gas companies are planning to increase LNG imports and they are pushing ahead with the procurement of vessels for this. Moreover, projects for producing LNG, such as the Ichthys Project off the coast of Australia, are conducting international tenders for obtaining vessels for export. These trends provide us with an opportunity to leverage our flexibility and proposal ability unique to the world's largest LNG carrier operator, not to mention our reputation for safe operation and financial base. We are actively approaching customers on both the import and export ends, and believe that we can win a dozen or so contracts.

Along with focusing on sales activities for winning long-term contracts, we intend to further cement our industry-leading position by expanding our LNG carrier fleet to around 110 vessels in 2020.

(2) Developing Offshore Businesses as a New Pillar of Highly Stable Profits

I have the same level of expectations for offshore businesses, which are connected with seafloor oil and gas field development, as I do for LNG carriers. This is a promising growth field because of rising global energy demand. It is also a field where we can leverage our years of experience in tankers and LNG carriers. We have actually had our eyes on this field for some time. In 2010, we became the first Japanese shipping company to invest in an FPSO (Floating Production, Storage and Offloading unit) charter project. In March 2012, we decided to invest in our second FPSO charter project. Both projects involve long-term contracts with Brazil's national oil company, Petrobras. We are now looking for our third and fourth projects. Contracts in the FPSO business are typically for 10 to 20 years, so you can see why we are determined to develop these businesses into a new source of highly stable profits for MOL.

FSRUs (Floating Storage & Regasification Unit) is another business we are targeting for the same reason. These units regasify LNG offshore, and send it to land by pipeline. Various regions are planning FSRU projects because of rising power demand in emerging markets. Here we can effectively utilize our LNG carrier operation and loading experience. We can also reuse old LNG carriers in this field. For these reasons, we will actively take part in business discussions to secure new contracts.

(3) Pursuing the Advantages of Being a Survivor in Tankers

Spot rates for tankers remain at a low level due to the vessel supply glut. Nevertheless, I see the tanker business as an attractive sector with prospects for steady growth. The nature of the cargo makes this a field that demands safe operations like LNG carriers. Oil majors, major customers in this field, in particular are imposing increasingly strict demands in terms of safe operation and transport quality. Shipping companies are leaving this sector one after another because they cannot live with these taxing demands. The barrier to entry is thus higher than ever. Companies that can respond to these demands, however, stand to benefit as industry survivors. With customers also placing increasing importance on financial soundness in selecting a tanker company, MOL's relative competitiveness is increasing as other companies lose financial strength in a depressed market.

MOL boasts the world's largest tanker fleet. It is also a well-balanced one made up of oil tankers, product tankers, chemical tankers, and LPG tankers. With there being a certain level of demand for medium- and long-term contracts on the part of customers, especially in respect of VLCCs, we are endeavoring to build up highly stable profits by demonstrating that we can provide detailed services to meet customer needs because of the certain size of fleet we have, as well as our safe operation and sound balance sheet.

(4) Capturing Customer Needs in Dry Bulkers

In the dry bulker field as well, some customers are looking to secure a certain position in terms of ships over the medium to long terms for transporting iron ore and coking coal for steelmaking, thermal coal for power generation, and wood chips for papermaking. We have built strong relationships and a high level of trust over many years in this field with Japanese and Chinese steelmakers, as well as resource majors, and Japanese power, papermaking and other companies. Looking ahead, we will work all out to secure existing medium- and long-term contracts, while also actively making proposals. We will propose transport services that sufficiently take into consideration customers' circumstances such as port of use and loading facilities, and proposals for next-generation vessels with low fuel consumption and environmental impact based on cooperation with shipbuilders.

(5) Striving for Dramatic Growth Overseas in Real Estate Operations

Our real estate business, which centers on Daibiru Corporation, is a field completely divorced from the risk of the shipping industry. In this sense, it has a firm presence in the context of generating highly stable profits. In the past, Daibiru has focused on Japan. But having advanced into Vietnam in 2011, Daibiru is expected to build its earnings by developing its business more in Asia going forward.

So the above are businesses that generate highly stable profits. In fiscal 2012, we plan to generate ¥50.0 billion in earnings from them. We also plan to change the share of earnings constituting highly stable profits in the years ahead, but at the minimum we want to generate the same level of highly stable profits as in fiscal 2012.

Car carriers is not included in the group of businesses that deliver highly stable profits at present. However, if you look beyond abnormal occurrences such as the Lehman Shock and the 2011 Great East Japan Earthquake, car carriers is a field that can be expected to generate a certain level of stable earnings. With global auto sales projected to grow steadily, we can expect to see a further increase in vehicles transported by sea, helped also by geographical expansion of the countries that produce or consume automobiles. It takes sophisticated knowhow to transport high value-added cargo like automobiles without damage. For all these reasons, the car carrier business remains a promising field for me.

Revamping the Ocean Shipping Portfolio

Changing the Focus From Dry Cargo to Liquid Cargo

Following our fall into the red in fiscal 2011, some shareholders and investors suggested that our portfolio management failed to function. But, I think our portfolio management was effective. It's true that our results worsened as freight rates slumped for dry bulkers, tankers and containerships at the same time. However, it is worth remembering that we generated ¥55.0 billion in highly stable profits in fiscal 2011 from 70% of our dry bulkers and 50% of our tankers that operate on medium- to long-term contracts, as well as from mostly long-term contracts for LNG carriers and our real estate operations. These highly stable profits enabled us to contain the loss within a certain range.

The essence of portfolio management in a business focused on ocean transport is to operate various types of vessel, while identifying the types of vessel with strong prospects based on information obtained from global markets and strategically concentrating investments on those vessels. Bold decisions are required for this. In the past, we earned large profits by strategically expanding our fleet of dry bulkers based on expectations that economic growth in emerging markets would spawn enormous transport demand.

I regard it as a point for reconsideration that we have placed too much reliance on dry bulkers. One of the reasons we lowered our midterm management plan target is that we could not respond to the downward cycle quickly enough. Here I would like to revisit the essence of portfolio management, discuss how we plan to select vessel types with growth prospects and focus investments on them.

With the advent of an era of low ship prices, the dry bulker business is becoming commoditized. That being the case, in dry bulkers we will selectively invest in vessels supported by long-term contracts and vessels targeting niche business. At the same time, our investment priority will shift to fields where we can more clearly display our strengths, fields with high growth prospects and that are connected with liquid cargo—namely LNG carriers, offshore businesses and tankers. In a word, we will shift our focus from dry cargo to liquid cargo.

In portfolio management, dispersion of transport contract periods carries the same importance as fleet composition. For the time being we intend to raise the proportion of vessels operating on medium- to long-term contracts and limit spot contracts. The important thing from this perspective is to always consider the balance between highly stable profits and earnings from spot market operations. That is, we need to restrict the total risk exposure on the spot market, within the range that can be covered by highly stable profits. I call this thinking Total Risk Management and I have instructed all division heads to practice it.

There's a third axis to our marine transport portfolio management. This is to disperse risk in vessel procurement. Each division must consider the nature of the cargo, characteristics of vessels, whether a transport contract is attached, customer and sales information, and other factors when procuring vessels. Taking into account those factors, divisions must try to diversify methods of ship procurement, so we have a mixture of MOL ownership, joint venture ownership, charters, leases and so forth. With chartered and leased vessels, we have a variety, ranging from short-term contracts of around 1 year to long-term contracts exceeding 20 years.

In this context, we have lowered the share of owned vessels and long-term charters in containerships to 60%. We have therefore already put in place a structure for enabling us to respond to a fall in demand of a certain level. On Europe routes, it is vital to introduce ultra-large vessels with capacity over 10,000 TEU from a competitiveness standpoint. By fully utilizing The G6 Alliance framework, we can limit our investments within a certain range, while benefiting from low unit costs yielded by ultra-large vessels.

So from these various perspectives, we will build a volatility-resilient portfolio by ordinarily pursuing the optimal portfolio shape. Our portfolio management will continue to evolve in response to changes in our operating environment.

Next Midterm Management Plan and Fleet Expansion Plan

This fall we will begin the process of formulating our next three-year midterm management plan covering the period from fiscal 2013 to fiscal 2015, which I hope to announce in March 2013. We will discuss and decide on the main theme and other aspects of the plan internally. But, as with the current plan, the main thrusts will most likely be further enhancing our strengths in terms of safe operation and our financial basis, capturing growing trade from emerging markets, and building up highly stable profits, a point I have stressed in this annual report.

Our fleet plans are no doubt of considerable interest to readers. When we announced our current plan we projected a fleet of 1,050 vessels by March 31, 2013. We are now projecting only around 950 vessels, reflecting the tightening of investments after the downturn in marine transport market conditions, and the reductions of Capesize bulkers, VLCCs and other vessels.

Also when we announced our current plan, we suggested we might add a total of 160 new vessels between fiscal 2013 and fiscal 2015. At this stage we have not ordered even half these vessels, and our investments going forward will mainly focus on vessels that can generate highly stable profits.

Shareholder Returns

An important theme entrusted to management is to continuously raise MOL's corporate value by optimally allocating operating cash flows to shareholder returns, capital investments and financial base enhancement. We aim to maintain the consolidated dividend payout ratio at 20%, and will look at raising it to around 30% over the medium and long term. I believe that it is ideal to maintain stable dividends. At this stage, however, we have not decided on the planned dividend per share for fiscal 2012, given the large number of variables and uncertainties in our operating environment.

Details of Fleet Expansion Plan

			GEAR UP! MOL (FY2010–FY2012)					
		Fleet scale at the end of March 2010 (Result)	Vessels to join MOL fleet FY2010 (Result)	Fleet scale at the end of March 2011 (Result)	Vessels to join MOL fleet FY2011 (Result)	Fleet scale at the end of March 2012 (Result)	Vessels to join MOL fleet FY2012 (Plan)	Fleet scale at the end of March 2013 (Forecast)
Bulkships	Fleet Scale	755		766		789		790
	New vessel launching		60		32		36	
Dry Bulkers	Fleet Scale	375		374		392		390
	New vessel launching		25		16		24	
Tankers	Fleet Scale	195		206		200		200
	New vessel launching		21		4		6	
LNG Carriers	Fleet Scale	76		72		69		70
	New vessel launching		2		0		1	
Car Carriers	Fleet Scale	109		114		128		130
	New vessel launching		12		12		5	
Containerships	Fleet Scale	101		104		115		110
	New vessel launching		9		9		5	
Others	Fleet Scale	49		47		50		50
	New vessel launching		2		0		3	
Total	Fleet Scale	905		917		954		950
	New vessel launching		71		41		44	

Notes: 1) "Fleet scale" at the end of each fiscal year shows the total number of owned vessels (including those owned by joint ventures) and chartered vessels (both on long-term and short-term charters).
2) "New vessel launching" to join MOL fleet shows the total number of owned vessels (including those owned by joint ventures) and long-term chartered vessels (over 5 years) delivered in each fiscal year.
3) "Fleet scale" at the end of each fiscal year plus "Vessels to join MOL fleet" during the following fiscal year do not necessarily make "Fleet scale" at the end of the subsequent fiscal year, as "Fleet scale" also reflects changes in the number of vessels due to sales, redeliveries, and fluctuations of short-term chartered vessels (less than 5 years).

MASAFUMI YASUOKA
Senior Managing Executive Officer

TSUNEO WATANABE
Senior Managing Executive Officer

KAZUHIRO SATO
Senior Managing Executive Officer

FEATURE:

WORLD SHIPPING DYNAMICS

How will MOL grow in a tough operating environment? In this feature section, the heads of each division talk about their resolve and initiatives to grow.

TAKASHI KURAUCHI
Senior Managing Executive Officer

JUNICHIRO IKEDA
Managing Executive Officer

MASAHIRO TANABE
Managing Executive Officer

SHUGO AOTO
Managing Executive Officer

BULKSHIPS

BULKSHIPS DRY BULKERS

Is Dry Bulkers a growth business?

Yes!

The glut of vessels will continue to make conditions difficult for the time being. However, seaborne trade volume of dry bulk cargoes will steadily increase. By reducing the number of vessels operating on spot contracts and increasing the proportion of vessels on long-term contracts, we will navigate the heavy seas at present and return to a stable growth trajectory.

MASAFUMI YASUOKA
Senior Managing Executive Officer

Iron ore, coal and other dry bulk cargoes have a close connection with the infrastructure of many countries' economies. Demand for dry bulkers, which transport these resources and energy, should therefore grow steadily going forward along with the national and economic development of emerging markets such as China.

Iron ore is expected to see firm demand, centered on trade from Australia and Brazil to China. The resource companies that will be the benefactors of this increased demand are planning to ramp up production capacity. This should prompt Chinese steelmakers to switch from domestically produced iron ore to higher quality imported iron ore as international prices stabilize.

Developments in marine transportation of coal must also be watched going forward. Amid rapidly rising electricity demand in emerging markets in tandem with economic development, the development of coal-fired thermal power generation facilities with a lower environmental impact than the past in recent years is driving higher demand for coal. At the same time, surplus coal produced in the U.S. and Colombia is now being exported to distant places in Asia, with shale gas having captured market share from coal. China produces large volumes of coal, but is tending to import more coal depending on price. These trends suggest that there is much potential for trade expansion.

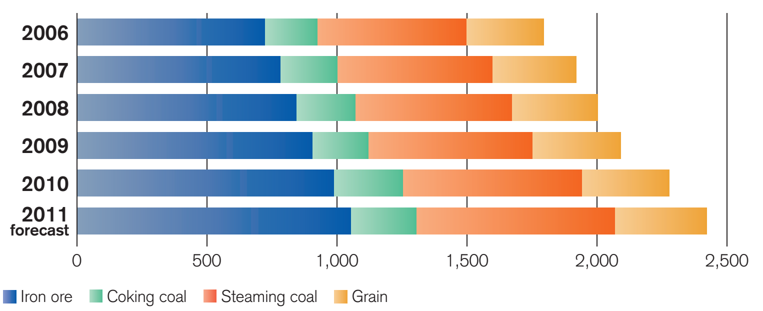
Economic growth in emerging markets is enriching the diets of people in these countries, leading to increased ocean transportation of grains. In addition to importing large quantities of soybeans as a key ingredient for edible oils, China in recent times has begun importing corn as animal feed.

However, freight rates have softened, especially for larger size vessels, due to the delivery of large numbers of dry bulkers in recent years. Many vessels operating on spot contracts are running at a loss as a result. Although market conditions are forecast to recover from around the second half of 2013 when vessel supply pressures should ease, MOL must ride through the period until then by generating stable earnings from long-term contracts and restricting the number of vessels on spot contracts. In terms of specific measures, MOL will reduce its fleet by between 10 and 20 vessels in fiscal 2012 by scrapping Capesize bulkers and laying up ships. This fleet reduction led by MOL as the industry's leading company is expected to improve the vessel demand-supply balance in the industry as a whole. Additionally, we will continue to take measures to address the high cost of some ships, as we work to raise the competitiveness of our fleet and capture stable growth in a market after the serious conditions settle down.

Global Seaborne Trade of Major Dry Bulk Cargo

(million tons)

Source: MOL internal calculation based on data for each cargo type



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BULKSHIPS

BULKSHIPS
TANKERS

Is Tankers a growth business?

Yes!

Demand for oil as a primary energy source should rise steadily in step with growing populations and higher living standards in emerging economies. As one of the world's largest tanker operators, we will continue to rise to the challenge as long as there is demand for transportation.

TSUNEO WATANABE
Senior Managing Executive Officer

It is generally thought that oil demand will decline with moves to prevent global warming and to create a low carbon society gaining momentum. Actually, demand for oil should continue to increase in order to meet rising global energy demand. A report produced by the U.S. Energy Information Administration (EIA) estimates that global primary energy demand will rise around 50% from 2010 to 2035, and oil demand will rise between 30% and 35% over the same period. At present, 55% to 60% of oil is consumed as fuel for transportation, with 30% to 35% used in the petrochemical business, 5% for power generation, and 5% for consumer use. Demand for oil as a feedstock for petrochemicals, which are used to produce plastics, chemical fibers and other products, will increase as emerging economies develop, their populations grow and living standards rise. What's more, with the outlook for nuclear power generation uncertain, oil will most likely be in greater demand as an energy source for power generation too.

Against the backdrop of this increasing oil demand, seaborne transport volume of crude oil and petroleum products will constantly increase. While the transportation of crude oil to the U.S. is declining due to the emergence of shale oil, overall ton-miles are increasing as China and India are sourcing more crude oil from distant locations such as West Africa, Venezuela and Brazil, and the U.S. is also transforming into an oil product exporter.

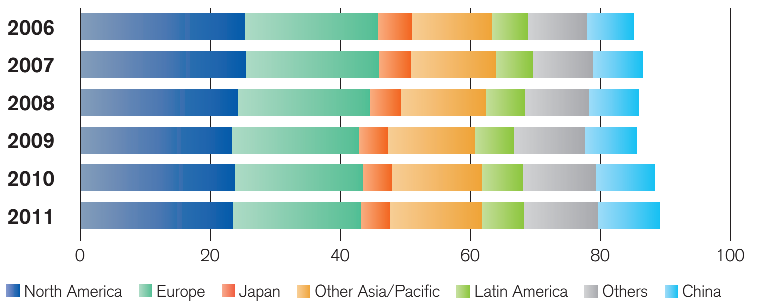
However, market growth does not necessarily equate to business growth. After the "Lehman Shock" in 2008, market conditions have remained difficult due to a worsening gap between supply and demand in many types of oil tankers. On the other hand, customer demands are becoming more taxing and diverse. In order to achieve business growth in this market, we must remain the shipping company of choice by maintaining our competitive edge over other companies in terms of safe operations and financial soundness. And we must confront the market and continue to be creative to surmount the supply-demand gap, constantly realigning ourselves to meet the challenge. MOL has one of the world's largest oil tanker fleets. Leveraging this base, we have until now implemented measures such as forming pools for Very Large Crude Oil Carriers (VLCCs) and product tankers.

Moving ahead, we aim to achieve long-term growth by expanding stable profits based on customers' support and by taking the initiative to bring about a sustainable market.

Global Oil Demand

(million b/d)

Source: IEA "Oil Market Report"



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BULKSHIPS

BULKSHIPS
LNG CARRIERS

Is LNG Carriers a growth business?

Yes!

LNG seaborne transport volume is tipped to expand steadily due to LNG's increasing importance as a fuel for power generation. With one of the largest LNG carrier fleets in the world, MOL is well positioned to benefit from this growing trade and further cement its standing as one of the leading LNG carrier companies.

KAZUHIRO SATO
Senior Managing Executive Officer

We believe that the LNG carrier business has the most potential for stable growth of all MOL's business divisions. In 2011, global LNG demand was 240 million tons. However, attention has well and truly turned to LNG as a clean energy resource amid increasing energy demand in emerging markets, and due to higher demand in Japan after the Great East Japan Earthquake and in Europe, where there are moves away from nuclear power generation. Indeed, global LNG demand is forecast to rise 5% a year, reaching 380 million tons by 2020.

Many new LNG projects are being planned to cash in on this strong demand outlook. Another dynamic is that the U.S. looks increasingly likely to join the ranks of LNG exporting nations in the near future as the shale gas revolution sees it increase production of natural gas.

Around 100 additional LNG carriers will be needed by 2020 to meet this increasing transportation demand. Close to 70 vessels are scheduled for delivery through 2015. But the supply of LNG carriers is hardly sufficient from a long-term perspective, because the first generation of aging vessels built in the 1970s will gradually exit the market. That's why MOL plans to invest approximately ¥200 billion going forward to expand its fleet from 70 vessels at present to 110 vessels by 2020.

We are quietly confident that we can accomplish our plans. Our confidence lies in our 30 years of experience operating LNG carriers. Based on this experience, we have amassed considerable expertise in all aspects of LNG transportation. This expertise extends from supervising LNG carrier construction to ship safe operation and management, and managing the loading/unloading work of a cargo that is transported at minus 160°C. With also one of the best financial positions among ocean transport companies, we tick all the boxes for being the customers' preferred shipping company. Testament to this is our participation as the first overseas shipping firm in a Chinese LNG transportation project, which will commence in 2015. Looking ahead, we aim to make good use of our competitive edge to win more contracts for emerging markets, headed by China, and of course for Japanese customers.

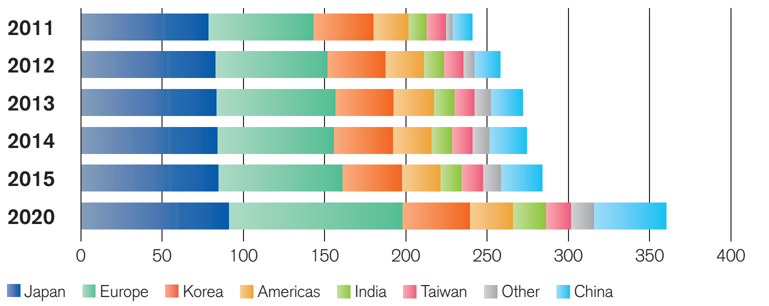
An increasing number of offshore oil and natural gas projects are being developed worldwide. Amid this trend, offshore businesses are fields where we can leverage our expertise amassed in tankers and LNG carriers. MOL is currently taking part in two FPSO*1 projects off the coast of Brazil. We aim to participate in more of these FPSO projects going forward, as well as projects for FSRU*2, which will be converted from second-hand LNG carriers. These actions should grow offshore businesses into a new earnings stream.

*1 Floating Production, Storage and Offloading system
*2 Floating Storage and Regasification Unit

LNG Demand Forecast

(million tons/year)

Source: MOL calculations based on Poten & Partners



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BULKSHIPS

Is Car Carriers a growth business?

Yes!

Global automobile sales will continue to increase steadily in the future. As a company with the world's largest fleet of car carriers, we will be strategically flexible in order to respond to customers' diversifying needs.

TAKASHI KURAUCHI
Senior Managing Executive Officer

I am confident that the car carrier business will grow as a stable growth field. My confidence lies in two main reasons. One is steady growth in auto sales in the future. Global auto sales topped 70 million units for the first time in 2007. While they dropped to around 64 million units in 2009 due to the Lehman Shock, global sales have since recovered and set a new record of 75 million units in 2011. The number of units transported by sea rebounded to 12.5 million units in 2011 on the back of this unit sales growth, and is closing in on the record level of approximately 13 million units set in 2007. Forecasts call for global auto sales to expand to 100 million units by 2020 and the number of units transported by sea is expected to increase also in line with this.

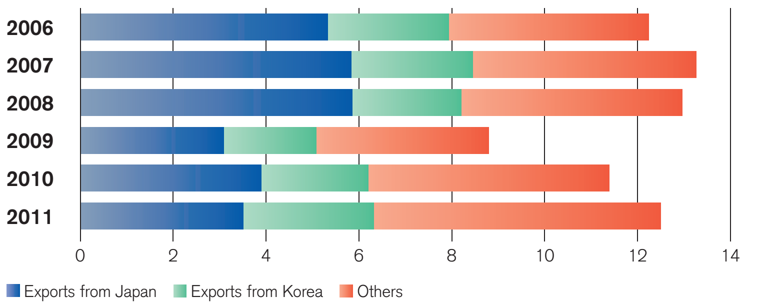
The second reason for my confidence is that we have forged strong bonds of trust with customers by delivering results for them over many years in our car carrier operations. This is one of our biggest advantages. Importantly, these relationships of trust inevitably make the car carrier business an extremely difficult one for new entrants. With operations premised on safe vessel operation and transportation, MOL is able to respond flexibly to diversification in ocean transport routes through close exchanges of information with customers. Beyond this, we have the organization, fleet and extensive experience to grasp customers' various needs in respect of inland transportation, terminal operation and other areas and accurately respond to them.

One of the defining features of the ocean transport of automobiles in recent years is the rapid diversification of trade patterns. In the past, the main routes were from Japan to Europe and the U.S. Today, however, we are seeing more countries producing and consuming automobiles. Vehicle exports are increasing not only from BRICs nations, but also Thailand, Mexico, Indonesia, Turkey, Morocco, South Africa and other countries. In this changing business environment, it is vital to respond as the circumstances dictate to information concerning loading and discharging locations, which changes by the day. We must also pick the next routes that can expect to grow, by looking at the market with a wide view, rather than be influenced by preconceptions or clinging to conventional thinking. Along with this we must be prepared to constantly change our organization and develop flexible business strategies. I believe it is our mission to provide detailed vehicle transportation services that anticipate market needs with the flexibility to adapt, and at the same time continue providing safe vessel operation and transportation of a world-class level, as a company with the largest fleet of car carriers in the world.

Global Car Seaborne Trade

(million units)

Source: MOL internal calculation: excluding CKD



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CONTAINERSHIPS

Is Containerships a growth business?

Yes!

The containerships business is a field with high growth potential due to constantly increasing demand. We plan to streamline costs and raise service quality while pursuing slot utilization efficiency, with the aim of achieving high profitability so we can withstand volatility.

JUNICHIRO IKEDA
Managing Executive Officer

Global containership trade demand is growing by 8% on average per year. The containership business is therefore unquestionably a highly attractive growth field. That said, volatility rises with volume growth. For this reason, it is essential to build a profit structure that can withstand this volatility in order to develop business sustainably.

To this end, we aim to elevate profitability to an industry-leading level. If you can raise profitability, you can maximize earnings in good times, and also minimize the fall in bad times. The prerequisites for improving profitability are cost cutting and revenue growth. The key to reducing costs is to make greater use of reduced navigating speeds, as well as utilize very large vessels of at least 10,000 TEU. Very large vessels help to sharply lower cost per container transported. However, alliance frameworks must also be skillfully used because the investment burden is too onerous for one company alone to provide the number of vessels required to operate one service loop; for example, 11 vessels are required for the Asia-Europe route. In March 2012, we launched The G6 Alliance*1 for Asia-Europe container shipping. The alliance partners share the investment burden, while enjoying the benefits of operating large vessels. This sort of alliance framework is functioning very effectively. By leveraging economies of scale from measures to expand volume to a certain extent, terminal expenses and inland transportation expenses will be reduced, as will organizational costs by further standardizing and rationalizing business processes worldwide.

*1 Previously, MOL was part of a three-company alliance called The New World Alliance. However, since March 2012 the three companies joined forces with the other three companies of Grand Alliance to create the new six-company G6 Alliance.

The second key to improving profitability is raising revenue. What containership companies around the world learned from the sharp deterioration in performance in 2011 is that lowering freight rates will not translate into higher demand. Looking ahead, the world's liner companies will work to avoid wild ups and downs in freight rates. At the same time, based on the recognition that it is impossible to completely avoid market fluctuations, the key will probably be to secure higher revenues and stable revenue sources. MOL will continue to work to raise the percentage of high margin cargo, including reefer containers and project cargo, by improving and optimally utilizing market intelligence. Furthermore, MOL will try to enhance peripheral services associated with ocean transportation and customer services. And thus, inducing more satisfaction with customer needs, we will stabilize earnings and complement ocean freight rates. One of the strengths of MOL's containership business is an extensive network of local subsidiaries overseas. In growth regions in particular, we will utilize these local subsidiaries for businesses of logistics, container depot and so on, aiming to develop business and grow sales. We will also take up the challenge of differentiating our services, despite the commonly held view that this is difficult to achieve in containerships. To achieve this and be the preferred shipping company, we will work even more than ever to establish the "MOL Liner" brand. As part of our efforts, we launched the "Count on MOL" initiative, whereby we publicize KPIs*2 such as "On Time Arrival Results," as we work to make our service quality more visible.

*2 Key Performance Indicator

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MASAHIRO TANABE
Managing Executive Officer

MOL's overseas development is not confined to its shipping divisions. In our tugboat and real estate businesses, we also plan to establish our presence in Asia, especially in Vietnam.

Japanese tugboats are world-class both in terms of skill at maneuvering vessels safety and performance specifications. However, with the number of vessels calling in at ports peaking in Japan, MOL has turned its attention to Asia to develop its tugboat business. Since entering the tugboat business in Hong Kong in the 1980s, MOL has accumulated experience in the tugboat business overseas over many years. Capitalizing on this experience, we succeeded in entering the Vietnamese market in 2010. We will make the most of our competitive edge in terms of experience and expertise to drive growth in this business, as tugboat and its associated business demand is expected to continue to expand in Asia.

In the real estate business, Daibiru Corporation, an MOL Group company, derives high earnings from a portfolio of prime properties in Japan. But with the domestic market reaching saturation point, the next key place for its growth will be overseas. As a start, in fiscal 2011, Daibiru acquired an office building in Ho Chi Minh City, Vietnam. We intend to develop and participate in superior real estate projects by combining Daibiru's knowhow as a real estate operator and the MOL Group's overseas business knowledge.

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Financial Strength to Powerfully Support Efforts to Grow in Each Division

The marine transport business is a growth industry and at the same time a capital-intensive one. These characteristics make the ability to raise funds extremely important for a marine transport company as a source of competitiveness. MOL, as a leading company in marine transport, maintains the highest credit rating of any company in the marine transport industry worldwide and has also built extremely close relationships with Japanese banks, which are some of the soundest banks in the world amid the recent eurozone sovereign debt crisis. This gives MOL a very advantageous position relative to foreign marine transport companies that not only have problems of their own, but also deal with overseas main banks that may have their own problems too. MOL also has amassed finance experience and knowhow (finance capabilities) through fundraising on global markets via involvement with large numbers of overseas project finance in the past and through the development of off-balance sheet schemes that contribute to an improved financial position. These finance capabilities will contribute to our competitiveness in terms of capital expenditure in each division in the future, including LNG carriers and offshore businesses where large investments are required. Similarly, they will powerfully underpin fund procurement and cash management in Asia in particular, contributing to acceleration of MOL's business development in global markets.

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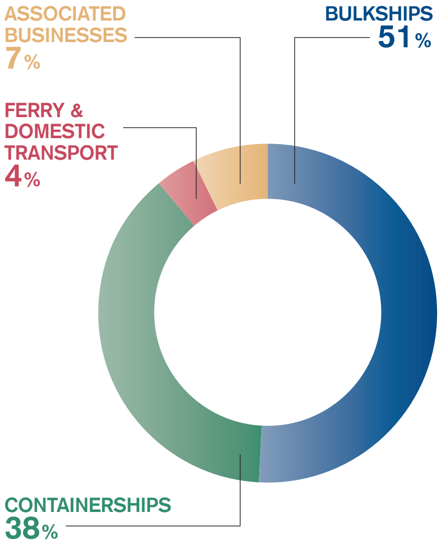
SHUGO AOTO
Managing Executive Officer

MOL at a Glance

Sales Breakdown by Segment



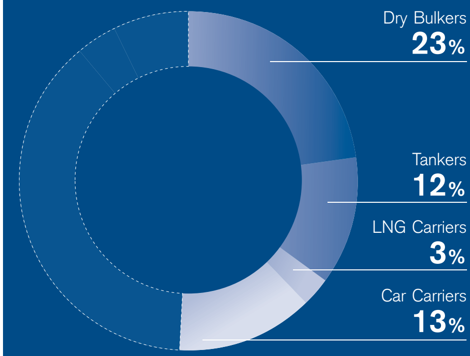
BULKSHIPS

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

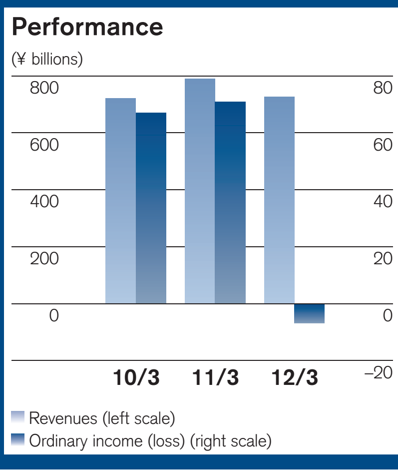
Business Description

In bulkships, MOL operates a world-class fleet of dry bulkers, tankers, LNG carriers and car carriers, including one of the world's major fleets of dry bulkers, with 392 ships. Many of these dry bulkers are specialized vessels built specifically to suit a type of cargo; 129 (107 Capesize and 22 Panamax) supply iron ore and coal to the steel industry, 37 are specialized steaming coal carriers, 53 supply wood chips to the paper industry, and 6 are heavy lifters. Another 167 are general cargo bulkers which transport all manner of bulk cargoes in a sector where volume continues to increase, ranging from grain to industrial goods. MOL's fleet of 200 tankers, which is one of the world's largest, is diversified to carry a wide range of liquefied products—46 are crude oil tankers, 62 are product tankers, 35 carry LPG and methanol, and 57 carry chemicals. MOL is also involved in operating 69 LNG carriers, giving it the world's number-one share of this market. MOL operates a world-class fleet of 128 car carriers* which offer high-quality service to transport finished vehicles to market. MOL has earned a reputation for reliability from its customers.

*Includes the ships of Nissan Motor Car Carrier Co., Ltd.



Fiscal 2011 results



MOL Fleet Composition FY2011

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

DRY BULKERS

	Bulk carriers	Wood chip carriers	Heavy lifters
Vessels 11/3	312	54	8
Vessels 12/3	333	53	6
Thousand deadweight tons 11/3	30,873	2,719	135
Thousand deadweight tons 12/3	32,164	2,674	73

LNG CARRIERS

Vessels 11/3	72
Vessels 12/3	69
Thousand deadweight tons 11/3	5,520
Thousand deadweight tons 12/3	5,306

TANKERS

	Crude oil carriers	Chemical/Product tankers	LPG tankers
Vessels 11/3	48	145	13
Vessels 12/3	46	141	13
Thousand deadweight tons 11/3	13,095	5,725	614
Thousand deadweight tons 12/3	12,398	5,731	627

CAR CARRIERS

Vessels 11/3	114
Vessels 12/3	128
Thousand deadweight tons 11/3	1,747
Thousand deadweight tons 12/3	2,055

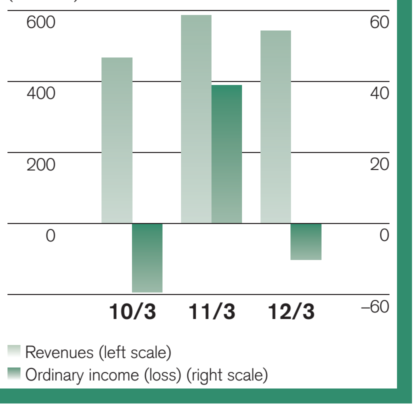
CONTAINERSHIPS

Business Description

MOL operates a fleet of 115 containerships in all regions of the world. In addition to the key east-west routes linking Asia to North America and Asia to Europe, MOL also serves North-South or Intra-Asia routes, providing a balanced network that covers the entire globe and serves the diverse transport needs of global clients. This segment also includes MOL's container terminal operations in Japan, the U.S., and Southeast Asia, as well as an ocean consolidation business (MOL Consolidation Service (MCS)) which can provide procurement and distribution services for various consumer products. MOL will work to continue to provide optimal logistics solutions that match stable services centered on a proprietary network built over many years with client needs.

Performance

(¥ billions)



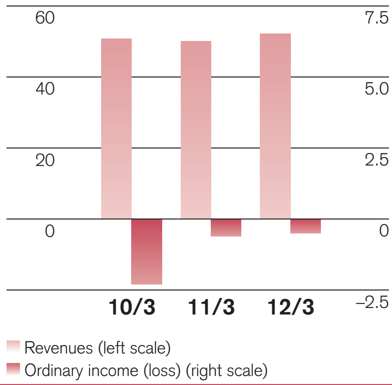
FERRY & DOMESTIC TRANSPORT

Business Description

MOL has established an extensive service network which offers diversified and high-quality transportation services throughout Japan. As part of its efforts to address environmental concerns, the government is promoting a "modal shift" in transport, which emphasizes ferry transportation over trucking. The MOL Group serves as a model for this policy, with the most extensive domestic network of ferries and an aggressive program to tap latent demand for cargo shipping. This segment also includes domestic transport of bulk cargoes such as coal, steel, cement, salt and heavy oil.

Performance

(¥ billions)



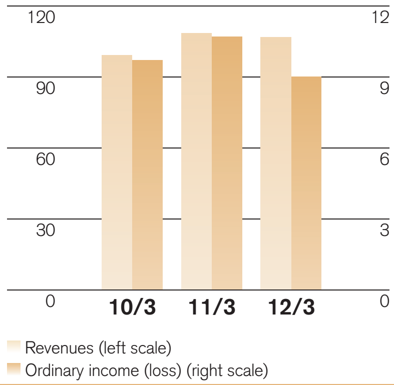
ASSOCIATED BUSINESSES

Business Description

This segment is centered on the office and residential building leasing operations of Daibiru Corporation, as well as tugboat operations in Japan and overseas. Other activities include marine consulting, maritime engineering, trading, and temporary staffing, most of which have some relationship to MOL's core ocean transportation business. The segment also covers the cruise ship operations of the Nippon Maru, which was fully renovated in recent years. Here MOL offers services that garner high customer satisfaction.

Performance

(¥ billions)



CONTAINERSHIPS

Vessels			
11/3	104	12/3	115
Thousand deadweight tons			
11/3	5,308	12/3	6,205

FERRY & DOMESTIC TRANSPORT

Vessels			
11/3	42	12/3	45
Thousand deadweight tons			
11/3	155	12/3	158

ASSOCIATED BUSINESSES

Vessels			
11/3	5	12/3	5
Thousand deadweight tons			
11/3	28	12/3	28

TOTAL FLEET

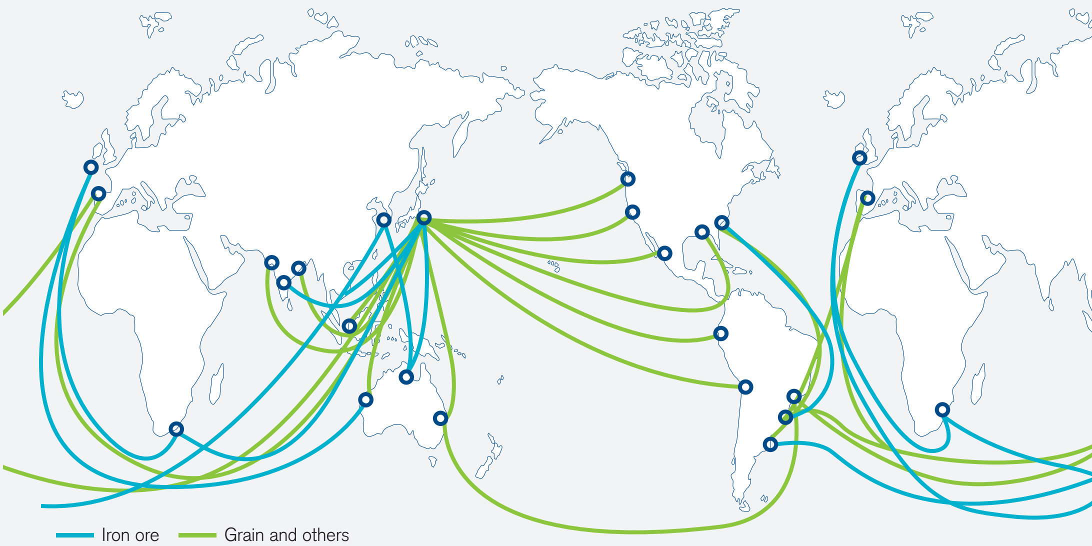
Vessels			
11/3	917	12/3	954
Thousand deadweight tons			
11/3	65,920	12/3	67,418

MOL's Main Routes

The MOL Group operates a total of approximately 950 vessels at present. This fleet is as diverse as it is large, including dry bulkers, which transport cargo ranging from steel raw materials and coal to wood chips, as well as oil tankers and LNG carriers, car carriers, and containerships that transport all manner of products. With this fleet, MOL sees itself as a "full-line marine transport group" capable of meeting the demands of the times in diverse fields.

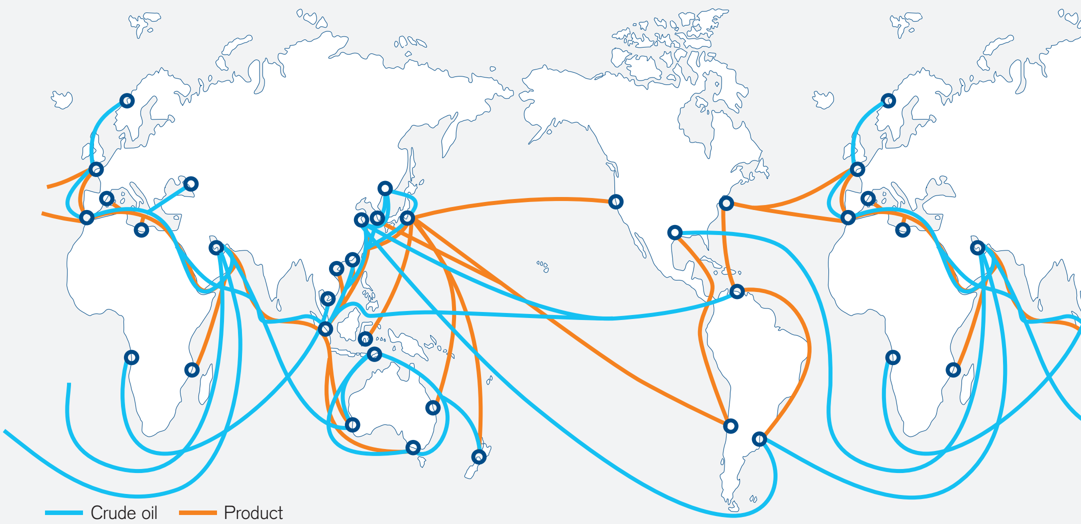
DRY BULKERS

MOL's dry bulkers transport a wide variety of natural resources, including iron ore, coal and grain, that contribute to industrial growth and better lives for all. These vessels ensure the reliable transport of these crucial natural resources to Japan and other countries. With one of the world's major dry bulker fleets, ranging from small to large vessels, we provide high-quality transport services that can cater to diverse customer needs.



TANKERS

MOL boasts one of the world's largest and most diverse tanker fleets. Our tanker fleet includes very large crude carriers (VLCCs) and other oil tankers, large and medium-sized product tankers that carry refined petrochemical products, chemical tankers that transport methanol and other liquefied chemical products, and LPG tankers for transporting liquefied petroleum gas. In these operations, we contribute to the stable supply of energy.

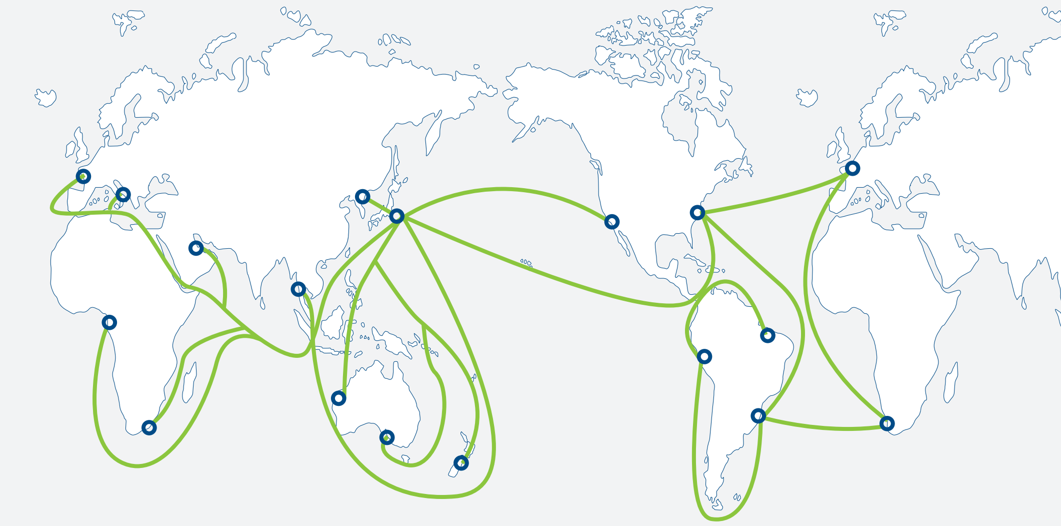


LNG CARRIERS

LNG (liquefied natural gas) is attracting considerable attention as an environmentally friendly clean energy resource and its demand is expected to increase sharply in the coming years. MOL continually provides safe, stable LNG transport, serving as a key worldwide energy lifeline as the market-share leader in the LNG sector. We will take a proactive stance toward developing a wide variety of LNG projects around the world.

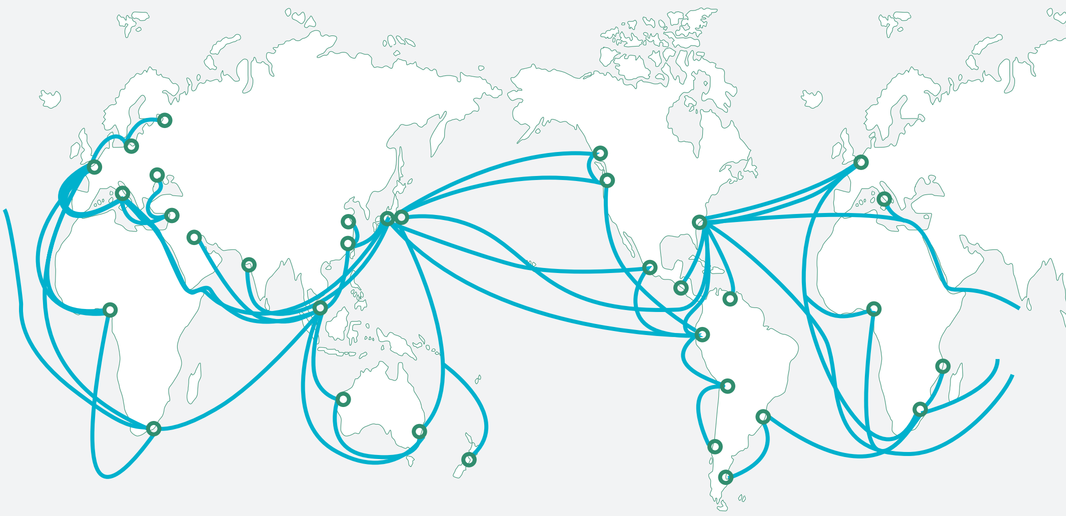
CAR CARRIERS

MOL leverages its many years of knowhow and experience in transporting cars to conduct safe operation and provide reliable transport services for responding to the needs of automakers, who are developing their operations globally. MOL also provides higher quality and more competitive services by adopting the latest technologies. One example is the world's first car carrier to feature a hybrid power supply system.



CONTAINERSHIPS

MOL's containership service provides high-quality, reliable transportation services along major North American and European trade routes, as well as on trade routes to emerging markets such as Asia, South America and Africa. These services center on a proprietary network built up by MOL over many years. Furthermore, we are catering to customers' diversifying needs by expanding services that connect with the Near and Middle East and India, and cross trade services.

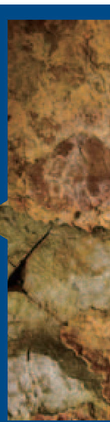


Overview of Operations

BULKSHIPS Dry Bulkers

MASAFUMI YASUOKA
Senior Managing Executive Officer

The Capesize bulker *BAOSTEEL EMOTION*
(Port Walcott, Australia)



Fiscal 2011 in Review

In fiscal 2011, we secured stable profits from long-term carriage contracts of iron ore, coal, wood chips and other cargoes. However, four types of vessel*1 on spot contracts, including Capesize bulkers, posted lackluster performances due to persistently low rates since the latter half of fiscal 2010. As a result, our earnings dropped sharply from fiscal 2010 and we recorded a loss.

*1 Please refer to the Dry Bulker Fleet Table regarding types of dry bulker.

■ Coal and Iron Ore Carriers (Capesize)

Capesize bulkers are the largest of the dry bulkers and transport mainly steel raw materials. In 2011, freight rates for Capesize bulkers were initially soft because of disruptions to shipments of iron ore from Brazil following heavy rains there. The daily charter rate for Capesize bulkers dropped well below US$10,000. Thereafter, a sudden rise in imports of iron ore by China drove the daily charter rate back up over US$30,000 from September 2011. However, freight rates dropped at the beginning of 2012 due again to a precipitous fall in iron ore shipments from Brazil because of bad weather. There has been no apparent recovery since then, with the daily charter rate remaining below US$10,000 midway through 2012.

Looking at the world iron ore seaborne trade in 2011, imports to Japan and Europe stagnated. Overall, however, there was a 6.7% year-on-year increase, driven by emerging markets. Even China, where a slowing growth rate has attracted attention, imported 11% more iron ore year on year, or 690 million tons. But the increase in the supply of vessels exceeded transportation demand. In 2011, 256 Capesize bulkers were built, resulting in a net increase of 189 vessels after deducting the 67 scrapped vessels. As a result, the number of vessels at the end of 2011 was 1,354, 16% higher year on year. This deterioration in the supply-demand balance is the underlying factor for the lackluster freight rates since last year.

MOL operates more than 100 Capesize bulkers. Of these, 70% operate on medium- to long-term contracts, while the remaining 30% operate on the spot

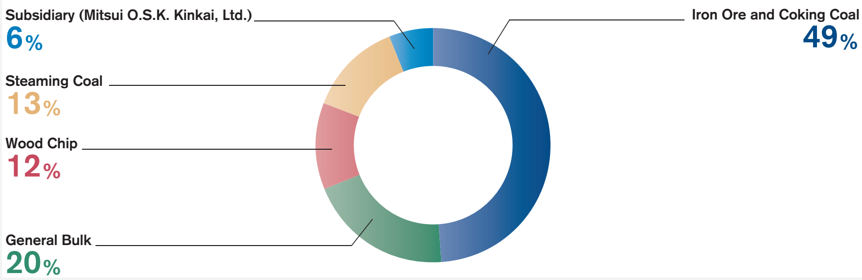
Dry Bulker Fleet Table

(1,000 DWT) (As of March 31, 2012)

Vessel Type	Standard DWT	No. of Vessels	Use and Features
Capesize	170	107	Steel raw materials (iron ore, coking coal)
Panamax	72	48	Iron ore, coking coal, steaming coal, grains, etc.
Handymax	55	60	Steaming coal, grains, salt, cement, steel products, etc.
Small Handy-size	28	34	Steel products, cement, grains, ores, etc.
Steaming coal carriers	93	37	Steaming coal
Wood chip carriers	50	53	Wood chips, soybean meal, etc.
Other (Heavy lifters, coastal vessels)	12	53	–
Total		392	

Consolidated Revenues Breakdown

(Results in FY2011)



Cargo (Iron Ore)

The Capesize bulker *MAIZURU DAIKOKU*
(Newcastle, Australia)

Cargo (Coal)

market. In fiscal 2011, medium- to long-term contract vessels provided highly stable profits as expected. However, spot vessels operated at a loss, prompting us to scrap and sell 4 vessels and take other actions to limit the number of vessels on spot contracts.

■ General Cargo Bulkers (Panamax/Handymax/Small Handy-size Bulkers)

Panamax bulkers saw demand rise, particularly for transporting coal. However, freight rates were soft as the supply of vessels exceeded this demand growth. In 2011, 283 new Panamax bulkers were delivered and 71 were scrapped, for a 212 net increase. This resulted in a 12% rise to 2,035 vessels at the end of the year. However, because the types of cargo transported and routes are more diverse for this type of bulker than Capesize bulkers, demand was comparatively stable and the drop in charter rates was smaller.

Freight rates for Handymax bulkers and Small Handy-size bulkers at one time fell to close to US$6,000 a day in February 2012. The drop reflected regulations on iron ore exports in India, lower timber imports in China due to financial restraint, a fall in steel product transportation due to the flooding in Thailand, and the impact of the European economic downturn, among other factors. Since then, the daily rate has returned to around US$10,000.

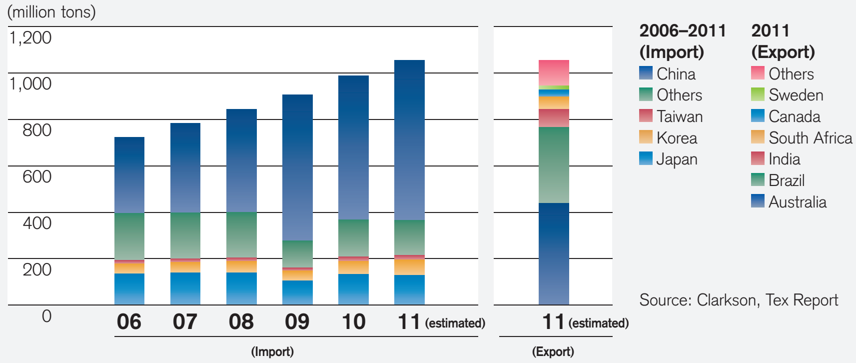
MOL operates approximately 120 bulkers, including Panamax class and other small and medium-sized vessels. These bulkers transport a variety of cargo from coal and grains to so-called minor dry bulk cargoes such as steel products, cement, and fertilizer. Approximately 70% of these bulkers operate on spot contracts, meaning we found it tough in fiscal 2011 as our operations were hard hit by the impact of soft freight rates.

■ Specialized Vessels (Steaming Coal Carriers/Wood Chip Carriers)

Steaming coal carriers transport coal for power generation mainly to power companies in Japan and operate on long-term contracts. For these reasons, they continue to contribute highly stable profits.

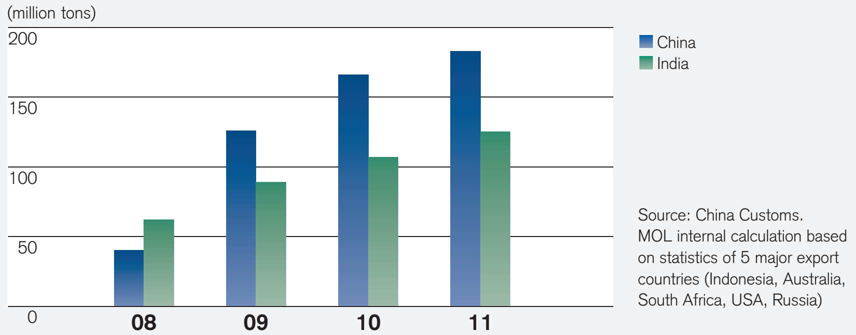
Likewise, wood chip carriers earn highly stable profits based on long-term agreements with paper manufacturing companies. However, vessels operating on spot

Import/Export Areawise World Iron Ore Seaborne Trade



Source: Clarkson, Tex Report

China & India Import of Coal



Source: China Customs.
MOL internal calculation based on statistics of 5 major export countries (Indonesia, Australia, South Africa, USA, Russia)

A Capesize bulker being loaded

contracts for transporting soybean meal and other cargoes were hard hit by soft freight rates and saw their profitability worsen in fiscal 2011. To counter the soft market rates, we scrapped 2 old ships in fiscal 2011. Most of the wood chips we transport are destined for Japan at present. But we expect to expand our business as demand grows in China for imported wood chips.

Looking Ahead

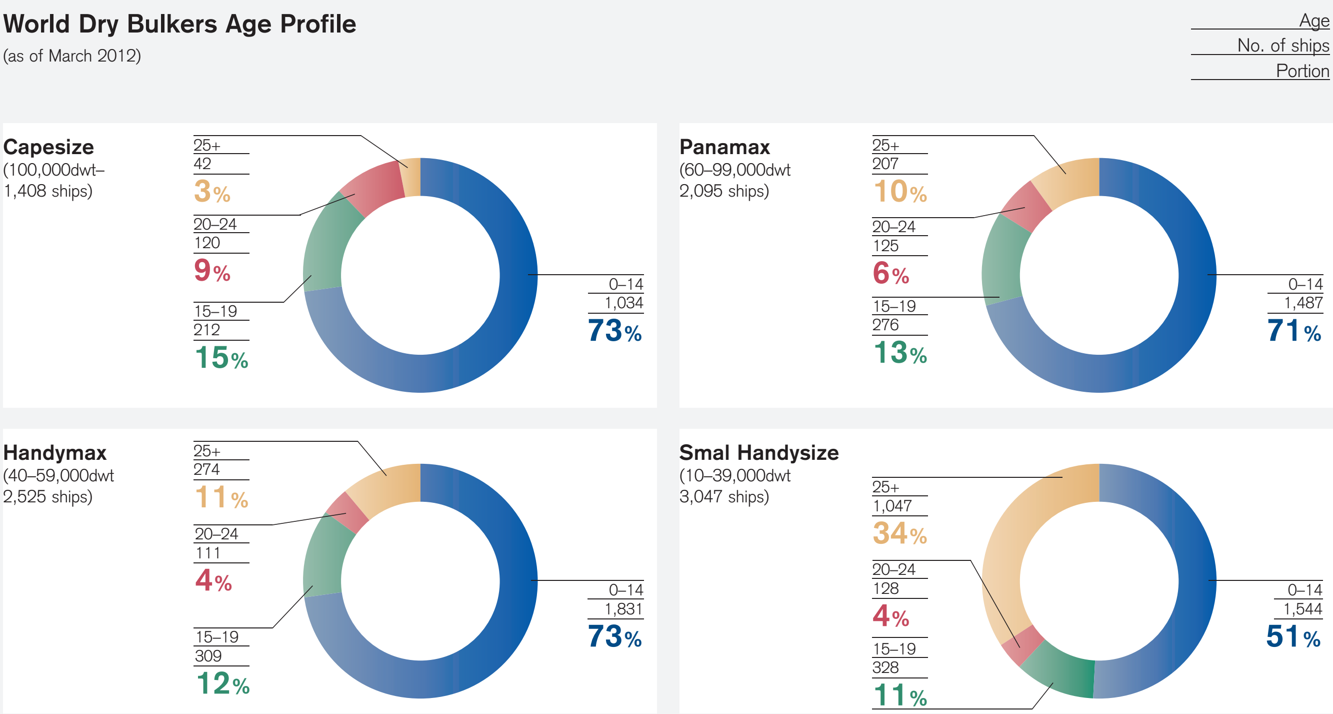
■ Steadily Growing Transportation Demand

Dry bulk transportation demand continues to increase from China and other emerging markets. While imports of iron ore to China are growing at a slower rate, absolute volumes in the period from January to April 2012 were 245 million tons (735 million tons on an annualized basis). This is a pace that would exceed 2011 imports, as The China Iron & Steel Association has forecast imports of 720 million tons for 2012. Coal imports as well look set to surpass the 183 million tons recorded in 2011; coal imports in the first 4 months of 2012 were 70 million tons, suggesting annual imports of around 210 million tons.

With its economy growing, India has moved to regulate exports of iron ore, giving priority to the national consumption of domestically produced iron ore. However, since Japan, China and other importing countries cannot help but secure alternative sources from remote locations such as Australia and Brazil to make up for the shortfall in supplies, this should lead to an increase in ton-miles. Furthermore, to

World Dry Bulkers Age Profile

(as of March 2012)



Source: Clarkson

The wood chip carrier *STRELITZIA*
(Muroran, Hokkaido)

satisfy rapidly increasing coal imports, these countries are beginning to look at other distant locations such as Colombia, Canada and the U.S. to source coal. These trends should support freight rates going forward.

■ Vessel Supply Outlook and Countermeasures

The main issue we are grappling with at present in the dry bulkers business is that the supply of vessels continues to far exceed transportation demand. With Capesize bulkers, we do not expect a substantial improvement in the supply-demand equation in 2012 from 2011 because a large number of new vessels are expected to be delivered. We believe, however, that the market will recover from 2013 since the number of new vessel deliveries will drop considerably. At the same time, the scrapping of old ships is accelerating for many reasons. These include stricter regulations on the age of ships entering loading ports, the increasing obsolescence of old ships due to rapid advances in fuel performance, and the high price for scrapped or sold vessels. Furthermore, because it has become increasingly difficult to recover the large costs of repairs amid the soft market, some companies are moving to scrap vessels under 25 years old. Our voluntary initiatives to combat excessive supply pressures include laying up vessels and making greater use of slow steaming. In fiscal 2012, we have decided to scrap or lay up between 10 and 20 Capesize bulkers. We will widen the target age for ships to be scrapped from 23 years to 15 years, and have already decided to scrap 5 vessels by the end of March 2013. We will also consider scrapping additional vessels[*2].

*2 In order to control the market risk of spot vessels, we plan to scrap more vessels from all of the four types of bulkers where the ship price is higher than the market price, as well as return vessels to their owners by terminating time charters.

In 2012, a record 300 or more Panamax bulkers are expected to be delivered, suggesting market rates will soften further. However, there are close to 200 vessels on the market aged 25 years or older. Therefore, as with Capesize bulkers, there remains the possibility that more vessels will be scrapped than in a typical year due to the market malaise. While there are outstanding orders for Handymax bulkers and Small Handy-size bulkers, many vessels will be scrapped[*3] going forward, because there is a large number of old vessels, as with Panamax bulkers. This suggests that any possible increase in supply-side pressure is limited.

*3 It has been confirmed that 123 Small Handy-size bulkers were scrapped in the first half of 2012 and about the same number (161) were delivered.

MOL's dry bulker divisions have consistently implemented a strategy of expanding their dry bulker fleets. For the time being, however, we will restrict any increase in new vessels, excluding vessels where they have long-term contracts in place.

Our policy going forward is to put priority on securing medium- to long-term contracts that are the source of highly stable profits. At present, approximately 70% of our Capesize bulkers and approximately 30% of our general cargo bulkers have medium- to long-term contracts, as mentioned earlier. We aim to raise the proportion of these types of contracts slightly for Capesize bulkers and to 40% to 50% for general cargo bulkers as a way of reducing freight rate fluctuation risk. That said, we will respond flexibly to meet customer needs no matter what the length of contract as a way of ultimately winning more advantageous long-term contracts. We must not forget that this is our greatest strength. For this, we must maintain a certain number of free vessels, so our policy in this regard will not change in the future. Since our response now when market rates are soft will determine the size of our profits when market conditions recover, we will continue to carefully re-shape our fleet, taking into consideration freight rates for each type of vessel, ship prices, trade volume, the order book for vessels and other factors.

In the dry bulker business, we are seeing a trend for customers to select shipping companies based on their ship management, environmental initiatives and other qualities. For instance, RightShip, which is run by Australian resource majors and other parties, rates the safety risk of dry bulkers on a scale of one to five stars after inspecting vessels. Our fleet of bulkers is highly ranked as a whole, which has increased our competitive edge further.

BULKSHIPS Tankers

TSUNEO WATANABE
Senior Managing Executive Officer

The VLCC *KAZUSA*
(Keiyo Sea Berth, Chiba)

Fiscal 2011 in Review

The tanker business operates five types of vessel: crude oil tankers, product tankers, chemical tankers, LPG tankers, and methanol tankers. In fiscal 2011, most of these tanker types endured depressed markets, which resulted in the tanker division continuing to record a loss as a whole. The Lehman Shock in 2008 caused a drop in oil demand while many new vessels were delivered onto the market. The gap between supply and demand deteriorated as a result and with this gap remaining unresolved, the market has been stagnant for the past three years.

The number of Very Large Crude Oil Carriers (VLCCs), the largest class of crude oil tanker, stood at 540 vessels worldwide at the beginning of 2011. By the end of 2011, the number had risen 7% to 578 vessels, with 63 new vessels delivered and 25 scrapped during the year. On the other hand, the seaborne trade volume of crude oil was largely unchanged from the previous year in 2011, widening the gap between supply and demand. Shipowners have tried to curb supply through slow steaming and layups. However, these actions have failed to absorb the overall increase in ship supply. This temporarily created extremely challenging conditions, highlighted by operating profit, the net result of freight revenues minus operational expenses, falling close to zero from July through the middle of October 2011. There was a slight change in market conditions from the beginning of winter when demand tends to increase. Although oil imports by the U.S., Japan and other countries declined, there was an increase in Middle East cargoes as China imported more oil, and China and India went further afield to find supply sources to avoid Iranian cargo risk. For these and other reasons, market rates began turning upward from February 2012, which resulted in comparatively firm volume in March and April in spite of a low demand period every year.

Product tanker rates spiked temporarily on routes west of the Suez Canal on the back of increased gas oil exports from the U.S. to Europe and South America. Conversely, market conditions remained challenging on routes east of the Suez Canal. One reason was a slight drop in demand for naphtha for Asia because some refineries in Taiwan halted operations and demand fell in China for ethylene. Another reason was that long-distance transport demand (from Asia to South America, and Asia to Europe) almost dried up.

As for chemical tankers, the supply-demand balance for stainless steel cargo tank vessels came close to the level of 2007 when the chemical tanker market was at a record high. However, as chemical tankers with coated tanks compete for some of the same cargo as product tankers, the chemical tanker market overall has not fully recovered.

Regarding Very Large Gas Carriers (VLGC), which have a cargo tank capacity of over 70,000 m^3 and are the main class of LPG carrier, we operate these vessels in a pool with a Qatar shipping company through an MOL subsidiary. In 2011, the supply-demand balance for VLGCs improved on the back of higher LPG exports from Qatar and Abu Dhabi. As a result, freight rates shot upwards, after languishing for several years. At present, around 130 VLGCs are in operation around the world. There is unlikely to be a supply glut in this market, because there are comparatively few scheduled deliveries of new vessels and there are only three shipyards in the world that build VLGCs. For this reason, the supply-demand balance looks set to remain stable going forward.

MOL began operating methanol tankers as a specialized vessel before any other shipping company. It has 17 vessels operating on long-time charter contracts and commands a market share of approximately 40%. In addition, MOL transports UAN (liquid fertilizer) and ETBE (a gasoline additive) on consecutive voyage charter contracts.

Looking Ahead

The oil tanker market is undergoing dramatic change. The emergence of shale oil is expected to result in a drop in transportation of crude oil to the U.S., which has been a long-distance transportation route. On the other hand, the decline should be eclipsed by increased transport demand from emerging markets, namely China and India. It is almost certain that oil tanker ton-miles will increase. With petroleum products, there is a strong regional flavor to demand. In Asia, demand is high for naphtha and heavy oil, whereas in Europe and the U.S. demand is high for diesel and gasoline, respectively. If the U.S. becomes an exporter due to increased production of shale oil, this would spawn new demand for transporting naphtha to Asia and gas oil to Europe.

The product tanker *HAIMA*
(Off the coast of Chiba)

In terms of vessel supply, more than 60 VLCCs are scheduled for delivery in 2012, followed by more than 40 in 2013. However, deliveries are expected to drop to 30 to 39 vessels in 2014. Furthermore, the 60 VLCCs aged 15 years or older around the world are expected to exit the market sooner or later.

In fiscal 2011, MOL scrapped 5 double-hulled oil tankers (4 VLCCs and 1 Suezmax), the first in the world to do so. We did this because we have begun to see a gap opening up in freight rates around the 15-year mark, as oil majors and other charterers begin to avoid old vessels, reflecting increasing environmental consciousness. Safe operation standards are strict for oil tankers, meaning it becomes unprofitable to operate old vessels due to the high maintenance costs and costs related to vessel inspections. Another reason for scrapping vessels is that the scrap price remained high. Initially, we thought about selling these vessels as second-hand vessels. However, we ultimately chose to scrap them, concluding that withdrawing them from the crude oil transportation market would help to create a sustainable market in the future.

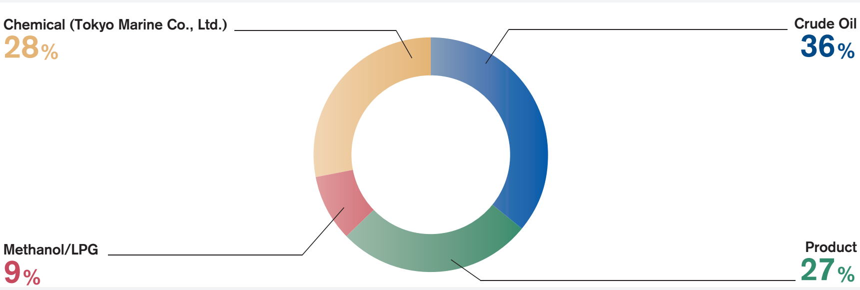
With product tankers, the market languished in 2008 and 2009 because of the large supply of ships. However, vessel deliveries have now declined. The net increase of product tankers is forecast to decline further in 2012 when the removal of vessels by scrapping is taken into consideration, so we believe that a market recovery is taking shape. There is also positive news for growth in ton-mile in the form of refinery closures in Europe and the U.S. and the construction of new refineries in the Middle East and elsewhere. MOL expects these factors to contribute to product tanker earnings going forward.

As mentioned previously, ocean transport is growing most of all to Asia. The main hub for this is Singapore. That's why MOL has moved its sales and operation bases to Singapore, so that we can pick up on customer needs in close proximity to them and drive growth in business for spot vessels. In a related move, in May 2011 we jointly established Straits Tankers Pte Ltd, a ship pool management company for LR1 product tankers (approx. 75,000 DWT). This company operates more than 30 LR1 vessels at present. In a move related to VLGCs, since August 2011 we have been operating VLGCs in a pool through our Singaporean subsidiary. In another move, in January 2012 we established Nova Tankers A/S as a VLCC pool management company together with four other companies, including Maersk Tankers. Nova Tankers began operations in February 2012 and all of our spot operations have been transferred to this company. Nova Tankers plans to expand the number of vessels in the pool to approximately 50 by the end of 2012. Young vessels, sophisticated vessel management capabilities and the sound financial bases of the partner companies will be the source of this VLCC pool's competitiveness. As with other pools, it will leverage economies of scale to provide high-quality services in all sea areas to garner more support from customers. At the same time, it is expected to support mutual development of the partners by raising efficiency in vessel allocation through reductions in ballast voyages and by sharing vessel allocation knowhow within the pool.

Boosted by the projects and strategies above, MOL will cement its solid position in the oil tanker market, which is expected to grow over the medium and long terms, as the tanker operator boasting the largest fleet in the world.

Consolidated Revenues Breakdown

(Results in FY2011)



BULKSHIPS LNG Carriers

KAZUHIRO SATO
Senior Managing Executive Officer

The LNG carrier *BEN BADIS*
(off the coast of Cape Town, South Africa)

Fiscal 2011 in Review

The LNG carrier business supports MOL's highly stable profits. Almost all of our roughly 70 vessels operate on long-term contracts. In fiscal 2011, while both sales and earnings declined compared with fiscal 2010, this result was in line with our expectations because the long-term contracts of some vessels expired.

The spot charter rate for LNG carriers in fiscal 2011 remained high at US$100,000 per day. There were three main reasons for this. First was higher LNG imports to Japan. Since the stoppage of operations at the Fukushima Nuclear Power Station in 2011, Japan has imported 78.5 million tons of LNG, with 8.5 million tons procured on the spot market, as fuel for thermal power generation, the equivalent of approximately 120 cargoes (for a standard size of vessel). In addition, supply sources are diversified and some LNG is now being transported over long distances from countries like Nigeria. The second reason is that South Korea procured 6 million to 7 million tons of LNG on the spot market in 2011 to meet higher demand during the winter months, as it did in the previous year. Thirdly, winter demand also increased in South America. While the volume was only 2 million tons, it helped in terms of ship allocation efficiency, because the period of strong demand in South America is opposite to the Northern Hemisphere. With LNG also being transported over long distances from Qatar and other places in the Middle East, this factor has had a major impact on increasing ton-mile and spurring market conditions.

We are steadily building up long-term contracts with power and gas utilities in Japan and are fielding more and more inquiries. Furthermore, steady progress is being made with the ExxonMobil-led joint China LNG transportation project. MOL has sent six engineers to Hudong-Zhonghua Shipbuilding (Group) Co., Ltd. and they are working well with the team there, making steady progress toward the start of actual shipbuilding in the summer of 2012. As LNG demand is expected to increase in China going forward, MOL believes that this forging of relationships with local ocean transport companies and shipbuilders to enter the Chinese market will give it a major advantage in securing future projects.

In fiscal 2011, we won an order to transport LNG within the coastal waters of Indonesia. This project involves the transportation of LNG from production sites in Indonesia to a floating storage and regasification unit (FSRU*1) off Jakarta. Ordinarily, countries impose strict regulations on foreign-owned shipping companies entering the domestic coastal shipping business. However, this contract stems from the long-standing relationship of trust and track record in LNG transport with Indonesia since 1986. This new business model established together with a local partner in Indonesia, where LNG demand is expected to grow, will be a source of momentum for capturing demand in the future.

MOL is also actively targeting offshore businesses. We have already decided to invest in two projects for providing FPSOs*2 to Petrobras. The first project began operations in October 2010. The second project plans to commence operations in the summer of 2014. At the same time, we have begun Japan's first STS*3 operation in Hokkaido, as part of measures to ensure stable supplies of natural gas during the winter. This is one example of the utilization of old vessels. We will continue to explore the use of vessels as storage vessels.

*1 FSRU (Floating Storage and Regasification Unit): A facility for storing LNG offshore, where it is returned to its gaseous form for distribution by pipeline to land.
*2 FPSO (Floating Production, Storage and Offloading system): A facility for producing oil and gas offshore. The oil is stored in tanks in the facility and directly offloaded to tankers for direct transport to the destination.
*3 STS (Ship to Ship) A ship-to-ship (STS) transfer operation is the transfer of cargo between seagoing ships positioned alongside each other, either while stationary or underway. Where facilities at the receiving port are small, a large vessel carries its cargo to an area offshore at which point it is offloaded onto small and medium-sized vessels for transport to the receiving facilities. Conversely, at loading ports where large vessels cannot enter port, small and medium-sized vessels ferry cargo to the waiting large vessel offshore, where it is offloaded for transportation to its destination.

Looking Ahead

At present, there are still speculative orders for LNG carriers due to the high charter rates for spot vessels. More than 70 LNG carriers will be delivered between 2013 and around 2015. As a result of this, the number of LNG carriers worldwide is expected to increase from approximately 370 at present to around 440 in 2015,

The LNG carrier *LNG AQUARIUS* (left) offloading to an FSRU (Jakarta, Indonesia)

suggesting that spot charter rates will be soft after 2013.

However, we believe that the vessel supply-demand balance will tighten again due to the full-scale start of operations at projects currently under development in Australia and elsewhere in 2015. We estimate that between 90 and 100 vessels will be needed to meet this additional demand in the future by 2020. Increased supply from the new vessels to be delivered from 2013 will be absorbed by the start of operations at new projects. We therefore believe that there will once again be a shortage of vessels from around 2016.

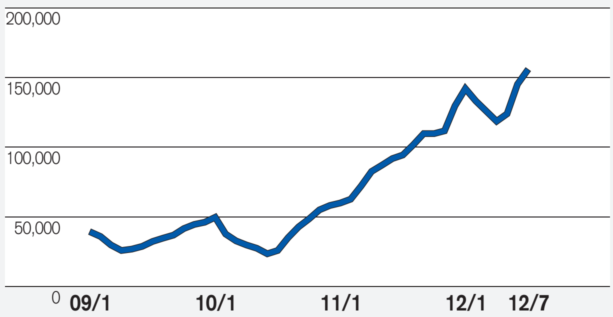
We also see offshore businesses as attractive businesses because of prospects for demand growth. Looking ahead, oil, gas and other resource development projects will probably involve exploration at even deeper levels below the earth and the sea floor as surface resources are depleted. This spells higher demand for FSPO, which can operate for deepwater projects of more than 1,500 m. And demand for FSRUs for major cities where large-scale LNG receiving terminals cannot easily be constructed on land will also increase. We will therefore continue proactively to develop offshore businesses.

We believe that our safe operation skill and expertise will be a source of competitiveness in our LNG business going forward. At present, the safety standards demanded by customers are rising year after year not only in terms of operations but also the process of building new vessels. These trends play to our strengths. Our advantage lies in the fact that we have an extensive track record of developing and building vessels with high levels of safety together with shipyards since the earliest days of the LNG business in the 1980s. MOL is also aware of the high-level operational safety standards*4 required by the industry group of oil majors, which exceed the International Safety Management (ISM) certification level. More and more customers are evaluating not only costs but also quality when they select a shipping company. This will only serve to bolster our market standing.

*4 A management system of ship management companies, which is called TMSA (Tanker Management and Self Assessment), of the Oil Companies International Marine Forum (OCIMF)

LNG Carrier Spot Market

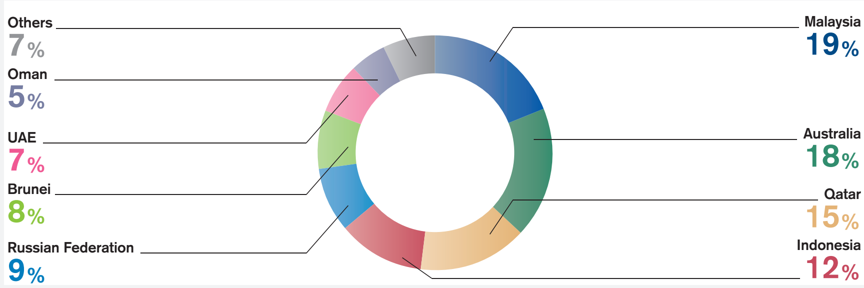
(US$/day)



Source: MOL internal calculations based on Gibson LNG Report

Japan's LNG Imports by Country

(%)



Source: BP Statistical review of World Energy 2012

BULKSHIPS Car Carriers

TAKASHI KURAUCHI
Senior Managing Executive Officer

The Hybrid Car Carrier *EMERALD ACE*
(Off the coast of Tomogashima, Wakayama Prefecture)

Fiscal 2011 in Review

Worldwide vehicle sales in 2011 reached 75 million, bettering the record level set in 2007. The number of vehicles transported by sea worldwide reached approximately 12.5 million, closing in on the record of 13 million. Supported by this growth, we transported a record 3.65 million vehicles as we overcame the impacts of the Great East Japan Earthquake and the flooding in Thailand to post a profit.

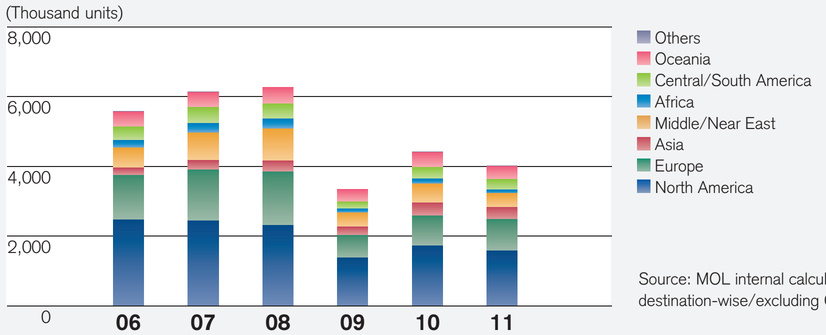
In the first half of fiscal 2011, vehicle shipments from Japan, which average approximately 0.4 million units a month, almost stopped in April 2011 because of supply chain disruptions at automakers caused by the Great East Japan Earthquake. Shipments in May and June 2011 were down 60% and 35% year on year, respectively. This caused us to fall into the red on a monthly basis due to a dramatic decline in operating efficiency of the car carriers we operate. Thereafter, we saw a recovery in units produced in and exported from Japan at an astonishing speed as automakers worked hard to restore operations. But the speed of the recovery was slowed by a decline in plant capacity utilization resulting from electricity usage restrictions during the summer, stagnation in shipments from Thailand in the wake of the November 2011 floods, the sluggish European economy stemming from the debt crisis, and the yen's appreciation undermining the competitiveness of vehicles made in Japan. However, we were able to stay in the black for the full year, due to our efforts to effectively utilize our vessels by expanding cross trade and rigorously implementing slow steaming.

We saw further expansion of trade in fiscal 2011 in terms of cross trade and inbound trade. With regard to the latter, trade volume to China of luxury European-made cars increased on the tailwind of the weak euro. In cross trade, meanwhile, in addition to the core Europe-North America route, we saw increased exports from Thailand and India in Asia, as well as brisk trade from Mexico and Brazil in the Atlantic sea area, where we have long had a presence. In the Atlantic sea area, the key to being the shipping company of choice for customers is having the capability of creating and operating routes at will in response to diversifying transportation needs, and a fleet of a certain size for that. For example, MOL's mainstay "4 Continents Express Service" provides regular services with dedicated vessels, resembling the containership business. We have established a stable service network, which starts with the export of cargoes from South Africa, and then the collection of additional cargoes from Europe, North America and South America to minimize voyages with empty vessels where possible. We endeavor to maintain regular services by making full use of our worldwide network, which enables us to arrange alternate vessels if there is a scheduling conflict due to bad weather, port congestion or other circumstances.

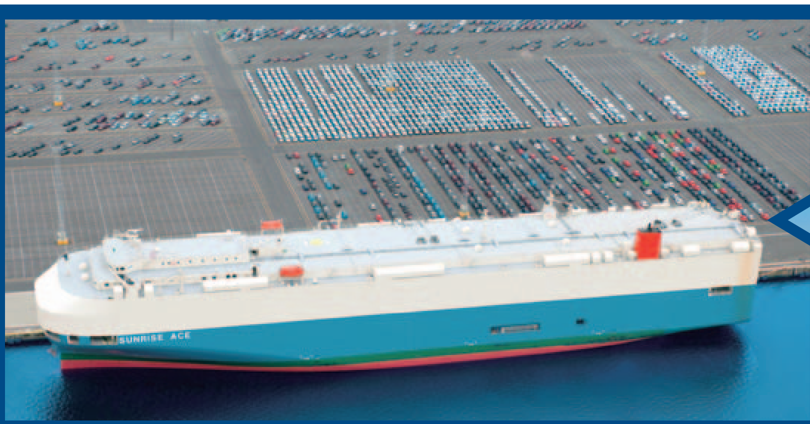
Looking Ahead

The number of automobiles sold worldwide is projected to grow to 80 million in 2012, 90 million in 2015 and 100 million in 2020, driven by India, Brazil, Russia, China and other emerging markets. In industrialized nations, there are no prospects for an immediate recovery in sales in Europe, because of the impact of the debt crisis. But sales of compact cars and hybrids are increasing in the U.S., as the price of gasoline rises. The peak level of 17 million units

Car Export from Japan



Source: MOL internal calculation; destination-wise/excluding CKD



The car carrier *SUNRISE ACE*
(Zeebrugge, Belgium)

a year is probably unattainable, but we believe that car sales in the U.S. will range from 13 million to 15 million.

The number of vehicles transported by sea is projected to recover to the 13 to 14 million level around 2013 in line with this projected increase in vehicle sales. Transportation patterns will probably diversify further as well. Thailand and South Africa have already emerged as major car exporters, with India likely to join their ranks as an export nation. India exported 0.5 million vehicles in 2011, but this number is set to grow to over 1 million vehicles in the future. In addition, seaborne trade is expected to diversify, with vehicles shipped from production bases around the world such as Mexico, Brazil, Turkey and Morocco to a multitude of broadly scattered consumption regions. And naturally if there is a correction in the yen, Japan-made vehicles will regain competitiveness, raising prospects of a return to shipments of around 4.5 million units from Japan.

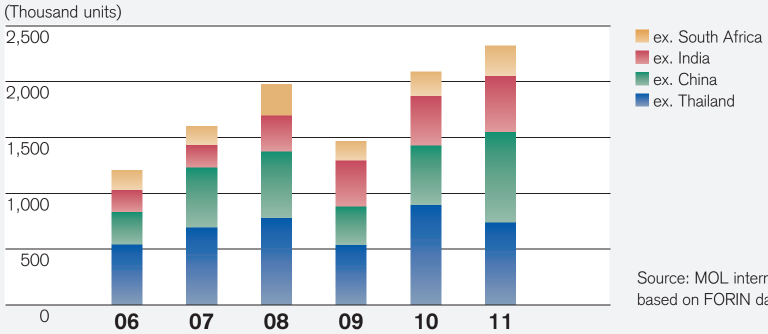
As seaborne trade diversifies, MOL will align its fleet with priority put on standardizing vessel size. In recent years, companies in the industry have looked at increasing the size of car carriers. But in the transport of vehicles by sea, where there are dizzying changes in route patterns, we believe that we can raise the competitiveness of our services by working on efficient ship allocation and operations, with an emphasis on improving fuel efficiency. For this we have decided that 6400 RT-type car carriers, the largest vessels at present, are the basic standard. Of course, we will also keep an eye on the development of larger vessels.

In emerging markets, the infrastructure on land has a huge impact on the increase in automobile exports. For this reason, MOL is participating in a terminal business, for example, at Ennore Port in India, as well as inland transport and other businesses within the country. However, when investing in land vehicle distribution, we believe it is important to ensure that we can generate synergies with our core ocean transport business. In addition to Ennore Port, we are also involved in terminal businesses in Australia and Turkey. All these businesses have helped strengthen relationships with customers that have made inroads in these local markets.

Safe operation is imperative to deliver the cargo, which has been entrusted with us by customers, safely to its destination. We are working to prevent serious marine incidents by strengthening cooperation with the round-the-clock Safety Operation Supporting Center (SOSC). At the same time as ensuring safe operation as our top priority, we aim to achieve a cargo damage incident rate of zero, and will work on initiatives in terms of vessels and equipment, services, management structures and other aspects of our operations to achieve this. Specifically, our dedicated marine technical staff inspect vessels and ensure close communication with sales staff, as well as look to innovate in terms of making stowage plans for cargoes and preventing damage to vehicles during transport.

In March 2012, we launched the *Emerald Ace*, a hybrid car carrier that aims for zero emissions while at berth. This is the first vessel built under our *Senpaku ISHIN* project for developing eco-ships. Going forward, we will continue working to reduce the environmental impact of our ships in accordance with the Group Corporate Principles.

Car Export from Emerging Countries



Source: MOL internal calculation based on FORIN data etc.

CONTAINERSHIPS

JUNICHIRO IKEDA
Managing Executive Officer

The containership *MOL MAXIM*
(Cai Mep Port, Vietnam)

Fiscal 2011 in Review

In fiscal 2010, our containership operations posted ordinary income of ¥38.8 billion, surmounting the market turmoil following the Lehman Shock of 2008. However, fiscal 2011 saw competition based on freight rates reignite among containership companies due to a large number of new vessel deliveries. The much higher bunker price exacerbated the difficult market conditions. As a result, our performance deteriorated sharply in fiscal 2011, as we recorded an ordinary loss of ¥29.9 billion.

World containership trade volume in 2011 rose 7.4%, while supply increased 8.8%*1. Looking at the market as a whole, there was no marked deterioration in the supply-demand balance. However, vessel supply increased 8.8% on the core East-West routes, despite demand growing by only 0.5%. This increase in supply was prompted by signs of economic recovery in Europe and the U.S. in 2010. Shipping companies introduced large vessels onto the East-West routes and reopened some loops based on bullish forecasts of 5–6% growth in demand. However, cargo volume failed to grow even after the summer due to the impact of the European sovereign debt crisis, excessive stock buildup in North America, and other factors. As a result, the supply-demand balance worsened, triggering a large drop in freight rates, particularly on Europe routes. Companies eventually moved to slash cargo capacity from around the fall of 2011, but the much lower freight rates did not recover significantly.

Consequently, our containership operations fell heavily into the red on Europe routes, where the drop in freight rates was most pronounced. Even U.S. routes, where the freight rate drop was smaller than Europe routes, fell into the red due to sluggish cargo growth.

*1 2011 calendar basis. Source: Drewry

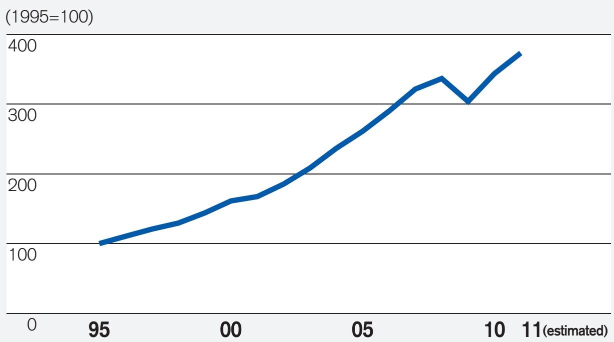
In fiscal 2011, the much higher bunker price weighed heavily on our performance. The average bunker price rose to US$667/MT in fiscal 2011 from US$490/MT in fiscal 2010, negatively impacting our earnings by more than ¥10 billion.

Intra-Asia routes registered the most growth in cargo. But here too the supply of vessels increased, as many companies entered the routes. Market trends were not bad, however, freight rates did not rise enough to cover the higher bunker price.

On North-South routes, cargo movement was strong particularly on East Coast of South America routes. However, the continual opening of new routes has increased supply as a whole, negatively affecting rates.

In our terminal business, which complements our containership business, our basic strategy is to run our own terminals, with the aim of strengthening our containership business and improving its competitiveness. Although terminal business earnings fluctuate depending on the volume of cargo handled, this business can expect a certain level of earnings consistently compared with the high-volatility containership business. True to this, the domestic terminal business posted consistent profits in fiscal 2011. Overseas, TraPac, Inc., which runs our North American terminal business, saw the volume of cargo handled fall more than expected at the Jacksonville Container Terminal, despite volume being firm overall. The terminal business at Cai Mep Port, which began operations in January 2011, is performing well, and the terminal in

Containership Seaborne Trade



Source: MOL internal calculations based on Clarkson Shipping Review & Outlook Spring 2012

Rotterdam Port is making steady progress with preparations for our starting operations in 2014.

MOL Logistics (MLG), the MOL Group's core forwarder operator, posted higher-than-expected earnings, due to cost reductions as well as increased volume spurred by the global economic recovery. Furthermore, MOL Consolidation Service*2 handled more individual units of cargo. In addition to the network provided by MLG, an MOL local subsidiary is developing a direct logistics business in Thailand, which has raised convenience for customers and translated into improved sales. In these and other ways, we are capturing greater synergies with the containership business. We view our local subsidiary network as an important asset that we plan to leverage to seize business opportunities, especially in emerging markets in Asia.

*2 MOL Consolidation Service provides a service for supporting so-called buyer's consolidation, whereby it packs containers for individual buyers with small cargoes from many different sellers.

Looking Ahead

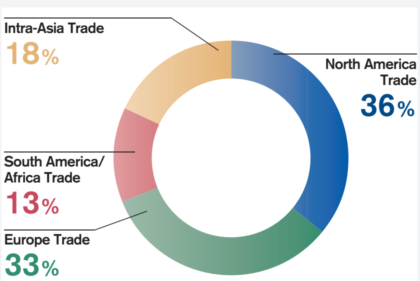
Market conditions for containerships in fiscal 2011 were extremely difficult. Nevertheless, we have seen a rapid recovery since the end of fiscal 2011, with freight rates rising on the East-West routes. This should contribute considerably to an earnings recovery in our containership business in fiscal 2012, although it is uncertain how much freight rates can be restored and maintained.

In 2012, demand is only expected to grow around 5%, versus a 7–8% increase in the supply of vessels across the world. Judging from vessel supply and demand alone, we cannot expect a marked recovery in freight rates. However, a critical difference from 2011 is that all containership companies probably share a sense of crisis about the business environment having posted huge losses. In fiscal 2011, containership companies tried to grab greater market share. However, they seem to no longer be doing the same thing. In fiscal 2012, they have a stronger resolve than ever to restore freight rates, which should support an upturn in rates.

In order to provide stable services to address the high volatility characteristic of the containership business, we formed a new alliance, The G6 Alliance, in March 2012. The alliance members are now cooperating on the allocation of vessels on the Europe routes. The G6 Alliance is made up of companies that formerly belonged to The New World Alliance (MOL, APL (Singapore) and Hyundai Merchant Marine (South Korea)) and The Grand Alliance (Nippon Yusen Kaisha, Hapag-Lloyd AG (Germany) and Orient Overseas Container Line (Hong Kong)). This alliance is providing high-quality services by jointly operating 6 loops between Asia and North Europe, and 2 loops between Asia and the Mediterranean, for a total of 8 loops covering more than 25 countries and 40 ports. The establishment of The G6 Alliance will enable us to fashion a lineup of large vessels that can match the top-ranking containership companies and slash costs. We will also be able to make direct port calls to ports we were unable to cover with services up to now, dramatically expanding our coverage. G6 can provide a service comparable with that of the sector's largest players in terms of cargo capacity, ports and port call frequency. That has added up to much greater satisfaction for our customers.

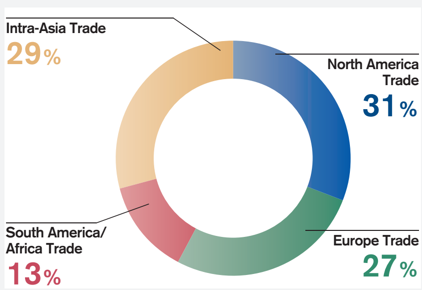
Revenue by Trades

(Results in FY2011)



Capacity by Trades

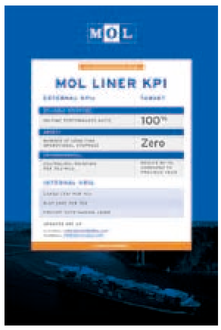
(Results in FY2011)



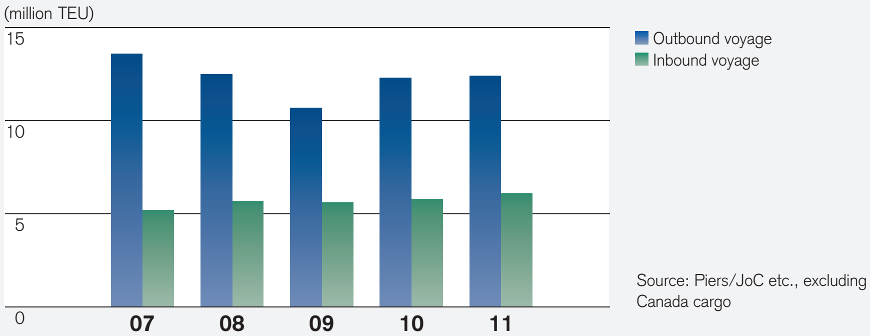
The containership *MOL PREMIUM*
(Los Angeles, USA)

We will push ahead with our strategy to differentiate MOL's containership operations, namely establishing the "MOL Liner" brand. In a fiercely competitive environment, one of our key strategies is to create points of difference from other companies, rather than merely trying to survive by offering low freight rates and holding down costs. Indeed, we want to distinguish MOL in terms of the high quality of the services, offering more and better customer services and providing on-time vessel arrival. We demonstrated this public service commitment to customers in March 2012 by announcing the "Count on MOL" project. We set targets for three KPIs common throughout the world for our containership service. Specifically, for operations the KPI is the vessel on-time performance percentage, while for the environment it is the reduction ratio of CO_2, NOx and SOx, and for safety it is the number of long-time operational stoppages per year for 3 or more consecutive days. What's more, we regularly announce our performance in terms of these KPIs on a special website.

Over the past several years, each company has been working to improve cost competitiveness in the containership industry. However, those actions have also brought about noticeably lower on-time performance and lower quality of customer service. By improving our performance in terms of the 3 KPIs above as a competitive advantage, we believe we will capture more business opportunities. At the same time, publicizing the KPIs should stimulate and test our organization internally. And we plan to gradually increase the number of these KPIs. For example, we announce the percentage of calls lost in our contact center and truck waiting times at terminals only for the North American region at present. We, however, plan to proactively disclose these and other quantifiable measures of service performance in our containership operations as KPIs common all over the world. This shows how committed we are to improving our service quality.

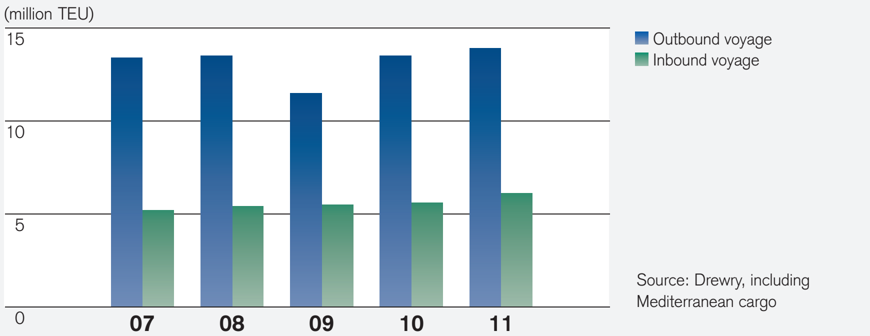


Asia-North America Container Trade Cargo Movements



Source: Piers/JoC etc., excluding Canada cargo

Asia-Europe Container Trade Cargo Movements



Source: Drewry, including Mediterranean cargo

FERRY & DOMESTIC TRANSPORT

MASAHIRO TANABE
Managing Executive Officer

The ferry *SUNFLOWER PEARL* (Kobe)

Fiscal 2011 in Review

Over the past few years, the ferry division has cut costs and rationalized operations on the Western Japan route (Kansai–Kyushu). As a culmination of these actions, we integrated two companies in October 2011, The Diamond Ferry Co., Ltd. and Kansai Kisen Kaisha, to form Ferry Sunflower Ltd. Meanwhile, on the Eastern Japan route (Kita-kanto–Hokkaido), where profitability has been good, we had to call into Tokyo Port as an alternative port for roughly three months due to damage to Oarai Port, the mother port on the Kita-Kanto side of this route, sustained in the March 2011 Great East Japan Earthquake. This resulted in higher fuel and other additional costs since the distance of a voyage became longer and the number of voyages dropped. Profitability took a hit because we were unable to charge additional fares.

Cargo temporarily increased in the immediate aftermath of the Great East Japan Earthquake as relief supplies such as food and water were moved from western to eastern Japan. Overall, however, cargo declined slightly. We believe that we will begin to see an increase in seaborne transport volume in line with recovery and reconstruction in fiscal 2012.

Passenger numbers remained sluggish, with the disaster negatively affecting domestic consumer sentiment and foreign passengers on group tours dropping. In fiscal 2011, in the hope that people would rediscover the beauty of the Seto Inland Sea route, we offered "Revival of Daytime Seto Inland Sea Route," daytime services for cruising scenic tourist spots. This service was well received. We also implemented a plan to promote the convenience of ferries, called "Dangan Ferry." This included a service whereby passengers stayed two nights on the ferry but no nights on land. The round trip was made while passengers were sleeping, allowing them to use the daylight hours for business or pleasure.

Our domestic transport businesses performed strongly on the back of increased demand for heavy-oil tankers, the result of power companies diversifying fuel supply sources after the Great East Japan Earthquake caused the stoppage of operations at nuclear power plants. On the other hand, mainstay steel product cargo dwindled, reflecting a lackluster domestic steelmaking industry.

Looking Ahead

The Great East Japan Earthquake has focused attention on the importance of ferry transport in an emergency. But we believe we must widely communicate to the public the high productivity of ferries as a mode of transport. In the case of truck transport, if ferries are partly used, driving through the night will not be necessary, lessening the physical burden on truck drivers. If we can promote the safety, convenience and reliability of ferry services again to land transportation companies, we can raise the presence of ferries as a domestic transport mode.

Various factors create concerns about the outlook for passenger numbers. These include the slow return of overseas tour groups, the start of the Kyushu Shinkansen (Bullet train), and the arrival of low-cost carriers (LCCs) in Japan's airline industry. Nevertheless, we will continue working on increasing passenger numbers by raising customer satisfaction, which will entail refurbishing ferry interiors, improving the quality of food services, and enhancing service staff training. In regard to service personnel in particular, we will train staff on MOL Group cruise ships, so as to provide sophisticated services of that level on ferries as well.

In the domestic coastal shipping business, we project firm earnings growth, based on forecasts for increased heavy-oil transport to power companies and a recovery in crude steel production in Japan.

The ferry *SUNFLOWER COBALT* passes under Akashi Ohashi Bridge

ASSOCIATED BUSINESSES

MASAHIRO TANABE
Managing Executive Officer

The tugboat *KAMIYA* at work for the containership *MOL MARVEL* (Cai Mep Port, Vietnam)

The cruise ship *NIPPON MARU*

Fiscal 2011 in Review

The leased office market in Japan in fiscal 2011 saw increased demand for buildings with strong aseismic performance and emergency facilities in the aftermath of the Great East Japan Earthquake. Notwithstanding, vacancy levels remained high and rents also remained weak. Daibiru Corporation, our core company in the real estate business, operates a large number of high-quality properties in prime locations, which enabled it to once again deliver solid earnings. While no new buildings were opened in fiscal 2011, Daibiru focused on attracting tenants to buildings that began operations in fiscal 2010 and did splendidly in this respect.

SAIGON TOWER (Ho Chi Minh City, Vietnam)

Daibiru also announced "**D**aibiru-3**D**" Project Phase-II, a new medium-term management plan as a growth strategy. As part of this plan, Daibiru acquired "SAIGON TOWER" in Ho Chi Minh City, Vietnam, in January 2012. This is the first instance of the acquisition of an existing office building by a Japanese company in Vietnam. Meanwhile, Daibiru acquired "CLARA SAGINUMA," a nursing home property, in Japan in December 2011, beginning a business to accommodate new demand spawned by Japan's aging society.

In the cruise ship business, we faced an extremely challenging environment created by the psychological impact of the Great East Japan Earthquake, which caused people to give up luxury travel.

Our tugboat business operates 39 boats in Japan and 15 boats overseas. In 2010, we launched a business with two high-powered tugboats in Vietnam. In the first half of fiscal 2011, we faced a decline in port calls by car carriers. The second half of fiscal 2011, however, saw a recovery of car carriers' port calls and increased port calls by oil tankers and LNG carriers as power companies in Japan procured fuel for power generation. This second-half upturn drove a large increase in tugboat call-outs, which led to higher earnings.

Looking Ahead

In the real estate business, Daibiru Honkan and New Shin Daibiru (provisional name) will be completed in February 2013 and in the spring of 2015, respectively. Daibiru will continue to attract new tenants to maintain stable earnings. It will also actively invest in prime properties in its overseas business, where it has built a beachhead in Vietnam.

In our cruise ship business, regular customers are returning as the mood of self-restraint evident after the Great East Japan Earthquake dissipates. We expect people to re-discover the value of cruises as a meaningful use of time and money. We have been working to further improve cruises and on-board event planning and design, based on deeper analysis of regular customers' needs and requirements at each calling port. For example, we have held concerts on-board cruise ships by inviting famous artists for a certain cross section of passenger since fiscal 2011.

In the tugboat business, we will leverage our world-class skills and expertise to develop this business overseas, focusing on Asia.

Key Systems Underpinning MOL:
Corporate Governance and Corporate Social Responsibility

Contents

Board of Directors, Corporate Auditors and Executive Officers

(As of June 22, 2012)

AKIMITSU ASHIDA BORN 1943

Representative Director Chairman of the Board

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

KOICHI MUTO BORN 1953

Representative Director

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

TOSHITAKA SHISHIDO BORN 1953

Representative Director

- Apr. 1975 Joined Mitsui O.S.K. Lines, Ltd.
- Jun. 2002 General Manager of Car Carrier Division
- Jun. 2003 Executive Officer, General Manager of Car Carrier Division
- Jun. 2006 Managing Executive Officer
- Jun. 2009 Director, Senior Managing Executive Officer
- Jun. 2011 Representative Director, Executive Vice President, Executive Officer (current)

MASAFUMI YASUOKA BORN 1951

Director

- Apr. 1975 Joined Yamashita Shin-nihon Kisen
- Jun. 2002 General Manager of Coal and Iron Ore Carrier Division
- Jun. 2004 Executive Officer, General Manager of Coal and Iron Ore Carrier Division
- Jun. 2006 Managing Executive Officer
- Jun. 2008 Senior Managing Executive Officer
- Jun. 2009 Director, Senior Managing Executive Officer (current)

TSUNEO WATANABE BORN 1955

Director

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

SHUGO AOTO BORN 1952

Director

- Apr. 1976 Joined Mitsui O.S.K. Lines, Ltd.
- Jun. 2005 General Manager of Finance and Accounting Division
- Jun. 2007 Executive Officer General Manager of Finance and Accounting Division
- Jun. 2010 Managing Executive Officer
- Jun. 2011 Director, Managing Executive Officer (current)

TAKESHI KOMURA BORN 1939

Director

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

SADAYUKI SAKAKIBARA BORN 1943

Director

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

MASAYUKI MATSUSHIMA BORN 1945

Director

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

Corporate Auditors

JUNICHI NARITA BORN 1958

Corporate Auditor

Apr. 1981 Joined Mitsui O.S.K. Lines, Ltd.

Jun. 2008 General Manager of Logistics Business Division

Jun. 2009 Corporate Auditor of Mitsui O.S.K. Lines, Ltd. (current)

MASAAKI TSUDA BORN 1959

Corporate Auditor

Apr. 1981 Joined Mitsui O.S.K. Lines, Ltd.

Jun. 2006 General Manager of General Affairs Division

Jun. 2011 Corporate Auditor of Mitsui O.S.K. Lines, Ltd. (current)

SUMIO IIJIMA BORN 1941

Corporate Auditor

Apr. 1966 Attorney at law, Tokyo Toranomon Law office (current)

Jun. 2006 Corporate Auditor of Mitsui O.S.K. Lines, Ltd. (current)

HIROYUKI ITAMI BORN 1945

Corporate Auditor

Oct. 2008 Professor and Dean of Tokyo University of Science Graduate School of Innovation Studies (current)

Jun. 2011 Corporate Auditor of Mitsui O.S.K. Lines, Ltd. (current)

Executive Officers

AKIMITSU ASHIDA
Chairman

KOICHI MUTO
President

TOSHITAKA SHISHIDO
Executive Vice President Executive Officer
(Assistant to President)

MASAFUMI YASUOKA
Senior Managing Executive Officer
(Coal and Iron Ore Carrier Division, Bulk Carrier Division, Dedicated Bulk Carrier Division, Research Office)

KAZUHIRO SATO
Senior Managing Executive Officer
(LNG Carrier Division, MOL LNG Transport Co., Ltd.)

SOICHI HIRATSUKA
Senior Managing Executive Officer
(Human Resources Division, Marine Safety Division, Tanker Safety Management Office, MOL Ship Management Co., Ltd., MOL LNG Transport Co., Ltd.)

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

TAKASHI KURAUCHI
Senior Managing Executive Officer
(Car Carrier Division)

MAKOTO YAMAGUCHI
Managing Executive Officer
(Bulk Carrier Division, Dry Bulk Carrier Supervising Office)

KENICHI NAGATA
Managing Executive Officer
(Coal and Iron Ore Carrier Division)

SHUGO AOTO
Managing Executive Officer
(Finance Division, Accounting Division, Investor Relations Office)

JUNICHIRO IKEDA
Managing Executive Officer
(Liner Division)

MASAHIRO TANABE
Managing Executive Officer
(General Affairs Division, Group Business Division, Kansai Area)

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

KIYOTAKA YOSHIDA
Managing Executive Officer
(Technical Division)

HIROKAZU HATTA
Managing Executive Officer
(Human Resources Division)

TAKESHI HASHIMOTO
Managing Executive Officer
(LNG Carrier Division, Offshore Business)

TETSURO NISHIO
Managing Executive Officer
(Dedicated Bulk Carrier Division)

KAZUNORI NAKAI
Executive Officer
(Tanker Division)

MASAAKI NEMOTO
Executive Officer
(Marine Safety Division, Tanker Safety Management Office, MOL LNG Transport Co., Ltd.)

HIROYUKI FUKUMOTO
Executive Officer
(Car Carrier Division)

TOSHIYA KONISHI
Executive Officer
(Liner Division)

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

TAKASHI MARUYAMA
Executive Officer
(General Manager of Finance Division)

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

TAKAAKI INOUE
Executive Officer
(General Manager of Marine Safety Division)

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

YOSHIKAZU KAWAGOE
Executive Officer
(General Manager of Technical Division)

Corporate Governance

MOL's Philosophy and Past Management Reforms

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

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

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

Corporate Governance Organization

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

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

The Board of Directors

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

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

Deliberation on Corporate Strategy and Vision

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

Themes discussed in corporate strategy and vision deliberations held in fiscal 2011 (6 times)

May	2011	First-year summary of GEAR UP! MOL
July	2011	Vessel price trends—The reasons for changes and scenarios
September	2011	Prospects for LNG transportation
November	2011	Medium- to long-term prospects for car carriers
December	2011	The company's operating environment
February	2012	MOL's fleet portfolio

Executive Committee and Committees

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

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

GEAR UP Committee

Formulates and follows up on medium-term management plan proposals for MOL and the MOL Group; and executes the growth strategy in the "GEAR UP! MOL" midterm management plan and examines and discusses related matters.

Budget Committee

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

Investment and Finance Committee

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

Operational Safety Committee

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

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

CSR and Environment Committee

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

Compliance Committee

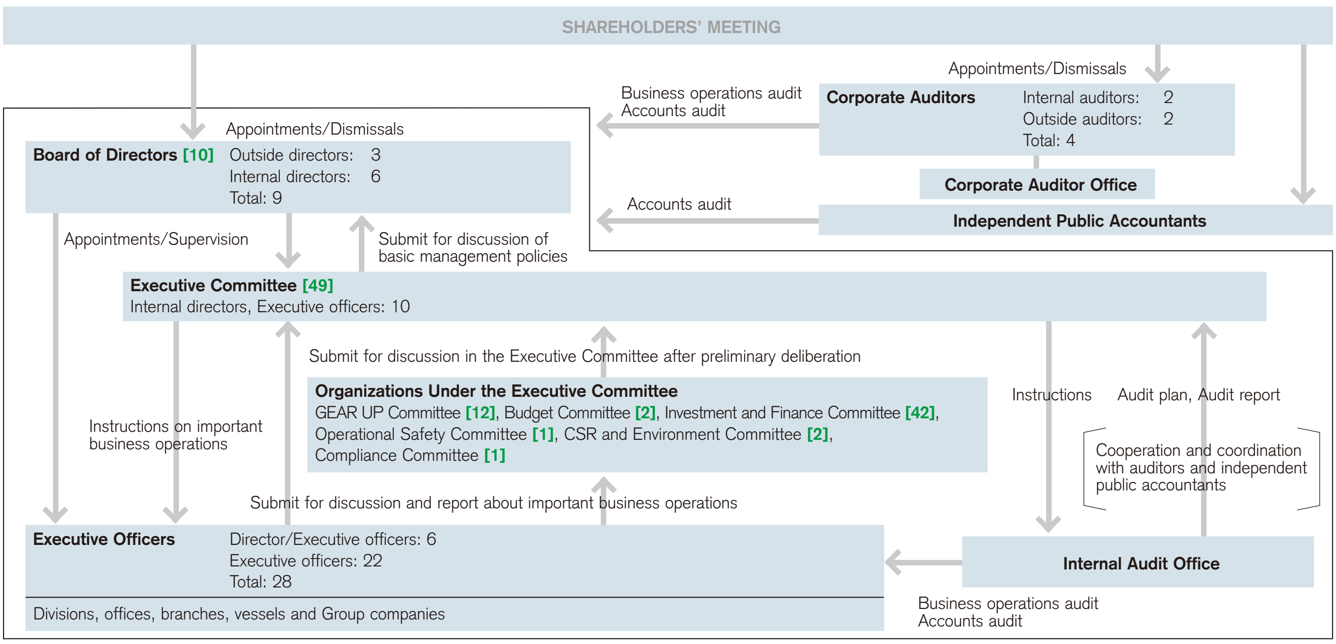
Studies and discusses the enhancement of the compliance system and actions for dealing with compliance violations; and matters related to establishing a structure for protecting and managing personal information, among other topics.

◘ Functions of Outside Directors and Reasons for Appointment

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

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

Corporate Governance Organization (as of June 22, 2012)



Numbers in brackets show the number of meetings of the Board of Directors, Executive Committee and their sub-committees during fiscal 2011.

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

(As of June 22, 2012)

Functions of Outside Corporate Auditors and Reasons for Appointment

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

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

(As of June 22, 2012)

Director and Corporate Auditor Compensation

The Board of Directors, including the outside directors, determines compensation for the directors and corporate auditors. Compensation paid to directors and corporate auditors in fiscal 2011 is shown in the following table.

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

Compensation for Directors and Corporate Auditors

	No. of people remunerated	Total remuneration (¥ millions)	(Thousands of U.S.$)
Directors (Excluding outside directors)	8	¥443	$5,390
Corporate auditors (Excluding outside corporate auditors)	3	80	973
Outside directors and outside corporate auditors	7	52	633

Compensation for Independent Public Accountants

	(¥ millions)	(Thousands of U.S.$)
Compensation for auditing services	¥110	$1,338
Compensation for auditing-related services	9	110
Total	¥119	$1,448

Compliance

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

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

The company works to assure a proper relationship with its independent public accountants. Compensation paid to independent public accountants in fiscal 2011 is shown in the table above.

Internal Control System

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

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

In fiscal 2011, MOL again assessed the status of the internal controls over financial reporting and the operation thereof, confirming that there were no major flaws in the MOL Group's internal controls over financial reporting. Going forward, the MOL Group will continue working to enhance its internal control system.

Independent Directors/Corporate Auditors

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

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

Annual General Shareholders' Meeting

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

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

Accountability

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

The distinguishing feature of our investor relations activities is that the president takes the lead in their implementation. In fiscal 2011, the president participated in the company's presentations of quarterly results and attended meetings with domestic and foreign investors. This reflects his conviction that it is the chief executive officer's responsibility to explain future corporate strategies to investors. The company is also aware of the need for full and fair disclosure to all investors, whether in Japan or overseas. At the same time, its quarterly financial results in Japanese are released over the Tokyo Stock Exchange's TDnet, the company posts them to its website with an accompanying English translation. The Japanese and English drafts of presentation materials are also posted on the website. This information is e-mailed on the same day to foreign investors registered with the company.

These types of activities have been highly evaluated, and in fiscal 2005, MOL received the Special IR Prime Business Award from the Japan Investor Relations Association (JIRA), which is presented to companies that have received the IR Prime Business Award three times. MOL also picked up the IR Prime Business Award again in 2008. Furthermore, in fiscal 2009 MOL was selected as one of the recipients of the Tokyo Stock Exchange's FY2009 Disclosure Award. Also, in the Nikkei Annual Report Awards, which are judged by institutional investors, MOL's annual report has been highly evaluated for its aggressive disclosure, winning the top prize once and the excellence prize three times.

The responsibility to provide information is not limited to management and financial issues. Accordingly, in regard to the four major marine accidents that occurred in fiscal 2006, MOL disclosed the situation directly after each incident, providing a total of 25 press releases for the four accidents. These accidents were highly regrettable, and MOL believes that it has a responsibility to disclose the situation to everyone who is directly or indirectly affected. While we will continue to do our utmost to prevent accidents, we will also maintain a policy of disclosing information, even if it is negative.

Risk Management

Fluctuations of Cargo Volume, Fleet Supply and Freight Rates

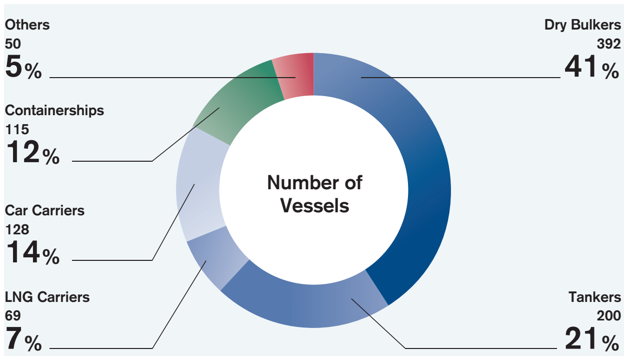
The global shipping business, like many other industries, is greatly affected by trends in the global economic cycle, and is thus subject to both macroeconomic risk, as well as business risk associated with trends in specific industries. There are a multitude of factors that are subject to change, such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

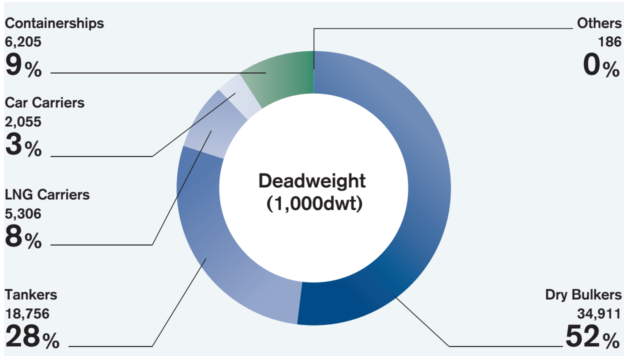
Diversifying Operations to Reduce Risk

MOL operates a "full-line marine transport group." As of the end of March 2012, our fleet consisted of 954 vessels ranging from dry bulkers and tankers to car carriers and containerships, capable of transporting a diverse range of raw materials and finished goods. Supply and demand trends fluctuate for each type of ship and each type of cargo. While there are some factors that are closely related, and affect all of these segments in the same way, there are also many factors which affect demand in each sector differently, so the impact in one sector offsets the impact in another in many cases. By maintaining a diverse, well-balanced assortment of ships, MOL can take advantage of this relationship to minimize risk and maximize return.

Fleet Composition (As of March 31, 2012)

(%)





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

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

International marine transportation is increasing, supported by emerging markets, which continue to grow on the back of robust internal demand. However, MOL's contracts are largely shielded from changes in the external environment, providing a stable source of profit. From a long-term perspective, the company aims to expand these stable sources of profit and thereby create an even steadier earnings structure. To achieve this objective, one of the options we will look closely at as a matter of priority is M&As in growing sectors which enjoy a relatively stable cash flow.

Exchange Rate Fluctuations

Apart from some Japanese clients, with whom MOL has concluded transport contracts on a yen-denominated basis, most transactions in the international marine transport business are concluded on a U.S. dollar-denominated basis. Since U.S. dollar-denominated revenue exceeds U.S. dollar-denominated expenses, when the yen strengthens against the U.S. dollar this can have a negative impact on Group earnings. In fiscal 2012, we project that each ¥1-per-dollar change in the yen-U.S. dollar exchange rate will have an impact of approximately ¥1.9 billion on consolidated ordinary income.

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

Interest Rate Fluctuations

MOL depends mainly on the issuance of corporate bonds and funds borrowed from banks and other financial institutions to meet working capital and capital expenditure requirements. Loans are denominated in either yen or U.S. dollars, with funds procured at variable interest rates affected by interest rate fluctuations. As of March 31, 2012, interest-bearing debt totaled ¥869.6 billion, and between 50% and 60% of that loan principal is locked in at a fixed interest rate. As a result, an increase of 1 percentage point in interest rates on both yen-denominated and U.S. dollar-denominated interest-bearing liabilities would impact annual consolidated ordinary income by approximately ¥4.0 billion. Although MOL has benefited from ultra-low interest rates in the aftermath of the Lehman Brothers collapse, the company is taking steps to mitigate the risk of a future interest rate rise. It plans to flexibly adjust the ratio of variable-rate and fixed-rate loans through interest swaps and other means according to changes in financial conditions, taking into consideration the balance between variable- and fixed-rate interest.

Bunker Price Fluctuations

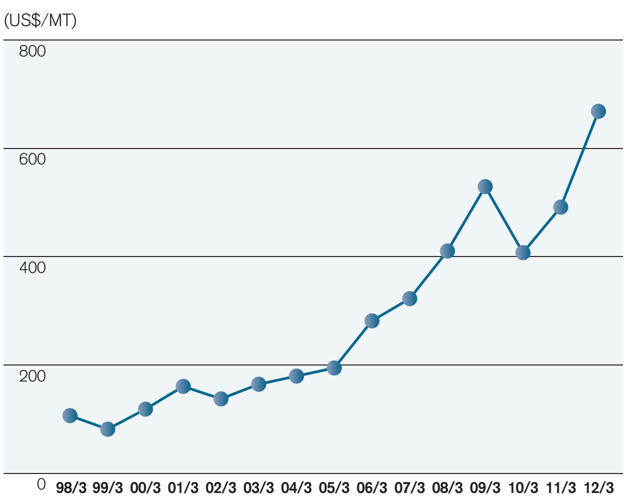
The market price of bunker is generally linked to the price of crude oil, and any increase in bunker prices has a negative impact on earnings for the MOL Group. The Group operates a fleet of approximately 950 vessels, whose annual fuel consumption amounts to around 6.5 million tons of bunker. The company is able to pass on about 60% of the risk to customers. Therefore, an increase of US$1 per metric ton in the average annual price of bunker would lower earnings by approximately ¥0.17 billion.

The International Maritime Organization has been considering possible measures to address the problem of sulfur oxide and nitrogen oxide emissions generated by ships. Generally, these regulations would take the form of restrictions on the sulfur content of bunker used by ships, or restrictions on the type of electrical generators and shipboard engines that vessels use, in order to reduce nitrogen oxide emissions. Although the details have not yet been clarified, new restrictions are due to be phased in over the period from 2010 to 2025. This is certain to increase fuel costs compared with the cost under present regulations. The company intends to take steps over time to pass on these higher costs via freight rate increases and higher charter fees.

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

Exchange Rate (¥/US$)	A ¥1 appreciation reduces ordinary income by approximately ¥1.9 billion
Interest Rate (%)	A 1 point rise in both yen- and U.S. dollar-denominated interest-bearing debt reduces ordinary income by approximately ¥4.0 billion
Bunker Price (US$/MT)	A US$1/MT increase reduces ordinary income by approximately ¥0.17 billion

Average Bunker Price



Vessel Operations

MOL operates a fleet of approximately 950 vessels, and it is therefore impossible to ignore the risks related to various incidents that may occur on the high seas. In order to prevent accidents, the company has introduced a variety of measures such as safety standards, a safety management system, comprehensive crew education and training, and new organizations to support safe operations.

Under the company's current midterm management plan, "GEAR UP! MOL," which was launched in April 2010, enhancing safe operations is one of three major strategies. The plan calls on the company to quantify safety and realize "4 zeroes*," enhance the capability to perceive danger which breaks the link in a chain of errors and make use of advanced IT. MOL plans to invest ¥24.0 billion over 3 years in these and other areas, with the overriding goal of becoming the world leader in safe operation.

* Prevent marine incidents, oil pollution, fatal accidents, and cargo damage

Budget for Safe Operation Measures (Three Years): Major Items

Breakdown		(¥ billions)
Operational	Operation of Safety Operation Supporting Center	¥10.5
	Securing and educating/training seafarers	
Fleet	Safety standard specifications	¥11.0
Development of IT for ship management		¥2.0

Natural Disaster Risk

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

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

Dialogue Between an External Director and an External Corporate Auditor

SADAYUKI SAKAKIBARA
Director
Chairman of the Board and Representative Member of the Board of Toray Industries, Inc.

HIROYUKI ITAMI
Corporate Auditor
Professor and Dean of Tokyo University of Science Graduate School of Innovation Studies

Has your image of MOL changed, before and after being appointed?

SAKAKIBARA: Well, coming from another Mitsui Group company, I already had a certain level of knowledge about the company, so I would not say that anything about MOL really came as a big surprise. However, I did receive an even stronger appreciation of how MOL's management utilizes past trends and its experience in the marine transport industry to analyze information, and to adjust its fleet and business portfolio accordingly.

ITAMI: I guess I had a slightly stronger change of impression, after being appointed. One year ago I was selected as an external auditor, but prior to that, I did not really know much about the marine transport industry. In fact, I was not even aware that MOL had the world's largest fleet of vessels.

My impressions are similar to those of Mr. Sakakibara. I was surprised at how much care and detailed consideration was given to risk, portfolio balance and various other factors in investment decisions. I also keenly noted the fact that I was experiencing one of the most momentous years for the industry, with both the boom in Chinese economic growth and the boom in global investment and speculation collapsing at about the same time. In fiscal 2011, as both of these "bubbles" began to deflate, the company faced serious pressure, and large downward revisions were issued once every quarter. It was quite striking to see how big an impact the structural distortion of the global economy affected the marine transport industry, and earnings at MOL.

SAKAKIBARA: Over the roughly 60 years since the end of World War II, the textile industry and the marine transport industry have both experienced the relentless force of cyclical trends. For a long time, textile companies have reinforced technological advantages as the main source of competitive vigor, allowing them to survive. For MOL, it is much the same. The company has been very cautious about managing its investment and financial strategies in order to ensure that it is able to continue generating some profit even during the weakest phases of the business cycle. The company spent decades establishing a business with the power to withstand economic fluctuations, and it seems to me that the company has done a good job of finding ways to minimize the adverse impact during the down-cycles.

What is your main focus as an external director and an external corporate auditor?

SAKAKIBARA: This is my first experience serving as an external director, so when I first was appointed I thought deeply about what was expected of me. I think that my role as an external director is to draw upon past experience as a corporate executive while also providing an outside perspective.

In general, an external director has a responsibility to protect the interests of shareholders and to offer advice from a third-party perspective, for example, by indicating whether I think that management decisions are helping to enhance corporate value. I must also express my opinion on whether sufficient information is being provided to external directors and external corporate auditors before making decisions, or whether there is sufficient disclosure to shareholders and other stakeholders about how decisions are made. I think these are key roles for an external director to play.

Another role that external directors can play is to bring different perspectives to the table. I can offer advice based on management experience in the manufacturing industry, which differs from the marine transport industry. For instance, the marine transport industry and the textile industry both need to steadily strengthen operations over the long term, adopt global management plans, and make large and strategic capital investments from a medium- to long-term perspective. However, the methods and management approach adopted by executives in the two industries differ. An external director could note that "if we were a manufacturing company, this is how we would address the issue." That sort of advice might give MOL management a broader perspective on which to make their decisions, and thus can improve the quality of decision-making.

ITAMI: Many of MOL's external directors and external corporate auditors have experience in other industries, like finance and manufacturing, and therefore each individual's perspective is a bit different. I think this diversity of perspectives is very effective.

As an external corporate auditor, there are two main points of focus. The first is how management creates its management plans. This is one of the things that we need to review in our role of overseeing management. My principal role is to check the management process, and ensure that the directors, including Mr. Sakakibara, are conducting it appropriately. This was what I pledged to do when I was selected as an external corporate auditor, and I continue to focus on this role.

The second point is to monitor the risk related to MOL's overall fleet of ships. This cannot be done by just summing up the numbers for each business segment. Management must always maintain a focus on the overall picture. It is like watching the flow of traffic from the top of a tall building—you can see the overall flow of people and vehicles, whereas a vehicle or person on the ground would be unable to see the overall picture. Overseeing the status of the entire fleet is a lot like that.

What are your impressions of the proceedings at MOL Board of Directors' meetings?

SAKAKIBARA: It is a lot different from any other company's board meetings. The meetings are transparent and open, with a lot of different opinions and viewpoints discussed very actively, ample information provided to make decisions, and the corporate auditors taking an active part as well. Furthermore, it is interesting how top-level personnel from a variety of backgrounds each offer their own perspective—university professors, lawyers, financial industry professionals and so on—directors and corporate auditors alike actively participate and everyone feels free to express their opinions. . . .

ITAMI: I might have even expressed my opinions too often, eh?

SAKAKIBARA: Well, that wasn't quite what I meant. It was interesting to see how even the negative information was fully disclosed and the board took its time to discuss all the issues thoroughly. This really

impressed me. The Chairman, Akimitsu Ashida, controls the discussions well but he doesn't try to rush the board towards decisions, and he shows an interest in getting the full input from everyone, including the external corporate directors. I think this is why Professor Itami was chosen as an external corporate auditor.

ITAMI: I must admit that I have a reputation for speaking my mind very directly, and sometimes even a bit harshly, and the fact that MOL would even choose a person like me as an external corporate auditor says a lot about the company's stance towards corporate governance. I think that it is very effective to hold the board's feet to the fire, but in a company with weak governance, that sort of approach is not welcome. An outspoken or critical person rarely gets selected as an external corporate auditor.

When a company actively seeks outside opinions and input, it does not necessarily mean that they are always going to accept decisions that diverge dramatically from the initial proposal. If the proposals that a company's executives and operations managers make to the board are constantly being overturned and altered, that can create all sorts of confusion. What is important here is that the executives learn how the board debated their proposals and identified weaknesses in them. Then, the executives will be much more careful both in implementing the debated proposal and in developing a proposal next time. In this way, I hope that my input has a positive impact, even if it isn't visible at the meetings.

To enhance its medium- and long-term competitiveness, MOL needs to refine its strategic research function in order to develop competitive advantages that are unique to MOL. This includes developing fuel-efficient navigation methods or systems, or providing services that competitors cannot match. By providing services that only MOL can offer, I think that the company will be able to maintain a competitive edge.

What are your impressions of MOL's "Deliberations on Corporate Strategy and Long-term Vision"?

SAKAKIBARA: I think that MOL is unique in the fact that its corporate strategy and long-term vision is discussed by the Board of Directors. It is very valuable to have directors and corporate auditors thoroughly discuss and debate the company's strategies and vision for the medium and long term.

Each issue in the corporate strategy and long-term vision is presented along with detailed documents. The MOL management takes the time to explain each point to us and to obtain feedback and opinions from each external director and external corporate auditor, according to their areas of expertise. This is a very effective way of ensuring that the ideas and assumptions of people within the industry did not conflict with perspectives from outside the industry.

ITAMI: I do not know of any other companies whose Board of Directors spends this much time deliberating on issues that do not have an actual binding force or represent specific decisions. But actually, the deliberations bring benefits. The other day, the executives of MOL obtained input from external directors and external corporate auditors and prepared follow-up documentation. This helped them look at their plans from a new and broader perspective, deepening discussions. I think that these benefits will be reflected in the underlying structure of MOL's management plans.

After the formal discussions of the corporate strategy and long-term vision, we have a luncheon with the executive officers, and I think this is useful in allowing us to discuss issues further, in a less formal setting.

In your opinion, what are the main risks, and the main opportunities for MOL in the future, and what are your expectations for the company?

SAKAKIBARA: Looking at global economic conditions, I think that Asia is still going to play an increasingly vital role in supporting global economic growth. As a Japanese marine transport company, MOL already has bases in Asia and therefore it is in a strong position to benefit from Asian economic growth. To me, that represents the biggest opportunity.

The biggest risk may also come from Asia. While China represents a great opportunity, it also represents a threat. If Chinese marine transport companies increase their profile rapidly and become rivals, the key question will be how we can maintain our competitiveness. Naturally, safe operation and reliability are important sources of competitiveness in the marine transport industry, but MOL needs to seek out other ways in which to enhance its competitive edge.

In the textile industry as well, China has become a fierce competitor with Japan, but in the manufacturing sector you have to be the global number one in order to secure viable profits. The second-ranked competitor may be able to generate meaningful profits but the third and fourth-ranked competitors are likely to struggle. Therefore, it is essential for companies to constantly seek ways to sharpen their competitive edge. Toray Industries, Inc., for example, uses its edge in technology as its overwhelming competitive advantage, so it focuses heavily on research and development, to maintain that edge.

To enhance its medium- and long-term competitiveness, MOL needs to refine its strategic research function in order to develop competitive advantages that are unique to MOL. This includes developing fuel-efficient navigation methods or systems, or providing services that competitors cannot match. By providing services that only MOL can offer, I think that the company will be able to maintain a competitive edge.

ITAMI: I agree with Mr. Sakakibara that Japan's geographical position in Asia represents the biggest opportunity for MOL. The fact that MOL has the world's largest fleet also represents an advantage. Marine transport starts at the coast. As Japan and most of the nearby countries in Asia have plenty of coastlines, there is good potential for business expansion. Certainly competition from Chinese marine transport firms is a concern, but from a personnel cost perspective, MOL has good potential to compete. A large percentage of its crews are non-Japanese, and the labor market for this industry is truly global. This is a positive point for MOL, because the company's personnel cost structure can be adjusted to reflect changing global conditions. I think this makes the shipping industry a very attractive business field.

The key issue for the company is how to maintain a competitive advantage. What does it need to do to strengthen its overall position? Based on a year of experience as an external corporate auditor, I think that the answer is to use scientific methods in vessel operation and fleet portfolio management to pursue an edge. The shipping business sometimes requires risk-taking by its nature, but to increase MOL's winning percentage, the Company should adopt a scientific approach to risk-taking.

For example, if the entire company subjects data on market trends to scientific analysis, methods of forecasting future trends are likely to emerge. The company transports a wide variety of cargo, and in the past it depended mainly on past experiences and hunches in order to make decisions. If these are scientifically quantified, it should improve the accuracy of investment decisions. If MOL pursues these research and development activities, it may be able to quantify patterns in the marine transport market, and in this way, give itself a competitive advantage that few other companies in the industry could match.

SAKAKIBARA: At the end of the day, however, issues may arise that even computer simulation cannot resolve. In such a case, management is the one that makes the final decision.

What is your impression of MOL's relationship with its investors?

SAKAKIBARA: I have a sense that MOL's top management has a very strong dedication to its investors. In this annual report, for example, management tries to present information from every angle, explaining business strategy and management strategy to investors and trying to let the investors see how its executives make their decisions. This is extremely important, because investors are always interested in hearing the views of management and trying to understand where they are coming from. It is also interesting to see how much importance MOL places on winning the trust of its investors. Even when there is unpleasant news to announce, such as marine accidents, the company goes to great lengths to disclose detailed information. I view this corporate culture of openness as one of MOL's great strengths, and I hope that they continue to foster and seek ways to enhance it.

ITAMI: I also have the impression that they do their best to engage completely with investors. You can sense this just by attending a Board of Directors' meeting—nobody ever tries to evade issues or obscure information.

Finally, is there anything you want to say to MOL management?

ITAMI: In so many ways, fiscal 2012 is going to be an important year for the company. Though business conditions are very harsh, if management charts a clear and principled course for the company, MOL can pass through the "storm" and make a steady recovery going forward.

SAKAKIBARA: Everyone at MOL, including top management, has been very sincere, and I see this culture as one of the company's most valuable assets. This allows the company to earn trust, and I want to see MOL preserve this aspect of their culture. Backed by MOL's sincerity, the themes of the midterm management plan, "GEAR UP! MOL," should lead the company to success in confronting a difficult business environment. I really look forward to seeing MOL ride out the storm, with courage and confidence.

I think that the answer is to use scientific methods in vessel operation and fleet portfolio management to pursue an edge. The shipping business sometimes requires risk-taking by its nature, but to increase MOL's winning percentage, the Company should adopt a scientific approach to risk-taking.

Aiming to Become the World Leader in Safe Operations

MASAAKI NEMOTO
Executive Officer

MOL's "GEAR UP! MOL" midterm management plan, covering the three-year period from fiscal 2010 to fiscal 2012, challenges the company to become the world leader in safe operations. What progress has the company made up to now in this regard?

Becoming the world leader in safe operations cannot simply be evaluated by one objective indicator. That said, we have set the target of realizing "4 Zeroes" (prevent marine incidents, oil pollution, fatal accidents, and cargo damage) and see achievement of it as a prerequisite for world-leader status.

Following the string of serious marine incidents in 2006, we looked closely for flaws in our safe operation system and rebuilt it, which also entailed some organizational restructuring. At the same time, we formulated and implemented various countermeasures both in terms of vessels and equipment, and seafarers, ship management and our safety culture. We clarified the order of priority and standards for strategically important safety measures along with this.

Regarding ship facilities, we introduced a system for effectively allocating expenses and time. This involved enhancing maintenance plans by class ranking for vessels regarded as requiring extra attention based on the results of inspections of all vessels in our fleet. Furthermore, we have worked to increase equipment and facility safety by specifying "MOL Safety Standard Specifications." These specifications were drafted with reference to past accidents and problems, and proposals from the frontlines of our operations.

What's more, we have promoted the fail-safe*1 concept for both new and existing vessels. As part of this, we have introduced ship facilities and equipment where errors are difficult to make and small problems do not develop into accidents. As a result of these efforts, we have seen a steady decrease in the frequency of accidents caused by ship facilities and equipment.

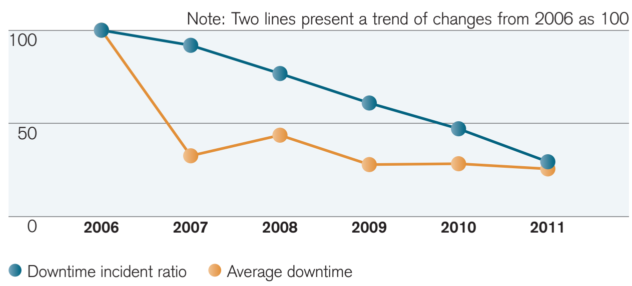
In operational areas, we have reduced the burden on seafarers by arranging crew overlapping*2 and adding more seafarers so crew can pay closer attention to safety. We have also visited ships to foster closer communication between sea and land-based employees. In addition, we have focused in particular on improving seafarer education and training around the world.

*1 Refers to the design of systems to constantly operate safely even when trouble occurs due to an operator's error.
*2 When key staff (captains and chief engineers) come off duty, MOL arranges an overlapping period for the next group of officers for familiarization with the vessel and the safety management system.

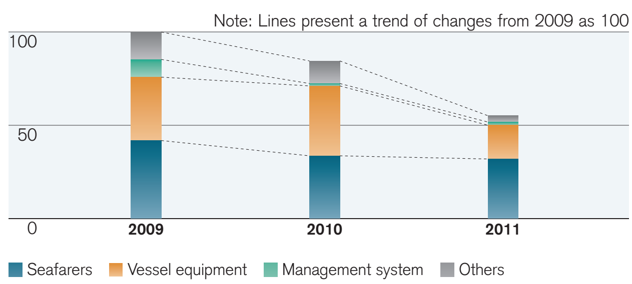
Why have you rigorously promoted increasing the visibility of safe operation processes? And what specific actions have you taken in this regard?

Safe operations is something you can never be entirely satisfied with. To continuously ensure safe operations, it is vital to carefully plan and implement processes for realizing safe operations, as well as to objectively evaluate results and feed them back into the next plans. This chain of activities for making processes visible is what I call safety governance. The Safety Operation Supporting Center (SOSC)*3, which we established within our headquarters in 2007, typifies the process of making safety visible. SOSC monitors all vessels under MOL's operation 24 hours a day, 7 days a week, and provides necessary information and other support for safe operation to individual vessels. And its functions continue to evolve.

Downtime Incident Ratio/Average Downtime



Downtime Incidents by Cause



Let me introduce three initiatives for making our processes visible.

First is clarifying what is happening at the frontlines of our operations and where problems are occurring. Based on this information we develop action plans for improvement, implement them in a specified timeframe, and confirm progress. We have established a number of forums for sharing this information with sea- and land-based personnel. For land-based personnel, we regularly hold operational safety workshops. Another forum is Safety Conferences, where we discuss safety themes in group meetings around the world that are attended by seafarers and head office management personnel and staff alike. Furthermore, in an effort to deepen understanding of our safety measures among stakeholders, we have, for example, created a DVD of our above activities.

The second example is our efforts to quantify safety by using objective Key Performance Indicators. We compare figures for safety levels, such as incident frequency, operational downtime due to incidents, and seafarers' absences due to accidents, and check improvements. Our figures are now close to the lower limit on average for the industry for all operated vessels. That being the case, we believe we must set new more detailed indicators to further improve safety.

The third initiative is to provide visually appealing educational training materials and opportunities for seafarers and others entrusted with frontline safety for maintaining their high safety awareness. To this end, we distribute easy-to-understand photographs, illustrations and other materials to all operated vessels, which are based on analysis of past accidents of both our own and other companies as a part of danger awareness training. And we also create DVDs containing re-enactments of past accidents, which are shown repeatedly to seafarers. These sorts of measures leave unforgettable images in the minds of our seafarers.

*3 Safety Operation Supporting Center (SOSC): At the SOSC, experienced MOL captains monitor vessels under MOL's operation 24 hours a day, 7 days a week, and convey timely safety information, such as weather, navigation warnings, and security, to specific vessels. They also address questions and urgent requests from ships' captains and maritime authorities.

What training do you provide seafarers?

Besides hardware and systems, the diligent and unstinting efforts of skilled seafarers are vital for actually achieving safe operation. The seafarers who crew our vessels come from more than 20 countries, so naturally they were educated under the systems in their home countries and had various experiences before joining MOL. But we provide sufficient education and training before they take up positions on vessels, so that they have a high awareness of the safety required by MOL and are equipped with the skills for their positions. One of MOL's unique measures in this regard is the *Spirit of MOL*, a training vessel for new cadets. Cadets from different countries who are in the middle of seamanship school, or who have completed courses, thoroughly learn the fundaments of safe operation by learning specialized seamanship knowledge and skills while living together in an environment in which they are exposed to different cultures and values.

Even seasoned seafarers sometimes need training to correct bad habits or preconceptions as well as to awaken them to safety traps they may have fallen into because of insufficient information. For this, experienced captains and chief engineers well versed in MOL's safety standards go aboard vessels for a certain period of time, where they provide advice and order improvements, as well as arouse safety awareness through safety lectures involving the use of teaching materials.

Fiscal 2012 is the final year of your current midterm management plan. What are the key themes for you going forward?

First is to make sure we achieve our permanent target of the "4 Zeroes."

In this context, I am not talking only about the vessels we manage that we can keep a close eye on. We must also ensure that chartered vessels and other vessels, not directly managed by MOL, fully understand MOL's safety measures and implement what they can. This calls for widely implementing lessons learned from past incidents and measures for improvement. I believe this will translate into enhanced safety on the seas worldwide. This is also our social responsibility as a leading marine transport company.

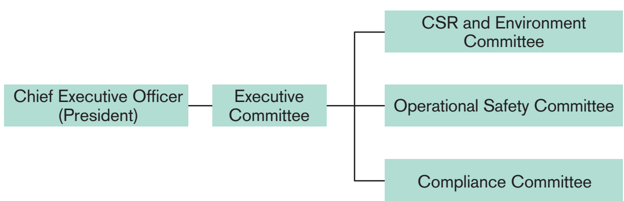
Making ongoing improvements in our existing safety management systems and implementing action plans are vital as well. In addition, we will focus on fostering seamanship in its widest sense. That is the ability to preempt and deal with dangers using one's five senses and thinking for oneself. Seamanship is important to deal with the various risks at sea that cannot be covered by manuals and checklists alone.

Corporate Social Responsibility (CSR)

MOL's Approach to CSR

In our view, CSR means conducting business management that adequately takes into account laws and regulations, social norms, safety and environmental issues, human rights and other considerations, and developing together with society sustainably and harmoniously while earning the support and trust of stakeholders, including shareholders, customers, business partners, employees and local communities. In order to fulfill these responsibilities, MOL deliberates on CSR-related policies and measures, primarily through the three committees under the Executive Committee.

Organizational Framework for CSR Initiatives



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

Our policy for CSR activities during "GEAR UP! MOL" (Fiscal 2010–2012) is as follows:

1. Stepping up "CSR that protects MOL" and "CSR that fulfills MOL's responsibility"
2. Pursuing "CSR activities that benefit both the company and society"
3. Expanding CSR activities worldwide, and throughout the MOL Group

CSR activities that follow this policy are closely related to the company's business strategies. By establishing a CSR policy that is clearly understood and evaluated favorably by all stakeholders, MOL will be the company of choice. This in turn will allow the company to make even greater contributions to society, generating a positive cycle that builds synergy, supports sustainable growth and benefits both the company and society.

The MOL Group Basic Procurement Policy

As a company that handles part of the supply chain of customers and in order to fulfill the social responsibility of the MOL Group itself, we formulated a basic policy for MOL Group procurement activities in March 2012. We are striving to embed this policy in the MOL Group as we aim to contribute towards the realization of sustainable societies together.

Rules of Conduct

All executives and employees are required to base their activities on the following standards:

1. Observe laws and regulations while at all times exercising due caution as a good administrator
2. Respect human rights and refuse to permit discrimination and harassment
3. Protect confidential information and respect intellectual property rights
4. Clearly separate official and personal conduct, avoid conflicts of interest
5. Stand firm against antisocial forces
6. Act with awareness of social responsibilities
7. Actively work to ensure safe operations and protect the environment
8. Build good relationships based on trust with clients and contractors
9. Provide guidance and supervision of the Rules of Conduct by individuals in management positions
10. Report and consult on discovering suspected breaches

In March 2005, the MOL Group's participation in the United Nations Global Compact initiative was acknowledged and accepted by the United Nations. The Global Compact was initiated in 1999 by then United Nations Secretary-General Kofi Annan and was ratified in July 2000. The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of 10 core values in the areas of human rights, labor standards, the environment, and anticorruption. By participating in the Global Compact, which is consistent with the Rules of Conduct, the MOL Group has declared its commitment to working toward the realization of the Global Compact's core values.

Instill an Awareness of Human Rights

In addition to raising awareness of the Global Compact, the Counseling and Aid Center in the Human Resources Division conducts human rights education. We conduct human rights training every year at all levels to foster a work environment where all corporate officers and employees share an understanding of the need for mutual respect and can carry out their work with a positive frame of mind. Before "Human Rights Week," which is held in the first week of December every year, we solicit "Human Rights Slogans" from MOL and MOL Group employees and their families and give internal awards to the best entries. Furthermore, in order to stimulate awareness regarding human rights issues in daily life, we use our intranet to introduce events and seminars about human rights in Japan, as well as human rights-related facilities (such as museums).

In addition, the company is thoroughly observing laws, regulations and social norms, including human rights, in the MOL Group Basic Procurement Policy.

Support for Disaster-hit Regions in East Japan

◘ Transporting JSDF Vehicles and Troops by Ferry

Group company MOL Ferry Co., Ltd. transported some 3,700 Japanese Self-Defense Forces (JSDF) troops and about 1,260 emergency vehicles for providing relief to the disaster-hit regions. Four ferries made a total of 10 trips from the port of Tomakomai to the port of Aomori from March 13 to March 22, 2011.

March 17, 2011
Sunflower Sapporo loading JSDF vehicles at the port of Tomakomai

◘ Free Emergency Support for Relief Supplies

Immediately after the earthquake, there were severe shortages of food and daily necessities in the disaster-hit regions. Drawing on our MOL Group network and transport capabilities, MOL procured (19 10-ton truck loads of) relief supplies and delivered them free of charge to customers and municipalities in the disaster-hit regions.

◘ Free Transport of Relief Supplies from Abroad

Responding to requests for transport of relief supplies from overseas, MOL provided free transport services for supplies sent from other countries. We transported the equivalent of 36 20-foot containers filled with drinking water, bedding, masks and other supplies to the disaster-hit regions free of charge, as well as large quantities of building materials for temporary housing at special rates.

◘ Donations for Disaster Relief

1. MOL donated a total of ¥50 million for immediate disaster relief to Iwate Prefecture, Miyagi Prefecture, Fukushima Prefecture and the Japanese Red Cross Society.
2. Donations were solicited from executives, employees and seafarers in the MOL Group, and a total of approximately ¥63 million was raised and donated for relief and recovery efforts to the Japanese Red Cross Society, the Central Community Chest of Japan and other organizations.

◘ Cruise Ship *Fuji Maru* Supports Relief Efforts

From April 11 to April 17, 2011, MOL arranged for the ocean-going cruise ship *Fuji Maru* to call in at several ports in Iwate Prefecture that were severely damaged by the tsunami: Ofunato, Kamaishi and Miyako. The *Fuji Maru* provided nutritionally-balanced meals for afflicted people, a large public bath and cabins as private space free of charge. A total of 4,451 people used these amenities. Messages of support from MOL executives and employees and 13 overseas bases were displayed inside the vessel. We received many messages of appreciation from people who used the *Fuji Maru* during the port visits.

◘ Donation of Refrigerated Containers

The tsunami triggered by the massive earthquake destroyed many cold-storage facilities in fishing ports, so we received requests from affected ports to supply refrigerated containers as substitute facilities. To help support the fishing industry's recovery, we donated a total of 27 refrigerated containers (as of May 31, 2012) to the disaster-hit areas.

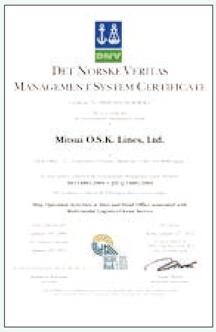
Refrigerated containers donated to the fishing cooperative in Soma City, Fukushima Prefecture

Environmental Protection

◘ Environmental Management Systems and Certifications

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

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



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

MOL Group Environmental Target System: This system applies to MOL's 54 main Group companies in Japan and 16 overseas affiliates and subsidiaries. It serves as a framework for Group-wide environmental protection activities. MOL Group companies in Japan are working hard on complying with the "green management" environmental certification system promoted by the Japanese Ministry of Land, Infrastructure, Transport and Tourism. A total of 15 MOL Group companies have earned this certification.

Prevention of Global Warming and Air Pollution

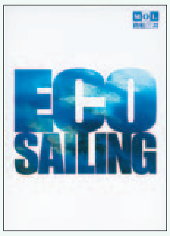
Although shipping is a more energy efficient mode than other modes of transport, vessels burn fossil fuels and inevitably emit carbon dioxide (CO_2), which is a cause of global warming, as well as nitrogen oxide (NOx), sulfur oxide (SOx), soot and other emissions, which are linked to acid rain and atmospheric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

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

Increasing Transportation Efficiency with Larger Ships: MOL believes that the introduction of larger vessels and improvement of propulsion are effective measures to fulfill the social responsibility of the shipping industry to meet burgeoning international demand for ocean shipping and, at the same time, to prevent global warming. In December 2007, MOL took delivery of the *Brasil Maru* (approx. 320,000 DWT), one of the world's largest iron ore carriers. The *Brasil Maru* combines energy-saving design features such as her excellent propulsion, and propellers specially designed to improve propulsion efficiency. These qualities earned the *Brasil Maru* selection as the "Ship of the Year 2007" by the Japan Society of Naval Architects and Ocean Engineers.


The iron ore carrier *Brasil Maru*

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



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

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

Eco Terminal: MOL and MOL Group company Utoc Corporation installed one of the largest solar power generation systems in Tokyo at the Tokyo International Container Terminal. The system generates 200 kW of power. In 2007, 1,200 solar panels were installed on the roofs of the gate building, where trailer trucks enter and exit the terminal, and the vehicle wash building. In fiscal 2011, this system generated approximately 218,000 kWh of power, which covered about 34% of the power needs for the control building. In addition, Utoc Corporation and Shosen Koun Co., Ltd. have also introduced hybrid transfer cranes at their container terminals in Tokyo and Kobe, respectively. These cranes consume approximately 40% less fuel than conventional ones.


Tokyo International Container Terminal

Approaches to Marine Environmental Protection

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

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


Double-hull structure

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

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

Social Contribution Activities

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

I. Contribute to the United Nations Millennium Development Goals* as a company growing in step with the global economy and social development.

II. Contribute to protecting biodiversity and preserving nature as a company that impacts the environment to an extent and as a company that does business on the ocean, a rich repository of living organisms.

III. Contribute to local communities as a good corporate citizen.

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

◘ Support for Affected Areas

In November 2011, when Thailand experienced widespread flooding, MOL donated containers for water-containment walls, transported aid supplies, and made monetary contributions. In December 2011, when a typhoon struck the Philippines, we used *Spirit of MOL* training ship to transport relief supplies, which were distributed by seafarers, cleaned schools and made monetary donations.

◘ Transportation of School Desks and Chairs to Burkina Faso

We provided marine transport for school desks and chairs used with care for many years before they were donated by elementary schools in Nagoya City, Aichi Prefecture, to children in Burkina Faso. The desks and chairs filled with the aspirations of children were donated to elementary schools in Burkina Faso in June 2011, and are now in their second "life."

Third-Party Evaluations

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

Since 2003, MOL has been included in the DJSI, a designation reserved for companies capable of sustaining growth over the long term while maintaining excellence in environmental, social, and investor relations programs. In September 2011, MOL was selected for continuing inclusion in the DJSI.

◘ MOL Selected for Continuing Inclusion in the FTSE4Good Global Index

FTSE is a global index company owned by the London Stock Exchange. Since 2003, FTSE has included MOL in one of its major indices, the FTSE4Good Global Index, which is a socially responsible investment index. In March 2012, MOL was selected for continuing inclusion in the index.

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

The MS-SRI, Japan's first socially responsible investment index, is based on the stock prices of 150 of Japan's listed companies that have been selected by Morningstar Japan K.K. for superior social responsibility. MOL has been included in the MS-SRI since 2003. In January 2012, MOL was selected for continuing inclusion in the index.

Environmental and Social Report

MOL's approach to CSR and environmental issues is discussed in detail in our Environmental and Social Report.
URL: http://www.mol.co.jp/csr-e

MOL's Environmental Technologies *Senpaku ISHIN*

With business activities spread across the globe, protecting the global environment is included as one of MOL's top priorities, alongside safe operation, in the MOL Group Corporate Principles. The *Senpaku ISHIN* project, our concept for next-generation vessels launched in September 2009, is a ground-breaking initiative that helps protect the environment in a substantive way by reducing carbon dioxide emissions using feasible technologies. Previously, MOL announced concepts for *ISHIN-I, ISHIN-II* and *ISHIN-III* as a series of next-generation vessels. In June 2012, MOL took delivery of the *Emerald Ace*, a new car carrier equipped with a hybrid electric power supply system, taking a major step toward realizing the company's *ISHIN-I* image of future car carriers. MOL will continue to work actively to develop technologies for reducing the environmental burden of ships and operations.

ISHIN-I

Hybrid Car Carrier *Emerald Ace* Is Delivered

Hybrid Power Supply System for Realizing Zero Emissions While at Berth

The *Emerald Ace* hybrid car carrier is equipped with a hybrid power supply system that combines a solar power generation system with lithium-ion batteries. Conventional power generation systems use diesel power generators to supply power to the ship while at berth, but the *Emerald Ace* is equipped with lithium-ion batteries that are charged by solar power generation systems while at sea. The ship then uses this power while at berth, which allows the diesel power generators to be completely shut off. The result is "zero emissions while at berth."

Solar Panels

The solar panels installed on the deck of the vessel are double-sided glass panels that boast outstanding durability in terms of resistance to salt damage and wind pressure, for example. The solar panels generate 160 kW of electricity (there are 768 panels (210 W) covering an area of 1,079 m^2), the most of any vessel in the world.

Lithium-ion Batteries

The system employs lithium-ion batteries with outstanding energy density for storing electricity generated by the solar panels in a restricted space aboard the vessel. The vessel uses 320,000 batteries, which are also used in PCs and other applications, to store some 2.2 MWh of electricity (which is the equivalent of the electricity consumed by 200 ordinary homes).

What's more, the high-performance power management system efficiently controls the power with top priority afforded to safety.

Other Next-Generation Vessels

ISHIN-II

Ferry that Uses LNG as Fuel

Features

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

ISHIN-III

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

Features

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

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

Financial Section

Contents

Management's Discussion and Analysis

SHUGO AOTO
Managing Executive Officer

The Increasing Importance of Financial Strength in a Difficult Business Environment

The marine transport industry experienced an extremely challenging business environment in fiscal 2011 for a lot of reasons. One was the European financial crisis triggered by sovereign debt problems in the eurozone. Then there was the financial headwind in the form of the yen, which appreciated more than expected, and much higher bunker prices. Exacerbating conditions were acts of nature that substantially impacted trade, such as the cyclone in Australia and heavy rains in Brazil at the beginning of 2011, then the tragic Great East Japan Earthquake, and later in 2011 the major flooding in Thailand. Overseas, a number of ocean transport companies specializing in dry bulkers and tankers have collapsed, and containership companies, including industry leaders, have fallen into the red. Some major companies have been granted moratoriums on debt repayments twice by their banks since the Lehman Shock. In Japan, meanwhile, medium-sized operator The Sanko Steamship Co., Ltd. filed a petition for commencement of corporate reorganization proceedings in July 2012.

Under these challenging circumstances, in fiscal 2011 MOL recorded its largest ever loss since its founding, denting the company's balance sheet. Even so, MOL is recognized in the industry as having a comparatively strong financial position. MOL's "healthy financial base is the very key to our continuing competitiveness,"*1 which MOL is leveraging to develop business in various fields. Examples include offshore businesses, where financial soundness is key because of the larger investments required. We invested in a second FPSO*2 project through a joint venture with a partner from another industry. That's not to mention the importance of MOL's financial position in securing long-term contracts in the existing fields of LNG carriers and iron ore carriers. The marine transport operating environment is expected to remain challenging in fiscal 2012 due to a combination of the global financial situation, natural disasters and an oversupply of vessels. Nevertheless, MOL is determined to surmount these difficult conditions by fully leveraging its financial "competitiveness" while minimizing any impact on its financial position.

*1 This expression was used by President Koichi Muto when he announced the current midterm management plan GEAR UP! MOL at a press conference in March 2010.
*2 Floating Production, Storage and Offloading system

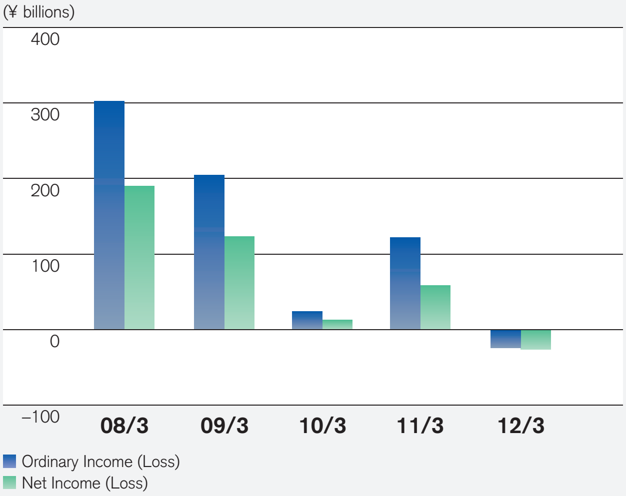
Cash Flows and Financial Indicators

MOL's operating cash flows recovered to ¥181.8 billion in fiscal 2010 after dropping due to the Lehman Shock. However, MOL generated only ¥5.0 billion in operating cash flows in fiscal 2011, the result mainly of the net loss and a ¥29.1 billion increase in tax paid due to the strong performance in fiscal 2010. On the other hand, investing activities in fiscal 2011 used net cash of ¥134.3 billion, almost the same as fiscal 2010. In order to make up for this shortfall, MOL procured ¥148.3 billion, including ¥30.0 billion from the issuance of domestic straight bonds. This fundraising led to a ¥145.4 billion increase, year on year, to ¥869.6 billion in interest-bearing debt at March 31, 2012.

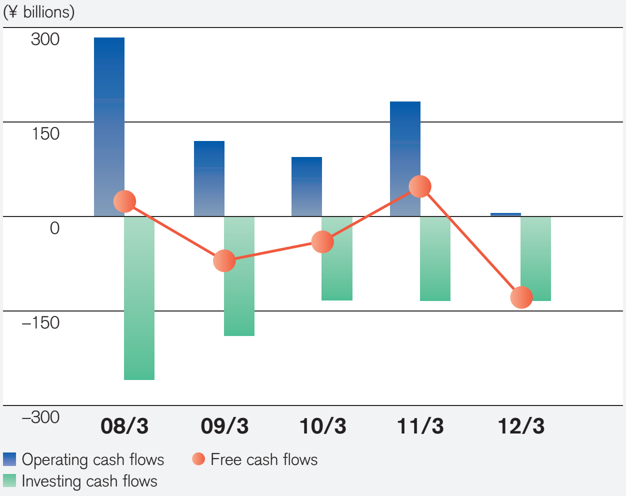
Consequently, MOL's gearing ratio worsened from 110% to 136%. However, the company maintained the net gearing ratio under 130% at 127%. Likewise, while the equity ratio worsened 2.6 percentage points, MOL maintained it over 30% at 32.8%. Hence, as before, MOL surpasses other Japanese marine transport companies in financial strength.

In fiscal 2011, investing cash flows were on a par with the previous fiscal year in the challenging operating environment. This was because the bulk of investments were decided several years earlier, for there is a long lead-time in shipbuilding between the investment decision and vessel delivery. At the same time, almost all the investments we decided on in fiscal 2011 are vessels for which the company has already secured long-term contracts ranging from 15 to 20 years and FPSOs. The FPSO will also operate on long-term contracts, so MOL expects them to be a source of highly stable profits in the future. Unfortunately, it will take several years until these investments begin generating earnings. However, the ability to

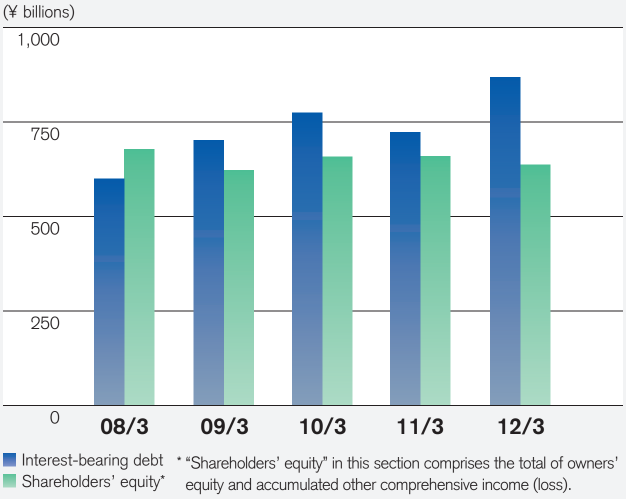
Ordinary Income (Loss)/Net Income (Loss)



Cash Flows

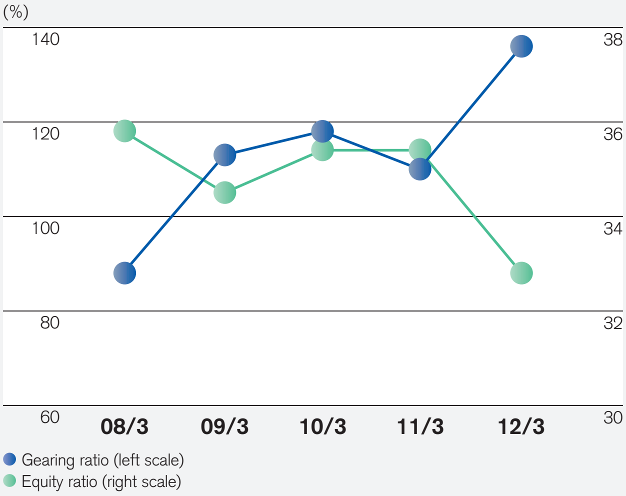


Interest-bearing Debt/Shareholders' Equity

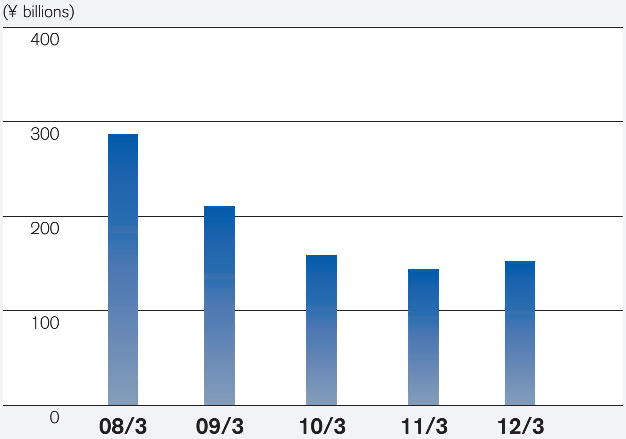


* "Shareholders' equity" in this section comprises the total of owners' equity and accumulated other comprehensive income (loss).

Gearing Ratio/Equity Ratio



Capital Expenditure*



* 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.

secure these long-term, high-value contracts from cargo owners in a tough operating environment is attributable to MOL's sound financial position in the marine transport industry.

Since the drop in freight rates caused by the Lehman Shock, MOL has booked a total of approximately ¥70.0 billion in extraordinary losses for vessel dispositions and charter cancellations. We disposed of vessels which had been ordered when ship prices were high, and cancelled charter contracts where shipowners in Japan and overseas set high charter rates. These actions have lowered our average fleet costs and should ensure we stay competitive going forward. Here too, MOL's balance sheet enabled us to take these actions.

Cash Management, Financial Ratings and Fund-Raising

While MOL's financial indicators, namely gearing ratio and equity ratio, have unfortunately worsened in the difficult operating environment, MOL has implemented various initiatives through its financing activities. In the company's 2011 annual report, MOL discussed strengthening cash management in Japan and overseas. In fiscal 2011, the company moved into full gear with these actions, which yielded even greater capital efficiency and lower bank fees. In respect to improved capital efficiency in particular, MOL executed a project to identify surplus funds at each MOL Group company, even as far as subsidiaries of overseas subsidiaries for the first time. This project produced an improvement in capital efficiency of more than US$100 million.

These measures and an improving performance have been recognized by ratings agencies. MOL has maintained the highest ratings within the marine transport industry with credit ratings of A from R&I and Baa1 from Moody's. We are determined to ensure that we do not lose the competitive advantage afforded by our financial strength. To this end, we will exercise appropriate financial management regarding the procurement of funds for large projects. For example, MOL will continue to structure project finance without the need for the company to guarantee the obligation as shareholder; in other words, MOL will raise funds based on projected cash flows from a project and using a ship mortgage.

Credit Ratings (As of July 2012)

	Credit Ratings
JCR	A+
R&I	A
Moody's	Baa1

In the company's 2011 annual report, MOL also introduced an LNG vessel project with ExxonMobil. During fiscal 2011, project finance totaling US$870 million was arranged, mainly from The Export-Import Bank of China. MOL also structured project finance totaling US$360 million even in the middle of the European financial crisis in June 2012 for a container terminal project in Rotterdam, the Netherlands, that is scheduled to begin operating in 2015.

Furthermore, in fiscal 2011 MOL successfully procured more than ¥10.0 billion at negative interest rates using distortions in the U.S. dollar-yen currency swap market. MOL was able to use these market distortions to procure funds on advantageous terms because of its financial base and experience in fund-raising.

In July 2012, a certain Japanese ocean transport company raised funds by increasing capital through public offerings and subordinated loans. There were some whispers that MOL was contemplating increasing capital as well. However, MOL maintains a consistent policy of providing the necessary funds for ordinary capital investments from its own accumulated capital or through borrowing or bond issuances. Actually, on the day the said Japanese ocean transport company announced the capital increase by public offering and the subordinated loan, MOL was engaged in pre-sale marketing activities for issuing domestic straight bonds totaling ¥45.0 billion. MOL succeeded in procuring funds at a very advantageous rate just exceeding 1%, with its 10-year bond issuance enjoying strong demand. MOL plans to continue using borrowings and bond issuances as its ordinary methods for procuring funds going forward. However, MOL does not dismiss outright capital fund-raising for entering promising new fields or large M&As in the future. MOL still has some scope in its financial management, since the company has not conducted capital fund-raising since it issued euro yen zero-coupon convertible bonds*3 in March 2006.

*3 The total issue amount was ¥50.0 billion, of which ¥1.0 billion was converted into shares, while ¥49.0 billion was redeemed in March 2011.

MOL Straight Bond Issuance

	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	¥20.0 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. Recently, Japan has witnessed issues with hedge funds such as AIJ Investment Advisors in the pension management sphere. Under this stable return policy, there is no necessity for MOL to pursue high-return investments. Furthermore, even when investing in a mutual fund, because MOL places priority on evaluating the management method and system, not just results, the company does not believe there will be problems like those at AIJ.

Regarding pension accounting changes, from fiscal 2013, MOL will be required to immediately recognize on the balance sheet unrecognized actuarial differences*4 that have been off the balance sheet until now, due to revisions to accounting standards for retirement benefit. The MOL Group's unrecognized actuarial differences at the end of fiscal 2011 were ¥3.9 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 2011 was largely even, meaning MOL has a sound position.

*4 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 (or allocated) 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.

11-year Summary

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

	2012	2011	2010	2009
For the year:				
Shipping and other revenues	**¥1,435,221**	¥1,543,661	¥1,347,965	¥1,865,802
Shipping and other expenses	**1,368,795**	1,328,960	1,228,479	1,564,486
Selling, general and administrative expenses	**90,886**	91,300	98,547	104,105
Operating income (loss)	**(24,460)**	123,401	20,939	197,211
Equity in earnings of unconsolidated subsidiaries and affiliated companies, net	**3,300**	8,174	5,363	16,000
Ordinary income (loss)	**(24,320)**	121,622	24,235	204,511
Income (Loss) before income taxes and minority interests	**(33,516)**	95,367	27,776	197,732
Income taxes, current	**(9,546)**	(36,431)	(8,078)	(65,074)
Income taxes, deferred	**20,814**	2,797	(3,764)	(638)
Minority interests	**(3,761)**	(3,456)	(3,212)	(5,032)
Net income (loss)	**(26,009)**	58,277	12,722	126,988
At year-end:				
Current assets	**386,936**	344,444	352,030	428,598
Current liabilities	**322,851**	374,269	355,185	440,910
Net vessels, property and equipment	**1,293,803**	1,257,823	1,209,176	1,106,746
Total assets	**1,946,162**	1,868,741	1,861,312	1,807,080
Long-term debt due after one year	**739,188**	559,541	594,711	499,193
Net assets/Shareholders' equity	**717,909**	740,247	735,702	695,022
Retained earnings	**629,667**	664,645	616,736	623,626

Amounts per share of common stock:

Net income (loss)	**¥(21.76)**	¥ 48.75	¥ 10.63	¥106.13
Net assets/Shareholders' equity	**533.27**	552.83	551.70	521.23
Cash dividends applicable to the year	**5.00**	10.00	3.00	31.00

(Translation of foreign currencies)
The Japanese yen amounts for 2012 have been translated into U.S. dollars using the prevailing exchange rate at March 31, 2012, which was ¥82.19 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.)

(Amounts per share of common stock)
Effective April 1, 2002, the Company adopted the new accounting standard for earnings per share and related guidance (ASBJ Statement No. 2, "Accounting Standard for Earnings Per Share" and ASBJ Guidance No. 4, "Guidance on Accounting Standard for Earnings Per Share", issued by the Accounting Standards Board of Japan on September 25, 2002).

(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 shareholder's 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
	2008	2007	2006	2005	2004	2003	2002	2012
	¥1,945,697	¥1,568,435	¥1,366,725	¥1,173,332	¥997,260	¥910,288	¥903,943	**$17,462,234**
	1,544,109	1,300,038	1,101,459	917,149	824,902	787,540	761,507	**16,654,033**
	110,303	100,324	92,273	84,388	80,232	77,392	82,663	**1,105,804**
	291,285	168,073	172,993	171,795	92,126	45,356	59,773	**(297,603)**
	18,199	16,171	16,817	11,764	6,613	3,387	4,426	**40,151**
	302,219	182,488	176,503	174,979	90,556	33,405	37,381	**(295,900)**
	318,202	197,854	188,290	155,057	89,776	25,114	24,851	**(407,787)**
	(115,183)	(63,042)	(61,200)	(52,587)	(35,346)	(10,872)	(6,101)	**(116,145)**
	(5,694)	(7,468)	(7,570)	(1,205)	2,152	1,435	(6,633)	**253,242**
	(7,004)	(6,404)	(5,788)	(3,004)	(1,191)	(967)	(1,572)	**(45,760)**
	190,321	120,940	113,732	98,261	55,391	14,710	10,545	**(316,450)**
	506,078	405,474	340,355	299,835	299,544	289,645	251,388	**4,707,823**
	528,390	482,810	433,023	429,695	398,091	423,838	375,032	**3,928,106**
	1,047,825	847,660	769,902	665,320	477,621	569,234	619,645	**15,741,611**
	1,900,551	1,639,940	1,470,824	1,232,252	1,000,206	1,046,612	1,079,090	**23,678,817**
	459,280	398,534	399,617	340,598	311,021	395,589	475,696	**8,993,649**
	751,652	620,989	424,461	298,258	221,535	164,790	166,970	**8,734,749**
	536,096	375,443	275,689	182,143	101,991	56,469	47,818	**7,661,114**
	Yen							U.S. dollars
	¥159.14	¥101.20	¥ 94.98	¥ 81.99	¥ 46.14	¥ 12.16	¥ 8.76	**$(0.265)**
	567.74	459.55	354.01	248.40	185.06	137.44	138.78	**6.488**
	31.00	20.00	18.00	16.00	11.00	5.00	5.00	**0.061**

Consolidated Balance Sheets

Mitsui O.S.K. Lines, Ltd. March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2012**	2011	**2012**
Current assets:			
Cash and cash equivalents (Note 3)	**¥ 82,837**	¥ 65,477	**$ 1,007,872**
Marketable securities (Notes 3 and 4)	**23**	29	**280**
Trade receivables (Note 3)	**130,922**	128,209	**1,592,919**
Allowance for doubtful accounts	**(401)**	(592)	**(4,879)**
Inventories (Note 5)	**54,336**	46,548	**661,102**
Deferred and prepaid expenses	**53,744**	51,172	**653,900**
Deferred tax assets (Note 15)	**4,595**	5,753	**55,907**
Other current assets	**60,880**	47,848	**740,722**
Total current assets	**386,936**	344,444	**4,707,823**
Vessels, property and equipment (Notes 7 and 13):			
Vessels	**1,354,315**	1,291,685	**16,477,856**
Buildings and structures	**252,043**	251,390	**3,066,590**
Equipment, mainly containers	**61,315**	62,241	**746,015**
Land	**215,959**	216,104	**2,627,558**
Vessels and other property under construction	**116,724**	150,115	**1,420,173**
	2,000,356	1,971,535	**24,338,192**
Accumulated depreciation	**(706,553)**	(713,712)	**(8,596,581)**
Net vessels, property and equipment	**1,293,803**	1,257,823	**15,741,611**
Investments and other assets:			
Investment securities (Notes 3, 4 and 7)	**93,806**	101,055	**1,141,331**
Investments in and advances to unconsolidated subsidiaries and affiliated companies	**79,877**	91,779	**971,858**
Long-term loans receivable (Note 3)	**19,166**	18,199	**233,191**
Intangible fixed assets	**16,194**	9,187	**197,031**
Deferred tax assets (Note 15)	**11,692**	7,117	**142,256**
Other assets	**44,688**	39,137	**543,716**
Total investments and other assets	**265,423**	266,474	**3,229,383**
Total assets	**¥1,946,162**	¥1,868,741	**$23,678,817**

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars (Note 1) 2012
Current liabilities:			
Short-term loans	¥ 38,751	¥ 41,966	$ 471,480
Short-term bonds	–	961	–
Commercial paper	5,000	21,500	60,835
Total short-term debt (Notes 3 and 7)	43,751	64,427	532,315
Long-term bank loans due within one year	62,261	69,755	757,525
Bonds due within one year	4,191	9,281	50,992
Total long-term debt due within one year (Notes 3 and 7)	66,452	79,036	808,517
Trade payables (Note 3)	133,600	130,752	1,625,502
Advances received	19,809	20,282	241,015
Accrued income taxes	6,112	27,410	74,364
Deferred tax liabilities (Note 15)	902	93	10,975
Other current liabilities	52,225	52,269	635,418
Total current liabilities	322,851	374,269	3,928,106
Long-term bank loans due after one year	552,157	399,383	6,718,056
Bonds due after one year	187,031	160,158	2,275,593
Total long-term debt due after one year (Notes 3 and 7)	739,188	559,541	8,993,649
Employees' severance and retirement benefits (Note 16)	13,766	14,311	167,490
Directors' and corporate auditors' retirement benefits	2,160	2,028	26,281
Reserve for periodic drydocking	14,058	16,908	171,042
Deferred tax liabilities (Note 15)	18,733	19,441	227,923
Other non-current liabilities	117,497	141,996	1,429,577
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	795,717
Capital surplus	44,487	44,516	541,270
Retained earnings	629,667	664,645	7,661,114
Treasury stock, at cost	(7,152)	(7,181)	(87,017)
Total owners' equity	732,402	767,380	8,911,084
Accumulated other comprehensive loss			
Unrealized holding gains on available-for-sale securities, net of tax	16,888	14,489	205,475
Unrealized losses on hedging derivatives, net of tax	(54,936)	(68,355)	(668,402)
Foreign currency translation adjustments	(56,932)	(52,719)	(692,688)
Total accumulated other comprehensive loss	(94,980)	(106,585)	(1,155,615)
Share subscription rights	2,006	1,871	24,407
Minority interests	78,481	77,581	954,873
Total net assets	717,909	740,247	8,734,749
Total liabilities and total net assets	¥1,946,162	¥1,868,741	$23,678,817

Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2012 and 2011

(Consolidated Statements of Operations)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Shipping and other revenues (Note 14)	¥1,435,221	¥1,543,661	$17,462,234
Shipping and other expenses	1,368,795	1,328,960	16,654,033
Gross operating income	66,426	214,701	808,201
Selling, general and administrative expenses	90,886	91,300	1,105,804
Operating income (loss)	(24,460)	123,401	(297,603)
Other income (expenses):			
Interest and dividend income	7,959	5,507	96,837
Interest expense	(11,511)	(11,372)	(140,054)
Equity in earnings of unconsolidated subsidiaries and affiliated companies, net	3,300	8,174	40,151
Others, net (Notes 10 and 11)	(8,804)	(30,343)	(107,118)
	(9,056)	(28,034)	(110,184)
Income (Loss) before income taxes and minority interests	(33,516)	95,367	(407,787)
Income taxes (Note 15):			
Current	(9,546)	(36,431)	(116,145)
Deferred	20,814	2,797	253,242
Income (Loss) before minority interests	(22,248)	61,733	(270,690)
Minority interests	(3,761)	(3,456)	(45,760)
Net income (loss)	¥ (26,009)	¥ 58,277	$ (316,450)

(Consolidated Statements of Comprehensive Income)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Income (Loss) before minority interests	¥(22,248)	¥ 61,733	$(270,690)
Other comprehensive income (loss) (Note 20):			
Unrealized holding gains (losses) on available-for-sale securities, net of tax	2,504	(7,081)	30,466
Unrealized gains (losses) on hedging derivatives, net of tax	18,731	(11,480)	227,899
Foreign currency translation adjustments	(1,303)	(14,034)	(15,853)
Share of other comprehensive loss of associates accounted for using equity method	(10,051)	(15,251)	(122,290)
	9,881	(47,846)	120,222
Comprehensive income (loss)	¥(12,367)	¥ 13,887	$(150,468)
Comprehensive income (loss)			
Comprehensive income (loss) attributable to owners of the parent	¥(14,404)	¥ 11,717	$(175,252)
Comprehensive income attributable to minority interests	2,037	2,170	24,784

(Amounts per share of common stock)

	Yen		U.S. dollars (Note 1)
Net income (loss)	¥(21.76)	¥48.75	$(0.265)
Diluted net income	–	47.02	–
Cash dividends applicable to the year	5.00	10.00	0.061

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2012 and 2011

	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 asetts
Balance at April 1, 2010	¥65,400	¥44,522	¥616,736	¥(7,126)	¥20,999	¥(45,454)	¥(35,570)	¥1,524	¥74,671	¥735,702
Due to change in consolidated subsidiaries	–	–	(693)	–	–	–	–	–	–	(693)
Due to change in affiliated companies accounted for by the equity method	–	–	(365)	–	–	–	–	–	–	(365)
Due to change in currencies of consolidated subsidiaries	–	–	259	–	–	–	–	–	–	259
Net income.	–	–	58,277	–	–	–	–	–	–	58,277
Purchases of treasury stock.	–	–	–	(88)	–	–	–	–	–	(88)
Disposal of treasury stock	–	(6)	–	33	–	–	–	–	–	27
Dividends paid	–	–	(9,569)	–	–	–	–	–	–	(9,569)
Net changes during the year	–	–	–	–	(6,510)	(22,901)	(17,149)	347	2,910	(43,303)
Balance at March 31 and 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, 2012	**¥65,400**	**¥44,487**	**¥629,667**	**¥(7,152)**	**¥16,888**	**¥(54,936)**	**¥(56,932)**	**¥2,006**	**¥78,481**	**¥717,909**

	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 asetts
Balance at April 1, 2011	$795,717	$541,623	$8,086,689	$(87,370)	$176,287	$(831,671)	$(641,428)	$22,764	$943,923	$9,006,534
Due to change in consolidated subsidiaries	**–**	**–**	**146**	**–**	**–**	**–**	**–**	**–**	**–**	**146**
Due to change in affiliated companies accounted for by the equity method	**–**	**–**	**1,935**	**–**	**–**	**–**	**–**	**–**	**–**	**1,935**
Due to change in accounting period of consolidated subsidiaries	**–**	**–**	**(2,069)**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,069)**
Net loss	**–**	**–**	**(316,450)**	**–**	**–**	**–**	**–**	**–**	**–**	**(316,450)**
Purchases of treasury stock.	**–**	**–**	**–**	**(341)**	**–**	**–**	**–**	**–**	**–**	**(341)**
Disposal of treasury stock	**–**	**(353)**	**–**	**694**	**–**	**–**	**–**	**–**	**–**	**341**
Dividends paid	**–**	**–**	**(109,137)**	**–**	**–**	**–**	**–**	**–**	**–**	**(109,137)**
Net changes during the year	**–**	**–**	**–**	**–**	**29,188**	**163,269**	**(51,260)**	**1,643**	**10,950**	**153,790**
Balance at March 31, 2012	**$795,717**	**$541,270**	**$7,661,114**	**$(87,017)**	**$205,475**	**$(668,402)**	**$(692,688)**	**$24,407**	**$954,873**	**$8,734,749**

See accompanying notes.

Consolidated Statements of Cash Flows

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Cash flows from operating activities:			
Income (Loss) before income taxes and minority interests	¥ (33,516)	¥ 95,367	$ (407,787)
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities			
Depreciation and amortization	85,624	77,446	1,041,781
Impairment loss	5,468	10,239	66,529
Equity in earnings of unconsolidated subsidiaries and affiliated companies, net	(3,300)	(8,174)	(40,151)
Loss on write-down of investment securities	9,163	500	111,486
Loss on write-down of securities issued by subsidiaries and affiliated companies	–	273	–
Various provisions (reversals)	(4,004)	(1,227)	(48,716)
Interest and dividend income	(7,959)	(5,507)	(96,837)
Interest expense	11,511	11,372	140,054
Gain on sale of investment securities	(224)	(1,017)	(2,725)
Gain on sale and disposal of vessels, property and equipment	(9,729)	(24)	(118,372)
Exchange loss, net	4,172	1,689	50,760
Changes in operating assets and liabilities:			
Trade receivables	(3,971)	(13,756)	(48,315)
Inventories	(7,932)	(8,451)	(96,508)
Trade payables	3,805	18,860	46,295
Others, net	(6,843)	22,075	(83,259)
Sub total	42,265	199,665	514,235
Cash received for interest and dividend	17,368	8,332	211,315
Cash paid for interest	(10,478)	(11,202)	(127,485)
Cash paid for corporate income tax, resident tax and enterprise tax	(44,141)	(15,040)	(537,060)
Net cash provided by operating activities	5,014	181,755	61,005
Cash flows from investing activities:			
Purchase of investment securities	(1,158)	(4,568)	(14,089)
Proceeds from sale of investment securities	699	4,846	8,505
Payments for purchase of vessels and other tangible and intangible fixed assets	(175,036)	(217,361)	(2,129,651)
Proceeds from sale of vessels and other tangible and intangible fixed assets	44,879	82,752	546,040
Payments for purchase of subsidiaries' securities due to change in consolidated subsidiaries	(4,936)	–	(60,056)
Net increase (decrease) in short-term loans receivable	127	49	1,545
Disbursements for long-term loans receivable	(4,528)	(4,394)	(55,092)
Collections of long-term loans receivable	8,384	2,391	102,008
Others, net	(2,744)	1,500	(33,387)
Net cash used in investing activities	(134,313)	(134,785)	(1,634,177)
Cash flows from financing activities:			
Net increase (decrease) in short-term bonds	56	154	681
Net increase (decrease) in short-term loans	(2,958)	(3,284)	(35,990)
Net increase (decrease) in commercial paper	(16,500)	13,000	(200,754)
Proceeds from long-term bank loans	270,357	68,899	3,289,415
Repayments of long-term bank loans	(115,662)	(94,287)	(1,407,252)
Proceeds from issuance of bonds	30,000	20,000	365,008
Redemption of bonds	(7,890)	(56,534)	(95,997)
Purchase of treasury stock	(28)	(89)	(341)
Sale of treasury stock	28	27	341
Cash dividends paid by the Company	(9,041)	(9,618)	(110,001)
Cash dividends paid to minority interests	(1,306)	(1,140)	(15,890)
Others, net	1,217	(887)	14,807
Net cash provided by (used in) financing activities	148,273	(63,759)	1,804,027
Effect of exchange rate changes on cash and cash equivalents	(1,940)	(3,699)	(23,604)
Net increase (decrease) in cash and cash equivalents	17,034	(20,488)	207,251
Cash and cash equivalents at beginning of year	65,477	85,894	796,654
Net cash increase from new consolidation/de-consolidation of subsidiaries	115	71	1,399
Increase in cash and cash equivalents due to change in accounting periods for consolidated subsidiaries	211	–	2,568
Cash and cash equivalents at end of year	¥ 82,837	¥ 65,477	$ 1,007,872

See accompanying notes.

Notes to Consolidated Financial Statements

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2012 and 2011

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, 2012, which was ¥82.19 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 335 subsidiaries for the year ended March 31, 2012 (320 subsidiaries for the year ended March 31, 2011). All significant inter-company transactions and accounts have been eliminated.

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 63 affiliated companies for the year ended March 31, 2012, and 60 affiliated companies for the year ended March 31, 2011. Investments in other subsidiaries (113 for the year ended March 31, 2012 and 119 for the year ended March 31, 2011) and affiliated companies (71 and 76 for the respective years) were stated at cost since total revenues, total assets and the Company's equity in net income and retained earnings 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.

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 equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method 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 ¥1,156 million ($14,065 thousand) for the year ended March 31, 2012 and ¥2,210 million for the year ended March 31, 2011.

(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

In May 2010, the Company reviewed the pension plans for employees engaged in shore and sea services and adopts the defined benefit pension plans. Employees engaged in sea service who retire prior to a certain age are also entitled to a lump-sum payment.

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, 2012 and 2011 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 income (loss) per share of common stock is computed based upon the weighted-average number of shares outstanding during the year.

Fully diluted net income per share of common stock assumes exercise of the outstanding stock options and conversion of the convertible bonds at the beginning of the year or at the date of issuance. For the year ended March 31, 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 2012 presentation. These changes had no impact on previously reported results of operations or cash flows or net assets.

(17) CHANGES IN ACCOUNTING METHOD

1. Application of accounting standard for asset retirement obligations

Effective from the year ended March 31, 2011, the Company adopts the Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18, March 31, 2008) and the Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21, March 31, 2008).

The effect on profit and loss is immaterial.

2. Application of accounting standards for business combinations

Effective from the year ended March 31, 2011, the Company adopts the Accounting Standard for Business Combinations (ASBJ Statement No. 21, December 26, 2008), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, December 26, 2008), Partial Amendments to Accounting Standard for Research and Development Costs (ASBJ Statement No. 23, December 26, 2008), Accounting Standard for Business Divestitures (ASBJ Statement No. 7, December 26, 2008), Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No. 16, December 26, 2008), and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, December 26, 2008).

(18) ADDITIONAL INFORMATION

1. The Company reviewed the projected useful life of LNG carriers, given that over 20 years have passed since LNG carriers became part of the Company's fleet and adequate data on the use of LNG carriers have become available. Based on this review, the Company found that LNG carriers can be expected to have a longer period of useful life than the number of years conventionally recognized. Therefore, effective April 1, 2010, the Company adopts 20 years as the period of useful life of LNG carriers based on actual usage.

As a result, operating income and income before income taxes and minority interests for the fiscal year ended March 31, 2011, increased by ¥5,500 million respectively compared with the results under the previous estimate.

2. Application of accounting standards for presentation of comprehensive income

Effective from the year ended March 31, 2011, the Company adopts the Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, June 30, 2010) and Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, revised June 30, 2010).

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

For accounting changes and corrections of past errors which are implemented from the fiscal 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).

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 and 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 Notes 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, 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)

	Thousands of U.S. dollars (Note 1)		
	Book Value	Fair Value	Difference
Assets			
Cash and cash equivalents	**$ 1,007,872**	**$ 1,007,872**	**$ –**
Time deposits with a maturity of more than three months	**12,228**	**12,228**	**–**
Trade receivables	**1,592,919**	**1,592,919**	**–**
Marketable securities			
Available-for-sale securities	**280**	**280**	**–**
Short-term loans receivable	**18,664**	**18,664**	**–**
Investment securities			
Available-for-sale securities	**1,008,602**	**1,008,602**	**–**
Long-term loans receivable (*1)	**238,447**		
Allowance for doubtful accounts (*2)	**(2,251)**		
	236,196	**316,717**	**80,521**
Total	**$ 3,876,761**	**$ 3,957,282**	**$ 80,521**
Liabilities			
Trade payables	**$ 1,625,502**	**$ 1,625,502**	**$ –**
Short-term loans	**471,480**	**471,480**	**–**
Commercial paper	**60,835**	**60,835**	**–**
Bonds (*3)	**2,326,585**	**2,400,158**	**73,573**
Long-term bank loans (*4)	**7,475,581**	**7,495,000**	**19,419**
Total	**$11,959,983**	**$12,052,975**	**$ 92,992**
Derivative financial instruments (*5)	**$ (639,044)**	**$ (661,565)**	**$(22,521)**

*1 The book value of long-term loans receivable includes current portion amounting to ¥432 million ($5,256 thousand).
*2 Allowance identified for long-term loans receivable is deducted.
*3 The book value of bonds includes current portion amounting to ¥4,191 million ($50,992 thousand).
*4 The book value of long-term bank loans includes current portion amounting to ¥62,261 million ($757,525 thousand).
*5 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 31,2011 are the following;

	Millions of yen		
	Book Value	Fair Value	Difference
Assets			
Cash and cash equivalents	¥ 65,477	¥ 65,477	¥ –
Time deposits with a maturity of more than three months	311	311	–
Trade receivables	128,209	128,209	–
Marketable securities			
Available-for-sale securities	29	29	–
Short-term loans receivable	1,695	1,695	–
Investment securities			
Available-for-sale securities	90,824	90,824	–
Long-term loans receivable (*1)	24,486		
Allowance for doubtful accounts (*2)	(188)		
	24,298	30,903	6,605
Total	¥310,843	¥317,448	¥ 6,605
Liabilities			
Trade payables	¥130,752	¥130,752	¥ –
Short-term bonds	961	961	–
Short-term loans	41,966	41,966	–
Commercial paper	21,500	21,500	–
Bonds (*3)	169,439	174,241	4,802
Long-term bank loans (*4)	469,138	470,605	1,467
Total	¥833,756	¥840,025	¥ 6,269
Derivative financial instruments (*5)	¥ (87,850)	¥ (89,818)	¥(1,968)

*1 The book value of long-term loans receivable includes current portion amounting to ¥6,287 million.
*2 Allowance identified for long-term loans receivable is deducted.
*3 The book value of bonds includes current portion amounting to ¥9,281 million.
*4 The book value of long-term bank loans includes current portion amounting to ¥69,755 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 fiscal 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 fiscal 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 borrowing were newly made.

Trade payables, Short-term bonds, Short-term loans and Commercial paper
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.

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.

The fair value of fixed interest rates corporate bonds without market price is evaluated by discounting the total amount of principal and interest using the rate adjusted for the creditworthiness of us and the remaining term. The fair value of corporate bonds qualifying for allocation method of interest and currency swap is evaluated at the book value because such bonds were deemed as the variable interest rates corporate bonds and the interest rate reflects the market rate in a short term.

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. Long-term bank loans with fixed interest rates are classified by their duration, and based on their individual loan types, their fair value is evaluated by discounting the total amount of principal and interest using the rate which would apply if similar bank loans were newly taken out. 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
	2012	2011	**2012**
Unlisted stocks	**¥ 7,667**	¥ 6,977	**$ 93,284**
Unlisted foreign securities	**3,200**	3,200	**38,934**
Others	**42**	54	**511**
Total	**¥10,909**	¥10,231	**$132,729**

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

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

	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

	Thousands of U.S. dollars (Note 1)			
	Within a year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	$1,007,872	$ –	$ –	$ –
Time deposits with a maturity of more than three months	12,228	–	–	–
Trade receivables	1,592,919	–	–	–
Short-term loans receivable	18,664	–	–	–
Marketable securities and investments securities				
Held-to-maturity debt securities (Other)	–	–	–	38,934
Available-for-sale securities (Governmental bonds/Corporate bonds)	–	122	–	–
Long-term loans receivable	5,256	151,113	33,678	48,400
Total	$2,636,939	$151,235	$33,678	$87,334

At March 31, 2011, the aggregate annual maturity of monetary claims and securities was as follow;

	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	¥ 65,477	¥ –	¥ –	¥ –
Time deposits with a maturity of more than three months	311	–	–	–
Trade receivables	128,209	–	–	–
Short-term loans receivable	1,695	–	–	–
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	6,287	12,000	1,422	4,777
Total	¥201,979	¥12,010	¥1,422	¥7,977

4. SECURITIES

A. The following tables summarize acquisition costs, book values and fair values of securities with available fair values at March 31, 2012 and 2011.

Available-for-sale securities:

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

Type	Thousands of U.S. dollars (Note 1) Acquisition cost	Book value	Difference
Equity securities	**$303,322**	**$691,058**	**$387,736**
Bonds	**2,555**	**2,725**	**170**
Others	**–**	**–**	**–**
Total	**$305,877**	**$693,783**	**$387,906**

Securities with book values exceeding acquisition costs at March 31, 2011

Type	Millions of yen Acquisition cost	Book value	Difference
Equity securities	¥26,852	¥69,118	¥42,266
Bonds	210	214	4
Others	–	–	–
Total	¥27,062	¥69,332	¥42,270

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

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

Type	Thousands of U.S. dollars (Note 1) Acquisition cost	Book value	Difference
Equity securities	**$415,756**	**$314,819**	**$(100,937)**
Bonds	**–**	**–**	**–**
Others	**280**	**280**	**–**
Total	**$416,036**	**$315,099**	**$(100,937)**

Securities with book values not exceeding acquisition costs at March 31, 2011

Type	Millions of yen Acquisition cost	Book value	Difference
Equity securities	¥29,947	¥21,492	¥(8,455)
Bonds	–	–	–
Others	29	29	–
Total	¥29,976	¥21,521	¥(8,455)

B. There were no held-to-maturity debt securities sold in the years ended March 31, 2012 and 2011.

C. Total sales of available-for-sale securities sold in the years ended March 31, 2012 and 2011 and the related gains and losses were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Proceeds from sales	**¥522**	¥3,434	**$6,351**
Gross realized gains	**225**	1,020	**2,737**
Gross realized losses	**1**	–	**12**

D. Impairment losses of securities

For the fiscal year ended March 31, 2012 and 2011, the Company reduced the book value on the securities and booked the reductions as impairment losses of ¥9,163 million ($111,486 thousands) and ¥773 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, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Fuel and supplies	¥52,848	¥45,523	$642,998
Others	1,488	1,025	18,104
Total	¥54,336	¥46,548	$661,102

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, 2012 and 2011, for which hedge accounting has not been applied.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
(1) Currency related:			
Forward currency exchange contracts			
Sell (U.S. dollar):			
Contracts outstanding	¥ 468	¥ 5,821	$ 5,694
Fair values	(9)	(1)	(109)
Buy (U.S. dollar):			
Contracts outstanding	¥ 29	¥ –	$ 353
Fair values	(0)	–	(0)
Buy (Others):			
Contracts outstanding	¥ 5	¥ –	$ 61
Fair values	0	–	0
Currency swaps contracts			
Buy (U.S. dollar):			
Contracts outstanding	¥ 7,882	¥ 5,871	$ 95,900
Fair values	(1,777)	(1,212)	(21,621)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
(2) Interest related			
Interest rate swaps			
Receive floating, pay fixed			
Contracts outstanding	¥51,276	¥51,102	$623,872
Fair values	(2,966)	(3,420)	(36,087)
Receive fixed, pay floating			
Contracts outstanding	¥ –	¥ 1,907	$ –
Fair values	–	6	–

Notes: 1. In calculating market values in Japanese yen at the end of the fiscal year, forward exchange rates prevailing at the end of the year for the same values of the respective contracts are used.
2. Market values of interest rate swaps at the end of the fiscal year are calculated using prices of the contracts at the end of the year quoted by the financial institutions or trading houses with which the relevant transactions were closed.

II. HEDGE ACCOUNTING APPLIED

The following tables summarize the outstanding contract amounts and fair values of financial derivatives of the Group at March 31, 2012 and 2011, for which hedge accounting has been applied.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
(1) Deferral hedge accounting			
a. Forward currency exchange contracts to hedge the risk for the foreign currency transactions			
Sell (U.S. dollar):			
Contracts outstanding	¥ 25,479	¥ 28,604	$ 310,001
Fair values	(1,333)	126	(16,218)
Buy (U.S. dollar):			
Contracts outstanding	¥ 98,802	¥162,240	$1,202,117
Fair values	(6,360)	(13,308)	(77,382)
Buy (Australian dollar):			
Contracts outstanding	¥ –	¥ 16	$ –
Fair values	–	1	–
b. Currency swaps contracts to hedge the risk for charterages			
Sell (U.S. dollar):			
Contracts outstanding	¥ 1,863	¥ 2,308	$ 22,667
Fair values	131	205	1,594
Buy (U.S. dollar):			
Contracts outstanding	¥609,265	¥641,203	$7,412,885
Fair values	(29,780)	(64,062)	(362,331)
c. Interest rate swaps to hedge the risk for the long-term bank loans and charterages			
Receive floating, pay fixed			
Contracts outstanding	¥174,262	¥140,908	$2,120,234
Fair values	(13,955)	(7,709)	(169,790)
Receive fixed, pay floating			
Contracts outstanding	¥ 14,336	¥ 17,439	$ 174,425
Fair values	452	566	5,499
d. Commodities futures to hedge the risk for the fuel oil			
Contracts outstanding	¥ 25,371	¥ 9,075	$ 308,687
Fair values	3,074	959	37,401

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
(2) Special treatment			
Interest rate swaps to hedge the risk for the long-term bank loans			
Receive floating, pay fixed			
Contracts outstanding	¥15,090	¥17,533	$183,599
Fair values	(1,851)	(1,968)	(22,521)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
(3) Allocation method			
Currency swaps to hedge the risk for the foreign bonds and long-term bank loans			
Contracts outstanding	¥30,354	¥16,512	$369,315
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 are applied allocation method 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 ¥43,751 million ($532,315 thousand) and ¥64,427 million at March 31, 2012 and 2011, 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, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Bonds:			
Floating/fixed rate Euro medium term notes due 2012–2013	¥ 6,222	¥ 11,439	$ 75,702
1.480% yen bond due 2011	–	1,000	–
1.460% yen bond due 2011	–	2,000	–
1.428% yen bond due 2013	15,000	15,000	182,504
1.760% yen bonds due 2014	10,000	10,000	121,669
1.278% yen bonds due 2014	30,000	30,000	365,008
1.590% yen bonds due 2015	15,000	15,000	182,504
0.573% yen bonds due 2016	10,000	–	121,669
2.070% yen bonds due 2016	15,000	15,000	182,504
1.106% yen bonds due 2016	20,000	20,000	243,339
1.999% yen bonds due 2019	20,000	20,000	243,339
1.670% yen bonds due 2019	10,000	10,000	121,669
1.400% yen bonds due 2020	15,000	15,000	182,504
1.361% yen bonds due 2021	20,000	–	243,339
1.650% yen bonds due 2022	5,000	5,000	60,835
Secured loans from:			
Japan Development Bank due through 2021 at interest rates of 0.25% to 4.70%	66,084	71,990	804,039
Other financial institutions due through 2024 at interest rates of 0.40% to 6.70%	14,581	13,814	177,406
Unsecured loans from:			
Other financial institutions due through 2026 at interest rates of 0.23% to 4.63%	533,753	383,334	6,494,136
	805,640	638,577	9,802,166
Amount due within one year	66,452	79,036	808,517
	¥739,188	¥559,541	$8,993,649

At March 31, 2012, 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)
2013	¥ 66,452	$ 808,517
2014	103,801	1,262,939
2015	143,765	1,749,179
2016	70,277	855,055
2017	102,765	1,250,335
2018 and thereafter	318,580	3,876,141
	¥805,640	$9,802,166

(3) ASSETS PLEDGED AND SECURED DEBT

At March 31, 2012, 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	¥192,298	$2,339,676
Buildings and structures	1,683	20,477
Land	891	10,841
Vessels and other property under construction	5,624	68,427
Investment securities	68,934	838,715
Others	31	377
	¥269,461	$3,278,513

Secured debt	Millions of yen	Thousands of U.S. dollars (Note 1)
Short-term debt	¥ 130	$ 1,582
Long-term debt due within one year	14,772	179,730
Long-term debt due after one year	65,893	801,715
	¥80,795	$983,027

8. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2012, 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 ¥66,765 million ($812,325 thousand).

9. NET ASSETS

Net assets comprises four sections, which are the owners' equity, accumulated other comprehensive income (loss), 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, 2012 and 2011 were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
Balance at April 1, 2010	1,206,286	10,878
Increase during the year	–	154
Decrease during the year	–	(48)
Balance at March 31 and April 1, 2011	1,206,286	10,984
Increase during the year	**–**	**76**
Decrease during the year	**–**	**(85)**
Balance at March 31, 2012	**1,206,286**	**10,975**

(B) SHARE SUBSCRIPTION RIGHTS

Share subscription rights at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Stock options	**¥2,006**	¥1,871	**$24,407**
Total	**¥2,006**	¥1,871	**$24,407**

(C) DIVIDENDS

(1) Dividends paid for the year ended March 31, 2012 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Approved at the shareholders' meeting held on June 23, 2011	**¥5,980**	**$ 72,758**
Approved at the board of directors held on October 31, 2011	**2,990**	**36,379**
Total	**¥8,970**	**$109,137**

(2) Dividends included in the retained earnings at March 31, 2012 and to be paid in subsequent periods were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Approved at the shareholders' meeting held on June 22, 2012	**¥2,990**	**$36,379**
Total	**¥2,990**	**$36,379**

10. IMPAIRMENT LOSSES

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

Application	Type	Millions of yen	Thousands of U.S. dollars (Note1)
Assets to be disposed of by sale	Vessels and Other	**¥5,468**	**$66,529**

For the fiscal year ended March 31, 2011, the Group recorded an impairment loss on the following asset group.

Application	Type	Millions of yen
Assets to be disposed of by sale	Vessels and Other	¥10,239

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 fiscal year ended March 31, 2012 and 2011, 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)
	2012	2011	**2012**
Others, net:			
Exchange loss, net	**¥ (4,440)**	¥ (4,584)	**$ (54,021)**
Amortization of goodwill, net	**288**	–	**3,504**
Gain on sale of vessels, investment securities and others	**11,784**	7,623	**143,375**
Loss on sale and disposal of vessels, investment securities and others	**(1,831)**	(6,975)	**(22,278)**
Loss arising from dissolution of subsidiaries and affiliated companies	**(286)**	(303)	**(3,480)**
Loss on write-down of investment securities and others	**(9,163)**	(773)	**(111,486)**
Provision for doubtful accounts	**(28)**	(7)	**(340)**
Special retirement	**(361)**	(438)	**(4,392)**
Cancellation fee for chartered ships, net	**(199)**	(10,503)	**(2,421)**
Impairment loss	**(5,468)**	(10,239)	**(66,529)**
Sundries, net	**900**	(4,144)	**10,950**
Total	**¥ (8,804)**	¥(30,343)	**$(107,118)**

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, 2012 of finance leases that do not transfer ownership to the lessee is 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**

	Thousands of U.S. dollars (Note 1)		
	Equipment, mainly containers	Others	Total
Acquisition cost	**$423,409**	**$1,083**	**$424,492**
Accumulated depreciation	**393,187**	**1,034**	**394,221**
Net book value	**$ 30,222**	**$ 49**	**$ 30,271**

A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value at March 31, 2011 of finance leases that do not transfer ownership to the lessee is as follows:

	Millions of yen		
	Equipment, mainly containers	Others	Total
Acquisition cost	¥36,459	¥192	¥36,651
Accumulated depreciation	32,087	178	32,265
Net book value	¥ 4,372	¥ 14	¥ 4,386

(2) Future lease payments at March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Amount due within one year	**¥2,631**	¥2,882	**$32,011**
Amount due after one year	**2,814**	5,092	**34,238**
Total	**¥5,445**	¥7,974	**$66,249**

(3) Lease payments, Depreciation equivalent and Interest equivalent

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Lease payments	**¥3,167**	¥3,475	**$38,533**
Depreciation equivalent	**1,898**	2,598	**23,093**
Interest equivalent	**125**	181	**1,521**

(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, 2012 AND 2011:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Amount due within one year	**¥ 38,589**	¥ 37,921	**$ 469,510**
Amount due after one year	**240,143**	266,156	**2,921,803**
Total	**¥278,732**	¥304,077	**$3,391,313**

AS LESSOR:

(A) FUTURE LEASE INCOME UNDER OPERATING LEASES FOR ONLY NON-CANCELABLE CONTRACTS AT MARCH 31, 2012 AND 2011:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Amount due within one year	**¥13,125**	¥13,271	**$159,691**
Amount due after one year	**42,020**	47,700	**511,254**
Total	**¥55,145**	¥60,971	**$670,945**

13. RENTAL PROPERTIES

The Company and certain 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 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Book value	¥267,295	¥264,815	$3,252,160
Fair value	356,497	360,994	4,337,474

Notes: 1. The book value was calculated as the amount equivalent to the cost for acquisition deducting accumulated depreciation and impairment losses.
2. The 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 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Rental revenue	¥26,223	¥27,361	$319,053
Rental expense	14,431	15,222	175,581
Difference	¥11,792	¥12,139	$143,472

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

14. SEGMENT AND RELATED INFORMATION

(A) SEGMENT INFORMATION:

	Millions of yen								
	Reportable segment								
For the year ended March 31, 2012:	Bulkships	Containerships	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 unconsolidated subsidiaries and 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

	Thousands of U.S. dollars (Note 1)								
	Reportable segment								
For the year ended March 31, 2012:	Bulkships	Containerships	Ferry & Domestic transport	Associated business	Sub Total	Others	Total	Adjustment	Consolidated
1. Revenues:									
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	$ 8,833,325	$6,599,659	$634,311	$1,298,333	$17,365,628	$ 96,606	$17,462,234	$ –	$17,462,234
(2) Inter-segment revenues	11,899	20,684	2,506	215,708	250,797	87,675	338,472	(338,472)	–
Total revenues	$ 8,845,224	$6,620,343	$636,817	$1,514,041	$17,616,425	$ 184,281	$17,800,706	$ (338,472)	$17,462,234
Segment income (loss)	$ (84,220)	$ (363,913)	$ (6,497)	$ 110,707	$ (343,923)	$ 52,367	$ (291,556)	$ (4,344)	$ (295,900)
Segment assets	$14,537,219	$4,452,793	$439,092	$4,323,421	$23,752,525	$3,383,148	$27,135,673	$(3,456,856)	$23,678,817
2. Others									
(1) Depreciation and amortization	$ 710,196	$ 163,438	$ 47,050	$ 100,426	$ 1,021,110	$ 17,593	$ 1,038,703	$ 3,078	$ 1,041,781
(2) Amortization of goodwill, net	(6,789)	426	2,932	(146)	(3,577)	73	(3,504)	–	(3,504)
(3) Interest income	9,709	2,068	852	511	13,140	15,282	28,422	(14,150)	14,272
(4) Interest expenses	119,454	29,894	4,940	24,091	178,379	12,849	191,228	(51,174)	140,054
(5) Equity in earnings of unconsolidated subsidiaries and affiliated companies, net	22,910	11,972	1,132	1,509	37,523	2,628	40,151	–	40,151
(6) Investment in affiliates	722,484	61,832	13,335	16,669	814,320	27,108	841,428	–	841,428
(7) Tangible/intangible fixed assets increased	1,924,662	99,891	10,086	66,213	2,100,852	33,678	2,134,530	3,516	2,138,046

	Millions of yen								
	Reportable segment								
For the year ended March 31, 2011:	Bulkships	Containerships	Ferry & Domestic transport	Associated business	Sub Total	Others	Total	Adjustment	Consolidated
1. Revenues:									
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	¥ 790,573	¥586,650	¥50,089	¥108,447	¥1,535,759	¥ 7,902	¥1,543,661	¥ –	¥1,543,661
(2) Inter-segment revenues	2,120	3,578	195	15,700	21,593	7,512	29,105	(29,105)	–
Total revenues	¥ 792,693	¥590,228	¥50,284	¥124,147	¥1,557,352	¥ 15,414	¥1,572,766	¥ (29,105)	¥1,543,661
Segment income (loss)	¥ 70,838	¥ 38,854	¥ (566)	¥ 10,677	¥ 119,803	¥ 3,361	¥ 123,164	¥ (1,542)	¥ 121,622
Segment assets	¥1,173,526	¥386,911	¥38,408	¥342,749	¥1,941,594	¥317,866	¥2,259,460	¥(390,719)	¥1,868,741
2. Others									
(1) Depreciation and amortization	¥ 50,509	¥ 11,777	¥ 4,256	¥ 9,050	¥ 75,592	¥ 1,604	¥ 77,196	¥ 250	¥ 77,446
(2) Amortization of goodwill, net	(211)	195	240	(49)	175	(9)	166	–	166
(3) Interest income	988	106	58	87	1,239	1,604	2,843	(1,262)	1,581
(4) Interest expenses	10,093	2,525	457	2,086	15,161	1,484	16,645	(5,273)	11,372
(5) Equity in earnings of unconsolidated subsidiaries and affiliated companies, net	6,354	1,009	127	154	7,644	530	8,174	–	8,174
(6) Investment in affiliates	69,002	5,315	1,045	1,230	76,592	2,018	78,610	–	78,610
(7) Tangible/intangible fixed assets increased	136,262	38,605	1,316	41,188	217,371	2,342	219,713	730	220,443

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

(B) RELATED INFORMATION:

(1) Information about geographic areas:

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

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

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

	Thousands of U.S. dollars (Note 1)					
For the year ended March 31, 2012:	Japan	North America	Europe	Asia	Others	Consolidated
Revenues	**$16,496,861**	**$232,997**	**$304,271**	**$421,669**	**$6,436**	**$17,462,234**
Tangible fixed assets	**$14,919,224**	**$306,534**	**$ 48,826**	**$465,981**	**$1,046**	**$15,741,611**

	Millions of yen					
For the year ended March 31, 2011:	Japan	North America	Europe	Asia	Others	Consolidated
Revenues	¥1,463,441	¥28,662	¥22,919	¥28,511	¥128	¥1,543,661
Tangible fixed assets	¥1,196,713	¥26,609	¥ 4,519	¥29,879	¥103	¥1,257,823

(2) Information about impairment loss by reportable segment:

	Millions of yen							
	Reportable segment							
For the year ended March 31, 2012:	Bulkships	Containerships	Ferry & Domestic transport	Associated business	Sub Total	Others	Elimination	Consolidated
Impairment loss	**¥5,468**	**¥–**	**¥–**	**¥–**	**¥5,468**	**¥–**	**¥–**	**¥5,468**

	Thousands of U.S. dollars (Note 1)							
	Reportable segment							
For the year ended March 31, 2012:	Bulkships	Containerships	Ferry & Domestic transport	Associated business	Sub Total	Others	Elimination	Consolidated
Impairment loss	**$66,529**	**$–**	**$–**	**$–**	**$66,529**	**$–**	**$–**	**$66,529**

	Millions of yen							
	Reportable segment							
For the year ended March 31, 2011:	Bulkships	Containerships	Ferry & Domestic transport	Associated business	Sub Total	Others	Elimination	Consolidated
Impairment loss	¥4,224	¥5,858	¥–	¥–	¥10,082	¥–	¥157	¥10,239

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

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

	Thousands of U.S. dollars (Note 1)							
	Reportable segment							
For the year ended March 31, 2012:	Bulkships	Containerships	Ferry & Domestic transport	Associated business	Sub Total	Others	Elimination	Consolidated
Goodwill (Negative goodwill) at the end of current year	**$(16,571)**	**$754**	**$11,887**	**$14,053**	**$10,123**	**$170**	**$–**	**$10,293**

	Millions of yen							
	Reportable segment							
For the year ended March 31, 2011:	Bulkships	Containerships	Ferry & Domestic transport	Associated business	Sub Total	Others	Elimination	Consolidated
Goodwill (Negative goodwill) at the end of current year	¥(2,076)	¥1,666	¥1,218	¥0	¥808	¥(1,545)	¥–	¥(737)

Additional information:
Effective from the fiscal year ended March 31, 2011, "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17 27th/Mar/2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20 21st/Mar/2008) are applied.

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 37.25% for the years ended March 31, 2012 and 2011.

(A) Significant components of deferred tax assets and liabilities at March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Deferred tax assets:			
Excess bad debt expenses	¥ 673	¥ 871	$ 8,188
Reserve for bonuses expenses	1,495	1,818	18,190
Retirement benefits expenses	4,198	4,331	51,077
Retirement allowances for directors	702	814	8,541
Write-down of securities and other investments	2,404	2,137	29,249
Accrued business tax and business place tax	392	709	4,769
Operating loss carried forward	25,491	5,615	310,147
Unrealized gain on sale of fixed assets	2,052	2,310	24,967
Impairment loss	613	1,053	7,458
Unrealized losses on hedging derivatives	13,150	30,589	159,995
Others	3,787	3,891	46,077
Total deferred tax assets	54,957	54,138	668,658
Valuation allowance	(11,269)	(11,626)	(137,109)
Net deferred tax assets	43,688	42,512	531,549
Deferred tax liabilities:			
Reserve deductible for tax purposes when appropriated for deferred gain on real properties	(1,849)	(2,086)	(22,497)
Reserve deductible for tax purposes when appropriated for special depreciation	(1,173)	(1,726)	(14,272)
Unrealized holding gains on available-for-sale securities	(10,931)	(12,719)	(132,997)
Gain on securities contributed to employee retirement benefit trust	(3,698)	(4,339)	(44,993)
Revaluation reserve	(14,787)	(14,093)	(179,912)
Retained earnings of consolidated subsidiaries	(14,228)	(13,842)	(173,111)
Others	(370)	(371)	(4,502)
Total deferred tax liabilities	(47,036)	(49,176)	(572,284)
Net deferred tax liabilities	¥ (3,348)	¥ (6,664)	$ (40,735)

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 ($6,412 thousand), and income taxes—deferred, unrealized holding gains on available-for-sale securities, net of tax increased by ¥556 million ($6,765 thousand), ¥1,782 million ($21,681 thousand), respectively and unrealized losses on hedging derivatives, net of tax decreased by ¥1,752 million ($21,316 thousand).

(B) Significant difference between the statutory tax rate and the effective tax rate for the financial statement purpose for the year ended March 31, 2011 was as follows:

	2011
Statutory tax rate	37.3 %
Non-deductible expenses	0.5 %
Tax exempt revenues	(5.0)%
Effect on elimination of dividend income	5.6 %
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(2.7)%
Others	(0.4)%
Effective tax rate	35.3 %

* For the year ended March 31, 2012, the difference between the statutory tax rate and the effective tax rate is not stated as the Company recorded Loss before Income Taxes and Minority Interests.

16. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

Employees' severance and retirement benefits included in the liability section of the consolidated balance sheets at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Projected benefit obligation	**¥ 61,317**	¥ 62,720	**$ 746,040**
Unrecognized actuarial differences	**(3,887)**	(4,859)	**(47,293)**
Prepaid pension expenses	**17,566**	18,098	**213,724**
Less fair value of pension assets	**(61,230)**	(61,648)	**(744,981)**
Employees' severance and retirement benefits	**¥ 13,766**	¥ 14,311	**$ 167,490**

Included in the consolidated statements of operations for the years ended March 31, 2012 and 2011 were severance and retirement benefit expenses, which comprise the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Service costs—benefits earned during the year	**¥ 3,965**	¥ 3,528	**$ 48,242**
Interest cost on projected benefit obligation	**874**	873	**10,634**
Expected return on plan assets	**(1,085)**	(1,116)	**(13,201)**
Amortization of actuarial differences	**685**	374	**8,334**
Amortization of past service liabilities	**–**	(957)	**–**
Others*	**459**	453	**5,585**
Employees' severance and retirement benefits expenses	**¥ 4,898**	¥ 3,155	**$ 59,594**

* "Others" represents expenses related to the defined contribution pension plan of consolidated subsidiaries.

The discount rate for the years ended March 31, 2012 and 2011 used by the Company is mainly 2.0%. Also, the rate of expected return on plan assets for the years ended March 31, 2012 and 2011 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 amount on stock options for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Selling, general and administrative expenses	**¥150**	¥347	**$1,825**
Total	**¥150**	¥347	**$1,825**

(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
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
Number of stock options	Common stock 1,710,000	Common stock 1,720,000
Grant date	August 16, 2010	August 9, 2011
Vesting conditions	No provisions	No provisions
Service period	No provisions	No provisions
Exercise period	From July 31, 2012 to June 21, 2020	From July 26, 2013 to June 22, 2021

(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
Balance at March 31, 2011	–	–	–	–	–	–	–	1,640,000	1,710,000	–
Options granted during the year	–	–	–	–	–	–	–	–	–	1,720,000
Options expired during the year	–	–	–	–	–	–	–	–	–	–
Options vested during the year	–	–	–	–	–	–	–	1,640,000	–	–
Balance at March 31, 2012	–	–	–	–	–	–	–	–	1,710,000	1,720,000

Vested stock options	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Balance at March 31, 2011	20,000	14,000	296,000	888,000	1,463,000	1,700,000	1,760,000	–	–	–
Options vested during the year	–	–	–	–	–	–	–	1,640,000	–	–
Options exercised during the year	–	–	–	–	–	–	–	–	–	–
Options expired during the year	–	–	10,000	10,000	20,000	20,000	10,000	10,000	–	–
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	–	–

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

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

(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:

	2011
Stock price volatility	44.0%
Expected remaining term of the option	5 years and 11 months
Expected dividends	¥10 per share
Risk-free interest rate	0.48%

18. MATERIAL NON-CASH TRANSACTIONS

Amount of lease assets and lease obligations recognized for the years ended March 31, 2012 and 2011 were ¥3,817 million ($46,441 thousand) and ¥3,916 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 fiscal year ended March 31, 2012, the amounts reclassified to net loss that were recognized in other comprehensive income and tax effects for each component of other comprehensive income are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2012	2012
Unrealized holding gains on available-for-sale securities, net of tax:		
Decrease during the year	¥ (7,682)	$ (93,466)
Reclassification adjustments	8,891	108,176
Sub-total, before tax	1,209	14,710
Tax benefit	1,295	15,756
	2,504	30,466
Unrealized gains on hedging derivatives, net of tax:		
Increase during the year	19,784	240,710
Reclassification adjustments	9,894	120,380
Adjustments of acquisition cost	6,316	76,846
Sub-total, before tax	35,994	437,936
Tax expense	(17,263)	(210,037)
	18,731	227,899
Foreign currency translation adjustments:		
Decrease during the year	(2,569)	(31,256)
Reclassification adjustments	1,266	15,403
	(1,303)	(15,853)
Share of other comprehensive loss of associates accounted for using equity method:		
Decrease during the year	(15,672)	(190,680)
Reclassification adjustments	5,621	68,390
	(10,051)	(122,290)
Total other comprehensive income	¥ 9,881	$ 120,222

21. SUBSEQUENT EVENT

There are no applicable matters to report.

Independent Auditor's Report

KPMG

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, 2012 and 2011, 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, 2012 and 2011, 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, 2012 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 22, 2012
Tokyo, Japan

The MOL Group

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

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

			Registered Office	MOL's Voting Rights (%)*	Paid-in Capital (Thousands)
BULKSHIPS	■	BGT Ltd.	Liberia	100.00	US$5
	■	BLNG Inc.	U.S.A.	75.00	US$1
	■	Chugoku Shipping Agencies Ltd.	Japan	100.00	¥10,000
	■	El Sol Shipping Ltd. S.A.	Panama	100.00	US$10
	■	Euro Marine Carrier B.V.	Netherlands	75.50	€91
	■	Euro Marine Logistics N.V.	Belgium	50.00	€900
	■	MOL LNG Transport Co., Ltd.	Japan	100.00	¥40,000
	■	MCGC International Ltd.	Bahamas	80.10	US$1
	■	Mitsui O.S.K. Bulk Shipping (Asia Oceania) Pte. Ltd.	Singapore	100.00	S$2,350
	■	Mitsui O.S.K. Bulk Shipping (Europe) Ltd.	U.K.	100.00	US$402
	■	Mitsui O.S.K. Bulk Shipping (USA), Inc.	U.S.A.	100.00	US$200
	■	Mitsui O.S.K. Kinkai, Ltd.	Japan	100.00	¥660,000
	■	MOG LNG Transport S.A.	Panama	100.00	¥0
	■	MOL-NIC Transport Ltd.	Liberia	75.00	US$13,061
	■	MOL Coal & Iron Ore Carriers (Singapore) Pte Ltd.	Singapore	100.00	US$14,752
	■	MOL Netherlands Bulkship B.V.	Netherlands	100.00	€18
	■	Nissan Carrier Europe B.V.	Netherlands	100.00	€195
	■	Nissan Motor Car Carrier Co., Ltd.	Japan	70.01	¥640,000
	■	Phoenix Tankers Pte. Ltd.	Singapore	100.00	US$328,811
	■	Shining Shipping S.A.	Panama	100.00	US$10
	■	Shipowner/Chartering companies (188 companies) in Panama, Cayman Islands, Liberia, Singapore, Hong Kong, Cyprus, Malta, Isle of Man, Marshall Island, UK			
	■	Tokyo Marine Asia Pte Ltd	Singapore	100.00	S$500
	■	Tokyo Marine Co., Ltd.	Japan	100.00	¥2,000,000
	■	Unix Line Pte Ltd.	Singapore	100.00	US$344
	■	World Logistics Service (U.S.A.), Inc.	U.S.A.	100.00	US$200
	■	Others (3 companies)			
	▲	Act Maritime Co., Ltd.	Japan	49.00	¥90,000
	▲	Aramo Shipping (Singapore) Pte Ltd.	Singapore	50.00	US$20,743
	▲	Asahi Tanker Co., Ltd.	Japan	24.75	¥600,045
	▲	Daiichi Chuo Kisen Kaisha	Japan	26.96	¥13,258,410
	▲	Gearbulk Holding Limited	Bermuda	49.00	US$61,225
	▲	M.S.Tanker Shipping Limited	Hong Kong	50.00	HK$2,000
	▲	Shipowner/Chartering companies (44 companies) in Liberia, Panama, Bahamas, Malta, Netherlands, Indonesia, Marshall Island, and Cayman Islands			
CONTAINERSHIPS	■	Chiba Utoc Corporation	Japan	100.00	¥90,000
	■	Hong Kong Logistics Co., Ltd.	Hong Kong	100.00	HK$58,600
	■	International Container Transport Co., Ltd.	Japan	51.00	¥100,000
	■	M.O. Air International (Taiwan) Co., Ltd.	Taiwan	100.00	NT$7,500
	■	Mitsui O.S.K. Lines (Australia) Pty. Ltd.	Australia	100.00	A$1,000
	■	Mitsui O.S.K. Lines (Japan) Ltd.	Japan	100.00	¥100,000
	■	Mitsui O.S.K. Lines (SEA) Pte Ltd.	Singapore	100.00	S$200
	■	MOL (America) Inc.	U.S.A.	100.00	US$6
	■	MOL (Brasil) Ltda.	Brazil	100.00	R$1,677
	■	MOL (China) Co., Ltd.	China	100.00	US$1,960
	■	MOL (Europe) B.V.	Netherlands	100.00	€456
	■	MOL (Europe) Ltd.	U.K.	100.00	£1,500
	■	MOL (Singapore) Pte. Ltd.	Singapore	100.00	S$5,000
	■	MOL Consolidation Service Limited	Hong Kong	100.00	HK$1,000
	■	MOL Consolidation Service Ltd. (China)	China	100.00	RMB8,000
	■	MOL Liner, Limited	Hong Kong	100.00	HK$40,000
	■	MOL Logistics (Deutschland) Gmbh	Germany	100.00	€937
	■	MOL Logistics (Europe) B.V.	Netherlands	100.00	€414
	■	MOL Logistics (H.K.) Ltd.	Hong Kong	100.00	HK$3,676
	■	MOL Logistics (Japan) Co., Ltd.	Japan	75.06	¥756,250
	■	MOL Logistics (Netherlands) B.V.	Netherlands	100.00	€3,049
	■	MOL Logistics (Singapore) Pte. Ltd.	Singapore	100.00	S$700
	■	MOL Logistics (Thailand) Co., Ltd.	Thailand	49.00	BT20,000
	■	MOL Logistics (UK) Ltd.	U.K.	100.00	£400
	■	MOL Logistics (USA) Inc.	U.S.A.	100.00	US$9,814
	■	MOL Logistics Holding (Europe) B.V.	Netherlands	100.00	€20
	■	MOL South Africa (Proprietary) Limited	South Africa	100.00	R3,000
	■	Shanghai Huajia International Freight Forwarding Co., Ltd.	China	76.00	US$1,720
	■	Shipowner companies (15 companies) in Panama, Marshall Island, Liberia and Hong Kong			
	■	Shosen Koun Co., Ltd.	Japan	79.98	¥300,000
	■	Trapac, Inc.	U.S.A.	100.00	US$3,000
	■	Utoc Corporation	Japan	67.55	¥1,455,300
	■	Utoc Engineering Pte. Ltd.	Singapore	100.00	S$2,000
	■	Utoc Logistics Corporation	Japan	100.00	¥50,000
	■	Utoc Stevedoring Corporation	Japan	100.00	¥50,000
	■	Others (8 companies)			
	▲	Mitsui O.S.K. Lines (Thailand) Co., Ltd.	Thailand	47.00	BT20,000
	▲	Shanghai Kakyakusen Kaisha, Ltd.	Japan	31.98	¥100,000
	▲	Shanghai Longfei international Logistics Co., Ltd.	China	22.05	US$1,240
	▲	Other company (1 company)			

		Registered Office	MOL's Voting Rights (%)*	Paid-in Capital (Thousands)
FERRY & DOMESTIC TRANSPORT				
■	Blue Sea Network Co., Ltd.	Japan	100.00	¥54,600
■	Blue Highway Express Kyushu Co., Ltd	Japan	100.00	¥50,000
■	Blue Highway Service K.K.	Japan	100.00	¥30,000
■	Diamond Line K.K.	Japan	100.00	¥20,000
■	Ferry Sunflower Limited.	Japan	100.00	¥100,000
■	MOL Naikou, Ltd.	Japan	100.00	¥650,000
■	Shipowner company (1 company) in Panama			
■	MOL Ferry Co., Ltd.	Japan	100.00	¥1,577,400
■	Others (6 companies)			
▲	Meimon Taiyo Ferry Co., Ltd.	Japan	38.73	¥880,000
▲	Others (2 companies)			
ASSOCIATED BUSINESSES				
■	Daibiru Corporation	Japan	51.07	¥12,227,847
■	Daibiru Facility Management Ltd.	Japan	100.00	¥17,000
■	Green Kaiji Kaisha, Ltd.	Japan	100.00	¥95,400
■	Green Shipping, Ltd.	Japan	100.00	¥172,000
■	Hokuso Kohatsu K.K.	Japan	100.00	¥50,000
■	Ikuta & Marine Co., Ltd.	Japan	100.00	¥26,500
■	Japan Express Co., Ltd. (Kobe)	Japan	86.27	¥99,960
■	Japan Express Co., Ltd. (Yokohama)	Japan	100.00	¥236,000
■	Japan Express Packing & Transport Co., Ltd.	Japan	100.00	¥60,000
■	Japan Hydrographic Charts & Publications Co., Ltd.	Japan	60.95	¥32,000
■	Jentower Limited	Hong Kong	100.00	US$0
■	Kosan Kanri Service Co., Ltd.	Japan	100.00	¥20,000
■	Kosan Kanri Service · West Co., Ltd.	Japan	100.00	¥14,400
■	Kitanihon Tug-boat Co., Ltd.	Japan	62.00	¥50,000
■	Kobe Towing Co., Ltd.	Japan	100.00	¥50,000
■	Kusakabe Maritime Engineering Co., Ltd.	Japan	100.00	¥200,000
■	MOL Career Support, Ltd.	Japan	100.00	¥100,000
■	Mitsui O.S.K. Kosan Co., Ltd.	Japan	100.00	¥300,000
■	Mitsui O.S.K. Passenger Line, Ltd.	Japan	100.00	¥100,000
■	MOL Kaiji Co., Ltd.	Japan	100.00	¥95,000
■	MOL Techno-Trade, Ltd.	Japan	100.00	¥490,000
■	M.O. Tourist Co., Ltd.	Japan	100.00	¥250,000
■	Nihon Tug-Boat Co., Ltd.	Japan	87.26	¥134,203
■	Chartering company (1 company) in Panama			
■	Saigon Tower Co., Ltd.	Vietnam	100.00	VND48,166,000
■	Ube Port Service Co., Ltd.	Japan	99.39	¥14,950
▲	Nippon Charter Cruise, Ltd.	Japan	50.00	¥290,000
▲	Shinyo Kaiun Corporation	Japan	36.00	¥100,000
▲	South China Towing Co., Ltd.	Hong Kong	25.00	HK$12,400
▲	Tan Cang-Cai Mep Towage Services Co., Ltd.	Vietnam	40.00	US$4,500
OTHERS				
■	Euromol B.V.	Netherlands	100.00	€8,444
■	MOL Ocean Expert Co., Ltd.	Japan	100.00	¥100,000
■	International Transportation Inc.	U.S.A.	100.00	US$24,563
■	Linkman Holdings Inc.	Liberia	100.00	US$3
■	MOL Cableship Ltd.	Japan	100.00	¥10,000
■	MOL Marine Consulting, Ltd.	Japan	100.00	¥100,000
■	M.O. Reinsurance S.A.	Luxembourg	100.00	US$5,376
■	MOL Ship Tech Inc.	Japan	100.00	¥50,000
■	Mitsui Kinkai Kisen Co., Ltd.	Japan	80.13	¥350,000
■	Mitsui O.S.K. Holdings (Benelux) B.V.	Netherlands	100.00	€17,245
■	MOL Accounting Co., Ltd.	Japan	100.00	¥30,000
■	MOL Adjustment, Ltd.	Japan	100.00	¥10,000
■	MOL Engineering Co., Ltd.	Japan	100.00	¥20,000
■	MOL FG, Inc.	U.S.A.	100.00	US$20
■	MOL Information Systems, Ltd.	Japan	100.00	¥100,000
■	MOL Manning Service S.A.	Panama	100.00	US$135
■	MOL Ship Management Co., Ltd.	Japan	100.00	¥50,000
■	MOL SI, Inc.	U.S.A.	100.00	US$100
■	Orange P.R. Ltd.	Japan	100.00	¥10,000
■	Shipowner/Chartering companies (4 companies) in Panama			
▲	Minaminippon Shipbuilding Co., Ltd.	Japan	24.00	¥200,000
▲	Osaka Shipping Co., Ltd.	Japan	30.12	¥498,000

*MOL includes MOL and its subsidiaries

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New Jersey: Tel: 1-732-512-5200 Fax: 1-732-512-5300
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Long Beach: Tel: 1-562-528-7500 Fax: 1-562-528-7515
MOL Logistics (USA) Inc.
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Head Office (Santiago): Tel: 56-2-630-1950 Fax: 56-2-231-5622
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Head Office (Mexico City): Tel: 52-55-5010-5200 Fax: 52-55-5010-5220
MOL (Panama) Inc.
Head Office (Panama): Tel: 11-507-300-3200 Fax: 11-507-300-3212
Mitsui O.S.K. Bulk Shipping (USA) Inc.
Sao Paulo: Tel: 55-11-3145-3980 Fax: 55-11-3145-3946
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Antwerp: Tel: 32-3-2024860 Fax: 32-3-2024870
Genoa: Tel: 39-010-2901711 Fax: 39-010-5960450
Hamburg: Tel: 49-40-356110 Fax: 49-40-352506
Le Havre: Tel: 33-2-32-74-24-00 Fax: 33-2-32-74-24-39
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Hamburg: Tel: 49-40-3609-7411 Fax: 49-40-3609-7450
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Head Office (Dusseldorf): Tel: 49-211-41883-0 Fax: 49-211-4183310
MOL Logistics (Netherlands) B.V.
Head Office (Tilburg): Tel: 31-13-537-33-73 Fax: 31-13-537-35-75
MOL Logistics (U.K.) Ltd.
Head Office (London): Tel: 44-1895-459700 Fax: 44-1895-449600

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Lagos: Tel: 234-1-2806555
MOL (Ghana) Ltd.
Tema: Tel: 233-30-3212084 Fax: 233-30-3210807

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MOL (Europe) Ltd.
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Mitsui O.S.K. Bulk Shipping (Asia, Oceania) Pte. Ltd.
Melbourne: Tel: 61-3-9691-3222 Fax: 61-3-9691-3223
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Brisbane: Tel: 61-7-3007-2115 Fax: 61-7-3007-2116
MOL Logistics (Australia) Pty. Ltd.
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Mitsui O.S.K. Lines Lanka (Private) Ltd.
Head Office (Colombo): Tel: 94-11-2304721 Fax: 94-11-2304730
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Mitsui O.S.K. Lines (Thailand) Co., Ltd.
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MOL Philippines, Inc.
Head Office (Manila): Tel: 632-888-6531 Fax: 632-884-1766
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Beijing: Tel: 86-10-8529-9121 Fax: 86-10-8529-9126
Tianjin: Tel: 86-22-8331-1331 Fax: 86-22-8331-1318
Shenzhen: Tel: 86-755-2598-2200 Fax: 86-755-2598-2210
MOL (Taiwan) Co., Ltd.
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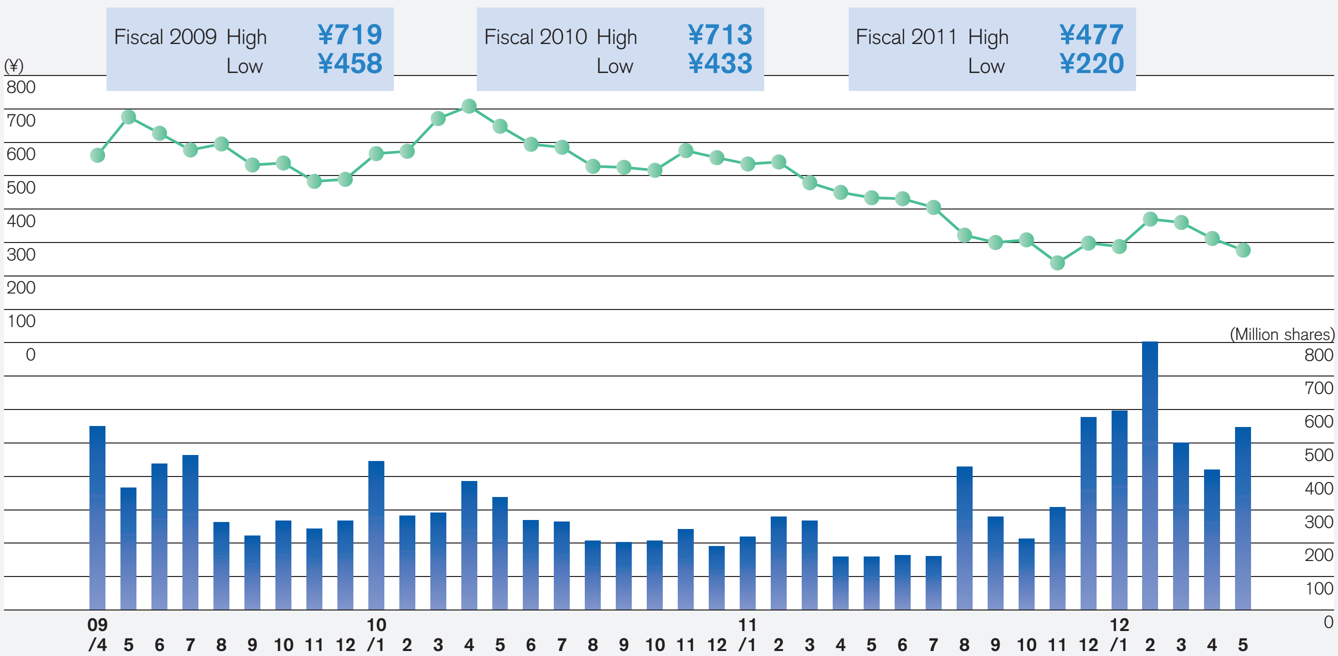
Mumbai: Tel: 91-22-4071-4500 Fax: 91-22-4071-4557
Chennai: Tel: 91-44-3257-1188 Fax: 91-44-4208-1020

Shareholder Information

Capital:	¥65,400,351,028
Head office:	1-1, Toranomon 2-chome, Minato-ku, Tokyo 105-8688, Japan
Number of MOL employees:	940
Number of MOL Group employees: (The parent company and consolidated subsidiaries)	9,431
Total number of shares authorized:	3,154,000,000
Number of shares issued:	1,206,286,115
Number of shareholders:	116,681
Shares listed in:	Tokyo, Osaka, Nagoya, Fukuoka
Share transfer agent:	Mitsubishi UFJ Trust and Banking Corporation 10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081, Japan
Communications materials:	Annual Report (English/Japanese) Investor Guidebook (English/Japanese) Market Information (English/Japanese) News Releases (English/Japanese) Web Site (English/Japanese) Quarterly Newsletter *Open Sea* (English/Web Site) Monthly Newsletter *Unabara* (Japanese) Environmental and Social Report (English/Japanese)

(As of March 31, 2012)

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



Mitsui O.S.K. Lines

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Printed in Japan