Business Performance in FY2013 and Outlook for FY2014

Mitsui O.S.K. Lines, Ltd.

April 2014

HP

Contents

FY2013 Full-year Results [Consolidated]

(billion yen)	FY2013 Result	1Q Result	2Q Result	3Q Result	4Q Result	FY2012 Result	Increase / decrease		FY13 F'cast as of Jan.31,2014	Increase /decrease
Revenue	1,729	412	433	430	454	1,509	220	14.6%	1,700	29
Operating income/loss	41	11	10	8	11	－16	57	-	43	－2
Ordinary income/loss	55	15	10	11	18	－29	84	-	55	0
Net income/loss	57	13	8	8	28	－179	236	-	57	0
Average exchange rate	¥99.79/$	¥98.81/$	¥97.86/$	¥99.19/$	¥103.29/$	¥82.31/$	¥17.48/$		¥99.72/$	¥0.07/$
Average bunker price	$610/MT	$606/MT	$609/MT	$613/MT	$609/MT	$662/MT	－$52/MT		$614/MT	－$4/MT

■Results Comparison FY2013 vs FY2012 Major factors affected Ordinary income

Fluctuation of Foreign Exchange	+¥34.9 bil.	FY13 ¥99.79/$; +¥17.48/$
Fluctuation of Bunker Price	+¥9.3 bil.	FY13 $610/MT; －$52/MT
Fluctuation of Cargo Volume/Freight Rates/Others	+¥1.6 bil.	incl. +¥40 billion by the Business Structural Reforms and +¥10.6 billion by the depreciation period extension
Cost Reduction	+¥34.0 bil.	
Equity in earnings of affiliated companies	+¥3.7 bil.	
(Balance)	+¥83.5 bil.	

FY	April	-	March
1Q	April	-	June
2Q	July	-	September
3Q	October	-	December
4Q	January	-	March

[By segment]

Upper	Revenue
Lower	Ordinary income/loss

(billion yen)	FY2013 Result	FY2013 1Q Result	FY2013 2 Q Result	FY2013 3 Q Result	FY2013 4 Q Result	FY2012 Result	Increase / decrease		FY13 F'cast as of Jan.31,2014	Increase /decrease
Bulkships	836	194	206	209	228	731	105	14.4%	810	26
	57	13	11	14	19	－25	82	-	55	2
Containerships	714	175	181	176	181	607	107	17.6%	714	－1
	－15	－1	－3	－7	－4	－11	- 3	-	－13	－2
Ferry& domestic transport	56	13	14	14	14	54	1	2.4%	54	2
	2	0	1	1	0	1	1	74.4%	2	0
Associated businesses	117	28	30	29	30	110	7	6.3%	115	2
	11	3	3	3	2	11	0	3.7%	11	0
Others	7	2	2	2	2	7	0	－0.9%	7	0
	5	2	0	2	0	2	2	86.9%	5	0
Adjustment	-	-	-	-	-	-	-	-	-	-
	－6	－1	－3	－1	－1	－7	1	-	－5	－1
Consolidated	1,729	412	433	430	454	1,509	220	14.6%	1,700	29
	55	15	10	11	18	－29	84	-	55	0

●Revenues from customers, unconsolidated subsidiaries and affiliated companies

●"Bulkships" consists of Dry bulkers, Tankers, LNG carriers, and Car carriers

●The Associated businesses segment includes the businesses related to real estate, cruise ships, tug boats, trading, and temporary staffing, etc.

Outline of FY2013 Full-year Financial Results (I) [Consolidated]

[Overall]

◆ Profits improved significantly year-on-year, achieving a V-shaped recovery, which was the target of the Single-year Management Plan RISE2013.

	Initial Plan		Previous Forecast (Jan.31)		Achievement
Ordinary Income	¥60 billion	⇒	¥55 billion	⇒	¥54.9 billion
Net Income	¥50 billion	⇒	¥57 billion	⇒	¥57.3 billion
Equity Ratio/Net Gearing Ratio	26%/154%	⇒		⇒	29%/135%

← ▪ Strengthened fleet cost competitiveness through Business Structural Reforms, reduced costs at different stages.

▪ Weaker yen, decline in bunker prices, improved markets including dry bulkers

◆ After the previous announcement (Jan.31), Bulkships segment turned up due to favorable crude oil tanker market, and so on; Containerships business declined due to non-attainment of assumed freight rate levels. Other segments generally met projections.

[By segment] [Ordinary income for FY2013 (year-on-year comparison)]

Bulkships [¥57.1 billion (+¥81.9 billion)]

■ **Dry bulkers:**

- Continued to secure stable profits through long-term transport contracts (iron ore, steaming coal, and woodchip carriers, and so on).
- Free vessels: Subsidiary in Singapore has established operating base in the nation; acquired profitable cargoes with competitive fleet built up through Business Structural Reforms.
- Markets: Recovered after July to the level exceeding that of the same period of the previous year. Remained in line with assumptions during 4Q, too.
- ← [Large-size (Capesize)] Robust trade of iron ore + reduction in newly launched vessels
  [Mid- and small-size (Panamax or smaller)] Firm trade of grain, coal, etc.

⇒ Significant improvement in profits solidified structure for future profitability of the Company.

Outline of FY2013 Full-year Financial Results (II) [Consolidated]

- **Tankers:**
  - [Crude oil tankers] The full-year average market level did not reach the break-even point, but the VLCC market increased to a healthy level in the high-demand winter season. Improved business performance by scaling down free vessels in combination with efficient vessel allocation by pool operation.

    [Product tankers] The market's upward mobility was limited after June, with only a minor reduction in deficits.

    [Chemical tankers] Improved profits by strengthening business and vessel operations in Singapore; recovered profitability.

    [LPG carriers] Profits improved as a result of favorable market as outbound U.S. trade increased; recovered profitability.

    ⇒ Profits improved to a slight deficit, also backed by long-term contracts for crude oil tankers, methanol carriers, etc.
  - Subsidiary in Singapore posted impairment on Aframax and other tankers, and sold a high-cost vessel during 4Q.
- **LNG carriers:** Continued to secure stable profits, mainly from long-term contracts.
- **Car carriers:** Efforts to bolster handling of cross trade and inbound cargo ⇒ increased profitability.

Containerships [-¥14.5 billion (-¥3.2 billion)]

- The demand-supply gap expanded as deliveries of large-scale containerships continued, despite stable cargo trade, mainly for Europe and the U.S.

  ⇒ Freight rates dropped significantly, overriding effects of slow steaming, improved operational efficiency through initiatives of G6 Alliance, etc.
- During 4Q(Jan.-Mar.), freight rates did not reach the assumed levels in the Asia/Europe trade, where resumption of post-Chinese New Year cargo trade was delayed slightly; and in the outbound U.S. trade due to heavy cold weather.

  → Deficits increased more than we assumed in 3Q.

Ferry and Domestic Transport [¥2.2 billion (+¥0.9 billion)] Cargo and passenger volumes both increased in the Ferry business.

Associated Businesses [¥11.1billion (+¥0.4 billion)] Acquired stable profits, mainly in the real estate business.

[Cost Reduction] Achieved ¥34.0 billion by year-end, exceeding the full-year target (all companies) of ¥31.5 billion.

[Dividend] Plan to execute ¥5 per share dividend payment for the full year (interim ¥2 = already paid + year-end ¥3). (Same as the previous announcement.)

FY2014 Full-year Forecast [Consolidated]

(billion yen)	FY2014 Forecast	1H Forecast	2H Forecast	FY2013 Result	1H Result	2H Result	Increase / decrease	
Revenue	1,800	895	905	1,729	845	884	71	4.1%
Operating income/loss	54	25	29	41	22	19	13	31.4%
Ordinary income/loss	70	33	38	55	26	29	15	27.3%
Net income/loss	60	32	28	57	21	36	3	4.5%

Average exchange rate	¥100.00/$	¥100.00/$	¥100.00/$	¥99.79/$	¥98.34/$	¥101.24/$
Average bunker price	$620/MT	$620/MT	$620/MT	$610/MT	$608/MT	$611/MT

(For reference)

FY2014 Ex. Rate sensitivity	±2.1	bil.¥ / ¥ 1	(year) (Max)
FY2014 Bunker price sensitivity	±0.24	bil.¥ / $ 1	(year) (Max)
(Consolidated Ordinary Income Basis)			

[By segment]

Upper	Revenue
Lower	Ordinary income/loss

(billion yen)	FY2014 Forecast	FY2014 1H Forecast	FY2014 2H Forecast	FY2013 Result	FY2013 1H Result	FY2013 2H Result	Increase / decrease	
Bulkships	830	410	420	836	400	437	−6	−0.8%
	55	25	30	57	24	33	−2	−3.7%
Containerships	790	395	395	714	356	358	77	10.7%
	2	0	2	−15	−4	−11	17	-
Ferry& domestic transport	56	28	28	56	28	28	0	0.7%
	3	2	2	2	1	1	1	34.2%
Associated businesses	116	58	58	117	58	59	−1	−0.5%
	11	6	5	11	6	5	−1	−5.8%
Others	8	4	4	7	4	4	1	9.0%
	2	2	1	5	2	3	−3	−56.3%
Adjustment	-	-	-	-	-	-	-	-
	−3	−2	−1	−6	−3	−2	3	-
Consolidated	1,800	895	905	1,729	845	884	71	4.1%
	70	33	38	55	26	29	15	27.3%

● Revenues from customers, unconsolidated subsidiaries and affiliated companies

● "Bulkships" consists of Dry bulkers, Tankers, LNG carriers, and Car carriers

● The Associated businesses segment includes the businesses related to real estate, cruise ships, tug boats, trading, and temporary staffing, etc.

Key Points of FY2014 Full-year Forecast (I)

[Overall]

◆ Launch of Midterm Management Plan **STEER FOR 2020** —Solid growth through innovative changes.

<Innovation of Business Portfolio>

Selectively and significantly allocate management resources to businesses where we expect high growth and stable long-term profits.

<Innovation of Business Model>

Transform our fleet for a structure that offers increased market tolerability and more competitiveness.

Focus on businesses that meet customer needs and offer added values.

<Innovation of Business Domain>

Expand business domain to both upstream and downstream of ocean shipping transport.

◆ Business climate: Developing countries will remain susceptible to trends in the Chinese economy and the financial markets, while the firm economic recoveries seen in developed countries are expected to continue. New business chances including cargo flow shifts created by the shale revolution will increase while fleet demand and supply balance will shift at different times depending on the type of vessel.

[By segment] [FY2014 forecast for ordinary income (year-on-year comparison)]

Bulkships [¥55 billion (-¥2.1 billion)]

■ **Dry bulkers:**

- Market: The level will be mostly firm and higher than the previous year though it is currently in a correction phase, and in anticipation of high prices.
  ← Improvement of the fleet demand and supply balance by the decreased number of newbuilding large-size (Capesize) vessels.
- Strengthen market tolerability of the fleet while accumulating stable profits by proactively acquiring mid- and long-term contracts.
- Acquire advantageous and profitable cargoes, and seek for merits out of vessel operation by executing slow steaming and efficient operation.

⇒ Expect increase in profits

Key Points of FY2014 Full-year Forecast (II)

- **Tankers:**

  [Crude oil carriers/Product tankers]

  Expect some improvements in market, while enhancing the market tolerability of the fleet.

  [Chemical tankers/LPG carriers]

  Enhance services to meet customer needs while taking advantage of favorable market conditions.

  ⇒ Assuming back to profitability.

- **LNG carriers:**

  Push forward to secure long-term contracts based on the midterm management plan target, while promoting preparations to expand the fleet. ⇒ Expect decrease in profits

- **Car carriers:**

  Focus efforts on establishing services that meet domestic automakers' trends toward producing automobiles in areas close to consuming regions, and that facilitate cargo collection. ⇒ Expect decrease in profits

Containerships [-¥2 billion (¥16.5 billion)]

- Significantly improve cost competitiveness with larger size vessels, expanding G6 Alliance target routes (Asia/North America West Coast, Atlantic Ocean), improving operational efficiency, etc.
- Continue efforts to restore freight rates. (Scheduled restoration for Asia outbound cargo from May: North America route: $900/40', Europe route: $500/TEU)
- Strengthen container terminal business.

[Enhancement of cost competitiveness] Full-year target: ¥30 billion

[Cash flow/Financial plan]

- Take a proactive stance to invest in projects that promise future cash flow backed by long-term contracts.
- Continue ongoing promotion for the off-balance-sheet assets strategy to maintain financial healthiness.

[Dividend] Plan to execute ¥6 per share dividend payment for the full-year (interim ¥3 + year-end ¥3).

Dry Bulker Market (Spot Charter Rate)

1. FY2013 (Result)

(US$/day)

Size	Route	FY2013						
		1st Half			2nd Half			Full-year
Market for vessels operated by MOL		Apr-Sep, 2013			Oct, 2013 - Mar, 2014			Average
		Apr-Jun	Jul-Sep		Oct-Dec, 2013	Jan-Mar, 2014		
Capesize	4TC Average	**6,200**	**19,000**	**12,600**	**27,100**	**16,200**	**21,700**	**17,100**
Market for vessels operated by overseas subsidiaries of MOL		Jan-Jun, 2013			Jul-Dec, 2013			Average
		Jan-Mar	Apr-Jun		Jul-Sep	Oct-Dec		
Capesize	4TC Average	**6,100**	**6,200**	**6,200**	**19,000**	**27,100**	**23,100**	**14,600**
Panamax	4TC Average	**7,100**	**7,800**	**7,500**	**8,900**	**14,100**	**11,500**	**9,500**
Handymax	5TC Average	**8,100**	**9,300**	**8,700**	**9,800**	**14,000**	**11,900**	**10,300**
Small handy	6TC Average	**6,900**	**8,000**	**7,500**	**7,900**	**10,000**	**9,000**	**8,200**

Note; General market results

2. FY2014 (Result / Forecast)

(US$/day)

Size	Route	FY2014				
		1st Half			2nd Half	Full-year
Market for vessels operated by MOL		Apr-Sep, 2014			Oct, 2014 - Mar, 2015	Average
Capesize	4TC Average	***20,000***			***25,000***	***22,500***
Market for vessels operated by overseas subsidiaries of MOL		Jan-Jun, 2014			Jul-Dec, 2014	Average
		Jan-Mar	Apr-Jun			
Capesize	4TC Average	**16,200**	***17,800***	***17,000***	***29,000***	***23,000***
Panamax	4TC Average	**10,400**	***9,600***	***10,000***	***14,000***	***12,000***
Handymax	5TC Average	**11,600**	***8,400***	***10,000***	***14,000***	***12,000***
Small handy	6TC Average	**10,000**	***8,000***	***9,000***	***9,000***	***9,000***

Notes;

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

Tanker Market (World Scale)

1. FY2013 (Result)

Type	WS criteria	FY2013				
		Q1	Q2	Q3	Q4	Full-year
Crude Oil Tanker (VLCC)	Year 2013	**37**	**36**	**53**	**48**	**44**
【Arabian Gulf - East】	(Year 2014)	(40)	(38)	(57)	(51)	(47)
Product Tanker (MR)	Year 2013	**139**	**114**	**116**	**103**	**118**
【Singapore - Japan】	(Year 2014)	(148)	(121)	(123)	(110)	(126)

Note; General market results

2. FY2014 (Forecast)

Type	WS criteria	FY2014		
		1st Half	2nd Half	Full-year
Crude Oil Tanker (VLCC) 【Arabian Gulf - East】	Year 2014	***47***	***53***	***50***

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

Car Carriers Loading Volume

1. FY2013(Result)

(1,000 units)

(Completed-voyage basis / including voyage charter)	FY2013						
	Q1	Q2	1st Half	Q3	Q4	2nd Half	Total Result
Total	**957**	**979**	**1,936**	**1,004**	**952**	**1,956**	**3,891**

2. FY2014(Forecast)

(1,000 units)

(Completed-voyage basis / including voyage charter)	FY2014		
	1st Half	2nd Half	Total
Total	***2,066***	***2,117***	***4,183***

**The forecasts are shown in blue.*

Containership Major Trades Utilization / Freight Rate

1. Utilization of Asia-North America Trade

(1,000TEU)

		FY2012					FY2013				
		Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Outbound (E/B)	Capacity	**146**	**164**	**153**	**153**	**617**	**167**	**186**	**167**	**153**	**673**
	Lifting	**136**	**150**	**135**	**141**	**562**	**154**	**181**	**157**	**148**	**640**
	Utilization	**93%**	**91%**	**88%**	**92%**	**91%**	**92%**	**97%**	**94%**	**97%**	**95%**
Inbound (W/B)	Capacity	**137**	**160**	**156**	**153**	**606**	**164**	**183**	**169**	**152**	**669**
	Lifting	**84**	**85**	**93**	**101**	**363**	**88**	**82**	**102**	**99**	**371**
	Utilization	**61%**	**53%**	**59%**	**66%**	**60%**	**54%**	**45%**	**60%**	**65%**	**55%**

2. Utilization of Asia-Europe Trade

(1,000TEU)

		FY2012					FY2013				
		Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Outbound (W/B)	Capacity	**108**	**126**	**108**	**113**	**455**	**113**	**111**	**108**	**114**	**444**
	Lifting	**97**	**116**	**91**	**103**	**407**	**98**	**109**	**104**	**110**	**421**
	Utilization	**90%**	**92%**	**84%**	**91%**	**89%**	**87%**	**98%**	**97%**	**97%**	**95%**
Inbound (E/B)	Capacity	**107**	**119**	**112**	**108**	**446**	**113**	**108**	**112**	**113**	**446**
	Lifting	**77**	**76**	**73**	**67**	**293**	**75**	**66**	**71**	**72**	**285**
	Utilization	**71%**	**64%**	**66%**	**62%**	**66%**	**66%**	**61%**	**64%**	**64%**	**64%**

3. Transition of Container Freight Rate (Index: Q1 FY2008=100)

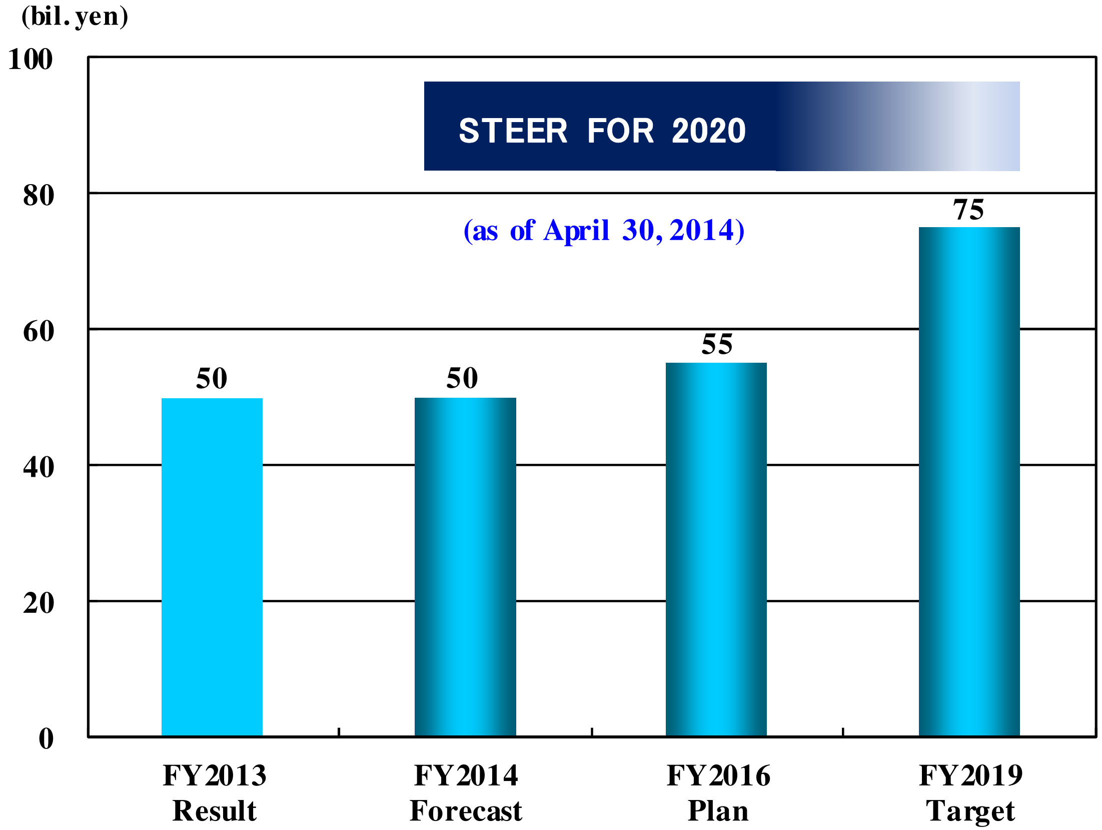
	FY2012					FY2013				
	Q1	Q2	Q3	Q4	Full-year	Q1	Q2	Q3	Q4	Full-year
Freight rate index	**90**	**91**	**87**	**87**	**89**	**85**	**82**	**79**	**80**	**82**
(Ref.) Bunker price (US$/MT)	**695**	**667**	**658**	**631**	**662**	**606**	**609**	**613**	**609**	**610**

Fleet Composition(incl. Offshore business)

			At the end of Mar. 2013	At the end of Mar. 2014		*At the end of Mar. 2015 (estimation)*
					1,000dwt	
Dry bulker	Bulk carrier	Capesize	103	107	20,281	
		Panamax	38	38	3,180	
		Handymax	68	67	3,696	
		Small Handy	52	56	1,871	
	Heavy lifter		6	6	74	
	Wood chip carrier		44	42	2,229	
	Steaming coal carrier		41	40	3,603	
	General cargo carrier		52	47	826	
	(Sub total)		**404**	**403**	**35,760**	*390*
	(Market Exposure)		-	(190)	-	*(165)*
Tanker	Crude oil tanker		47	38	10,866	
	Product tanker		61	59	3,394	
	Chemical tanker		75	72	2,040	
	LPG tanker		11	11	573	
	(Sub total)		**194**	**180**	**16,874**	*167*
	(Market Exposure)		-	(115)	-	*(108)*
LNG carrier			**69**	**67**	**5,182**	*67*
Offshore	FPSO		**1**	**1**	-	*2*
Car carrier			**127**	**125**	**2,033**	*117*
Containership			**115**	**119**	**7,091**	*108*
Ferry/Domestic carrier			**44**	**40**	**160**	*43*
Cruise ship			**2**	**1**	**5**	
Others			**3**	**2**	**13**	
Total			**959**	**938**	**67,117**	*894*

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

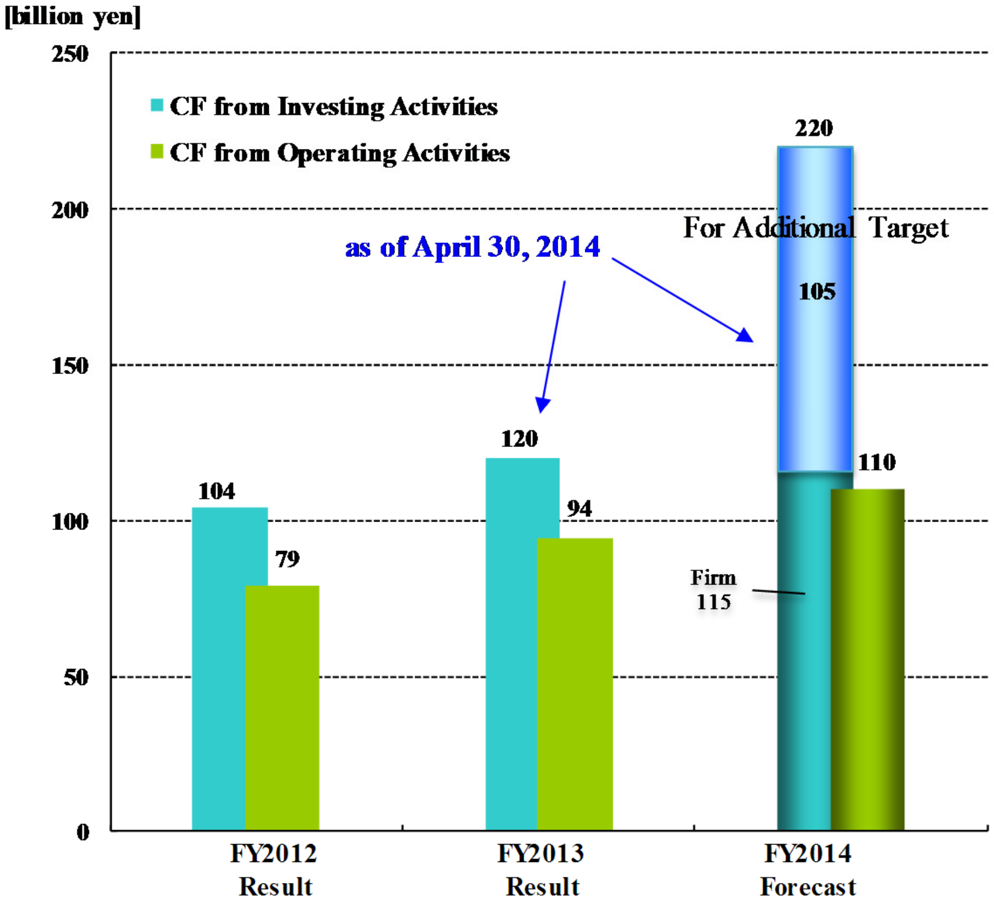
Highly Stable Profits



Average exchange rate	¥99.79/$	¥100.00/$	¥100.00/$	¥100.00/$

Highly stable profits = Firm profits through middle and long-term contracts and projected profit from highly stable businesses.
(The segments included in "Highly stable profits" are Dry bulker, Tanker, LNG Carrier, Offshore business, Associated business and others.)

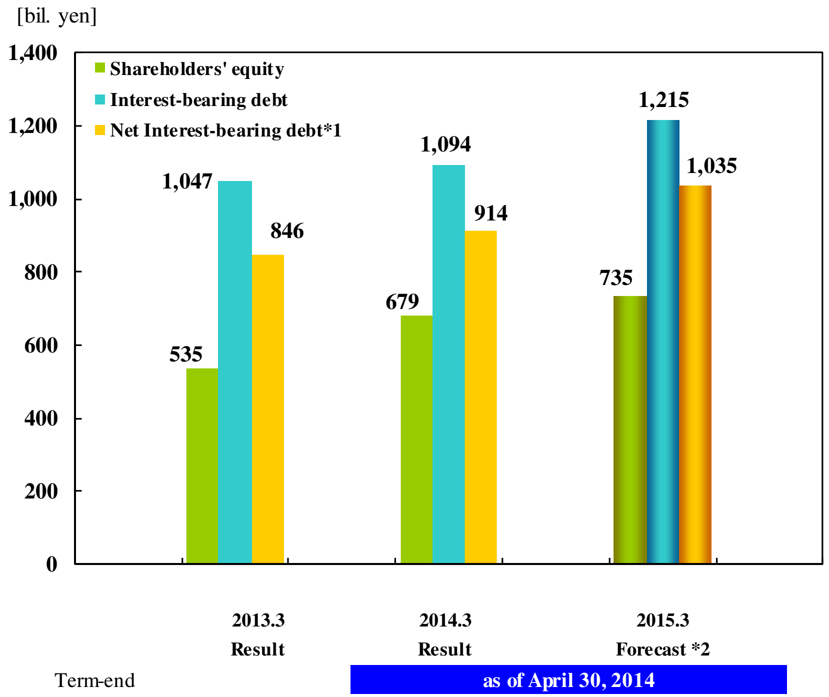
Cash Flows



	FY2012 Result	FY2013 Result	FY2014 Forecast
Average exchange rate(￥/$)	82.31	99.79	100.00
Ordinary income/loss(billion yen)	-29	55	70
Net income/loss(billion yen)	-179	57	60

Note:
1) Free Cash Flows(FCF) = "Cash Flows from Operating Activities" - "Cash Flows from Investing Activities"
2) Figures taking into account the FCF and Dividend payments correlate with changes of Net Interest-bearing Debt (on the assumption exchange rate has no changes in the period) (cf. The left graph of page 17)

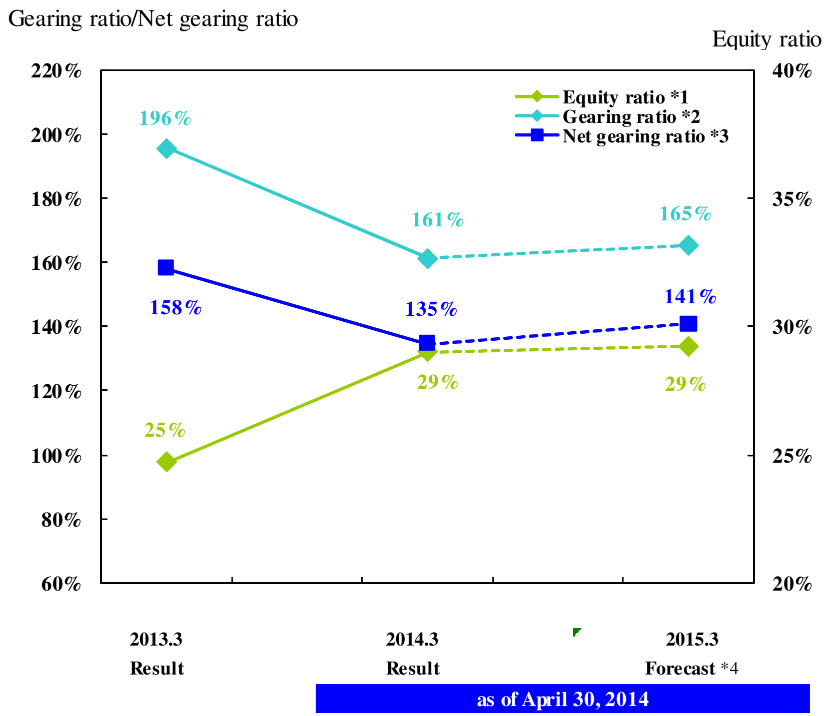
Financial Plan



Term-end exchange rate(¥/$)	2013.3 Result	2014.3 Result	2015.3 Forecast *2
MOL	94.05	102.92	100.00
Overseas subsidiaries	86.58	105.39	100.00

*1) Net Interest bearing debt = Interest bearing debt - cash and cash equivalents

*2) Including investment for Additional Target



*1) Equity ratio = Shareholders' equity/Total Assets

*2) Gearing ratio = Interest-bearing debt/Shareholders' equity

*3) Net gearing ratio

= (Interest bearing debt-cash and cash equivalents)/Shareholders' equity

*4) Including investment for Additional Target

Midterm Management Plan “STEER FOR 2020” Profit Targets/Financial Targets

		FY2013 Result	FY2016 (Plan)	FY2019 (Target)
Revenue	[¥ bn]	1,729	1,900	2,100
Ordinary income/loss	[¥ bn]	55	100	140
(Highly Stable Profits)	[¥ bn]	50	55	75
Net income/loss	[¥ bn]	57	80	110
ROA*		2.4%	4～5%	
ROE*		9.5%	above 10%	
Equity ratio *		29%	(around FY2019)	35～40%
Net gearing ratio *		135%	(around FY2019)	100%

(Assumption)

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

*ROA = Ordinary income/Average Total assets at the beginnig and the end of the fiscal year

*ROE = Net income/Average Shareholders' equity at the beginnig and the end of the fiscal year

*Equity ratio = Shareholders' equity/Total assets

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