

Business Structural Reforms Aimed at Strengthening Market Risk Tolerance

January 31, 2013

Mitsui O.S.K. Lines, Ltd.

Recognition of the Current Situation and MOL's Response

<<The Current Situation>>

Many newly built vessels delivered,
worsening the vessel supply-demand gap



Unprecedented downturn in dry bulker market
Long-term stagnation of tanker market



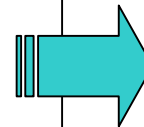
MOL's free tonnages^(*) to incur a large loss

(*) As of September 30, 2012

170 dry bulkers, 80 tankers



Significantly offsetting stable profits
from mid- and long-term contracts,



<<MOL's response>>

**Formulate FY2013 Management
Plan/Enhance Business
Structural Reforms**

**Urgently execute prior
measures to improve
profits of free tonnages**

Outline of Business Structural Reforms

1. Accelerate Business Expansion in Singapore

- Singapore: Trade center for emerging economies / Asia's shipping center
/ Convenient access to customers / Rich business information
- Transfer sales activities, chartering and ship operations of **about 130** dry bulkers (Capesize, Panamax, Handymax and Small handy-size bulkers) to local subsidiaries in Singapore
- Reinforce local subsidiaries inclusive of setting up a new company for mid- and small-sized bulkers.


2006	Established the crude oil tanker operation company (Phoenix Tankers). VLCC spot operation began the following year.
2009	Established Capesize operation company; started spot operations (several vessels).
2011	Established the product tanker (LR1 type) pool operation JV. Entrusted the LR1 type tanker's business and operation to JV.
	Entrusted large-scale LPG carrier business to Phoenix Tankers.
2012	Established the VLCC pool business JV (Nova Tankers). (JV and its Singapore office started business and vessel operation.) Transferred spot operation VLCC to Nova Tankers.
	Tokyo Marine (chemical tankers) transferred business and ship operation headquarters functions to Singapore.

* The Tokyo Office continues to play the major role in business and ship operations of vessels on mid- and long-term contracts with Japanese corporate customers. (iron ore, coal, wood chips, crude oil, etc.)

Outline of Business Structural Reforms

2. Scale down exposure to dry bulker and tanker markets

- Promote the sale, scrapping and returning of ships, and canceling of charter contracts.
→ [Outlook of the size of MOL's free tonnages (number of vessels)]

	As of 30/Sep/2012		As of 31/Mar/2014
Dry bulkers	170		120
Tankers	80		60
Total	250		180

3. Cost reduction at different stages (Company-wide basis)

- Pursue higher stage cost reductions including overall review of operational process in addition to conventional cost reduction tasks (reduction of fuel costs by slow steaming, pursuing merits of scale, reduction of vessel operation costs by efficient allocation, reduction of general administration costs by improving operational efficiency, etc.)

[Specific points]

- Reduction of executive compensation
- Cut in salaries of managerial personnel
- Closure of some of welfare facilities
- Disposal of non-core assets

Impact on Company Profits

■ Allocation of costs associated with business structural reforms (for 4th quarter of FY2012)

1. Sales of vessels/ assignment of charter contracts to the local subsidiaries in Singapore
 - Dry bulkers : **About 130 vessels**
2. Sales of vessels to market and/or scrapping ^(*1)
 - Tankers: **5 vessels** ^(*2)
3. Cost generated from 1 and 2 ^(*3): **About ¥101 billion**

(*1) Already sold and scrapped 15 dry bulkers and 4 tankers during FY2012 1-3Qs.

(*2) Plan to sell and/or scrap 5 crude oil tankers during FY2012 4Q. (Plan to sell and/or scrap 2 more crude oil tankers during FY2013.)

(*3) Losses will be generated through sales and scrapping of vessels and assignment of charter contracts reflecting decline in ship prices and low-level market conditions.

FY2012 (4Q)
Plan to post
Extraordinary loss

Improvement of
profits from FY2013
(FY2013: **¥40 billion**)

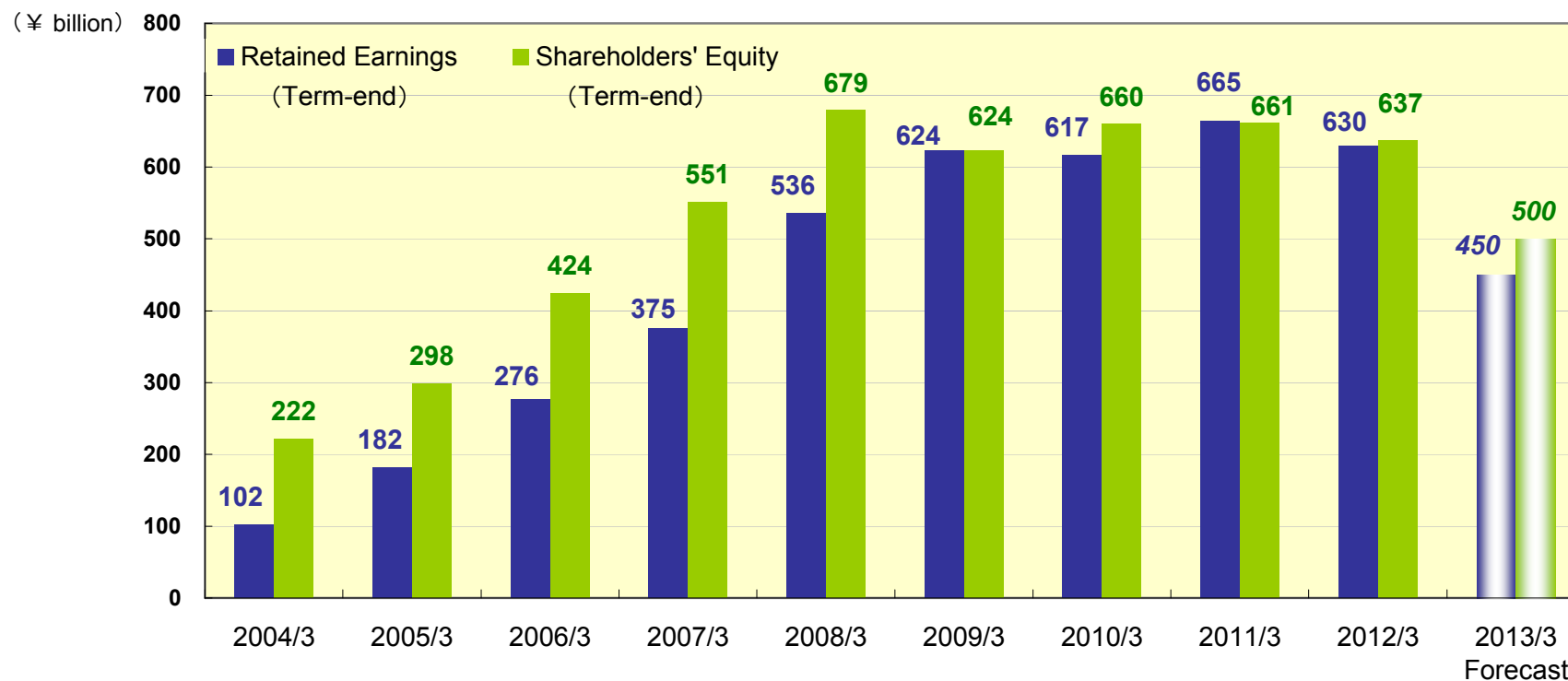
■ Cost reduction target: **More than ¥30 billion** for FY2013

Latest Outlook for FY2012

(Unit: Billions of yen)

(P/L)	Previous Outlook Announced 31/Oct/2012	Latest Outlook Announced 31/Jan/2013
Outlook of consolidated ordinary Loss	-22.0	-28.0
Outlook of net loss	-24.0	-177.0 (*1)
(Reversal of deferred tax assets)	—	(-28.6) (*2)
(Cost of Business Structural Reforms <Extraordinary loss for FY2012 4Q>)	—	(-101.0)
<p>(*1) Corporate taxes levied on group consolidated subsidiaries, minority interests, etc., are included in the outlook, in addition to reversal of deferred tax assets and costs of business structural reforms.</p> <p>(*2) Elimination of the amount posted at the end of March 2012. Further, the latest outlook shows an increased net loss compared to the previous outlook because deferred tax assets were not appropriated to FY2012 (about ¥15 billion).</p>		
(B/S)		
Shareholders' equity as of March 31, 2012	637.4	637.4
Outlook of shareholders' equity as of March 31, 2013	580.0	500.0
Outlook of equity ratio as of March 31, 2013	28%	25%

【Reference】 MOL's Retained Earnings/Shareholders' Equity



(¥ billion)	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012 Forecast
Ordinary income/loss	90.6	175.0	176.5	182.5	302.2	204.5	24.2	121.6	-24.3	-28.0