

Business Performance
in FY2005
and
Outlook for FY2006

Mitsui O.S.K. Lines, Ltd.

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[Supplement]

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Highlights of FY2005 Financial Results

➤ **MOL overcame adverse conditions — the steep rise in bunker prices (*) — and increased both revenue and income compared to the previous year.**

Revenue : +¥193.4 billion (+16%) [7th straight year]

Ordinary income : +¥ 1.6 billion (+ 1%) [3rd straight year]

Net income : +¥ 15.5 billion (+16%) [4th straight year]

(*) Bunker price +US\$87/MT (exchange rate ¥4.54 decline against the US dollar) from the previous year.

= Effect of decrease: ¥14.8 billion of ordinary income

➤ **By segment** (Figures reflect increase/decrease of ordinary income from the previous year)

Containerships: Steep rise in bunker prices, increase in other costs (inland transport costs, terminal costs, canal tolls, etc.) > Increase of cargo traffic + cost reduction

➔ Large decline in profits (–¥18.1 billion)

Bulkships: Effects of the launch of new vessels, timely and well balanced expansion of mid- and long-term contracts and spot contracts both in Japan and overseas, diversification of ship types in growing markets.

> Effects of declining dry bulker and crude oil tanker markets

➔ Large increase in profits (+¥20.3 billion)

[Car carriers] Steep rise in bunker prices in spite of increase of cargo traffic

➔ Slight decrease in profits

[Dry bulkers]

- Market (Cape size, compared to the previous year): About 40% down
 - Timely fleet expansion, redelivery of higher-priced chartered vessels, expansion of long-term contracts, conclusion of higher profit COA/spot contracts, contributions of Group companies
- Increase in profits

[Tankers]

- Markets: Slight decline in crude oil tanker market, ongoing boom in product tanker market
 - Newly built vessels (VLCCs, product tankers, etc.) launched, contributions of Group companies
- Increase in profits

[LNG carriers]

Accumulation of stable earnings through long-term contracts → Increase in profits

Logistics: Established a black-ink tone, resulting in increase in profits.

Ferry & domestic transport: Steep rise in bunker prices in spite of favorable cargo trade conditions → Slight decrease in profits

Associated business: Made Daibiru Corporation a consolidated subsidiary (October 2004) → Increase in profits

➤ **Extraordinary profits: ¥12.8 billion increased**

(¥10 billion increased due to gains on sales of vessels)

Extraordinary loss : ¥18.9 billion decreased

(loss on sale of the head office building during the previous year)

➤ **Annual dividend per share: ¥18** (cf. ¥16 per share for the previous year)

Interim dividend ¥9 (already implemented) + year-end ¥9 (plan)

FY2005 Financial Results

(billion yen)		FY2005			FY2004	Increase / decrease		FY05 F'cast as of Feb., '06	Increase /decrease
		Result	1H Result	2H Result	Result				
Revenue	Consolidated	1,367	636	730	1,173	+193	+16.5%	1,350	+17
	Non-Consolidated	1,093	501	592	943	+150	+15.9%	1,080	+13
Operating income	Consolidated	173	95	78	172	+1	+0.7%	174	△1
	Non-Consolidated	128	73	55	142	△14	△10.0%	129	△1
Ordinary income	Consolidated	177	98	78	175	+2	+0.9%	177	△0
	Non-Consolidated	132	71	61	146	△14	△9.5%	134	△2
Net income	Consolidated	114	62	52	98	+15	+15.7%	112	+2
	Non-Consolidated	79	44	35	77	+2	+2.2%	82	△3

Average exchange rate	¥112.29/\$	¥108.61/\$	¥115.98/\$	¥107.75/\$	+¥4.54/\$		¥111.87/\$	+¥0.42/\$
Average bunker price	\$280/MT	\$252/MT	\$302/MT	\$193/MT	+\$87/MT		\$273/MT	+\$7/MT
					△14.8bil. yen			△1.1bil. yen
					↑			↑
					+11.4bil yen			+1.1bil yen
					△26.1bil. yen			△2.1bil. yen

FY2005 Ex. Rate sensitivity/year	±2.50 bil. ¥/1¥	(Max)
FY2005 Bunker price sensitivity/year (Consolidated Ordinary Income Basis)	±0.30 bil. ¥/1\$	(Max)

Consolidated Segment Information

(billion yen)		FY2005 Result	1H Result	2H Result	FY2004 Result	Increase / decrease		FY05 F'cast as of Feb., '06	Increase /decrease
Containerships	Revenue	488	218	270	399	+89	+22.3%	485	+3
	Ordinary income	37	31	6	56	△18	△32.5%	40	△3
Bulkships	Revenue	676	317	359	597	+80	+13.4%	662	+14
	Ordinary income	135	63	72	115	+20	+17.6%	133	+2
Logistics	Revenue	64	30	34	58	+6	+9.8%	63	+1
	Ordinary income	2	1	1	1	+1	+126.0%	2	+0
Ferry & domestic transport	Revenue	47	25	22	45	+1	+3.1%	48	△1
	Ordinary income	△0	0	△0	0	△0	△155.7%	0	△0
Associated businesses	Revenue	87	44	43	67	+21	+31.3%	86	+1
	Ordinary income	13	6	6	5	+8	+151.0%	12	+0
Others	Revenue	4	3	1	8	△3	△43.7%	6	△2
	Ordinary income	3	1	2	2	+1	+35.3%	2	+1
Elimination	Revenue	-	-	-	-	-	-	-	-
	Ordinary income	△13	△5	△9	△4	△10		△12	△1
Consolidated	Revenue	1,367	636	730	1,173	+193	+16.5%	1,350	+17
	Ordinary income	177	98	78	175	+2	+0.9%	177	△0

* "Revenue" = Revenues from customers, unconsolidated subsidiaries and affiliated companies

Results Comparison FY2005 vs. FY2004

Major factors affected Revenue & Ordinary income

● Revenue

(Non-Consolidated; billion yen)

Weaker yen	+¥40.9 bil.	(+36.3)	
Increases of cargo volume/freight rates	+¥94.0 bil.	(+69.1)	
Others	+¥58.4 bil.	(+44.7)	
(Total)	+ ¥193.3 bil.	(+150.2)	

● Ordinary income

(Non-Consolidated; billion yen)

Weaker yen	+¥11.4 bil.	(+10.4)	<small>(FY05 ¥112.29/\$; -¥4.54/\$)</small>
Higher bunker	△¥26.1 bil.	(△17.3)	<small>(FY05 280/MT; +\$87/MT)</small>
Increases of cargo volume/freight rates	+¥5.6 bil.	(△4.5)	
Cost Reduction	+8.4 bil.	(+6.5)	
Equity in earnings of affiliated companies	+¥5.1 bil.	(0)	
Others (incl. Elimination)	△¥2.9 bil.	(△8.8)	
(Balance)	+¥1.5 bil.	(+13.8)	

Highlights of Forecast for FY2006

- **Revenue:** Expect continuous increase in earnings due to fleet expansion in line with brisk cargo movement +¥113.0 billion (+8%)
- Profits :** In an adjustment phase, affected by steep rise in bunker prices(*), etc.
 - Ordinary income :** -¥ 16.5 billion (- 9%)
 - Net income :** -¥ 8.7 billion (- 8%)
- (*) Assumption: Bunker price \$340/MT (+\$60/MT), exchange rate ¥110/US\$ (¥2.29 higher)
= Effects of decrease in ¥23.7 billion of ordinary income

- **By segment** (Figures reflect increase/decrease of ordinary income from the previous year)
 - Containerships:** Increase in inland transport costs, etc.; decrease in freight rates
 - > Increase of cargo traffic + opening of new routes + recovery of freight rates + cost reduction
 - ➔ Decline in profits
 - ➔ [effects of bunker price and exchange rate] ➔ Large decrease in profits (– ¥17.5 billion)
 - Bulkships:** Effects of expansion of fleet scale and redelivery of higher-priced chartered vessels
≡ effects of the market (assumed slightly shrinking), some profitable contracts will be terminated
 - ➔ will go sideways
 - ➔ [effects of bunker price and exchange rate] ➔ Decrease in profits (– ¥11.3 billion)
 - Ferry & domestic transport:** Introduction of a bunker adjustment factor system, increase of cargo traffic
 - ➔ Increase in profits (+ ¥1.5 billion)

- **Dividend:** Plan to pay the same ¥18 per share as the previous year

FY2006 Forecast

(billion yen)		FY2006	FY2005	Increase / decrease		FY2006 1H	FY2005 1H	Increase / decrease	
Revenue	Consolidated	1,480	1,367	113	+8.3%	740	636	104	+16.3%
	Non-Consolidated	1,170	1,093	77	+7.0%	585	501	84	+16.7%
Operating income	Consolidated	155	173	△18	△10.4%	76	95	△19	△20.2%
	Non-Consolidated	108	128	△20	△15.4%	51	73	△22	△29.9%
Ordinary income	Consolidated	160	177	△17	△9.3%	79	98	△19	△19.8%
	Non-Consolidated	120	132	△12	△9.0%	57	71	△14	△19.9%
Net income	Consolidated	105	114	△9	△7.7%	49	62	△13	△20.7%
	Non-Consolidated	75	79	△4	△4.7%	36	44	△8	△18.1%

Average exchange rate	¥110.00/\$	¥112.29/\$	△¥2.29/\$	¥110.00/\$	¥108.61/\$	+¥1.39/\$
Average bunker price	\$340/MT	\$280/MT	+\$60/MT	\$340/MT	\$252/MT	+\$88/MT
			△23.7bil. yen			△11.5bil. yen
			▲ △5.7bil. yen △18.0bil. yen			▲ +3.5bil yen x 1/2 △26.4bil. yen x 1/2

FY2006 Ex. Rate sensitivity/year ±2.50 bil. ¥/1¥ (Max)

FY2006 Bunker price sensitivity/year ±0.30 bil. ¥/1\$ (Max)

(Consolidated Ordinary Income Basis)

Consolidated Segment Forecast

(billion yen)		FY2006	FY2005	Increase / decrease		FY2006 1H	FY2005 1H	Increase / decrease	
Containerships	Revenue	580	488	+92	+18.8%	290	218	+72	+33.0%
	Ordinary income	20	37	△17	△46.6%	12	31	△19	△61.7%
Bulkships	Revenue	700	676	+24	+3.5%	350	317	+33	+10.4%
	Ordinary income	124	135	△11	△8.4%	58	63	△5	△8.1%
Logistics	Revenue	56	64	△8	△12.1%	27	30	△3	△8.9%
	Ordinary income	2	2	△0	△17.1%	1	1	△0	△7.3%
Ferry & domestic transport	Revenue	48	47	+1	+2.6%	25	25	+0	+1.8%
	Ordinary income	1	△0	+2		1	0	+1	+234.2%
Associated businesses	Revenue	92	87	+5	+5.2%	46	44	+2	+4.2%
	Ordinary income	12	13	△0	△1.7%	6	6	△0	△3.6%
Others	Revenue	4	4	△0	△6.1%	2	3	△1	△34.4%
	Ordinary income	2	3	△0	△16.9%	1	1	△0	△1.1%
Elimination	Revenue	-	-	-	-	-	-	-	-
	Ordinary income	△2	△13	+12		△0	△5	+4	
Consolidated	Revenue	1,480	1,367	+113	+8.3%	740	636	+104	+16.3%
	Ordinary income	160	177	△17	△9.3%	79	98	△19	△19.8%

* "Revenue" = Revenues from customers, unconsolidated subsidiaries and affiliated companies

[Supplement]

Major Containership Trades Utilization Forecast

(unit: 1000TEU)

Asia-North America Trade (TPS)

			Outbound (E/B)						Inbound (W/B)											
			Capacity			Lifting			Utilization			Capacity			Lifting			Utilization		
FY2005	2nd	4Q	126			112			89%			124			59			47%		
	half	3Q	138	264		115	226		83%	86%		140	264		57	116		41%	44%	
	1st	2Q	142		534	132		473	93%		89%	139		531	55		229	40%		43%
	half	1Q	129	271		115	247		89%	91%		129	268		59	114		46%	42%	
FY2004	2nd	4Q	121			107			89%			120			52			43%		
	half	3Q	135	257		129	236		95%	92%		136	256		50	102		37%	40%	
	1st	2Q	130		499	120		458	92%		92%	130		498	46		205	36%		41%
	half	1Q	112	243		102	222		90%	91%		112	242		57	103		50%	42%	

Asia-Europe Trade

			Outbound (W/B)						Inbound (E/B)											
			Capacity			Lifting			Utilization			Capacity			Lifting			Utilization		
FY2005	2nd	4Q	89			84			94%			89			58			65%		
	half	3Q	96	185		86	170		90%	92%		88	177		59	116		67%	66%	
	1st	2Q	84		354	80		333	96%		94%	84		346	58		233	69%		67%
	half	1Q	85	169		82	163		97%	96%		85	169		59	117		69%	69%	
FY2004	2nd	4Q	87			82			95%			87			56			64%		
	half	3Q	86	173		79	161		92%	93%		86	173		56	112		65%	65%	
	1st	2Q	81		331	79		316	97%		96%	81		331	57		229	71%		69%
	half	1Q	77	158		76	155		99%	98%		77	158		60	117		78%	74%	

All Trades (Round Voyage)

			Capacity			Lifting			Utilization		
FY2005	2nd	4Q	817			601			74%		
	half	3Q	841	1,658		601	1,202		72%	73%	
	1st	2Q	760		3,143	587		2,351	77%		75%
	half	1Q	726	1,485		561	1,149		77%	77%	
FY2004	2nd	4Q	685			523			76%		
	half	3Q	722	1,406		559	1,082		77%	77%	
	1st	2Q	685		2,727	530		2,117	77%		78%
	half	1Q	635	1,321		505	1,035		80%	78%	

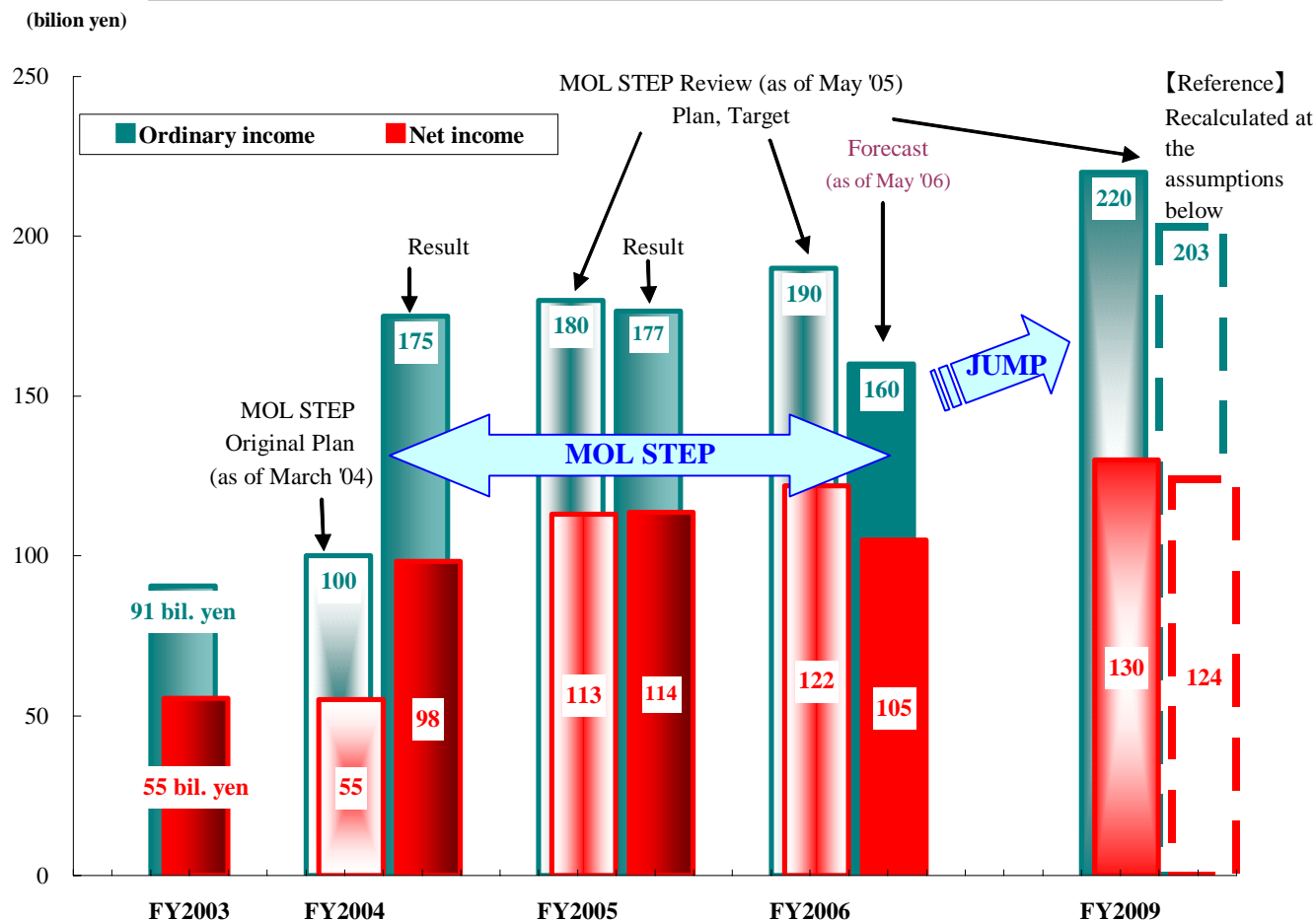
Note: Figures before and after October 2005 cannot be compared because the company changed its accounting standards and calculation method of the number of containers on the 1st of October 2005.

Car Carriers Loading Results

(1000 units)

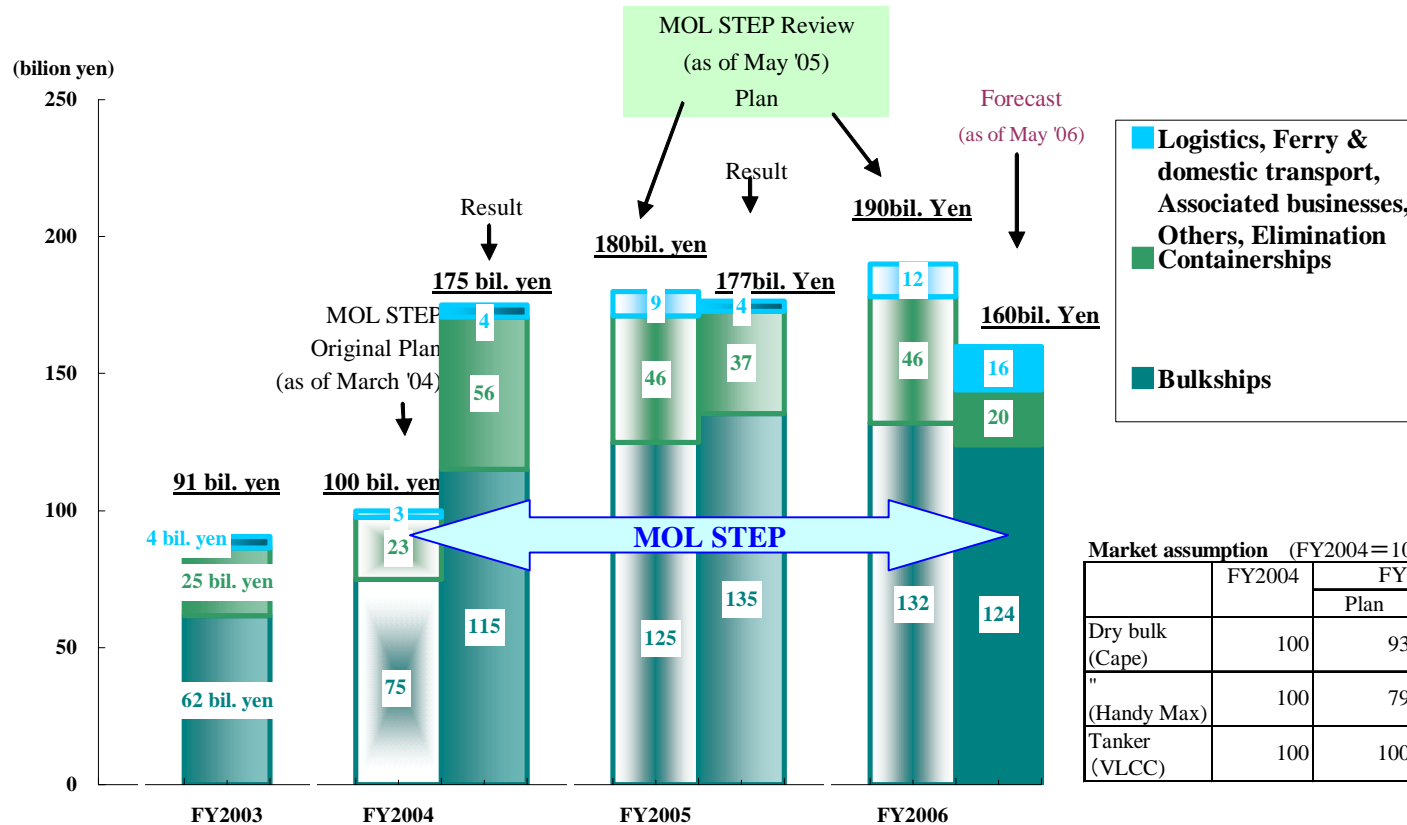
(Voyage Completion basis; including voyage charter)	FY2006-1H Forecast	FY2005			FY2004	Increase/ decrease (A)-(B)
		1st Half	<i>2nd Half</i>	<i>Yearly result (A)</i>	<i>Yearly result (B)</i>	
Total	1,228	1,065	1,210	2,275	2,116	+159

“MOL STEP Review” Profit Goals



Av. exchange rate(¥/\$)	113.84	110(original)	107.75(result)	105(plan)	112.29(result)	100	110(assumption)	100	110(assumption)
Av. bunker price(\$/MT)	178	150(original)	193(result)	250(plan)	280(result)	200	340(assumption)	200	340(assumption)
Operating Income(bil. Yen)	92	105(original)	172(result)	176(plan)	173(result)	186(plan)	155(forecast)	215(target)	

Ordinary Incomes by Segments



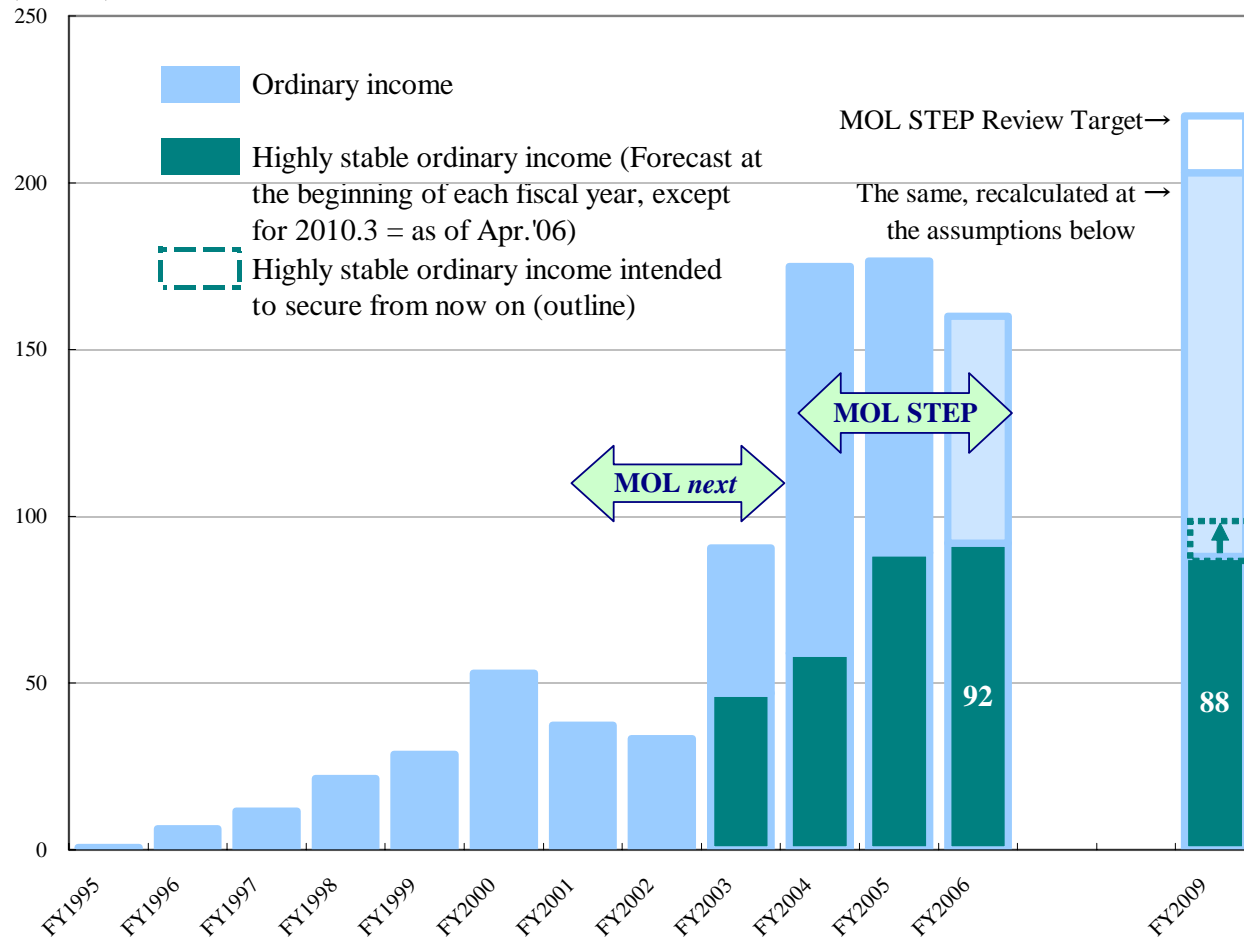
Market assumption (FY2004=100)

	FY2004	FY2005		FY2006	
		Plan	Result	Plan	Forecast
Dry bulk (Cape)	100	93	59	77	54
" (Handy Max)	100	79	64	79	63
Tanker (VLCC)	100	100	86	83	83

Av. exchange rate(¥/\$)	113.84	110(original)/ 107.75(result)	105(plan)/ 112.29(result)	100/ 110(assumption)
Av. bunker price(\$/MT)	178	150(original)/ 193(result)	250(plan)/ 280(result)	200/ 340(assumption)

Accumulation of Highly Stable Profit

(Bil. Yen)



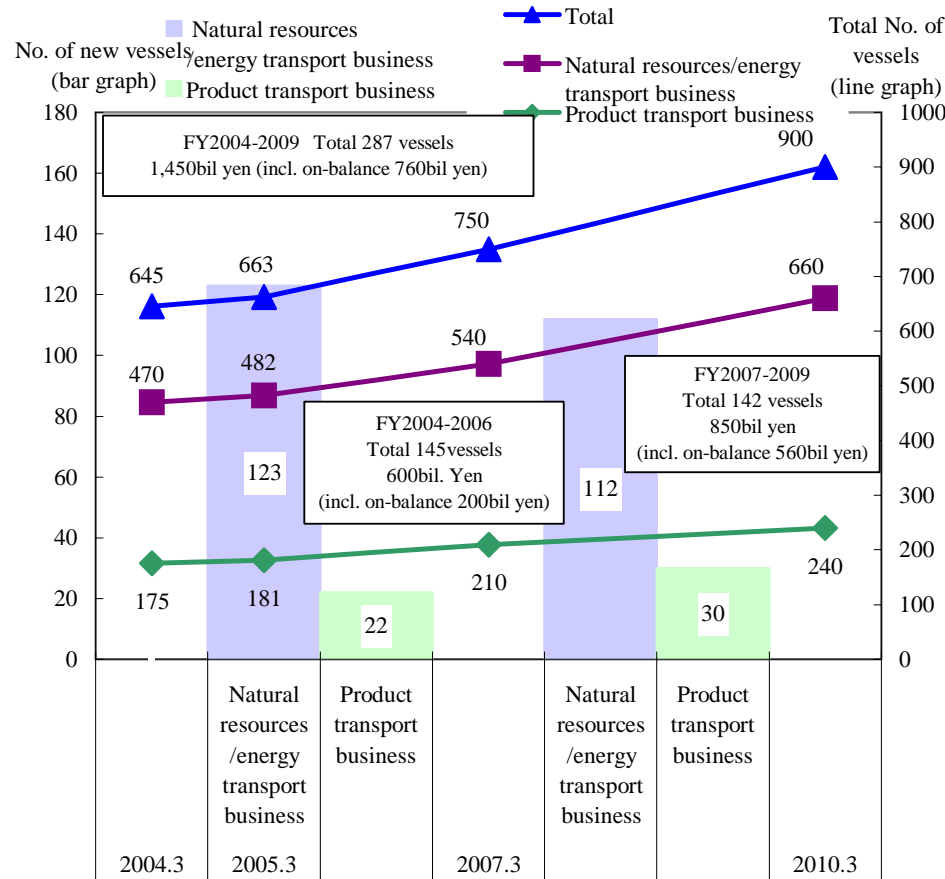
Remarks:

"Highly stable profits" are the projected profits from contracts and other highly stable sources at profits. Regarded as highly stable income = A part of Bulkships' income; income of Associated Businesses. Not regarded as highly stable profits = Incomes of Containerships, Logistics, Ferry & Domestic Transport and Others; A part of Bulkships' income.

Av. exchange rate (¥/\$)	96	112	123	130	112	110	125	122	114	108	112	110	110
							*		115	110	105	110	110
Av. bunker price (\$/MT)	108	116	105	80	117	159	136	163	178	193	280	340	340
								*	150	180	250	340	340

* Assumptions in forecasting highly stable profits at the beginning of fiscal years

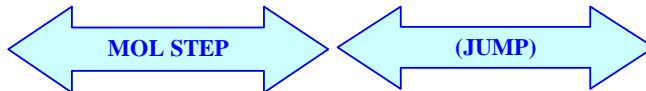
“MOL STEP Review” Fleet Expansion Plan



Number of vessels ordered

FY2004-06	145 vessels
FY2007-09	148 vessels
Total	293 vessels

Number of vessels as of 2006.3
728 vessels

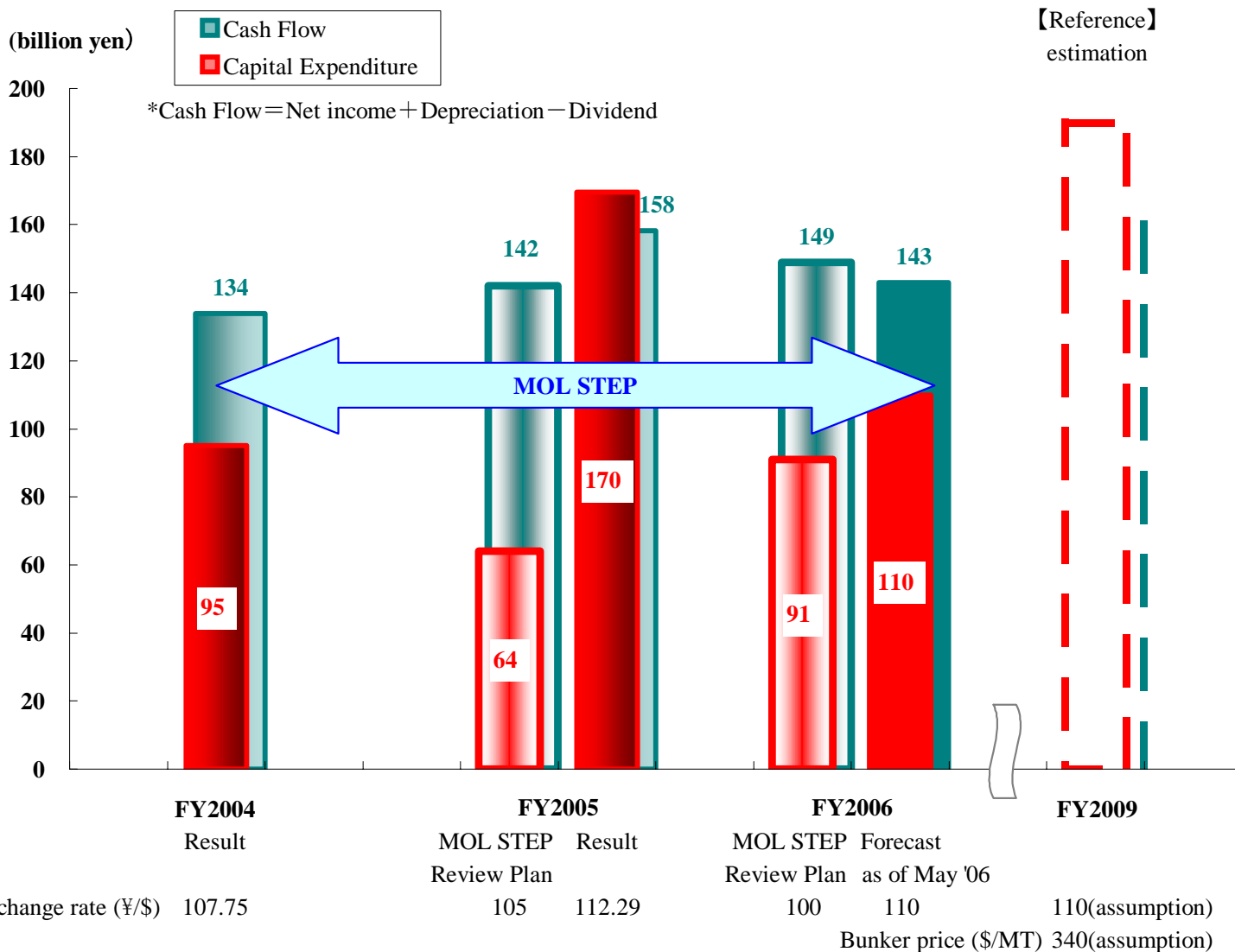


Natural resources /energy transport business
(Dry Bulk/Tanker/LNG carrier)
Solidify the MOL Group's world-leading position by further expansion

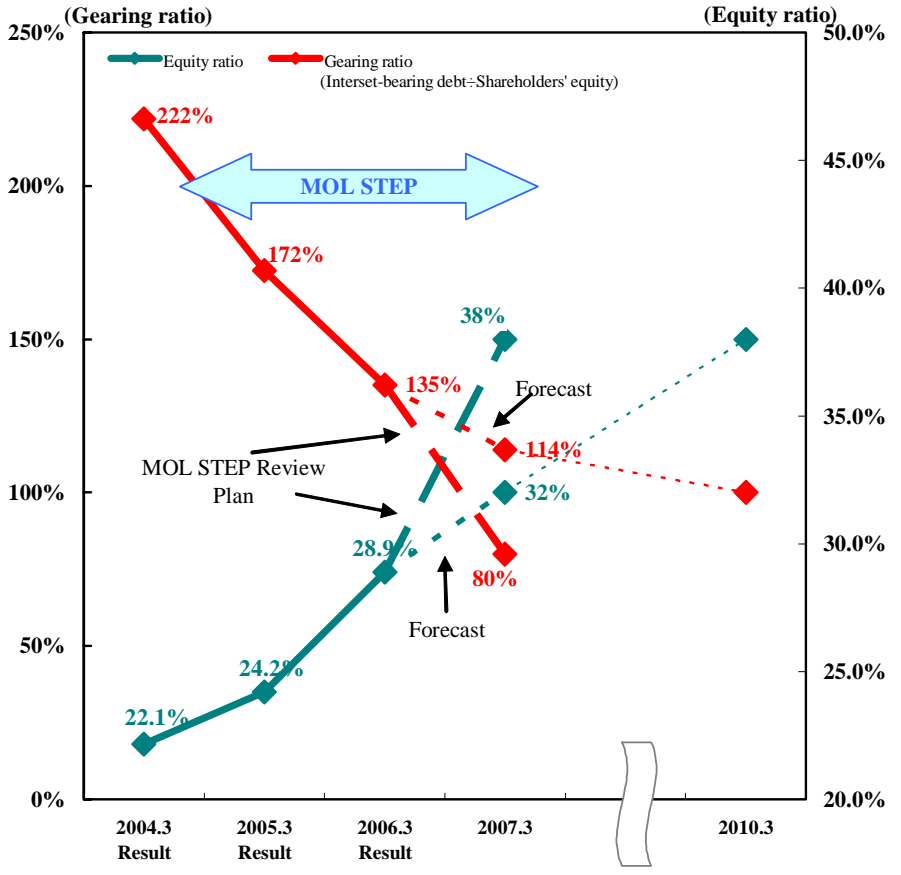
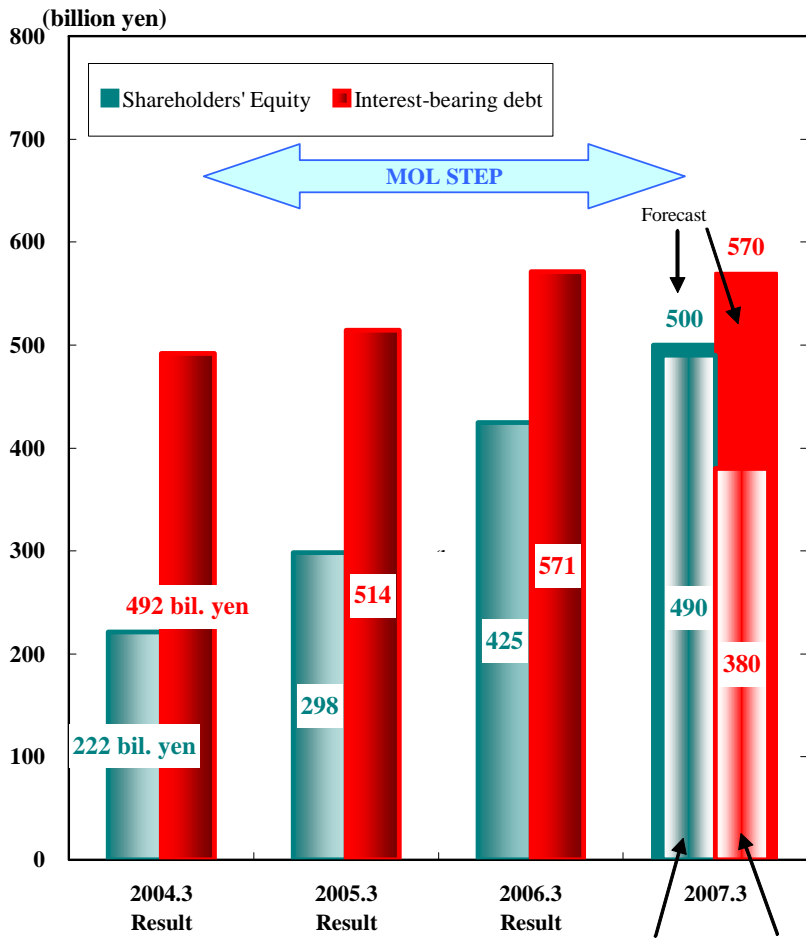
Product transport business
(Containership/Car carrier/Logistics)
Meet diversified customer needs and grow in line with the market

Note: LNG carriers owned by MOL affiliates companies other than consolidated firms, and other vessels operated by equity-method affiliates in which MOL own 50% of the shares are included.

Cash Flows & Capital Expenditure



“MOL STEP Review” Financial Goals



Term-end exchange rate 105.69/ 107.13 107.39/ 104.21 117.47/ 118.07 110(assumption)
 (¥/\$, MOL /Overseas subsidiaries)

Cost Reduction Plan

(billion yen)

		FY2004 (Result)	FY2005 (Result)	FY2006 (Plan)	Total
Sales Division		5.5	4.5	5.0	15.0
(Voyage expenses, Container expenses, etc.)		(4.0)	(2.0)	(2.0)	(9.5)
Administration Division		4.0	4.0	3.0	11.0
(Administration expenses, Interest payments, etc.)		(2.5)	(4.0)	(2.5)	(10.5)
Total		9.5	8.5	8.0	26.0
		(6.5)	(6.0)	(4.5)	(20.0)
MOL (Non-Consolidated)		8.0	6.5	7.0	21.5
		(5.5)	(5.5)	(4.0)	(17.5)
Group Companies		1.5	2.0	1.0	4.5
		(1.0)	(0.5)	(0.5)	(2.5)

() : MOL STEP PLAN (FY2004) or MOL STEP Review Plan (FY2005/06, Total)