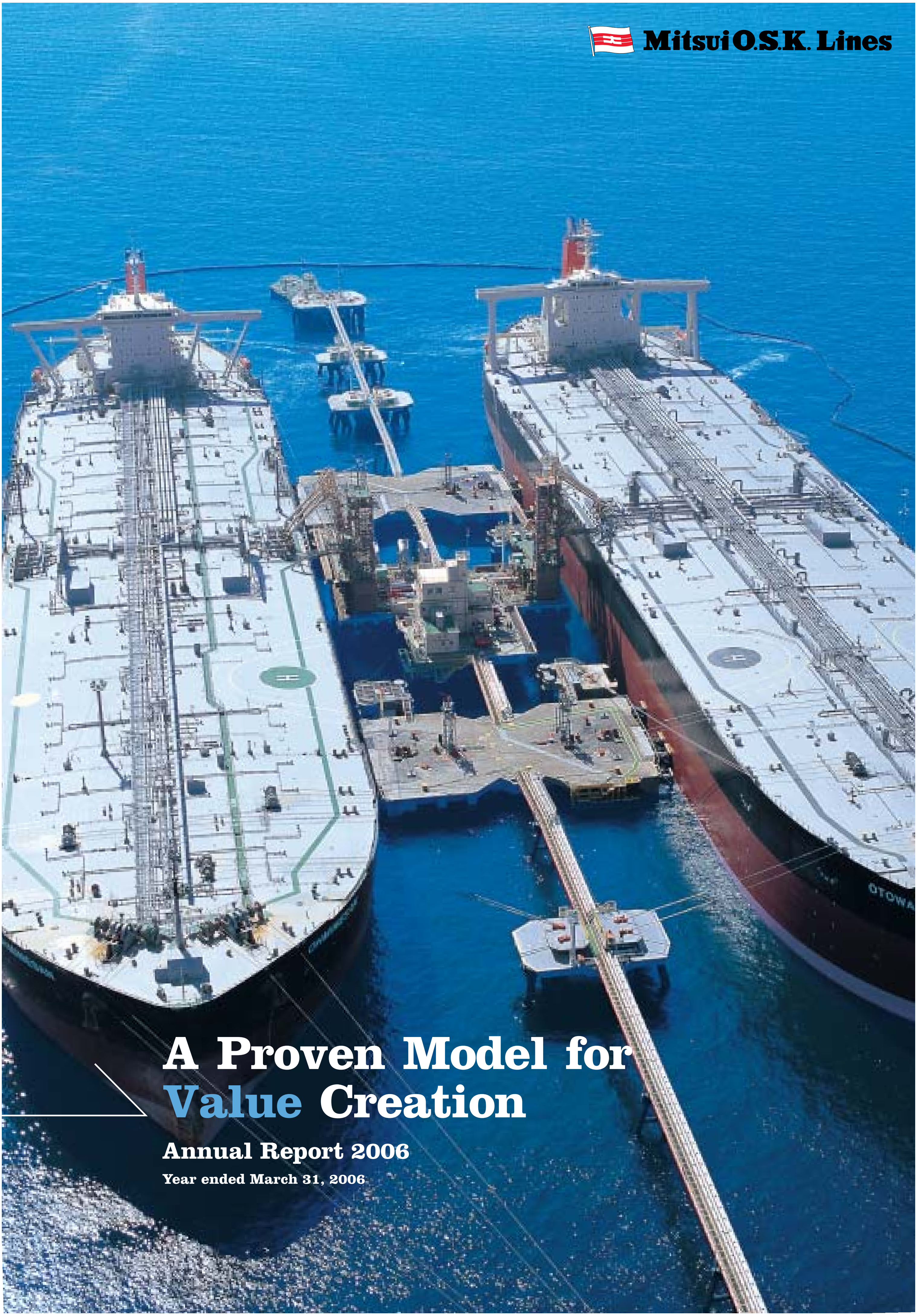
Mitsui O.S.K. Lines



A Proven Model for Value Creation

Annual Report 2006

Year ended March 31, 2006

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.

Contents

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.

Financial Highlights

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

	Millions of yen						Thousands of U.S. dollars
	2006	2005	2004	2003	2002	2001	2006
For the year:							
Shipping and other revenues	**¥1,366,725**	¥1,173,332	¥ 997,260	¥ 910,288	¥ 903,943	¥ 887,867	**$11,634,673**
Shipping and other expenses	**1,101,459**	917,149	824,902	787,540	761,507	732,512	**9,376,513**
Selling, general and administrative expenses	**92,273**	84,388	80,232	77,392	82,663	77,116	**785,503**
Operating income	**172,993**	171,795	92,126	45,356	59,773	78,239	**1,472,657**
Equity in earnings of unconsolidated subsidiaries and affiliated companies, net	**16,817**	11,764	6,613	3,387	4,426	3,681	**143,160**
Income before income taxes and minority interests	**188,290**	155,057	89,776	25,114	24,851	20,860	**1,602,877**
Income taxes, current	**(61,200)**	(52,587)	(35,346)	(10,872)	(6,101)	(19,473)	**(520,984)**
Income taxes, deferred	**(7,570)**	(1,205)	2,152	1,435	(6,633)	7,709	**(64,442)**
Minority interests	**(5,788)**	(3,004)	(1,191)	(967)	(1,572)	1,847	**(49,272)**
Net income	**113,732**	98,261	55,391	14,710	10,545	10,943	**968,179**
At year-end:							
Current assets	**340,355**	299,835	299,544	289,645	251,388	255,774	**2,897,378**
Current liabilities	**433,023**	429,695	398,091	423,838	375,032	399,996	**3,686,243**
Vessels, property, plant and equipment	**769,902**	665,320	477,621	569,234	619,645	691,307	**6,554,031**
Total assets	**1,470,824**	1,232,252	1,000,206	1,046,612	1,079,090	1,140,400	**12,520,848**
Long-term debt due after one year	**399,617**	340,598	311,021	395,589	475,696	540,159	**3,401,864**
Shareholders' equity	**424,461**	298,258	221,535	164,790	166,970	144,355	**3,613,357**
Retained earnings	**275,689**	182,143	101,991	56,469	47,818	43,433	**2,346,889**
Amounts per share of common stock:	Yen						U.S. dollars
Net income	**¥ 94.98**	¥ 81.99	¥ 46.14	¥ 12.16	¥ 8.76	¥ 9.01	**$0.809**
Shareholders' equity	**354.95**	249.53	185.06	137.44	138.78	119.88	**3.022**
Cash dividends	**18.00**	16.00	11.00	5.00	5.00	5.00	**0.153**

(Translation of foreign currencies)

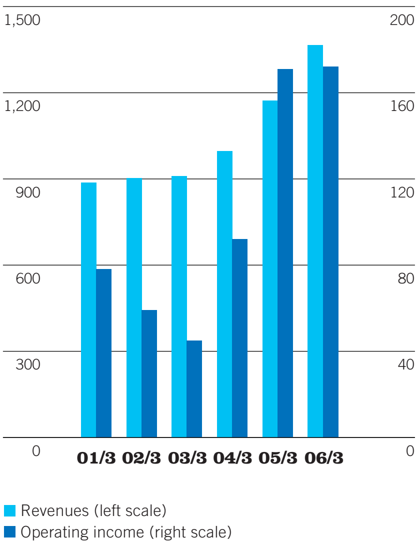
The Japanese yen amounts for 2006 have been translated into U.S. dollars using the prevailing exchange rate at March 31, 2006, which was ¥117.47 to U.S.$1.00, solely for the convenience of readers. (The convenience translations should not be construed as representations that the Japanese yen amounts 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 (Accounting Standards Board Statement No. 2, "Accounting Standard for Earnings Per Share" and Financial Standards Implementation Guidance No. 4, "Implementation Guidance for Accounting for Earnings Per Share," issued by the Accounting Standards Board of Japan on September 25, 2002).

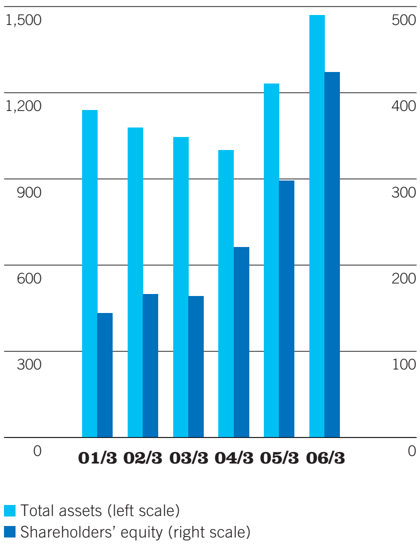
Revenues and Operating Income

(¥ billions)



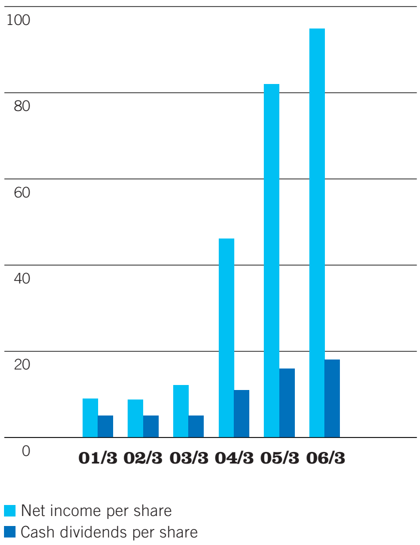
Total Assets and Shareholders' Equity

(¥ billions)

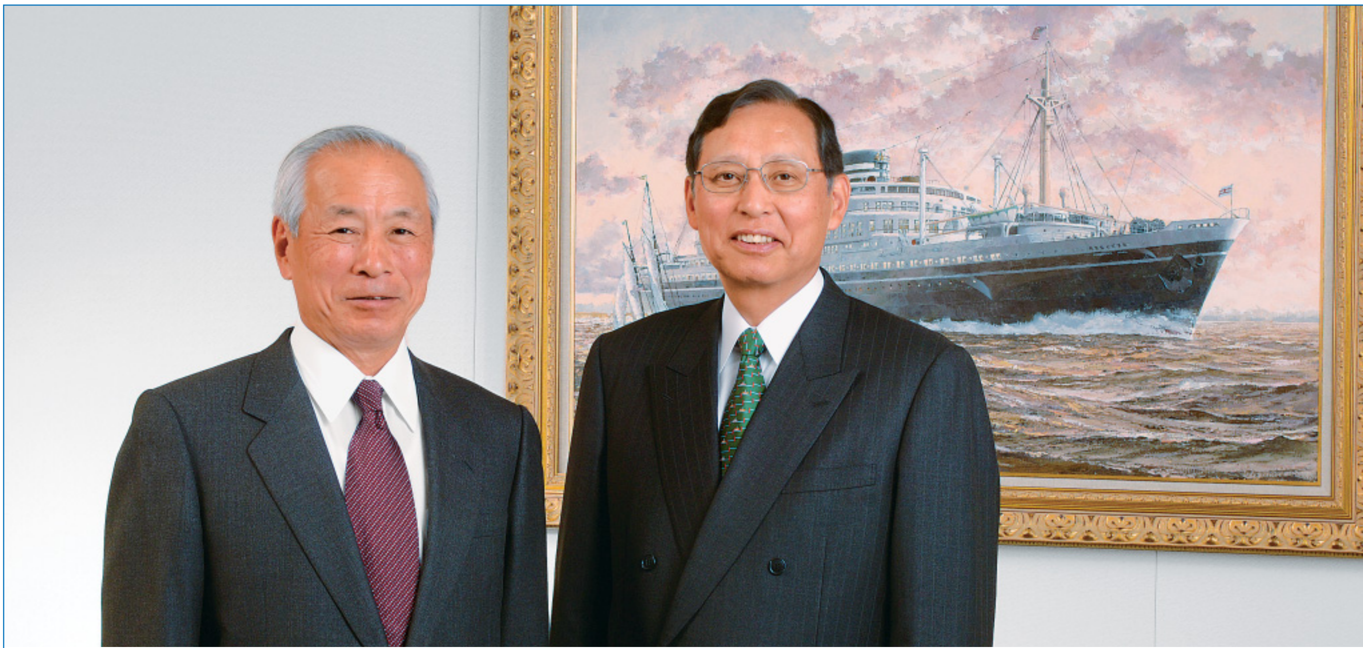


Net Income and Cash Dividends per Share

(¥)



To Our Shareholders



Kunio Suzuki Chairman **Akimitsu Ashida** President

Record Revenues and Earnings Again

For more than a decade, MOL has executed a series of management plans aimed at achieving a fundamental transformation in its operations. Above all, we wanted to establish a framework capable of sustaining high profitability and building shareholder value. In the past few years, this process has rapidly gained momentum. Progress on many fronts continued during the most recent fiscal year, which ended in March 2006. Consolidated revenues rose to an all-time high for the seventh consecutive year and we set records in all categories of earnings. Net income surpassed the ¥100 billion level, about 10 times higher than just four years ago. Cash dividends were raised for the third consecutive year from ¥16 to ¥18. This was an outstanding performance during a year full of challenges that included a dramatic increase in the cost of fuel and a downturn in freight rates. Due to these headwinds, our operating income fell slightly short of the target for the year set by MOL STEP Review, which contains higher goals than in the original MOL STEP. However, net income was slightly higher than the target. Our performance demonstrates that MOL has the fleet, business model and, just as importantly, the knowledge and market insight needed to prosper even in the face of adversity.

The Final Year of MOL STEP

In the fiscal year ending in March 2007, the final year of MOL STEP, our current three-year management plan, we are forecasting a 10% decrease in operating income and an 8% decrease in net income. We are projecting small declines in earnings in bulkships and a significant downturn in containership earnings, despite the outlook for growth in containership cargo volume. Higher fuel expenses will be the primary drag on earnings. Based on this outlook, MOL will fall short of the MOL STEP Review targets that we established in May 2005. We estimate that the increase in the price of bunker will cut operating income by ¥18 billion in the March 2007 fiscal year. Costly fuel alone will be responsible for bringing earnings ¥42 billion below our target. Predictable and highly visible earnings streams will again underpin our operations, producing operating income of about ¥92 billion compared with ¥89 billion in the past fiscal year. These earnings streams are derived from medium- and long-term bulkship contracts and other sources. In all, the fiscal year will again demonstrate the effectiveness of our strategies, which prioritize consistent growth and profitability regardless of market conditions.

Containerships—Maximizing Opportunities for Growth and Earnings

The decline in containership earnings in the past year, and the outlook for another decline this year, again spotlights the volatility of this industry. But MOL remains committed to this business. Growing economies, especially in Asia, and rising global trade indicate that container shipping volumes will continue to climb by more than 10% annually. There are many opportunities for a competitive and financially sound operator like MOL. We have numerous competitive advantages. Most significant are expertise in yield management, which allows us to handle more profitable types of cargo, and a highly competitive operating system in terms of expenses and customer service. We will continue to leverage our strengths to target opportunities, as we did in the past fiscal year by adding many routes and ports of call.

Always Aiming Higher

Our accomplishments in recent years are impressive, but we remain focused on setting and achieving higher goals.

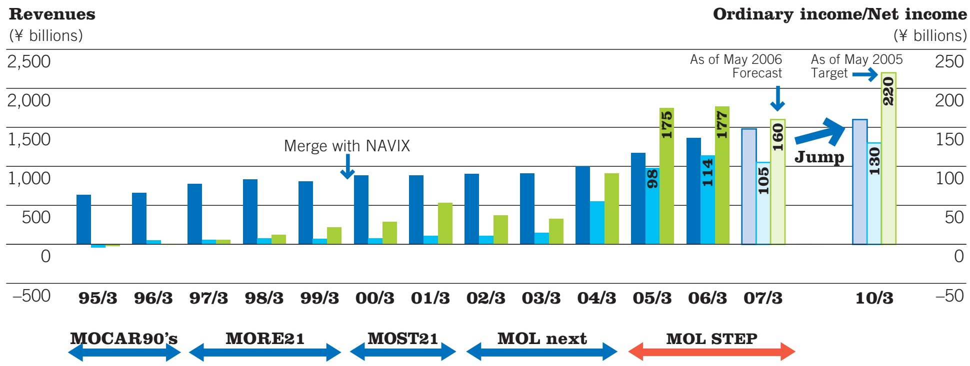
Expansion of our fleet will continue. Under MOL STEP Review, we aim to grow from 645 vessels to 750 vessels by March 2007. During the past fiscal year, 59 vessels joined our fleet. We will add another 47 during the year ending in March 2007. By March 2010, the end of the next three-year plan, our goal is to have a fleet of 900 vessels.

Actions to strengthen our financial position will also continue. Debt is declining rapidly relative to equity even as we make substantial investments in our fleet. Interest-bearing debt has climbed from ¥492 billion to ¥571 billion during the past two fiscal years, but this was a minor increase relative to the funds we used during this period for capital expenditures and the 2004 acquisition of a controlling interest in Daibiru Corporation. During the same two-year period, shareholders' equity rose from ¥222 billion to ¥424 billion. We plan to hold debt steady at about ¥570 billion during the March 2007 fiscal year as equity rises to about ¥500 billion. This financial strength will make us even more competitive and bolster our resilience to future market volatility.

Initiatives to boost profitability are another ongoing theme. MOL has a well-balanced business portfolio, particularly with respect to types and sizes of vessels and the market profile of our fleet. We use our experience and foresight to preserve the optimum mixture of earnings from medium- and long-term contracts and from vessels operated on short-term contracts and spot rates. Making this possible is the steady growth in the volume of stable earnings. This gives us the financial flexibility to pursue higher returns by targeting short-term market fluctuations. The effectiveness of this strategically diversified portfolio as well as our skill at profiting from market fluctuations is shown by the fact that our earnings from bulkships did not fall even though market rates for dry bulkers and VLCCs declined during the past fiscal year. As our fleet grows, we will continue to rely on this proven business model.

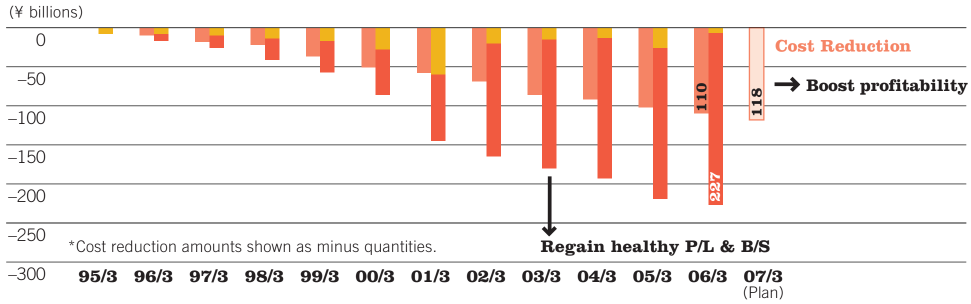
MOL Group Medium-term Management Plans and Progress in Becoming More Cost Competitive

Revenues
Net income
Ordinary income



	95/3	96/3	97/3	98/3	99/3	00/3	01/3	02/3	03/3	04/3	05/3	06/3	07/3	10/3
Av. Exchange Rate (¥/$)	100	96	112	123	130	112	110	125	122	114	108	112	110	100
Av. Bunker Price ($/MT)	102	108	116	105	80	117	159	136	163	178	193	280	340	200

Accumulated cost reduction
Special losses of the fiscal year
Accumulated special losses to previous fiscal year



*Cost reduction amounts shown as minus quantities.

We also plan to make deeper cost cuts. We constantly remind our staff not to use the growth in our scale of operations or our strong earnings as an excuse to become lax about cost control. We are always searching for new sources of savings. To raise awareness of the need to further cut costs and boost efficiency, we raised the cost-cutting goal for the three-year period ending in March 2007 from ¥20 billion to ¥26 billion.

After MOL STEP – The Next Phase of Growth

We are now working on the three-year management plan that will follow MOL STEP. First and foremost, the plan will be firmly rooted in our commitment to growth in shareholder value. There is no doubt that demand for global ocean transport will continue to climb. By the fiscal year ending in March 2010, we want to raise revenues to about ¥2,000 billion and income before income taxes to at least ¥200 billion. The pretax earnings figure is not a revision to the target announced in May 2005; this figure merely incorporates current trends in foreign exchange rates and fuel costs. The next three-year plan will be structured specifically to fulfill these goals. Earnings growth will be accompanied by a further decline in our debt-equity ratio as we aim for an equity ratio of about 40%. We will continue to base dividends on a payout ratio of 20%, and will address the need to increase the ratio under our mid- and long-term management policies.

Safety and the Environment

MOL has long been recognized as a leader in the global shipping industry with regard to safe navigation and protection of the environment. Never satisfied with our current operations, we are always seeking ways to improve. Safety and the environment are becoming increasingly important issues as the size of our fleet increases. This is why we made the decision in the past fiscal year to realign our ship management structure for tankers. We established an integrated ship management company called MOL Tankship Management Ltd. in April 2006 to centralize the oversight of several overseas ship management companies. Ships, management companies and the MOL head office can communicate much more effectively under this system. We plan to establish a similar framework for dry bulkers, car carriers and containerships in the near future.

A Team With a "Can Do" Attitude

As our operations expand, we require a steadily larger workforce. Because of this, we are stepping up recruiting activities at all levels, including new graduates and mid-career professionals. One important theme is our increasing reliance on overseas markets rather than domestic markets for growth. We plan to hire many more non-Japanese workers at various levels in our overseas operations and in Japan. Successful recruiting and training will be vital to our ability to raise cross-trade cargo outside the container category to half of total cargo, and eventually to well over half.

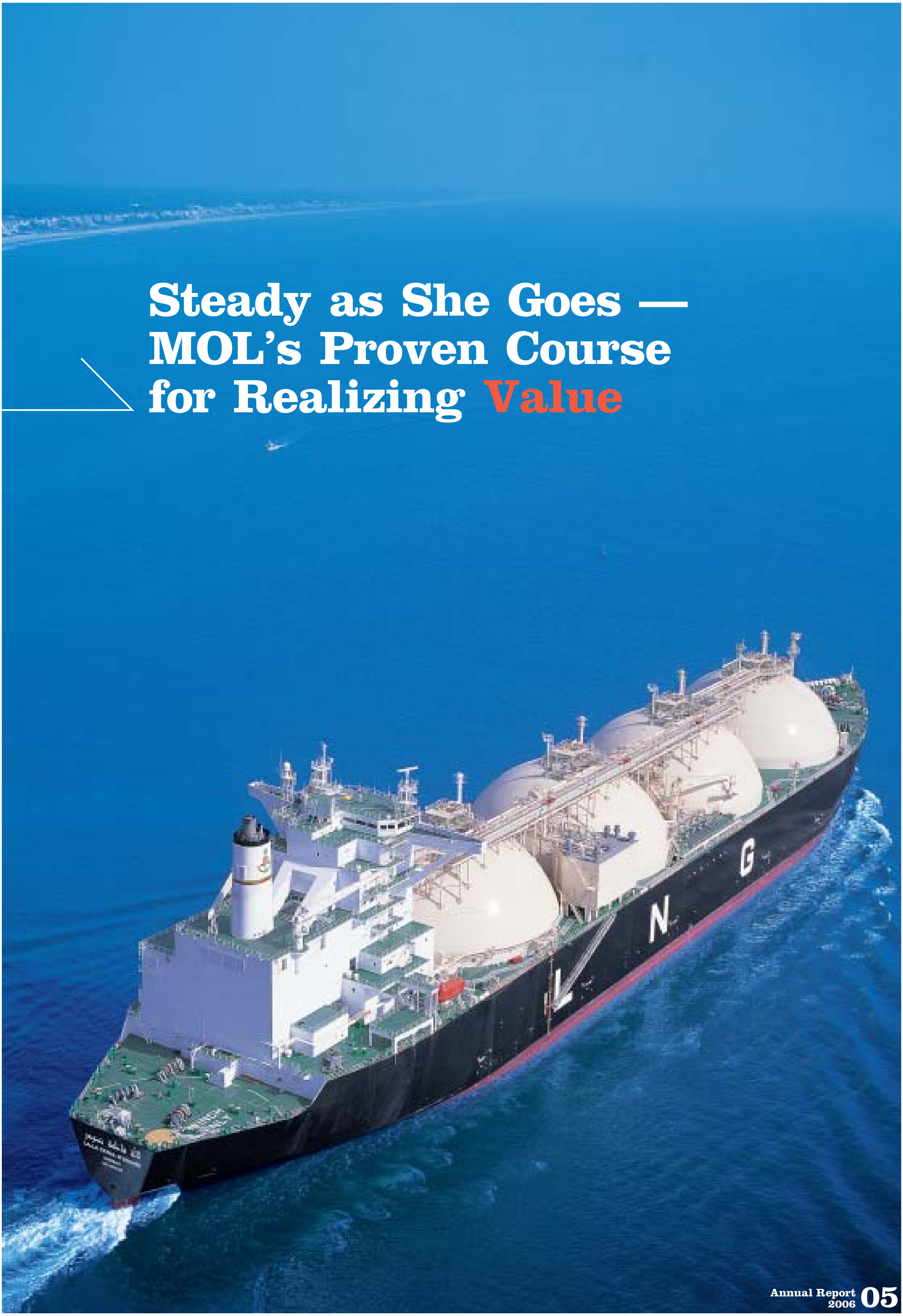
Fostering a "Can do" attitude is just as important as expanding our workforce. Greater demands are being placed on our people as the transformation of the MOL Group continues. We frequently use meetings with managers and employees as an opportunity to remind them never to be satisfied with the status quo. We also urge our employees to be inquisitive, study market trends and seek opportunities for progress in areas ranging from growth to cost-cutting. In short, we want MOL to gain a reputation as an organization with a "Can do" spirit. This will translate directly into even better services for our customers, higher earnings and more value for the owners of MOL.

June 22, 2006

Kunio Suzuki
Chairman

Akimitsu Ashida
President

Steady as She Goes — MOL's Proven Course for Realizing Value



Evolution in the Marine Transport Industry and at MOL

Ten Years of Progress

World Seaborne Trade
(Million Tons)

	1995	2005	
Total	4,873	7,173	1.5 times
Container cargo	389	1,015	2.6 times
Non-container cargo	4,484	6,158	1.4 times
Including Iron ore + Coal	1,206	2,009	1.7 times
Crude oil + Oil product + LPG	1,888	2,553	1.4 times
LNG	68	132	1.9 times

Source: Clarkson Research Studies Autumn 2005

Business Environment of Global Shipping

	1995	2005
Size of container alliances, etc. (Thousand TEU)	1,133	4,645

Source: MOL internal calculation based on MDS Transmodal "Containership Databook"

	1995		2005
Price of VLCC (US$ Million)	85	65 in 2002	120

Source: Clarkson Research Studies

	2005
Environmental regulations	Double hull, CSR, etc.

MOL's Fleet and Business Portfolio
DWT (Thousand tons)

	1995	2005	
Total	20,199	45,448	2.3 times
Container ship	2,416*	3,944	1.6 times
Non-container ship	17,783	41,504	2.3 times
Including Dry bulker	9,819	24,391	2.5 times
Tanker	6,145	13,211	2.1 times
LNG carrier	752	2,365	3.1 times

* Including semi-container ship and other liners

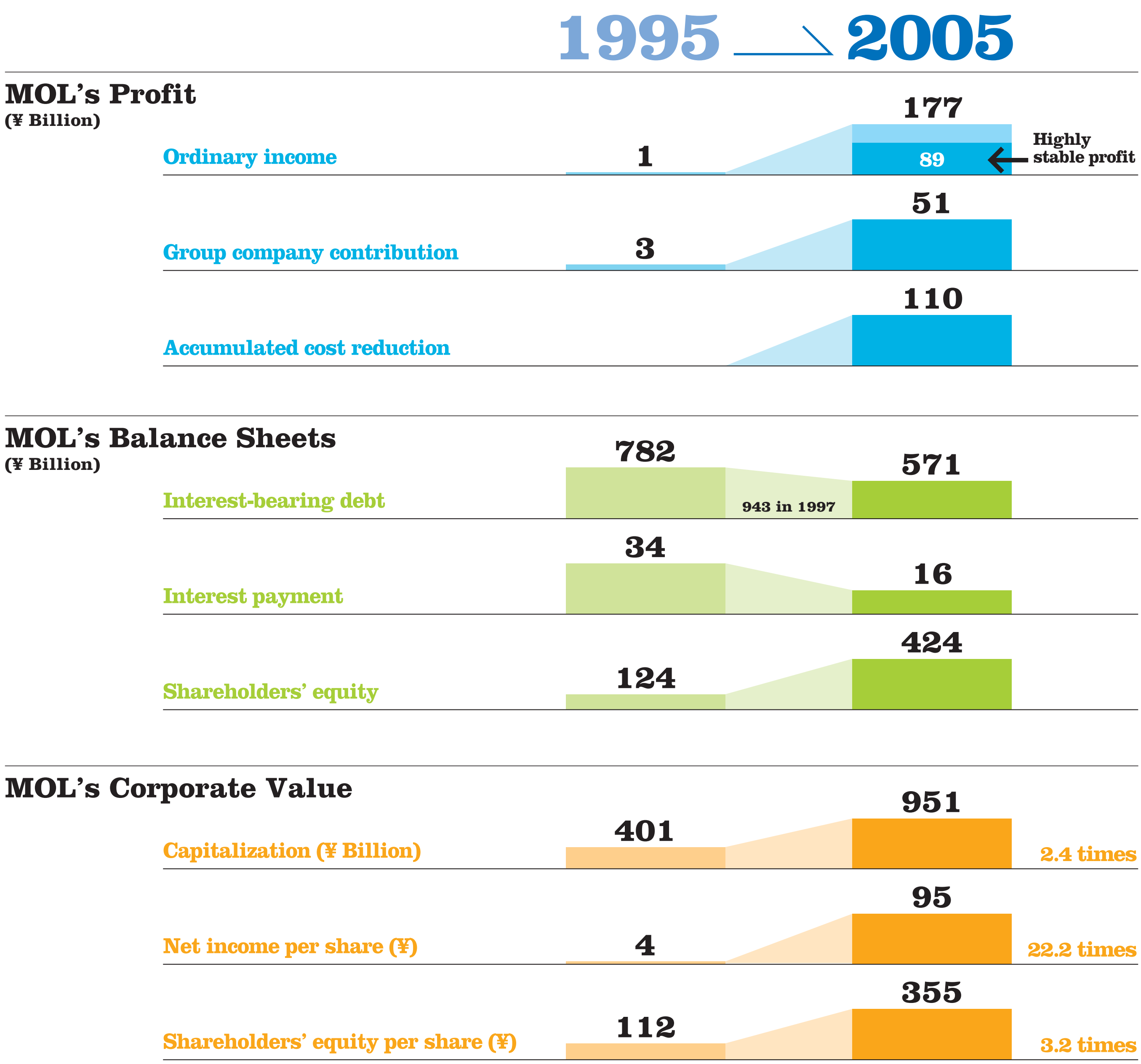
The evolution of the marine transport industry

Marine transport is a growing industry. The borderless nature of business activities along with the world's enormous appetite for energy and natural resources indicate that demand in all categories of marine transport will continue to climb.

One result of this strong demand is growth in the scope of services offered by shipping companies. Another result of market expansion is a sharp increase in the cost of building ships. The limited supply of ships due to tight capacity at shipyards and strict environmental regulations is further altering the operating environment for the marine transport industry. More than ever before, accurate foresight is essential to formulating successful business plans.

The evolution of MOL

Just as the maritime industry has evolved, so too has MOL. A larger fleet with greater emphasis on natural resources and energy and a relentless cost-cutting drive have made us a profitable organization with a strategically balanced portfolio, capable of generating sustained growth. (Please refer to graphs on pages 17 and 26 for MOL's revenue portfolio and its comparison with other shipping companies.)



Particularly noteworthy is the fact that about half of recurring income in the past fiscal year was derived from activities that produce a steady stream of earnings irrespective of market conditions. Moreover, we have established a sound financial position that makes us even more competitive. Our much higher market capitalization further demonstrates the magnitude of our transformation.

The MOL strategy for sustainable growth

Amid these changes, MOL retains the same fundamental strategy of positioning marine transport as its core business. We have no plans to alter this strategy. Marine transport is an expanding industry with many opportunities for taking full advantage of our expertise and foresight. But the industry is also characterized by unrestricted global competition that causes the market to fluctuate. How do we plan to leverage our strengths to sustain growth?

In last year's annual report, we examined five issues that are critical to growth. This year, we look at last year's performance in relation to these issues. We also discuss whether or not revisions are needed in the growth strategy that has underpinned our expansion in the past few years. And finally, this section explains how we are translating growth into greater value for our shareholders.

Question 01:

What is your evaluation of MOL's performance in the past fiscal year?

Earnings Growth Despite Many Challenges Proves the Value of the Unique MOL Business Model

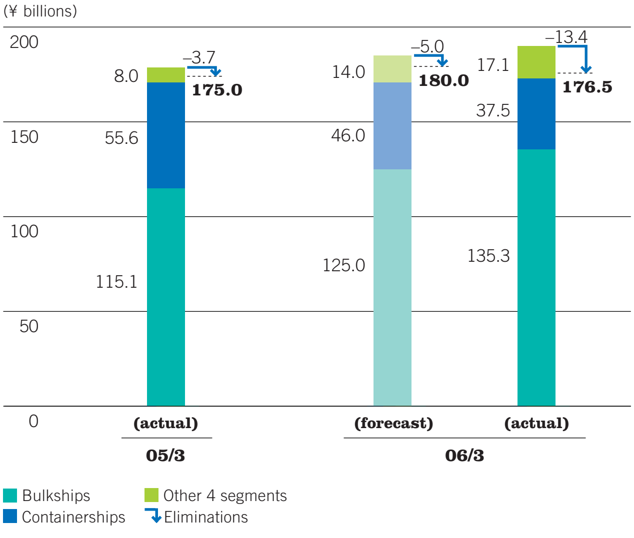
Bulkship operations showed resiliency to market fluctuations

Most of all, the year demonstrated that MOL's bulkship operations are now much more resilient to challenges posed by the downturns that occur in global shipping markets. During the past fiscal year, bulkship charter and shipping rates weakened somewhat, including rates for Capesize bulkers and VLCCs. But we more than offset this decline, as well as the impact of higher fuel costs, to post another year of record earnings by leveraging a number of strengths. Furthermore, bulkship earnings surpassed the MOL STEP Review target for the fiscal year.

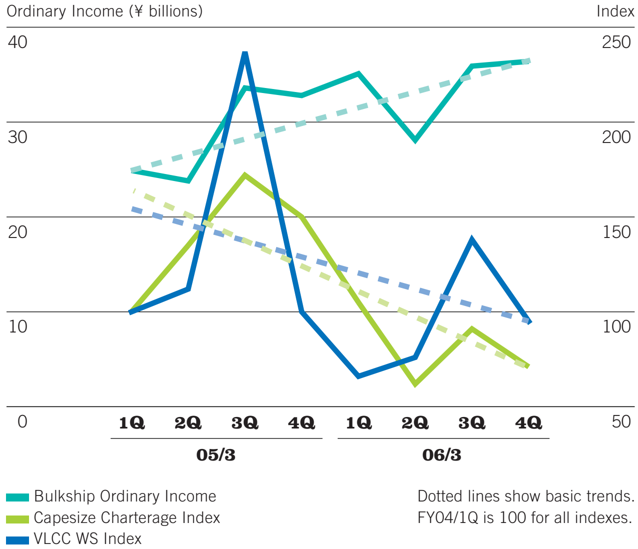
Benefits of a fleet composition strategy targeting consistency and high profitability

One key to this performance was our accurate foresight in making investments to expand our fleet. Early in this decade, and especially in 2003, we ordered a large number of vessels, before our competitors began making major investments and ship prices started to increase. We were convinced that demand would grow steadily over the long term. On a consolidated basis, we took delivery of 52 bulkships during the March 2006 year. One obvious benefit was growth in the scale of our operations.

FY05 Business Segment Ordinary Income Comparison with Prior FY and Initial Forecast



FY04/05 Quarterly Bulkship Earnings and Market Indexes



Another important benefit of these investments was a big drop in the average cost of our fleet as we added low-cost vessels. Additionally, some of these ships replaced relatively costly chartered vessels. As in prior years, many of the new vessels in the past fiscal year were built to operate on long-term contracts, thus increasing the volume of earnings that are not vulnerable to market fluctuations. At the same time, a number of vessels, particularly dry bulkers, entered service under contracts of only one to five years. Since these contracts were signed with ideal timing in relation to market conditions, vessels on medium-term charters made a significant contribution to earnings. The past fiscal year's performance underscored the wisdom of our strategy of maintaining the optimum balance among long-, medium- and short-term contracts.

The past year's performance also reflects our policy of diversifying our operations to include ship categories and areas where we foresee high growth. Illustrating this is the strong performance of our tankers even though VLCC rates declined. Three factors were instrumental to this accomplishment: growth of our fleet of product tankers, a category where supply is tight; strong earnings at the group company operating chemical tankers; and earnings from VLCC joint ventures established in 2004 that serve customers in China and India.

A sound and diversified value creation model like no other

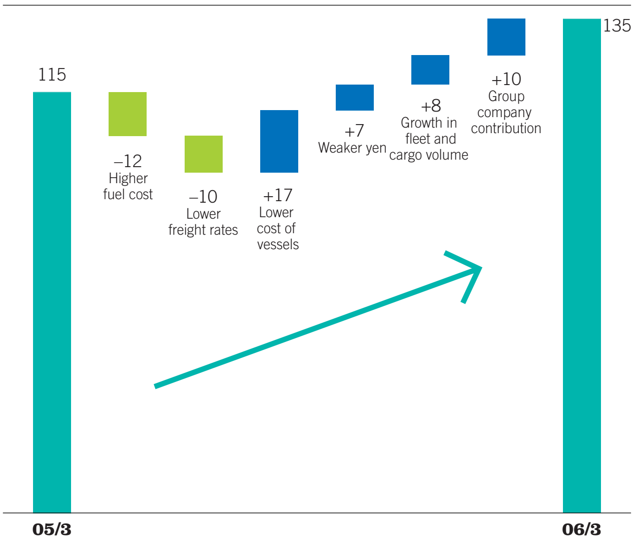
We are steadily enlarging our base of stable earnings. In the March 2007 fiscal year, stable earnings represent 57% of our forecast for consolidated pretax earnings. Growth in bulkships operating on long-term contracts is central to this progress. One more element is the real estate leasing revenue of Daibiru Corporation, which became a consolidated subsidiary in October 2004. This makes us less susceptible to changes in marine transport market conditions. Stable earnings also allow us to target opportunities created by market fluctuations.

Our business model stands in sharp contrast to those of most other shipping companies, which focus on short-term markets in one or two ship categories. MOL, on the other hand, has a diversified business portfolio that has activities targeting market fluctuations while producing more than half of total earnings from businesses with predictable earnings. No competitor can match this business model, which is designed specifically to maximize value for MOL shareholders.

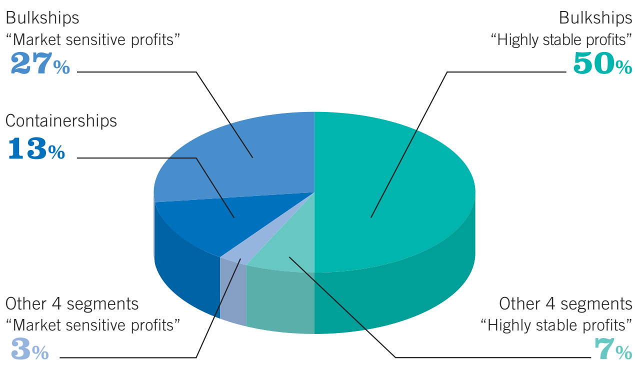
Some investors tend to discount the value of this diversified business model. They fear that losses at activities exposed to market fluctuations, particularly containerships, may offset some of the stable earnings. In fact, containership earnings fell more than we expected in the second half of the past fiscal year, raising concerns about this issue. Please turn to the next page for a discussion of this subject.

Components of Change in Bulkship Ordinary Income (FY04 vs. FY05)

(¥ billions)



Projected Composition of FY06 Consolidated Ordinary Income (total is ¥160 billion)



The green components show "highly stable profits"

"Highly stable profits" are the projected profits from contracts and other highly stable sources of profits.

Regarded as highly stable profits: 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.

Question 02:

How do you evaluate the outlook for the containership business?

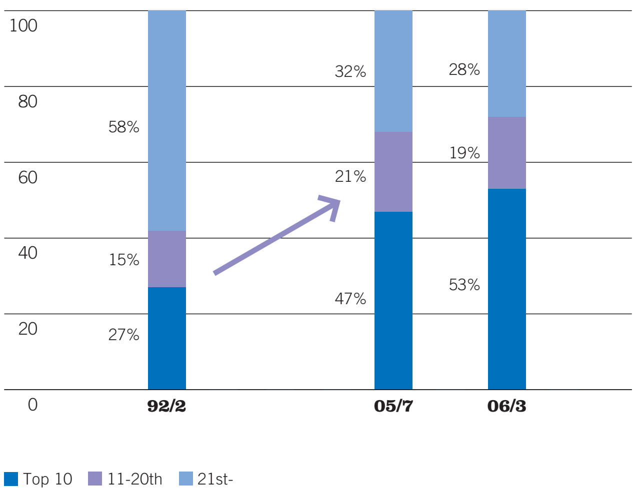
An Industry Presenting Opportunities for Long-term Growth to Companies with the Right Strengths

In the past fiscal year, earnings dropped in our containership operations. Bringing earnings down were the much higher expenses for fuel and inland transport along with soft freight rates on some trade routes. This downturn undoubtedly sparked fears of possible return to the losses that MOL recorded for many years in the 1980s and 1990s.

Has the containership industry changed?

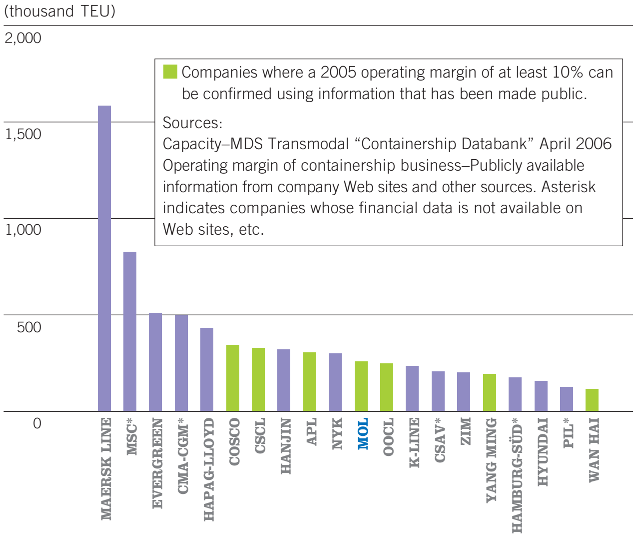
During the past decade, mergers and acquisitions have reduced the number of major players in the industry. There were two large deals in 2005 alone. Currently, the 10 largest containership companies have a combined market share of more than 50%. Alliances further increase the scale of services. Because of this, companies thinking of entering this business face higher barriers than ever before. But fierce competition among the world's major containership companies is continuing. In 2005, we saw freight rates fall because of confusion associated with mergers and acquisitions. So although the containership industry has undergone many changes, the market is still somewhat unstable. Consequently, containerships may remain one of the most volatile sectors of the shipping industry. Nevertheless, outstanding long-term growth prospects make this market sector highly attractive.

Top 20 Containership Operators' Shares in Capacity [TEU]



Source: MOL internal calculation based on Containerlisation International

Capacity and Profit Margins of Major Containership Operators



MOL's progress in terms of cost-cutting and network expansion

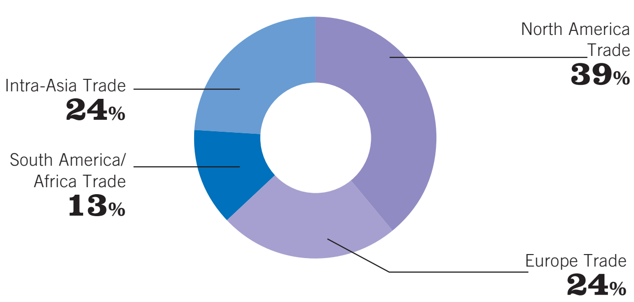
Although the industry has not changed fundamentally, MOL has totally altered its containership operations. Relentless cost-cutting has bolstered our competitiveness. We have also gained much expertise in yield management, which involves selecting cargo by category, destination and other factors, to maximize returns on each voyage. Backing up these activities are a powerful data management system and a strong awareness among employees of the need to protect profit margins. The upshot of all these initiatives is that we now rank in the top one third of the world's containership operators in terms of cost competitiveness. Although we are projecting another decline in earnings in the year ending in March 2007, we believe that containership operations will see far better performance than our chief competitors. Moreover, our lean operating structure means that we can quickly return earnings to a high level once supply-demand dynamics and other market parameters begin improving.

Geographic diversification is another way in which we are making containership earnings more stable. Our objective is to assemble a portfolio of routes that is not overly reliant on the east-west trades where competition among large companies is intense. To accomplish this, we have added many routes during the past few years. MOL has had deep roots in South America and Africa for decades. Therefore, one focus is leveraging this strength to add north-south trades. We are also targeting opportunities created by growth in free trade zones and the increase in cargo volume within Asia associated with growth in India, the Middle East and other areas with rapid economic expansion. We have many options for growth. Depending on the circumstances, we can start services using our own fleet, form an alliance with a partner or even purchase routes, as we did in 2005 to operate between Europe and South Africa.

Containerships – a growth industry

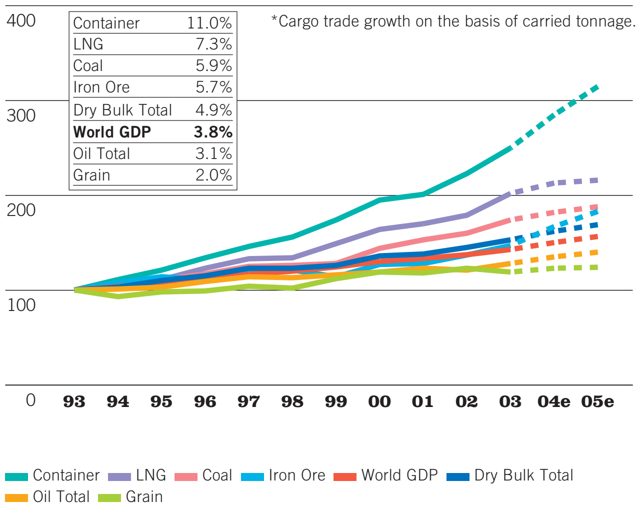
Growth is certain to continue in the global containership market. Over the past five years, global marine container shipment volume has increased at an average annual rate of more than 10%. Projections call for this growth rate to continue. The majority of the expansion in demand will continue to be driven by the shift of production facilities to most competitive locations of the world. We intend to grow at least as fast as the market as a whole while retaining a tight focus on profitability. Achieving a larger scale of operations is vital to survival as consolidation of the industry continues. Combining yield management with cost cuts will make us an even stronger competitor. Therefore, we will continue to position containerships as a growing market with attractive opportunities for companies with the necessary financial resources, market insight and skill in managing risks.

MOL Containerships' Capacity by Trades (Results in FY2005)



Growth in World Sea-borne Trade by Cargo Category

1993=100



Source: MOL internal calculation based on Clarkson Research Studies Autumn 2005 (2004e, 2005e: estimated figures)

Question 03:

Please evaluate MOL's prospects for sustaining growth over the long term.

A Business Portfolio and Fleet Expansion Plan Structured Specifically for Sustainable Growth

The past several years have proven the wisdom of MOL's commitment to growth. During this period, MOL has invested in vessels in all business sectors. Over the four-year period ending in March 2010, bulkships will account for about 90% of vessels that join the MOL fleet. Moreover, the majority of these bulkships will operate on medium- and long-term contracts, thus generating a steady stream of income over the long term. At the same time, a portion of bulkships are operated under short-term contracts. Containerships also have a short-term profit structure since freight rates are fixed for periods of no more than one year in most cases. As in the past, this balance will allow us to aim for higher returns while taking on a prudent level of risk.

Bulkships

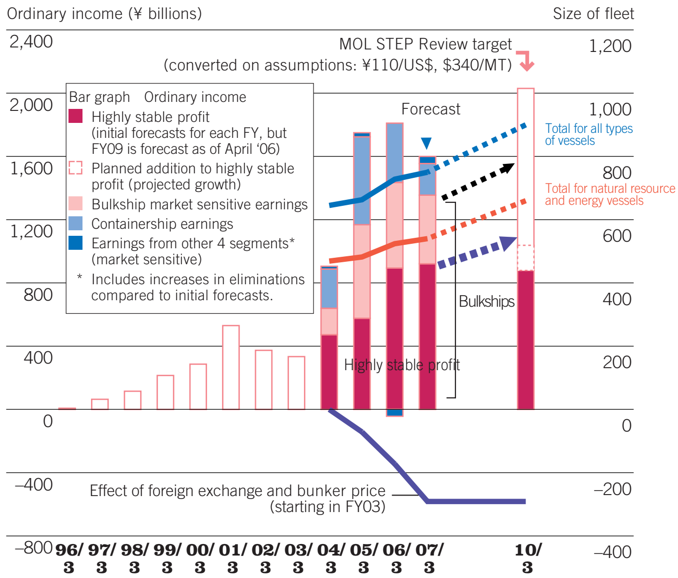
Dry Bulkers: Over the next several years, MOL will continue to increase its iron ore and coking coal carrier fleet by taking delivery of many new vessels ordered with excellent timing. The number of these carriers is to increase from 114 in March 2006 to 140 by March 2010. Including spot-chartered vessels, we plan to have a fleet of about 150 iron ore and coking coal carriers in 2010. Demand is certain to grow. And even if market conditions weaken somewhat, we can overcome this challenge because of the decline in the average cost of our iron ore and coking coal carriers as new vessels are completed. Earnings from smaller dry bulkers, mainly Handy size ships, in the current fiscal year will be impacted by the

MOL STEP Review
Fleet Expansion Plan and Progress

			MOL STEP (FY04 to FY06)			(FY07 to FY09)	
		March 2004	New vessels FY04-FY06	March 2006	March 2007 (plan)	New vessels FY07-FY09	March 2010 (plan)
Natural resources and energy transport (dry bulkers, tankers, LNG carriers)	Fleet	470	→	524	→540	→	660
	New vessels						
	Plan		123			112	
	Ordered		123			111	
Product transport (containerships and car carriers)	Fleet	175	→	204	→210	→	240
	New vessels						
	Plan		22			30	
	Ordered		22			37	
Total	Fleet	645	→	728	→750	→	900
	New vessels						
	Plan		145			142	
	Ordered		145			148	

Note: Number of vessels includes LNG carriers owned by companies in which MOL has an interest and other vessels owned by equity-method companies that are 50% owned by MOL.

"Highly stable profits" alone exceeded total earnings in past years
"Bulkships" earnings projected to grow in line with fleet expansion



completion of highly profitable COA signed one to two years ago. However, we have ordered a large number of Handy size bulkers for deployment on our unique around-the-world business model, which keeps capacity utilization high. This route and the reliable supply of base cargoes due to our close ties with shippers means that Handy size vessels are in a position to become a source of consistently strong earnings. Operating on long-term contracts, wood chip carriers have been a reliable source of earnings for many years. The outlook is for unprecedented growth in demand for these vessels, due in part to the rapid increase in China's demand for paper.

Tankers: We plan to add eight VLCCs to our fleet during the three-year period ending in March 2009. All are certain to add to earnings under long-term contracts that have already been arranged. Although there will be short-term fluctuations, VLCC rates are unlikely to drop significantly because of long-term growth in VLCC demand and the compulsory phase-out of single hull tankers. Tankers carrying refined products will also be an important source of earnings growth. Demand for the ocean transport of refined products is growing faster than for crude oil. Charter rates are thus likely to stay high, even though the rates in the past fiscal year were unusually high because of U.S. hurricane damage. As in other market sectors, MOL moved ahead of competitors to place orders for new vessels. The fleet of product tankers will thus rise from 28 in March 2006 to more than 50 by March 2010.

LNG Carriers: With almost all carriers operating under contracts of between 20 and 25 years, this sector has one of the highest percentages of stable earnings of any MOL business unit. Looking ahead, the 24 LNG carriers already ordered for delivery between now and March 2010 are certain to add to earnings once they begin operating under long-term contracts that have already been signed.

Car Carriers: A shortage of car carrier capacity is foreseen over the next few years due to strong growth in the volume of automobiles transported by sea. This situation presents opportunities for growth as well as for reinforcing our reputation as a reliable source of capacity. We will continue to increase our fleet of car carriers to meet this demand and raise earnings.

Overall, we estimate that our fleet of about 600 bulkships will produce ordinary income of ¥124 billion in the fiscal year ending in March 2007. Over the next three years, 130 to 140 newly constructed bulkships will join our fleet. Although earnings will be affected by market trends, the average cost of our vessels, our ability to improve operating efficiency and other items, we believe that bulkship earnings will increase generally in line with the growth of our fleet.

Containerships

Although currently in the midst of a period of weakness, the containership industry is unlikely to see freight rates that cause the majority of companies to operate in the red for a long time. Furthermore, the global containership market is expanding steadily in terms of cargo volume, and our scale of operations will grow in line with the market. By preserving our cost-competitive operating structure, we are confident that our earnings will return to about the levels recorded in the past few fiscal years. Our basic objective is to continue to grow at a pace that keeps the scale of operations within the bounds of our resources. This policy will enable containership operations to make a substantial contribution to consolidated earnings once market conditions recover.

Other Segments and Key Factors

The other four business segments are expected to maintain steady growth and contribute to consolidated earnings. One noteworthy development is the earnings rebound taking place in the current fiscal year in the ferry business. Fuel surcharges introduced during the past fiscal year are the main reason.

Higher fuel prices have had a significant impact on consolidated earnings for the past few fiscal years. Thus far, MOL has passed on to customers roughly half of the change in prices through surcharges. The remaining half has cut into earnings. A change of US$1/MT in the cost of fuel raises or lowers annual ordinary income by about ¥300 million. Although short-term moves cannot be completely hedged, past experience regarding our efforts to shield earnings from various risks associated with marine transport indicates that the higher cost of fuel will be gradually reflected in our freight rates once fuel prices stabilize.

Question 04:

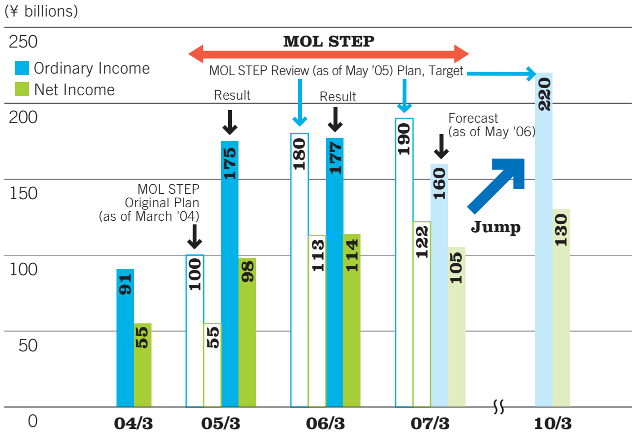
In what ways does MOL maximize shareholder value?

Steady Investments in Long-term Growth Along With a Policy of Linking Dividends to Earnings

For several years, we have been using our consistently high operating cash flows to fund substantial capital expenditures and reduce interest-bearing debt. During the past two fiscal years, debt has increased somewhat. This is mainly a reflection of large investments in ships that will help drive growth in the future. In the year that ended in March 2006, cash used for capital expenditures, mainly for ships, was ¥170 billion, more than operating cash flows of ¥158 billion. In addition to taking delivery of new vessels as planned, we purchased 12 older ships, most of which we had been using under contracts of charter or lease that expired during the past fiscal year. Investments in these 12 ships, which include four VLCCs and five dry bulkers, made an immediate contribution to earnings. Another reason for the higher capital expenditures was advances paid for additional orders made for ships that will be delivered during the three-year period ending in March 2010. Expenditures also include the purchase of rights to a container trade route.

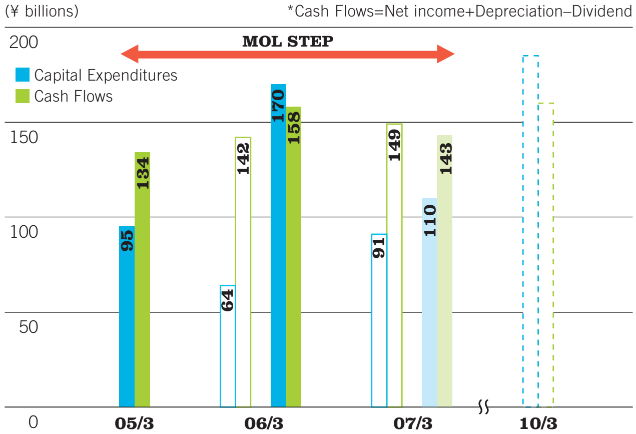
In the fiscal year ending in March 2007, capital expenditures on a cash basis are projected to be ¥110 billion, a level that should allow us to resume using part of cash flows to bring down debt. Our goal is to achieve a gearing ratio of one and an equity ratio of 40% within the next few years. This will provide the financial strength to conduct business with a suitable level of exposure to risks associated with economic trends, foreign exchange, market fluctuations and other uncertainties. We also believe that achieving a certain level of financial soundness is

MOL STEP Review/ Profit Targets and Progress



	04/3	05/3 (original)	05/3 (result)	06/3 (plan)	06/3 (result)	07/3 (plan)	07/3 (assumption)	10/3 (assumption)
Av. exchange rate (¥/$)	113.84	110	107.75	105	112.29	100	110	100
Av. bunker price($/MT)	178	150	193	250	280	200	340	200
Operating income (¥ billion)	92	(original) 105	(result) 172	(plan) 176	(result) 173	(plan) 186	(forecast) 155	(target) 215

Cash Flows/Capital Expenditures



	05/3 Result	06/3 MOL STEP Review Plan	06/3 Result	07/3 MOL STEP Review Plan	07/3 Forecast as of May '06 (assumption)	10/3 Estimate (assumption)
Av. exchange rate (¥/$)	107.75	105	112.29	100	110	110
Av. bunker price ($/MT)						(assumption) 340

Note:
Operating cash flow figures in the feature section of the annual report are the sum of net income and depreciation and amortization less dividend payments. Therefore, these figures do not match net cash provided by operating activities as shown in the statements of cash flows. In addition, capital expenditure figures are effective capital expenditures calculated by deducting vessels that are sold upon completion from the payments for vessels and other tangible and intangible fixed assets item in the statements of cash flows.

essential for enhancing shareholder value as we continue to encounter intense competition on a global scale.

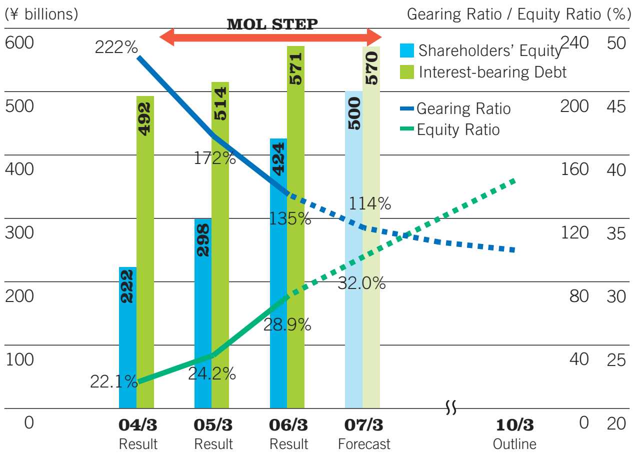
In March 2006, we sold ¥50 billion of euro yen zero coupon convertible bonds due in 2011. Using this fund procurement scheme is another demonstration of our commitment to financial soundness along with shareholder value. These bonds are intended to increase equity slowly as MOL's share price climbs, avoiding the sudden increase, and resulting dilution, that the issuance of stock would cause. The zero coupon format further contributes to shareholder value by providing capital that bears no interest.

The next three-year management plan, which begins in April 2007, will incorporate a number of elements aimed at increasing shareholder value. In terms of concrete targets, we want to raise the size of our fleet to more than 900 vessels by March 2010. Based on this goal, we established a MOL STEP Review target of ¥220 billion of ordinary income in the year ending in March 2010. We plan to incorporate this target in our next three-year plan, which will be announced in March 2007. To provide a comparison with the fiscal year ending in March 2007, we have recalculated this target based on the assumptions for foreign exchange rates and the cost of fuel used for forecasts for the fiscal year ending in March 2007. This results in pretax earnings of over ¥200 billion, which is more than ¥40 billion higher than the March 2007 forecast. Average annual capital expenditures of ¥180 to ¥200 billion will be needed to reach this goal. These expenditures will slow measures to strengthen the balance sheet. However, we are confident that our actions will raise shareholder value as earnings per share climb and investors recognize these investments as up-front expenses to ensure long-term growth.

Our commitment to returning a suitable percentage of earnings directly to shareholders is clear. Based on a dividend payout ratio guideline of 20%, we raised the dividend to ¥16 for the year ended March 2005 and, for the past fiscal year, to ¥18. More significantly, MOL's share price on a fiscal year-end basis has almost tripled during the past three fiscal years. Moreover, we will address the need to increase the dividend payout ratio under our mid- and long-term management policies.

Finally, our fundamental management policy of concentrating on marine transport reflects a commitment to shareholder value and financial soundness. Some shipping companies are pursuing diversification strategies that differ from ours. The MOL Group, however, has a clear long-term goal of strengthening its position as the world's largest ocean transportation organization, backed by a distinctive identity and a full range of services. We will shun opportunities that do not meet our standards for profitability. Capital will be channeled exclusively to investments with the best prospects for high returns or guaranteed long-term returns. This is why we are using resources to expand our fleet while preserving the optimum composition as we restrict non-shipping investments to carefully selected activities.

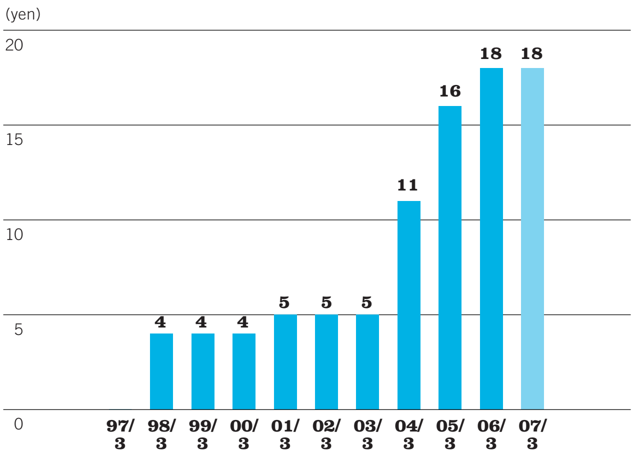
Shareholders' Equity/Interest-Bearing Debt/ Gearing Ratio*/Equity Ratio



	04/3	05/3	06/3	07/3
Term-end exchange rate (¥/$, MOL)	(result) 105.69	(result) 107.39	(result) 117.47	(assumption) 110
(¥/$, Overseas subsidiaries)	107.13	104.21	118.07	110

*Gearing Ratio= Interest-Bearing Debt/ Shareholders' Equity

Growth in Cash Dividends per Share



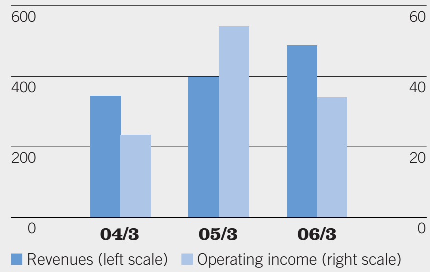
FY06 shows the planned dividend.

MOL at a Glance

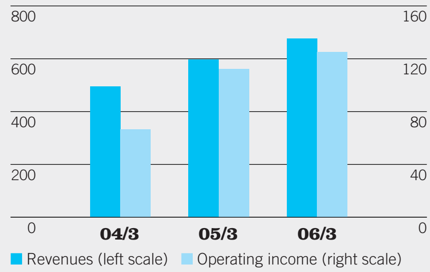
The following is a summary of MOL's business activities based on the business segments that were adopted beginning in the fiscal year that ended in March 2005.

Performance (¥ billions)

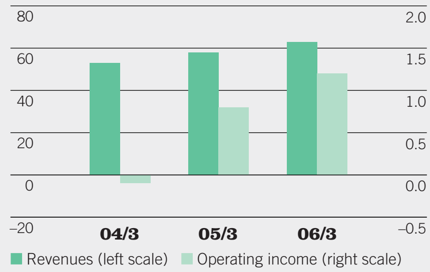
Containerships



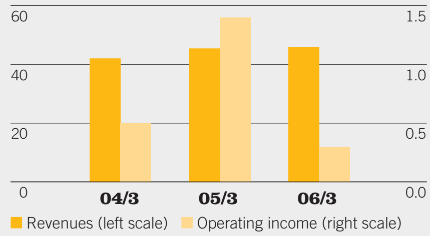
Bulkships



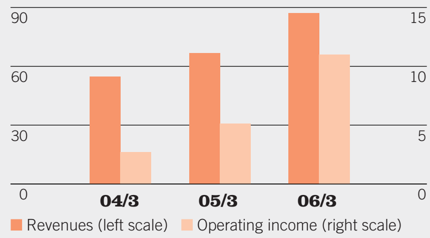
Logistics



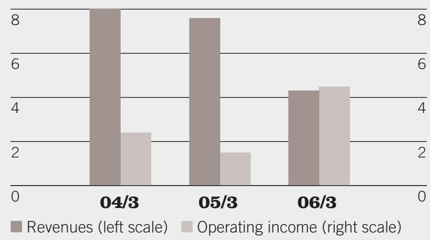
Ferry and Domestic Transport



Associated Businesses



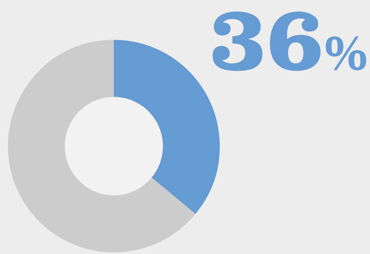
Others



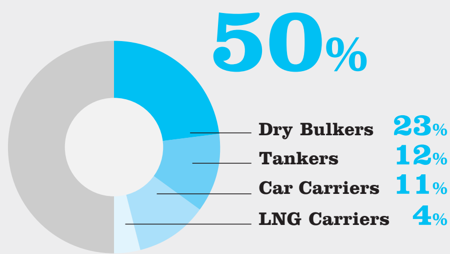
Please see page 36 for sales and operating income figures.

Business Description	Revenues Breakdown by Segments

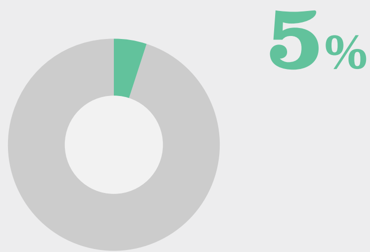
MOL has a fleet of 94 containerships with capacity ranging from 450TEU to 6,350TEU. The service network is well balanced, including almost all of the world's major trade routes as well as many other routes. This positions MOL to benefit from growth opportunities anywhere in the world. MOL, APL and Hyundai Merchant Marine make up The New World Alliance (TNWA), which covers 96 containerships, making it one of the world's leading providers of containership services. Backing up MOL's extensive global network is a highly cost-competitive operating structure. This segment also includes container terminal operations in Japan, the U.S. and Thailand.



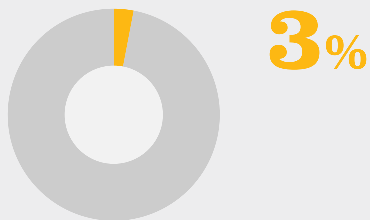
With a fleet of 299 vessels, MOL is the world's largest operator of **dry bulkers**, which transport iron ore, coking and steaming coal, wood chips, grain and other cargo. Operating a core fleet of 83 **car carriers**, MOL has a reputation for providing vehicle transport services of the highest quality and reliability. MOL is active in all categories of the energy transport field. A total of 145 **tankers** carry crude oil, refined products, chemicals and LPG. The world leader in the **LNG carrier** market, MOL participates in projects with a total of 54 vessels. This segment is a major component of MOL's base of stable earnings because a high percentage of vessels operate on long- and medium-term contracts that lock in earnings.



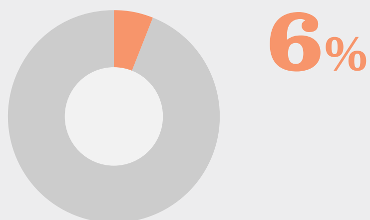
The primary goal of this segment is to capture the greatest possible synergies with other MOL business segments. To accomplish this, logistics operations use a "market-in" approach to offer services that precisely match customers' needs. This segment also makes strategic investments in China, is developing an ocean consolidation business and is taking other steps to meet rising demands for value-added logistics services. An alliance with Kintetsu World Express, Inc. strengthens MOL's ability to be a one-stop source of sea and air freight services.



With an extensive domestic service network, this business offers a variety of high-grade transportation services. MOL is reinforcing operations with initiatives such as a 30-knot high-speed cargo ferry, the launch of a roll-on, roll-off (RORO) joint service with another transportation company, and unified operating and sales activities among subsidiaries and affiliates. In addition, MOL services are attracting much attention as a model for the Japanese government's modal shift policy, which is aimed at protecting the environment. As Japan's largest ferry operator, the MOL Group is positioned to reap significant benefits from this growth.



The main activities in this segment are the office and residential building leasing operations of Daibiru Corporation, which became a consolidated subsidiary in 2004, and a tugboat service with one of the largest fleets in Japan. Other businesses include marine consulting, maritime engineering, temporary staffing, trading and many other activities, most of which are active in fields related to ocean transport. A cruise ship business that includes the *Nippon Maru* is also part of this segment.



The primary activities of this segment are ship operations and chartering, ship management and manning, and finance. Most of these activities involve the provision of administrative functions for the MOL Group.

Overview of Operations

—Results of the Second Year of MOL STEP and Outlook

Containerships

Masakazu Yakushiji
Senior Managing Executive Officer

Results of This Fiscal Year

Through a relentless drive spanning more than a decade, MOL has positioned itself as one of the world's most respected and competitive containership operators. This strength was again proven in the past fiscal year. MOL has steadily increased its scale of operations in line with market growth and actions to upgrade sales capabilities. The result was an increase in cargo volume that was central to the ability of MOL's containership operations to generate a solid profit even amid adverse market conditions.

During the fiscal year's first half, operations benefited fully from market strength that exceeded forecasts. In the second half, MOL kept its containership operations solidly in the black despite a number of challenges. One was the sharp increase in the cost of bunker that raised the cost of marine and land container transportation. Another was a drop in freight rates on the Asia-Europe trade and some other routes. Bringing down rates on the Asia-Europe trade was a brief disruption in the market due to consolidations of containership operators and an excessive reaction of some companies to the risk of a temporary gap between capacity and demand. Despite these difficulties, MOL recorded solid containership earnings, although earnings fell below the high level posted in the prior fiscal year.

MOL made still more progress in cutting costs, adding large, more efficient vessels, and deploying its fleet and other resources for maximum effectiveness. During the past fiscal year, MOL took delivery of four 6,350TEU vessels, raising the number in its fleet to nine. Five more 6,350TEU and eight 8,100TEU containerships will join the fleet between 2006 and 2008. In another move to enhance efficiency and customer services, the members of The New World Alliance in September 2005 announced an extension of this alliance through 2012. This provides an effective means of preserving scale and stability on the high-volume east-west trades.

Simultaneously, MOL is placing a high priority on expanding its geographic coverage. Globalization of economic activity is a central theme in today's container logistics market. One major result of this trend is growth in container shipments to and from manufacturing centers like China, India and Southeast Asia and natural resource exporting areas like Brazil and the Middle East. MOL is targeting one more key trend driven by borderless manufacturing: the switch of container movements from conventional routes radiating from major exporting and consumer nations to a tightly interwoven network of routes linking various countries. By adapting to these changes, MOL is diversifying risks and opportunities while improving customer services.

With respect to network expansion, one significant move was the November 2005 acquisition of rights to the Europe-South Africa routes of A.P. Moller-Maersk. Many other actions were taken as listed below.

The Containership
MOL Encore

In Japan, MOL completed a tender offer in February 2006 for the shares of Utoc Corporation, which is mainly engaged in stevedoring at container terminals and other activities, making this company a consolidated subsidiary. This investment raises the level of stable earnings in the containership segment. In another move to expand terminal operations, MOL and the Jacksonville Port Authority in Florida have agreed on the development of a major container terminal. The facility, scheduled to open late in 2007 or early in 2008, will meet rising demand for containership service between the U.S. East Coast and Asia.

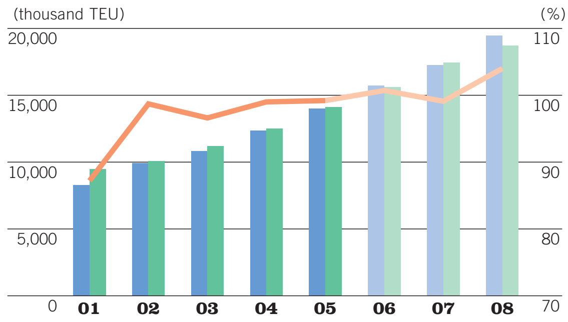
2005.4	Upgraded India-Container Services—3 new weekly services link Nhava Sheva and Singapore
2005.5	Launched new service linking Thailand, Vietnam, China
	Opened 3rd loop in Japan-Thailand Service—Added new calls at Ho Chi Minh City and Shanghai
	Launched new China-India Service—Upgraded to four weekly sailings between Nhava Sheva and Singapore
2005.7	Upgraded Asia-South Africa/East Coast of South America Service—Increased capacity and added new calls at 2 Chinese ports
2005.8	Launched 2nd Asia-Mediterranean Service
	Launched 2nd Brazil/U.S. East Coast Service
2005.11	Upgraded India-Container Service
	Launched 3rd Asia-Mediterranean Service
2005.12	Upgraded Asia-South Africa-West Africa Service—Increased capacity
	Launched India/Pakistan-South/East Africa Service
2006.2	Started Europe-South Africa Service, based on the rights acquired from A.P. Moller-Maersk in Nov. 2005
	Upgraded Southeast Asia-New Zealand Service
2006.3	Opened new Ho Chi Minh City-Hong Kong Service—Provides fastest transits to North America
	Upgraded Asia-Europe Services, based on the cooperation agreement with Grand Alliance—one Asia-East Coast U.S. loop to be added in FY2006
2006.4	Upgraded Haiphong Container Service—Offers the fastest transits from Northern Vietnam to North America
	Launched new Asia-East Africa Direct Service with increased capacity
	Launched new Asia-Mexico/West Coast South America Service—Increased capacity and added new calls at 3 Chinese ports

Outlook

The near-term outlook is filled with challenges, primarily involving the high cost of fuel. Deliveries of 8,000TEU vessels may continue to exert pressure on freight rates, as in the past fiscal year. On the positive side, continued strength is foreseen in freight volume on key east-west trades between Asia and Europe and North America. The gap between growth rates in supply and demand does not appear to be as significant as some market observers had feared. MOL will make every effort to keep its containership operations to remain profitable in the fiscal year ending in March 2007, although there will be a further decline in earnings.

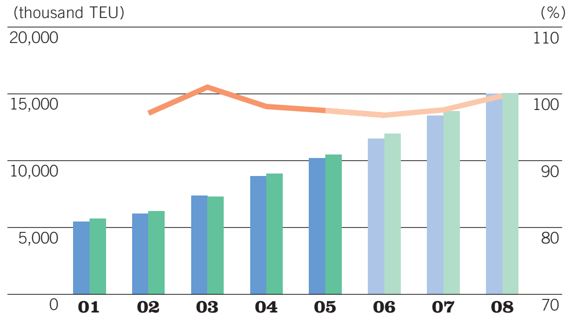
As competition becomes more heated, MOL will leverage several key advantages. One is a cost structure that ranks MOL among the top one-third of containership companies. Another is yield management expertise that few competitors can match. MOL's diversified portfolio of trade routes is one more strength, and one that was reinforced by many actions during fiscal 2005. Finally, MOL has a sound financial position that provides flexibility in capitalizing on opportunities. This strength also allows MOL to endure periods of lower freight rates much more easily than containership companies with lower profitability and weaker balance sheets. Backed by these competitive advantages, MOL plans to steadily increase its ranking in the world containership market, making this business an even larger and more reliable contributor to consolidated earnings from a medium- and long-term standpoint.

Asia-North America Container Trade: Supply-Demand Forecast [Eastbound]



Demand
Supply
Utilization
Source: MOL estimate

Asia-Europe Container Trade: Supply-Demand Forecast [Westbound]



Demand
Supply
Utilization
Source: MOL estimate

Bulkships Car Carriers

Setsuyasu Hagiwara
Senior Managing Executive Officer

Results of This Fiscal Year

MOL reaffirmed its position among the world's leading car carrier operators in the past fiscal year by achieving another increase in cargo volume and revenues. However, earnings growth was limited by the much higher cost of bunker. Results benefited from demand for motor vehicle marine transport that surpassed expectations, frequently creating shortages of capacity. Demand was particularly strong for the transport of cars from Japan and South Korea to North America as the high cost of gasoline produced higher sales of smaller, fuel-efficient vehicles. Another source of revenue growth, as in prior years, was shipments from South America, Africa and Asia as the world's major automakers build production bases in these regions. Meeting the rising demand for this offshore business is a proven skill of MOL and an important contributor to growth in car carrier volume. In 2005, an MOL car carrier transported the first shipment of export vehicles made in China by a Japanese automaker.

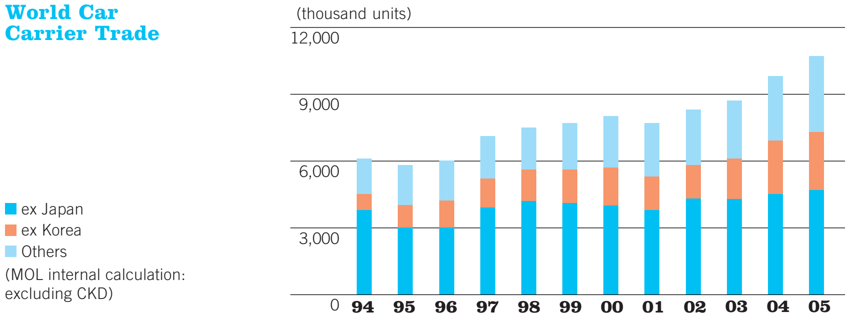
The car carrier
Felicity Ace

Outlook

MOL continues to make substantial investments to update and enlarge its car carrier fleet. Six vessels, which hold 6,400 vehicles each, entered service during the year ended March 31, 2006. These vessels are fuel efficient, have a low environmental impact, and are designed to maximize the safety and efficiency of vehicle loading and offloading. Environmentally friendly vessels, with features such as improved aerodynamics for greater fuel efficiency, are of great interest to automakers, often giving MOL a key additional edge along with cost when competing for new business. MOL plans to take delivery of three car carriers during fiscal 2006, and 17 over the next three years. Additional capacity will be valuable since car carrier capacity is expected to become increasingly tight over the next few years. With an even larger and more modern fleet, MOL will be an extremely reliable source of capacity, which is the aspect of service that automakers look for above all.

In fiscal 2006, the final year of MOL STEP, higher cargo volumes worldwide will be an important source of growth. In addition, MOL foresees a continuing increase in the contribution from auto exports from Southeast Asia, South America and other emerging automobile producing regions. On the demand side, the Middle East, Russia and other markets where economies are benefiting from higher prices for crude oil and other natural resources are becoming increasingly important destinations for auto exports. By utilizing the industry's most competitive fleet and its skill in the efficient deployment of vessels, MOL is determined to heighten its presence in the car carrier market as growth in demand continues.

World Car Carrier Trade



Bulkships Dry Bulkers

Masafumi Yasuoka
Managing Executive Officer

Results of This Fiscal Year

Much higher earnings from the transport of iron ore and coking coal generated a strong performance in dry bulk operations. This was an impressive accomplishment in light of an approximate 40% year-on-year decline in market rates for Capesize bulkers.

Central to the growth in earnings were deliveries of a number of vessels ordered when shipbuilding prices were much lower than today. In the past fiscal year, MOL added 11 new Capesize and Panamax vessels to its fleet. Naturally, the higher capacity helped raise earnings. Earnings also benefited from the return of relatively costly chartered vessels that MOL was using on a short-term basis until the new vessels were completed. MOL's insight was another contributor to earnings. Even as charter rates declined from the unsustainable peak that was reached in 2004, MOL accurately forecasted that rates would remain at a historically high level, procuring low-cost, medium-term contract vessels with excellent timing to earn profits from spot markets.

As the fleet of iron ore and coking coal carriers increased, MOL improved its vessel portfolio in terms of contract length and vessel procurement schemes. In the Capesize bulker fleet, about 40% now operate on long-term contracts, 30% on a medium-term COA basis and 30% on spot rates. Regarding procurement, 60% of these vessels are owned or long-term charters, 30% are medium-term charters, and 10% are procured at spot rates. MOL plans to maintain this portfolio composition, which is ideally suited to supporting consistent long-term earnings growth, while solidifying its position as the world's largest operator of iron ore and coking coal bulkers.

The coal and iron ore carrier
Azul Challenge

The bulk carrier
C. S. Valiant

Growth continued in MOL's fleet of other bulkers as one Panamax and 15 Handy vessels ordered when prices were low entered service during fiscal 2005. Further backing up growth in revenue and earnings were COA vessels. MOL signed most of these contracts with excellent timing late in fiscal 2004 when rates were high.

For many years, MOL has been increasing the number of Handy bulkers designed for transporting steel products. An important development in the past fiscal year further improved the productivity of this growing fleet. MOL has long used its close relationships with customers to create around-the-world Handy bulker routes, a capability that competitors cannot match. Normally, a voyage begins with a steel shipment from Japan to Europe and ends with COA cargo, such as copper ore, that is going from North and South America to Asia. In fiscal 2005, MOL filled in the gap between Europe and the Americas by forging a long-term alliance with a European dry bulk operator. MOL vessels now transport steel products from Europe to the Americas. Earning cargo fees all the way around the world will make a big contribution to dry bulker earnings for many years to come.


The wood chip carrier
Mimosa Africana

MOL equity-method affiliate Gearbulk Holding Ltd, which operates the world's largest fleet of open-hatch gantry-craned bulkers, posted record earnings in fiscal 2005 due to robust demand for the ocean transport of pulp and other materials, lifting group results. Consistent earnings from steaming coal and wood chip carriers, which operate mainly on long-term contracts, also played a part in dry bulker earnings growth.

Outlook

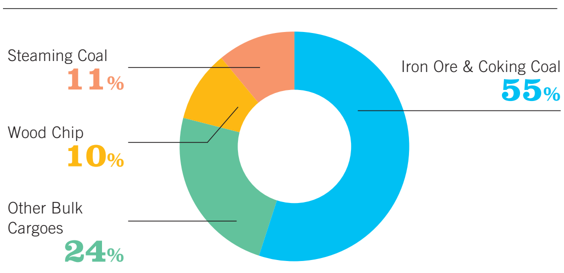
MOL expects that rates for dry bulkers will remain high in fiscal 2006, although there may be a minor downturn. One key factor shaping the market outlook is the approximately 60 Capesize bulkers reaching age 25 in 2005 and 2006. Due to environmental considerations, iron ore companies in Australia and Brazil refuse to accept ships older than 25 years. Given this and rising iron ore imports by China, the supply of Capesize bulkers is expected to remain tight.

MOL foresees more growth in Capesize bulker earnings due to the delivery of 11 iron ore carriers during fiscal 2006. The scale of MOL's Capesize fleet, the world's largest, allows the company to capitalize on opportunities anywhere in the world where iron ore and coking coal needs to be moved and where freight rates are high. With bulkers ranging from 100,000 tons to 300,000 tons, MOL has a high degree of versatility. For example, MOL has a growing fleet of "baby cape" bulkers, which are about 100,000 tons and ideal for serving shallow draft ports in Europe and other areas. Vessels in the 300,000-ton class are well suited to long-distance voyages, such as from Brazil to Asia. MOL is using these bulkers to capture long-term contracts with customers in Japan and China.

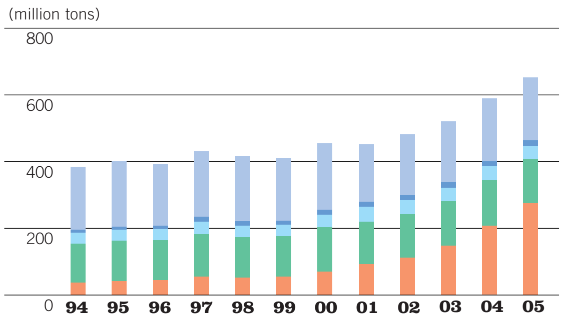
Earnings from other bulkers where COA contracts signed one or two years ago are now expiring will decline in fiscal 2006. But this downturn is nothing more than a minor correction in a process of sustained long-term growth that is likely to resume in the following fiscal years. MOL is taking various actions to build a sounder base of operations. For instance, vessels are calling at more ports in China, South Korea and India to carry steel products exported by these countries. Additionally, two heavy lifters will join the fleet during fiscal 2006. These vessels will target burgeoning demand for imported materials required by the large number of oil and gas plants under construction in the Middle East.

MOL's dry bulker operations are at a strategic turning point. Over the past decade, MOL has completely restructured its dry bulk fleet. As a result, MOL now has a highly cost-competitive fleet that closely matches the current volume and nature of demand from targeted customer segments. Therefore, MOL believes that the strong performance of the past two years is just the beginning of a prolonged period of strength. MOL will deploy ships already ordered and scheduled for delivery over the next several years to use a combination of long-term contracts and exclusive business models to maintain a high level of earnings. Backed by this solid operating base, MOL plans to take advantage of spot rates and capture new sources of business in order to further raise the profitability and efficiency of dry bulker operations.

Non-consolidated Revenues Breakdown (Results in FY2005)



World Iron Ore Seaborne Trade (Import basis)



China
Japan
Korea
Taiwan
Others

Source: Clarkson

Bulkships Tankers

Masashi Seki
Managing Executive Officer

Results of This Fiscal Year

Tanker operations performed well in the past fiscal year, recording revenues and earnings that exceeded the goals of MOL STEP Review. In the VLCC category, operating results exceeded MOL's target even though market rates for these tankers were somewhat below expectations, although still comparatively high. One reason was the contributions of joint venture VLCC companies established in China and the UAE during the prior fiscal year. Product tankers, almost all of which operate at market rates, produced strong results. Demand was solid, due in part to growth in U.S. imports of refined products in the fiscal year's second half. Subsidiary Tokyo Marine, which operates a fleet of about 50 chemical tankers, performed very well. As a beneficiary of rising demand for ocean transport due to investments to locate plants in the most competitive locations, Tokyo Marine continues to be a significant and consistent contributor to earnings.

Past investments in new vessels, ordered when shipbuilding prices were well below the current level, are giving MOL a stream of cost-efficient tankers precisely when market conditions are strong. During the past fiscal year, four VLCCs that were ordered in 2003 joined the MOL fleet and three will join the fleet during the next fiscal year. In addition to boosting capacity and earnings, the new vessels brought MOL even closer to its goal of having an entirely double-hull VLCC fleet. As single-hull VLCCs are replaced with newer vessels, MOL plans to sell single-hull vessels while prices are still high, but may continue using some of these vessels for two to three more years if VLCC demand from customers is strong enough.

Outlook

In the final year of MOL STEP, which ends in March 2007, tanker operations are well positioned to achieve the revenue and earnings targets that were increased in April 2005 despite the high cost of bunker. Although the global VLCC market is volatile, long-term growth in demand for these tankers is certain, indicating that there will be no major downturn in charter rates. Furthermore, supply is limited: only 19 VLCCs will enter service worldwide during the year ending in March 2007. Product tankers will be a major source of earnings growth. MOL took delivery of six of these vessels during the past fiscal year and will add eight more in the March 2007 fiscal year, all of which were ordered when shipbuilding prices were low.

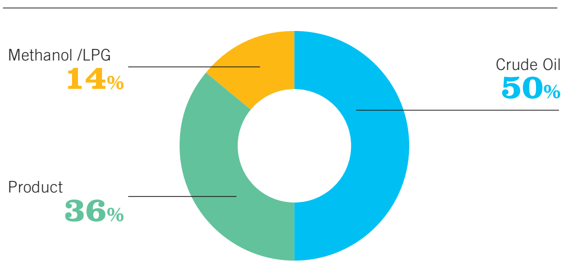
VLCC
Iwatesan

Looking ahead to growth following MOL STEP, MOL is making plans to continue to increase its fleet of VLCCs and other tankers. Investments will be made with caution, however, because of the current high cost of building ships. The consumption of crude oil and refined products is certain to climb in absolute terms. As shipping companies compete for this business, MOL will continue to have an edge due to its sound long-term relationships with the world's major oil companies. These companies select shipping companies very carefully, working only with partners with a proven ability to operate and manage ships at the highest level. MOL is recognized worldwide for excellence in safety, ship management and overall reliability. To reinforce this position, MOL restructured the tanker management system to enhance safety by establishing MOL Tankship Management Ltd. in Tokyo in April 2006. This company makes possible the centralized management of worldwide tanker operations under the strict supervision of MOL's Tanker Division. Another key MOL advantage is access to information on market trends thanks to these relationships and the size of MOL's tanker fleet.

The product carrier
Walnut Express

MOL's long-term strategy for tankers will continue to focus on consistent earnings from long-term contracts. At the same time, a certain number of vessels will be used to assume a prudent level of risk in order to take advantage of movements in spot charter rates. Currently, long-term contracts and other highly visible profit streams produce about the same level of earnings as vessels exposed to market rate fluctuations. The scale of the MOL tanker fleet, along with MOL's global market information network, makes it possible to adjust the long-term/short-term composition of the tanker portfolio with relative ease and accuracy.

Non-consolidated Revenues Breakdown (Results in FY2005)



Bulkships LNG Carriers

Yoichi Aoki
Managing Executive Officer

Results of This Fiscal Year

MOL's LNG transport business, the largest in the world, continued to perform well in the past fiscal year, meeting or exceeding goals for revenues, earnings and new contracts. As in past years, additions to the fleet were the primary source of growth. During the fiscal year, seven vessels entered service. MOL is involved with about one-fourth of all LNG carriers in the world. As of March 2006, MOL was operating or had an interest in 80 LNG carriers including vessels to be delivered between now and 2010. This is compared with 51 in March 2002.

During the fiscal year, MOL signed LNG carrier contracts with clients in Qatar, Yemen, India and Japan that will result in the construction of 12 ships. In addition, in April 2006, MOL and the Leif Hoegh Group of Norway, a shipping organization, announced plans to form a joint venture that will own LNG shuttle & regasification vessels (SRVs). The vessels will be used for deliveries to the U.S., where an offshore, ship-based regasification plan is moving forward in Massachusetts. Two firm orders have been placed. These new contracts will begin generating revenues in three to four years.

Outlook

Furthermore, MOL is submitting bids for many other LNG contracts. Global LNG consumption was 140 million tons in 2005, but is expected to rise to 250 million tons by 2010 and to about 400 million tons by 2020. Due to burgeoning global demand for LNG, opportunities are constantly emerging. In addition to Middle East projects, notably in Qatar, there are a number of new LNG projects in various stages of progress in Nigeria, Angola, Australia and other locations. Work now under way at these projects, and at a long-planned project in Yemen, demonstrate that the expected growth in LNG demand in Europe and the U.S. is finally beginning to occur.

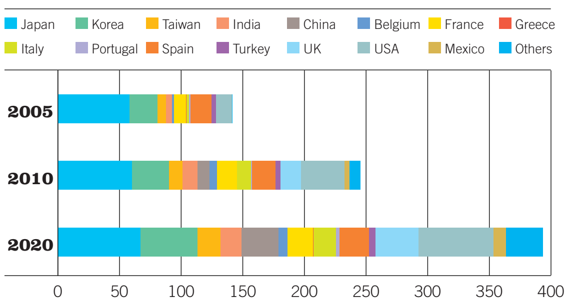
As a pioneer in the LNG carrier industry, MOL has long led the way in the development of innovative vessels. For example, MOL came up with the idea for so-called Med Max and Atlantic Max vessels, which are designed to match conditions in the Mediterranean Sea and Atlantic Ocean, respectively. MOL plans to further raise its stature in the LNG carrier industry by continuing to utilize its skill in taking the LNG carrier industry in new directions.

The current scale of MOL's fleet of LNG carriers presents an important source of growth. Since vessel service life is about 40 years, second-lease and spot-market opportunities exist following the end of the standard 20- to 25-year lease on new vessels. Since more than two decades have passed following the start of full-scale LNG carrier operations in the world, the market for these post-lease vessels is just now beginning to emerge. This will give MOL many more options for generating earnings while better meeting the specific needs of each client. Furthermore, MOL's global network of eight sales bases and five ship management bases for LNG carrier operations will be a major advantage when targeting the emerging market for post-lease vessels. Overall, with a proven record for safety, reliability and technical expertise, along with the world's largest LNG carrier fleet, MOL is in an excellent position to build on its leading position.

The LNG carrier
Al Wakrah

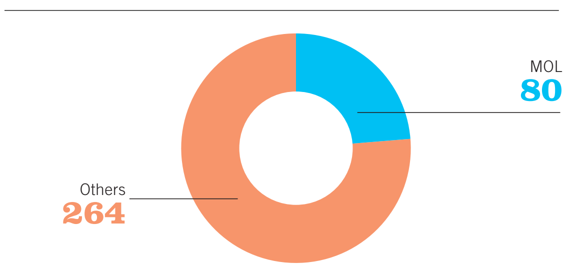
The LNG carrier
Salalah LNG

LNG Demand Forecast
(million tons)



Source: The Institute of Energy Economics, Japan

MOL LNG Fleet
"One-quarter (1/4) of the world LNG fleet"
(vessels)



World LNG fleet as of April 2006: 344 vessels including the newbuildings to be delivered through 2010.

Logistics

Masakazu Yakushiji
Senior Managing Executive Officer

Results of This Fiscal Year

MOL's logistics operations performed well in the past fiscal year, building a sounder base for consistent profitability. The rebuilding process that has spanned many years was completed one year ago. With a sounder operating base, MOL Group logistics companies are raising earnings as they handle larger volumes of air cargo and sign contracts with new customers. Due to these improvements, logistics is now firmly positioned as a consistent contributor to consolidated earnings.

The ocean consolidation business (OCB), commonly known as buyer's consolidation, is the primary target of the logistics business. Demand for this service is very strong among buyers in the U.S., Europe and Japan that use containers to import goods from many suppliers in Asia. The second goal for logistics is the establishment of a larger service network in China. In a big step toward reaching these goals as quickly as possible, MOL, in May 2005, forged a strategic alliance with Kintetsu World Express Inc. (KWE), the world's eighth-largest air forwarder. MOL and KWE have agreed to conduct joint U.S. sales activities to promote their OCB. To make this service even more attractive, the two companies have started developing a deconsolidation service that uses the U.S. distribution network of KWE. The OCB of the two companies has also started using warehouses and other elements of KWE's infrastructure in China.

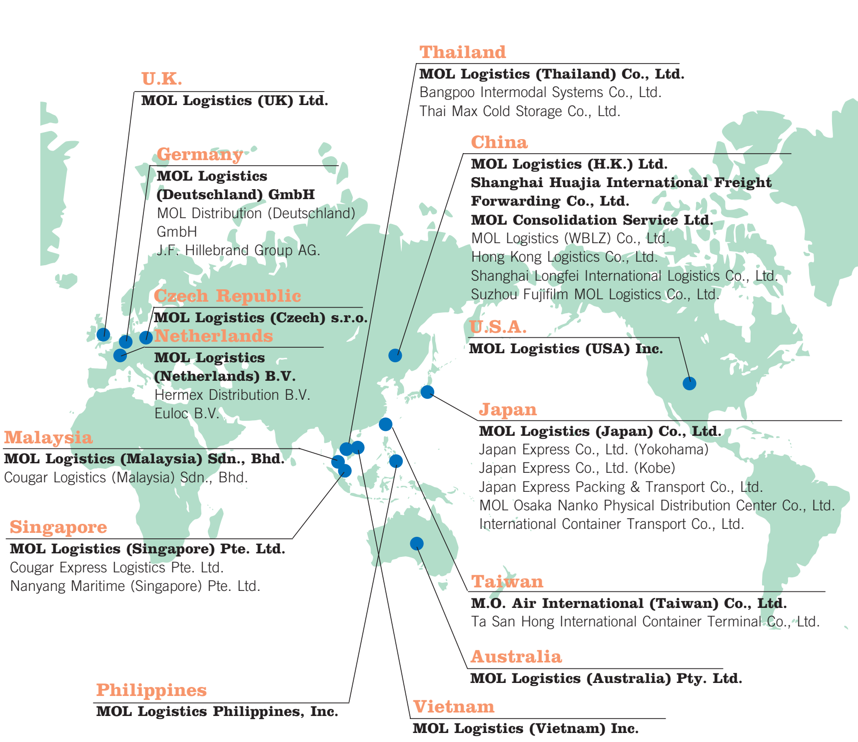
In another move, MOL invested in Sanyo Logistics Corporation. The aim is to link this company with MOL's marine transport operations to create new business models,

MOL Logistics
Narita Logistics Center

MOL Logistics truck in Hong Kong

such as more direct logistics links between suppliers in China and other countries and retail stores in Japan. Another powerful tool is the bonded warehouse that MOL Logistics is leasing in the Shanghai Waigaoqiao Bonded Logistics Zone (WBLZ) in Shanghai. MOL has used this facility to capture buyer's consolidation business with major containership customers for their shipments of alcoholic beverages and consumer goods to Japan. MOL has decided to lease a bonded warehouse in Shenzhen to further expand its buyer's consolidation operations.

MOL Group Logistics Network



Outlook

Looking ahead to the final year of MOL STEP, logistics earnings are expected to be generally flat. The central objective of logistics remains the same: generating synergies with containership and other shipping operations by assembling and supplying the services that customers require. Customer needs are the starting point. MOL does not make costly up-front investments in logistics facilities. The primary goal is to continue refining the business infrastructure, including IT systems and partnerships, in order to meet customer demands, thus further differentiating MOL's shipping operations.

MOL is aiming for annual growth of 50% in OCB services. The goal is to become one of the world's largest handlers of containers within the next several years. Thanks to the KWE alliance, MOL can offer customers first-class integrated marine and air cargo transport services. Further enhancing its profile in the air cargo sector, MOL, in April 2006, acquired a 5% equity stake in a cargo airline company established by All Nippon Airways Co., Ltd. (ANA) and Japan Post. Overall, the past year's accomplishments show that MOL's logistics business is making steady progress in line with a clearly defined strategy.

Ferry and Domestic Transport

Takehiko Yamamoto
Executive Officer

Results of This Fiscal Year

Ferry operations were unable to reach the earnings target for the past fiscal year because of the much higher cost of bunker. Despite this disappointing performance, there were a number of positive developments. One is the success of ferry companies at gaining the understanding of customers for bunker surcharges. Market acceptance of surcharges indicates that MOL's ferry operations will achieve the earnings target set for fiscal 2005 in the following fiscal year. Another positive development was the 2% to 3% increase in ferry cargo volume on most major routes. Cargo volume was up by as much as 11% on routes linking the Osaka/Kobe area to southern Kyushu. Obviously, the rising cost of fuel is prompting many truck operators to take another look at the advantages of ferry transport. As Japan's largest ferry operator, the MOL Group is positioned to reap significant benefits from this growth.

The roll-on, roll-off (RORO) service operated by Shosen Mitsui Ferry Co., Ltd. between Fukuoka and Tokyo performed well as demand was strong from trucking companies. For added convenience, this RORO service is linked with the Shanghai Super Express, a high-speed RORO vessel that runs between Fukuoka and Shanghai. Offering a combination of speed and highly competitive rates, this express service is attracting a growing number of customers.

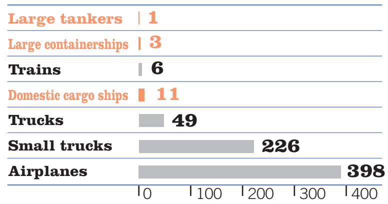
This segment also includes the operations of MOL Naiko, Ltd., which transports cement, steel products, coal, salt and other materials within Japan. Earnings were higher at this company because most of its vessels operate on long-term contracts in which shippers cover operating expenses. The impact of higher fuel costs was thus minimal.

Outlook

With the long process of downsizing and restructuring over, MOL's ferry operations are now in a position to aim for growth. Recent accomplishments include collaboration between subsidiary The Diamond Ferry Co., Ltd. and affiliate Kansai Kisen Kaisha. These two companies unified operations and sales activities under the *Sunflower* brand, and centralized ship management. Vessel capacity and cargo demand are now generally in balance in Japan, presenting opportunities to target the modal shift and other trends for expansion. Vessel capacity will be increased gradually while closely monitoring market trends.

Through actions such as these, MOL is making progress toward its long-term objective of maintaining an operating base for ferries and domestic shipping that can generate a consistent level of earnings.

CO_2 Unit-Emissions by Mode of Transportation
(Unit: g-C/ton-km)



Note: CO_2 unit-emissions represent the volume of CO_2 (g-C/ton-km, coal equivalent) emitted when transporting one ton of cargo over one kilometer.
(Sources: "Transportation Energy Handbook, Fiscal 2001, 2002," Ministry of Land, Infrastructure and Transport, and MOL data)

Associated Businesses

Takehiko Yamamoto
Executive Officer

Results of This Fiscal Year

Earnings in associated businesses more than doubled due to the first full year contribution from Daibiru Corporation, which became a consolidated subsidiary in October 2004. Daibiru owns and leases 17 office buildings in Tokyo and Osaka, including the MOL head office building in central Tokyo. The newest addition to its holdings, the Akihabara Daibiru Building in Tokyo, began generating leasing income in April 2005. Now that office building demand and urban real estate prices are climbing in Japan, Daibiru is well positioned to achieve steady long-term growth.

Mitsui O.S.K. Techno-Trade, Ltd., a trading company, posted a strong performance because of higher sales of bunker and growth in sales of machinery, parts, materials and other goods required for the operation and maintenance of ships. Operations include the sale of the energy-saving propeller boss cap fins (PBCF) technology, which MOL developed in 1987. An order received in April 2006 raised the cumulative number of vessels using this technology to 1,000.

Tugboat operations again posted solid results. MOL has tugboat operations at major ports in Japan and a number of ports in China. In 2004, MOL's affiliate in Hong Kong started tugboat operations in mainland China. MOL is considering other actions to enlarge this business.

Nakanoshima Daibiru East (2009)

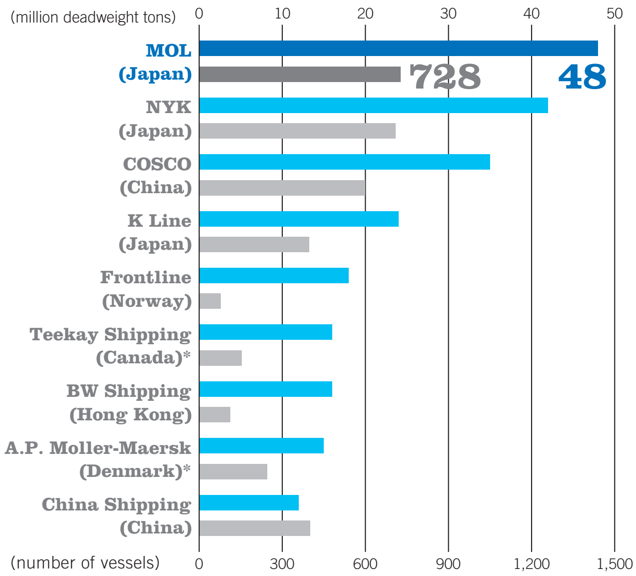
Outlook

Since real estate operations in Japan account for a large share of revenues, this business segment is a source of stable earnings that are not vulnerable to changes in foreign exchange rates and fuel prices. Consequently, MOL expects that associated businesses will make a growing contribution to the stable component of consolidated earnings in the coming years.

MOL 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.

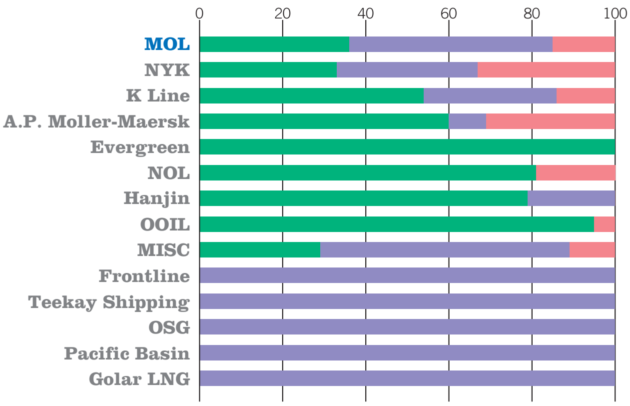
World Major Carriers' Fleet (All Vessel Types)



Source: Companies' published data, Lloyds Register Fairplay*
As of April 2006

DWT
Number of vessels

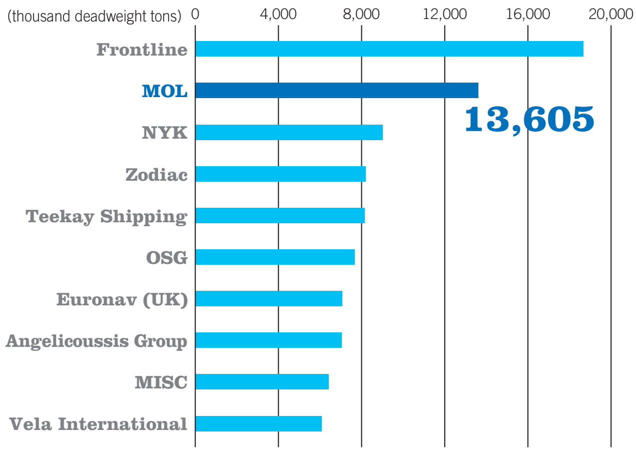
World Major Carriers' Revenue Portfolio by Segments



Containerships Bulkships Other businesses

(Containerships include container terminals/agency businesses.)
Source: MOL internal calculation based on each company's financial statement (2005.4-2006.3 for 3 Japanese carriers and MISC, and 2005.1-12 for others)

(Tankers)



Source: Clarkson Tanker Register 2006
As of January 2006

MOL Fleet Composition (Consolidated)

Containerships

94 vessels
(3,944)

Car Carriers

93 vessels
(1,377)

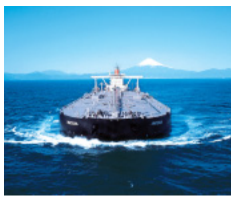
Bulk Carriers

263 vessels
(22,719)

Wood Chip Carriers

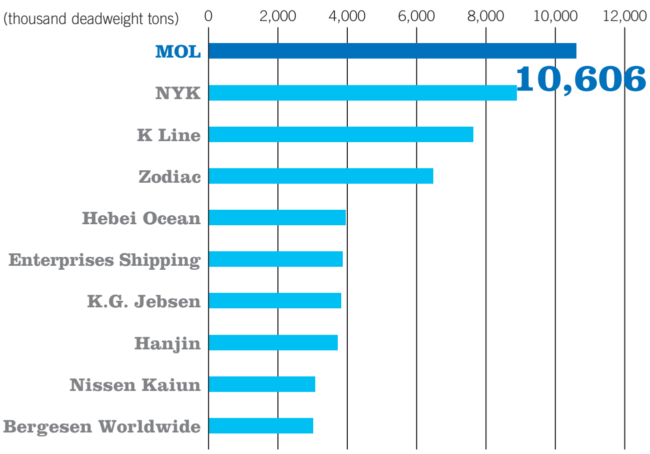
36 vessels
(1,671)

Crude Oil Tankers



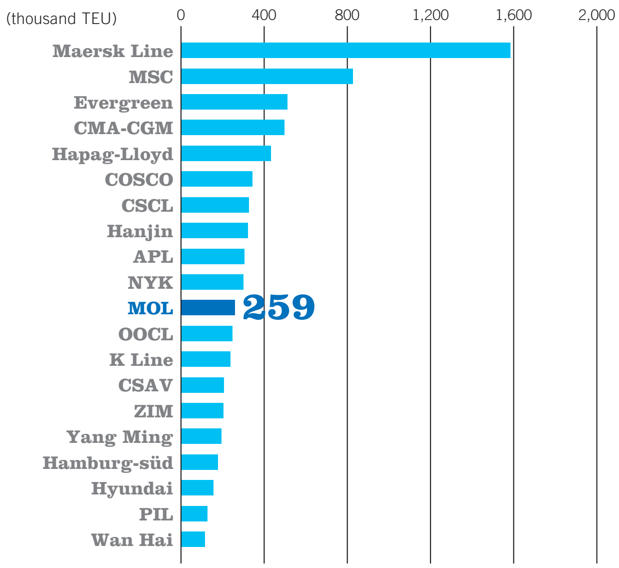
37 vessels
(9,676)

(Dry Bulkers)



Source: Clarkson Bulkcarrier Register 2006
As of January 2006

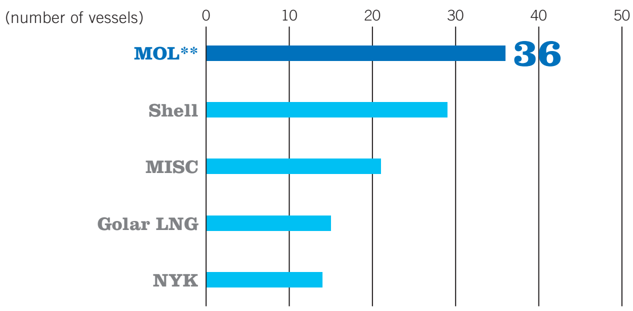
(Containerships)



Source: MDS Transmodal "Containership Databank," April 2006
As of April 2006

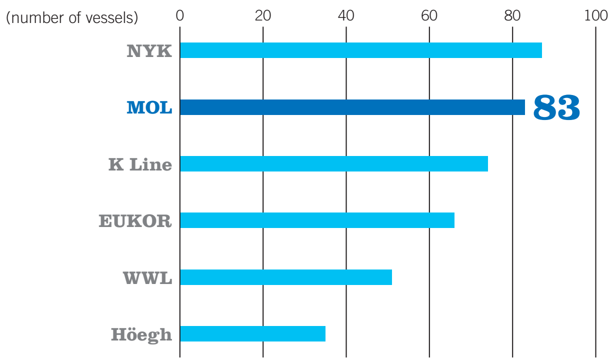
(LNG Carriers)

Fleet under management or majority of ownership



Source: MOL
As of April 2006
** Participation in projects operating 80 vessels of the total 344 in the world including those to be delivered by early 2010

(Car Carriers)



Source: MOL internal calculation
As of April 2006

Chemical/ Product Tankers	LPG Carriers	LNG Carriers	Others (Ferries and Others)	Total
				
99 vessels (3,308)	**6** vessels (227)	**35** vessels (2,365)	**42** vessels (160)	**705** vessels (45,448)

Figures in parentheses show 1,000 deadweight tons.
Spot chartered vessels included.
As of March 31, 2006

Note: Figures in the six tables do not match data in MOL Fleet Composition due to discrepancies between the calculation methods of external organizations and MOL, and other reasons.

MOL Global Services

Local Offices

Main Calling Ports


MACKENZIE
ANCHORAGE
HOMER
PRINCE RUPERT
KITIMAT
VANCOUVER
NEW WESTMINSTER
PORT ANGELES
SEATTLE
TACOMA
VANCOUVER (WA)
PORTLAND
COOS BAY
EUREKA
BENICIA
CONCORD
SAN FRANCISCO
SACRAMENTO
STOCKTON
OAKLAND
PORT HUENEME
LOS ANGELES
LONG BEACH
ENSENADA
SAN DIEGO
CEDROS
HONOLULU
MINNEAPOLIS
TORONTO
THREE RIVERS
DAVISVILLE
BOSTON
SHEET HARBOR
HALIFAX
STAMFORD
DETROIT
CLEVELAND
CHICAGO
NEWARK
NEW YORK
WILMINGTON
CINCINNATI
EDISON
PHILADELPHIA
KANSAS CITY
ST. LOUIS
BALTIMORE
NORFOLK
MEMPHIS
NEWPORT NEWS
MOREHEAD CITY
DALLAS
CHARLESTON
ATLANTA
CHARLOTTE
SAVANNAH
CONVENT
MOBILE
BRUNSWICK
HAMILTON
LAKE CHARLES
NEW ORLEANS
PORT EVERGLADES
HOUSTON
JACKSONVILLE
FREEPORT
MONTERREY
NASSAU
ALTAMIRA
MIAMI
SAN PEDRO DE MACORIS
PUERTO PLATA
SANTODOMINGO
MEXICOCITY
RIO HAINA
SAN JUAN
FREDERIKSTED
PHILIPSBURG
ST. JOHN'S
BASSETERRE
MANZANILLO
LAZARO CARDENAS
VERACRUZ
PORT AU PRINCE
KINGSTON
POINTE-A-PITRE
ROSEAU
FORT DE FRANCE
ACAPULCO
PUERTO QUETZAL
CASTRIES
KINGSTOWN
SALINA CRUZ
BONAIRE
BRIDGETOWN
ST. GEORGE'S
CURACAO
ARUBA
ACAJUTLA
SANTA MARTA
BARRANQUILLA
PORT OF SPAIN
POINT LISAS
PUERTO SUCRE
GUANTA
CORINTO
LA GUAIRA
PUERTO CABELLO
CALDERA
PANAMA
CARTAGENA
COVENAS
PUERTO LIMON
(PT. OF MANZANILLO)
COCO SOLO
BUENAVENTURA
BALBOA
GEORGE TOWN
ESMERALDAS
MACAPA
MANTA
BELEM
MANAUS
GUAYAQUIL
PONTA DA MADEIRA
APIA
PAGO PAGO
PAPEETE
CALLAO
SALVADOR
MATARANI
PRAIA MOLE
ILO
TUBARAO
ARICA
VITORIA
SAO PAULO
IQUIQUE
RIO DE JANEIRO
SANTOS
SEPETIBA
ANTOFAGASTA
SAO SEBASTIAO
CHANARAL
PARANAGUA
ASUNCION
NUKUALOFA
SAO FRANCISCO DO SUL
VALPARAISO
ITAJAI
RIO GRANDE
SANTIAGO
ZARATE
M'BOPICUA
SAN ANTONIO
MONTEVIDEO
LIRQUEN
TALCAHUANO
BUENOS AIRES
SAN VICENTE
CORONEL
NECOCHEA
CORRAL
CALBUCO
PUERTO MONTT
CHACABUCO
PUNTA ARENAS
MELKOYA
PITEA
FLORO
THAMESPORT
DRAMMEN
HANKO
SHEERNESS
OSLO
HELSINKI
SULLOM VOE
UDDEVALLA
FELIXSTOWE
GOTHENBURG
GDYNIA
MIDDLESBROUGH
FREDERICA
GDANSK
GLASGOW
MALMO
NEWCASTLE
COPENHAGEN
LIVERPOOL
HAMBURG
BREMERHAVEN
DUBLIN
EMDEN
ILFORD
LONDON
BREMEN
BRISTOL
AMSTERDAM
SOUTHAMPTON
DUSSELDORF
CHERBOURG
LE HAVRE
VIENNA
STUTTGART
ZEEBRUGGE
PARIS
ILLYCHEVSK
GHENT
ROTTERDAM
BRUSSELS
ANTWERP
MONTOIR
TRIESTE
SAVONA
KOPER
GENOA
MILAN
LA SPEZIA
BILBAO
LIVORNO
DERICE
VIGO
FOS
LYON
SANTANDER
BARCELONA
(MARSEILLE)
GIOIA TAURO
GIBRALTAR
VALENCIA
LISBON
CARTAGENA
PIRAEUS
HUELVA
VALLETTA
CEUTA
TUNIS
ALGIERS
ARZEW
ANNABA
BENGHAZI
CASABLANCA
TRIPOLI
ALEXANDRIA
DAMIETTA
LAS PALMAS
SANTA CRUZ DE TENERIFE
NOUAKCHOTT
DAKAR
BANJUL
CONAKRY
FREETOWN
MONROVIA
LOME
COTONOU
TEMA
SAN PEDRO
LAGOS
ABIDJAN
BONNY
TAKORADI
DOUALA
LIBREVILLE
POINTE NOIRE
BOMA
PALANCA
MATADI
LUANDA
HARARE
WALVIS BAY
JOHANNESBURG
SALDANHA BAY
CAPE TOWN

Corporate Governance

MOL's Philosophy, Management Reforms and Achievements

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 external directors to the board, separated management and executive functions, and that 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 external 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 external director, increasing the number of external directors to three Established Compliance Policy and a Compliance Committee
2002	Second stage of management reforms Reforms reinforced the roles of the Board of Directors concerning the determination of basic strategies and monitoring risk management while providing for faster decision-making at the business execution level. 1. The 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

Actions during the past year

May 2006 Established Corporate Auditor Office, a unit that is independent of the business execution side of MOL's organization for the purpose of assisting the corporate auditors perform their duties.

June 2006 External director Takeo Shiina retired and Yoko Ishikura, a professor at the graduate school of Hitotsubashi University, was elected as his replacement.

Fiscal 2005 meetings of governance bodies

The number of meetings during the fiscal year of the Board of Directors, Executive Committee and their sub-committees are shown in the Corporate Governance Organization chart on the opposite page.

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 on whether or not it functions effectively. In our case, the corporate governance structure described above functions as follows:

1. Major investment projects, such as the construction of new vessels, are submitted to the Board of Directors at the basic policy formulation stage. The 11 directors, including external 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. The separation of the management and execution functions was one important contribution to allowing the MOL Group to build up a fleet of the right type of vessels at the right time.
2. Another important responsibility 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 external directors and corporate auditors, thus helping to ensure that the perspective of shareholders is reflected in how MOL is managed.
3. The Board of Directors has 11 members, including three external directors who are completely independent and have no conflict of interest with MOL. There are four corporate auditors, who are responsible for performing statutory auditing functions, including two individuals who are completely independent and have no conflict 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.

Recognizing that MOL's corporate governance system is working efficiently, the Pension Fund Association included MOL in a portfolio of 43 companies* comprising its Corporate Governance Fund, which was established in August 2004.

* 53 companies as of June 30, 2006

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 2005, 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 TD-net, the company posts them to its web site with an accompanying English translation. The Japanese and English drafts of presentation materials are also posted on the web site. This information is e-mailed on the same day to foreign investors registered with the company.

Demonstrating the effectiveness of its IR activities, in fiscal 2005 MOL received a "Special IR Prime Business Award" from the Japan

Investor Relations Association (JIRA). The Corporate Disclosure Study Group of the Securities Analysts Association of Japan awarded MOL the Excellence in Corporate Disclosure Award for the transportation sector in fiscal 2004 and 2005.

Director Compensation

The Board of Directors, including the external directors, determines compensation for the directors. Compensation paid to directors in fiscal 2005 is shown in the table below.

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.

Risk Management and Compliance

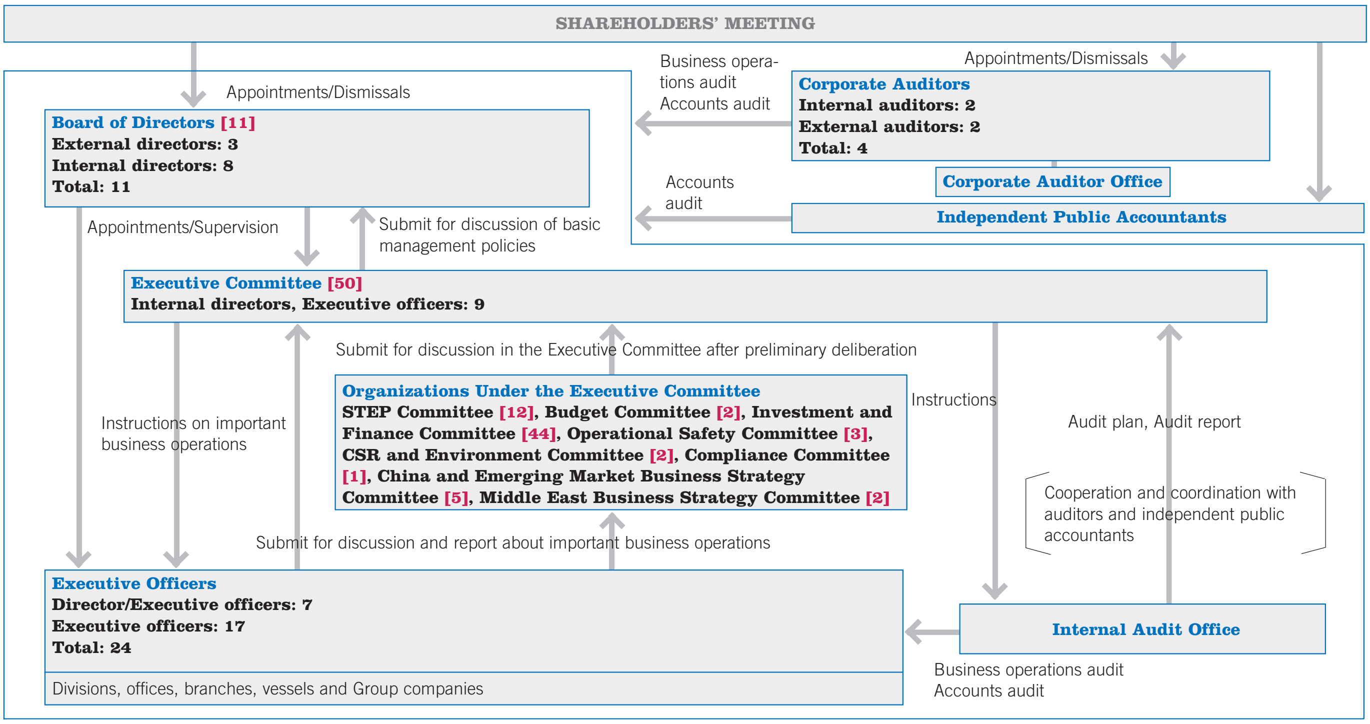
The most significant potential risk facing the company is an accident occurring in the operation of its vessels. To hedge this risk, the company has established an Operational Safety Committee headed by the president. The committee defines basic policies and measures to thoroughly assure the safety of vessel operations and takes every opportunity to raise employee awareness of the fact that "safe operation of vessels is the most fundamental issue for the company." To be prepared for a marine accident, we have compiled marine accident response manuals and have established an emergency response system. We also conduct regular response drills premised on hypothetical marine accidents. More information concerning risks and their management is contained in the management's discussion and analysis section that begins on page 36.

As explained elsewhere, 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 strengthened our compliance system by establishing a Compliance Committee, headed by the vice president, to assure strict adherence to rules and regulations and to take action against any violation. General managers of each division, department and branch office, are appointed as Compliance Officers for their respective organizations. They are responsible for enforcing compliance regulations and for reporting any violations to the Compliance Committee Office. The Internal Audit Office, a body that operates independently of the company's divisions, departments and branch offices, provides a counseling service and also acts as a hot line in the event it is difficult for a report to be filed with a Compliance Officer. The Internal Audit Office undertakes investigations and audits as necessary and reports steps taken to the Compliance Committee.

The company works to assure a proper relationship with its independent public accountants. Compensation paid to independent public accountants in fiscal 2005 is shown in the table below.

Corporate Governance Organization (as of June 22, 2006)



Numbers in brackets show the number of meetings of the Board of Directors, Executive Committee and their sub-committees during fiscal 2005.

Compensation for Directors

	(¥ millions)	(Thousands of U.S.$)
Compensation for internal directors	¥523	$4,452
Compensation for external directors	32	272
Compensation for internal corporate auditors	60	511
Compensation for external corporate auditors	14	119
Total	¥630	$5,363

Compensation for Independent Public Accountants

	(¥ millions)	(Thousands of U.S.$)
Compensation for auditing services	¥44	$375
Compensation for auditing-related services	23	196
Compensation for other services	–	–
Total	¥67	$570

Corporate Social Responsibility (CSR)

MOL's Approach to CSR

The foundations of corporate social responsibility (CSR) lie in ensuring that corporations give due consideration to social, environmental and human rights issues in their activities, thus achieving sustainable growth in harmony with society. Needless to say, companies are members of society and will be unable to continue in business should they lose the trust of society.

The MOL Group provides an indispensable service to society through its operation of a fleet of oceangoing ships. We have been able to grow steadily over the last 122 years because, from the very beginning, we have consistently followed business policies compatible with contemporary standards of CSR, thus earning the support of stakeholders, including clients, shareholders, business partners and communities. MOL has drawn up Group Corporate Principles, and the group now addresses such issues as corporate governance, compliance and environmental protection.

In June 2004, the MOL Group established the CSR and Environment Committee. The new committee emerged from a reorganization of the Environment Committee. In addition to its previous duties of formulating MOL Group environmental policies, the new committee takes on the added responsibility of studying and discussing CSR issues, with the purpose of creating a stronger framework for group-wide CSR activities. Simultaneously, the CSR and Environment Office was established within the Corporate Planning Division. The CSR and Environment Office act as the CSR and Environment Committee's secretariat and promote CSR initiatives throughout the MOL Group.

In fiscal 2005, the second fiscal year since its establishment, the CSR and Environment Office positioned CSR activities as shown in the diagram below and concentrated on establishing and meeting targets for specific CSR activities.

Positioning of MOL Group Corporate Principles, CSR Concepts, and Activities

Improve corporate value and contribute to shareholders

Business activities ↑ ↓ Society's trust

Approaches to CSR

Corporate governance	Compliance
Environmental measures	Quality control
Safe operation and risk management	Information disclosure, accountability
Customer satisfaction	Human rights, human resources, safety and health, employee satisfaction
Social contribution	Promote good relationships with business partners

↑

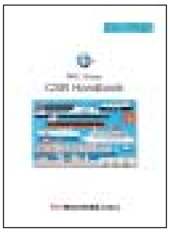
MOL Group Corporate Principles

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. Oppose antisocial activities
6. Fulfill social obligations
7. Ensure safe operations and protect the environment
8. Build relationships with clients and contractors that conform to laws, regulations and social standards
9. Provide guidance and supervision by individuals in management positions
10. Report improper behavior, provide advice and deal with individuals who violate rules

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 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 anti-corruption. 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.

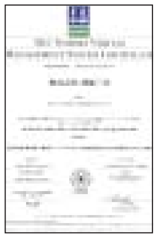


In September 2005, the MOL Group prepared a CSR Handbook to make employees more aware of the Rules of Conduct. The publication was distributed to group employees worldwide and to crew members of MOL Group vessels. Furthermore, a survey using questionnaires was conducted to determine the awareness and use of the Rules of Conduct at MOL Group companies outside Japan.

Environmental Protection

Environmental Management System and Certifications

ISO 14001: MOL expanded the scope of its Environmental Management System, MOL EMS 21, from on-shore operations to all vessels in the fleet (excluding charters of one year or less) and in January 2003 received ISO 14001 international certification for environmental management. Furthermore, MOL Group members Mitsui O.S.K. Passenger Line, Ltd., Shosen Mitsui Ferry Co., Ltd., Kusakabe Marine Engineering Co., Ltd. and MOL Logistics (Japan) Co., Ltd. received ISO 14001 certification based on MOL EMS 21 or their own environmental management systems.



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

Green management: 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 and Transport. In August 2005, Kyushu Kyuko Ferry Co., Ltd. became the first domestic shipping company in Japan to earn this certification. Thus far, seven MOL Group companies have been certified.

Environmental Technology

MOL Group is developing ship technologies that contribute to environmental protection and energy conservation. Representative technologies include: energy-efficient ships with reduced wind resistance; ships designed for reduced risk of oil spills; and a propeller boss cap fin system (PBCF).

PBCF: PBCF efficiently recovers energy loss in the vortex generated behind a ship's propeller. This is an MOL proprietary technology that uses the same number of fins attached to the rear end of the propeller shaft. The PBCF system provides a 4% to 5% energy saving and reduces emissions of CO_2, NOx, and SOx. In April 2006, we received an order for the use of this technology in the 1,000th ship since the PBCF system was developed in 1987.

***Euphony Ace* pure car carrier:** The *Euphony Ace* entered service in November 2005. This pure car carrier features environmental technologies that surpass even those of the *Utopia Ace*, which won the Lloyd's List "Ship of the Year Award 2005." The newer ship has conventional technologies like the PBCF, an aerodynamic profile and double-hulled fuel tank, along with several new and exclusive MOL environmental technologies. Among them are an exhaust gas cleansing system, solar panels to produce electricity, and a raw garbage treatment unit. With these features, the *Euphony Ace* is attracting much attention as a next-generation eco-ship.

Protection of the Marine Environment

MOL takes extensive measures to ensure safe navigation and prevent the occurrence of oil spills and accidents, which represent serious threats to the marine environment. In addition, care is exercised to reduce the impact on the oceans of normal operation of our vessels.

Double-hull structure

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). Other measures in place to reduce environmental loads include use of environmentally responsible anti-fouling paint and proper management of ballast water.

As of the end of March 2006, 85% of MOL's tankers had double hulls.

Prevention of Air Pollution

MOL's primary actions to prevent air pollution are focused on reducing exhaust gasses, a factor in global warming and acid rain, and replacing freon and CFCs, substances that destroy the ozone layer that shields the earth from ultraviolet radiation, with substitute refrigerants.

Shosen Mitsui Ferry Co., Ltd. wins the Grand Prize for Environmental Protection Award in Freight Industries:
In May 2005, Shosen Mitsui Ferry was jointly awarded the Grand Prize for Environmental Protection with Nippon Express Co., Ltd., by the Japan Federation of Freight Industries. The award recognized the introduction of a new RORO vessel with strikingly low fuel consumption on the Tokyo-Kyushu-Seto Inland Sea route. Ferries, together with railroads, are expected to play leading roles in achieving a "modal shift." This is an initiative promoted by the Japanese government to lower greenhouse gas emissions by reducing the environmental impact of freight transportation.

Social Service Activities

MOL's fundamental policy is to base its social service activities on the programs that can be conducted on a continuous basis and that are associated with marine transport. In line with this policy, MOL transports supplies to aid victims of natural disasters, assists in marine studies and surveys, helps keep shorelines clean, supports environmental and marine educational activities, collects donations to help victims of natural disasters, and performs other activities.

Transport of aid supplies: MOL transported at no cost the equivalent of about 200TEU of aid supplies to areas devastated by the December 2004 earthquake off Sumatra and the subsequent tsunami. MOL also transported construction machinery and other equipment for reconstruction work. In addition, the MOL Group donated approximately ¥20 million for relief efforts through a number of governmental relief agencies around the world. MOL also transported aid supplies at no cost to Pakistan following the devastating earthquake of October 2005.

Kids' Cruise: In March 2006, MOL invited 157 pairs of parents and children to enjoy a cruise on the *Nippon Maru* at no charge. The cruise was planned and conducted by MOL employees who volunteered their time. During the cruise, the ship became a floating classroom to teach children about the sea, ships and the marine transportation business, as well as about environmental issues from the standpoint of ships.

Third-party Opinions

MOL Selected for Dow Jones Sustainability Indexes (DJSI) (September 2005)

In September 2003, MOL was selected for inclusion in 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 2004 and 2005, MOL was selected for continuing inclusion in the index.

MOL Becomes a Component Issue In FTSE4Good Global Index (September 2005)

FTSE, a global index company owned by the Financial Times and London Stock Exchange, selected MOL for inclusion in its FTSE4Good Global Index in 2003. In September 2004 and 2005, MOL was selected for continuing inclusion in the index.

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/index.shtml

Board of Directors, Corporate Auditors and Executive Officers

(As of June 22, 2006)

Board of Directors

Kunio Suzuki
Representative Director, Chairman

Tokinao Hojo
Director

Akimitsu Ashida
Representative Director

Saburo Koide
Representative Director

Hidehiro Harada
Representative Director

Masakazu Yakushiji
Director

Corporate Auditors

Munehisa Kusunoki
Corporate Auditor

Kazumasa Mizoshita
Corporate Auditor

Kensuke Hotta
Corporate Auditor
(Chairman and Representative Director, Morgan Stanley Japan Securities Co., Ltd.)

Sumio Iijima
Corporate Auditor
(Attorney at Law, Iijima & Sawada)

Executive Officers

Tokinao Hojo
Deputy Chairman Executive Officer

Akimitsu Ashida
President Executive Officer

Saburo Koide
Deputy President Executive Officer
(Assistant to President, mainly Technical Division, Car Carrier Division, Coal and Iron Ore Carrier Division, Dedicated Bulk Carrier Division and Bulk Carrier Division)

Hidehiro Harada
Deputy President Executive Officer
(Assistant to President, mainly in Administrative divisions)

Masakazu Yakushiji
Senior Managing Executive Officer
(Liner Division, Logistics Business Division)

Toshihiro Kagami
Senior Managing Executive Officer
(Marine Management Division, Human Resources Division)

Setsuyasu Hagiwara
Senior Managing Executive Officer
(Car Carrier Division, Research Co-operation Office)

Masashi Seki
Managing Executive Officer
(Tanker Division)

Osamu Suzuki
Managing Executive Officer
(President/CEO of MOL (America) Inc.)

Setsuyasu Hagiwara
Director

Kenichi Yonetani
Director

Yukiharu Kodama
Director
(President, Japan Information Processing Development Corporation)

Kunio Kojima
Director
(Chairman, Japan Securities Finance Co., Ltd.)

Yoko Ishikura
Director
(Professor at Hitotsubashi University Graduate School)

Kenichi Yonetani
Managing Executive Officer
(Finance and Accounting Division, Investor Relations Office)

Yoichi Aoki
Managing Executive Officer
(LNG Carrier Division)

Kenji Hokazono
Managing Executive Officer
(Liner Marketing, President of Mitsui O. S. K. Lines (Japan), Ltd.)

Toshitaka Shishido
Managing Executive Officer
(Car Carrier Division)

Nobuo Nishijima
Managing Executive Officer
(Internal Audit Office, Secretaries Office, Human Resources Division, General Affairs Division)

Masafumi Yasuoka
Managing Executive Officer
(Coal and Iron Ore Carrier Division)

Koichi Muto
Managing Executive Officer
(Corporate Planning Division, Public Relations Office, Information Systems Office)

Tsukasa Nishikawa
Executive Officer
(Technical Division)

Hiroshi Tanaka
Executive Officer
(Dedicated Bulk Carrier Division)

Takehiko Yamamoto
Executive Officer
(Group Business Division, Kansai Area)

Kazuhiro Sato
Executive Officer
(LNG Carrier Division)

Noboru Kitazawa
Executive Officer
(General Manager of Liner Division)

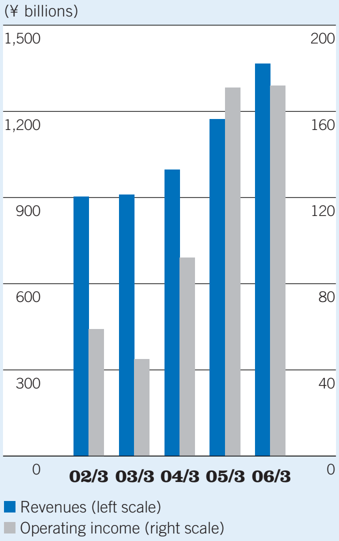
Tetsuya Minato
Executive Officer
(Managing Director, MOL (Europe) B.V.)

Soichi Hiratsuka
Executive Officer
(General Manager of Marine Management Division)

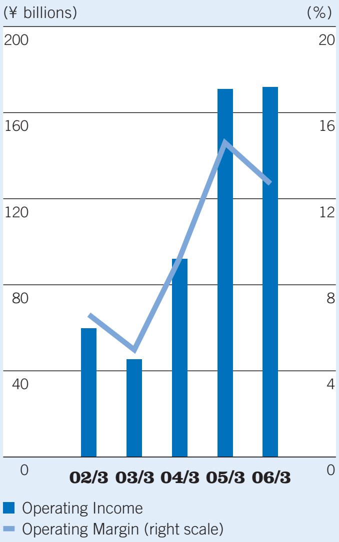
Tsuneo Watanabe
Executive Officer
(Tanker Division)

Financial Section
Management's Discussion and Analysis

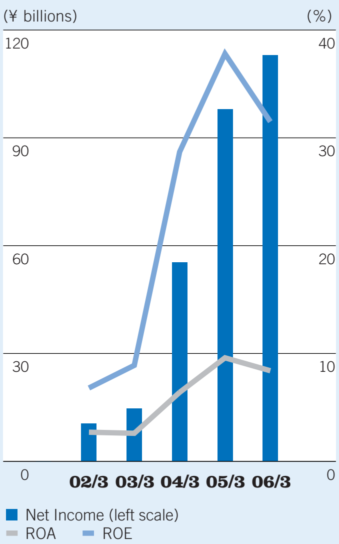
Revenues and Operating Income



Operating Income and Operating Margin



Net Income, ROA and ROE



Operating Environment

During the fiscal year that ended in March 2006, the U.S. economy expanded, strong economic growth continued in China, backed by investments and consumer spending, and economies in Europe remained on a course of moderate recovery. In Japan, the economy was healthy due to solid domestic demand, chiefly a reflection of strength in consumer spending and capital expenditures, and growth in exports.

In the marine transport industry, a steep increase in the cost of crude oil pushed up the price of bunker 45%, squeezing profit margins. However, earnings benefited somewhat from a 4% year-on-year decline in the yen relative to the U.S. dollar. Despite the significant impact on earnings of the higher price of bunker, MOL increased revenues and earnings. Contributing factors were the accurate targeting of strong market sectors with additions to the fleet and sales activities along with constant efforts to reduce expenses.

Results of Operations

Revenues

Revenues increased ¥193.4 billion, or 16.5%, to ¥1,366.7 billion. Driving this growth were higher cargo volumes and fleet expansion in the overseas shipping segment, which is made up of the containerships and bulkships segments, and the first full-year contribution to revenues of Daibiru Corporation, which became a consolidated subsidiary in the prior fiscal year. The yen's depreciation also boosted revenues.

Operating Income

Operating income increased ¥1.2 billion, or 0.7%, to ¥173.0 billion. This was 12.7% of revenues, 1.9 points less than one year earlier. The weaker yen, higher cargo volume and cost-reduction programs all contributed to growth in operating income. Offsetting these factors, however, were the higher cost of bunker and increases in a variety of containership expenses. The yen's depreciation had an estimated positive effect of ¥11.4 billion while the higher cost of bunker lowered operating income by an estimated ¥26.1 billion.

Other Income (Expenses)

Net other income (expenses) improved from a net expense of ¥16.7 billion to net income of ¥15.3 billion. One reason for this difference was a loss in the prior fiscal year that resulted from the sale of the MOL Tokyo head office building to Daibiru Corporation. Also contributing to the improvement was a year-on-year increase of ¥9.9 billion in gains on sales of vessels and other assets. In addition, equity in earnings of unconsolidated subsidiaries and affiliated companies, net increased ¥5.1 billion, primarily a reflection of higher earnings at Gearbulk, a company in which MOL has a 40% equity stake. The net exchange loss worsened by ¥6.1 billion compared with the prior fiscal year because the market exchange rate of the yen fell below the rate at which it was hedged.

Net Income

Income before income taxes and minority interests increased ¥33.2 billion, or 21.4%, from ¥155.1 billion to ¥188.3 billion. After deducting current and deferred income taxes, net income was ¥113.7 billion, reaching an all-time high for the fourth consecutive year. This was ¥15.5 billion, or 15.7%, higher than the prior year's net income of ¥98.3 billion. Net income was 8.3% of revenues, 0.1 point lower than one year earlier.

Operating Results by Segment

The upper row for each segment is revenues from customers, unconsolidated subsidiaries and affiliated companies and the bottom row is operating income.

(unit: ¥ billions)	2005.3	2006.3	% increase/ decrease
Containerships	¥399.1	¥488.2	22.3%
	54.2	34.6	-36.3
Bulkships	596.6	676.3	13.4
	112.5	125.6	11.7
Logistics	58.0	63.7	9.8
	0.8	1.2	43.2
Ferry and Domestic Transport	45.4	46.8	3.1
	1.3	0.3	-76.1
Associated Businesses	66.6	87.5	31.3
	5.1	11.3	119.5
Others	7.6	4.3	-43.7
	1.5	4.5	195.1

Containerships: Revenues increased but higher costs brought down earnings. Supported by favorable economic conditions worldwide, containership operations benefited from steady growth in cargo volume on key east-west routes and very strong demand on routes serving South America, Africa and Asia. However, earnings were affected by a big increase in the price of bunker, higher terminal handling and railroad expenses, higher canal tolls, and other cost increases. Profitability was also impacted by a decline in freight rates between Asia and Europe that began in December 2005.

Bulkships: Revenues and earnings increased primarily due to additions to the fleet. In dry bulkers, stable earnings from long-term contracts to carry cargo such as iron ore, coking coal, thermal coal and wood chips supported earnings. In addition, the well-timed expansion of the fleet and the acquisition of new contracts contributed to earnings growth. In car carriers, there was an increase in the number of vehicles carried as shipments of vehicles were strong and MOL took delivery of new large car carriers. However, the higher cost of bunker hampered efforts to raise earnings in this division. In tankers, operating results were underpinned by steady earnings from long-term contracts for the transport of crude oil, methanol and LPG. In addition, the MOL Group's growing product carrier fleet benefited from favorable market conditions, lifting earnings from tankers in fiscal 2005. In LNG carriers, where all vessels operate on long-term contracts, earnings continued to climb.

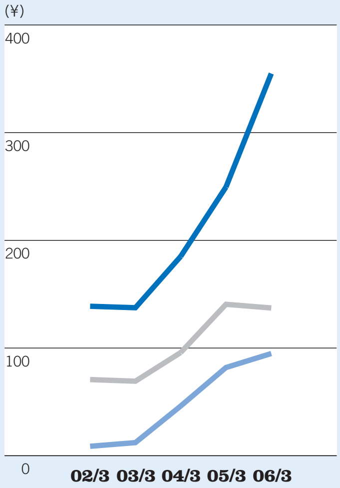
Logistics: Earnings were higher than one year earlier as the volume of air cargo handled increased, mainly in Asia, at subsidiary MOL Logistics (Japan) Co., Ltd., the primary component of this segment.

Ferry and Domestic Transport: Ferry operations saw steady growth in cargo volume as Japan's modal shift gained momentum. Ferries are being used more as environmental considerations and costly fuel make highway cargo transport less attractive and economical. However, ferry earnings declined because of the severe impact of the high cost of fuel. In domestic transport, earnings increased because a large percentage of vessels operate on long-term contracts that cover fuel and other expenses.

Associated Businesses: Earnings in this segment were higher than one year earlier. In the real estate business, results were good due to a strong performance at Daibiru Corporation, which became a consolidated subsidiary in October 2004. In the trading business, earnings rose because of growth in fuel sales and growth in sales of vessel equipment and supplies as the number of newly completed vessels increased worldwide.

Others: Revenues in this segment mainly represent administrative activities such as ship operation, ship management, ship leasing and financial services. Although a change in the management programs used by MOL Group ship management companies caused revenues to decline, earnings increased because of adjustments related to consolidated accounting.

Earnings per Share, Shareholders' Equity per Share and Cash Flow per Share



Liquidity and Capital Resources

When procuring funds required by its business operations, the MOL Group uses a variety of fund procurement methods for the purposes of preserving stability in fund procurement and holding down expenses.

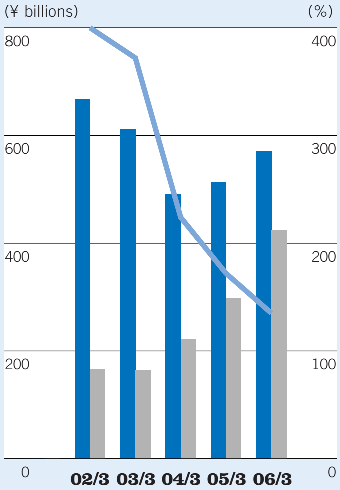
Funds to expand the fleet are procured from capital markets and financial institutions. In addition, the group has for many years added ships to its fleet through medium- and long-term charters and bare boat charters of vessels owned by third parties. This approach meets the dual goals of stability and low cost. Bonds, euro medium-term notes (EMTN) and commercial paper are the primary means of capital market fund-raising. MOL obtains ratings from two credit rating agencies in Japan to facilitate the procurement of funds. As of June 2006, MOL was rated "A+" by Japan Credit Rating Agency, Ltd. (JCR) and "a-1" by Rating and Investment Information, Inc. (R&I) for commercial paper issued in Japan. In addition, Moody's Investors Service assigns MOL a credit rating of "Baa1."

Liquidity is provided by substantial cash flows backed by strong earnings, which are expected to continue, and by credit lines at a number of financial institutions. The MOL Group has relationships with a large number of public- and private-sector financial institutions in Japan and overseas. Management believes that these sources of liquidity provide adequate means to respond quickly to needs for working capital and capital expenditures. To provide supplementary liquidity in an emergency, MOL has established a ¥20.0 billion credit facility agreement with Japanese financial institutions.

Funds procured by MOL, ship owning companies and overseas finance subsidiaries account for about 70% of consolidated interest-bearing debt of approximately ¥570.0 billion. For group companies in Japan, MOL began using a cash management service in fiscal 2000 to use internal liquidity more efficiently.

Under the MOL STEP medium-term management plan, a portion of operating cash flows was intended to be used to reduce debt and thus further strengthen the group's financial soundness. However, during fiscal 2005, priority was placed instead on capital expenditures to continue enlarging the MOL Group's fleet. Since these capital expenditures exceeded operating cash flows, MOL increased long-term loans, conducted a ¥50.0 billion convertible bond issue, and took other actions to meet the substantial demand for funds.

Interest-bearing Debt, Shareholders' Equity and Gearing Ratio

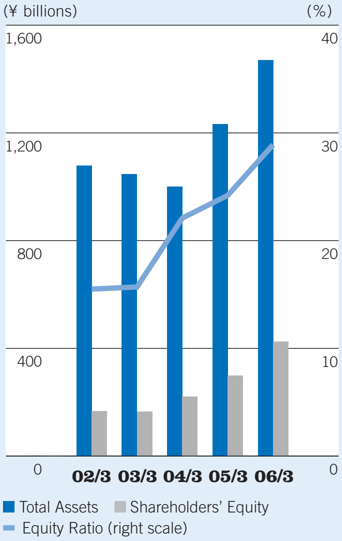


Comparison of Financial Position at March 31, 2006 and 2005

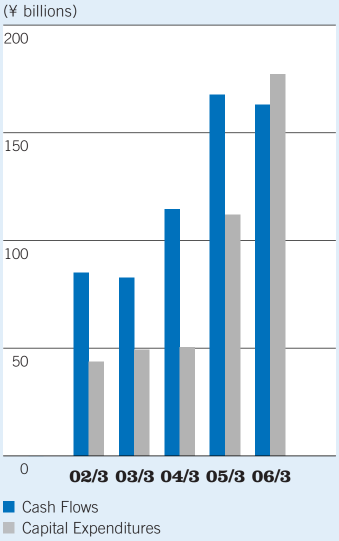
Assets

As of March 31, 2006, total assets were ¥1,470.8 billion, ¥238.6 billion higher than one year earlier. Current assets increased ¥40.5 billion, mainly due to growth in trade receivables as the scale of operations increased. Fixed assets increased ¥198.1 billion mainly because of growth in the fleet and an increase in the carrying values of investment securities as stock prices rose.

Total Assets, Shareholders' Equity and Equity Ratio



Cash Flows and Capital Expenditures



Liabilities and Shareholders' Equity

Liabilities increased ¥103.7 billion to ¥978.0 billion. Interest-bearing debt increased ¥57.3 billion to ¥571.4 billion because of the large volume of capital expenditures.

Shareholders' equity increased ¥126.2 billion to ¥424.5 billion because of growth in retained earnings. The equity ratio as of March 31, 2006 was 28.9%, 4.7 percentage points higher than one year earlier. The gearing ratio also continued to improve, falling by 37 percentage points to 135%. Minority interests increased ¥8.6 billion to ¥68.3 billion.

Cash Flows

Net cash provided by operating activities decreased ¥4.0 billion to ¥163.9 billion.

Net cash used in investing activities increased ¥67.4 billion to ¥155.1 billion. Reflecting MOL's decision to continue enlarging its fleet, there was an increase of ¥65.3 billion to ¥177.2 billion in payments for vessels and other tangible and intangible fixed assets.

Net cash provided by financing activities was ¥1.8 billion compared with net cash used of ¥79.6 billion in the previous fiscal year. There were net proceeds of ¥68.5 billion from the issuance of convertible bonds and a decline in bond redemptions, and a net increase of ¥31.2 billion in long-term loans.

The net result of the above items was an increase of ¥14.5 billion in cash and cash equivalents to ¥60.3 billion at the end of the fiscal year.

Capital Expenditures

Capital expenditures increased from ¥111.9 billion to ¥177.2 billion, mainly for the construction and acquisition of vessels as MOL adopted an aggressive stance regarding fleet expansion. Investments in vessels appear on the balance sheet as vessels, long-term loan receivable, and investments in and advances to unconsolidated subsidiaries and affiliated companies. Investments in new vessels also include long-term charters, leases and other arrangements that do not appear on the balance sheet. Please refer to Note 10 of the notes to the consolidated financial statements on page 53 for information on leases. Excluding vessels that were sold on completion and thus removed from the balance sheet, the above capital expenditures of ¥177.2 billion decline to an effective ¥169.6 billion. This is far above the ¥64.0 billion in capital expenditures initially planned in MOL STEP Review, which was announced in May 2005. The increase in capital expenditures is primarily attributable to growth in advances paid when vessels are ordered, the purchase of vessels that MOL had been using under long-term charter and lease contracts, and the purchase of trade rights for a containership route between Europe and South Africa.

In the fiscal year ending in March 2007, MOL estimates that effective capital expenditures, which exclude vessels to be sold on completion, will be ¥110.0 billion.

Off-Balance-Sheet Transactions, Contractual Liabilities and Contingent Liabilities

The group's off-balance-sheet transactions consist mainly of long-term leases for vessels and shipping containers. In addition to these leases, the group's major contractual liabilities are long-term and short-term loans, bonds and commercial paper. Guarantees extended to joint venture companies that own LNG carriers represent the majority of the group's contingent liabilities. Please refer to Notes 5, 6 and 10 of the notes to the consolidated financial statements for more information on contractual and contingent liabilities.

Significant Changes in Accounting Policies

Effect of Change in Accounting Method in Containership Business

In prior fiscal years, MOL has used the completed-voyage method to recognize shipping revenues and related voyage expenses. Beginning with the second half of fiscal 2005, MOL switched to the multiple transportation progress method. This change was made to reflect the significant change in recent years in the structure of the containership business. For example, a majority of cargo is transported using fixed-day weekly services through alliances with other companies. Due to these changes, MOL concluded that the adoption of the multiple transportation progress method would more accurately present revenues and corresponding expenses. Under this method, revenues are recorded based on the progress of specific cargo in relation to the total length of a voyage and expenses are posted as they are incurred. MOL began using this new method in the second half of fiscal 2005 following the completion of work on the necessary computer systems. Adoption of this accounting method resulted in increases of ¥25.3 billion in revenues and ¥1.0 billion in operating income and income before income taxes and minority interests compared with the completed-voyage method.

Effect of Adoption of Asset Impairment Accounting

MOL began using asset impairment accounting in fiscal 2005. This had the effect of decreasing income before income taxes and minority interests by ¥1.9 billion.

Risk Management

In overseas shipping, the MOL Group's core business, the group is exposed to a variety of risks due to the nature of this business. The group manages these risks by using its own risk management framework and methodology.

Freight Rate and Cargo Volume Fluctuations

In overseas shipping, the MOL Group's main business, there are constant fluctuations in international cargo volumes, the competitive environment, supply-demand dynamics for ships, and many other items. Negative trends in the ocean transport market and cargo volumes have an impact on the group's operating results. The MOL Group is entering into medium- and long-term contracts and taking many other actions to reduce exposure to risks associated with changes in freight rates and cargo volumes.

Exchange Rate Fluctuations

U.S. dollar-based overseas shipping revenue accounts for a large share of consolidated revenues. A large share of expenses as well is denominated in U.S. dollars and other foreign currencies. Since foreign currency revenues are greater than foreign currency expenses, an appreciation of the yen, especially relative to the U.S. dollar, has a detrimental effect on consolidated earnings. Accordingly, the group is working on increasing the share of U.S. dollar-denominated expenses while establishing currency hedges and taking other actions to minimize the negative effect of fluctuations in the value of the U.S. dollar. The group estimates that a change of one yen in the U.S. dollar-yen exchange rate raises or lowers consolidated ordinary income by a maximum of approximately ¥2.5 billion based on current operations.

Bunker Price Fluctuations

Procurement of fuel to operate vessels is vital to MOL's operations. Since the market price of bunker is generally linked to the price of crude oil, any increase in the price of crude oil can have a detrimental effect on earnings. All vessels operated by the group consume about 6 to 7 million tons of bunker each year. Approximately 60% of the risk involving price fluctuations is assumed by customers, charterers and other external parties. Therefore, an increase of US$1 per metric ton in the average annual price of bunker would lower consolidated ordinary income by a maximum of approximately ¥0.3 billion. Furthermore, the group uses fuel hedge transactions to even out and reduce the cost of procuring bunker.

Interest Rate Fluctuations

MOL depends mainly on funds procured from external sources to meet working capital and capital expenditure requirements. Funds procured at variable interest rates may be affected by interest rate fluctuations. Consequently, MOL is limiting exposure to interest rate risk by procuring funds through fixed-rate loans and using interest rate swaps. As of March 31, 2006, yen-denominated and U.S. dollar-denominated interest-bearing liabilities totaled ¥571.4 billion, and approximately 70% of this amount had fixed interest rates for the principal amount. As a result, an increase of one percentage point in interest rates would impact annual consolidated ordinary income by between ¥1 billion and ¥2 billion.

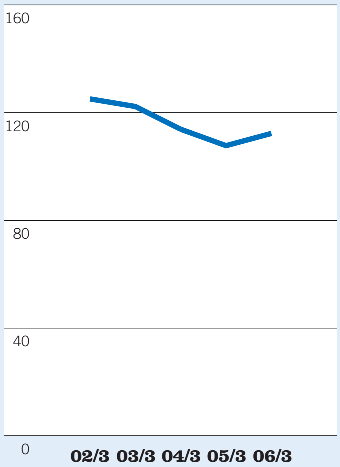
Vessel Operations

With a fleet of more than 700 vessels in constant operation around the world, there is a risk of a marine accident. To prevent accidents, MOL, based on its Corporate Principle of "protecting the marine and global environment through safe navigation," has established its own safety management system, operates a comprehensive crew education and training system, and takes other steps to ensure safety. Furthermore, the group has adequate insurance coverage to prevent a material impact on operating results in the unlikely event that a collision, sinking, fire or other marine accident involving an MOL-operated vessel causes damages at MOL and a third party.

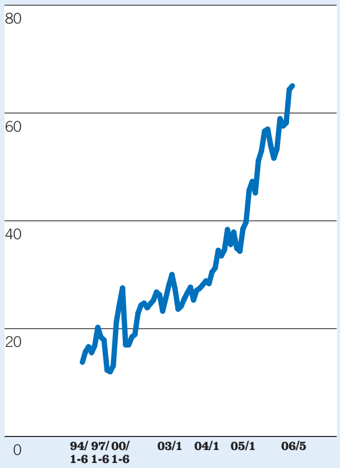
Outlook for Fiscal 2006

The outlook for fiscal 2006 is for continued strength in cargo volume in the core overseas shipping business due to projections for generally favorable economic conditions worldwide. Based on this outlook, and the contribution from growth in its fleet, MOL is forecasting an 8% increase in revenues to ¥1,480.0 billion in fiscal 2006. However, the company expects that operating income will decrease 10% to ¥155.0 billion due in large part to the higher cost of bunker. The forecast for lower earnings also reflects the fact that containership freight rates, which fell in the second half of fiscal 2005, have not fully recovered, and the higher cost of inland transportation in North America. These forecasts are based on an exchange rate of ¥110 to the U.S. dollar and a bunker price of US$340/MT.

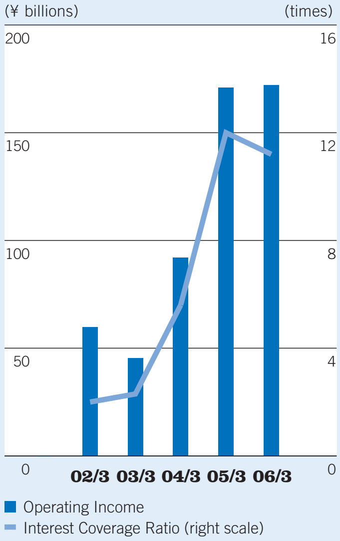
Average Exchange Rate
(¥/$)



Crude Oil Price (Dubai)
(US$/Barrel)



Operating Income and Interest Coverage Ratio
(¥ billions) (times)



Consolidated Balance Sheets

Mitsui O.S.K. Lines, Ltd. March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2006**	2005	**2006**
Current assets:			
Cash and cash equivalents	**¥ 60,267**	¥ 45,757	**$ 513,042**
Marketable securities (Note 3)	**61**	63	**519**
Trade receivables	**170,480**	136,291	**1,451,264**
Allowance for doubtful accounts	**(2,078)**	(1,204)	**(17,690)**
Fuel and supplies	**25,918**	15,170	**220,635**
Deferred and prepaid expenses	**50,302**	55,533	**428,211**
Deferred tax assets (Notes 2 (15) and 12)	**7,249**	7,279	**61,709**
Other current assets	**28,156**	40,946	**239,688**
Total current assets	**340,355**	299,835	**2,897,378**
Vessels, property, plant and equipment (Note 5)**:**			
Vessels	**990,867**	869,640	**8,435,064**
Buildings and structures	**197,178**	180,846	**1,678,539**
Equipment, mainly containers	**66,815**	52,392	**568,785**
Land	**180,525**	178,239	**1,536,775**
Vessels and other property under construction	**79,979**	52,382	**680,846**
	1,515,364	1,333,499	**12,900,009**
Accumulated depreciation	**(745,462)**	(668,179)	**(6,345,978)**
	769,902	665,320	**6,554,031**
Investments and other assets:			
Investment securities (Notes 3 and 5)	**155,507**	103,600	**1,323,802**
Investments in and advances to unconsolidated subsidiaries and affiliated companies	**84,596**	65,536	**720,150**
Long-term loans receivable	**28,470**	21,953	**242,360**
Intangible assets	**25,515**	9,098	**217,204**
Deferred tax assets (Notes 2 (15) and 12)	**3,024**	2,366	**25,743**
Other assets	**63,455**	64,544	**540,180**
	360,567	267,097	**3,069,439**
	¥1,470,824	¥1,232,252	**$12,520,848**

See accompanying notes.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2006	2005	Thousands of U.S. dollars (Note 1) 2006
Current liabilities:			
Short-term bank loans	¥ 65,480	¥ 65,933	$ 557,419
Short-term bonds	15,946	5,536	135,745
Commercial paper	17,000	34,000	144,718
Total short-term debt (Note 5)	98,426	105,469	837,882
Long-term bank loans due within one year	51,398	62,339	437,541
Bonds due within one year	21,989	5,726	187,189
Total long-term debt due within one year (Note 5)	73,387	68,065	624,730
Trade payables	126,190	111,504	1,074,232
Advances received	59,063	63,178	502,792
Accrued income taxes	31,600	36,835	269,005
Deferred tax liabilities (Notes 2 (15) and 12)	692	1,023	5,891
Other current liabilities	43,665	43,621	371,711
Total current liabilities	433,023	429,695	3,686,243
Long-term bank loans due after one year	291,930	276,034	2,485,145
Bonds due after one year	107,687	64,564	916,719
Total long-term debt due after one year (Note 5)	399,617	340,598	3,401,864
Employees' severance and retirement benefits (Note 13)	14,063	13,524	119,716
Directors' and corporate auditors' retirement benefits	2,370	2,181	20,175
Consolidation difference	2,756	1,709	23,461
Deferred tax liabilities (Notes 2 (15) and 12)	57,582	30,968	490,185
Other non-current liabilities	68,608	55,605	584,047
Minority interests	68,344	59,714	581,800
Commitments and contingent liabilities (Note 6)			
Shareholders' equity (Note 7):			
Common stock;			
Authorized – 3,154,000,000 shares			
Issued – 1,205,410,445 shares	64,915	64,915	552,609
Capital surplus	43,887	43,887	373,602
Retained earnings	275,689	182,143	2,346,889
	384,491	290,945	3,273,100
Revaluation reserve for land, net of tax	–	2,267	–
Unrealized holding gains on available-for-sale securities, net of tax (Note 2 (5))	48,731	25,898	414,838
Foreign currency translation adjustments	(4,713)	(17,137)	(40,121)
Treasury stock, at cost	(4,048)	(3,715)	(34,460)
Total shareholders' equity	424,461	298,258	3,613,357
	¥1,470,824	¥1,232,252	$12,520,848

Consolidated Statements of Income

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Shipping and other revenues (Note 11)	**¥1,366,725**	¥1,173,332	**$11,634,673**
Shipping and other expenses (Note 11)	**1,101,459**	917,149	**9,376,513**
Gross operating income	**265,266**	256,183	**2,258,160**
Selling, general and administrative expenses (Note 11)	**92,273**	84,388	**785,503**
Operating income	**172,993**	171,795	**1,472,657**
Other income (expenses):			
Interest and dividend income	**4,889**	2,925	**41,619**
Interest expense	**(15,846)**	(14,562)	**(134,894)**
Equity in earnings of unconsolidated subsidiaries and affiliated companies, net	**16,817**	11,764	**143,160**
Impairment loss (Note 8)	**(1,870)**	–	**(15,919)**
Others, net (Note 9)	**11,307**	(16,865)	**96,254**
	15,297	(16,738)	**130,220**
Income before income taxes and minority interests	**188,290**	155,057	**1,602,877**
Income taxes (Notes 2 (15) and 12):			
Current	**(61,200)**	(52,587)	**(520,984)**
Deferred	**(7,570)**	(1,205)	**(64,442)**
Minority interests	**(5,788)**	(3,004)	**(49,272)**
Net income	**¥ 113,732**	¥ 98,261	**$ 968,179**

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock (Note 2 (16)):			
Net income	**¥94.98**	¥81.99	**$0.809**
Diluted net income	**94.88**	81.90	**0.808**
Cash dividends applicable to the year	**18.00**	16.00	**0.153**

See accompanying notes.

Consolidated Statements of Shareholders' Equity

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2006 and 2005

		Millions of yen						
	Shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Revaluation reserve for land, net of tax	Unrealized holding gains on available-for-sale securities, net of tax	Foreign currency translation adjustments	Treasury stock, at cost
Balance at March 31, 2004	1,205,410	¥64,915	¥43,935	¥101,991	¥ 2,267	¥25,435	¥(14,475)	¥(2,533)
Due to change in consolidated subsidiaries	–	–	–	(72)	–	–	–	–
Due to change in affiliated companies accounted for by the equity method	–	–	–	(454)	–	–	–	–
Net income	–	–	–	98,261	–	–	–	–
Unrealized holding gains on available-for-sale securities, net of tax	–	–	–	–	–	463	–	–
Adjustments from translation of foreign currency financial statements	–	–	–	–	–	–	(2,662)	–
Treasury stock, at cost	–	–	–	–	–	–	–	(1,182)
Loss on disposal of treasury stock	–	–	(48)	(49)	–	–	–	–
Dividends paid	–	–	–	(17,388)	–	–	–	–
Bonuses to directors and corporate auditors	–	–	–	(146)	–	–	–	–
Balance at March 31, 2005	**1,205,410**	**¥64,915**	**¥43,887**	**¥182,143**	**¥ 2,267**	**¥25,898**	**¥(17,137)**	**¥(3,715)**
Due to change in consolidated subsidiaries	**–**	**–**	**–**	**1,278**	**–**	**–**	**–**	**–**
Due to change in affiliated companies accounted for by the equity method	**–**	**–**	**–**	**(155)**	**–**	**–**	**–**	**–**
Net income	**–**	**–**	**–**	**113,732**	**–**	**–**	**–**	**–**
Revaluation reserve for land, net of tax	**–**	**–**	**–**	**–**	**(2,267)**	**–**	**–**	**–**
Unrealized holding gains on available-for-sale securities, net of tax	**–**	**–**	**–**	**–**	**–**	**22,833**	**–**	**–**
Adjustments from translation of foreign currency financial statements	**–**	**–**	**–**	**–**	**–**	**–**	**12,424**	**–**
Treasury stock, at cost	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(333)**
Loss on disposal of treasury stock	**–**	**–**	**–**	**(186)**	**–**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**(20,925)**	**–**	**–**	**–**	**–**
Bonuses to directors and corporate auditors	**–**	**–**	**–**	**(198)**	**–**	**–**	**–**	**–**
Balance at March 31, 2006	**1,205,410**	**¥64,915**	**¥43,887**	**¥275,689**	**–**	**¥48,731**	**¥ (4,713)**	**¥(4,048)**

	Thousands of U.S. dollars (Note 1)						
	Common stock	Capital surplus	Retained earnings	Revaluation reserve for land, net of tax	Unrealized holding gains on available-for-sale securities, net of tax	Foreign currency translation adjustments	Treasury stock, at cost
Balance at March 31, 2005	**$552,609**	**$373,602**	**$1,550,549**	**$ 19,299**	**$220,465**	**$(145,884)**	**$(31,625)**
Due to change in consolidated subsidiaries	**–**	**–**	**10,880**	**–**	**–**	**–**	**–**
Due to change in affiliated companies accounted for by the equity method	**–**	**–**	**(1,319)**	**–**	**–**	**–**	**–**
Net income	**–**	**–**	**968,179**	**–**	**–**	**–**	**–**
Revaluation reserve for land, net of tax	**–**	**–**	**–**	**(19,299)**	**–**	**–**	**–**
Unrealized holding gains on available-for-sale securities, net of tax	**–**	**–**	**–**	**–**	**194,373**	**–**	**–**
Adjustments from translation of foreign currency financial statements	**–**	**–**	**–**	**–**	**–**	**105,763**	**–**
Treasury stock, at cost	**–**	**–**	**–**	**–**	**–**	**–**	**(2,835)**
Loss on disposal of treasury stock	**–**	**–**	**(1,583)**	**–**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**(178,131)**	**–**	**–**	**–**	**–**
Bonuses to directors and corporate auditors	**–**	**–**	**(1,686)**	**–**	**–**	**–**	**–**
Balance at March 31, 2006	**$552,609**	**$373,602**	**$2,346,889**	**–**	**$414,838**	**$ (40,121)**	**$(34,460)**

See accompanying notes.

Consolidated Statements of Cash Flows

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 188,290**	¥ 155,057	**$ 1,602,877**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities			
Depreciation and amortization	**65,700**	52,969	**559,292**
Equity in earnings of unconsolidated subsidiaries and affiliated companies, net	**(16,817)**	(11,764)	**(143,160)**
Impairment loss	**1,870**	–	**15,919**
Loss on write-down of investment securities	**84**	115	**715**
Loss on write-down of securities issued by subsidiaries and affiliated companies	**245**	78	**2,086**
Various provisions (reversals)	**228**	(785)	**1,941**
Interest and dividend income	**(4,889)**	(2,925)	**(41,619)**
Interest expense	**15,846**	14,562	**134,894**
Loss (Gain) on sale of marketable securities	**(0)**	2	**(0)**
Gain on sale of investment securities	**(2,842)**	(1,611)	**(24,193)**
Loss (Gain) on sale of securities issued by subsidiaries and affiliated companies	**(146)**	516	**(1,243)**
Loss (Gain) on sale and disposal of vessels, property, plant and equipment	**(12,403)**	16,165	**(105,584)**
Exchange loss (gain), net	**4,470**	(97)	**38,052**
Changes in operating assets and liabilities:			
Trade receivables	**(33,189)**	(16,700)	**(282,532)**
Fuel and supplies	**(10,611)**	(2,418)	**(90,329)**
Trade payables	**13,499**	24,961	**114,914**
Other, net	**26,005**	(4,954)	**221,375**
Sub total	**235,340**	223,171	**2,003,405**
Cash received for interest and dividend	**10,138**	5,039	**86,303**
Cash paid for interest	**(15,128)**	(14,256)	**(128,782)**
Cash paid for corporate income tax, resident tax and enterprise tax	**(66,436)**	(46,057)	**(565,557)**
Net cash provided by operating activities	**163,914**	167,897	**1,395,369**
Cash flows from investing activities:			
Purchase of marketable securities	**–**	(2,435)	**–**
Purchase of investment securities	**(26,652)**	(15,473)	**(226,883)**
Proceeds from sale of marketable securities	**4**	2,093	**34**
Proceeds from sale of investment securities	**9,911**	3,531	**84,370**
Payments for purchase of subsidiaries' securities due to change in consolidated subsidiaries	**(927)**	(17,905)	**(7,891)**
Payments for vessels and other tangible and intangible fixed assets	**(177,226)**	(111,906)	**(1,508,692)**
Proceeds from sale of vessels and other tangible and intangible fixed assets	**33,228**	34,771	**282,864**
Disbursements for loans receivable	**(5,474)**	(14,120)	**(46,599)**
Collections of loans receivable	**4,198**	4,887	**35,737**
Net decrease (increase) in short-term loans receivable	**(455)**	23,930	**(3,873)**
Other, net	**8,317**	4,960	**70,800**
Net cash used in investing activities	**(155,076)**	(87,667)	**(1,320,133)**
Cash flows from financing activities:			
Net increase (decrease) in short-term bonds	**9,675**	(2,140)	**82,361**
Net decrease in short-term bank loans	**(4,024)**	(2,467)	**(34,256)**
Net increase (decrease) in commercial paper	**(17,000)**	2,000	**(144,718)**
Proceeds from long-term bank loans	**74,709**	49,593	**635,984**
Repayments of long-term bank loans	**(92,008)**	(98,045)	**(783,247)**
Proceeds from issuance of bonds	**64,545**	24,160	**549,459**
Redemption of bonds	**(5,918)**	(34,038)	**(50,379)**
Cash dividends paid by the Company	**(20,884)**	(17,241)	**(177,782)**
Purchase of treasury stock	**(461)**	(599)	**(3,924)**
Sale of treasury stock	**395**	522	**3,363**
Cash dividends paid to minority interests	**(3,817)**	(796)	**(32,493)**
Other, net	**(3,390)**	(568)	**(28,858)**
Net cash provided by (used in) financing activities	**1,822**	(79,619)	**15,510**
Effect of exchange rate changes on cash and cash equivalents	**2,793**	(147)	**23,777**
Net increase in cash and cash equivalents	**13,453**	464	**114,523**
Cash and cash equivalents at beginning of year	**45,757**	45,263	**389,521**
Net cash increase from new consolidation/de-consolidation of subsidiaries	**1,057**	30	**8,998**
Cash and cash equivalents at end of year	**¥ 60,267**	¥ 45,757	**$ 513,042**

See accompanying notes.

Notes to Consolidated Financial Statements

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2006 and 2005

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 Securities and Exchange Law 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 based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of shareholders' equity) 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 Securities and Exchange Law. 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, 2006, which was ¥117.47 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 275 subsidiaries for the year ended March 31, 2006 (281 subsidiaries for the year ended March 31, 2005). 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 two unconsolidated subsidiaries for the years ended March 31, 2006 and March 31, 2005, and 48 affiliated companies for the year ended March 31, 2006 and 39 for the year ended March 31, 2005. Investments in other subsidiaries (122 for the year ended March 31, 2006 and 110 for the year ended March 31, 2005) and affiliated companies (91 and 82 for the respective years) were stated at cost since 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 of acquisition cost over net assets acquired is shown as the consolidation difference and amortized over 5 to 14 years.

Amortization of the consolidation difference is included in "Other income" of the consolidated statements of income.

(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, except for long-term debt covered with forward exchange contracts, which is translated at the forward contract rates. The gain or loss arising from the difference between the forward contract rate and the historical rate recognized in relation to long-term debt is booked in the balance sheets and amortized over the remaining period of the debt.

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 shareholders' 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 shareholders' equity 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.

(Change in accounting method)

Effective from the year ended March 31, 2006, the Company changed the accounting method to recognize freight revenues and the related voyage expenses for containerships from the completed-voyage method to the multiple transportation progress method. Under the multiple transportation progress method, freight revenues and the related voyage expenses are recognized in accordance with the progress of transportation for each cargo. The reason of the change consists with the recent dramatic progress of day-fixed weekly service using world-wide network coverage by means of "Alliance" formed with other shipping companies, and progress of consolidated transportation services using various means of transportation including trucks and trains. In light of such dramatic change in conditions of container business, a new calculation method has been determined to be more appropriate than the current calculation method and was finally adopted as from this financial period. As a result of this change, shipping and other revenues increased by ¥25,274 million ($215,153 thousand), operating income and income before income taxes and minority interests increased by ¥962 million ($8,189 thousand), in comparison with the results under the previous method of accounting. The effect of the change in segment information is disclosed in Note 11.

2. Vessels other than containerships

Freight revenues and the related voyage expenses are recognized mainly by the completed-voyage method. Payments received for uncompleted voyages are included in "Advances received" and the related voyage expenses are included in "Deferred and prepaid expenses" in the balance sheets.

(5) SECURITIES

Securities are classified into (a) securities held for trading purposes (hereinafter, "trading securities"), (b) debt securities intended to be held to maturity (hereinafter, "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 (hereinafter, "available-for-sale securities").

Trading securities are stated at fair market value. Gains and losses realized on disposal and 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. 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 shareholders' equity. 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. Held-to-maturity debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. 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, 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 asset value with a corresponding charge in the income statement in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

(6) FUEL AND SUPPLIES

Fuel and supplies are stated principally at cost determined by the moving-average method.

(7) DEPRECIATION OF VESSELS, PROPERTY, PLANT AND EQUIPMENT

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

(8) IMPAIRMENT OF FIXED ASSETS

Effective April 1, 2005, the Company adopted the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standard Board of Japan on October 31, 2003). As a result of the adoption of these standards, income before taxes and minority interests decreased by ¥1,870 million ($15,919 thousand). Accumulated impairment loss is deducted from net book value of each asset in accordance with consolidated financial statements reporting standard. The effect of the change in segment information is disclosed in Note 11.

(9) AMORTIZATION OF BOND ISSUE EXPENSE

Bond issue expense is charged to income as incurred.

(10) 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 ¥796 million ($6,776 thousand) for the year ended March 31, 2006.

(11) 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.

(12) EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

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

Under the accounting standards for employees' severance and retirement benefits adopted on April 1, 2000, 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, 2006 and 2005 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 expenses using the straight-line method over the average of the estimated remaining service lives of mainly 10 years commencing with the following period.

(Change in accounting method)

With regard to the employees' severance and retirement benefits of the Company, the Company's consolidated financial statements for the year ended March 31, 2005, are prepared based on Accounting Standard Board Statement No. 3, "Partial Revision of Accounting Standard for Retirement Benefits" and Financial Standards Implementation Guidance No. 7, "Implementation Guidance for Partial Revision of Accounting Standard for Retirement Benefits", issued by the Accounting Standard Board of Japan on March 16, 2005, because the accounting standard and the implementation guidance may be adopted from the consolidated financial statements for the year ended March 31, 2005.

As a result of this change, operating income and income before income taxes and minority interests for the year ended March 31, 2005 increased by ¥591 million, respectively, in comparison with the result under the previous method of accounting.

(13) DIRECTORS' AND CORPORATE AUDITORS' RETIREMENT BENEFITS

The Group recognizes liabilities for retirement benefits for directors and corporate auditors at an amount required in accordance with the internal regulations had all directors and corporate auditors terminated as of the balance sheet date.

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 benefits for directors and corporate auditors till the completion of the shareholders' meeting on June 23, 2005, which will be paid upon their retirement.

(14) ACCOUNTING FOR CERTAIN LEASE TRANSACTIONS

Finance leases which do not transfer ownership to lessees are accounted for in the same manner as operating leases under Japanese GAAP.

(15) 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 income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(16) AMOUNTS PER SHARE OF COMMON STOCK

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

Fully diluted net income per share of common stock assumes exercise of the outstanding stock options at the beginning of the year or at the date of issuance.

Cash dividends per share shown in the 2006 column represent the amount payable to shareholders at March 31, 2006.

(17) 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 hedges 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.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

1. If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
   - (a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and
   - (b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

2. If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedging 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.

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 swap contracts	Foreign currency loans payable
Interest rate swap contracts	Interest on loans and bonds payable
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 currency exchange rate fluctuations.

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.

(18) RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the 2006 presentation. These changes had no impact on previously reported results of operations or cash flows or shareholders' equity.

3. Securities

A. The following tables summarize acquisition costs, book values and fair values of securities with available fair values at March 31, 2006 and 2005:

(a) Held-to-maturity debt securities:

Securities with available fair values exceeding book values

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Book value	**¥2,016**	¥2,043	**$17,162**
Fair value	**2,045**	2,114	**17,409**
Difference	**29**	71	**247**

Securities with available fair values not exceeding book values

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Book value	**¥25**	¥4	**$213**
Fair value	**25**	4	**213**
Difference	**–**	–	**–**

(b) Available-for-sale securities:

Securities with book values exceeding acquisition costs at March 31, 2006

	Millions of yen		
Type	Acquisition cost	Book value	Difference
Equity securities	**¥34,999**	**¥134,223**	**¥99,224**
Bonds	**–**	**–**	**–**
Others	**494**	**495**	**1**
Total	**¥35,493**	**¥134,718**	**¥99,225**

	Thousands of U.S. dollars (Note 1)		
Type	Acquisition cost	Book value	Difference
Equity securities	**$297,940**	**$1,142,615**	**$844,675**
Bonds	**–**	**–**	**–**
Others	**4,205**	**4,214**	**9**
Total	**$302,145**	**$1,146,829**	**$844,684**

Securities with book values exceeding acquisition costs at March 31, 2005

Type	Acquisition cost (Millions of yen)	Book value (Millions of yen)	Difference (Millions of yen)
Equity securities	¥27,449	¥79,304	¥51,855
Bonds	10	10	0
Others	–	–	–
Total	¥27,459	¥79,314	¥51,855

Securities with book values not exceeding acquisition costs at March 31, 2006

Type	Acquisition cost (Millions of yen)	Book value (Millions of yen)	Difference (Millions of yen)
Equity securities	**¥1,838**	**¥1,662**	**¥(176)**
Bonds	**15**	**15**	**0**
Others	**4,439**	**4,415**	**(24)**
Total	**¥6,292**	**¥6,092**	**¥(200)**

Type	Acquisition cost (Thousands of U.S. dollars (Note 1))	Book value (Thousands of U.S. dollars (Note 1))	Difference (Thousands of U.S. dollars (Note 1))
Equity securities	**$15,647**	**$14,148**	**$(1,499)**
Bonds	**128**	**128**	**0**
Others	**37,788**	**37,584**	**(204)**
Total	**$53,563**	**$51,860**	**$(1,703)**

Securities with book values not exceeding acquisition costs at March 31, 2005

Type	Acquisition cost (Millions of yen)	Book value (Millions of yen)	Difference (Millions of yen)
Equity securities	¥3,740	¥3,227	¥(513)
Bonds	–	–	–
Others	4,647	4,646	(1)
Total	¥8,387	¥7,873	¥(514)

B. The following tables summarize book values of securities with no available fair value at March 31, 2006 and 2005:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Type	Book value		Book value
Unlisted equity securities	**¥12,478**	¥14,168	**$106,223**
Unlisted foreign bonds	**–**	–	**–**
Others	**239**	262	**2,034**
Total	**¥12,717**	¥14,430	**$108,257**

C. Available-for-sale securities with maturities and held-to-maturity debt securities are as follows:

For the year ended March 31, 2006:

	Millions of yen				
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Governmental bonds	**¥ –**	**¥ –**	**¥15**	**–**	**¥ 15**
Corporate bonds	**–**	**2,000**	**–**	**–**	**2,000**
Others	**20**	**41**	**–**	**–**	**61**
Total	**¥20**	**¥2,041**	**¥15**	**–**	**¥2,076**

Type	Thousands of U.S. dollars (Note 1) Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Governmental bonds	**$ –**	**$ –**	**$128**	**–**	**$ 128**
Corporate bonds	**–**	**17,026**	**–**	**–**	**17,026**
Others	**170**	**349**	**–**	**–**	**519**
Total	**$170**	**$17,375**	**$128**	**–**	**$17,673**

For the year ended March 31, 2005:

Type	Millions of yen Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Governmental bonds	¥24	¥ –	¥10	–	¥ 34
Corporate bonds	–	2,023	–	–	2,023
Others	–	–	–	–	–
Total	¥24	¥2,023	¥10	–	¥2,057

D. There were no held-to-maturity debt securities sold in the years ended March 31, 2006 and 2005.

E. Total sales of available-for-sale securities sold in the years ended March 31, 2006 and 2005 and the related gains and losses were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Proceeds from sales	**¥8,219**	¥4,901	**$69,967**
Gross realized gains	**3,558**	1,617	**30,289**
Gross realized losses	**778**	6	**6,623**

4. 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.

The following tables summarize the outstanding contract amounts and unrealized gains or losses of financial derivatives of the Group at March 31, 2006 and 2005, for which hedge accounting has not been applied:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
(1) Currency related:			
Forward currency exchange contracts			
Sell (U.S. dollar):			
Contracts outstanding	**¥–**	¥1,435	**$–**
Unrealized gain	**–**	73	**–**

The following table summarizes the outstanding contract amounts and unrealized gains or losses of currency swaps of overseas consolidated subsidiaries in the countries where companies are not required either to state derivative financial instruments at fair value, or apply hedge accounting:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Currency swaps			
Receive Yen, pay U.S. dollar:			
Contracts outstanding	**¥25,400**	¥15,800	**$216,225**
Unrealized gain (loss)	**(1,880)**	1,594	**(16,004)**
Receive Yen, pay Euro:			
Contracts outstanding	**¥ 500**	¥ 500	**$ 4,256**
Unrealized loss	**(20)**	(15)	**(170)**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
(2) Interest related			
Interest rate swaps:			
Receive floating, pay fixed			
Contracts outstanding	**¥22,023**	¥3,671	**$187,478**
Unrealized loss	**(591)**	(198)	**(5,031)**
Receive fixed, pay floating			
Contracts outstanding	**¥ 3,550**	¥3,718	**$ 30,220**
Unrealized gain	**79**	191	**673**

The following table summarizes the outstanding contract amounts and unrealized gains or losses of interest rate swaps of overseas consolidated subsidiaries in the countries where companies are not required either to state derivative financial instruments at fair value, or apply hedge accounting:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Interest rate swaps:			
Receive floating, pay fixed			
Contracts outstanding	**¥19,386**	¥ 2,087	**$165,029**
Unrealized loss	**(116)**	(108)	**(987)**
Receive fixed, pay floating			
Contracts outstanding	**¥19,081**	¥ 821	**$162,433**
Unrealized gain (loss)	**47**	(9)	**400**
Receive floating, pay floating			
Contracts outstanding	**¥12,946**	¥11,337	**$110,207**
Unrealized gain	**15**	5	**128**

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 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.

5. Short-term Debt and Long-term Debt

(1) SHORT-TERM DEBT

Short-term debt amounting to ¥98,426 million ($837,882 thousand) and ¥105,469 million at March 31, 2006 and 2005, 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, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Bonds:			
1.740% yen bonds due 2007	**¥ 15,000**	¥ 15,000	**$ 127,692**
1.190% yen bonds due 2009	**10,000**	10,000	**85,128**
Floating rate yen notes due 2008	**1,000**	1,000	**8,513**
Floating/fixed rate Euro medium term notes due 2006-2010	**28,677**	19,289	**244,122**
0.000% yen bonds due 2011	**50,000**	–	**425,641**
1.760% yen bonds due 2014	**10,000**	10,000	**85,128**
1.590% yen bonds due 2015	**15,000**	15,000	**127,692**
Secured loans from:			
Japan Development Bank due through 2019 at interest rates of 0.13% to 8.50%	**76,848**	69,692	**654,193**
Other financial institutions due through 2020 at interest rates of 0.36% to 6.20%	**88,448**	112,757	**752,941**
Unsecured loans from:			
Other financial institutions due through 2022 at interest rates of 0.21% to 7.78%	**178,031**	155,925	**1,515,544**
	473,004	408,663	**4,026,594**
Amount due within one year	**73,387**	68,065	**624,730**
	¥399,617	¥340,598	**$3,401,864**

At March 31, 2006, the aggregate annual maturity of long-term debt was as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 1)
2007	¥ 73,387	$ 624,730
2008	100,059	851,783
2009	52,444	446,446
2010	54,569	464,536
2011	77,217	657,334
2012 and thereafter	115,328	981,765
	¥473,004	$4,026,594

At March 31, 2006, 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	¥231,855	$1,973,738
Buildings and structures	8,664	73,755
Land	6,625	56,397
Investment securities	28,187	239,951
Others	859	7,312
	¥276,190	$2,351,153

Secured debt	Millions of yen	Thousands of U.S. dollars (Note 1)
Short-term debt	¥ 50	$ 426
Long-term debt due within one year	32,696	278,335
Long-term debt due after one year	132,600	1,128,798
	¥165,346	$1,407,559

6. Commitments and Contingent Liabilities

At March 31, 2006, 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 ¥150,931 million ($1,284,847 thousand).

The BGT project is operated by subsidiaries, which have their own corporate bodies, legally independent of the Company. The assets of the BGT eight LNG carrier transportation project are held in several subsidiaries of the Company, which have their own creditors.

7. Shareholders' Equity

Under the Japanese Commercial Code (the "Code"), at least 50% of the issue price of new shares is required to be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital are credited to additional paid-in capital, which is included in capital surplus.

The Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 25% of common stock. The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for distributions and certain other purposes by the resolution of shareholders' meeting. The legal earnings reserve is included in the retained earnings in the accompanying consolidated financial statements.

In accordance with the customary practice in Japan, the appropriations are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period after the shareholders' approval has been obtained. Retained earnings at March 31, 2006 include amounts representing the year-end cash dividends and directors' bonuses approved at the shareholders' meeting held on June 22, 2006. The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Code. In addition, semi-annual interim dividends may be paid upon resolution of the Board of Directors, subject to limitations imposed by the Code.

8. Impairment Loss

Impairment losses on fixed assets for the year ended March 31, 2006 consisted of the following:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Land:		
Hirayama-cho, Midori-ku, Chiba-shi	¥ 968	$ 8,240
Nasu-machi, Nasu-gun, Tochigi	8	68
Itamuro, Kuroiso-shi, Tochigi	14	119
Togakushi-mura, Kamiminochi-gun, Nagano	24	204
Ago-cho, Shima-shi, Mie	149	1,268
Shima-cho, Shima-shi, Mie	30	255
Nakaizu-cho, Tagata-gun, Shizuoka	1	9
Vessels:		
Cruise ship (Nippon Maru)	676	5,756
Total	¥1,870	$15,919

Notes: 1. The Company recognized impairment losses because (a) the above-mentioned lands, which were a training center and sites to build a rest center, are not expected to be used and their fair value has declined, and (b) fair value of the above-mentioned vessel had declined when its transfer within the Group was decided.
2. The Company and its consolidated subsidiaries grouped their long-lived assets based on consolidated managerial segments, the lowest level for which there is identifiable cash flows that are independent of the cash flows from other groups of assets.
3. The recoverable amount of the assets is net selling price based on real estate appraisal value, publicly-assessed value for tax purpose and vessel appraisal value evaluated by Nippon Kaiji Kentei Kyokai.

9. Other Income (Expenses): Others, Net – Breakdown

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Others, net:			
Gain (Loss) on sale of marketable securities	¥ 0	¥ (2)	$ 0
Exchange gain (loss), net	(4,140)	1,950	(35,243)
Amortization of consolidation difference	1,658	44	14,114
Gain on sale of vessels, investment securities and others	17,856	5,797	152,005
Loss on sale and disposal of vessels, investment securities and others	(2,472)	(20,866)	(21,044)
Loss arising from dissolution of subsidiaries and affiliated companies	(424)	(26)	(3,609)
Loss on write-down of securities and other investments	(329)	(193)	(2,801)
Provision for doubtful accounts	(1,247)	(183)	(10,615)
Special retirement	(534)	(922)	(4,546)
Loss on redemption of bonds	–	(2,192)	–
Sundries, net	939	(272)	7,993
Total	¥11,307	¥(16,865)	$ 96,254

10. 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, 2006 of finance leases that do not transfer ownership to the lessee is as follows:

	Millions of yen			
	Vessels	Equipment, mainly containers	Other	Total
Acquisition cost	¥2,746	¥52,326	¥484	¥55,556
Accumulated depreciation	1,660	26,068	279	28,007
Net book value	¥1,086	¥26,258	¥205	¥27,549

	Thousands of U.S. dollars (Note 1)			
	Vessels	Equipment, mainly containers	Other	Total
Acquisition cost	$23,376	$445,441	$4,120	$472,937
Accumulated depreciation	14,131	221,912	2,375	238,418
Net book value	$ 9,245	$223,529	$1,745	$234,519

(2) Future lease payments at March 31, 2006

	Millions of yen	Thousands of U.S. dollars (Note 1)
Amount due within one year	¥ 5,607	$ 47,731
Amount due after one year	28,727	244,548
Total	¥34,334	$292,279

(3) Lease payments, Depreciation equivalent and Interest equivalent

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
Lease payments	¥5,517	¥5,877	$46,965
Depreciation equivalent	6,824	5,577	58,091
Interest equivalent	550	538	4,682

(4) Calculation of depreciation equivalent
Assumed depreciation amounts are computed using 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 is no impairment loss on finance lease accounted for as operating leases.

(B) FUTURE LEASE PAYMENTS UNDER OPERATING LEASES AT MARCH 31, 2006:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Amount due within one year	¥ 41,758	$ 355,478
Amount due after one year	246,739	2,100,443
Total	¥288,497	$2,455,921

AS LESSOR:

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

(1) A summary of acquisition cost, accumulated depreciation and net book value at March 31, 2006 of finance leases that do not transfer ownership to the lessee is as follows:

	Millions of yen		
	Equipment, mainly containers	Other	Total
Acquisition cost	¥56	¥87	¥143
Accumulated depreciation	54	58	112
Net book value	¥ 2	¥29	¥ 31

	Thousands of U.S. dollars (Note 1)		
	Equipment, mainly containers	Other	Total
Acquisition cost	$477	$740	$1,217
Accumulated depreciation	460	493	953
Net book value	$ 17	$247	$ 264

(2) Future lease income at March 31, 2006

	Millions of yen	Thousands of U.S. dollars (Note 1)
Amount due within one year	¥28	$238
Amount due after one year	36	307
Total	¥64	$545

(3) Lease income, Depreciation and Interest equivalent

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
Lease income	¥81	¥53	$690
Depreciation	39	21	332
Interest equivalent	6	5	51

(4) Calculation of interest equivalent

The excess of total lease income over acquisition costs equivalent is regarded as amounts representing interest receivable equivalents and is allocated to each period using the interest method.

(B) FUTURE LEASE INCOME UNDER OPERATING LEASES AT MARCH 31, 2006:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Amount due within one year	¥ 3,612	$ 30,748
Amount due after one year	29,217	248,719
Total	¥32,829	$279,467

11. Segment Information

(A) BUSINESS SEGMENT INFORMATION:

For the year ended March 31, 2006:	Millions of yen							
	Container-ships	Bulk-ships	Logistics	Ferry & Domestic transport	Associated business	Others	Elimination	Consolidated
1. Revenues								
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	¥488,233	¥676,323	¥63,686	¥46,771	¥ 87,453	¥ 4,259	¥ –	¥1,366,725
(2) Inter-segment revenues	1,812	365	1,636	51	21,960	8,228	(34,052)	–
Total revenues	490,045	676,688	65,322	46,822	109,413	12,487	(34,052)	1,366,725
2. Operating expenses	455,488	551,099	64,122	46,514	98,152	7,957	(29,600)	1,193,732
Operating income	¥ 34,557	¥125,589	¥ 1,200	¥ 308	¥ 11,261	¥ 4,530	¥ (4,452)	¥ 172,993
3. Assets, Depreciation, Impairment loss and Capital expenditures:								
(1) Assets	¥225,214	¥695,797	¥55,342	¥50,129	¥307,881	¥334,893	¥(198,432)	¥1,470,824
(2) Depreciation	10,505	41,040	1,440	3,385	6,516	2,916	(102)	65,700
(3) Impairment loss	–	–	–	–	677	–	1,193	1,870
(4) Capital expenditures	37,913	119,485	1,236	8,204	7,252	3,136	–	177,226

For the year ended March 31, 2006:	Thousands of U.S. dollars (Note 1)							
	Container-ships	Bulk-ships	Logistics	Ferry & Domestic transport	Associated business	Others	Elimination	Consolidated
1. Revenues								
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	$4,156,236	$5,757,410	$542,147	$398,153	$ 744,471	$ 36,256	$ –	$11,634,673
(2) Inter-segment revenues	15,425	3,108	13,927	434	186,941	70,043	(289,878)	–
Total revenues	4,171,661	5,760,518	556,074	398,587	931,412	106,299	(289,878)	11,634,673
2. Operating expenses	3,877,484	4,691,402	545,859	395,965	835,549	67,736	(251,979)	10,162,016
Operating income	$ 294,177	$1,069,116	$ 10,215	$ 2,622	$ 95,863	$ 38,563	$ (37,899)	$ 1,472,657
3. Assets, Depreciation, Impairment loss and Capital expenditures:								
(1) Assets	$1,917,204	$5,923,189	$471,116	$426,739	$2,620,933	$2,850,881	$(1,689,214)	$12,520,848
(2) Depreciation	89,427	349,366	12,258	28,816	55,469	24,824	(868)	559,292
(3) Impairment loss	–	–	–	–	5,763	–	10,156	15,919
(4) Capital expenditures	322,746	1,017,153	10,522	69,839	61,735	26,697	–	1,508,692

(Change in accounting method)

As mentioned in Note 2 (4) FREIGHT REVENUES AND RELATED EXPENSES, the Company changed the accounting method to recognize freight revenues and the related voyage expenses for containerships from the completed-voyage method to the multiple transportation progress method. As a result of this change, revenues increased by ¥25,274 million ($215,153 thousand) and operating income increased by ¥962 million ($8,189 thousand) for Containerships in comparison with the results under the previous method of accounting.

For the year ended March 31, 2005:	Millions of yen							
	Container-ships	Bulk-ships	Logistics	Ferry & Domestic transport	Associated business	Others	Elimination	Consolidated
1. Revenues								
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	¥399,141	¥596,638	¥58,020	¥45,351	¥ 66,616	¥ 7,566	¥ –	¥1,173,332
(2) Inter-segment revenues	1,225	851	1,445	–	15,973	8,146	(27,640)	–
Total revenues	400,366	597,489	59,465	45,351	82,589	15,712	(27,640)	1,173,332
2. Operating expenses	346,146	485,020	58,626	44,064	77,459	14,177	(23,955)	1,001,537
Operating income	¥ 54,220	¥112,469	¥ 839	¥ 1,287	¥ 5,130	¥ 1,535	¥ (3,685)	¥ 171,795
3. Assets, Depreciation and Capital expenditures:								
(1) Assets	¥158,551	¥552,154	¥43,767	¥44,955	¥296,231	¥260,246	¥(123,652)	¥1,232,252
(2) Depreciation	5,448	36,646	1,250	2,935	3,732	2,898	60	52,969
(3) Capital expenditures	18,902	71,190	961	729	16,502	3,622	–	111,906

(Change in accounting method)
As mentioned in Note 2 (12) EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS, the Company's consolidated financial statements for the year ended March 31, 2005, are prepared based on Accounting Standard Statements No. 3, "Partial Revision of Accounting Standard for Retirement Benefits" and Financial Standards Implementation Guidance No. 7, "Implementation Guidance for Partial Revision of Accounting Standard for Retirement Benefits" issued by the Accounting Standard Board of Japan on March 16, 2005. As a result of this change, operating income increased by ¥180 million in Containerships, ¥339 million in Bulkships, ¥15 million in Logistics, ¥6 million in Ferry & Domestic transport, ¥17 million in Associated business and ¥34 million in Others, in comparison with the results under the previous method of accounting.

(Note)
On April 1, 2004, the Group made changes in the policy for the segmentation of the business segments in order to provide better perspective on the Company's consolidated managerial P/L of each business segment, using the opportunity that our new Mid-Term Management Plan, "MOL STEP", became effective. The Group reorganized the former reporting segments (1. Overseas shipping, 2. Ferry/domestic shipping, 3. Shipping agent and harbor/terminal operation, 4. Cargo forwarding and warehousing, 5. Others) into new segments (1. Containerships, 2. Bulkships, 3. Logistics, 4. Ferry and Domestic transport, 5. Associated business, 6. Others).

(B) GEOGRAPHICAL SEGMENT INFORMATION:

Each segment covers the following countries or regions;

North America:	U.S.A. and Canada
Europe:	U.K., The Netherlands and other European countries
Asia:	The Middle and Near East, South-West Asia, South-East Asia, East Asia
Others:	Central and South America, Africa, Australia and other countries

Revenues of a segment are revenues, wherever they may be earned, of companies registered in countries in the segment except for revenues earned by companies registered in such countries as Panama and Liberia (FOC companies) solely for the purpose of owning ships under charter to the Company and/or its subsidiaries in Japan. The FOC companies are deemed to be companies registered in Japan in this segment information for convenience.

Expenses of a segment are expenses, wherever they may be incurred, to earn revenues at companies registered in countries in the segment.

Assets of a segment are assets possessed by companies registered in countries in the segment, except for assets including ships of FOC companies which are treated as Japanese companies.

For the year ended March 31, 2006:	Millions of yen						
	Japan	North America	Europe	Asia	Others	Elimination	Consolidated
1. Revenues							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	**¥1,296,013**	**¥44,668**	**¥ 10,181**	**¥15,763**	**¥ 100**	**¥ –**	**¥1,366,725**
(2) Inter-segment revenues	**4,061**	**14,820**	**8,367**	**6,373**	**1,902**	**(35,523)**	**–**
Total revenues	**1,300,074**	**59,488**	**18,548**	**22,136**	**2,002**	**(35,523)**	**1,366,725**
2. Operating expenses	**1,137,653**	**47,938**	**15,293**	**20,667**	**2,058**	**(29,877)**	**1,193,732**
Operating income (loss)	**¥ 162,421**	**¥11,550**	**¥ 3,255**	**¥ 1,469**	**¥ (56)**	**¥ (5,646)**	**¥ 172,993**
3. Assets	**¥1,391,176**	**¥43,783**	**¥122,637**	**¥17,707**	**¥2,458**	**¥(106,937)**	**¥1,470,824**

For the year ended March 31, 2006:	Thousands of U.S. dollars (Note 1)						
	Japan	North America	Europe	Asia	Others	Elimination	Consolidated
1. Revenues							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	**$11,032,714**	**$380,250**	**$ 86,669**	**$134,188**	**$ 852**	**$ –**	**$11,634,673**
(2) Inter-segment revenues	**34,571**	**126,160**	**71,227**	**54,252**	**16,190**	**(302,400)**	**–**
Total revenues	**11,067,285**	**506,410**	**157,896**	**188,440**	**17,042**	**(302,400)**	**11,634,673**
2. Operating expenses	**9,684,626**	**408,087**	**130,187**	**175,934**	**17,519**	**(254,337)**	**10,162,016**
Operating income (loss)	**$ 1,382,659**	**$ 98,323**	**$ 27,709**	**$ 12,506**	**$ (477)**	**$ (48,063)**	**$ 1,472,657**
3. Assets	**$11,842,819**	**$372,716**	**$1,043,986**	**$150,736**	**$20,925**	**$(910,334)**	**$12,520,848**

(Change in accounting method)
As mentioned in Note 2 (4) FREIGHT REVENUES AND RELATED EXPENSES, the Company changed the accounting method to recognize freight revenues and the related voyage expenses for containerships from the completed-voyage method to the multiple transportation progress method. As a result of this change, revenues increased by ¥25,274 million ($215,153 thousand) and operating income increased by $962 million ($8,189 thousand) for Japan in comparison with the results under the previous method of accounting.

For the year ended March 31, 2005:	Millions of yen						
	Japan	North America	Europe	Asia	Others	Elimination	Consolidated
1. Revenues							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	¥1,114,827	¥38,636	¥ 8,762	¥11,045	¥ 62	¥ –	¥1,173,332
(2) Inter-segment revenues	3,579	11,522	6,452	9,868	1,520	(32,941)	–
Total revenues	1,118,406	50,158	15,214	20,913	1,582	(32,941)	1,173,332
2. Operating expenses	953,955	42,084	13,449	19,524	1,629	(29,104)	1,001,537
Operating income (loss)	¥ 164,451	¥ 8,074	¥ 1,765	¥ 1,389	¥ (47)	¥ (3,837)	¥ 171,795
3. Assets	¥1,150,711	¥33,258	¥105,753	¥12,074	¥1,522	¥(71,066)	¥1,232,252

(Change in accounting method)
As mentioned in Note 2 (12) EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS, the Company's consolidated financial statements for the year ended March 31, 2005, are prepared based on Accounting Standard Statements No. 3, "Partial Revision of Accounting Standard for Retirement Benefits" and Financial Standards Implementation Guidance No. 7, "Implementation Guidance for Partial Revision of Accounting Standard for Retirement Benefits" issued by the Accounting Standard Board of Japan on March 16, 2005. As a result of this change, operating income increased by ¥591 million for Japan for 2005 in comparison with the results under the previous method of accounting. There are no effects on the other segments.

(C) INTERNATIONAL BUSINESS INFORMATION:

Segmentation is made from the perspective of geographical closeness and identity.

Geographical areas belonging to the segments are as follows:

North America:	U.S.A. and Canada
Europe:	U.K., the Netherlands and other European countries
Asia:	The Middle and Near East, South-West Asia, South-East Asia, East Asia
Others:	Central and South America, Africa, Australia and other countries

Revenues from international business mainly consist of ocean-going vessel and voyage revenues.

	Millions of yen				
For the year ended March 31, 2006:	North America	Europe	Asia	Others	Total
1. International revenues	**¥310,082**	**¥193,977**	**¥318,031**	**¥396,118**	**¥1,218,208**
2. Consolidated revenues	**–**	**–**	**–**	**–**	**¥1,366,725**
3. Ratio of international revenues to consolidated revenues	**22.7%**	**14.2%**	**23.3%**	**28.9%**	**89.1%**

	Thousands of U.S. dollars (Note 1)				
For the year ended March 31, 2006:	North America	Europe	Asia	Others	Total
1. International revenues	**$2,639,670**	**$1,651,290**	**$2,707,338**	**$3,372,077**	**$10,370,375**
2. Consolidated revenues	**–**	**–**	**–**	**–**	**$11,634,673**
3. Ratio of international revenues to consolidated revenues	**22.7%**	**14.2%**	**23.3%**	**28.9%**	**89.1%**

(Change in accounting method)

As mentioned in Note 2 (4) FREIGHT REVENUES AND RELATED EXPENSES, the Company changed the accounting method to recognize freight revenues and the related voyage expenses for containerships from the completed-voyage method to the multiple transportation progress method. As a result of this change, revenues increased by ¥9,934 million ($84,566 thousand) for North America, ¥6,050 million ($51,503 thousand) for Europe, ¥3,565 million ($30,348 thousand) for Asia and ¥5,724 million ($48,727 thousand) for Others, in comparison with the results under the previous method of accounting.

	Millions of yen				
For the year ended March 31, 2005:	North America	Europe	Asia	Others	Total
1. International revenues	¥278,748	¥164,775	¥271,090	¥346,808	¥1,061,421
2. Consolidated revenues	–	–	–	–	¥1,173,332
3. Ratio of international revenues to consolidated revenues	23.8%	14.0%	23.1%	29.6%	90.5%

12. 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% and 37.50% for the years ended March 31, 2006 and 2005, respectively.

(A) Significant components of deferred tax assets and liabilities at March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
Deferred tax assets:			
Excess bad debt expenses	¥ 1,753	¥ 2,658	$ 14,923
Excess reserve for bonuses expenses	1,921	1,954	16,353
Excess retirement benefits expenses	6,941	6,191	59,087
Excess retirement allowances for officers	1,082	976	9,211
Write-down of securities and other investments	2,666	1,709	22,695
Accrued business tax and business place tax	720	5,096	6,129
Operating loss carried forward	5,361	903	45,637
Unrealized gain on sale of fixed assets	794	998	6,759
Impairment loss	3,493	–	29,735
Others	1,658	720	14,116
Total deferred tax assets	26,389	21,205	224,645
Valuation allowance	(6,526)	(6,571)	(55,555)
Net deferred tax assets	19,863	14,634	169,090
Deferred tax liabilities:			
Reserve deductible for tax purposes when appropriated for deferred gain on real properties	(2,558)	(902)	(21,776)
Reserve deductible for tax purposes when appropriated for special depreciation	(633)	(1,368)	(5,389)
Unrealized holding gains on available-for-sale securities	(38,403)	(19,362)	(326,918)
Gain on securities contributed to employee retirement benefit trust	(4,338)	(4,368)	(36,929)
Revaluation reserve	(11,248)	(10,827)	(95,752)
Retained earnings of consolidated subsidiaries	(9,324)	–	(79,373)
Others	(1,359)	(153)	(11,568)
Total deferred tax liabilities	(67,863)	(36,980)	(577,705)
Net deferred tax liabilities	¥(48,000)	¥(22,346)	$(408,615)

(B) Significant difference between the statutory tax rate and the effective tax rate for the financial statement purpose for the year ended March 31, 2005 was as follows:

	2005
Statutory tax rate	37.5 %
Non-deductible expenses	0.5 %
Tax exempt revenues	(1.4)%
Decrease in valuation allowance	(1.1)%
Others	(0.8)%
Effective tax rate	34.7 %

The difference between the statutory tax rate and the effective tax rate for the financial statement purpose for the year ended March 31, 2006 is not disclosed as it is immaterial.

13. Employees' Severance and Retirement Benefits

Employees' severance and retirement benefits included in the liability section of the consolidated balance sheets at March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
Projected benefit obligation	¥ 67,275	¥ 65,083	$ 572,699
Unrecognized actuarial differences	14,512	(2,496)	123,538
Prepaid pension expenses	11,688	11,812	99,498
Less fair value of pension assets	(79,412)	(60,875)	(676,019)
Employees' severance and retirement benefits	¥ 14,063	¥ 13,524	$ 119,716

Included in the consolidated statements of income for the years ended March 31, 2006 and 2005 were severance and retirement benefit expenses, which comprise the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Service costs—benefits earned during the year	**¥2,127**	¥3,223	**$18,107**
Interest cost on projected benefit obligation	**947**	943	**8,062**
Expected return on plan assets	**(33)**	(31)	**(281)**
Amortization of actuarial differences	**611**	766	**5,201**
	¥3,652	¥4,901	**$31,089**

The discount rate for the years ended March 31, 2006 and 2005 used by the Company is 2.0%. Also, the rate of expected return on plan assets for the years ended March 31, 2006 and 2005 is mainly 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. Actuarial gains and losses are recognized in the statements of income using the straight-line method primarily over 10 years commencing with the following period.

14. Subsequent Event

On June 22, 2006, the shareholders of the Company approved the following appropriations of retained earnings:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Cash dividends	**¥10,767**	**$91,657**
Bonuses to directors	**174**	**1,481**

15. Stock-based Compensation Plans (Unaudited)

On June 25, 2002, the shareholders of the Company approved the issuance of stock options to the directors, the executive officers and the managing officers of the Company in accordance with Article 280-20 and 280-21 of the Code. The number of shares to be newly issued or transferred from treasury stock on the exercise of stock options issued pursuant to the aforesaid shareholders' approval was 200,000 shares of common stock of the Company as of March 31, 2006, and 190,000 shares of common stock of the Company as of May 31, 2006. The stock options are exercisable from June 26, 2004 to June 25, 2012.

On June 25, 2003, the shareholders of the Company approved the issuance of stock options to the directors, the executive officers and the managing officers of the Company and the presidents of the Company's domestic consolidated subsidiaries in accordance with Article 280-20 and 280-21 of the Code. The number of shares to be newly issued or transferred from treasury stock on the exercise of stock options issued pursuant to the aforesaid shareholders' approval was 488,000 shares of common stock of the Company as of March 31, 2006, and 478,000 shares of common stock of the Company as of May 31, 2006. The stock options are exercisable from June 20, 2004 to June 25, 2013.

On June 24, 2004, the shareholders of the Company approved the issuance of stock options to the directors, the executive officers and the managing officers of the Company and the presidents of the Company's domestic consolidated subsidiaries in accordance with Article 280-20 and 280-21 of the Code. The number of shares to be newly issued or transferred from treasury stock on the exercise of stock options issued pursuant to the aforesaid shareholders' approval was 1,570,000 shares of common stock of the Company as of March 31, 2006, and 1,560,000 shares of common stock of the Company as of May 31, 2006. The stock options are exercisable from June 20, 2005 to June 24, 2014.

On June 23, 2005, the shareholders of the Company approved the issuance of stock options to the directors, the executive officers and the managing officers of the Company and the presidents of the Company's domestic consolidated subsidiaries in accordance with Article 280-20 and 280-21 of the Code. The number of shares to be newly issued or transferred from treasury stock on the exercise of stock options issued pursuant to the aforesaid shareholders' approval was 1,650,000 shares of common stock of the Company as of March 31, 2006, and 1,650,000 shares of common stock of the Company as of May 31, 2006. The stock options are exercisable from June 20, 2006 to June 23, 2015.

On June 22, 2006, the shareholders of the Company approved the issuance of stock options to the directors of the Company in accordance with Article 361 of the Japanese Corporate Law (the "Law"), effective May 1, 2006. Under this approval, the maximum number of shares to be newly issued or transferred from treasury stocks on the exercise of the stock options is 600,000 shares of common stock of the Company. The stock options are exercisable from June 20, 2007 to June 22, 2016 by the approval of the Company's board of directors.

On June 22, 2006, the shareholders of the Company approved the issuance of stock options to the executive officers who don't double as the director and the managing officers of the Company and the presidents of the Company's domestic consolidated subsidiaries in accordance with Article 236, 238 and 239 of the Law. Under this approval, the maximum number of shares to be newly issued or transferred from treasury stocks on the exercise of the stock options is 1,500,000 shares of common stock of the Company. The stock options are exercisable from June 20, 2007 to June 22, 2016 by the approval of the Company's board of directors.

Independent Auditors' Report

KPMG

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Mitsui O.S.K. Lines, Ltd. (a Japanese corporation) and consolidated subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsui O.S.K. Lines, Ltd. and subsidiaries as of March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the followings:

(1) As discussed in Note 2 (4) to the consolidated financial statements, effective from the year ended March 31, 2006, the Company changed the accounting method to recognize freight revenues and the related voyage expenses for containerships from the completed-voyage method to the multiple transportation progress method.

(2) As discussed in Note 2 (8) to the consolidated financial statements, effective April 1, 2005, the Company adopted the new accounting standard for impairment of fixed assets.

(3) As discussed in Note 2 (12) to the consolidated financial statements, effective from the year ended March 31, 2005, the Company applied the revised accounting standard for retirement benefits.

(4) As discussed in Note 11 (A) to the consolidated financial statements, effective April 1, 2004, the Company changed its accounting policy for the segmentation of the Company's business segments.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2006 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 & Co.

Tokyo, Japan
June 22, 2006

The MOL Group

Mitsui O.S.K. Lines, Ltd. As of March 31, 2006

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

Segment		Company	Registered Office	MOL's Voting Rights (%)*	Paid-in Capital (Thousands)
Containerships	■	International Container Terminal Co., Ltd.	Japan	100.00	¥700,000
	■	Mitsui O.S.K. Lines (Australia) Pty. Ltd.	Australia	100.00	A$1,000
	■	Mitsui O.S.K. Lines (Austria) GmbH	Austria	100.00	€36
	■	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
	■	Mitsui O.S.K. Lines (Singapore) Pte Ltd.	Singapore	100.00	S$5,000
	■	MOL (America) Inc.	U.S.A.	100.00	US$6
	■	MOL (Asia) Ltd.	Hong Kong	100.00	HK$40,000
	■	MOL (Brasil) Ltda.	Brazil	100.00	R$1,677
	■	MOL (Chile) Ltda.	Chile	100.00	US$100
	■	MOL (China) Co., Ltd.	China	100.00	US$1,960
	■	MOL (Europe) B.V.	Netherlands	100.00	€454
	■	MOL (Europe) GmbH	Germany	100.00	€256
	■	MOL (Europe) Ltd.	U.K.	100.00	£1,500
	■	MOL (Panama) Inc.	Panama	100.00	US$100
	■	MOL De Mexico, S.A. de C.V.	Mexico	100.00	US$92
	■	MOL South Africa (Proprietary) Limited	South Africa	100.00	R3,000
	■	Shipowner companies (11 companies) in Panama, Liberia and Hong Kong			
	■	Shosen Koun Co., Ltd.	Japan	79.98	¥300,000
	■	Star-Net America, Inc.	U.S.A.	100.00	US$3,000
	■	Trapac, Inc.	U.S.A.	100.00	US$3,000
	■	Utoc Corporation	Japan	51.58	¥1,455,300
	●	MOL (West Africa) Ltd.	U.K.	51.00	£140
	▲	Mitsui O.S.K. Lines (Thailand) Co., Ltd.	Thailand	47.00	BT20,000
	▲	Shanghai Kakyakusen Kaisha, Ltd.	Japan	31.98	¥100,000
Bulkships	■	BGT Ltd.	Liberia	100.00	US$5
	■	BIL Investments Ltd.	U.K.	100.00	£21
	■	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
	■	M.O. 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	99.04	¥660,000
	■	MOL-NIC Transport Ltd.	Liberia	75.00	US$13,061
	■	Shipowner/Chartering companies (136 companies) in Panama, Cayman Islands, Liberia, Singapore, Hong Kong, Cyprus and Malta			
	■	Tokyo Marine Asia Pte Ltd.	Singapore	100.00	S$500
	■	Tokyo Marine Co., Ltd.	Japan	74.60	¥617,500
	■	Unix Line Pte Ltd.	Singapore	100.00	S$500
	■	Others (2 companies)			
	●	Greenfield Holding Company Limited	Cayman Islands	100.00	US$120
	▲	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
	▲	Badak LNG Transport, Inc.	Japan	25.00	¥80,000
	▲	Bright Shipping Company Inc.	Panama	50.00	US$10
	▲	Daiichi Chuo Kisen Kaisha	Japan	26.25	¥13,258,410
	▲	Gearbulk Holding Ltd.	Bermuda	40.00	US$160,000
	▲	M.S. Tanker Shipping Ltd.	Hong Kong	50.00	HK$2,000
	▲	Nissan Motor Car Carrier Co., Ltd.	Japan	40.00	¥640,000
	▲	Shipowner/Chartering companies (18 companies) in Liberia, Panama, Bahamas, Malta, Norway and Cayman Islands			
Logistics	■	AMT Freight, Inc.	U.S.A.	100.00	US$9,490
	■	Bangpoo Intermodal Systems Co., Ltd.	Thailand	67.98	BT130,000
	■	Euloc B.V.	Netherlands	100.00	€3,630
	■	Hermex Distribution B.V.	Netherlands	100.00	€227
	■	Hong Kong Logistics Co., Ltd.	Hong Kong	100.00	HK$58,600
	■	International Container Transport Co., Ltd.	Japan	48.00	¥100,000
	■	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
	■	M.O. Tourist Co., Ltd.	Japan	100.00	¥250,000
	■	MOL Distribution (Deutschland) GmbH	Germany	100.00	€26
	■	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	59.74	¥756,250
	■	MOL Logistics (Netherlands) B.V.	Netherlands	100.00	€3,049
	■	MOL Logistics (Singapore) Pte. Ltd.	Singapore	100.00	S$700
	■	MOL Logistics (UK) Ltd.	U.K.	100.00	£400
	■	MOL Logistics (USA) Inc.	U.S.A.	100.00	US$7,314
	■	MOL Logistics Administration B.V.	Netherlands	100.00	€16
	■	MOL Osaka Nanko Physical Distribution Center Co., Ltd.	Japan	100.00	¥10,000
	▲	Cougar Holdings Pte Ltd.	Singapore	35.00	S$9,330
	▲	J.F. Hillebrand Group AG	Germany	50.00	€5,000
	▲	Shanghai Longfei International Logistics Co., Ltd.	China	22.05	US$1,240
	▲	Union Services (Singapore) Pte Ltd.	Singapore	24.00	S$500

			Registered Office	MOL's Voting Rights (%)*	Paid-in Capital (Thousands)
Ferry and Domestic Transport	■	Blue Highway Express K.K.	Japan	100.00	¥54,600
	■	Blue Highway Express Kyushu Co., Ltd.	Japan	70.00	¥50,000
	■	Blue Highway Line Nishinihon Corporation	Japan	100.00	¥100,000
	■	Blue Highway Service K.K.	Japan	100.00	¥30,000
	■	Diamond Line K.K.	Japan	100.00	¥20,000
	■	Kyushu Kyuko Ferry Co., Ltd.	Japan	92.00	¥840,000
	■	Miyako Shoji Co., Ltd.	Japan	100.00	¥10,000
	■	MOL Naiko, Ltd.	Japan	99.00	¥650,000
	■	Sea-Road Express Corp.	Japan	100.00	¥320,000
	■	Searox Kitaichi Co., Ltd.	Japan	100.00	¥20,000
	■	Shipowner company (1 company) in Panama			
	■	MOL Ferry Co., Ltd.	Japan	100.00	¥600,000
	■	The Diamond Ferry Co., Ltd.	Japan	93.80	¥900,000
	▲	Kansai Kisen Kaisha	Japan	37.39	¥1,368,989
	▲	Meimon Taiyo Ferry Co., Ltd.	Japan	37.62	¥880,000
	▲	Others (9 companies)			
Associated Businesses	■	Daibiru Corporation	Japan	51.07	¥12,227,847
	■	Dojima Estate Corporation	Japan	100.00	¥200,000
	■	Esca Corporation	Japan	100.00	¥25,000
	■	Green Kaiji Kaisha, Ltd.	Japan	66.67	¥95,400
	■	Green Shipping, Ltd.	Japan	100.00	¥172,000
	■	Hokuso Kohatsu K.K.	Japan	100.00	¥50,000
	■	Hu-Tec Service Co., Ltd.	Japan	100.00	¥20,000
	■	Ikuta & Marine Co., Ltd.	Japan	77.36	¥26,500
	■	Japan Hydrographic Charts & Publications Co., Ltd.	Japan	54.62	¥32,000
	■	Kansai Building Maintenance Co., Ltd.	Japan	100.00	¥14,400
	■	Kitanihon Soko Koun Co., Ltd.	Japan	97.99	¥409,544
	■	Kitanihon Tug-boat Co., Ltd.	Japan	62.00	¥50,000
	■	Kusakabe Marine Engineering Co., Ltd.	Japan	80.63	¥200,000
	■	Mitsui O.S.K. Career Support, Ltd.	Japan	100.00	¥100,000
	■	Mitsui O.S.K. Kosan Co., Ltd.	Japan	90.00	¥395,000
	■	Mitsui O.S.K. Passenger Line, Ltd.	Japan	100.00	¥9,450,000
	■	Mitsui O.S.K. Techno-Trade, Ltd.	Japan	100.00	¥490,000
	■	MO Engineering Co., Ltd.	Japan	100.00	¥20,000
	■	M.O. Marine Construction Co., Ltd.	Japan	100.00	¥95,000
	■	M.O. Marine Consulting, Ltd.	Japan	100.00	¥100,000
	■	Nihon Tug-Boat Co., Ltd.	Japan	69.53	¥134,203
	■	Osaka All Service Corporation	Japan	100.00	¥17,000
	■	Sanso Marine System Co., Ltd.	Japan	100.00	¥50,000
	■	Santo Tatemono Service	Japan	100.00	¥10,000
	■	Sanwa Marine Ltd.	Japan	100.00	¥475,000
	■	Chartering company (1 company) in Panama			
	■	Ube Port Service Co., Ltd.	Japan	95.29	¥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
Others	■	Euromol B.V.	Netherlands	100.00	US$8,861
	■	International Energy Transport Co., Ltd.**	Japan	99.94	¥1,224,000
	■	International Marine Transport Co., Ltd.	Japan	88.74	¥100,000
	■	International Transportation Inc.	U.S.A.	100.00	US$24,563
	■	Linkman Holdings Inc.	Liberia	100.00	US$3
	■	M.O. Cableship Ltd.	Japan	100.00	¥10,000
	■	M.O. Reinsurance S.A.	Luxembourg	100.00	US$5,376
	■	M.O. Ship Management Co., Ltd.	Japan	100.00	¥50,000
	■	M.O. Ship Tech Inc.	Japan	100.00	¥50,000
	■	Mitsui Kinkai Kisen Co., Ltd.	Japan	80.12	¥350,000
	■	Mitsui O.S.K. Finance PLC	U.K.	100.00	US$6,568
	■	Mitsui O.S.K. Holdings (Benelux) B.V.	Netherlands	100.00	€17,244
	■	Mitsui O.S.K. Manning Service S.A.	Panama	100.00	US$135
	■	MOL Accounting Co., Ltd.	Japan	100.00	¥30,000
	■	MOL Adjustment, Ltd.	Japan	100.00	¥10,000
	■	MOL FG, Inc.	U.S.A.	100.00	US$20
	■	MOL Information Systems, Ltd.	Japan	100.00	¥100,000
	■	MOL SI, Inc.	U.S.A.	100.00	US$100
	■	Orange P.R. Ltd.	Japan	100.00	¥10,000
	■	Others (2 companies)			
	■	Shipowner/Chartering companies (9 companies) in Panama and Liberia			
	▲	Osaka Shipping Co., Ltd.	Japan	30.12	¥498,000

* MOL includes MOL and its subsidiaries
** The Corporate name was changed to MOL Tankship Management Ltd. effective April 1, 2006.

Worldwide Offices

HEAD OFFICE

1-1, Toranomon 2-chome, Minato-ku,
Tokyo 105-8688, Japan
P.O. Box 5, Shiba, Tokyo
Tel: 81-3-3587-6224 Fax: 81-3-3587-7734
Branch Offices
Sapporo, Tomakomai, Yokohama, Nagoya, Osaka, Kobe, Hiroshima, Kyushu

JAPAN

Mitsui O.S.K. Lines (Japan) Ltd.
Head Office (Tokyo): Tel: 81-3-3587-7684
Fax: 81-3-3587-7730
Yokohama: Tel: 81-45-212-7710 Fax: 81-45-212-7734
Nagoya: Tel: 81-52-564-7000 Fax: 81-52-564-7047
Osaka: Tel: 81-6-6446-6501 Fax: 81-6-6446-6513
Kobe: Tel: 81-78-304-1100 Fax: 81-78-304-1104
Kyushu: Tel: 81-92-262-0701 Fax: 81-92-262-0720

NORTH AMERICA

MOL (America) Inc.
Head Office (Concord): Tel: 1-925-688-2600
Fax: 1-925-688-2670
Main Branch Offices
Atlanta: Tel: 1-404-763-0111 Fax: 1-404-763-5667
Chicago: Tel: 1-630-592-7300 Fax: 1-630-592-7402
Long Beach: Tel: 1-562-983-6200 Fax: 1-562-983-6292
New Jersey: Tel: 1-732-512-5200 Fax: 1-732-512-5272
San Francisco: Tel: 1-415-836-3500 Fax: 1-415-836-3533
Seattle: Tel: 1-206-444-6900 Fax: 1-206-444-6903

Mitsui O.S.K. Bulk Shipping (USA) Inc.
Head Office (New Jersey): Tel: 1-201-395-5800 Fax: 1-201-395-5820
Houston: Tel: 1-832-615-6470 Fax: 1-832-615-6480
Long Beach: Tel: 1-562-983-6276 Fax: 1-562-983-6290

MOL Logistics (USA) Inc.
Head Office (New York): Tel: 1-516-626-6040 Fax: 1-516-626-6092
Los Angeles: Tel: 1-310-212-1140 Fax: 1-310-328-8626

CENTRAL AND SOUTH AMERICA

MOL (Brasil) Ltda.
Head Office (Sao Paulo): Tel: 55-11-3145-3955 Fax: 55-11-3145-3945

MOL (Chile) Ltda.
Head Office (Santiago): Tel: 56-2-630-1950 Fax: 56-2-695-1289

Corporativo MOL de Mexico S.A. de C.V.
Head Office (Mexico City): Tel: 52-55-5010-5200 Fax: 52-55-5010-5220

MOL (Panama) Inc.
Panama: Tel: 507-269-8234 Fax: 507-269-8315

Mitsui O.S.K. Bulk Shipping (USA) Inc.
Sao Paulo: Tel: 55-11-3145-3980 Fax: 55-11-3145-3946

EUROPE

MOL (Europe) B.V.
Head Office (Rotterdam): Tel: 31-10-201-3200 Fax: 31-10-201-3109

MOL (Europe) GmbH
Head Office (Hamburg): Tel: 49-40-356110 Fax: 49-40-352506

Mitsui O.S.K. Lines (Austria) GmbH
Head Office (Vienna): Tel: 43-1-877-6971 Fax: 43-1-876-4725

MOL (Europe) Ltd.
Head Office (Southampton): Tel: 44-2380-714700 Fax: 44-2380-714519

MOL (Europe) S.A.S.
Head Office (Le Havre): Tel: 33-2-32-74-24-00 Fax: 33-2-32-74-24-39

MOL (Europe) N.V.
Head Office (Antwerp): Tel: 32-3-202-4860 Fax: 32-3-202-4870

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Vladivostok: Tel: 7-4232-215721 Fax: 7-4232-215720

Mitsui O.S.K. Bulk Shipping (Europe) Ltd.
Head Office (London): Tel: 44-20-7265-7500 Fax: 44-20-7265-7699
Brussels: Tel: 32-2-305-4240 Fax: 32-2-305-4241
Hamburg: Tel: 49-40-3764-4512 Fax: 49-40-3764-4500

MOL Logistics (Deutschland) GmbH
Head Office (Frankfurt): Tel: 49-6105-406102 Fax: 49-6105-406968

MOL Logistics (Netherlands) B.V.
Head Office (Rotterdam): Tel: 31-10-299-6220 Fax: 31-10-299-6226

MOL Logistics (U.K.) Ltd.
Head Office (London): Tel: 44-1895-459700 Fax: 44-1895-449600

AFRICA

MOL South Africa Pty Ltd.
Head Office (Cape Town): Tel: 27-21-402-8900 Fax: 27-21-421-1806

Mitsui O.S.K. Lines (Nigeria) Ltd.
Lagos: Tel: 234-1-587-1900 Fax: 234-1-587-4771

MOL (Ghana) Ltd.
Tema: Tel: 233-22-212084 Fax: 233-22-210807

MIDDLE EAST

Mitsui O.S.K. Bulk Shipping (Asia, Oceania) Pte. Ltd.
Doha: Tel: 974-4-836548 Fax: 974-4-836563
Dubai: Tel: 971-4-3933132 Fax: 971-4-3935401
Muscat: Tel: 968-2448-7450 Fax: 968-2448-7394

MOL (Europe) Ltd.
Beirut: Tel: 961-1-567251 Fax: 961-1-567250

OCEANIA

Mitsui O.S.K. Lines (Australia) Pty. Ltd.
Head Office (Sydney): Tel: 61-2-9320-1600 Fax: 61-2-9320-1601

Mitsui O.S.K. Lines (New Zealand) Ltd.
Auckland: Tel: 64-9-3005821 Fax: 64-9-3091439

Mitsui O.S.K. Bulk Shipping (Asia, Oceania) Pte., Ltd.
Melbourne: Tel: 61-3-8614-1061 Fax: 61-3-8614-1060

ASIA

MOL (Asia) Ltd.
Head Office (Hong Kong): Tel: 852-2823-6800 Fax: 852-2529-9989
Ho Chi Minh: Tel: 84-8-821-9115 Fax: 84-8-821-9118
Seoul: Tel: 82-2-538-1034 Fax: 82-2-566-6591

Mitsui O.S.K. Lines (India) Private Limited
Head Office (Mumbai): Tel: 91-22-6694-6300 Fax: 91-22-6694-6301

Mitsui O.S.K. Lines Lanka (Private) Ltd.
Head Office (Colombo): Tel: 94-11-2304949 Fax: 94-11-2304730

MOL (Singapore) Pte., Ltd.
Head Office (Singapore): Tel: 65-6225-2811 Fax: 65-6225-6096

Mitsui O.S.K. Lines (Malaysia) Sdn., Bhd.
Head Office (Kuala Lumpur): Tel: 60-3-7957-9666 Fax: 60-3-7958-6763

P.T. Mitsui O.S.K. Lines Indonesia
Head Office (Jakarta): Tel: 62-21-521-1740 Fax: 62-21-521-1741

Mitsui O.S.K. Lines (Thailand) Co., Ltd.
Head Office (Bangkok): Tel: 66-2-234-6252 Fax: 66-2-237-1552

Mitsui O.S.K. Lines Philippines, Inc.
Head Office (Manila): Tel: 632-888-6531 Fax: 632-884-1766

MOL (China) Co., Ltd.
Head Office (Shanghai): Tel: 86-21-5306-0088 Fax: 86-21-6384-5936
Beijing: Tel: 86-10-8529-9121 Fax: 86-10-8529-9126
Tianjin: Tel: 86-22-8319-1951 Fax: 86-22-8319-1952
Shenzhen: Tel: 86-755-2598-2200 Fax: 86-755-2598-2210

MOL (Taiwan) Co., Ltd.
Head Office (Taipei): Tel: 886-2-2537-8000 Fax: 886-2-2523-2417

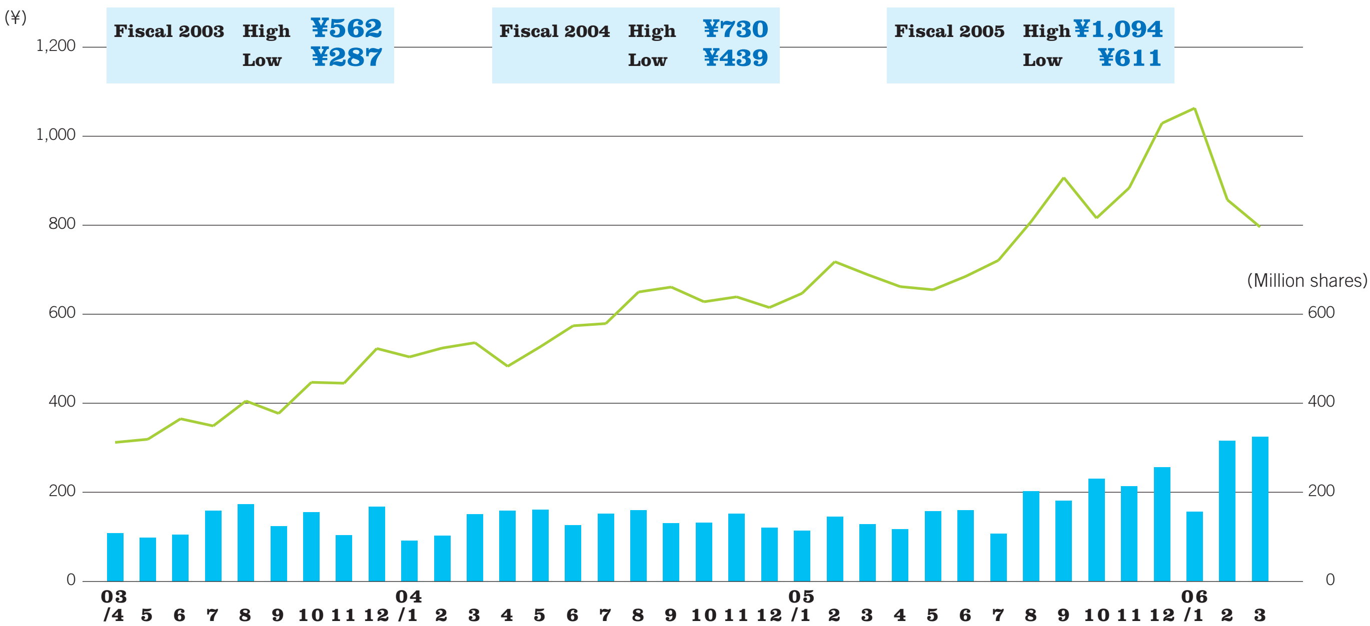
Mitsui O.S.K. Bulk Shipping (Asia, Oceania) Pte. Ltd.
Head Office (Singapore): Tel: 65-323-1303 Fax: 65-323-1305
Bangkok: Tel: 66-2-634-0807 Fax: 66-2-634-0806
Kuala Lumpur: Tel: 60-3-7954-8349 Fax: 60-3-7958-5246
Seoul: Tel: 82-2-5672718 Fax: 82-2-5672719

Shareholder Information

Capital:	¥64,915,351,028
Head office:	1-1, Toranomon 2-chome, Minato-ku, Tokyo 105-8688, Japan
Number of MOL employees:	881
Number of MOL Group employees: (The parent company and consolidated subsidiaries)	8,351
Total number of shares authorized:	3,154,000,000
Number of shares issued:	1,205,410,445
Number of shareholders:	131,050
Shares listed in:	Tokyo, Osaka, Nagoya, Fukuoka, Sapporo
Share transfer agent:	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan
Communications materials:	Annual Report (English/Japanese) Investor Guidebook (English/Japanese) Market Information (English/Japanese) News Releases (English/Japanese) Website (English/Japanese) Quarterly Newsletter *Open Sea* (English/Website) Monthly Newsletter *Unabara* (Japanese) Environmental and Social Report (English/Japanese)

As of March 31, 2006

Stock price range (Tokyo Stock Exchange) and volume of stock trade



Mitsui O.S.K. Lines

For further information, please contact:

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