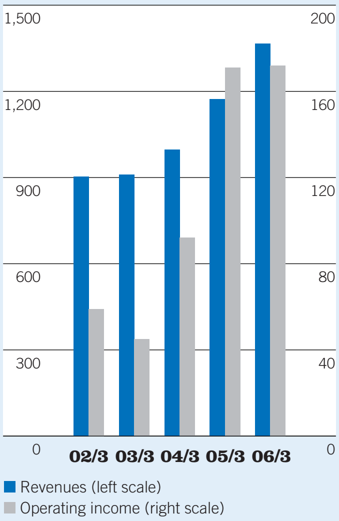
Financial Section
Management's Discussion and Analysis

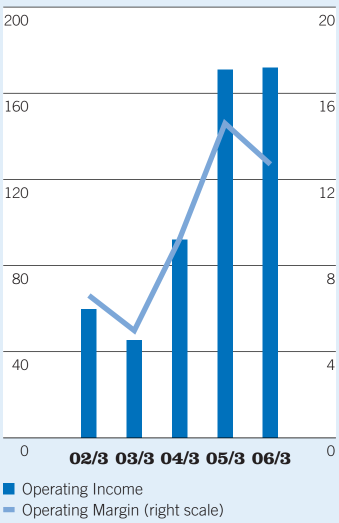
Revenues and Operating Income

(¥ billions)



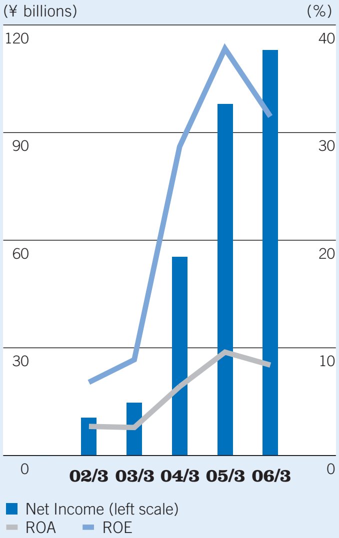
Operating Income and Operating Margin

(¥ billions) (%)



Net Income, ROA and ROE

(¥ billions) (%)



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.

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.

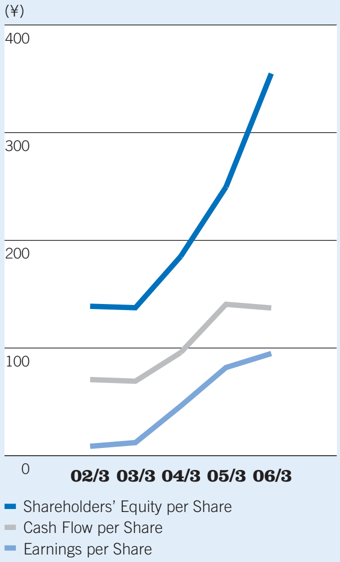
Under the MOL STEP medium-term management plan, a portion of operating cash flows was intended to be used to reduce debt and thus further strengthen the group's financial soundness. However, during fiscal 2005, priority was placed instead on capital expenditures to continue enlarging the MOL Group's 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.

Comparison of Financial Position at March 31, 2006 and 2005

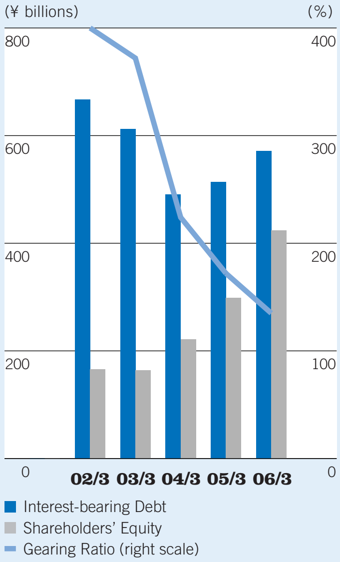
Assets

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.

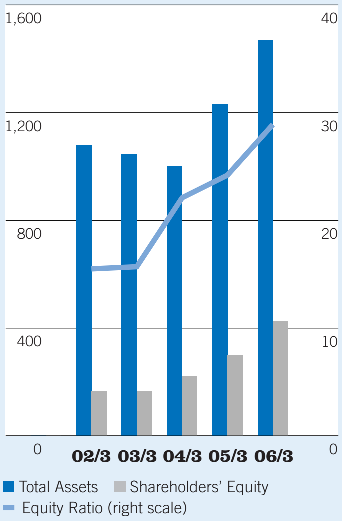
Earnings per Share, Shareholders' Equity per Share and Cash Flow per Share



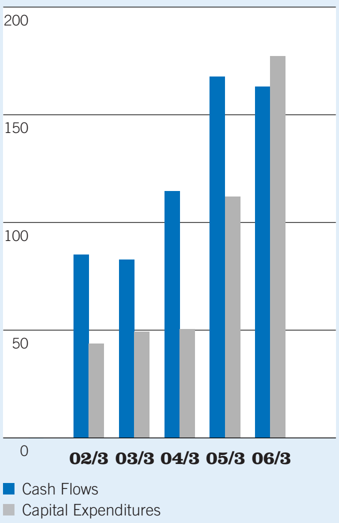
Interest-bearing Debt, Shareholders' Equity and Gearing Ratio



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

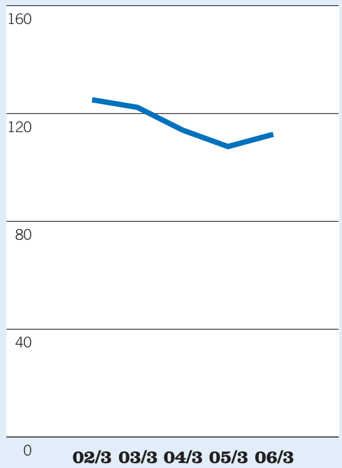
With a fleet of more than 700 vessels in constant operation around the world, there is a risk of a marine accident. To prevent accidents, MOL, based on its Corporate Principle of "protecting the marine and global environment through safe navigation," has established its own safety management system, 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.

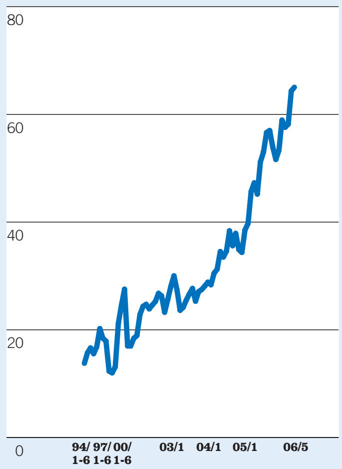
Average Exchange Rate

(¥/$)

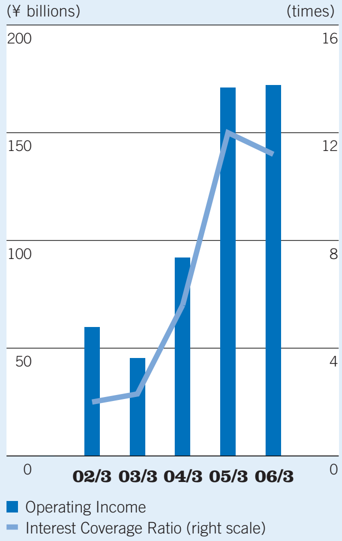


Crude Oil Price (Dubai)

(US$/Barrel)



Operating Income and Interest Coverage Ratio



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

Type	Thousands of U.S. dollars (Note 1)		
	Acquisition cost	Book value	Difference
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	Millions of yen		
	Acquisition cost	Book value	Difference
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:

Type	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
	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:

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	**¥ –**	**¥ –**	**¥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:	Container-ships	Bulk-ships	Logistics	Ferry & Domestic transport	Associated business	Others	Elimination	Consolidated
	Millions of yen							
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:	Container-ships	Bulk-ships	Logistics	Ferry & Domestic transport	Associated business	Others	Elimination	Consolidated
	Thousands of U.S. dollars (Note 1)							
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.

For the year ended March 31, 2006:	Millions of yen				
	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%**

For the year ended March 31, 2006:	Thousands of U.S. dollars (Note 1)				
	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.

For the year ended March 31, 2005:	Millions of yen				
	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